

# Property

**Bali high**  
Aussie developers in  
booming paradise **52**

**No sparkies**  
Toughest trades  
shortages in year **57**

## Funds team up on landmark

**Ben Wilmot**

Charter Hall Group's wholesale Core Plus Office Fund has teamed up with Telstra Super to buy one of Brisbane's landmark office buildings, Brisbane Square, for \$300 million.

The pair bought the building in a 50:50 joint venture from \$3 billion WA superannuation group Westscheme.

The move comes as super funds look to pick up property bargains while their listed rivals are out of the market.

Players including REST Superannuation and ISPT are targeting major direct assets, and some other funds are following their lead.

The purchase of Brisbane Square is one of the largest single-asset transactions this year. Charter Hall joint managing director David Harrison said: "We'll start to see more of this where super funds are investing directly with fund managers."

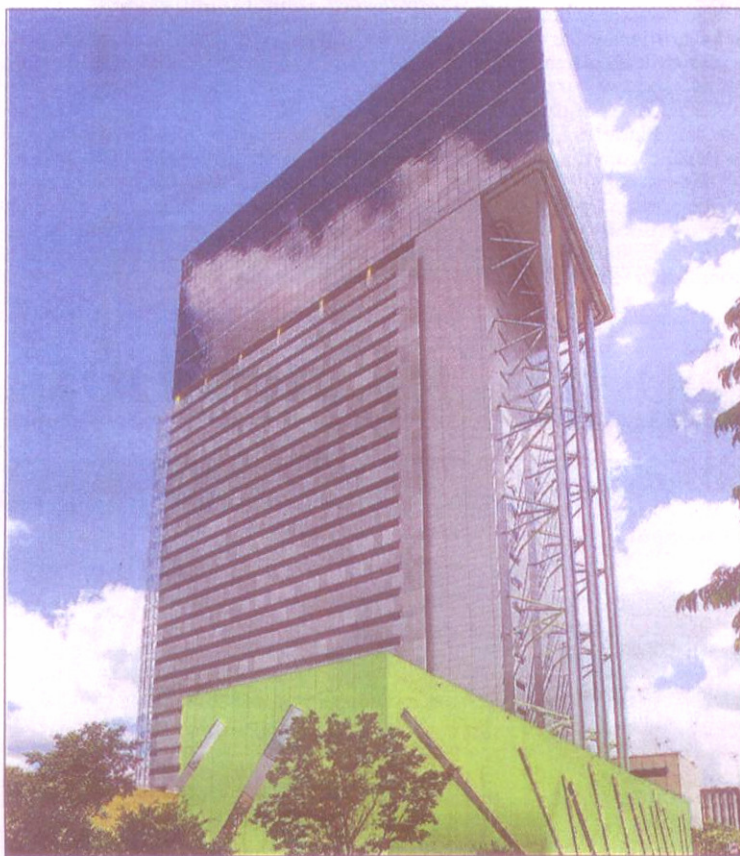
Mercer's head of real estate Asia-Pacific, Jennifer Johnstone Kaiser, said there was a split between larger funds able to invest directly and the smaller funds that could not.

Major funds, including QIC, have allocated hundreds of millions of dollars to wholesale property managers this year. However, Ms Johnstone Kaiser said that "there are others looking at buying buildings for the same ticket prices".

With superannuation funds still growing due to steady inflows, managers are looking for property both onshore and internationally.

"They know the [local] universe and so for them it's a safer bet," she said. "It's a consequence too of having almost seen the bottom of the cycle domestically."

Superannuation funds are attracting positive cash flows, and Atchison Consulting managing director Ken Atchison said that funds were "not overweight property any more".



**The \$300 million Brisbane Square deal rates as one of the largest single-asset transactions this year, and other super funds are scouting for assets.**

"I would think they'd be underweight at the margin," he said.

"There's probably also the lack of liquidity in property that is still hovering in people's minds, so they are probably erring on the side of staying underweight, but not much," he said.

The CPOF and Telstra Super will settle the deal, flagged in *The Australian Financial Review* last week, to buy the A-grade 57,300 square

metre building by mid-November.

Brisbane Square was completed in 2006 and is located in the north quarter precinct of the city's CBD.

With 37 levels of office space and 1270 square metres of retail, the tower is fully leased to tenants, including Brisbane City Council and Suncorp.

It has a weighted average lease expiry of more than 10 years.

The buyers picked up Brisbane

Square on attractive price of about \$5200 per square metre of lettable area — well below replacement cost — and with attractive capital growth potential as passing rents are about 38 per cent below market levels.

Geoff McIntyre and Ben McGrath of Jones Lang LaSalle introduced Charter Hall to the deal, which Mr McIntyre said helped to quantify the vacancy risk in Brisbane's office market.

While the deal showed an initial yield of about 7.7 per cent, Mr Harrison said he expected a total return of more than 14 per cent as the value of the building rose.

The unlisted \$1.2 billion CPOF has raised about half of a targeted \$200 million of fresh equity and expects to close off the next part of the raising shortly.

Westscheme reaped a strong return, turning its initial \$54.5 million equity investment in the development into an equity value of about \$106 million.

Access Capital Advisers advised Westscheme on the sale. Access chief executive Alexander Austin said the building had been a highly successful investment.

Access head of property Kui Ng said the prospective returns for Westscheme from alternative investments exceeded that available from continuing to hold Brisbane Square.

The purchase also suited the bond holders who will stay in the new structure.

Soft bullet bonds due for repayment had been downgraded to CCC by Standard & Poor's, but the sale should ensure they were repaid, Royal Bank of Scotland credit analyst John Manning said.

Mr Harrison said that keeping the finance structure, which includes \$131 million of long-term annuity bonds, suited the purchasers as they did not have to refinance until 2026.

**with Jonathon Shapiro**