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K-Reit buys half of Brisbane office block for A$166m

By **CHEW XIANG**

K-REIT Asia has bought a 50 per cent stake in an office building in Brisbane, Australia, its first acquisition outside Singapore.

It paid Charter Hall Opportunity Fund No 4 A$166 million (S$206.5 million) for the stake in the Grade A commercial building, the same as its appraised value.

Venturing out: *275 George Street is K-Reit's maiden acquisition outside of Singapore*

The seller has also signed an income support agreement until 2012 that will top up the difference between actual cashflows and a guaranteed net cashflow of A$12.8 million a year.

The building at 275 George Street was completed in April last year and comprises 40,317 sq m of office space over 30 floors plus 1,431 sq m of retail space. K-Reit said it was 99.4 per cent leased and two Australian corporations, Telstra and Queensland Gas, have 10-year leases.

Ng Hsueh Ling, chief executive of K-Reit Asia Management, said the acquisition will add 10 per cent to K-Reit Asia's asset size, or from $2.1 billion to $2.3 billion. The building is expected to be immediately yield accretive and has a weighted average lease expiry (WALE) of 9.4 years. This will extend the WALE of K-Reit's present portfolio to 5.9 years from 5.2 years.

K-Reit said the purchase will be funded entirely by proceeds from its recent rights issue, which will improve aggregate leverage from 27.7 per cent as at Dec 31 to 25.2 per cent after the deal is completed this quarter.

K-Reit recently reported distributable income for the fourth quarter increased 11.4 per cent to $19.4 million. For the full year, distributable income to unitholders increased 21.1 per cent to $70.5 million. It said then it was considering buying a stake in Marina Bay Financial Centre from parent Keppel Land.