

PRIME ASSETS

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Augusta property syndicate goes large

Mt Wellington site biggest offered for individual ownership, writes **Colin Taylor**

THE biggest property syndication sale in New Zealand so far this year is aiming to bring about \$25.5 million worth of investment into a large-scale commercial head office and warehousing site.

Augusta Funds Management has established a proportional ownership fund to buy about 3ha of land and buildings at 510 Mt Wellington Highway, in Mt Wellington, Auckland.

The syndicate is being marketed for sale by Bayleys — with the offer pitched at passive property investors looking for above-average dividends at a time when bank deposit rates are low. Situated in the heart of Mt Wellington, the complex hosts four well known tenants in a mix of office and warehouse accommodation. Augusta's syndication will see 310 individual units being made available at \$50,000 each.

The property at the centre of the syndication offer occupies a full block on the eastern side of the Mt Wellington Highway, just 800 metres from the Sylvia Park Shopping Centre. It provides three road frontages: Mt Wellington Highway, George Bourke Drive and Carment Place.

The syndication sell-down is being brokered by Bayleys senior sales con-

sultants Mike Houliker and David Gubb, who are both confident that the 310 parcel offering will be quickly snapped up during the marketing campaign. They have jointly handled all of Augusta's syndications — all of which have been oversubscribed.

"There are millions of dollars in bank term deposits in New Zealand coming off two or three year interest rates that were up around 7 to 8 per cent," Gubb says.

"However, rolling over those investments, with bank interest rates down to around 3 to 4 per cent, has motivated people to look for alternative places to put their money. For investors like the elderly, who have taken a conservative approach by living off investment dividends to supplement their pension income, that 3 to 4 per cent rate is looking rather miserly."

"A 10 per cent return from this fully-leased prime industrial property is far more attractive, plus it comes with significant tax benefits and the opportunity for capital gain."

Houliker says the current economic climate had made part-ownership of the sizeable Mt Wellington holding available to the "ordinary man in the street".

In previous years it would have



CONTAINED: The property occupies a full block on the eastern side of Mt Wellington Highway.

been sold in its entirety to a New Zealand institutional investor or to an off-shore buyer.

"Already this property is returning a sound yield from four well-known tenants. With some vacant land within the block, there is further potential to accommodate growth by existing tenants and to add value and increase returns in the medium to longer term," Houliker says.

Augusta managing director Mark

Francis says the 510 Mt Wellington Highway offering would be structured in the same manner as all previous Augusta syndicates — delivering a proportionate ownership scheme in which investors are offered the opportunity to purchase a proportion of the registered freehold title in land and buildings.

The purchase price is to be funded by way of about 40 per cent of non-recourse prime bank debt and around 60 per cent investors' equity, he says.

"The site has a gross lettable area of 20,908 square metres plus 89 carpark bays and a substantial amount of excess land that provides flexibility for expansion for the existing tenants or for further development."

"The property has total net rental income of \$2.2 million spread across four tenants — including such household company names as Repco and Shell NZ."

"The largest tenant is Repco's head

office and central warehousing operation."

Repco is the largest reseller and supplier in the automotive parts and accessories aftermarket in New Zealand.

The company has sales in excess of \$200 million across almost 100 locations throughout New Zealand and is one of the most widely recognised automotive brand in Australasia.

Occupying 14,270sq m within the complex, Repco's current 10-year lease at the Mt Wellington site runs through until 2015, with a total of 20-years in further lease right of renewals.

Neighbouring tenant Express Data specialises in enterprise networking in the Asia-Pacific region — employing 285 people throughout Australia and New Zealand.

Express Data New Zealand was established in 1996 and has turnover of approximately \$120 million per annum.

Occupying a brand new state-of-the-art office and warehouse building of 3390sq m within the complex, Express Data's eight-year lease at the Mt Wellington site runs through until 2016 with a total of 12 years in further lease right of renewals.

The third tenant in the complex is McConnell Dowell, an Australian-based engineering, construction, building and maintenance company, that operates across the building, civil, electrical, marine, mechanical, pipeline, tunnelling and underground infra-

structure sectors.

McConnell Dowell has turnover within New Zealand of about \$133 million. Occupying 982sq m within the property, McConnell Dowell's current six-year lease at the Mt Wellington site runs through until 2012 with a further three year right of renewal.

And rounding out the occupancy is a Shell NZ Ltd service station.

Shell's five-year lease at the Mt Wellington site runs through until 2013 with a total of 20-years in further lease right of renewals. Augusta has projected a 10 per cent cash return on investor's equity (before tax but after all expenses) in year one.

Other Augusta syndicates which have successfully been placed on the market in recent years include:

- APN News and Media printing centre at 587 Great South Rd, Manukau City.
- Bendon head office and distribution centre in George Bolt Drive in the

Mangere airport industrial area.

- Contact Energy building in Lower Hutt.

- Hawke's Bay District Health Board head office in Hastings.

- Bulk Retail centre in Invercargill.

- Alto Packaging Limited building in Hamilton.

- Coca Cola distribution centre in Palmerston North.

Copies of the offerer's statement are available through David Gubb and Mike Houliker, or local Bayleys branches.



David Gubb



Mike Houliker