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Commercial property play nets Singaporeans \$36.5m in one year



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A Singaporean investment company that began life smelting tin has flipped a large 26-storey office building in Melbourne's William Street just one-year after purchasing it, netting a profit of \$36.5 million.

Singapore-listed Straits Trading Company offloaded the glass and concrete tower at 114 William Street, in the legal district, for \$161.5 million.



The glass and concrete tower at 114 William Street, Melbourne, sold for \$161.5 million. *Photo: Joe Armao*

The group purchased the building for \$125 million last year from Sydney-based property developers Kyko Group.

The building has a total net lettable area of 21,010 square metres and is home to tenants Cornwall Stodart Lawyers, Host Plus, ING Direct, Westpac and Worrells Solvency & Forensic Accountants among others.

The property was sold via an invitation-only campaign in an off-market deal by Colliers International's Leigh Melbourne and Nick Rathgeber.

A Swiss pension fund which has more than \$500 million invested in Australian real estate, AFIAA Swiss Foundation, was the buyer.

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Mr Melbourne said the tower sold on a fully-leased initial yield of 5.5 per cent, yet another sign of how tight yields have become for bluechip commercial real estate.

Every recent transaction had "reset" the market, Mr Melbourne said.

"Interest remains unprecedented. That's what is driving the cap rates down. Every buyer group is active in the market," he said.

Another city building, 380 La Trobe Street, is also close to settling in a deal that will see private investor Philip Lim pay global funds manager Invesco around \$170 million on a yield of 5.6 per cent.

Straits Trading company secretary Aldric Tan Jee Wei said in a statement to the Singapore exchange the William Street property sold for \$27.5 million above its most recent valuation in June of \$134 million.

The off-market deal for the tower on the corner of William and Little Collins follows a similar sized transaction that is likely to see the Southbank headquarters of US-based oil giant Exxonmobil being purchased by an Asian group believed to be controlled by a Macau casino magnate.

Exxonmobil's 14-level building at 12 Riverside Quay is one of a handful in the city that boasts river frontage and a freehold title.

The sale of the Southbank building, purpose-built for the oil major in 1995 with 21,000sq m of office space, has been handled by LaSalle's James Kaufman, Langton McHarg and David Bowden.

Mr Kaufman declined to comment when contacted, apart from confirming a buyer was conducting due diligence on the asset.

It is expected to transact for between \$150 and \$160 million.

Straits Trading, founded 130 years ago, is part of a larger investment vehicle until recently controlled by the late banker Dr Tan Chin Tuan.

It has stakes in a real estate investment business, funds management, Far East Hospitality group and Malaysia Smelting Corporation.

Far East Hospitality trades in a joint venture with Far East Orchard and is one of Asia's largest hospitality operators.