

SE Finance
 HD **Unit conversions drive office market**
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SYDNEY'S surging **residential** development market is shifting the dynamics of the city's office market almost by the week -- and a further \$200 million of deals are in the offing.

Just weeks after more than \$500m of towers changed hands as international groups led by Singapore's Far East Organisation swooped on a series of properties, two more assets are in play.

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Arena Investment Management has fielded interest on a \$50m tower in George Street and GDI has received approaches around the \$150m mark for its tower in the city's Castlereagh Street.

Both investment groups are focused on the office sector but own assets that could benefit from conversion into apartments in coming years.

Arena is dealing with an Asian **group** on 280 George Street in a deal valuing the tower at about \$50m -- ahead of its valuation in the mid-\$40m range. Singapore's Rockworth Capital Partners is thought to be behind the move, but Arena joint managing director Bryce Mitchelson declined to be drawn on the approach.

The tower was bought by two unlisted trusts run by Arena predecessor Orchard Funds Management for \$49.2m in early 2008. It is now held in Arena's office fund, which is seen as a candidate to float later this year.

But the changing fortunes of the listed markets -- and interest from cashed-up Asian groups -- also could see the **group** capitalise on interest in direct assets.

The building has 12 levels of office space and a net lettable area of more than 5000sq m.

Moves on the GDI tower at 233 Castlereagh Street in the city's mid-town precinct are thought to be at an earlier stage. While the tower has 19,943sq m of space, it is well tenanted, and the attraction may be a **sale** at well above its \$121m book value.

Most notably, there is rumoured interest from one occupant, **Chinese property** giant Greenland, which is developing a \$600m **apartment** and **hotel** complex in nearby Bathurst Street. Although GDI flagged the future **residential** conversion potential of the tower when it listed last December, some are cautious about the potential to convert the building into apartments in this cycle. The fund manager declined to comment.

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