

Q2 Investment Volume 2022	\$11.3bn	↔	12-Mo. Forecast
Rolling Annual Volume	\$52.1bn	↔	
Foreign Investment	32%	↔	

TOTAL INVESTMENT ACTIVITY

Transaction volume remains strong in Q2

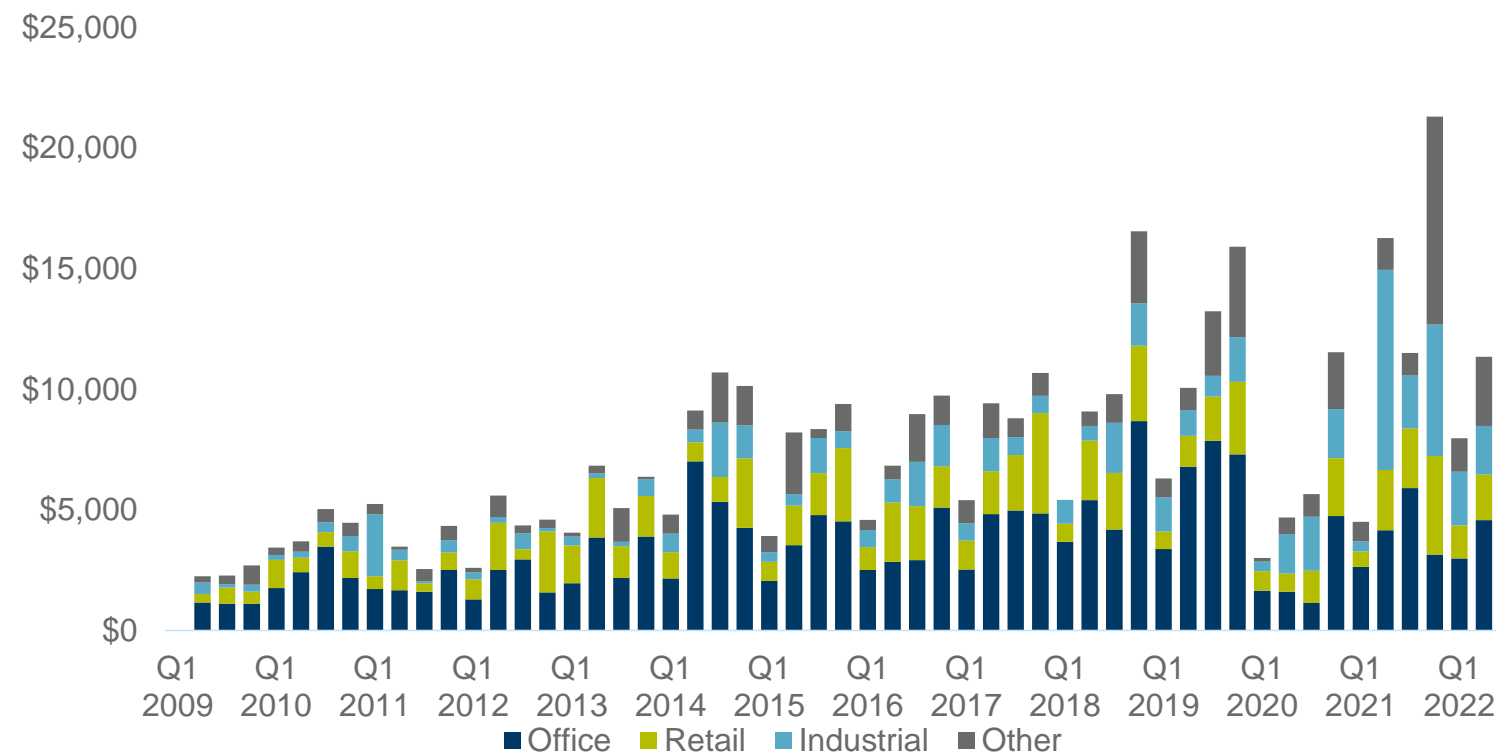
Australian commercial real estate transaction volume remained strong in the June quarter of 2022 despite higher interest rates and bond yields.

Transaction volume totalled \$11.3 billion for the quarter, the second strongest Q2 in our series, topped only by the \$16.3 billion recorded in Q2 2021.

Rolling annual transaction volume totalled \$52.1 billion, down from the record \$57.0 billion recorded to the March quarter, but still the third strongest figure in our records.

The office sector recorded the highest transaction volume (\$4.6 billion) of the main CRE sectors, 'Other', which includes hotel and student accommodation, had the second highest volume (\$2.9 billion) followed by Industrial (\$2.0 billion) and Retail (1.9 billion).

QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDm)



ECONOMIC INDICATORS Q1 2022

	Q4 21	Q1 22	12-Mo. Forecast
GDP Growth (National)*	4.8%	5.3%	▼
Consumer Price Index Growth (National)†	3.5%	5.1%	▼
Unemployment (National)†	4.2%	3.9%	▼

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

INVESTMENT BY SECTOR

OFFICE

Strong office volume continues in Q2

Office transaction volume in Q2 totalled \$4.6 billion, 53% higher than Q1 and 10% higher than the Q2 2021 transaction volume of \$4.2 billion. Over 50% of deal volume was for properties in the Sydney CBD and around a quarter of volume for properties in the Melbourne CBD.

Noteworthy deals this quarter included the purchase of 50% of Commonwealth Bank Place in Sydney by Allianz Real Estate and the National Pension Service of Korea for US\$445 million from the Abu Dhabi Investment Authority. Link REIT entered a joint venture with Oxford Properties for a 49.9% interest in the Investa Gateway Office portfolio at a purchase price of \$596 million. Dexus sold 50% of 309—321 Kent Street, Sydney for \$401 million to Hong Kong-listed Liu Chong Hing Investment Limited and Ashe Morgan. As part of the Sydney Metro railway expansion, 9 Hunter Street was acquired for \$344 million from Value Partners Group Limited and Ashe Morgan as part of the Hunter Street station development.

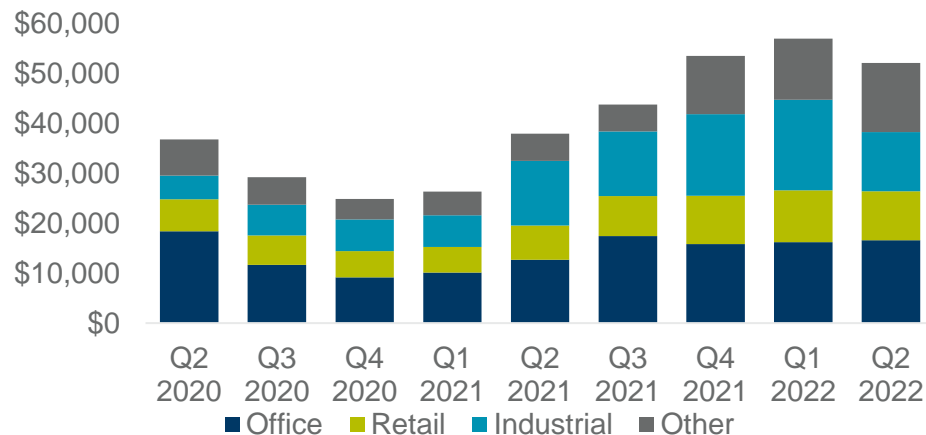
INDUSTRIAL

Industrial volume remains high in Q2

Industrial investment volume totalled \$2.0 billion over the June quarter. A more modest figure than recent quarters and 75% below the record set last June of \$8.3 billion (which was supported by a number of large portfolio deals including the \$3.8 billion Milestone transaction), though still the third strongest June quarter in Cushman & Wakefield's records for the sector.

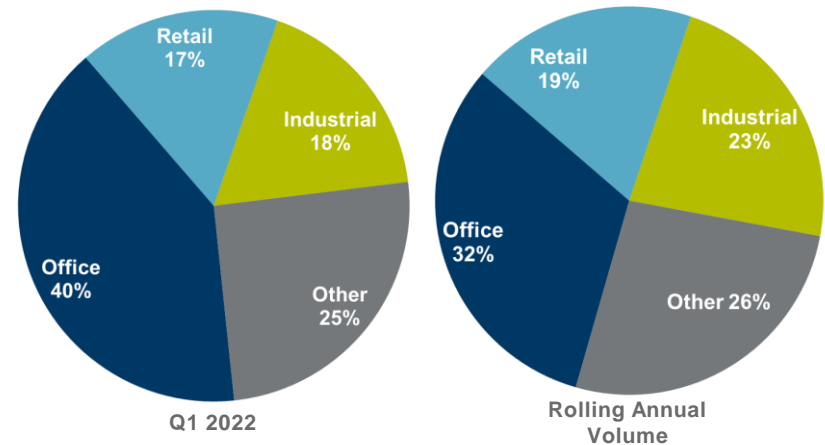
The largest transaction of the quarter was Hines acquisition of a four warehouse portfolio for \$212 million from Pipeclay Lawson. Other large transactions included the Queensland Government's \$165 million purchase of the Visy West End glass factory in Brisbane as the site for the 2032 Olympic International Broadcast Centre as well as Gateway Capital's purchase of 61-68 Milperra Road, Sydney for \$103 million and Hunter Douglas' sale of 338 Victoria Road, Rydalmere in Sydney for \$100 million.

ROLLING ANNUAL INVESTMENT BY SECTOR (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY SECTOR



Source: Real Capital Analytics; Cushman & Wakefield

RETAIL

The retail sector recorded transaction volume of \$1.9 billion over Q2 2022. This is nearly a 40% increase on Q1 volume and a little stronger than the long-term average quarterly volume figure of \$1.7 billion but 24% lower than the 2021 June quarter's \$2.5 billion.

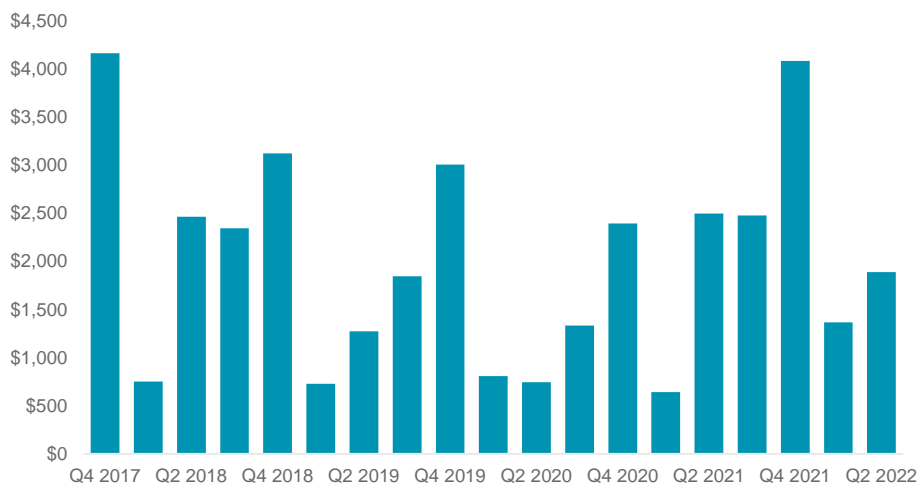
Significant transactions included IP Generation acquiring a half stake in the sub-regional centre, Westfield Helensvale, Gold Coast from QIC for \$185 million, SCA Property purchasing a \$180 million portfolio of five convenience based shopping centres from Centuria's Primewest subsidiary and Nikos Property Group's purchase of a 50% stake in the regional centre, Colonnades Shopping Centre, Adelaide for \$138.2 million from the Perron Group.

'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.

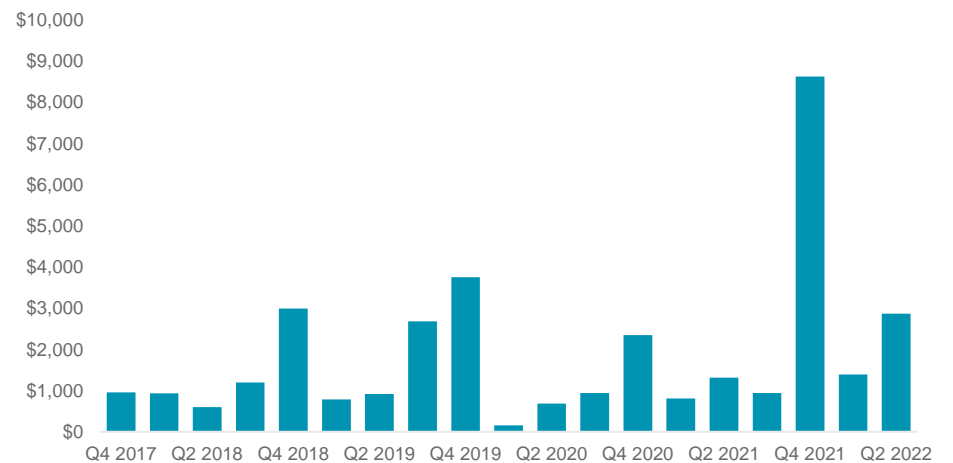
While 'Other' includes a range of commercial real estate types, the largest deals this quarter were all hotels. These included the completion of GIC, Partners Group and Salter Brothers' \$620 million acquisition of a portfolio of 11 Travelodge hotels from Mirvac and NRAM, first reported in Q3 2021, the Hilton Hotel, Sydney purchased for \$530 million from Bright Ruby Resources by Baring PE Asia. Other large transactions included the Crossroads Hotel, Casula, Sydney, purchased for \$160 million by the Nelson Meers Group as well as the Palazzo Versace on the Gold Coast, sold to the Shakespeare Property Group for \$114 million, the WestWaters Hotel & Entertainment Complex, Caroline Springs, Melbourne bought by Oscars Hotels for \$85 million and the Strathfield Hotel, Sydney purchased by Iris Capital for \$80 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 Q2 with deals totalling \$5.1 billion or 45% of total volume. Victoria, with volume of \$2.1 billion had the second highest volume followed by Queensland with \$1.6 billion. 'Australia Wide' volume, which includes portfolio transactions with properties from multiple states, rose to \$1.6 billion in Q2 from relatively subdued volume in Q1 of \$632 million.

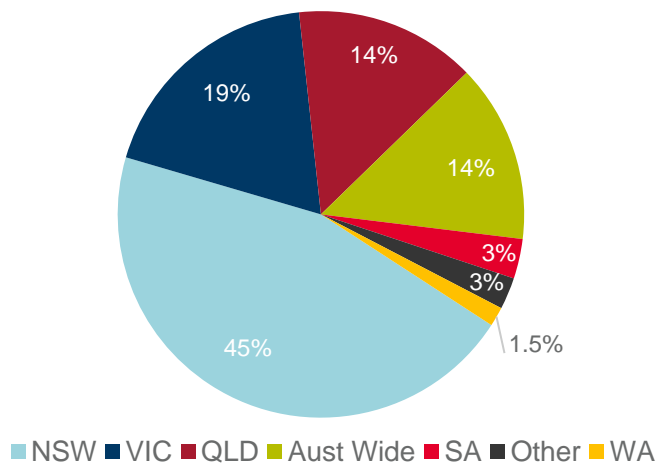
Large transactions covered a range of property types and included the settlement of the Travelodge hotel portfolio, Link REIT's investment in the Investa Gateway Office portfolio, Hines' purchase of the Pipeclay industrial portfolio and SCA Property Group's purchase of the Primewest retail portfolio.

FOREIGN INVESTMENT

Purchase transaction volume by offshore investors accounted for around 33% of total volume compared to the long run average of 36%.

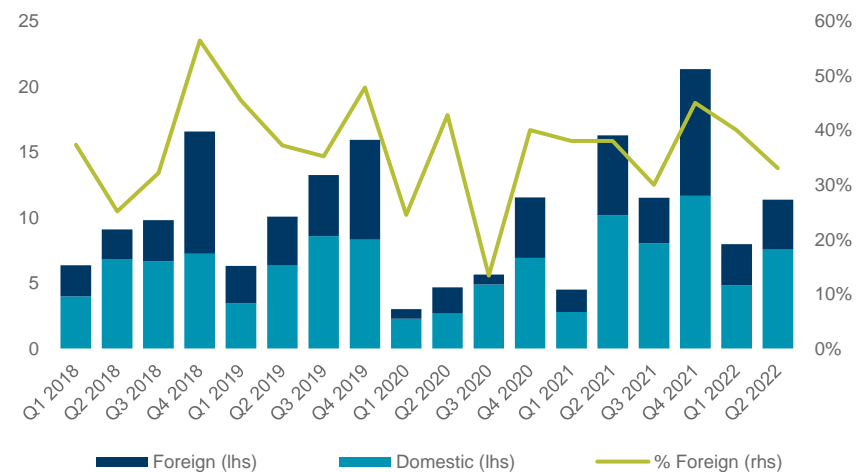
Hong Kong based investors were involved in transactions totalling \$1.5 billion while investors from Singapore participated in transactions totalling \$1.2 billion. Deals by offshore investors included the settlement of the \$620 million Travelodge portfolio which was backed by Singaporean sovereign wealth fund GIC and Swiss-based global private equity firm Partners Group, Allianz Real Estate and the National Pension Service of Korea purchase of 50% of Commonwealth Bank Place, Sydney for US\$445 million, Link REIT's 49.9% interest in the Investa Gateway Office portfolio and Baring PE Asia's purchase of the Hilton Hotel, Sydney for \$530 million.

TRANSACTION ACTIVITY BY LOCATION, Q2 2022



Source: Real Capital Analytics; Cushman & Wakefield

FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

SIGNIFICANT TRANSACTIONS, Q2 2022

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Travelodge Australia Hotel Portfolio	Australia Wide	GIC, Partners Group and Salter Brothers	Mirvac/NRMA	Hotel	\$620m
Commonwealth Bank Place (50%)	Sydney	NPS and Allianz RE APAC	ADIA	Office	US\$445m
Investa Gateway Offices (49%)	Australia Wide	Link REIT	Oxford Properties	Office	\$596m
Hilton Hotel	Sydney	Baring PE Asia	Bright Ruby Resources	Hotel	\$530m
309-321 Kent Street	Sydney	Liu Chong Hing Investment Limited and Ashe Morgan	Dexus	Office	\$401m
9 Hunter Street	Sydney	Sydney Metro	Value Partners Group and Ashe Morgan	Office	\$344m
120 Spencer Street	Melbourne	CapitaLand Investment	CBRE Investment Management	Office	\$321m
330 Collins Street	Melbourne	HThree City Australia. and City Developments Limited	AMP Capital	Other	\$236m

Outlook

- Investment volume in Australian commercial real estate remains solid, supported by factors including the relative strength of the Australian economy, relatively attractive returns and the reopening of the Australian economy following the COVID-19 pandemic.
- Rising global and Australian inflation is putting upward pressure on interest rates and bond yields. This is creating a number of concerns for commercial property investors including:
 - Reducing the relative return of commercial property compared to fixed interest investments;
 - Increasing funding costs; and
 - Adding to the risks of an economic slowdown.
- These factors may temper investment demand and suggests that total return (income and capital) driven by fundamentals, as well as direct property's inflation hedging benefits, will become a greater focus for investors with higher quality properties expected to outperform in 2022.

JOHN SEARS

Head of Research, Australia & New Zealand
+61 466 387 016 / john.sears@cushwake.com

JAKE MCKINNON

Research Manager, QLD
+61 410 611 548 / jake.mckinnon@cushwake.com

SEAN ELLISON

Research Manager, NSW
+61 481 093 806 / sean.ellison@cushwake.com

GLENN LAMPARD

Research Manager, VIC
+61 419 008 742 / glenn.lampard@cushwake.com

JOSH CULLEN

Head of Capital Markets, Australia and New Zealand
+61 438 351 113 / josh.cullen@cushwake.com

DAVID CASTLES

National Director, Joint Head - Valuations
+61 411 129 100 / david.castles@cushwake.com

MATTHEW RUSSELL

National Director, Joint Head - Valuations
+61 406 784 380 / 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 50,000 employees in 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2022 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.