

COMPASS

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Knight Frank Research Compass Report

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

National

The Federal Government has announced a change to the foreign investment review framework, allowing a foreigner who has purchased an off-the-plan residential dwelling to on-sell to another foreign buyer if it fails to reach settlement. This was announced on 26 November 2016 and is effective immediately. Under the current Foreign Investment Review Board (FIRB) regulations, non-permanent residents are forbidden to purchase established dwellings for owner occupation or investment. Under the new changes, an apartment or house that has just been built, or is still under construction (and for which the title has never changed hands) is not considered an established dwelling; rather reverts to its previous status as a new dwelling. Foreign buyers must still apply and gain approval from the FIRB prior to purchasing property in Australia.

Sydney

WeWork has opened its second location in Australia at 100 Harris Street in Pyrmont, Sydney. The 8,000m² facility is the largest shared workspace in Australia as at November 2016 and can accommodate up to 1,700 members. The opening of the Pyrmont hub will see the total amount of shared and co-working spaces in Sydney reach 44,182m², representing a compound annual growth rate of 41% pa over the last 10 years according to Knight Frank Research. It is understood that WeWork has also signed heads of agreement for circa 4,000m² at the newly redeveloped 333 George Street in the Sydney CBD, due for completion by the end of 2016.

Following the sale of its headquarters at 28 O'Connell Street in the Sydney CBD and the integration with Chubb Insurance, ACE Insurance (now trading as Chubb Insurance) has relocated some operations from 51 Berry Street, North Sydney and 28 O'Connell Street, Sydney CBD to 101 Miller Street in North Sydney. The new North Sydney office covers 3,500m² of space on levels 18, 19 and part of level 17. The office space has been leased from Mirvac and TH Real Estate for a 10 year term at an undisclosed rent.

Nick Scali has pre-leased 12,700m² of warehouse space in Frasers Property Group's Horsley Drive Business Park on the corner of The Horsley Drive and Cowpasture Road, Wetherill Park for a 10 year term at an undisclosed rent. Nick Scali will join Fantastic Furniture which has also pre-committed to 10,310m² in the development. On the back of these two pre-leased buildings, Frasers has commenced the speculative development of two more buildings of 7,250m² and 7,915m².

DEXUS Property Group has exchanged contracts to acquire "The Mill" at 41-43 Bourke Road, Alexandria for \$110.2 million (excluding acquisition costs). The 1.9 hectare site located on the corner of Bourke Road and Huntley Street in Alexandria comprises a mix of 10 modern and refurbished historic buildings, providing 17,579m² of warehouse style retail, office space and car-parking. The property is 83% occupied with a WALE of circa 5 years and major tenants including BlueScope Steel, Genesis HealthCare, Seafolly, Bendon, Under Armour, Mavi, carsales.com.au and The Grounds of Alexandria, a popular food & beverage offering with 15,000-20,000 visitors each week.

Three major residential development sites, with potential for higher density, have transacted in Sydney's North totalling \$95.5 million. Hong Kong developer Aoyuan Property Group purchased two sites – a 6,063m² site at 888 Pacific Highway, Gordon for \$34.5 million, with approval for 144 apartments (equivalent to \$239,583 per apartment) and 730m² of retail. They also purchased a 968m² site, at 1 Womerah Street, Turramurra for \$21.5 million with approval for 79 apartments (equivalent to \$272,152 per apartment). In Chatswood, The Teoh Family purchased Nirad House at 282 Victoria Avenue and 284 Victoria Avenue, in one line, for almost \$40 million. The 2,147m² aggregated site accommodates two commercial buildings, with 5,572m² of office space. Both have been purchased from Ms Annabelle Bennett and Ms Jennifer Darin with potential for mixed use residential redevelopment.

Melbourne

Zig Inge Group has sold 582 Swan Street in Richmond for \$10.1 million to a private offshore investor reflecting a core market yield of 6.18%. The three level office building, constructed in 2009, is situated within the Botanicca Business Park with an NLA of 1,469m² including ground floor retail accommodation, two levels of office space and 28 basement car-parking spaces. Reflecting a building rate of \$6,814/m², the property was sold with a WALE of 3.3 years and is 100% occupied by a range of tenants including Crossmark, Daniel Ash Architects and Symingtons.

A private Melbourne based investor has acquired 15-31 Pelham Street in Carlton North for \$37.05 million from Forza Capital, reflecting a core market yield of 6.1%. The property comprises two interconnected office buildings including a 1990's two level brick building and five level building constructed in 1991. Located on a 3,772m² site, the building has an NLA of 5,999m² with 160 basement car-parking spaces. Currently 100% occupied by a mix of State Government departments and private corporates, the building was sold with a WALE of 4.4 years and reflected a building rate of \$6,175/m².

Selected Growth Property Trust has sold 438 Elizabeth Street in the Melbourne CBD for \$75 million to a private Chinese investor, reflecting a reported passing yield of circa 4.5%. The 11 level B grade office building was constructed in 1990 and has an NLA of 13,814m² including 107 car-parking spaces on levels one and two. Major occupiers include RMIT University, Australian Government WCS and Reeds Consulting including ground floor retailers. Selected Growth Property Trust purchased the asset in 2005 for \$28 million from the Automotive, Food, Metals and Engineering Union (AMWU) and undertook a major refurbishment of the foyer.

Beijing private conglomerate Changsheng has purchased the former Bradmill Denim factory site in Yarraville for \$172 million from local developer Colin De Lutis' De Group. A joint-venture was established with local private investor, Tommy Jiang, who had agreed to buy the site for \$160 million a year earlier. Fronting Francis Street, with the Westgate Freeway adjoining the rear boundary, the 24.3 hectare 'Yarraville Gardens' site has the potential to yield up to 3,750 apartments with a new Yarraville library on the ground floor, and a proposed 52,000m² shopping centre with two supermarkets and 30 shops. The approved master plan is likely to span up to seven years with Peddle Thorp Architects to design the project. The De Group purchased the site for \$7 million in 2002 and paid \$16 million for two adjoining sites in later years. The area was rezoned from industrial to mixed-use with residential in 2011.

Brisbane

An industrial asset at 463 Newman Road, Geebung has sold to private syndicator Pipeclay Lawson for \$24.5 million. The asset has a lease in place to National Glass over an existing building and also a new lease over a large newly constructed building, with a combined WALE of 13.6 years. The vendor, Vann Properties, is associated with the tenant National Glass and had only recently completed the construction of a long, thin, specialised building for a production line. The sale reflects a core market yield of 6.89%. The preference of industrial tenants for newly constructed accommodation has continued with National Tiles pre-committing to 13,150m² of office warehouse space at Wayne Goss Drive, Berrinba for a 5 year lease term at a reported rent of \$105/m² net. The asset will be constructed by Frasers Property Australia with a further 6,302m² of the space in the building remaining available. The Goodman Group has also recently leased 6,400m² of new industrial space which is being speculatively developed as part of a 30,000m² facility in Lytton to the Deliver Group on a 5 year term at \$120/m² net.

A modern office building at 41 O'Connell Terrace, Bowen Hills has been purchased by VennCap on behalf of a private family for \$52 million. The 7,641m² building was developed in 2014 by the vendor CBIC (City of Brisbane Investment Group) with major tenants including the Tunnell Control Centre (1,778m²) and the Queensland Health (3,028m²). The asset has a WALE of 9.3 years and the purchase represents a core market yield of 6.37% and a passing yield of 6.51%.

Transaction activity in neighbourhood retail centres has remained strong with the Banyo Retail Centre, 221 Tufnell Road, Banyo selling to a private investor for \$34.5 million. The recently completed 5,136m² centre, which commenced trading in May this year is anchored by Woolworths. Sold by the developer ADCO, the sale reflected a core market yield of 6.0%. Other recent sales have included Everton Plaza for \$27.7 million and Lillybrook Shopping Centre for \$25.5 million. Everton Plaza, 791 Stafford Road, Everton Park is a 7,198m² centre anchored by Coles with a further 30 plus specialty retailers and service providers across three separate buildings. The centre has been purchased by Reds Group at a core market yield of 7.1%. The AREIT Shopping Centres Australasia Property Group is the purchaser of the Lillybrook Shopping Centre, Kallangur bought from Alceon and Taylor Bridge Capital. The \$25.5 million transaction over the 6,700m² centre, which is anchored by Coles, represented a fully leased yield of 6.7%.

Adelaide

A local private syndicate has purchased a half share of 91 King William Street in the Adelaide CBD from Abacus Property Group for \$88.5 million. The property is leased to 24 tenants with a WALE of 3.0 years (income weighted) and major tenants include the SA Government and Westpac. The sale price reflects a core market yield of 6.93%. Included in the sale is Perpetual House, located at 89 King William Street, and the Delmont Building, located at 16 Anster Street.

Credit Suisse has purchased 25 Grenfell Street in the Adelaide CBD from GDI Property Group for \$125.1 million, reflecting a core market yield of 7.48%. The property, which is a multi-tenanted asset with 25 tenants in occupation, sold with a WALE of 5.0 years (income weighted). Major tenants include the SA Government and Minter Ellison Lawyers.

Canberra

The Murray-Darling Basin Authority (MDBA), responsible for the water resource planning and management of the Murray-Darling Basin, has leased 3,982m² at Molonglo Group's 33 Allara Street, Civic on a 10 year term. MDBA will occupy levels 5, 6 and 7 at 33 Allara Street in addition to 40 basement car parks. Commencing in April 2017, MDBA will relocate from their existing premises at 51 Allara Street, Civic which they have occupied since January 2007.

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