



# Newt's News – August 2016

## True Investment Yields vs “Land Rich” Prices

The property investment market is strong in the low interest rate and low inflation environment. But don't be misled by the extremely low investment yields achieved for “land rich” properties i.e. those which enjoy very high underlying land values.

Newtons recently sold Shell Coles Express Keilor Park at auction for \$7.7m (5% yield). It was a new lease for 15+5+5+5+5 years at \$385,000 pa plus GST and outgoings, with annual CPI increases.

We also sold Woolworths Petrol Clayton at auction for \$4.44m (4.95% yield) and, before that, sold Woolworths Petrol Coburg at auction for \$4.5m (5.6% yield), with a 7 year remaining lease term plus options.

BP Seaford, which we sold at auction for \$5.05m (7.5% yield) has been resold off-market for \$5.45m (7.4% yield), with 7 years remaining lease term plus options, while Shell Lancefield sold for \$4.0m at a 7% yield.

These are clearly classic investment properties and, while there has been considerable yield compression in recent years, they should not be confused with properties having very high underlying land values, i.e. “land rich” properties.

For examples of land rich sale prices, “7 Eleven” St Kilda sold for \$10.2m at 2.73%, while “7 Eleven” Box Hill sold for \$8.0m at 2.14%. Both had long remaining lease terms, with fixed 4% annual increases, but effectively sold at their underlying land values. Also, Liberty Fitzroy sold for \$9.6m on a 1.53% yield, reflecting the more immediate redevelopment potential with a short remaining lease term, as opposed to a typical long term investment yield.

The key point is that you can still buy perfectly sound long term investment properties in a yield range of say 4.5 to 7 percent, if you are not wanting to buy “land rich” properties.

We are selling a truly remarkable investment property at auction on Tuesday 13<sup>th</sup> September 2016. Featuring long term leases to Woolworths (Petrol and BWS Liquor), plus Bridgestone and Hunter Regional Tyres and returning approx. \$525,000 pa net, it is expected to sell for approximately \$9.5m to \$10m, depending on bidding on the day. With an extremely busy Pacific Highway frontage at Wyoming (Gosford), just some 80km north of Sydney CBD, in the heart of the Central Coast, it is a large corner site of 5,101sqm, with B2 (Local Business) zoning, being opposite the Wyoming Shopping Centre (full line Coles Supermarket, speciality shops etc. and Hungry Jack's) and having Development Consent for a five lot Strata Subdivision, as well as holding a separate liquor licence.

This remarkable investment property should also appeal to Victorian and Queensland based investors, who do not want to increase their multiple holding land tax costs in their home state.

Please see the attached details and remember, whether buying or selling petrol stations or related properties, Newtons should always be your first point of call... just ask anyone in the industry!

Best Regards,



**Ron Newton**

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Certified Practising Valuer & Licensed Estate Agent  
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Ron established Newtons in 1981 and has over 40 years experience as a Valuer and Real Estate Agent.

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