

## Real estate debate: Dragon’s Den weighs up opportunistic strategies

Asset owners should act opportunistically and target new return-enhancing opportunities as the real estate sector stabilises, according to speakers at a Frontier conference panel.

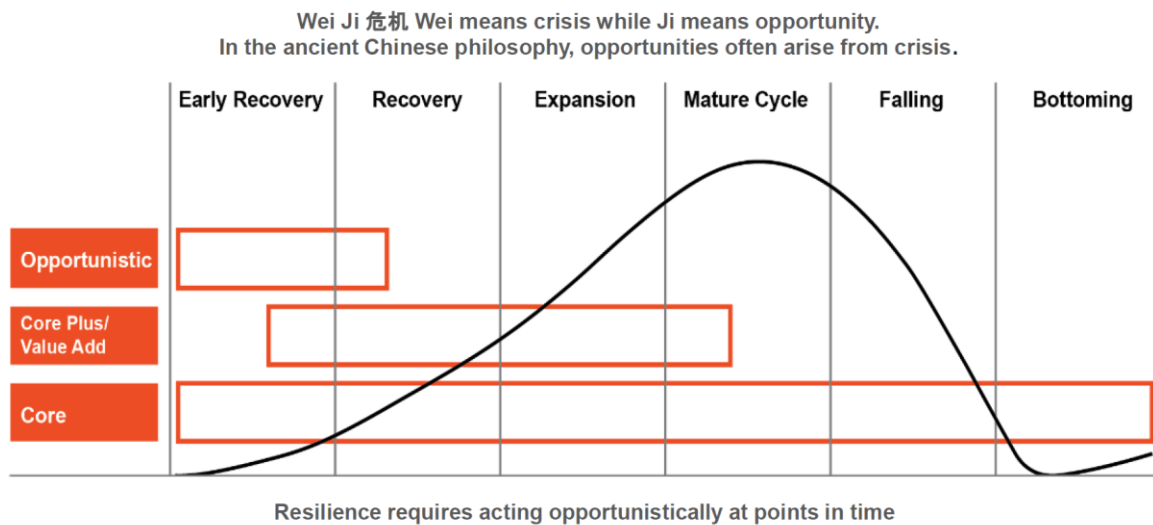
Unlisted property has faced several headwinds with core property underperforming in a higher interest rate and work-from-home environment, although Australian assets have not been marked down anywhere near as much as in the US and UK.

“We’re focusing on value at this time simply because of the opportunity set,” Jennifer Johnstone-Kaiser, Head of Property, Frontier Advisors, said. “We believe that we’re heading towards the bottom of the market over the next few quarters.”

The cycle is heading towards stabilisation and Frontier sees strong tactical pathways for rebalancing portfolios.

“We see good vintage years coming up, at least in the next 18 to 24 months. So, the message for clients is to review your portfolios, identify your gaps – the devil is always in the detail, and it takes time to do your due diligence.”

### Resilience across cycles



The Frontier conference panel session invited two fund managers to propose opportunistic investment ideas to John Longo, Head of Property at Cbus, and Kate Mistic, Head of Alternative Investments and Real Assets at TelstraSuper.

Kilian Toms, Managing Director and Global Fund Manager at CBRE Investment Management said the secondary market – buying existing portfolios or properties – offered a compelling way to generate enhanced returns at a core or core plus risk level.

“We’re utilising the secondaries execution method in order to acquire high-quality assets but at a discounted basis given the illiquidity that’s facing the market from a broad-based perspective.”

This high level of quality opportunities hadn’t been seen since the global financial crisis. CBRE was targeting healthcare, real estate, cell storage and other emerging growth sectors based on macro trends such as demographics, technological advancement, and global supply chains.

Jolly Singh, Principal – Portfolio Oversight Group at CIM said the immediate opportunity was providing credit to meet recapitalisation requirements in a high interest rate environment, which will prompt more liquidity events.

“What we're seeing in credit is that you can now lend at lower leverage levels, at higher credit metrics, and at higher yields than you could historically. That risk-return is starting to look really attractive.”

He said a senior secured loan on a multifamily building at 60 per cent leverage could achieve a 10 per cent yield.

There were also opportunities for refinancing as senior lending pulls back amid declining asset values.

“One of the areas we're seeing are construction projects that can't get done – they need additional equity. And that requires a deep expertise of understanding construction development to be able to step in, take over those projects, and bring them to completion.”

He said data centres were a compelling opportunity as demand for cloud computing and AI continued to rise.

John Longo, Head of Property at Cbus, said he was leaning towards CIM's distressed credit strategy whereas Kate Mistic, Head of Alternative Investments and Real Assets at TelstraSuper preferred CBRE Investment Management's focus on the secondary market.

### **What should clients do?**

Clients should review their portfolios, assess risks and gaps, and talk to Frontier about ideas and return-enhancing strategies and recommended managers. For further information about this topic and how Frontier can help, contact Jennifer Johnstone-Kaiser, Head of Property, Frontier Advisors, at [jjohnstone-kaiser@frontieradvisors.com.au](mailto:jjohnstone-kaiser@frontieradvisors.com.au).