

Australian Property Markets News & Views

A review of last weeks property transactions and AREIT activities.

30 June 2017

TPG seek RE on AJD
Moelis to Package & List Redcape Hotels
Dexus in Healthcare JV

3/7/2017

Welcome to this weeks Property News.

This week was the week for non core assets with 360 Capital making a play on the Australian Pacific Data Centres, Moelis acquiring the Redcape portfolio of Hotel assets and Dexus making a move into the health care sector. Each of these moves involve Investment Managers pursuing assets which occupy a specialist space with yields which often reflect traditional core properties.

Unfortunately, specialist sectors are not deep markets and when cycles turn, there are few buyers in the market to acquire such assets resulting in a higher likelihood of reduced values, something that is unlikely to have been priced into their acquisition. This typically means that investors in these sectors will need to have a 10-15 year horizon and carry gearing at lower levels than traditional real estate.

This week capped off the 2nd Quarter with \$10.7B of transactions which easily eclipses last quarter's \$6B result. Total value of sales for the 12 months to 30th June was \$31.8B, an increase of 10% on the 12 months to 31st May 2017. We will provide a full wrap up of each sector in the coming weeks.

CMA aims to assist real estate investment managers and clients to add value to their investment decisions with relevant market based advice. We value your relationship and hope that we can be of assistance to you. If you require any strategic advice, market insights, transaction report or individual REIT assessments, please feel to contact us.

Warwick Petschack
Managing Director



Capital
Management
Australia

☎ 0412 173 476
📍 PO Box R1254, Sydney 1225
🌐 www.cmaust.com
🌐 LinkedIn

Property Transactions

This week, we recorded over \$1.5B of transactions across 44 assets predominantly in the Hotel sector.

The largest deal was the acquisition by investment house Moelis of the Redcape portfolio of 25 Hotels for \$677M. Redcape plan to list the portfolio next year. In the same sector, Charter Hall Long WALE REIT Investment Partnership with HostPlus acquired a further 3 Hotel assets for \$23.2M on a 6.3% cap rate and Gallagher Hotels bought one Hotel and sold another.

We also take a look at the Australia Post sale at Spencer Street for \$347.8m and several shopping centre transactions and 2 metropolitan commercial asset sales. [Continue reading....](#)



Fund News

Health Care Properties

Dexus announced this week that it has entered into a joint venture with Commercial & General (C&G) for the purpose of establishing a new wholesale unlisted healthcare fund. The new fund, will be seeded with approximately \$370 million of properties including the Adelaide Calvary Hospital (57,000sqm under development) and GP Plus Healthcare Centre (4,600sqm) in Adelaide which Dexus acquired back in February on a yield of 5.78%.

Dexus will co-invest approximately \$80M in the JV and will become the Responsible Entity of the Fund. The JV will form a jointly owned Investment Manager and pursue other development opportunities in the C&G pipeline.

Others in the Healthcare space are Australian Unity who raised \$170M in May for a HealthCare Property Trust. ([Read More](#)) and Barwon Investment Partners ([Read More](#)) who sought to raise \$500M in Q1, 2017.

360 Capital Group seek RE role on Australia Pacific Data Centres

Tony Pitt at 360 Capital Group has built up a 19.9% stake in the Australian Pacific Data Centre REIT and this week launched a bid to wrestle control of the trusts' Responsible Entity. The trusts' management is internalised, so 360 Capital have to demonstrate to the unit holders that placing control in the hands of 360 is in the interests of all unit holders rather than with the current independent Board. 360 Capital claim that the current Board haven't been pro-active in managing the balance sheet and will seek to increase the gearing from 9.5% to 34%, releasing \$0.45 per security, provide a reduction in management costs, increase in the distribution yield from 5.7% to 6.8% and undertake a strategic review of growth options. 360 Capital have called for a meeting of investors on the 28th July. The Board of APDC are due to respond to the proposal.

Two of 360 Capital Groups investors, Aurora (backed by activist by Nick Bolton) and private equity group CVC, were reportedly unhappy with the capital raising 360 Capital undertook earlier in the year. Aurora did not participate in the capital raising and were diluted from



11% to 8.4% whereas CVC lifted their stake from 9.8% to 15.1%. CVC but were unhappy with 360's creation of a Mezzanine Fund business which CVC will be competing with. The two unhappy campers can join together to force some changes in 360 if desired.

Meanwhile 360 Capital also has their eye on Industria REIT controlled by APN Property Group. Perhaps APN Group may counter attack - such are the dangers of a listed market.

Other News

- [Industria REIT](#) issued a letter to unit holders with details of recent improvements in the portfolio.
- [Carindale Property Trust](#) announced a distribution of 20.1cents for period ending 30th June.
- [Goodman Group](#) announced a distribution of 13.2cents for period ending 30th June
- [360 Capital Group](#) announced an increase in forecast operating earnings to 6 cents per security, an increase of 13%.
- [Australian Unity Office Fund](#) announced an increase in the valuation of 4 of its assets showing an increase of \$21M or 8% over the previous value based on a weighted average cap rate of 7.5%.
- [Centuria Industrial REIT](#) announced an acquisition of 2 assets for \$65M with an associated capital raising of \$35M fully underwritten placement including \$28M by the Lederer family.
- [Dexus](#) announced the acquisition of an asset in Mills Rd Braeside for \$50.6M from PropertyLink. Dexus also announced a change in their constitution to enable the AMIT rules to apply.
- [Elanor Retail Fund](#) announced that 3 of its 5 properties had been revalued with an increase of 7.2% increase following a 50Bp sharper cap rate to an average of 7.2%.

Investment Opportunities

CMA is currently sourcing capital for the following Investment Opportunities. If you would

like more information, please contact us [here](#)

**Senior Debt
Construction &
Holding Facility**

\$60M
4 Year Term
60% LVR

**9%
Return***

**Senior Debt
Sydney Short Term**

\$15M
1 Year Term
55% LVR

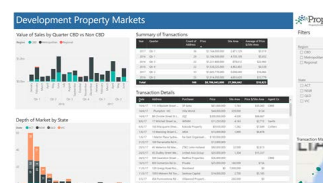
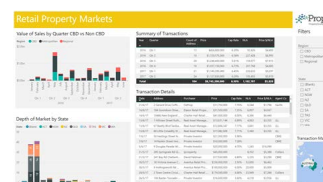
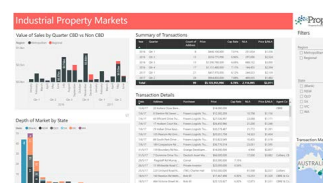
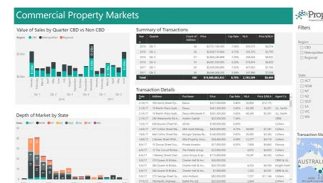
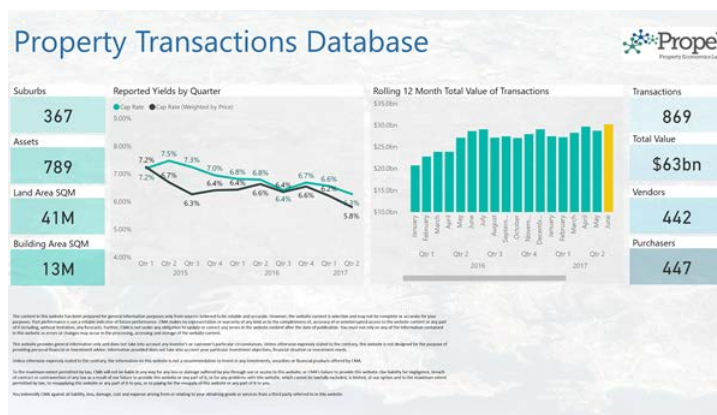
**10%
Return***

CLOSED

* Returns are expressed as forecast IRRs and are subject to a variety of investment risks. Investment is only available to wholesale clients.

CMA/Propel Transaction Data Base

Our transaction database is growing week by week and providing clients with valuable insights in to the property markets. We are likely to move to a subscription service shortly, however if you would like to review our current content, click on the map below and register for access.



Property Research Portal

Daily REIT Report

CMA / Propel accesses property research from leading agencies and researchers across the market and brings them together for our clients to easily access. Click here if you are interested in the latest research for;

- [Commercial markets](#)
- [Industrial markets](#)
- [Retail markets](#)
- [Residential market](#)

Propel publishes a daily REIT Report listing the key movements in the Australian listed property markets with information on key announcements, performance reports, presentations and analysis.

If you are interested in accessing these updates click on the link below and let us know.

[REIT Updates](#)

Feedback

If you have any feedback on our transaction data base or any other recent news & views, please send us an email at warwick@cmaust.com

Feel free to forward this newsletter to others and ask them to subscribe by clicking the link below.

Subscribe

Capital Management Australia Pty Ltd
PO Box R1254
Sydney 1225

www.cmaust.com

You are receiving this email newsletter as a valuable client of CMA

[Preferences](#) | [Unsubscribe](#)