



RWC

WESTERN **S**YDNEY INSIGHTS

2024 Commercial Property Market Sentiment Report

ISSUE 1

RWC WESTERN SYDNEY

OCT 2024

Introduction

We are pleased to share the results of our recent market sentiment survey, which offers valuable insights into the perspectives of commercial real estate investors.

The survey explores key areas such as investment intentions, asset class performance, regional opportunities, and expectations for market growth and interest rates over the next 12 months.

These findings provide a comprehensive understanding of current market conditions and emerging trends, helping

to inform strategic decisions in an evolving landscape.

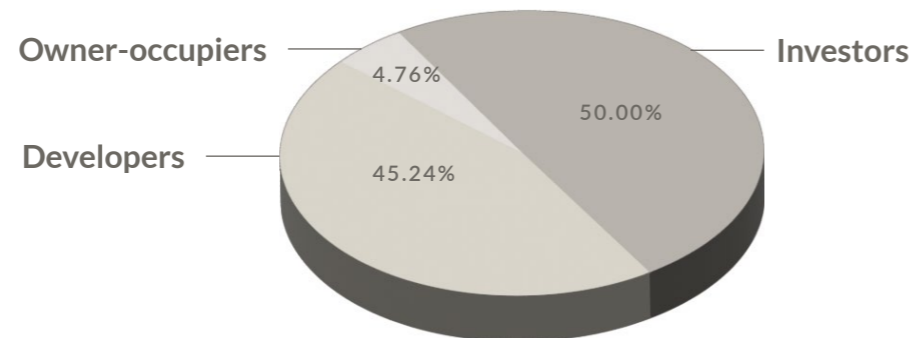
We are confident that this report will offer actionable insights to support your investment strategies in the year ahead.

We appreciate your participation in the survey and look forward to continuing to support your success in 2024 and beyond.

The *research*

Online survey conducted in September 2024

OVER
80
RESPONDENTS



The responses revealed six significant trends

1 Strong appetite to buy in the next 12 months

A majority of investors are positioning themselves to buy, with 57% indicating plans to actively purchase.

2 Industrial and healthcare sectors lead the way

These asset classes are expected to outperform in 2024, with 58% of respondents favouring them for strong returns.

3 Investors require a 5-7%+ return

Approximately 90% of respondents are looking for returns in the 5-7%+ range before making new investments.

4 Western Sydney remains a key growth hub

Western Sydney is the top regional pick, with 63% of respondents seeing it as the greatest opportunity for investment.

5 Modest growth expectations

Just over half of respondents (51%) expect market growth between 0-5%, showing cautious optimism for the year ahead.

6 Expectations of falling interest rates

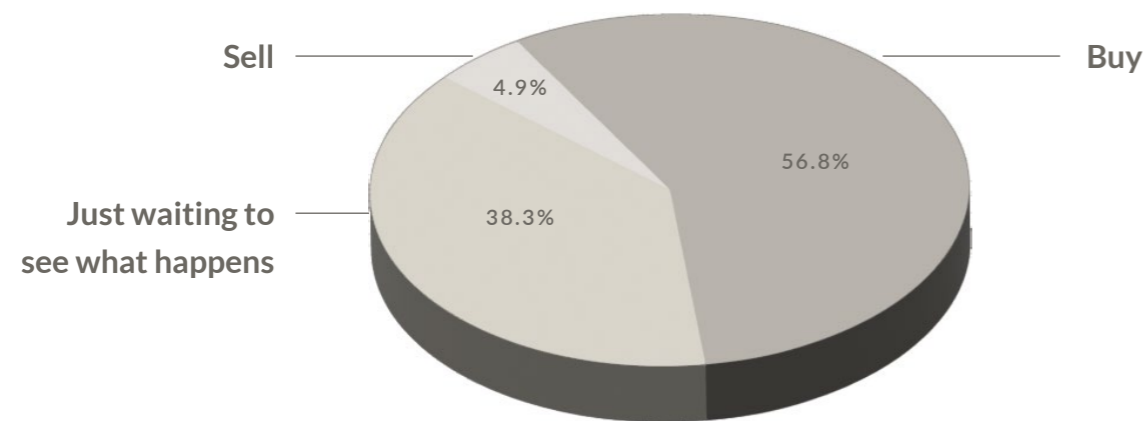
The majority of investors (around 70%) are anticipating a reduction in interest rates, which could spur further market activity.



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Confidence growing – majority plan to *buy* in the next 12 months

INVESTOR INTENTIONS
BUY, HOLD, OR SELL IN THE NEXT 12 MONTHS



Based on the survey results, 57% of respondents indicated they are more likely to buy within the next 12 months. This reflects growing confidence in the market, particularly as investors prepare to capitalise on opportunities despite current economic uncertainties.

In contrast, 38% of respondents are taking a "wait and see" approach, likely influenced by

market dynamics such as interest rates and asset performance.

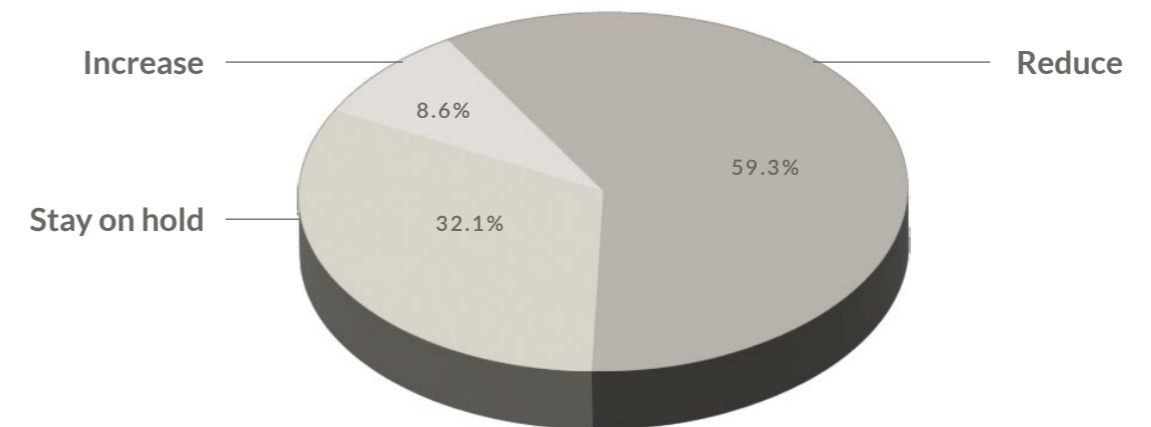
Only 5% of respondents expressed an intent to sell, further highlighting that most investors are either cautiously optimistic or actively positioning themselves for future market opportunities.

"It's encouraging to see that 57% of investors are looking to buy in the next 12 months, showing a renewed confidence in the market. Despite current economic uncertainties, we're seeing investors actively preparing to capitalise on opportunities. This aligns with the positive momentum we've been experiencing, and it's clear that many are positioning themselves for future growth."

- Peter Vines, Managing Director, RWC Western Sydney

Outlook on *interest rates*: anticipating a favourable lending environment

INTEREST RATE EXPECTATIONS
INVESTOR PREDICTIONS FOR THE NEXT 12 MONTHS



Based on the survey results, a clear majority of respondents (59%) anticipate that interest rates will reduce over the next 12 months, with 32% expecting rates to stay on hold, and a smaller group (9%) predicting an increase.

This suggests a generally optimistic outlook, with many investors likely positioning themselves for potential rate cuts in the near future.

As the commercial property market adjusts to these expectations, we are seeing heightened interest across various asset classes, driven by the prospect of improved borrowing conditions. This sentiment is contributing to renewed momentum in the market, as investors prepare for a more favourable lending environment in the coming year.

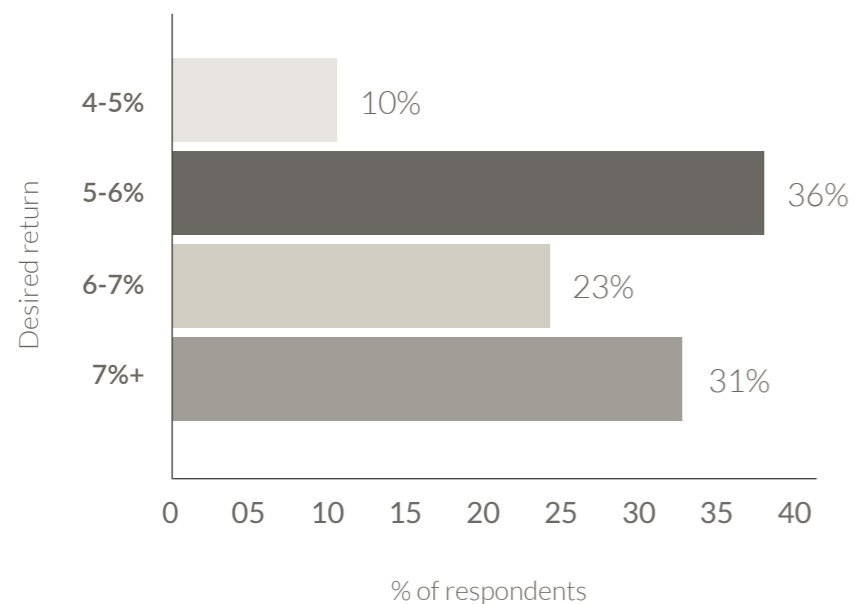
"By the end of 2025, the RBA is likely to settle on a cash rate between 3.75% - 3.50%, bringing an influx of investors with greater borrowing capacity and increasing competitive tension in asset classes like childcare, with yields on regional centres expected to compress by 0.25% - 0.50%."

- Survey respondent



Investors set high expectations: *5-7% returns* as the benchmark

INVESTOR YIELD EXPECTATIONS
REQUIRED RETURNS FOR INVESTMENT DECISIONS



Based on the survey results, we are seeing that majority of the respondents (approx 90% of the respondents) would require a return between 5-7%+ to considering investing in an asset at the time of this survey.

Unlike late 2023 and earlier this year, RWC Western Sydney has experienced a notable surge in market engagement and enquiries, with active campaigns across a variety of asset classes. With potential interest rate cuts anticipated in the coming months, many investors are positioning themselves to explore opportunities in the

current market. Discussions have intensified, and we're seeing broader interest across a more diverse range of investment asset types, signaling a positive outlook for the commercial property market in the near term.

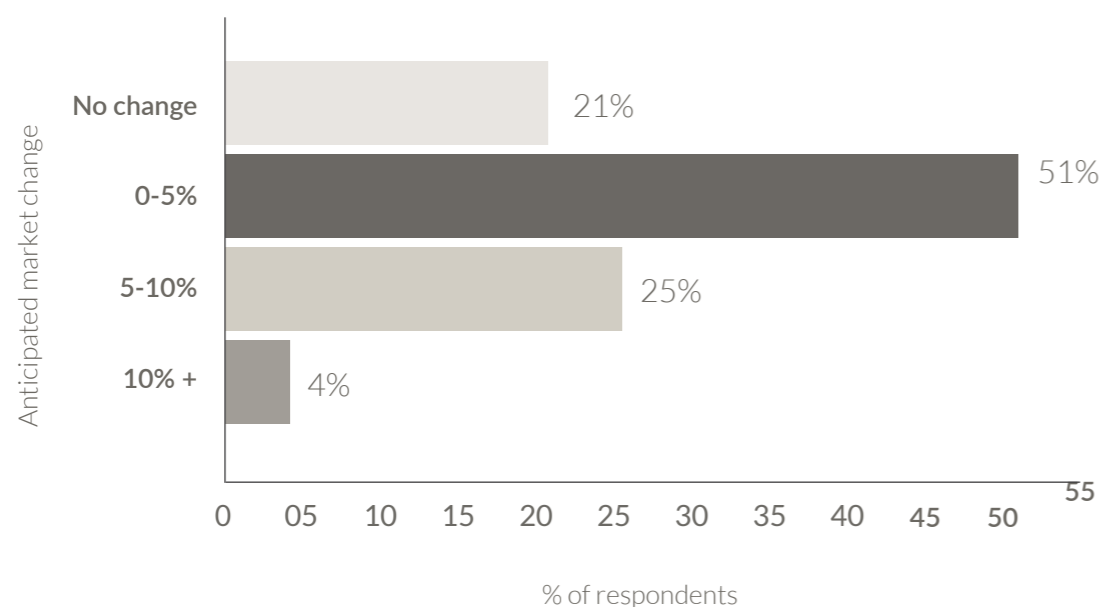
While yields vary significantly across different asset categories, expectations have remained stable. Given the substantial rental growth in recent years, there is increasing focus on underlying value drivers, such as market rent assessments and future growth potential, rather than solely on current yields.

"Our recent survey shows that around 90% of investors are looking for returns between 5-7% before committing to a purchase. This aligns with the surge in market activity we've seen here at RWC Western Sydney. With potential interest rate cuts on the horizon, investors are actively exploring opportunities across a broader range of asset classes. The focus is shifting towards long-term growth potential, rather than just current yields, which is a positive sign for the market moving forward."

- Peter Vines, Managing Director, RWC Western Sydney

Is the commercial property market set for *steady growth* in the next 12 months?

INVESTOR MARKET PREDICTIONS
EXPECTED GROWTH OVER THE NEXT 12 MONTHS



"General market sentiment for development activity appears to be improving. Financing costs are broadly improving with movement with the US Fed and trending down longer term bond yields, construction costs are stabilising (NSW and Melb) with a slowdown in new project commencements. Revenues remain strong, though need to improve - which in BTR/Office will be spurred with capital market valuation improvements.

- Survey respondent

Based on the survey results, approximately half of the respondents (51%) expect 0-5% growth to occur in the market over the next 12 months, with a smaller group (25%) predicting a 5-10% rise.

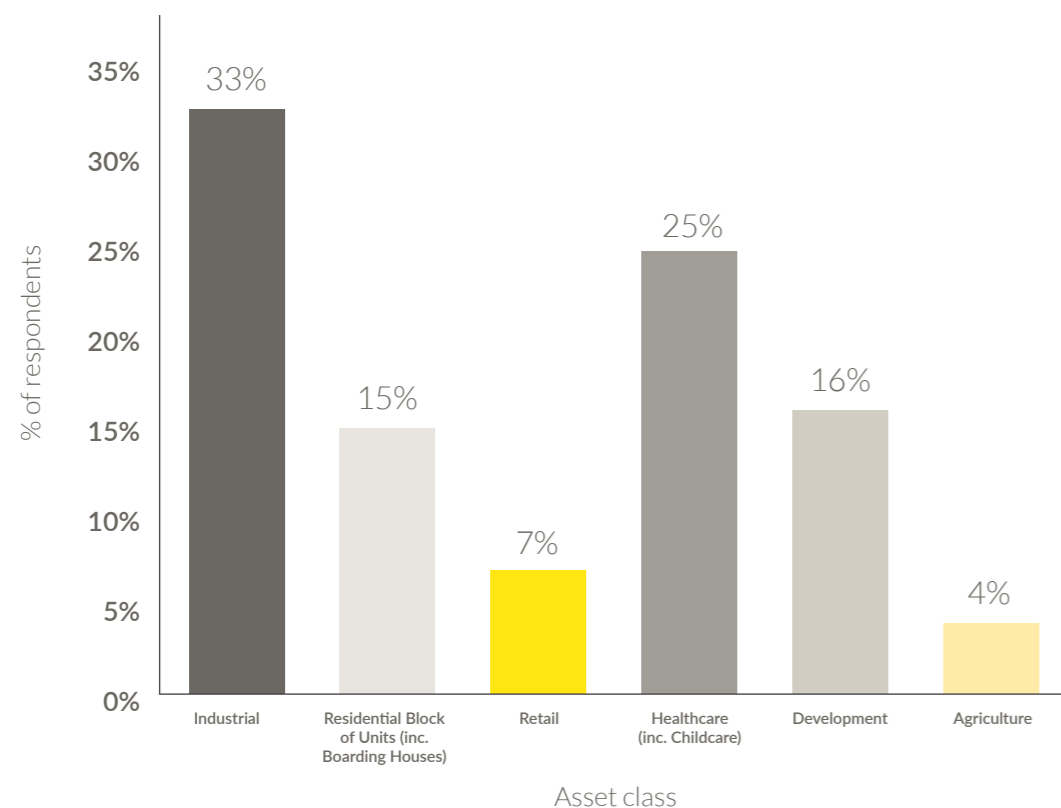
The market trend appears to be stabilising as the commercial property sector recovers from the lingering effects of the COVID-19 pandemic. Encouraging indicators suggest steady growth across the board for the commercial property market.

At RWC Western Sydney, we recognise that there is substantial capital within the Australian market ready to be deployed. Over the past year, private capital has been less active in acquiring commercial assets due to uncertainty in the market. However, many of these investors have shifted towards lending to generate returns. This capital now seems to be re-entering the market, contributing to the steady growth of the property sector overall.



Why are investors betting on *industrial and healthcare*?

TOP ASSET CLASS PREDICTIONS
EXPECTED BEST PERFORMERS IN THE NEXT 12 MONTHS



Based on the survey results, approximately **58% of respondents believe that industrial and healthcare including childcare, will be the best-performing asset classes over the next 12 months, driven by strong market conditions in both sectors.**

The industrial sector continues to experience strong demand, fueled by the ongoing growth in e-commerce, supply chain resilience efforts, and the need for increased logistics and warehousing space. These factors have resulted in high occupancy rates, rising rent, and a stable investment environment, making industrial assets particularly attractive to investors.

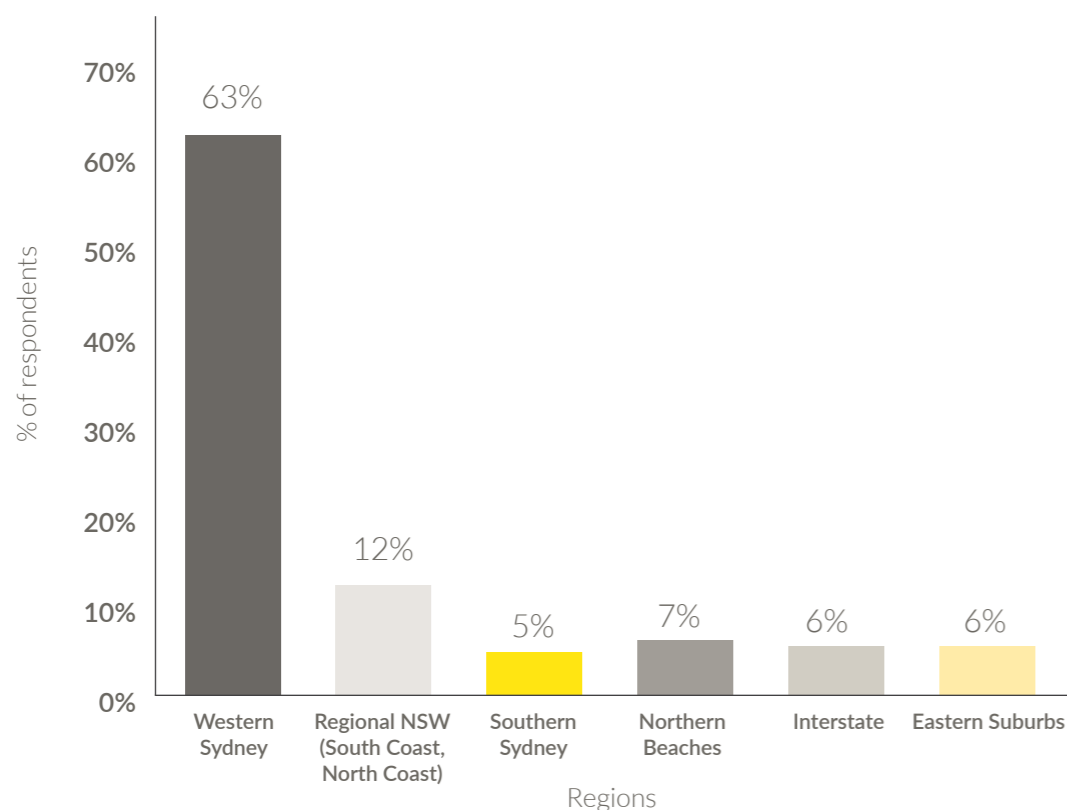
Similarly, the healthcare sector, including childcare, is benefiting from favorable demographic trends, such as an aging population and increasing demand for essential services. The resilience of healthcare-related assets during economic fluctuations, coupled with long-term lease structures and government-backed funding, enhances their appeal as a stable and secure investment choice.

As a result, it will not be a surprise that both industrial and healthcare sectors are expected to continue outperforming other asset classes in terms of market interest, both asset classes appear to be offering investors a compelling opportunity for growth and stability in the coming year.

"Healthcare will continue to rise. Industrial will stabilise with the amount of industrial complexes coming on the market in the next 12-24 months. With construction and land values being extremely elevated, development isn't feasible."
- Survey respondent

Could *Western Sydney* be the best place to invest?

TOP ASSET CLASS PREDICTIONS
EXPECTED BEST PERFORMERS IN THE NEXT 12 MONTHS



Based on the survey results, the majority of respondents (63%) believe that Western Sydney will present the greatest opportunity in the next 12 months, with Regional NSW following at 13%.

Western Sydney has been and will continue to be a hub for both economic and residential growth, thanks to substantial government and private sector investment in large-scale infrastructure projects. The construction of the Western Sydney Airport, set to open in 2026, is a major catalyst for this transformation, bringing improved connectivity and enhancing the area's appeal for businesses and investors. This, combined with the development of surrounding transport links, including road upgrades and Sydney Metro, is expected to significantly boost

commercial activity and stimulate demand for a wide range of property types—from industrial and logistics facilities to retail and residential developments.

Additionally, Western Sydney's rapidly growing population creates further opportunities in the commercial property sector, especially in retail, healthcare, and education-related assets, as demand for services and amenities rises to meet the needs of an expanding community.

We do note that Regional NSW is also emerging as an area of interest for investors (with 13% of respondents highlighting its potential), this is likely due to the higher return investments outside of Metropolitan Sydney readily offers.

"It's no surprise that 63% of respondents see Western Sydney as the greatest opportunity for investment in the next 12 months. With large-scale infrastructure projects like the Western Sydney Airport and Sydney Metro driving both economic and residential growth, the region is rapidly becoming a hub for businesses and investors alike. This transformation, combined with a growing population, is opening up significant opportunities across a range of asset types, from industrial and logistics to retail and healthcare. We're also seeing increased interest in Regional NSW, where investors are drawn to the higher returns available outside metropolitan areas."

- Peter Vines, Managing Director, RWC Western Sydney

Outlook

As we look ahead to the next 12 months, the insights from our market sentiment survey paint a clear picture of where investors see the greatest opportunities and challenges in commercial real estate. With industrial and healthcare sectors leading the way, Western Sydney emerging as the prime region for growth, and investors positioning themselves for potential interest rate adjustments, the commercial property market continues to evolve with resilience.

At RWC Western Sydney, we remain committed to helping our clients navigate these dynamic market conditions. Whether you're exploring opportunities in Western Sydney or beyond, our team is here to provide expert advice and strategic guidance to ensure you're well-positioned for success.

Thank you to all the participants who contributed to this survey, and we look forward to continuing to support you in your investment journey for the remainder of 2024 and beyond.



PETER VINES
Managing Director
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OUR OFFICE

With a strong foundation of experience and expertise, we bring a winning combination of dynamism and operational rigour to the commercial agency space.

Our People are *Your Advantage.*

SALES



PETER VINES
Managing Director



JOSEPH ASSAF
Director



VICTOR SHEU
Director



JAI SETHI
Associate Director



TROY WANG
Sales Executive



OWEN WHITE
Sales Executive



DANNY SHI
Sales - AIS



TAO SHI
Sales - AIS



ANDREW SACCO
Sales Executive



VEE LI
Sales Executive



ALEX EL HAZOURI
Sales Associate



MARCUS AUDDINO
Sales Associate



JAYKY WU
Commercial Property Analyst



CHANTEL BRILLANTES
Marketing & Design



MONH LY
Campaign Manager



MARINA STAVRAKIS
EA to Peter Vines

*Who we are,
what we do,
why we do it*



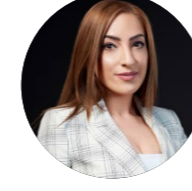
LEASING



ROBERT NAPOLI
Senior Leasing Executive



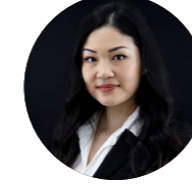
SAMUEL GONG
Senior Leasing Executive



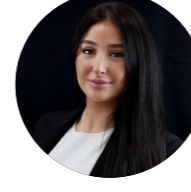
JOYCE ELKOUBERCI
Director



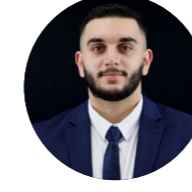
CALLUM MCKAY
Asset Manager



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AALIYAH CHAMI
Assistant



ADRIAN HARB
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Assistant



ANNIKA WARD
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RUBY ROZENTAL
Director of Strategy



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PAULINE WATERFORD
Finance Manager



ELIZABETH MCKENZIE
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LIAM SIMPSON
Senior Sales Executive



NATASHA SANDERS
Sales Associate



SHANI FERDMAN
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BETTY NGUYEN
Marketing Coordinator

The logo consists of the letters 'RWC' in a bold, italicized, sans-serif font, centered within a white square.

RWC

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