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FINANCIAL REVIEW

Property

Fosun's first foray into Australia

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One of China's largest conglomerates, Fosun, has made its first foray into the Australian property market with the purchase of a \$116.5 million office tower in North Sydney.

As foreshadowed in The Australian Financial Review last year, the group has partnered with the Sydney-based Propertylink to buy 73 Miller Street. It is likely to be the first of several high-profile transactions for the venture.

Fosun Group chairman Guo Guangchangsaid it is the first real estate investment in Australia for the group.

"The Australian property market is well known for its stable growth and transparency," he said. "It is also the reason why Australia attracts so much attention from Asian investors, including from China."

Following the acquisition of local oil and gas player ROC Oil in November 2014, the Chinese billionaire said he was happy to contribute more to the Australian economy.

The Miller Street property is an A-grade commercial tower with 14,672 sq m of net lettable area with views of Sydney Harbour. The property is 100 per cent leased, with the NSW government as an anchor tenant with a weighted average lease (WALE) expiry of 4.07 years. The purchase reflects an acquisition yield of 7.8 per cent. There is opportunity to undertake redevelopment of the property, which is close to Greenwood Plaza, North Sydney's largest shopping centre.

Steve Day, the managing director of Propertylink, said the deal heralded the first of many more value-add commercial transactions.

"North Sydney is one of our preferred markets as it is tightly held by occupiers with limited supply expected. Our strong on-ground management team has a track record of generating value for our clients and we see this acquisition as a launching pad into other value-add commercial deals," he said.

Fosun's vice president of property, Alain Chang, said the group was glad to partner with Propertylink, given its asset management expertise and hoped to see "more deals done" in the future. The Miller Street building will become part of the property portfolio held by Fosun's insurance arm.

Fosun Property Holdings is the property investment and management platform of Fosun Group, which was founded in 1992 by four graduates of Fudan University. In 2007 Fosun International, the parent company of Fosun Group, listed on the Hong Kong Stock Exchange.

Knight Frank's Neil Brookes, James Parry, Tyler Talbot and Dominic Ong marketed the property on behalf of Investa Property Group. Mr Parry said there was still huge strength in the market for A-Grade assets.

"We expect this to continue into 2015, with further yield compression anticipated through ever-increasing demand supported by the record-low cost of debt and a soft Australian dollar," Mr Parry said

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