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Knight Frank Research Compass Report

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

Portfolio Sales

Sentinel Property Group has purchased a portfolio of three neighbourhood shopping centres in regional NSW for \$36 million. The centres have been purchased from private developer GWH on a reported blended initial yield of 8.8% and include;

- Tanilba Bay Shopping Centre at 67 Beatty Boulevard, Tanilba Bay,
- Rutherford Shopping Centre on the corner of Arthur Street and East Mall, Rutherford, and
- Gunnedah Shopping Centre at 80-98 Little Conadilly Street, Gunnedah.

360 Capital has purchased two industrial facilities in Queensland and New South Wales for a total purchase price of \$79.4 million. The assets, purchased from Arena Funds Management, include;

- 2 Woolworths Way, Warnervale (on the NSW Central Coast) - a 55,000m² distribution centre, and
- 21 Jay Street, Townsville (in Far North Queensland) - a 4,726m² industrial facility.

The Propertylink Australian Industrial Partnership (PAIP) has purchased two industrial assets in Melbourne for a combined sum of \$23.54 million, which follows the recent purchase of 10 industrial properties from Abacus for \$106 million. The properties include;

- 18-24 Ricketts Road, Mount Waverley - a 8,806m² complex at purchased on a reported yield of 8.16%, and
- 82 Taryn Drive, Epping - a 10,500m² warehouse purchased on a reported yield of 8.75%.

Sydney

DEXUS Wholesale Property Fund has acquired two sub-regional shopping centres in regional NSW for a total consideration of \$159.7 million. In Woy Woy on the NSW Central Coast, the 18,200m² Deepwater Plaza has been purchased from an interest associated with Mr Jerry Schwartz for \$98.5 million. The centre is 99.5% occupied and has a 7.4 year WALE with tenants including Coles, Kmart, Ritchies Supa IGA, Best & Less, Liquorland and 51 specialty shops. The fund has also acquired Sturt Mall at 135-143 Baylis Street, Wagga Wagga from the NSW Local Government Superannuation Board for \$61.2 million. The major anchor tenants are a Coles Supermarket and a Kmart in addition to 13 specialty stores covering 15,250m² of GLAR, although there is development approval for this floor area to be increased by 6,000m². The two retail assets transacted on reported capitalisation rates of 7.25% and 7.50% respectively.

The Salvation Army has purchased 261-265 Chalmers Street, Redfern for \$45 million. The 11,500m² office building has been purchased from a joint venture comprising Trivest and the South Sydney Rugby League Club. The asset was purchased for owner occupation purposes, with the Salvation Army's Australia Eastern Territorial Headquarters (THQ) to occupy three floors of the five-story building. The building's other tenants are a Woolworths Supermarket and the South Sydney Leagues Club. THQ will relocate from their nearby 140 Elizabeth Street building, which the Salvation Army intend on leasing out. The building purchase and fit out will be funded by the sales of other Salvation Army properties.

Melbourne

A Chinese-backed development company has acquired a four hectare residential infill site in Footscray for circa \$60 million from the Melbourne-based developer AXF Group. Formerly the Kinnears Ropeworks factory at 124-188 Ballarat Road, the site is located seven kilometres west of the Melbourne CBD. AXF Group acquired the business zoned site in 2007 for \$17 million and gained approval for approximately 1,500 dwellings with some retail space having rezoned the site in 2011.

PricewaterhouseCoopers (PwC) has pre-committed to a new \$200 million office tower for their new Victorian head office, in the Southbank office precinct, which will be developed by Mirvac Group. PwC will relocate from Freshwater Place (also in Southbank) and has committed to a 12-year lease over 17,200m² of the 21,000m² development at 2 Riverside Quay. Mirvac intends to build an A-grade 12-level office building above the existing 8-storey car park and includes the

rejuvenation of the existing car park, along with upgrades to the public realm in the Riverside Quay precinct. The new tower is scheduled for completion in late 2016 and is targeting 5.0 Star Green Star Office Design rating and 4.5 Stars NABERS rating.

ISPT Core Fund has acquired a 50% interest in the Waurm Ponds shopping centre for \$63 million from Australian Unity Retail Property Fund. The sub-regional shopping centre is located seven kilometres south west of Geelong CBD and currently comprises a GLAR of 26,486m² set on a 6.5 hectare site, with 1,079 car spaces. The shopping centre is currently anchored by a Woolworths and a Target, alongside an 8-screen Readings cinema complex and 89 specialities. The centre is presently undergoing a redevelopment (which is scheduled for completion in September 2014) that will extend the centre into a 34,996m² shopping centre that will include 120 specialities and 1,955 car spaces post the expansion.

The final master plan has been approved for Fishermans Bend, an inner city Melbourne suburb comprising a mix of residential, commercial, industrial, retail with entertainment and community facilities. Located in Port Melbourne, the formerly industrial dominant, 250 hectare urban renewal area comprises four precincts including Lorimer on the eastern side of the Bolte Bridge and within the City of Melbourne and Montague, Sandridge and Wirraway precincts located in the City of Port Phillip. The vision is to link through to the CBD with a tram bridge over the Yarra River at Collins Street in Docklands, although this has yet to be approved. The forty year project will support 40,000 new jobs and homes for 80,000 new residents.

Brisbane

The Investec Australia Property Fund has contracted to purchase 757 Ann Street, Fortitude Valley for \$65.5 million. The South African listed fund, which invests in Australian assets, has the property under due diligence and subject to shareholder approval, capital raising and FIRB approval, with settlement expected to be achieved before the end of October 2014. The building was completed in July 2014 and has 10 levels of office accommodation totalling 8,688m² plus ground level retail of 437m² and basement parking for 45 cars. The property was sold with a 10 year pre-commitment to Ventyx Pty Ltd over 5,185m², a 5 year lease to Corporate House Services (associated with the vendor) for 1,761m² and a 5 year rental guarantee over the remaining 1,742m² and the retail space. This provides a WALE of 7.54 years and the sale reflects a passing yield of 8.34%. Should the space under the rental guarantee be leased at rates higher than the guarantee level, a further \$4 million (maximum) is to be paid to the vendor, SIP Australia, which is a joint venture between two local developers.

In other Brisbane Fringe market activity, local investors the Zupp Property Group have purchased 349 Coronation Drive, Milton for \$15.03 million from the Queensland Canegrowers Association. The 3,983m² office building has basement parking for 87 cars and has river views from the circa 1,000m² floorplates. The asset was sold with a vacancy of approximately 30%. In addition it has been reported that Sentinel Property Group is purchasing the 15,641m² Citilink Business Centre in Bowen Hills for a price in the order of \$65 million.

Federation Centres have signed an unconditional contract to divest Centro Springwood for \$53.25 million to a private investor. The sub-regional centre is located some 20km to the South of the Brisbane CBD and is anchored by a Target and Woolworths supermarket. The centre contains a total of 15,559m² of retail space with the majors supported by 46 specialty retailers with parking on site for 944 vehicles.

Bunnings Property Trust has agreed to sell the vacant former distribution centre at 9 Anton Road, Hemmant for \$21.275 million. The 18,289m² facility was purpose built for Bunnings in 2004, however was vacated in favour of Bunnings' new 30,450m² centre in April 2014. The asset has a land component of 3.54 hectare and is under contract to the Australian Prime Property Industrial Fund. This adds to the fund's recent purchase of 2828 Ipswich Rd, Darra for \$16.70 million.

Perth

Stockland, one of Australia's largest diversified property groups, has purchased the WA-based Brownes Dairy head office, processing and distribution centre at 22 Geddes Street, Balcatta for \$53.5 million reflecting a reported initial yield of 7.50% (excluding excess land component). At 11.94 hectares, the property occupies the largest commercial site in Balcatta which is located approximately 13 kilometres north of the Perth CBD. The site is developed as a dairy processing, logistics and distribution facility complete with offices, amenities and fully insulated production storage and freezer areas. The sale includes a surplus land component of 3.85 hectares over two lots, which will be available for future redevelopment and subdivision. Brownes, who have been operating since 1886, committed to a 20 year lease over approx. 80,848m², commencing at the time of settlement on a triple net basis generating a net passing income of approximately \$3.2 million per annum.

MercyCare, a not-for-profit provider of aged care, community health and children's services, has purchased 38 Ord Street in West Perth for \$11 million, reflecting an initial passing yield of 8.1%. The property is a 15 year old, 3-level office building with an NLA of 1,580m² and parking for 36 cars, which is located within the main commercial precinct of West Perth, positioned on the northern alignment of Ord Street between Outram and Colin Streets. The building is fully leased to Veritas

DGC with a lease expiry of October 2014 with no further option periods, at which time MercyCare will take full occupancy of the building. Accordingly, the building has been purchased for owner occupation rather than investment purposes. The initial passing yield of 8.1% is based on the current passing income per annum which is considered to be in-line with market.

The Peet Group and the ABN Group have purchased a 62 hectare site in Midvale, approximately 20 kilometres east of the Perth CBD, for \$18.1 million. The property comprises three adjoining landholdings with the majority of the land being flat and low lying, incorporating a number of water courses, in addition to being adjacent to high voltage transmission lines traversing the locality. Based on the indicative planning advice available at the time of sale, 36.11 hectares of the land is developable, with the remainder of the land required to be set aside for parks and recreation reserves, as well as easement reservations. A draft structure plan has also been prepared for the site depicting subdivision into 610 residential lots as well as a small local centre site. The sale reflects a land rate of \$501,203 per hectare of developable land and a rate per lot of \$29,624.

Stockland has purchased a 37.44 hectare land parcel adjacent to its Whiteman Edge residential estate at Lot 310 and 15 Woollcott Avenue, Brabham (in Perth) for \$28.1 million. The site has been purchased from the Department of Housing with the potential to yield 570 lots. The property incorporates two englobo lots forming the undeveloped balance land of the Whiteman Edge estate. The locality of Brabham is situated within Perth's expanding north eastern metropolitan corridor, approximately 17 kilometres north east of the Perth CBD, 5.5 kilometres south of Ellenbrook and 7 kilometres north of the metropolitan regional centre of Midland. Lot 310 has a predominant residential land use, with minor areas designated as 'Local Park', while lot 15 requires further structure planning prior to subdivision, however is also identified as having a predominantly residential land use in accordance with the Albion District Structure Plan. The sale reflects a land rate of \$750,472 per hectare and a rate per lot of \$49,298.

In late July, a modular housing project comprising 77 apartments, over six stories, was constructed within ten days. The Adara apartment building is part of the third stage of the WA Department of Housing's Stella Village, Cockburn Central. The factory fabricated one-and-two bedroom apartments weigh 22 tonnes and measure 16 metres by 4.5 metres, with floor areas ranging from 50-75 square metres. The Housing Minister revealed that the prefabricated apartments cut construction time in half, with potentially 15 apartments per day being erected. With construction costs reduced by 12 percent, 50 percent less building waste and 30 percent more energy efficient than the average apartment, it's likely this type of product will be embraced to promote the affordable housing strategy. The whole project is forecast to take 12 months from site works to market and is the first of its kind in Perth.

Adelaide

Local developer, Pep Rocca has purchased a 10 level B Grade commercial office tower located at 100 Pirie Street, Adelaide for \$28.5 million, reflecting a core market yield of 9.66%. The office tower provides basement car parking, ground level retail and eight upper levels with rooftop plant room. The building sold with a WALE of 2.2 years income weighted and has a total NLA of 9,022m². The major tenant for the building is the Minister for Administrative Services - Department of Environment & Natural Resources, occupying 55% of the total building NLA until April 2015.

Primewest has purchased Dernancourt Village, a local neighbourhood shopping centre located on Lower North East Road for \$25.5 million, reflecting an initial yield of 8.21%. The shopping centre is currently anchored by Coles and Goodlife Health Clubs, both on 15 year leases along with 15 other speciality shops. The centre sold with a WALE of 7.6 years income weighted and has a total GLAR of 8,414.5m².

Canberra

Sentinel Property Group has purchased the Homeworld Shopping Centre at 150-180 Soward Way, Tuggeranong for \$31 million. The 12,200m² neighbourhood centre has been purchased from Charter Hall's PFA Diversified Property Trust on a reported yield of 9.8%. The single level centre is tenanted by the Department of Human Services, Aldi Foods, Dan Murphy's and PJ O'Reilly's Authentic Irish Pub as well as 29 specialty tenancies. The centre occupies an entire block and is configured around the perimeter of the property with a central car park. There is redevelopment potential on the site given the recent approval of the draft plans to permit increased building heights in key locations across the Tuggeranong town centre.

Two residential sites within the Peninsula precinct, along the Kingston Foreshore, have been sold by the Land Development Agency. Madison has purchased a 2,715 m² land parcel for \$7.35 million with approval for 76 apartments and Wet Creek Holdings has purchased a 2,474 m² land parcel with approval for 75 apartments for \$6.96 million. The Peninsula precinct is the next area to be developed along the Kingston Foreshore after The Pier was launched in July by developers, Doma Group.

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