



Portfolios, Sale & Leaseback

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Success stories from ‘sale and leaseback’ campaigns at Burgess Rawson’s are renowned, and their Portfolio Auctions have proved such a winning formula that you can set your watch to them every six weeks.

PETER MITCHELL



TOP:
ANDREW WILKINSON

BOTTOM:
ALF GAUCI



CROW'S NEST HOTEL, SYDNEY



YOUNG & JACKSON HOTEL, MELBOURNE

But a decade ago, when the concept was in its infancy, it was one now-iconic campaign that was the catalyst for the thousands of boom results that have since come to pass.

And, remarkably, it came at a time widely considered one of commercial property's darkest periods.

In 2008 and 2009, at the height of the global financial crisis, investment in many property sectors ground to a halt as buyers weathered some of the most challenging financial conditions in decades.

And yet amid the general gloom and doom, and the absence of commercial property activity, a campaign to sell 17 pub properties across Australia quietly went off with stunning success.

The portfolio of properties owned by ALE Property Group were sold individually through Burgess Rawson and fetched a combined \$107 million over a nine-month period, trading on yields as low as just 4%. The properties were leased to Australian Leisure and Hospitality (ALH), Australia's biggest hotel and pub operator, which was then 75% owned by Woolworths and 25% by Bruce Mathieson.

It was an outcome that still has ALE Property Group managing director Andrew Wilkinson shaking his head almost in disbelief, 10 years later.

"What you need to remember is that at the time, nothing else was selling. If you listed a shiny commercial office building in Sydney and it was worth \$200 million in the middle of the GFC, it was unsaleable at its true value," Mr Wilkinson recalled.

"If you held an auction, no one would have turned up. Or someone might have turned up to try and buy it at a huge discount."

Emphatically bucking that trend, however, ALE was able to offload 17 key properties in its portfolio of 105 properties, including the Sunnybank Hotel in Brisbane, which sold on that 4% yield, and the Kirribilli Hotel in Sydney, which traded at around 6%.

ALE's success story was an early marker for the dozens of similar sales Burgess Rawson has since completed on behalf of clients nationwide.

For Mr Wilkinson, it's readily apparent why it works.

"Putting a portfolio into the market generates a significant quantity of buyer interest. If we just put one pub up for sale, five people might have turned up to bid against each other. But as soon as you put three, six, nine and ultimately 17 properties into the market, you generate interest from hundreds and hundreds of potential buyers," he said.

"And when they all turn up it all generates a very, very good outcome."

The 'sale and leaseback' of significant commercial properties and portfolios is another winning formula that continues to be repeated very successfully through Burgess Rawson today.

In October, the agency sold a tranche of 15 properties owned by 7-Eleven, with the convenience retailer leasing the assets back from the new owners after the sales.

After every one of 15 properties was snapped up for more than \$70 million combined at a special auction event, 7-Eleven elected to bring a further 18 of its outlets to the market at a second and final auction, which is to be held on February 25.

The assets, spread across New South Wales, Victoria, Queensland and Canberra, are expected to fetch a combined \$70 million amid unfulfilled national demand for 7-Eleven assets.

This level of repeat custom on major 'sale and leaseback' campaigns isn't new to Burgess Rawson's auctions.

Vendors like PCM Property's Peter Mitchell – a facilitator of property developments whose clients have included Bunnings, Woolworths, Coles and the Australian Federal Police – have been engaging the agency's auction process for more than a decade, simply because it keeps on delivering.

"We've been doing deals since 2007 when we brought a northern NSW property at Murwillumbah leased to Bunnings to the Melbourne auction, and it was very successful," Mr Mitchell said.

"At the time no one was doing that – taking properties from interstate to Melbourne for auction – but as soon as people saw I'd done it a few times it became the norm."

Mr Mitchell was there again at Burgess Rawson's most recent auction in December, making a lower-profile but no less successful sale of a car wash at Pimpama in Queensland, leased to connections of sporting stars Ian Healy and Chris Johns, which sold \$2.245 million on a sharp 5.81% yield – a Queensland record for a car wash.

"This was actually the smallest deal we've ever taken to Burgess Rawson. It's been a successful and happy partnership," Mr Mitchell said.

Alf Gauci is another repeat investor, having bought his first commercial properties – a pair of Liquorland-leased assets in Queensland – through two auctions about six years ago.

Like many investors, for Mr Gauci the numbers simply stack up.

"I bought one Liquorland and it was a good investment, so I bought another," he said.

"Every month the money comes into my account. It's a good investment for me.

The yield on them was about 7%, but if I put the money in the bank I only get 2%."

"If more Liquorlands come up, I'll keep buying them."

Whether you're a seller or an investor, Burgess Rawson's campaigns continue to put the right properties in front of the right buyers at the right time.

Burgess Rawson
has completed
MORE
major portfolio sales
than any other group, in
LARGE PART
because vendors
continue to seek out
their process.

