

FINANCIAL REVIEW

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HD **Asian bids raise score**
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Low interest rates are encouraging Australian businesses to acquire their own CBD office space, rather than lease.

However, local corporations are facing growing competition from Asian firms setting up shop in Sydney and Melbourne – where the allure of **property** ownership and access to funds is greater.

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Asian firms spent \$201 million on their own offices in 2013 almost treble the \$62.5 million spent on space in 2012, according to **property** services **group** DTZ. In 2014, investment stands at \$81 million for the first half of the year, down on 2013, but indicating much stronger levels of demand than 2012.

Three quarters has been invested in Sydney office space with the rest in Melbourne, according to DTZ.

Separate figures compiled by CBRE show that Asian firms – primarily **property** developers – have forced up the prices of Melbourne strata offices by around 25 per cent in the space of a year.

Between May last year and April this year, the cost per square metre of unrefurbished strata office space in Melbourne increased from \$4000 per square metre to \$5000.

Refurbished office space increased by 15 per cent \$6200 per square metre.

CBRE strata investments director Tom Tuxworth said offshore groups, mainly from **China**, were absorbing the limited supply of CBD strata offices, pushing up prices. "The **commercial** strata office market has always been made up of mum-and-dad type investors and small business owners looking to invest long term in **commercial** office space. "What we are now noticing is they are having to compete with aggressive offshore groups who are in the market to **purchase** a new Melbourne headquarters for their business," Mr Tuxworth said. Prestige in Australian ownership

Chinese developers AXF, The Ever Bright **Group**, Xing Yuan and Singapore developer Excelon have all **purchased** offices in Melbourne in the past 12 months alongside **Chinese** miner Baosteel, diversified conglomerate Yucai and hospitality **group** Shark Fin.

Strata offices have been acquired on Bourke Street, Collins Street, Flinders Lane and Lonsdale Street. Another **Chinese** developer LYZ has ventured into the fringe office market paying \$7 million for the Airlie Mansion on St Kilda Road for its new Melbourne head office.

Andrew Zhu, from Longton Legal, a Sydney law **firm** with Asian roots, paid \$1.45 million for a whole floor on Queen Street, Melbourne in January.

Mr Zhu said Asian companies setting up in Australia preferred to own rather than lease office space.

"It is difficult to own **commercial property** in **China**, where the government controls land. In cities like Shanghai, you can't **buy property** even if you have money. Therefore there is a lot of prestige in

owning **property** in Australia," he said. "There is also much more flexibility when you own – you can lease out space you don't need or refurbish to suit your requirements. Plus there are tax benefits."

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