



Business

**City fringe office deals on the rise**

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City fringe office markets in Sydney and Melbourne are outshining their respective CBD centres in deal-making and capital growth, with two buildings changing hands for a combined \$175.5 million.

Listed Propertylink Group has signed an \$82 million heads of agreement to buy a six-storey office at 1-3 Fitzwilliam Street in Parramatta, one of the best performing office markets in the country.

At the same time, Abacus Property Group and Singapore-listed Wing Tai Holdings have put their foot on an eight-level office in Melbourne's leafy St Kilda Road boulevard, paying \$95.38 million.

Propertylink said it signed a non-binding heads of agreement with Raffles Assets Australia, a subsidiary of Singapore-listed Raffles Education Corporation. The deal is subject to due diligence by Propertylink, approval by the Foreign Investment Review Board and approval of REC's shareholders.

The Fitzwilliam Street building has net lettable area of 9,782 square metres and is part-leased to another REC subsidiary, the Raffles College.

In Melbourne, the St Kilda Road purchase follows Abacus' stated investment philosophy of concentrating on city fringe assets in gentrifying areas which appeal to millennials and have long-term growth prospects.

The property is Wing Tai Holdings' second Australian purchase after it first mooted making a foray Down Under as early as 2000, a desire it eventually executed in a 2016 deal to buy a seven-level car park in Melbourne's Flinders Street for more than \$31.5 million.

Melbourne's St Kilda Road office precinct is undergoing a once-in-a-generation property transformation as multiple residential towers replace old office stock and a new underground Domain Station is built, part of the city's \$11 billion metro rail project.

The shift from offices to homes has boosted the capital values and occupancy of remaining stock.

Parramatta, with zero vacancy in prime stock, is Sydney's fastest growing office market.

The Parramatta office vacancy rate has fallen to 3 per cent as at January 2018, down from 4.3 per cent six months prior, according to Knight Frank's latest Parramatta Office Market Brief research report.

The vacancy rate is well below the 10-year average of 7.5 per cent and is at its lowest point since the series began in 1990, according to Knight Frank's Head of Research & Consulting Australia, Ben Burston.

Savills Australia's most recent National Office Quarter Time report lists a spike in capital growth for St Kilda Road of 19.3 per cent over the year to March only surpassed by Parramatta in Sydney which recorded a sharp 36.8 per cent rise in the same period.

Vacancy in Australia's two key CBD office markets, Sydney and Melbourne, is at historic lows around 4.6 per cent.

The latest Dexus Office Demand Barometer remains in positive territory with office take-up improving in the March quarter on the back of absorption of 7000 square metres.

Leasing demand, typically subdued between December and March, was also stronger.

The St Kilda Road office was purchased under a sale and leaseback arrangement with the vendor, the Victorian Automobile Chamber of Commerce.

Abacus has been particularly active of late. Last month it put The Village Bacchus Marsh shopping centre in regional Victoria up for sale with a \$70 million price tag. Earlier this year it swooped on an Abbotsford office in Melbourne's inner-east leased to Computershare, paying Chinese developer LYZ Property Group \$93.5 million for the property after they had purchased it 18 months earlier for the "lucky" sum of \$88,888,888. At the same time, Abacus scooped up an another city fringe office in Sydney's Alexandria at 11 Bowden Street for \$48.85 million.

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