

# Market Update


11 August 2023





## Acknowledgement of Country

Herron Todd White acknowledges the Traditional Owners of Country throughout Australia on which we work, and their continuing connection to land, cultures, and communities. We pay our respects to Elders, past, present, and emerging.



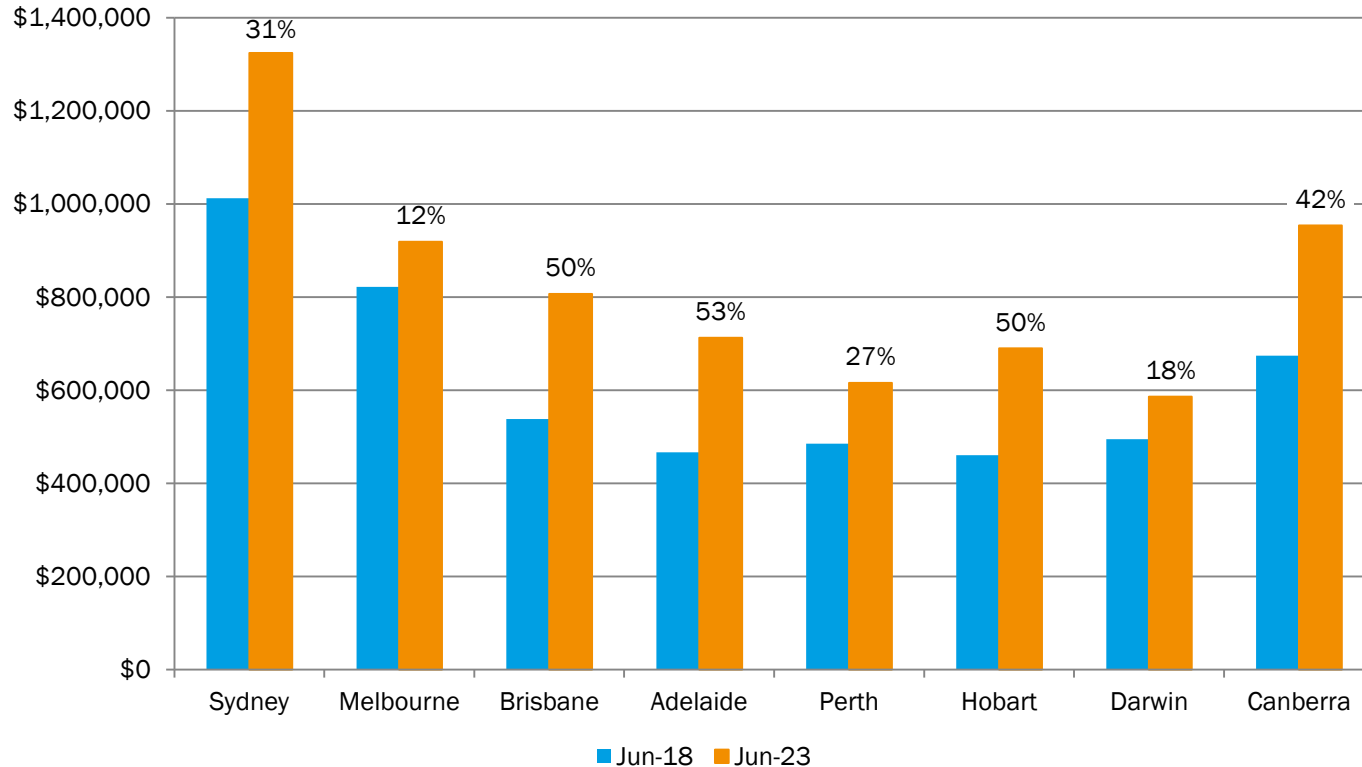
# The big trade off

**Which will prevail...?**



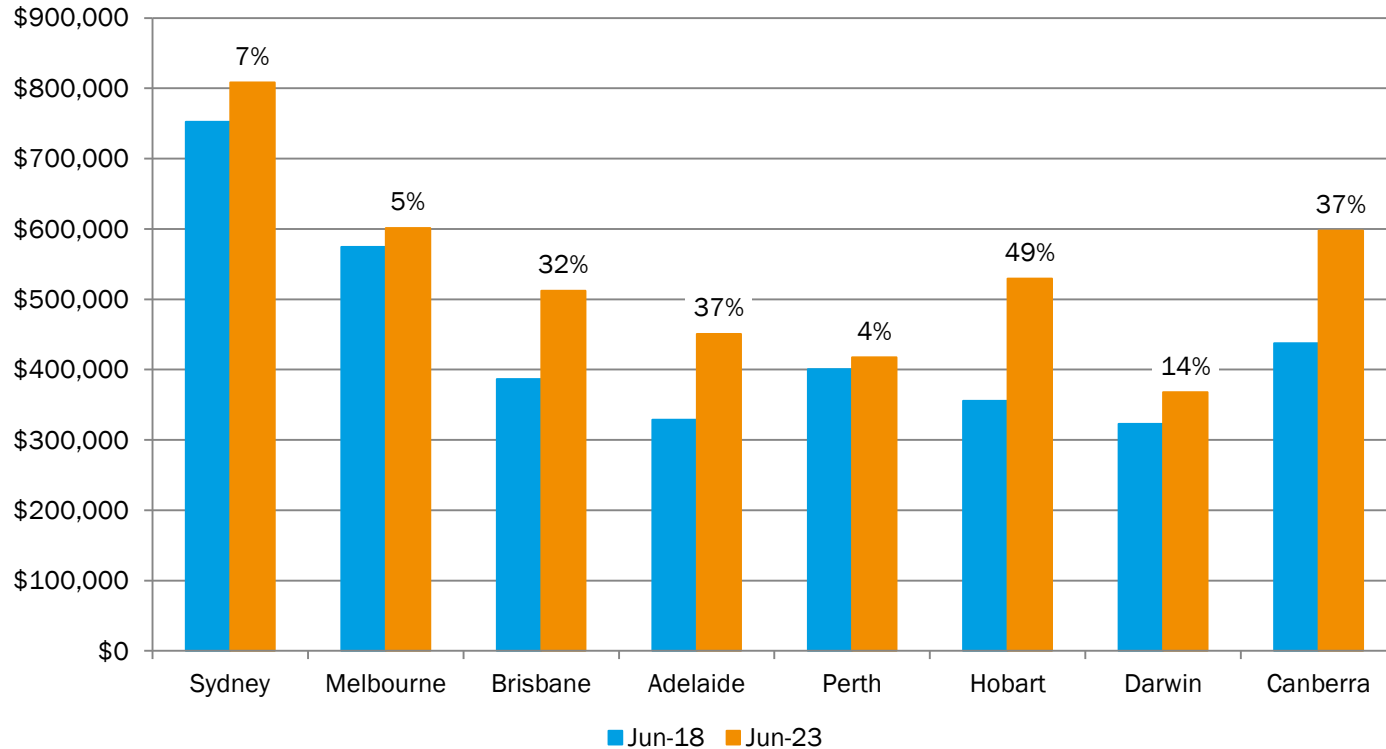
**What is transitory, what is structural?**

# Median House Price: June 2018 vs June 2023

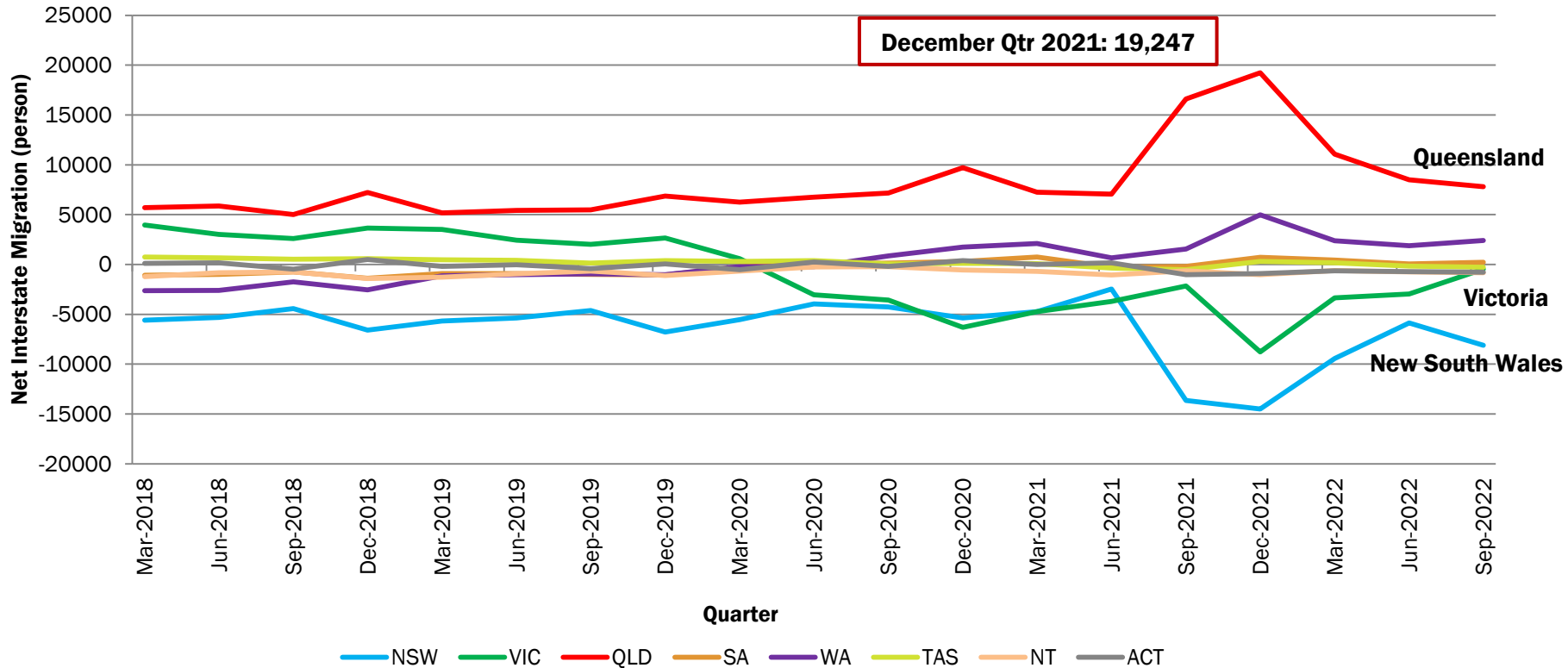


Source: CoreLogic Home Value Index July 2018, 2023

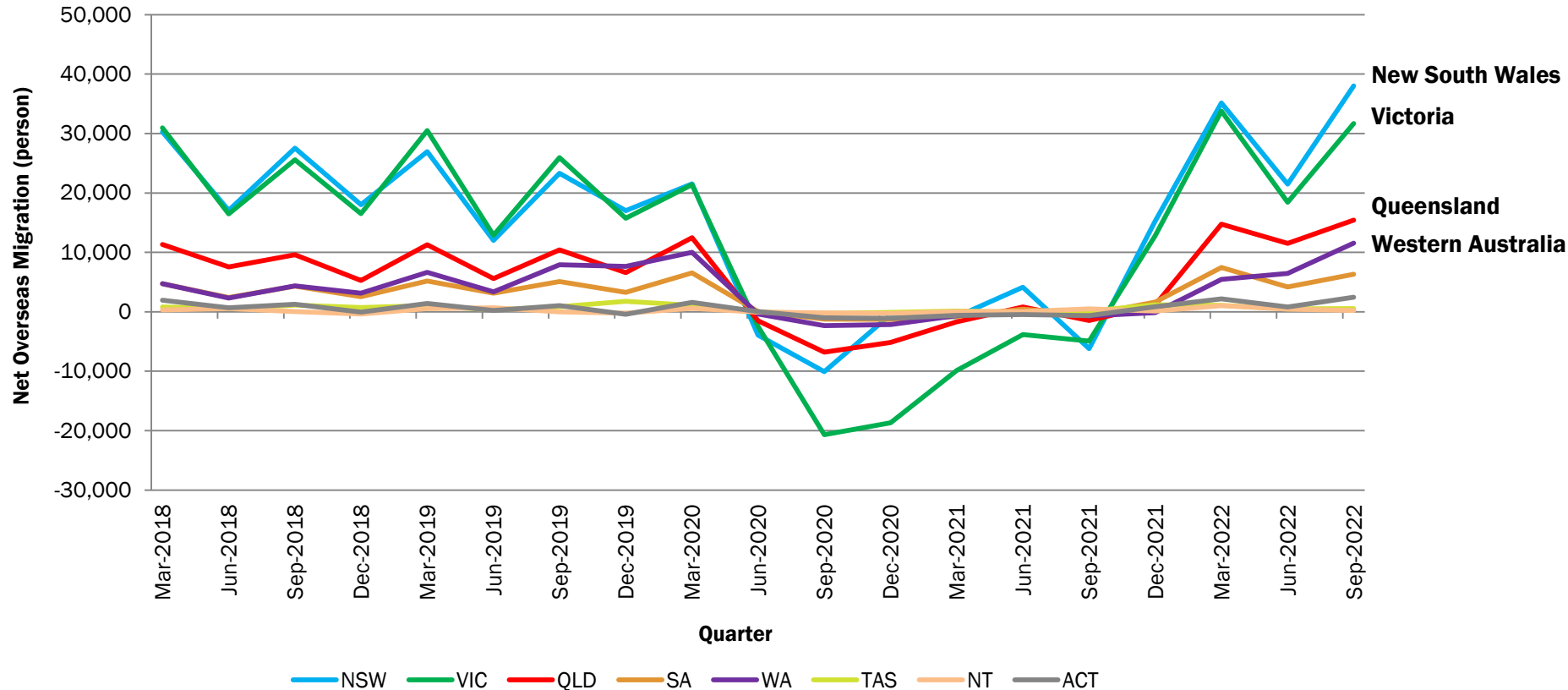
# Median Unit Price: June 2018 vs June 2023



# Net Interstate Migration: March 2018 to September 2022



# Net Overseas Migration: March 2018 to September 2022



# Net Overseas and Interstate Migration: March 2018 to September 2022

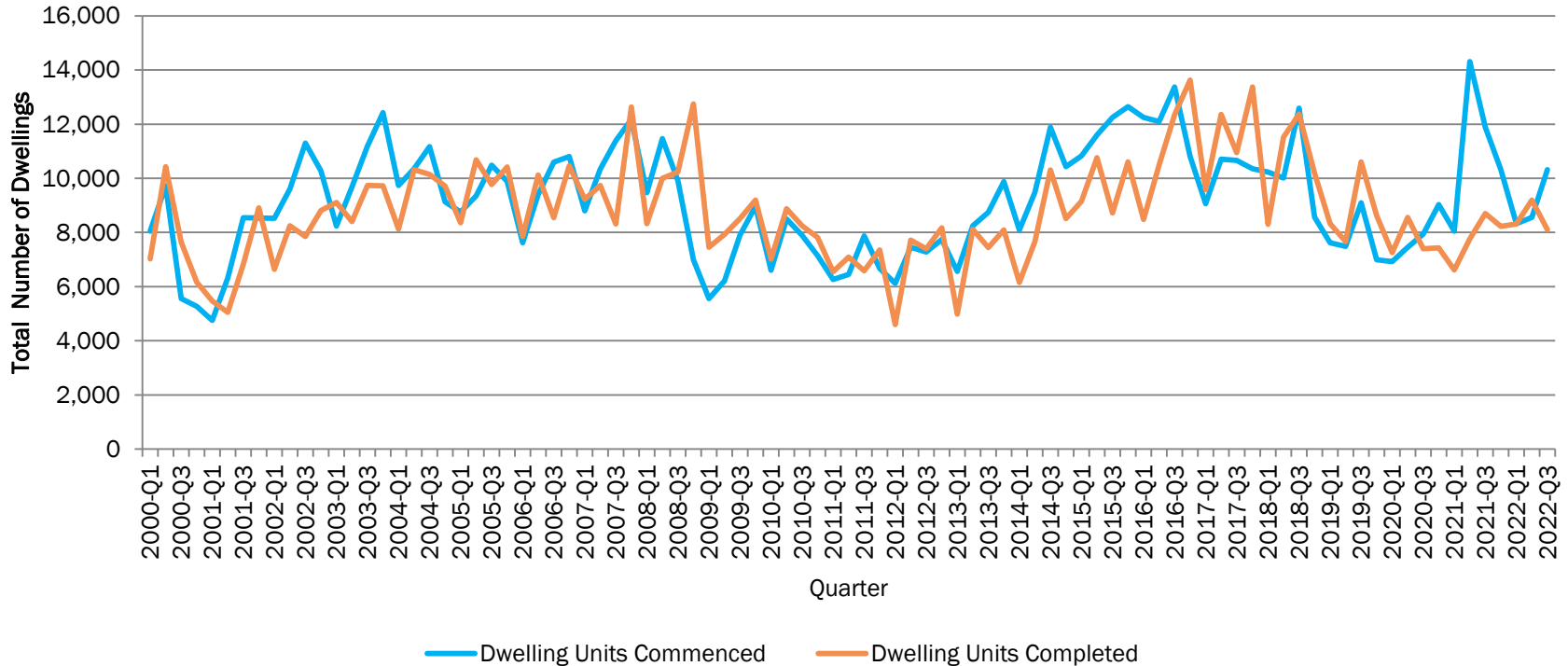




# Rental Vacancy Rates: March 2018 to March 2023



# Building Activity Queensland - Dwellings commenced versus completed



# Competing forces



Under supply versus affordability

# Subdivision Construction Costs (Brisbane mid ring)



	2017	2022	Change
Englobo Land \$/m <sup>2</sup>	\$290	\$475	<b>+64%</b>
Total const. cost/lot	\$98,219	\$188,750	<b>+92%</b>
Avg. gross realisation (incl. GST)	\$400,000	\$750,000	<b>+88%</b>



# Housing Market

# Valuation range – new estates

	Land Cost 325m <sup>2</sup>	House Build Cost 4/2/2	Total Cost
<b>House/land package off-plan early 2022</b>	\$325,000	\$280,000 (2022)	\$605,000
<b>Land purchased early 2022</b>	\$325,000	\$350,000 (2023)	\$675,000
<b>Land purchased 2023</b>	\$400,000	\$350,000 (2023)	\$750,000
<b>Completed house value 2022</b>			\$700,000
<b>Completed house value 2023</b>			\$700,000

## More construction companies to go under: Hutchinson Builders

Sunshine Coast

### 'It was horrendous': Subbies react to \$19m builder collapse

Two creditors caught up in the BA Murphy Construction liquidation after its \$19m collapse have revealed the effects on their businesses

LL CREDITORS LIST

## Building industry 'on the brink' after two groups collapse in 24 hours

Sarah Danckert, Simon Johanson, Najma Sambul, Josh Gordon  
and Rachel Clun

Updated March 31, 2023 – 6:35pm, first published at 8:55am

### Porter Davis liquidation leaves families with half-finished homes, as ASIC data reveals scale of construction company collapses

By Lexy Hamilton-Smith

Posted Wed 17 May 2023 at 6:00am, updated Wed 17 May 2023 at 9:01am

## Second building company collapse of 2023 points to challenging times ahead

A second builder for 2023 has collapsed, with Queensland's LDC joining Melbourne-based Hallbury Homes on the construction casualty list.

By Craig Francis | 11-1-2023 | Building And Construction | 2 min read

# Residential Unit Market



Image Source: Graya™



# Is Build to Rent the answer?



Lendlease's first build-to-rent project will be at the Brisbane Showgrounds.

— Exclusive

## Lendlease taps market for 5000-unit build-to-rent ambition

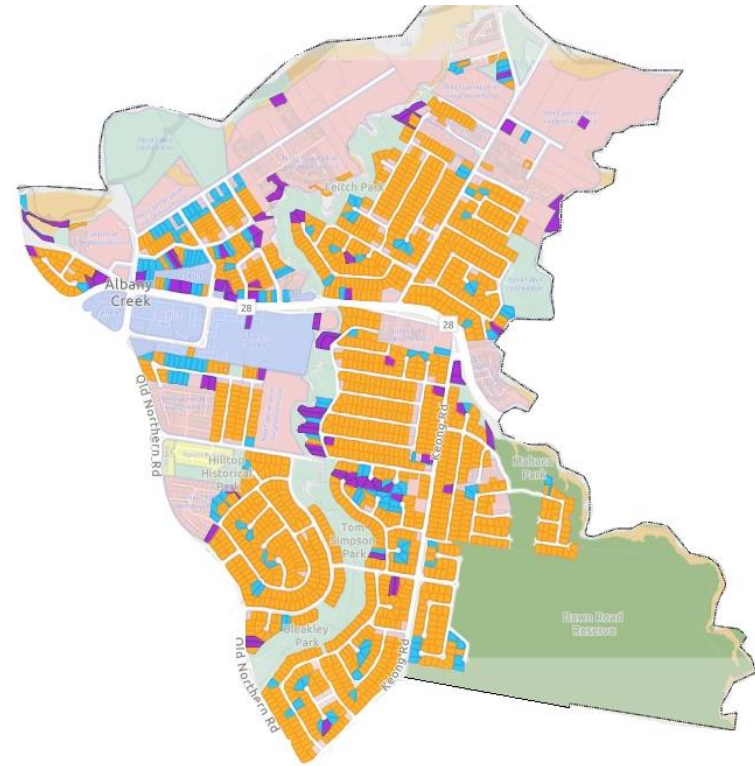
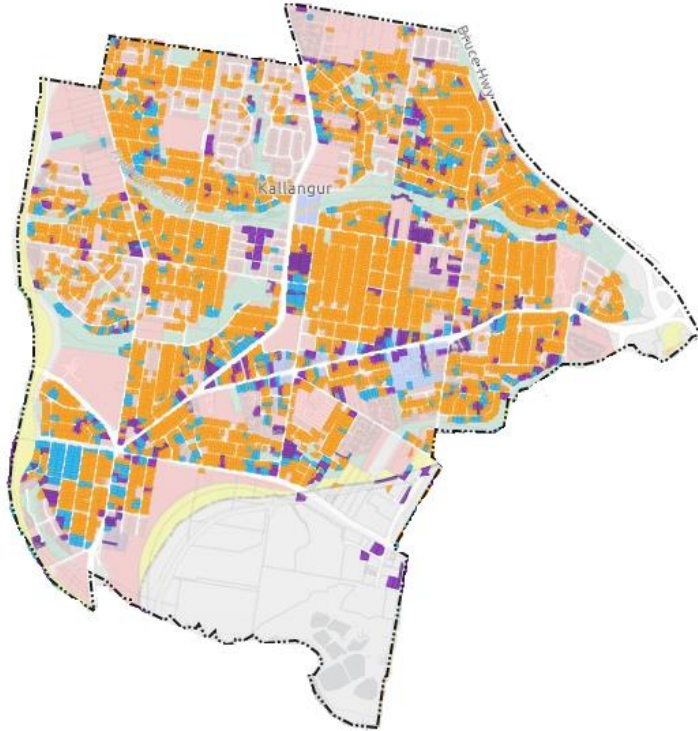


# Investor

# Its all been owner occupier – where are the investors?

- Tighter lending (APRA)
- Rental tenancy law changes
- Capped rental
- Land tax and bracket creep
- Increases in interest rates

# Affordability – What's the Solution?



# Structural or Transitory?

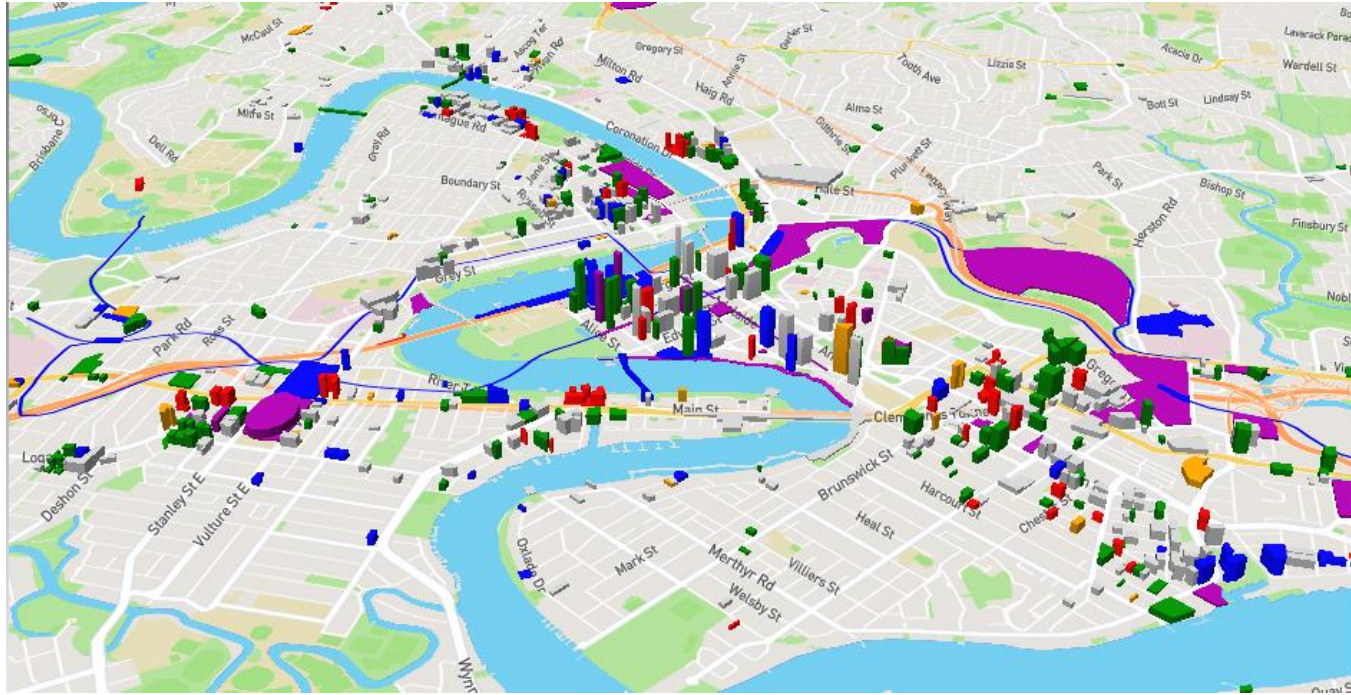
- Acute shortage of housing
- Cost to produce housing – increasing
- Ongoing migration
- Infrastructure wave to come
- Affordability issues are real
- Occupants per dwelling increasing

# Brisbane Commercial Property Markets

**Alistair Weir**



# Big pipeline but significant delivery constraints

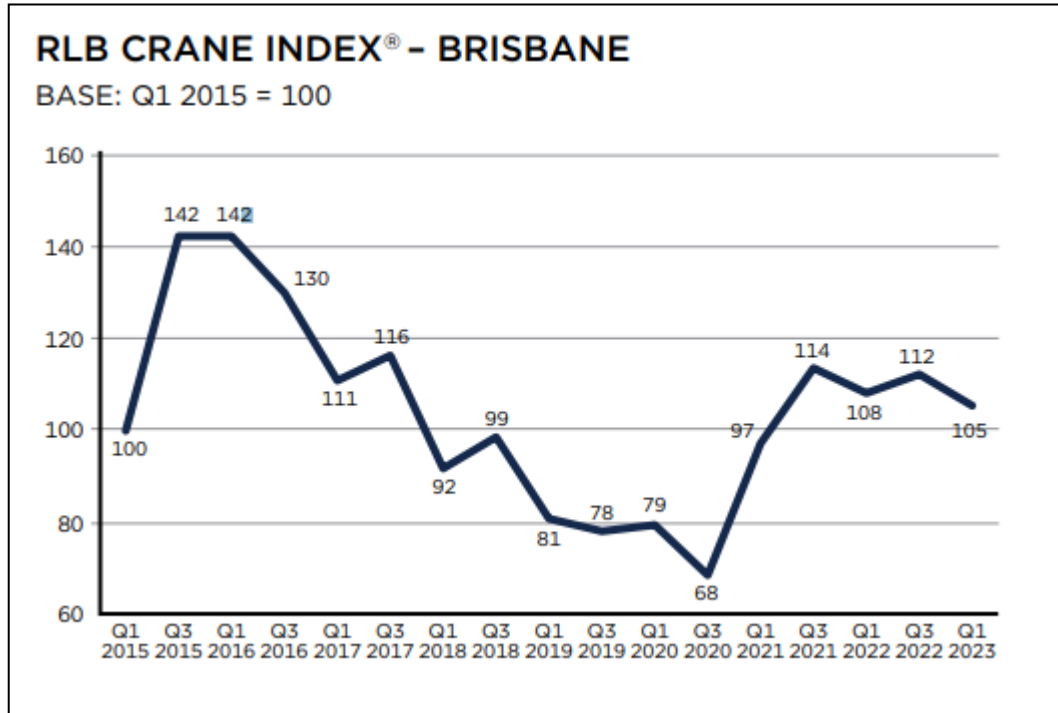


**Red** = Proposed  
**Green** = Approved

**Blue** = Under Construction  
**Purple** = Master Plan Projects

**Grey** = Completed  
**Orange** = Appealed / Refused / Withdrawn

# Development Activity Stagnant





# Office Markets

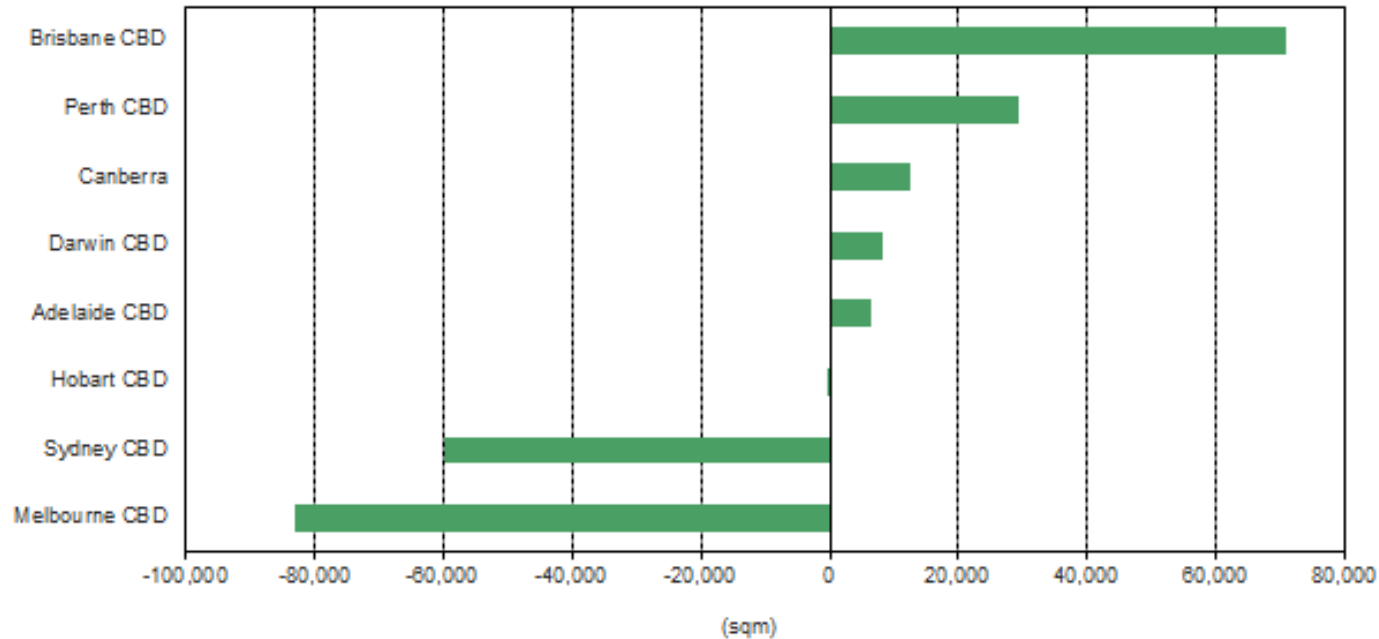
- Strong CBD Leasing demand. Solid rent growth
- Hybrid work arrangements have changed the goalposts but workers are returning
- Move to quality accommodation
- Owner occupiers prominent
- Work space ratios increasing
- Incentives starting to diminish
- Holding income critical for sites

Image Source: HTW

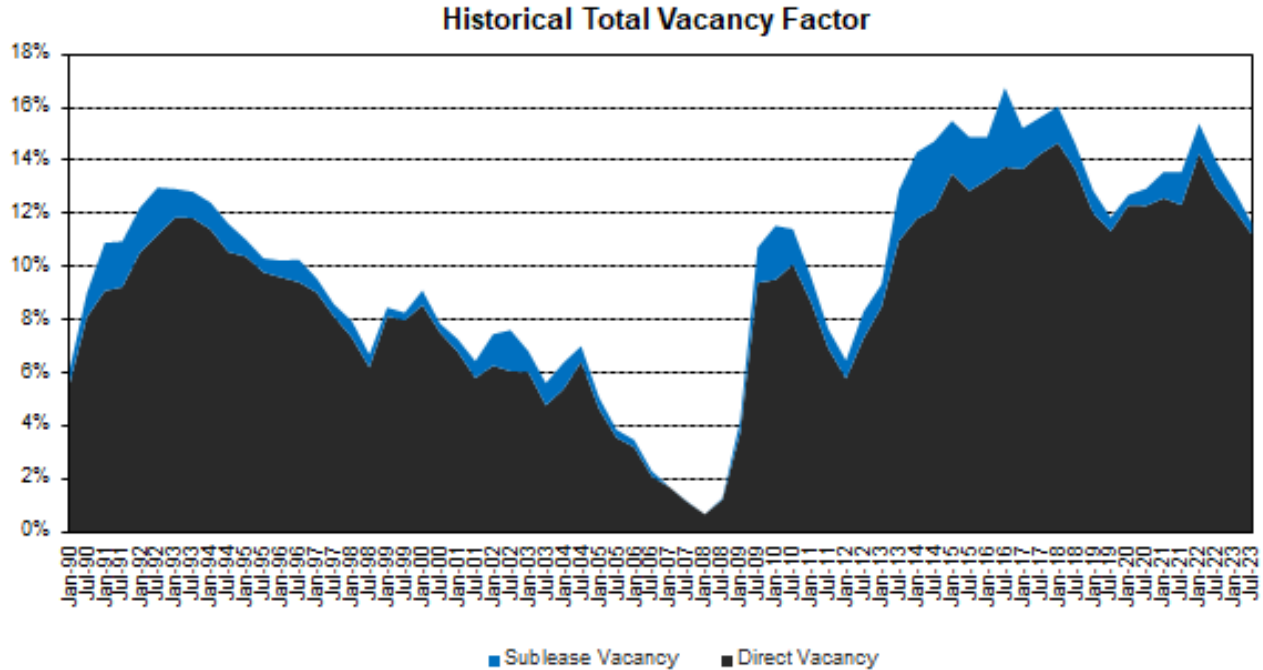


# CBD Office Markets

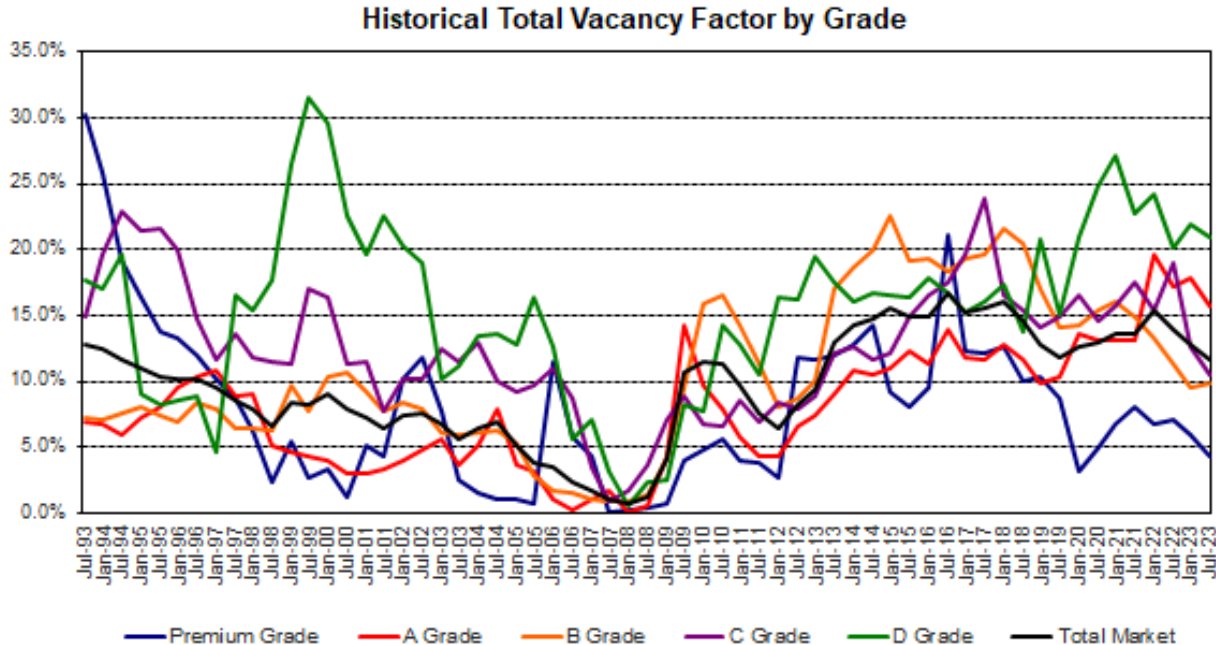
CBD Net Absorption: Twelve months to July 2023



# Total CBD Vacancy



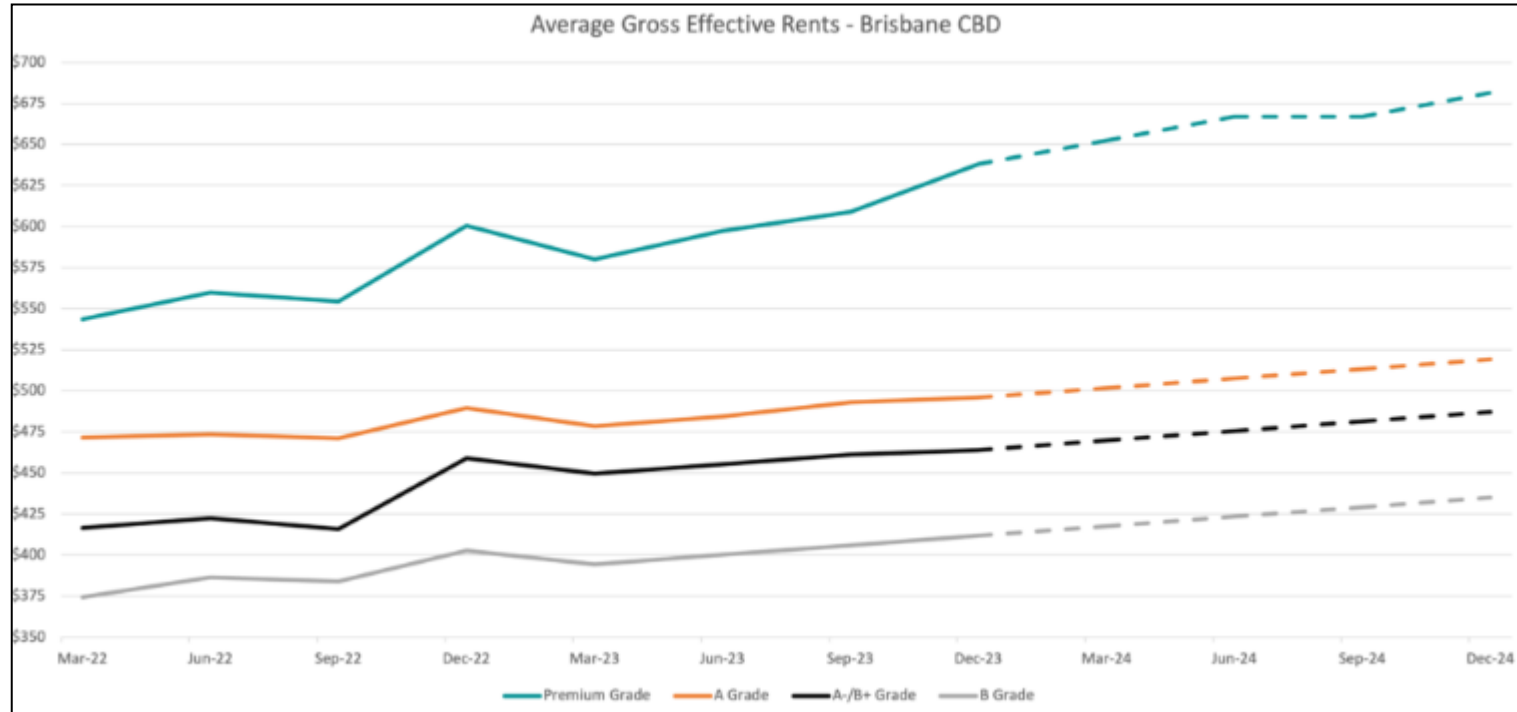
# Vacancy by Grade



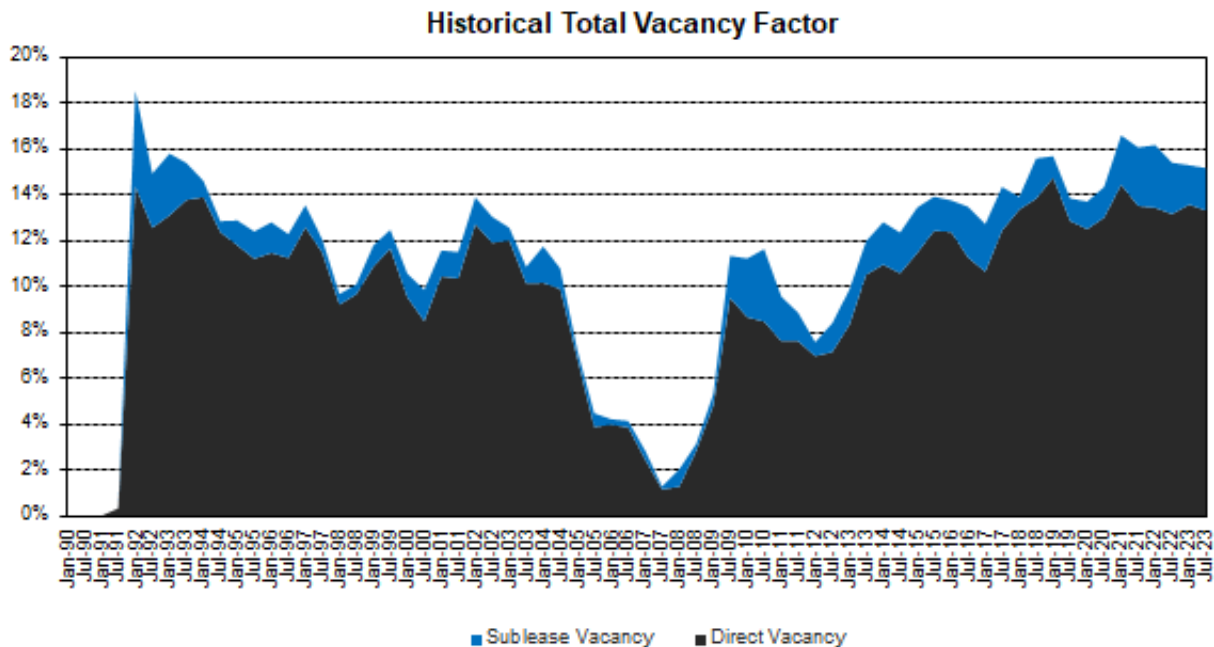
# ‘Earn the Commute’



# Rents Steadily Increasing



# Fringe Markets



# 381 Macarthur Avenue, Hamilton



Sold in May 2023

**\$18.5M**

**\$6,500 per square metre  
of NLA**



Sold in 2019

**\$19.7M**

**\$6,934 per square metre  
of NLA**



# Inner Fringe Very Strong and Tightly Held



# Strong Capital Growth in Inner Areas



Sold in 2022

**\$5.1M**

**\$5,435 per square metre  
of NLA**



Sold in 2020

**\$3.2M**

**\$3,261 per square metre  
of NLA**

# Suburban Commercial



# Industrial Markets

- Significant land shortage
- Strong rental growth. Existing tenants below market
- Cost increases are significant
- Strong owner occupier demand



# Low Vacancies



Image Source: LJ Hooker, JLL, King & Co, Elders Commercial

# Industrial Land

**Brendale**  
\$525-\$625

**Geebung**  
\$700-\$800

**Richlands**  
\$450-\$550

**Ipswich**  
\$400-\$500

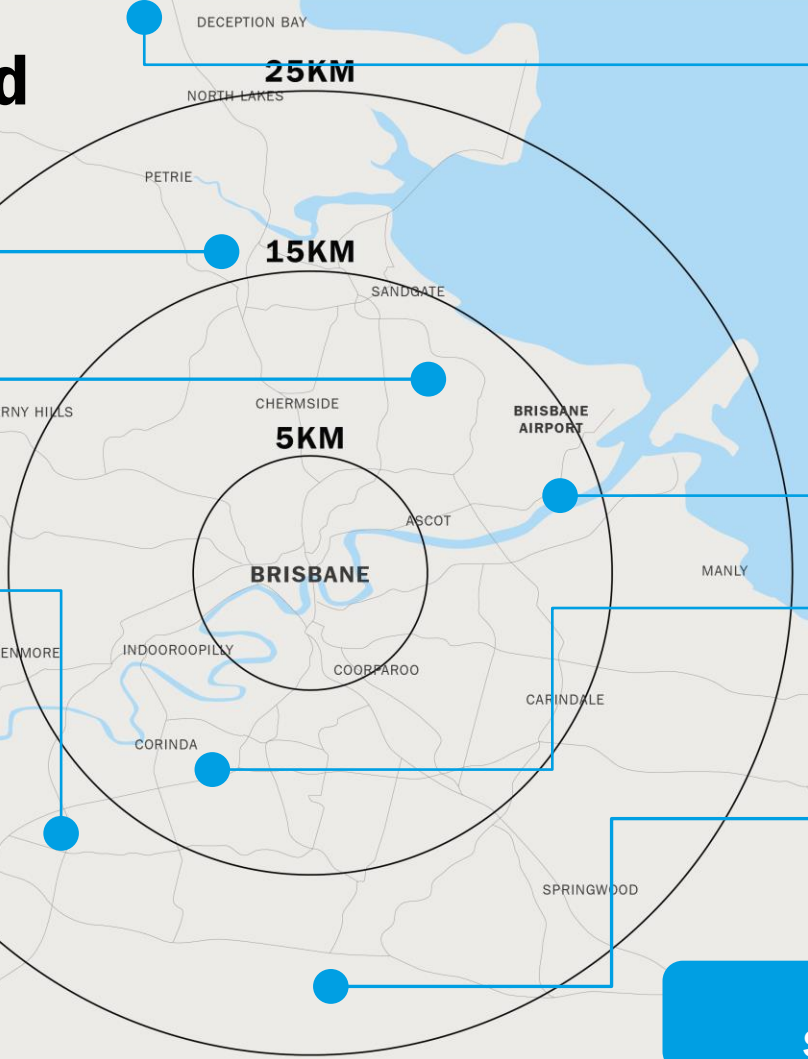
**Narangba**  
\$525-\$625

**Australian Trade Coast**  
\$800+

**Rocklea (flood free)**  
\$400-\$500

**Crestmead/Park Ridge**  
\$450-\$550

**Yatala**  
\$425-\$525



Source: HTW Research



# 2 and 12 Arthur Dixon Road, Yatala



Image Source: Cushman and Wakefield



Sold in July 2023

**\$55.6M**

**\$2,041 per square metre  
of GLA**

**Analysed yield of 5.23%**

# The Simple Equation

	Area (m <sup>2</sup> )	Rate (\$/m <sup>2</sup> )	Total
Land Cost	10,000	\$500	\$5,000,000
Build Cost (50% Plot Ratio)	5,000	\$1,800	\$9,000,000
Total Cost			\$14,000,000
Required Net Rent @6.00% Yield	6%		\$840,000
<b>Required Rental Rate Per Square Metre</b>			<b>\$168</b>





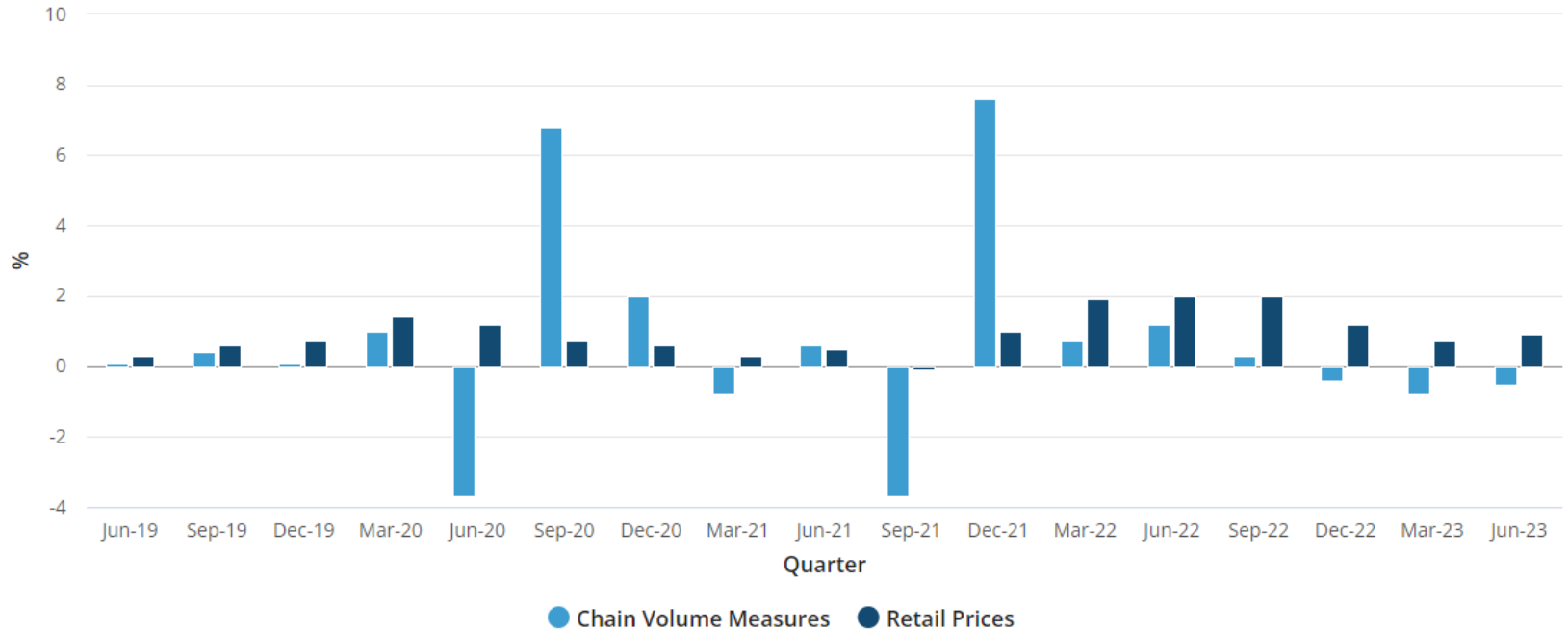
# Retail Markets

- Destination retail centres under pressure
- Convenience and Neighbourhood centres now coming under more pressure as retail spending stalls
- Brisbane CBD suffering major hits. Closure of Myer tenancy, Covid, Hybrid work



# Retail Spending Sliding

Quarterly retail turnover, seasonally adjusted volume and price - seasonally adjusted percentage change from previous quarter



# Recent Neighbourhood Sales



## Coles Glenvale

Sale Price: **\$27,000,000**

Sale Date: **Jan 23**

Yield: **5.23%**



## Casuarina Village SC

Sale Price: **Circa \$34,000,000**

Sale Date: **Feb 23**

Yield: **Circa 5.35%**

# Retail – 144 Indooroopilly Road, Taringa



Sold in April 2023

**\$13.4M**

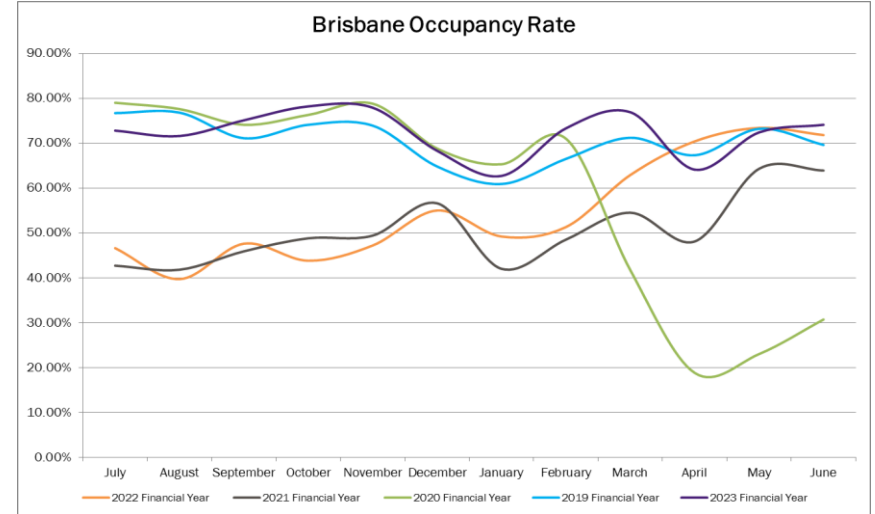
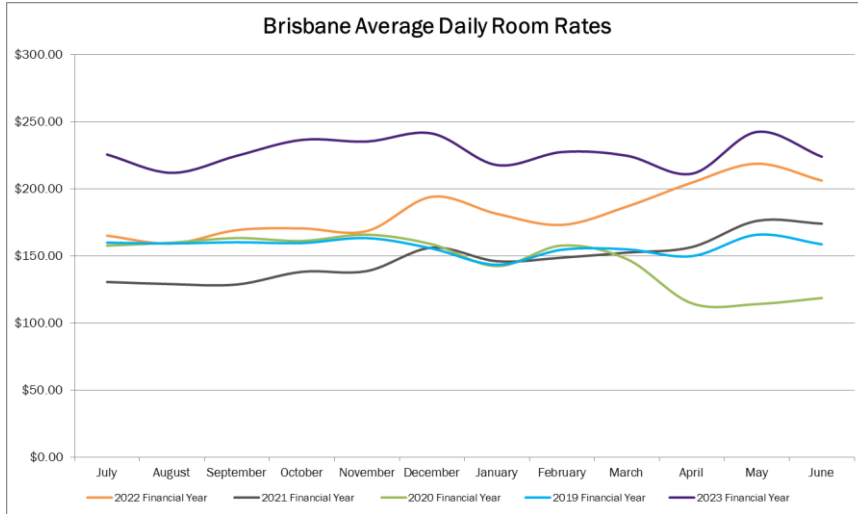
**\$8,143 per square metre  
of GLAR**

**Analysed yield of 5.52%**

# Accommodation



# Accommodation



# Service Station – 18A Salesyard Rd, Yamanto



Sold in May 2023

**\$6.0M**

**Analysed yield of 6.10%**  
**Leased to United Petroleum Pty Ltd on a new 15 year lease term**

# Child Care Centre – 367 Handford Road, Taigum



Sold in May 2023

**\$7.125M**

**\$65,972 per ACCP**

**Analysed yield of 5.33%**



# Investment Yield Changes

Market Sector	January 2022	July 2023	Est. Value Diminution
Prime CBD Office	5.00%	6.50%	15%-20%
Secondary CBD Office	6.50%	8.00%	15%-20%
Prime Fringe Office	5.25%	6.50%	15%-20%
Secondary Fringe Office	6.50%	8.00%	15%-20%
Convenience Retail	5.25%	6.00%	10%-15%
Neighbourhood Centre Retail	5.00%	5.50%	8%-12%
Large Format Retail	5.00%	6.25%	10%-15%
Prime Service Stations	4.75%	5.75%	10%-15%
Medical Centres	5.00%	6.00%	8%-12%
Freehold Child Care Centres	4.50%	5.25%	8%-12%
Prime Industrial	4.25%	5.75%	15%-20%



# Where to from here?

- Yields likely to be directly reactive to interest rates. Values may decline further.
- Construction costs having broad based impact. Development Sites vulnerable.
- Population growth will continue to drive development activity broadly across south-east.



# Disclaimer

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award-winning innovation

supportive and inclusive culture  
every sector, every where

# Thank you

Drinks 3pm to 5pm

