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Exchange Centre sale nears fruition

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Global property manager RREEF has entered due diligence to buy Sydney's Exchange Centre for about \$190 million.

The forthcoming sale of the tower by the receivers of the Record Realty Trust, KordaMentha, on behalf of the Bank of Scotland International at about the 7 per cent mark, fully based, shows depth of demand for high-quality assets.

The landmark building has two vacant floors and potential tenants are already showing interest.

With three other parties, most from offshore, believed to have narrowly missed out in final bidding, the process showed capital continues to chase top-end assets.

The latest sales campaign, handled by CBRE, which declined to comment, also drew interest from local players, some of whom have become more active.

If a sale is finalised at around the \$190 million level it will also vindicate BOSI's decision to lift its exposure to the asset in the depths of a financial crisis.

The 20 Bridge Street building was bought by the Allco Finance Group-managed Record Realty Trust from German group Deka in August 2006 for \$235.7 million during the property boom.

In April 2009, BOSI appointed KordaMentha as receivers of a series of the trust's assets. But the formerly Allco-controlled Max Trust, which held the senior debt on the tower, took it to market in mid-2009 when few buyers were interested.

A unit of Hong Kong-based CLSA Asia-Pacific Markets came close to buying the building for about \$140 million.

But in September of that year, BOSI then the junior lender on the tower, bought out the senior debt holder, taking its exposure on the building to about \$190 million.

RREEF has flagged plans to acquire a clutch of Australian office towers.

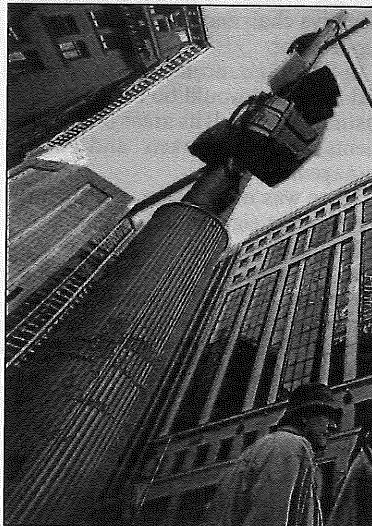
Asia-Pacific chief investment officer Paul Keogh could not be contacted yesterday but has previously said the manager had "several hundred million" dollars available from its funds and individual mandates to direct into the local market.

The funds are likely to have further capacity even if its move on the Exchange Centre goes ahead.

RREEF kicked off its antipodean shopping tour with its \$113 million acquisition of 737 Bourke Street, in Melbourne's Docklands, last year.

RREEF is also in due diligence to buy a tower in Sydney's Sussex Street from a Eureka Funds Management-run trust for a price in the mid-\$80 million range.

Foreign investment in the Australian commercial property has hit highs not seen since the early 1990s. CBRE estimates that offshore groups accounted for 41 per cent of the \$2.49 billion of third-quarter sales.



An Exchange Centre sale is imminent.