

Property

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Developers take a punt with city office buildings

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Such is the strength of the Perth office rental market that a national developer is building two speculative office projects in the CBD that it forecasts will have a total end value of more than \$190 million.

First State Group has taken the rare move of starting construction without any major pre-commitment, putting up a seven-storey A-grade building at 226 Adelaide Terrace and another of seven levels at 432 Murray Street.

Managing director Tim Gordon said the two buildings would be aimed at a diverse range of tenants and would be two of only three buildings to be completed next year where space still remains available for lease.

The decision to press ahead without a major pre-commitment was in response to the low vacancy rate in Perth and the demand for quality office space as a result of a booming WA economy, he said.

Both buildings will offer affordable leases at a time when A-grade CBD office rents are soaring beyond \$800/sqm.

Rents for 226 Adelaide Terrace are likely to be about \$600/sqm while 432 Murray Street will have asking rents of \$500-\$550/sqm. First State Group will also consider strata titling the Murray Street offices, depending on owner/occupier or investor interest.

Both buildings will be ready by the middle of next year and are being leased jointly by Knight Frank and CB Richard Ellis.

Knight Frank director Greg Thurston said it was unusual for a developer to go ahead now with speculative office developments.

"In this market, with funding being very tight, it is going to be very interesting because I think a lot of the new concepts and proposed developments are going to sit on the table until someone does sign, up," he said. "But the devel-



Big floors: The Adelaide Terrace building is on the former RAC carpark.

oper who does put his head on the block, if you like, I think is going to reap the rewards.

"If you had taken a snapshot a month or three months ago, there were numerous developments that were charging ahead but all of a sudden the brakes have gone on.

"You have got such conflicting forces at work now with the economy and the doubts and the credit squeeze, but at the same time you have got a massive shortage of office space and huge demand. We are getting inquiries every day for another 3000sqm of space here and there."

The majority of inquiries were from resources-based companies, including engineering and oil and gas firms.

The larger of the two buildings is on Adelaide Terrace and will offer 14,200sqm of space. The plan is for a structure with 2400sqm floor plates, designed to a minimum 4-star Green Star rating and a generous car bay ratio of one bay per 145sqm leased.

It has been designed by Buchan

Group to take advantage of the site by creating six low-rise levels to accommodate the big floor plates. The floors have been designed to maximise natural light while minimising heat from the sun.

Mr Thurston said the Adelaide Terrace site would include a new residential development at the back, the former RAC building at the front which now housed Synergy, and the office precinct going up on the former RAC carpark.

"It was a major move for a big government agency (Synergy) to shift from a central city spot down into Adelaide Terrace and now the gaps are gradually being filled up," Mr Thurston said.

CBRE's Lachlan Lewis said the Adelaide Terrace development would capitalise on the dynamic replanning and reshaping of the eastern gateway to the city plus the extensive frontage to both Adelaide Terrace and Hill Street.

Construction has started at 432 Murray Street, 100 metres from Milligan Street. The building will have 4400sqm of lettable space.