Property big guns team up on marina

EXCLUSIVE

BEN WILMOT
DEVELOPMENT

Private real estate group Markham and development heavyweight Lend Lease have teamed up to buy the Sydney Superyacht Marina, giving the pair a crucial sliver of Sydney's Bays precinct.

The Baird government's UrbanGrowth NSW has nominated the underdeveloped area as a key element of its plan to revitalise Sydney's harbourside districts.

The harbourside holdings in the city's inner west could eventually sit alongside the Barangaroo precinct, with the government this week flagging the construction of thousands of apartments at the Sydney Fish Market's Pyrmont site.

Markham's purchase of the well-known marina is likely to see the area revamped as the private company has long owned the adjacent Sydney Boathouse via an unlisted trust and has worked on plans with maritime tenants.

While the purchase from interests associated with private equity player Mark Carnegie and Sydney lawyer Andrew Robinson has only just been finalised, the purchasers of the near $20 million asset are understood to be working up a retail and restaurant-focused boulevard along the harbour.

The groups would not be drawn yesterday but their plans, which could see up to $80m worth of development, centre around improving the marina and boat storage facilities and creating a low-rise complex supporting Sydney's working harbour strategy.

It is understood Lend Lease is invested in an unlisted trust that Markham will manage separately from its investment in the Sydney Boathouse.

But links between the properties will be improved, opening the area to the public.

"Rozelle Bay has a rich history and is an important fixture in Sydney's maritime industry contributing to the NSW economy," Markham Corporation managing director James Markham said. "As someone who is and has been involved in the local area for more than 10 years, I am personally committed to protecting and enhancing this important piece of Sydney's working harbour."

The existing superyacht marina is already undergoing a $30m scheme to double the size of its berths as boat owners clamour to book anchorages.

Markham's Sydney Boathouse is a $130m development and includes a smaller marina, a dry-boat storage facility with space to store about 300 power boats up to 11m in length, office and retail space, and parking.

Lend Lease appears determined to build a presence in the area just months after UrbanGrowth NSW rejected all 13 proposals submitted to redevelop the nearby White Bay Power Station.

The developer teamed with Google but the state agency is in now exclusive talks to secure the tech giant as an anchor tenant for its own scheme.

Markham has long experience in complex inner urban sites in Sydney. Most notably it was lease holder of the Sydney IMAX Retail and Entertainment Complex at Darling Harbour.

It secured private firm Grocon as a partner and they conceived of The Ribbon complex before it sold to the developer, which is now pursuing a $730m hotel and serviced apartment complex.

ADDITIONAL REPORTING: LISA ALLEN

SCA calls for unified government

Shopping Centres Australasia chief executive Anthony Mellowes says constant change has eroded confidence HOLLIE ADAMS

SCOTT MURDOCH
OUTLOOK

Shopping Centres Australasia chief executive Anthony Mellowes has urged the government to become more unified as ongoing political uncertainty in Canberra hurts business and consumer confidence across the country.

SCA last week paid $83 million for a 4.9 per cent stake in rival Charter Hall Retail REIT (CQR) in a move some analysts believe could be the first strike in a potential takeover campaign.

Mr Mellowes said he believed that the national economy was being held back by the current political climate.

"There is just this general negative sentiment opposed to when there is stability, people do have a little bit more confidence and it comes from the top.

"I think stability is really important in Canberra, in any leadership, whether it's a company or football team or running the country — it's just so crucial to have that level of confidence.

"If there's constant change and I think that has hurt Australia in confidence levels ... The political uncertainty that there has been in Australia over the past 10 years, with so many changes of prime minister, does not help."

Mr Mellowes joined the growing chorus of Australian business leaders calling for the Coalition to press ahead with its proposed industrial relations overhaul.

The government is planning to re-establish the Australian Building and Construction Commission to toughen union regulation, but the legislation could be held back until next year because of the current Senate upheaval.

Former union buster Chris Corrigan has called on the government not to back down on the ABCC and said it should be the "first step" in toughening the industrial relations system.

"I think we need to get a balance, both from employers and unions. It's really important have that relationship in balance. When things go one way in either direction that is not helpful. There appears to be not a bad balance at the moment ... it's on the edge.

"Unions need to realise the world is changing: there's globalisation, you can get labour elsewhere very cheaply, so you need to be adaptable."

'Stability is really important'

ANTHONY MELLOWES
SCA CHIEF EXECUTIVE

The CQR purchase was met with a mixed reaction in the financial markets as analysts questioned whether SCA had paid too much and whether it would generate sustainable returns over the long term.

It has been speculated that the 4.9 per cent block of shares, bought on market over five weeks, could be the start of a longer campaign by SCA to take over its long-term rival, which is also an owner of non-major neighbourhood and regional shopping centres.

The majority of SCA's assets have long-term Woolworths and Coles anchor tenants and are outside inner-city areas.

"We are happy with our stake ... we are happy to sit and hold it. It's in the same sector as we are and that's why we did it," Mr Mellowes said.

He said SCA would not yet seek a CQR board seat.

Dexus adds to prestige portfolio with The Mill

ACQUISITIONS: Dexus Property Group is putting its stamp on another high-profile asset, picking up Sydney's prominent The Mill complex for just over $110 million.

The property, which houses the much-loved bar and restaurant complex The Grounds of Alexandria, was put up for sale by Goldman Sachs in July, and fits well with the listed group's appetite for more mixed use assets.

Dexus is focused on using the suite of skills that it employs in its traditional office management portfolio in new areas, including retail, where it believes undervalued spaces can be improved.

The Sydney property, originally the brainchild of developer Albert Bertini, fell into the hands of lender Suncorp, and the US investment bank inherited control of the asset when it bought a $1.6 billion parcel of soured loans in 2013.

The bank will reap a healthy profit from the sale of the 10-building inner-west precinct as it picked up the loans at an average of 60c in the dollar. CBRE's Scott Gray-Spencer and Brendan Shipp marketed the Alexandria site on behalf of PPB Advisory, which is advising the lender.

Dexus sees upside in the property due to its unique nature, diverse income streams and development potential.

As well as the cafe, The Mill houses warehouse-style office space, retail areas and extensive car parking in new and historic buildings, some dating back to 1823. The site was redeveloped between 2008 and 2010.

Further development potential exists, with the ability to add extra floor space.

The Mill occupies 1.9ha and the buildings span a net lettable area of about 17,580sq m. There is parking for 216 cars. The complex is about 83 per cent occupied with around a five year weighted average lease expiry.

Other tenants include Bendon, Seafolly, GenesisCare, Mavi, BlueScope and carsales.com.au.

BEN WILMOT

College boosts tower demand

LEASING: Educational institution Monash College is looking for 40,000sq m of space in Melbourne's CBD or city fringe areas, a development that could spark competition for a new office tower.

The Australian understands a brief from PwC Australia asks for submissions for space in 2020 for an unnamed tenant.

Melbourne's CBD fringe areas have seen more demand for development sites as space runs out in the CBD. The move from Monash College, which provides pre-university and English-language training for prospective Monash University students, could see a raft of big developers compete to offer new office stock.

Such a requirement could be used to either build a new tower or fill an empty tower, an attractive prospect for developers such as Lend Lease, Charter Hall, Cbus, ISPT and Mirvac.

The PwC brief states Monash College is looking for CBD or fringe areas such as St Kilda Road and Docklands, with a request the space is close to student accommodation.

Monash College said it was seeking more space as it sought to cater for a growing number of international students.

RICHARD FERGUSON

Sales spree continues as GDI offloads Grenfell

BEN WILMOT
TOWERS

The listed GDI Property Group is selling Adelaide's Grenfell Centre for about $135 million as it accelerates the disposal of more than $500m worth of office towers around Australia.

Heavyweight international investor Credit Suisse Real Estate Investment Management is quietly striking an off-market deal to buy the Adelaide landmark.

The latest purchase by Credit Suisse Real Estate Investment Management will lift its empire across Australia to over $600m and signals belief in leasing markets across a range of cities.

In February, the bank's real estate arm swooped on a Perth office tower offloaded by Terrace Properties for $64.2m.

Credit Suisse last year bought Stockland's Queensland headquarters in Brisbane and an office tower in Sydney's Kent Street, adding to it existing holdings in those cities.

GDI's disposal of the tower is in line with its strategy of buying, repositioning and then exiting high quality core style assets.

The listed group, which is also selling about $400m worth of towers in Brisbane and Sydney, has also improved those assets.

The Grenfell Centre is a 25,385sq m A-grade tower in Adelaide's CBD core and the off-market deal is being brokered by veteran agent Richard Butler, who was unavailable to comment.

GDI picked up the tower in 2009 for $76m. It is occupied by a mix of government offices and national and international companies, and high-end retailers.

The tower at 25 Grenfell Street was completed in 1975 and has been subject to regular refurbishments and upgrades, including by GDI.

GDI is fielding heavy interest in the holdings — 307 Queen Street, Brisbane, and 66 Goulburn Street, Sydney.

The Brisbane tower has drawn interest from local and offshore players, with LaSalle Investment Management top contender.

CBRE is selling both assets, with Knight Frank working in conjunction on the Sydney tower.

Trump victory tipped to raise developer costs

SCOTT MURDOCH
FUNDING

Australia's commercial and residential property developers are expected to face higher funding costs, as the Donald Trump presidential victory creates global financial market upheaval.

Fitch, the ratings agency, warned yesterday there was a growing prospect that settlement risk would increase in Australia, which was likely to affect the domestic banking sector.

The agency's financial institutions director, Andrea Jaehne, said it was likely the Trump win would influence the interbanking funding market, which is the primary source of liquidity for the domestic banking sector.

The higher costs are expected to be passed on to business customers, especially property developers, which are reliant on the banks and lending syndicates for securing funding for projects around the country.

"The election is creating volatility and uncertainty and that is usually reflected by higher funding costs," Ms Jaehne said.

"The banks have diversified their funding sources but the US market is an extremely important market. From a credit perspective in Australia, I think it is too early to tell whether there will be a major impact."

In a report published yesterday, Fitch said the chance of more property projects — especially off-the-plan unit developments — defaulting was starting to rise.

The major Australian banks have cracked down on lending to foreign residential property investors to avoid the potentially damaging effects of a housing bubble emerging.

"Property developers may also soon start experiencing problems settling agreed apartment sales, which may feed through to banks over the next 18 months," Fitch said.

"The decision by the four major banks earlier this year to stop lending to nonresident property investors means the latter are now likely to find it harder to source finance to complete agreed purchases, and may back out of deals."

Meanwhile, a National Australia Bank study found that despite the financial market volatility, commercial property confidence has risen sharply over the past three months.

The NAB Commercial Property Index jumped 11 points to 16 in the September quarter, with sentiment higher in the office, retail, industrial and city-centre hotels.

However, residential development activity could start to slow in the next six months despite the industry's growing calls for more housing supply to come on to the market.

Only 34 per cent of the survey's residential industry respondents said they planned to start new work in the next half.