

Vantage's vulture fund offloads industrial assets

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Boutique property fund manager Vantage Property Investments has sold three industrial properties it brought with a "vulture" fund at the peak of the global financial crisis.

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The third asset, 22-24 Howleys Road in Notting Hill, went to South Australian-based Harmony Property Syndication for \$5.1 million on an 8.4 per cent yield.

Savills Australia's Ben Hegerty and Chris Jones sold the portfolio in conjunction with CBRE.

The four buildings were the only industrial assets held by Vantage Property, a fund syndicator for wealthy Asian and Australian investors.

Mr Hegerty said the portfolio totalled 10,421 square metres of building space on 23,475 square metres of land that sold with an average WALE (weighted average lease expiry) of 5.4 years and a combined rental income of \$1.318 million.

Vantage director Hamish de Crespigny said the diversified assets were acquired at the peak of the global financial crisis when industrial yields were most depressed.

"We raised a cashbox to be able to commit to assets on an unconditional basis a vulture fund to target industrial yields that had been overly hit with the economic circumstances of the time," he said.

"Having extracted as much value as was deemed possible, [they] were sold to capitalise on current strong market conditions," he said.

Other funds also hope to take advantage of the strengthening industrial sector.

A Charter Hall fund will offload three industrial properties bordering Melbourne's Tullamarine airport at the appropriately-named 1 Jets Court, 15 Jets Court, and 95-99 South Centre Road.

The assets have a combined net income of \$890,350 from leases to Qantas Road Express, Gibson Freight Australia, and DSV Air and Sea, and a weighted average lease expiry of 4.5 years.

The combination of the reduced cost of debt and the weight of funds chasing yield assets was putting pressure on local investors, tipping the scales towards offshore money.

"A lot of the groups we work with offshore have a different return expectation. Some are looking for long-term development potential. A lot are looking for diversification," he said.

"Our Australian-based investors are finding it hard to compete with the funds that are coming through, but our Asian-based investors have a really different cost of capital which allows them to continue to participate."

Vantage acquired the partially-vacant office at 446 Collins Street in March on behalf of an offshore Asian investor for \$34 million on yield of 4.5 per cent.

In July, it purchased 11 Queens Road, a 11-level St Kilda Road office building for \$27 million on a passing yield of 8.5 per cent.

Mr de Crespigny said the sale of the three industrial properties represented a capital return of more than 40 per cent for investors.

"Ultimately the portfolio was very well positioned for maximum growth," he said.