Charter Hall nabs Chifley Tower

BEN WILMOT

Sydney's landmark Chifley Tower and Plaza has become part of the Charter Hall empire, with the listed group taking control of the $1.8 billion office building after striking a partnership with its owner, Singaporean sovereign wealth fund GIC.

In one of the largest deals of the property cycle, Charter Hall said two of its wholesale funds would acquire a half-stake in the famous asset at 2 Chifley Square, with the group to take on the asset and property management of the entire tower, lifting its funds under management to more than $33bn.

Charter Hall's Prime Office Fund and its DVP wholesale partnership have formed a joint venture that will own Chifley Tower in co-ownership with GIC.

The sale marks a continuing high point in the office property cycle with the prices of both towers and rents at historically high levels, particularly in Sydney and Melbourne.

The purchase could show a capitalisation rate in the mid 4 per cent range but the analysis is complicated by Charter Hall also taking on management of the famed tower.

There is also the "marriage value" of owning the freehold — which a Charter Hall fund swooped on last year for $98.5 million — and the leasehold interest, held alongside GIC.

Charter Hall's moves may also spur a broader play in the precinct, potentially including the adjoining Macquarie Street complex where the group owns the leasehold.

Charter Hall has acquired a number of prime office buildings in the past 12 months on the back of its belief in the strength of the market and that interest rates will remain lower for longer.

The market has already seen a series of outsized office deals, including US private equity group Blackstone acquiring the office towers above Westfield Sydney for $1.52bn and Dexus buying 80 Collins Street in Melbourne for $1.47bn.

Charter Hall Group chief executive David Harrison said the off-market transaction extended the company's office platform funds to more than $15bn, while also extending a well-established 15-year relationship with GIC.

"We have used our diversified funds platform to bring two of our wholesale funds/partnerships together to form a joint venture with GIC to own one of Australia's pre-eminent premium-grade office towers, situated on arguably the best prime CBD site in Sydney," he said.

The listed group has a weighted average stake across CPOF and DVP of 8 per cent.

Chifley Tower is occupied by a who's who of corporate Australia and sports panoramic views

HOLLIE ADAMS

Charter Hall, GIC in Chifley Tower talks

How *The Australian* revealed the deal in February.

The property, occupied by a who's who of corporate Australia, sports panoramic views, and is the best-known tower from the 1980s development boom.

The property, developed by the late entrepreneur Alan Bond before a Japanese company took on the project as he ran into strife, is a premium-grade office tower of 68,867sq m, with more than 5000sq m of prime Sydney CBD retail across lower ground, upper ground and first floor.

It has 42 levels of office space situated on the second-largest site area in the Sydney CBD.

GIC bought Chifley Tower and plaza in 2005 for $710m from indebted Japanese owner Matsushita Investment & Development Corporation.

The property is secured by a 4.3-year weighted average lease expiry with, weighted average rent reviews of 3.8 per cent, and is 98.3 per cent occupied and leased to blue-chip tenants including UBS, Investec, Sumitomo Mitsui Banking Corp and Morgan Stanley.

The Australian in February revealed that Charter Hall was in talks with GIC about a deal on the leasehold interest after last year reporting that the group had outmanoeuvred its rivals by buying the freehold.

That deal was brokered by Colliers International and came as Cushman & Wakefield and JLL marketed the half interest for GIC.

Global buyers drive office deals

BEN WILMOT

The top end Sydney's office market is seeing a surge of activity at the start of the second half of 2019 with more stock likely to the hit the market as global buyers drive a wave of new deals.

The wave of deals has drawn in both local and international groups, and they are often teaming up given the outsized scale of the transactions.

Deep-pocketed groups from Asia, the Middle East and North America are turning to local partners to take their properties to the next level.

Charter Hall chief executive David Harrison is clear about the group's ambitions to add value to the Chifley Tower and Plaza site in joint venture with Singapore's GIC.

"We'll look to create some value through looking at optimising the floor space in the project," he said.

The group could draw on its expertise in luxury retail that has seen it win Louis Vuitton and Tiffany at Raine Square and a longer term overhaul could see it compared to the Wesley Place precinct in Melbourne.

"We've got a precinct strategy we're applying with all major office assets throughout country," he said.

Charter Hall could apply the same skills to the office block it is close to buying at 201 Elizabeth Street from Dexus and Perron Group.

It has the support of Abacus Property Group for that play and both groups have a focus on value-added repositioning.

Further deals with GIC are also in the wings as part of their long-term relationship.

Meanwhile, the contest for the next major office skyscraper contest is heating up with Blackstone and Ivanhoe Cambridge tapping JLL and CBRE to offload a one-quarter stake in the $1.6 billion-plus Liberty Place precinct that serves as the ANZ headquarters in Sydney.

The Australian has been told that the tower's co-owners, the GPT Wholesale Office Fund and superannuation fund-backed ISPT, are both keen to increase their stakes, with the Melbourne-based industry fund best placed.

GWOF already owns a half stake in Liberty Place and held this at a fair value of $725m at the end of December last year. ISPT has a 25 per cent interest.

GPT has been a buying and recently picked up a quarter interest in the Darling Park 1 & 2 office and Cockle Bay Wharf from Canadian group Brookfield for $531m.

Markham to make it Alexandria the great

BEN WILMOT

Sydney-based real estate investor Markham has become the latest player to enter the city's rising southern office precinct, proposing a new top-class office complex in Alexandria.

The company has struck a deal to buy 22 O'Riordan Street via a short-term sale and leaseback while it works up plans for an A-grade tower. The purchase from City Holdings Pty Ltd was brokered by Michael Crombie of Colliers International for an undisclosed sum.

Interest in the area has jumped, with developer Theo Onisforou last month saying he would develop a $120 million office building.

Markham is planning to develop a next-generation complex on the 7,436sq m site on the corner of O'Riordan Street and the extension of Geddes Avenue.

Markham's plans for the Alexandria site

Although it is on the doorstep of the Green Square Town Centre, there are few office buildings in the area. Markham is also confident it will win tenants from the city who are facing increasing CBD rents and tight vacancy rates. Major companies have already made the move to precincts such as Mirvac's South Everleigh and nearby Waterloo. Last week, Caltex was reported to be shifting its Sydney head office to Alexandria.

Markham's plans for the site include a 20,000sq m campus-style office building, with large, open floor plates surrounding an internal, light-filled atrium.

The project has an emphasis on wellness and lifestyle amenity and one side of the building will have a functional outside "working terrace".

"The entire Green Square Town Centre is well under way and will be great place to live, work and play — companies are quickly discovering this fantastic area," Markham chief executive James Markham said.

The City of Sydney has committed $540m over the next decade for new community facilities, including a library, plaza and an aquatic centre.

The $13 billion Green Square urban renewal project is the first new "village" created within 3km of Sydney's CBD and is expected to house 61,000 residents in 30,500 new dwellings by 2030.

Markham hopes its building will provide major companies with an "aspirational" working environment and prove an attractive alternative to the CBD.

Initial development approval is expected in early 2020.

Markham has a strong record in repositioning property assets.

It last year swooped on Sydney's King Street Wharf precinct, picking up the harbourside site from LaSalle Investment Management for $125.5m. It also bought the office space at the northern end of Piers 8 and 9 in Walsh Bay for $90.5m.

City centres sell as regions take it slow

BEN WILMOT

Sydney shopping centres are selling at a rapid clip with more than $300 million worth of deals struck recently, but those in regional areas are taking longer to offload, with buyers seeking discounts.

The emergence of what has been dubbed a "two-speed market" has been put on display with the GPT Wholesale Shopping Centre Fund quickly selling Norton Plaza in Sydney's inner west for about $153m to a private group in a deal brokered by Colliers International's Lachlan MacGillivray and CBRE's Nick Willis.

The private Fortius Funds Management is also buying the Central Park mall in inner Sydney from Singapore's Frasers Property Australia and Japan's Sekisui House for close to $170m via Mr MacGillivray.

But it remains tougher in regional areas. In one of the latest plays, property group Stockland is in talks with syndicator Haben, which is looking to buy the listed group's Jesmond Shopping Centre near Newcastle.

The subregional centre is tipped to trade at a discount to its December 2018 book valuation of $130m when it was held on a capitalisation rate of 7.25 per cent.

Industry players suggested it could change hands for about $118m, in keeping with current market conditions as many assets have been hit by softer investment demand and sluggish sales.

Any discount is said to be in keeping with broader trends set as listed landlords offload their non-core shopping centres.

A deal would see the Mark Steinert-led Stockland return to selling its retail properties after it earlier pulled back from a deal to sell its Caloundra centre to Charter Hall for about $105m.

The Jesmond centre spans 20,342sq m and generated annual sales of $157.1m. It sits on 5ha and is anchored by Woolworths, ALDI and Big W plus 74 specialty stores. The centre near the University of Newcastle is supported by extensive carparking with 889 spaces and public transport facilities.

Stockland has owned the centre since 1984 and its cost, including additions, was $64.2m. Stockland refurbished it in 2015.

Agents Stonebidge and Colliers International have been offering Jesmond Shopping Centre for sale for more than a year but declined to comment.

Haben has been picking up Stockland centres and earlier this year bought the Cleveland Shopping Centre in outer Brisbane from the listed group for $103m, with the price showing a near 13 per cent discount on its December 2017 valuation. It has not commented on the latest deal.

Stockland has been seeking to strike other retail sales but a spokeswoman said it did not comment on speculation "but continued to asses our portfolio for divestment and capital partnering opportunities".

Last shout for pub chief after 16 years

MACKENZIE SCOTT

ALE Property Group managing director Andrew Wilkinson yesterday announced his intention to step down from the role after 16 years in charge.

The departure was announced at the pub landlord's results presentation, which revealed higher management expenses and land taxes in Queensland caused a 2.4 per cent drop in profits last financial year to $28.3 million.

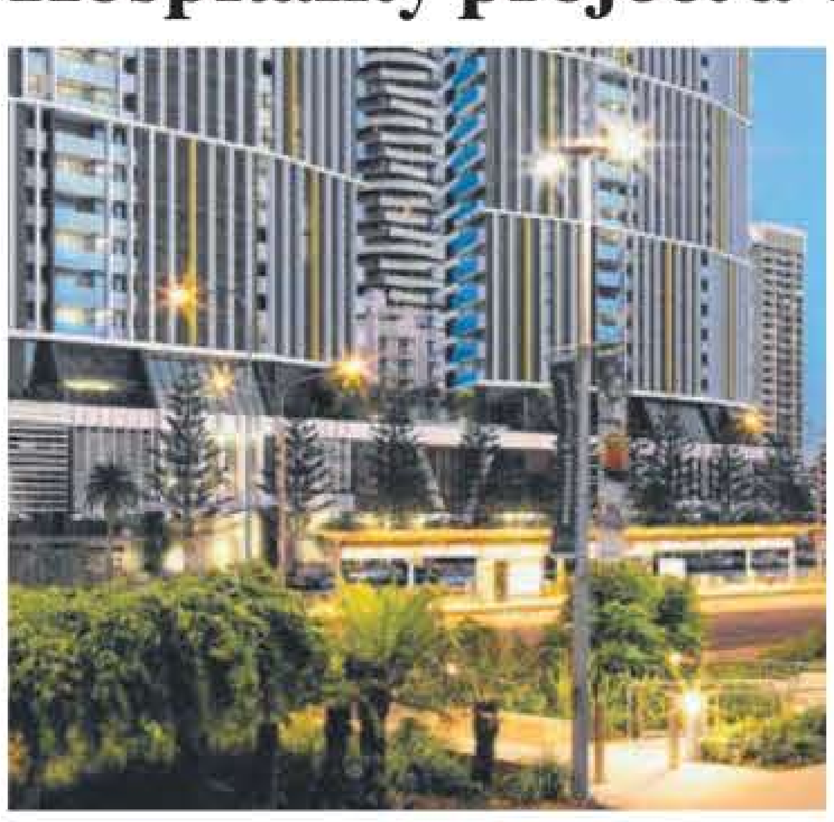
ALE, which holds the country's largest portfolio of freehold pub properties with its properties occupied by Woolworths and rich-lister Bruce Mathieson's joint venture Australian Leisure and Hospitality Group, said management costs had increased with 79 of its 86 properties undergoing a major rent review.

Of reviews already completed, the company had accepted a 10 per cent rental increase on 36 pubs, while 43 reviews will undergo independent determination after a similar increase was rejected by the tenant.

During his tenure, which began in 2003, Mr Wilkinson oversaw ALE's market capitalisation expanding from $91m to more than $1 billion, equating to a total return of about 20 per cent a year. He will remain in the role until 2018 rent determinations on several properties are completed and a replacement is found.

The group, which leases its 86 freehold pubs to the ALH Group, saw revenue on leases increase from 3.6 per cent from last year to $60.2m.

Hospitality project a 'massive injection' for Gold Coast



An artist's impression of Central on Broadbeach

EXCLUSIVE

LISA ALLEN

After six years amassing Gold Coast sites, developer John Potter, the former head of Villa World, has won approval to develop a $700 million 68-level twin-tower complex in the heart of Broadbeach.

Mr Potter amalgamated 13 sites between 2001 and 2007 and has won approval for a 4½-star apartment-style hotel and residential units on a 3722sq m site opposite the Gold Coast Convention Centre on the Gold Coast Highway.

Mr Potter said he wanted to complete the hotel by 2022 when the planned extensions to the Gold Coast Convention Centre was finished, adding that he is keen to involve other developers.

"I am open to any suggestions to develop it with pre-sales as the market improves, or I could develop it with a suitable partners," he said. "This will be a massive injection for the Gold Coast."

Mr Potter has been in negotiations with three Australian hotel operators who had expressed an interest in managing the 430 one-bedroom 60sq m-plus hotel suites he proposes through his company, Main Place Developments.

Designed by BDA Architecture, Central on Broadbeach will take the place of an extensive but tired existing retail precinct, defining central Broadbeach as a prime development hub, Mr Potter said. The existing retail businesses provide substantial income and are fully leased.

Central on Broadbeach would comprise twin towers over a three-level podium base and four levels of basement carparking.

It will feature 876 apartments in total made up of 458 residential apartments and 418 serviced apartments, 1494 bedrooms and parking for nearly 800 cars.

Project manager Craig Perry said Central on Broadbeach would deliver a sophisticated mixed-use residential, commercial and retail development, which complemented the existing Broadbeach core precinct.

"We are delighted to have achieved DA approval for this long-held site and are looking forward to bringing our plans to fruition, further enhancing the lifestyle and business appeal of the booming Broadbeach precinct," Mr Perry said.

Central on Broadbeach has a gross floor area of 147,694sq m including a net saleable area of 91,384sq m-plus net lettable retail and office space of 1496sq m and 600sq m respectively.

Irvin adds beach hotel to portfolio

MACKENZIE SCOTT

One of Queensland's most popular beachside pubs, the Coolangatta Sands Hotel, has sold to hotelier Joe Irvin in a multi-million-dollar deal.

An international campaign garnered bids from eight groups, spanning a range of interstate private investors and managed funds. But it was the Irvin Hotel Group boss who won out, paying an undisclosed amount said to be between $16 million and $18m.

The deal was brokered through HTL Property's Asia-Pacific managing director Andrew Jolliffe, national director Dan Dragicevich and Queensland director Glenn Price.

> Before the purchase, Mr Irvin sold Newcastle's Belmont Hotel

Five significant hotel sales have been secured by the real estate firm this financial year, which Mr Jolliffe said reflected confidence in the asset class.

"Beachside commercial property holdings enjoying a prosperous hospitality function and downstream alternative use levers along the Australian east coast, remain maybe the most sought-after of all commercial real estate investment opportunities," he said.

One of the Gold Coast's oldest pubs, the Coolangatta Sands offers a restaurant, gaming and accommodation over two levels.

Coolangatta Sands adds to Irvin Hotel Group's growing portfolio of Queensland hotels, which is now up to 10.

Before the purchase, Mr Irvin sold the Newcastle-based Belmont Hotel, with plans to reinvest within the asset class, indicating at the time he was looking to grow the group's Queensland holdings.

The pub was previously owned by The Taphouse Group, which is linked to the founders of marketing company Salmat, Philip Salter and Peter Mattick. It was bought in 2005 for just shy of $11m.