



BentallGreenOak betting on technology data centres with recent property purchases

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Canadian property manager BentallGreenOak is buying up data centres, betting on continued growth in the technology sector, which relies on the buildings to power their businesses.

This year, BGO has acquired two data centres, both occupied by IBM [IBM-N](#) +0.27% increase. In May, it purchased a 112,000-square-foot facility in Markham, Ont., a suburb north of Toronto. It acquired a centre in Montreal in August from IBM, which BGO leased back to the company. A BGO spokesman said the acquisitions were in the “mid-eight-figure” range, and IBM has assumed “medium-term” leases on the buildings.

Data centres are the physical powerhouses of the internet, and are used by virtually every business in the modern economy. They are vast, energy-intensive buildings lined with cables, servers, and routers that power enterprise operations such as data storage, e-commerce transactions, and machine learning. While BGO owns the buildings, they are operated by its tenants.

“All the inner guts and the operations are really run by IBM,” said Paul Mouchakkaa, BGO’s head of Canada and a managing partner at the Toronto-based company. IBM, in turn, manages IT operations for various clients at the facilities.

“Data has become an essential service and good that’s on a par with things like power, food and water,” Mr. Mouchakkaa said. “They’re not quite as much of a necessity as that, but they’re almost at that point ... We see the opportunity as trying to play on the tremendous appetite and growth in the consumption and need of data.”

The data centres are now part of BGO’s \$6-billion Canadian core real estate fund. They make up about 2 per cent of the fund, which mostly comprises office, retail and multifamily residential properties. About 10 per cent is invested in development projects, mostly of residential apartments and industrial buildings.

“Our goal here is to have stable income and appreciation over the long run that’s above inflation,” he said. “Our strategy here is really underpinned by stable income and appreciation growth.”

BGO said the real estate market for data centres in Canada is between \$10-billion and \$15-billion, and the company is interested in increasing its investment in the asset class.

“Ideally this becomes 5 to 10 per cent of our fund over a period of time,” Mr. Mouchakkaa said, noting that most data centres in Canada are owned by operators, rather than investment managers like BGO.

“We do think Canada is fertile ground for this,” he said. “You’ve got a huge financial services sector and insurance sector in Toronto, you’ve got clean power and cost-efficient power in Montreal, and you’ve got a large growing tech sector in Vancouver.”

The company is also considering building its own facilities.

“It’s not on our radar today yet to do development, but if the right opportunity came up, we would develop one of these, ensuring that we would have a core income stream in the future.”

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