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HD **Playing the home advantage**

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Real estate investment trusts (REIT) are tipped to be the more active participants in the national office markets this year as they reshuffle their portfolios, say agents.

The main focus will stay along the eastern seaboard and the battle will still be on for assets against the inflow of foreign capital.

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One of the latest sales that a few REITs were looking at was of the Tabcorp building at 495 Harris Street, Ultimo, by AMP Capital to a Chinese developer for $63 million. The Singapore Far East Organization also paid $151.8 million a week ago for the Ausgrid property at 570 George Street.

Agents say the competition for these assets was strong between the REITs and overseas investors.

Wayne Bunz and Rob Cross of CBRE Hotels handled the sale of the property on behalf of PPB Advisory, as receivers and managers.

They said that CBRE had negotiated more than $200 million in Australian hotels sales in the first quarter of 2014.

The strong competition could see yields tighten, as prices rise. The ongoing withdrawal of older offices from the market to be converted to residential blocks will also add pressure on the market demand and pricing.

It is expected that DEXUS and GPT Group will be more aggressive as they bed down the assets sales from the DEXUS takeover of the Commonwealth Property Office Fund (CPA).

Under that deal, DEXUS will sell five office assets to GPT for about $1.2 billion, but with the CPA assets, DEXUS will still become the country's largest office landlord.

Rob Sewell, JLL's head of office investments Australia, said that despite transaction volumes hitting an all-time high in 2013, there remained significant unsatisfied capital in the market.

He said all the buyer groups for core product were engaged. Unlike 2007, when the investment markets were fuelled by debt, this cycle is equity-led.

"The focus will be on existing assets in the Sydney CBD ... investors are sharpening their pricing assumptions and I expect we will see high quality assets trade below the 6 per cent capitalisation rate mark in 2014," Sewell said.

"This new pricing benchmark will be the catalyst for further product to be brought to the market in the latter part of 2014."

A JLL report says new sources of capital will emerge in 2014 to add to the competition from the REITs.

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