

12-Mo.  
Forecast

Q1 Investment Volume 2022 **\$6.5bn**



Rolling Annual Volume **\$53.9bn**



Foreign Investment **26%**



### TOTAL INVESTMENT ACTIVITY

#### Records continue to fall in Q1

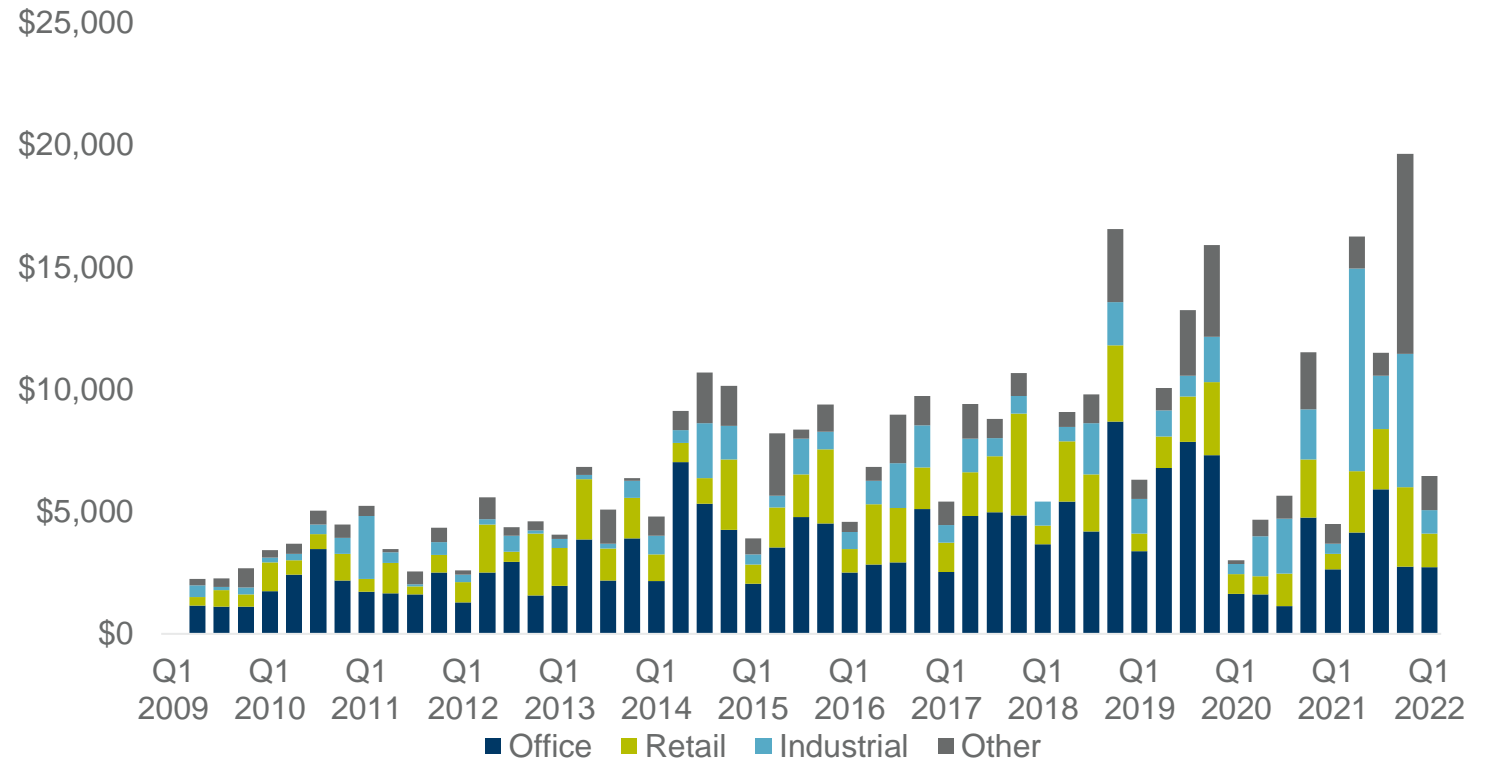
Following Q4 2021's record breaking commercial real estate (CRE) transaction volume, fresh records were set in Q1 2022.

At \$6.5 billion, transaction volume surpassed the previous Q1 record of \$6.3 billion set in 2018.

Rolling annual transaction volume totalled \$53.9 billion, the strongest annual figure in Cushman & Wakefield's Australia's CRE Investment series, exceeding the previous record of \$51.9 billion set in Q4 2021.

The office sector recorded the highest transaction volume (\$2.7 billion) of the main CRE sectors and 'Other' the second highest (\$1.39 billion). Retail was a close third place with volume of \$1.36 billion, while Industrial had a relatively quiet quarter with \$972 million.

### QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDm)



### ECONOMIC INDICATORS Q4 2021

Q321 Q421 12-Mo. Forecast

GDP Growth (National)\* **3.4%** **4.7%** ▼

Consumer Price Index Growth (National)† **3.0%** **3.5%** ▼

Unemployment (National)‡ **4.6%** **4.2%** ▼

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

### INVESTMENT BY SECTOR

#### OFFICE

##### Office returns to the lead in Q1

Office transaction volume in Q1 totalled \$2.7 billion, the third strongest Q1 in Cushman & Wakefield's series. The record is \$3.7 billion, achieved in 2018 followed by \$3.4 billion recorded in Q1 2019.

Noteworthy deals this quarter included Dexu signing off the paperwork to start on the development of the \$1.4 billion headquarters for Atlassian. Under the deal Dexu is reported to take a two-thirds stake in the 8-10 Lee Street Sydney development. 101 Miller Street in North Sydney was acquired by the CapitalLand Integrated Trust for \$422 million. Two significant transactions in Brisbane included Blue Tower at 12 Creek Street, purchased by Marquette Properties for \$391 million and 179 Turbot Street, purchased by the Mercer Australia Property Fund for \$151 million. In Adelaide, 'The Black Stump; or 25 Grenfell Street, was acquired by a JV of Centuria Capital Group and MA Financial for \$166 million.

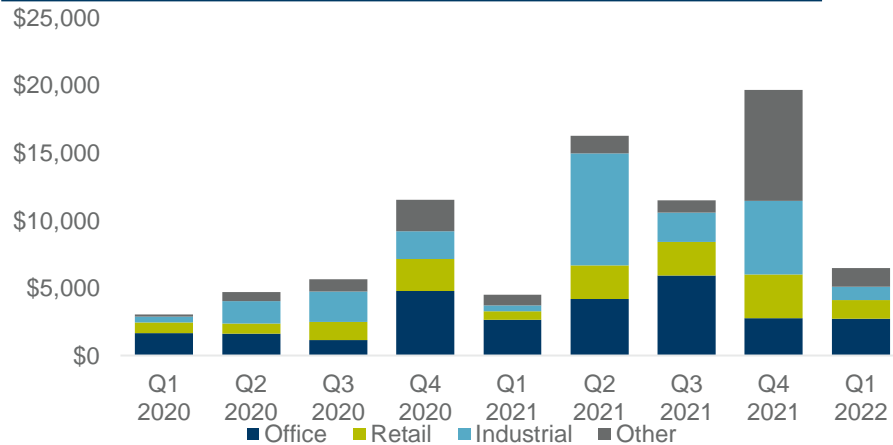
#### INDUSTRIAL

##### Third strongest Q1 for industrial

Compared to recent quarters, investment volume for the industrial sector was a relatively subdued \$972 million. However, that was still the third strongest Q1 volume in Cushman & Wakefield's records as the tail winds of online sales and supply chain transformation continue to drive demand.

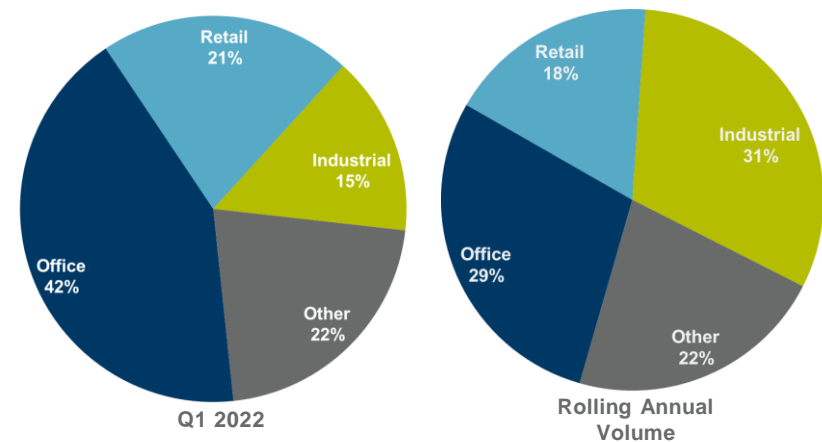
Significant transactions included Dexu's acquisition of the four property McPhee's Super Core Logistics portfolio for \$186 million, ESR's purchase of 286 Horsley Drive in Sydney's west for \$152 million and AirTrunk's purchase of 51 Huntingwood Drive in Blacktown, Sydney for \$110 million.

INVESTMENT BY SECTOR (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY SECTOR



Source: Real Capital Analytics; Cushman & Wakefield

## RETAIL

The retail sector recorded its second strongest Q1 with transaction volume of \$1.4 billion. The quarter was second only to Q1 2013 when volume of \$1.6 billion was recorded.

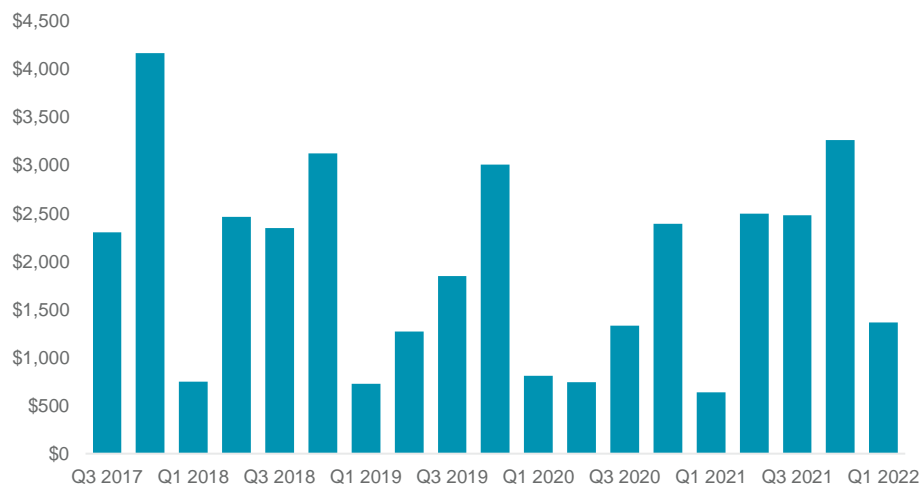
Significant transactions included Sentinel Property Group’s purchase of Casuarina Square in the Northern Territory from GPT for \$397 million and EG’s Australian Core Enhanced Fund acquisition of a half stake in Logan, Queensland’s Grand Plaza Shopping Centre for \$215 million. In other deals, Charter Hall acquired a half share in Bunnings Nowra for \$65 million while Sapphire Marketplace, a centre in the New South Wales Bega Valley anchored by a Woolworths, Dan Murphy’s and Big W, was purchased by a private investor for \$54 million.

## ‘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.

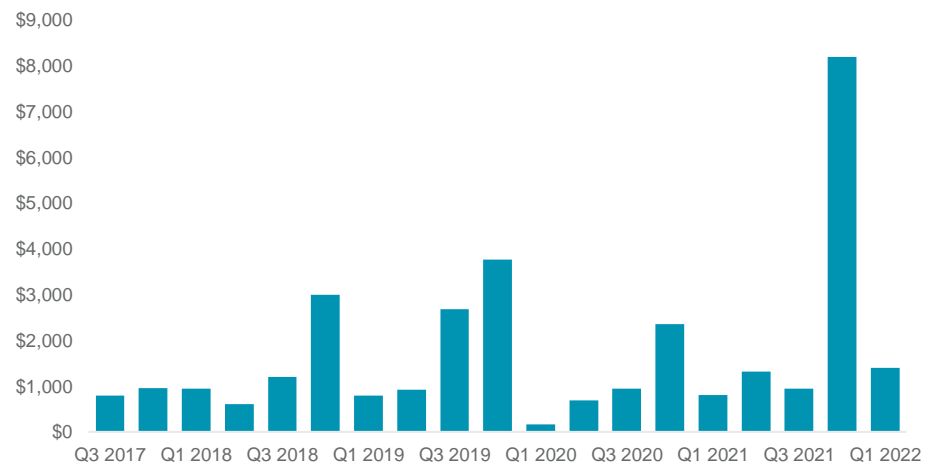
‘Other’ transactions included Parliament Square, Hobart, a mixed-use asset comprising office, hotel, retail and car parking components purchased by Spirit Super for \$338 million. The deal was reportedly Tasmania’s largest ever real estate transaction. A new institutional healthcare property joint venture, to be called the Centuria Prime Partnership, was seeded with three properties worth \$210 million by Centuria Capital Group and Morgan Stanley Real Estate Investing and Singapore’s Ho Be Land purchased the Aitken Hill Conference Centre near Melbourne Airport for about \$140 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

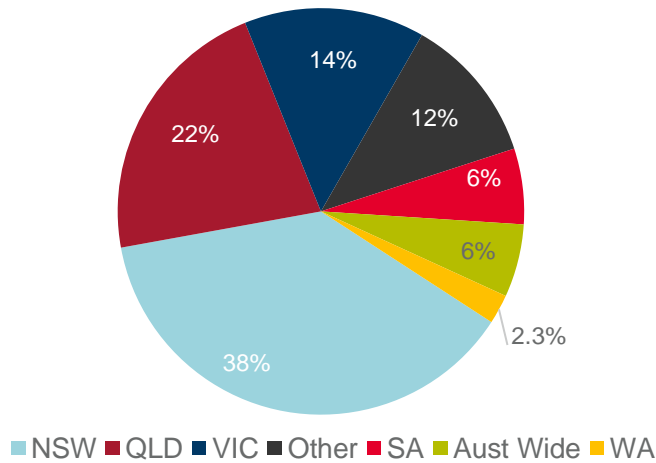
New South Wales again enjoyed the highest level of transaction volume in Q1 with deals totalling \$2.5 billion or 38% of total volume. Queensland, with volume of \$1.4 billion had the second highest volume followed by Victoria with \$928 million. The Casuarina Square sale helped lift Northern Territory transaction volume to a new quarterly record of \$419 million. Relatively few large portfolio transactions meant that 'Australia Wide' volume was only \$375 million or about 6% of total volume.

### FOREIGN INVESTMENT

Purchase transaction volume by offshore investors was on the low side, accounting for just 26% of total volume compared to the long run average of 36%.

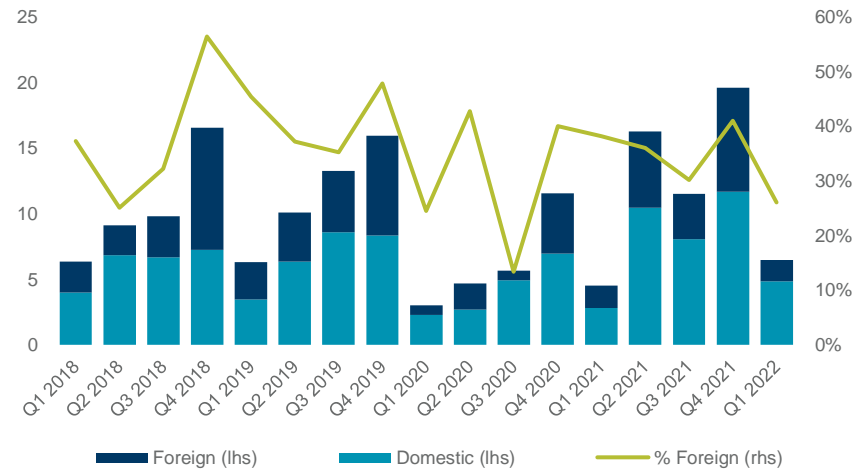
Singapore, once again, was the top source of offshore capital with four transactions totalling \$725 million. These included CapitaLand's \$422 million investment in 101 Miller Street North Sydney and Straits Trading's \$150 million purchase of two Docklands office buildings from private developer City Harbour. Morgan Stanley's investment in the Centuria Prime Partnership healthcare fund lifted US investment to \$189 million while ESR's investment in 286 Horsley Road helped lift Hong Kong investment to third place.

### TRANSACTION ACTIVITY BY LOCATION



Source: Real Capital Analytics; Cushman & Wakefield

### FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

## SIGNIFICANT TRANSACTIONS, Q1 2022

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Atlassian Tower, 8-10 Lee Street (67%)	Sydney	Dexus	Atlassian	Office	\$840m
101 Miller Street & Greenwood Plaza	North Sydney	CapitaLand Integrated Commercial Trust	Nuveen Real Estate (UK)	Office	\$422m
Casuarina Square	Darwin	Sentinel Property Group	GPT	Retail	\$397m
Blue Tower, 12 Creek Street	Brisbane	Marquette Properties	Dexus	Office	\$391m
Parliament Square	Hobart	Spirit Super	Citta Property Group, Qualitas, Schwartz Family	Other	\$338m
Grand Plaza Shopping Centre (50%)	Logan, Brisbane	EG Funds Management	Invesco Australia	Retail	\$215m
West Village	Brisbane	Centuria Capital Ltd	Sekisui House	Retail	\$202m
Centuria Prime Partnership healthcare partnership	Australia Wide	Morgan Stanley	Centuria Capital Ltd	Other	\$189m

## 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, bond yields have risen from the ultra low levels recorded in 2020 and the cash rate is expected to begin to rise in 2022. While interest rates and bond yields are forecast to remain relatively low compared to historic levels, the increases are likely to lift funding costs and reduce the bond-property yield spread, potentially tempering demand.

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