

# FINANCIAL REVIEW

SE Property

HD Changing face of Parramatta lures tenants

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LP A swag of office towers in Parramatta will be replaced with high-rise apartments as Australia's biggest wave of **residential** development spreads to Sydney's second CBD.

Parramatta agents are bracing for an rise in **commercial** demand and rents, with more than 10 high-profile stock withdrawals expected to suck almost 40,000 square metres of office space from the market in the next two years.

TD Examples include **Chinese** developer Chiwayland, who is likely to strip 6500 square metres from the market through its conversion at 14-20 Parkes Street into luxury apartments.

The Cumberland Newspapers headquarters at 142-154 Macquarie Street is expected to make way for around 1000 apartments, after a **sale** to developer Landmark East and Dylam. This will take another 5280 square metres from the market. Likewise, the potential conversion of a modern office tower at 460 Church Street, with tenants including Access Homeloans and Moore Stephens Accountants could take another 7555 square metres from the market.

The withdrawals come at the same time as Parramatta Council is building 130,000 square metres of **commercial** space at its new town centre and **commercial** hub, Parramatta Square.

But even as construction progresses and there is talk that Stage 2 is imminent, agents argue that vacancy rates at 6.3 per cent are unlikely to budge.

Parramatta's total office stock count has been reduced by 22,404 square metres since the beginning of 2013, according to data from Knight Frank, of which more than 58 per cent has come from change of use. At the same time, office construction construction in the area has been weak since 2012.

"Even if new developments like Parramatta Square add more stock to the market, it can only add vacancy rates in line with the rest of the country ... it's not like we'll suddenly find a blow-out to double digit [rates]," Knight Frank agent Wally Scales said.

More tenants known as "**commercial** refugees" are moving into Parramatta from areas such as Burwood, Ashfield, Hurstville and Epping, where business parks and high-rise towers are being snapped up by **residential** developers to convert into apartments.

A Westpac division based in Epping will have to look for a new 8000-square-metre space after CBUS **Property** paid around \$85 million in October 2014 for the Langston Place **site**, with plans for apartments. Unilever will also into new headquarters measuring more than 5700 square metres after **Chinese** developer Polly **Group** bought Goodman's business **park** at 20-28 Cambridge Street in Epping.

In Hurstville, Pacific Brands and the NSW Department of Environment and Heritage Department have been forced back to the market by a string of sales, including Cromwell **Property**'s office block at 43 Bridge Street, **sold** for \$37 million last year.

In Burwood, development sales have pushed tenants including [Telstra](#), [Transport NSW](#) and the [Australian Taxation Office](#) back to market to look for new tenancies.

Government departments and offices are decentralising to more affordable areas, and Western Sydney is attracting training and education centres and colleges.

Development at Parramatta Square is under way at 169 Macquarie Street, and it has a 26,000-square-metre precommitment from the [University of Western Sydney](#).

Mr Scales says new **commercial** space will be sucked up as soon as it is released. "You've got government offices and tenants including banks and education groups trying to decentralise from the CBD, and they see improvements in Parramatta," he said.

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