

Property

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First steps for Future Fund

Matthew Cranston and Ben Wilmot

The Future Fund has burst into the Australian office market with the purchase of a half-stake in Brisbane's Waterfront Place for \$216.4 million.

The purchase, from an unlisted Stockland-managed trust, was under negotiation since at least November when *The Australian Financial Review* revealed the interest.

Waterfront is one of the best office towers in Brisbane. It has almost 59,000 square metres over 36 levels and tenants such as law firms Minter Ellison and Phillips Fox.

Stockland contemplated selling the entire tower but will now partner with the fund in revamping the asset and finding a tenant to replace departing accounting firm Ernst & Young, whose lease expires in 2014.

It is headed to GPT Group's new neighbouring One One One Eagle Street tower but will pay rent for the next three years at Waterfront Place.

The stake in the building was sold by the Stockland Direct Office Trust No. 1, which unit holders voted in December 2009 to wind up.

Stockland had argued for the trust to be wound up as the tower needed substantial capital works and tenant incentives needed to be paid. The company has cut back its property funds management and has indicated it wants to exit its own office holdings.

Investors in the unlisted trust will receive total returns of about 14 per cent a year and geared investors will receive about 20 per cent a year over the life of the trust, Stockland commercial property chief executive John Schroder said.

As part of the deal, the group also

agreed to sell a half-interest in the adjacent Eagle Street Pier to the Future Fund for \$16 million once it is refurbished. The remaining half interest in Eagle Street Pier, a low-rise retail complex of 6300 square metres, will be retained by Stockland.

Stockland will keep the property management and retail leasing rights for Eagle Street Pier for at least three years and there is the potential to develop a major retail centre with river views.

"We are very pleased to welcome the Future Fund as our co-investment partner at both Waterfront Place and Eagle Street Pier. Together, these adjacent assets form one of Brisbane's best-known commercial complexes," Mr Schroder said.

The Future Fund's Eagle Street Pier investment reflected a tight 7 per cent yield.

Sydney-based CorVal Partners was the investment manager for the Future Fund on the entire purchase.

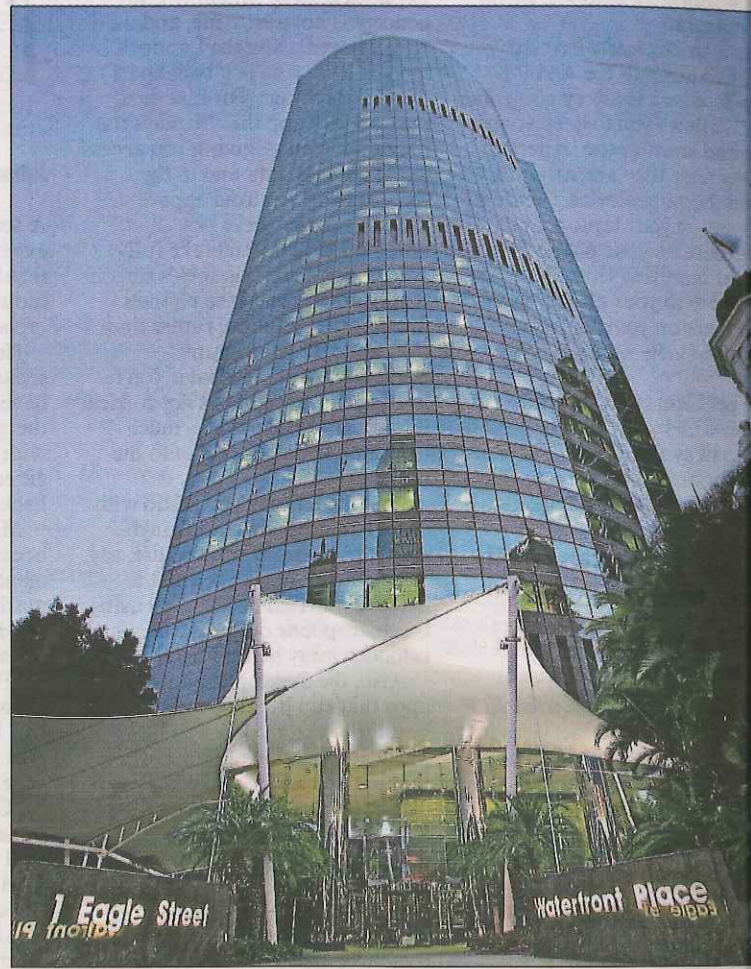
The sale was negotiated on behalf of the Stockland fund by Jones Lang La Salle's Geoff McIntyre, Seb Turnbull and Paul Noonan, who were bullish about the signal it sent to other local institutions.

"This is a continued evolution of the major super funds investing more directly in institutional-grade property," Mr McIntyre said.

"I think major superannuation funds will continue to do this because they are becoming more confident in doing direct property transactions."

"I believe it is a great vote of confidence for the Brisbane office market particularly since the local flood events."

with Lisa Carapiet



Future Fund's half-interest ... Waterfront Place, a top Brisbane office tower.

RESOURCES FILL BRISBANE'S A-GRADE SPACE

Listed coal seam gas company Bow Energy has committed to about 1000 square metres of office space in Brisbane's A-grade Gold Tower, owned and managed by Brookfield Multiplex. Bow Energy chief financial officer Peter Harbison said the space allowed the company to consolidate its premises needs into one location.

Bow Energy also has an option to lease another 1000 sq m of space in the Gold Tower in July this year to cater for further expansion.

Market rent in the tower is about

\$600 a square metre gross. CB Richard Ellis's Queensland director of office services David Prosser negotiated the deal.

He said growth in the coal seam gas market was driving strong levels of new enquiry for short and long-term office space in the Brisbane CBD. "Brisbane's A-grade office market had performed extremely well in recent times and demand in this sector of the market will continue to be strong in years to come," he said.

Matthew Cranston

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