COLLIERS RADAR

WEEKLY REAL ESTATE UPDATE

What we have learnt this week - 10th July 2020

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In this week's edition of 'What We Have Learnt This Week', we have included insights from Our Experts. Each week, we will ask Experts from around the Colliers Australia business what they are experiencing in their markets, and what trends are worth highlighting. This week, we have insights from the Residential sector, covering the Project Leaders service line. We hope you find these additional insights from our team of value, in addition to our regular Research updates.

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As the market is aware, there have been some significant questions about the Residential market and if projects are proceeding.

On Site, we have worked through several complexities, particularly around high-rise developments due to social distancing and personnel movement restrictions. Nevertheless, Contractors have done a great job continuing to deliver projects across all Asset Classes.

The past month has seen our team actively engaging in assisting developers to get their designs, tender documents and projects to be shovel ready to enable them to take advantage when the right market conditions arise. It is now clear that the proactive and sophisticated clients are quietly gearing up.

Economic & Regulatory Updates

- Victoria has self isolated from the rest of the nation, with all borders now shut. Melbourne and the Mitchell Shire have commenced a six week lockdown, in order to contain a second wave of COVID-19 infections. The remainder of Victoria remains under Stage 2 restrictions.
- ANZ job ads have risen a recorded 42% month on month, however they remain 44.6% down from the same time last year.
- The Australian Banking Association has announced that banks will be extending the current six-month repayment holiday for an additional four months to households and businesses struggling due to the pandemic.
- The Federal Government have indicated that the initial JobKeeper programme is likely to be extended beyond September, however it is likely to be more targeted to industries in need. More details will be released on the economic and fiscal outlook scheduled on 23rd July.

Office

- Swinburne University is expected to list 226 Flinders Lane, Melbourne, having purchased the building for $44 million last year.
- QIC Real Estate have commenced construction of the 14,000 sqm office tower on the Eastlands shopping centre site at Ringwood. This project is fully pre-committed to the Department of Transport with completion expected in 2022.
- Singaporean based TE Capital has purchased 350 Queen Street, Melbourne for $145 million with a reported initial yield of 4.8%. This B Grade 21,914 sqm building is 95% leased with a 4-year WALE. TE Capital plan to undertake a 12 month refurbishment, to the tower that was constructed in the 1980s.
- The Royal Australian and New Zealand College of Obstetricians and Gynaecologists is expected to purchase 1 Bowen Crescent, South Melbourne. They have purchased the site for $19.6 million and are expected to occupy on settlement.
- Victoria Cross Metro Station has been approved by the NSW Government as part of a third group of projects which have been fast tracked through the planning system.

Industrial

- Dexus have acquired two industrial and logistics assets for a combined price of $173.5 million. The following provides a summary of each:
  - 37-39 Wentworth Street, Greenacre is a 19,246 sqm cold store and ambient facility leased to Real Dairy Australia and Tomkin (13.5-year WALE). The sale includes 5,950 sqm of expansion space currently under development

for Real Dairy Australia. The asset was sold on a passing yield of 5% with fixed annual increases of 3% per annum. Settlement of the existing facility and the expansion land is expected in July 2020.

  » The second acquisition was the Ford Facility at Merrifield Business Park, Mickleham. The 51,595 sqm facility is currently being developed for Ford Australia as their national distribution centre for spare parts. The acquisition is structured as a fund-through development with a coupon on contributed capital of 6.5% up to practical completion in August 2021. On completion the asset will have a weighted average lease expiry by income of 10 years and will generate a passing yield of 5.25% with fixed annual increase of 3.25% over the initial lease term. Settlement of the land component is expected in July 2020.

- Highlighting the resilience of the logistics sector, Centuria Industrial REIT's Jun-20 valuation and portfolio update highlighted that valuations are up 1.3% (+$21 million) compared to the preceding book value with the portfolio cap rate compressing to 6.05% (from 6.19% in December 2019). Similarly, Dexus industrial portfolio grew by 0.7% over the same period.

Retail

- The Australian arm of TM Lewin has been placed into administration after the UK parent, which was recently purchased by private equity firm Torque Brands started a restructuring of the business.
- Primewest has purchased two Woolworths anchored centres in Pemulwuy and West Ryde from Charter Hall.
- Panthera Property group is expected to purchase the Warrawong Plaza in Port Kembla from Blackstone for a reported $160 million.
- Premier Investments have announced that they are closing all Melbourne stores for the six-week lockdown. They plan to have their DC in operation and have announced they will pay no rent over the six-week lockdown period.
- According to Roy Morgan, Woolworths have captured the majority share of online sales with a 57.4% share to year ending March 2020.

Agribusiness

- On Friday 3rd of July, the Federal Government announced the extension of the International Freight Assistance Mechanism (IFAM) following a funding injection of $241.9 million to the program. The extension has the goal to keep high-value, time sensitive and perishable exports and vital imports, such as medical supplies and other essential items, flowing during the pandemic.
- The closure of Victoria and NSW border has limited impact on farmers having operations because of the permitted travel allowable for Agriculture/Agribusiness people.
- The Australian beef safeguard negotiated in the China-Australia Free Trade Agreement, was set at under 180,000 tonnes of beef this year. Due to increasing beef export volumes to China, the safeguard was triggered in early July this year. This means that for the remainder of 2020, beef exports to China attract a 12% tariff compared to a 4.8% tariff applicable earlier in the year. In 2019, the applicable safeguard of 174,454 tonnes and the increase in tariff from 6% to 12% was triggered by late August.
- According to an analysis completed by Meat & Livestock Australia, domestic cattle and sheep saleyard indicators have reached records highs between March and June this year, remaining at historical high levels at present. This trend has been supported by supply constraints globally favouring Australian livestock prices, despite the impact of COVID-19 on overseas demand.