

FINANCIAL REVIEW

SE Property
 HD **Investa buy just another day at the office for CIC**
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It may be the biggest direct real estate transaction in Australia ever but China Investment Corporation's acquisition of the \$2.45 billion Investa portfolio of office towers is just the latest purchase in a \$7 billion global property spend by the Chinese sovereign fund this year alone.

The Australian Financial Review first reported on Monday night that CIC International had won the Investa Property Group portfolio of office towers with a bid just shy of \$2.5 billion. It is the biggest direct real estate transaction in Australia to date and represents an extremely sharp initial yield of 5 per cent.

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But CIC, which was set up in 2007 to manage China's foreign exchange reserves, has been making headlines all year for its property acquisitions.

Only a couple of weeks ago CIC made its largest European real estate acquisition to date. It paid CBRE Global Investors an eye-popping €1.3 billion (\$1.98 billion) for a portfolio of 10 French and Belgian shopping malls. That price reportedly exceeded the vendor's asking price of about \$1.2 billion. In January the wealth fund acquired a London office park, Chiswick Park, from private equity giant The Blackstone Group for £800 million (\$1.7 billion).

In February it teamed up with US-based LaSalle Investment Management to buy the Meguro Gajoen commercial complex in Tokyo for ¥140 billion (\$1.56 billion.)

Coincidentally, CIC is also a long-time investor with Morgan Stanley, which sold the Investa portfolio. Real estate sources said it is also one of the key backers of MSREFVIII, the latest fund run by Morgan Stanley Real Estate Investing, the property arm of the US bank. These are just the investments that have been publicly confirmed.

Real estate only makes up a small part of the \$US220 billion fund, which has more than \$US650 million in assets under management.

Early on, it focused on stakes in financial institutions such as Blackstone and Morgan Stanley but after suffering losses in the wake of the financial crisis, CIC started to focus on mining, energy and other commodities. The firm is also targeting infrastructure in emerging countries, having flagged plans to build new container ports in Kenya and Tanzania in Africa.

Ding Xuedong, chairman of CIC, said in an interview in March that it was stepping up direct investment in long-term global assets. In an opinion piece he stated CIC was planning to invest more in agriculture and food supplies.

CIC is no stranger to Australia either. In 2009 it stepped in at the bottom of the market to support troubled industrial business Goodman Group. It's done very well out of that investment, with its 10 per cent stake in Goodman now worth more than \$1 billion.

Its first direct property purchase in Australia was its \$305 million acquisition of Centennial Plaza in late 2013 from none other than Investa, who co-owned it with Australian Unity Office Property Fund.

Still, CIC has a patchy record in terms of offshore investments. Last year losses incurred on its overseas holdings were blamed on mismanagement and dereliction of duty.

CO chinvm : China Investment Corp. Ltd. | coldb : CBRE Group, Inc. | wptaus : Investa Property Group | dwitd : Morgan Stanley | mgstre : Morgan Stanley Real Estate Funds

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