

12-Mo.
Forecast

Q4 Investment Volume 2020 **\$12.0bn** ▲

Rolling Annual Volume **\$26.4bn** ▲

Foreign Investment **43%** —

TOTAL INVESTMENT ACTIVITY

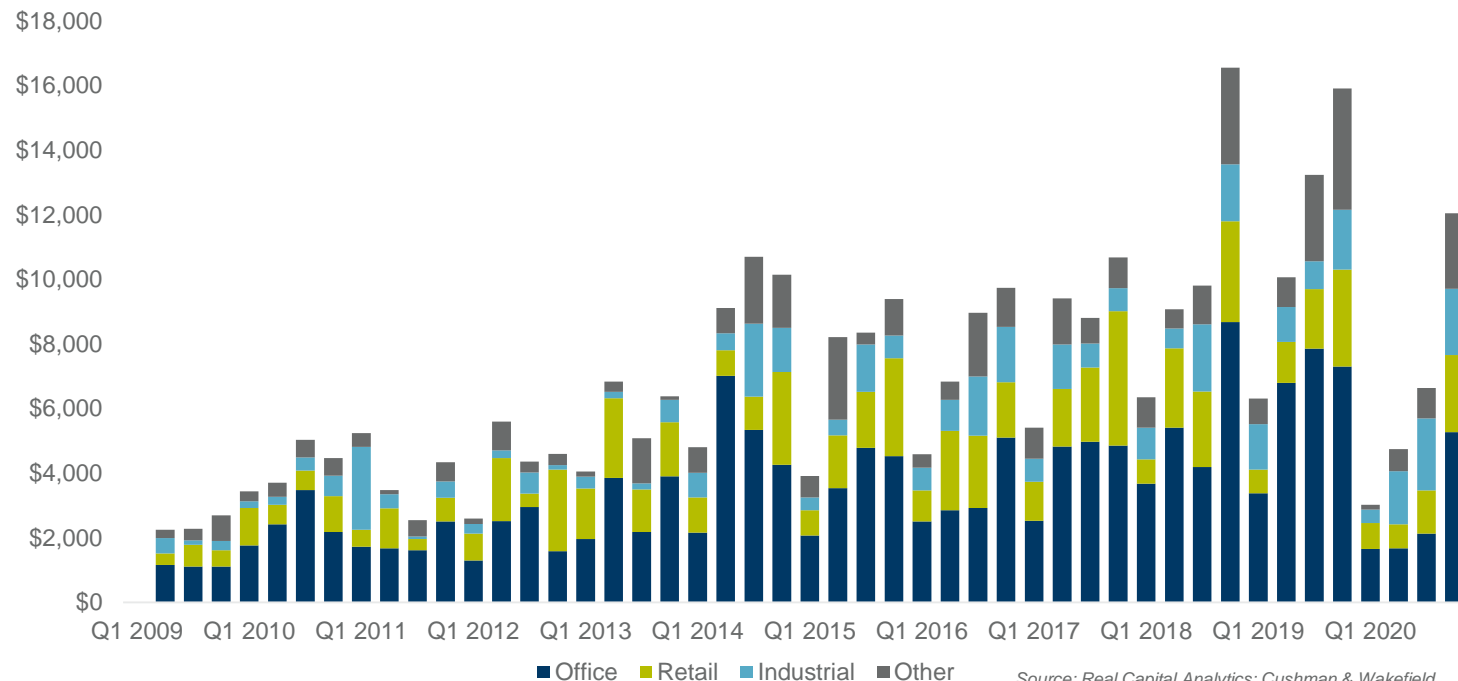
Transaction activity bounces in Q4

Transaction volumes for Australian commercial real estate market picked up in Q4 2020 to \$12.0 billion and totaled \$26.4 billion for calendar 2020.

Investment activity surged over the December quarter, with transaction volume approaching the total \$14.4 billion recorded over first three quarters of 2020. The quarter was also the third strongest Q4 in Cushman & Wakefield's records, only trailing the very strong activity achieved in 2019 and 2018. The limited volume of the first three quarters meant the annual total was 42% down on 2019's record volume of \$45.5 billion. The increase in activity can be attributed to a number of factors including building confidence as Australia emerged from recession and parts of the economy reopened over the quarter, portfolio adjustment and very low interest rates, increasing commercial real estate's relative attraction.

The office sector led the rise in activity with volume increasing to \$5.3 billion compared to the total of \$5.4 billion over the first three quarters of the year. Industrial volume totaled \$2.0 billion, down on Q3's \$2.2 billion, however, the annual total of \$6.3 billion was a new record. Retail transaction volume also recorded a solid increase. The Q4 total \$2.4 billion compared to \$1.3 billion in Q3 and \$745 million in Q2. 'Other' transaction volume rose to \$2.3 billion from \$939 million in Q3 and \$680 million in Q2.

QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

ECONOMIC INDICATORS Q3 2020

Q2 20 Q3 20 12-Mo. Forecast

GDP Growth (National)* **-0.2%** **-1.7%** ▲

Consumer Price Index Growth (National)† **-0.3%** **0.7%** ▲

Unemployment (National)‡ **7.4%** **6.9%** ▼

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

INVESTMENT BY SECTOR

OFFICE

Office volumes rise strongly in Q4

In Q4 2020, office transaction volumes rose to \$5.3 billion from \$2.1 billion in Q3. The December figure was the third strongest Q4 in Cushman & Wakefield's records, only beaten by the record \$8.7 billion recorded in 2018 and \$7.3 billion in 2019. However, relatively weak volume over the first three quarters of the year limited the 2020 total to \$11.1 billion, the lowest annual figure since 2012.

Office property made up 44% of commercial real estate (CRE) transaction volume in Q4, however, there were only 35 transactions compared to the 79 transactions recorded in Q4 2019. Major office transactions for the quarter included Dexus' sale of half its stake in Sydney's Grosvenor Place to the Chinese Investment Corporation for \$925 million, GPT Group's sales of a quarter share of its holding in 1 Farrer Place to co-owner Lendlease for \$585 million. Dexus also sold 45 Clarence Street, Sydney for \$530 million to Singapore-based capital manager Peakstone.

Other larger office transactions included Pinnacle Office Park in Sydney's Macquarie Park, sold by Goodman to Keppel REIT for \$306 million, Investa sold a 25% stake in 400 George Street, Sydney to co-owner M&G Real Estate for \$290 million and 1-5 Thomas Holt Drive in Sydney's Macquarie Park was sold by AMP Capital to Ascendas REIT for \$288.9 million.

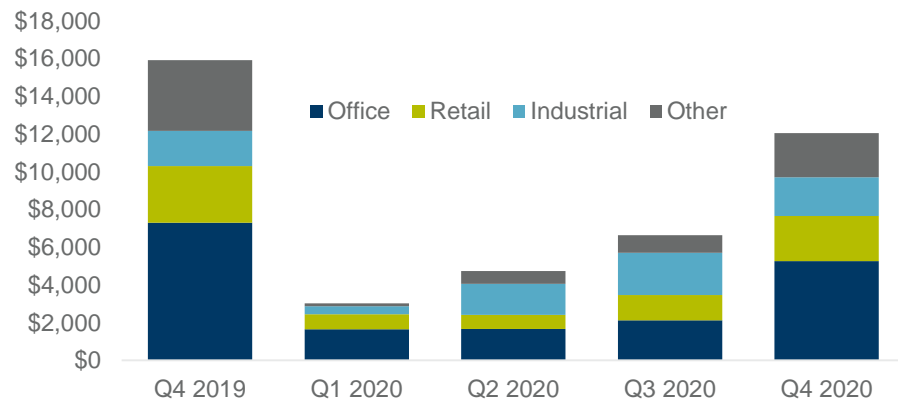
INDUSTRIAL

Record year for industrial

Industrial transaction volume slowed a little in Q4 to \$2.0 billion from \$2.2 billion in Q3, however, this was still the fourth strongest quarter on record and helped drive the annual total to a record \$6.3 billion. The strong year aided by the rapid expansion of online trade during the pandemic as well as ongoing supply chain rationalisation by retailers.

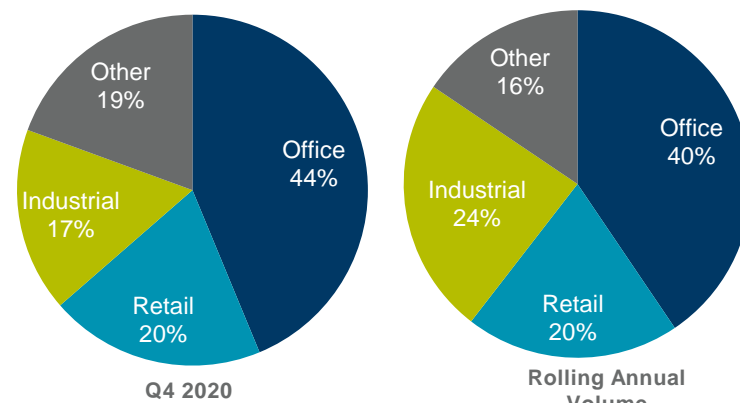
Significant transactions included ESR Australia Logistic Partnership purchasing a portfolio of 11 assets in Sydney, Melbourne and Brisbane from Propertylink Australian Industrial Partnership II, an ESR managed partnership, for \$302 million. Charter Hall and JV partner Allianz Real Estate acquired a further \$282 million of ALDI logistics assets and Centuria Industrial REIT purchased three assets for \$171.1 million. The transaction included two assets in Melbourne and Brisbane purchased from DWS for \$98 million. The third property was in Sydney and was sold and leased back by Bidfood.

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 Q4, down from 36 in Q3, however, the value of transactions rose to \$2.4 billion from \$1.3 billion. Total transaction volume for 2020 was \$5.3 billion. Annual retail transaction volume peaked in 2017 at \$9.4 billion though it has been declining since then due to factors such as changing demographics influencing shopping patterns, online trade and the COVID-19 pandemic.

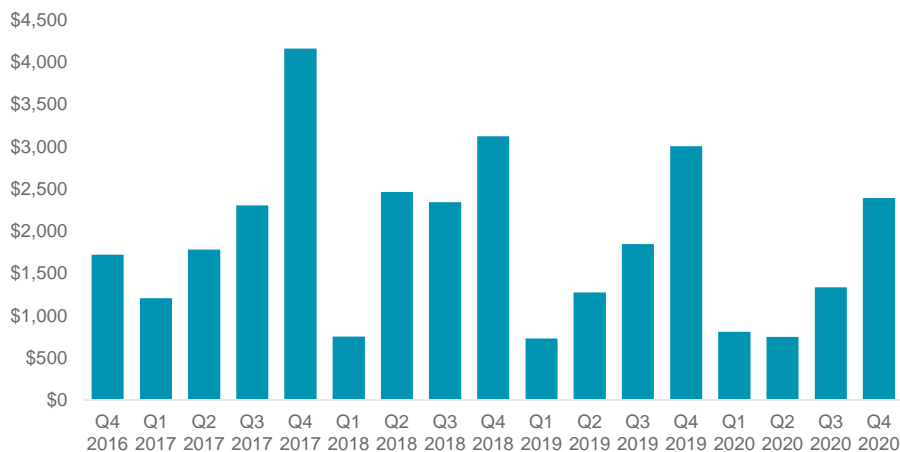
The largest transactions included a Charter Hall Group managed consortium purchasing the David Jones flagship Sydney CBD store for \$510 million, Charter Hall also acquiring a six Bunnings store portfolio from CBRE Global Investors for \$353 million and Home Consortium’s purchase of the Glenmore Park Town Centre for \$150 million.

‘OTHER’ CRE

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

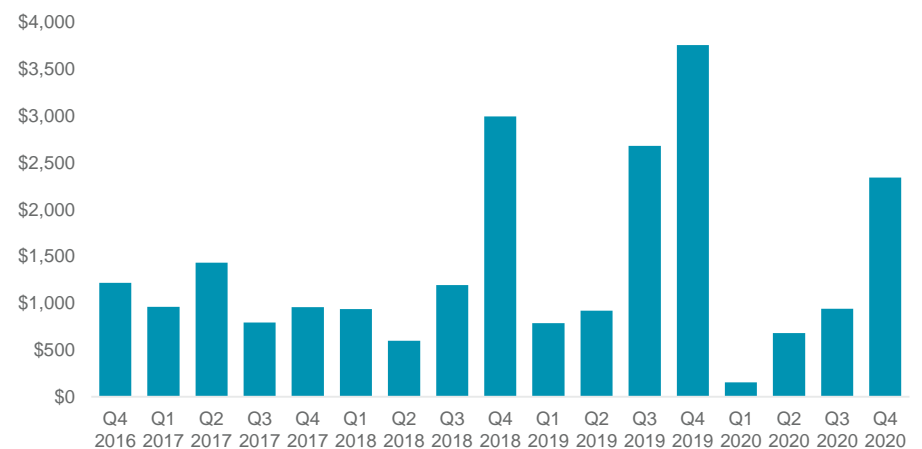
‘Other’ transaction volume rose in Q4 to \$2.3 billion, the fifth strongest quarter on record. Transaction volume was been boosted by Salter Brothers purchase on behalf of GIC 11 Travelodge inns from a Mrivac/NRMA joint venture for circa \$600 million. Other significant transactions included the purchase of the Australian Bragg Centre, a clinical and research facility know as SAHMRI 2, in Adelaide by Dexus from Commercial & General for \$446 million and Iris Capital’s purchase of the AccorInvest Australian Hotel Portfolio for circa \$180 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

50% of CRE transactions in Q4 were in New South Wales (NSW), where volume totalled \$6.0 billion. Victoria was next with \$1.4 billion, or 11% of volume and Queensland with \$1.2 billion or 10% of turnover. NSW volume was lifted by transactions involving Grosvenor Place, 1 Farrer Place, 45 Clarence Street and the David Jones Flagship Store.

Portfolio acquisitions across multiple states or 'Australia-wide' transactions totalled \$2.5 billion or 21% of investment volume. 11 transactions made up the total, the largest the GIC purchase of the Travelodge hotel portfolio for circa \$600 million. Other significant portfolio acquisitions included Charter Hall's purchase six Bunnings stores from CBRE Global investors for \$353 million and two Aldi distribution centres purchased with JV partner Allianz.

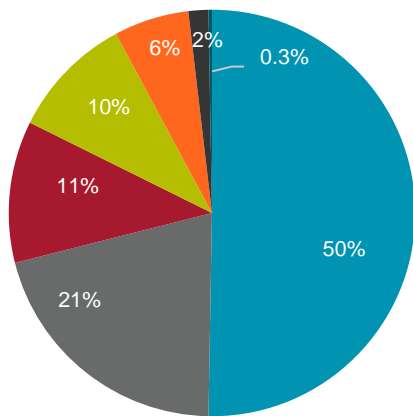
FOREIGN INVESTMENT

Singapore again dominates purchases from offshore

Offshore buyers made a strong return to the Australian CRE market in Q4, contributing to around 40% of transaction volume. This is inline with the average of the past few years, though an increase on the average of 31% from the first three quarters of the 2020. Over 2020, offshore buyers averaged 36%.

Singapore was again the largest source of foreign capital, with 13 transactions totaling nearly \$3.0 billion. GIC was the largest single investor, though acquisitions were also made Singapore based entities such as Peakstone, Keppel REIT, M&G Real Estate and Ascendas REIT. While the number of investments by Chinese purchasers was limited, the Chinese Investment Corporation's purchase of a 50% stake in Grosvenor Place for \$925 million was the largest transaction in the quarter. US based funds Blackstone and Hines also made acquisitions as well as German based Real IS and UK based Scape Student Living.

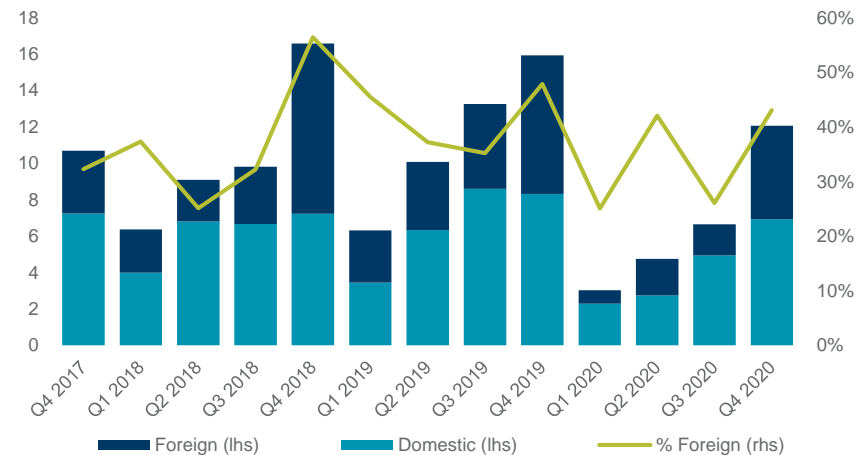
TRANSACTION ACTIVITY BY LOCATION



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

Source: Real Capital Analytics; Cushman & Wakefield

FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

SIGNIFICANT TRANSACTIONS, Q4 2020

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Grosvenor Place (50%)	Sydney CBD	Chinese Investment Corporation	Dexus/ CPP Investment Board	Office	\$925.0m
Travelodge 11 hotel portfolio	Australia wide	Salter Brothers OBO GIC	Mirvac/NRMA	Hotel	~\$600.0m
I Farrer Place (25%)	Sydney CBD	APPF	GPT	Office	\$584.6m
45 Clarence Street	Sydney CBD	Peakstone	Dexus	Office	\$530.0m
David Jones Elizabeth Street	Sydney CBD	Charter Hall	David Jones	Retail	\$510.0m
SAHMRI 2	Adelaide	Dexus	Commercial & General	Healthcare	\$446.2m
Bunnings 6 asset portfolio	Australia wide	Charter Hall	CBRE Global Investors	Retail	\$353.0m
Pinnacle Office Park	Macquarie Park, Sydney	Keppel REIT	Goodman Group	Office	\$307.5m

Outlook

- As the Australian economy reopened in late 2020, investment volume bounced back supported by a number of factors including :
 - The relative strength of the Australian economy;
 - attractive returns compared to many fixed interest and overseas CRE investments; and
 - an ultra low interest rate environment.
- These factors should continue to support demand for Australian CRE in 2021.
- However, a solid level of investor interest assumes the COVID-19 pandemic remains contained and an effective vaccine program is rolled out and utilised.
- Demand from overseas investors may also be limited until travel restrictions are eased, while increased scrutiny by the Foreign Investment Review Board introduced during the pandemic could reduce the pace of international investment.

JOHN SEARS

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

TONY CRABB

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

JAKE MCKINNON

Senior Analyst, Research
+61 (0)410 611 548 / jake.mckinnon@cushwake.com

JOSH CULLEN

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

DAVID CASTLES

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

MATTHEW RUSSELL

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

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.