

HD **Commercial property** buyers splurge \$10 billion

BY **Property** Carolyn Cummins

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Property Carolyn Cummins

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Takeovers, changes to investment regulations and demand for high- yielding, "safe-haven" bricks and mortar assets attracted close to \$10billion cash to the Australian **commercial** real **estate** sector in the past few months, according to new data. This trend is tipped to continue, boosted by Asian-based insurance companies with access to more

than \$7trillion, thanks to a liberalisation of investment regulations. The buying has been in direct assets across office towers, shopping malls and hotels, as well as indirectly through real **estate** investment trusts, which offer a "safe haven", pseudo-bond market stability in a low interest rate environment. The REITs head into the 2014 reporting season next month with an average return tipped about 10per cent on a total return basis.

Recent asset sales include, in Sydney, the Sofitel Wentworth **Hotel** in Phillip Street and the Ausgrid **site** at 570 George Street, which were snapped up by Singaporean investors, while US **company** Blackstone bought a half- share of the Westpac headquarters at 275 Kent Street - with an accompanying deal to **buy** other Mirvac properties valued at \$824million. In Melbourne, **Chinese** and **Hong Kong** investors bought into the **hotel** market with the boutique

Ovolo and **Park** Hyatt. Some recent sales have come from **China** and Singapore, and expectations are that the inflow will continue to be strong for a range of properties, with a focus on city-based offices that can be converted to apartments. In its second-quarter, 2014 report, DTZ Australia said total investment volume was recorded at \$9.3billion - up 93per cent quarter-on-quarter. It said the main reason for this was the significant merger and acquisition activity that occurred in the second quarter.

At the halfway point through 2014, investment volume stands at \$14 billion, almost 30 per cent higher than the first half 2013 at \$11 billion. According to CBRE research of the insurance regulators in 10 Asian jurisdictions, total insurance assets reached \$US6.7 trillion in Asia at the end of 2013, compared with \$US5.8trillion in the US and \$US3trillion in the UK.

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