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Executive Search & Board Advisory

The Blenheim Report: The Property Numbers

PROPERTY ($'000)														
Company	INCOME FY15 HY1	INCOME FY14 HY1	EBITDA FY15 HY1	EBITDA FY14 HY1	EBIT FY15 HY1	EBIT FY14 HY1	NPAT FY15 HY1	NPAT FY14 HY1	Gearing FY15 HY1 %	Gearing FY14 HY1 %	FFO FY15 HY1	FFO FY14 HY1	Earnings Per Security FY15 HY1	Earnings per Security FY14 HY1
Abacus Property Group	183,615	212,132	87,100	75,200			62,644[1]	48,934	23.4	27.2	n/a	n/a	13.4	9.8
Aveo Group	145,200	117,200	32,200	31,700	31,400	30,800	24,200	19,300	15.9	15.8	28,000	6,900	4.8	5.0
Charter Hall Group	93,804	81,152			39,548[3]	30,584	39,900	28,600	37.2[4]	31.0[4]	n/a	n/a	12.1[5]	11.0[5]
Federation Centres	181,100	167,600			222,500[3]	226,700	222,500[1]	226,700	26.8	24.1	129,900	119,500	9.0	8.3
Goodman Group	1,115,700	788,800			353,700	318,400	512,700[1]	160,400	20.2	19.5	n/a	n/a	18.7	17.2
- Investment	225,500	216,300			195,400[2]	186,600								
- Development	478,600	375,200			127,300[2]	102,300								
- Management	104,800	97,600			59,700[2]	57,500								
Investa Office Fund	113,500	94,500			99,800[3]	96,900	99,500	56,000	30.1	21.8	87,300	84,500	16.2	9.1
Lend Lease	6,085,500	6,588,300	467,300	398,300	427,300	349,500	315,600	251,600	12.4	12.5	n/a	n/a	54.5	43.7
- Development	410,400	300,300	167,200	114,600										
- Infrastruture	120,100	158,200	88,900	42,800										
- Construction	5,260,300	5,891,400	152,000	152,200										
- Investment Management	106,300	164,700	145,400	140,400										

PROPERTY ($'000)														
Company	INCOME FY15 HY1	INCOME FY14 HY1	EBITDA FY15 HY1	EBITDA FY14 HY1	EBIT FY15 HY1	EBIT FY14 HY1	NPAT FY15 HY1	NPAT FY14 HY1	Gearing FY15 HY1 %	Gearing FY14 HY1 %	FFO FY15 HY1	FFO FY14 HY1	Earnings Per Security FY15 HY1	Earnings per Security FY14 HY1
Mirvac Group	1,137,400	975,200			308,900	254,900	279,000	246,100	25.0	27.8	n/a	n/a	7.6	6.7
- Investment	402,900	410,600			238,900	237,600								
- Investment Management	23,200	19,000			3,100	4,300								
- Development	608,300	565,500			102,800	54,500								
Novion Property Group	673,800	387,500			415,900[3]	188,200	412,700	188,200	29.4	30.9			13.6	6.6
SCA Property Group	85,800	77,900	n/a	n/a	116,200	56,900	98,200	43,000	35.8	33.5	37,800	33,600	15.1	6.7
Scentre Group[6]	1,213,000				920,000				34.9		578,000		10.2[5]	

[1] Abacus Property Group, Federation Centres and Goodman Group reported statutory profit. The remaining companies have reported underlying profit.
[2] Goodman Group reported Operating EBIT.
[3] Charter Hall Group, Federation Centres, Investa Office Fund and Novion Property Group reported Profit before Tax and it has been used for comparison.
[4] Charter Hall Group reporting Look Through Gearing
[5] Charter Hall Group and Scentre Group have reported Distribution per security
[6] Scentre Group as a result of the change from

PROFIT GUIDANCE

Charter Hall boosts profit with 'organic growth'
Australian Financial Review
25 FEB 2015

Charter Hall has reported solid organic growth for its half year result, with both operating earnings and profit recording double digit growth. The $1.6 billion property investor and fund manager saw statutory profit rise 39.5 per cent to $39.9 million. Operating earnings rose 27.1 per cent to $48.4 million.

Charter Hall's joint managing director, David Harrison said the group has focused on enhancing the quality of its portfolio by investing in industrial and retail assets with long leases. "Our enhancement of portfolio quality is evidenced by the increased WALE [weighted average lease expiry] of 9.5 years, improved investment grade tenant composition and better balanced sector weightings which have markedly lowered the risk profile of the portfolio," Mr Harrison said.

Charter Hall's funds under management increased 10.4 per cent, with the portfolio totalling $12.7 billion and comprising 270 properties at 30 December 2014. Operating earnings for the Property Funds Management division was up 27.4 per cent to $21.3 million. Across all the managed funds, $944 million of gross equity was invested in $1.4 billion of new acquisitions.

Charter Hall joint managing director David Southon called it "solid organic growth." "The active management of our portfolio, investment in our assets and partnership with our tenants remains the key focus for our property teams," he said.

Charter Hall's guidance for the full year is unchanged at 7.9 per cent growth in operating earnings per security.

"We expect quality property with secure cash flow to remain highly attractive to both institutional and retail investors in a low interest rate and low inflationary environment," Mr Harrison said.

http://www.afr.com/p/business/companies/charter_hall_boosts_profit_with_rpcyluAfFUOT8ZyssAl0wI

Residential market underpins Lend Lease profit boost
Australian Financial Review
23 FEB 2015

Top-tier developer Lend Lease has reported a 25.4 per cent boost to its half-year profit to $315.6 million thanks in part to strength in the Australian and UK residential markets.
The $9.7 billion property group reported a 9.4 per cent fall in revenue to $5.9 billion. Lend Lease, which has operations in Australia, United States, UK and Asia, has delivered a total return to shareholders of about 70 per cent over the last year.

Chief executive Steve McCann said Lend Lease's $40 billion global development pipeline is driving earnings and growth visibility. "The Australian and UK residential markets have remained strong. We increased our residential pre-sold revenue by $2.2 billion, to $3.6 billion, and settlements rose 11 per cent from the prior corresponding period," he said.

In Australia the property development business delivered a profit after tax of $132.6 million, up 18 per cent. Residential settlements increased 18 per cent from the prior corresponding period. Apartment pre sales increased 195 per cent including sales for The Yards at Brisbane Showgrounds, 888 and 889 Collins Street in Melbourne and at Darling Square in Sydney.

Group chief financial officer Tony Lombardo said about 4000 apartments are now in delivery across Australia and the UK. “The apartments will progressively complete between fiscal years 2015 and 2018 and are a material contributor to our circa $3.6 billion of residential pre sold revenue,” Mr Lombardo said.

However, construction revenue in Australia fell 21 per cent - largely due to lower volumes in the Engineering and Services businesses which have also impacted gross profit margin the company said.

Elsewhere Mr McCann said there was continuing progress at the Barangaroo South development in Sydney. The three commercial towers are 62 per cent leased. In Asia profit after tax was down 72 per cent. The property development and construction divisions generated a loss while investment management profit decreased to $36.5 million. In Europe profit after tax rose to $75.3 million from $8.2 million. Residential pre sales rose over 300 per cent to $1.1 billion driven by strong progress at Elephant & Castle, Wandsworth and The International Quarter. Investment Management profit decreased to $15.0 million following the sale of the Bluewater and Warrington assets in the last 12 months. In the Americas profit after tax fell 23 per cent to $37.2 million, led by a construction profit reduction due to a reduced contribution from military housing building revenue.

Mr McCann said he remains comfortable with consensus profit expectations of $604 million to $628 million for the full year.

http://www.afr.com/p/business/property/residential_market_underpins_lend_ST15npoId551kAjor8c2CK

Sydney leasing underpins Investa Office Fund profit
Australian Financial Review
19 FEB 2015

Investa Office Fund has reported a 78 per cent boost to half-year profit to $87.3 million and upgraded guidance for the year.

Ming Long, IOF Fund Manager, said the upgrade followed stronger than expected leasing outcomes - particularly in Sydney - and lower debt costs. "This is another solid result from IOF, as we continue to benefit from the skills and expertise of the Investa platform," Ms Long said. "The increase in FFO [funds from operations] was largely driven by capital re-deployment into two high-quality Sydney assets, Piccadilly and 6 O'Connell Street, which are performing ahead of our expectations due to strong leasing outcomes.

IOF's high exposure to the Sydney office market underpinned the results. Net property income increased 12 per cent to $95.8 million. Asset valuation increases were led by Sydney, with the Piccadilly complex in particular increasing by $16 million. The result comes a day after Morgan Stanley Real Estate Investing officially kicked off its long-expected exit from the Investa Property Group, which manages IOF. The sales process will be ongoing over the coming months.

FFO guidance for FY15 is 27.5c per unit (3.8 per cent increase on 30 June 2014) and distribution guidance of 19.25c, representing a FFO payout ratio of 70 per cent.

http://www.afr.com/p/business/property/sydney_leasing_underpins_investa_aoaqc08q4b2ii5NMK2gfmO

Novion Property Group Report Results
Australian Financial Review
18 FEB 2015

Shopping centre landlord Novion Property Group has booked an 8 per cent lift in its interim distributable income to $210.5 million, as it reaped the reward of buying back its own management rights and the benefit of property income growth. The strong result comes as the property company, formerly known as CFS Retail Property Trust Group, prepares for a proposed merger with Federation Centres. The trust's net profit for first half of the 2015 fiscal year surged 119.3 per cent to $412.7 million, compared to $188.2 million for the prior corresponding period. That uplift in net profit came after a hefty net gain on property valuations of $253.7 million.

"It has been another successful period for Novion featuring strong valuation gains, increasing duration and diversity of the debt profile, commencing a major redevelopment project and once again being acknowledged for one of the strongest sustainability programs amongst retail REITs globally," said Angus McNaughton, Novion's managing director.
"We are excited about the proposed merger with Federation Centres and believe it is a unique and compelling opportunity that creates significant value for our securityholders."

The merger is backed by Novion's largest shareholder, billionaire John Gandel. If it goes ahead as expected, the new group will become Australia's second largest retail landlord, with a $22 billion portfolio. Across Novion's shopping malls, specialty store sales growth improved to 2.8 per cent, up from 2.2 per cent in June last year.

The average re-leasing spreads on specialty store leases that expired during the period was negative 3.6 per cent in Novion's direct portfolio. That figure - a crucial metric for retail landlords - is an improvement on the negative 4.3 per cent reported in the 2014 full year.

Michael Gorman, Novion's chief investment officer, said the soft jobs market had weakened consumer sentiment, constraining any recovery in retail sales in the short-term. "Despite the softness in the retail market, we have maintained our fixed 5 per cent annual increases in new specialty store leases, with no incentives for renewing tenants," he said.

http://www.afr.com/p/novion_property_group_reports_results_X83dQlsu0ikHefWb2CVPuN

Mirvac on track as first-half profit rises 15.5pc
Australian Financial Review
12 FEB 2015

The strengthening Sydney economy and the city's booming apartment market has delivered for Mirvac, which reported a 15.5 per cent boost in its first-half profit. The chief executive of the $7.8 billion diversified property group ,Susan Lloyd-Hurwitz, said a deliberate weighting towards the Sydney residential market supported the result. The group reported an operating profit of $231.2 million for the six months to December.

"We have had a good run on Sydney residential with an increased margin caused by Sydney price growth and bringing forward Eden at Harold Park," she said."At the full-year [results] we said we thought the market had another two to five years to run and we haven't changed that view. It is certainly moderating in terms of price growth and approval volumes which is a good thing that will allow for a longer, slower residential cycle."

Despite talk last year about macroprudential measures there had been no noticeable impact, Ms Lloyd-Hurwitz said, and Mirvac did not expect anything game-changing at this stage. "We are not planning for any radical change for the conditions in the market," she said.

Mirvac securities are trading at near six-year highs, although the group closed 0.5 per cent lower at $2.10. Mirvac narrowed its full-year operating earnings-per-share guidance range to between 12.2 and 12.3 a security, and has maintained its previous distribution guidance range of 9.2 to 9.4 a security.

In the office sector, Ms Lloyd-Hurwitz said Mirvac was "starting to see signs of recovery in Sydney and Melbourne", with positive net absorption and vacancy levels expected to tighten as the supply cycle completes. In retail, Mirvac reported comparable moving annual turnover growth of 3.1 per cent and positive leasing spreads of 4.1 per cent. The retail portfolio is now 67 per cent exposed to Sydney's metropolitan area. In the residential sector, Mirvac now holds $1.3 billion of exchanged pre-sales contracts and is "on track" to deliver "slightly in excess of 2200 lots" in the full 2015 year.

Morgan Stanley said it saw a lot of similarities between Mirvac and Stockland's results.

http://www.afr.com/p/mirvac_on_track_as_first_half_profit_olWNfyCTD7BQ1TH8EbvWOP

Goodman Group raises earnings forecast as operating profit rises 10pc
Australian Financial Review
12 FEB 2015

Logistics property heavyweight, Goodman Group, has confirmed the strength of its financial position, revising up its forecast earnings per security EPS for the full financial year.
The first-half result, delivered on Thursday, showed a 10 per cent increase in operating profit, to $327 million.

Goodman has continued to bulwark its financial strength with balance sheet gearing of 20.2 per cent, an iinterest coverage ratio of 5.9 times, and $1.5 billion in liquidity.Helped along by revaluations, particularly of urban renewal projects, the statutory profit jumped to $513 million. Net tangible assets per security increased 9 per cent to $3.15.

Chief executive Greg Goodman said his group was positioned to deliver an upwardly revised forecast full-year EPS growth of 7 per cent.

http://www.afr.com/p/business/companies/goodman_group_raises_earnings_forecast_4bju2ujBplP5B7mRbVvySK

Woolworths supermarket sales growth in doubt
Australian Financial Review
11 FEB 2015

Analysts are reviewing their sales growth forecasts for Woolworths and Coles following a sharp slump in supermarket sales growth at Woolworths's property spin-off, SCA Property Group, in the December quarter. Supermarket sales growth at SCA shopping centres dropped to 4.2 per cent on a moving annual total basis in the December quarter, from 6.7 per cent in the September quarter and 8.4 per cent in the June quarter 2014. Analysts say the slump in supermarket sales growth momentum at SCA augers poorly for food and grocery sales, particularly at Woolworths.

Woolworths represents about 49 per cent of SCA's property portfolio after spinning off a portfolio of properties worth $1.4 billion into a separately listed entity in November 2012. Coles represents about 3 per cent of the SCA portfolio.

UBS retail analyst Ben Gilbert said Australian Bureau of Statistics figures suggested that December was a tough month for grocery retailers, while supplier surveys over the past six months suggested that Woolworths had slipped behind its peers in areas such as pricing, promotions, on-shelf availability and store presentation.

Other analysts were wary of jumping to conclusions, saying other factors may have contributed to the weaker supermarket sales growth at SCA and pointing to differences between the SCA figures and figures reported by Woolworths and Coles in the past. SCA's supermarket sales growth has been significantly stronger than of its peers and stronger than that of Coles's and Woolworths's average comparable store sales growth over the past two years because of the relative youth of its store portfolio.

Analysts said SCA's supermarket sales growth may have slowed as stores in the SCA portfolio matured.

SCA shares rose 5¢ to $2.13, taking gains this year to 15 per cent.

http://www.afr.com/p/business/companies/woolworths_supermarket_sales_growth_ZIXyRDAZ5nQaii2tK9849N

Federation Centres, Novion Property trade down in wake of merger shock
Australian Financial Review
05 FEB 2015

Retail landlords Federation Centres and Novion Property Group traded down on Wednesday in the wake of their merger proposal, as analysts and investors digested the surprise announcement. The bold plan to create an $11 billion company with a $22 billion portfolio of retail property, including some of Australia's trophy malls, has the backing of both boards. It is yet to be voted on by Novion shareholders, whose approval is required.

With consolidation pressure in the sector rising on a global flood of cheap debt, some market observers have considered the possibility of a third player lobbing a competing bid for Novion. That prospect is made less likely by the fact that Novion's largest investor, billionaire John Gandel, already favours the merger plan with Federation, Deutsche bank analyst Ian Randall said in a client note.

"Rather, should Federation's relative pricing weaken on the back of this transaction, we believe investors will increasingly question whether Federation itself may be a target for corporate activity," he said.

Citi analyst Adrian Dark said Novion investors were "getting a good deal", while the synergies and growth prospects would benefit Federation investors. The Citi team rated "interloper risk" on the deal as low, but noted that corporate activity was becoming a significant factor in the sector.

Federation fell 3.2 per cent to $3.03, while Novion dipped 1.2 per cent to $2.51.

http://www.afr.com/p/business/property/federation_centres_novion_property_TgwkrK3fIbytg8f8ylBwkI

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