

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
\$11.5B Investment Volume (AUD)	▲	▲
\$33.4b Rolling Annual Volume (AUD)	▲	▲
306 properties Sold	▲	▲
24% Foreign Investment	▼	▲

Source: MSCI Real Capital Analytics, Cushman & Wakefield

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1.0% GDP Growth	▼	▲
3.8% Consumer Price Index	▲	▼
4.2% Unemployment	▲	▲
3.9% Australian 10-Yr Treasury Yield	▼	▼

Source: ABS, RBA

ECONOMIC OVERVIEW:

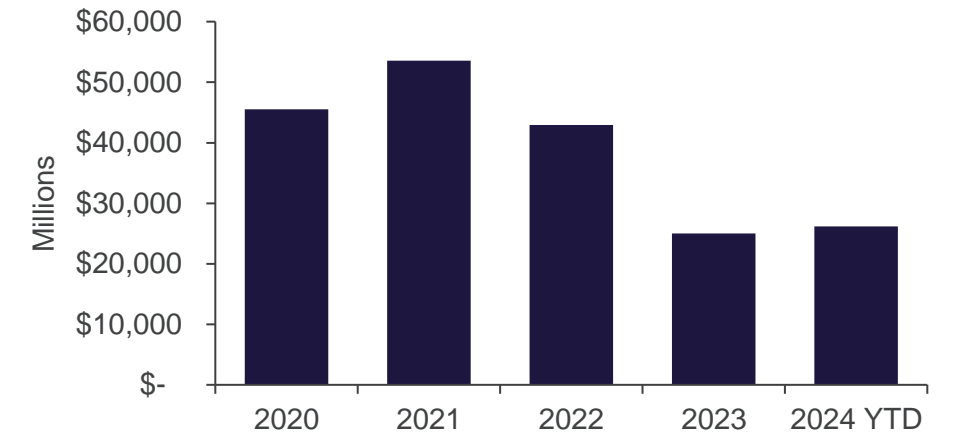
The Australian economy continues to be in the midst of a cyclical slowdown. The second-quarter GDP release showed real growth slowing, with GDP increasing by 1% in the year to June 2024. On a per capita basis, real declined 1.5% from a year ago. Population growth continues to be the main driver of economic activity in Australia, as cost of living pressures dampens consumer spending and weak productivity hampers business investment. Oxford Economics forecasts Australia's Gross Domestic Product to increase 1.1% over 2024, before recovering to 2.0% in 2025 and 2.6% in 2026.

TOTAL INVESTMENT ACTIVITY:

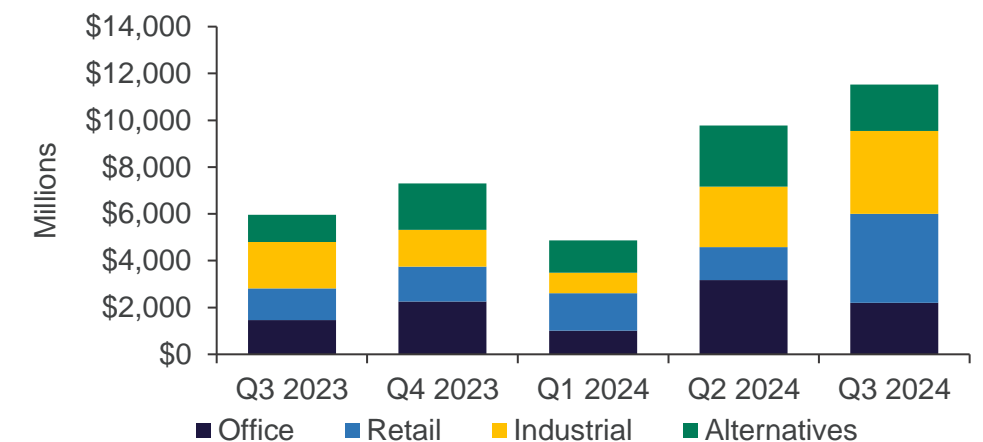
In the third quarter of 2024, the Australian commercial real estate market saw another substantial consecutive quarterly increase in investment activity, with total transaction volumes reaching \$11.5 billion for deals above \$5 million. This increase contributed to a rolling 12-month total of \$33.4 billion. Notably, this marks the first time the market has experienced two consecutive quarters of growth since the third quarter of 2020, signalling a rebound in investor confidence and market stability. The rise in transactions reflects a renewed appetite for commercial real estate assets, driven by improving economic conditions and favourable market fundamentals across some sectors and markets.

Deal volumes saw strong growth over the quarter, particularly in the \$50 million to \$200 million transaction range, with the majority of deals occurring in the retail, logistics and industrial sectors. Retail led the charge, attracting \$3.8 billion in investments, while logistics and industrial assets followed closely with \$3.5 billion. The office sector also recorded a solid performance, contributing \$2.2 billion, and the alternatives sector added \$2.0 billion in investment activity. This surge in transactions highlights the continued demand for diversified assets, as investors seek opportunities across a variety of sectors to capitalise on improving market stability and that vendor and purchaser price expectations are coming closer to alignment.

INVESTMENT SALES VOLUME

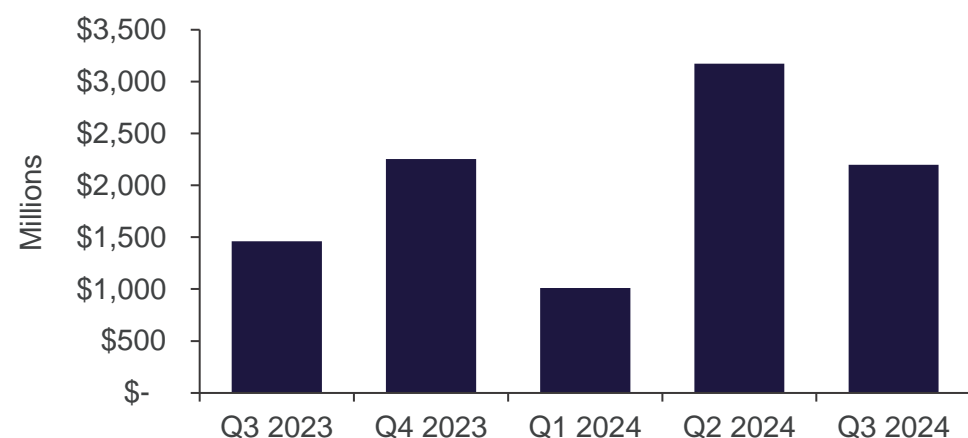


INVESTMENT SALES VOLUME BY SECTOR



Source: MSCI Real Capital Analytics

OFFICE

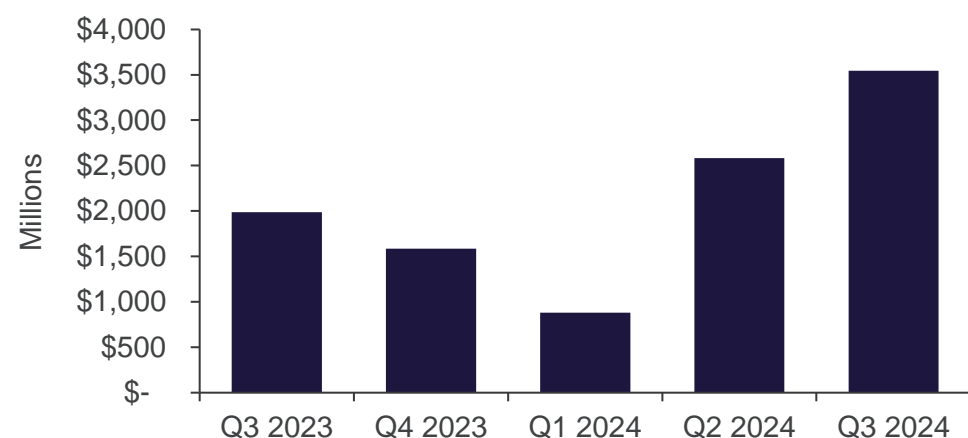


OFFICE:

The office sector, despite ongoing structural changes, recorded \$2.2 billion in transactions in Q3, slightly below the five-year average of \$3.0 billion. A persistent gap between vendor and buyer price expectations has posed challenges, but this disparity appears to have now narrowed to a bridgeable gap – especially for core assets. With signs the pricing cycle has reached its low point, the sector appears to be on a recovery track, setting the base for a resurgence in transaction and investment volumes through 2025.

Significant transactions this quarter included Charter Hall’s sale of 333 George Street in Sydney to Deka Immobilien for \$392 Million. In another major office transaction to an offshore buyer, Mirvac Group offloaded 367 Collins street to PAG (ASIA) out of Hong Kong for \$315 million.

LOGISTICS & INDUSTRIAL

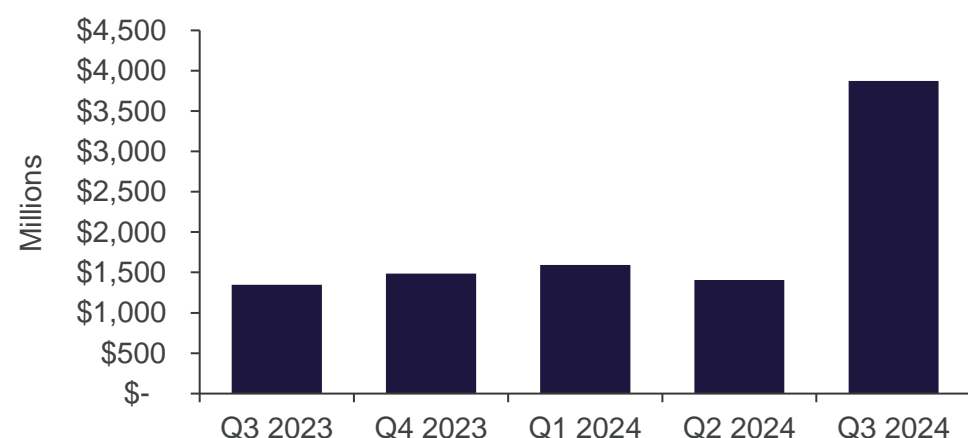


LOGISTICS & INDUSTRIAL:

The logistics and industrial sector built upon its strong performance from Q2 2024, where \$2.6 billion was recorded, reaching \$3.5 billion in Q3. As in Q2, significant capital deployment from institutional investors, particularly those investing over \$100 million, continues to drive increased activity across the sector. With national vacancy remaining low, sustained strong rental growth continues, further bolstering continued investment demand in this sector.

In the second largest deal of the quarter Billbergia Group have purchased the Austrak Business Park in Somerton for \$600 million from Han’s Holdings Group. Hankyu Hanshin Properties out of Japan and an unnamed Malaysian investor have acquired an unspecified stake in a portfolio of 11 assets across Sydney for \$526 million from ESR and ADIA.

RETAIL



RETAIL:

The retail sector achieved \$3.8 billion of transactions in Q3 2024, its strongest performance since Q4 2021, when \$4.1 billion was recorded. Several large shopping centres changed hands, with transactions over \$100 million making up nearly two-thirds of the total investment volume. As the sector continues its recovery, both pricing and yields have tightened further throughout Q3, reflecting increasing confidence from investors. This momentum is expected to carry forward into the coming quarters, driven by sustained demand for prime retail assets and a recovery in consumer activity.

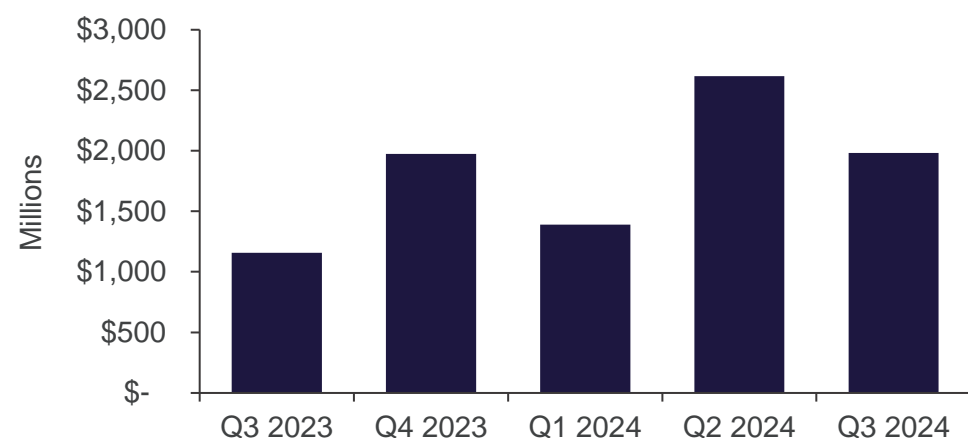
In the largest deal of the quarter Haben and Hines have picked up a half stake each of Westpoint Shopping Centre in Blacktown for a reported \$900 million from QIC. Of note is this deal is the largest standalone retail property transaction in Australian history.

OUTLOOK

- Economic growth is expected to strengthen in Q4 and through 2025, as Gross Domestic Product reverts to align with longer term averages through 2025 and 2026.
- 2024 investment volume has already surpassed 2023 levels. As the sectors recover further, investment volume is expected to continue to strengthen over the next 12-months.
- Inflation has come off its peak and while there is some disagreement over timing, Cushman & Wakefield Research expects that the first rate cut will be some time in H1 2025.
- In the office sector, ongoing price discovery suggests that while transaction values are still below peak 2022 levels, the market has bottomed out and is gearing up for a rebound.
- The industrial sector will continue to benefit from low vacancy and strong rental growth, which will continue to attract sustained investment demand.

Source: MSCI Real Capital Analytics

ALTERNATIVES

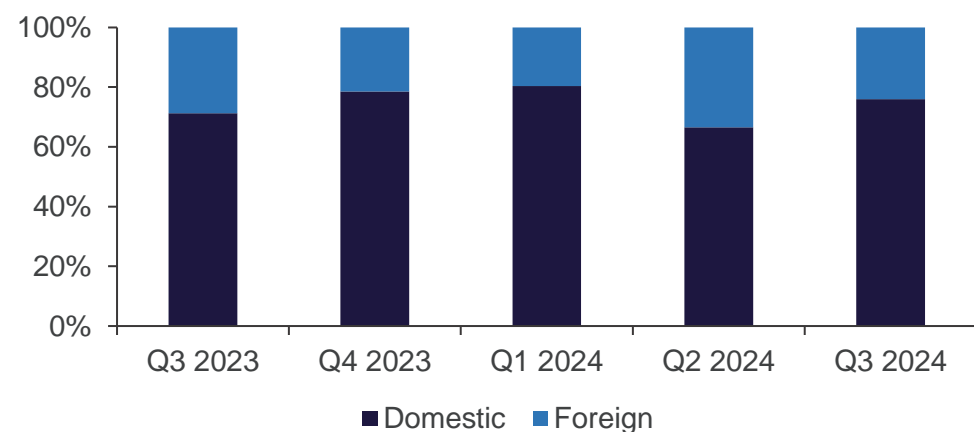


ALTERNATIVES:

The alternatives sector continues its upward momentum, posting \$2.0 billion in Q3 after \$2.6 billion in Q2. This marks only the second time in Cushman & Wakefield’s history that the sector has surpassed \$2 billion in consecutive quarters, with the last instance being in Q2 and Q3 of 2022. The sector’s steady growth underscores rising investor interest across various sub-sectors, in particular the living and care sectors, which are demonstrating strong growth potential and attracting substantial capital inflows.

Significant transactions this quarter included the sale of Brookfield’s Aveo South Australian retirement village portfolio to the uniting Church for \$122 million. In Perth, the iconic Esplanade Hotel has been picked up by the Cosgrove group from Centuria Capital group for \$116.5 million. It is notable that both of these sales were at a double-digit premium to book values.

FOREIGN INVESTMENT

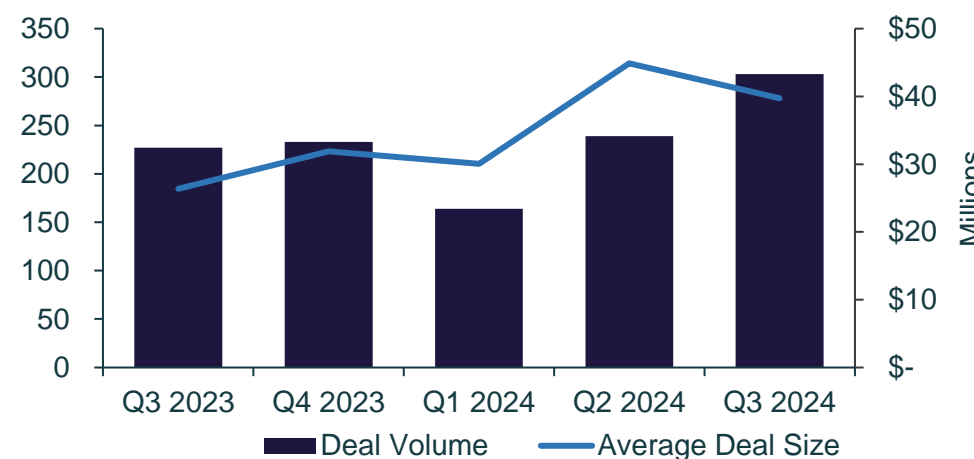


FOREIGN INVESTMENT:

Q3 was another strong quarter of offshore capital inflows at \$2.8 billion, marking the second consecutive quarter over \$2.5 billion, which is the first time since Q3 in 2022. Significant inflows from Japan, the United States of America and Germany helped bolster volumes. With significant offshore interest coming from pockets of core capital that have been patient capital for the past 24 months, as they look to take advantage of counter cyclical opportunities.

In contrast, Singapore, historically Australia’s top investor, has remained relatively inactive. 2023 marked the lowest level of investment from Singaporean buyers since 2010, and this subdued trend has persisted into 2024.

DEAL METRICS



TRANSACTION LOCATION, VOLUME AND SIZE:

In Q3, New South Wales led the way in transactions, accounting for 40% of the total investment volume, with Victoria contributing 23% and Queensland 14%. The remaining investment was spread across other states and national portfolios.

The number of transactions grew for the second consecutive quarter, surpassing 300 deals, an increase of roughly 30% from Q2. However, while deal activity surged, the average transaction size fell to approximately \$40 million, which was \$5 million below Q2’s average and \$7 million lower than the five-year benchmark.

OUTLOOK

- The retail sector is further along in its recovery compared to some other sectors, with improving prices and tightening yields driving elevated demand. This sector’s advanced position in the recovery cycle gives it a competitive edge over others still in earlier phases.
- The alternatives sector, which encompasses various asset classes at different stages of maturity, presents diverse investment opportunities. Emerging asset classes such as build-to-rent and data centres are poised for rapid growth, while established segments in retirement living, health and aged care, and medical assets are expected to continue attracting investor interest for stabilised income producing assets.
- Foreign investment is projected to increase, though the pace is anticipated to be gradual. While improving economic conditions and sectoral recoveries will attract international capital, the resurgence is expected to unfold steadily, rather than in sharp bursts.

Source: MSCI Real Capital Analytics

SIGNIFICANT SALES

PROPERTY	TYPE	BUYER	SELLER	PURCHASE PRICE (AUDm)	LOCATION
Austrak Business Park	Industrial	Aware Super	GPT/Austrak	\$600	Melbourne
Logos Australian Logistics Venture (LALV)	Industrial	Hankyu Hanshin Properties / KWAP	ESR / ADIA	\$526	Australia Wide
Han's Group AUS Mixed Portfolio	Mixed	Billbergia Group	QIC	\$500	New South Wales
Westpoint Shopping Centre	Retail	Habe / Hines (50/50)	Future Fund	\$900	Sydney
Lakeside Joondalup Shopping City	Retail	Vicinity Centres	Charter Hall	\$450	Perth
333 George Street	Office	Deka Immobilien	Mirvac Group	\$392	Sydney
367 Collins Street	Office	PAG (ASIA)	Dexus	\$315	Melbourne

Sources: Real Capital Analytics, Cushman & Wakefield Research transactions over \$5 million

DR DOMINIC BROWN

Head of Research, Australia & New Zealand

Tel: +61 431 947 161

dominic.brown@cushwake.com

JAKE MCKINNON

National Research Manager

Tel: +61 410 611 548

jake.mckinnon@cushwake.com

LUKE CRAWFORD

Head of Logistics & Industrial Research, Australia

Tel: +61 421 985 784

luke.crawford@cushwake.com

SEAN ELLISON

National Economics & Forecasting Manager

Tel: +61 481 093 806

sean.ellison@cushwake.com

GUY BENNET

Managing Director, CRE Australia and New Zealand

Tel: +61 418 808 548

guy.bennett@cushwake.com

JOSH CULLEN

Head of Capital Markets, Australia and New Zealand

Tel: +61 438 351 113

josh.cullen@cushwake.com

TONY IULIANO

Head of Logistics & Industrial-Australia & New Zealand

Tel: +61 412 992 830

tony.iuliano@cushwake.com

MATTHEW RUSSELL

National Director, Head of Valuations

Tel: +61 406 784 380

matthew.russell@cushwake.com

DAVID BRUCE-CLARKE

Co-Head of Alternatives ANZ, Valuation & Advisory

Tel: +61 411 505 297

david.bruce-clarke@cushwake.com

DAVID CURTIS

Co-Head of Alternatives ANZ, Capital Markets

Tel: +61 416 197 552

david.curtis@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit www.cushmanwakefield.com.

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield ("CWK"). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK's securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.