

Folkestone sells Brisbane centre to Savills fund for \$43m



The Station Oxley, in Brisbane's south, has been sold to Savills Investment Management. **Digital Real Estate Pty Ltd**

Fund manager and property developer Folkestone has delivered a tidy return to unitholders after selling The Station at Oxley shopping centre, in Brisbane's south, for \$43.5 million.

Unitholders in the Folkestone Real Estate Income Fund at Oxley voted to sell the retail centre, which Folkestone acquired from Kevin Miller's Property Solutions for close to \$35 million in March 2014, to take advantage of strong demand for metropolitan retail property and rising values.

The 7100-square metre neighbourhood shopping centre, anchored by a Woolworths supermarket and a Queensland government office plus 16 speciality shops, was acquired on behalf of an offshore fund by global fund manager Savills Investment Management.

The sale was struck at a 25.6 per cent premium to the April 2014 acquisition price, a 13 per cent premium to June 2016 independent valuation and on a tight yield of 6.6 per cent.

"Although the fund was originally established with a six-year term, we decided to take advantage of the strong demand for high-quality neighbourhood retail centres

from both domestic and international investors, and sell the centre after only three years," said Folkestone managing director Greg Paramor.

"The sale price reflects an excellent outcome for our investors who have received an internal rate of return of 14.5 per cent per annum since inception of the fund and validates Folkestone's active management of its unlisted funds," he said.

The sale of the The Station was negotiated by Jacob Swan, Simon Rooney and Sam Hatcher of JLL.

Mr Swan said the strong result reflected investor appetite for neighbourhood shopping centres with long anchor leases to Woolworths and the security of a lease to the state government.

"This is Savills IM's first retail acquisition in Australia on behalf of an offshore mandate," he added.

Savills IM, which has more than \$23 billion of assets under management in Europe, the US and Asia, recently opened an office in Sydney and has mandates to increase its circa \$500 million exposure to Australian commercial real estate.

"We want to deploy more capital in the region. The high yields available in Australia are what sets this market apart from others," Justin O'Connor, CEO of Savills IM, told *The Australian Financial Review* on a recent visit.

Developed by Property Solutions in 2012, The Station sold with a weighted average lease expiry of more than 10 years and a 98.9 per cent occupancy rate.