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## commercialrealestate

# Payouts lift office sales

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Strata sales are on the rise nationwide, triggered by small businesses moving into cities from the suburbs and individual investors looking for a foothold in the office sector.

A recent round of refurbishments of older office blocks has expanded the offerings for the small-to-medium purchase.

Redundancy payouts for some executives have provided them with the cash to buy as owner-occupiers when they establish their own consulting business.

Property developers said the rise in demand for newer offices had led to a glut of older buildings in many cities, but these were perfect for redevelopment into strata space.

These types of buildings tend to be found along the fringe corridors of the cities, such as the western end of Sydney and the more southern areas of Melbourne.

General estimates put the vacancy rate at just under 10 per cent, which compares with the overall national office vacancy rate of about 8 per cent.

And, with interest rates low, property is now offering more solid yields than the sharemarket, or even 90-day bank bills.

However, assets in the centre of the city are more keenly sought, but command a good price.

In Sydney, lawyers, accountants, stockbrokers, merchant bankers, fund managers and even former Wallaby Michael Hawker have nabbed an office suite at 350 George Street ahead of the commercial strata plan being registered with the Government Land Titles Office.

The sales success, with all but six of the 64 office suites sold off the plan, has stunned some industry veterans, according to marketing agents CBRE.

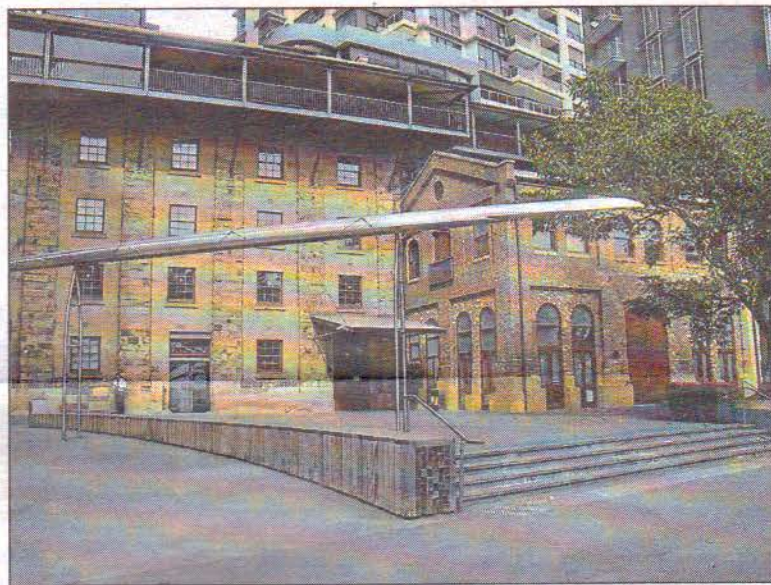
The city sales director at CBRE, Gavin Lloyd, said that while selling residential property off the plan is an everyday occurrence, he has never witnessed sales success to this degree in the Sydney strata office market.

"Ahead of the commercial strata plan being registered this week, 58 lots have been sold at prices ranging between \$250,000 and \$5 million, which was a strong outcome in a market that has been relatively subdued in recent times," he said.

The historic George Street building is being converted to strata office suites by joint owners Abacus and W Property, both of which have extensive experience at transforming heritage properties.

Abacus and W Property acquired the 1895-built George Street building through CBRE before beginning their successful off-the-plan sales program last year.

"Since the global financial crisis,



Historic: 36 Hickson Road in central Sydney has office space on five levels.

many former corporate executives from the merchant banking, finance, property and fund management arena have launched their own boutique businesses," Mr Lloyd said.

"We're finding this style of business owner is often looking for a small, high-quality office that they can buy as an owner-occupier through their self-managed superannuation fund."

Joint CBRE selling agent Rohan Ramsay said there had been strong investor demand for the strata suites at 350 George Street, partly because of the rents that could be achieved in the building.

"Given the building's premier location in the city, rents of \$1000 per square metre are being achieved, which translates to net investment yields of about 7 per cent," Mr Ramsay said.

The success of the 350 George Street sale has underpinned plans

by W Property to launch another major strata project, this one involving the Sydney Gas Works building at 36 Hickson Road, opposite the Barangaroo site.

Developed by AGL in 1841, the historic sandstone building comprises office space over five levels, as well as 20 car spaces and a large plaza forecourt.

"Strata conversions of Sydney's historic buildings have been some of the most successful projects in the past, taking into account projects such as the Jones Bay Wharf, Walsh Bay and 350 George Street," Mr Lloyd said.

CBRE has been appointed as the selling agents for the Hickson Road building, with individual strata floors to be offered off the plan.

But, because of the property's unique character and location opposite Barangaroo, Mr Lloyd said the building might be sold in one line before it was strata titled.