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Knight Frank Research Compass Report

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

Sydney

In the first major A-grade commercial office freehold sale in North Ryde for six years, CorVal has exchanged contracts to acquire 78 Waterloo Road for approximately \$70 million from Stockland with settlement imminent. The building comprises 14,983m² of net lettable area (NLA) with major tenants comprising Schneider and Boehringer Ingelheim. The 5-Star Green Star v.2 rated property has dual frontage access to Waterloo Road and Byfield Street, and is diagonally opposite Macquarie University and Macquarie Park railway station. It is understood that the transaction reflects a passing yield of approximately 8.2%.

AXA Australia and Eureka Funds Management have purchased the Australia Post headquarters at 219-241 Cleveland Street, Strawberry Hills for \$168 million (land and redevelopment works) on behalf of a Singapore family office. The asset has been purchased in a sale and leaseback agreement with Australia Post, who have committed to a 15-year head lease for one-third of the building. The building is being redeveloped with alterations and additions including a new front atrium, façade works and internal refurbishment. On completion in mid-2014, the building will provide around 29,000m² of NLA including an expanded Australia Post retail store, parcel lockers and related services.

Telstra has re-committed to 30,165m² of office space at 400 George Street in the Sydney CBD, owned by an Investa trust (50% Investa Group, 25% ICPF, 25% Prudential). The deal involved combining and extending a number of existing leases covering Telstra's office and retail space in the building and will see Telstra remain in the building until 2025. Investa reported that the deal will increase the weighted average lease expiry (WALE) for the 51,223m² building from 3.6 to 7.3 years.

Sentinel Property Group has purchased Menai Central on the corner of Old Illawarra Road and Menai Road, Menai for \$31.5 million. The 10,796m² GLAR neighbourhood shopping centre has been purchased from Charter Hall Group on a reported initial yield reflecting 9.75%. The neighbourhood centre is the sole asset in the Sentinel Menai Retail Trust and comprises six separate buildings with 20 tenancies and is anchored by Dan Murphy's, IGA and Supercheap Auto.

Melbourne

Singapore-based hospitality group Hotel Grand Central has purchased Lot 3 at 300 Flinders Street in the Melbourne CBD for \$48.5 million from the Victoria University, reflecting a passing yield of 8.3%. The purchase comprises the basement, most of the ground floor and office accommodation on levels 9 to 19 with a total NLA of 14,093m². The building was acquired with an existing seven year lease held by Victoria University, who will pay \$4.032 million a year with fixed annual increases of 3.5%. Two years ago Victoria University sold the car park component of 300 Flinders Street to an Australian private investor for \$28.2 million.

Listed Singaporean developer Hiap Hoe has purchased 206 Bourke Street, a five level office and retail complex for \$105 million from private investor Les Smith and JV partner Macquarie Group. Tenants within the 11,844m² development include: G-Star, Quiksilver, JB Hi-Fi, Regent Club, Shanghai Dynasty, Dragon Boat Restaurant and Navitas. The development is currently 98% occupied and sold with a WALE of 4.8 years (by area) with the transaction reflecting an initial yield in excess of 7%. 206 Bourke Street was formerly known as the Village City Centre and occupied by the cinema as offices until mid-2008. Hiap Hoe's purchase of 206 Bourke Street follows its acquisition of a Docklands development site for \$28.8 million in August and a carpark/office at 380 Lonsdale Street for \$43.8 million in September.

Bunnings has pre-committed to a 43,000m² new distribution centre at Salta Properties' Portlink Dandenong South Inland Port Estate on a long term lease. The distribution centre is scheduled for completion in late 2014 and will form part of stage one of the logistics-oriented estate, with Bunnings reportedly paying annual rent of about \$70/m² net. The new facility will be located adjacent to Salta's inland port terminal so container freight can be delivered directly via either rail or truck from the Port of Melbourne. Portlink Dandenong South is being developed in tandem with Salta's Portlink Altona, to create two inland port nodes as part of a metropolitan intermodal freight network linking the Port of Melbourne with Melbourne's major freight distribution points. The entire Portlink estate has capacity to deliver 750,000 m² of prime industrial facilities.

Brisbane

La Salle Investment Management (LIM) has divested 45 Gosport Street, Hemmant for \$14.9 million. The office warehouse facility contains five freestanding warehouse buildings each of approximately 3,000m² plus a small office building of 222m², on a site of 3.56 hectares. The facility was constructed for the tenant in 1993 and was sold on a vendor leaseback in 2006. The tenant, Queensland Cotton, now a subsidiary of Olam International, has a lease in place to March 2016, with a further five year option. The sale reflected a reported passing yield of 9.49%.

Residential developer Sunland has entered an unconditional contract to purchase the ABC site at Toowong for \$20 million. The site, formerly the station's Brisbane broadcasting base before a cancer cluster scare prompted the ABC's relocation in 2006, is located at 600 Coronation Drive and features approximately 115 metres of frontage to the Brisbane River. The 1.5 hectare site has since been cleared of contamination and Sunland is planning a mid-rise luxury residential development on the site. Sunland have also recently released details of their 40-level CBD project, Abian at the corner of Alice and Albert Streets in the Brisbane CBD, which will be launched in February. In the Inner southern suburb of Woolloongabba it has also been reported that the 2.1 hectare Phoenix site (144 Logan Road) has been sold by receivers to the Pellicano Group for \$20 million.

The City of Brisbane Investment Corporation (CBIC) is understood to have finalised the sale of 157 Ann Street, Brisbane CBD for \$39 million. The 6,650m² office building is 91% leased by the Brisbane City Council with expiry in August 2019. The sale to Anton Capital is understood to reflect a passing yield of 10.75%.

Perth

Finbar has purchased 647-659 Murray Street, in West Perth, for \$10.55 million. The former Clinipath building, comprising two adjoining lots on a 3,410m² site, sold to Finbar as part of a joint venture project, reflecting a land rate of \$3,094/m². The property was sold on a short term lease back to the current occupants until June 2014, at which point improvements will be demolished to allow for a new residential apartment development, with an estimated end value of circa \$125 million. Finbar will hold a 50% interest in the project, as well as earn a project management fee.

Property syndicator Primewest has purchased a 20.4% stake in the South Central retail centre, located on Armadale Road, Cockburn, Perth from a group of private investors for approximately \$9 million. Anchored by Caltex and Bunnings, the 36,000m² retail centre is situated on a 4.74 hectare site with 489 open-air car bays and consists of 31 other major tenancies including BFC, the Good Guys, Clark Rubber, Spotlight, Super A-Mart and Officeworks. Primewest has a total property portfolio worth \$2 billion and the bulky goods centre portfolio is worth more than \$420 million, comprising 12 big-box style properties in suburbs including Osborne Park, Innaloo and Cannington. Primewest also has centres in Rockingham, Mandurah and Albany, however the group's Home Depot property in Busselton has recently been put up for sale, bought in 2004 for \$25 million.

UniSuper, one of Australia's largest super funds, has purchased the remaining 33% interest in Karrinyup Shopping Centre at 200 Karrinyup Road, Karrinyup, Perth for \$246.7 million, reflecting a passing yield of 5.0% and effectively values the shopping centre at \$740 million. The stake was purchased from Westfield Group and Westfield Retail Trust giving UniSuper full control of the centre. Westfield surprised the market by selling their share less than a week after the Australian Competition and Consumer Commission gave them permission to take full control of the centre. Comprising 59,000m² of GLAR, the centre is anchored by David Jones and Myer department stores, a Big W and a Woolworths Supermarket. Karrinyup's specialty store turnover was an estimated \$11,500/m² for the year to June 2013. The sale is one of the largest shopping centre deals recorded in 2013 and represents a 19% premium on Westfield's June 2013 book value of \$207.6 million (33.3% share).

Adelaide

Two local private investors have purchased 70 Light Square, located in the Adelaide CBD for \$14.5 million from another local private investor (Ambitio Pty Ltd), reflecting a passing yield of 8.8%. The six level, B-grade commercial office building has a NLA of 3,348m², with the anchor tenant URS who occupy 63% of the building. The building has a WALE of 4.5 years and a 4-Star NABERS energy rating.

Canberra

A number of retail leasing transactions have occurred across the recently completed Lena Karmel Lodge as part of the Australian National University's ANU Exchange precinct. All of the 14 ground floor tenancies have recently leased (totalling 1,320m²); tenancies ranged in size from 37m² to 156m². Bounded by Marcus Clarke Street, Barry Drive, Kingsley Street and the Busway, the property is well located in the City West providing accommodation for 550 students. The property is a state of the art housing facility providing a full range of services including a dining hall, conference facilities, fitness facilities, multi-purpose common areas and a roof top garden together with the ground floor retail and a two level, 700 bay secure basement car park. Major retail tenants include Travel Doctor, Dominos Pizza, Chai Time, Meet Dessert, Sumo Salad and Service One which will gain access to over 2,200 students also residing in adjacent student accommodation facilities.

Cleanaway has recently committed to a new 10-year lease within the 30 hectare Monaro Industrial Park, Hume owned by The Walker Corporation. The tenancy will include a purpose built waste transfer station which will include 4,200m² of warehouse space and 225m² of office, which will process recyclable waste, provide secure document destruction, fleet maintenance and waste container refurbishment. Cleanaway (a subsidiary of Transpacific Industries Group) will relocate to the master planned industrial estate, which is 13 km south of the CBD alongside other tenants including Allied Pickfords, Grace Records Management and Toll IPEC.

Auckland

Progressing the planned development of the International Convention Centre, SkyCity Entertainment Group has entered into a binding agreement to buy 85 and 91 Hobson Street from TVNZ for NZ\$10.6 million. The two TVNZ sites are adjacent to land that SkyCity already owns which will form part of the convention centre development, with the extra land purchased to enhance the design and operational flexibility of the NZ\$400 million convention centre, which SkyCity will design, build, own and operate.

Argosy Property has contracted unconditionally to buy a new warehouse storage facility in Wiri from Cardinal Logistics (Tony Gorton) on a 15-year lease back arrangement commencing from the December settlement date. The building, on the former 3 Guys warehouse site at 19 Nesdale Avenue, is being purchased for NZ\$38 million on an initial passing yield of 7.5% in what was an off-market transaction. The property is 3km west of the Manukau CBD and has good access to the South-western Motorway, allowing direct connection to Auckland International Airport and is consistent with Argosy's company strategy of increasing its weighting to Auckland industrial property.

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