

Conservative approach yields dividends

Real estate mogul builds \$500-million portfolio

Peter Mitham

Eighty dollars is all **Kevin England** had when he arrived in Vancouver, but a practical attitude and conservative approach are paying off for the West Vancouver real estate investor.

His company, the 16-year-old **England Group**, manages more than 5,000 apartments in 19 properties that it owns in B.C., Ontario, California and Texas. Valued at approximately \$500 million, the portfolio generated revenues of \$64 million 2002.

Profits are distributed among investors who buy shares in the properties through **Cartier Partners Securities Ltd.**, **Dundee Securities Corp.** and **Money Concepts**.

"I built a very successful business by not being greedy and making sure

that everybody was winning in the deal," England said.

Kevin's brother **Garry**, who is based in Toronto, is asset manager of the company. A meagre staff of six and a spartan office overlooking West Georgia Street gives little indication of England Group's extensive holdings, which include the 502-unit Maple Leaf Quay complex in Toronto. Similarly conservative performance forecasts have ensured investor returns generally exceed expectations.

A graduate of Ottawa's **Carleton University**, England learned the real estate business through positions with **IBM** and various real estate developers, eventually becoming syndication manager for Winnipeg-based **Qualico Developments**.

In 1987, when Qualico's founder retired, he formed the England Group.

Rather than make money from management fees, as many syndication companies do, the England Group receives a fifth of profits while investors receive the remaining 80 per cent. In addition, investors receive a return of at least 10 per cent a year if a property is sold or refinanced.

Extensive due diligence on new acquisitions also contributes to a strong portfolio. England points to a two-inch binder filled with information on the **Milano**, a 330-unit property in Houston acquired in December 2002.

"We pick a property with good bones," he said, noting he prefers properties requiring few renovations. He spends cash on maintenance instead.

"The more you cater to a tenant the more they will like living with you and will pay higher rents."

This includes laying down new carpets to improve appearances and adding gyms in all buildings — even the **Lakeside Gardens** seniors' complex in Nanaimo. Acquired in 2000, the Nanaimo property is also unique because the numbers worked, something England said is rare in B.C.

"It's going to be very difficult for Vancouver apartment properties to compete on an investor basis with a Dallas or a Houston or even a Toronto [property]," he said, explaining the

Vancouver buildings don't generate enough revenues in relation to purchase costs. And, with an average annual gross internal rate of return of more than 25 per cent a year, England has a standard to maintain — especially in a market where real estate investments are hot.

"Most people haven't exactly had a pleasant experience with financial markets in the last three or four years, so real estate is a growing attraction," said **Robert Stanger**, chair of the New Jersey real estate investment bank **Robert A. Stanger & Co. Inc.** and an expert on partnership investment and the formation of real estate investment trusts. He said the England Group's holdings make it a modest player in the U.S. market, but he praised its performance.

"I can't think of anybody who's produced a track record like England," said **Cartier Partners** president **Michael Nott**, adding that England provides financial reports on time and makes consistent payments. Both of those traits have fostered trust in the firm, said Nott. He added that in a couple of instances where returns have not been as expected, England has reduced his own return to boost payouts to investors.

"He has gone to the extent of sacrificing his own management income on the property just to make it go right." ♦

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Steady approach: One of England's properties is Maple Leaf Quay in Toronto