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Private investor acquires 606 St Kilda Road

Melbourne, VIC (24 November 2009)

A private investor has acquired the landmark 606 St Kilda Road office tower in Melbourne from Becton Office Fund No. 2.

CB Richard Ellis South Yarra Managing Director Andrew Dawkins and CBRE Associate Director, City Sales, Mark Wizel negotiated the sale following a recent Expressions of Interest Campaign. The sale price has not been disclosed.

Mr Dawkins said the sale campaign had generated significant interest, given the building's prime St Kilda Road location, strong tenancy profile and diversified income stream.

"The property is leased to a variety of tenants, which serves to diversify the income stream and mitigate vacancy risks upon lease expiry," Mr Dawkins said.

"Following a major redevelopment in 2003 at a cost of approximately \$12 million, 606 St Kilda Road offers high quality, modern office accommodation in an architecturally timeless building."

The 12-level, 8,694 square metre building features ground floor retail space and 10 upper office levels as well as basement and on-grade parking for 143 cars. All of the office floors offer high levels of natural light with superb views towards Albert Park.

Mr Dawkins said the building had been completely gutted and refurbished in 2003 to provide high quality, modern office accommodation.

"The major refurbishment of the building means depreciation benefits should be significant and future capital expenditure reduced," Mr Dawkins said.

The office floors are approximately 800 square metres in size and are easily subdivided, allowing the building to attract whole and part floor tenants.

The property has been actively managed by Becton and is currently 96% leased to a range of quality tenants, including Blue Tongue Entertainment, Quintiles, THQ Asia Pacific and Lakeside Consultants..

CBRE's Mr Wizel said the building offered the benefits of a staggered lease expiry profile, which would allow existing tenants to expand as required. There was also an opportunity to grow the building's income in the short to medium term.

"Current rents are generally at or below market levels and, combined with a weighted average lease expiry of 2.2 years, there is real opportunity for rent reversion in the near to medium term," Mr Wizel said.

"At \$70 a square metre, outgoings are very low, making 606 St Kilda Road very competitive on a total occupancy cost basis. This further enhances the ability to improve returns."

The building's prime St Kilda Road location was another drawcard for prospective purchasers, with the property located in close proximity to transport and amenities such as Fawkner Park and the Melbourne Sports and Aquatic Centre.

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