

Capital expands further in Sydney

Robert Harley

Sydney property developer Capital Corporation has extended its development portfolio to Macquarie Park on the city's north shore.

The group has bought a site in the heart of the burgeoning development from Local Government Super for \$15,788,000.

Capital Corporation managing director Steve Grant said the lack of competition for development sites had allowed his group to spread its focus beyond its home turf in Norwest Business Park, a little further distant from Sydney's CBD.

KEY POINTS

- The group has bought a site at Macquarie Park for \$15.8 million.
- It says it has taken advantage of a lack of market competition.
- And it is still in acquisition mode.

The group still has development under way at Norwest, where it controls sites for about 70,000 sq m of development and is about to start the \$75 million Atlas Norwest.

But Capital also now has footholds at Parramatta, Olympic Park and Macquarie Park.

Mr Grant said the company's strategy was to acquire properties with strong redevelopment potential throughout Sydney.

"We can offer our clients a range of locations," he said.

Capital's Macquarie Park acquisition is at 63-71 Waterloo Road, next to the proposed Macquarie Park Station precinct and adjacent to Central Park.

Ultimately the 1.8 ha holding will be redeveloped but in the meantime Capital will have the income from two buildings leased to TPG Internet and Bard Australia.

Both leases have been extended for another five years to show an initial

yield of 8.7 per cent, and up to 9.4 per cent when the buildings are fully leased.

Mr Grant said the key factor driving the purchase was the redevelopment potential.

"We are excited about the vision that City of Ryde Council has for the Macquarie Park corridor and look forward to working with them to realise this shared vision."

Established in 1992, Capital Corporation has around \$300 million worth of property under management.

Mr Grant said the group was still in acquisition mode.

"We are keen to examine other similar opportunities," he said.

"We've seen a number of great opportunities becoming available this year and are busy working up several joint ventures to secure more sites that have outstanding development upside..."

The Atlas Norwest project, which is due for completion next year, will comprise approximately 15,000 sq m of showroom and offices.

Mr Grant said the project was already 55 per cent pre-committed.

And he added that February had been the "strongest month of sales to date".

Brookfield Multiplex plans \$4 billion office float

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tier CBD markets. The portfolio is dominated by about \$2 billion worth of towers in Sydney, including the new Macquarie Group building at King Street Wharf.

This is followed by Melbourne, where the group has about \$900 million worth of assets, including the Southern Cross East tower. In Brisbane it has more than \$400 million worth of office properties.

The group has about \$250 million of offices in Perth but this will be augmented by the completion of the \$600 million City Square in Perth that BHP Biliton will occupy.

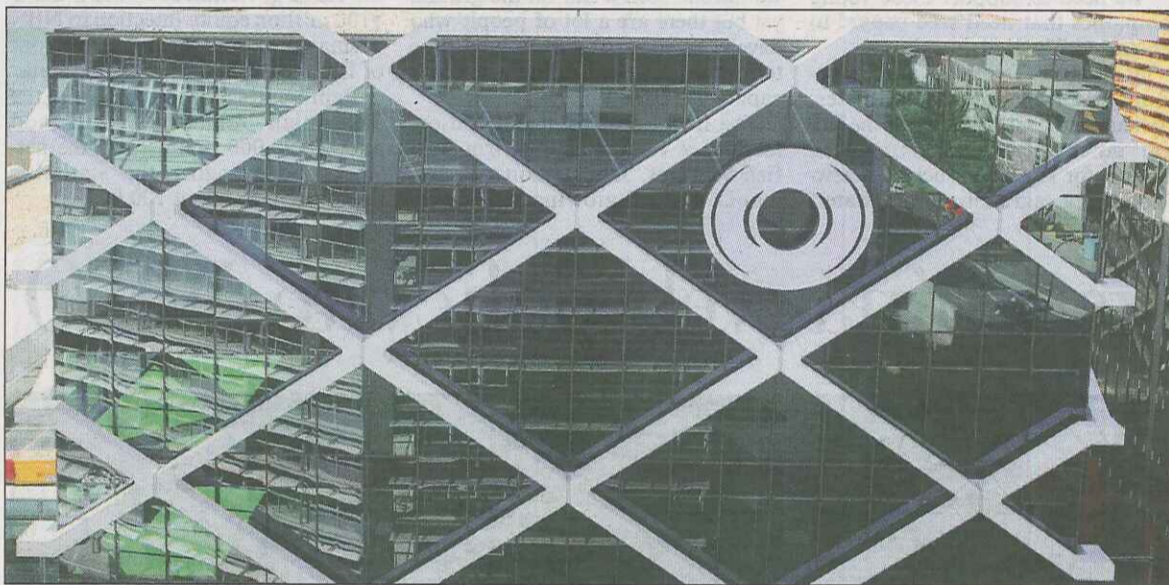
The plans by Brookfield Multiplex were first revealed by *Dealbook* on afr.com.

Brookfield Multiplex declined to comment yesterday but the group's chief financial officer, Tim Harris, last month indicated the group had a bullish outlook for its office portfolio, as rents increased by about 4 per cent over 2009.

"In the commercial property sector we are confident we are approaching the bottom of the cycle," Mr Harris said. "Our portfolio consists predominantly of premium assets in the major CBDs of Australia."

"As the market recovers we see there will be a premium on quality assets with quality tenants and cash flows. This puts us at the forefront of recovery and positions us perfectly for growth."

JPMorgan analyst Rob Stanton



Brookfield Multiplex has more than 800,000 square metres across the nation's top CBD locations.

said the listed real estate investment trust sector was "overweight" retail property and had too low a proportion of office property at time when "it looks like office assets are cheap".

"There isn't the kind of exposure that you might expect in the sector to office assets," he said. "Yes there is demand and it should be reasonably sizeable."

But Mr Stanton said the biggest challenge for the funds was that existing office trusts, such as Commonwealth Property Office Fund, were

trading at double-digit discounts to net tangible assets.

Local fund managers also cautioned that there were challenges facing any new market listings.

ING Investment Management director Justin Blaess said: "Property vendors should all look at the Investa Property Group experience. It's going to be a challenge to get us to pay a premium when comparables are trading at a significant discount."

Investa Australia Office Fund's slated \$1 billion offering, advised by

Macquarie Capital and Morgan Stanley, was pulled in December after investors balked at the pricing and structure. Investa had priced its float at \$3 a unit, which was a premium to asset backing and a big stumbling block to institutions at the time.

Canada's Brookfield Asset Management took over the then listed Multiplex Group in mid-2007 and has since taken heavy write-downs on the portfolio, but has emphasised its desire to build up its local business.

TOWERING AMBITION

Brookfield Multiplex office assets:

Sydney

- Macquarie Group Building
- Ernst & Young Centre (50pc)
- Darling Park (30pc)
- Jessie Street Centre
- Sydney Water Headquarters

Melbourne

- Southern Cross East Tower
- Southern Cross West Tower (50pc)

Brisbane

- AMP Place
- CBA Building
- ANZ Centre (50pc)

Perth

- City Square (under development)
- BankWest Tower (50pc)
- Ernst & Young

Auckland

- Deloitte Centre

Debt refinancing is looming and as Brookfield tends to manage assets, rather than own them outright long-term, a partial exit has been widely speculated. Brookfield Multiplex last year marketed a \$1 billion wholesale fund, but that did not proceed.

If the offer goes ahead as expected, it will easily be the largest property float so far. Despite high expectations towards the end of calendar 2009 that there would be many property groups lining up to list on the Australian Stock Exchange, few have eventuated.



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