



## Key Facts

**\$1.97 billion was transacted in the Melbourne CBD office market in 2016, 15% above the 10-year average**

**Unlisted trusts and syndicates** accounted for 45% of CBD office purchases by value in 2016

**Singaporean and Chinese-based investors** acquired the majority of CBD assets bought by offshore investors

**Premium and A-grade assets accounted for 63%** of total CBD office investment volume.



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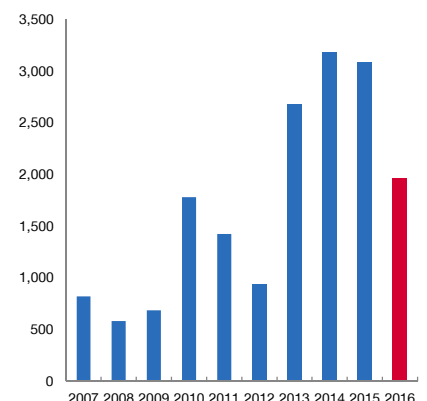
Over 2016, domestic private investors spent \$333.3 million within the Melbourne CBD office market, their highest level of spending in the market over the past 10 years highlighted by the sale of 1 Collins Street for \$125 million.

Impacted by a scarcity of investment opportunities rather than a lack of investor appetite, office investment sales activity (\$10m+) in 2016 within the Melbourne CBD fell by 36% from the preceding 12 months. In 2016, \$1.97 billion was transacted across 23 properties within the Melbourne CBD office market, down from the \$3.08 billion recorded in 2015.

Domestic unlisted funds and syndicates acquired 45% of all sales by value. While offshore groups still accounted for 35% of all sales, cross-border investment into Melbourne totalled \$687 million, well down from the \$2.26 billion invested in 2015. Singaporean and Chinese-based investors acquired the majority of CBD assets purchased by foreign investors. Swiss-based investors, however were also active, accounting for 28% of cross-border investment into the Melbourne CBD office market in 2016 with the acquisitions of 533 Little Lonsdale Street (\$35.25 million) by Fidnam and 114 William Street (\$161.50 million) by AFIAA.

Outside of the CBD, office investment in the Southbank office market reached record highs, with sales totalling \$1.22 billion, including Melbourne's largest office sale in 2016—the Southgate Complex for \$578.0 million.

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



Source: Knight Frank Research

# CBD OFFICE TOP 10 SALES 2016

Buoyed by Melbourne's rental outlook, yields have continued to compress, evidenced by the 207 basis point compression of the core market yield recorded for 380 La Trobe Street since its last transaction in November 2013.

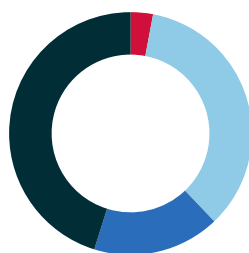
Interestingly, while private investors accounted for 16.9% of Melbourne CBD office sales in 2016, their level of spending reached a 10-year high. Private investors purchased six CBD offices, totalling \$333.3 million.

Overall, purchasers remained centred on prime grade assets, with Premium and A-grade assets accounting for 63% of sales volume or \$1.24 billion. Prime grade asset sales have surpassed secondary asset sales every year for the past five years.

While prime assets accounted for the majority of investment volume, secondary CBD offices transacted over the year totalled \$729.7 million, 23.9% above the long term average .

Investors continue to be optimistic about the Melbourne CBD highlighted by the volume of CBD offices purchased for redevelopment which reached an all-time high total of \$594.0 million with hoteliers, developers and student accommodation providers all active buyers.

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



DEVELOPER	3.0%
OFFSHORE	34.9%
PRIVATE INVESTOR	16.9%
UNLISTED/SYNDICATE	45.2%

Source: Knight Frank Research

## 1. 839 COLLINS ST

**Price:** c. \$450.00 million tbc

**Date:** December 2016

**NLA:** 39,000m<sup>2</sup> approximately

**Rate/m<sup>2</sup> of NLA:** c. \$11,538

**Yield:** Reported c. 5.0%

**Vendor:** Lendlease

**Purchaser:** Undisclosed

**Comments:** The under construction campus-style building is located adjacent to ANZ's headquarters in the Victoria Harbour precinct of the Docklands. The development is scheduled for completion in mid-2019.

## 2. 100 QUEEN ST

**Price:** \$274.50 million

**Date:** December 2016

**NLA:** 36,630m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$7,494

**Yield:** confidential

**Vendor:** ANZ Bank

**Purchaser:** GPT Wholesale Office Fund

**Comments:** ANZ will fully lease back the iconic Gothic-style building, located on the corner of Collins and Queen Streets until 2019 prior to their move to their new Docklands office.

## 3. 120 SPENCER ST

**Price:** \$165.00 million

**Date:** April 2016

**NLA:** 33,258m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$4,961

**Yield:** n/a

**Vendor:** Harry Stamoulis

**Purchaser:** Anton Capital

**Comments:** The 23-level office building, located opposite the Southern Cross Station, offers large floorplates and is occupied by a range of government and educational tenants with 10% of NLA vacant at the time of sale.

## 4. 114 WILLIAM ST

**Price:** \$161.50 million

**Date:** October 2016

**NLA:** 21,025m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$7,681

**Yield:** Reported 5.30% initial

**Vendor:** Straits Trading Company

**Purchaser:** AFIAA

**Comments:** Having purchased the A-grade 23-level office for \$125 million in August 2015, the Singaporean-based vendor witnessed a 29% increase in value with a strong uplift in rental levels over the past year.

## 5. 380 LA TROBE ST

**Price:** \$157.00 million

**Date:** August 2016

**NLA:** 21,660m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$7,248

**Yield:** 5.60% core market (6.34% initial)

**Vendor:** Invesco

**Purchaser:** Philip Lim

**Comments:** Following the acquisition of the office in November 2013, the WALE of the 23-level asset was lengthened as a result of Maurice Blackburn Lawyers' 12-year lease for 8,164m<sup>2</sup> which begins in 2018.

## 6. 1 COLLINS ST

**Price:** \$125.00 million

**Date:** February 2016

**NLA:** 14,006m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$8,925

**Yield:** 5.36% core market (5.02% initial)

**Vendor:** Overland Properties

**Purchaser:** Harry Stamoulis

**Comments:** Completed in mid-1984, the asset consists of several linked new and refurbished buildings ranging up to 17 levels. Fully occupied, the A-grade office was sold with a WALE of 3.1 years.

## 7. 440 ELIZABETH ST

**Price:** \$75.60 million

**Date:** November 2016

**NLA:** 13,812m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** \$5,430

**Yield:** c. 5.95% initial

**Vendor:** Selected Growth Property Trust

**Purchaser:** Chinese investor

**Comments:** Built in 1990, the B-grade 10-level office is largely leased to RMIT University. The building was close to fully occupied at the time of sale.

## 8. 85 SPRING ST

**Price:** c. \$75.00 million

**Date:** December 2016

**NLA:** 10,700m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** c. \$7,009

**Yield:** VP

**Vendor:** Grocon

**Purchaser:** Golden Age

**Comments:** Once occupied by the ANZ bank, the office was sold with a permit for 225 apartments within a 39-level development.

## 9. 825 BOURKE ST

**Price:** c. \$72.00 million

**Date:** December 2016

**NLA:** 10,164m<sup>2</sup>

**Rate/m<sup>2</sup> of NLA:** c. \$7,084

**Yield:** c. 7.00% initial

**Vendor:** Lendlease—Australian Prime

**Purchaser:** Julliard Group

**Comments:** Sold with a WALE of 2.0 years, Lendlease will relocate from the 6-star Green Star The Gauge office in 2018 into a new Docklands-located office.

## 10. 95-111 FRANKLIN ST

**Price:** \$56.00 million

**Date:** October 2016

**NLA:** 4,106m<sup>2</sup>

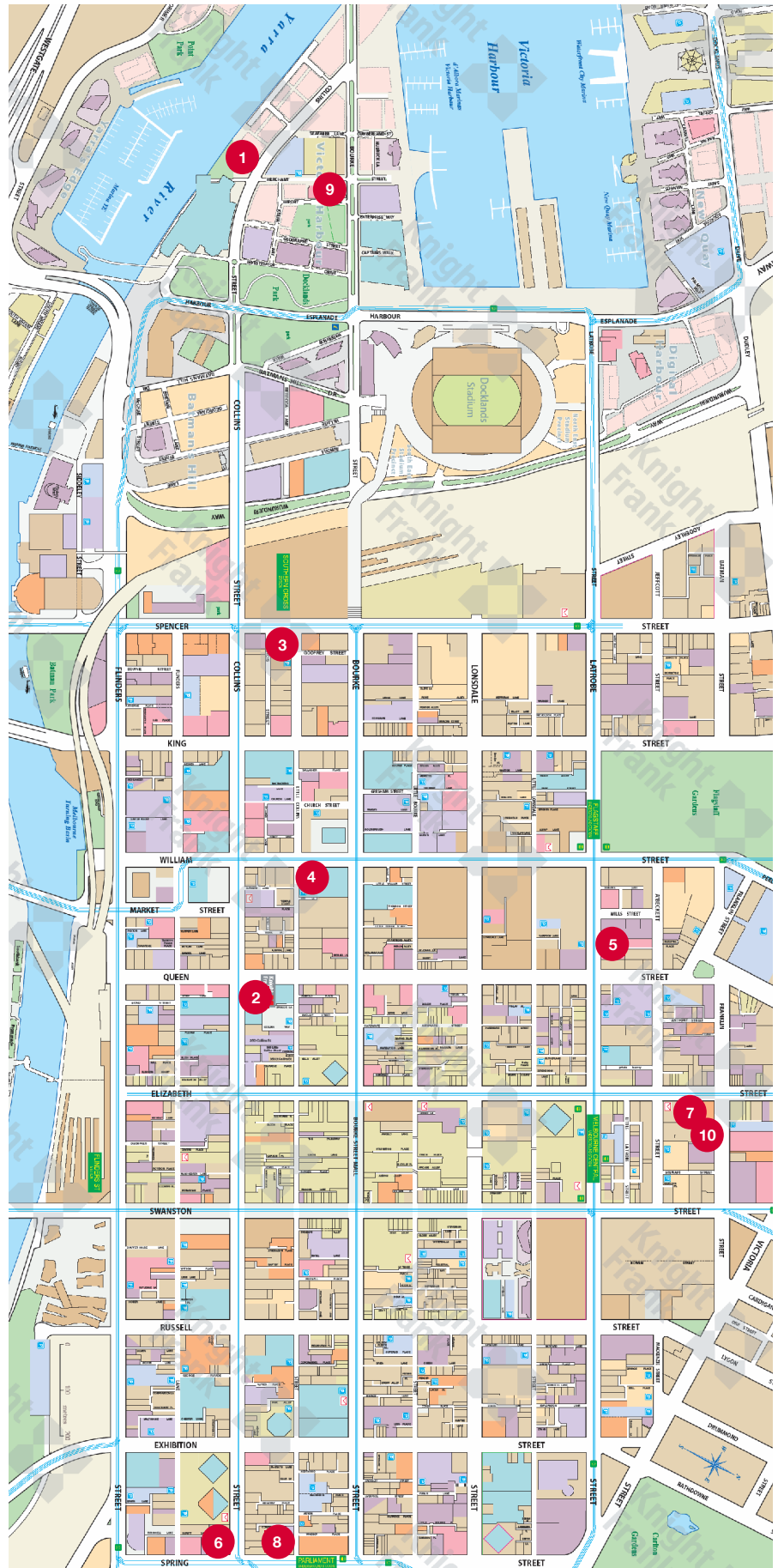
**Rate/m<sup>2</sup> of NLA:** \$13,639

**Yield:** n/a

**Vendor:** Holder East

**Purchaser:** Scape Student Living

**Comments:** Scape intends to modify the former approved plans of a 62-storey apartment project into a 800-bed student accommodation development.



Map Source: Knight Frank Research



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