Property

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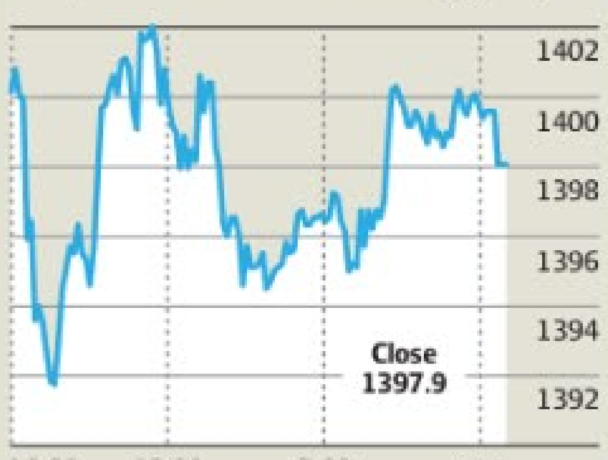
Property snapshot

S&P/ASX 200 REITs Tuesday (pts)



Best	Close ($)	Change (%)
Charter Hall Long W	4.24	+1.19
Stockland	3.78	+0.80
Scentre Grp	4.03	+0.75
GPT Grp	5.41	+0.74
Natl Storage REIT	1.755	+0.57
Worst		
Unibail Rodamco Wfld	11.47	-2.47
Charter Hall Grp	7.00	-1.27
Goodman Grp	10.30	-1.25
Viva Energy Reit	2.10	-0.47
Charter Hall Retail	4.53	-0.44

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Retail assets in western Sydney a buy: Ashe Morgan

Matthew Cranston

Real estate investment manager Ashe Morgan is buying AMP Capital's Crossroads Homemaker Centre in south-west Sydney for $140 million – in a deal that reflects confidence in the long-term growth of western Sydney.

Homemaker Centres are key bellwethers for household expenditure and the housing market, so with Sydney house prices having slipped 8.1 per cent in the past year the investment could be considered a counter-cyclical play.

The large-format retail sector accounts for more than $68.2 billion or 22.2 per cent of all retail sales in Australia but this year some major homemaker centres have sold at yields indicating a softening in asset prices.

The deal between Ashe Morgan and the AMP Capital Diversified Property Fund reflects a fully leased yield of more than 7 per cent with a passing yield of about 6.75 per cent.

An Ashe Morgan spokesman confirmed a deal was in the making.

AMP declined to comment.

The centre is located on the corner of Beech Road and Camden Valley Way, Casula – about 35 kilometres from the Sydney CBD. AMP bought the underlying estate land for $135 million in 2004 and has since built substantial developments besides the Homemaker centre. The latest deal comes with a substantial landholding.

The 48,400-square-metre retail centre is home to 28 retailers, including Bunnings, The Good Guys, Freedom, Nick Scali and Fantastic Furniture. It sits near one of Sydney's two Costco wholesale supermarkets.

CBRE's Nick Willis and Stonebridge's Jonathan Fox were appointed to sell the asset but declined to comment on the latest deal, which the market will be watching closely.

Homemaker centres had a big win this year when the NSW government enacted legislative changes that significantly lightened the regulatory burden for such retail properties in terms of what they can sell and how they sell and operate the businesses.

Among some of the big deals transacted this year Altis Property Partners sold out of $282.4 million worth of Homemaker centres on behalf of First State Super at a yield in the mid-7 per cent range.

Arkadia Capital Group's Greg Karedis, son of property baron and Financial Review Rich Lister Theo Karedis, snapped up the Homemaker centre in Brisbane's Fortitude Valley on a fully leased yield of 7.31 per cent, while The Homemaker Greenway and Greenway Plaza in NSW was purchased by a private mandate managed by billionaire Brett Blundy's Aventus Property Group on a fully leased yield of 7.64 per cent.

AMP's Crossroads Homemaker centre.

The King Street Wharf restaurant precinct on Sydney's Darling Harbour.

Markham buys Wharf precinct for $125.5m

Luke Housego

Private property investment group Markham has bought the King Street Wharf restaurant precinct on Sydney's Darling Harbour for $125.5 million from real estate investment manager LaSalle Investment Management.

The fully-occupied, 7700sq m waterfront precinct, home to Cargo Bar and other well-known Sydney establishments such as Bungalow 8, was sold on behalf of the vendor by JLL and Stonebridge Property Group at a fully-leased yield of 6.02 per cent.

Stonebridge director, Carl Molony said that high historical tenant retention of more than 10 years, coupled with exceptional in-built rental growth, the asset "strikes a rare balance of income security, growth and value-add potential."

The Darling Harbour location has seen significant changes in recent years with the bordering Barangaroo precinct introducing large numbers of office workers and visitors, as well as other hospitality and retail options.

The deal marks the second major CBD asset acquired by Markham in recent years. In 2016 the group bought the 179 Elizabeth Street building for 148.8 million, which was also acquired from LaSalle Investment Management.

JLL's head of retail investments Simon Rooney investors continued to target retail assets within CBD locations that will benefit from growing tourism spending, employment growth and rising inner-city high-density residential space.

"The Sydney CBD is undergoing major changes in terms of new commercial and residential construction, upgraded transport infrastructure and new hotels and tourism-related development, all of which will drive retail and food and beverage spending over the long term", he said.

The interest in retail sites in Sydney was on display in November last year when Vicinity Centres took a 50 per cent stake in three prime CBD locations —The Galeries, The Strand and Queen Victoria building—in an asset swap deal worth more than $500 million. That transaction, combined with the King Street Wharf, Soul Pattison Building and 383 Georgre Street sales, brings the total of major retail property deals in the Sydney CBD since late last year to close to $1 billion.

Research released recently by Real Capital Analytics, however, suggests that commercial property price growth is slowing.

Melbourne Town Hall project

Nick Lenaghan

Melbourne City Council will next week consider a plan to invest $232 million in revitalising much of a city block, developing real estate it holds into municipal offices, retail and a public commons precinct of laneways and community spaces.

The block is just behind the Town Hall itself, running between Little Collins Street and Bourke Street and bounded by Royal Lane and Russell Place.

City Hall itself owns four buildings over that block, including the Council House building, now more than than 50-years-old and no longer a feasible prospect for refurbishment.

A small piece of vacant land is part of the block along with the heritage-listed former Commonwealth Bank building on Bourke Street, which would be retained and restored under the ambitious plan.

The other buildings would be demolished in separate stages under a plan that a council committee will consider next week as part of a development proposal which will ultimately need approval from the state government.

The 10-storey, 40-metre proposed development would include ground-floor retail spaces, two new laneway connections, commercial office space and two publicly accessible rooftops.

The project would return $153.3m to the Town Hall.

Almost two-thirds of the new precinct would be used for community spaces and commercial and retail, with the remaining space earmarked for council use.

"This redevelopment will create a new landmark for Melbourne in terms of sustainable urban design and how we activate our streets for people to enjoy," said Lord Mayor Sally Capp.

"It will see a new city precinct where people can meet and access council services, including new laneways, shared rooftops and a new community forum.

The redevelopment would create a new civic precinct, while allowing for restoration of the historic bank building on Bourke Street, she said.

"Under the proposal, the heart of the precinct will contain a public forum: a large, flexible meeting space at ground level designed to encourage community engagement and participation in Council activities."

Under its final investment case, the project would return $153.3 million to the Town Hall through rent and productivity savings over a 30-year period.

It is not the only site in the city where the council has taken its turn as a developer. On the other side of the CBD, a $450 million apartment and hotel project, which will also deliver vital community facilities opposite Melbourne's Queen Victoria market, has been approved by the state government.