CUSHMAN & WAKEFIELD

INVESTMENT SALES AUSTRALIA H1 2024

Discover the latest investment trends of the commercial real estate market for sales up to $100 million.

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ECONOMIC OVERVIEW

Cash rate steady, GDP slows

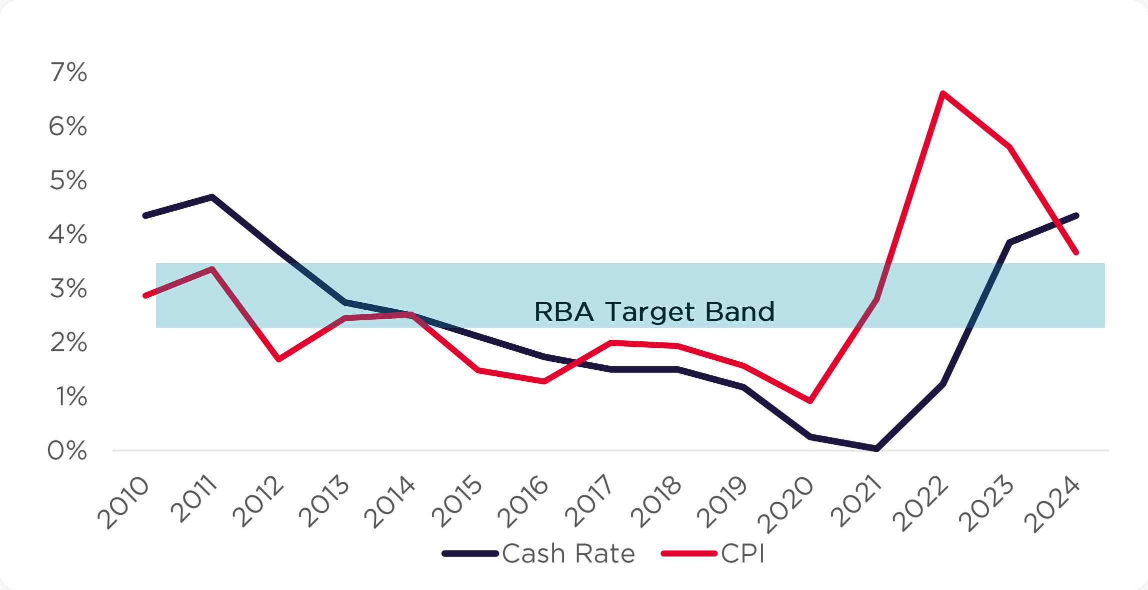
RBA holds cash rate at 4.35%

Despite two months of higher inflation in April and May, the second quarter inflation data came in slightly below expectations at 3.8% year-on-year (YoY) and 4% annualised. In light of this, the Reserve Bank of Australia (RBA) held the Cash Rate steady at 4.35% for the sixth consecutive meeting, while maintaining a confident outlook in its Statement on Monetary Policy.

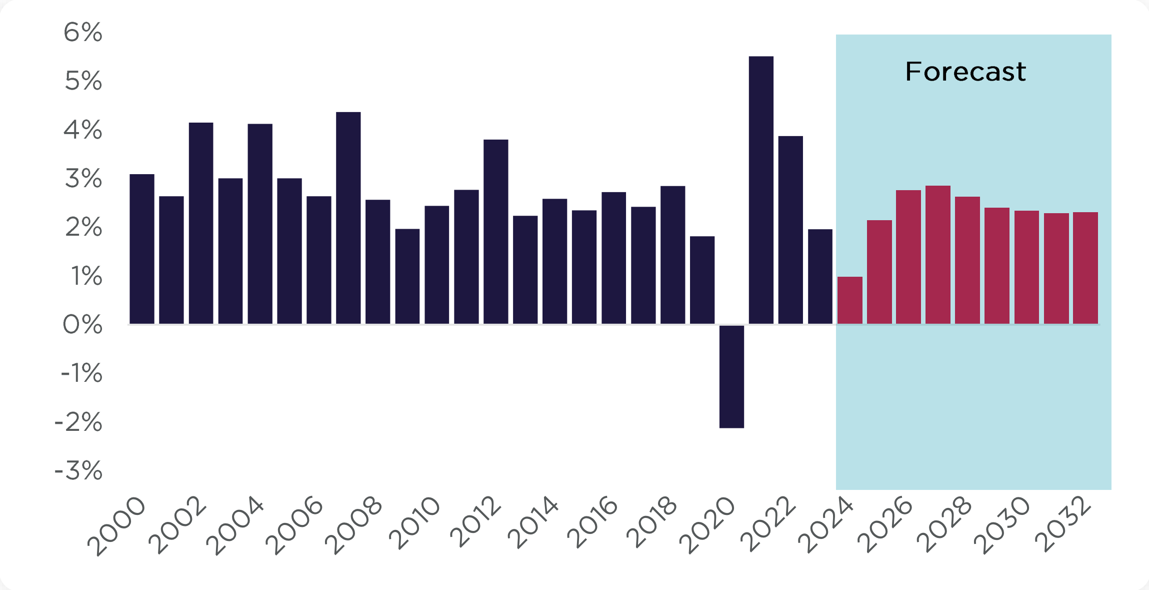
GDP growth to slow, but remain positive

By various metrics, the Australian economy has shown impressive resilience in recent years. Despite inflation concerns and rising interest rates, real GDP is estimated to have grown by 2% in 2023. While growth is expected to moderate to 1.3% in 2024, it remains positive, with a strong rebound anticipated through 2026.

CASH RATE



GROSS DOMESTIC PRODUCT



NATIONAL

National Overview

WHAT WE ARE SEEING

Australia's commercial property market is showing promising signs of recovery after a subdued 12 months. Transaction volumes in the first half of 2024 reached $10.2 billion, just 1% below Q2 2023 levels. While this represents a slight year-on-year decline, Q2 2023 marked a turnaround, driven by robust growth and some modest yield compression in the retail and care sectors.

Market confidence has stabilised, with the Reserve Bank of Australia holding the cash rate steady for the sixth consecutive meeting. Most forecasts now anticipate the next rate movement to be a cut rather than a hike in H1 2025.

Although cross-border capital flows remain below long-term averages, they are expected to improve over the near to medium term. Notably, there has been an increase in inflows from the United States and Japan over the last six months, as investors seek strategic acquisition opportunities.

LUKE ETHERINGTON

Managing Director

LOOKING FORWARD

- Overall market pricing has reached bottom of the cycle and will revert to a growth phase.
- Foreign investment to begin to increase as the market enters an expansionary cycle.
- The retail sector will continue to build on its momentum, and yield compression is now occurring in some sub-sectors.
- The office market has experienced significant repricing from peak book values. However, recent transaction evidence points to a recovery starting in the near term.

NATIONAL

Transactions & where they come from

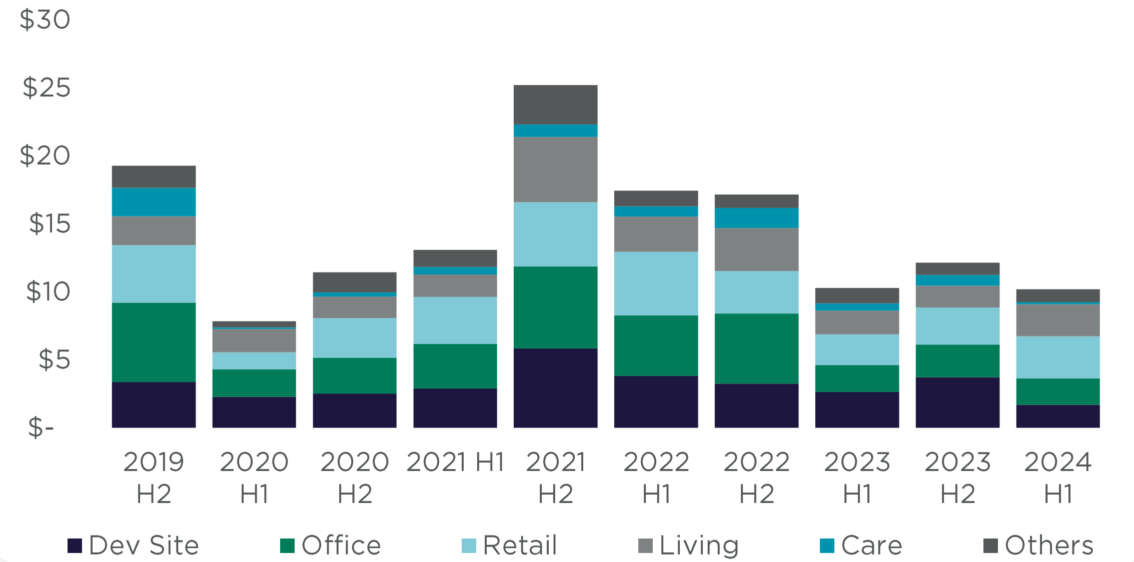
Retail transactions drive growth across the investment market.

Modest investment in development sites in H1 2024, at 50% below the 5-year average, has tempered total investment volumes. However, renewed interest in the retail sector in Q2 has led to the highest quarterly total since Q2 2022. With most sectors appearing to have reached or neared the bottom of the cycle, strong growth is anticipated for the remainder of H2 2024 and into 2025 and beyond.

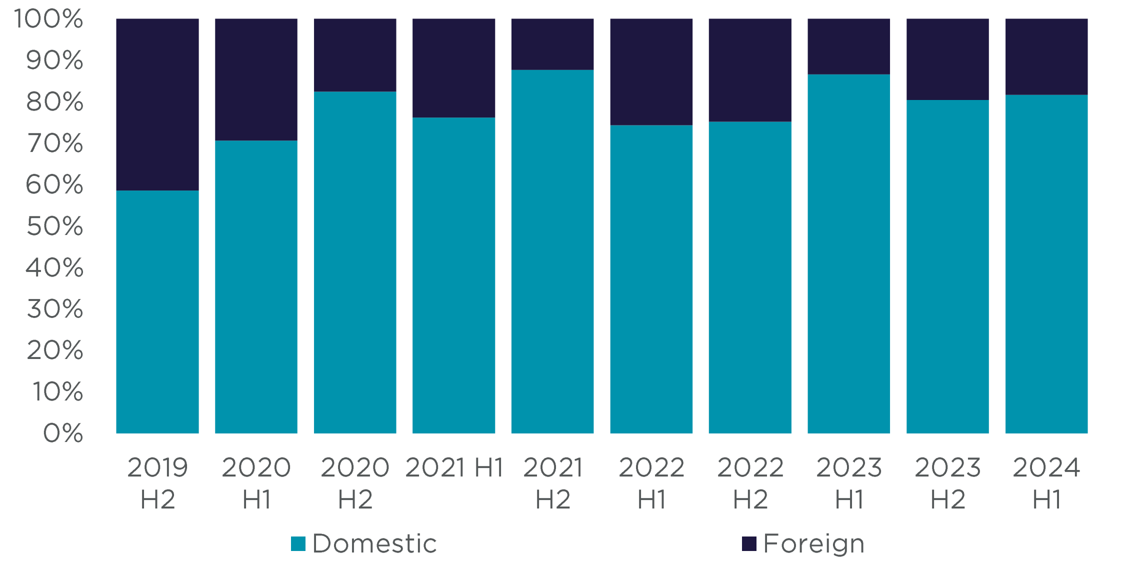
Cross-border capital from the United States accounts for 52% of foreign investment.

While the inflow of cross-border capital has decreased compared to long-term averages, it is anticipated to make a strong return. Unlike the rapid recovery seen post-COVID, the market is expected to experience a more gradual and steadier rebound, akin to the recovery period following the Global Financial Crisis (GFC).

NATIONAL INVESTMENT SALES (AUD BN)



PURCHASER ORIGIN



NATIONAL

Who is buying and at what rate

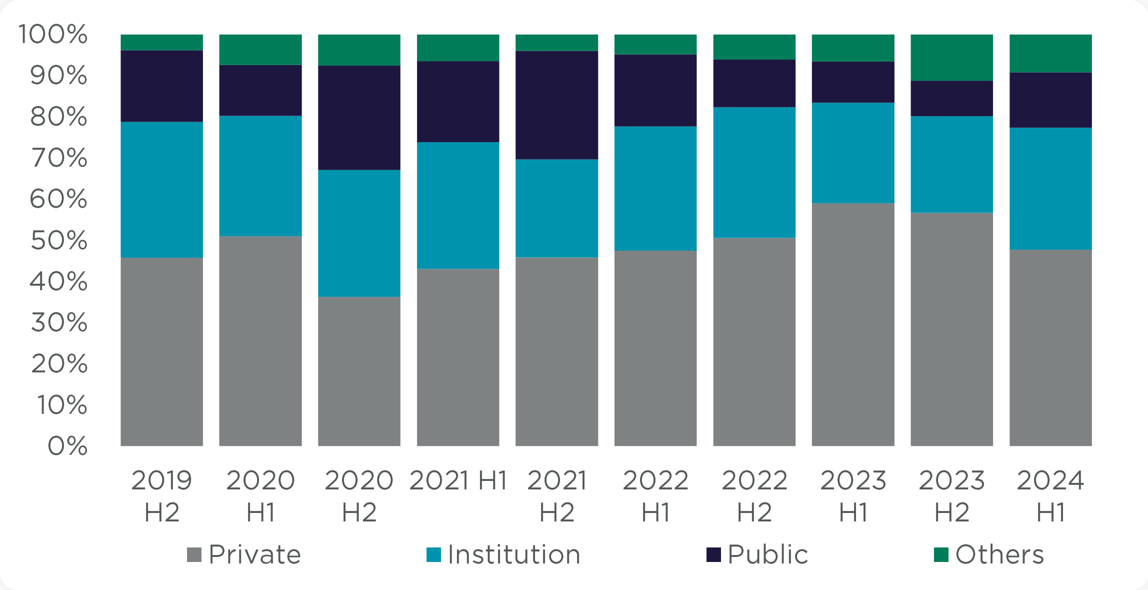
Market reverts to long term averages as cross-border capital flows increase.

Cross-border institutional capital, has pulled back the proportion of private investment in H1 2024. There were 276 transactions by private investors with an average of $27 million, whilst institutional investors accounted for 66 transactions with an average of $47 million.

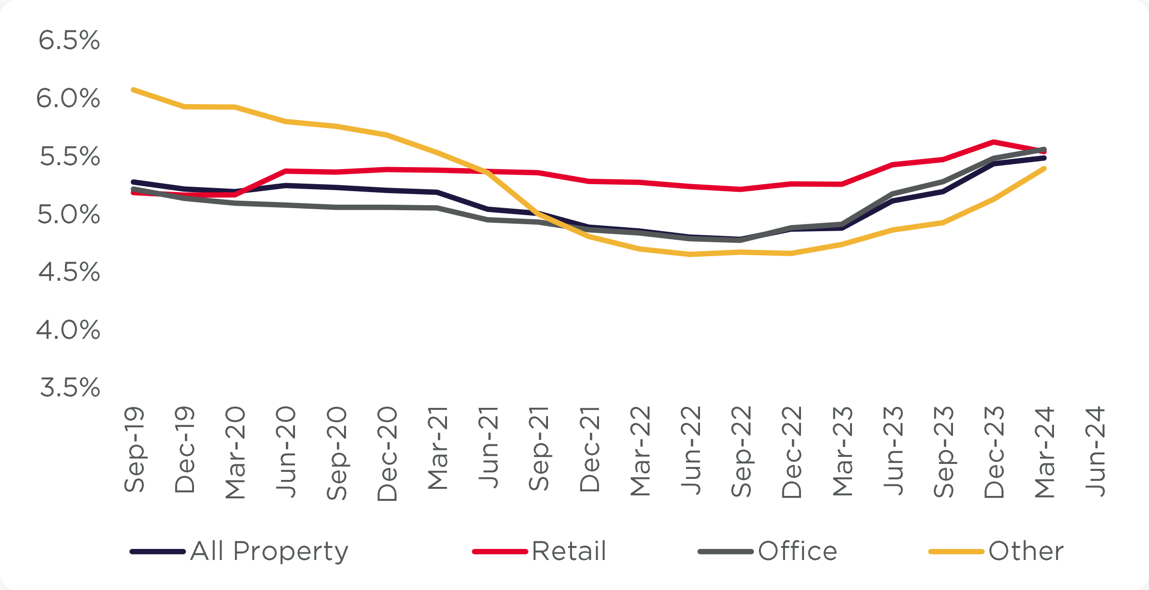
Retail yields, the first to see compression post cash rate hikes.

The rise in transaction volumes in the $2 million to $100 million range in Australia suggests that the market may have reached the bottom of its current cycle. This positive shift is further supported by the stabilisation of yield expansion across many key market sectors.

PURCHASER TYPE



YIELDS



NEW SOUTH WALES

A view from the ground

WHAT WE ARE SEEING

The New South Wales commercial property market, like the rest of Australia, has navigated a challenging period over the past 18 months. Residual work-from-home mandates from the COVID era, coupled with a rising interest rate environment and high inflation, have led to subdued transaction volumes and a general softening of commercial cap rates. Metropolitan markets have experienced the most significant softening, as institutional owners have divested non-core assets to manage increased gearing ratios and redemptions.

However, the sub-$50 million commercial market in NSW has seen robust activity, dominated by private investors and high-net-worth individuals, as institutional capital remains cautious amidst a transforming property landscape. Notably, the past six months have witnessed a resurgence of buyers re-entering the office market, reflecting a stabilising sentiment and outlook.

BRAD HAMILTON

Director

LOOKING FORWARD

- NSW and Sydney's CBD specifically continues to be the preferred destination for institutional capital both domestic and offshore.
- The 'flight to quality' continues to play out with increasing competition for high-quality, well-located property as the spread between A Grade and older B & C grade buildings continues to increase.
- A rapidly increasing buyer pool as interest as sentiment continues to improve around the future of office.
- Economic Rents will continue to hamper future office development across Greater Sydney with a lack of incoming new stock to help drive demand and rent growth in the short to mid term.

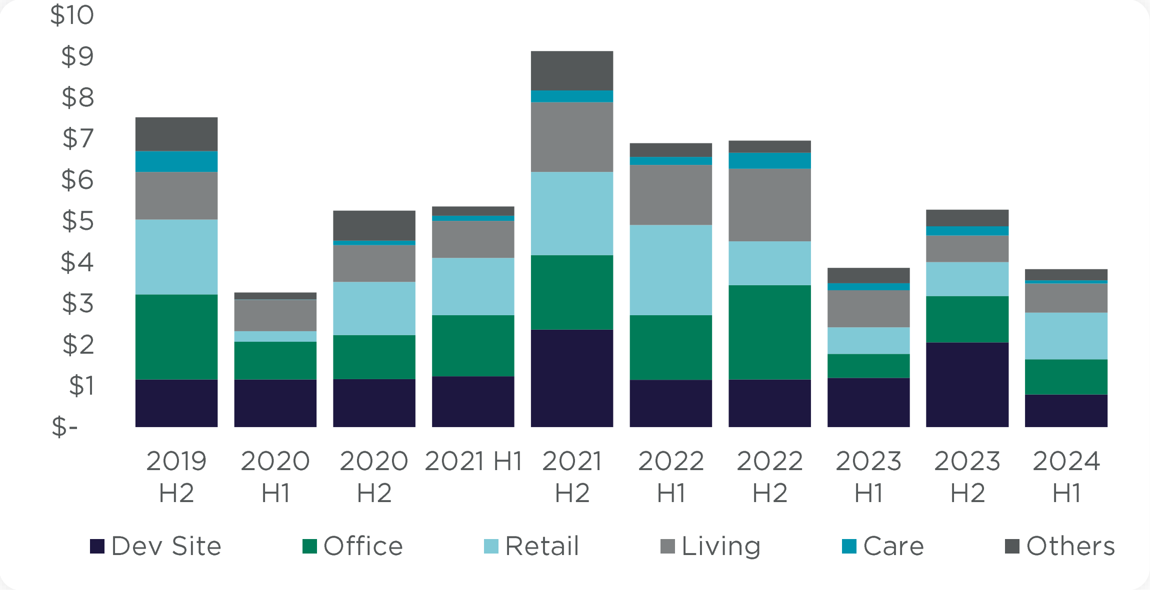
NEW SOUTH WALES

$2 million to $100 million

Retail surges, while office and development sites are sluggish in H1.

Despite a reduction in transactional activity in the office and development site sectors, which were approximately 40% below the 5-year averages, the market demonstrated resilience. Elevated retail transactions, which were 10% above the 5-year average, significantly contributed to the H1 total, reaching an impressive $3.8 billion.

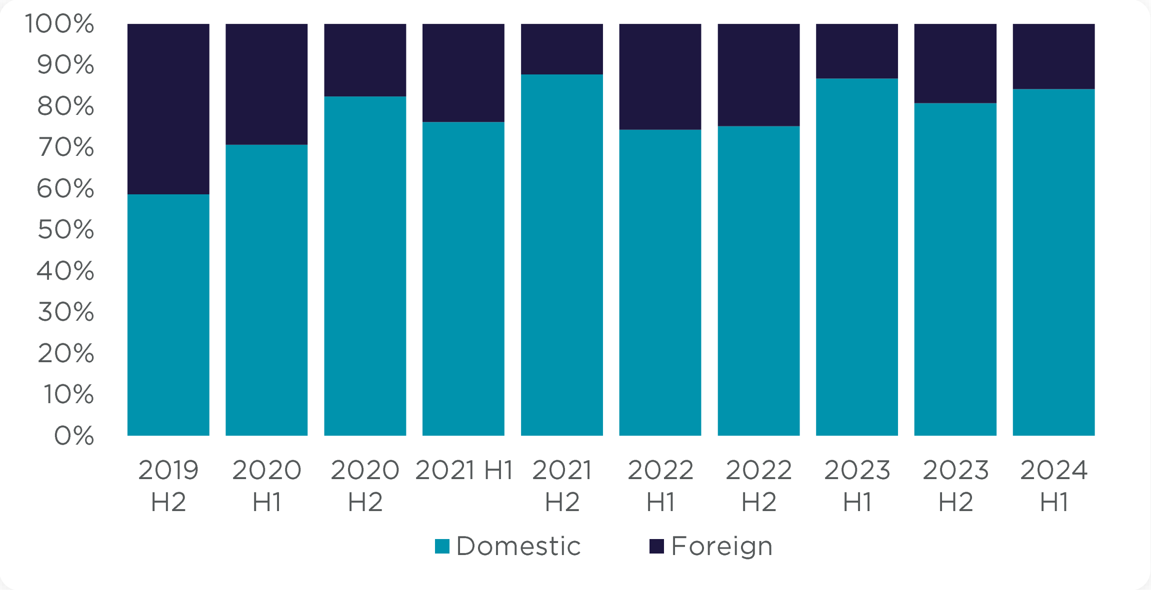
NEW SOUTH WALES INVESTMENT SALES (AUD BN)



Domestic purchasers continue to dominate the NSW investment sales landscape.

Cross-border capital flows from the United States and Singapore constituted three-quarters of foreign investment in H1, underscoring strong international interest. Japan also reemerged as a significant player, contributing approximately 20% of foreign capital deployed in NSW. Notably, this half-year period marked a unique milestone with no investment from China or Hong Kong, highlighting a shift in the investment landscape.

PURCHASER ORIGIN



NEW SOUTH WALES

$2 million to $100 million

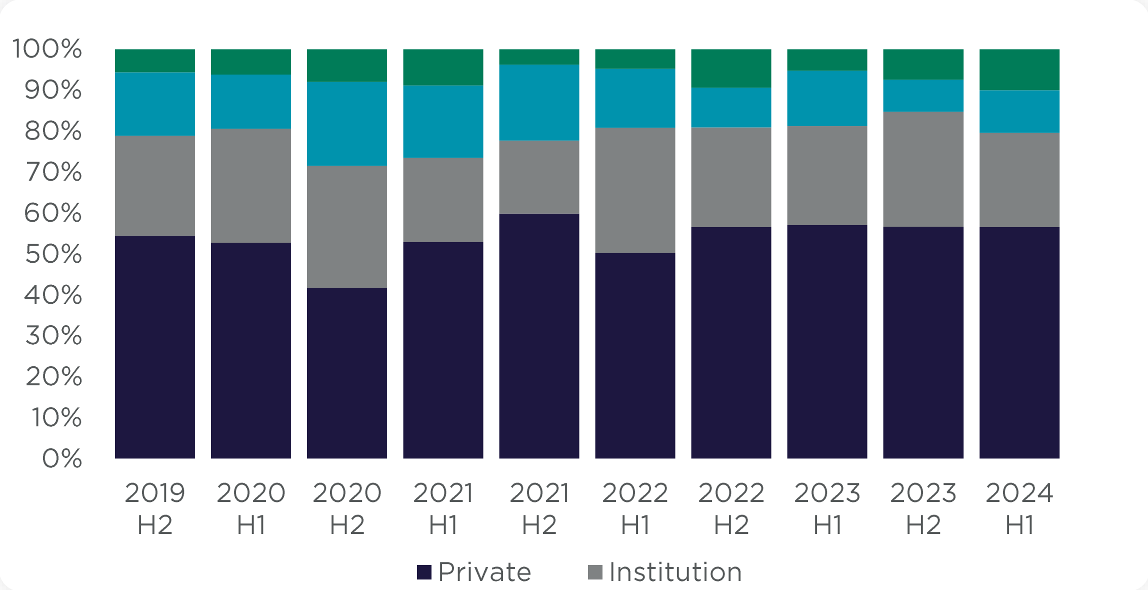
Private buyers continue to dominate the sub $100 million investment sales market.

The investment sales landscape in New South Wales is characterized by a dominant private sector, a stable institutional presence, and a modest yet notable contribution from the public sector and other investors. The enduring stability of private and cross-border institutional investors highlights NSW's appeal as a prime location for capital deployment.

Office yields decompress, while retail yields compress over H1.

The Sydney office markets are strategically recalibrating yields from their peak values in mid-2022. Meanwhile, the New South Wales retail market, having progressed further in its pricing cycle, experienced a modest 20 basis points drop in H1 2024, stabilizing at an attractive 5.5%.

PURCHASER TYPE



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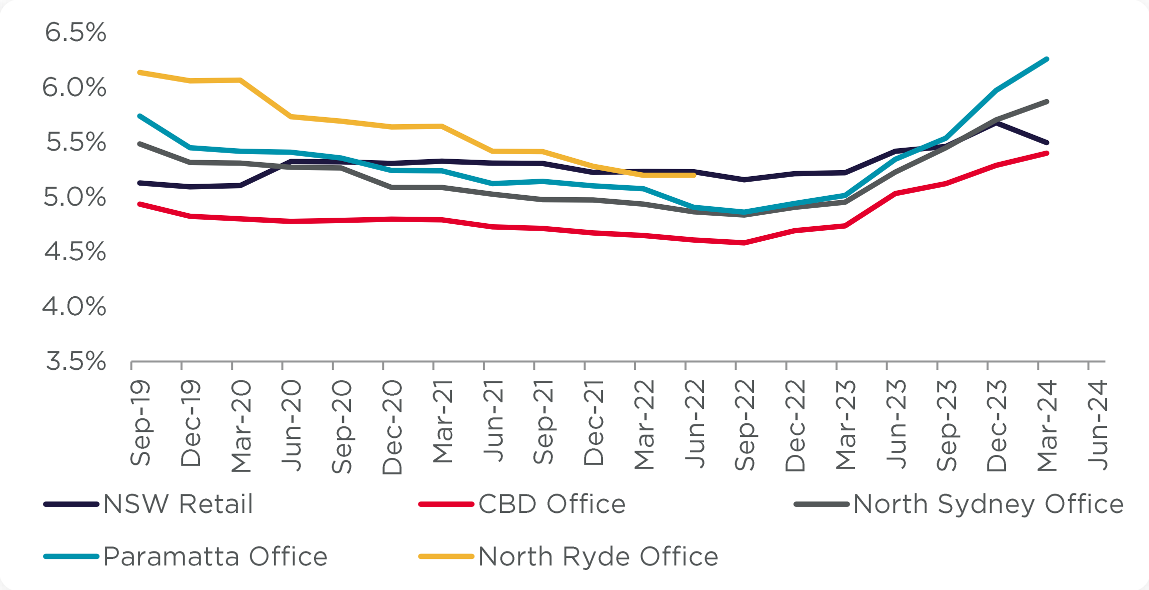


VICTORIA

A view from the ground

WHAT WE ARE SEEING

The Victorian commercial property market has navigated one of its most challenging periods, marked by rising interest rates and construction costs, leading to volatility and uncertainty. Despite these challenges, opportunistic buyers are showing interest across various asset classes, with retail assets performing particularly well. Vendors are now aligning with market expectations, indicating a positive shift since early 2024.

Recent adjustments to land tax and stamp duty regulations have added complexity to pricing discovery, prompting a cautious approach among purchasers. On a positive note, local investors, including high-net-worth families and private funds, are capitalising on reduced acquisition costs. They are focusing on value-add strategies and redevelopment to meet the evolving demands and housing targets in Victoria. As the Victorian commercial property market adapts to these changing conditions, the emphasis is on strategic investment and innovative property transformation, positioning investors to benefit from the next phase of market evolution.

DANIEL WOLMAN

International Director

LOOKING FORWARD

- Heightened investor competition as investors with unplaced capital seek deployment.
- Anticipated RBA rate cuts to stimulate buying activity, intensifying market competition.
- Innovative deal-making and strategic partnerships essential for success in a volatile market.
- Continuation of value-add opportunities as commercial property recycling remains vigorous.

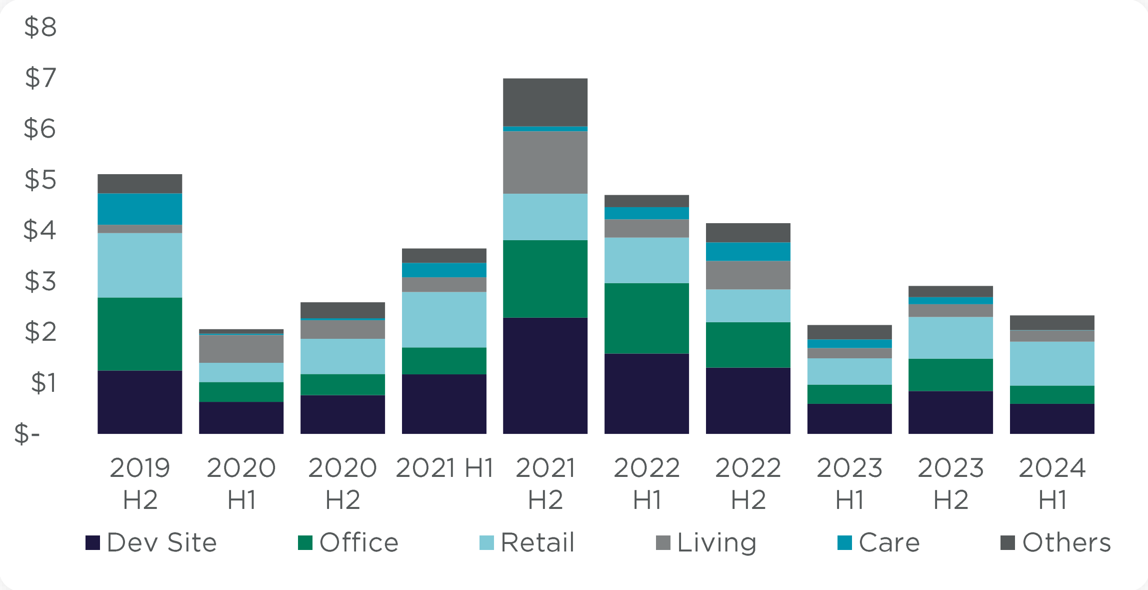
VICTORIA

$2 million to $100 million

All sectors bar retail down on five-year half year average, but notable pick up in Q2.

A slow start in Q1 for most sectors tempered H1 investment volumes. However, a robust Q2, surpassing both Q2 2023 and Q1 2024 volumes, has significantly shifted the Victorian investment sales market. Looking ahead, momentum is expected to continue building in the latter half of 2024.

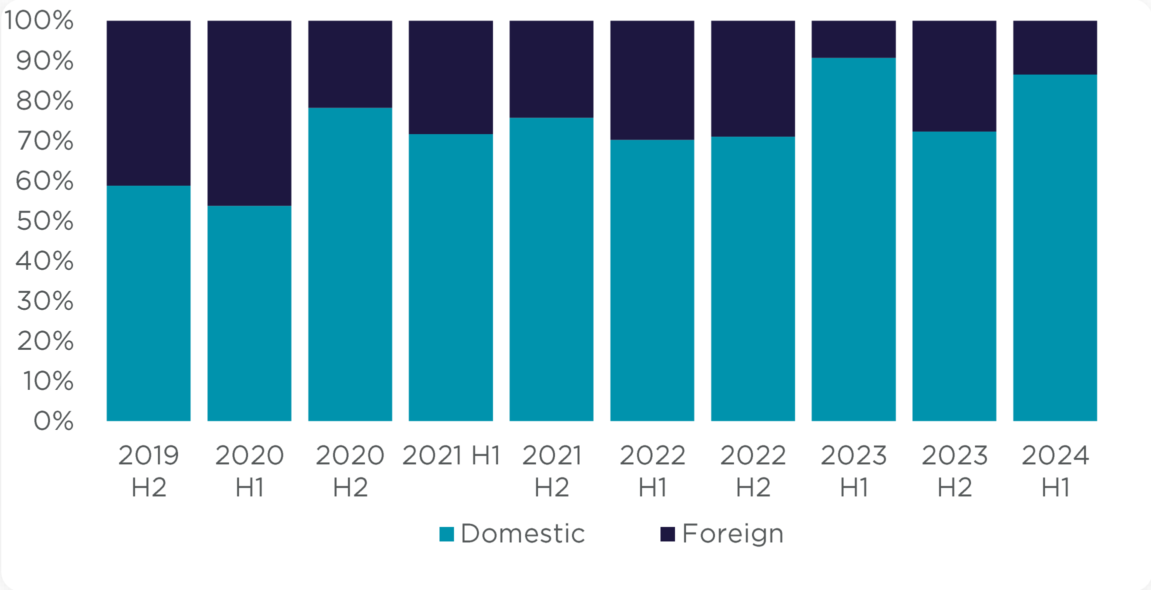
NATIONAL INVESTMENT SALES (AUD BN)



Foreign investment falls away in H1 to half the five-year average.

The absence of capital from Singapore and below-average investment from the United States and Canada, at around 50% of the average, moderated foreign investment into Victoria in H1 2024. However, cross-border flows from Hong Kong were notably strong, accounting for a quarter of foreign investment.

PURCHASER ORIGIN



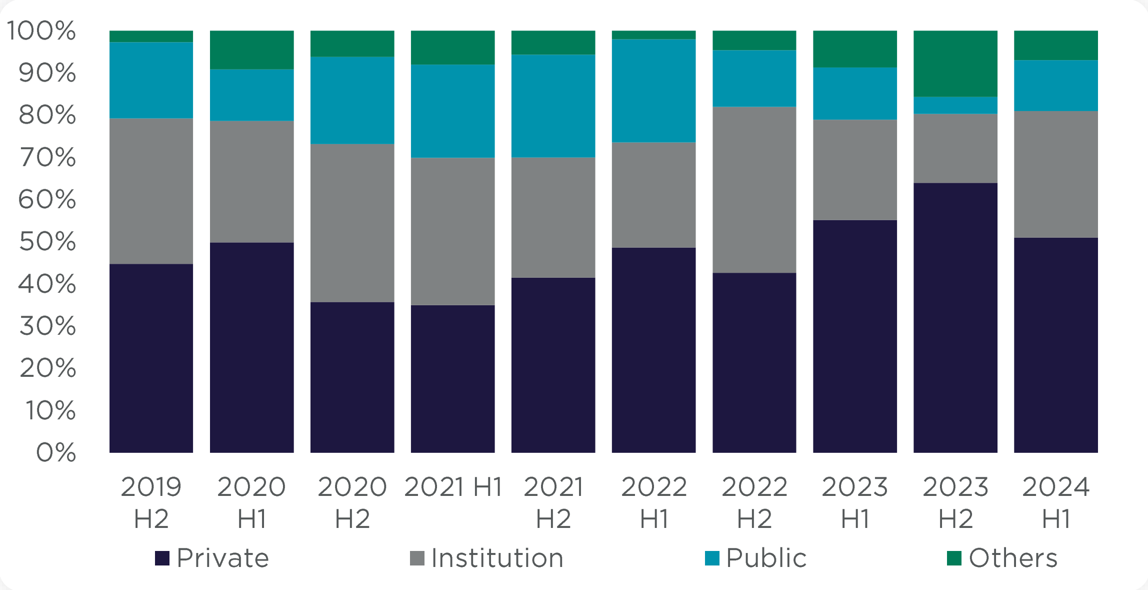
VICTORIA

$2 million to $100 million

Institutional buyers focus on offices and development sites.

While institutional buyers accounted for only 13% of transactions, they represented 30% of the transaction volume, with an average transaction size of $50 million. Conversely, private buyers accounted for 60% of transactions and 50% of the transaction volume, with an average size of $20 million.

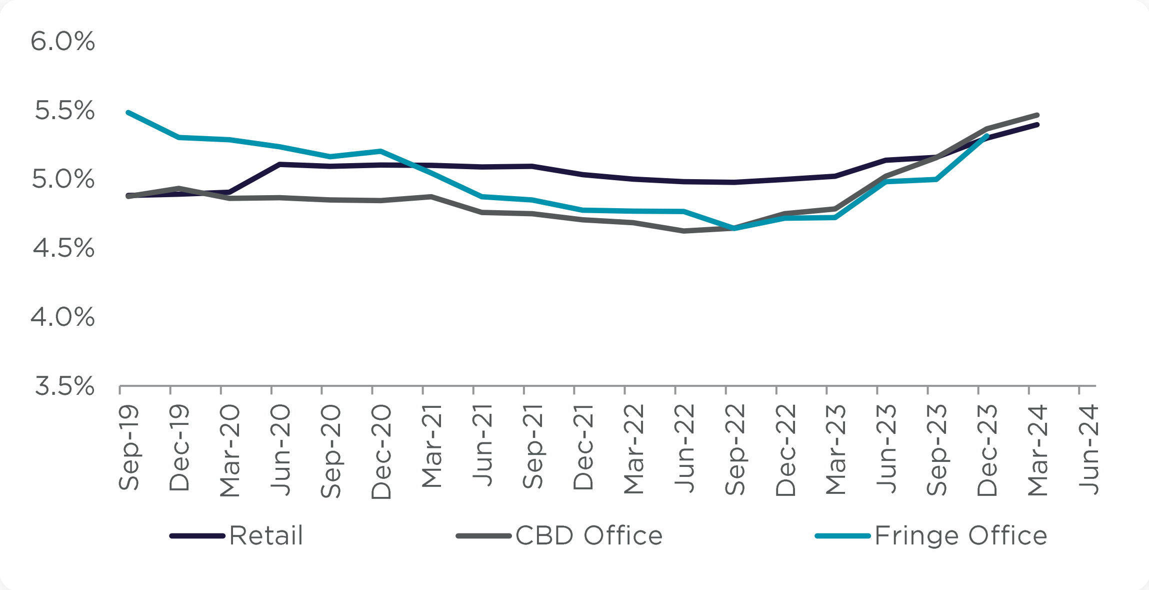
PURCHASER TYPE



Yields decompress across Victoria amid lower transaction volumes in H1 2024.

Victoria witnessed a slight decompression of yields across various property sectors, coinciding with a decline in transaction volumes as the market navigates the adjustment period. The most recent cash rate decision (September 2024), will likely instill more confidence in the market for H2 2024.

YIELDS



QUEENSLAND

A view from the ground

WHAT WE ARE SEEING

In the Brisbane metro commercial market, high quality existing buildings in the sub-10-million-dollar range are attracting significant interest from both investors and occupiers. Notably, we are seeing occupiers consistently outbid investors. There has been a trend of groups transitioning from leasing to purchasing, driven by the substantial increase in leasing costs due to rental increases. This competitive environment has been a key driver of growth in the established building market.

Regarding the Brisbane development site market, opportunities that offer attractive attributes such as quality views, proximity to lifestyle amenity and access to transport infrastructure are enabling developers to maximise the profitability of potential projects. Additionally, new changes to the planning code, which reduce the required parking ratios for new residential developments, have been well received by the market and we anticipate this will stimulate the rate of new development in the coming period.

ANDREW GARD

Director

LOOKING FORWARD

- Construction costs will begin to stabilise, improving developer participation.
- Housing prices and rents will continue to grow as supply remains constrained, factors which should underpin project feasibility.
- Limited commercial stock entering the market will further increase rental growth in the commercial sector, underpinning investor & owner-occupier demand for opportunities.
- Interest rates are anticipated to fall in the coming periods, improving purchasers' cost of capital.

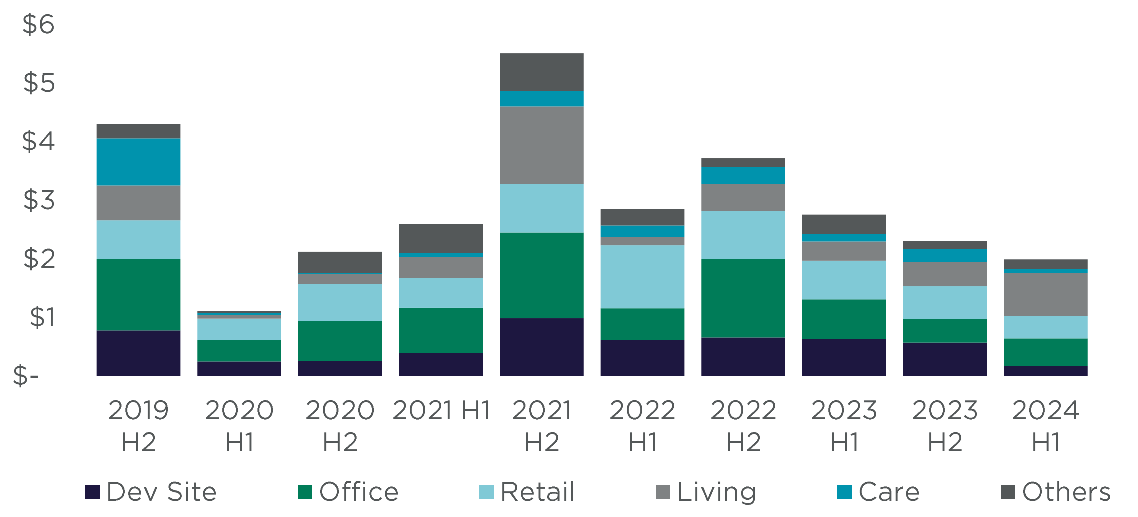
QUEENSLAND

$2 million to $100 million

The living sector surges in H1 2024 amid lower volumes in other sectors.

In Queensland, the residential sector has experienced a remarkable 60% increase over the five-year average, driven by a constrained housing market and steady population growth. While other sectors have seen a decline of 30 to 40 percent compared to their five-year averages, it is encouraging to note a strong performance in the second quarter.

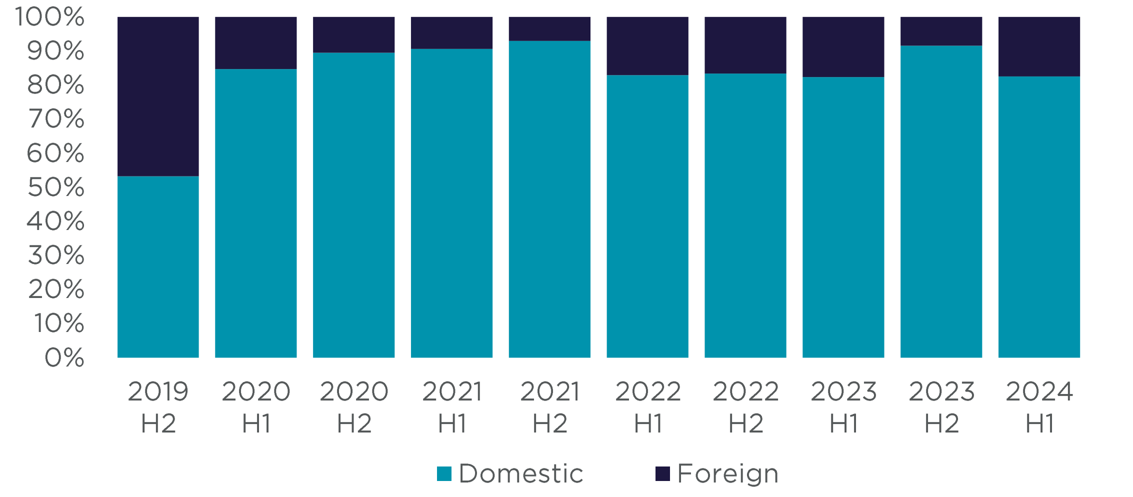
NATIONAL INVESTMENT SALES (AUD BN)



Cross-border flows from the United States make up 84% of foreign investment.

Despite a slight decline in foreign investment relative to long-term averages, the first half of 2024 showed an encouraging uptick compared to both the first and second halves of 2023. Most of this investment was directed towards stabilised living assets, including a portfolio of land lease communities and a hotel in North Queensland.

PURCHASER ORIGIN



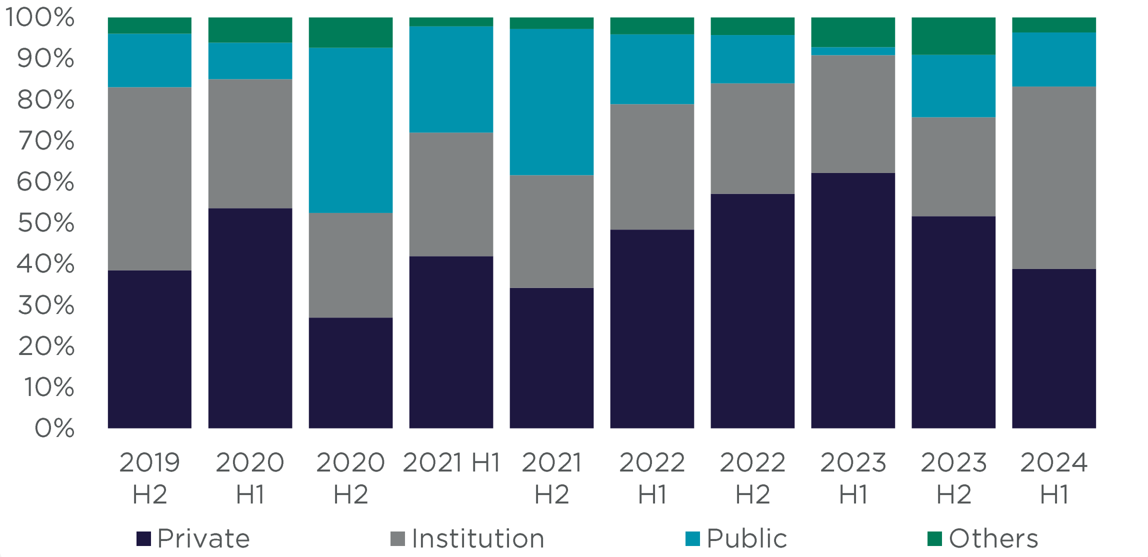
QUEENSLAND

$2 million to $100 million

Institutional buyers back Queensland, targeting living and office sectors.

In H1 2024, Queensland's commercial real estate market has seen strong interest from institutional buyers, particularly in the living and office sectors, driven by contracting vacancy rates and significant effective rental growth in the Queensland office markets.

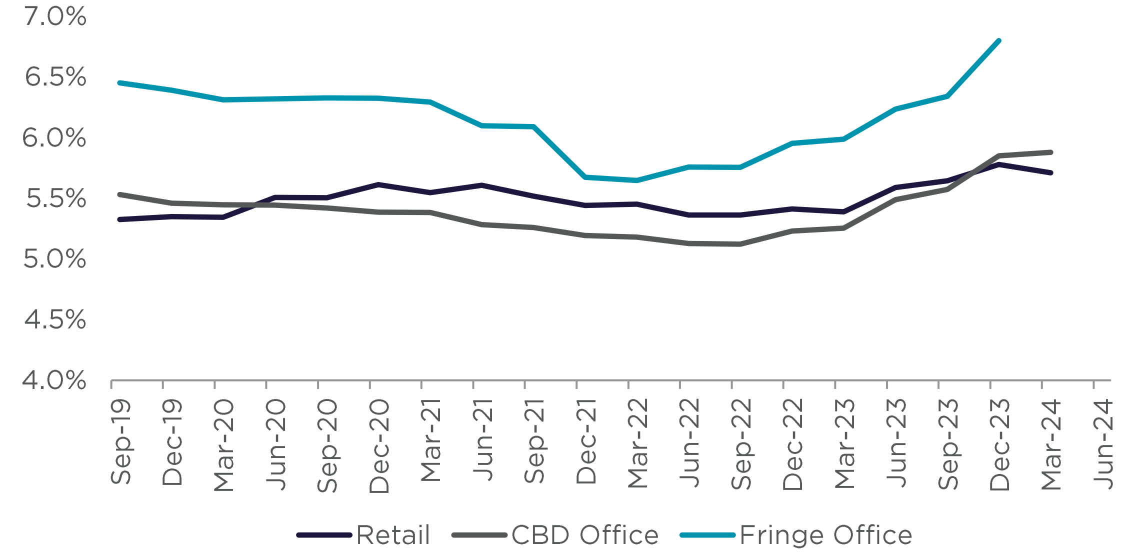
PURCHASER TYPE



Brisbane CBD office yields decompress, but stabilisation is on the horizon.

Queensland retail yields have compressed 10bps over Q1 2024, the first tightening since mid 2022. Brisbane CBD office yields softened 10bps over Q1, but tightening vacancy, strong rental growth and elevated investor interest points to the decompression nearing the bottom of its current cycle.

YIELDS



WESTERN AUSTRALIA

A view from the ground

WHAT WE ARE SEEING

In 2023, transaction levels were below average due to rising interest rates and a challenging economic backdrop, with most transactions concentrated in retail, office, and living sectors. However, this year we are witnessing a gradual resurgence in inquiries and an uptick in transaction activity as investors and vendors align with market expectations. There remains a clear distinction between demand for quality assets and secondary or ageing stock.

The Western Australian commercial office market is still in a recovery mode with minimal transactions of note. There are several transactions in the process of going through which will set new pricing metrics for the wider market. We do note however, that well located, well occupied properties can still achieve strong pricing, albeit at lower levels than 24 months ago, when taking into account the current cost of borrowing.

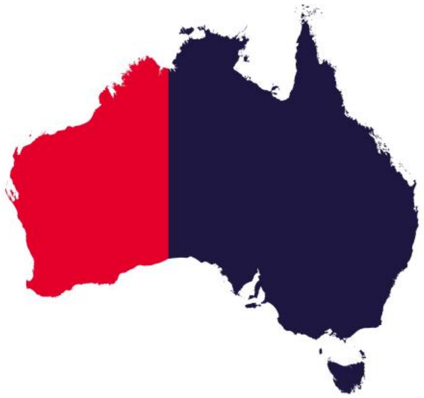
Additionally, we are observing increasing levels of inquiry from interstate investors looking to capitalise on the strong capital and rental growth in WA's residential market. As price growth accelerates, it has the cumulative effect of reducing sales stock in the market, as vendors fear not having opportunities to buy, further accelerating price growth.

LOOKING FORWARD

- Investment sentiment to the office sector will continue to improve as investors start to see potential rate cuts and owners look to capitalise on an uptick in confidence.
- We expect continued buyer interest from the East Coast, enamored with the strong WA economy and improved yield profiles which deliver higher like-for-like returns.

BEN YOUNGER

Director – Joint Head



WESTERN AUSTRALIA

$2 million to $100 million

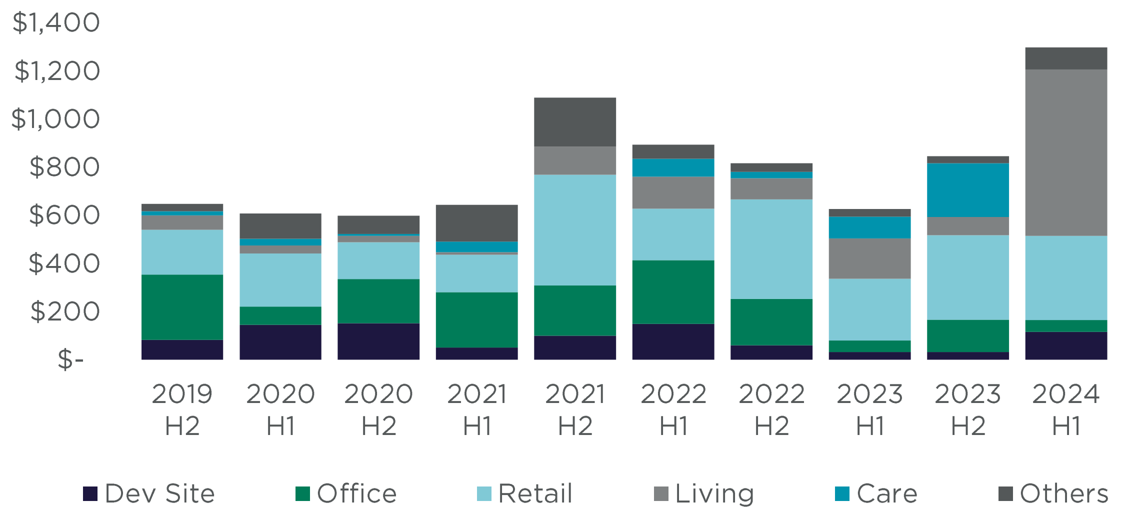
Living, development sites and retail all above five-year average.

A 400% increase in living sector investment compared to its five-year average has significantly contributed to the best half-year performance since the second half of 2018. Both development sites and retail were 25% higher than the five-year averages, partly fueled by the strong resource market and population growth.

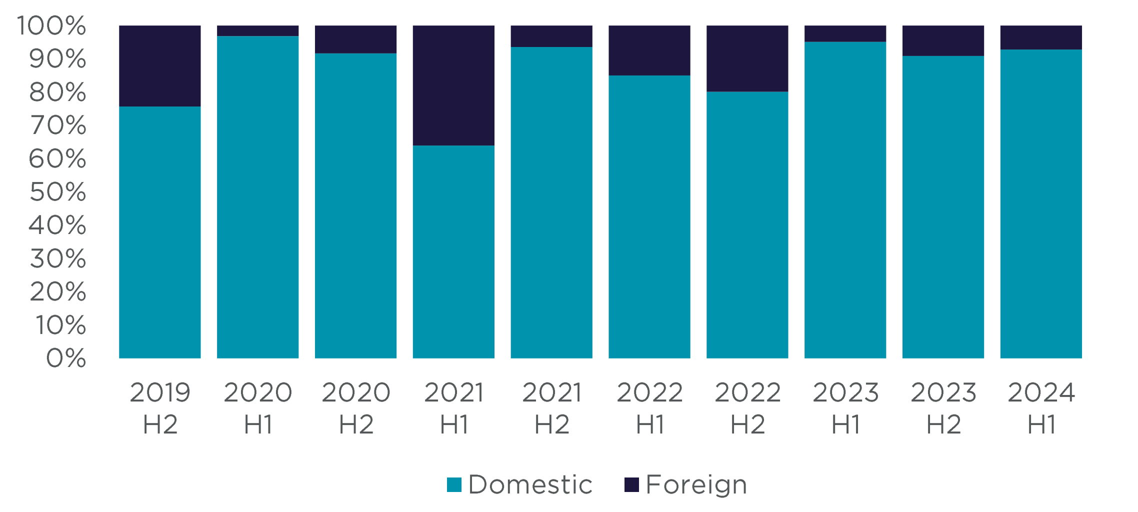
Domestic capital drives Western Australia's H1 2024 record performance.

A significant absence of cross-border capital was noted in the first half of 2024, with only a modest inflow from the United States, Japan and Singapore. However, strong levels of domestic capital deployment propelled H1 to one of the strongest half year performances on record.

NATIONAL INVESTMENT SALES (AUD MIL)



PURCHASER ORIGIN



WESTERN AUSTRALIA

$2 million to $100 million

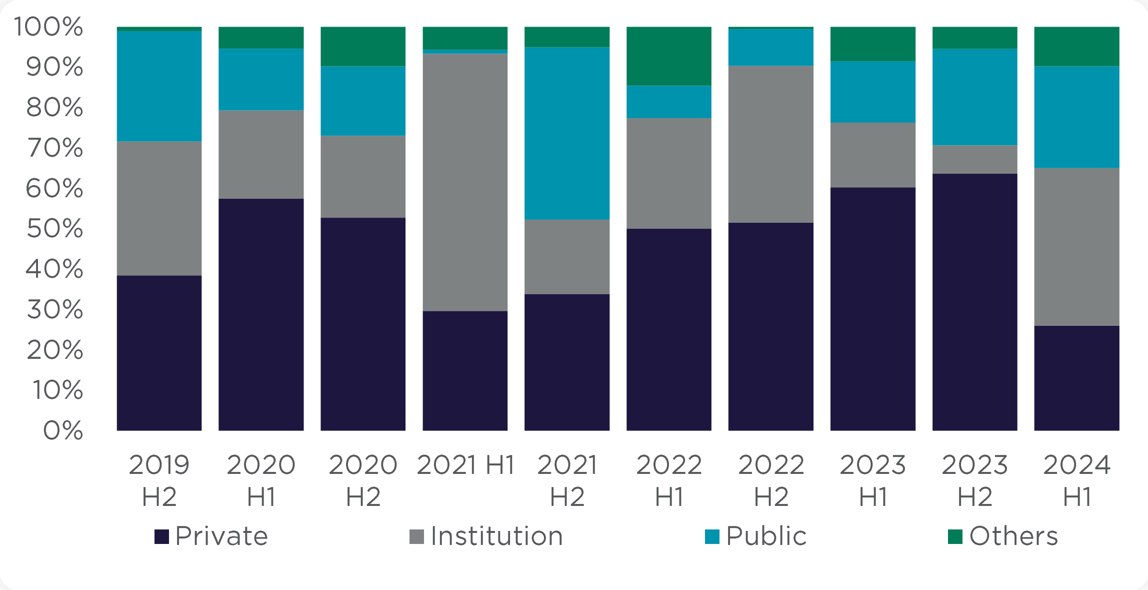
Strong levels of public and institutional investment drives record H1 in 2024.

The living sector saw significant institutional investment, including the sale of a large land lease portfolio and several hotel and limited-service apartment assets. Meanwhile, much of the private capital was directed towards the retail and development site sectors.

Office yield decompression slows, while retail yields tighten.

Retail yield compression has been driven by the larger centres (Major, Super and Regional), yields are stable for Sub Regional and Neighbourhood centres. A strong performing Perth office market has also seen yields stabilise over the start of the year, with Perth and Brisbane the only two markets not to increase.

PURCHASER TYPE



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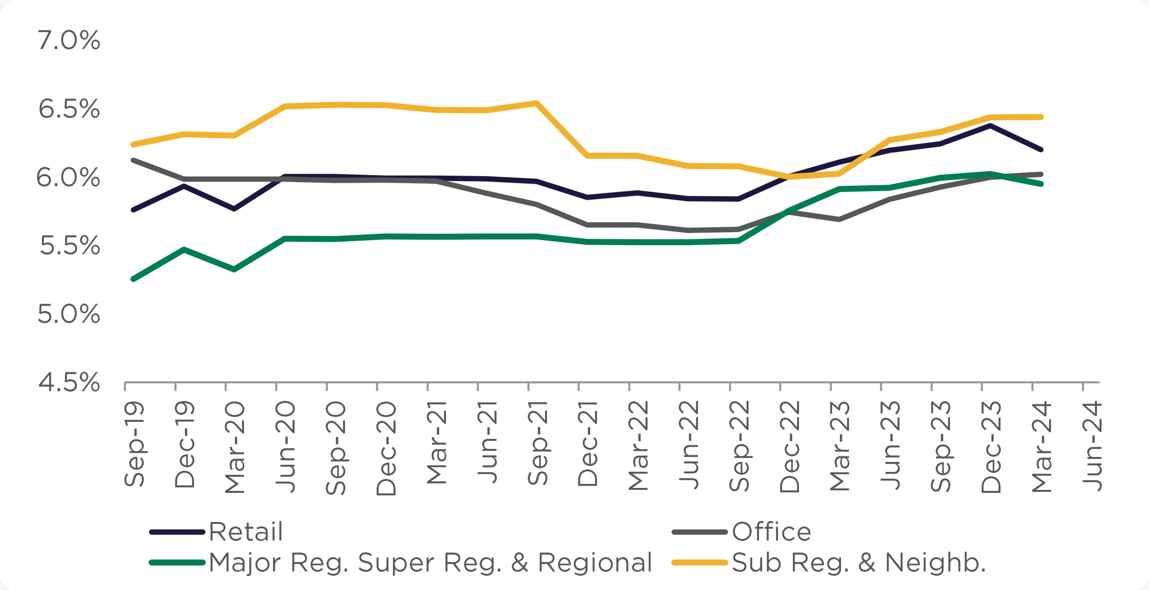


SOUTH AUSTRALIA

A view from the ground

WHAT WE ARE SEEING

The metro market in South Australia has been two-tiered. There has been significant sale activity in the lower value market, with properties priced between $5-10 million, while demand in the larger metro market, ranging from $10-30 million, has been subdued except for the highest quality assets. Demand has picked up for long-term leased assets in sectors such as childcare, retail, and medical. Childcare yields in particular, have regained some ground from the lows of 2023 and early 2024.

Development site activity remained low through the first part of this calendar year, with feasibilities still challenging to stack up due to construction costs. However, we are now seeing this market start free up, largely due to the strength of the residential sector. Owner-occupiers are still active, driven by very high CPI-driven rent growth over the past few years. The likelihood of interest rate cuts next year is tipping the scale towards ownership rather than leasing.

JED HARLEY

Director

LOOKING FORWARD

- We expect to see increased transaction levels during Q4 this year, and into 2025.
- The pricing arbitrage between purchasers and vendors that has been a factor for almost two years seems to be closing rapidly at both ends
- There is increasing interest from interstate investors, who are looking to take advantage of the tax favourable environment in SA. The absence of Stamp Duty is a big consideration.
- Focus on affordable and disability housing is growing rapidly. This as a potential catalyst for strong land price growth in key locations that have great amenity and accessibility.

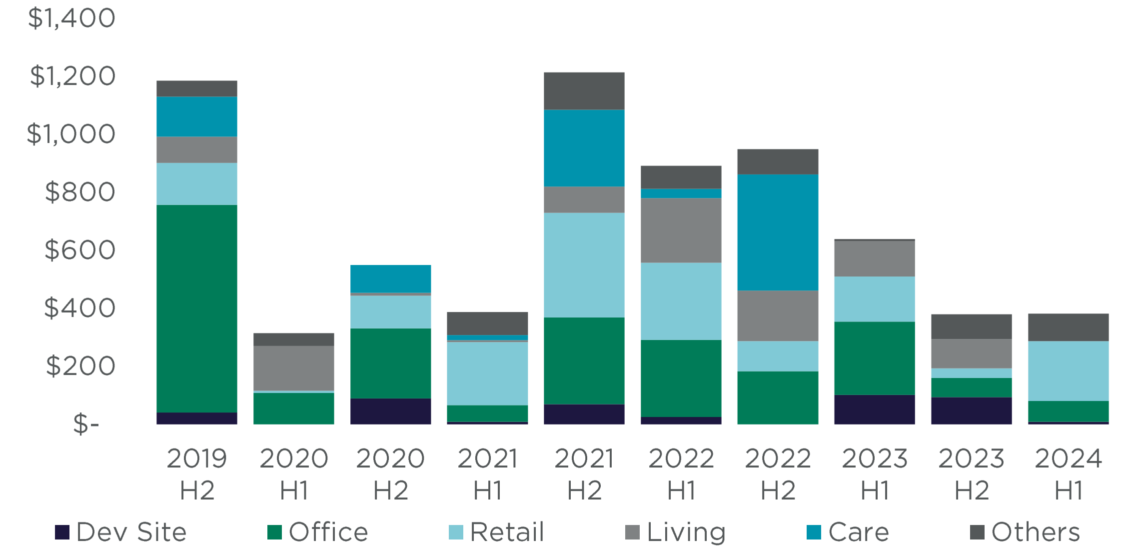
SOUTH AUSTRALIA

$2 million to $100 million

A subdued Q2 leaves H1 transaction volume 50% below five-year average.

In line with many other states, the living and retail sectors performed very strongly over the first half of 2024. With these two sectors seemingly further through the pricing cycle than others, investors are increasing looking for living and retail opportunities.

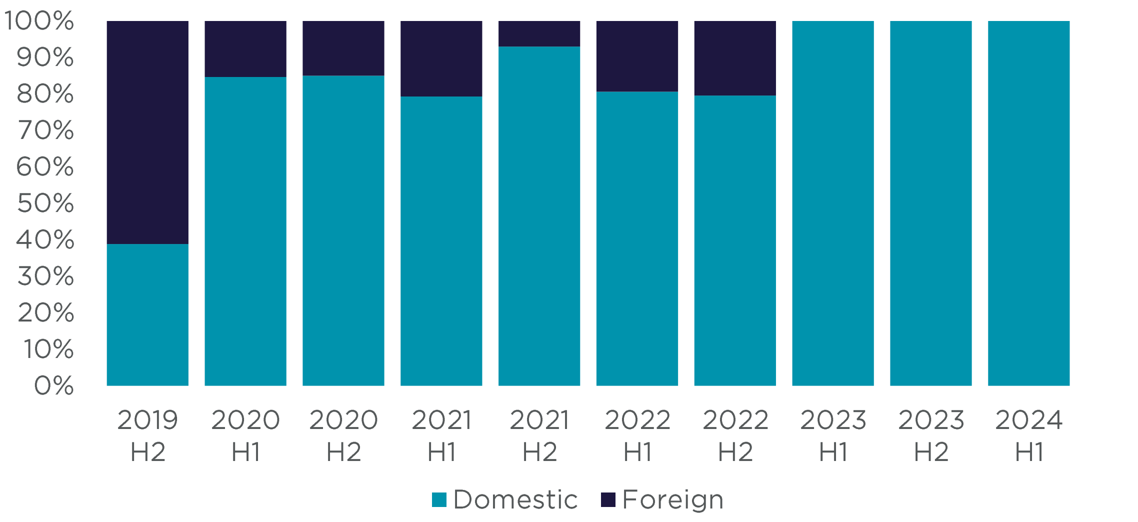
NATIONAL INVESTMENT SALES (AUD MIL)



Foreign investments continues its hiatus from the South Australian investment sales market.

Over the past 18 months, the South Australian investment sales market has experienced a noticeable decline in foreign investment. Previously, there were consistent inflows from Singapore and the United States, with capital traditionally directed towards the office sector and increasingly towards the living and care sectors.

PURCHASER ORIGIN



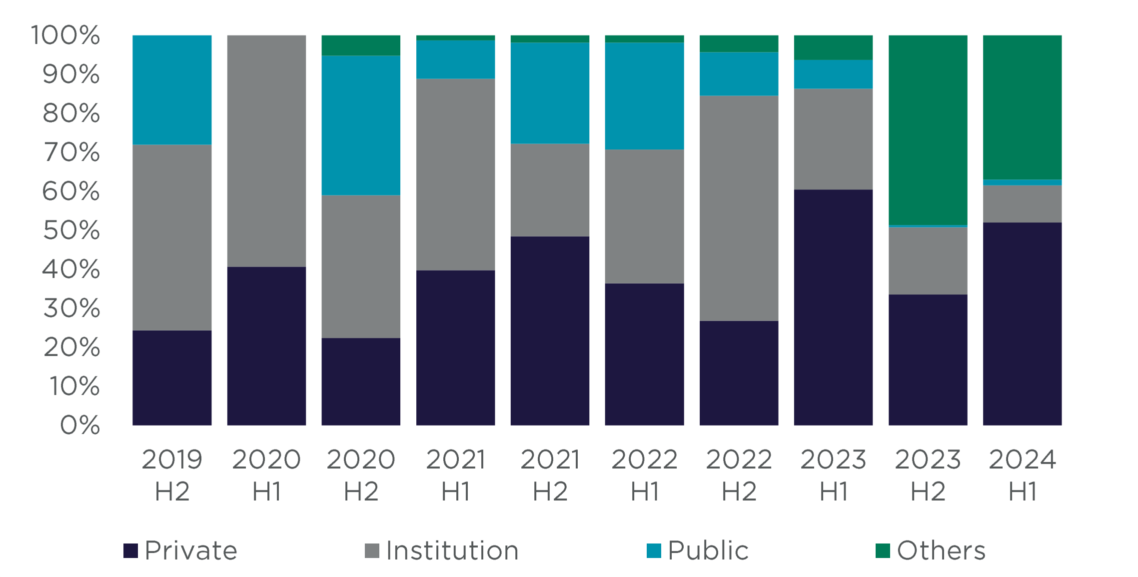
SOUTH AUSTRALIA

$2 million to $100 million

Shift in investment landscape: private and 'other' investors dominate H1 transactions.

Private and 'Other' (not-for-profit, religious etc) investors, account for 90% of all transaction volume in H1 2024. Prior to the general softening of yields in mid 2022, institutional investors played a major part in the investment sales market in South Australia, however, are noticeably absent post the softening.

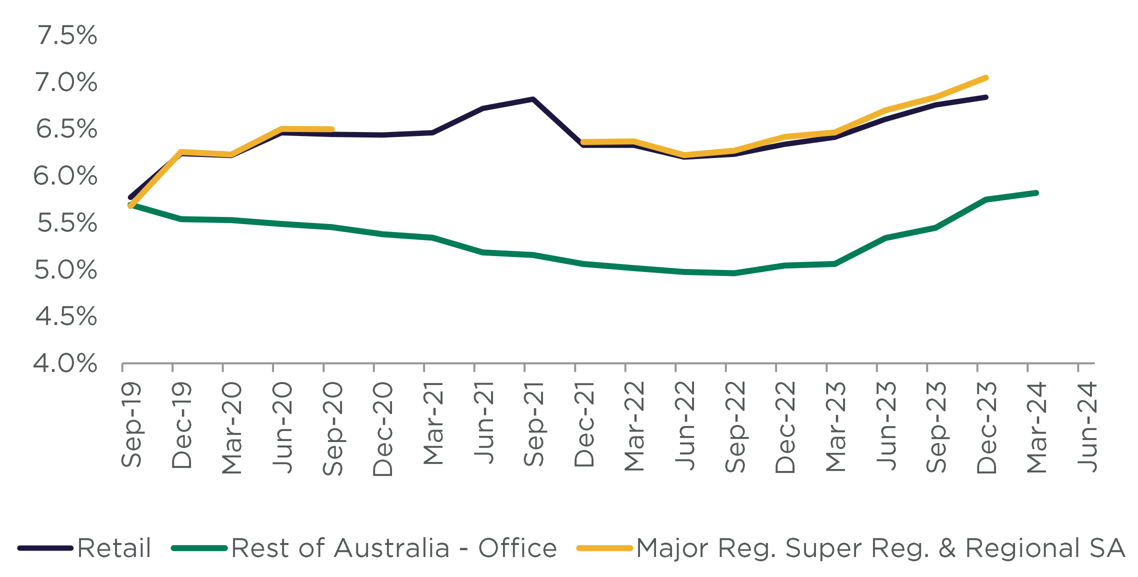
PURCHASER TYPE



South Australian yields still in the adjustment period of the cycle.

The softening of yields is continuing across tracked South Australian asset classes. While limited transactional activity has slowed price discovery in South Australia, some of the recent retail, living and care sector transactions indicate that the cycle is nearing the bottom, while the office sector may lag somewhat.

YIELDS



KEY TRANSACTIONS

Recent Cushman & Wakefield Transactions

1 DEAN STREET, MOONEE PONDS

Sale Price: $38,000,000
Land Area: 7,194 sqm
Rate/sqm: $5,282

PRINCE OF WALES, ST KILDA

Sale Price: $29,000,000
Land Area: 13,258 sqm
Rate/sqm: $2,187

MARIA GEORGE BUILDING, MELBOURNE

Sale Price: $14,000,000
Land Area: 1,308 sqm
Rate/sqm: $10,703

12 LAKESIDE DRIVE, BURWOOD EAST

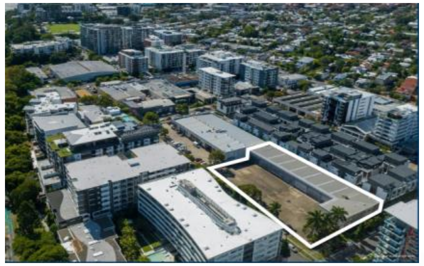
Sale Price: $17,408,000
Land Area: 17,110 sqm
Rate/sqm: $1,017

550 SWAN STREET, RICHMOND

Sale Price: $13,600,000
Land Area: 1,666 sqm
Rate/sqm: $8,163

33 HERSCHEL STREET, BRISBANE CITY

Sale Price: $13,200,000
Land Area: 911 sqm
Rate/sqm: $14,490



24 DUNCAN STREET, WEST END

Sale Price: $12,500,000
Land Area: 4,190 sqm
Rate/sqm: $2,983

55 BOUNDARY STREET, SOUTH BRISBANE

Sale Price: $20,000,000
Land Area: 3,645 sqm
Rate/sqm: $5,487

KEY TRANSACTIONS

Recent Cushman & Wakefield Transactions

4 BIRAK LANE, VASSE

Sale Price: $3,583,000
Land Area: 7,194 sqm
Rate/sqm: $5,282

613-619 WELLINGTON STREET, PERTH

Sale Price: $9,788,100
Land Area: 13,258 sqm
Rate/sqm: $2,187

281 SPRINGVALE ROAD, GLEN WAVERLY

Sale Price: $50,880,000
Land Area: 7,114 sqm
Rate/sqm: $7,152

160-174 SIMPSON STREET, EAST MELBOURNE

Sale Price: $11,600,000
Land Area: 1,300 sqm
Rate/sqm: $8,923

121 KING WILLIAM STREET, ADELAIDE

Sale Price: $84,100,000
Land Area: 12,400 sqm
Rate/sqm: $6,783

7-9 PARK TERRACE, SALISBURY

Sale Price: $13,000,000
Land Area: 1,929 sqm
Rate/sqm: $6,739

1 RICHMOND ROAD, KESWICK

Sale Price: $38,250,000
Land Area: 8,087 sqm
Rate/sqm: $4,730

95 VINCENT STREET, PORT ADELAIDE

Sale Price: $3,500,000
Land Area: 670 sqm
Rate/sqm: $5,224

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CUSHMAN & WAKEFIELD

ABOUT CUSHMAN & WAKEFIELD

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.

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Better never settles