



Last week's ANZ bank portfolio auction provides an insight into the state of the market for smaller properties sought after by private investors in the light of the sub-prime induced credit crunch and recent share market volatility.

The portfolio included 13 properties throughout Queensland of which 10 were on 10+5+5 year leases and three were on 5+5+5 year leases. Sale prices ranged between \$450,000 and \$3.5m and attracted interest from private investors.

The properties sold for yields of between 3.43% (Spring Hill) and 6.92% (Rockhampton), with the yields expressed on an after land tax basis. Spring Hill recorded the lowest yield of the nationwide portfolio of 47 properties sold.

Address	Commencing Rent	Lease Term (Yrs)	Building Area (m ²)*	Sale Price	Yield
Fortitude Valley (204 Wickham St)	\$ 129,390.00	10 + 5 + 5	861	\$ 3,000,000.00	3.86%
Toowoomba (367 Ruthven St)	\$ 218,000.00	10 + 5 + 5	1,164	\$ 3,000,000.00	6.83%
Cleveland (111 Bloomfield St)	\$ 147,000.00	10 + 5 + 5	458	\$ 2,400,000.00	5.86%
Ipswich (102 Brisbane St)	\$ 104,000.00	10 + 5 + 5	672	\$ 1,750,000.00	5.58%
Caboolture (9 King St)	\$ 91,000.00	10 + 5 + 5	427	\$ 1,450,000.00	5.94%
Caloundra (55 Bulcock St)	\$ 203,000.00	10 + 5 + 5	1,558	\$ 3,510,000.00	5.45%
Redcliffe (81 Redcliffe Pde)	\$ 76,000.00	5 + 5 + 5 + 5	403	\$ 1,400,000.00	5.00%
Nambour (66 Currie St)	\$ 119,000.00	10 + 5 + 5	754	\$ 1,800,000.00	6.37%
Tewantin (115 Poinciana Ave)	\$ 46,000.00	10 + 5 + 5	174	\$ 87,000.00	4.98%
Bundaberg (64 Bourbong St)	\$ 104,000.00	10 + 5 + 5	722	\$ 1,750,000.00	5.79%
Rockhampton North (185 Musgrave Rd)	\$ 62,000.00	5 + 5 + 5 + 5	386	\$ 840,000.00	6.92%
Chinchilla (Heeney St & Bell St)	\$ 23,500.00	5 + 5 + 5 + 5	178	\$ 450,000.00	4.94%
Spring Hill (401 Upper Edward St)	\$ 92,000.00	10 + 5 + 5	285	\$ 2,270,000.00	3.43%

** yields calculated on a after land tax basis

Source: Jones Lang LaSalle



m3property (Qld) Managing Director Ross Perkins believes that this is the first real opportunity to assess private investor sentiment in 2008 after the recent economic issues.

Throughout 2006 and 2007 it was all about growth and less emphasis was placed on tenant and leasing risk. In fact, in general short term leases were preferred as they provided the opportunity to capitalise on rising office and industrial rents.

The disparity between yields achieved for prime properties and those for secondary property tightened during the period between 2000 and 2007 to the extent that it appeared that property risk wasn't being considered by private investors.

Ross Perkins believes that "The credit crunch coupled with the latest interest rate rise appears to have impacted on investor confidence to the extent that tenant and leasing risk are again back on the agenda. Interestingly whilst the interest rate rises may negatively impact on a tenant's financial standing, this does not appear to have resulted in a re-rating of yields, as the sales do not indicate a softening in yields since 2007".

The instability in the share market may have triggered a flight back to bricks and mortar after an extended period of growth in the share market, even though the listed property trust sector has been negatively re-rated.

Furthermore, Ross Perkins indicated that investors in the ANZ properties did not appear to have differentiated between lease terms, with 5 year leases attracting similar yields to those with 10 years. Given the appetite for income security this is difficult to explain.

Should you have any further queries please contact: Ross Perkins (07) 3620 7901