

MARKETBEAT



\$16.6bn

INVESTMENT VOLUME
IN Q4 2018

\$41.8bn

RECORD ANNUAL
INVESTMENT VOLUME

55%

FOREIGN INVESTMENT
Q4 2018

WHAT'S NEXT

KEY TAKEAWAYS

- A total of \$16.6 billion was invested in Australian commercial real estate in Q4 2018, the strongest quarterly result on record. Annual volume of \$41.8bn is also a record, up 22% on 2017, and 20% on the previous record (2014).
- Large transactions (>\$400m) headlined Q4 volume, accounting for \$7.0 billion (42%) of the total. The \$3.4 billion IOF portfolio and \$1.725 billion Woolworths petrol station portfolio were both acquired by foreign firms.
- Q4 of 2018 was the second largest retail investment quarter on record while 2018 was the second largest retail investment year on record. Sub Regionals led volume, with many selling at below book value.

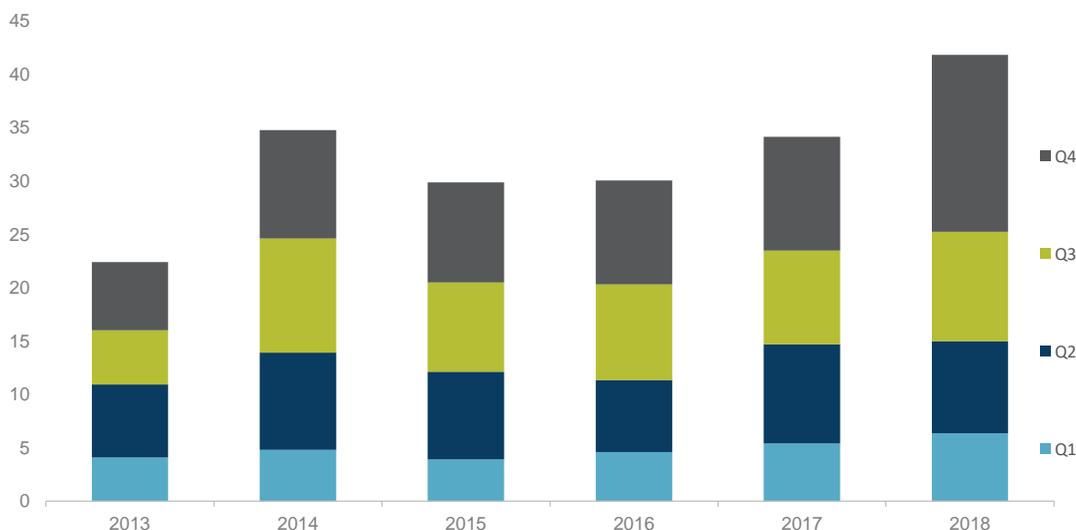
TOTAL INVESTMENT ACTIVITY

2018 a peak year for commercial real estate investment

The Australian commercial real estate market continued to perform strongly in Q4 with \$16.6 billion of investment recorded. Q4 volume was 62% stronger than Q3 2018 (\$10.2bn) and 55% stronger than Q4 2017 (\$10.7bn).

This additional volume cemented 2018 as the strongest year on record, with \$41.8 billion invested. It topped both 2014 and 2017 to be the first \$40+ billion year on record, and has surpassed Q3 2018's total to set a new peak for rolling annual total. Q4 2018 was the strongest quarter on record, eclipsing the next highest volume total of \$14.2 billion recorded in Q3 2007 by 17%. H2 2018 (\$26.8bn) was also the strongest half year on record, eclipsing H2 2007 (\$25.2bn) by 6%. Over the past three years, Q1 volume has averaged just \$5 billion, but looking to Q1 2019, several quality assets are expected to transact, ensuring a strong start to the year.

TOTAL INVESTMENT ACTIVITY (AUDbn)



Source: Cushman & Wakefield

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INVESTMENT BY SECTOR

IOF portfolio boosts office volume

In Q4, the office sector was the most liquid with \$8.6 billion transacted. M&A activity boosted this figure, with the \$3.4 billion Investa Office Fund (IOF) portfolio purchase by Canada's Oxford Properties accounting for around 40% of the quarterly volume. For the year, the office sector was again the most liquid asset class, attracting \$21.8 billion, or 52% of total investment in 2018.

Sub Regional centres lead retail volume

For the first three quarters of 2018, national retail investment volume was tracking about 20% below 2017's record volume. However Q4, with \$3.1 billion in volume, registered the second largest retail investment quarter on record. Almost 60% of this volume was attributed to Sub Regional and Neighbourhood centres, with purchasers such as SCA looking to increase their exposure to these asset classes. 2018 retail volume totalled \$8.5 billion, just 8% below 2017 record volume of \$9.3 billion.

H2 Industrial volume more than doubles H1

In industrial markets, after a soft start to the year, volume in H2 bounced back somewhat, reaching \$2.1 billion in Q3 and \$1.4 billion in Q4, more than doubling the \$1.6 billion recorded in H1. GIC's \$350 million purchase of a 25% stake in the newly created Dexus Australian Logistics Trust highlighted Q4 activity.

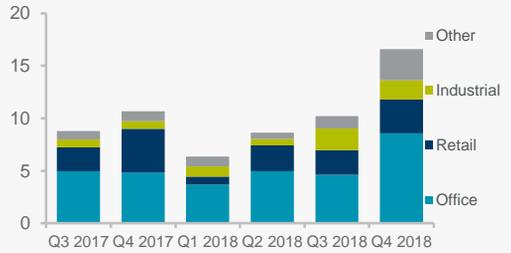
INVESTMENT BY LOCATION

Australia Wide portfolios dominate Q4

Around \$7.4 billion (40%) of Q4 investment volume came from Australia wide portfolios. These included the IOF office portfolio (\$3.4bn), Woolworths Petrol station portfolio (\$1.725bn), Vicinity retail portfolio (\$573m) and the Hines office portfolio (\$521m).

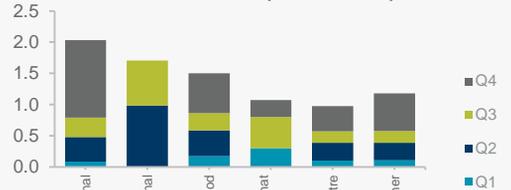
Beyond this, NSW attracted \$4.3 billion or 26% of Q4 investment volume while Victoria and Queensland recorded \$1.9 billion and \$1.8 billion respectively. Annually, NSW ranked first (\$15.6bn) followed by Victoria (\$9.1bn). Australia wide transactions (\$7.4bn) totalled more than Queensland volume (\$6.2bn) which declined 14% from 2017 levels.

INVESTMENT BY SECTOR (AUDbn)



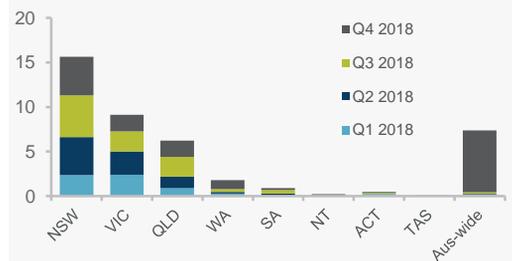
Source: Cushman & Wakefield

2018 INVESTMENT BY CENTRE TYPE (AUDbn)



Source: Cushman & Wakefield

INVESTMENT BY LOCATION, (AUDbn)



Source: Cushman & Wakefield

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Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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TOP AUSTRALIA WIDE TRANSACTIONS Q4 2018

IOF Portfolio	\$3.4 billion
Woolworths Petrol Stations	\$1.725 billion
Vicinity Sub Regional and Neighbourhood centres	\$573 million
Hines Portfolio	\$521 million
Dexus Australia Logistics Trust (25% Stake)	\$350 million

Source: Cushman & Wakefield



NET PURCHASING ACTIVITY

Pension funds lead net purchasing

Oxford Property Group's acquisition of the \$3.4bn IOF portfolio boosted net purchasing volume for Insurance & Pension firms. The purchase capped an acquisitive year for the investor type with \$5.3 billion of net purchasing activity. Other notable acquisitions for the year included QIC's purchase of Werribee and Pacific Epping Shopping Centres for \$984 million, REST's acquisition of a 33% stake in Quay Quarter Tower for \$900 million, and ISPT's acquisition of a 50% stake in 275 Kent St for \$860 million. Annually, Listed entities were the big sellers for the year with more than 20 sales above \$100 million.

FOREIGN INVESTMENT

Record year for foreign investment

2018 foreign investment volume of \$17.0 billion (41% of the annual total) was the largest on record, beating 2015's previous high of \$15.4bn by 11%, and 2017's \$12.1 billion by 40%. Most of the volume behind the record year transacted in Q4, when \$9.3 billion (55%) was recorded as the largest quarterly volume since Q3 2007 (\$9.4bn).

Offshore investors, led by Canada and Singapore, mainly targeted office assets, which accounted for \$10.7 billion or 63% of total annual foreign investment volume.

ACTIVE PURCHASERS

Institutional investors dominate

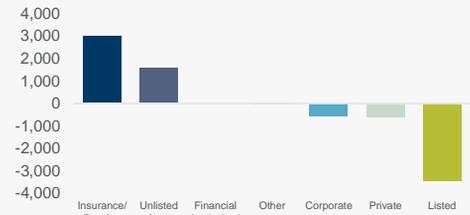
Institutional purchasers dominated 2018 purchasing activity with foreigners including Oxford Properties, Blackstone and M&G among the big buyers. Locally, Charter Hall was very active with more than \$2.5 billion of acquisitions across 20+ transactions. The Centuria platform was also active, adding ~\$825m worth of assets across six transactions. Blackstone outlaid more than \$800 million across seven transactions.

ACTIVE VENDORS

Blackstone active in 2018

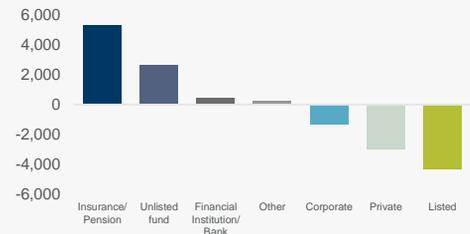
Blackstone and Vicinity were the standout sellers in 2018, selling \$2.1 billion worth of assets across 12 transactions and \$1.2 billion worth of assets across 9 transactions respectively.

NET PURCHASING ACTIVITY, Q4 2018 (AUDm)



Source: Cushman & Wakefield

NET PURCHASING ACTIVITY, CY 2018 (AUDm)



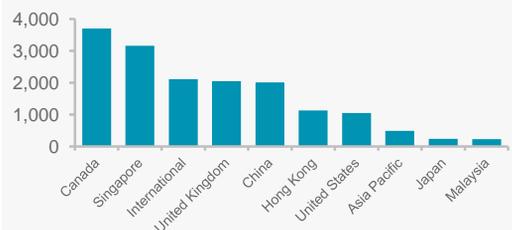
Source: Cushman & Wakefield

FOREIGN & DOMESTIC INVESTMENT (AUDbn)



Source: Cushman & Wakefield

FOREIGN PURCHASING ACTIVITY, CY 2018 (AUDm)



Source: Cushman & Wakefield

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SIGNIFICANT TRANSACTIONS, 2018

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
IOF Portfolio	Australia Wide	Oxford Properties	IOF	Office	\$3,400m
Woolworths Petrol Portfolio	Australia Wide	EG Group	Woolworths	Other	\$1,725m
Quay Quarter Tower (33% Stake)	NSW	REST	AMP Capital	Office	\$900m
275 Kent Street (50% Stake)	NSW	Mirvac obo ISPT	Blackstone	Office	\$860m
10-12 Shelley Street	NSW	Charter Hall	Brookfield	Office	\$804m
Westfield Eastgardens (50% Stake)	NSW	Scentre Group	Terrace Tower Group	Retail	\$720m
Werribee Plaza (50% Stake)	VIC	QIC	Pacific Group	Retail	\$611.5m
Vicinity Portfolio	Australia Wide	SCA Property Group	Vicinity	Retail	\$573m
Two Melbourne Quarter	VIC	Lend Lease APPF	Lend Lease	Office	\$550m
Hines Portfolio	Australia Wide	Centuria Metro REIT	Hines Global REIT	Office	\$521m
60 Margaret Street (50% Stake)	NSW	Blackstone	Pacific Alliance Group	Office	\$420m
80 Ann Street	QLD	M&G APAC Core Fund	Mirvac	Office	\$418m
Pacific Epping Shopping Centre (50% Stake)	VIC	QIC	Pacific Group	Retail	\$372.5m
Dexus Australian Logistics Trust (25% Stake)	Australia Wide	DALT obo GIC	Dexus	Industrial	\$350m
Northpoint (50% Stake)	NSW	Early Light	Redefine Properties	Office	\$300m



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