

Custom-built buys offer sizzle for big-dollar clients

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Eclipse Financial Group's principal, Rowan Wall, has found a new property investment for 20 of his high net worth clients. Together, as tenants in common, they are buying Transfield House in Sydney's Milsons Point for \$14.75 million.

Each investor on average they will invest \$375,000 in equity represents a new ripple through the real estate industry. Quietly, an increasing number of property products not traditional syndicates and certainly not property trusts are being put together for Australia's high net worth investors. This is money looking for a bit of sizzle. It's not in the property trusts, which have reverted to type as secure but uninspiring yield plays. And it's not in the traditional syndicates, with their high upfront costs and focus on yield.

It's in the capital gain. More than a decade after the last crash, many investors are beginning to see strong upside in the Australian office market, and the opportunity is enhanced by the changes to capital gains tax post-Ralph, and most recently by the decision to leave all fixed trusts as flow-through vehicles. Some big names are targeting the demand, like Macquarie Bank, which believes its Macquarie Property Development Finance Syndicates will generate returns of around 20 per cent; or Westpac, which turned to its private bank clients to raise \$12.75 million in mezzanine funding for a housing development with an expected total return of 17 per cent.

But beyond those names a host of smaller players are muscling in, like Trafalgar Corporate, **Century Funds Management**, Bankminster Property and financial advisers like Eclipse.

Trafalgar Corporate's Platinum Funds raised \$150 million to buy the Qantas global headquarters at Mascot, slicing and dicing the investment to match investors' risk/return profiles. Many are expecting total returns of more than 20 per cent.

"Investors have been skinned alive by the property trusts and their managers," says Trafalgar Corporate director Mark Davidson. "We are looking to use our property expertise to co-invest and gain real property performance. We are absolute return managers."

Ross Elsom, Bankminster's managing director, now doing his third raising for the year, tells a similar story, albeit on a much smaller scale than Trafalgar. His high net worth investors have seen some reasonable yields but "the whole strategy is growth".

And it's the same with **Century Funds Management**, which now has \$80 million in funds under management following the investment of \$12 million on behalf of 12 high net worth investors in a partly vacant office building in the Sydney suburb of Epping. "Our investors are frustrated," says director Rob Lloyd. "These guys have seen a good rise on the stockmarket and they are sitting there saying they want some diversification. They have a different risk profile. They are looking to add value."

Rowan Wall's latest acquisition 30 Alfred Street, from Colonial First State's statutory fund through Jones Lang LaSalle's Robert Sewell shows all the hallmarks of that future capital growth.

It's a seven-level office tower of 3,950 sq m with parking for 21 cars, which dates from the 1970s but was refurbished in 1995. Transfield has a lease until December 2001, with a further two-year option which shows a current yield of just 6.7 per cent.

But before settlement, Wall will be able to renegotiate a rent review. Next door, in a building he bought earlier this year, rents have already risen from \$250 a sq m to \$385 on review, with other tenants waiting to move in should the deal fall over.

In the longer term, Wall sees the opportunity to convert the building into apartments or a hotel. "It's a unique area, close to rail, parks, the harbour and the upgraded North Sydney pool," he says. "You tell me another building, in this area and with this infrastructure, that can be bought by individuals."