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Knight Frank Research Compass Report

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

Sydney

REST Industry Super has purchased the Eclipse Tower in Parramatta for $167.5 million. The asset was bought from Leighton Properties and Grosvenor Australia, who had developed the 25,660m^2 building, completed in September 2012. Anchored by tenants Landcom, Deloitte and QBE, 83% of the office space was leased, however the asset was reportedly sold with an 18 month rental guarantee over the vacant space and reflected a yield of 7.28%. The property, located opposite the Parramatta bus and rail interchange was designed to achieve a minimum 5-star NABERs Energy rating and a 5-star Green Star rating.

US private equity group Blackstone, has acquired Top Ryde City Shopping Centre in Ryde for $341 million. The 78,215m^2 Regional shopping centre was purchased from receivers McGrathNicol. The centre had been re-developed by the Beville Group for a reported cost of approximately $800 million and commenced trading in 2010. However the centre was placed into administration at the beginning of 2011 with estimated loans of $700 million. The centre is anchored by Myer, Big W, Woolworths, IGA-Franklins and Aldi and includes around 250 specialty stores.

Kingsmede has purchased 162 Blues Point Road, McMahons Point for $20 million from AMP Capital Investors at a reported yield of 9.66%. The 4,056m^2 office building, which is located adjacent to the North Sydney market, included basement parking for 59 cars and was developed in 1999 before being refurbished in 2010. The month also saw a second office building transact in the same street with Centennial Property Group purchasing 182-186 Blues Point Road, McMahons Point for an undisclosed sum. The 9-storey office block with NLA of 4,296m^2 was purchased from Eureka Core Fund 3.

Melbourne

The DEXUS Property Group (DXS) has acquired 40 Market Street in the Melbourne CBD for $46.7 million from WA-based Entrust Funds Management, reflecting a passing yield of 8.87%. The 9-level office building comprises 12,011m^2 of lettable office area and is fully leased to Powercor, Victoria’s largest electricity distributor, with the lease expiring in December 2018. DEXUS believe this to be an opportunistic play, adding value via further capex upgrades and the extension of the lease. The existing lease requires the tenant to pay all outgoings and is responsible for repairs and maintenance of a non-structural nature. The lease term includes fixed 3.75% increases annually.

IOOF has purchased two adjoining warehouses comprising 26,376m^2 for a reported $24 million. IOOF will place the asset into the Property Plus diversified trust vehicle. The facility at 1-16 Andretti Court, Truganina in the West Park Industrial Estate was speculatively developed by Australand and leased prior to practical completion to online retailer, Catch of the Day, for a 7 year term. Australand's West Park Industrial Estate, which sits on 290 hectares along Boundary Road, is also home to Chep, Kuehne & Nagel, Mitre 10, Queensland Cotton, UTi Logistics, Freight Specialists, La-Z-Boy and Bed Bath N' Table. According to Knight Frank analysis, retailing based occupants have taken up 43% of industrial space leased this year, committing to some 212,047m^2 of the 498,478m^2 leased.

Brisbane

In the Brisbane CBD, an entity associated with local private investors, the Brice family, has purchased 443 Queen Street for $40 million. The building had previously been under contract to Nathan Tinkler, however this was not completed. The 5,574m^2 building is located on a site of 2,183m^2 fronting the Brisbane River. The five level building was sold by Bramley Properties and reflected a core market yield of 8.33%. The building was sold with a new three year lease to Hatch over 4,100m^2 (72%) of the building, with the remainder vacant at the time of sale.

The past month also saw two further smaller office building sales. Firstly, located in the inner Brisbane suburb of Fortitude Valley, 252 St Paul’s Terrace has been purchased by a private Malaysian based investor for $17.37 million. The office building is fully occupied by the Carrick Institute of Education (expiry 2018). This is a four level office building covering 3,627m^2 and a further site of 908m^2 to the rear. The building has been heavily renovated to suit its educational use. The second building is 48 Miller

Street, Murarrie an office building located within a small suburban office park adjacent to an industrial region. The 2,967m² property is leased to RACQ Insurance on a 5+5 year term and reflects a passing yield of 9.13%. This was purchased by a private Melbourne based syndicate for $13.6 million. The building is located on a site of 8,184m² and has on-site parking for 150 vehicles as well as the potential to add to the building with approval for a 1,450m² office or warehouse extension.

There have also been a number of sales across the smaller end of the retail market with a private investor purchasing the Kensington village Shopping Centre in Bray Park (a suburb of Brisbane) for $13.3 million. The 6,151m² centre is anchored by a Coles supermarket and reflected a reported passing yield of 9.76%. FKP Property Group has divested their 50% share of the Browns Plains Homemaker Centre for $15 million. The centre, located on the outskirts of Brisbane contained 24,961m² of bulky retail space, anchored by Harvey Norman. On the Gold Coast an 809m² retail property located at 25-29 Cavill Avenue, Surfers Paradise has been purchased from Australia Post for $7 million.

After an extensive search Bunnings has announced a pre-commitment to a 30,450m² warehouse facility at Port West Estate, Lytton in Brisbane. The retailer has signed a ten-year lease from completion however the rental has not been disclosed. Other recent industrial transactions have included the purchase of 145-147 Archerfield Road, Richlands for $18.5 million by Sentinel Industrial Trust No.6 at a passing yield of 12.52% and a WALE of approximately 2 years. The 20,895m² industrial complex was sold by 360 Capital. In nearby Rocklea, FKP Core Plus Fund 2 has divested 1805 Ipswich Road, Rocklea for $14 million. The 9,368m² building is located on a site of 5.12ha and is leased to Iveco until 2018.

Perth

The Perth Diocesan Trustees is to refurbish and add to the Cloisters Arcade building at 861 Hay Street, Perth CBD. Plans for the new development include circa 2,000m² of retail area, with 10,900m² of office space above. Engineering firm Aurecon have pre-committed to 5,000m² of the office space. In addition to this, the Diocese are refurbishing 565 Hay Street to include around 8,000m² of office space.

It has also been announced that Shell has pre-committed to be the major tenant of the yet-to-be constructed K2 building in King's Square. King's Square is part of the Perth City Link redevelopment and neighbours the newly completed Perth City Arena entertainment complex.

GDI Property Group has acquired 1 Adelaide Terrace for $102.55 million, on a passing yield of 9.86%. The distinctive, semi-circular building is situated at the eastern end of the Perth CBD, opposite the 40ha Riverside redevelopment. At the time of sale, the building had a WALE of 4.9 years, with its major tenants being the Minister for Works, Lycopodium Engineering and Worley Parsons – these three accounting for 83% of NLA. At the other end of the CBD, a private investor has purchased 218 St Georges Terrace for $29.5 million. The building transacted with a passing yield of 9.62%, reflecting its WALE of 1.8 years.

Adelaide

Mirvac (MPT) has sold the BT Centre at 1 Hugh Cairns Avenue, Bedford Park in the Adelaide suburban market for $16.5 million. A private investor has purchased the asset which provides 6,224m² of office space in the precinct, which adjoins Flinders University. Fully tenanted by BT Financial Group (a subsidiary of Westpac) as an operations and call centre, the property sold with a WALE of 7.2 years on a core market yield of 10.51%, which likely reflected the specialised improvements, the suburban location and the price bracket.

Auckland

Southside Group director Chris Jones and an investment partner have sold the CallPlus Business Centre at 110 Symonds Street to South Island-based investor, First NZ Properties Ltd for NZ$26 million, on a reported yield of 8.8%. The main driver of the acquisition was to replace the Ernst & Young House in Christchurch, which was demolished following the Canterbury earthquakes. The twin-towered, 8,788m², ten-storey office building has multiple tenants anchored by CallPlus. Sitting on a 1,852m² site, the building was completed in 1988 and was put on the market after being extensively modernised and refurbished.

Christchurch

The NZ Government has requested proposals for the redevelopment of the central Christchurch CBD retail sector under a specific proposal request. The retail core is subject to an "Outline Development Plan" process which requires potential developers to submit a proposal for the development of a minimum 7,500m² parcel of CBD land. The special purposes Government Act does not require the submitters to own the land and was designed to attract outside investment interest. One of the larger projects submitted to the NZ Government is a JV between Westpac and Goodman which is a NZ$200 million development project, with Westpac as the anchor tenant committing to 10,000m² of office space. There are four further separate projects on adjoining land, with these all likely to proceed. Total value for all projects is circa NZ$500million.

Research Contact

Australia
Matt Whitby
National Director
Head of Research & Consulting
+61 2 9036 6616
matt.whitby@au.knightfrank.com

Agency Contacts

Australia
Stephen Ellis
Executive Chairman
+61 2 9036 6611
stephen.ellis@au.knightfrank.com

New South Wales
Richard Horne
Managing Director
+61 2 9036 6622
richard.horne@au.knightfrank.com

Victoria
James Templeton
Managing Director
+61 3 9604 4724
james.templeton@au.knightfrank.com

Queensland
Grant Whittaker
Managing Director
+61 7 3246 8807
grant.whittaker@au.knightfrank.com

Western Australia
John Corbett
Managing Director
+61 8 9225 2561
john.corbett@au.knightfrank.com

South Australia
Peter McVann
Managing Director
+61 8 8233 5210
peter.mcvann@au.knightfrank.com

Australian Capital Territory
Terry Daly
Managing Director
+61 2 6221 7869
terry.daly@au.knightfrank.com

Auckland
David Sylvester
Director
+64 9 555 6052
David.sylvester@nz.knightfrank.com

Christchurch
Layne Harwood
Managing Director
+64 3 377 1460
layne.harwood@nz.knightfrank.com

Research & Consulting Contacts

Australia
Vanessa Rader
Director - Consulting
+61 2 9036 6715
Vanessa.rader@au.knightfrank.com

New South Wales
Nick Hoskins
Associate Director
+61 2 9036 6766
Nick.hoskins@au.knightfrank.com

Victoria
Richard Jenkins
Director
+61 3 9604 4713
Richard.jenkins@au.knightfrank.com

Western Australia
Alison Smith
Research Manager
+61 8 9225 2434
Alison.smith@au.knightfrank.com

Queensland
Jennelle Wilson
Director
+61 7 3246 8830
Jennelle.wilson@au.knightfrank.com

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