NAI Harcourts

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Market Leader

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

Commercial Construction Proposals Remain Steady

Compared to the December 2015 quarter, December 2016 was comprised of several proposals for relatively low value projects. The volume of pipeline commercial projects increased 20% comparing 580 projects in Q4 2016 to 484 projects in Q4 2015. However, the value declined 8% nationwide to $3.71 billion.

New South Wales and the Australian Capital Territory showed a 6% increase of projects coming into the pipeline compared with Q4 2015, but the value of new commercial proposals fell 36% when compared with Q4 2015. Q4 2015 presented strong values, including the proposal of a $396 million redevelopment of a shopping centre in Roselands, which has since been deferred. This accounted for approximately 30% of commercial proposals in Q4 2015.

In Q4 2016, the highest value commercial project in NSW was the proposal for a 12 storey Resort, located in the new residential community Twin Creeks (located in Penrith, NSW). The project is valued at $98 million and, pending council approval, would be completed in 2020.

In Victoria, there were 146 new commercial projects in Q4 2016, up 17% compared with Q4 2015. Victoria also had the highest value of commercial pipeline projects: the projects combined were worth $976 million, accounting for 26.32% of the value of commercial pipeline projects Australia wide.

The highest value project in the pipeline over Q4 2016 in Victoria was a $180 million proposal for an office and commercial building in Docklands. The proposal consists of a 26-storey building comprising 52000 sq. metres of commercial and office premises. The highest frequency value of the 146 pipeline commercial projects in Melbourne was between $200,000-$300,000, were 28 projects fell.

Queensland was in a weaker position for the volume and value of projects in the pipeline in Q4 2016 relative to the same quarter in the previous year, but was the third highest value state for commercial pipeline activity. A decline of 18% was seen in the number of new projects in commercial (88 in 2016 Q4 versus 107 in 2015 in same period), while the total value of the projects went from $1.44 billion in Q4 2015 to $799 million in Q4 this year.

In Western Australia, the number of new projects entering the pipeline in Q4 2016 almost doubled compared with Q4 2015, with 92 projects entering the pipeline. There was also a marked increase in the value of projects of 59% to $418 million. This was partially driven by a set of office buildings proposed for the city of Perth, with a combined worth of $130 million.

National Value of Commercial Projects

Report extract supplied by the Cordell Construction Market Movement Report. Cordell is a CoreLogic Business.

NAI Harcourts North Melbourne fires up

John Georgiou, Director of NAI Harcourts in Epping and Thomastown

As 2017 kicks into gear NAI Harcourts in Epping and Thomastown in Melbourne's north has hit the ground running.

The year has started off with a very busy January. Already, three small leasing deals and four sales ranging in size from $350,000 to $1,980,000 have been achieved. "This is uncommon for this time of year as most businesses in the industrial and construction sector don't really open until the end of January," says John Georgiou, Director of NAI Harcourts in Epping and Thomastown.

"In the current market place, we have an owner occupiers market which is solid but we have a very limited supply of leasing stock. A large amount of stock is coming on board from my builder developer clients. Many of these are multi-unit developments coming from some of the larger developers", says Georgiou.

The properties in demand by purchasers are for new off the plan buildings that can be tailored to the clients' needs, ranging in size from 700m2 to 3000 m2. The Northern suburbs of Melbourne are performing very strongly with some large land estates selling out and most new developments selling off the plan to both owner occupiers and investors.

Low interest rates are making it attractive to owner occupiers which has resulted in many transactions taking place, however because of this the leasing market has slowed down considerably.

"Most stock we have is industrial and new. Many of the premium locations are performing very well so I would be suggesting investors explore developments from off the plan, as many investors are buying modern office warehouses with all the features that would make them appealing to the leasing market".

"Areas that are performing strongest are main road development sites which are hotly contested. We sold a property at auction in December on a 2.95% yield that was a huge surprise. Also, industrial land is selling very quickly."

"The predominant transactions in the region is industrial land and it is often sold by making a few phone calls. Many of the regular industrial builder developers are looking to landbank as a direct result of our success in off the plan sales to owner occupiers," says Georgiou.

Georgiou's advice to vendors is to spend money on advertising. "The old days of putting up a board and waiting for the calls to come in is not relevant in today's market - this no longer works. Interest rates are low - take advantage of this as we do have a shortage of stock."

North Brisbane Commercial market is moving!

Phil Grant, Director of Sales and Leasing, NAI Harcourts Aspley

The year has started off full steam ahead with both lease and sales enquiries coming in strong for the NAI Harcourts Aspley business. Phil Grant, Director of Sales and Leasing says "We are seeing enquiries converting to commitment which is fantastic as most of last year people were indecisive and unwilling to commit in a short period of time. We have a number of great sites that will be hitting the market very shortly from ex church sites, to service station sites to large residential development sites".

Grant believes now is the optimum time to sell properties with business confidence seeing an uplift since the start of the year. "We are seeing large enquiries across the board for all types of commercial property. My advice to buyers would be make sure you do your research and speak to an experienced agent in the area you are looking. With differences in online and physical availability being at the highest it has ever been, it is vital to get the right advice early in the buying process."

The current leasing market Grant believes is a tenant's market. "We are seeing a shortage of new premium stock available with secondary stock being leased albeit at slightly lower rates with incentives on offer for most lengthy tenures".

The investment market is going strong with large levels of enquiry for good quality investment property. Most investments with four years or longer remaining on the lease are in high demand.

"Main road properties for owner occupiers are always in high demand," says Grant. "Investment stock with national tenants are in high demand with most investors lining up for them. Through proactive canvassing we are continuing to generate new listings and have a large number of listings for both sale and to lease".

"New development has been fundamental in driving continued interest in our markets. We have seen a lot of secondary stock purchased or leased due to value seen between the prime and secondary properties. There has been a strong drive from developers to build spec buildings given the shortage of good quality well positioned properties - and the demand keeps continuing," says Grant.

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