



Newt's News – October 2015

Just how is the property investment market performing?

"Auction clearance rate plummets due to the over ambitious expectations of vendors and investor caution" ... as reported by a national newspaper in September.

Only five days earlier, six service stations sold at auction for a total price of \$39.92m and were reported by the same newspaper to have sold at *"more than twice their reserve"* ...and provided... *"a clear indication of the continuing strength of the commercial property market"*.

Conflicting news out of the Sydney market, and confusing to say the least!

In Melbourne, in April 2015, BP Seaford, with a long term lease, sold at auction for \$5.05 million, at a 7.5% yield. A similar BP at Vermont, with an identical lease, sold under the hammer in October 2015 for \$4.7 million, at 7.0%, in my view reflecting the slightly better location. Both sold at or very close to the vendor's reserve prices and clearly reinforced consistency in the current investment market.

It is no secret that leased properties typically enable buyers to capitalise on secure and growing cash flows and I have observed continuing strong demand for such investments. This is unlikely to change soon, considering that ANZ has reported it expects the Reserve Bank to cut interest rates to 1.5% next year; this could happen sooner.

We sold Liberty Baxter, an excellent modern petrol station, at auction in September, for \$2.97 million, at a 6.2% yield, reflecting the new 15 year lease to Liberty Oil, 50% owned by Viva Energy (Shell Australia).

We have three new Victorian investment properties, all with Liberty/Shell branding and featuring new 15 year Liberty leases, going to auction in conjunction with Burgess Rawson, on 28 October 2015:

- Dandenong North is an outstanding service centre style petrol station and truckfill complex, in a prime position with a very strong underlying land value and should sell in a 6% to 7% yield range. It ticks all the boxes.
- Bendigo and Benalla, although being strong regional locations, are likely to sell at higher yields, in an 8.5% to 9% plus, or thereabouts, range.
- The most recent comparable regional sale was the impressive, brand new Caltex (unmanned) Diesel/Truck Stop on the Princes Highway at Traralgon. With a new ten year lease to Caltex Australia, it sold for \$3.775 million, at a rewarding 7.74% yield.

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



Ronald A. Newton

FAPI CPV AREI CEA (REIV)
Certified Practising Valuer & Licensed Estate Agent
Managing Director

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

AUCTIONS

Wednesday 28 October 2015 at 11am
The River Room, Crown Casino, Melbourne

Outstanding Modern Petrol Station/Truckstop Complex

182-184 Stud Road, DANDENONG NORTH, VIC

Land Area is 7,370m² with a high underlying land value.



Liberty/Shell Truckstops and Distributor Logistics Terminals

107 Strickland Road, Bendigo VIC

Rent \$182,000 pa. (approx.)

Land 1.395ha, zoned Industrial 1.



5941 Midland Highway, Benalla VIC

Rent \$185,000 pa. (approx.)

Land 7,668m², zoned Industrial 1.



Each property has Liberty/Shell branding and features a new 15 year lease term, plus options. The Tenant is responsible for all general repairs. Liberty is 50% owned by Viva Energy (Shell Australia) with nearly 900 branded sites across Australia, providing a first class tenancy covenant.

Disclaimer: The information contained in this newsletter has been obtained from sources we believe to be reliable and therefore have no reason to doubt its accuracy. The vendor/landlord and their agents will not be held responsible for any error or mis-description which may appear herein. Prospective purchasers/tenants are thus advised to make whatever investigation they deem necessary. All dollar amounts exclude GST unless otherwise stated.