MARKET OVERVIEW

1. THE SINGAPORE ECONOMY

1.1. Economic Overview

Economic growth and outlook weakened in 2020

According to the Ministry of Trade and Industry ("MTI"), Singapore's Gross Domestic Product ("GDP") in 2019 grew 0.7% year-on-year ("y-o-y"). Considering the existing COVID-19 pandemic and global macroeconomic situation, Singapore's GDP 2020 growth forecast has been downgraded to "-7.0 to -5.0%". Unemployment rate inched up marginally to 2.9% in 2Q2020, from 2.4% the previous quarter and the number is expected to rise. Total population in Singapore for 2019 was 5.7 million, a 1.2% increase y-o-y. Median monthly household income (including employer Central Provident Fund ("CPF") contributions) in 2019 was S$9,245, an increase of 1.4% y-o-y.

1.2. Retail Sales Index

Essential businesses remained resilient while online sales remain high

Retail sales (excluding motor vehicles) has been trending downwards since 2019. Following the fall in April and May during the Circuit Breaker period, retail sales (excluding motor vehicles)[1] for June 2020 improved by 42.6% compared to that in May. But it is still 24.2% lower compared to one year ago. All major components showed a decline including department stores (-66.5%), food retailers (-47.3%), recreational goods (-40.2%), wearing apparel & footwear (-61.6%) and watches and jewellery (-59.0%). The Food & Beverage Services Index registered a large decrease, with the index falling 41.7% y-o-y. However, retail sales index grew strongly for supermarkets and hypermarkets (+44.8%) and mini-marts and convenience stores (+5.9%). The retail sales index includes online sales figures and has been adjusted for inflation. On the other hand, the percentage of online sales out of total retail trade remains high, averaging around 20.0% between April and June. This is significantly higher compared to between 4.9% and 7.6% per month in 2019, respectively.

2. SINGAPORE TOURISM OVERVIEW

2.1. International Visitor Arrivals

Record visitor numbers in 2019, but plunged after border closure (March 2020)

According to Singapore Tourism Board ("STB"), international visitor arrivals grew 3.3% y-o-y to 19.1 million in 2019. The top five visitor markets which achieved record high numbers include China (+6.1%), Indonesia (+3.0%) and Australia (+2.7%). 2019 highlights include the opening of new attractions such as Jewel Changi Airport, Floral Fantasy at Gardens by the Bay and others.

As a result of border closures in March 2020, visitor arrivals in 1H2020 registered a sharp decline of 71.4% to 2.7 million. There are, however, ongoing negotiations with countries on reciprocal green lane arrangements for essential business travels.

Higher dollar contribution from shopping in 2019

Tourism receipts ("TR") for 2019 was S$27.1 billion, a 0.5% y-o-y increase, amidst global economic uncertainties and growing regional competition. Growth was in Shopping, whilst declines were noted in other components like F&B and Entertainment and Gaming, reflecting a shift in consumers' preference and demand. However, with the existing COVID-19 situation, malls with a higher proportion of tourist footfall may likely see tenant sales being impacted.

2.2. Tourism Trends

Promoting domestic tourism

As international travel is unlikely to resume in the short term, STB, together with Enterprise Singapore and Sentosa Development Corporation, launched a nine month-long campaign - "SingapoRediscovers" in July to encourage domestic tourism. The S$45 million campaign includes direct marketing of various attractions, retail activities and events, as well as collaborating with industry partners for promotions and marketing grants for industry partners.

Targeting high quality travellers

In the medium-term, Singapore aims to attract high quality travellers, e.g. essential business travellers when international travels resume. This will likely have a positive impact on prime retail areas like Orchard Road, where majority of the business hotels and high-end shops are located.

3. SINGAPORE RETAIL PROPERTY MARKET

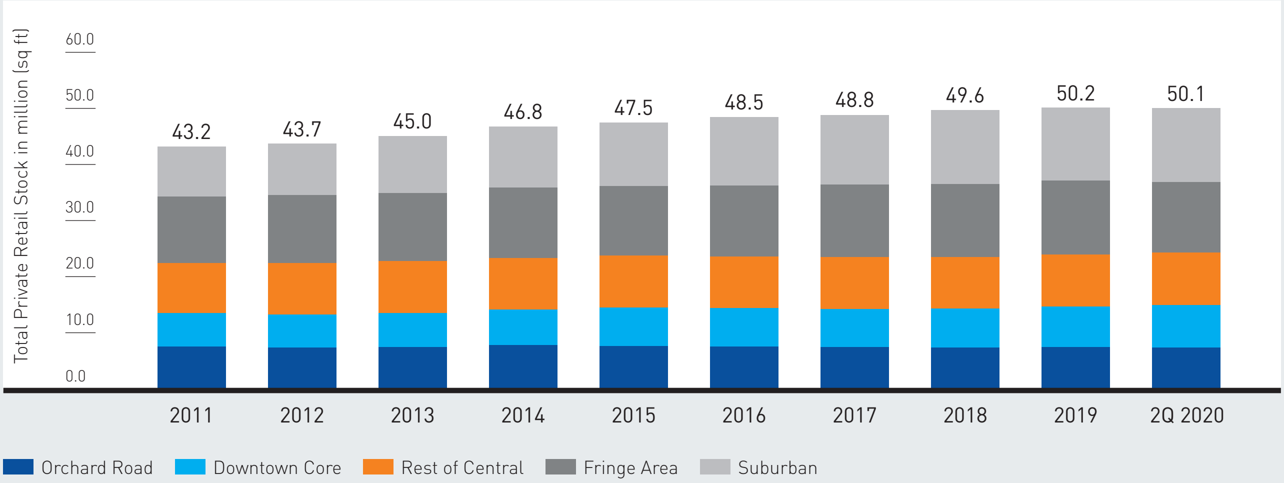
3.1 Existing Retail Supply

Completion of several mixed-use developments in 2019

Islandwide retail stock increased to 66.9 million sq ft as at 2Q2020, compared to 66.6 million sq ft y-o-y. Of this, 74.0% (50.1 million sq ft) is private retail stock (Chart 1). There were several completions of mixed-use development with retail components in 2019 including PLQ Mall (340,000 sq ft), Jewel Changi Airport (576,000 sq ft) and the reopening of Funan Mall (507,000 sq ft). New retail completions in 1Q2020 include Woods Square (44,805 sq ft), 30 Bideford Road (54,400 sq ft) and asset enhancement works for 30 Raffles Place (38,266 sq ft).

1. Retail Sales Index (2017=100), in Chained Volume Terms, Monthly, SA (SSIC 2015 Version 2018).

Chart 1: Private Retail Stock



Source: CBRE, 2Q 2020

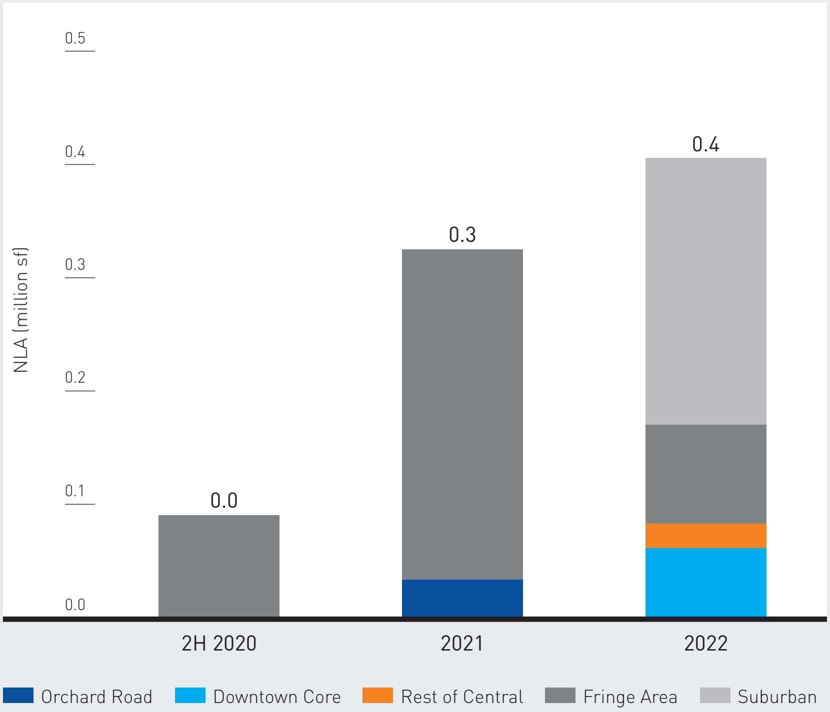
3.2 Future Retail Supply

Steady stream of upcoming retail pipeline

The total projected islandwide retail supply over in 2H2020 to 2022 is estimated at 0.8 million sq ft (Chart 2). The three-year annual average supply coming into the market between 2020 (full year) and 2022 is approximately 0.3 million sq ft, which is significantly lower than the historical three-year annual average of 1.2 million sq ft.

There is only one pipeline in the Orchard Road area, Boulevard 88 (32,000 sq ft), which is expected to complete in 2021. Other potential supply in 2021 include the re-introduction of Grantral Mall (67,500 sq ft), Shaw Plaza (68,900 sq ft) and i12 Katong (202,400 sq ft) in the Fringe area. In 2022, approximately 0.4 million sq ft will be added, including Guoco Midtown (30,000 sq ft) and Central Boulevard Towers (30,000 sq ft) in Downtown Core and One Holland Village (77,400 sq ft) in the Fringe area.

Chart 2: Future Retail Supply



Source: URA, CBRE

MARKET OVERVIEW

Other potential retail supply from Government Land Sales ("GLS") sites includes a mixed-use development in Jalan Anak Bukit under the Confirmed List and three white sites (Marina View, Woodlands Avenue 2 and Kampung Bugis) under the Reserve List.

3.3 Retail Demand and Occupancy

Occupancy levels contract marginally but net absorption is at all-time low

Occupancy for private retail stock dipped marginally in 2Q 2020 to 88.9%, declining by 2.3% y-o-y. Net absorption of private retail stock was -0.9 million in 2Q2020, the lowest in recent history.

Entry of new-to-market brands in Orchard Road

Orchard Road is one of the most popular shopping and free-access attractions in Singapore. The shopping belt has a total of 7.3 million sq ft of Net Lettable Area ("NLA") in private retail space across over 44 retail developments and is well supported by approximately 10,500 hotel rooms and serviced apartments in the vicinity. Given the lack of new supply in the area, occupancy in Orchard Road remains healthy at 90.8% for 2Q 2020. New-to-market brands that entered in 2019 include Monaco's Bacha Coffee Room & Boutique and Five Guys.

Placemaking strategies as part of Orchard Road rejuvenation plans

As part of Orchard Road rejuvenation plans, the existing Grange Road open-air carpark is expected to redevelop into a multi-functional event space. The 48,200 sq ft area is expected to be completed by 2Q2022 and will offer innovative concepts including a calendar of a series of events and programmes. In addition, The Textile and Fashion Federation("TaFF"), the new operator for Design Orchard's retail showcase, will leverage its domestic and regional trade association network to create more opportunities for local brands at Design Orchard.

Suburban areas remain resilient with strong demand

Occupancy levels in suburban areas remained resilient (89.3%) in 2Q2020 as it is well-supported by a residential catchment. The Clementi Mall is strategically located at the heart of the Clementi Planning Area and is directly connected to transportation nodes. The neighbourhood mall serves approximately 92,000 residents in the Clementi Planning Area and about 174,000 in neighbouring Bukit Timah and Queenstown Planning Areas. The residential catchment is expected to increase with the completion of additional 5,400 public and private housing units. Given the proximity to tertiary institutions, Clementi is also well-supported by a student population of more than 84,000.

Future planning developments will boost demand in Bukit Panjang Planning Area

The Rail Mall currently serves approximately 293,000 residents in the Bukit Batok and Bukit Panjang Planning Areas. It enjoys healthy visitorship from nature-enthusiasts and hikers due to its close proximity to the Rail Corridor. Due to be fully completed by 2021, the 24 km former railway line that stretches from the North to South of Singapore will be

transformed into a community space, linking approximately one million people within 1 km of its catchment.

3.4 Prime Retail Rents[2]

Prime retail rents in Orchard Road dipped marginally while suburban prime rents remain flat

Amidst structural challenges in the retail sector, prime retail rents in Orchard Road dipped marginally in 2Q2020 to S$31.05 per sq ft ("psf")/month, a 0.2% decline y-o-y. Suburban prime rents have withstood market rental compression and volatility due to steady domestic consumption, remaining flat at S$29.00 psf/month over the same period.

3.5 Emerging Retail Trends

Reimagination of retail spaces as a differentiating factor

Landlords have been reinventing their retail spaces through thematic concepts, experiential community spaces, activity-based retailing and live-work-play hubs. To differentiate themselves, landlords have also been targeting new-to-market and new concept stores - some examples include US burger chain Shake Shack, Malaysian bakery Lavender and a Pokémon Centre store.

Digitalisation: the key amidst today's times

With the increase in online retailing and changing consumption behavioural patterns alongside COVID-19 pandemic social distancing measures, digitalisation and introducing omni-channel strategies have been key for landlords and retailers to remain relevant. Many prominent retailers have partnered with third party delivery service providers to extend their reach and as part of their last mile fulfilment.

3.6 Commentary of COVID-19 Impact and Outlook

Given global uncertainties, disruptions in tourism sector and consumption, dampened market and business confidence, the retail market is expected to face extended headwinds, which will be further exacerbated by the existing COVID-19 situation. Rising unemployment levels and weakening business sentiments has led to a fall in discretionary consumption. With Circuit Breaker measures in place, non-essential services were mandated to stop operations, and this resulted in dampened domestic spending, impacting footfall levels and tenant sales. Arising from this, more landlords and retailers have started adopting omni-channel retail strategies to grow their digital presence, transform and stay relevant in today's retail climate.

In response to the COVID-19 pandemic, the government has pledged a total of S$99.7 billion (or 20.0% of GDP) across four budgets. To support landlords and retailers, the COVID-19 (Temporary Measures) (Amendment) Act 2020 was passed in June 2020 to provide loan and cashflow support for landlords, whilst extending rental support for eligible SMEs.

Under the Act, landlords can defer both principal and interest repayments till 31 December 2020, should they be required to provide rental waivers or repayment rescheduling to affected tenants. On the other hand, landlords are not allowed to terminate or evict tenant affected by the pandemic during this period. Flexibility is also given to S-REITs to extend their timelines for distribution of taxable incomes. Lastly, project completion period for residential, commercial and industrial projects have been extended.

Shopper traffic and tenant sales have shown encouraging recovery since Phase Two of the Circuit Breaker period with more retailers resuming operations safely. However, strict social distancing measures like capacity limits in malls and establishments continue to hinder the recovery to pre-COVID-19 levels.

Moving forward, island-wide retail rents are expected to experience corrections in 2H2020, with the widening of the two-tier market. Retail rents in Downtown Core will be significantly affected as companies continue to adopt work-from-home arrangements that will result in a fall in footfall. Tourism-reliant malls in Orchard Road, especially those in secondary locations and floors, will also face more pressure due to the fall in international visitors. On the other hand, suburban malls, especially those conveniently connected to public transport and with sufficient scale, will be more resilient.

2. Average prime retail rents, which refers to average prime floor in a prime mall (close proximity to a key transport node, with high footfall traffic).

MARKET OVERVIEW

4. SINGAPORE MEDICAL SUITE MARKET

4.1 Healthcare Services Industry Trends

Long-term fundamentals remain resilient

Fitch Solutions[3] forecasts that Singapore's total healthcare expenditure is expected to increase from S$25.8 billion in 2019 to S$39.4 billion in 2024, representing a compounded annual growth rate of 8.8%. Driven by Singapore's rising affluence and aging population, this represents a meaningful acceleration from the historical growth rate of 7.2% from 2016 to 2019.

Increasingly affluent population boosts healthcare demand

Singapore has become increasingly affluent from 2016 to 2019, with total household net worth growing at a steady rate of 6.9% per annum. In line with the experience of many developed countries, rising affluence in Singapore has seen an increase in spending and demand for high quality private healthcare.

This is supported by the increasing take up levels of life and medical insurance. Premiums of private insurance components of private hospital Integrated Shield Plans have grown at 7% for the last five years, according to Singapore Ministry of Health; a trend that reflects the consistent increase in private hospital claims and demand for private healthcare services.

Rising healthcare demand due to the aging population

Singapore's population is aging rapidly. In 2019, residents aged 65 years and above made up 14.4% of the total resident population and is expected to rise to around 30.0% by 2030. In addition, life expectancy has increased to 86 years in 2019.

The demographic shift would mean that the healthcare demand uptrend is expected to continue. As the population ages, chronic diseases become more common while long-term care and treatment of chronic diseases are a necessity. According to Singapore Ministry of Health, in 2019, the inpatient admissions for the elderly (aged 65 and above) grew 8.9% and 5.4% for public and non-public hospitals respectively. The number of registered doctors in non-public practice increased 5.0% y-o-y to 4,439 in 2019, leading to the potential additional demand for private medical suites.

A shift in medical technology amid COVID-19 outbreak

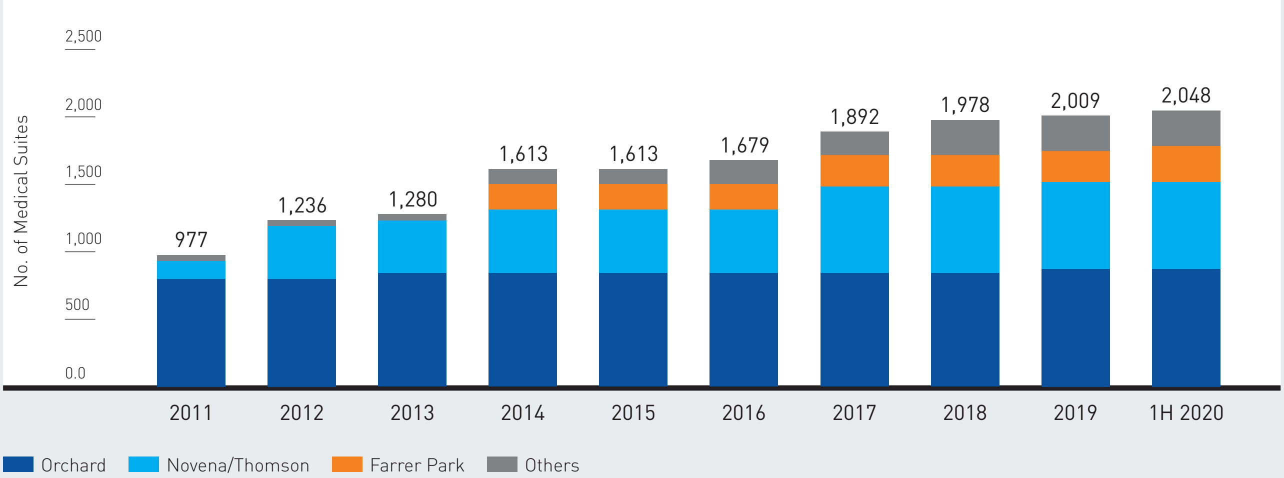
Amid the COVID-19 pandemic outbreak, telehealth technology has been rapidly gaining global traction as an effective and sustainable solution for remote diagnosis and monitoring of patients, while adhering to social distancing measures. While less urgent appointments are being cancelled/ deferred, e-consultation has become extremely crucial for physicians to attend to cases that require urgent diagnosis, follow-up or treatment. Chronic patients who are at high risk of exposure to the virus can stay at home and communicate with physicians through virtual channels. Many healthcare providers worldwide are quickly deploying and expanding telemedicine capabilities as they start seeing the benefits of digital tools in alleviating medical practitioners' load and protecting them from the risk of infection whilst treating patients.

4.2 Medical Suite Supply

Lack of new supply supports rental

As at 1H2020 the total islandwide stock of medical suites stands at approximately 2,050 units (Chart 3). The bulk of these at 74.0%, are in the Orchard and Novena/Thomson medical precincts, with approximately 872 and

Chart 3: Medical Suite Supply



Source: CBRE

3. Singapore Healthcare Market Forecast by Fitch Solutions dated 27 April 2020.

643 units respectively. Two notable project completions in 2H2019 and 1H2020 are Triple One Somerset (31 units) and Centrium Square (39 units).

As at 1H2020, there is no new supply of medical suites in the pipeline in the next three years.

4.3 Medical Suite Rents

Rents are expected to be resilient

As at 1H2020, asking monthly gross rents for medical suites in the Orchard precinct average $13.20 psf/month, ahead of Novena/Thomson and Farrer Park precincts at S$9.50 and S$5.20 psf/month respectively (Table 1). The premium for the Orchard precinct is due to the presence of a prominent medical cluster, easy accessibility to top private hospitals, established network of specialists as well as a wide range of lifestyle options for hospitality, retail and F&B.

Amidst the backdrop of resilient industry fundamentals and limited supply growth, especially in well-established precincts such as Orchard, demand for medical suites is projected to remain stable within the next 12 months.

4.4 Impact of COVID-19

Impact of government measures

Since the start of the COVID-19 outbreak, the Singapore Government has implemented various measures to manage the outbreak situation and to slow the transmission of the virus. During the Circuit Breaker period, only essential healthcare services were permitted, with the remainder deferred. In addition, physical visits were minimised where possible, with teleconsultation and medication delivery being the preferred mode of review.

With the end of the Circuit Breaker in June 2020, healthcare services which were deferred have been allowed to resume in a controlled and gradual transition. Priority has been given to care that cannot be deferred further without affecting clinical outcomes as well as primary and preventive care. Domestic patient volumes are now recovering in the light of this pent-up demand. However, as Singapore is currently entering a recession due to the economic fall-out of COVID-19, some price-sensitive local patients may switch to public healthcare as a lower-cost alternative.

Table 1: Asking Monthly Gross Rents (S$ psf/month)

Precinct	Low	Average	High
Orchard	$11.00	$13.20	$14.50
Novena/Thomson	$8.60	$9.50	$9.80
Farrer Park	$4.80	$5.20	$5.50

Source: CBRE

Medical tourism

The rapid escalation of COVID-19 cases worldwide has called for an unprecedented closure of Singapore's borders to short-term travellers' effective 22 March 2020. This resulted in a plunge in arrival numbers and medical tourists postponing their travel plans and medical appointments.

As at July 2020, Singapore's borders are re-opening gradually to allow for safe travel in limited numbers. However, the ongoing spread of the global pandemic is curtailing movements of people and patients and is expected to delay the normalisation of medical tourism to pre-outbreak levels.

Nonetheless, Singapore's medical expertise, particularly in complex treatments[4] such as oncology, ophthalmology, organ transplants, stem cell treatments and neurological surgeries, gives her a formidable competitive advantage. Combined with quality of care and outstanding service, CBRE opines that Singapore will continue to draw the premium segment of medical tourists as travel restrictions ease and the crisis is eventually contained when a vaccine is produced.

4.5 Impact on Paragon Medical

Long-term demand for medical suites in prime locations of established clusters is expected to remain robust. The Orchard medical precinct will continue to be the top choice for doctors, medical travellers and locals owing to its superb accessibility to reputable hospital Mount Elizabeth Hospital and a sterling reputation for top medical practitioners. CBRE opines that in the near-term, Paragon Medical will continue to draw premium local patients, and more importantly, is well-placed to benefit from the recovery of Singapore's private healthcare sector.

4. https://healthcareasiamagazine.com/healthcare/in-focus/singapores-medical-tourism-ambitions-falter-malaysia-steps-0

MARKET OVERVIEW

5. AUSTRALIA RETAIL MARKET

5.1 Australia Macro-Economic and Retail Market Overview

Economic outlook gloomy with decline in domestic consumption

The Australia GDP fell 0.3% quarter-on-quarter ("q-o-q") in March, or 1.4% y-o-y according to figures released by Australia Bureau of Statistics ("ABS") for June 2020. This is the slowest through-the-year growth since the Global Financial Crisis ("GFC"), owing largely to significant events in 1Q2020 such as the Bushfires and COVID-19. With overall domestic consumption in decline, Australian GDP is expected to fall 4.3% in 2020 (down from 1.8% growth in 2019). State Final Demand ("SFD") is expected to fall 6.6% and 3.3% in New South Wales ("NSW") and South Australia ("SA") respectively in 2020 before returning to slow growth in 2021, with NSW growing 2.4% and SA growing 1.8%.

Domestic demand decreased by 0.5% due to a decline in household expenditure and private investment. Consumer price index stands at 0.3% y-o-y for 2020 and is forecasted to increase to 1.4% in 2021. Services, e.g. air transport, have been impacted by travel/border restriction measures, whilst hotels saw spending deteriorate significantly. As a reflection of weak domestic demand, import of goods fell 3.9% and import of services fell 13.6% due to a drastic decline in travel services. Population growth grew by 1.2% for 2020 y-o-y but is forecasted to grow at a slower rate of 1.0% y-o-y in 2021.

Retailers face wave of uncertainty

Retail turnover in Australia has been growing at 3.4% annually over the past ten years (12 month moving average, 1Q2011 to 1Q2020). This growth has been disrupted substantially since the end of 1Q2020 and the advent of the global pandemic. In the past quarter, retail sales declined 2.3% q-o-q. There was varying growth through the different states: The Australian Capital Territory ("ACT") has been the most insulated, growing 2.6%, whereas Victoria has seen the sharpest decline in retail trade.

Retailers have experienced gradual stability as Australia begins to ease restrictions phase by phase throughout the different states. However, the capricious second wave of COVID-19 has shored up retailers and landlords with waves of uncertainty.

5.2 Emerging Retail Trends in Australia

Evolving consumer behaviour with strong e-commerce penetration

Online retailing grew an average of 19% per month since March 2020 and comprised 9.7% of total retail sales for June. Although these hikes will be temporary as a result of the COVID-19

pandemic, CBRE expects that online spending will remain high. Retailers who were previously inactive through their online offerings have been compelled to prioritise e-commerce operations. F&B operators are also using online platforms to support their sales. E-commerce retail transactions continue to rise at an accelerated timeline equivalent to three years.

Landlords adapting to new normal to attract customers

In light of this, retailers and landlords alike have introduced click-and-collect features within the shopping centres. For example, Scentre Group introduced Westfield Direct across all their centres, a feature that allows shoppers to purchase items from different stores online and pickup their purchases at designated parking spaces without leaving their vehicles.

Landlords explore flexible and cost-effective ways to mitigate situation

Overall implications across the board will see significant increases in overhead cost largely attributed to costs/expenditure related to increased frequency of sanitisation to meet new hygiene standards to tackle the spread of COVID-19. Landlords will be required to explore the most cost-effective ways to mitigate these extra costs in an environment of weakening rental rates. As business models change, centre management teams will need to be nimble to adapt to tenants and shoppers evolving needs.

5.3 Retail Supply

Significant upcoming supply in 2021 while some projects put on hold in West Sydney

1H2020 saw the completion of over 1.0 million sq ft of new or refurbished shopping centre floor plates in Sydney. Regional and Neighbourhood grades accounted for almost 80%. The new influx of floor space is above the five-year average of 0.8 million sq ft. In 2021, Sydney will see new supply of 2.3 million sq ft.

On the other hand, some shopping centre's debut such as Eastern Creek Quarter ("ECQ") in Western Sydney planned for 1Q2020 was put on hold considering COVID-19. CBRE expects this trend to continue through 2020 owing to extended social distancing measures.

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Implications for Figtree Grove Shopping Centre

Figtree Grove Shopping Centre, anchored by Discount Department Store Kmart along with supermarkets Coles and Woolworths, is a prominent sub-regional shopping centre located in Figtree, NSW. It is along the Princess Highway, approximately 3.0 km south-west of the Wollongong Central Business District ("CBD") and approximately 85 km south-west of the Sydney CBD. The total trade area population for Figtree Grove Shopping Centre is estimated at 218,100 in 2019 and expected to grow an average of 1.0% annually. The median weekly household income and total retail spend per capita is 5.5% and 20.0% respectively higher than the rest of NSW.

Despite a significant pipeline of supply in Greater Sydney, new supply in Wollongong is expected to remain limited, supporting the dominance of Figtree Grove Shopping Centre as the main sub-regional shopping centre for the catchment.

Some 1.4 million sq ft of pipeline supply expected in Adelaide City in the next two years

200 North Terrace, a 43,060 sq ft mixed-use development in Adelaide City, to be anchored by International Hospitality Institution Le Cordon Bleu, and Castle Plaza, a sub-regional shopping centre with some 32,290 sq ft, are expected to be completed in Dec 2020. Adelaide will see some 591,070 sq ft and 784,710 sq ft of new supply in 2021 and 2022 respectively.

Implications for Westfield Marion Shopping Centre

Westfield Marion is the largest shopping centre in Adelaide, SA. Located 10 km south of Adelaide CBD, anchored by three discount department stores Big W, Kmart and Target as well as three supermarkets Aldi, Coles, Woolworths, it enjoys easy access via Anzac Highway and Morphett road. The total trade area population of Westfield Marion is estimated at 495,000 in 2019 and 164,800 in the immediate 10-minute drive radius. The City of Marion's estimated population growth rate is 1.2% in 2019, which is higher than Greater Adelaide at 1.0%. Within a 10-minute drive radius, expenditure per capita on household goods and total online retail spend is 2.1% and 19.0% respectively higher than the rest of Adelaide. Marion also has a median weekly household income which is 1.0% higher than the rest of Adelaide.

Despite the relatively large pipeline supply in Adelaide, the bulk of this supply will come from new large format retail developments which will have limited impact on Marion Westfield. These include Gepps Cross Gateway measuring 538,200 sq ft, and Salisbury South Mixed-Use Precinct measuring 322,900 sq ft, expected to complete in 2Q2021 and 2Q2022 respectively.

5.4 Retail Market Outlook

The Australia retail market faces strong headwinds. Even prior to COVID-19, the retail sector has already been facing some pressure due to decline in consumer spending growth, lower wage growth and rise of e-commerce. CBRE expects activity will only return upon the easing of restrictions due to COVID-19.

CBD retail has been under the most short-term pressure as border controls and government restrictions has significantly restricted foot traffic from tourists and office workers.

Regional centers located in suburban locations have been more resilient during the pandemic due to the presence of their main anchors: supermarkets and essential services, which have stayed open. The diverse retail mix also draws crowd from a wider catchment resulting in relatively more stable sales. Despite the increasing popularity of e-commerce, some consumers continue to prefer bricks and mortar shopping, as e-commerce does not offer the same level of convenience due to the longer lag time between purchase and delivery. With the diverse tenant mix, regional centres will continue to play an important role in the suburban retail scene.

5.5 Impact of COVID-19 on Australia Retail Market

Impact of COVID-19

The Australia retail market will continue to be tested from the evolving dynamics of COVID-19. From channels of purchase to how one consumes food, these has impacted retailers across the board, and it has been challenging to navigate through and anticipate the headwinds coming their way for the rest of 2020.

During the emergent stages of the lockdown, consumer confidence consequently plunged and retail expenditure experienced volatility. Businesses operating their brick and mortar shopfront were forced to explore an online/offline model. Some businesses took this opportunity to consolidate their storefront network.

Impact of Government Legislation

The Federal Government has established a mandatory "SME Commercial Code of Conduct and

Leasing Principles" (the "Code") applicable to all tenancies that are suffering financial stress or hardship as a result of the COVID-19 pandemic, with an annual turnover of up to A$50 million and an estimated fall in turnover of 30.0%. The principles of this Code apply in spirit to all leasing arrangements for affected businesses.

As a result of the Code, landlords must offer proportionate reduction in rents based on the percentage decline in lessees' trade during COVID-19 period and a subsequent reasonable recovery period. Rental reduction must comprise at least 50% in outright rebates and the balance as a deferment. Tenants must remain committed to lease terms. Rent increases will be frozen (except for retail leases based on turnover rent) for the duration of the COVID-19 pandemic and a reasonable recovery period.

Long-term impact of COVID-19

While there will be retail closures and elevated vacancy in shopping centres in the short-term. As the economy recovers, so will the retail sector. Social distancing is likely to be a short to medium-term trend. In the longer-term, while some retailers may consider trading solely online, the evolving consumers' shopping habits will force retailers and landlords to adapt and re-structure their business models, e.g. introducing omni-channelling strategies. CBRE estimates that 11.0% of all Australia retail sales will be online by end 2020. With the diverse tenant mix and wider catchment, regional centres will continue to be resilient.

BY CBRE
AUGUST 2020