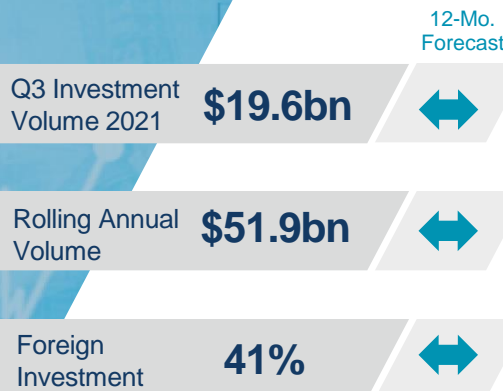


# MARKETBEAT AUSTRALIA

Investment Q4 2021



## TOTAL INVESTMENT ACTIVITY

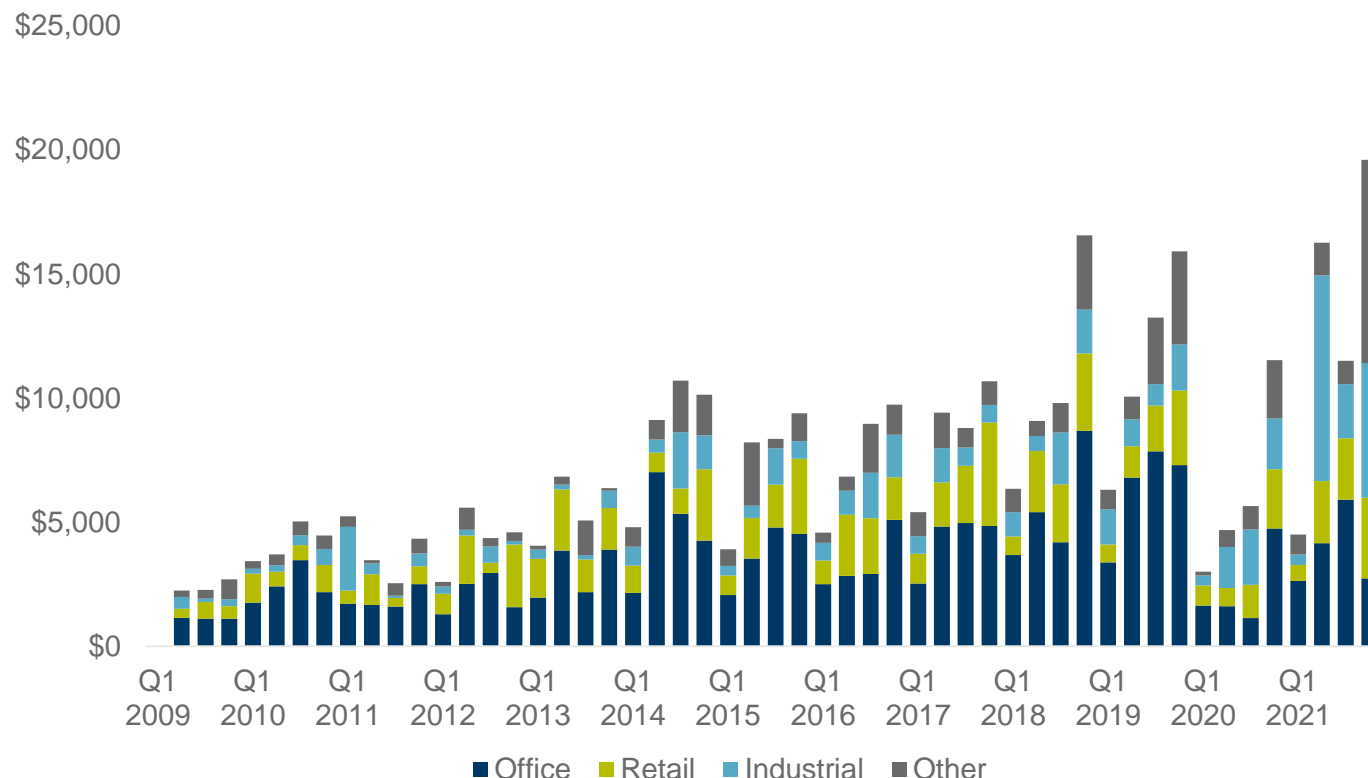
### Records tumble in Q4

Exceptional volume for Australian commercial real estate (CRE) lifted both quarterly and annual transaction values to new records in Q4 2021.

Volume over the December quarter of \$19.6 billion was the strongest quarterly figure in Cushman & Wakefield's Australia's CRE Investment series. The figure surpassing the previous record set in Q4 2018 of \$16.6 billion. Annual transaction volume totalled \$51.9 billion, exceeding the previous record of \$46.2 billion set in 2018.

For the first time in our series, the office sector recorded the lowest transaction volume (\$2.7 billion) of the main CRE sectors and 'Other' the highest (\$8.2 billion). 'Other' lifted by transactions such as the Jandakot Airport Portfolio and the ALE Property takeover. Industrial recorded its second strongest quarter on record with volume totalling \$5.4 billion while retail achieved its strongest quarter since 2017 with transaction volume of \$3.3 billion.

## QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

## ECONOMIC INDICATORS Q3 2021

Q221 Q3 21 12-Mo.  
Forecast

GDP Growth (National)\* **1.5%** **3.4%** ▲

Consumer Price Index Growth (National)† **3.8%** **3.0%** ▼

Unemployment (National)† **4.9%** **4.6%** ▼

\*Average annual growth rate, †Seasonally adjusted

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

# MARKETBEAT AUSTRALIA

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## INVESTMENT BY SECTOR

### OFFICE

#### Office volume slows in Q4

Office transaction volume in Q4 was \$2.7 billion, the lowest Q4 figure since 2012 and 43% lower than Q4 2020. Lower office volume meant the office sector only contributed 15% of total CRE transaction volume in Q4. However, the decline followed strong volume of \$4.2 and \$5.9 billion in Q2 and Q3 respectively. This meant rolling annual volume was still relatively high at \$15.4 billion, accounting for 30% of total CRE transaction volume in 2021.

A lack of CBD transactions contributed to the relative weakness, with the two largest transactions occurring in metro office markets. These included the \$463.3 million sale of the Woolworths headquarters in Bella Vista, north-west Sydney to the Singaporean fund manager AIMS APAC REIT, while in North Sydney Lendlease and Singapore-based Keppel REIT purchased the property known as Blue & William for \$327.7 million. Other significant transactions included 100 Creek Street, Brisbane purchased by the Cromwell Property Group from ISPT for \$184.7 million as well as the Alfasi Group's 50% sale of 510 Church Street, Cremorne for \$130 million to the Irongate Group.

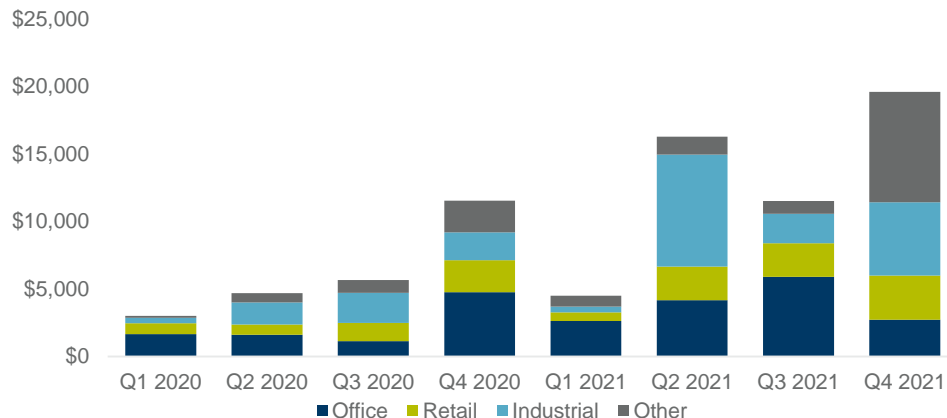
### INDUSTRIAL

#### Second strongest Industrial transaction volume on record

The sale of GIC's 49% stake in an Australian logistics trust for \$2.1 billion to Blackstone lifted December quarter Industrial transaction volume to \$5.4 billion. This was the second strongest quarterly Industrial volume on record, only beaten by the June quarter's \$8.3 billion. As a result, annual Industrial volume was \$16.3 billion in 2021, nearly 160% more than the previous calendar year record of \$6.3 billion set in 2020.

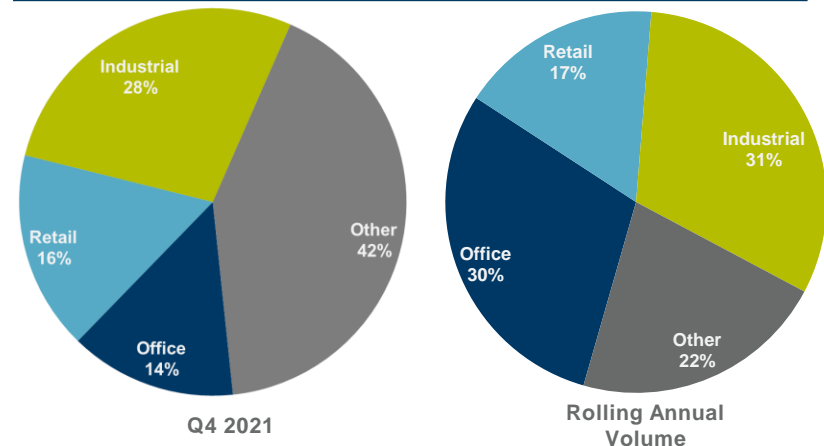
Blackstone's \$2.1 billion investment in the Dexus Australia Logistics Trust was the largest CRE transaction of the quarter and follows the record industrial acquisition of the Milestone portfolio by ESR for \$3.8 billion in June. Other significant transactions included the Qantas development site portfolio in Mascot, Sydney, acquired by Logos for \$802 million as well as 52-88 Lisbon Street, Fairfield Sydney, purchased for \$200.2 million. This was part of a \$351 million portfolio of eight distribution, cold storage and transport logistics properties acquired by Centuria Industrial REIT.

#### INVESTMENT BY SECTOR (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

#### INVESTMENT BY SECTOR



Source: Real Capital Analytics; Cushman & Wakefield

# MARKETBEAT AUSTRALIA

Investment Q4 2021



## RETAIL

### Retail bounces back

The retail sector recorded its second strongest quarter in the Cushman & Wakefield database with transaction volume of \$3.3 billion. The quarter was second only to Q4 2017 when volume of \$4.2 billion was recorded.

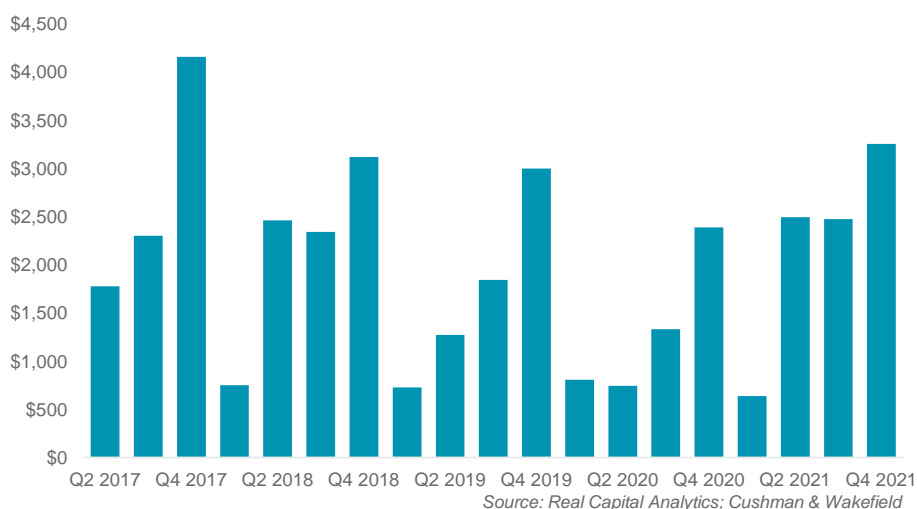
Significant transactions included AMP Capital's purchase of an additional 25% stake in Macquarie Centre for \$422.5 million and, with UniSuper and Cbus Property, the remaining 20% of Pacific Fair on the Gold Coast for \$336.4 million. Wollongong Central was purchased by the Haben Property Group and Hong Kong-based JY Group for \$402 million from the GPT Group and Vicinity Centres has bought a \$358 million half-stake in the Gold Coast outlet centre, Harbour Town, from Lendlease.

## 'OTHER' CRE

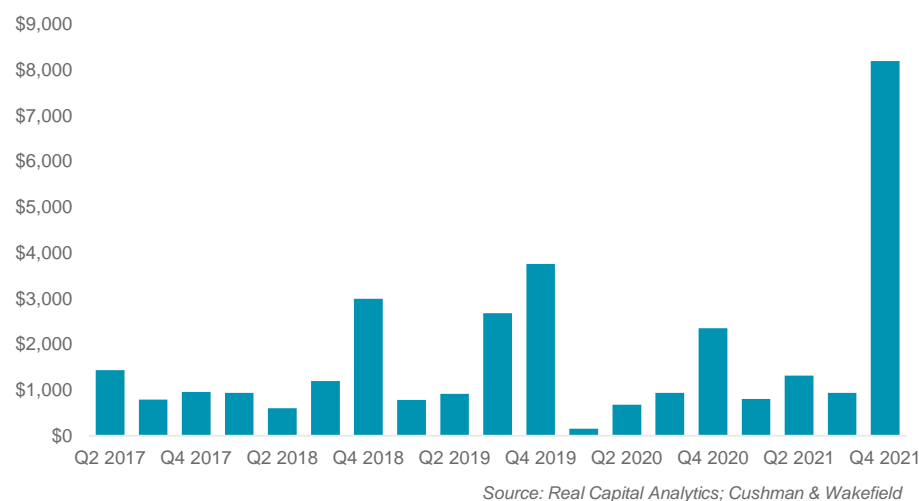
'Other' CRE includes property types such as mixed use, hotels, pubs, service stations, student accommodation, serviced apartments, self storage, aged, healthcare and childcare. Cushman & Wakefield Australian Research records these transactions where the price is greater than \$5 million.

'Other' transaction volume achieved a new record in Q4 2021 with transaction volume of \$7.3 billion. The largest transaction was the \$1.7 billion takeover of ALE Property by Charter Hall and Hostplus. There were a number of significant mixed use (includes portfolios of different types of properties) transactions including the \$1.3 billion acquisition of Perth's Jandakot Airport Portfolio by Dexus and APN Industria REIT, the Altis Property Partners portfolio of office and industrial property, recapitalised by US based Starwood Capital and Sydney firm Arrow Capital Partners in a \$760 million deal and a \$682 million purchase of logistics and office assets from Ascot Capital by GPT.

RETAIL CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



'OTHER' CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



# MARKETBEAT AUSTRALIA

Investment Q4 2021



## INVESTMENT BY LOCATION

### NSW and multi state portfolio deals dominate transaction activity

New South Wales enjoyed the highest level of transaction volume in Q4 with deals totalling \$5.9 billion or 30% of total volume. A number of large portfolio acquisitions with properties in multiple states lifted 'Australia Wide' volume to \$5.7 billion while Queensland, with volume of \$2.8 billion, experienced its strongest quarter since 2017. Volume in Victoria was also \$2.8 billion. The Jandakot Airport transaction lifted volume in Western Australia to \$1.8 billion in Q4, a new record for the state.

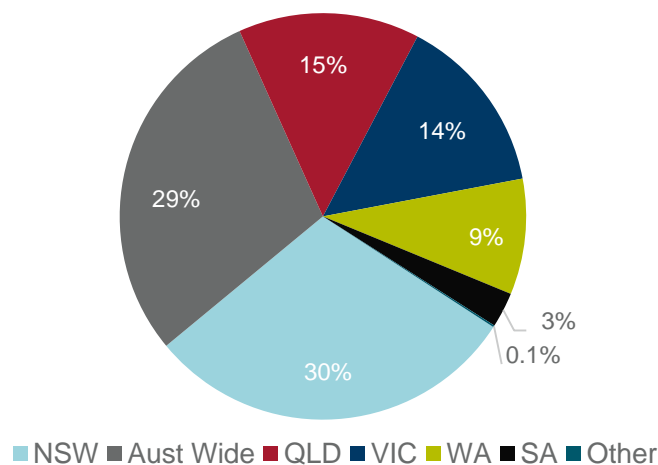
## FOREIGN INVESTMENT

### The US was the main source of offshore capital in Q4

The high level of CRE investment volume in Q4 was supported by strong capital inflows from overseas. Offshore investment rose to a record \$8.0 billion from \$3.5 billion in Q3. The strong inflows lifted total offshore investment for 2021 to a total of \$19.2 billion.

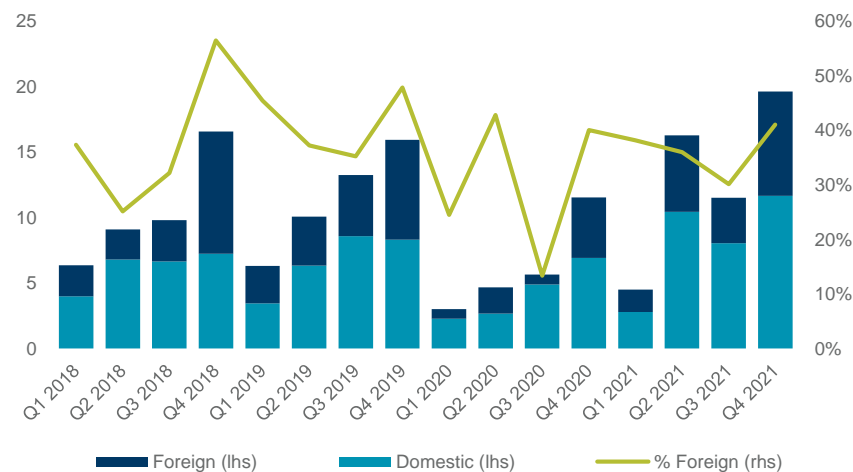
The US was the main source of capital in Q4 with investment of \$2.6 billion. Singapore was the second largest source of offshore capital with investment totalling nearly \$500 million. The US also topped annual inflows with \$3.97 billion, just pipping Hong Kong with \$3.96 billion for the year, followed by Singapore with \$1.7 billion. Blackstone's \$2.1 billion investment in the Dexus Australian Logistics Trust, helped lift the US total along with their \$400 million investment in the Fort Knox Self Storage portfolio. The most significant purchase from Singaporean based investor was AIMS APAC REIT's \$463 million purchase of the Woolworths headquarters in Bella Vista, north-west Sydney.

## TRANSACTION ACTIVITY BY LOCATION



Source: Real Capital Analytics; Cushman & Wakefield

## FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

# MARKETBEAT AUSTRALIA

Investment Q4 2021



## SIGNIFICANT TRANSACTIONS, Q4 2021

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Dexus Australian Logistics Trust (49%)	Australia wide	Blackstone	GIC	Industrial	\$2.1bn
ALE Property Group	Australia wide	Charter Hall/Hostplus	ALE Property Group	Other	\$1.7bn
Jandakot Airport Portfolio	Perth	Dexus/APN Industria REIT	Ascot Capital	Other	\$1.3bn
Altis Australia Commercial Recapitalisation	Australia wide	Starwood/Arrow Capital	Altis Property Partners	Office/Industrial	\$760m
Ascot Capital Portfolio	Australia wide	GPT	Ascot Capital	Industrial/Office	\$682m
Woolworth HQ	Bella Vista, Sydney	AIMS APAC REIT	Inmark Asset Management	Office	\$463m
Macquarie Centre (25%)	Ryde, Sydney	AMP Capital	Dexus	Retail	\$423m
Wollongong Central	Wollongong, NSW	Haben Property Group/JY Group	GPT	Retail	\$402m

## Outlook

- Investment volume in Australian commercial real estate continues to rebuild supported by factors including:
  - The relative strength of the Australian economy;
  - attractive returns compared to many fixed interest and overseas CRE investments;
  - a low interest rate environment; and
  - the reopening of the Australian economy.
- These factors should continue to support demand for Australian CRE throughout 2022.
- However, while interest rates in Australia are expected to remain relatively low in 2022, global inflation pressures are rising. This may result in higher global interest rates and bond yields, potentially increasing local funding costs and tempering demand.

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