DESCRIPTION

The Property is situated on the corner of St Pauls Terrace and Constance Street, in Fortitude Valley. It is located approximately 2km radially north-east of Brisbane’s GPO. The vehicular access is from Green Square Close. The building is known as Green Square South Tower. It is a five-storey, A-Grade commercial office building that comprises a total NLA of 17,613 sqm. It was completed in mid-2007 and the improvements provide lower ground floor retail and office accommodation, ground level office accommodation (at Constance St level) and a further three upper levels of office accommodation. Additionally, there are two basement levels of car parking for approximately 355 vehicles.

COMMENTS

The Property has sold after a lengthy on-market Expressions of Interest Campaign. The extra time of the sale process centred around the off-shore nature of the investors, both the successful buyer as well as the unsuccessful party that had the property under contract/option for several months. Advisedly the prior party was not able to complete due to internal structure issues of their own circumstance. We are advised that both contracts were at or about the same price. The successful buyer is a mandate being managed by Eureka / AXA Real Estate Funds on behalf of a fund backed by the Korean Teachers Pension Fund (KTPF). This sale price is a record low yield for the Brisbane fringe market and it is a record in terms of other metrics too. The property is fully leased to the Brisbane City Council (BCC) until August 2027, thus providing a strong lease covenant for a lengthy tenure. We additionally note that the property is over-rented at an office rent of $561/sqm net, whereas we have assessed a market rent of $550/sqm gross face. Further, we highlight that there is an additional lengthy tenure. We additionally note that the property is over-rented at an office rent of $561/sqm net, whereas we have assessed a market rent of $550/sqm gross face. Further, we highlight that there is an additional substantial passing fitout rent that presently amounts to circa $2.56m pa, equating to $21/sqm (it is summarised in the Special Rent row of the Net Income Analysis – passing only; it is excluded from our market income assessment). It is a large factor as to why the Initial Yield is 90 basis points above the Equated Market Yield.

PROPERTY PARTICULARS

- SITE AREA: 6,426 sqm
- ZONING: MU (I.C.)
- NLA: 17,613 sqm
- CARS: 355 bays
- CONSTRUCTED: 2007
- PRECINCT (PCA): URBAN RENEWAL
- GRADE (PCA): A GRADE
- VACANCY (%): NIL

INCOME ANALYSIS

- OFFICE: $9,677,417
- CAR PARKING: $1,273,864
- RETAIL: $394,666
- SPEC. RENT: $2,561,961
- TOTAL: $13,489,333

SALE PARTICULARS

- SALE PRICE: $205,500,000
- SALE DATE (CONTRACT): Dec-16
- SETTLEMENT: Mar-17
- PURCHASER: Eureka (AXA IM) Real Assets on behalf of KTPF
- VENDOR: ISPT Super Property
- SALE METHOD: Expressions of Interest Campaign

SALE ANALYSIS

- INITIAL YIELD (PASSING): 6.56%
- INITIAL YIELD (FULLY LEASED): 6.56%
- EQUI政党ATED MARKET YIELD: 5.66%
- TERMINAL YIELD: 6.50%
- 10 YEAR IRR: 6.40%
- $PSQM NLA (UNADJUSTED): $11,668
- WALE: 10.73 Years

ASUMPTIONS

- OFFICE RENT GROWTH (10 Yr Ave.): 2.94%
- NEW LEASE TERM ON VACANT SPACE: 7 years
- LETTING UP ALLOWANCE (Months): 12 - 9 Months
- GROSS INCENTIVE (%): 38%-17%
- CAPEX TOTAL (10YR): $1,488,331
- CAPEX PROPORTION OF SALE PRICE: 0.7%
- ADJUSTMENT WINDOW: 24 Months

SALE PARTICULARS

- VENDOR: ISPT Super Property
- PURCHASER: Eureka (AXA IM) Real Assets on behalf of KTPF
- SALE DATE (CONTRACT): Dec-16
- SETTLEMENT: Mar-17
- SALE PRICE: $205,500,000

INCOME ANALYSIS

- OFFICE: $9,677,417
- CAR PARKING: $1,273,864
- RETAIL: $394,666
- SPEC. RENT: $2,561,961
- TOTAL: $13,489,333

INCOME ANALYSIS

- OFFICE: $9,677,417
- CAR PARKING: $1,273,864
- RETAIL: $394,666
- SPEC. RENT: $2,561,961
- TOTAL: $13,489,333

OUTGOCNS ($785,750) $45 ($785,750) $45

TOTAL

- $13,489,333
- $10,375,516

The information prepared within this sale analysis is provided for guidance only and does not constitute advice, offer or part of any contract for sale or otherwise. The analysis has been prepared by Urbis based on available evidence and information taken from various sources including publicly available information from newspapers, statements by public companies, subscription to information databases and information generally provided verbally by others such as estate agents, property managers, property valuers and consultants. In many instances we have not had access to the original source material such as contracts of sale or signed leases. Although we have no reason to doubt the validity of information provided to us and we have relied on this information in good faith, we are unable to state with certainty that the information upon which we have relied is consistent with the contractual arrangements between relevant parties. Urbis and its employee’s extend no liability to any person for any loss, liability, damage or expense arising directly or indirectly from or connected in any way with any use of our reliance on the analysis provided. This document may not be reproduced or distributed without prior written consent from Urbis.