

Commercial Research

AUCTION INSIGHTS

2017 Calendar Year overview
(incl. 4Q 2017)

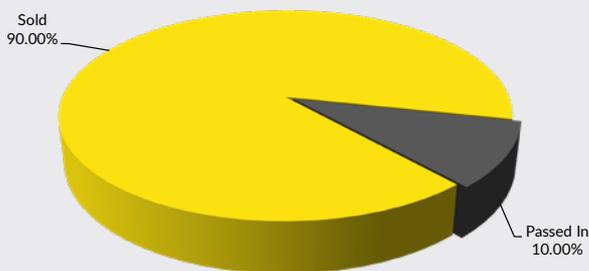


This edition of Auction Insights looks at the overall performance of commercial auctions across the Ray White Commercial network for the 2017 calendar year, as well as a focus on the transactions which have occurred during the fourth quarter of 2017, being October to December.

This fourth quarter period saw 60 commercial listings with Auction campaigns brought to market across the Commercial network (in line with the 60 recorded last quarter and slightly behind the 63 recorded during the same period in 2016). These auctions yielded a robust selling rate, with strong clearance of 90.00% recorded with a total volume of sales of \$110.432 million. The total 2017 calendar year saw \$426.795million change hands in auctions which represents 216 sales across a total of 239 auctions (a selling rate of 90.78%). This highlights a vast increase in the number of commercial auctions as the 2016 calendar year yielded \$214.177million sales represented by 166 total auctions with a selling rate of 87.35%.

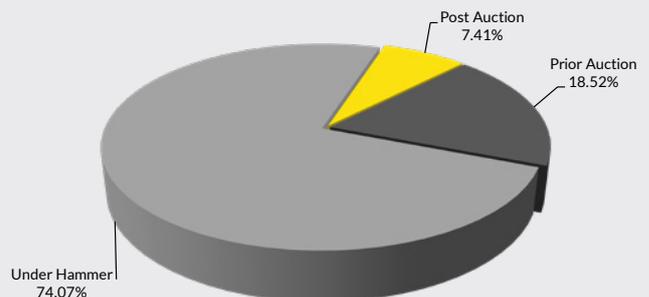
Overall demand for commercial assets were high in 2016 and continued into 2017 with a strong end to the year. These trends look to continue into 2018 with both owners and buyer expectations adjusting to lower yields for quality investment stock, while changes to some financing regulations have slightly dampened some of this demand across some markets. The competitive auction environment has resulted in the bulk of sales (74.07%) sold under the hammer during the 2017 calendar year with Auction conditions with a further 18.52% sold prior. We saw in early 2017 that the sold prior to auction numbers slow down, however with urgency coming back in the market and the rush for some buyers to purchase prior to the end of the year we saw some pick up in this prior to activity. The remaining 7.41% concluding shortly after the auction campaign when owner and buyer price beliefs become more aligned, most notably for development site assets which have seen demand levels subdued

Ray White Commercial Auctions 4Q 2017 Auction Results



\$110.432 million, 60 Auctions

Ray White Commercial Auctions 4Q 2017 Auction Results, Sold By



54 SOLD Auctions

4Q 2017

60 auctions

6 passed in

90.00% selling rate

40 SOLD under the hammer

10 SOLD prior to auction

4 SOLD post auction

2017 Calendar Year

239 auctions

22 passed in

90.80% selling rate

160 SOLD under the hammer

35 SOLD prior to auction

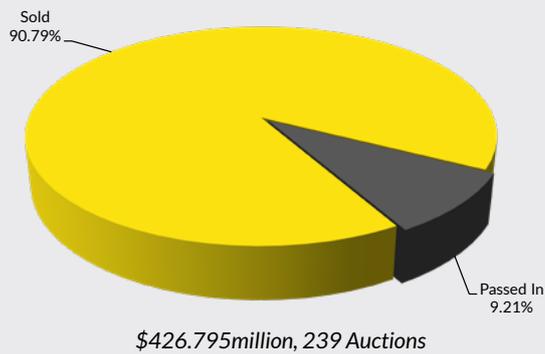
22 SOLD post auction

The Ray White Commercial network has a firm history of success in the auction arena keeping clearance rates elevated, 2017 calendar sales rates were recorded at 90.80% across the total 239 auctions called. Retail and Industrial assets have been the stand out asset class which has transacted with Retail in strong demand given its 95.74% success rate followed by Industrial at 93.51% while Office assets were not far off representing 90.48%. During the fourth quarter 2017, Ray White Commercial auctions have been heavily weighted towards Queensland and Victoria representing 41.67% and 36.67% respectively followed by New South Wales with 20.00%. NSW and SA recorded a 100% success rate during this period with Victoria recording 90.90% and Queensland with 84.00%. The type of property assets put to market has continued the trend seen over the last few years with Retail and Industrial assets dominating the auction rooms with their average sale price this period representing \$2.231million and \$953,140 respectively. These asset classes have usually been actively pursued by local investors and owner occupiers taking advantage of the low interest rate environment and capitalising on falling yields and rising rents

in some locations. In particular the strong growth in average price for Retail assets highlights the competitive nature of this asset class and record low yields on offer.

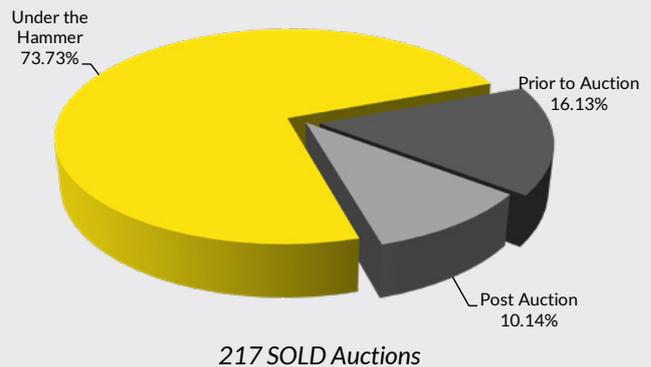
In late 2016 and into 2017 there has been some reduction in the number of bidders highlighted a more cautious approach by investors particularly given the strong yield compression felt in a lot of markets over the past couple of years. However, the second half of 2017 saw these numbers rebound a particularly for Industrial assets, recording just an average of 2.40 during the first quarter now saw 4.87 bidders during the fourth quarter, while office buyers have increased slightly to 4.00. Retail activity remains high with the average number of bidders recording 3.96 while development site activity shown signs of slowing to just 3.33 bidders. Marketing budgets have been showing upward momentum over the past couple of years as vendors see the value in both digital and print advertising to create competition and market awareness, Development site campaigns the most costly averaging \$13,837 followed by Retail (\$8,803), Office (\$4,990) and Industrial (\$4,485).

Ray White Commercial Auctions 2017 Calendar Year Auction Results

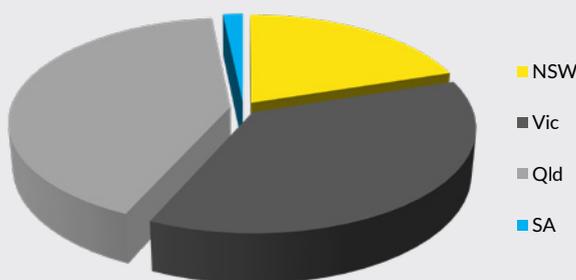


Source: Ray White Group

Ray White Commercial Auctions 2017 Calendar Year Sold By

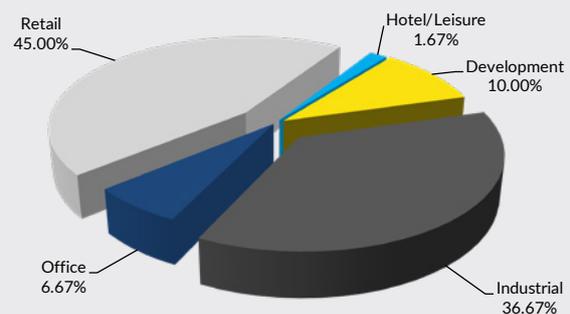


Ray White Commercial 4Q 2017 No. Auctions, by Location



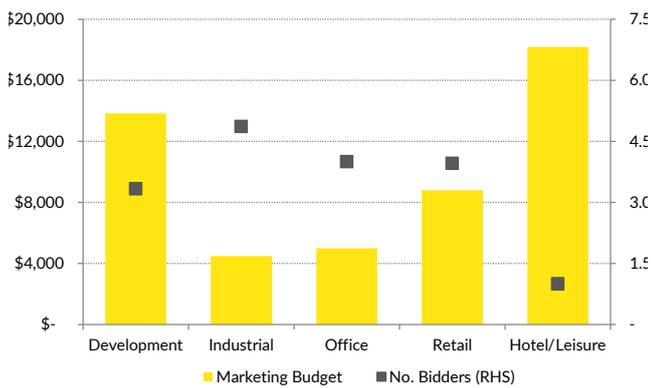
Source: Ray White Group

Ray White Commercial 4Q 2017 No. Auctions, by Asset Type



Ray White Commercial, 4Q 2017

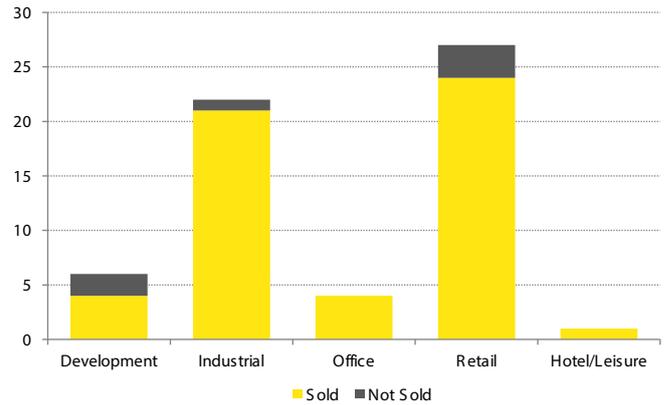
Auction Marketing Investment & No. Bidders, by Asset Type



Source: Ray White Group

Ray White Commercial, 4Q 2017

Total No. Auction, by Asset Type



4Q 2017

Average Registered Bidders

4.16 across all auctions

4.40 when sold under the hammer

Average Marketing Investment

\$4,462

2017 Calendar Year

Average Registered Bidders

4.90 across all auctions

5.16 when sold under the hammer

Average Marketing Investment

\$7,678

Source: Ray White Group

The run to the end of 2017 continued with the momentum recorded throughout the year, the rush to complete a sale saw auction levels remain at similar levels of the historically busy third quarter. Overall the volumes of auctions were elevated during the 2017 calendar year, well bypassing the results of 2016.

Encouraging, has been the high selling rate which has been recorded at 90.80% for 2017 calendar year, bypassing the 87.35% recorded during the 2016 calendar year and 82.61% in 2015. A strong weighting to Retail and Industrial assets this period again emphasises the demand for smaller, low yielding investments and these highly sought assets resulting in a high clearance rate as well as strong prior to auction sales rate. With economic conditions continuing to be favourable we expect continued demand for these types of lower (sub \$3million) assets during 2018, while many larger value assets are also seeking auction as a successful selling method due to the highly competitive environment many commercial markets are currently in for high quality properties.

Selected Auction Sales

Address	Asset Class	Sale Price	Sale Method
142–152 Broadway, Chippendale NSW	Development Site	\$21,000,000	Sold Prior to Auction
25, 27 & 29 Hardy St & 58 Sackville Street, Fairfield NSW	Development Site	\$5,830,000	Under the Hammer
18 Careel Cl, Helensvale QLD	Development Site	\$1,470,000	Under the Hammer
26–28 Peninsular Dr, Surfers Paradise QLD	Hotel/Leisure	\$3,900,000	Under the Hammer
15 Richland Ave, Coopers Plains QLD	Industrial	\$680,000	Sold Post Auction
6 Holbeche Rd, Arndell Park NSW	Industrial	\$3,000,000	Sold Prior to Auction
10 Lawrence Dr, Nerang QLD	Industrial	\$1,425,000	Sold Prior to Auction
618–620 Old Gympie Rd, Narangba QLD	Industrial	\$3,100,000	Sold Prior to Auction
35 Notar Dr, Ormeau QLD	Industrial	\$490,000	Sold Prior to Auction
18 Commercial Dr, Ashmore QLD	Industrial	\$2,075,000	Under the Hammer
42 Export Dr, Molendinar QLD	Industrial	\$335,000	Under the Hammer
12 Florence St, Burwood VIC	Industrial	\$1,200,000	Under the Hammer
2 Murdock St, Clayton South VIC	Industrial	\$625,000	Under the Hammer
150 Chesterville Rd, Cheltenham VIC	Industrial	\$566,000	Under the Hammer
13–23 Japaddy St, Mordialloc VIC	Industrial	\$911,000	Under the Hammer
23–25 Bunney Rd, Oakleigh South VIC	Industrial	\$466,000	Under the Hammer
266 Osborne Ave, Clayton South VIC	Industrial	\$461,000	Under the Hammer
8 Short St, Nerang QLD	Office	\$420,000	Sold Prior to Auction
Lot 16, Karp Crt, Bundall QLD	Office	\$505,000	Under the Hammer
29–31 Brisbane Rd, Dinmore QLD	Retail	\$4,400,000	Sold Post Auction
95–99 Bronte Rd, Bondi Junction NSW	Retail	\$3,450,000	Under the Hammer
39–53 Campbell Pde, North Bondi NSW	Retail	\$3,525,000	Under the Hammer
8 Manning Rd, Double Bay NSW	Retail	\$3,070,000	Under the Hammer
160 Merrylands Rd, Merrylands NSW	Retail	\$1,825,000	Under the Hammer
87 Bulcock St, Caloundra QLD	Retail	\$1,040,000	Under the Hammer
15 James St, Burleigh Heads QLD	Retail	\$4,240,000	Under the Hammer
51–53 Ferry Rd, Southport QLD	Retail	\$8,000,000	Under the Hammer
201 Ron Penhaligon Way, Robina QLD	Retail	\$3,450,000	Under the Hammer
201 Boundary St, West End QLD	Retail	\$2,900,000	Under the Hammer
7 Mais St, Brompton SA	Retail	\$1,150,000	Under the Hammer
309 Centre Rd, Bentleigh VIC	Retail	\$1,270,000	Under the Hammer
328 Belmore Rd, Balwyn VIC	Retail	\$570,000	Under the Hammer
40 Poath Rd, Hughesdale VIC	Retail	\$425,000	Under the Hammer
114–114B Nepean Hwy, Seaford VIC	Retail	\$1,850,000	Under the Hammer



12 Florence Street, Burwood

VIC | Industrial | Auction

Ray White Commercial were initially contacted to assist a long term management client with pricing for an 'off market' negotiation between tenant and landlord.

The market value for the property based on other relevant results was circa \$980,000 to \$1,070,000. The Vendor had received a strong unconditional offer from the tenant at \$1,100,000 with a 60 day settlement. The tenant made it clear that this price was above market and was categorically their final position.

After considering the status the agent's advice to the Vendor was other factors had not been considered. There would be potential to improve the outcome through the creation of competition in an open market.

The agents local knowledge confirmed the lack of quality owner occupier supply in the area and as the property was in a profile position there was potential to see a premium if we could gather bidders and create competition.

As a result the agents negotiated an appropriate marketing and auction campaign and took the property to market. The previous offer from the tenant was revoked and they would not attend the auction as they would be overseas for 4 weeks.

The sunny Friday auction gathered a crowd of 50 on-lookers containing 4 bidders. All bidders had an owner occupier use for the property. The eventual winning bidder was not known to the agents but pushed the price to \$1,206,000 a record for the suburb.

After signing off all paperwork and handing over a 10% deposit for \$126,000 the aforementioned winning bidder confirmed they represented the previous interested party (the tenant) who had been pushed past their maximum price point by \$106,000 but was still pleased with the acquisition.

A clear case in point that a well-run campaign that creates competition will uncover the price beyond any one parties 'best price'. It was only when challenged that we were able to produce a result that was truly special.

Sales Analysis*

Method of Sale	Auction
Marketing Time Frame	4 weeks
Sale Date	December 2017
Enquiries	45
Number of Bids	35
Starting Bid	\$900,000
End Sale Price	\$1,206,000
Passing Yield	N/A



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201 Ron Penhaligon way, Robina

QLD | Commercial | Auction

A fully leased medical and retail building located in a large residential catchment area.

The 697m² freehold premise is supported by four quality tenants: Robina Home Timber and Hardware, Myobrace, Robina Village Medical Centre and Independent Milk Supplies – all on leases ranging from 3 to 5 years and all retaining 5 year options.

Constructed circa 1985, the building was formerly used as an Australia Post distribution centre and has since undergone extensive renovations. The complex features open grade level car parking for 36 cars and 1 ambulance bay.

The property attracted 70 enquiries and five bidders at auction, before a local investor snared the property on a solid 6.75% yield.



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Sales Analysis*

Vendor	Private Company
Purchaser	Private Investor
Marketing budget	\$12,935.20
Sale method	Auction
Marketing period	4 weeks
Enquiries	70
Offers Prior	1
Bidders	3
Sale price	\$3,450,000
Sale date	December 2017
Yield	6.75%

*all areas are approximate only

Research

KNOW HOW



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