

THE AUSTRALIAN

CommercialProperty

Grocon harbours hopes of \$1.4bn

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555 words

10 May 2018

The Australian

AUSTRN

Australian

26

English

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Property scion Daniel Grollo's business empire Grocon could receive a fillip from the sale of the \$1.4 billion office component of its vast Central Barangaroo project on Sydney Harbour with at least two local heavyweights lining up against one of Japan's largest real estate firms, Mitsui Fudosan Group, for the complex.

Grocon has been under scrutiny over its finances with a subsidiary late last month filing accounts showing it was under pressure.

Accounts for Grocon, a subsidiary of the main entity Grocon Group Holdings, lodged with the corporate regulator in April, show "material uncertainty that may cast significant doubt on the group's ability to continue as a going concern".

The subsidiary's current liabilities exceeded its current assets by \$20.6 million at June 30 last year, the accounts show.

But the accounts acknowledge that the parent company has provided a letter of support for its subsidiary and the director of both groups, Mr Grollo, is "closely monitoring existing projects".

Grocon earlier this year indicated it would seek out a party to take out the office component.

The purchaser could reap development-style returns from backing the building of a 50,000sq m commercial tower.

The Japanese group's interest is being matched by local players, Investa Property Group and the listed Charter Hall.

Both have an appetite for Sydney projects that will generate development-style returns. And both are taking a bullish view on the Sydney office cycle and have the muscle to take on the development of the office tower, with Grocon as a builder and holding carriage of the overall 5.2ha harbourside strip.

The site is effectively one of the last available large-scale opportunities in the Sydney central business district and its metrics are improving as a series of large-scale office projects have sold at record pricing and a number of major corporations have leasing requirements that match the 2024 completion date.

The project is being undertaken by Grocon, alongside local Westfield shopping centre owner Scentre Group, and Chinese-backed Aqualand.

Aqualand and Scentre's involvement in the project would not be affected by a deal with the incoming group and Grocon is likely to stay at the project's helm.

Mitsui Fudosan is one of Japan's largest listed property companies with a \$70bn empire including spanning key international markets.

The Japanese developer last year took a 90 per cent stake in the \$US3.8bn Hudson Yards Tower on Manhattan's West Side, owns the St Regis Hotel & Residences in Singapore, and has a four-project portfolio in China. Mitsui Fudosan is also undertaking a redevelopment of the Television Centre in London.

Charter Hall, led by David Harrison, is driving hard for Sydney assets. It has bought about \$600m worth of city office towers and is lead bidder for a half-stake in Sydney's Westpac Place tower for more than \$850m.

Investa, which commands substantial listed and unlisted funds, is also active in Sydney and has an appetite for development, with its 60 Martin Place complex rising in the city's financial district. Winning the group for the harbourside Sydney project would be a key moment for the Grocon business, after its losses on two Queensland projects. JLL and Macquarie Capital are advising.

Document AUSTLN0020180509ee5a0000o