

COMPASS

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Knight Frank Research Compass Report

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

Portfolio Sale

American-listed Blackstone has purchased a four-property industrial portfolio in Victoria and Queensland from two Charter Hall Funds for \$126 million. The portfolio was 95% leased, acquired on a reported combined capitalisation rate of 6.98% with a WALE of 5.2 years and a combined lettable area of approximately 150,000m². The four properties included an asset at 2-10 Interchange Drive, North Laverton (Melbourne) which is a modern logistics facility with 20,634m² on a 40,910m² site tenanted to Spotlight and Specialised Australia, and was sold by the Charter Hall Prime Industrial Fund (CPIF). The other Melbourne asset, 5-29 Frederick Road, Tottenham is a major landholding of 16.4ha improved with a 100,990m² facility leased to AWH Pty Ltd and was sold by the Charter Hall Core Logistics Fund. In Brisbane, 175 Eagle Farm Road, Pinkenba is an existing 5,222m² facility with expansion works almost completed for a further 5,930m², which will be leased to Agility Transport for a new 10 year term over the whole building upon completion. The asset, located on a 2.48 ha site in the TradeCoast precinct, is being divested by CPIF. The Geebung asset, which is also being divested by CPIF, is located at 140-160 Robinson Road, is a multi-tenanted facility of 17,379m² on a site of 2.77 ha with major tenants including Protector Allsafe and TJM.

Sydney

A local private developer has purchased a residential site in Double Bay for \$54.6 million. The Roche family sold the 1,258m² site with development approval for a mixed-use building including 34 apartments and retail on the ground floor, designed by Bates Smart. Located at 20-26 Cross Street, the site is opposite the InterContinental Hotel and within 300 metres of Double Bay Wharf and Steyne Park. The Knox Street shopping strip runs parallel to the subject site, while the Cosmopolitan Centre, Double Bay Library, Royal Oak Hotel and the Golden Sheaf Hotel are within walking distance.

An undisclosed offshore investor has acquired 22-28 Edgeworth Avenue, Hornsby for \$22 million from Abacus Property Group. The property is a 3,506m² building with three levels of office accommodation, a ground floor medical centre and basement parking. It is located with close proximity to the Hornsby CBD and 27 kilometres north west of the Sydney CBD. According to Knight Frank Research, Hornsby's vacancy rate has declined to 5.4% as at January 2017 from 8.9% a year ago, as a result of positive tenant demand amid the strong withdrawal of office stock. The sale represents a core market yield of 5.42% with the tight yield reflecting the B4 Mixed Use zoning and potential for residential redevelopment.

Real Asset Management Group has purchased Broadway Plaza at 1 Broadway, Punchbowl for \$41.2 million from receivers PPB Advisory. The 8,455m² neighbourhood shopping centre is located 17 kilometres south west of the Sydney CBD. The centre is anchored by a Woolworths supermarket in addition to 3 mini major retailers, 27 speciality stores, 2 ATMs and one vending machine. The transaction was conducted on a fully leased net passing yield of 8.0% and a 10 year WALE by area.

Melbourne

Three land parcels totalling 174 ha have been purchased recently across Greater Melbourne with a total value of \$185 million. In the North, Stockland has purchased a 77 ha site from the Cicerale family at 1780 Mickleham Road in Craigieburn for approximately \$75 million. In Tarneit, in the West, a 62 ha site at 1030 Dohertys Road was purchased by Growland for approximately \$70 million. While in the South East, in Clyde, Wolfdene and the Blueways Group have purchased a 35 ha site on Ballarto Road, with potential for almost 600 dwellings, for approximately \$40 million.

Private syndicator Henkell Brothers Investment Management has purchased the Hastings Central Shopping Centre for \$32.1 million reflecting a reported yield of 6.2%. Located at 22 Victoria Street in Hastings, the centre comprises a total GLAR of 8,015m² on a 1.9 ha site including 213 car parking spaces. The property is anchored by a Kmart with four years remaining on the lease, combined with a recently constructed Aldi supermarket and 13 speciality shops. The Hastings Central Shopping centre services a catchment of approximately 46,060 people and is the first Victorian shopping centre to change hands in 2017.

Macquarie Capital backed LOGOS Property Group has purchased 27-43 Toll drive in Altona North from local developer Cadence Property Group for \$27.3 million. Sitting on a 9.7 ha site, the property comprises two adjoining buildings leased to Toll Transport and Visa Global Logistics with a combined GLA of 21,720m². 27 Toll Drive was constructed in early 2016 having been purpose built for Visa Global who leased the facility on a ten year term. The property comprises 3,905m² of warehouse space combined with two levels of office accommodation totalling 1,190m². 43 Toll Drive was constructed in 2005, originally purpose built for Toll Transport who will vacate the property in 2017. The facility comprises

office and warehouse accommodation with a total GLA of 16,229m². LOGOS Property recently purchased the Oxford Cold Storage Facility and the Toll NQX facility in Altona for a combined total of more than \$250 million.

Brisbane

Centuria Property Funds has agreed to purchase a suburban office building 1231-1341 Sandgate Road, Nundah for \$106.25 million. The asset is set to be placed within the single asset unlisted fund, Centuria Sandgate Road Fund. Nundah is located in the Inner North East suburban office market and is located 9 kilometres from the CBD and in close proximity to the Brisbane Airport, with the building serviced by the Nundah railway station. Sold by Growthpoint Property the 12,980m² building features floorplates of 1,537m² - 2,150m² and was sold with a WALE of 9.7 years (by area). Energex is the largest tenant in the fully occupied building, with a number of floors sub-leased to Queensland Health. The sale reflected a core market yield of 6.32%, representing a benchmark level for a significant Brisbane suburban asset.

A joint venture between Ariadne and Kevin Seymour has purchased 40 Tank Street in the Brisbane CBD for \$56.1 million. The office building has 6,218m² of B grade office space with a large carparking component of 321 bays. Sold by 151 Property Group, controlled by US-based Blackstone, the property was originally part of the GE Australia portfolio and was one of a number of assets offered to the market by Blackstone in late 2016. With a WALE (by income) of 6.3 years the transaction reflected an initial yield of 5.8% with the purchaser understood to be taking on any outstanding incentives.

Canberra

South Korean group Mirae Asset Global Investments has acquired 50 Marcus Clarke Street in Canberra's Civic precinct for \$321 million, reflecting a rate of \$7,895/m². The asset was acquired from CIMB-Trust Capital Australian Office Fund No. 1 and represents a record sale for an office complex in Canberra. Constructed in 2010, the 12 level A grade office building incorporates 40,201m² of office space and is 100% occupied by The Department of Education which has a further 8.2 years remaining on the lease with expiry in May 2025. Floorplates are of an L-shaped configuration and provides up to 3,350m² on most upper levels. The sale reflected a core market yield of 5.69% and represents a significant premium to the \$225.9 million paid for the asset in March 2012.

Perth

A 9,984m² site located on 592-612 Hay Street and 2 Bishop Street, Jolimont has been purchased by Bunnings for \$13 million. The development site sale reflected a price per square metre of \$1,302m². The site, which is located in the City of Subiaco, 1 kilometre from Subiaco's centre, has commercial and residential zoning. With a 166m frontage to Hay Street, it is most likely that a Bunnings warehouse format store will be developed.

Adelaide

Renewal SA (SA Government) has sold 2 Second Avenue, Mawson Lakes for \$32.1 million, an office and warehouse facility located within Technology Park approximately 12 kilometres north of the Adelaide CBD. The two storey office building (7,412m²) received extensive upgrades in 2015 including the addition of a warehouse facility (1,230m²). The property sold subject to a 15 year lease to ASX listed CODAN expiring December 2030 with one renewal option of 10 years. The sale reflects a core market yield of circa 7.6%.

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