

The year ahead

Most economists believe 2018 will be similar to 2017, but with definite signs of improvement.

Interest rates are expected to remain on hold for the first half of the year, however many are predicting rate rises at the back end of 2018. The economy is expected to continue to grow at the same rate as 2017 (around 2.8%) and the Australian Dollar is expected to continue to hover between 70 and 80 cents against the US dollar. Unemployment is expected to remain steady at around 5.5% whilst government debt, considered one of the biggest threats to the economy will continue to grow.

Whilst the outlook for equity markets is generally positive, continued headwinds are expected in the retail sector from the expanding presence of online retailers and low wage growth. After a tough 2017, the major banks which comprise about a third of the ASX200 by market capitalisation are expected to be further impacted in 2018 through tougher lending regulations and an upcoming Royal Commission into the sector.

Consumer confidence will continue to be affected by increased energy prices.

Whilst wage growth is expected to remain stagnant with some upward movement in the latter part of the year.

The political climate will continue to be a key influencer on business sentiment during 2018. Despite greater certainty expected following the conclusion of the Queensland State Election, the Australian Federal Election could hinder business decision making during 2018 with a potential polling date as early as August 2018, though more likely to be in the first half of 2019.

Tewksbury Commercial is in the main bullish about 2018. Office vacancy levels will continue to improve, putting some upward pressure on rents.

Pricing will remain strong as investors continue to take advantage of low interest rates by placing more money into bricks and mortar in search of yield. We believe the Brisbane commercial property market provides a compelling value proposition in comparison to Sydney and Melbourne and will continue to improve throughout 2018.



From the Left: Jeff, Peter and Darren

\$13 million in strata office sales

Renowned for being tightly held, the Brisbane Strata office market remained resilient during 2017 with Tewksbury Commercial negotiating 16 transactions worth in excess of \$13 million.

The majority of buyers were owner occupiers from the Medical, Finance & IT sectors with just two investment sales recorded.

Located in the CBD, Milton, Toowong and Taringa, lots ranged from 37m² to 561m². Prices ranged from \$3,000 per square metre to just over \$5,200 per square metre. The four CBD transactions sold for an average rate of just over \$5,000 per square metre. In Milton, the average price was \$4,200 per square metre whilst Toowong averaged \$4,350. Taringa was the most affordable, with an average sale rate of \$3,500 per square metre.

Comparative strata sale prices



Positive sign for leasing market

Further indications that the Brisbane leasing market is on the recovery were evidenced by Tewksbury Commercial negotiating more than 7,000 square metres of leases across 31 deals during 2017.

Tewksbury Commercial's Head of Leasing, Darren Lucchese said the size of the deals varied dramatically and showed about a 70/30 split between office and retail. "The deals covered the whole spectrum of the market from CBD office to neighbourhood shopping centres. The smallest deal was a 37 square metre strata office suite leased to a sole trader right up to a 1,500 square metre floor plate leased to an ASX listed company." Mr Lucchese said the majority of the leasing demand was from the Finance, IT and Medical sectors seeking office space in Brisbane's inner west.

Record breaking Taringa transaction

A Singaporean investor represented by Brisbane based investment manager, Marquette Properties, snapped up a commercial building in Taringa for \$18 million. The sale which was negotiated by Tewksbury Commercial is the largest single transaction ever recorded in Taringa.

Located on Moggill Road, Taringa Central comprises approximately 3,478 square metre of office and retail space, as well as 188 car parks at a rate of 1 bay per 18 square metres.

Darren Lucchese, who negotiated the sale said the purchaser was attracted to the property's strong income stream and future development potential. Darren, who is also the exclusive leasing agent for the building said; "I've been involved with the property for more than 5 years and negotiated a number of the existing leases during that time. This intimate knowledge was definitely a valuable asset during negotiations." The building which is 85% leased benefits from its close proximity to Taringa Station. Its occupants include Finance Administrators of Australia, Q-Biotics, Clear Objective and Montezumas.

The transaction capped off a buoyant year for the Taringa market which saw a number of strata office sales in the Taringa Professional Centre and the Taringa Centre.

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- Darren Lucchese, Exclusive Leasing Agent

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