



## Medical Centre – Case Study

# 9% Net Yield – ASX Listed Tenant

Prosper Group client secures a prime medical centre in Brisbane growth area

Purchase price:	\$6,100,000
Asking price:	\$6,500,000
Negotiated discount:	\$400,000
Net passing yield:	9%
Property age:	1.5 Years
Lease terms:	Leased to ASX listed Primary Health Care 10 year lease

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## The Opportunity

- The property was purchased on a strong net yield of 9%.
- ASX listed Primary Health Care (PHC) is the tenant. PHC are one of Australia's leading listed healthcare companies with a network of 87 medical centres across Australia.
- The lease term is 10 years with 2 x 5 year options
- Located in South Caboolture, the property has a 40m frontage to Morayfield Rd, which is the main arterial road through Morayfield and Caboolture South. Morayfield Rd is the main retail and bulky goods destination for the region.
- There is pedestrian access from the medical centre to a neighbouring Woolworth's shopping centre.
- Caboolture shire has a population growth rate of almost two and a half times Brisbane City.
- The building has a GLA of 1,346m<sup>2</sup> on a land area of 2,431m<sup>2</sup>.
- The medical centre contains 15 consulting rooms, three specialist rooms, a dental surgery, physiotherapist and radiology facilities and a pharmacy. The building has undercover car parking facilities on the ground floor.
- The vendor's most recent valuation of the property before the sale was for \$7m.

## Our Strategy

The vendor, an ASX listed property trust, was looking to sell off assets to reduce its debt and to deal off market.

On behalf of our client Prosper Group offered a price considerably lower than the vendor's asking price and lower than their previous valuation of \$7m. Confident of our refined process for analysing medical assets, our offer included a 45 day settlement with only 14 days for due diligence.

Our offer was accepted due to two main factors:

1. The vendor was confident in our reputable purchasing history and our client's capacity to complete the transaction.
2. The shorter due diligence and settlement time frames offered were attractive to the vendor.

During our due diligence we identified several maintenance and repair issues that had not been addressed by the vendor. Prior to the expiry of the due diligence period and unconditional exchange we negotiated an additional \$13,350 rebate on settlement to cover the cost of these works.

Our due diligence analysis also uncovered the fact that the building approvals had not been properly certified by council due to an oversight by both the private certifier and council. We negotiated for the vendor to have all the building approvals certified prior to settlement.

## A Happy Client

Our client has a large portfolio of commercial assets and was looking to expand their portfolio into Queensland. Their criterion was to buy a well located investment property with a strong tenant and yield. Our client is delighted that he has purchased this medical centre which provides:

- A passing net yield of 9%.
- A new property offering a massive amount of depreciation.
- A long term lease to a blue chip tenant.
- Located in a high growth area of Brisbane.

Since taking on the property management of the centre we have instructed the tenant to pay for the landlord's property management fees which they previously were not paying but are required to under the terms of the lease. We have also implemented a monthly outgoings budget for the tenant to pay each month; they were previously only paying invoices as they came in.

