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HD Morgan Stanley a step closer to Investa exit with \$1.2bn capital return

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LP Morgan Stanley Real Estate Investing has repatriated more than \$1.2 billion after selling almost \$2.5bn worth of office towers out of the Investa Property Group empire, and is edging closer to exiting the entire business.

Investa's accounts reveal the big ticket item was the sale of 11 office assets to China Investment Corporation for \$2.455bn, with the \$340m sale of the Investa Land to Proprium Capital Partners adding to the pot.

TD Morgan Stanley and UBS handled the sales.

Only the sale of the management business remains. Morgan Stanley last month agreed to a term sheet proffered by the unlisted Investa Commercial Property Fund to acquire its management platform for \$110m-\$120m.

It remains unclear whether the listed Investa Office Fund will participate in that deal as it weighs up its own future. The ultimate management of the CIC portfolio is also unclear but neither deal will significantly shift the numbers for the vendor.

The fund through which Morgan Stanley holds its stake in Investa last month repatriated \$1.205bn of sales proceeds from the office tower sales to its offshore parent. This came after the repayment of \$701.9m of shareholder loans, the redemption of \$351.1m of loan notes and a capital reduction of \$152.2m.

Investa made a \$93.5m profit for the year, driven by \$286.3m in portfolio revaluations, perhaps reflecting the sharp near 5 per cent yield on the CIC deal.

The accounts also show the record-breaking deal only went some way to trimming losses suffered by Morgan Stanley funds. They poured \$3bn of equity into Investa and were sitting on about \$1.1bn of losses at the end of June.

While Morgan Stanley declined to comment on the accounts, its return to profit over the past two years lends credence to the thesis of American real estate executive Scott MacDonald's forthcoming book, Saving Investa.

Due to be released in March, the book bills Investa's well-regarded management team as the chief architects of the group's turnaround after the global financial crisis.

While losses were sustained from Morgan Stanley's \$6.6bn boomtime acquisition of Investa, the group's management has won plaudits for restricting, stabilising and expanding the business. Their future will be determined by what happens to Investa Office Management, a near \$400m enterprise once \$200m-plus stakes in IOF and a \$40m-plus stake in ICPF are taken into account.

CO ajogau : Investa Office Fund | chinvm : China Investment Corp. Ltd. | wptaus : Investa Property Group | dwitd : Morgan Stanley | mgstre : Morgan Stanley Real Estate Funds

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