

Tenants Market on a Knife's Edge!

WHAT is going on in the Melbourne office leasing market? Lots – and it is a great time to be a tenant facing a lease expiry! Incentive levels are now at the highest level for tenants since the early 1990's. Recent activity has seen incentives of 25 to 30% being achieved and there is every indication they will go higher.

In order to explain what this means to tenants in the market we need to examine the historical situation. In the period 2003 to 2009 the statistics show a very stable period whereby the supply of new space virtually matched the take up and equilibrium resulted. Roughly 100,000 sqm of new A grade space became available and the equivalent amount was taken up – meaning a stable vacancy rate of around 5 to 7% each year.

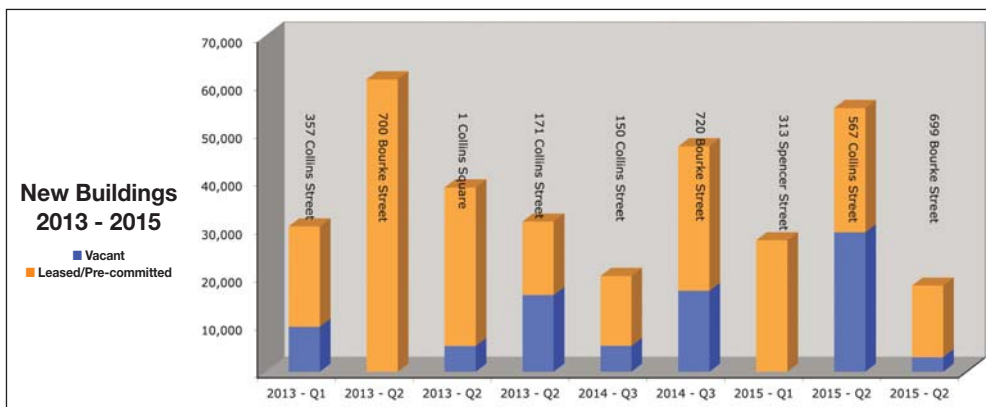
As a result of the GFC, new supply plummeted in 2009 through to 2011 as major projects either stalled or were cancelled as the funding from banks dried up. There were no cranes on the CBD or city fringe

one sitting tenant recently – the questions we get asked are – how can I benefit and how long will it last?

The number one rule for tenants facing a lease expiry is: **don't exercise the option!** Time and time again we see tenants automatically exercise their option and forgo any chance of securing an incentive to stay. We know how hard it is to put a chunk of cash on the bottom line by increasing sales or raising prices – whereby we have helped organisations save hundreds of thousands of dollars by capturing the market opportunities that currently exist – as we often reflect – it would be a crying shame to miss out!

There are some great options on offer for A grade quality buildings – and the same conditions that are tempting tenants to stay where they are, are reflected in excellent value for groups looking to relocate. Here is a snapshot of current construction and new supply in the market:

- Incentives at record highs of 25%+
- Vacancy rates stable at 7 to 8% - but for how long?
- Benefits for you whether you stay or relocate by locking in current conditions
- Market will change quickly – landlords will adjust the barometer



skyline that were building speculative space – it was all pre-committed office or residential development.

The past year saw the wheel turn and the commercial office market became a tenant favoured market as landlord's struggle to secure new tenants who are increasingly staying put. Landlords are now happy to pay the incentive, typically reserved to tempt a new tenant, to the existing tenant to convince them to remain in their building. This is increasingly becoming a focus of our business and the results have been amazing – we hit 28% for

How long will the good time for tenants last? A word of caution is needed here as with vacancy rates remaining quite low, this tenant favoured market is indeed on a knife's edge.

An upturn in business confidence would trigger a swing back to the landlord as businesses return to growth phases and good quality space becomes harder to secure.

We would be delighted to meet up with you to review the options you face – it could be a chat that results in an unexpected win!

Welcome



Welcome to the fifth issue of Spotlight, a focus on activities in commercial real estate.

Tenancy Solutions Australia provides tenants with independent advice in real estate transactions.

We are always happy to meet with businesses wishing to explore their options as to their business accommodation – it costs nothing to have a quick chat and let us bring you up to speed with what is going on in the market and what options you have.

Leon Kriewaldt
Director

Tenancy Solutions Australia



Recent happenings

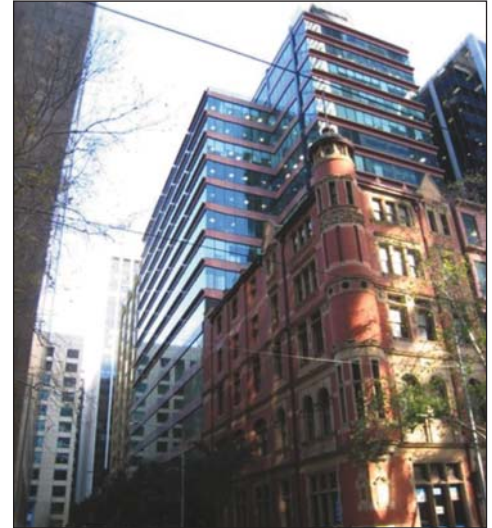
Tenancy Solutions Australia has been involved in a number of exciting projects lately – here is a snapshot of just a few.

On a winning streak . . .

AHRI became a client of Tenancy Solutions Australia originally in 2010 when we assisted them to secure new premises via a sub-lease. This was done under an extremely tight time frame and as Marianna Panopoulos from AHRI recently reflected: “it took a combination of Leon’s insistence, an overnight legal review, a commercially



minded CEO and a supportive Chairman and Board to allow us to secure such ideal space.” As the expiry of the sub lease drew near, Tenancy Solutions was able to assist AHRI secure a new five year deal under far better conditions than the Landlord initially offered.



565 Bourke Street, Melbourne

Rationalise, Relocate & Revitalise . . .



We were appointed by Tatts Group to assist in securing new office premises for their revised business requirement in Sydney. The Tatts Group has undergone a rationalisation of their business and their existing home in Sydney Olympic Park was far too large for their future requirement. In what proved to be a most complex exit strategy to execute, the outcome has been most beneficial with a move literally across the road to smaller, fitted and more suitable office space for their team of 70 people. A fresh start for the revitalised business unit is yielding staff benefits and the ongoing accommodation savings have been well received.

WANTED and got it



179 Turbot Street, Brisbane

AMC Consultants Pty Ltd (AMC) –as an existing client of Tenancy Solutions Australia we recently assisted AMC to secure new premises for their Brisbane office. Working closely with Patrick Smith, General Manager Brisbane, Leon Kriewaldt was able to unearth a great option of A grade space at 179 Turbot St – just near Central Station. Patrick made it clear that he wanted his team to be on a single floor plate (1273 sqm) with the ability to design the fit out to suit their operational requirements with flexibility in the meeting room configuration. AMC are enjoying their new premises. Patrick reports that feedback on the premises and fit out from both inside and outside the business has been positive.



Patrick Smith
General Manager



Melbourne – Sydney – Brisbane!



L to R: Peter Trumble, Leon Kriewaldt, Kymm Bishop and Brian Rolph

Tenancy Solutions Australia is delighted to announce that it has established capabilities in Sydney and Brisbane to complement its successful Melbourne based operations. Increasing demand to represent national clients has led to the expansion and we can now truly offer independent and national tenancy representation and advice.

We are specialists who can assist you if you are:

- Facing an upcoming lease expiry
- Looking for growth or project space
- Requiring expert commercial property advice
- Wishing to upgrade or reposition your business
- Seeking a review of your options – stay or go?
- Needing confidential representation in the market

Call Leon Kriewaldt or Peter Trumble on 03 8680 9210 to get totally independent and up to the minute market advice.

**Tenancy
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