M3 PROPERTY

QUEENSLAND MARKET SNAPSHOT

H1 2023

CONTENTS

INDUSTRIAL

RETAIL

CBD OFFICE

RESIDENTIAL

HEALTHCARE

HOTELS / MOTELS

SELF STORAGE

INDUSTRIAL

“Yields have softened in the first half of 2023, however fundamentals remain strong in the Queensland Industrial market, with continued strengthening in the leasing market, on the back of limited available stock and solid occupier demand which has pushed up rental rates in all industrial precincts across Brisbane.

Over the past few years, buyer behaviour has changed rapidly with an increase in online buying. This has resulted in a higher need to store imported goods in warehouses, which has had a flow-on positive effect on the requirement for warehouse space and industrial markets."

ROSS FARWELL
DIRECTOR

CURRENT STATE OF PLAY

- The volume of industrial property transactions have been tracking at a slower rate during the first half of 2023 compared to previous years. It is anticipated that investment activity will remain subdued for the remainder of 2023 due to the prevailing inflationary market conditions and likelihood of further interest rate rises.
- Yields have softened in the first half of 2023 and further softening is expected over the short-term although fundamentals remain strong.
- There remains a divergence in buyer and seller expectations which has resulted in limited transaction activity. Investment activity is anticipated to remain subdued until such time that greater certainty exists around the level at which the cash rate will peak.
- 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 in 2022 (20-25%) and a decline in incentives 10-12% on average. Rental growth continued in 2023, however at a slower pace (approximately 8% in Q1-2023 and 3% in Q2-2023), due to a significant increase in speculative construction and general market uncertainty.
- Lack of stock, cost of land and high construction costs are the drivers of rental growth. We expect growth to moderate through 2023 as significant stock enters the market.
- The land market continues to be tight across all markets and land values have either maintained or increased slightly over the past 12 months. The growth in land values that was experienced over the past 24 months 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.

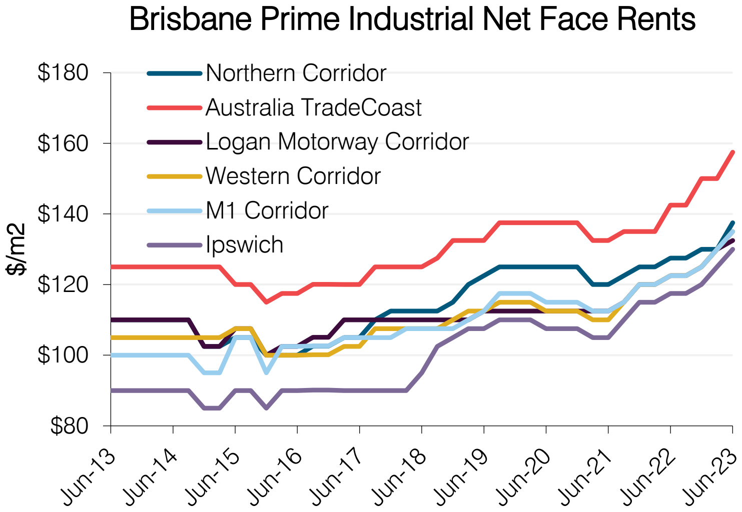
OPPORTUNITIES AND CHALLENGES

- There is a substantial pipeline of supply to come to the market in 2023. However, supply chain disruptions, higher construction costs, and the rising cost of debt are expected to delay some projects in 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. However, supply chain disturbances will continue to encourage retailers to keep larger inventories.
- Occupiers continue to seek modern, efficient buildings and are increasingly expecting ESG features in new developments. Occupiers have also been shifting from 'Just in Time' to 'Just in Case' inventory strategies and this has been putting upward pressure on warehouse sizes.

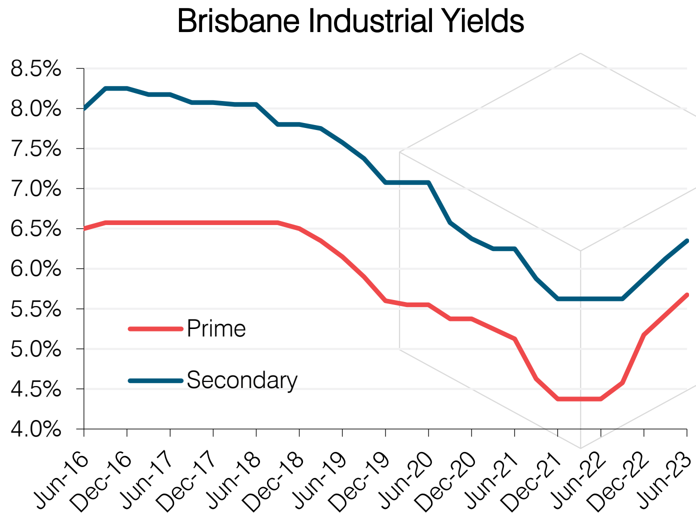
OUTLOOK

- We expect that face rents will moderate over the short-term as a large amount of speculative stock enters the market, however leasing demand will continue to remain solid.
- 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.
- Yields are forecast to soften over the short- to medium-term.

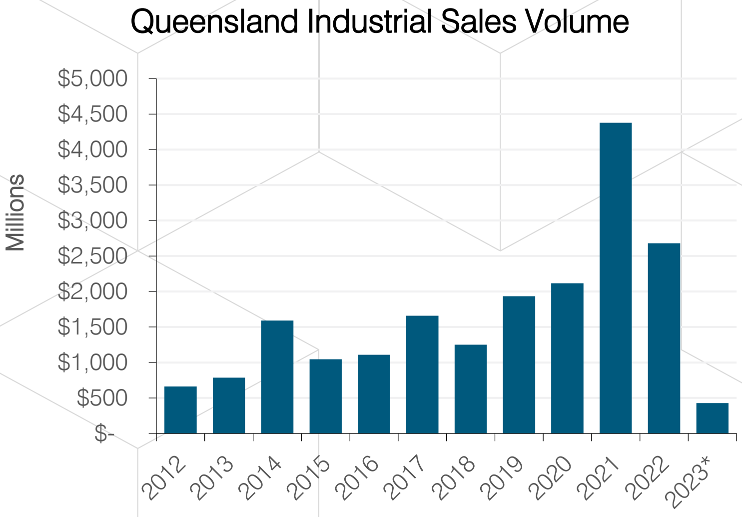
Property	Sale Date	Sale Price	Purchaser	GLA (m^2)	WALE (Income)	Equated Market Yield	GLA Analysis ($/$m^2$)
280 Cullen Ave East, Eagle Farm	Aug-23	$16,600,000	-	5,644	2.46	5.42%	$2,941
16-28 Quarry Rd, Stapylton	Jun-23	$66,900,000	Hines	40,983	1.88	6.04%	$1,655
Units 1,2 & 5/10 Chapman Pl, Eagle Farm	May-23	$7,464,788	Private Investor	1,944	3.08	5.81%	$3.840
1 Bluestone Pl & 12 Arthur Dixon Ct, Yatala	May-23	$55,000,000	Private Investor	27,246	4.98	5.82%	$2,019
19-27 Bellwood St, Darra	Apr-23	$12,275,000	Byrne Property UT Pty Ltd	4,564	6.87	5.87%	$2,690
1-5 Kingsbury St, Brendale	Mar-23	$8,000,000	Private Investor	2,889	1.46	5.26%	$2,769



Source: M3 Property



Source: M3 Property



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

RENTAL MARKET

- Net face rents are currently ranging between $125 and $180 per square metre with secondary rents ranging between $90 and $125 per square metre.
- Prime rents increased by 9.4% over the year to June 2023 with secondary rents increasing by 9.9%. Incentives are typically ranging between 5.0% and 15.0% (to the upper end of this range, or slightly above for major tenant commitments).
- Because tenants continue to show preference for new space, there remain extended letting-up periods for some secondary assets.

YIELDS

- During the June 2023 quarter, prime yields ranged between 5.00% and 6.00% and secondary yields ranged between 5.75% and 6.75%.
- During recent years and up to the first half of 2022, healthy investor appetite and the spread between property yields and interest rates exerted significant downward pressure on yields. However, investment demand weakened in the second half of 2022 and for the first half of 2023, and this resulted in a softening of yields.

INVESTMENT MARKET

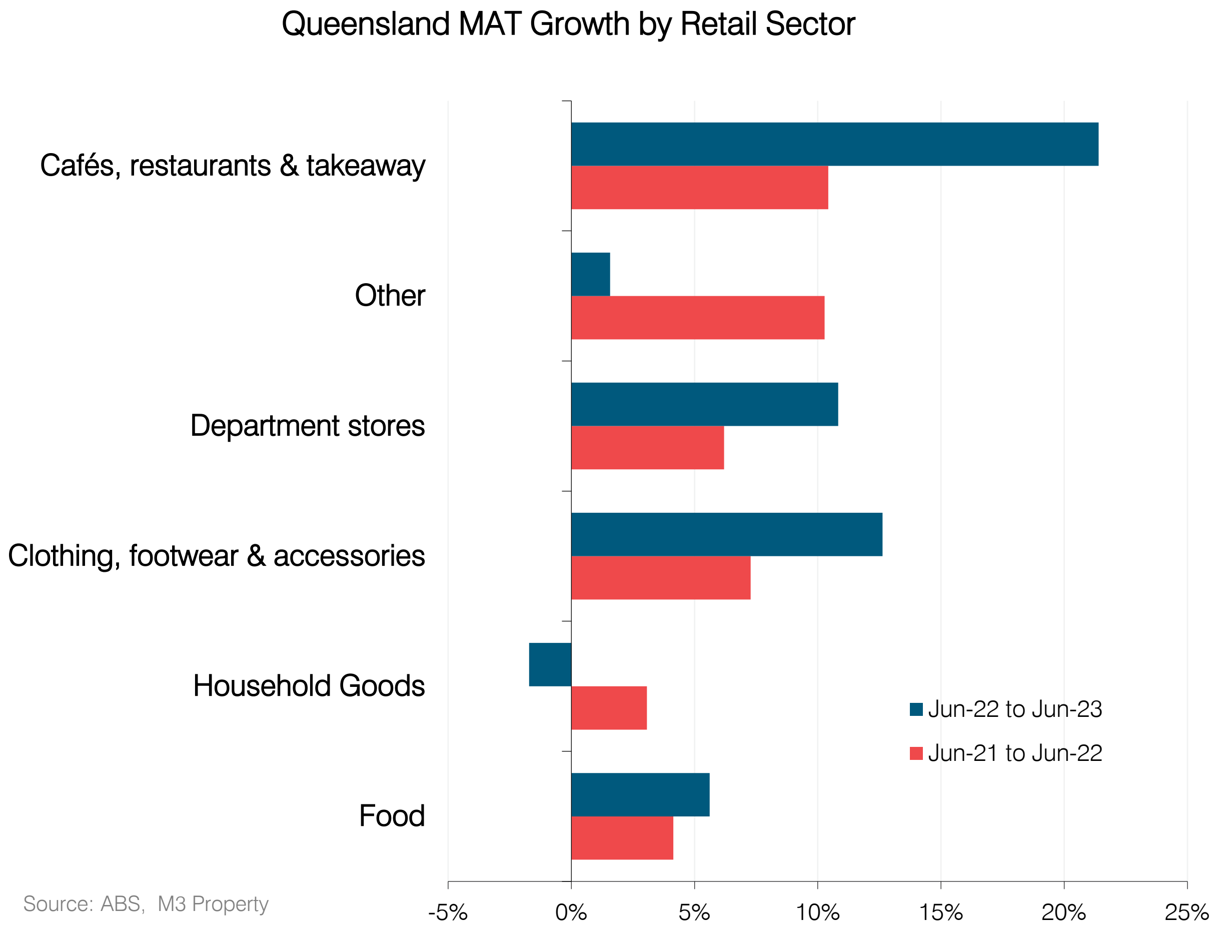
- There was $4.4 billion of sales recorded in Queensland during 2021, boosted by several large portfolio sales. Activity slowed during the second half of 2022, bringing the total annual value of sales to $2.7 billion.
- In 2022, private buyers accounted for the largest share of sales by value (39%). However, privates were also the largest seller of industrial properties, and were overall net sellers for the year.
- Offshore groups acquired circa $451 million of industrial property across Queensland in 2022, the lowest amount seen from this buyer type since 2018.
- Sales into the first half of 2023 has totaled approximately $427 million. Transaction volumes have declined throughout 2023, to date.

RETAIL

"There has been a decline in sales activity volume during the first half of 2023 for neighbourhood centres due to a lack of stock and misaligned expectations between vendors and buyers, as well as broader macro-economic conditions. However, we're still seeing moderate buyer interest – largely from private investors, including Asian capital. We anticipate a potential increase in market activity during the second half of 2023 as certainty around interest rates returns and as expectations between buyers and vendors realigns."

DUANE GILLILAND
DIRECTOR

CURRENT STATE OF PLAY



Source: ABS, M3 Property

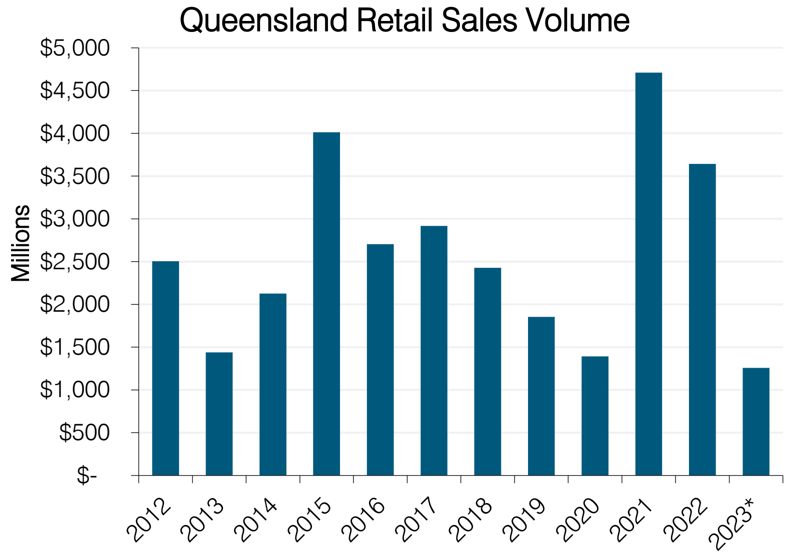
- Total retail spending growth in Queensland from the year to June 2022 to the year to June 2023 was 6.5%, up from 6.0% growth from the same period over 2021 to 2022. The strongest growth by retail category was recorded in Cafes, restaurants and takeaway (21.4%), followed by Clothing, footwear and accessories (12.6%).

- However, recent months have shown monthly volatility in retail turnover, with high inflation and the rising interest rate environment impacting consumer spending.

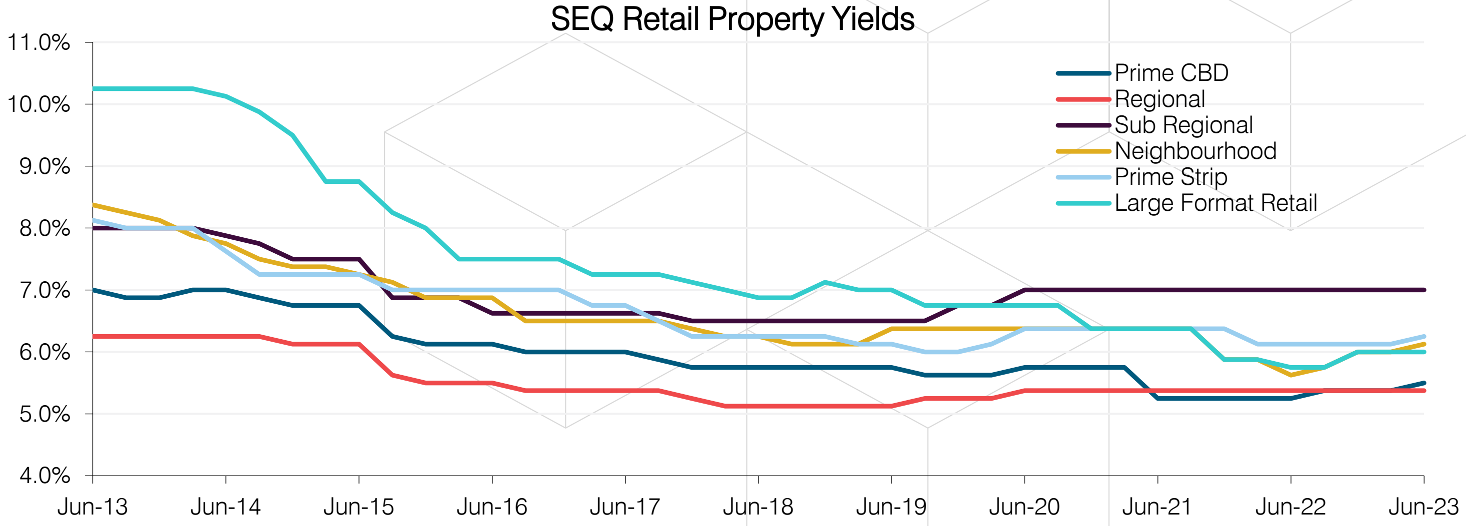
- Most new supply to come to the market is part of mixed-use developments or in growth corridors catering to strong population growth.

- 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: Real Capital Analytics (RCA), M3 Property



Source: M3 Property

INVESTMENT MARKET

- There were 96 retail properties (totalling $3.6 billion) transacted above the $5 million price point during 2022, down from 111 ($4.7 billion) in 2021. Activity slowed during the second half of 2022 as interest rates rose and increased caution entered the market into 2023.
- Privates accounted for 37% of sales in 2022 (by $ value), with institutional buyers accounting for 32%. REITs divested of close to $700 million (net) of retail assets across Queensland during 2022 while all other buyer groups were net buyers during the year.
- 2023 sales to date have totalled $1.3 billion with 22 properties transacting in Queensland.

TRANSACTIONS

- There were assets offered to the market and then withdrawn during 2022 with purchaser and vendor expectations not meeting in an uncertain economic environment.
- However, a number of transactions were completed in late 2022 and further transactions are in the process of being completed in 2023 as vendor and purchaser expectations become more aligned.
- Transactions have reflected mixed results with some sales reflecting no to limited yield softening and others indicating softening is occurring.

YIELDS

- Whilst retail yields softened during the second half of 2022, they generally continue to look attractive relative to the alternative investment classes of office and industrial.
- There has been limited stock of Bunnings Warehouses and Coles and Woolworths supermarkets offered to the market and as such, purchaser investment hurdles for these asset classes are yet to be strongly tested.
- Some yield softening has occurred during the year to June across Sub-Regional, Neighborhood, retail strip and LFR assets.

OPPORTUNITIES AND CHALLENGES

- Rental levels within shopping centres have largely been re-set over recent years, leading to more stable income profiles.
- Retailers in major tourist locations and CBD markets are still feeling the impact of decreased tourists, international students and working populations. Adding to this is the weaker outlook for retail turnover, particularly discretionary retail turnover, given rising interest rates, high inflation, and weak consumer sentiment.

OUTLOOK

- There was a pricing gap between vendor and purchaser expectations for assets offered to the market in 2022. We expect that gap to narrow leading to more transactions in the second half of 2023.
- 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.

Property	Sale Date	Sale Price	Purchaser	GLA (m^2)	WALE (Income)	Initial Yield	GLA Analysis ($/$m^2$)
Poinciana Place Shopping Centre	Jun-23	$17,500,000	Private	3,104	3.00	5.68%	$5,638
Mountview Shopping Centre	Apr-23	$35,200,000	Offshore	4,981	8.16	5.22%	$7,067
Park Ridge Town Centre	Jan-23	$86,000,000	Private	12,536	7.15	6.12%	$6,860

CBD OFFICE

“The first half of 2023 saw limited transactions in the Brisbane CBD office market, with yields continuing to softening due to the cost of debt and macroeconomic conditions, as well as limited capital from AREITs and institutional buyers. However, we are seeing real rental growth which is helping to counteract the negative sentiment in yields. White collar growth is quite strong and there is limited supply to the market, which is reducing overall vacancy in Brisbane and tightening incentives. Face rents are on the increase.

In Brisbane's suburban office markets, we're seeing softening yields with most buying activity emanating from syndicates."

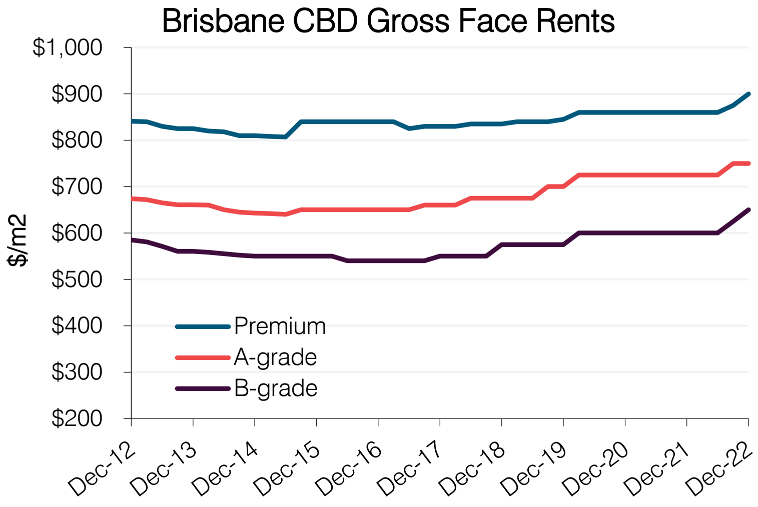
MICHAEL COVERDALE
MANAGING DIRECTOR

CURRENT STATE OF PLAY

- According to the Property Council of Australia, there was 2,356,662 square metres of office space in the Brisbane CBD as of July 2023.

- The prime vacancy rate decreased from 14.3% to 12.5% over the year to July 2023. The secondary vacancy rate decreased from 13.5% to 10.4%. The decrease in the vacancy rate was driven by strong net absorption, 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. The partial refurbishment of 123 Albert Street is underway, with completion expected in 2024. Work has also 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). In addition to 158,000 square metres of space under construction / undergoing site works, there is circa 430,000 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.



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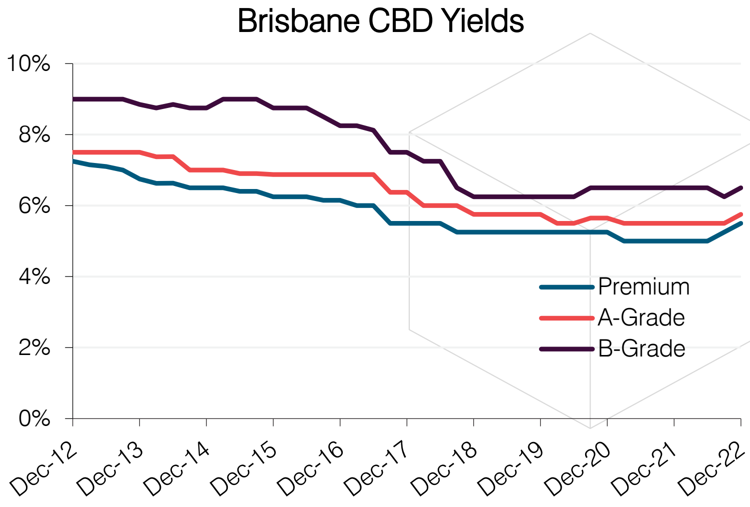

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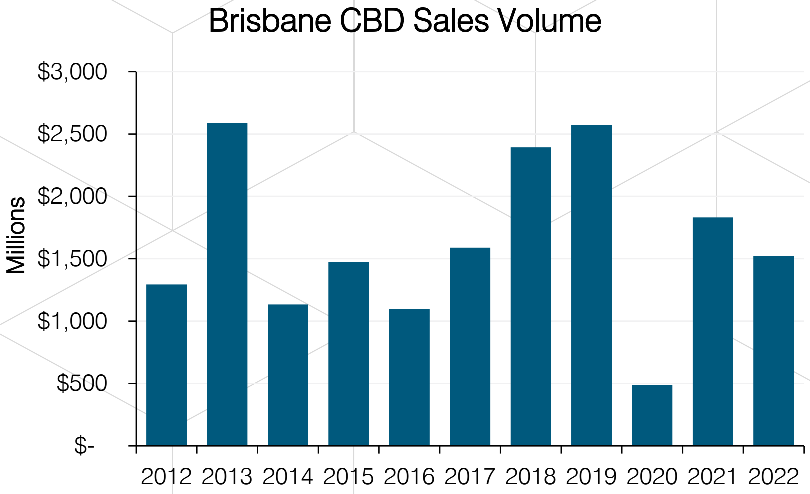


Source: Real Capital Analytics (RCA), M3 Property

RENTAL MARKET

- After several years of limited movement, Brisbane CBD gross face rents increased during the second half of 2022.
- As at June quarter 2023, Premium gross face rents typically ranged between $875 and $975 per square metre, and A-grade gross face rents ranged between $700 and $850 per square metre. Incentives averaged 40% for both Premium and A-grade.
- B-grade gross face rents ranged between $600 and $700 per square metre during the quarter, with incentives averaging 42.5%.

YIELDS

- Yields in the Brisbane CBD office market softened in the second half of 2022 having an indicative yield ranges in the December 2022 quarter were 5.00% to 5.75% for Premium-grade buildings, 5.25% to 6.00% for A-grade buildings, and 6.00% to 7.25% for B-grade buildings.
- Six months later in June 2023, while limited transactions, divergence of yield spread between primary and secondary is occurring and yields have continued to soften generally between 25 and 75 basis points.

INVESTMENT MARKET

- Sales activity in the Brisbane CBD office market averaged $1.76 billion per annum over the five years to 2022. Albeit excluding 2020 sales due to the unusual circumstances of covid-19, the five-year average would have been $1.98 billion.
- There were 12 office buildings (totalling $1.52 billion) sold in the Brisbane CBD during 2022, down from 2021 and pre-COVID levels.
- Offshore investors had recently been the most active buyer group in the Brisbane CBD office market however this has changed with national institutional buyers, accounting for circa two thirds of sales (by value).
- 2023 sales volume to date have totalled only circa $241 million.

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 connect the CBD and Fringe to Eight Mile Plains, UQ, Boggo Road and the Exhibition Showgrounds, integrating with the existing rail lines. We expect occupier demand will strengthen in locations surrounding the new stations.

OUTLOOK

- Following several new supply additions over recent years, the Brisbane CBD market does not have any major supply completions scheduled for completion until 2024.

- 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 during the second half of 2023 as a result of no major supply completions and strengthening occupier demand. 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 - particularly for tenants where there's value/utility in existing fitouts, given the significant increase in costs to fund a new tenancy.

- Brisbane office yields softened during the second half of 2022 and further softening is expected over the second half of 2023 with the potential for yields to stabilise in 2024.

RESIDENTIAL

“Pricing has stabilised in Brisbane's apartment market. The strong growth period we've seen over the past two years has cooled somewhat due to declining affordability with the current interest rate environment. In addition, we're seeing a rise in construction costs, rise in interest rates and uncertainty in the building and construction sector creating limited supply to the market. However, the residential market is holding firm with strong demand for high-end product, mainly driven by downsizers and owner-occupiers. Investors are starting to return to the market off the back of high yields, which are holding strong, and record-low vacancy rates. As interest rates stabilise we should expect a return to growth over the medium term."

STEPHEN LINNANE
DIRECTOR

CURRENT STATE OF PLAY

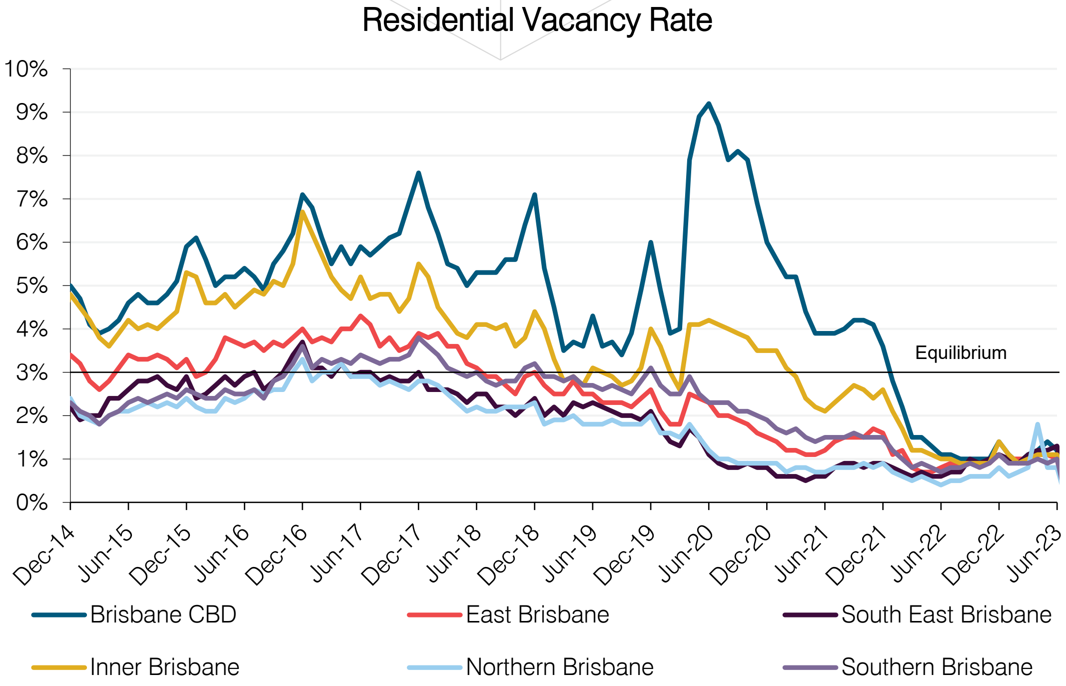
- Brisbane house prices peaked during the June 2022 quarter and have since tapered back to be $823,272 for houses and $478,370 for units during the June quarter 2023 (Source: Domain). Despite declining over the second half of 2022, dwelling prices remain significantly higher than their pre-pandemic levels.

- 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 69.3 during the March quarter 2023 (an index score of 100 indicates the threshold for an 'affordable' market, with an index level below 100 indicating an unaffordable market).

- Vacancy has declined considerably across Brisbane's residential markets over the past 2.5 years, with all submarkets sitting below the equilibrium level as of June 2023. As of June 2023, Northern Brisbane had the lowest vacancy rate (0.8%).

- The tight vacancy rates have put strong upward pressure on rentals across the Greater Brisbane residential market.

- Queensland has seen strong net interstate migration levels since the start of the pandemic. The population increased by 2.2% over the year to December 2022, the second strongest of all states and territories, and the strongest seen in Queensland since the 2012 calendar year. Furthermore, markets such as the Gold and Sunshine Coasts have benefited from persons looking for a 'sea / tree change', with structural changes to the workplace enabling this to occur.



Source: SQM, M3 Property

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.
- Residual stock being held as investment.
- The townhouse market will be appealing, particularly in middle ring suburbs and growth areas as affordability worsens.
- Prestige market – apartments and townhouses.

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.

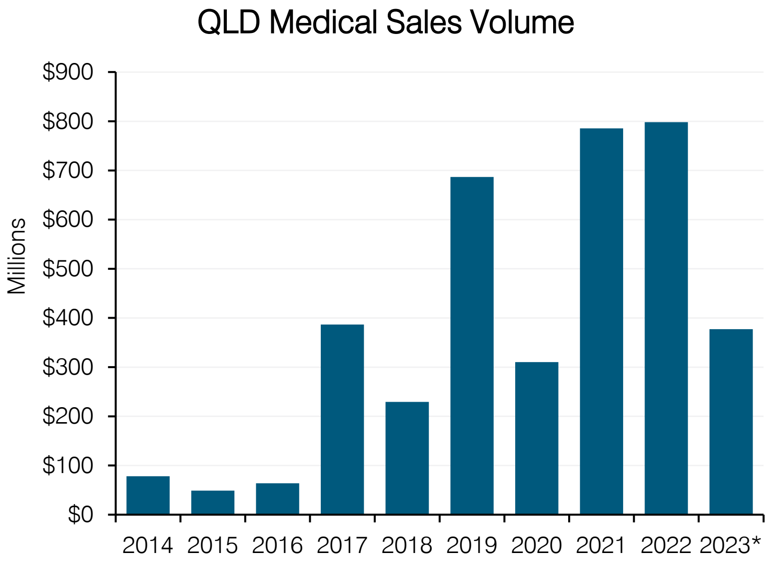
- Over the medium- to long-term, the South-East Queensland residential market is forecast to benefit from robust population growth, a sizeable dwelling stock shortage, and the 2032 Olympics (and development of associated infrastructure).

Property	Sale Date	Sale Price	Zoning	Purchaser	Site (m²)	Site $/m²
The Aviary, 23-51 High Street, Toowong	U/C August 2023	$53m	High Density Residential	IJ Capital	8,982	$5,901
4/49 Maxwell Street, New Farm	August 2023	~$12m	Medium Density Residential	Private Purchaser	348 (GSA)	$34,749

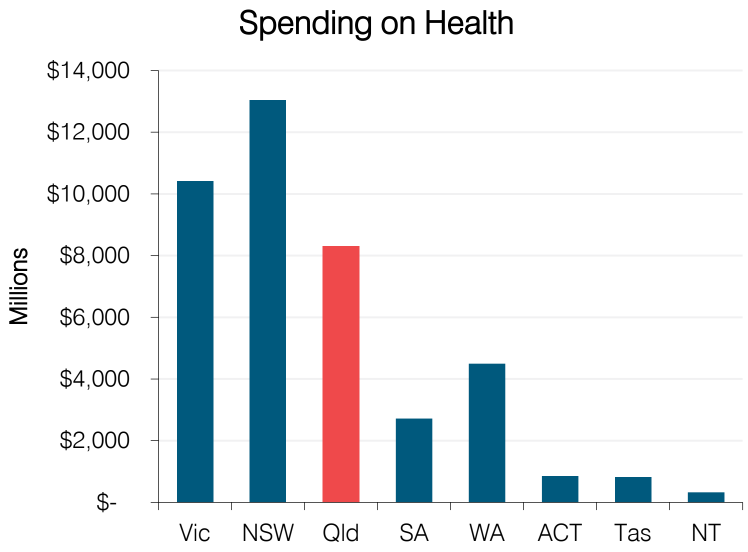
HEALTHCARE

“Whilst demand for prime healthcare assets remains unabated, the market has experienced reduced transaction activity as investor expectations are yet to re-balance. The strong underlying fundamentals of Australia’s Healthcare market will see it remain as an in-demand asset class going forward. The sector will continue to expand at a rapid pace due to the injection of capital from new and existing institutional groups. We foresee strong increases in investor demand for long-play life sciences and healthcare precinct projects and partnerships alike."

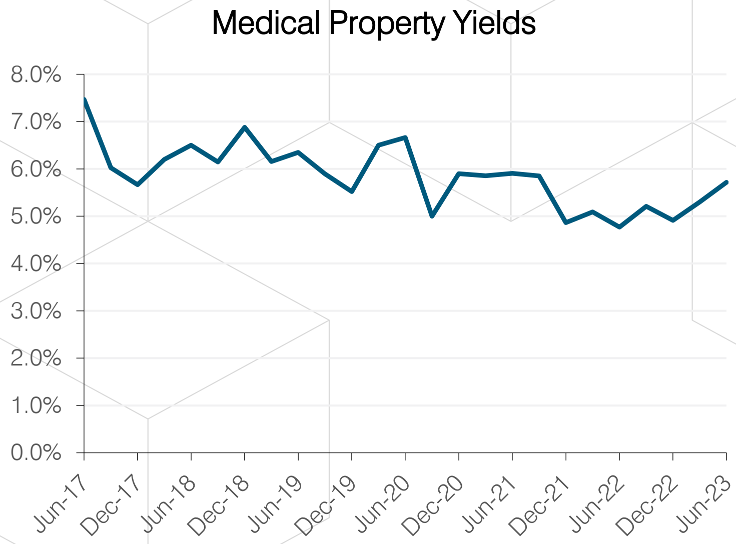
MITCH ENRIGHT
DIRECTOR



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

INVESTMENT MARKET

- Medical investment activity in Queensland reached record highs 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.
- Sales volume for the first half of 2023 has shown strength in the medical sector with just almost $400 million transacting to August.

TRANSACTIONS

- There were numerous healthcare portfolios offered to the market during 2022 with a significant variance in purchaser and vendor pricing expectations being a key driver in their withdrawal from the market.
- Transactions for several assets have transacted during the first half of 2023, which has reflected a capitalisation rate softening for secondary healthcare assets with income risk associated with short WALE's and below-average tenant covenant strengths.

YIELDS

- Yields have undergone a period of compression over recent years.
- Core investment healthcare yields currently average between 4.50% and 5.00%.
- Yields for secondary assets are ranging between 5.50% and 6.50%.
- Yields are anticipated to soften during the second half of 2023.

OPPORTUNITIES AND CHALLENGES

- Rising interest rates has slowed investment activity in the healthcare market as expected. There is still strong demand from institutional grade investors, however, there is a lack of quality stock.

- 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.

- Life Science continues to emerge as a key sub-sector within the healthcare market as the appetite from institutional groups for these type of assets increases, specifically during 2022, with numerous transactions occurring in this sub-sector.

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.

- The sector will continue to benefit from strong investment interest as new and existing institutional capital is drawn to the asset class 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

“Queensland's hotel and accommodation sector has proven to be resilient, with recent transactions demonstrating limited softening in yields and investment metrics. Recent inflationary pressure has resulted in rising operating expenses. However, this has been counter balanced by growth in average room rates. Occupancy rates have seen a strong recovery since the COVID-19 border closures, but are yet to return to pre-pandemic levels, with a continued lag in international visitors. Overall, investor sentiment remains steady and the market looks to retain a strong degree of optimism in the short to medium-term."

JAMES RUBEN
DIRECTOR

CURRENT STATE OF PLAY

- The Queensland market has historically relied on a large proportion of international tourism which is yet to return to pre-pandemic levels on an annualised basis. Notwithstanding, occupancy for key markets such as Brisbane and the Gold Coast have been growing strongly and are expected to stabilise to new norms in the short to medium terms.

- 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.

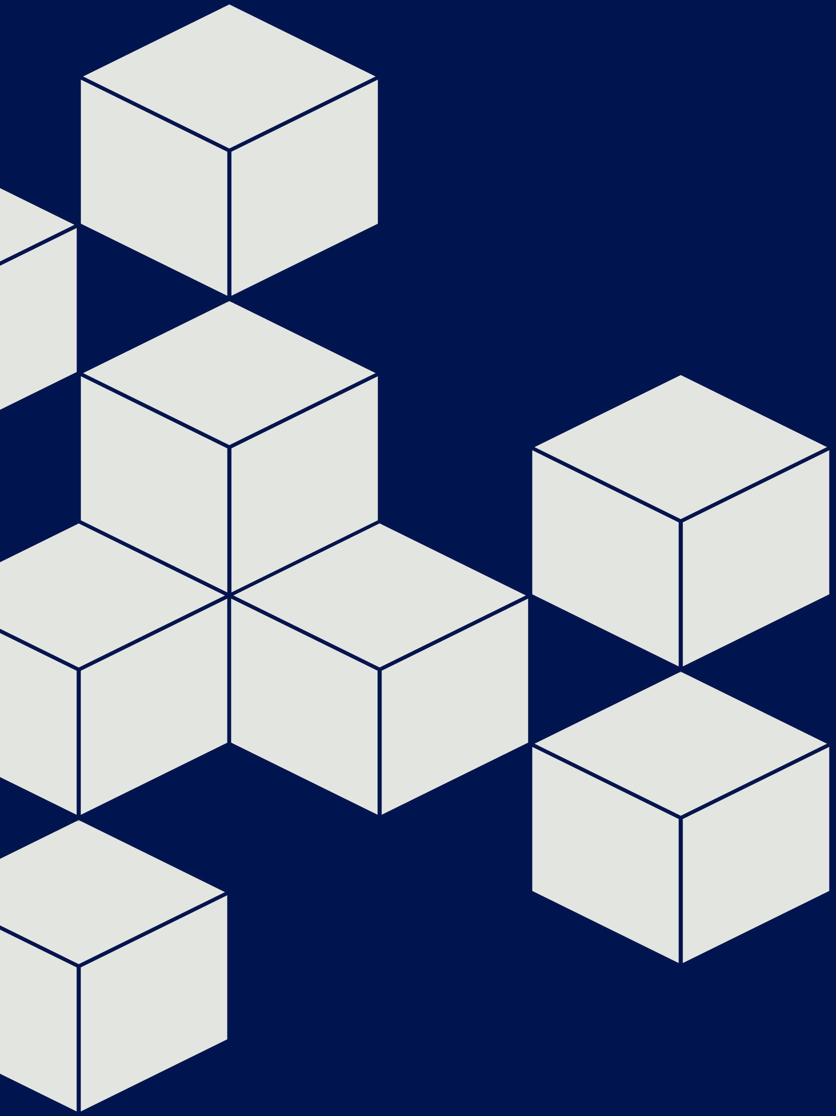
- New trends such as leisure travel, digital nomadism, eco-tourism, wellness tourism and boutique product positioning are all contributing to the transforming market.

Brisbane Market Performance			
	Occupancy	ADR	RevPAR
Historic Years Ending June			
2016	72.80%	$160	$117
2017	74.70%	$158	$118
2018	71.99%	$156	$112
2019	71.09%	$155	$110
2020	59.57%	$154	$92
2021	49.58%	$151	$75
2022	53.24%	$191	$102
2023	71.90%	$233	$167
July 2023	80.39%	$238	$191

Gold Coast Market Performance			
	Occupancy	ADR	RevPAR
Historic Years Ending June			
2016			
2017			
2018	73.36%	$203	$149
2019	71.29%	$198	$141
2020	56.85%	$200	$114
2021	51.23%	$207	$106
2022	54.76%	$245	$134
2023	69.80%	$272	$190
July 2023	71.85%	$248	$178

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.



SELF STORAGE

“Over the past several years Queensland's self-storage market has seen strong rental growth, particularly in south-east markets including Brisbane and the Gold Coast. Rental growth has slowed somewhat in the first half of 2023 with inflationary pressures and the current cost of living. However, market fundamentals remain strong, with ongoing occupancy demand and investors looking for quality, well-located assets. Combined with limited stock available on the market, we're anticipating rental growth to increase over the medium to long-term."

JEREMY HOFFMAN
DIRECTOR

CURRENT STATE OF PLAY

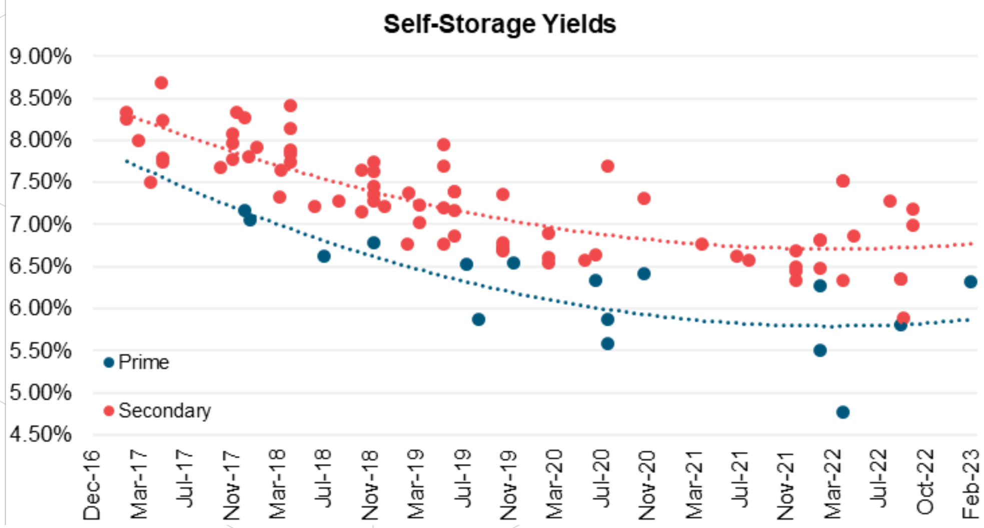
- According to the Self-Storage Association of Australasia (SSAA) 2022 State of the Industry Report, there are circa-1,700 storage facilities nationwide. The industry is highly fragmented, with the majority of centres run by independent operators. Facilities typically range between 1,500 and 4,000 square metres of net lettable area, with unit sizes generally ranging between one and 20 square metres.

- There is an estimated 5.2 million square metres of storage across Australia. This equates to 2.00 storage units per 100 persons. According to the SSAA, circa 9.4% of the population across Australia and New Zealand requires self-storage, an increase from 8.6% in 2020. Persons living in apartments are more likely to need storage than those living in a house. An estimated 72% of self-storage customers are residential customers.

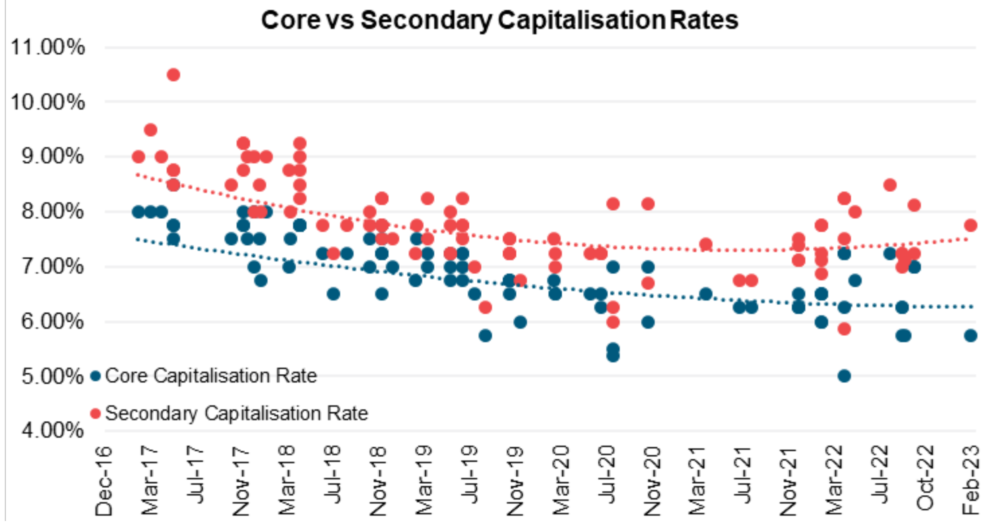
- The major industry operators (such as Kennards Self-storage, Storage King and National Storage) are expected to continue to expand their portfolios of facilities by acquiring smaller companies / existing facilities. The major industry operators are also expected to continue to seek opportunities for new facilities, or to expand existing facilities.

- Recent years have seen yields tighten on the back of increasing awareness of the self-storage investment class, increased interest from international investors (particularly for multi-asset acquisitions), the low interest rate environment, and the strong occupancy performance of centres over the pandemic period.

- Demand for high-quality assets above $5 million remains strong. There has been a decreasing spread for core and secondary asset yields, largely a result of the scarcity of core assets available for acquisition. Properties have been trading in a narrower yield spread during the past five years when compared with the previous five-year period.



Source: M3 Property



Source: M3 Property

OPPORTUNITIES AND CHALLENGES

- The ongoing market consolidation by major operators and increased levels of interest from parties (both foreign and domestic) looking to enter the market has seen downward pressure placed on capitalisation rates over recent years. COVID-19's impact on the economy has demonstrated the strong resilience of the self-storage industry to major global events.
- 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 pressures.

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 continue to increase through the ongoing strong levels of new facility development.

Property	Purchaser	Sale Date	Sale Price	NLA (m^2)	NLA Analysis ($/$m^2$)	Units	Unit Analysis	Equated Market Yield
The Lock Up Self Storage, Mitchell, ACT	National operator	Mar-23	$15,500,000	4,539	$3,415	512	$30,273	6.33%
Out of Site Storage, South Nowra, NSW	Independent operator	Sep-22	$5,300,000	3,163	$1,676	169	$31,361	5.88%
Eagle Self Storage, Gosford, NSW	National operator	Aug-22	$15,750,000	4,701	$3,350	553	$28,481	5.86%
StoreLocal Penrith, Penrith, NSW	National operator	May-22	$31,500,000	2,939	$4,177	220	$55,795	4.61%
StorMart Hendra, Brisbane, Qld	National operator	Feb-22	$27,575,000	5,421	$2,421	536	$24,487	5.51%
StorMart Mansfield, Brisbane, Qld	National operator	Feb-22	$15,800,000	5,858	$2,697	594	$26,599	6.27%

L 18 / 123 Eagle Street
Brisbane QLD 4000

+61 7 3620 7900

m3property.com.au
infoqld@m3property.com.au

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