

## PETROL STATIONS: WITH NEW MARKET ENTRANTS AGGRESSIVELY SEEKING ASSETS, INVESTOR DEMAND WILL REMAIN HIGH, HOWEVER RESTRICTED BY THE LACK OF AVAILABLE STOCK

Blue chip assets anchored by a national tenant with solid leasing covenants will continue to be highly pursued by privates and operators while older assets with a relatively shorter WALE will be actively sought by developers looking for value-add opportunities.

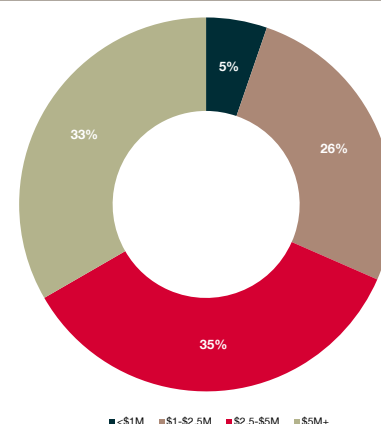
There are approximately 6,300 petrol stations in operation within Australia, down from around 8,370 in 2000 and around 20,000 in the 1970s. Apart from rationalisation of sites, the petrol station market in Australia has seen significant change in recent times. Fuel companies have placed particular focus and have invested significantly in their retail fuel sales business. The entry of Coles and Woolworths into the retail fuels market approximately 10 years ago raised the stakes and changed the traditional model of what consumers were being provided.

The Australian retail fuels market consists of several major oil companies with a long standing history in Australia -

companies such as BP, Shell, Caltex and Mobil. In addition, there are highly aggressive new contenders in the retail fuel sector, namely: Coles Express, Woolworths and 7-Eleven who are all planning to expand their retail networks with new to industry (NTI) and redevelopment of existing sites. Previous to their entry the major oil companies aforementioned collectively controlled 83% of the service station market in Australia in 2003, according to data published by the Australian Competition and Consumer Commission.

In more recent times the Australian fuel market has seen two new companies enter the Australian market with

FIGURE 1  
Average Deal Size  
Last 18 months, NSW, Qld & Vic combined



Source: Knight Frank Research  
(based on 57 individual sales)

TABLE 1  
Selected H1 2015 Petrol Station Transactions – Eastern Seaboard

Brand	Address	State	Price (\$m)	Net Yield (%)	Comment	Sale Date
Woolworths/Caltex	2005 Moggill Road, Kenmore	Qld	2.20	4.74	15 year lease to 2030 + options to 2050	Jun-15
Woolworths/Caltex	35 Wooville Road, Chester Hill	NSW	2.21	4.50	New 15 year lease, portfolio sale	May-15
Woolworths/Caltex	30-34 Cooper Street, Katoomba	NSW	1.85	4.31	New 15 year lease, portfolio sale	May-15
Woolworths/Caltex	272 Princess Highway, Bomaderry	NSW	1.51	4.78	New 15 year lease, portfolio sale	May-15
Woolworths/Caltex	254 Kelly Street, Scone	NSW	1.40	5.68	New 15 year lease, portfolio sale	May-15
Woolworths/Caltex	100-102 Gipps Street, Bega	NSW	1.23	5.29	New 15 year lease, portfolio sale	May-15
Woolworths/Caltex	26 Dowling Street, Forbes	NSW	0.93	4.87	New 15 year lease, portfolio sale	May-15
Woolworths/Caltex	111-115 Church Street, Gloucester	NSW	0.92	5.66	New 15 year lease, portfolio sale	May-15
Woolworths/Caltex	52 Boat Harbour Drive, Eli Waters	Qld	2.20	5.95	New 15 year lease, portfolio sale	May-15
Woolworths/Caltex	1399 Anzac Avenue, Kallangur	Qld	1.71	5.07	New 15 year lease, portfolio sale	May-15
Woolworths/Caltex	92-94 River Road, Gympie South	Qld	1.37	5.53	New 15 year lease, portfolio sale	May-15
Woolworths/Caltex	574 Great Western Hwy, Werrington	NSW	7.20	4.82	Leased to 2026, 80% income secured	Apr-15
Coles Express/Shell	132-140 Edwards Street, Ayr	Qld	5.10	5.65	15 year lease to 2029 + options to 2044	Apr-15
Woolworths/Caltex	565-581 Sydney Road, Coburg	Vic	4.50	5.64	15 year lease to 2023 + options to 2043	Apr-15
BP	298 Frankston-Dandenong Road, Seaford	Vic	5.05	7.51	12 year lease to 2023 + options to 2035	Apr-15
Caltex	374 Princes Highway, Traralgon East	Vic	n/a	n/a	10 year lease + options to 2049	Apr-15
Woolworths/Caltex	110-112 High Street, Drysdale	Vic	1.55	6.20	Leased until 2020 + options to 2040	Apr-15
Coles Express/Shell	593-595 Main Road, Glendale	NSW	4.58	6.94	15 year lease + 2 x 5 year options to 2034	Mar-15
Coles Express/Shell	91 Bent Street, Grafton	NSW	2.60	9.22	10 year lease to 2021 + options to 2036	Mar-15
Woolworths/Caltex	1 Youngs Crossing Road, Joyner	Qld	2.46	4.82	15 year lease + 4 x 5 year options to 2049	Mar-15
BP	116 Rainside Avenue, Bargo	NSW	3.44	7.50	Leased to 2031 + options to 2051	Feb-15
Caltex	1711 Yass Valley Way, Yass	NSW	23.00	7.84	Caltex, McDonalds and KFC. WALE c10	Jan-15

significant impact through aggressive acquisition targets: Puma Energy has acquired Matilda Fuels; Gull Fuels (WA), Ausfuel Group (NT), Neumann's Petroleum and; Vitol buying the Shell network and forming Viva Energy. A second tier of market players are actively seeking opportunities to increase their retail network including United Petroleum, Freedom fuels and Liberty Fuels and many independent branded sites, particularly in New South Wales.

Through industry amalgamation, rationalisation and sale and leaseback deals a number of sites have been put to sale over the past few years. With increased interest for low value, defensive assets which offer long-term cash flow and a secure long-term tenant, average net yields in NSW, Qld and Vic have compressed. For assets backed by a globally recognised brand and whereby the tenant takes responsibility for the petrol tanks, yields have tightened from around 7.5%-8.5% in 2012 and 2013, to circa 5.75%-6.5% in the first half of 2015.

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*For more information on alternative asset classes, or if you require property due diligence or detailed market assessments, including socio-demographic profiling, supply and demand forecasts, competitor profiling and development recommendations, please contact Paul Savitz or Luke Crawford to discuss your research requirements.*

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