

Q+A: Hagedorn on BGO's PBR fascination

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The firm targets 'micro-markets' for rental property acquisition



Adam Hagedorn

BGO has long been a proponent of purpose-built rental investment.

Last month, the firm [took ownership](#) of two prominent Canadian apartment properties in separate transactions: Pivot, in Toronto's bustling Yonge-Sheppard neighbourhood, and The James at Harbour Towers, near Victoria's waterfront.

The acquisitions reflect BGO's long-term domestic investment strategy, which prioritizes high-quality, well-connected rental properties in attractive neighbourhoods and micro-markets.

Green Street News sat down with BGO managing director Adam Hagedorn to discuss the acquisitions and explore the thinking behind the firm's enduring interest in Canada's purpose-built rental sector.

What drives BGO's conviction in purpose-built rental?

We like the sector because it provides recurring income and long-term exposure to economic growth. From an investment perspective, we look at differentiated assets, with a focus on micro-markets where the fundamentals, we believe, will hold up strongly over a longer ownership period. We're not looking at a market as a whole; people like to live in certain pockets of cities and communities.

In regard to Pivot and The James, these high-quality assets are close to employment, transit and daily amenities. We view those surrounding areas as nodes where renter demand is going to be more durable and supply harder to add.

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Our investment case doesn't really depend on rent or occupancy in a particular quarter, or a rebound in the next 12 months. We're looking at how an investment fits within the market, and from a returns perspective, over 10 to 20 years. Near-term caution in multifamily is definitely a reasonable hypothesis.

Both Pivot and The James were in the high-90% occupancy range at closing, despite what we've seen as a pretty soft market nationally for multifamily housing. So we feel confident about the projection for the next 12 months, and a little more optimistic after that.



The James at Harbour Towers (Image: Cushman & Wakefield)

The James was a hotel that was converted into an apartment building. What attracted BGO to it?

We really liked the building itself. The prior owner undertook an extensive capital program – including suite renovations, upgrades to major building systems, significant facade work, window replacements and more.

We also dug heavily into the James Bay node and found there's very limited additional supply in the development pipeline. We looked at the operating history of The James, and this asset has realized performance in the high-90%-occupancy range since its stabilization post-conversion.

This specific sub-market, or pocket, of Victoria hasn't seen the same supply-demand imbalance we've seen in other major markets across Canada. We feel quite confident that continues into the foreseeable future, alongside a high-quality, highly amenitized building.

Was it always the plan to acquire full ownership of Pivot?

When we bought the initial interest in Pivot, our plan was to be long-term partners with RioCan. We already partner on a number of retail sites across Canada, and this was our first partnership on an apartment asset.

Their plans, in terms of apartment ownership, changed. They've spoken publicly about their desire to get out of multifamily and be more focused as a pure-play retail operator. So this opportunity came about due to their desire to seek liquidity, and we were obviously excited about the chance to acquire the asset.



Pivot (Image: BGO)

Most JVs have typical mechanisms to ensure liquidity protection, and we worked collaboratively to find the solution they needed. They were looking for liquidity, and we were able to land at a price we thought was attractive.

How will BGO manage the acquired buildings?

BGO Properties will continue to professionally manage The James, and we'll continue with Rhapsody Property Management on Pivot. Artificial intelligence is becoming a very important part of how we do business at BGO, both from a property management perspective and for investment management, such as when we're reviewing deals and running sensitivities and scenarios on investment performance.

A lot of property management comes down to dialing in your operations so they're highly efficient. A significant component of operating a multifamily building, from the cost side, is fixed. You're not going to get cost savings on

property taxes or insurance from AI, but there are other opportunities to optimize building systems and resident engagement and communications, which we think leads to greater tenant satisfaction and, ultimately, higher NOI.

What other markets are you looking at for PBR investment?

We look at markets where we have experience or an understanding, and a key point is ensuring there's enough institutional scale to operate efficiently.

For secondary markets, population and employment growth, a deep renter base, perhaps an affordability gap between renting and owning and access to transit or amenities are the key factors. Transit connectivity means different things.

I'd point to The Camby, which we purchased recently in Cambridge, Ont. – it has a local bus network rather than a subway system, but its proximity to Highway 401 and the highway corridor servicing the Waterloo region was exceptional, and we viewed that as complementary to what that tenant base would be looking for.