

Market Commentary

“Brief Deferment, Not Cancellation”. Recovery Underway.

By Scott Keck, Chairman, Charter Keck Cramer

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At Charter, our analysis of transactions indisputably confirms that most, by their nature, will not be cancelled due to the pandemic economic stall, but rather only deferred and for as briefly as necessary.

In the residential sector, generational, demographic and home ownership property requirements prevail. Across commercial, office, retail and industrial sectors, businesses need their operational occupancies.

Following careful review and analysis at CHARTER we are convinced that we are very soon to emerge increasingly from a period of BRIEF DEFERMENT rather than cancellation of most property development and investment strategies. This recovery is supported by Federal and State Government initiatives, an improving outlook for C19 control, historically low interest rates which offer unprecedented arbitrage, rebounding domestic tourism and rapidly improving community confidence.

Consequently, we are probably about to enter into a period of significantly increased demand for property and construction along Australia's East Coast.

We anticipate that over the next six months we will experience an emerging confluence of the following:

- » Federal Government infrastructure initiatives, particularly in Defense, Transport, Energy and a return to Australian based Manufacturing.
- » State Government Infrastructure initiatives particularly in Education, Health, Social Housing, Greenfield development and Urban renewal.
- » Return of private sector confidence boosted by State Government prioritising approval for private sector Major Projects.
- » Deferred projects already commencing – leading by example.
- » Easing of credit approval criteria and historically low interest rates which will be accepted as assured for the long term.
- » Proactive Pipeline preparation to meet housing demand rebound in late 2021/2022.
- » Build to Rent (BTR) has now engaged institutional commitment and approximately 15000 rooms are proposed in Melbourne and Sydney over the next two years.
- » Commercial & Retail renovation and conversion works to meet new C19 compliance regimes.

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- » Development response to significant increase in domestic tourism. Renovation and conversion of many existing buildings.
- » Increased International demand for new, quality Australian Real Estate assets.
- » Surge in activity in major regional centers such as, in Victoria, Geelong, Ballarat, Bendigo and Albury/Wodonga and in New South Wales, Wollongong and the North Coast.
- » Fishermans Bend precinct and other projects related to Melbourne's role as the Nation's major Port.

Evidently, the Federal government has a four themed strategy to lead the Nation's economic recovery which is being implemented simultaneously across all States and Territories and which themes are summarised as follows:

- » Prioritisation of Major Infrastructure.
- » Domestic Tourism – border diplomacy to allow free flowing tourist movement across all states
- » Construction – to provide a clear pathway for maximum construction activity
- » Population Growth – recommencement of significant Immigration and Foreign Student programs as soon as effective C19 protocols allow.

The Federal government intends that these major initiatives will lead and supercharge the economy rather than follow what would likely be an otherwise longer and slower recovery.

Beyond specific initiatives in each State there are two other major influences at a National level that will certainly contribute significantly to the economic recovery. Firstly, the acceptance by Federal Government that substantially increased (record) National debt is not to be feared, but rather embraced particularly at a time of low interest rates. As with any debt, if it is focused wisely and managed carefully it stimulates activity and leverages net returns. The key issue with debt is serviceability and that has never been more favorable given the extraordinarily low rates, fixed long term, which are available to Australia given its excellent credit rating.

The second influence is the rapid economic recovery within China, which will have immediate benefit from an Australian trade/export perspective and long term, increasing benefits indirectly through to so many sectors within our economy. It needs to be remembered that the continuing "asianisation" of Australia is its inevitable destiny over the balance of this century.

Strategy has always been important but more so now than ever before. We invite you to contact our firm for your strategic property needs.

- **Scott Keck, Chairman, Charter Keck Cramer**
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