

Media Release:

Property Markets in review: Industrial holds it all together, Commercial remains stable whilst the retail sector is under pressure.

Insights from Thinktank's Monthly Market Focus for March

Sydney, 5th March 2019: For investors and self-managed super funds (SMSFs) looking for steady yield, all commercial property market sectors have demonstrated a consistency of income returns around 5.5 per cent over the past two calendar years, says Per Amundsen, Head of Research for the specialist commercial property lender, Thinktank.

Writing in Thinktank's Monthly Market Focus for March, he says: "This is the standout feature for investors and SMSFs in the latest MSCI All Property Index. While showing the first fall below 11% in the rate of total return in 15 quarters for this index to 10.3% compared with 11.9% a year earlier and below the five-year average of 11.7%, it also highlights that the fluctuations are in capital growth, not income.

"Even property sectors that have suffered sharp downturns in their overall performance, notably Retail, Hotel and Healthcare, have still delivered consistent income returns over the past two years.

"By contrast, capital growth proved to be volatile in 2018, with a strong performance by Industrial and steady performance by Office failing to offset the decline in Retail, Hotel and Healthcare."

Amundsen says while the MSCI figures demonstrate the need for investors and SMSFs to remain alert to the vagaries of the different commercial property sectors, the consistent income returns across this asset class was "reassuring" in a volatile investment climate.

He adds that Thinktank remains confident that Industrial, which recorded the strongest total returns across the sector of 14.8% in 2018, can continue to perform strongly.

"The evidence suggests that the Sydney and Melbourne industrial markets remain buoyant, with yields compressing in the prime and secondary markets in both cities due to strong demand and limited opportunities, while the Perth market is improving.

"Office property, too, is enjoying buoyant conditions. Australia's largest market, Sydney, has seen vacancies fall to 4.1%, while in Melbourne it has hit a further 10-year low at 3.2%. While total returns for Sydney and Melbourne remain way out in front at 15.5% and 13.4%, all the capitals show an even and steady income return from 5% to 7%.

"Retail, however, remains problematic, and investors need to remain wary about this property sector. The fact is Australia's retail landlords are facing difficulties as bricks-and-mortar shops come under attack from online shopping and e-commerce giants competing for business, and investors must tread warily in this property space.

"Concerns are continuing to mount for the retail sector as changing consumer behaviors, low wage growth, mounting debt levels and falling house prices weigh on investors' minds. While capital growth for all retail assets remains marginally positive, it has slipped into negative territory for regional, sub regional and neighborhood assets."

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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