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### Knight Frank Research Compass Report

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

#### National

**The Australian Government is seeking community comments on proposed reforms to strengthen Australia's foreign investment framework, particularly involving residential real estate and agriculture.** The proposed reforms include increasing compliance and enforcement activities around foreign investment in residential real estate, through the creation of a specialised investigative and enforcement area within the Australian Taxation Office. The introduction of new civil penalties and increased criminal penalties for foreign investors and third parties who breach the foreign investment rules is also proposed. The introduction of an application fee on all foreign investment proposals, with a sliding scale based on the type and value of the investment, is also being considered, starting from \$5,000 for a residential or agricultural property under \$1 million. The closing date for submissions is Friday 20 March 2015.

#### Sydney

**Blackstone has purchased a 25% interest in Liberty Place at 161 Castlereagh Street in the Sydney CBD for a reported \$240 million.** The 25% share of the three building complex has been purchased from the LaSalle Asian Opportunity Fund III and will comprise a 50% share in a JV with ISPT that effectively owns half the property. The other half of the asset is owned by the GPT Wholesale Office Fund. It is understood the sale price reflects a reported yield of approximately 5.6%. Developed by Grocon and completed in 2013, Liberty Place comprises the 50 level ANZ Tower, the heritage listed six level Legion House, and a modern three level annex to 167 Castlereagh Street plus an outdoor retail plaza and basement carpark. The premium grade office tower, with a NLA of 57,300m<sup>2</sup>, has dual frontage to Castlereagh and Pitt Streets, and is occupied by ANZ, Herbert Smith Freehills and Boston Consulting Group.

**Investa Property Group and the Gwynville Group have received Council approval at 60 Martin Place in the Sydney CBD for amendments to planning controls that will allow a full redevelopment of the site to proceed.** The approval permits the existing 28-storey building to be knocked down and rebuilt to the same height, albeit with larger floor plates so that NLA will increase from 28,500m<sup>2</sup> to 40,000m<sup>2</sup>. Investa have also announced Hassell as the winner of the international design competition for the new building. The project is expected to commence in January 2016 for a January 2019 completion and will follow a number of new projects that are revitalising the precinct such as 5 Martin Place (72% pre-committed to Ashurst and Challenger), 20 Martin Place and Macquarie Bank's new premises at 50 Martin Place.

**A Dulwich Hill development site with approval for 246 apartments has been sold to the Galileo Group for close to \$51 million.** Located at 2-24 Grove Street in Sydney's Inner West, the 10,132m<sup>2</sup> site extends across to 60 Constitution Road and is positioned within 100 metres of the Arlington Light Rail station. The residential project is proposed to span four buildings, with the Galileo Group announcing building works to commence by mid-2015, with a focus on the internal fitout to meet market demand. The site has been sold by Singapore based, Stamford Land Corporation, who purchased the site only twelve months earlier for \$23.7 million.

**The first train departed Leppington station on 8 February 2014 as the new South West Rail Link was open to commuters.** Leppington and Edmondson Park are two new stations built along the 11.4 kilometre rail line which runs from Leppington to the established Glenfield station, before terminating at Liverpool. Switching trains at Glenfield will provide options for commuters to travel onto the City via Sydney Airport, to Parramatta and south to Campbelltown and the Southern Highlands. The vision for the South West Rail Link is to eventually continue onto the planned Badgerys Creek Airport and support the Western Sydney Infrastructure Plan; that includes the building of roads around emerging growth centres and employment hubs.

## Melbourne

**Stockland's residential business has been reweighted to increase its exposure in Victoria with a number of significant master planned community projects launched in the metropolitan corridors of Melbourne.** The Grove at Tarneit, a master planned 234 hectare community in the west, will accommodate 2,500 new medium density homes, a neighbourhood shopping centre and retirement village, with land set aside for a new primary and secondary school. South East of Melbourne, and within the Casey corridor, Stockland recently acquired a 65 hectare site at 120-130 Tuckers Road, Clyde North. The strategy is to transform the area into a master planned community project supporting up to 800 homes over the next six years. This follows the anticipated completion in 2015 of nearby residential communities, Selandra Rise and Arbourlea. The most significant project though, is the largest residential community development ever undertaken in Victoria, a \$4.6 billion development to be known as Cloverton at Kalkallo, located in Melbourne's northern suburbs. Cloverton will feature a 60 hectare city centre and employment hub around a proposed train station, including a regional shopping centre, retirement village, childcare, primary, secondary and tertiary educational facilities within four additional town local centres; providing resources for more than 30,000 residents.

**A syndicate of Chinese investors, including Ryan Ouyang (who heads the Ouson Group) has acquired the Greenwood Business Park at 301 Burwood Highway, Burwood for approximately \$70 million, from Burwood Highway JV P/L – a joint venture between the Banco Group and members of the Smorgon family.** Completed in 1991, the Greenwood Business Park comprises three buildings with a total NLA of 19,967m<sup>2</sup> on a 33,720m<sup>2</sup> site with 968 car bays included, approximately 19 kilometres east of the CBD. The transaction reflected an approximate initial yield of 9.4% with the business park largely occupied by Deakin University and Telstra – which renewed its lease late last year for another four years. In addition to the existing office space, the property also holds a permit for a 4,800m<sup>2</sup> office building to be constructed. While in accordance with the scope of the existing Commercial 1 Zoning, the corner site offers the potential for medium/high density residential redevelopment.

**Cbus Property has sold three industrial facilities at 81-125 Princes Highway, Dandenong South to WA-based property syndicator fund manager Warrington Property Group for \$39.25 million reflecting an initial yield of 7.7%.** Located within the Estate One industrial park (a former General Motors Holden factory) in Dandenong South, the three buildings – totalling 27,919m<sup>2</sup> on an eight-hectare site – are leased to automotive parts group GPI, transport company CEVA and Australia Meat Holdings. The weighted average lease expiry across the three buildings is 4.2 years. The site forms part of the 46-hectare industrial park that Cbus Property purchased in 2007 for \$136.5 million. Cbus Property retains control over the 30-hectare balance at the industrial park, which includes further developable land for both industrial and office space which adjoins the park's retail component. In November 2014, Cbus Property sold a retail complex – Harvest Retail, located within the Estate One project for \$54.3 million.

**Australand has leased two speculatively developed industrial facilities in Melbourne's Western industrial region totalling more than 26,000m<sup>2</sup>.** Logistics and warehousing company Fastline has committed a 14,000m<sup>2</sup> warehouse at 8 Saintly Drive in the Westpark Industrial Estate in Truganina on a 12-year deal. Fastline has leased more than 60,000m<sup>2</sup> in the past two years, taking its total occupancy in the western region to more than 140,000m<sup>2</sup>. Secondly, vacuum cleaning retailer Godfreys has leased a 12,370m<sup>2</sup> facility at 18-34 Aylesbury Drive in Altona North on a 10-year lease. The building is currently under construction and due for completion later this month. Godfreys will relocate from recently rezoned premises in Port Melbourne, which have been sold.

## Brisbane

**Abacus Property Group and KKR & Co will purchase the Oasis Shopping Centre in Broadbeach on the Gold Coast for \$103.5 million, subject to FIRB approval.** The retail centre is spread over three levels with the major tenants being Woolworths (3,561m<sup>2</sup>), Broadbeach Tavern (1,640m<sup>2</sup>) and My Fitness Club. There are also approximately 115 specialty and service retail tenancies. The centre, which caters to both locals and also the tourist market, has a GLAR of 21,557m<sup>2</sup> along with 1,250 car bays. At the time of sale the centre was 90% occupied, had a WALE of 3.5 years and the sale reflected an initial yield of 7.9%. There is the potential to re-mix and improve the tenancy profile and trading, particularly over the upper floors of the centre. KKR will fund 60% of the equity while Abacus Property Group will invest the other 40% and also undertake the asset management for the centre.

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**Toqa Far East Hotels have reportedly sold a serviced apartment complex at 11 Ivory Lane, on the border of the Brisbane CBD for \$50 million.** The Adina Apartment Hotel is a four star serviced apartment building with 162 units on a site of 2,996m<sup>2</sup>, located at the north eastern edge of the CBD close to the Storey Bridge. It is understood the undisclosed Singaporean purchasers also had an eye on the future development potential of the elevated site. The vendors, Toqa East Hotels, are currently converting a sandstone, heritage-listed, former office building at 171 George Street, Brisbane CBD into a new serviced apartment complex to carry the Adina badge. While 171 George Street was purchased in July 2014 for \$35 million with an approval in place to convert to a hotel use, Toqa lodged an application with an amended conversion plan for 201 serviced apartments in October 2014.

## Perth

**The Gateway Building has been purchased by the Singaporean listed Sim Lian Group for \$72.8 million, reflecting a reported yield of 8.4%.** The 12,813m<sup>2</sup> two-tower office complex at 59 Albany Highway, Victoria Park was constructed in 2010 and has parking on site for 339 cars. The property occupies a prominent location at the junction of The Causeway, Albany Highway, Canning Highway and Great Eastern Highway approximately 4km to the east of the core Perth CBD. The property is approximately 87% leased to Monadelphous with a WALE of c7 years. The transaction reflects a rate of \$5,682/m<sup>2</sup> based on building area.

**Singapore listed Roxy-Pacific Holdings has agreed to acquire a hotel development site at 609 Wellington Street, Perth CBD for \$17 million.** Roxy-Pacific Holdings through a number of subsidiaries has entered into a purchase agreement to acquire the development site. The 1,393m<sup>2</sup> freehold site was formerly a carpark leased to Wilson Carparking. The acquisition is subject to certain conditions, including ACH Perth Pty Ltd obtaining approval from the relevant authorities to develop a hotel of at least 332 rooms on the land. When completed, the hotel will be leased by a related entity. The transaction reflects a land rate of \$12,204/m<sup>2</sup>.

**International law firm, Ashurst, has signed a 12-year lease over 3,600m<sup>2</sup> of commercial office space at Brookfield Place Tower 2, at an undisclosed rental amount.** Brookfield Place Tower 2, located on St Georges Terrace, is a 16 level tower which is currently under construction and has already received commitments from tenants such as Deloitte, Corrs Chambers Westgarth and Brookfield Multiplex. Ashurst will occupy the whole of levels 10 and 11 in the premium grade property. The building, with an NLA of 33,600m<sup>2</sup>, is expected to be completed by end of 2015.

## Adelaide

**An undisclosed offshore private investor has purchased 81 Flinders Street, Adelaide CBD for a reported sale price of \$42 million.** The 12 level building has a NLA of 9,843m<sup>2</sup>, basement parking for 41 cars and is occupied by tenants including Hender Consulting, Moore Stephens and Ferrier Hodgson. While the sale price remains unconfirmed the sale is anticipated to show an initial yield of circa 8.5% with a WALE of 3.9 years. Elsewhere in the CBD an undisclosed private investor has purchased 11-13 Rundle Mall for \$10.2 million. The 2 level, 820m<sup>2</sup> building has two retail tenancies and is located on a site of 425m<sup>2</sup>.

## Canberra

**SAP have committed to relocate to the Equinox development in Deakin.** SAP have committed to lease approximately 1,000m<sup>2</sup> on the top floor of Building 4, Equinox, 70 Kent Street, Deakin. SAP had been a long term tenant in the Canberra CBD but will be relocating to the new Business Park environment of Equinox in April 2015.

**The Office of Parliamentary Counsel is consolidating their accommodation within the Parliamentary Precinct to take up a new 10 year lease in 28 Sydney Avenue, Forrest.** The new premises will co-locate staff from Denison Street, Deakin and Brisbane Avenue, Barton on to the one floor of 28 Sydney Avenue. The lease commences in October 2015 and the initial rent is understood to be at \$450/m<sup>2</sup> gross.

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**The Minister for Finance has announced a scoping study into the divestment options for six Commonwealth Properties in Canberra.** The buildings under the spotlight are the John Gorton Building, Treasury Building, East and West Block plus Anzac Park East and West. The study will consider potential alternative uses for the properties with consideration to their location, cultural and heritage significance. While the Government has not made any decisions regarding the timing and structure of any sale, the scoping study will consider the future ownership of the buildings given the significant requirements of both ongoing maintenance and refurbishment requirements.

### **Darwin**

**A development site in the Darwin CBD, 4 Lindsay Street, has been purchased by a local developer for \$5 million.** The site had been partially developed with the construction of three basement levels to ground level. The original scheme for the site was to be a serviced apartment hotel but the proposed development has now been converted to 60 x 1 bedroom apartments.

**A private investor from Kununurra has purchased an industrial property at 13 Beaton Road, Berrimah for \$5.17 million.** The property, which was sold by NTPLUS Pty Ltd at auction, was leased to Veolia on a 10 year term with a WALE of 6.5 years. The property has improvements of 2,086m<sup>2</sup> on a large site of 26,380m<sup>2</sup>. The sale indicated an initial yield of 6.70%.

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## Research & Consulting Contacts

### Australia

**Matt Whitby**  
Group Director  
Head of Research & Consulting  
+61 2 9036 6616  
Matt.whitby@au.knightfrank.com

### Paul Savitz

Associate Director  
Consulting Services  
+61 2 9036 6811  
Paul.savitz@au.knightfrank.com

## Agency Contacts

### Australia

**Stephen Ellis**  
Chief Executive Officer  
+61 2 9036 6611  
stephen.ellis@au.knightfrank.com

### New South Wales

**Richard Horne**  
Managing Director  
+61 2 9036 6622  
richard.horne@au.knightfrank.com

### Victoria

**James Templeton**  
Managing Director  
+61 3 9604 4724  
james.templeton@au.knightfrank.com

### New Zealand

**Layne Harwood**  
Country Head, Director Capital Markets  
+64 9 377 3700  
layne.harwood@nz.knightfrank.com

### Queensland

**Ben McGrath**  
Managing Director  
+61 7 3246 8814  
Ben.Mcgrath@au.knightfrank.com

### Western Australia

**John Corbett**  
Managing Director  
+61 8 9225 2561  
john.corbett@au.knightfrank.com

### South Australia

**Peter McVann**  
Managing Director  
+61 8 8233 5210  
peter.mcvann@au.knightfrank.com

### Australian Capital Territory

**Terry Daly**  
Managing Director  
+61 2 6221 7869  
terry.daly@au.knightfrank.com

### Northern Territory

**Matthew Knight**  
Managing Director  
+61 8 8982 2502  
Matthew.knight@au.knightfrank.com

### Tasmania

**Scott Newton**  
Chief Executive Officer  
+61 3 6220 6999  
scott.newton@au.knightfrank.com

## Research Contacts

### New South Wales

**Nick Hoskins**  
Director  
+61 2 9036 6766  
Nick.hoskins@au.knightfrank.com

### Western Australia

**Balveen Kaur**  
Research Analyst  
+61 8 9225 2412  
Balveen.Kaur@au.knightfrank.com

### Victoria

**Richard Jenkins**  
Director  
+61 3 9604 4713  
Richard.jenkins@au.knightfrank.com

### South Australia

**Rory Dyus**  
Research Analyst  
+61 8 8233 5230  
Rory.dyus@sa.knightfrankval.com

### Queensland

**Jennelle Wilson**  
Director  
+61 7 3246 8830  
Jennelle.wilson@au.knightfrank.com

### National Residential Research

**Michelle Ciesielski**  
Associate Director, Residential  
+61 2 9036 6659  
Michelle.Ciesielski@au.knightfrank.com

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