

E-commerce driving Goodman

EXCLUSIVE

FLORENCE CHONG
STRATEGY

Despite culling \$11 billion of assets over the past five years, logistics property giant Goodman Group is on track to grow its global portfolio to at least \$50bn in the next five years, according to chief executive Greg Goodman.

A large chunk of its current \$35bn portfolio can be redeveloped into multi-storey warehouses.

"Just by redeveloping some of our existing assets, plus our \$10bn pipeline, we will build up our assets to more than \$50bn over the next five years," Mr Goodman told *The Australian*.

"Locations and intensity of use will add more value to assets, but the major point is that we have got customers that want those buildings. There is more demand than supply."

Goodman co-owns with DP World the ATL Logistics Centre, Hong Kong's largest multi-storey warehouse, offering 600,000sq m.

The group was also planning to build multi-storey warehouses in Sydney, Mr Goodman said.

Australia will remain Goodman Group's core market, but it expects strong growth from the US and Asia, especially from China.

The past eight years have been transformative for the industrial property landlord.

It will become the second-largest A-REIT on the ASX if the \$30bn Unibail-Rodamco takeover of Westfield goes ahead next month.

It will also become the Australian property group with most offshore exposure. And it is now Australia's largest wholesale fund manager after edging in front of Lendlease and AMP Capital.

Much of its growth comes through being an early beneficiary of the e-commerce revolution, a phenomenon that has presented painful headwinds for some of its peers.

For Goodman, e-commerce



JAMES CROUCHER

Goodman chief executive Greg Goodman says a large chunk of Goodman's current \$35bn portfolio can be redeveloped into multi-storey warehouses

'We can see the demand for supply of warehouses that will come from e-servicing companies'

GREG GOODMAN
GOODMAN CEO

we have been very focused on land because we can see the demand for supply of warehouses that will come from e-servicing companies — e-commerce and parcel delivery operators — over the next five to 10 years.

"We have spent years making sure that we have land in those locations — and spending time with customers to understand their requirements."

Mr Goodman said that as land

its fourth-largest tenant five years ago. Today it is the largest.

Goodman's top 20 customers also feature a number of new names, including the German e-commerce group, Zalando.

Mr Goodman said the group had reshaped its portfolios to support changing customer needs — hence the sale of some \$11bn in non-core assets.

But the asset recycling had ended following the recent sale of

working three to five years ahead of when our customers will require the space," Mr Goodman said. "We have \$10bn in our land bank, which we will work through over the next three to five years."

He picked Hong Kong, Japan and particularly China as the key growth drivers for the group over the next five years.

Asia and Europe each account for 20 per cent of Goodman group's global earnings. Australia

Angeles and New Jersey. The locations of the group's inventory carry an intrinsic value that has been shown to be an invaluable bonus when the land is rezoned for higher-end use, such as residential in Australia.

So far, Goodman group has raised \$2.5bn rezoning land to residential use.

"We have another \$3bn worth of sites in the planning process to be rezoned for residential," he



Brandon Park shopping centre has been sold

Property fund pays \$135m for centre

ELIZABETH REDMAN
DEALS

Property funds manager and developer Newmark Capital has snapped up a suburban Melbourne shopping centre for \$135 million from listed landlord Vicinity Centres and co-owner TelstraSuper.

The deal continues Vicinity's push to sell non-core assets and focus on larger flagship malls, such as its half-owned Chadstone shopping centre, as the retail sector tackles headwinds such as cautious consumers and online shopping. Vicinity sold its half stake in Coffs Harbour's Toormina Gardens in January and has agreed to sell about \$109m of assets this financial year.

Vicinity said the deal was a 3.8 per cent premium to book value and the group will receive \$67.5m from its half stake.

"We are pleased to continue to progress the divestment of our non-core assets," Vicinity chief

executive Grant Kelley said.

The 23,000sqm Brandon Park Shopping Centre is about 24km southeast of the Melbourne CBD and is anchored by Coles, Aldi and Kmart.

JLL's head of retail investments for Australasia Simon Rooney was the agent on the transaction.

"Victorian retail assets are tightly held and are generally highly sought after given their relative scarcity, especially in metro locations," Mr Rooney said. "Unlisted funds continue to be drawn to the subregional sector given attractive yields relative to premium core assets."

"Victoria is experiencing the strongest rate of population growth on record, and investors are attracted to the positive growth drivers underpinning the Melbourne retail market."

Deal flow for subregional centres halved in 2017 to \$1.1 billion, when compared with the \$2.4bn per annum that sold between 2013 and 2016.

Unibail deal to fund Westfield

ELIZABETH REDMAN
TAKEOVERS

European mall landlord Unibail-Rodamco has priced a hybrid securities offering to fund part of its \$30 billion takeover bid for ASX-listed Westfield Corporation.

The French- and Dutch-listed retail property giant held a Euro-

deal is the first public hybrid security issue by a European REIT.

The hybrid securities have been rated Baal by Moody's and BBB+ by Standard & Poor's.

The deal includes a €125bn deeply subordinated perpetual non-call 5.5-year hybrid security with a coupon of 2.125 per cent.

It also includes a €750 million deeply subordinated perpetual