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Property
Offshore buyers active as office deals hit $16.2b

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Office property deals hit $16.2 billion in 2017, the third highest year on record, with the Sydney market accounting for more than half the total.

Offshore investors cornered just over half of the deal flow, or $8.3 billion of transactions by value in 2017, on JLL figures.

Contributing to that total was Mitsubishi Estate, through CLSA, heralding what could become a new wave of Japanese capital coming into this market through the $229 million acquisition of 130 Pitt Street in Sydney.

Buyers from Singapore were the most active foreign investors, accounting for 18.2 per cent of deals, followed by Hong Kong and the US.

The availability of Sydney CBD property and the prospect of positive income reversion resulted in almost 55 per cent of 2017 transactions occurring across the Sydney office markets.

Among the headline deals there, Dexus and its wholesale fund took over a half stake in the MLC Centre for $722.5 million while AMP and its mandate took close to a half stake in the $1.8 billion Wynyard Place development.

On JLL estimates, for major campaigns in excess of $100 million in 2017, there were $6.3 dollars of capital for every $1 of commercial property investment product in the market.

"This demonstrates the depth of Australia's office investment market and the unsatisfied capital that is looking to be deployed in 2018," said Rob Sewell, head of office investments for JLL in Australia.

"The diversity of capital sources is unprecedented and investor demand for assets across the risk spectrum remains firm."

The net capital flow into the Australian office sector over the past five years was $24.2 billion. Putting that into context, the market value of the 19 CBD markets in Australia is $260 billion on JLL estimates.

In Melbourne, property trusts and funds based in Singapore made a strong showing. Among the prominent deals in that market Suntec REIT acquired a 50 per cent stake in Mirvac's development at 447 Collins Street for $414.17 million while K-REIT bought a half stake in the Cbus Property project on Spencer Street for $347.8 million.

Elsewhere in Melbourne, Swiss RE through AMP made its first acquisition in Australia with the acquisition of 469 LaTrobe Street for $158.15 million.

"The market value of non-CBD office markets is estimated at $65 billion, so we expect to see these markets as viable investment destinations in 2018 for a diverse range of capital sources," Mr Sewell said.

The diversity of capital sources is unprecedented. Rob Sewell, JLL

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