



## AUGUST 2013 EDITION

# Knight Frank Research Compass Report

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

### Portfolio Sales

**Following its \$584 million portfolio sale to Mirvac in May, GE Capital has finalised the sale of a further two large portfolios with a combined total of approximately \$650 million, both to private equity firms.** Firstly, Blackrock has purchased an eight property portfolio, which includes 90 Arthur Street in North Sydney, 636 St Kilda Road in Melbourne, 127 Creek Street and 40 Tank Street in Brisbane and various other assets in Sydney, Perth and Canberra. The second portfolio was snapped up by Hong Kong based, Pacific Alliance Group (PAG).

**BWP Trust has purchased** a portfolio of 10 warehouse properties (two operational Bunnings warehouses and eight Bunnings development sites) and one bulky goods centre throughout Australia, for a combined total of \$312 million (excluding acquisition costs), in a sale and lease-back agreement with Bunnings. The properties sold include:

- A 12,702m<sup>2</sup> bulky goods centre at Arundel, Gold Coast for \$26.4 million on an initial yield of 7.25%,
- A 10,807m<sup>2</sup> warehouse at Bethania, Brisbane for \$21.72 million on an initial yield of 7.50%,
- A 26,753m<sup>2</sup> warehouse at Hoxton Park, Sydney for \$40.75 million on an initial yield of 8.25%,
- A 13,434m<sup>2</sup> development at Rydalmere, Sydney for \$38.7 million on an initial yield of 7.25%,
- A 11,129m<sup>2</sup> development at Manly West, Brisbane for \$28.1 million on an initial yield of 7.00%,
- A 16,083m<sup>2</sup> development at North Lakes, Brisbane for \$32.3 million on an initial yield of 7.00%,
- A 10,176m<sup>2</sup> development at Townsville North, North Queensland for \$19.86 million on an initial yield of 7.50%,
- A 11,461m<sup>2</sup> development at West Ipswich, Queensland for \$30.17 million on an initial yield of 7.25%,
- A 11,327m<sup>2</sup> development at Springvale, Melbourne for \$26.43 million on an initial yield of 7.00%,
- A 11,393m<sup>2</sup> development at Sunbury, Melbourne for \$23.7 million on an initial yield of 7.00%, and
- A 11,272m<sup>2</sup> development at Ellenbrook, Perth for \$23.6 million on an initial yield of 7.25%.

### Sydney

**Leighton Holdings has pre-committed to over 30,000m<sup>2</sup> at 177 Pacific Highway in North Sydney.** The \$400 million, Winton Property Group owned development will comprise 40,000m<sup>2</sup> and is due for completion in 2016. New supply across North Sydney has been virtually non-existent over the past four years due to stringent lending conditions requiring major pre-commitment levels. The new development will be a welcome addition given only a quarter of North Sydney office stock is of prime grade quality.

**Credit Suisse Asset Management has purchased 400 Kent Street in the Sydney CBD for approximately \$58 million. The 10,461m<sup>2</sup> office tower has been purchased from Charter Hall (various funds) on a core market yield of 7.8%.** The building was fully leased and had been substantially refurbished in 2005, prior to the commencement of the lease to Central Queensland University, who occupy 92% of the NLA. Credit Suisse acquired the asset on behalf of an unlisted fund.

### Melbourne

**Brisbane based Cromwell Property Group has acquired a portfolio of three properties to seed a new \$129 million unlisted trust from Melbourne based EPC Pacific, a direct property investment and development division of the Pacific Group of Companies controlled by Sam Alter.** The assets comprise an existing office building in South Melbourne an office building under construction in Dandenong and an industrial building under construction in Direk, South Australia (see below). The 13,803m<sup>2</sup> office at 11-13 Robinson Street, Dandenong was pre-leased to the Australian Taxation Office for 14 years, is scheduled for completion in September 2015 and was valued at \$70.39 million. The second Victorian asset is a recently refurbished and fully leased 7,567m<sup>2</sup> office building at 10-16 Dorcas Street, South Melbourne, valued at \$25.54 million with a WALE of six years. Cromwell intends to raise about \$77 million for the new unlisted vehicle, the balance of the purchase costs to be funded by debt and the parent company injecting seed funding of \$30 million. In April 2013, Cromwell launched another unlisted trust, founded on a \$120 million ATO pre-leased development in Box Hill, Victoria.

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**Listed Malaysian developer giant UEM Sunrise has acquired two development sites in the Melbourne CBD for \$65.65 million from Melbourne private investor Jimmy Goh.** The first site is a 3,197m<sup>2</sup> property comprising a 689-bay car park at 250 La Trobe Street, opposite Melbourne Central and sold for \$43.15 million. The second site, a 2,030m<sup>2</sup> property at 9-23 MacKenzie Street, sold for \$22.5 million reflecting a sales rate of \$11,084/m<sup>2</sup>.

## **Brisbane**

**It has been reported that Fife Capital have paid \$13.75 million for the One Steel Reinforcing manufacturing facility at 30 Peterkin Street, Acacia Ridge.** The 11,935m<sup>2</sup> facility was sold on a sale and leaseback agreement of 10 years, which reflected an initial yield of 8.62%. Also within Acacia Ridge, Blue Star Global Logistics has taken a lease over 13,800m<sup>2</sup> in 67 Belrick Street. The facility was leased by Heathley Diversified Property Fund for a 12 year term with a reported starting rental of \$81/m<sup>2</sup> net.

**In the suburban Brisbane market, a commercial building at Murarrie has sold for \$22.926 million.** The building, 5/747 Lytton Road, Murarrie is a 5,459m<sup>2</sup> facility, with four levels of office accommodation and two basement parking levels, leased to tenants such as Philips Australia, Nestle, Raytheon and Simplot. The property was sold by Centuria Funds Management and with a WALE of 4.3 years reflected a passing yield of 9.13% and an analysed yield of 8.53%.

**A development site within the Brisbane Fringe suburb of Newstead has been purchased by Tatts Group for the construction of a new office building.** The site at 11 Breakfast Creek Road, and formerly marketed as Joule, provides 3,254m<sup>2</sup> of land within the Urban Renewal precinct which has already attracted major office tenants such as Energex and Bank of Queensland. The vendor, Watpac, indicated that the \$8 million contract price was at book value, with settlement scheduled for September 2013. The site has an existing development approval for a commercial building of approx. 18,000m<sup>2</sup> over 13 levels.

**The Exchange Hotel, a well-known pub within the Brisbane CBD, has been purchased by the Australian Pub Fund (APF).** The Heritage listed hotel is located on the corner of Edward and Charlotte Streets and operates over two levels, including an open air rooftop beergarden. The hotel freehold and leasehold were held by the Independent Pub Group, with the price undisclosed, but estimated to be between \$35 and \$40 million. This follows the purchase of the Elephant & Arms hotel in the Fortitude Valley by APF for \$27 million.

## **Perth**

**Glengarry Shopping Centre, which is located 17km north west of the Perth CBD on the corner of Glengarry Drive and Arnisdale Road in Duncraig, sold in an off market transaction to an offshore investor for \$11.5 million on a passing yield reflecting 8.01%.** The single level property is situated on 10,900m<sup>2</sup> of land and comprises 2,314m<sup>2</sup> of GLAR. The centre is anchored by an IGA supermarket (38% of GLAR) with a passing rent of \$268/m<sup>2</sup> net, includes 22 specialty stores with an average passing rent of \$609/m<sup>2</sup> net, and has two ATM's. The IGA negotiated a new 15-year lease commencing at the time of the sale, with two further option periods.

**Schermann Holdings has purchased 362 Rokeby Road, in the Perth fringe suburb of Subiaco for \$2.65 million on a yield reflecting 6.1%.** The relatively low yield associated with the sale is indicative of its sought after location and high underlying land value (\$7,528/m<sup>2</sup>). The recently refurbished, two level office building comprises 299m<sup>2</sup> of NLA with a current passing rent of approx. \$480/m<sup>2</sup> net. The property is fully leased to Watermark Australasia, whose lease is due to expire in January 2016. The building comprises a modern fit-out over two levels with reception, board room, meeting room, kitchen amenities, a mixture of partitioned and open plan offices and four parking bays at the rear. The sale reflects a building rate of \$8,863/m<sup>2</sup>.

**Perth property developer, Nigel Satterley, has purchased a 4,080m<sup>2</sup> riverfront mansion in Perth's prestigious suburb of Peppermint Grove for \$17.5 million.** The property, which was built by former police magistrate of Western Australia, Augustus Roe, dates back to the late 1890's. Former owners, Ann and Denis Cullity, who are the founders of Channel 9 Perth, listed the property earlier this year for \$25 million, which is 43% above the actual sale price. This sale represents one of the most expensive residential sales in Perth's history. In 2009, mining heiress, Angela Bennett, sold her Mosman Park property for \$57.5 million which was the highest price ever paid for a house in Australia at the time, while in 2007, a Claremont residence sold for \$23 million.

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## Adelaide

**Primewest, a Perth based property syndicator, purchased Fairview Green Shopping Centre located at 325-339 Hancock Road, Fairview Park in Adelaide for \$24.75 million, reflecting an approximate passing yield of 8.5%.** The property has a GLAR of 6,622m<sup>2</sup>, reflecting a rate of \$3,738/m<sup>2</sup>, with 398 car parking bays. Foodland is the anchor tenant occupying 58% of the GLAR. This sale reflects the increased level of interest in the South Australian commercial market from interstate buyers.

**Cromwell Property Group has purchased the Rand Distribution Centre, an industrial property under construction, located on Caribou Drive, Direk in Adelaide for \$32.75 million as part of the EPC Pacific portfolio sale (referred to earlier).** The property sold on an approximate passing yield of 8.2%, will have a GLA of 10,312m<sup>2</sup> (improved rate of \$3,176/m<sup>2</sup>) and a site area of 58,628m<sup>2</sup> (land/site rate of \$559/m<sup>2</sup>). The development of this property is due for completion by December 2013, with Rand Transport committing to a 20-year lease.

**Ascot Capital has purchased an industrial facility located at 65-85 Deeds Road, North Plympton in Adelaide for \$12.75 million reflecting an approx. passing yield of 9.6%.** The property has a GLA of 12,358m<sup>2</sup> (improved rate of \$1,032/m<sup>2</sup>) and a site area of 34,000m<sup>2</sup> (land/site rate of \$375/m<sup>2</sup>). Tenants include Campbells Cash & Carry and Bidvest Australia. In retail the sector, global jewellery brand Tiffany & Co has announced that they will be opening a store in Adelaide in the second half of 2014 at the Precision Group's Adelaide Central Plaza. This will be the first store in South Australia and the eighth in Australia.

## Canberra

**The highest sale of the year for Canberra has recently transacted, with the purchase of Industry House, 10 Binara Street in Canberra Civic by UK based Brompton Asset Management.** The property was sold by CorVal Partners for \$151.7 million and reflected a passing initial yield of 7.37%. The 24,979m<sup>2</sup>, 14-level office building was built in 2006 and is fully leased to the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIISTRE) until December 2021. The property also includes an 80-place child care centre and three levels of basement parking, providing 260 spaces.

## Darwin

**After an extensive six week marketing campaign, the resort known as 'Crab Claw Island Resort' has sold, under instructions from Ferrier Hodgson for an undisclosed price.** Enquiry was strong with over 35 interested parties, with the eventual purchaser a local private investor with other hotel and accommodation stock. The transaction (which is the property and associated business) is due to settle in November 2013.

**An incomplete block of 11, two bedroom units at 28 Sergison Circuit, Rapid Creek has sold under the hammer recently for \$2.3 million on behalf of Meerten's Chartered Accountants and is due to settle in 30 days.** There were various issues with regard to documentation on the development, which led to the auction to ultimately be delayed by some ten months, however the DA and building permit is now current. The purchaser was a local who intends to finish the development.

## Auckland

**Auckland International Airport Ltd are to build a speculative 3,350m<sup>2</sup> standalone warehouse in its Landing precinct, for completion in June 2014, providing some much needed activity and confidence in the Auckland industrial market.** The warehouse on Verissimo Drive includes a 250m<sup>2</sup> office, 1,010m<sup>2</sup> canopy, 1,838m<sup>2</sup> yard and 26 onsite parking spaces. The warehouse will also feature full drive-around access and separate car and truck site access. Another speculative development in Leon Leicester Avenue in Mt Wellington is now under construction, being developed by the James Kirkpatrick Group. The development will comprise five warehouse/office buildings totalling 33,230m<sup>2</sup>, with completion expected in mid-2014.

## Wellington

**The largest individual office building in New Zealand to be formally marketed for sale in 5 years is the Telecom Central building in the Wellington CBD.** The brand new complex is a sophisticated campus style development within two connecting towers. In addition to Telecom NZ, AMP Capital and the Bank of NZ also occupy. The fully leased property returns a net annual income of approximately NZ\$14.62 million and has a 9.7 year WALE. It is a 5-star Green Star building and enjoys the best seismic risk rating available. A 50% or 100% interest is available and the property is being sold by a local developer, the Wellington Company.

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