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Unlocking hidden wealth corporate real estate strategic value management

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Whilst most of the scholarly research on corporate real estate was found in the 'Journal of Real Estate Research' the 'National Real Estate Review' and 'Real Estate Issues' no one article or report suggested a practical holistic approach to solving the problem of underutilised corporate real estate and how to maximise its value. It was therefore decided to broaden the scope of the literature review to textbooks on corporate finance (Brealey and Myers, 1991, Correia *et al.*, 1989, Gitman, 1988) and articles written by real estate practitioners on financing (Anderson 1993, Baum, 1991, Cummings, 1987, Ernst & Young, 1994, Fitzgerald 1993, Harris, 1989), leasing (Meyers, 1988, Leaseback as an Investment Medium, Leaseback Financing) and Marketing (Maver, 1993), in order to decide on the most practical and appropriate method of dealing with various property types as identified by Brittan *et al.* (1989).

The seminal paper by Britton *et al* (1989), whilst only identifying options for strategic solutions to the problem of underutilised public authority landed property, did identify various property sub-types. These sub-types were critically important to the development of the proposed **Strategic Value Management** concept which is further explained in Chapter 8. The sub-types provided a framework and structure on which a process could be developed, which would allow practical real estate maximisation strategies to be applied to real estate, once identified. The proposed **SVM** process is one that corporate managers can relate to and that would support a corporate strategy. The latter is a critical element of the whole process of maximising the value of corporate real estate, according to Nourse and Roulac (1977).

2. LITERATURE REVIEW

The hidden value of corporate real estate first received recognition as a result of a survey based article written by Zeckhauser and Silverman (1983), which found that many corporations did not realise the value of their real estate holdings. Later studies conducted by Veale (1988) in the U.S.A., Avis *et al.* (1989) in the U.K., Seek (1991) in Australia, Kum (1993) in Singapore and lately Webster (1995) in Australia, all came to similar conclusions.

The recognition received by the article written by Zeckhauser and Silverman (1983) prompted a great deal of research on various corporate real estate topics such as, managing and disposing of surplus corporate real estate (Nourse and Kingery, 1987, Veale, 1987, Flegel, 1992), financing corporate real estate (Redman and Tanner, 1989), asset management of corporate real estate (Miles *et al.*, 1989, 1982). In addition, empirical research has been published on corporate real estate purchase, sale and leaseback (Gla , *et al*., 1989; 1991, Owers and Rogers, 1986) and the effect of such activities on the value of both buying and selling corporates.

Research has also been conducted on a variety of corporate related topics such as the wealth generating effects of leasing (Allen *et al.*, 1993), defining the quality of corporate real estate assets (Baum, 1993), their benchmarking to maximise real estate assets (Noha, 1993) and corporate real estate outsourcing (Kimbler and Rutherford, 1993).

It was also intended that this report would identify international real estate financing and marketing techniques and strategies that would have relevance and application to the real estate market in South Africa. The South African market has, until recently been denied unhindered access to these international approaches because of years of isolation but needs to know these techniques and strategies with the advent of foreign investment in South Africa.

It is felt that the process of maximising the value of corporate real estate, if applied by South African public and private corporates will be able to unlock the hidden value in their real estate, which can be utilised to meet pressing socio-economic needs in South Africa.

The order in which the contents of the report are presented is one which would give logic to the evolution of a **Strategic Value Management (SVM)** concept. In each chapter the deductions from literature reviews, the researcher's experience and any helpful points from personal interviews are classified into various elements of the proposed **SVM** process, until in the final chapter all the various elements are combined into one process. The report ends with a conclusion and recommendation for further research.

The report, whilst not endeavouring to be a panacea for all the corporate real estate ills, endeavours to identify the most effective and efficient way of maximising the value of corporate real estate, in a practical manner that corporate managers can relate to. It does suggest a solution to problems that others have identified and quantified and provides a framework to be tested and expanded upon in further studies.

1.1 Objectives

The objective of the research report was to

(a) Describe how public and private corporates view their real estate holdings and clarify one of the major issues facing these corporates - underutilised real estate holdings

(b) Discuss current thinking on corporate real estate strategy and how it relates to corporate business strategy

(c) Identify and discuss the various wealth generating strategies that can be utilised to manage corporate real estate, thereby maximising their operational efficiency and profitability

(d) Determine whether these wealth generating strategies can be formalised into an overall real estate management process

(e) Describe such a process including its potential application to at least one test case. The **Strategic Value Management** process is discussed as it could be applied to CSR Limited, one of the largest industrial companies in Australia with total revenues of $6,248 million, total assets of $7,174 million and real estate assets of $1,307 million

- At the University of Singapore Kuum (1993) reported that the top 50 Singapore corporations had net total assets worth $28.7 billion with $8.8 billion (30%) being in land and buildings

- The most recent survey done by Webster (1995) at the Royal Melbourne Institute of Technology revealed that of the 264 corporates surveyed, 78 organisations indicated that their total real estate assets totalled $11 666 million

- There is no evidence to suggest that the situation amongst corporates in South Africa will be any different to that experienced in the rest of the world

Despite the fact that real estate comprises a significant portion of the assets of corporates, it has been found that the management of corporate real estate is an aspect that has been largely ignored by senior management. A common excuse, reported in studies to date, for the lack of active management of corporate real estate, being "we are not in the real estate business"

More and more top managers are now realising that property is a resource and that it can be leveraged, sold, leased, developed or otherwise tapped for financing to improve their balance sheets and generate profit. William Sander, Chairman of La Salle was reported by Meyer (1988) as saying, "Real estate is viewed as a cash resource today, so it's got to be professionally managed like inventory or receivables"

Many articles and reports have been written and published on various corporate real estate topics, yet very few have been written or published on overall strategies that can be applied to maximise the value of corporate real estate, in a way that supports the corporate business strategy

1. INTRODUCTION

The management of public and private corporate real estate has become the focus of attention for academics and property practitioners in recent years because of the realisation that these corporates have a huge amount of underutilised real estate resources.

- A seminal and often quoted study of corporate real estate assets conducted by Harvard Real Estate Inc (Zeckhauser, 1983) demonstrated that real estate represented a vast undermanaged proportion of corporate assets

- A later study conducted by Veale (1988) at the Massachusetts Institute of Technology, concluded that the situation had changed little over a period of six years The in depth survey of senior real estate executives of 284 large US corporations and institutions revealed that the market value of buildings and land typically represented 25% of total assets but ranged from 10% - 50%

- In 1989 a group of researchers at the University of Reading (Avis) surveyed 800 corporates and concluded that real estate represented on average 30% of corporate assets

- Jones Lang Wootton (Seek, 1991) in a property research paper, reported that the top 500 Australian corporations have total assets of some $1 000 billion of which 15% on average is represented by land and buildings

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I am grateful to all the people who have provided assistance and advice and particularly those who have allowed themselves to be interviewed and provide information regarding real estate financing and marketing, in this paper.

SYNOPSIS

This research report sets out to identify the problem of large amounts of public and private corporate real estate that has largely been ignored by senior management because of the belief that "we are not in the real estate business", and despite the fact that one of the fundamental duties of these managers is to maximise the value of their corporations and thereby the wealth of their shareholders

After endeavouring to define corporate real estate and the reasons why it should be "value managed", the paper then concentrates on examining various strategies particularly disposition, leasing and financing strategies that can be implemented to maximise the value of the three real estate types that have been identified

The paper then goes on to make recommendations for a practical real estate strategy called **Corporate Real Estate Strategic Value Management** that can be implemented to improve the profitability and reduce the capital requirements of public and private corporates that senior management can relate to and use to unlock the hidden wealth known to be on these corporate balance sheets

"UNLOCKING HIDDEN WEALTH"

CORPORATE REAL ESTATE

STRATEGIC VALUE MANAGEMENT

MSc Research Report submitted by:
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to:
The University of the Witwatersrand
Department of Building and Quantity Surveying
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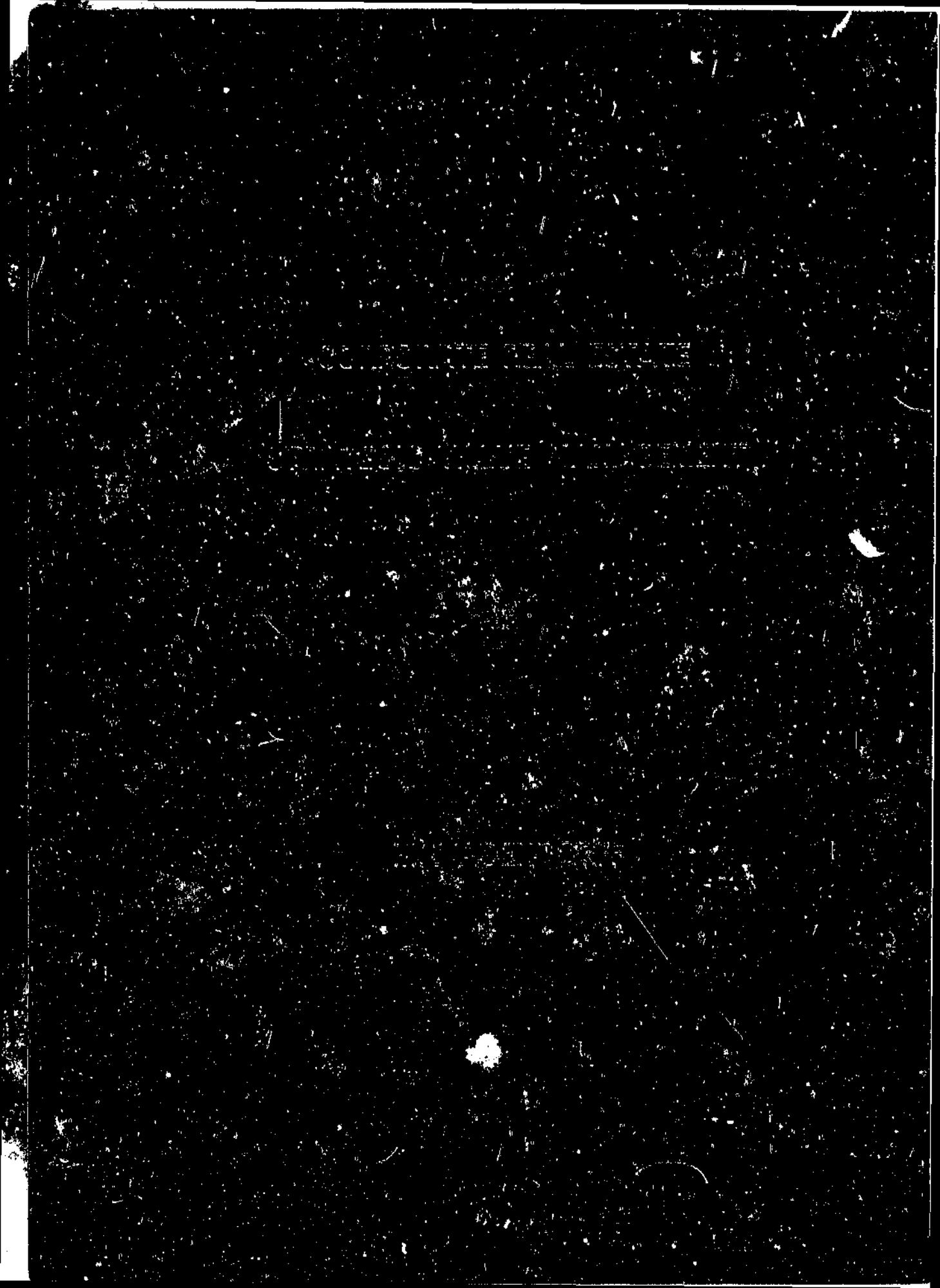


6. WEALTH GENERATING STRATEGIES

6.1 Disposition of Real Estate

Gale and Case (1980) are of the opinion that the designation and disposition of surplus real estate is an activity that serves to generate cash and that has, in a number of the corporations, served to give the real estate function increased visibility and stature in recent years due to the "unexpected" returns from the sale of these properties. Not only are these returns unexpected, but also because the properties are normally reflected at historic acquisition and financing costs, the market frequently underestimates the contribution that the real estate would have made to the value of the corporation. Consequently the shares of such corporates trade at prices lower than that justified by their intrinsic worth.

Zeckhauser and Silverman (1983) mention a case of General Tire & Co. Rubber Company selling a property in Washington for 12 times its book value, thereby illustrating how some companies can generate supplemental cash from real estate portfolios. The head of the company's real estate portfolio is reported as having said: "A few years ago we would not have considered selling the property. Our retail store on the site earned 2% of book value annually. But with land appreciation, the store would have had to continue its performance for 22 years to equal the gain on the sale of the land." Other examples are given in the sale of the Pan Am building in New York that kept the airline flying and the sale by American Express of its Manhattan headquarters at a reported profit of 300%. Therefore the sale or divestiture of corporate real estate property is clearly an activity that can create wealth for the corporation.

- Mechanical Systems
- Information Communication Systems
- Ownership Rights
- Financing
- Control
- Risk Management

As can be seen, most of the literature and studies on strategies and decisions that relate to corporate real estate, focus on the management of the real estate. Very few deal with wealth creating strategies - one of the fundamental duties of corporate managers. Tuohy (1993) has observed that New Zealand's corporate executives (like those of the rest of the corporate world) are generally unaware of the wealth enhancing potential of their corporate real estate. A director of real estate for a large consumer products firm, is reported by Veale (1988) as having said that manufacturers are not interested in ownership or appreciating real estate, as much as they are in cost control of their production process, "for the most part they're only interested in putting a roof over their heads, and controlling expenses, not in making money on their real estate management." In his study of corporate real estate Veale (1988) discovered that investment or profit potential is only ranked 3rd as the basis for decision making in corporate real estate.

This is very surprising in view of the fact that there is general agreement that one of the main objectives of financial managers is to maximise the value of their company's wealth and thereby the wealth of their shareholders.

Other corporate activities named by Zeckhauser and Silverman (1983) namely divestiture, leasing and financing and their effectiveness as a means of generating wealth for corporates will now be discussed.

- Natural Resource
- Size Growth
- Return Profit

Nourse and Kingery (1987) believe that there are eight types of strategies that encompass how property decisions can be guided. These strategies are listed as follows

- Occupancy Cost Minimisation
- Flexibility
- Promotion of Human Resource Objectives
- Promotion of Marketing Message
- Promotion of Sales and Selling Process
- Facilitation and Control of Production, Operations and Service Delivery
- Facilitation of Managerial Process and Knowledge Work
- Capture of the Real Estate Value Creation of Business

Nourse and Kingery (1987) regard as being an operating decision, the transaction decision businesses make regarding their real property, which embraces the process of acquiring, controlling, managing and disposing of their real estate interest. They indicate further that real property operating decisions logically comprise fourteen critical distinct decisions on

- Location
- Quantity
- Tenancy Duration
- Identity/Size
- Building Size/Character
- Building Amenities
- Exterior Quality
- Company Space

5. CORPORATE REAL ESTATE STRATEGY

5.1 Introduction

5.2 Corporate Strategy

- Products Offered
- Market Needs
- Technology
- Production Capability
- Method of Sale
- Method of Distribution

It is important to remember that the problem of underutilised real estate applies to public corporates as much as it applies to private corporates. To emphasise this Britton *et al* (1989) report that "land and buildings are among the most expensive and scarce resources of a local authority and the efficient management of these resources is a matter of first importance". On the same topic Simons (1993) is of the opinion that given tight financial times, a main reason for public real estate development is to capitalise on property location and value, to generate cash income for the community. Simons (1993) also suggests that efficient, cost minimising management of government-owned property for internal operations in leasing decisions and reduction of costs through disposal of surplus properties, could ease budget shortfalls. Furthermore, redeveloping surplus or foreclosed properties for socially desirable uses such as housing, industrial or commercial development, could increase social benefits to constituents. He goes on to say that in the case of the rare exceptional property with substantial development potential, governments can gain financially by using real estate as a revenue-producing asset.

The firms who are managing their real estate resources not only see selling real estate as a source of cash flows and earnings but also see a chance to enhance their opportunities to impact profits, stock prices, price earnings ratios and dividend payouts. This can be done by paying strategic attention to active acquisition, management and disposition of these resources.

Furthermore, companies may be overlooking an alternative and very effective source of financing. According to Miles et al. (1989) most financial analysts estimating a corporate's earnings do not consider operating or financing options inherent in a corporate's real estate, mainly because they do not have access to the necessary information. They point out that by looking first at the office building of the firm as a separate asset and valuing it in an unlevered state, one begins to see the potential for hidden value in the real estate.

A factor often overlooked by corporate managers and that literature on mergers and acquisitions points out, is that a significant proportion of corporate takeovers arise because of undervalued and underutilised real estate assets of the target company. Real estate represents a cheap source of financing of corporate projects (Kium, 1993).

Bell (1987) raises a very important point. Over a period of five years to 1987, Australia has experienced an economic shift - moving from an inflationary economy to a disinflationary economy. Price increase and other ways of keeping apace of inflation can no longer be depended upon. In a high real interest rate business environment, effective and efficient management of corporate real estate will be a very high priority.

Natural Resources - representing the cost of irreplaceable natural resources. The item includes mining properties, oil fields and timberlands.

Other - representing additional components of property, plant and equipment that cannot be classified as land, natural resources, buildings, machinery and equipment, leases, or construction in progress.

One of the most compelling reasons for private corporates to maximise their real estate holdings is because one of the corporate objectives should be to provide shareholders with a competitive return commensurate with the expectations of shareholders (Dues, 1982) i.e. to maximise the value of the company and thereby the wealth of the shareholders (Correia *et al*., 1989).

It is important to note that real estate holdings normally appear under the property, plant and equipment part of the asset section of corporate balance sheets. The items normally appear at their historical acquisition and financing costs and as such are not a true reflection of their current value. When these factors are considered in relation to the reported value of corporate real estate worldwide, one gets an idea of the incredible wealth that is available for utilisation by these corporates.

Gale and Case (1989) put it very succinctly when they say that corporate real estate resources can represent a source of cash through sale of excess real estate, sale and leaseback, or sales and repurchase of equally satisfactory, but cheaper real estate. If the properties have appreciated, these sales may be a source of earnings as well.

4. CORPORATE REAL ESTATE - THE ISSUES

Zeckhauser and Silverman (1983) define corporate real estate as the land and buildings owned by companies not primarily in the real estate business. Johnson (1993) in his treatise "An Industry Profile of Corporate Real Estate", goes even further and defines six real estate sub-types -

Buildings - representing the cost of all buildings included in a company's property, plant, and equipment account. The item includes improvements, leaseholds and leasehold improvements when classified with buildings, and parking structures that do not generate revenue.

Construction in Progress - representing the capitalised amount of plant, equipment, and construction that has not been completed. The item includes funds for construction but excludes property held for future use.

Land - representing the cost of land used in the production of revenue. The item includes land and improvements (including roads), leases and leasehold improvements (when classified with land) and parking lots.

Leases - representing the capitalised value of leases and leasehold improvements included in property, plant and equipment. The item includes leases and leasehold improvements when classified separately, but excludes equipment leased to others.

- Further literature review of articles, reports and textbooks by real estate owners and practitioners in order to identify appropriate, effective and practical financing and marketing techniques and strategies.

A significant amount of background information was obtained and guidance received during the interviews, which provided focus to explore and identify the relevant articles and reports on management, financing and marketing techniques in relation to corporate real estate. The paper by Britton et al (1989) in particular, provided the framework on which to apply the wealth maximising strategies needed for the proposed **Strategic Value Management** process

The senior executives of:

- 4 Major Industrial Companies
- 6 Financial Institutions
- 3 Investment Banks
- 4 International Real Estate Agencies
- 3 Property Developers/Owners
- 1 Government Housing Department
- 1 Real Estate Marketing Consultant

were personally interviewed for approximately one hour each, during which the following areas were covered

- corporate strategy as it related to real estate
- real estate organisational management structures
- location and types of real estate
- real estate financing techniques used
- criteria for real estate disposal decisions
- problems associated with marketing of real estate

The institutions and corporates were chosen for their relevance to the enhancement of corporate real estate, their need to maximise the value of their real estate and their willingness to submit to the interviews

These interviews did provide focus and direction, however they were to some extent a disappointment, as none of the corporate executives interviewed had given any serious consideration to an overall wealth maximising real estate strategy, despite the fact that they could see the merit in such an approach. The overall finding was that the executives managed their real estate on an ad hoc basis, motivated mainly by their operational or investment needs

The above factors combined, prompted the deviation from the original proposal. It was decided that instead of sending out questionnaires, a more interactive research process would need to be pursued. As such it was decided to review as much literature, on as wide a range of related subject matter as possible and then conduct personal interviews with appropriate property executives, in order to develop and crystallise the concept of **Strategic Value Management (SVM)**. Despite the fact that using this method did not allow for statistical analysis of the results, it was decided that the deviation was justified as the central theme of this report was to formulate a concept that might have **practical** application in the corporate world.

3.3 Research Method

During the research period three main areas of research were pursued -

- A comprehensive literature review of relevant academic journals and articles on corporate real estate in order to identify the magnitude of the problem and what efforts had been made to resolve the problem.

- Obtaining qualitative data from a sample of Australian corporates by means of unstructured informal personal interviews with relevant property executives, in order to determine what techniques and strategies were currently being applied. This helped to conceptualise an appropriate and effective strategy needed to maximise the returns of corporate real estate.

3. METHODOLOGY

3.1 Introduction

The growing awareness by corporate managers of the value in their under- tilised real estate is evidenced by their willingness to be interv. .ved and to identify and debate the various issues. However, because of the proprietary nature of the issues discussed it was agreed that no direct attribution would be made to any corporate or institution

This factor coupled with the fact that the problem of underutilised corporate real estate has been quantified and widely reported, dictated that the research method would deviate from that originally proposed.

3.2 The Process

Zeckhauser (1983), Veale (1988), Avis (1989), Seek (1991), Kium (1993) and Webster (1995) amongst others had already identified and quantified the problem of underutilised corporate real estate and it was decided that to further pursue this line of research would not greatly add to the existing pool of know-ledge. During this research project it was found that a large amount of material existed on a variety of corporate real estate related topics. The greatest outstanding problem was to determine which material, methods or techniques would be the most appropriate and effective in maximising the returns on corporate real estate, within the ambit of an overall corporate real estate strategy.

Uniform Underwriting - Uniform standards make it possible for institutions to achieve established [illegible] against which quantify risk and portfolio value

Pricing - Securitisation allows pricing to shift from an appraisal based valuation to the efficiencies of market based pricing, similar to other bonds and securities

These factors combined should foster lower transaction fees, narrow spreads on rated mortgage debt and increase new equity capital available to real estate. This has already started to happen - recently Bankers Trust securitised $83 million of mortgages secured by a portfolio of properties net leased to K Mart and $107 million in mortgages on Walmart, K Mart, Walgreen, and other large retail stores (Ernst & Young Real Estate Forum, 1994). In another transaction Investment Bankers' Kennedy-Wilson International and U S Realty advisers, collaborated on a $340 million securities financing for the William Kaufman Organisation in terms whereof four New York City office buildings were refinanced by securitising the income stream into a 10 year fixed rate instrument (Fitzgerald, 1995).

Property Unit Trusts - Property Unit Trusts or Real Estate Investments Trusts (REITs) as they are known in the United States have been very successful in mobilising capital. Many investors, insurance companies and pension funds either do not like investing directly in property and wish to invest partly in illiquid real property assets and partly in relatively liquid shares or units in property trusts. In the United States the Real Estate Investment Trust market has grown fourfold in the past few years from about $12 billion in 1992 to around $48 billion in 1995.

measure of the use of landed property when making strategic decisions is opportunity cost, which is always more than market price (Britton *et al*, 1980)

Apart from the traditional sources of capital for the funding of real estate, corporates now have a whole new range of money market instruments and structures which they can utilise to effectively finance their real estate -

Securitisation - The withdrawal of traditional sources of capital for real estate in 1990's by banks, life insurance companies and pension funds, the traditional providers of these sources of finance, caused the rise of securitisation by a real estate market requiring new sources of capital Dr Giliberto (1985), the managing director of real estate research at Lehman Brothers New York (who is recognised as one of the authorities of the real estate investment industry in the United States) is quoted as saying, "Wall Street was able to introduce non-traditional property lenders and equity investors into the market which provided liquidity into the market, set a floor on prices, and stabilised the market and allowed transforming or unbundling of risk and return." In the past certain sources of capital did not flow into the property sector because the menu of risk and return did not appeal to investors Securitisation allowed Wall Street to create a variety of instruments that have different characteristics of risk and return to meet the needs of different investors

According to Anderson (1987) securitisation has attractive characteristics for pension funds and insurance companies

Liquidity - securitisation makes it possible to take non-liquid assets - property or mortgages - and convert them into securities traded in the market place

The leasing of additional space by the corporate increases the firm's asset base and must result in an increase in current or expected cash flows or of the firm's overall risk. By eliminating the firm's exposure to the disposition and liability risk of property ownership

Leasing may also be a form of off-balance sheet financing in terms whereof the corporation buys real estate then finances it through a financial lease and shows neither the asset nor the lease contract in its balance sheet. When the corporation finances the asset in this manner, the corporation's Debt Equity Ratio understates the true degree of leverage and in addition the Return on Equity Ratio is also enhanced as the real estate does not appear on the corporations financial statements. Another benefit of off-balance sheet financing is that the lease payments, when the real estate is leased, is normally less than the amount of depreciation plus interest payment when the real estate is purchased, with the resultant increase in cash flow and profits.

Therefore leasing either in the form of lease back or off-balance sheet financing, can be a very effective way to unlock hidden wealth from corporate real estate and increase the wealth of shareholders

6.3 Funding of Real Estate

One of the major areas of wealth maximisation for corporates is the funding of their real estate resources. Normally the manner in which corporates finance their real estate is largely a reflection of their real estate as a production factor rather than a resource with inherent profit (Gale and Case, 1989). Because most of these organisations fund their property the same as any of their capital investment they fail to utilise the leverage capabilities, financing alternative and the corporates' own credit rating, normally available for real estate financing. The current money

Increased Earnings - for some corporates the objective in sale leaseback transactions is simply to show increased earnings. This is accomplished by converting equity, in the form of real estate, into cash which may be needed for expansion purposes.

No Refunding Problem - most mortgages are either fixed short term or reducible mortgages.

- ***Fixed Short Term Mortgages*** - are dangerous as re-financing or recall can be done in adverse economic and business conditions.
- ***Reducible Mortgages*** - are disadvantageous because a part of the net profit after tax is absorbed by redemption payments. This reduces the ability to increase working capital demanded by rising turnovers, thereby reducing the prospects for additional dividends.

Higher Dividends - sale leaseback enables the corporate to achieve higher profit with unaltered share capital. The whole of the additional profit accrues for the benefit of the existing shareholders.

Tax Savings - corporates that have portfolios of properties are penalised by the aggregation of land taxes. The sale of real estate might result in a reduction of the land taxes portion of the statutory outgoing that is payable.

A study conducted by Allen *et al.* (1993) on "The Wealth Effects of Corporate Real Estate Leasing", researched the effect of sixty-seven corporate lease announcements and revealed that positive abnormal returns accrued to the lessee firms. This suggested that real estate leasing decisions benefited the corporate stockholders because on average, the market perceives the leasing of real estate as a sound corporate decision. The empirical results of this study provided evidence that the announcement of corporate real estate leases conveyed positive information to the financial markets.

they are able to receive one hundred per cent of the market value of the property upon sale

Permanent Financing - the funds obtained under a sale leaseback are permanently available to the corporate. Management is freed of all concern about the repayment or rollover of borrowed funds, in adverse markets

Lower Transaction Costs - getting clearance from the Securities and Exchange Commission for public offerings of debt and equity involve a lot of management time, as well as legal and investment banking expenses. Sale leasebacks have relatively low transaction costs

Off Balance Sheet Financing - when a lease in a sale leaseback is structured as an operating lease, the transaction may not create a long term liability on the corporate balance sheet

Increased Earnings - by replacing rental costs for depreciation and mortgage interest costs, which tend to be much higher, corporates can increase its earnings.

Increased Borrowing Capacity - when selling a property in a properly structured sale leaseback, the corporate's replace fixed assets with current assets, thereby increasing their Current Ratio. When a mortgage property is sold it reduces the Debt-to-Equity Ratio. Both activities make corporates more attractive to lenders

Take-Over Protection - corporates need to maximise value for their shareholders. Selling real estate assets in a sale/leaseback can help redirect funds to a corporate's core business, whilst limiting the temptation for outsiders to buy the company for the purpose of liquidating undervalued assets

manager of real estate at Boise Cascade Corporation suggests that, should it not be possible to sell operating management on the benefit of ownership, then an alternative would be to transfer all the real estate assets to a corporate real estate department, which in turn then leases the facilities to the operating units

A more effective strategy could be a sale leaseback in terms whereof the owner of the property sells the property to an investor/owner and simultaneously leases the property back from the new owner The use of the property by the seller is continued, he receives a capital amount, typically equal to 100% of the market value of the property being sold and the buyer obtains an investment secured by the credit of the seller and the quality of the property. It was reported in the National Real Estate Investor (Galperin, 1992) that sale/leaseback transactions are becoming increasingly popular in today's market, as a good way for a corporation to sell real estate assets, raise capital and improve its balance sheet without having to mortgage the property. "Companies are looking to maximise value for their shareholders and avoid being vulnerable to unfriendly takeovers. Selling real estate assets can help redirect funds to a company's core business while limiting the temptation of outsiders to buy a company for the purpose of liquidating certain assets" (Galperin, 1992).

Some of the advantages of choosing a sale/leaseback as set out by Dwoskin (1993) of I.C.A. Realty Corporation are:-

Increased Liquidity - Sale leaseback of properties that are presently owned converts past investments into cash.

Hundred Percent Financing - in most other forms of financing, corporates are limited by loan-to-value restrictions In a sale/leaseback

"reserve" price. This type of auction is generally less popular with the public because it is perceived that there is less opportunity for a bargain.

- ***Absolute Auctions*** - this type of auction features a "no minimum bid, no published reserve" strategy. According to Ken Stevens, Managing Director of Kennedy Wilson Incorporated, Absolute Auctions are especially good for moderately priced homes for which there is strong demand and is a compelling "hook" to stimulate interest in the sale. Absolute auctions have been put to good use by American institutions, such as the Resolution Trust Corporation, who have had to sell off large portfolios of residential properties.

Whatever the indirect effect of the sale of surplus corporate real estate, there are numerous strategies that can be employed to effectively dispose of corporate real estate.

6.2 Leasing of Real Estate

The objective of corporate managers is to maximise the return to shareholders - this implies the effective management of corporate real estate in order to maximise the long term value of the company to its shareholders.

Maximisation of return to shareholders can give rise to a conflict between the corporate goal and an operating unit's goal i.e. the lease - vs - ownership decision. Generally, owning assets increases return on equity and cash flow, whilst leasing assets increases short term return on capital invested. Shareholders are concerned with return on equity and operating units are concerned with return on capital. Larry Ebert (1987)

international investment community in that they are simple to participate in, provide a discreet method for submitting bids and offer the opportunity to do a thorough investigation of the real estate prior to purchase. An added advantage is that unlike private treaty sales, the sellers have complete control over the sale process. This process is particularly suited to the sale of portfolios of surplus properties and was applied to great effect in the disposal of surplus property for CSR Limited (see case study).

Oral Auctions - particularly suited for the sale of large portfolios of residential properties that are geographically far apart and where the seller requires a speedy and efficient realisation and settlement of the real estate. This process enhances the value of real estate by virtue of an open forum competitive bidding process and works best with high profile real estate with strong inherent demand. Research done by Mayer (1993) at the Massachusetts Institute of Technology, Center for Real Estate, found that whilst auctions serve the purpose of selling real estate quickly, such real estate is often sold at a significant discount. Therefore, this process is really only suited to holders of large portfolios of real estate that have large holding costs.

There are numerous oral auction forms which offer different bidding strategies depending on the type of real estate market and the seller's requirements.

- ***Published Reserve (Minimum Bid) Auction*** - published reserve prices establish a low, yet credible starting price below which bidding is not allowed. This process provides protection for the seller and has unlimited potential for achieving maximum prices.

- ***Auction with Unpublished Reserve*** - with this format the seller has the right to accept or reject any bid below the confidential

These observations are consistent with the results of the study conducted by Glascock *et al* (1989) whose results differed from those of Owers and Rogers (1986) in that they found no statistical evidence of significant consistent behaviour immediately around the announcement of a real estate acquisition and only weak evidence of positive returns after disposition of the real estate. These observations however are not conclusive and must be qualified, as consideration has not been given to any extraneous factors that might have affected the share prices of the respective corporations, during the periods under consideration.

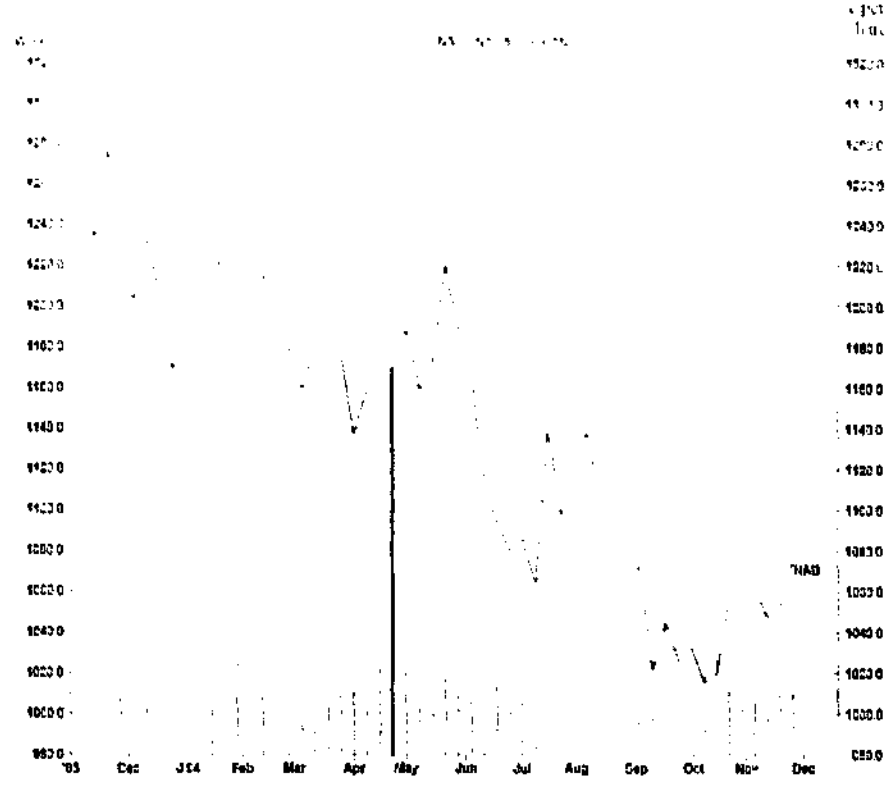
A study conducted by Christensen and Levi (1993) to investigate and identify the sources of wealth increases observed by Glascock *et al* (1989) concluded that sellers of real estate assets experienced no change in total corporate risk as a result of the sale. Instead the study found that sellers experienced better earnings performance in the year of the sale. This suggests that the message conveyed upon announcement of the sale is that short term cash flows will improve.

The disposition strategy of the corporate real estate depends upon the type of property, its geographical location and the financial implication of the sale on the corporate. Various marketing methods can be implemented in the disposition of corporate real estate -

Private Treaty - the conventional marketing strategy used mostly for the sale of larger commercial and industrial real estate where a certain amount of technical expertise is required during the sale process. Long lead times are normally required during this process.

Sealed Bid Sales - combines the best of conventional brokerage transactions with the advantage of an auction program and is particularly suited to the sale of real estate by public corporates where probity and fair play are an issue. Sealed Bid Sales have particular appeal for the

EXHIBIT 2



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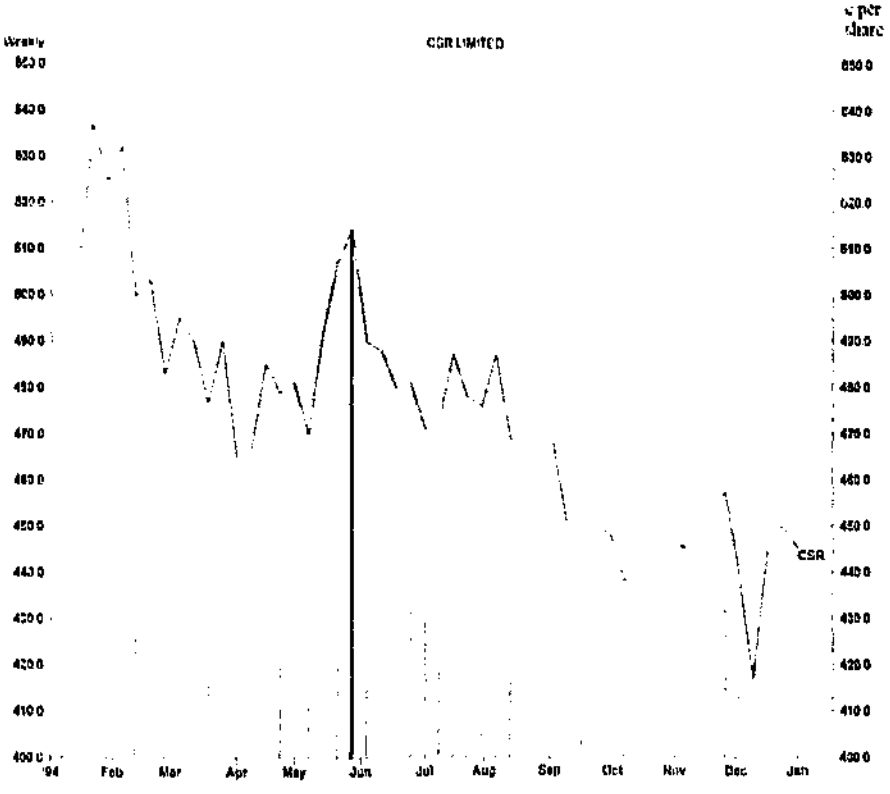

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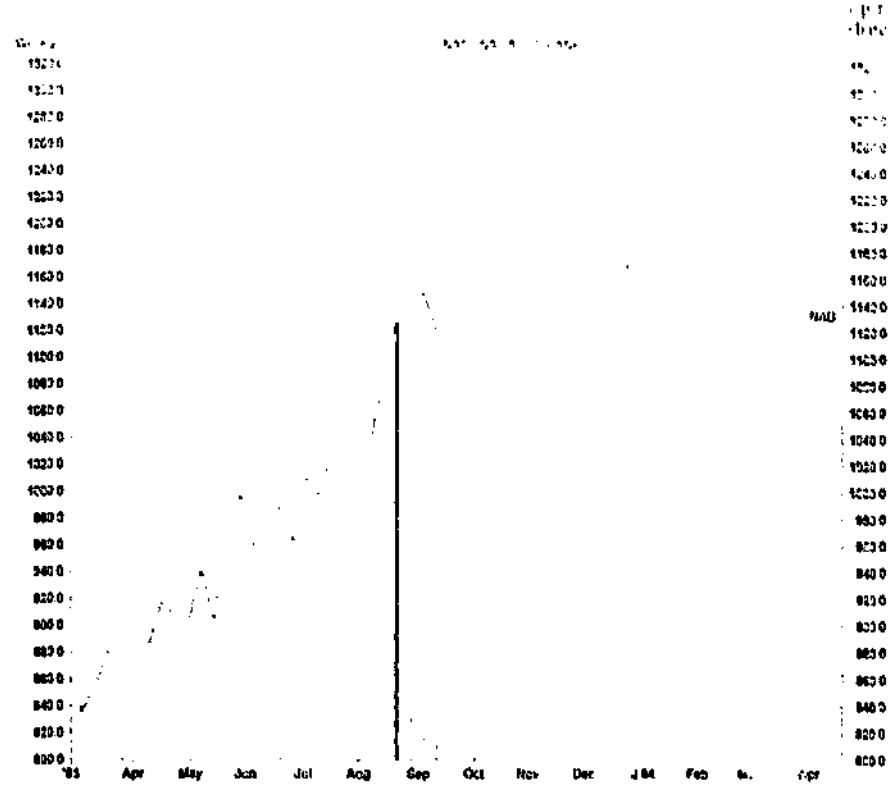
EXHIBIT 1



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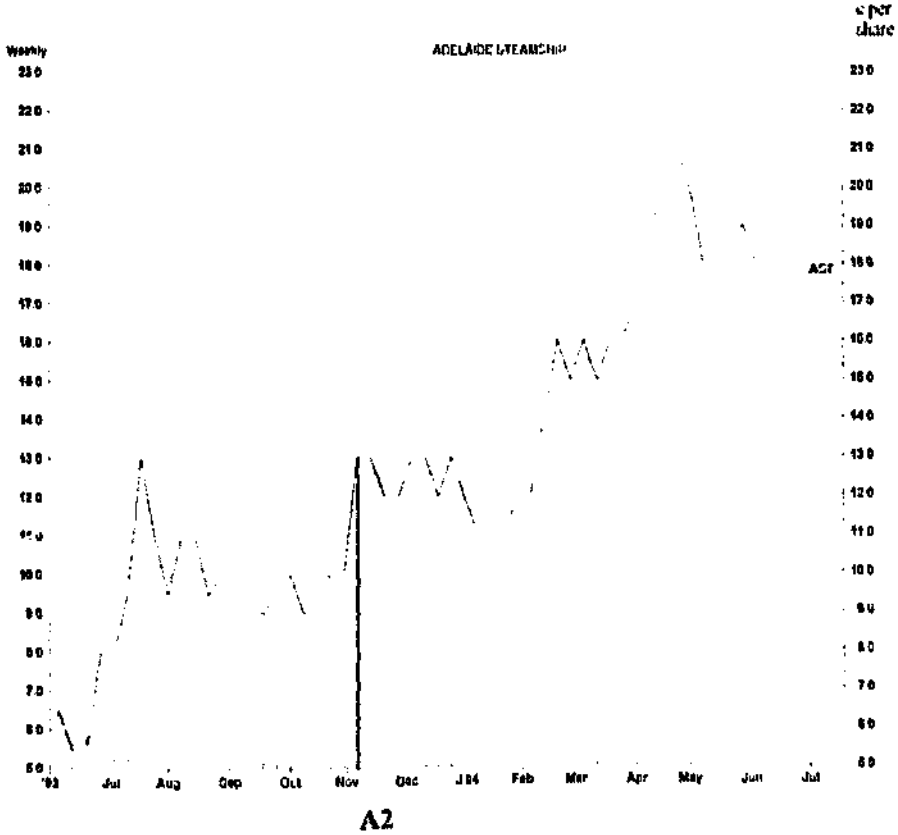


A2

A survey done by Owers and Rogers (1980) identified a significant upward revision of values associated with the sell-off of real estate assets and found that value increases associated with real estate assets restructuring, are consistent with the hypothesis that the value of the corporation increases when their real estate ownership is realigned and information provided about their separable values (However, they did not interpret their sell-off as supporting the hypothesis that real estate assets are undervalued when in place, to any greater extent than other types of assets.) These findings are consistent with those of Glascock *et al.* (1989) who found statistically significant positive returns to corporate sellers of realty assets, particularly on announcement of the sale of real properties

These findings are not however consistent with those experienced in Australia recently, where three separate Australian corporates namely the National Australian Bank, Adelaide Steamship Limited and CSR Limited sold very substantial amounts of surplus property. In the case of National Australian Bank, a portfolio of 25 properties valued at approximately A$132,5 million was offered for sale and in the case of Adelaide Steamship Limited a portfolio of 11 properties valued at A$173,5 million was offered for sale. As can be seen from the share prices of the two corporates at the time of announcement of the sale (at A1 and A2 respectively on Exhibit 1) no positive returns can be noticed

Different tendencies were noticed in subsequent sales in Australia during 1994, when a second portfolio of 16 properties valued at approximately A$60 million was offered for sale by the National Australia Bank and a portfolio of 26 properties valued at A$65,2 million was offered for sale by CSR Limited. As can be seen from the share prices at the time the properties were offered for sale, in the case of the National Australia Bank gains were noted immediately after the sale and in the case of CSR Limited losses were noticed immediately after the announcement of the sale (at A3 and A4 respectively on Exhibit 2)

In the [illegible] Jeff Kells advised that his main strategy for CSR Limited was to "focus on profit and cash, reduce working capital and to sell surplus assets". True to his word for the financial year ended 31 March 1995, proceeds from the sale of property, plant and equipment increased to A$78.7 million, up A$40 million from that realised in the 1994 financial year. This had the effect of reducing working capital from 17.3% to 14.7%. (Three years ago this ratio was 21.3%).

This vast improvement was achieved by selling surplus assets, particularly surplus corporate real estate. An international real estate marketing company, Kennedy-Wilson International, was chosen to dispose of the surplus real estate. Because of the geographical diversity of the properties, a tender method of sale was used. Thirty-one properties situated in all five Australian States were offered for sale in a "Strategic Property Divestment Sealed Bid Tender" (Appendix A) of which -

- 18 were sold
- 5 were withdrawn because divisional managers believed that they required the properties for their own operational use
- 5 are being improved before being re-offered for sale
- 3 remain unsold as at the writing of this report.

During this process CSR realised A$26 million within an eight week marketing period. The success of the realisation with the resulting improvement in the company's performance, prompted the management of CSR Limited to offer two more properties for sale, one in Western Australia which was sold for A$15 million and one in New South Wales which is presently in the market for A$100 million.

9. CSR LIMITED - CASE STUDY

The public company CSR Limited was founded in Sydney, New South Wales, Australia in 1855 as a sugar refining company. In 1936 CSR Limited began manufacturing building materials and it is now one of the world's largest building and construction materials companies with operations in Australia, North America, New Zealand, Asia and the United Kingdom. CSR Limited is also Australia's largest producer of raw and refined sugar and has investments in bauxite, aluminium and aluminium production. In the financial year ended 31 March 1995 CSR Limited reported a net profit of A$391 million on total revenues of A$6,248 million and total assets of A$7,174 million of which A$4,298 million are represented as property, plant and equipment.

During 1993 a new managing director, Jeff Kells, was appointed at CSR Limited in order to endeavour to revive the company's flagging fortunes, which had been adversely affected by the impact of the recession on building and construction in Australia and the United States. He immediately set about maximising the assets of CSR Limited and in the March 1994 Annual Report he is reported as saying: "Management of working capital is an important indicator of the improvement taking place throughout CSR. Work across the company on business processes achieved reductions in working capital. We refocussed on reducing the amount of cash tied up in stocks, debtors, underperforming assets and surplus land. This reduced working capital from 21.3% of sales to 17.1%. Every 1% fall releases over A$50 million to build the company."

that uses them. According to Gale and Case (1980) the primary responsibility for the designation of properties as surplus within the organisation will be with the marketing and/or production department, depending on to which uses the properties are presently being put. Therefore the designation will be based primarily upon the operational needs of the departments and not upon the financial rationality of continued operation.

Nourse and Knigery (1987) found that corporates tend to ignore attempts to profitably dispose of real estate and normally dispose of such real estate "as is" without modification or attempts at organised marketing. This is a very important point to note and every attempt should be made to enhance the value of the surplus real estate before disposition. Such enhancement can be in the form of cosmetic improvement, redevelopment or rezoning of the real estate (which can be effected efficiently and effectively by outsourcing these activities). In this regard Kimbler and Rutherford (1993) make some general recommendations. "In terms of strategy, managers should delegate/outsource day-to-day tasks and should proactively address corporate strategic real estate issues, and providers should support managers in the identification of strategic activities"

Depending on the type of property, its location and value and after improvement if necessary, the following marketing techniques can be used to realise the maximum value for the real estate -

- **Private Treaty sale**
- **Tender sale**
- **Auction sale (Absolute, Published Reserve or Unpublished Reserve)**

the rental, or interest plus depreciation amount payable to a property investor or financier. The functions of passive long-term property investment and of active turnover of current assets are separated and left to enterprises with different strategic focuses.

When deciding which is core property it is important for the committee to remember that the correct money measure of the use of landed property when making strategic decisions is opportunity cost, which is synonymous with market price, even when the consequences of using them are unpopular (Britton *et al.*, 1989).

While the leasing strategies can be regarded as another form of financing, the restrictions imposed with loan financing are generally not found in leasebacks and furthermore the corporation still gains to use and control the property to conduct its operations, with all the security and flexibility that goes with leasing, without the responsibilities associated with ownership.

Strategies that can be employed to maximise the wealth of core properties are:-

- **Management**
- **Sale/Leaseback**
- **Leveraged Leaseback**
- **Net Lease Sales**

8.2.3 Surplus Property:-

As discussed, this is the real estate that is not required by the corporate to conduct its operations, either presently or at some time in the future, and is surplus to its needs. The designation of these properties is more likely to be determined by the operation

8.2 Corporate Real Estate Definition and Strategy

8.2.1 Strategic Property:-

Defined as real estate that the corporate needs to own and control, and is required for its operational needs, in terms of its long-term corporate strategy

Gale and Case (1989) are of the opinion that the manner in which companies finance their real estate resources is largely a reflection of real estate as a production factor, rather than its inherent profit potential for the organisation and therefore a company sometimes fails to utilise the unique leverage capabilities and financing alternatives, available for real estate management.

As discussed, there are numerous management and financial engineering techniques that can be used to maximise the value of strategic property and as such, once the committee has identified the property, they will apply any of the following value enhancing management or financing techniques -

- **Management**
- **Project Finance**
- **Securitisation**
- **Unitisation**
- **Commercial Backed Mortgages**

8.2.2 Core Property:-

This is real estate that the corporate needs to control but not own and is required for its operational needs in terms of its medium-term corporate strategy. The essence in deciding which is core property is that the return which the corporate can obtain from not locking up capital in real estate, is much higher than

- Determination of the operational needs of the various departments and the financial rationality of their continued operation
- Prioritisation of the areas of greatest opportunity to allow management to allocate necessary resources
- Deciding on the corporate framework within which the SVM process will take place
- Deciding how to motivate the divisional mangers to focus on the need to maximise the returns of the real estate under their control
- Determination of policies and procedures to be adopted when financing, leasing or disposing of real estate
- Appointment of consultants who are going to support the committee in implementing the strategy
- Determination of what procedures are to be used in monitoring the performance of the process and the consultants
- Management of the process to ensure that correct integration of the process with the capital structure, debt capacity, cost of capital and overall operations of the corporate

The **Strategic Property, Core Property** or **Surplus Property** as defined, is then "value added" in terms of the corporate real estate strategy, and the policies and procedures as determined by the **Corporate Real Estate Management Committee.**

8. STRATEGIC VALUE MANAGEMENT - THE PROCESS

8.1 Management Committee

In terms of this concept a **Corporate Real Estate Strategic Value Management Committee** is established, comprising senior executives of the corporate's finance and property departments, together with any outside consultants

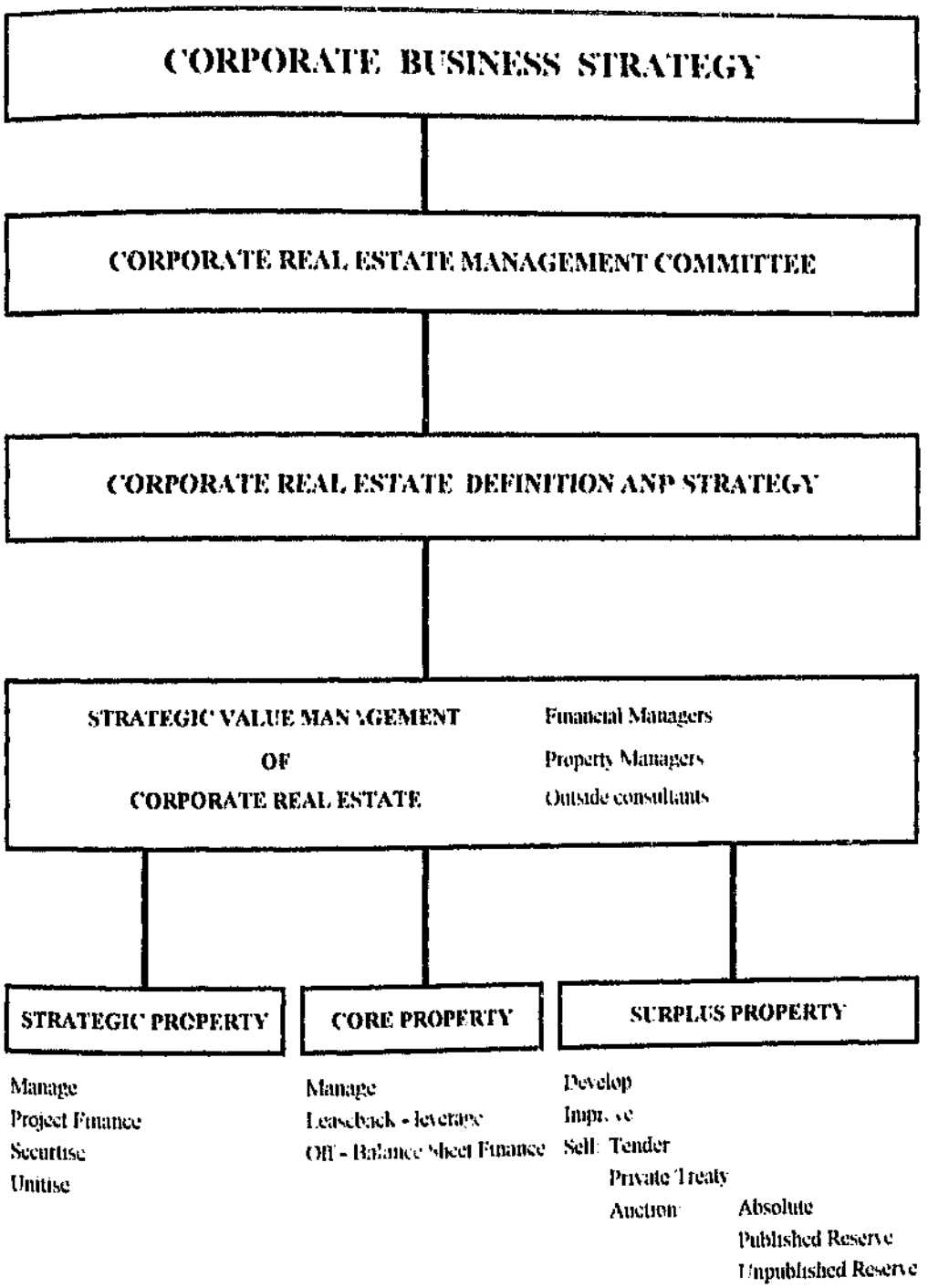
The purpose of this committee is to devise a real estate strategy that links with the corporate's primary business strategy and as such, as discussed by Flegel (1992) will enable the property to be "pro-actively managed, the same as stock along with human resources, equipment and raw material "

The corporate's primary business strategy determines what inputs such as land, labour and capital are needed to pursue the corporate strategy The committee devises a real estate strategy after careful consideration of the real estate requirements of the primary corporate strategy

Steps to be taken by and functions of the committee would include -

- Identification and review of all the real estate holdings
- Determination of what contribution the real estate makes as a factor of production
- Designation of all the corporate real estate into the three property types namely - strategic, core or surplus property

EXHIBIT 3


CORPORATE BUSINESS STRATEGY
CORPORATE REAL ESTATE MANAGEMENT COMMITTEE
CORPORATE REAL ESTATE DEFINITION ANP STRATEGY
STRATEGIC VALUE MAN AGEMENT
OF
CORPORATE REAL ESTATE
Financial Managers
Property Managers
Outside consultants
STRATEGIC PROPERTY
CORE PROPERTY
SURPLUS PROPERTY
Manage
Project Finance
Securtise
Unitise
Manage
Leaseback - leverage
Off - Balance Sheet Finance
Develop
Impr. ve
Sell: Tender
Private Treaty
Auction:
Absolute
Published Reserve
Unpublished Reserve

7. STRATEGIC VALUE MANAGEMENT - THE CONCEPT

After consideration of the following factors -

- various types of corporate real estate
- ways in which real estate values can efficiently be enhanced
- effective ways of improving corporate profitability
- reduction of the capital requirements of public and private corporates
- overall corporate strategy
- a practical process that senior managers can relate to

the concept of "**Corporate Real Estate Strategic Value Management**" was evolved (Exhibit 3), as a means of unlocking the wealth that has been found to be hidden in a majority of corporate real estate financial statements

The process has been named **Strategic Value Management** to highlight the major elements of the process namely -

- wealth creating **Strategy** for the
- maximisation of **Value** by pro-active
- **Management** of corporate real estate

and can be described as the process that translates the corporate real estate strategy into a real estate operating decision, i e the practical implementation of the corporate business plan that corporate managers can identify with and relate to

In the context of the various wealth creating strategies that have been discussed above and bearing in mind that the aim of this paper is to devise a practical corporate real estate strategy that can maximise return to shareholders and that senior management (particularly financial management) can relate to, the writer has identified three types of properties. These property types have particular value attributes that can be enhanced in accordance with the public vs private corporates' business strategy and that would fit appropriately into their business plans.

1 **Strategic Property** - real estate, typically greatly improved, that the corporate needs to own and control in terms of its long term business strategy (more than 10 years) and that the corporate requires to be able to conduct its operations in terms of its business plan. An example of this type of property would be a manufacturing facility or distribution centre.

2 **Core Property** - real estate that the corporate needs to control, not necessarily own, in terms of its medium term strategy (1 - 10 years) and that the corporate requires to conduct its existing or future operations. Examples of this type would be an industrial, commercial or a retail facility from which the corporate would operate.

3 **Surplus Property** - real estate that the corporate does not need to own or control, that is surplus to its needs, that does not fit into its corporate strategy or business plan and that can be disposed of either immediately or at some future date.

6.4 Real Estate Types

One of the major barriers to unlocking the wealth that most corporates have in their real estate, is that all land and buildings for accounting purposes are treated in the same way in the financial statements of those corporates and no distinction is made between different value attributes of the individual properties and the portfolio as a whole. Britton et al (1) have identified four types of property -

- **Direct Service Property** - which includes landed property by the authority itself in order to provide a service to its clients population

- **Indirect or Tenanted Service Property** - which includes landed property which is held primarily to attain some specific objective or duty or enabling statutory duties but which is let to tenants

- **Investment Property** - which includes all landed property which is simply held to produce a money return

- **Surplus Property** - may be property held in advance of future service needs

Britton et al (1) however identified the four property types in the context of the management of public corporate real estate where efficiency as opposed to wealth creating strategies is more appropriate

An added benefit has been mentioned by Glascock *et al.* (1990) in their article on the "Gains from Corporate Sell-Offs: The Case of Real Estate Assets" where they referred to Allen and Sirmans (1987) finding a significant positive stock price reaction for the acquiring firms in REIT mergers and the demonstration by Owers and Rogers (1986) that debt security offerings of REIT's result in a positive stock price reaction

Mortgage Backed Securities - According to Dr. Michael Giliberto (1985), the most impressive innovations in real estate finance in recent years have been in the area of Commercial Mortgage Backed Securities. Much of the initial securitisation of mortgages has been on residential properties. This process was accelerated by the entry into the market of U.S. Federal Government backed mortgages, such as those offered by the Resolution Trust Corporation.

As market acceptance of this form of finance has taken place, recent mortgage activity has begun to focus on commercial property and has pooled the mortgages or cashflows from these properties to support the issue of securities. Where necessary any residual risk is insured against and banks and institutions, which in the past did not want to lend on direct property, are now willing to take an investment in A or AA rated mortgage backed securities.

The development of the mortgage conduit program and secondary market has provided opportunities for proactive lending institutions to re-enter the commercial mortgage market, while limiting the negative impact of real estate mortgages on risk-based computations.

The financing strategies discussed allow corporates to efficiently and effectively finance their real estate and thereby increase the wealth of their shareholders.

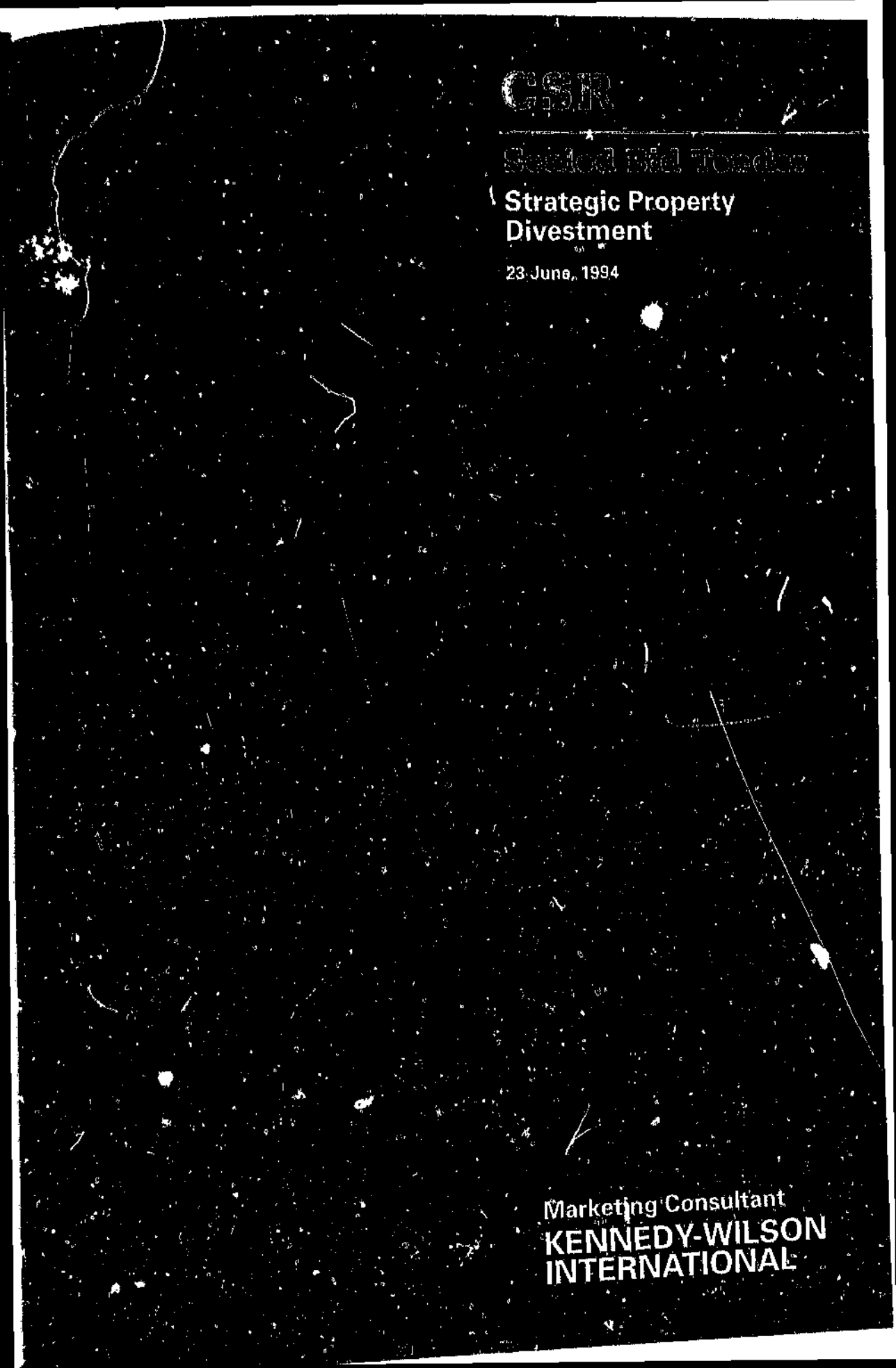
NORTHERN
TERRITORY

CSR

Sealed Bid Tender

Strategic Property Divestment

23 June, 1994



Marketing Consultant

KENNEDY-WILSON INTERNATIONAL

APPENDIX A

CSR LIMITED

STRATEGIC PROPERTY DIVESTMENT

SEALED BID TENDER BROCHURE

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Firstly, the fact that some private corporate in Australia [illegible] desire to actively pursue a more complete use of [illegible] resources, augurs well for a practical application and [illegible] effectiveness of the **Strategic Value Management** process. [illegible] or otherwise of the CSR Limited test case will dictate the speed [illegible] this concept is accepted by private and public corporates worldwide.

Secondly, studies similar to those conducted in Australia, the United States and the United Kingdom should be conducted in South Africa to determine current operational property management practices in public and private corporates and whether they are more efficient in the management of their corporate real estate, than that experienced elsewhere in the world

The most important conclusion reached by this research paper is that the wealth generating factors identified can be formalised into an overall real estate management process

The process, **Corporate Real Estate Strategic Value Management** has been developed and described This process will enable senior management of public and private corporates to determine and implement a practical real estate strategy that will improve profitability and reduce the capital requirement, thereby "unlocking the hidden wealth" that exists on the balance sheets of these corporates The potential application of the **SVM** process is discussed as it is being applied to CSR Limited one of the largest industrial corporations in Australia

Finally, this report has identified the most appropriate and common methods of financing and marketing used on various types of property in the Western World With the influx of investors, real estate practitioners in South Africa need to be informed of the various management, financing and marketing techniques that are used by these investors

10.2 Recommendation

This research report develops a conceptual framework for the maximisation of corporate real estate that would have considerable application in Australia, United States of America, the United Kingdom and South Africa Although it arguably represents a step in the right direction, some outstanding aspects remain unanswered.

10. CONCLUSION AND RECOMMENDATION

10.1 Conclusion

One must agree with Nourse and Krugery (1986), when they say that what appears to be lacking - both in business schools and in business itself - is a well organised and comprehensive approach to managing a corporation's real estate assets.

The first conclusion reached by this paper is that underutilised corporate real estate is indeed one of the major issues facing public and private corporates today. This is due in part to the view held by executives that "we are not in the real estate business" which has resulted in them not giving sufficient consideration to an overall real estate wealth maximising strategy.

The second conclusion reached is that various reports have identified and discussed corporate real estate strategy and how it derives from corporate business strategy. What most of the writers and commentators seem to have overlooked is the fact that these strategies have to maximise the value of the corporations and thereby the wealth of their shareholders - one of the fundamental duties of corporate managers.

The next important conclusion reached is that there are wealth generating strategies available that can be utilised in a formalised structured manner, that can effectively and efficiently maximise the value of corporate real estate.

However, despite the fact that the divestment of real estate has been relatively successful, the writer is of opinion that the "**Strategic Value Management**" process would be more beneficial to the company as it would -

- send a very strong signal to the market that the management of CSR Limited is doing everything possible in order to maximise returns to their shareholders
- focus the attention of the divisional managers on the need to maximise the return of real estate
- free up their managers and enable them to devote all their time and attention to their core business
- ensure that surplus properties offered for sale have been enhanced, to ensure maximum price is obtained
- ensure that their core properties are structured in the most cost and tax effective manner possible
- ensure that their strategic properties are financed appropriately and at the best possible rate
- maximise the return on the entire real estate portfolio, instead of only a portion of their surplus real estate

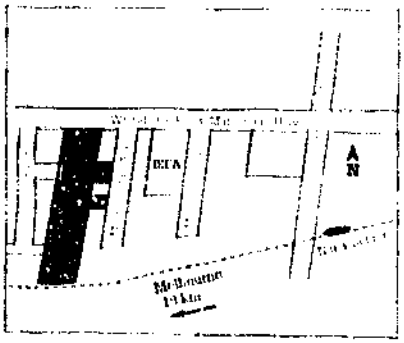
The management of CSR Limited have been approached with a view to applying the "**Strategic Value Management**" concept to their entire real estate portfolio currently valued at A$1,307 million. They are receptive to the concept and a proposal is presently being submitted for approval, the results and outcome whereof will be a true test of the process

250 Whitehorse Road
Nunawading Victoria

Property No. 16







Map Reference: Melway ED 22
Map 48 D9

Local Representative: Barry Marks
Bus: (03) 791 7300 AH: (03) 428 5816
Fax: (03) 794 7563

Market Appraisal: $5,000,000
Threshold Value: $3,900,000

Zoning: General Industrial
Gross Building Area: Approximately 8203 sqm (88,298 sq ft)
Site Size: Approximately 4.5 hectares (11 acres)

Buyer to independently verify all information provided herein



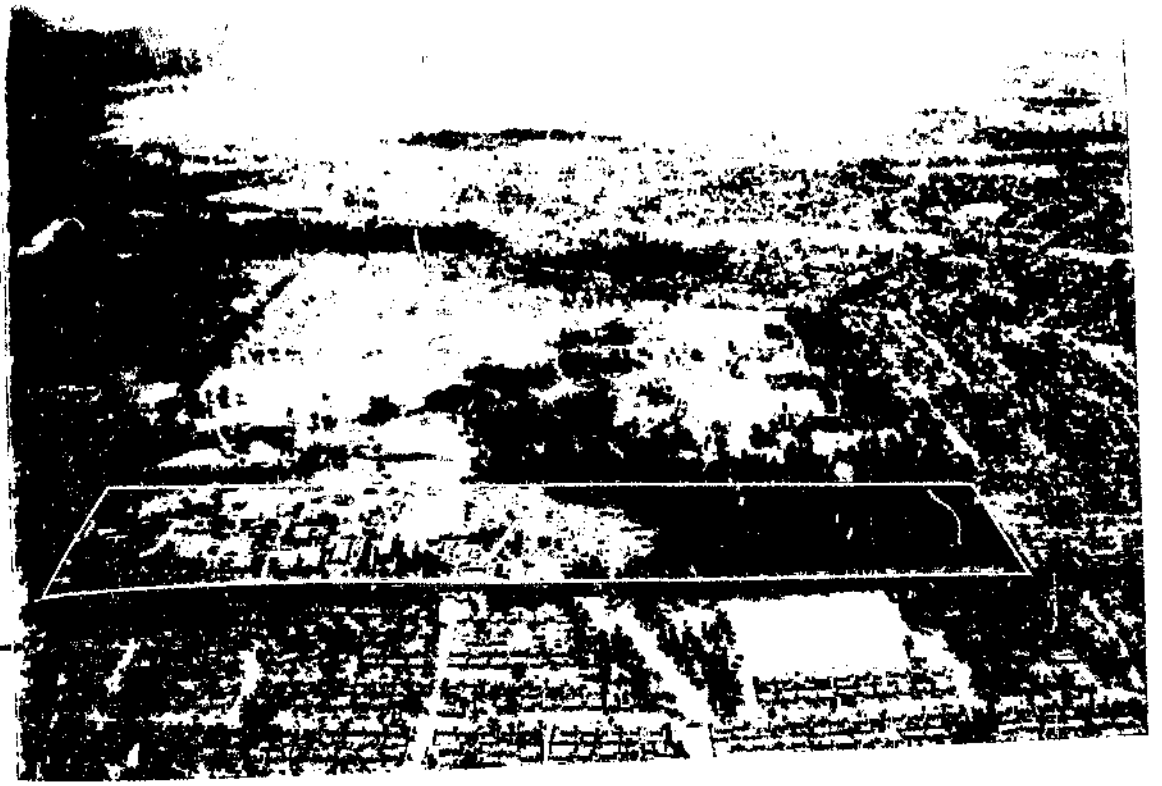
Market A
Threshol
Zoning
Site Size
Gross
Building
Leaseba

ence Melway ED 22
Map 2E 8C
resentative: Stephen Stockdale
3000 AH: (03) 571 125
227

Property No. 15

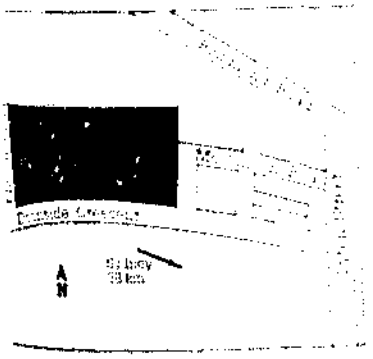
oonside Crescent
oonside
ew South Wales





y 15 kilometres north from
holding is ideal for the
and Canberra. The property has
rural allotments.





Market Appraisal: $6,500,000
Threshold Value: $4,900,0[illegible]

Zoning: General Rural

Improvements: A large number of older style, mainly single storey factory buildings and pipe manufacturing plan

Leaseback: Vendor will require a lease over the Pipe Plant facility for a minimum period of 5 years. Terms to be confirmed by vendor.

Site Size: Approximately 35 hectares (87 acres) with potential to subdivide into 3 sites.

Buyer to [illegible] vendor's [illegible] information provided herein

ap Reference: Gregory's ED 58
Map 243 F13

cal Representative: Phil Lyons
(02) 233 5100 AH: (02) 713 9310
(02) 235 1978

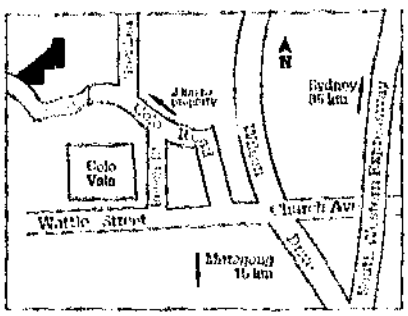
Lot 4 Colo Road
Colo Vale
New South Wales

Property No. 13

This one-quilt rural holding situated in the picturesque Southern Highlands, approximately 15 kilometres north of Mittagong, near the small, peaceful township of Colo Vale. An ideal rural retreat, the property is only a two hour drive from both Sydney and Canberra.

Market Appraisal: $180,000
Threshold Value: $130,000

Zoning: Rural 1(a)
Site Size: Approximately 40 hectares (100 acres)





Local Representative: Bruce Miller
Bus: (02) 221 7799 Fax: (02) 221 7727
Buyer to independently verify all information provided herein.

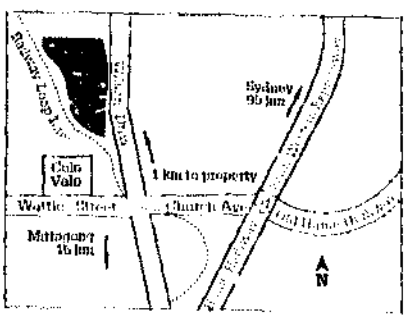
Lot 20 Wilson Drive
Colo Vale
New South Wales

Property No. 14

This undulating rural holding is nestled approximately 15 kilometres north from Mittagong in the picturesque Southern Highlands. This holding is ideal for the rural retreat and is only a two hour drive from both Sydney and Canberra. The property has potential for subdivision into two approximately 100 acre rural allotments.

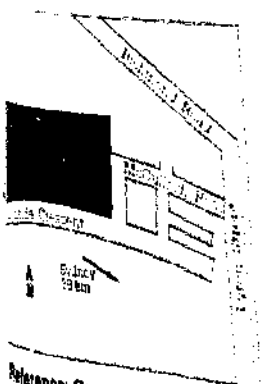
Market Appraisal: $800,000
Threshold Value: $600,000

Improvements: Weatherboard dwelling, old dairy and yards
Zoning: Rural 1(a)
Site Size: Approximately 78 hectares (192 acres)





Local Representative: Bruce Miller
Bus: (02) 221 7799 Fax: (02) 221 7727
Buyer to independently verify all information provided herein.



Reference: Gregory's ED 58
Map 243 F13

Representative: Phil Lyons
(02) 233 5100 AH: (02) 713 9310
(02) 235 1978

SR

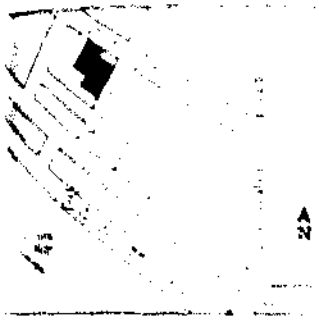
...r Derby and ...re Streets ...erwater ...w South Wales

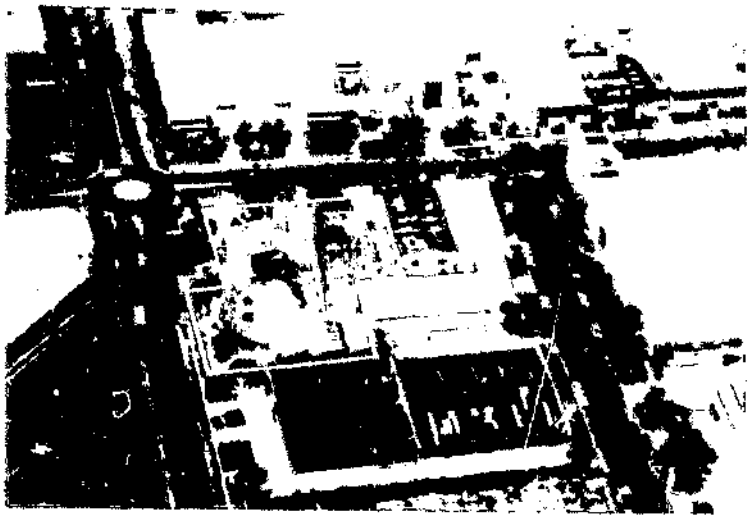
Property No. 11



...t Appraisal $800 000
...hold Value $800 000

...ng:
...Size:
...eck:





Map Reference: Gregory's ED 58 Map 309 H10
Local Representative: Michael Lynch-Bardner

...5 Rookwood Road ...nkstown ...ew South Wales

Property No. 12



...et Appraisal: $890 000
...hold Value: $690 000

...ng:
...Size:
...eck:





Map Reference: Gregory's ED 58 Map 369 G7
Local Representative: Reg Randall

NSW

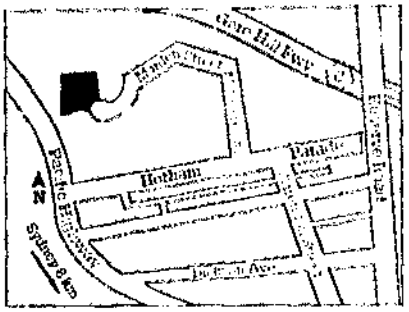
5 Marden Street
Artarmon
New South Wales

Property No. 9

An excellent industrial site [illegible] from the Sydney CBD. Currently utilised as a concrete batching plant which CSR intends to vacate in late 1995. The vendor is offering a short term leaseback which will provide an investor or owner occupier with secure rental income while development plans are prepared.

Market Appraisal: $1,550,000
Threshold Value: $1,000,000

Zoning: General Industrial 4(a)
Site Size: Approximately 4,477 sqm (48,191 sqft)
Leaseback: Vendor will require a lease back of the whole site until November 1995. Terms to be confirmed by vendor





Map Reference: Gregory's ED 58 Map 314 H1

Local Representative: Michael Lynch-Gardner
Bus: (02) 233 5100 AH: (02) 332 4259 Fax: (02) 235 1978

Buyer to independently verify all information provided herein

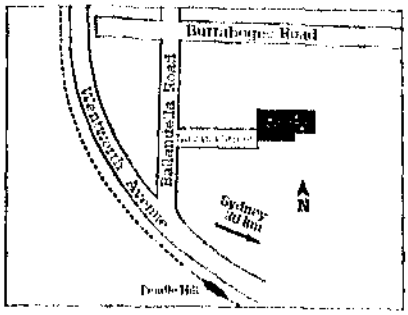
15 Nirvana Street
Pendle Hill
New South Wales

Property No. 10

A generally level industrial site with easy access, situated approximately 30 kilometres north-west of the Sydney CBD. The property is currently operating as a concrete batching plant which CSR intends to vacate in early 1995. The vendor is offering a short-term leaseback, which will provide an investor or owner occupier secure rental income while they complete their plans for development.

Market Appraisal: $300,000
Threshold Value: $220,000

Zoning: Industrial 4
Site Size: Approximately 3,090 sqm (33,261 sqft) and common use access of 162 sqm (1,744 sqft)
Leaseback: Vendor will require a lease back of the whole site until March 1995. Terms to be confirmed by vendor





Map Reference: Gregory's ED 58 Map 276 F12

Local Representative: Reg Randall
Bus: (02) 233 5100 AH: (042) 26 3033 Fax: (02) 235 1978

Buyer to independently verify all information provided herein

CSR

...ts 8 and 9
...wen Street Plumpton
...ew South Wales

Property Nos. 7a and 7b

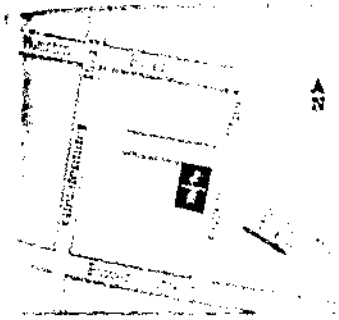
...Appraisal 7a $300,000
...Value 7a $220,000
...Appraisal: 7b $300,000
...Value: 7b $220,000

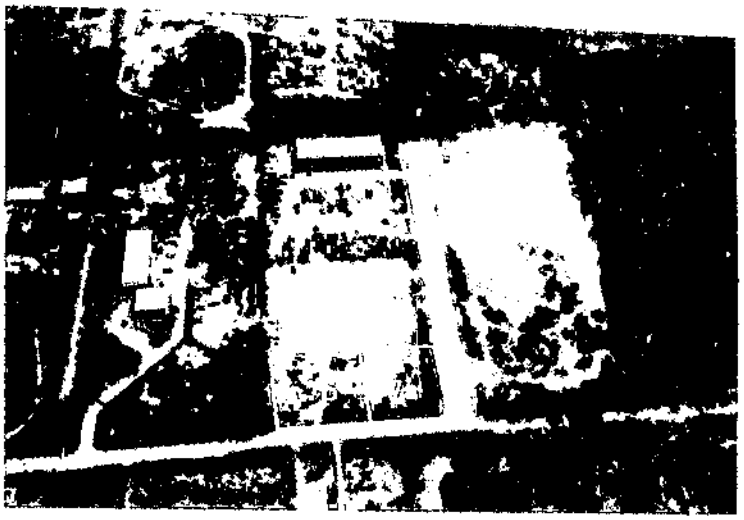
...Size: 7a ... 2,000 sqm ...
7b ... 2,201 sqm ...



E1

...d herein





Map Reference Gregory's ED 58 Map 242 H8
Local Representative: Reg Randall
Bus: (02) 233 5100 AH: (042) 28 3038 Fax: (02) 235 1979

...4 Stanton Road
...even Hills
...ew South Wales

Property No. 8

...factory warehouse buildings with ...e western suburb of St. Mary's ...recognised industrial location, these ...er or investor.

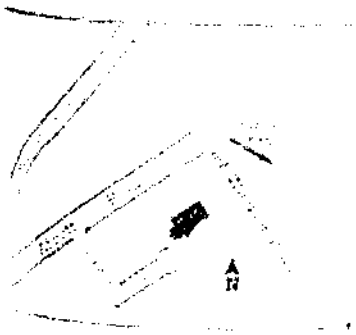
...rket Appraisal: $700,000
...reshold Value: $450,000

...ning: General ...
...e Size: Approximately ...



...39 C4

...ax: (02) 235 1978
...ded herein.





Map Reference. Gregory's ED 85 Map 246 D15
Local Representative: Michael Lynch-Gardner
Bus: (02) 233 5100 AH: (02) 332 4255 Fax: (02) 235 1978

NSW

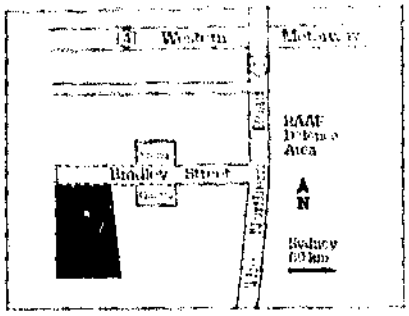
Bradley Street
Mulgoa
New South Wales

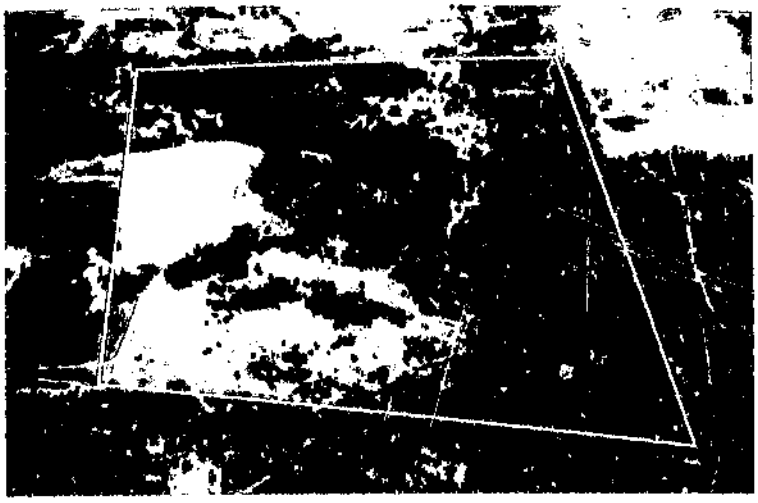
Property No. 5

A large flat property consisting of undulating rural land currently used for cattle grazing. Located on the western outskirts of the greater Sydney area, this site has potential for conversion to a variety of residential subdivision.

Market Appraisal: $900,000
Threshold Value: $600,000

Zoning: Rural 1 (a)
Site Size: Approximately 83 hectares (205 acres)





Map Reference: Gregory's ED 58 Map 296 E1
Local Representative: Bruce Miller
Bus: (02) 221 7799 Fax: (02) 221 7727
Buyer to independently verify all information provided herein

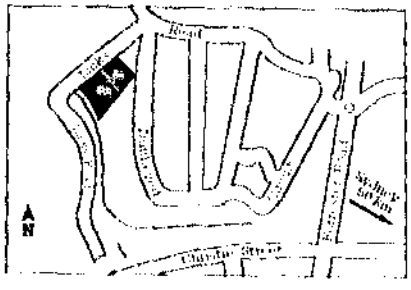
116 Links Road
St Mary's
New South Wales

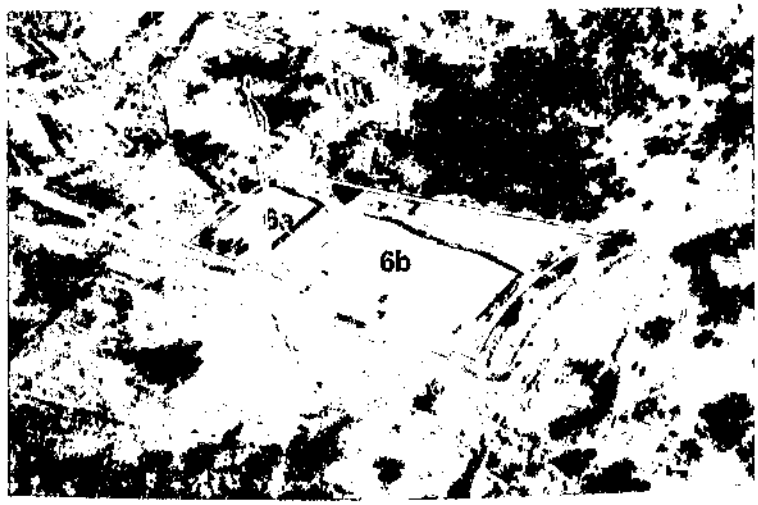
Property Nos. 6a and 6b

Two separate industrial properties comprising factory-warehouse buildings with associated offices and amenities. Located in the western suburb of St. Mary's approximately 50 kilometres from Sydney, in a recognised industrial location, these buildings are well suited to both owner occupier or investor.

Market Appraisal:	6a	$ 800,000
Threshold Value:	6a	$ 520,000
Market Appraisal:	6b	$1,750,000
Threshold Value:	6b	$1,350,000

Zoning: General Industrial 4(a)
Site Size: 6a – Approximately 5,400 sqm (58,126 sqft)
6b – Approximately 1.85 hectares (4.6 acres)
Gross Building Area: 6a – 2,257 sqm (24,294 sqft)
6b – 7,577 sqm (81,560 sqft)





Map Reference: Gregory's ED 58 Map 239 C4
Local Representative: Geoff Thomas
Bus: (02) 233 5100 AH: (02) 976 3990 Fax: (02) 235 1978
Buyer to independently verify all information provided herein.

to the Gateway Arterial Road
... The property is approximately
... residential development



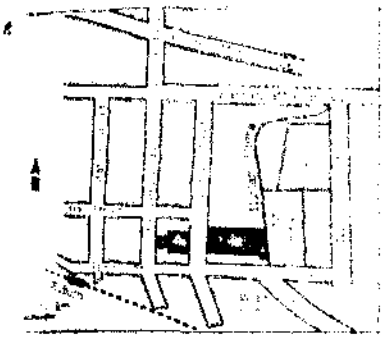
7-9 Percy Street
Auburn
New South Wales

Market Appraisal: $5,000,000
Threshold Value: $3,900,000

Zoning: General Industrial 4(a)

Gross Building Area: Approximately 17,213 sqm (185,262 sqft)

Site Size: Approximately 2.8 hectares (7 acres)



Property No. 4a

The property provides an older style of factory amenity in a popular industrial location of distribution and manufacture situated in Auburn benefit from easy access to all parts of Sydney. The site is only minutes from the 2000 Olympic Games venue and 10 kilometres from the thriving city of Parramatta.



Map Reference: Gregory's ED 58 Map 339 G3

Local Representative: Geoff Thomas
Bus: (02) 233 5100 AH: (02) 976 3990 Fax: (02) 235 1978

Buyer to independently verify all information contained herein

---

... future residential or rural
... Brisbane. The site is unclosed



50 Percy Street
Auburn
New South Wales

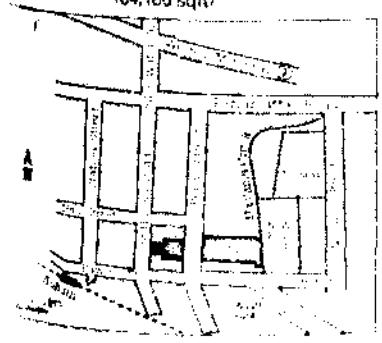
Market Appraisal: $1,500,000
Threshold Value: $1,100,000

Zoning: General Industrial 4(a)

Gross Building Area: Approximately 975 sqm (10,495 sqft)

Current Rental Income: $72,000 per annum (monthly tenancy)

Site Size: Approximately 5,963 sqm (64,186 sqft)



Property No. 4b

Situated in the popular industrial location of Auburn, this factory warehouse facility features exposure to busy St. Hilliers Road and easy access to all parts of Sydney. The property is only minutes from the 2000 Olympic Games venue and 10 kilometres from the thriving city of Parramatta.



Map Reference: Gregory's ED 58 Map 339 F3

Local Representative: Geoff Thomas
Bus: (02) 233 5100 AH: (02) 976 3990 Fax: (02) 235 1978

Buyer to independently verify all information contained herein

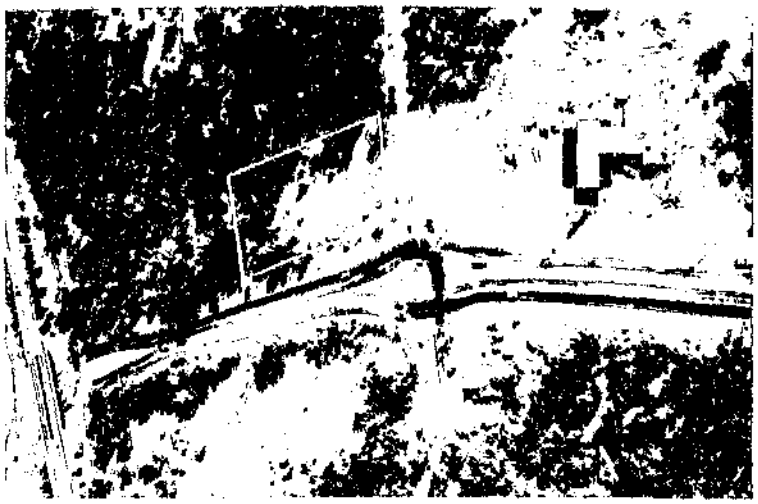
860 Mount Petrie Road Mackenzie Queensland

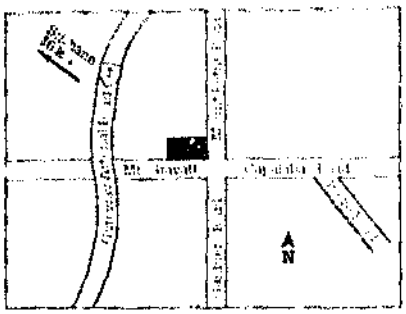
Property No. 2

The irregular shaped corner allotment provides access to the Gateway Arterial Road, which connects the Sunshine Coast with the Gold Coast. The property is approximately 16 kilometres south east of Brisbane CBD. Surrounding residential developments indicate the site has residential development potential.

Market Appraisal: $150,000
Threshold Value: $100,000

Zoning: Non Urban
Site Size: Approximately 5,777 sqm (62,184 sqft)





Map Reference: UBD ED 37 Map 37 L2
Local Representative: Alex Nicol
Bus: (075) 92 0122 Mobile: (018) 758 123
AH: (075) 35 0773 Fax: (075) 92 0238
Buyer to independently verify all information provided herein

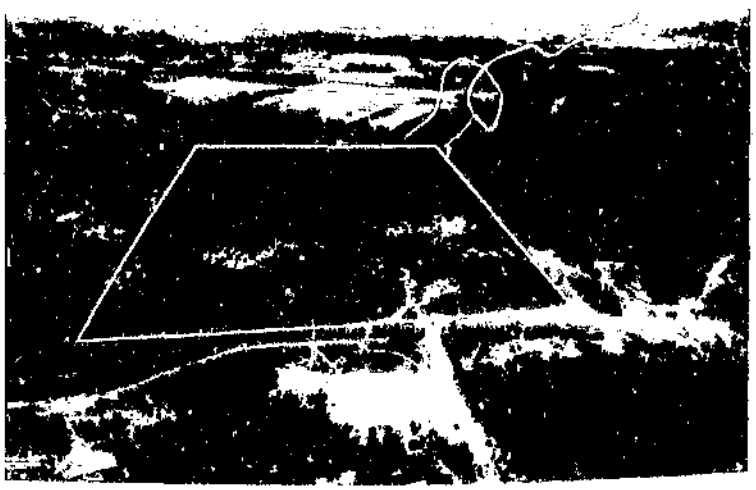
Cnr Ira Buckby and Kremzow Roads Strathpine Queensland

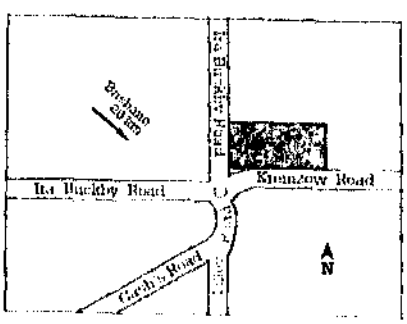
Property No. 3

The property represents an outstanding opportunity for future residential or rural residential development in a growth area north west of Brisbane. The site is uncleared and close to established residential estate developments.

Market Appraisal: $1,300,000
Threshold Value: $1,000,000

Zoning: Extractive Industry
Site Size: Approximately 32 hectares (79 acres)





Map Reference: UBD ED 37 Map 6 E3
Local Representative: Alex Nicol
Bus: (075) 92 0122 Mobile: (018) 758 123
AH: (075) 35 0773 Fax: (075) 92 0238
Buyer to independently verify all information provided herein.

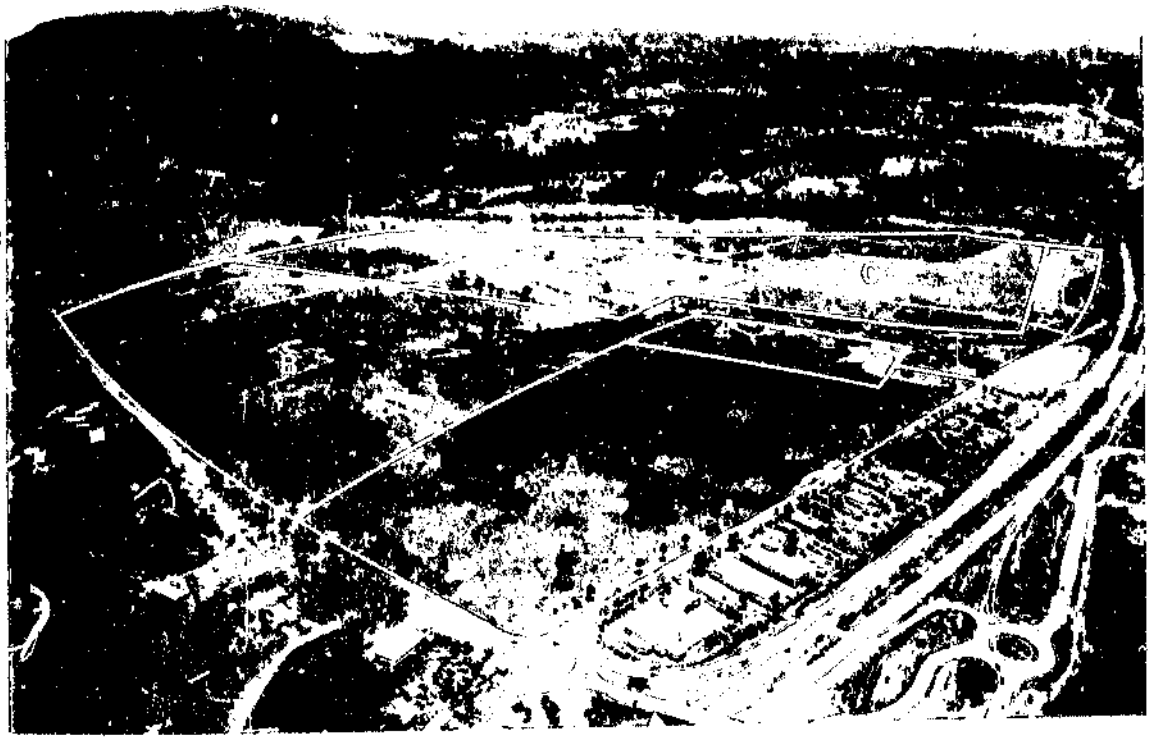
CSR

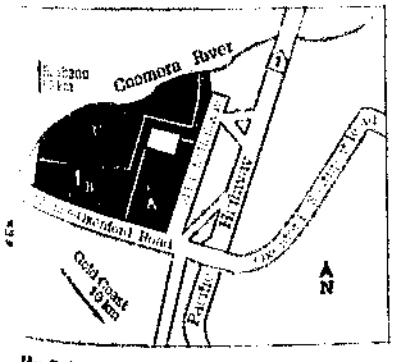
Market Appraisal $ | Threshold Value $

Cnr Old Pacific Highway and Tamborine-Oxenford Road Coomera Queensland

Property No. 1

A unique opportunity to acquire a prime development site in a major urban growth corridor, only 70 kilometres north west of Queensland's Gold Coast and approximately 8 kilometres west of Sanctuary Cove and Hope Island Resorts. The size and location coupled with excellent exposure to passing Pacific Highway traffic, commends this site for future mixed commercial residential development, either as a whole or three separate parcels. Sold subject to preservation of extractive rights.





Map Reference: UBD Brisbane ED 37
Gold Coast Map 4 B4

Local Representative: Alex Nicol
Bus: (075) 92 0122 Mobile: (018) 758 123
AH: (075) 36 0773 Fax: (075) 92 0238

Market Appraisal: $22,000,000
Threshold Value: $15,000,000

Zoning: Parcel A – Rural B
Parcel B – Rural B
Parcel C – Extractive Industry
"Approval in Principle" granted from local Council for development of a regional centre.

Site Size: Approximately 120 hectares (296 acres)
Parcel A – 15.9 hectares (39 acres)
Parcel B – 49.42 hectares (122 acres)
Parcel C – 54.48 hectares (135 acres)

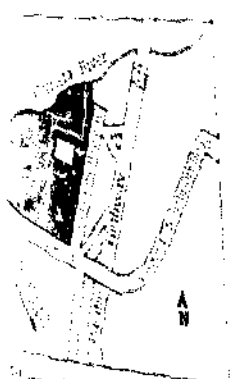
Buyer to independently verify all information provided herein.

QLD

TABLE 01: Property Portfolio

Prop No.	Property Type	Street Address	Location	Property Description	Market Appraisal $	Threshold Value $
QUEENSLAND						
1	Development Site	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Development Site	580 Mayne Road	Mayne	[illegible]	[illegible]	[illegible]
3	Development Site	Cnr Bell Park Dr & Kingsford Rd	Murrumba	[illegible]	[illegible]	[illegible]
NEW SOUTH WALES						
4a	Industrial	294 Percy Street	Auburn	[illegible]	[illegible]	[illegible]
4b	Industrial	90 Percy Street	Auburn	[illegible]	[illegible]	[illegible]
5	Land	Bradley Street	Mount	[illegible]	[illegible]	[illegible]
6.1	Industrial	116 Lewis Road	Mt Mary	[illegible]	[illegible]	[illegible]
6b	Industrial	116 Lewis Road	Mt Mary	[illegible]	[illegible]	[illegible]
7a	Development Site	Lot 8 Queen Street	Blacktown	[illegible]	[illegible]	[illegible]
7b	Development Site	Lot 9 Queen Street	Blacktown	[illegible]	[illegible]	[illegible]
8	Development Site	14 Station Road	Seven Hills	[illegible]	[illegible]	[illegible]
9	Development Site	5 Marden Street	Artarmon	[illegible]	[illegible]	[illegible]
10	Development Site	15-21 [illegible] Street	Penrith	[illegible]	[illegible]	[illegible]
11	Development Site	Cnr Derby & Vere Streets	Seven Hills	[illegible]	[illegible]	[illegible]
12	Development Site	116 Rookwood Road	Yagoona	[illegible]	[illegible]	[illegible]
13	Land	Lot 4 Cole Road	Glenhaven	[illegible]	[illegible]	[illegible]
14	Land	Lot 20 Wesco Drive	Oakhurst	[illegible]	[illegible]	[illegible]
15	Development Site	Burnside Crescent	Dural	[illegible]	[illegible]	[illegible]
VICTORIA						
16	Industrial	250 Whitehorse Road	Nunawading	[illegible]	[illegible]	[illegible]
17	Industrial	880 Lorne Street	Port Melbourne	[illegible]	[illegible]	[illegible]
18	Development Site	260 W[illegible] Street	Yarraville	[illegible]	[illegible]	[illegible]
19a	Development Site	Mornington Street	North Geelong	[illegible]	[illegible]	[illegible]
19b	Development Site	Mornington Street	North Geelong	[illegible]	[illegible]	[illegible]
19c	Development Site	Mornington Street	North Geelong	[illegible]	[illegible]	[illegible]
20	Development Site	Cnr Buckbank Ave & Westall Road	Westall	[illegible]	[illegible]	[illegible]
21	Development Site	Geelong Road	Brooklyn	[illegible]	[illegible]	[illegible]
SOUTH AUSTRALIA						
22	Development Site	Bernoo Road	Glenelg	[illegible]	[illegible]	[illegible]
23	Industrial	10-20 Schofield Road	Seaford	[illegible]	[illegible]	[illegible]
24	Land	Cnr Mawson & Flex Roads	Modbury	[illegible]	[illegible]	[illegible]
WESTERN AUSTRALIA						
25	Dwelling	Lot 155 Cranton Way	Gosnells	[illegible]	[illegible]	[illegible]
26	Development Site	Lots 10 & 11 [illegible] Ave	Cockburn	[illegible]	[illegible]	[illegible]

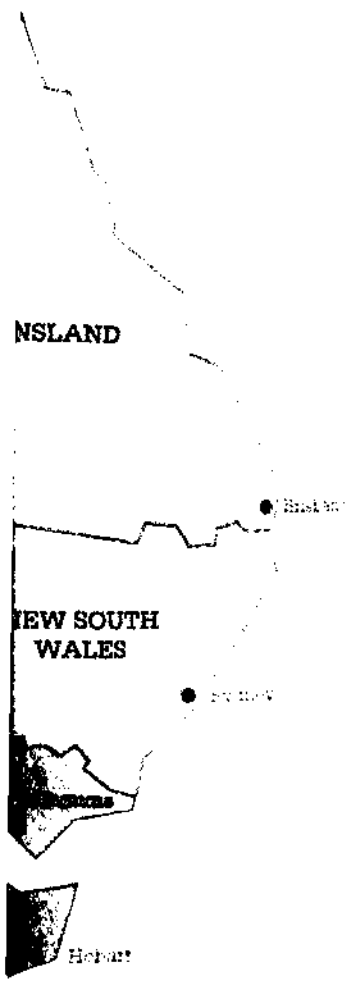




Reference: UBD Brisbane ED 37
Gold Coast Map 4 B4

Representative: Alex Nicol
[illegible] 52 0122 Mobile: (018) 759 123
[illegible] 55 0973 Fax: (075) [illegible] 0238

Market
Threshold
Zoning
Site Size



The CSR [illegible]

It is with great pleasure that CSR invites investors, developers and agents to participate in a Sealed Bid Tender of properties of the CSR Group located throughout five states of Australia.

This is a large collection of development sites and industrial facilities which are now surplus to the needs of CSR's businesses. The sale represents a further step in CSR's commitment to maximise the worth of its businesses and to deploy its resources into areas generating the greatest return to shareholders.

CSR has commissioned Kennedy Wilson International to co-ordinate this marketing program to facilitate your acquisition of these properties. This brochure highlights general information for each property and contains a table of properties and terms and conditions of tender. To assist in the analysis and bidding process a due diligence information package is available for each property. You may obtain these packages by completing and returning the due diligence package request form contained in this brochure.

A threshold value has been established for each property. This will serve as a guideline of value in order to best assess your bidding – it is not a reserve price.

We welcome and encourage all real estate agents to participate in this sale. Under the tender terms, we are offering 1.5% commission to licensed agents whose clients are successful purchasers.

A local representative has been assigned to each property to assist with previewing the properties, completing due diligence, bid submissions and settlement. Please consult the individual property summary in this brochure for the name of the local representative.

As the premier Australian manufacturer of building materials, CSR would also look favourably upon bids that involve a commitment to use CSR building materials in development proposals planned for any of the sites.

In today's marketplace, this offering represents an excellent opportunity to purchase some fine properties. We look forward to your participation in the CSR Sealed Bid Tender.

Geoffrey Kells

Geoffrey Kells
Managing Director
CSR Limited
ACN 000 001 276



KENNEDY-WILSON INTERNATIONAL

Level 8, 5 Elizabeth Street Sydney, NSW 2000
Telephone 02 221 7799 Facsimile 02 221 7727

Level 29, 367 Collins Street Melbourne, Victoria 3000
Telephone 03 629 4577 Facsimile 03 629 4721

...e forwarded to persons
...ed to in clause 7.1 by the
...n this Brochure or by
...n Office.

BY BIDDER

...ees that:

...any information,
...ment or arrangement
...e, the Due Diligence
...adding to or attending
...e and that if the Bidder's
...e Contract of Sale will
...t between the Vendor and

...does not rely upon any
...tement or information
...behalf of the Vendor
...n, the Due Diligence
...ssly provided in the

...ied entirely upon
...ect in relation

...ilsons Pty Ltd are not
...of any information
...ntation, letter, document
...without limitation, the Due
...ondition provided, made or
...Vendor or Kennedy
...ay be; and

...Pty Ltd are not to, upon
...ntered by any Bidder or
...any investigation by the

...e these prices, successful
...Vendor, at settlement of
...which is an amount equal
...e applicable Property.

...t the Buyer's Premium is
...e meet the marketing costs
...direct promotional and
...ing Program.

PARTICIPATION

...to 1.5% of the purchase
...will be paid by the Vendor
...qualified licensed Real
...nt (" ") whose
...erty. The Vendor will only
...f and to the extent the
...the applicable Buyer's
...provided under section 9

...Operating Agent Fee.

...state Agent in the State
...tate in which the Property

...tive Bidder on the
...gent Registration Form
...d Te-nder Information
...s to be observed or fulfilled
...or before the Settled Bid
...ner method of registration
...ot.

...Co Operating Agent may not act as a principal or
...participant with respect to a Property for which he or
...is paid or is claiming a Co Operating Agent Fee. If the
...Operating Agent does so, the Vendor is not obliged to
...the Co Operating Agent Fee.

...Co Operating Agent has not met all of those requirements
...no commission will be paid to the Co Operating
...on account of their prospect purchasing a Property. A com...
...registration file on all prospects will be maintained by
...eedy-Wilson Pty Ltd.

...Bidder who registers a Co Operating Agent must
...present that it has dealt with no other Agents with
...ect to the Property except persons from Kennedy
...son Pty Ltd and the Local Representatives) and such
...der will indemnify the Vendor against claims by any
...er agent claiming fees or commission by reason of
...ving dealt with such Bidder.

CONFIDENTIALITY

...ess the Vendor otherwise agrees in writing in any
...ticular instance, all information disclosed to or obtained
...a Bidder in relation to these Terms and Conditions
...which is not in the public domain or is in the public
...domain as a consequence of a breach of this condition)
...must be kept confidential and may not be disclosed unless
...herwise required by law).

PROPERTY CONDITION

Except as otherwise expressly set out in a Contract of Sale, ...
...Property is being sold "as is", "where is" and "with all ...
...faults" without any representation or warranty, including, ...
...without limitation, any ... to its condition, fitness for any ...
...ticular purpose or compliance with laws or regulations.

PRELIMINARY DEPOSIT

A preliminary deposit ("Preliminary Deposit") equal to:

(a) A$10,000 if the price bid for the Property is less than $1 million; or

(b) A$20,000 if the price bid for the Property is $1 million or more, must be submitted with each bid. The Preliminary Deposit must be paid by unendorsed bank cheque payable to "Mallesons Stephen Jaques Trust Account".

If a bid is accepted, the Preliminary Deposit paid by the successful Bidder will be treated as a payment on account of the deposit prescribed by the Contract of Sale.

The Preliminary Deposits of the unsuccessful Bidders will be returned to the unsuccessful Bidders unless forfeited in accordance with these Terms and Conditions.

The Preliminary Deposits will be held by Mallesons Stephen Jaques as stakeholder in a trust account. The Preliminary Deposits will not be invested and no interest or other money will be payable to any Purchaser in connection with the holding of Preliminary Deposits.

When returning Preliminary Deposits or crediting them towards the Deposit under a Contract the Vendor's solicitors will be entitled to deduct applicable financial institutions duty, bank debit taxes and the like incurred in relation to them.

ADDITIONAL DEPOSIT

The deposit under each Contract of Sale ("Deposit") shall be the higher of:

(a) 10% of the Price; and

(b) the amount of the Preliminary Deposit.

If the Deposit is higher than the Preliminary Deposit then the difference must be paid in immediately available funds to the account of "Mallesons Stephen Jaques Trust Account" within 3 days after acceptance by the Vendor.

14.2 Failure by a successful Bidder to timely pay any balance of the Deposit will be a default under the applicable Contract of Sale.

14.3 If the successful Bidder fails to pay any balance of the Deposit strictly in accordance with the requirement of section 14.1 then, without limiting its rights at law and in equity, the Vendor shall be at liberty in its absolute discretion at any time to:

(a) allow the successful Bidder further time to pay;

(b) terminate the Contract of Sale and accept another bid;

(c) take proceedings against the successful Bidder to enforce these Terms and Conditions and/or the Contract of Sale or for damages for breach of covenant or for such other relief as the Vendor may think fit;

(d) forfeit the Preliminary Deposit; and/or

(e) do or permit such other acts, matters or things as the Vendor may think fit in the circumstances.

15. ADDITIONAL CONDITIONS

15.1 To the extent there is any conflict between these Terms and Conditions and any Contract of Sale, the Contract of Sale prevails.

15.2 The Vendor has the right, in its sole discretion, to postpone or cancel the sale of any property at any time before acceptance of a bid for that property.

15.3 Where a bid is made in respect of a Property situated in South Australia then the following additional provisions shall apply:

(a) a Bidder who is not a body corporate shall:

(A) prior to signing the Bid Form and the Contract of Sale in accordance with section 88(7) of the Land Agents Brokers and Valuers Act 1973:

(i) seek and receive independent advice with respect to this sealed bid tender from a person admitted and enrolled as a practitioner of the Supreme Court of South Australia; and

(ii) cause such practitioner to complete and sign the prescribed Form 20 certificate attached to these Terms and Conditions; and

(B) sign the Bid Form and Contract of Sale in the presence of the practitioner referred to in paragraph (a) of this section who shall also sign the Bid Form and Contract of Sale as witness to such signature.

(b) a Bidder must insert in the Contract of Sale Schedule:

(i) in Item 2 the full name and address of the Bidder and the manner in which the Bidder (if successful as the Purchaser) will hold the Property;

(ii) in Item 11 the Price offered for the Property and the Purchase Price (being the same amount);

(iii) in Item 12, the amount of both the Preliminary Deposit and the Additional Deposit;

(iv) in Item 13, the balance of the Purchase Price after taking into account the Preliminary Deposit and the Additional Deposit; and

(v) all other details required to complete the Contract of Sale.

(b) may accept or reject any bid or negotiate with any Bidder regarding the terms of any bid submitted or the variation of any terms of any bid; and

(c) may accept any bid after any variation of its terms.

4.5 The Vendor in its discretion may accept at any time any bid in the form in which it was originally received by the Vendor. No negotiations between the Vendor and a Bidder affect the operation of any bid as an offer or may be considered as a counter-offer rendering the bid originally received by the Vendor incapable of acceptance by the Vendor.

4.6 The Vendor will receive but not open or accept any bid prior to the Sealed Bid Tender Deadline Date.

4.7 The Vendor may elect to accept a bid despite the failure of the bid or the Bidder to comply with these Terms and Conditions.

4.8 The Vendor will consider a number of criteria when selecting a bid including, without limitation, the price offered and the financial capability of the Bidder to pay cash or obtain third party financing.

4.9 To assist the Vendor making a decision, the Vendor may require Bidders to submit financial information after the Sealed Bid Tender Deadline Date.

4.10 The Vendor has no obligation or liability to a Bidder until the Vendor in its discretion accepts that Bidder's bid in accordance with these Terms and Conditions.

5. BID FORM AND CONTRACT OF SALE

5.1 The Bid Form and Contract of Sale for each Property can be found in the Due Diligence Package for the specific Property.

5.2 When used in these Terms and Conditions, the expressions Bid Form and Contract of Sale mean those documents as found in the Due Diligence Package incorporating where relevant any amendments or supplements pursuant to section 7.3.

6. THRESHOLD VALUES AND MARKET APPRAISAL

6.1 The Threshold Value is an indication of the minimum amount at or above which the Vendor will consider selling the Property to a Bidder. The Vendor may sell a Property at or below its Threshold Value and is under no obligation to sell a Property to a Bidder who has offered an amount equal to or in excess of the Threshold Value.

6.2 The Market Appraisal is an indication as to the property's worth.

7. DUE DILIGENCE PACKAGES

7.1 Due Diligence Packages providing more specific information on each Property may be obtained by executing and delivering to the Sealed Bid Tender Information Office the Due Diligence Package Request Form and Non Disclosure Undertaking contained in this Brochure together with a fee of A$50.00 for each Due Diligence Package requested. This fee may be paid by cheque, Visa, Mastercard, Bankcard, Diners Club or American Express.

7.2 Due Diligence Packages contain, where available or applicable, certain of the following information:

• Location Maps • Tenancy Schedules • Copies of Leases and Terms • Depreciation Schedules • Surveys • Floor and Site Plans • Title Details • Environmental Reports • Actual Outgoings • Procedures, Terms and Conditions • Contract of Sale and Sealed Bid Form • Other relevant information

7.3 The Vendor may amend and supplement the Due Diligence Packages (including the Bid Form and the Contracts of Sale) at any time prior to the Sealed Bid Deadline Date. Any such additional information as referred to in this section 7.3 will be forwarded to persons who lodge a request form referred to in clause 7.1 by the Local Representative (as specified in this Brochure) or by the Sealed Bid Tender Information Office.

8. ACKNOWLEDGEMENTS BY BIDDER

8.1 The Bidder acknowledges and agrees that:

(a) the Bidder does not rely on any information, representation, letter, document or arrangement (including, without limitation, the Due Diligence Package) or other conduct as adding to or amending the applicable Contract of Sale and that if the Bidder's bid is accepted, the applicable Contract of Sale will constitute the only agreement between the Vendor and the Bidder;

(b) in making a bid, the Bidder does not rely upon any warranty, representation, statement or information made or provided by or on behalf of the Vendor (including, without limitation, the Due Diligence Package) except as are expressly provided in the applicable Contract of Sale;

(c) in making a bid, the Bidder has relied entirely upon the Bidder's own enquiries and inspection in relation to the applicable Property;

(d) the Vendor and Kennedy Wilson Pty Ltd are not liable to a Bidder as a result of any information, statement, warranty, representation, letter, document or arrangement (including, without limitation, the Due Diligence Package) or any conduct provided, made or done by or on behalf of the Vendor or Kennedy Wilson Pty Ltd as the case may be; and

(e) the Vendor and Kennedy Wilson Pty Ltd are not responsible for any cost or expense incurred by any Bidder in preparing and lodging a bid or any investigation by the Bidder in relation to the Property.

9. BUYER'S PREMIUM

9.1 In addition to payment of the purchase price, successful Bidders are required to pay to the Vendor, at settlement of a purchase, a "Buyer's Premium" which is an amount equal to 1.5% of the purchase price of the applicable Property.

9.2 The Purchaser acknowledges that the Buyer's Premium is a payment to assist the Vendor to meet the marketing costs on the sale of the Property (including promotional and other activities under the Marketing Program).

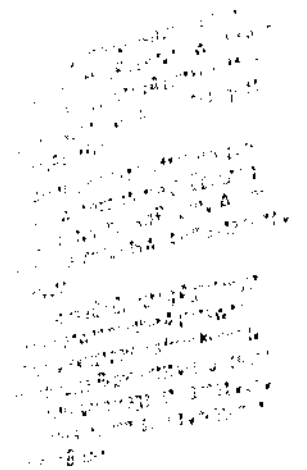
10. CO-OPERATING AGENT PARTICIPATION

10.1 A Co-Operating Agent Fee equal to 1.5% of the purchase price of the applicable Property will be paid by the Vendor upon settlement of the sale to a qualified licensed Real Estate Agent ("Co Operating Agent") whose prospect settles the purchase of the Property. The Vendor will only pay the Co Operating Agent Fee if and to the extent the Vendor receives at the settlement the applicable Buyer's Premium required to be paid as provided under section 9 of these Terms and Conditions.

10.2 To qualify for payment of the Co-Operating Agent Fee, a Co Operating Agent must:

(a) be duly licensed as a Real Estate Agent in accordance with applicable laws in the State in which the Property is situated; and

(b) be nominated by the prospective Bidder on the appropriate Co-Operating Agent Registration Form available from the Sealed Bid Tender Information Office. The completed form is to be delivered or faxed to the Information Office on or before the Sealed Bid Tender Deadline Date. No other method of registration will be recognised or accepted.







THE PROCEDURES, TERMS AND CONDITIONS OF THE CSR GROUP SEALED BID TENDER ("TERMS AND CONDITIONS")

SEALED BID TENDER DEADLINE DATE:
EST on Thursday 23 June 1994

SEALED BID TENDER INFORMATION OFFICE:

	9.00 am - 5.00 pm Monday to Friday (excluding public holidays)
Telephone:	(02) 221 7799
Facsimile:	(02) 221 7277
Address:	CSR Group Attention: Kennedy Wilson Pty Ltd Sealed Bid Tender Information Office Level 8, 5 Elizabeth Street Sydney NSW 2000 AUSTRALIA

VENDOR:
In relation to each property means the entity listed as such in the Contract of Sale for that property.

VENDOR'S SOLICITORS:

Address:	Mallesons Stephen Jaques Governor Phillip Tower Level 60, 1 Farrer Place Sydney NSW 2000 AUSTRALIA
Attention:	Mr Frank Zipfinger
Telephone:	(02) 250 3000
Facsimile:	(02) 250 3133

BIDDER:
A person who has lodged a bid for a property in accordance with the Terms and Conditions.

PROPERTY:
Generally means the properties listed in this brochure and each relevant property specified in a bid in relation to that bid.

2. PROPERTY INSPECTIONS

2.1 Property inspections are available by appointment or at the times specified in the Brochure. Prospective Bidders may schedule an inspection of a Property by contacting the appropriate Local Representative at the telephone number listed in the brochure.

3. BID PROCEDURE

3.1 Sealed bids must be:

(a) placed in a sealed envelope clearly marked "Sealed Bid for the purchase of ... [insert Property Number]" and forwarded to and received by the Vendor's solicitors, Mallesons Stephen Jaques, (Attention: Mr Frank Zipfinger, Mallesons Stephen Jaques, Governor Phillip Tower, Level 60, 1 Farrer Place, Sydney NSW 2000, Australia); or

(b) sent by facsimile to the Vendor's Solicitors, Mallesons Stephen Jaques, (Attention: Mr Frank Zipfinger, Facsimile No (61) 02 250 3133), on or before 5.00 pm EST on Thursday 23 June 1994.

3.2 All bids must be submitted on the applicable Bid Form and Contract of Sale (which can be found in each Due Diligence Package) obtained from the Sealed Bid Tender Information Office and completed as provided in section 2.4.

3.3 If a bid is sent by facsimile in accordance with section 3.1(b), the original of the bid (being the Bid Form and the Contract of Sale) and the Preliminary Deposit must be placed in a sealed envelope marked "Sealed Bid for the purchase of ... [insert Property Number]" and must be forwarded to and received by the Vendor's solicitors, as noted in section 3.1 on or before 5.00 pm EST on Friday 24 June 1994.

3.4 To make a bid, a Bidder must:

(a) insert in the Bid Form:

(i) the full name and address of the Bidder;

(ii) the Price offered;

(iii) the Buyer's Premium which must be 1.5% of the Price offered); and

(iv) all other details required to complete the Bid Form;

(b) insert in the Contract of Sale:

(i) the relevant details of any and if required in the Contract of Sale of the Bidder's solicitors;

(ii) the full name and address of the Bidder;

(iii) the Price offered; and

(iv) all other details required to complete the Contract of Sale;

(c) ensure that the Bid Form and Contract of Sale incorporate all amendments and supplements pursuant to section 7.3;

(d) properly execute the Bid Form and the Contract of Sale;

(e) send by facsimile (and subsequently deliver) or deliver the Bid Form, Contract of Sale and Preliminary Deposit in accordance with these Terms and Conditions; and

(f) in respect of a property in South Australia, comply with section 15.3.

3.5 Where a Bid Form or Contract of Sale needs to be completed by a Bidder pursuant to section 3.4 and the Bidder fails to do so, the Bidder authorises the Vendor and the Vendor's Solicitors to complete such details on behalf of the Bidder.

4. NATURE OF BID

4.1 All the terms and conditions relating to the purchase of each Property are contained in the applicable Contract of Sale.

4.2 A bid is an offer by the Bidder in accordance with these Terms and Conditions to purchase a Property upon the terms and conditions of the applicable Contract of Sale. A bid is irrevocable until the later of:

(a) 14 July 1994; and

(b) the date the Vendor receives a notice in writing from the Bidder that the bid is revoked.

4.3 A Bidder may not revoke a bid prior to 14 July 1994. If a Bidder attempts or purports to revoke a bid prior to 14 July 1994, without prejudice to its other rights, the Vendor may retain the Preliminary Deposit.

4.4 If the terms inserted by a Bidder in the Bid Form and the Contract of Sale are inconsistent, the terms in the Contract of Sale shall constitute the Bidder's bid.

5. RESPONSE TO BIDS

5.1 A bid may be accepted by the Vendor on or before the date the bid is revoked in accordance with these Terms and Conditions by executing a counterpart of the Contract of Sale. After such execution, the Vendor will deliver to the Bidder or the Bidder's solicitors named in the bid, the counterpart of the Contract of Sale executed by the Vendor.

5.2 The date of acceptance of the bid is the date on which the Contract of Sale is executed by the Vendor. The Vendor is authorised by the Bidder to insert that date in each counterpart of the Contract of Sale executed by the Bidder.

5.3 Delivery of the relevant Contract of Sale executed by the Vendor is made when it is posted or couriered to the Bidder at the address shown in the Contract of Sale or the Bidder's solicitors' address as shown in the Contract of Sale.

5.4 The Vendor:

(a) reserves the right, in its discretion, to accept any bid or reject all bids.

Lot 155 Caspian Way Brigadoon Western Australia

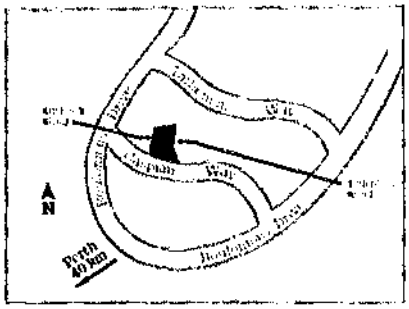
Property No. 25

Brigadoon is an up market rural residential "lifestyle" estate, set in the picturesque surroundings of the Swan Valley, some 40 kilometres south east of Perth. This award winning architecturally designed residence features three bedrooms, study and formal living areas capturing all the charm of its rural environment.

Market Appraisal: $450,000
Threshold Value: $330,000

Zoning: Special Rural
Living Area: Approximately 200 sqm (2,153 sqft)
Site Size: Approximately 1.8 hectares (4.5 acres)





Map Reference: UBD ED 35 Map 115 N5

Local Representative: Terry Taylor
Bus: (09) 322 1244 AH: (018) 921 297 Fax: (09) 481 4712

Open For Inspection: Every Saturday 10am - 12 noon
Buyer to independently verify all information provided herein.

Lots 10 and 11 Klem Avenue Redcliffe Western Australia

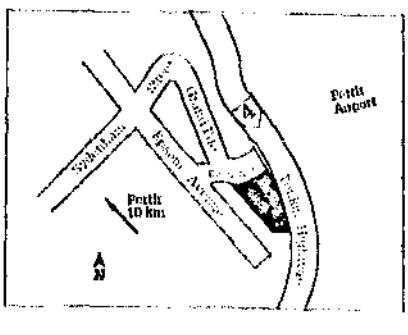
Property No. 26

Two outstanding industrial properties located 10 kilometres from Perth adjacent to Perth Airport. The lots have level contours and are irregular in shape. Featuring exposure to the busy Tonkin Highway and with a combined frontage of approximately 142 metres, the sites are being offered as one parcel or as two industrial sites.

Market Appraisal: $550,000
Threshold Value: $350,000

Zoning: Industrial
Site Size: Lot 10 – Approximately 1.25 hectares (3.2 acres)
Lot 11 – Approximately 7,130 sqm (76,748 sqft)





Map Reference: UBD ED 35 Map 21 D8

Local Representative: Terry Taylor
Bus: (09) 322 1244 AH: (018) 921 297 Fax: (09) 481 4712

Buyer to independently verify all information provided herein.

DCEDURES, TERMS AND
SEALED BID TENDER ("
DER DEADLINE DATE:
DER INFORMATION OFFICE:
SOLICITORS:
PERTY INSPECTIONS
D PROCEDURE

ly 10 kilometres north
red of improvements.
piement any future



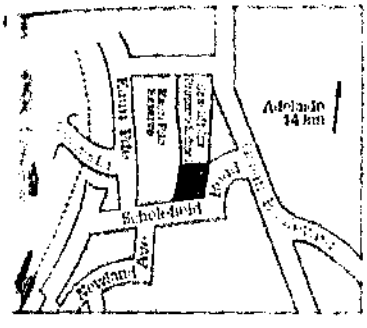
10-20 Scholefield Road
Seacliff
South Australia

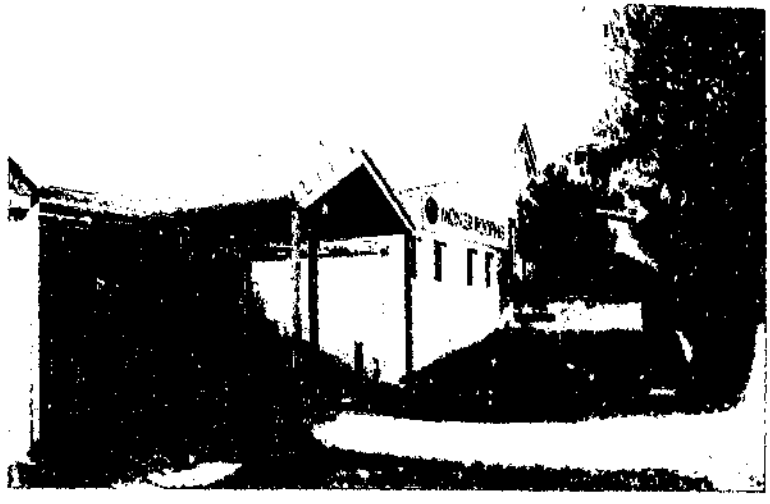
Property No. 23

Situated some 14 kilometres from the Adelaide GPO, the 1980's style Administration block and display facility provides a high level professional standard of accommodation. Situated near to reserve and schools, the site has potential for future residential development.

ket Appraisal: $900,000
hreshold Value: $600,000

ning:	Residential B
ite Size:	Approximately 3,433 sqm (36,953 sqft)
ose ilding Area:	Approximately 550 sqm (5,920 sqft)





Map Reference: UBD ED 31 Map 152 K14

Local Representative: Andrew Lucas
Bus: (08) 410 0955 AH: (08) 269 6739 Fax: (08) 410 1854

Buyer to independently verify all information provided herein.

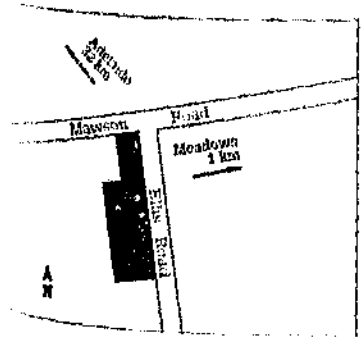
Cnr Mawson and
Ellis Roads Meadows
South Australia

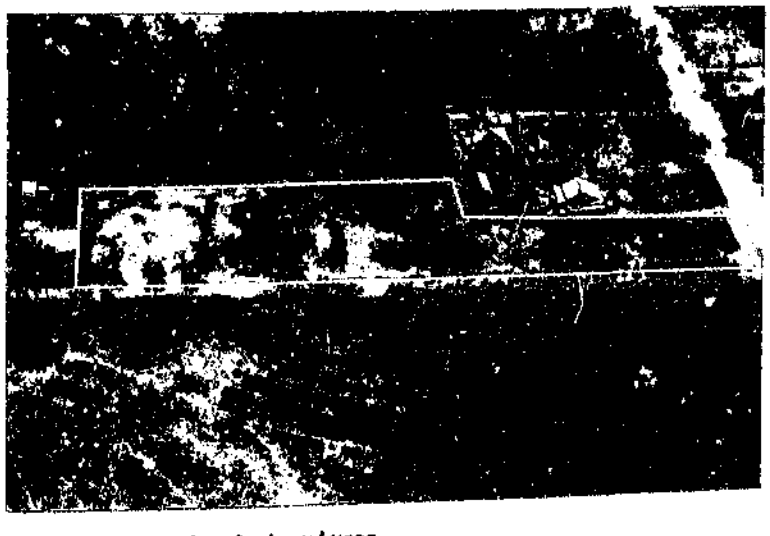
Property No. 24

Located in the rural township of Meadows, approximately 32 kilometres south-east of the city of Adelaide, this corner allotment is suited to light industrial development.

ket Appraisal: $90,000
eshold Value: $50,000

ing	Rural Water Protection
Size:	Approximately 7,738 sqm (83,293 sqft)





Local Representative: Andrew Lucas
Bus: (08) 410 0955 AH: (08) 269 6739 Fax: (08) 410 1854

Buyer to independently verify all information provided herein.

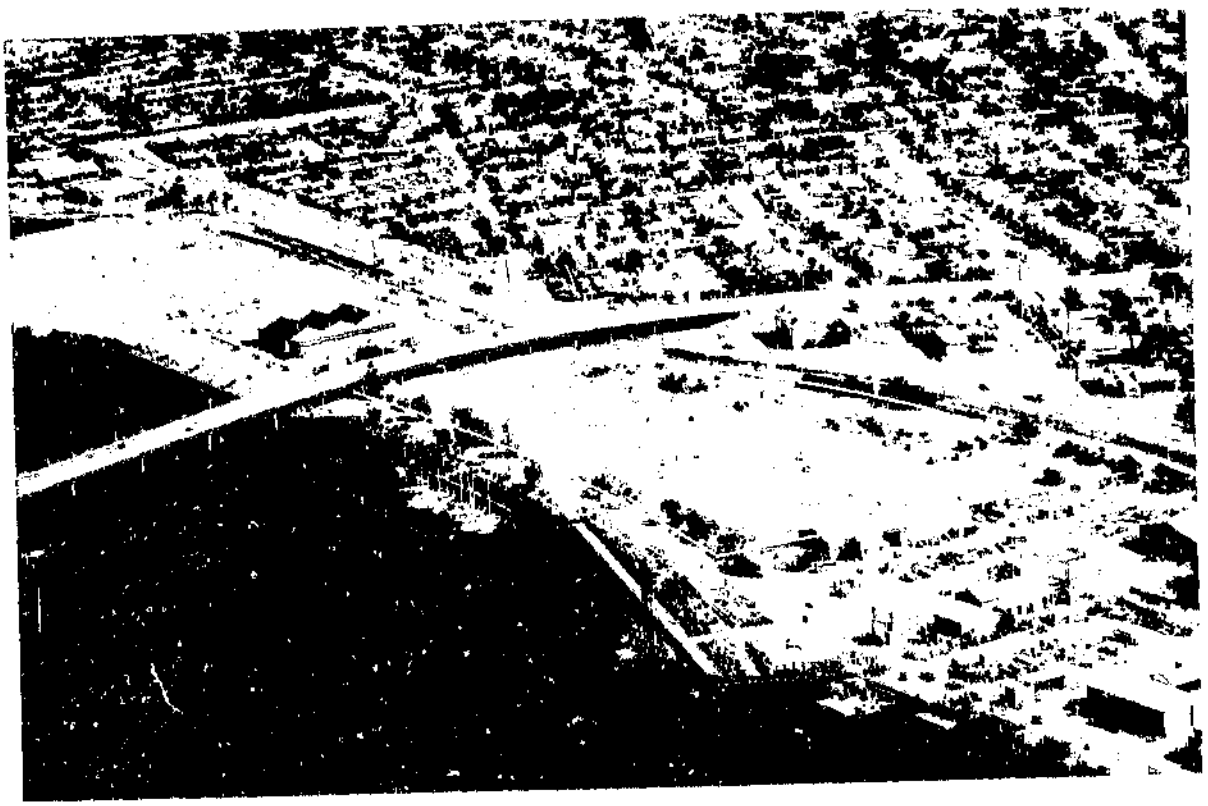
) plus 1900 sqm

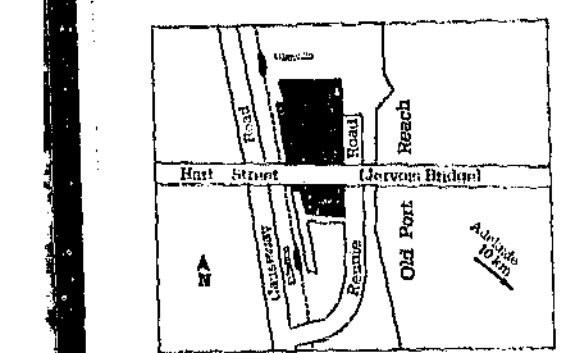
ein.

Rennie Road
Glanville
South Australia

Property No. 22

This outstanding development site is situated on Port Adelaide only 10 kilometres south-west of the Adelaide Central Business District. Substantially cleared of improvements, the site has available all essential services and amenities to complement any future residential or industrial development.





Map Reference: UBD ED 31 Map 91 M9

Market Appraisal: **$1,800,000**
Threshold Value: **$1,350,000**

Zoning: Port Adelaide District Centre
Site Size: Approximately 4.3 hectares (11 acres) plus 1900 sqm (20,452 sqft) of leasehold land

Buyer to independently verify all information provided herein

Local Representative: Andrew Lucas
Bus: (08) 410 0955 AH: (08) 269 6739
Fax: (08) 410 1854

nity for future industrial type development
atehall Street in the heavy industrial precinct
west of Melbourne's Central Business District



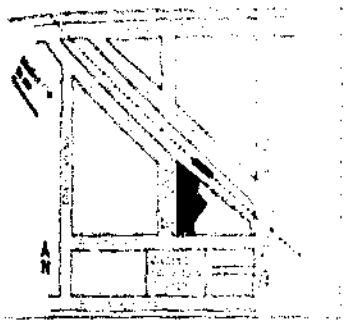
12 C9

38 Fax: (03) 602 2227
provided herein.

...bank Avenue
...d Westall Road
...stall Victoria

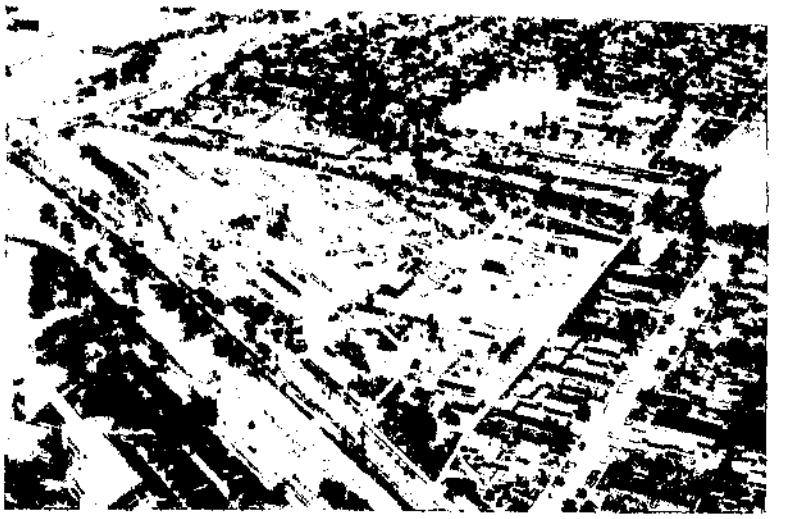
...t Appraisal: $1,300,000
...shold Value: $1,000,000

...g: General Industrial
...Size: Approximately 3.2 hectares (8 acres)



Property No. 20

A ... [illegible] ... adjoining the western boundary of the Hunter ... [illegible] ... This is located within a high profile industrial ... [illegible] ... Bosch, McCormack Foods, Brambles and Nissan with ... [illegible] ... suited to either owner occupier or developer.



Map Reference: Melway ED 22 Map 79 G6

Local Representative: Barry Marks

Bus: (03) 791 7300 AH: (03) 428 5816 Fax: (03) 794 7563

Buyer to independently verify all information provided herein.

..., 19c

...al land situated some 1.5 kilometres north of
...le by complementary industrial developments
Properties are being offered as one block or

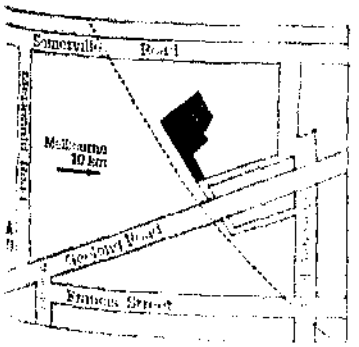


...p 225 K7
...ockdale
...58 Fax: (03) 602 2227
...n provided herein.

...eelong Road
...ecklyn
...ictoria

...rket Appraisal: $400,000
...shold Value: $320,000

...g: General Industrial
...Size: Approximately 1.2 hectares (3 acres)



Property No. 21

This property is a level, irregular shaped industrial site strategically located off the Geelong Road approximately 10 kilometres west of the Melbourne GPO. The property is suitable for owner-occupier or investor.



Map Reference: Melway ED 22 Map 41 C8

Local Representative: Phillip Cook

Bus: (03) 605 3000 AH: (03) 435 5598 Fax: (03) 602 2227

Buyer to independently verify all information provided herein.

Cnr 280 Whitehall Earsdon and Frederick Streets Yarraville Victoria

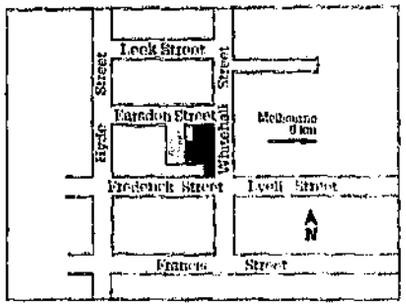
Property No. 18

A level corner allotment with the opportunity for future industrial type development. Ideally situated on the western side of Whitehall Street in the heavy industrial precinct of Yarraville, approximately 9 kilometres west of Melbourne's Central Business District.

Market Appraisal: $300,000
Threshold Value: $220,000

Zoning: General Industrial
Site Size: Approximately 6,000 sqm (63,820 sqft)





Map Reference: Melway ED 22 Map 42 C9

Local Representative: Phillip Cook
Bus: (03) 605 3000 AH: (03) 436 5598 Fax: (03) 602 2227

Buyer to independently verify all information provided herein.

Mornington Street North Geelong Victoria

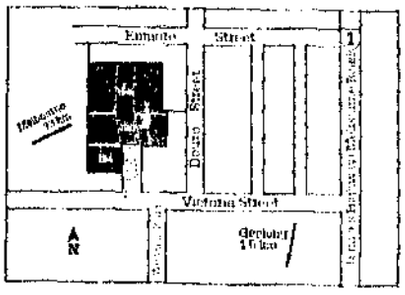
Property Nos. 19a, 19b, 19c

Three level allotments of quality industrial land situated some 1.5 kilometres north of the Geelong GPO. The sites are surrounded by complementary industrial developments and have frontage to Mornington Street. Properties are being offered as one block or three individual parcels.

Market Appraisal: 19a $300,000
Threshold Value: 19a $220,000
Market Appraisal: 19b $400,000
Threshold Value: 19b $300,000
Market Appraisal: 19c $500,000
Threshold Value: 19c $400,000

Zoning: Industrial A
Site Sizes: 19a Approximately 1.5 ha (3.7 acres)
19b Approximately 2.4 ha (6.0 acres)
19c Approximately 3.1 ha (7.6 acres)





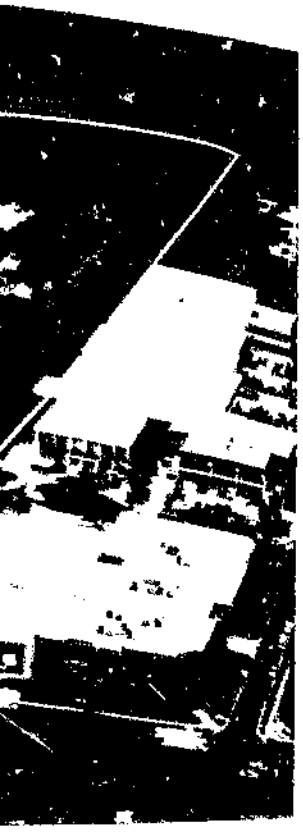
Map Reference: Melway ED 22 Map 225 K7

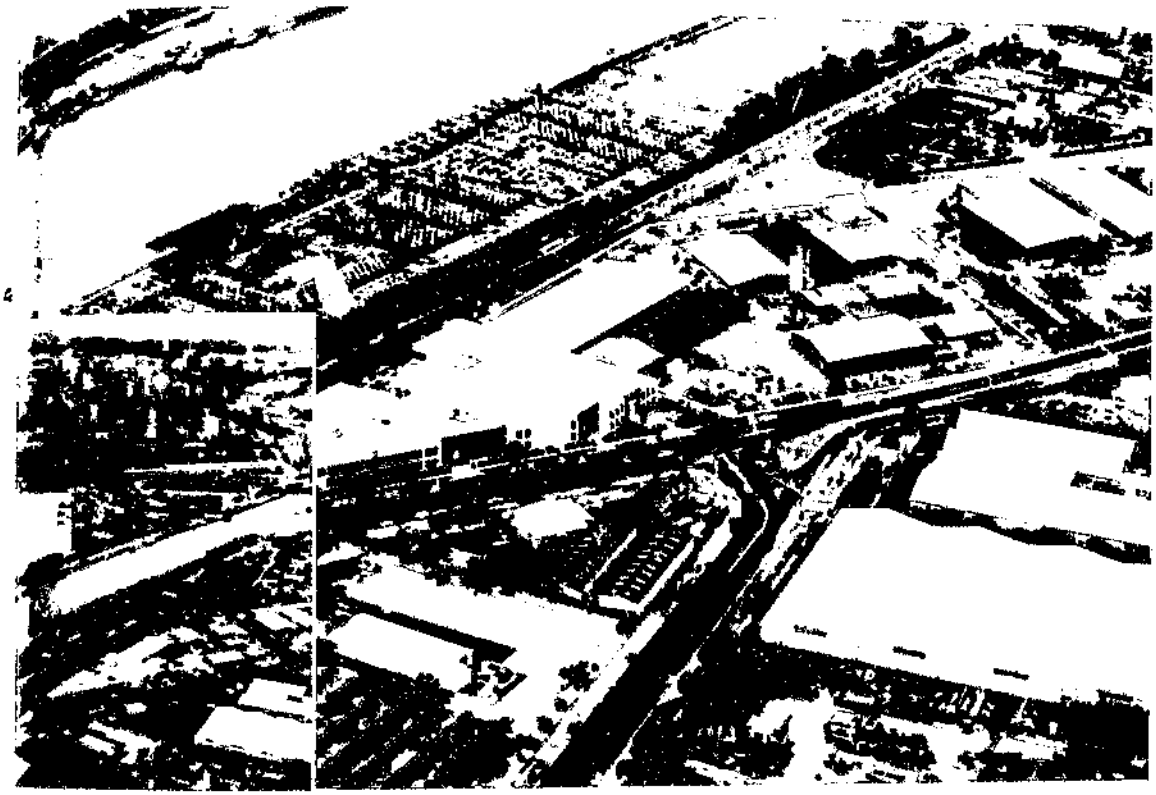
Local Representative: Stephen Stockdale
Bus: (03) 605 3000 AH: (03) 571 1258 Fax: (03) 602 2227

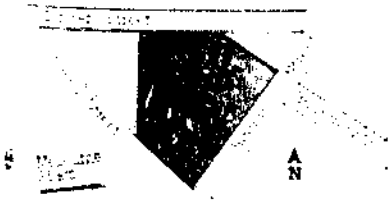
Buyer to independently verify all information provided herein

89 Lorimer Street
Port Melbourne
Victoria

Property No. 17







Market Appraisal: $7,500,000
Threshold Value: $5,900,000

Zoning: [illegible]
Site Size: [illegible]
Gross Building Area: [illegible]
Leaseback: [illegible]

[illegible]

Map Reference: Melway ED 22
Map 2E 6C

Local Representative: Stephen Stockdale
[illegible]

Author: Adendorff M.J
Name of thesis: Unlocking hidden wealth Corporate real estate strategic value management

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