

# South East Queensland Property Overview Breakfast

14 November 2019

Alistair Weir



# The Brisbane Infrastructure Report Card



Source: HL Landscapes



# Cross River Rail



Opening 2024



\$5.4 billion



10.2km rail line

# Queen's Wharf



Opening 2022



\$3.6 billion



26 hectares

- 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



Opening 2022/23



\$2 billion



Seats 17,000

- Entertainment arena
- Status unknown

Source: Brisbane Live



# Dexus, Eagle St Pier



Opening 2026



\$1.4 billion



1.5 hectare site

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

Source: Waterfront Precinct

# Brisbane Airport



Opening  
Mid-2020



\$1.4 billion



3.3km of  
runway, 12km  
of taxiways

- Movement of 5,000,000m<sup>3</sup> of soil
- 7,800 new jobs – extra  
\$5 billion annual economic benefit
- Visitor numbers to double by 2034

Source: BNEAirport



# Inland Rail Project



Opening 2025



\$10 billion



1,700km rail line

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

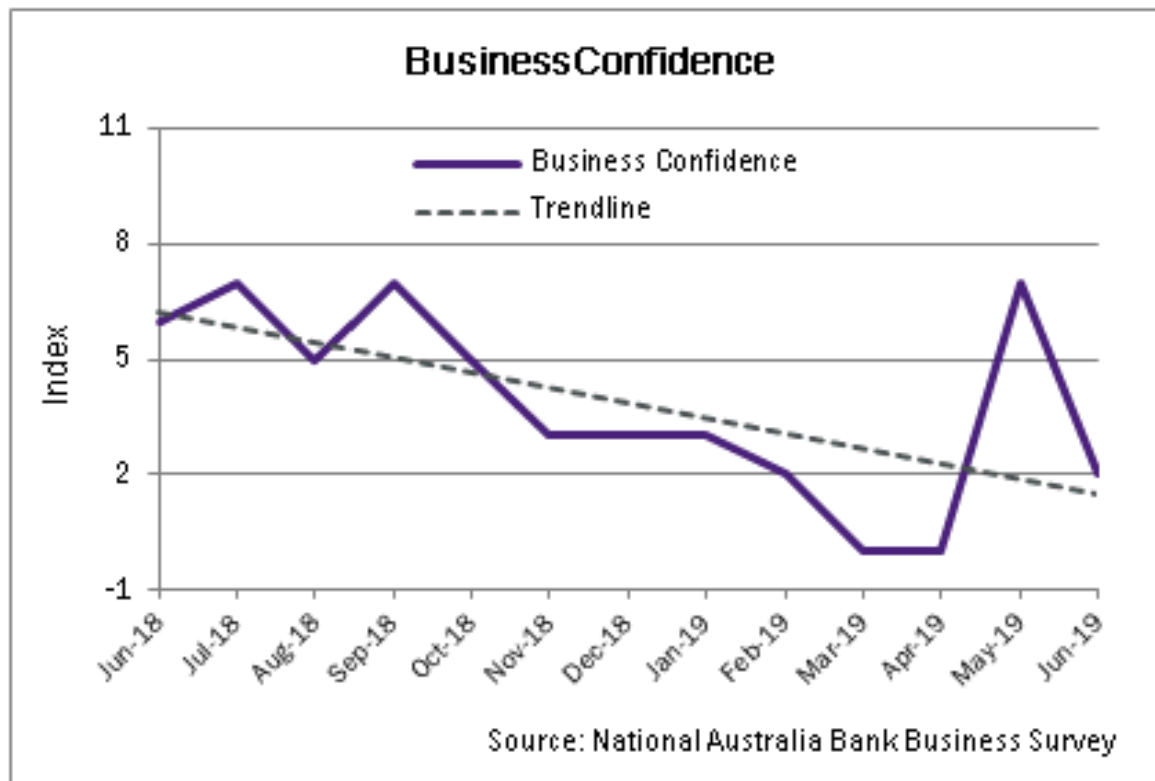
Source: Rail Business Daily

# Inland Rail Project

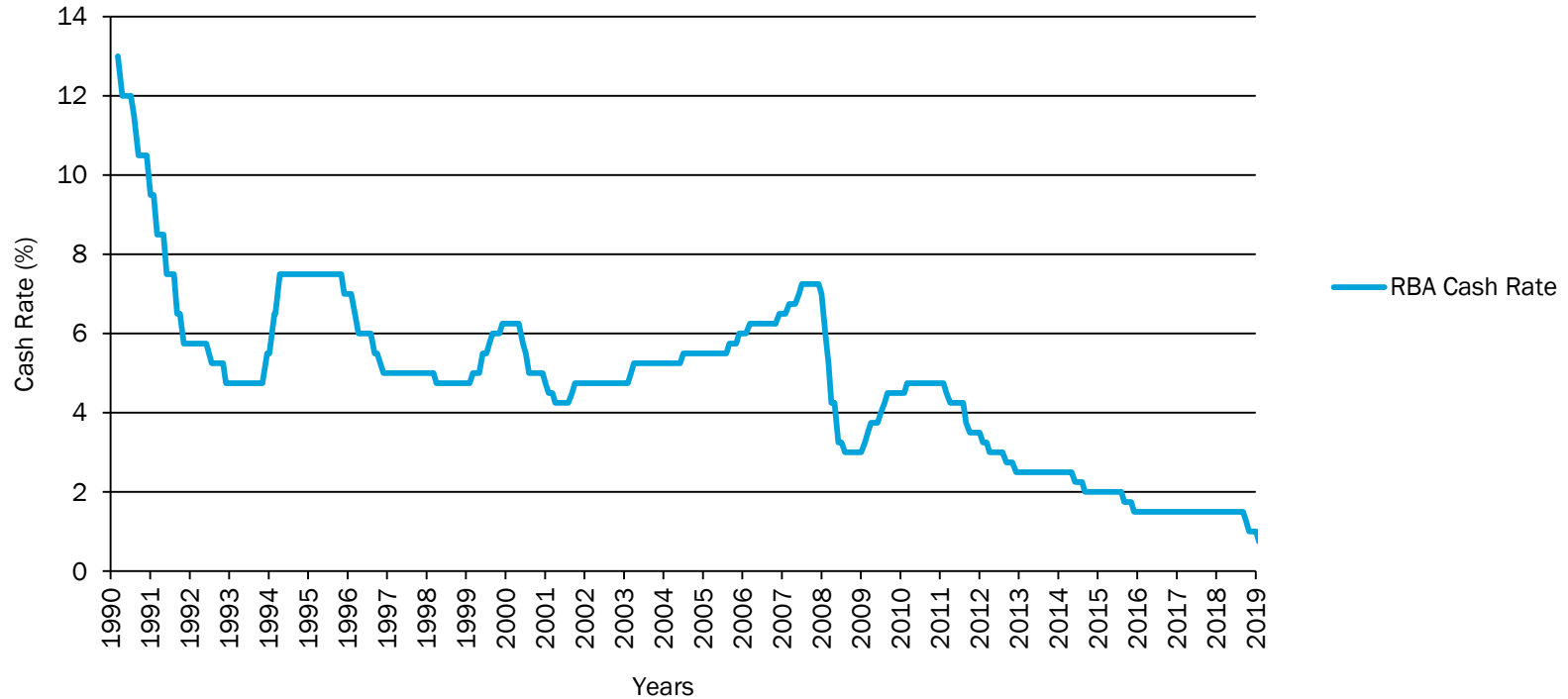




# Business Conditions Uncertain



# 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



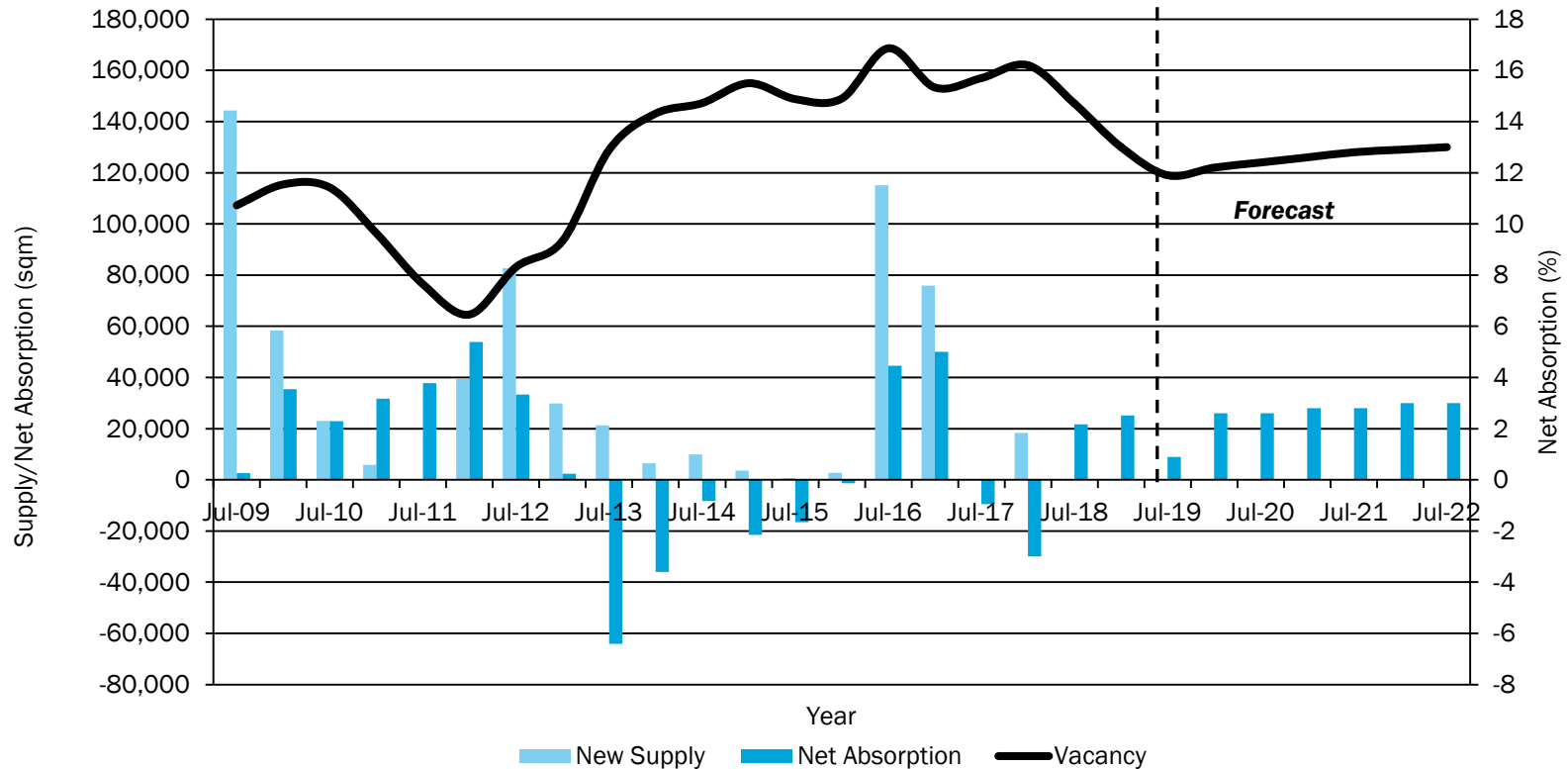
# Office Markets



Source: [Brisbanedevelopments.com](http://Brisbanedevelopments.com)



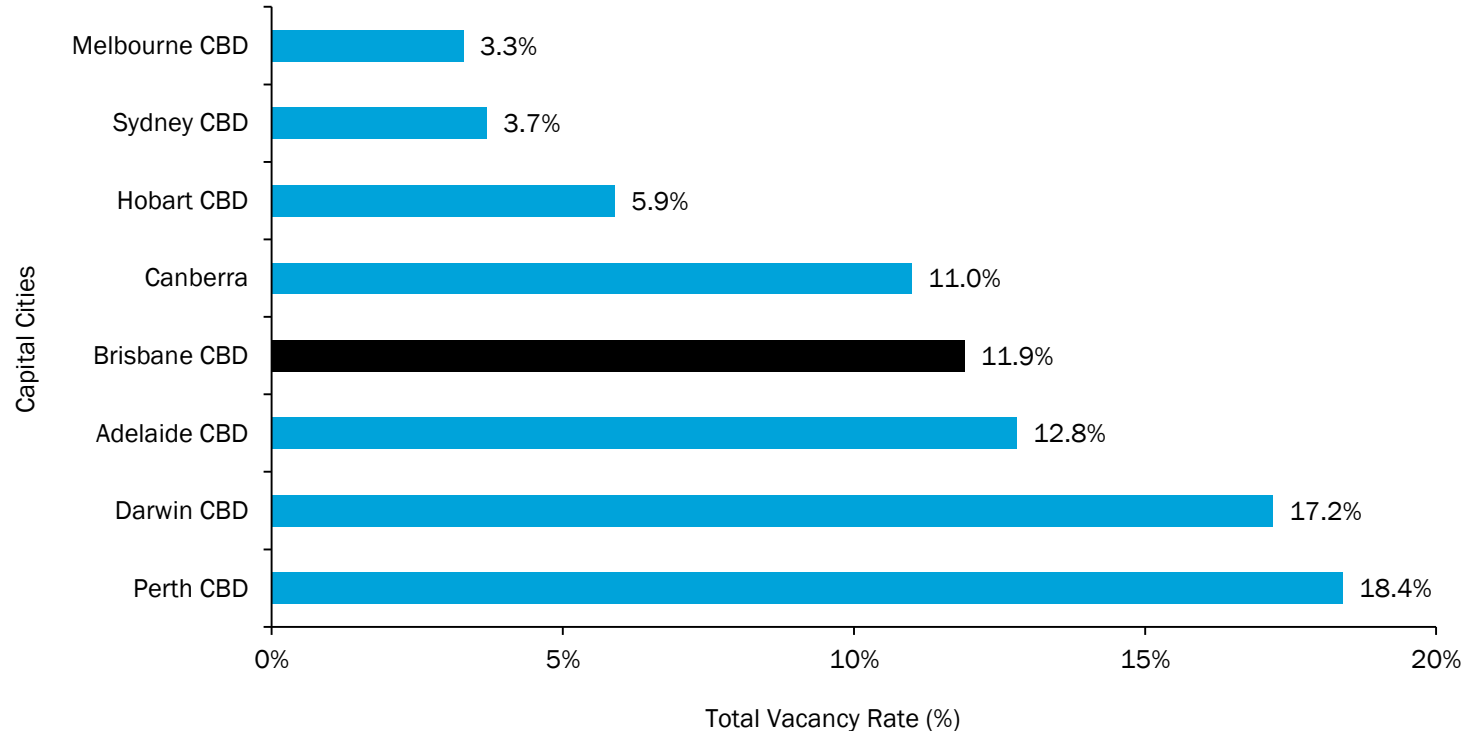
# Brisbane CBD Gains Momentum



Source: Property Council of Australia, Herron Todd White Research

# A Long Way Behind Melbourne & Sydney

## Total Vacancies Across Australian Cities



Source: Property Council of Australia



# Committed CBD Pipeline



**Late 2019**

**300 George St**

**Early 2020**

**12 Creek St**



**Mid 2022**

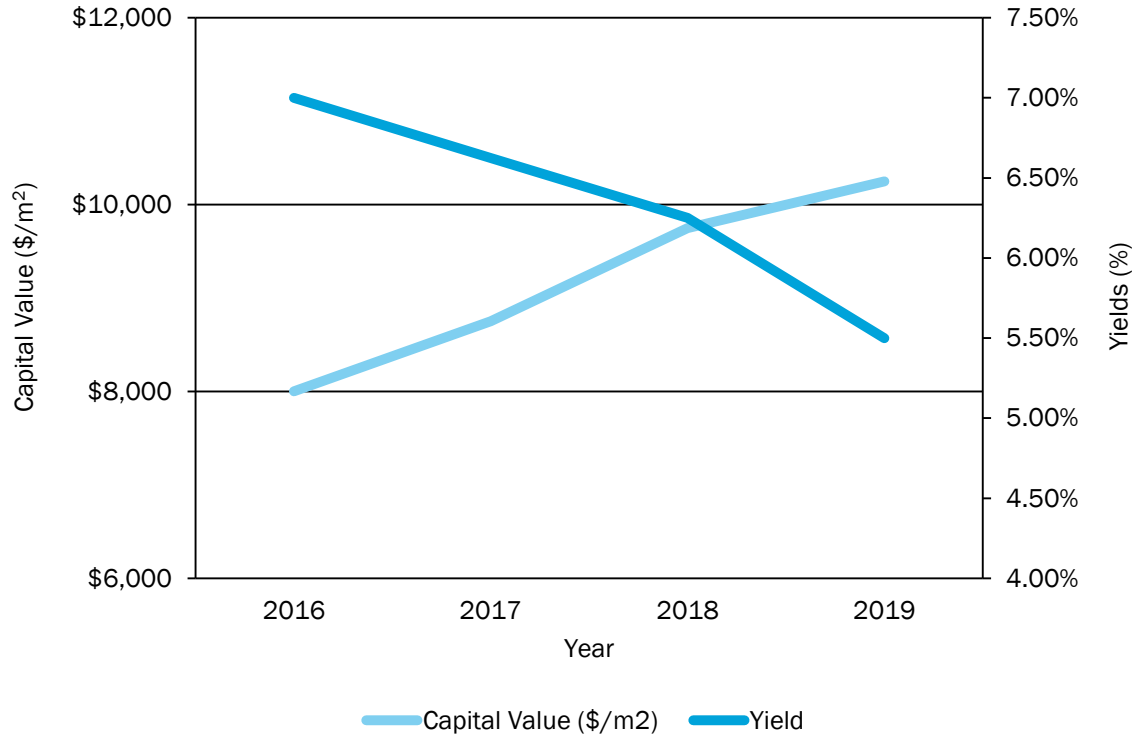
**80 Ann St**

**Mid 2021**

**The Midtown Centre**



# A-Grade Brisbane CBD Office



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



# CBD Office Market Changes Over Last 5 Years

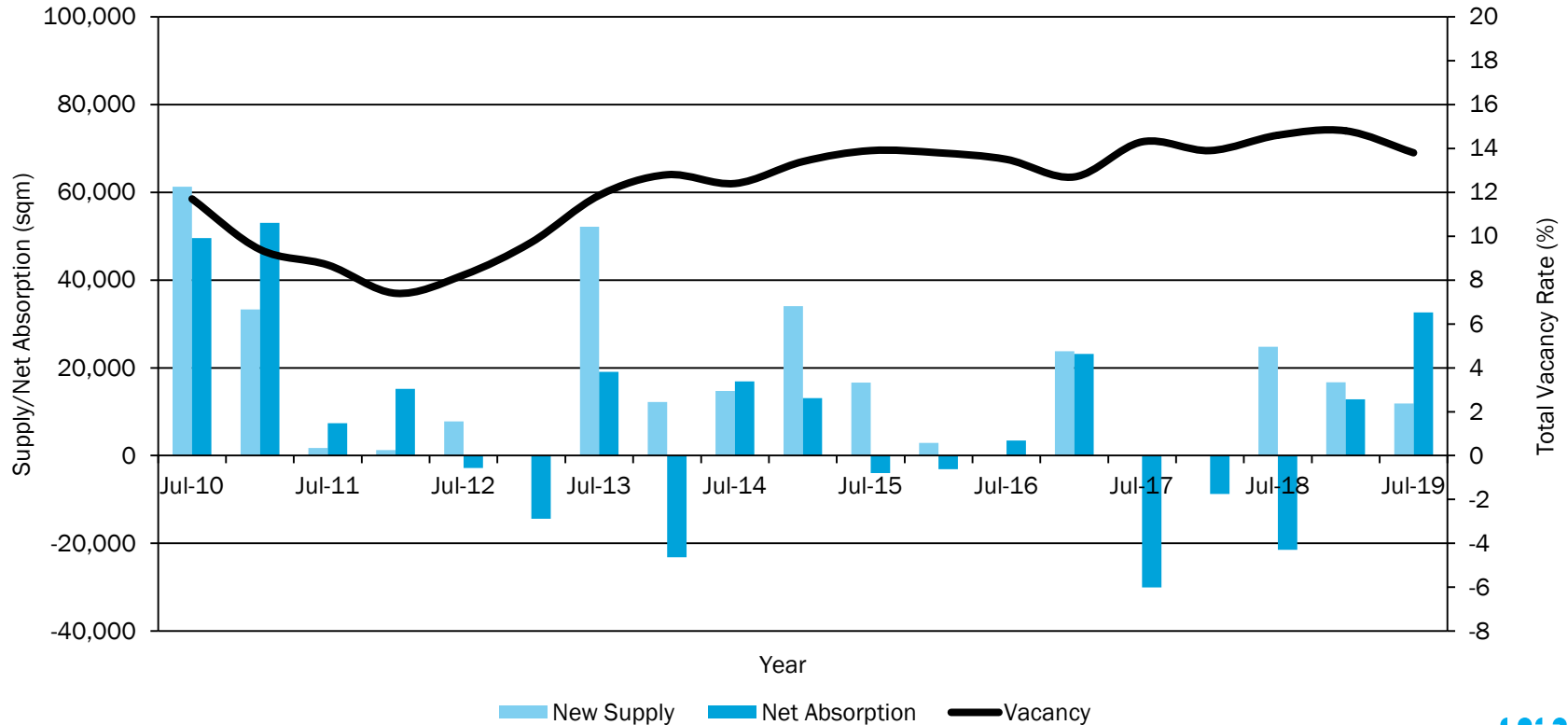
	2014	2019	
Rentals (\$/m <sup>2</sup> )		A Grade	Prime
CBD – A Grade Gross Face Rents	\$640 - \$885	\$675 - \$785	\$800 - \$900
Near City – Gross Effective Rents	\$335 - \$450	\$335 - \$450	
Yields		A Grade	Prime
Prime & A Grade	7.00% - 8.00%	5.50% - 6.00%	5.00% - 5.50%
Secondary	8.50% - 9.50%	7.00% - 8.50%	
Other	9.50% plus	9.50% plus	
Sales Analysis Rate (\$/m <sup>2</sup> )			
Prime & A Grade	\$6,000 - \$9,000	\$7,000 - \$14,000	
Secondary	\$3,000 - \$5,000	\$4,000 - \$5,500	

# Fringe Markets



Source: Lend Lease

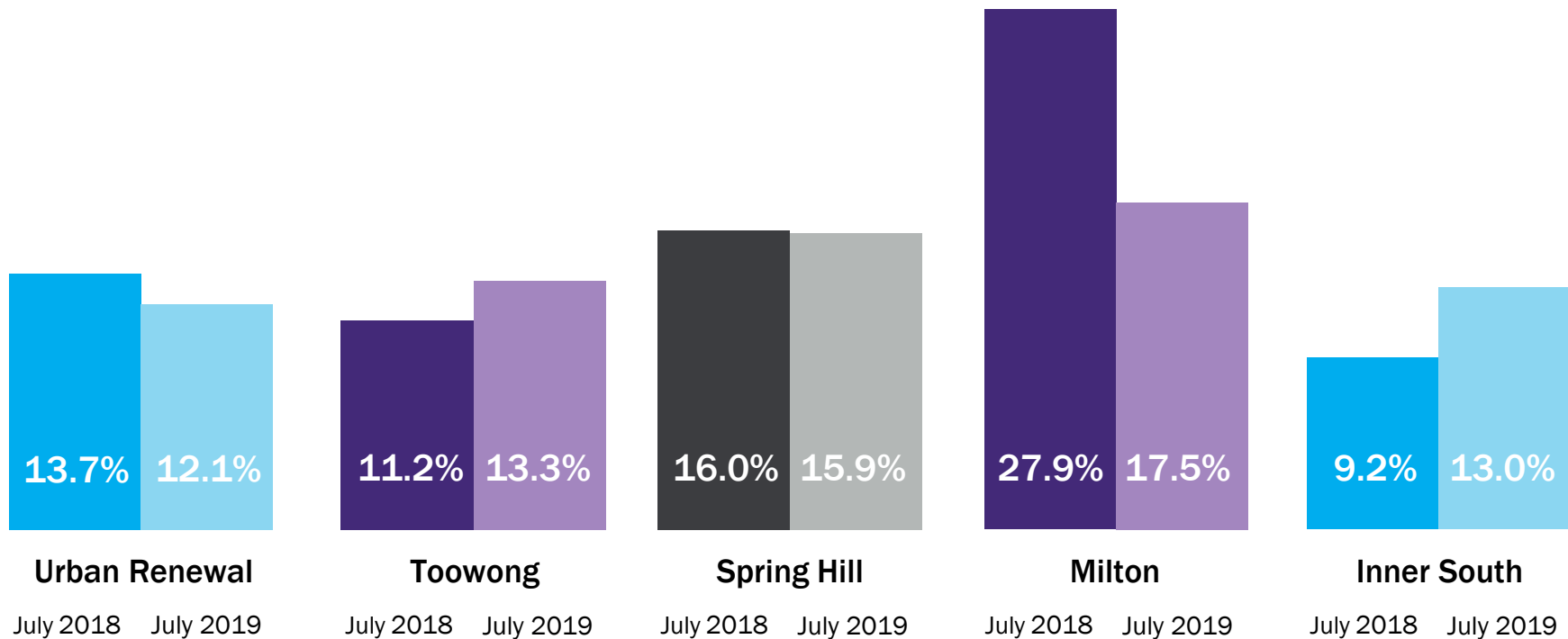
# Fringe Markets Show Strong Absorption



Source: Property Council of Australia, Herron Todd White Research



# Brisbane Fringe Vacancy



Source: Property Council of Australia, Herron Todd White Research

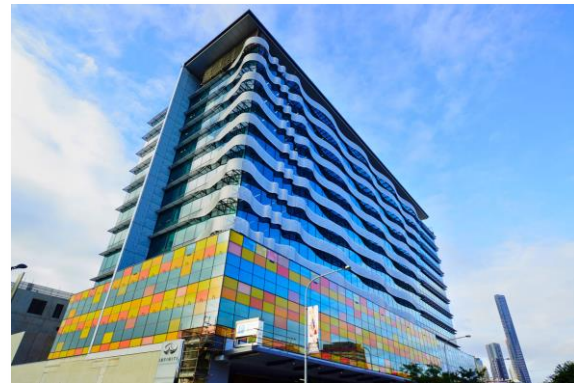
# Significant Sales

## 825 Ann St, Fortitude Valley

Sale Date: **Oct 2018**

Sale Price: **\$169,500,000**

Lettable Area (m <sup>2</sup> )	Analysed Market Yield	\$/m <sup>2</sup> Lettable Area
19,155	6.29%	\$8,849



## 470 St Pauls Tce, Fortitude Valley

Sale Date: **Sep 2019**

Sale Price: **\$180,000,000**

Lettable Area (m <sup>2</sup> )	Analysed Market Yield	\$/m <sup>2</sup> Lettable Area
17,594	5.50%	\$10,231



# Sub \$20m Office Sales

## 15 Malt St, Fortitude Valley

Sale Date: *Nov 2018*

Sale Price: **\$6,100,000**

Lettable Area (m <sup>2</sup> )	WALE (by Income)	Analysed Market Yield	\$/m <sup>2</sup> Lettable Area
1,067	1.62	6.79%	\$5,716



## 381 Macarthur Ave, Hamilton

Sale Date: *Apr 2019*

Sale Price: **\$19,735,602**

Lettable Area (m <sup>2</sup> )	WALE (by Income)	Analysed Market Yield	\$/m <sup>2</sup> Lettable Area
2,825	5.12	6.57%	\$6,985





# Suburban Office Sales

## 80 Old Cleveland Rd, Capalaba

Sale Date: **Aug 2018**

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

Lettable Area (m <sup>2</sup> )	WALE (by Income)	Analysed Market Yield	\$/m <sup>2</sup> Lettable Area
692	2.38	7.13%	\$3,872



## 12 Doig St, Cleveland

Sale Date: **Apr 2019**

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

Lettable Area (m <sup>2</sup> )	WALE (by Income)	Analysed Market Yield	\$/m <sup>2</sup> Lettable Area
701	1.22	7.35%	\$3,566



# 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/m<sup>2</sup>

## 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/m<sup>2</sup>



Source: CoreLogic – RP Data



**BEFORE**

## 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/m<sup>2</sup>



**AFTER**

### 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/m<sup>2</sup>

Source: CoreLogic – RP Data



# General Office Parameters

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

# 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'

'It will be a smaller business': Target store closures flagged in tough environment



# Australian Retail Spending Very Flat



Source: Business Insider

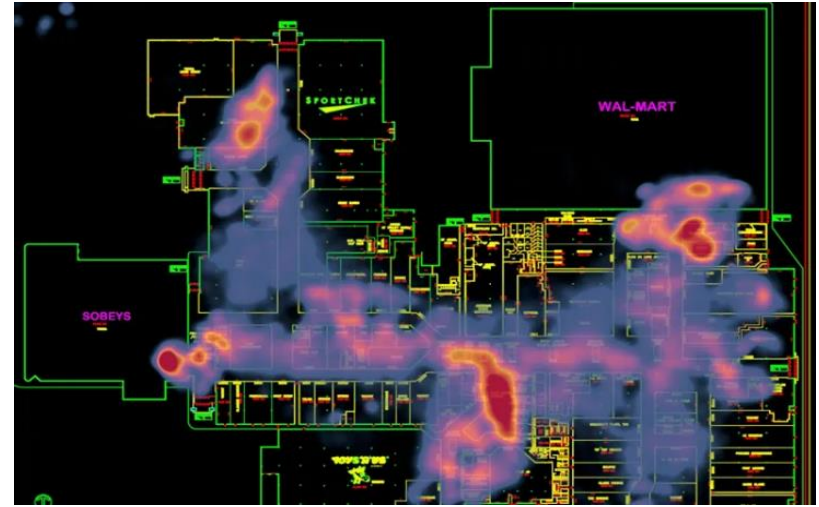
# Online Environment Continues to Expand

The logo for Kogan, featuring the word "kogan" in a lowercase, sans-serif font. The letter "o" is replaced by a red power button symbol.The Alibaba logo, consisting of an orange stylized "A" that resembles a mountain range or a smile, with a registered trademark symbol (®) to its right. Below the symbol, the word "Alibaba" is written in a bold, orange, sans-serif font.The eBay logo, featuring the word "ebay" in a multi-colored, lowercase, sans-serif font (e is red, b is blue, a is yellow, y is green). To the right of "ebay" is ".com.au" in a smaller, grey, lowercase, sans-serif font. The entire logo is set against a black rectangular background.The Amazon logo, featuring the word "amazon" in a bold, black, lowercase, sans-serif font. Below the word is a curved orange arrow pointing from the letter "a" to the letter "z". The logo is centered within a light grey rectangular background.The logo for "THE ICONIC", featuring the words "THE ICONIC" in a black, uppercase, sans-serif font. The text is centered between two solid black vertical bars of equal height.

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

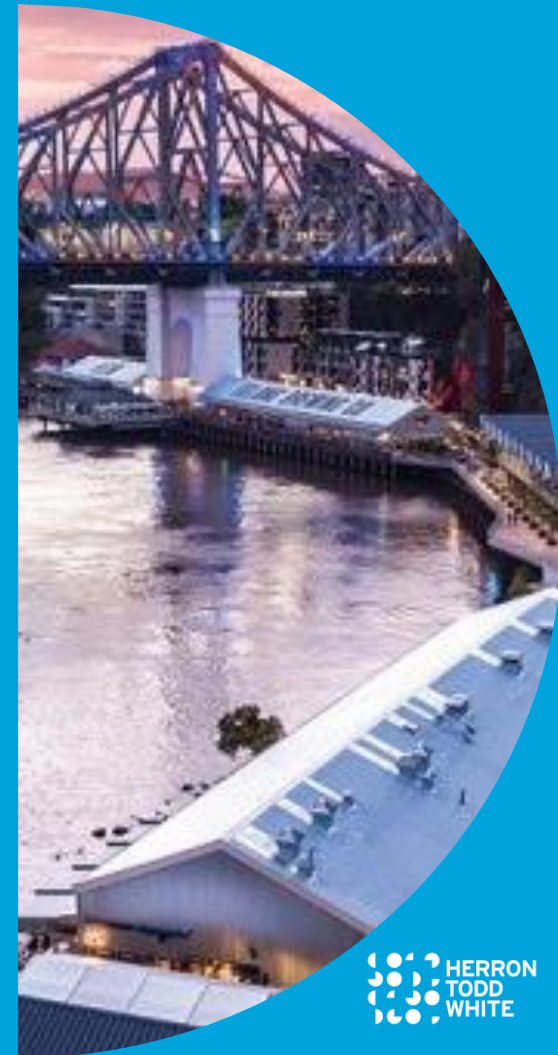
## Not

Oxford St  
Emporium Fortitude Valley  
Coorparoo  
Stones Corner

## OK

Gasworks  
Grey St  
Eagle St

Nundah Village  
Racecourse Rd  
Latrobe Tc  
Park Rd



# Yields Generally Stable or Softening

	Gross Rents (\$/m <sup>2</sup> )	Yields	Price \$/m <sup>2</sup>
Small Freestanding Fringe & Suburban	\$350 - \$500	5.00% - 6.00%	\$4,000 - \$6,000
Freestanding – Outer Suburban	\$300 - \$400	6.00% - 7.00%	\$3,500 - \$4,500
High Street - Suburban	\$300 - \$400	6.00% - 7.00%	\$3,500 - \$5,000
Premium High Street	\$600 - \$900	5.50% - 6.50%	\$7,000 - \$10,000
Convenience	\$500 - \$700	6.00% - 7.00%	\$4,000 - \$6,000
Neighbourhood	\$500 - \$800	6.00% - 7.00%	\$4,000 - \$6,000
Sub-Regional	\$800 - \$900	6.00% - 7.00%	\$4,000 - \$6,000



# 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

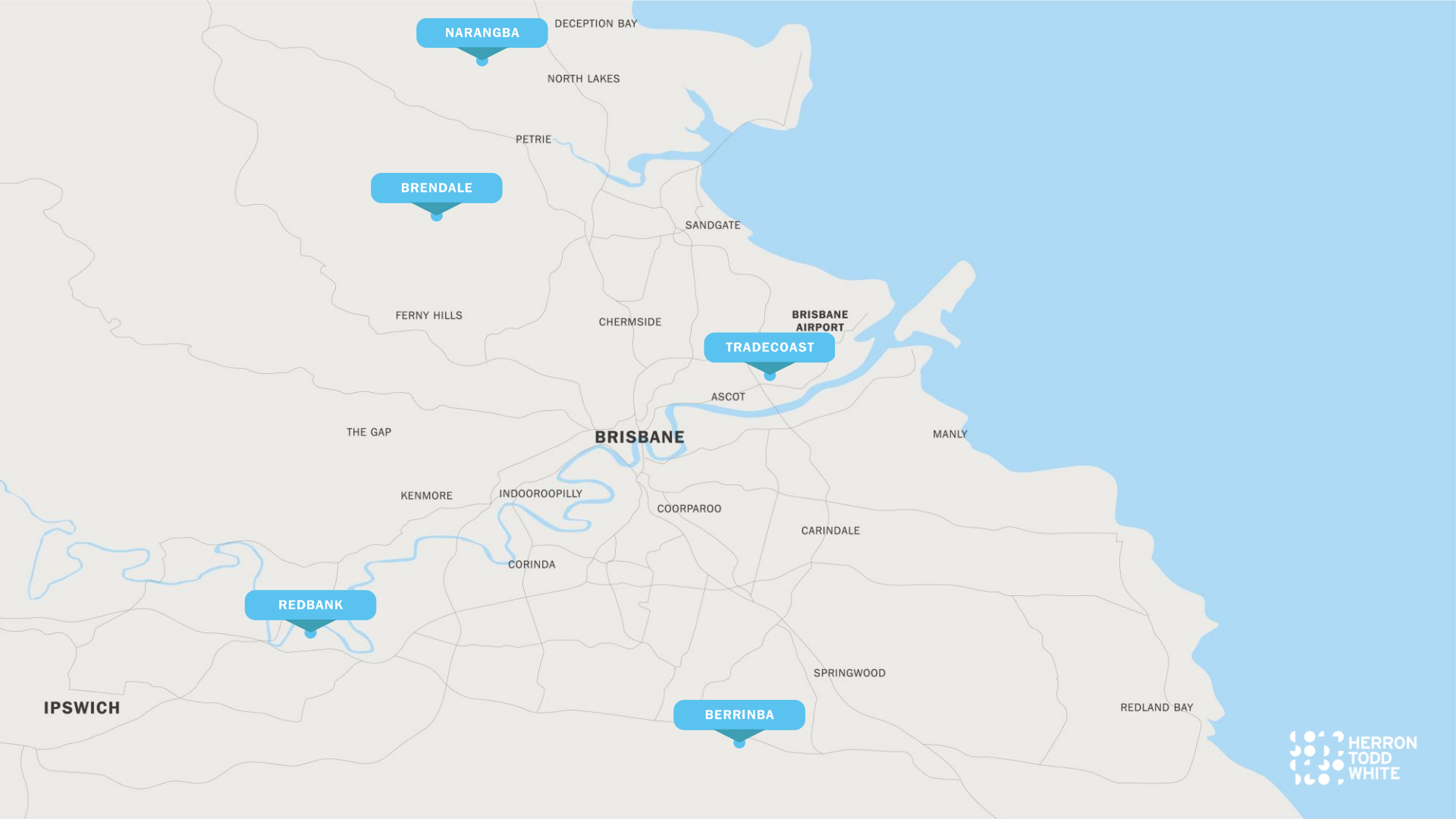


# Some Large Transactions



GLA (m <sup>2</sup> )	Sale Date	Sale Price
89,245	Oct 2019	\$183.6M

Source: Australian Financial Review



NARANGBA

BRENDALE

REDBANK

BERRINBA

TRADECOAST

IPSWICH

# 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*

Sale Price: **\$6,400,000**

Land Area (m <sup>2</sup> )	Lettable Area (m <sup>2</sup> )	WALE (by Income)	Analysed Market Yield
4,000	285	14.09 years	6.02%



## 417 Wondall Rd, Tingalpa

Sale Date: *May 2019*

Sale Price: **\$6,100,000**

Land Area (m <sup>2</sup> )	Lettable Area (m <sup>2</sup> )	WALE (by Income)	Analysed Market Yield
2,023	277	12.96 years	6.32%



# Child Care

## 16 Keong Rd, Albany Creek

Sale Date: *Jul 2019*

Sale Price: **\$5,875,000**

Approved Child-Care Places	Analysed Market Yield	\$/ACCP
109	6.03%	\$53,899



## 1035 Rode Rd, McDowall

Sale Date: *Jul 2019*

Sale Price: **\$4,545,000**

Approved Child-Care Places	Analysed Market Yield	\$/ACCP
90	5.50%	\$50,500



# The Sunshine Coast



Source: Sunshine Coast Council



# Growing Infrastructure



Source: Sunshine Coast Council



Source: ABC



Source: Sunshine Coast Airport



Source: the Guardian



# Mooloolaba Foreshore Revitalization



MOOLOOLABA  
FORESHORE  
*Revitalisation*



# 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 Date: *May 2019*

Sale Price: **\$6,900,000**

Lettable Area (m <sup>2</sup> )	Analysed Market Yield	\$/m <sup>2</sup> Lettable Area
199	7.49%	\$34,673



# The Gold Coast



Source: BV Tax & Law



# Gold Coast Airport Expansion



Opening 2021



\$370 billion



30,000m<sup>2</sup>

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

Source: Airport Technology

# Coomera Connector

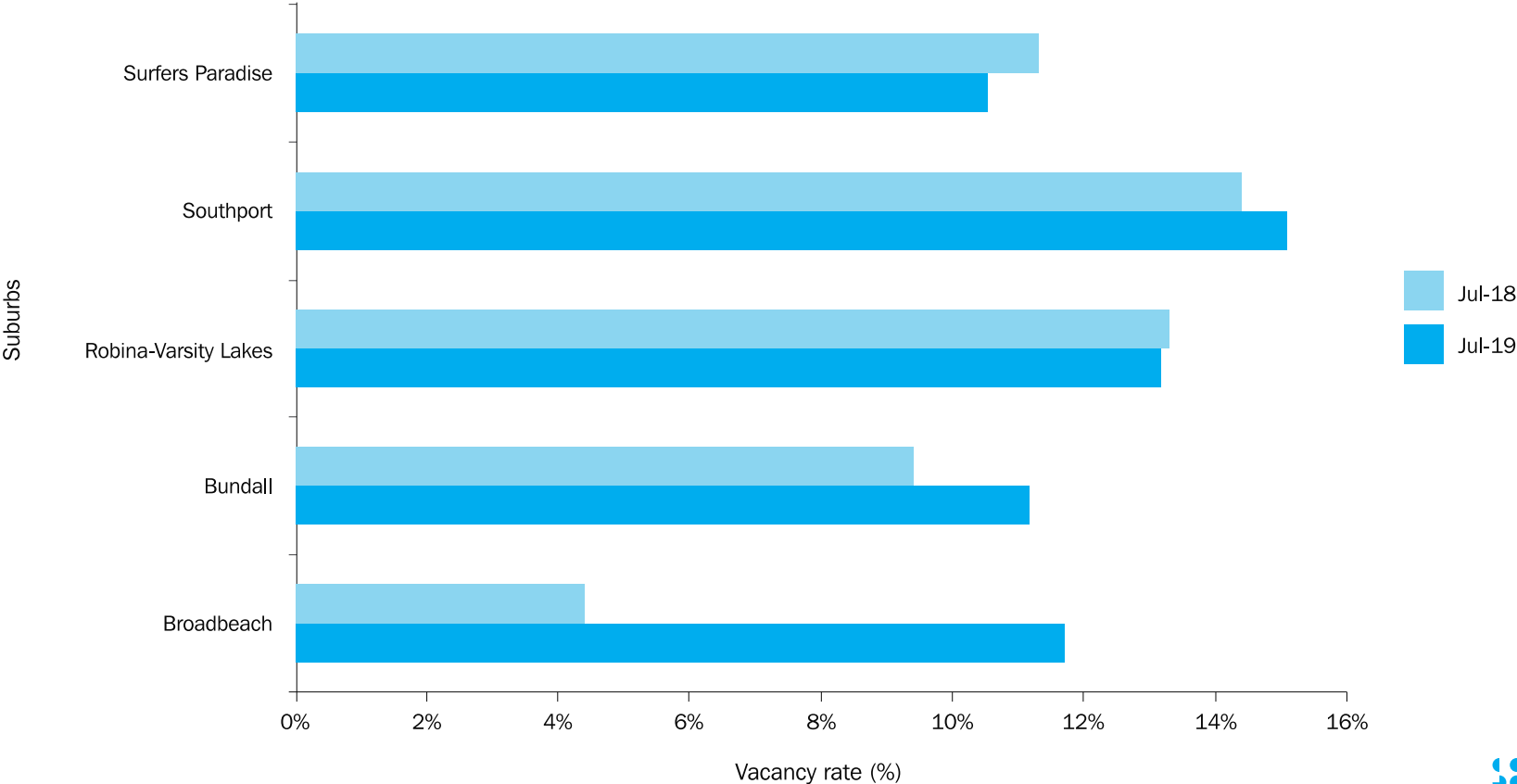
\$

**\$2.4 billion**

- 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

# Office Markets



Source: Australian Bureau of Statistics



# Industrial



## First Sale

Land Area (Ha)	Sale Date	Sale Price
65	Early 2019	\$20.5M

## Resale

Land Area (Ha)	Sale Date	Sale Price
65	Oct 2019	\$38.5M

# Retail



Source: Gold Coast Bulletin

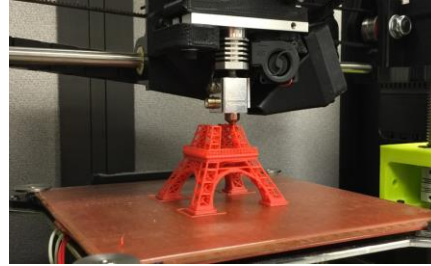


# Other Issues

- 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....

