

Commercial Research

# Between the Lines

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Melbourne Industrial  
Kingston LGA

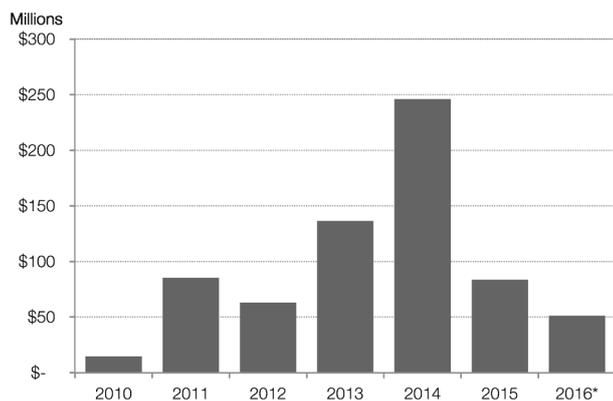
September 2016



The State of Victoria has continued its favourable economic conditions of 2015 into 2016 due to consistent increases in GSP which has stimulated both employment and population growth.

This positive growth position of the State has also been aided by the continued lowering of interest rates and favourable exchange rates which has encouraged investment both domestically and off shore into the state. Despite changes in FIRB approval fees and financing regulations for foreign buyers, demand by these buyer types have maintained as the broader fundamentals of investing in Australian property remains attractive. Competition to purchase (and lease) has been beneficial for the industrial market resulting in some improvement in values, (stable rentals) and competitive yields. More locally in the Kingston LGA, demand levels during 2016 have been stable particularly in the sub \$1million price range. This lower price point highlights the attractiveness of this market for both owner occupiers and also local private investors looking to diversity.

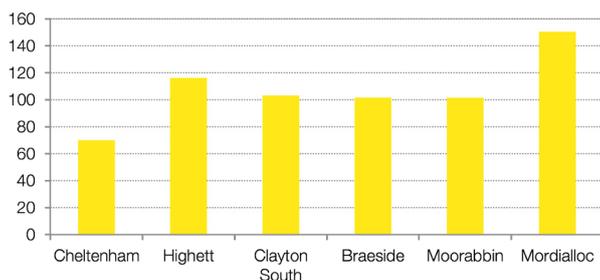
## Industrial Sales Volumes Kingston LGA



Source: Ray White, PIMS  
\*to August 2016

Sales transactions to the 3rd August 2016 have been tracking in line with last year's results with total sales recorded at \$51.3million. Demand has been reasonably robust this year with limited supply of stock on the market. Despite this, it is expected that sales should trade close to the 2015 transaction level of \$83.63 million. The bulk of transactions have been in the sub \$1million price range which represents 51 of the 65 total sales over this period. This has resulted in the average sales price across the Kingston LGA at just \$815,000. The suburb of Cheltenham has yielded the highest turnover during 2016 representing \$16.70million due to a number of \$1million+ sales followed by Braeside totalling \$10.22million. Clayton South, Moorabbin and Mordialloc represent a more similar level of sales volume at \$7.68million, \$6.94million and \$6.42million respectively.

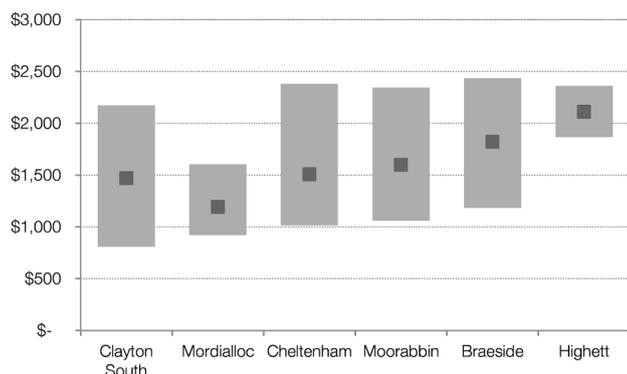
## Days on the Market 2016, by Suburb



Source: Ray White, PIMS  
\*to August 2016

Local demand has been strong in the Kingston LGA during 2016, the continued low interest rate environment and improved sentiment around investment into commercial assets has stimulated diversification activity. Some market has been more sought after than others with the number of days properties are on the market reflective of this. According to statistics, Cheltenham and Moorabbin have been the most active market with some of the lowest days on market. During 2015, these were recorded at 75 and 108 days however, so far this year, days have reduced to 70 and 100 respectively. Surprisingly, all other markets have seen uplift in the days on market which is evident by Clayton South growing marginally from 97 to 103, Braeside yielding a greater increase from 78 to 102 with Mordialloc showing the most significant increase from 82 to 150 days. The suburb of Highett was not included in our 2015 days on market statistics however this year has been recorded at 116 days. These results particularly those in Cheltenham, Moorabbin and Clayton South are encouraging for commercial transactions which typically have longer sales periods. What we have found is that properties with auction campaigns do tend to reduce this number also.

## Capital Values 2016, by Suburb



Source: Ray White  
\*to August 2016

Turnover levels in to 2016 look to match results in 2015 albeit well below the highs of prior years. Despite these reduced rates, demand has been robust across the broader South East Melbourne industrial market with limited availability of quality stock on the market which has had a positive impact on capital values and investment yields. Ranges typically can be vast and highlight differing positive and negative attributes of the property; Clayton South an example where the range between \$800/sqm - \$2,200/sqm however bulk of investment activity has an average capital value rate of \$1,470/sqm. Cheltenham has a similar average value of \$1,508/sqm within a range up to \$2,400/sqm. Moorabbin had a slightly higher average of \$1,597/sqm within a similar value range. Mordialloc yields a narrower capital value range of between \$1,000/sqm and \$1,600/sqm with a slighter lower average of just \$1,192/sqm. Highett seems to be within a higher range of \$1,860/sqm and \$2,360/sqm with an average of \$2,111/sqm. Yields are currently represented by a broad range between 6.00% - 8.75%. These investments all depend on quality and lease covenant. The size range is also a factor with a broader investor pool within the sub \$1 million price range which sometimes lends itself to yields as low as 4.00%.

## Recent Sales

Address	Suburb	Date	Sale Price	GLA (\$/sqm)	Land Area (\$/sqm)	Yield
5 Bricker Street	Cheltenham	Aug-16	\$900,000	\$1,667	\$674	-
6/123 Chesterville Road	Highett	Jul-16	\$560,000	\$1,866	-	-
240A Governor Road	Braeside	May-16	\$1.56mill	\$1,726	\$1,540	6.60%
20 Murdock Street	Clayton South	May-16	\$513,700	\$2,233	\$826	-
1/13 Japaddy Street	Mordialloc	May-16	\$1.54mill	\$921	\$615	7.14%
47 Levanswell Road	Moorabbin	Apr-16	\$950,000	\$1,900	\$1,213	7.17%

Source: Ray White

Despite stock taking slightly longer to transact, capital value movement remains positive and yield compression evident. Investment into this asset class continues to be highly sought after by the local private investor and owner occupier market particularly given the prolonged low interest rate environment and interest in diversifying assets.

## Research \_ Know How



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