

## Sentinel targeting mispriced assets in 2024

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SENTINEL Property Group says it is seeking more acquisitions in 2024 after starting the year by settling the \$80 million counter-cyclical purchase of two office buildings on the Melbourne CBD fringe.

Sentinel raised more than \$50 million from investors to acquire the Botanicca 7 and Botanicca 9 buildings in Botanicca Corporate Park in Richmond from ASX-listed Garda Property Group, on a yield of 9.32%.

The purchase price was almost 33% below replacement cost and a 39% discount on the property's April 2022 book value of \$132 million. The Botanicca assets will be held in a five-year close-ended Trust.

Sentinel CEO Warren Ebert said the non-listed real estate investment trust was aiming to pursue more office, retail and industrial assets.

“In 2024, we’re looking to be very aggressive as I think this year there’s going to be some fantastic buying, particularly in the office area,” he said.

Office values have been hit hard since COVID created an existential threat for the sector. Office vacancies have continued to go up in CBD and non-CBD markets, according to this week’s data from the Property Council of Australia, as businesses rethink their real estate allocations amid the working-from-home trend.

“We seek out mis-priced assets from motivated sellers, 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,” Ebert said.

The Botanicca acquisition is Sentinel's first foray into Melbourne since selling a Bourke Street CBD retail property for \$33.96 million in 2017, which it had acquired for \$20 million four years previously. The investor internal rate of return (IRR) at the time was 33.1%.

The Botanicca buildings total 13,547 sqm with 409 car parks. Botanicca Corporate Park is the headquarters for well-known companies, including Bunnings, Country Road, Opal, Siemens and Mitsubishi. The complex has a vacancy rate of 2.4%.

The capital raise for the Botanicca assets was more than \$8 million over-subscribed.

"Botanicca offered an exceptional projected IRR of approximately 21% and a forecast distribution of 8.25% in year one, which proved enticing for existing and new Sentinel investors," Ebert said.

For Garda, settlement is the final step in its exit from the Melbourne office market, and follows the \$24.1 million sale of another office building in the inner eastern suburb of Hawthorn late last year.

Its portfolio is now entirely comprised of an established suite of Brisbane industrial properties – it has a 140,000 sqm pipeline in the city – and its last office asset, Cairns Corporate Tower, of which the value has just been written down by \$5.8 million to \$82 million.

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