$150m to beef up Rural Funds

BEN WILMOT
AGRICULTURE

The listed Rural Funds Group is raising $150 million in fresh equity to help expand its cattle property empire in the sector's first raising this year.

The group went into a trading halt yesterday as it tapped investors to fund the purchase of the real estate on which five JBS-run feedlots sit.

Businessman Paul Lederer, the high-profile chairman and co-owner of A-League soccer club Western Sydney Wanderers, sold his Primo Smallgoods business to Brazil's JBS for $1.45 billion in 2014.

The Brazilian group, the world's largest meatpacker, has subsequently been under pressure as it has missed market earnings forecasts this year and was embroiled in corruption claims last year. It is now under the control of founder Jose Batista Sobrinho, who stepped up in the wake of his son Wesley Batista being arrested for alleged insider-trading last year.

The Rural Funds property deal covers five feedlots across Queensland and NSW and will see Rural Funds Group buy the underlying properties for $53m.

It will also provide a guarantee of about $75m to its management company, Rural Funds Management, which will separately support the acquisition of cattle for the feedlots.

The overall transaction is substantial, with banks believed to be providing about $250m worth of finance to back RFM.

This will be used for cattle purchases, feed and other costs associated with finishing the cattle on the feedlots.

The guarantee that Rural Funds is providing to RFM as part of the deal could generate income of about 9 per cent for the listed real estate investment trust.

JBS will continue to operate and manage the feedlots. The deal will not affect JBS's grain-fed cattle producer partners and staff.

The raising is being led by investment bank UBS and signals a further push into the cattle property by the trust after its initial move last year. The group has undertaken multiple capital raisings, each at a higher price than previously, with the latest offer at $1.95 a share. Institions have backed the company partly to diversify their existing office, retail and industrial holdings.

Rural Funds already owns an overall rural land portfolio worth about $700m and bought three cattle properties — Natal Downs, Longton and Narellan — in northern Queensland last year.

In May, Rural Funds extended its push into the beef sector with the acquisition of Comanche, a 7600ha breeding and backgrounding property near Rockhampton, Queensland for $15.7m.

The latest deal will help diversify Rural Funds' existing northern Australian cattle assets, which include 225,000ha breeding properties Oakland Park and Mutton Hole and 17,500ha finishing property Rewan.

GPT in talks to sign up QBE as key tenant at Parramatta tower

EXCLUSIVE

BEN WILMOT
PROJECTS

The GPT Group is in talks to snare QBE Insurance Group as an anchor tenant for a planned $250 million office tower in Parramatta as the western Sydney hub garners more interest among renters.

The insurer, currently housed in the nearby Eclipse Tower, has a requirement of about 15,000sq m and the shift could alter the landscape in Parramatta where a host of developers are vying to win tenants for their projects.

GPT in March won development consent from the City of Parramatta Council to build a 26,000sq m office tower at 32 Smith Street. Designed by renowned architecture firm Fender Katsalidis, the complex will feature a ground-level event space and an elevated podium terrace facing the Parramatta River.

GPT said at the time that there had been a strong level of inquiry from blue-chip occupiers.

The design of 32 Smith Street tower includes widened footpaths, glass lift shafts and facades, which will improve the visual and pedestrian connection to the river.

The development is near the Parramatta Transport Interchange and planned $1.2 billion Riverbank cultural precinct.

Real estate agent JLL is handling the leasing on the building but the parties declined to comment.

The Property Council of Australia's most recent Office Market Report showed Parramatta was one of the country's best performing office markets.

For the six months to January 2018, the vacancy rate for office space in Parramatta fell from 4.3 per cent to 3 per cent, while A Grade office space was full.

Construction on 32 Smith Street is planned to commence this year with works due for completion in mid-2020.

Rivals including Dexus, Charter Hall, Mirvac and the private Walker Corporation have projects under way and industry sources said more government departments were headed out of the Sydney CBD to Parramatta.

The Australian Taxation Office, currently in the Jesse Street Centre, has been rumoured to be mulling options. NSW FACS in Ashfield is also weighing options.

Westpac is in the market looking for 10,000-12,000sq m of space and NAB has already taken space in Parramatta Square.

Telecommunications company Telstra is also looking for 5000-10,000sq m of space.

Colliers International's John McCann said a number of private companies were shifting their back-office operations to the area.

Superannuation group REST Industry Super has put the $275m-plus Eclipse Tower up for sale.

It would likely seek to keep QBE, but it already houses services firm Deloitte, which could take more space, or it would be well-placed to win a new tenant.

Markham swoops on prime harbour site

The heritage Walsh Bay buildings at Piers 8 and 9 were rebuilt in 2001 as a quality waterfront office complex

BEN WILMOT
SALES

Private real estate group Markham has picked up a slice of prime Sydney harbourside real estate, buying the boutique office space at the northern end of Piers 8 and 9 in Walsh Bay for $90.5 million.

The purchase sees the group forge back into the city's office market after it recently, and profitably, sold its Elizabeth Street complex opposite Hyde Park for $265m.

Sydney-based Markham targets high quality real estate where it can add value and could consider a harbour marina at the property, although it is yet to announce its plans.

For now, the main focus of its purchase at Piers 8 and 9 on Hickson Road is to capitalise on the city's tight office leasing market.

The sale price represents a passing yield of 6.6 per cent and a capital value of $10,618/sqm.

The fund manager's head of investments, Cameron Habler, said "this strategic acquisition suits Markham's skill base".

"It provides not only a healthy income distribution profile for our investors but a long-term value play with new retail and rail infrastructure underway at nearby Barangaroo," Mr Habler said.

Sumner Capital's director Kirby Parsonage said the sale concluded a successful investment for Sumner Capital and its investment backer.

The Sydney-based real estate investment manager has about $350m in funds under management.

It invests for institutional and wealthy private investors.

The Pier 8/9 sale was handled by James Barber, Adam Woodward and James Mitchell of Colliers International.

The purchase comprises lots 1 and 2 of a three lot strata plan on a 99 year strata leasehold with 82 years remaining.

The heritage building was rebuilt in 2001 as a 8522sq m of quality waterfront office complex and spins off a passing annual net income of $5.94m. The lots on the wharf were assembled by Sumner Capital.

The group has dealt with its offer of 117 Harrington Street, a five-storey heritage-listed office building in The Rocks, separately.

The fully occupied Walsh Bay complex now has seven tenants and is anchored by Hassell and Clemenger.

It has a weighted average lease expiry of 5.6 years.

Markham has played the Sydney property cycle well.

A private company, associated with Macau gambling magnate Loi Keong Kuong, who owns the Rio Casino in Macau, bought Markham's 179 Elizabeth Street for $265m last month.

Just three years earlier Markham had picked up the Sydney asset for $148.8m, bought some other space in the tower, and repositioned the asset.

The complex at Pier 8/9 was keenly contested and earlier this year Investa Property Group came close to buying the boutique office space.

Originally built as a commercial wharf in 1910, the property offers A-grade office space.

It features original construction elements, including timber throughout, exposed trusses and a corrugated iron facade.

Now the site is primed to benefit from the overhaul of the nearby Central Barangaroo precinct that will include a metro station.

Built to upgrade heritage buildings

BEN WILMOT
SALES

The private Built operation is looking to capitalise on Sydney's hot office market by offering its under-construction headquarters building to the market for about $180 million.

The group is taking two historic buildings in Clarence Street and redeveloping them into an A-grade office tower with a heritage component,

The project, branded Sub Station No. 164, at 183-185 Clarence Street, has just won development approval. Built says the 7867sq m office tower would push the boundaries of heritage redevelopment, with a seven-level sculptural glass extension designed by architect Richard Francis-Jones of FJMT.

Built will develop and construct the project that will also include the restoration and refurbishment of seven floors in the existing heritage Shelley Warehouse and adjoining former electrical substation.

The project is targeted to complete in the first half of 2020 and the group will pre-sell the building. Colliers International and Inc RE will manage the sale and have been meeting with select offshore groups.

Built will be an anchor tenant in the building, committing to lease about 2800sq m, and the city's tight leasing market will see other tenants vie for space with Cushman & Wakefield handling that component.

"We have taken two heritage buildings in the centre of Sydney's western corridor that have sat in the too-hard basket for developers in the past ... and unlocked the potential of these assets," Built managing director Brett Mason said.

"It's about going beyond the obvious box extension to create a sculptural art piece that will ensure these forgotten buildings have a new place and future purpose in our city skyline," he said.

The development will also offer landscaped outdoor terrace spaces, boutique retail and quality end-of-trip facilities. The former substation's Machine Hall will be restored and converted into an arts and creative hub.

Built is one of the country's largest private construction groups and it has more than of $2 billion of work in hand.

The company is behind many of Sydney's iconic heritage refurbishments including QT Sydney at the former Gowings Building and QVB as well as the Old Treasury Building in Perth.

Myer family puts $22m office block up for sale

ELIZABETH REDMAN
INVESTMENTS

The Myer family is set to offload another Melbourne office block, taking advantage of soaring prices in the city and demand from local and offshore buyers.

Late last year, the Myer Family Investments office on St Kilda Road was snapped up by the private family office of Singaporean Tong Eng Group's managing director Teo Tong Lim on a yield of less than 5 per cent.

Now, a suburban office building fully leased to VicRoads has hit the market with price expectations of more than $22 million.

Title records show the Myer Family Company Holdings is a co-owner of the asset with Yulgilbar Custodians, a private vehicle directed by members of the Myer and Baillieu families.

Other generational asset owners have also taken the opportunity to sell property in the Victorian capital recently. The Schwartz family offloaded a hotel and historic pub for close to $100m combined last year, while the Besens sold their stake in Melbourne's Highpoint Shopping Centre to the listed GPT Group in a $680m deal.

The VicRoads building in the Tally Ho Corporate Business Precinct in Burwood East features 4509sq m of space across three levels and about 350 car spaces.

Agents on the deal are CBRE's Melbourne Middle Markets team Kiran Pillai, Scott Orchard, Matthew Szakiel, Josh Rutman and Lewis Tong.

"With new commercial development and major infrastructure projects bolstering overall appeal, the Tally Ho office precinct is quickly becoming the preferred and most centralised location in Melbourne's east," Mr Pillai said.

In December the Hewlett Packard Melbourne headquarters in the same precinct changed hands for $88m.

Nearby, Vicinity Centres is upgrading The Glen shopping centre where Jeff Xu's Golden Age has bought the air rights to add 500 apartments on top of the retail space.

REIT boss paid 567 times more than median worker

ESTHER FUNG
EXECUTIVES

The compensation paid to the chief executive of Park Hotels & Resorts was 567 times greater than the wages of its median workers, the widest such disparity among the top 100 real-estate investment trusts, according to compensation consultancy FPL Associates.

Park Hotels said in company filings that its median employee was paid $US21,082 ($28,486), while CEO Thomas J. Baltimore earned $US11.95 million last year.

On average, the ratio between the CEO and median employee of a US REIT last year was 57 to 1, according to an FPL study. Among the top 100 REITs, the average was 77 to 1.

REITs, alongside other firms in the US, revealed for the first time during the recent proxy season how much the median worker earns and how that compares with the CEO because of a provision in the 2010 Dodd-Frank Act. It was designed partly to help shareholders better understand and challenge compensation practices at major companies.

In the US REIT industry the ratio varied greatly, but that was largely because some companies outsource the lowest-paying jobs like parking lot attendants, while others keep them on staff.

The self-storage and multi-family REITs have ratios at 132 to 1 and 129 to 1, respectively. Other sectors such as hotel and industrial landlords have shown lower CEO pay ratios at 35 to 1 and 53 to 1, respectively, in part because they have outsourced many of the lower-wage property operations jobs to other property-management firms, according to the FPL study.

"These ratios have widely been viewed sceptically as they don't really tell the entire story," said Jeremy Banoff, senior managing director at FPL.

Park Hotels owns a portfolio of 50 US properties such as the New York Hilton Midtown, as well as four hotels abroad. It also had the highest ratio partly because Mr Baltimore's pay included a one-time award of $4.37m related to the company's spin-off from Hilton Worldwide Holdings in early 2017, according to filings.

REIT investors during the recent proxy season continued to have some gripes about compensation. Overall, there has been a slight dip in shareholder support for REITs' compensation plans, with the average vote supporting these pay plans coming in at 89.7 per cent compared to 91.4 per cent last year, according to FPL.

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