

# Business Property

Investors call the shots

## Unlisted syndicates change the game

Matthew Cranston

A new type of unlisted property syndicate is emerging after investors, stung by frozen investments and poor managers, demanded a remake of the management model.

New managers such as Centuria Property Funds, GDI Property Group, Armada Funds Management, Perth-based Primewest Management and Brisbane-based Sentinel Asset Management have rewritten the rule book.

"We have reduced the level of votes required to change managers down to 35 per cent so if we don't perform, it's sayonara," said Centuria Property Funds chief executive John McBain. "Direct

### Key points

- ▶ The new managers are under more pressure to deliver.
- ▶ Under the latest rules they can be dismissed by fewer votes than were previously required.
- ▶ Opportunities abound, however.

property is not dead but unless operators place investors in the centre of the investment equation, they risk death by irrelevance."

At the bottom of the property cycle in 2009, Warren Ebert established Sentinel, scrapping upfront fees, enforcing monthly distributions and declaring war on listed property funds, which, he said, were only on about growing

funds under management.

Sentinel has since brought on board 80 high-net-worth investors, including the former owner of Brumby's Bakeries, Michael Sherlock.

"Like their model because you deal directly with the managers and I am getting monthly returns, I also think their fee structures are reasonable," he said.

In the past 18 months Sentinel has purchased \$85 million-plus of property in Queensland. "We don't have to deal with recapitalisations of existing trusts, or wrestle with revaluations, putting us in an ideal position to move quickly on opportunities," Mr Ebert said. Primewest director John Bond said the turmoil in the retail space of

unlisted funds management presented more opportunities for the new funds. "Retail investors are probably more influenced by the negative press that is around and are just sitting on their hands or trying to get their money back."

Mr Bond is referring to the dozens of battles that have taken place to change the managers of billions of dollars worth of property funds, from Becton, Orchard and Charter Hall to smaller funds in the Opus, Australian Property Growth Fund and Viento stables.

Primewest has spent more than \$100 million in Brisbane in just over 12 months. Centuria has also snapped up bargains in a city where high yields can still be achieved. CB Richard Ellis Brisbane director

Flint Davidson has negotiated several of the deals. "These guys live and die by their investors so if they get something wrong – if they fail to raise capital or they don't put their investors into the right deal – they are cutting their lifetime off," he said about the pressure the new breed of managers face.

"You shouldn't underestimate how difficult it is for those guys to raise capital and do the right deals in this environment," Mr Davidson said.

"If these groups were going out solely to build funds under management without consideration for the quality of the deal, they would probably fail to raise the capital and that would tarnish their credibility with potential vendors and . . . their own investors."

## Our REITs attract overseas hedge funds

Gretchen Friemann and Ainslie Chandler

Australia's listed real estate investment trusts (A-REITs) have provided rich pickings for international hedge funds in recent months – and there could be more to come.

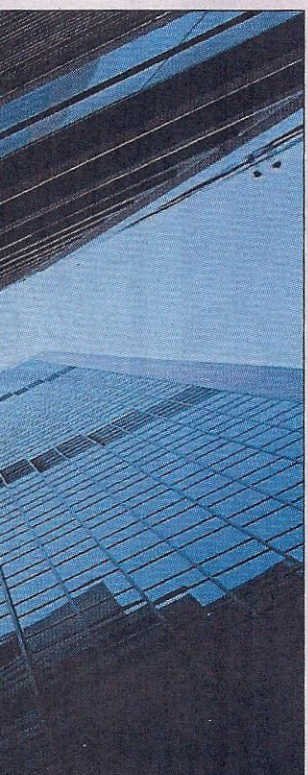
The A-REITs remain out of favour for many because of the carnage caused by the financial crisis but

### Hedge halo

Change in share price since December (%)

Charter Hall Office	+27
Investa Office	+23
Tishman Speyer Office	+43
Mirvac Industrial	+31
Challenger Diversified	+12

SOURCE: BLOOMBERG



### In brief Receivers at Flinders

Westpac has appointed KordaWentha as receivers of the Flinders Plaza Shopping Centre site in Townsville. KordaWentha took control of Flinders Plaza Pty Ltd, a joint venture between developer Austexx Corporation and Townsville developer Laurence Lancini, earlier this week. A new party will be sought to develop the 1.6 hectare entertainment and retail precinct. Austexx, the company behind the Direct Factory Outlets, sold off a series of centres last year as it came