

# MARKETBEAT AUSTRALIA

Investment Q3 2021



12-Mo.  
Forecast

Q3 Investment  
Volume 2021 **\$11.5bn**



Rolling Annual  
Volume **\$43.6bn**



Foreign  
Investment **30%**



## ECONOMIC INDICATORS Q2 2021

Q121 Q2 21 12-Mo.  
Forecast

GDP Growth  
(National)\* **-2.4% 1.4%**

Consumer Price  
Index  
Growth  
(National)† **1.1% 3.8%**

Unemployment  
(National)† **5.7% 4.9%**

\*Average annual growth rate, †Seasonally adjusted

Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

## TOTAL INVESTMENT ACTIVITY

### Solid Q3 volume

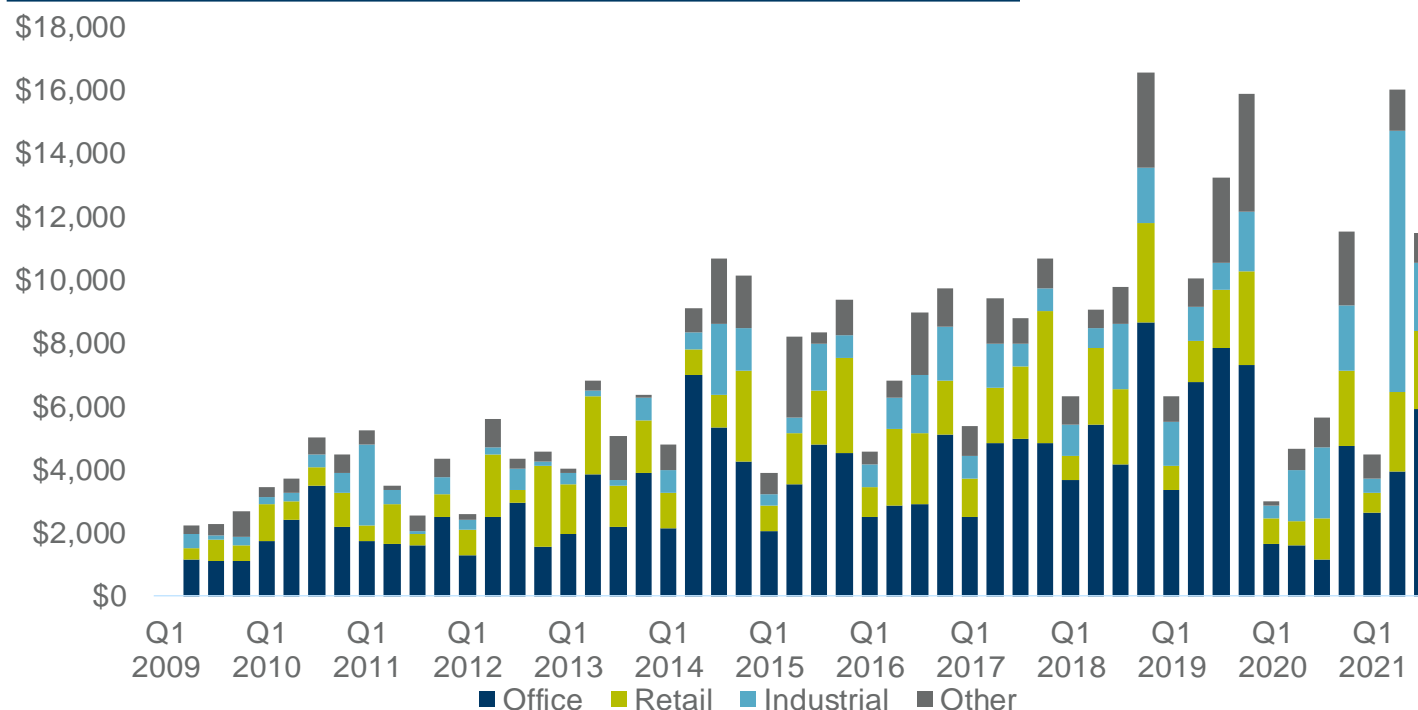
Transaction volume for Australian commercial real estate (CRE) was a solid \$11.5 billion in Q3 2021 and \$43.6 billion over the 12 months to September.

Volume over the September quarter was the second strongest Q3 figure in Cushman & Wakefield's Australia's CRE Investment series. The figure only beaten by Q3 2019's volume of \$13.2 billion and is more than double the Q3 2020 figure of \$5.7 billion. While volume was less than Q2's \$16.1 billion, the June quarter had been boosted by the record \$3.8 billion Milestone Logistics transaction.

Despite being impacted by lockdowns for most of the quarter, investment activity was strongest in New South Wales and Victoria which accounted for around 40% and 30% of volume respectively.

Office regained the lead in Q3 with transaction volume of \$5.9 billion followed by retail with \$2.5 billion, industrial with \$2.2 billion and 'Other' with transaction volume of \$936 million.

## QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

# MARKETBEAT AUSTRALIA

Investment Q3 2021



## INVESTMENT BY SECTOR

### OFFICE

Office volume continues to build in Q3

Office transaction volume was the second strongest figure for Q3 on record, with volume totalling \$5.9 billion, up from \$3.9 billion in Q2 and \$2.6 billion in Q1. The record for September quarter office transaction volume was recorded in 2019 at \$7.9 billion. Office was also the most active sector, accounting for 51% of transaction volume.

The largest transaction of the quarter was the \$1.2 billion sale of Melbourne Quarter Tower by Lend Lease to the National Pension Service of South Korea. This was followed by the settlement, after FIRB approval, of CIC's 50% share of Grosvenor Place, Sydney. CIC purchased the half share from Dexu and Canada's CPP Investment for \$925 million. Other significant transactions included Mirvac and M&G Real Estate's purchase of AMP Capital Wholesale Office Fund's half share of 200 George Street for \$578.5 million, Dexu's purchase of 49% of the Capital Square Tower 1 in Perth for \$339 million and Charter Hall acquiring the remaining 50% stake of 275 George Street in Brisbane from Keppel REIT for \$275 million.

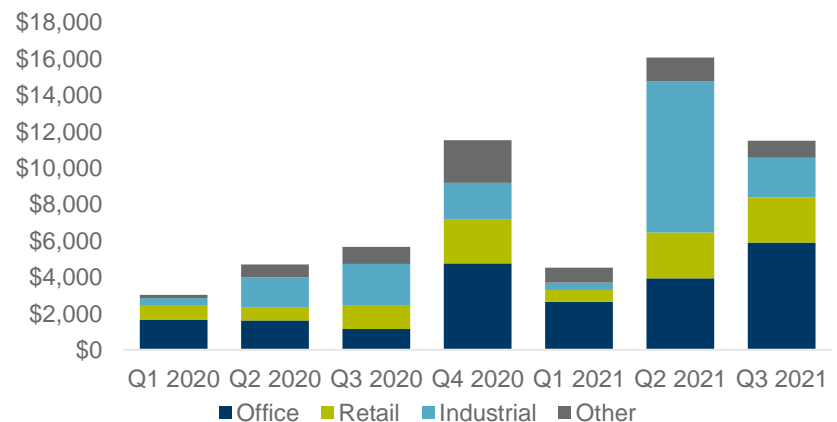
### INDUSTRIAL

Industrial volume slows, but still solid

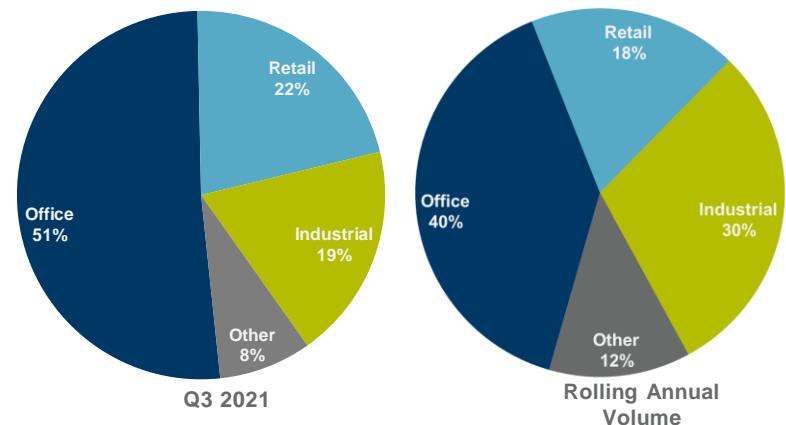
Following record transaction volume over the June quarter (\$8.3 billion), industrial volume slowed to \$2.2 billion in Q3. Rolling annual volume totalled \$12.95 billion and was the second strongest annual result for industrial on record, only beaten by Q2's \$13.0 billion.

Once again, the largest transactions involved portfolio purchases. These included Dexu's acquisition of the McPhee Super Core Logistics portfolio, purchased from McPhee Distribution Services for \$186 million, a portfolio of three assets purchased by Lendlease's Australian Prime Property Fund Industrial from the Mirvac Industrial Logistics Partnership for approximately \$161 million and the Toplace Aus Clyde Industrial portfolio bought by Goodman for \$140 million from Toplace Developments. Other significant transactions included 29-37 Ron Boyle Crescent, Carole Park, Queensland, purchased by the Charter Hall Long WALE REIT for around \$83 million and the German investor, Institutional Investment Group (2IG), acquisition of the Port Melbourne warehouse, 262 Lorimer Street, for \$81.6 million on what was reported to be a record yield of just 3.7%.

### INVESTMENT BY SECTOR (AUDbn)



### INVESTMENT BY SECTOR



# MARKETBEAT AUSTRALIA

Investment Q3 2021



## RETAIL

### Retail volume remains solid in Q3

Retail transaction volume totalled \$2.48 billion in Q3 from around 48 transactions. Down a little on Q2's \$2.5 billion from 50 transactions and is the strongest Q3 figure on record. Annual retail transaction volume peaked in 2018 at \$9.7 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.

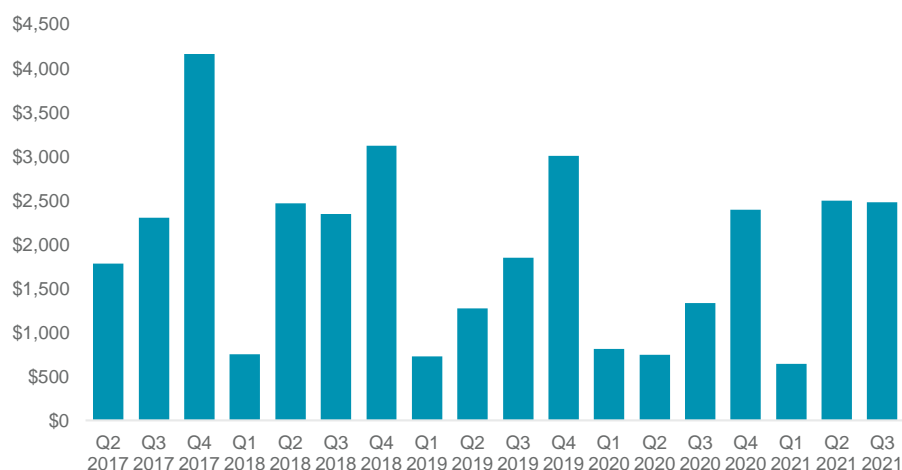
The boost to volume in Q3 was assisted by the sale of a number of centres including Casey Central Shopping Centre, sold by M&G Investments to Haben Property Fund and Hong Kong investor JY Group for \$225 million, Mount Pleasant Centre in north Queensland purchased by Fawcner Property for \$162.5 million and Town Centre Victoria Point Brisbane, a mix of large format retailers and a neighbourhood convenience, acquired by the HomeCo Daily Needs REIT for \$160 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.

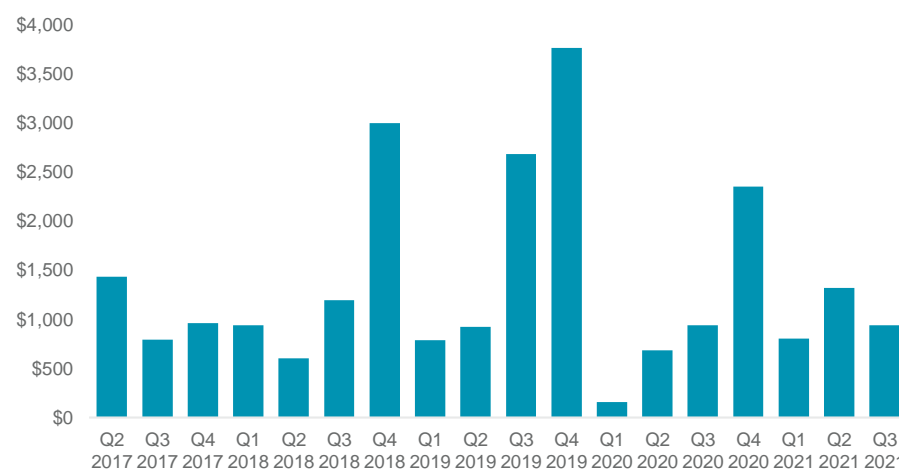
'Other' transaction volume in Q3 slipped to \$936 million from \$1.3 billion in Q2. The main transactions for the quarter were health related and included Centuria Healthcare Property Fund acquiring a \$167m portfolio of seven assets which included mental health, dementia care facilities and a private short stay hospital as well as HomeCo's purchase of a portfolio of eight private oncology centres, offered with a long-term lease back to cancer and cardiac healthcare company GenesisCare, for around \$110 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

# MARKETBEAT AUSTRALIA

Investment Q3 2021



## INVESTMENT BY LOCATION

### Locked down states dominate transaction volume

Despite being lockdown with COVID-19 restrictions during Q3, New South Wales (NSW) and Victoria accounted for nearly 70% of total transaction volume in Q3. Volume totalled around \$4.5 billion, or 39% of total volume in NSW and \$3.4 billion, or 30% of volume in Victoria. Queensland accounted for 15% of volume with transactions totalling \$1.7 billion and Western Australia and South Australia with \$539 million and \$292 million respectively. Portfolio acquisitions with properties in multiple states, 'Australia Wide', fell from \$6 billion in Q2 to just \$702 million in Q3. However, Q2 had been boosted by a number of significant deals such as Blackstone's \$3.8 billion Milestone and \$850 million Fife industrial portfolios as well as the \$780 million AIP office portfolio acquired by Charter Hall.

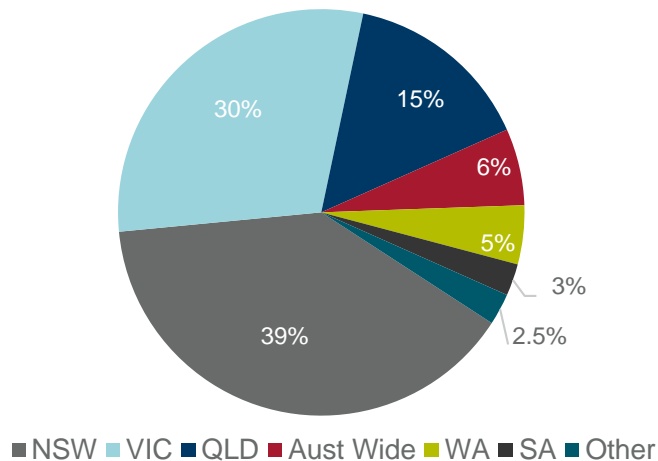
## FOREIGN INVESTMENT

### South Korea the main source of offshore capital in Q3

Offshore investment into Australian CRE slowed in Q3. Offshore buyer volume totalled \$3.5 billion, or 30% of total volume, down from an average of 38% over the previous three quarters.

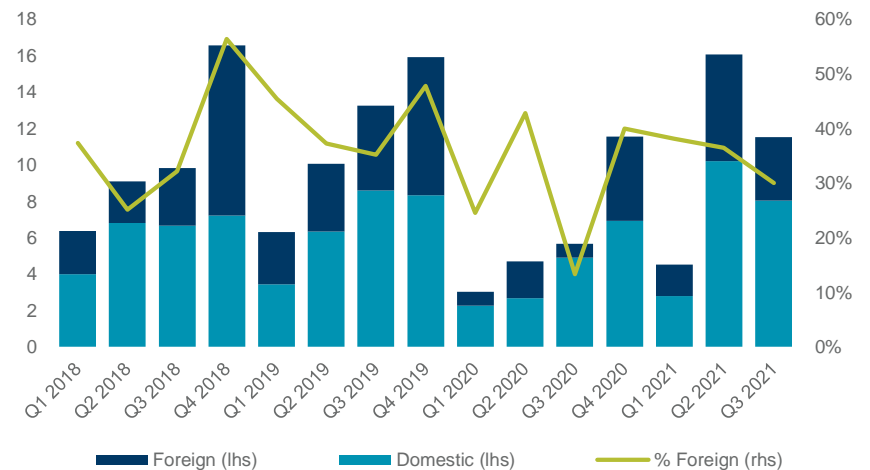
South Korea was the main source of offshore capital in Q3 on National Pension Service's \$1.2 billion purchase of Melbourne Quarter Tower. The settlement of CIC's half share of Grosvenor Place put China in second place, while Singapore was third with four transactions totalling \$276.6 million, the largest of which was the purchase of Cherrybrook Village Shopping Centre for \$133 million. The UK came fourth with two transactions totalling \$166.6 million, the largest of which was Savills Investment Management's \$152 million purchase of the Gateway Building in Mascot, Sydney.

## TRANSACTION ACTIVITY BY LOCATION



Source: Real Capital Analytics; Cushman & Wakefield

## FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

# MARKETBEAT AUSTRALIA

Investment Q3 2021



## SIGNIFICANT TRANSACTIONS, Q3 2021

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Melbourne Quarter Tower	Melbourne	National Pension Service	Lendlease	Office	\$1.20bn
Grosvenor Place	Sydney	CIC	CPP Investment Board, Dexus	Office	\$925.0m
EY Centre	Sydney	Mirvac, M&G Real Estate	AMP	Office	\$578.5m
Capital Square Tower 1	Perth	Dexus	AAIG	Office	\$339.0m
275 George Street	Brisbane	Charter Hall	Keppel REIT	Office	\$275.0m
60 Miller Street	North Sydney	Huge Linkage Limited	Dexus	Office	\$300.0m
Casey Central Shopping Centre	Casey, Melbourne	Haben Property Fund, The JY Group	M&G Real Estate	Retail	\$225.0m
Mount Pleasant Centre	Mackay, Qld	Fawcner Property	CBA Officers Superannuation Fund	Retail	\$162.5m

## Outlook

- Investment volume in Australian commercial real estate continues to rebuild following the COVID induced weakness of 2020. 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;
  - an ultra low interest rate environment; and
  - the reopening of the Australian economy as national roadmap vaccination levels are achieved.
- These factors should continue to support demand for Australian CRE throughout 2021 and 2022.
- However, demand from overseas investors may also be limited until travel restrictions are eased, while additional scrutiny by the Foreign Investment Review Board introduced during the pandemic may reduce the pace of international investment.

### JOHN SEARS

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

### TONY CRABB

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

### JAKE MCKINNON

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

### SEAN ELLISON

Research Manager, NSW  
+61 (0)481 093 806 / [sean.ellison@cushwake.com](mailto:sean.ellison@cushwake.com)

### JOSH CULLEN

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

### DAVID CASTLES

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

### MATTHEW RUSSELL

National Director, Joint Head - Valuations  
+61 (0)406 784 380 / [matthew.russell@cushwake.com](mailto: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](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2021 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.

[cushmanwakefield.com](http://cushmanwakefield.com)