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INDUSTRY LEADERS DISCUSS THE STATE OF THE **COMMERCIAL PROPERTY** MARKET IN BRISBANE WHERE IS THE QUEENSLAND **PROPERTY** MARKET IN THE CYCLE?

DON O'RORKE Executive chairman — Consolidated Properties BRISBANE is definitely on the rise, having lagged Melbourne and Sydney. ANTHONY OTT Head of agency — Savills ON a macro level the **property** market is moving slowly into the upswing phase driven by improved consumer and business confidence, a low interest rate environment, solid net migration and improving global economic conditions. All sectors are experiencing strong investor demand from both domestic and offshore capital.

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DAN WHITE Director — Ray White Grou WE are seeing increasing competition for **property** across the sectors. Properties that were marketed unsuccessfully in the past are now receiving interest from multiple **purchasers**. History would suggest that this is not surprising given the very strong market growth first in New Zealand, and then Sydney.

JONATHAN O'BRIEN Managing director, Brisbane — CBRE THE market has passed the bottom and is on a slow path to a sustainable recovery across most sectors of the **property** market. This is due to a number of factors that have come into force — the recovery of the economy, through renewed interest in the **residential** housing sector, and historically low interest rates.

WHAT IS THE STRONGEST SECTOR OF THE MARKET?

DON O'RORKE THE strongest sector across the **board** is **residential**, but investor demand for well leased **commercial**, retail and industrial **property** is very strong.

ANTHONY OTT TENANT demand across the office, retail and industrial sectors remains below historical levels however all markets are attracting exceptional investment demand particularly for modern, well leased assets. The industrial market has been quicker to move off the bottom.

DAN WHITE IT continues to be a sellers market for strongly leased assets. Our auction clearance rates in this sector have never been stronger, and it's not uncommon to receive offers during auction campaigns that are in-line with vendors' hopes only to achieve a better results on auction day.

JONATHAN O'BRIEN INVESTMENT grade stock properties in the \$75 million to \$150 million range are heavily sought by institutional grade investors and overseas funds. Also, **residential** development sites within 5km of the CBD are in demand from developers.

WHAT IS THE WEAKEST SECTOR OF THE MARKET?

DON O'RORKE THE CBD office leasing market is the most challenging sector at the moment. However, there is evidence of opportunistic corporate tenants doing deals that are literally "once in a lifetime", setting their occupancy costs for the next decade at all time lows.

ANTHONY OTT THE office leasing market is the most challenging of all the sectors with subdued tenant demand and rising vacancy levels. This is forcing owners to reduce face rents and increase incentive levels. The biggest impact has been across secondary assets where owners have also had to commit to significant capital expenditure to remain competitive.

DAN WHITE SENTIMENT in the CBD **commercial** office market is terrible. The overhang of newly fitted-out office space available for sublease will need to clear before it improves. However, we are seeing better activity in the city fringe, achieving some particularly good results in markets such as Toowong and the Valley.

JONATHAN O'BRIEN **COMMERCIAL** leasing is experiencing very soft tenant demand, high vacancy with high incentives. This will improve once white collar employment picks up.

CBRE anticipates this will start to occur towards the end of this year. In the meantime smart landlords are making capital improvements to retain tenants.

#### WHO IS BUYING AND WHY?

DON O'RORKE PRIVATES, offshore sovereign funds and institutional investors are buying **commercial**, retail and industrial properties across all price points. Private investors, self managed super funds are buying investor-style **residential** apartments and townhouses, enjoying yields of 5 per cent to 6 per cent.

ANTHONY OTT ACROSS all sectors there is an enormous appetite from both domestic and offshore investors. This has been driven by the large flow of funds into the superannuation industry, a low interest rate environment, the yield/debt spread in Australia compared to other global markets.

DAN WHITE INTEREST from interstate and overseas buyers has been critical in creating momentum. All our campaigns ensure we heavily canvass the Asian markets through our Beijing and **Hong Kong** offices. Brisbane being considered as a strong option for these investors JONATHAN O'BRIEN LARGE institutions, both interstate and overseas, are looking at Brisbane for long-term growth and stability. Interstate and overseas **residential** developers in the high-rise and multi-unit sector are getting in on the action from as well.

#### WHAT IS THE THREE-YEAR OUTLOOK?

DON O'RORKE DEMAND for apartments should remain strong for 2014-2015 and relative affordability will drive interstate migration. This market will slow if cost escalation pushes the boundary of affordability in terms of price and rents. It will also slow if vacancy levels blow out because of oversupply. Demand for nondiscretionary retail will remain strong.

ANTHONY OTT WE anticipate all market sectors to continue to move through the upswing phase due to improving consumer and business confidence. As **company** profit margins improve, we expect increased business investment which has a flow on effect in regards to space demand across all sectors.

DAN WHITE WE are always comfortable in recommending the long term prospects of Queensland. Our 110- year history has been one of overall growth, with the usual periods of uncertainty and decline being overcome by broader economic and population growth. The increasingly important geographic connection with Asia only enhances this view.

JONATHAN O'BRIEN THE investment market will remain strong with the outlook for Queensland being a preferred destination for investors across all sectors of the market. As the economy strengthens it will encourage development and capital injection in the coming years. Once the mining sector recovers demand for commercial property will again strengthen.

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