



Kirks in talks to sell Lambton Quay property

[HAMISH RUTHERFORD](#)
BUSINESS REPORTER

Last updated 12:26 29/10/2012
Fairfax NZ

ON THE BLOCK: Kirkcaldie & Stains is in advanced talks to sell the Harbour City Centre.

Shares in Kirkcaldie & Stains are at the highest point in more than two years, as it considers selling its major property asset, Wellington's Harbour City Centre.

The owner of the iconic Lambton Quay department store, which has been loss-making for several years, leases its retail space but owns the Harbour City Centre next door.

On Friday night, the company issued a short statement to the NZX revealing it had entered into a sale and purchase agreement for its property assets.

News of the possible sale sent shares up 60 cents or 23.1 per cent to \$3.20, the highest market price in recent years, making Kirks the biggest riser on the NZX today.

Friday's statement did not say who the bidder was, but said a sale was conditional on the buyers' due diligence as well as board and shareholder approval.

There was no mention of the process requiring the approval of the Overseas Investment Office and this morning Kirks managing director John Milford confirmed the possible buyer was a New Zealand entity.

Due diligence is expected to be completed by mid-November, with a shareholder vote required within 35 days.

Earlier this year Milford revealed said that Kirks was pulling its own retailing operations out of the Harbour City Centre to have all retailing under one roof.

In the following months dozens of small businesses - some of which had been in the building for more than two decades - were evicted from the Harbour City Building to make way for Australian-controlled utility Contact Energy to bring contact centre staff in.

Late last year Kirks' pulled out of sales talks with a buyer said to be interested in buying its retail operations.

Shareholders have been pressuring the board of Kirks' to address the fact that its market capitalisation (the number of shares multiplied by the market price) was lower than just the value of its property assets.

In its 2011 annual report, Kirks said the Harbour City Centre was worth \$46.5m, based on an independent valuation carried out by Bayleys.

Even after today's share price surge, Kirks' market capitalisation is less than \$30m.

In 2010 Elevation Capital managing director Christopher Swasbrook wrote to Kirks' chairman Falcon Clouston asking him to take action to address the valuation gap, raising the possibility of selling the property assets.

This morning Swasbrook said the announcement "sounded very good".

"Kirkcaldie's is a classic value stock where people have had to be really patient to be rewarded, but it looks to me like they're going to be rewarded with the sale of the asset and potentially subsequent capital

return."

Talk of selling the property assets has raised questions as to whether the department store could survive on its own, however Mr Swasbrook believed the retail business could have a future.

"It is an iconic brand. Yes retail is tough, but I think it still has a place in Wellington, that would be my view." Milford said he would have to address questions of the future of the retail business when Kirks releases its full year results for the year to August 31 tomorrow.

In April the company warned it expected to lose \$900,000 during the period, as it warned it would stop paying dividends.

The company blamed "extremely cautious" shoppers, adding that the government's focus on trimming the public sector was affecting Wellington.

Earlier this month AMP Capital confirmed it was putting the building which includes the Kirks' department store up for sale, part of a divestment of \$150 million of prime Wellington real estate.

Contact [Hamish Rutherford](#)

Business reporter

Email: hamish.rutherford@dompost.co.nz

Twitter: [@oneforthedr](#)



The Dominion Post

Like 12,987

- © Fairfax NZ News