

**\$15.9bn**

Q4 Investment Volume 2019

**\$45.6bn**

Rolling Annual Volume Q4 2019

**42%**

Foreign Investment CY2019

## ECONOMIC INDICATORS Q4 2019

Q2 19 Q3 19 12-Mo. Forecast

GDP Growth (National)\* **2.0%** **1.8%** ▲

Consumer Price Index Growth (National)† **1.6%** **1.7%** ▲

Unemployment (National)‡ **5.3%** **5.2%** ■

\*Average annual growth rate, †Seasonally adjusted  
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

## TOTAL INVESTMENT ACTIVITY

Office sector strength and alternative asset classes keep volumes near record levels

The Australian commercial real estate market continued to perform strongly in Q4 2019 with \$15.9 billion worth of transactions recorded. This was the second largest quarter on record, trailing only Q4 2018.

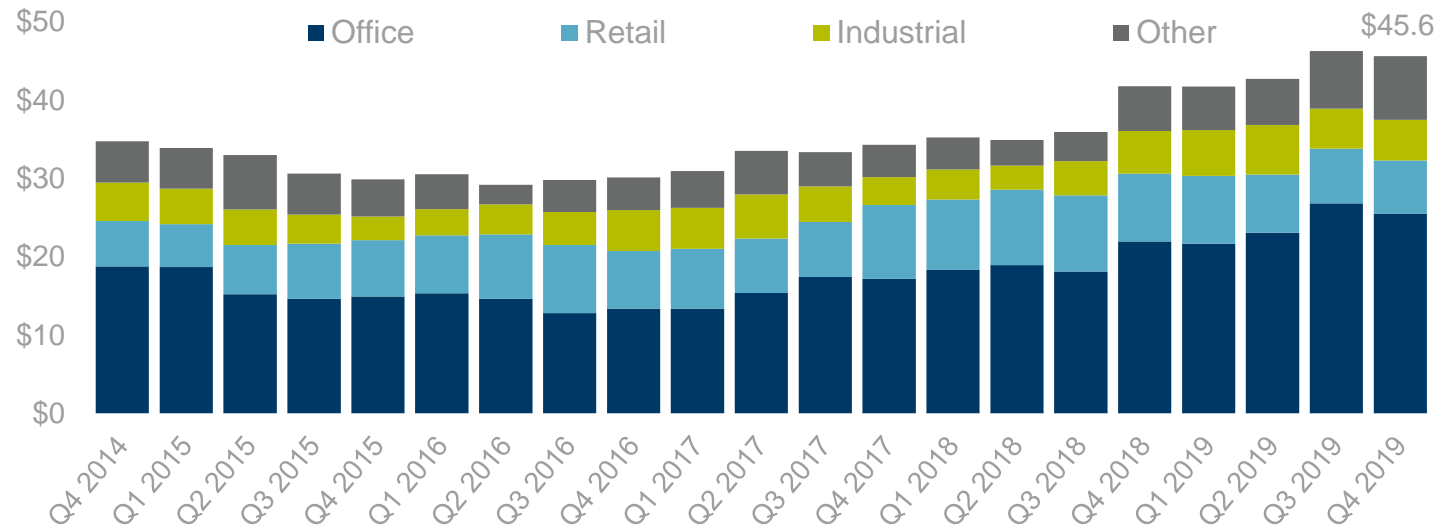
A new record for calendar year (CY) transaction volumes was achieved in 2019 with total volume of \$45.6 billion, 9.2% above the \$41.8 billion recorded in 2018. However, on a rolling annual basis, this was down a little on the \$46.3 billion achieved in Q3 2019.

The office sector dominated transactions with volume of \$25.4 billion recorded for the year, up 15.9% on 2018 levels.

Retail transaction volume for 2019 was down 21% on 2018 levels, while investment in alternative asset classes (such as student accommodation and petrol stations) jumped 42% to \$8 billion dollars in 2019.

Industrial stock remains in strong demand, backed by structural changes and the rise of e-commerce, however, a lack of stock is limiting transaction volume.

## ROLLING ANNUAL INVESTMENT VOLUME (AUDbn)



Source: Cushman & Wakefield

## INVESTMENT BY SECTOR

### OFFICE

Offices cap off the biggest calendar year on record

In Q4 2019, office transaction volumes remained near record levels, with \$7.3 billion recorded. This figure trailed only the \$8.0 billion recorded in Q3 2019, and the \$8.7 billion recorded in Q4 2018. The annual figure of \$25.4 billion marked the biggest calendar year on record for the sector, while rolling annual transaction volumes peaked at \$26.8 billion at Q3 2019.

Numerous major office assets transacted in Q4, including 100 Market Street Sydney (trading for the second time in 2019) for \$683 million, Parramatta's Jessie Street Centre for \$415m, a 25% stake of 161 Castlereagh Street for \$410m, and Brisbane's 66 Eagle Street for \$380m. For the year, multiple landmark office assets traded including 80 Collins Street (\$1.2 billion), Scentre Group's Market Street portfolio (\$1.5 billion), and a 25% stake in the International Towers Sydney Trust for \$1.1 billion.

Office assets were the primary driver of investment volumes in 2019, attracting 56% of all volume. Strong demand for office assets from both domestic and foreign purchasers, combined with strong liquidity has produced elevated transaction volumes in back to back calendar years. For investors, recent strong liquidity and relatively attractive returns have made the office sector very attractive. A relatively high level of liquidity is expected to continue in 2020.

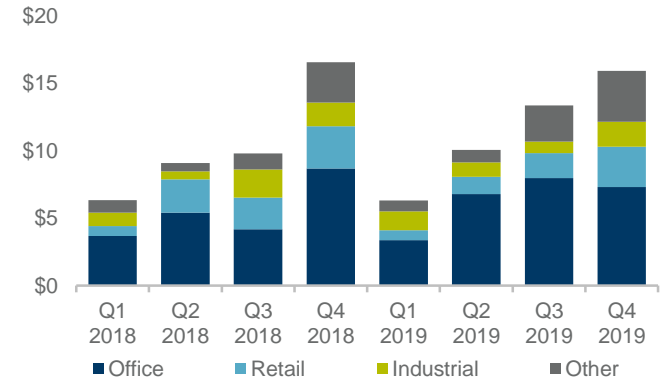
### INDUSTRIAL

Demand for industrial assets remains high; foreign investment increases

Industrial assets continue to enjoy strong investment demand, supported by the growth of e-commerce which has helped drive the expansion and modernisation of the transport and logistic sector. These same structural change tailwinds have encouraged many owners to retain stock. As a result, while industrial transaction volume in Q4 2019 was a strong \$1.8 billion and CY volume a solid \$5.2 billion, the annual total was 4% lower than CY2018.

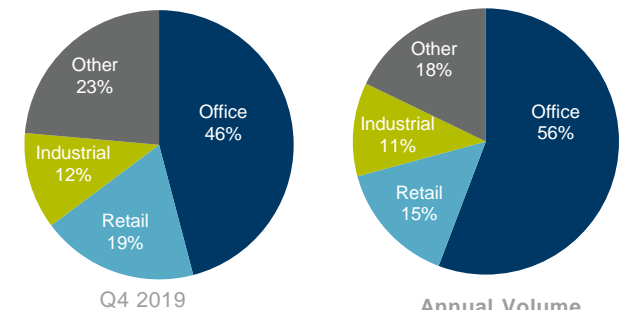
The largest industrial transaction for the quarter was the purchase of 61 Huntingwood Drive in Western Sydney for \$397.8m by several Charter Hall funds. Other significant transactions included GIC's additional 24% investment in the Dexus Australian Logistics Trust for \$366.1m and Centuria Industrial REIT's \$211.8m purchase of 46 Robinsons Road East, in Virginia Queensland.

## INVESTMENT BY SECTOR (AUDbn)



Source: Cushman & Wakefield

## INVESTMENT BY SECTOR



Source: Cushman & Wakefield

## RETAIL

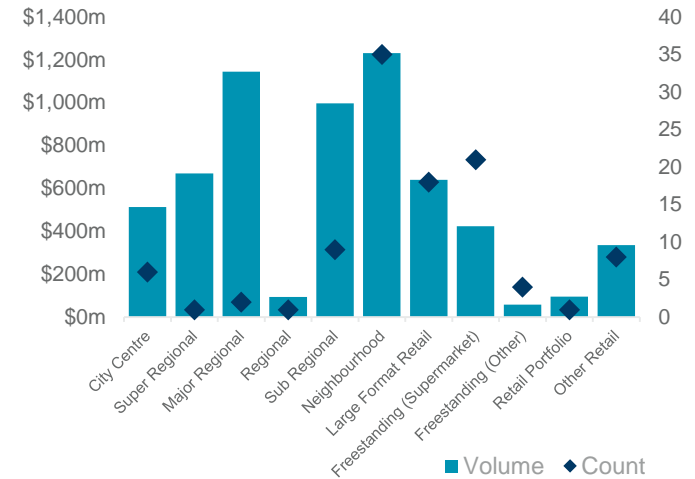
### Q4 transaction volumes rebound behind multiple large centre sales

In 2019 Australia's retail investment market was characterised by a shift in sentiment with an increase in (potential) vendors and a reduction in the depth of purchasers. While structural changes have altered the retail landscape, factors such as weaker economic conditions, potentially unsustainable rents and tenant failure as well as the late position in the cap rate cycle have also contributed to a shift in sentiment for the sector and a reduction in the depth of purchaser demand.

With less demand and many assets trading below book value, many potential vendors were reluctant to trade (particularly larger centres) and transaction volume for the first three quarters of 2019 was running at significantly below trend. Neighbourhood centres and freestanding supermarkets, considered more defensive assets, dominated transaction activity in this period. Transaction volumes for Q1 to Q3 totalled \$3.8 billion. In Q4, the sale of multiple larger shopping centres helped achieve a quarterly volume of \$3.0 billion, elevating annual volume to \$6.8 billion. This remained significantly below the peak of \$9.7 billion in Q3 2019.

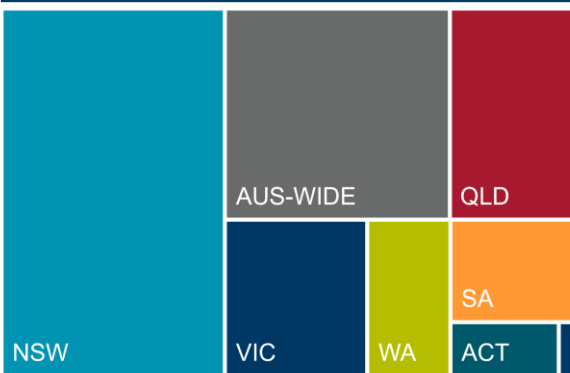
Significant transactions included SPH REIT's 50% stake in Westfield Marion For \$670.0m and Scentre's 50% investment in Garden City Booragoon for \$570.0m.

### RETAIL TRANSACTIONS BY SHOPPING CENTRE TYPE CY2019



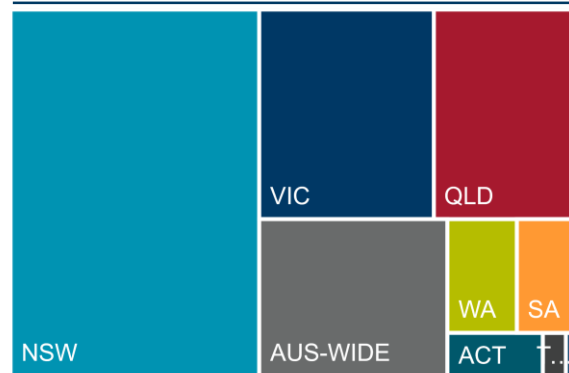
Source: Cushman & Wakefield

### INVESTMENT BY LOCATION, Q4 2019



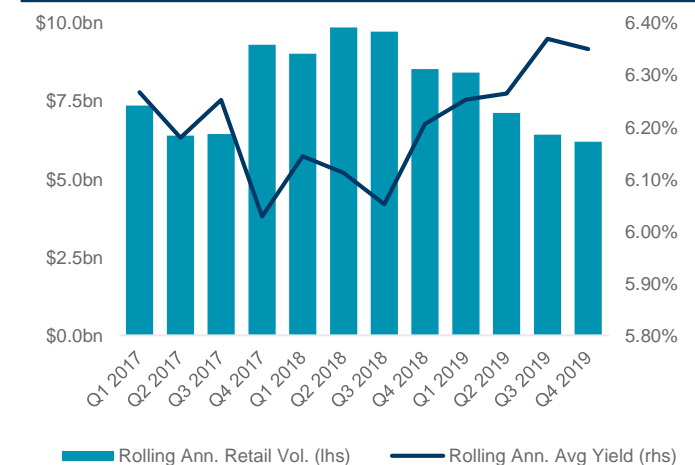
Source: Cushman & Wakefield

### INVESTMENT BY LOCATION, CY2019



Source: Cushman & Wakefield

### RETAIL TRANSACTION VOLUMES AND YIELDS



Source: Cushman & Wakefield

## INVESTMENT BY LOCATION

### NSW leads transaction volume

New South Wales remained the leading state for investment volume in Q4 2019 with \$6.3 billion or 39% total assets transacted. This was more than triple that of Queensland, the next highest state volume, with \$2.0 billion (13%). Victoria ranked third with \$1.6 billion (10%).

Chifley Tower (\$904m; Q3 '19)	100 Market Street (\$683m, Q4 '19)	Westfield Burwood (\$575m, Q2 '19)	Wynyard Place (25%; \$450m; Q3 '19)
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### Nationwide portfolio transactions remain strong

Australia wide portfolio transactions remained strong in Q4 with volume totalling \$3.6 billion or \$6.4 billion over the year. Key transactions in Q4 included Scape Australia's investment in the Urbanest Student Accommodation Portfolio (\$2.0 billion) and an investment by Charter Hall in a portfolio of 225 BP service stations.

### Queensland recovery supports investment volumes

Queensland's continuing economic recovery and attractive relative value compared to Sydney and Melbourne is helping to support investment demand. Key deals included office properties Q&A Centre (\$395m) and Central Plaza Two (\$380m), the industrial property 46 Robinsons Road East (\$212m) and a 25% stake in Mt Ommaney Shopping Centre (\$95m).

### Diversified demand in Victoria

The top five deals in Victoria in Q4 were spread across four commercial real estate sectors. The largest transaction was the hotel, Aurora Melbourne Central (\$125m) followed by two office buildings 254 Wellington Road (\$111m) and 412 St Kilda Road (\$108m). The sub-regional shopping centre, Corio Central traded for \$101m and the Dandenong South industrial property 95 Greens Road for \$100m.

## SYDNEY

PROPERTY	PURCHASER	VENDOR	SECTOR	PRICE
100 Market Street, CBD	Link REIT	Blackstone	Office	\$683m
Jessie Street Centre, Parramatta	GIC	Brookfield	Office	\$415m
Liberty Place (25%), CBD	ISPT	Blackstone / Ivanhoe Cambridge	Office	\$405m
118 Mount Street, North Sydney	CBRE.G.I	Zurich Insurance	Office	\$352m
Glasshouse, Macquarie Park	Charter Hall Long WALE & Direct PFA	John Holland	Office	\$331m

## MELBOURNE

PROPERTY	PURCHASER	VENDOR	SECTOR	PRICE
Aurora Melbourne Central, CBD	Scape Australia	UEM Sunrise Berhad	Hotel	\$125m
254 Wellington Road, Mulgrave	Ascendas REIT	ESR Group	Office	\$111m
412 St Kilda Road, St Kilda Rd	SC Capital Partners	UEM Sunrise	Office	\$108m
95 Greens Road, Dandenong South	Charter Hall	Crescent Capital Partners	Industrial	\$100m

## BRISBANE

PROPERTY	PURCHASER	VENDOR	SECTOR	PRICE
Q&A Centre, CBD	Shayher Group	QIC	Office	\$395m
Central Plaza Two, CBD	Deka Immobilien	ADIA/APPF	Office	\$380m
46 Robinsons Road East, Virginia	Centuria Industrial REIT	KKR-Arnotts	Industrial	\$212m
313 Adelaide Street, CBD	Prime Super	DWS Group	Office	\$156m

## FOREIGN INVESTMENT

### Foreign investment hits record levels

Australia's relatively stable economy, transparent market and relative value continues to attract foreign investors with 2019 a new calendar year record. Foreign investment in 2019 totalled \$19.0 billion or 42% of total volume, though in rolling annual terms this is down from the peak of \$20.7 billion achieved in Q3 2019. Over the quarter, foreign investment was \$7.6 billion, the second strongest quarter on record after Q4 2018's \$9.3 billion,

In the office sector, foreign investors accounted for 53% of transaction volume in Q4 2019, up from 37% in Q3 2019. For the year foreign capital contributed to 45% of all sector volume, down from 50% in 2018, but up 4.8% year on year.

Industrial sector foreign investment increased year on year, up from 28% in 2018 to 36% in 2019, an indication of strong foreign interest in Australian industrial assets, despite competition from large Australian institutions who are pivoting capital toward this sector.

In retail, foreign investors injected \$1 billion into the sector in Q4 2019, almost matching their entire investment sum from the 12 months prior (Q4 2018 to Q3 2019). However, a single transaction accounted for much of the volume, the \$670m investment by SPH REIT for a 50% stake in Westfield Marion Shopping Centre.

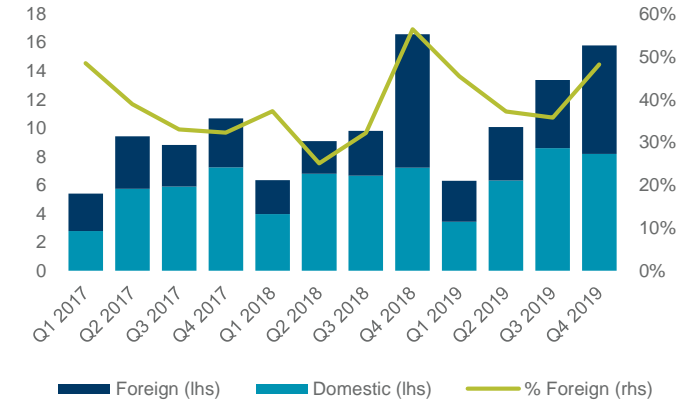
Singapore led offshore investment into Australian commercial real estate in 2019. While over 20 different Singapore based investors made purchases in Q4, Sovereign Wealth Fund GIC dominated with investments in Lendlease's International Towers, Dexus Australian Logistics Trust and The Jessie Street Centre.

China remained one of the top five sources of foreign capital in 2019. There was significant turnover with 21 purchases valued around \$2.0 billion and 15 sales for about \$1.2 billion. However, around a quarter of the transactions were between Chinese based investors. Two significant investments were in industrial property, the 29 asset Propertylink Portfolio was acquired by ESR in Q1. In Q4, China Merchant Capital purchased an 11 asset portfolio offered by ESR. Private investors made over half the purchases in 2019, these included hotel, office, retail and industrial properties.

### FOREIGN INVESTMENT ACTIVITY BY NATION, Year end Q4 2019

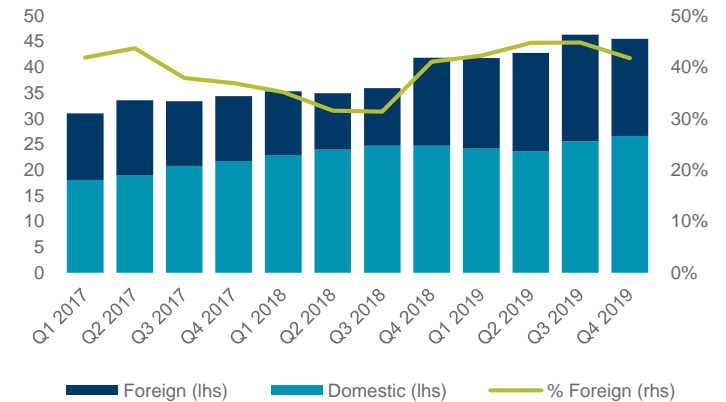
COUNTRY	INVESTED (\$m) (Yr end Q418)	INVESTED (\$m) (Yr end Q419)	YoY Change	DIVESTED (%m) (Yr end Q419)	NET INVESTMENT (\$m) (Yr end Q419)
Singapore	3,209	4,845	51%	2,158	2,687
Hong Kong	1,124	2,438	117%	0	2,438
Germany	209	1,567	650%	418	1,149
United Kingdom	2,049	2,129	4%	1,014	1,115
China	2,008	1,981	-1%	1,197	784
Taiwan	149	514	245%	18	496
France	0	685		213	472

## FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Cushman & Wakefield

## ROLLING ANNUAL INVESTMENT (AUDbn)



Source: Cushman & Wakefield

## NET PURCHASING ACTIVITY

Listed funds active in Q4, unlisted dominate over the year

Listed funds led net purchasing activity in Q4 and unlisted funds over CY2019. Significant unlisted fund purchases in Q4 included Scape Australia's \$2.0 billion Urbanest Student Accommodation portfolio as well as Deka Immobilien's purchase in Brisbane of Central Plaza Two. Listed fund purchases included 100 Market Street Sydney for \$683m by Link REIT from Hong Kong and 50% of Westfield Marion (\$670m) by SPH REIT from Singapore.

## DEMAND OUTLOOK

Attractive yield spread should continue to support demand

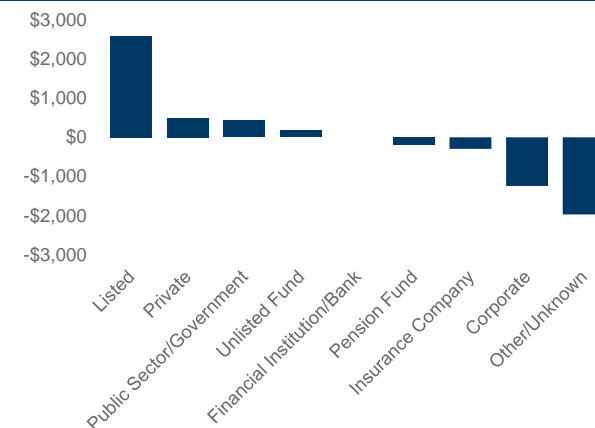
While Australian commercial real estate yields have fallen to record lows, the compression has corresponded to the decline in interest rates and bond yields which has meant that relative to fixed interest assets, commercial property yields remain relatively attractive. Most recently interest rates hit a new low as the RBA cut the official cash rate three times 0.75% between June and October 2019, while the 10 year government bond yield fell from over 2.2% at the start of the 2019 to a low of 0.89% in August before moving up to around 1.2% in mid January 2020. As a result, the 10 year bond yield spread to Australian commercial real estate remains relatively wide, for example, around 340 basis points compared to Prime Sydney CBD office property.

Both domestic and foreign sources of capital are expected to continue to drive demand for Australian property. Office and industrial markets are likely to be preferred due to ongoing solid fundamentals.

## KEY FOREIGN PURCHASES Q4 2019

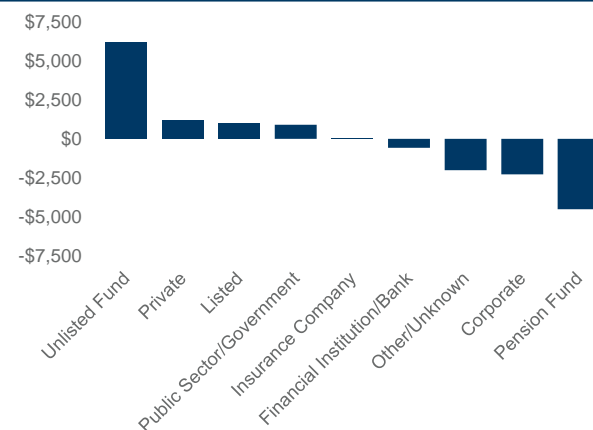
PROPERTY	STAKE	SECTOR	PURCHASER	NATIONALITY	PRICE
14 Asset Urbanest Portfolio	100%	Student Accommodation	Scape	UK	\$2,000m
100 Market Street, Sydney	100%	Office	Link REIT	HK	\$683m
Westfield Marion	50%	Retail	SPH REIT	Singapore	\$670m
Jessie Street Centre, Parramatta	100%	Office	GIC	Singapore	\$415m
66 Eagle Street, Brisbane	100%	Office	Deka	Germany	\$380m
Dexus Industrial Portfolio	24%	Industrial	GIC	Singapore	\$366m

## NET PURCHASING ACTIVITY, Q4 2019 (AUDm)



Source: Cushman & Wakefield

## NET PURCHASING ACTIVITY, ANNUAL (AUDm)

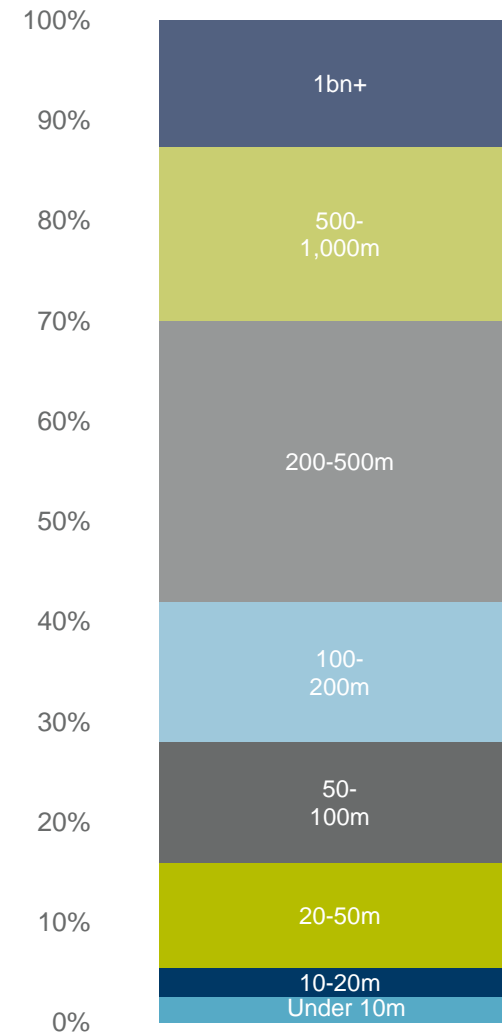


Source: Cushman & Wakefield

## SIGNIFICANT TRANSACTIONS, Q4 2019

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Urbanest Student Accommodation Portfolio - 14 assets	Australia Wide	Scape Australia	M3 Capital Partners' Evergreen Real Estate	Student Accommodation	\$2,000.0m
BP fuel and convenience retail portfolio (225 service stations) - 49% Stake	Australia Wide	Charter Hall (Multiple Funds)	BP	Service Stations	\$840.0m
100 Market Street	New South Wales	Link REIT	Blackstone	Office	\$683.0m
Westfield Marion Shopping Centre (50% stake)	South Australia	SPH REIT	APPF	Retail	\$670.0m
Garden City Booragoon (50% stake)	Western Australia	Scentre Group	AMP Capital Diversified PF	Retail	\$570.0m
Jessie Street Centre	New South Wales	GIC	Brookfield	Office	\$415.0m
Liberty Place (25% stake)	New South Wales	ISPT	Blackstone / Ivanhoe Cambridge	Office	\$405.0m
61 Huntingwood Drive	New South Wales	Charter Hall (Multiple Funds)	KKR-Arnotts	Industrial	\$397.8m
Q&A Centre 141 Queen Street	Queensland	Shayher Group	QIC	Office	\$395.0m
Central Plaza Two, 66 Eagle Street	Queensland	Deka Immobilien	ADIA / APPF	Office	\$380.0m
Dexus Industrial Portfolio (24% Stake)	Australia-Wide	GIC	Dexus	Industrial	\$366.1m
118 Mount Street North Sydney	New South Wales	CBRE Global Investors	Zurich Insurance	Office	\$352.0m
Glasshouse building	New South Wales	Charter Hall (Multiple Funds)	John Holland	Office	\$331.4m
323 Castlereagh Street	New South Wales	LaSalle Investment Management	MKH Properties	Office	\$325.0m
6-10 O'Connell Street	New South Wales	Private Investor	Oxford Properties Group	Office	\$315.0m
99 Walker Street	New South Wales	Abacus	Oxford Properties Group	Office	\$311.3m
Nishi Building	Australian Capital Territory	Centuria Metroplitan REIT	Molonglo Group	Office	\$256.0m
46 Robinsons Road East	Queensland	Centuria Industrial REIT	KKR-Arnotts	Industrial	\$211.8m
11 Asset Industrial portfolio	Australia Wide	China Merchants Capital	ESR Group	Industrial	\$175.0m
Central Park Retail	New South Wales	Fortius / SC Capital	Frasers / Sekisui	Retail	\$174.5m
313 Adelaide Street	Queensland	Prime Super	DWS Group	Office	\$155.8m

## DEAL SIZE AS A PERCENTAGE OF TOTAL TRANSACTIONS



Source: Cushman &amp; Wakefield

## SIGNIFICANT TRANSACTIONS, CY2019

QUARTER	PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Q4	Urbanest Student Accommodation Portfolio - 14 assets	Australia Wide	Scape Australia	M3 Capital Partners' Evergreen Real Estate	Student Accommodation	\$2,000.0m
Q2	3 asset portfolio	Sydney CBD	Blackstone	Scentre	Office	\$1,520.0m
Q2	80 Collins Street	Melbourne CBD	Dexus/DWPF	QIC	Office/Hotel	\$1,476.0m
Q3	Chifley Tower (49.9%)	Sydney CBD	Charter Hall	GIC	Office	\$904.0m
Q4	BP fuel and convenience retail portfolio of 225 service stations (49% Stake)	Australia Wide	Charter Hall (Multiple Funds)	BP	Service Stations	\$840.0m
Q3	242 Exhibition Street	Melbourne CBD	Charter Hall/Charter Hall POF/PSPiB	ICPF/Oxford Properties	Office	\$830.0m
Q1	MLC Centre (50% stake)	Sydney CBD	Dexus/DWPF	GPT	Office	\$800.0m
Q1	Propertylink Portfolio (29 Assets)	Australia Wide	ESR	Propertylink	Industrial	\$800.0m
Q3	Altira Student Accommodation Portfolio - 6 assets	Australia Wide	Scape obo Allianz/AXA	Goldman Sachs/BlueSky	Student Accommodation	\$700.0m
Q3	Telco Exchange Portfolio	Australia Wide	Charter Hall (Multiple Funds)	Telstra	Other	\$700.0m
Q4	100 Market Street	Sydney CBD	Link REIT	Blackstone	Office	\$683.0m
Q4	Westfield Marion Shopping Centre (50% stake)	South Australia	SPH REIT	APPF	Retail	\$670.0m
Q3	201 Elizabeth Street	Sydney CBD	Charter Hall/ Abacus/QuadReal	Dexus/Perron	Office	\$630.0m
Q3	International Towers Trust (25% stake)	New South Wales	GIC	CPPIB/Lendlease	Office	\$602.0m
Q2	Westfield Burwood	New South Wales	Perron Group	Scentre	Retail	\$575.0m
Q4	Garden City Booragoon (50% stake)	Western Australia	Scentre	AMP Capital Diversified PF	Retail	\$570.0m
Q3	Wynyard Place	Sydney CBD	AMP Capital Investors obo HKMA	Brookfield	Office	\$450.0m
Q3	The Complex	Brisbane CBD	Ashe Morgan	Oxford Properties	Office	\$425.0m
Q4	Q&A Centre	Brisbane CBD	Shayher Group	QIC	Office	\$395.0m

**JOHN SEARS**

Head of Research, Australia & New Zealand  
+61 (0)466 387 016 / [john.sears@cushwake.com](mailto:john.sears@cushwake.com)

**TONY CRABB**

National Director, Research  
+61 (0)422 221 604 / [tony.crabb@cushwake.com](mailto:tony.crabb@cushwake.com)

**JAKE MCKINNON**

Senior Analyst, Research  
+61 410 611 548 / [jake.mckinnon@cushwake.com](mailto:jake.mckinnon@cushwake.com)

**JOSH CULLEN**

Head of Capital Markets, Australia and New Zealand  
+61 (0)438 351 113 / [josh.cullen@cushwake.com](mailto:josh.cullen@cushwake.com)

**DAVID CASTLES**

National Director, Joint Head - Valuations  
+61 (0)411 129 100 / [david.castles@cushwake.com](mailto:david.castles@cushwake.com)

**MATTHEW RUSSELL**

National Director, Joint Head - Valuations  
+61 (0)406 784 380 / [matthew.russell@cushwake.com](mailto:matthew.russell@cushwake.com)

[cushmanwakefield.com](http://cushmanwakefield.com)

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