NAI Harcourts

March 2016

Market Leader

Bringing you the latest news, facts and figures from the world of commercial real estate.

State-by-state across Australia

Commercial property focus

NEW SOUTH WALES

Across the broad spectrum of NSW commercial property, there are vast differences in market conditions in different localities, and often, for differing types of property within the same region.

Sydney remained strong over the last year with increased demand from investors and increases in rental income and generally lower vacancy rates, and 2016 is set to follow suit.

Demand for properties with established retail tenants in the CBD is set to increase, buoyed by impending changes such as a new light rail network.

Suburban strips which have undergone significant renewal, such as Oxford Street Paddington and others, have enjoyed renewed demand throughout the city.

The pattern is similar in urban areas across the state, where transformation of retail precincts precede an increase in demand.

With interest rates to remain stable or fall further, an increase from private investors and private super funds looking for superior returns is expected.

VICTORIA

It surprises many that Melbourne is Australia's largest industrial property market, outstripping Sydney in terms of sheer volume of land stock with well over 25,700 hectares available.

Melbourne also arguably enjoys the best industrial infrastructure in the country, with purpose built road systems to allow uninterrupted access to interstate routes from within metropolitan areas.

The Melbourne retail market continues to perform strongly as evidenced by the increase volume of retail transactions in the past 12 months.

Around the Epping region, there has been an increase of enquiries from the smaller owner occupier market, looking for unit developments and a steady volume of owner occupiers looking to purchase their own office warehouse in their self-managed super.

Rental yields are between 6-7% with a sale in Campbellfield on a yield of 6.8%.

Epping's newest business park continues to grow with another building sold off the plan to an owner occupier, and also a new building leased to an organic food wholesaler.

QUEENSLAND

After a challenging 2015, there are signs that industrial activity is ready to increase throughout 2016, helped along by the pickup in residential construction, the build up to the Commonwealth Games, and the Government's recent announcements of fast tracking infrastructure projects.

The 2015 calendar year saw a large volume of transactions of neighbourhood and convenience type shopping centres and malls, and has arguably been the most active sector in the commercial real estate industry.

In Brisbane, prime grade freestanding retail assets were realising yields well into the 5% to 6% range, while convenience centres where showing yields of between 6.5% and 8.0%.

There has been a gradual decline in vacancies in the higher quality retail centres, and future rental growth is still likely to keep pace with inflation.

Large format retail properties have been coming back into popularity with significant compression of yields since the difficult post GFC days. Vacancies are generally declining, however rent growth remains stable.

SOUTH AUSTRALIA

The steady outlook for South Australian remains for this year. Despite significant challenge in some parts of the State, opportunities are still available. Long term investment returns viewed in balance with the underlying risk in South Australia is overall optimistic.

Thanks to the depreciating Australian dollar, trade-exposed industries are enjoying a more positive outlook and improved competitiveness on the international scene for 2016.

The resultant increased take-up applied to non-automotive manufacturing, engineering and wholesalers during the second half of 2015, suggesting renewal of confidence in what is traditionally a strong sector for the State.

Stronger precincts of Adelaide – in the north and north-east – will enjoy strong momentum in 2016 due to improvements to infrastructure in the area such as the North East Road and Sudholtz Road improvements and the flow-on availability of suitable well-located prime assets.

The State government abolished stamp duty on commercial property last year, making South Australia the official lowest taxing state in Australia for commercial property. This could explain an increased level of activity in the sub $10 million market, with a number of smaller properties selling with vacant possession to owner occupiers.

Continued over ▸

◂ from previous page

TASMANIA

The nominal value of retail trade in Tasmania in trend terms in November 2015 was up 0.5 per cent compared with the previous month, and was 4.8 per cent above the level recorded one year earlier. This positive trend should continue despite Tasmania's low population and employment growth.

Retail spending will continue to be supported by increased tourism and a low Australian dollar.

Effective CBD retail rentals are increasing with reduced incentives a reflection of increased business confidence and steady consumer demand. The completion of the Myer Hobart CBD store as part of stage one of the Icon Complex has seen a positive change to the surrounding precinct.

Yields for individual CBD shops range from 6.5% to 7.5% with sub-regional and neighbourhood centres achieving yields between 7.5% and 8%.

CBD office vacancies in 2016 are expected to increase slightly from the previous year. Despite an increase in the number of enquiries resulting in new leases, mostly to small businesses under 200 sq m, which could be attributable to organisations looking to reduce the annual overheads by moving to an open plan environment and leasing less space.

Small to medium-sized warehouse development continues to gather momentum in Tasmania in response to increased demand from businesses using their Self-Managed Superannuation Funds to purchase property for owner occupation, particularly in the new industrial subdivisions close to airports.

Investment yields for industrial property range from 7.5% to 8.5% and vacant warehouse units range from 8.5% to 10% depending on age and condition. Overall the sector is doing well with increased business confidence converting to new speculative warehouse developments supported by healthy pre-sales.

WESTERN AUSTRALIA

Western Australia's continuing expanding freight network is offering attractive benefits for business. Perth now boasts an airport with major road and rail freight logistic capabilities, together with Port of Fremantle's inner and outer harbours have increased the state's shipping and freight handling capabilities.

Investors need to keep a close eye on flow-on affects from the projected $24.1 billion worth of future infrastructure scheduled in the state over the next four years, including key road and rail projects.

For leasing, Western Australia enters 2016 with the momentum of improvement in tenant enquiry in the second half last year. This was underpinned by intensified occupier demand for existing industrial facilities in precincts in established regions.

The depreciating dollar is now starting to benefit export business in such sectors as manufacturing and retail. This will bring gradual increased demand from these occupiers.

Over the next few years construction across the regional centre sector will increase as institutional owners seek to grow and reposition their assets.

Several major redevelopment and expansion projects are underway in large suburban hub shopping centres, with thousands of extra square meterage being added. For the smaller centres, leasing incentives are typically being offered such as contributions to fitouts.

Sources: *Todd White Month in Review; Warrick Hobart, Managing Director, Hobart; John Georgiou, Director, Epping.*

First stand-alone business broking office for NAI Harcourts Australia

NAI Harcourts welcomed its first stand-alone business broking office, with the opening of Rinnovate NAI Harcourts in Victoria.

Opening its doors in February, NAI Harcourts Rinnovate is lead by John Evans and Veronica Doxey who hold more than 40 years experience combined in financial and business consultancy.

Rinnovate Business Brokers and Advisors is an established commercial force in northeast Victoria and anticipates a doubling in staff as a result of its partnership with NAI Harcourts alongside the growing demand for rural Victorian commercial investment properties.

CEO NAI Harcourts, Richard Laery, said, "What sets us apart from our competitors is our unique model. We are part of a large international network that combines independently owned and run offices with expert local market knowledge providing clients with an unparalleled service."

The opening of NAI Harcourts Rinnovate expands the network's national footprint to 22 locations across Australia from three offices in 2014. NAI Harcourts looks forward to continuing to add to its portfolio of independent offices in all major areas of Melbourne and Victoria starting with Melbourne's CBD in mid-2016.

The first issue of the quarterly NAI Harcourts New Zealand commercial property portfolio is off the presses featuring more than 70 pages of commercial property listings, as well as practical editorial and detailed analysis of market conditions around New Zealand and Australia.