

Mirvac profits roll on unabated

Ted McDonnell

Mirvac Group announced this month an increase in its forecast net profit after tax for the year ended June 2003. The previous forecast of \$188 million has been increased to \$220 million because of stronger than expected results and because of an accounting policy change.

Of the \$32 million increase, \$24 million is attributable to the new accounting policy and \$8 million is the result of stronger than expected performance. Excluding the effect of the revised accounting policy this forecast represents an increase of 15% on the 2002 net profit.

Mirvac managing director Robert Hamilton said the profit upgrade was driven by improved performances across all divisions, particularly the Investment Division which is forecast to deliver a 10 per cent increase in profit compared with 2002.

Following from the strong performance, the Mirvac Board today announced a final distribution for the 12 months to June 2003 of 8.3 cents per security, bringing the total distribution for the year to 29 cents. This is an increase of 10.7% over the 2002 distribution and represents a payout ratio of 95% of the 2003 forecast profit of \$196 million -- under Mirvac's previous accounting policy.

Mirvac has about \$1 billion in exchanged contracts on which profit has not been realised.

Hamilton said Mirvac's existing pre-sales would settle over the

next two years and were expected to deliver margins consistent with Mirvac's previous projects.

Hamilton said that with the strong performance of the Investment Division and the settlements forecast by the Development Division, Mirvac was on track to continue its current rate of growth in 2004.

Stockland repurchases AMP notes

Stockland Trust has offered to repurchase AMP Diversified Property Trust Notes.

In return, Stockland intends issuing Stockland Notes.

Stockland has announced its intention to offer to purchase outstanding MTNs issued by ADP and issue Stockland MTNs in exchange.

The new issuance will comprise new maturities as well as increases to existing Stockland MTN lines.

ADP has four lines of MTNs totaling \$470m on issue. These are: \$150 million ADP fixed rate due 15/08/2003; \$175million ADP fixed rate due 15/07/2005; \$100 million Quay 62 fixed rate due 15/10/2007; and \$ 45 million Quay 62 FRN due 15/10/2007.

Stockland will shortly provide debt investors with an update on the progress on the takeover of ADP and will outline its intention to offer to purchase existing ADP MTNs in exchange for certain new lines or increases to certain existing lines of Stockland MTNs.

be gauging investor feedback for a new benchmark 5-year maturity. Stockland have a \$150m MTN maturing in August 2003.

Commonwealth Bank and Westpac Institutional Bank lead managers.

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Lend Lease launches 2nd RE Partners fund

Nelson Yap

Lend Lease has launched the second in the Real Estate Partners series of enhanced wholesale property funds, Lend Lease Real Estate Partners 2.

The Fund is seeking to raise between \$70 to \$125 million in equity, and will invest between \$200 to \$357 million in real estate opportunities that have the ability to provide enhanced returns.



LLC's Greg Clarke

The Fund, which has a seven year life, is targeting an internal rate of return to

investors of over 15% per annum (after base fee and expenses and before performance fee and tax).

The Fund follows the success of the first fund in the series, Lend Lease Real Estate Partners 1, which commenced in 1999.

Lend Lease Real Estate Partners 1 has delivered approximately 20% per annum to investors to date on the assets it has realised.

The Fund has exceeded its 15% per annum objective.

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GPT and Voyages get together in Hamilton Island bid

General Property Trust and Voyages Hotels & Resorts Pty Limited have increased their offer for Hamilton Island Limited to \$2.83 cash per share.

GPT and Voyages entered into a preliminary agreement with HAM under which HAM will propose a new Scheme of Arrangement to HAM shareholders.

The Board of HAM has indicated that the revised Voyages offer is in the best interests of HAM shareholders and has informed GPTML and Voyages that, subject to the findings of an Independent Expert Report, the independent directors intend to recommend the Scheme in the absence of a superior offer.

Under the Scheme, Voyages will acquire all the shares in HAM. Immediately on completion of the Scheme, GPT will acquire the leasehold title of the resort and grant a sub lease of the resort to Voyages. A special purpose company owned jointly by GPT and Lend Lease will acquire the leasehold title over all future residential development land and Dent Island.

HAM has 45.018 million shares on issue, therefore the Voyages offer of \$2.83 per share equates to a payment of \$127.4 million. Voyages will acquire HAM with its current debt - estimated to be approximately \$60 million. GPT's and Voyages' investment in Hamilton Island Resort is therefore estimated to be \$186 - 188 million, including costs.

Fund Manager of GPT Michael O'Brien said the offer represents excellent value for HAM shareholders, while also delivering attractive returns to GPT's unitholders through an opportunity to expand the Trust's Hotel/Tourism Portfolio in line with its strategy.

GPT's Hotel/Tourism Portfolio Manager Bruce Morris said Hamilton Island is an attractive asset for GPT.

"We believe GPT and Voyages are the best placed of the potential buyers of this asset to maximise savings due to our unique position of being able to combine two of Australia's largest resorts - Ayers Rock Resort and Hamilton Island," Morris said.

"This is, in part, reflected in our increased price."

"Also unique to GPT is the ability to drive stronger visitation to both assets by packaging Ayers Rock Resort and Hamilton Island," Morris said.

On completion, GPT's Hotel/Tourism Portfolio will have a value in excess of \$650 million and will represent approximately 10% of GPT's total property assets.

GPT intends to debt fund its investment in Hamilton Island through existing lines of credit and expects to achieve an initial yield on its investment in the Resort of approximately 10%.

Completion is anticipated to occur in September 2003.

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Office demand tipped to pick up in 2004

Nelson Yap

Investors are bearish about the Sydney office market, according to leading agent Laing + Simmons.

While the current weakness in tenant demand, world economic downturn and drought have pushed many to discount the growth prospects of the office sector, property analysts believe that office demand will pick up early next year building momentum through 2005 and 2006.

The improvement will be largely due to projected economic recovery and employment growth.

According to BIS Shrapnel, CBD prime gross effective rents and property prices are forecast to grow by 70 - 80% respectively over the next five years.

L + S also found in June that incentives and discounts, in the form of rent frees and landlord-contributed fit-outs, have more than doubled over the last 12 months.

Due to the weak leasing market, building owners are prepared to offer generous incentives to secure new and maintain current tenants.

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