

THE AUSTRALIAN

Suntec REIT secures Pymont's Workshop for \$297m

By **BEN WILMOT**, COMMERCIAL PROPERTY REPORTER

11:54AM JULY 1, 2019 •  NO COMMENTS

Singapore-based Suntec REIT has finalised a long-running deal to buy the Workshop building that is under construction in the Sydney harbourside suburb of Pymont from developer the Milligan Group and its backers for \$297 million.

The group has been circling the asset at 21 Harris Street, Pymont, for months as it sought to add the A-grade tower to its collection of local assets.

It also narrowly missed out on a major Brisbane tower, 400 George Street, that Cromwell is buying for about \$530m.

The fund's chief executive Chong Kee Hiong said the purchase deepened the its presence in Australia.

"The property is a strategic fit with Suntec REIT's portfolio of high quality assets and further enhances the stability of the REIT's income," he said, noting that Australian assets made up about 14 per cent of its assets.

The A-grade Pymont asset sold on a yield of 5.5 per cent and is being developed by the Milligan Group with the support of Quintet Partners and Stamford Capital.

The building is designed to be a campus style, nine-storey Grade-A office building with ancillary cafe, childcare, gym, car park and end-of-trip facilities.

The 18,900sq m building comprises 16,900sq m of office space and 2,000sq m of retail space.

The development will continue to be undertaken by Milligan, Quintet and Stamford, with the purchase expected to be completed in the first quarter of 2020 when it is finished.

The deal was revealed by *The Australian* in February and was brokered by Cushman & Wakefield's Rick Butler, Mark Hansen, Steve Kearney and Brad Hamilton.

The elongated due diligence process has allowed the developers to almost fill the complex, with pre-committed occupancy standing at 91.2 per cent nine months ahead of practical completion and it has a weighted average lease expiry of 10.2 years.

Milligan Group managing director James Milligan said Workshop was a premier A-grade asset in Pyrmont and an attractive proposition because of its uniquely large land holding and high-quality tenant base.

“The sale highlights the strength of Sydney's office market as limited supply, resulting from strong demand and stock withdrawals for government infrastructure projects, has tightened vacancy rates and has resulted in tenants looking beyond the CBD to find office space,” Mr Milligan said.

Quintet Partners managing partner Doug Farrell said the intention had been to hold the property for a longer period of time, however buyer interest in the property was extremely strong.

“Our investors in the Workshop Property Fund are well positioned to benefit from the sale reflecting favourable market conditions,” he said.

Stamford Capital director Michael Hines said demand for office space outside of Sydney's CBD had pushed vacancies to low single digit rates, with Pyrmont experiencing more than 20 per cent rental growth as it positions itself as Sydney's tech hub.

“The trend toward fringe office markets has been driven by above-trend employment and population growth, primarily in the information, media and technology sector,” he said.

Suntec REIT is one of Singapore's top real estate trusts and also owns 177 Pacific Highway, a half interest in Melbourne's Southgate Complex and half stake in Mirvac's Olderfleet 477 Collins Street project.

BEN WILMOT, COMMERCIAL PROPERTY REPORTER

Ben Wilmot has been *The Australian's* commercial property editor since 2013. He was previously a property journalist with the *Australian Financial Review*.

