

Burst of activity in South Sydney market

By Costa Argyrou



MARKET PERSPECTIVE: CONFIDENCE has returned to the South Sydney market with a recent flurry of sales activity.

According to research from Cityscope, industrial sales recorded over the three months to September 2012 totalled \$102.4 million compared to \$77.4 million for the corresponding period in the previous year. In the most recent December 2012 quarter a further 41 sales were recorded for a total of \$121.8 million. So what is the cause of this sudden confidence surge and who are the responsible parties?

A lack of new supply of prime grade space, combined with low interest rates and availability of debt, has led to a tightening in the available stock across the South Sydney market. A growing trend has been the demand from owner occupiers for strata industrial units ranging in size from 140 sqm to 300 sqm.

A case in point is 198 Bourke Rd, Alexandria. Goodman is proposing to build a two-storey industrial complex, which will include storage and high-tech units with a combined gross floor area of 14,400 sqm. The complex is proposed to cater for creative and light impact storage occupiers and highlights the continuing trend away from bulk freight users.

Adding to the pressure of supply, the City of Sydney's newly gazetted Planning Controls have resulted in areas being rezoned to residential use.

Projects such as Payce's 206-apartment East Village complex in Victoria Park and Trident Real Estate Capital's multi-unit residential development on Botany Road are transforming industrial space into thriving centers of activity.

Unsurprisingly, development sites in South Sydney have been in high demand. Recent notable sales include 755-759 Botany Rd, Rosebery, an art deco warehouse, office and showroom building. The site sold for \$4.4 million, with the purchaser being confident that 33 residential units will be approved for the site. Meriton has also reportedly purchased 40 McEvoy St, Waterloo for \$21 million with the intention of carrying out a residential development.

The public sector has also been active in South Sydney. In August 2012, the City of Sydney Council surprised local agents by purchasing approximately \$50 million worth of property in and around Alexandria in a single week. 35-41 Mandible St, Alexandria, a two-storey office and warehouse complex was bought by the Council for \$18 million. 330-336 Botany Rd, Alexandria, which consists of several low-rise office and warehouse buildings, was purchased for \$8.5 million. Rumour has it that the site, which adjoins the railway station, will be used for the purpose of a road widening project for the Green Square Town Centre. Council has also paid more than \$25 million to Macquarie Bank for approximately 9 acres of land at 67A Bourke Rd, Alexandria.

In a short statement, the Council said: "The City is in the process of acquiring land at 67A Bourke Rd, Alexandria for a future council depot. The site has been chosen due to its location, being well away from residential areas and having direct access to a major Rd. Contracts were exchanged on August 9, 2012."

South Sydney is also witnessing a bustling creative cluster settling in the area, consisting of professionals in architecture, photography, fashion and interior design. In response, developers are focusing on adaptive re-use projects. A case in point is 6A Huntley St, known as the Wool Store site. An equity syndicate proposes to convert the eight wool sheds on this 4 ha site into creative office and commercial space with a proposed target end-user more commonly found in Surrey Hills.

Owner occupiers, private developers and the public sector have all been responsible for the recent strong transaction activity in South Sydney. As one agent noted, "South Sydney is an area where there will be a continuing demand especially for high quality functional assets. A lack of supply and improved transaction volumes will ensure that the stock across the market remains tight."

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