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Knight Frank Research Compass Report

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

Sydney

Martin Brower Australia has pre-committed to a new warehouse and office facility at the Horsley Drive Business Park from Frasers Property Australia. Martin Brower Australia, which specialises in the storage and distribution of products within the fast food industry and is the supply chain supplier to McDonald's, will occupy the 15,427m² warehouse and 3,132m² office facility (18,559m² in total) from September 2016 on a 20 year term. Horsley Drive Business Park, bordered by Horsley Drive and Cowpasture Road in Wetherill Park, is a 21.4 hectare estate owned by the Western Sydney Parkland Trust (WSPT) and will be the first six star Green Star industrial precinct in Australia on completion. Frasers Property Australia has entered into a development agreement with WSPT to deliver the industrial estate.

A private investor has acquired the freestanding SUPA IGA supermarket at Doonside for \$14.75 million on an initial yield of 6.1%. Located approximately 40 kilometres west of the Sydney CBD, the centre provides GLAR of 4,402m² including four speciality shops and is 100% leased to Metcash Limited with lease expiry in 2024 including a 10 year option. The four speciality tenancies, including BWS Liquor and MediAdvice Pharmacy are sub-leased from Metcash Limited. Situated on a 1.53 hectare site with 224 parking spaces, the site provides future redevelopment opportunities.

Pallet manufacturer Loscam has pre-committed to a 15 year lease of warehouse space at 54 Tyrone Place, Erskine Park for \$242/m² net. Loscam, a manufacturer of returnable packaging solutions, are currently located at 99-101 Newton Road, Wetherill Park and will keep occupancy, while they will expand operations to the new warehouse once complete in Q1 2017. The new 6,600m² purpose-built facility on a large site of 3 hectares, leased from Fife Capital, will provide access to the key arterial roads of the M4 and M7 and is located in close proximity to other major tenants including TNT Australia, Rand Transport and Goodman Fielder.

A private Shanghai-based developer has purchased the 5,194m² site at 890-898 Bourke Street, Zetland, for \$41.5 million from local developers Alceon and DeiCorp. The Green Square site is earmarked for the construction of a residential complex comprising 155 apartments, reflecting a rate of \$267,742 per apartment. Sold with an existing Stage 1 Approval in place, the proposed construction plans cover 11,427m² in gross floor area. The site was last purchased in June 2014 at a sale price of \$24.5 million.

An aggregated site situated between Berry Road and Park Road in St Leonards has been purchased by Chinese conglomerate China Poly Group. The 7,414m² site, comprising 19 residences, was sold in one line for just under \$80 million. The site is earmarked for the development of a 14 storey residential tower known as "The Pinnacle", with basement car parking. The elevated site benefits from uninterrupted harbour views, and sits within 300 metres of the St Leonards Train station.

Melbourne

Melbourne developer Central Equity has paid \$98 million for a 105 hectare 'development-ready' site bound by Davis Road and Sayers Road in Tarnait in Melbourne's outer west, equivalent to \$933,333 per hectare. The land parcel was purchased from private vendor Angelo Di Dio, and has the potential for approximately 1,500 residential lots. Tarnait, in Melbourne's west, is gaining widespread attention as the next greenfield development hot pocket, due to its relative close proximity to the CBD (approximately 27 kilometres) as well as a good established public transport system.

Swiss-based financial services group Fidinam (Australasia) Real Estate has purchased 533 Little Lonsdale Street in the Melbourne CBD for \$35.25 million from private investor Vantage Property Investments, reflecting a passing yield of 6.0%. Constructed in 1992, the Dominion Building has a NLA of 6,599m² plus 47 basement car parks. The 13 storey building, located in the heart of the Melbourne legal precinct, has frontages to Little Lonsdale Street and Chisolm Place and was sold with a WALE of 2.8 years, reflecting a building rate of \$5,342/m². Currently 100% leased, the B grade office tower is occupied by a range of tenants including Coldrey Chambers, The A4E Group of Companies, Tony Hargreaves & Partners and Fuji Xerox Australia. Vantage Property Investments purchased 533 Little Lonsdale Street in late-2012 for \$19.5 million with the building 15% vacant and undertook a \$2.4 million refurbishment in recent years. Fidinam (Australasia) Real Estate also own 456 Lonsdale Street and 50 Queen Street in the Melbourne CBD.

Lendlease-managed Australian Prime Property Fund Industrial (APPF Industrial) has acquired 28 Salta Drive, Altona North for \$40.1 million from occupier F Mayer Imports in a sale and lease back transaction. Located in the western industrial region, the facility is fully-leased with a total GLA of 23,854m² on a site of 50,088m² and features a high-clearance warehouse area and a large handstand area. National food distributor, F Mayer Imports P/L sold the property with a leaseback of 12 years. After acquiring the property in late 2014, F Mayer Imports undertook a refurbishment of the warehouse which includes 8,000m² of temperature controlled space. The acquisition increases Melbourne's APPF Industrial weighting from 20.6% to 24.3%.

Frasers Property Australia has sold a new Coles supermarket at Berwick, in Melbourne's south-east, to a Victorian-based private investor for \$23.4 million on a sub-6% yield. The new supermarket at Richardson Grove in Berwick opened this month, with Coles committing to a 20-year lease for the 3,200m² full-line supermarket. The site was initially acquired by Frasers Property in 2007 in a joint venture with the Bank of Scotland with the new Coles supermarket replacing a Ritchies IGA which closed in late 2014. The Casey municipality is one of Melbourne's fastest-growing localities and its population is expected to nearly double over the next 21 years.

Brisbane

A joint venture between a client of Swiss-based Partners Group and Logos Property has purchased a major leasehold distribution facility on the Port of Brisbane for a reported sum of just over \$60 million. The facility covers five separate buildings on Bishop Drive with an estimated building area of 73,000m² and balance land of 60,000m² available for further development. Located on leasehold land within the Port of Brisbane with a term of 30+ years, the facility is occupied by IPS Logistics which will continue to lease warehouse space from the purchasers. This transaction follows a recent purchase by the joint venture partners of a 32 hectare industrial site in Yennora, west of Sydney.

Locally-based Taiwanese investors the Wen Family have purchased the DFO Jindalee for \$46.6 million. The single level factory outlet centre was purpose built in 2007 and has circa 70 tenancies including Nike, Adidas, Puma, Bonds, Sketchers and Kathmandu plus a Goodlife Gym. The building has a GLAR of 16,485m² on a site of 39,270m² with approximately 900 parking bays. The centre is located 12km south west of the Brisbane CBD in a relatively affluent catchment with good access to the West via the M5 motorway. The sale is understood to reflect a passing yield of 7.28% with a two year income guarantee in place due to the relatively high number of tenants on turnover rent agreements at the time of sale.

Perth

A modern Bunnings Warehouse at 16 Honeybush Drive, Joondalup has sold for \$43.5 million to a private investor at a yield of 5.5%. The retail warehouse, which opened in 2014, has a net lettable area of 17,006m² and sits on a 2.65 hectare site with parking for 416 cars. Sold by Westfarmers, Bunnings will enter a new 12 year lease over the site.

Charter Hall Office Trust (CHOT) has reportedly sold Eastpoint Plaza, 233-237 Adelaide Terrace in the Perth CBD for \$52 million. The 11,515m² B grade building was constructed in 1982 and has 13 storeys of office space with parking for 81 vehicles. The property sold fully leased with the major tenant the Minister for Works (Health and Police), reflecting a core market yield of 8.62%.

Canberra

Western Australian-based Ascot Capital has purchased 14 Mort Street, Civic for \$41.5 million from the Charter Hall Office Trust (CHOT), reflecting a core market yield of 7.42%. Completed in 1996, the eight level office building is located within the Civic precinct and provides 9,384m² of office NLA with floorplates of circa 1,200m². The building underwent refurbishment and upgrade works in 2013-14, designed to achieve a 4.5 Star NABERS Energy rating. The asset is 100% leased to the Department of Employment with a further 9.1 years to run on the lease at the time of sale, following a recent 9.7 year renewal.

Adelaide

A Singaporean-based investor has purchased the Quest Apartment building at 33-37 Main Road, Mawson Lakes for \$18 million on a core market yield of 8.07%. The property comprises a purpose-built, four level serviced apartment complex of ground floor retail and three upper levels of apartments. Ground floor improvements include seven commercial tenancies, with a total of 66 apartments contained on the upper levels. The property sold fully leased to eight tenants, with Quest Mawson Lakes contributing 84% of the total gross rental. Mawson Lakes is approximately 17km north of the Adelaide CBD.

Auckland

Goodman Property Trust (GMT) has acquired a multi-tenanted industrial property located at 127-131 Pilkington Road in Glen Innes, Auckland for NZ\$30.3 million. The 5.8 hectare site has 20,400m² of warehouse space and the purchaser expects the property will provide a passing yield of 6%+ once new leasing initiatives are completed. The site, with additional development potential, has mixed use zoning under the proposed Unitary Plan, is located in the Tamaki Regeneration Area and may also benefit from the new AMETI transport initiative.

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