

Medical & Retail – Case Study

Smart Negotiation Secures High Exposure Property

Prosper Group client secures a prime Brisbane medical / retail centre with upside

Purchase price:	\$4,300,000
Asking price:	\$4,800,000
Negotiated discount:	\$500,000
Net Passing yield:	7.2% (8.5% fully leased)
Property age:	10 Years

For more information about how Prosper Group commercial buyers agents can assist you source a quality retail property please call us on **1300 664 373** or email enquiries@prospergroup.com.au

www.prospergroup.com.au



The Opportunity

- The property was bought on a passing net yield of 7.2% with the potential to increase to 8.5% once fully leased.
- The building has a GLA of 1,605m² on a land area of 5,633m².
- The building is single storey with on grade car parking at the rear.
- Located in Kallangur which is a northern suburb of Brisbane, the property is situated on a corner site fronting Anzac Avenue which is a main arterial road through the suburb. Kallangur and its surrounding suburbs have experienced high population growth of 3.4% per annum which is well above the Brisbane average of 2.2% per annum.
- The centre consists of 8 separate tenants with a predominately medical based tenancy mix.
- Upon settlement, the centre had one vacancy which takes up 14% of the GLA.
- The major tenant is a medical practice who contributes 33% of the gross income.

Our Strategy

We worked with a difficult private vendor over a six month period to secure the asset at a price below the vendor's original expectations. We found that the property was being poorly managed and also obtaining information from the vendor was difficult, which turned off most potential buyers. We recognized the intrinsic value in the property and its potential when managed appropriately, so we persisted with the negotiations and our due diligence. Through our own sources we eventually gathered the information we needed to make a firm offer, which after some wearing down, the vendor accepted.

During our due diligence we identified that a few of the tenants were still on existing incentives (1Year rent free). We further negotiated with the vendor to provide a cash rebate on settlement for the outstanding incentives. We advised our client that this provided a unique opportunity to take advantage of the initial lease up costs that have been incurred by the previous owner and capitalise on the growth of each of the tenants in the centre.

Our due diligence further uncovered a shortfall in the required car parking ratio, so we engaged and liaised with a traffic consultant who identified that a DA had been previously approved for a car parking relaxation, allowing for a slight reduction in the of car spaces required on site to service the needs of the intended medical centre use of the building.

Due to the fact the property was being poorly managed, the general appearance of the centre was less appealing than it

could be. We identified that with minimal capital expenditure on cosmetic upgrade items such as landscaping; the value of the centre could be improved which would assist the centre in maintaining and attracting quality tenants.

Since taking on the management of the centre we have undertaken some minor capital works which included improving the landscaping of the centre and an upgrade of the car park. We have also successfully negotiated with a new tenant occupy the vacant space, which increases the yield and value of the property.

A Happy Client

Our client is an experienced investor who owns various commercial assets and had a particular criterion to buy a medical or retail centre. Our client is delighted that she has purchased this medical centre which provides:

- An initial passing net yield of 7.2% that has since been increased to 8.5%+.
- A high exposure property
- Ability to add value to the property through cosmetic upgrades
- Located in a high growth area of Brisbane

