Australand still on a high as GPT heads for the exit

BRIDGET CARTER
TAKEOVERS

SHARES in Australand ended up 1.14 per cent at $3.54 yesterday after the GPT Group announced earlier this week it was abandoning its $3 billion bid for most of the rival company.

GPT said after the close of the market on Monday that it was unable to reach a deal on price with Australand and would not continue to pursue a takeover of the bulk of the company.

But despite the announcement, shares have still traded at a level higher than they were before the bid by GPT was made public.

The company's security price dipped more than 4 per cent to $3.31 during intraday trade on Tuesday, the day after GPT's move was announced, but closed at $3.53.

Singapore's CapitaLand, which had signalled it wanted to divest its 59 per cent stake in Australand, might be buying up stock to bolster the share price in preparation for a block trade, a source said.

But another source said a block trade would not occur until the market improved.

Australand's net tangible asset backing was $3.49, and if the Singaporean real estate giant sold it below that price, it would have to book the sale at a loss in its accounts, which the company would be reluctant to do, the source said. Australand announced it had been approached by GPT on December 10, causing shares in Australand to gain 6.29 per cent on the news to close at $3.21, up 19c. The Australand board rejected GPT's $2.94 billion bid for its office and industrial businesses as too low and opened the data room to other parties that might be interested in the entire business.

Last month, the stock was trading almost 25 per cent higher following the GPT bid, although it retreated in recent weeks.

Had GPT's initial attempt last year to secure Australand's commercial and industrial businesses been successful, it would have left Australand's investors with shares in a company that owned just $900m worth of residential developments amid challenging market conditions.

Office and industrial divisions comprise almost 75 per cent of Australand's overall operations on a valuation basis.

CLSA's head of real estate research for Asia Pacific, John Kim, said GPT's decision to discontinue its pursuit of Australand demonstrated that GPT did not overpay, but also that it did not have a sophisticated game plan.

"Tellingly, there was no interest in Australand's residential business, highlighting developers' aversion to more exposure to master-planned communities," Mr Kim said.

But he added that the company could still remain a takeover target.

Without Australand, GPT now faced the challenge of growing its industrial property arm in a crowded field, Mr Kim said.

"We forecast GPT's 2014 financial year earnings per share growth to slow to 3.1 per cent from 5 per cent in fiscal 2013 due to office leasing risks and near-term dilution from the $397m sale of Erina Fair," Mr Kim said.

GPT Group shares ended unchanged at $3.97.