SPECIALIST
INDEPENDENT
VALUATION

QUEENSLAND MARKET SNAPSHOT H2 2023

FEBRUARY 2024

CONTENTS

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QUEENSLAND MARKET SNAPSHOT H2 2023

The Queensland property market continues to see positive occupier demand, with growth expected across many sectors in 2024 underpinned by a healthy pipeline of infrastructure projects and strong population growth. Over the second half of 2023 the market saw limited transactions due to factors including inflationary headwinds, however expectations between buyers and vendors should continue to realign and we are anticipating greater activity across most markets this year as confidence returns and interest rate volatility reduces.

HEALTHCARE

Photo Credit: Metro North Health

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MITCH ENRIGHT

Director | Health, Aged Care & Seniors Living

"With a much more positive inflation outlook coupled with strong underlying fundamentals within, the healthcare sector could see an increase in market transactions for healthcare-related assets during 2024 - particularly within the sub-$30 million bracket - as private investors see opportunity to enter the sector.

Limited transactions over 2023 highlight the disconnect between buyer and seller pricing expectations. However, this pricing gap should decrease given the reduction in healthcare asset values over the second half of 2023.

A continued focus on responsible investment and ESG from investment/fund managers will also see ongoing demand in the sector as it continues to grow and emerge as a core asset class.''

INVESTMENT MARKET

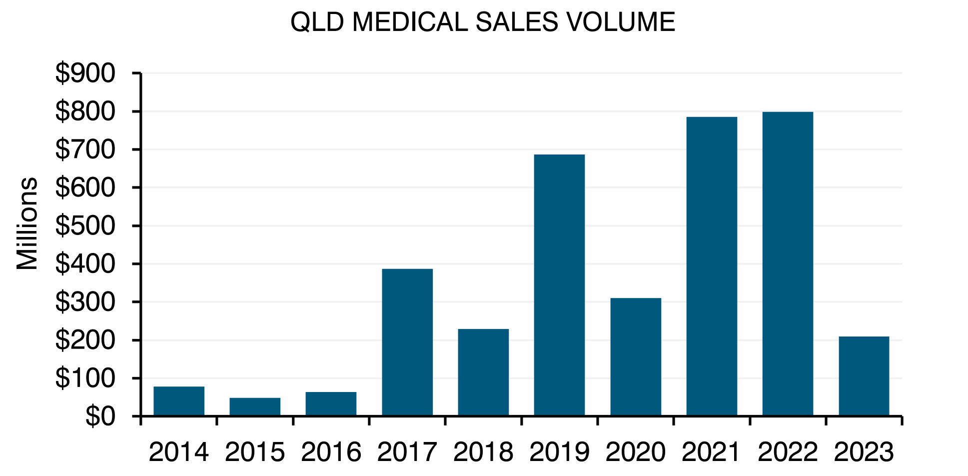
- Sales volume for 2023 was $209.8 million from 45 transactions. This figure does not include the two Queensland assets sold as part of the Healthscope Hospital Portfolio.
- The 2023 sales volume is significantly down on the record highs achieved in 2021 and 2022 with close to $800 million of sales recorded in both years. In 2022, there were 62 medical and hospital properties transacted across Queensland.
- Institutional investors, REITs, and private buyers have been the most active buyer groups over recent years.

TRANSACTIONS

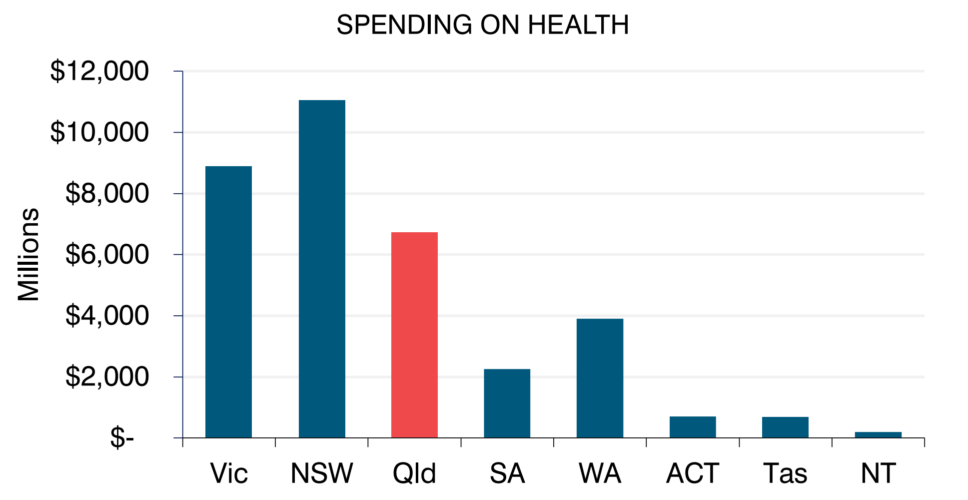
- Healthcare sales during 2023 were boosted by the sale of the Healthscope Hospital Portfolio. This sale included two assets in Queensland: Sunnybank Private Hospital and Pine Rivers Private Hospital.
- The sale of the Healthscope Hospital Portfolio aside, sales transactions were more subdued during 2023 compared to past years.

YIELDS

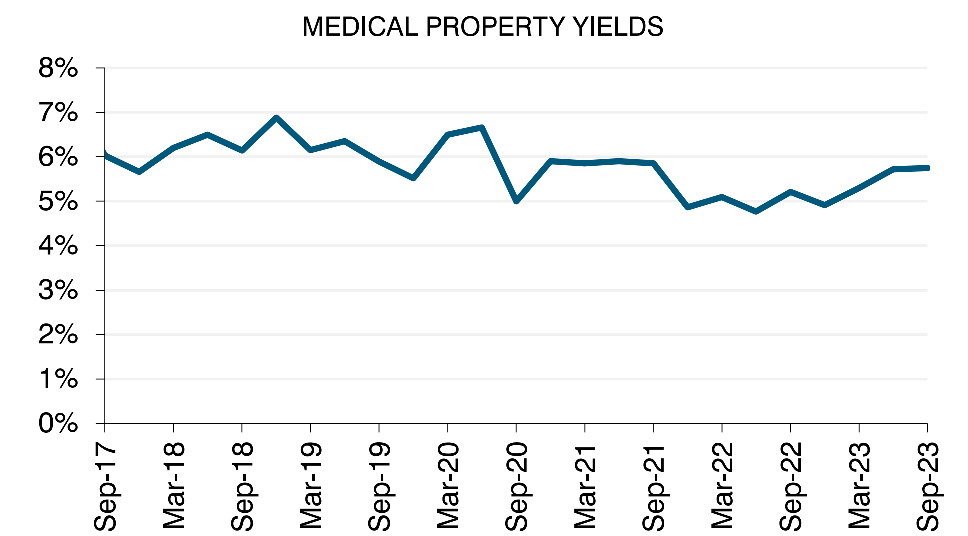
- Yields have undergone a period of compression over recent years, dropping as low as 4% for prime medical yields.
- However, yields have since eased and are expected to soften further in 2024.
- Yields are now averaging around 5.25% for prime medical assets and 7.50% for secondary medical assets (predominantly regionally located).



Source: Real Capital Analytics (RCA), M3 Property
Note: Sales over $1 million. Includes Medical and Hospital sales



Source: GapMaps, M3 Property



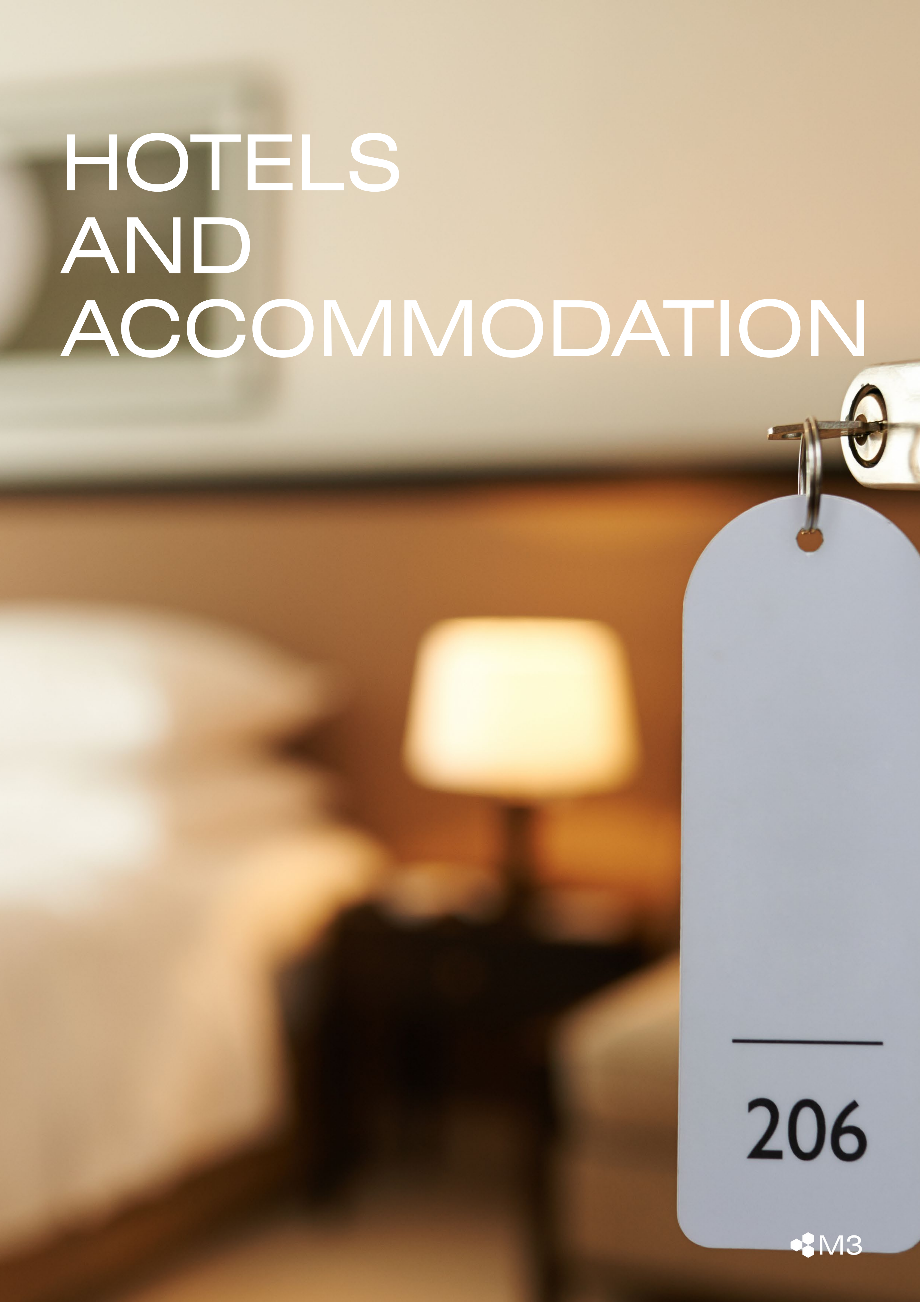
Source: Real Capital Analytics (RCA), M3 Property
Note: Sales over $1 million. Includes Medical sales only

OPPORTUNITIES AND CHALLENGES

- Inflation appears to have peaked and further interest rate rises look unlikely. The Australian economy still faces uncertainty and volatility. This could favour the Healthcare sector due to its strong underlying fundamentals reducing income and tenancy risk.
- Mental health and well-being is becoming an emerging health issue, with 43.7% of people aged between 16 and 85 experiencing a form of mental disorder in their life and 21.4% of people experiencing a mental disorder for at least 12 months.
- Demand for medical services by a growing and ageing population is expected to continue increasing. Unhealthy lifestyles, obesity rates and increasing focus on wellbeing and mental health continue to drive demand for medical services and medical suites and centres.

OUTLOOK

- The healthcare sector as an asset class will continue to grow to become a core asset class as it is supported by key market fundamentals, has significant investment growth opportunities and particularly as other core sectors face strong headwinds from rising inflation and the current interest rate environment.
- In 2024, the sector will benefit from added investment interest from private capital as the asset class is becomes more ‘affordable’ off the back of its key fundamentals; population growth, aging population demographics, government funding and private healthcare.
- Investment demand for high quality medical assets will remain strong over the medium-term, despite interest rate pressures coming into play. The healthcare market is still highly fragmented and there are significant opportunities for consolidation.



HOTELS AND ACCOMMODATION

"Since the end of border closures and COVID-19 lockdowns, although there has been continued upward movement on room rates and occupancies, this has been counterbalanced to some degree by rising operational costs for operators. Yields have continued to remain stable. Overall, there has been modest capital value growth in the hotels sector, which we expect to continue looking forward.

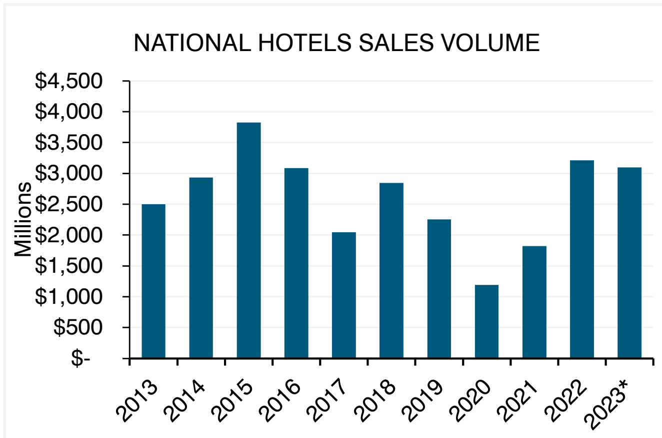
In the current financing and development environment, the delivery of new hotels has been challenging and is likely to remain so in the short to medium-term."

JAMES RUBEN

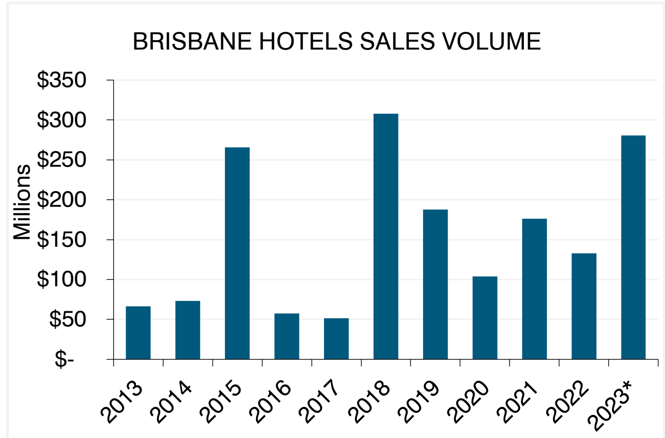
National Director | Specialised Assets

TRANSACTIONS

- Nationwide hotel transactions were slightly lower in 2023 due to reduced investment demand. According to RCA, there have been just 84 transactions of hotel assets totalling $3.09 billion nationwide. This compares with 84 transactions totalling $3.21 billion for 2022.
- Hotel transaction activity was strong in Brisbane in 2023. According to RCA, there were 9 transactions totalling $280.5 million of hotel assets across the Brisbane metro area. This compares with 8 transactions totalling $132.6 billion for 2022.
- Privates and offshore buyers were the two largest groups of buyers of Brisbane for 2023.

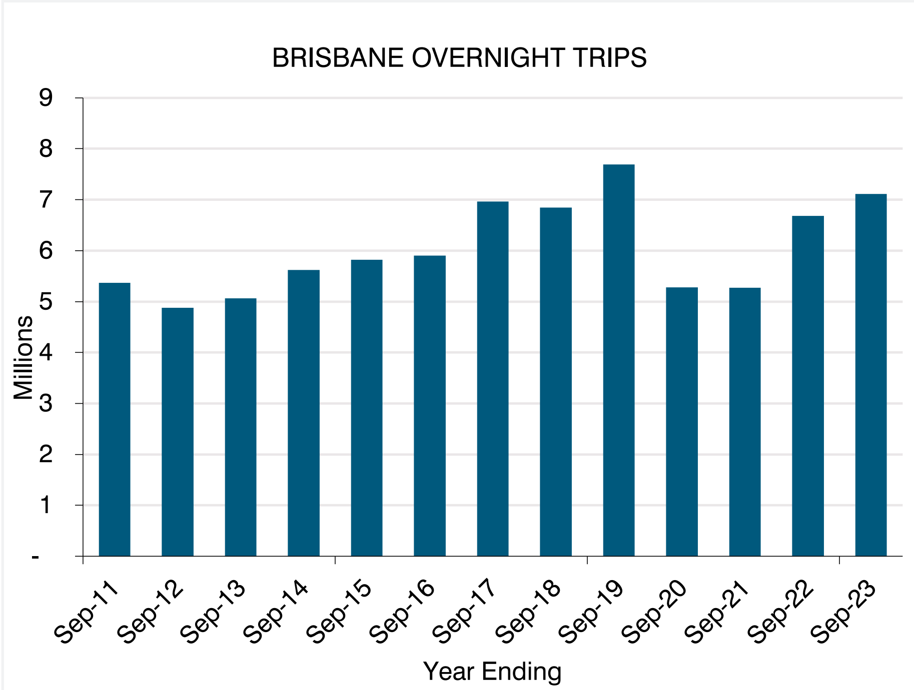


Source: Real Capital Analytics (RCA), M3 Property



Source: Real Capital Analytics (RCA), M3 Property

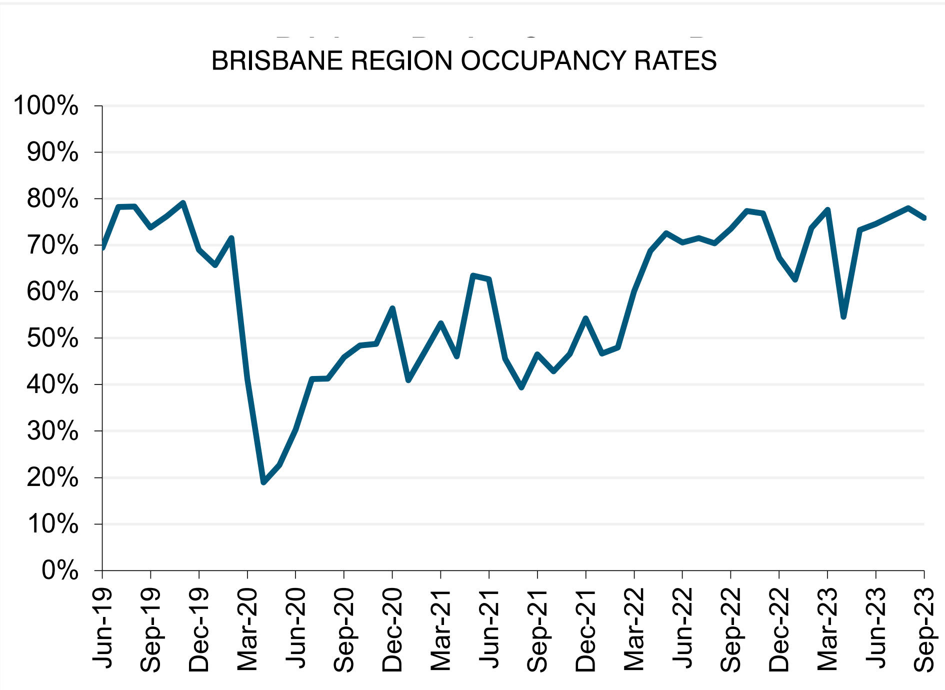
Source: TRA, M3 Property



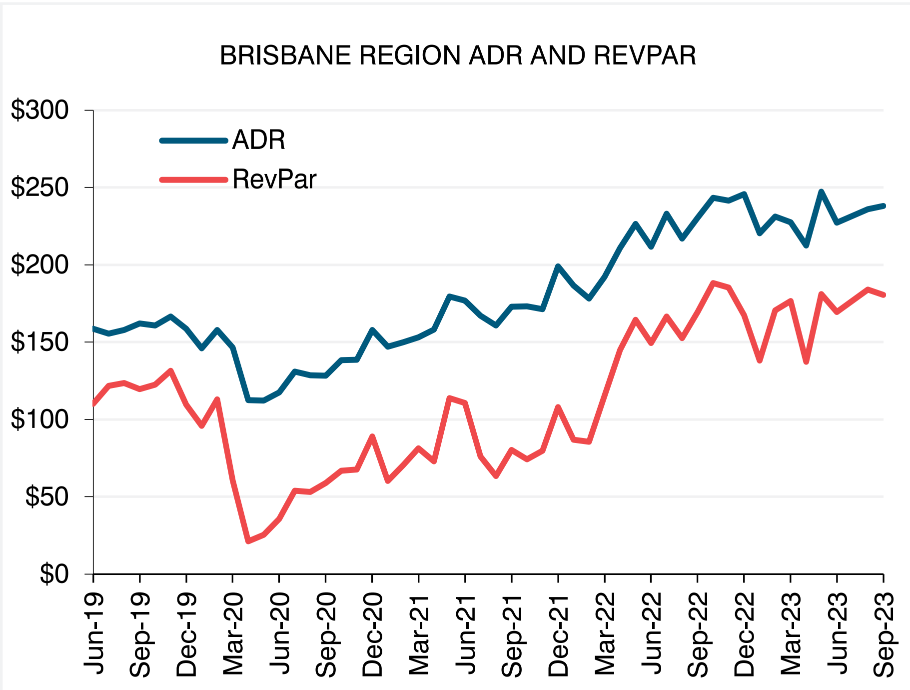
Source: TRA, M3 Property

CURRENT STATE OF PLAY

- Occupancy rates per room have largely recovered to pre-pandemic levels, with the Brisbane market recording 66.6% occupancy rates in January 2024, well above the 62.4% from January 2023 and comparable with the same months in 2019 and 2020.
- Revenue per available room has recovered to pre-pandemic levels which is a result of significant ADR growth. ADR growth has been influenced by a number of factors including strong inflation with operators passing on increases in outgoings; an increased quality of stock driving premium rates; and evolving travel trends increasing demand.
- International visitor rates to the Brisbane market remain below pre-pandemic levels but are showing significant year-on-year gains.
- Inter-state visitor rates to the Brisbane market have returned to pre-pandemic levels.



Source: STR, M3 Property



Source: STR, M3 Property

OPPORTUNITIES AND CHALLENGES

- Construction costs continue to place pressure on new hotel development, however, conversion and refurbishment/ repositioning opportunities exist within the market to repurpose alternate use properties or older/tired accommodation assets.
- Evolving consumer expectations and travel trends around sustainability and social governance will continue to influence both consumer decision making and investment.
- Demand for good quality, sustainable assets is expected to grow, together with consumer demand for higher quality accommodation products and services.
- Evolving technology continues to improve efficiency in hotel management, with potential to reduce staffing levels and improve margins.
- New trends such as leisure travel, digital nomadism, eco-tourism, wellness tourism and boutique product positioning are all contributing to the transforming market.

INDUSTRIAL

ROSS FARWELL

Director | Industrial

> "The volume of industrial property transactions in Brisbane's Industrial market tracked at a slower rate in 2023 compared to 2021 and 2022, however was broadly in line with 2018 to 2020 results, suggesting a return to longer-term annual transactional activity trends.
>
> The increase in the cost of funding and uncertain economic environment surrounding the drivers that underpin the industrial sector has contributed to a decrease in transactional activity and resulted in a softening of industrial yields across Australia.
>
> The strong rental market in 2023, underpinned by lack of supply and good occupier demand, resulted in continued strong rental growth which has assisted in maintaining capital values, although in some instances losses have occurred.
>
> Transactional activity is expected to remain at subdued levels over the near-term. A pickup in activity is anticipated for the middle to late 2024 when there is likely to be increased certainty regarding debt funding."

CURRENT STATE OF PLAY

- The volume of industrial property transactions in 2023 slowed significantly compared to the previous two years and the lowest total transactional activity, by quantum of dollars, since 2018. The total sales volumes in 2023 of $953.4 million is broadly in line with long term trends, noting that 2021 and 2022 were well above historical trends.
- The increase in the cost of funding and uncertain economic environment surrounding the drivers that underpin the industrial sector has contributed to a decrease in transactional activity and resulted in a softening of industrial yields across Australia. Prime yields softened between 50 to 100 bpts in 2023 and a total of 150 to 175 bpts since the peak, in early 2022.
- There has been a continued strengthening in the leasing market and a renewed focus on rental levels from property owners now that market value growth via yield compression has slowed. The Brisbane industrial market witnessed strong growth in net face rents during 2023, recording 17.9% growth for Prime assets and 16.8% for Secondary assets.
- There has also been a modest increase in incentives, sitting at between 5% - 15% for both Prime and Secondary space, while pre-commitments are moderately higher at 8.0% to 15.0%.
- Lack of stock, cost of land and high construction costs are the main contributors to rental growth.
- The land market continues to be tight across all markets and industrial land values have continued to grow over the past 12 months, albeit at a slower pace than 2021 and 2022. The growth in land values is expected to stabilise in the short term, as proposed development becomes difficult or unfeasible, due to higher construction costs, the increased cost of funding and lower investment values.

RENTAL MARKET

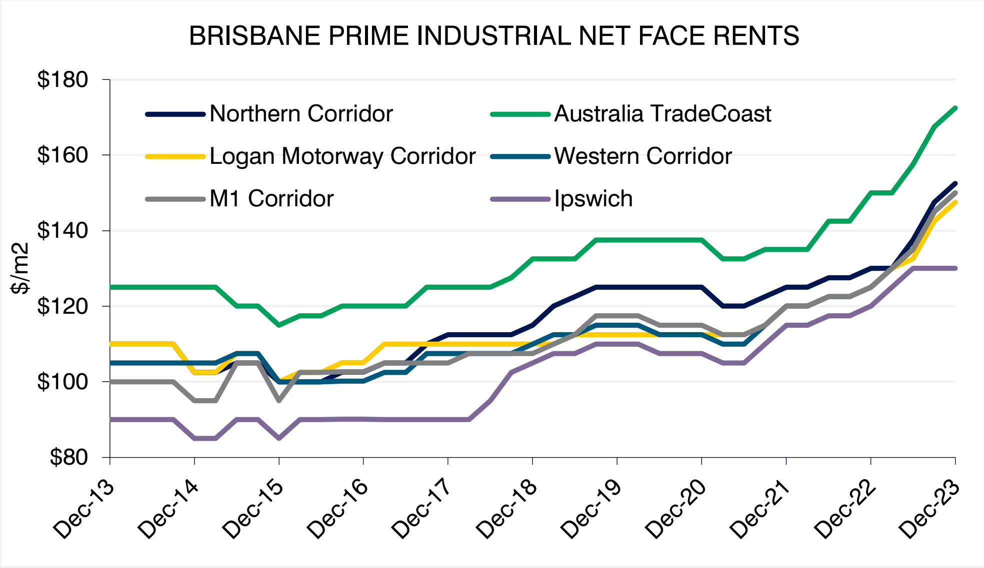
- Net face rents are currently ranging between $120 and $195 per square metre with secondary rents ranging between $100 and $140 per square metre.
- There has been a renewed focus on rental levels from property owners over the past year. Prime rents increased by 17.9% in 2023 with secondary rents increasing by 16.8%.
- Incentives are typically ranging between 5.0% and 15.0% (and larger on major tenant commitments), having trended upwards over the past year.

YIELDS

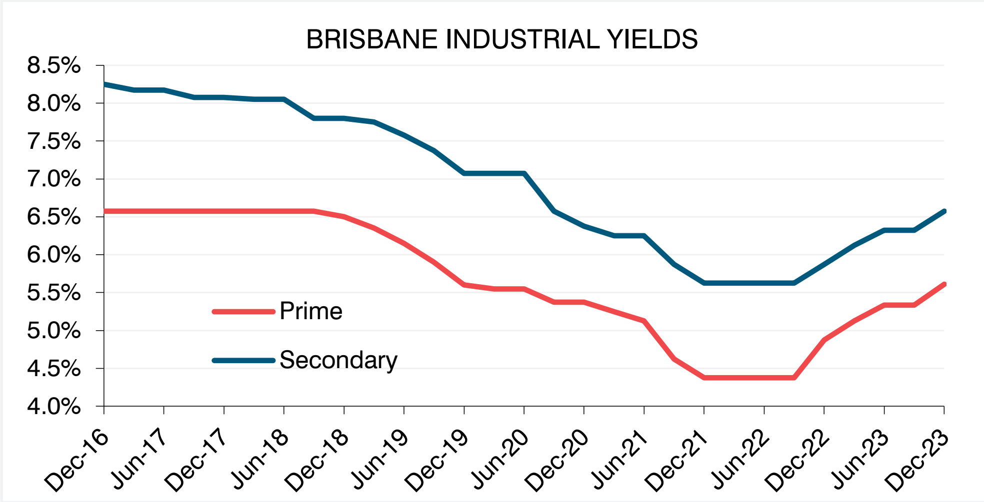
- During the December 2023 quarter, prime yields ranged between 5.25% and 6% and secondary yields ranged between 6.25% and 7%.
- However, investment demand weakened significantly coming into 2024 due to changes to monetary policy resulting in higher borrowing costs. Investment activity is anticipated to remain subdued until such time that greater certainty exists around the level at which the cash rate will peak.

INVESTMENT MARKET

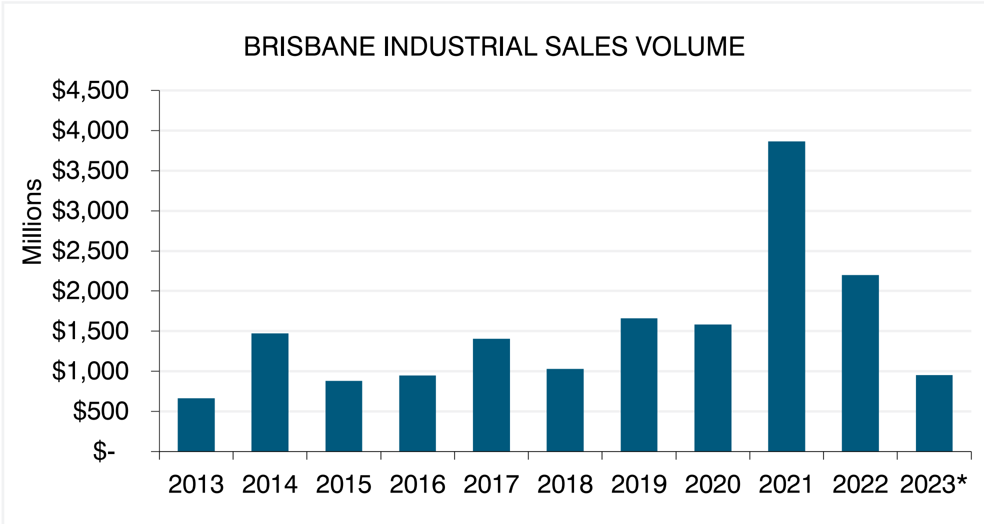
- According to RCA, 78 industrial properties have transacted across Brisbane during 2023 (above $5 million price point), totalling $953.4 million of sales. This compares with 150 sales totalling $2.2 billion for the whole of 2022.
- 2023 sale activities were significantly lower than previous years, with changes to the monetary policy resulting in a softening in demand.
- In 2023, private investors have accounted for the largest share of sales (60.3% by value). However, privates are also the largest seller of industrial properties, and are overall net sellers (62.8% in value) for the year
- Listed funds and REITs had exited the Brisbane Industrial trading market in 2023, with limited involvement as buyers.



Source: M3 Property



Source: M3 Property



Source: Real Capital Analytics (RCA), M3 Property
Note: sales over $5 million

OPPORTUNITIES AND CHALLENGES

- There were substantial increases in supply during 2023 with a number of developments reaching practical completion. Quarterly completions for the September 2023 quarter reached 248,100 sqm, which is a level well above the 10-year quarterly average. There remains a substantial pipeline of DA approved supply to come to the market in 2024 and beyond. However, supply chain disruptions, higher construction costs, and the rising cost of debt are expected to continue impacting the delivery of some projects over the short term.
- With household discretionary incomes to come under increased pressure over the coming year, we expect to see demand from retail groups moderate.
- Occupiers continue to seek modern, efficient buildings and are increasingly expecting ESG features in new developments.

OUTLOOK

- We expect rental growth to be moderate in 2024, as leasing demand remains robust and the availability of leasing options is limited. The rental growth will be driven by the transport and logistics and manufacturing sectors, which account for the bulk of current enquiries. Demand from the retail trade sector is expected to wane given cost of living pressures which has led to a pull-back in retail spending from consumers.
- Land rates are expected to be stabilise over the coming 6 to 12 months given high construction costs, continued supply chain issues and the potential easing of demand for investment stock.
- With interest rates likely to remain flat over the first part of 2024 it is anticipated that investment activity will remain subdued and yields are forecast to continue to soften over the short-term. Market forecasts are generally for interest rate cuts towards the end of 2024 or early 2025. The unwinding of book values to current market yields is expected towards the latter part of 2024, which will trigger more transactional activity as buyer and purchaser expectations narrow.

CBD OFFICE

MICHAEL COVERDALE
Managing Director

> "During the second half of 2023 sales activity in Brisbane's office market remained limited. However, the number of transactions is expected to improve in 2024 with recent receding inflation figures bringing more confidence back to the market as vendor and purchaser expectations realign.
>
> While the market is still relatively soft, we're already starting to see some investors look closely at opportunities in a counter-cyclical/ value add approach. Secondary assets from large institutions are being placed on the market as AREITs look to consolidate their balance sheets and recycle capital into new projects, while privates, syndicators and some investment funds look for opportunities to invest.
>
> The Brisbane CBD office leasing market saw good rental growth throughout 2023 and white-collar growth is expected to remain positive over the 5-year forecast. There is some supply coming to the market, bringing up vacancy, however its likely to be absorbed quickly in addition to some supply expected to be withdrawn from the market. This indicates overall vacancy should tighten or broadly remain unchanged and good effective rental growth will continue."

CURRENT STATE OF PLAY

- According to the Property Council of Australia, there was 2,343,569 square metres of office space in the Brisbane CBD as of January 2024.
- The Brisbane CBD office vacancy rate decreased from 12.9% to 11.7% over the year to Jan 2024. The decrease in the vacancy rate was driven by strong net absorption of 16,432 sqm, with supply completions (totalling 33,061 square metres) partially offset by the withdrawals (14,196 square metres).
- The Brisbane CBD has a healthy medium-term supply pipeline. Work has started on 360 Queen Street (which has pre-commitments to BDO and HopgoodGanim), 205 North Quay (Services Australia) and Dexus's Waterfront project (Deloitte and MinterEllison). There is 56,793 square metres of space due to be delivered in 2024 and 269,752 square metres of supply mooted for development in the CBD. However, we do not expect to see any major projects proceed to construction in the short-term without a significant pre-commitment.

RENTAL MARKET

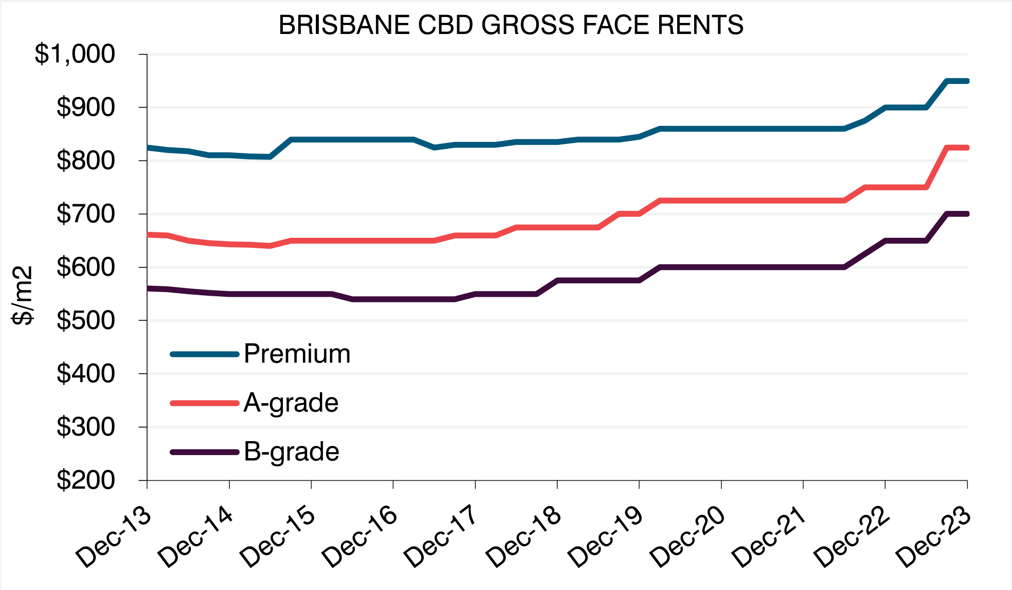
- As at December quarter 2023, Premium gross face rents ranged from $900 to $1,000 and are estimated to have grown by 5.6% in the twelve months to December 2023.
- A-grade gross face rents ranged from $750 to $900 and are estimated to have grown by 10% year on year.
- Incentives averaged 40% for both Premium and A-grade.
- B-grade gross face rents ranged from $650 to $750 during the quarter, and are estimated to have grown by 7.7% year on year, with incentives averaging 42.5%.

YIELDS

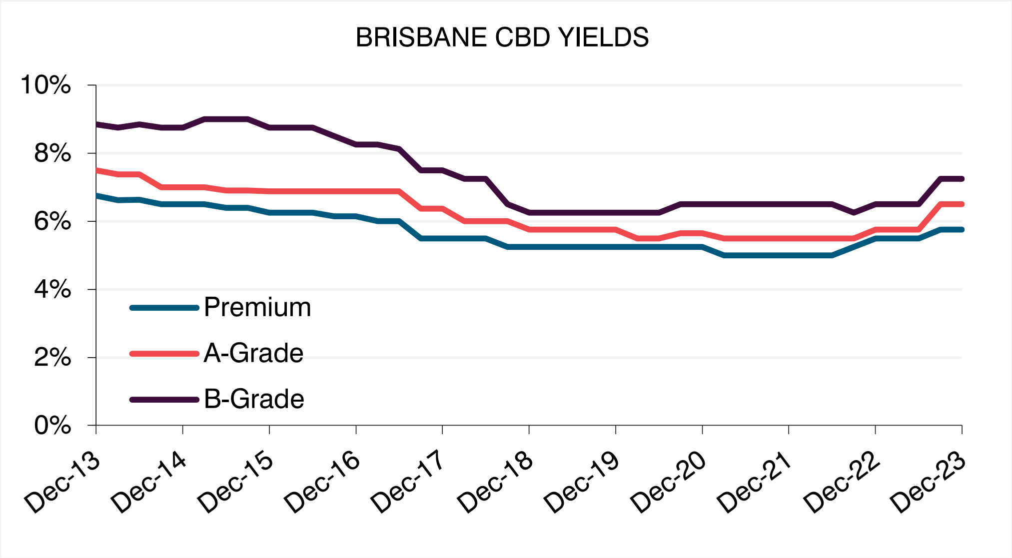
- Yields in the Brisbane CBD office market softened in 2023, with indicative yield ranges in the December 2023 quarter ranging from 5.25% to 6.25% for Premium-grade buildings, 6.00% to 7.00% for A-grade buildings, and 6.75 to 8.00% for B-grade buildings.
- With consistent supply, lowering vacancy and incentive level, sale activity is expected to increase. Some yield decompression is likely to continue and then stabilise in 2025 with greater divergence between prime and secondary assets.

INVESTMENT MARKET

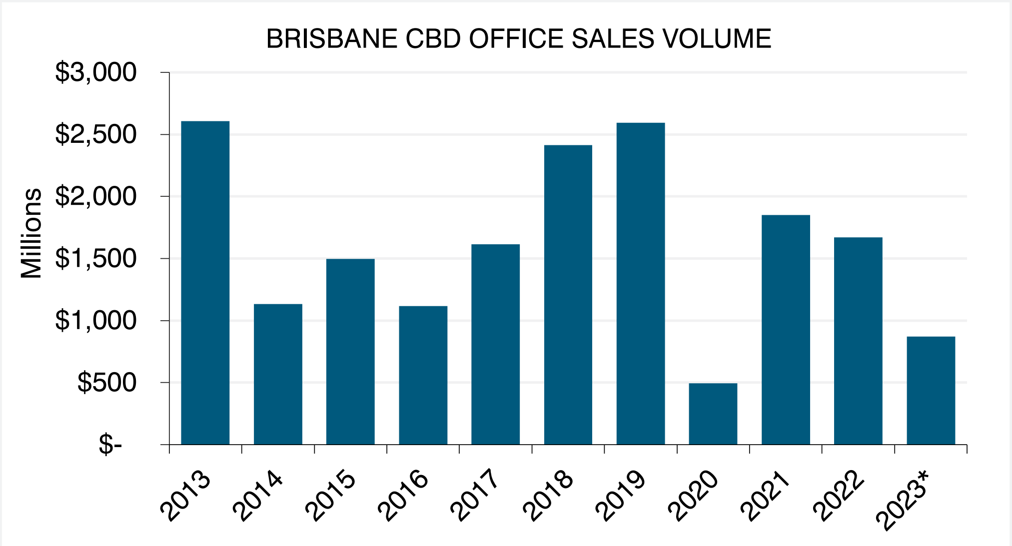
- Sales activity in the Brisbane CBD office market in 2023 totalled $872 million from 12 transactions throughout the year. This compares with $1.67 billion from 21 transactions in 2022.
- Offshore investors had been recently been the most active seller group (46.3%) in the Brisbane CBD office market while Private and Institutional investors are the most active buyers (38.8% and 57.9% respectively).



Source: M3 Property



Source: M3 Property



Source: Real Capital Analytics (RCA), M3 Property

OPPORTUNITIES AND CHALLENGES

- Conditions remain favourable to occupiers. Occupiers are showing preference for high-quality, newly-constructed buildings, being critical of the level of amenity and end-of-trip facilities. Occupiers are also increasingly considering the building's NABERS and WELL ratings.
- Office occupancy rates remain lower than they were prior to the pandemic. In recognition of the changing work habits of employees (including more employees working from home), occupiers are seeking tenancies with numerous collaboration areas and breakout spaces as well as leases that allow for expansion and contraction of space during the lease term.
- The Cross River Rail and Brisbane Metro projects will improve connectivity in the CBD and Fringe, UQ, Boggo Road and the Exhibition Showgrounds, integrating with the existing rail lines. We expect occupier demand will strengthen surrounding the new transport linkages.

OUTLOOK

- Coming into 2024, Brisbane CBD office space has a consistent supply pipeline planned for the next 3 years and includes a healthy level of pre-commitment. There are also an abundant amount of mooted supply planned for the sector.
- Occupier demand has strengthened, and this will drive net absorption over the coming six months. The medium-term outlook for white-collar employment in Brisbane is positive with BIS Oxford Economics forecasting an additional 53,640 persons to be employed in white collar employing industries in Brisbane over the five years to June 2028.
- The vacancy rate is forecast to reduce or remain stable over the 12-month forecast noting the short term likely net absorption and likely withdrawals of secondary stock from the market offsetting the increase in supply becoming available towards the end of 2024. We expect to see gross face and effective rents increase during the year, with rental growth strengthening over the medium-term. Incentives on new leases are likely to remain high as owners look to increase face rents after many years of limited growth. However, incentives on lease renewals have stabilised and could possibly reduce. This may particularly be the case for tenants where there's value/utility in existing fitouts, given the significant increase in costs to fund a new tenancy.

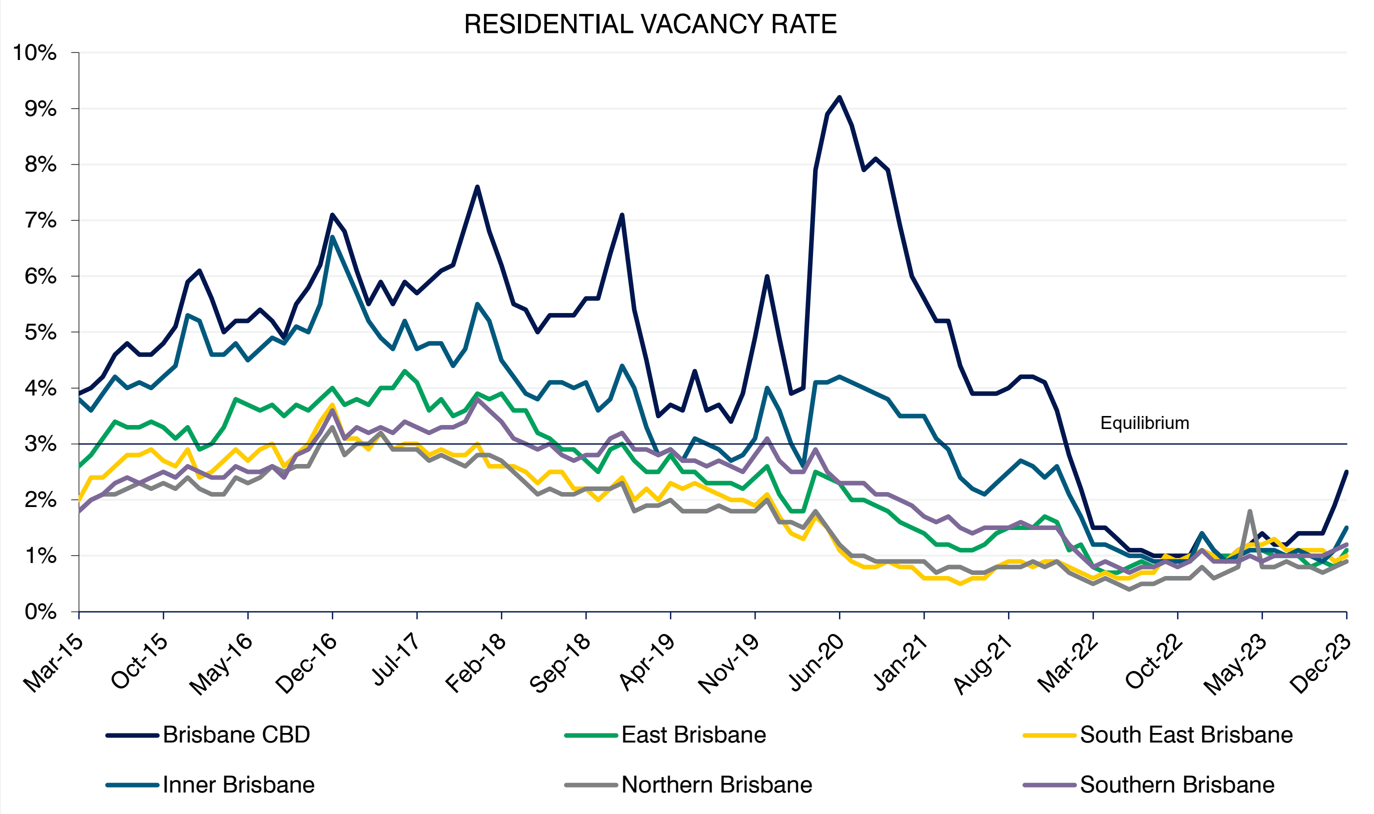
RESIDENTIAL DEVELOPMENT

STEPHEN LINNANE
Director | Residential Development

> "There is a strong level of activity in the Brisbane residential market, with continued high interstate migration and vacancy levels at less than 1% in some areas. As a result, we've seen double digit rental growth over the past 12 months in some locations.
>
> The market has strong fundamentals, with low supply, high levels of demand, and growing house prices. However, construction costs remain high and builder availability is limited. Development approval processes are being delayed due to a lack of council resources.
>
> Given the high interest rates and high construction costs, development sites in secondary locations may see a decline in value – particularly those that don't have a holding income.
>
> Underlying demand for housing will remain strong in 2024 with a potential decrease in interest rates in the second half of the year driving confidence in the market."

CURRENT STATE OF PLAY

- According to CoreLogic, Brisbane median house prices grew by 15% to reach a new peak of $888.628 in February 2024.
- With strong demand and a surge in population growth, median unit prices are also at a new peak of $568,595 in February 2024, and will likely continue to rise throughout 2024.
- Housing affordability has declined considerably since the September 2020 quarter. According to the HIA Affordability Index, affordability within Greater Brisbane deteriorated to an index score of 56 during the September quarter 2023 (an index score of 100 indicates the threshold for an 'affordable' market, with an index level below 100 indicating an unaffordable market).
- In January 2024, the Brisbane metro area had a vacancy rate of 1.0%, slightly higher than the 0.8% of January 2023. All submarkets are still sitting below the equilibrium level, with the Brisbane CBD sector being the only locality near the Equilibrium level sitting at 2.5%.
- The tight vacancy rates have put strong upward pressure on rentals across the Greater Brisbane residential market.



Source: M3 Property, SQM

OPPORTUNITIES AND CHALLENGES

- Population growth will continue to drive an undersupply market, resulting in price growth across all sectors.
- Planning is constraining the ability to deliver land and built form in a timely manner.
- The townhouse market will be appealing, particularly in middle ring suburbs and growth areas, as affordability worsens.

OUTLOOK

- Due to a combination of back-to-back interest rates rises, increased construction costs, and difficulties securing building contractors, feasibilities for development projects are being detrimentally impacted. We are noting an increased number of projects are unable to proceed with the current market fundamentals and that this is a significant risk to the development site market. If these conditions continue there is risk of a market correction for development site values.
- Rents are expected to continue to increase strongly over the short-term, with vacancy being below the equilibrium level in most sub-markets.
- Over the medium- to long-term, the South-East Queensland residential market is forecast to benefit from robust population growth, a sizeable dwelling stock shortage, and the 2032 Olympics (and development of associated infrastructure).

RETAIL

M3

DUANE GILLILAND
Director | Retail

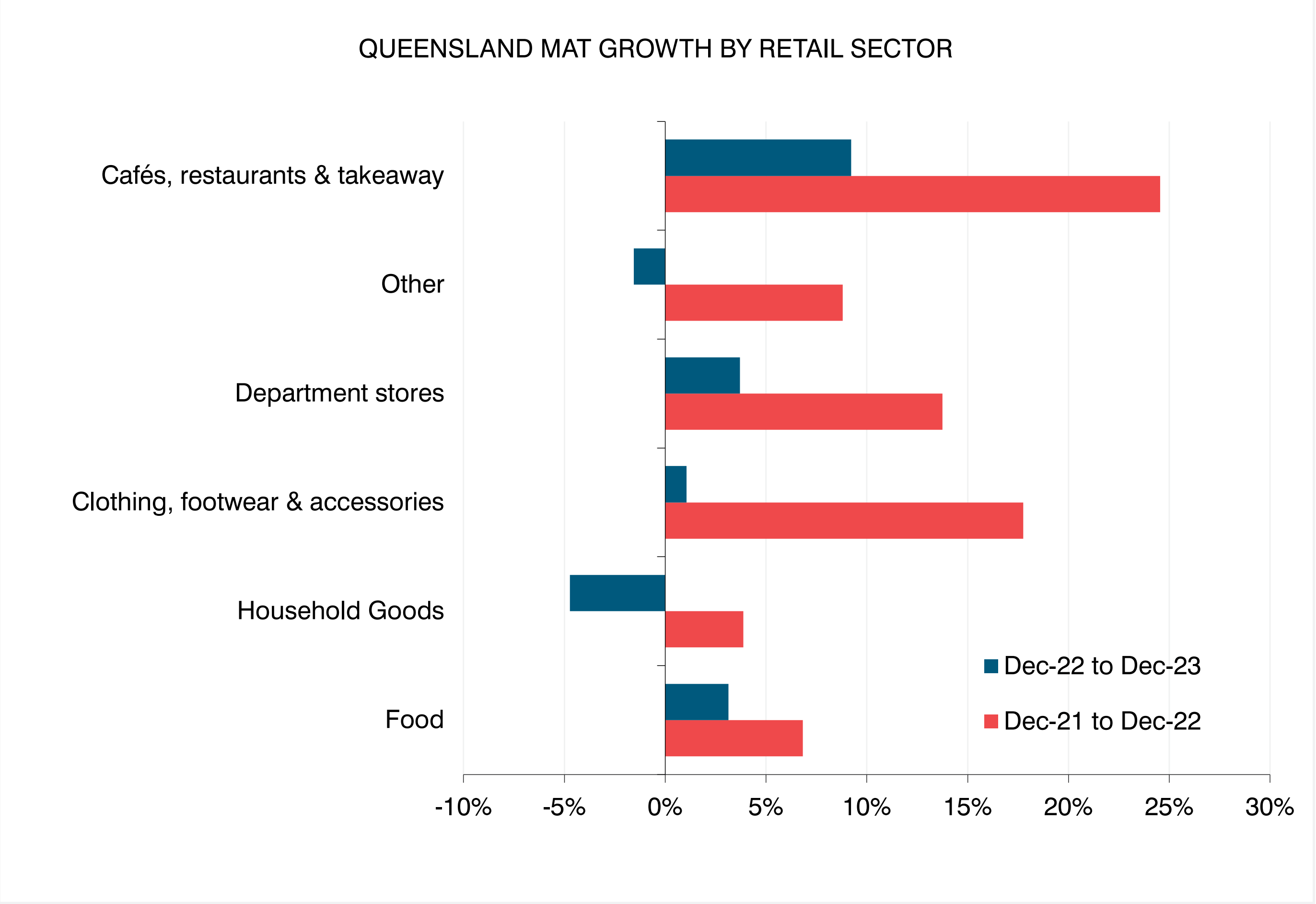
"The second half of 2023 saw limited sales activity in Queensland's Retail sector due to broader macro-economic conditions and limited on-market campaigns as a result of continued misaligned expectations between vendors and buyers.

Sales activity is largely being driven by institutional owners selling neighbourhood and sub-regional assets, which are being purchased primarily by private investors, syndicators and fund managers. Sales that have occurred have shown a softening and stabilisation in capitalisation rates as vendors readjust to current pricing.

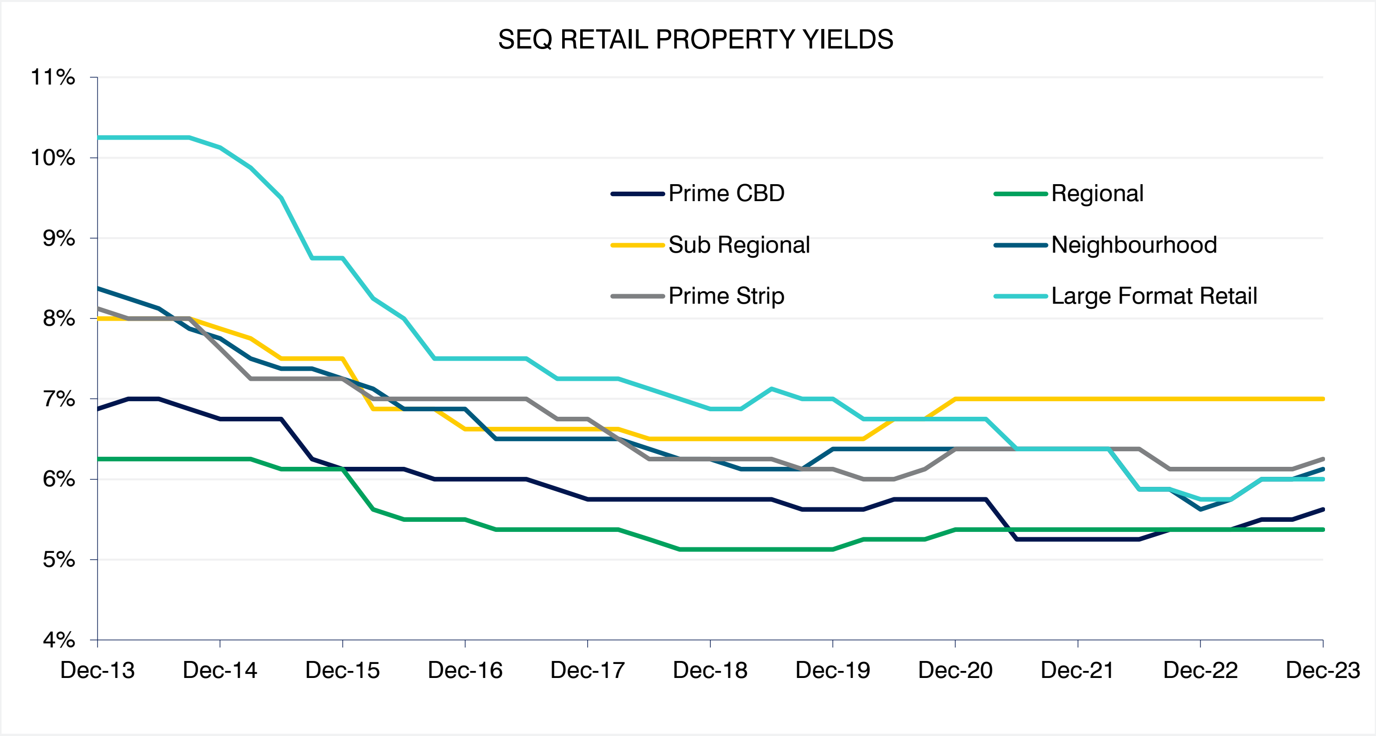
In 2024, we anticipate an increase in transactions and on-market campaigns, given vendor and buyer expectations are becoming more aligned. As we see more certainty around interest rates, it is likely we'll see an increase in activity in the market."

CURRENT STATE OF PLAY

- Total retail spending growth in Queensland from December 2022 to December 2023 was 1.85%, a large drop from 9.93% growth from the same period over 2021 to 2022. The strongest growth by retail category was recorded in Cafes, restaurants and takeaway (9.23%), followed by Clothing, footwear and accessories (3.70%).
- However, recent months have shown monthly volatility in retail turnover, with high inflation and the rising interest rate environment impacting consumer spending.
- Most new supply to come to the market is part of mixed-use developments or in growth corridors catering to strong population growth.
- In the CBD, the Queen's Wharf Project is well underway and will deliver circa 40,000 square metres of retail, dining, and entertainment space upon completion. Included will be circa 6,000 square metres of luxury retail floorspace in DFS's T Galleria, the group's largest shopping footprint in Oceania. The Integrated Resort Development component is scheduled for completion in 2024.
- The redevelopment of the Buranda Village Shopping Centre has recently been approved by Brisbane City Council. Vicinity Centres plans to construct 10,000 square metres of open-air retail and dining, four residential buildings, community space, and up to 50,000 square metres of office, commercial, and health space across three buildings on the site. Construction is anticipated to commence in 2024.



Source: ABS, M3 Property



Source: M3 Property

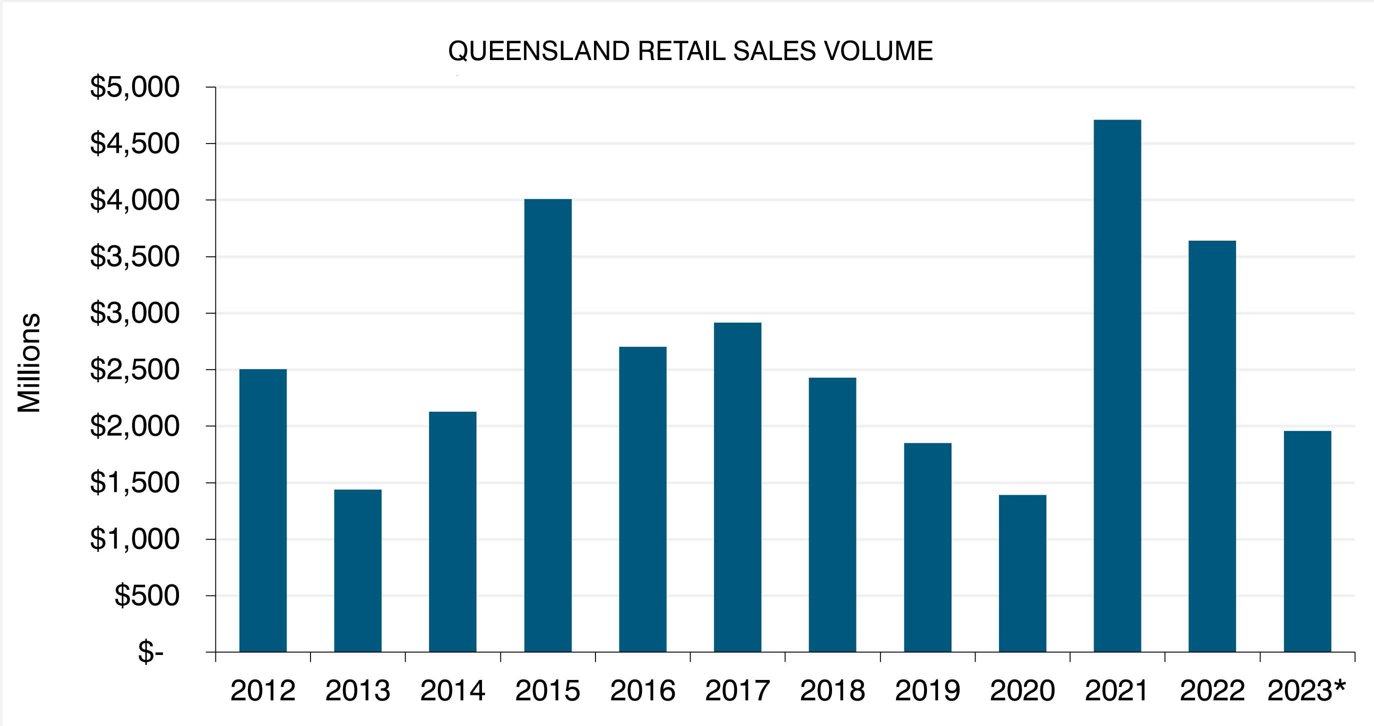
YIELDS

- Whilst retail yields softened throughout 2023, they generally continue to look attractive relative to the alternative investment classes of office and industrial.
- Some yield softening has occurred in Prime CBD, Neighborhood, retail strip and LFR assets. Regional and Sub-Regional sectors have remained stable throughout the year, highlighting tenants' preference for prime spaces.

TRANSACTIONS

- Listed funds and REITs have been unloading their QLD Retail assets in 2023, comprising 56.6% of transactional sellers. Meanwhile, Institutional and Private investors have been snapping up these properties, taking up the entire buyer composition of the Retail market.
- Transactions have reflected mixed results with some sales reflecting no to limited yield softening and others indicating softening is occurring.

"AS WE SEE MORE CERTAINTY AROUND INTEREST RATES, IT IS LIKELY WE'LL SEE AN INCREASE IN ACTIVITY IN THE MARKET."



Source: Real Capital Analytics (RCA), M3 Property

INVESTMENT MARKET

- There were 53 retail properties (totalling $1.96 billion) transacted above the $5 million price point during 2023, down from 96 ($3.6 billion) in 2022.
- Activity has slowed considerably since the high points in 2021 due to changing economic conditions, monetary changes and increasing purchasing costs.

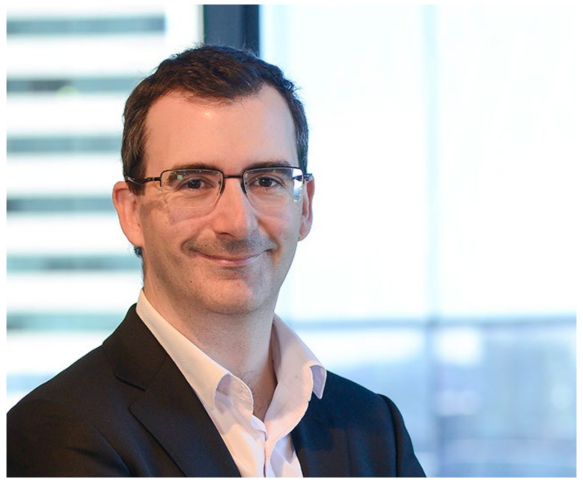
OPPORTUNITIES AND CHALLENGES

- Rental levels within shopping centres have largely been re-set over recent years, leading to more stable income profiles.
- Consumer sentiment has been volatile, and remains weak overall, with consumers pessimistic about making major purchases and about the short-term outlook for family finances and the economy.

OUTLOOK

- There was a pricing gap between vendor and purchaser expectations for assets offered to the market in 2023. We expect that gap to narrow leading to more transactions coming into 2024.
- The Brisbane Metro and Cross River Rail projects are expected to enhance the connectivity of Inner Brisbane. Services are expected to commence in 2024 for Brisbane Metro and 2025 for Cross River Rail.

SELF STORAGE



JEREMY HOFFMAN
Director | Specialised Assets

> “Both rental and occupancy in Queensland’s self-storage market have been flat over the second half of 2023, with limited sales activity. Demand for acquisitions remains high, and we are expecting this to continue. Several smaller regional transactions have indicated continued strength in the market, with the self-storage sector holding steady with strong fundamentals. We’ve seen a lack of good-quality and limited secondary stock on the market.
>
> In the first half of 2024 we are expecting a continued focus on developments rather than acquisition due to the lack of available stock. Towards the second half of the year we’ll likely see more rental growth coming back to the market and some occupancy growth due increasing confidence and stability in the market.”

CURRENT STATE OF PLAY

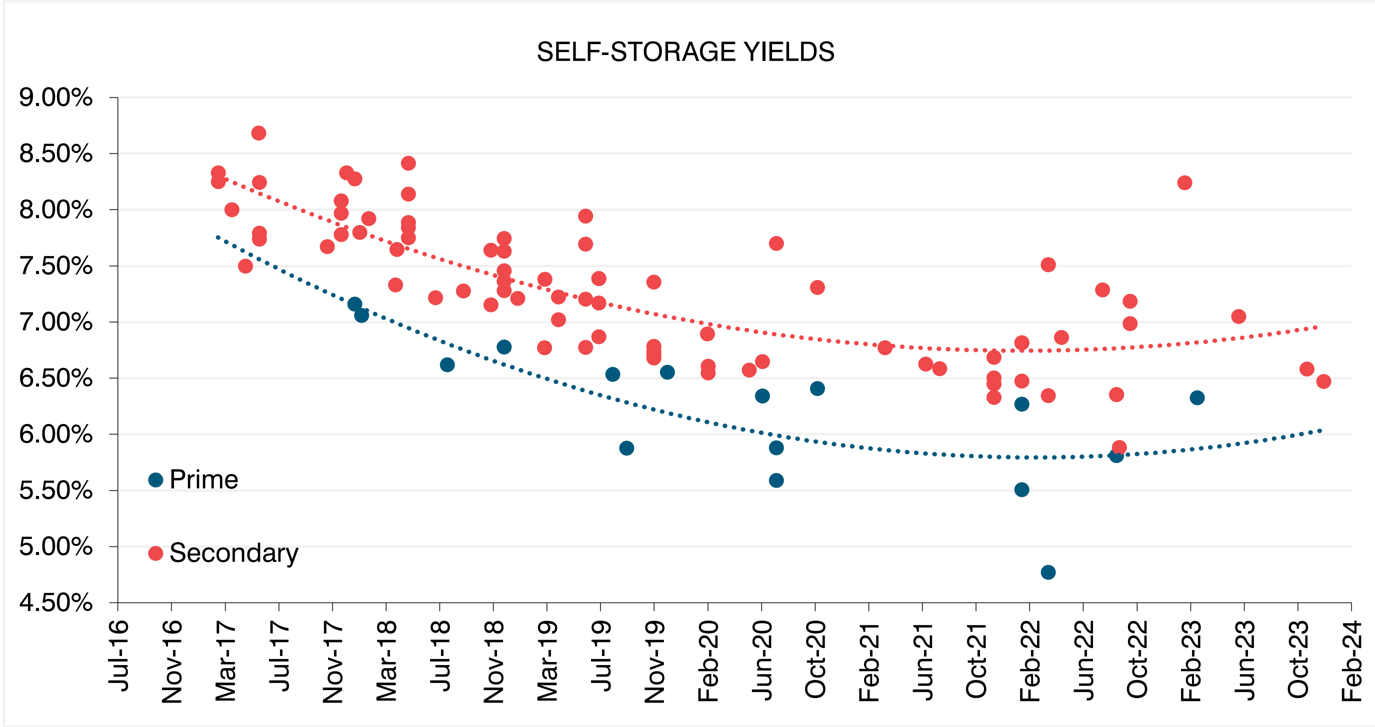
- According to the Self-Storage Association of Australasia (SSAA) 2023 Industry Snapshot, there are circa-2,265 storage facilities nationwide. The industry is fragmented, with over 50% run by independent operators. Facilities typically range between 1,500 and 4,900 square metres of net lettable area, with unit sizes generally ranging between one and 20 square metres.
- There is an estimated 5.46 million square metres of storage across Australia. This equates to 2.14 storage units per 100 persons. According to the SSAA, circa 5% of the population across Australia and New Zealand requires self-storage, a decrease from 8.6% in 2020. Persons living in apartments are more likely to need storage than those living in a house.
- Despite high demands, growing prices and new emerging investors, the Self-Storage sector experienced slow activity levels in 2023. Majority of large-scale portfolios have been consolidated, and major operators are turning their attention to individual assets and smaller operation for acquisition. According to RCA there were 31 sales transactions in the self-storage space valued at circa $145 million in 2023.
- Two notable transactions in 2023 were the sale of The Lock Up Self Storage facility in Mitchell ACT for $15.5 million in February 2023 and the sale of iStore Hervey Bay in Dundowran QLD for $9.5 million in December 2023.
- Recent years have seen average yields soften on the back of limited prime assets being sold with an increased number of regional/secondary assets transacting. Prime yields typically range between 5 to 6%, while Secondary assets are typically range between 6 to 7%. Larger, established, operators are the biggest buyer's group for this asset class, follow by Institutional and International buyers.

OPPORTUNITIES AND CHALLENGES

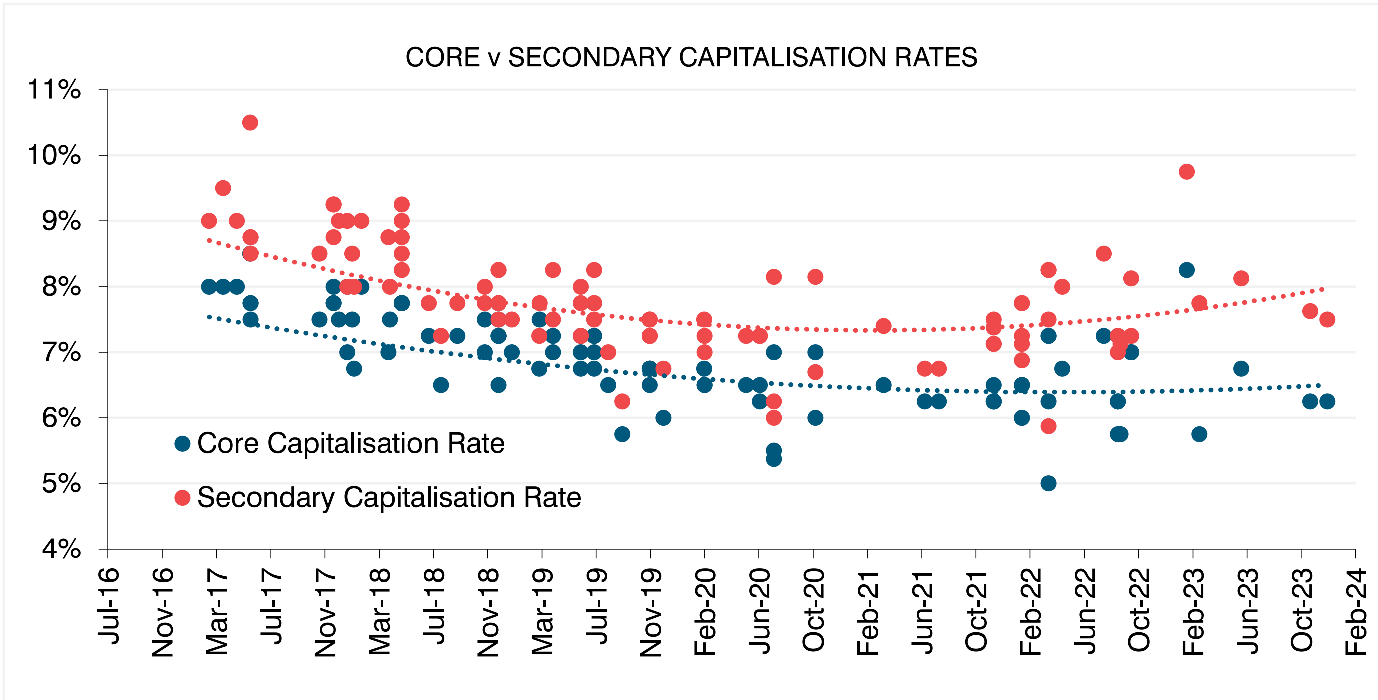
- While there are few opportunities for acquisitions, the Self-storage market is still largely fragmented, with ample opportunities to consolidate on individual properties and operations.
- The ongoing typically undersupplied nature of the self-storage market in Australia, particularly in metropolitan locations, further exacerbated by population growth and the ongoing increasing awareness of the self-storage industry by consumers, is expected to continue to drive strong occupancy and rental levels. However, this is likely to be tempered in the short term by the market-wide inflationary period and cost of living.

OUTLOOK

- Yields overall are expected to remain strong - particularly for well-located assets with strong catchment growth. Secondary assets, particularly those in regional locations, may see some value softening largely due to the general market conditions.
- Ownership of self-storage facilities is expected to become more consolidated as major operators continue acquiring individual properties, however the major operators' overall market share will also continue to increase through the ongoing strong levels of new facility development.



Source: M3 Property



Source: M3 Property

KEY CONTACTS

MICHAEL COVERDALE

Managing Director
michael.coverdale@m3property.com.au
+61 405 711 210

DUANE GILLILAND

Director | Retail
duane.gilliland@m3property.com.au
+61 401 955 609

JAMES RUBEN

National Director | Specialised Assets
james.ruben@m3property.com.au
+61 408 497 038

JEREMY HOFFMAN

Director | Specialised Assets
jeremy.hoffman@m3property.com.au
+61 468 646 985

MITCH ENRIGHT

Director | Health
mitchell.enright@m3property.com.au
+61 430 181 007

ROSS FARWELL

Director | Industrial
ross.farwell@m3property.com.au
+61 401 933 994

STEPHEN LINNANE

Director | Residential Development
stephen.linnane@m3property.com.au
+61 452 476 617

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m3property.com.au