

WEEKLY REAL ESTATE UPDATE

What we have learnt this week - 8th May 2020

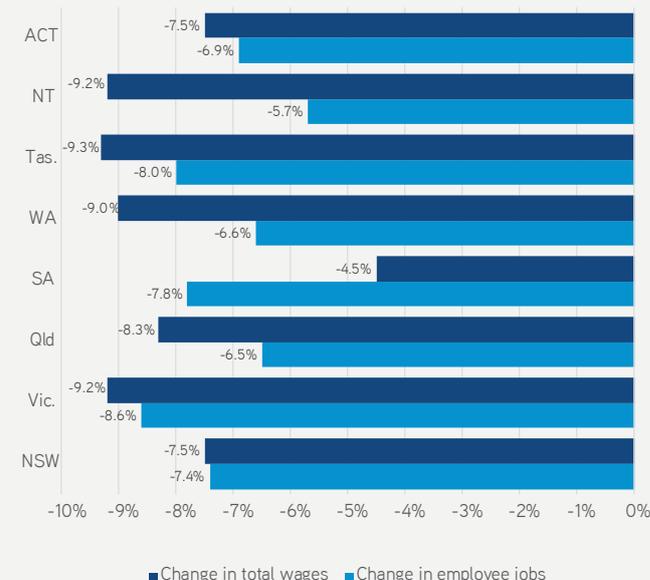
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Market Data

- The Business Impacts of COVID-19 series released by the ABS reported the following findings:
 - » 72% of businesses have seen reduced cashflow as a result of COVID-19,
 - » 61% of businesses have registered for JobKeeper, with these businesses expecting 73% of the employees expected to be eligible for the scheme,
 - » 67% of Accommodation and Food Services were the most likely to keep employing people on the jobKeeper scheme.
- Building approvals fell 4% in March which is better than most economic forecasts. New standalone houses only fell 0.6%, with attached housing falling by 8%. Victoria recorded the largest fall (25.5%) and NSW approvals jumped by 24.6%.
- The NAB Commercial Property survey was released this week showing positive results for the Office and Industrial markets. The outlook for the Retail sector is an expectation of falls in rents and values, however the survey respondents believe the hotels sector has been hardest hit.
- Retail trade data released this week has seen a significant jump in sales up 10.1% y-o-y. Essential spending has jumped 27.2% however discretionary spending fell by 4.9% with apparel, café & restaurants and department stores recording the biggest falls.
- The Federal Government announced a 'tool kit' for businesses to get back to normal operations at the Safework Australia website.
- New Payroll data was released by the ABS, and indicated that 7.5% of jobs in Australia have been lost since the containment measures began.

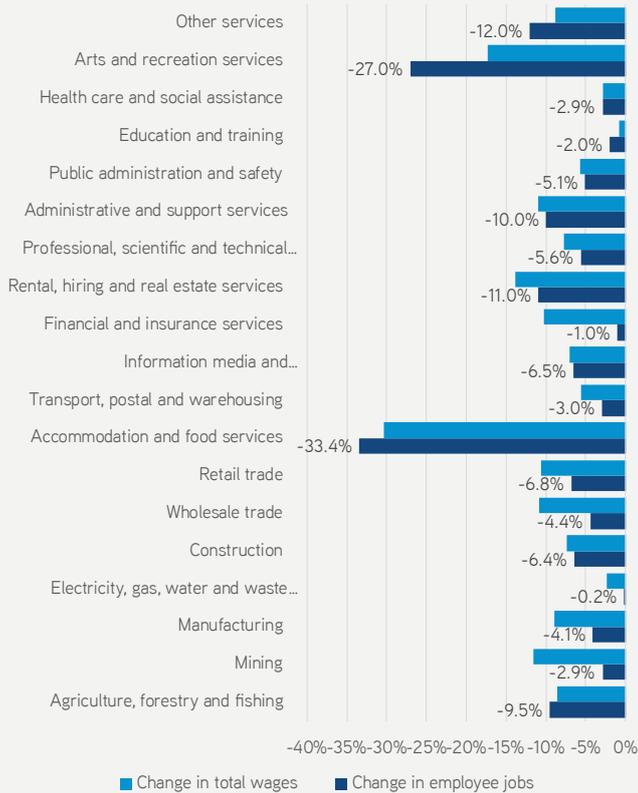
- Hospitality and entertainment services continue to record the worst job losses. One-third of hospitality jobs and 27% of arts and recreation jobs have been lost in the past five weeks. Other industries with large losses include: other services (-12%), real estate (-11%), admin (-10%) and agriculture (-10%). In the fortnight to 18 April, most industries recorded further job losses, although there were some gains, notably in utilities (3%) and education (2%).
- By state, Victoria was the most severely impacted, with 8.6% of all jobs lost. This is likely due to this states higher proportion of workers in the services industry, which are the most impacted jobs. WA, Qld and the NT were the least impacted, with mining type jobs proving quite resilient.

Job & Wages Losses between 14 March and 18 April by State



Source: ABS

Job & Wages losses between 14 March and 18 April by Industry



Source: ABS

Industrial

- We released our [Industrial H1 2020 Research & Forecast Report](#). Key findings of the report include:
 - » The value of e-commerce has increased exponentially as a result of COVID-19 and a permanent structural shift towards online retail is expected over the long term;
 - » While leasing volumes and enquiries have eased, demand has shifted towards defensive and non-discretionary occupiers; and
 - » Tenant covenants will be increasingly scrutinised going forward and risk will now be priced properly in the current environment as the flight to quality thematic plays out.
- Coles have announced they will open two new high-tech distribution centres in Sydney and Melbourne. Scheduled for completion in 2022, the facilities will be utilised as fulfilment centres for Coles Online and will allow for the supermarket chain to meet growing customer demand for online food and grocery shopping. The Melbourne facility will be located within the Midwest Logistics Hub at Truganina while the Sydney facility will be at Horsley Drive, Wetherill Park, both of which will be developed by Charter Hall and will comprise of a 30,000 sqm warehouse in each location.
- A recent survey by Manhattan Associates showed that 70% of respondents have shopped online since COVID-19 and more than half said they are shopping online more than they did prior to the restrictions. Long term, these buying habits are expected to be permanent as consumers become accustomed to the simplicity of online shopping and as a result COVID-19 will accelerate the growth of online retail.

Office

- A majority of occupiers that Colliers are talking to are well progressed in their preparations for a return to their offices
- Most occupiers appear to be using a Team A/Team B strategy to ease back in to the office environment, and will also be waiting on government advice as to when the re-entry to their offices can take place.
- Enquiries by number are down year on year in all size categories, with the 1,000 to 2,999sqm range recording the largest fall by number (-22%), and the 3,000sqm+ range the smallest fall (-8%).
- Enquiries by sqm have actually increased in the 3,000sqm+ range by 31% year on year, however have reduced by 22% in the 1,000 to 2,999sqm range, and by 14% in the 0-999sqm range.
- Our enquiry data over the year to date shows that the Government sector is the largest enquiry sector by industry (22%), followed by Finance (17%), IT (10%) and Consulting & Other (5%).

Retail

- The release of the Colliers Landlord Sentiment survey results showed that rental growth and pricing/valuation benchmarks are the biggest challenges in the retail sector over the next 12 months. Just over half of landlords have less than 60% of their tenants trading and 70% expect an increase in vacancy over the next 12 months.
- Vicinity reported a further 530 stores which had voluntarily closed their stores have opened again, which means that 65% of the lettable area in their portfolio is now trading.
- JB Hi-Fi reported sales increased by 11.3% in the first quarter with acceleration of online sales. Only a few stores located in CBDs and around airports were closed.
- Adairs commenced store re-openings on 7th May and expects to have all stores trading by the end of June. Online sales grew by 221% which accounted for 20% of their sales for 9 months to March 2020, however sales were still down 37%.
- Kathmandu, Accent Group, Mosaic Group and Myer and Apple have all commenced opening stores this week, although not their entire store networks. Some are however looking at altered trading hours in the short term with many looking at staggered store openings. Premier Group has extended store closures to 11th May.
- Bardot is relaunching as a pure online retailer after being placed into voluntary administration late last year.
- Metcash is seeking to raise \$330 million with institutional investors being offered \$300 million as part of the capital raising.
- API, which includes stores and brands such as Priceline, Soul Patterson and Clear skincare have reported a 2.6% increase in revenue, but indicated they are negotiating with their landlords and they were not afraid to close stores and clinics.
- Retail spending in QLD was up 70% on the previous week (albeit from a low base) as social distance restrictions were lifted. Conversion rates were also significantly higher, suggesting some pent up demand.

Agribusiness

- On Tuesday 28th of April, Colliers International conducted a webinar where the Agribusiness experts covered the key trends and the potential impacts on Agribusiness capital and operational activities in light of the COVID-19 outbreak. To access the webinar, please [click here](#).
- With effect from Tuesday 5th of May, new measures to help agribusiness and commercial fisheries access seasonal workers during the COVID-19 pandemic have been introduced by the Queensland State Government. The changes have the goal to ensure seasonal work can continue and still meeting the current public health directions. Seasonal workers have to apply to a Queensland border pass and provide evidence of places of work and accommodation for the previous 14 days and proof of work and accommodation (including self-quarantine accommodation if relevant) in Queensland. Workers without evidence of employment and accommodation will not be allowed to enter Queensland.
- On Tuesday 5th of May, the Queensland State Government announced that irrigation prices will remain frozen for farmers until the end of the financial year 2020/2021 as a measure to support Queensland farmers. This means that the State Government is expected to absorb the recommended increases by the Queensland Competition Authority, providing farmers a financial relief during the pandemic.
- In March this year, the Australia and New Zealand Food Standards Statutory Body advised that there is no evidence that the COVID-19 virus is transmitted through food. The Government Body noted that “transmission through food is unlikely, and so far there is no evidence that people have become infected by swallowing the virus in or on food or drink”. This is an important factor ensuring the continuity of the agribusiness sector during this crisis.