Convenience Retail

Industry Insights Report

April 2023

Burgess Rawson


clearance
4.5 m
bp
ultimate
our most advanced fuels
bp
ultimate
our most advanced fuels
STOP
ENGINE
NO SMOKING
STOP
ENGINE
NO SMOKING

Contents

Welcome

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Welcome to the April 2023 edition of Burgess Rawson's Industry Insights Report series. This report will focus on the ever-evolving but ever-important convenience retail sector.

As the most active agents in the sector, the data collected in this report provides current market research on a rapidly changing landscape and dives into key industry trends to give readers the insights and tools necessary to be investment ready.

Convenience retail assets house prominent and innovative tenants, and the sheer dollar quantity of investment by these major industry heavyweights indicates the longevity and resilience of the asset class.

The low uptake of EV vehicles coupled with the ongoing sale of traditional fuel-based vehicles has resulted in an increasing number of convenience retail sites being developed in key locations.

These properties provide the ultimate offering in investment fundamentals, including large corner sites, often with dual access, and long-term leases to high-quality ASX-listed tenants with strong balance sheets.

The research in this report has been compiled by Burgess Rawson's National Director of Research and Data, Jesse Lapham.

Year in Review

In 2022 Burgess Rawson transacted 40 convenience retail assets with a total value of $216 million. In comparison, 2021 saw 32 sales representing $156 million.

2022 also saw an increase in supply. As a result, the capitalisation rates (cap rates) softened briefly, particularly in Q4 as the largest number of individual convenience retail sites came to the market.

Commencing 2023, cap rates have sharpened again as investors seek security and safety in long-term leases during a time of market volatility and increased interest rates. The 2023 average cap rate is currently 5.49%, a contraction from its peak of 6.35% in Q4 2022.

Convenience retail sales varied widely based on geographical location. The sharpest cap rate was on a site located in Victoria, whilst the highest cap rate was on a property divested in regional WA. The variance between these two cap rates was significant, at 2.98% and 10.44% respectively.

Despite ten successive cash rate rises, cap rates remained steady and in line with 24-month averages. Across all sectors, Burgess Rawson has seen a distinct flight to quality with investors clearly seeking long-term leases underpinned by strong performing tenants.

The convenience retail industry comprises some of the largest ASX-listed companies in Australia, and they continue to open new sites and invest in existing sites. This has underpinned the overall cap rates and ensured that they remain relatively stable.

Site quality and location remain the two largest factors in cap rate difference, as demonstrated across the industry. Lower grade assets lacking remediation clauses have continued to prove more challenging to transact.

First Half

2022

$139,171,500

Volume

5.46%

Cap Rate

25

No. of Sales

Second Half

2022

$76,511,000

Volume

5.65%

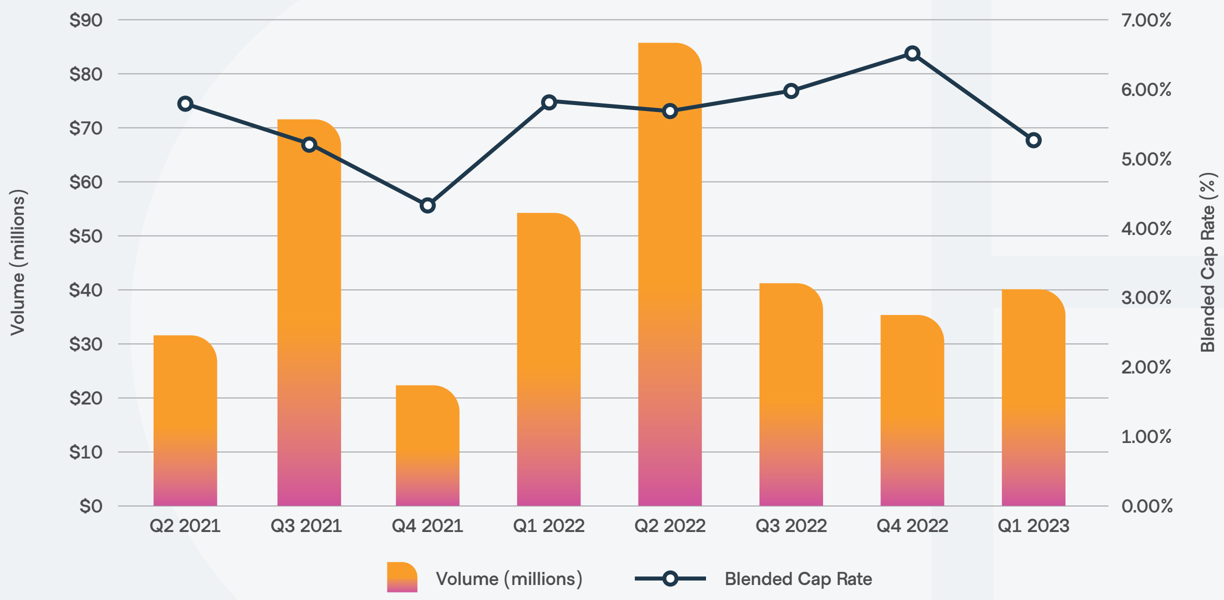
Cap Rate

15

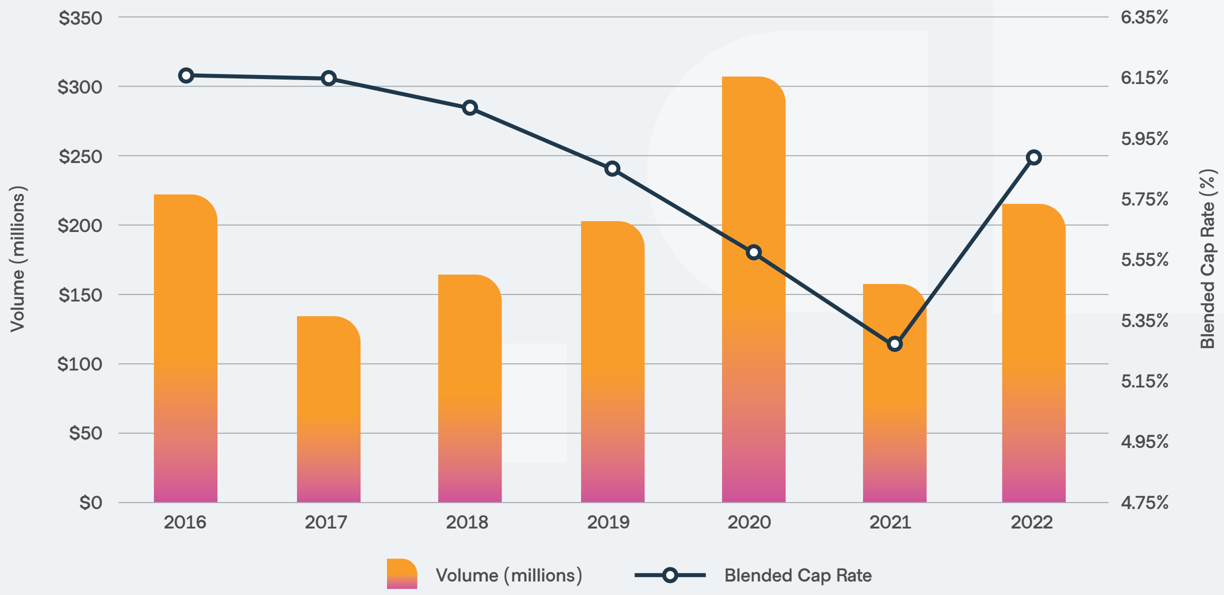
No. of Sales

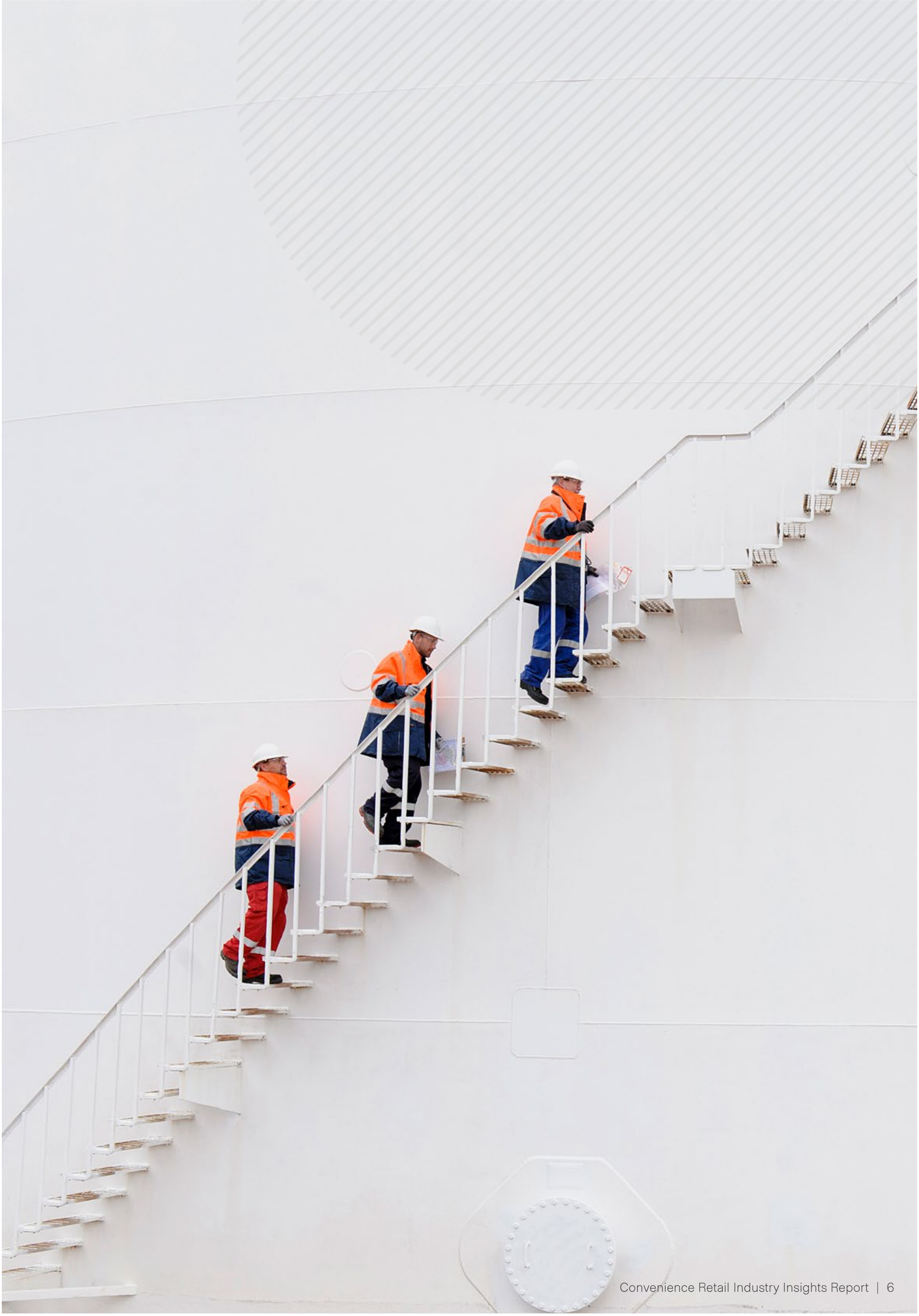
Volume and Cap Rate Review

Burgess Rawson Yearly Volume and Cap Rate 2021 - 2023



Burgess Rawson Yearly Volume and Cap Rate 2016 - 2022





Market Overview

Key Players

The Australian convenience retail landscape has historically been a dynamic and competitive industry. Players have entered such as EG in 2019 followed by Chevron in 2020, and more recently operators such as On The Run (OTR) have also expanded into new markets.

OTR announced their planned entrance into Victoria and New South Wales markets in 2019, and now boast over 180 stores.

Existing players are also heavily invested in the sector. Industry heavyweight Shell, trading as Viva Energy, announced their plans to buy the Coles Express network which includes 710 stores. More recently, Viva Energy struck a $1.15 billion agreement to buy the OTR Group.

Since 2017, the annual number of sites has been steadily increasing. In 2023 a net increase across the major providers of 73 new sites were delivered to market. The sites now have a focus on centrality, innovative service delivery, and high-tech equipment that minimises environmental damage and exit costs. Total sites in 2023 is nearing 7,000 as compared to the 2017 site count of 6,500.

Incredibly, there were 25,000 service stations in the 1970s. Over the years these have been consolidated to high tech sites servicing greater areas and coupled with strong retail offerings to meet consumer demand.

The traditional co-location of mechanics with fuel has mostly ceased as players have become more creative about the retail offering coupled with their business.

Complementary retail offerings have become a focal point for players in the market, as retailing underpins customer loyalty and additional income streams.

The improvement to the retail offering has been twofold.

Firstly, the addition of amenities including the likes of banking, Australia Post, parcel collection, daily supplies and click-and-collect options.

Secondly, in the co-location of complementary tenants such as fast food, drive-through coffee, and in-store food.

2022 Store Network Size

bp	1,468	+11 Net Change
AMPOL	1,338	-9 Net Change
VIVA Energy Australia	1,316	+15 Net Change
7 ELEVEN	609	+22 Net Change
eG Group	538	-1 Net Change
United	434	0 Net Change
METRO PETROLEUM	289	+13 Net Change
Chevron	258	+4 Net Change
Mobil	205	+9 Net Change
OTR	180	+9 Net Change

Market Overview

Record Convenience Retail Profits

Earlier this year, Ampol announced its operating earnings before interest, tax, depreciation and ammortisation (EBITDA), totalled a record $1.8 billion, up 84% from the previous year, and surpassing its previous record in 2015. The firm's underlying net profit for the year ending 31 December jumped 129% to $763 million.

Viva Energy saw their EBITDA increase by 122% to $1.1 billion with the net profit rising by 211% to $596.6 million. The Viva Energy group consists of independently run Shell branded sites, Coles Express fuel supplies and the Liberty Convenience network. Viva reported that retail sales volumes increased by 7% to 4,515 million litres, led by the more regionally located dealer owned sites and Liberty Convenience network which continue to benefit from the addition of new stores since FY2021. The Liberty Convenience network now stands at 94 stores.

Global giants Shell and BP both reported record profits of more than $58 billion and $40 billion respectively for 2022.

AMPOL

1,338
Locations

20%
Market Share

$1.8B
EBITDA 2022 up 84%

VIVA Energy Australia

1,316
Locations

20%
Market Share

$1.1B
EBITDA 2022 up 122%

bp

$40B
2022 Net Profit

$58B
2022 Net Profit

Market Overview

Institutional Investment

The appeal of prime locations and multinational lease covenants have whetted the appetite of institutional investors. Spearheaded by the likes of Charter Hall and Dexus, these assets have become highly sought-after en masse.

Charter Hall

Charter Hall is a listed fund manager, diversified developer, and investment manager, and currently has $88 billion in assets under management. Their portfolio includes nearly $2 billion in convenience retail assets which have been steadily acquired since 2019.

Charter Hall's first foray into the market was in 2019 with $1.08 billion of BP assets. Post the initial transaction, Charter Hall has continued to purchase these assets including 200 Ampol sites, and entered the New Zealand market with the purchase of 50 Z-Energy sites.

Within the current $88 billion portfolio, BP represent the fourth largest tenant by income. This clearly demonstrates the perceived bankability of the tenant covenant.

The BP portfolio alone comprises 225 properties with a 20-year lease covenant. Not surprisingly, Charter Hall sought triple net leases.

Dexus

The Dexus appetite for convenience retail commenced in 2021 with the acquisition of the APN Convenience Retail Fund.

This fund, valued at $320 million, bolstered the existing portfolio which now has a combined value of $822 million as at December 2022.

Generally, the Dexus portfolio is represented by co-located retail with a major fuel tenant.

As a result of the co-location, the portfolio's weighted average capitalisation rate is 5.9% with a 99.4% occupancy rate.

Charter Hall

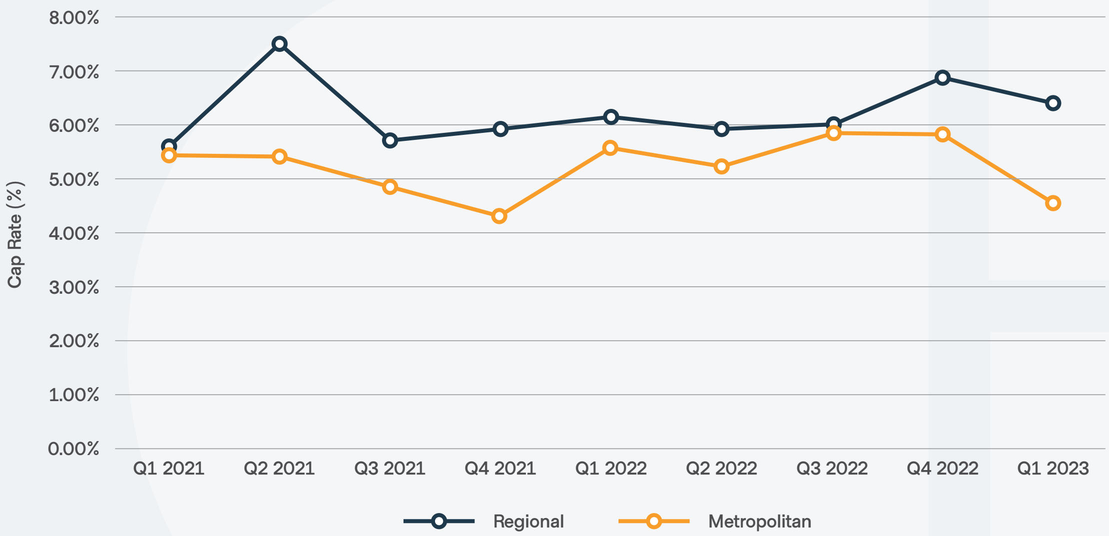
> BP is the fourth largest tenant by income in the Charter Hall Property Investment Portfolio.

Burgess Rawson 2022 and 2023 National Sales

	Queensland	New South Wales	Tasmania	Victoria	South Australia	Western Australia
Metropolitan	$58,990,000 6.10% Cap Rate	$22,955,000 4.81% Cap Rate	$4,925,000 5.99% Cap Rate	$35,910,000 4.49% Cap Rate	$6,660,000 5.54% Cap Rate	
Regional	$21,131,000 6.87% Cap Rate	$63,326,500 5.74% Cap Rate	$3,975,000 5.90% Cap Rate	$14,470,000 5.67% Cap Rate		$23,2500,000 7.94% Cap Rate

Burgess Rawson 2022 and 2023 National Sales

Metropolitan and Regional Cap Rate



Average cap rates have been materially sharper in metropolitan assets as compared to regional assets. Data shows an average 90 basis point premium for assets located in metro locations. The average price for metro sites is slightly higher than that of regional, with metro at $5.625 million versus regional at $5.266 million.

Short Vs Long Lease Expiry

Length of lease is a key aspect in the investors' decisions to purchase convenience retail sites. There is a marked difference in the average cap rate achieved when a longer lease is in place.

Regularly, assets with the longest leases are newly built stock brought to market. These assets are technologically advanced and offer maximum depreciation benefits and high-quality leases. Investors compete strongly for these leases that provide stability and certainty in an ever-changing market.

Higher cap rates on short-term leases can be due to a number of factors.

The realised cap rate can be affected by the quality of the lease, remediation clauses and age of tanks and lines.

Burgess Rawson data shows a 50 basis point difference between long and short term leases.

6.03%
Short LE
(<10 years)

5.54%
Long LE
(>10 years)

$288,996
Short LE
Median Rent

$305,000
Long LE
Median Rent

Burgess Rawson FY2023 Sales

Tenant	Location	State	Sale Price	Cap Rate
United Petroleum	Sunshine	VIC	$3,150,000	2.98%
7-Eleven	Hawthorn East	VIC	$6,700,000	3.94%
7-Eleven	Killara	NSW	$7,500,000	3.97%
7-Eleven	Jamisontown	NSW	$6,200,000	4.99%
Pearl Energy	Coffs Harbour	NSW	$5,275,000	5.50%
Viva Energy	Nailsworth	SA	$6,600,000	5.54%
Jasbe Petroleum	Beaconsfield	VIC	$5,350,000	5.61%
7-Eleven	Wyong	NSW	$6,500,000	5.78%
United Petroleum	Devonport	TAS	$3,975,000	5.90%
United Petroleum	Launceston	TAS	$4,925,000	5.99%
Chevron	Enoggera	QLD	$2,500,000	6.03%
7-Eleven	Cessnock	NSW	$6,400,000	6.03%
Chevron	Peregian Beach	QLD	$4,200,000	6.21%
EG Fuel	Bairnsdale	VIC	$2,350,000	6.29%
Chevron	Garbutt	QLD	$6,000,000	6.35%
EG Fuel	Charters Towers	QLD	$1,421,000	6.69%
7-Eleven	Robina	QLD	$9,200,000	6.73%
Chevron	Roseneath	QLD	$8,200,000	7.21%
Liberty	Dalyellup	WA	$4,250,000	7.49%
Chevron	Reid River	QLD	$2,940,000	8.67%
Independent	Jarrahdale	WA	$2,500,000	10.44%

Burgess Rawson Sales Highlights

7-Eleven
Killara NSW

Sale Price	Cap Rate	Date
$7,500,000	3.97%	Feb 2023

United Petroleum
Sunshine VIC

Sale Price	Cap Rate	Date
$3,150,000	2.98%	Sep 2022

United Petroleum
Devonport TAS

Sale Price	Cap Rate	Date
$3,975,000	5.90%	Oct 2022

7-Eleven
Hawthorn East VIC

Sale Price	Cap Rate	Date
$6,700,000	3.94%	Mar 2023

Sale Price
$6,600,000

Cap Rate
5.54%

Sold
February 2023

Case Study

Liberty, Nailsworth SA

Located 4.5km from Adelaide's CBD, the subject property is on Main North Road which is a major commuter road with 46,800 vehicles passing daily.

Features include dual frontage and access points to both Main North Road and Ellen Street.

The property is leased to Viva Energy Australia (branded Liberty), a $4.26 billion ASX200 company with 1,316 retail sites nationally. Constructed in 2021, the store opened for trading in approximately May 2021.

Under the lease, the tenant is responsible for both maintenance of all underground fuel infrastructure, as well as site remediation.

A Sydney investor with multiple assets in South Australia purchased the property prior to auction.

Site Area
2,004sqm*

GLAR
512sqm*

Zoning
Urban Corridor (Business)

Remaining Lease Term
11.25 years

Site Value Rate
$3,293psm*

Net Income
$365,650 pa* + GST

Agents
Jamie Perlinger
Rick Jacobson

*Approx

Sales Analysis

Impact of Cash Rate on Cap Rates

Historically, low interest rates drove a commercial property boom in 2021.

The overwhelming trend of 2022 was the market response to the cash rate rises.

The first indicator of cash rate rises was the movement of the bond yields, increasing from 1.8% at the opening of 2022, to 3.4% in May 2022, when the RBA delivered the first cash rate rise.

Yield premium, the difference between the sale rate and the current rate, decreased markedly as the cash rate rises continued.

The average premium was 470 basis points at the start of 2022. Come October that had compressed to 309 basis points, and is currently at its lowest margin of 118 basis points.

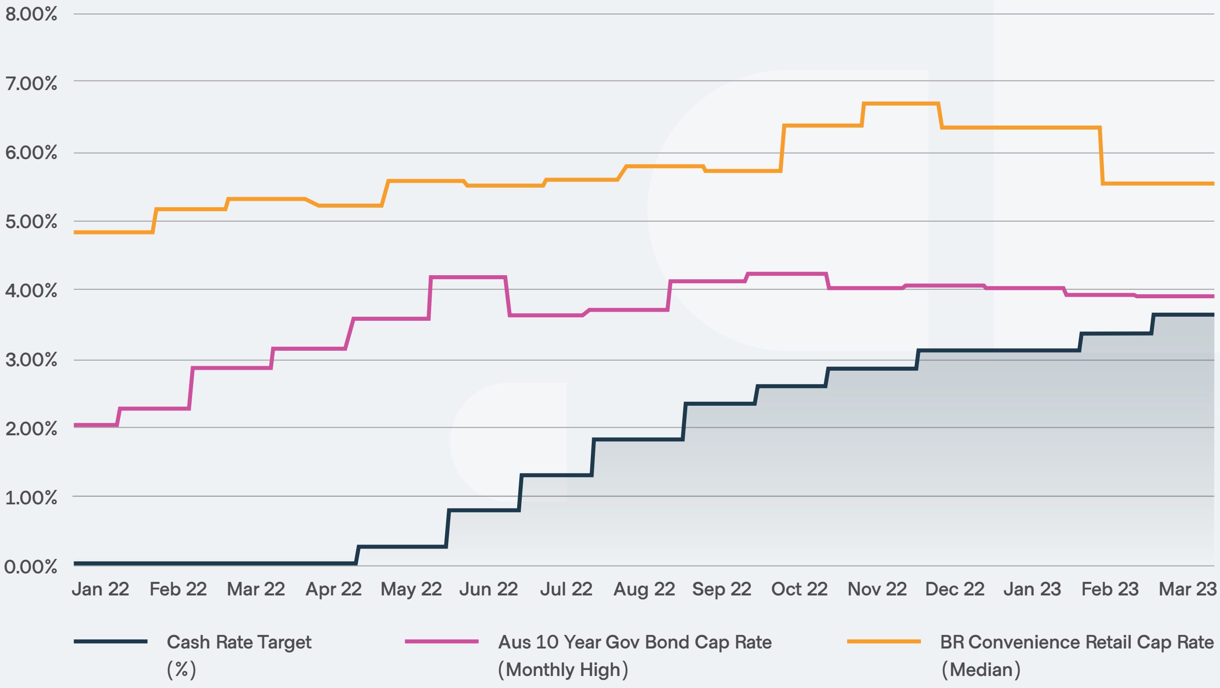
Increased interest rates and concerns around market volatility drove greater supply to the market in Q4 2022. This resulted in the greatest, albeit temporary, softening of cap rates, quickly rebounding in 2023.

Despite the early 2023 compression, premium buyers have continued to actively compete and seek out quality commercial assets.

The ability to leverage against commercial property coupled with tax benefits have held cap rates relatively stable in the proceeding months.

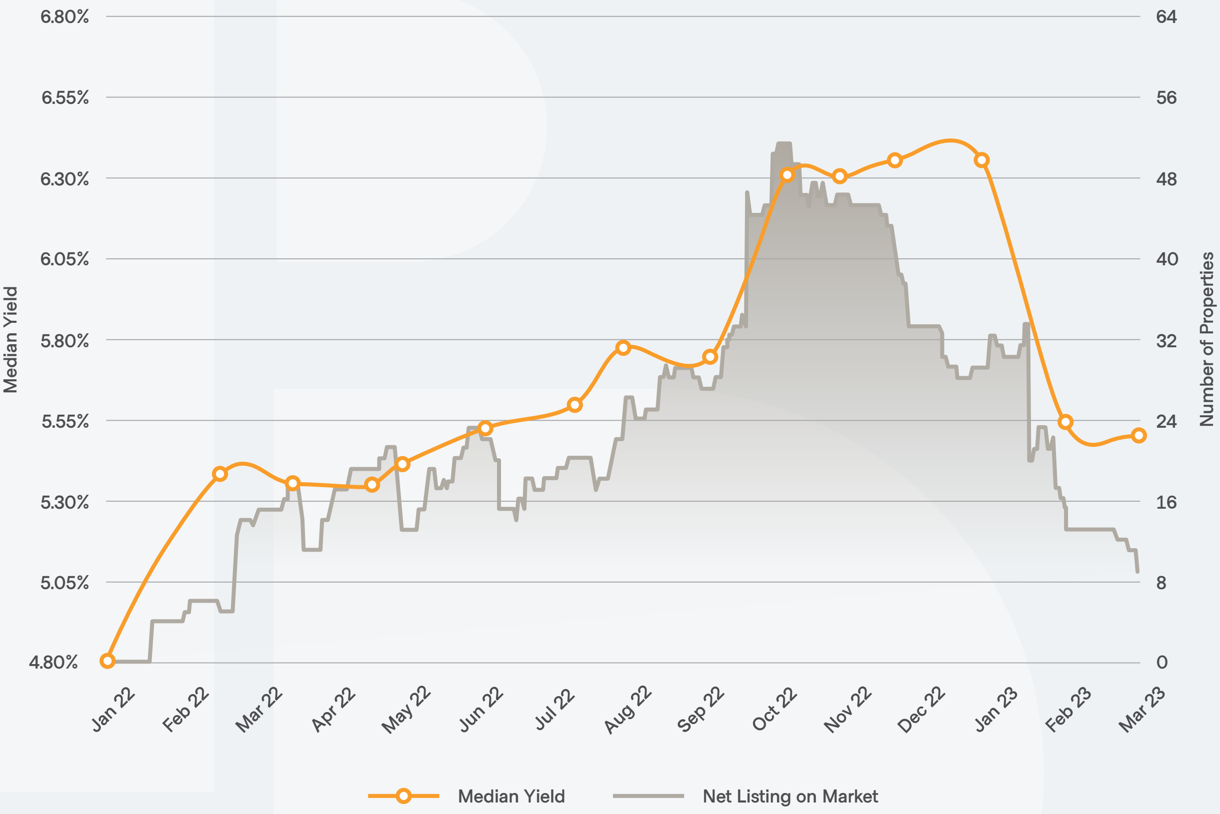
Investors have also sought security after the tumultuous Covid pandemic. Longer leases, a key aspect of convenience retail, provide investors with guaranteed returns for which they're willing to pay a premium.

2022/2023 Cash Rate, Bond and Convenience Retail Cap Rates



Sales Analysis

Supply of Convenience Retail Properties on Market



There was a total of 116 convenience retail freehold investments listed on the market in the 2022 calendar year.

Supply began to hit the market in late January, with a noticeable acceleration of listings by the end of February.

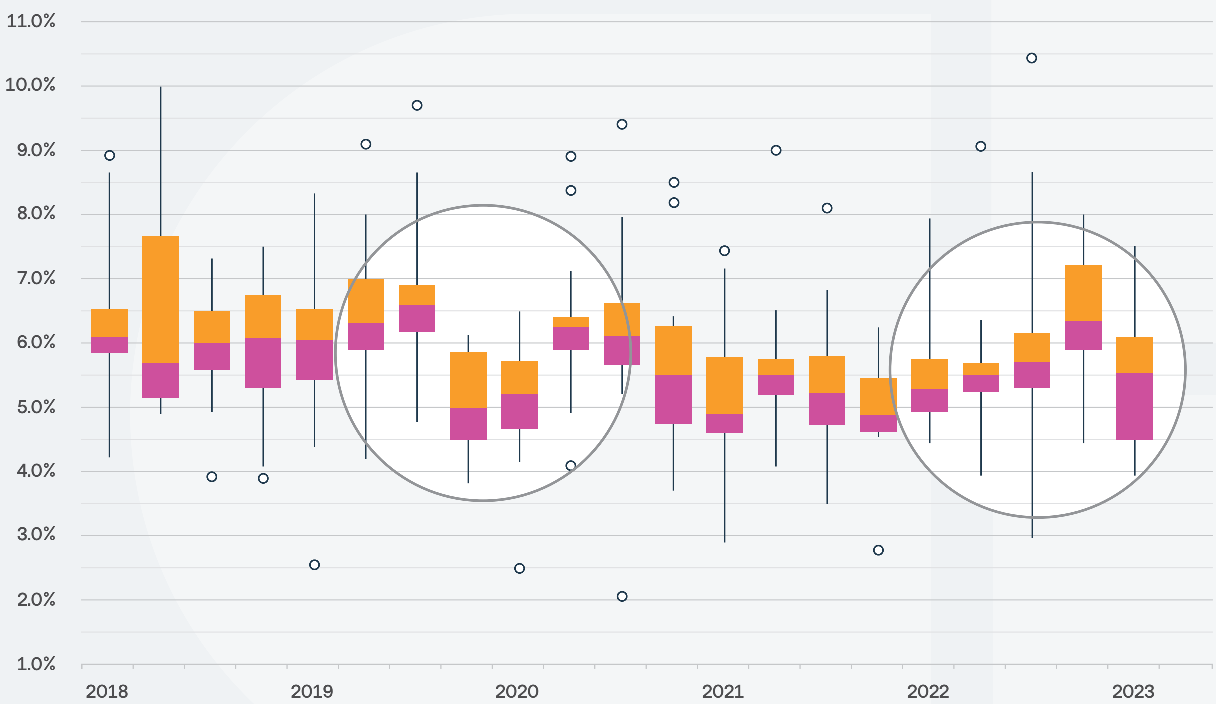
The total number of properties on the market at any one time floated between 10 and 28 up until early October, when supply significantly increased, before peaking at 51 listings on 20 October.

The chart demonstrates a strong correlation between total listings on the market and the median cap rate achieved on sales.

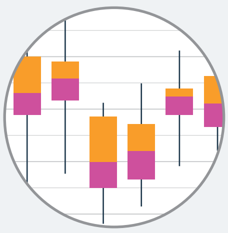
The correlation between supply and demand has continued into 2023 and we have seen that supply has corrected, as have cap rates. April 2023 is now showing similar activity to May 2022, when the first cash rate rise came through.

Sales Analysis

Convenience Retail Cap Rates



2019-2020



Q4 2019 and Q1 2020 saw a significant contraction on what had been a steady trend. The main event which caused this was the 7-Eleven Portfolio Auctions by Burgess Rawson, achieving record cap rates for the period. Over these two quarters, 33 properties were divested, with a blended cap rate of 4.77%.

Cap rates immediately reverted back to the normal levels thereafter.

2022

2022 saw steady softening of cap rates across the convenience retail sector, in line with the cash rate rises, but not to the same extent.

The significant increase in Q4 2022 was attributable to a large increase in supply on the market. Q1 2023 has so far witnessed cap rates return to normal levels.

It's worth noting that the results of Q4 2022 are still within the historical normal range.

Legend

(Q1 2023 Results)

Outliers

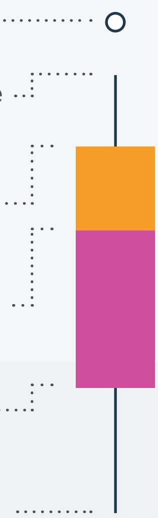
Highest Cap Rate
7.49%

75th percentile
6.03%

Median Cap Rate
5.54%

25th percentile
4.48%

Lowest Cap Rate
3.94%



Note

Outliers are greater than 2 standard deviations (σ) from median/50th percentile. Competitor sales included to increase sample size.

Convenience Retail Outlook

Electronic Vehicles

Australia has an incredible 21 million registered vehicles.

In 2022, 912,922 petrol powered vehicles were sold. In the same year, 33,410 Electronic Vehicles (EVs) were purchased across Australia, a mere 3.7% of sales.

A report by the Electrical Vehicle Council (EVC) found that there are now 83,000 EVs and plug-in hybrids on Australian roads. Of these cars, 79% are battery-only.

This is not to say that battery powered cars do not have a future in the Australian market. The rate of uptake is certainly increasing as is the technology that allows market penetration. The reducing price of EVs will assist in a greater uptake, however the 21 million petrol cars will still require fuel each and every day.

As an example of a high adopter, EVs in Norway make up 80% of all new vehicles sold, and yet in 2021 Norway still consumed 31.8 million litres of oil a day.

Furthermore, EV uptake has not been helped by archaic taxes applied in Victoria, which are coupled with onerous logbook requirements.

EV uptake relies heavily on new infrastructure to be implemented across what is a vast landmass. The sheer geographical spread of Australia limits many in regional areas from even considering EVs as an alternative option.

The EV fleet in Australia has doubled each year since 2020. However, they still represent less than 0.5% of Australia's passenger and light commercial vehicle fleet.

All of these factors indicate a long and prosperous future for fuel and convenience retail. This is further demonstrated by the 73 new convenience retail sites opened in 2022 with the majority featuring 10-to-15-year leases plus options.

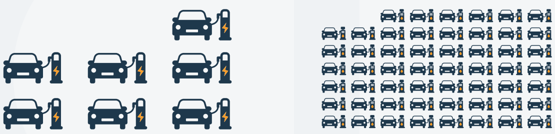
The largest companies in the ASX are investing heavily in convenience retail with their reach, research departments, and market knowledge. This investment provides further confidence and security in this asset class.

New Car Sales for 2022

+33,410
Electric Vehicles

+912,922
Petrol Vehicles

Total Number of Cars on the Road



83,000
Electric Vehicles

21,592,922
Petrol Vehicles

Convenience Retail Outlook

Hydrogen Vehicles

Hydrogen fuel technology presents an opportunity to rectify some shortcomings around EV technology, namely the time it takes to charge the battery, and the weight of the battery itself.

The technology appears particularly geared towards heavy vehicles, as the weight of batteries makes carrying heavy loads long distances, near impossible.

Hydrogen however, requires a similar refuelling process to petroleum products. Convenience retail operators could store hydrogen on site in a similar manner to fuel, potentially minimising change in customer experience.

A number of companies have identified hydrogen as an opportunity for growth. According to CSIRO, there are now 119 hydrogen-related projects across Australia.

Viva Energy has also introduced and is piloting a hydrogen refuelling station in Geelong Victoria, with a number of industry leaders committing to the $43.3 million project, including Toll Group, Cleanaway and Barwon Water.

The site is set to open in late 2023 and will have capacity to produce 850kg hydrogen per day.

To assist in the rollout of hydroden vehicles in Australia, Hyzon Motors has opened a facility at RACV headquarters in Noble Park, Victoria. Hyzon specialises in the manufacture of hydrogen trucks, high floor coaches and waste removal trucks.

They have agreed to supply RACV subsidiary, Nationwide Towing, Wesfarmers subsidiary Coregas, Ark Energy, and Fortescue Metals Group with vehicles. The Fortescue Metals Group fleet of vehicles has already been delivered.

Hyzon is currently constructing a 10,000sqm* manufacturing facility at its Noble Park site through a partnership with the RACV.

The facility will have the capacity to produce 1,000 hydrogen trucks a year when it opens in 2024.

Early Frontrunners

*Approx


Shell
Hydrogen
Nieuw van
Shell
Shell
Hydrogen
20
Voor uw
veiligheid
POWERED BY HYDROGEN
Shell
ZERO
FAST
REFUELLING
TOYOTA

Fast Food: An Alliance

Location, Location, Location

Convenience retail operators and fast food retailers share a fundamental prerequisite - they both rely on high profile locations that benefit from high traffic volumes and strong catchments.

It is common to see convenience retail brands co-located with fast food as both offer an equally essential but non-competing commodity to the consumer. Often, customers purchasing one service are easily drawn to the other, generating mutual growth for both operators.

Fast food is undoubtedly a robust, recession-proof product that has continued to show trading growth during economic uncertainty.

In December 2022 the ABS reported that while total retail spending had dropped by 3.9%, food retailing was up 0.3%*. This resilience in spending has led to major expansion of fast food outlets, to cater for the 75% of Australians who dine out at least once per month (up from 63.7% in 2019).

Fast Food Expansions

Fast food retailers have expanded their footprint across the country with 179 new sites opened in the last 12 months including 20 McDonald's, 14 Guzman y Gomez, 10 KFC, and seven Carl's Jr.

These industry players are also investing in refurbishing existing stores and updating their designs and technology features.

In 2020 KFC announced its strategic plan to launch 30 new high tech, drive thru only restaurants across Australia; featuring unmanned lanes, online ordering and an innovative secret menu.

Many Australian brands have announced additional growth, on top of the already significant store openings seen recently.

This includes an announcement from McDonald's on their intention to spend a further $600 million opening 100 new stores over the next four years.

Furthermore, international retailers such as Wendy's and Popeye's have announced their intentions to enter the Australian market, with Wendy's stating they plan to open 'hundreds of restaurants across Australia'.

Planned New Store Openings (Yearly)

GUZMAN Y GOMEZ Mexican Taqueria +30

M +25

HUNGRY JACK'S +20

Carl's Jr. CHARBROILED BURGERS +20

*Seasonally adjusted

Fast Food: An Alliance

The Role of Fast Food

As fast food operators do not require space dedicated to housing fuel pumps, their footprint is often smaller than a convenience retail site. Albeit the introduction of multiple lane drive thru has narrowed the gap between size requirements, the location of the drive thru in relation to the store has allowed fast food and convenience retail to co-exist and co-locate for some time.

Fast food operators wanting to expand their networks will seek out desirable, densely populated catchments; coincidentally the very same prerequisites for convenience retail operators.

As developers try to maximise utility, what is developed on sites is mostly restricted by the total size of the land.

+ Less than 2,000 sqm generally services fast food only
+ 2,000 – 3,000 sqm will allow for an individual fuel or fast food, or an integrated fuel and fast food offering
+ Greater than 3,000 sqm can allow for two standalone buildings, depending on the access points to the site and the operator's car parking requirements

Given the growth of fast food operators and the continued demand for sites, convenience retail sites that no longer appear viable for the dispensing of petroleum-based products will see a desire by fast food operators to take the space.

Since convenience retail has greater size requirements than fast food, sites lend themselves well for possible future conversion to fast food.

However, given the current landscape of competitiveness between convenience retail brands, the continued desire to open new locations, and the willingness to innovate and adapt (BP and David Jones stores, Ampol and Metro, OTR acquiring GYG franchise for SA), it is unlikely that this will occur on a widespread scale.

What's Next For Convenience Retail?

There is a clear and defined future for convenience retail within the next 15 to 20 years.

The sites are already strategically positioned, and as land becomes scarce these sites become irreplaceable. At the eventual completion of the leases in 10 to 30 years, the investor has received a secure income and is able to implement redevelopment options in some of the best locations of regional and metro Australia.

The tenants behind these sites have the money, knowledge and people to stay ahead of an ever-changing industry. Quality operators are embracing market changes and modifying their offerings, including implementing infrastructure requirements for changing car ownership.

Ampol is currently leveraging their brand to grow retail channels, which will provide strong foundations for its future operations. It is currently conducting a quick service restaurant (QSR) pilot which will include partnering with a Tier 1 fast food chain.

Ampol also plans to be the leading EV charging network in Australia by 2030. Currently they have five pilot sites which are forming the initial rollout of the forecasted 120 locations.

Viva Energy is also embracing the future of hydrogen, with the planned refuelling station in Geelong in partnership with industry leaders.

But it is clear that EV and hydrogen fuel technology both have a long way to go. Their shortcomings mostly relate to range and charge times for users. Whilst it's unclear if these technologies will be embraced and deployed across the entire current convenience retail network, the continued development of new strategies by global brands demonstrates their commitment to adapt to consumer needs.

Regardless of new technologies, existing vehicles need fuel and will continue to do so into the future.

Each year, the majority of cars added to Australian roads are petrol based and while this may change over time, it will be a lengthy changeover.

Fuel and convenience retail undoubtedly offers investors strong returns in comparison to other industries, as well as great locations and exceptional tenants. Investors actively chase yield spread, and this is the sector that delivers.

It is Burgess Rawson's position that fuel cap rates will remain stable throughout 2023 before minimal contraction in 2024.

Throughout the Burgess Rawson portfolio, premium assets continue to attract premium pricing and convenience retail is no different.

Irreplaceable metro sites will continue to attract strong appetite and sharp cap rates.

Investors seeking long-term, annuity-like income will continue to value what convenience retail offers by way of stability and the important role it plays in their individual investment portfolio.

What You Need To Know

What to Look For

There are a number of key fundamentals to be aware of when securing a convenience retail asset that will provide the best returns;

Strength and profile of tenant

Identifiable global brands have embraced digital technology and adopted a progressive approach to drive sales growth. Look for multi-nationals as they have proven track records.

Remediation and maintenance obligations

When the tenant is responsible for repairs, maintenance of tanks and lines, as well as site remediation, the Landlord is provided certainty and security in the property while the investment appreciates in value.

Assignment provisions

Ensure that adequate due diligence is conducted under this section of the Lease. Check that the tenant cannot simply assign the lease to another, potentially lesser known and less secure operator, consequently decreasing the investment's value.

Ownership of fuel infrastructure

While the tenant might be responsible for maintenance of the fuel infrastructure, as a Landlord, your ownership of this means you can enjoy the depreciation benefits on top of the rental returns, well into the future.

Lease tenure and option periods

Reputable operators will invariably seek a long-term lease from the Landlord, often with extensive options.

This assurance provides a set-and-forget investment, meaning minimal input from the owner and significant returns over time. Longer options can assist in the resale of an asset, later down the track.

Location, land size & underpinned land value

Strong underlying land values are underpinned by tenant requirements including high profile sites with future development opportunity. Landmark sites are rarely vacated for fear of giving up market share to competitor.

Rent review structure

Ensure your income growth by looking for annual rent increases, and market reviews at the end of the term.

What You'll Pay

Convenience retail investments generally range from $2 to $10 million with incomes ranging from around $300,000 to $500,000+, if there is a dedicated truck canopy. The median sale price by Burgess Rawson has been $5.35 million since 2022.

How to Buy One

Convenience retail assets are sold both privately and at auction.

The benefit of an auction is transparency between all parties. Typically buyers will bid in person, over the phone or online, with full visibility of buyer competition and rental cap rate on-screen in front of them.

This asset class has always featured heavily in all the major commercial agency players' portfolios, given the calibre of tenants and the proven investment security of the sector.

Having sold 62% of all convenience retail assets offered to market in FY23 so far, we've seen no signs of investor demand slowing in this sector and predict steady transactions into FY24.

National Convenience Retail Team

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How we can help

At Burgess Rawson, we offer solution-based outcomes and data-driven expertise for convenience retail vendors, investors, developers and tenants, with a breadth of knowledge that spans the entire property journey; asset management, sales leasing, appraisals, development feasibility and tenancy coordination.

Our national specialty team is at the forefront of the convenience retail sector, with dedicated property professionals able to provide an end-to-end service to clients in all states and territories across Australia.

If you're looking to invest, divest, require management, or simply want to discuss the sector, please don't hesitate to contact a team member today.

Industry Insights Report May 2023

Early Education

Insatiable demand for an asset class that continues to grow

Explore one of the most talked about sectors in commercial property, early education.

Due to factors such as rises in the cost of living, increased workforce participation and government support, early education remains an undeniably desirable investment class. May's Industry Insights Report will provide a detailed breakdown of transaction, supply and cap rate activity, key industry players, what the future holds for this sector, and much more.

"Despite 10 consecutive rate rises, early education remains resilient. The sector has seen sales activity increase forty-fold over the past decade as demand for this asset surges."

Natalie Couper
Early Education Specialist

Burgess Rawson

With offices across Australia, Burgess Rawson has a truly national understanding and unparalleled collective expertise.

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