

Re-Leased

WHY TECHNOLOGY AND DATA ARE VITAL FOR THE RECOVERY AND GROWTH OF THE AUSTRALIAN AND NEW ZEALAND COMMERCIAL REAL ESTATE SECTOR

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With contributions from

CBRE



**CUSHMAN &
WAKEFIELD**

CCREDIA

BY RE-LEASED

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Foreword

When cities across Australia and New Zealand went into lockdown in March 2020, it signalled the start of great flux for the commercial real estate sector. Many occupiers struggled with restricted access to their premises, and businesses experienced a fall in turnover. Contrastingly, a handful of tenants in fortunate sectors required more space to cope with heightened demand for their services.

There is a distinct lack of historical data and like-for-like comparisons to help comprehend the evolving environment. However, our industry is adapting as we look to extract insights from the resources available.

Data and technology are now more important than ever for understanding changing industry trends and business performance.

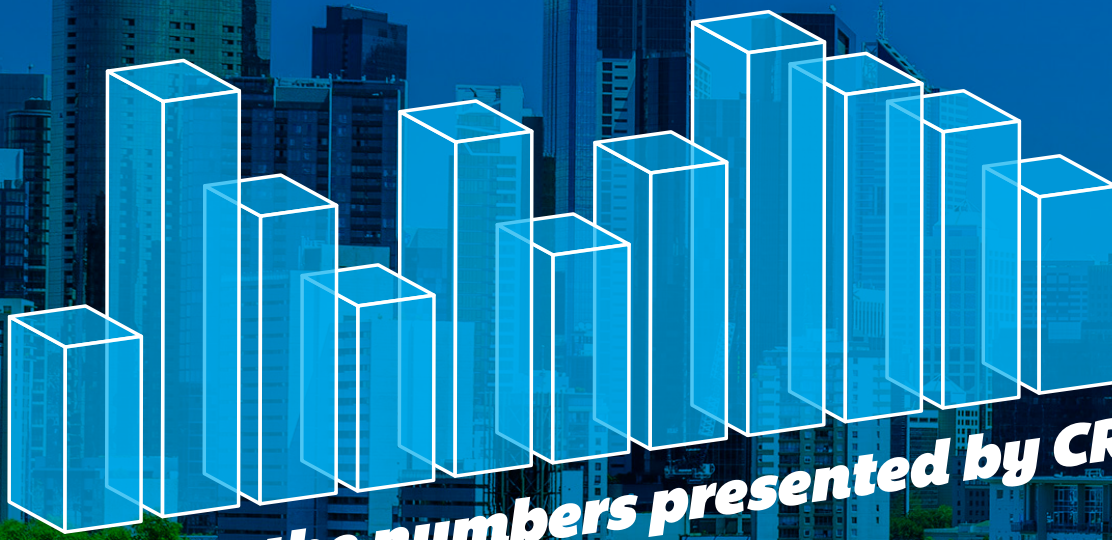
We will explore what the data shows us for the industry in 2020 and how commercial real estate firms are reacting and taking action to drive recovery and growth beyond the pandemic >>



Re-Leased

Tom Wallace
CEO / Founder





2020 by the numbers presented by CREDIA

Australian Commercial Real Estate Data

Key takeaways:

Rent collection dropped by over **20%** in April and May as the country went into lockdown



Retail was the hardest hit in April with a low of **51%** compared to a rent collection baseline of 85%



Dramatic increases in landlord subsidies and rent relief were seen during COVID-19. Rent credited peaked in May at **8.7%**



VIC remains the most impacted state long-term, collecting **79%** of rent in September

Recovery started in July with a **6%** increase on April's rent collection



Across states, NSW experienced the greatest rent collection low of **62%** in May



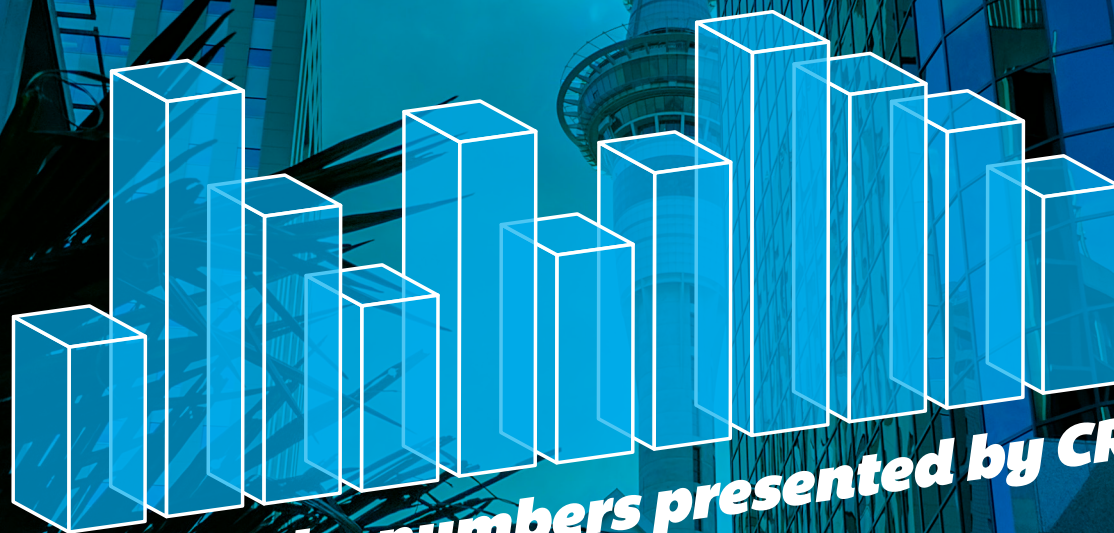
Office shows resilience as an asset class with **85%** of rent collected in October. However, landlord subsidies are still high at 5.3%

Industrial was **7%** off pre-COVID rent collection levels of 85% in October

WALE in Australia has declined from January 2020 to Nov 2020, falling **3%** with the national average now sitting at 27.7 months



Total commercial rent collected was **82%** in October compared to a baseline of 90%, showing a slow but steady recovery



2020 by the numbers presented by CREDIA

New Zealand Commercial Real Estate Data

Key takeaways:

Rent collection dropped over **20%** in April and May as the country went into lock down



Retail reached a low of **48%** rent collected in April compared to a baseline of 87%



Dramatic increases in landlord subsidies and rent relief were seen during COVID-19. Rent credited peaked in May at **14.3%**



June signalled recovery, with a jump of over **10%** in rent collection compared to the month prior



Tourism centric Otago & Southland has been the most impacted of all regions



Auckland has seen an **18%** recovery in rent collection since May lows

Average length of fixed commercial property leases signed in July fell **6.6%** vs June

Office steadies in last 3 months collecting close to **90%** of rent

Industrial assets have returned to pre-COVID levels, with **91%** of rent collected in September. However, rent subsidies are most prevalent in industrial at 3%

A steady recovery across all asset classes has meant that the national average in October is only **2%** off the pre-COVID level



Market Sentiment Across APAC

CBRE recently released its Asia Pacific Real Estate Market Outlook 2020 Mid-Year Review, and Henry Chin, Head of Research APAC and Investor Thought Leadership, says that although there has been a downturn in transaction volume and leasing activity, there is positive market sentiment and a strong outlook in the Asia Pacific region across both the occupier and capital markets. The depth and breadth of the recovery across the region is uneven, however, Auckland and Sydney in particular are showing strong signs of recovery following effective city-wide lockdowns.

“

Transaction volume is down 30-40% across the region, while leasing activity is down 40-50%. But there is positive momentum in terms of leasing sentiments — that is why we think recovery is coming in 2021 and into 2022. Asia Pacific brokers are positive, and they think that transaction activities will go back to pre-COVID levels, probably in the second half of next year, because there is plenty of liquidity.



CBRE

Dr. Henry Chin

**Head of Research APAC
and Investor Thought
Leadership**

CBRE Report

**leasing
activity is
down 40-
50%**

How Can Commercial Real Estate Firms Adapt?

Gaining transparency of how the industry is being affected paints a clearer picture of how data insights can be utilised to make informed decisions going forward.

Unsurprisingly, technology has now become an essential part of the conversation around how commercial real estate companies will adapt. Government-imposed lockdowns and social distancing measures have influenced a rapid shift for real estate firms to embrace remote working and a requirement for their systems to be hosted in the cloud.

In the past, migrating to the cloud was perceived as forward-thinking and a move that would create a competitive advantage. However, the environmental shift that has taken place in 2020 has ensured that a cloud strategy is a necessity rather than a luxury.

Investing in the cloud has proven critical to running a stable and secure organisation. It facilitates business adaptivity, an essential trait in a rapidly changing market.

According to an audience poll in a recent Re-Leased webinar:

Over 80% of property professionals said **technology** will play either an important or critical role in their **COVID-19 recovery plan**.

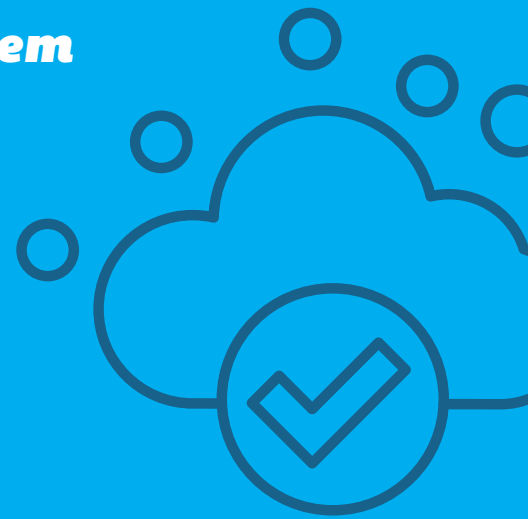
[Watch Webinar](#)



3 Ways Commercial Real Estate Companies Can Leverage Technology and Data to Adapt:

1. Building a Connected Cloud Ecosystem

Real estate companies have an opportunity to create a connected cloud ecosystem of software. Having aspects like your property management data and finances connected in a single source of truth, removes siloed information and reliance on manual processes. Software that integrates and transfers data in real-time enables agile and efficient organisations.



Henry Chin believes firms throughout the industry must now embrace property technology solutions (proptech) as the backbone of their business operations.

“What I’ve been talking to our clients about is the real estate ecosystem. We need to be able to manage assets online, collaborate with tenants, automate processes to save time, enable virtual viewings and be able to sign contracts virtually to close deals. The pandemic has forced us to rethink — a lot of proptech has been classified as ‘nice-to-have’, but now it’s a ‘must-have.’ ”

Tom Wallace, CEO of Re-Leased echoes that sentiment. “Knowledge is power — with the old software being used, it is hard to connect business vitals and understand basic metrics in terms of:

- How is rent collection tracking?
- What outstanding arrears do we need to chase?
- What costs are we accruing?
- How are individual property managers tracking against their key performance indicators?

Having software that displays these visually gives clarity and confidence to make impactful decisions.”

3 Ways Commercial Real Estate Companies Can Leverage Technology and Data to Adapt:

2. Rethinking Occupancies

While the pandemic has enabled more agile working and accelerated the adoption of technology, it has also sparked structural changes. Property professionals are now re-thinking the utility of their physical space, particularly offices.

The initial period of working from home demonstrated that it was possible for businesses to successfully operate in a new fashion, however, according to John Sears, Head of Research for Australia at Cushman & Wakefield, the gloss has started to wear off.

“A lot of people want to get back into the office at least a few days a week. You do not get the same team environment and learnings that you might get in the office if you are around more experienced people.”

However, returning to an office environment will promote greater monitoring of how the space is used to prioritise staff wellbeing.



 CUSHMAN & WAKEFIELD

John Sears
Head of Research Australia

“While cities are opening up, everything is not back to normal. There might be only 50% occupancy allowed in a building to make sure there is adequate social distancing. So what many of our clients are putting in is a desk monitoring system where you can check if the office is full before you go in and, if it is not, you can book a desk online. It also helps management know how the space is being utilised, and they can make better decisions.”

3 Ways Commercial Real Estate Companies Can Leverage Technology and Data to Adapt:

3. The Future is Data

With many rapidly changing industry dynamics, there are countless opportunities for data collection. Yet, the real value will only be secured when firms harness the correct data points, make sense of them, and deliver the insights back to their own business or clients.

“There is just so much data out there that you want to be able to manage it effectively and make sure you get the right analysis and trends to help you, your company and your clients make better decisions,” says **Sears**.

Re-Leased recently launched **CREDIA**, a property intelligence platform designed to provide greater transparency and insight into the health of your business and the commercial real estate market.

[Go to the CREDIA Commercial Index](#)

This is one of the new initiatives being introduced to an industry that has traditionally been starved of timely and relevant data. Exploring data sets such as the **CREDIA Index** will allow companies to better reflect on their portfolio performance and adopt a proactive approach to uncovering growth opportunities.

“Commercial landlords, property managers and investors can easily benchmark their own portfolio’s key performance indicators against the broader market for COVID recovery and beyond,” says Tom Wallace.