

Harvey's Entertainment Quarter hopes

Larry Schlesinger

Billionaire retailer **Gerry Harvey** has "grand plans" for the struggling Sydney Entertainment Quarter, after acquiring the leasehold for \$80 million from Colonial First State Retail Property Trust and one of its wholesale funds.

Mr Harvey acquired the leasehold as part of a consortium that included advertising mogul John Singleton and investment banker Mark Carnegie, who bought in through his private equity fund, Carnegie Private Opportunities Fund No.1.

Mr Singleton and Mr Carnegie are the major investors in the Australian Pub Fund (APF), which is expected to list later this year.

"We have wonderful ideas for the Entertainment Quarter, all involving food, sport and entertainment," Mr Harvey, executive chairman of retailer Harvey Norman told *The Australian Financial Review*.

"We aim to put a great deal of life into it. We want to make it into a place that everyone wants to go, make it into something great for Sydney and for tourism."

The consortium paid about \$15 million above book value for the 11-hectare complex.

Mr Harvey said he was happy with the price. "We'll get a good return at \$80 million. It's got a lot of potential and can perform a lot better than it is now. There's plenty of upside if you do it right. "There's already probably been \$400 million spent on it over the years," he said.

CFS Retail Property Trust and an unlisted trust tied to John Gandel acquired then Fox Entertainment Precinct almost a decade ago from Rupert Murdoch's News Corporation and Lend Lease paying \$52.8 million.

News Corp and Lend Lease spent \$430 million developing the former Sydney Showground site.

CFX acquired it in 2004 on a yield of 9.25 per cent with speciality store sales of \$5370 per square metre.

In its most recent interim results update, CFX reported speciality store sales of \$5164 per square metre with a

We'll get a good return at \$80 million. It's got a lot of potential and can perform a lot better than it is now.

Gerry Harvey

valuation of \$65.2 million and a cap rate of 10 per cent.

The property is owned by the Centennial Park and Moore Park Trust, a NSW government agency, which is also responsible for the nearby

Centennial Parklands. There are 32 years left on the current leasehold.

The fully leased quarter includes two Hoyts cinema complexes with 16 screens, 10,797 square metres of office space, and a retail strip with more than 12,000 square metres of floor space.

Michael Gorman, deputy CEO of CFX, said in a statement:

"The sale of this asset is in line with our strategy of divesting non-core assets."

When the centre was put up for sale in April, he said: "The income growth has been fairly flat over the past five years."

The sale remains conditional on the approval of the ground lessor and the relevant NSW government consent authority.

The sale was negotiated by Sam McVay of McVay Real Estate, who declined to comment.

The Entertainment Quarter opened in 1998.



Could new owners revive the Quarter?