

12-Mo. Forecast

Investment Volume Q1 2023 **\$4.2bn**



Rolling Annual Volume **\$39.4bn**



Foreign Investment **13%**



TOTAL INVESTMENT ACTIVITY

Transaction volume dips in Q1

Transaction volumes for Australian commercial real estate in Q1 2021 totalled \$4.2 billion and \$39.4 billion over the 12 months to March.

While rolling annual transaction volume remained strong, activity slowed throughout Q4 2022 and Q1 2023 as market expectations continue to adapt to rising interest rates, inflation and economic uncertainty. Though in positive news, The Reserve Bank chose to hold the cash rate steady at the April 2023 meeting and gauge the impact of ten consecutive rate increases on the Australian economy.

Q1 transaction volume totalled \$4.1 billion for the quarter, down on the five-year average of \$5.6 billion. Rolling annual volume totalled \$39.3 billion, which was also below the rolling five-year average of \$41.5 billion.

The 'CAMSS' sector (which includes care, accommodation, mixed use, service and storage CRE sectors) recorded the highest volume with \$1.6 billion, closely followed by Retail and Office with around \$1.0 billion each. The Industrial and Logistics sector finished with \$590 million for Q1 2023, which was considerably down on the previous seven quarters, following the sector's outstanding run.

ECONOMIC INDICATORS Q4 2022

Q3 22 Q4 22 12-Mo. Forecast

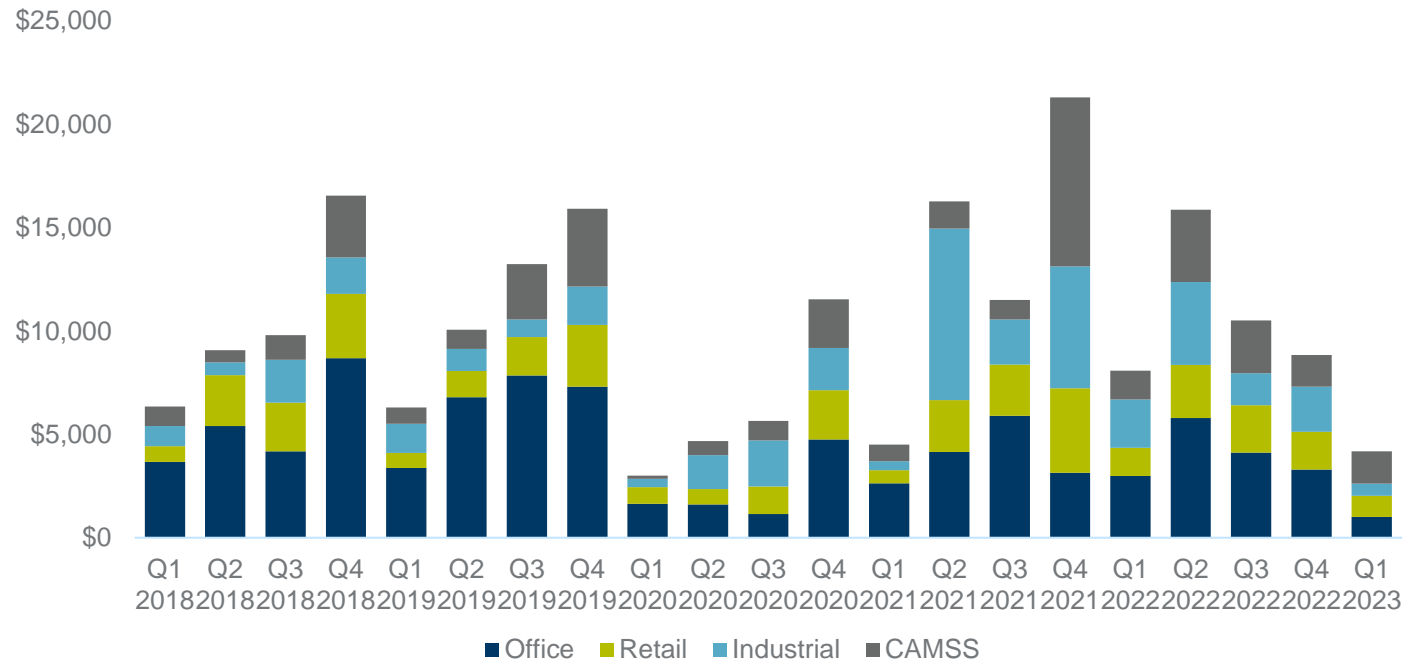
GDP Growth (National)* **4.1%** **3.7%**

Consumer Price Index Growth (National)† **7.3%** **7.8%**

Unemployment (National)† **3.6%** **3.5%**

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

QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDm)



INVESTMENT BY SECTOR

OFFICE

Office volume lowest on record

Office transaction volume in Q1 totalled \$1.0 billion, down from the \$3.3 billion recorded in Q4 2022 and was the lowest quarterly volume in Cushman & Wakefield's database. Office transactions in New South Wales accounted for 30% of the sectors deal volume, 29% in the ACT, 22% in Queensland and 16% in South Australia. The absence of office portfolio sales was in part a contributor to the low deal volume in Q1.

Noteworthy deals this quarter included Charter Hall's purchase of the Australian Taxation Office Headquarters in Canberra for \$290 million from Real I.S. Dragon Alliance Pty Ltd sold 211 Victoria Square Adelaide to Harmony Property Syndication for \$130.5 million. In Brisbane, Hancock Prospecting purchased Central Plaza Three at 70 Eagle Street from Pembroke for \$110 million.

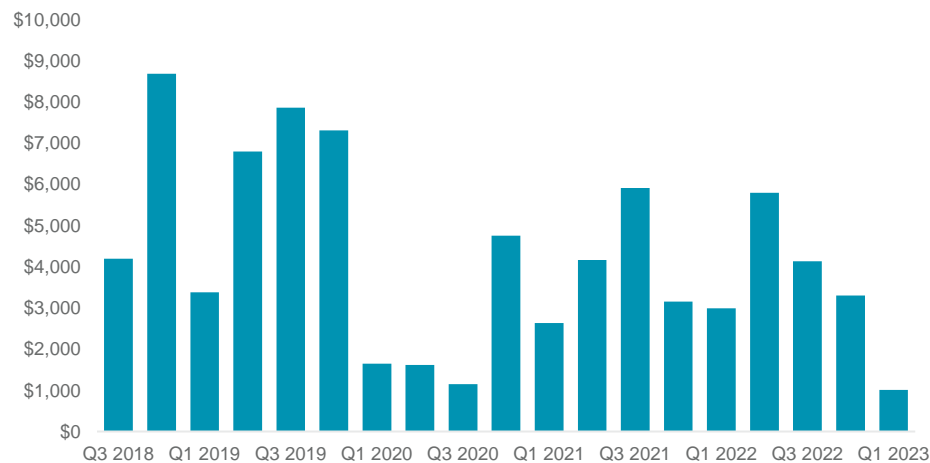
INDUSTRIAL & LOGISTICS

Volume slows in Q1

After almost 2 years of elevated sales volume the Industrial & Logistic sector saw one of its slowest quarters over the last decade with \$590 million. While deal volume in Q1 was down on long term averages, deal volume for the remainder of 2023 is expected to increase with some significant assets currently on market or expected to come to market.

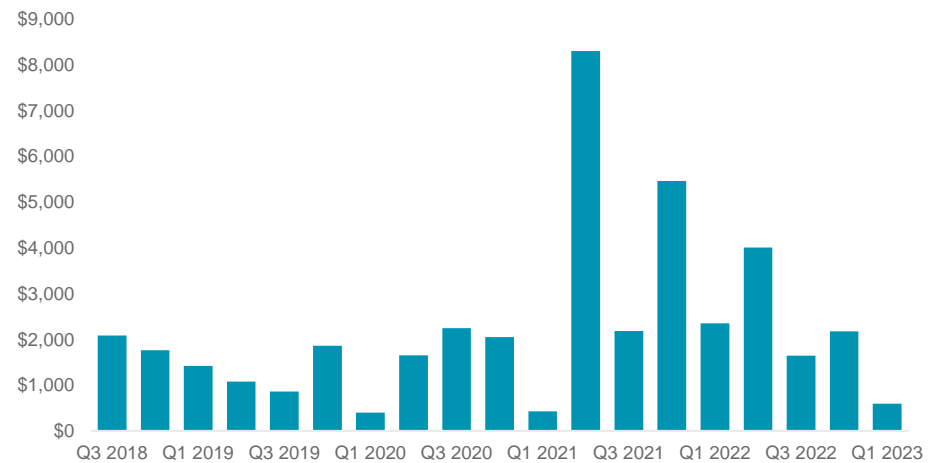
Significant transactions included ABC's sale of 2-8 Lanceley Place at Willoughby in NSW to Goodman Group for \$95 million. Dunnet Properties Pty Ltd sold 2 Eden Park Drive to Unity for \$69 million, with Unity also purchased 5 Eden Park Drive from HealthCo REIT for \$81 million.

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 \$1.0 billion in Q1 2023; down from the \$1.8 billion recorded in Q4 and the \$2.3 billion in Q3 2022. While down on previous quarters, Q1 2023 is still above the 5 year Q1 average of \$860 million. The retail sector also accounted for 25% of CRE sales in Q1 2023, which is the highest share of sales since Q1 2020.

Significant transactions included: the Haben and JY Group, equal joint venture, acquisition of the Forest Hill Chase Shopping Centre in Whitehorse Melbourne, VIC, for \$256 million from US-based Blackstone, Redevelop's purchase of Stanhope Village in Blacktown Sydney for \$158 million from Mirvac as well as Stockland's sale of Stockland Gladstone in Queensland for \$139 million to Fawcner Property.

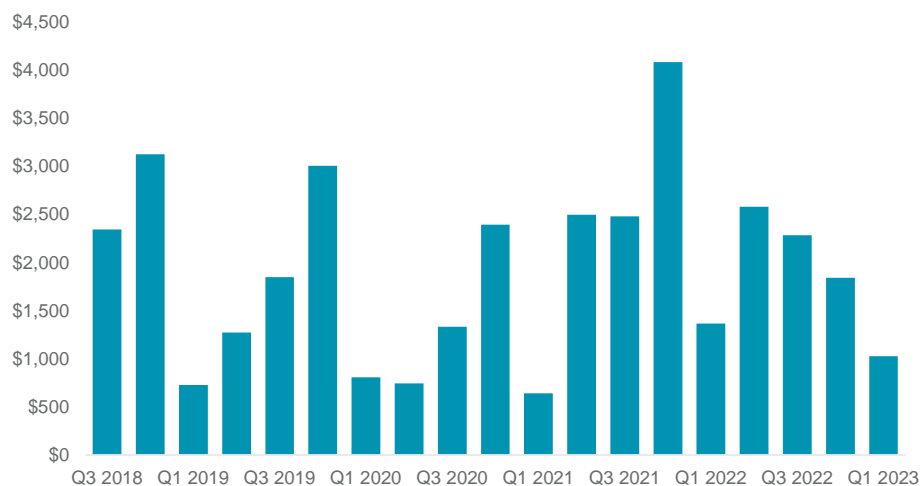
'CAMSS': CARE, ACCOMMODATION, MIXED USE, SERVICE AND STORAGE

'CAMSS' CRE includes property types such as aged-, health- and child-care, 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.

'CAMSS' transactions totalled \$1.6 billion for the quarter with a rolling annual volume of \$9.1 billion, slightly up from the \$9.0 billion rolling annual volume recorded in Q4 last year.

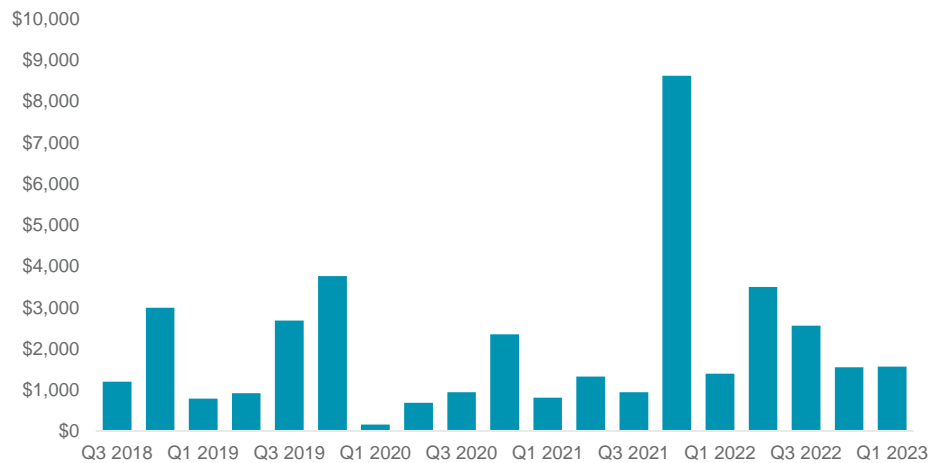
While 'CAMSS' includes a range of commercial real estate types, the largest transaction this quarter was Fiveight's purchase of the Waldorf Astoria Sydney in Circular Quay, from Lendlease and Mitsubishi for \$520 million. The next largest deal was a pub & restaurant portfolio sale, with three Sydney assets and 3 northern NSW assets, where Laundry Hotels acquired a 50% stake from Fraser Short for \$150 million. Another significant sale was the Thomas Family's divestment of The Oaks in Neutral Bay, Sydney, after nearly 50 years of curation. Local movie producer Doug Mitchell purchased The Oaks for \$126 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 Q1 with deals totalling \$2.0 billion or 48% of the total volume. Victoria, which totalled \$738 million had the second highest followed by Queensland with \$590 million. The ACT had its second highest share of quarterly volume on record with transactions totalling \$359 million. While South Australia and Western Australia had transactions totalling \$306 million and \$167 million, respectively.

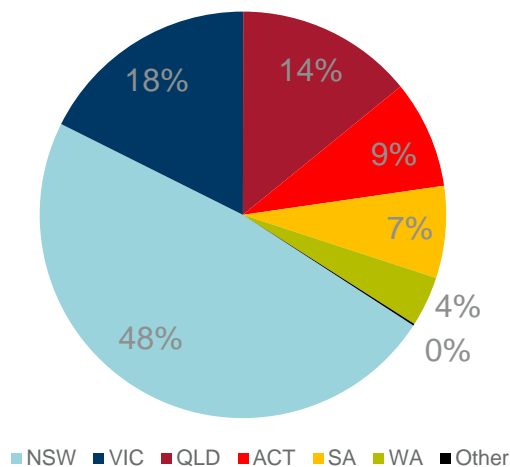
For the first time since Q1 2020 there were no multi-state portfolio transactions recorded.

FOREIGN INVESTMENT

Foreign investment activity accounted for approximately 13% of total volume, well below the quarterly average of around 36% and one of the lowest shares in Cushman and Wakefield's records.

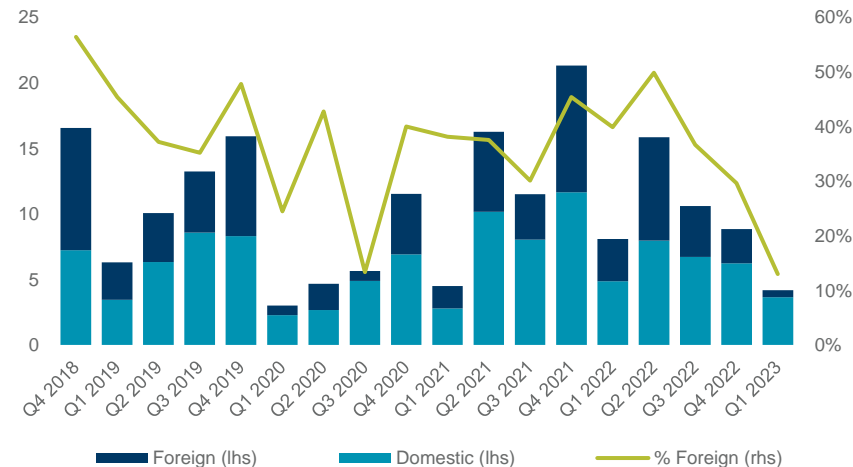
The largest purchases by offshore investors in the March quarter were by Hong Kong based JY Group and US based Hale Capital. JY Group purchasing a 50% stake in Forest Hill Chase Shopping Centre in Melbourne for \$128 million from US based Blackstone, while Hale Capital acquired an industrial asset from Dexus in Homebush, Sydney for \$73 million.

TRANSACTION ACTIVITY BY LOCATION, Q1 2023



Source: Real Capital Analytics; Cushman & Wakefield

FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

SIGNIFICANT TRANSACTIONS, Q1 2023

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Waldorf Astoria Hotel	Sydney	Fiveight	Lendlease / Mitsubishi Estate Asia	CAMSS	\$520m
ATO HQ	Canberra	Charter Hall	Real IS AG	Office	\$290m
Forest Hill Chase Shopping Centre	Melbourne	Haben / JY Group	Blackstone	Retail	\$256m
Stanhope Village	Sydney	Redevelop	Mirvac	Retail	\$158m
Fraser Short Pub / Hotel Portfolio	New South Wales	Laundy Hotels	Fraser Short	CAMSS	\$150m
Stockland Gladstone	Gladstone	Fawkner Property	Stockland	Retail	\$139m
211 Victoria Square	Adelaide	Harmony Property Syndication	Dragon Alliance Pty Ltd	Office	\$131m
The Oaks Hotel	Sydney	Doug Mitchell	Thomas Family	CAMSS	\$125m

Outlook

- Investment volume in Australian commercial real estate over Q1 2023 continued to be impacted by rising inflation and interest rates. The Reserve Bank of Australia lifted the target cash rate from 3.1% to 3.6%, while the 10 year government bond yield increased from around 3.6% to 3.7% between January and February, before lowering to around 3.5% in March. The increases have continued to lift funding costs and put upward pressure on discount rates.
- Additionally, continued economic uncertainty has prompted some investors to delay decisions or adjust price expectations.
- While volume is unlikely to challenge the records set in 2021 and 2022, 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 returns and open transparent market.
 - Ongoing tailwinds for industrial & logistics as online retail and distribution channels continue to grow.
- However, in a more uncertain market, individual property fundamentals will be of increasing importance with higher quality properties expected to outperform.

Dr DOMINIC BROWN

Head of Research, Australia & New Zealand
+61 431 947 161 / dominic.brown@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

NICHOLAS MOORMAN

Research Analyst, WA
+61 437 382 767 / nicholas.moorman@cushwake.com

JOSH CULLEN

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

TONY IULIANO

Head of Industrial & Logistics – Australia & New Zealand
+61 412 992 830 / tony.iuliano@cushwake.com

MATTHEW RUSSELL

National Director, Head of Valuations
+61 406 784 380 / matthew.russell@cushwake.com

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