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Property Biz Canada

2012 Shapes Up as Record Year for Centurion Apartment REIT ^{new}

By [Paul Brent](#)

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For a year that got off to a slow start, just like the one before it, 2012 turned out to be the best year ever for [Centurion Apartment REIT](#) in terms of growth and acquisitions.

Deal flow picked up in the multi-residential sector for two reasons according to the Toronto-based REIT: a narrowing of the price gap between the vendors and buyers and the privatization of a monster portfolio that seemed to release a logjam of deals.

"Last year there were lower volumes, but sellers more than buyers were willing to pay so it took some time and it was a lot harder to get deals done. Then, all of a sudden, buyers came up to the sellers' mark and it has been a very stable market with very deep volumes," said Greg Romundt, President and CEO of Centurion.

The other major event of the year was the [\\$2.3-billion privatization of TransGlobe Apartment REIT](#) in June which resulted in the portfolio being divided up among a number of players.

"That fed a number of sub-transactions. TransGlobe was involved, [TimberCreek](#) and [CAP REIT](#) were involved, we were involved," said the Centurion president, who also founded the real estate company. "It was kind of feeder stock and there has been a lot of trading after that, a lot of big portfolios."

A Spring Surprise

There was little evidence that 2012 would turn out to be as frantic deal-wise. In March Centurion was forced to close its fund to new investment for three months because of a lack of acquisition prospects.

"We had really strong from investors and we just couldn't meet it at accretive prices or there just wasn't enough deal flow in the stuff we wanted to buy," he said. "And then boom, there were lots of deals and we were going crazy. Even now, the number of transactions that are available are very high."

Centurion has made about \$250-million worth of investments for 2012, easily the busiest year in its 10-year history.

Romundt is hesitant to make a forecast for 2013, given how unpredictable the current year has been. "This year was good in a few respects, interest rates stayed very low – and I still think they are going to stay low – there was very strong demand from the investor side, so the equity to purchase was there. But the most important ingredient was that I think we are at a point in the market where there is wide agreement from both buyers and sellers as to what prices are."

Private REIT Will Stay that Way

Centurion operates as an unincorporated open-end investment trust and intends to stay that way. One benefit of being private is that the REIT sidesteps the costs and management time that are part of operating as a public entity.

For investors, the key advantage of owning a piece of a private REIT is that it is a true "alternative" investment, unlike public REITs which are subject to the vagaries of the stock market. "I believe that is a theme that resonates with our investors," said Romundt.

"In 2008-2009, there was monstrous volatility in the public stock market and even in the publicly traded REITs, even though the underlying value of the real estate didn't necessarily change. There are a lot of investors who say, 'I'm in this for the long term capital growth and cash flow in between and I really don't want this monstrous volatility in my portfolio. If I am buying apartments anyway, this is a superior structure."

"There is a pretty strong demand for alternative investments," he added. "I think if anything, that demand could continue to accelerate as we have seen. Really the core issue for us is whether there will continue to be sufficient deal flow for us to be able to meet the demand of the investment dollars that are chasing this asset class."

GTA The Way

Centurion has \$350-million in assets currently, comprised of approximately 4,000 suites in 40-odd buildings with another 600 suites in its acquisition pipeline. Virtually all its property is in Ontario, with the exception of one holding in Quebec, and centred on the GTA and the 400-series of highways surrounding the metropolitan area.

"I'm a big believer in local expertise and there have been enough opportunities for us to stay very busy in our own backyard. It is not to say that we are not interested in other parts of the country, it is just that we can do deals right in our own backyard. I didn't see a lot of need for us to go elsewhere."

New CFO on Board

Last month Centurion announced that it had hired on Robert Orr as Chief Financial Officer and Chief Compliance Officer. A 20-year veteran of the financial services sector, he most recently held the same CFO/CCO roles with alternative investment manager Sevenoaks Capital Inc.

Centurion's rapid growth was the reason for the hiring. Previously Romundt handled most of the duties that are now Orr's responsibility.

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