



MARKETBEAT

\$34bn

INVESTED IN 2017

\$17bn

INVESTED IN OFFICES IN 2017

36%

FOREIGN INVESTMENT in 2017

KEY TAKEAWAYS

- Investment in 2017, at \$34.1bn, jumped 14% YoY from the 2016 result to rival the 2014 peak of \$34.8bn. This is now the fourth consecutive year of over \$30bn invested in Australian commercial real estate.
- The office sector continued to dominate the investment landscape in Australia, accounting for \$17bn – 50% of the total. New South Wales offices were the leader at almost \$8bn for the year.
- Foreign investors remained attracted to Australia, with its relatively attractive yields. Overall foreign investment totaled \$12.2bn in 2017, representing 36% of total investment.

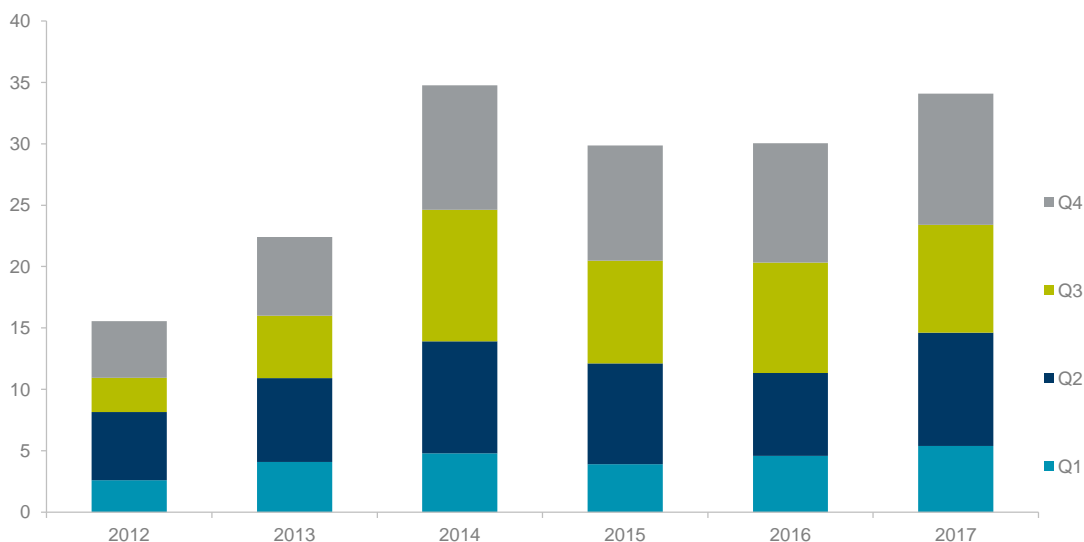
TOTAL INVESTMENT ACTIVITY

Total investment in 2017 rivals recent peak

The Australian commercial real estate investment market had another strong year, which with \$10.7bn committed in Q4 2017 set an annual total of \$34.1bn. Not only is this a 14% increase on 2016 (\$30bn), but it is now the fourth consecutive year with over \$30bn invested. Furthermore, 2017 fell only just short of the recent peak of \$34.8bn set in 2014. The near record volume in 2017 came from a strong increase in the number of deals, which increased 20% y-o-y, while average deal size modestly declined.

The outlook for 2018 remains positive with a number of assets that were offered to market in late-2017 yet to transact, which should help support investment volume in the first half of the year. In addition some landlords may chose to offer assets for sale to simultaneously take advantage of strong purchaser appetite and re-set their portfolios. While core assets will remain in demand, purchasers are likely to continue to search for higher returns and therefore further explore core-plus markets as well as alternative asset classes.

TOTAL INVESTMENT ACTIVITY (AUDbn)



Source: Cushman & Wakefield

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DATA INTO ACTION

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INVESTMENT BY SECTOR

Offices account for half of volume

The office sector performed strongly in 2017, with total investment of \$17bn – 50% of the national total and an increase of \$28% Y-o-Y. Similarly, retail investment increased at the same rate to record \$9.3bn in 2017 – assisted by the 50% asset swap between GIC and Vicinity. In contrast, investment in industrial was down Y-o-Y to \$3.5bn, largely due to the lack of national portfolios for sale in the year.

Investment by location

NSW offices most in demand

While New South Wales accounted for 40% of total investment, at \$14.0bn, it was NSW offices which were the market sector most in demand at \$7.9bn. However, it was Queensland that was the big improver for the year with a 68% increase Y-o-Y to \$7.2bn in 2017. The increase was primarily led by the office sector, which at almost \$3bn was practically double the previous year's volume. While total volume was marginally down in Victoria, both offices and retail showed Y-o-Y improvements at \$4.2bn and \$1.8bn respectively.

NET PURCHASING ACTIVITY

Unlisted funds dominate the year

Unlisted funds have continued to deploy capital raised over previous years, ending 2017 by far the largest net purchasers at \$5.0bn. REITs have typically recycled assets to allow for new purchasers, while most other investors have ended up as net sellers – especially REOCs at -\$2.1bn.

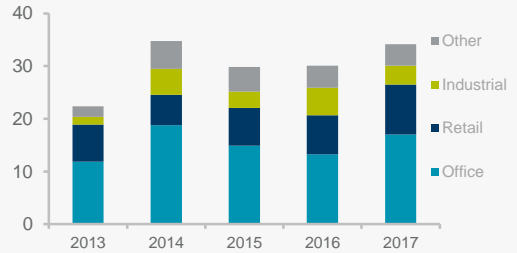
FOREIGN INVESTMENT

Foreign investors commit \$12.2bn

In what was a comparatively volatile year, foreign investment finally totalled \$12.2bn in 2017 – 36% of the total. In dollar terms foreign investment was flat y-o-y, while domestic investment surged 22% to a post-GFC peak of \$22bn.

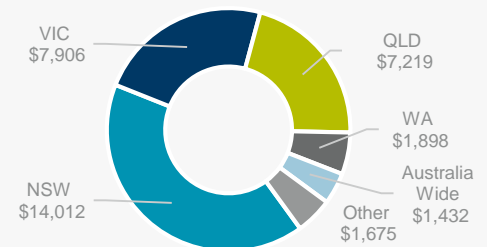
While investors from Asia Pacific remained the most active foreign purchasers, their investment activity increased 31% Y-o-Y to \$8.4bn. In contrast International investors, those with a global platform reduced their purchasing by over 60% to just \$1.6bn. At the country level, Singaporeans led at \$4.5bn with Chinese investors second-placed at \$1.5bn.

INVESTMENT BY SECTOR (AUD bn)



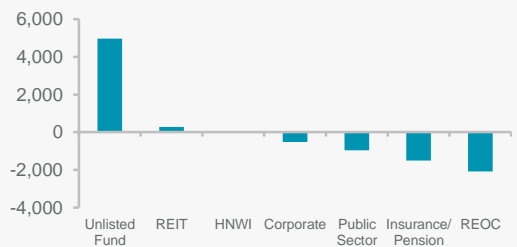
Source: Cushman & Wakefield

INVESTMENT BY LOCATION, 2017 (AUD m)



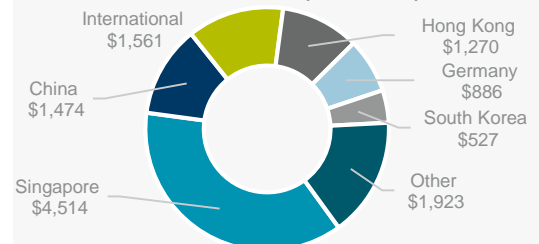
Source: Cushman & Wakefield

NET PURCHASING ACTIVITY, 2017 (AUD m)



Source: Cushman & Wakefield

FOREIGN INVESTMENT BY COUNTRY, 2017 (AUD m)



Source: Cushman & Wakefield

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SIGNIFICANT TRANSACTIONS, Q4 2017

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE
Indooroopilly Shopping Centre (50%)	Indooroopilly	AMP Capital	Commonwealth Superannuation Corporation	Retail	\$800m
Chatswood Chase (50%)	Chatswood	GIC	Vicinity	Retail	\$562m
3 retail asset (50% share)	Sydney	Vicinity	GIC	Retail	\$556m
Santos Place (50%)	Brisbane	GIC	Permodalan Nasional Berhad	Office	\$370m
231 Elizabeth Street	Sydney	Charter Hall Prime Office Fund	Bright Ruby	Office	\$340m
Gasworks	Newstead	AMP Capital	Aveo	Mixed Use	\$248m
1 Castlereagh Street	Sydney	Francis Choi	Blackstone	Office	\$218m



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