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Investors limber up to purchase Melbourne's landmark Virgin Active gym complex

Melbourne, VIC (12 July 2010)

The space housing Melbourne's first Virgin Active health and fitness club has been listed for sale in a move tipped to generate one of the city's largest ever strata sales.

CB Richard Ellis has been appointed to market the 138 Bourke Street space, which offers a new 15-year lease with options to Virgin Active – one of the world's leading fitness chains operating more than 170 gyms in the UK, Italy, Spain and South Africa with more than 900,000 members.

A price of \$18 million is expected for the three-level gym complex, which is housed at the base of the former Bourke Street Hoyts Cinema complex.

Launched last year, the club is the second in Australia for flamboyant UK entrepreneur Richard Branson with further openings tipped this year.

CBRE's Mark Wizel and Sebastian Drapac will steer the Expressions of Interest campaign for the three-level complex, with EOIs due by Thursday 12<sup>th</sup> August at 4pm.

Mr Wizel said the strength of the Virgin Active tenancy covenant was tipped to attract significant buyer interest.

"Rarely do investors have the opportunity to purchase a property with the style of tenancy covenant that the Virgin brand offers," Mr Wizel said.

"The strata space houses an innovative, world class gym in the heart of the Melbourne CBD with terrific natural light on all four sides."

Melbourne investment group Drapac redeveloped the 4,816 square metre former Hoyts complex after forming a partnership with Sustainability Victoria and the Department of Innovation, Industry and Regional Development who assisted in financing a range of sustainability initiatives.

Some of the ESD initiatives include a Thermal Labyrinth System to naturally treat outside air to moderate internal temperature. This reduces energy consumption and carbon emissions. The Labyrinth was constructed from materials recycled from the original building.

Other features include water recycling, a winter garden, recycling waste storage and bicycle parking.

Virgin occupies the space under a 15 year lease with two, five year options. The current net annual income is circa \$1,542,000.

Mr Wizel said the gym had a large membership catchment which was supported by the surrounding office workers and residents in the east end of the Melbourne CBD. The gym is situated in close proximity to landmark developments such as SX1 and SX2, 80 Collins Street and 120 Collins Street.

“In addition to the Virgin Active tenancy covenant, the property also offers significant depreciation benefits, which will be a draw card for prospective purchasers,” Mr Wizel said.

Drapac Property Manager Anthony Osborne said; “We aimed to redevelop the once iconic Hoyts Cinema into a modern Melbourne CBD icon. We feel we have succeeded with a unique *Williams Boag Architects* designed building with ESD features and a multinational tenant who has provided a new benchmark for gyms and lifestyle in Australia.”

Mr Osborne said the public had embraced the Virgin Active concept, with the Melbourne complex attracting over 4500 members in less than 12 months.

“The property also has extraordinary flexibility and value-add opportunities in the long term future. The building was designed to allow conversion to a mix of prime Bourke Street retail and large ‘Manhattan Style’ open plan offices. Alternatively, the whole property could accommodate a multi level retail conversion.”

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