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FINANCIAL REVIEW

Property

Pitt Street office block fetches AMP \$102m

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AMP Capital has at last sold its Pitt Street office tower in Sydney for \$102 million to a Chinese-backed company which plans to ultimately transform it into a massive residential development.

Put up for sale early last year, 338 Pitt Street was one of the many older office towers in Sydney that hit the market in the last 18 months to take advantage of investor demand for residential sites.

"At a 12 per cent premium to the fund's book value, we are delighted with this outcome and we look forward to continuing to execute on the strategy to divest AWO's remaining non-core assets during 2015," AMP Wholesale Office fund manager Nick McGrath said.

Visionary Investment Group, a developer and fund manager backed by offshore investors believed to include Han's Laser, bought the tower and has grand plans for it. These could include a billion-dollar luxury apartment development encompassing much of the block bounded by Castlereagh, Pitt and Liverpool Streets. Richard Gu's AXF Group could be a co-developer, sources told The Australian Financial Review.

Number 338 Pitt sits opposite World Square at the Town Hall part of the CBD, and has a range of small tenants. AMP bought the tower back in 2005 for \$93 million when it was nearly fully leased. However the 18,473 square metre building is now 40 per cent vacant and a prime candidate to be converted into apartments down the track. The site could yield about 590 units, it is understood.

Savills and CBRE marketed the asset on behalf of AMP and Knight Frank acted for the purchaser. Savills' Ben Azar said the sale allowed AWO to divest a non-core asset at a considerable premium to book value.

"We will continue to see further sales of this nature throughout all major capitals as Chinese interest continues to strengthen," Mr Azar said.

John Bowie Wilson at Knight Frank said buyers may become more prepared to hold properties rather than develop immediately this year. VIG is likely to hold the Pitt Street and Castlereagh Street buildings as office buildings for at least several years before developing them.

"Incoming capital from China and other parts of the Asia Pacific is likely show more patience... preferring to sit on assets with redevelopment potential for future cycles," Mr Bowie Wilson said.

Last year VIG agreed to pay \$156 million for an office building on the same block at 233 Castlereagh Street. Meanwhile AXF Group, rumoured to be in talks with VIG, bought the adjoining building at 241 Castlereagh Street and may yet buy more properties on the block.

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