

## Mirvac sells half-share in Olderfleet building to Singapore's Suntec

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An artist's impression of the Olderfleet development on Collins Street in Melbourne by Mirvac. Photo: Nick Lenaghan

Diversified property group Mirvac has sold a half share in its signature Olderfleet development in Melbourne at a benchmark price that will help re-rate premium office values in Australia's east coast office market.

The ASX-listed property giant sold 50 per cent of an office tower under construction at 477 Collins Street to a Singapore-listed REIT, Suntec, for \$414 million.

The new \$750 million premium tower is set to rise behind the hallowed facade of the Olderfleet Buildings, one of the city's best-preserved examples of the "marvellous Melbourne" era of the 1890s.

Mirvac struck a deal with Suntec on a cap rate – a measure of value – of 4.8 per cent on a fund-through basis.

The sale follows two other recent transactions that achieved rates below 5 per cent, suggesting commercial property prices are nearing a peak.

Strong tenant take-up and falling office vacancy rates combined with low interest rates and demand from offshore investors has spurred deal-making across Australia's east coast.

Mirvac recently transacted another Collins Street building under development, number 664, selling a half-share to Morgan Stanley Real Estate's Prime Property Fund Asia for \$138 million on a yield of 4.97 per cent.

Dexus Property has recently bolstered its position as the biggest office landlord in the country by taking a quarter-share in Sydney's Harry Seidler-designed MLC Centre on a yield of around 4.6 per cent.

The diversified property group snapped up 25 per cent of the 67-storey tower for \$361.3 million, while one of the funds it manages – the Dexus Wholesale Property Fund – took another 25 per cent stake at the same price.

JLL head of office investments Rob Sewell said the Melbourne market was re-rating itself after a period of strong absorption of office space by tenants.

"I think we will see more of these sub 5 per cent transactions coming through in Sydney and Melbourne," he said.

Mirvac CEO Susan Lloyd-Hurwitz said deal showed the strength of the group's "integrated offering and our attractive partnership proposition".

Mirvac has secured Deloitte as the anchor tenant for 477 Collins.

The professional service firm will take more than 22,000 square metres over a 12-year term.

Suntec will fund half of Olderfleet's development costs via the fund-through, with Mirvac stumping up a five-year rental guarantee on any unlet office space after completion and providing ongoing property management services.

Folkestone Maxim Asset Management managing director Winston Sammut said buyers were willing to pay a lot more to get exposure to quality assets in the capital cities.

"There is still offshore money looking for assets here. The competition is pretty tight," he said.