EDUCATIONAL GUIDE

# THE RISE OF COMMERCIAL PROPERTY INVESTING

STRONGER YIELDS.
SMARTER GROWTH.
SUSTAINABLE CASHFLOW.

## A SMARTER PATH TO PROPERTY WEALTH

In today's rapidly evolving property landscape, traditional residential investment strategies are being put to the test. Factors such as increasing interest rates, tightening lending conditions, rising maintenance costs, and shifting government regulations are placing growing pressure on residential investors. Yields are being compressed, rental income is no longer covering expenses, and investors are being forced to rely on speculative capital growth to justify their holding positions.

For investors seeking consistency, transparency, and control over their financial outcomes, commercial property offers a compelling and intelligent alternative. With stronger net yields, longer lease terms, tenant-covered expenses, and multiple levers for active value creation, commercial property is emerging as the go-to strategy for sophisticated investors looking to future-proof their portfolios.

This educational guide is designed to equip you with a deeper understanding of the structural and strategic advantages of commercial property. It breaks down the key drivers behind its superior performance, provides clear comparisons with residential investment models, and offers insights from experienced industry professionals who have helped thousands of clients build sustainable income through commercial assets.

Whether you're transitioning from residential, looking to diversify, or starting fresh, this guide will help you move beyond outdated strategies and explore the smarter path to property wealth through commercial investment.

# STRONGER YIELDS, SMARTER GROWTH

When comparing residential and commercial property, the financial contrast is clear.

| | COMMERCIAL | RESIDENTIAL |
|---|---|---|
| Typical yield | 5% to 7% net | 2% to 3% gross, before costs |
| Lease term | 3 to 10 years, fixed annual increases | Short-term, market-reviewed |
| Outgoings | Typically paid by the tenant | Paid by the investor |
| Growth driver | Rental income, lease and tenant quality | Market conditions |

### HIGHER NET YIELDS

Commercial assets typically deliver net yields of 5% to 7%, meaning investors receive surplus income after outgoings. In comparison, residential property often delivers gross yields of just 2% to 3% before costs.

### SMARTER CAPITAL GROWTH

While residential property relies heavily on market conditions, commercial assets grow in value through increased rental income, lease improvements, and tenant quality. Strategic upgrades or lease extensions can significantly increase the capital value of a commercial property.

### LEASE TERMS THAT FAVOUR INVESTORS

Commercial leases are typically longer (3–10 years), include fixed annual increases (often CPI or 3–4%), and require tenants to cover outgoings. This offers predictability, stability, and reduced management burden.

CASE STUDY

$150,000

per annum in passive income

One of Rethink's clients purchased a $2.5M industrial warehouse on a 6% net yield. With a 5-year lease in place and tenant-paid outgoings, the investor earned over $150,000 per annum in passive income. freeing up capital for future acquisitions.

SECTION TWO

# THE END OF NEGATIVE GEARING RELIANCE

For years, residential investors relied on negative gearing as a cornerstone strategy. But this approach, where expenses exceed income to create a tax deduction is increasingly unsustainable.

Commercial property flips the model. Positive cashflow is generated from day one, thanks to higher yields, tenant-covered outgoings, and stronger lease terms.

## DISCOVER THE POSITIVE CASHFLOW ADVANTAGE

### WHY POSITIVE CASHFLOW MATTERS

- Enables reinvestment and portfolio scaling
- Creates a financial buffer against interest rate changes
- Supports early retirement or lifestyle flexibility
- Reduces reliance on market-driven capital growth


### REAL-WORLD COMPARISON

**$1.5M RESIDENTIAL**

$39,000 p.a.

A $1.5M residential property may deliver $750/week in rent ($39,000 p.a.) before expenses. After mortgage repayments, maintenance, and management, this often results in a shortfall.

**$1.5M COMMERCIAL**

$90,000 p.a.

In contrast, a $1.5M commercial asset returning 6% net yields $90,000 p.a. after expenses.

**POSITIVE CASHFLOW ISN'T A BONUS IN COMMERCIAL INVESTING, IT'S THE FOUNDATION.**

# FIVE STRATEGIC REASONS COMMERCIAL IS SURPASSING RESIDENTIAL

1 RETURNS

### Stronger returns

With net yields of 5% to 7%, commercial property offers greater income potential than residential, even before considering capital growth.

2 LEASE CERTAINTY

### Lease certainty

Leases often range from 3 to 10 years with fixed annual increases. Investors benefit from predictable, secure income.

3 TENANT OUTGOINGS

### Tenant responsibility for outgoings

Commercial tenants often pay rates, insurance, maintenance and other operational costs, reducing your expenses.

4 LESS SATURATED

### Less competition

The commercial market is less saturated with investors, meaning more access to quality opportunities and less emotional bidding.

5 STRATEGY

### Value creation through strategy

Commercial property allows active management strategies to add value, such as re-leasing at higher rates, refurbishing, or strata subdivision.

Together, these elements create a compelling investment proposition for those seeking long-term wealth and passive income.

# RISK MANAGEMENT & DIVERSIFICATION

A common myth is that commercial property is inherently riskier than residential. In reality, risks in both asset classes exist, they're just different.

### VACANCY RISK

Commercial properties may have longer vacancies between tenants, but this is mitigated by longer lease terms and stronger cashflow buffers.

### TENANT RISK

Due diligence on tenant quality, business type, and lease structure is essential. Rethink's acquisition process includes comprehensive tenant assessment.

### MARKET RISK

Diversification across asset types (e.g. industrial, medical, retail) and regions helps reduce exposure to local economic shifts.

### ASSET CLASS STRENGTH

Essential services, logistics, and medical spaces have shown high resilience, especially post-COVID. These types of properties continue to offer stable demand.

At Rethink Investing, our sourcing strategy and market insights ensure that every acquisition meets strict risk-adjusted return benchmarks.



SECTION FIVE

# WHO IS COMMERCIAL PROPERTY RIGHT FOR?

Whether you're a residential investor looking to level up or a professional seeking a passive income stream, commercial property may be the right fit.

### IDEAL FOR

- Investors seeking reliable, passive income
- Business owners investing through their SMSF
- Residential investors ready to diversify
- High-net-worth individuals looking for asset stability
- Professionals aiming to retire early through property

### YOU MAY BE READY FOR COMMERCIAL IF YOU

- Have $300K+ equity or cash to invest
- Are looking for 5%+ net yields
- Prefer long-term income security over speculation
- Want to reduce time and costs associated with tenants

Our team works with clients at every stage of the journey to secure commercial assets that align with their goals, financial position, and risk appetite.

IN CLOSING

# TAKE THE NEXT STEP

If you're considering the move into commercial property, now is the time to take the next step. With the right strategy, commercial property can offer a more stable, income-driven path to long-term wealth.

At Rethink Investing, we support investors in navigating this transition, whether you're just starting to explore your options or are ready to begin building your commercial portfolio. Our team provides tailored advice and access to opportunities that align with your financial goals.

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NEXT STEPS

01
Speak with one of our experienced commercial property specialists

02
Gain clarity on what type of asset suits your strategy

03
Access high-performing, pre-vetted investment opportunities

We're here to help you make informed, confident decisions about your financial future.

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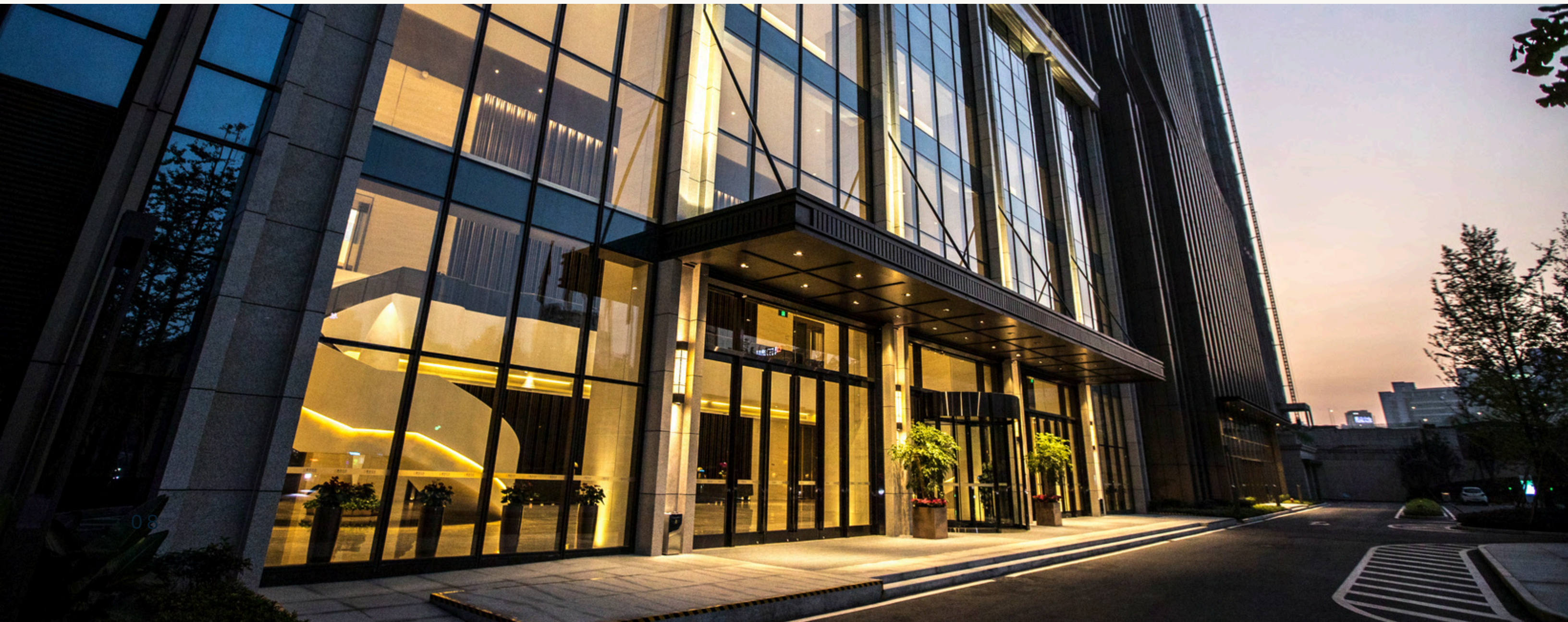

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