

12-Mo.
Forecast

Q1 Investment Volume 2021 **\$4.5 bn** ▲

Rolling Annual Volume **\$27.3 bn** ▲

Foreign Investment **38%** —

TOTAL INVESTMENT ACTIVITY

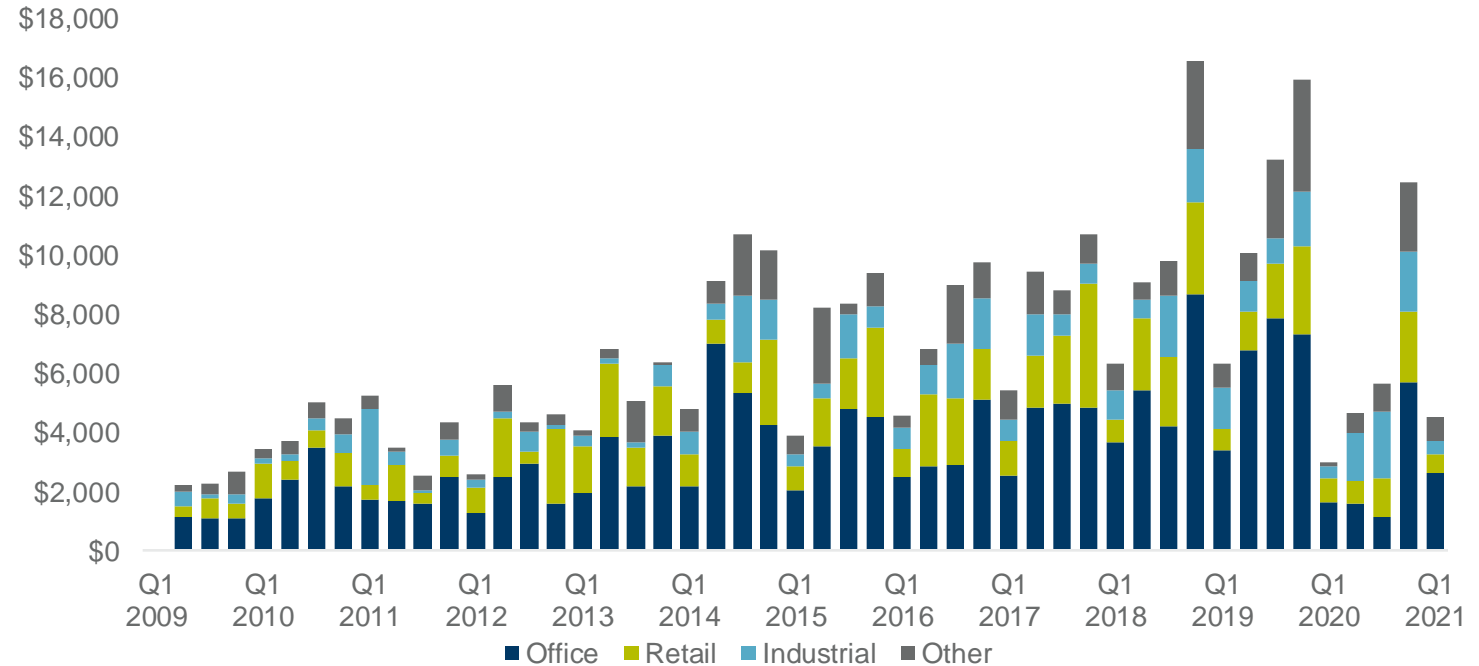
Transaction activity continues to recover

Transaction volumes for Australian commercial real estate in Q1 2021 totalled \$4.5 billion and \$27.3 billion over the 12 months to March.

Investment activity continues to rebuild following the disruption caused by the COVID-19 pandemic. Q1 2021 volume was the fifth strongest Q1 in Cushman & Wakefield's series. 50% more than the Q1 2020 level of \$3.0 billion, though still well below Q1 2018 and 2019 which both totalled \$6.3 billion. Limited transaction volume in Q2 and Q3 of 2020 meant the rolling annual total was 35% lower than Q1 2020. However, the Q1 2020 figure was boosted by record volume of \$45.5 billion in 2019. The increase in activity can be attributed to a number of factors including improving business and consumer sentiment, Australia's relative success in containing the pandemic as well as very low interest rates, which have increased commercial real estate's relative attraction.

The office sector accounted for nearly 60% of transaction volume in Q1 with turnover of \$2.6 billion. 'Other' transaction volume was \$804 million, a significant gain on the \$153 million recorded in Q1 2020. Retail transaction volume was a relatively low \$640 million, the lowest quarterly retail volume since 2012. Industrial turnover volume was also relatively low at \$449 million.

QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

ECONOMIC INDICATORS Q4 2020

Q320 Q420 12-Mo. Forecast

GDP Growth (National)* **-1.6%** **-2.4%** ▲

Consumer Price Index Growth (National)† **0.7%** **0.9%** ▲

Unemployment (National)‡ **6.9%** **6.4%** ▼

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

INVESTMENT BY SECTOR

OFFICE

Third best Q1 on record for the office sector

In Q1 2021, office transaction volumes totalled to \$2.6 billion, a much stronger result than the COVID impacted first quarter of 2020 when volume totalled \$1.6 billion. The March figure was the third strongest Q1 in Cushman & Wakefield's records, only beaten by the record \$3.7 billion recorded in 2018 and \$3.4 billion in 2019.

Office property made up 43% of commercial real estate (CRE) transaction volume in Q1. The March quarter is seasonally weaker than Q4 and while Q4 2020 volume was a solid \$5.7 billion, only 34 transactions accounted for the total compared to 32 transitions in Q1. Major office transactions for the quarter included 39 Martin Place (currently under construction), purchased by Investa and international financial services group Manulife for \$800 million from Macquarie Group, the purchase of CBUS's one third stake in Sydney's 1 Bligh Street by the newly formed Mercatus Dexus Australia Partnership for \$375 million, GIC's purchase of 25% of the Chevron HQ in Perth from Brookfield for \$220 million and 310 Ann Street in Brisbane, purchased by AsheMorgan for \$210 million

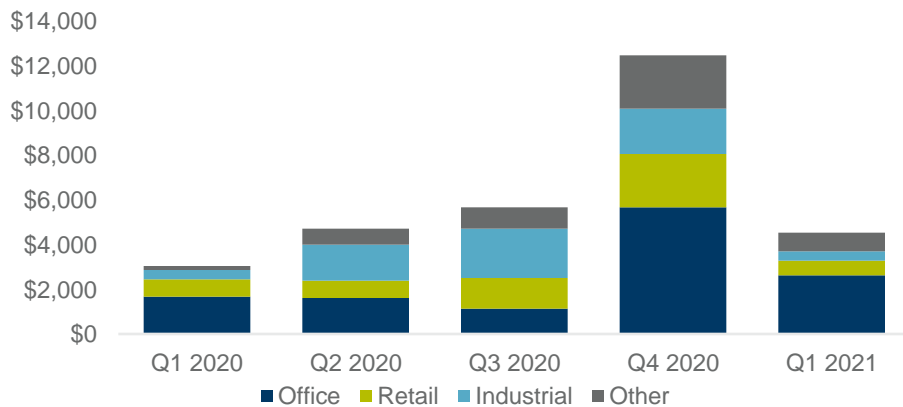
INDUSTRIAL

Low industrial transaction volume but strong pipeline

Industrial property transactions were relatively low in Q1 with 21 transactions totalling \$425 million. While Q1 turnover is down, two potential transactions are likely to significantly boost 2021 volumes. These include the Blackstone Australian warehouse portfolio with an estimated value of around \$3.5 billion as well the announced, but not yet completed, \$1.65 billion purchase of Moorebank Logistics Park, a 243-hectare freight infrastructure development in South Western Sydney, by Logos Property Services from Qube Holdings.

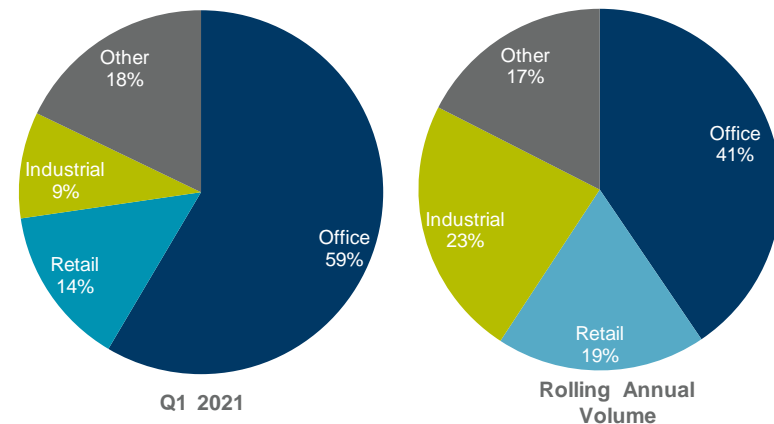
Significant transactions included the Meyer Distribution Centre in Brisbane, purchased for \$85 million by Dexus from Australian Unity, Centuria Industrial REIT's purchase for \$37,3 million of two industrial properties in Derrimut in Melbourne's west occupied by the Volkswagen Group and Tasman Logistics, and the Merrifield Business Park in Mickleham, Victoria for \$35 million by Dexus.

INVESTMENT BY SECTOR (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY SECTOR



Source: Real Capital Analytics; Cushman & Wakefield

RETAIL

Low retail transaction volume continues

17 retail transactions occurred over Q1 for a total value of \$640 million, the lowest quarterly transaction value since 2012. Rolling annual transaction volume was \$5.1 billion. Annual retail transaction volume peaked in 2017 at \$9.4 billion and has been declining since then due to factors such as changing demographics influencing shopping patterns, online trade and the COVID-19 pandemic.

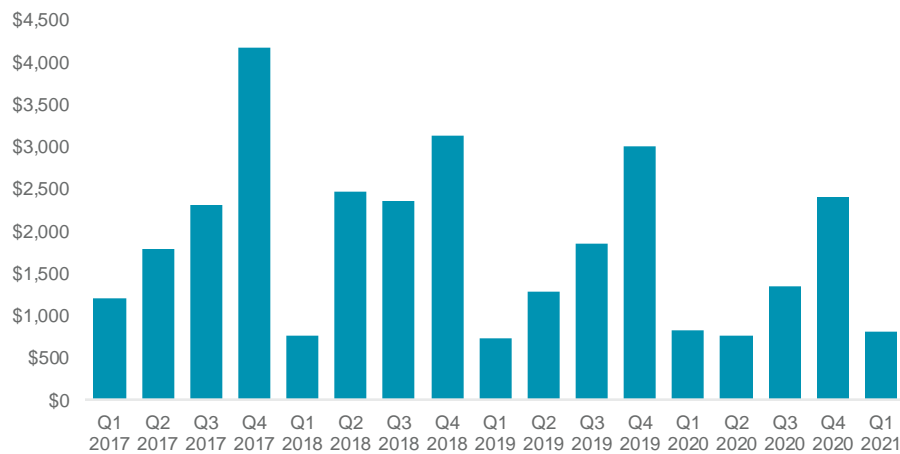
The largest transactions included the sub-regional shopping centre, The Pines Doncaster, purchased by JY Group and the Haben Property Fund from Stockland for \$152.2 and Revelop's purchase of the Forestway Shopping Centre in Sydney's north for \$100 million from Invesco Australia and City Cross Shopping Centre in Adelaide's Rundle Mall for \$60 million from the Makris Group.

'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.

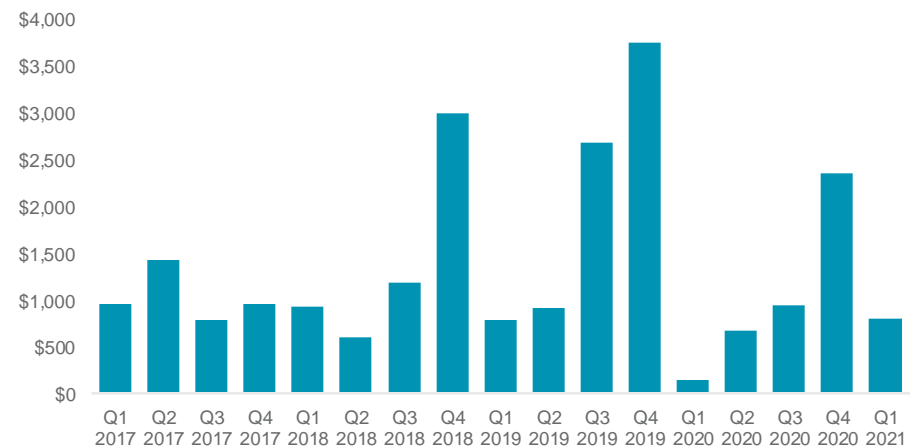
'Other' transaction volume in Q1 was a relatively solid \$804 million made up of 13 transactions. Transaction volume was boosted by the sale of 25% of the Lendlease retirement village portfolio to Aware Super for \$468 million. Other significant transactions included the purchase of the Primus Hotel in Sydney for \$132 million by Pro-Invest from the Greenland Group and the Ivanhoe Hotel at Manly, Sydney, purchased for \$57 million by Iris Capital,

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

56% of CRE transactions in Q1 were in New South Wales (NSW), where volume totalled \$2.5 billion. Victoria was next with \$552 million, or 12% of volume. Queensland also accounted for 12% of volume with transactions totalling \$520 million. NSW volume was lifted by office transactions in the CBD including 39 Martin Place and 1 Bligh Street as well as MQX4 and the Macquarie Corporate Centre in Macquarie Park.

Portfolio acquisitions across multiple states or 'Australia-wide' transactions were limited in Q1 to the Lendlease retirement village portfolio as well as three childcare properties (one in Queensland and two in Victoria) acquired by Home Consortium.

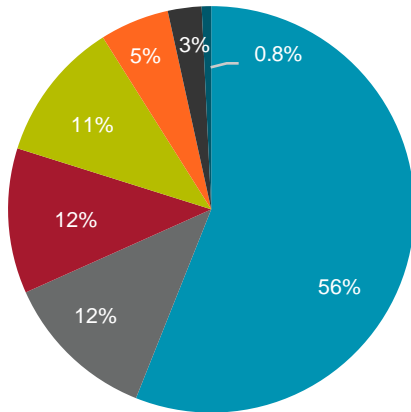
FOREIGN INVESTMENT

Singapore again dominates purchases from offshore

Despite travel restrictions, offshore buyers again contributed to nearly 40% of transaction volume. A similar level to the average of the past few years, though an increase on the average of 31% from the first three quarters of the 2020.

Singapore was again the largest source of foreign capital, with five transactions totalling \$832 million. Mercatus Co-operative Limited made the largest single investment though its joint venture partnership with Dexus in 1 Bligh Street Sydney. GIC was again a major investor with the purchase of the Chevron HQ in Perth while Ascendas purchased MQX4 in Macquarie Park. The largest investment by an offshore entity was Canadian financial service firm Manulife's JV \$400 million investment with Investa in 39 Martin Place. US based AEW purchased the Macquarie Park Corporate Centre for \$144 million.

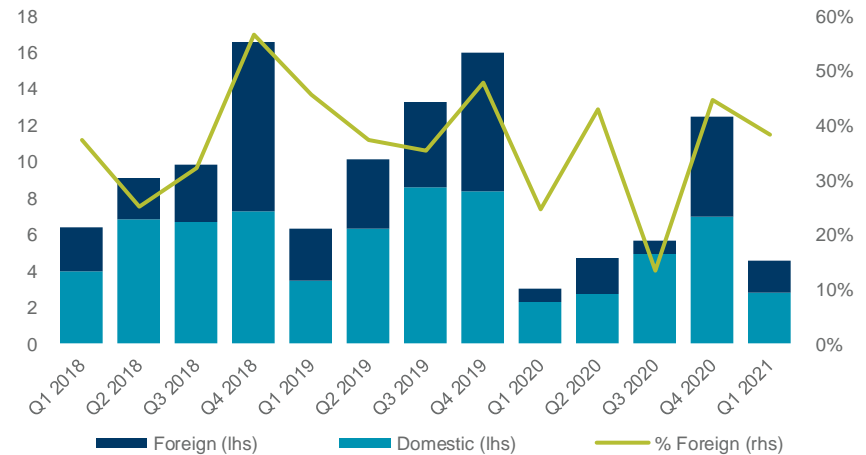
TRANSACTION ACTIVITY BY LOCATION



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

Source: Real Capital Analytics; Cushman & Wakefield

FOREIGN & DOMESTIC INVESTMENT (AUDbn)



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

Source: Real Capital Analytics; Cushman & Wakefield

SIGNIFICANT TRANSACTIONS, Q1 2021

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
39 Martin Place	Sydney CBD	Investa and Manulife	Macquarie group	Office	\$800.0m
Lendlease retirement village portfolio (25%)	Australia wide	Aware Super	Lendlease	Retirement	\$460.0m
1 Bligh Street (33%)	Sydney CBD	Mercatus Dexus Australia Partnership	CBUS	Office	\$375.3m
Chevron HQ (25%)	Perth CBD	GIC	Brookfield	Office	\$220.0m
310 Ann Street	Brisbane CBD	AsheMorgan	Pidgeon Holding/ Cornerstone	Office	\$210.0m
MQX4	Macquarie Park, Sydney	Ascendas REIT	Frasers Property	Office	\$167.2m
The Pines Doncaster	Doncaster, Victoria	JY Group/Haben Property	Stockland	Retail	\$152.5m
Macquarie Park Corporate Centre	Macquarie Park, Sydney	AEW Capital	Goodman Group	Office	\$144.0m

Outlook

- Investment volume in Australian commercial real estate continues to rebuild following the COVID induced weakness of 2020. Rising volume is 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 throughout 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.

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