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AustSuper to finance \$145m complex

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The \$140 billion AustralianSuper fund is moving deeper into the local property debt market, striking a new deal to back the building of a major office complex in Sydney's inner-city Pyrmont.

The deal will see the group, Australia's largest industry superannuation fund, provide senior construction finance for a new project to be anchored by French company Publicis Groupe.

A capital amount of \$145 million will be provided by the fund for senior construction finance on the project by the Milligan Group, with the facility having a 50 per cent loan-to-valuation ratio.

AustralianSuper senior investment manager for credit Roger Knott said the latest deal was part of its strategy to selectively provide property loans in Australia and overseas.

The super fund expected to invest in other quality assets, Mr Knott said.

The deal, arranged by Stamford Capital Australia, was via MaxCap, which teamed up with AustralianSuper two years ago to offer large-scale loans to commercial and residential property developers.

The move has been well-timed as property heavyweights have warned the banking royal commission could hit lending to the sector and MaxCap is among the nimble non-bank lenders stepping up to fill the gap.

AustralianSuper has already been active in lending to apartment projects including to Golden Age Group's \$400m Park One project in Sydney.

The IPE Real Assets journal reported that AustralianSuper would contribute a debt component of at least \$200m to the Park One project, in what was said to be its largest single local construction financing transaction.

The super fund, which was not identified by MaxCap or the developer, previously backed Golden Age's three-building project in Lachlan Street, Waterloo.

MaxCap is not alone in lending to developers with offshore players including US investment bank Goldman Sachs, private equity firm Blackstone, and local groups like Moelis offering finance alongside the likes of Chifley Securities and 360 Capital.

Institutions including AMP Capital, TH Real Estate, AXA and the listed Charter Hall have also flagged their interest.

The Pymont development is one of the largest by the Milligan Group. Earlier this year it pre-leased a major slice of the planned complex to French publicity specialist Publicis Groupe.

The office development at 21 Harris Street, branded Workshop, is backed by Stamford and Quintet Partners and the building is slated to be completed by the end of next year. The complex has been pitched as a campus-style building that will rise eight storeys and comprise a net lettable area of about 19,500sq m.

Stamford Capital director David Scardoni said it was their eighth deal with the Milligan Group.

“We look forward to working with all parties through the construction phase of this exciting project,” Mr Scardoni said.

The value of Pymont assets has jumped. Last year, listed Dexus bought the overhauled building at nearby 100 Harris Street for \$327.5m. It comprises 26,000sq m of office space and is anchored by Domain and WeWork.

AustralianSuper fund has also been active offshore and last month forged deep into Britain’s property debt market, joining funds manager TH Real Estate to finance One Crown Place in London’s EC2 with a £280m (\$512m) development facility.

The fund flagged in August last year that it could shift into international property lending as banks tightened finance to the real estate sector globally.

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Ben Wilmot has been The Australian's commercial property editor since 2013. He was previously a property journalist with the Australian Financial Review.

