

12-Mo.
Forecast

Investment
Volume Q1 2024 **\$4.9bn** ▲

Rolling Annual
Volume **\$25.6bn** ▲

Foreign
Investment **20%** ▲

TOTAL INVESTMENT ACTIVITY

A promising start to the new year

In Q1 2024, the investment volume for Australian commercial real estate reached \$4.9 billion (deals above \$5 million), contributing to a rolling 12-month total of \$25.6 billion.

Compared to Q1 last year, Q1 2024 saw a 16% increase, marking first increase in rolling 12-month volume in 2 years. While volume has rebounded slightly there are still a number of headwinds for the commercial real estate sector, including pressures from inflation and interest rates, prolonged due diligence periods, and delayed decision-making processes. Foreign investment remained subdued for the second consecutive quarter, falling well below the long-term average.

The retail sector took top spot and was the only sector to post quarter-on-quarter growth, recording \$1.6 billion. The alternatives sector took second spot with \$1.4 billion. The logistics and industrial sector recorded \$865 million of investment in Q1, while the struggling office sector recorded just \$1.0 billion, less than a third of the ten-year average.

ECONOMIC INDICATORS Q4 2023

Q3 23 Q4 23 12-Mo.
Forecast

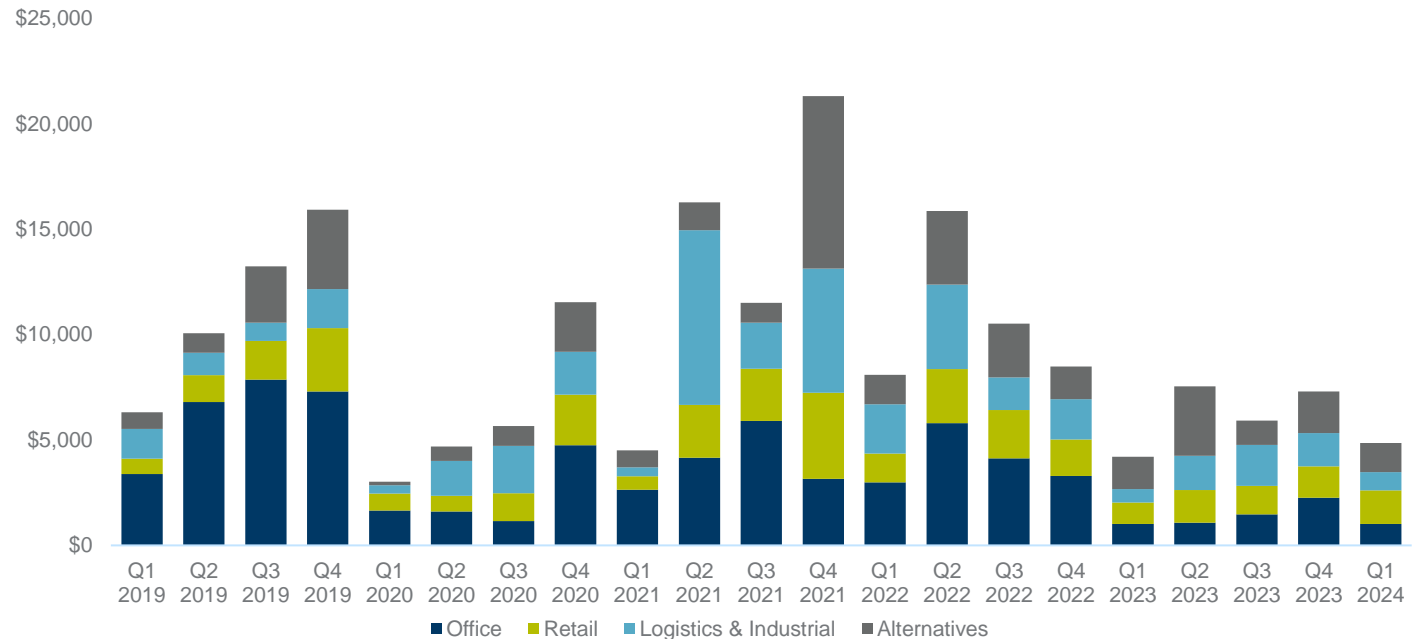
GDP Growth (National)* **2.3%** **2.1%** ▼

Consumer Price Index Growth (National) **5.4%** **4.1%** ▼

Unemployment (National)† **3.6%** **3.9%** ▲

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

QUARTERLY COMMERCIAL REAL ESTATE INVESTMENT VOLUME (AUDm)



*Alternatives' 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

Cyclical and structural headwinds persist

The office sector continues to struggle as persistent uncertainty surrounding its future role as a workplace weighs on investors' minds. Additionally, the lack of significant repricing within the sector further compounds its challenges. Looking forward there are promising signs for the sector with recent and upcoming sales tipped to initiate the repricing process and a significant number of assets currently in due diligence. Investment volume for Q1 2024 just tipped \$1.01 billion, which is lowest quarterly volume in Cushman & Wakefield records, falling slightly shorts Q1 of 2023, which recorded \$1.07 billion.

Noteworthy deals this quarter included the sale of the Sydney A-grade CBD asset at 117 Clarence Street, by Investa Property Group to Forza Capital for \$138 million. Singaporean Ho Group purchased 124 Walker Street in Sydney for \$95.5 million from the Dexus Wholesale Property Fund, while in Melbourne, Sentinel Property Group has purchased the 2 property Garda Botanicca portfolio for \$80.0 million.

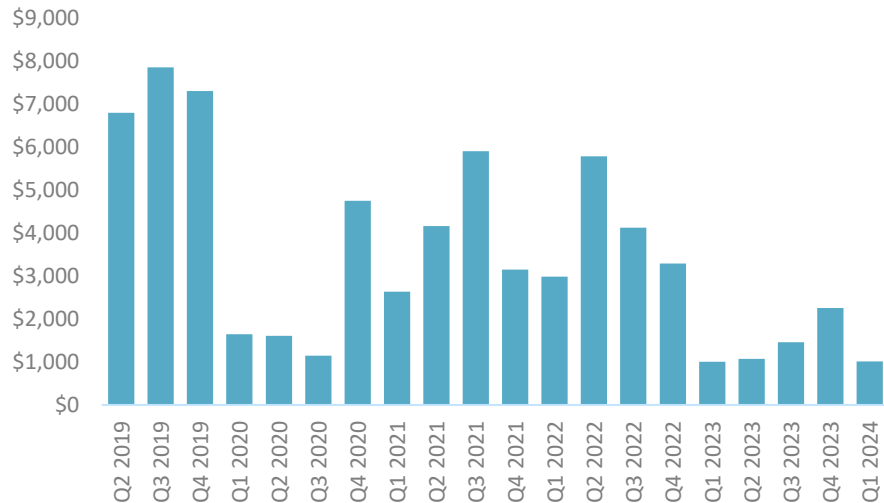
LOGISTICS & INDUSTRIAL

Resilience drives continued performance

Despite the current economic climate tempering some of the momentum in comparison to the record-breaking performance of the past three years, the logistics and industrial sector still stands out as the most resilient among the core sectors when compared to historical trends. Looking forward, continued rental growth, low vacancy and a constrained supply pipeline are expected to drive further growth in the sector over 2024. Q1 2024 recorded \$865 million in sales over \$5 million, which was a 36% increase on Q1 2023.

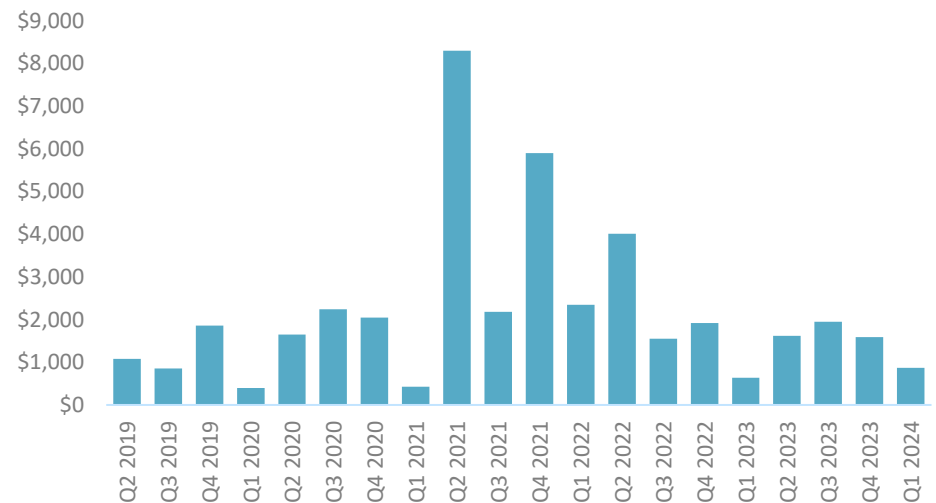
Noteworthy deals this quarter included Goodman Group's sale of the Eumemmerring Business Park at Dandenong South to Aware Super for \$78.8 million, while investment volumes increased in Brisbane following limited transactions in 2023 and included 57-59 Raubers Road, Northgate, which a private acquired for \$28.8 million.

OFFICE CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

LOGISTICS & INDUSTRIAL CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

RETAIL

A return to the top spot

The retail sector has gone through some substantial repricing in recent years and is further through the cycle than some of the other sectors. This coupled with significant population growth forecasts, driven largely by immigration, has driven strong investor confidence in the sector. This has sparked renewed interest in Sub-Regional and Neighbourhood Shopping Centres, which have attractive yield premiums when compared to some of the other retail formats. Q1 retail investment volume totalled \$1.6 billion, up 55% on Q1 2023. Notably the majority of sales over \$50 million were Sub-Regional centres, highlighting the strong performance of that sub-sector.

Significant transactions included Eastgate Bondi Junction for \$125 million, sold by ISPT, Roxburgh Village sold by Vicinity Centres to The JY Group for \$123 million. Hinkler Central sold by QIC and Stockland Nowra sold by Stockland transacted for \$107 million and \$103 million respectively. Notably all these sales are Sub-Regional Centres.

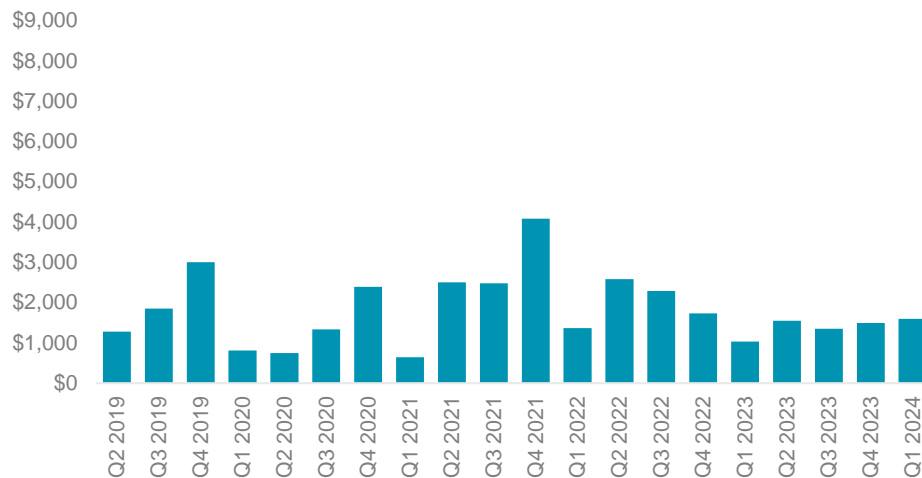
ALTERNATIVES

Levels remain above pre-COVID average

The alternatives sector is undeniably gaining momentum, fueled by evolving investor preferences seeking returns outside the traditional realms of office, retail, and logistics & industrial real estate. This increasing interest in alternatives reflects investors' growing appetite for diversified portfolios and income streams. In Q1 2024 \$1.4 billion was transacted across the alternatives sector, accounting for 27% of commercial real estate sales recorded for Q1 2024. Notably, this figure is approximately 50% above the 5-year Q1 average.

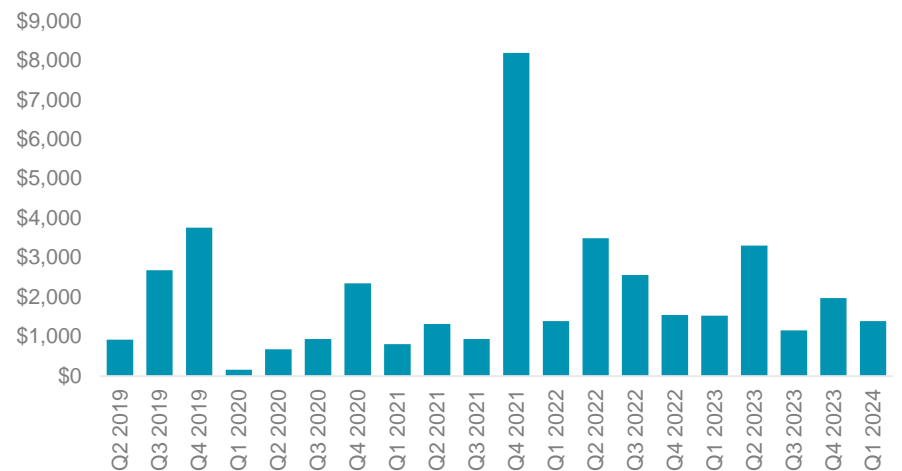
Noteworthy deals this quarter included Canada's PSP Investments \$180 million purchase of Ellerslie Free Range Farms giving them the majority share with 60%. Singaporean fund manager Cambridge RE Partners purchased Hasting Village in Port Macquarie, a 592-bed purpose-built student accommodation asset, from a local family developer. The State of Queensland (Department of Housing) spent \$44 million to acquire the vacant Aveo Apartment Residential Village in Loganholme, with the intention to use the site for affordable housing.

RETAIL CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

ALTERNATIVES CRE QUARTERLY TRANSACTION VOLUMES (AUDm)



Source: Real Capital Analytics; Cushman & Wakefield

*'Alternatives' 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 continues to dominate the investment landscape accounting for 47% of total investment over Q1, with \$2.4 billion. Victoria took second spot with \$1.2 billion (22%) and Queensland third, accounting for 19% with \$928 million. The remaining balance of investment activity is distributed across South Australia, Western Australia, and portfolio sales spanning multiple states.

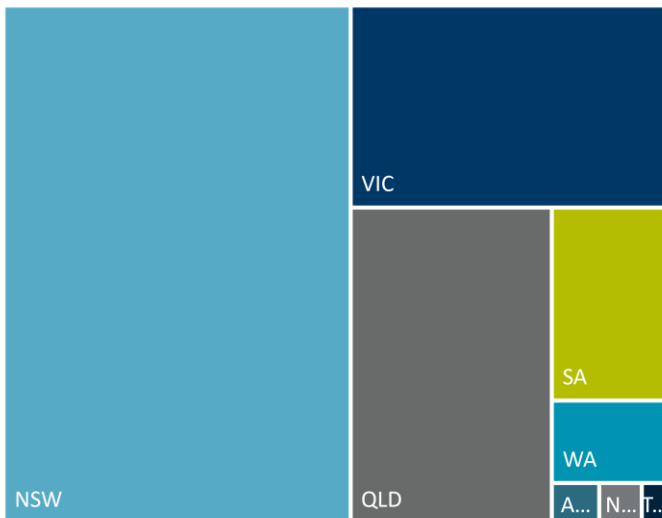
FOREIGN INVESTMENT

Q4 foreign investment activity accounted for \$958 million, approximately 20% of total volume, significantly below the long-term quarterly average of around 36%. The bulk of foreign capital came from Singapore, accounting for around 41% in Q1, Canada 19%, Hong Kong 13%, and the United States, China and Taiwan accounting for 6%, 6% and 5% respectively. Overseas investment in Australia has been steadily declining since 2020, on an annual basis, with a noticeable pullback from investors outside the Asia Pacific region, which is a common theme globally as investors are looking to invest closer to home.

DEAL SIZE

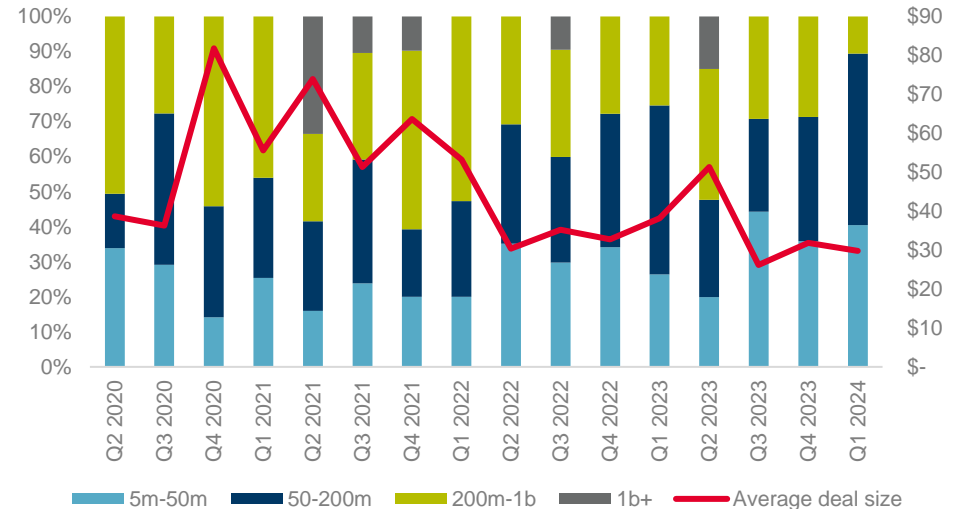
During this quarter, there was a notable rise in low and mid-range deals, with the \$50 million to \$200 million bracket comprising 49% of transactions and the sub \$50 million accounting for 41%, a significant increase from 35% in Q4 2023. As debt costs rose and leveraged investors or those that need to leverage were hampered, we saw decrease in larger size deals in H2 2023 and continuing in Q1 2024. While the cash rate remains above the RBA target and debt costs remain elevated, we expect to continue to see an elevated share of low and mid-range deals.

TRANSACTION ACTIVITY BY LOCATION, Q1 2024



Source: Real Capital Analytics; Cushman & Wakefield

INVESTMENT BY PRICE BRACKET & AVERAGE DEAL SIZE (AUDM)



Source: Real Capital Analytics; Cushman & Wakefield

SIGNIFICANT TRANSACTIONS, Q1 2024

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Ellerslie Free Range Farms	Turallin (Darling Downs)	PSP Investment	The Hall brothers	Alternatives (Agriculture)	\$180m
117 Clarence Street	Sydney	Forza Capital	Investa Property Group	Office	\$134m
Eastgate Bondi Junction	Sydney	Charter Hall Group, Mercer Australia	ISPT	Retail	\$125m
Roxburgh Village	Melbourne	The JY Group	Vicinity Centres	Retail	\$123m
Hastings Village	Port Macquarie	Cambridge RE Partner	Chase Port Developments Pty Limited	Alternatives (PBSA)	\$116m
Hinkler Central	Bundaberg	Parkstone Funds Management, Centennial Property Group	QIC	Retail	\$107m
Stockland Nowra	Shoalhaven	Fawkner Property	Stockland	Retail	\$103m

Outlook

- Investment volumes in Australian commercial real estate improved slightly from Q1 of 2023, however, it remains one of the lowest first quarters on record.
- Inflation has come off its peak, however the impacts of higher interest rates are still passing through the economy. While there is some disagreement over timing, Cushman & Wakefield Research expect that the first rate cut will be some time in Q4 2024.
- The Reserve Bank of Australia has held the cash rate at 4.35% since November last year. The 10-year government bond yield has seen monthly decreases since last quarter, decreasing from 4.2% in December 2023 to 4.0% in March of this year.
- Price expectations between vendors and purchasers have further moved into alignment, with some recent deals in the office sector highlighting the change, whilst deals in the retail sector indicate that this sector is further through the cycle.
- As always, in a more uncertain market conditions, individual property fundamentals will be of increasing importance with higher quality properties expected to outperform.

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