



QUEENSLAND MARKET SNAPSHOT

AUGUST 2025

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The Queensland property market has remained resilient across key sectors in H1 2025, underpinned by strong fundamentals and improving investor sentiment amid interest rate cuts.

Childcare assets continue to see robust demand, with rising daily rates and stable yields, despite operational and regulatory headwinds. Healthcare and seniors living assets remain stable, particularly sub-\$20m medical investments, while the private hospital sector navigates isolated challenges. Brisbane’s industrial market is regaining momentum following yield stabilisation, supported by macroeconomic tailwinds.

The Brisbane CBD office market stands out nationally, driven by low premium vacancy and sustained rental growth. Residential values remain solid, with population growth and undersupply underpinning continued demand. Retail activity has lifted across neighbourhood and large-format assets, buoyed by domestic and offshore capital. The service station sector has seen improved activity in recent months, with rental growth expected to continue despite long-term structural challenges from energy transition policies.

Our experts across valuation sectors share their analysis and insights in our latest Queensland Market Snapshot covering the first half of 2025, as well as what to look out for during the remainder of the year.

CHILDCARE

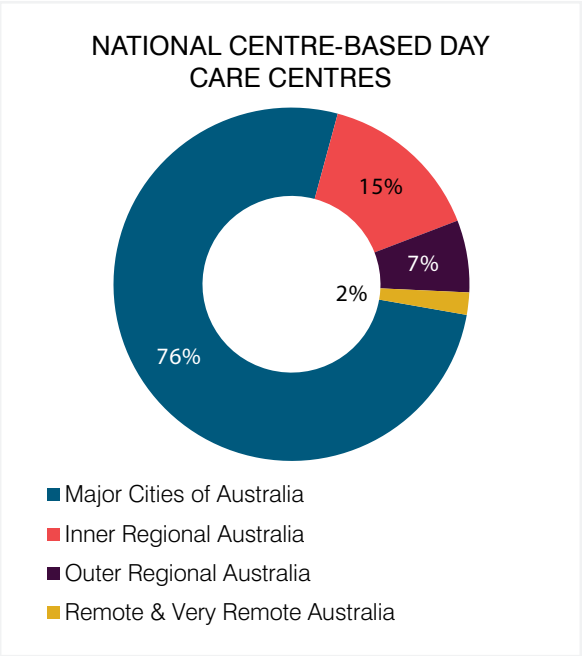


JAMES RUBEN
National Director | Specialised Assets, Hotels & Leisure

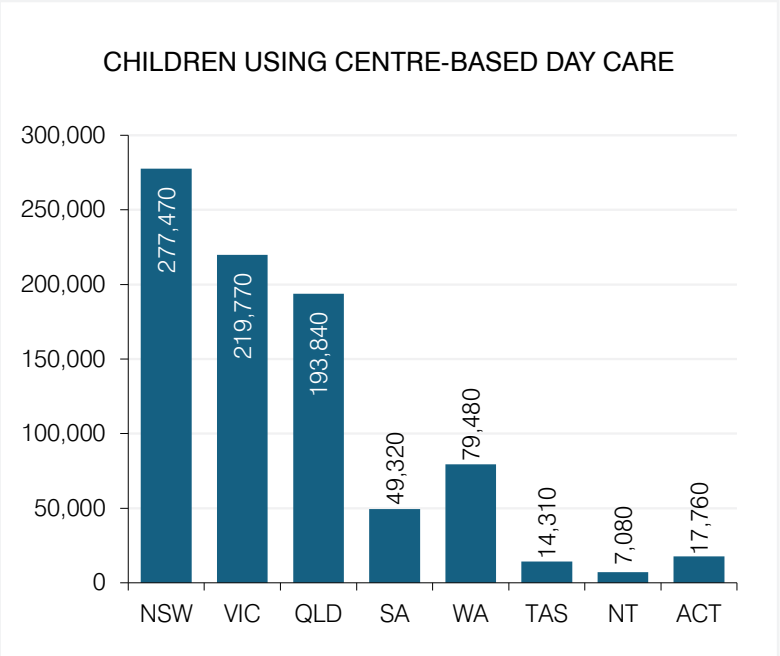
“Demand for childcare across Queensland continues to be strong, resulting in ongoing growth in daily rates and upward pressure on occupancies. Operators now face challenges in relation to retaining and attracting staff. The sector is also likely to be subject to regulatory changes as a result of recent media coverage of poor management practices and risk exposure to children at particular locations.

Despite this, investor appetite has remained strong and sales volumes of childcare centres for the first half of 2025 have demonstrated ongoing demand for well-located, modern childcare centres. Yields have remained steady over the past six months.

We expect market rents to continue to grow over the coming 12 months and yields to remain steady.”



Source: Dept of Education, GapMaps, M3 Property



Source: Dept of Education, GapMaps, M3 Property

“DEMAND FOR
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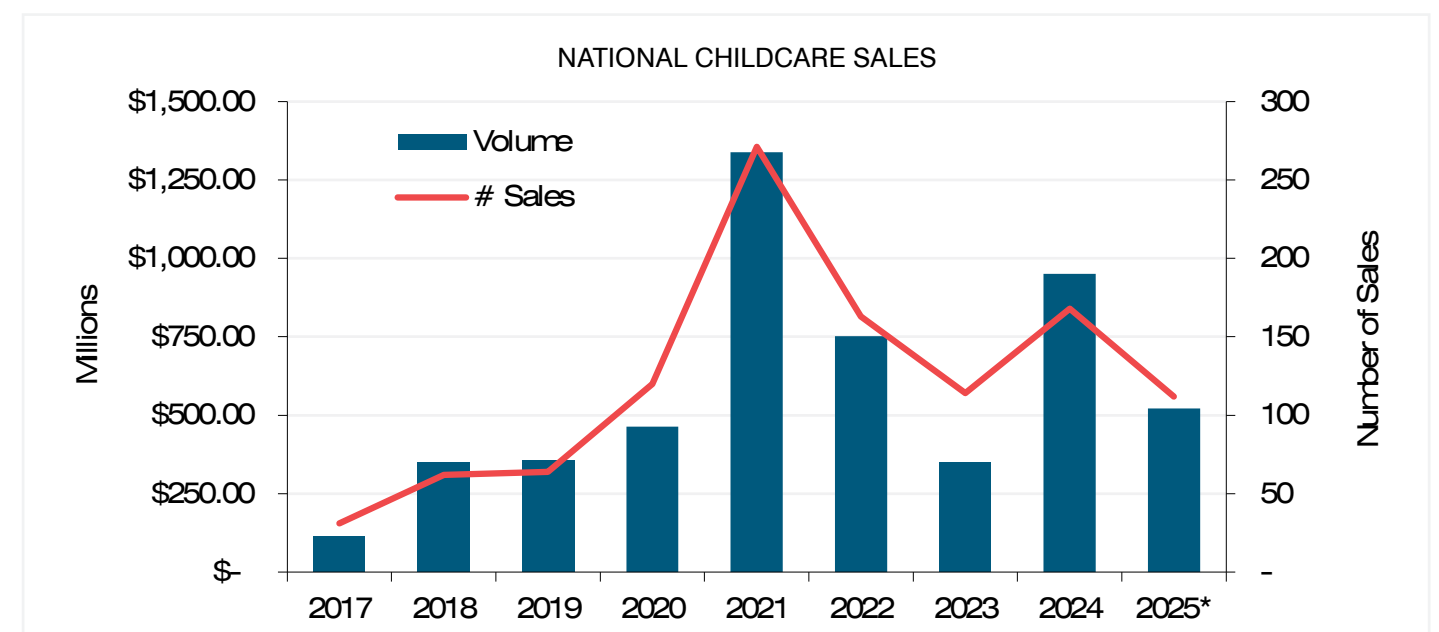
- JAMES RUBEN

CURRENT STATE OF PLAY

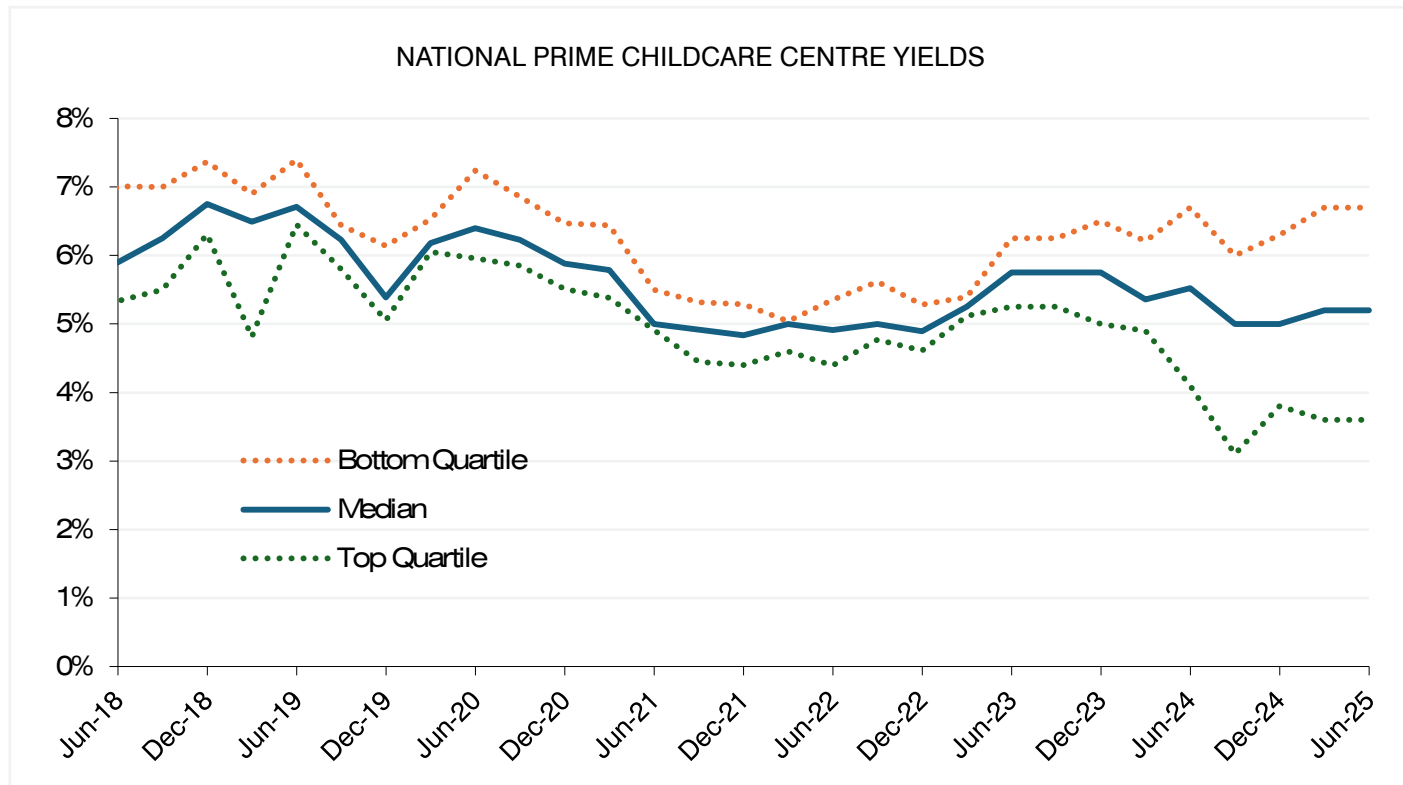
- The Childcare Inquiry Report by the Australian Competition and Consumer Commission (ACCC) released in January 2024 highlights the strong growth of Childcare fees across all services since the introduction of the Child Care Subsidy (CCS). The ACCC recommends a new approach by the Federal government rather than the current “one size fits all” regulations to deliver the desired objective for both communities and governments.
- Since 1 July 2023, families earning up to \$530,000 have been eligible to receive the CCS, with the maximum subsidy increasing to 90% for families earning up to \$83,280. The subsidy will decline by 1% for each additional \$5,000 in income the family earns. Under the new subsidy, families with more than one child in childcare can also receive a higher subsidy for the additional children if their family income is less than \$356,756 per annum.

INVESTMENT MARKET

- Childcare centre values are dependent on location, supply/demand, competition, centre size and tenant covenant.
- The childcare investment market showed a high level of resilience during the COVID-19 pandemic. Childcare investment activity reached a record high in 2021, with \$1.34 billion of sales (271 properties) recorded nationally.
- While still down on the 2021 record, sales in the childcare sector picked up significantly during 2024 and the momentum has continued in 2025. According to RCA, there were 112 childcare properties sold nationally for a total of \$521.5 million in H1 2025. This is higher than the \$470.6 million from 81 transactions in H1 2024.
- For Queensland there were 41 childcare properties sold for \$214.3 million in H1 2025 compared with 26 childcare properties sold for \$148.6 million in H1 2024.



Source: Real Capital Analytics (RCA), M3 Property



Source: M3 Property

YIELDS

- Recent yields for prime freehold interests in Brisbane are in the band of 5.00% to 6.50%.
- It has been observed the market is sensitive to passing over-market rentals, which impacts tenants' affordability to pay rent in the longer term.
- Early signs of affordable leases being abandoned, with market rates being negotiated at lower levels.
- The market will not meet owners' expectations for over-market rentals with tight yields, with several transactions failing to sell in the sub 5.00% mark.
- Childcare Centres which are sub \$10,000,000 have been observed to attract tighter yields when compared to their larger comparable centres suggesting a two-tier market is emerging.
- In the current economic environment, the focus of investors has been heightened to the strength of the tenant lease covenant and centres with known established operators often achieve premium market rates, however for sites which do not meet these investment standards, investors are using their buying power to negotiate pricing favourable to the purchaser.
- Childcare investors include small and medium-sized operators, and small-scale passive investors along with large investment trusts and owners. Ownership in the childcare market is becoming increasingly consolidated.

OPPORTUNITIES AND CHALLENGES

- Strategic sites for childcare centres are becoming rarer; as the market reaches maturity and operators/developers take on a more sophisticated approach, competition and barriers to entry are increasing, and undervalued sites are becoming less common.
- A challenge facing the market is the increasing construction costs, and the high parking requirements involved to obtain development approvals often leading to many development sites becoming unfeasible.
- A strong opportunity exists for owner/builders who are familiar with childcare requirements and building standards to capitalise on unique sites where non-builders cannot become involved.
- The sector continues to face labour shortages which have resulted in some centres placing caps on enrolments, despite being licensed for a higher number of children. The 2023-24 federal Budget included a \$1.6 billion investment into the early childhood education workforce, including funding for professional development and training programs; increased funding will help address workforce shortages in the sector.

OUTLOOK

- An increase in the number of children between 0- to 5-years old and increasing participation in the labour market will drive demand for childcare and the development of new childcare centres in some areas.
- The number of children aged 0- to 5-years old is forecast to increase by 8.09% in Queensland by 2031, which is the third highest growth of all the states and territories behind Victoria and the ACT.
- Labour force participation rates are forecast to trend upwards and reach around 67% in Queensland by 2027; this is expected to contribute a continued increase in the average number of hours children attend childcare per week.
- There is strong bipartisan government support for the childcare sector that will see continued funding to the sector towards the CCS for family households. As a result, the average daily rate per child across all states has grown by \$10-\$20 per day, a large increase in discretionary spending for most family households.
- Ownership of childcare centres is expected to become more consolidated as mid-tier operators with eight to 12 centres continue to grow their portfolios, however, nationally we have seen major institutional groups sell down their centres and portfolios.
- The childcare market is expected to continue to become more sophisticated, with professional operators who work within networks of five or more centres continuing to gain market share as they benefit from economies of scale and a distributed employment network delivers more agility in the marketplace.

HEALTHCARE



MITCH ENRIGHT

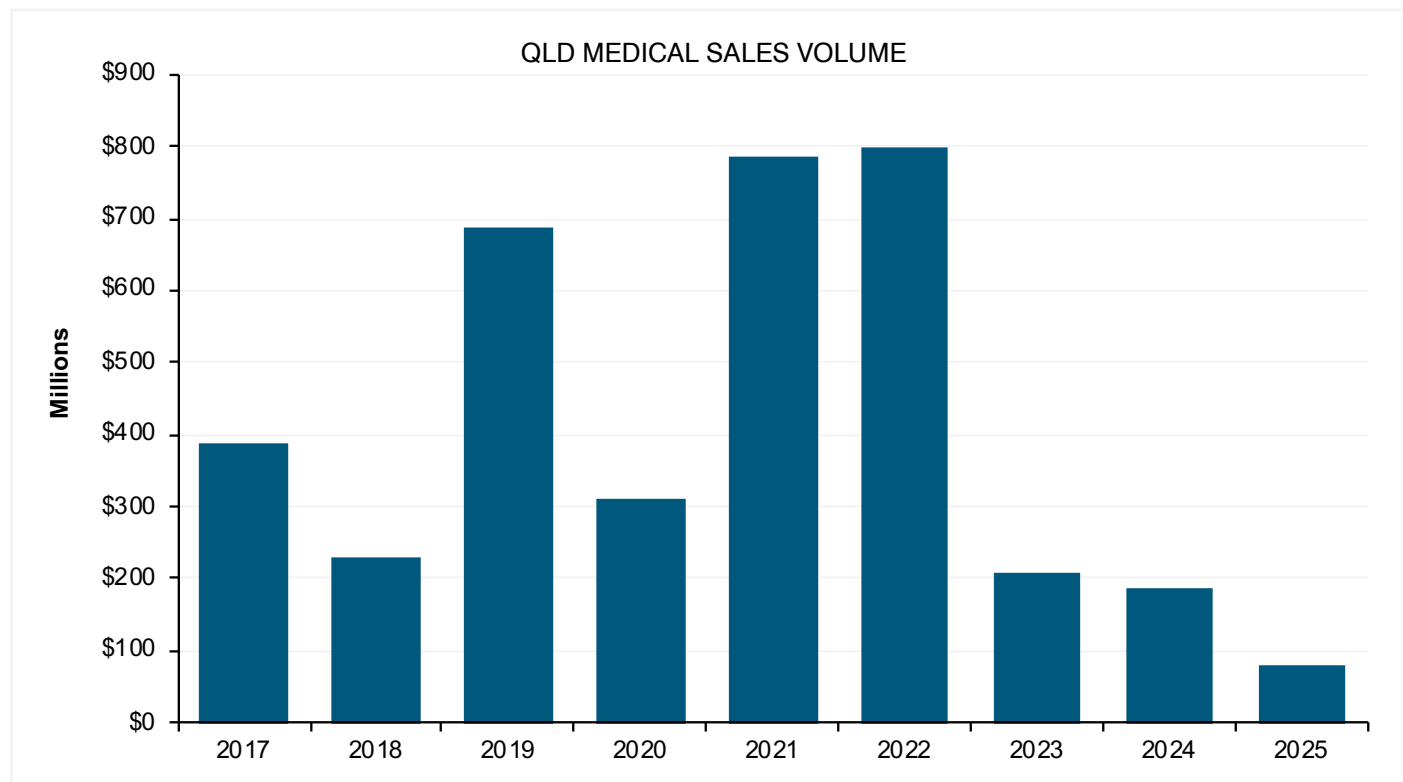
Director | Health, Aged Care & Seniors Living



“The healthcare and seniors living sector performance in Queensland has remained relatively stable during the first half of 2025, supported by strong fundamentals and investment growth opportunities.

The first half of this year has seen increased investment activity, particularly for seniors living and freehold medical investment assets at a sub-\$20 million price point. Assets that provide a primary healthcare function have particularly been in high demand from private investors. Further highly anticipated interest rate cuts over the back half of 2025 should see further transaction volume across all sectors in the healthcare market.

The private hospital sector continues to navigate headwinds in the sub-sector given the challenges faced by one of Australia’s largest private hospital operators, Healthscope. The impact on valuations and hospital rental levels remains uncertain; however, it should be emphasised that the disruption is not uniformly applicable across all assets at this present time.”



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

INVESTMENT MARKET

- According to RCA, there were 19 medical properties with a total value of \$81.09 million settled across Queensland in H1 2025, compared with \$129.6 million from 26 transactions in H1 2024.
- Private investors were the most active buyer's group over H1 2025, accounting for 15 of the 19 deals settling in H1 2025.

YIELDS

- Yields are now averaging around 5.25-6.00% for prime medical centre assets and 6.5% and above for secondary medical assets depending on various investment characteristics.
- Yields for private hospitals generally range between 5.00% to 5.75% for well performing assets and 6.00% and 7.00% for secondary assets or assets that may not be
- The yield divergence between vendor expectation and potential purchasers appears to be reducing which is anticipated to see further completed transactions in H2 2025.

OPPORTUNITIES AND CHALLENGES

- Interest rate reductions in February 2025 and May 2025 have contributed to renewed investment activity from institutional investors in the healthcare market. Smaller investors have also remained active during the first half of the year.
- GP and other health specialist shortages continue to affect occupancy levels for some medical practices.
- Mental health and wellbeing is becoming an emerging health issue, with 43.7% of people between 16- and 85-years old 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 an increasing focus on mental health and wellbeing continue to drive demand for medical services, medical suites and centres.
- Australia's Healthcare and Life Sciences sector is one of the largest and fastest-growing in the southern hemisphere, driven by a confluence of government support, industry innovation, and private and institutional investment. There are six Healthcare and Life Sciences precincts in the South-East Queensland Region (incorporating the Gold Coast, Sunshine Coast and Brisbane). This includes the largest health infrastructure project currently being developed in Australia – the \$5 billion Sunshine Coast Health Precinct. The Sunshine Coast Health Precinct is anchored by the Sunshine Coast University Hospital, the Sunshine Coast Health Institute, the Sunshine Coast University Private Hospital and the Health Hub.

OUTLOOK

- The healthcare sector will continue to grow in importance as a core asset class, supported by key market fundamentals and significant investment growth opportunities; other core sectors facing strong headwinds from rising inflation and the current interest rate environment will also support this shift.
- The sector will continue to benefit from strong investment interest as new and existing institutional capital is drawn to the asset class thanks to its key fundamentals including population growth, ageing population demographics, government funding and private healthcare.
- Investment demand for high-quality medical assets will remain strong over the medium term. Interest rate cuts in February and May 2025 may bring more investors into play. The healthcare market is still highly fragmented and there are significant opportunities for consolidation.

INDUSTRIAL



ROSS FARWELL

Director | Industrial



“There has been an increased volume of industrial sale transactions throughout the second half of 2024 and the first half of 2025 in the Brisbane Industrial Market following a period of yield softening and relatively subdued activity during 2023 and early 2024.

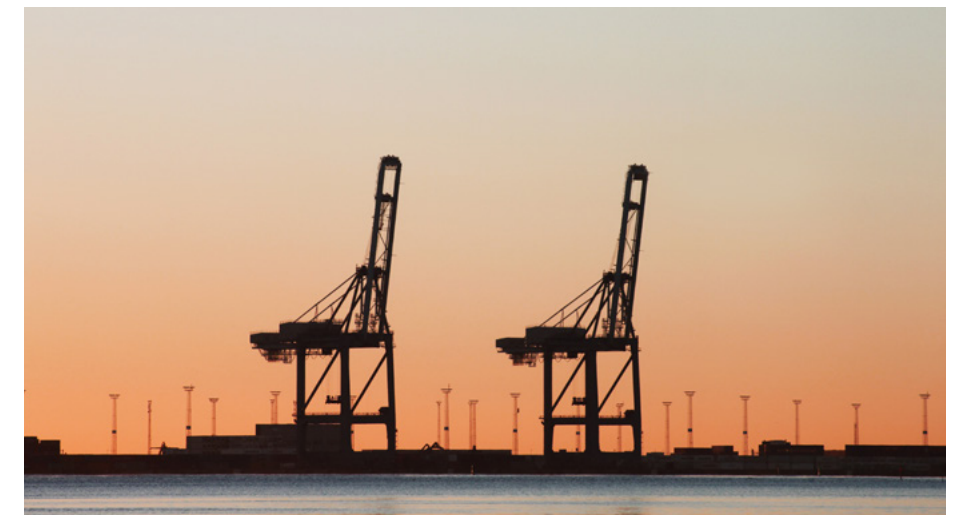
With 25 bpts interest rates cuts occurring in February, May and August 2025 (current rate at 3.60%) and further future cuts expected in the near future, as well as 10-year bond yields broadly trading in the range of 4.00% to 4.50%, it would appear that the market is approaching the end of the yield decompression cycle and if this continues, we anticipate sale volumes to continue to gather momentum. Prime yields currently range from 5.75% to 6.50% and recent sales suggest that yields have flatlined.”

“IT WOULD APPEAR THAT THE MARKET IS APPROACHING THE END OF THE YIELD DECOMPRESSION CYCLE AND IF THIS CONTINUES, WE ANTICIPATE SALE VOLUMES TO CONTINUE TO GATHER MOMENTUM.”

- ROSS FARWELL

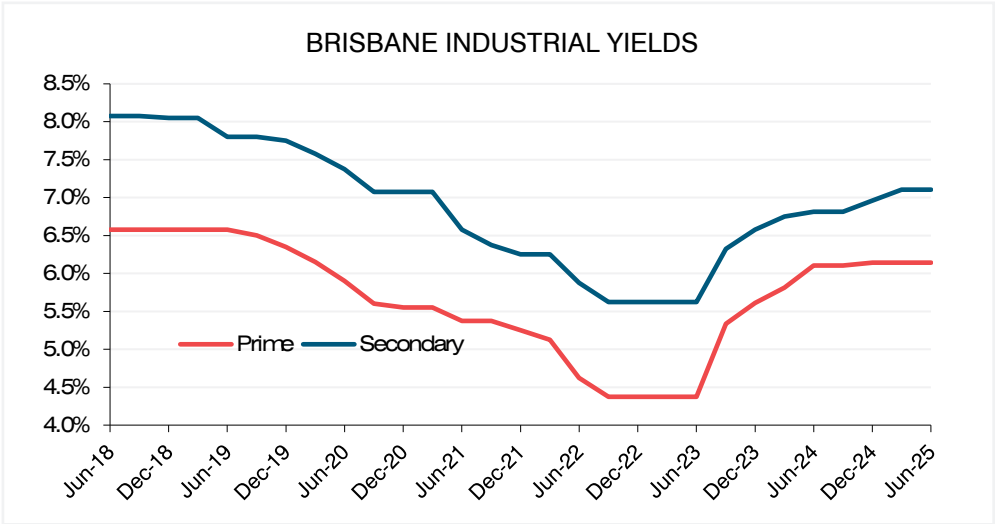
CURRENT STATE OF PLAY

- Offshore investors, syndicates, unlisted property trusts and high net worth privates remain the most active buyers in the market, following a period of divestment by larger institutional groups of their non-core assets. Major transactions include Wacol Distribution Hub (\$253.5 mill EMY 5.51%), 227-247 Fleming Rd, Tingalpa (\$46.6 mill EMY 6.80%), 576-584 Boundary Rd, Archerfield (32.5 mill EMY 6.64%), 117 Grindle Rd, Rocklea (\$35 mill EMY 7.74%) and 76 Quinns Hill Rd, Stapylton (\$40 mill EMY 6.04%),
- Brisbane's Industrial rental market recorded 4.8% growth in net face rents for prime assets and 2.1% for second assets in the 12 months to June 2025. The rental market has regulated after a period of unprecedented growth in 2023/24. This is a result of demand levels normalising, largely driven by factors including affordability constraints, increased supply, and general market uncertainty as tenants become more discerning with their relocation and expansion plans.
- Owner occupier demand is currently strong, especially in the lower price brackets, of sub \$15 million. This buyer profile are often willing to pay more than the competing private investor market, mainly due to the fundamentals of their business rather than the investment metrics of property, noting that rents for investment properties have not kept up with rising loan servicing costs.
- The land market continues to be tight across all markets and industrial land values have increased by 6.8% over the 12 months to the end of June 2025. Growth in land values is expected to be stable over the next six to 12 months as proposed development becomes difficult or unfeasible due to higher construction costs, the increased cost of funding and lower investment values. Market confidence and transaction levels, especially for larger land parcels where the predominate purchasers are institutional developers, have significantly reduced. The smaller end of the industrial land market (sub 15,000 square metres) whose main target market is private developers or owner occupiers is showing resilience in the current market. Prices have continued to increase in 2024 and for the first half of 2025, mainly on the back of limited supply.



YIELDS

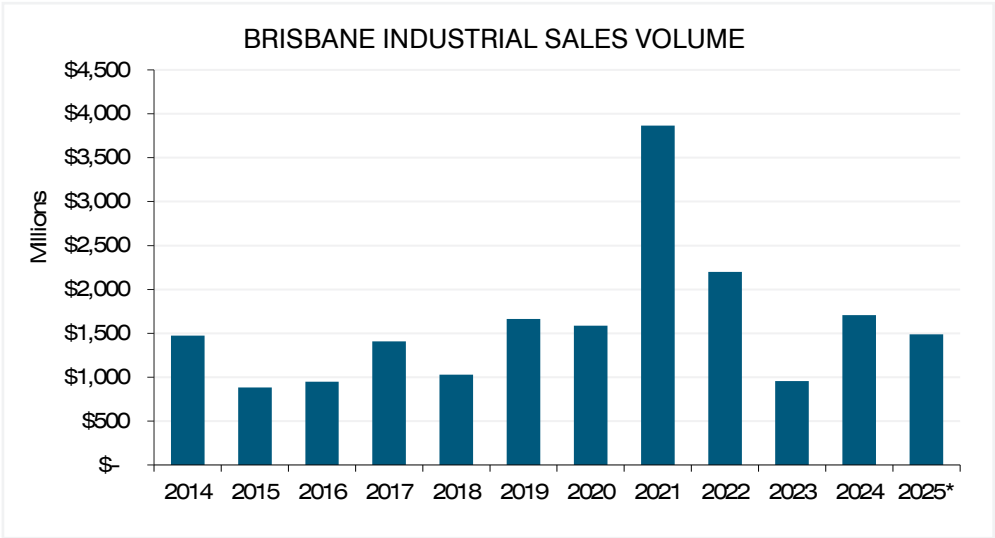
- During the twelve months to the end of June 2025, prime yields ranged between 5.75% and 6.5% and secondary yields ranged between 6.45% and 7.75%.
- Investment activity was up significantly in H1 2025 compared with H1 2024 as investors became more accepting of current market conditions. Further increases in activity are expected going into 2025, following the RBA's recent interest rate cuts.



Source: M3 Property

INVESTMENT MARKET

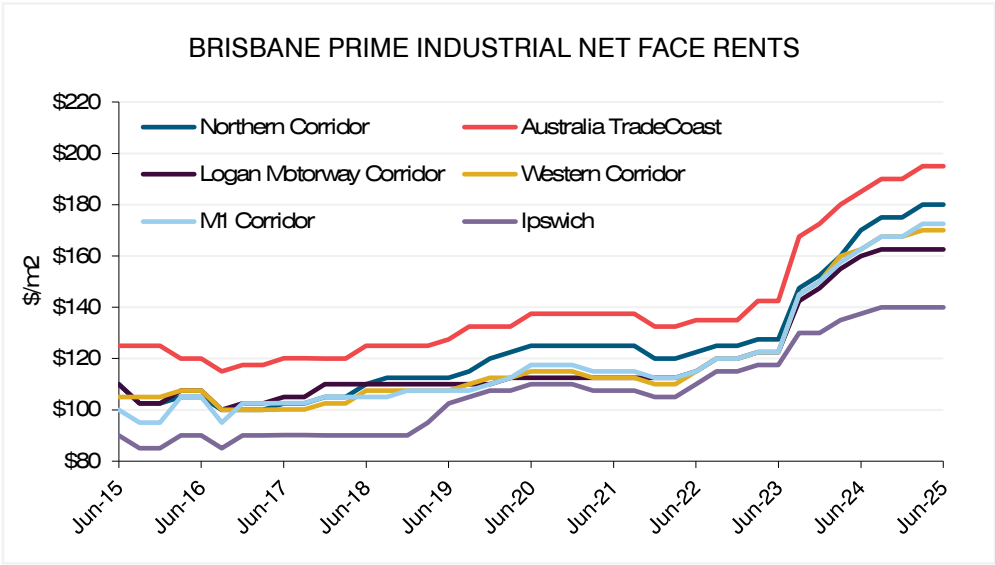
- According to RCA, there was 62 transactions over \$5 million totalling \$1.27 billion in the Brisbane market for H1 2025, compared with 47 transactions totalling \$672.9 million across 47 transactions in H1 2024.
- For H1 2025, cross border investors have accounted for the largest share of sales (32.7% by value), followed by private investors (34.4% by value).



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

RENTAL MARKET

- Brisbane's Industrial rental market has normalised after a period of unprecedented growth in 2023/24. The market recorded 4.8% growth in net face rents for prime assets and 2.1% for second assets in the 12 months to June 2025. Rental growth has been most evident within the Trade Coast and Northern precincts, whilst growth in markets such as the Logan Motorway Corridor, where supply additions have come online have been more subdued.
- Incentive levels currently range between 8.5% and 16.0% for prime properties, whilst the pre-commitment incentives are higher at 10.0% and 17.5%. Incentive have trended upwards over the past year.



Source: M3 Property

OPPORTUNITIES AND CHALLENGES

- There remains a substantial pipeline of new industrial supply to come to market in 2025 and beyond. Elevated construction costs and costs of debt are expected to continue impacting the delivery of some projects over the short term.
- Occupiers continue to seek modern, efficient buildings and are increasingly expecting Environmental-Social-Governance (ESG) features to be incorporated into new developments.

OUTLOOK

- Occupier demand is forecast to remain at robust levels through the remainder of 2025, however take-up is expected to remain low due to the supply/demand imbalance. Rental growth will be driven by the manufacturing and transport and logistics sectors, which account for the bulk of current enquiries.
- Land rates are expected to stabilise over H2 2025 given high construction costs, continued supply chain issues and the potential easing of demand for investment stock.
- The Reserve Bank of Australia (RBA) cut the interest rate by 25 basis points to 4.1% in February 2025 and a further 25 basis points to 3.75% in May 2025, after keeping the rate on hold at 4.35% since November 2023 to combat rising inflation.
- It appears the market is approaching the end of the yield decompression cycle. Sale volumes are expected to continue gathering momentum in H2 2025 following the recent interest rate cuts

CBD OFFICE

MICHAEL COVERDALE

Managing Director QLD



“The Brisbane CBD Office Market is well-positioned in 2025 as one of the highest-performing office markets nationally.

Vacancy at the premium end of the market is low, in part driven by an undersupply of premium accommodation and limited supply coming to the market. With low vacancy rates, rents are likely to continue to increase. As at the June quarter 2025, premium gross face rents averaged \$1,250 per square metre which is a 9.1% increase compared with June 2024. Over time, we’re expecting to see rental growth in both A and B-grade stock to continue. Due to a limited supply, upgrades to B-grade accommodation will be increasingly appealing.

The strength of the leasing market is drawing more capital to Brisbane, with both foreign and local institutions looking to Brisbane as an investment option. There has been an increase in activity over the first half of 2025 for acquisition off the back of the strong leasing market. Additionally, the cost of debt is cheaper, and favourable local currency exchange rates are a benefit for the investment of foreign capital. This combination of market factors is having a positive impact on market conditions.

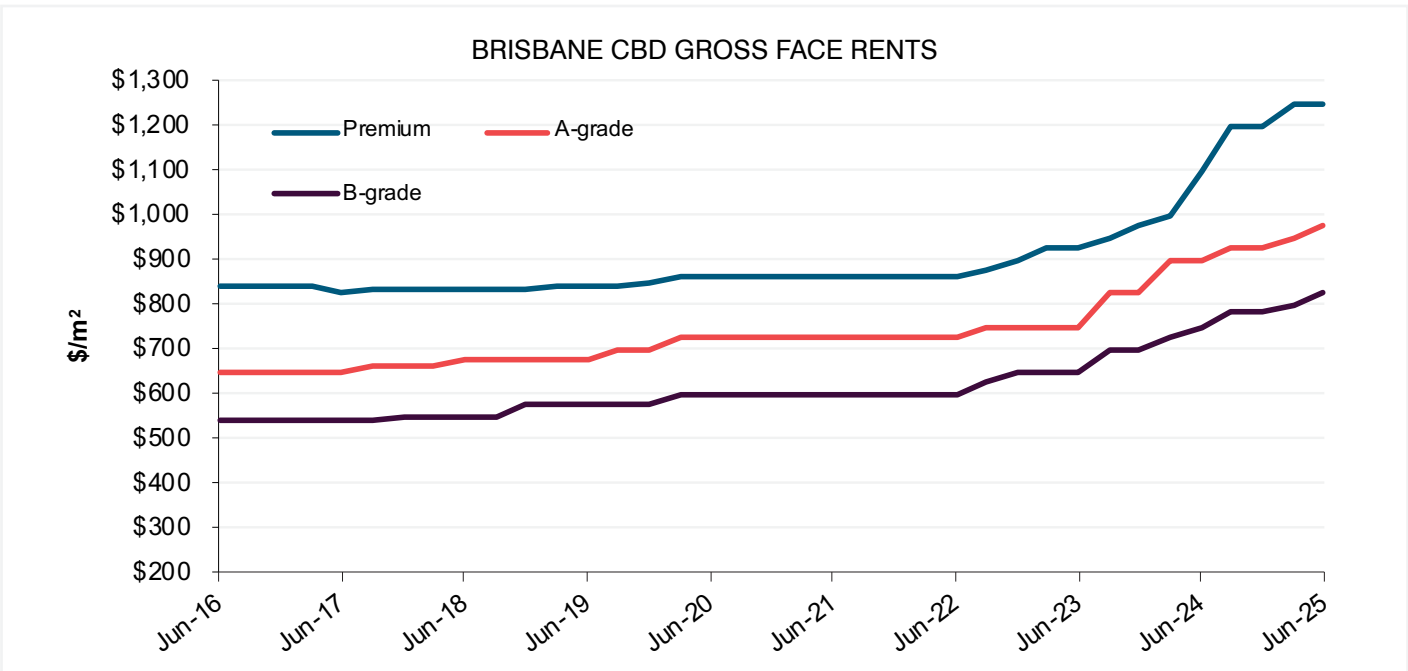
Over the next 12 months, it’s likely we’ll see stabilising cap rates with the potential for tightening in 2026 – determined by transactional activity in the market.”

CURRENT STATE OF PLAY

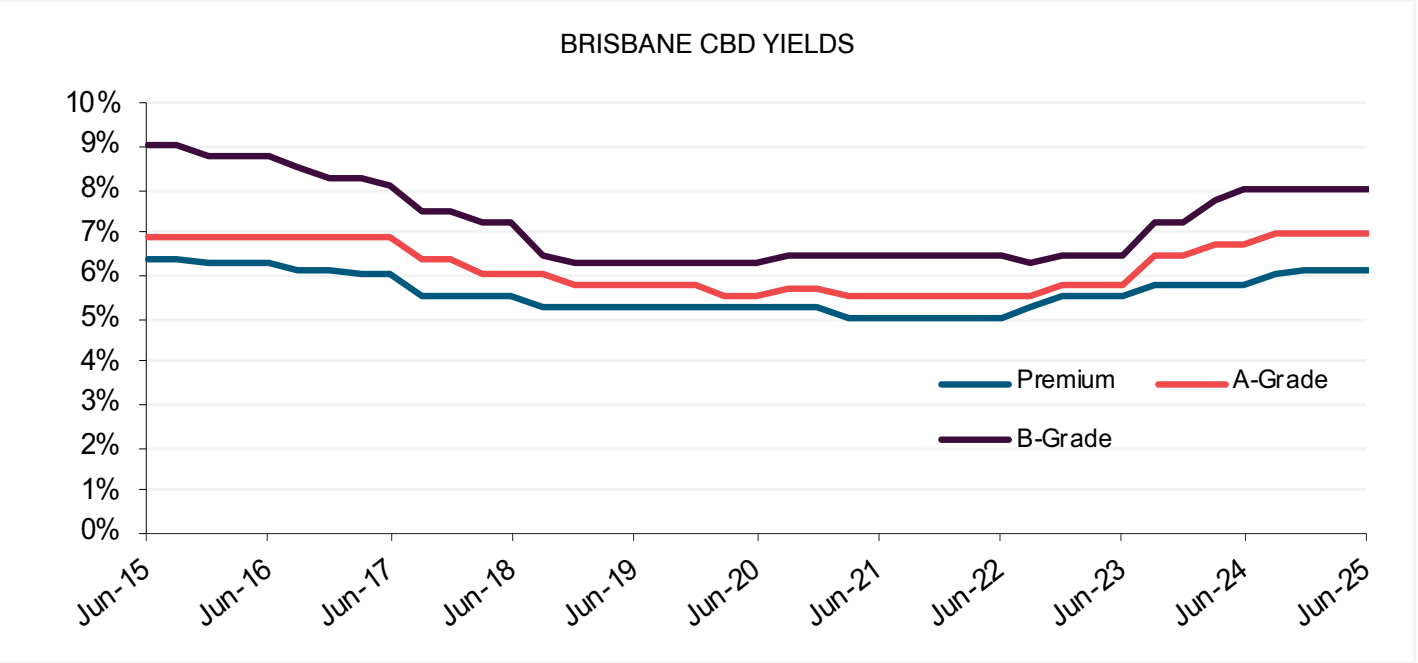
- According to the Property Council of Australia (PCA), there was 2,365,118 square metres of office space in the Brisbane CBD as of July 2025.
- The Brisbane CBD office vacancy rate increased slightly from 10.2% in January 2025 to 10.7% in July 2025. The increase in the vacancy rate was driven by the additional supply of 45,359 square metres of space in the first half of 2025.
- The Brisbane CBD has a healthy medium-term supply pipeline. Work is well underway at 360 Queen Street (which has pre-commitments to WL Ebsworth Lawyers join Queensland Investment Corporation (QIC), Herbert Smith Freehills, HopgoodGanim Lawyers and BDO Australia, 205 North Quay (Services Australia) and Dexus's Waterfront project (Deloitte and MinterEllison). There is 89,130 square metres of space due to be delivered from late 2025 to early 2026 and 73,500 square metres due for completion in 2028. There is also 221,592 square metres of supply mooted for development in the CBD, although major projects are not expected to proceed to construction in the short-term without a significant pre-commitment.

RENTAL MARKET

- As at the June quarter 2025, premium gross face rents averaged \$1,200 per square metre which is a 9.1% increase compared with June 2024.
- A-grade gross face rents averaged \$975 per square metre which represents an 8.3% year on year increase and B-grade gross face rents averaged \$825 per square metre, which represents a 10% year on year increase.
- Incentives averaged 37% for premium, 38.5% for A-grade space, and 40% for B-grade space.
- Premium vacancy is low, with rents likely to continue to increase.



Source: M3 Property



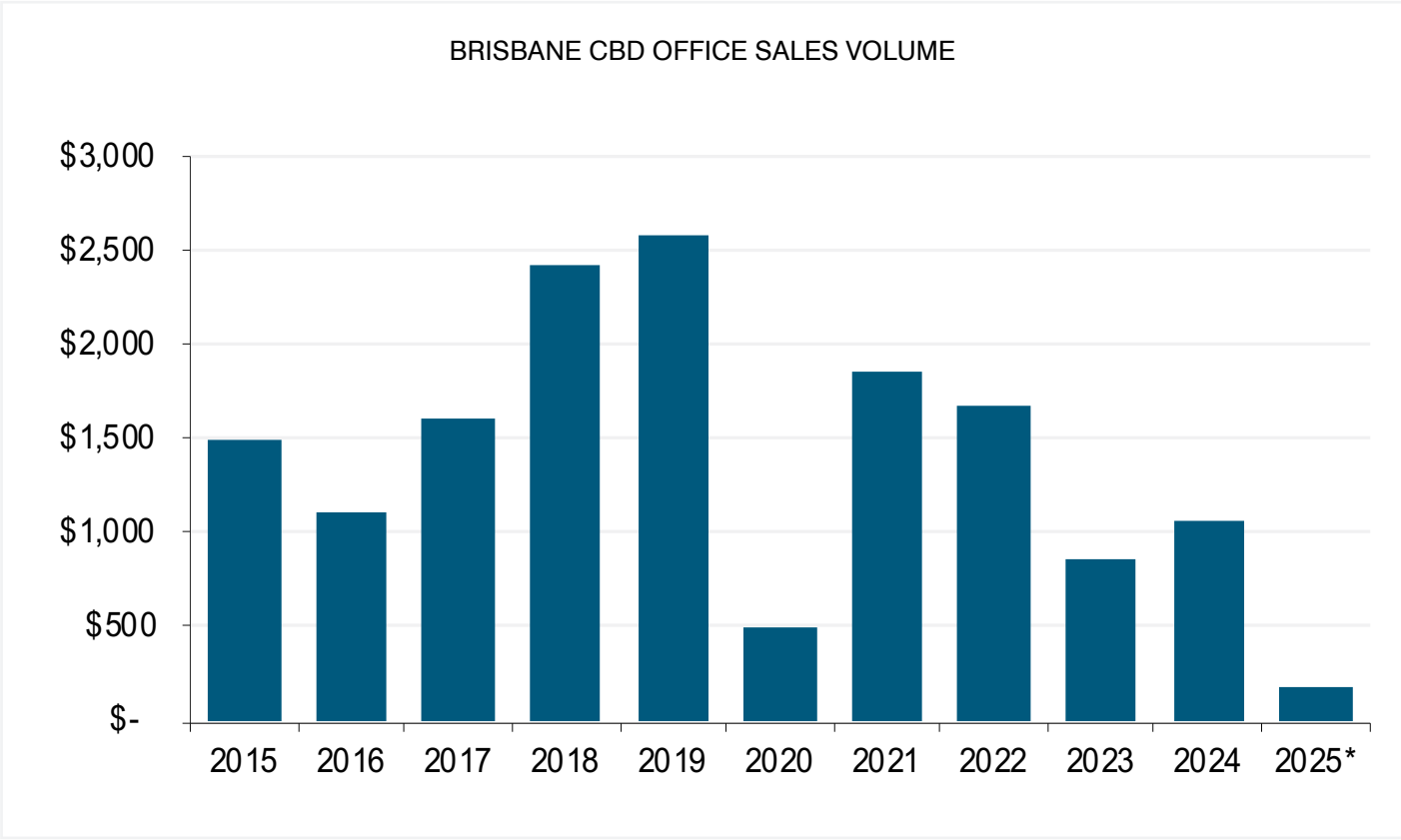
Source: M3 Property

YIELDS

- Yields in the Brisbane CBD office market softened in the past twelve months, with premium-grade building yields softening up to 38 basis points to average 6.13% and A-grade building yields softening by 25 basis points to average 7%. However, B-grade building yields remained unchanged year on year at 8%.
- With pre-committed supply, the cost of debt easing, a reduced vacancy rate and incentive levels, sales activity is expected to increase in 2025.
- Cap rates are stabilising, with the potential to go lower over the next 12 months.

INVESTMENT MARKET

- According to RCA, there were 4 sales totalling \$176.7 million recorded in the Brisbane CBD Office market during H1 2025, compared with 9 sales totalling \$529.7 million in H1 2024. Whilst this is low compared to previous 12 months there is currently a number of larger properties in exclusive diligence and the remainder of 2025 is likely to show strong sale activity.
- The largest transaction to date in 2025 was the \$109.9 million sale of a half share in 53 Albert Street Brisbane in March 2025 to Japanese based NTT Corporation, giving the company full ownership of the property.
- Institutional buyers were the largest buyers of office property in Brisbane during H1 2025, accounting for 45.8% of the transactions.
- As capital values have broadly bottomed out, we are expecting significantly more sales in H2 2025 as offshore and local institutional buyers to have a sharper focus on Brisbane given the improving leasing market, positive Queensland economic outlook and improving debt conditions.



Source: Real Capital Analytics (RCA), M3 Property

OPPORTUNITIES AND CHALLENGES

- Conditions remain favourable to occupiers and they 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 (National Australian Built Environment Rating System) and WELL ratings.
- Office occupancy rates remain substantially 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, and leases allowing for expansion and contraction of space during the lease term.
- The Cross River Rail and Brisbane Metro projects will improve connectivity in CBD and fringe areas, University of Queensland, Boggo Road and the Exhibition Showgrounds, integrating with existing rail lines; occupier demand is expected to strengthen around these new transport linkages.

OUTLOOK

- The Brisbane CBD office space has a healthy supply pipeline planned for the next two years, including good levels of pre-commitment.
- 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 by June 2028.
- The vacancy rate is forecast to reduce or remain stable over the next 12-months.
- It is likely that net absorption and withdrawals of secondary stock from the market in the short-term will offset the increase in supply becoming available 2026.
- Further increases of gross face and effective rents during 2025 partly driven by undersupply of premium accommodation and limited supply coming to the market. Economic rents have jumped significantly which will continue to drive premium rent for existing premium office space.
- Rental growth will continue over time for A and B-grade stock. Due to limited supply B-grade accommodation will become increasingly appealing.
- Leasing market strength is drawing more investment capital to Brisbane. Foreign and local institutions will be looking to Brisbane as an option for future investment. Brisbane is a particularly attractive market to foreign capital as the cost of debt is cheaper and there is a relatively low exchange rate compared with other international markets.
- Cheaper debt, a strong leasing market and strong currency exchange are having a positive impact on market conditions.
- 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 / starting to reduce. This may particularly be the case for tenants where there is value or utility in existing fitouts, given the significant increase in costs to fund a new tenancy.

RESIDENTIAL DEVELOPMENT

STEPHEN LINNANE

Director | Residential Development



“Brisbane’s residential market has remained resilient in the first half of 2025, continuing to outperform most other capital cities. While price growth has moderated compared to the peaks of 2023–2024, overall values remain strong, underpinned by ongoing supply constraints and population-driven demand.

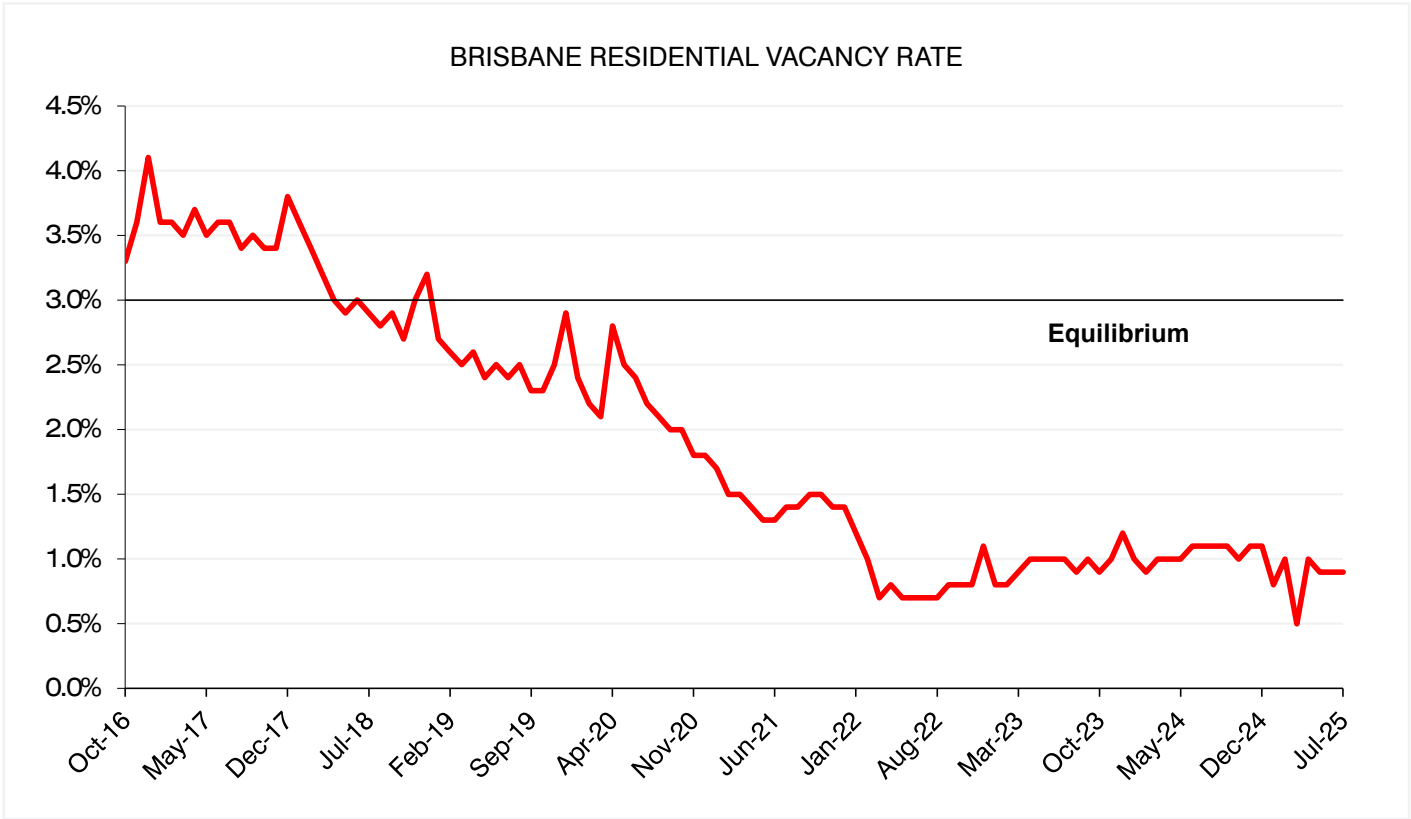
The market remains significantly undersupplied, with limited new housing completions struggling to keep pace with record interstate and overseas migration. Rental demand has intensified further in early 2025, driving vacancy rates to historic lows. However, rental growth has begun to level off in certain areas due to affordability pressures.

Construction costs have shown signs of easing, though remain elevated relative to pre-COVID levels. Labour shortages persist, particularly for large-scale and complex projects, contributing to longer delivery timelines and development risk.

Overall, Brisbane’s housing market outlook remains positive, supported by improving consumer sentiment, sustained population growth, and the recent interest rate cuts by the RBA, which have bolstered borrowing capacity and buyer confidence across both owner-occupier and investor segments.”

CURRENT STATE OF PLAY

- According to CoreLogic, median house prices in Brisbane grew by 6.04% to reach a new peak of \$1,010,566 in July 2025. Oxford Economics Australia is forecasting median house prices in Brisbane to grow by 5.2% during 2025.
- With strong demand and a surge in population growth, median unit prices grew by 15.4% to reach a new peak of \$718,196 in July 2025. The median unit price is forecast to continue growing during 2025. Unit growth will benefit from worsening housing affordability as buyers look to purchase more affordable apartments or townhouses rather than houses. Oxford Economics Australia is forecasting median unit prices in Brisbane to grow by 9.7% during 2025
- Housing affordability has declined considerably since the September 2020 quarter. According to the Housing Industry of Australia (HIA) Affordability Index, affordability within greater Brisbane deteriorated to an index score of 54.4 during the December quarter 2024. An index score of 100 indicates the threshold for an 'affordable' market, with an index level below 100 indicating an unaffordable market.
- In June 2025, the Brisbane metro area had a vacancy rate of 0.9%, slightly lower than the 1.1% of June 2024. All submarkets are still sitting below the equilibrium level.
- The tight vacancy rates have put strong upward pressure on rentals across the greater Brisbane residential market.



Source: SQM, M3 Property

*Note: The market equilibrium vacancy rate is considered to be 3.0%. Vacancy rates higher than this typically represent an oversupplied rental market whilst lower vacancy rates typically represent an undersupplied market.

OPPORTUNITIES AND CHALLENGES

- Underlying dwelling demand is forecast to strengthen over the medium-term due to stronger population growth. Strong inter-state migration and the Federal Government's decision to increase the number of places in the permanent migration program will both contribute to increasing population in Brisbane. The resulting population increase will continue to fuel price growth across all sectors.
- Planning delays are 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

- Over the past few years, back-to-back interest rate hikes, rising construction costs, and a shortage of building contractors have significantly impacted development feasibilities. An increasing number of projects are unable to proceed under current market conditions, posing a significant risk to the development site market. While the February and May 2025 interest rate cut may help ease some financing challenges, if these conditions persist, there is a risk of a market correction in development site values.
- The market remains undersupplied due to limited new construction, while population growth continues to drive demand. Rental demand is rising, pushing vacancy rates lower, though rental price growth is expected to be lower in 2025 than the past few years.
- The price gap between detached dwellings and apartments has been narrowing over the past 12 months; unit values have risen at a faster rate than house values, driven by affordability constraints making it increasingly difficult for many first-home buyers to enter the market.
- Looking ahead, the South-East Queensland market is well-positioned for sustained growth, driven by strong interstate and international migration, a persistent housing shortage, and ongoing infrastructure development in preparation for the 2032 Summer Olympic Games.

RETAIL



DUANE GILLILAND

Director | Retail

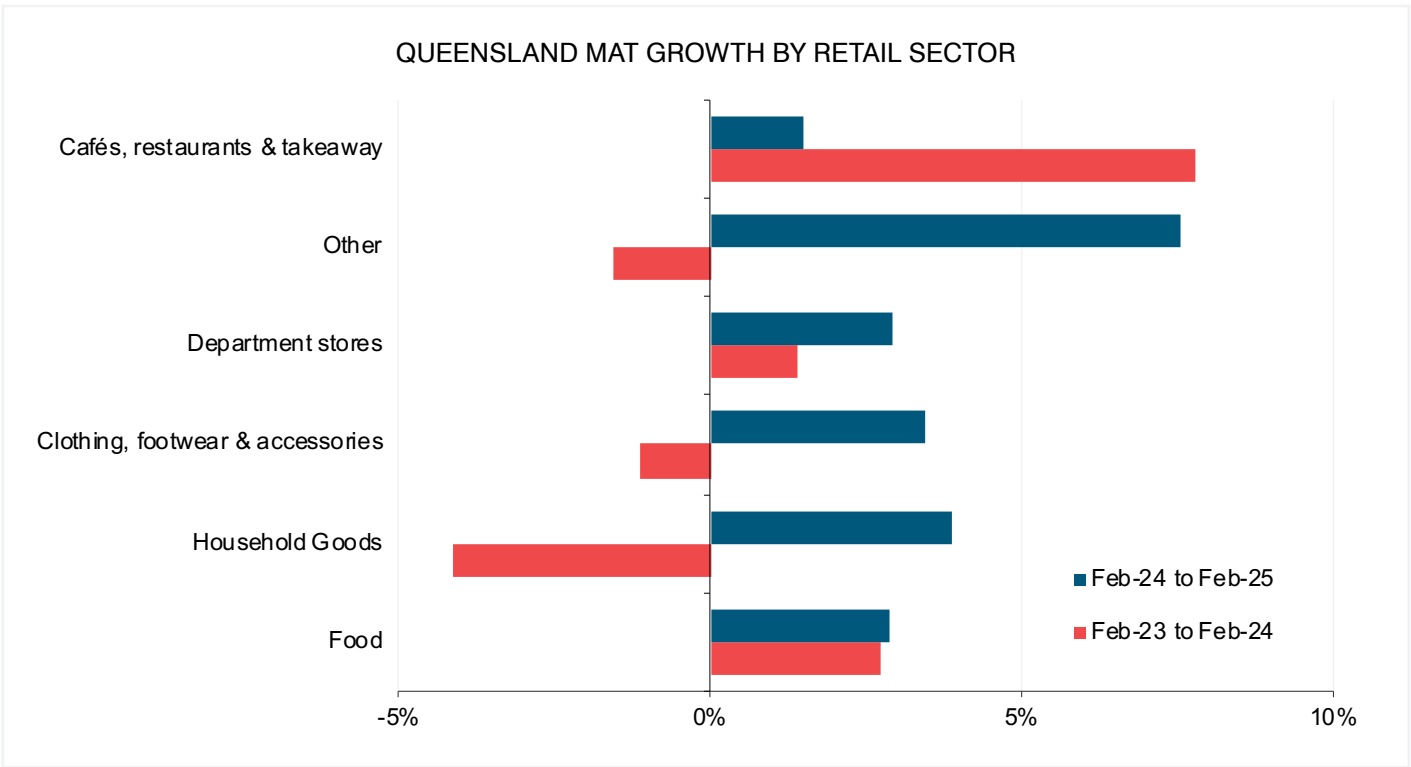
“During H1 2025, capital has continued to focus on retail assets with investor interest primarily from domestic syndicators, private capital and wholesale funds. Renewed interest is also being observed from offshore capital in jurisdictions where overseas capital is more favourably treated by the tax regime. Institutional participants have continued to re-mix their portfolios, divesting non-core assets, but have also re-entered the market as buyers and this has buoyed the market.

Notable large-scale completed or pending transactions include Macquarie Centre (50% for \$830m), Westfield Chermside (25% for \$683m), Top Ryde (100% for circa \$500m (pending)), Woodgrove (100% for \$440m), and Northland (50% for \$385m). In the sub \$100m bracket there has been multiple transactions of good-quality Neighbourhood centres in the 5.25% to 5.75% range and several Bunnings Warehouses transact at circa 5.00%, reflecting liquidity for these assets that wasn't present during 2023 and 2024. With further pending cuts to the cash rate, vendors are considering the best time to divest assets.

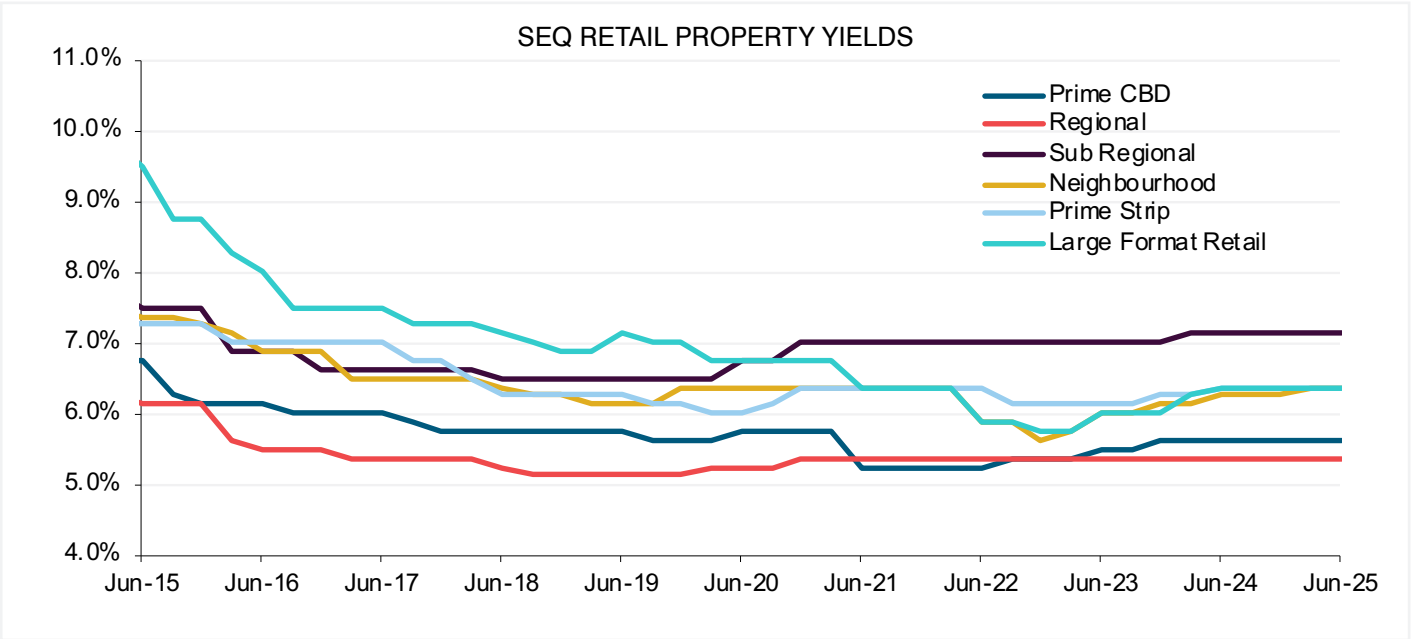
Development is occurring in the Neighbourhood, LFR and QSR markets, assisted by rental growth from national brands proceeding with store roll-out programs. The lack of discretionary anchored developments in the Sub-Regional and Regional Centre markets continues to assist with the floorspace supply / demand equation.”

CURRENT STATE OF PLAY

- Total retail spending in Queensland for the 12 months to June 2025 increased by 5.21%, compared with 3.76% recorded for the 12 months ending June 2024.
- The strongest growth by retail category was recorded in clothing, footwear & accessories (7.69%) followed by department stores (6.56%) and household goods (5.56%).
- Rental spreads (i.e., the difference between a tenants' new rent and their prior rent) have materially improved over the last 12 months for Australian Real Estate Investment Trust (AREIT) shopping centre owners.
- Growth in the online retail sector and the continuing expansion of online marketplaces has resulted in centre owners changing their tenancy mix. The pattern of rationalisation of fashion and growth of health and beauty, services, food-based retailing, and entertainment has been a trend over the past five years.
- 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. Staged opening of the project commenced in August 2024 with the Sky Deck rooftop including food and beverage outlets, parks and bridges open to the public. Further restaurants and retail stores opened in the early months of 2025 and the entire precinct is due to be completed by 2030.
- The redevelopment of the Buranda Village Shopping Centre was recently 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.



Source: ABS, M3 Property



Source: M3 Property

YIELDS

- Retail yields generally continue to look attractive relative to the alternative investment classes of office and industrial.
- Single tenanted retail assets with values of sub-\$25m continue to be well sought after by the market, with recent sales including Woolworths Maleny (initial yield of circa 5.00%).
- We expect there to be downward pressure on yields for prime neighbourhood and sub-regional centres following the renewed purchaser interest in the sector and the reducing cost of capital.
- Prime yields for CBD retail properties generally ranged from 4.75% to 6.00% during the June quarter 2025.

TRANSACTIONS

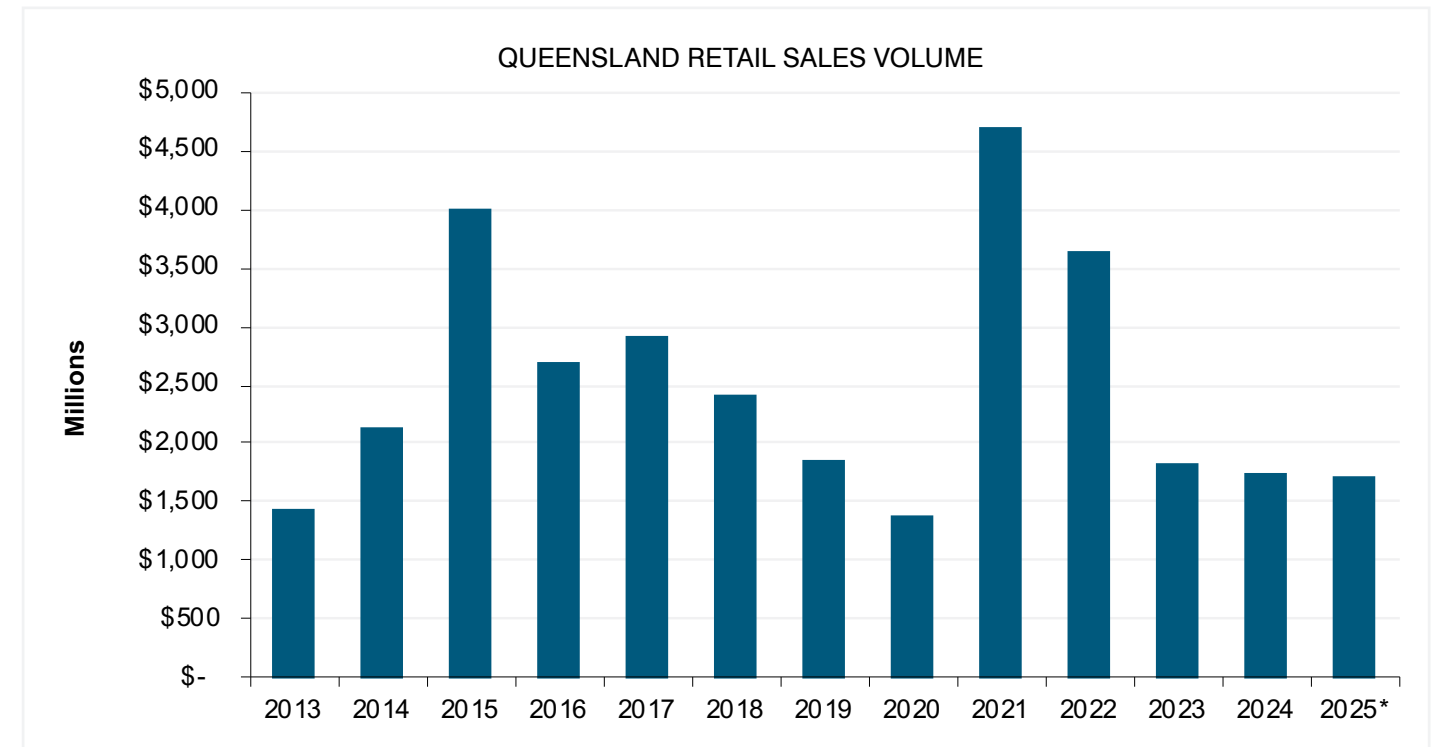
- The largest transaction so far in 2025 has been the sale of a 25% interest in Westfield Chermside which sold for \$683 million to Dexu Wholesale Shopping Centre Fund.

INVESTMENT MARKET

- According to RCA, there were 44 retail sales totalling \$1.73 billion recorded across the Queensland market H1 2025, somewhat higher than the \$893.7 billion from 24 transactions in H1 2024.
- Listed funds and REIT investors was the most active buyer group in H1 2025, accounting for 42.7% followed by private investors (27.7%) and institutional investors (27.6%).
- Meanwhile, listed funds and REITs were also the largest sellers of QLD retail assets in H1 2025, comprising 56.6% of transactional sellers.

“RENEWED INTEREST IS ALSO BEING OBSERVED FROM OFFSHORE CAPITAL IN JURISDICTIONS WHERE OVERSEAS CAPITAL IS MORE FAVOURABLY TREATED BY THE TAX REGIME.”

- DUANE GILLILAND



Source: Real Capital Analytics (RCA), M3 Property

OPPORTUNITIES AND CHALLENGES

- Retailers are seeking increased store sizes in quality centres to drive productivity.
- Supply of retail floor supply continues to be constrained but stabilising and potentially reducing construction costs may change the status.
- Shopping centres have natural advantages through planning and transport to assist with the housing supply crisis as cities expand vertically, but the overly onerous regulatory framework provides hurdle
- Centres still pay a vital role in the community. Retail is where people do their living. Some shopping centres are adding co-working tenants, childcare, serviced apartments and other non-traditional retail uses.
- The role of shopping centres in assisting with last mile logistics also provides opportunities.
- Under-performing anchor tenants are seen as a key income risk by potential purchasers, being mindful that while a vacant anchor tenancy can provide re-positioning opportunities, it creates income uncertainty and re-purposing is capital intensive.

OUTLOOK

- Consumer confidence started to improve over the second half of 2024 and is likely to improve further following the RBA's decision to cut interest rates to 4.1% in February 2025 and then to 3.75% in May 2025. Further rate cuts later in 2025 will continue to improve sentiment.
- The February and May rate cuts mean purchasers are likely to become more active in considering assets offered for sale during 2025.

SERVICE STATIONS

JEREMY HOFFMAN

Director | Specialised Assets



“Investment demand for the QLD Service Station sector during the first half of 2025 has been driven by tenant covenant and the quality of assets available on the market.

Over the past 12 months, yields have generally remained steady. After a low volume of sales during the first half of 2025, there has been more recent increased transaction activity with interest rate decreases likely a main contributing factor.

We anticipate market rents will continue to grow over the coming 12 months and for yields to continue to remain steady. There will likely be a continuation of a two-tier market between prime and secondary assets.

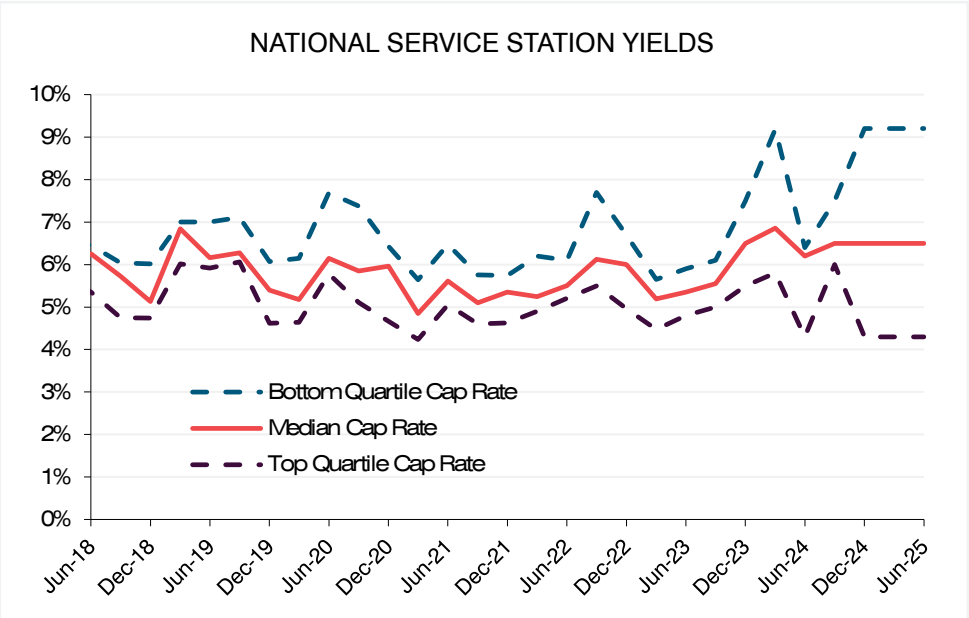
The sector continues to experience risks from evolving federal and state policy frameworks, and due to the increasing uptake of electric vehicles.”

CURRENT STATE OF PLAY

- Service stations compete on price, location, marketing, and promotions.
- Service stations have evolved to focus more on the sale of convenience and grocery items, which has boosted profit margins. According to IBISWorld, non-fuel products account for 15.0% of industry revenue.
- Demand for highway service centres in strategic locations has been strong. These assets generally include a retail offering, with leases to high-quality national tenants.
- Major national players include BP, Viva Energy (Coles Express) and Ampol.

YIELDS

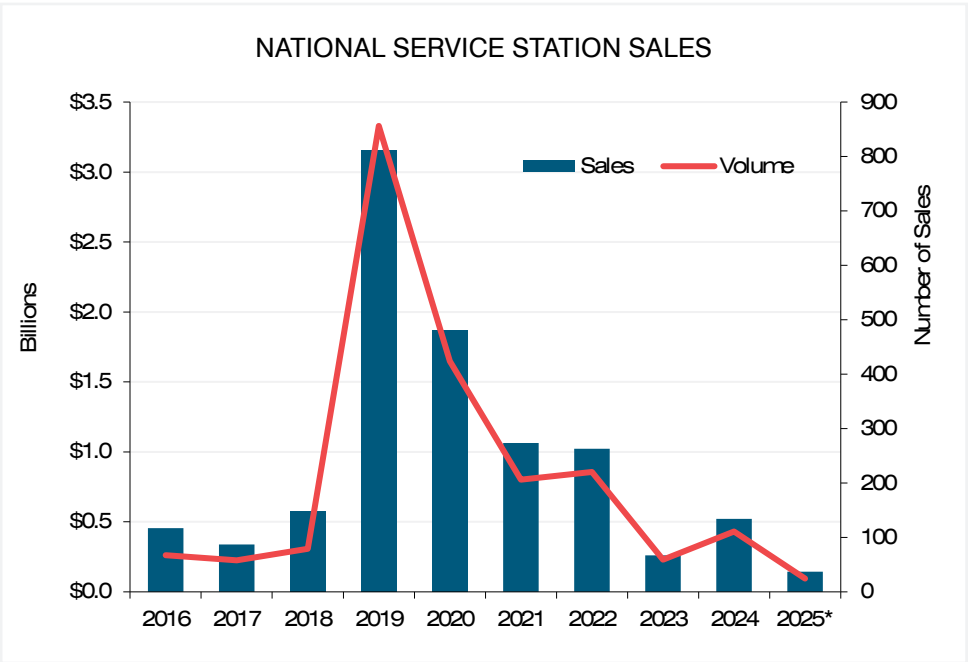
- Service station yields in South-East Queensland have been relatively stable over the past year however with limited transactional activity in the first half of 2025. Median yields are sitting around 6.0%.
- Yield levels for service stations have historically stayed around the 6% mark, and the more recent transactional activity indicating that yield levels seem to be restabilising at the same position.
- Regional locations generally have softer yields than metropolitan locations, with the spread between metropolitan and regional yields widening over recent years.



Source: Real Capital Analytics (RCA), M3 Property

INVESTMENT MARKET

- According to RCA, There were 24 service station sales totalling \$142.8 million recorded across the national market for H1 2025, somewhat lower than the \$275.7 million from 57 transactions in H1 2024.
- There were 8 retail sales totalling \$39.9 million recorded across the Queensland market H1 2025, somewhat lower than the \$108.7 million from 21 transactions in H1 2024.
- Private buyers accounted for all service station transactions in H1 2024.



Source: M3 Property

OPPORTUNITIES AND CHALLENGES

- Prime locations (such as on major arterial roads or large intersections) are critical in obtaining the large volume of fuel sales required to make a service station financially viable.
- Strong competition in the industry makes it difficult for new entrants in the market – which are also faced with large initial capital outlays, heavy regulatory constraints and gaining environmental approvals.
- There continues to be evolving federal and state policy frameworks and the increasing uptake of electric vehicles. These factors may influence future fuel demand and the broader viability of traditional service station operations. To mitigate these risks and maintain market relevance, future-proofing strategies such as the integration of EV charging infrastructure and continued retail diversification is being undertaken.
- Operating conditions have been volatile over recent years, largely due to global oil price fluctuations and pandemic-related travel disruptions.
- Contamination risk and remediation costs are increasingly falling on the tenant which improves the attractiveness of investing in service stations.

OUTLOOK

- Ownership of service stations is expected to become more consolidated as major institutional groups continue acquiring individual properties and portfolios of service stations.
- The RBA has cut cash rate a further 25 basis point to 3.85% at its May meeting, following the 25 basis points cut in February 2025. While underlying inflation is moderating, the RBA still hold concerns with uncertain global economic condition and tight labour market. Whilst fundamentals are solid, yields however are likely to continue to ease in the short term in response to higher interest rates and increased capital costs.

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