King’s Counsel

P3 Infrastructure Decision Making

P10 Retail Shop Leases – What To Look Out For

P15 Industrial Market Commentary

P16 Industrial Sales and Leasing Trends in and around Brisbane
Welcome to our 43rd Issue of King's Counsel

As usual we provide our overview of the industrial property market and our area reviews. Also in this issue, Mark McAvoy of GM Lawyers provides a brief overview of changes to the Retail Shop Leases Act that are expected to come into effect at the end of November 2016.

Infrastructure has been a theme covered in almost every edition of King’s Counsel. This edition is no different. It almost goes without saying that infrastructure is important to short, medium and long term economic activity, and the resultant economic activity is good for Australia, Queensland and, therefore, good for property.

In keeping with our tradition of promoting debate about important property matters we asked Ms Laurel Johnson and Mr Warren Rowe, two leading academics and practitioners in the field of urban planning to provide insight into the challenges government faces when considering, approving and funding infrastructure projects.

As taxpayers, we provide financial resources to government in the expectation that our money will be spent prudently for our collective benefit. That benefit ranges from providing welfare to the needy through to making services available to remote communities and subsidising those services. Somewhere in between is a role for user pay services such as road tolls and the like.

In recent times we have seen a good number of infrastructure projects completed. Excellent examples include the duplication of the Gateway Bridge (Sir Leo Hielscher Bridges), the Redcliffe Peninsula Railway Line, Legacy Way, and the Gold Coast Light Rail Network. A project currently underway is the much needed upgrade to Kingsford Smith Drive. Other projects are still being developed such as the Cross River Rail Link which has been a recent media topic and the international mega cruise ship facility at Luggage Point which is under consideration by the Port of Brisbane.

It is right to celebrate when projects of this magnitude are completed, but equally it is appropriate to strive to improve by critically evaluating performance where the outcome results in a failed or substandard project. From a taxpayer perspective, some recent performances leave a lot to be desired.

There are some shocking wastages of taxpayer money. Front of mind has to be the highly politicised East-West link in Melbourne that is reported to be costing TAXPAYERS (yes, that is you and I, NOT government) hundreds of millions of dollars.

Closer to home, the financial woes of the Clem7 tunnel and the politics played out over the last couple of years over the proposed cross river rail link and the politicisation of the Kingsford Smith Drive upgrade during local government elections last year are cause for concern.

There is no place in a modern Australia for cheap and petty politics about important decisions such as infrastructure projects. What is required from our political leaders of all persuasions is firm leadership and a sensible bipartisan approach to what is important. The recent attraction of voters towards alternative parties is a clear message to the political establishment that Australians are demanding a higher standard from them.

We trust Laurel and Warren’s article makes a contribution to the future of infrastructure development and hope you enjoy this issue of King’s Counsel.

Wayne J Robson
General Manager
Government infrastructure prioritisation and investment decisions can be confusing and confounding. They have been described as a type of chaos that strands projects (Potter, Ludlow and Gardiner, 2016). Many infrastructure projects were promised to Australian communities during the 2016 Federal Election campaign; however, this infrastructure may or may not be delivered. Without committed forward infrastructure plans, how can Australian industry and the community have certainty in any infrastructure project? In this article, a former-Director of local government planning and an urban planning academic tease out challenges and solutions to infrastructure certainty in Australia. A brief exploration of initiatives in both Queensland and New South Wales (NSW) leave us hopeful that infrastructure certainty is possible, even in the highly charged political environment.

**Plan and Commit**

**The South-East Queensland Model**

All levels of Government are well provided with a range of plans that identify the infrastructure required to support existing communities and the sustainable growth of those communities. In short, the community know a lot about what is required and even when it is required. But these plans fail due to a lack of robust governance arrangements that allow effective prioritisation between competing projects and ongoing funding to support long term implementation arrangements.

It is often overlooked that Queensland found itself in the unique position in 2008 with the formal connection of the South-East Queensland (SEQ) Regional Plan and the SEQ Infrastructure Plan and Program. This was further enhanced with the introduction and integration of Connecting SEQ which established a long term plan for a sustainable transport system for the region. For the first time in Australia the short, medium and long term infrastructure requirements (including timing and funding) for a major metropolitan region were integrated with comprehensive regional planning strategies. This was indeed innovative and attracted international interest and was a credit to the three levels of government involved but particularly State and Local government. The communities of south-east Queensland had a public record of committed and planned infrastructure investments across portfolios such as transport, rail, hospitals, education, TAFE and others for the long term. This provided a level of certainty for investment by the public and private sectors, and the community which had previously been absent.

Unfortunately, the tight fiscal circumstances for all governments in Australia and a political reluctance to commit to a program of delivery that may be subject to delay or deferral, resulted in the decision to dilute this integrated infrastructure and land use planning, funding and implementation framework.

Let’s hope that the next South-East Queensland Regional Plan (due early 2017) will follow the bold lead of its predecessor and commit the State to Public Infrastructure plans. There are some encouraging signs in this regard. A Queensland Infrastructure Portfolio Office was established this year with an explicit aim to ‘plan and coordinate infrastructure and integrate the links between regional planning and infrastructure planning’ in the State (Queensland Government, 2016:31).

**Certainty in Funding**

Any discussions around infrastructure in Australia, will inevitably lead, at some stage, to the challenges of funding and financing the capital, operating, maintenance and renewal costs. The full funding of timely infrastructure is beyond any single government’s funding capacity. The key is for governments to work together and with non-government agents like private investors. The direct user-pay model of infrastructure is not customary in Queensland and the community is generally reluctant to pay directly for public infrastructure, particularly roads. The light traffic flows in the Brisbane tunnels is an example of motorists choosing traffic congestion over direct payment for an infrastructure option that saves travel time.
'VALUE CAPTURE' is a form of infrastructure funding that aligns the cost of infrastructure more directly with those that benefit from government investment or planning decisions. This is also known as 'beneficiary pays' funding.

Some funding solutions that have been explored with varying degrees of success include Public Private Partnerships (PPP). The PPPs were a significant initiative in the 1990s in Queensland. Examples of recent PPPs include:

- Toowoomba Second Range Crossing,
- 1 William Street Brisbane City,
- Construction and maintenance of 10 Queensland schools,
- Gold Coast Light Rail, and
- New Generation Rolling stock for Queensland Rail.

The weakness in the PPPs is providing a project supported by sufficient and realistic information that the private sector is prepared to invest. The pricing of project risk relies on a robust project analysis as reflected in a comprehensive business case. The Brisbane tunnels are an example of overstating the potential profits to investors from infrastructure investment and the result has been reputational damage to the PPP model.

Funding Reform

The elephant in many rooms, where infrastructure projects are discussed, is the issue and subsequent opportunities for funding reform, including our system of charges and taxation. The notion of value capture/value sharing is central to all Government thinking and is reflected in the Federal Government’s Smart Cities program which will require project submissions to Infrastructure Australia to include consideration of value sharing arrangements as a component of the project funding mix. A recent example is the New South Wales (NSW) government announcement of a $200 per square metre Special Infrastructure Contribution for new residential development along the proposed Parramatta light rail corridor. The details of how and when this contribution will be applied are currently not available. But consideration is also being given to appropriate and related land use changes to increase development yield along and close to the corridor.

The Queensland Government has indicated a strong interest in ‘value capture’ (Queensland Government, 2016:32) as a way of netting some of the increased land value that is directly attributable to public infrastructure investment. In this way, the increased value of land that directly results from public investment is shared with some of the value coming back to the State coffers.
While this article can’t possibly explore the complexity and detail of the dark art that tax policy has become, the circumstances that surround our inability to effectively move the tax debate forward are exactly those that confound the delivery of major infrastructure projects/programs. Both suffer from a lack of leadership, the uncertainty of the political cycle, our national fixation on three word slogans, our reliance on the news cycle for information, our often combative and competitive style of negotiation (particularly between governments) and our inability to decide priorities in the national/regional interest. All of this has led to a dumbing down of the important debates that are necessary to improve the planning and delivery of key infrastructure.

But just consider for a moment the impact of a decision to increase the GST and quarantine part or all of the revenue generated to an agreed national/regional infrastructure program responding to the existing and future needs of our communities. We can but dream.

### Cross-Government Investment

The Federal Government has, after a lengthy absence, indicated an interest in the planning of cities in Australia. It is satisfying that finally both sides of federal politics understand the need for the national government to be developing cities policy including the provision of key community and economic infrastructure. This is an opportunity, and State Governments need to ensure that infrastructure plans are up to date, project business cases are robust and well informed, infrastructure corridors are committed and even acquired, and funding arrangements are developed and achievable. Above all, State Governments need to be prepared to develop partnership frameworks that ensure all stakeholder outcomes, including the private sector, are achievable.

Some of the solutions for infrastructure certainty are not politically palatable. They require forward plans that are beyond election cycles. They will remove flexibility for governments to shift and change infrastructure investment priorities.
To prioritise infrastructure investment, a rational approach should replace the currently politicised and seemingly reactionary process. For example, the State Government can apply a benefit test to infrastructure projects. This would be a transparent exercise where the actual benefits (social, environmental and economic) of the investment are measured and compared across competing infrastructure projects. The government might ask ‘What urban transformation can be gained from this infrastructure project?’, ‘What economic growth is leveraged from this investment?’, ‘How will this project change people’s behaviour to improve the function of the city?’, ‘Does this investment negatively impact the environment?’; and ‘Does the long term community benefit of this project outweigh the short term disruption during construction?’.

Building Queensland (BQ) is an initiative of the Queensland State Infrastructure Plan that is tasked with assessing and prioritising infrastructure projects valued at over $50 million. BQ will provide the State Government with a list of priority projects every six months. The priority given to these projects will be determined by consistent and publicly available assessment criteria. BQ will also provide the State Government with a business case for the prioritised projects. The BQ initiative won’t remove political interference but it adds a layer of public scrutiny to the prioritisation of infrastructure projects in this State.

Insurance Assist Pty Ltd
ABN: 77 163 221 127 ACN: 163 221 127
General Insurance Brokers Pty Ltd ABN 58 523 762 917
AFSL Number 241418

Insurance Assist provides professional insurance solutions. We can advise on and negotiate a broad range of insurances from personal risks through to corporate covers.

We specialise in:
- Insurance risk assessment and identification
- Sourcing and proposing insurance solutions to address risks
- Management of insurance programs including claims, renewals and mid-term adjustments

The Director, Tamika Skeates, has over 13 years experience in insurance broking, specialising in commercial property owners insurances and various other classes.

Email: tamika@leaib.com.au
Mob: 0488 050 542
Postal: 49 Pallas Parade, Warner Qld 4500

---

Infrastructure Funding in New South Wales

The NSW Government is turbo charging the NSW economy by investing $20 billion in infrastructure through its Rebuilding NSW plan. Restart NSW is the NSW Government’s dedicated infrastructure fund. The fund was established in 2011 to improve the economic growth and productivity of the State. By most objective measures, the NSW economy is ‘going gangbusters’ and the Government’s Restart NSW and Rebuilding NSW programs are strong underpinnings for this performance. Restart NSW funds are used for major projects that will improve the productivity and competitiveness of the State across all sectors. They also support investment in local infrastructure in regional areas.

Deloitte Access Economics examined the Rebuilding NSW Plan and found that the plan will boost the economy by almost $300 billion in just over 20 years. The plan will also generate over 100,000 jobs by 2035/36.

Infrastructure NSW has sole responsibility for making recommendations to the NSW Government for use of the funds. Funds can only be spent on projects that are recommended by Infrastructure NSW, and then approved by the Treasurer.

Infrastructure NSW’s independent assessment process ensures that funds are only allocated to projects that have proven strategic and economic merit through cost benefit analyses and objective assessment.

Thirty per cent of Restart NSW funds are committed to projects in regional NSW (outside Newcastle, Sydney and Wollongong). This includes an allocation of three per cent to the Resources for Regions program to address infrastructure constraints in communities affected by mining.

Funding Commitments

Following the State Infrastructure Strategy’s recommendations, the plan will reserve:
- An additional $1.1 billion to invest in the northern and southern extensions to WestConnex along with the Western Harbor Tunnel,
- An extra $7 billion for Sydney Metro, to fully fund a second harbor rail crossing,
- $2 billion for schools and hospitals,
- $4.1 billion for regional transport,
- $1 billion for regional water security,
• $300 million for regional tourism and the environment, and
• More funds to Sports and Cultural infrastructure, up from $500 million to $1.2 billion.

Unlocking Assets

This $20 billion investment in infrastructure is only possible by releasing capital locked up in the leased electricity network businesses (poles and wires). The funds released from the electricity networks will be added to at least $2 billion from the Commonwealth Asset Recycling Incentive Scheme. The lease will ensure the investment can occur without risking NSW’s Triple A credit rating, as required by the Fiscal Responsibility Act 2012.

For further information about why the NSW Government is leasing part of the electricity network, see the NSW Government Submission to the Electricity Network Leasing Inquiry or for further information about how parts of the NSW electricity network will be leased, visit the NSW Treasury website.

Queensland’s State Infrastructure Plan

The Queensland Government developed a State Infrastructure Plan in March 2016 and is considering a range of financing strategies to make the plan work. The plan is an impressively open document that outlines the challenges for infrastructure planning and funding and a process for prioritising infrastructure spending. It aspires to take infrastructure planning and implementation “beyond market and election cycles” (Queensland Government, 2016:6) which is critical for certainty in infrastructure prioritisation and delivery. The plan is supported by a one to four year program of committed projects that, among other initiatives, identifies and encourages market-led proposals (MLP) from innovative single infrastructure items to major infrastructure.

Community Concerns

As well as financial commitment, another key reason for infrastructure uncertainty is resident and community reaction to some infrastructure proposals. Queensland’s infamous ‘Koala Highway’ project of the 1990s is an example of community mobilisation against infrastructure development that was largely responsible for unseating the then Labor State Government. The proposed road was to connect Brisbane to the Gold Coast and pass through a koala habitat. The government misjudged the strength of public feeling about the roadway and faced intense opposition with the Environment Minister being targeted with protests, placards and dead koalas (Moore, 2013). This history of public backlash should encourage forward planning as the timing and transparency of infrastructure projects is critical in community mobilisation. It is also an indication of the importance of clearly articulating the need for infrastructure investment in terms of benefits to the community in the short, medium and long term.
Partnerships

More and more responses to the needs of our communities are being viewed in terms of effective partnerships: specifically, partnerships between levels of government and partnerships between governments and the private sector. Partnerships not only provide the necessary political leadership to sustain medium to long term commitment to project delivery but also maximise available funding. There is also the opportunity to more effectively leverage broader outcomes that are generated from large community-changing projects of this kind.

The Gold Coast Light Rail is a very good example of this model. The project was initiated and championed by the Gold Coast City Council for a number of years as a project that would not only respond to the transportation needs of the community but would reshape the city.

Through concerted and at times aggressive advocacy the Council secured support from the State and Commonwealth Governments which was formalised through a Memorandum of Understanding and a formal funding agreement. This funding agreement saw the Commonwealth/State/Local Governments commit $365m/$465m/$120m respectively.

The project was offered to market and the successful bidder, Goldlinq, constructed the project and are now operating the system under a franchise agreement with Translink.

Hopeful Elements

The combination of the range of initiatives identified in this short article (no matter how embryonic these initiatives) indicate cross-Government interest in infrastructure certainty for Australian cities is a hopeful sign for the future. The following features summarise this hope:

- Bi-partisan Commonwealth interest in city development through infrastructure investment,
- Cross-Government (Commonwealth, State and Local) cooperation and coordination of infrastructure prioritisation and financing,
- Openness to funding reform and new financial models for infrastructure funding including value capture/value sharing, asset liquidation (sales/leasing/recycling), and new partnership models and market-led proposals,
- The linking of metropolitan plans to infrastructure programs, effectively tying land development to timely infrastructure delivery,
- Open assessment and prioritisation processes and business case development for infrastructure investment, and
- Publicly available community, economic and environmental benefit tests for infrastructure prioritisation.
Author Biographies and References

Laurel Johnson
is an urban, regional and social planner with over 20 years’ experience in the public and private sectors. Her clients are Government, private sector and non-Government organisations and her range of services include social infrastructure and housing strategies, transport plans, community engagement design and implementation, social and community impact assessment, community and land use planning and planning education and research.

For the last four years, Laurel has been designing and delivering planning education for the next generation of town planners at the University of Queensland.

Warren Rowe
recently completed 17 years as Director of Planning, Environment and Transport at the Gold Coast City Council, where he was instrumental in the development of the Gold Coast Light Rail Project. He has contributed to planning strategies and held roles in the National Reform Working Group, Australian Housing Industry Development Council, Regional Planning Senior Officers Advisory Group, the Local Government Association of Queensland Planning Advisory and Infrastructure Charges Think Tank, the State Governments Infrastructure Charges Task Force, the Gold Coast Rapid Transit Executive Group, Gold Coast Light Rail Gateway Review Panel and Project Control Group for the Gold Coast Health and Knowledge Precinct.

Warren is currently engaged in the assurance review process underway in NSW as part of the State Government’s expanded infrastructure role out program. He is an Adjunct Professor in the Urban Research Program at Griffith University and was recently appointed as the University of Queensland’s first Planner in Residence.

References


Queensland Government (2016) State Infrastructure Plan, Department of Infrastructure, Local Government and Planning

Here's an example:

A lease for an accountancy practice on level four of a retail shopping centre is not a retail shop lease if 25% or less of level four is used for retail purposes.
We expect to see these disclosures being utilised in leases entered into, leading into or during construction or re-development of shopping centres.

5. **Outgoings Annual Estimate**

Lessors must give an annual estimate of outgoings in the approved form and each lessee’s proportion of liability for those outgoings. The estimate must be given at least one month before the start of each outgoings year.

If the outgoings estimate relates to a retail shopping centre, it must also include a breakdown of estimated fees to be paid on administration costs or to a centre management entity.

The outgoings shown in the outgoings estimate must be itemised so that the amount shown for each item is not more than 5% of the total outgoings shown in the estimate. However, the amount shown for an item may be more than 5% of the total outgoings if the item relates to a charge, levy, rate or tax payable under an Act or an outgoing that cannot be further itemised.

If a lessor fails to give an outgoings estimate or audited statements, then the lessee may withhold payment on outgoings until the estimate or audited statement is given.

6. **Get Your Marketing Plans Ready**

Where a lessor requires payment from the lessee for promotion and advertising, lessors must provide lessees with a marketing plan, detailing the lessor’s proposed advertising and promotional expenditure for each accounting period. This must be given at least one month before the start of each accounting period.

Lessors must also prepare audited statements of advertising and promotional expenditure within three months after the end of each accounting period.

Any unspent advertising or promotional funds must be carried forward to the next accounting period.
7. **Waiving Disclosure**

Lessees can now waive the seven-day disclosure period that was previously required before a lease could be entered into. **However**, Disclosure Statements will still need to be given before the lessee enters into the lease.

After the lessor gives a Disclosure Statement and before the lessee signs a lease, the lessee can give the lessor a waiver notice and (if the lessee is not a major lessee) a Legal Advice Report stating that advice has been given to the lessee about the meaning and effect of the waiver.

A “major lessee” is a lessee who leases five or more retail shops in Australia.

Legal Advice Reports and Financial Advice Reports will no longer be required when dealing with major lessees.

8. **Flexible Lease Arrangements For “Major Lessees”**

“Ratchet” clauses and multiple rent review mechanisms can now be commercially agreed with major lessees (if the lessee waives the rent review provisions in the Act).

9. **Relocating Lessees**

In the case of a relocation of a lessee in a retail shopping centre, lessors must relocate the lessee’s business to alternative premises **within** the centre.

If a lessee does not wish to relocate, the lessee must now give the lessor **one month’s** termination notice. The notice period was previously seven days.

10. **Outgoings That Cannot Be Recovered**

The total area of the shopping centre for outgoings apportionment purposes will exclude areas leased or licensed for:

- information, entertainment, community or leisure facilities,
- telecommunications equipment,
- ATMs,
- vending machines,
- advertising displays,
- seating, tables, and other furniture,
- storage areas,
- trade out areas, or
- parking areas.

The excess paid on a claim on the lessor’s building Insurance Policy is also specifically excluded.

Further, mortgagee consent fees can no longer be passed onto lessees.
What To Do Next?

Before these changes take effect, lessors should use this time to get prepared for their increased disclosure and financial reporting obligations.

In particular:

• Lessors should review their leasing documentation and disclosures,
• Lessors planning any redevelopment should check their disclosure arrangements and lease terms to ensure they limit compensation claims, and
• Lessors and centre managers should prepare a new marketing plan and review outgoings statements to ensure compliance.

We recommend parties to retail shop leases get independent legal advice about what these changes will mean for them.

Mark McAvoy is a Director of GM Lawyers. GM Lawyers is a property law practice and acts for Lessors and Lessees, Purchasers and Vendors of commercial real estate and businesses.

KING & CO PROPERTY MANAGEMENT

Low vacancy rates  Effective arrears management
Weekly remittance of funds to owners  Timely rent reviews
Value for money  Easy to follow reports

If you are missing out, call us today on 3844 3222
CRACKED SUBSIDED CONCRETE
WHO’S LIABLE IF SOMEONE TRIPS?

Subsided and cracked concrete slabs are severe work hazards. GrouTech can raise subsided structures to prevent tripping liabilities. Under-slab voids are filled with high density cement grout, increasing the strength of support. Repair costs are about 1/10 of the cost of the slab replacement.

Minimal disruption by grouting 2000m2 to 10,000m2 a day. Materials used guaranteed to last the lifetime of the structure.

- **SLAB LIFTING**  → Resulting in tripping hazards and liabilities removed.
- **UNDER SLAB SUPPORT**  → Resulting in less deflections of slabs and less breakages.
- **BROKEN CONCRETE REPAIRED**  → Resulting in forklift hazards removed and asset values maintained.

Servicing: Industrial & Commercial, Govt Departments, Consulting Engineers, Private Residence & Mining.

SPEAK TO GROUTECH TODAY

Phone: 07 3284 4033
Fax: 07 3284 4795 Email: reception@groutech.com.au
www.groutech.com.au

REDUCE YOUR RISK OF LIABILITY CLAIMS, SPEAK TO GROUTECH TODAY.

When you think Grouting… Think Groutech.

Ask Us About Our Total Pavement Maintenance Program To Save Even More.

Including 20 years.
The Queensland industrial property market continues to move and deals are being done. Over the last year we have continued to see increasing sales activity from owner-occupiers who see merit in purchasing property as opposed to leasing it. This is expected to continue whilst interest rates remain low and business confidence returns to a positive trend.

Across the market, leasing activity has been somewhat subdued due to lower demand and also the lack of suitable small to medium sized buildings. Short term leases are popular with tenants testing their growth activity in the small to medium sized buildings means that supply is dwindling. Larger properties that are either somewhat obsolete or poorly presented struggle to attract interest and face increasing competition from newer buildings. As always, pricing and presentation are important factors in securing tenants.

Investment activity remains strong with many purchases being made by small to medium superannuation funds. Good investment properties with quality leases to strong tenants are highly prized by both agents and investors, so now is a very good time to sell. Yield compression has been evident for some time with some examples of industrial property selling for yields in the low seven percent to high six percent range; however, recent positive movements in commodity prices and the flow on effect to shares may see this price pressure ease. Regardless, returns on industrial property are very good.

Over the next year we expect more competition from tenants due to the shortage of suitable and available buildings. Whilst investment sales should continue to be strong with quality offerings being highly sought after, there may be some reluctance from investors to follow the yield curve down.

The question for all owners of industrial property: Is your property relevant?

The shape of the Brisbane and SEQ industrial market continues to transition following the mining boom. In the past we have seen the decline of manufacturing businesses and resultant urban renewal as former manufacturing sites have been redeveloped. It is a matter of simple economics that redundant sites are converted to the highest and best use. Sometimes that use is residential as is the case in West End. Elsewhere it may be a revitalised industrial application.

Brisbane’s south side is changing quickly. Examples include the redevelopment of sites such as the former Boral Brickworks site at Darra, the old Alstom buildings on the corner of Evans and Boundary Roads in Salisbury and the redevelopment of the former Army barracks at Wacol.

These large sites are often acquired by institutional investors with access to extensive capital resources, the expertise of property professionals and market presence that enables them to do deals with the best tenants in the market. They are extremely competitive between themselves and with the broader market. In some cases, they set new standards in quality and affordability of industrial buildings. They are in many ways price setters.

On the other hand, major tenants are sophisticated and make decisions holistically. Increasingly, businesses look to maximise the value of every square metre of a property, they consider factors such as: the opportunity for increased volumetric storage capacity; inventory management and storage systems; presentation; location and road efficiency; access to and retention of workers; workplace health and safety, and environmental considerations. A good old cheap tin shed and a ‘rabbit warren’ of old fibro offices does not cut it!

There is usually some form of trickle down effect from the top end of the market. Owners struggling to lease buildings should start to ask:

- Is my building relevant to the current market? If not, what do I need to do to make it relevant?
- How does my building compare to the competing stock of vacant buildings?
- Is there a redevelopment or refurbishment strategy that will maximise the appeal, value of my property and my return on investment?
- What is my succession plan for my property portfolio?

Phil Ainsworth
Managing Director
Industrial Sales and Leasing
Trends in and around Brisbane

South City Fringe: West End, South Brisbane, Woolloongabba, East Brisbane, Coorparoo, Buranda, Stones Corner and Kangaroo Point

Rob Finlay 0411 747 165

The south city fringe continues to be popular with developers and the conversion of industrial property to residential will continue for many years to come.

One site to watch is the Paul’s Milk Factory site. Listed as one of Brisbane’s iconic development sites and media speculation earlier this year, suggesting that this site may be under consideration for the new state of the art indoor entertainment arena by the Queensland Government under its ‘market led project scheme’.

The recent ‘calling in’ by the Queensland State Government of the proposed 1,350m² unit development by Sekisui House in West End shows the level of scrutiny taking control of the development, it is hoped that a revised project will be put forward by December 2016.

Leasing stock across these suburbs is limited with very few sites over 500m² currently available. Well presented office/warehouses under 500m² are available for between $130/m² and $155/m² available in the mid $300/m² leasing rates for industrial buildings vary considerably depending upon the style of building and location.

Recent examples of new leases include a five year lease for 3,500m² in Coorparoo at a rate close to $110/m² net per annum, and a number of office/warehouses on Montague Road between 300m² and 400m² achieving around $150/m² gross per annum. In Coorparoo, units between 300m² and 600m² in Cambridge Street have achieved rates of around $125/m². Higher rates closer to $170/m² have been achieved in East Brisbane. It continues to be difficult to locate tenants for city fringe offices; however, owners who are prepared to meet the market have achieved gross rates of around $280/m².

Vendors are achieving good prices. Recent industrial sales include a 766m² service trade zoned block at 3 Burke Street, Woolloongabba with an old house which sold for $880,000 or around $1,150/m² for the land. In Nile Street in two separate transactions, smaller units achieved prices of $860,000 and $900,000 a very solid land and building rates of well over $3,000/m². In Coorparoo, a 513m² free-standing office/warehouse at Kirkland Avenue sold to an owner-occupier for $1.3 million or $2,535/m².

Eastern Corridor: Bulimba, Morningside, Murarrie, Hemmant, Tingalpa, Lytton, Wynnum & Mansfield

Rob Finlay 0411 747 165

Further upgrades to Port Drive commenced mid 2016 which included improvements to the Tanker Street/Lucinda Drive road networks, a four lane overpass over Port Drive and Kite Street intersection, duplication of Port Drive and inclusion of a full length concrete separation barrier. This work is expected to be completed in 2019. This privately funded work is expected to greatly improve access to the Port of Brisbane.

The Port of Brisbane Dedicated Freight Rail Connection has been listed by Infrastructure Australia as a ‘near-term’ project of high priority on the Infrastructure Priority List. It will be interesting to see if and when funds are allocated to this project.

Hemmant and Lytton continue to have a very good selection of properties available for lease. Sizes range from small office/warehouse units to large industrial facilities capable of providing as much as 20,000m² plus of quality warehousing space.

Mid-sized property is leasing at rates of between $90/m² and $125/m² depending on the location, presentation and functionality of the property. Examples of recent leases...
include 2,000m² in Aquarium Avenue, Hemmant, and a two and a half year sub-lease of 5,662m² in Queensport Road North, with some owners of larger space prepared to provide generous incentives for the right deal.

The last year has seen quite strong leasing activity across Morningside and Murarrie with a number of small units under 600m² leased for three and five years at rates from $125/m² to $160/m². Examples include 300m² in Breene Place, Morningside, and 400m² in Goodman Place, Murarrie. Tingalpa Central on Wynnum Road has continued to have strong interest from tenants with only limited retail/commercial space available.

With limited vacancy in Mansfield, it is to be expected that property listed for sale or lease will be well received. Examples of recent leases include 300m² units at Wecker Road which achieved between $110/m² and $140/m².

Properties under 2,000m² available for lease are in short supply and this is not expected to change in the near future.

Charter Hall recently acquired a 17,766m² property at 1517 Lytton Road, Hemmant for $6 million. This transaction gives Charter Hall control of a strategic parcel of industrial land of over 12 hectares in a prime TradeCoast location.

Investment sales include a 572m² office/warehouse unit at 17 Dividend Street, Mansfield at a yield of around 7% or $1,854/m². At 85 Gosport Street, Hemmant, a Sydney investor paid $3.25 million for a 2,052m² industrial building on 3,536m² of land, a reported yield of 7.5%. In Breene Place, Morningside, a private investor paid a very sensible $3.55 million for a 2,500m² building on 4,634m² of land at a yield in the vicinity of 8.3% which reflected the shorter term lease.
More money in your pocket

You could be missing out on thousands.

A NBtax property depreciation schedule could return thousands in cash back into your pocket. Let the market leaders help you maximise your property tax depreciation deductions for your investment properties.

Quote code KC2017 to receive a 15% discount on our services.

It’s time to talk — now.
1300 730 382

North City Fringe: Albion, Fortitude Valley, Herston, Newstead, Bowen Hills, Enoggera, Newmarket, Kelvin Grove, Stafford, Windsor and Milton

Jack Mihajlovic 0408 822 907
Daniel Paxton 0408 825 238

Inner north city fringe suburbs comprise of largely remnant industrial properties which are expected to continue to be progressively redeveloped into mixed use projects. There are now very few major industrial sites in these suburbs. Creativity is exemplified in the recent announcement of the possible redevelopment of News Corp Australia Bowen Hills’s media facility on the corner of Campbell Street and Mayne Road. The concept includes land on the opposite side of Mayne Road and may include redevelopment of the Bowen Hills railway station. The proposed master plan for this important site is for an eight hectare mixed-use precinct to include high-rise apartments, offices, department and specialty stores, restaurants and green space. There is also talk of the development including a hotel, cinema and media innovation centre.

The pipeline of developments includes the recently announced $1.1 billion, five hectare Herston Quarter site to be developed by Australia Unity. This 10 year project is adjacent to the Royal Brisbane and Women’s Hospital. Australia Unity is expected to develop a mixed use precinct for health, residential, commercial and recreational activity. The recent announcement of the possible sale of the Mayne Rail yards by the Queensland State Government will further enhance urban development opportunities in these areas.

As far as the leasing market is concerned, these suburbs traditionally offer a reasonable selection of smaller industrial units priced from around $125/m². Herston has very affordable examples of small offices priced from $270/m² and office/warehouse units priced from $144/m². Other examples include Stafford which has a number of 300m² office/warehouses priced around $140/m² which is typical of the pricing across these suburbs.

Recent leasing deals include 18 Doggett Street, Fortitude Valley where My Pet Warehouse secured just under 1,000m² of showroom/warehouse for five years and a 430m² office/warehouse in Butterfield Street which was also leased for five years to a training group.

The strength of the owner-occupier sales market in these suburbs is demonstrated by the very quick clearance of Van Riet Development’s 23 unit development at 254 South Pine Road, Enoggera.

Northern TradeCoast: Eagle Farm, Pinkenba and Hendra

Jack Mihajlovic 0408 822 907
Daniel Paxton 0408 825 238

Kingsford Smith Drive’s upgrade is welcome and long overdue. It is expected to be completed in 2019. The rapid increase in residential developments in Eagle Farm has greatly increased the number of vehicles using this already congested arterial road. The Port of Brisbane is currently doing its due diligence on the proposed Mega Cruise Ship Facility at Luggage Point. This estimated $100 million project is expected to have an enormous impact on the immediate vicinity: very positive tourism outcomes and a boon to provedoring and allied businesses.

Recent leases in the area include a new seven year lease to Sandvik Group for 9,354m² at 180 Holt Street, Pinkenba at a reported rate of $123/m² whilst in French Street, Eagle Farm the US headquartered Big Ass Solutions has taken a five year lease on 2,658m² at a reported rate of $140/m².

Recent sales include the purchase by a Sydney investor of a 5,335m² office/warehouse at 37 Eagle View Place, Eagle Farm for $9.1 million on a reported yield of 8.0%.

The strong interest in land in this area is demonstrated by the sale of a 25,100m² site with approval for a 12,000m² industrial complex in Radio Street, Pinkenba for around $327/m².
Northern Corridor: Banyo, Geebung, Northgate, Virginia, Zillmere and Brendale

Jack Mihajlovic 0408 822 907
Daniel Paxton 0408 825 238

Leasing activity has been modest, partly due to the absence of suitable properties. Recent leases include five year leases in 2,300m² office/warehouse at Depot Street, Geebung and 1,000m² in Buchanan Road, Banyo. Shorter term leases include 1,600m² in Granite Street, Geebung and 700m² at Armada Place, Banyo. Deals are being done at net rentals between $100/m² and $140/m², depending on the features and quality of the building.

Recent sales include a 407m² unit at 388 Newman Road, Geebung which sold for $1,670/m². Two adjoining properties at 28 and 34 Yarraman Place, Virginia changed hands for $2.4 million and $2.75 million respectively. The building sizes were 2,451m² and 2,562m² - the sales reflect a land and building rate of $979/m² and $1,073/m². With very few properties available for sale in these suburbs, investment stock is quickly snapped up by investors.

These suburbs can accommodate businesses of varying sizes and budgets. There are a number of good quality properties available for lease between 1,000m² and 6,000m². Prices range between $100/m² and $140/m². Examples include 52 Wentworth Place, Northgate, 36-42 Wentworth Place, Northgate, 1/186 Granite Street, Geebung, 356 Bilsen Road, Geebung and 89 Northlink Place, Virginia.

Brendale in recent times has been the host to quite a lot of activity, due to the large number of new buildings and the abundance of land which is available to the market. Developers are continuing to maintain a good balance between large and smaller stock, ranging from 100m² to 10,000m² and are pricing these properties at a very competitive rate. Some examples of this are New Base Brendale and Brendale Connect, which both meet the needs of developers. Brendale also has many quality buildings available for lease in various size ranges to suit most users’ needs.

Western and Logan Motorway Corridors: Oxley, Darra, Richlands, Sumner Park, Seventeen Mile Rocks, Wacol, Carole Park, Heathwood, Larapinta, Parkinson, Crestmead, Hillcrest, Eight Mile Plains, Browns Plains, Redbank and Swanbank

Richard Hall 0408 199 919
Scott Naude 0409 889 535

The western corridor continues to be one of the most active and important industrial areas in south-east Queensland. Major land developments such as Goodman Group’s Redbank Motorway Estate, CIP/Charter Hall’s Darra Brickworks Estate, Metroplex/GPT’s Metroplex Westgate, Logos and Lyn Brazil’s Heathwood Estate and Uniplex Industrial Park, will provide enormous opportunity for owner-occupiers and developers. The recent completion of the Boundary Road extension, through the ‘Metroplex’ estate, connecting Richlands to...
Wacol brings cohesion to two of the south-west corridor’s most important suburbs. In Heathwood, the Logos Group acquired a 24.6 hectare site at 408 Stapylton Road, Heathwood and is expected to develop a premium logistic estate with an end value of more than $200 million.

Goodman has added to its collection of top tenants at Redbank Motorway Estate with TNT Express taking 27,781m² at 112 Monash Road. Dexus Property Group has been rewarded with its 23,000m² spec building, quickly leasing to MJ Logistics and a major biscuit and food manufacturer.

Recent leases include 1,525m² to Samios Plumbing Supplies for five years at Mica Street, Carole Park at a reported rate of $87/m². In Crestmead, 1,300m², 1,600m² and 1,800m², 3,060m² office/warehouses on Magnesium Drive, Radium Street and Platinum Street achieved rates of between $85/m² and $95/m².

Other examples elsewhere include; 1,400m² leased at Ebbert Street, Darra and 1,200m² at Boundary Road, Richlands, 2,221m² in Mica Street, Carole Park and 800m² in Distribution Street, Larapinta. As expected, these leases achieved market rates in the vicinity of $105/m² to $115/m². Specialised buildings such as 104 Mica Street, Carole Park where 911m² of cold storage was leased to S & K Transport for three years at a gross rental rate of $241/m².

The trend towards small industrial units being used for sporting activities has continued with 485m² industrial unit leased at Boxr Fitness Brisbane on a four year lease at around $114/m² and another 430m² in Tile Street, Wacol also being leased as a gym. Small buildings and units are achieving between $100/m² and $120/m², depending upon the presentation and quality of the property. Recent examples include 100m² and 130m² in Jijaws Street, 200m² in Spine Street and 500m² in Coulsen Street, Wacol.

Land sales include a 2,508m² industrial allotment in Corymbia Place, Parkinson which sold for $295/m². Recently, there have been acquisitions of future industry land in Wacol and Richlands at rates of under $100/m².

Major sales in the area include the $6.71 million sale of 147 Archerfield Road, Richlands where Vermeer Equipment Holdings purchased a 7,917m² office/warehouse, with cranes, on 19,490m². Next door at 145 Archerfield Road, the NSW based One Funds Management purchased a 2.68 hectare multi tenancy investment for $15.75 million at a reported yield of 9.3%.

Other sales include a 2,069m² office/warehouse on 3,020m² of land at 101 Antimony Street, Carole Park which was purchased for $2.13 million.

There are some very good buildings available for lease in these suburbs, such as 57 Machinery Street, Darra. This well located 2,601m² office/warehouse is available now at a very competitive $98/m². A very usable 1.873m² clear-span warehouse is available at 42 McRoyle Street, Wacol, which is good value at $85/m². In Heathwood, there are a couple of office/warehouses in the 2,000m² to 2,500m² range that can be leased for rates between $100/m² and $120/m². Heathwood is a prime location with direct access to the Logan Motorway and these leasing rates are hard to beat.

Brisbane South: Acacia Ridge, Willawong, Coopers Plains, Salisbury, Archerfield, Yeerongpilly/Tennyson, Moorooka, Fairfield, & Sherwood

Rodney Hewitt 0417 020 406
Daryl Sluggett 0418 782 271

The upgrade of Paradise Road, which is expected to be completed in early 2017, is a small step towards addressing the problematic connection between Willawong, Larapinta and the Logan Motorway. A 2.2km stretch of road between Brookbent Road and Radius Drive is being widened and a more durable road pavement is being constructed. This upgrade is welcome, but, is arguably merely a stop gap measure, as flooding of the road is expected to continue during heavy rain events.

As always, these suburbs offer a range of small, medium and large buildings, catering for business needs ranging from large scale distribution/warehousing facilities to small office/warehouses. Pricing in these suburbs is competitive with some medium sized older style buildings available from around $75/m². Modern buildings of varying sizes can be leased for between $90/m² and $110/m².
There are some terrific buildings available for lease in Acacia Ridge such as Goodman’s Acacia Ridge Business Park and the recently refurbished 1727 Ipswich Road, Rocklea which offers exposure and 7,629m² of high bay office/warehouse with awning and cranes. At the small end of the market, there is a good selection of units under 700m² that can be leased from as little $85/m² for older properties, with premium stock around $140/m² across most suburbs.

Despite what is considered to be a generally slow leasing market, there are deals being done. Examples include Couriers Please taking a new ten year lease in 12,200m² in Evans Road, Salisbury and in Acacia Ridge, a number of well presented buildings around 2,800m² in Colebard Street and Murdoch Circuit have achieved two and three year leases at rates of $90/m². Owners who are prepared to spend even modest amounts refurbishing or improving the presentation of their vacant buildings can expect to be rewarded with greater interest from tenants and arguably higher rents.

The paucity of investment stock in these prime suburbs is frustrating many prospective investors, and for that matter, agents. With few investment alternatives available, quality industrial property with long term leases remain scarce and highly sought after. Evidence of the strength of these suburbs can be found with the sale of a recently refurbished 1,900m² building in Boundary Road, Archerfield which sold at a yield of around 7.9%.

Most of the sales activity in these suburbs has been for property priced at under $3 million. The sales market is currently being driven by owner-occupiers and is particularly quite strong in the 800m² to 2,000m² size range. Recent sales of vacant buildings include two 1,200m² buildings in Achievement Crescent, Acacia Ridge which sold for $1.63 million and $1.5 million, respectively. Other examples include a 1,350m² building at 44 Overlord Place, Acacia Ridge which sold for $1.9 million; 2,000m² at 18 Raynham Street, Salisbury which sold for $2.31 million; and 1,700m² at 100 Musgrave Road, Coopers Plains which sold for $1.5 million.
M1 Corridor: Yatala Enterprise Area (YEA)
Yatala, Stagylton, Ormeau, Berrinba, Beenleigh, Slacks Creek, Rochedale, Meadowbrook, Shailer Park, Underwood, Logan, Loganholme, Kingston, Woodridge and Springwood.

Amy Baillie  0448 124 330

Yatala Enterprise Area (YEA) continues to be one of south-east Queensland’s premier industrial areas. YEA is already home to major businesses such as Gotzinger’s Smallgoods, Stoddart Steel House Frames Australia, Stratco, Coopers Brewery, Caterpillar Distribution Centre and Carton & United Breweries. The list of top businesses continues to grow with Owens-Illinois recently moving into their new state of the art 30,000m² facility.

YEA still has many hectares of industrial land still suitable for development and enjoys the ongoing commitment from developers with projects such as Empire Industrial Estate and Frasers Property Group’s Yatala Central. Design and construct opportunities are many, with most developers able to provide competitive pricing for the right tenants.

The proximity of YEA to the M1 Motorway and the types of property available means the area has widespread appeal and is suitable for most business activities. The area is set for continued development with existing sites and large tracts of land yet to be developed such as those along Darlington Drive and Pearson Road.

Regular investment in infrastructure is important. The soon to be completed partial upgrade of Burnside Road, Stagylton is welcome and will greatly improve traffic flow and the overall appeal of this part of Stagylton.

Currently, leasing rates range from $105/m² - $130/m² and there are some quality mid-sized new or near new buildings available in streets such as Telford Circuit, Alloy Place and Dixon Street.

In the Yatala Enterprise Area, sales include a 1,230m² facility on 2,466m² of land at 11 Blanck Street, Ormeau which sold for $2.092 million or $1,700/m².

Leases in Yatala are achieving rates similar to the rest of the M1 Corridor for smaller buildings, with three to five year leases being negotiated for a 500m² and 800m² in Commerce Circuit.

Other activity in the M1 corridor include sales such as a 6,480m² industrial complex on 11.160m² land at 25 Eurora Street, Kingston which achieved $5.2 million. Berrinba continues to be popular with a number of spec buildings under construction or recently completed including: 1,461m² at 2 Siltstone Street and 9,472m² at Wayne Goss Drive, Berrinba.

An example of continuing activity in Berrinba includes two industrial allotments of 2,419m² and 4,658m², which sold for $540,000 and $1.04 million respectively.

Leases include a 550m² office/warehouse at 100 Park Road, Slacks Creek which leased to Emergreen Nutrition Australia for three years at $91/m². In Meadowbrook, a 1,100m² office/warehouse was leased for three years around the $100/m² mark. Slacks Creek and Underwood continue to be popular, with businesses taking three year leases at rates of between $80/m² and $110/m². Examples include 600m² in Judds Court, 380m² in Moss Street and 550m² on Parramatta Road.

Current leasing opportunities exist in Telford Circuit, Yatala, with office/warehouse/hardstand space between 1.525m² and 1.753m² priced at $130/m². In addition, 8 Blanck Street, Ormeau is available. This office/warehouse of 3,838m² with hardstand is well priced at $117/m². Further north, 1/47 Moss Street, Slacks Creek offers a showroom/office/warehouse of 390m², competitively priced at $190/m². Parramatta Road, Underwood has always been popular, and current vacancies at 68 Parramatta Road include Units 2 and 4, realistically priced at $110/m².

The recent announcement by Logan City Council to conduct the ‘Springwood Summit’ is welcome news as it will explore the potential of Springwood’s business centre as south-east Queensland’s next CBD.

Slacks Creek has a number of great properties for sale such as a 813m² free-standing office/warehouse at 6 Aranda Street, Slacks Creek, priced at $1.35 million along with a 455m² office/warehouse at 2/130 Kingston Road, Underwood at $730,000.

The M1 Corridor offers businesses the opportunity to find what it is they are looking for in industrial estate, now and in the future.
Our professional valuation teams provide expert advice on all sectors of the property market.

SPECIALISING IN:
- Industrial
- Residential Development
- Hotels and Leisure
- Child Care Centres
- Commercial and Retail
- Prestige Property
- Service Stations

OUR SERVICES INCLUDE:
- Mortgage Valuations
- Feasibility Studies
- Asset Valuation
- Purchase Advice
- Expert Witness Advice
- Research

LMW
GPO Box 1046
Brisbane, QLD 4001
T: (07) 3226 0000  F: 1300 727 684
E: mailbris@lmw.com.au
National Offices: NSW, VIC, QLD, WA & SA
www.lmw.com.au