first national COMMERCIAL

Commercial activity lifts in Bendigo

Bendigo experienced a marginal increase in commercial activity throughout October, after a reasonably quiet September.

First National Commercial Tweed Sutherland sold the above pictured 157 square metre commercial building in a corner location, just on the edge of Bendigo's CBD, which stands on an allotment of 267 square metres.

Achieving a sale price of $375,000, it was in excellent condition and perfectly suited to becoming a café, office or retail space.

Increased demand for industrial land in North West Sydney

Simon Russo of *First National Commercial Hills Central* (Castle Hill, NSW) reports that demand for serviced industrial land in western Sydney just continues to increase.

He recently sold a vacant 4,498 square metre industrial development site, suitable for a wide range of uses including high technology offices or storage facilities (zoned IN2), for $2,300,000.

Planning controls permit buildings of up to 10.5 metres with a floor space ratio of 0.7:1.

Eight per cent yields in Cairns

Commercial market conditions remain unchanged in Far North Queensland where *First National Commercial Cairns* has recently sold one of three strata industrial units in Portsmith, with a strata area of 375 square metres, for just under $600,000.

The tilt slab constructed property had a net lettable area of 507 square metres including a mezzanine level, office, storage area with a rear roller door.

Five car spaces were incorporated in the title, which also benefits from a long-term tenancy yielding 8 per cent, and a high profile street location.

Hospitals, car yards and college dorms find favour with REITs

Whereas REITs once preferred office towers, shopping malls and category killer 'big-box' type real estate, inflows of foreign investment capital have pushed up prices, thereby forcing REITs to search farther afield for yields.

The Australian recently reported that Dexus Property Group has forged an agreement with Ramsay Health Care to develop a 128-bed private hospital on a site it owns in Sydney. Charter Hall Group will develop a college campus on land currently leased to Automotive Holdings Group, and, luxury apartment developer Mirvac is considering a foray into affordable housing projects.

Should you own or lease your office space?

When is the right time to buy your own office?

As a business owner, you may consider this question many times throughout the life of your business. For a period of time, leasing a property may be the right decision for you and your company. Leasing provides many benefits including from flexibility to freeing up cash flow. When business is good, the economy is strong, and the stars align you may consider buying a commercial property.

The decision to buy vs lease should not be based on financial position alone. Some large corporate organisations have a combination of both leases and key properties. This is perfect for large companies as the decision to buy vs lease is much less emotional than for smaller business owners.

SME business owners have some big emotional decisions to make when it comes to purchasing commercial property. Just falling in love with a space doesn't mean it is the right place for you to invest your hard earned cash. It's also worth knowing that most companies, without even trying, are in the real estate business.

A property provides the opportunity to produce goods and deliver services, and without it most business can't do either. So, when you are nagged by the thought of purchasing your own space, there are many internal and external factors that will and should affect your purchase outcome.

Leasing benefits

- Low up front capital
- Lease time frame options in terms of length
- Better flexibility
- Some service & building issues are paid for & managed by the owner
- Minimal property expertise required to enter into a lease

Leasing Risks

- Building ownership can change
- Potential to miss a lease extension or option causing you to have to move premises
- High exposure to market fluctuations relating to rents
- Dependency on 3rd party property management

Purchasing Benefits

- Properties are an asset that attracts appreciation
- Through the purchase cycle, ownership becomes less expensive year on year
- Tax benefits (where available)
- Control of quality of property management and suppliers

Purchasing Risks

- High upfront capital required
- High time investment on non-core business
- Ownership of your property should be separate to the core of your business
- Less flexibility
- Potential loss in asset value
- Exposure to economic fluctuations

As with all financial matters, seek expert financial advice.