

The Globe and Mail  
national daily newspaper  
Toronto, ON  
September 1, 2010  
Report on Business section, page B1

SECTION B WEDNESDAY, SEPTEMBER 1, 2010

REPORTONBUSINESS

# Report on Business

## REAL ESTATE

### Why bearish investors are flocking to Canada's outdoor malls

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There's a flurry of sales happening at Canada's outdoor malls, and it has nothing to do with back-to-school savings.

The malls themselves are being snapped up by investors who crave the steady returns generated by shopping centres

with large tenants such as Wal-Mart, Canadian Tire and major grocery chains.

It's not a vote of confidence in the economy. Rather, the transactions underscore the uncertain picture for consumer spending as the economy slows and unemployment remains stubbornly high. Bearish landlords are buying the

properties because the profile of the main tenants fits the tough times: They either sell consumer staples such as food, or cheap merchandise that appeals to cost-conscious consumers, meaning they are less likely to suffer a major sales decrease.

"We don't see a particularly strong recovery happening, so

this is the kind of property that we think is a good use of capital," said Simon Nyilassy, chief executive officer of Calloway Real Estate Investment Trust, which said Tuesday it would spend \$131-million to buy malls in Laval, Que., and Sarnia, Ont.

It's the first time in two years the REIT has made a

purchase, though it has expanded several of its 127 properties.

Calloway's occupancy rates dipped to about 98 per cent through the recession, and are already above 99 per cent. Mr. Nyilassy said that alone explains the high level of interest the malls are generating.

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### Even in a recession, 'people still need food and drugs'

» "We've really been out of the game for a few years," Mr. Nyilassy said. "But we find we are able to tap capital and pick up some things that we like. And there are other people at the table now - there's not a lot being built, so when something comes available, people are interested."

RioCan REIT - Canada's largest real estate investment trust and the country's largest own-

er of so-called power centres - bought two Wal-Mart-anchored properties in Hamilton, Ont., and Gatineau, Que., for \$102-million last week.

Meanwhile, in British Columbia, an unidentified private investor spent \$91-million in a deal for Surrey's South Point Exchange shopping centre in a deal that closed yesterday. The recently expanded mall has 32 tenants and is anchored by such stores

as Save On Foods, Canadian Tire, Staples and Winners/HomeSense.

The deal is the largest retail investment by a private purchaser in more than a decade in Western Canada, said Avison Young principal Bob Levine.

The deal was negotiated months ago, he said, and the buyer likely received a better price because others weren't ready to commit.

"While there have been larger sales of enclosed malls, this sale is the largest open-air mall retail investment transaction in Western Canada so far in 2010," he said.

The mall was formerly owned by Grosvenor Americas and institutional investors. They had tried to sell the property at the height of the recession, but couldn't find any takers.

The private buyer found an

old sales brochure a few months ago and asked whether a deal could be struck.

"What's happening is these properties have things like grocery stores and pharmacies," said Avison Young's Michael Gill.

"Buyers are thinking, 'If we go into another recession, people still need food and drugs.' Owners are picking up on this, and they don't mind selling if the prices are right."

## Notice of Interest Waneta Expansion

Columbia Power Corporation ("CPC") Basin Trust ("CBT"), both 100% owned corporations, intend to enter into a Partnership with Fortis Inc. or one of its subsidiaries ("Fortis") for the purposes of constructing a 335 megawatt hydroelectric generation facility ("Waneta Expansion") in close proximity to the Waneta Dam and powerhouse facility of the O'Reille River south of Trail, BC. Located downstream from the existing dam at the Waneta Expansion would share the hydraulic head and generate power that would otherwise be spilled.

The proposed structure with Fortis is the equity interests of which will be owned 51% by Fortis, which will own the Waneta Expansion.

CPC and CBT are open to considering that provide similar or improved benefits. Parties can learn more about this opportunity by visiting the website at [www.cbcbid.gov.bc.ca](http://www.cbcbid.gov.bc.ca) or by contacting Repin, Director of Communications and Relations, CPC, by email at [waneta.prc@columbiapower.org](mailto:waneta.prc@columbiapower.org) or telephone: 250-430-1310. Proposals will be accepted up to 4:30 PM Standard Time, September 13, 2010.

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