

Australia Commercial Real Estate - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

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Abstracts

The Australia Commercial Real Estate Market size is estimated at USD 34.07 billion in 2024, and is expected to reach USD 51.14 billion by 2029, growing at a CAGR of 8.46% during the forecast period (2024-2029).

Australia's commercial real estate market has flourished in recent years, spearheaded by prominent cities such as Sydney and Melbourne. These cities have witnessed robust demand for office spaces, retail properties, and industrial facilities.

Australian commercial property sales in the third quarter of 2023 decreased by 58% to AUD 4.0 billion (USD 2.60 billion), compared to AUD 9.6 billion (USD 6.24 billion) for the third quarter of 2022.

Sales in the office, logistics, industrial, and retail sectors decreased by 77%, 38%, and 29%, respectively, from AUD 1.2 billion (USD 0.78 billion) in office volumes in Q3 2023 to AUD 1.6 billion (USD 1.04 billion) in L&I volumes in Q3 2022, while logistics & industrial volumes decreased by 38% and retail volumes decreased by 29% compared to Q3 2022.

Year-on-year (YoY) transaction volume in the first nine months of 2023 totaled AUD 11.8 billion (USD 7.67 billion), as compared to AUD 29.2 billion (USD 18.97 billion) in the full calendar year 2022.

All commercial property transactions across all sectors (office, retail, logistics & industrial) showed a slight increase in volume in Q3 2023. The Q3 2023 office

volumes increased 106% year-on-year (YoY) from USD 594 million in the June quarter (to USD 1.2 Billion) to USD 1.3 Billion in the September quarter (to Q4 2022).

The biggest Q3 sales across all sectors were the USD 560 million sale of 20 prime industrial assets (50% interest) to UniSuper. Other notable sales included USD 465 million for Midland Gate Shopping Centre (WA), USD 313 million for 7 Spencer Street (Vic), USD 393.1 million for 44 Market Street (NSW), USD 296 Million for 1 Margaret Street (NSW), and USD 200 million for 189 Kent Street (NSW).

Australian Commercial Property Market Trends

Retail real estate is expected to drive the market

The national retail leasing market was relatively stable in Q3 2023, with a slight increase in gross rent during the quarter. The majority of tenant demand came from established retailers who took advantage of favorable leasing conditions to expand and optimize their store footprint.

In Q3 2023, retailers continued to be opportunistic. Several national fashion and hospitality groups continued to find new high-end retail space along Adelaide's CBD and regional enclosed centers. Louis Vuitton opened a pop-up shop at Adelaide Central Plaza alongside Rundle Mall, alongside luxury retailers Tiffany & Co, TAG, and Heuer.

Three project completions totaled 23,100 square meters, with Devwest's 14,000 square meter District Outlet Centre development in Parafield being the biggest project to complete over the quarter.

The development includes 65 outlet tenancies and plenty of food and beverage opportunities. Average rents were relatively stable across subsectors in the third quarter of 2023, with the strongest year-on-year growth in the large formats retail subsector, growing by 2.1% at an average of AUD 229 (USD 148.77) per square meter. Three major transactions were recorded over the quarter, with Early Settler, at 215 Grote Street, Adelaide, being the largest transaction at AUD 11.9 million (USD 7.73 million).

Adelaide's Office Market Witnesses Mixed Trends in Q4 2023

In the fourth quarter of 2023, net absorption was negative at 300 sq. m, with secondary grade net absorption (-24k sq. m) as the driver of the negative headline figure. On the positive side, it was 23,700 sqm for prime grade.

One office was completed in the market during the quarter, a Walker Corporation development of the Festival plaza along Adelaide's Riverbank precinct in 40,000 square meters. Rental growth continued to gain momentum, increasing 1.6% in Q4 and 5.6% for the year. There were no major transactions in the fourth quarter, but development sites are still drawing some investor interest.

Vacancy rates in Adelaide increased in Q4 2023, with the headline vacancy rate increasing 2.2 percentage points (ppm) from 18.0% to 18.6%. The prime vacancy rate remained stable at 18.6% due to backfill space created by Adelaide's largest historical supply of wave. The secondary vacancy rate increased 2.9 pp from Q4 2023 to 17,5% – the highest secondary grade rate increase since Q4 2012.

Q4 2023 saw a significant drop in occupier demand in Adelaide CBD, which marked the end of three consecutive positive quarterly net absorption figures. Adelaide CBD's quarterly net absorption was -300 sqm, driven by a combination of downsizing, centralization, and consolidation. It is important to note that most of the backfill from the occupancy of new buildings in this quarter had already been accounted for over the prior 12 months.

Australia Commercial Real Estate Industry Overview

The Australian commercial real estate market is strong and highly competitive. Australian commercial real estate is becoming a preferred destination for global institutional investors, driven by robust office space take-up, declining vacancy levels, and rising rentals. Small-scale developers are also merging with big real estate developers or exiting the market. Some of the country's major commercial real estate players include Lendlease Corporation, Scentre Group Limited, Mirvac, Pact Construction, and Multiplex Constructions Pty Ltd.

Additional Benefits:

The market estimate (ME) sheet in Excel format

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