

# update

SEPTEMBER 2009

## Tenants' Focus Shifts

Over the past 12 months MRS have witnessed a significant shift in sentiment with businesses switching their focus from growth to a stabilisation of activity, reduction of costs and absolute bottom line focus.

This in turn has resulted in leasing activity slowing down to the frustration of both Landlords and tenants.

***“The ability ..... to secure favourable rental terms or a substantial contribution to their tenancy fitout will be available.”***

The prevailing general economic uncertainty tends to force businesses to focus on their bottom line. Capital hungry projects, such as tenancy relocation and new office fitouts, become a luxury that will generally be considered unaffordable in this climate.

Landlords become frustrated with the limited levels of enquiry for their vacant accommodation and the increasingly long timeframes for prospective tenants to arrive at a decision which, often in this climate, is to remain in existing accommodation.

Tenants that are keen to upgrade or relocate their accommodation can “tick all the boxes”, until it comes to finance and the Managing Director or Chief Financial Officer will simply say “no”, often irrespective of the business case, on the basis of the need to conserve capital in the current environment.

In order to avoid the “stay put” option, accommodation with existing good quality, and readily modifiable, fitout in place becomes highly sought by prospective tenants aiming to minimize upfront capital costs to achieve a relocation whilst still appeasing the “bean counters”.

With direct vacancy in the Adelaide CBD increasing, the availability of sub-lease accommodation, which is generally fitted out, provides additional opportunities for tenants to secure good quality space without the need for substantial capital expenditure.

The latest PCA office vacancy figures, July 2009, show that the CBD Core has seen an increase from 3.4% (January 2009) to 5.5% in just six months.

The second half of 2009 will see the completion of several new buildings in the CBD, including the:

- Aurora on Pirie Street;
- The Edge on King William Street;
- The Wave on Gilles Street;
- 400 King William Street; and
- Conservatory on Hindmarsh Square.



Conservatory on Hindmarsh Square



400 King William Street

These developments will add approximately 40,000 square metres to the existing stock and will result in a substantial increase in vacancies in “A” and “B” grade accommodation over the next six to 12 months. This will result in strong upward pressure on leasing incentives as Landlords of this new stock will seek to attract tenants through the offering of larger incentives.

MRS consider that these conditions will create an excellent opportunity for tenants who can see economic recovery in the not too distant future to secure commercially attractive lease deals over the next 12 months.

Experience has shown that the Landlords of completed new developments will compete aggressively to secure tenant commitments. The ability for those tenants able to offer a strong covenant and a medium to long term lease commitment, to secure favourable rental terms or a substantial contribution to their tenancy fitout will be available.

COMMERCIAL PROPERTY SPECIALISTS

McINTYRE ROBERTSON SCARBOROUGH PTY LTD

ABN 69 099 553 784

375 King William Street, Adelaide SA 5000 - PO Box 6200, Halifax Street SA 5000  
Tel: 08 8410 2344 - Fax: 08: 8410 2366 - Email: admin@mrs.com.au - www.mrs.com.au

MRS are the most experienced advocates for commercial tenants in the Adelaide market and have acted for clients such as:



If you are looking to move premises and require assistance, please do not hesitate to contact one of our Advisory & Consultancy Team.



Andrew McIntyre  
Ph: 0422 303 585

Email: [amcintyre@mrs.com.au](mailto:amcintyre@mrs.com.au)



Geoff Robertson  
Ph: 0422 303 575

Email: [grobertson@mrs.com.au](mailto:grobertson@mrs.com.au)



Michael Rouvray  
Ph: 0401 188 625

Email: [mrouvray@mrs.com.au](mailto:mrouvray@mrs.com.au)



Angelo Pavanello  
Ph: 0410 977 464

Email: [apavanello@mrs.com.au](mailto:apavanello@mrs.com.au)

For further details on the services that we can provide including the clients we have acted for, please refer to our website [www.mrs.com.au](http://www.mrs.com.au)

## Engineers Australia

Engineers Australia engaged MRS to undertake a review of their long term accommodation options and subsequent negotiations to dispose of their existing premises at Bagot Street, North Adelaide.



Our role was to undertake a review of “own versus lease” options and to negotiate with selected parties for the sale of their existing premises. MRS reviewed the formal purchase offers, negotiated sale terms on Engineers Australia’s behalf and arranged for the preparation and execution of all documentation.

Terms of the sale included a flexible lease-back arrangement.

## AOM Australia

AOM engaged MRS to undertake the negotiation of lease terms for a property that had been chosen by their Directors as the ideal accommodation solution for the business’ future.



MRS successfully negotiated terms over a ground floor office space within a recently completed building at a circa 20% discount to the asking terms prior to the commencement of negotiations.

Given the lack of suitably located options for AOM, it was vital for MRS to, not only achieve favourable lease terms, but to simply secure the space as there were few suitable alternatives within the chosen vicinity, which would have resulted in a restructure of the business’ future plans.

## Orthodontics

MRS has successfully negotiated new lease terms for Orthodontics at two of their nine locations across the State.



The negotiations resulted in significant savings on the proposed annual rental and rent review provisions.

Orthodontics have been a long standing client of MRS for whom we have provided ongoing leasing and acquisition advice for their CBD based head office, metropolitan and regional locations over many years.

## Property Asset Management

MRS are currently responsible for the direct asset management of a property portfolio in excess of approximately \$200 million in value and have recently gained another management at 559 Portrush Road, Glenunga.

MRS is able to provide:

- ◆ financial management;
- ◆ lease management; and
- ◆ building / physical management.

These services are provided through our qualified and experienced team of three Property Managers, a Facility Manager and Trust Accountant.

Should you wish to find out more about how our Property Asset Management Team can help you, please don't hesitate to contact us.



Paul Scarborough  
Director



Julie O'Malley  
Asset Manager



Nadine Wessel  
Asset Manager



Adrian Butterworth  
Facility Manager

## Ahrens Group



**Ahrens**

MRS are delighted to have been appointed by The Ahrens Group Pty Ltd to provide them with assistance with various aspects of the management, development and maximisation of their property portfolio in South Australia and interstate.

Ahrens are a fourth generation, family company with a history dated back to 1906.

A specialist construction and engineering company employing over 200 people across Australia, and catering for a diverse range of industrial, commercial and rural clients, Ahrens has operations in Victoria, Queensland, Western Australia, Tasmania and Northern Territory as well as its South Australian based Head office at Kingsford Industrial Estate.



For more information on Ahrens, please visit [www.ahrens.com.au](http://www.ahrens.com.au)

## Status Employment Services



Status Employment Services is an independent specialist provider of recruitment, training and government employment services with over 19 years experience in the South Australian market.

MRS were selected by Status as their preferred property advisor to source, negotiate and secure five new office locations following their success in securing recently awarded Australian Government employment services contracts.

MRS was faced with a strict time constraint with each location needing to be in operation by 1 July 2009.

With only approximately one month to secure all locations, MRS provided Status with an efficient process to source options and negotiate terms.

MRS provided Status with the specialist "legs on the ground", which enabled them to concentrate on doing their business, content in the knowledge that the property issues were being professionally and efficiently resolved within the required timeframe.



For more information on Status Employment Services, please visit [www.status.net.au](http://www.status.net.au)