The Brisbane Infrastructure Report Card

Source: HL Landscapes
Cross River Rail

Opening 2024
$5.4 billion
10.2km rail line

Source: Cross River Rail
Queen's Wharf

- 2,000 residential apartments & 1,000+ hotel rooms
- The core integrated resort development is expected to open to the public in 2022

Source: Queen’s Wharf Brisbane
Brisbane Metro

Opening 2023  $950 million  21km service

- ‘Turn up and go’ service
- Currently delayed

Source: Brisbane City Council
Brisbane Live

- Seats 17,000
- Status unknown
- Entertainment arena
- Opening 2022/23
- $2 billion

Source: Brisbane Live
Dexus, Eagle St Pier

- Eagle St closure not allowed - future form unclear
- Redevelopment of 1.5 hectares of riverfront

Opening 2026  $1.4 billion  1.5 hectare site

Source: Waterfront Precinct
Brisbane Airport

• Movement of 5,000,000m³ of soil
• 7,800 new jobs – extra $5 billion annual economic benefit
• Visitor numbers to double by 2034

Opening Mid-2020

$1.4 billion

3.3km of runway, 12km of taxiways

Source: BNEAirport
Inland Rail Project

- 1.8km long double stacked trains
- Major engineering in range crossing
- $7.2 billion GSP boost to QLD
- 7,200 jobs

Opening 2025  $10 billion  1,700km rail line

Source: Rail Business Daily
Inland Rail Project

Source: Inland Rail
Business Conditions Uncertain

![Business Confidence Chart]

Source: National Australia Bank Business Survey
Unprecedented Times...

Source: Reserve Bank of Australia
The Property Landscape

- Further yield compression, primarily in Office and Industrial Markets
- Huge weight of capital still seeking a home
- Demand for secure cashflow investments across all price points
- Commercial and industrial leasing markets stable or strengthening, but retail difficult
- Increasing impact of technology across all industries
Office Markets

Source: Brisbane developments.com
Brisbane CBD Gains Momentum

Source: Property Council of Australia, Herron Todd White Research
A Long Way Behind Melbourne & Sydney

Total Vacancies Across Australian Cities

<table>
<thead>
<tr>
<th>Capital Cities</th>
<th>Total Vacancy Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melbourne CBD</td>
<td>3.3%</td>
</tr>
<tr>
<td>Sydney CBD</td>
<td>3.7%</td>
</tr>
<tr>
<td>Hobart CBD</td>
<td>5.9%</td>
</tr>
<tr>
<td>Canberra</td>
<td>11.0%</td>
</tr>
<tr>
<td>Brisbane CBD</td>
<td>11.9%</td>
</tr>
<tr>
<td>Adelaide CBD</td>
<td>12.8%</td>
</tr>
<tr>
<td>Darwin CBD</td>
<td>17.2%</td>
</tr>
<tr>
<td>Perth CBD</td>
<td>18.4%</td>
</tr>
</tbody>
</table>

Source: Property Council of Australia
Committed CBD Pipeline

- Late 2019
  - 300 George St

- Early 2020
  - 12 Creek St

- Mid 2021
  - The Midtown Centre

- Mid 2022
  - 80 Ann St

Source: Multiplex, Brisbane Development
A-Grade Brisbane CBD Office

- Yields have tightened by 150 basis points to circa 5.25%
- Capital values have increased by circa 25-30%.

Source: Property Council of Australia
# CBD Office Market Changes Over Last 5 Years

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rentals ($/m²)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CBD – A Grade Gross Face Rents</td>
<td>$640 - $885</td>
<td>$675 - $785</td>
</tr>
<tr>
<td>Near City – Gross Effective Rents</td>
<td>$335 - $450</td>
<td>$335 - $450</td>
</tr>
<tr>
<td><strong>Yields</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prime &amp; A Grade</td>
<td>7.00% - 8.00%</td>
<td>5.50% - 6.00%</td>
</tr>
<tr>
<td>Secondary</td>
<td>8.50% - 9.50%</td>
<td>7.00% - 8.50%</td>
</tr>
<tr>
<td>Other</td>
<td>9.50% plus</td>
<td>9.50% plus</td>
</tr>
<tr>
<td><strong>Sales Analysis Rate ($/m²)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prime &amp; A Grade</td>
<td>$6,000 - $9,000</td>
<td>$7,000 - $14,000</td>
</tr>
<tr>
<td>Secondary</td>
<td>$3,000 - $5,000</td>
<td>$4,000 - $5,500</td>
</tr>
</tbody>
</table>

Source: Herron Todd White Research
Fringe Markets

Source: Lend Lease
Fringe Markets Show Strong Absorption

Source: Property Council of Australia, Herron Todd White Research
Significant Sales

825 Ann St, Fortitude Valley
Sale Date: **Oct 2018**
Sale Price: $169,500,000

<table>
<thead>
<tr>
<th>Lettable Area (m²)</th>
<th>Analysed Market Yield</th>
<th>$/m² Lettable Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>19,155</td>
<td>6.29%</td>
<td>$8,849</td>
</tr>
</tbody>
</table>

470 St Pauls Tce, Fortitude Valley
Sale Date: **Sep 2019**
Sale Price: $180,000,000

<table>
<thead>
<tr>
<th>Lettable Area (m²)</th>
<th>Analysed Market Yield</th>
<th>$/m² Lettable Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>17,594</td>
<td>5.50%</td>
<td>$10,231</td>
</tr>
</tbody>
</table>

Source: CoreLogic – RP Data
## Sub $20m Office Sales

### 15 Malt St, Fortitude Valley
Sale Price: **$6,100,000**

<table>
<thead>
<tr>
<th>Lettable Area (m²)</th>
<th>WALE (by Income)</th>
<th>Analysed Market Yield</th>
<th>$/m² Lettable Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,067</td>
<td>1.62</td>
<td>6.79%</td>
<td><strong>$5,716</strong></td>
</tr>
</tbody>
</table>

Sale Date: **Nov 2018**

### 381 Macarthur Ave, Hamilton
Sale Price: **$19,735,602**

<table>
<thead>
<tr>
<th>Lettable Area (m²)</th>
<th>WALE (by Income)</th>
<th>Analysed Market Yield</th>
<th>$/m² Lettable Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,825</td>
<td>5.12</td>
<td>6.57%</td>
<td><strong>$6,985</strong></td>
</tr>
</tbody>
</table>

Sale Date: **Apr 2019**

*Source: CoreLogic – RP Data*
# Suburban Office Sales

## 80 Old Cleveland Rd, Capalaba

Sale Date: **Aug 2018**

**Sale Price:** $2,680,000

<table>
<thead>
<tr>
<th>Lettable Area (m²)</th>
<th>WALE (by Income)</th>
<th>Analysed Market Yield</th>
<th>$/m² Lettable Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>692</td>
<td>2.38</td>
<td>7.13%</td>
<td>$3,872</td>
</tr>
</tbody>
</table>

## 12 Doig St, Cleveland

Sale Date: **Apr 2019**

**Sale Price:** $2,500,000

<table>
<thead>
<tr>
<th>Lettable Area (m²)</th>
<th>WALE (by Income)</th>
<th>Analysed Market Yield</th>
<th>$/m² Lettable Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>701</td>
<td>1.22</td>
<td>7.35%</td>
<td>$3,566</td>
</tr>
</tbody>
</table>

*Source: CoreLogic – RP Data*
Case Study 1
8 Gardner Pl, Milton

Before
- Sold in 2017 for $10,625,000 with vacancy at 76.96%
- WALE: 1.18 years
- Sold at a rate of $1,791/m²

After
- Fully refurbished & leased up
- Sold in 2019 for $25,230,000 with vacancy at 0%
- WALE: 5.22 years
- Sold at a rate of $4,781/m²

Source: CoreLogic – RP Data
Case Study 2
164 Grey St, South Brisbane

Before
• Sold in 2016 for $30,300,000
• WALE: 1.4 years
• Sold at a rate of $9,886/m²

After
• Fully upgraded services and new lobby
• Sold in 2019 for $44,650,000
• WALE: 7.1 years
• Sold at a rate of $14,334/m²

Source: CoreLogic – RP Data
## General Office Parameters

<table>
<thead>
<tr>
<th></th>
<th>Gross Face Rents</th>
<th>Incentives</th>
<th>Gross Effective Rents</th>
<th>$/m^2</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD (A Grade)</td>
<td>$660 - $775</td>
<td>35% - 45%</td>
<td>$429 - $504</td>
<td>$8,500 - $11,500</td>
</tr>
<tr>
<td>CBD (B Grade)</td>
<td>$450 - $550</td>
<td>35% - 45%</td>
<td>$293 - $358</td>
<td>$4,500 - $5,500</td>
</tr>
<tr>
<td>Fringe (A Grade)</td>
<td>$575 - $680</td>
<td>35% - 40%</td>
<td>$359 - $425</td>
<td>$6,500 - $11,000</td>
</tr>
<tr>
<td>Fringe (B Grade)</td>
<td>$400 - $500</td>
<td>25% - 30%</td>
<td>$260 - $325</td>
<td>$3,750 - $5,000</td>
</tr>
<tr>
<td>Suburban</td>
<td>$350 - $425</td>
<td>20% - 25%</td>
<td>$263 - $319</td>
<td>$3,500 - $4,000</td>
</tr>
<tr>
<td>Other</td>
<td>$300 - $400</td>
<td>15% - 25%</td>
<td>$225 - $300</td>
<td>$2,500 - $3,500</td>
</tr>
</tbody>
</table>

**Source:** Herron Todd White Research
Does it ‘Spark Joy’?

Source: Australian Financial Review
Retail Markets
David Jones To Shrink Stores As Profits Fall

Warnings of more retail death as menswear retailer Ed Harry collapses, putting 498 jobs at risk

'Retail apocalypse': Target store closures flagged in tough environment

'It will be a smaller business':
Australian Retail Spending Very Flat

Source: Business Insider
Online Environment Continues to Expand

Source: Kogan, Alibaba, Ebay, Amazon, The Iconic
Data Changing the Landscape

Source: Retailflux, Inpixon.com
Inner Dining Precincts – What’s Hot and What’s Not

**Hot**
- Howard Smith Wharves
- James St
- King St
- Eat St
- Fish Lane

**OK**
- Gasworks
- Grey St
- Eagle St

**Not**
- Oxford St
- Emporium Fortitude Valley
- Coorparoo
- Stones Corner

- Nundah Village
- Racecourse Rd
- Latrobe Tc
- Park Rd
## Yields Generally Stable or Softening

<table>
<thead>
<tr>
<th>Category</th>
<th>Gross Rents ($/m²)</th>
<th>Yields</th>
<th>Price $/m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Freestanding Fringe &amp; Suburban</td>
<td>$350 - $500</td>
<td>5.00% - 6.00%</td>
<td>$4,000 - $6,000</td>
</tr>
<tr>
<td>Freestanding – Outer Suburban</td>
<td>$300 - $400</td>
<td>6.00% - 7.00%</td>
<td>$3,500 - $4,500</td>
</tr>
<tr>
<td>High Street - Suburban</td>
<td>$300 - $400</td>
<td>6.00% - 7.00%</td>
<td>$3,500 - $5,000</td>
</tr>
<tr>
<td>Premium High Street</td>
<td>$600 - $900</td>
<td>5.50% - 6.50%</td>
<td>$7,000 - $10,000</td>
</tr>
<tr>
<td>Convenience</td>
<td>$500 - $700</td>
<td>6.00% - 7.00%</td>
<td>$4,000 - $6,000</td>
</tr>
<tr>
<td>Neighbourhood</td>
<td>$500 - $800</td>
<td>6.00% - 7.00%</td>
<td>$4,000 - $6,000</td>
</tr>
<tr>
<td>Sub-Regional</td>
<td>$800 - $900</td>
<td>6.00% - 7.00%</td>
<td>$4,000 - $6,000</td>
</tr>
</tbody>
</table>

*Source: Herron Todd White Research*
Key Retail Takeaways

- CBD Retail Struggling. Rentals flat ...Incentives increasing
- Convenience centres still strong depth of market. Rents stable
- Neighbourhood centres OK
- Sub-Regionals showing significant vacancies and rent declines
- Too much retail space generally...difficult to keep space leased
- Some opportunistic buying available
Industrial Markets

Source: Patrick Semansky, AP
Coles Distribution Warehouse – Redbank

Source: The Urban Developer
Some Large Transactions

Source: Australian Financial Review

<table>
<thead>
<tr>
<th>GLA (m²)</th>
<th>Sale Date</th>
<th>Sale Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>89,245</td>
<td>Oct 2019</td>
<td>$183.6M</td>
</tr>
</tbody>
</table>
Key Industrial Takeaways

- Yields still tightening for strong properties
- Vacancies declining but incentives increasing. Up to 20% for major institutional grade premises
- Land supply diminishing. Big growth in land values in prime areas
- Secondary areas stable - limited investor appetite
- TradeCoast and southern corridor performing best
Other Investment Markets

Source: Chancellor Park
## Service Stations

### 2 Steel St, Narangba

Sale Date: **Mar 2019**

<table>
<thead>
<tr>
<th>Land Area (m²)</th>
<th>Lettable Area (m²)</th>
<th>WALE (by Income)</th>
<th>Analysed Market Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,000</td>
<td>285</td>
<td>14.09 years</td>
<td>6.02%</td>
</tr>
</tbody>
</table>

### 417 Wondall Rd, Tingalpa

Sale Date: **May 2019**

<table>
<thead>
<tr>
<th>Land Area (m²)</th>
<th>Lettable Area (m²)</th>
<th>WALE (by Income)</th>
<th>Analysed Market Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,023</td>
<td>277</td>
<td>12.96 years</td>
<td>6.32%</td>
</tr>
</tbody>
</table>

*Source: CoreLogic – RP Data*
### Child Care

#### 16 Keong Rd, Albany Creek
Sale Price: $5,875,000  
Sale Date: Jul 2019

<table>
<thead>
<tr>
<th>Approved Child-Care Places</th>
<th>Analysed Market Yield</th>
<th>$/ACCP</th>
</tr>
</thead>
<tbody>
<tr>
<td>109</td>
<td>6.03%</td>
<td>$53,899</td>
</tr>
</tbody>
</table>

#### 1035 Rode Rd, McDowall
Sale Price: $4,545,000  
Sale Date: Jul 2019

<table>
<thead>
<tr>
<th>Approved Child-Care Places</th>
<th>Analysed Market Yield</th>
<th>$/ACCP</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>5.50%</td>
<td>$50,500</td>
</tr>
</tbody>
</table>
The Sunshine Coast

Source: Sunshine Coast Council
Growing Infrastructure

Source: Sunshine Coast Council

Source: Sunshine Coast Airport

Source: ABC

Source: the Guardian
Kelly Slater Surf Ranch - Coolum

Proposal Stage  $100 million  529 hectare site

Development to include:

• Eco lodge
• Event and training facilities
• Public open space
• Environmental experience centre

Source: image - Smithsonian
Noosa Still Strong

28 Hastings St, Noosa Heads
Sale Price: $6,900,000

<table>
<thead>
<tr>
<th>Lettable Area (m²)</th>
<th>Analysed Market Yield</th>
<th>$/m² Lettable Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>199</td>
<td>7.49%</td>
<td>$34,673</td>
</tr>
</tbody>
</table>

Sale Date: May 2019

Source: CoreLogic – RP Data
The Gold Coast
Gold Coast Airport Expansion

- The airport is on the move
- By 2037 - $818 million annual contribution to the region
- Support an estimated 20,000 full time jobs

Opening 2021  $370 billion  30,000m²

Source: Airport Technology
Coomera Connector

- Relieve pressure on the M1 by reducing the number of local trips
- Provide improved connections and accessibility to more transport options on the northern Gold Coast

Source: Department of Transport & Main Roads

$2.4 billion
Office Markets

Suburbs

Surfers Paradise
Southport
Robina-Varsity Lakes
Bundall
Broadbeach

Vacancy rate (%)

Source: Australian Bureau of Statistics
### Industrial

**First Sale**

<table>
<thead>
<tr>
<th>Land Area (Ha)</th>
<th>Sale Date</th>
<th>Sale Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>Early 2019</td>
<td>$20.5M</td>
</tr>
</tbody>
</table>

**Resale**

<table>
<thead>
<tr>
<th>Land Area (Ha)</th>
<th>Sale Date</th>
<th>Sale Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>Oct 2019</td>
<td>$38.5M</td>
</tr>
</tbody>
</table>

*Source: The Courier Mail*
Retail

Source: Gold Coast Bulletin
Other Issues

- Land Tax Increases
- Combustible cladding, PI issues
- Vulnerability of the market to yield change
- Two tiered property markets
The Coming Revolution

Source: Teslarati, iStock, Just Creative, NG Data, Globally Recruit, DS Smith, Wikipedia, Technavio, MH&L
The Road Ahead

• Strong growth future across SEQ as Infrastructure projects ramp up
• Investment yields at or close to peak in current cycle but unlikely to increase in foreseeable future
• Future value uplift more reliant on rental growth
• Likely to see some office and industrial rental growth
• Retail rents to remain flat. Further market reckoning to come
When working from home has its limitations....