

SENIORS' LIVING IS HOT PROPERTY

The Seniors Living market is proving to be one of the hottest markets in property with well over \$1 billion worth of retirement village sales transactions having occurred over the last 18 months. In addition, activity in the aged care sector during the same period has resulted in total sales worth more than \$400 million. These large sales volumes can mainly be attributed to the allure of operating cash flows (eg deferred management fees and accommodation bonds) generally above and beyond other passive property investment returns.



It is the attraction of these cash flows that has seen investor interest in the Seniors Living sector boom. This has resulted in existing operators expanding their portfolios as well as new players to the industry seeking to diversify their investment profiles. The three largest retirement village operators FKP, Primelife and ARC account for almost half of the market. The residential aged care industry remains dominated by not-for-profit providers, with only around a quarter of the market privatised. The trend towards consolidation of the sector is likely to continue.

The Seniors Living sector is undergoing rapid transformation on many fronts resulting from changes to state legislation and Federal Government policies. m3property has been involved in providing expert advice to clients on various industry-specific issues. This has ranged from the valuation of aged care bed licences for compliance with new accounting standards, to researching the impact of government funded home care packages on the market for assisted living accommodation.

m3property remains actively involved in the Seniors Living sector, having undertaken a range of due diligence assignments and valuations, including the largest seniors living portfolio in Australia. We have also acted in an advisory capacity, performed transaction management services, and arranged acquisition finance on behalf of clients.

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UNIMPROVED VALUE REDUCED FOR Q1

m3property was recently retained by the owner/developer of the Q1 tower on the Gold Coast in relation to an appeal against the Unimproved Value issued for the property. The matter, which was heard before the Land Court of Queensland, related to the Unimproved Values issued for the property as at the dates of valuation of 1 October 2003 and 1 October 2004. The assessments issued for the property of \$44,000,000 and \$48,675,000 respectively were reduced by the Court to \$38,800,000. The result, which is a favourable one for the owner/developer will result in a direct benefit and assist the commercial components of the development.



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Englobo Industrial Land Values Booming

2006 has seen an unprecedented number of industrial englobo sales in the outer western suburbs of Melbourne. The sales have shown a significant upward trend on prices achieved over previous years. A number of factors have contributed to this increase in value which has seen prices nearly double over the last 18 months, including the rezoning (or proposed rezoning) of 'rural' land to 'industrial' and intense competition from property trusts and major developers to 'land bank'.

With englobo prices and development costs increasing and investment yields at historically low levels, there is upward pressure on rents. Industrial rents have shown minimal market growth for a decade however some recent leasing transactions in the west have shown signs of uplift. However, intense competition between the trusts and developers for large pre-lease deals seem to be placing a cap on rental values for this sector of the industrial market.

To read more on this topic please click [here](#)

Recent Englobo Sales in Melbourne's Western Suburbs

	720 Kororoit Cr Rd, Alton North	440 Dohertys Rd, Truganina	441 Dohertys Rd, Truganina	Boundary Rd, Truganina
Sale Price	\$25,500,000	\$32,000,000	\$39,250,000	\$21,125,000
Sale Date	Sep-06	Jul-06	Jun-06	May-06
Land Area ha	51.93	65.01	94.45	32.38

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SPECIAL LAND TAX IN VICTORIA

When is it payable?

- Section 29 of the *Victorian Land Tax Act 2005* provides for certain properties that have been exempt from land tax to be assessed Special Land Tax.
- It is a one off payment.
- Calculated at 5% of the taxable value of the land.
- Payable upon change of ownership if the use of the property changes.
- Examples include farm land rezoned for residential use or rezoning land from "Public Use Zone" to a "Residential Zone".
- Triggers an annual land tax liability thereafter.
- The SRO can ask for payment within 14 days.

Special Land Tax is an important consideration when acquiring an englobo parcel that has been exempt and requires rezoning. It is levied at 5% compared with the top tax rate of 3.5%. It can be a significant cost to a purchaser, for example if acquiring a property with a Site Value of \$30,000,000, Special Land Tax of \$1,500,000 could be payable when the change of ownership and use occurs.

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Luana Kenny (m3property), David Finney (Investa)



Steven Lawford (APN Funds Management),
Mayur Taylor (m3property), Matthew Kempton (ISPT)

The recent interest rate increases has had no impact on Melbourne's buoyant prestige residential market. The strength of the upper end of the market has been maintained throughout 2006 with demand continuing to outstrip supply. There is no sign that this trend will abate in the medium term and the outlook remains positive.

Some outstanding results have been achieved during 2006 including two substantial properties overlooking Port Phillip Bay at 1 Kinane Street, Brighton for \$11.2 million and Rob Butters property in Seacombe Grove, Brighton for about \$11.5 million, both after lengthy periods on the market.



1 Kinane Street, Brighton

Other significant sales have been:

11 Cole Court, Toorak	\$6.06 million
7 Yar Orrong Road, Toorak	\$6.35 million
7 Barnard Road, Toorak	\$6.50 million
2 Hopetoun Road, Toorak	\$6.63 million
25 Hill Street, Toorak	\$6.85 million
51 Albany Road, Toorak	\$7.00 million
2 Ledbury Court, Toorak	\$7.85 million
241 Domain Road, South Yarra	\$6.25 million
12 Shandford Avenue, Brighton	\$6.25 million
77 Berkeley Street, Hawthorn	\$6.50 million
3648-3650 Point Nepean Road, Portsea	\$6.00 million
2696b Point Nepean Road, Portsea	\$6.85 million

m3property maintains an active role in the prestige residential market in providing valuation and advisory services.

Contact :: Robert Atkinson (Ph 03 9605 1090)

SENIORS' LIVING OPPORTUNITY

m3property has a well established reputation for professionalism and expertise in the seniors living sector and continues to be actively engaged in a variety of advisory and valuation assignments.

Current projects include the valuation of a number of major retirement village and aged care portfolios, and a transaction advisory role for the Dennis Family Corporation. m3property is providing assistance in the disposal of a strategic retirement village development site of 5.8 hectares located in Mooroopna in Victoria's north. The site adjoins the Dennis Family's emerging residential estate known as Archer's Field and is within walking distance of Craig Muir Lake. Current architectural plans, a recent VCAT decision, and favourable local demographics confirm the site's capacity to accommodate 132 independent living units, a community building facility with an adjacent social precinct, bowling green, landscape zone and other amenities. Tenders close 3pm on 30 November 2006.

In addition to valuation and transaction advisory capabilities, m3property also undertakes tailored research assignments for its clients encompassing supply, demand, demographic and competition analysis. To discuss how m3property can add value for your business in the seniors living sector, or to request more information on the Mooroopna opportunity mentioned above, please contact:

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IMPORTANT DATES

OFFICE CHRISTMAS CLOSURE

Closing on 23 December 2006 and
reopening 2 January 2007

VICTORIAN LAND TAX NOTICES ISSUED

January to March 2007



2006 ACHIEVEMENTS

Over the past 12 months **m3property** has had the pleasure in being involved with a diverse range of property assignments across Australia including the following:

Asset Advisory and Project Implementation:

- Engaged to seek an office/warehouse in Melbourne's south east suburbs for a corporate client and assist in the negotiations to either rent or purchase.
- Assisted a supermarket operator to seek out new sites and provided advice of appropriate purchase prices and rental levels.
- Provided property advice to a consortium of preferred bidders for the St Kilda Triangle Development Site.

m3capital

m3capital has had a busy 2006 with involvement in a number of interesting and diverse projects.

- We have assisted a client assemble, consolidate and finance a parcel of retail properties in a prime retail shopping strip which will be developed into a major centre with underground carparking during 2007. The project will be undertaken with the benefit of a pre-lease commitment from one of the food-retail majors.
- During 2006, we assisted a major private Group finance the acquisition of a significant industrial site, primarily for owner occupation in Brisbane.
- Structured an innovative finance package of various properties which provided our Corporate Client with the time required to achieve rezoning and development approvals.
- Produced a detailed Information Memorandum covering the debt finance requirements of a retirement Trust which enabled the acquisition of highly sought-after development sites.
- Structured a long-term transaction for a well positioned Motel which involved additional construction funding for expansion together with working capital.
- Provided extensive advice on projects as diverse as retail sites, retirement product and commercial development projects.
- Assisted a number of clients and Banks with loan structuring, feasibilities and project sensitivities with particular focus on residential development projects.

Valuation

- Westfield Southland – 128,000m² super regional shopping centre
- Centro Colonnades, South Australia (proposed 70,000m² redevelopment)

- 233 Castlereagh Street, Sydney – extensively refurbished B – grade office tower with a ground level retail arcade.
- 35 Clarence Street, Sydney – modern A grade office building
- 161 Collins Street, Melbourne
- 15 Williams Street, Melbourne
- 104 Vanessa Street, Kingsgrove – a modern industrial warehouse/office building.
- 58 Huntingwood Drive, Huntingwood – a modern industrial warehouse/office building.
- Mosaic Living, Lalor – 856 lot residential subdivision.
- Vue Grande, Southbank – a high rise apartment development of 320 units.



35 Clarence Street, Sydney



Vue Grande, Southbank

- Citius and DBREEF industrial englobo parcels in Laverton North
- Citilink and Citiside industrial estates in Port Melbourne
- Australand Industrial Portfolio in Victoria and South Australia.

Performance Strategy

Successful results achieved Australia wide leading to reductions in Land Tax and Council rates for owners of :

- Industrial parks and larger industrial properties
- CBD and suburban office buildings
- Shopping Centres, Supermarkets and retail arcades.
- Residential Englobo parcels and high rise development sites
- Shipping Ports and marinas
- Mixed use CBD developments

RENT REVIEWS OF COMMUNITY-USE LAND

Governments frequently grant leases of Crown land for community (non-commercial) use by organisations in furtherance of those organisations stated 'community' objectives.

To protect its 'investments' in public recreation, governments impose restrictive terms on their community tenants.

The Award handed down recently by Mr Mark Derham QC under the *Commercial Arbitration Act 1984* is of particular significance. It relates to a dispute between Parks Victoria (the landlord) and The Royal Victorian Motor Yacht Club Inc (the tenant) for whom m3property acted in conjunction with McKean & Park Lawyers. It is of significance in explaining this area of law and in suggesting how valuers might approach the task of assessing rents in this market and of adequately understanding and taking into consideration restrictions in existing leases that devalue rents that might otherwise be charged.



To read more on this topic please click [here](#)

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m3property

UPDATE

DECEMBER 2006

QLD Shopping Centre Land Court Decision

Many people within the property industry, especially those who have an interest in shopping centres in Queensland, will be aware of the Queensland Government's recent approach to assessing Unimproved Values for some retail assets within the State. For Unimproved Values assessed as at 1 October 2002 and for subsequent valuations the Government has adopted a revised interpretation of Section 3(2) of the *Valuation of Land Act*. The Department valuers revised interpretation resulted in substantial increases to Unimproved Values, some in the order of 1,000%.

The owners of Chermside and Pacific Fair have been the first shopping centre owners to have their appeals to the increased assessments heard before the Land Court of Queensland. The hearing comprised 50 days of evidence and 5 days of oral submissions generating 5,000 pages of transcript and 27 witnesses were called. The decision for Chermside, which is not considered favourable for the owners, was handed down on 20 October 2006. The decision, which spans 242 pages, rules on a number of important matters that relate to calculating Unimproved Values in Queensland. The owners have appealed the decision with the appeal hearing not expected to occur prior to March 2007.

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