

12-Mo.
Forecast

Investment
Volume Q3 2023 **\$6.0bn** ▲

Rolling Annual
Volume **\$27.9bn** ▲

Foreign
Investment **44%** ↔

TOTAL INVESTMENT ACTIVITY

The cost of debt continues to restrict transaction activity

Investment volumes for Australian commercial real estate in Q3 2023 totalled \$6.0 billion and \$27.9 billion over the 12 months to September.

Investment in commercial real estate in Australia remains weak overall off the back of increasing inflation pushing up the cost of debt and geopolitical tensions adding to economic uncertainty. Rolling annual investment volume continued to fall, recording sub \$30 billion for the first time since the COVID-19 pandemic induced slump in 2020. Limited transactional activity has inhibited price discovery, which has produced a disparity between vendor and purchaser price expectations for some assets, particularly those of a lower quality or with more uncertain income streams.

The industrial sector took top spot this quarter, posting quarter-on-quarter growth of 14% from Q2 to record \$1.9 billion. The office sector recorded \$1.6 billion of investment in Q3, up 49% from the \$1.1 billion in Q2, but still well below the five-year average of \$4 billion. The retail sector was slightly below the five-year average, recording \$1.3 billion. The CAMSS sector recorded the largest fall over the quarter, down 67% to record \$1.2 billion in Q3 2023.

ECONOMIC INDICATORS Q2 2023

Q1 23 Q2 23 12-Mo.
Forecast

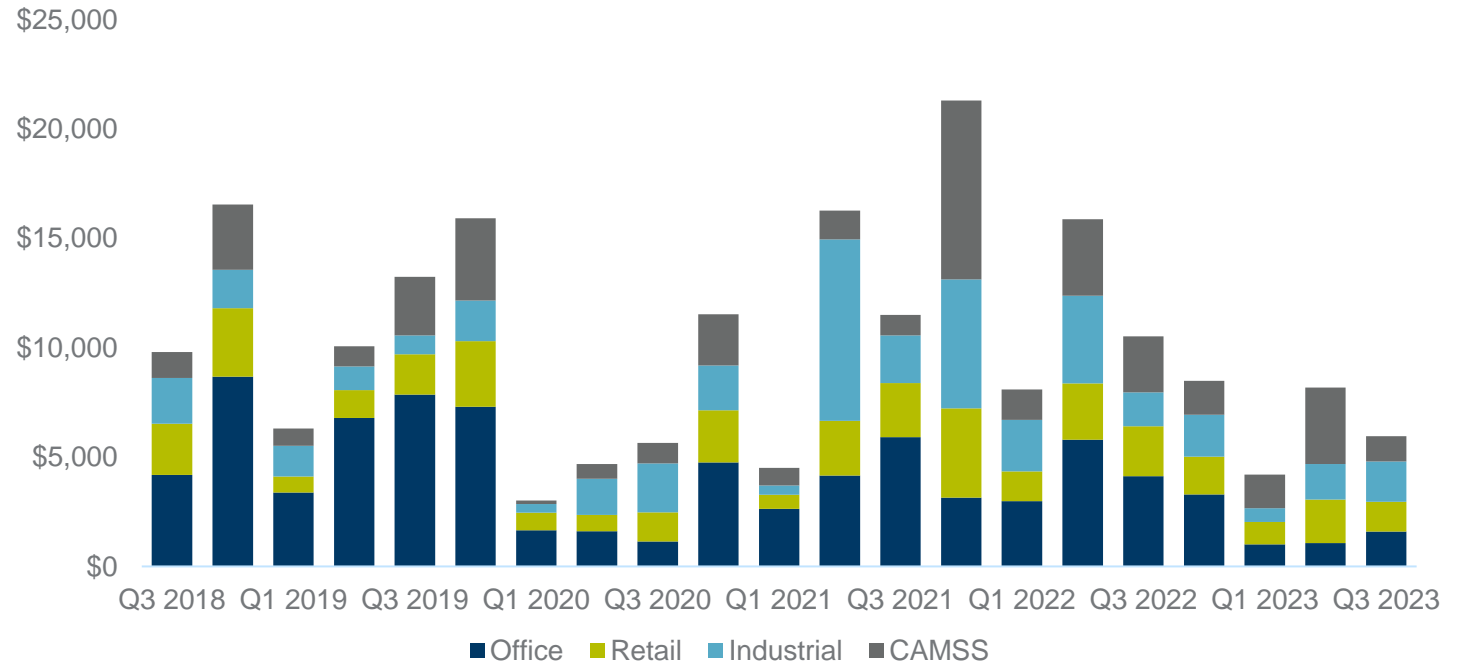
GDP Growth
(National)* **3.6%** **3.3%** ▼

Consumer Price
Index
Growth (National) **7.0%** **6.0%** ▼

Unemployment
(National)† **3.7%** **3.7%** ▲

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

QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDm)



*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.

Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY SECTOR

OFFICE

Quarter on quarter growth, but still well below average

The office sector recorded \$1.6 billion in investment volume this quarter, while up on Q2 levels, it is still well below the five-year average of \$4 billion. The notable absence of portfolio deals in Q3, and throughout 2023, continues to be a contributor to the low investment volume recorded. Foreign investment into the office market reduced this quarter, accounting for 30%, while office investment in New South Wales accounted for 67% of the sectors deal volume, 20% in the Victoria, 7% in Queensland and the balance in South Australia, Western Australia and the Australian Capital Territory.

Noteworthy deals this quarter included Dexus’s sale of the Sydney CBD asset at 1 Margaret Street, to Australian based Quintessential Equity for \$293 million. Barana Group have offloaded ACD House in Sydney to Gurner TM and GIC for a reported \$200 million, with plans in place to replace with a build to rent development.

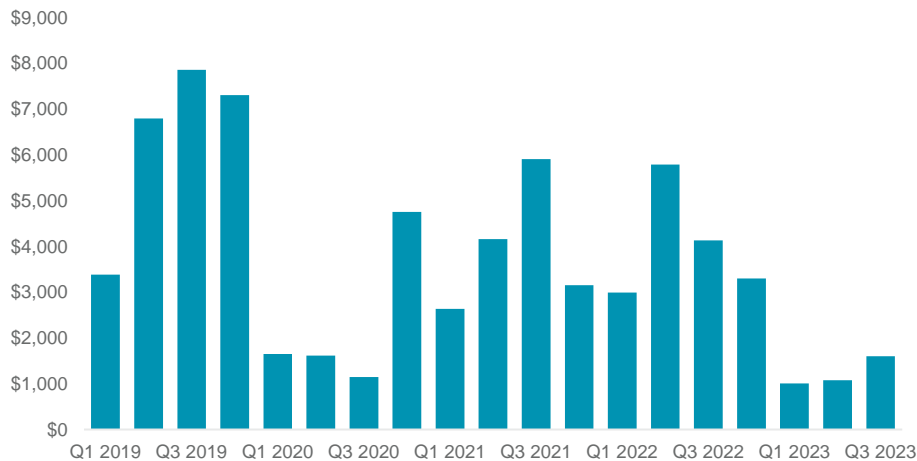
INDUSTRIAL & LOGISTICS

Investment appetite continues to increase

Industrial & Logistics sector investment volume continues its growth in Q3, increasing from \$1.6 billion in Q2 to 1.9 billion in Q3. Despite a challenging financial market environment, record low vacancy levels and limited supply additions continue to drive demand for industrial and logistics assets on the eastern seaboard. New South Wales and Victoria dominated investment volumes, accounting for 82% of all industrial and logistics investment, with Queensland accounting for 12%.

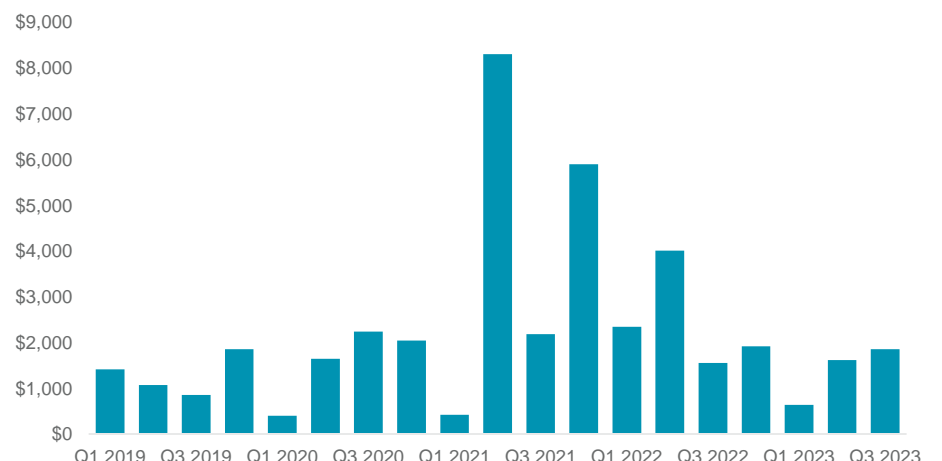
Significant transactions included UniSuper’s purchase of 50% of the Dexus-managed fund from Korea’s National Pension Service for \$559.6 million. Centennial Property Group were active in Sydney, purchasing adjoining business parks in the Northern Beaches from Primewest Group for \$83.6 million and a Liverpool asset from Charter Hall Group for \$79.0 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 \$1.3 billion in Q3 2023; down from the \$2.0 billion recorded in Q2 but up from the \$1.0 billion in Q1 2023. Rolling annual investment volume was \$6.1 billion, down from \$7.0 billion in Q2.

For the first time in the history of our series, Western Australia has recorded the highest level of retail investment, with \$628 million accounting for 43% of this quarters volume. Queensland was second with 20% and then New South Wales and Victoria with 18% and 17% respectively.

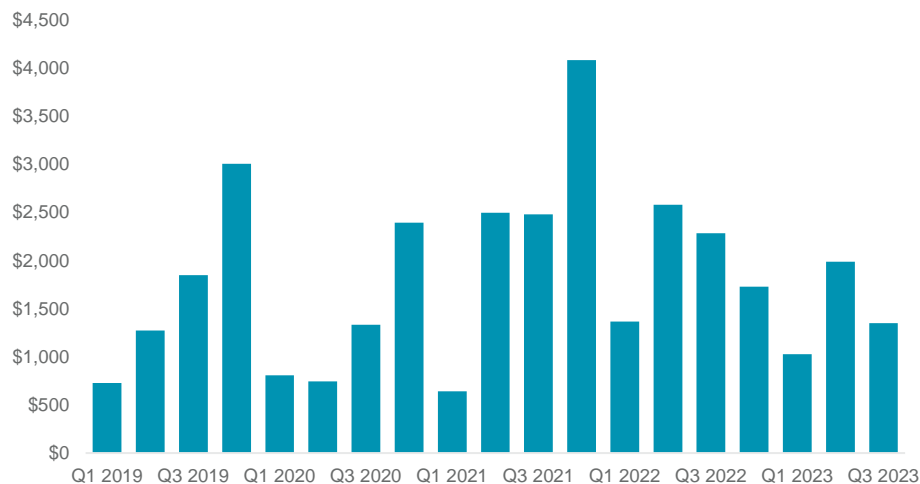
Significant transactions included the sale of Midland Gate Shopping Centre to Hong Kong property fund PAG for \$465 million, Haben Property Fund purchased Stockland Townsville from AMP for \$115 and also in Western Australia HomeCo offloaded HomeCo Midland (formerly Midland Super Centre) to PWD for \$74.8 million.

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

Following a strong second quarter, investment into the CAMSS sector dropped significantly in Q3, recording \$1.2 billion, down from \$3.5 billion in Q2. The notable lack of foreign investment into the sector in Q3 was a key contributor to this quarters lower than average volume.

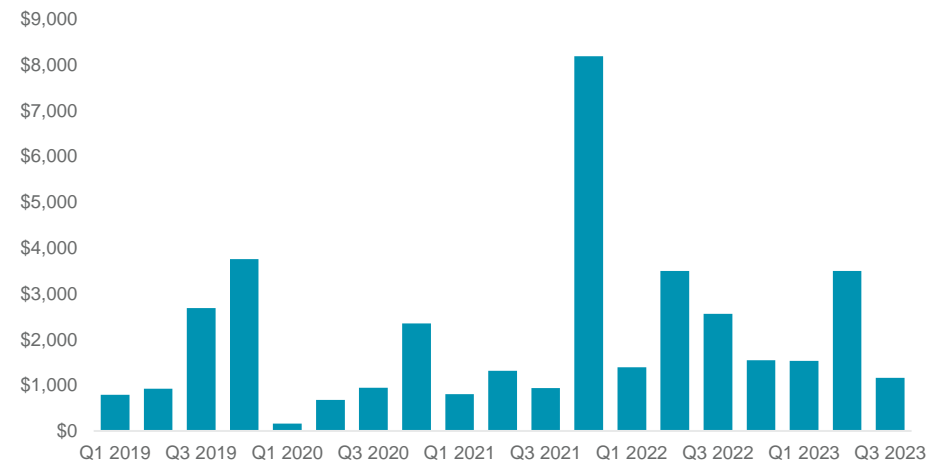
The largest transaction this quarter was in the senior living sector, with Stockland purchasing 2 properties from Living Gems for \$210 million. The Ibis and Novotel Melbourne was purchased by Singapore based Worldwide Hotels for \$170 million from Well Smart Investment Group. In another hotel transaction, the Sofitel Adelaide sold to Salter Brothers from the Palumbo family for \$154 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

*‘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

New South Wales returned to top spot after a short 1 quarter hiatus, recording \$2.1 billion or 36% of total investment volume across the country, with the office sector accounting for half of New South Wales transaction volume. The \$1.3 billion recorded for Victoria placed the state second overall, with Queensland third accounting for 15%. Portfolio acquisitions across multiple states or 'Australia-wide' transactions accounted for 9% of total transaction volume.

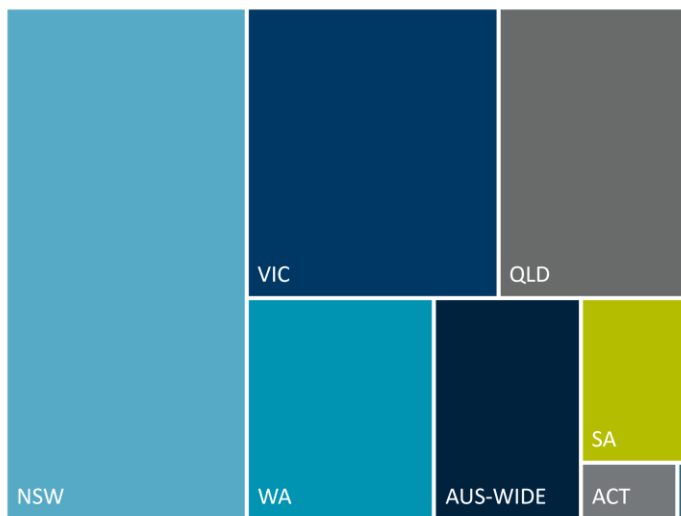
FOREIGN INVESTMENT

Foreign investment activity accounted for approximately 38% of total volume, in line with the quarterly average of around 36%. After a very sluggish Q1, foreign investment has returned strongly in Q2 and Q3. Backed by stable economic conditions, market transparency, competitive yields and population growth, the Australian commercial real estate market is a destination of choice for capital deployment.

DEAL SIZE

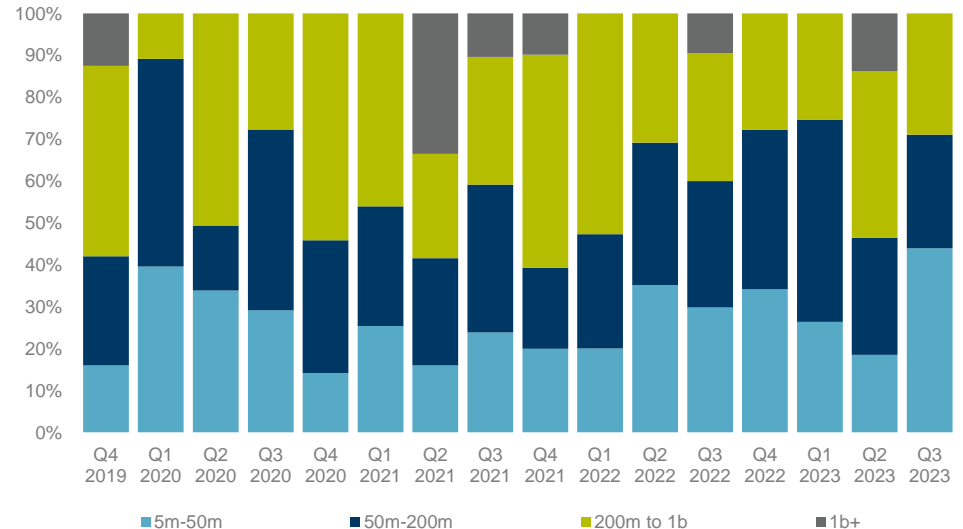
For the first time in our series history the \$5 million to \$50 million price bracket has topped 40% of total deal volume. As debt costs rise and leveraged investors or those that need to leverage are further hampered, agile liquid investors are taking advantage of favourable buying conditions, much of which is directed to the sub \$50 million price bracket. As debt pressures, continue it is expected that there will be continued elevated activity in this lower price bracket.

TRANSACTION ACTIVITY BY LOCATION, Q3 2023



Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY PRICE BRACKET (AUD)



Source: Real Capital Analytics; Cushman & Wakefield

SIGNIFICANT TRANSACTIONS, Q3 2023

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
NPS Industrial Portfolio	Australia wide	UniSuper	National Pension Fund	Industrial	\$560m
Midland Gate Shopping Centre	Western Australia	PAG/Fawcner Property	Comm. Bank Super Group / Vicinity Centre's Retail Partnership	Retail	\$480m
Dexus Place	Sydney	Quintessential Equity	Dexus	Office	\$293m
Living Gems Portfolio	Queensland	Stockland	Living Gems	CAMSS	\$210m
ADC House	Sydney	GIC / Gurner TM	Barana Group	Office	\$200m
Ibis & Novotel Melbourne	Melbourne	Worldwide Hotels	Well Smart Investment Group	CAMSS	\$170m
Sofitel Adelaide	Adelaide	Salter Brothers	Palumbo Family	CAMSS	\$154m
117 Clarence Street	Sydney	Forza Capital	Investa Property Group	Office	\$138m

Outlook

- Investment volume in Australian commercial real estate remains weak overall in 2023. While the interest rate environment is still high, purchasers are assessing and adapting, however, the Australian market is still relatively attractive compared to many overseas markets.
- The Reserve Bank of Australia has held the cash rate at 4.1% for the last 4 meetings, while the 10-year government bond yield increased from around 3.0% to 4.2% between June and September. The increase has continued to lift funding costs and put upward pressure on discount rates.
- Transaction volumes are expected to remain below average until price expectations between vendors and purchasers come more into alignment, or when we reach the turning point for inflation, which will provide better clarity on interest rate expectations.
- 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

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

LUKE CRAWFORD

Head of Industrial & Logistics Research, Australia
+61 421 985 784 / luke.crawford@cushwake.com

SEAN ELLISON

National Economics & Forecasting Manager
+61 481 093 806 / sean.ellison@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

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 52,000 employees in over 400 offices and approximately 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit www.cushmanwakefield.com or follow [@CushWake](https://twitter.com/CushWake) on Twitter.

©2023 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.