



Warren Ebert on South Australia: 'How can you buy property with that sort of risk?' PHOTO: GLENN HUNT

Energy problems rule out SA as place for investment

Matthew Cranston

The manager of the \$1 billion Sentinel Property Group, Warren Ebert, refuses to invest in commercial property in South Australia because of the risk in energy supply and costs that he says could wipe out returns.

Mr Ebert, whose Sentinel Property Group has 44 properties from office towers to shopping centres in every mainland state and territory with locations as far as Port Hedland, said the energy crisis in South Australia prevented him from investing there.

"There is no chance in the world I would buy property in South Australia," Mr Ebert said. "When you do your outgoings, tell me what electricity is going to be next year? You have no idea."

"How could you go and buy a property, if you have any sense? Any sort of building that we buy, shopping centre or anything else, we look at our energy costs. There are some hotels where electricity costs have gone up \$1 million."

"How can you buy property with that sort of risk?"

There have been three major black-outs in South Australia – the latest last week, which left 90,000 homes and businesses without power. The black-outs caused by a range of factors have reignited a fierce national debate around energy security and reliability of supply including Renewable Energy Targets and coal-fired power stations. South Australia has been the worst but regulators have warned it could spread to the eastern states.

Shopping centres, which use huge amounts of energy for air conditioning and lighting, are bastions of relief on hot days. Landlords often pay for the costs in the areas of shared space and have noticed the costs are rising.

"We are seeing it with some of our shopping centres in Queensland where we are getting electricity prices up 20 to 30 per cent and OK, if you have net leases it's not as bad, but at least we actually have electricity in Queensland," Mr Ebert said.

The world's largest private equity group, Blackstone, agreed to pay \$400 million for Adelaide shopping centre Rundle Place precinct last year. One of

Adelaide's busiest, the shopping centre features more than 85 shops over 22,000 square metres of retail space.

While the costs for power may be higher at the centre, it did not go without power last week and was not required to use its back-up generator.

The embarrassing situation for the state has raised concern from Property Council of Australia executive director Daniel Gannon.

"At a time when South Australia leads the country in a swag of unenviable economic metrics, the last thing we need is for potential investors to walk away due to our unreliable energy network and punitive power costs," he said.

"Sadly, South Australia has become the butt of national jokes – jokes that have all inferred we haven't been operating as a first-class 21st century state."

"South Australia's power crisis is an issue about reliability, credibility and confidence. It's not about politics, it's about learning from what has happened over the past six months and ensure we are better prepared for the future."