

News Release

11 March 2019

South East Queensland Australia's property investment hotspot

Headline summary:

- **SEQ's commercial market has had a strong start to 2019, with plenty of activity**
- **Confidence is high in the market due to affordability, a strengthening economy and Brisbane's infrastructure pipeline**
- **The office and industrial sectors are the standouts in the commercial market**

South East Queensland's commercial market has experienced a strong start to 2019, with the first quarter marked by plenty of activity and confidence, according to Knight Frank.

Knight Frank's Partner, Head of Queensland Ben McGrath said the market was a beacon of light in the property industry, faring better than most other markets around Australia, largely due to a strengthening economy.

"Both the residential and commercial markets in South East Queensland are performing well, especially in comparison to other parts of the country," he said.

"While Sydney and Melbourne's commercial property markets have seen a correction in recent months after significant growth, Brisbane's market continues to firm, with a lot of enquiry and transactional activity marking the start to this year.

"Interest in our market is largely reflective of our affordability levels, as well as a strengthening economy, with population and jobs growth, a mining resurgence and an infrastructure pipeline worth hundreds of billions of dollars, all of which is creating confidence.

"There have been a number of commercial deals transacted off market in the first few months of this year, which is indicative of the buyer demand, but the truth is sellers are far better off putting their property officially on the market to create competition and leverage.

"With the weight of capital out there, the fear of leaving money on the table is great."

The office and industrial sectors are the standouts in Brisbane's commercial market at the moment, while retail has taken a backseat, said **Mr McGrath**.

"In the institutional end of the office market we are seeing a lot of money and it's certainly evident that Brisbane is on the radar," he said.

"The South East Queensland economy is now reaching a level of maturity that is attracting more interest from offshore buyers, and the assets being chased are those that present value-add opportunities or core assets with long, secure lease structures.

"There is no end of capital for either of those at the moment as long as the assets are priced correctly, and there are minimal concerns about funding availability at this end of the market.

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“The lower to middle part of the market is a little more challenging, with increased scrutiny around lending, but despite this we’ve seen a very busy start to the year with buyers competing for quality assets.”

Michelle Ciesielski, Knight Frank’s Head of Residential Research Australia, said investor demand in South East Queensland was only expected to strengthen going forward, with recently-released The Wealth Report 2019 finding the number of ultra-high-net-worth individuals (those with a net worth of over US\$30 million, excluding their primary residence) living in Brisbane was growing at a fast pace.

“The number of ultra-high-net-worth individuals living in Brisbane rose by five per cent in 2018 to reach 245, outpacing Sydney, Melbourne and Perth, which saw a four per cent rise,” she said.

“The proportion of ultra-wealthy individuals in Brisbane is projected to rise by 20 per cent between 2018 and 2023, equating to an extra 50 UHNWIs every year.

“The projected growth is stronger than the 10 per cent growth recorded over the past five years, between 2013 and 2018.”

Ultra-High-Net-Worth Individuals (US\$30M+)				% CHANGE			
	2013	2017	2018	2023	2013-2018	2017-2018	2018-2023
BRISBANE	222	234	245	295	10%	5%	20%
AUSTRALIA	2,740	2,951	3,062	3,675	12%	4%	20%

Mr McGrath added that in addition to the office market, Brisbane’s industrial market continues to be very strong.

“That is a result of increased demand in the transport and logistics sector as well as the fact that returns are very good; there is very little investment stock and many occupiers are demanding more of the limited available space,” he said.

“Aged care and health is a diversified sector that is becoming more appealing to institutional investors due to a lack of availability in the core investment markets of commercial, industrial and retail, but the current Royal Commission into the Aged Care sector will see activity slow during 2019.”

With the findings of the Banking Royal Commission only just recently released and the Federal Election looming, **Jennelle Wilson, Knight Frank’s Partner, Research and Consulting QLD**, said there would be more activity in the second half of the year as confidence strengthened.

“There is no doubt investors are exhibiting confidence in our market in the short to medium term, but once there is more certainty about the future and confidence has re-established in the banking sector – which will take time - this will be strengthened,” she said.

“South East Queensland will remain a strong proposition for investors due to all the fundamentals going in the region’s favour.”

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Notes to Editors

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