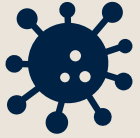


Australian Market Update for APREA

Australia – Life in Pandemic Times



- Relative success in containment | global perspective



- Strategic government response | Federal & State stimulus, Job Keeper, Code of Conduct, SME



- Life has been mostly normal | Social distancing, masks, flexible working & WHF is still common.



- Border closures | International & State Borders



- Vaccine | Push for vaccination is increasing

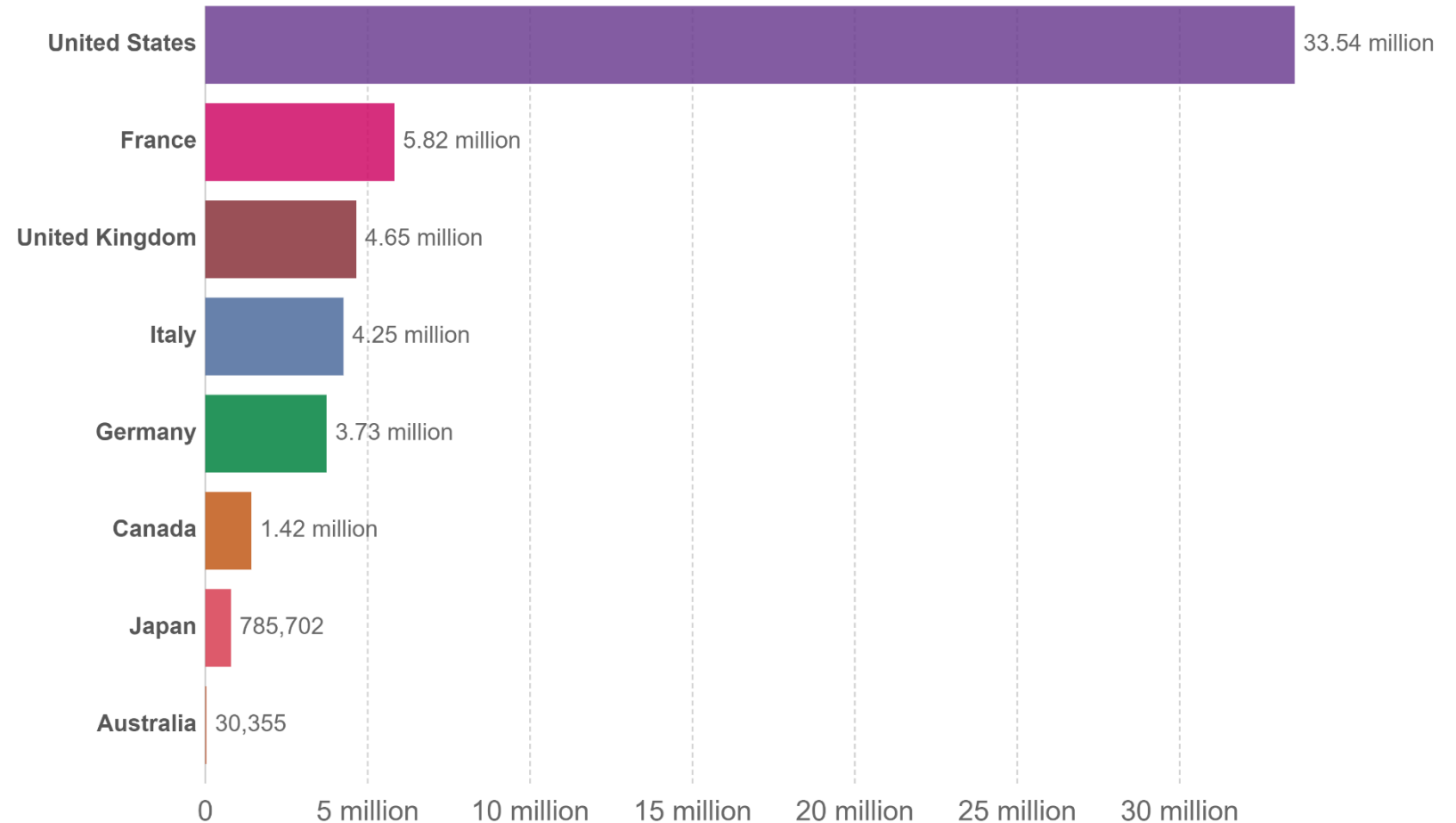
Australia – COVID-19

- COVID-19 cases are a total 30,355 cases, 0.12% of total population.

Country	Confirmed Cases
United States	33.54 million
France	5.82 million
United Kingdom	4.65 million
Italy	4.25 million
Germany	3.73 million
Canada	1.42 million
Japan	785,702
Australia	30,355

Cumulative confirmed COVID-19 cases

The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.



Source: Johns Hopkins University CSSE COVID-19 Data

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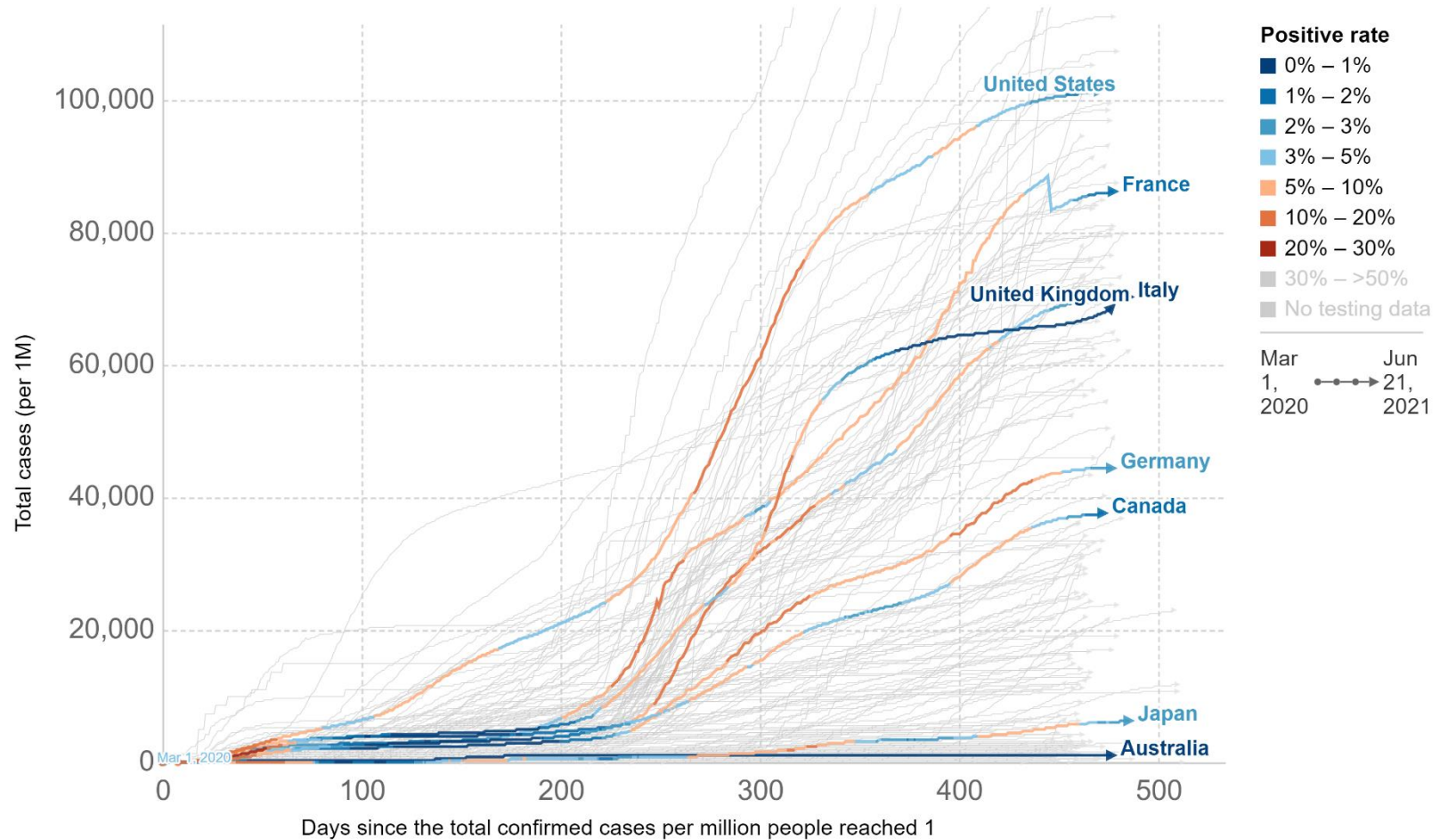
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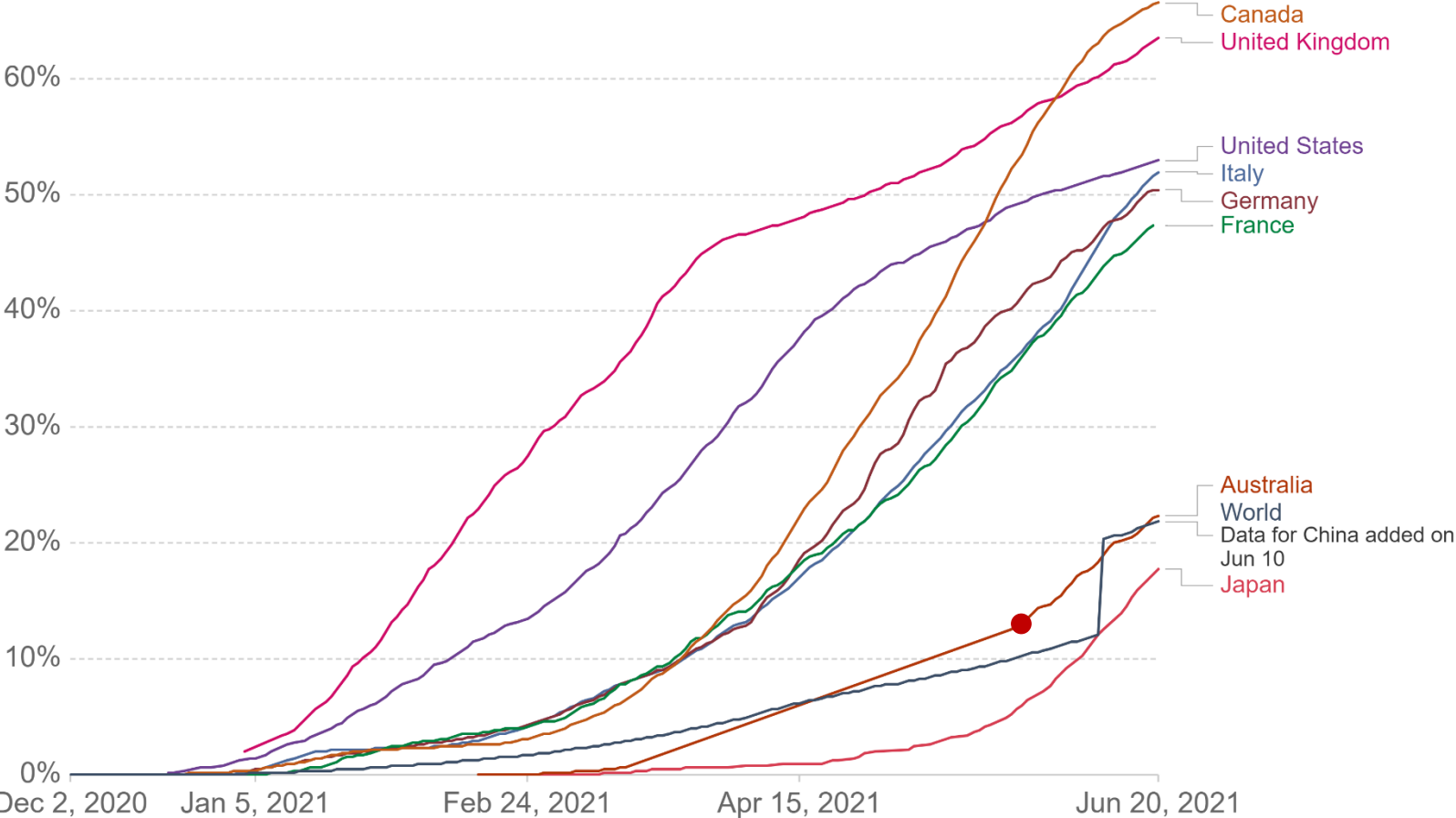
Source: Johns Hopkins University CSSE COVID-19 Data, Official data collated by Our World in Data

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Australia – COVID-19 Vaccine Rollout

Our World in Data

Share of people who received at least one dose of COVID-19 vaccine
 Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses.



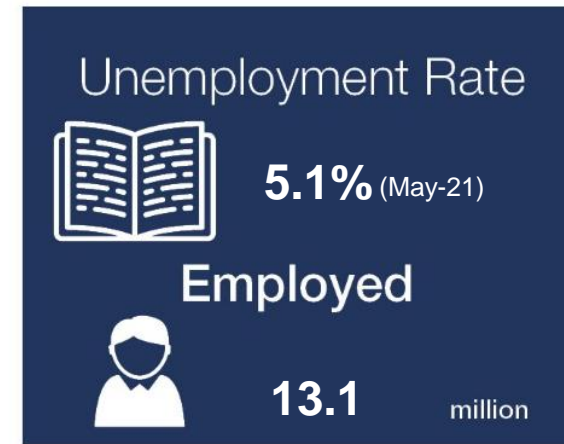
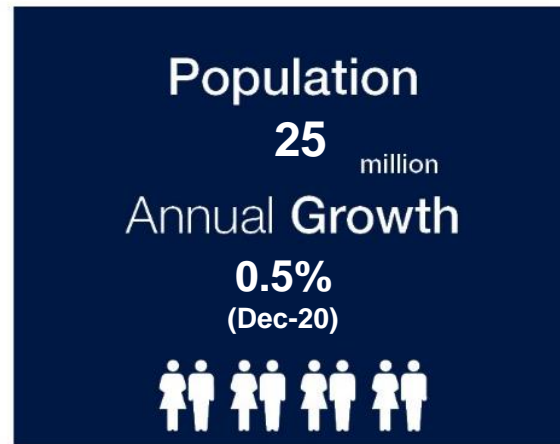
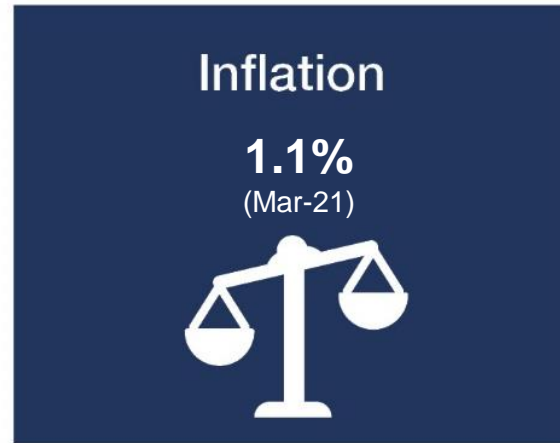
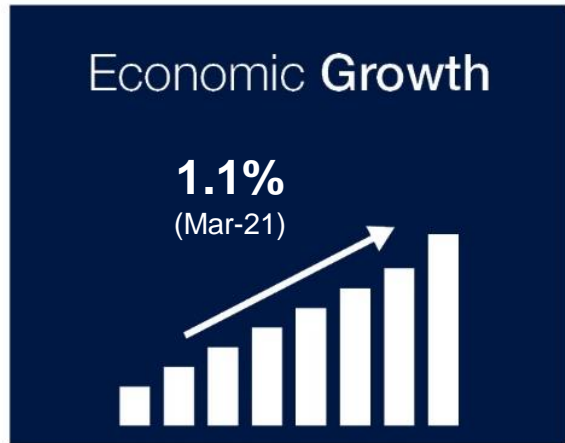
Source: Official data collated by Our World in Data

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- COVID-19 Vaccination rate for at least one dose is at 22.35% (as of June 20, 2021)

Country	%
Canada	66.52
United Kingdom	63.53
United States	52.95
Italy	52.99
Germany	50.47
France	48.00
Australia	22.35
Japan	17.74

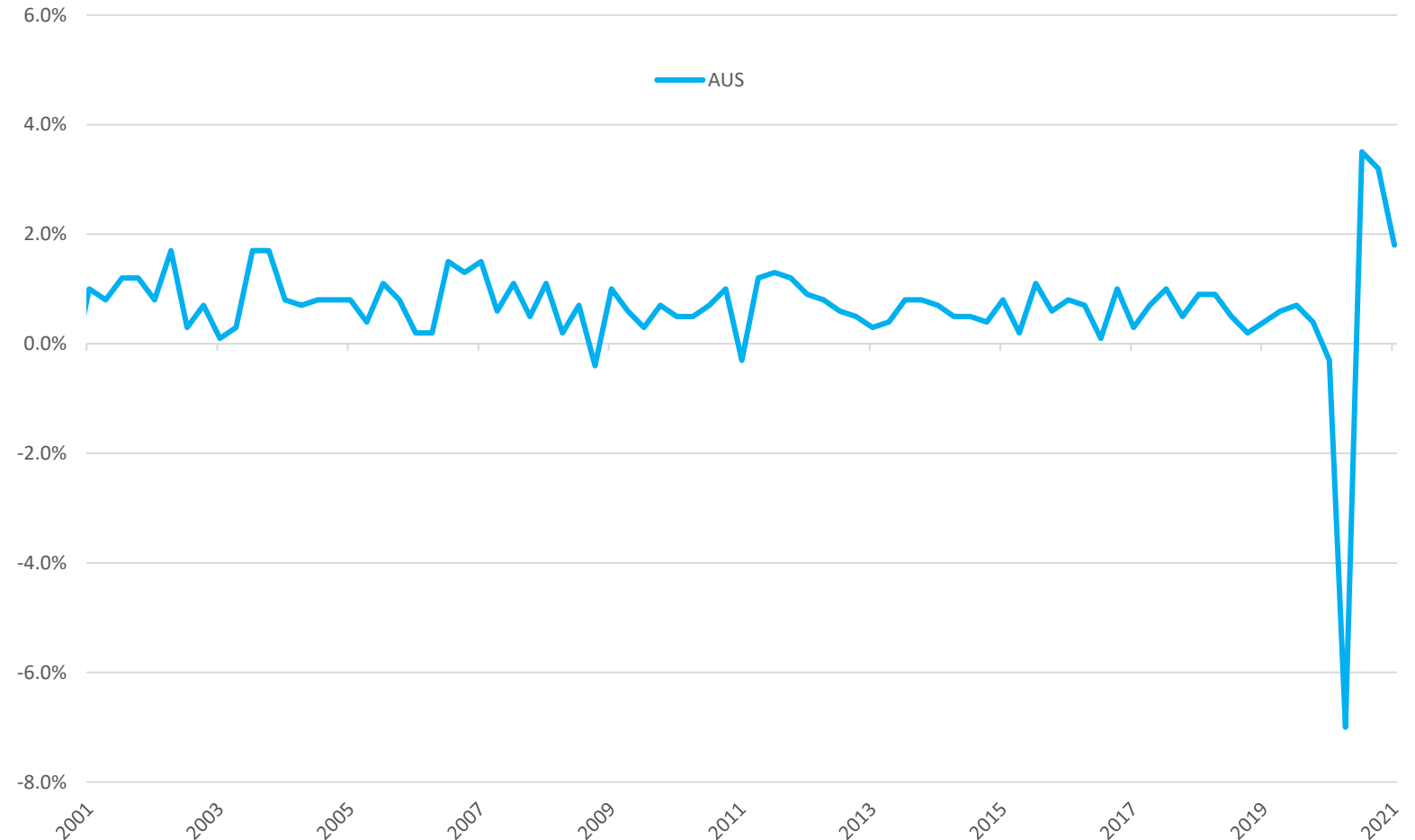
Australia – Economic Overview



Australia – Economic Overview - GDP

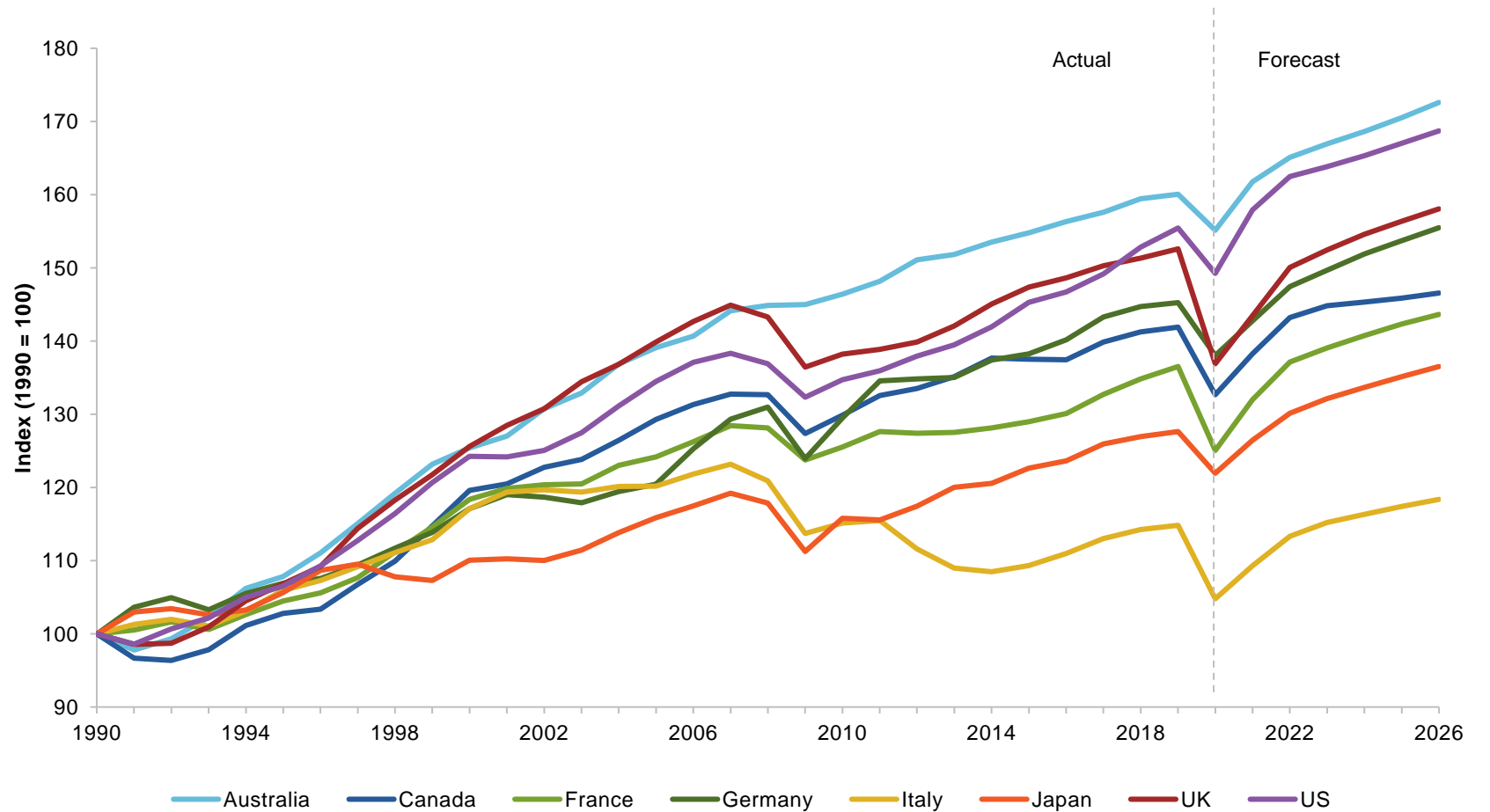
- The pandemic led to the first recession in 28 years
- Australia's GDP growth fell down to -7.0% in Q2 2020, but recovered quickly in the following quarters.
- GDP is currently 1.1% as of March 2021

GDP growth (%) 2001-2021



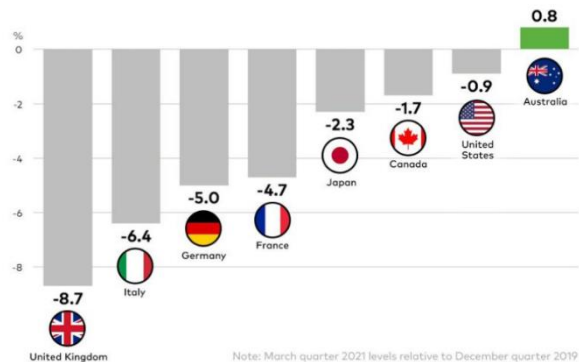
Australia – Economic Overview - GDP

Real GDP per capita growth in G7 countries from IMF forecasts



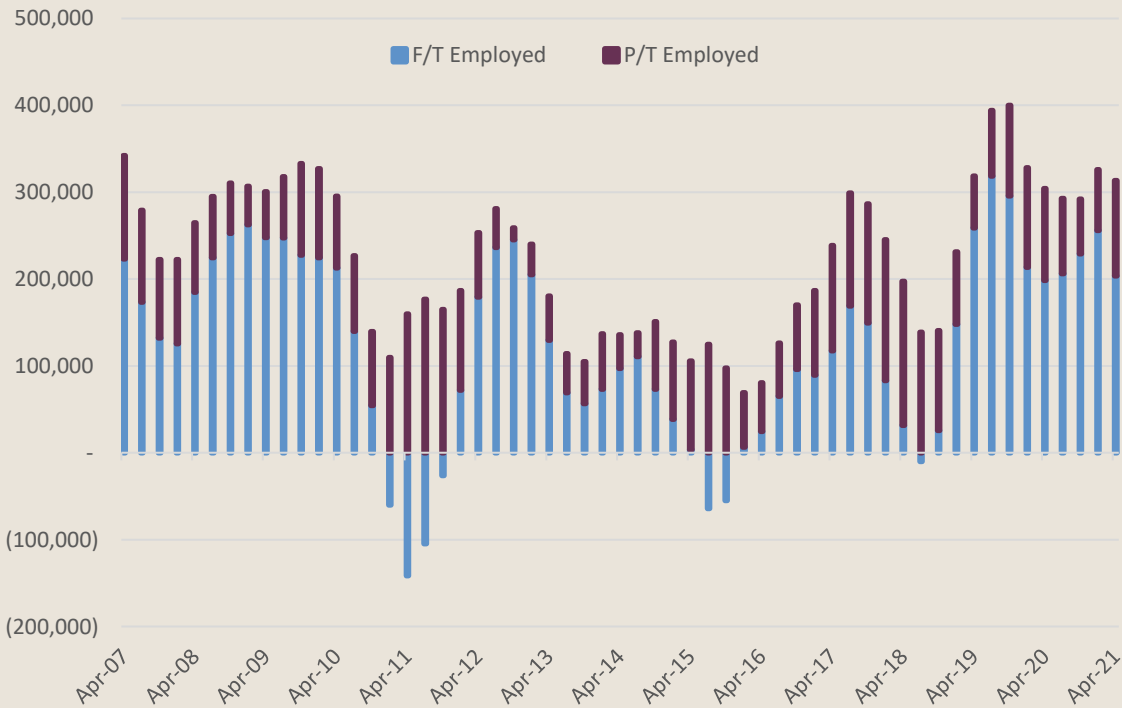
- Australia’s Real GDP growth is highest, showing one of the quickest recoveries globally
- Australia has achieved Real GDP growth compared to pre-pandemic levels (March 2021 vs. December 2019)

Real GDP relative to pre-pandemic levels
Australia and G7



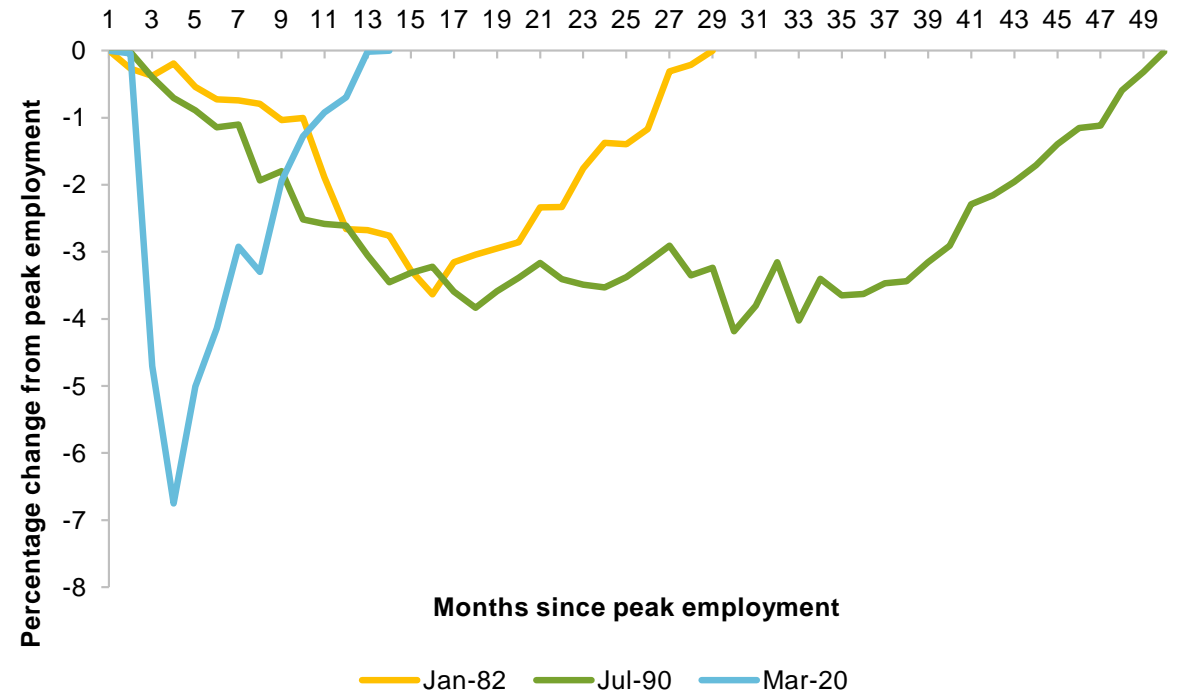
Australia – Economic Overview - Unemployment

- Unemployment currently sits at 5.1% as of May 2021 (seasonally adjusted), an decrease of 0.4pts from last month and decrease of 1.9pts from 2020.



- COVID-19 caused a larger but briefer fall in employment relative to previous recessions

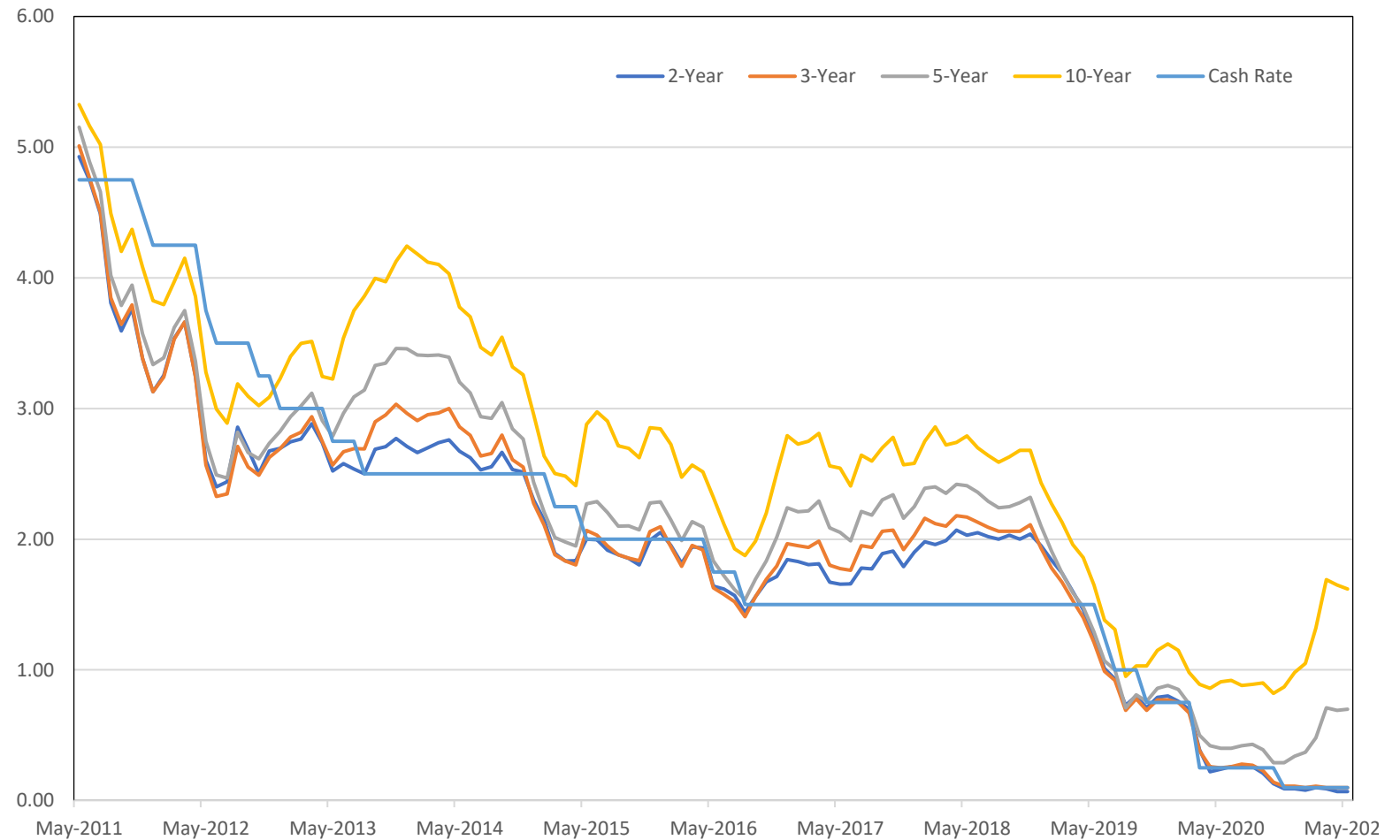
Recession	Recovery
March 2020	13 months
July 1990	49 months
January 1982	29 months



Australia – Economic Overview – Bonds

- Bond yields have reached all-time lows following major monetary policy moves to cut interest rates and implement quantitative easing programs
- Government and RBA stimulus has flushed markets with liquidity to ensure borrowing costs and access to funds remain accommodative
- The RBA has engaged in yield curve control by buying bonds out to 3 years in the secondary market to keep bond yields suppressed

Government Bond Yields



Office

- Flight to quality
- Core + long WALE
- Core vs. Value Add

Industrial

- Highly competitive market
- Build to Core
- Urban Infill
Last mile logistics
- Sale & Leaseback

Retail

- Australian retail is distinctive
- Regional malls and essential retail are trading strong
- Rise of online retail

Hotel

- International hotels impacted from travel restrictions
- Regional hotels beneficiaries of regional/national tourism boom

Build-to-Rent

- Relatively early stages, with potential to match UK market growth
- Over 20,000 BTR apartments planned, under construction or complete
- Early entry players are experienced international groups with a few domestic groups

Co-Living

- Initial stages with a growing pipeline
- Branded developers and operators
- Young professionals
- Self contained studios, with shared spaces

PBSA

- Dependence on international student is of concern
- Recovery will depend heavily on international borders reopening
- Despite this the transaction volumes in 2020 alone are over AUD 3.1bn and 11,160 beds

Health Care

- Medical, Bio, Life Sciences
- Scalability issue
- Australia has a strong back ground on medical research



Office Market Update

**Ben Azar –
Head of AUS Cross Border
& NSW Capital Transactions**

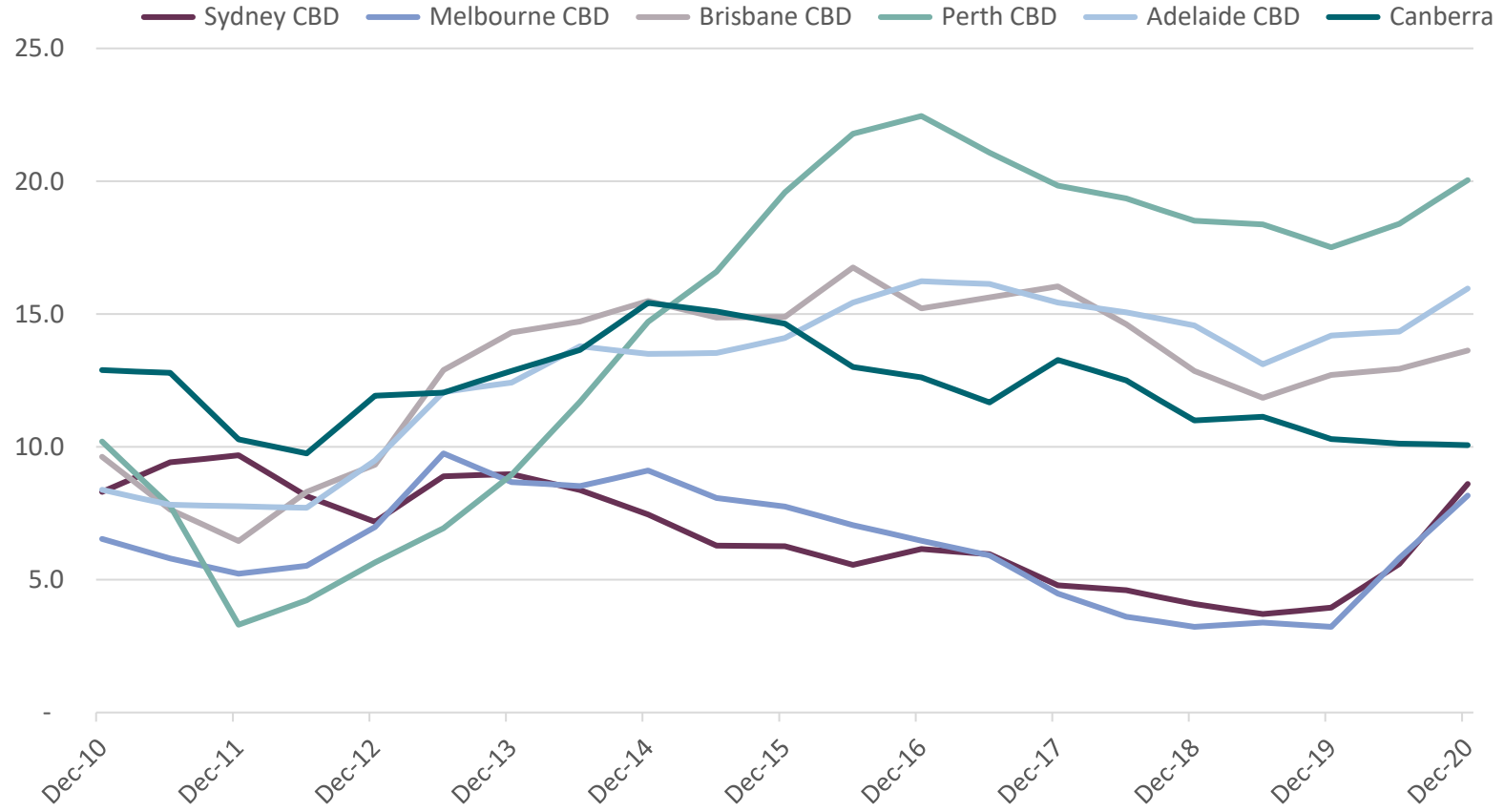
- **Flight to Quality** | Consistent trend in all recoveries in each major cycle
- SME market driving the recovery
Major Corporates are yet to settle on workplace strategy
- Australia's Pre-pandemic (2019) average occupancy in offices was 64%
The occupancy levels in Australia as at February 2021 were already at 45%
- Federal and state government as well as other regulatory bodies are driving a push for the return to the office which has a direct impact on sentiment in the office market
- General expectation that vacancy will continue to edge up and effective rents soften as incentives increase in 2021 to stimulate activity. Recovery will come as vaccine is rolled out.

Leasing Market – CBD Office A Grade Vacancy Rates

- Vacancy rates have increased in all capital cities, with the exception of Canberra.
- Sydney CBD vacancy at 8% as of December 2020, Melbourne CBD at 7.8%

(N.B. Updated every 6 months. Next updated figures to be released in August 2021)

Average Vacancy Rates (\$/sq m)

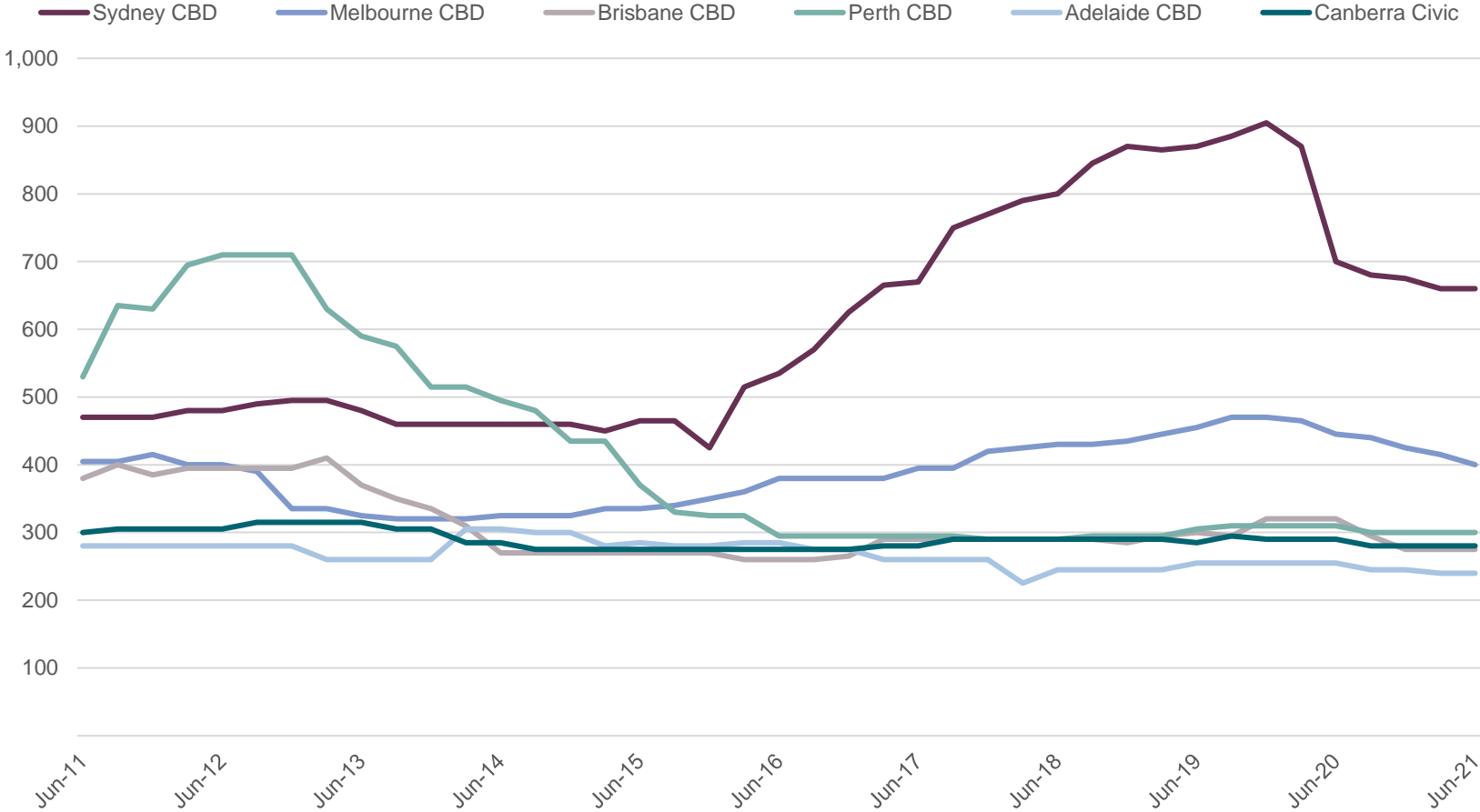


Leasing Market – CBD Office A Grade Net Effective Rents



- Effective rents to soften nationally as incentives increase in 2021 to stimulate activity

Average Net Effective Rents (\$/sq m)



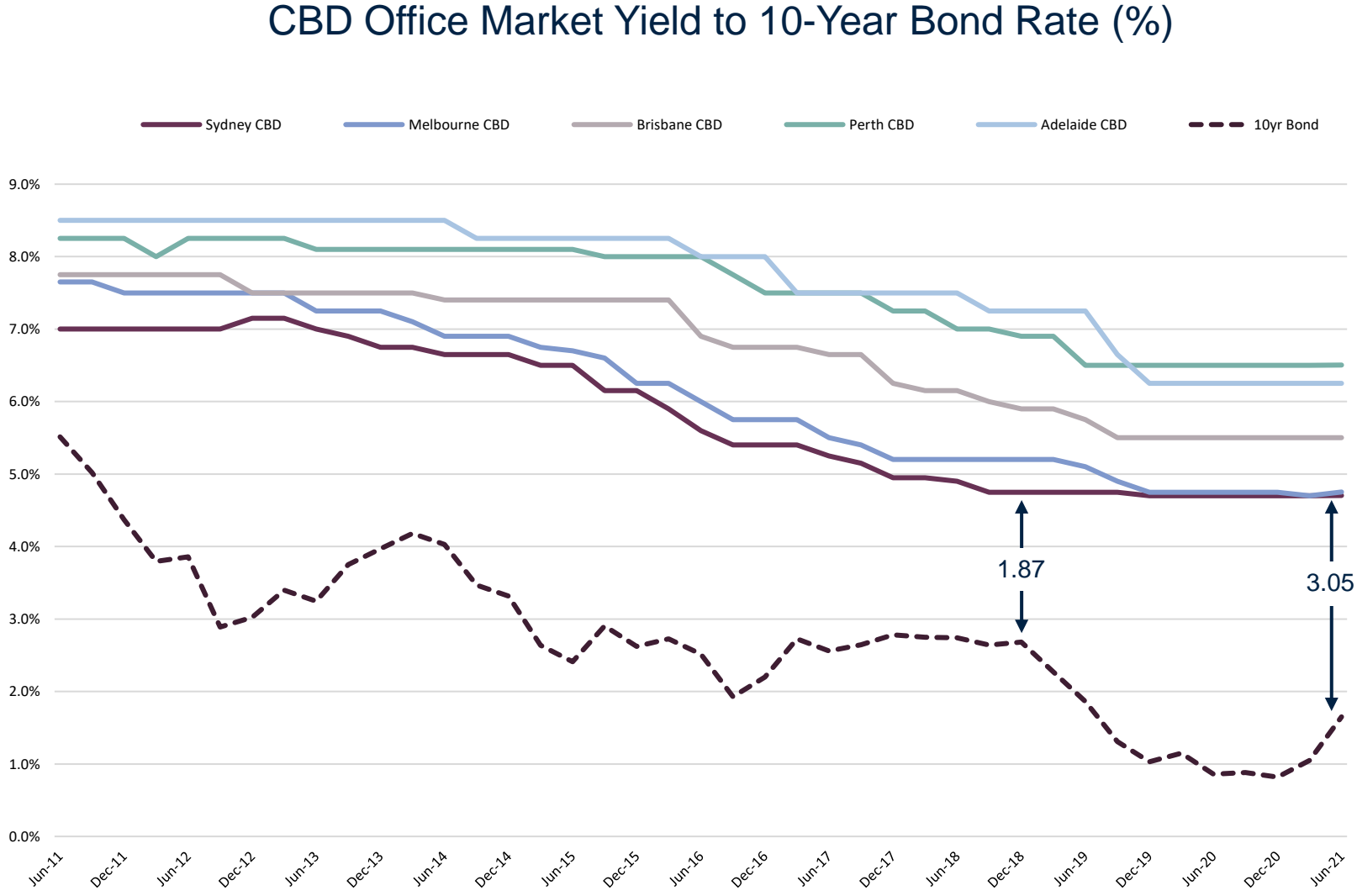
Recent Leasing Activity & Major Deals

Tenant	Moving FROM	NLA (SQM)	Moving TO	NLA (SQM)	WHY?
	8 Chifley	8,080	Quay Quarter Tower	10,000	Flight to Quality. Moving from 800 - 1,000sqm floor plate within a building designed to be set up as villages. Partners were never happy with the building nor the open plan fit out. Large 2,000sqm floor plates with world class harbour views with vast amenities for staff.
	1 Farrer Place	1,800	Wynyard Place	3,800	Flight to Quality. Their fit out required upgrading so they felt moving was the best way to reset their fit out and culture for the future. They also picked up a terrace space as part of the deal which was an added bonus.
	227 Elizabeth St	1,000	Tower 1 International Towers	6,000	Flight to Quality. Huge Growth business. Took advantage of a long term sublease from PWC and a high quality existing fit out. Moved from B Grade to Premium.
	2 Chifley	3,800	255 George St	6,000	Looked to take advantage of NAB's infrastructure left behind at 255 George such as back up generators, internal stairs and parts of the fitout. Moved from a dormant location to a fast paced developing location. Signage and retail branch drivers also

- **Flight to Quality** | Tightening yields for long-leased assets with high occupancy and strong covenants
- Australia's safe haven status has increased demand from global capital
2020 transactions analysis show that over 55% of the buyers are overseas investors
- Scarcity of genuine investment opportunities has led to a supply deficit, creating maximum levels of interest and competition, especially for core products
- Low bond and interest rate environment has potential for further cap rate compression
- Yet to see distressed assets in the market, likely to hit the secondary grade assets

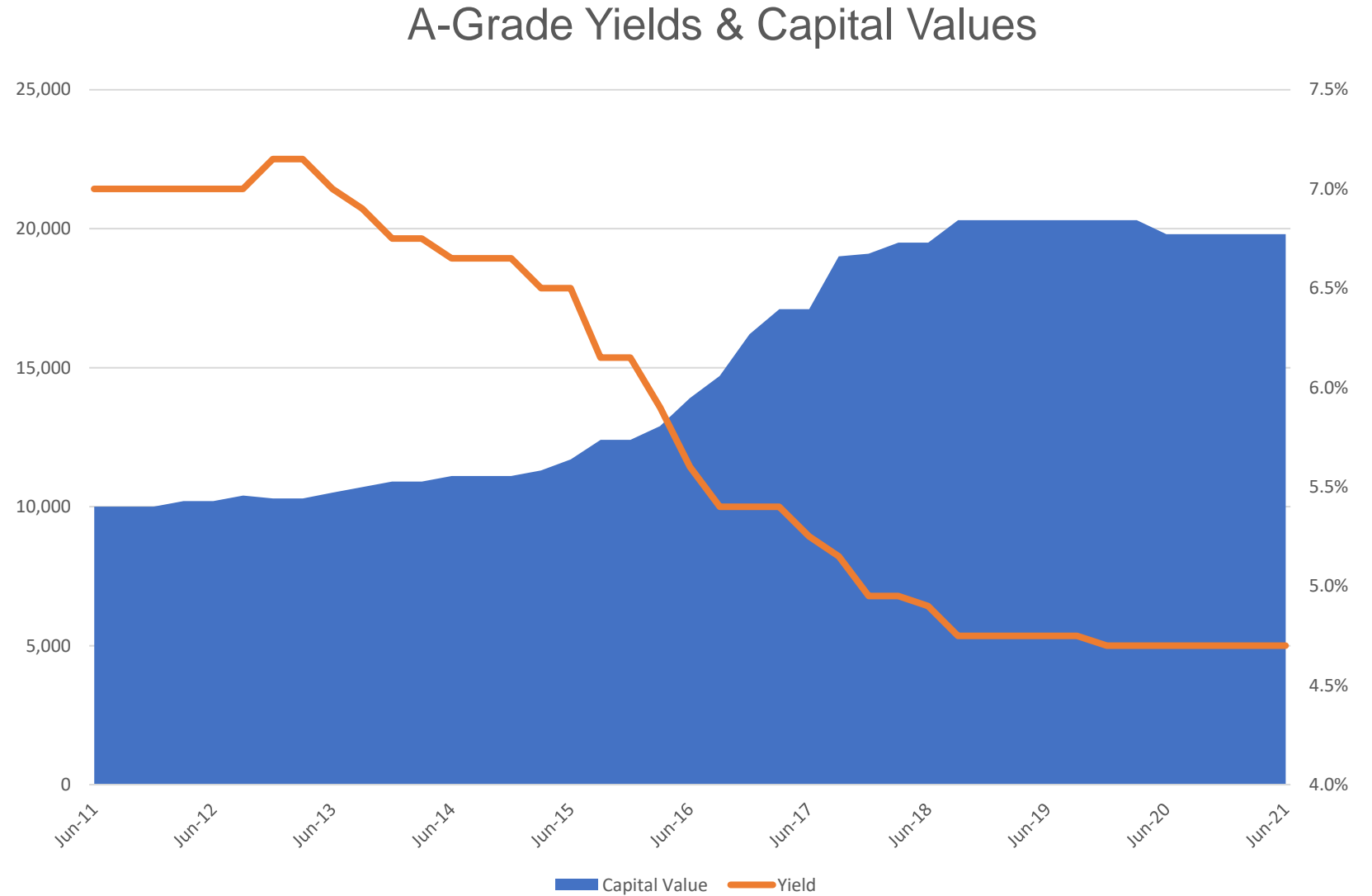
Investment Market – Bond vs CBD A Grade Office Yield Spread

- Office and bond yields have been falling, with the pace of bond yields outpacing office yields.
- Subsequently the yield spread has increased, creating an attractive proposition for office investors and potential for further cap rate compression.



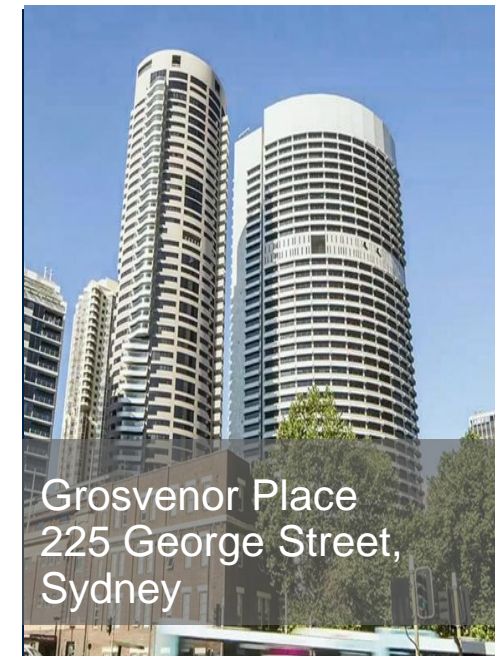
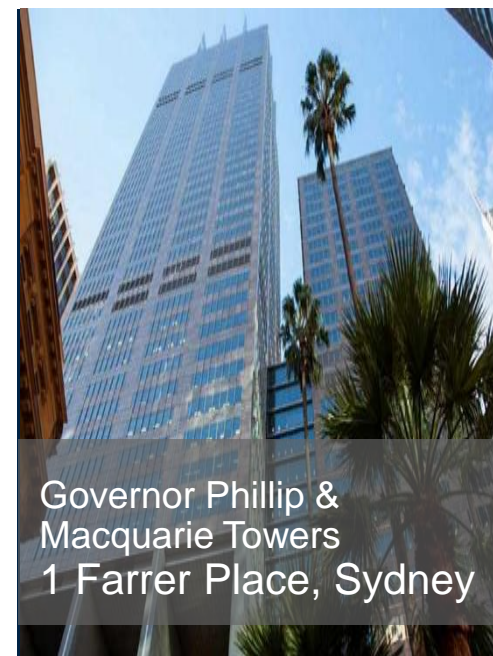
Sydney CBD - A-Grade Yields & Capital Value

- Capital values growth in Sydney CBD has been relatively flat over the last 24 months
- With the low debt cost yields are expected to hold
- Demand from both domestic and foreign investors have remained strong, and defensive assets with long WALE and strong covenants are well positioned.



Sydney CBD Recent Notable Transactions

Asset Details



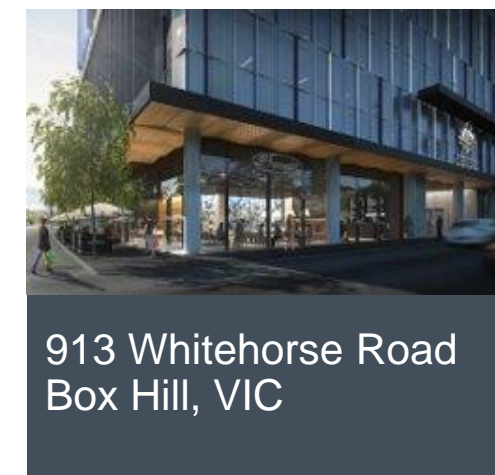
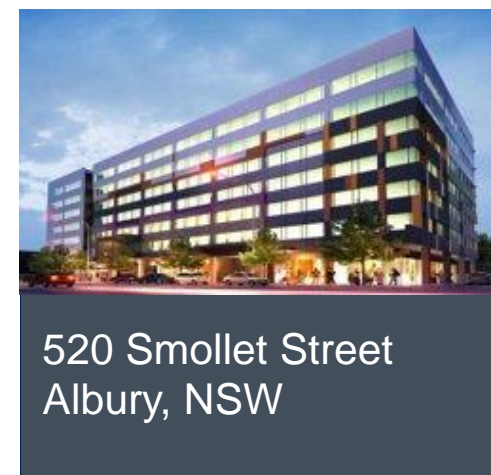
On Offer	50% Freehold, Grade A Office	33.3% Freehold, Premium Office	25% Freehold, Premium Office	50% Leasehold, Premium Office
NLA	39,000sq m	42,410 sq m	84,500sq m	84,000sq m
Price	~AUD\$ 580,000,000	AUD\$ 395,000,000	AUD\$ 584,600,000	AUD\$ 925,000,000
Unit Price	AUD\$ 29,700 per sqm	AUD\$ 27,941 per sqm	AUD\$ 27,673 per sqm	AUD\$ 21,921 per sqm
Yield	~4.25%	4.42%	~4.5%	5.00%
Date	June 2021 (under offer)	March 2021	December 2020	November 2020
WALE	years	5.50 years	4.2 years	3.20 years
Occupancy	100%	99%	98.7%	89%
Vendor	AMP (AWOF)	Cbus	GPT	Dexus
Purchaser	Confidential	Mercatus	Lendlease	CIC

Sydney CBD Recent Notable Transactions

AIP Asset Management Long WALE Portfolio

Total Price	AUD\$ 780,000,000
Yield	5.2% blended
Date	May 2021
Vendor	AIP Asset Management
Purchaser	Charter Hall

Portfolio Details



NLA	sq m	sq m	sq m	sq m
Price	AUD\$ 306,000,000	AUD\$ 159,000,000	AUD\$ 85,000,000	AUD\$ 230,000,000
Yield	5.30%	4.50%	6.20%	5.00%
WALE	10.1 years	9.7 years	6.9 years	8.6 years
Occupancy	100%	100%	99%	100%
Tenant	Services Australia	Red Cross	Australian Taxation Office	Australian Taxation Office



Logistics Market Update

**Michael Fenton –
National Head of Industrial**



Abundance of Capital in the Industrial and Logistics Sector

- a. Recent sale of Australia's largest portfolio attracted \$45 billion in total bids.

Investment Demand

- a. Develop to Core
- b. Urban Infill and Last Mile
- c. Sale and Leasebacks

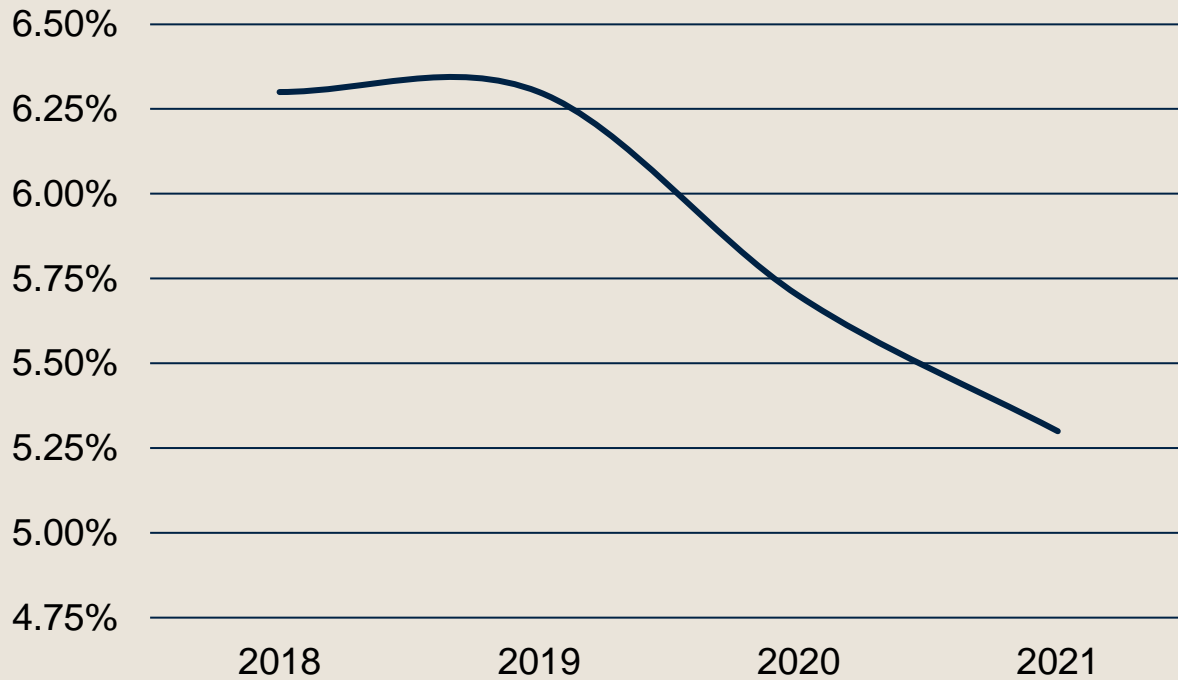
Occupier Demand at a Record High

- a. Shift to online (hub and spoke model)
- b. Supply chain enhancements and automation
- c. Competitive build to suit landscape
- d. Record incentives

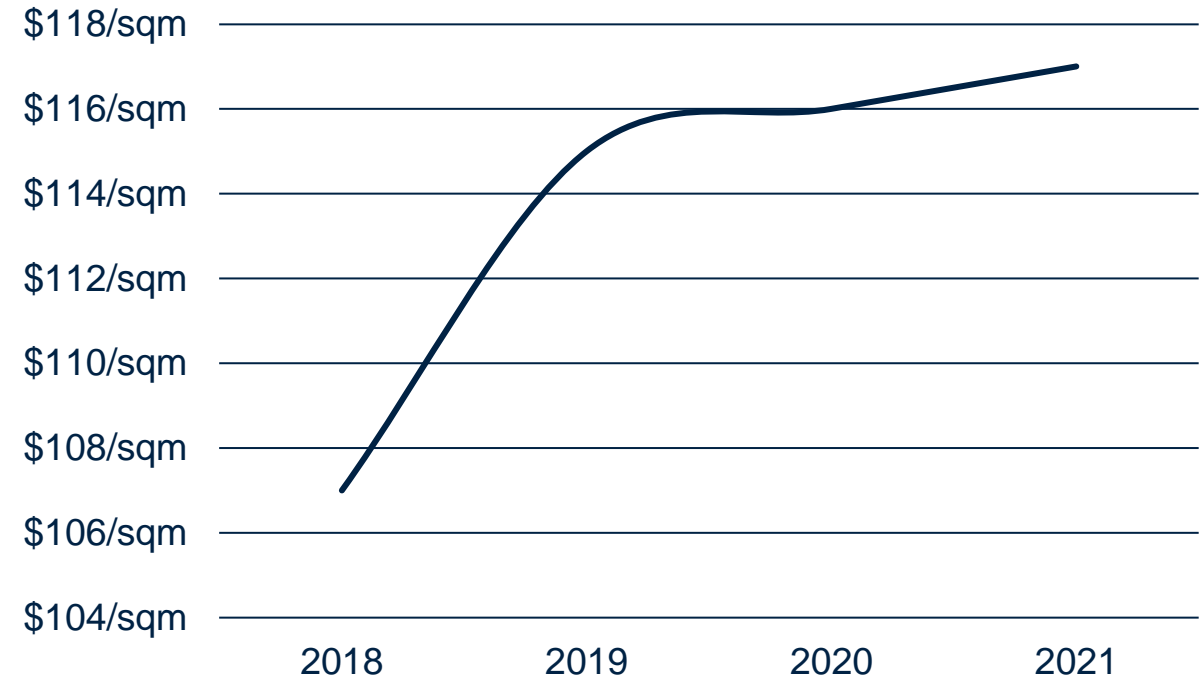
Australia Logistics - East Coast Average Rents & Yields



Average Prime Yields East Coast



Average Prime Rental Rate East Coast



Australia Logistics – Recent Investment Transactions

PROJECT MILESTONE – NATIONAL ASSETS



PFD FOODS PORTFOLIO – NATIONAL ASSETS



CAPITALAND PORTFOLIO – BRISBANE ASSETS



Price
Vendor
Purchaser

\$3.8 billion
Blackstone
ESR

Price
Vendor
Purchaser

\$269.4 million
PFD Foods
Charter Hall

Price
Vendor
Purchaser

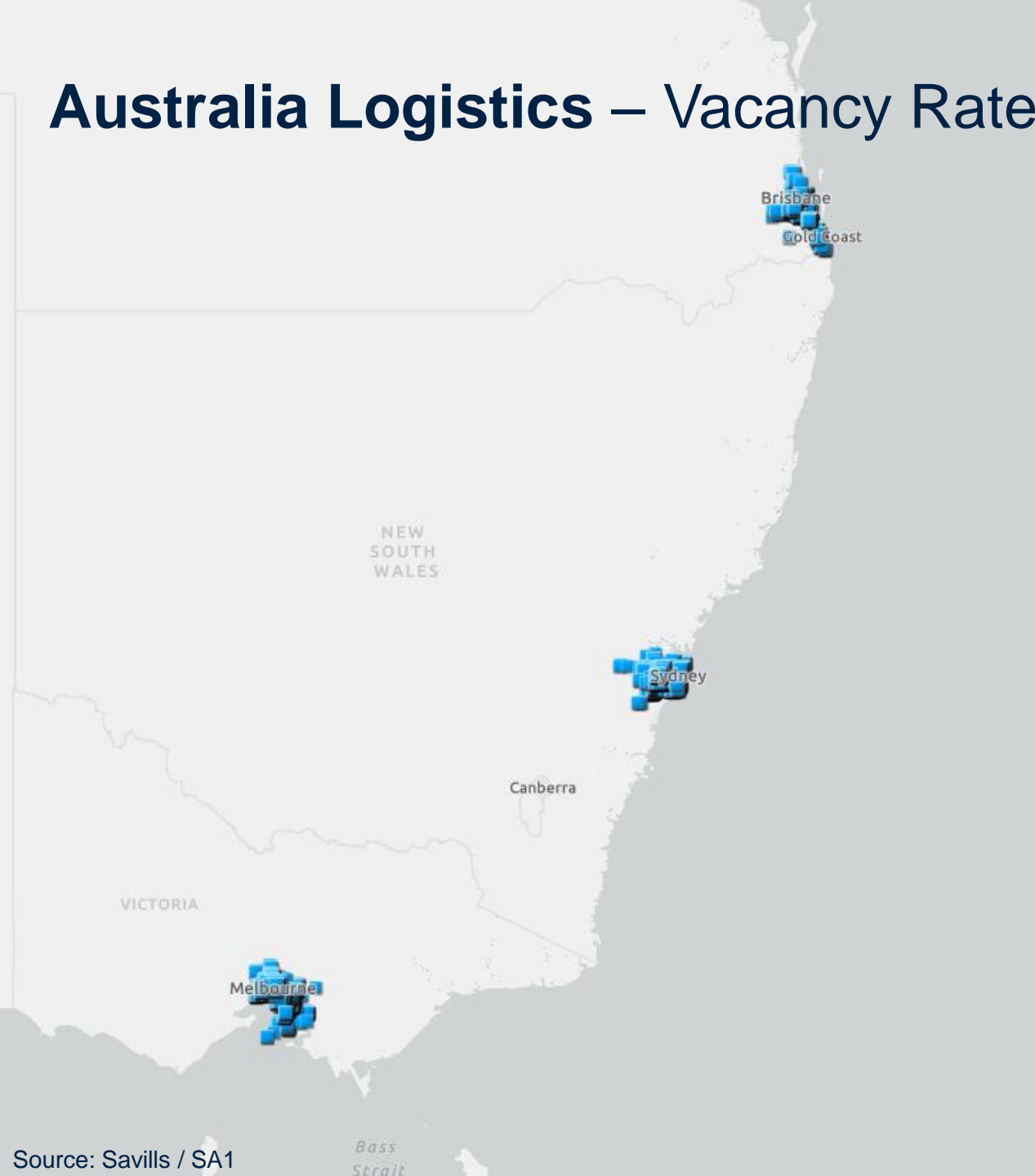
\$101.6 million
Capitaland
Arrow/Altis

Australia Logistics – Recent Significant Leasing Transactions

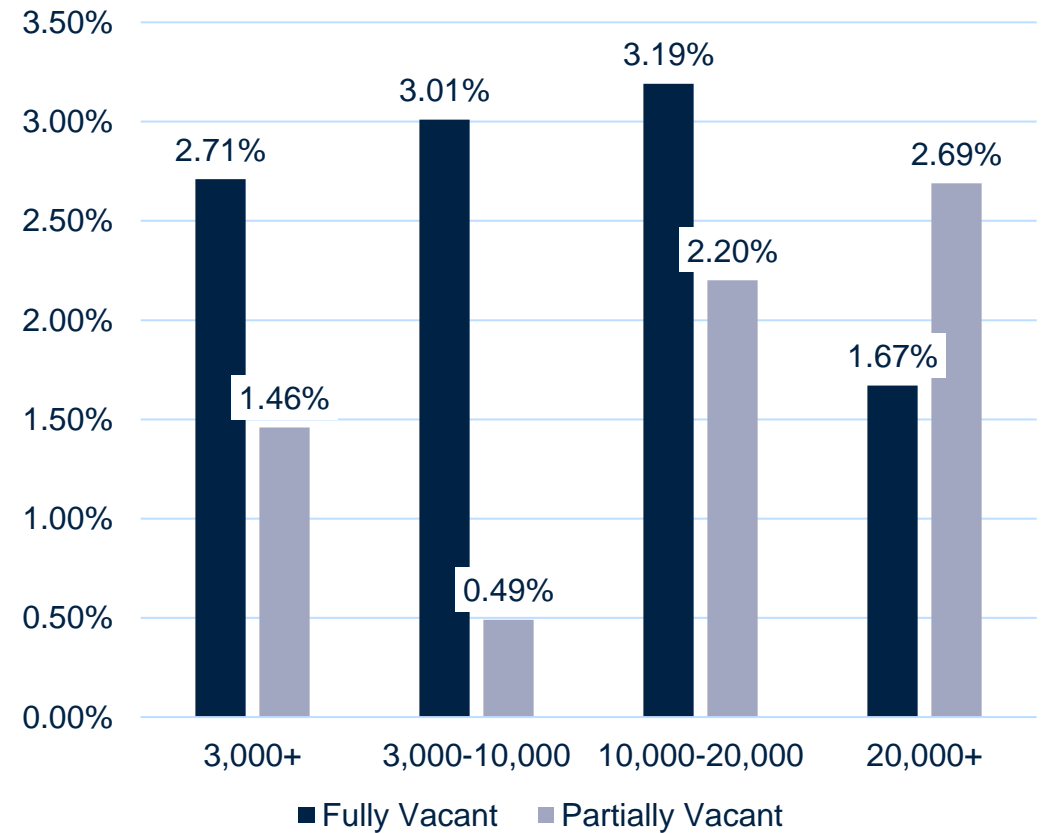


Location	Tenant	GLA (sqm)	Rate/sqm	Term
Oakdale West, Sydney	Amazon	191,170	Confidential	20 years
Moorebank Logistics Park, Sydney	Woolworths	75,300	Confidential	20 years
Bringelly Road Business Hub, Sydney	DHL	36,064	\$130	10 years
Horsley Park, Sydney	UPS	15,572	\$125	10 years
Northgate, Brisbane	Apollo Tourism & Leisure	20,765	\$92	12 years
Braeside, Melbourne	Simon National Carriers	31,950	\$84	8 years

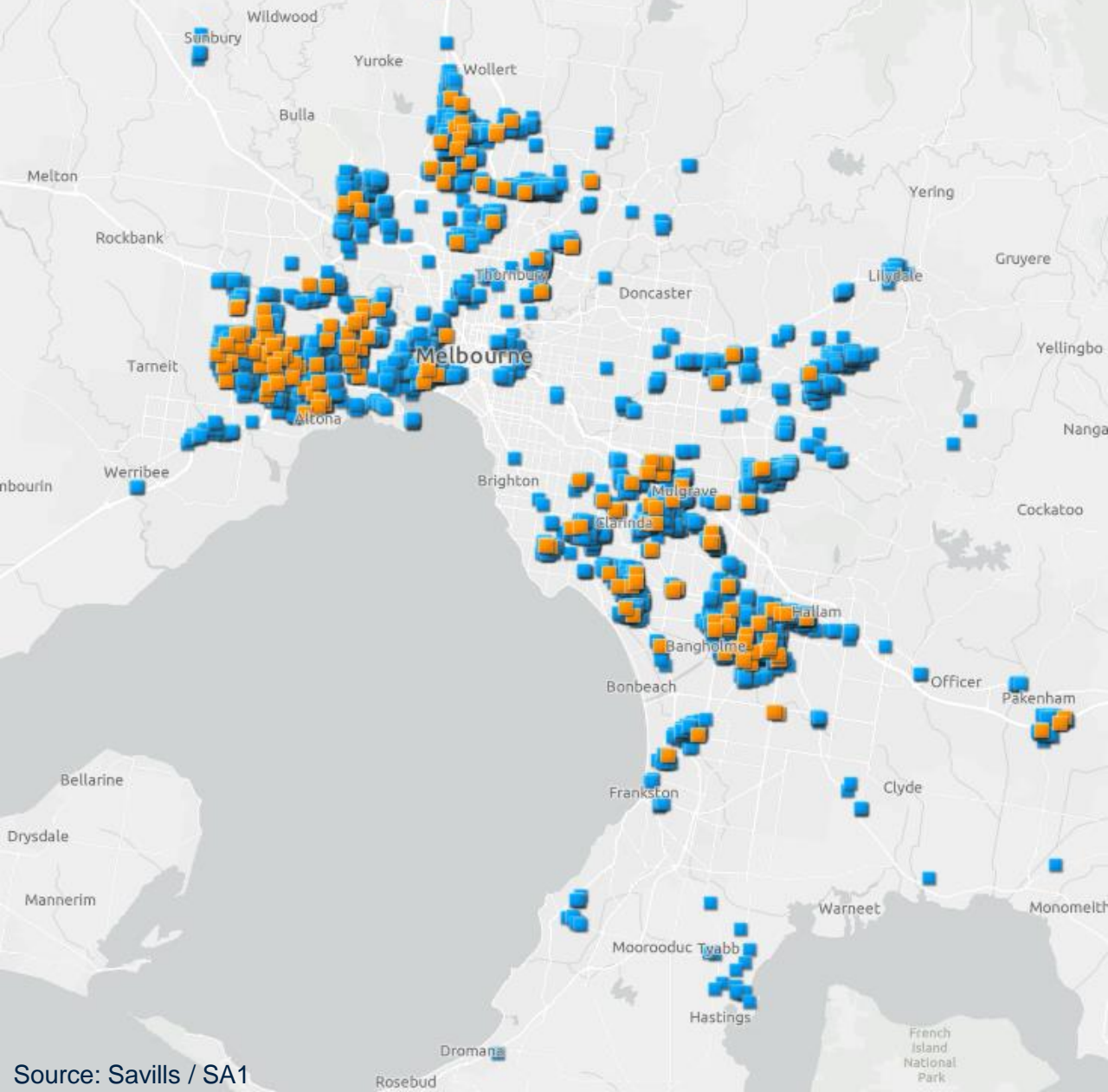
Australia Logistics – Vacancy Rate



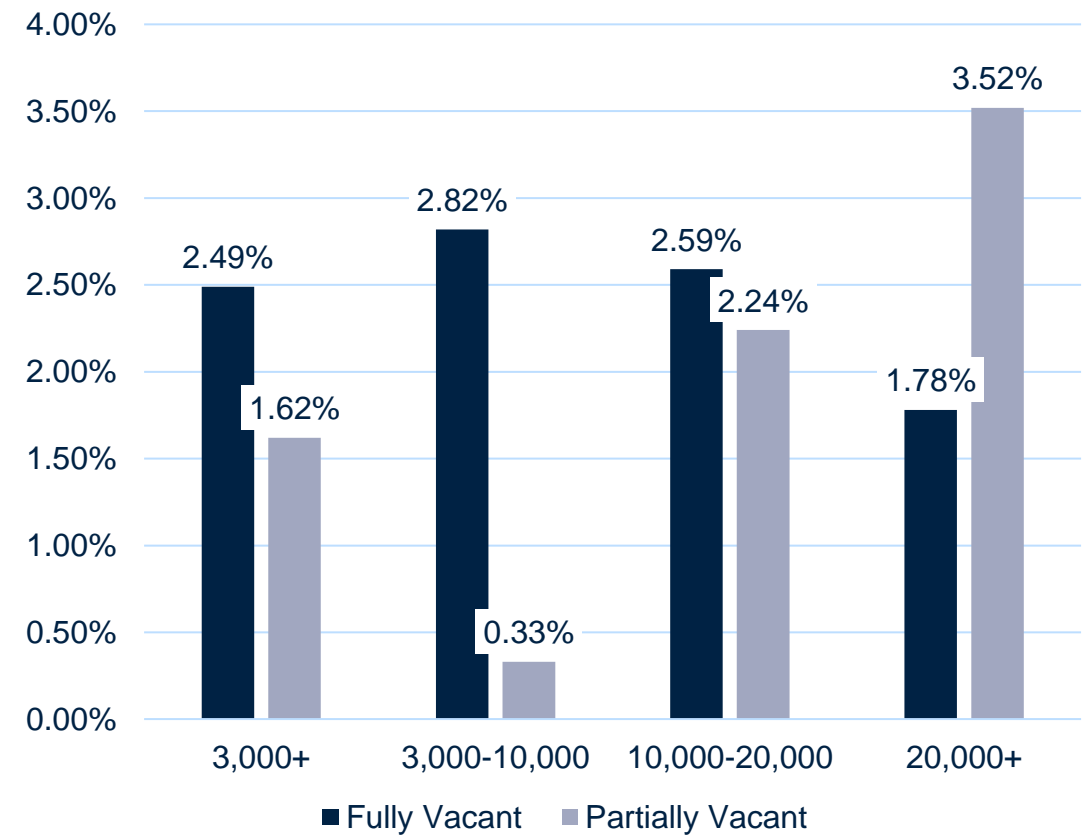
SYD, MELB & BNE VACANCY RATE



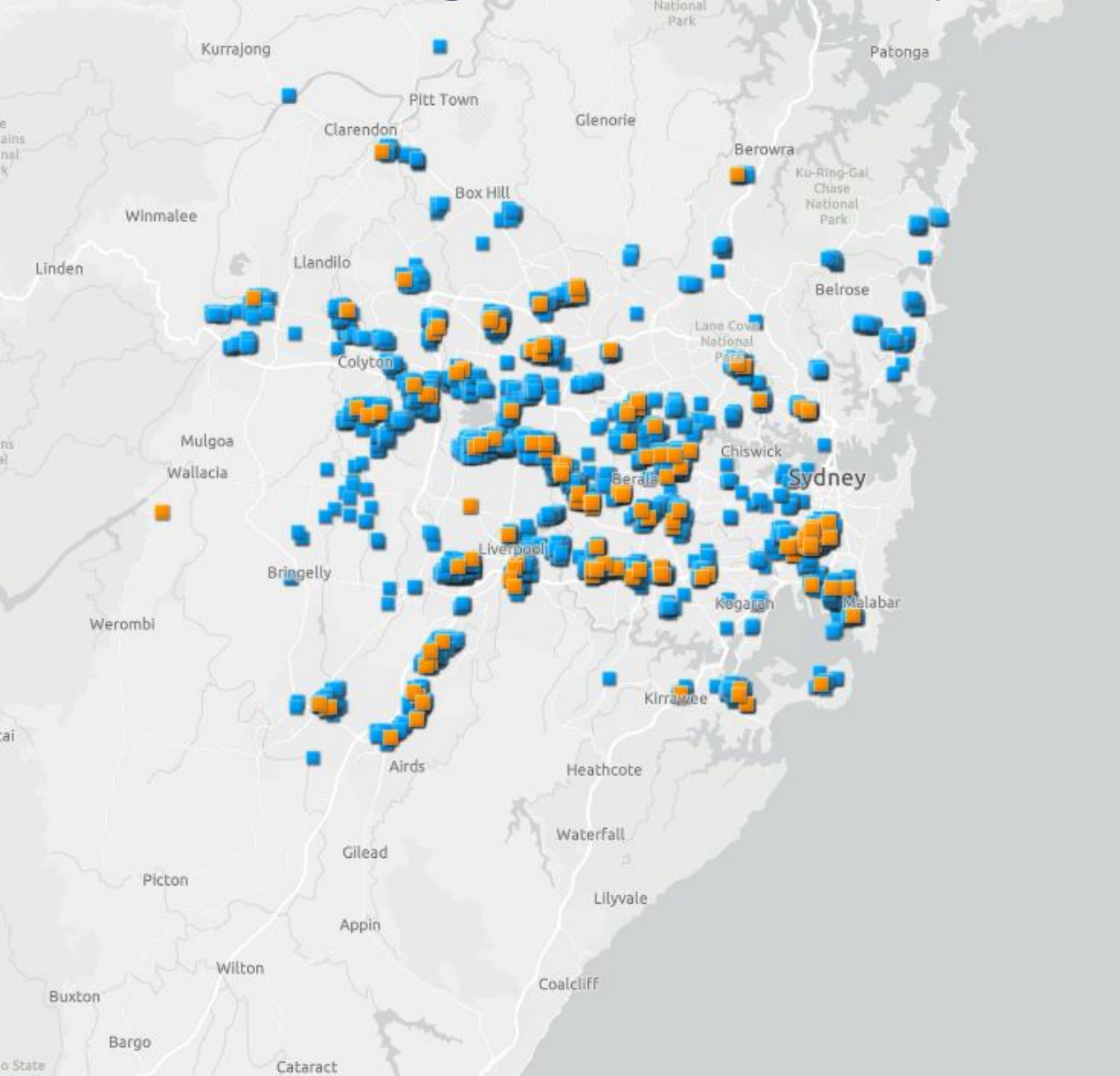
Australia Logistics – Vacancy Rate



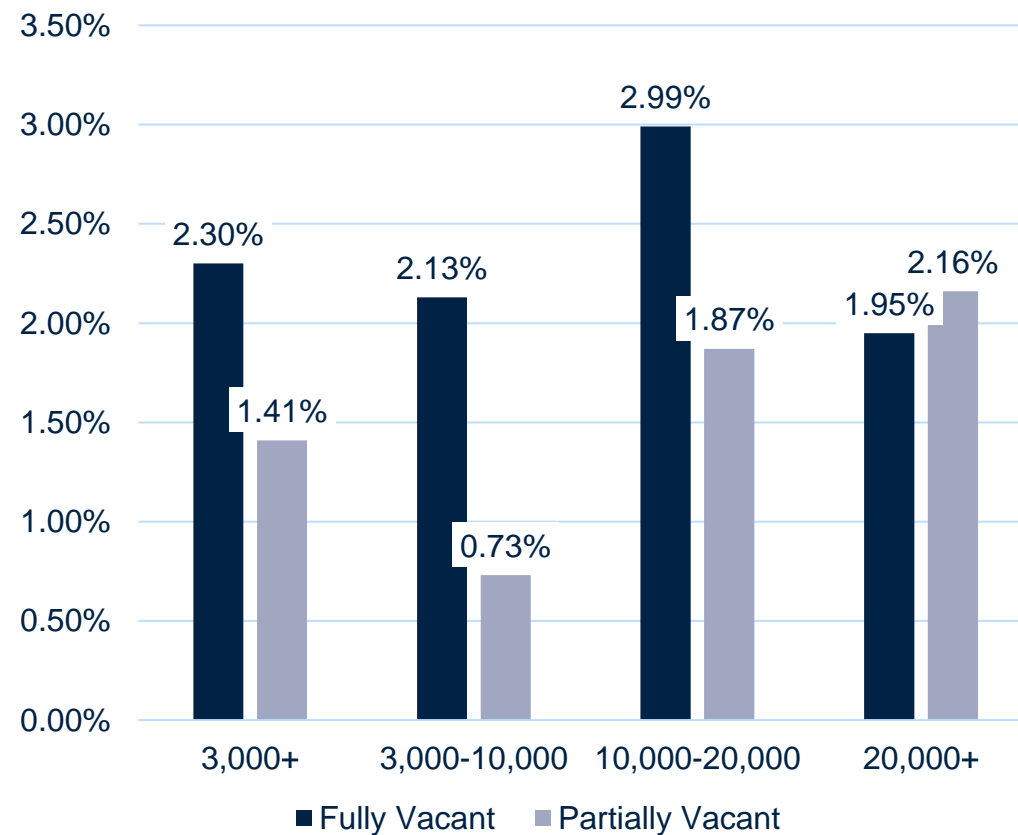
MELBOURNE VACANCY RATE



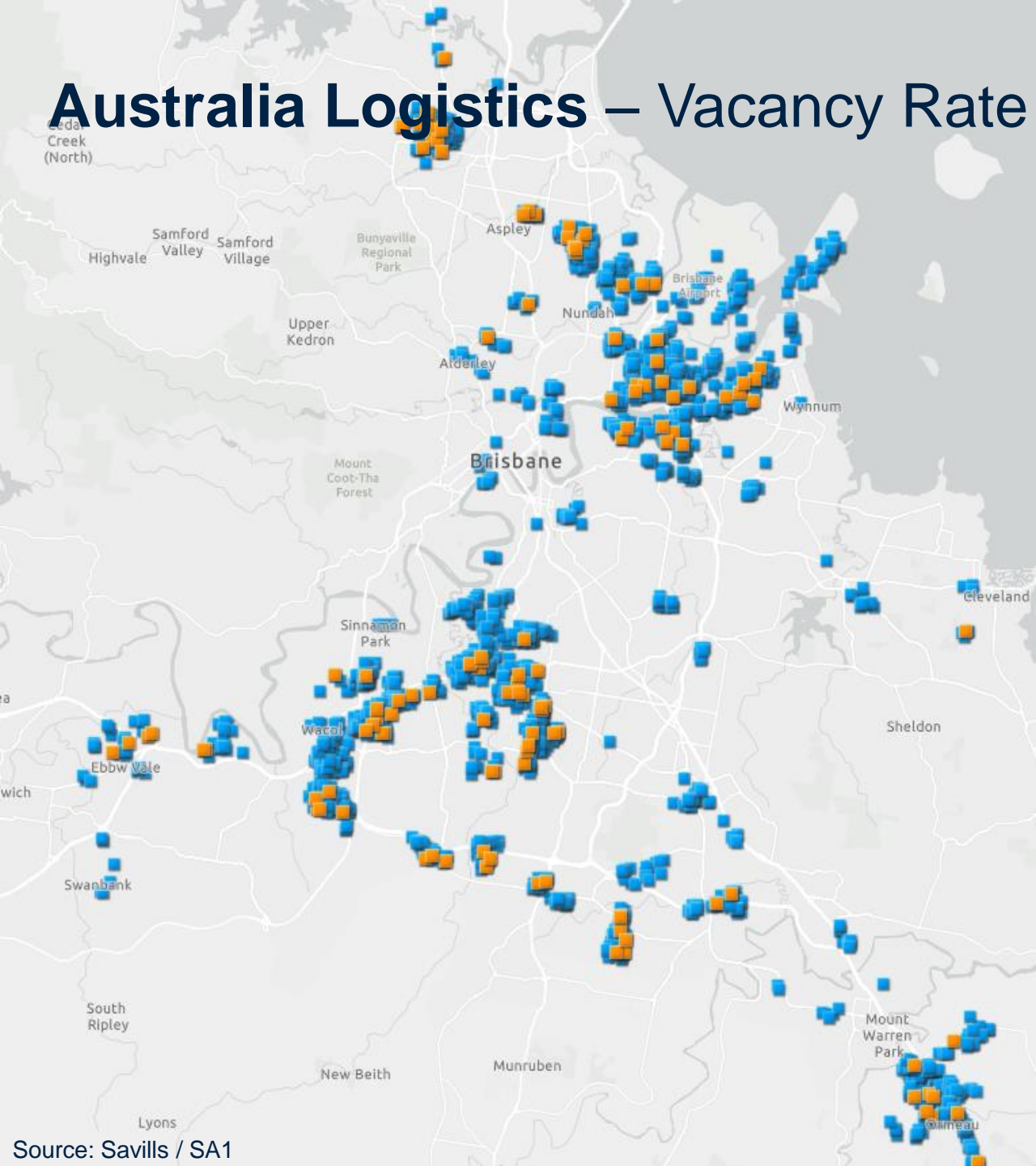
Australia Logistics – Vacancy Rate



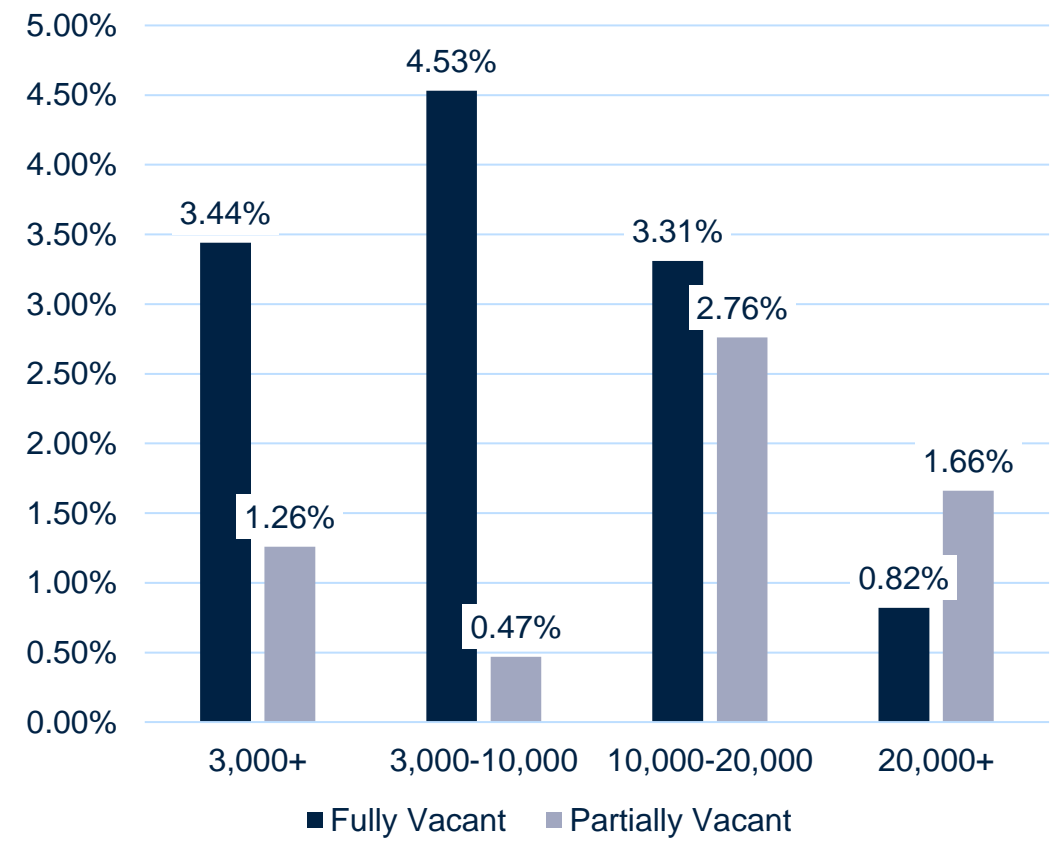
SYDNEY VACANCY RATE



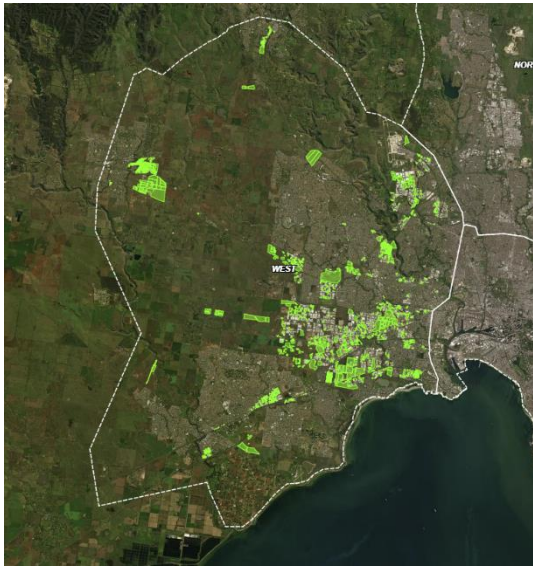
Australia Logistics – Vacancy Rate



BRISBANE VACANCY RATE



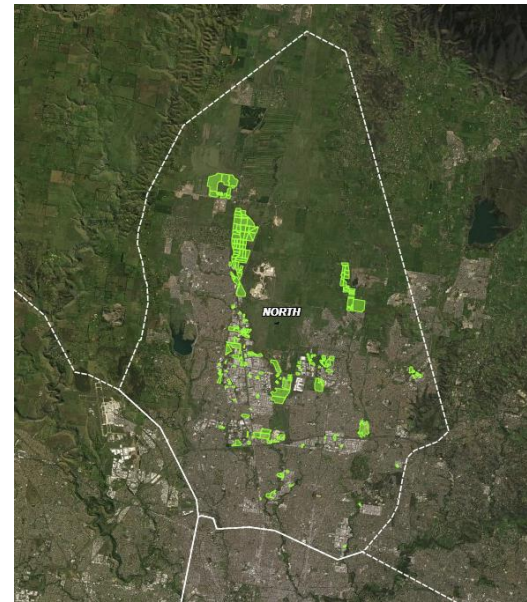
Australia Logistics – Supply



MELBOURNE WEST LAND SUPPLY (3ha+)

	Sqm	Hectares
Total Land Area:	95,408,859	9,541
Total Vacant* Land Area	70,776,789	7,078
Total Zoned Vacant* Land	28,992,958	2,899
Institution-owned Vacant* Land	3,316,955	332
Owner Occupied Vacant* Land	3,313,599	331
Total Vacant* Land (non-insto and non-owner occupied)	22,362,404	2,236
% of total land	23.44%	

NB: Over 637ha of land intersects environmental sensitive area overlay



MELBOURNE NORTH LAND SUPPLY (3ha+)

	Sqm	Hectares
Total Land Area:	50,902,930	5,090
Total Vacant* Land Area	40,961,262	4,096
Total Zoned Vacant* Land	14,480,019	1,448
Institution-owned Vacant* Land	650,773	65
Owner Occupied Vacant* Land	359,828	36
Total Vacant* Land (non-insto and non-owner occupied)	13,469,418	1,347
% of total land	26.46%	

NB: Over 475ha of land intersects environmental sensitive area overlay



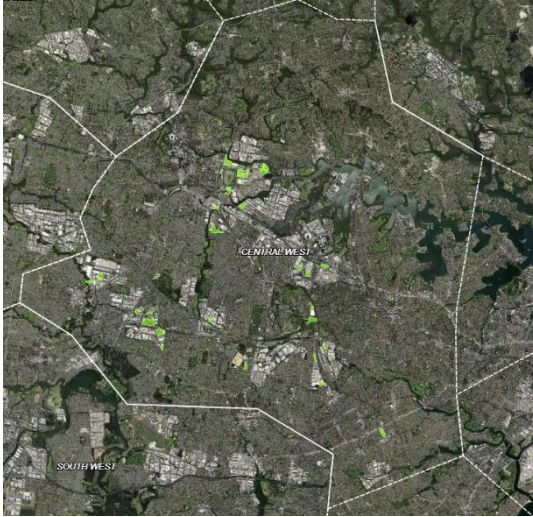
MELBOURNE SOUTH EAST LAND SUPPLY (3ha+)

	Sqm	Hectares
Total Land Area:	42,699,790	4,270
Total Vacant* Land Area	28,477,902	2,848
Total Zoned Vacant* Land	13,868,997	1,387
Institution-owned Vacant* Land	1,210,296	121
Owner Occupied Vacant* Land	1,353,721	135
Total Vacant* Land (non-insto and non-owner occupied)	11,304,980	1,130
% of total land	26.48%	

NB: Over 220ha of land intersects environmental sensitive area overlay

*Less than 10% site coverage

Australia Logistics – Supply



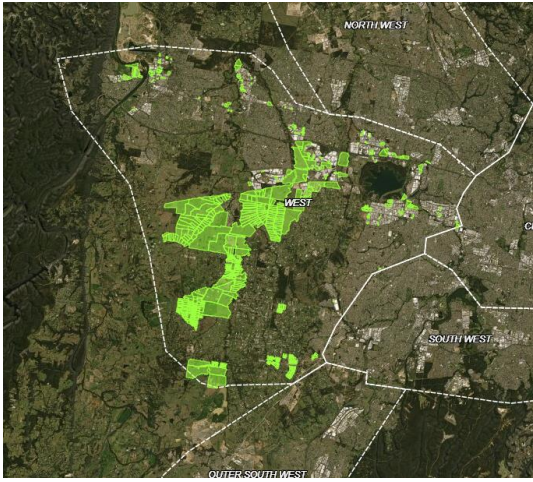
SYDNEY CENTRAL WEST LAND SUPPLY (3ha+)

	Sqm	Hectares
Total Land Area	11,714,215	1,171
Total Vacant* Land Area	619,639	62
Total Zoned Vacant* Land	619,639	62
Institution-owned Vacant* Land	61,007	6
Owner Occupied Vacant* Land	125,976	13
Total Vacant* Land (non-insto and non-owner occupied)	432,656	43
% of total land	3.69%	



SYDNEY SOUTH WEST LAND SUPPLY (3ha+)

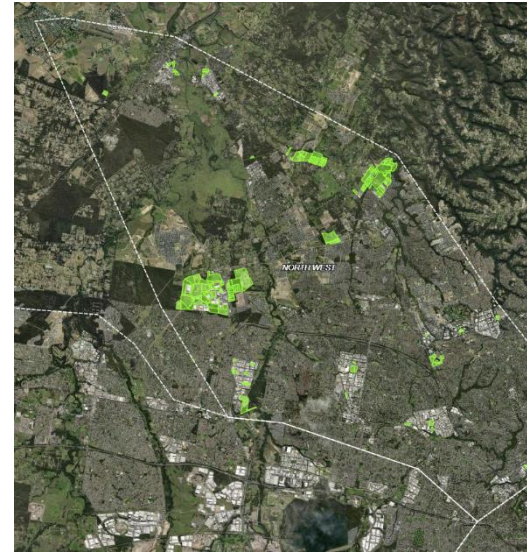
	Sqm	Hectares
Total Land Area:	9,806,244	981
Total Vacant* Land Area	2,172,338	217
Total Zoned Vacant* Land	2,172,338	217
Institution-owned Vacant* Land	62,247	6
Owner Occupied Vacant* Land	376,686	38
Total Vacant* Land (non-insto and non-owner occupied)	1,733,405	173
% of total land	17.68%	



SYDNEY WEST LAND SUPPLY (3ha+)

	Sqm	Hectares
Total Land Area:	80,397,753	8,040
Total Vacant* Land Area	63,219,089	6,322
Total Zoned Vacant* Land	54,361,035	5,436
Institution-owned Vacant* Land	8,415,712	842
Owner Occupied Vacant* Land	3,284,195	328
Total Vacant* Land (non-insto and non-owner occupied)	42,661,128	4,266
% of total land	53.06%	

NB: Kemps Creek & Badgerys Creek account for 2,509ha alone

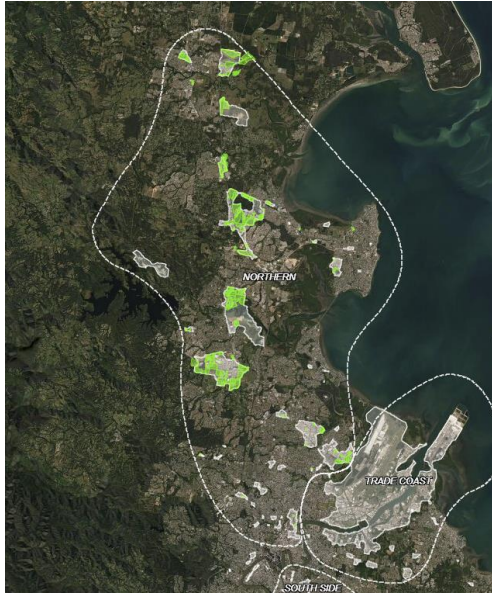


SYDNEY NORTH WEST LAND SUPPLY (3ha+)

	Sqm	Hectares
Total Land Area:	9,247,297	925
Total Vacant* Land Area	5,555,792	556
Total Zoned Vacant* Land	5,555,792	556
Institution-owned Vacant* Land	52,506	5
Owner Occupied Vacant* Land	388,473	39
Total Vacant* Land (non-insto and non-owner occupied)	5,114,813	511
% of total land	55.31%	

*Less than 10% site coverage

Australia Logistics – Supply



BRISBANE NORTH LAND SUPPLY (3ha+)

	Sqm	Hectares
Total Land Area:	22,738,992	2,274
Total Vacant* Land Area	12,042,114	1,204
Total Zoned Vacant* Land	12,042,114	1,204
Institution-owned Vacant* Land	323,497	32
Owner Occupied Vacant* Land	515,216	52
Total Vacant* Land (non-insto and non-owner occupied)	11,203,401	1,120
% of total land	49.27%	

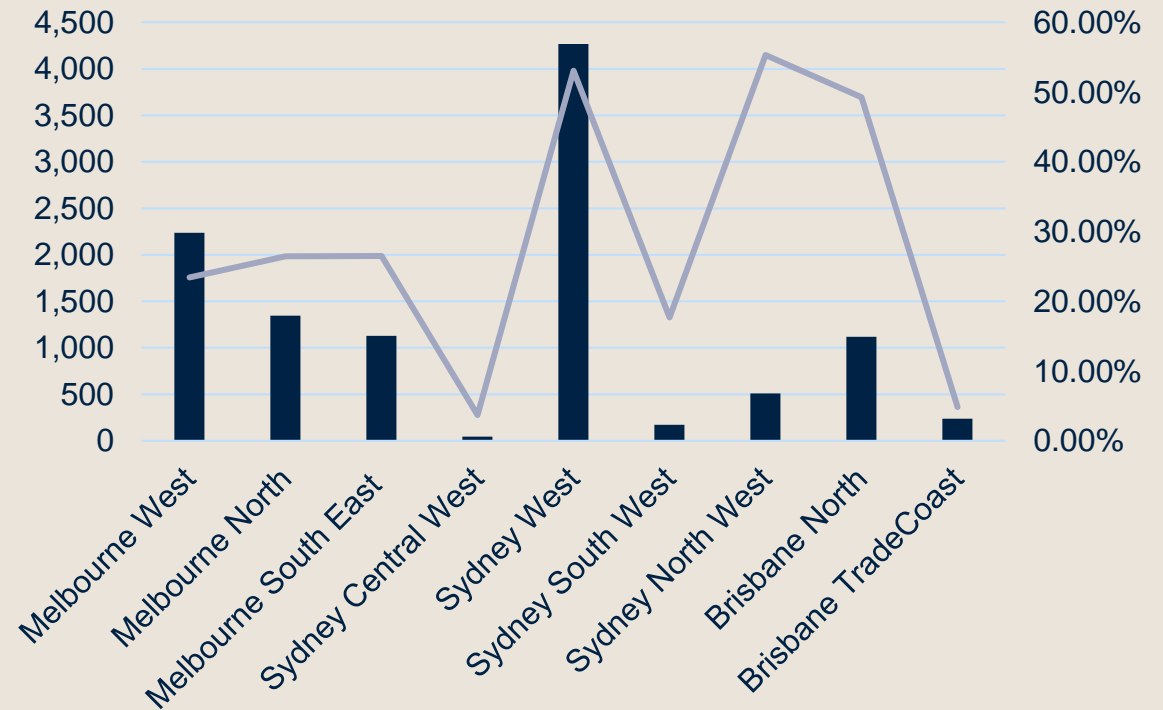
NB: Only 54.4ha of supply is within the Brisbane City Council LGA boundary, the balance being in the Moreton Bay Regional Council catchment



BRISBANE TRADECOAST LAND SUPPLY(3ha+)

	Sqm	Hectares
Total Land Area:	48,836,740	4,884
Total Vacant* Land Area	3,413,724	341
Total Zoned Vacant* Land	3,413,724	341
Institution-owned Vacant* Land	663,919	66
Owner Occupied Vacant* Land	386,121	39
Total Vacant* Land (non-insto and non-owner occupied)	2,363,684	236
% of total land	4.84%	

MEL SYD BNE Vacant Land Supply (3ha+)



Questions?

Please contact the Savills Team below

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