

WEEKLY REAL ESTATE UPDATE

What we have learnt this week - 31st July 2020

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Economic & Regulatory Updates

- ABS household survey data suggests that those who have a job has fallen from 64.5% in June to 63.5% in July. This was taken prior to the lockdown in Melbourne on 8 July.
- Payroll jobs data to 11 July shows a fall in total jobs of 1.1% between mid-June and mid-July with Victoria seeing the largest decrease of 2.2%. Total payroll jobs are 5.6% lower than since mid-March, prior to the pandemic.
- Consumer confidence has remained weak, however household views towards their own finances in comparison to a year ago has remained resilient, however is still significantly below the decade average.
- Alphabet weekly sales data has shown a surge in overall spending which is being driven by a significant increase in discretionary spending. This is a result of the flow of stimulus money and also the early withdrawal of superannuation.
- The latest CPI data has shown deflation with prices falling by 1.9% in the quarter. This was driven by falls in childcare, domestic and household services, fuel and transport.
- Home building approvals have fallen by 4.9% in June (MoM) and are almost 20% below levels seen in April. It is expected that this will be short lived with the Homebuilder scheme seeing strong interest.

Office

- Virgin Australia has decided to downsize its office space and move its headquarters to Southpoint building at Southbank where Flight Centre Headquarter operates. The relocation is scheduled for mid-September.
- Future Fund has taken overflow space in co-working operator JustCo's latest Melbourne hub at 447 Collins Street as the country's sovereign wealth fund takes steps to ensure appropriate social distancing for its staff. Future Fund will use space in JustCo's hub to accommodate about 85 staff members alongside over 5,500 sq m of traditional office space it has leased within the building.

Industrial

- Dexus have announced that they will sell six industrial and logistics assets to the Dexus Australia Logistics Trust for A\$269.4 million, reflecting a passing yield of 5.3%. The portfolio of assets is 91% occupied with a WALE of 7.4 years and will be sold in two tranches – the first in October 2020 and the second as part of a put and call option arrangement in mid-2021. The portfolio comprises five assets in Truganina and a facility in Botany including:
 - » 47-53 Foundation Drive, Truganina VIC
 - » 380 Doherty's Road, Truganina VIC
 - » 7 Custom Place, Truganina VIC
 - » 9 Custom Place, Truganina VIC
 - » 58 Foundation Road, Truganina VIC
 - » 11 Lord Street, Botany NSW (Lakes Business Park South)
- Marley Spoon have pre-committed to 14,200 sqm within the Charter Hall (CPIF) 300 Victoria Street, Wetherill Park facility for a 10-year term. Due for completion in early 2021, the purpose-built temperature-controlled facility will allow Marley Spoon to ramp up their growth in the home delivery meal kit segment. As part of the development, Charter Hall will speculative build 12,200 sqm.

Retail

- Vicinity Group have announced their June 20 valuations which has seen their portfolio fall by 11.3% between June 2020 and December 2019. Regional centres within the portfolio saw the largest devaluation (15.6%), with sub-regional centres down 10.5% and neighbourhood centres down 12.3%.
- David Jones and Country Road owner Woolworths Holdings have released a trading update. David Jones have seen sales fall 6.9% YoY with Country Road down 8.7% YoY.
- Seafolly who was placed in administration a month ago is expected to be bought back by the previous owners L Catterton.

- Metcash is moving ahead with their 70% stake acquisition of Total Tools, which will grow their market share in the hardware business. They are expected to acquire the remaining 30% stake over the next four years.
- Woolworths Holdings have announced that all conditions for the sale of the David Jones Bourke St Mall Menswear site have been met with the reported sale price of \$121 million.
- Temple and Webster FY20 results saw revenue grow by 136% in April/May and July sales so far have remained strong, up 130%.
- A Coles-anchored neighbourhood centre in Armstrong Creek has opened this week and is part of Stage 1 of the A\$1 billion development.
- McDonald's have seen global profits fall by 68%, however in Australia there has been growth over the quarter due to strong drive through sales performance.

Agribusiness

- This week ABARES released the Water Market Outlook – July 2020 report for the Southern Murray-Darling Basin (SMDB). The report highlights that temporary (leased) water allocation prices are forecast to fall to a weighted average range of A\$156-\$450/megalitre depending on the volume of water supply available for the period 2020/2021. These projections would not eventuate under very extreme dry conditions wherein water prices may replicate similar weighted average price levels seen in 2019-2020 in the range of A\$543/megalitre. These projections highlight the good inflows to the SMDB, which ultimately support the positive outlook of the sector under current market uncertainty.
- Agribusiness Australia has recently released the Agribusiness Australia's State of the Industry Report. This report highlights the need for a new approach / transformational plan to realise the sector's target of A\$100 billion production by 2030 even considering the multiplier effect on the economy estimated to triple when adding the supply chain economic benefits. The main risk facing the sector relates to its competitive advantage compared to international markets including the risk of market loss to emerging competitors like South America. The transformational plan should focus on improving investment efficiency, attracting capital investment, optimising the use of Agtech to improve productivity and diversifying market access.