

# Syndication market tipped to drag in more cash from big investors

Author: Carolyn Cummins

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The \$5 billion property syndication market is expected to attract more money from the big names of investing, such as banks and institutions, as the sector grows in popularity and sophistication.

Already the dominant players in the area include Westpac, Macquarie Bank and AXA and more household names in the investment community will be added to the list in the coming year.

At the smaller end are **Century Funds Management** and Investa Property, among others.

The largest syndicate offered to date is the \$215 million Macquarie 1 Martin Place, which owns half the office tower in the former GPO complex. The fund has a five-year shelf life, after which there is a provision to sell the half share to the co-owner, Macquarie Office Trust.

Westpac's property advisory director, Arthur Psaltis, said a rise in demand for well-managed and regulated commercial property assets that provided stable rental income had been the catalyst for the growth of syndicates. He said a mix of high-net-worth individuals and retail investors were ploughing cash into the funds, which offered high yields but a well-managed risk for a set period of time.

The quality of the assets in the funds had also improved, allowing investors to get their money back through the resale of the properties.

In the late 1980s syndicates were better known as mortgage funds. Some of them, such as Estate Mortgage, came to inglorious ends.

In the Estate Mortgage fiasco, funds disappeared and the properties over which the mortgages were held turned out to be holes in the ground. Regulation was almost non-existent as the funds were created before the birth of the Australian Securities and Investment Commission.

But a decade later tight rules are in place and while returns are high, they are not out of the market (such as Estate Mortgage, which offered 22 per cent returns on investment when banks were offering 15 per cent), and are therefore achievable.