

## Malvern/Armadale retail continues to prosper

Retail activity in Malvern and Armadale's traditionally strong shopping strips remains firm, despite the \$500 million relaunch of the nearby Tooronga Village Shopping Centre which comprises a retail area of 7,700m<sup>2</sup>, as well as office and residential spaces.

A strong mix of retail staples have made Glenferrie Road, Malvern a model of consistency in recent times, while High Street, Armadale has enjoyed a resurgence in interest with high profile fashion retailers moving in over the past five years.

Yields have tightened significantly over the past five years along both strips, while rentals have continued to rise, in particular along High Street. Rentals in the prime trading section of each retail strip range between \$700 and \$900 per square metre.

Traditionally known for its antique stores and galleries, High Street, Armadale has re-emerged as a major retail destination for high-end fashion with Scanlan & Theodore, Lisa Ho, Metalicus, Seed Femme, Oroton and Mimco, to name a few, now established in the strip. The transformation of the old Armadale Hotel to a Thomas Dux Gourmet Supermarket has further underpinned the resurgence of High Street. This renewed interest from retailers has seen vacancies tumble from over 20 in 2005 to only one at present.

Whilst High Street relies heavily on consumers' discretionary spending, Glenferrie Road has a more balanced mix of uses. Anchored by Coles Supermarket and all major trading banks, the strip has a strong food, fashion, lifestyle and service retail component and a healthy mix of local and national retailers. A major recent inclusion in the strip has been JB Hi Fi, located just south of Wattletree Road, as well as the take-up of the old Spotlight site by Lincraft. The retail offer is also supported by the Woolworths- and Target-anchored Malvern Central, which is located on Wattletree Road.

Peripheral locations in Malvern such as Wattletree Road, Station Street and Claremont Avenue have witnessed a fall in vacancies to the point of full occupation coinciding with the strong performance of the Malvern/Armadale retail core.

With respect to property values, Armadale in particular has experienced a major surge with values in the prime trading section of the strip increasing by around 50% in the last five years, with some properties doubling in value. Of those, 1015 High Street was sold for \$2.52 million after being sold by Fitzroys in 2005 for \$1.03 million, with similar increases achieved at 1054 High Street, sold by Fitzroys in 2004 for \$1.2 million and realising \$2.48 million

last year, and 1073 High Street sold for \$1.8 million last year after also being sold by Fitzroys in 2006 for \$940,000.

A strong upward trend has also been witnessed on Glenferrie Road with Fitzroys selling 256-258 Glenferrie Road last year for \$4.4 million, having sold it for \$1.6275 million in 2002, whilst 52 Glenferrie Road sold for \$1.477 million last year after achieving \$650,000 in 2004.

Fitzroys Director Chris Kombi said the opening of Stockland's Tooronga Village development has at this stage had minimal effect on the trading conditions within the Malvern/Armadale retail precinct.

"One of the best impact indicators is the number of new vacancies within an established strip centre after the introduction of major competition. To date neither strip has experienced an increase in vacancies while demand has remained strong from major retailers, and we are also yet to see downward pressure on current rental levels", he said.

With the extended clearway times along High Street, introduced by the previous State Government, now removed and the excellent public car parking facilities available in Malvern along with the wide variety of retailers, customers of these strip centres have less incentive to conduct their shopping elsewhere. With the virtual full occupation of both Glenferrie Road and High Street and a history of strong capital growth, investor appetite remains robust.



High Street, Armadale

## Land Tax bites again

Ratepayers need to be alert and check their land tax liability carefully at all times, and have them checked by a Certified Practising Valuer according to Fitzroys.

Regular increases in site value according to continuing market movements mean more and more landowners are finding themselves in a higher tax liability bracket, a trend known as "bracket creep".

This occurs unbeknownst to many landowners, whom Fitzroys says also need to ensure they are being charged accurately.

"Municipal valuers are required to process large amounts of information within controlled time limits and naturally mistakes and inaccuracies occur", said Clive Silvester Associate, Certified Practising Valuer at Fitzroys.

"With strict time limits for objections, all Valuation and Rate Notices and Land Tax Assessment Notices must be carefully considered as soon as they are received."

Under the system, Land Tax is calculated according to a sliding scale of values, based on a lump sum and a percentage of the value over certain thresholds, discounted for smaller assessments.

Currently, qualifying properties with a site value in excess of \$3 million have a Land Tax liability based on 2.25% over the threshold, plus \$24,975.

Whilst the rate of taxes has varied – as recently as 2004 the upper rate was five per cent – the increases in value according to continuing market movements has led to accelerating revenues received by State Treasury.

The State Treasury notes the importance of Land Tax to the public finances and expects it to yield \$1.3 billion for the State Government over the 2011/12 financial year, a growth of 5.1%.

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# Disasters a timely warning to have insurance in place

Recent floods throughout Queensland, NSW and Victoria are reminders of the importance of adequate and satisfactory building insurance. For most people their commercial investment is their most expensive asset. It is essential that it be correctly insured, according to Fitzroys.

## Key points to protect your asset are:

### Make sure the cover is adequate.

Often owners take cover out and then do not review it over the years. This can mean that in a number of years your asset is underinsured.

To protect your asset it is critical to make sure cover allows for the cost to not only rebuild the property if totally destroyed but also allows for the cost for removal of debris, professional fees (for architects, engineers etc), permits, escalation cost during the insured period and other matters specific to your asset such as difficulties in undertaking works which may increase the building costs (i.e. difficulty in accessing the site due to tram lines, neighbouring properties etc).

We recommend having an insurance valuation undertaken every 3 years to establish the proper insurance value. Once an initial insurance valuation is undertaken you will have a good base value for following years.

### Make sure the policy covers everything.

Check that your policy covers all your needs (i.e. does it include machinery breakdown, plate glass, loss of rent).

### Make sure the loss of rent is for an adequate amount and period.

This cover should cover the rent received from your tenant/s. If it is a net lease it should also include the reimbursement for outgoings you would receive in accordance with your lease (council rates, water rates, insurance premium). The period of cover should be sufficient to allow for the premises to be demolished, permits obtained and new building constructed.

### Insurance cover for lots within Owner's Corporation.

The Owner's Corporation will have building cover and most likely Public Liability cover only for outside their lots (i.e. common areas). The tenant will have cover for their fitout, stock and public liability for incidents relating to their items. You should check if additional cover should be taken out for landlord content.

Fitzroy's recommend that lot owners take out landlord cover to insure landlord fitout/fixtures and fittings (which may only comprise floor coverings, air conditioning etc) and public liability within the lot (i.e. to cover an incident within the lot that is a landlord responsibility). Although the amount of cover will vary subject to each landlord's requirements, for a minimal charge cover of \$10,000.00 landlord content and \$10 million public liability may be arranged. If the lease is a net lease it is probable that this additional cost may be recoverable from the tenant. We recommend discussing this with your broker or alternatively do not hesitate contacting Fitzroys.

### Consider arranging the cover through your insurance broker rather than direct with the insurance company.

If a major claim occurs your broker will be of huge assistance. They will have a relationship and more influence with the insurer than you do as an individual client. If the claim is not progressing satisfactorily the insurer may not care if you threaten to take your business elsewhere however the same comment from a broker (with multiple clients) will be of concern to the insurer and may assist in resolving any claim issue more satisfactorily.

Under the Financial Services Reform Act only persons holding an Australian Financial Services Licence can provide recommendations or statements of opinion that are intended to influence a person in making a decision in relation to a contract of insurance. Fitzroys do not hold an Australian Financial Services Licence and therefore unfortunately are not permitted to provide this advice to you.

It is critical that as the property owner you take responsibility for the correct levels of cover and suitability of the policy.

Fitzroys recommend that as part of your ongoing review of your insurance the building cover be reviewed regularly. We suggest that the building cover be formally reviewed at least once every three (3) years. Our Valuation department can be engaged by you to provide a formal Insurance Estimate. Our Management Department can assist by informing you annually of suggested loss of rent cover for your property. However ultimately it is the property owner's responsibility to ensure adequate cover is in place.

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