

Westfield profit up 23.1% with \$288m for year

Nelson Yap

Westfield announced a profit after tax of \$288.4 million for the year to 30 June 2003, up 23.1% on last year's result of \$234.2 million.

Financial highlights of the year included:

- Earnings per share on a fully diluted basis was 50.63 cents, up 21.7% on last year;
- Earnings Before Interest and Tax (EBIT) was \$401 million, up 13.6% on last year;
- Return on Equity of 18.6% compared with 16.7% for last year; and,
- The total dividend payout for the year will be 25.57 cents per share, up 21.5% on last year. The final dividend of 13.55 cents per share will be paid on 30 September 2003 and will be 50% franked.



Westfield managing directors Peter and Steven Lowy said all parts of the business are performing well.

They added business has grown considerably over recent years through development work and new acquisitions.

"We are particularly pleased with the integration of the new properties into the portfolio."

Westfield continues its expansion of the business with the recent highlights including:

- Westfield Trust's \$1.9 billion takeover of AMP Shopping Centre Trust;
- The addition of a net six shopping centres to Westfield's management portfolio with a value of \$1.2 billion;
- The completion of \$840 million of development projects; and,
- The receipt of outline planning consent for three major development projects totalling £780 million in the United Kingdom.

During the year \$2.6 billion was added to the development pipeline of projects under construction or in the advanced planning process, which now stands at \$6.4 billion. In addition, future opportunities in excess of \$5 billion have been identified.

Westfield now operates 115 shopping centres comprising 17,500 retail outlets and over 8.7 million sqm of retail space. The value of shopping centre assets under management is currently \$31.7 billion.

The Sun will come up tomorrow, says L + S

Ted McDonnell

By the end of 2003, a total of 132,000 sqm of new and refurbished office space will have come on to the market.

Over the next three years, another 425,000 sqm is predicted to become available.

Approximately 53% of this new space is pre-leased, leaving around 200,000 sqm of overhanging supply and landlords facing tough times in attracting new tenants.

Property owners must now focus on maintaining relationships and setting in place long term commercial strategies to retain their existing tenants.

The majority of tenants are not expanding and do not need to move; nevertheless, they are often being tempted to move for financial reasons, including incentives which may be made up of a mixture of cash, rent-free periods and fixed rent review structures.

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LLC sells interest in IGS

Lend Lease has entered into an agreement to sell its 23% interest in IBM Global Services Australia Limited to IBM Australia Limited for a price of \$160 million.

Lend Lease will receive \$80 million on completion of the sale and the balance of \$80 million in 12 months.

The sale price compares to a book value of the investment in IBM GSA of approximately \$43 million.

In addition to the sale price, Lend Lease will also receive repayment of a shareholder loan to IBM GSA -- \$16.1 million at 30 June 2003.

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Why Invest in Direct Retail Property?

Adam Parsons

The importance of direct retail property as an essential part of a well balanced investment portfolio has continued to be reinforced over the past 12-18 months.

The key benefits of investing in direct retail property include:

- Diversification – Direct retail property offers you significant diversification benefits if you include it as part of your investment portfolio. Direct retail property has outperformed all other asset classes including other sectors of the property market and listed property trusts (LPTs) and has provided consistently high and stable returns over the last 19 years (Property Council Performance Index June 2003).

Unlike direct property investments which, through the net asset backing, reflect the true value of the underlying properties, LPT prices do not always reflect this and tend to behave more like shares than direct property. From June 1986 to June 2003 direct retail property delivered an average annual return of 12.6% p.a. with the lowest risk rating of any comparable asset.

- High and Secure Income – Quality convenience based retail property provides you with a relatively secure income, which is derived from the rent paid by tenants. The income is generally not volatile (given the non-discretionary nature of expenditure through the portfolio) and is usually supported by long leases to major and national tenants. Nearly all Centro MCS syndicate portfolios include retail properties which offer a mix of tenants. This means you are not relying on a single or key tenant for the rental income, as is often the case with industrial and commercial property.

- Tax Advantages – The income from direct retail property generally offers you significant tax benefits through depreciation allowances on buildings, plant and equipment. Tax deductions also accrue from the amortisation of syndicate establishment costs.

- Hedge Against Inflation – Often, retail property rents will increase in line with inflation. This means that rental

income is keeping pace with rises in the cost of living and is providing you with a natural hedge against inflation. Frequently, as rents increase, the value of the property goes up.

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FPK Commercial distributes 12% higher

Nelson Yap

FKP Commercial Property Trust No. 1 distributes 12% higher than forecast return to investors

Leading listed diversified property group, FKP Limited, today announced its FKP Commercial Property Trust No. 1 had made a 12% higher than forecast, first distribution to investors.

The distribution reflected a return of 5.4% for the period from the Trust's inception in December 2002 to 30 June 2003.

This translated to an annualised distribution yield of 10.2%.

The Trust's distribution was 12% higher than the 9.1% annual yield forecast in its Product Disclosure Statement.

The sole asset of the FKP Commercial Property Trust No. 1, is the multi-award winning, fully leased Hall Chadwick Centre at 120 Edward Street, Brisbane, built by FKP.

FKP's newly appointed General Manager Funds Management, Tim Russell said the Trust's better than forecast result was due to increased rental revenue and reduced interest expenses.

"We exceeded our rental forecast by approximately \$100,000 and saved \$85,000 in interest expenses due to our ability to source competitive rates within the finance sector," Russell said.

"This is a great result and will hopefully build investor loyalty as we look to create new offerings," Russell said.

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