

Australian Property Markets News & Views

A review of last weeks property transactions and AREIT activities.

CBD vs METRO



6th October 2017

CBD vs Metropolitan Markets
Latest on M&A activities
Update your Research

9/10/2017

Welcome to this weeks Property News.

This week we update the latest on the M&A activities in the listed REITs, review the week's transaction and update our research library with recent publications from leading agencies.

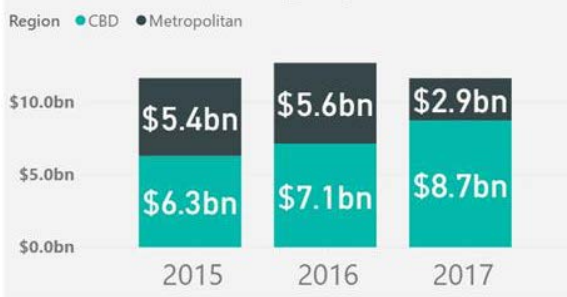
CBD vs the Suburbs

With east coast core CBD commercial markets being fully priced there has been a growing interest in the metropolitan markets, however a genuine lack of quality investment opportunities is keeping overall activity low.

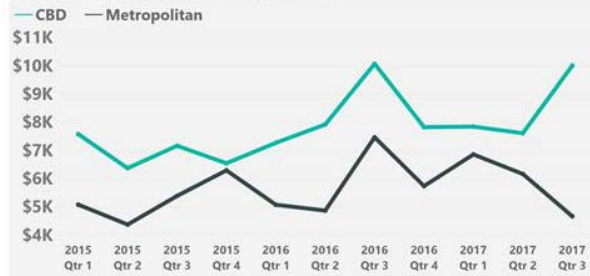
Our database shows that CBD asset sales in 2016 totaled \$7.1B (from 60 deals) compared to metropolitan sales of \$5.5B (from 58 deals - 43%). This level of activity was consistent with 2015, however in the first 3 quarters of 2017, CBD sales have generated \$8.7B (from 57 deals) and metropolitan sales only \$2.9B (from 58 deals - 25%) (See chart below).

With a further \$3B of commercial assets currently on the market, 2017 will clearly be dominated by a larger number of large ticket price CBD deals and a similar number of small ticket price metro deals.

Value of Sales by Year by Region



Commercial Property \$/sqm



Commercial Property Yields



Commercial property yields in the east coast CBD markets have tightened by at least 150bps over the past 1-2 years (as shown in the graph above), however metropolitan assets have continued to trade within a stable range, creating a value gap that may be too tempting for some investment managers to ignore.

In this context, high quality metropolitan commercial assets with long lease expiry profiles and quality tenants should attract a broad number of investors to the table. I would however be cautious in pricing short WALE metro assets at sharp yields as these assets are far less liquid in a soft market.

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.

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Property Transactions

This week we recorded \$300M of

transactions across 13 assets.

We review 2 key transactions this week, the acquisition of Marketplace Warner, QLD by AMP Capital and the acquisition by Glorious Sun of 324 St Kilda Rd.



Market Place Warner

We also have details on the Cope Sensitive Transport Portfolio sale of 7 industrial assets as well as the sale of the 122ha land in Elizabeth, home to GMH.

[Continue reading....](#)

Property Transaction Database

Access transaction data across Commercial, Industrial, Retail and Development sectors in Australia.

Filter by state, suburb to find information relevant to your investment decision.

Click [here](#) to register for free access

Commercial Property Markets

Value of Sales by Month by Region



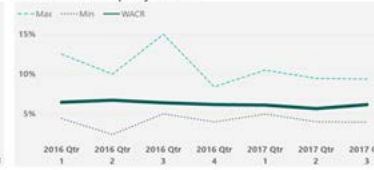
Summary of Transactions

Year	Quarter	Number	Price	Cap Rate (Weighted)	NLA (sqm)	Price \$/NEA
2016	Qtr 1	34	\$3,751,165,000	6.5%	509,376	\$6,354
2016	Qtr 2	26	\$2,638,710,464	6.7%	355,370	\$5,795
2016	Qtr 3	27	\$2,666,343,888	6.4%	268,928	\$6,435
2016	Qtr 4	34	\$3,531,550,000	6.2%	406,874	\$6,996
2017	Qtr 1	25	\$2,411,300,000	6.3%	415,942	\$7,305
2017	Qtr 2	43	\$3,096,584,500	5.7%	650,220	\$7,007
2017	Qtr 3	46	\$3,267,693,000	6.2%	412,239	\$6,644
Total		231	\$23,553,346,652	6.2%	3,018,949	\$6,840

Depth of Market by State



Commercial Property Yields



Resent Research Papers

We have updated our research library with the following reports;

JLL

- Build to Rent Market
- Survey of Shopping Centre Managers

Knight Frank

- North Shore Office
- Sydney Office
- Melbourne Office

Colliers

- CBD Office
- Metro Office

Savills

- Quarter Times Office
- Quarter Time Retail
- Quarter Times Industrial

Click [here](#) to access this content.

- Perth Office Market
- Brisbane Office
- Parramatta Office Market

Fund News

The ASX 200 AREIT index was down -1.0% with losses from most of the major REITs. Westfield (down 2.4%), SCentre (down 1.0%), Dexus (down 1.6%), Vicinity (down 1.1%) and Stockland (down 0.9%). These were offset by gains from Lend Lease (up 2.2%) and Cromwell (up 1.6%).

Whilst on face value, the last 2 months has been quite volatile, the declines from the larger Shopping Centre trusts have been offset by the gains from the office, industrial and specialist trusts who are all performing well.



Cromwell sells IOF back

This week, Cromwell sold back its 9.8% stake in IOF to Investa for \$4.65 per security, compared to Tuesday's close price of \$4.50 per security.



Cromwell acquired the stake in April at \$4.24 per security, providing an IRR of 18% on its investment. ([read more](#))

The purchase takes Investa's stake in IOF to 19.9% with speculation that it may seek to take the trust private if it trades well under NTA.

360 Capital's Latest Bid for AJD

360 Capital appear to have the final position on Australia Pacific Data Centres with the Board of AJD now



unanimously recommending the proposal ([read more](#)) following the release of 360 Capitals' final [bidders statement](#).

NextDC still claim that they will oppose the capital distribution and debt extension however time will tell whether they can or will oppose these moves.

ESR takes to PropertyLink



Following on the heels of the Centuria bid for PropertyLink, this week Citigroup acquired 18% interest in PropertyLink on behalf of eShang Redwood (ESR), a global logistics group. ESR paid \$1.02 per unit compared to Centuria's acquisition at \$0.95 per unit. ESR have not indicated yet what their intentions may be however as an Asian real estate platform with \$8B of assets, they are a party with potential to take control of the trust.

Centuria continue to want to take control of PropertyLink and this week raised a further \$60M in its CNI business ([read more](#)) to boost its' fire power to take a higher stake in PLG if and when required.

The next step will likely be a full bid for PropertyLink from ESR.

Centuria will hope to engage ESR and PropertyLink to conclude a deal quickly, however PropertyLink will no doubt wait to pursue the best offer.

Australian Unity Raises \$250M for Healthcare Assets



Australian Unity are raising \$250M for its \$1.6B Healthcare Property Trust to further its development capacity in what has become the country's largest healthcare trust.

The trust is issuing "funding units" as opposed to ordinary units and have offered to return a 5% income distribution over 2 years. The funds will be used in the development of several Private Hospitals and Medical Centres.

Other News

- Elanor Investor Group are raised \$40M in debt to invest in its new Metro and Prime Regional Hotel Fund as well as its Bluewater Shopping Centre Syndicate. The debt is priced at 7.1% for 5 years and is unsecured.

Bowral Classic

Warwick (along with a few thousand other riders) will be participating in the 160km Bowral classic cycling event on the 22nd October. Warwick is using this event to raise funds for Hope for Cambodian Children Foundation, a cause that CMA and our partners support.



Please visit his fundraising page now:

<https://bowralclassic2017.gofundraise.com.au/page/WarwickPetschack>

Thanks !



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

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