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Offshore investors kick-start recovery

- Phil Bartsch
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LIFELINE: The ailing Gold Coast is attracting Asian investors. Picture: Marc Robertson

Source: The Courier-Mail

ASIAN investors are tipped to take a bigger bite of the ailing Gold Coast commercial property market this year, potentially kick-starting its recovery.

Significant price deflation in the Coast market - widely regarded to have hit bottom in mid-2010 but still doing it tough - is luring hungry private investors from Malaysia, Korea, Taiwan, Singapore and mainland China.

It is understood some of the cashed-up offshore parties are among the potential buyers circling Thakral Holding's 21,500sq m Oasis shopping centre and 298-room Sofitel Hotel at Broadbeach.

Thakral placed the assets on the market in September in a move aimed at cutting debt and strengthening the listed property group's balance sheet.

The properties - occupying a 2ha site in the heart of Broadbeach - are listed in Thakral's books at \$190

million but industry sources believe a sale price around \$200 million could be achieved. Together, they make up the biggest commercial offering on the Gold Coast in the past few years.

The holdings are being marketed by Dan and Sam McVay of McVay Real Estate and Simon Rooney and Craig Collins of Jones Lang LaSalle.

"We're confident the assets will sell within the next few months and when they do it'll be good news for everyone," Dan McVay said.

Mr McVay said much of the interest from Asian investors was in the hotel rather than retail component and it was possible they would be sold individually rather than in one line "to achieve a better outcome".

The McVays, along with CB Richard Ellis Gold Coast managing director Mark Witheriff, were behind some of the biggest deals struck on the Gold Coast in 2010.

These included the \$41 million sale of the Paradise Resort at Surfers Paradise to a Melbourne-based investor and the purchases of the trendy Surfers Paradise Forum shopping complex in Orchid Ave and Circle on Cavill commercial and retail precinct by Sydney-based EG Funds Management for \$42 million and \$40 million, respectively.

Circle on Cavill, in particular, attracted strong interest from offshore. It is understood the underbidder was a Taiwanese-based group, which missed out by only about \$200,000.

"Asian investors will fuel a lot of the buying on the Gold Coast this year," Sam McVay said.

"They were active last year and we think they'll be very active this year.

"We see that flood of Asian capital coming in harder in 2011."

Mr Witheriff added: "There has been really strong interest from Asia in some major assets in the past 12 months.

"They haven't won a number of those bidding processes but they've been here and pushing.

"They are sophisticated buyers. They're looking for opportunity. But they're not going to rush into every property that's put on the market."

Mr McVay said the Gold Coast market had copped the brunt of the GFC and had "probably been the hardest hit big market in Australia".

"No one likes to catch a falling knife and so the last 18 months have been difficult," he said. "It's tough and will continue to be tough on the Gold Coast.

"The larger institutions who are particularly active at the moment in Australian real estate aren't buying on the Gold Coast. They're still wary."

Mr Witheriff said one of the critical issues impacting on the market was the attitude of the banks towards Gold Coast property.

"The issue remains that the banks are still very, very conservative on Gold Coast property and there has to be a change of attitude," he said.

"One of the fundamental differences between the last downturn and this one is that in the early 1990s the banks were still prepared to lend and therefore transactions, although slower, occurred.

"This time around it's very different. It's a real credit squeeze . . . but that has opened up opportunities

for new buyers we haven't seen before."

Colliers International Gold Coast director Stewart Gilchrist said many investors had been "too scared to spend over the last couple of years, wondering whether the market had bottomed".

"Clearly, we have bottomed," he said. "A lot of private investors, syndicates and super funds are hunting around for investments.

"They can see value in the Coast and can see it's not going to sit on the bottom for a long time.

"Certainly for the first half of the year there'll still be a bit of distressed stock in the market, but I think now you'll find even for that product there's a good market out there."

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