

# AUSTRALIAN CBD & NON CBD OFFICE

## TOP SALES TRANSACTIONS 2015

### Key Facts

**\$15.91 billion of office assets transacted during 2015**, of which \$10.62 billion (67%) was in CBD markets

Headline transactions were the Investa Portfolio (**\$2.45 billion**) and Barangaroo Tower 1 (**c\$2.0 billion**)

**Offshore investors remained active**, accounting for 52% of the total sales volume in 2015

There is a potential for yields to continue firming, breaching record lows, however a **stabilisation is likely through 2016**



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Sydney and Melbourne have dominated the investment landscape during 2015, accounting for 83% of all CBD transactions. Investor interest remains strong in the other markets but a lack of prime stock is hampering turnover

Total office sales (\$10 mill+) of \$15.91 billion transacted during 2015 which is 8.3% lower than the record high of 2014 when \$17.35 billion was achieved. While the overall total was lower, investment in CBD markets increased, growing from \$9.94 billion to \$10.62 billion in 2015. This occurred as investors, particularly offshore buyers, concentrated on the CBD markets of Sydney (58% of CBD sales) and to a lesser extent Melbourne (25% of CBD sales).

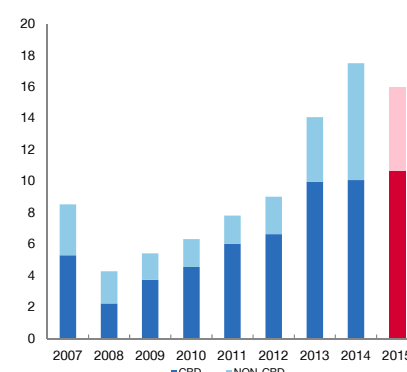
After the search for higher income yields fueled greater investment across non-CBD markets during 2014, this trend moderated in 2015. Although still recording a total of \$5.29 billion in non-CBD investment over the past year, this was 29% below the breakout levels of 2014. As investors, particularly offshore buyers, embraced the concept of “lower for longer”, the relatively tighter yields in CBD locations are accepted as a necessary barrier to obtain key locations or trophy assets for the long term.

Offshore investors were particularly active during 2015 accounting for 52% of total office sale turnover. There was a clear

division in their focus with offshore buyers accounting for 60% of CBD transactions but only 38% of non-CBD.

2016 has started strongly, with a few key sales transactions taking place and a large number of assets on the market for sale or in due diligence.

FIGURE 1  
**Australia CBD & Non-CBD Sales Volumes**  
By Value - \$10 million+ (\$billion)



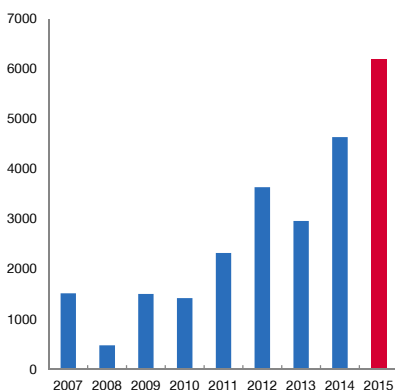
Source: Knight Frank Research

# SYDNEY CBD

The heightened amount of capital seeking opportunities in the Sydney CBD office market continued in 2015. Deal volumes in value terms amounted to \$6.19 billion, which exceeded the previous high of \$4.64 billion that was recorded in 2014. However, this amount was materially boosted by two significantly large transactions, namely the purchase by China Investment Corporation (CIC) of the Investa Property Group (IPG) portfolio for \$2.45 billion and the sale of Tower 1 at Barangaroo into a new wholesale fund for circa \$2 billion.

Deal volumes as measured by the number of transactions recorded indicated a contrasting story. Transactions during 2015 (\$10m+) totalled 28, of which 13 occurred during the first half of the year. These figures were well below the 42 transactions recorded in 2014, a trend that was indicative of the lack of opportunities in the market despite the presence of a deep pool of unsatisfied capital. The majority of transactions continue to involve offshore buyers, who accounted for 60% of deal volume (by value) during the 2015 calendar year. This trend has now been in place for five years, with offshore purchases amounting to 56% of the CBD transaction total since the beginning of 2011. Although there remains strong buyer demand in the market, limited buying opportunities in the prime market is expected to see the majority of transaction activity stem from investors targeting non-core or value add assets over the next year.

FIGURE 2  
**Sydney CBD Sales Volumes**  
By Value - \$10 million+ (\$m)



Source: Knight Frank Research

## 1. INVESTA PROPERTY GROUP PORTFOLIO SALE ^

**Price:** \$2.45 billion ^

**Date:** July 2015

**NLA:** N/A

**Rate/m<sup>2</sup> of NLA:** N/A

**Yield:** 5.60% core market (weighted ave)

**Vendor:** Investa Property Trust (Morgan Stanley)

**Purchaser:** China Investment Corporation

**Comments:** Portfolio of nine office towers, with predominant exposure to Sydney CBD. **The premium assets within the portfolio reflected a tighter yield in the range of 5.0% to 5.25%.**

## 2. BARANGAROO T1

**Price:** \$2.0 billion<sup>#</sup>

**Date:** June 2015

**NLA:** Circa 107,000m<sup>2</sup> (~6,000m<sup>2</sup> retail)

**Rate/m<sup>2</sup> of NLA:** Circa \$18,692/m<sup>2</sup>

**Yield:** c.5.75%<sup>#</sup>

**Vendor:** Lend Lease

**Purchaser:** QIA (Qatar)—37.5%/APPF—25%/Lend Lease Trust Fund—37.5%

**Comments:** New premium grade tower under construction, due to complete late 2016. Anchor tenants include PWC and HSBC. **Sold into a new wholesale fund named Lend Lease One International Towers Sydney Trust.**

## 3. DARLING SQUARE

**Price:** over \$300.0 million (reported)

**Date:** October 2015

**NLA:** 25,000m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** c.\$12,000/m<sup>2</sup>

**Yield:** Confidential

**Vendor:** Lend Lease

**Purchaser:** First State Super/APPF

**Comments:** Part of the mixed-use Darling Square staged development, the asset comprises a new commercial building due to complete in late 2017. **CBA will occupy the entire building on a 12 year lease.**

## 4. 320 PITT ST

**Price:** \$200.0 million

**Date:** March 2015

**NLA:** 29,159m<sup>2</sup> (incl. 293m<sup>2</sup> retail)

**Rate/m<sup>2</sup> of NLA:** \$6,859/m<sup>2</sup>

**Yield:** 7.7% core market (8.28% initial)

**Vendor:** Equity Commonwealth Trust

**Purchaser:** Property Link

**Comments:** A circa 1989 32-level lower A-grade office tower, consisting of 29 office levels and a single ground level retail tenancy. **Sold with a 5 year WALE, the office component was fully occupied by Telstra.**

## 5. 110 GOULBURN ST

**Price:** c.\$148.0 million

**Date:** October 2015

**NLA:** 14,300m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** c.\$10,350/m<sup>2</sup>

**Yield:** 6.4% initial

**Vendor:** Kinder Investments Pty Ltd

**Purchaser:** Commerz Real

**Comments:** The Australian Federal Police's Headquarters, the building comprises 11 levels of office space as well as various police-specific facilities and a car park with 165 spaces. **Sold with a circa 5.0 year WALE.**

## 6. 35 CLARENCE ST

**Price:** \$137.1 million

**Date:** January 2015

**NLA:** 13,970m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$9,015/m<sup>2</sup>

**Yield:** 6.85% core market (6.9% initial)

**Vendor:** AMP Capital Investors/Sunsuper

**Purchaser:** Challenger Life

**Comments:** A modern 18-storey A-grade office building including two levels of retail, located within the Western Corridor. **Sold fully leased with a multi-tenant profile and an income based WALE of 4.0 years.**

<sup>#</sup> Sale price assumes 100% occupancy with the price to be adjusted for any residual vacancies at completion



## 7. 'DECO', 155 CLARENCE ST

**Price:** \$123.0 million

**Date:** August 2015

**NLA:** 12,500m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$9,840/m<sup>2</sup> (approx.)

**Yield:** 6.07%\*

**Vendor:** St Hilliers

**Purchaser:** Eureka F.M. obo Union

**Comments:** A newly redeveloped building sold with 81% occupancy and a 5.0 year WALE. Bought on behalf of Union Investment Real Estate.

## 8. 130 ELIZABETH ST

**Price:** c.\$121.0 million

**Date:** February 2015

**NLA:** 10,308m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** c.\$11,641/m<sup>2</sup>

**Yield:** N/A

**Vendor:** Cbus Property

**Purchaser:** Ecove/Aoyuan

**Comments:** A 14-storey office and retail building completed in late 1991. Purchased for potential residential conversion.

## 9. 309 GEORGE ST

**Price:** \$112.3 million

**Date:** March 2015

**NLA:** 9,044m<sup>2</sup> (2,236m<sup>2</sup> retail)

**Rate/m<sup>2</sup> of NLA:** \$12,417/m<sup>2</sup>

**Yield:** 6.23% core market (6.1% initial)

**Vendor:** Abacus (25%), AM Alpha (75%)

**Purchaser:** Offshore private investor

**Comments:** B-grade property located in close proximity to Wynyard Station. Tight Core Market Yield reflects strong retail component (43.6% of passing income).

## 10. 210 & 220 GEORGE ST

**Price:** \$97.3 million

**Date:** June 2015

**NLA:** 13,639m<sup>2</sup>

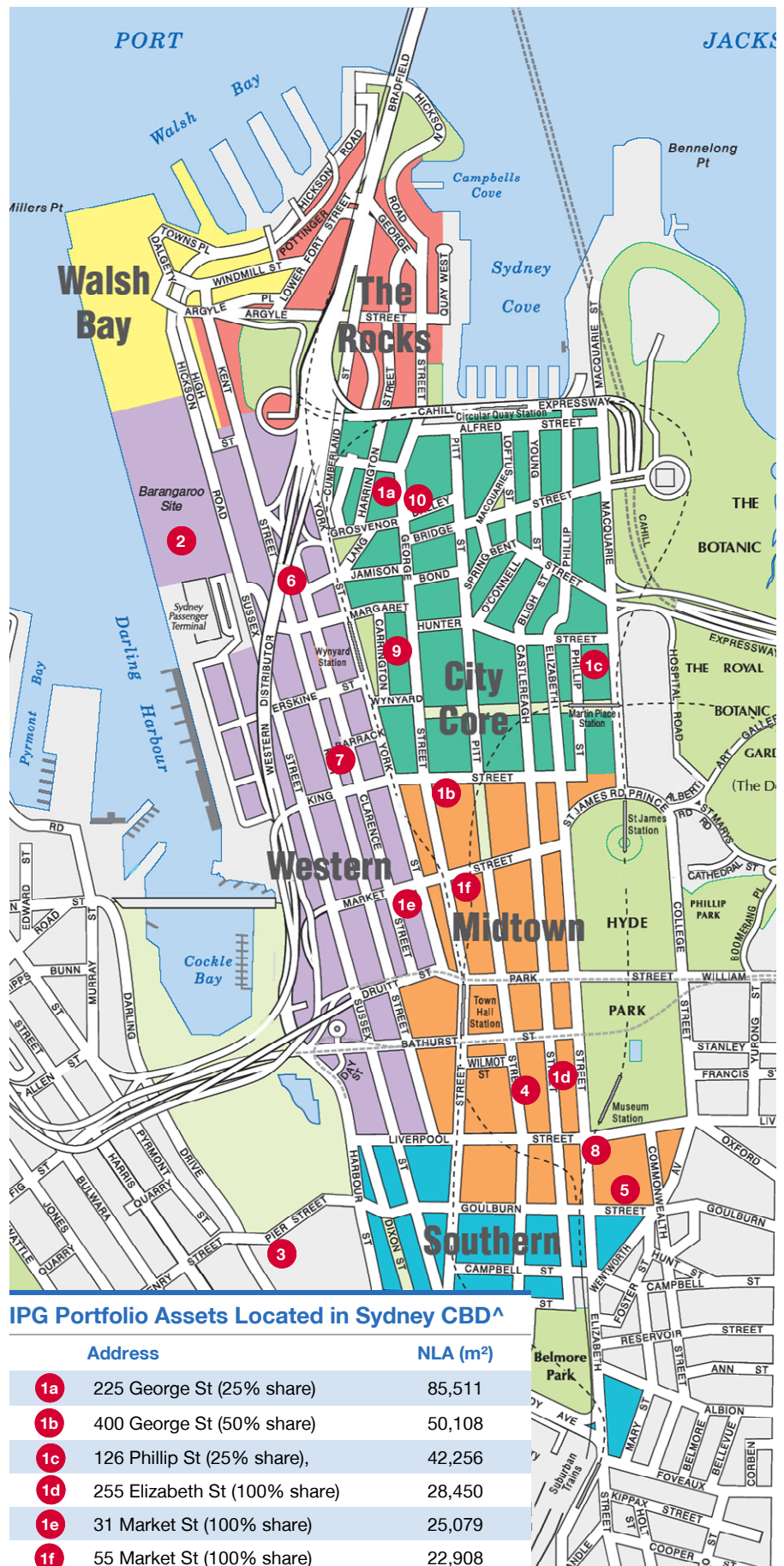
**Rate/m<sup>2</sup> of NLA:** \$7,132/m<sup>2</sup>

**Yield:** 6.9% core market (5.3% initial)

**Vendor:** Mirvac Property Trust

**Purch.:** Anton Capital obo Goldman Sachs

**Comments:** Two older B-grade office buildings sold with a 1.7 year WALE and demolition clauses. Additional FSR permitted in the event of redevelopment.



\* As reported. Yield is a fully leased initial yield.

Map Source: Knight Frank Research

^ Other assets comprised 120 Collins St, Melbourne (64,831m<sup>2</sup>, 50% share), 80 Pacific Highway North Sydney (13,701m<sup>2</sup>, 100% share) and 410 Ann St, Brisbane (20,470m<sup>2</sup>, 100% share).

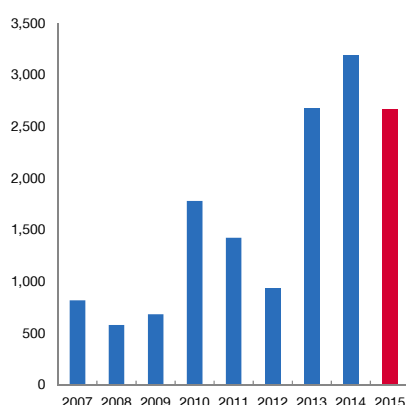
# MELBOURNE CBD

Investment interest in the Melbourne CBD remained strong in 2015, with sales volumes achieving the third highest annual level on record. Office investment sales activity (\$10m+) in 2015 within the Melbourne CBD totalled \$2.67 billion across 28 properties. While 2015 was \$521 million below the record level achieved in 2014, 2015's transaction values was still 62% higher than the 10-year CBD sales volume average.

Cross border investment into the Melbourne CBD continued to gather momentum, achieving record high levels for the past three consecutive years. Offshore groups dominated CBD office purchases in 2015 accounting for 84% of sales by value. While Asian-based purchasers bought more assets; US-based groups accounted for 53% of cross-border investment into the Melbourne CBD office market as a result of several large transactions such as SX1, SX2 and 161 Collins Street.

Transaction levels were also boosted by a number of major sales, with five transactions above \$200 million recorded over 2015, the highest number on record for an individual year. CIC's purchase of the IPG portfolio also included a 50% interest of 120 Collins Street which was valued in excess of \$300 million.

FIGURE 3  
**Melbourne CBD Sales Volumes**  
By volume—\$10 million+ (\$m)



Source: Knight Frank Research

## 1. SX1 & SX2: 181 EXHIBITION ST & 111 BOURKE ST

**Price:** \$675.00 million (50% interest)

**Date:** December 2015

**NLA:** 126,825m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$10,640/m<sup>2</sup>

**Yield:** 5.12% core market (4.96% initial)

**Vendor:** Brookfield Prime Property Fund

**Purchaser:** Blackstone Group

**Comments:** The SX complex comprises of two A-grade office buildings across a retail food-based concourse and 950-carspace basement carpark. **Sold with a 4.8 year WALE, both buildings were fully occupied.**

## 2. 161 COLLINS ST

**Price:** \$275.00 million

**Date:** October 2015

**NLA:** 43,436m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$6,792/m<sup>2</sup>

**Yield:** 7.70% (reported)

**Vendor:** SachsenFonds

**Purchaser:** Pembroke Real Estate

**Comments:** KPMG House, is 100% leased with KPMG occupying approximately two thirds of the building. **KPMG's lease expires in 2017 and will relocate** to the Collins Square development in the Docklands.

## 3. 222 EXHIBITION ST

**Price:** \$231.00 million

**Date:** August 2015

**NLA:** 28,025m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$8,243/m<sup>2</sup>

**Yield:** 6.76% core market (5.90% initial)

**Vendor:** AMP Capital Wholesale Office Fund (AWOF)

**Purchaser:** LaSalle Investment Management

**Comments:** The 30-storey A-grade office building is largely leased to Worksafe Victoria. **Worksafe Victoria's lease expires in 2019, and has committed to relocate to Geelong.**

## 4. 357 COLLINS ST

**Price:** \$222.50 million

**Date:** April 2015

**NLA:** 31,920m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$6,971/m<sup>2</sup>

**Yield:** 6.57% (reported)

**Vendor:** Frasers Centrepont

**Purchaser:** Frasers Commercial Trust (FCOT)

**Comments:** Having acquired 100% of Australand in 2014; 357 Collins Street was the first asset of the Australand portfolio sold into a Frasers-run trust, increasing FCOT's exposure to the Australian office market.

## 5. 114 WILLIAM ST

**Price:** \$125.00 million

**Date:** August 2015

**NLA:** 21,025m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$5,945/m<sup>2</sup>

**Yield:** 6.62% core market (5.35% initial)

**Vendor:** Kyko Group

**Purchaser:** Straits Trading Company

**Comments:** Acquired through a mandate to CorVal Partners, the A-grade 23-level office was sold with a WALE of 2.4 years. The office was **80% leased to a range of tenants** with typical floorplates of approximately 950m<sup>2</sup>.

## 6. 460 LONSDALE ST

**Price:** \$98.00 million

**Date:** September 2015

**NLA:** 11,350m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$8,634/m<sup>2</sup>

**Yield:** 6.00% core market (5.72% initial)

**Vendor:** REST

**Purchaser:** Nasar P/L

**Comments:** A-grade office building, sold with a 5.9 year WALE. **State and Federal government tenants accounted for 49% of the income.**

## 7. 575 BOURKE ST

**Price:** \$87.98 million

**Date:** July 2015

**NLA:** 16,179m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$5,438/m<sup>2</sup>

**Yield:** 6.86% core market (7.17% initial)

**Vendor:** BVV (RREEF)

**Purchaser:** CIMB Trust Capital Advisors

**Comments:** Completed in 1987, the 18-level B-grade office was 93% leased to a range of tenants and sold with a WALE of 2.9 years.

## 8. 383 LA TROBE ST

**Price:** \$70.70 million

**Date:** July 2015

**NLA:** 10,211m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$6,924/m<sup>2</sup>

**Yield:** 6.50% initial

**Vendor:** Investa Office Fund (IOF)

**Purchaser:** Sterling Global

**Comments:** Fully leased to the Australian Federal Police until mid-2017, on a 2,845m<sup>2</sup> site, and was purchased for residential development.

## 9. 383 KING ST

**Price:** \$52.00 million

**Date:** February 2015

**NLA:** 12,975m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$4,008/m<sup>2</sup>

**Yield:** VP

**Vendor:** Asplial Group

**Purchaser:** Haileybury College

**Comments:** Formerly mooted for residential development, Haileybury will occupy the building for a school campus, scheduled to open in 2017.

## 10. 520 COLLINS ST

**Price:** \$51.00 million

**Date:** May 2015

**NLA:** 8,554m<sup>2</sup>

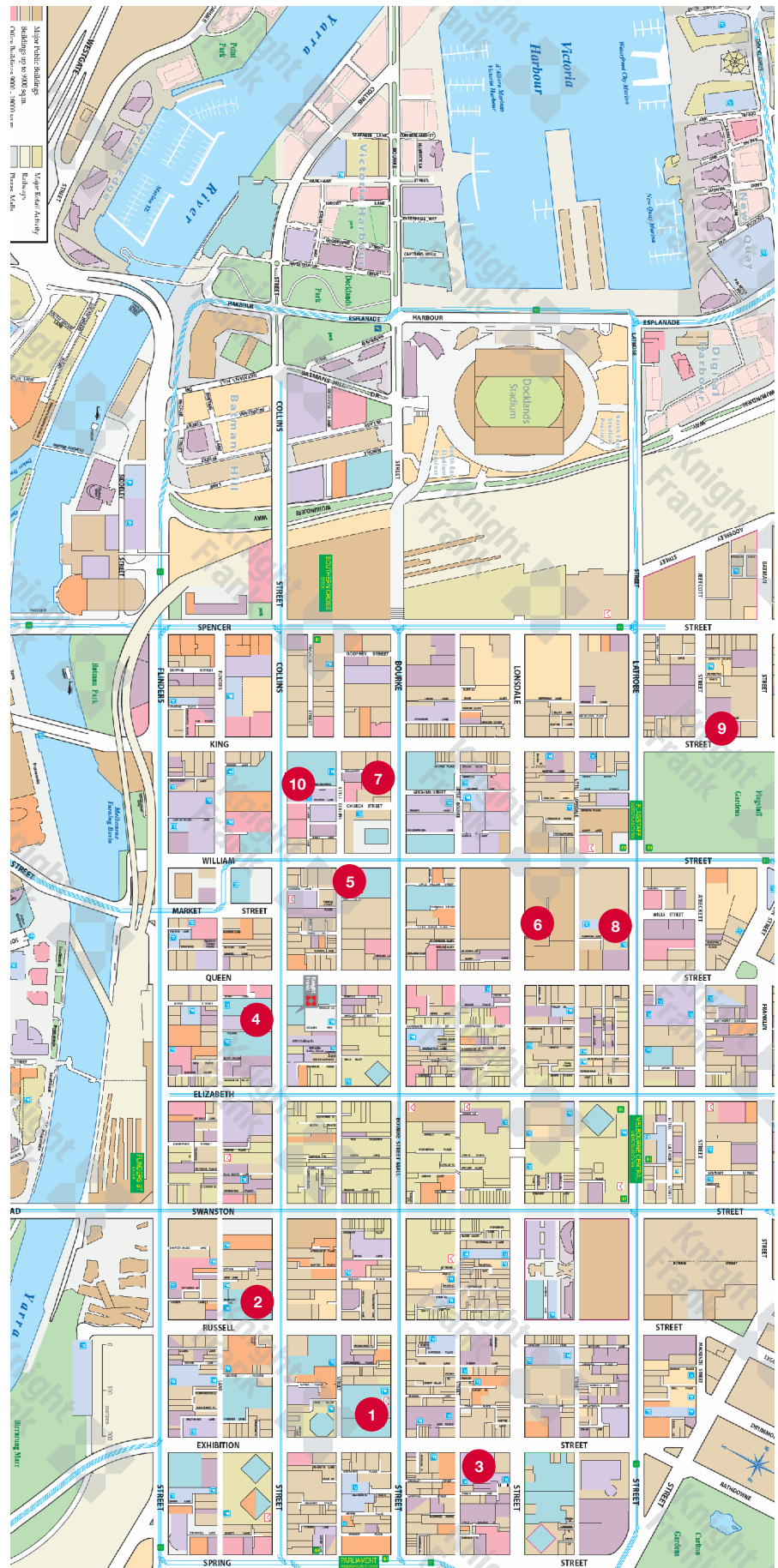
**Rate/m<sup>2</sup> of NLA:** \$5,962/m<sup>2</sup>

**Yield:** 6.07% core market (6.11% initial)

**Vendor:** Mering Corporation P/L

**Purchaser:** Private Investor

**Comments:** 16-level B-grade office in the Western Core. Average floor plates of 575m<sup>2</sup>, 97% occupied, sold with a 2.6 year WALE.



Map Source: Knight Frank Research



# BRISBANE CBD & FRINGE

As investment demand remained high purchasers, particularly offshore buyers, were more likely to consider investments within the Brisbane CBD and Fringe. Despite this, there were relatively few top tier sales during 2015, with only five sales recorded above \$100 million, two of which were in the Fringe. As sentiment surrounding the Brisbane CBD remains hampered by high vacancy levels in the short term, investors have continued to embrace the Fringe market where brand new assets with long WALEs are available such as 900 Ann St, Fortitude Valley and K1 Kingsgate, Bowen Hills.

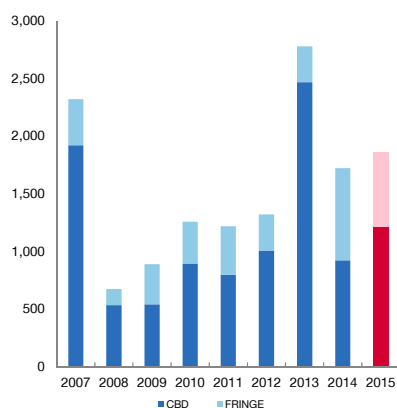
Overall transaction levels (\$10 million+) within the Brisbane CBD totalled \$1.22 billion for 2015, a solid increase on the \$922 million of 2014. At the same time the total Fringe investment was \$645.75 million which was lower than the \$799.66 million recorded in 2014. As a result the combined markets saw total office investment increase by a solid 8.2% in 2015 to \$1.86 billion.

The headline sale was Waterfront Place, 1 Eagle Street with the office component selling for \$592 million to domestic purchasers in DEXUS Property Group and DWPF. Yields, particularly for core assets, continued to firm with the lowest the 6.45% indicated for the fund through development at 900 Ann St, Fortitude Valley with the remainder in the high 6% to low 7% range.

FIGURE 4

## Brisbane CBD Transactions

\$ million total transaction value (\$10million+)



Source: Knight Frank Research

## 1. 1 EAGLE ST—WATERFRONT PLACE & EAGLE ST PIER

**Price:** \$635.00 million (allocation \$592m office tower & \$43m Eagle St Pier)

**Date:** October 2015

**NLA:** 65,706m<sup>2</sup> (Office 59,448m<sup>2</sup>)

**Rate/m<sup>2</sup> of NLA:** \$9,664/m<sup>2</sup> blended

**Yield:** 6.85% core market (office only)

**Vendor:** Stockland Trust/Future Fund

**Purchaser:** DEXUS Property Gp/DWPF

**Comments:** Premium riverfront building constructed in 1990 and sold with a WALE of 4.2 yrs. Sale included the adjacent Eagle Street Pier which is currently a restaurant precinct **with long term redevelopment potential.**

## 2. 215 ADELAIDE STREET

**Price:** \$224.00 million

**Date:** July 2015

**NLA:** 29,110m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$7,695/m<sup>2</sup>

**Yield:** 7.14% core market (7.00% initial)

**Vendor:** Pramerica—Asia Property Fund II

**Purchaser:** Challenger Life

**Comments:** 33 level office building with adjacent 6 level Rowes Building which underwent significant refurbishment in 2014. Sold 93% leased with a WALE of 4.3 years. **Retail accounted for 16% of the income.**

## 3. 900 ANN ST, FORTITUDE VALLEY

**Price:** \$170.00 million est total cost

**Date:** September 2015

**NLA:** 18,991m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$8,952/m<sup>2</sup>

**Yield:** 6.45% core market

**Vendor:** Consolidated Properties

**Purchaser:** Charter Hall (CPOF & DOF)

**Comments:** Fund through development which has been fully committed by Aurizon on a 12 year term from completion which is scheduled for April 2018. **Located on a leasehold site with a term of 110 years.**

## 4. K1 KINGSGATE, KING ST, BOWEN HILLS

**Price:** \$131.90 million

**Date:** June 2015

**NLA:** 16,587m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$8,594/m<sup>2</sup>

**Yield:** 6.92% core market (7.04% initial)

**Vendor:** Lend Lease

**Purchaser:** The Impact Group

**Comments:** Newly completed office building located in the Fringe, and was sold approx 50% leased with a rental guarantee over the remaining space. **WALE (inc the rental guarantee) was 7.5 years.**

## 5. 313 ADELAIDE STREET

**Price:** \$125.40 million

**Date:** November 2015

**NLA:** 14,592m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$8,594/m<sup>2</sup>

**Yield:** 6.84% core market (7.24% initial)

**Vendor:** F A Pidgeon & Sons

**Purchaser:** Deutsche Asset Management

**Comments:** Older A grade building which has undergone refurbishment and was sold with NABERS 5 Star energy & 4 star water. **Sold with a WALE of 4.1 years to tenants including Dept of Main Roads and QANTAS.**

## 6. 201 CHARLOTTE STREET

**Price:** \$81.50 million

**Date:** December 2015

**NLA:** 13,438m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$6,065/m<sup>2</sup>

**Yield:** 7.90% core market (6.59% initial)

**Vendor:** Private Investors

**Purchaser:** Fortius Funds Mgt/Blackstone

**Comments:** Fifteen level building with basement parking for 128 cars. The purchaser will take on outstanding incentives (rent free) for the major tenant which is Anglo Coal. **Well located in the financial precinct.**

## 7. 108 WICKHAM ST, FORTITUDE VALLEY

**Price:** \$79.00 million

**Date:** October 2015

**NLA:** 11,861m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$6,660/m<sup>2</sup>

**Yield:** 7.25% core market (8.66% initial)

**Vendor:** Primewest—unlisted trust

**Purchaser:** Centennial Property Group

**Comments:** Modern building constructed in 2008. WALE 5.2 yrs.

## 8. 100 WICKHAM ST, FORTITUDE VALLEY

**Price:** \$50.00 million

**Date:** September 2015

**NLA:** 13,104m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$3,186/m<sup>2</sup>

**Yield:** 9.73% core market

**Vendor:** Fortius Funds Management

**Purchaser:** Keystone Syndicate

**Comments:** Office building constructed in 1973 and refurbished. WALE of 1.8 yrs.

## 9. 99 MELBOURNE ST, SOUTH BRISBANE

**Price:** \$38.75 million

**Date:** November 2015

**NLA:** 6,182m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$6,268/m<sup>2</sup>

**Yield:** 7.09% core market (7.85% initial)

**Vendor:** Primewest

**Purchaser:** Credit Suisse

**Comments:** Five level office building constructed in 2004 with floorplates of 1,500m<sup>2</sup>. WALE of 2.8 years.

## 10. 1 BREAKFAST CREEK RD, NEWSTEAD

**Price:** \$36.27 million

**Date:** December 2015

**NLA:** 6,979m<sup>2</sup>

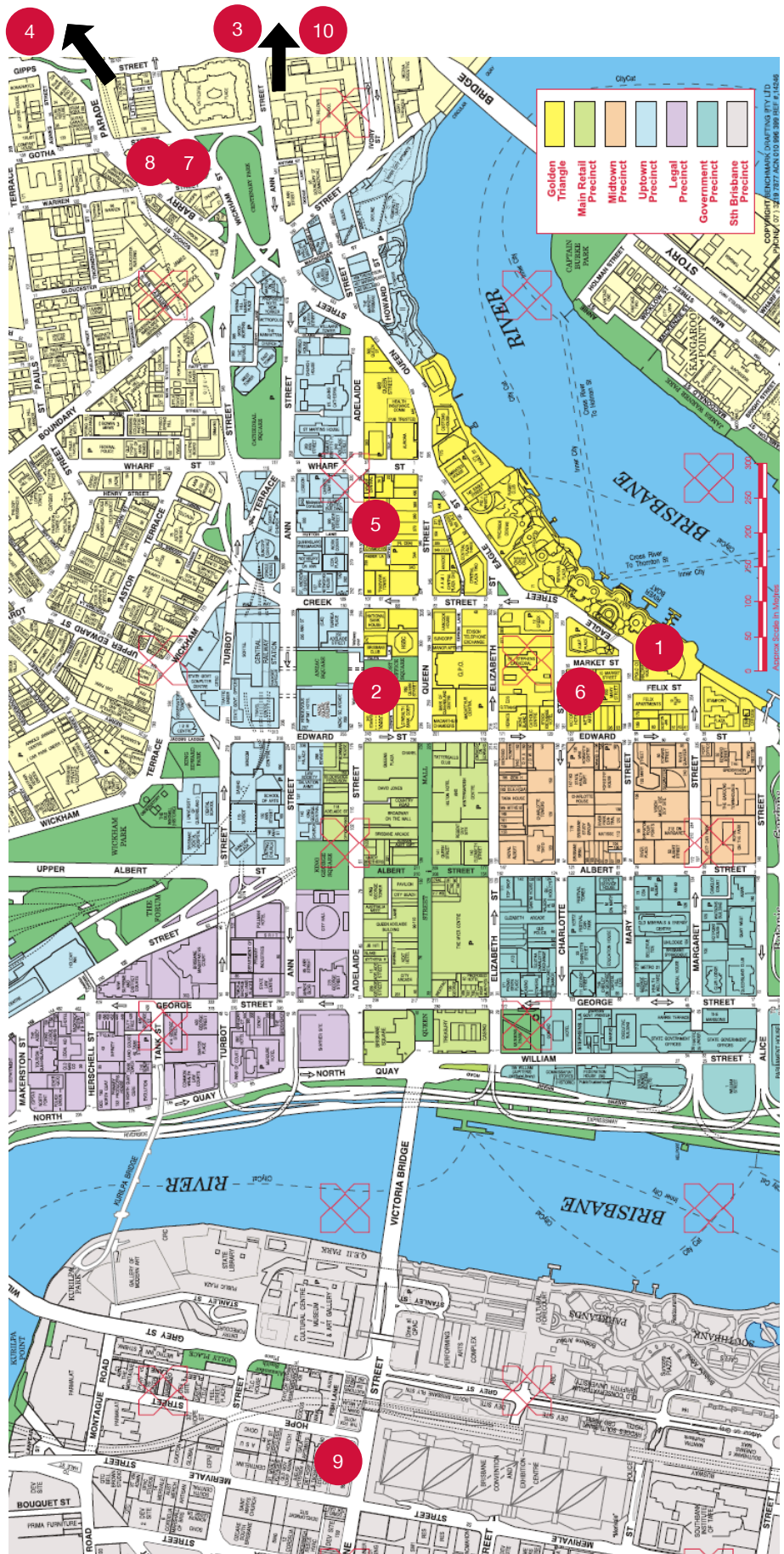
**Rate/m<sup>2</sup> of NLA:** \$5,197/m<sup>2</sup>

**Yield:** 8.03% core market (6.28% initial)

**Vendor:** Primewest

**Purchaser:** Private Investor

**Comments:** Five level office building and adjacent low rise bld leased to three banking chambers. WALE of 4.1 years.



Map Source: Knight Frank Research

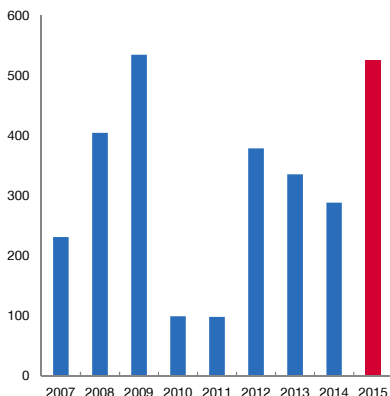
# CANBERRA

Following a slow start to the year, investment activity in Canberra gained significant momentum towards the end of 2015, underpinned by the sale of several large government-leased buildings. Canberra office sales (\$10m+) in 2015 totalled \$525.3 million across nine transactions, 82% above the \$288 million recorded for 2014 and 39% above the most recent peak in 2012 (\$378.7 million). The pick up is largely the result of three significant transactions which were recorded in the final months of 2015, accounting for 69% of sales by value.

Purchaser demand has remained focussed on quality assets with a minimum WALE of 7 to 8 years. Investors are requiring an elevated risk premium for secondary assets given the apparent weak leasing conditions. The year's largest transaction was the December sale of the Louisa Lawson building (25 Cowlshaw Street) at Greenway which was acquired by FG Asset Management (Korean) for \$224.5 million (from GDC (ACT) Pty Ltd). Other notable sales include 134 Reed Street, Tuggeranong and 255 London Circuit, Civic, both of which coincidentally traded for \$70.025 million in November.

With few prime assets being brought to the market in recent years particularly those with a solid leasing profile, the recent prime grade sales provided further clarity to the firming of yield metrics.

FIGURE 5  
**Canberra Sales Volumes**  
\$ million total transaction value (\$10mil+)



Source: Knight Frank Research

## 1. 25 COWLISHAW STREET, GREENWAY>

**Price:** \$224.5 million  
**Date:** December 2015  
**NLA:** 26,000m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$8,635m<sup>2</sup>  
**Yield:** 5.38% core market

**Vendor:** GDC (ACT) Pty Ltd  
**Purchaser:** FG Asset Management  
**Comments:** Modern five storey A-grade commercial building located on the fringe of the Tuggeranong Town Centre. Completed in 2013, the building is 100% leased to the Dept of Human Services. WALE of 15.5 years.

## 2. 134 REED STREET, TUGGERANONG

**Price:** \$75.00 million (\$70.025 mil net)<  
**Date:** November 2015  
**NLA:** 15,231m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$4,924/m<sup>2</sup>  
**Yield:** 7.60% core market

**Vendor:** Record Funds Management  
**Purchaser:** Enwerd Pty Ltd (Private Investor)  
**Comments:** Campus style office complex comprising three separate interlinked buildings built between 1988 and 1996. All buildings are 100% leased to the Department of Human Services. WALE of 7.3 years.

## 3. 255 LONDON CIRCUIT, CIVIC

**Price:** \$70.025 million  
**Date:** November 2015  
**NLA:** 8,972m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$7,805m<sup>2</sup>  
**Yield:** 6.05% core market

**Vendor:** Brompton Asset Management Ltd  
**Purchaser:** Growthpoint Properties Aust. Ltd  
**Comments:** 6 storey A-grade building purpose built for the Department of Foreign Affairs and Trade (DFAT) in 2007. DFAT leases 100% of the building with 11.8 years to run on their lease. 4.5 Star NABERS Rating.

## 4. 60 MARCUS CLARKE STREET, CIVIC\*

**Price:** \$49.06 million  
**Date:** April 2015  
**NLA:** 12,205m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$4,020/m<sup>2</sup>  
**Yield:** 8.69% core market

**Vendor:** Mirvac Property Trust  
**Purchaser:** Centuria Metropolitan REIT  
**Comments:** Modern 13 storey multi-tenanted B-grade building built in 1988. Building achieves a 4 Star Energy Rating. The building was 12% vacant at the time of sale while the property has a WALE of 2.1 years.

## 5. 44 SYDNEY AVENUE, FORREST~

**Price:** \$31.22 million  
**Date:** March 2015  
**NLA:** 9,977m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$3,129/m<sup>2</sup>  
**Yield:** 9.72% core market

**Vendor:** 360 Capital Canberra Trust  
**Purchaser:** Quintessential Equity  
**Comments:** 4 storey stand alone A-grade office building located in close proximity to Parliament House. DFAT occupy 34% of the building and 35% was vacant at the time of sale.

## 6. 33 ALLARA STREET, CIVIC

**Price:** \$29.00 million  
**Date:** October 2015  
**NLA:** 9,900m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$2,929/m<sup>2</sup>  
**Yield:** 10.41% core market

**Vendor:** 360 Capital Office Fund  
**Purchaser:** DCA No 1 Pty Ltd  
**Comments:** B-grade office building with retail tenancies and seven levels of upper office accommodation. Fully leased to Department of Environment (office) and 5 retail tenants. WALE of 1.4 years.



## 7. 20 ALLARA STREET, CIVIC#

**Price:** \$20.50 million

**Date:** April 2015

**NLA:** 13,948m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$1,470/m<sup>2</sup>

**Yield:** 12.74% core market

**Vendor:** Lend Lease<sup>^</sup>

**Purchaser:** Morris Property Group

**Comments:** 11 storey B-grade office tower with a three storey office and retail annex. Anchored by DFAT. The building was sold with a WALE of 0.3 years and was purchased with the intention for residential conversion.

## 8. 64 ALLARA STREET, CIVIC

**Price:** \$16.80 million

**Date:** July 2015

**NLA:** 3,155m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$5,325/m<sup>2</sup>

**Yield:** 7.59% core market

**Vendor:** Australian Ethical Investment Ltd

**Purchaser:** Cromwell Direct Prop. Fund

**Comments:** 5 level A-grade commercial building constructed in 2008 incorporating 98 car spaces. Anchored by Jacobs Australia and CIC who provide 90% of gross passing income. WALE of 4.6 years.

## 9. 54 MARCUS CLARKE STREET, CIVIC\*

**Price:** \$14.20 million

**Date:** April 2015

**NLA:** 5,156m<sup>2</sup>

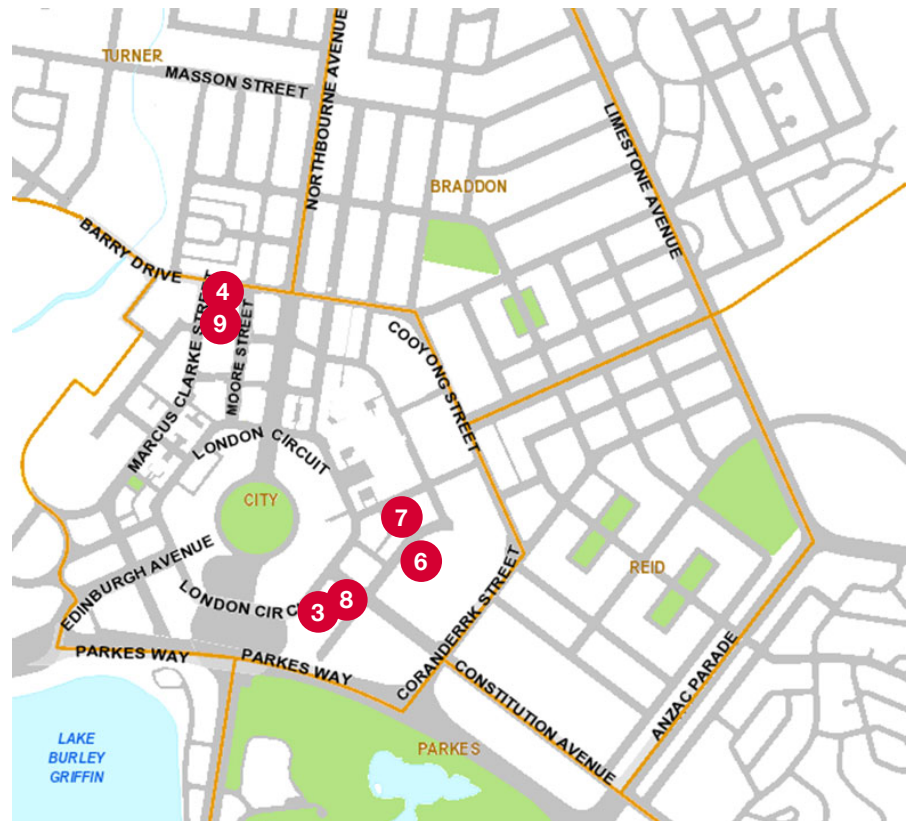
**Rate/m<sup>2</sup> of NLA:** \$2,754/m<sup>2</sup>

**Yield:** 9.73% core market

**Vendor:** Mirvac Property Trust

**Purchaser:** Centuria Metropolitan REIT

**Comments:** An 8 storey B-grade office building incorporating ground floor retail and a two storey podium. The multi-tenanted building was constructed in 1986 and sold at an 83% occupancy. WALE of 2.1 years.



Map source: ACT Planning and Land Authority (ACTMAPi)

> Also known as the Louisa Lawson Building

# Purchased with the intention for residential conversion

< Sale was conditional upon the purchaser fulfilling a number of obligations associated with the lease (circa \$5 million deducted including other expenditure items) resulting in a net price of \$70.025 million.

\*Select assets which were part of a portfolio divestment

-Exchange of contracts took place in December 2014 with settlement occurring in March 2015

<sup>^</sup>Lend Lease Real Estate Investments

# ADELAIDE

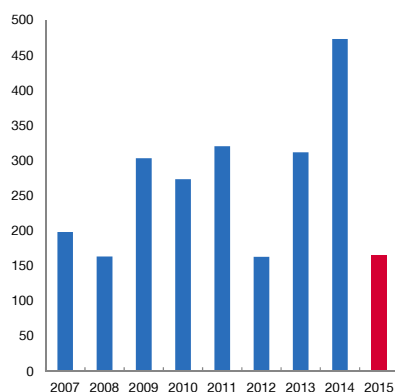
Calendar year office sales (\$10 million+) have not reflected the more recent level of investor interest with modest results in 2015, recording a total of \$164.83 million, well below the \$473.23 million achieved in 2014. Sales in 2015 have been headlined by Norelco Holdings purchase of 100 Waymouth Street for \$73 million.

The transactions in 2015 indicate the supply of quality investment stock remains tight, however there has been increased demand from institutions and offshore investors seeking to invest capital in Adelaide's office market. Buyer depth and pricing parameters remain inconsistent for secondary assets, however new purchasers are emerging with an appetite to move up the risk curve.

The current level of purchaser demand is not being driven by strong market fundamentals. The gap between capital markets and occupancy markets is widening as yields are firming, despite weak leasing demand. In addition, prime yields in Adelaide remain 100-150 basis points higher than the eastern seaboard, making Adelaide a comparatively attractive investment opportunity.

In an attempt to stimulate investment, the SA Government is phasing out stamp duty on commercial property transactions by one third annually, with full removal by 2018. It is likely that H1 2016 will register strong volumes and results for vendors.

FIGURE 6  
**Adelaide Sales Volumes**  
\$ million total transaction value (\$10mil+)



Source: Knight Frank Research

## 1. 100 WAYMOUTH ST

**Price:** \$73.00 million

**Date:** December 2015

**NLA:** 12,305m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$5,933/m<sup>2</sup>

**Yield:** 6.57% core market (6.67% initial)

**Vendor:** Cromwell Property Group

**Purchaser:** Norelco Holdings

**Comments:** The 13 level A Grade office tower sold with a WALE of 8.0 years. **The major tenant Origin Energy occupies 76 % of the NLA until 2024** with Community CPS Credit Union leasing until 2027. The building has a 4.5 Star NABERS Energy Rating.

## 2. 81 FLINDERS ST

**Price:** \$41.33 million

**Date:** February 2015

**NLA:** 9,812m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$4,209/m<sup>2</sup>

**Yield:** 8.18% core market (6.67% initial)

**Vendor:** Norelco Holdings

**Purchaser:** Local Syndicate

**Comments:** The 14 level B-Grade office tower sold with a WALE of 3.9 years. The major tenant, Finlaysons, occupies 32% of the building's total NLA until March 2024. The building has a 4 Star NABERS rating. **The building had a vacancy rate of 19.6% at sale.**

## 3. 60 WAKEFIELD ST & 21 DIVETT PL

**Price:** \$37.50 million

**Date:** April 2015

**NLA:** 12,660m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$2,962/m<sup>2</sup>

**Yield:** 7.56% core market (7.56% initial)

**Vendor:** SA Government

**Purchaser:** Local Syndicate

**Comments:** 60 Wakefield St, the six level B-Grade office building and 21 Divett Pl, the 10 level C-Grade office building **sold subject to a leaseback to the SA Government for 12 years.**

## 4. 51 PIRIE ST

**Price:** \$13.00 million

**Date:** January 2015

**NLA:** 6,315m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$2,059/m<sup>2</sup>

**Yield:** 9.09% core market (7.94% initial)

**Vendor:** Charter Hall (CPOF)

**Purchaser:** Private Investor

**Comments:** The seven level C Grade office building sold with a WALE of 1.8 years. **The major tenant Westpac Banking Corporation (St Georges Bank) occupies 85% of the total NLA, expiring in August 2017.**

## 5. 5-10 THIRD AVENUE, MAWSON LAKES\*

**Price:** \$9.00 million

**Date:** March 2015

**NLA:** 5,426m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$1,659/m<sup>2</sup>

**Yield:** 13.34% core market (13.48% initial)

**Vendor:** SA Govt Urban Renewal Authority

**Purchaser:** DSM Mawson Lakes Pty Ltd.

**Comments:** The three level suburban office building sold with a WALE of 3.5 years. The property provides 550 at grade open air car parking spaces. **Optus occupies 100% of the building's total NLA, until May 2018.**

\*Sale 5 is in a suburban location (Mawson Lakes), Mawson Lakes is 16kms north of the CBD.



# PERTH CBD & WEST PERTH

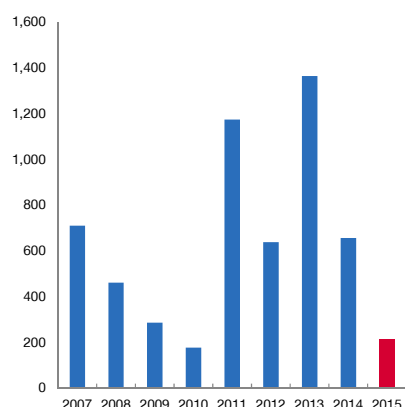
The first six months of 2015 saw very little activity in the Perth CBD office investment market and overall transaction activity with the Perth CBD and immediate surrounds was particularly low during 2015 with only four significant sales recorded. The first major office building sale occurred in August 2015 for \$101 million. The property at 45 Francis Street is located just to the north west of the CBD in Northbridge and is known as the Australian Tax Office Headquarters. Warrington Property in partnership with Goldman Sachs purchased the five level office building from Deka Immobilien.

The only CBD sale for 2015 occurred in the final month of the year with 12-14 The Esplanade transacting for \$51 million in December. The building, which was converted from a hotel in 2008, was sold by offshore fund New Star Property Fund to WA local Cape Bouvard Investments reflecting an analysed yield of 8.1%.

Much like the CBD office market the West Perth market recorded no sale transactions during the first six months of 2015. The only two significant sales which occurred in the West Perth office market for 2015 were 53 Ord Street and 3 Ord Street in July and November respectively.

The Singaporean group Mapletree Investments purchased the modern high quality office building at 53 Ord Street

FIGURE 7  
Perth Sales Volumes<sup>1</sup>  
\$ million total transaction value (\$10mil+)



Source: Knight Frank Research  
<sup>1</sup>includes the Perth CBD, Northbridge & West Perth

## 1. 45 FRANCIS STREET \*

**Price:** \$101.00 million

**Date:** August 2015

**NLA:** 22,012m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$4,588/m<sup>2</sup>

**Yield:** 12.11% core market (8.00% initial)

**Vendor:** Deka Immobilien

**Purchaser:** Warrington Property Value Add Trust

**Comments:** Constructed in 1992, ground level retail and office and five level office accommodation with a WALE of 6.1 years. 100% office component leased to ATO with eight retail tenants.

## 2. 53 ORD STREET ^

**Price:** \$59.00 million

**Date:** July 2015

**NLA:** 6,864m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$8,596/m<sup>2</sup>

**Yield:** 7.4% core market (8.1% initial)

**Vendor:** Primewest

**Purchaser:** Mapletree Investments

**Comments:** A-Grade office building constructed in 2002 with a WALE of 7.4 years. The five storey building, tenanted by ConocoPhillips Australia, with an eight year lease expiring in December 2022.

## 3. 12-14 THE ESPLANADE

**Price:** \$51.00 million

**Date:** December 2015

**NLA:** 7,957m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$6,409/m<sup>2</sup>

**Yield:** 8.1% core market (8.1% initial)

**Vendor:** New Star International Property Fund

**Purchaser:** Cape Bouvard Investments Pty

**Comments:** 11 level office building which was converted from a 6 level hotel above 5 levels of parking in 2008. Typical floors 590m<sup>2</sup>. Major tenant is ATCO Technologies which has an expiry in December 2016. Sold with a WALE of 3.1 yrs

## 4. 3 ORD STREET ^

**Price:** \$8.875 million

**Date:** November 2015

**NLA:** 2,079m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$4,269/m<sup>2</sup>

**Yield:** 8.73% core market (9.67% initial)

**Vendor:** BGC/Len Buckeridge estate

**Purchaser:** Stirling Capital

**Comments:** A 'B' grade building comprising of three levels of office space and above ground parking for 66 cars. Recent refurbishments include new lift, bathroom & shower facilities and tea rooms with a WALE of 3.4 years.

\*Located in Northbridge

^Located in West Perth Office Precinct

West Perth for \$59 million with an NLA 6,864m<sup>2</sup>. This 2002 Multiplex constructed building comprises five levels of A-grade modern office space with a basement carpark. The property is situated in the office precinct of West Perth approximately two kilometres west of the Perth CBD. ConocoPhillips, an American energy corporation based in Houston, Texas occupies 100% of the space with a lease until 2022. 3 Ord Street is a smaller commercial building which was purchased by the Perth-

based syndicator, Stirling Capital as a countercyclical investment.

While both domestic and offshore investors remain acquisitive in the Perth market the dichotomy between the investment and leasing markets is slowing activity. Investment in 2016 is expected to be stronger with CBD assets 81 St Georges Terrace and 2 The Esplanade (50% interest) both under contract for a combined c\$200 million.



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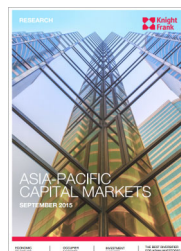
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