

COMPASS

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Knight Frank Research Compass Report

A monthly snapshot of significant property news from the Australasia region.

Sydney

The Mirvac Group has purchased Birkenhead Point Shopping Centre & Marina at 19 Roseby Street, Drummoyne for \$310.0 million. The 33,000m² sub-regional centre has been purchased from Abacus Property Group and the Kirsh Group on a reported fully let passing yield of 6.6%. The centre consists of four linked historical buildings on a 3.7 hectare site comprising traditional retail including a supermarket and fresh food offerings as well as a number of outlet retailers. Major tenants include Coles, Aldi, Spotlight, Nike, Hugo Boss, Calvin Klein, Polo Ralph Lauren and Orotan. The centre also includes a 187-berth marina with associated facilities which is currently being upgraded to include an additional 14 berths. Mirvac reported that in the 12 months to 31 August 2014, the centre generated a total moving annual turnover (MAT) of \$228.5 million and MAT of \$8,082/m² with specialty occupancy costs of 11.1%. The vendors, who acquired the asset in 2010, had spent in excess of \$50 million on refurbishment and upgrades.

Longbow Enterprises has purchased the Octagon at 110 George Street, Parramatta for approximately \$83m. The 20,841m² office tower has been purchased from Charter Hall's PFA Diversified Property Trust and Westlawn Property Trust on a reported yield of 8.5%. Comprising seven storeys of A-grade commercial office space, the Octagon has ground floor retail and office space, six upper levels of office accommodation and two basement levels of security car parking for approximately 362 cars. Almost 90% of the NLA is leased to the State Government. Total office investment sales in Parramatta over the past 12 months now amounts to almost \$600 million.

Melbourne

An offshore investment group has purchased the Australian Taxation Office (ATO) building at 6-22 Gladstone Street, Moonee Ponds from Charter Hall Office Trust (CHOT) for \$83.0 million, reflecting a passing yield of 9.0% and a core market yield of 8.0%. The seven-level office building, completed in 1995 was purpose built for the ATO and comprises 21,034m² of NLA with a basement car park of 120 car bays. The building is fully occupied by the ATO which signed a new seven-year lease in 2013 and extensive refurbishment was undertaken at the lease renewal. The 5-star NABERS base building energy rated building was sold with a WALE of 5.3 years.

Melbourne-based syndicate Impact Investment Group has purchased the Transport and Accident Commission (TAC) office in Geelong from Melbourne's Laidlaw family for \$95.8 million, reflecting an initial yield of 7.5% - Melbourne's largest non-CBD office sale transacted this year. The seven-level office building, completed in 2009 was purpose built for the TAC and comprises 15,000m² of NLA. While the office space is fully occupied by the TAC, some ground floor vacant retail space reflects a building vacancy of 3%. The 20-year TAC lease expires in 2029 with a five-year option to extend and is subject to fixed annual rental increases of 3.5%. The Laidlaw family acquired the 5-star NABERS base building energy rated building from its developer FKP for \$74.2 million in 2009.

US-based fund manager Hines Global has purchased 818 Bourke Street for \$152.5 million from the GPT Group, on an initial yield of 7.0%. The sale reflected an internal rate of return of 11% for GPT over the period of ownership. The A-grade six-level Docklands office building, completed in 2007 comprises 21,900m² of NLA and is fully leased to Ericsson, Infosys and AMP. With average floorplates of 3,575m² around a central core, the building offers water views with parking for 174 cars and 165 bicycles and was sold with a WALE of 3.9 years.

Brisbane

A joint venture between Federation Centres and TIAA Henderson Real Estate has purchased the Mt Ommaney Centre, in south-west Brisbane, for a total of \$416.25 million. The 58,000m² centre, located at Dandenong Road, Mt Ommaney, is anchored by three discount department stores in Target, BigW and Kmart, three supermarkets (Coles, Woolworths and Aldi) plus four mini-majors along with 165 specialty operators. The centre will be owned 25% by Federation Centres and 75% by TIAA Henderson with Federation Centres to undertake the management of the property. The asset was sold by the AMP Capital's Australian Core Property Portfolio for a reported capitalisation rate of 6.25%.

In northern Queensland a 50% interest in the Stockland Townsville Shopping Centre has been purchased by AMP Capital's Shopping Centre Fund for \$228.7 million. The regional centre is located at 310 Ross River Road, Aitkenvale and is anchored by Myer, Big W, Woolworths and four mini majors. The centre underwent significant redevelopment and expansion in 2013 and now totals 180 specialty retailers along with a large outdoor dining terrace area. The current centre has a GLA of 58,681m². Additional development potential exists to the east of the centre and an initial development approval has been obtained for the creation of an entertainment and lifestyle precinct. The sale of the 50% interest from Stockland was reported to be in line with book value and represented a capitalisation rate of 6.25%. Stockland will retain the management, leasing and development control over the asset.

Goodman Group have announced two industrial pre-commitments with TNT Australia (27,775m²) and Beaumont Tiles (13,164m²) across two Brisbane estates. TNT have pre-committed to a facility to be constructed on a 7.8 hectare site in the Redbank Motorway Estate on a 15 year term. In Goodman's new Rochedale Motorway Estate, 19km to the south of the Brisbane CBD, Beaumont Tiles has signed as the first tenant, agreeing to a 12 year lease over a 12,500m² warehouse with ancillary office of circa 500m². The Rochedale Motorway Estate is located on the Gateway Motorway and covers a total of 24 hectares which was acquired as a joint venture with Brickworks. In the Port of Brisbane, Owens Transport has committed to a circa 2.1 hectare site which will be developed with a 10,000m² warehouse for a 10 year term at an undisclosed rental. Speculatively developed space has also been absorbed recently with Lawrence & Hanson Group leasing 5,800m² at 163 Viking Drive, Wacol for \$115/m² net.

Perth

An undisclosed Perth developer has purchased the former Schweppes site at 363 Scarborough Beach Road, Osborne Park for \$23 million. The 24,500m² landholding, with dual street access from Walters Drive, is improved with an older style, purpose built, freestanding warehouse and distribution facility which was previously occupied by Schweppes, as well as a number of office/warehouse facilities which were constructed over a number of years, providing a total building area of 14,780m². The site is located within the "Herdsmen/Glendalough Concept Structure Plan" which encourages residential/commercial/office land use and development. The draft structural plan increases the height limit up to 16 storeys and the plot ratio to 2.5:1 at the Scarborough Beach Road frontage and 3:1 at the Walters Drive frontage. The property was sold with vacant possession reflecting a land rate of \$939/m².

WA based property syndicator and developer Primewest has sold an office building at 16 Parliament Place, West Perth for \$22.6 million to an unnamed private investor, representing a yield of 8.3%. The modern A Grade four-storey office building of contemporary design has a net lettable area of 2,989m² on a 1,506m² site with basement and ground-level car parking. Located on the northern side of Parliament Place, within the Parliament precinct of West Perth, the prime property was sold fully leased and with a WALE of 5.9 years. The building has 2.5 Star NABERS rating and is BEEC certified. The property sale reflects a rate of \$7,561/m² based on net lettable area.

The listed Finbar group has purchased a residential development site located at 63 Adelaide Terrace, East Perth on behalf of investment company Upper China Hotel Pty Ltd for \$15 million. The 3,406m² site is located between Adelaide Terrace and Plain Street, East Perth with an Adelaide Terrace frontage of approximately 57.44m. The site is earmarked for the construction of a 32-level residential tower of 200 units with an end value of circa \$150 million. The tower will potentially have sweeping views to the Swan River, Perth city skyline and Burswood. The ground floor of the proposed building will have commercial tenancies. Upper China Hotel Pty Ltd will own the land and Finbar will be the developer. The sale reflects a land rate of \$4,404/m².

Adelaide

A local developer has contracted two adjoining residential development sites at 150-160 Wright Street and 304-320 Morphett Street Adelaide for \$5.9 million. The two vacant lots are located on a corner and the sale reflected a site value of \$3,001/m². At the time of sale a development application was lodged for the construction of a 15 storey residential apartment building. The site is rectangular shaped across four titles, with a right of way servicing the site from the eastern side.

An owner occupier has contracted a modern industrial facility located at 5-9 Woomera Avenue, Edinburgh for \$4.7 million, reflecting a capital value of \$443/m². The property comprises an office of 311m² and two warehouses with a combined area of 9,217m² together with a canopy area of 1,082m². Both warehouses have an internal height clearance of 6.5 to 8.3 metres with multiple roller door access points. The property sold via an Expressions of Interest campaign that ran for over 18 months, with reports that demand was considerably weak due to the imminent closure of General Motors and lack of confidence in the market surrounding manufacturing.

A local private investor has contracted two Community Titled retail stores located at 60 Glynburn Road Hectorville for a total of \$16.2 million. The units contain a Good Guys store of 2,500m² which sold for \$7.6 million, reflecting an initial yield of 8.71% and a Freedom Furniture store of 2,800m² which sold for \$8.6 million, reflecting an initial yield of 8.62%. Both properties are modern and fully leased until October 2020.

Auckland

Major NZ developer Manson TCLM has sold 5-7 Kingdon Street, Newmarket, to the south of the Auckland CBD, for NZ\$16.55 million. The B grade building has seven levels of office space totalling 4,568m² and was constructed in 1987 with the largest tenant being BUPA Care Services. The purchase by private syndicator, Landbroker Services, reflected a passing yield of 8.12% with a WALE of 6.7 years.

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