Insight

Non-residential sales remain strong

Non-residential property transactions have fallen over the past year due to the impact of the pandemic but sales of medical and industrial assets have reached all-time highs.

Over the past financial year, there has been almost $41.7 billion in sales which is down on last year's total of around $46 billion (covers sales of properties above $5 million).

Demand for industrial remained high increasing by 34% on the previous financial year with the Blackstone Milestone and Fife portfolio acquisitions boosting the sales volume and the industrial sector seeing $14.95 billion in transactions across the major cities of Australia.

The office sector followed with $15.69 billion but this figure is well down on the $21 billion recorded in the previous financial year. Despite this, demand for suburban office assets was strong.

Medical asset sales rose by more than 85% with $1.01 billion in sales compared to $545 million on the previous year as investors sought low-risk properties. The institutions have become increasingly active in this sector over the past five years with Dexus and Centuria being the most active buyers.

Investors became anxious about aged care and retirement homes with sales plummeting after recording record hikes over the previous financial year. Combined, these assets plummeted by -77% recording $812 million.

The 2019/20 totals for aged care and retirement villages were at record highs with the amount of aged care sales up by more than 500% while retirement village sales increased by 300%.

Foreign buyers remain the most active upping their take in industrial to a whopping 44% over the last financial year, compared to 23% on the previous year predominantly inflated by the Blackstone deal.

Foreign buyers were also big investors of office representing 53% of sales over the past year while retail sales were dominated by institutions who have made up for 35% of all deals.

Whilst there was an expectation that yields would soften almost across the board at the start of the pandemic, yields have tightened across a number of asset classes over the past 12 months, with industrial, single-tenanted large format retail and convenience-focussed retail centres being standout performers. Even CBD office markets, which saw significantly depressed sales volumes, have seen yields hold to tighten over the year for prime buildings.

Sydney made up the bulk of non-residential sales with just over $16.9 billion in sales while Melbourne had the second highest in non-residential sales at around $10.5 billion.

Sydney also had the largest share of office transactions with almost $8.5 billion in deals while Melbourne experienced the most industrial sales at $5.36 billion which is a staggering increase of more than 90% on the previous year.

Sales fell across the board in Brisbane with the exception of the medical sector where $215 million in deals were done.