



JANUARY 2013

MELB NON-CBD OFFICE

Top Sales Transactions – 2012 Calendar Year

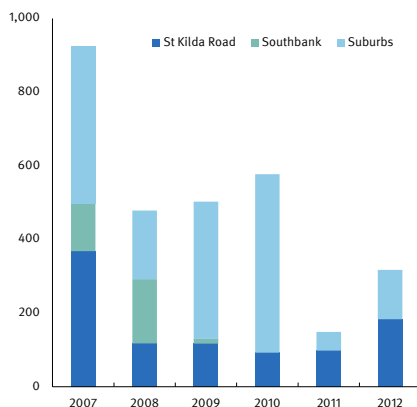
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HIGHLIGHTS

- The total value of Melbourne non-CBD office sales (>\$10 million) in the 2012 CY (Calendar year) was \$316.98 million, more than doubling the sales total for 2011CY (\$149.0 million). Transactional activity in the Melbourne non-CBD office markets was particularly boosted by sales in the St Kilda Road precinct which reached their highest levels since 2007.
- Private investors (52%) dominated transactions; however there was also strong activity from unlisted funds/syndicates (31%).
- St Kilda Road office market assets accounted for 58% of all stock transacted with five of the top 10 sales located within the strip. As the cost of debt continues to fall, given the solid fundamentals of the non-CBD office markets, yields are likely to tighten over the course of 2013.

In response to the increasing positive outlook on vacancy and rental levels, transactional activity in the St Kilda Road and Suburban office markets rose in 2012. Investment sales activity (above \$10 million) in the Melbourne non-CBD office markets over the 2012CY (Calendar year) totalled \$316.98 million across 14 properties, up from the \$149.0 million that was transacted in 2011CY. Private investor appetite remains particularly healthy, accounting for 52% of all stock transacted. While unlisted fund/syndicates acquired 31% of all non-CBD offices sold, they were also the most prominent sellers, disposing of 64% of all non-CBD offices. By office market, St Kilda Road assets sold in 2012CY accounted for 58% transactions, followed by Suburban office properties accounting for 42%, with no major offices transacted in Southbank.

Figure 1
Melbourne Non-CBD Transactions
\$10million+
\$ Million total transaction value



Source Knight Frank

The fundamentals of the Melbourne non-CBD office markets remain solid. With a constrained pipeline of new supply and white collar employment forecast to increase, vacancies are expected to continue to trend down. Valuation benchmarks indicate that both prime and secondary assets within the Melbourne non-CBD office markets remain attractive against long term averages. The spread between office yields and the real bond rate (risk premium) has now increased well above the 10-year averages.

1. 441 St Kilda Road, Melbourne

Price: \$58.0 million
Date: March 2012
NLA: 16,140m²
Yield: 8.89% core market (9.61% initial)
\$/m² of NLA: 3,594/m²

Vendor: AXA Wholesale Australian Property Fund
Purchaser: Centuria Property Funds
Comment: The design of the building creates a north and south tower which are linked by a central core with an internal atrium. The building was sold with a WALE of 3.8 years.

2. Bld 3, 658 Church Street, Richmond

Price: \$29.10 million
Date: September 2012
NLA: 8,205m²
Yield: 9.68% initial
\$/m² of NLA: 3,547/m²

Vendor: Aust. Property Growth Fund (APGF)
Purchaser: Private Investor
Comment: The Richmond Power Station site was redeveloped into several office buildings by Walker Corporation. Building 3 is largely leased to Country Road group of companies until 2014 with several options.

3. 607 St Kilda Road, Melbourne

Price: \$28.54 million
Date: April 2012
NLA: 7,207 m²
Yield: 8.02% core market (8.22% initial)
\$/m² of NLA: 3,960/m²

Vendor: Centuria Property Funds
Purchaser: Private Investor
Comment: Lease Plan House, a 10-storey office building, completed 1990 which has been progressively refurbished. Alfred Health occupy 33% of the building with a 2021 expiry.

4. 437 St Kilda Road, Melbourne

Price: \$27.02 million
Date: July 2012
NLA: 6,518 m²
Yield: 7.90% core market (8.00% initial)
\$/m² of NLA : 4,145/m²

Vendor: Opus Income & Capital Fund No 21
Purchaser: Private Investor
Comment: A 7-level office building constructed 1964 having undertaken a major internal and external refurbishment in 2003. The building was sold with a WALE of 2.0 years, reflecting the smaller, multi-tenant profile.

5. 100 Wellington Parade, East Melbourne

Price: \$25.0 million
Date: September 2012
NLA: 6,242 m²
Yield: VP
\$/m² of NLA : 4,005/m²

Vendor: Private Investor
Purchaser: The Royal Australian College of General Practitioners (RACGP)
Comment: An 8-level office, formerly known as the Melbourne Water building. The building is largely occupied by the purchaser (RACGP).

6. 570 St Kilda Road, Melbourne

Price: \$23.8 million
Date: September 2012
NLA: 7,688m²
Yield: 9.52% core market (3.89% initial)
\$/m² of NLA : 3,096/m²

Vendor: Offshore Private Investor
Purchaser: Local Syndicate
Comment: A Melbourne based syndicator bought the 10-storey building built in 1990 with typical floorplates of 1,052m². At the time of sale the property was 40% vacant. Tenants include iHost Hospitality, Bravura Solutions and K-Line Australia.



**7. 15-31 Pelham Street,
Carlton**

Price: \$20.60 million
 Date: July 2012
 NLA: 5,907 m²
 Yield: 8.38% core market (8.50% initial)
 \$/m² of NLA : 3,487/m²
 Vendor: McMullin Investments

Purchaser: Forza Capital
 Comment: The property comprises two interconnected office buildings. The tenancy profile comprises a mix of State Government and private corporates and was sold with a WALE of 5.0 years.

**9. 108 Power Street,
Hawthorn**

Price: \$17.50 million
 Date: June 2012
 NLA: 3,739 m²
 Yield: 8.48% core market (8.48% initial)
 \$/m² of NLA: 4,680/m²
 Vendor: LAS Investments

Purchaser: IOOF Investment Management
 Comment: A 5-level office building with three basement carpark levels built in 2009. At the time of sale the property was fully leased with a WALE of 6.6 years.

**8. 332 St Kilda Road,
Melbourne**

Price: \$18.60 million
 Date: December 2012
 NLA: 5,418 m²
 Yield: 7.99% initial
 \$/m² of NLA : 3,433/m²
 Vendor: Overland Properties

Purchaser: Private Investor
 Comment: A 7-storey office building with parking for 69 cars; completed 1982 with average floorplates of 780m². Holmesglen Institute of TAFE lease the whole building.

**10. 863 High Street,
Armadale**

Price: \$14.50 million
 Date: May 2012
 NLA: 3,182 m²
 Yield: 8.44% core market (8.25% initial)
 \$/m² of NLA : 4,557/m²
 Vendor: Little Projects

Purchaser: Vantage Property Investments
 Comment: A 5-level building with ground floor showroom, four upper levels of office space, and two basement car park levels sold with a WALE of 7.3 years.

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