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GDI's strategy kicks into gear

TRUSTS: The listed GDI Property Group has won more support from the James Packer-backed Ellerston Capital as its counter-cyclical investment strategy kicks into gear.

GDI yesterday swooped on the last remaining asset in the Insurance Commission of Western Australia portfolio, picking up Westralia Square on the city's St Georges Terrace for \$216.25 million.

GDI said last week it had assembled a \$600m war chest it could deploy if the property cycle turned and Ellerston said it had lifted its stake to 8.01 per cent.

The company started its WA spree a week earlier when its funds business struck a conditional deal to buy Perth's Ikea centre for \$143.5m for a new unlisted trust. The latest deal saw GDI face off against rivals Charter Hall and Primewest for the tower and its purchase marks a switch in sentiment towards the beaten down resources city.

Westralia Square is an A-grade tower in the core of Perth CBD's on St Georges Terrace and sits adjacent to Brookfield Place. The property spans 32,635sq m of net lettable space over 18 levels, with an average floor plate of 1800sq m, above a car park with 537 bays. The tower was built in 1991 and has a five-star NABERS energy rating.

Westralia Square is about 93.5 per cent occupied with a weighted average lease expiry of 2½ years. The property is mainly occupied by WA government departments with lease expiries

in the first half of 2020.

GDI managing director Steve Gillard said Westralia Square was a typical purchase by the trust. "Westralia Square has all the things we look for in an office building," Mr Gillard said.

"It is well located, has good natural, easily divisible floor plates, is being acquired for considerably less than replacement cost and offers an opportunity to add significant value through refurbishment and releasing."

Mr Gillard added that with WA government leases expiring in the first half of 2020, it expected to be releasing into a much stronger leasing market and, following a major capex program, anticipated strong demand. He compared the tower to Sydney's 66 Goulburn Street, which the group recently sold to Singapore-based real estate firm Ascendas-Singbridge Group for \$252m. GDI will fund the Perth acquisition through the proceeds of that sale.

Insurance Commission chief executive Rod Whithear said GDI submitted the most competitive offer. "The sale of Westralia Square represents the end of the Insurance Commission's property divestment program," he said.

ICWA had sold three commercial buildings in Perth and two retail shopping centres since 2015, reaping more than \$869.8m, which had been applied to reducing the WA government's net debt.

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