



# Coast property is on the radar

## Return of confidence driving strong demand for commercial property

THE 2016 year has seen investors return strongly to the Sunshine Coast commercial property market.

This is resulting in intensifying demand for quality stock, tightening yields and a new surge of development activity.

That's the view of leading Sunshine Coast agents Scott Gardiner and Jason O'Meara of Savills, who have been responsible for transacting many of the landmark deals across the region this year.

Mr Gardiner said the ongoing low interest rate environment continues to provide attractive returns across commercial, industrial and retail markets for investors and developers.

He said the big difference in 2016 has been a noticeable shift in confidence in the region's outlook on the back of major infrastructure projects in the health, aviation, tourism and master planned residential and commercial sectors.

"This confidence is evident with investors, developers and owner-occupiers," Mr Gardiner said.

Mr O'Meara said yields have compressed due to a general lack of stock and quality investment stock in particular is in huge demand.

He said the big increase has been in more out-of-town and southern investors and developers in the Sunshine Coast market than in previous years chasing higher yielding opportunities than southern states.

"Leased investments are literally hot property on the Sunshine Coast at the moment and in

strong demand, particularly free-standing buildings with a strong mix of tenants and attractive lease expiry," Mr O'Meara said.

"These assets are a popular choice of purchase for many buyer groups. Cashed up investors are still particular in their criteria but are very active and have driven prices upwards and yields have noticeably compressed over the past 12 months".

In the industrial property sector, Mr Gardiner said 2016 has seen a shift towards buying and developing land again.

"There has been increased activity from SMSF buyers, and industrial investment yields have tightened by approximately 75 to 100 basis points from 8.25-8.5% return on investment to 7.25-7.75% for fully leased stock.

"The increase in industrial land sales is

highlighted by the strong buying activity at Watpac's Coolum Industrial Estate over the course of the year," Mr Gardiner said.

"There are currently only four lots left for sale with 2016 recording 20-plus block sales, as opposed to averaging only 2-3 lots per year during the previous three years."

Lots sales at both the State Government's Caloundra West Industrial Estate and Kunda Park have also increased in 2016.

Mr O'Meara said the 2016 year has seen strong demand for vacant and leased small to medium stand-alone and strata-titled industrial warehouses, which are averaging \$1500-\$1700 per square metre for existing semi modern tilt-up stock.

New strata industrial sheds are now selling off the plan from \$1,900sq m which has not been witnessed for five to six years.

"Owner-occupiers are increasingly looking to buy older warehouses and this has resulted in more sales transacting than leases," Mr O'Meara said.

"They recognise that in the current market and lending conditions, it is cheaper to borrow to buy and pay interest only then it is paying rent.

"As a result, more small businesses are taking advantage of this and have got out of the 'rent trap' and into the buying market."

With regards to land development, Mr Gardiner said 2016 has seen rising demand for quality residential, apartment and townhouse in-fill sites, with and without approvals. In particular strong demand are those sites in, or abutting, the region's urban footprint.

He cited increasingly high levels of interest in 2016 from developers working to take advantage of development sites across

traditional residential, apartment and town house sites and increased activity for manufactured home estates.

For established commercial stock, well-located standalone assets with quality retail and/or commercial tenants are in high demand, yields are tightening and availability of investment-grade stock is in short supply.

"The Sunshine Coast is maturing and we have witnessed strong activity in the commercial real estate market throughout 2016," Mr Gardiner said.

"The region has potential for major



sustainable growth coming off a low base, compared to say the Gold Coast and Brisbane.

"It is now seeing the delivery of some major infrastructure projects and developments that are driving population and economy and providing employment opportunities.

"These include the Kawana Hospital and Health Hub precinct, Aura master planned community, expansion of the Sunshine Coast Airport and SunCentral - the new Maroochydore CBD."

In summary, 2016 has been a 'coming of age' milestone year for the Sunshine Coast generally and Savills predicts positive market conditions well into 2017.

"It has been a major benefit that construction and domestic tourism has been strong for the Sunshine Coast region in 2016," Mr Gardiner said.

"This is a big positive that helps to spread confidence in the region far and wide and is trend that we see continuing in 2017."

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**EYES TO THE FUTURE: Jason O'Meara and Scott Gardiner and of Savills Sunshine Coast at the new Oceanside Birtinya Health Hub.**

PHOTO: ERLE LEVEY