

Retailers reaping the benefits of mixed-use developments

Retailers are reaping the benefits of a relatively new trend with the construction of mixed-use developments on the fringe of retail strip centres in Melbourne's inner to middle suburbs, according to Fitzroys' Senior Associate and Valuer, David Ellis.

Mr Ellis said such developments, which aimed to rejuvenate dormant areas of strip shopping centres, had been a welcome addition to shopping strips in improving and extending them and bringing greatly improved pedestrian traffic which had been very attractive to both existing and new retail tenants.

"Enquiry from retailers, especially such services as hairdressers, cafes, newsagents, liquor stores and the like, has been quite strong with the knowledge they will benefit from the residential component of the development.

"Of course existing retail tenants have also been the beneficiaries as new and old customers are attracted to a revitalized centre," Mr Ellis said.

Developments, which have been constructed across the metropolitan area including those at Sandringham, Richmond, Brighton, Prahran and Glen Waverley, typically comprise a four or five storey building with ground floor retail, up to 100 apartments and basement parking.

Mr Ellis said lifestyle changes and population growth meant there was a ready market for the apartments which predominantly sold to young professionals with a predilection for living in close proximity to shops, restaurants, and public transport.

"Occupants want this lifestyle, they want convenience, and they want to walk or ride their bike to work with their ipod - a better option than living in the outer suburbs and sitting in traffic on the freeway for hours each morning.

"In some cases apartments have sold out over a weekend with investors confident in the knowledge that tenants were plentiful, vacancy rates were at historical lows, and that they could look forward to benefits such as rental and capital growth as well as negative gearing," he said.



An artist's impression of one of the latest mixed-use developments in Station Street, Sandringham.

Mr Ellis said the developments had been very successful and very profitable for developers who had been prepared to do their homework and purchase and consolidate properties as they came to the market.

"Developers have been buying up properties on a piecemeal basis over say five years to put together some well proportioned sites.

"They've bought underlet and vacant shops quite cheaply, demolished them, put in basement parking and four or five stories above, in what you might call sleepy and dormant pockets of strip centres," he said.

He said the trend had really taken off in the last three years and was likely to continue.

"It's not just a flash in the pan. Everybody's a winner, especially the retailers whose businesses stand to prosper with an almost guaranteed level of foot traffic," Mr Ellis said.

Mandatory disclosure to drive building energy efficiency

A new system of mandatory disclosure of energy efficiency ratings for commercial buildings will aim to provide buyers and tenants with comparative running costs when choosing to buy or rent, according to Fitzroys' Director Mark McClelland.

Mr McClelland said the Federal Environment Minister, Peter Garrett's intention was first and foremost that the new system would provide an incentive for energy efficiency improvements in office buildings.

"Obviously if your building's energy rating is 2 stars then your running costs are going to be higher than say a 4 star building. In the marketplace this should translate to greater enquiry and potentially higher rentals being achieved for those buildings with comparatively higher ratings.

"It should encourage landlords to both ensure their buildings are capable of achieving a commercially marketable rating and that the tenant/s play their part in maintaining that rating as part of the tenancy agreement," he said.

Mr McClelland said that while detail was scant at this stage, he anticipated the proposed system would require an energy efficiency rating and assessment report on all commercial buildings. Initially however, this would apply only to Building Code of Australia Class 5 buildings, which are to be sold, leased or sub-leased.

The report would be disclosed:

- In any advertisement about a sale or lease (limited to a NABERS* star rating);
- To any prospective buyers or tenants; and,
- To a central registry.

NABERS Energy rates the energy efficiency of buildings and tenancies from 1 to 5 stars, with 5 stars representing an exceptionally high level of energy efficiency.

Mr McClelland said Fitzroys had recently had a client's 12 storey office building rated at 4 stars, a rating which was possible as a result of a professionally managed maintenance programme which had been in place for many years. The star rating, he said, had assisted with the successful negotiation of a renewal of lease with a tenant occupying 25 per cent of the building.

Mr McClelland said the proposed mandatory disclosure would initially affect all owners and developers of commercial office buildings and tenants occupying premises with an NLA of 2,000sqm or more, and was intended to encourage smaller building owners and tenants to voluntarily disclose this information.

The system is expected to commence in July 2010.

*The National Australian Built Environment Rating System (NABERS), previously ABGR, is an industry recognised tool to help building owners and tenants benchmark their energy and greenhouse performance.

Landlords requiring further information should contact Peter Weatherby or Mark McClelland of Fitzroys on 9275 7777.

Golden Retail Opportunity in the Golden Mile

A rare bulky goods 'super-site' premises in the prime trading section of Nunawading's sought after 'Golden Mile' retailing precinct has become available for lease as Victorian retail spending continues its strong response to the Federal Government's economic stimulus package.

The 311 Whitehorse Road building comprises 2080 square metres of showroom space, extensive on-site customer parking, a significant street frontage to Whitehorse Rd and valuable signage potential.

Fitzroys' Agency Executive, Charles Emmett, who is handling leasing enquiry, said the offering represented an opportunity to secure a freestanding premises in one of Melbourne's most sought after and successful bulky goods precincts. He said he expected strong enquiry at the asking rental of \$550,000 pa gross.

"The Whitehorse Rd, Nunawading bulky goods precinct is one of Melbourne's original and best known and remains one of the most popular in the east. Its success and longevity is a measure of its unrivalled location in terms of both the street address and the catchment area's close proximity to Melbourne's demographic centre," Mr Emmett said.

He said there was no doubt that the Government stimulus package had supported bulky goods retailing and had underpinned retailer confidence to invest in store expansion.

"There's a pent up level of expansionary plans that were put on hold throughout the second half of 2007 through to the first half of 2009.

"As faith in the economic recovery has grown, we have had more and more positive discussions with bulky goods tenants looking for the right expansion opportunities with increasing demand for space along the Golden Mile throughout the second half of 2009," Mr Emmett said.

He said Fitzroys' recent leasing of another bulky goods premises at 236 Whitehorse Road to Furniture Galore, following an unusually high level of enquiry, was a case in point.

The 2000 square metre showroom space, formerly occupied by Berkowitz, is located on the corner of Ceylon Road and features an additional 400 square metres of mezzanine showroom space, nearly 36 metres frontage to Whitehorse Road, substantial rear loading bay facilities and 48 basement car parks. Berkowitz is moving to its recently purchased 226 Whitehorse Road premises.

Mr Emmett said the decision by Dick Smith to vacate 311 Whitehorse Rd was reportedly part of a new national strategy to operate from smaller sites of up to 1000 square metres as opposed to the 2000 square metre super sites.

He said rents typically ranged between \$200psm net and \$300psm net in the prime section of the Golden Mile with typical gross lettable areas ranging between 1000 and 2000 square metres.



311 Whitehorse comprises 2080 square metres of showroom space, extensive on-site customer parking, a significant street frontage and valuable signage potential.

Fitzroys Promotions

The Directors of Fitzroys are pleased to announce two significant promotions within the firm. Rob Harrington has been appointed a Director and Mitchell Humphreys a Senior Associate.

Rob has 25 years of professional real estate experience in the investment leasing and consultancy sectors. Prior to joining Fitzroys in 2003 Rob had been a Director of a high-profile commercial real estate business in London acting for major institutions, property companies and corporate tenants.

During the last six years at Fitzroys Rob has specialised in the office sector and currently heads the CBD Advisory and Corporate Real Estate Division. In addition to major projects undertaken in Melbourne, Rob has also transacted projects in Adelaide, Brisbane, Perth and Sydney.

He holds a Bachelor of Science Degree (Hons) in Urban Estate Management from the University of Westminster, London and he is a member of the Royal Institution of Chartered Surveyors.

Mitchell has been with Fitzroys for eleven years and has developed extensive experience in retail consultancy, sales and project leasing. Over recent years Mitchell's focus has been the Melbourne CBD and Docklands with projects including the AXA Centre, Ericsson's head office, the World Trade Centre, CBW, 530 Collins Street and the Southern Cross complex.

Mitchell is highly regarded by many leading property players whose projects he has successfully advised on and leased. His professional qualifications include a Bachelor of Business (Property) and he is also a Licensed Estate Agent and a Licensed Business Broker.

Rob and Mitchell are to be congratulated on their long-standing commitment to Fitzroys. Their respective promotions further strengthen the senior management ranks of the business.



Mitchell Humphreys

Rob Harrington

Fitzroys recent sales results

Property Address	Sale Price	Land Area	Building Area	Return
68 Stevedore Street, Williamstown	\$1.7 million	316m ²	316m ²	5.7%
312 Bay Street, Brighton	\$1.45 million	174m ²	150m ²	3.4%
382-386 Burwood Highway, Burwood	\$4.125 million	2,900m ²	-	V/P
96-100 Toorak Road, South Yarra	\$6.01 million	719m ²	944m ²	4.95%
726 Sydney Road, Coburg North	\$2.8 million	1,800m ²	1,200m ²	5.4%
72-74 Church Street, Brighton	\$2.403 million	372m ²	372m ²	4.7%
475 Church Street, Richmond	\$4.5 million	1,320m ²	1,100m ²	5.3%
345 Whitehorse Road, Nunawading	\$2.6 million	1,065m ²	225m ²	V/P
844-846 Sydney Road, Coburg	\$3.7 million	2,850m ²	1,600m ²	V/P
421-423 Church Street, Richmond	\$3.05 million	400m ²	600m ²	2.9%
494 Bridge Road, Richmond	\$2.32 million	272m ²	300m ²	7.3%
1318-1326 Malvern Road, Malvern	\$7.9 million	1,353m ²	1,701m ²	7.1%

Email from Fitzroys – To support conservation of our natural resources Fitzroys would like to encourage you to consider receiving future copies of Property Insight and other relevant information electronically. To do so simply forward your request, with **Property Insight** in the subject line to: kennardj@fitzroys.com.au