

Folkestone is selling its A-grade Wollongong office tower for circa \$40 million

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Folkestone has listed 43 Burelli Street, Wollongong for sale. Mark Merto

ASX-listed real estate funds manager and developer Folkestone is selling its A-grade office building, "Corporate Square" in Wollongong, south of Sydney with a price guide of about \$40 million.

The 9688sq m office tower at 43 Burelli Street has 92 car parking spaces and is 98.7 per cent occupied.

It has a weighted average lease expiry of 3.19 years and collects a net annual income of \$3.4 million, a strong covenant due to the mostly federal and state government tenancy profile.

Recent leases include the Department of Human Services, signing a new five-year lease and ASX-listed Sonic Health, securing a new three-year term.

"Quality, regional A-grade assets are providing a more attractive yield – around 8 per cent – compared to core Sydney CBD locations achieving between 4 per cent to 5 per cent. As such, we're seeing a growing number of investors looking further afield," Knight Frank's Tyler Talbot said.

Mr Talbot is handling the expressions of interest campaign with colleague Ben Mostyn and CBRE's Scott Gray-Spencer and James Parry.

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Since buying it for about \$23 million in 2013, Folkestone has invested heavily in the property, achieving a 5-star NABERS energy rating from 1 star. It spent \$4 million refurbishing the foyer, lifts and the central plant airconditioning system.

It is in the centre of the Wollongong CBD and adjoins the Wollongong City Council Chambers

Wollongong's regional economy has strengthened in recent years, particularly with a university nearby forcing its office vacancy to go as low as 5.6 per cent for A-grade offices, and is expected to go even lower to 1 per cent by January 2018, Knight Frank says.

"Wollongong is now one of the top office markets in Australia, outperforming Canberra, Brisbane, Adelaide, Perth and Darwin in terms of a low vacancy rate," Mr Mostyn said.