

# Sydney auction hits 84pc clearance as yields tighten

Larry Schlesinger

Investors have rushed to acquire well-leased commercial property before the end of the financial year with a Burgess Rawson portfolio auction of 18 properties in Sydney generating sales of \$45 million and an 84 per cent clearance rate.

Sentinel Property Group managing director Warren Ebert, who attended the auction on Tuesday, said with more uncertainty following the Brexit decision, people wanted security and this would prolong the run on property, both commercial and residential.

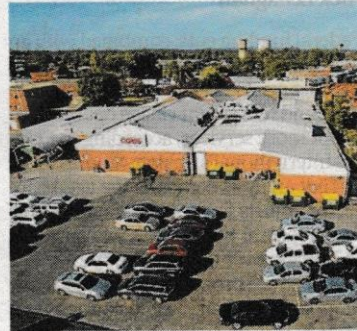
"People vote in England and the stockmarket goes crazy. How does this affect the performance of a Coles supermarket? It doesn't," he said.

Sentinel had two Coles shopping centres up for sale as part of the portfolio auction. A Coles in the country town of Narromine, near Dubbo, sold to a local farming family for \$4.18 million on a 7.7 per cent yield, while the other in Wellington, NSW, was passed in, but expected to sell in coming days.

Other standouts included the sale of four NSW government-leased premises in Sydney, Nowra, Mudgee and Cooma, generating almost \$11 million in total and the sale of a Coles Express shop and petrol station in Bega for \$5.25 million on a 6.3 per cent yield.

The Sydney auction was notable for the high number of regional properties that sold under the hammer including a Red Rooster outlet in Griffith, a cafe in Bowral and a Home Timber and Hardware store in Yamba.

Mr Ebert said the lower price ranges in regional areas allowed smaller investors to secure a quality tenant at less than some house prices.



Coles in Narromine, near Dubbo, sold to a farming family for \$4.18 million.

"You get a higher return and you don't have a problem with tenants that you have with residential property. Most commercial tenants run their businesses from these premises and want to look after them," he said.

The top result of the day was the \$4.8 million sale of government-leased property with development potential in Campbelltown on a 2.3 per cent yield.

Burgess Rawson agents Darren Beehag and Simon Staddon said the yields achieved – six properties under 6 per cent and four under 5 per cent – reflected the level of appetite. "Rates could go further down and will be lower for longer, which is putting pressure on yields," Mr Beehag said.

"People aren't chasing location, but the profile of the tenant and length of lease. They want blue-chip tenants which provide security of income," Mr Staddon said.

Two properties sold before auction, including the Townsville Central hotel for \$9.6 million and a research facility leased to UK-listed Intertek for \$5.7 million on a 7.5 per cent yield.

## Commercial appetite strong

Results from Sydney Burgess Rawson portfolio auction

Property	Location	Price (\$m)	Yield (%)
Coles Express petrol/retail	Bega, NSW	5.25	6.3
NSW Govt-leased premises	Campbelltown, Sydney	4.80	2.3
Coles supermarket	Narromine, NSW	4.18	7.7
NSW Govt-leased premises	Mudgee, NSW	2.76	5.1
Home Timber Hardware	Yamba, NSW	1.96	7.9
Café and retail	Bowral, NSW	1.74	6.7
NSW Govt-leased premises	Cooma, NSW	1.66	5.5
Red Rooster	Griffith, NSW	1.60	5.6

SOURCE: FINANCIAL REVIEW, AUCTIONWORKS