



# The hills are alive

**Surry Hills has become the** design precinct of Sydney.

**Report** EVAN MISTILIS

Instead of converting a warehouse into another block of apartments, W Property opted to develop a commercial block in Surry Hills into a building that will be a hub for design professionals.

The development, at 35 Buckingham Street, has proved a hit with architects, interior designers, graphic artists and web designers who are leasing the office units.

The developers have tried to create a "precinct" for the design businesses, with common areas in some of the floors providing a place where professionals can have a coffee break and rub shoulders with their companions in the industry.

Tenants are attracted to a collegiate atmosphere that can lead to businesses collaboration – such as an architect and interior designer referring clients to each other, or two architects pitching for a larger project together.

Out of the 52 units, 42 have been sold already at an average price of about \$250,000, with investors making up half the buyers.

Eric Lundberg, special projects and leas-

ing manager with Deans Property, said the rash of inner city warehouse conversions meant there would be good demand for commercial premises in the future.

"The transformation of Surry Hills in the past five to 10 years saw many warehouses turned to residential, so there will be quite a shortage of commercial space," he said.

"Going forward there will be less and less of this type of product, particularly if it's done well."

The sizes range from 33 square metres to show rooms of 92 and 104 square metres, with the whole of level two available for businesses that want to stretch out in 947 square metres.

"If you're in property it makes sense to balance it with commercial, and you can do that for as little as \$175,000," Mr Lundberg said.

Commercial properties also have the advantage of longer leases and more stable tenants than is typical for residential leases, and without the constraints of the residential tenancies act.



# Commercial Property

## WITHOUT RESERVE

### Making the move to Mascot

The privately owned Malcolm Group has appointed Buildcorp to construct its \$44 million commercial strata office building at 247 Coward Street, Mascot, with completion set for August next year. Buildcorp is marketing the site as Aero247. The project consists of 9850 sqm of commercial office space over eight levels. Malcolm Group's managing director, Warren Malcolm, said: "We made this decision because we have a high degree of confidence in Mascot, which is home to the corporate head offices of Qantas and TNT and is rapidly becoming the commercial hub of the south." Joint lead agent on the project, Andrew Wilson of Colliers International, said Aero247 had been well received by owner occupiers and investors, with prices achieved in the \$4500 to \$4800 per sqm range.

### Investors seek Surry Hills foothold

Buyers have emerged for W Property's new development at 35 Buckingham Street, Surry Hills, (pictured) with prices from \$3800 per sqm.

Some of the buyers include interior designers Form Follows Function, Souths captain Bryan Fletcher, Mr Copy, Quattro Design and DB Property.

David Brown, principal of DB Property, said: "Surry Hills continues to power ahead as a hot place for commercial offices, with the majority of purchasers coming from creative fields like photographers, graphic designers, architects and interior designers."



### Billicorp opts for Birdcages

Billicorp, the agency started by Kristen Marsh, has moved to South Sydney into the architecturally designed Birdcages in South Sydney Corporate Park.  
ccummins@smh.com.au

## Happy days h

**Carolyn Cummins**  
Commercial Property Editor

After the triumph of Sydney's 2000 Games and the subsequent near-collapse of the industry caused by Ansett's demise, Osama bin Laden, Bali, Iraq, SARS and global economic downturn, Australia's tourism and hotel sector is finally looking upon happier days.

But the industry has changed considerably since the halcyon days of 2000 and further changes are set to rock the established hotel sector.

Former leading international groups are about to lose much of their presence in Australia, new players are arriving and there is very little room left at the top.

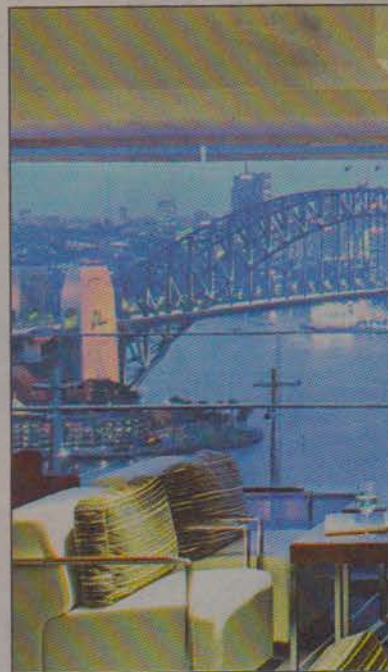
In fact, the five-star hotel sector has been so badly hit by events of the past four years that it is unlikely that any newly built five-star hotels will be developed in major cities in Australia for the rest of the decade.

This has led to a new era of significant property refurbishment culminating in the re-launch of The Wentworth Sydney, the InterContinental and the Hilton.

The Wentworth will be officially re-launched on September 8 as the Sofitel Wentworth Sydney following a \$60 million upgrade.

David Baffsky, the chairman of Accor Asia Pacific, said the upgrade and re-launch of the well-known hotel came at a time when Sydney, in particular, and Australia, more generally, are rebuilding inbound tourism and seeing a significant increase in corporate and meetings business.

"However, the scars of the past four years have left many businesses looking for greater-value choices in their hotel selections and, while the Sofitel will offer Sydney's newest



rooms, restaurants and conference and function facilities, rates will average \$200-\$250, a highly competitive rate for Sydney's finest CBD location," Mr Baffsky said.

The vast expenditure on the refurbishment and the fact that Accor is bringing a troupe of dancers and performers from the Moulin Rouge in Paris for the launch highlights the importance of the opening. This is the first time the Moulin Rouge has come to Australia.

"The Wentworth has been an institution in Australia since the mid-19th century and was the country's first deluxe hotel. With its completely new interior it is effectively the first 'new' deluxe hotel in Sydney in the 21st century," Mr Baffsky said.



# Surry Hills strata hot for creatives

Carolyn Cummins

Strong demand for CBD strata is spilling into the suburban sector where prices for suites are inching higher.

The attraction of areas such as Surry Hills is for good-sized properties with parking, easy access to the CBD and surrounding districts and solid investment returns.

A favourable interest rate market and weakening residential sector has also made suburban strata an attractive option.

CB Richard Ellis's research analyst, Vanessa Rader, said Sydney strata offices were popular this year.

"Despite the threat of increasing interest rates and changes to property tax, interest in this market from both private investors and owner-occupiers is at a high rate," Ms Rader says.

"Capital values in all markets have seen some increase - in new and refurbished stock."

Gavin Lloyd, senior associate director for CBRE NSW Strata Project Marketing, said: "Sales volume in the first six months of 2004 has trended well above previous years with over \$10 million of sales.

"Surry Hills and the nearby city-fringe suburbs have witnessed significant rejuvenation of older warehouse buildings with many converted to commercial strata," he said.

"The area is very popular



35 Buckingham Street ... sales of over \$8000/sqm have been achieved for this 1970s warehouse.

with advertising, production and media companies, many of whom were previously located on the North Shore. Many of these strata projects offer trendy refurbishments with polished timber floors, exposed beams and character brickwork. These buyers are looking for a point of difference to the traditional office tower."

Mr Lloyd said Surry Hills and the city fringe had proven a good investment, with average

capital values over the past five years increasing 15.3 per cent a year.

New developments of strata office space have centred on Surry Hills and Ultimo, with the completion of Fusion at 22 Mountain Street, together with Quadrant on Broadway, driving sales volumes.

"Capital values were driven up in 2003 with the completion of high quality developments at 410 Elizabeth Street and

23-35 Buckingham Street, Surry Hills, where sales in excess of \$8000 a sqm have been achieved," Mr Lloyd said.

"Capital values recorded over this six-month period have increased 4.4 per cent to average \$4700/sqm. This takes values in the city fringe over the 10-year period up by about 13.7 per cent a year."

The 35 Buckingham Street project, which sold more than 90 per cent of its 52 suites,

opens its doors next month. The sales response follows a 12-month, total refurbishment of the 1970s building by W Property, with the majority of purchasers being professional owner-occupiers.

David Brown, principal of DB Property, said: "Surry Hills continues to power ahead as a hot place for commercial offices, with the majority of purchasers coming from creative fields: photographers, graphic designers, architects and interior designers.

"A range of investors have been attracted to the building, as there is a shortage of well-designed small work studios and suites in Surry Hills, with net returns anticipated to be about 6 per cent," Mr Brown said.

"Many of the owner-occupiers are moving from home offices and wish to work and play with like-minded professionals, with the building designed to maximise communal spaces and ease of access."

Surry Hills is one of Sydney's hottest commercial sectors, with 95 per cent occupancy rates, thanks to its groovy feel and central location.