

Investment Volume Q2 2023	\$8.0bn	▲	12-Mo. Forecast
Rolling Annual Volume	\$31.1bn	▲	
Foreign Investment	44%	↔	

TOTAL INVESTMENT ACTIVITY

Investment volume rebounds in Q2

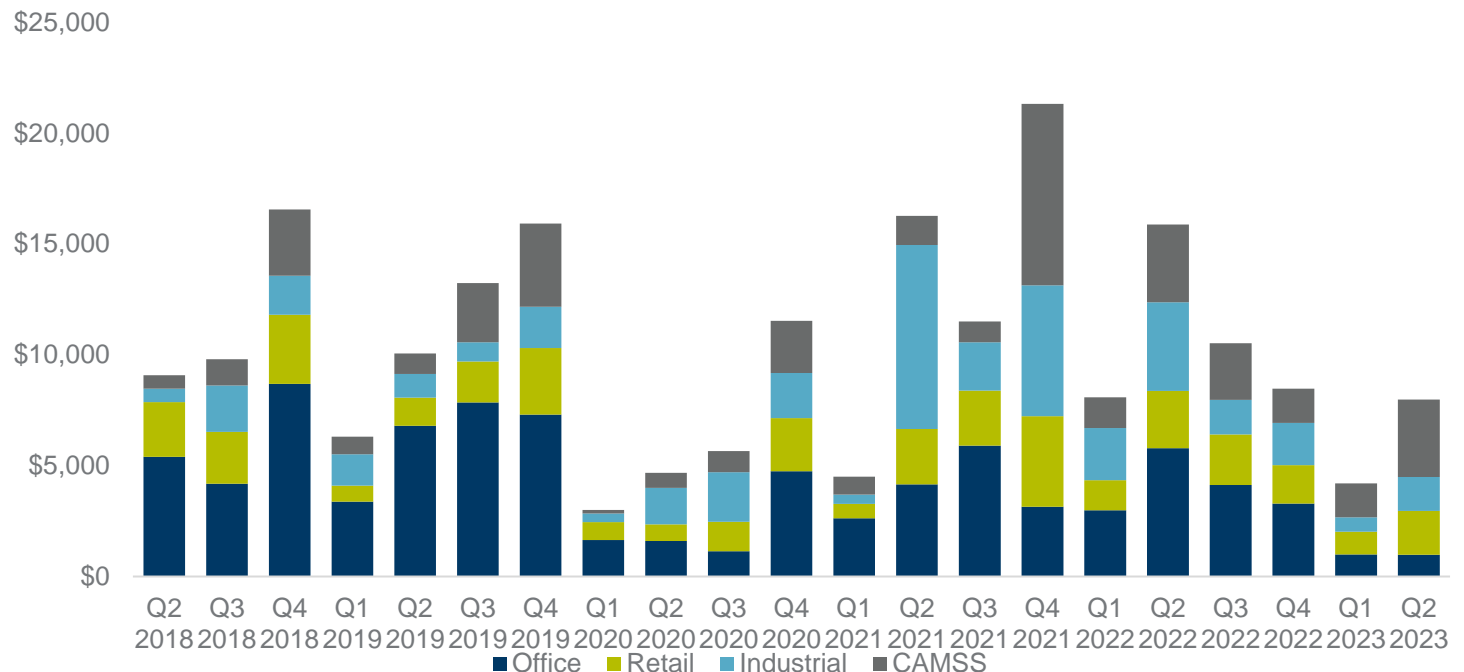
Investment volumes for Australian commercial real estate in Q2 2023 totalled \$8.0 billion and \$31.1 billion over the 12 months to June.

Q2 investment volumes rebounded from a sluggish Q1 of \$4.2 billion to reach \$8.0 billion in Q2 2023, buoyed by an influx of foreign capital into the Office, Industrial and Logistics and CAMSS sectors.

Rolling annual investment volume was down, as activity slowed in the previous two quarters, recording \$31.1 billion over the 12 months to June 2023. While rolling annual volume was down on previous quarters, the growth in Q2 could be an indication that market expectations are adapting to the current economic and financial climate. In more recent news that should support the sector, the Reserve Bank has held the cash rate steady at its last meeting while inflation has continued on its downward trend.

The 'CAMSS' sector (which includes care, accommodation, mixed use, service and storage CRE sectors) recorded the highest volume with \$3.5 billion, closely followed by the Retail and Industrial and Logistics sectors, with \$2.0 billion and \$1.5 billion respectively. The office sector finished with \$981 million, considerably down on the five-year Q2 average of \$4.8 billion.

QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDm)



ECONOMIC INDICATORS Q1 2023

	Q4 22	Q1 23	12-Mo. Forecast
GDP Growth (National)*	3.7%	3.5%	▼
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

INVESTMENT BY SECTOR

OFFICE

Office volume lowest on record

An uplift in foreign Office investment in Q2 couldn't push office investment volume past the \$1 billion recorded in Q1 with total Office investment volume decreasing slightly to \$981 million in Q2. Office investment in New South Wales accounted for 46% of the sectors deal volume, 38% in the Victoria, 22% in Queensland and 9% in South Australia. As in Q1, the absence of office portfolio sales was a contributor to the low investment volume recorded in Q2.

Noteworthy deals this quarter included Dexus's sale of the long-held A-grade asset at 44 Market Street, Sydney, to Hong Kong based PAG for \$393 million. Singapore based AEP Investment Management sold 45 Pirie Street Adelaide to a 50/50 joint venture between Realside and Curated Capital Pty Ltd for \$76.5 million.

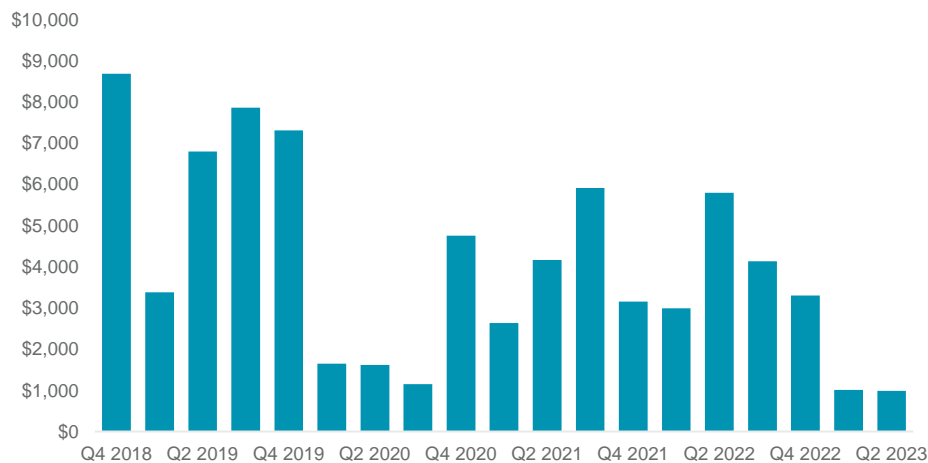
INDUSTRIAL & LOGISTICS

Volume picks up in Q2

Industrial & Logistic investment rebounded strongly after a slow start to the year, with total volume increasing 139% quarter-on-quarter to \$1.5 billion. New South Wales and Victoria dominated investment volumes, accounting for 70% of all industrial investment. The return of multi-state portfolio sales also helped push the needle this quarter, accounting for 17% of total investment volume. Similar to office investment the weight of capital was deployed from offshore, accounting for over 70% of industrial and logistics investment.

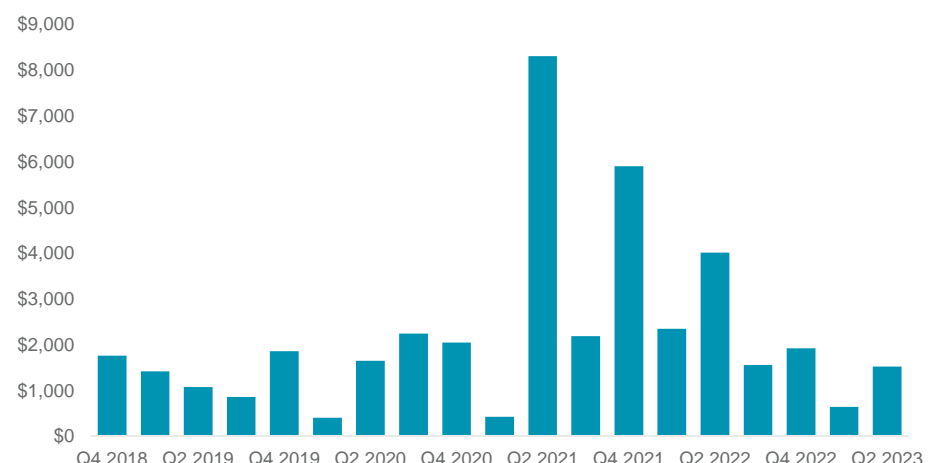
Significant transactions included Dexus's sale of Axxess Corporate Park in Melbourne to a new Canadian backed fund for \$306 million. GPT Group sold a business park portfolio, with one park in New South Wales and one in Victoria to Blackrock and Wentworth Capital for \$261 million.

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 investment volume of \$2.0 billion in Q2 2023; up from the \$1.0 billion recorded in Q1 and the \$1.7 billion in Q4 2022. Rolling annual investment volume was \$7.0 billion. Victoria accounted for 43% of volume for Q2, while Queensland accounted for 29%, New South Wales 18% and Western Australia 10%.

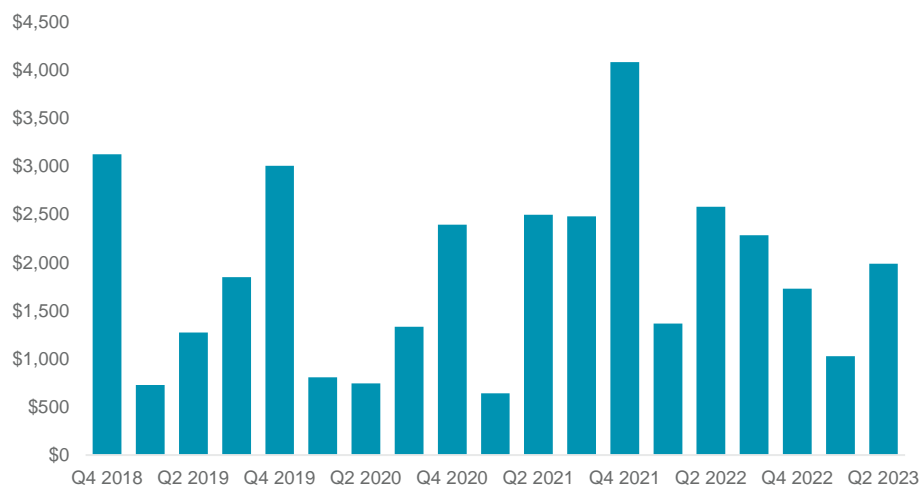
Significant transactions included: Lendlease’s divestment of two Cairns assets, Cairns Central Shopping centre to McConaghy Proerpties for \$430 million and the Smithfield Shopping Centre for \$140 million to Alceon and CPRAM Investments. Lendlease also sold Craigieburn Central in Melbourne to Victorian Based IP Generation for \$300 million. AMP Capital offloaded a half stake in Rockingham Shopping centre in Western Australia to IP Generation.

‘CAMSS’: CARE, ACCOMMODATION, MIXED USE, SERVICE AND STORAGE

The tailwinds are continuing to strengthen for the CAMSS sector. With increasingly stronger demographic drivers, historical low residential rental vacancy, a return of overseas migration and investors looking to diversify portfolios, investment volumes continue to remain elevated. Aided by these drivers, ‘CAMSS’ sector investment totalled \$3.5 billion for the quarter, which is the second highest recorded total in Cushman and Wakefield’s database, keeping annual rolling investment at \$9.1 billion for the second quarter in a row.

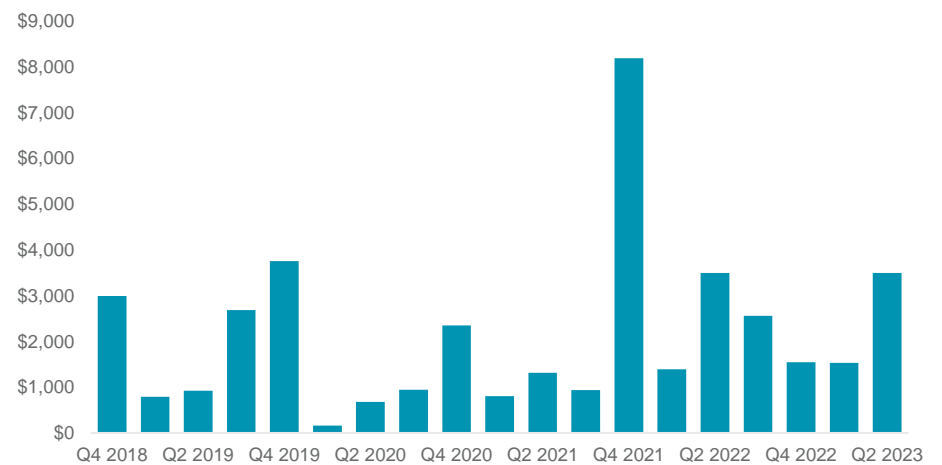
The largest transaction this quarter was in the burgeoning build to rent (BTR) sector, which is forecast to have around 52,000 homes by 2030, was the establishment of Mirvac’s BTR venture, the venture includes several operational BTR assets and a pipeline of BTR assets. Mirvac will retain a 44% stake, while well-capitalised cornerstone investors, including the Clean Energy Finance Corporation have secured the remaining 56% for \$1.1 billion. Other significant transactions include the HelthCo REIT purchase of tranche 1 of the MPT hospital portfolio for \$256 million from US based Medical Properties Trust Australian arm, MPT Australian Services pty ltd.

RETAIL CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

‘CAMSS’ CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

*‘CAMSS’ includes; aged-, health- and child-care, build to rent, student accommodation, serviced apartments and hotels, mixed use properties, pubs, service stations and self storage.

INVESTMENT BY LOCATION

Multi-state portfolio investment returned in Q2, after recording no sales in Q1, accounting for 29% of all investment volume with 2.4 billion. Of the states, Victoria enjoyed the highest level of investment volume in Q2, with deals totalling \$2.0 billion or 24% of the total volume. Accounting for 20% of volume, New South Wales with \$1.6 billion was the second highest followed by Queensland with \$1.5 billion or 18% of investment volume.

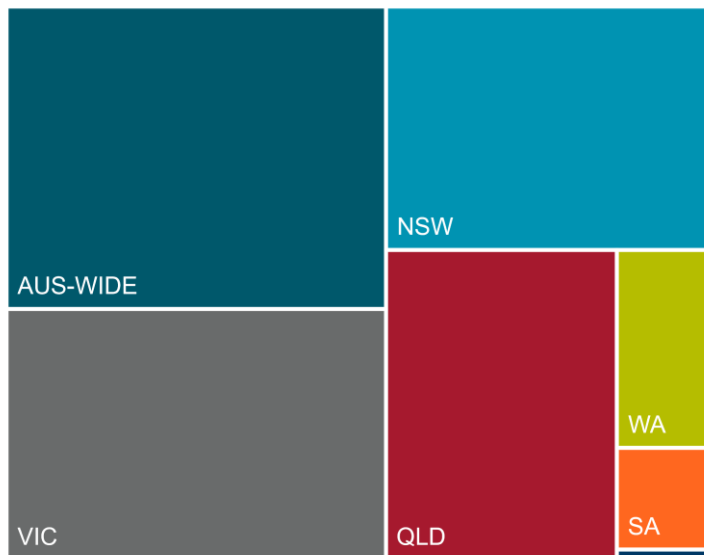
Portfolio acquisitions across multiple states or 'Australia-wide' transactions were dominated by the CAMSS sector, accounting for \$2.2 billion of the \$2.4 billion.

FOREIGN INVESTMENT

Foreign investment activity accounted for approximately 44% of total volume, well above the quarterly average of around 36% and the highest in the last 12 months. After a very sluggish Q1, foreign investment has returned strongly in Q2, continuing to highlight the attractiveness of Australia, backed by stable economic conditions, market transparency and competitive yields as a destination of choice for capital deployment.

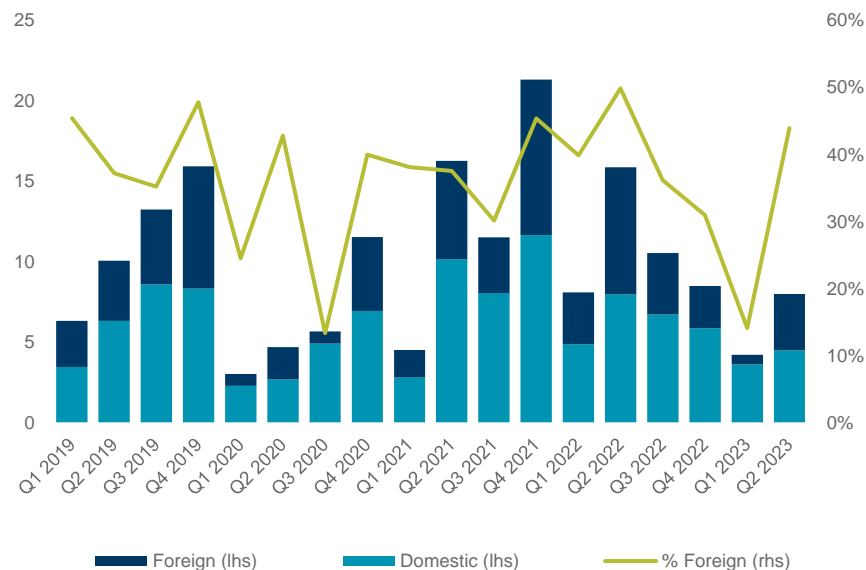
The largest disclosable purchase by offshore investors in the June quarter were by Hong Kong based PAG purchasing 44 Market Street in Sydney for \$393 million from Dexus. Other significant deals include Dexus's sale of Axxess Corporate Park in Melbourne to a new Canadian backed fund for \$306 million. The corporate park becomes the seed asset for the new vehicle, Gateway Capital Urban Logistics Partnership.

TRANSACTION ACTIVITY BY LOCATION, Q2 2023



Source: Real Capital Analytics; Cushman & Wakefield

FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Real Capital Analytics; Cushman & Wakefield

SIGNIFICANT TRANSACTIONS, Q2 2023

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Mirvac BTR Portfolio	Australia wide	Undisclosed	Mirvac	CAMSS	\$1.1b
MTP Hospital Portfolio tranche 2	Australia wide	HealthCo REIT / HMC Unlisted fund (50/50)	Thomas Family	CAMSS	\$480m
Cairns Central Shopping Centre	Cairns	McConaghy Properties	Lendlease	Retail	\$430m
44 Market Street	Sydney	PAG	Dexus	Office	\$393m
Axess Corporate Park	Melbourne	Gateway Capital Urban Logistics Partnership	Dexus	Industrial	\$306m
Craigieburn Central	Melbourne	IP Generation	Lendlease	Retail	\$150m
GPT Logistics Portfolio	Australia wide	Blackrock/Wentworth Capital	GPT	Industrial	\$261m
MTP Hospital Portfolio tranche 1	Australia wide	HealthCo REIT	MTP	CAMSS	\$256m

Outlook

- Investment volume in Australian commercial real estate over Q2 2023 rebounded from the sluggish start to the year in Q1. While the interest rate environment is still high, purchasers are adapting and the Australian market is still relatively attractive compared to many overseas markets.
- The Reserve Bank of Australia lifted the target cash rate from 3.6% to 4.1%, while the 10 year government bond yield increased from around 3.3% to 3.9% between April and June. The increases have continued to lift funding costs and put upward pressure on discount rates.
- 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, as evidenced by Q2 foreign investment volumes. 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.

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