

BRISBANE CBD OFFICE

TOP SALES TRANSACTIONS 2014 JANUARY 2015

Key Facts

Total office transaction activity (\$10 million)+ **totalled \$891.7 million for 2014.**

This was less than half of the \$2.46 billion recorded in 2013 as core opportunities were rare

Purchasing for residential redevelopment or change of use is on the increase

Prime yields remain on a firming trend for core assets; secondary assets, particularly where there is immediate leasing risk, are more harshly judged.



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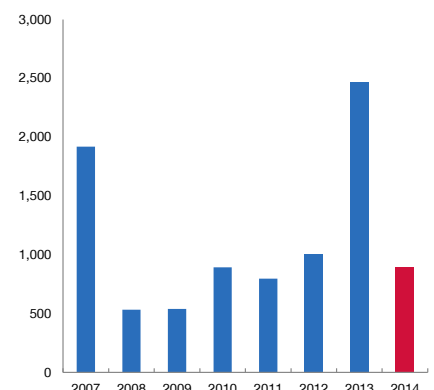
Transaction levels were lower over 2014, particularly in contrast to Sydney & Melbourne. However the primary themes of strong core demand and increasing purchasing for residential development were well in evidence

Despite the sustained high demand for core assets across Australia, the Brisbane CBD saw relatively few sales during 2014, particularly in contrast to Sydney and Melbourne. While purchaser appetite remains high, core opportunities have been few and far between over the past year. Total transaction activity, for assets in excess of \$10 million, accounted for \$891.71 million. This total of ten sales was boosted late in the year with four of these major sales recorded in December.

The largest transaction for the CBD in 2014 was the purchase of 53 Albert St by Challenger Life for \$209.27 million. Constructed in 2009, the building recently re-signed the State Government to the whole of the office space, boosting the WALE to 7.0 years. The sale was notable in that responsibility for the outstanding incentives, with a PV at the time of sale of c\$25.4 million, was taken on by the purchaser. With 530 car bays the improved rate was \$10,377/m², only the third sale to break the \$10,000/m² barrier since 2007.

Outside of this sale the tightest yield, and indicative of the universal demand for core assets, was 70 Eagle Street which was purchased by US based Pembroke Real Estate for a core market yield of 6.34%.

FIGURE 1
Brisbane CBD Transactions
\$ million total transaction value (\$10million+)



Source: Knight Frank

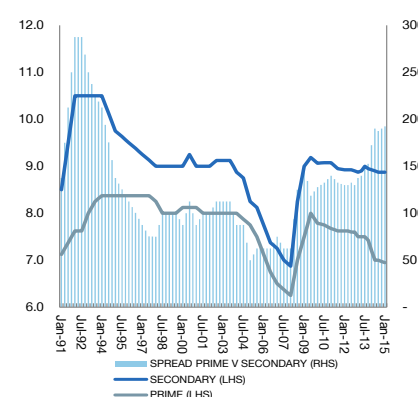
TOP 10 SALES 2014

As residential development demand builds across Brisbane the trend towards greater purchasing of development sites or buildings ripe for conversion or redevelopment has also been in evidence. After a long campaign 363 Adelaide St is under contract for c\$50 million with the fully vacant building being taken on by Valparaiso Capital, a Singapore-based private equity investor. At the same time 240 Margaret Street was purchased by Aspiat Corporation for \$30 million, with the low rise building on the site expected to be demolished in favour of a new residential development.

Established secondary investments were also traded during 2014, with largely offshore investors seeking value-add opportunities. The largest of these was 50 Ann St at \$128.94 million. Purchased by CIMB the building is fully leased to the State Government on what is currently under-market rent, with the building to potentially be fully vacated in 2020. This is reflected in the 8.67% core market yield paid for the asset. Similarly PH Capital have paid \$50 million, reflecting a core market yield of 8.92%, for 300 Adelaide Street.

Yields remain having a downward bias, particularly for the core assets, where competition between purchasers remains fierce. However secondary assets remain more harshly analysed by the market, particularly where there is exposure to the vacancy in the next two years.

FIGURE 2
Brisbane CBD Core Market Yields
% Yield LHS & Basis Points RHS



Source: Knight Frank

1. 53 ALBERT STREET

Price: \$209.27 million (Outstanding incentive of c\$25.4m taken on by purchaser)

Vendor: Hatham Holdings

Date: December 2014

Purchaser: Challenger Life

NLA: 20,166m²

Comments: Building is fully leased to the State Government until 2022. The building has nine levels of parking space (c580 cars) and 13 levels of office space, constructed in 2009.

Rate/m² of NLA: \$10,377/m²

Yield: 6.79% core market (6.33% initial)

c\$25.4 million in rental abatements outstanding

2. 60 ALBERT STREET

Price: \$161.30 million

Vendor: La Salle Investment Management

Date: January 2014

Purchaser: DEXUS Wholesale Property Fund

NLA: 21,263m²

Comments: Modern building constructed in 2009 and parking for 120 vehicles. Sold fully leased with a WALE of 4.6 years, however much of the building is currently available for sub-lease.

Rate/m² of NLA: \$7,586/m²

Yield: 8.16% core market (9.27% initial)

3. 50 ANN STREET

Price: \$128.94 million

Vendor: Private Investor

Date: August 2014

Purchaser: CIMB

NLA: 25,382m²

Comments: 25 level B grade building which underwent major refurbishment in 1994. Sold fully leased (parking and office areas) to the State Government until 2020 (WALE of 6.6 years). Potential for the tenant to relocate.

Rate/m² of NLA: \$5,080/m²

Yield: 8.67% core market (7.14% initial)

4. 70 EAGLE STREET (CENTRAL PLAZA III)

Price: \$122.7 million

Vendor: APPF Commercial Fund & ADIA

Date: April 2014

Purchaser: Pembroke Real Estate

NLA: 11,476m²

Comments: Modern office building completed in 2009 and fully leased to QSuper and QIC. Parking for 63 cars via shared access with Central Plaza II. Sold with a WALE of 8.4 years. Strong competition from purchasers.

Rate/m² of NLA: \$10,692/m²

Yield: 6.34% core market (6.27% initial)

5. 60 EDWARD STREET

Price: \$60 million

Vendor: AMP Capital

Date: December 2014

Purchaser: RACQ

NLA: 10,638m²

Comments: Sixteen level building constructed in 1987, basement parking for 110 cars. Purchaser intends to occupy five floors in the building (c4,000m²), which was sold with some impending vacancy.

Rate/m² of NLA: \$5,640/m²

Yield: 7.92% core market (6.17% initial)

6. 363 ADELAIDE STREET

Price: \$48 million

Vendor: Investa Property Group

Date: December 2014

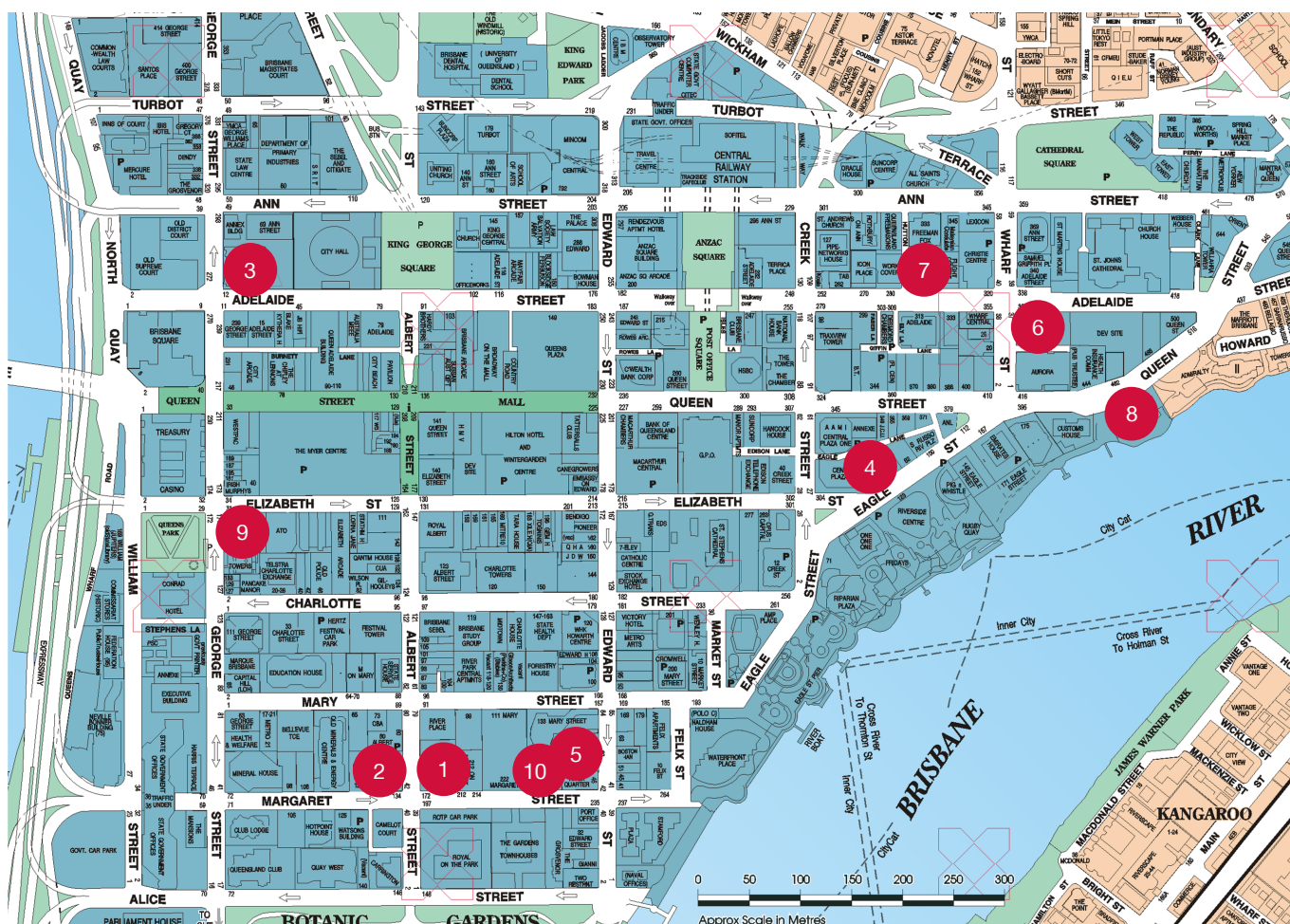
Purchaser: Valparaiso Capital

NLA: 14,968m²

Comments: Property contracted in late 2014. The building was fully leased to Boeing which expired late 2014 and had been extensively marketed by Investa as either a refurbishment or change of use project.

Rate/m² of NLA: \$3,340/m²

Yield: VP



7. 300 ADELAIDE STREET

Price: \$47.5 million

Date: December 2014

NLA: 13,134m²

Rate/m² of NLA: \$3,807/m²

Yield: 8.92% core market (7.99% initial)

Vendor: Charter Hall Direct Property Fund

Purchaser: PH Capital

Comments: B grade office building constructed in 1975 and last refurbished in 2009. Basement parking for 36 cars. Typical floors of 651m². Sold with circa 35% vacancy.

8. 443 QUEEN STREET

Price: \$49 million

Date: July 2014

NLA: 5,500m²

Rate/m² of NLA: \$8,909/m²

Yield: 6.25% initial

Vendor: Private Investor

Purchaser: Cbus Property

Comments: Five level office building with significant frontage to the Brisbane River. Sold with a WALE of 1.9 years with Hatch the major tenant over 4,100m². Purchased for likely residential redevelopment.

9. 171 GEORGE STREET

Price: \$35 million

Date: July 2014

NLA: 8,700m²

Rate/m² of NLA: \$4,023/m²

Yield: VP

Vendor: Private Investor

Purchaser: Toga Far East Hotels

Comments: Heritage style building which was sold substantially vacant. Purchased for conversion into a hotel with an additional four levels to be constructed above the existing roof line.

10. 240 MARGARET STREET

Price: \$30 million

Date: July 2014

NLA: 3,525m² (Site of 1,715m²)

Rate/m² of NLA: \$8,511/m²

Yield: VP

Vendor: Queensland Water Corporation

Purchaser: Aspi Corporation

Comments: Site with an existing office building of six levels with basement parking for four cars. Sold with VP and expected to be a residential development although sold without any approvals.

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