

Sale hopes stall on political uncertainty

The prospect of a hung parliament has deflated hopes that houses could be sold confidently in the warmer months. Real estate agents have been looking beyond the federal election to the Spring selling season, hoping to flog a glut of listings. Buyers are more scared than they were earlier this year, owing to higher interest rates and the reduction in government stimulus incentives, giving them room to bargain down prices and take their time. (AFR p62)

Government work bolsters Watpac

The Brisbane-based construction and property group, **Watpac**, has boosted its work in hand to \$1.4 billion underpinned by government projects and moves into NSW, Victoria, infrastructure and mining. Ironically, it was an improvement from the struggling property division that helped the group to record a big jump in profit in 2010. Watpac wrote down its property development inventory by \$9.25 million in 2010 compared with a \$30 million write-down in 2009. (AFR p62)

GEO refinancing uncertain

On Friday, **GEO Property Group** managing director Guy Farrands said that while the directors of the company were still confident that a multi-option facility refinancing would be completed, "it is not certain that the refinancing will proceed on the terms or for the amounts previously disclosed". At July 31, GEO's multi-option facility balance was \$83 million and the property developer had cash on hand of \$44 million. (AFR p63)

Eureka corrals convention centre

The Victorian government has sold the old Melbourne Convention Centre to a joint venture between **Eureka Funds Management** and prominent local developer **Clement Lee**. The property on the corner of Flinders and Spencer streets sold – in effect as a development site – for about \$40 million. (Weekend AFR p21)

Ardent counts on a bounce

Australians are returning to the Gold Coast theme parks, says **Ardent Leisure Group's** chief executive Greg Shaw. On Friday Ardent reported a 15 per cent drop in earnings before interest, tax, depreciation and amortisation for 2010 at its Gold Coast properties, Dreamworld, Whitewater World and QDeck. Attendance rose during the year to 2.13 million, but the increase was more than offset by a reduction in the amounts spent by each patron. (Weekend AFR p21)

Retail REIT recycling capital in Australia

Global shopping centre owner **Charter Hall** Retail REIT is pushing ahead with its exit from the US and New Zealand to focus on Australia. The one-time Macquarie CountryWide Trust is also looking beyond its favoured neighbourhood shopping centres to "household retail" or bulky goods assets. (Weekend AFR p21, SMH Weekend Business p2)

Becton goes to court over meetings

Becton Property Group launched legal action on Friday to stop a move by **Century Funds Management** to replace Becton as the manager of two Becton funds. Becton is seeking court orders to prevent unitholder meetings on August 31 to vote on the proposal from going ahead. (Weekend AFR p21)

Daily Trade Zone

(as at close 20 August 2010)

Stock Markets		
S&P/ASX200	4,430.90	-48.10
Dow Jones	10,213.62	-57.59
FTSE 100	5,195.28	-16.01
Nikkei	9,179.38	-183.30
Exchange Rates		
AUD/USD	89.40	+0.37
AUD/JPY	76.54	+0.54
AUD/Euro	0.7030	+0.0089
AUD/Sterling	0.5751	+0.0033
Interest Rates		
Cash Rate	4.50	0.00
Aust 90 Day bills	4.73	-0.01
Aust 10yr bonds	4.925	-0.005
Commodities		
Oil (USD)	73.50	-0.89
Gold (USD)	1,229.40	+0.60

The Australia & AFR

Trafalgar turns loss into profit

Trafalgar Corporate Group, the property operation aiming for an "orderly and opportunistic" sell-down of its \$279 million of investment and development assets, has turned 2009's \$62 million loss into a \$2.6 million net profit for 2010. The turnaround is largely due to a much reduced fall in valuations and impairments. (Weekend AFR p21)

Cattle barons defy value slip

The two largest landholders in the country **S Kidman & Co** and the listed **Australian Agricultural Company** – have yet to revalue their northern Australian cattle stations despite significant price drops in recent months. When prices for cattle stations surged, ACo recorded some massive uplifts, such as a 14 per cent increase in 2005 and an 18 per cent rise in 2007. (AFR p63)

Overseas buyer snares Prince Hills

The Prince Hills winery and vineyard at Mudgee in NSW has been sold to a Singapore based investor for \$2.3 million. (AFR p63)

Mirvac swings wrecking ball for tower in Chifley Square

Mirvac Group is in the last throes of organising the demolition of its \$60 million Goodsell House at 8-12 Chifley Square, as it moves to reignite its development pipeline. It has issued notices to surrounding building owners, warning them of the work that is said to be starting as early as this week. Mirvac bought the site in 2006 with plans to knock it down and build a skyscraper of 20-plus storeys. But the plans were shelved early last year when Mirvac froze development works in response to the global financial crisis. (SMH Business Day p4)

New risks threaten house price bubble

Gerard Minack, a senior economist at Morgan Stanley, predicted two years ago that house prices were set to experience a dramatic 30 per cent fall by this year given rising unemployment. "Australian houses are much more overvalued than US houses; indeed, on some measures, our houses are arguably the most expensive in the world," Minack said. "My very simple take on it - the bigger the bubble, the bigger the pop." But with no snap crackle or pop, and debate still raging whether there has been a bubble, Minack last week revised his script to envisaging the bubble deflating, not popping. (SMH Business Day p4)

Asia-Pacific region a safer harbour

After a very tough two years, more than half of the office rental markets in the Asia-Pacific region have either stabilised or moved into a growth phase during the second quarter of 2010, according to a recent report. This is good news for Australian property investors who have assets overseas and have felt the brunt of the global financial crisis. Although Australian markets are now showing concrete signs of improvement, other locations remain under pressure, particularly the US and Europe. In Asia, Singapore is also ploughing ahead, after being hit hard by the GFC. (SMH Weekend Business p18)

Charter Hall Office looks to US, Australia

Economic indicators are pointing to a gradual recovery in the global economy, according to property investment group **Charter Hall Office REIT**. The group said this would have a positive impact on tenant demand and rental growth during the medium term. The chief executive of Charter Hall Office REIT, Adrian Taylor, said prime asset valuations were expected to rise in Australia and stabilise in the US. "Australia and the United States remain key markets and Charter Hall Office will continue its orderly exit from the non-core European and Japanese markets," he told investors at a briefing. "The REIT's active approach to asset management will continue, with a view to recycle assets that have reached their return potential or where the capital can be better invested." (SMH Weekend Business p18)

Relaxed lending speeds private investors' return to market

Due to the apparent thawing in lending by banks, sales at the smaller end of the property sector have been moving at a rapid pace. Property agents say the demand for assets from \$2 million to \$50 million are nearing clearance rates of three years ago. They say that while buyers remain cautious in any sub-level grades, the better-quality properties are being snapped up. Private developers who have stayed away for the past two years are now re-entering, as they have the cash and desire to start projects. However, for the more ambitious developers, raising money remains tough unless they can put up a convincing deal to their financiers. (SMH Weekend Business p18)

REITs bullish as recovery signs appear

As the major office landlords - mainly the real estate investment trusts - roll out their full-year results, the overriding theme is that office markets are improving. Signs of nascent recovery are there and that has given many **REIT** managers the heart to re-invest in the sector. The **ANZ Bank's** August report on property says Sydney's central business district office market vacancy rate edged up in the first half of 2010, yet rentals steadied after an incentive-driven collapse over 2008-09. "With the economy showing signs of life and new office supply being contained, vacancy rates edged down," the report says. (SMH Weekend Business p18)

Big earnings impress but outlook quiet

The earnings of **Dexus Property** and **Lend Lease** have impressed investors, although many have said the coming year will be quiet as the groups regain lost ground from the global financial crisis. According to property analysts, Dexus is still struggling with its US industrial assets, which experienced falling income and occupancy (but stabilising values), and the European assets remain for sale. The group's Australian office portfolio is showing strain but still positive net operating income (rental) growth. Macquarie Equities analysts said Dexus reported a \$50 million increase in property valuations in the second half to June 30, with increases across the office and US industrial portfolios. This was offset by a fall in the value of the Australian industrial portfolio on the back of the revaluation of development assets. (SMH Weekend Business p20)

Shops struggle as wallets snap shut

Retail landlords have indicated that with interest rates on the rise and government stimulus programs a distant memory, their tenants are having an extremely mixed time in operations. They expect the coming Christmas trading conditions to improve the bottom line, although direct comparisons to last year are difficult as the stimulus program has now run its course. The **ANZ Banking Group's** August property report says household spending growth has softened sharply in recent quarters and its trajectory is expected to remain muted during this period. The report says despite the growth slowdown, retail turnover is holding at healthy levels, 8 per cent above the level before the global financial crisis. (SMH Weekend Business p20)

Goodman Group ready to roll out development pipeline

Diversified **Goodman Group** believes the year ahead will be one of low growth, yet the group will restart its development pipeline to boost earnings. The group's chief executive, Greg Goodman, said he expected a continuation of the subdued global market conditions, contributing to a low-growth environment, with ongoing limited access to capital and reduced competition. "This in turn is expected to generate a smaller number of opportunities but of higher quality across the industrial property sector," he said. "Goodman is committed to the strategy enunciated at the time of the recapitalisation [last year], while also recognising that the outlook requires the group to adopt a prudent yet active approach in delivering this strategy. (SMH Weekend Business p20)

Moving west

Radstock + Kendall, the upmarket furniture and homeware retailer, is to relocate from the Georges building at 162 Collins Street in the Melbourne CBD (its home of seven years) after agreeing a new 250 sqm lease at **Valad's** 575 Bourke Street office tower (The Age, BusinessDay p20).

New lifestyle project model

The ageing population is a bonanza for property developers, with many assets now coming into the competitive yet fragmented sector. The latest is a development in Sydney's south-west called **Antegra Leppington**, located on Camden Valley Way. According to the developers, Tony Bawden and Bernard McCool, the \$110 million project will feature an innovative financial model providing greater transparency through a simplified fee structure. (SMH Weekend Business p22)

Interpublic on the move

Interpublic Group, the parent company of McCann **Worldgroup**, has appointed a real estate agent to look for new space as the lease comes up for renewal at its current office at 166 William Street, Woolloomooloo. It is understood the group is looking for up to 1700 square metres in Sydney or fringe areas. **Young and Rubicam** is also looking to move out of the Sydney central business district. (SMH Weekend Business p22)

Architects' tower in a play for light and space

The Royal Australian Institute of Architects will build a luxury \$40 million strata-titled tower at 41 Exhibition Street in the Melbourne CBD after seven levels of the proposed tower sold off-the-plan. The Institute will occupy around 7,000 sqm over levels 1-4 of the 21-level tower, which will be located on the north-west corner of Exhibition Street and Flinders Lane. The remaining floors are being marketed at just over \$2 million each. Construction will commence in February (The Age, BusinessDay p20).

A track for Toyota

Car manufacturer, **Toyota**, has lodged an application with Hobsons Bay City Council to develop a large tract of privately owned land at 304-388 Grieve Parade in Altona North, into a vehicle testing track (The Age, BusinessDay p20).

Back to the drawing boards

It's half-time in the reporting season for real estate investment trusts' 2009-10 earnings and, judging by the various managers' comments, the tide has turned for the sector. By the end of the week 15 **REITs** had filed their results, teamed "confessions" by industry analysts, and the coming week will see a similar amount roll out. After a dreadful 2008-09 year, the REITs are reporting profits instead of large losses and importantly, they are upbeat in the assessment for the coming 12 months. The cliché "cautiously optimistic" has been used widely and there is an undercurrent of sentiment that the worst is over. (SMH Weekend Business p22)

Westfield's flagship gears for opening

The first stage of the \$1.2 billion **Westfield Sydney** development is nearing completion and will open within the next six to eight weeks. **The Westfield Group**, which announced its half-year results this week, says the project will be a flagship store as it is the first built in a central business district. The company believes that, when fully open, it will add strong revenue to the fund's earnings at a time when consumers remain very particular as to where they spend their money. The joint managing director of Westfield, Steven Lowry, said 75 per cent of the retail area of Westfield Sydney was now either leased or committed. According to the group, more than 100 fashion and food specialty stores will open for trade by Christmas. (SMH Weekend Business p22)

Mixed use in Armadale

A local private investor and developer, **George Saade**, has paid \$5.525 million for a 706 sqm site of rundown buildings at 1196-1200 High Street, Armadale which are expected to be developed into an apartment building with ground floor retail and possibly some upper-level office space (The Age, BusinessDay p20).



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Becton selling spree

Developer and fund manager **Becton** has continued its selling spree, this time offloading an office building at 422 Little Collins Street in the Melbourne CBD. Becton acquired the property from Vicland in September 2006 for \$22.2 million and the property is now expected to sell for around \$17.5 million today on a yield of approximately 10% based on the annual income of \$1.75 million (The Age, BusinessDay p20).

Back to skyscrapers

Developer **Mirvac** is to launch its sixth skyscraper in Docklands, Melbourne in October, targeting top-end buyers with a high quality product. The distinctive \$200 million Yarra Point tower will include 201 apartments in a 31-level tower with prices beginning at \$500,000 for a one-bedroom flat. Located on the corner of Lorimer Street and Point Piper Crescent, Yarra Point will form part of Mirvac's \$2 billion Yarra's Edge precinct which borders South Melbourne and Port Melbourne (The Age, BusinessDay p20).

Hilton to sparkle

The fading Glitter Strip is set to get back some of its shine. The Coast's five-star Hilton Hotel development is leading a revival along run-down Orchid Avenue, with new restaurants, cafes and clubs planned for the city's heart. The Hilton has applied for a liquor license as part of its retail and restaurant precinct, which will allow for seven restaurant / cafes on the ground floor of the \$700 million development, four restaurant / cafes on the first floor and a hotel bar. The precinct which is due to open in late November will be a major step forward in the rejuvenation of central Surfers. The retail landscape of Surfers Paradise is becoming increasingly sophisticated, several clubs in Orchid Avenue are being revamped in hope the Hilton will bring back the top end of town. The popular Bedroom nightclub will close this month for a luxury multi-million dollar makeover and will reopen as Vanity next month. (GCB Pg 13)