



A VISIONARY INVESTMENT

CHATSWOOD CENTRAL

1-5 RAILWAY STREET, CHATSWOOD
FOR SALE



CI

Colliers
INTERNATIONAL



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Chatswood Central is a world class investment opportunity, situated directly adjacent to Sydney's major north shore transport interchange.

Generating secure income from two office towers and a dynamic retail podium, Chatswood Central also offers future potential to stage a statement development scheme that will link the eastern and western precincts and redefine the Chatswood skyline.

It is quite simply the finest and most prestigious commercial property location in Chatswood.

On behalf of Taverners Value Funds, selling agents CI Australia and Colliers International invite interested parties to submit Expressions of Interest to purchase the longterm leasehold interest of Chatswood Central, 1-5 Railway Street by **4pm (AEDT) Thursday 30th March 2017.**

For further information or to schedule an inspection please contact the exclusive agents:



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The finest location
in Chatswood

Chatsw[∞]dCentral



01. EXECUTIVE SUMMARY

Address

Chatswood Central
1-5 Railway Street, Chatswood
New South Wales, Australia

Description

Chatswood Central consists of two commercial office towers linked by a retail podium and basement parking accessed from Railway Street.

Location

Chatswood is located on Sydney's lower North Shore approximately 10km north of the Sydney CBD.

The property is situated on the western side of Chatswood Railway Interchange close to Victoria Avenue with a corner frontage to Help Street, providing immediate access to public transport and the Chatswood retail precinct.

Zoning

B3 Commercial Core

Title

Lot 101 DP 1094273

Site Area

3,806.6 sq m

Net Lettable Area

Retail	1,691.1 sqm
Gym	1,875.5 sqm
Office	14,520.1 sqm
Storage	160.9 sqm
Total	18,247.6 sqm

Typical Floor Plate

660 sqm approx

Car Parking

103 spaces reflecting 1:140sqm of office space

Tenants

11 retail tenants, 80 office tenants and a gymnasium

WALE

3 years (by income)

Occupancy

96%

Estimated Net Income

\$7.63 Million p.a. (fully leased)

Outgoings

\$2,256,368 p.a (\$123.65/sqm)

NABERS Rating

4 Stars



ChatswoodCentral

A Visionary Opportunity in Australia's Internationally Renowned Mixed Use Precinct



The Finest Location in Chatswood

Chatswood Central is located immediately adjacent to the Chatswood Interchange, a strategic transport node, integral to the new Sydney Metro railway system.

No other office scheme in the area can boast of such a central and prestigious location.



Secure and Diversified Income Mix

Comprising two multi-let office towers, a popular retail podium and basement parking, the asset generates secure and diversified income.



96% Occupied with a 3 year W.A.L.E.

Testament to its strong property fundamentals, the property is 96% leased to a range of global, national and local tenants and has a weighted average lease expiry by income of 3 years.



Immediate Access to Retail Amenity

Tenants have immediate access to a range of restaurants within Chatswood Central's 'Eat Street' retail podium and benefit from the convenience of a childcare centre, gym and coffee shops within the complex.

It is a short stroll along Victoria Avenue to the major shopping centres of Westfield and Chatswood Chase which anchor Australia's second largest retail precinct.



Robust Tenant Retention

Chatswood Central's tenant renewal rate is tracking at 92% financial year to date.



Forecast Rental Growth

Chatswood has one of the lowest vacancy rates of the north shore markets at only 7.7%*(PCA January 2017). Limited new office development and withdrawals of commercial property from the market for residential conversion is translating into effective rental growth and lease renewal by existing tenants.



Limited Capex Requirement

Chatswood Central has benefited from pro-active management, resulting in upgrades to and replacement of plant and machinery including the air-conditioning, lifts and escalators.



A Pathway to Freehold or to Extend the Ground Lease

Chatswood Central is currently held under a leasehold title from Railcorp, however the building owner has had extensive dialogue with Railcorp and there is a known pathway for the new owner to either freehold the title or to extend the ground lease term.



The Vision – Redefine the Chatswood Skyline

Whilst securely leased for the medium term, the large 3,806 sqm site provides tremendous future potential to stage an iconic transport orientated development (TOD) linking the retail precinct situated east of the railway line to the commercial CBD on the western side, redefining the Chatswood skyline.

02. LOCATION



Internationally Renowned

Chatswood is located approximately 10 kilometres north of the Sydney CBD and is internationally renowned as a successful mixed-use centre integrating public transport with an institutional grade commercial office market, a world class retail precinct and landmark residential apartment schemes.

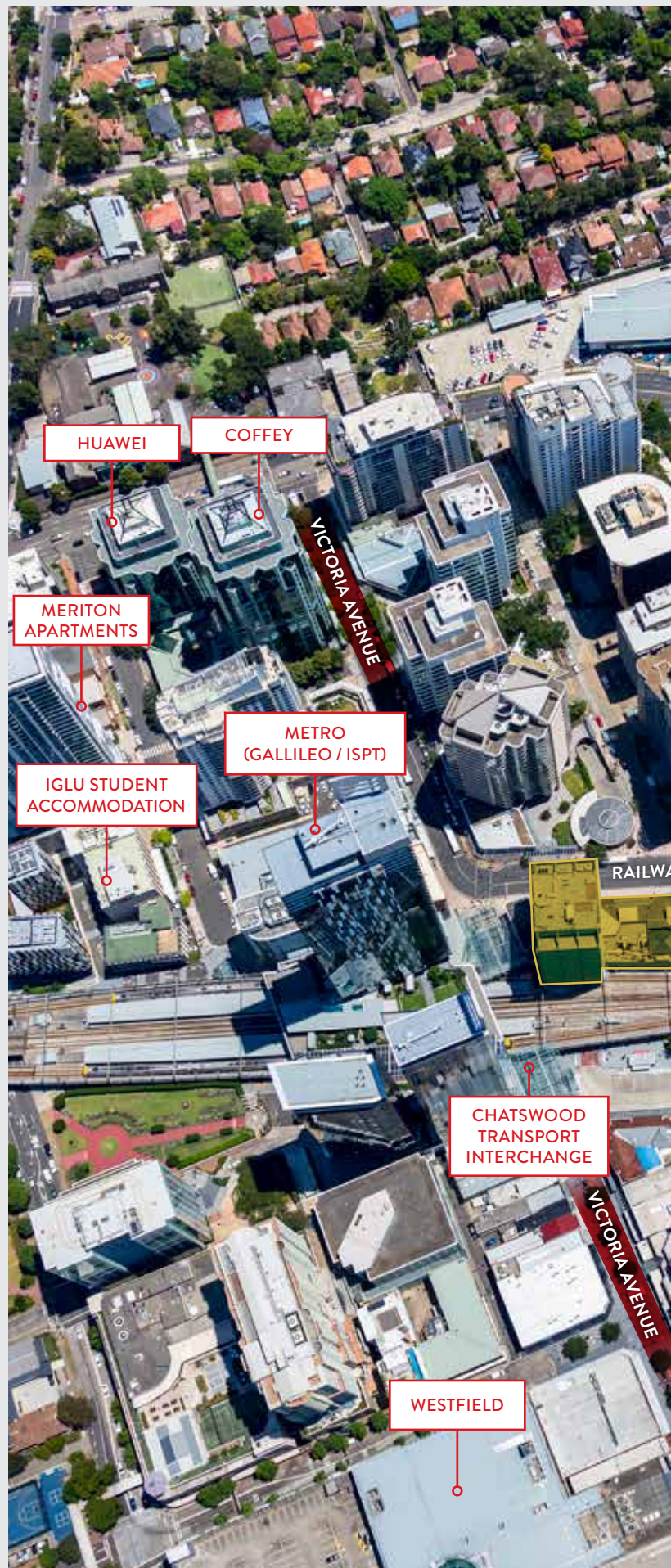


Outstanding Retail Amenity

Chatswood is the largest retail centre in the Sydney Region outside of the Sydney CBD.

Regional Shopping centres Westfield Chatswood and Chatswood Chase anchor the precinct in the geographical heart of the affluent north shore.

In addition to Chatswood Central's retail podium, tenants are within an easy walking distance to an array of retail amenities including the Chatswood Interchange, 'The District', Victoria Avenue and the Mandarin Centre.





A Centre for Commerce

Chatswood is an established regional business centre and forms part of Sydney's Economic Growth Corridor. It is a key market for major corporate occupiers and government departments and therefore attracts institutional landlords.



Local Population Growth

Chatswood's population increased by 57% from 2006 – 2011 primarily due to the increase in residential living in multi-unit apartment developments. The tallest of these developments, Pacific Place, reaches 46 levels and incorporates 850 apartments.



A Major Rail and Bus Terminal

The Chatswood Transport Interchange has been redeveloped into a world class inter-modal public transport interchange. Its pivotal role in Sydney's transport infrastructure will be further enhanced due to the construction of the Sydney Metro.

Chatswood station will link the Sydney Metro Northwest rail line with the Sydney CBD, Barangaroo and Sydney Airport via the addition of two rail lines that run beneath Sydney Harbour.



Immediate Road Access

Easy vehicular access to the Sydney CBD and North Sydney is provided directly via the Pacific Highway. The Sydney orbital road network is accessed via the nearby Gore Hill Expressway and M2 Motorway.





02. LOCATION

Chatswood's Pivotal Role in the Sydney Metro Rail Network

Chatswood Transport Interchange is one of Sydney's most important intermodal junctions. It currently serves c.35,000 rail and bus commuters per day and is predicted to increase to 50,000 by 2021 (source: NSW Treasury).

Chatswood station provides access to the Sydney CBD and the Central Coast via the 'T1' Line which consists of the Northern, North Shore and Western Lines.

Sydney Metro

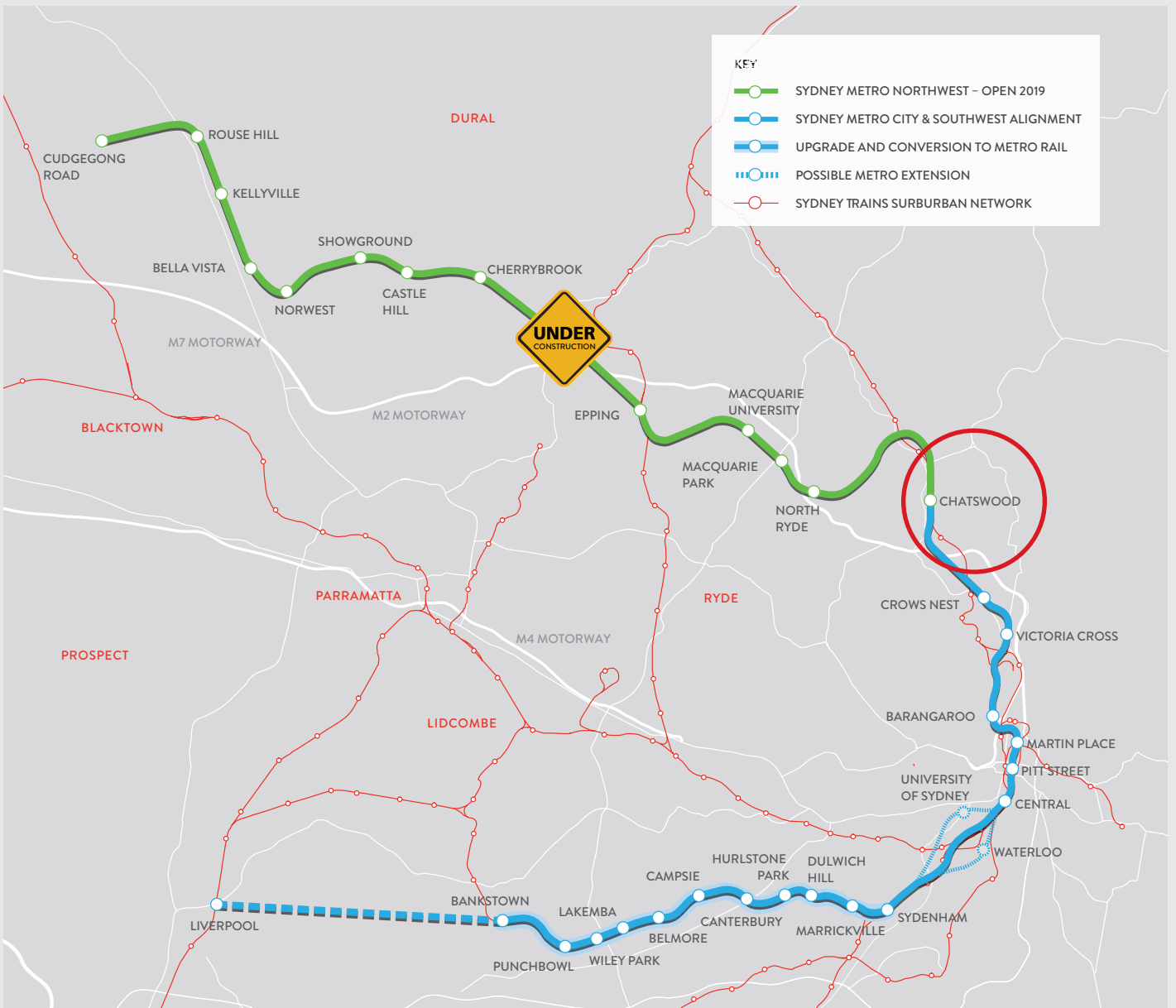
This role will be enhanced by the integration of the new Sydney Metro Railway into the existing rail network. As Australia's largest infrastructure project with a forecast spend of \$8.3 billion, the Sydney Metro will provide the first fully automated metro rail system in Australia.

The first stage, Sydney Metro Northwest, is set for completion in early 2019. This new rail line will deliver eight new railway stations in the north west of Sydney, an area with the highest population growth forecasts in N.S.W., to provide the population with access to major employment zones such as Chatswood.

Linking Epping with Chatswood, the number of trains will increase in peak periods to 15 per hour, almost 4 times greater than present.

Chatswood will serve as the junction between the North West Line and the existing North Shore Line, requiring passengers to change platforms to then travel southwards into the Sydney CBD. In our opinion this will make Chatswood a natural departure point for passengers, thereby creating demand for conveniently located office space.

The second stage, Sydney Metro South, is due for completion in 2024 and involves connecting a new railway line to the northwest line from Chatswood, under Sydney Harbour, through to Barangaroo, the Sydney CBD and out to Bankstown in the southwest.



03. THE PROPERTY

Overview

Chatswood Central is a securely leased mixed-use investment property that derives its income from a diversified pool of high quality office and retail tenants whose business prioritises immediate access to public transport for their employees, clients and customers.

Building Description

Chatswood Central provides B-grade office accommodation linked via a two level retail podium, above a single level basement car park.

The North and South office towers were completed in 1978 and 1980 respectively, whilst the retail Concourse was completed circa 1982. The property was completely refurbished in 1991 and again in 2015/2016.

Each of the office towers comprise of a ground floor commercial lobby and retail space plus 12 upper levels of highly flexible commercial accommodation, which efficiently subdivides to accommodate tenant requirements.

The ground floor (Plaza Level) of the two level retail podium provides 11 tenancy areas occupied predominately by food based retailers, whilst the upper level (Concourse Level) provides a gymnasium tenancy that interconnects with Level 1 of both the North and South office towers.

A child care centre is provided over Level 2 of the North Tower, with an outdoor area extending onto the roof top level of the podium structure.

Secure basement parking for 103 vehicles is accessed from Railway Street.

There is untapped potential to generate income from building signage on each tower.

Net Lettable Area

Retail	1,691.1 sqm
Gym	1,875.5 sqm
Office	14,520.1 sqm
Storage	160.9 sqm
Total	18,247.6 sqm

Recent Capital Expenditure

Chatswood Central has benefited from significant recent capital expenditure (\$4.7 Million approx). This is largely summarised in the table below:

ITEM	DATE	DESCRIPTION
Building Foyer Upgrades	2014	To the North Tower Lobby and on floor upgrades.
Lifts & Escalators	2014-16	Including external escalator and goods lift replacement along with general upgrades to lift interiors.
End of Trip Facilities	2015	Showers
Air Conditioning	2016	Chillers, associated pumps, VSDs & buffer tanks.
Lessor Works	2014-16	Make goods, subdivision and car parking.
Building Management Control System.	2016	New i-control BMS installed in the management office and new sensors installed on each floor.
General & Amenities	2014-16	Including blinds, management office, kitchens, bathrooms and signage.



03. THE PROPERTY

Site Details

TITLE

101 in the Deposited Plan 1094273

TENURE

Leasehold

REGISTERED PROPRIETOR

Freehold – Rail Corporation New South Wales
Leasehold – Taverners Value Funds Pty Limited

DESCRIPTION

The subject site forms part of the Chatswood Interchange stratum subdivision.

The site is a stratum lot of unlimited height and depth apart from Part Lot 101, comprising two areas totalling 348.7sqm on the eastern boundary of the site which are limited in depth as they overhang the railway line.

COMMENT

The property is held under leasehold N609660J to Taverners Value Funds Pty Limited expiring 30th June 2072.

SITE AREA

3,806.60 square metres (as per survey)

FLOOR SPACE RATIO

10.5 : 1

HEIGHT LIMIT

90 metres

ZONING

B3 Commercial Core - under Willoughby Local Environmental Plan 2012

STREET FRONTAGE

Railway Street – 119.85 metres
Help Street – 27.85 metres

The title and property boundaries are best described by referencing the Deposited Plan and Realserve Surveyors Report dated 22nd July 2016.

Synopsis of Ground Lease

The site is subject to a ground lease, the principal terms of which are summarised below:

LESSOR

Rail Corporation New South Wales

LESSEE

Taverners Value Funds Pty Limited

TERM

99 years, expiring 30th June 2072

GROUND RENTAL

\$562,500 per annum

Extending the Ground Lease or Purchasing the Freehold

I) EXTEND THE GROUND LEASE

The current ground lessee, Taverners Value Funds, has conducted dialogue with Railcorp regarding an extension of the ground lease. Railcorp has confirmed that they are receptive to receiving an application for a ground lease extension; the lease term and premium being negotiable items.

The protocol to achieving the extension is not defined however is envisaged to be straightforward and expected to take approximately 6 months.

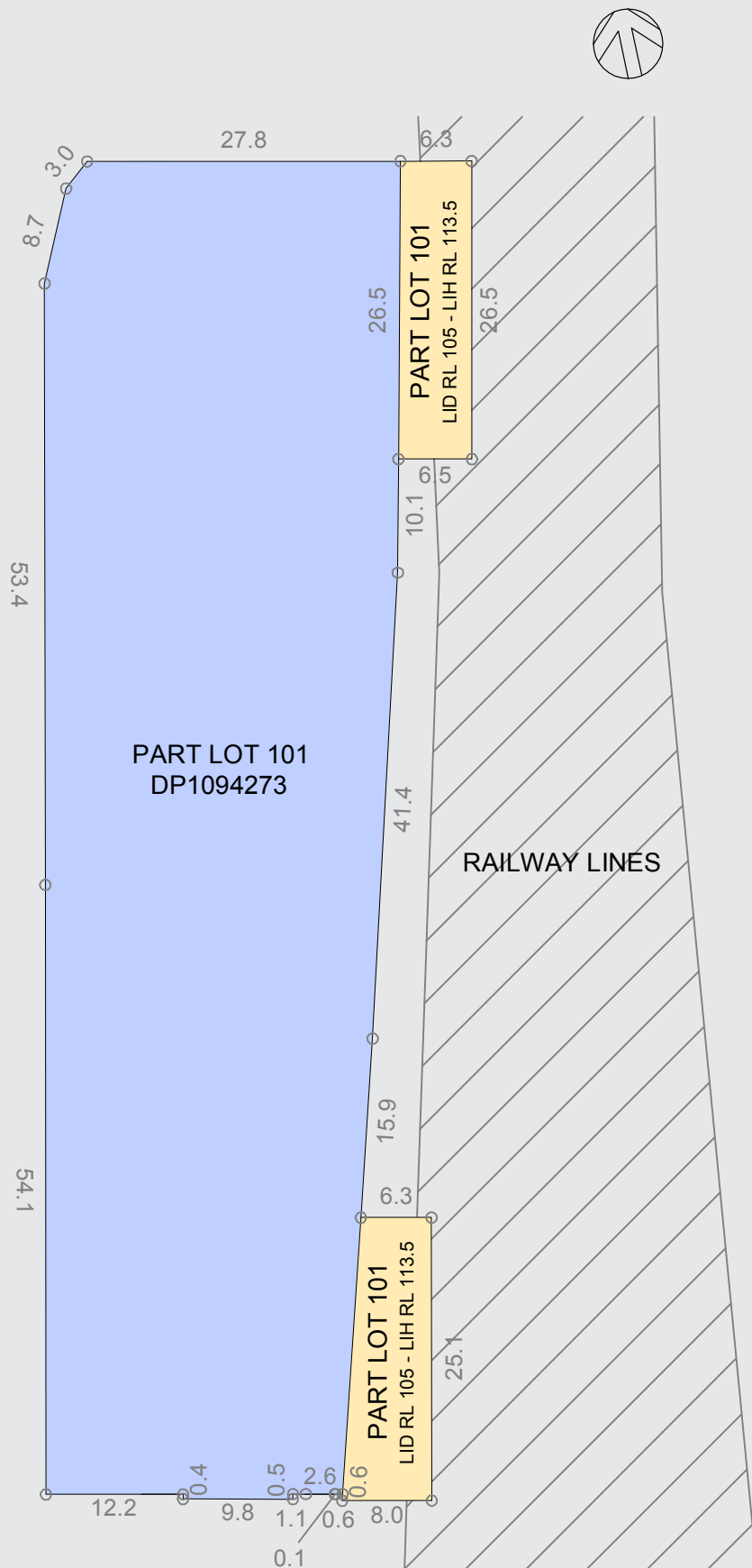
II) PURCHASE THE FREEHOLD

The current ground lessee has also conducted discussions with the relevant authorities, Railcorp and Transport for NSW (TfNSW), to investigate purchasing the freehold interest in the land.

TfNSW has stated that the Chatswood Central site is not required for future transport purposes and that as a surplus asset, disposal will be favourably considered.

The opportunity is open for a future ground lessee to continue this process.

Further clarification for prospective purchasers is available upon request.





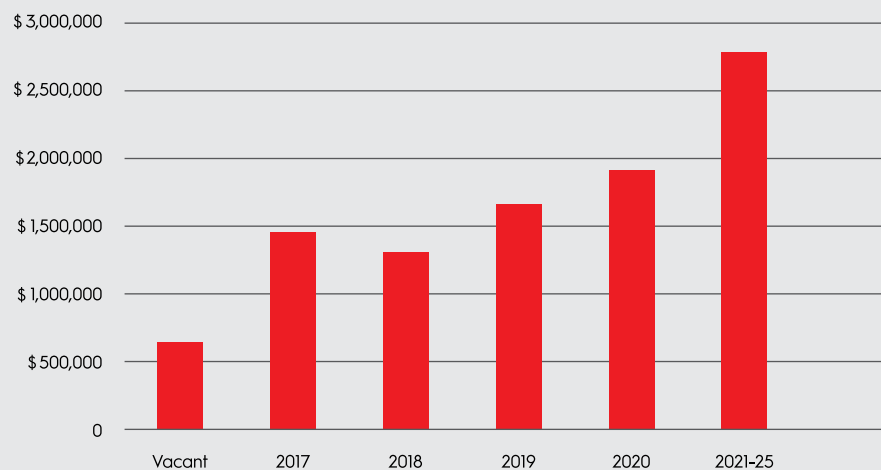


04. FINANCIAL INFORMATION

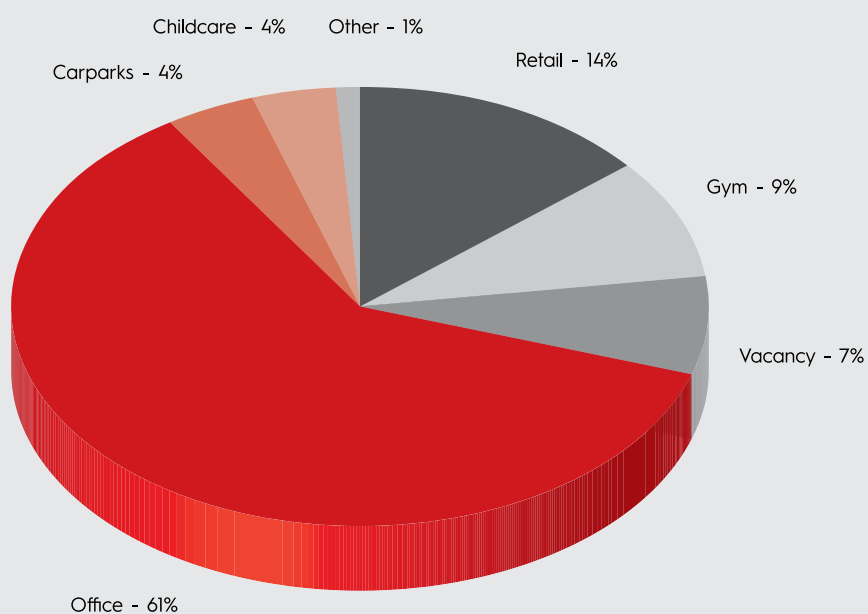
As at 30 June 2017

		p.a.
Passing Income		\$9,181,958
Less		
Outgoings		(\$2,256,368)
Add		
Outgoings Recovery		\$54,860
Net Passing Income		\$6,980,450
Add		
Vacancy		
Office	776.9sqm	\$411,206
Car Parks	18	\$90,000
Storage	123.6sqm	\$49,440
Signage		\$100,000
Total Vacancy		\$650,646
Net Income Fully Let		\$7,631,096

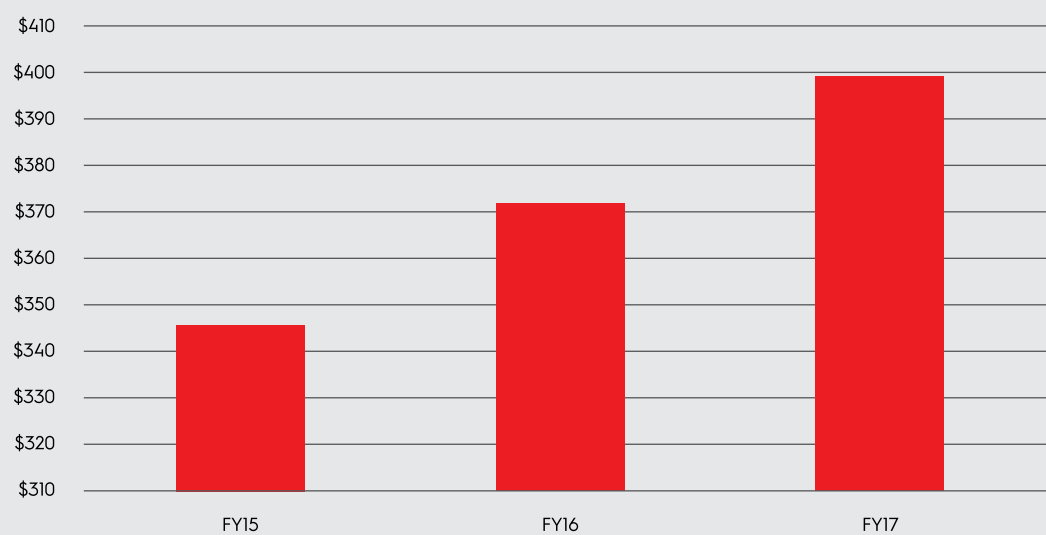
Lease Expiry Profile by Income



Income Diversity



Gross Effective Rental Growth



05. ARCHITECTURAL VISION

“Chatswood is actually the perfect illustration of urban density done well. It is right on the train line and there is a huge cluster here of jobs, shops and housingIt is a really amazing model for transit oriented developments”

– Lucy Turnbull, Chairwoman of the Greater Sydney Commission

Sydney is undergoing a tremendous period of growth both in economic output and population.

By 2031, Sydney's economic output is forecast to almost double to \$565 billion a year and there will be 689,000 new jobs. In the next 20 years, Sydney's population is expected to grow by 1.6 million people (source: page 4 'A Plan for Growing Sydney')

In 2014 the NSW state government released a comprehensive study named 'A Plan for Growing Sydney' to set down goals for land use and town planning decisions to manage this growth.

Three central principles are stated to accelerate urban renewal across Sydney at train stations, providing homes closer to jobs:

PRINCIPLE 1: INCREASING HOUSING CHOICE AROUND ALL CENTRES THROUGH URBAN RENEWAL IN ESTABLISHED AREAS

PRINCIPLE 2: STRONGER ECONOMIC DEVELOPMENT IN STRATEGIC CENTRES AND TRANSPORT GATEWAYS

PRINCIPLE 3: CONNECTING CENTRES WITH A NETWORKED TRANSPORT SYSTEM

Chatswood is designated as a 'Strategic Centre' within The Plan. Principle 2, shown below, underlines the importance of development within these strategic centres for Sydney's future growth.



PRINCIPLE 2: STRONGER ECONOMIC DEVELOPMENT IN STRATEGIC CENTRES AND TRANSPORT GATEWAYS

Locating jobs in around 30 to 40 large centres across Sydney provides the greatest benefits to the city's overall productivity.

Sydney's largest and most important hubs for business and employment are 'strategic centres' and Sydney's 'transport gateways'. Together, these locations account for 43 per cent of all jobs across Sydney.

These locations will be an important focus for future growth because of their size, diversity of activities, connections (mainly to the rail network), and the presence of major institutional activities such as health and education facilities or Sydney's major airports and ports.

(Page 11, A Plan for Growing Sydney)

TRANSPORT ORIENTATED DEVELOPMENT

Transport Orientated Developments (TOD) offer an opportunity for government and private developers to create high density mixed-use areas that integrate residential, commercial and retail schemes above or near public transport infrastructure to create wide benefit for the community by:

- Effectively managing population growth
- Increasing productivity by reducing travel time
- Reducing traffic on road networks
- Increasing the use of public transport
- Creating higher quality living and working environments

05. ARCHITECTURAL VISION

In response to the NSW State government's ambitious planning objectives, set out in 'A Plan for Growing Sydney', Willoughby Council issued a draft study produced by Architectus entitled 'Chatswood CBD Planning and Urban Design Strategy'. It is stated within this document that over the next 30 years, Chatswood will grow:

- 501,750 sqm in residential Gross Floor Area
- 297,500 sqm in office Gross Floor Area
- 136,200 sqm in other commercial Gross Floor Area

Under the Draft Design Strategy paper, 1-5 Railway Street has been categorised as a site for future commercial development within the B3 Commercial Core zoning.

DESIGN STUDY

The vendor has engaged architects, A+ Design to investigate the potential of the site in light of Willoughby Council's draft design strategy and the wider context of Chatswood's planning and development forecast.

"Our vision for Chatswood Central is to create an iconic development with two dancing towers, sitting above a new public plaza in the heart of Chatswood."

The towers will symbolise the revitalisation of the Chatswood CBD. At the ground level this new development will integrate seamlessly with the fabric of the existing retail precinct and extend the shopping experience to both sides of the train station.

This vibrant offering will add an exciting new layer to the cultural hub of Chatswood."

Tony Leung A+ Design

The A+ Design study is available upon request.





06. MARKET OVERVIEW

The metropolitan office markets gained considerable momentum in 2016, with increased leasing and investment activity causing an uplift in effective rents and compression in yields. There were four underlying factors which contributed to this:

1. An historically high infrastructure spend is currently underway with a state and federal government commitment of \$88.2 billion allocated over the next four years. Just under half of this is apportioned to public transportation projects. This will have a positive impact on staff retention and connect the metro markets to larger working populations.
2. The substantial withdrawals for residential and infrastructure projects have forced tenants back into the market to vie for a diminishing availability of space. There was over 43,000sqm of commercial space withdrawn in the first half of the year in 2016. This increased tenant demand and limited space have both incited face rental growth and diminished incentives. Gross incentives have declined by at least 10% in certain markets. The supply pipeline remains constrained with changes to current planning regimes underway. Potential residential re-zoning is causing commercial developments to be delayed in Macquarie Park, St Leonards and Chatswood as developers assess their options.
3. The emergence of metropolitan investments. Institutional investors have expanded their scope and risk profile in their search for property and returns. A growing number of institutions are considering suburban investments as traditional CBD returns tighten beyond pre 2007 levels. Meanwhile, the total return in Sydney's metro assets has swelled to 19.2 per cent per annum in the last year, according to MSCI.
4. Total employed persons in the NSW economy has increased by 201,413. A lack of available space and rapid escalation of rents in the CBD have pushed tenants toward the metro markets.

However, in markets such as Parramatta and North Sydney where the commercial core is protected a confluence of increased tenant demand and low levels of vacancy have triggered the commencement of new developments.

LEASING MARKET

Chatswood is Sydney's most northern office market providing 278,919sqm of floor space. The vacancy in the commercial leasing market is tight with only 8% vacancy in the A Grade stock being 12,587sqm of a total 157,412sqm and 8.9% in the B grade being only 6,796sqm of a total 76,046sqm.

Chatswood Central stands to benefit from the residential conversion trend and other withdrawals due to the new metro lines. The trend is forcing tenants from primarily B grade buildings into the market while simultaneously reducing their supply options. In turn, rentals in the B grade accommodation continue to improve with minimal new supply forecast.

THE SYDNEY METROPOLITAN MARKETS

↓ Yields

↓ Incentives

↑ Rentals

Sales

Property	Date	Price (\$M)	Equivalent Yield	Rate/sqm	Size (sqm)
Freehold					
15 Help St Chatswood	Jun-16	\$43.80	5.62%	\$8,119	5,395
282 Victoria Ave Chatswood	Dec-16	\$46.25	4.03%	\$8,300	5,572
Zenith Centre 821 Pacific Hwy, Chatswood	Jul-16	\$279.10	7.17%	\$6,298	44,317
Avaya Hse 123 Epping Rd Macquarie Park	Dec-16	\$118.00	6.50%	\$7,303	16,161
78 Waterloo Rd Macquarie Park	Dec-15	\$106.00	6.22%	\$7,072	14,989
3 & 5 Rider Boulevard Rhodes	Jun-16	\$235.00	7.56%	\$5,633	41,717
Leasehold					
203 Pacific Hwy St Leonards	Oct-15	\$43.00	7.75%	\$7,328	11,736
3 Innovation Rd Macquarie Park	Aug-16	\$39.00	7.05%	\$5,295	7,365
201 Pacific Hwy St Leonards	Jun-15	\$115.00	8.15%	\$6,937	16,578

07. SALES PROCESS

The longterm leasehold interest in Chatswood Central, 1-5 Railway Street is offered for sale via Expressions of Interest closing: 4pm (AEDT) Thursday 30th March 2017

The EOI is not required to be lodged in any prescribed form, however as a minimum must include the following information:

- The name of the interested party and if a private corporation, the directors of the entity.
- Purchase price and the deposit amount
- Advice as to date of proposed completion
- Any conditions of purchase, including due diligence requirements and period, approval processes i.e. FIRB, Investment Committee
- Purchaser's Solicitors
- Proposed funding source including conditions relating to debt financing and/ or equity raising

DUE DILIGENCE

A web based due diligence data room has been established to assist prospective purchasers in reviewing the proposed contract of sale and additional information to that outlined in this document. The website is accessible via a password provided at the discretion of the vendor subject to agreeing a confidentiality agreement. All interested parties are encouraged to access the available information in formulating their EOI.

EXPRESSIONS OF INTEREST

The Vendor reserves the right not to accept any offer and, without limitation, nor is the Vendor obliged to accept the offer with the highest consideration.

The Vendor may, in its absolute discretion, suspend or vary the sale process, negotiate with any party who submits an Expression of Interest or with any other person, enter into a binding contract with any party at any time after the closing of the stated Expressions of Interest closure date and / or, at any time prior to exchange of binding contracts, may withdraw the property from sale.

No person is entitled to any redress against the Vendor if the Vendor exercises such discretion. The Vendor is not responsible for any claim, costs or expenses incurred by any party in preparing and lodging an Expression of Interest or in taking part in the above process, whether or not the party is successful or whether or not the Vendor terminates, varies or suspends that process or takes any action available to the Vendor. No offer will be deemed or regarded to be accepted, unless and until a binding contract for sale is entered into by the Vendor with the relevant party.

FOR FURTHER INFORMATION PLEASE CONTACT THE EXCLUSIVE AGENTS:



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A+ design group

URBAN STRATEGY & ARCHITECTURE

SYDNEY | AUCKLAND | BRISBANE



A+ design group's philosophy is to deliver projects that positively connect us with our surroundings and each other. Our award winning architectural practice specialises in multi-residential design and urban strategy. Through our expertise you can empower yourself to create the highest and best use for your site. We have a big-picture approach; via strategic planning we assist to integrate your vision into a community. By creating a sense of place that inspires and unifies an area, we balance social ideals with commercial values and principles. These market-driven developments can result in something of real value for everyone.

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Tony Leung - CEO & Founder



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