

FINANCIAL REVIEW

SE Property
HD Precision needed in Arena's last \$70m asset sale
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Shaun Bonett's Precision Group is in due diligence to buy the last retail asset managed by Morgan Stanley 's Arena Investment Management in a deal worth more than \$70 million.

The Chevron Renaissance shopping centre in Surfers Paradise on the Gold Coast was once worth about \$100 million but was valued at \$71.6 million as of June this year according to Arena.

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The centre is 90 per cent geared.

Morgan Stanley in August announced its intention to wind up the bulk of its Arena investment and divest about \$500 million worth of real estate contained in three frozen funds. The Chevron Renaissance fund was one of those funds. JLL's corporate finance arm marketed the property.

The 9700 square metre shopping centre is anchored by a Coles supermarket and Liquorland. Their leases expire in 2020 and 2016, respectively.

There are also 78 speciality retail and office tenancies in the centre.

Mr Bonett, whose wealth is estimated by the BRW Rich List at \$375 million, has had multiple successes in redeveloping retail assets, most notably the MacArthur Chambers in Brisbane where technology company Apple has set up its flagship store for at least 15 years.

Mr Bonett has also been backed by the Bank of China on several property deals.

He was unavailable to comment on the exclusive due diligence.

However, the amount he plans to pay for the Arena managed asset is highly significant as it will determine whether equity holders in the trust that owns the asset will recoup funds.

"If the property was sold at June 30, 2014 at a disposal price 7 per cent below the current carrying value, investors would receive no equity return," the trust's latest annual report noted.

In 2012, Arena decided not to go ahead with an equity raising of up to \$35 million for the trust.

Arena has also agreed with its mezzanine lender that the payment of interest incurred on the mezzanine facility would be contingent on and only payable to the extent that the sale price of the property exceeds \$75 million.

US investment giant Morgan Stanley took control of the Arena platform, formerly known as Orchard, and recapitalised its funds in a \$200 million deal three years ago.

Arena declined to comment on the progress of the sale.

CO arnret : Arena REIT Limited | dwitd : Morgan Stanley

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