

25.3 PROPOSAL FOR PURCHASE OF STRATEGIC PROPERTY

Objective Reference: A7160638

Authorising Officer: Christopher Isles, General Manager Advocacy, Major Projects and Economic Development

Responsible Officer: Christopher Isles, General Manager Advocacy, Major Projects and Economic Development

Report Author: Andrew Ross, Executive Group Manager, Procurement Risk & General Counsel
Anca Butcher, General Counsel, Redland Investment Corporation

Attachments: 1. Crisp Valuation Services Report 28 November 2022
2. Property Search 5 December 2021

The Council is satisfied that, pursuant to Section 254J(3) of the *Local Government Regulation 2012*, the information to be received, discussed or considered in relation to this agenda item is:

- (g) *negotiations relating to a commercial matter involving the local government for which a public discussion would be likely to prejudice the interests of the local government.*

PURPOSE

The purpose of this report is to seek approval from Council for the Redland Investment Corporation (RIC) to purchase a property at 66 Bloomfield Street, Cleveland (property adjoining Cleveland Plaza currently owned by RIC).

BACKGROUND

On 26 November 2014 Council resolved to create RIC as a corporatised beneficial enterprise under the *Local Government Act 2009*, to deal with land and promote new business opportunities for the Redlands community. RIC is wholly owned by Council and operates under the *Local Government Act 2009* (QLD), *Local Government Regulation 2012*, *Corporations Act 2001* and *Auditor-General Act 2009*.

In December 2017, RIC purchased Cleveland Plaza as a strategic purchase of an important commercial site in Cleveland, as a long-term income producing asset and because the purchase aligned to Council corporate plan strategy for economic development and the Cleveland Revitalisation Strategy.

On 23 January 2019, the Council conducted a governance review of RIC and resolved to amend the Constitution and Service Agreement between RIC and Council. RIC's financial delegation for transactions was reduced from \$10M to \$5M.

On 23 October 2019, the Council resolved that 'the Chief Executive Officer prepare a report to Council reviewing the options for the future operations for the Redland Investment Corporation (RIC) for the consideration of a Council after the next quadrennial election in 2020 and prior to the special budget meeting of 2020'.

On 10 June 2020, the Council resolved to 'extend the timeline for receiving a report on the future operations of the Redland Investment Corporation until 31 December 2020 or within two (2) months of the State Government adopting changes to controlled entity provisions, whichever comes first'.

On 16 December 2020, the Council resolved to:

- a. *'Review the objectives of Redland Investment Corporation and develop options for an operating model that supports Council's future economic development and place-making projects;*
- b. *Undertake a review of Council's Economic Development Advisory Board in conjunction with this review;*
- c. *Prepare a report for Council by 30 June 2021 that positions Redland Investment Corporation or an alternative structure to drive the Redlands Coast economic recovery and more generally its longer term economic development;*
- d. *Note that this report will be published with the meeting minutes, subject to maintaining Attachment 1, Redland Investment Corporation Commercial Summary, as confidential and commercial in confidence.'*

On 16 June 2021, the Council resolved to:

- a. *'Note that the Economic Development Advisory Board has achieved its objectives and will be discontinued;*
- b. *To acknowledge the members of the Economic Development Advisory Board and thank them for their contribution in setting the foundations and frameworks to drive the Redlands Economy;*
- c. *To acknowledge the works of Redland Investment Corporation in the progress of the master plans for the Toondah Harbour and Weinam Creek PDAs and the facilitation of various property projects;*
- d. *That Council prepares a Transition Plan to a future operating model that will transform Council's approach toward economic development, placemaking, investment attraction and advocacy, incorporating multi-year funding;*
- e. *That Redland Investment Corporation complete existing (but not start new) property development and other projects which are outside of the Toondah Harbour and Weinam Creek PDAs and Capalaba Town Centre project whilst the Transition Plan is in development;*
- f. *That the Redland Investment Corporation Board review its operating model with regard to the Transition Plan that also considers Council's equity position in the company;*
- g. *That this report remains confidential, subject to maintaining the confidentiality of legally privileged and commercial in confidence information.'*

On 14 September 2022, the Council resolved to make changes to the RIC Constitution and Service Agreement. The Service Agreement was amended to require that RIC *'...[not] start a new project without authorisation from Council or the Chief Executive Officer or their authorised representative...'*

On 15 November 2022, RIC entered into a contract with the owners of 66-68 Bloomfield Street Cleveland ('Property') subject to a 30-day due diligence period. The contract can be terminated without any financial penalty if the Council does not agree to the purchase. The contract sum is \$1.75M.

ISSUES

RIC seeks approval to purchase the property at 66-68 Bloomfield Street Cleveland adjoining Cleveland Plaza.



Building

The property is used as a retail centre with a single level building. The building has been divided into 5 tenancies with all shops facing Bloomfield Street Park and Shop 1 also having exposure/access to Bloomfield Street. All shops are currently tenanted at market rates.

Valuation

An independent valuation report by Crisp Valuation Services has adopted the market value of the Property at \$1.75M, the same value as the contract sum. This valuation is based on a comparison of sales evidence for similar sites. The valuation does not include the potential uplift due to the future development potential of the site.

Benefits of Acquisition

Investment Opportunity- Short to medium term as an income producing asset.

RIC considers the purchase to be a sound investment opportunity benefitting from recurrent income and capital growth by holding the property in the short to medium term as an income producing asset. The current annual income of the property is \$92,782 per year representing a 5.3% yield. This yield is consistent with market parameters and is preferable to the current Queensland Treasury Corporation cash rate of 3.73% interest.

There is the ability to increase rental income over the short to medium term by cosmetic/aesthetic improvements to the building. Enhancing the appearance and offerings to tenants will increase foot traffic as well as retain and attract tenants subsequently resulting in higher income and an overall stronger performing asset.

Development potential – Medium to Long term strategy

For a medium to long term strategy, RIC considers that there is redevelopment potential of both the Property and the adjoining property, 'Cleveland Plaza'.

The development potential of the combined consolidated sites can deliver:

1. Greater development flexibility;
2. Increased, frontages providing an additional 42 linear metres of possible retail shopfront at ground level allowing direct activation of the streetscape;
3. Higher density;
4. Larger floor plates. There will be a possible increase in the floor plates by 300sqm per floor;
5. Improves access to light and outlook from floors and any podium floors; and
6. Minimise setback requirements

The increased development potential of the combined sites will lead to a greater capital growth for both properties including higher residual land values (land value having regard to a feasibility for the future development).

The Property is located in the Principal Centre Zone Code of the City Plan. The purpose of the Principal Centre Zone Code is to guide the development of the highest order centres at Capalaba and Cleveland, which contain the largest and most diverse mix of uses including the highest order business, retail, government, community, entertainment and cultural activities, the highest density forms of housing, and the highest concentration of employment in the Redlands. The Principal Centre Zone Code states that the acceptable outcome for the properties is a building that is up to 26 metres or approximately 8 storeys depending on engineering design. Any future redevelopment proposal will be presented at a Council meeting for approval. The current resolution does not seek approval for redevelopment.

Other Important Benefits of Acquisition include:

Council, through RIC has control over a key strategic commercial site in Cleveland.

Fragmented land ownership in the Cleveland CBD has been a limiting factor for investment into the CBD. The proposed acquisition will consolidate land ownership providing greater flexibility for projects in the future. As a group, there will be continuous ownership from Cleveland Plaza through to and including a portion of Bloomfield Park.

The acquisition aligns with the Corporate Plan, *Our Future Redlands - A Corporate Plan to 2026 and Beyond*. The Plan identifies the need to increase the city's productivity and economic growth through the delivery of infrastructure and well-planned, vibrant, connected precincts and centres.

STRATEGIC IMPLICATIONS**Legislative Requirements**

In making the resolution, Council is acting in accordance with the *Local Government Act 2009* (Qld) and *Local Government Regulation 2012* (Qld).

Risk Management

The due diligence investigations for the purchase of the Property did not reveal any significant risks; noting the Valuation Report identified a low to medium risk.

Financial

The purchase price is \$1.75M. The current annual income of the property is \$92,782 per year representing a 5.3% yield. The purchase price will be funded by the RIC financial reserves.

People

There are no staff implications as if acquired the property leasing arrangements will be managed within RIC's existing operational capability.

Environmental

A building report was obtained for the due diligence investigations. The report concluded that the building structure is in fair and safe condition. There are a few maintenance and aesthetic improvements required; however, these are not considered material. There are no environmental implications. The Property is listed on the Environmental Management Register due to the use of one of the tenancies for dry-cleaning. This is relevant for a redevelopment proposal, which may require a separate application under the Planning Regulation 2017. This is a low planning risk and a similar application will be required for any redevelopment of the adjoining property, 'Cleveland Plaza'.

Social

Redevelopment of the property has the potential to address social and community needs as outlined in the Redland City Plan.

Human Rights

There are no known human rights implications associated with this report.

Alignment with Council's Policy and Plans

The acquisition aligns with the *Our Future Redlands - A Corporate Plan to 2026 and Beyond*. The Plan identifies a catalyst project as the need to increase the city's productivity and economic growth through the delivery of infrastructure and well-planned, vibrant, connected precincts and centres.

CONSULTATION

Consulted	Consultation Date	Comments/Actions
Redland City Council and Redland Investment Corporation Officers	November 2022	Informed on the merits of the matter
Councillor Workshop	12 December 2022	Briefing on the merits of the matter

OPTIONS

Option One

That Council resolves as follows:

1. To endorse Redland Investment Corporation purchase of the strategic property listed in the report in accordance with the terms listed in the report.
2. To make a public announcement once the property purchase has settled.
3. That this report and attachments remain confidential in accordance with legislative requirements, including maintaining the confidentiality of legally privileged, private and commercial in confidence information.

Option Two

That Council resolves as follows:

1. To seek further information regarding the details provided in this report.
2. That this report and attachment remain confidential in accordance with legislative requirements, including maintaining the confidentiality of legally privileged, private and commercial in confidence information.

OFFICER'S RECOMMENDATION

That Council resolves as follows:

1. To endorse Redland Investment Corporation purchase of the strategic property listed in the report in accordance with the terms listed in the report.
2. To make a public announcement once the property purchase has settled.
3. That this report and attachments remain confidential in accordance with legislative requirements, including maintaining the confidentiality of legally privileged, private and commercial in confidence information.

Ref: SDC:C114418
28 November 2022

ABN: 43 152 831 126

P: PO Box 7756
East Brisbane QLD 4169

T: (07) 3137 9360

M: [REDACTED]

E: info@crispval.com.au



Valuation Report

66-68 Bloomfield Street, Cleveland Qld 4163

Instructed By
Prepared For
Date of Valuation

[REDACTED] Redland Investment Corporation
Internal Decision-Making Purposes
24 November 2022

"Liability limited by a scheme approved under Professional Standards Legislation"

Commercial Retail Industrial Specialised Prestige

Executive Summary (to be read in conjunction with the body of this report)

Valuation Details

Address	66-68 Bloomfield Street Cleveland Qld 4163
Instructing Party	[REDACTED]
Purpose	Redland Investment Corporation
Interest Valued	Internal Decision-Making Purposes
Registered Owner	Unencumbered Fee Simple
Date of Valuation	[REDACTED]
Date of Inspection	24 November 2022



Property Details

Land Area	436m ²
Zoning	Principal Centre
Net Lettable Area	258m ² (59.2%)
Brief Description	The property is positioned to the eastern side of Bloomfield Street, approximately 110 metres south of its intersection with Middle Street, and immediately adjoining Bloomfield Street Park to its southern alignment. The property is improved with a single level retail building which was constructed circa late 1970's and this is set on a reinforced concrete slab and has a mixture of brick and masonry block external walls and a sheet metal roof. The building has been divided into 5 tenancies with all shops facing Bloomfield Street Park and Shop 1 also having exposure/access to Bloomfield Street. Each shop includes a full height aluminium framed glass shopfront and each shop has their own split system air conditioning system. The shops generally offer a good standard of accommodation and include plasterboard linings to the internal walls and some having suspended grid ceilings and others having a solid plasterboard ceiling. There are communal male and female amenities at the rear of the centre. There are two car parking spaces at the rear of the property adjacent to the toilet block, however, there is angle on street parking along Bloomfield Street.

Tenancy Details

No. of Tenancies	5	Current Vacancy	0
WALE (Area)	1.75 years	WALE (Income)	1.74 years

The property is divided into 5 tenancies with all tenancies currently leased. Shop 1 is occupied by Yes Please Group on a 2+1 year lease which commenced 1 September 2022 and they are paying gross rental of [REDACTED] per annum [REDACTED]. Shop 2 is occupied by GLO Nutrition on a 2+1 year lease which commenced 1 June 2022 and they are paying gross rental of [REDACTED] per annum [REDACTED]. A new lease has been signed for Shop 3 and this is to be occupied by [REDACTED] on a 1+1 year lease which commences 1 December 2022 at a commencing rental of [REDACTED] gross per annum [REDACTED]. Shop 4 is occupied by Reeves Financial Services on a 3+3 year lease which commenced 1 June 2020 and they are paying gross rental of [REDACTED] per annum [REDACTED]. Shop 5 is occupied by a Dry Cleaners on a 5+5 year lease which commenced 1 October 2021 and they are paying gross rental of [REDACTED] per annum [REDACTED]. We consider the current passing rentals to be within broad market parameters. We have estimated annual outgoings equate to \$24,515 per annum (\$95/m²).

Financial Details

	Passing/Market
Gross Annual Income	117,297
Estimated Annual Outgoings	24,515
Total Net Income	92,782

Valuation Conclusions

Adopted Value **\$1,750,000 GST Exclusive**
 (One Million Seven Hundred and Fifty Thousand Dollars)

Initial Passing Yield	5.30%
Analysed Market Yield	5.25%
Reversionary Yield	5.30%
Direct Comparison	\$6,783/m ² NLA

Initial yield – passing income / adopted value

Analysed market yield – assessed net market income / adopted value less present value of adjustments

Reversionary yield – assessed net market income / adopted value

Qualifications

- While all reasonable endeavours have been made to clarify the accuracy of the information provided, it is assumed the information provided by [redacted] of Network Realty (selling agent) and [redacted] of Raine & Horne Commercial (managing agent) consists of a full and frank disclosure of all information that is relevant.
- We have assumed the property is free of all easements, encumbrances and interests other than those listed and there are no encroachments outside the boundaries of the Plan.
- We have assumed all necessary town planning and approvals for the proposed development have been obtained and complied with.
- We have assumed the improvements are structurally sound with no major service defects and comply with relevant Statutory Authority codes and standards.

Right to Information Release

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1. Instructions

1.1. Brief

Written instructions, letter dated 17 November 2022, were received from [REDACTED] of Redland Investment Corporation to assess the market value of the property located at 66-68 Bloomfield Street in Cleveland.

The report has been prepared for the private and confidential use of Redland Investment Corporation, and it may not be reproduced in whole or in part or relied upon for any other purpose or by any party other than the above without our written authority.

A copy of the letter of instructions is included in the Appendices.

Qualification

Unless otherwise stated, all financial information and valuation calculations in this report exclude GST.

Accordingly, the treatment of GST can be handled in a number of ways with respect to the subject property. Being a retail property, it is most likely that the "going concern" method of handling GST will be adopted, and therefore the transaction can be GST exempt. Alternatively, a vendor may require a notional purchaser to pay GST in addition to the purchase price, with such purchaser able to claim back this payment as an input tax credit. As a third method, the vendor and purchaser may elect to adopt the margin scheme, with the purchaser paying GST on the margin or difference in value of the property between the current date and 1 July 2000.

Our valuation is expressed GST exclusive.

This valuation is based on the assumptions relating to GST set out above. If any of these assumptions are found to be incorrect, or if the party on whose instructions this valuation is provided wishes our valuation to be based on different assumptions, this valuation should be referred back to us for comment and, in appropriate cases, amendment.

1.2. Purpose of Valuation

This valuation has been prepared to assess the market value of the property for internal decision-making purposes.

This report complies with the latest edition of the Australia and New Zealand Valuation and Property Standards (dated January 2020).

1.3. COVID-19 Virus – Market Uncertainty

The market is being impacted by the uncertainty caused by the COVID-19 pandemic. As at the date of valuation we consider that there is market uncertainty resulting in significant valuation uncertainty.

This valuation is therefore reported on the basis of 'significant valuation uncertainty'. As a result, less certainty exists than normal and a higher degree of caution should be attached to our valuation than normally would be the case. Given the unknown future impact that COVID-19 might have on markets, we recommend that the user(s) of this report review this valuation periodically.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value.

1.4. Date of Inspection

24 November 2022

1.5. Date of Valuation

24 November 2022

1.6. Basis of Valuation

The valuation is based on the following definitions and is current as at the Date of Valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period, (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 90 days from the Date of the Valuation, or such earlier date if an event occurs which has an impact on the valuation.

Market Value

The International Valuation Standards Committee defines market value as:

"..... the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The value assessed assumes a professional marketing campaign and reflects a selling period of no more than six months.

Market Rent

The *Australian Property Institute* defines market rent as:

"Market rent is the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The rent is assessed on the assumption that the premises are vacant and are fit for immediate occupation and ignoring any lessee's improvements or goodwill attaching to the premises by reason of the lessee's business.

Right to Information Release

2. Risk Assessment

2.1. Cash Flow

- The property is divided into 5 tenancies with all tenancies currently leased.
- Shop 1 is occupied by Yes Please Group on a 2+1 year lease which commenced 1 September 2022 and they are paying gross rental of [REDACTED] per annum [REDACTED].
- Shop 2 is occupied by GLO Nutrition on a 2+1 year lease which commenced 1 June 2022 and they are paying gross rental of [REDACTED] per annum [REDACTED].
- A new lease has been signed for Shop 3 and this is to be occupied by [REDACTED] on a 1+1 year lease which commences 1 December 2022 at a commencing rental of [REDACTED] gross per annum [REDACTED].
- Shop 4 is occupied by Reeves Financial Services on a 3+3 year lease which commenced 1 June 2020 and they are paying gross rental of [REDACTED] per annum [REDACTED].
- Shop 5 is occupied by a Dry Cleaners on a 5+5 year lease which commenced 1 October 2021 and they are paying gross rental of [REDACTED] per annum [REDACTED].
- We consider the current passing rentals to be within broad market parameters.
- We have estimated annual outgoings equate to [REDACTED] per annum [REDACTED].

2.2. Asset

- The property is positioned to the eastern side of Bloomfield Street, approximately 110 metres south of its intersection with Middle Street, and immediately adjoining Bloomfield Street Park to its southern alignment.
- The property is improved with a single level retail building which was constructed circa late 1970's and this is set on a reinforced concrete slab and has a mixture of brick and masonry block external walls and a sheet metal roof.
- The building has been divided into 5 tenancies with all shops facing Bloomfield Street Park and Shop 1 also having exposure/access to Bloomfield Street. Each shop includes a full height aluminium framed glass shopfront and each shop has their own split system air conditioning system. The shops generally offer a good standard of accommodation and include plasterboard linings to the internal walls and some having suspended grid ceilings and others having a solid plasterboard ceiling.
- There are communal male and female amenities at the rear of the centre.
- There are two car parking spaces at the rear of the property adjacent to the toilet block, however, there is angle on street parking along Bloomfield Street.
- The property is under Contract for \$1,750,000 (exclusive of GST).

2.3. Market

- There is good demand for prime retail multi-tenant assets.
- The property is within a value range (sub \$2m) which would attract a sophisticated buyer such as high net worth individuals and self-managed super funds.
- Given a continuation of the market conditions and a competent marketing campaign, we consider the property to be saleable at valuation within a three to six months sales period.

2.4. Lending Cautions

- The WALE (by area) is considered low at 1.75 years.
- All of the tenants are to 'mum and dad' style businesses with no 'chain stores' present in the complex.
- There are no vacancies within the complex.
- 4 of the 5 leases have been negotiated within the previous 13 months.
- All leases have been negotiated on a gross basis and generally show a narrow rental rate range across the 5 tenancies.

2.5. Risk Table

The following schedule reflects the security risk associated with the property over the next 2-3 years. We draw your attention to the higher risks which may adversely impact on the property's value and marketability.


* Shade according to risk	Low Risk		to	High Risk	
Market	1	2	3	4	5
Asset	1	2	3	4	5
Cash Flow Profile	1	2	3	4	5
Management	1	2	3	4	5

Market – We consider there is some uncertainty within the industrial sector at the moment due to COVID-19 social distancing laws and restrictions on some market sectors with regard to trading parameters. It would appear that both the Federal & State Governments have eased most of these restrictions, however, we consider this provides a threat to the market confidence for new business ventures at this time.

Cash Flow Profile – Due to the impact of COVID-19 detailed above, this provides potential threat to the cash flow profile of the property as vacant tenancy areas may take longer to find new tenants as confidence slowly rebuilds and Government laws around COVID-19 are lifted.

3. Title Details

3.1. Title Search



Queensland Titles Registry Pty Ltd
ABN 23 648 568 101

Current Title Search

Title Reference:	15883226	Search Date:	28/11/2022 13:22
Date Title Created:	22/05/1979	Request No:	42949886
Previous Title:	13541057		

ESTATE AND LAND

Estate in Fee Simple

LOT 4 REGISTERED PLAN 149317
Local Government: REDLAND

REGISTERED OWNER

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by
Deed of Grant No. 10416085 (ALLOT 19 SEC 53)
Deed of Grant No. 10741123 (ALLOT 20 SEC 53)
2.
3.

ADMINISTRATIVE ADVICES

NIL

UNREGISTERED DEALINGS

NIL

Caution - Charges do not necessarily appear in order of priority
** End of Current Title Search **

Summary

Real Property Description	Lot 4 on Registered Plan 149317
Local Government	Redland
Title Reference	15883226
Registered Owner	<div style="background-color: #cccccc; height: 30px; width: 100%;"></div>

3.2. Easements, Encumbrances and Interests

- Rights and interests reserved to the Crown by
Deed of Grant No. 10416085 (ALLOT 19 SEC 53)
Deed of Grant No. 10741123 (ALLOT 20 SEC 53)



The above lease has since expired and this tenant has vacated the premises. We would recommend this Lease and Transfer be removed from Title.

Our valuation takes into account the effect, if any, on the value of the interest valued of any easements, encumbrances and interests registered on the included copy of the Current Title Search and Registered Plan obtained from the *Department of Natural Resources and Mines*. It assumes that there are no other easements, encumbrances and interests other than those recorded on Title.

As no identification survey has been sighted, the valuation is made on the basis that there are no encroachments or restrictions by or upon the property and this should be confirmed by a survey report and/or advice from a Registered Surveyor. If any encroachments are noted on the survey report we should be consulted to reassess if there is any impact on the value stated in this report.

4. Planning and Development Controls

4.1. Planning Overview

Local Authority	Redland City Council
Planning Scheme	Redland Planning Scheme
Zoning	Principal Centre
	
Zoning Purpose	<p>The purpose of the principal centre zone code is to guide the development of the highest order centres at Capalaba and Cleveland, which contain the largest and most diverse mix of uses including the highest order business, retail, government, community, entertainment and cultural activities, the highest density forms of housing, and the highest concentration of employment in the Redlands.</p>
Overlays	Nil.
Use Assessment	The current use of the land for retail purposes is a conforming land use within this Zoning.
Qualifications	We have not obtained a Certificate of Classification, however for the purpose of this valuation we have assumed that all necessary town planning and building approvals and consents for the existing development have been obtained and complied with.

4.2. Department of Natural Resources and Mines Site Value

For rating and taxing purposes the current site value is assessed at \$355,000 (\$814/m²).

Date of Valuation

1 October 2021 | Date of Effect

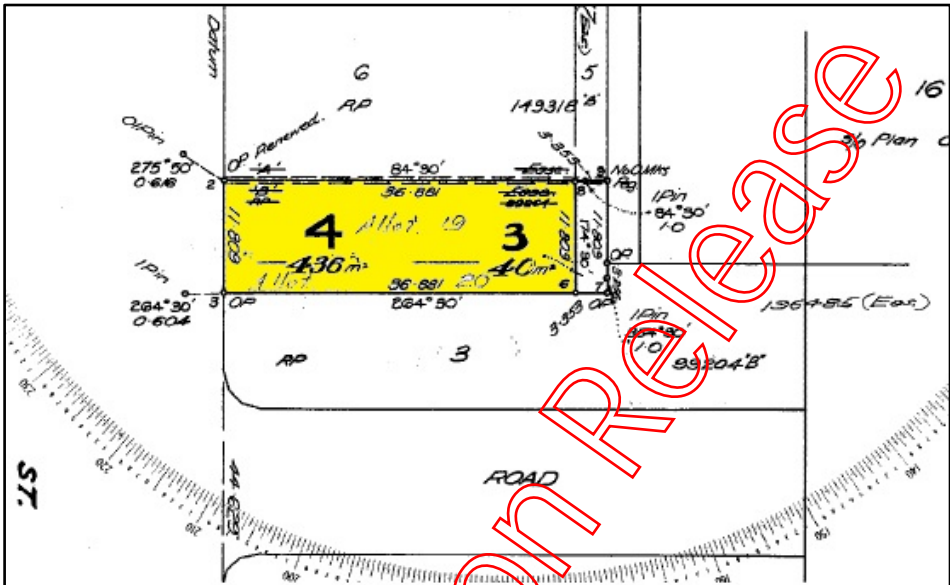
30 June 2022

This Site Value results in a Land Tax liability of \$1,535 based on a single entity company/trustee ownership.

Right to Information Release

5. Land

5.1. Land Details

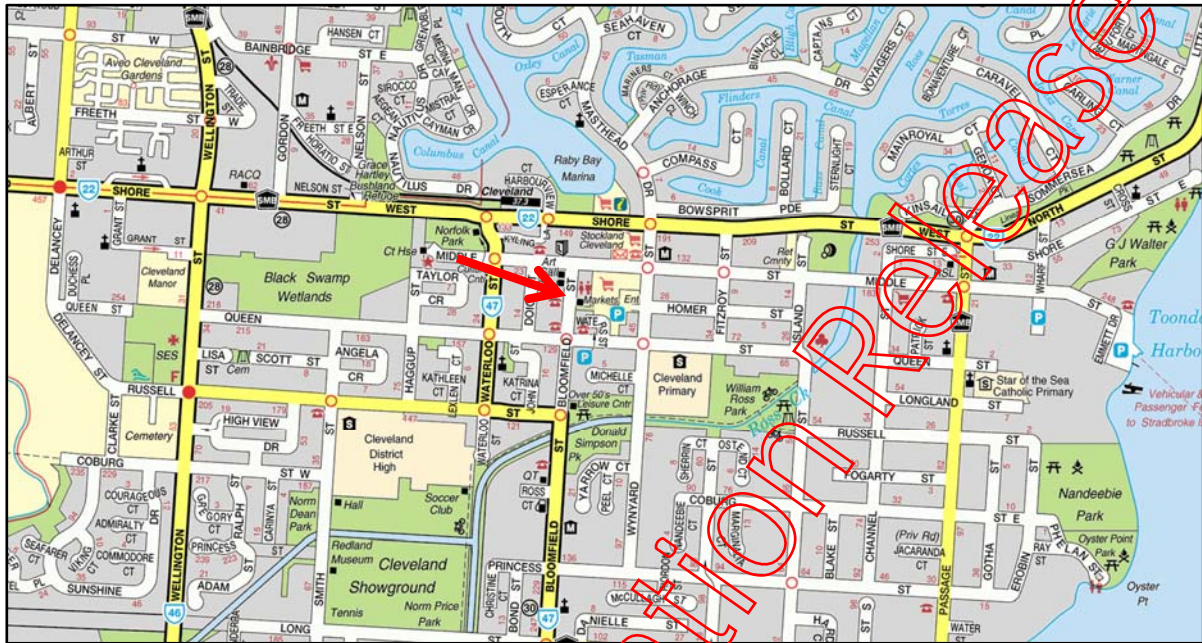


Registered Plan Extract

Land Area	436m ²
Site Frontages	Bloomfield Street – 11.809, approximately Average Depth – 36.881 metres, approximately
Topography	In its natural state, the land is slightly elevated above the Bloomfield Street frontage of the property, and it has been lightly excavated and retained to provide a level building platform and car parking area.
Flooding	Our search of the Redland City Council website indicates the property is not subject to flooding. We do note it may be subject to Overland Flow due to it being a large allotment
Services	Services available include electricity, telephone, water and sewerage.
Other Comments	We are unaware of any planned changes in the area, such as amended road patterns, population and demographic movements, Council requests or plans, which may result in an adverse effect to the market value of the property.

5.2. Location & Surrounding Development

The property is positioned to the eastern side of Bloomfield Street, approximately 110 metres south of its intersection with Middle Street, and immediately adjoining Bloomfield Street Park to its southern alignment, and it is approximately 24 kilometres radially south-east of the Brisbane CBD.



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Surrounding development comprises of similar era single, and two level retail/commercial buildings with a park located immediately adjoining the property to its southern alignment. The property backs onto Cleveland Shopping Centre which is anchored by Woolworths and Coles plus 53 specialties.



Aerial photograph (15 October 2022) showing the subject and surrounding development

5.3. Roads, Access and Exposure

At the front of the property, Bloomfield Street is a two lane (1 in each direction) bitumen sealed main connector road with concrete kerb and channelling and concrete pavements to both sides. Bloomfield Street has reverse angle car parking to both sides, generally carries moderate volumes of traffic, and it links Middle Street in the north with South Street to the south.

Access / egress onto the property is via a concrete crossover to the adjoining Cleveland Shopping Centre at the rear, and this is considered easy and direct.



Northward along Bloomfield Street



Southbound along Bloomfield Street

Electricity, reticulated water, sewerage and telephone services are connected to the property.

6. Improvements

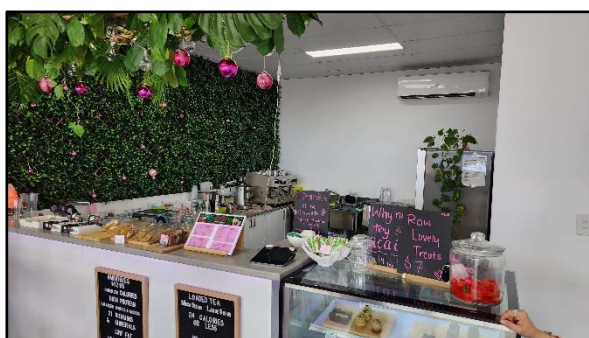
6.1. Accommodation



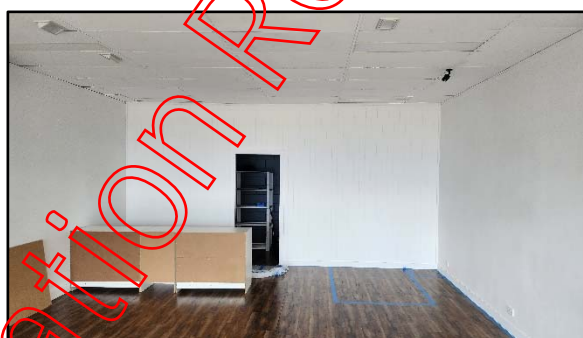
Bloomfield Street Elevation of the Property



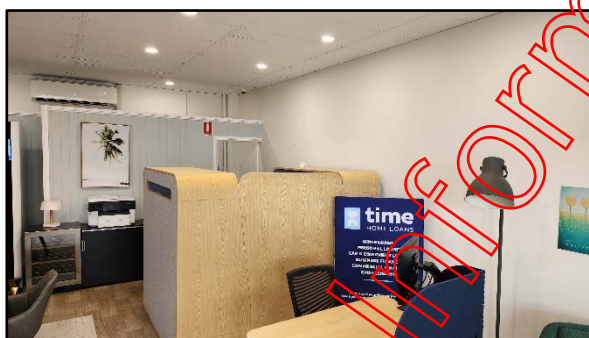
Shop 1 – Yes Please Tenancy Area



Shop 2 – GLO Nutrition Tenancy



Shop 3 –



Shop 4 – Reeves Financial Services



Shop 5 – Dry Cleaners



Communal Male and Female Toilet Block



2 x Onsite Car Parking Spaces

The property is improved with a single level retail building which was constructed circa late 1970's and this is set on a reinforced concrete slab and has a mixture of brick and masonry block external walls and a sheet metal roof. The building has been divided into 5 tenancies with all shops facing Bloomfield Street Park and Shop 1 also having exposure/access to Bloomfield Street.

Each shop includes a full height aluminium framed glass shopfront and each shop has their own split system air conditioning system. The shops generally offer a good standard of accommodation and include plasterboard linings to the internal walls and some having suspended grid ceilings and others having a solid plasterboard ceilings.

There are communal male and female amenities at the rear of the centre.

There are two to car parking spaces at the rear of the property adjacent to the toilet block, however, there is angle on street parking along Bloomfield Street.

6.2. Net Lettable Area

Outlined below are the net lettable areas which we have assessed from a tenancy schedule which has been provided to us by [REDACTED] of Raine & Horner Commercial (managing agent). Should a survey reveal any significant variances from what we have already been advised, we reserve our rights to revise this Valuation.

Shop and Tenant	NLA (m ²)
Shop 1 – Yes Please Group	52
Shop 2 – GLO Nutrition	51
Shop 3 – [REDACTED]	51
Shop 4 – Reeves Financial Services	51
Shop 5 – Dry Cleaners	53
Total	258

6.3. Construction

General construction and fit out details are summarised as follows:

Floors	Concrete
External Walls	Rendered masonry block and brick (painted)
Roof	Metal sheet
Internal Walls	Plasterboard
Ceilings	Plasterboard and suspended ceiling tiles
Floor Coverings	Carpet, tiles and laminate overlays
Condition	Good

6.4. Building Services

The improvements are serviced by the following:

Amenities	Communal male and female toilets.
Lift	The building does not have a lift.
Air Conditioning/Cooling	Split system air conditioning to each tenancy.
Fire Services	Basic fire services.
Car Parking	2 open air car parking spaces.

6.5. Condition and Utility of Improvements

An inspection of all readily accessible parts of the improvements on the land has been carried out. The buildings presented in a good condition, commensurate with its age. Although we have not sighted a qualified engineer’s structural survey of the improvements or its plant and equipment, no obvious structural defects were visible.

7. Environmental Issues

7.1. Building Materials

As we are not building construction and/or structural experts we are unable to certify as to structural soundness of the improvements. Greater certainty as to structural condition and presence of any form of infestation can only be obtained by commissioning further reports from relevant experts.

We have assumed for the purpose of this assessment that no major defects exist and that the improvements comply with relevant Statutory Authority codes and standards.

The Workplace Health & Safety Regulation 2008 came into effect on 1 September 2008, providing a framework for managing health and safety risks in Queensland workplaces. The Asbestos Management Code applies to buildings or part of a building that is a workplace and was built or given building approval before 1 January 1990.

To comply with the legislation, the building owner or property manager must obtain an Asbestos Materials Report by an "appropriately qualified person" stating:

- whether any asbestos materials are present;
- a description of the type of asbestos material;
- the form of the material;
- any potential health risks to occupants.

If asbestos materials are present, the building owner/property manager must establish an Asbestos Materials Register.

Based on the age of the improvements and from our own visual observations, we believe asbestos materials may be present within the building. However, we would recommend an Asbestos Materials Report be carried out by an "appropriately qualified person" in accordance with the Workplace Health & Safety Regulations 2008 to ascertain the type and form of the materials. The valuation is made on the assumption there are no potential health risks within the property.

7.2. Contamination

A visual site inspection has not revealed any obvious contamination. We are not aware of any environmental issues affecting the property. We are not experts in the detection or quantification of environmental problems and, have not carried out a detailed environmental investigation. This valuation is made on the assumption that there are no actual or potential contamination issues affecting the value or marketability of the property.

If verification is required that the property is free from contamination and has not been affected by contaminants of any kind, this could be obtained from a suitably qualified environmental professional. Should subsequent investigation show that the site is contaminated this valuation may require revision.

8. Occupancy

8.1. Tenancy

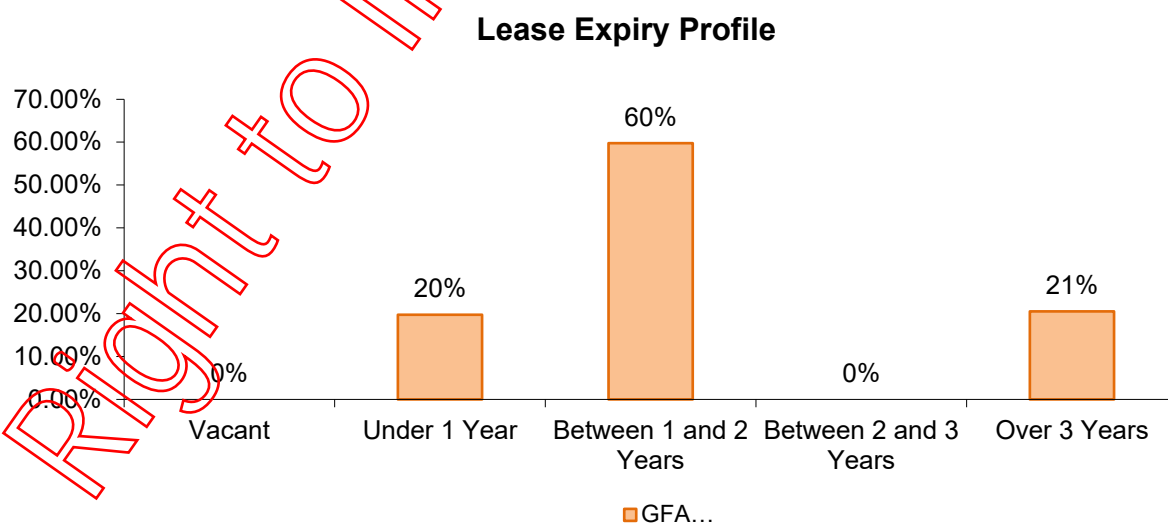
We have been provided with lease documentation for all of the tenancies as well as a tenancy schedule as prepared by Raine & Horner Capalaba. Based on this information, we have prepared a current Tenancy Schedule as follows:

Lease No.	Tenant	Area (m ²)	Rental		Term (Comm)	Reviews
			Gross Rent (\$)	Rate (\$/m ²)		
1	Yes Please Group	52			2+2 yrs (01/09/22)	CPI
2	GLO Nutrition	51			2+1 yrs (01/06/22)	CPI
3		51			1+1 yrs (1/12/22)	-
4	Reeves Financial Services	51			3+3 yrs (1/06/20)	CPI
5	Dry Cleaners	53			5+5 yrs (01/10/21)	CPI
		258	117,298			

8.2. Rental Arrears

We are unaware of any rental arrears with any of the tenants.

8.3. Lease Expiry Profile



The weighted average lease expiry is 1.75 years by area and 1.74 years by income.

8.4. Estimated Annual Outgoings

Based on information supplied by [REDACTED] of Redland Investment Corporation (potential purchaser) as well as our experience of valuing this style of property, we have Estimated Annual Outgoings as follows:

Item	\$/yr	\$/m ²
Council Rates & Water Charges	7,498	29.06
Insurance	5,500	21.32
Cleaning	4,000	15.50
Common Electricity	502	1.95
Rubbish Removal	2,480	9.61
General Repairs & Maintenance	3,000	11.63
Land Tax*	1,535	5.95
Total Estimated Annual Outgoings	24,515	95.02

* Land Tax payable for Trustee or Company based on the Rateable Land Value of \$355,000

Total Estimated Annual Outgoings of approximately \$95/m² are considered reasonable given the use of the land, site coverage, condition and location of the property, and we have adopted these within our Calculations.

9. Market Analysis

9.1. Sales History

From our inspection of Government records, the owner acquired the property for \$1,410,000 (GST exclusive) on 29 May 2008.

We have been provided a copy of a Contract for Commercial Land and Buildings dated 15 November 2022 between [REDACTED]

and Cleveland Plaza Pty Ltd (Buyer) for \$1,750,000 (exclusive of GST) with settlement due 30 days from Buyers satisfaction of his Due Diligence Period. The Due Diligence period is 30 days from the Date of Contract.

We have perused the terms and conditions of the Contract and note there do not appear to be any unusual clauses or terms within the Contract. We are unaware of any side agreements which may distort the true price from being paid for the property.

9.2. Market Commentary

Growth in retail trade has slowed in recent months. The Australian Bureau of Statistics (ABS) reported that monthly Australian retail turnover (seasonally adjusted) rose 0.6 per cent in September 2022 and by the same percentage in August 2022 following a 1.3 per cent increase in July 2022. The largest increases in the month to September 2022 were in the categories of clothing, footwear and personal accessory retailing (two per cent) and cafes, restaurants and takeaway food services (1.3 per cent).

Declines were recorded for household goods retailing (-0.8 per cent) and department stores (-0.4 per cent) as the trend for home improvement spending during the COVID-19 pandemic period continued to slow. Further data from the ABS indicates that in the September quarter 2022, whilst the volume of retail sales eased, retail prices increased by two per cent, reflecting the strong rise seen in the consumer price index (CPI) for this period.

It appears very likely that further cash rate rises will occur during the remainder of 2022 and in 2023. This follows the recent rate increases in each of the seven months from May 2022. The increased cost of borrowing is placing pressure on many household budgets and is likely to have a negative impact on retail spending. Recent resilience in retail spending is likely due to factors such as delays in higher costs being passed on to borrowers and the significant percentage of mortgage holders with fixed rates, although many of these fixed periods are due to expire in 2023. Retail spending is expected to continue to slow further.

Consumer confidence has been dampened by higher inflation and the expectation of further interest rate rises. The Westpac-Melbourne Institute Consumer Sentiment Index dropped 6.9 per cent in November 2022 to 78 and is now only slightly above the level when the COVID-19 pandemic period began in April 2020.

With the benefit of hindsight, we can safely look back and say that late 2021 was the peak of the retail investment market with a few deals falling into the early stages of 2022. Comparing now to the start of 2022, the retail market to date has surprisingly been very resilient. The full impact of the recent interest rate rises has not yet been fully reflected in the market, although it will only be a matter of time before we start to see a genuine softening of yields.

Agents are informing us that vendor expectations are still high and there is a reluctance to meet the market. We know of several examples of properties for sale that have been pulled from the market as vendors and purchasers have been too far apart. This would suggest that yields are coming off, however to date we are not being run over by a large volume of sales from which to draw sound conclusions. Our gut feeling is that the retail investment market has come off approximately 0.5%.

In general terms, the retail leasing market has stabilised, although it is not evenly spread and there is an increasing level of variance between prime and secondary retail centres. There has been no real rental growth, however we have seen an increase in incentives, particularly for new or refurbished premises. Current incentives being offered for tenants of this nature are generally in the form of a rental abatement, rent free period or an upfront incentive (such as a contribution to fit out) which normally falls between a minimal five per cent and up to 25 per cent of the first term's gross rent.

In summary, the changes over 2022 have not yet been very significant. We know it is coming, especially on the back of more interest rate rises, inflationary pressure and general economic uncertainty going forward. 2023 may well be the year that we see a bona fide correction in the market and the body of evidence to support this conclusion.

9.3. Comparable Evidence

To assist us in arriving at the market value of the property, we have obtained, inspected and analysed leasing and sales evidence of comparable properties in the Brisbane Southside locality and other comparable suburban areas.

In compiling the following market evidence we have relied on a range of external sources including publicly available information, subscription to information databases and information generally provided verbally by others such as real estate agents, property managers, property valuers and consultants. In many instances we have not had access to the original source material. Although we have endeavoured to the best of our ability to confirm the accuracy of the information provided, we have had to rely on some of this information in good faith. We are unable to state with absolute certainty that the information upon which we have relied is consistent with the contractual arrangements between the relevant parties.

All of the properties have been inspected externally, but we have not been able to inspect every property internally. Our comments are based on the external inspections as well as our conversations with parties associated with the transaction.

The Department of Environment and Resource Management does not currently differentiate between or record whether or not a transaction is inclusive or exclusive of GST. Where we have not been able to verify the status of a transaction, we have assumed the recorded information is inclusive of GST and have made appropriate adjustments to establish a GST exclusive figure.

The following schedules detail those most comparable transactions which we have relied on in making our assessment:

9.4. Leasing Evidence

No.	Address	Tenant	Area (m ²)	Annual Gross Rental (\$/m ²)	Term & Date	Annual Reviews
1	66-68 Bloomfield Street Cleveland	Yes Please Group	52		2+1 yrs (Sep-22)	CPI
		GLO Nutrition	51		2+1 yrs (Jun-22)	CPI
			51		1+1 yrs (Dec-22)	CPI
		Dry Cleaners	53		5+5 yrs (Oct-21)	CPI

The property is positioned to the eastern side of Bloomfield Street, approximately 110 metres south of its intersection with Middle Street, and immediately adjoining Bloomfield Street Park to its southern alignment. The property is improved with a single level retail building which was constructed circa late 1970's and this is set on a reinforced concrete slab and has a mixture of brick and masonry block external walls and a sheet metal roof. The building has been divided into 5 tenancies with all shops facing Bloomfield Street. Shop 1 also having exposure/access to Bloomfield Street. Each shop includes a full height aluminium framed glass shopfront and each shop has their own split system air conditioning system. The shops generally offer a good standard of accommodation and include plasterboard linings to the internal walls and some having suspended grid ceilings and others having a solid plasterboard ceilings. There are communal male and female amenities at the rear of the centre. There are two car parking spaces at the rear of the property adjacent to the toilet block, however, there is angle on street parking along Bloomfield Street.

This is the subject property.

No.	Address	Tenant	Area (m ²)	Annual Gross Rental (\$/m ²)	Term & Date	Annual Reviews
Right to Information Release						

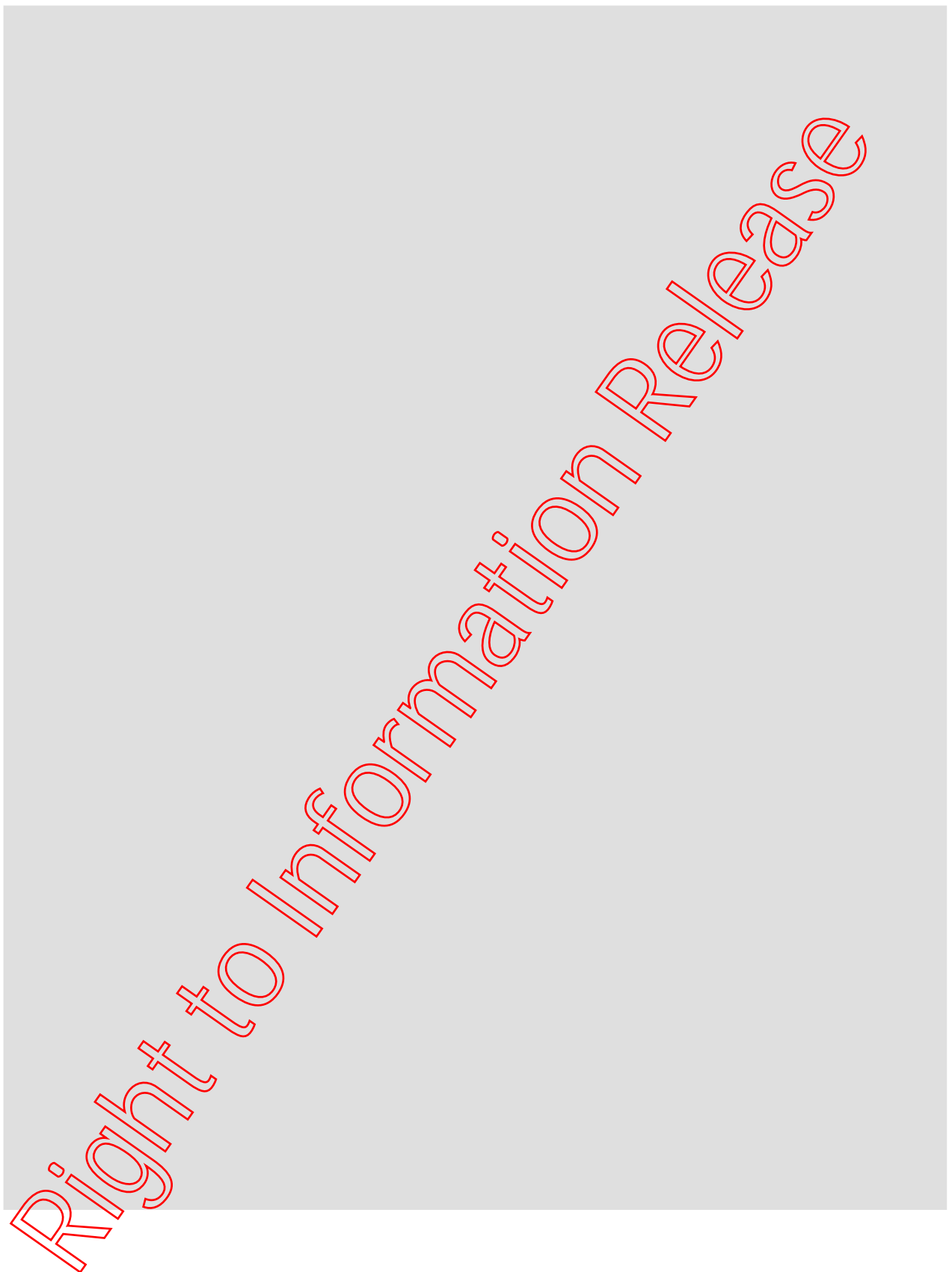
9.5. Leasing Reconciliation

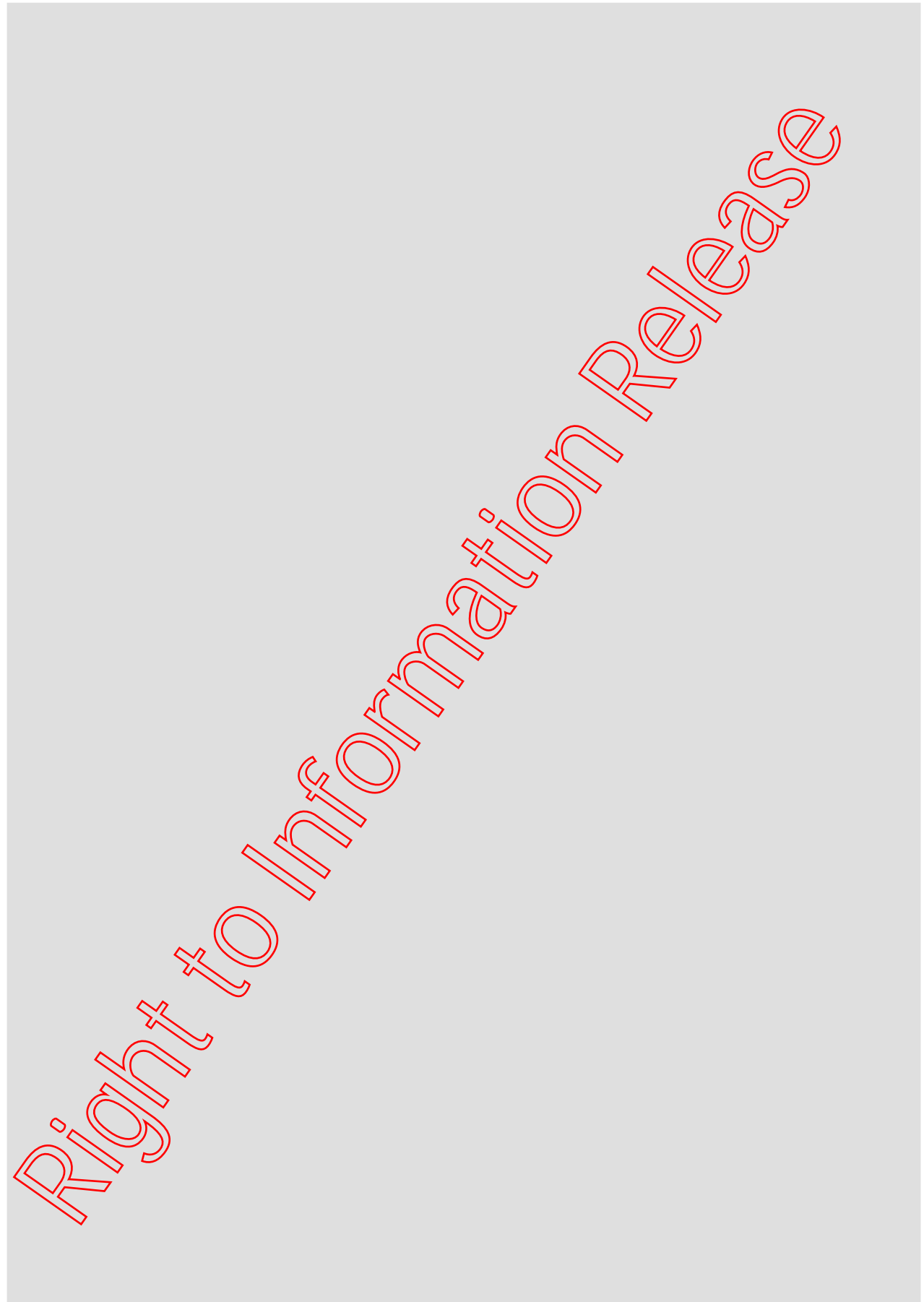
The leasing evidence above indicates a gross rental rate ranging from \$296/m² up to \$594/m² gross depending on the overall size and location of the premises, surrounding uses, access to off street car parking, exposure to passing traffic and overall composition and standard of accommodation.

Taking into consideration the location of the subject property along Bloomfield Street, the varying sizes of the tenancies, the immediate amenity such as public transport, and based on the above evidence and discussions with agents' active in the market, we consider the current passing rents for all tenancies to be within current market parameters, and we have adopted these passing rentals within our Calculations at the rear of this report.

9.6. Sales Evidence







9.7. Sales Reconciliation

In our search of sales evidence, we found investment equivalent yields ranged between 5.33% and 7.21% depending on the age of the improvements and the location of the property, its overall price point, vacancy at the time of sale and overall lease covenants, in particular the WALE. After considering the overall price point of the property, its location within the Cleveland retail/commercial CBD, its multi-income stream, and its previous high occupancy level, we consider the yield of 5.25% to be appropriate in this instance.

In assessing an appropriate improved building area rate range for the property, we have had regard to the following factors that influence the value of the property. These include but are not limited to the:

- shape, size and topography of the land
- overall design, condition and functionality of building
- quality of accommodation and standard of presentation
- lease expiry profile
- onsite car parking
- general market demand from owner occupiers, investors and tenants
- quantum of dollar bracket into which the subject property lies (sub \$2m)

Based on the sales evidence detailed above and taking into account the factors outlined, we consider an analysed NLA rate range of between \$6,500/m² and \$7,000/m² to be appropriate.

10. Methodology

10.1. Highest and Best Use

Real property is valued in terms of its “highest and best use” which may be defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value for the property being valued. The property’s highest and best use is considered to be as an investment grade retail property, and it is on this basis we have assessed its market value.

10.2. Capitalisation Approach

The most appropriate method of valuing an investment retail property is the Capitalisation Approach. Under this approach, we have assessed the Sustainable Net Annual Income for the property, based on the market gross income (less estimated annual outgoings). This amount is capitalised at a market derived rate (yield) that adequately reflects the security of income, its growth potential and lease terms and conditions.

As detailed in Section 9.7, we assessed a capitalisation rate of 5.25% for this property.

10.3. Direct Comparison Approach

As a check to our Primary Approach, we have adopted the Direct Comparison Approach. Using this approach, we have directly compared the property to the following Sales Evidence, after first making appropriate adjustments for variations in:

- access to both the property and surrounding transport infrastructure
- location within an established area
- refurbished building
- market lease terms and conditions
- standard of accommodation
- tenancy composition and areas
- associated ground facilities, car parking and amenity

We have then assessed an improved rate range and applied this to the building area.

11. Calculations

Capitalisation Approach			
Annual market income (gross basis)		\$	117,297
Less Estimated Annual Outgoings		\$	24,515
Sustainable Net Annual Income		\$	92,782
Capitalised @	5.25%	\$	1,767,276

Direct Comparison Approach			
Net Lettable Area		258m ²	
Improved Market Range	\$6,500/m ²	to	\$7,000/m ²
Value Range	\$1,677,000	to	\$1,806,000

11.1. Valuation Conclusions

The resultant values under each of the valuation approaches are as follows:

Capitalisation Approach	Direct Comparison Approach	Contract Price
\$1,767,276	\$1,677,000 - \$1,806,000	\$1,750,000

Based upon the analysis, we have adopted a market value range between \$1,675,000 and \$1,800,000. We note there is a Contract of Sale to purchase this property for \$1,750,000 which rests within our assessed value range. Therefore, we have adopted the Contract Price of **\$1,750,000 exclusive of GST** as the market value in this instance.

An analysis of the adopted value is noted below:

Adopted Value, Returns and Yields	
Adopted value	\$1,750,000
Initial yield	5.30%
Analysed market yield	5.25%
Reversionary yield	5.30%
Rate \$/m ²	\$6,783/m ²

Definitions:

Initial yield – passing income / adopted value

Analysed market yield – assessed net market income / adopted value less present value of adjustments

Reversionary yield – assessed net market income / adopted value

12. Valuation

In accordance with my appointment and any qualifications detailed herein, I have assessed the market value of **66-68 Bloomfield Street, Cleveland Qld 4163** as at **24 November 2022** to be:


\$1,750,000 GST exclusive
(One Million Seven Hundred and Fifty Thousand Dollars)

This valuation is made subject to the assumptions, remarks and qualifications contained in this report and is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this report in isolation.

Neither the whole nor any part of this valuation report or any reference thereto may be included in any published documents, circular or statement, nor published in part or full, without written approval of the form and context in which it will appear.

Neither Crisp Valuation Services Pty Ltd nor the signatory to this report have any interest financial, pecuniary or otherwise in, or with parties associated with the subject of this Valuation.

CRISP VALUATION SERVICES PTY LTD

Director
Registered Valuer No. 
Certified Practising Valuer
Specialist Retail Valuer

Date: 28 November 2022

"Liability limited by a scheme approved under Professional Standards Legislation".

APPENDIX 1

VALUATION INSTRUCTIONS

Right to Information Release



SDC:sdc
Ref: 66 Bloomfield Quote
17 November 2022

ABN: 43 152 831 126
P: PO Box 7756
East Brisbane QLD 4168
T: (07) 3137 9360
M: [REDACTED]
E: info@crispval.com.au

[REDACTED]
Redland Investment Corporation

By Email: [REDACTED]@redlandinvestcorp.com.au

Dear [REDACTED]

CONFIRMATION OF APPOINTMENT
66-68 BLOOMFIELD STREET, CLEVELAND QLD 4163

Further to our telephone conversation earlier this morning, I confirm my ability to carry out your instruction to assess the market value of the retail/commercial property situated at the above address for your own internal decision-making purposes.

In accordance with the instruction, we will be preparing this Valuation in a Letter style format, and I propose a total fee of **\$1,500 + GST**.

At this stage, I envisage the report will take approximately 10 working days, and I anticipate this to be completed by 30 November 2022.

Our valuation will be prepared in accordance with the Seventh Edition of the Australia and New Zealand Valuation and Property Standards (dated January 2012) and will be current as at the Date of Valuation specified therein.

In undertaking this assessment we will:

- make a detailed inspection of the property
- arrange all relevant searches
- undertake comprehensive market research and analysis of comparable sales evidence
- utilise accepted valuation methodology
- prepare a project specific report

"Liability limited by a scheme approved under Professional Standards Legislation"

Commercial Retail Industrial Specialised Prestige

66-68 Bloomfield Street, Cleveland Qld 4163



Throughout the process I will keep you informed of my progress and discuss any unanticipated issues.

Would you please confirm your instruction for me to proceed on this basis by signing the section below and returning a copy to us. By signing this acceptance, you also accept the attached Terms of Engagement for Valuation Services. If however, you wish to amend your instructions, please contact me immediately.

I thank you for your instruction and for the opportunity to be of service.

Yours faithfully



Director

I/We hereby accept the Terms of this Appointment		
Signed:	Professional Fee:	\$1,500.00
	GST:	\$ 150.00
		<u>\$1,650.00</u>
Date:	17/11/22	

Right to Information Release

INTERNAL CURRENT TITLE SEARCH
QUEENSLAND TITLES REGISTRY PTY LTD

Search Date: 05/12/2022 18:30

Title Reference: 50945039
Date Created: 14/04/2014

Previous Title: 50942063

REGISTERED OWNER

Dealing No: 715677152 26/03/2014

REDLAND CITY COUNCIL

ESTATE AND LAND

Estate in Fee Simple

LOT 33 SURVEY PLAN 226325
Local Government: REDLAND

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by
Deed of Grant No. 10741123 (ALLOT 20 SEC 53)
2. EASEMENT No 714648479 30/08/2012 at 12:37
burdening the land to
LOT 6 ON RP149318 AND LOT 8 ON RP149698
OVER EASEMENT E ON SP207872
Lodged at 12:37 on 30/08/2012 Recorded at 09:57 on 24/09/2012

ADMINISTRATIVE ADVICES - NIL
UNREGISTERED DEALINGS - NIL

Caution - Charges do not necessarily appear in order of priority

** End of Current Title Search **

INTERNAL CURRENT RESERVE SEARCH
QUEENSLAND TITLES REGISTRY PTY LTD

Search Date: 05/12/2022 18:29

Title Reference: 49107926
Date CREATED : 05/02/2014

Opening Ref: 2005/107701
Purpose: PARK
Sub-Purpose:
Local Name:
Address:
File Ref: RES

TRUSTEES

REDLAND CITY COUNCIL CREATED on 05/02/2014

LAND DESCRIPTION

LOT 32 SURVEY PLAN 188390 CREATED on 05/02/2014
Local Government: REDLAND

Area: 0.088900 Ha. (SURVEYED)

EASEMENTS AND ENCUMBRANCES

ADMINISTRATIVE ADVICES - NIL
UNREGISTERED DEALINGS - NIL

** End of Current Reserve Search **

20.3 PROPOSAL FOR PURCHASE OF STRATEGIC PROPERTY

Objective Reference: A7954907

Authorising Officer: [REDACTED] General Manager Community & Customer Services

Responsible Officer: [REDACTED] Group Manager Environment & Regulation

Report Author: [REDACTED] Principal Property Adviser

Attachments: Nil

The Council is satisfied that, pursuant to section 254J(3) of the *Local Government Regulation 2012*, the information to be received, discussed or considered in relation to this agenda item is:

- (g) *negotiations relating to a commercial matter involving the local government for which a public discussion would be likely to prejudice the interests of the local government.*

PURPOSE

To seek approval from Council to negotiate the potential purchase of a property in the Redlands.

BACKGROUND

An opportunity has arisen for a potential purchase of 46 Middle Street, Cleveland (the property) described as Lot 3 on RP 148000, located immediately adjacent and the west of Council's Cleveland Library Building (as highlighted in green below).

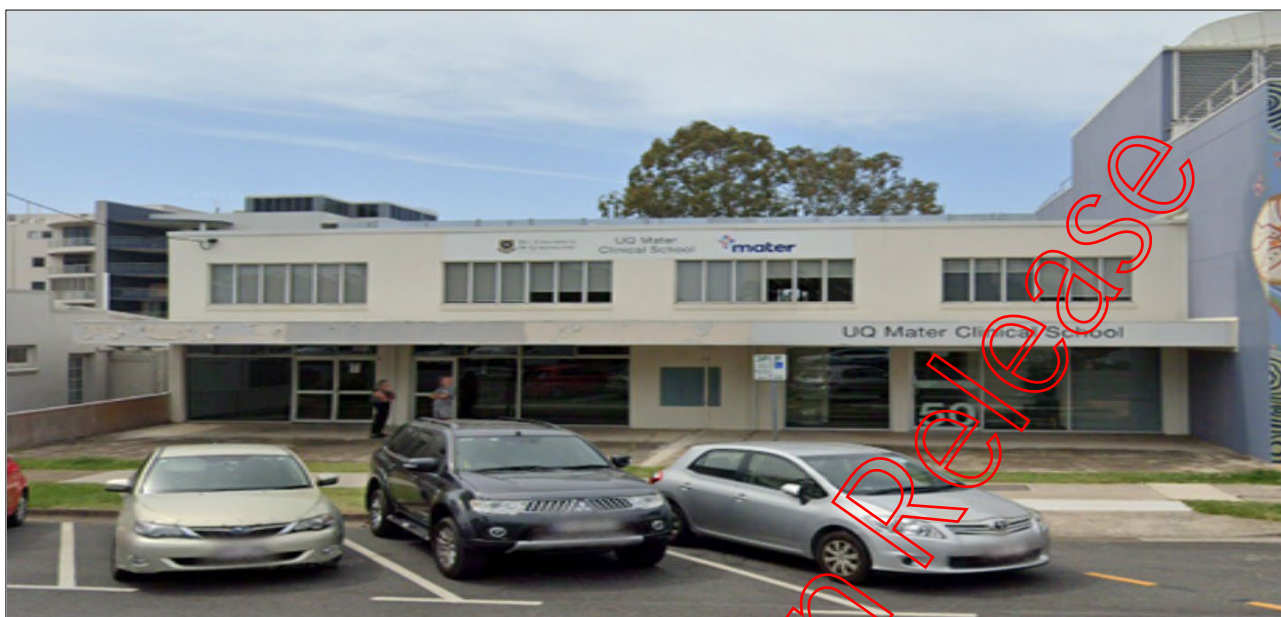


46 Middle Street, Cleveland – aerial view image

The property is an 890m² lot improved with a two-storey commercial office building set to the northern alignment of Middle Street and affording rear access via easement to Kyling Lane. The lot is generally level and situated within the epicentre of Cleveland central business district (CBD). The building is currently configured to two separate tenancies across both floors and is currently vacant across both spaces.

The building on the property is estimated to have been constructed circa mid 1990's and is of solid framework being slab on ground with rendered block elevations to both ground and first floor. The overall internal and external condition of the property does not indicate any obvious

structural or functionality concerns, however any purchase would necessarily involve appropriate due diligence.



46 Middle Street, Cleveland – street view photo

The property is located in the Principal Centre Zone within the City Plan. The purpose of the Principal Centre Zone Code is to guide the development of the highest order centres at Capalaba and Cleveland, which contain the largest and most diverse mix of uses including the highest order business, retail, government, community, entertainment and cultural activities, the highest density forms of housing, and the highest concentration of employment in the Redlands. The Principal Centre Zone Code states that the acceptable outcome for the properties is a building that is up to 26 metres or approximately 8 storeys depending on engineering design.

There are no active Development Applications or Approvals currently lodged for the property.

It is noteworthy that Council, through delegation to the Chief Executive Officer, has already agreed to take out a lease on the property as part of finding suitable accommodation for the digital transformation project, of which budget was allocated for additional office accommodation to house the project team during this work.

As part of these lease dealings with the Mater, Council has been notified that the property is now being offered to market for sale.

ISSUES

Benefits of Acquisition

On 6 November 2023, Council was advised that the Mater is now putting this property on the market. Given this is a unique opportunity that fits well with our future opportunities for accommodation planning and centre activation, it is requested Council provides approval for the negotiation of a potential purchase to take place. Please note that this remains confidential and is subject to successful negotiations.

It is noted that the sale price for a government tenanted building may be more attractive to investors and this would need to be considered in any negotiations.

Similar to Redland Investment Corporation's (RIC) purchase of 66 Bloomfield Street in November 2022, the proposed acquisition of this property is considered to be a strategic purchase for portfolio consolidation, service needs and a long-term investment to help deliver on Council's Corporate Plan and strategies for strategic property acquisition and accommodation.

This a unique opportunity that fits well with our future opportunities for accommodation planning and centre activation by virtue of being adjoining and adjacent to Council's substantial CBD holdings to the Middle and Bloomfield Street's intersection.

The availability of this property at this specific time is opportune. The distinct adjoining position provides a strong fit for Council's accommodation plans and allows for both organic and strategic expansion opportunities that would struggle to be achieved with different sites.

Through the preceding lease negotiation discussions and planning, there is a demonstrated service need for this space and the purchase of the property would not only satisfy this need but give greater certainty for those users to consider and plan their requirements at length.

To advance any acquisition, Council requires valuations on the properties by an Independent Valuer. The valuation methodology will involve comparable market sales and the land's location, physical characteristics, constraints and planning controls.

Fragmented land ownership in the Cleveland CBD has been a limiting factor for investment into the CBD. The proposed acquisition will consolidate land ownership providing greater flexibility for projects in the future. Should the property be acquired it will add an additional 890m² of land area to the existing Library Building land parcels, taking the total holding to 6867m².

The acquisition aligns with the Corporate Plan, *Our Future Redlands - A Corporate Plan to 2026 and Beyond*. The Plan also identifies the need to increase the city's productivity and economic growth through the delivery of infrastructure and well-planned, vibrant, connected precincts and centres.

Financial assessment

Though the property has no specific listing price it is estimated that it may range from the low to mid/high \$2m. An independent valuation is to be undertaken to confirm fair market value.

The previously discussed lease negotiations are at a highly matured endpoint and close to finalisation. As such, this negotiated rental figure is considered to confidently reflect the applicable market rent for this property.

The applicable market rent of \$172,200 per year represents a 6.62% yield, based on a purchase price around \$2.6m. This yield is consistent with market parameters and is preferable to the current Queensland Treasury Corporation cash rate of 4.756% interest.

Should Council acquire the property, this will mean that the current operational budget commitment for rent of circa \$172k p.a. will not be required.

STRATEGIC IMPLICATIONS

Legislative Requirements

Purchase of the property is consistent with provisions contained in the *Local Government Act 2009* which gives Council an ability to purchase the property for Local Government purposes.

Risk Management

Council would undertake a due diligence assessment of the property during purchase negotiations.

The lease negotiations completed to date are non-binding and any withdrawal from this lease proposal is not considered to incur any legal penalty and minimal financial cost.

Council has already undertaken significant due diligence on the property as a result of the lease negotiations.

Financial

With a desire to maximise opportunities on the property's potential use(s) and the need to respond to the purchase opportunity in a timely manner, Council could choose to fund from general revenue or new borrowings.

New borrowings for the acquisition is considered a potentially appropriate funding alternative to reflect the intergenerational and capital nature of the purchase.

If the future use is determined at a later stage, and the use aligns with the purpose of specific constrained cash reserves then officers could subsequently offset the borrowings or general rates revenue from these constrained reserves.

As the land acquisition is not currently included in the FY2023/24 budgeted capital program, the purchase would exceed the current budget. As Council's borrowing application has been finalised for FY2023/24, the acquisition cannot be funded this financial year utilising borrowings.

People

Council has identified the need to improve accommodation from staff surveys. The acquisition of this property is viewed as an optimal piece to unlock the various solutions to improving staff accommodation and external services offered to our customers. Environmental

There are no known environmental issues associated with this property.

Social

Redevelopment of the property has the potential to address social and community needs as outlined in the Redland City Plan.

Human Rights

There are no known human rights implications associated with this report.

Alignment with Council's Policy and Plans

The acquisition aligns with the *Our Future Redlands - A Corporate Plan to 2026 and Beyond*. The Plan identifies a catalyst project as the need to increase the city's productivity and economic growth through the delivery of infrastructure and well-planned, vibrant, connected precincts and centres.

The property is a flexible and malleable lever that aligns to Council's Corporate Plan and draft strategies for strategic property and accommodation.

CONSULTATION

Consulted	Consultation Date	Comments/Actions
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Executive Leadership Team	7 November 2023	Confidential briefing
General Counsel	7 November 2023	Discussion around lease negotiations.
Councillors	7 November 2023	Confidential briefing

OPTIONS

Option One

That Council resolves as follows:

1. To endorse the purchase of the property listed in the report.
2. To note the delegation the Chief Executive Officer holds under section 257(1)(b) of the *Local Government Act 2009*, to make, vary, negotiate, and discharge the contract, including signing all relevant documents, to acquire the land at fair market value and execute all associated documentation.
3. To authorise the allocation of sufficient funds, potentially through borrowings, to acquire the land and to fund establishment and maintenance costs during the 2023/24 financial year.
4. That the report and attachments remain confidential until settlement, or as required by any legal or statutory obligation, subject to maintaining the confidentiality of legally privileged, private, and commercial in confidence information.

Option Two

That Council resolves to not acquire the property.

OFFICER'S RECOMMENDATION

That Council resolves as follows:

1. To endorse the purchase of the property listed in the report.
2. To note the delegation the Chief Executive Officer holds under section 257(1)(b) of the *Local Government Act 2009*, to make, vary, negotiate, and discharge the contract, including signing all relevant documents, to acquire the land at fair market value and execute all associated documentation.
3. To authorise the allocation of sufficient funds, potentially through borrowings, to acquire the land and to fund establishment and maintenance costs during the 2023/24 financial year.
4. That the report and attachments remain confidential until settlement, or as required by any legal or statutory obligation, subject to maintaining the confidentiality of legally privileged, private, and commercial in confidence information.

PROPOSAL FOR PURCHASE OF STRATEGIC PROPERTY

Objective Reference: A11459684

Authorising Officer: [REDACTED] Acting General Manager Community & Customer Services

Responsible Officer: [REDACTED] Group Manager Environment & Regulation

Report Author: [REDACTED] Principal Property Adviser

Attachments: Nil

The Council is satisfied that, pursuant to section 254J(3) of the *Local Government Regulation 2012*, the information to be received, discussed or considered in relation to this agenda item is:

- (g) *negotiations relating to a commercial matter involving the local government for which a public discussion would be likely to prejudice the interests of the local government.*

PURPOSE

To seek approval from Council to negotiate the potential acquisition of a property in the Redlands.

BACKGROUND

An opportunity has arisen for the potential acquisition of 109 Bloomfield Street, Cleveland (the Property) described as Lot 1 on RP 131536. This lot is located immediately south of Council's Cleveland Administration Building, though separated by the 99 Bloomfield Street (also privately owned).



109 Bloomfield Street, Cleveland locality including locations of Council land – aerial view image

The Property is a 744 m² lot improved with a single level commercial office/retail building set to the western side of Bloomfield Street. The lot is generally level and situated within the epicentre of the Cleveland Central Business District (CBD). The building encompasses 264 m² of net lettable area (NLA) and currently configured to five separate tenancies with a single tenancy afforded direct street frontage and associated exposure.

The building is estimated to have been constructed circa mid 1970's and is of poor to fair condition and appears to include a mix of building materials. The overall internal and external condition of the property does not indicate any obvious structural or functionality concerns, however any purchase consideration will necessarily involve appropriate due diligence on structural adequacy, dilapidation and condition of building services.

This will include identifying any critical building upgrades and ongoing maintenance requirements to inform capital and operational budgets.



109 Bloomfield Street, Cleveland – street view photo

The Property is in the Principal Centre Zone within the City Plan which provides at this location for a building up to 26 metres high, or approximately eight storeys, depending on engineering design.

There are no active Development Applications or Approvals currently lodged for the property.

ISSUES

Service Planning and short-term outlook

There is no current service planning demand for the property to be used for a Council service, meaning the current use of the property will need to remain as a commercial rental for predominantly retail uses.

The existing property has experienced periods of long-term vacancy which is likely a result of an ineffective configuration on a narrow lot and a broader indicator of retail demand in this part of the CBD. The scope and standard of the existing structure in this configuration, suggest it unlikely that any cosmetic enhancement to the asset will provide any significant commercial revenue opportunities in the short term.

This limitation is reflected in the current financial performance with the immediate fiscal return on the site anticipated to present a negative cashflow, where expenses may exceed revenue given tenancy vacancy. At full rental capacity, it is expected that the property performance will show diminishing returns given the ageing asset and associated increased cost of maintenance.

As such, the Property's highest and best use is a future development site with interim holding income.



Aerial image of property

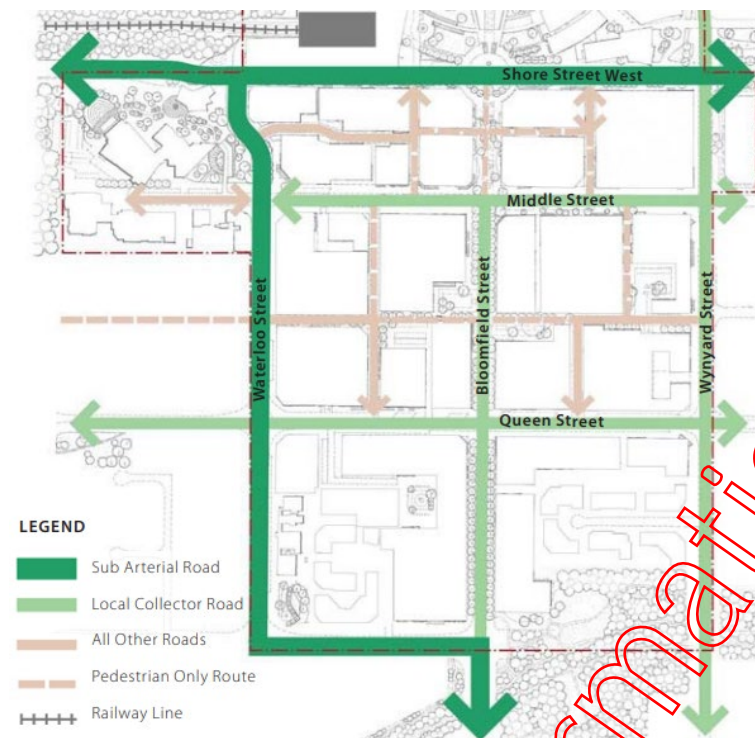


Image of tenancies and building (viewed from Bloomfield Street)

Long-term strategy

As a land-banked development opportunity, this site does support existing strategic elements of the Cleveland Centre Master Plan of 2010 as a key site for nominal location for an east-west pedestrian connector, as well as a nominal location for a Public Town Square.

The east-west connector allows for connectivity between the under-construction aged care centre on Doig Street through Bloomfield Street pedestrian crossing and park, to the recognised CBD retail shopping centre/s hub to the east of the CBD.



East-west pedestrian connection (centre of image) – Cleveland Centre Master Plan



Figure 23 Town Square Urban Design Principles



Public town square and east-west pedestrian connection – Cleveland Centre Master Plan



*Nominal plan view of Public Town Square and east-west pedestrian connection (reference point 11)
– Cleveland Centre Master Plan*

It is anticipated that the property would be an integral part of any realisation of the Cleveland Centre Master Plan outcomes in the longer term. It assists Council in land banking an identified key location for future planning purposes.

While no detailed analysis for an alternative precinct has been undertaken, it is evident that shifts in the nature of CBD's and their function is occurring that may mean alternative visitor attractions need to exist to support uplift of broader CBD retail, commercial and residential development.

Property portfolio considerations

As part of the draft Property Strategy 2024-2044, a key deliverable in the Strong Communities objective is to *“integrate property assets to create inter-generational and city transforming catalyst precincts for enhanced social value outcomes.”* Acquiring this property may achieve this in the longer term.

Because of the relative narrow width of the property, there is a level of reservation as to the functionality of the property as a stand-alone acquisition, to go beyond acting largely as an east-west connection and not necessarily activate or further enhance the Doig Street Carpark lots at the rear. Further detailed planning would be needed as part of broader strategic consideration of the CBD.

The draft Property Strategy 2024-2044 provides for an informed decision-making pathway that ensures the objectives and benefits of the Property Strategy are realised in property acquisitions. Similar to Council's purchase of 46 Middle Street in late 2023, the proposed acquisition of this property is being considered as a strategic purchase for portfolio consolidation.

This a unique opportunity that fits well with our future opportunities for accommodation planning and centre activation by virtue of being adjoining and adjacent to Council's existing CBD holdings.

Acquisition of the property will provide an appreciating asset potential and an increase in rental income into the Property Reserve.

Fragmented land ownership in the Cleveland CBD has been a limiting factor for investment into the CBD. The proposed acquisition will consolidate land ownership providing greater flexibility for projects in the future.

The acquisition aligns with the Corporate Plan, *Our Future Redlands - A Corporate Plan to 2026 and Beyond*. The Plan also identifies the need to increase the city’s productivity and economic growth through the delivery of infrastructure and well-planned, vibrant, connected precincts and centres.

STRATEGIC IMPLICATIONS

Legislative Requirements

Purchase of the property is consistent with provisions contained in the *Local Government Act 2009* which gives Council an ability to purchase the property for Local Government purposes.

Risk Management

Detailed due diligence assessment will be undertaken as part of the acquisition process with conditions for completion and/or negotiation outcomes based on findings. Due diligence will include:

- Building and land condition assessments
- Available services
- Future capital and operation expense items

Financial

The Property has no specific listing price as it is being marketed through an Expression of Interest campaign. However, through initial discussions with the agent, it is understood vendor expectation is \$1.5 million.

An analysis of the existing financial performance of the Property and available sales evidence suggests that an applicable valuation range of between \$1 million to \$1.1 million would be the market value. For this report, \$1.05 million has been adopted as a basis of financial analysis. However, a formal valuation will need to be obtained as part of negotiating a potential final acquisition price.

The applicable market rent for this property has been analysed as \$90,000 per year representing a 5.71% yield, based on a purchase price around \$1.05 million. This yield shows minimal increased return over the current Queensland Treasury Corporation (QTC) cash rate of 5.19% interest. It is noted that a hypothetical purchase price of \$1.2 million for this property would reflect a yield of 5.2%, being comparably similar to the previously detailed QTC cash rate.

As a comparison, Council’s purchase of 46 Middle Street in late 2023, was based on a calculated 7.18% yield in similar market conditions to the present.

The financial analysis would support that any purchase is primarily about future strategic intent rather than as a financial investment, noting yield is likely to be similar to the current cash interest rates and the likelihood of a negative return on investment (expenses vs revenue).

To advance any acquisition, Council requires formal assessment by an independent valuer. The valuation methodology will involve comparable market sales and the land’s location, physical characteristics, constraints and planning controls.

With a desire to maximise opportunities on the property’s potential use(s), and the need to respond to the purchase opportunity in a timely manner, Council would need to fund from current cash reserves.

Subject to due diligence investigations, acquisition of the Property may require a level of capital improvement to meet building code and other compliance obligations for retail tenancies. While the cost for any immediate improvements is not yet known, a nominal minimum amount of \$100k could be necessary as part of the capital budget review.

To meet landlord obligations and protect the building as an investment asset, an annual maintenance amount of circa \$50,000 is likely needed as part of operational budget review and future operational budgets.

People

The initial management of this additional rental portfolio may have a resource impact. Due diligence outcomes and the short-term strategy for improving occupancy will help determine what this impact may be. Should any additional people resourcing be necessary this will be considered through the budget review process.

Environmental

There are no known environmental issues associated with this property.

Social

Redevelopment of the property has the potential to address social and community needs as outlined in the Redland City Plan.

Human Rights

There are no known human rights implications associated with this report.

Alignment with Council's Policy and Plans

The acquisition aligns with the *Our Future Redlands - A Corporate Plan to 2026 and Beyond*. The Plan identifies a catalyst project as the need to increase the city’s productivity and economic growth through the delivery of infrastructure and well-planned, vibrant, connected precincts and centres.

The draft Property Strategy supports several of the Corporate Plan objectives including *Strong Communities*. Property acquisitions target contribution to the health, safety and wellbeing of the community and implemented by integrating property assets to create inter-generational and city-transforming catalyst precincts for enhanced social value outcomes.

CONSULTATION

Consulted	Consultation Date	Comments/Actions
General Manager Advocacy,	9 September 2024	Discussion around CBD activation

Major Projects and Economic Development Group Manager Major Projects		
General Manager Community and Customer Services	Various	Discussion around acquisition and report
Strategic Property Manager	Various	Discussion around acquisition and report
Councillors	16 September 2024	Confidential briefing

OPTIONS

Option One

That Council resolves as follows:

1. To endorse due diligence investigation and subsequent negotiations into the potential purchase of the property listed in the report at fair market value.
2. To note the delegation the Chief Executive Officer holds under section 257(1)(b) of the *Local Government Act 2009*, to make, vary, negotiate, and discharge the contract, including signing all relevant documents, to acquire the property at fair market value and execute all associated documentation.
3. To authorise the allocation of sufficient funds to acquire the property and to fund establishment and maintenance costs during the 2024/25 financial year.
4. That the report remains confidential until settlement, or as required by any legal or statutory obligation, subject to maintaining the confidentiality of legally privileged, private, and commercial in confidence information.

Option Two

That Council resolves as follows:

1. To not acquire the property listed in the report.
2. That the report remains confidential until settlement, or as required by any legal or statutory obligation, subject to maintaining the confidentiality of legally privileged, private, and commercial in confidence information.

OFFICER'S RECOMMENDATION

That Council resolves as follows:

1. To endorse the purchase of the property listed in the report.
2. To note the delegation the Chief Executive Officer holds under section 257(1)(b) of the Local Government Act 2009, to make, vary, negotiate, and discharge the contract, including signing all relevant documents, to acquire the property at fair market value and execute all associated documentation.
3. To authorise the allocation of sufficient funds to acquire the property and to fund establishment and maintenance costs during the 2024/25 financial year.
4. That the report remains confidential until settlement, or as required by any legal or statutory obligation, subject to maintaining the confidentiality of legally privileged, private, and commercial in confidence information.

Right to Information Requests

20.6 STRATEGIC PROPERTY OPPORTUNITY

Objective Reference: A11861867

Authorising Officer: [REDACTED] Acting General Manager Community & Customer Services

Responsible Officer: [REDACTED] Group Manager Environment & Regulation

Report Author: [REDACTED] Group Manager Environment & Regulation

Attachments: Nil

The Council is satisfied that, pursuant to section 254J(3) of the *Local Government Regulation 2012*, the information to be received, discussed or considered in relation to this agenda item is:

- (g) *negotiations relating to a commercial matter involving the local government for which a public discussion would be likely to prejudice the interests of the local government.*

PURPOSE

To seek Council approval to negotiate the potential acquisition of a property in the Redlands.

BACKGROUND

An opportunity has arisen for the potential acquisition of 96 Bloomfield Street, Cleveland (the Property) described as Lot 1 on RP 166352. This lot is located immediately south of Council owned Bloomfield Street Park at 70 and 72 Bloomfield Street.



Figure 1- 96 Bloomfield Street, Cleveland locality including locations of Council land and Redlands Investment Corporation holdings – aerial view image

The Property is a 1183m² lot improved with a single level commercial office/retail building set to the eastern side of Bloomfield Street. The lot is generally level and situated within the epicentre of the Cleveland Central Business District (CBD). The building encompasses 280m² of net lettable area (NLA) and currently configured as a single large tenancy afforded direct street frontage and associated exposure.

There are three associated outbuildings to the eastern end of the property, with a second street frontage to Waters Street. There is no formed carparking.

The building and the two larger outbuildings are estimated to have been constructed circa 1950s and are in poor to fair condition and appear to include a mix of building materials. The overall internal and external condition of the primary tenancy building does not indicate any obvious structural or functionality concerns, though the outbuildings are in a dilapidated state.

Any purchase consideration will necessarily involve appropriate due diligence on structural adequacy, dilapidation and condition of building services to inform ongoing practical use of the buildings as either a commercial tenancy or other use.

This due diligence will include identifying any critical building upgrades and ongoing maintenance requirements to inform capital and operational budgets.



Figure 2 - 109 Bloomfield Street, Cleveland – street view photo – grassed area forms part of property, as does right hand side gate access

The Property is in the Principal Centre Zone within the City Plan, which provides at this location for a building up to 26 metres high, or approximately eight storeys, depending on engineering design.

There are no active Development Applications or Approvals currently lodged for the property.

ISSUES

Service Planning and short-term outlook

There is no current service planning demand for the property to be used for a Council service, meaning the likely short term use opportunity would be as a commercial tenancy, following consideration and allocation of appropriate funds to make good any building defects to enable such a use.

The existing property has experienced periods of long-term vacancy, which is likely a result of the building condition and the single large tenancy configuration making it relatively expensive to lease compared to other rental offerings nearby. It is also a broader indicator of retail demand in this part of the CBD.

It should be noted that a purchase of the property as a commercially focussed retail asset cannot be supported as a stand-alone reason for a purchase in the current market conditions. However, it is possible the building may obtain some commercial revenue with some cosmetic improvements, so this should be a focus in the short term to see whether a commercial tenant can be achieved.

This limitation is reflected in anticipated financial performance with the immediate fiscal return on the site anticipated to present a negative cashflow, where expenses may exceed revenue given

tenancy vacancy. At full rental capacity, it is expected that the property performance will show diminishing returns given the ageing asset and associated increased cost of maintenance.

As such, the Property's highest and best use is a future development site with interim holding income.



Figure 3 - Aerial image of property

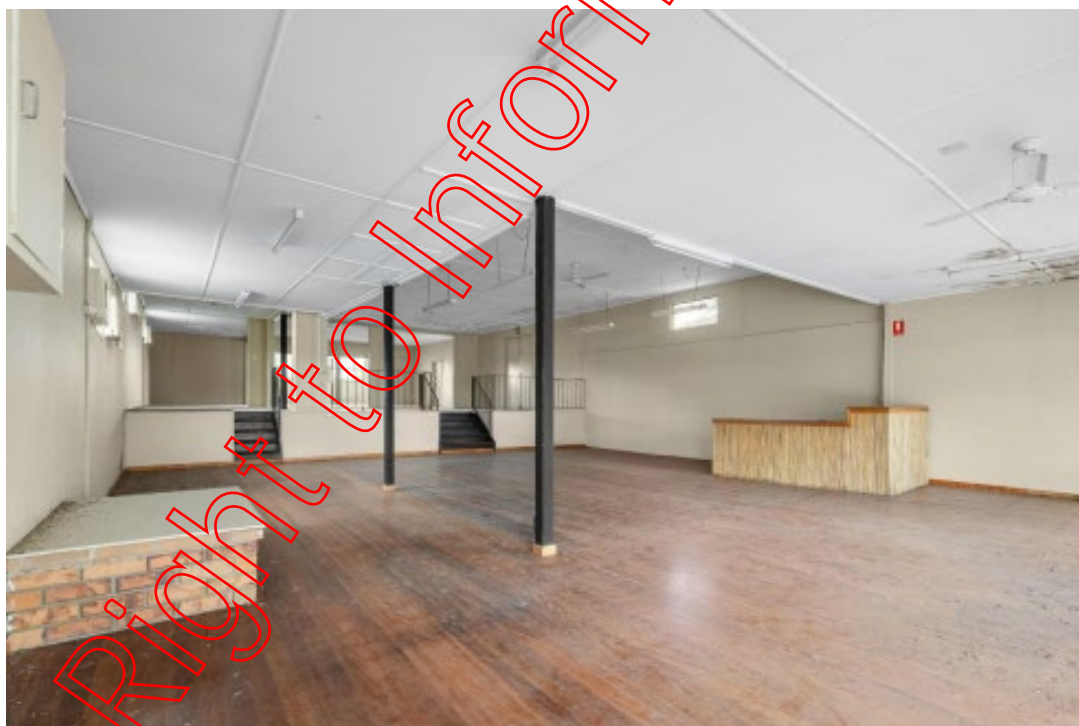


Figure 4 - Image of internal tenancy

Long-term strategy – Cleveland Master Plan

Item 20.6

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As a land-banked development opportunity, this site does partially support existing strategic elements of the Cleveland Centre Master Plan of 2010 as the southern conceptual boundary for the nominal location for an east-west pedestrian connector adjacent to the existing park.

The east-west connector allows for connectivity between the under-construction aged care centre on Doig Street through Council's Doig Street carpark and recent purchase at 109 Bloomfield Street, pedestrian crossing and park, to the recognised CBD retail shopping centre/s hub to the east of the CBD.



Figure 23 Town Square Urban Design Principles

LEGEND

- | | |
|----------------------------|--|
| Shared Space Road Corridor | Articulated Edges |
| Urban Public Space | Strong Visual and Physical Connectivity Through Use of Vegetation and Structures |

Figure 5 - Public town square and east-west pedestrian connection – Cleveland Centre Master Plan

Public town square and east-west pedestrian connection – Cleveland Centre Master Plan



Figure 6 - Nominal plan view of Public Town Square and east-west pedestrian connection (reference point 11) – Cleveland Centre Master Plan

It is anticipated that the property could be an ancillary part of any realisation of the Cleveland Centre Master Plan outcomes in the longer term. It assists Council in land banking an identified key location for future planning purposes.

However, there is currently some uncertainty regarding what the eventual strategic planning outcomes will be for the Cleveland CBD, which provides both uncertainty in future uses and activities, but also opportunity to contemporise the current master plan. It is recognised that Master Plans underpin future strategic outcomes but must also respond to changing economic and social needs in a precinct.

While no detailed analysis for an alternative precinct has been undertaken, it is evident that shifts in the nature of CBDs and their function is occurring that may mean alternative visitor attractions need to exist to support uplift of broader CBD retail, commercial and residential development.

It is evident that the Cleveland CBD Masterplan has not come to fruition as expected, which means Council needs to consider what role it has in resetting and activating strategic outcomes. In this context, Council can decide to purchase or dispose of property as a lever for potential future economic and social benefits.

Property portfolio considerations

As part of the Property Strategy 2024-2044, a key deliverable in the Strong Communities objective is to “*integrate property assets to create inter-generational and city transforming catalyst precincts for enhanced social value outcomes*”. Acquiring this property may achieve this in the longer-term dependent on outcomes associated with any contemporary revision of Cleveland CBD activation.

The Property Strategy 2024-2044 provides for an informed decision-making pathway that ensures the objectives and benefits of the Property Strategy are realised in property acquisitions. Similar to Council’s purchase of 46 Middle Street in late 2023 and 109 Bloomfield Street in late 2024, the proposed acquisition of this property is being considered as a strategic purchase for portfolio consolidation.

Acquisition of the property will provide an appreciating asset potential and a possible increase in rental income into the Property Reserve.

Fragmented land ownership in the Cleveland CBD has been a limiting factor for investment into the CBD. The proposed acquisition will consolidate land ownership providing greater flexibility for projects in the future.

The acquisition aligns with the Corporate Plan, *Our Future Redlands - A Corporate Plan to 2026 and Beyond*. The Plan also identifies the need to increase the city’s productivity and economic growth through the delivery of infrastructure and well-planned, vibrant, connected precincts and centres.

STRATEGIC IMPLICATIONS

Legislative Requirements

Purchase of the property is consistent with provisions contained in the *Local Government Act 2009* which gives Council an ability to purchase the property for Local Government purposes.

Risk Management

Detailed due diligence assessment will be undertaken as part of the acquisition process with conditions for completion and/or negotiation outcomes based on findings. Due diligence will include:

- Building and land condition assessments
- Available services
- Future capital and operation expense items

A contract of sale has been presented to Council by the selling agent and a legal check is underway in regards the terms of any purchase, which will include highlighting any risks. However, it should be noted that the special conditions of the contract re-enforce the “as is where is” nature of the transaction. That is, once the contract is signed, there is effectively no option for Council to withdraw. Also, despite the age of the asbestos report, there is no evidence that any rectification has been undertaken so it is assumed the asbestos noted in the report remains and therefore a potential health risk which may need to be mitigated.

Financial

The property has no specific listing price as it is being marketed through an Expression of Interest campaign. However, through initial discussions with the agent, it is understood vendor expectation is low to mid \$2M.

Council's internal valuer has placed an estimated value of circa \$2.3-\$2.6M based on recent sales evidence, however an independent valuation has now also been obtained which indicates a valuation of \$2.5M.

The independent valuer notes that the buildings on the property have no real value and the site is somewhat unique, which may attract a slight premium for the right buyer. The independent valuer also notes the consolidated ownership of properties to the south which could mean that owner may have interest in the property.

As discussed in Councillor workshop on 17 February 2025, the Expression of Interest for the property closed 18 February 2025. Based on the independent valuation and price guide information from the selling agent – an initial purchase price has been submitted for \$2.2M. This price was submitted on the basis that it would likely maintain Council as a legitimate purchaser to advance further negotiation. Should further negotiations be needed, consequential offers will not exceed the independent valuation of \$2.5M without referral back to Council.

This offer remains subject to Council endorsing the potential acquisition as part of this report and further due diligence.

The financial analysis would support that any purchase is solely on an investment basis for future strategic potential rather than as a financial investment.

With a desire to maximise opportunities on the property's potential use(s), and the need to respond to the purchase opportunity in a timely manner, Council would need to fund from current cash reserves. The purchase of the land is not included within the current capital budget and would need to be included as part of a budget review process.

Acquisition of the property may require a level of capital improvement to meet building code and other compliance obligations to fix dilapidation issues and to facilitate a commercial tenancy. While the cost for any immediate improvements is not yet known, a nominal minimum amount of \$100,000 could be necessary as part of future capital budgets.

In general, to meet any landlord obligations and protect the building as an investment asset, an annual maintenance amount of circa \$50,000 is likely needed as part of future operational budgets.

These figures are estimates and subject to alteration following due diligence.

People

The initial management of this additional rental portfolio may have a resource impact. Due diligence outcomes and the short-term strategy for improving occupancy will help determine what this impact may be. Should any additional people resourcing be necessary this will be considered through the normal budget process.

Environmental

There are no known environmental issues associated with this property.

Social

Redevelopment of the property has the potential to address social and community needs as expected under current and future strategic planning opportunities.

Human Rights

There are no known human rights implications associated with this report.

Alignment with Council's Policy and Plans

The acquisition aligns with the Corporate Plan, *Our Future Redlands - A Corporate Plan to 2026 and Beyond*. The Plan identifies a catalyst project as the need to increase the city's productivity and economic growth through the delivery of infrastructure and well-planned, vibrant, connected precincts and centres.

The Property Strategy 2024 supports several of the Corporate Plan objectives including Strong Communities. Property acquisitions target contribution to the health, safety and wellbeing of the community and implemented by integrating property assets to create inter-generational and city-transforming catalyst precincts for enhanced social value outcomes.

CONSULTATION

Consulted	Consultation Date	Comments/Actions
Acting General Manager Community and Customer Services	Various	Discussion around acquisition
Strategic Property Manager	Various	Discussion around acquisition and report
Financial Controller	18 February 2025	Financial information review
Councillors	17 February 2025	Confidential briefing

OPTIONS

Option One

That Council resolves as follows:

1. To endorse due diligence investigation and subsequent negotiations into the potential purchase of the property listed in the report at fair market value.
2. To note the delegation the Chief Executive Officer holds under section 257(1)(b) of the *Local Government Act 2009*, to make, vary, negotiate, and discharge the contract, including signing all relevant documents, to acquire the property at fair market value and execute all associated documentation.

3. To authorise the allocation of sufficient funds to acquire the property and to fund establishment and maintenance costs during the 2024-25 financial year.
4. That the report remains confidential until settlement, or as required by any legal or statutory obligation, subject to maintaining the confidentiality of legally privileged, private, and commercial in confidence information.

Option Two

That Council resolves as follows:

1. To not acquire the property listed in the report.
2. That the report remains confidential until settlement, or as required by any legal or statutory obligation, subject to maintaining the confidentiality of legally privileged, private, and commercial in confidence information.

OFFICER'S RECOMMENDATION

That Council resolves as follows:

1. To endorse due diligence investigation and subsequent negotiations into the potential purchase of the property listed in the report at fair market value.
2. To note the delegation the Chief Executive Officer holds under section 257(1)(b) of the Local Government Act 2009, to make, vary, negotiate, and discharge the contract, including signing all relevant documents, to acquire the property at fair market value and execute all associated documentation.
3. To authorise the allocation of sufficient funds to acquire the property and to fund establishment and maintenance costs during the 2024-25 financial year.
4. That the report remains confidential until settlement, or as required by any legal or statutory obligation, subject to maintaining the confidentiality of legally privileged, private, and commercial in confidence information.