

MARKET FUNDAMENTALS

	YOY Chg	Outlook
\$6.9B Investment Volume (AUD)	▲	▲
\$41.6b Rolling Annual Volume (AUD)	▲	▲
208 properties Sold	▲	▲
29% Foreign Investment	▼	▶

Source: MSCI Real Capital Analytics, Cushman & Wakefield

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% GDP Growth	▲	▲
2.4% Consumer Price Index	▲	▼
4.1% Unemployment	▲	▲
4.4% Australian 10-Yr Treasury Yield	▼	▼

Source: ABS, RBA

ECONOMIC OVERVIEW:

The Australian economy came into 2025 in good shape with stronger than expected growth in Q4 and an early rate cut in February, the first since November 2020. The 25-basis point reduction to the cash rate provided a modest boost to consumer sentiment.

More recent events have increased the uncertainty around the outlook, namely US President Trump's tariff announcements. Amidst the market volatility following the announcements consumer sentiment fell back to late-2024 levels and business confidence is also expected to be impacted. Oxford Economics lowered the 2025 growth forecast by 20 bps to 1.9%, though still accelerating from 1.3% in 2024. However, this situation continues to evolve which could result in the outlook for growth being revised.

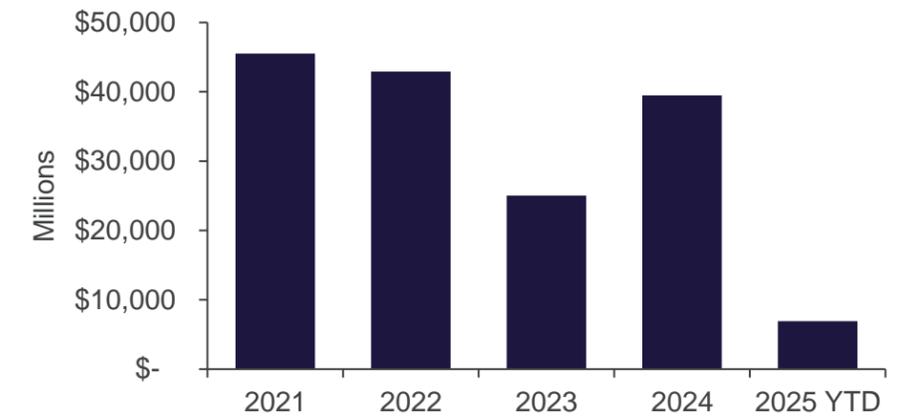
TOTAL INVESTMENT ACTIVITY:

The Australian commercial real estate investment market recovery is underway with \$6.9 billion recorded in Q1 2025, marking the highest Q1 total since 2022. Building on the momentum of 2024, Q1 has taken further steps in the recovery cycle. The strong Q1 performance pushed the rolling 12-month total north of \$41 billion for the first time since Q4 2022 and marks the fifth consecutive quarter of rolling annual growth. Given that Q1 is generally the slowest quarter, continued investment growth is generally expected, however evolving geopolitical developments and a federal election in May could temper previous growth forecasts.

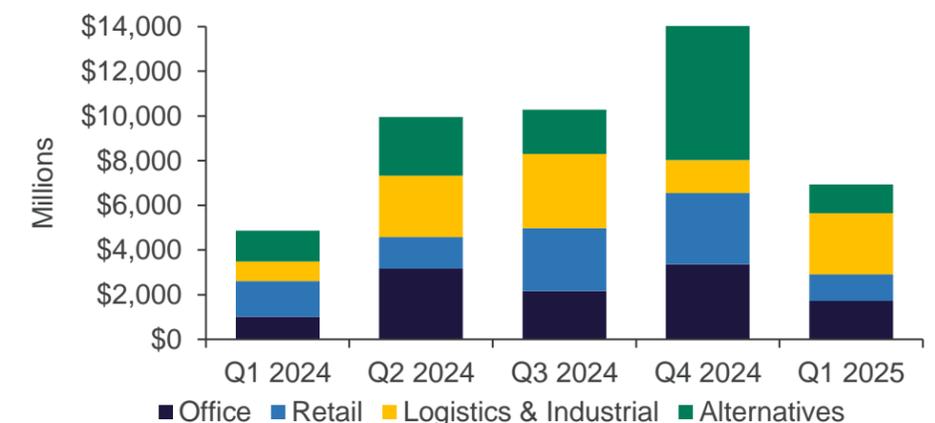
The logistics and industrial (L&I) sector returned to the top spot in Q1 with \$2.7 billion, accounting for 40% of all commercial real estate transactions, and 51% of all cross-border capital. The return of significant cross-border capital into the L&I sector has signalled renewed investor confidence and a strong appetite for L&I assets.

The Alternatives sectors had another strong Q1, with \$1.3 billion invested with the majority into the living and hotel sectors in New South Wales. The Retail sector had a quieter than normal start to the year with \$1.2 billion transacted, however, there were a significant number of neighbourhood centres sold, reinforcing the appetite for these smaller centres. The office sector continues to face some headwinds recording \$1.7 billion over Q1, with the majority of these deals in Sydney.

INVESTMENT SALES VOLUME

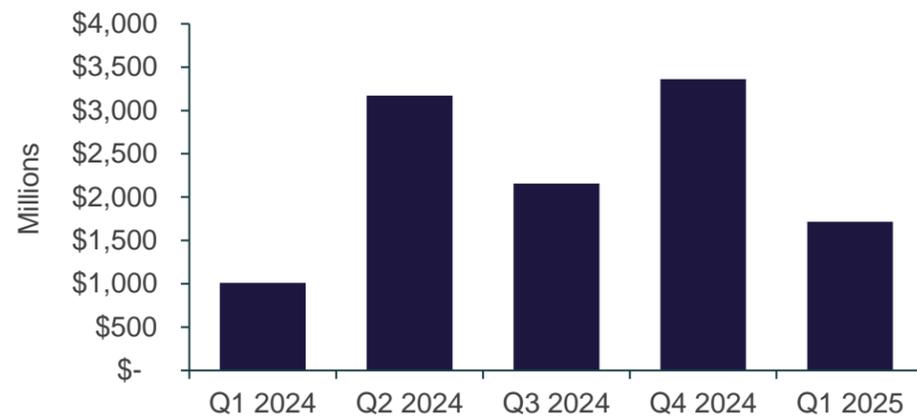


INVESTMENT SALES VOLUME BY SECTOR



Source: MSCI Real Capital Analytics

OFFICE

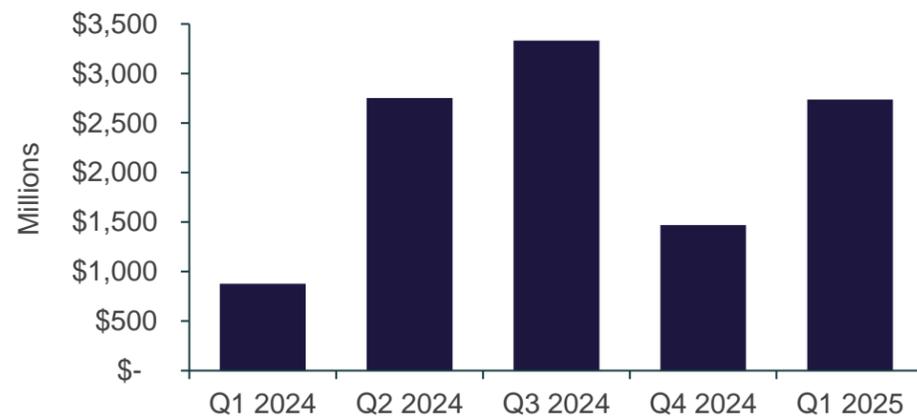


OFFICE:

While the office sector had relatively subdued Q1, recording \$1.7 billion, a number of significant deals and large campaigns are underway that are expected to close in Q2, which should see H1 office transaction volumes normalise to five-year average levels. Currently the recovery of the office sector is multi-speed between cities and precincts within cities, with core locations continuing to outperform. Through Q2 significant deals and campaigns across Sydney, Melbourne and Perth are anticipated to drive the recovery in the office sector.

Significant transactions this quarter included 135 King Street in Sydney, sold to Daibiru Corporation by Investa for \$631.5 million. Also, Dexus sold the remaining 50% interest in 309-321 Kent Street in Sydney to AsheMorgan for \$290 million. Early Light International have sold the Stock Exchange Centre at 20 Bridge Street to Anton Capital and PGIM Real Estate in a 50/50 JV deal for \$270 million.

LOGISTICS & INDUSTRIAL

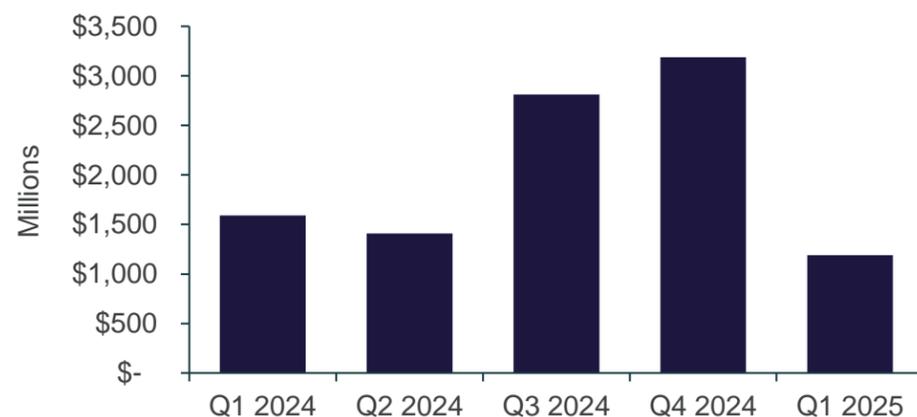


LOGISTICS & INDUSTRIAL:

The L&I sector has started 2025 strongly, recording \$2.7 billion in Q1, making it one of the strongest first quarters on record. Strong inflows of cross-border capital, particularly from the United States, continue to affirm the Australian L&I market as an attractive destination for capital deployment.

In notable transactions for the sector this quarter, Goodman acquired the Minto Intermodal Facility from Qube Holdings for \$200 million. Also in Sydney, Gateway Capital (KIC and OTTP as the capital partners) acquired the Connect Central Sydney Logistics Estate (Villawood) from Brookfield AM for approximately \$315 million.

RETAIL



RETAIL:

The retail sector, despite a subdued start to the year, continues to strengthen with some yield compression occurring across assets, as reported in FY 2025 REIT interim results. Q1 2025 recorded \$1.2 billion of investment, and \$8.6 billion over the 12 months to March 2025. Like in 2024, the bulk of capital deployed was from domestic investors, with a significant proportion directed to smaller neighbourhood and stand-alone assets. Syndicates and privates continue to be the more active parties, however the re-emergence of listed groups, superannuation funds and overseas investors expected to become more evident as the year progresses.

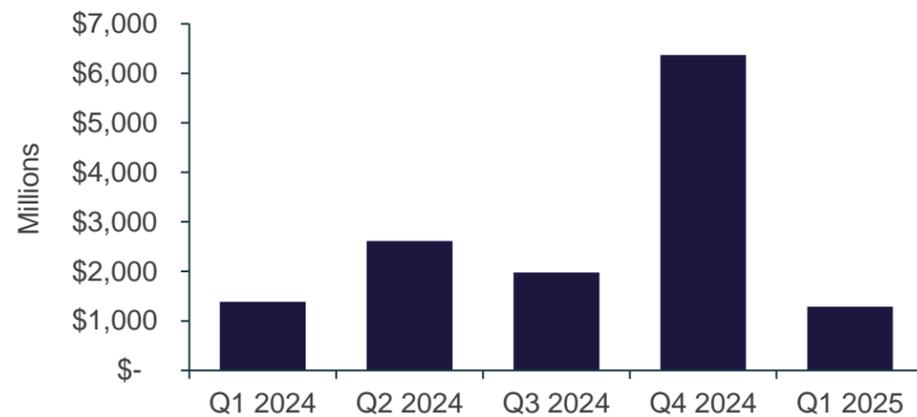
In the largest retail deal of the quarter, Nikos Property Group purchased Northland Shopping Centre in Melbourne from GPT for \$385 million. Additionally, IP Generation sold Corio Village to Charter Hall for \$148 million, Charter Hall sold Lake Macquarie Square to Revelop for \$122.5 million and Centuria acquired the Logan Mega Centre from HomeCo for \$115 million.

OUTLOOK

- Economic growth is expected to continue to accelerate through 2025 and 2026, as Gross Domestic Product recovers to longer term averages.
- Inflation has eased from its peak. While forecasts vary on the extent of rate cuts, the RBA has commenced its cutting cycle, which could accelerate amid evolving geopolitical developments.
- 2024 investment volume significantly surpassed 2023 levels. As the sectors recover further, 2025 investment volume is expected to continue to strengthen and improve on 2024.
- In the office sector, pricing suggests that the market has bottomed out and is firmly in the recovery cycle, though the pace of recovery is expected to vary across cities and precincts.
- The logistics and industrial sector is anticipated to experience ongoing rental growth throughout 2025. Additionally foreign capital is expected to continue to contribute significantly to L&I investment volumes.

Source: MSCI Real Capital Analytics

ALTERNATIVES



ALTERNATIVES:

The alternatives sector continued to gain momentum in early 2025, with \$1.3 billion in transactions recorded during Q1 and \$12.3 billion over the 12 months to March 2025. Investment activity remained elevated, driven by major hotel and student accommodation sales along the eastern seaboard. These transactions highlight sustained investor demand for diversified real estate assets.

Key deals during the quarter included the \$265 million sale of the Sir Stamford at Circular Quay from JDH Capital to Pacific Hunter Group. In Melbourne, Merricks Capital sold the Melbourne Place Hotel to Ark Capital Partners for \$155 million, while in Adelaide, Amora Hotels & Resorts acquired the Hilton Adelaide for \$110 million.

FOREIGN INVESTMENT:

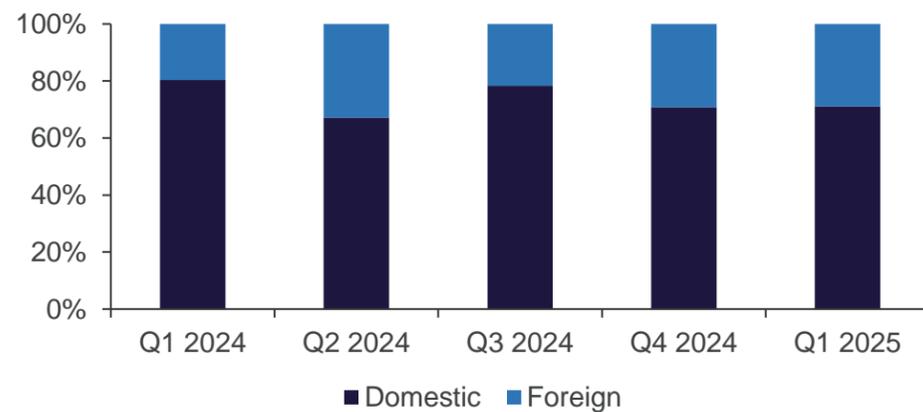
Q1 saw another solid quarter of offshore capital inflows into the Australian commercial real estate market, totaling \$1.9 billion, or around 28% of Q1's total investment volume.

The bulk of these inflows came from Japan and North America, with Japan accounting for 32% (\$631.5 million), the United States accounting for \$581 million (around 29% of the Q1 total) and Canada contributing \$213 million (11%). Of note, 51% of all cross-border capital was deployed in the Logistics and Industrial sector. This is only the second time it has exceeded 50%, which previously occurred in Q3 last year, which underscores the global attraction of the Australian L&I market.

OUTLOOK

- The retail sector is anticipated to build on the momentum gained in 2024, with investment volumes expected to continue growing and with the strong demand for core assets, likely to reflect some yield compression in core assets.
- The alternatives sector is expected to build on momentum from 2023 and 2024. Living sector assets and data centres are expected to be in high demand over 2025.
- 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.

FOREIGN INVESTMENT



DEAL METRICS



TRANSACTION LOCATION, VOLUME AND SIZE:

In Q1, New South Wales led the transaction activity, accounting for 58% of the total investment volume. Victoria followed with a 22% contribution, and Queensland with 12%. Multi-state portfolio sales were absent from the market for the first time since Q1 2023.

The number of transactions in Q1 was down on last quarter, with 208 recorded, however significantly up on the five-year Q1 average of 140 and marking the most active first quarter in C&W records. The average deal size was down on Q1 averages at \$33 million, with the volume of sub \$50 million deals and lack of \$1 billion plus deals keeping it down.

Source: MSCI Real Capital Analytics

SIGNIFICANT SALES

PROPERTY	TYPE	BUYER	SELLER	PURCHASE PRICE (AUDm)	LOCATION
135 King Street	Office	Diabiru Corporation	Investa	\$631.5	Sydney
Northland Shopping Centre	Retail	Nikos Property Group	GPT Wholesale Shopping Centres Fund	\$385	Melbourne
Connect Central Sydney Logistics Estate	Logistics & Industrial	Gateway Capital	Brookfield AM	\$315	Sydney
309-321 Kent Street	Office	AsheMorgan	Dexus	\$290 (50%)	Sydney
Stock Exchange Centre	Office	Anton Capital / PGIM Real Estate	Early Light International	\$270	Sydney
Sir Stamford at Circular Quay	Alternatives	Pacific Hunter Group	JDh Capital	\$265	Sydney
Minto Intermodal Facility	Logistics & Industrial	Goodman	Qube Holdings	\$200	Sydney

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

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