Industrial sector to feel effects of car maker shutdown

Larry Schlesinger

Holden's decision to close its manufacturing operations by 2017 is expected to reverberate throughout the industrial property sector.

The car maker's largest land holding on Lorimer Street in Port Melbourne is well positioned to benefit from urban renewal plans at nearby Fishermans Bend, but other facilities in Lang Lang, Dandenong and its Cruze manufacturing plant in Elizabeth on Adelaide's outskirts are in less prime development positions.

The closures of these facilities, coupled with Ford's announcement to close its Broadmeadows and Geelong manufacturing operations by October 2016 and the many suppliers and businesses that feed off the car manufacturing sector and who own or rent warehouse space, could push up vacancy rates and stymie a broad recovery in the industrial property sector.

Savills industrial director Greg Jensz told *The Australian Financial Review* he expected a "massive impact" from the Holden and Ford closures.

Mr Jensz said it would flow on right through to "component makers, the guys who make the wiper blades and spark plugs to complimentary businesses such as transport operators who have set up shop close to the manufacturing".

"These are not small operations, but a substantial amount of the workforce who may occupy anything from 2000 square metres to 20,000 square metres of space.

"It will come down to the merits of each asset. A property out of the back of Bourke will get slammed," he said.

Overall, though, he said it was likely to be more of a short-term adjustment and may create opportunities. He cited how **Lindsay Fox** had acquired and developed the Clayton Business Park following the exit of Nissan and later sold it on to Goodman for a healthy profit. "The market will eventually come back. It's really matter of quantifying how much space will actually become available."

Colliers International Melbourne director Nathan Bingham expected most of the impact around Ford's Broadmeadows plant. "Most of the buildings are all suppliers to Ford, so there are some challenges ahead.

"It's such a big spot. But it could be a great opportunity for developers."

According to Westpac's fourth quarter survey of industrial trends, the manufacturing downturn is already being felt with firms' expectations around spending on new buildings falling further into negative territory.

Adelaide homebuyers likely to handle the setback

Subdued price growth throughout Adelaide's residential market will continue in 2014 after Holden's shutdown announcement.

But Toop & Toop managing director Anthony Toop expects South Australian property to weather the economic setback, considering the news has come four years ahead of the final 2017 closure.

Mr Toop said big economic news tended to shock buyers into inactivity for a spell, but he was unconcerned given activity was naturally winding down in the lead-up to Christmas. By 2014, he expects the news to be digested and for buying – particularly investment – to continue.

Throughout 2013, Mr Toop has found the multimillion market has been quiet but affordable homes between $350,000 and $600,000 have sold well to first homebuyers and investors.

"This is a time of transition for Adelaide and I think the city is strong enough to reinvent itself," he said.

Real Estate Institute SA president Ted Piteo said Adelaide's market had been patchy throughout the year, but transaction numbers had lifted during spring, in line with the bigger capital cities. "If anything, there is a shortage of stock at the lower end of the market. Days on market are down to about 50 or so," he said.

RP Data figures show sales have risen 18 per cent in Adelaide this year. Price growth has been around 2 per cent.

Court $33 million listing fee was not in the investors' best interests

Prime directors were wrong

Nick Lenaghan

Former federal health minister **Michael Wooldridge** and other directors of the collapsed **Prime Retirement and Aged Care Property Trust** face corporate bans and hefty fines after a Federal Court judge yesterday found they had breached their director's duties.

The complex case centres on the directors' approval for the controversial payment of a $33 million listing fee to Prime's founder **Bill Lewski** after the trust went public in 2007.

The five directors defending the case include Mr Lewski, Dr Wooldridge and Liberal Party stalwart and former Places Victoria chairman **Peter Clarke**.

The Australian Securities and Investments Commission had alleged Dr Wooldridge and the other directors breached their duties by approving changes to the trust's constitution, allowing a $33 million listing fee be paid out of trust funds to Mr Lewski, who controlled the trust's responsible entity.

The directors also approved poison pill-style fees that would be paid to the responsible entity, Australian Property Custodian Holdings, if it was removed or the property trust taken over.

The $400 million trust collapsed three years after listing on the ASX when its lenders sent in receivers. Thousands of investors lost significant sums of money in the crash.

In its claim, ASIC accused the Prime directors of changing the constitution without taking into account the best interests of the trust's investors.

From left: Prime directors Michael Wooldridge, Bill Lewski and Peter Clarke breached directors' duties. PHOTOS: LUIS ASCUI

"I find for ASIC on each of its allegations," Justice Murphy said, handing down a 217-page decision.

"In my view, in making the decisions to pay the listing fee, each of the directors failed to act with undivided loyalty solely in the interests of the members."

A penalty hearing against Dr Wooldridge, who sits on the board of ASX-listed **Australian Pharmaceutical Industries**, and the other directors will be conducted next year.

ASIC Commissioner **Greg Tanzer** said the judgement was a reminder that responsible entities have to put the interests of their unit holders first. "This is a significant outcome for investors," Mr Tanzer said.

"Directors are important gatekeepers who must discharge their duties with the appropriate care and diligence. This has not happened here.

"The conduct of the [Prime] board was unacceptable and today's judgment reflects that."

Steve O'Reilly, from the Prime Trust Action Group representing thousands of investors, said investors were "delighted" with the long-awaited judgement.

"It's a great result for investors and we're very grateful to ASIC for having taken on this case and listening to the concerns of investors," he said.

"We hope they would be seeking the maximum in penalties because it is such a strong judgment."

It is expected the Federal Court judgement clears the way for the resumption of a parallel civil proceeding brought by Prime's receiver Korda Mentha to recover the $33 million fee.

That case was brought in the Victorian Supreme Court, but stalled as the Federal Court case took priority.

The receivers are pursuing their claim against the Prime directors, along with advisers Kidder Williams and Madgwicks Lawyers.

Vic police powers

The Victorian government is taking on the state's biggest building and construction unions with proposals to increase police powers to remove protesters at unlawful pickets and blockades under new "move on" laws. The Victorian Labor party said it was concerned at some of the elements in the bill. LARRY SCHLESINGER

$1.7m for Sydney shop

A near-new strata title shop in Railway Parade, Burwood, in Sydney's inner west, was sold at auction this week for $1.77 million. The shop, leased for five years to Anytime Fitness, was sold on a yield of 7.78 per cent through John Hill & Co. ROBERT HARLEY

Energy award

Melbourne-based boutique property fund manager Quintessential Equity has been awarded the best commercial building energy efficiency project by the Energy Efficiency Council for a Parramatta property. Quintessential Equity worked with energy efficiency company Exergy on the project. NICK LENAGHAN

Landmark sale

An 868-square-metre mixed-use development site in Darlinghurst, in Sydney's inner east, has sold for $7.847 million at auction. The property at 40-50 Francis Street, over four titles, holds two freestanding existing buildings and was sold for the first time since 1854. The agents were Daniel O'Brien, Danny Shi and Matthew Ramsay of CBRE. The auctioneer was Damien Cooley of Cooley Auctions. LARRY SCHLESINGER

Prime Melbourne site

A vacant corner site in North Melbourne has sold at auction for $3.45 million. The 908-square-metre site at 33-35 Arden Street is zoned for mixed-use development and is just two kilometres from the CBD. The agents were Anthony Carbone of CVA Property Consultants in conjunction with Jesse Radisich and Julian Heatherich of Savills. LARRY SCHLESINGER

Pricey penthouse

A penthouse office at 420 Collins Street in the Melbourne CBD has sold for $1.9 million to a local telco operator. The price was at a record rate of $4843 a square metre. The agents were Chris Pharr, Tom Tuxworth and Ed Wright of CBRE. LARRY SCHLESINGER

Bidding war warning

Robert Harley

The **DEXUS Property Group** which this week increased its offer for the $3 billion **Commonwealth Property Office Fund**, has been warned to avoid a further bidding war.

CLSA analyst John Kim, wrote that the **GPT Group**, which has already made one bid for Commonwealth Property Office, would come back with a higher offer by increasing the cash component of its bid.

"We believe the DEXUS offer is compelling but GPT's bid is expected to close six to eight weeks earlier and GPT has more firepower," he wrote.

Moreover, on the CLSA numbers, the acquisition of Commonwealth Property Office is more accretive for GPT than for DEXUS. CLSA noted DEXUS would boost its level of accretion if it did not pay the Commonwealth Bank a facilitation fee, as was proposed in earlier bids, but that is now unclear.

"We do not believe DEXUS should get into a bidding war with GPT," wrote Mr Kim.

"It can still make a $47 million cash profit on its 14.9 per cent investment, of 11.9 per cent (assuming a takeout price of $1.268 a unit including the 3.5¢ Commonwealth Property Office first half distribution) before transaction and funding costs."

On Thursday, DEXUS lost ground, and closed at 99.5¢, reducing the value of its part-scrip bid. At the same time GPT rose 2¢ to $3.41.

Telstra Super takes stake

Robert Harley

Telstra Super will partner with **Federation Centres** in the purchase of the Carlingford Court sub-regional shopping centre in Sydney's north-west.

Federation confirmed the purchase on Thursday saying that the transaction was "in a 50-50 co-ownership agreement with a major Australian corporate fund manager".

The centre is being bought from the **GPT** Wholesale Shopping Centre Fund (GWSCF) for $177 million on a passing yield of about 7.25 per cent.

Federation will handle the development, leasing and operations.

The purchase will increase Federation's centres in Sydney and give long-term potential for reworking.

Federation's chief executive Steven Sewell said his group's focus was on sub-regional centres and non-discretionary, everyday shopping.

Carlingford Court has almost 33,000 square metres of space anchored by Woolworths and Coles supermarkets and a Target discount store.

The sale was at a near 5 per cent premium to GWSCF's June 30 book value.

GPT Fund manager Michelle Tierney said the sale capped a successful year. "This sale gives the fund the opportunity to reduce gearing, provides additional capacity to fund its $760 million development pipeline and explore acquisition opportunities in line with the fund's strategy," Ms Tierney said.

Colliers International's Lachlan MacGillivray acted for GPT.