A-REIT Morning News

Yesterday's Market

The Broader Market (down 0.58%) –The weakness in the US market overnight flowed into our broader market with resources stocks again feeling the brunt of the pain after the overnight falls in commodity prices. The index opened down c1% but recovered almost half by mid-morning. From there the index traded in a narrow range. Sectors to outperform on the day included Utilities and AREIT's while sectors to underperform included Materials and Energy. Asian markets are currently lower while the $A is trading around the $0.7314level.

The AREIT Sector (down 0.01%) –A strong performance by the RAEIT sector as it closed in the slightly in the negative however outperforming the broader market. After opening down over 1%, the sector recovered to be in the positive in early afternoon traded. Selling on the close saw the sector move from the positive back to a slight negative. Stocks to outperform on the day included GHC up 2.3%, TIX up 1.2% and GMF up 1% while stocks to underperform included DXS down 15, BWP down 1.5% and AAD down 3.6%

US Markets Overnight

With 45mins to go Dow down 1.50%, S&P down 1.46%, Nasdaq down 1.82%.

US and European markets fell heavily overnight after the European Central Bank announced stimulus plans that were less aggressive than investors were expecting while US investors are worried the Fed would hike rates while the economy is too weak. With just 45mins left to go the Dow is down 1.5%, the S&P down 1.5% and the Nasdaq down 1.8%. Indices have drifted lower through the session and would not surprise to see them close on their lows

In economic news, ISM nonmanufacturing for November came in at 55.9, down from 59.1 in October. US factory orders rose 1.5 percent in October, beating expectations of 1.3 percent. Initial jobless claims rose to 269,000. Key for the week is November's nonfarm payrolls report, due tomorrow before the opening bell. The data is the final jobs report out before the Fed's December meeting

Markets for Today

The SPI is currently down 74pts while the $A is trading around the $0.7358 level.

VB's Corner

So the end has come for the "daily". No more 5am starts in the winter although with technology advancing, I was able to do the daily's from home at that hour in recent years. In the early days I did meet a number of new "bro" friends on the train (5.16am train leaving East Hills) and occasionally I still see them and greet them with that 'knuckle" fist shake. They still call me the "Cashman" (for those newer readers I changed my name in case any of them came searching for me). I have really enjoyed doing the daily's and hopefully added a little humour to the day for our loyal readers. Peter and I will still be at NAB for a few weeks until the end of the year, and will send out a final email with our contact details near the end. Again both Peter (aka Godfather) and myself (the nice/good looking bloke in case you were wondering) wish all our readers a Merry and Safe Xmas/holiday season and all the best in 2016.

Interesting Point of the day

This being the last edition of the Daily we thought it appropriate to thank all those industry contacts who over the years have either wittingly or unwittingly provided the fodder for our Editorial/Interesting Point of the Day over that time. Many a curbside casual meeting has resulted in a little gem or snippet that caught our attention and which we thought warranted being shared with our readers. So thanks to those individuals and as we know only too well in this game news is everywhere but views is want the market wants to hear. Rest assured our relationships/friendships won't end with today's edition.

Also quick thank you to Adam Barber who was our IT wizard and saved us many times when reports wouldn't work etc.

News Room

NAB gives Cushman & Wakefield a new real estate mandate

Australian Financial Review

Global real estate group Cushman & Wakefield will provide comprehensive "end-to-end" property services to the National Australia Bank for another five years. Cushman, and its Australian antecedents, DTZ and United Group, have managed NAB real estate since 1998, but the ability to retain the contract, in an open tender against stiff competition, was a landmark win for the new management.NAB's general manager, property services, Nick May, said the renewed relationship with Cushman & Wakefield had NAB's property, people and customers at its core and would ensure "seamless, innovative and flexible" property services and solutions.

Across Australia, NAB operates from more than 1450 leased and owned properties, and 620,000 square metres of space, including retail branches and service centres, commercial offices and ATMs. Under the agreement, Cushman will manage all of NAB's real estate services, its facilities and workplace management, and undertake minor capital works.

Cbus government headquarters attracts Labor's praise

Australian Financial Review

Cbus Property has completed the final storey of the Queensland government's new headquarters and the state's largest office tower at 1 William Street, Brisbane.The 75,000-square-metre, 45-storey building, which is owned by Cbus Property and the Industry Superannuation Property Trust, has involved more than 1.4 million hours of work so far. It is worth more than $650 million.

State Labor Treasurer Curtis Pitt joined Cbus Property chief executive Adrian Pozzo and Cbus chairman and former Victorian premier Steve Bracks to mark the occasion. Mr Pitt, who was controversially against the project when in opposition, even going as far as to say, "If Labor had been in office, 1 William Street wouldn't have been built", was full of praise on Thursday.

UEM Sunrise sells serviced apartments to Ascendas

Australian Financial Review

Malaysian sovereign developer UEM Sunrise has sold down the 252-room serviced apartment component of what will be the tallest tower in the Melbourne CBD to Singapore's Ascendas Hospitality Trust for $120 million. Ascendas has a number of Australian hotels in its 11-asset portfolio already. In Malaysia, its parent, Ascendas Group, is partnering in a 210-hectare technology park in the vast Iskandar Malaysia development.UEM Sunrise's $770 million, 92-storey Aurora Melbourne Central is under construction, with all 941 of its apartments sold.

For Tan Juay Hiang, chief executive of the Ascendas Hospitality Trust, the Melbourne acquisition stacks up for several reasons including its prime CBD location and that, as a new development, it would need no further capital expenditure for some time.The Ascendas trust has one other property in Melbourne – the Pullman and Mercure Melbourne Albert Park – along with four in Sydney and one in Brisbane.

Rents grow at slowest pace on record in November as supply grows: CoreLogic

Australian Financial Review

Rents grow at slowest pace on record in the year to November as construction of new houses and apartments as well as investor stock increased supply. The median weekly asking rent of combined capitals stood at $483 at the end of November, a 0.3 per cent increase from a year earlier, CoreLogic RP Data figures showed. Investors have little optimism for a pickup, CoreLogic RP Data research analyst Cameron Kusher said. "The rate of rental growth will continue to slow over the coming months due to increased supply of housing and rental stock coupled with slower migration rates which has reduced rental demand," Mr Kusher said. "The construction boom across the capital cities, coupled with slowing population growth, low mortgage rates and the recent heightened level of activity from investors who add to the pool of rental stock are the major contributing factors to the slowing rental growth."

Sydney, where asking rents rose 2 per cent from a year earlier to $595, and Melbourne - up 2.1 per cent to $449 - marked the biggest increases. Rates fell over the year in Brisbane, Perth and Darwin, while the remaining capitals have seen rents rise by less than 1.5 per cent over the year.Rental rates could start to fall on an annualised basis, the report said. "There is still a large pipeline of residential construction activity as well as high levels of investment demand (albeit investment demand is slowing) which means that people choosing to rent are likely to continue to have more accommodation choices and landlords have limited scope to increase rents," it said.

Melbourne beats Sydney on long-term property returns

Australian Financial Review
Investing in housing at below replacement cost in suburbs close to major infrastructure and where demand for rental accommodation is growing can deliver double digit annual returns over the long-term, analysis of a major investment portfolio shows.This was the investment rationale utilised by Portfolio Management Services, which has accumulated a $425 million portfolio of 562 east coast residential properties spread across Sydney, Melbourne, Brisbane and Geelong.

Across the portfolio, the average return was 10 per cent per annum, according to an audit by Atchison Consultants which analysed returns dating back to 2002.This beat returns generated over the same period by Australian shares, listed property and fixed interest products with only commercial property (out of the price range of many investors) generating a slightly stronger return.

Economic Data

Trade deficit temporarily deteriorates but should narrow again with LNG exports expected to lift

Australia's October trade balance was worse than expected, with the largest drag from lower iron ore exports. The deficit was $3.3bn, a deterioration of $0.9bn on the previous month and was much worse than the consensus of -$2.6bn (NAB: -$2.4bn; L -$2.4bn).

NAB had expected the trade deficit to have been broadly unchanged this month and expected higher coal exports, ongoing strength in gold exports, and LNG to offset a decline in iron ore exports. The pluses and minuses did not match off as expected in October (monthly shipments can and do vary from month to month), but we continue to expect a lift in LNG export volumes (which in this release did lift 17% in original terms) to contribute strongly to export growth, and hence GDP growth in the quarters ahead. We also expect iron ore export volumes to bounce back to their recent trend.