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# The Real eState with Peter Bill

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*The surge of M&A activity among retail property REITS has "Amazon-proofing" motives. But Canada's biggest mall owner says getting smaller, not bigger, is better. Plus, reasons why Helical has got a lot smaller.*

## Bring on the Sonshine

Will Hammerson and Intu tie the knot? Will French group Klepierre muscle in, after being politely told to leave the ring? Or, will Klepierre's 20% shareholder, US Simon Group, leap in over the ropes? Is Klepierre only in the ring because rival, Unibail Rodamco, has promised to team up with Westfield? Goodness. Why so much heavyweight M&A activity this year amid providers of bricks and mortar to retailers? Easy, King Kong is in the arena in the shape of Amazon. Get big to fight back is the prevailing wisdom.

Ed Sonshine thinks otherwise. The chief executive of Canada's biggest REIT, Rio Can, owns 296 malls. This month he told Bloomberg "I am busy trying to get smaller." The 71-year-old founded the £4bn business in 1993. He wants to "Amazon-proof" Rio Can. "I learned a long time ago that having the title of Canada's biggest REIT is not something that is one of my prizes... Let's just rip down all or part of, our shopping centres and replace it with medium-rise or, depending on location, even high-rise apartments".

OK, but that's Canada. The Crown Estate owns 15 retail parks and three shopping centres. An architectural competition to dream a 2030 dream closes on 9 April. The Estate is already adroit at upping the food and dining offer on its retail parks. What next? Groovy Market Halls filled with artisanal cafes are the Next Big Thing. Rip out the interiors of that empty CarpetRight shed or old BHS store, there you have it. It will be interesting too if the winners of the Crown Estate competition share this vision.

## Store up or shed assets?

Trading with Blackstone is not recommended. The US fund earned $1.7bn profit on $3.2bn of revenue in 2017, generated from managing $24bn of real estate. Property boss Jon Gray's reward was $274m. He is tapped to run the entire enterprise. Blackstone is a pretty much always on the right side of any deal, when you look back. So, why has Gray's whale of a business swallowed 2.27m sq ft of UK sheds at a cost of £150m in a warmish industrial market? Equity investors love Blackstone. You sort of have to spend their money.

Why has relative minnow Helical sold not just £150m worth of sheds, but a total of £400m of property since last spring? Shedding one third of the £1.2bn of assets held last March is a big call. In March 2017 new-ish CEO Gerald Kaye signalled Helical's intention to "concentrate on offices in London and Manchester." Last May £13m was paid for ripe-for-development offices in Manchester. This week (26 March) a development agreement was signed with TfL to build 90 000 sq. ft of offices over Farringdon East Crossrail station.

Power transferred in 2016, from founder Mike Slade to Kaye, his long-time deputy. Slade retains influence as non-executive chairman, resting on a brilliant reputation for quietly calling the market. The Helical board clearly thought the last 12 months was a good time to sell. Helical is betting on selling offices in three or four years' time. Place your money.

*Peter Bill is the author of Planet Property and former editor of Estates Gazette.*