



Asset Repositioning Trends in Australia

Trends

The Australian commercial property market is changing.

Gone are the days of small stark lobbies, grey partitions and fluorescent lighting, the modern office now serves a broader purpose. From enhancing employee wellbeing and collaboration to profit-maximising design, workspaces are a reflection of the evolving nature of professional settings.

The lines between work and life are increasingly blurred. Modern workers are looking for spaces that can provide more than just your standard office backdrop - providing a major opportunity for commercial real estate owners.

In order to remain competitive in the commercial property market, landlords must be committed to seeing their current property assets in a new light.

In this whitepaper, we will discuss the leading trends in asset repositioning and refurbishment in commercial property throughout Australia.

01  **Repositioning Assets for Market Viability**

02  **Building Coworking Spaces**

03  **Creating Collaborative Workplaces**



‘Repositioning’ is a real estate investment strategy that aims to add value to the commercial asset. This often involves changing the physical appearance of the property both through a refreshed internal fitout, internal or external building refurbishment or renewal of aged mechanical and technical services.

This has quickly become a trend across the four major cities in Australia as landlords aim to maximise the value of their existing space through upgrades and refurbishments.

What’s driving this trend?

Renew Not New

To compete with new stock under construction and the nationwide lack of large development site opportunities, repositioning of assets has become a competitive and a financially viable solution for many property owners who are looking to drive commercial returns. We have seen innovative property owners uniting neighbouring commercial buildings to create one cohesive experience through the creation of mega lobbies including mixed retail, lounge areas and shared wellbeing facilities.

Meet The Market

There is clear market demand for creative, coworking and flexible working spaces in the major city hubs. With the rise of independent providers in the coworking and flexible work spaces, landlords are looking to provide fresh and innovative amenities inside that building to avoid losing those tenants to newer spaces. Repositioning assets enables property owners to meet this growing demand in the most efficient way possible.

Recycle The Lifecycle

According to the Australian Building Codes Board, new buildings comprise approximately 2% of the nation’s total building stock in any one year, leaving the majority of commercial buildings open to evolved building standards.

The potential for existing buildings to become noncompliant with current provisions is a consideration for many property owners. Whether that’s by electrical, digital or mechanical services upgrades, building owners are taking the time to consider what requires refurbishment.

What does it look like in the Australian commercial property market?

This trend can manifest in a lot of different ways. We are seeing buildings increasingly becoming fluid spaces that encapsulate hospitality, workspaces

and wellbeing centres. These experiences are not the exception but the rule. People no longer enter a lobby to just locate the elevator. When you walk through the front doors of a building, you want to feel energy, hear chatter, see movement and find a purpose designed place to meet. People are looking for a unique experience. Whether that's finding the cafe in the corner, admiring digital artwork displays in the foyer or enjoying wellness services just beyond the front doors - buildings are now multi-functional for everyone.

Sydney was the first to move on this trend and Melbourne has quickly moved into second place in this market. As repositioning becomes the name of the game, we will see Brisbane and Perth following suit.

% “According to research by Deloitte, 44% of commercial real estate executives plan to invest or increase investments in flexible spaces ”

According to research by Deloitte, 44% of commercial real estate executives plan to invest or increase investments in flexible spaces - highlighting a trend towards investing in spaces that are tied to the changing nature of work and tenant preferences.

While increasing value per square metre is a key metric to commercial return, many property owners choose a repositioning strategy focused on increasing building performance, this ultimately creates cost savings (often more than 15% over baseline energy efficiency), which is typically annualised for the life of the building. In some cases, this essentially pays for the capital investment in a matter of years.

Key Takeaway

Repositioning existing commercial assets is more time and cost efficient for many property owners in Australia who want to remain competitive. The four big cities will continue to leverage this approach to maximise their value per square metre.

02



Building Coworking Spaces

Coworking is quickly transitioning from a niche service for small companies or temporary spaces to an important piece of any commercial property portfolio. There are two key players in this space: Landlords looking to provide alternative offerings in their building and independent coworking providers.

The former are looking for ways to strategically use their space whilst maximising revenue. The latter are industry players such as Hub Australia and WeWork that are paving the way for coworking as a new business model.

The rise in this trend is evidenced by the data. There are currently 14,411 shared work building spaces in the world today. The number of co-working members will rise to 3.8 million by 2020 and 5.1 million by 2022. (Source: AllWork)



“Modern professionals and business owners alike are looking for creative spaces that go above and beyond standard work amenities while enabling more efficient and scalable solution for growth.”

Modern professionals and business owners alike are looking for creative spaces that go above and beyond standard work amenities while enabling more efficient and scalable solution for growth. Property owners are responding to this demand accordingly.

What's driving this trend?

Match my Scale

The trend towards coworking is driven primarily by practicality for business owners. Shared offices provide a significantly reduced cost to match the growth profile of the coworking tenant of today. On top of this, even more significant cost savings come through lower fit-out costs, initial outgoings and ongoing overheads.

Keep it Flexible

Coworking spaces also offer more flexibility when it comes to leasing agreements. A standard commercial office typically asks for anywhere between 3 to 10 year commitment. Flexible spaces, on the other hand, offer terms as short as a matter of months.

In fact, according to The Australian Coworking Market Report, the national average lease term for shared space is now 7.3 months – a drop from 7.7

months in 2016-17. This enables growing (or downsizing) businesses to easily occupy more (or less) space without breaking costly lease agreements.

What does it look like in the Australian commercial property market?

The popularity of this trend is evidenced by the rapidly rising requests for coworking space across the country. According to the 2018/19 Australian Coworking Market Report, there was a 105% rise in larger businesses (15+ people) looking for flexible coworking office spaces this year.

There are now 26% more coworking locations in Australia than there was last year. In terms of demographics, 64% of coworkers are aged 25-44, highlighting the continued appeal to the younger workforce.

Key Takeaway

Coworking isn't the latest buzzword, it's here to stay. To stay competitive in the commercial property market, landlords will need to continue incorporating these spaces or risk losing out to independent providers.



Hub Australia, Customs House



Collaborative workplaces are quickly becoming the office design default. These spaces are suited to all kinds of work, providing an environment that sparks creativity, prompts conversations and enables deep concentration all in one space.

These office layouts need to be diverse. At any given moment each team member should be able to find a place that suits the task at hand. Beyond the layout, collaborative workplaces must be supported by the right technology. This infrastructure should support flexibility and free flowing, constant communication.

When working in more collaborative environments, businesses enjoy an uptick in the water-cooler effect. Team members find themselves sitting next to different people each day, increasing conversations between employees that otherwise may not have interacted much. This exposure encourages more creativity, more collaboration and, as a result, more productive solutions to business problems.



“Companies dedicated to collaborative working were five times as likely to be high performing than non-collaborative counterparts.”

What's driving this trend?

Connection Drives Performance

An environment dedicated to communication, connection and contribution lays the groundwork for a more engaged and productive team. These things are the makings of an organisation that attracts and retains top talent - a driving force for Australian businesses.

Just take a look at some of the data:

- Companies dedicated to collaborative working were five times as likely to be high performing than non-collaborative counterparts (The Institute for Corporate Productivity).
- Participants in a Stanford study who acted collaboratively stayed with their task 64% longer than their solitary peers. (Journal of Experimental Social Psychology).
- These same respondents reported higher engagement levels, lower fatigue levels and a higher success rate.

The trend towards more collaborative spaces is driven by research like this and naturally, this means that spaces suited to this kind of environment gain a considerable competitive advantage.

What does it look like in the Australian commercial property market?

This is manifesting in a handful of interesting ways across the Australian market. Perhaps, most notable we are seeing the fusion of workplaces and wellbeing. Employers are competing to find the best ways to merge the experiential and the commercial.

Today, it's common to find office spaces that not only offer a variety of workspaces but a range of mindful locations. From prayer rooms to family spaces to the more conventional onsite gyms - the lines between personal and professional are intentionally blending and we will see the boundaries being pushed in these areas in years to come.

It about bridging conventional workplace design with wellness and greater diversity in mind. Most major offices include private spaces for prayer, reflection, childcare, parenting, yoga, rest and beyond. When these spaces are built, it creates a better human hub, encouraging different ways to meet, talk and work.

In fact, according to the Fellowes Workplace Wellness Trend Report, a majority (87%) of workers would like their current employer to offer healthier workplace benefits, with options ranging from wellness rooms, company fitness benefits, sit-stands, healthy lunch options and ergonomic seating.

A recent study out of the US also found that if companies invested just \$US40 (AU\$56) per person each year on indoor air quality, the performance of workers improved by 8% – the equivalent of a \$US6500 (AU\$9200) increase in employee productivity each year.

Landlords are constantly asking the question: what can we offer next? And employers are desperate to provide the best environment possible. The outcome has been an extraordinary convergence of experiential and commercial design. These are spaces that not only facilitate work but improve mood, health and overall satisfaction in the workplace.

Key Takeaway

Collaborative workspaces enable more agile environments. Businesses across Australia will continue to demand office fit-outs that enable higher levels of collaboration and employee wellbeing.

Case Studies

From Concept to Reality

FDC Group has successfully led countless refurbishments and interior fit outs for organisations and landlords across Australia's major business hubs.

Our forward-thinking concepts and exclusive access to leading suppliers mean we can achieve trend-setting spaces for all of our clients. We take the latest innovations in asset repositioning and make them a reality. Here are a few of our most recent projects in Sydney.

| | |
|------------|------------------------------|
| I | Northpoint |
| II | George Place |
| III | 309 – 321 Kent Street |
| IV | Angel Place |
| V | Raphael Place |
| VI | Qantas Campus |



Northpoint

Program

104 Weeks

Value

\$116M

Trend

Repositioning Assets
for Market Viability

Location

100 Miller Street,
North Sydney

FDC were engaged by Cromwell Property Group under a Design & Construct Lump Sum contract for the construction of a new 187 room Vibe Hotel as part of major repositioning of the Northpoint site in North Sydney.

The existing site consisted of a 43 storey Commercial Tower, low-rise retail precinct, and 6 level basement car park. The \$100M+ construction project consists of the following:

- Demolition of the existing retail structure.
- Strengthening of the existing structure & foundations.
- Conversion of existing space to create through site links from Pacific Highway to Miller Street and incorporation of a new Supermarket and Food Court.
- New construction of a 4.5 Star, 187 room Vibe Hotel operated by TFE Hotels including:
 - Rooftop pool and bar
 - New retail and restaurant offerings.

Project Features:

- Eat-street casual dining atrium.
- Commercial lobby.
- 26 retail tenancies with anchor tenants.
- Woolworths Metro and BWS.
- 187 room Vibe Hotel.



II

George Place

Program

68 Weeks

FDC have completed the George Place redevelopment project for ISPT at 345 and 363 George Street and 24 York Street, Sydney.

Value

\$60M

ISPT is committed to creating growth for people and places through property. For over 20 years, ISPT's properties have been meaningful places for the retailers, corporates, governments and communities that use them.

Trend

Repositioning Assets
for Market Viability

ISPT's ownership of the three adjacent buildings in this precinct creates a unique opportunity in the absolute heart of Sydney CBD. The George Place redevelopment will breathe new life into one of Sydney CBD's busiest precincts. The dramatic transformation of this new, supersized and unified lobby unites ground floor levels of the three buildings with amenities of the highest quality.

Location

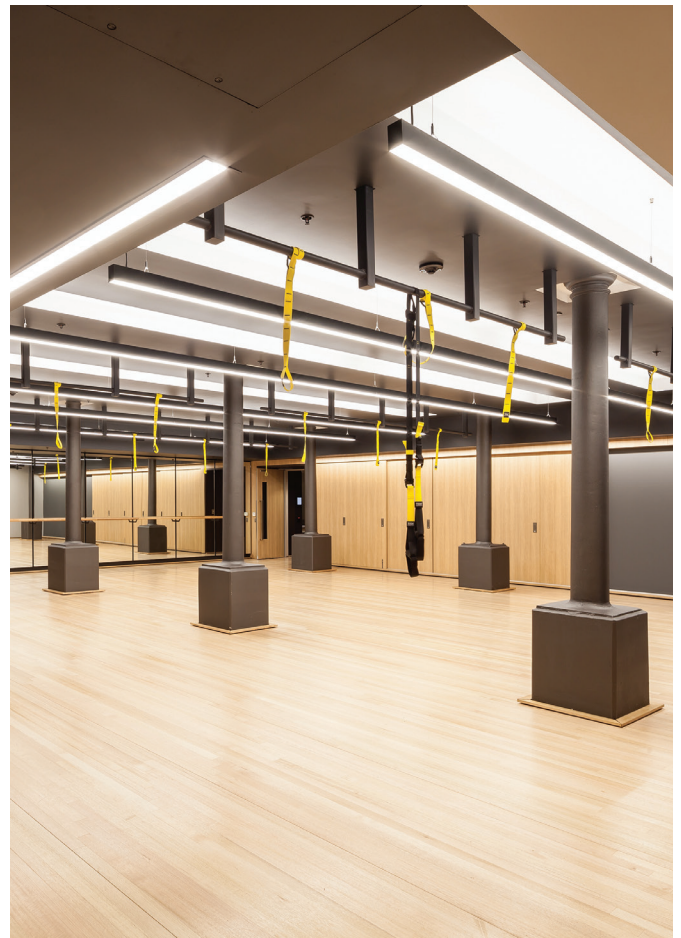
345 & 363 George
Street, Sydney

Original, Indigenous artworks, premium quality, inspired design soft furnishings, natural materials and lighting provide a welcoming and dynamic environment to work in and enjoy. The lobby offers a choice of meeting spaces, quiet zones, social hubs and food and bar offerings. It will also be an active space supporting a range of events.

FDC have proudly delivered this landmark project in conjunction with client ISPT, Shead Management, Norman Disney Young, Aurecon and Fender Katsalidis Mirams Architects.

Project Features:

- Construction of Steel Atrium across the three buildings.
- Installation of tower crane to the roof of 345 George Street to allow the general material handling of the project.
- Relocation of the 345 building cooling towers to the roof of 363 George Street.
- Services upgrades to the 345 George Street and Atrium of 363 George Street.
- Feature lighting to be programmed based on movement and activity within the lobby. (Also relevant to events).
- Concrete slab infill throughout 345 George to provide additional lettable area for ISPT.
- Construction of high end retail tenancies for the precinct.
- Escalators and Lifts with architectural metal cladding.
- Feature stone work to lobby.





309–321 Kent Street

Program

54 Weeks

Value

\$25M

Trend

Repositioning Assets
for Market Viability

Location

309 – 321 Kent Street,
Sydney

FDC are proud to be engaged by Dexus Property Group and AMP Capital to design and construct the refurbishment and state-of-the-art facelift of 309– 321 Kent Street within the heart of Sydney's CBD.

The works include the extension of commercial office levels between Levels 1–3, the addition of a terrace on Level 4 and the revitalisation of the plaza, rear forecourt, retail and lobby spaces. The 309 Kent Street building will also feature a new glazed façade complimented with pristine granite and brass metal finishes. The net lettable areas (NLA) of Levels 2 and 3 will increase by 21%, while Level 1 will increase by 56% to include a void overlooking the modernized ground floor lobby entrance. The scope of work also includes extensive CAPEX services upgrades to both buildings, including replacements of the main switchboards, life safety systems, chillers, mechanical pumps, cooling towers, boilers and fire booster cupboards.

Project Features:

- Extension of 4 levels including the extension of office levels 1–3 and addition of a terrace on level 4.
- Installation of a new glazed façade to the 309 Kent Street levels 1–4.
- Modification of the ground floor lobby to accommodate new and improved retail tenancies.



IV

Angel Place

Program

72 Weeks

Value

\$22M

Trend

Repositioning Assets
for Market Viability
& Creating Collaborative
Workplaces

Location

123 Pitt Street, Sydney

Angel Place is a major lobby upgrade to modernise both the internal and external portions of the lobby. The construction of the project has been set up as 2 Individual stages detailed below with milestone stages.

STAGE 1

Stage 1A – Refurbishment of the north western mezzanine area with the provision of a new multifunction space and management office, new spiral staircase and amenities upgrade to mezzanine level, ground and lower ground.

Stage 1B – Refurbishment of the lift lobbies in 8 stages over 8 weeks, including the demolition of existing stone & ceilings and installation of new stone, ceilings & services.

Stage 1C – Redevelopment of northern lobby to include a café and casual seating to accommodate a range of meeting spaces.

Stage 1D – Refurbishment of the eastern terrace to accommodate an alternative place to work and meet for tenants. 1D comprises of the portioned façade upgrade over the existing loading dock, with the demolition of the terrace façade and replacement with a full glazed piece to open the space with new black portal.

STAGE 2

Refurbishment of the main entry and façade leading from Pitt Street. Comprising of full demolition of the existing Façade & entry and replace with new curved entry doors & portals to match stage 1D. The internal lobby is to be opened up into a conditioned space with new wall & floor tiling to suit the previous staging.

STAGE 3

Comprises of the upgrade of the southern lobby to suit the northern upgrade, this will comprise of the café upgrade including commercial kitchen, upgrade of stone walls & floors.





V

Raphael Place

Program

36 Weeks

Value

\$6M

Trend

Repositioning Assets
for Market Viability

Location

1 Farrer Place, Sydney

This project is located in the courtyard at the base of the Governor Philip Tower (GPT), Governor Macquarie Tower (GMT) and adjoining No.39-47 Phillip Street terraces – all of which are of great architectural significance. In addition the area of the project is juxtaposed to the rear entry for the Museum of Sydney.

The project comprises the refurbishment of the existing heritage façades to the Phillip Street Terraces and high quality refurbishment and construction of the external courtyard to create a new fine dining precinct. The precinct will be protected by a new large structural steel/glazed canopy which is fixed back to the GPT structure.

Project Features:

- Road and Footpath closures of Phillip Street to allow for the Crane lifts.
- Demolition of courtyard stone pavers and column sandstone cladding to facilitate new services/steel.
- New concrete slab, raft slab and pad footings to suit new finishes and low level canopies.
- Installation of large steel and glass architectural awning to the courtyard footprint.
- Low level awnings to proposed kitchen areas, and the Philips street entrance.
- Restorative decorations to the existing heritage façades and Terraces.
- Sympathetic masonry and carpentry repairs to Phillip St facades and associated balconies.
- Supply and install of joinery banquets, FFE and flora.
- Supply and installation of new internal and external architectural lighting to the courtyard and restaurant areas.
- New services and upgrades of existing services to facilitate the new architectural space.



VI

Qantas Campus

Program

104 Weeks



Multiple MBA Award Winning Project including Best Use of Glass

Value

\$136M

Trend

Repositioning Assets
for Market Viability
& Creating Collaborative
Workplaces

The Qantas Campus is the airline's "Global Headquarters" housing all administration, staff, and feeding the jet base with flight crew and cabin crew. Flight crew have direct access to the jet base by way of a private road via a fleet of Qantas shuttle buses.

FDC were the head contractor on the project and engaged the design consultants and subcontractors directly. We were involved with liaising with numerous authorities to ensure that their requirements were met. The planning, procurement and construction of the scope was in some aspects the simplest of tasks.

Location

10 Bourke Road, Mascot

One of the greatest challenges was working with the existing workforce (circa 3,000 employees) that still inhabited the campus. A complex staging plan was formulated to demonstrate the management and movement of personnel around the facility whilst still operational over a 2 year period - the duration of the project.

The migration of personnel needed to be detailed, presented to Qantas and then implemented, ensuring at all times their amenity was not compromised.

During the project a tri-generation System was installed on the site. The plant provides power, hot water, and chilled water for the four buildings on the campus, and 10 others on the Qantas jet-base.

Gas powered generators produce the peak demand power supply, and the by-product of heat from the generators produce a hot water service. The generated heat also powers a set of absorption chillers which provide 6°C water at a set of heat exchangers within each building.

Project Features:

- Four buildings within a campus environment.
- Heavily staged refurbishment.
- Façade upgrade and new overhead canopy.
- Full services upgrade.
- Interconnecting steel and blade glass atrium



Closing Remarks



Asset repositioning and refurbishment across commercial properties in Australia is becoming less of a luxury and more of a necessity. With the help of our team at FDC, we can turn your space into an experience and destination.

To learn more, contact us today, or visit

fdcbuilding.com.au

Sources

<https://www2.deloitte.com/au/en/pages/real-estate/articles/commercial-real-estate-industry-outlook.html>

<https://www.colliers.co.nz/~media/new%20zealand%20website/files/research/international/apac%20flexible%20workspace%20report%202019.ashx/>

<http://flexiblespace.colliers.com/>

<https://www.office-hub.com.au/wp-content/uploads/2018/09/Office-Hub-The-Australian-Coworking-Market-Report-2017-18-LR.pdf>

https://www.propertycouncil.com.au/Web/Content/Media_Release/National/2019/Infrastructure_critical_to_city_transformation_Audit.aspx

https://www.propertycouncil.com.au/Web/Content/Media_Release/National/2019/Softening_Economy_Leads_to_Flatter_Demand_for_Office_Space.aspx

https://www.propertycouncil.com.au/Web/Content/Media_Release/National/2019/Office_markets_tighten_across_the_country.aspx

https://learn.zenefits.com/flexible-work-report.html?utm_source=blog&utm_medium=footer&utm_campaign=0718FWAreport

https://www.propertycouncil.com.au/Web/Content/Media_Release/NSW/2019/Sydney_records_lowest_vacancy_Rate_since_2008_but_demand_subdued.aspx

<https://allwork.space/2019/05/coworking-is-the-new-normal-and-these-stats-prove-itt/>

<https://cmo.adobe.com/articles/2018/5/15-mind-blowing-stats-about-the-future-of-work.html#gs.08rkza>

https://www.hays.net.nz/hays-journal/HAYS_2002765

<https://www.commercialrealestate.com.au/news/wellness-now-a-key-factor-for-firms-when-choosing-a-new-office-831932/>

<https://www.coworkingresources.org/blog/are-coworking-spaces-profitable#targetText=According%20to%20a%20survey%20completed,coworking%20spaces%20are%20currently%20profitable.&targetText=With%20new%20coworking%20spaces%20opening,all%20coworking%20spaces%20become%20profitable.>

<https://www.marketsmedia.com/smart-repositioning-strategies-real-estate/>

<https://www.tishman.com/company/index.html>

<https://www.abcb.gov.au/Resources/Publications/Education-Training/Upgrading-existing-buildings>



- Construction
- Fitout
- Refurbishment
- Mechanical
- Technologies

Sydney (Head Office)
22-24 Junction Street
Forest Lodge, NSW 2037
Australia

fdcbuilding.com.au
enq@fdcbuilding.com.au

