

The Australian
15 May 2008
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Prime Space

High rents push sales at Matisse to \$40m

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Offices

OFFICE users fleeing Brisbane's \$1000 a square metre rents have pushed sales in a new strata office development to more than \$40 million.

Construction has begun on the 24-level Matisse Tower at 100 Mary Street, and 16 floors in the 7000sq m building have been sold.

Developer Artisan Property Partners director Alec Spencer said the project targeted small to medium-sized firms seeking CBD space but which could not afford an entire building.

"Inner-city rents have risen to between \$800 and \$1000 per square metre," Mr Spencer said.

"The rental market has now effectively met the mortgage market and this tower is enabling firms that are renting to finally buy their own spaces."

Sales to date ranged from \$8500 to \$12,500/sq m for the column-free 270sq m floors.

The development has been funded through a mezzanine debt syndicate sourced and managed by private financier Venerdi Finance.

Insight Group director Rod Colwell said he moved quickly to buy Matisse Tower's top floor as it was "a signature building in a signature location".

When Insight's rent in an Eagle Street building was revised up to \$1000/sq m, it decided to buy its own space.

"We locked in our own top-quality office space and future-proofed ourselves from ever increasing CBD leasing costs," Mr Colwell said.

Savills state research manager Paul Day said the Matisse Tower typified a new generation of strata accommodation in Brisbane, in contrast to the "second grade" space available for purchase previously.

Mr Day said Brisbane's tightly constrained CBD office market, which had only 0.2 per cent of premium space vacant in January, would not ease until after 2009.

"The additional 75,000sq m being added in 2008 will not ease the situation much as most of this space is precommitted and there is only limited backfill available," Mr Day said.

A Brisbane office market report released yesterday by CB Richard Ellis said the rapid increases in Brisbane office rents were expected to slow in the more challenging financial environment.

In March, prime gross rents for existing buildings were more than \$1000/sq m, but rents for planned developments were \$500 to \$600/sq m, reflecting the fact that nine major projects have been flagged for the city.