

COMPASS

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Knight Frank Research Compass Report

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

Sydney

The City of Sydney has recently released the Central Sydney Planning Strategy, which will guide land use planning decisions in Central Sydney for the next 20 years. The strategy aims at maintaining and promoting Sydney's role as a global city and Australia's economic and employment engine. In doing so, the Strategy introduces a number of significant changes to planning controls and land-use provisions, which currently favour residential development, to re-focus on encouraging commercial uses. Implementing these moves will unlock up to 2.9 million square metres of new floor space and create more than 100,000 new jobs and 300 to 520 affordable housing apartments. Among the key proposed changes is the introduction of a limit of 50% residential floor space in new buildings over 55 metres, removal of the current incentives for residential and serviced apartment development and increases in height and density in some parts of the City.

Chinese developer Bridgehill has divested the Kimberley Clark building at 52 Alfred Street, Milsons Point for consideration of \$130 million. Milsons Point is located 3 kilometres north of the Sydney CBD in the local government area of North Sydney. The 10,000m² office building, leased to Kimberley Clark, was purchased by Bridgehill two years ago from Leda Holdings for \$80 million. The site is currently not approved for residential conversion but has the potential to yield up to 175 to 200 apartments.

The former "Samsung" building at 61 Lavender Street, Milsons Point has been acquired by Chinese-backed residential developer Aqualand for \$140 million. Aqualand is an Australian development arm of the Shanghai-based property developer Shenglong. The 9,470m² building sold by the Barana Group has a development approval for a 20-storey tower consisting of 135 apartments. The deal represents a rate of approximately \$14,800 per m² of land or a cost per key (CPK) of slightly over \$1,000,000.

Private Malaysian investment group Citadin has sold an office building at 287 Elizabeth Street for \$55 million on a reported yield of 5%. The 5,856m² office building is located in the Midtown precinct of the Sydney CBD. The off-market deal follows the previous sale of three of Citadin's other properties at 10-14 Quay Street and 775-779 George Street to a Hong Kong private investor for \$42 million. The buildings are located on a combined 1,207 m² site in Haymarket and have mix-used zoning for student accommodation and hotel development.

A Bunnings warehouse in Coffs Harbour has been sold to a private syndicate from Victoria for \$30.6 million. The sale and leaseback deal offers an initial lease of 12 years to Bunnings, with eight options of six years each. The newly developed bulky goods centre sits on a 3.8 hectare site at the intersection of Cook Drive and the Pacific Highway on the NSW North Coast.

Melbourne

Cbus Property, having secured legal firm King & Wood Mallesons as the first anchor tenant at its 447 Collins Street twin tower mixed use development, will begin siteworks in September 2016. King & Wood Mallesons will lease 8,300m², accounting for around 20% of the development's 49,000m² of commercial space, relocating from 600 Bourke Street. In addition to the commercial space, the 42-storey project will include 205 luxury apartments – to be known as Collins Arch – and a hotel. The hotel will comprise 294 luxury rooms plus a ballroom, meeting facilities, restaurant, 15-metre indoor pool and a Flinders Lane cocktail bar. Cbus Property is aiming for the project to become Melbourne's first WELL-rated commercial building when it's completed in 2019. Cbus Property, which acquired the 6,000m² island site in 2013 for \$100 million from ISPT, which retains a right to buy back into the project, gained development approval in April 2016. As a component of the project, 2,000m² of public space will be created around the towers, which may eventually be expanded with the partial closure of the adjoining street, Market Street.

Neighbouring non-profit health organisations – Navy Health and Scope – sold their adjoining owner occupied Box Hill offices for approximately \$32 million to an undisclosed Chinese developer. Located within Box Hill's Major Development Precinct, the 826 and 830 Whitehorse Road properties have a combined site area of 2,650m², offering a 72 metre frontage to Whitehorse Road, as well as rear lane access. The Commercial 1 zoning, within Box Hill's Major Development Precinct, potentially allows a building height of more than 30 levels and a yield of in excess of 500 apartments. Built in 1987, 826 Whitehorse Road, is a two-storey office building with a NLA of 1,115m² and undercover parking for 39 cars. 830 Whitehorse Road, is three-storey office building comprising NLA of 1,722 m² and 130 parking spaces. Both vendors offered short term leaseback terms of up to 15 months.

A private Melbourne-based investor has acquired the Middle Brighton Woolworths for \$32.08 million reflecting an initial yield of 3.8% from a private investor. Trading since 1968 and recently refurbished, the 3,307m² freestanding supermarket at 104 Church Street, Brighton sits on a 4,700m² site with 85 parking spaces on title. Woolworths is currently leasing the supermarket on a 25-year lease which expires in 2040 with the property previously transacting in 1985.

Brisbane

Perth-based development and funds management group Peet has teamed up with major Thai developer Supalai Public Company to form a new joint venture fund (50-50), acquiring two Queensland properties totalling \$37.45 million. The two adjoining sites located in Redbank Plains, 28 kilometres southwest of Brisbane, were bought for \$30.25 million (named "Edens's Crossing") and \$7.20 million respectively, with the former site purchased from Devine and the latter site already under option by Peet. Peet has also been appointed as developer on both sites in order to create an amalgamated 1,100 lot master planned residential community. The project is expected to take six years to complete. This marks the fourth joint venture Supalai has invested into in Australia over the past two years, showcasing the developer's strong interest in the Australian residential market.

Melbourne-based luxury apartment developer Kokoda Property Group has purchased a 3,628m² site bound by 7 Chester Street and 14 Ella Street in Newstead, Brisbane, for \$18.25 million from Australian developer Urban Construct, marking its debut entry into the Brisbane market. The development-ready site was sold with approval for two, 18 storey residential towers totalling a gross building area of 49,639m² as well as 383 car bays and 424m² of prime ground floor retail. Despite approvals, Kokoda have opted to entirely redesign the scheme to meet the market's specific residential demands. The site attracted strong interest from both international and local developers despite apartment oversupply concerns in Brisbane. The sale price represented a land rate of \$4,961 per square metre - a strong result in one of Brisbane's most sought after inner-city precincts.

A private investor has agreed to purchase Cornubia Mall for \$38.25 million on a reported yield of 6.0%. The modern 5,208m² neighbourhood shopping centre was sold by Woolworths with a 15 year leaseback over the supermarket and BWS space with an additional 12 specialty shops and freestanding medical complex. Located at Beenleigh-Redland Bay Road, Cornubia, the centre is located some 27km to the south of the Brisbane CBD. Also to the south of Brisbane, the Jimboomba Junction Shopping Centre has been sold for \$27.48 million to Shopping Centres Australia. The 5,949m² neighbourhood shopping centre is anchored by a Coles with 20 specialty stores and was sold by the Sentinel Property Group. In the CBD a private investor has purchased a strata retail unit at the base of the Festival Towers Oaks building, 108 Albert Street, for \$22.7 million. The 1,033m² of retail space is configured as six retail tenancies currently leased to Priceline Pharmacy, Grill'd, Sukachi, Spoon Deli, Nandos and Sanchurro reflecting a WALE of 4.6 years and an analysed yield of 6.0%.

Perth

A number of high profile retail developments are slated for the Perth region with both Charter Hall Group and Scentre Group/GIC Real estate unveiling significant plans. Charter Hall has lodged a Development Application for a \$150 million development of the Raine Square precinct in the Perth CBD. The plans will turn the 1.2 hectare block into a mixed use precinct, complementing the existing Bankwest Place office tower. The redevelopment is designed to attract global brands and high quality entertainment operators to the retail and entertainment precinct which will also include a new cinema complex and a hotel tower. The proposed redevelopment has been jointly designed by Cox Howlett & Bayley Woodland and Taylor Robinson. To the North Westfield Whitford City is set for a major upgrade with a revamp announced by joint owners Scentre Group and GIC Real Estate, focussing on expanding the dining and entertainment precinct with the first stage to include 10 new restaurants, and eight screen cinema and expanded Rebel Sport tenancy.

The Insurance Commission of WA has sold the 13 storey Westralia Plaza office building to Chinese property developer Zone Q for \$87 million. The 10,585m² building is the second of three offices in the \$800 million ICWA portfolio which has been divested over the past 12 months. Westralia Plaza, located at 167 St Georges Terrace was constructed in 2009 and houses tenants such as Cisco, HWL Ebsworth and Michael Page International. The remaining office asset in the portfolio is the 32,630m² Westralia Square at 141 St Georges Terrace after the Forest Centre sold to YT International in early 2016 for c\$220 million. The retail assets in the portfolio were purchased by Vicinity Centres for \$319 million in late 2015.

Adelaide

Australian Unity Property Income Fund has purchased the 3,536m² office building at 296 St Vincent Street, Port Adelaide for \$8 million. The property sold fully leased to four tenants with the South Australian Housing Trust and Flinders Ports responsible for approximately 89% of the passing income. The property sold with a WALE of 2.4 years (income weighted) and a Core Market Yield of 9.34%. Port Adelaide is approximately 20km north west of the Adelaide CBD.

The South Australian Government has announced a \$50 million commitment to extending the city tramline to the East. The proposed extension will travel east by approximately one kilometre from King William Street toward the old Royal Adelaide Hospital Site on North Terrace. The plan complements the broader AdeLINK plan which is in early feasibility and encompasses a large scale expansion of the tram network across metropolitan Adelaide.

Auckland

A modern, A grade distribution centre at 66 Cryers Road in East Tamaki, Auckland, has sold for \$NZ11.33 million to a local Family Trust. The 8,842m² site, with 6,000m² of warehouse and office space, is set in a prime, high exposure location in East Tamaki. The sale represented a passing yield of 5.9%.

Fletcher Steel Limited has leased an industrial facility at 8-10 Gabador Place in Mt Wellington, Auckland, for 10 years with two rights of renewal of six years each. The 7,762m² area has been leased from Asmuss Properties Limited, for an annual rent of \$NZ903,000 plus GST. The B-grade 1970s built facility will be retrofitted with six gantry cranes and extended staff amenities for the storage, fabrication and distribution of reinforcing steel and associated product

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