Auctions lead to lift in prices

Commercial assets are being snapped up

Jamie Duncan

Covid-busting businesses including small retail sites, childcare centres, medical facilities and service stations have powered almost $190m in auction sales across Australia's three largest cities.

Burgess Rawson partner Billy Holderhead said the firm's auction, held over three days last week, performed "well beyond our wildest expectations" as investors sought security in pandemic-proof businesses.

The auction included Burgess Rawson's first standalone campaign in Brisbane, where buyers pounced on 17 of 18 listed propertied for a total of $51.4m – 13 per cent over reserve.

Across the three days, 546 registered bidders vied for 54 properties around Australia. Of those, 49 sold – a 90.7 per cent clearance rate with a blended yield of 4.7 per cent and undeployed capital of just over $1.5bn.

Properties that sold included 10 childcare centres, eight automotive service centres, six medical or veterinary facilities and a host of retail outlets including bank branches and fast food outlets.

Mr Holderhead said the portfolio lacked some "hero" properties housing marquee retailers, but buyers saw the potential for excellent returns. "Most of those businesses have traded strongly through Covid," he said.

"This portfolio was a really even list. It didn't have those standout properties like a Bunnings that everybody watches, but we had a response that was as big as those."

In the Melbourne auction on September 28, Kingston Funerals' Cheltenham premises attracted 69 bids from 14 bidders, selling to a Melbourne-based Chinese investor for $3.83m with a 3.78 per cent yield.

A local buyer snapped up a Coates Hire site in Adelaide's Albert Park for $16.1m, 18 per cent above reserve and with a yield of 3.59 per cent in a hotly contested sale.

Seventy-five bids drove the price of a Ford dealership in Melbourne's Sunbury to $9.61m with a 5.2 per cent yield. The winning bidder, based in Sydney, has spent about $15m through Burgess Rawson this year without inspecting any properties.

In the Brisbane auction the following day, a Melbourne investor beat 24 bidders to secure a Mitchelton Jax Tyres outlet for $4.52m, 29 per cent above reserve, with a 3.1 per cent yield. A KFC and Pizza Hut in Urraween, Queensland, sold after 84 bids for $7.96m – 35 per cent above reserve, with a 3.98 per cent yield.

Two Greenacres Vets properties in Toowoomba sold separately to a Sydney and a Melbourne investor for a combined $3.365m, with yields of 4.49 per cent and 5.14 per cent, respectively.

At the Sydney auction on September 30, 22 bidders pushed the Umina Beach Affinity Childcare sale price to $2.05m, with a record-breaking yield of 2.99 per cent, while Turramurra Handprints sold for $8m – $1.85m or 30 per cent over reserve, with 16 bidders in the hunt.

The pandemic has spurred interest in Covid-resilient businesses. "Victorian and NSW buyers in lockdown haven't had normal distractions. They have time on their hands. They are digging into property and the fact they can't inspect it has not been an issue," Mr Holderhead said.

Burgess Rawson's next commercial auction will be held in Sydney, Brisbane and Melbourne from November 9 to 11. It will include more than 50 properties across five states with tenants including KFC, Coles, Woolworths, Dan Murphy's, four ALH hotels, Ikea, Centrelink, Kmart, Domino's and childcare centres.

Bidding and sales were strong at Burgess Rawson's auctions

Terraplex to sell St Kilda Road block for more than $65m

Ben Wilmot

Investment manager Terraplex has put a prime St Kilda Road asset on the block as Melbourne's office market gains momentum.

The block at 570 St Kilda Road is expected to sell for more than $65m, reflecting Terraplex's repositioning efforts over nearly a decade of owning the asset.

The value of the precinct is again rising, partly as tenants explore alternatives to the CBD and also for its long-term redevelopment potential.

The property will be sold via CBRE's Kiran Pillai, Scott McGlone and Hugh Thomson and Cushman & Wakefield's Leigh Melbourne, Nick Rathgeber, Mark Hansen and Josh Cullen.

Terraplex acquired the 7647sq m building in 2012 and it invested significantly in repositioning it, which has seen the building attract and retain major tenants including Simonds Homes, Accolade Wines and ALM Williams Partners.

The building has been offered with a weighted average lease expiry of over three years, providing a secure income stream in the medium term.

Terraplex directors Anthony Wilson and Charles Raymond said the building had been in a closed fund that had reached its end.

Mr Pillai said that despite a Covid backdrop, the Melbourne CBD and St Kilda Road precincts had stood up as robust and resilient markets.

"All major tenants have recommitted to the building recently, which will drive confidence from a market that is very focused on income rigidity," he said.

Mr Melbourne said the next owner could capitalise on the building's significant unexploited upside.

Blackstone rides CBD wave with Westfield block sale

Ben Wilmot

Private equity house Blackstone is looking to capitalise on the resurgence of interest in CBD office assets and has put an office building which is part of the Westfield Sydney precinct on the block for about $250m.

The company has tapped JLL's Luke Billiau, Simon Storry and Mitch Noonan and McVay Real Estate's Rob Sewell and Sam McVay to sell 77 Castlereagh Street.

The play marks another move to sell a building of the three it picked up there in June 2019 from local Westfield owner Scentre for $1.52bn.

Blackstone quickly flipped one building, which houses the corporate regulator, selling 100 Market Street to Hong Kong-based Link REIT for about $683m.

The most recent offer is likely to reflect the positive sentiment that has rippled through CBD office markets as companies prepare to bring staff back to work, despite concerns about the impact of the pandemic on the leasing market.

The block at 77 Castlereagh is a 19-level B-grade building positioned above Westfield Sydney and adjacent to Myer Shopping Centre. It sports good access to premium retail and dining, Hyde Park, as well as undercover access to several public transport options.

The building is accessed through a new ground floor foyer from Castlereagh Street and has typically drawn premium tenants.

The 13,160sq m building sports large floor plates of 1220sq m has a weighted average lease expiry of about five years. The asset is dominated by legal tenants including global law firm Dentons and Bartier Perry.

The midtown precinct in which it sits has had the strongest rental growth in the city over the last decade.