

Century prepares \$200m trust

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Date: 08/04/2005
Words: 459
Source: AFR

Publication: The Financial Review
Section: Property
Page: 83

Fresh from its merger with Bankminster Property Group, **Century** Funds Management has bought the Lego building on Sydney's north shore and is preparing to launch a \$200 million unlisted property trust and a smaller private development fund.

The Lane Cove office and warehouse, which has combined space of about 9600 square metres, was picked up by **Century** Property Trust No. 11 for \$17.8 million on a yield of about 9 per cent.

Century chief executive John McBain said the group was finalising an open-ended fund that will hold up to \$200 million in property. The fund will also have a cash component and hold a small element of listed property securities.

It is also canvassing investors about a private fund tailored to deliver high total returns. Although it is unlikely to offer a pure development trust, **Century** said it would focus on repositioning properties.

The Lane Cove property comes with a seven-year lease to Lego Australia and an eight-year lease to US security operator Kastle Systems International. **Century** also sees opportunities to subdivide the warehouse space and convert it to offices.

Mr McBain said Lane Cove would benefit from better traffic flow once the Lane Cove Tunnel and the Chatswood-Epping rail link were completed.

Laing+Simmons Commercial agent Greg May brokered the off-market sale for Lego Estates Australia. The property was offered for sale in mid-2004, with two purchasers failing to commit during due diligence, prior to **Century** grabbing the site.

Mr McBain said **Century** would continue to make opportunistic purchases where it had identified market weakness. With the Bankminster merger, **Century** now has its eye on bigger transactions of between \$10 million and \$50 million.

The enlarged group is now looking at more properties along the eastern seaboard, including in Wollongong and Newcastle.

In its first move into Queensland, the group added to its four-strong portfolio of bulky good centres with the purchase of a Springwood centre.

New director Ross Elsom is also focusing on industrial property.

"We think the industrial and bulky goods markets are transportable outside the main centres," Mr McBain said.

Century was happy it had bought in metropolitan areas, such as Epping and Cremorne, on 9 per cent yields of \$3000 a sq m.

Mr McBain said the same buildings were now selling on sub-8 per cent yields, at \$4000 to \$5000 a sq m. "We think that is fully valued. We think some of the CBD areas are undervalued.

"With higher interest rates and low property yields there are going to be lower returns from the unlisted property market."

Mr McBain said he was not worried about higher interest rates. "If property yields fall, investors will still want properties that offer good capital gains."