

Investors back Sentinel office play

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DESPITE challenging economic times, Sentinel Property Group has raised more than \$50 million from investors in just a month, funding the purchase of two office buildings in Melbourne.

The Brisbane-based syndicator in 2022 spent almost \$700 million on market-dominating shopping centres in Darwin and Mackay, and has a current portfolio circa \$2 billion. This year it switched its focus from northern Australia and swooped on office buildings in the Melbourne CBD fringe suburb of Richmond for the relative bargain price of \$80 million, with a yield of 9.31% per cent, bought from ASX-listed GARDA Property Group.

The purchase price for the Botanicca 7 and Botanicca 9 buildings in the Botanicca Corporate Park was a 39% discount on their book value at the end of FY22, and 27% discount at most recent book value.

Sentinel will hold the Botanicca assets in a five-year close-ended Trust.

Sentinel CEO Warren Ebert said the \$50.3 million capital raise was more than \$8 million over-subscribed.

He said the deal would be very well received by the market as most deals are falling over due to, and many office deals have fallen through after not being able to reach equity commitments.

Transaction volumes of commercial property in Australia sank to their lowest level for a September quarter in more than a decade, with a “fog” on pricing, economic and geopolitical continuing to hamper deal activity, according to MSCI.

“But Botanicca offered an exceptional projected internal rate of return (IRR) of approximately 21% and a forecast distribution of 8.25 per cent in year one, which proved enticing for existing and new Sentinel investors,” Ebert said.

Ebert, who launched Sentinel during the global financial crisis in 2010, said the non-listed real estate investment trust would be hunting for more office assets in 2024.

“I think it will be an absolutely sensational year next year,” he said.

“There should be some fantastic buying in the office area. The big buyers over the last few years have been the large international fund managers and listed Australian REITs. None of those are buying, they’re all selling, so if you have no buyers and all sellers, what does that do to any market?”

“I think by March next year, we’re going to see a lot of assets on the market, an enormous amount of assets with very few buyers.”

Ebert said, “Our philosophy is only buying mis-priced assets from a motivated seller, with the majority of our acquisitions being from institutional and listed REITs where our nimble hands-on management and administration has had an immediate impact on the investment.”

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