FVG | Property Consultants & Valuers

Some interesting facts to be aware of:

- One of the key factors to be aware of in the current market is that of "face" and "effective" rental levels. Investors must ensure that rentals under consideration are not above market property, simply, inflated. Remember to make sure that the basis of acquisition is made on "effective" current market value levels otherwise disappointment will prevail upon reversion and importantly, will have a dramatic effect on equivalent yield.

- Investors are starting to see a large number of commercial type property offerings. When considering acquisition ensure that all fundamentals relate to current market forces, inclusive of fundamentals as to tenant, length of tenure, rental levels, location and quality of existing improvements, remembering that government regulations as to a number of areas are also on the rise.

- Retail yields in the sub $5.0m end value range still hold firm, which to most reflects the low risk nature of the environment. The question should however be asked by any intending purchaser, where will my growth prospects come from? If yields on initial purchase are struck at sub 5% and rentals are at current market value levels, limited growth prospects are assured. We therefore suggest that the retail market should generally be treated with caution.

- Retail strip centres within inner Melbourne, are now witnessing for the first time in a number of years, high vacancy levels. Again, we stress that current passing rentals in some strips are just not sustainable, with realignment to current market conditions expected.

- Although yields within the Commercial real estate were expected to increase this year, we are also finding the disparity between initial yields and current market rentals. This scenario not being too dissimilar to the retail sector analysis, and we would also suggest that the subdivided commercial office suite market is also experiencing a softening of the general $5,000 psm rate. If anything, this market is considered to be relatively static, with SMSF providing a pool of potential purchasers.

- The Federal Government in the 2012-2013 budget have announced a change in Capital gains Tax calculations for non-residents.

In order to maintain the CGT discount for ownership of property prior to the 8/5/2012, non resident owners will require a market valuation as at the 8/5/2012 (see budget paper page 31 of the "budget paper no 2 2012-2013 Commonwealth of Australia")

We would suggest that a valuation be undertaken if applicable as soon as possible due to the following reasons:

1. Cost base for the valuation will be cheaper than requesting in the future years due to the retrospective nature.
2. Information is readily available and also the valuer has the benefit of current market forces in arriving at a value level.
3. By obtaining this valuation, it will assist in current and future tax planning regarding the asset.

Please call or e-mail us for a no obligation meeting to discuss your commercial property requirements or review of current market portfolio.