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|---------------------------|-----------------|---|-----------------|
| Q4 Investment Volume 2022 | \$9.1bn | ↔ | 12-Mo. Forecast |
| Rolling Annual Volume | \$43.6bn | ↔ | |
| Foreign Investment | 29% | ▲ | |

TOTAL INVESTMENT ACTIVITY

Transaction volume dips in Q4

Investment into Australian commercial real estate (CRE) remained elevated in 2022, with \$43.6 billion in transactions only surpassed in Cushman & Wakefield records by \$53.6 billion reported in the 2021 calendar year.

While annual transaction volume remained strong, activity slowed throughout the year as market expectations adapted to rising interest rates, inflation and economic uncertainty.

Q4 transaction volume totalled \$9.1 billion for the quarter, down from solid volume in Q2 and Q3 of \$15.9 and \$10.6 billion respectively and less than half Q4 2021's record \$21.3 billion, which had been supported by the strong interest in the industrial & logistics sector during the COVID lockdowns.

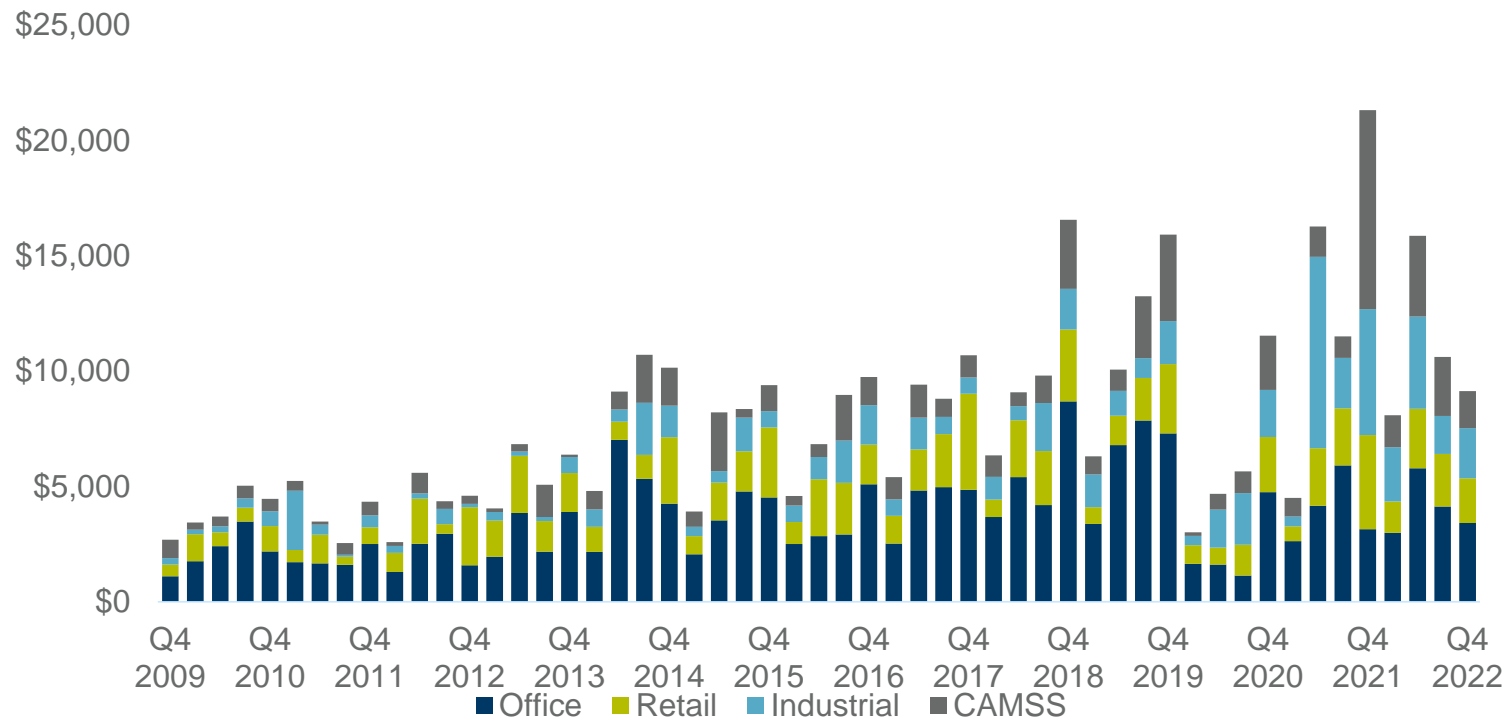
The office sector recorded the highest transaction volume of the main CRE sectors (\$3.4 billion), Industrial & Logistics had the second highest volume (\$2.2 billion) followed by Retail (\$1.9 billion) and 'CAMSS' (1.6 billion), which includes care, accommodation, mixed use, service and storage CRE sectors.

ECONOMIC INDICATORS Q3 2022

| | Q2 22 | Q3 22 | 12-Mo. Forecast |
|---|-------|-------|-----------------|
| GDP Growth (National)* | 3.6% | 4.1% | ▼ |
| Consumer Price Index Growth (National)† | 6.1% | 7.3% | ▼ |
| Unemployment (National)‡ | 3.6% | 3.6% | ▲ |

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

QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY SECTOR

OFFICE

Office volume remains above average in Q4

Office transaction volume in Q4 totalled \$3.4 billion, down from the \$5.8 recorded in Q2 and a little below the 10 year quarterly average of \$3.7 billion. Nearly 40% of deal volume was for properties in New South Wales, 17% in Queensland and 16% in Victoria.

Noteworthy deals this quarter included Charter Hall's purchase of the Geoscience Australia Headquarters in Canberra for \$363.5 million from Real I.S. The State Authorities Superannuation Scheme sold 83 Clarence Street Sydney to the NSW Government for \$362 million. In Perth, Lendlease and Realside purchased 108 St Georges Terrace from Brookfield for almost \$340 million. In Melbourne, the Julliard Corporation sold 440 Collins Street and 459 Little Collins Street to Lendlease for \$300 million. NTT Urban Development Corporation has acquired a 50% interest in 53 Albert Street in Brisbane for \$150 million from JP Morgan Asset Management.

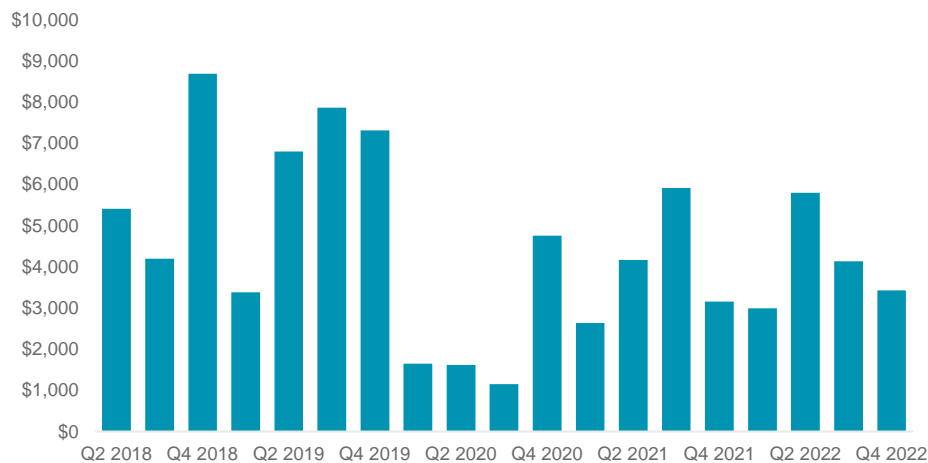
INDUSTRIAL & LOGISTICS

Volume picks up in Q4

Industrial & logistic transactions volume picked up in Q4 to record \$2.2 billion. This was the second strongest Q4 in Cushman & Wakefield's database, however, significantly lower than the record volume of \$5.5 billion recorded in Q4 2021, which was supported by COVID era factors such as online sales boom during lockdowns. Annual volume was \$10.2 billion, the second strongest calendar year on record, though nearly 40% lower than 2021's \$16.4 billion.

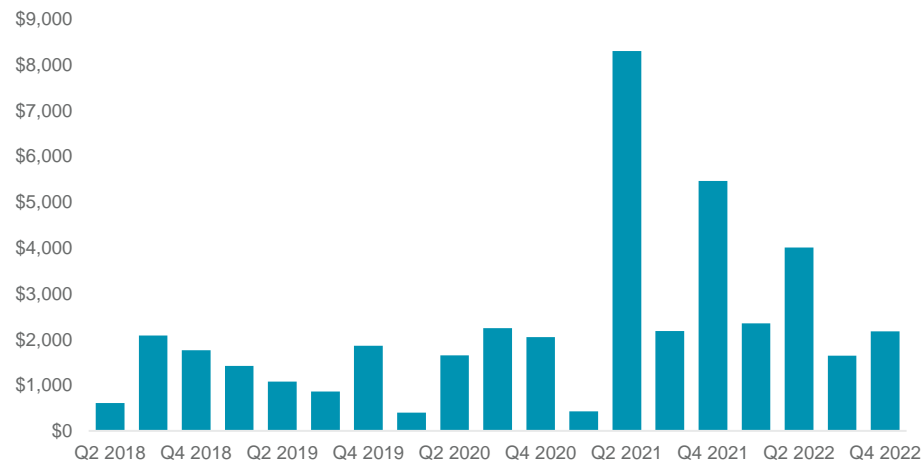
Significant transactions included GPT's sale of Rosehill Business Park at Camelia in NSW and Citiport Business Park at Port Melbourne to private equity real estate company Wentworth Capital for \$256m, Morgan Stanley Real Estate acquisition of a 50% interest in eight Centuria Industrial REIT owned assets for \$181 million and Dexus sale of 12 Frederick Street on Sydney's lower north shore to Gateway and Invesco for \$118.5 million.

OFFICE CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

INDUSTRIAL & LOGISTIC CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

RETAIL

The retail sector recorded transaction volume of \$1.9 billion over Q4 2022. Down from the \$2.2 billion recorded in Q3 and the \$4.1 billion in Q4 2021. It was also the lowest Q4 retail transaction volume since 2016.

Significant transactions included LaSalle Investment Management acquisition of the homemaker hub Crossroads Centre at Casula, NSW, for close to \$300 million from AsheMorgan and BlackRock, Sentinel's purchase of Caneland Central in Qld for \$280 million from Lendlease as well as Lendlease's sale of two sub-regional centres, Menai Marketplace in Sydney and Southlands Boulevard in Perth for \$242.5 million to HomeCo.

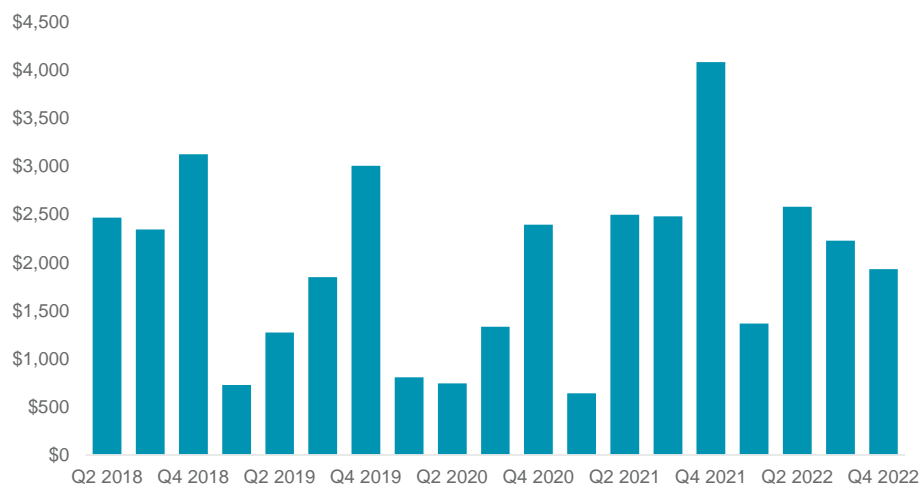
'CAMSS': CARE, ACCOMMODATION, MIXED USE, SERVICE AND STORAGE

'CAMSS' CRE includes property types such as aged, health and childcare, various accommodation categories including build to rent, student accommodation, serviced apartments and hotels, mixed use properties, pubs as well as service stations and self storage. Cushman & Wakefield Australian Research records these transactions where the price is greater than \$5 million.

'CAMSS' transactions totalled \$1.6 billion for the quarter with annual volume of \$9.0 billion, the second highest calendar year volume on record.

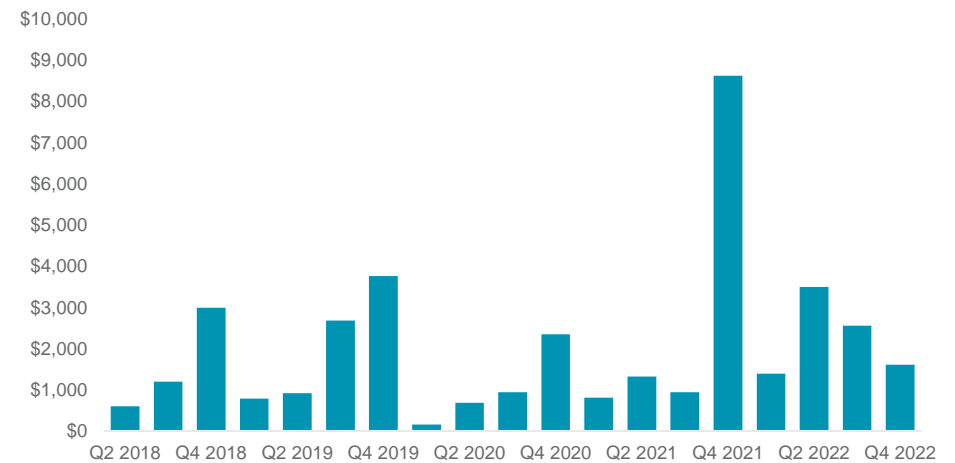
While 'CAMSS' includes a range of commercial real estate types, the largest transaction this quarter was Australian Unity's purchase of a residential aged care portfolio of nine sites in South Australia from residential aged care provider, Bolton Clarke for \$220 million. The next three largest deals were all hotel transactions and included JDH Capital purchase of the Sir Stamford Circular hotel in Sydney for \$210.5 million, Oscars Hotel acquisition of The Crowne Plaza Surfers Paradise, reported at \$100 million and the Bayview Eden in Melbourne reportedly sold for close to \$80 million.

RETAIL CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

'CAMSS' 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 Q4 with deals totalling \$3.7 billion or 41% of total volume. Victoria, with volume of \$1.53 billion had the second highest volume followed by Queensland with \$1.48 billion. South Australia had its third highest level of quarterly volume on record with transactions totalling \$685 million. While Western Australia had transactions totalling \$618 million.

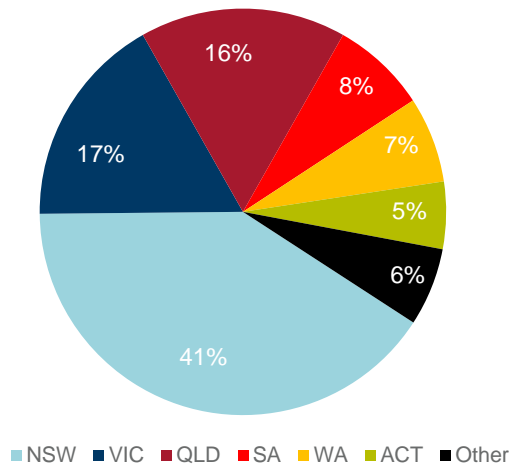
Multi state portfolio or 'Australia Wide' transaction volume was relatively low at \$448 million compared to the quarterly average of \$1.3 billion.

FOREIGN INVESTMENT

Purchase transaction volume by offshore investors accounted for around 29% of total volume, below the quarterly average of around 37%.

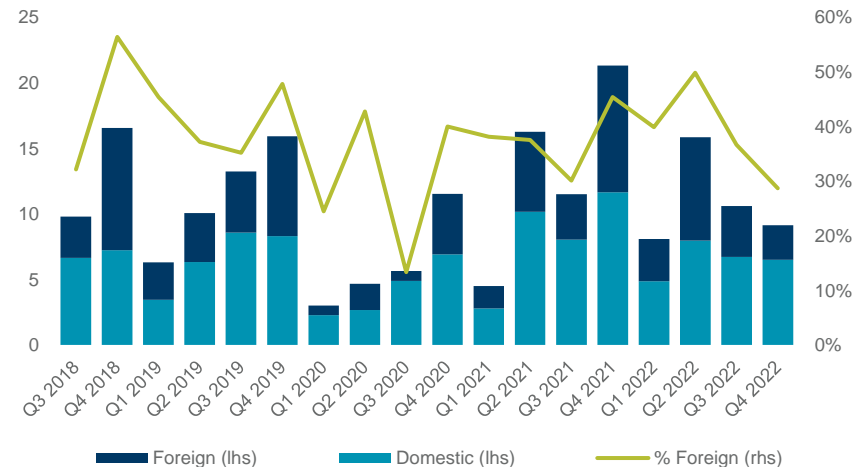
The two largest purchases by offshore investors in the December quarter were by US based LaSalle Investment Management and Morgan Stanley. LaSalle purchasing the Crossroads Homemaker Centre in Liverpool, Sydney for \$282 million while Morgan Stanley acquired a 50% interest in in eight Centuria Industrial REIT owned assets for \$181 million. Japanese firm NTT Urban Development Corporation acquired a 50% interest in 53 Albert Street in Brisbane for \$150 million while Singaporean investment firm Sun Ventures purchased 50 Miller Street North Sydney for \$148 million.

TRANSACTION ACTIVITY BY LOCATION, Q4 2022



Source: Real Capital Analytics; Cushman & Wakefield

FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

SIGNIFICANT TRANSACTIONS, Q4 2022

| PROPERTY | LOCATION | PURCHASER | VENDOR | SECTOR | PRICE |
|---|-------------------|-------------------------|-----------------------|------------|--------|
| Geoscience Australia Headquarters | Canberra | Charter Hall | Real I.S. | Office | \$364m |
| 83 Clarence Street | Sydney | NSW Government | State Super | Office | \$362m |
| BankWest Tower | Perth | Lendlease, Realside | Brookfield | Office | \$340m |
| Juilliard Group Office Portfolio | Melbourne | Lendlease | Juilliard Group | Office | \$300m |
| Crossroads Homemaker Centre | Sydney | LaSalle | AsheMorgan, BlackRock | Retail | \$282m |
| Caneland Central | Queensland | Sentinel Property Group | Lendlease | Retail | \$280m |
| Rosehill Business Park and Citiport Business Park | Sydney, Melbourne | Wentworth Capital | GPT | Industrial | \$256m |
| Bolton Clarke Residential Aged Care Portfolio | South Australia | Australian Unity | Bolton Clarke | CAMSS | \$220m |

Outlook

- Investment volume in Australian commercial real estate over 2022 was impacted by sharply rising inflation and interest rates. The Reserve Bank of Australia lifted the target cash rate from the record low of 0.11% to 3.1%, while the 10 year government bond yield increased from around 1.6% to 3.6%, the highest level since 2014. The increases have lifted funding costs and put upward pressure on discount rates.
- In addition, increased economic uncertainty and geopolitical tensions have prompted some investors to delay decisions or adjust price expectations.
- While volume is unlikely to challenge the records set in 2021 until interest rates and the economic outlook stabilise, there are some positive signs for Australian commercial real estate, which is expected to remain relatively attractive compared to many overseas markets. These include:
 - Forecasts that Australian economic growth will remain positive in 2023, unemployment remain very low, inflation begin to normalise and interest rates stabilise.
 - Australia's comparatively stable economic environment, competitive yields and open transparent market.
 - Ongoing tailwinds for industrial & logistics as online retail continues to grow and distribution channels and facilities are modernised.
- However, in a more uncertain market, individual property fundamentals will be of increasing importance with higher quality properties expected to outperform.

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