

Office demand high

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Total commercial property sales in 2012-13 reached \$14.4 billion, which was 40 per cent above the long-term average annual turnover.

Deep End Services principal Kevin Stanley, said despite an uncertain outlook for white-collar employment growth, trading in the office sector was well above its traditional 50 per cent share.

"Purchases of new office buildings from developers, particularly in Perth, Brisbane and Sydney, were especially influential in this annual trading result," Mr Stanley said.

He said in the past year the Australian real estate investment trusts have been net sellers with the superannuation and private companies the dominant buyers.

One company that was taking advantage of the market was the Perth-based PBA (Property Bank Australia), which paid about \$30 million for two properties on Sydney's north shore.

The property investment group has acquired 53 Berry Street in North Sydney from Charter Hall for \$19.75 million and 110-112 Christie Street in St Leonards for \$8,675,000 from a private estate.

PBA, in conjunction with its investors and joint venture partners, has now bought more than \$180 million in office assets on Sydney's lower north shore over the last three years.

PBA director Gus Mackellar said some of acquisitions included a St Leonards property from Charter Hall for \$25.5 million along with two other North Sydney properties totalling \$75 million in 2012.

"We continue to have strong support from existing and new investors, particularly from Sydney, who understand our strategy and the potential our investments offer," Mr Mackellar said.

"Investors generally prefer to align themselves with groups with a proven track record and a remuneration structure where everyone's interests are aligned."

PBA has been an aggressive counter-cyclical buyer in the Sydney and Melbourne office markets since the onset of the GFC. Before this, PBA, along with joint-venture partner Security Capital Corporation, sold down its portfolio from 2006 to 2008, including a \$200-million portfolio sale to GE Real Estate.

"We like the fundamentals of the Sydney office market and the fact that we can buy below replacement cost," Mr MacKellar said.

He added that Sydney's suburban market, particularly the north shore, was the target sector.

At the 53 Berry Street site, PBA plans to undertake an immediate upgrade of the property to improve the building's leasing profile.

"The property has enjoyed a strong leasing history and is well placed to capture rental growth as supply in the lower north shore market tightens," Mr MacKellar said.

The deal was brokered through Tyler Talbot and Bevan Kenny of Chesterton International.

This story was found at: <http://www.smh.com.au/business/office-demand-high-20130712-2pvd3.html>