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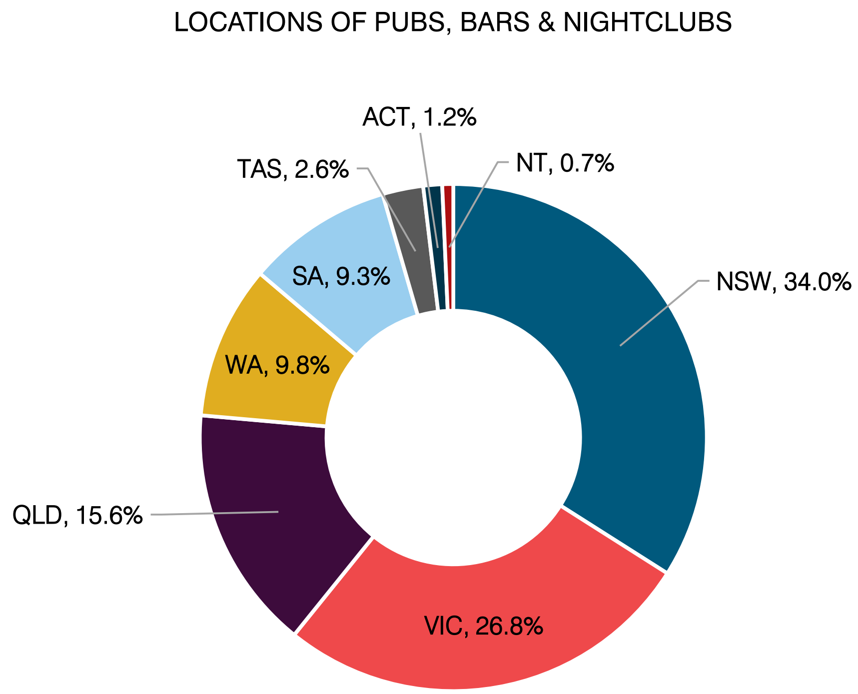
AUSTRALIAN PUBS, BARS & NIGHTCLUBS INSIGHT

OCTOBER 2025

The Australian pubs, bars and nightclubs industry, which is valued at approximately $20 billion, is navigating a dynamic period shaped by evolving consumer preferences, economic headwinds, and regulatory changes. As of January 2025, the industry comprises nearly 6,997 establishments, with NSW (34%) and Victoria (26.8%) dominating the national landscape.



Source: IBISWorld, M3 Property

ECONOMIC LANDSCAPE

The domestic economy is showing signs of gradual recovery, with GDP growth at with GDP growing by 0.6% in March 2025 and inflation at 2.1%, within the RBA's target. The cash rate has been cut to 3.6% in the August meeting, easing financial pressure on households and businesses. Retail turnover has also shown resilience, growing 4.57% year-on-year. However, despite improving consuming sentiment overall consumer spending remains subdued, affected by weak real income growth and job market softening. Further, unemployment is expected to rise marginally, weighing on discretionary spending sectors like hospitality and entertainment. Business conditions have also declined across the industry, mostly due to low profitability across Venues. Despite headwinds, improving economic indicators and strong sales of venues point to a resilience in the industry to weather the downturn in business conditions, higher unemployment and continuing subdued consumer spending.

Revenue by Customer

Source: IBISWorld, M3 Property

16.0% Consumers aged 18 to 24

32.2% Consumers aged 25 to 44

39.9% Consumers aged 45 to 64

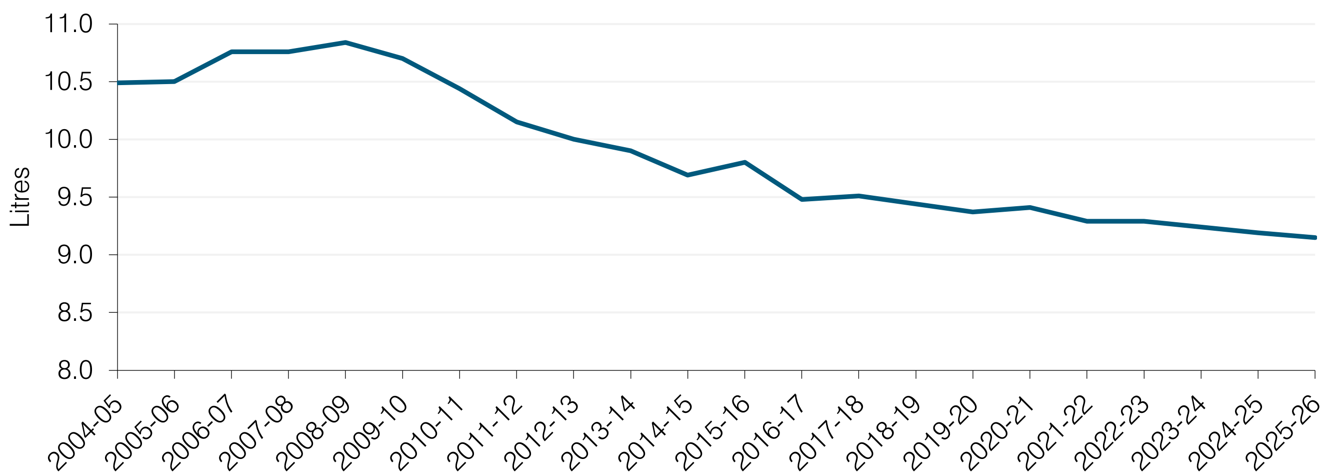
11.9% Consumers aged 65 and over

CHANGING CONSUMER PREFERENCES

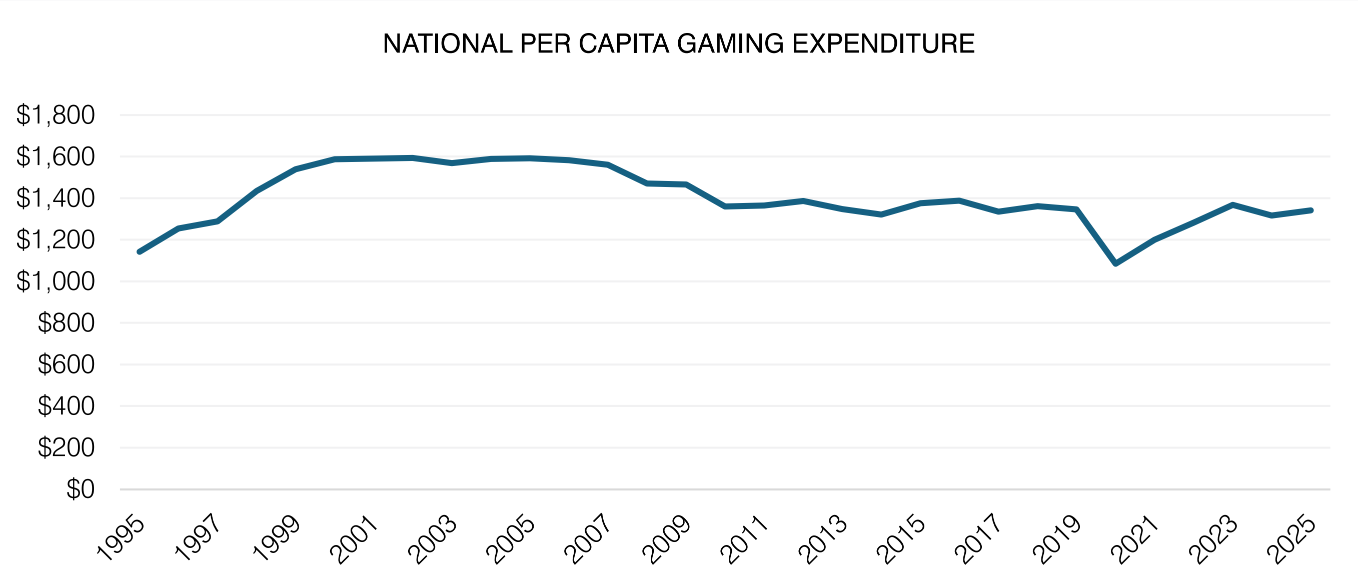
The pub industry is undergoing a significant transformation. Traditional pubs are evolving to reflect Australia's growing demand for premium food, craft beverages, and experiential dining, reducing reliance on gaming revenue, which faces tighter regulatory scrutiny. The rise of gastropubs, niche bars, and cocktail venues mirrors broader societal trends toward health-conscious consumption and higher expectations around quality and ambiance.

The 45-64 age demographic accounts for the largest share of revenue (39.9%), but younger cohorts are driving shifts in product offerings. Per capita alcohol consumption continues to decline, forecast to fall by 0.4% in 2025–26, while per capita gaming expenditure, though recovering from pandemic lows, is also expected to decline by 1.4% in the coming year.

NATIONAL PER CAPITA ALCOHOL CONSUMPTION



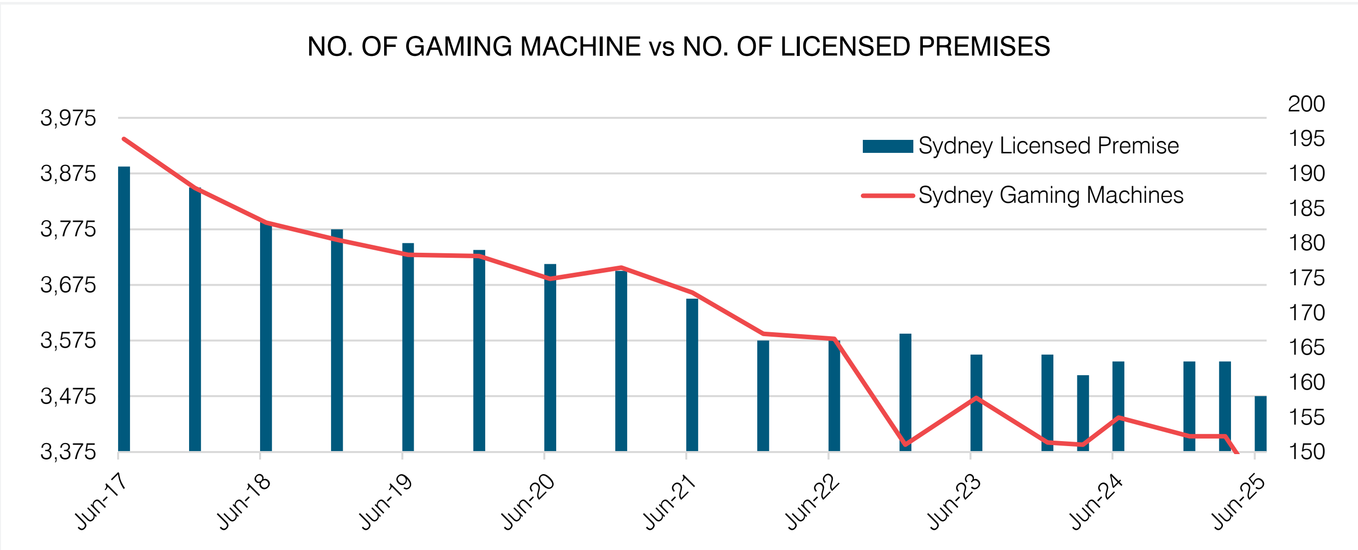
Source: NSW Government - Liquor and Gaming, M3 Property



Source: NSW Government - Liquor and Gaming, M3 Property

GAMING AND REGULATION

Gaming remains a critical revenue stream for many pubs, but its future is uncertain. As of June 2025, NSW had 84,621 gaming machines, with reforms underway aiming for cashless gaming by 2028. This includes trials across metropolitan and regional venues and a push for diversification through grants and machine buy-back programs. Despite the cap on machines, record demand is driving reactivation of dormant entitlements, as venues seek to maximise gaming revenue ahead of further reforms.



Source: NSW Government - Liquor and Gaming, M3 Property

INVESTMENT TRENDS

The Australian pub market has entered 2025 with renewed transactional momentum, following a shift in market sentiment in late 2024. There have been 20 venue transactions recorded in NSW in 2025 to date, totalling $552.1 million. With three months left to go this already surpasses the 40 transactions totalling $508.4 million recorded in 2024. The market is now dominated by private investors, accounting for 100% of transactions this year, with institutions stepping back amid rising capital costs and yield compression.

Notably, institutional interest remains strong, as evidenced by Charter Hall's recent takeover bid for Hotel Property Investments (HPI), signalling confidence in the sector's long-term income stability. Private capital has also been highly active, with prominent groups such as AVC, Solotel, Star Hotels, Thomas Hotels, and the Francis Group executing strategic off-market acquisitions.

Ten biggest pub sales in 2024:

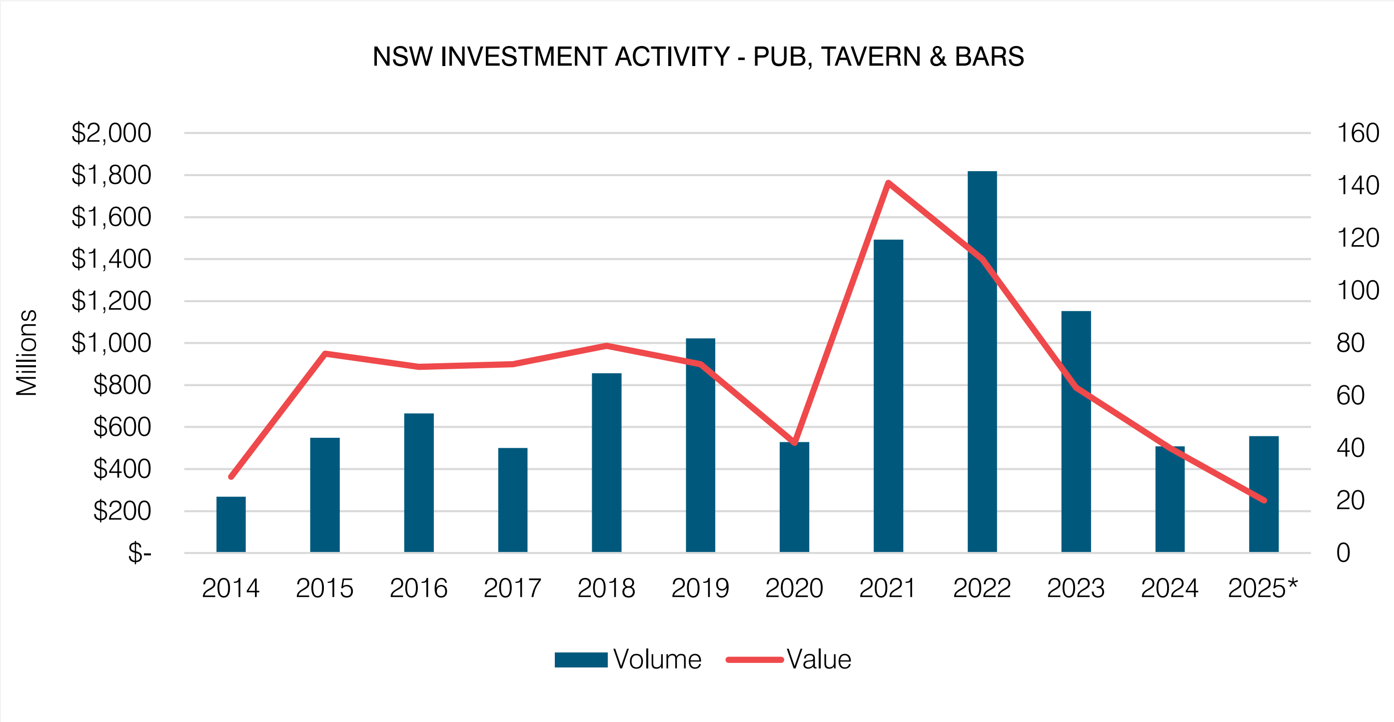
Pub	City	Buyer	Price ($m)
El Cortez Hotel	Sydney	Iris Capital	100
Cabramatta Hotel	Sydney	Iris Capital	90
Tea Gardens Hotel	Sydney	Ryan family	75
Eastwood Hotel	Sydney	Gallagher Hotels	70
The Australian Hotel & Brewery	Sydney	Sonnel Hospitality	48
Crescent Hotel	Sydney	Gallagher Hotels	48
Vauxhall Hotel	Sydney	Michael Wiggins	41
Captain Cook Hotel (Botany)	Sydney	Kent Walker	35
Lucky Tree Tavern	Brisbane	Redcape	34
The Wattle Grove Hotel	Sydney	Francis Hotels	34

Source: Financial Review

In Sydney, where nine of the ten largest pub deals of 2024 occurred, Redcape sold Hotel Group sold assets such as the El Cortez Hotel for about $100 million and the Cabramatta Hotel for $90 million. Both pubs were acquired by Rich Lister Sam Arnaout's Iris Capital.

Significant Sales in the month of August 2025:

1. Terrigal Hotel on the NSW Central Coast transacted for $47 million.
2. Acquisition of the Gem Hotel in Griffith for circa $50 million the largest regional pub sale recorded so far in 2025.
3. Panorama Hotel Motel in Bathurst sold for $25 million, reflecting continued investor appetite for both metropolitan and key regional hospitality assets.



Source: RCA, M3 Property
Note: Sales over $1 million as of 2/09/2025

The sale of the Bath Arms Hotel in Burwood for $43 million further highlights continued investor interest in well-located suburban assets, particularly those benefiting from major infrastructure and residential growth. Performance fundamentals remain sound, with non-electronic gaming revenue now underpinning broader market strength. Looking ahead, RBA rate cuts combined with an expanding buyer pool and an increase in public sale campaigns, point to a more liquid and active market environment over the remainder of 2025.

OUTLOOK

Over the next five years, industry revenue is expected to grow at 1.9% annually, with modest establishment growth of 1.2% p.a. Key challenges include increased regulation, declining beer consumption, and economic uncertainty. However, the sector is positioned to benefit from the recovery in tourism, lower interest rates, and a strategic shift toward premium experiences and diversified offerings. Operators who innovate and adapt to changing consumer preferences by expanding their drink selections are likely to maintain their competitiveness.

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