Commercial Property

$200m CBD green tower

Young couples and older 'downsizers' are buying in, writes Philip Hopkins.

An artist's view of the 40-storey apartment tower proposed for Little Lonsdale Street, near Elizabeth Street.

A 40-STOREY apartment tower valued at $200 million will be built by the Brady Group in the heart of Melbourne's central business district.

The site, at 280 Little Lonsdale Street, is now a ground-level car park near Elizabeth Street, close to Melbourne Central and the main retail precinct. The tower, to be named Melbourne Star, will have 380 two and three-bedroom apartments, and aims to achieve a 6-Star Green rating. The architects are Peddle Thorp.

Brady Group's managing director, Tony Brady, told BusinessDay that the apartments would be bigger than most others being built in the city. "We are going against the trend towards smaller apartments, such as those for students," he said.

The two-bedroom units are 70 square metres and start at $415,000, while the three-bedroom apartments are 90 sq m and start at $600,000. "Green" features include solar panels that support the hot water supply, rainwater harvesting, and winter gardens on the balconies, which can be closed off in bad weather.

Melbourne Star will complement two other towers being built by the Brady Group nearby — the $90 million East End in Exploration Lane, behind the State Library, and the $130 million La Banque, near The Mint. These two buildings are expected to be completed respectively by April and October.

Mr Brady said 40 expressions of interest had been received for Melbourne Star since the tower was launched on November 28. The buyers to date had all been from Melbourne, showing the trend towards city living was alive and well, with people sick of traffic and the cost of fuel.

"There appears to be a mix of young couples and older 'downsizers'. The normal trend for these buildings is 80 per cent investment and 20 per cent owner-occupy, but this building is currently trending 70 per cent owner-occupy."

Brady Group has built 18 apartment blocks in the city in the last 10 years.

If all goes well, construction of Melbourne Star will start in June and should be completed by the end of 2012.

$2.5m wins shop

A SHOP at 1019 High Street, Armadale, has been sold at auction for $2.555 million by Gross Waddell, a yield of 3.98 per cent. The auction attracted more than 40 people and three bidders. The property is in arguably the best section of the High Street, Armadale, shopping strip — on the northern side of High Street, between Glenferrie and Kooyong roads. The land is about 395 square metres, with a frontage of 6.7 metres to High Street. The property comprises a two-level brick building with a shop at ground level and a first-floor office with separate entry.

Woof swoops on Collingwood

MELBOURNE multi-media group Woof Creative Solutions will relocate its headquarters to Collingwood after buying a converted inner city warehouse for $670,000. CB Richard Ellis agents Alex Zent and Max Cookes negotiated the private sale of the 18 Montague Street property, which has a total lettable area of 215 square metres. Recently refurbished by outgoing tenants Mollard Interiors, the three-level building has featured in various architectural and interiors magazines and has a rooftop entertaining terrace.

Queen Street office space sells

THE fourth level of the building at 250 Queen Street, on the corner of Lonsdale Street, was sold at auction by Kliger Wood Real Estate last week for $1.525 million. The floor, which is partly tenanted and has 215 square metres of vacant office space, was bought by a legal partnership. The price equates to more than $4100 a square metre of net lettable area. The tenanted portion provides an annual income of $42,210 under a lease that continues until November 2011. There is a four-year option to renew, with increases via biannual reviews. Level 10 — securely leased to Cathay Pacific until January 2013 — has an annual rent of $78,000, plus outgoings, with the lease providing for 4 per cent annual increases. The floor, passed in at auction, has a reserve of $1 million, a return of 7 per cent.

$1m for Port business park units

TWO high-tech units in Investa Property Group's Port IT Business Park in Port Melbourne have sold for a combined $1 million. The deal, brokered by Knight Frank, included a 216-square-metre office terrace, which sold for $589,500, and a 114-sq-m office terrace, which sold for $410,500. The new owner plans to occupy one suite and lease the other, with a view to eventually occupying both. The units are in the final and fifth stage of the Port IT Business Park in Turner Street, which offers office suites, office terraces and combined office/warehouse facilities and was completed in June. Eight units have already sold, three with a warehouse component. Port IT is located within minutes of the Melbourne CBD, Docklands, CityLink, West Gate Freeway and the Western Ring Road.

Collingwood site brings $1.85m

A TWO-LEVEL property at 60-66 Gipps Street, Collingwood — an island site with three street frontages — has been sold after auction by agents TCI Property for $1.85 million. The property, bought by a private investor, has a building area of 1060 square metres of offices and warehouse space, with car parking for five vehicles. The property is leased to long-time tenant Gripp Jeans, with the current three-year lease extending until November 2011 at an annual rental of $108,000 plus outgoings and GST. There are no further options provided in the lease. TCI's selling agent Jack Teneketzis said the property was just off Hoddle Street and had redevelopment potential.

Victoria builds its way through economic crisis

By **PHILIP HOPKINS**

IN ANOTHER sign that Victoria has weathered the economic crisis better than other states, few construction projects have been abandoned or deferred in the past year.

According to the industry monitor, BCI, only 5 per cent of projects had been deferred and fewer than 4 per cent abandoned by the end of October.

BCI's senior research manager, Kevin Condell, told BusinessDay that the estimated $50 million of alterations and additions for acute services at Bendigo Health Care was one deferred project.

"We have reported this project for four years," he said, with the project still awaiting government funding.

Another deferred project was in the industrial market — warehouses and a cool-storage building belonging to SCT Logistics valued at $46 million — which had been deferred until next year.

The BCI figures show that of the Victorian projects under way so far this year, 33 per cent are in infrastructure, 13 per cent in residential, 11 per cent in offices and commercial, 10 per cent in education, 8 per cent in retail and catering, 6 per cent in industrial and 6 per cent in sport and leisure.

The education revolution is expected to pump about $12.4 billion into Victoria's schools.

"More and more education projects are kicking off around Victoria every week," Mr Condell said.

The Western Highway duplication — a four-lane divided highway between Ballarat and Stawell — is estimated to cost $520 million. It should start in the second quarter of next year and finish at the end of 2015. The $562 million South Morang rail extension will also start next year and should be completed by 2013.

Other big construction projects include the $70 million ANZ data centre and apartments in South Yarra and the $3.5 billion Wonthaggi desalination plant.

Stronger 'heartbeat' in construction prices

TENDER prices for construction work in Australia — particularly in Melbourne — are likely to rise in the next year as the sector picks up after the global financial crisis.

Nationally, tender prices will rise by 1.5 per cent, but in Melbourne they will be up by 4 to 5 per cent over the next 12 months, according to the latest quarterly tender-price-index report from property and construction consultants Davis Langdon. This follows a national decline of 1.9 per cent this year.

Davis Langdon's national research manager, Rachel Kelloway, said the Melbourne market had benefited from the Government's stimulus package, low levels of vacancy in the commercial market and pent-up demand for residential accommodation.

Ms Kelloway said the tender-price index was a good way of ascertaining supply and demand in construction. "It's a little heartbeat to tell whether the industry is still alive," she said. "Because it's a tender process, it gives us a good indication of what will be happening in the next 10 to 12 months".

Ms Kelloway said the tender price was "about to turn into a little uptick".

"That's a first indication it's no longer as competitive. That says to us there is enough work on the books now that major contractors are not fearful of putting forward a price that includes a margin for them. We haven't seen that for probably 12 months."

The index showed the construction sector was hampered by tight financial conditions in Sydney and regional NSW. Queensland also had a subdued commercial sector. **PHILIP HOPKINS**