

# News Release

19 November 2018

## Parramatta's 33 Argyle Street sells for \$40.8 million

### Headline summary:

- The sale represents an initial yield of 5.26%
- The property is one of the last remaining value add opportunities in Parramatta CBD

The New South Wales Aboriginal Land Council (NSWALC) has sold 33 Argyle Street, Parramatta, to TE2 Roxy Argyle Pty Ltd, which is 60% owned by the private investment company of Teo Tong Lim, Group Managing Director of Tong Eng Group and 40% owned by Roxy Pacific Holdings.

Representing an initial yield of 5.26% and a rate of \$7,730/NLA<sup>i</sup>, the deal was negotiated by **Knight Frank's Wally Scales** and **Mark Litwin**.

Previously known as the Ernst and Young Building, the B-grade office building is situated on an approximately 2,046 square metre site and comprises circa 5,247 square metres NLA set across nine levels. The property's tenant mix includes Property NSW, the Aboriginal Legal Service and NSWALC.

**Mr Litwin, Associate Director, Metropolitan Sales, NSW** commented, "The property is centrally located in Parramatta's CBD, the economic heart of Western Sydney, providing convenient access to the abundance of Parramatta's public transport links and amenities, including Westfield, Parramatta Square and the Parramatta Light Rail, which is due to become operational in 2023."

According to **Mr Scales, Director, Metropolitan Sales, NSW** 33 Argyle Street received strong interest from domestic and offshore private investors attracted to the Parramatta growth story.

"As one of the last remaining B-grade office buildings with repositioning potential in Parramatta, the purchaser was attracted to the near term rental uplift prospects from refurbishment, as well as the future redevelopment potential when proposed changes to the Parramatta LEP rezone to site to B3 Commercial Core and increase the FSR to 10:1."

**Ms Emilia Teo, Director of the Tong Eng Group**, commented, "We are pleased to have bought this building from the NSW Aboriginal Land Council (NSWALC) and are extremely glad that the proceeds from the sale of the property will contribute to NSWALC's ongoing business and investment operations for the continuing benefit of Aboriginal people in NSW."

"Parramatta's office market continues to see strong demand for quality office space amidst little or no vacancy. This is bolstered by the NSW Government's continued infrastructure plans for rail and road connections that will cement Parramatta firmly as Sydney's second CBD. We are confident that 33 Argyle St is well positioned to capture positive rent reversion and reposition itself as a future mixed use development site. This is in line with our focus to deliver good investment value for our shareholders."

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The international 'expressions of interest' campaign was extremely successful – leading to a result all parties were pleased with, according to **Mr Litwin**.

"NSWALC has been a valued Knight Frank client for a number of years, and we're proud to be able to provide ongoing strategic advice and access to our unique offshore network to deliver the results they're after.

"The sale represents the continuing strength of the Western Sydney market and demonstrates the classic advisory fundamentals – work in partnership with your client to develop bespoke advice to deliver the outcome."

"This is a great financial result for NSWALC and our communities moving forward," **NSWALC Chairman Roy Ah-See** said. "Council applied considerable expertise and intelligence into this process, taking into account and assessing market trends and predictions for the future growth of our investment portfolio.

"In making this decision to put 33 Argyle Street up for sale, this Council has shown smart and strategic initiative. It has delivered a great outcome for our network.

"The sale aligns with NSWALC's investment strategy to ensure financial sustainability for future generations and positions Council for serious growth," **NSWALC Chief Executive Officer James Christian** said.

"This sale will allow Local Aboriginal Land Councils to be strong and financially independent of government and able to invest in future community success."

**Mr Scales** added, "Knight Frank's latest *Parramatta Office Market Brief - September 2018* confirmed strong investment activity over the past 18 months has led to yields tightening across the prime and secondary markets. Average prime yields have compressed to 5.25-6.50% as at July 2018 while the secondary market has seen yields decline to measure 6.05%, taking the prime and secondary yield spread to the tightest gap on record.

"The report found that the Parramatta vacancy rate was 3.2% as at July 2018, well below the 10 year average of 7.3%. With the majority of future developments in Parramatta pre-committed, it is forecast vacancy will remain tight at circa 3% over the next 12 months."

Downward pressure on yields is forecast to continue, however Knight Frank agents anticipate rental growth to be the main driver of performance over the next 12 months.

## For further information, please contact:

Wally Scales, Director, Metropolitan Sales, NSW  
[Wally.Scales@au.knightfrank.com](mailto:Wally.Scales@au.knightfrank.com) +61 415 742 605

Mark Litwin, Associate Director, Metropolitan Sales, NSW  
[Mark.Litwin@au.knightfrank.com](mailto:Mark.Litwin@au.knightfrank.com) +61 415 742 605

# News Release

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## **Notes to Editors**

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<sup>i</sup> Net Lettable Area