

# Woolworths landlord sees recovery

Matthew Cranston

Woolworths and Coles landlord, Shopping Centres Australasia Property Group, has opened the real estate sector's reporting season with a strong profit result driven by a substantial revaluation in its portfolio of shopping centres and positive prospects for rents and supermarket sales.

SCA, which has been closely monitored for its \$83 million stake in rival shopping centre trust Charter Hall Retail REIT, delivered a \$204.7 million profit following positive revaluations of \$150.6 million or about 8 per cent.

"I think the valuations are all a little more bullish now given valuers have more data points and more transactions to go on," SCA chief executive Anthony Mellows said.

Average valuation capitalisation rates for SCA's properties firmed from 7.13 per cent to 6.62 per cent.

"We are still quite conservative compared to our peers and we had a bit more catching up to do."

Rival owner Charter Hall Retail REIT has cap rates at 6.5 per cent and will be watched closely to see its movements when reporting financial results later this month.

The \$1.6 billion SCA is also forecasting 2 to 3 per cent comparable income growth over the next few years driven



Shopping Centres Australasia expects further rental growth from its major supermarket tenants. PHOTO: GETTY IMAGES

by improving rental spreads that came in at 7.6 per cent for the half year. Rental spreads are the difference in rent between old and new lease agreements.

The group expects further rental growth from its major supermarket tenants for whom it also sees improved sales growth.

"Around 35 per cent of our Australian anchor tenant leases have a

minimum 5 per cent increase in base rentals in fiscal 2018 and 2019."

"Early signs of a recovery in supermarket sales growth with November 2016 sales up by 2 per cent compared to the previous corresponding period while December 2016 sales were up by 2.4 compared with December 2015."

Supermarket sales growth had remained subdued primarily due to

price reductions over the last 24 months.

The company said that while small the turnover rents it received from the big anchor tenants such as Woolworths and Coles could show improvements.

"Turnover rent may become a rental growth opportunity in the future if Woolworths' sales growth improves," the company said.

## SCA Property Group

Half year	2017	2016
Sales (\$m)	108	89.9
Net (\$m)	204.7	90.8
EPS	27.9c	12.5c
Interim dist*	6.4c	6c
*Payable	Jan 20	
	Close	Change
Shares (last)	\$2.24	+6c

Anchor tenant turnover rent represents only 0.6 per cent of SCA's gross property income.

Elsewhere SCA noted that Bunnings had agreed to lease the former Masters tenancy at Mount Gambier with a new 12-year lease although the rental would be \$300,000 less than the Masters lease.

It also said Woolworths/Home Consortium had agreed to pay top-up for lost rent until 2035 or sale of the asset.

Further information on SCA's stake in CQR was not forthcoming.

JP Morgan had earlier said SCA may like to use its stake in CQR as "a means of affecting a transaction with CQR, possibly involving the merger or a takeover of the management rights".

However, Mr Mellows was tight-lipped on his position over the 4.9 per cent stake saying only that the group would remain "disciplined" on its investment strategy.

# DomaCom gets green light to crowdfund mortgages



DomaCom chief executive Arthur Naoumidis: model expanded.

Nick Lenaghan

Listed crowdfunder DomaCom will offer investors the opportunity to invest into residential mortgages after clearing a regulatory hurdle.

The listed minnow's move into property debt comes as the major banks tighten the screws on lending to property investors, including BankWest which this week turned the tap off on investment loans for new customers.

Chief executive Arthur Naoumidis is optimistic the squeeze on high street lending will push investors toward DomaCom.

"More people will use us because they won't be able to get a position in

debt from the bank," he told *The Australian Financial Review*.

DomaCom has been given a broader licence from the Australian Securities and Investments Commission to deal in securities. As a result, it can open up its crowdfunding model to property debt.

The DomaCom platform allows investment in fractions of real property through collective investment schemes and crowdfunding.

Its offerings target self-managed super funds and are on the approved product list of 41 financial adviser groups.

Previously, its bookbuilds for specific properties, typically residential, have

been all equity. "We've been struggling to get any bank to lend to our fund, so we're going to do it ourselves," Mr Naoumidis.

Introducing debt into the property vehicles would make the capital gain collected by equity investors more tax-efficient, as rental returns were used to service loans.

"The investors who want debt are probably older or retired and want income. The people who want the equity are generally younger and they want to 'turbo' their capital growth," Mr Naoumidis said.

With a fixed five-year term, the DomaCom mortgage bonds will offer a yield of 3.54 per cent over the Reserve

Bank of Australia cash rate. Based on the current cash rate of 1.5 per cent, which the RBA left unchanged on Tuesday, the expected return to investors would be 5.04 per cent. The DomaCom bonds will have the status of a first registered mortgage in investments with a loan-to-value ratio of less than 50 per cent.

Before listing last year, DomaCom hit the headlines with an ambitious bid to buy Australia's largest landholder, S.Kidman and Co, with a \$410 million crowdfunding campaign.

Since floating with an initial offer price of 75c, the stock has plunged. After its announcement on Tuesday it gained 1c, or 4.8 per cent, to close at 22c.

## Multi-Tenant Income Stream With Upside

Rare Mulgrave Investment



For Sale by Expressions of Interest

18-20 Pickering Road, Mulgrave VIC

- Three leased tenancies of 648sq m\*, 564sq m\* and 550sq m\* totalling 1,762sq m\* of gross building area
- Total rental return of \$165,964pa\* plus GST
- Mix of 3 to 5 year leases
- Located in a tightly held industrial pocket of Mulgrave
- Unbeatable location with easy access to Monash Freeway and EastLink

For Sale by Expressions of Interest closing Thursday 2 March 2017 at 3pm

\*Approx.

## Major Permit Approved Infill Site

An outstanding townhouse development site



For Sale by Expressions of Interest

7B Copernicus Way, Keilor Downs VIC

- Significant site of 18,990sq m\*
- Commercial 1 Zone
- Combined street frontage of 315m\*
- Highly convenient location adjoining Keilor Shopping Centre
- Recently approved permit for 99 townhouses designed by 'RotheLowman' architects
- Additional 1,633sq m\* of land for retail and apartments (STCA)

For Sale by Expressions of Interest closing Thursday 2 March at 3pm savills.com.au

\*Approx.

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