

		12-Mo. Forecast
Q3 Investment Volume 2020	\$6.5bn	▲
Rolling Annual Volume	\$30.1bn	▼
Foreign Investment	26%	▲

TOTAL INVESTMENT ACTIVITY

The COVID-19 pandemic continues to restrict transaction activity

Transaction volumes for Australian commercial real estate market picked up in Q3 2020, totalling \$6.5 billion, but remain weak overall.

While the September quarter improved on the \$4.7 billion and \$2.9 billion recorded in June and March respectively, this was the weakest Q3 since 2013. Year-to-date (YTD) volumes are 48% of 2019 levels. 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.

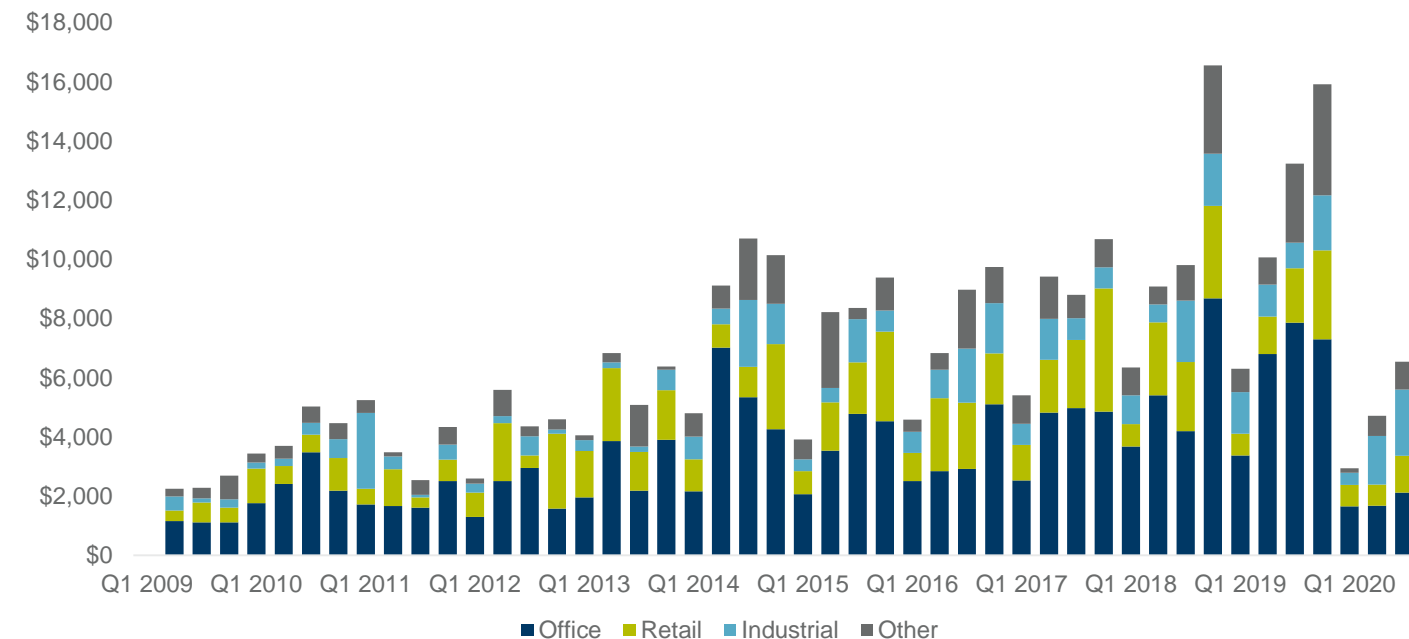
For only the second time in the history of our series, the industrial sector topped the transaction volume list with quarterly volume of \$2.24 billion compared to office volume of \$2.12 billion. The last time this occurred was Q1 2011, when the Goodman Group purchased the \$2.5 billion ING Industrial Fund. Retail transaction volume increased to \$1.25 billion from \$719 million in Q2, while 'Other' transaction volume rose to \$939 million from \$680 million in Q2, close to the 10 year average of \$987 million.

ECONOMIC INDICATORS Q3 2020

	Q1 20	Q2 20	12-Mo. Forecast
GDP Growth (National)*	1.8%	-0.2%	▲
Consumer Price Index Growth (National)†	2.2%	-0.3%	▲
Unemployment (National)†	5.2%	7.4%	▼

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

ROLLING ANNUAL INVESTMENT VOLUME (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY SECTOR

OFFICE

Office volumes remain low in Q3

In Q3 2020, office transaction volumes rose to \$2.12 billion from \$1.67 billion in Q2. Q3 2020 was just 27% of Q3 2019's \$7.86 billion. To find a weaker Q3 for office transaction volume we need to go back to 2011. Rolling annual transaction volume was recorded at \$12.7 billion, the number rapidly diminishing as the record 2019 figures for the sector drop out.

Only 35 office transactions were recorded in Q3, down from 41 in Q2 and well below the 84 transactions in Q3 2019. Major office transactions for the quarter included Dexus' sale of Riverside Plaza in Melbourne for \$454 million to Deka Immobilien, the Pinnacle Office Park at Macquarie Park in Sydney for \$306 million to Keppel REIT and 222 Exhibition Street in Melbourne to GIC for \$205.7 million.

Other larger office transactions included People's Choice Credit Union Building in Adelaide, sold to a private purchaser for \$175 million by Cbus. MQX4 at Macquarie Park for \$166 million to Ascendas REIT and 350 Queen Street in Melbourne for \$145 million to TE Capital.

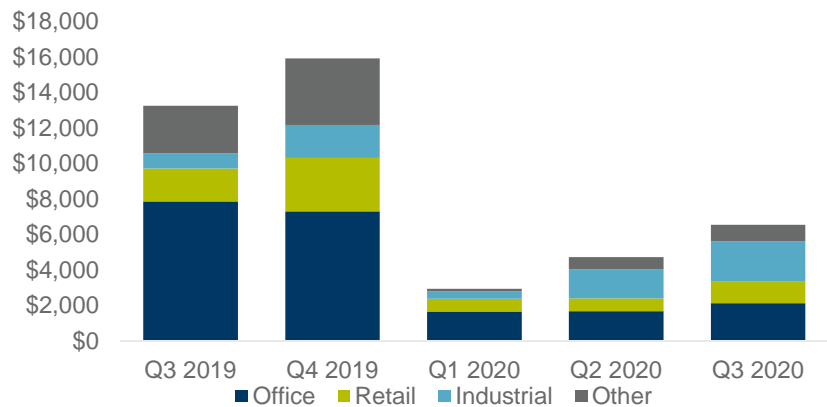
INDUSTRIAL

Online trade continues to drive industrial

Industrial property is benefiting from the rapid expansion of online trade during the pandemic. This helped the sector top the quarterly transaction volume table for the first time since Q1 2011, which had been lifted by Goodman's \$2.5 billion purchase of the ING Industrial Fund. But while in Q1 2011 there were just nine transactions, in Q3 2020 there were 66 industrial transactions, up from 45 in Q2.

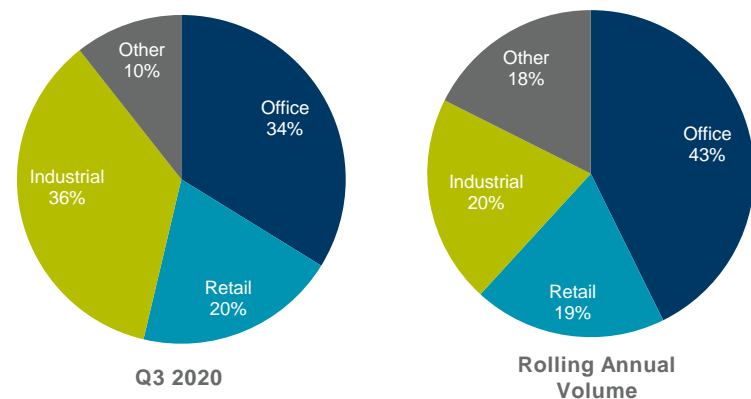
Significant transactions included the sale by Dexus of six assets into the joint venture vehicle with GIC, the Dexus Australia Logistics Trust for \$270 million and Charter Hall's purchase of the OIA Glass three property portfolio for \$214.6 million and 5 Culverston Road, Minto Sydney for \$207 million from Qube Holdings.

INVESTMENT BY SECTOR (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY SECTOR



Source: Real Capital Analytics; Cushman & Wakefield

RETAIL

Retail pain continues with the COVID-19 pandemic

34 retail transactions occurred over Q3, up from 25 in Q2 and 22 in Q1. Total transaction volume also lifted to \$1.25 billion from \$719 million in Q2, though overall retail volume remains low, YTD volume only 70% on the equivalent period in 2019.

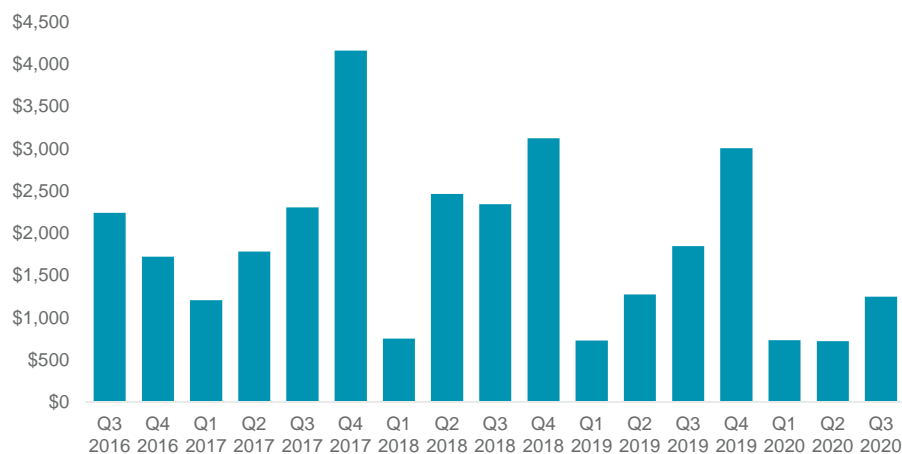
The largest transactions included four properties sold by Stockland to three purchasers for a total of \$406 million. HomeCo purchased the Glenmore Park Shopping Centre for \$150 million and a number of other assets including Prestons Place and Vincentia Marketplace, while the David Jones store at 299 Bourke Street in Melbourne was purchased by Newmark Capital for \$121 million.

'OTHER' CRE

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

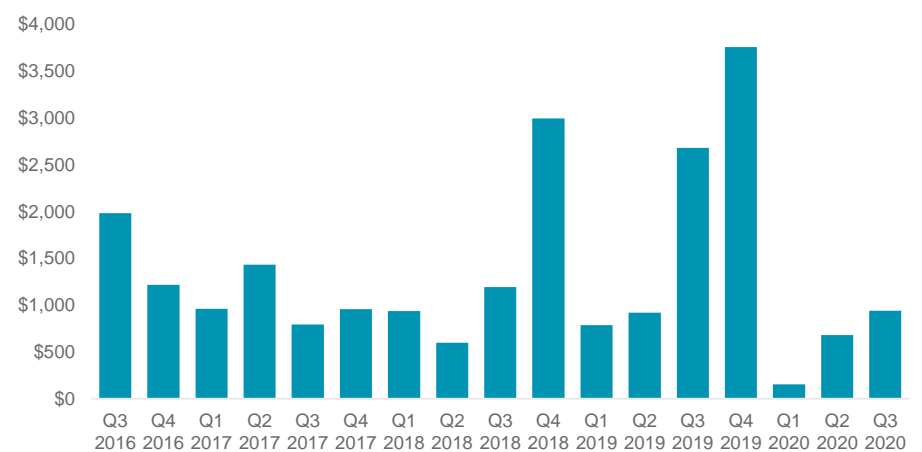
Transaction volume had been boosted in 2018 and 2019 by a number of large portfolio transactions such as the Urbanest Student Accommodation Portfolio and the Woolworths Petrol Station Portfolio. 'Other' transaction volume totalled \$939 million in Q3 2020 from 19 transactions, eight of those were hotels. The largest transactions for the quarter were the Telstra Clayton Data Centre in Victoria, purchased by the Centuria Industrial REIT for \$416.7 million followed by National Storage acquiring seven facilities for \$134 million.

RETAIL CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

'OTHER' CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY LOCATION

New South Wales leads transaction volume

New South Wales was the leading state for investment volume in Q3 2020 with \$2.5 billion or 38% total assets transacted. Victoria was next with \$2.1 billion, or 32% of volume and Queensland with \$521 million or 8% of volume.

Portfolio acquisitions across multiple states or 'Australia-wide' transactions totalled \$932 million or 14% of investment volume. Five transactions made up the total, the largest was Dexu selling six assets into the Dexu Australia Logistics Trust, its joint venture vehicle with GIC, for \$270 million followed by Stockland's sales of two retail assets to the Haben Property Fund for \$250 million and Charter Hall's purchase of the three asset OIA Glass Industrial Australia portfolio for \$214.6 million.

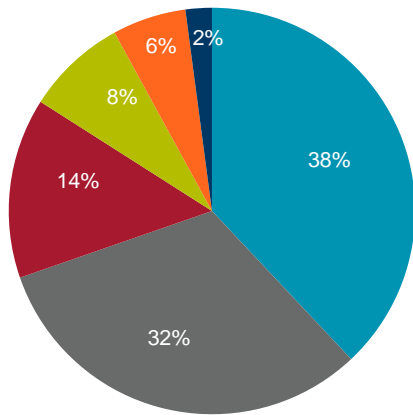
FOREIGN INVESTMENT

Singapore dominates offshore purchases in Q3 2020

Offshore investment in Australian CRE slipped to 26% of total transaction volume with 12 transactions totaling \$1.7 billion in Q3 2020. This is down from 42% of total volume in Q2 and the average of about 40% of the past few years.

Singapore was the largest source of foreign capital, with six transactions totaling \$875 million, the largest was Keppel REIT's purchase of the Pinnacle Office Park for \$306 million. Germany the other major source of offshore capital with two purchases totaling \$603 million. Riverside Plaza in Melbourne was purchased by Deka Immobilien from Dexu for \$450 million, and the remaining half share of the Coles cold storage facility at 99 Sandstone Place, was purchased by DWS from Frasers for \$152.5 million.

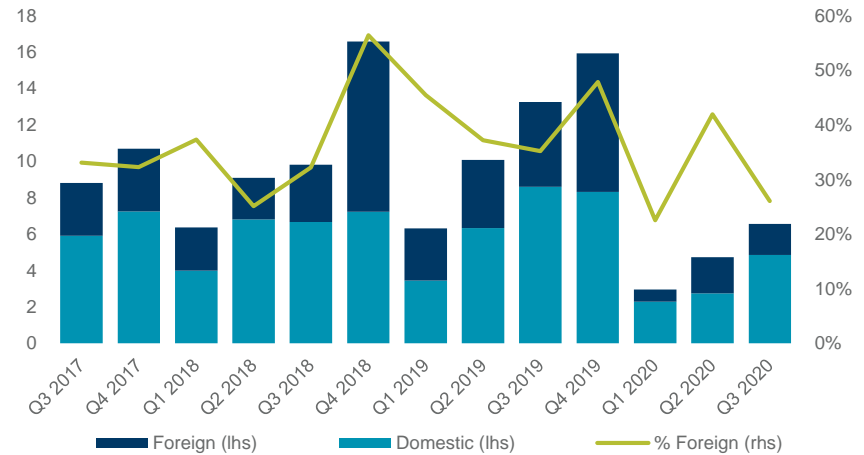
TRANSACTION ACTIVITY BY LOCATION



■ NSW ■ VIC ■ Aust Wide ■ QLD ■ SA ■ WA

Source: Real Capital Analytics; Cushman & Wakefield

FOREIGN & DOMESTIC INVESTMENT (AUDbn)



■ Foreign (lhs) ■ Domestic (lhs) — % Foreign (rhs)

Source: Real Capital Analytics; Cushman & Wakefield

SIGNIFICANT TRANSACTIONS, Q3 2020

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Riverside Plaza	Melbourne CBD	Deka Immobilien	Dexus	Office	\$454.0m
Telstra Clayton Data Centre	Melbourne	Centuria Industrial REIT	Telstra	Data Centre	\$416.7m
Pinnacle Office Park	Macquarie Park, Sydney	Keppel REIT	Goodman	Office	\$306.0m
Dexus six industrial asset portfolio	Melbourne and Sydney	Dexus Australia Logistics Trust	Dexus	Industrial	\$269.4m
Stockland two retail asset portfolio	Victoria and Queensland	Haben Property Fund	Stockland	Retail	\$250.0m
OIA Glass three asset portfolio	Melbourne, Adelaide and Sydney	Charter Hall	Owens-Illinois Australia	Industrial	\$214.6m
5 Culverston Road	Minto, Sydney	Charter Hall	Qube Holdings	Industrial	\$207.0m
222 Exhibition Street	Melbourne CBD	GIC	LaSalle Investment Management	Office	\$205.7m

Outlook

- The COVID-19 pandemic resulted in Australian Commercial Real Estate (CRE) year-to-date transaction volumes falling to less than half the level of the same period in 2019. 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, investment activity has increased in Q3 and should continue to build over the remainder of the year.
- 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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