



Grant Thornton

An instinct for growth™

CAPABILITY STATEMENT

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# Real Estate & Construction

## *Industry Focus*





# Renewed optimism for real estate & construction

*There are welcome signs of a turnaround after a prolonged period of downturn for the Australian Real Estate & Construction (RE&C) industry. While some regions and sectors fared better than others, many struggled through the tough period of tight capital and low consumer spending. Businesses were forced to control costs and rationalise, while maintaining a pipeline of work and remaining open to opportunities that present themselves in a tough market.*

The Australian RE&C industry has maintained its reputation as an attractive investment market for overseas investors. In particular, the level of interest from Asian and other institutional investors in premium asset classes in our major cities is creating a competitive market with local investors finding less stock available to them. Domestic consumers are emerging from a long period of conservatism and are looking for the right investments for their surplus capital.

We recognise the importance of effectively managing margins and costs to remain competitive, while enabling opportunities for expansion and growth. Investment decisions require careful analysis and implementation to ensure the desired outcomes are achieved.

The current business environment can provide opportunities for organisations to unlock their potential to grow and achieve their business goals. Grant Thornton offers tailored solutions to meet your objectives by combining global sector knowledge and local expertise, as well as integrating the best advice from across our business nationally. We can help you enable and drive the success of both existing and new investments, no matter where you are operating or where you are looking to expand.

# Industry trends

## Funding challenges

The post GFC period was an incredibly challenging capital climate with limited access to funding for development projects. We are seeing financiers are again willing to allocate more of their capital pool to property assets, but they are treading very carefully in their risk assessments.

A gap still exists between the minimum lending criteria set by financiers and what the industry perceives to be a reasonable assessment of development risk. Without the right form of security, funds are still hard to access. What steps can you take to make your business or project more attractive to lenders and what alternatives exist?

## Regulatory framework

There remains a lot of uncertainty around the regulatory framework at all levels of Government. Industry participants consider the current amount of red tape to be unacceptable and it continues to present a significant industry challenge for businesses.

Addressing this issue has been a key promise of the current federal Government so the industry is waiting to see what level of simplification and improvement will be implemented. Tinkering around the edges of current legislation won't fix the issue. Fundamental changes that start with a clean slate and look to best practice is required.

Businesses will need to keep abreast of changes and how they will impact their business and ensure any incentives or concessions can be utilised.

## Consumer confidence

Long after the aftershocks of the GFC had dissipated, Australian consumers had continued to 'batten down the hatches' and limit their spending. It seems the change in Government, coupled with repeated interest rate cuts are finally encouraging consumers to open their wallets. With savings rates for households at the highest levels in many years, unlocking the equity that consumers have been building up during this consolidation period presents many opportunities. Is it time to review your product offering to ensure it meets current market requirements?

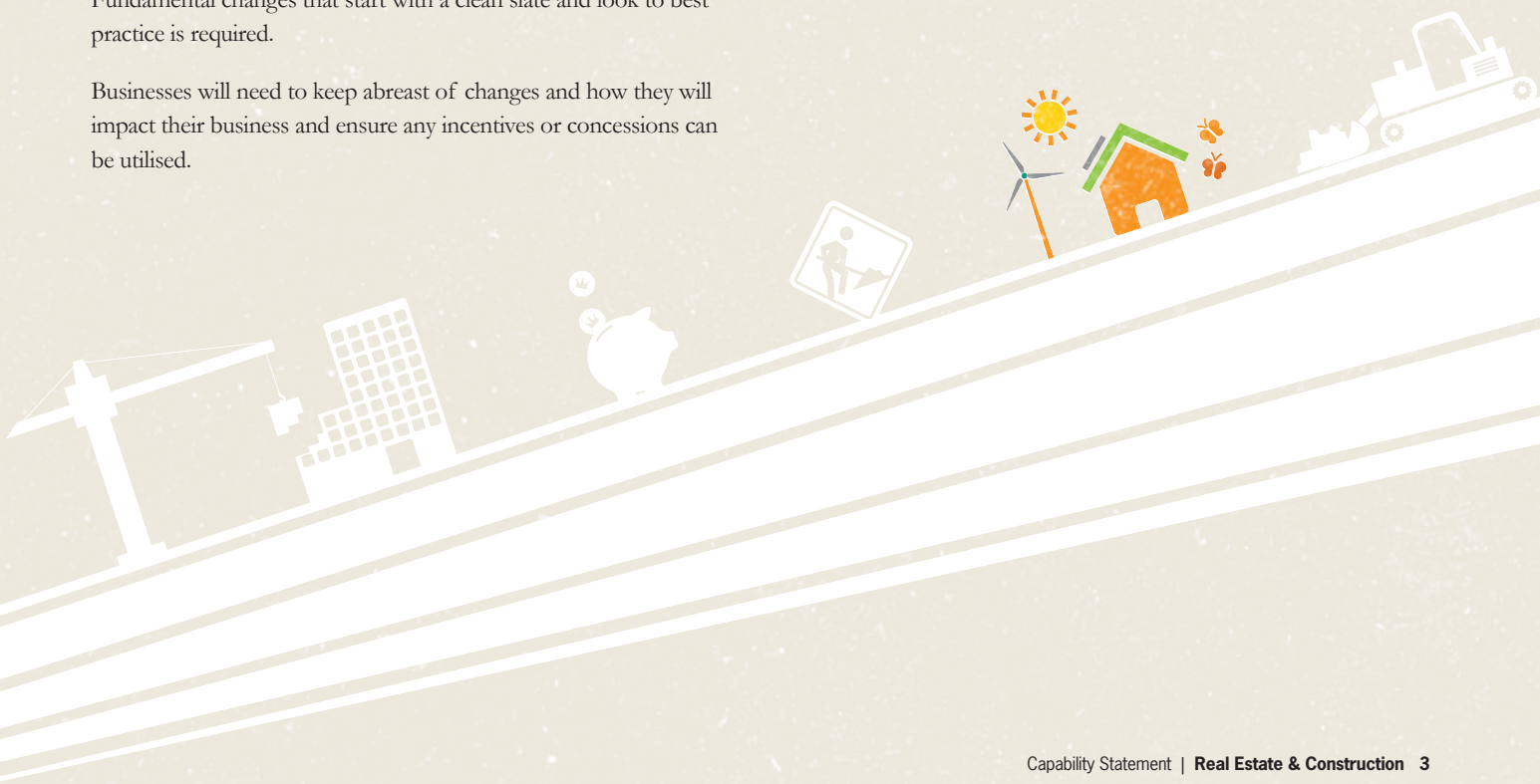
## Skilled labour

The industry has had to compete with the resources sector for skilled labour in recent times which has led to an increase in costs.

With the industry on the move again, consideration needs to be given to motivating and retaining key individuals in a competitive labour market. Businesses need to consider if staff are being remunerated tax efficiently and what incentives can be offered.

## Foreign investors

Real estate in Australia is still attractive to overseas investors, with recent investment figures demonstrating the bulk of the interest





is coming from Asian investors. The historical strength of the Australian dollar doesn't seem to have stemmed this interest given the current yields available and comparatively stable economic environment. Quality stock will become scarce, creating opportunity to look at new developments to fill the void.

### Joint venture opportunities

Joint Venture arrangements continue to be a popular option to help capitalise projects, enable risk sharing and assist with winning projects in new markets by partnering with someone with expertise in that sector. What opportunities might become available to your business if you look at strategic partnerships?

### Cost of rationalising

A number of RE&C businesses operate through special purpose vehicles and over time group structures can become cumbersome. The administrative time and cost of running these can be inefficient. In a market where businesses seek to manage their costs more efficiently, running a leaner structure needs to be weighed up with the cost of any rationalisation programme.

### Tenant risk

In a market where vacancy rates have been on the rise, investors need to evaluate their exposure to tenant risk. Not only should they consider the financial standing of their tenants but be aware of the cost of holding the asset without tenants. With factors such as internet sales impacting the need for large retail space and the increasing trend of employees working from home reducing office requirements, ensuring future demand for your space will be key.

### Re-evaluating feasibility

While the period of downturn may have triggered a review of current investments and projects, an improving market may provide opportunity to look at the asset mix and restructuring or divesting assets that no longer fit within the organisations long term objectives. Getting the right advice for structuring and planning these divestments to minimise transaction costs and after tax returns

is important.

### Protecting your Investments

Asset protection is a key consideration for businesses, particularly when evaluating the risk levels where multiple business activities are undertaken. Appropriate structuring is important to ensure that key assets are protected while remaining available for securing funding to supporting ongoing activities.

### Fraud prevention

Fraud and corruption in the real estate and construction industry is unfortunately so commonplace, that it is often accepted as a cost of doing business. Businesses must recognise that fraud and corruption costs, not only in terms of profits, but also a company's reputation and can present a real threat to growth. Action can be taken to help companies avoid falling victim to fraud. Ensuring appropriate governance and policies are in place where instances of fraud are uncovered can minimise the potential impact.



# Solutions for the real estate & construction industry

Our extensive experience in the real estate and construction industry allows us to focus on understanding the core drivers of our clients' businesses, their business goals and objectives. With this knowledge, we ensure that our clients gain maximum advantage from our unique service offering. We identify the key issues our clients are facing, and consider stakeholder objectives and the planning opportunities available. As a result, we provide objective advice and purpose driven solutions that consistently help real estate and construction companies increase in profitability and value.

We support leading real estate and construction companies to achieve their growth ambitions, whether by assisting on capital raising, providing financial and tax due diligence services, restructuring operations or managing tax exposures. We also provide the full range of audit and assurance services.

Issue	Our solution	Benefit to you
Financing and funding	<ul style="list-style-type: none"><li>• Fundraising assistance and making appropriate banking or other financial introductions</li><li>• Strategy sessions to workshop alternative funding strategies</li><li>• Efficient structuring</li><li>• Financial modelling</li><li>• Capital raising – assistance with IPO's and Listings</li><li>• Independent Expert Reports</li></ul>	Efficient funding structure for successful acquisitions and project development
Attracting and retaining skilled labour	<ul style="list-style-type: none"><li>• Talent intelligence services and HR Advisory</li><li>• Employee benefits and share scheme advice</li><li>• Ex-pat tax services</li><li>• Succession planning</li></ul>	Key talent retained
Addressing fraud	<ul style="list-style-type: none"><li>• Raising awareness within your organisation of the risks and what constitutes bribery, corruption and fraud</li><li>• Identifying and mitigating key areas of risk through forensic investigation</li><li>• Analytical data and system reviews</li></ul>	Financial and reputational risk reduced
Growth and organisation management	<ul style="list-style-type: none"><li>• Sourcing joint venture partners and facilitating introductions</li><li>• Corporate simplification and effective rationalisation programmes</li><li>• Exploring new markets and feasibilities</li><li>• Tax effective structuring</li><li>• Profit/margin improvement</li><li>• Due Diligence</li><li>• Valuations</li><li>• Transactional assistance</li></ul>	Increased profitability and value and more effective corporate structuring
Regulatory framework	<ul style="list-style-type: none"><li>• R&amp;D tax incentive advice</li><li>• Indirect tax advice (GST, payroll and other duties)</li><li>• Transfer pricing review</li><li>• Corporate governance review</li><li>• Property outgoings and trust account audits</li><li>• Assurance services and internal audit</li><li>• Taxation advisory and compliance</li></ul>	Full utilisation and benefit obtained from incentives and concessions available.

# Testimonials and clients

*The team at Grant Thornton has the depth of knowledge to manage the complex business decisions faced in the Real Estate and Construction industry, providing valuable insights to our clients.*

“ While maintaining their professional integrity and independence, our relationship with Grant Thornton has added value to our business.

The team show genuine interest in our business and industry sector. The directors and senior managers at Grant Thornton are always available to discuss areas of concern and respond promptly when contacted with well researched response to our queries. They always take the time to explain the reason for their position, including reference to relevant accounting standards and interpretations. They have taken the time to develop relationships with members of our finance team at all levels.

Regular business updates from Grant Thornton have been invaluable. They have allowed us to plan for changes and adapt our business model to mitigate any adverse impacts. Our Grant Thornton team regularly identifies issues, such as the accounting of treatment of certain transactions during the acquisition or divestment process, that could be addressed immediately rather than waiting to deal with them as part of the year-end audit. This approach expedites the end of year process and provides the Board with confidence in the reported results prior to audit sign-off. ”

**Craig Mortensen**  
Chief Financial Officer  
BMD Group

“ Knowing that we can rely on the advice we've received from Grant Thornton has enabled us to focus on realising our vision of a new city in Greater SpringfieldTM. ”

**Maha Sinnathamby**  
Chairman  
Springfield Land Corporation

“ One of the great relationships that has lasted for 20 years has been the relationship with Grant Thornton, and we hold that very dearly. ”

**Bob Sharpless**  
Deputy Chairman  
Springfield Land Corporation

“ Grant Thornton's service delivery and commitment to us as a client has been unwavering during our relationship and from my perspective there are three key areas that stand out in relation to their commendation - commitment, accessibility and a collegiate approach. I consider Grant Thornton a trusted adviser to Colliers International and I would have no hesitation in recommending them. ”

**John Kenny**  
Chief Executive Officer - Australasia  
Colliers International

Selected Real Estate &  
Construction companies we have  
worked with

**Acciona Infrastructure Australia**  
**Abergeldie Holdings**  
**BMD Group**  
**Brookfield Multiplex**  
**Charter Hall Holdings**  
**Cockram Construction Limited**  
**Colliers International**  
**GE Capital Real Estate**  
**Goodline Group**  
**Goodman Group**  
**Jones Lang Lasalle**  
**Leighton Holdings**  
**Lend Lease**  
**McCosker Contracting**  
**Mirvac Group**  
**Ostwald Group**  
**Pindan Contracting**  
**QIC**  
**Robina Land Corporation**  
**Savills Australia**  
**Scott Park Homes**  
**Seymore Whyte Group**  
**Springfield Land Corporation**  
**Surat Basin Property Group**  
**Tamawood Homes**  
**United Overseas Australia Ltd**  
**Westfield Limited**  
**Wiley & Co**

# About Grant Thornton

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward looking advice. Proactive teams led by approachable partners in these firms, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions.

Grant Thornton Australia has more than 1,300 people working in offices in Adelaide, Brisbane, Cairns, Melbourne, Perth and Sydney. We combine service breadth, depth of expertise and industry insight with an approachable "client first" mindset and a broad commercial perspective.

More than 38,500 Grant Thornton people, across over 100 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work. Through this membership, we access global resources and methodologies that enable us to deliver consistently high quality outcomes for owners and key executives in our clients.

38,500  
people globally

120+  
countries

\$4.5BN  
worldwide revenue  
2013 (USD)

1,300  
people nationally

*We are proud to work with the Real Estate & Construction industry and take an active role through our membership with the Property Council of Australia including participation in their committees and events. We also support the industry through membership with the Urban Development Institute of Australia and the Housing Industry Association.*





# Contacts

## National Head of Real Estate & Construction Brisbane

### Cameron Smith

T +61 7 3222 0203

E [cameron.smith@au.gt.com](mailto:cameron.smith@au.gt.com)

## Adelaide

### David Hawkes

T +61 8 8372 6532

E [david.hawkes@au.gt.com](mailto:david.hawkes@au.gt.com)

## Cairns

### Tony Jonsson

T +61 7 4046 8850

E [tony.jonsson@au.gt.com](mailto:tony.jonsson@au.gt.com)

## Melbourne - Institutions

### Andrew Hewitt

T +61 3 8663 6003

E [andrew.hewitt@au.gt.com](mailto:andrew.hewitt@au.gt.com)

## Melbourne

### Brock Mackenzie

T +61 3 8663 6273

E [brock.mackenzie@au.gt.com](mailto:brock.mackenzie@au.gt.com)

## Perth

### Craig Simon

T +61 8 9480 2030

E [craig.simon@au.gt.com](mailto:craig.simon@au.gt.com)

## Sydney

### Don O'Brien

T +61 2 9286 5735

E [don.o'brien@au.gt.com](mailto:don.o'brien@au.gt.com)



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