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Who's
Who 2015

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this year's ranking

SOARING TO NEW HEIGHTS

Skyline's Jason Castellan has sights set on future growth

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THE SKY IS THE LIMIT

By Erin Ruddy

From Guelph, ON, to Dawson Creek, B.C., Skyline Apartment REIT continues to break new ground and soar even higher, securing its place among Canada's top performers in our annual Who's Who. Jason Castellan, Co-Founder & Chief Executive Officer, advises that this is only the beginning—experience and a clear focus is leading Skyline's ambitious team to new heights.



Skyline Apartment REIT Facts and Figures:

Current IFRS value of \$1.3 billion
 142 properties
 46 communities
 6 provinces (AB, BC, NL, ON, QC, SK)
 11,935 suites
 643,650 square feet of commercial space

The Skyline story isn't new, but like any inspiring story, it's certainly worth repeating. In the late 90s, three enterprising university students rented out the upper bedrooms of their student rental home as a way to earn some spare cash. Today, those same three individuals head up one of Canada's fastest-growing real estate companies, the Skyline Group of Companies, with nearly \$2 billion in assets under management.

For this issue of *Canadian Apartment Magazine*, I had the pleasure of speaking with Jason Castellan, Co-Founder & Chief Executive Officer of the Skyline Group of Companies. Named one of Canada's "Top 40 Under 40" in 2008, and one of the country's 40 Most Promising Entrepreneurs by the Ivey School of Business, Jason is the embodiment of entrepreneurial drive and achievement, qualities he says he shares with his business partners, brother Martin Castellan and good friend Roy Jason Ashdown.

Holding degrees from both the University of Guelph and York University, Jason resides near the charming city of Guelph where the Skyline head office has laid its roots. Coming in at number 13 in our Who's Who list of top performing companies, it seemed fitting to feature one of the brains behind this booming operation as our issue's Industry Influencer.

About the Skyline Group

The Skyline Group of Companies is comprised of several entities that oversee its real estate investment, development, asset management and property management interests, including a Wealth Manager, an Asset Manager, a Mortgage Financier, and a Property Manager. Each of these entities is fully owned and operated by Skyline, and exclusively serves the company's three private REIT investment portfolios: Skyline Apartment REIT, Skyline Commercial REIT and Skyline Retail REIT.

You and your business partners go way back. Tell us how it all began.

We launched our student rental business in Guelph in the early 90s, while we were students ourselves. It started as a way to offset our own rent; we'd sleep in the basement and rent out the upper bedrooms to other students. Then, one by one, we started buying houses. We'd finance them, maintain them, and do the whole "A to Z" in terms of managing them. Eventually, we obtained our real estate licence and became our own best customer.

Once we amassed 52 houses, we found that they'd become very cumbersome to manage. We realized an apartment building could give us 52 units under one roof, with just one lawn to cut, one furnace, etc. However, this also meant bigger costs. In 1999, we started syndicating—bringing on investors to help us buy apartment buildings. Then, in 2005, we discovered that managing those pools of investors was getting cumbersome as well. So, in 2006, we amalgamated the properties and launched the Skyline Apartment REIT, with \$83.9 million in real estate assets under management.

How has your company evolved since then?

Two years ago, we crossed the threshold of \$1 billion dollars in assets. We've internalized our management function, which has been an important efficiency and a great benefit to our unitholders. Everything is clearer today—we know what works and what doesn't. We have a great team that specializes in all areas of the business: from making acquisitions and raising the capital needed for them, to doing the due diligence, to mortgage financing, to property management. In the past few years, we've entered many additional markets across Canada, and are actively looking at opportunities to grow.

How has your close relationship with your business partners (one being your sibling) affected your success?

The disadvantage of working with your brother is that you fight like brothers; the advantage is that you get over things quickly. Marty is good at burying the hatchet, while I'm the hothead. And [Roy] Jason, well, we've been partners for so long, it's like he's a brother too. We're a good mix, and that's been a big key to our success. We are able to grow and achieve much more as a group, using all our strengths, then we would have been able to do alone.

Student housing has been a big story lately. As pioneers in the field, what are your thoughts on the surge of development?

In Skyline's early years, we were buying student rentals on very thin margins, gauging the profitability by how many cases of beer we could buy. We kept it very simple with basic housing; we did not have a deep business plan by any means. Times have changed; students aren't as independent as we were, when we were operating student rentals, and there are countless services and amenities catering to their needs, plus premiums that are being built into the properties. Student housing is not an area of interest for us anymore; we're more about value investment.

What types of acquisitions does Skyline focus on?

Our bread and butter is the secondary and tertiary markets—cities like London, Kingston and Windsor, which we like to call "OHL hockey towns." We don't have any Toronto properties, and for a good reason: we are avoiding competition with the institutional, publically-traded entities. We also like to buy at a reasonable size and scale. If we already own several assets in a community, we may go for the smaller buildings, but if we are just venturing into a new community, we need larger-scale acquisitions to be able to gain traction.

Does Skyline have any plans to build?

We don't build; we have people build for us. We can make a strategic partnership with any developer, whereby we'll help finance the developer through the development process in order to take the financing burden off their shoulders. This way, they can do what they do best—build—and then when it's ready we'll begin takeover for that project.

What do you, as CEO, consider your biggest success to date?

I'm very proud that Skyline was recently recognized as one of Canada's Best Managed Companies. Those are nice awards to receive—they speak to the talent of the people inside this company. We started with just the three of us, and have grown to a staff of over 500—so many of whom are just as passionate as we are about this business. We have a clear focus now of what we need to do together, and I think that's a success.

What are some of the challenges you've faced?

There have been many challenges for us along the way, but I think the biggest challenge recently is that cap rates have come down, and, as a result, we are paying a lot more for our buildings. We have to look at how we can finance them over a long enough term, so that even if we're paying top dollar for them, by the time they come up for renewal, we're further ahead by owning than if we'd waited for better times and lower prices. We are still buying presently, so we do feel that the value is there, but cap rates have compressed so much that we're paying at the highest end that we've ever seen in the apartment business. Coming to grips with balancing those rates, and the terms of those mortgages, is the challenge. That being said, if everything comes together for Skyline as it's supposed to, this year (2015) will be our biggest year of buying.

What would you say makes Skyline unique from its competitors?

There are many other companies like ours that buy in secondary and tertiary markets, but when we buy, we plan to be the last owner of the building. We don't have an agenda to sell. We are an inward company, and, as we get bigger, we will bring services in-house as much as possible. We enjoy the control and agility that comes with having our hands on all aspects of our business. Vertical integration and a full-service business model is what we are about.