

Property

Edited by: rharley@afr.com.au

Breaking news at www.afr.com

Moss picks independents for Office REIT

Robert Harley and Gretchen Friemann

Moss Capital has nominated the four independent directors who would join the board of the manager of the Charter Hall Office REIT if Moss Capital's bid to take over management is successful.

Moss Capital is seeking to take over the management of the \$1.6 billion fund at the behest of US hedge funds Orange Capital, Point Lobos Capital and Luxor Capital, which are agitating over the trust's performance and governance.

They four are the chairman of the NSW government's Investment & Planning task force, Christopher Brown; the retiring chairman of Racing NSW, Alan Brown; the managing director of Governance Advisory Services, Greg Goodman, and a former partner of PwC, and now M&A consultant and director, Tony Wheby.

Mr Moss said he looked forward to working with them to bring the highest standard of governance to the Charter Hall Office REIT.

"We will have a majority of independent directors on the board,

along with an independent chairman, who will work to realise value for unit holders," he said. "In the event the strategic review (proposed by Moss Capital for the trust's Australian business) determines that the best outcome for unit holders is to own the trust's assets and manage them for the medium term, we will give unit holders the opportunity to vote on and approve the independent directors."

Moss Capital's challenge became harder this week when large proxy advisory firm ISS Governance advised its clients to vote against a

change of management at the meeting to be held on July 27.

ISS described the choice as "unattractive" with the current governance "sub-optimal". The firm declared in favour of the incumbent because of the uncertainty surrounding a change of responsible entity to Moss Capital.

Key risks identified included the possibility of default on financing, the risks associated with co-ownership and insufficient resourcing.

Moss Capital chief executive Glenn Willis said he was disappointed that Moss Capital had not

made clear that it had the capacity to manage the trust.

"We are very confident that between us and Fortius we have the capacity to manage the assets, and implement a strategic plan that unit holders vote on," Mr Willis said.

He said the banks would likely maintain the trust's "quality debt" and he assumed that co-ownership agreements would not prejudice unit holders.

Another major proxy advisory outfit, CGI Glass Lewis, is expected to back the incumbent manager when its report is published.

No takers for our golden soil

Scott Elliott

Residential land sales have plummeted by over 40 per cent across Australia, raising concerns for the future health of the building industry.

The Housing Industry Association (HIA) said the residential construction sector would remain in the doldrums until at least December after the worst stretch for land sales in about a decade.

"The continuous and substantial decline in land sales volumes since late 2009 is a further indication that new home starts could reach one of their lowest levels seen since the mid-1990s," said HIA chief economist Harley Dale.

A joint report produced by RP Data and HIA found the number of residential land sales had dropped for the sixth consecutive quarter in March 2011.

However, some of the nation's largest developers report solid sales results from their land subdivisions.

The median land price across Australia increased by 0.8 per cent to \$193,980 over the quarter compared with \$159,611 in regional parts of the country, the RP Data/HIA report said. The tempered price growth follows a 6 per cent fall in land sales over the March 2011 quarter, or a 43 per cent decline when compared to the corresponding period last year.

The reduction in land sales was hardest felt in Brisbane and regional Queensland, Mr Dale said.

"We are, however, hearing some stories from across the Sydney and wider NSW market that suggest things are improving from an awfully low starting point," he said.

Greenfields Development Corpo-



That empty feeling ... the fall in the volume of land sales augurs badly for new home starts.

Photo: ROB HOMER

ration, which has more than 12,000 lots under development in Sydney's south-west, said sales rates were stronger than those suggested by the HIA.

Planning constraints continued to prove a stumbling block to land supply across Sydney's residential land market, Greenfields Development spokesman Laurie Rose said.

"In the general Sydney market, the sales rates are very low and so too are the number of active developers and most of them are unable to get the land fully developed before they run out of stock," Mr Rose said.

Villawood Properties director Rory Costelloe said last year's interest rate rises had crimped Melbourne's land market, which had contracted since the highs of the first-home buyer boom.

Land-locked



SOURCE: RP DATA, HIA

RP Data national research director Tim Lawless said the number of dwelling approvals looked set to slide in line with fewer land sales.

"Vacant land sales are one of the best leading indicators of future

home construction," Mr Lawless said. "With the number of vacant land transactions this low we can't expect any real improvement in the number of house starts over the short to medium term."

Pacific First plans foiled by soft Gold Coast market

Ben Wilmot

The former City Pacific mortgage fund will delay plans to make a capital repayment in October, blaming poor conditions in the Gold Coast property market.

The Pacific First Mortgage Fund (PFMF) will also seek to sell or find institutional backers for the \$650 million Marthia Cove development in Victoria.

The fund manager also flagged plans to examine former City Pacific executives in the NSW Supreme Court over their management of the fund, in August.

The developer of Marthia Cove was the largest of the City Pacific related parties that borrowed from

PFMF. City Pacific managed the fund until mid-2008 when disgruntled unit holders effectively replaced it with Balmain Trilogy.

The fund is aiming to repay \$295 million to unit holders by October 2012 through a series of capital repayment instalments. But it warned it was being hampered by the "significant oversupply" of units and the fall in demand for vacant land on the Gold Coast.

The fund's assets are heavily concentrated in Queensland, with 75 per cent on the Gold Coast and a focus on development land.

The manager will now complete \$35 million of payments planned for April in September and October. A payment targeted for

October will be pushed back to November and December. The manager trimmed its fees because of the delay.

Balmain Trilogy is still committed to an orderly realisation

The fund's assets are heavily concentrated in Queensland, with 75 per cent on the Gold Coast.

of fund assets and said it had rejected offers at fire sale prices. More than 344 properties have been sold generating over \$190 million.

This has helped it cut its debt to the Commonwealth Bank of

Australia by about \$63 million.

The fund will soon kick off an international expression of interest campaign for the sale of the Marthia Cove assets but it cautioned that a sale could be at less than current book values.

The Victorian marina project was placed in receivership in 2009. The fund controls much of the precinct, where about 1100 residential dwellings and 600 marina berths were planned.

Trilogy started NSW Supreme Court proceedings in March to investigate the role that the failed City Pacific played in managing the fund. Summonses were issued in March and hearings are expected in late August and September.

Watpac seals \$20m sale

Wesfarmers subsidiary Bunnings has purchased two hectares of land at Newstead, Brisbane, from listed developer and construction company Watpac for \$20.6 million. Bunnings bought the 9400 square metre site within Watpac's Newstead Circle project. Subject to council approval, Bunnings intends to develop a multi-level warehouse with a total store size of more than 14,000 sq m, including an outdoor nursery and basement parking for more than 300 cars. Watpac managing director Greg Kempton said the Bunnings deal brought total property sales achieved by the company in the past year to \$120 million.

Matthew Cranston

Toga links with LaSalle

Global property giant LaSalle Investment Management has linked up with Sydney's Toga Group to develop 561 apartments in Herring Road at Macquarie Park, the regional centre in the city's north. The project has all approvals and the first stage is to start later this year. LaSalle already has two residential joint ventures in Sydney with "best of class" developers - at Erskineville with Leighton Holdings and at Clemington Park with the Australand Property Group. The Toga Group has a \$600 million Sydney development book, including the conversions of the Mansion and Hampton hotels in Potts Point and the Hakoah Club redevelopment in Bondi.

Robert Harley

Capital deal for Norwest

Capital Corporation has started another project in Sydney's Norwest Business Park. It will be a seven-level tower with 11,000 square metres of office space (85 per cent of it pre-leased), a showroom and 106 serviced apartments, to be managed by Toga Hospitality as the Medina Apartments Norwest. Significantly, the project is the first redevelopment in the 20-year history of Norwest.

Robert Harley

EPN's EDT bid succeeds

The bid by the US-based EPN for the \$420 million EDT Retail Trust closed yesterday with more than 90 per cent acceptance. After months of debate, and an angry meeting, the hedge funds sold into the bid at 9¢ a unit.

Robert Harley

Qld opens Green Door

The Queensland government has released the Green Door policy under which it will work with local government and referral agencies to speed development approvals that demonstrate exceptional sustainability performance. Green Building Council of Australia head Romilly Madew expressed concern about the rigour of the system and "potential for perverse outcomes".

Lisa Carapiti

FBA 054