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Concert selling assets in major overhaul of $1.5 billion portfolio

By Peter Mitham

Strategic sale

Concert Properties Ltd. is undertaking a major repositioning of its $1.5 billion investment portfolio with the sale of six properties in B.C. and Ontario.

The properties, recently listed with the Vancouver office of Avison Young, include two industrial properties in Brantford, Ontario, and four office properties in B.C. The properties in B.C. are spread between Burnaby, Surrey and Nanaimo. The property in Surrey is the five-building Surrey Central Business Park.

All told, the sites offer the successful bidder 57.7 acres of land with just short of 714,800 square feet of space.

While income-producing properties have been an important part of Concert's long-term investment strategy, Concert chairman and CEO David Podmore said the current sale is an opportunity to realize the value of its existing holdings.

At the same time, there are opportunities for the successful buyer to add value through leasing arrangements as well as the development of excess land.

Pointing to Surrey Central Business Park, Podmore said the portfolio offers an opportunity to reap value from a desirable investment-grade product in a market offering limited options to prospective buyers.

"[It] is an opportunity for Concert to realize on value created in a solid investment market with a lack of investment-grade offerings," Podmore said. "At the same time, it allows us to drive value through a focus on the continued development of our income portfolio and core assets."

Watch for proceeds to be channelled into new purchases or developments, including those under development that are set to add to Concert's untendered portfolio of 77 properties.

The offering of the six properties follows deals with TransLink in which Concert acquired a three-acre development site on Southeast False Creek adjacent to the Olympic Village and in turn sold the transportation authority a 21-acre site in South Vancouver.

Consistent variation

Vancouver city planner Brian Jackson has pledged to give developers greater certainty regarding the city's determination of Community Amenity Contributions (CACs) levied during rezoning of properties, a practice that has become a major issue in the Cambie corridor.

But a recap of six rezonings in the corridor recently circulated by appraisal firm Burgess Cawley Sullivan & Associates Ltd. since 2011 suggest that negotiations to date have resulted in a fairly tight range of CAC values.

Typically, CACs aim to be approximately 75% of the projected increase in a property's land value due to the creation of additional development rights on the site.

Properties rezoned in the Cambie corridor between May 2011 and January 2013 saw the city claim contributions for off-site amenities of between $41.68 and $47.48 per buildable square foot, while contributions negotiated for on-site amenities ranged between $8.48 and $25.18 per buildable square foot. Amenities were typically rental housing units.

Burgess Cawley Sullivan principal Brady Fleguel, who prepared the list of properties and the CACs negotiated on each, said he receives regular complaints about the uncertainty the lack of a defined CAC schedule creates.

While the city had pledged to disclose what had taken place to date, Fleguel said he was moved to circulate his calculations because it hasn't yet done so.

Knowing what the actual range of CACs is should assist investors seeking development sites to factor potential CACs into the purchase prices of properties.

"The tight CAC range should allow vendors and purchasers more certainty and facilitate land transactions," he said. "Although the cooling condo market [and lower end product pricing in the Cambie Corridor, as compared to 2010-2012 expectations] will limit land assembly demand."•

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