

# South African investors eye petrol-station real estate amid fuel-consumption surge

South Africans use more than 30 billion litres of fuel per year - consumption not only driven by the country's massive dependence on its road network for passenger transport and freight movement, but increasingly on powering generators to keep commerce and industry alive during load shedding.



Source: Supplied. The service station on the N12 in Potchefstroom in the North West is up for auction.

This makes service stations and industrial properties zoned for petrol stations or fuel depots among the most lucrative real-estate investments in the country at the moment, according to High Street Auctions director, Greg Dart.

“Industrial property has been the consistent shining light in the commercial sector for several years now, but petrol stations in particular are enjoying renewed interest from investors – not surprising considering the returns offered by this specialised sub-sector of the market.”

Dart says petrol stations in South Africa usually operate within two broad business models.

“The first is a franchise route in which a petroleum company owns the asset, but offers the forecourt management to a franchisee. There’s certainly money to be made as a franchise owner, but it’s not nearly as lucrative as the alternative.

“Option two – that’s of considerably greater interest to real-estate investors – offers higher margins on returns because the

property owner also runs the business with a retail license agreement from an oil company.”

Dart says despite the significant profitability of this sector, among the biggest barriers to investors is that it is a very, very long game.

“The land use regulatory framework for petrol-station zoning is eye-watering, so if you’re an investor starting from scratch, it could be several years before you make your first rand – never mind see a return on your investment. Land rezoning for underground chemical storage is slow, detailed and expensive.

“The best way to enter this lucrative market is to buy an existing service station or land that is already zoned for the purpose.”



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Dart says three of these prime investments are under the High Street Auctions hammer this month on its auction of 29 lots that cover a spectrum of industrial real estate, retail opportunities, commercial buildings, student accommodation, residential and agricultural properties.

“We’re seeing significant investor interest in the service station on the N12 in Potchefstroom in the North West that’s being auctioned.

“It’s a very active going concern that pumps around 520,000L of fuel a month catering to the local community and the very busy road freight, long-distance bus- and agriculture industries with its diesel depot and heavy-goods vehicles parking area.

“There isn’t a better location in the North West to own a service station, which sits on 1.9358 hectares, with site improvements of 1 134m<sup>2</sup>.

“The sale includes the balance of the 13-year supply agreement with Total Energy. Retailers on site currently comprise a Mugg & Bean Express, the Bonjour convenience store, a small nursery, a car- and trailer-hire company and a cellular-phone shop.

“This is the sort of lucrative petrol station business that offers no delays on delivering cash flow and an immediate opportunity to begin recouping your initial investment.”

## Dual-sector commercial-property investment

Dart says the second fuel-station auction opportunity exists in Gauteng, which is by a wide margin the largest petrol consumption market in South Africa.

“This is an opportunity to marry two of the most profitable commercial-property sectors in one massive 32.9ha site right next to the bustling Mnandi Mall on Maunde Street in Atteridgeville, of which 14ha is available for development.

“The site – easily large enough to build another mall – is zoned for retail, industrial and for a petrol station. This means all the legislative heavy lifting has already been done in terms of the fuel-station feasibility and the environmental-impact assessment plans. There is already an offer to lease on the industrial site by a national building-materials retailer.

“Buy it and start designing your new commercial zone; simple as that. As with the Potchefstroom garage, this is also a

prime location accessed by a feeder road directly off Maunde Street, which is a main arterial for this western side of Pretoria.”



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Dart says the other fuel-site development opportunity on auction is located in Stilfontein on the N12, the busy arterial between Klerksdorp and Potchefstroom in the North West.

“This 19.2394ha property used to be a busy service station pumping between 500,000L and 700,000L a month, which indicates the potential for a new owner.

“It is zoned for a fuel station, just waiting for an enterprising investor to rehabilitate the infrastructure and secure a fuel retail license agreement. Considering the location, though, a diesel depot would also offer considerable ROI.”

Property and petroleum specialist Brent Graham is the featured guest speaker at this month’s premier auction event on Thursday, 26 October.

Dart says Graham’s address on real-estate investment in the petroleum sector commences at 11.30am, ahead of High Street’s October auction that starts at noon sharp in the Grosvenor Room and Marquee at the Bryanston Country Club, 63 Bryanston Drive, Bryanston in Johannesburg.

“Brent spent 24 years with Caltex/Astron Energy in property development before going into private consulting, so his talk is a must for investors looking to diversify their portfolios with petroleum real-estate assets. High Street is delighted to be hosting him in a forum like this, which allows our investors to gain such specialist knowledge.

“For bidders who can’t attend the auction in person, download the High Street Auctions app free from the App Store or Google Play.

“You can register for the auction on the app, watch the auction live and bid on the app in real time. Bidders from across the country, and indeed across the world, can compete for these lucrative fuel-station investments via their smartphones.”

For more, visit: <https://www.bizcommunity.com>