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Knight Frank Research Compass Report

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

Sydney

Sydney CBD office sales volumes received a boost at the end of 2013 with the Chinese Investment Corporation (CIC) finalising the purchase of Centennial Plaza at 260-300 Elizabeth Street for approximately $305 million. The property, which comprises 56,639m^2 of office NLA across three A-grade buildings, each on separate title, was purchased from Investa Property Group and the Australian Unity Office Property Fund on a reported passing yield of 8.3%. The sale was the second largest Sydney CBD transaction for the calendar year.

ISPT has purchased the Ponds Shopping Centre project on the corner of The Ponds Boulevard and Riverbank Drive, The Ponds for $39.7 million from Australand Property Group. The 7,000m^2 neighbourhood shopping centre is currently under construction and will be anchored by a Woolworths supermarket and a BWS. The centre, which is expected to open in 2015, is located 43km's north west of the Sydney CBD with strategic access to the North West Growth Corridor.

Goodman Australia Industrial Fund (GAIF) has purchased Sydney Corporate Park bounded by O'Riordan Street, Bourke Road and Doody Street at Alexandria for $343 million. The 14.4 hectare industrial site which comprises a mix of industrial and business space, in addition to a range of on-site amenities, has been purchased from the Hannan family. The sale followed the fund's divestment of the 60,239m^2 Forrester Distribution Centre at 40-88 Forrester Road, St Marys, which was sold to Stockland for $72.85 million

Melbourne

ISPT has purchased the Bendigo Marketplace for approximately $160 million from a Colonial First State fund (PPS) that is being wound up, reflecting a passing yield of 7.5%. The sub-regional shopping centre is located adjacent to the Bendigo CBD, and comprises a gross lettable retail area of 24,434m^2 set on a 6.4 hectare site with 1,235 car spaces. The centre is anchored by a Woolworths and a Big W, alongside other major tenants including Best & Less, Dick Smith and 83 specialities. A major redevelopment was completed in 2009 with annual sales turnover of approximately $203 million and annual traffic of 4.5 million people.

Lend Lease's Australian Prime Property Fund (APPF) has purchased 485 La Trobe Street in the Melbourne CBD for $181.65 million from Hong Kong-based CLSA Capital Partners, reflecting a passing yield of 7.70% and a core market yield of 7.20%. The complex consists of two office towers joined by a six storey glass atrium and lobby with 33,496m^2 of net lettable area and 196 underground parking bays and is occupied by a range of tenants including Slater & Gordon, Telstra and the Australian Bureau of Statistics. The asset was sold with a WALE of 3.8 years and was fully leased at the time of sale. Formerly the CGU Complex, 485 La Trobe was purchased by CLSA Capital Partners from Investa Property Group in August 2010 for $140.1 million.

KPMG has pre-committed to a $400 million office tower for their new Victorian head office, in the Melbourne Docklands precinct, which will be developed by the Walker Corporation. KPMG will relocate from 161 Collins Street and has committed to a 15 year lease over 27,000m^2 of the 55,000m^2 development at 727 Collins Street, in the Collins Square development. KPMG's new headquarters will be the fourth building to be constructed in the Collins Square development joining other tenants in the precinct including Marsh Mercer, CBA and Transurban. Early works for the new office tower have commenced and the scheduled completion is late 2016. In total, five towers are planned for Collins Square, offering 200,000m^2 of office space and 10,000m^2 of retail.

Private Chinese investor, Fu Wah International Group has purchased Melbourne's Park Hyatt from Singapore's Government Investment Corporation (GIC) for about $135 million showing a yield of 6.5%. The five-star hotel is near Melbourne's Parliament House, at 1 St Andrews Place, and was developed in 1999 by Lustig & Moar. The sale involves both the 240-room Park Hyatt and a neighbouring 675-car space commercial car park. Established in 1988, Hong Kong-based Fu Wah is engaged in real estate development, hospitality and art and culture services. The group's existing property portfolio includes the Regent Beijing hotel, the Park Plaza Wangfujing hotel and the Sandalwood Beijing Marriott Executive Apartment, among others. GIC purchased the Park Hyatt for $125.7 million from the developer in 2003.

Brisbane

ISPT has agreed to purchase a 50% interest of the 1 William Street development in the Brisbane CBD for an estimated total value in the order of $400 million. The project, currently in the early stages of construction, is being developed by Cbus Property and the office component is fully committed by the Queensland State Government for a 15 year term. ISPT is understood to have paid a lump sum accounting for the purchase of land with the majority of the further payments to be made on completion of the tower, expected in late 2016. The transaction over the 76,853m² building is understood to reflect a yield of 6.5% on completion of the transaction. Cbus will retain the other 50% of the asset and remains the lead developer of the project. Elsewhere in the CBD the newly listed GDI Property Group has settled on its purchase of 307 Queen Street for $120.8 million. The 25 level B grade building is well located and the sale reflected a core market yield of 8.09% over the 19,650m² property which has a WALE of 2.8 years. This asset is one of four which form the foundation of the new listed entity.

DEXUS Wholesale Property Fund has acquired 60 Albert Street, in the Brisbane CBD, for $161.3 million from La Salle Investment Management. The property, also known as AM60, was constructed in 2009 and is fully leased to tenants such as Worley Parsons and Arrow Energy (who have subleased part to the Office of the Prime Minister). The sale reflects a reported passing yield of 9.1% and has a WALE of 4.3 years.

DEXUS Wholesale Property Fund has also purchased an industrial asset and a major retail asset in Brisbane over the past two months. In December the Fund purchased 1439 Lytton Road, Hemmant a 25,304m² industrial building for $39.63 million. The facility is 97.3% occupied and contains four freestanding warehouses and one multi-tenanted property. The largest warehouse is occupied by Electrolux and the purchase reflects a passing yield of 8.44%. The Fund has also purchased Beenleigh Marketplace for $88.4 million, including four additional adjoining properties for $4.8 million. Beenleigh Marketplace is a 17,590m² enclosed sub-regional centre anchored by Woolworths and Big W. The centre is located approx. 35km to the south of the Brisbane CBD and 93% of the floor area is leased to either the majors or national chain tenants. The acquisition reflects a 7.5% capitalisation rate with an initial yield of 7.67%.

The Brisbane non-CBD commercial market has also seen activity with 360 Capital contracting to purchase a Fringe and a suburban asset in late 2013. The buildings, 154 Melbourne Street, South Brisbane and 485 Kingsford Smith Drive, Hamilton are being purchased for $71.5 million and $62.0 million respectively for the 360 Capital Office Fund. The Fund, if the proposed acquisitions and debt restructure are approved, is due to list in early 2014. 154 Melbourne Street is a fringe office building constructed in 2009 with a WALE of 3.6 years and 60% of the building is leased to the Queensland State Government. 485 Kingsford Smith Drive, Hamilton is a suburban office building which was completed in early 2013 with an office component of 6,554m² and ground level retail of 2,774m². The office component is majority leased to Dominos and Devine on 15 and 8 year leases respectively and the retail is anchored by Woolworths.

NQX Distribution Centre, 180 Holt Street, Pinkenba has been purchased by Charter Hall Core Plus Industrial Fund (CPIF) as part of a two property transaction from Cromwell Property Group (other asset in Adelaide). The Pinkenba asset has a 18,728m² warehouse on a site of 6.3 hectares and is currently leased to NQX with approximately two years remaining on the lease. NQX is expected to relocate to the new Toll facility being constructed in Berrinba. The allocated purchase price of $25 million reflects a core market yield of 9.16%. Purchasing this site allows CPIF to consolidate this block with an adjoining three hectare vacant lot to maximise future development potential.

Perth

ABC Tissues, an Australian owned major tissue products company, has purchased a 17,250m^2 industrial facility at 305 Spearwood Avenue, Bibra Lake (approximately 18km south-west of the Perth CBD) for $12.6 million. The complex, which is situated on 3.92 hectares of land, was offered for sale with a short term lease back in place to the vendor, Tubemakers of Australia, for a lease term of up to six months and a rental rate of $150,000 per month. The property, which was listed for sale for over a year, sold at a 27% discount from the asking price ($16 million) reflecting a land rate of $321/m^2 and a building rate of $730/m^2. The sale was largely geared towards owner occupiers rather than investors due to the pending risk of vacancy upon the expiry of the lease back agreement. ABC Tissues plan to occupy the site once Tubemakers of Australia have vacated.

Adelaide

A local private investor has purchased a high clearance bulky goods retail store, 100% leased to Bunnings Group, located at 933-945 North East Road, Modbury, for $16.3 million. The sale reflected an initial yield of 7.81%, a market yield of 7.76% and a WALE of 12 years. The building has a site area of 14,840m^2 and a GLAR of 7,082m^2 which reflects a rate of $2,302/m^2. This sale price highlights the high demand that exists for good quality retail assets with a long WALE.

Charter Hall's Core Plus Industrial Fund (CPIF) purchased the Gillman Distribution Centre located at Lot 102 Grand Trunkway, Gillman as part of a portfolio with another property located interstate for a combined sum of $42.6 million, reflecting an average yield of 9.3%. The Adelaide property (circa $17.5 million allocation) comprises a single level office building and separate large single level warehouse utilised as wool stores and general storage facilities with a GLA of 31,588m^2.

Canberra

Two major leasing deals were struck in Canberra at the end of 2013, the first of which was at 212 Northbourne Avenue, Braddon, where 1,700m^2 was leased to Disability Care Australia (DCA). Owned by Consolidated Builders and after sitting 70% vacant since a refurbishment approximately four years ago, the three storey building is now fully occupied by both DCA and Datacom. The other major leasing deal struck late in 2013 was Grains Research & Development Corporation (GRDC) taking a 10 year lease over 2,148m^2 on level four at the ISPT owned 4 National Circuit in Barton.

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