

12-Mo.
Forecast

Q3 Investment Volume 2022 **\$10.5bn** ↔

Rolling Annual Volume **\$55.8bn** ↔

Foreign Investment **37%** ↔

TOTAL INVESTMENT ACTIVITY

Transaction volume remains solid in Q3

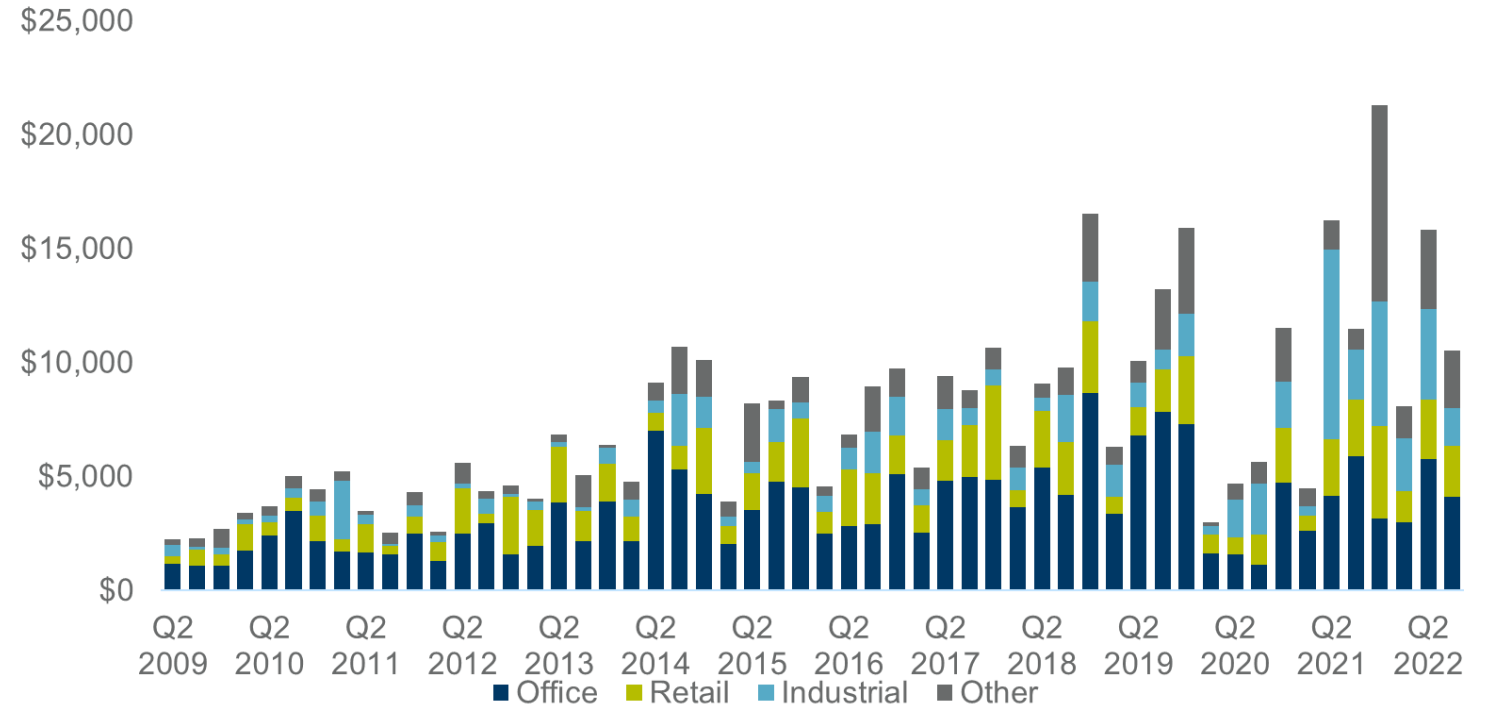
Australian commercial real estate transaction volume slowed in the September quarter as interest rates and bond yields rose on higher inflation though volumes remained relatively solid overall.

Transaction volume totalled \$10.5 billion for the quarter, down from a very strong Q2 and 8% lower than Q3 2021, but stronger than most September quarters prior to the COVID-19 pandemic.

Rolling annual transaction volume totalled \$56.1 billion, down a little on the record \$57 billion recorded to the March quarter.

The office sector recorded the highest transaction volume (\$4.1 billion) of the main CRE sectors, 'Other', which includes hotels, retirement, health and student accommodation, had the second highest volume (\$2.6 billion) followed by Retail (\$2.2 billion) and Industrial (\$1.6 billion).

QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

ECONOMIC INDICATORS Q2 2022

Q1 22 Q2 22 12-Mo. Forecast

GDP Growth (National)* **5.4%** **3.9%** ▼

Consumer Price Index Growth (National)† **5.1%** **6.1%** ▼

Unemployment (National)‡ **3.9%** **3.5%** ▲

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

INVESTMENT BY SECTOR

OFFICE

Office volume remains above average in Q3

Office transaction volume in Q3 totalled \$4.1 billion, down from the \$5.8 recorded in Q2 and in line with the 10 year quarterly average. Over 30% of deal volume was for properties in Sydney, 28% in Melbourne and 16% in Brisbane.

Noteworthy deals this quarter included Charter Hall's purchase of 50% of the landmark Southern Cross Towers precinct in Melbourne for a little over \$1 billion from Brookfield and Blackstone as well as the settlement of Charter Hall's \$385 million purchase of 383-395 Kent Street, Sydney from Dexus. Cbus Property bought the remaining 50% stake in 205 North Quay tower in Brisbane CBD for \$330 million from development joint venture partner, MJ Nielson. In Canberra, Investa has agreed to acquire a 100% interest in 220 London Circuit, Canberra for \$275 million from Capital Property.

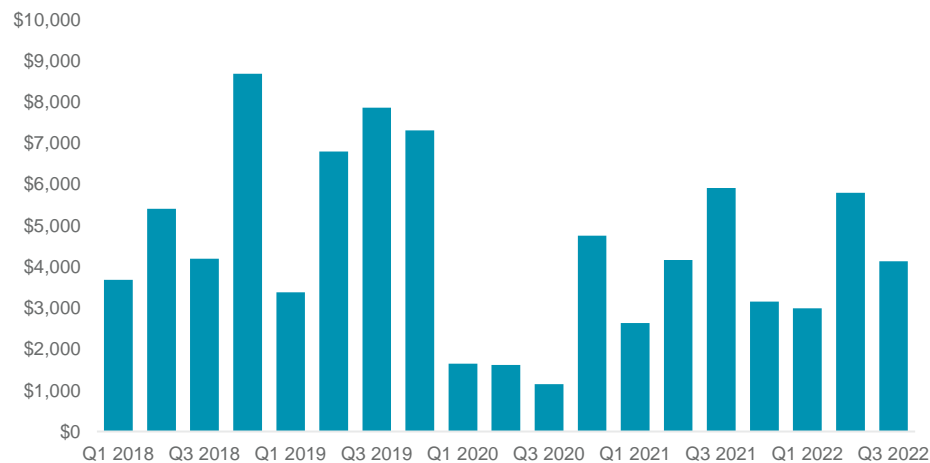
INDUSTRIAL

Industrial volume slow in Q3

After regularly recording very strong quarterly investment volumes since the pandemic started industrial investment volume slipped to \$1.6 billion in the September quarter, down from \$4.0 billion in Q2 as rising interest rates and bond yields prompted increased investor caution. However, this is still above the 2010 to 2019 quarterly average of \$898 million.

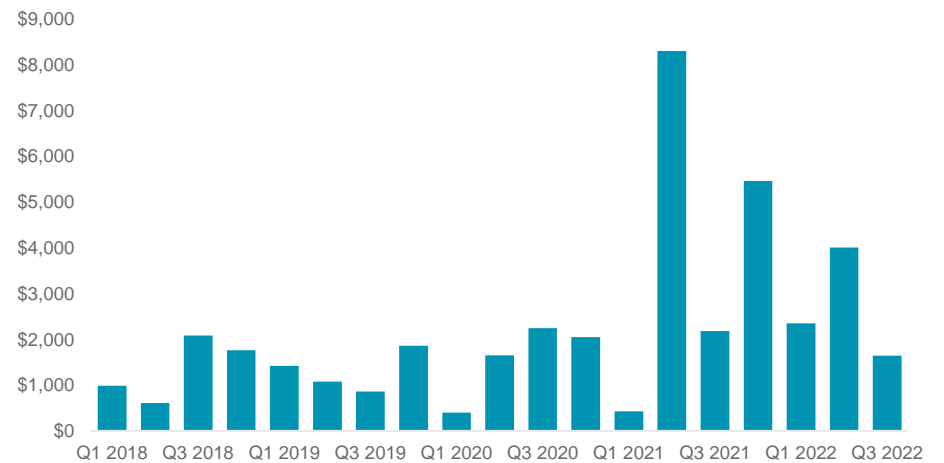
Significant transactions included Fife Capital's purchase of an Adelaide wine distribution centre, 123-145 Pellow Road, for \$121 million from AM alpha, ESR purchased the Harmony portfolio of assets for \$97 million while Monash University purchased the former Toyota site at 611-625 Blackburn Road, Monash, Melbourne for \$66 million.

OFFICE CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

INDUSTRIAL CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

RETAIL

The retail sector recorded transaction volume of \$2.2 billion over Q3 2022. While down a little on the \$2.6 billion recorded in Q2, the figure continues the pattern of stronger transaction volume for the sector seen over the past few years after volume had trended lower prior to the COVID-19 pandemic.

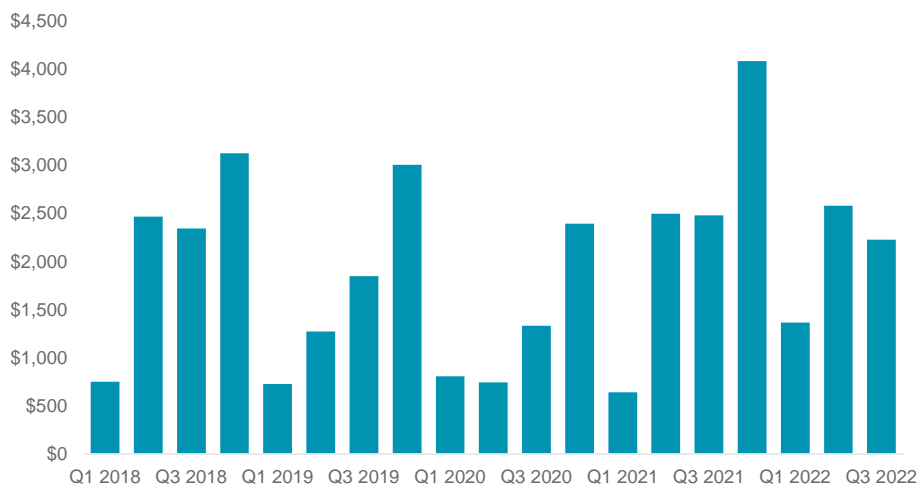
Significant transactions included the settlement of Link REIT's half billion dollar purchase of GIC's share of a three asset portfolio which included the Queen Victoria Building, The Strand and The Galleries. Dandenong Plaza was reportedly sold to Ross Pelligra for \$145 million, JVL Investment Group paid \$140 million for the HomeCo Sunshine large-format centre in Maroochydore, Queensland and Hong Kong-based JY Group has purchased a 50% interest in the Carlingford Court shopping centre in Sydney from Telstra Super for \$120.5 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.

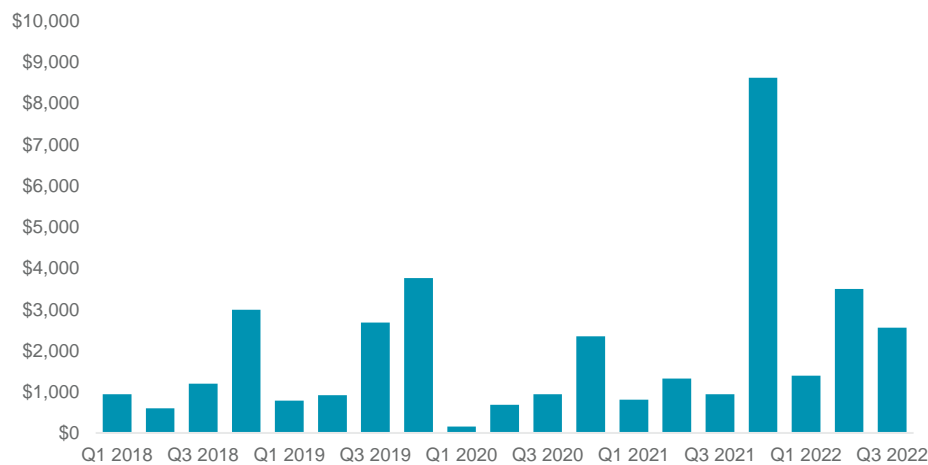
While 'Other' includes a range of commercial real estate types, the largest transaction this quarter was the finalisation of EQT Infrastructure's \$987 million purchase of Stockland's retirement living business. Xavier College, a Melbourne private school, sold its Brighton campus to Golden Age for \$100 million. Rydges Sydney Harbour Hotel at The Rocks was sold to the Ghassan About group for about \$100 million and Sand Hill Road sold the leaseholds to eight Melbourne pubs for \$100 million to the Australian Venue Company.

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 Q3 with deals totalling \$3.9 billion or 36% of total volume. Victoria, with volume of \$2.4 billion had the second highest volume followed by Queensland with \$1.7 billion. 'Australia Wide' volume, which includes portfolio transactions with properties from multiple states, slipped to \$1.1 billion in Q3.

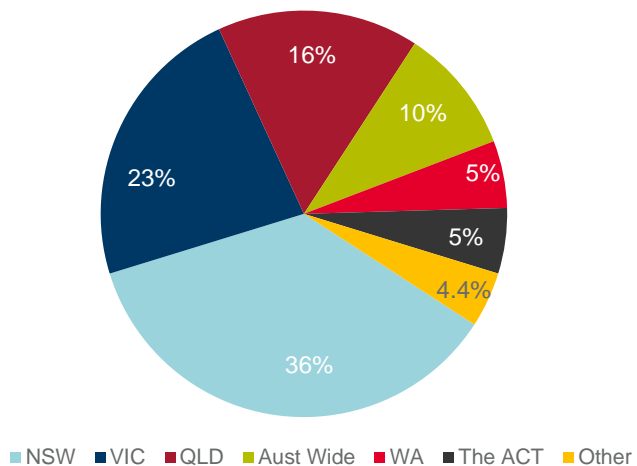
The ACT enjoyed a relatively strong quarter, volume lifted by Investa's purchase of 220 London Circuit.

FOREIGN INVESTMENT

Purchase transaction volume by offshore investors accounted for around 36% of total volume, roughly in line with the long run average.

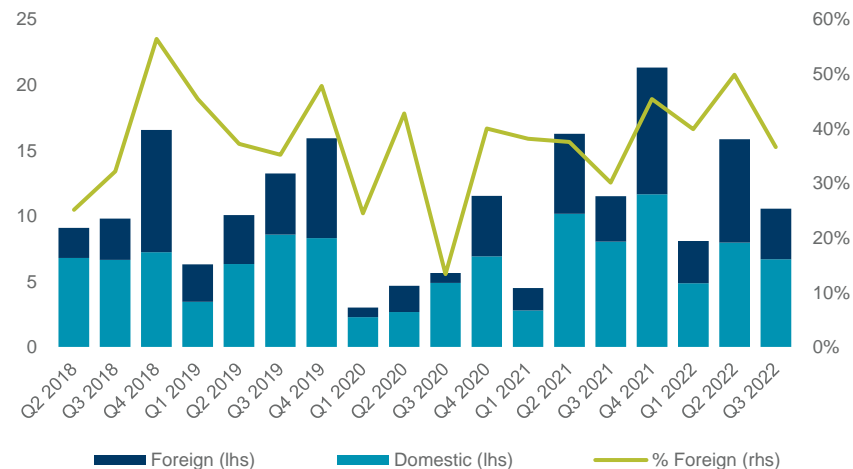
Swedish based EQT Infrastructure's purchase of the Stockland retirement living portfolio was the largest purchase by an offshore investor during Q3. followed by the settlement of the GIC retail portfolio, purchased by Link REIT. An international private investor is reported to have made the next largest investment, \$265 million for the Homeworld Helensvale in Queensland. This was followed by Hong Kong-based JY Group's 50% purchase of the Carlingford Court shopping centre in Sydney from Telstra Super for \$120.5 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, Q3 2022

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Southern Cross Towers (50%)	Melbourne	Charter Hall	Blackstone and Brookfield	Office	\$1.03b
Stockland retirement living portfolio	Australia Wide	EQT Infrastructure	Stockland	Other	\$987m
GIC Sydney retail portfolio (50%)	Sydney	Link REIT	GIC	Retail	\$538m
383-395 Kent Street	Sydney	Charter Hall	Dexus	Office	\$385m
205 North Quay (50%)	Sydney	Cbus Property	MJ Nielson	Office	\$330m
220 London Circuit	Canberra	Investa	Canberra Airport Group	Office	\$275m
Homeworld Helensvale	Gold Coast	Private	Les Ansley family and MacroPlan	Retail	\$265m
Dandenong Plaza	Melbourne	Pelligra	MA Financial	Retail	\$145m

Outlook

- Investment volume in Australian commercial real estate remained relatively solid in Q3, largely supported by transactions that were already in the pipeline.
- However, rising interest rates and bond yields have lifted funding costs and put upward pressure on discount rates. In addition, increased economic uncertainty and geopolitical tensions are prompting some investors to delay decisions or reduce pricing expectations.
- As a result, transaction volume is slowing as pricing expectations between vendors and purchasers widen.
- In a more uncertain market, individual property fundamentals will be of increasing importance with higher quality properties expected to outperform.
- While volume is likely to slow, Australian commercial real estate is expected to remain relatively attractive, supported by Australia's relatively stable economic environment, comparatively high yields and open transparent market. Recent weakness in the AUD may also help boost the attraction to international investors.

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