



COMMERCIAL REAL ESTATE ENQUIRIES DURING THE PANDEMIC - JULY UPDATE

© 2020 ADEPT BUSINESS SYSTEMS PTY LTD

WWW.ADEPT.COM.AU // WWW.SURGACENTRAL.COM

BACKGROUND

This analysis investigates the pattern of enquiries for commercial real estate in Australia during July 2020.

The findings are drawn from a sample of thousands of enquiries submitted to Australia's leading commercial portal - Real Commercial. The sample covers all states and territories in Australia and includes all capital cities.

All enquiries were captured using the Surga Central PropTech platform. Surga Central provides commercial agencies with the means to automatically capture enquiries from leading commercial portals, including Real Commercial in Australia and Rightmove Commercial in the UK.



JULY OUTBREAK IN VICTORIA

While COVID-19 case numbers remained low throughout most of Australia during July, a significant outbreak in Victoria has proved difficult to suppress.

Stage 3 suppression measures were introduced in the Melbourne metropolitan area and included travel restrictions on the general population as well as hard lockdown of certain affected public housing tenements. On 8 July, New South Wales closed its border to travellers from Victoria but was unable to prevent subsequent smaller outbreaks sourced from Victoria.

Cases in Victoria in the last week of July exceeded 3,300 with up to 723 being reported on a single day (30 July). On 2 August, the Victorian authorities announced a Stage 4 lockdown that will last for six weeks.



INSIGHT 1:

COVID-19 CASE GROWTH IN JULY HAS REVERSED ENQUIRY GROWTH

In our earlier analysis, we reviewed enquiry levels between February and June. We showed that enquiry volumes were inversely correlated with COVID-19 cases. As cases quickly fell following the imposition of a national lockdown in late March, enquiry volumes recovered across the nation to the point where they trended above pre-pandemic levels throughout June. This upward trend has been reversed in July.

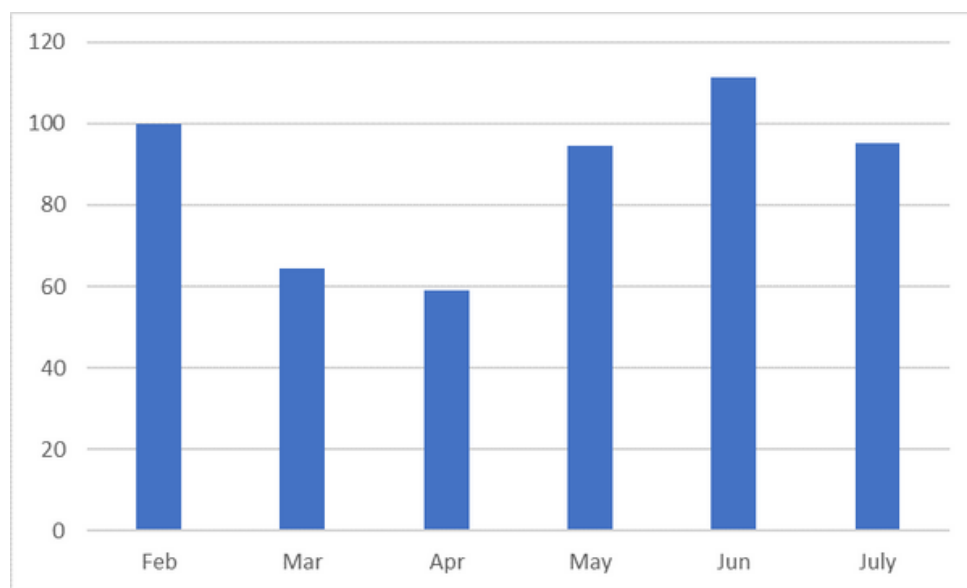
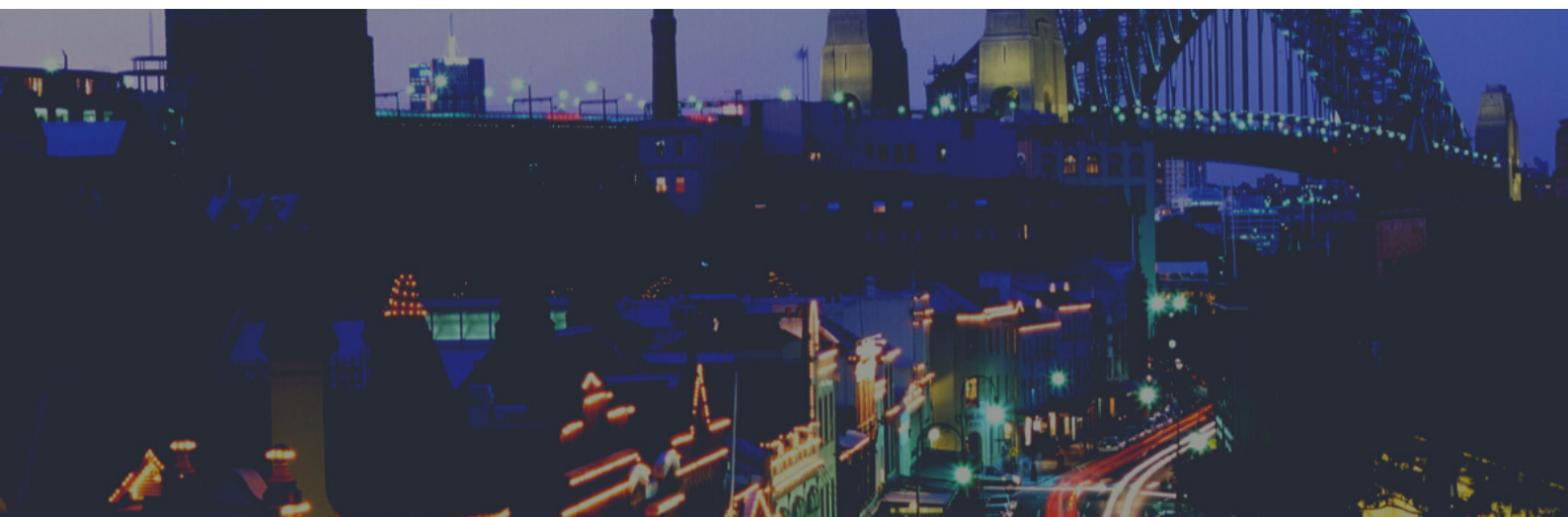


Figure One: Enquiries by Month (Index Feb 2020 = 100)

Enquiry volumes are now back to the levels they were in May and stand around 5% lower than pre-pandemic volumes.



INSIGHT 2:

VICTORIA IS BEING HIT HARDER THAN OTHER STATES

Coming out of the first wave, Victoria lagged the rest of Australia. In June, Victoria recovered to pre-pandemic levels, whereas enquiry volumes in the rest of Australia exceeded pre-pandemic levels by over 25%. In July, the impact of the virus has further accentuated the disparity between Victoria and other states.

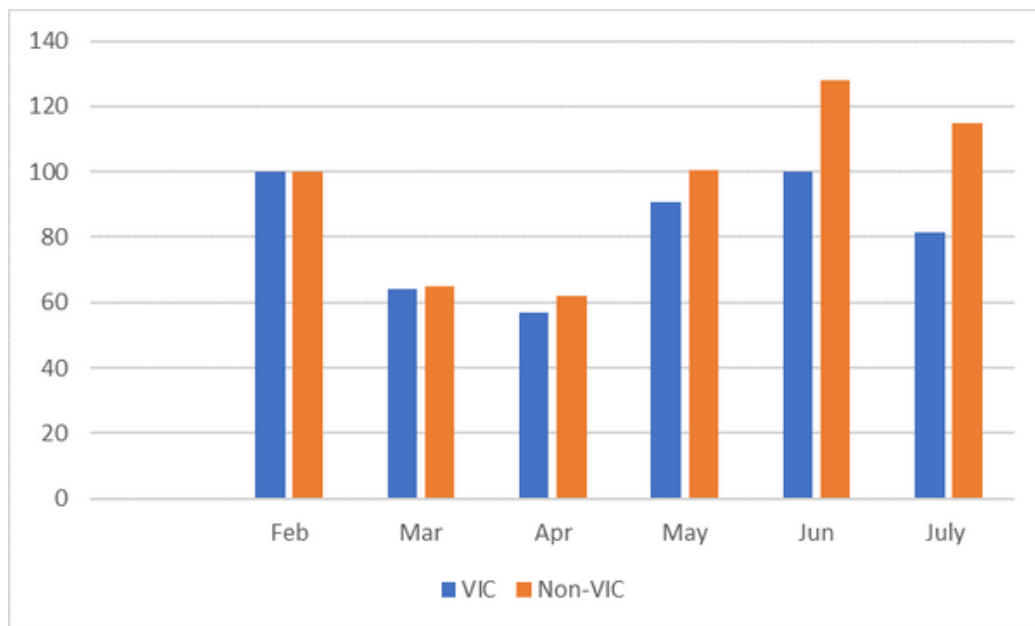


Figure Two: Enquiries in Victoria vs Non-Victoria (Feb 2020=100)

In July, Victorian enquiries fell 19% from their June levels while those in the rest of Australia fell 10%. This left Victorian enquiries at 81% of their pre-pandemic levels versus 115% for those outside Victoria. Although enquiries in states and territories outside Victoria fell in July, the volumes in these areas remained above pre-pandemic levels.



INSIGHT 3:

LEASING ENQUIRIES FELL MORE THAN SALE ENQUIRIES

In May and June we observed a significant rise in enquiries for lease and lease/sale listings, with both listing types trending significantly above pre-pandemic levels. This trend reversed in July, with lease enquiries falling around 19% from June versus only a 4% drop for sale enquiries.

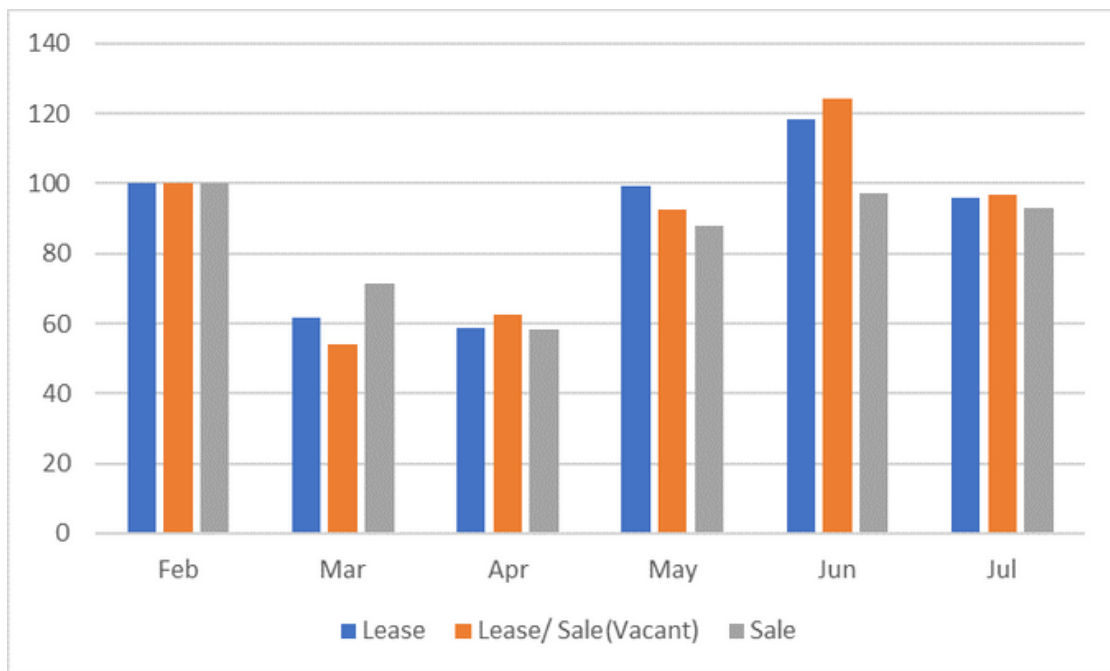
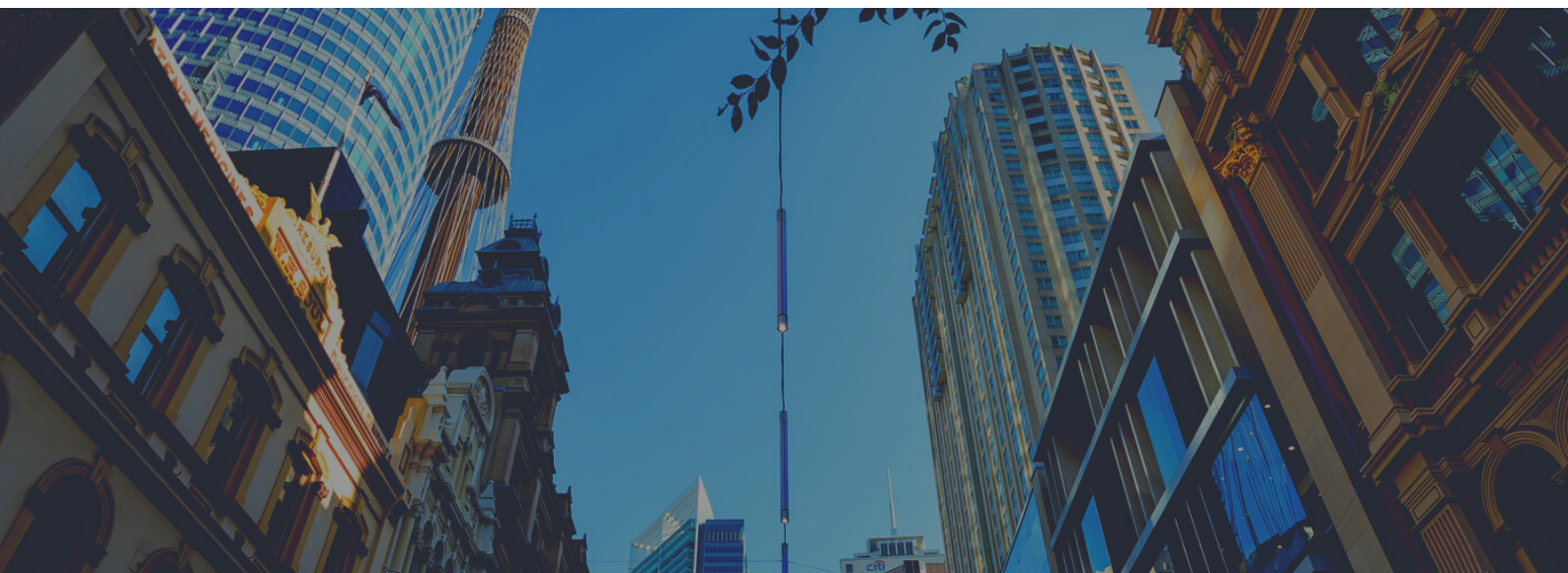


Figure Three: Enquiries by Listing Type (Feb 2020=100)

This again reinforces our view that there remains strong investor appetite for commercial property while interest rates remain at historic lows. Despite the July fall, overall national leasing enquiry volumes came in close to pre-pandemic levels.



FINAL THOUGHTS

Our analysis covers the period prior to the imposition of the Stage 4 lockdown in Melbourne which is expected to last for 6 weeks. We anticipate further falls in enquiry volumes in Victoria arising because of this harsher lockdown. If, however, the experience earlier in the year is repeated, then recovery prior to the end of the calendar year can be expected. Retail businesses, in particular, will need to have their leasing plans finalised to take advantage of the greater trading volumes leading up to Christmas.

That said, it may also be the case that Victorians will exit the lockdown restrictions with more caution than was the case when the national lockdown was eased earlier in the year. Consideration also has to be given to the prospect of at least one vaccine candidate successfully passing Phase 3 clinical trials during or even before the fourth quarter.

Oxford's vaccine, now branded as AZD1222, could be in a position to not only pass regulatory requirements in the fourth quarter, but also to have a supply of 400 million doses ready by the end of 2020. We expect that announcement of a successful Phase 3 outcome will act as significant stimulus to business confidence and, in turn, enquiries for commercial real estate.

