

**Australian Property Markets News & Views**

A review of last weeks property transactions and AREIT activities.

14<sup>th</sup> July 2017

Urban Land in High Demand  
NAB Residential Survey Q2-2017  
360 Capital Pursue Target

17/7/2017

Welcome to this weeks Property News.

This week we review the markets top transactions and news from the AREITs including the latest from 360 Capital.

Earlier last week, I attended some meetings with investors in Hong Kong and it was very evident to me that there remains a significant amount of capital available to be deployed into the Asia Pacific region. Whilst many early adopters such Wanda have recently been put under the microscope by the Chinese authorities, there are many others yet to make their first move across a range of sectors (see [AFR](#) article on residential developers). Many of these corporations are investing not just for the financial return (which they recognize as being low) but also with the expectation of establishing a scaleable platform which will accommodate their business aspirations for years to come.

One example of this strategy is Country Garden who are paying high prices to achieve scale in our market. This week, Country Garden paid \$400M for 363ha in Melbourne's west (read more about this transaction below). This sale is the largest price paid for a development asset over the past 3 years and easily eclipses the \$360M paid for 185ha in Point Cook last year by another Chinese developer, Dahua Australia.

Most of these groups have their eye on the growing middle class of China who will increase their appetite for higher quality consumer goods, financial services, healthcare and tourism products outside of China. Australia will likely be the recipient of this demand for years to come. Asian groups are prepared to look through any short term adjustment as the build a business for the long term.

CMA aims to assist real estate investment managers and clients to add value to their investment decisions with relevant market based advice. We value your relationship and hope that we can be of assistance to you. If you require any strategic advice, market insights, transaction report or individual REIT assessments, please feel to contact us.

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## Property Transactions

A busy market last week saw 18 deals worth \$849M changing hands.

The largest deal, which set a new record for a development site, the purchase by Country Garden of a 363ha parcel of land in Wyndham Vale, west of Melbourne. The vendor, Phileo paid just \$14.5 million for the rural property in November 2004 shortly before the Growth Boundary was changed to incorporate this land.

We also take a look at Centuria's purchase of two assets in Perth at 144 Sterling Street and 42 Colin Street.

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Black Forest Rd



144 Sterling Street

## NAB's view on the Housing Markets

NAB's recent survey of Property suggests that market sentiment has moderated as prospects for capital and

rental growth have slowed. As a result, NAB believe that after multiple years of very strong growth, the housing market appears to be entering a cooling phase - although evidence points to an orderly adjustment rather than a sharp deterioration.

NAB are forecasting a rise in house prices in 2017 of 6.7% for Sydney, 7.5% for Melbourne and 1.3% for Brisbane. For apartments, NAB are forecasting a rise of 6.4% for Sydney, a decline of 2.6% for Melbourne and a decline of 2.2% for Brisbane. ([read more](#))

**NAB RESIDENTIAL PROPERTY SURVEY Q2-2017**

**HOUSING MARKET SENTIMENT WEAKENS IN ALL STATES, BUT GAP BETWEEN BEST AND WORST NARROWS, CONFIDENCE AND PRICE EXPECTATIONS ALSO NARROWED DOWN IN ALL STATES (BNA WA)**

*NAB Behavioural & Industry Economics* **Embargoed until: 11.30 am Thursday 13 July 2017**

Housing market sentiment (measured by NAB's Residential Property Index) softened noticeably in Q2, sentiment fell in all states (led by SA/NT, VIC and NSW), but the gap between the best (VIC & NSW) and worst (NT) narrowed. Confidence also moderated as prospects for capital and rental growth dimmed. Property reports are anticipating slower price growth in all states in the next 12 months (except WA), but particularly in VIC and to a lesser extent Qld and NSW. WA is tipped to recover as the best state for capital growth after Q2's 2 year low. Renters are also set to slow, but will require more growth supporting policies than just widening after a long period of compression, especially in VIC and NSW. FIIs were more active in both new and established property markets in Q2, but local investors retreated as regulators implemented more measures on banks to rein in investor lending. Despite China's crackdown on capital outflows into overseas property and a fall of new expatriation fees on foreign investors introduced in the 2017 US Federal budget, the share of foreign buyers in new property markets increased to 1.6% in Q2, down from 1.9% in VIC where they accounted for a 1 in 3 (33.3%) new property sales. **NAB Economics** has revised down for 2017 housing forecasts based on much softer market sentiment in the NAB Survey and weaker than expected price outcomes in recent months. More modest price growth is also forecast in 2018 (see p.16).

**VIEW FROM PROPERTY EXPERTS**  
Market sentiment softer in all states. Confidence also falls on expectations for slower house price growth and rents (except in WA).

**VIEW FROM NAB ECONOMICS**  
Softer market sentiment and weaker price outcomes in recent months has led NAB to revise down its price forecasts for 2017 and 2018.

**NAB RESIDENTIAL PROPERTY INDEX**

**NAB HOUSING PRICE FORECASTS (%)**

	2017	2018	2017	2018
Sydney	6.6	6.5	6.7	6.8
Melbourne	6.4	6.2	6.5	6.5
Brisbane	3.2	3.3	3.3	3.3
Adelaide	6.5	6.5	6.5	6.5
Perth	7.3	7.4	7.4	7.5
Tasmania	3.1	3.1	3.1	3.1
Cap City Avg.	6.4	6.3	6.4	6.4

**RESIDENTIAL PROPERTY INDEX BY STATE**

	Q1'17	Q2'17	Index Q1'	Index Q2'
NSW	18	18	18	18
NT	13	13	13	13
QLD	13	13	13	13
SA/NT	4	4	4	4
TAS	11	11	11	11
WA	18	18	18	18
AUST	13	13	13	13

**NAB HOUSING RENT FORECASTS (%)**

	2017	2018	2017	2018
Sydney	5.9	5.9	6.0	6.0
Melbourne	1.1	1.1	1.1	1.1
Brisbane	1.1	1.1	1.1	1.1
Adelaide	3.5	3.5	3.5	3.5
Perth	1.8	1.8	1.8	1.8
Tasmania	1.0	1.0	1.0	1.0
Cap City Avg.	3.3	3.3	3.3	3.3

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## Fund News

### 360 Capital Pursues Target

The wrestle for control of the Australia Pacific Data Centre REIT (AJD) continued last week with 360 Capital and APDC issuing correspondence asserting their positions on the proposal.

360 Capital Group fired first with a new letter to investors stating their views on the Managers' activities since the first proposal was issued ([read more](#)). 360 Capital do not agree that the REIT should be sold or merged and will seek to block attempts to do so.

Australia Pacific Data Centres fired back with their response and strong recommendation to vote against the proposal ([read more](#)) on the basis that 360 Capital don't have the expertise, won't lead to increased distributions and offers no certainty to investors.

Another AJD investor, Avoca Investment Management, who control 6% of the trust, came out late this week saying that they will vote against the proposal suggesting that an unproven external manager who would be financially incentivised to grow the asset base would lead



to material diminution in the overall quality of the asset base over time and therefore offer no real benefit.

Next week will likely bring some new news to the table ahead of the first meeting of investors on the 28th July.

In pursuing AJD, 360 Capital Group has given up on its pursuit of Industria REIT announcing last week that it has sold its stake to Growthpoint (see below). 360 invested \$57.2M in acquiring IDR securities and sold its stake for \$63.4M, providing its investors an 18.3% return. ([read more](#)).



Interestingly, APN also own 4% of the Australia Pacific Data Centre so it will be interesting to see whether 360 Capital have been able to seize voting control of APN stake in AJD.

## Growthpoint take slice of Industria REIT

As mentioned above, Growthpoint acquired the 18.9% stake in Industria REIT from 360 Capital Group ([read more](#)). The acquisition reflects a yield of 7.9% based on managements guidance of the FY17 FFO.



According to Macquarie, Growthpoint is likely to use the stake to raise capital for a full takeover bid of the trust. APN will fight for control with its direct holding 16.2% along with a further 14.2% held via APN Funds Management Group. As manager of the vehicle, APN also have a 12 month management termination payment provision which may cost a take over a further \$11M.

APN recently allowed the Generation Healthcare Trust to be privatised, so it may well negotiate its way through an approach by Growthpoint.

## Other News

- Goodman Group announced that it would re-purchase all of the GMP (Goodman Plus) securities ([read more](#))
- Centuria Metropolitan REIT announced the acquisition of 3 commercial assets for \$150M together with a capital raising of \$90M. CMA have also entered into DD on a commercial development in Sydney.

[\(read more\)](#)

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## Daily REIT Report

Propel publishes a daily REIT Report listing the key movements in the Australian listed property markets with information on key announcements, performance reports, presentations and analysis.

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***[REIT Updates](#)***

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