

Office towers on rise in bustling Parramatta

The western Sydney hub of Parramatta is on the rise with a brace of new office towers under way even as the residential property slump cripples the prospects of new apartment buildings.

Office tower developers are vying for position around the giant Parramatta Square precinct where tycoon Lang Walker is poised to secure a major precommitment from the NSW government, which has made the area a priority.

In one of the latest plays, the GPT Group on Friday launched the construction of its \$300 million-plus tower in Smith Street, with the project slated to come online before new towers proposed by Dexus, Mirvac, Australian Unity, Scentre and a raft of private groups.

More office activity is in the works with the Longbow Enterprises-owned Octagon complex attracting interest, partly due to its potential as a site for a new skyscraper that could replace the 1990 building.

The Hong Kong group picked up the seven-storey commercial building in George Street for about \$83m in 2014 but could trade it for close to \$200m if its development potential can be realised.

GPT is bullish about the area after last year hooking QBE Insurance as anchor tenant for its 32 Smith tower. The company's head of office and logistics Matthew Faddy said he expected a series of new towers to transform the area as he turned the first sods on the site of the future 26,400sq m tower.

He is bullish about GPT's timing as its building is due for completion in late 2020, and will be in the market for tenants ahead of rival projects. Rents have lifted to about \$600 per square metre but this is still about half the Sydney CBD.

GPT is targeting a yield of more than 6.5 per cent on the project's cost and is chasing more office and logistics opportunities in western Sydney.



An artist's impression of the 32 Smith Street tower

"We expect the importance of Parramatta as a world-class commercial and cultural centre will only grow, with most of Sydney's population set to live in the west within the next two decades," Mr Faddy said.

The re-elected Berejiklian government is also driving plans for a new light rail, West Metro, improved motorway connections and is shifting the Powerhouse Museum to Parramatta.

But there is also rising private sector interest in the area as tenants want to cash in on lower rents than in tightly held Sydney CBD.

"Parramatta is in the midst of an incredible shift, where there will be more workers than residents in the CBD in five years' time," said Western Sydney Business Chamber executive director David Borger, adding there would be more than 1.2 million square metres of office space there in five years.

The area's next major test is likely to come as Brookfield brings the Jessie Street Centre, a landmark A-Grade building in the Parramatta CBD, to market.

The 53,901sq m tower houses government and legal tenants in its 15 levels of office space and a four level podium, and could attract about \$400m.

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