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### Knight Frank Research Compass Report

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

#### Sydney

**WeWork, the world's largest shared office space provider, has opened their first collaborative work space in Australia at DEXUS' 5 Martin Place in the Sydney CBD, taking 3,260m<sup>2</sup>.** The arrival of WeWork in the City Core of Sydney will see the coworking industry transforming from an "underground" movement located mostly in converted warehouses in the City Fringe to a mainstream occupier taking on prime locations in the Sydney CBD. According to Knight Frank research, coworking and shared office space in the CBD has more than doubled over the past ten years. By 2017, there will be more coworking space (26,824m<sup>2</sup>) in the CBD than any parts of Metropolitan Sydney.

**Phoenix Transport has leased 8,478m<sup>2</sup> of industrial space at Frasers' speculative development at Horsley Drive Business Park, Wetherill Park in south west Sydney.** The 10-year lease, together with Hello Fresh's commitment of 9,500m<sup>2</sup> at DEXUS's E3 Quarry project at Greystanes, further demonstrates the strong tenant demand for speculative developments in Sydney West. There is up to 61,005m<sup>2</sup> of speculative industrial stock currently under construction as at October 2016. Upcoming new developments will include two GPT projects at Eastern Creek Drive, Eastern Creek (26,850m<sup>2</sup>) and 18-24 Abbott Road, Seven Hills (18,000m<sup>2</sup>) as well as two buildings Frasers are constructing at Horsley Park (7,915m<sup>2</sup> and 7,250m<sup>2</sup> respectively) on the back of two recent pre-commitments by Nick Scalli and Fantastic Furniture.

**The City of Sydney has acquired Pittsway Arcade, a mixed-used commercial building opposite Town Hall Station, for \$43 million.** The eight level retail and commercial building of 3,410m<sup>2</sup> is expected to be demolished by the Council to make way for the construction of the future Town Hall Square, located on the corner of George and Park Streets and adjacent to the proposed metro station on Pitt Street.

**Sydney-based residential property developer Legacy Property has purchased a 28.5 hectare site on Caddens Road in Caddens (in Outer Western Sydney) for \$67.63 million.** The residential-zoned site is to be named the 'Caddens Hill' community, and has plans for the construction of 500 units, a new hilltop park as well as sporting fields on behalf of the Penrith City Council. Located seven kilometres from the Penrith city centre, the site is within proximity to major Western Sydney sites, including Western Sydney University (Kingswood Campus), Nepean Health Precinct, the future Western Sydney Employment Area and the future Western Sydney Airport (Badgerys Creek). Previous residential projects by Legacy Property include Greenway at Marsden Park and CAPITOL at Bondi Junction.

**Chinese-backed Sydney developer JQZ, has purchased a site which was once the factory of Australian chocolate company Darrell Lea at 151-206 Rocky Point Road in Kogarah (in Sydney's south) for approximately \$80 million.** The 3.3 hectare site, earmarked for a mixed-use master-planned community, will provide approximately 550 apartments across four residential buildings and 18 townhouses. The site is located less than three kilometres from the major employment hubs of both Hurstville and Kogarah. Construction is expected to commence in 2017.

#### Melbourne

**Propertylink has secured a lease with Premoso Pty Ltd, a member of the Walkinshaw Automotive Group at 71-93 Whiteside Road and 84 Main Road, Clayton South.** Walkinshaw Automotive Group has committed to a new 15 year lease commencing September 1 2017 over 28,195m<sup>2</sup>. The new lease has increased the lease expiry profile across the Propertylink investment portfolio with the WALE increasing to 4.2 years from 3.6 years. 71-93 Whiteside Road and 84 Main Road is an A-grade warehouse and office estate and comprises three freestanding warehouses with extensive hardstand areas.

**The Victorian Government has purchased 241 Salmon Street in Port Melbourne, which had been the General Motors Holden site for more than 80 years, for \$130 million.** The property comprises 37.7 hectares of predominantly industrial 1 zoned land and 200,931m<sup>2</sup> of existing buildings. While Holden will close its assembly plant on the site, it plans to maintain a corporate headquarters along with design and engineering facilities in Melbourne. The property forms part of the Fishermans Bend Urban Renewal Area, designated by the Victorian Government for future use as an employment precinct, which is expected to accommodate around 40,000 jobs and 80,000 residents by 2046.

**Private investors Manny Stul and Paul Solomon have purchased 620 and 630 Church Street in Richmond from Vantage Property Investments and Property Bank Australia respectively, for a combined total of \$46.8 million.** Both buildings were developed together in 1990 and incorporate a matching design, comprising three-levels with a ground floor showroom and basement car parking. 630 Church Street was purchased for \$23.5 million reflecting a reported yield of 5.1%. The building has a total NLA of 3,184m<sup>2</sup> comprising 1,010m<sup>2</sup> of showroom space, 2,174m<sup>2</sup> of office space and 78 car parking spaces. 620 Church Street was purchased for \$23.3 million and has a total NLA of 3,614m<sup>2</sup> including 1,110m<sup>2</sup> of showroom space, 2,504m<sup>2</sup> of office space and car park accommodating 70 vehicles. Both assets are leased to a range of tenants including Goodyear Dunlop, Delaware North, Make-A-Wish Foundation and Tata Global Beverages.

## Brisbane

**A joint venture between Abacus Property Group and the Investec Australia Property Fund has agreed to purchase 324 Queen Street, Brisbane for \$132.0 million.** Sold by Brookfield Property Partners & DEXUS Wholesale Property Fund, the 19,874m<sup>2</sup> office asset is located on the high profile corner of Queen and Creek Streets with 22 levels of office accommodation and basement parking for 98 cars. There is also an extensive retail component anchored by the flagship ANZ branch. At the time of sale the property was approximately 80% leased with a WALE of 3.2 years. Subject to FIRB approval the sale is expected to settle in December 2016.

**After announcing the establishment of a Cross River Rail Delivery Authority in the May 2016 budget, the Qld government has now introduced legislation to formalise its establishment.** The Authority will be charged with the task of finalising the plans and delivering the infrastructure plus controlling any transit oriented developments around the new Cross River Rail Stations. The Authority is also required to secure the circa \$5.4 billion in funding which will be required. The State Government has committed \$50 million to this first phase of project feasibility and planning with the Federal Government also recently contributing \$10 million to the Authority. The Federal Government funding however comes with the requirement that further consideration be given to combine the Cross River Rail project with the competing Brisbane City Council Metro project, with both projects covering a similar route.

## Perth

**DEXUS Wholesale Property Fund has exchanged conditional contracts to acquire Perth Carillion City Shopping Centre.** The property is being acquired for \$140 million (excluding acquisition costs) with settlement expected in late November. The strategically located mall fronts both Hay and Murray Streets with internal links to other shopping areas within. The Centre comprises of 10,700m<sup>2</sup> of GLAR spread over four floors, with 108 tenancies including Topshop Man, Priceline and The Reject Shop.

**SM Venture Capital, an Australian subsidiary of Malaysia's Seri Mutiara, has purchased an 8,600m<sup>2</sup> site (comprising of three separate lots on the corner of Veterans Parade and Midgegooroo Avenue) in Cockburn (to the south of Fremantle) for \$5.37 million from Landcorp.** The site is earmarked for a \$100 million development of 390 apartments across three towers – two 8-level towers and one 15-level tower, with construction expected to begin by 2018. The site is situated less than one kilometre from Cockburn Central Station (which links directly to Perth's CBD) while also in close proximity to the Cockburn Aquatic and Recreational Centre, Murdoch University and Fiona Stanley Hospital. The purchase in Cockburn marks SM Venture Capital's first venture into the Western Australian market.

## Adelaide

**A local private investor has purchased the Woolworths Shopping Centre in Mount Barker for \$29.71 million.** The shopping centre is anchored by a Woolworths Supermarket, together with discount store Cheap as Chips and six specialties. The property sold on a core market yield of 6.24% and a WALE of 9.9 years (income weighted). Mount Barker is 34 kilometres South-East of the Adelaide CBD.

**Transport and logistics company Northline has announced the development of a new purpose built facility on Gallipoli Drive, Regency Park.** The 10,440m<sup>2</sup> logistics centre is to be positioned on a 2.94 hectare site, adjacent to the ALDI Distribution Centre, and was purchased by Northline in August 2016 for \$4.195 million, representing \$142.50/m<sup>2</sup>. In another industrial land deal, a local private developer has purchased 107-115 Mooringe Avenue, Camden Park for \$3.59 million. The 1.618 hectare site zoned 'Industry' adjoins the purchaser's existing property and represented \$222/m<sup>2</sup> on the land.

## Canberra

**Investment demand for office assets in Canberra remains strong, supported by the relative yield metrics on offer when compared to Sydney and Melbourne.** Prime Super has acquired 111 Alinga Street in Civic for \$76.5 million (prior to adjustments for outstanding incentives) from Brookfield Australia, reflecting a core market yield of 6.97%. The building, also known as "Infrastructure House" was built in 1987 and incorporates a NLA of 16,413m<sup>2</sup> across eight levels. Following a major refurbishment program between 2007 and 2009, including the replacement of key plant and equipment, the building now achieves a 5-star NABERS energy rating. The building is 100% occupied by the Department of Infrastructure and Regional Development following a recent renewal for 10 years.

**A return to more favourable employment growth across Canberra is leading to increased office demand, particularly for sub 500m<sup>2</sup> tenancies within the Civic precinct, highlighted by a number of recent leasing deals.** At 1 Farrell Street, Civic, Government recruitment specialist Gel Gov has committed to lease 149m<sup>2</sup> on the ground floor over a five year term. Similarly, Canberra Consulting has renewed their occupancy on level 1 (280m<sup>2</sup>) of the building for a further five years. Elsewhere, Web and Software Angels has agreed to a 12 month lease for 117m<sup>2</sup> on level 10 at 221 London Circuit, Civic, while Dimension Data Learning Solutions has renewed their tenancy on the same level (576m<sup>2</sup>) for another three years.

### **Auckland**

**Scentre Group has put its last remaining, wholly owned, shopping centre in New Zealand, Westfield WestCity up for sale. This follows the sale of Lower Hutt's Westfield Queensgate, Hamilton's Westfield Chartwell and Auckland's Westfield Glenfield in late 2015.** The shopping centre's major tenancies include Farmers, The Warehouse, Countdown and Event Cinemas, in addition to five mini-major stores and 125 speciality retailers.

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