High hopes for hotels: NAB

Nick Lenaghan

Confidence in the commercial property market hit a new high in the fourth quarter of 2015, with optimism strongest for the hotel and office market sectors, according to an industry survey.

A shortage of rooms nationally, the increase in tourism attracted by the lower Australian dollar and a pick-up in business travel are fuelling confidence in the CBD hotel sector.

Index sentiment towards the hotel sector surged from zero in the third quarter to 50, in the quarterly NAB commercial property survey.

The tourism boom is expected to push transactions in the sector past $4 billion this year after record occupancies and room rates were achieved last year.

Confidence in the office sector was second highest, moving to 22 from 20 in the previous NAB survey.

Sentiment in industrial property markets fell and is now weakest overall.

Sentiment in the retail property sector was also low but improved slightly over the quarter amid concerns household spending may falter as growth in house prices slows.

"NSW and Victoria remain at the forefront of the improvement in market sentiment, with West Australia still wallowing in deeply negative territory," said the bank's chief economist Alan Oster.

Optimism for commercial property was greatest for the NSW market over the next two years. There was a big improvement in sentiment in Queensland. Sentiment was most pessimistic towards Western Australia.

Office rents in Western Australia are expected to continue falling heavily as the vacancy rate climbs, tenant demand weakens and the market struggles to absorb a significant over-supply.

The survey taps the expectations of around 250 players in the property industry, including agents, developers, fund managers and investors.

Respondents expected CBD hotels would deliver the best capital returns over the next one to two years, of around 4 per cent annually.

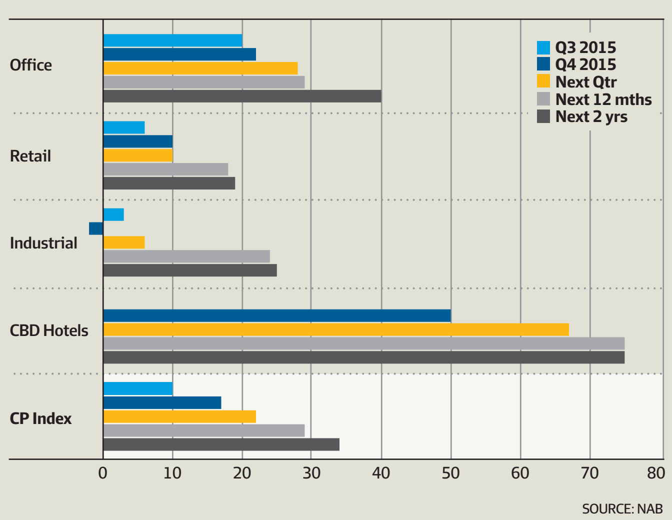
The office sector, where property yields are tightening, was expected to deliver 1 per cent and then 1.2 per cent capital returns over the next two years. The respondents reported they were more confident about the state of commercial property market – across all sectors – in two years' time than they were in the last quarter of 2015.

But when the respondents were asked about the market on a state-by-state basis, the anxiety about Western Australia was clear.

It was the only state market to attract negative sentiment on the two-year outlook.

Optimistic outlook

NAB commercial property index (points)



Stamoulis buys $125m Collins Street complex

Larry Schlesinger

Property magnate and *BRW* rich lister Harry Stamoulis has bought the One Collins Street tower complex at the top of Collins Street, Melbourne, for $125 million from fellow rich lister Robert Magid and his sister, Eleanor Goodridge.

The deal for the office complex, dominated by the 17-storey modern tower overlooking Treasury Gardens and Parliament House and including an 1870s heritage residence that served as Australia's first war cabinet room in 1914, was struck on a tight 5.25 per cent yield and at a high building rate of more than $9000 a square metre. The fully leased A-grade office complex, which Mr Magid, a prominent Sydney developer and publisher of the *Australian Jewish News* and Ms Goodridge acquired for $43.1 million in 1997, is a blue-chip office address, with an enviable tenant list that includes Rabobank, Mckinsey & Co, Grant Samuel and IBISWorld.


The One Collins Street complex is fully-leased.

It is understood the deal was brokered by Paul Henley and Martin O'Sullivan, of Knight Frank, both of whom declined to comment. One Collins Street came into play in 2015 when developer Paul Fridman, of Fridcorp, in partnership with boutique real estate financier Wingate Group entered into due diligence, but a deal did not eventuate.

Mr Stamoulis, the son of Spiros Stamoulis, who made his fortune in soft-drink beverages, runs the Stamoulis Property Group, which recently sold 277 William Street to EG Funds Management for $45.9 million and is offloading another Melbourne office tower, 120 Spencer Street, for about $165 million.

Both the building rate and yield for One Collins Street are at the expensive end of recent office deals on Collins Street, which has had a flurry of activity with about $1 billion worth of towers changing hands in the past 12 months. The tightest yield was most likely AMP Capital's $39 million acquisition of 425 Collins Street from the Halim Group, struck on a 5 per cent yield in September.

According to CBRE, the record building rate on Collins Street was the $12,000 a square metre paid by Singapore investors for Newspaper House, at 247 Collins Street, which sold for $23 million in May 2015.

Kidman sale reopens with latecomers invited

Matthew Cranston

Australia's largest landholder S. Kidman & Co has announced that a sale process for the company is back up and running with existing bidders following a knock-back from the federal government on grounds of the national interest test.

S. Kidman & Co managing director Greg Campbell confirmed new parties would still have a late opportunity to bid, provided they did not require Foreign Investment Review Board approval.

"The sale process has given equal and ample opportunity to all buyers, foreign and Australian, to fully review the business and to lodge binding bids," Mr Campbell said, "Should the Treasurer approve foreign buyers to buy Kidman, any interested party not subject to FIRB approval will have the opportunity to lodge a counter-bid," he said.

Mr Campbell said Kidman, and the EY team selling the business, had continued to honour confidentiality agreements and have steadfastly refused to comment on the identity of buyers or the structure of their bids.

Sources suggest Chinese group GLAM has offered a bid as high as $370 million while another Chinese group Pengxin has offered $350 million. Transport magnate Lindsay Fox and crowdfunders DomaCom are also interested.

"It is widely understood that the FIRB process and the national interest test are not in place simply to remove foreign buyer competition. This is particularly important once foreign bidders have set a price using international benchmarking, and their removal would, unreasonably for them and the sellers of a business, potentially create a discounted buying opportunity for Australian parties."