



## How COVID-19 will change commercial property

There is an old Chinese proverb that says, “if we don’t change course, we will end up where we are going.” In uncertain times, it is difficult to make plans. COVID-19 has devastated financial markets, which have experienced astonishing volatility, primarily because the actual threat and impact of the virus is unknown.

The fear, however, is real. No asset class has been left unscathed. Even gold stocks have been hit, an asset class previously thought to benefit from panicked markets. Having overcome the initial shock of the arrival of the virus, attention is now shifting to the longer term, with a focus on how health, technology and sustainability might improve our lives and drive the recovery.

### Health and wellbeing focus

After the virus passes, expect to see more interest in how the built environment can improve health and wellbeing rather than detract from it. This is a natural evolution of a “think global, act local” mindset, where globally-identified health and wellness issues are being addressed through local urban design.

As a major investor in retirement living, this is a pillar of Stockland’s sustainability strategy. Stockland’s villages include wellness centres with gyms, weekly fitness classes, heated pools, a yoga studio, hair salon and clinical consulting rooms. This partly explains why residents of these facilities require 30% fewer hospital and GP visits than standard villages. Especially for high-risk older people, this approach is likely to become mainstream.

Charter Hall offers another example of where things might lead, accrediting its office towers under the WELL building standard. This is a tool for advancing health and wellbeing in buildings across the globe, considering factors like air and water quality, light, fitness and comfort. The approach shows how landlords can assume greater responsibility for public health.

### Less carbon, more jobs

After COVID-19, forward-looking projects to stimulate the economy are likely. Economist Ross Garnaut believes Australia has the opportunity to embrace low-carbon projects across water security, sustainable agriculture and the built environment. Investment in renewable energy will also offer an opportunity to reposition Australia as a major manufacturer of green products, creating employment for displaced workers.

Australian real estate is already heading in this direction. Property giant Dexus has committed to 100% renewable electricity across its operations by 2030. The company recently signed a seven-year deal with Snowy Hydro-owned retailer, Red Energy, to source enough renewables to power the base services of more than 40 buildings in its NSW property portfolio.

Dexus is also investing in on-site solar photovoltaic such as the 1.5MW array that covers a new, 500-space car park at the Willows Shopping Centre, owned by Dexus Wholesale Property Fund.

### The house as a castle

With people forced to spend more time at home, more DIY tasks are being undertaken. With homeowners having a renewed sense of their “house as a castle”, more disposable income is likely to be spent on renovations and home improvements.

We’re also likely to see more investment in solar and batteries to assist self-sufficiency. Companies like Mirvac, which offer solar and battery storage as standard features in new-build homes, can capitalise on this market along with landlords like BWP, with Bunnings a major tenant.

### Technology disrupts real estate

As governments across the world move towards stage four and five shutdowns, retailers will need to move entirely online, accelerating a trend already well underway. Some retailers may decide against reopening their bricks and mortar stores, although sectors such as health & beauty and homeware are likely to prove more resilient.

Either way, the need for warehousing and industrial asset classes is likely to increase, providing opportunities to landlords such as Goodman Group and APN Industria REIT to make the most of their well-located warehousing facilities close to major urban centres.

From a sustainability perspective, what logistics refers to as the “last mile” is usually the most energy-intensive, often generating more CO<sub>2</sub> emissions than all upstream activities combined. It’s also the most costly for retailers.

So, what’s the solution? Amazon is using electric vehicles in cities to lower tailpipe emissions, which have a major impact on people’s health. Drone technology is also an option, currently being used in remote locations in Rwanda, where emergency blood packs are delivered in minutes rather than hours. Drones work best with light, urgent deliveries, such as medicines, food or mail, and in low density or confined

high-demand areas like university campuses. We'll soon see more of them.

Then there are the robots. Lowe's, a US home improvements chain, has signed up to trial FedEx's first autonomous delivery robot. The mini-fridge-like device is battery-powered and uses the same technology as autonomous vehicles to navigate roads, pavements and intersections.

The COVID-19 epidemic is likely to accelerate the speed of adoption of many of these developments, having a far-reaching, positive impact on our built environment, energy consumption and quality of life. I for one would love a drone to deliver a takeaway to my house this evening.

That's a way away yet but at a time when our health and very existence feel under threat, it's good to know that some good may eventually come of it.

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