

ARA buys Kuala Lumpur office, gains first Australia exposure

ARA Asset Management has purchased a RM333m, 20-storey office block in Kuala Lumpur on behalf of its ARA Asia Dragon Fund. The Singapore-based private equity real estate fund and REIT manager has also made its first investment in Australia, taking a 15% stake in a fund management platform.

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Singapore-based private equity real estate fund and REIT manager ARA Asset Management (ARA AM) has completed a RM333 million (€78 million; \$104 million) investment in Kuala Lumpur on behalf of its \$1 billion ARA Asia Dragon Fund.

The firm has also made its entry into Australian real estate by acquiring a 15 percent stake in fund manager APN Property Group.

ARA AM, part of the Hong Kong-based conglomerate the Cheung Kong Group, purchased the 20-storey 1 Mont' Kiara development in Malaysia's capital from London-listed real estate developer Aseana Properties and MCDF Investment, a private equity fund managed by CapitaLand Financial, in a deal expected to complete before the end of 2010.

The building sold to ARA AM forms one part of the development, other parts of which have been sold to individual buyers, Aseana said in a statement. Blaming "soft" market conditions, the company said it expected to make a loss of \$4 million in total on the development scheme based on an estimated total development cost of RM529 million.

The ARA Asia Dragon Fund was closed in 2008 on total equity of \$1.13 billion. The vehicle was launched to invest in the main cities of China, Singapore, Hong Kong, Malaysia, Thailand and Vietnam among others. It was set up to acquire both developments and completed assets across the real estate sectors and has an investment period of four years. The fund, in which ARA AM has committed approximately 2 percent of the equity, also has an additional allocation of \$500 million for potential co-investments.

ARA AM's investment in Australian manager APN Property Group was described by the firm as a move into a "key market with one of the largest managed funds sectors in the world". In a statement, ARA AM said the deal, which saw it pay A\$4.6 million (€3.2 million; \$4.12 million) for the stake, would enable it to collaborate with APN on real estate funds in the country in future.

ARA Group chief executive officer John Lim said: "We believe the prospects for real estate fund management in Australia are immense and are delighted to have secured a strategic beachhead into this important market."

APN Group is led by managing director David Blight who assumed the role in August 2008 after making the switch from ING Real Estate Investment Management where he was chairman and chief executive officer. Blight said of the tie-up with ARA AM: "With ARA's support and collaboration, we believe that APN can take advantage of new opportunities in the Australian real estate fund management and Asia Pacific real estate public securities fund management markets to grow our assets under management."

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