

MELBOURNE CBD OFFICE

TOP SALES TRANSACTIONS 2015

Key Facts

\$2.7 billion was transacted in the Melbourne CBD office market in 2015, 63% above the 10-year average

Offshore groups dominated CBD office purchases in 2015 accounting for 84% of sales by value.

US-based groups accounted for 53% of cross-border investment led by Blackstone, Pembroke and LaSalle

Premium and A-grade assets accounted for 74% of total CBD office investment volume.



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Boosted by a number of major sales, with five transactions above \$200 million, CBD sales in 2015 totalled \$2.7 billion, the third highest level achieved on record.

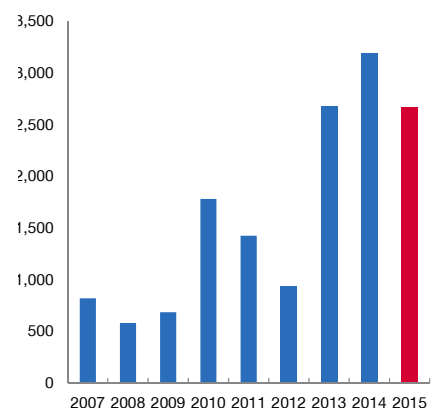
Investment interest in the Melbourne CBD remained strong in 2015, with sales volumes achieving the third highest annual level on record. Office investment sales activity (\$10m+) in 2015 within the Melbourne CBD totalled \$2.67 billion across 28 properties. While 2015 was \$521 million below the record levels achieved in 2014, 2015's levels were still 63% higher than the 10-year CBD sales volume average.

Cross border investment into the Melbourne CBD continued to gather momentum, achieving record high levels for the past three consecutive years. Offshore groups dominated CBD office purchases in 2015 accounting for 84% of sales by value. While Asian-based purchasers bought more assets; US-based groups accounted for 53% of cross-border investment into the Melbourne CBD office market as a result of several large transactions.

Transactional levels were also boosted by a number of major sales, with five transactions above \$200 million recorded in 2015, the

highest number on record for an individual year. CIC's purchase the IPG portfolio also included a 50% interest of 120 Collins Street which was valued in excess of \$300 million.

FIGURE 1
Melbourne CBD Office Transactions
\$ million total transactions (\$10mill+)



Source: Knight Frank Research

CBD OFFICE TOP 10 SALES 2015

Interestingly, private investors were the second most active purchasers of Melbourne CBD office property in 2015. Private investors purchased six CBD offices, totalling \$233.5 million, their highest level of spending since 2010.

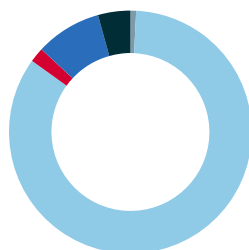
Investors remained centred on prime grade assets, with Premium and A-grade assets accounting for 74% of sales volume or \$1.98 billion, the highest level on record.

While prime assets accounted for the majority of investment volume, 20 secondary CBD offices transacted over the year totalling \$683.7 million, the fourth highest investment volume on record. Similar to the trends of the broader CBD office market, offshore groups led all other buyer types followed by private investors.

Having peaked in 2013, CBD offices purchased for development totalled \$162.3 million, down from \$287.3 million transacted in 2014. Instead, investors focused on Core assets with more than \$1 billion of Core CBD buildings sold.

For the first time since 2007, there were no CBD offices located in the Docklands precinct that sold in excess of \$10 million during the calendar year.

FIGURE 2
Melbourne CBD Office Transactions
Breakdown by purchaser type (\$10mill+)



DEVELOPER	0.7%
OFFSHORE	84.2%
OWNER OCCUPIER	1.9%
PRIVATE INVESTOR	8.8%
UNLISTED/SYNDICATE	4.3%

Source: Knight Frank Research

1. SX1 & SX2: 181 EXHIBITION ST & 111 BOURKE ST

Price: \$675.0 million (50% interest) **Vendor:** Brookfield Prime Property Fund
Date: December 2015 **Purchaser:** Blackstone Group
NLA: 126,825m² **Comments:** The SX complex comprises of two A-grade office buildings across a retail food-based concourse and 950-carspace basement carpark. **Sold with a 4.8 year WALE, both buildings were fully occupied.**
Rate/m² of NLA: \$10,640
Yield: 5.12% core market (4.96% initial)

2. 161 COLLINS ST

Price: \$275.0 million **Vendor:** SachsenFonds
Date: October 2015 **Purchaser:** Pembroke Real Estate
NLA: 43,436m² **Comments:** KPMG House, is 100% leased with KPMG occupying around two thirds of the building. **KPMG's lease expires in 2017 and will relocate** to the Collins Square development in the Docklands.
Rate/m² of NLA: \$6,792
Yield: 7.70% (reported)

3. 222 EXHIBITION ST

Price: \$231.0 million **Vendor:** AMP Capital Wholesale Office Fund (AWOF)
Date: August 2015 **Purchaser:** LaSalle Investment Management
NLA: 28,025m² **Comments:** The 30-storey A-grade office building is largely leased to Worksafe Victoria. **Worksafe Victoria's lease expires in 2019, and will relocate to Geelong.**
Rate/m² of NLA: \$8,243[†]
Yield: 6.76% core market (5.90% initial)

4. 357 COLLINS ST

Price: \$222.5 million **Vendor:** Frasers Centrepoint
Date: April 2015 **Purchaser:** Frasers Commercial Trust (FCOT)
NLA: 31,920m² **Comments:** Having acquired 100% of Australand in 2014; 357 Collins St was the first asset of the Australand portfolio sold into a Frasers-run trust, increasing FCOT's exposure to the Australian office market.
Rate/m² of NLA: \$6,971
Yield: 6.57% (reported)

5. 114 WILLIAM ST

Price: \$125.0 million **Vendor:** Kyko Group
Date: August 2015 **Purchaser:** Straits Trading Company
NLA: 21,025m² **Comments:** Acquired through a mandate to CorVal Partners, the A-grade 23-level office was sold with a WALE of 2.4 years. The office was 80% leased to a range of tenants.
Rate/m² of NLA: \$5,945
Yield: 6.62% core market (5.35% initial)

6. 460 LONSDALE ST

Price: \$98.0 million **Vendor:** REST
Date: September 2015 **Purchaser:** Nasar P/L
NLA: 11,350m² **Comments:** State and Federal government tenants accounted for 49% of the income in the A-grade office building, sold with a 5.9 year WALE.
Rate/m² of NLA: \$8,634[†]
Yield: 6.00% core market (5.72% initial)

7. 575 BOURKE ST

Price: \$88.0 million

Date: July 2015

NLA: 16,179m²

Rate/m² of NLA: \$5,438

Yield: 6.86% core market (7.17% initial)

Vendor: BVV (REEF)

Purchaser: CIMB Trust Capital Advisors

Comments: Completed in 1987, the 18-level B-grade office was 93% leased to a range of tenants and sold with a WALE of 2.9 years.

8. 383 LA TROBE ST

Price: \$70.7 million

Date: July 2015

NLA: 10,211m²

Rate/m² of NLA: \$6,924

Yield: 6.50% initial

Vendor: Investa Office Fund (IOF)

Purchaser: Sterling Global

Comments: Fully leased to the Aust. Federal Police until mid-2017, on a 2,845m² site; the property was bought for residential development.

9. 383 KING ST

Price: \$52.0 million

Date: February 2015

NLA: 12,975m²

Rate/m² of NLA: \$4,008

Yield: VP

Vendor: Asplial Group

Purchaser: Haileybury College

Comments: Formerly mooted for residential development, Haileybury will occupy the building for a school campus, scheduled to open in 2017.

10. 520 COLLINS ST

Price: \$51.0 million

Date: May 2015

NLA: 8,554m²

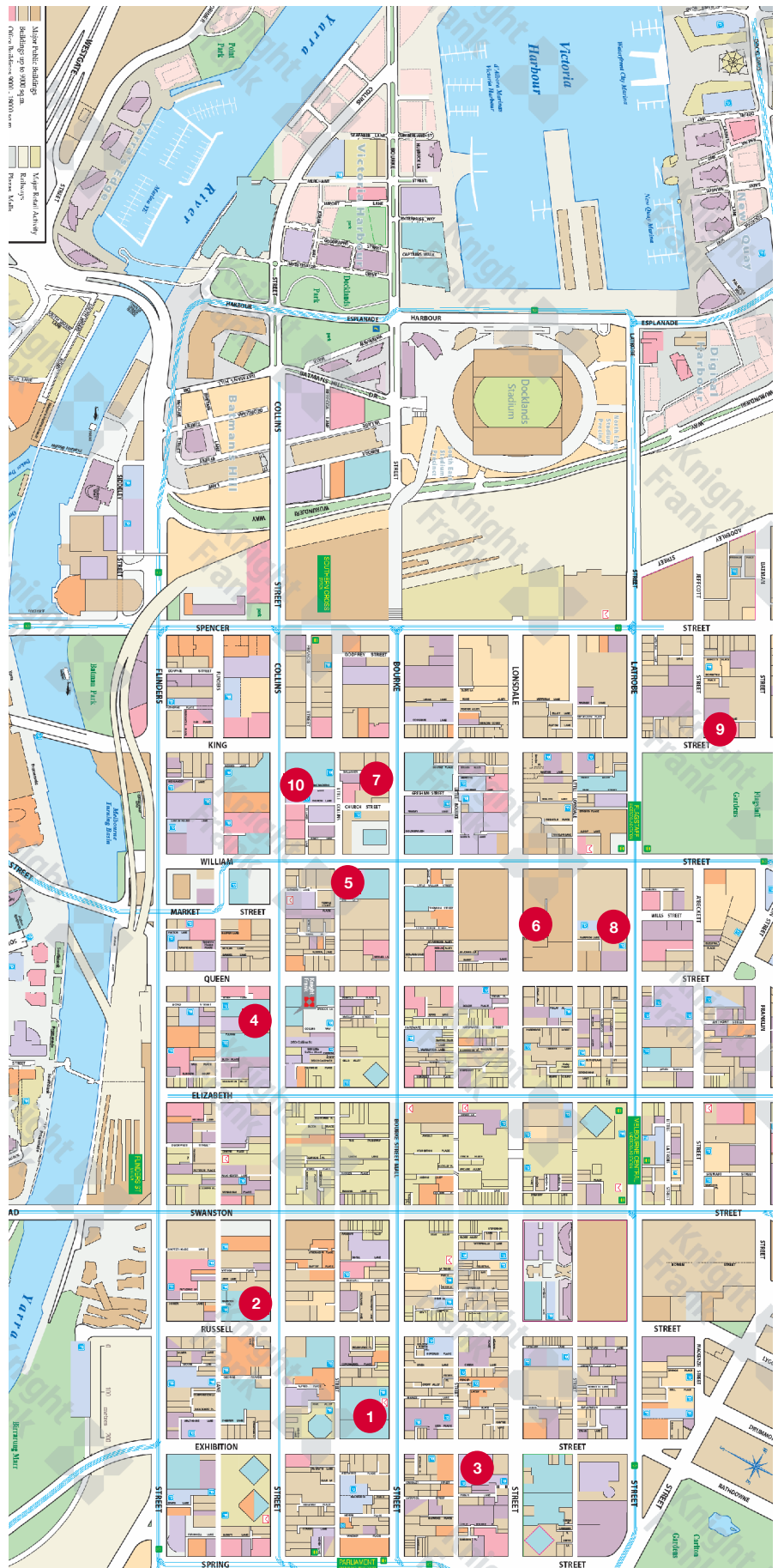
Rate/m² of NLA: \$5,962

Yield: 6.07% core market (6.11% initial)

Vendor: Mering Corporation P/L

Purchaser: Private Investor

Comments: 16-level B-grade office in the Western Core. Average floor plates of 575m², 97% occupied, sold with a 2.6 year WALE.



Map Source: Knight Frank Research
 ‡ excludes a large carpark component



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