

12-Mo.
Forecast

Q2 Investment Volume 2020 **\$4.3bn** ▲

Rolling Annual Volume **\$36.3bn** ▼

Foreign Investment **36%** ▲

TOTAL INVESTMENT ACTIVITY

COVID-19 social distancing restrictions continue to restrict transaction activity

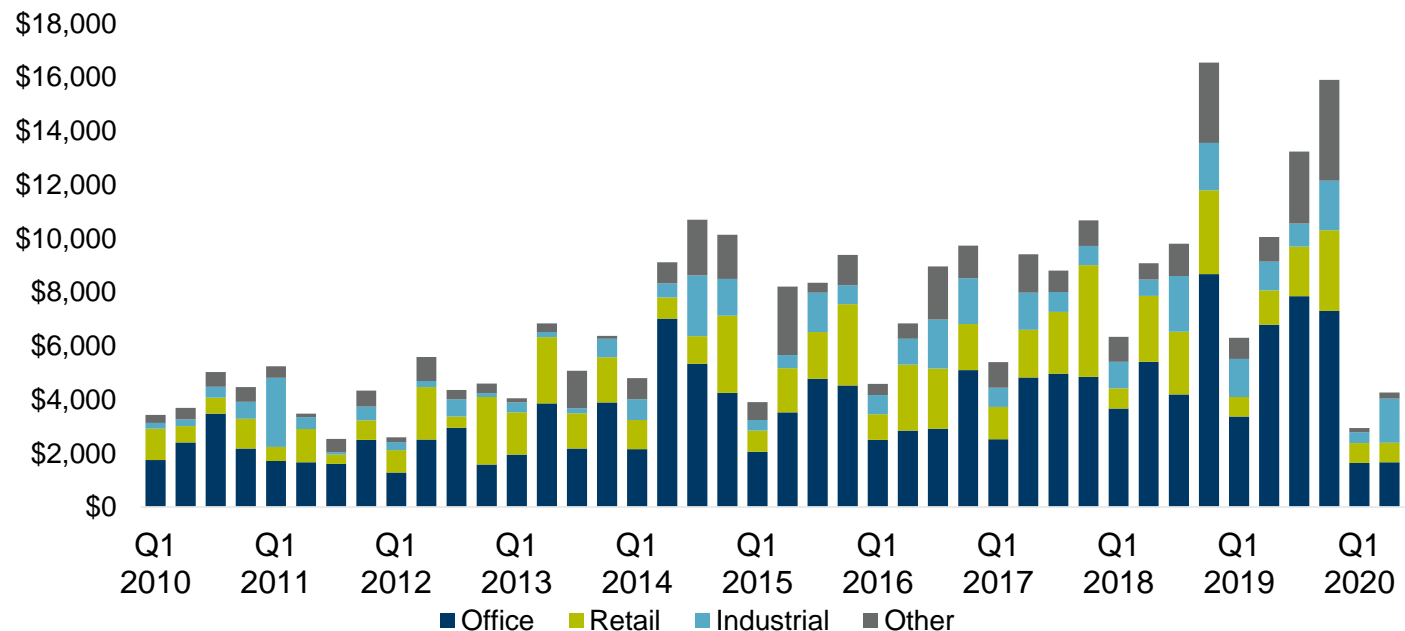
The Australian commercial real estate market remained weak in Q2 2020 with just \$4.3 billion worth of transactions recorded.

While the June quarter was 45% higher than Q1. Transaction volumes for H1 2020 are around 40% of the H1 average for the past five years. The decline has been attributed to a number of factors associated with the COVID-19 pandemic including travel restrictions and uncertainty delaying decision making. The pandemic has also produced a mismatch between vendor and purchaser price expectations for some assets, particularly those of a lower quality or with more uncertain income streams, that may limit transactions.

Annual volumes remains at above average levels at \$36.3 billion thanks to the record volume of \$45.6 billion achieved in calendar 2019.

The office sector again dominated transactions with volume of \$1.67 billion though volumes remain low, but industrial was a close second at \$1.65 billion. Retail transaction volume for Q2 slipped to just \$725 million, the softest quarter since September 2012, while 'other' transaction volume rose 44% to \$221 million but remains well below the 10 year average of \$981 million.

ROLLING ANNUAL INVESTMENT VOLUME (AUDbn)



Source: Cushman & Wakefield

ECONOMIC INDICATORS Q2 2020

Q4 19 Q1 20 12-Mo. Forecast

GDP Growth (National)* **1.8%** **1.7%** ▼

Consumer Price Index Growth (National)† **1.8%** **2.2%** ▼

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

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

INVESTMENT BY SECTOR

OFFICE

Office volumes remain low in Q2

In Q2 2020, office transaction volumes rose a little to \$1.67 billion from \$1.65 billion in Q1. Q2 2020 was 75% lower than Q2 2019's \$6.8 billion volume, which was the second strongest second quarter volume on record. Like overall transactions, we need to go back to 2011 to find a weaker second quarter. Rolling annual transaction volume was recorded at \$18,480. The relatively high level supported by the strong transaction volumes over 2019 for the sector.

Only 41 office transactions were recorded in Q2, an improvement from Q1 2020's 27 but well below the 73 transactions in Q2 2019. The major office transaction for the quarter was Singaporean sovereign wealth fund GIC's joint venture purchase of Rialto Towers, 525 Collins Street, Melbourne with Dexus for \$644 million. The next largest office transaction was the \$92.8 million purchase by Castlerock Property Group of Verde Tower, at 445 Flinders Street, in Townsville Queensland.

Other larger office transactions included RF CorVal's \$75 million purchase of GCQ, 71 Gipps Street, Collingwood Victoria, the Seven West Media HQ in Perth to Primewest for \$75 million and 200 Victoria Street, Carlton Victoria which Realmont purchased on behalf of Nippon Telegraph and Telephone Corporation from Australian Unity for \$72 million.

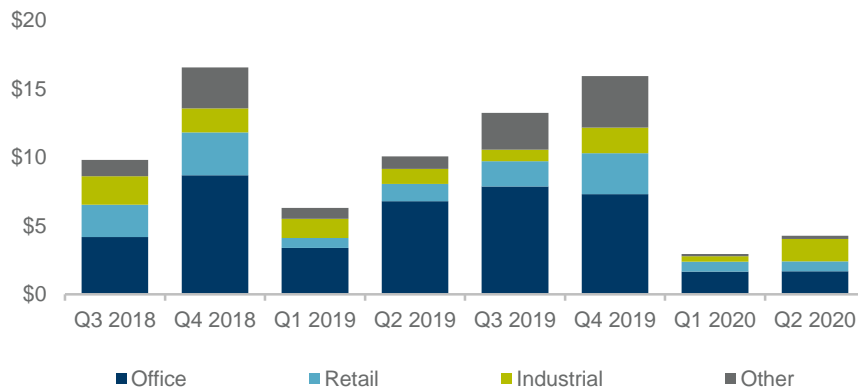
INDUSTRIAL

Industrial demand supported by e-commerce

While the COVID-19 pandemic continued to limit office transaction volume, office remained the dominant commercial asset class accounting for 39% of transaction volume. However, the industrial sector was a close second, also with 39% of Q2 transaction volume. Industrial volume rose 303% from Q1 to \$1.65 billion. This was the strongest second quarter on record, though the peak quarter for industrial volume was Q1 2011 with \$2.6 billion. The sector has been supported by strong demand for logistic space as e-commerce volumes grew rapidly during the COVID-19 shutdown.

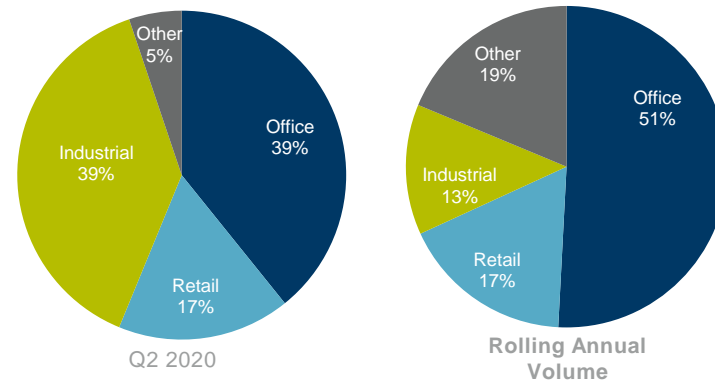
Significant transactions included the \$366 million settlement of GIC's additional 24% interest in the Dexus Australian Logistics Trust, Allianz and Charter Hall's purchase of the Aldi logistics portfolio for \$648 million as well as Charter Hall's purchase of the Winc Distribution Facility in Sydney's Erskine Park for \$115 million.

INVESTMENT BY SECTOR (AUDbn)



Source: Cushman & Wakefield

INVESTMENT BY SECTOR



Source: Cushman & Wakefield

RETAIL

Retail pain continues with the COVID-19 pandemic

While Q1 usually records the lowest transaction volume, retail volumes in Q2 2020 slipped to \$725 million from \$730 million in Q1. Q2 was also 43% below Q2 2019's \$1.3 billion.

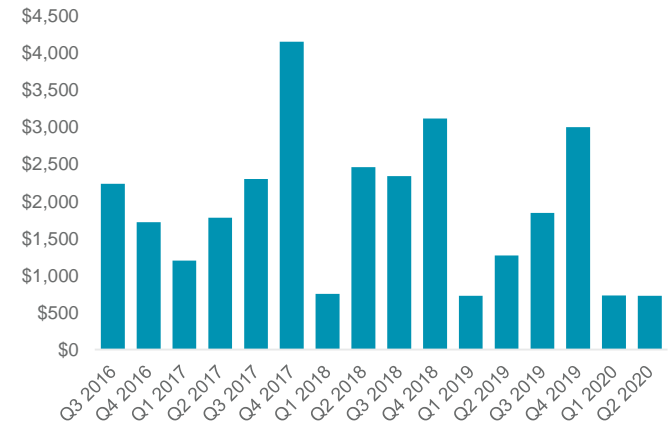
18 retail properties above \$10 million were transacted in Q2 2020. The largest was YFG Shopping Centres purchase of the remaining 75% of Brisbane's Mt Ommaney Shopping Centre for \$285 million. The next largest transactions were both large format centres: Midland Megaplex in Perth purchased by Lester Group for \$58 million and City West Plaza Sunshine West Victoria for \$39 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.

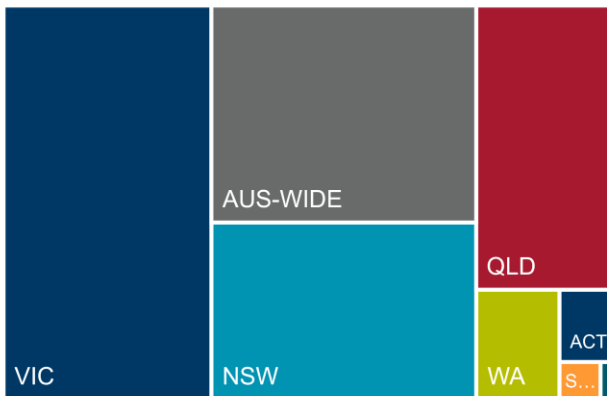
'Other' transaction volumes remained soft in Q2 2020 totalling just \$221 million. An improvement on Q1's \$153 million but 76% lower than Q2 2019's \$919 million. 2019 volume was supported by a number of portfolio transactions such as the Urbanest Student Accommodation Portfolio purchased and the BP fuel portfolio. Eight 'other' transactions were recorded, the largest two were a hotels: voco Sydney Central for \$91.3 million and Sebel Moonee Ponds for \$40 million.

RETAIL CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



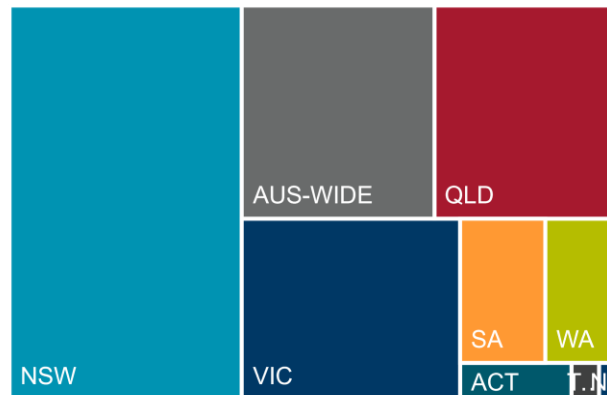
Source: Cushman & Wakefield

CRE INVESTMENT BY LOCATION, Q2 2020



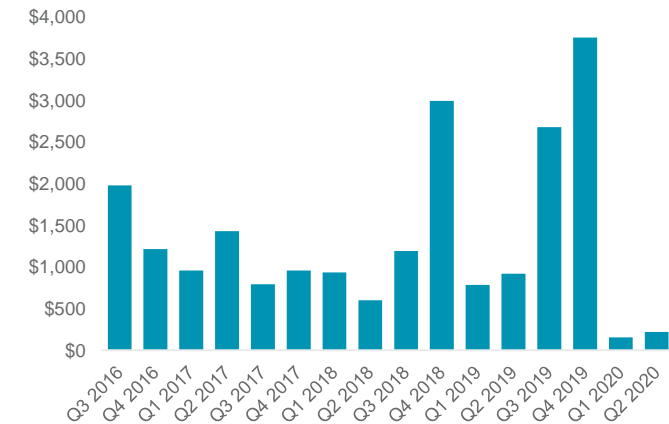
Source: Cushman & Wakefield

CRE INVESTMENT BY LOCATION, ROLLING ANNUAL



Source: Cushman & Wakefield

'OTHER' CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Cushman & Wakefield

INVESTMENT BY LOCATION

Victoria leads transaction volume

Victoria became the leading state for investment volume in Q2 2020 with \$1.4 billion or 34% total assets transacted. New South Wales was next with \$824 million, or 19% of volume and Queensland with \$706 million or 17%.

Investments in the Aldi logistics portfolio by Allianz and Charter Hall and Dexus Australia Logistics Trust by GIC pushed the multiple state investment or 'Australia-wide' total up to \$1.0 billion or 24% of total investment volume.

FOREIGN INVESTMENT

Foreign investment lifts in Q2 2020

Offshore investment in Australian CRE rose to 36% of total transaction in Q2 2020 from 22% in Q1. However, the percentage remains below the average of about 40% of the past few years.

While offshore purchase volume increased to \$1.5 billion, just a few deals accounted for most of the volume. Only nine of the 120 CRE transactions recorded in Q2 were by offshore purchases. Numbers likely continuing to be hindered by COVID-19 pandemic related travel restriction. Significant transactions including GIC's investment in Rialto Towers and the Dexus Australian Logistics Trust as well as Allianz Real Estate's investment in the Aldi portfolio.

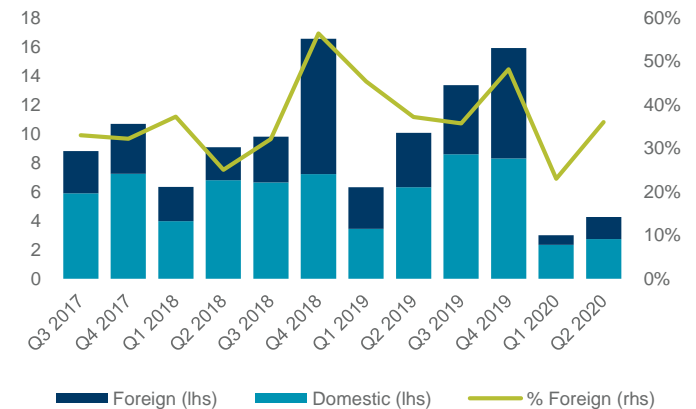
NET PURCHASING ACTIVITY

Public sector/Government the main purchaser type in Q2

Sovereign wealth fund GIC led net purchasing activity in Q2 followed by listed investors including Charter Hall, Primewest, GPT and Dexus. Sales by Aldi, Seven West Media and Woolworths made the corporates the main vendor type in Q2.

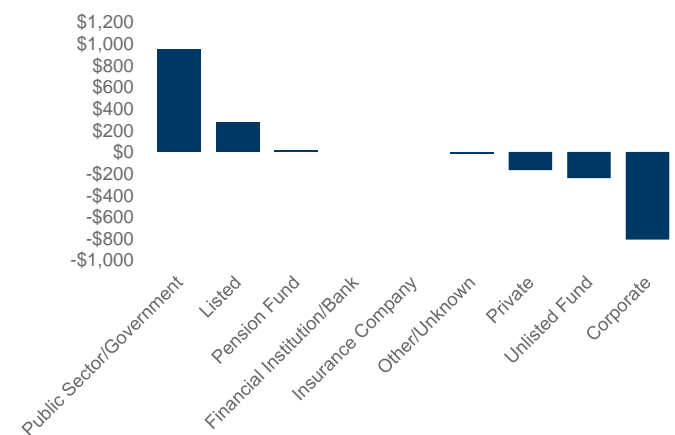
ISPT purchased John McEwen House, a three level office building in the Barton precinct of Canberra for \$15 million which lifted the 'Pension' fund category into positive territory. Unlisted funds and Privates were net sellers in Q2.

FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Cushman & Wakefield

NET PURCHASING ACTIVITY, Q2 2020 (AUDm)



Source: Cushman & Wakefield

SIGNIFICANT TRANSACTIONS, Q2 2020

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Aldi logistics portfolio (4 assets)	Sydney, Melbourne, Brisbane	Allianz Real Estate/ Charter Hall	Aldi	Industrial	\$648.0m
Rialto Towers	Melbourne CBD	GIC/ Dexus	St Martins	Office	\$644.0m
Dexus Australian Logistics Trust (24%)	Australia-wide	GIC	Dexus	Industrial	\$366.1m
Mt Ommaney Centre	Brisbane	YFG Shopping Centres	Nuveen Real Estate (UK)	Retail	\$285.0m
Winc Distribution Facility	Erskine Park New South Wales	Charter Hall	Private	Industrial	\$115.0m
Verde Tower	Townsville Queensland	Castlerock Property	Friday Investments	Office	\$92.8m
voco Sydney Central	Sydney CBD	Platinum Hotels Group	Linzu Australia	Hotel	\$91.3m
GCQ	Collingwood Victoria	RF CorVal	Private	Office	\$75.0m

Outlook

- The COVID-19 pandemic has resulted in Australian Commercial Real Estate (CRE) transaction volumes in H1 2020 falling by around 55% from H1 2019 levels. The decline mainly arising from four factors:
 - Travel restrictions inhibiting activity.
 - Uncertainty resulting in delayed decision making.
 - The economic downturn resulting in a mismatch between vendor and purchaser price expectations for some assets, particularly those of a lower quality or with more uncertain income streams.
 - Increased Foreign Investment Review Board scrutiny that is slowing completion times.
- Transaction volumes are expected to remain below average until an effective and widely available vaccine is found, however, volumes usually increase in H2 and Cushman & Wakefield investment teams report increasing activity as the economy reopens.
- Rising volumes are expected to be supported by the relative strength of the Australian economy, attractive returns and low interest rate environment. These factors suggest quality Australian CRE should remain an attractive investment option.

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