

12-Mo.
Forecast

Q2 Investment Volume 2021 **\$16.2 bn** ▲

Rolling Annual Volume **\$38.8 bn** ▲

Foreign Investment **35%** ▲

TOTAL INVESTMENT ACTIVITY

Record Q2 volume

Transaction volumes for Australian commercial real estate (CRE) in Q2 2021 totalled \$16.2 billion and \$38.8 billion over the 12 months to June.

Cushman & Wakefield's Australia's CRE Investment series achieved a new record high for Q2 volume in 2021. The June quarter figure not quite reaching the overall quarterly record set in Q4 2018 at \$16.6 billion. Volume was given a major boost by record industrial transactions. Industrial volume totalled \$8.3 billion, more than three times the previous Industrial quarterly record of \$2.6 billion set in Q1 2011. Despite relatively soft volume in Q2 and Q3 2020, the extraordinary activity in Q2 2021 lifted rolling annual transaction volumes lifted from Q1's \$27.3 billion, to \$38.8 billion. The record for rolling annual volume was set in Q3 2019 at \$46.1 billion. The overall increase in activity can be attributed to several factors including strong interest in the industrial sector, improving business and consumer sentiment, Australia's relative success in containing the pandemic as well as ultra low interest rates, which have increased commercial real estate's relative investment appeal. However, recent lockdowns around the country indicate risk of the COVID-19 pandemic remains present.

Office transaction volume rose to \$3.9 billion from \$2.6 billion in Q1. 'Other' transaction volume rose to \$1.2 billion from \$804 million in Q1, while Retail had the strongest Q2 on record at \$2.7 billion, up from a low \$640 million in Q1.

ECONOMIC INDICATORS Q1 2021

Q420 Q1 21 12-Mo. Forecast

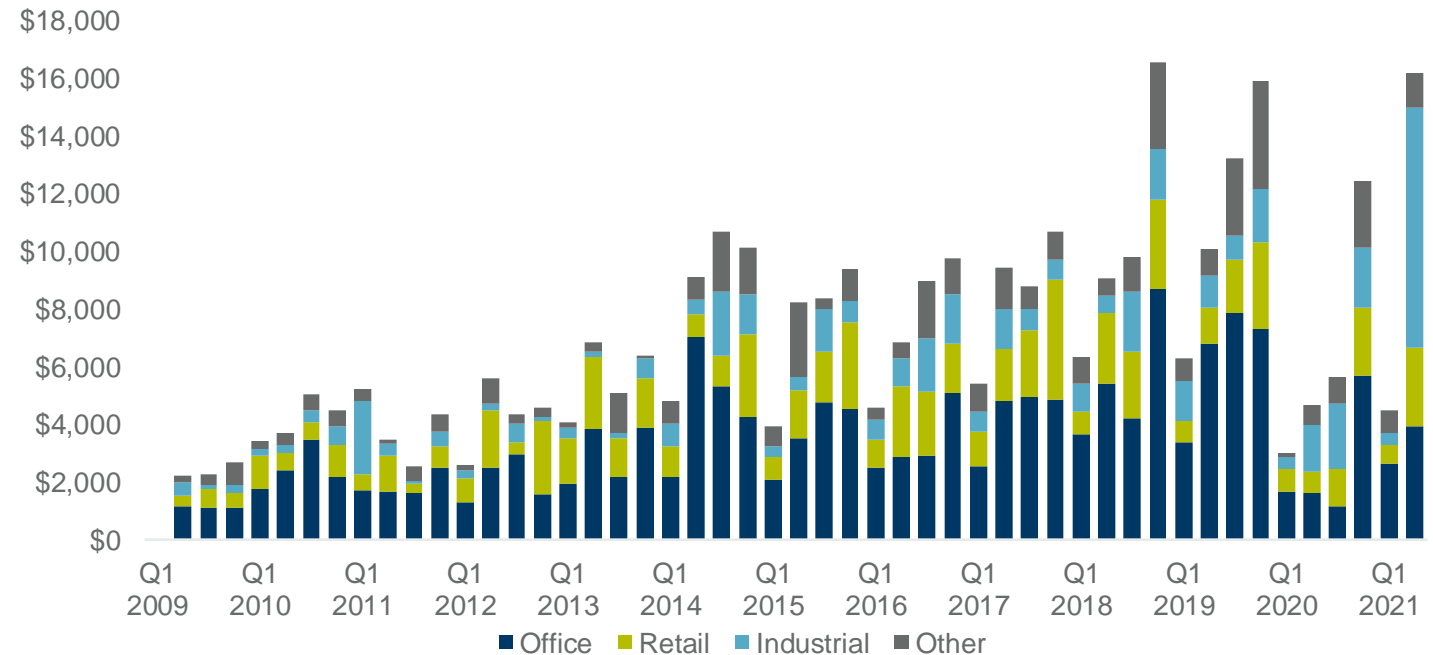
GDP Growth (National)* **-2.4%** **-2.4%** ▲

Consumer Price Index Growth (National)† **0.9%** **1.1%** ▲

Unemployment (National)‡ **5.9%** **5.7%** ▼

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

QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY SECTOR

OFFICE

Office volume continues to build in Q2

Following relatively strong Q1 transaction volume, activity continued to build in Q2 with volume totalling \$3.9 billion.

While office usually dominates transaction volume, with just 24% of volume it was pushed into second place by industrial. Despite total office volume not equalling industrial volume, office transaction numbers rose from the previous quarter. 47 transactions completed in Q2, up from 34 in Q1 and 40 in Q2 2020. Major office transactions for the quarter included the AIP Asset Management portfolio purchased for \$780 million by Charter Hall, the Swiss RE portfolio managed by AMP and sold to EG for around \$450 million, 10 Eagle Street Brisbane purchased by Marquette Properties for \$285 million and 140 St Georges Terrace in Perth, purchased by Primewest and Blackrock for \$260 million from AMP Capital.

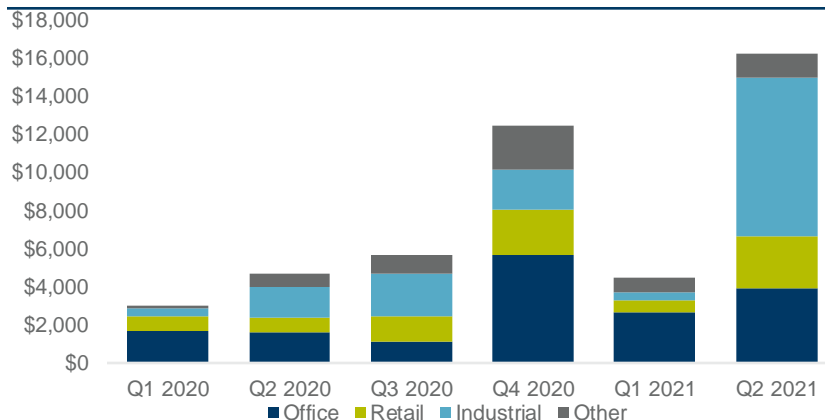
INDUSTRIAL

Record industrial volume

Boosted by the pandemic, the industrial sector has now dominated quarterly transaction volume for three of the past five quarters. Volume totalled \$8.3 billion in Q2 with 57 transactions or 51% of all Q2 CRE transaction volume. The figure is a new quarterly record, over three times the previous record set in 2011 at \$2.6 billion.

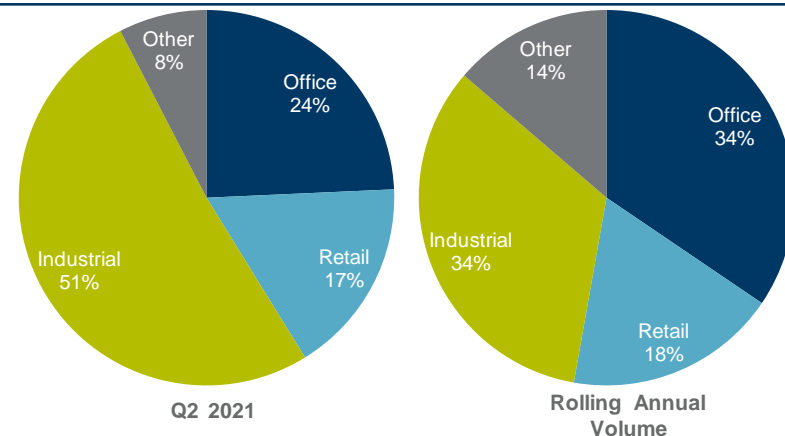
The main transaction of the quarter was Blackstone's Milestone Logistics portfolio purchased by ESR. At \$3.8 billion, it was reported as the largest ever direct property transaction in Australia. Other significant transactions included the \$1.65 billion purchase of Moorebank Logistics Park, a 243-hectare freight infrastructure development in South Western Sydney, by Logos Property Services from Qube Holdings, 90% of Blackstone's stake in Fife industrial and logistics portfolio, purchased by Manulife and PGIM for \$850 million and the PFD Food Services portfolio purchased by Charter Hall for nearly \$270 million.

INVESTMENT BY SECTOR (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY SECTOR



Source: Real Capital Analytics; Cushman & Wakefield

RETAIL

Record Q2 volume for retail

The retail sector also achieved a Q2 volume record in 2021. Volume totalling \$2.6 billion from 47 transactions, up from just 17 transactions totalling \$640 million in Q1. Rolling annual transaction volume was \$7.1 billion, the highest level since June 2019. Annual retail transaction volume peaked in 2017 at \$9.4 billion and has been on a declining trend since then due to factors such as changing demographics influencing shopping patterns, online trade and the COVID-19 pandemic.

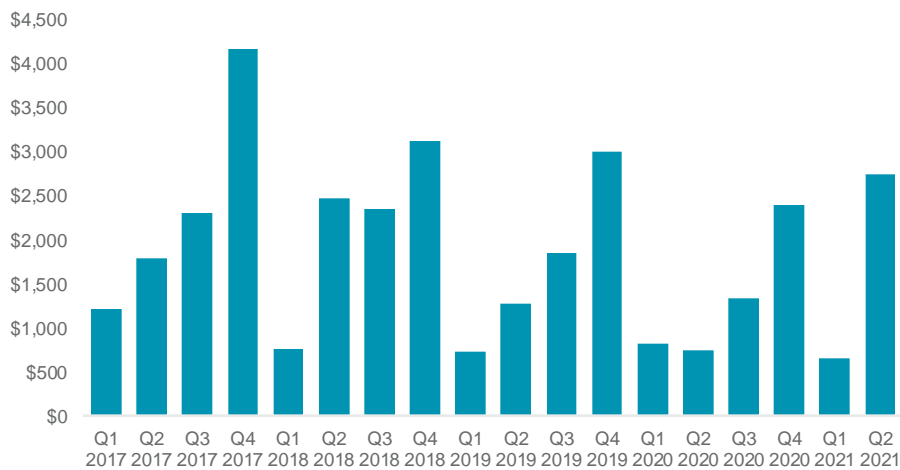
The boost to volume in Q2 was assisted by transactions such as the Lederer portfolio of neighbourhood centres, sold to IP Generation for \$300 million, Charter Hall and Abacus each acquiring a third of Myer Bourke Street for circa \$135 million a piece, Irongate and Fortius purchasing Rundle Place for \$210 million and The Square Mirrabooka in Western Australia was purchased by Fawcner Property for \$195 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.

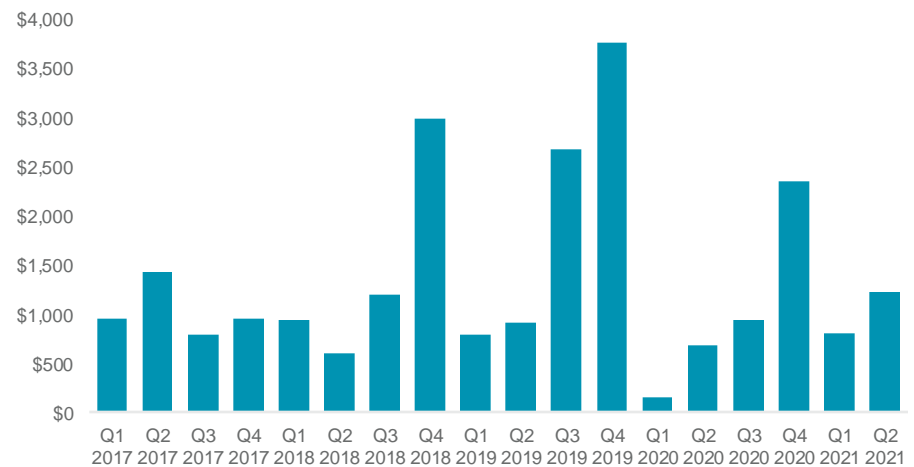
'Other' transaction volume in Q2 rose to \$1.2 billion from 50 transactions. The main transactions for the quarter included the sale of Four Points by Sheraton Central Park to KSL Capital Partners for \$150 million, the Silverstone portfolio of healthcare assets in Brisbane purchased by Dexus for \$131 million and Lasseters Hotel Casino in Alice Springs, sold to Iris Capital for \$105 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

Multi-state portfolio transactions dominate transaction activity

The strong volume in Q2 was driven by portfolio transactions with properties in multiple states or 'Australia Wide'. Australia Wide volume totalled \$6 billion or 37% of volume. New South Wales again dominated volume by state with 28% of volume totalling \$4.6 billion. Victoria was next with \$2.4 billion, or 15% of volume. Queensland accounted for 13% of volume with transactions totalling \$2.1 billion. Significant Australia Wide transactions included Blackstone's Milestone and Fife industrial portfolios, the AIP office portfolio, the PFD Food Services and Ascendas Australia industrial portfolios. In addition, Abacus acquired a self storage portfolio and Ingenia a holiday park portfolio.

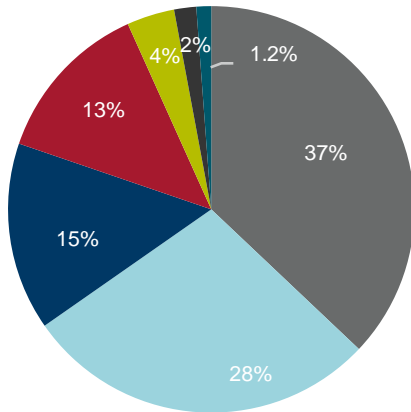
FOREIGN INVESTMENT

Hong Kong the main source of offshore capital in Q2

Despite travel restrictions, offshore buyer transaction volume rose to \$5.7 billion in Q2, the fourth strongest quarter on record. While the volume of offshore sourced capital rose, strong buying by domestic investors resulted in the foreign share of volume dropping to 35%, a little lower than the average of the previous five years of 40%.

Hong Kong based ESR's \$3.8 billion purchase of the Milestone portfolio led the offshore buying. The US was the second largest source of offshore capital through Hines' purchase of the State Law Building at 50 Ann Street Brisbane for \$210 million and the KSL Capital Partners purchase of Four Points by Sheraton Central Park for \$150 million. The purchase of the Fife portfolio by PGIM added to the total of US sourced investment capita, though their partner in the acquisition, Manulife, also made Canada a significant source in Q2.

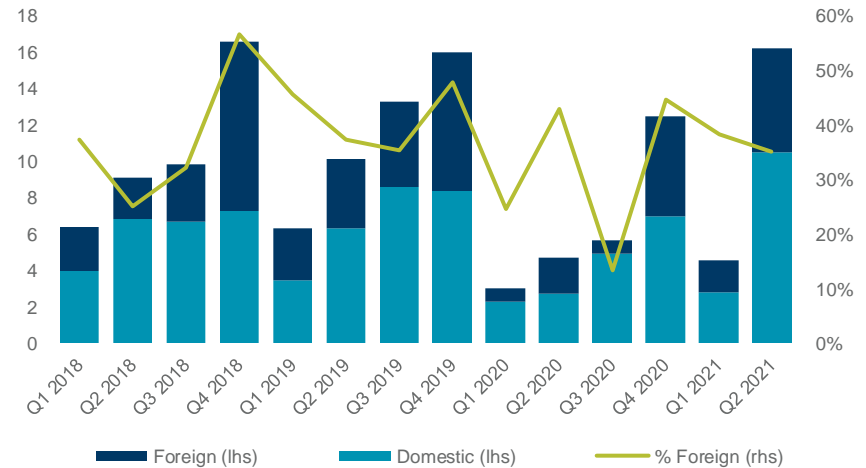
TRANSACTION ACTIVITY BY LOCATION



■ Aust Wide ■ NSW ■ VIC ■ QLD ■ 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, Q2 2021

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Milestone logistics portfolio	Australia wide	ESR	Blackstone	Industrial	\$3.80bn
Moorebank Logistics Park	Moorebank, Sydney	Logos Property Services	Qube Holdings	Industrial	\$1.65bn
Fife logistics portfolio	Australia Wide	Manulife, PGIM	Blackstone	Industrial	\$850.0m
AIP Asset Australia portfolio	Australia Wide	Charter Hall	AIP Asset Management	Office	\$780.0m
Swiss RE office portfolio	Sydney	EG	AMP Capital	Office	~\$450.0m
Lederer retail portfolio	New South Wales	IP Generation	Lederer	Retail	\$300.0m
10 Eagle Street	Brisbane	Marquette Properties	Dexus	Office	\$285.0m
PFD Food Services portfolio	Australia Wide	Charter Hall	PFD Food Services	Industrial	\$269.4m

Outlook

- Investment volume in Australian commercial real estate continues to rebuild following the COVID induced weakness of 2020. While volume in Q2 was boosted by a number of significant industrial transactions, ongoing investment strength should be supported by 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 and 2022.
- 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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