



# SPACE INVESTORS

*With inner-city traffic congestion getting worse, car parks have become a valuable asset class for cashed-up investors.*

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**T**he latest hot property investment has few apparent virtues – it is small, has no views of the water and accommodates somewhat oily tenants.

Yet the once-humble car park is in vogue with commercial property owners and wealthy private investors as traffic congestion and struggling public transport services turn prime parking lots into real estate gold.

“They are very easy assets,” says Gavin Lloyd, director of city sales at real estate company CB Richard Ellis.

“You don’t have any whinging tenants. And you just have to get in there with a hose once a year and hose them out.”

Lloyd was involved last year in the sale of two prime inner-city Sydney commercial car parks to private investors.

A 114-bay car park at 109 Pitt Street sold to a

Melbourne family for just over \$20 million. What did they get for their money?

Lloyd says: “A car park operating right in the guts of city ... and a net income in the order of about \$1.35 million (a year).” The sale price translated to a tight investment yield of about 6.5 per cent.

Down the road in Chinatown, a 93-bay space at 1 Dixon Street went to the Hyperion property investment syndicate for \$9.2 million, offering a yield of about 8 per cent.

With such assets rarely coming up for sale, Lloyd sees them as a good buy, despite modest yields.

“I think you’ll see those assets growing and growing,” he says. “It’s very, very difficult to get approvals to build more commercial car parks, particularly in the Sydney CBD, so I just see them as getting rarer and rarer.”

**PARK AVENUE**  
THE MEDIAN COST OF RENTAL SPACE IS \$247 FOR NSW, \$233 IN WESTERN AUSTRALIA AND \$212 FOR VICTORIA. THE CITY CENTRES ASIDE, SUBURBS SUCH AS CARLTON IN MELBOURNE AND POTTS POINT IN SYDNEY GENERATE MOST DEMAND.

## BIG AND SMALL PLAYERS

The car park real estate world falls into two distinct categories – the major commercial operators such as Secure, Wilsons and Kings who preside over major locations, and smaller players who either rent their own lot or buy a space as an investment.

Depending on location and features, a typical single car space can cost anywhere from \$15,000 to \$50,000 to buy. An enclosed garage, for example, will carry a premium over a carport, while security features such as a boom gate or swipe passes also add value.

Car parks that are for sale or rent can be found on myriad internet real estate sites. Launched in 2005, Findacarpark is one special-ist online search facility for private car parking.

“I knew this was going to be a big thing,” says founder Francis Armstrong. “And it’s really



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been ramping up in the last six months.”

He says investors are “coming out of the cracks” to embrace an asset class that has a low barrier to entry and relatively high rental yields. Rent typically costs from \$200 and \$700 a month for a space.

As for yields, Armstrong says, “it’s rare that a car park is returning anything less than 11 per cent”. An investment apartment usually returns in the order of 5 per cent a year.

“There’s not many investments that can give you between 11 per cent and 13 per cent - safe ... You don’t even need an agent to rent it out and nothing breaks. The worst thing that can happen is that there’s an oil leak and you might get a grease strip on the cement.”

The record rental price is \$875 a month for a Sussex Street parking space in inner-Sydney. Armstrong says inner-city Sydney and Mel-

bourne spaces are, not surprisingly, the most sought after, but he predicts growth in booming cities such as Brisbane and Perth. “The key to it all is really location,” he says.

#### TIME TO TAKE STOCK

Fallout from the recent share market collapse and prohibitive property prices are forcing many investors to consider other asset classes.

“The reason car parks are good is that with such a low entry point a lot of people are actually not even getting finance for it,” Armstrong says.

He is confident car park real estate will become more sophisticated and more valuable. With a raft of major government housing and freeway infrastructure project in the pipeline around the country, he says the “weak link” is always a lack of adequate parking.

“People drive because they have to drive.”

#### GETTING A GREAT PARK

**IF YOU WANT TO BUY A CAR PARK AS AN INVESTMENT, THE HOT SPOTS ARE CLEAR.**

+ YOU CANNOT GO PAST GEORGE AND KENT STREETS IN SYDNEY, AND ST KILDA ROAD AND COLLINS, BOURKE AND LONSDALE STREETS IN MELBOURNE.

+ FINDACARPARK PARKING ACTIVITY DATA FOR RENTALS IN THE YEAR TO MAY INDICATES THAT HIGHEST NEED FOR LOTS WAS IN NSW AND VICTORIA, WITH EACH STATE REPRESENTING MORE THAN 36 PER CENT OF DEMAND, FOLLOWED BY QUEENSLAND WITH JUST OVER 15 PER CENT BEFORE DROPPING AWAY SUBSTANTIALLY FOR OTHER STATES.

+ THE MEDIAN RENTAL PRICE FOR A SPACE IS, SURPRISINGLY, HIGHEST IN QUEENSLAND AT \$262, RISING A WHOPPING 88 PER CENT IN THE PAST 12 MONTHS AND REFLECTING BRISBANE’S RAPID GROWTH.

Some critics suggest parking spaces could stumble as an investment option because of government levies that are being slapped on commercial car parks in an effort to ease city traffic congestion.

In recent years, Sydney and Melbourne city councils have imposed fees of up to \$800 a year on each lot.

Armstrong agrees that so-called congestion taxes will have little impact on the market.

“They haven’t worked and I know with the Melbourne levy the state government is now reassessing it.”

Lloyd agrees that experience to date suggests that car park owners are simply passing on the tax to customers, and he doubts that such costs will deter executives who want to drive into the city for work.

“I just think that’s a bit of a furphy really. People are still going to keep driving to work - if you’re an executive earning the top bucks you’re not going to get on to a train or a bus.”

The main risk with the investment, according to Lloyd, is if a major tenant in proximity to a car park moves to another location.

“If you own a car park in Pitt Street, for example, all of a sudden you’ve got a big, big vacancy if Macquarie Bank moves out of a couple of buildings surrounding you. Obviously that’s going to have a flow-on effect if all those Macquarie Bank directors stop driving in and parking.”

All the same, Lloyd has no doubt commercial car parks are a safe investment when stacked up against equivalent purchases of office space.

“With an office building, for instance, your neighbour can get a redevelopment application and construct another big building and compete against you and pinch your tenants.” \*