

HD Savills (Aust) Pty Limited: CBD Investment Market in Sustained Recovery 28 August 2014

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[**Company** Release] Melbourne CBD grid investment sales has entered a period of sustained recovery averaging sales of \$1.5 **billion** for two years running - more than 65 percent over the \$909 **million** average of the previous ten years - at a time when office vacancy has been relatively high by Melbourne standards, according to Savills Australia's latest research.

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The Melbourne CBD Office Spotlight August 2014 revealed of the more than \$1.5 **billion** spent on CBD grid properties in the 12 months to June foreign investors accounted for a record \$630 **million** or 42 per cent of **purchases**, while the 36 office properties **sold** represented the largest number of sales over a 12 month period for well over a decade.

Savills Victorian Head of Research, Glenn Lampard, said the global credit crisis that began in the middle of 2007 had had a tremendously negative impact on investment markets.

"Only now are we seeing a significantly increased level of capital chasing office sector assets which, it is now reasonable to assert, has seen a sustained recovery in CBD grid investment sales," Mr Lampard said.

He said off-shore investment had increased seemingly inexorably with foreign investors' share of the market having grown nearly 90 per cent from the 23 per cent, or \$356 **million** in sales recorded in the previous 12 month period, to 42 per cent.

"The report reveals a significant set of numbers given an historical perspective, but more importantly they reflect the very considerable role that foreign investors are now playing in the market. That foreign interest has driven competition and seen yields **firm** at a time when, paradoxically, the leasing market has been relatively struggling, with vacancy high and incentives even higher.

"It's a dichotomy born of a relatively new penchant for Melbourne **property** from largely Asian, and particularly **Chinese**, investors looking for secure investments and Melbourne has a solid reputation for providing the sort of stability that investors crave and ultimately feel very comfortable with," Mr Lampard said. The most significant sales included:

- 367 Collins St (\$227.8m, **purchased** by Mirvac);
- 485 La Trobe St (\$181.6m, Lend Lease);
- 628 Bourke St (\$129.6m, **M & G Real Estate**);
- 380 La Trobe St (\$115m, Invesco);
- 447 Collins St (\$91m, Cbus);
- 555 Collins St (\$78m, Fragrance); and,
- 477 Collins St (\$72m, Mirvac)

Mr Lampard said yields had firmed at the lower end of the range by as much as 50 basis points, for predominantly Prime assets over the last 12 months as competition for those assets intensified.

He said yields were generally in the 6.5 to 7.25 per cent range for A grade buildings, compared to 7 to 7.5 percent last year, and between 7.9 and 9.25 percent (8 to 9.5 percent) for secondary stock.

The report found the CBD's grid carried a vacancy rate of 9.4 percent which was down 1.7 percent from the 11.1 per cent recorded for the same period last year.

[Click here for the full original announcement](#)

COMPANY BACKGROUND

ACTIVITIES

Savills (Aust) Pty Limited provides **commercial**, retail, and **residential property** services. It offers **transactional** services, such as **sale** and leasing services for office, retail, and industrial **property** and development sites; advice on capital allowances, valuations, and planning; **property** management services, such as facilities management and **property** accounting; project management services; and **property** advisory services. The **company** was incorporated in 1992 and is based in Sydney, Australia. It has branches and additional offices in North Sydney, Parramatta, Liverpool, Pymble, Canberra, Melbourne, Notting Hill, Adelaide, Perth, Sunshine Coast, Brisbane, and the **Gold** Coast. Savills (Aust) Pty Limited operates as a subsidiary of Savills plc.

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