

SEQ Commercial Markets

Alistair Weir

16 November 2017





It's All Happening... Queens Wharf



Cross River Rail



Howard Smith Wharves



Brisbane Live



Brisbane Metro



Airport Runway Duplication



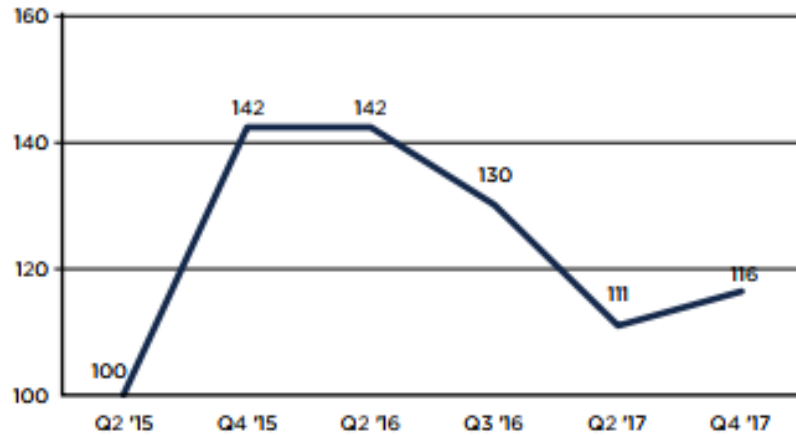
Southbank Parkland Expansion



Building Activity

RLB CRANE INDEX® - BRISBANE

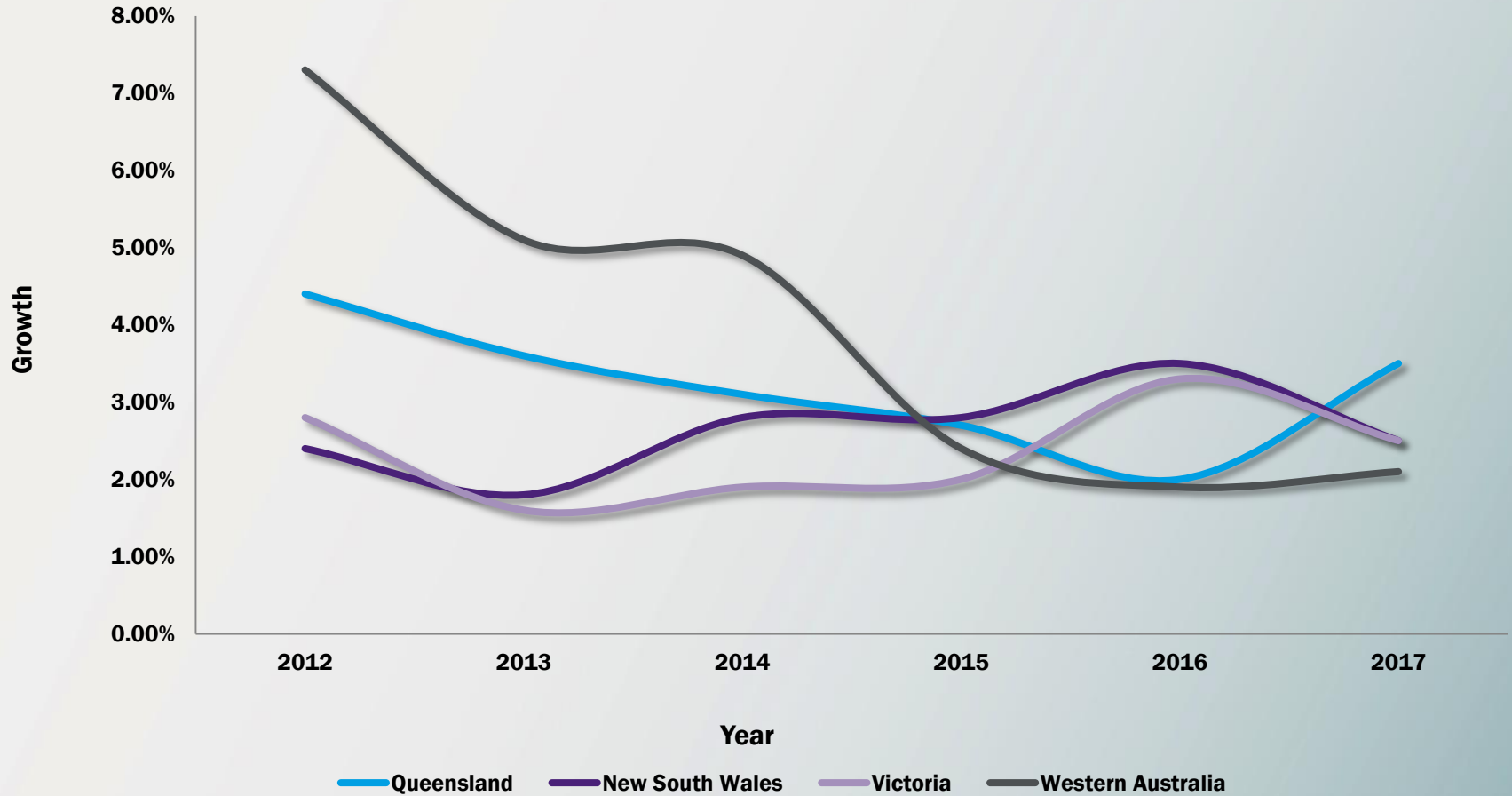
BASE = Q2 2015 = 100



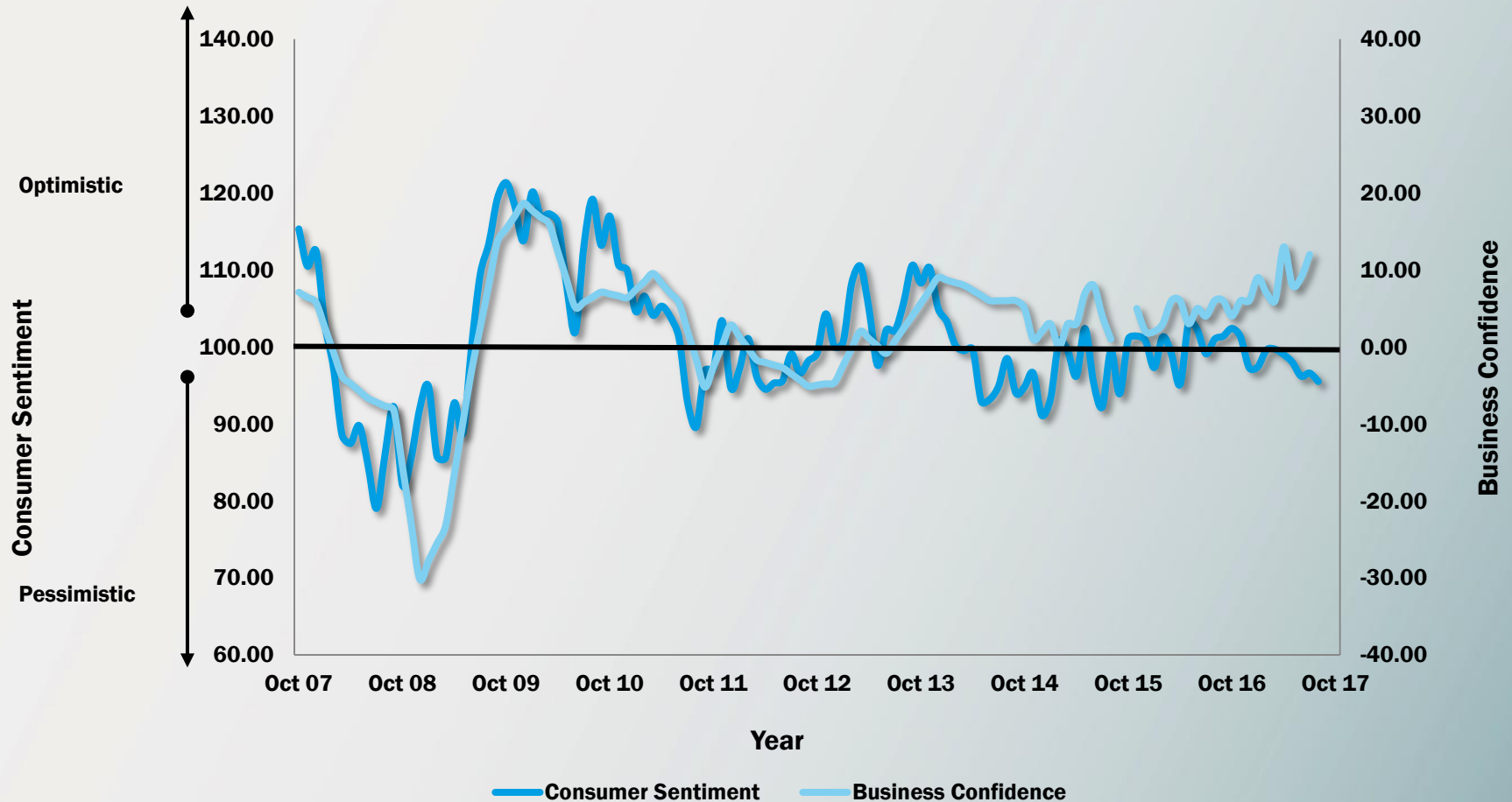
CRANE ACTIVITY - BRISBANE

	OPENING COUNT		MOVEMENT			CLOSING COUNT	
	Q2 2017	%	+	-	NET	Q4 2017	%
COMMERCIAL	3	3.7%	0	-2	-2	1	1.2%
RESIDENTIAL	72	88.9%	36	-47	-11	61	71.8%
HEALTH	1	1.2%	1	-1	0	1	1.2%
EDUCATION	0	0.0%	0	0	0	0	0.0%
RETAIL	0	0.0%	1	0	1	1	1.2%
CIVIC	0	0.0%	0	0	0	0	0.0%
RECREATION	0	0.0%	0	0	0	0	0.0%
HOTEL	2	2.5%	3	0	3	5	5.9%
CIVIL	0	0.0%	4	0	4	4	4.7%
OTHER	3	3.7%	9	0	9	12	14.1%
TOTAL	81	100.0%	54	-50	4	85	100.0%

Gross State Product



Business Confidence and Consumer Sentiment



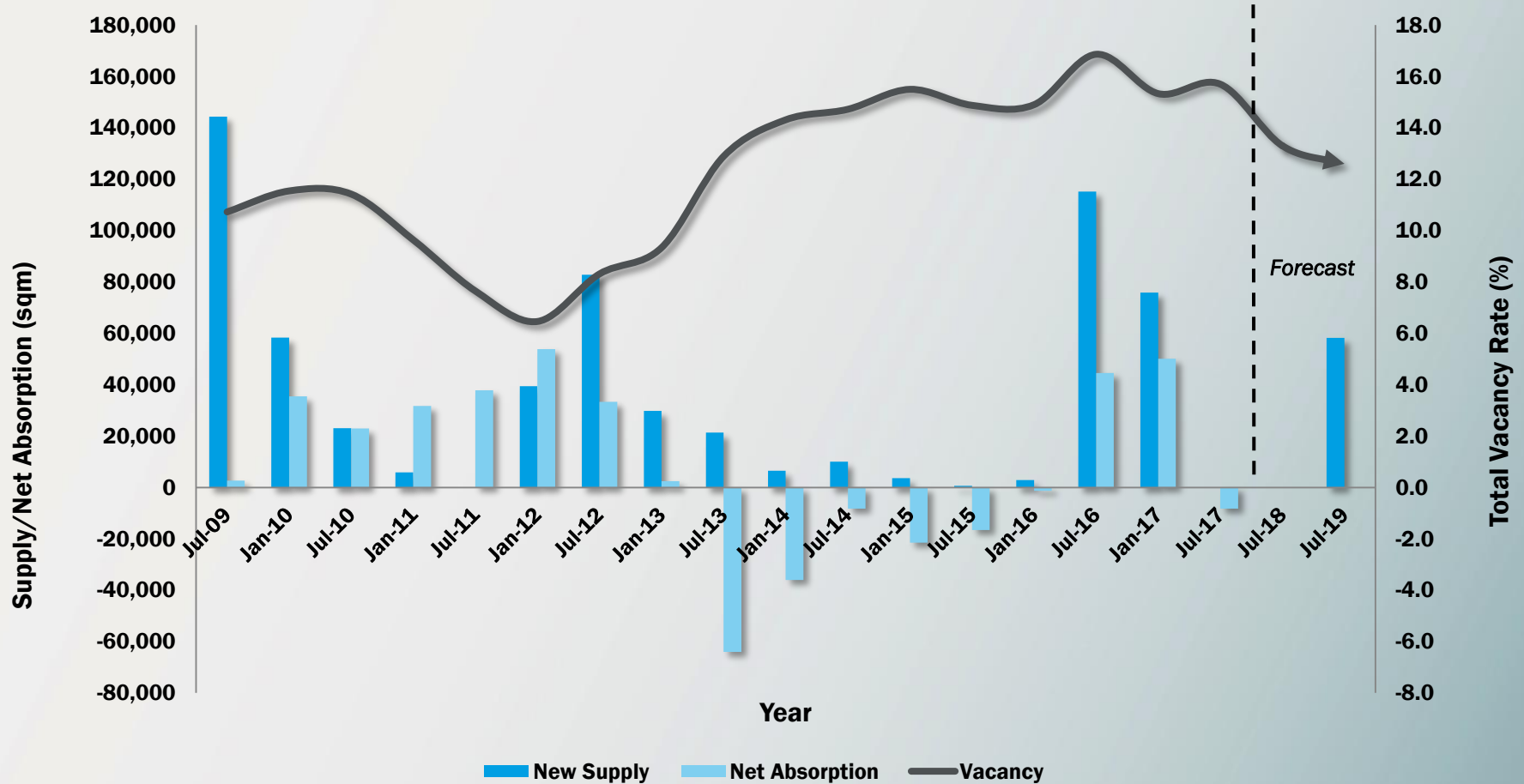


CBD Office Markets

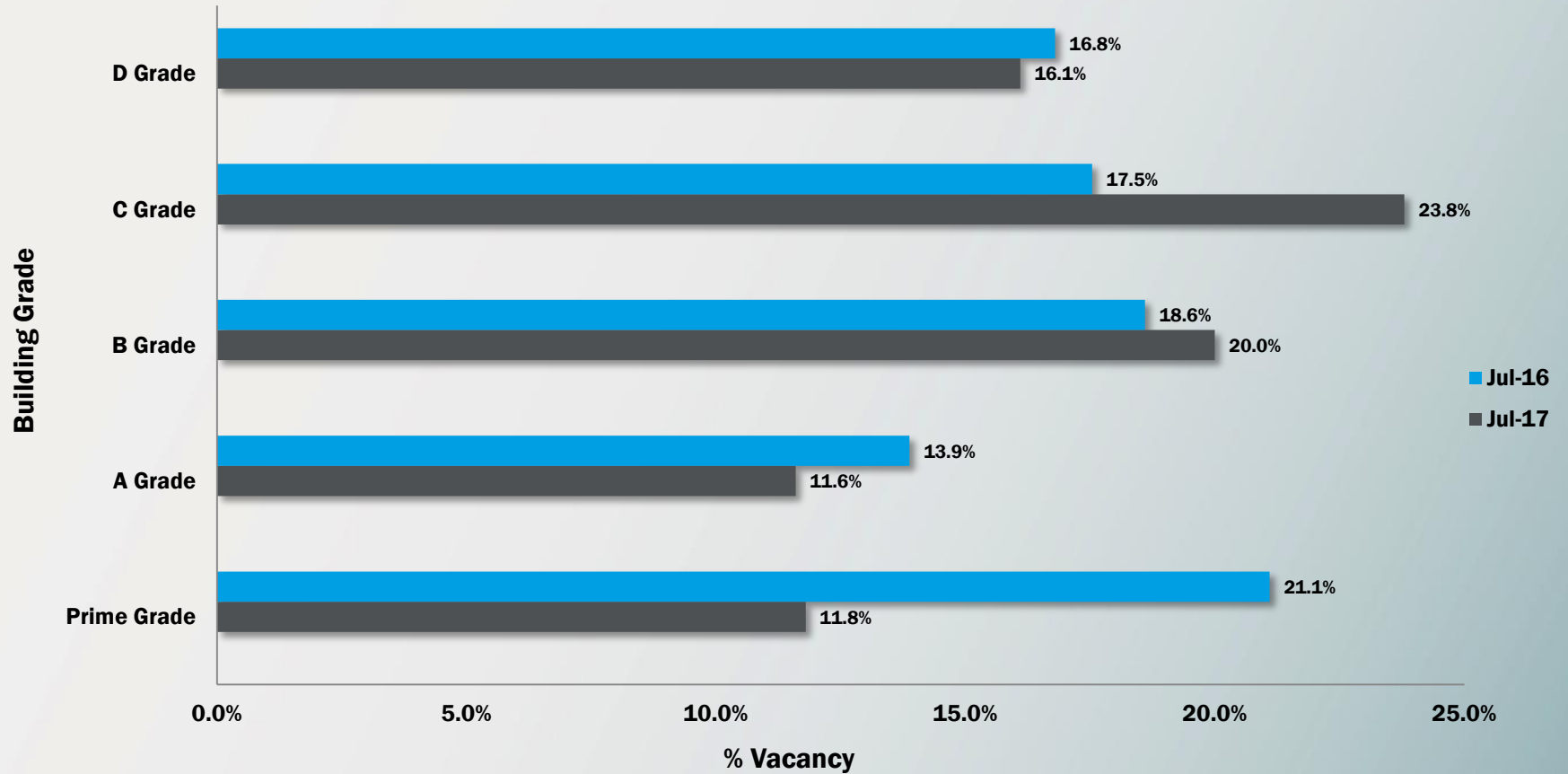
Source: Brisbanedevlopment.com



CBD Markets Improving



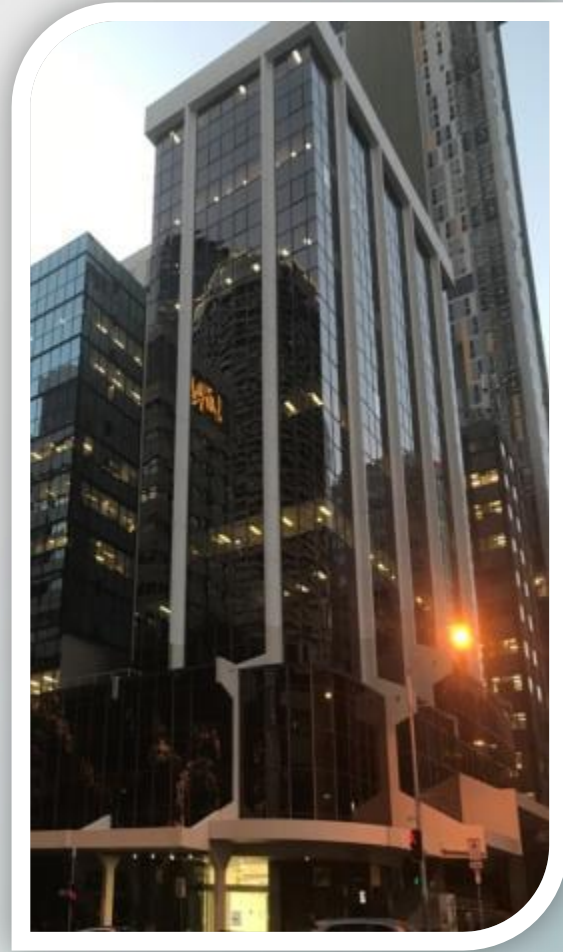
Prime and A Grade Vacancy Improving



Leasing Report

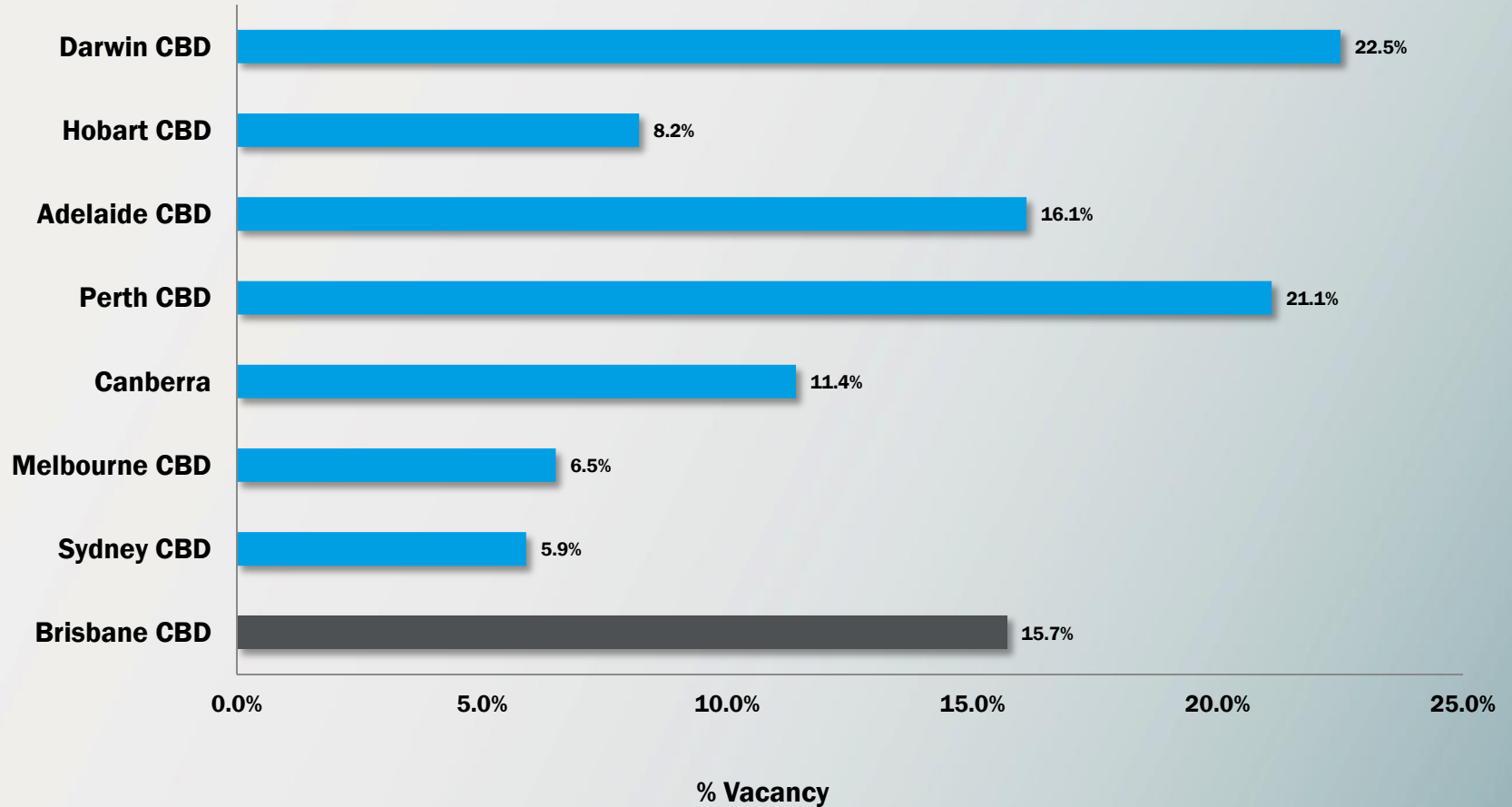


2015



2017

Total Vacancies Across Australian Cities

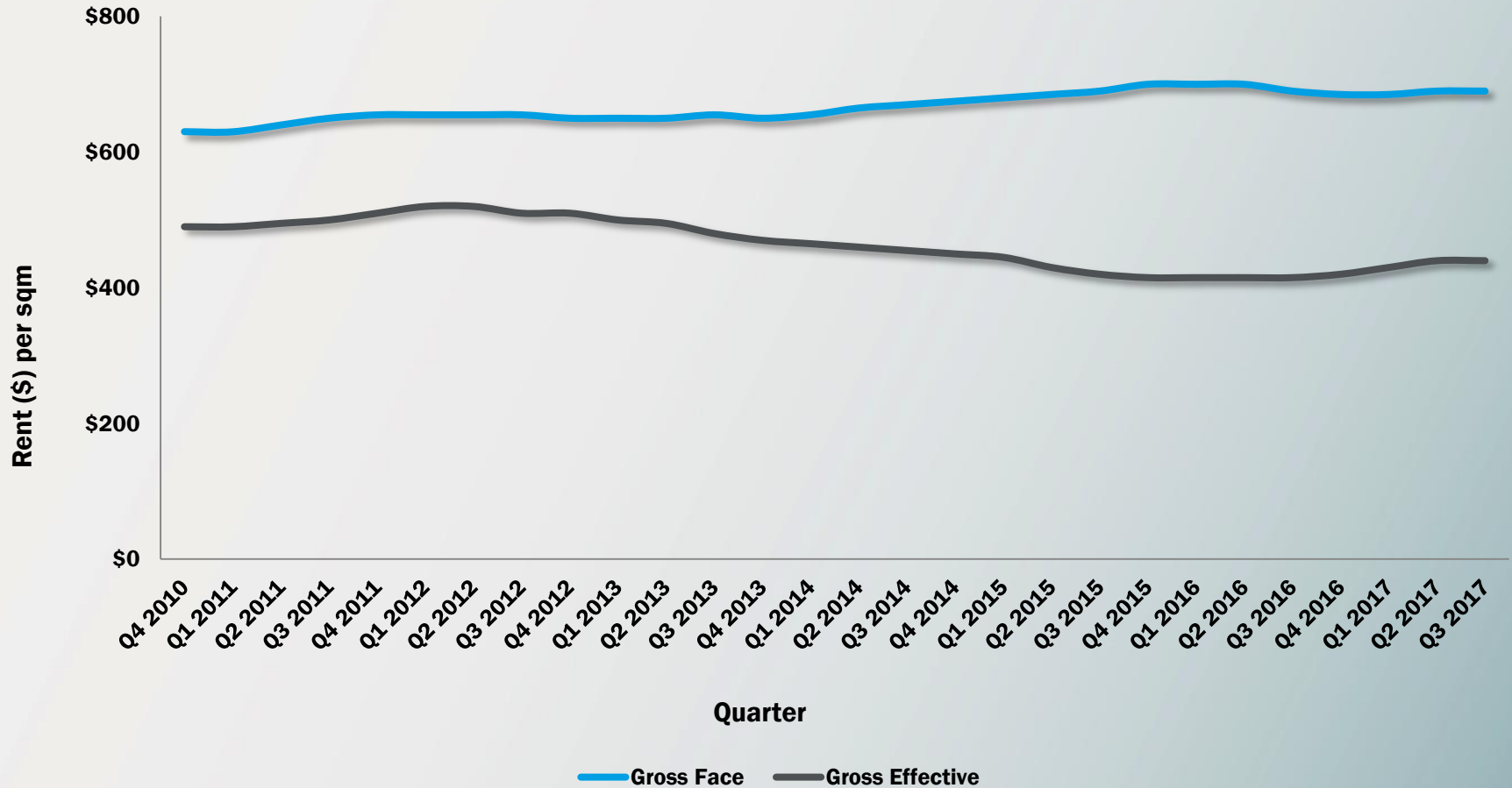


N.B. As at July 2017

Source: Property Council of Australia



A Grade CBD Office Rents



Key Parameters for Office Markets

Rentals (\$/m ²)	Brisbane – CBD Premium	Gold Coast A Grade	Sunshine Coast A Grade
Gross Face Rents	\$795 - \$875	\$375 - \$470	\$330 - \$450
Gross Effective Rents	\$490 - \$630	\$275 - \$390	\$250 - \$390
Outgoings	\$125 - \$195	\$80 - \$120	\$40 - \$80
Net Effective Rents	\$365 - \$435	\$195 - \$270	\$210 - \$310
Sales Analysis			
Yields (on Net Face rents)	5.75% - 6.25%	8.00% - 9.00%	8.00% - 9.25%
Sales Analysis Rates	\$10,750 - \$13,500	\$3,000 - \$5,500	\$3,000 - \$5,500



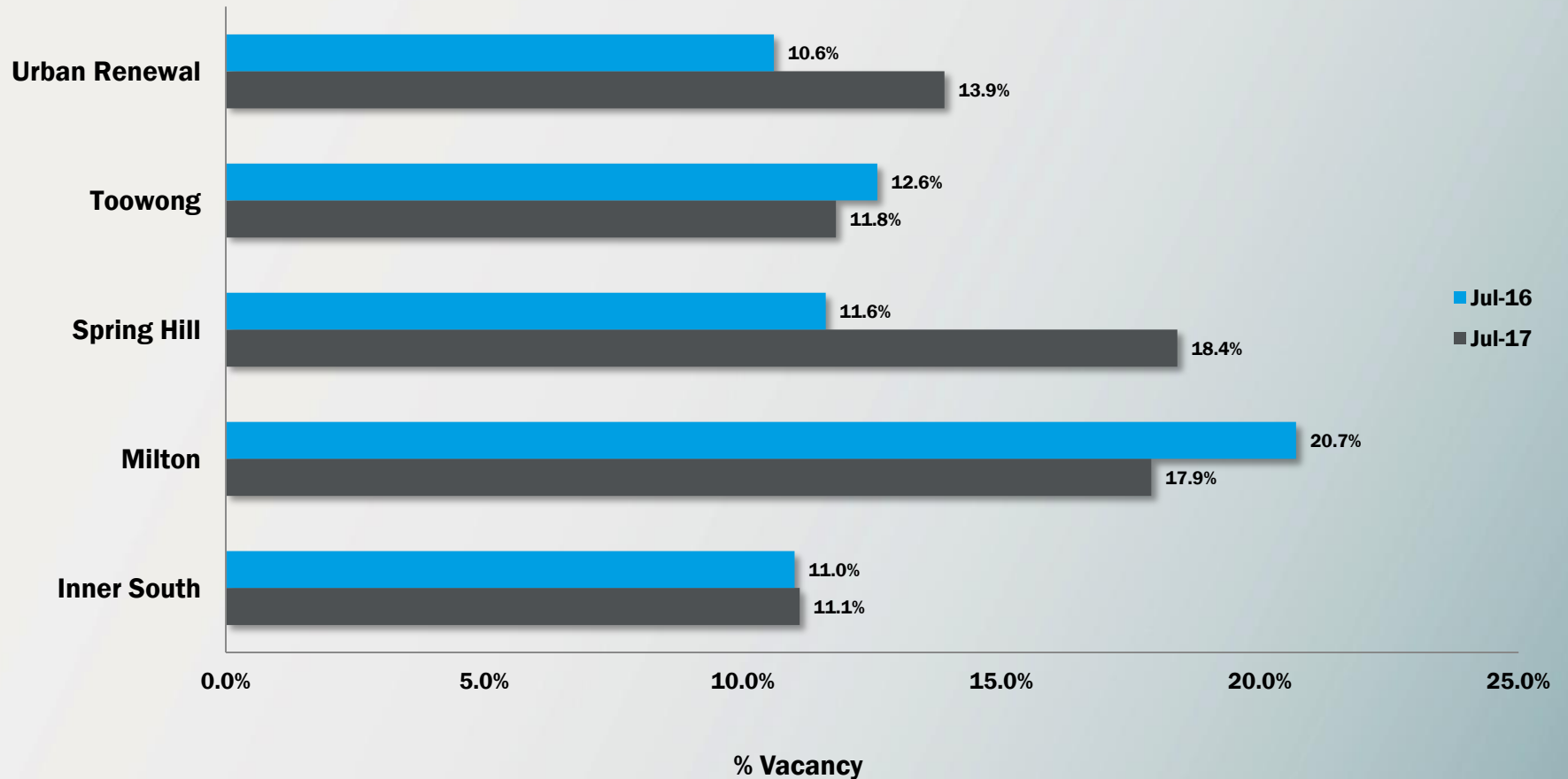
Fringe Office Markets



Brisbane Fringe Office Markets



Brisbane Fringe Vacancy



Urban Renewal Proposed Projects



Montpelier Rd

66 – 69 Montpelier Rd,
Bowen Hills



Walker Corporation

801 Ann St
Fortitude Valley



LaSalle Investment Management

Fortitude Valley Metro
Redevelopment

Good Demand For Quality Fringe City Properties

Sale Date: August 2017

Sale Price: \$47,000,000

Analysed Yield: 6.6%

Passing Yield: 7.53%

Rate \$/sqm lettable area: \$7,162

WALE (By Income): 5.74 years





Retail

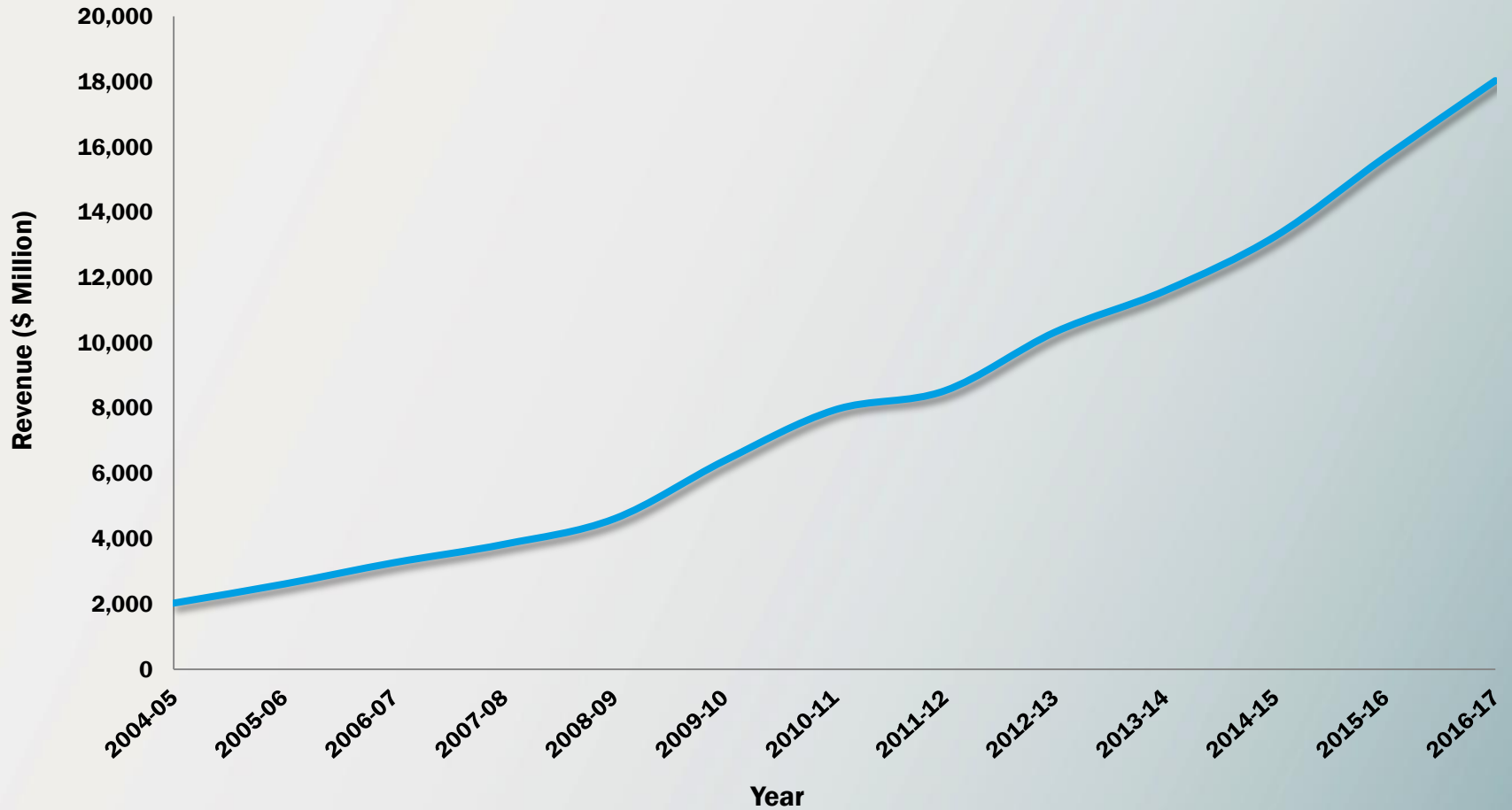
Source: Scentregroup.com



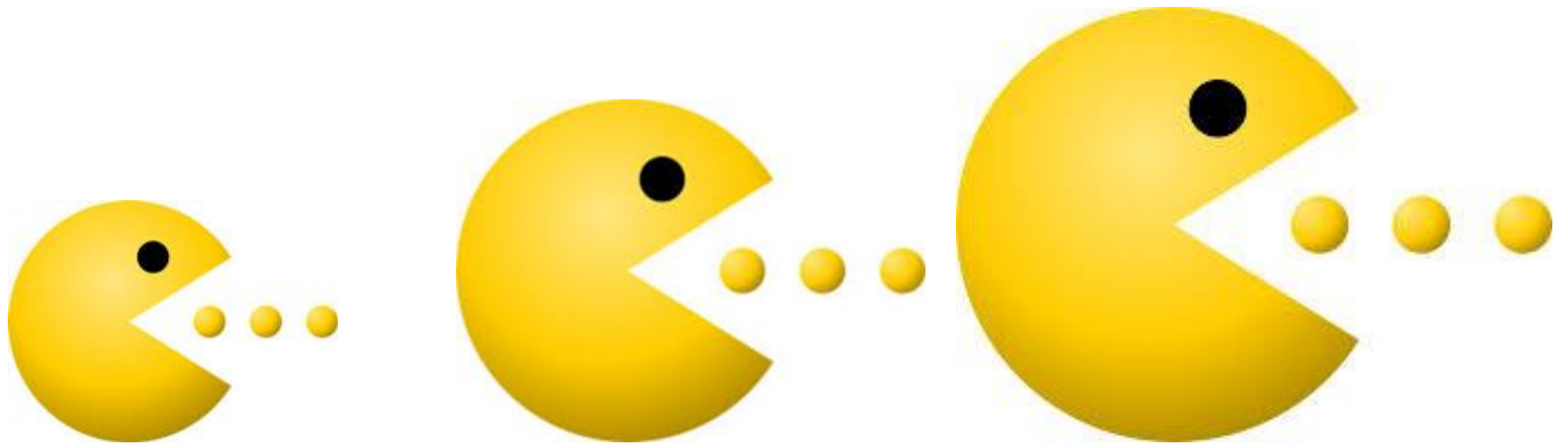
The Changing Face of Retail



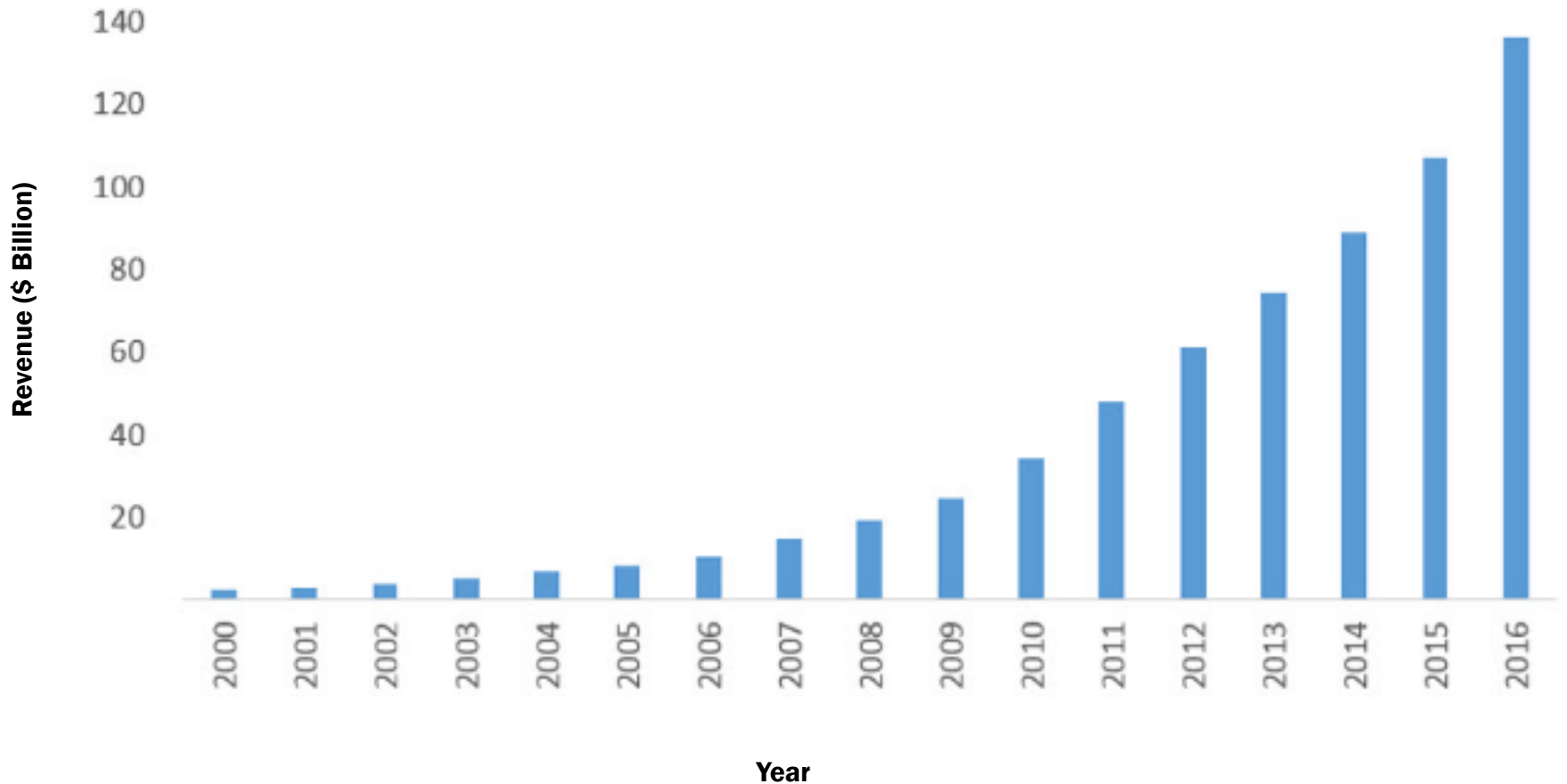
Online Revenue Growth Australia

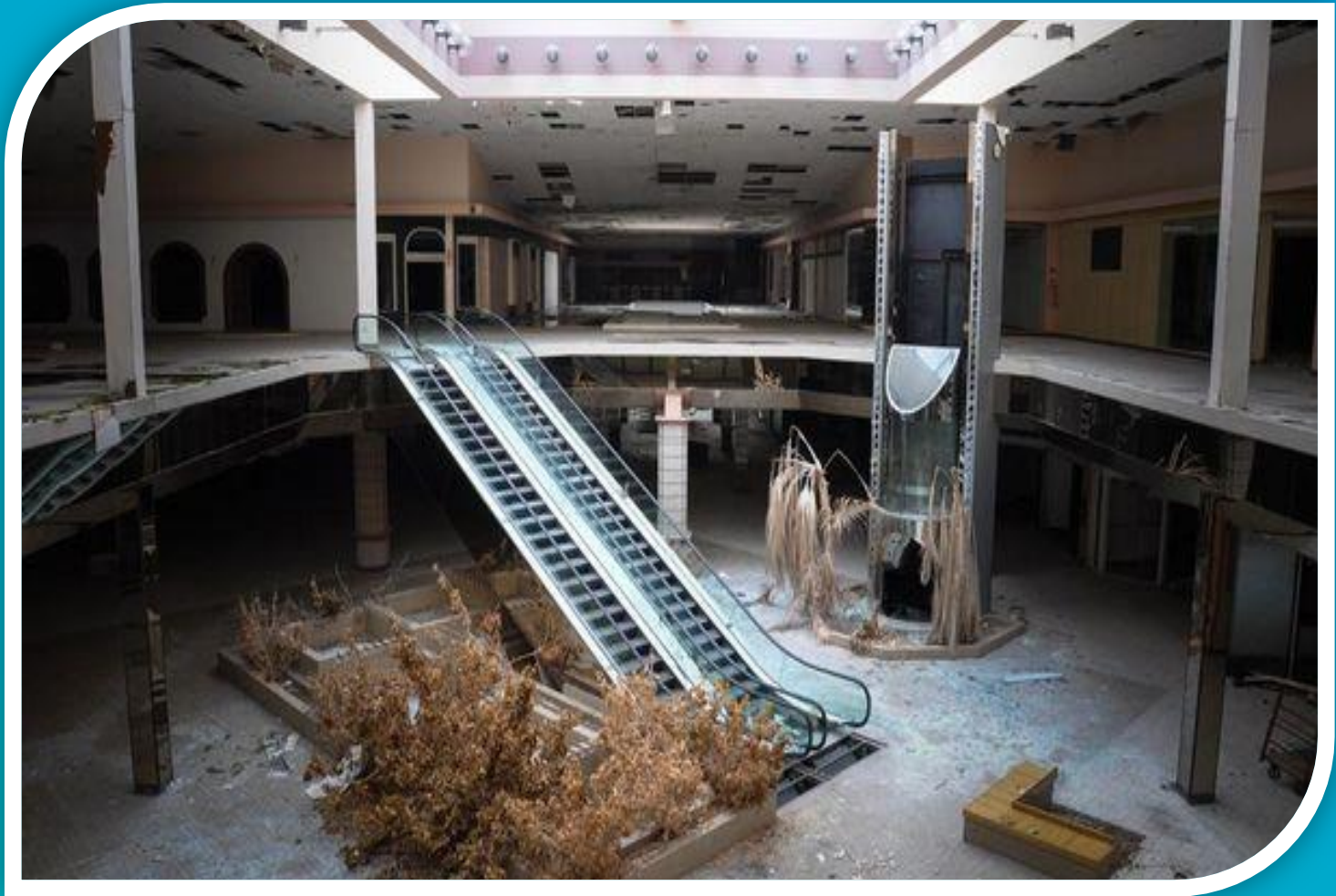


amazon



Amazon Revenue Growth





Australia's Top 10 Online Retailers

1. JB Hi Fi
2. The Iconic
3. Dan Murphy's
4. Kogan
5. Catch of the Day
6. Appliances on line
7. Booktopia
8. Red Balloon
9. Temple and Webster
10. Hard to Find

Likely Impacts of Amazon Here

- Will aggregate online shopping and accelerate growth
- Large format retail and electronic retailers under pressure
- Retail prices will fall
- Retail rents to stagnate at best or fall
- Retail yields to soften
- Increased demand for near city logistics facilities
- Major retail to undergo transformation



Industrial

Source: *Goodman Australia*







Brisbane Industrial Sales 2007-2017



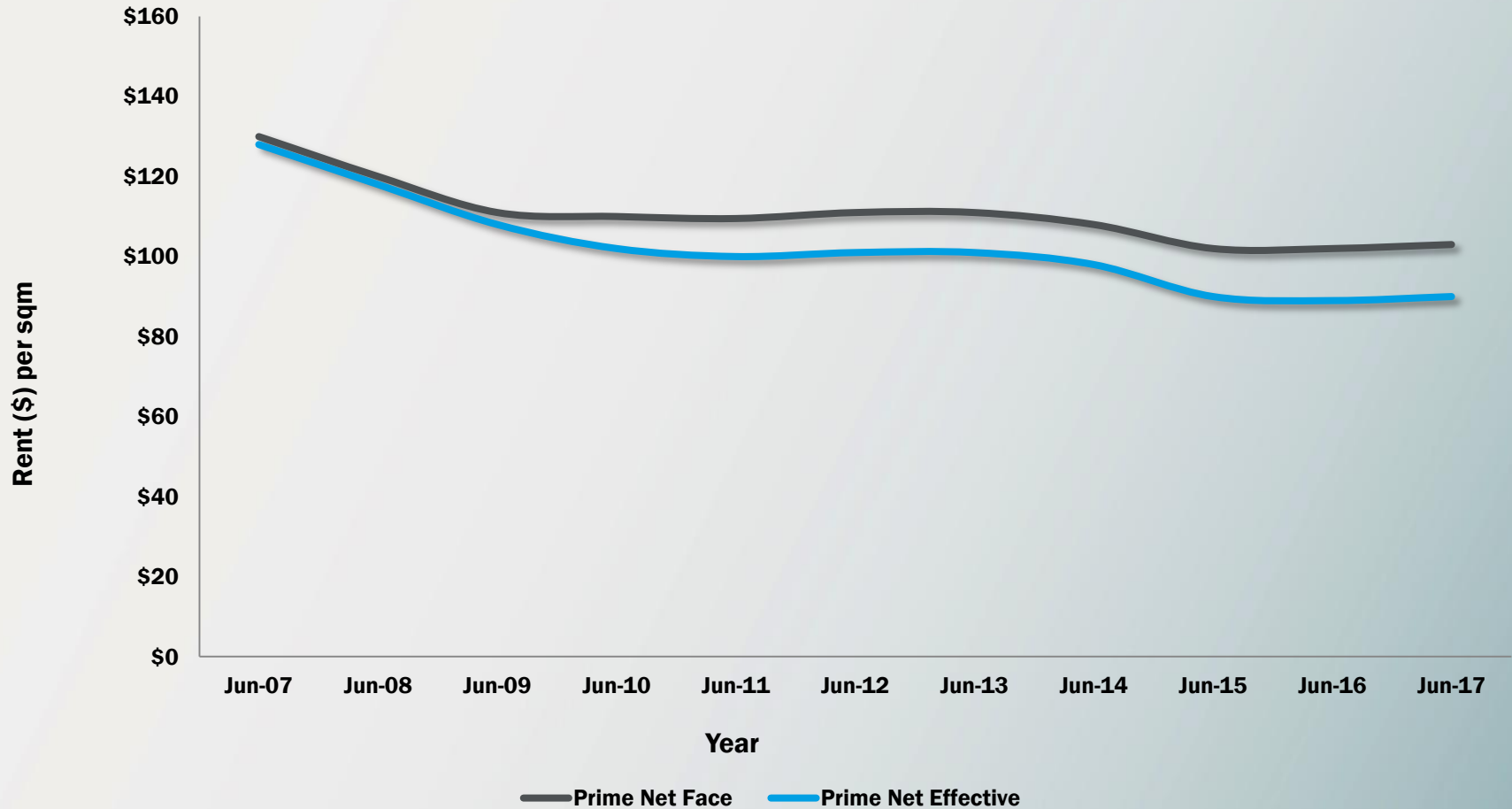
Outer LA's comprise Ipswich City Council, Logan City Council, Moreton Bay Regional Council and Redland City Council.

*Note: 2017 sales are actual results as at 1 October 2017. Sales can take up to six months to be recorded by DNRM.

Source: Pricerfinder



Prime Industrial Rents



Key Parameters for Industrial Markets

Rents (Net \$/m ²)	Brisbane	Gold Coast	Sunshine Coast
Prime	\$105 - \$140	\$130 - \$160	\$100 - \$150
Secondary	\$60 - \$110	\$90 - \$120	\$80 - \$110
Yields			
Prime	6.25% - 7.25%	6.50% - 7.50%	7.00% - 8.00%
Secondary	8.00% - 9.75%	7.00% - 8.00%	7.50% - 9.00%
Other	9.00% plus	8.00% plus	9.25% plus
Sales Analysis Rate (\$/m ²)			
Prime	\$1,300 - \$2,300	\$1,600 - \$2,200	\$1,400 - \$1,800
Secondary	\$600 - \$1,450	\$1,000 - \$1,600	\$1,000 - \$1,400
Land Rate (\$/m ²)			
Prime	\$220 - \$350	\$400 - \$500	\$300 - \$350
Secondary	\$150 - \$220	\$250 - \$350	\$120 - \$220

Key Takeaways

- Trade Coast and South West corridor performing best
- Rents remain flat and declining in secondary areas
- Move to quality buildings
- Incentives now a common feature
- Inland rail to drive development at Bromelton and Acacia Ridge
- Second runway to drive demand in Eagle Farm



Investment Markets

Source: Courier Mail



Have We Hit The Peak?

Officeworks North Lakes

Sale Date: October 2017

Sale Price: \$7,093,000

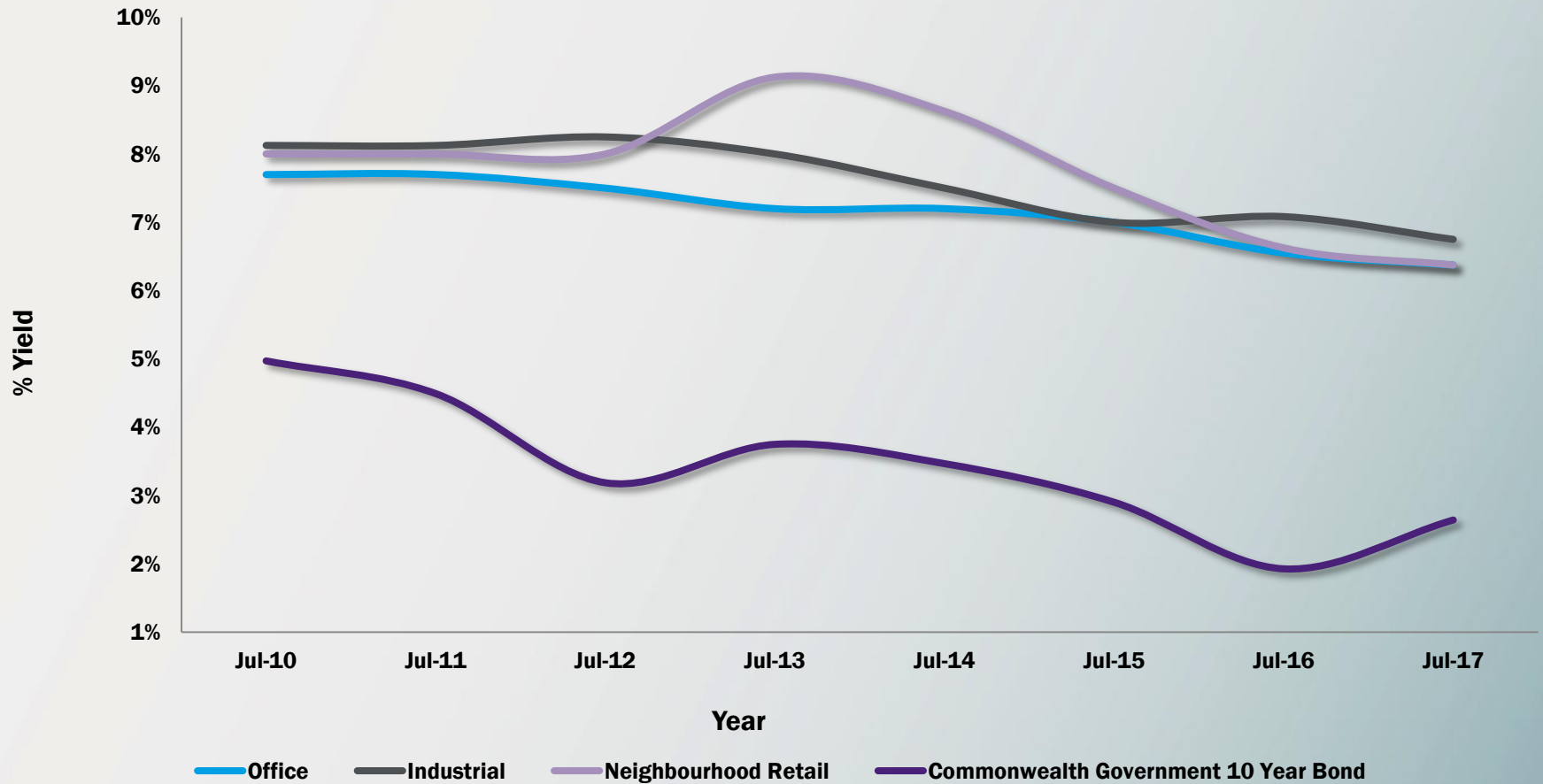
Yield: 4.8%

10 year lease-back

1,661 square metres GLA



Prime Yields vs. Commonwealth Government 10 Year Bond Rate



Retail



Address	Sale Date	Sale Price	Land Area (m ²)	Lettable Area (m ²)	WALE (by Income)	Analysed Market Yield	\$/m ² Lettable Area
353-357 Samsonvale Rd, Warner	Oct 2017	\$78,350,000	2,006	11,477	Unknown	5.70%	\$6,827
125-143 Brisbane St, Beaudesert	Jul 2017	\$16,850,000	14,230	4,453	6.49 years	6.38%	\$3,784
677-685 Old Cleveland Rd East, Wellington Point	Jan 2017	\$18,125,000	6,099	2,616	5.00 years	6.89%	\$6,929

Commercial Sales



Address	Sale Date	Sale Price	Lettable Area (m ²)	WALE (by Income)	Analysed Market Yield	IRR	\$/m ² Lettable Area
120 Edward St, Brisbane	Jun 2017	\$142,650,000	15,271	3.61 years	5.66%	5.32%	\$8,307
189 Coronation Dr, Milton	Aug 2017	\$17,500,000	2,657	3.77 years	6.55%	6.86%	\$5,476
96 Mt Gravatt-Capalaba Rd, Upper Mount Gravatt	Feb 2017	\$29,750,000	7,397	3.47 years	8.69%	7.88%	\$4,020

Industrial



Address	Sale Date	Sale Price	Land Area (m ²)	Lettable Area (m ²)	Lease Term Certain (by Income)	Analysed Market Yield	\$/m ² Lettable Area
Proposed Lot 2001 Metroplex Westgate, Wacol	Jul 2017	\$35.25M	32,740	9,625	10.00 years	6.24%	\$3,662
1 Sulphur St, Narangba	Jun 2017	\$10.565M	16,230	6,972	10.00 years	7.59%	\$1,515
655 Macarthur Av, Pinkenba	Aug 2017	\$8.65M	10,565	3,629	10.00 years	6.94%	\$2,384



Child Care

Source: [Goodstart.org.au](https://www.goodstart.org.au)





Service Stations



Medical

Source: Google Images



Key Takeaways

- Batten down the hatches for Commercial and Residential Development for a few years
- Retail in for years of upheaval across many sub-sectors
- Industrial solid and to grow steadily
- Investment yields to remain stable or start to soften
- Very little foreseeable rental growth in any sectors in SEQ

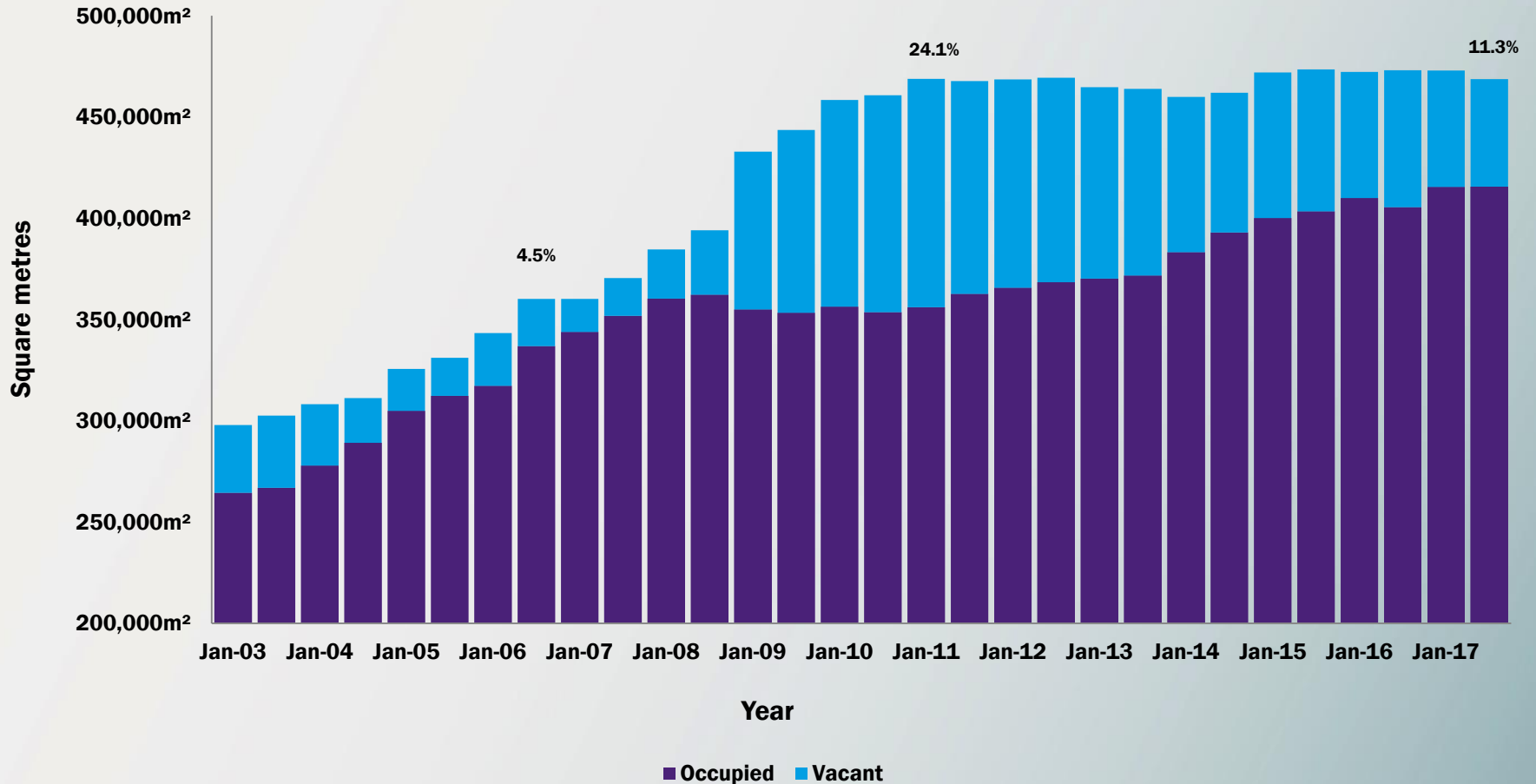


Gold Coast

Source: Cox Architecture



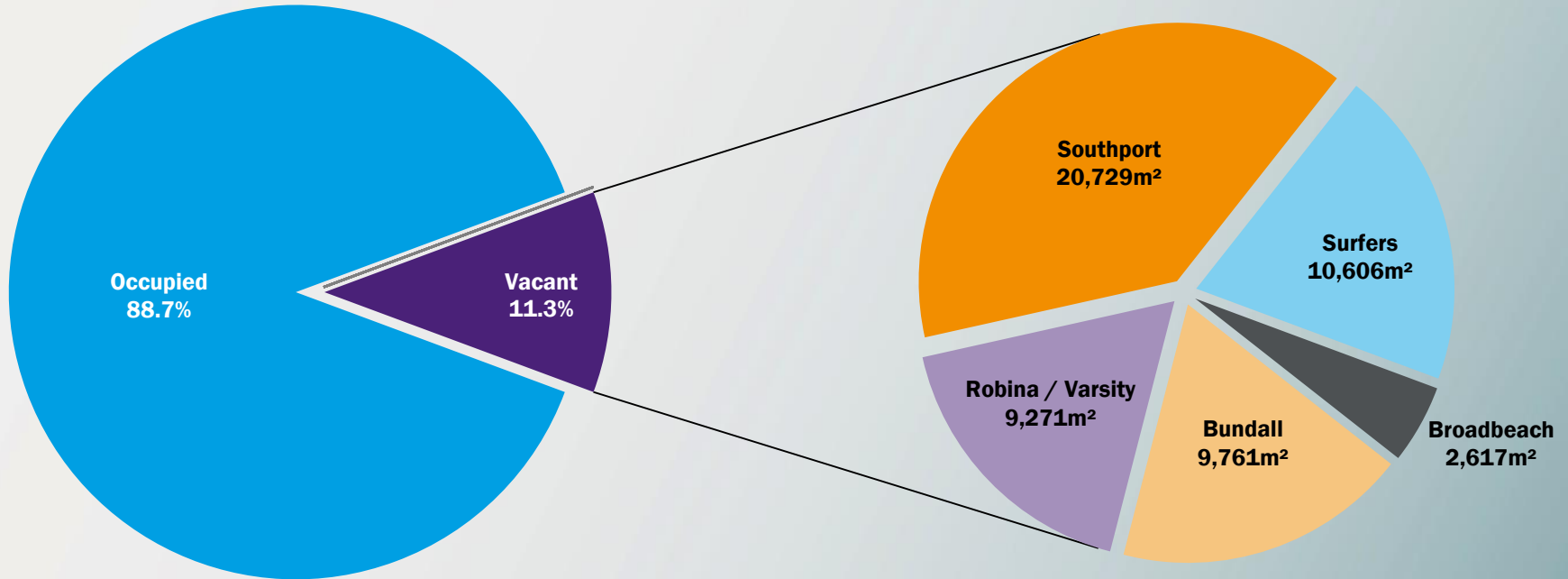
PCA Occupancy – July 2017



PCA Occupancy – July 2017

Southport	14.0%	Broadbeach	8.7%
Surfers Paradise	15.1%	Bundall	11.5%
Robina / Varsity	6.8%		

Gold Coast Office Vacancy Spread



Proposed Coomera Town Centre



Noteworthy Transactions



130 Bundall Rd, Bundall

Sale Date: Jun 2017

Sale Price: \$8,000,000

Rate \$/sqm: \$2,160 per square

Average Rent: \$285/sqm (estimated)

WALE: 0.74 years (52% vacant)

Yield: IY: 1.61% AY: 7.33%

183 Varsity Pde, Varsity Lakes

Sale Date: Feb 2017

Sale Price: \$11,800,000

Rate \$/sqm: \$3,742 per square metre

Average Rent: \$403

WALE: 2.25 years (100% leased)

Yield: IY: 7.95% AY: 7.5%





ARTIST'S IMPRESSION

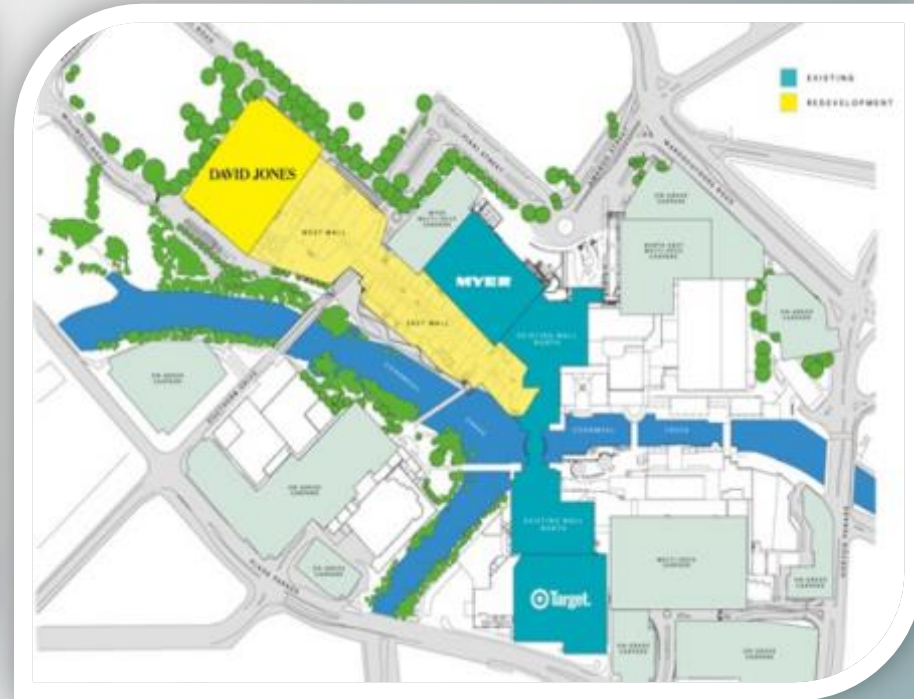
Sunshine Coast



Sunshine Plaza



Ground Floor



First Floor

Bokarina Beach Development



Where Would I Spend \$10M?





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