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Orchard completes Metro Centre sale

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A local investor has bought the Metro Centre on Aotea Square – the former Force & Sky Entertainment Centre - at a discount on the \$57 million valuation.

The transaction was settled 10 days ago but the price hasn't been divulged yet. The discount was a certainty because of the amount of work needed to revitalise the centre, which has Event Cinemas, Imax Cinema, Gold Class Cinemas & Borders Books as major tenants and another 30 tenants, including foodcourt outlets.

As well as the freehold interest in the Metro Centre building, the property includes the lessee's interest in a 42-year peppercorn lease over 13 ground-floor shops in the adjoining Civic Theatre building, adding 399m².

The vendor was Orchard Funds Ltd of Australia, which held this asset through the Orchard NZ Diversified Fund.

The centre has a gross lettable area of 15,782m² on a 4779m² site fronting Aotea Square & Queen St, with access to the council Aotea underground carpark. Including tenants at the Civic, its passing net income was just over \$4 million when Orchard sought expressions of interest in March, but potential net income was given as \$4.7 million.

The centre reached practical completion in December 1999 – verified by High Court order in a dispute between the developer, cinema owner Force Corp Ltd, and the newly listed MTM Entertainment Trust. MTM had disputed the completion status in the hope that it wouldn't have to settle.

At that time it was a \$75 million development, after over-running costs by about \$15 million. Sky City Entertainment Group Ltd took control of Force Corp in 2001, ending the MTM purchase, but decided to sell the Metro Centre in 2006 to fund acquisition of Village Roadshow Ltd's cinema interests in New Zealand & Fiji.

Orchard Funds Management has been battling to survive in Australia. It's faced low-priced takeover bids, but won breathing space last month, when it secured a finance facility for the next 2 years.

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