

A quarterly newsletter for tenants and occupiers of commercial premises

December 2010



Seasonal Wrap

With the final quarter of 2010 coming to a close we sum up below the year and what is in store for the commercial office tenant in 2011.

The year started off with great panache seeing strong levels of tenant activity across all markets. Unfortunately this wave petered out as the financial reporting season arrived. The past six months however has seen a flurry of activity with many notable deals concluded including Marsh Mercer, ATO, NAB and Melbourne Water in Docklands, and Origin Energy at 321 Exhibition Street. So despite everything else that's happening in the world we have seen a solid performance reflecting a general air of confidence.

If you are a tenant of commercial premises then it's not going to get any better than it is now for

striking advantageous long term commitments. This assumes we do not see a double dip. It is also fair to say Australia has so far lived up to its reputation as the lucky country avoiding the woes of the overseas melt down.

Increased confidence and tenant demand is beginning to see vacancy rates across all markets start to reduce. The lack of new development and construction finance and appetite of the financial markets to fund new development is and will continue to see significant shortages occur over the next two to three years particularly in Melbourne.

Consequently it does not take a rocket scientist or even a real estate agent to tell you rents will "shoot up" and market incentives and choice shrivel. There is still a bit of fat in terms of supply in the Brisbane and Sydney markets that will temporarily ease the pain. The Melbourne market will present challenges to tenants seeking large A+ grade five star Green Star /NABERS rated floor plates.

Advanced planning is critical for organizations seeking to control ongoing occupational costs as the market inevitably tightens. Such planning should involve a review of workplace

practises and existing and future accommodation needs. Action should then be taken to identify appropriate premises that will meet the needs of the business over the foreseeable future be they existing or new, and lock into appropriate lease agreements that benefit from current low rental levels and yes incentives –they are still out there. Dependent on grade of building and location 15-20% and 20-30% incentives are still to be found in Melbourne, and Brisbane and Sydney respectively.

Good hunting and best wishes for the new year....

Chris Goodwin is the principal of Goodwin Property Advisory – www.goodwinpropertyadvisory.com.au



Leased

Morgan Consulting's new suburban offices just opened at 2 Brandon Park Drive Wheelers Hill. GPA advised.



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COMMENT
GENERAL
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Seasons Greetings and a special thanks to all our readers

We would like to take this opportunity of wishing all our readers, and clients of Goodwin Property Advisory season's greetings and thank them for their readership and support throughout the year. This is the fourth issue of The Independent a newsletter dedicated to addressing specific issues of interest and concern to tenants and occupiers of office and industrial premises. Feedback from our readers is particularly welcome including suggestions for articles or inclusions that our readers may find of interest.

Happy Birthday

Goodwin Property Advisory is celebrating their first anniversary in what has been a very rewarding and fulfilling year. Throughout the year they have shared in many notable successes with a broad range of clients and have remained true to their corporate philosophy of acting only for tenants and occupiers of commercial office and industrial premises in the provision of independent objective corporate real estate advice.

Goodwin Property Advisory will not be sending cards to clients this year but instead making a donation to The Salvation Army Christmas Appeal and Unicef Australia.



12 tips for Christmas

Like with most things it is normally a relatively straight forward process leasing office or industrial premises. In most cases it is usually trouble free though there are occasional exceptions that may lead to difficulties. Outlined below are twelve of the commonest hurdles faced by industrial tenants when leasing commercial premises.

1 Floor Areas

Disputed floor areas. Check quoted areas and basis of assessment. What's included? Ask for a certified survey plan

2 Quoting Rent

Misunderstandings regarding what is included? Is the rent inclusive of outgoings? Is it a net, gross or semi gross rent?

3 Over paying

Comparison shopping will help ensure rent is in line with prevailing market conditions similarly with incentives.

4 Type of lease

Is a direct lease, sub-lease or assignment being offered? Each basis presents very differing obligations.

5 Timing

Not allowing sufficient time to consider alternative accommodation solutions prior to lease expiry. Allow plenty of time to undertake market research, negotiate new lease agreements, make good and fit out new premises. There never appears to be enough time...!

6 Condition

With existing fit outs there should be no obligation to reinstate at lease expiry. Floor coverings for instance normally form part of the lessors premises and there should be no obligation to replace at lease expiry! Check make good provisions and document condition of premises prior to lease commencement date.

7 Fit out allowance

Be aware the lease may provide for the repayment of incentives to lessor should breach occur. The rent free period unless a gross rent does not normally include the cost of outgoings and car parking.

8 Rent review

Locking into unfavorable review mechanisms can cause severe indigestion.

Lease proposals including market reviews often do not mean a true market review. Check no upward only (ratchet) or disregard provisions included. Ask for a copy of the draft lease to check the small print for upward only (ratchet) or disregard provisions.

9 User clause

Check agreement permits applicable use and an appropriate planning/building permits are in place. Should you be a retail tenant – and you do not have to be a shopkeeper to be a retail tenant – yes solicitors, accountants, engineering companies to name a few groups in certain instances are deemed retail tenants – in which case you will require a retail lease otherwise such agreements could be claimed invalid.

10 Further term

Request option for a further term and allow plenty of time for exercising such options. Having an option does not cost anything.

11 Legal costs

Each party should pay their own legal costs. Some landlords try to get tenant to pay – this is illegal if lease falls under the provisions of the Retail Leases Act.

12 Neighbours

Before entering into a lease check who your neighbours are? For instance schools, call centres and embassies do not always make good neighbours.

It goes without saying that should you not have the time or do not feel confident in navigating the pitfalls of leasing office or industrial premises for your organisation then engage an independent expert.

GPA 2010 Highlights

- Acquisition 500 sqm factory Virginia QLD
- Disposal of 823 sqm office tenancy 385 Bourke St. Melbourne
- Acquisition 940 sqm factory Tullamarine
- Office lease renewal 3630 sqm 535 Bourke Street
- Acquisition 612 sqm training centre Queen Street Brisbane
- Office rent review 8000 sqm Melbourne CBD
- Office acquisition 823 sqm Box Hill
- 830 sqm office acquisition Southbank Melbourne
- Office lease advice 1700 sqm office Mulgrave

CURRENT REQUIREMENT

- 1300 sqm office suburban Eastern Palliative Care
- 600 sqm office Melbourne CBD Mott MacDonald
- 1000 sqm industrial Dandenong
- 5000- 6000 sqm mixed use freehold building Melbourne northern suburbs for owner occupier

A little seasonal cheer...

Police arrested two kids yesterday, one was drinking battery acid, the other was eating fireworks. They charged one – and let the other one off.*

Why did the Mexican push his wife over the cliff – Tequila

Dyslexic man walks into a bra.*

Two sandwiches walk into a bar the barman says "Sorry we don't serve food here"*

* Thanks to the late Tommy Cooper



Acquired

“17-23 Sackville Street
Collingwood, 2000 sqm freehold
building acquired on behalf of
VACCHO for owner occupation”

by Goodwin Property Advisory”

contact US

Chris Goodwin T 03 8601 1179 M 0412 048 848

E chris@goodwinpropertyadvisory.com.au

Level 8, 350 Collins Street Melbourne 3000

www.goodwinpropertyadvisory.com.au

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property advisory