

WEEKLY REAL ESTATE UPDATE

What we have learnt this week - 19th June 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 Government Property Services and Office sectors, 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.

There is still plenty of Commonwealth Government activity and opportunity within the building and property sector. Undertaking a very quick review of current known projects and opportunities, the following can be listed:

The ATO have actively come to the market for new leases in the last month for:

- » Canberra 33,000sqm;
- » Parramatta 19,000sqm; and
- » Sydney 16,000sqm.

Defence is still finalising its future office accommodation requirements which are expected to be resolved in 2020 for:

- » Sydney 20,000sqm;
- » Melbourne 20,000sqm; and
- » Canberra 65,000sqm.

Services Australia also have many significant leasing processes around the country still to be resolved in 2020 including:

- » Adelaide 33,000sqm;
- » Canberra 18,200sqm;
- » Brisbane 40,000sqm;
- » Gold Coast 6,200sqm;
- » Wollongong 9,100sqm;
- » Hunter Valley 8,100sqm; and
- » Hobart 15,500sqm.



Iain Davidson
Government Property Services
Project Leaders, ACT

All of these leasing processes will eventually turn into projects and opportunities for new fitouts on the Tenant side and base building construction (or significant upgrade projects) on the Building Owners side.

Our experience throughout the COVID-19 pandemic managing three of the largest workplace fitout projects in Sydney, has taught us that having the right team to successfully deliver your project is essential. This is inclusive of the client, consultants and contractors. Maintaining good lines of communication and utilising whole of industry knowledge and understanding, allows you to identify the potential risks and develop mitigation strategies to overcome the current dynamic environment. It also creates opportunities which must be capitalised and reinforces the need to think beyond the current milestones and future proof the repositioning of assets to meet functional requirements for the future.

Project Leaders is unique in that we have an in-house Technology team and work with international leaders in IT technology. We have embraced the recent changes in security, health and wellbeing, including hygiene, circulation space and the new ergonomic considerations of social distancing which are now part of our everyday lives. Automation, frictionless security and flexibility must align with the new functional parameters shaping our workplace of the future and will ensure maximum outputs for individuals and our clients.

In these current times, change management is weekly and having the right team in place to respond quickly is vital. This has increased our ability to embrace and improve our service to the industry, ensuring productivity is maintained throughout all phases of every project.

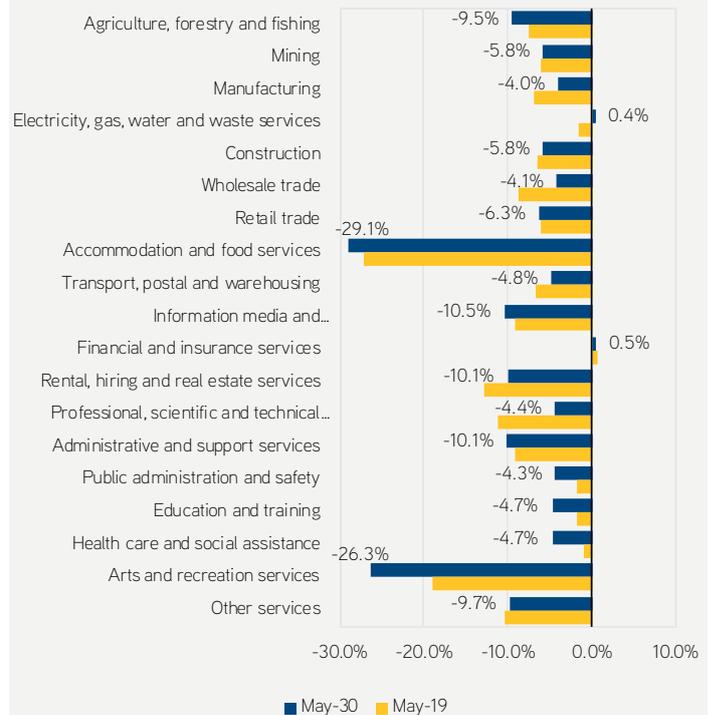


Chris Andrews
Office
Project Leaders, NSW

Economic & Regulatory Updates

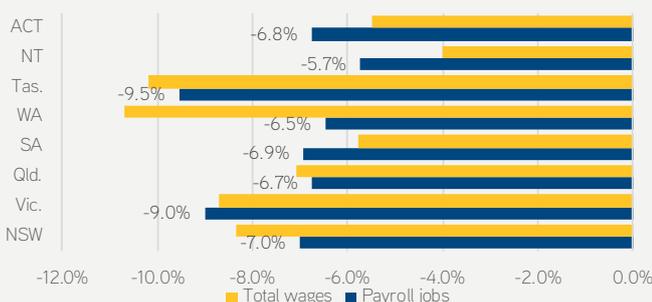
- ATO payroll data is indicating an improvement in the jobs market through the last couple of weeks of May as the economy starts to reopen. Even with this improvement, the unemployment rate is still expected to rise as the participation rate starts to rise.
- Labour Force numbers released this week showed that employment fell a further 227,700 people in May after 607,000 people in April. This has seen the unemployment rate increase to 7.1%. This however hides further weakness in the labour markets with participation falling to 62.9%. Under employment remains high at 13.1% and the underutilisation rate increased marginally to 20.2%. Both of these metrics are at record highs.
- Overseas arrivals have plummeted with volumes down over 99%. Most overseas arrivals have been return travellers from overseas. All visa types have seen significant falls with student visas the hardest hit falling 99.9%. With borders shut to non-residents this result is unsurprising.
- SA has opened their borders to NT, WA and Tasmania, however other states borders remain closed. Qld is due to open their borders to all states on July 10th.

Changes in payroll jobs since 14 March 2020



Source: ABS

Job & Wages Losses between 14 March and 2 May 2020 by State



Source: ABS

Job & Wages Losses between 14 March and 2 May 2020 by Age



Source: ABS



Office

- Centuria Capital have restarted a A\$122 million bid to take over Augusta Capital.
- Work has commenced on a A\$500 million high tech medical centre in Adelaide, which will house the only proton therapy unit in the southern hemisphere.
- Dexu have lodged plans for Eagle St Pier and Waterfront Place in Brisbane, which includes two new towers, retail, riverfront dining and public plazas. The two towers will deliver a combined 120,000sqm of office space.
- Tope Lane have submitted plans for a 10,000sqm, nine level office building at 65-91 Dover Street, Cremorne, which includes 91 carparks, and ground level retail.
- Five parties are believed to be putting in their submissions for the 40,000sqm Australia Post requirement in Melbourne CBD and Fringe locations. The parties are Cbus Property (Bourke St), Mirvac (Flinders St), Investa (Flinders Lane), Grocon (North Melbourne) and PDG Corporation (Richmond).

Industrial

- Mapletree have purchased 114 Rudd Street, Inala (Brisbane) for A\$21.25 million from a private developer. The asset was completed in May 2020 and is underpinned by a 10 year lease to Decina Bathroomware – one of Australia’s largest bathroom and shower manufacturers. The single level warehouse provides a total NLA of 9,050sqm and sits on a 18,801sqm site.
- Global e-commerce Giant, Amazon, have leased approximately 16,300sqm within Goodman’s Port Industry Park in Lytton, Brisbane. The facility, within the airport’s 600-hectare business park, will serve as a pick-up point for Amazon Flex delivery partners. The Queensland fulfilment centre will sit on a combined site of over 4 hectares and Goodman have acquired an adjacent property from the Queensland state government, to facilitate Amazon’s requirements.
- The NSW Government have approved the rezoning of the A\$2.6 billion Mamre Road Precinct in Western Sydney. The 850-hectare precinct forms one of the key precincts in the Western Sydney Aerotropolis and will provide a major boost to Sydney’s industrial land supply. The precinct was one of 24 projects included in the second tranche of “shovel-ready” projects identified by the NSW government to support the state’s economic rebound post-COVID-19. The planned industrial estate will sit at the heart of a new employment hub for Western Sydney with direct transport links and close proximity to the new A\$5.3 billion Western Sydney International Airport at Badgerys Creek.

Retail

- City Chic Collective have finalised rental negotiations and have closed 14 stores which were on hold over (13 in Australia and one in NZ).
- Myer has appointed KPMG to assist with supply chain and recapitalisation.
- Super Group have announced a A\$200 million capital raising.
- Retail foot traffic has seen a significant recovery, however is still below average levels.
- The Sussan Group has not opened stores where they have not been able to negotiate significant rent reductions.
- AVN has purchased the adjoining site to Epping Home from Kaufland for A\$11.5 million.
- Primewest has launched a A\$300 million retail fund which will target neighbourhood centres.
- Temple & Webster (homeware and furniture online retailer) has seen revenue grow 90 percent on the second half with strong sales in April and May.

Agribusiness

- Optimal weather conditions and outlook across Australia have offset the negative impact of the pandemic. According to the Australian Bureau of Agricultural and Resource Economics (ABARES), the agricultural outlook has improved due to better seasonal conditions that ultimately will support a modest increase on the value of farm production to A\$61 billion in 2020/21, holding over A\$60 billion for a third consecutive year. Grain and livestock production are expected to support the growth. Most major commodities are expected to experience a price correction due to the slowdown of the global economy and higher agricultural production. However, red meat prices will hold steady while Australian grain production will increase by 15%.
- The June 2020 ABARES report, about the Australian Crop sector, forecasts an increase in the winter crop production of 53% partially driven by a 23% increase in area planted during the 2020/21 season. NSW is expected to rebound strongly after two poor production years to contribute over 25% of the national production (44,520kt) to similar levels seen in 2015/16.
- This week Australia and the United Kingdom have commenced Free Trade Agreement negotiations, with expectations to reach a final agreement by the end of the year. Some agricultural industries like the Australian red meat industry have welcomed the negotiations as the successful delivery of the agreement would provide more export options for our farmers and businesses.