

SE Features
HD Goodman's \$1.5bn Brazil deal JOINT VENTURE TO **BUY** WAREHOUSES - EXCLUSIVE -
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INDUSTRIAL **property** giant Goodman **Group** hopes to wrap up the acquisition of about \$1.5 billion worth of Brazilian warehouses in the next two months.

Brazilian authorities had approved the Goodman acquisition in partnership with Brazil's largest **commercial property** developer, WTorre, it was reported last week.

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"We are going through due diligence, which is going well. We will see how that pans out," Goodman **Group** chief executive Greg Goodman told The Australian.

"We are talking about (finalising the deal) in the first quarter."

Mr Goodman said the plan was to create a wholesale fund in a joint venture with Goodman's global capital partners.

"We've got partners lined up for Brazil. We are talking to existing partners from other parts of the world," he said, pointing out that Goodman now works with 15 major partners internationally.

Asked whether **China** Investment Corporation (CIC), which is tipped to sell its \$800 million-plus stake in Goodman, would be one of its partners in Brazil, Mr Goodman said CIC already invested in Brazil, where it was a partner of the Singapore-listed Global Logistics Properties.

Two of Goodman's other key capital partners, Canada Pension Plan Investment **Board** (CPPIB) and Singapore's GIC, both have existing investments in Brazil: CPPIB in real **estate** with Brazil's Aliance and GIC in a number of projects.

"I can't comment on the **Chinese** government and what it may or may not do, apart from the fact that it is a good partner and will continue to be good partner around the world," Mr Goodman said.

He has no plan to follow up with further acquisitions in the US, at least for now.

"There is no opportunity for acquiring a platform," he said. "We don't think the pricing is attractive for us to do that."

Rather, he sees development opportunities in the US, which "plays to our strengths".

"We have been successful in the development market and we will maintain that effort," Mr Goodman said.

He expects the value of the **group's** completed projects in the US to reach about \$2bn by the end of this year, placing Goodman **Group** among the top four developers of premium industrial space.

"Over the next 12 months, we plan to start work on a few hundred thousand square metres of space, getting new warehouses out of the ground, particularly in California," he said.

Goodman **Group** has several projects kicking off around the world in 2014 -- in **China**, the US, Europe and Australia.

“It will be an exciting year for the **group**,” said Mr Goodman. “You are going to find, certainly in Asia, a lot more profound e-commerce growth. There is going to be a lot of focus on electronic platforms and on improving service to customers.”

In **China**, Goodman **Group** has leased close to 100,000sq m of space in the past six weeks, and in December announced plans to build another 100,000sq m of industrial space.

“We now have a land bank that will allow us to produce four million square metres of space (with an end value of \$3bn),” Mr Goodman told The Australian. “Land is getting more difficult to **buy** in **China**, which I think is a good thing.

“It (the shortage) is going to keep supply and demand in check.”

Similarly, he said demand for quality industrial investments in Europe would continue.

In December, Goodman teamed with Chamber Street Properties, a US real **estate** investment trust, to **buy** two industrial warehouses/distribution properties in Germany.

“We are in joint venture with them and we manage their

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investment,” Mr Goodman said. The partnership with Chamber Street was formed to acquire stabilised, newly developed warehouse/distribution buildings in Europe.

“Quality investment product is in high demand in Europe. We are seeing cap (capitalisation) rate compression in properties in good locations, and have good tenants,” Mr Goodman said.

The **group** recently **sold** a small industrial development in Britain, leased to a local government for 25 years, at 4.6 per cent cap rate.

The value of industrial properties was also rising in Australia, **China**, **Hong Kong** and Japan, Mr Goodman said.

“Some record prices have been achieved in Japan for industrial properties.”

Against the background of strong global demand for industrial space, Mr Goodman believes cap rate compression will be a continuing theme over the next 18 months to two years.

Rental growth of 3 to 3.5 per cent globally was possible.

“We will see strong growth (of more than 6 per cent) in markets like **China**, and an average of 3 per cent in developed markets like Australia and the United States,” he said.

Asset values would also rise because of strong investor interest in industrial properties.

“Over the next two to three years, investors will drive asset values. We are already seeing that in the UK, the United States and Australia.”

With a growing proportion of Goodman's earnings coming from offshore, the recent softening of the Australian dollar will benefit the **group**.

“A lower Australian dollar is good for us when we repatriate offshore earnings back to Australia,” he said. “We will also have good growth in our funds management business this calendar year.”

Asked about persistent rumours of a listing in **Hong Kong**, Mr Goodman said: “There is nothing planned. We are happy the way the business is performing. Over the next five years, our offshore operations will grow strongly and according to plan.”

CO chinvm : China Investment Corp. Ltd. | magmgrp : Goodman Group

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