

DEXUS snaps up Waterfront Place in Brisbane

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by Mercedes Ruehl



Waterfront Place in Brisbane has sold for \$635 million.

Australia's \$117 billion Future Fund has achieved 46 per cent gain in the value of its Waterfront Place office tower and adjoining retail centre in Brisbane after the sale of the tower to the DEXUS Property Group for \$635 million – in the biggest office sale in the country since 2009.

The sale of the 40-storey office tower leased to Commonwealth parliamentary offices and major legal firms showed an initial yield of about 6.3 per cent reflecting just how strong the commercial property markets are in Australia – something about which the Reserve Bank of Australia has made repeated warnings.

The Future Fund, advised by funds manager, **Corval**, snapped up a half stake in the office tower in the wake of the global financial crisis in 2011 for \$216.4 million. That half stake is now worth \$317.5 million. The Future Fund owned the tower and retail centre in a 50/50 partnership with listed diversified property group Stockland.

"We thought it was a good time to sell and the result has been strong," Future Fund head of property Barry Brakey told *The Australian Financial Review* on Monday. "Our decision to sell was driven more by the life-cycle of the asset rather than the current market," he said.

The deal is one of the biggest commercial transactions of the year and gives DEXUS the largest office portfolio in Brisbane.

DEXUS chief executive Darren Steinberg said the 59,448 square metre tower, which is 10 per cent vacant, was an excellent long-term core investment for both DEXUS and its wholesale property fund.

"It builds on our established presence in the Brisbane CBD office market, enabling us to leverage our expertise in a market where we have been able to demonstrate leasing success despite subdued conditions."

The vacancy in the Brisbane CBD towers is at a record high following the collapse in the resources sector.

However, DEXUS has a strong track record of creating value in tough markets and is expecting to seal a number of new leases for the tower. It has also noted that premium office assets have a lower level of vacancy.

"Waterfront Place is currently 90 per cent leased and pleasingly, we have already received some enquiry to lease office space since the market began speculating on this acquisition," DEXUS's executive general manager of office and industrial Kevin George said. "Now that a conditional agreement has been reached we can progress leasing discussions."

As foreshadowed by the *Financial Review*, the DEXUS Wholesale Property Fund has partnered with DEXUS for the acquisition and both will share a 50 per cent interest.

The deal was brokered by CBRE's Bruce Baker and Flint Davidson, and JLL's Geoff McIntyre, Seb Turnbull and Rob Sewell, who acted on behalf of vendors the Future Fund and Stockland.

Stockland said in a statement the sale of the office tower was a 3 per cent premium to its December 2014 book value.

"The sale of our interest in Waterfront Place and Eagle Street Pier reflects our strategy to selectively down-weight our exposure to office at this point in the cycle and recycle capital into other accretive opportunities," Stockland chief executive Mark Steinert said.