

## Investa's yes to Morgan Stanley

SMH by Carolyn Cummins, Commercial Property Editor  
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UNITED States investment bank Morgan Stanley Real Estate has launched a \$6.6 billion friendly offer for diversified trust Investa Property Group.

At \$3.08 per stapled security, before any distributions, it values Investa at \$4.7 billion and includes \$1.9 billion in debt. Investa's board has unanimously recommended the bid, in the absence of a higher offer.

As a scheme of arrangement it will require approval from 75 per cent of Investa's security holders.

Shares in Investa, which owns Clarendon Homes and has been the subject of perennial takeover rumours for the past two years, closed at \$3.10, 2c above the offer and 41c higher on the day, on heavy volume of 63 million.

Property fund managers said the higher price indicated another suitor could enter the market or that Morgan Stanley may have to sweeten the deal.

But the offer price is a 14 per cent premium to Investa's closing price on Wednesday.

Winston Sammut, managing director of **Maxim Asset Management**, said the fact the price remained above the offer indicated it was not a fait accompli.

Mr Sammut said the potential for \$4.7 billion of cash to be recycled into the share market pushed the overall property index up 102.8 points, or 4.25 per cent, to 2523.1. All the big listed property trusts were keenly sought by local and international hedge and superannuation funds.

Sector volumes were a near record of \$1.2 billion, more than double the average daily trade.

In the year to May 31 the ASX property index returned 40.9 per cent.

"There has been enough evidence in the market to suggest some investors may be looking for a higher price. That is on the back of what has been happening in the US with a number of takeovers in the real estate investment trusts," Mr Sammut said.

"In those cases all the initial offers were sweetened. The fact also that Blackstone has declared its interest in Australia also indicates another player could enter the fray for Investa."

Goldman Sachs JBWere said the offer was a "full price ... and a counter-offer from an Australian LPT peer is unlikely, in our view, given the price. However we would not rule out the possibility of another private equity bid".

Morgan Stanley's offer is the first big entrant of private equity cash into the listed property trust sector, although the group prefers to call itself a global specialised real estate investor.

Morgan Stanley was part of the consortium with Tuan Sing which took over the Grand Hotel Group last year. It manages \$US55.6 billion in real estate assets around the globe.

Steven Harker, chief executive of Morgan Stanley Australia, which lost the fight over Principle Office Trust to Investa three years ago, said the intention was to keep Investa running as a private property developer and funds manager.

"It is our intention to keep all Investa's staff and build up the group's asset portfolio and funds management business," Mr Harker said.

Investa chairman Steve Crane said the board had negotiated an offer from Morgan Stanley Real Estate that represented very attractive value for the security holders.