

**\$3.0bn**

Q1 Investment Volume 2020

**\$42.4bn**

Rolling Annual Volume Q1 2020

**22%**

Foreign Investment Q1 2020

## TOTAL INVESTMENT ACTIVITY

### Transaction volumes plummet as COVID-19 impacts decision making

The Australian commercial real estate market slowed dramatically in Q1 2020 with just \$3.0 billion worth of transactions recorded. This was 81% lower than the \$15.6 billion recorded in Q4 2019, which was second largest quarter on record trailing only Q4 2018.

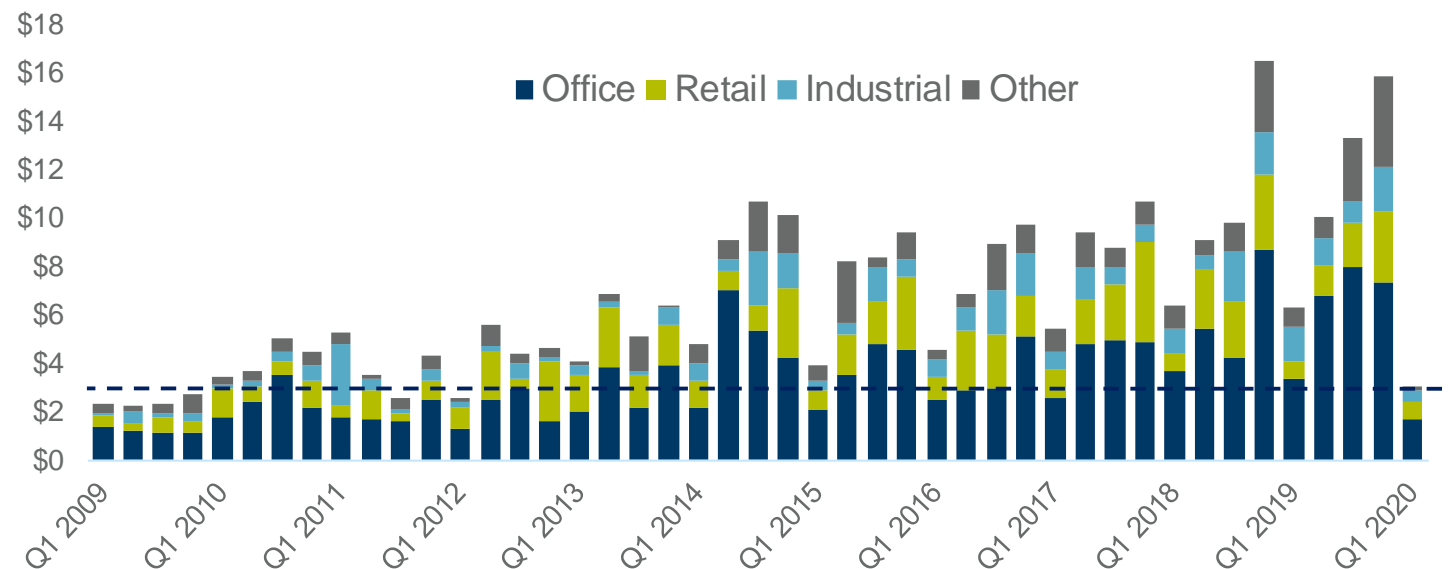
While the first quarter is typically soft for investment volumes, Q1 2020 was 52% lower than Q1 2019 and was the lowest quarterly volume since 2012. Factors associated with the COVID-19 pandemic which limited travel and delayed decision making contributing to the decline.

Annual volumes remain elevated at \$42.4 billion thanks to the record volume of \$45.6 billion achieved in calendar 2019.

The office sector dominated transactions with volume of \$1.6 billion recorded for the quarter, down 78% on Q4 2019 levels.

Retail transaction volume for Q1 was down 77% on Q4 2019 levels, while industrial fell by 72% on Q4 2019.

## ROLLING ANNUAL INVESTMENT VOLUME (AUDbn)



Source: Cushman & Wakefield

## ECONOMIC INDICATORS Q1 2020

Q3 19 Q4 19 12-Mo. Forecast

GDP Growth (National)\* **1.8%** **1.8%** ▼

Consumer Price Index Growth (National)† **1.7%** **1.8%** ▼

Unemployment (National)‡ **5.2%** **5.1%** ▲

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

## INVESTMENT BY SECTOR

### OFFICE

#### Office volumes decline in Q1 but solid pipeline

In Q1 2020, office transaction volumes fell by 78% to \$1.6 billion from Q4 2019's near record level of \$7.3 billion and 51% lower than Q1 2019. Like overall transactions, we need to go back to 2012 to find a weaker quarter. The annual figure of \$23.7 billion is the third largest rolling annual figure on record and is supported the strong transaction volumes over 2019 for the sector.

Only 27 office transactions were recorded in Q1 2020 compared to 68 in Q4 2019 and 32 in Q1 2019. Significant deals recorded over the quarter included 200 Victoria Parade in East Melbourne purchased by Singaporean ARA Asset Management and Canadian group QuadReal Property for \$330 million. A 50% interest in 475 Victoria Avenue Chatswood for \$120 million by Blackrock and 75 Crown Street Sydney by Centennial Property Group.

While office transaction volumes were down, office remained the dominant commercial asset class accounting for 55% of transaction volume in Q1 2020. In addition, there are a number of transactions in the pipeline that should help lift 2020 volumes. These include the \$950 million sale of 39 Martin Place to ISPT. Dexus announcing on 6 April a Joint Venture with GIC for a 50% interest for \$644 million in Rialto Towers, 525 Collins Street, Melbourne and Poly Australia's \$270 million investment in 59 Goulburn Street.

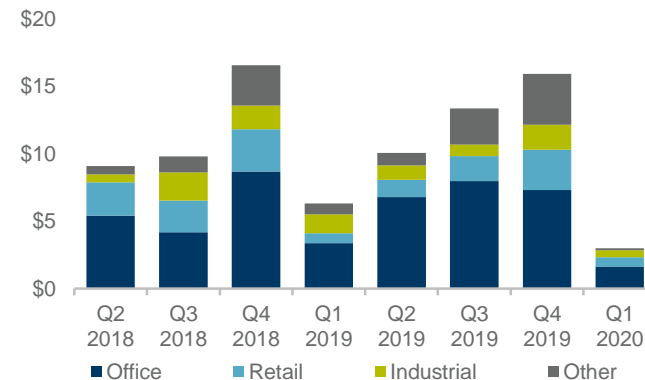
### INDUSTRIAL

#### Industrial demand supported by e-commerce

Industrial transaction volume also declined significantly in Q1, though the fall was relatively less than the other commercial asset classes. Q1 2020 transaction volume was \$524 million, down 72% on Q4 2019 and 63% on Q1 2019. The proportionally smaller decline may have been aided by E-commerce becoming relatively more important during the COVID-19 pandemic, however, industrial investment continues to be hampered by limited stock availability. .

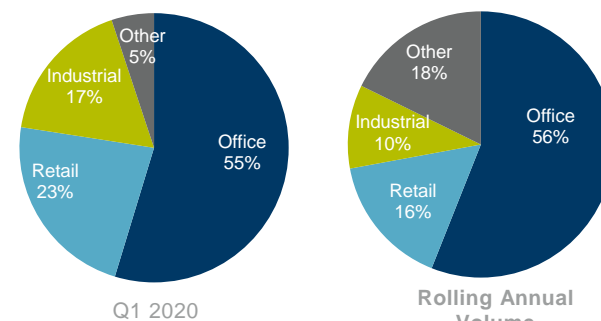
Q2 2020 industrial transaction volume is expected to be boosted by the \$366 million settlement of GIC's additional 24% interest in the Dexus Australian Logistics Trust on 1 April.

## INVESTMENT BY SECTOR (AUDbn)



Source: Cushman & Wakefield

## INVESTMENT BY SECTOR



Source: Cushman & Wakefield

## RETAIL

### Retail pain continues with the COVID-19 pandemic

Retail transaction volumes in Q1 2020 fell on already soft 2019 volumes. Transaction volume in Q1 2020 fell to \$683 million. This was 77% lower than Q4 2019 and a little below Q1 2019's \$727 million in transactions.

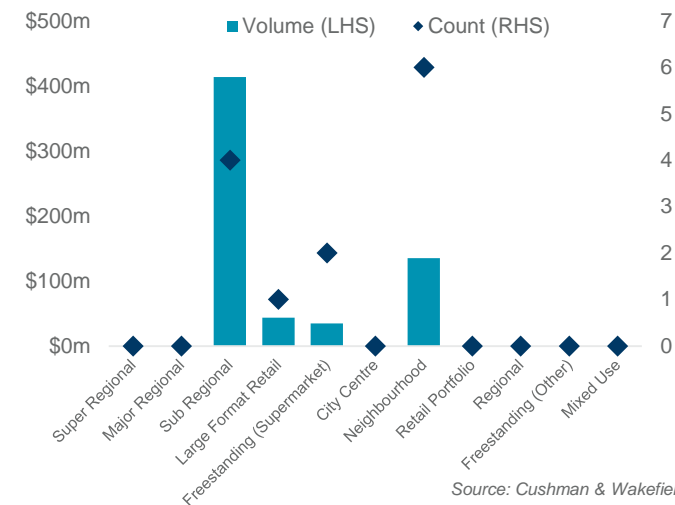
13 retail properties above \$10 million were transacted in Q1 2020 including four sub regional centres and six neighbourhood centres. The largest retail transactions in Q1 2020 included Mulpha's purchase of Brimbank Plaza in Victoria for \$150 million, Armadale Shopping Centre in Western Australia to a private investor for \$110 million and the Great Western Super Centre in Queensland to Consolidated Properties Group and CVS Lane Capital Partners for \$85 million.

### 'OTHER' CRE

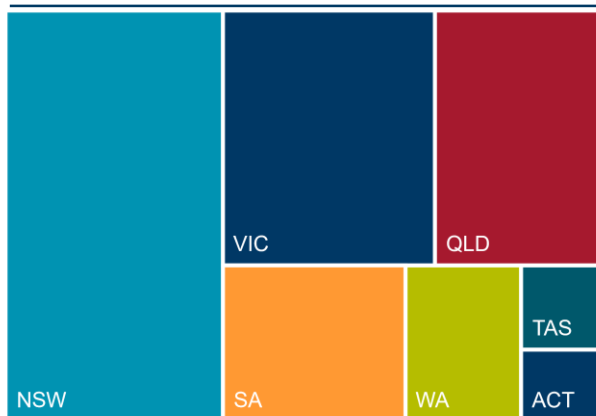
'Other' CRE includes property types such as hotels, pubs, service stations, student accommodation, serviced apartments and child care. Cushman & Wakefield Australian Research records these transactions where the price is greater than \$5 million.

'Other' transaction volumes were also well down in Q1 2020 totalling just \$153 million, 96% lower than the record \$3.8 billion recorded in Q4 2019. Q4 2019 was supported by a number of portfolio transactions such as the Urbanest Student Accommodation Portfolio purchased by Scape Australia and the BP fuel portfolio purchased by Charter Hall.

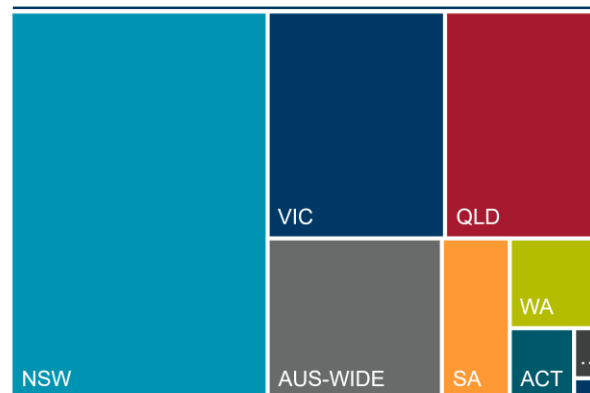
## RETAIL TRANSACTIONS BY SHOPPING CENTRE TYPE Q1 2020



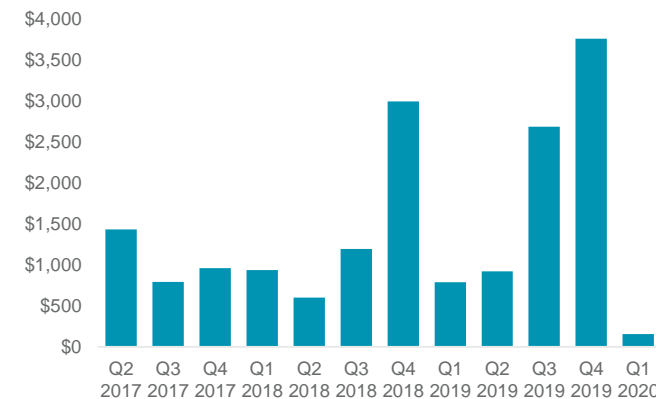
## CRE INVESTMENT BY LOCATION, Q1 2020



## CRE INVESTMENT BY LOCATION, ROLLING ANNUAL



## 'OTHER' CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



## INVESTMENT BY LOCATION

### NSW leads transaction volume

New South Wales remained the leading state for investment volume in Q1 2020 with \$1.1 billion or 37% total assets transacted. This was less than double that of Victoria, the next highest state volume, with \$673 million (22%). Queensland ranked third with \$527 million (17%).

## FOREIGN INVESTMENT

### Foreign investment contracts in Q1 2020

Offshore investment in Australian CRE fell to 22% of the total in Q1 2020 after averaging 42% over 2019. After achieving a record level of \$20.7 billion in Q3 2019, Q1 foreign investment totalled just \$662 million, the lowest quarterly figure since Q4 2012.

The decline was likely a result of reduced travel from overseas investors earlier in the quarter, expanding to domestic travel restrictions as social distancing measures were increased in March. Uncertainty arising from the crisis also likely resulted in some investment decisions being put on hold.

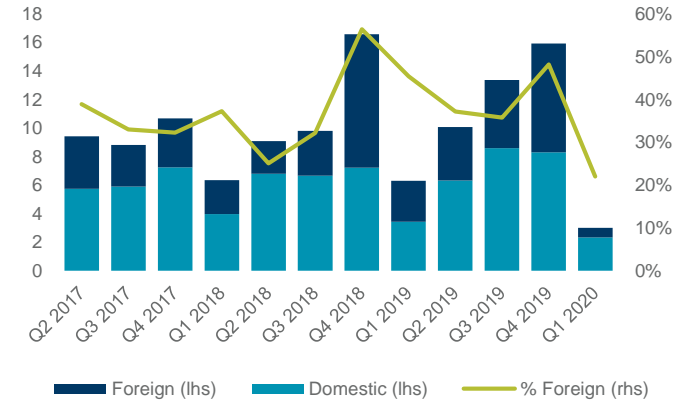
In the office sector, foreign investors accounted for 29% of transaction volume in Q1 2020, down from 52% in Q4 2019. Offshore investors also contributed to 21% of retail transactions and made no industrial purchases were recorded over the quarter. However, on 1 April GIC settled on an additional 24% interest in the Dexus Australian Logistics Trust for \$366 million.

## NET PURCHASING ACTIVITY

### Unlisted funds main purchasers in Q1

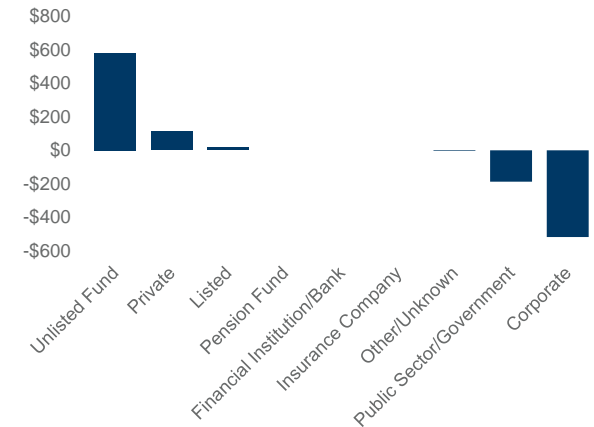
Unlisted funds led net purchasing activity in Q1 followed by private investors. Significant unlisted fund purchases in Q1 included 200 Victoria Parade in East Melbourne purchased by Singaporean ARA Asset Management and Canadian group QuadReal Property for \$330 million and Pro-Invest's \$160 million purchase of 100 Walker Street, North Sydney.

## FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Cushman & Wakefield

## NET PURCHASING ACTIVITY, Q1 2020 (AUDm)



Source: Cushman & Wakefield

## SIGNIFICANT TRANSACTIONS, Q1 2020

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
200 Victoria Parade	East Melbourne	ARA Asset Management/ Quadreal Property Group	Time & Place	Office	\$330.0m
100 Walker Street	North Sydney	Pro-Invest	Christie Spaces	Office	\$160.0m
100 Angas Street	Adelaide CBD	Undisclosed	Undisclosed	Office	\$155.0m
Brimbank Plaza	Deer Park Victoria	Mulpha	Blackstone	Retail	\$150.0m
475 Victoria Avenue (50%)	Chatswood New South Wales	Blackrock	Cromwell	Office	\$120.0m
Armadale Shopping City	Armadale Western Australia	Private	Lend Lease	Retail	\$110.0m
75 Crown Street	Sydney	Centennial Property Group	Private	Office	\$102.0m
Great Western Super Centre	Keperra Queensland	Consolidated Properties/ CVS Lane Capital Partners	Charter Hall/ Telstra Super	Retail	\$85.4m
55 Little Edward Street	Spring Hill Queensland	Elanor	Northwest Health Care	Office	\$83.3m
191 Thomas Street	Sydney CBD	Private	Community and Public Sector Union	Office	\$80.0m
Garema Court	Civic ACT	Elanor	Dexus	Office	\$71.5m
St Marys Village	St Marys New South Wales	Private	Mirvac	Retail	\$68.0m
410 Queen Street	Brisbane CBD	PGA Properties	RG Property	Office	\$53.5m
211-213 Northumberland Street	Liverpool New South Wales	Undisclosed	ESR	Office	\$52.5m
Coles Distribution Warehouse	Goulburn New South Wales	Pelligra	Private	Industrial	\$47.4m
Quest Macquarie Park	Macquarie Park New South Wales	Ascott Residence Trust	Vikings Group	Other	\$46.0m
Bunnings Rockhampton	Rockhampton Queensland	MGP	Charter Hall	Retail	\$43.5m

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