

## INTERSTATE SYNDICATION DEAL

# Lester goes east for \$22m office

WA investor and developer Lester Group on Friday closed the books on its first interstate syndication deal, with the \$22 million purchase of a prime office asset in Melbourne.

Located at 324 St Kilda Road, less than 1.5km from Melbourne's CBD, the eight-level property offers a total of 7102sqm of office space and is anchored by secure leases to blue-chip corporate Wesfarmers and its wholly owned subsidiary Target.

Wesfarmers and Target occupy 75 per cent of the building's net lettable area, or 5320sqm over six levels.

Both leases run to 2017, with a further five-year option, and the building brings in a passing net income in excess of \$1.6 million a year.

The vendor of the building is Overland Properties, a NSW-based private investor.

The deal marks Lester Group's first investment outside WA, and its fifth successful syndicate in the past two years.

Lester Group director Russell Lester said the Group had identified the St Kilda Road asset as one that presented outstanding value for Lester Group investors, as well as offering the company an



Melbourne: WA's Lester Group paid \$22 million for 324 St Kilda Road.

excellent opportunity to diversify its portfolio.

"While we've been concentrating on the West Australian investment market, we receive and continue to monitor information about other opportunities in the Eastern States," he said.

"The St Kilda Road purchase represented an opportunity to buy a building at below replacement cost in an excellent location.

"(The building) had been refurbished within the last 12 months, and had blue-chip tenants paying an income return of 9.6 per cent per annum. It ticked all the boxes.

"When our investors weighed

up housing their funds with a major bank on a short-term basis earning 4 per cent per annum against the opportunity to invest in a building backed by Wesfarmers and Target at 9.6 per cent per annum, the numbers sold themselves."

A total of \$16 million was raised from investors, with Lester Group to invest \$1.3 million and the balance to be funded by debt.

Investors will receive an expected 9.6 per cent income yield in the first year and an estimated average of 10.03 per cent a year income over the life of the syndicate, plus capital growth when the syndicate is wound up in 2019.