

# Masterclass

## Lease Back Property Evaluation

**239 Main Street Bairnsdale, VIC 3875**

**Shop & Retail**

\$890,000

Floor area

505.0m<sup>2</sup>

### **Location:**

Rural Victoria - Gippsland Area- Bairnsdale.

Multi- Tenanted Freehold building -Retail in Main Strip of Shops  
Prime Main Street corner location in an ever expanding CBD, opposite McDonalds  
Solid brick church, turned in to 4 separate occupancies.

There are 3 tenants, leased short term.

The owner occupies the 4th, and will lease back.

AGNET Says.... This then generates \$56,436 per year in rent, or 6.4% ROI, excluding GST.





3 of 6



4 of 6

## Multi Tenanted Plus Lease Back Property:

TENANT	LEASE START	LEASE TERM	RENTAL (P/A)
Regli & Sons Pty Ltd	December 2016	2 Years + 2 x 2	\$12,000 + GST
Australian Red Cross	September 2012	No Lease	\$12,436 No GST
Gamcorp	Owner Occupied – Will Be Willing To Sign Lease		\$18,000 + GST
FVPLS Victoria	December 2015	6 Months + 2 x 2	\$14,000 + GST

### Outgoings:

Insurance: \$2,431.35  
Council Rates: \$3,517.13  
Total: \$5,948.48

Water?- Water Rates are being billed directly to Tenant so not sure of exact figures for the year

Electricity? Perhaps they have separate meters

Body Corporate?? Check if it's privately structured and the % distribution amongst tenants.

40% of all outgoing paid by FVPLS Victoria Tenant

Outgoings also paid by Regli & Sons and Owner on Leaseback (Gamcorp)

### **Tenant 1.**

FVPLS Victoria: Family Violence and Legal Protection for our Aboriginal Communities

4 Offices in Victoria ( 1 Melbourne, 3 Rural)

From Dec 2015 for 2 years  
options: 2 x 2

Now at \$14,622 + GST

1st Option 1/07/18 to 30/06/20 - Option Taken By Tenant in January 2018

2nd Option 1/07/20 to 30/6/22

CPI yearly increases and Market Rate at each option.

MR 30/06/18 - Done

CPI 30/06/19

MR 30/06/20

CPI 30/06/21

Outgoings:

40%

They pay 40% of outgoings - Gamcorp pay the rest

Council Rates (FVPLS paid 40% back to Landlord - \$1,406.85

Insurance 2018/2019 (FVPLS paid 40% back to Landlord - \$972.55

They also pay 40% of the power account back to Gamcorp

Bond 1 month

### **Tenant 2.**

Regli & Sons- Small Local Business in building and construction

2 year lease 20th Dec 2016

Options 2 x 2 years

CIP annual

Market Review at each option.

Are currently paying \$1,000 + GST per month + Outgoings

Outgoings are;

2018/2019 Building Insurance \$1,252.53

2018/2019 Council Rates \$2,807.67

Water Rates are being billed directly to Tenant so not sure of exact figures for the year

Net rent: \$12,000

Bond ?

### **Tenant 3.**

Australian Red Cross

Sept 2012 Month to month- no lease and No GST

\$12,436 / annum

Bond?

**Tenant 4.**

Owner Lease Back- Gamcorp  
Construction consulting and civil engineering  
2 Offices in Vic.  
Owner Leaseback \$18,000 + GST + Outgoings

Bond?

**Rental Income**

Income Net Rent \$57,058

Return on investment =  $\$57,058 / \$890,000$   
= 6.4%

**PROPERTY PROS:**

Good lease terms and stability from the 3 Tenants....  
....When you draft up a lease for the current owner as a Lease Back.  
.... And if you get Regli & Sons to take up the 2 year option.

Good location within Bairnsdale - on main road with surrounding commercial property

Opportunity to tidy up leases when completed and increase annual increases to perhaps a stable 2.5% to 3% instead of CPI.

Opportunity to secure a 1 year lease with options for Red Cross - Perhaps.

**PROPERTY CONS:**

One tenant (Red Cross) is on month to month rent- so no stable lease.  
However they have been there quite some time.  
Try and find out why? Are they planning on closing that centre down?  
Were they even on a lease eg 12 months? And why did that change? When did they start the month to month lease?

Is Regli & Sons taking up the next option on their lease now in December?

Need to check for Bonds on the 3 tenancies.



## RISKS And CONSIDERATIONS:

Is it too close to the river and lakes- for concern over flooding?



General growth and local employment and economy??? Not sure if it's healthy.

239 Main Street Bairnsdale, VIC 3875



