Matthew Cranston

The first of a dozen landlords of major office towers affected by the Queensland government's planned retraction of 40,000 square metres of Brisbane office space has begun a campaign to compete for tenants.

The departments of health and justice have just vacated the top floors of Westlawn Property Trust's $130 million tower at 307 Queen Street after government staff cuts.

Clarence Property Group managing director Peter Fahey, who manages Westlawn, said he believed they would find new tenants despite forecasts from analyst BIS Shrapnel that Brisbane's vacancy rate would hit 10 per cent next year.

"I am confident we will have the space leased by March," Mr Fahey said. "I don't think the Brisbane office market is as bad as it's being made out and I think we can ride this out like every other time.

"The state of the current market, however, does mean we will have to target alternative tenants to the government."

Clarence Property has spent almost $5 million refurbishing and upgrading the office building.

"Other landlords will be compelled to upgrade their buildings as well," Mr Fahey said.

The building, which is in a prime position within the city's golden triangle of Queen and Edward Streets, has a range of tenants including Gina Rinehart's Hancock Resources and its Queensland joint venture partner, Indian group GVK. Higher level rent is about $620 per sq m a year.

Clarence Property Group has appointed Jones Lang LaSalle's Gerry Leyden and CBRE's Chris Butters to run the campaign.

Mr Leydon said the group's reinvestment into the building would give it an advantage in luring tenants and warned that other landlords not prepared to do the same could suffer.

"Tenants quickly form an opinion on a building if certain tenant drivers like location and a commitment to a capital works program aren't demonstrated in the leasing opportunity," Mr Leydon said.

"With vacancy rates expected to increase in 2013 and with more competition now in the market, landlords are recognising the need to introduce a capital works program in an attempt to reduce leasing exposure," he said.

Landlords affected by the government's retraction include Nielson Properties with more than 6000 sq m of government space to be vacated in its 420 George Street tower by March next year.

Citimark Properties will face a 5600 sq m vacancy by the end of January at its 170 North Quay building and AMP Capital will need to fill 3000 sq m at 60 Edward Street when the Department of Science leaves at the end of January.

BIS Shrapnel office market analyst Christian Schilling has a bearish view on the Brisbane market, predicting vacancy will hit 10 per cent by June next year.

"Large-scale redundancies in the state government, the downturn in demand for resources and falling business confidence mean that virtually no-one is looking for additional space," Mr Schilling said.

"Few people anticipated the magnitude and speed with which the incoming Queensland government has cut jobs.

"If the weakness in the mining sector persists for more than six to 12 months, we will see more sub-lease space come onto the market."

Peter Fahey . . . 'I am confident we will have the space leased by March.'

Bank of China lease

Bank of China will open a flagship retail branch in Brisbane after committing to a 10-year lease with Clarence Property Group.

Bank of China has taken up 300 square metres of ground floor and mezzanine level space in 307 Queen Street and posted a sign outside saying "coming soon".

The bank has declined to comment on its plans, but *The Australian Financial Review* understands it needed approval from the Foreign Investment Review Board for the new lease.

Queensland is one of the key markets for the Bank of China, with an estimated 10,000 Chinese customers in the state – a vast majority of whom are students.

A number of Chinese investors have also bought into the local residential property market.

The bank has already played a crucial role in funding commercial clients in the state, especially in the property sector. In October, the Bank of China refinanced a $90 million office tower in Brisbane with Shaun Bonett's Precision Group.

Matthew Cranston

SQM to release index showing seller sentiment

Ben Hurley

Property commentator Louis Christopher will shortly release a new measure of housing market strength which will chart how optimistic home sellers are with their asking prices.

The vendor asking price index by SQM Research will monitor real estate classifieds websites and chart the confidence levels of home owners by comparing their asking prices over time, regardless of whether homes are selling. "It's all about measuring where vendors are at with the market," Mr Christopher told *The Australian Financial Review.*

"It's going to tell us whether vendors are lifting market prices in response to stronger market conditions or lowering them in response to weaker market conditions."

The figures will be evened out with statistical methods known as stratification and hedonics which will ensure comparison only takes place between similar houses.

They will be provided free on his website with the data extending down to individual postcodes.

Mr Christopher expects the series to be available before Christmas.

Mr Christopher has been outspoken about market statistics put out by other data providers, particularly the daily house price index produced by RP Data-Rismark which Mr Christopher claims is unreliable and draws from a "minuscule proportion of actual sales".

RP Data and Rismark commentators responded to his criticism by saying their data uses all available sales and also draws from historical data.

They are also the only housing market index providers to commission independent audits of their methodologies.

SQM's new statistics will differ from the vendor discounting measures already put out by data providers Australian Property Monitors and RP Data-Rismark. These compare the initial asking price for a home with the final selling price and work out the average discount needed to achieve a sale.

SQM's numbers will not take into account the eventual selling price.

Other data provided on the SQM website include rental vacancy rates and the number of home listings on the market.

Mr Christopher says he is following the lead of overseas internet giants like Trulia and Zillow which offer a range of free data to drive traffic to their websites.