

Market Update

INDUSTRIAL • COMMERCIAL • RETAIL

September 2011

2011: from a strong start to a sluggish finish

The 2011 first quarter showed strong signs of increased activity and stock shortages finally creating conditions ripe for real rental growth and increased values.

Unfortunately, this momentum has gradually dissipated with June generally regarded as the turning point.

Negative media commentary surrounding expenditure in the retail segment, the European debt crisis, a high Australian dollar disadvantaging local manufacturers and minimal government direction have all combined to subdue the market.

The one continuing positive is that stock levels are still very low which is continuing to underpin the market.

Recent sales, particularly to owner occupiers have continued to show growth, although it is not across all segments of the market.

This shortage in stock levels should ensure that the period leading into the Christmas break is positive. There is a genuine lack of opportunity for prospective owner occupiers and tenants in the market for those who are serious.

Unfortunately, with the changing economic conditions, typical vacancy periods have increased and as such owners need to have realistic expectations in this regard

Whilst the market has been difficult, properties are still leasing prior to the existing tenant vacating. On the other hand, comparable properties have remained vacant for extended periods, in this instance quite often it is not just rental related, it can be a number of factors such as building presentation, loading access and efficiency to name a few.

With the increasing use of the internet as the first point of contact, property presentation is very important. In this current environment owners should consider a proactive approach to property upgrade works rather than reactive measures that have been indicative of previous active markets.

Both perspective buyers and tenants alike have become very cautious. We have seen an increasing trend where negotiations are prolonged and upfront in-depth disclosure of all information now common practice.

Given the current environment, we expect the market to remain unchanged through to the New Year.

Property Management

It comes as no great surprise that the slower economy is impacting on business confidence and their ability to survive. An unfortunate consequence of this has seen business failures in the past month.

When an Administrator is appointed over a tenant, it is vital that you act immediately.

We recommend that you obtain as much information as possible and establish if the Administrator is intending exercising their rights over the property and therefore accept the ongoing rental commitment. If the Administrator will not be taking possession of the property, we recommend that you take action without delay.

Generally, if a company has any remaining value, the Administrator will require the property to enable it to maximise the company's value and will accept the rental commitment as a cost of the administration.

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It is essential the Administrators intentions are made clear prior to any action being taken by property owners.

The sooner you can get the facts, the sooner you can get on with securing another tenant

Outstanding property rates

Councils have now instructed Debt Collection agencies to manage outstanding credit. Lawson Real Estate recently saw a situation where the Lessee failed to pay the last two instalments of FY11 Council Rates.

As a result, the nominated Debt Collection agency issued a summons on the Lessor incurring additional costs of approximately \$500.00

Whilst the Lessee is responsible for the costs incurred, and the lease provides for these charges to be recovered, owners must realise that they are ultimately responsible for statutory charges.

Tenants paying outgoings direct to statutory suppliers leave the property owner open to risk.

Marketing initiatives

Following on from the successful introduction of QR Codes on all Lawson Real Estate signboards and brochures, we are pleased to announce our latest initiative; "e-presentations".

These detailed and appealing property video presentations can be viewed on your smart phone or desktop and can even be accessed via a direct QR Code link on our Lawson Real Estate sign boards.

Examples of our e-presentations can be accessed through our website via our "Featured Videos" section or by simply scanning one of the following QR Codes with your smart phone.

e-presentations



Moving forward

Again, we are confident that in the medium term the fundamentals are still sound and as such, we should see growth return to the market when confidence and increased activity return to the economy.

If we can assist you in any way with your property matters, please call Steven Lawson on 0418 536 003 or email: steven@lawsonrealestate.com.au