The Sydney Morning Herald

SE Commercial realestate

HD **Challenger sticks by profit forecast**

BY Carolyn Cummins Commercial Property Editor
WC 533 words
PD 5 February 2014
SN The Sydney Morning Herald
SC SMHH
ED First
PG 31
LA English

LP

COMMERCIAL REAL ESTATE - Offices - Tenants happy to stay put

A revamp of assets including the Jam Factory in Melbourne and potential sales of non-core assets has led Challenger Diversified Property Trust to reaffirm a 4 per cent rise in full-year earnings guidance to 22.3¢ per security.

TD

The group reported a net statutory profit of $15.2 million for the six months ending December 31, which included a $9 million cost from property value adjustments and capital expenditure.

Before the one-off charges, the profit was $23.9 million, in line with market expectations.

The results were underpinned by improvements at the Domain Car Park in Sydney, a $4.2 million foreign exchange profit on French offices which are yet to be sold and reduced interest rate costs.

Brokers at Moelis & Co said the result were "more or less in line with our expectations", with guidance reaffirmed.

This was against a backdrop of another flat leasing year for the CBD office market, although there were signs of improvement in some suburban areas.

The interim distribution was 9.2¢, up 7 per cent, with a full-year guidance of 18.5¢ per security.

CDI's fund manager Trevor Hardie said Village had started an upgrade of the cinemas at the Jam Factory in South Yarra, Melbourne, and along with the centre's repositioning last year would make it a high-end destination.

Mr Hardie said the year ahead would be one of "business as usual" with a focus on selling the non-core high-tech office assets at 187 Todd Road, Port Melbourne, and Taylors House, Waterloo.

"We are committed to selling the French assets in a controlled exit and look for value-add properties that offer redevelopment opportunities," Mr Hardie said.

"CDI is a rent-collecting vanilla vehicle and we will not deviate from that strategy."

He said despite the flat office outlook for the next few months, the group would continue to focus on assets such as its new 31 Queen Street, Melbourne.

Mr Hardie said the average lease expiry for the group was strong with the bulk of the contracts due for renewal in about 16 months. He said many tenants were starting to renegotiate and were happy to stay put rather than incur high charges from relocations. For the industrial section, stage 1 and 2 at The Junction 3 are fully leased, while the third stage of 13,000 square metres is vacant land that would be redeveloped pending a tenant.

Mr Hardie said the outlook for the industrial sector was improving with the rise in demand for warehouse/office assets in line with the growth in the e-commerce sector.

Challenger has also been the subject of takeover talk.

The fund is 55 per cent-owned by Challenger Life and talk is that the parent may look to **buy** out the fund and consolidate the business.

Mr Hardie said his fund operated "behind **Chinese** walls" and all shareholders were treated equally. If any approach was made on CDI, it would be completed in the usual independent manner under ASX rules.

IN i85 : Real Estate Transactions | icre : Real Estate/Construction | ireest : Real Estate

NS c182 : Asset Transactions | c18 : Ownership Changes | cactio : Corporate Actions | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : FC&E Industry News Filter

RE austr : Australia | melb : Melbourne | victor : Victoria (Australia) | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

AN Document SMHH000020140204ea2500024

