

Vantage and KKR pick their exit on St Kilda Rd

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Private equity firm KKR and its local partner Vantage Property Investments have decided the time is right to push a St Kilda Road office tower back into the market just two years after acquiring the asset.

Vantage, led by Matt Spring and Hamish de Crespigny, bought the five-storey building at 420 St Kilda Road from CEL Australia, the local arm of Singapore listed property group Chip Eng Seng, for \$68 million on a 5.6 per cent passing yield, on behalf of itself and its client, KKR, in 2017.

Now, after two years of value-adding activity, the distinctive glass-fronted tower could fetch \$92 million or more.

Intensive capital works with a new foyer and cafe operator, lift upgrades, on-floor lift lobby and amenities refurbishments, and end-of-trip facilities are all in place.

The property, about 9 per cent vacant when it was acquired, is close to fully let. Following the refurbishment face rents have increased 40 per cent on rents before it was acquired.

Incentives average just 13.5 per cent, well below the average of 25 per cent for St Kilda Road. Combined, those



Vantage directors Matt Spring and Hamish de Crespigny. PHOTO: JOSH ROBESTONE

metrics amount to a 57 per cent increase in net effective rents.

The current owners have been steadily working the rental reversion through the building. So far just 20 per cent of the rents have been reset, leaving plenty of upside for the next owner.

The joint venture has appointed CBRE's Kiran Pillai and Mark Coster together with Cushman Wakefield's Luke Etherington and Josh Cullen to manage the sale.

The building is just 300 metres from the new metro line Anzac Station, due to be completed in 2023.

Yields on office buildings in St Kilda Road are coming in at around 5.5 per

cent, a tidy premium to other fringe office markets such as Richmond and Cremorne.

The St Kilda Road market has had a recent run of high-profile transactions including a deal in November when property tycoon John Beville sold an office tower for \$163 million, nearly doubling his money in under four years.

KKR is a player in Australian property markets. With Abacus and Clement Lee's Riverlee Group, it sold the World Trade Centre in the Melbourne CBD for \$267.5 million two years ago. Four years ago, again with Abacus, KKR bought the Oasis Shopping Centre on the Gold Coast for \$103.5 million.