

Australia Commercial Real Estate - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

Market Report | 2024-02-17 | 150 pages | Mordor Intelligence

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Report description:

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).

The Australian property sector experienced significant uncertainty and transformation in 2020. The COVID-19 pandemic saw employees choosing to work flexibly and increased consumer demand for e-commerce. This disrupted the market and created several opportunities for investors, landlords, and occupiers alike.

In 2022, it was a new era for commercial real estate in Australia, with low interest rates, sustained government stimulus, and a population emerging from pandemic-induced lockdowns that are expected to increase their spending. The market outlook looks promising for commercial real estate investors, bolstered by cheap debt, structural changes, and the under-allocation of real assets.

Two major forces influencing Australia's commercial real estate market are urbanization and population expansion. Further, the business has seen several trends recently, including improved accessibility, shared office spaces, and digital connectivity. In particular, with a hard climate for many areas on the horizon, more innovation in the sector will be necessary to maintain consistent growth. Even before the coronavirus epidemic struck the country, a fall in the value of commercial building activity in Australia was already expected.

Over the years, Melbourne and Sydney's prime office space has experienced high rents and little vacancy. While interest in flexible working spaces has fluctuated, investment in office real estate has remained consistent. This is partly because of the effects of the coronavirus epidemic. Typically, these coworking spaces are hired out temporarily. Companies that don't want to

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commit to a lengthy lease for office space that is not completely utilized may find this appealing.

Australian Commercial Property Market Trends

Office real estate is expected to drive the market

In the third quarter of 2022, the yield of prime office real estate in the central business district of Western Australia was 6.36 percent. In comparison, the yield of prime office real estate in New South Wales was 4.5 percent. As of July 2022, about 40 percent of investment in commercial real estate in Australia went to the office sector. That same year, the industrial sector received about 18 percent of the commercial real estate investment in the nation.

In the third quarter of 2022, the incentives for prime office real estate in the central business district of Western Australia were the highest at 49 percent. In contrast, the Australian Capital Territory had the lowest incentives at 25 percent. In the states of Queensland and Victoria, incentives for prime office real estate were at 41.1 and 40.3 percent, respectively. The central business district in New South Wales had the highest average net face rent of prime office property in Australia in the third quarter of 2022, with an average net face rent of 1,323 Australian dollars per square meter. The central business district in Victoria had an average net face rent of 689 Australian dollars per square meter of office property in Australia.

In the third quarter of 2022, the office vacancy rate in the central business district of Perth, Australia, was the highest, with a rate of around 19.3 percent. The central business district of Sydney had an office vacancy rate of 13.7 percent. In November 2022, the office occupancy, as a share of pre-COVID-19 levels in the central business district of Perth, Australia, was 80 percent. Canberra CBD office occupancy was at 52 percent of pre-COVID-19 levels in the same month.

Increase in Investments in Commercial sector

The past year has seen several significant shifts in the Australian economy and investment market. The biggest residential property markets struggle with the effects of increasing interest rates and rising inflation. Led by the record-breaking USD 3.8 billion acquisition of the Milestone logistics portfolio by ESR, industrial and logistics sales rose to USD 13 billion over the first nine months of the year, compared to the volume in 2020, which was USD 5.3 billion.

Although many malls are still struggling due to the rise of online sales and lockdown restrictions, retail investment activity has also rebounded. While Singapore, China, and Hong Kong drastically reduced their economic commitment to Australian real estate this year, the USA and Germany represented investment growth this year, demonstrating the growing confidence that foreign buyers have in the local market. As of July 2022, about 45 percent of commercial real estate transaction activities in Australia were in New South Wales. That same year, Western Australia had about 1.5 percent of the commercial real estate transaction activities in the nation.

According to Commercial Real Estate, the value of investment-grade industrial property in Australia will pass the value of office property for the first time in 2026. This is because logistics real estate values are going up, and new, larger facilities are being built to accommodate the growth of e-commerce.

Australian Commercial Property 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

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Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

Table of Contents:

1 INTRODUCTION

- 1.1 Study Assumptions
- 1.2 Scope of the Study

2 RESEARCH METHODOLOGY

3 EXECUTIVE SUMMARY

4 MARKET DYNAMICS

- 4.1 Drivers
 - 4.1.1 Rapid Urbanization
 - 4.1.2 Government Initiatives Actively promoting the Construction Activities
- 4.2 Restraints
 - 4.2.1 Shortage of Skilled Labor
 - 4.2.2 Supply chain issues and rising material costs
- 4.3 Opportunities
 - 4.3.1 Technological Innovations
- 4.4 Value Chain / Supply Chain Analysis
- 4.5 Industry Attractiveness - Porter's Five Forces Analysis
 - 4.5.1 Bargaining Power of Suppliers
 - 4.5.2 Bargaining Power of Buyers/Consumers
 - 4.5.3 Threat of New Entrants
 - 4.5.4 Threat of Substitute Products
 - 4.5.5 Intensity of Competitive Rivalry

5 MARKET INSIGHTS

- 5.1 Current Economic Scenario and Consumer Sentiment
- 5.2 Commercial Real Estate Buying Trends - Socioeconomic and Demographic Insights
- 5.3 Government Initiatives and Regulatory Aspects for Commercial Real Estate Sector
- 5.4 Insights into Existing and Upcoming Projects
- 5.5 Insights into Interest Rate Regime for General Economy and Real Estate Lending
- 5.6 Insights into Rental Yields in the Commercial Real Estate Segment
- 5.7 Insights into Capital Market Penetration and REIT Presence in Commercial Real Estate
- 5.8 Insights into Public-Private Partnerships in Commercial Real Estate
- 5.9 Insights into Real Estate Tech and Startups Active in the Real Estate Segment (Broking, Social Media, Facility Management, Property Management)
- 5.10 Impact of COVID-19 on the Market

6 MARKET SEGMENTATION

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- 6.1 By Type
 - 6.1.1 Office
 - 6.1.2 Retail
 - 6.1.3 Industrial and Logistics
 - 6.1.4 Hospitality
 - 6.1.5 Other Types
- 6.2 By City
 - 6.2.1 Sydney
 - 6.2.2 Melbourne
 - 6.2.3 Brisbane
 - 6.2.4 Adelaide
 - 6.2.5 Canberra
 - 6.2.6 Perth

7 COMPETITIVE LANDSCAPE

- 7.1 Overview (Market Concentration and Major Players)
- 7.2 Company Profiles
 - 7.2.1 Lendlease Corporation
 - 7.2.2 Scentre Group Limited
 - 7.2.3 Mirvac
 - 7.2.4 Pact Construction
 - 7.2.5 Multiplex Constructions Pty Ltd.
 - 7.2.6 Meriton Apartments Pty Ltd.
 - 7.2.7 Stockland
 - 7.2.8 Frasers Property
 - 7.2.9 Pellicano Builders
 - 7.2.10 Qube Property Group Pty Ltd*
- 7.3 Other Companies

8 FUTURE OF THE MARKET

9 APPENDIX

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