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Knight Frank Research Compass Report

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

Portfolio Sales

Fife Capital and Propertylink have both purchased multi-state industrial portfolios over the past month. Propertylink has purchased two purpose built refrigeration warehouses in Melbourne and Brisbane for a total of $63.4 million which reflected a reported yield of 8.0%. The modern assets were both constructed in 2010 and are leased to Rand Transport with a combined weighted average lease expiry (WALE) of 13.6 years. The Melbourne asset is a 10,848m^2 facility in the Gilberston Industrial Estate, Derrimut, while the Brisbane asset is a 8,413m^2 facility at the Southlink Business Park, Parkinson.

On the successful listing of the Australian Industrial REIT, Fife Capital has confirmed the purchase of two industrial assets for a combined $45.7 million. The property at 24-32 Stanley Drive, Somerton (Melbourne) was purchased for $23.7 million from the Motor Accident Commission. The asset contains three high bay warehouses totalling 24,350m^2 on a site of 4.37 hectares and reflected a passing yield of 9.5% at a WALE of 4.8 years. The Sydney asset of 74-94 Newton Road, Wetherill Park was purchased for $22 million from Australian Postal Corporation and Challenger Life Nominees with the 17,044m^2 modern office warehouse representing a passing yield of 11.36% on a WALE of 2.8 years.

Sydney

UK based Brompton Asset Management has purchased the Sydney Water building at 1 Smith Street, Parramatta for $166 million. The 23,307$m^2$ office tower has been purchased from Brookfield Asset Management, which completed the building in early 2009. Sydney Water's current lease over all of the office space is due to expire in 2024. Reflecting the premium in the market for modern prime assets with long term, passive income profiles, the asset sold on a reported yield of 6.95%. The sale is the first major non-CBD passive office sale to an offshore buyer in Sydney since Hines Group acquired 465 Victoria Avenue in Chatswood for $92 million in February this year. However, with CBD opportunities becoming more limited, offshore demand in non-CBD locations is anticipated to firm.

Blackstone has acquired Home HQ Artarmon for $72.5 million from the Charter Hall Opportunity Fund No.4. The 22,186m^2 bulky goods centre was completed in 2010 and comprises 25 stores including Freedom, JB Hi-Fi, The Good Guys, Bay Leather Republic and Snooze. The asset was the last asset in the value add fund, which will be wound up upon the settlement of this sale. The sale follows a number of recent large bulky goods transactions in the second half of 2013 including the Belrose Supa Centa for $88 million to private investor Brett Blundy in August and the Auburn Homemaker Megamall for $55 million to WA based syndicator Primewest in July.

Unlisted group Australian Property Opportunities Fund has acquired the inner city retail and commercial property Oxford Square at 55-73 Oxford Street, Darlinghurst for $62.7 million, reflecting an initial yield of 8.0%. The 12,088m^2 asset was sold fully leased with a WALE of approximately 4.9 years. Tenants include National Australia Bank, Vintage Cellars, Chemist Warehouse, Fitness First and Duffy Bros Supermarket. Oxford Square was refurbished in 2005 and was sold by a local private investor.

Melbourne

A Malaysian private investor has purchased 287 Collins Street in the Melbourne CBD for $31.5 million. The 10-storey office building comprises 5,401m^2 of lettable area and was purchased from the NSX-listed Australian Property Growth Fund (APGF). Standing at the corner of Collins and Elizabeth Streets the building includes a ground-floor banking chamber leased by ANZ Bank until 2017 but was 65% occupied to various tenants at the time of sale and accordingly reflected an initial yield of 6.1%.

Singapore's CIMB Trust Capital Advisors, on behalf of its institutional investors the Malaysian government fund, Kumpulan Wang Persaraan (KWAP) and Permodalan Nasional Berhad (PNB), has acquired the new Australian Taxation Office tower at 3 Collins Square in the Melbourne Docklands for $279 million. The recently completed 16-storey office building was purchased from Walker Corporation reflecting a yield of 6.25%. The 38,000m^2 office building is fully leased to the Australian Taxation Office on a 15 year lease.

Brisbane

Transport company DB Schenker has pre-committed to a 31,400m² warehouse in the Ipswich suburb of Redbank Plains. This commitment is the first within the Goodman Group's 62ha Redbank Motorway Estate and will kick start development within the estate as well as facilitate the completion of an overpass link from the Ipswich Motorway in early 2014. Schenker will take a 10 year lease over the property which is expected to be completed mid-2014. This commitment by Schenker is the latest in what has been a busy year for major construction and commitments in the Brisbane industrial market. Major projects completed during 2013 have included CEVA Logistics (40,000m²) and Caterpillar (59,000m²) with Super Retail Group (46,933m²), Toll NQX (43,633m²), Mainfreight (23,550m²) and Bunnings (30,500m²) all currently under construction and soon to be joined by Aldi's 55,811m² project with the site works almost completed.

Dexus Wholesale Property Fund (DWPF) has acquired an industrial complex at Hendra for $27.4 million. The property at 441 Nudgee Rd, is known as the Northport Business Park and contains five buildings which are configured into 18 tenancies across a variety of sizes from 108m² to 3,862m² plus two larger buildings of circa 4,400m² each which are leased to Mountain Designs and Nick Scali. The asset was acquired from Property Solutions in an off-market transaction and is understood to reflect a capitalisation rate of 8.5% with a current occupancy of 91.3%.

As indications of an uptick in residential investment demand begins to emerge within the Brisbane market, FKP have announced that they have agreed to divest a 50% interest in "The Milton" project at Railway Terrace, Milton. The listed PBD Developments will pay $28 million for the half share in the project which encompasses 309 residential units and 2,400m² of retail and commercial space. The project is approximately 70% pre-sold with completion expected in the second half of 2015. This sale is in tandem with a 14 hectare non-contiguous englobo residential development parcel know as Yang Land, which is part of FKP's Saltwater Coast estate at Point Cook Victoria, which PBD Development has also agreed to acquire for $18 million. Both of these transactions are subject to PBD Development shareholder approval.

Perth

Challenger Life Company Limited has purchased Bunbury Forum Shopping Centre on Sandridge Road at East Bunbury (180km south of Perth) for $143.275 million which includes additional non-contiguous land. The 22,367m² centre is located on a 7.47 hectare site and provides 1,203 car bays. Originally constructed in 1980 the centre was extended/refurbished in 1991, 1997/8 and most recently in November 2010. Sold on a passing yield of 6.67%, the Forum is anchored by majors Big W, Woolworths and a Progressive Supa IGA. The Forum also includes 50 speciality stores, seven kiosks, and four ATM's. In addition the site houses McDonalds, KFC and Woolworths Petrol Plus pad sites and a building known as the Commercial Centre with Westpac and Bankwest branches, a TAB and Red Dot. Sold with 99.5% occupancy and a WALE of 4.48 years, the transaction reflects a building rate of $6,191/m² and a land rate of $1,918/m². The Centre is well positioned for future growth with development approval in place to expand by up to 30,942m². In addition to the main site, the transaction included a lot on the opposite (northern) side of Strickland Road comprising twelve residential properties and a separate "special use" zoned car park site which has a total land area of 10,586m². A value of approximately $4.8 million was apportioned to these properties based on individual lot values, equating to $450/m² overall.

German owned global supermarket chain, Aldi, has taken a long term land lease over a 13.5 hectare site on Orion Road, Jandakot, to construct their own major warehouse and distribution centre, as the retailer expands operations into Western Australia. The proposed 48,000m² facility, which is estimated to be completed in 2016 (subject to approvals), will service up to 70 Aldi stores, which is greater than the 60 stores suggested by the group when it released its plans earlier in the year. Aldi has appointed area managers to scout for potential warehouse-style supermarket locations, comprising circa 1,500m² of GLA, on major roads in areas that contain an immediate catchment population of at least 20,000 people. The group, which has 300 stores in NSW, Victoria, Queensland and the ACT, is spending an estimated $450 million on its WA expansion, with the first store expected to open in 2015.

Adelaide

Charter Hall Retail REIT (CQR) has purchased Southgate Plaza, a sub-regional shopping centre located on Hillier Road, Morphett Vale for $60 million reflecting a year one fully leased yield of 7.5%. The centre is located approximately 21 km to the south West of Adelaide's CBD. The major anchor tenants of Coles, Target and Kmart Tyre & Auto account for 45% of the centre's base rent. There are 39 specialty retailers and the centre has a WALE of 8.0 years. With a GLAR of 15,844m² the sale reflects a rate of $3,786/m².

A private investor has purchased an industrial facility located at 519 Cross Keys Road, Cavan for $7.1 million reflecting an initial yield of 9.35% from Centuria Capital. The building has an area of 8,063m² on a site of 20,510m² and was sold with a lease in place to OneSteel Reinforcing Pty Ltd (Arrium) expiring October 2019.

Auckland

The Kiwi Income Property Trust has agreed to sell 205 Queen Street, Auckland CBD to a Brisbane based private investor Bloomberg Incorporation. Subject to Overseas Investment Office and ground lessor approvals the transaction is to be undertaken in two tranches. A 50% interest in the building is to transact in the short term for NZ$47.5 million (compared with 31 March 2013 valuation of $48.3 million). The remaining 50% interest can be acquired at the purchaser's option in either March or September each year until March 2017 when acquisition is mandatory, at the current market value. Kiwi Property Management has retained the management rights to the property which comprises two towers, one of 17 storeys and the other of 22 which sit over a retail podium level and basement parking for 131 cars. The property was sold with an occupancy rate of 79%.

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