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Knight Frank Research Compass Report

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

Sydney

Over $2.1 billion of office buildings in the Sydney CBD are on the market as at March 2017, indicating a strong year ahead for office investment in the Sydney CBD. Significant opportunities in the pipeline include 66 Goulburn Street (circa $240 million), 310-320 Pitt Street ($192 million+), 59 Goulburn Street (circa $150 million), 20 Bridge Street ($300 million+), a 50% stake in the MLC Centre (circa $700 million) and a 25% interest in the Wynyard Place development (circa $500 million), amongst others. According to Knight Frank's research, yields for prime assets with five-year WALEs in the CBD are currently ranging between 5.0% and 5.5% and lower for assets with longer WALEs.

LOGOS Australia Investment Venture has finalised their acquisition of the leasehold interest in the Woolworths Distribution Centre at 69 Sargents Road, Minchinbury for $161 million. The 88,555$m^2$ industrial property, located on a 21 hectare site, has been purchased from Lendlease's Australian Prime Property Fund on a 8.6% net passing yield and 4.9 year WALE. The property is fully leased to Woolworths, which also controls the freehold title.

Melbourne

Stockland has purchased a site with development approval for 422, mostly two-storey, townhouses in Braybrook, for $62 million. The 11.5 hectare site, located on Beachley Street, adjoins the Sunbury railway line at the rear and is within one kilometre of the Central West shopping centre and Tottenham railway station. Located approximately 10 kilometres from the Melbourne CBD, the former industrial zoned site once accommodated the Tottenham Bulk Stores. Stockland expects the townhouse development will have the first stage complete and sold in 2019.

Primewest has acquired an off the plan warehouse in the West Park Industrial Estate in Derrimut from Frasers Property Australia (FPA) for $24 million. The 22,500$m^2$ warehouse on Foxley Court comprises 500m^2 of offices and 67 car parking spaces and includes a three-year rental guarantee from FPA. Construction will commence in April 2017, with completion anticipated in the final quarter of 2017. Major occupiers that form part of the 310-hectare industrial estate include CEVA Logistics, Schenker, Toll, Goodyear and Australia Post.

Host Hotels and Plenary Group has sold the Hilton Melbourne in South Wharf for $230 million to listed Singaporean property company UOL. The 30,688m^2 hotel comprises 360 rooms with a 99-year leasehold running until 2108. The complex was constructed in 2009 as part of the $1 billion Melbourne Convention and Exhibition Centre (MCEC) precinct developed by Plenary. In 2011, Plenary sold a 75% equity stake in the hotel to Host Hotels for $137. The hotel will be rebranded from Hilton to the Pan Pacific Melbourne.

Brisbane

After an extensive search, Origin Energy has committed to lease eight floors (approx 16,250m^2) in the 180 Brisbane building, 180 Ann Street, CBD. The 17 year lease will allow Origin to bring its operations into one location, consolidating from a number of sites, mainly within the Milton precinct of the near city market. The 34 level A grade building, completed in early 2016, is now largely committed with the other major tenants being Commonwealth Bank (10,650m^2) and Tatts Group (18,000m^2). With little new space remaining available on a direct basis in the three buildings completed in the Brisbane CBD during 2016, totalling 187,000m^2, and with no new supply expected to be added to the market in the next eighteen months - two years, this provides the climate for the leasing market, particularly for prime space, to show sustained improvement.

Mirvac has purchased a site earmarked for the subdivision of 140 home sites in Rochedale, for $30 million. The 8.4 hectare elevated site is located on Gardner Road and has good access to the Pacific Highway and Gateway Motorway. It is anticipated there will be views of the Brisbane CBD skyline from some of the home sites, just over 15 kilometres to the North West. Westfield Garden City and bus interchange is within five kilometres, additionally the Mount Gravatt and Nathan campuses of Griffith University are within six kilometres. Mirvac expects the home sites to be delivered to the market in late 2017.

Canberra

Armada Funds Management, on behalf of German real estate fund Deka Immobilien, has acquired the Canberra Outlet Centre in Fyshwick for $135 million, representing an initial passing yield of 6.3%. The centre, which comprises a 20,822m² factory outlet and a 24,057m² homemaker hub, provides a total GLAR of approximately 44,880m². The property is anchored by a number of national major retailers including Harris Scarfe, Freedom and JB Hi-Fi. The centre was purchased from Goldman Sachs who acquired the asset in 2012 from Austexx as a debt play following the asset being placed into receivership.

In a sign of favourable conditions in the local housing market, a 1.33 hectare development site has been sold in Forrest for $20.1 million. Located on the corner of State Circle and Canberra Avenue in Forrest and within 200 metres of Parliament House, the site was acquired by local Canberra developer Addval Developments. Pending approval by the National Capital Authority, the site is permitted to accommodate a maximum of 168 units.

Perth

A private Singaporean-based investor has purchased the Crowne Plaza Perth, at Terrace Road, East Perth for $50 million. The 4.5 star hotel, which overlooks Langley Park and the Swan River, has 189 rooms, 8 function rooms, fitness centre and outdoor lap pool. The sale reflected a rate of $264,550 per room with the hotel managed as a Crowne Plaza by the InterContinental Hotels Group at the time of sale.

The State Teachers Union of WA has purchased 26 Thomas Street, West Perth for $21 million from a private investor. The 3,935m², A grade, building will be utilised by the Union after they sold their previously occupied C grade building at Adelaide Terrace, East Perth for $15.5 million as a redevelopment site. Elsewhere in West Perth, 66 Kings Park Road has sold for $16.1 million to Warrington Property. The office building, which is located opposite Kings Park has an NLA of 4,698m² and parking for 112 cars. The five level building, located on a site of 3,168m², has large floorplates of up to 1,000m² and was sold by Kings Park Road trust with the transaction reflecting a core market yield of 7.9%.

Adelaide

A private investor has purchased an industrial property at 9 Mab Eastern Promenade in Tonsley, which was purpose-built for global technology firm Siemens by Commercial and General. The property is located within the redeveloped Tonsley Innovation Precinct (former Mitsubishi Motors site) and sold for circa $6.8 million, reflecting a core market yield of 7.07%. Siemens committed to a term of 10+5+5 years commencing April 2015 and utilise the site for maintaining turbo machinery equipment such as wind, gas and steam turbines. The property includes 2,326m² of warehouse with overhead gantry cranes and 406m² of office accommodation. The site originally sold in November 2014 for $771,120 (excl. GST), reflecting $180/m² of site area.

Darwin

The Northern Territory Government has released a tender seeking office accommodation for the Department of Health in the Darwin CBD. The requirement is for 10,000m² of space to consolidate the Department into a single location from a number of sites. The tender will favour solutions within the CBD, close to other agencies the Department interacts with, and may encompass either new construction or refurbished space. The lease is anticipated to start in mid-2021 with a term of 15 years.

A private investor has bought an industrial facility at 107 Reichardt Road, Winnellie for $4.2 million. The property, leased to Simon George and Sons, has office space of 320m² and cold storage of 1,064m² on a site of 3,730m². With a WALE of 8.5 years, the sale reflected an initial yield of 8.5%.

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