

PRESS RELEASE

Retail property investors need to remain vigilant

Sydney, 7 February 2019: Investors and self-managed super funds (SMSFs) with exposure to the retail property market need to remain alert to a sector experiencing enormous change, says Per Amundsen, analyst for the specialist commercial property lender, Thinktank.

Writing in Thinktank's quarterly report (January-March 2019), he says: "Despite retail sales growing in November by 0.4 per cent, annual growth of 2.8 per cent was down from 3.6 per cent in October, we would caution investors to tread warily in this property sector.

"Making predictions about trends in this sector is extremely difficult, with sales in November flat in South Australia but up a strong 0.6 per cent in Western Australia. Victoria and NSW were up a small 0.1% and a strong 0.8%, respectively, while Queensland experienced 0.4 per cent seasonally adjusted growth."

"Compounding the difficulty for investors and SMSFs is the performance of the differing retail sectors, with department stores back to relatively flat growth in November with zero trend growth and 0.4% seasonally adjusted, while Household Goods were up 1.2% on the same basis and Electrical Goods up 3.3 per cent. "

Other indicators reflecting the volatility of this sector was the Westpac-MI Index of Consumer Sentiment staying in optimistic territory, rising slightly in December to 104.4 but then falling by 4.7% in January to 99.6, just below the "pessimism level". And although the AiG Performance of Services Index stayed in expansion in December at 52.1 points, it fell by 3.0 points. Retail Trade was down 1.6 points to 51.8.

Amundsen says: "The ongoing weakness of Department Stores and DDS remains the major news for the sector and the outcomes of negotiations with major landlords will be followed closely as the expected downsizing continues. Retail asset manager Vicinity recently devalued 48 retail centres by a total of \$205 million, 26 of which were sub-regionals."

He notes the view of property valuers Herron Todd White that Sydney and Melbourne are both "approaching the peak of market" with ultra-low yields of 4 per cent adds to the confusion for investors and SMSFs. They see local economic conditions as still showing steady growth in Sydney but flat in Melbourne.

"Brisbane, too, with comparable yields of 6 per cent to 7 per cent for sub-regional and neighbourhood centres is also described as being at the peak of the market, while Adelaide and Perth remain at the bottom of the market with steady/increasing vacancies and declining rents. In Adelaide, yields are reported at 5.5 per cent to 7.75 per cent and in Perth at 6.5 per cent to 7.5 per cent.

About Thinktank:



Thinktank is an originator, credit underwriter and trust manager of small ticket (sub \$3m) commercial mortgages targeting the SME market. Thinktank was founded in 2006 by experienced banking & financial services professionals in commercial property & SME lending.

Property types include retail, industrial, office, as well as many other types of commercial property spanning such as child care, student accommodation, and boarding houses.

Thinktank is Sydney based and privately owned with 14 private shareholders [until April 2018, when ASX: AFG acquired a 30% interest] .

All senior staff have greater than 25 years in their respective fields of financial services expertise, at the core of this experience is a deep knowledge of the market segment that Thinktank specialises in.

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