

# Project delays to buoy office market

THE postponement of some new projects should enable the Coast office market to avoid the high vacancy rates recorded in the early 1990s (above 30 per cent), says Colleen Coyne, of Colleen Coyne Property Research,

She said postponement would ease the pressure on office stock, enabling a return to moderate rental growth over the next two to three years.

However, incentives to lure tenants could rise to 20 per cent from the present 10-15 per cent

as buildings in the pipeline were completed.

Ms Coyne said the fact that a significant proportion of office space was strata-titled was a plus as 'this market will benefit from the lower interest rates'.

Ms Coyne said that in 2007 the weight of money seeking investment-grade property had made yields unsustainable.

"Nationwide, commercial sales volumes have collapsed since December, 2007, due to the credit crunch and the departure

of most property trust players from the acquisition trail," she said.

Ms Coyne said yields generally had risen by 50 to 100 basis points since and would likely rise by a further 50 to 200 basis points as sellers accepted lower prices.

"Secondary commercial assets will be hardest hit, with a further rise of as much as 200 basis points expected," she said.

"Prime properties may experience a further increase of about 50 basis points."