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Knight Frank

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Knight Frank Research Compass Report

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

National

Total office sales volumes ($10 million+) for CY 2016, across the major Australian capital city markets, totalled $15.07 billion which was 9.4% lower than the 2015 figure and the second year that transaction levels have fallen. Indicating a changing allocation of funds the non-CBD markets attracted 51% of transactions by value, outweighing the CBD markets with 49%. This re-allocation was most visible in Sydney and Melbourne where, hampered by a lack of available CBD stock the CBD transaction levels were significantly lower, down 47% and 36% respectively against 2015, but balanced by a surge in non-CBD investment of 43% for Sydney and 77% for Melbourne. In contrast, as investor interest broadened and value-add investment continued to gain favour, the Brisbane and Adelaide markets also saw significant investment in their CBDs accounting for a quarter of Australia's CBD transactions. Overall offshore purchasers remained the dominant buyer type with 43% of total transactions in 2016, however they faced greater competition from local Unlisted Funds & Syndicates which grew their share of the market from 22% in 2015 to 31% for 2016.

Sydney

Listed Australian developer Sunland Group has purchased a 5.5 hectare greenfield site adjacent to Mount Annan Market Place, Mount Annan (in Sydney's south-west) for $15 million. The site was purchased from Dyldam Group Projects Pty Ltd and Sunland is planning a $90 million medium-density residential development of 140 terrace homes. The site itself has been regarded as highly controversial, with a prior development proposal of nine, four-level apartment blocks aggressively objected to by both local residents and Camden Council in the Land and Environment Court in 2014. Sunland Group has stated it will lodge a development application for the proposed 140 townhouses during the first half of 2017

The National Australia Bank (NAB) has signed two pre-commitments for a total of 71,000m² of office space in the Sydney CBD and Parramatta. In the Sydney CBD, the bank has pre-leased 31,000m² at Level 1 through to Level 9 in the Wynyard Place (10 Carrington Street) development from Brookfield Property Partners for a 12 year term at an undisclosed rent. In Parramatta, they will occupy 40,000m² of space at Walker Corporation's 3 Parramatta Square (3PSQ) development for at least 12 years upon the completion of the building in 2020.

Following the NAB commitment, Brookfield Property Partners is marketing a 25 per cent stake in the $1.9 billion Wynyard Place (10 Carrington Street) development. The project will deliver 68,900m² of premium office space (45% pre-committed by NAB) and 5,900m² of prime retail space upon completion. Construction of the project commenced in January 2017, with completion scheduled for the first half of 2020.

Melbourne

The unlisted GPT Wholesale Office Fund (GWOF) has acquired 100 Queen Street, Melbourne for $274.5 million from the ANZ Bank. Located on the corner of Collins and Queen Streets the property comprises the 34-level ANZ World Headquarters and three historic buildings; the 1887 ANZ Bank Building, the Safe Deposit Building and the Old Stock Exchange Building. The main office building and restoration of the three heritage buildings was completed in late 1993. In total, the complex comprises NLA of 36,630m². As part of the transaction arrangement, ANZ itself will retain its control over the heritage 1887 Gothic Bank building, the basement at 90 Queen Street in the Safe Deposit Building and will lease back the office tower until 2019. In 2019 ANZ will relocate to 26,500m² in Lendlease's new office development at 839 Collins St, Docklands, with the building to contain a total of 38,000m².

Singapore-listed Mapletree Logistics Trust has purchased a four-property industrial portfolio in Victoria from Growthpoint Properties Australia (GOZ) for $142.2 million. The purchase expands Mapletree's industrial property holdings in Australia from a base of five properties it currently has in NSW. The portfolio was 100% leased, acquired on an initial yield of 7.6%, with a WALE of 6.9 years, and provided an approximate annual income of $11.95 million. The assets had a combined lettable area of 103,517m² on a combined land area of 362,230m². The portfolio consisted of 28 Bilston Drive, Wodonga; 101-103 William Angliss Drive, Laverton North; 213-215 Robinsons Road, Ravenhall and 365 Fitzgerald Road, Derrimut. The properties are occupied by a range of tenants including: Woolworths, Scott's Refrigerated Freightways, Fuji Xerox and Bridgestone.

UK-based investor M&G Real Estate has bought the Casey Central Shopping Centre in Narre Warren from the Scentre Group (SCG) for $221 million reflecting an approximate fully leased yield of 5.5%. The sub-regional shopping centre, is located 48 kilometres south east of the Melbourne CBD and comprises GLAR of 28,700m² set on a 10 hectare site. Originally acquired by Scentre in 2005, the centre at the time was a small neighbourhood centre with GLAR of 6,500m² with 23 shops and a Coles supermarket. The Centre was re-opened in March 2016 following a $155 million redevelopment. The centre now includes full-line Coles and Woolworths supermarkets, an Aldi supermarket, major fresh-food precinct, Target discount department store and 80 specialty shops.

Brisbane

The Sentinel Regional Office Trust has purchased 200 Creek St, Spring Hill for $38.7 million from Centuria Funds Management. The 10 level building has 7,603m² of office accommodation and was sold approximately 95% occupied with major tenants including Queensland Government, BTM WBM and Ramsay Healthcare, reflecting a WALE of 3.7 years. The property was completed in 1995 and has 88 parking bays in the basement which is shared with the adjoining Novotel Hotel. The sale reflected a reported core market yield of 8.43%. This sale was one of a number which finalised in late 2016/early 2017 with 33% of 111 Eagle St, CBD transferred to GWOF for $284.2 million, 348 Edward St, CBD purchased by Hines Capital (on behalf of King Street Capital) for $49.0 million and 33 Park Rd, Milton purchased by AMP Capital for $47.7 million all finalised in December 2016.

Telstra has agreed to renew their lease over approximately 30,000m² of space across two buildings in the CBD for an undisclosed rental. Renegotiating early, the 10 year agreement will take the lease term out to 2029. The two buildings are the A grade 275 George St (owned by Charter Hall Core Plus Office Fund & K-REIT Asia (Australia) Trust), which makes up the majority of the space taken, and the adjoining B grade 69 Ann St (owned by Charter Hall Core Plus Office Fund). With limited new supply for the CBD, apart from the anticipated 300 George St, tenants which could provide the anchor for a new development are being strongly courted at this time and re-signing Telstra two years prior to their lease expiry is a defensive move by Charter Hall.

Sydney-based group (backed by offshore capital) Farazin has purchased a 6,381m² amalgamated site at 825-847 Stanley Street, Woolloongabba for $25 million. The site, situated opposite The Gabba (Brisbane Cricket Ground), is earmarked for a three-tower apartment complex (with a maximum allowable height of 20 levels) coupled with ground floor retail. The sale reflected a site rate of $3,917/m².

Canberra

Perron Investments, fronted by Perth billionaire Stan Perron, has purchased a 50% stake in the Westfield Woden shopping centre on Keltie Street, Woden (south Canberra) for $335.0 million. The half-stake was purchased from GPT Wholesale Shopping Centre Fund, and was sold at an 11.7% premium to the asset's book value as at September 2016. The regional shopping centre has a GLAR of 74,400m² and is anchored by David Jones, Big W, Woolworths, Coles and Hoyts Cinemas with approximately 250 specialty retailers. The remaining half-stake is held Scentre Group, which manages the asset.

Adelaide

A local private investor has acquired 195 North Terrace, Adelaide from Thalia Corporation for $16.65 million, reflecting a core market yield of circa 7.50%. The property has a NLA of 4,349m², comprising ground floor retail, nine levels of office accommodation and two rooftop penthouses. The property sold with a WALE of 2.3 years by income, reflecting a rate of $3,829/m² of NLA. The sale included a two year rental guarantee over vacant space, which represented approximately 31.3% of the NLA.

Australian Fashion Labels has sold 233 North Terrace, Adelaide to a private investor for $21.00 million, reflecting a core market yield of 6.81%. The seven-level, heritage listed property has a NLA of 4,102m² and was sold fully leased on a 10 year leaseback to the vendor, however two levels have recently been offered for sub-lease. The property was previously purchased by Australian Fashion Labels in 2014 for $7.0 million and subsequently underwent a comprehensive refurbishment. The sale reflected a rate of $5,119/m² of NLA.

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