



### Key Facts

**More than \$1.2 billion was transacted** in Melbourne's St Kilda Road, Southbank and Suburban office markets

**Offshore investors** were the most prominent purchasers accounting for 38% of sales, spending \$467 million

The level of sales volume within **the Suburban office market reached record highs** in 2015

**Suburban office properties, the focus for offshore** Non-CBD office investment in 2015



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Despite not reaching the record levels of 2014, office sales in the St Kilda Road, Southbank and Suburban office markets collectively surpassed \$1 billion in a calendar year for only the second time on record.

An all-time high level of sales volume recorded in the Suburban office market contributed to the second highest ever level of Non-CBD office investment activity, surpassing \$1 billion for only a second time.

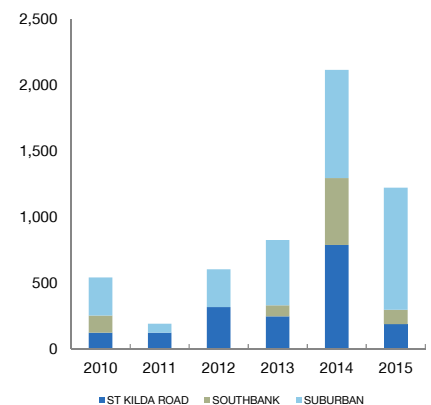
Office investment sales activity (\$10m+) in the Melbourne Non-CBD office markets over 2015 totalled \$1.22 billion across 39 properties. The volume of sales achieved in 2015 was 67% higher than the long term average, but 42% lower than the record high level of 2014.

Non-CBD office investment was led by sales in the Suburban office market. Suburban office properties sold in 2015 accounted for 75% of all transactions (by value), followed by St Kilda Road offices which accounted for 15%.

Within the suburbs specifically, the Outer East precinct was the focal point of investment activity accounting for 47% of all suburban office transactions (by value) with \$430 million spent in the precinct.

Investment appetite for City Fringe office properties remained strong accounting for 34% of total suburban office sales in 2015.

FIGURE 1  
**Melb Non-CBD Office Transactions**  
\$ million total transactions (\$10mill+)



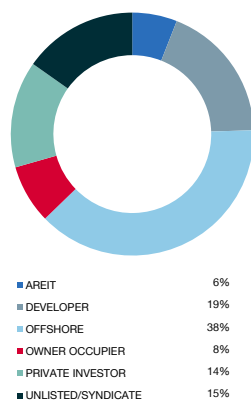
Source: Knight Frank Research

# NON CBD OFFICE TOP 10 SALES 2015

Offshore investors led all purchaser types accounting for 38% of sales by value, spending \$467 million, focusing on suburban office assets. While offshore investment into Melbourne's non-CBD office markets did not match the levels of 2014; offshore investment was still double the long term average and the second highest level on record. In the past two years, offshore groups have spent more than \$1 billion across the St Kilda Road, Southbank and suburban office markets. The offshore investment across Melbourne's non-CBD office markets in 2015 was dominated by Asian-based groups, led by Chinese, Korean and Malaysian investors.

While investor appetite remains focused on Core Plus/Value Add opportunities, increasingly offshore groups and local developers are purchasing assets for residential conversion purposes. In total \$370.03 million of non-CBD offices were purchased for a change of use. 185 Rosslyn St, West Melbourne (\$40.3 million), 412 St Kilda Rd (\$58.0 million) and 83-113 Batman St (\$35.0 million) are amongst a number of non-CBD offices purchased in 2015 which are earmarked for residential development. In total, 71,330m<sup>2</sup> of non-CBD office space has been purchased for a likely change of use in the short and medium term.

FIGURE 2  
**Melb Non-CBD Office Transactions**  
Breakdown by purchaser type (\$10mill+)



Source: Knight Frank Research

## 1. 913 WHITEHORSE RD, BOX HILL

**Price:** \$156.0 million  
**Date:** September 2015  
**NLA:** 19,941m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$7,823  
**Yield:** 6.01% initial

**Vendor:** Cromwell Box Hill Trust  
**Purchaser:** FG Asset Management  
**Comments:** Completed in May 2015, the 13-level office is fully leased to the Australian Tax Office until May 2030. The contract price was 18.6% higher than the valuation as at 31 March 2015.

## 2. 636 ST KILDA RD, MELBOURNE

**Price:** \$87.5 million  
**Date:** December 2015  
**NLA:** 17,432m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$5,020  
**Yield:** 7.00% initial

**Vendor:** Blackstone  
**Purchaser:** Wholesale Australian Property Fund (AMP)  
**Comments:** The former Cadbury House is a 70 metre, octagonal 18-level office tower, which is fully leased to over 30 tenants and was sold with WALE of 3.9 years.

## 3. 191 – 197 SALMON ST, PORT MELBOURNE

**Price:** \$85.0 million  
**Date:** April 2015  
**NLA:** 21,763m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$3,906  
**Yield:** 8.70% core market (10.20% initial)

**Vendor:** Mirvac Group  
**Purchaser:** Altis Property Partners  
**Comments:** Completed in 2005 and purpose built for GM Holden, the 3-level office on a site of 23,960m<sup>2</sup> with parking for 1,055 vehicles was sold with a WALE of 5.3 years.

## 4. BRANDON OFFICE PARK, GLEN WAVERLEY

**Price:** \$80.0 million  
**Date:** March 2015  
**NLA:** 16,871m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$4,742  
**Yield:** 6.90% core market (7.20% initial)

**Vendor:** MarksHenderson Funds Management  
**Purchaser:** Kaifu Investment  
**Comments:** Five-office business park, built in 1988 on a site of 37,290m<sup>2</sup> includes a permit to build two more buildings adding a further 11,500m<sup>2</sup> sold with a WALE of 3.0 years.

## 5. 412 ST KILDA RD, MELBOURNE

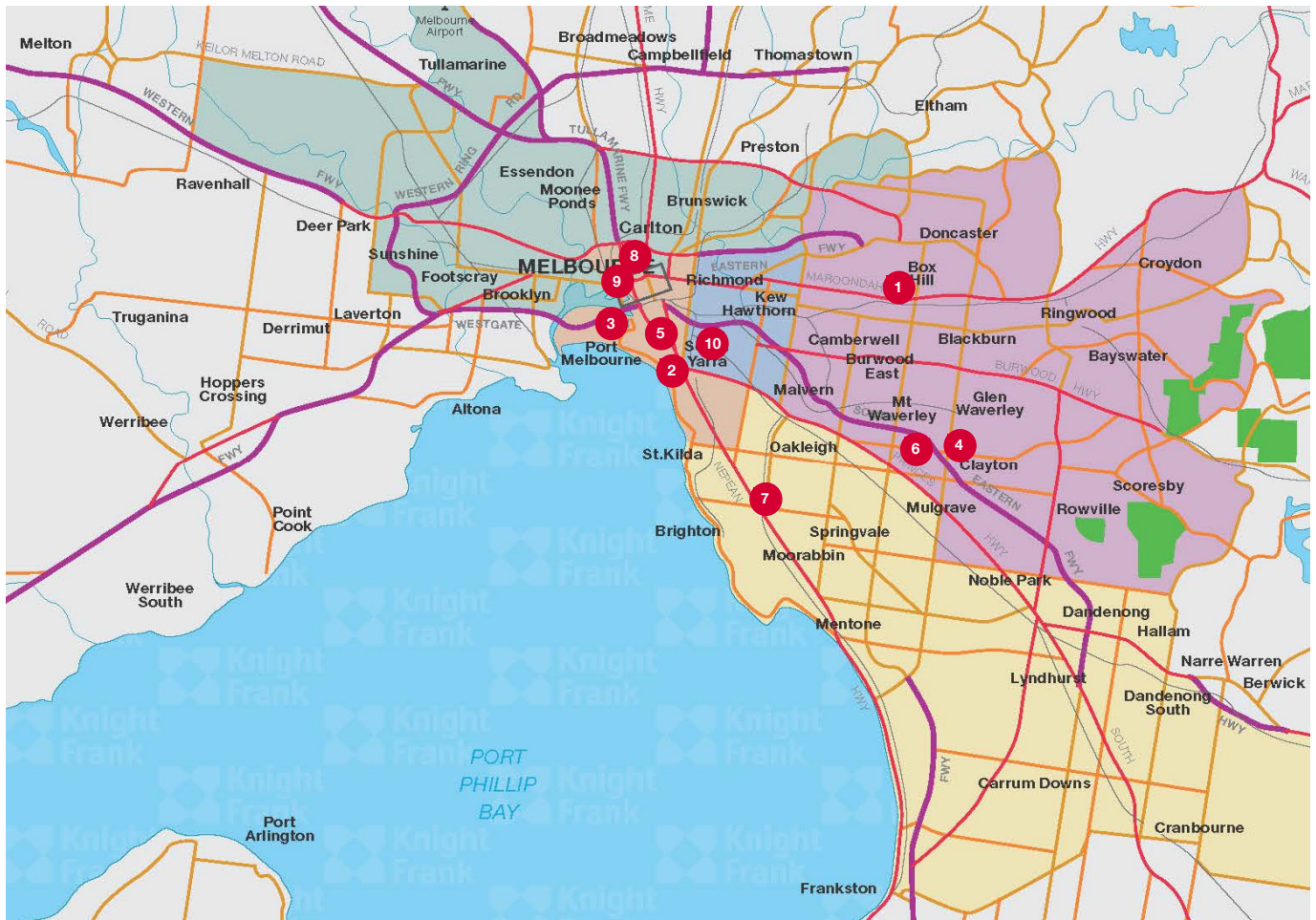
**Price:** \$58.0 million  
**Date:** August 2015  
**NLA:** 16,285m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$3,562  
**Yield:** n/a

**Vendor:** IGR Property Group  
**Purchaser:** UEM Sunrise  
**Comments:** Third Melbourne acquisition for the Malaysian developer. The 21-level office tower will be vacated by Victoria Police in mid-2016 and is earmarked to be redeveloped into a residential complex.

## 6. BLD C, 211 WELLINGTON RD, MULGRAVE

**Price:** \$50.9 million  
**Date:** November 2015  
**NLA:** 10,295m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$4,944  
**Yield:** 7.25% initial

**Vendor:** Frasers Property Australia / CIP  
**Purchaser:** Growthpoint Properties (GOZ)  
**Comments:** 47% leased to BMW Australia Finance for five years with two further options. Growthpoint previously acquired another pre-leased office building in the same business park for \$62.6 million.



Map Source: Knight Frank Research

**7. 973 NEPEAN HWY, MOORABBIN**

**Price:** \$41.5 million  
**Date:** August 2015  
**NLA:** 11,956m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$3,471  
**Yield:** 8.20% core market (8.70% initial)  
**Vendor:** JAK Investment Group

**Purchaser:** Henkell Brothers  
**Comments:** Located on the corner of Nepean Highway and South Road. Completed in 1987, the 5-level office is occupied by range of tenants was sold with a WALE of 3.8 years.

**9. 355–371 SPENCER ST, WEST MELB.**

**Price:** \$38.8 million  
**Date:** December 2015  
**NLA:** 10,383m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$3,737  
**Yield:** Undisclosed  
**Vendor:** Hume Partners

**Purchaser:** Undisclosed  
**Comments:** Positioned on the corner of Spencer and Jeffcott Streets with total street frontage of 90m, the 6-level office is fully leased to a variety tenants with a total site area of 2,004m<sup>2</sup>.

**8. 185 ROSSLYN ST, WEST MELBOURNE**

**Price:** \$40.3 million  
**Date:** March 2015  
**NLA:** 9,333m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$4,313  
**Yield:** VP  
**Vendor:** Australia Post

**Purchaser:** Trenerry Property Group  
**Comments:** Formerly owned and occupied by Australia Post on a site of 9,333m<sup>2</sup>, the property sold with a planning application for a residential development comprising 501 apartments.

**10. 627 CHAPEL ST, SOUTH YARRA**

**Price:** \$38.5 million  
**Date:** February 2015  
**NLA:** 5,714m<sup>2</sup>  
**Rate/m<sup>2</sup> of NLA:** \$6,738  
**Yield:** Undisclosed  
**Vendor:** Henkell Brothers

**Purchaser:** Fridcorp  
**Comments:** With a site area of 1,529m<sup>2</sup> the property represents a development opportunity in the future with significant residential development in close proximity.



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