

# SUNSHINE COAST INVESTMENT MARKET Q1 & Q2 2020 Update

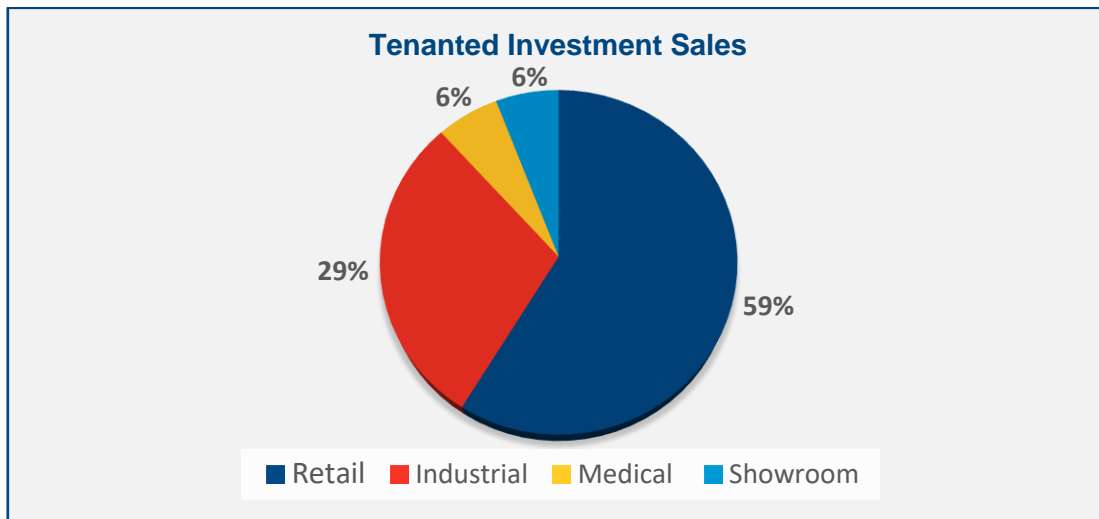
June 2020

Prepared by Isaac Whittington – Research Colliers International Sunshine Coast  
Nick Dowling – Managing Director Colliers International Sunshine Coast

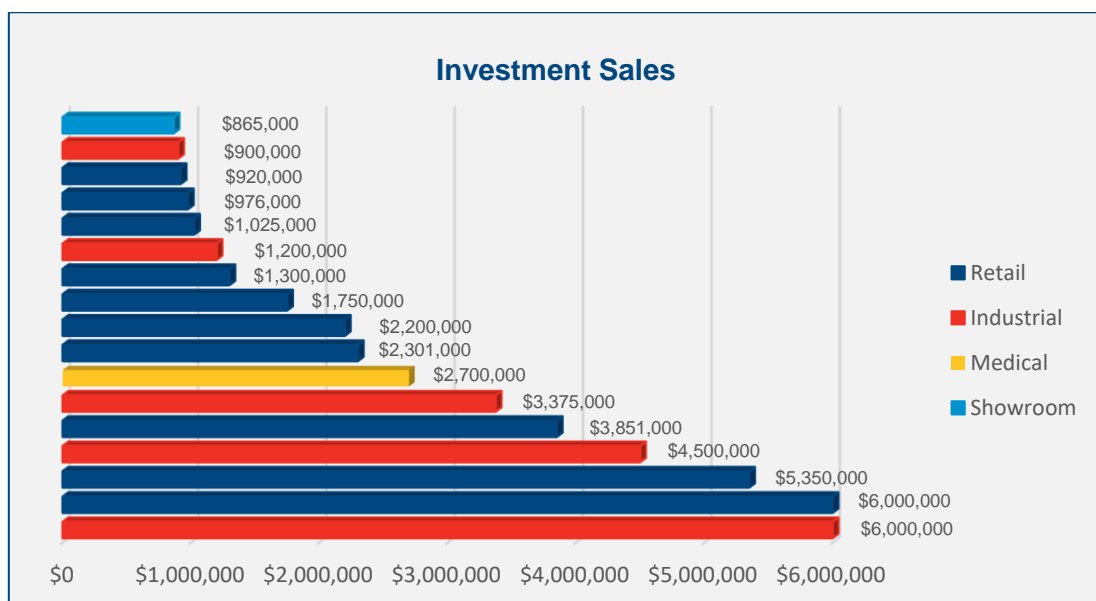


## INVESTMENT SALES UPDATE Q1 & Q2, 2020

There have been 17 recorded tenanted investment sales with capital value above \$850,000 as of 28 May 2020. Majority of sales have been in the retail sector as per the graph below. 10 of these properties sold before March 2020 with the remaining 7 selling between 1 March and 28 May, which many consider as the 'COVID-19 Pandemic Period'. This would suggest there has not been a significant decline in the volume of investment sales, however, we may see a temporary dip in volumes over the next three months as a result of vendors withdrawing assets for sale when COVID restrictions came in.



The chart below represents these 17 sales from lowest to highest capital value.



## HAVE YIELDS CHANGED SINCE 1 MARCH 2020?

We have not seen any drastic change in selling yields since March. Whilst there have been some examples of yields softening as a direct result of tenants being affected by COVID-19, there have also been several recent examples that suggest buyers are willing to pay pre COVID yields.



Example 1: The Coffee Club in Buderim originally contracted at a 6.84% yield pre-COVID-19 and went on to sell on a 7.56% yield due to the tenant requesting rent relief whilst they could not trade.



Example 2: A freestanding industrial facility in Kunda Park will again reinforce that the market for premium investments is sub 7%. In this instance, leased to an international tenant with circa 4 years remaining.

## CHANGE IN VOLUME OF STOCK SINCE 1 MARCH 2020

The volume of stock for tenanted investments has declined, especially in the retail market. This is due to vendors withdrawing listings whilst there are restrictions on the retail and hospitality sectors. There are currently 58 tenanted investment opportunities listed on the market for sale on the Sunshine Coast as of 28 May, 2020 with asking prices between \$900,000 and \$6,600,000. It should also be noted that 23 of these properties are listed as EOI or 'Contact Agent' and will see varying sales rates throughout 2020.

## OFFICE COMMENTARY

Office and Retail Sales expert Daniel Vella has stated there is still a demand for tenanted office investments on the Sunshine Coast provided there is a quality lease covenant in place. Colliers can report strong demand on a recently offered Maroochydore CBD office, which is expected to see a yield below 6.5%. Demand for strata title office space with shorter lease tales has waned as investors have become conscious of a possible downsizing trend in this sector.

## RETAIL COMMENTARY

The retail sector is currently experiencing some of the toughest market conditions the region has seen in several years which has seen a reduction in demand for what is traditionally the strongest sector of the investment market. As retailers begin to re-open, we expect to see buyer demand return however, there will be pressure on rental rates in this sector whilst tenants get back on their feet.

Defensive retail assets such as fast food drive-thru's and service stations are still in high demand as evidenced by the sale at 7-Eleven in Nambour. This asset had been offered to the market previously without a result, suggesting buyers are more open to paying tight yields for premium assets with long term leases in place.

## INDUSTRIAL COMMENTARY

Managing Director Nick Dowling and Industrial expert Ben Flower have stated the demand for tenanted industrial investments on the Sunshine Coast has remained strong throughout the first half of 2020 with yields below 7% becoming more common when paired with a good tenant covenant. Currently, there is a lack of stock in the market as vendors are holding on to their assets. Buyer demand is coming from all geographic locations in Australia, particularly in Sydney and Melbourne.

Despite Covid-19, the industrial market is seen as a safe haven, especially when coupled with the airport expansion as southern investors view the Sunshine Coast as a high growth area.

## \$3 MILLION+ SALES

Six \$3 million+ tenanted investment sales have been recorded from 1 January 2020 to 28 May 2020 on the Sunshine Coast, with capital values ranging from \$3,375,000 to \$6,000,000 and yields of 6.14% to 8.75% respectively. Sales would suggest that there was a strong demand for retail and industrial tenanted investment prior to mid-March and the Covid-19 pandemic, however, since then there have been no recorded \$3 million+ tenanted investment sales in any sector beyond 13 March, 2020 on the Sunshine Coast. It should also be noted, there have been no \$3 million+ tenanted investment office sales recorded in the region in 2020 thus far.

### 2 ENTERPRISE STREET, KUNDA PARK, QLD 4556



Asset Class:	Industrial Investment
Sale Price:	\$3,375,000
Sale Date:	20 February 2020
WALE:	3.8 years
Yield:	6.84%
Tenant:	State of Queensland (Fire & Emergency Services)

### 6 LANYANA WAY, NOOSA HEADS, QLD 4567



Asset Class:	Retail Investment
Sale Price:	\$6,000,000
Sale Date:	13 March 2020
WALE:	2.3 years
Yield:	6.54%
Tenant:	Multi tenanted

### 922 NAMBOUR CONNECTION ROAD, NAMBOUR QLD 4560



Asset Class:	Retail Investment
Sale Price:	\$3,851,000
Sale Date:	25 February 2020
WALE:	12 years
Yield:	6.14%
Tenant:	7-Eleven

### 18 GEO HAWKINS CRESCENT, BELLS CREEK QLD 4551



Asset Class:	Industrial Investment
Sale Price:	\$4,500,000
Sale Date:	28 February 2020
WALE:	7 years
Yield:	7%
Tenant:	Edge Cutting & Cabinetry

### 130-140 BULCOCK STREET, CALOUNDRA QLD 4551



Asset Class:	Retail Investment
Sale Price:	\$5,350,000
Sale Date:	22 January 2020
WALE:	1.84 years
Yield:	6.39%
Tenant:	Diverse tenancy mix comprising 10 tenants

### 40 HOOPERS ROAD, KUNDA PARK QLD 4556



Asset Class:	Industrial Investment
Sale Price:	\$6,000,000
Sale Date:	13 January 2020
WALE:	2.5 years
Yield:	8.75%
Tenant:	Hyne Timber

For further information on Sunshine Coast investment sales, please contact Nick Dowling - Managing Director on mobile 0419 726 705, office 07 5478 3788 or via email at [nick.dowling@collierssc.com](mailto:nick.dowling@collierssc.com).

Disclaimer This document has been prepared by Colliers International for general information only. Colliers International does not guarantee, warrant, or represent that the information contained in this document is correct. Any interested parties should undertake their own enquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss or damage arising therefrom