

2017 Commercial Property Summary

Simon Russo of First National Commercial, Hills Central is pleased to report that commercial property throughout the North West and Hills District pushed ahead with some exceptional results.

Yields continued to firm in 2017 and tenants were back in the market making landlords with vacancies particularly happy.

Our strongest yield on record for 2017 was the sale of a freestanding retail shop opposite the retail epicentre of Castle Hill, Castle Towers, which delivered a very tight yield of 2.75% nett.

The industrial sector did particularly well benefiting from extremely low supply, strong business growth and continually low interest rates.

The largest demand appeared to come from strata industrial buyers, with several enquirers contacting us on rental properties asking if our landlord would consider selling.

It was this behaviour that wasn't overly surprising when we had seen 4 strong offers come in for our 43/5 Gladstone Road, Castle Hill listing, in which the vendor sold at \$925,000 for 239sq m. A rate of just under \$4000 per sq m. The same rate per square metre, we were selling office space for only 3-4 years back.

Industrial property sales were so tight that potential buyers have been pushed to the leasing market placing pressure on industrial leasing, therefore pushing rents up. The average current rental rates for newer industrial stock in Castle Hill is in the vicinity of \$185-\$225 per sq m PA Net excluding GST.



Commercial office space also had its fair share of demand, with several new records achieved for various buildings mostly in the popular Norwest Business Park. Rates as high as \$9800 per sq m for smaller offices of under 50 square metres were not uncommon.

The year's average rate for office space within Norwest Business Park was in the range of \$6840 per sq m, excluding GST.

At a press release late October 2017 from Mulpha Norwest (a major property developer) proposed their vision and upcoming developments in the Business Park, calling it the new Smart City.

Being one of the few commercial specialist invited to the launch, some take away points below

- * \$4 billion dollar explanation plan for the Business Park

- * The redevelopment of Norwest Market Town, which Mulpha bought back for \$120Million in Jan 2015. Plans include, over one thousand new dwellings, 26,000sq m of retail and over 80,000sq m of office space. Plus community meeting points and leisure activities

- * Discussions surrounding the clear challenges of traffic congestion had great momentum with Mulpha engaging Smart City consultants investigating driverless shuttles, big data which could offer portals proving live and accurate traffic updates, increased retail offerings and shared bike services

- * Further concepts includes a new technology university campus and converting the existing Bella Vista Farm to a centre piece, with a "Central Park" influence.



For further reading on press release, please head to:

<http://www.smh.com.au/business/property/mulpa-embarks-on-3b-new-developments-at-norwest-20171024-gz73wk.html>

One of the biggest changes we had seen in 2017 was the dramatic pullback of Chinese investors. After several years of big jumps in investment volumes, property is now on the Chinese Government's restricted list. While some Chinese are still buying, it has suddenly become a lot harder for them to invest.

In retail, the other big surprise was Frank Lowy selling Westfield, which is perhaps the strongest sign that the way we are shopping is fundamentally changing and the impacts on shopping centres will continue.

Major landlords are under pressure to show investors that their malls can withstand pressure from both the rise of e-commerce - in particular the arrival of Amazon in this market - and cyclical headwinds in the retail sector.

“Westfield sold out because they saw rents going down and not going up, a direct result of Amazon,” Rupert Murdoch said.

With this said, the demand for strip shops was relatively strong, with plenty of activity especially surrounding the Castle Towers precinct with its proposed demolition of part of the retail Mega centre to allow for future expansion.



Should you have any questions relating to commercial, industrial or retail property, we welcome your contact.

Thank you for your continued support and looking forward to a successful 2018.