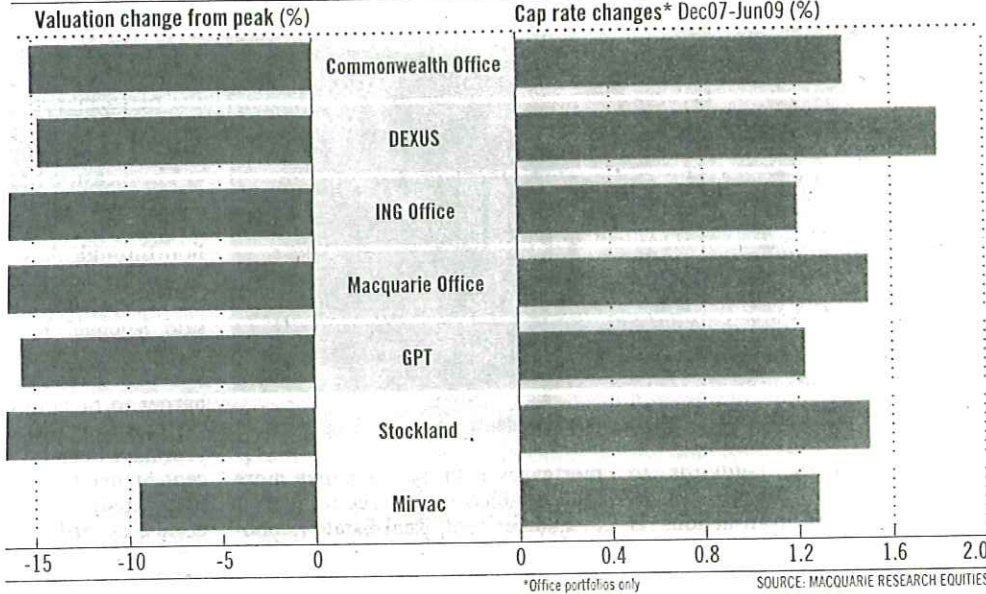


down for A-REITs

Capital Corp invests in Olympic site

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Lisa Carapiet

Property group Capital Corporation has bought an investment with redevelopment potential at Sydney's Olympic Park from Century Funds Management for \$13.15 million.

The 8907 square metre site, at 2 Australia Avenue, opposite the Commonwealth Bank of Australia headquarters, accommodates a 4667 sq m high-tech industrial building formerly occupied by BP Solar.

A new eight-year lease agreement with Silex Systems, the acquirer of much of BP Solar's manufacturing assets and equipment, was signed in June with options to extend, and an initial net rental of \$1.28 million a year.

Capital Corporation secured the site with funding from CBA.

Under master plan provisions, there is scope for redevelopment of more than 26,000 sq m and preliminary drawings have been completed for a three-stage, multi-storey commercial complex.

"One of the key factors driving the decision to purchase this site was the future potential to upgrade and redevelop it whilst working closely with Sydney Olympic Park Authority to realise a shared vision for the Sydney Olympic Park Master Plan 2030," Capital Corporation director Steve Grant said.

"We saw this as an outstanding opportunity for Capital Corporation to secure a prime 'gateway' position. We've been looking for an opportunity to purchase a site in Sydney Olympic Park for some time and I am confident this will prove to be an outstanding investment."

Century Funds Management bought the site in 2000 for about \$8 million.

It is understood Capital Corporation, which has developed almost 40 sites in Norwest Business Park, is scheduled to have a meeting with Sydney Olympic Park Authority over the next week to discuss the master plan.

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ce is plateauing and has improved in the is, so tenant churn ie market. of change are picking ent," Macquarie ief executive Adrian The more savvy king to secure future ing leverage.

"Those who sit on their hands will be disappointed."

Dexus is also seeing an uptick in the level and size of leasing inquiry. "There is more optimism. Tenants are not as apprehensive as this time last year," Hoog Antink says.

Most of the inquiry is coming from corporations looking to upgrade or return to the city from suburban office parks. Tenants have tried to defer making leasing decisions, but as leases roll off they must make tough decisions.

"The luxury of waiting is not available for much longer," Taylor says.

Most agree the next 12 months is the best time for tenants to do a deal.

For the landlords, pressure remains on rents. Although face rents stay the same, incentives are increasing as vacancies rise.

"Vacancies will continue to rise over the next 12 months and office markets will continue to be challenged," Moore says. "The delivery of direct supply of new buildings over the next 12 months will increase vacancies which are likely to peak this time next year."

JPMorgan's Scott predicts 2010 will be a tough year for the Sydney market as new supply from the likes of 420 George Street, 175 Pitt Street and 20 Bond Street comes on line.

There has been a dearth of transactions for existing office towers valued at more than \$100 million. But Moore anticipates more sales activity as liquidity starts to improve.

"The window of large volumes of distressed asset sales has now closed," he says.

There won't be any more significant falls in value.

Dexus's Victor Hoog Antink

Financing remains challenging and only top tier REITs have ready access to debt capital albeit at higher average cost of debt.

Taylor says overseas groups looking for bargains have been active, but they have been disappointed by assets that have been withdrawn from sale or that prove more expensive than they had expected.