

The West Australian

 thewest.com.au

SE Business

HD Dexus Property Group said construction of the office towers at Kings Square was...

BY Marissa Lague

WC 526 words

PD 4 November 2015

SN The West Australian

SC TWAU

ED First

PG 12

LA English

CY (c) 2015, West Australian Newspapers Limited

LP Dexus Property Group said construction of the office towers at Kings Square was on track and nearing completion but the handover may not include a tenancy for engineering firm John Holland.

The property group's office and industrial executive general manager Kevin George said the development was broadly in line with the construction program.

TD Office tower KS2, which will be the new home for [Royal Dutch Shell](#) from early next year, has reached practical completion, as has KS3, which has been leased to John Holland. Construction has almost finished on the 22,000sqm KS1, which is still for lease.

State-owned Chinese giant China Communications Construction Company purchased John Holland for \$1.15 billion earlier this year from [Leighton Holdings](#) and Mr George said since the sale, it was not clear if John Holland would go ahead with its plan to move into the new CBD project.

"I think the new owner has decided that they won't move into it but they are paying us rent and they are still working out their future and how much if anything they are going to take," Mr George said.

"They have a lease with us for 10 years on the building.

"It may be they decide to sublease that tenancy but, from our point of view, we are getting rent from John Holland on that space."

John Holland declined to comment.

In a 2013 fund-through deal, [Leighton Properties](#) on-sold three office towers it would build at Kings Square to Dexus for \$435 million.

As part of the purchase, Dexus obtained a rental guarantee that would ensure full income on the properties for five years after practical completion.

"When Dexus looked at this opportunity three years ago we were mindful the situation in Perth was not always going to be as buoyant as it was then," Mr George said.

"We were keen to invest in the asset because we think its a terrific strategic site in terms of the evolution of the Perth central business district.

"The pricing we achieved and the structure of the deal was very much aligned to giving us comfort through any downturn.

"From out point of view we have new buildings producing incomes from as soon as they are complete."

When it was finished, Mr George said Kings Square would benefit from the northward expansion of the city and would provide an easier and a safer transition for people between the CBD and Northbridge.

"For those reasons, Kings Square becomes very valuable over time, particularly the retail offering we are creating, where there will be more natural ant tracks for people to transition between two very important zones in the city."

Dexus, one of the CBD's biggest landlords, is forecasting Perth office vacancies will peak around 22 per cent in the next year.

"It's clearly a challenging market and there's still some supply coming on, ours included, that will impact on vacancies," Mr George said. "We think the market will start to stabilise through FY17 and recover in the ensuing few years."

CO charb : China Communications Construction Co., Ltd. | dbrrrt : Dexus Property Group

IN i502 : Heavy Construction | i81502 : Trusts/Funds/Financial Vehicles | i8150206 : Closed-end Funds/Investment Trusts | i815020602 : Real Estate Investment Trusts | iconst : Construction | icre : Real Estate/Construction | ifinal : Financial Services | iinv : Investing/Securities | ireest : Real Estate

NS ccat : Corporate/Industrial News

RE neth : Netherlands | austr : Australia | waustr : Western Australia | apacz : Asia Pacific | ausnz : Australia/Oceania | benluxz : Benelux Countries | eecz : European Union Countries | eurz : Europe | weurz : Western Europe

PUB West Australian Newspapers Limited

AN Document TWAU000020151103ebb40006f

© 2017 Factiva, Inc. All rights reserved.