M3 PROPERTY

QUEENSLAND MARKET SNAPSHOT

H2 2022

CONTENTS

INDUSTRIAL

"Overall yields have softened, however the full extent of yield adjustment is yet to be quantified given the limited number of transactions over the second half of 2022. We anticipate sale volumes to remain low and yields to continue to soften throughout 2023 due to the higher cost of debt. Consequently, there is a 'wait and see' attitude from buyers towards a broad range of industrial assets given the market volatility currently being experienced, and is largely due to the steep increase in interest rates over a short period and the possibility that rates could increase further. This negative impact on industrial property is being offset to some degree by strong rental growth driven by low vacancy, given the strong levels of occupier and tenant demand."

MICHAEL COVERDALE
MANAGING DIRECTOR

CURRENT STATE OF PLAY

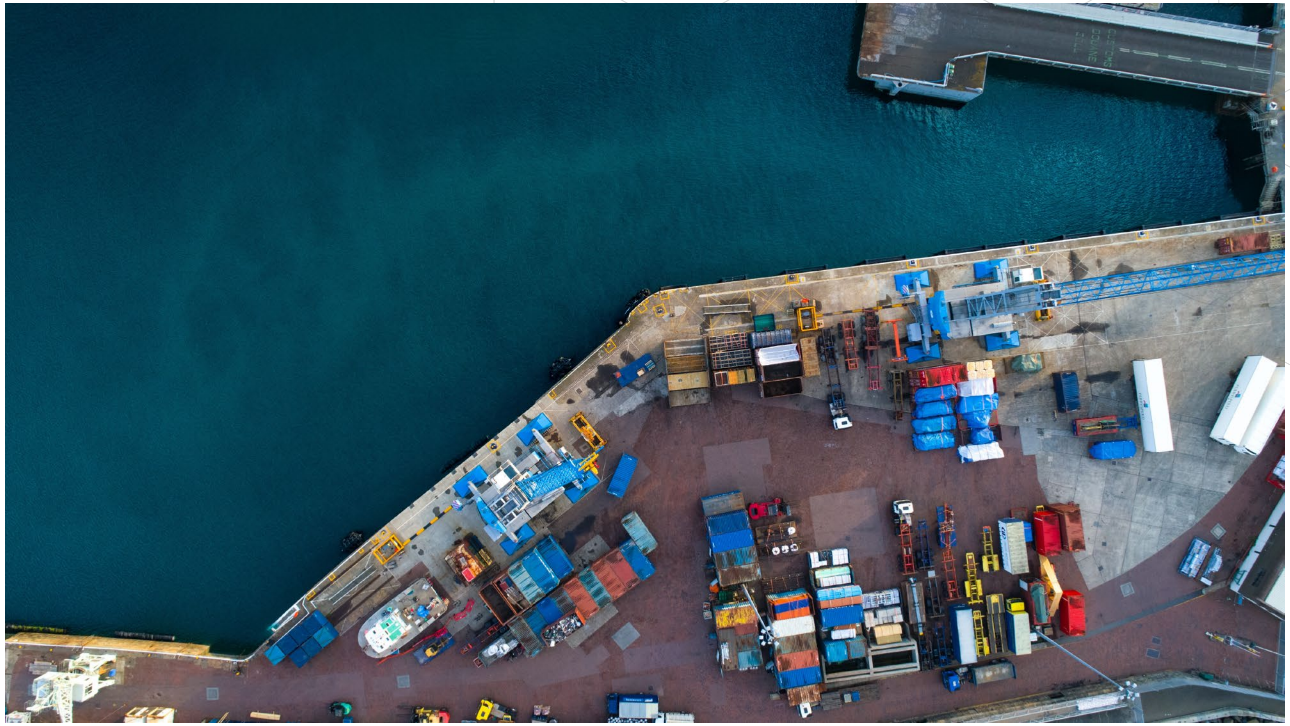
- There has been a continued strengthening in the leasing market and a renewed focus on rental levels from property owners now that market value growth via yield compression has slowed. The Brisbane industrial market saw strong growth in net face rents and a decline in incentives during 2022.

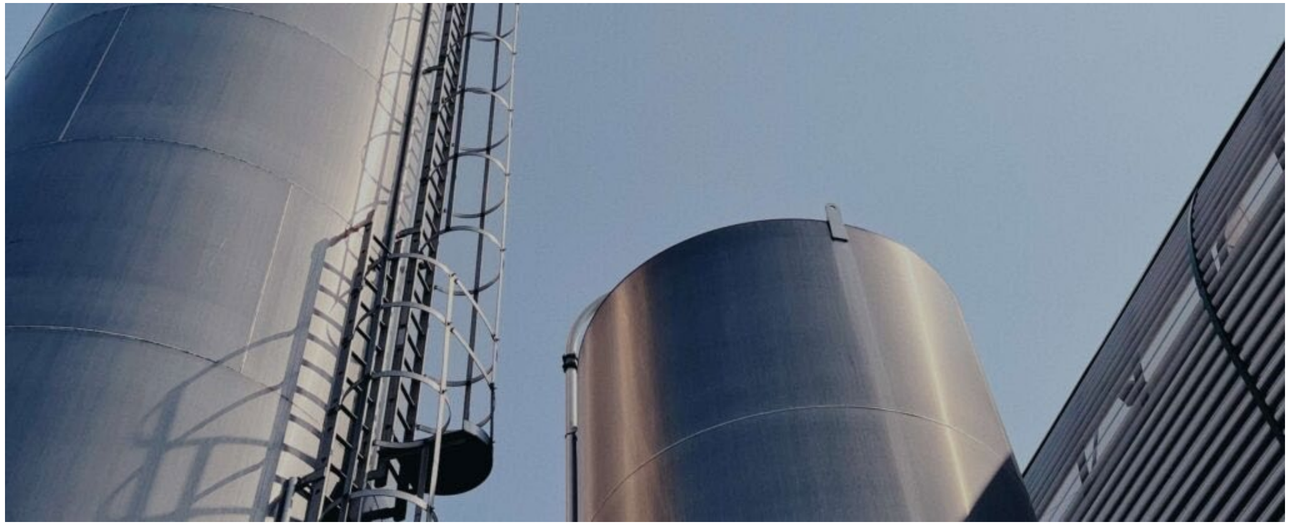
- The number and value of industrial building approvals strengthened in 2022. Most new supply added to the market over recent years has been in the Western and M1 Corridors and has been the result of design and construct deals.

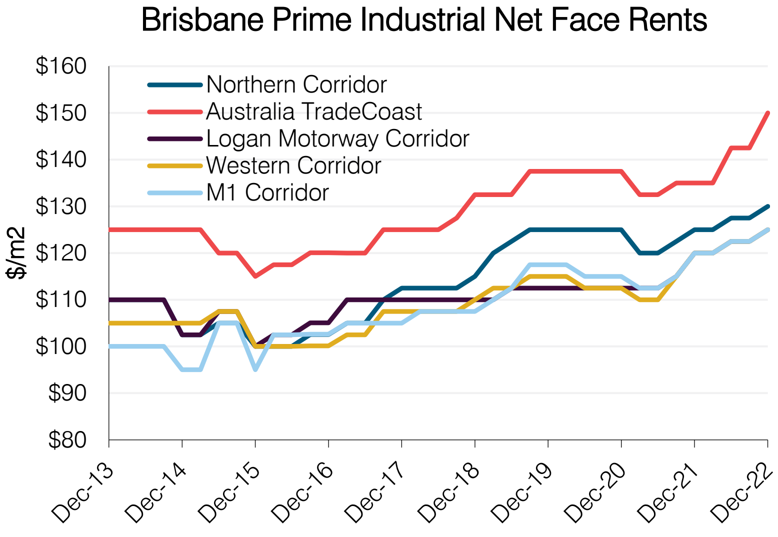
- Demand for larger land parcels (one hectare and greater) remains strong, driven by larger occupiers and the trend towards consolidating multiple facilities.

- Leasing demand remains strong and vacancy across speculative and existing stock is at low levels, with food manufacturers, transport / logistics operators and retail groups being major absorbers of space over the past two years.

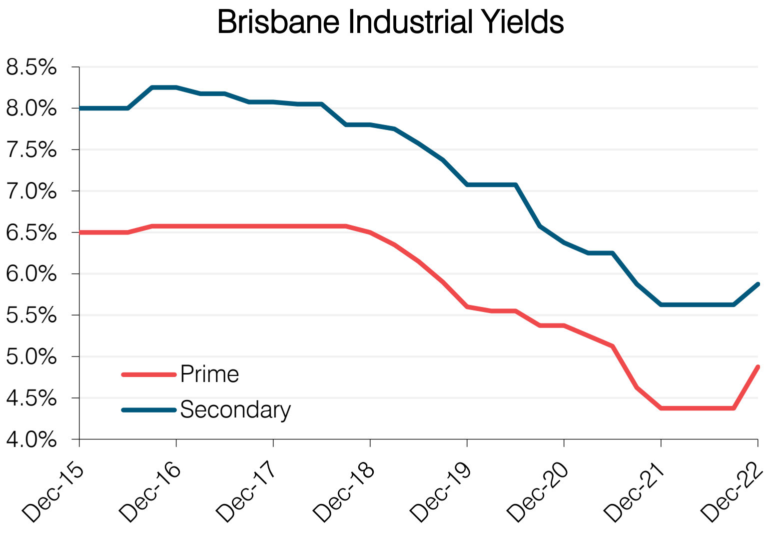
- The latest State Government Land Supply and Development Monitoring Report (2021) estimates there to be circa 5,280 hectares of future industrial land supply across the GBR. A large portion of this is zoned as ‘Industry Investigation Area’ within the Ipswich City LGA.







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 $115 and $175 per square metre with secondary rents ranging between $80 and $115 per square metre.
- Prime rents increased by 5.6% in 2022 with secondary rents increasing by 4.5%. Incentives are typically ranging between 5.0% and 17.5% (and larger on 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 December 2022 quarter, prime yields ranged between 4.25% and 5.50% and secondary yields ranged between 5.50% and 6.25%.
- 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 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 $2.4 billion.
- In 2022, private buyers accounted for the largest share of sales by value (42%). 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.

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 increase further over the short-term as leasing demand remains strong and the availability of leasing options declines. Incentives are likely to come back slightly.
- Land rates are expected to be stable 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)	Initial Yield	GLA Analysis ($/$m^2$)
112 Cullen Avenue West, Eagle Farm	Nov-22	$32,250,000	The Trust Company (Australia) Limited	11,970	1.46	6.00%	$2,694
63 Tile Street, Wacol	Nov-22	$16,300,000	Wacol Industrial Park Pty Ltd	7,815	4.36	6.12%	$2,086
47 Acanthus Street, Darra	Oct-22	$15,900,000	Greenslopes Circuit Pty Ltd	3,900	4.20	5.02%	$4,077
97 Trade Street, Lytton	Aug-22	$16,000,000	Kambah Ventures Pty Ltd	6,600	10.00	5.16%	$2,424
344 New Cleveland Road, Tingalpa	Aug-22	$17,543,295	Trident Funds Management Pty Ltd	6,149	19.93	5.25%	$2,853
97 Trade Street, Lytton	Aug-22	$16,000,000	Kambah Ventures Pty Ltd	6,600	10.00	5.16%	$2,424

RETAIL

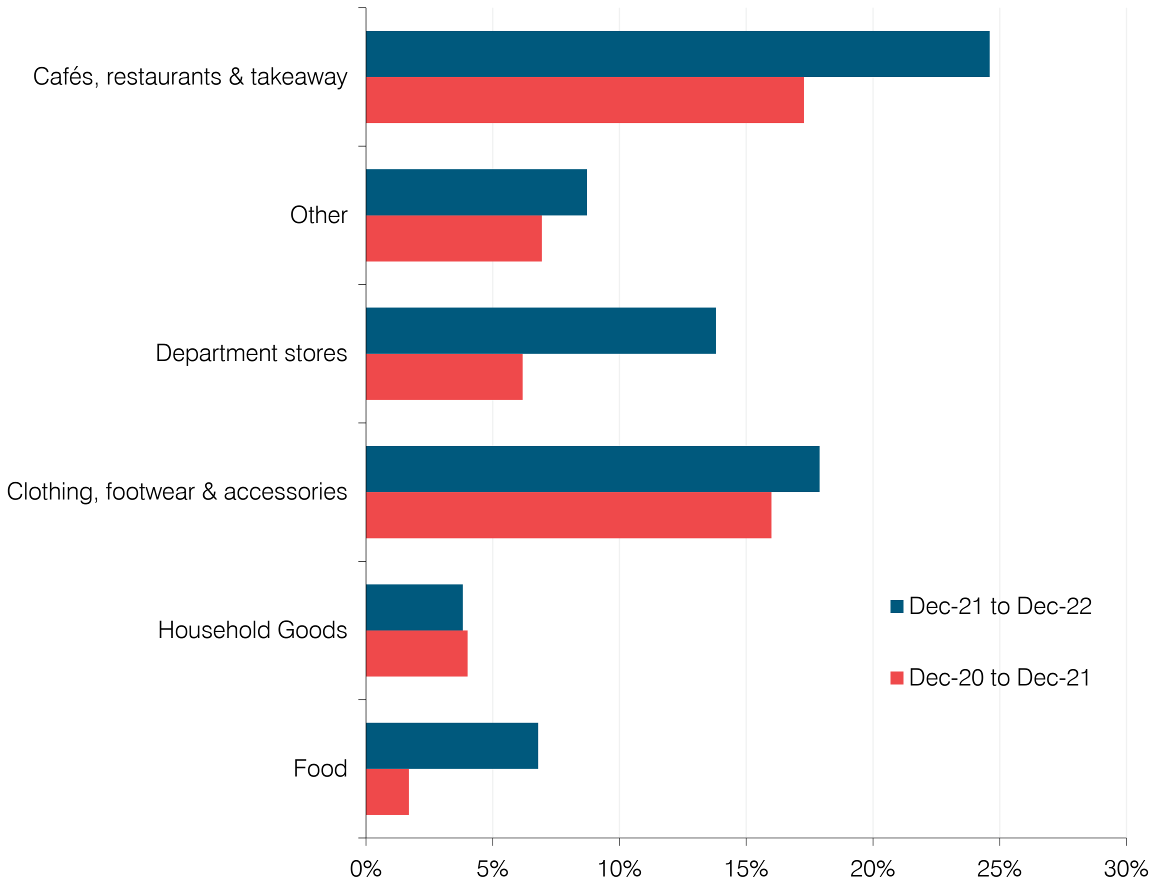
“Transactional activity during the first half of 2022 was strong for neighbourhood centres, however activity in the second half was more subdued due to misaligned expectations and macro-economic conditions. Supply in 2023 has been steady to date and purchasers are placing more emphasis on major rental growth and performance, as well as centres that provide a value-add opportunity."

DUANE GILLILAND, DIRECTOR

CURRENT STATE OF PLAY

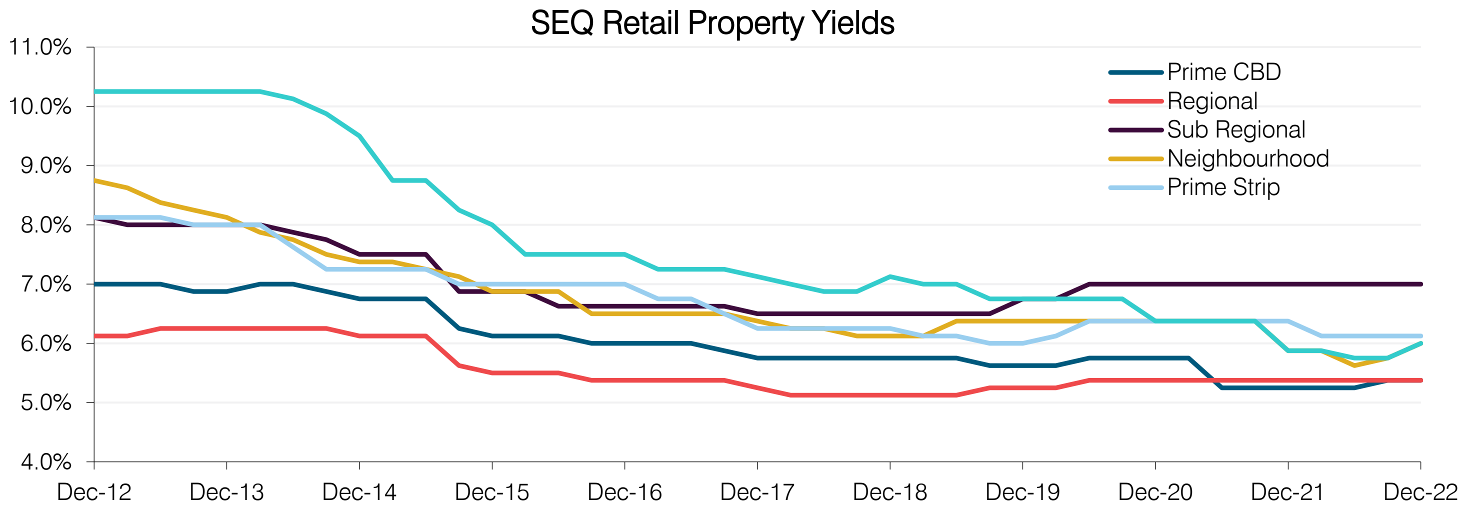
- Total retail spending growth in Queensland from the 2021 calendar year to the 2022 calendar year was 9.9%, up from 5.8% growth from 2020 to 2021. The strongest growth by retail category was recorded in Cafes, restaurants and takeaway (24.6%), followed by Clothing, footwear and accessories (17.9%).
- 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 late this year.
- 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.

Queensland MAT Growth by Retail Sector



Source: ABS, M3 Property

Source: Real Capital Analytics (RCA), M3 Property



Source: M3 Property

INVESTMENT MARKET

- There were 89 retail properties (totalling $3.3 billion) transacted above the $5 million price point during 2022, down from 112 ($4.7 billion) in 2021. Activity slowed during the second half of 2022 as interest rates rose and increased caution entered the market.
- 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.

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 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.

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 in 2023 leading to more transactions.

- 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$)
Allenstown Square, Rockhampton	Dec-22	$55,900,000	Exceed Capital	7,939	4.95	6.23%	$7,041
Woolworths Carrara	Dec-22	$23,500,000	Private Investor	3,715	5.12	4.89%	$6,326
Westpoint SC, Browns Plains	Oct-22	$46,500,000	Private Investor	6,151	6.48	5.45%	$7,560
Deagon Marketplace	Sep-22	$20,000,000	Ganellan	6,005	5.07	6.12%	$3,331
City Lane & City Arcade, Townsville	Jul-22	$45,250,000	Private Investor	8,625	8.33	6.42%	$5,692

CBD OFFICE

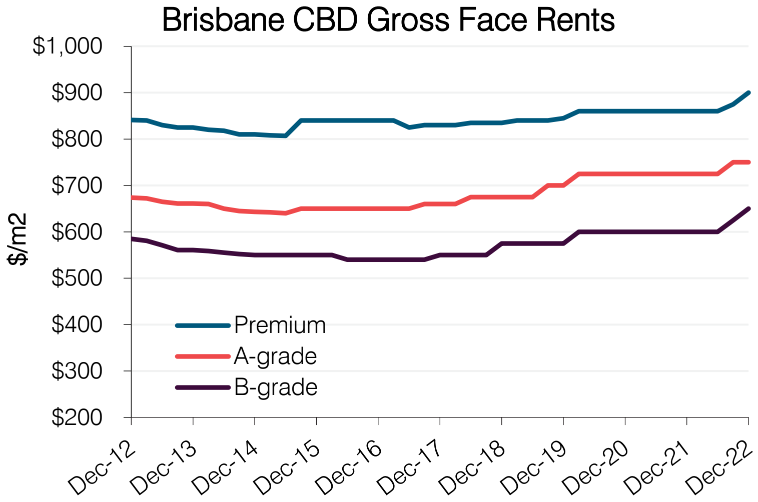
“Yields softened at the end of 2022 and are expected to soften further throughout 2023. Until there is more certainty around cost of debt and the pricing of assets, we expect lower sale volumes to continue over the short term, with purchasers still adopting a 'wait and see' attitude.

There still appears to be a healthy level of capital looking for placement. Newly launched selling campaigns within the CBD will provide a good test of market performance after nearly 12 months of monetary tightening."

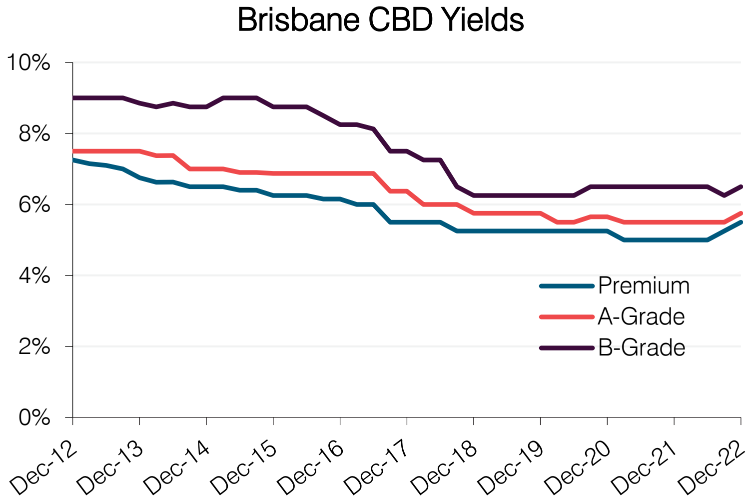
MICHAEL COVERDALE
MANAGING DIRECTOR

CURRENT STATE OF PLAY

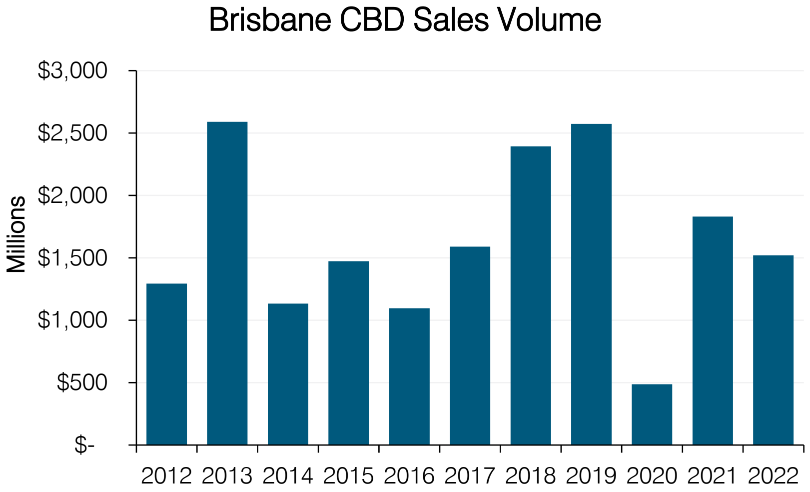
- According to the Property Council of Australia, there was 2,356,662 square metres of office space in the Brisbane CBD as of January 2023.
- The prime vacancy rate decreased from 16.3% to 14.4% over the year to January 2023. The secondary vacancy rate decreased from 13.5% to 10.6%. The decrease in the vacancy rate was driven by strong net absorption, with supply completions (totalling 79,348 square metres) partially offset by the withdrawals of 123 Albert Street (32,478 square metres) and 444 Queen Street (14,196 square metres) for refurbishment.
- 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.
- According to the PCA's Office Occupancy Survey, occupancy in the Brisbane CBD was at 67% of its pre-COVID-19 level in November.



Source: M3 Property



Source: M3 Property



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.
- During the December 2022 quarter, Premium gross face rents typically ranged between $875 and $975 per square metre, and A-grade gross face rents ranged between $675 and $825 per square metre. Incentives averaged 40% for both Premium and A-grade.
- B-grade gross face rents ranged between $575 and $675 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.
- Average indicative yield ranges as at 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.

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). In 2022, institutional groups were net buyers whilst all other buyer groups were net sellers.

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 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 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 63,680 persons to be employed in white collar employing industries in Brisbane over the five years to June 2027.

- The vacancy rate is forecast to reduce during 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.

- Brisbane office yields softened marginally during the second half of 2022 and further softening is expected over 2023.

Property	Sale Date	Sale Price	Purchaser	NLA (m^2)	WALE (Income)	Initial Yield	NLA Analysis ($\$/m^2$)
70 Eagle Street, Brisbane	Feb-23	$110,000,000	Hanrine Properties Pty Ltd	11,476	0.75 years	9.85%	$9,585
260 Queen Street, Brisbane	Dec-22	$140,170,000	Focheong Pty Ltd	13,638	6.06 years	6.96%	$10,278
HQ South, 512 Wickham Street, Fortitude Valley	Dec-22	$107,300,000	Savills	14,588	2.45 years	7.31%	$7,355
189 Grey Street, South Brisbane	Nov-22	$104,350,000	Marquette Properties	12,595	2.73 years	6.02%	$8,285
333 Ann Street, Brisbane	Nov-22	$141,000,000	Ram Asset Management	16,301	4.01 years	7.16%	$8,656

RESIDENTIAL

"We have seen the Brisbane residential market start to cool from late 2022 due to a rising interest rate environment and high cost of living pressure. However there has been strong demand for the high-end apartment market, mainly driven by downsizers and interstate migration. Some investor interest has returned to the market off the back of high yields and record low vacancy rate. The strong rental market and low supply has increased interest from BTR developers with a number of operators now entering the Brisbane market.

Given the low supply pipeline we would expect the downturn to be relatively mild and once interest rates stabilise we should expect a return to growth over the medium term."

STEPHEN LINNANE, DIRECTOR

CURRENT STATE OF PLAY

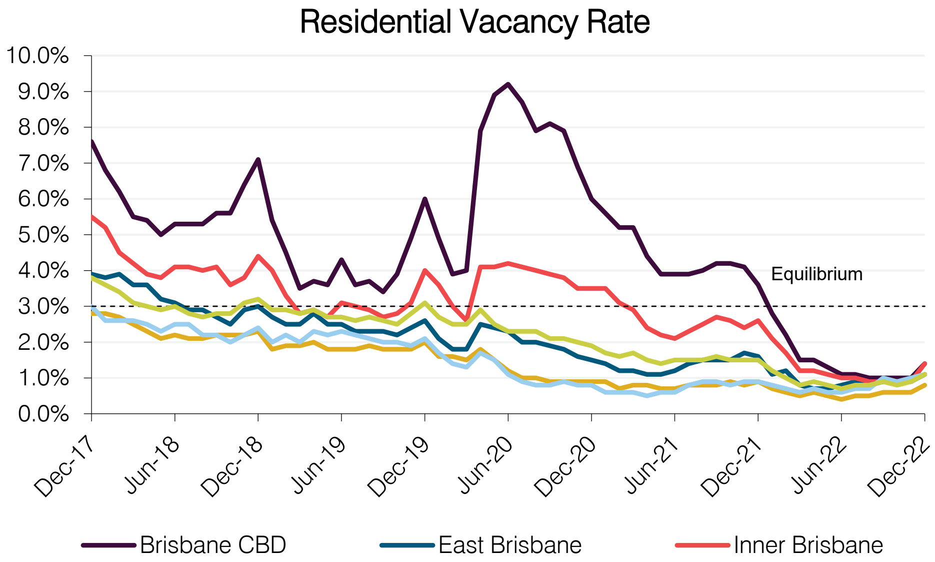
- Brisbane dwelling prices peaked during the June 2022 quarter and have since tapered back to be $801,449 for houses and $444,623 for units during the December quarter 2022 (Source: Domain). Despite declining over the second half of 2022, dwelling prices remain significantly higher than their pre-pandemic 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 68.6 during the September quarter 2022 (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 December 2022. As of December 2022, 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 2.0% over the year to June 2022, the 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

- New residential building activity has been slowed by labour and supply shortages which have fed through to significant rises in the cost of construction over the past 12 months. The increase in construction costs have put pressure on project feasibilities of some developments and this is likely to continue over the near term.

- The Queensland Government Statistician's Office estimates that the Logan and Ipswich LGAs account for a combined 51% of South East Queensland's future residential land supply.

- Brisbane City Council has flagged 14 suburban renewal 'transition sites' to change to a mix of land uses supporting housing and employment. The sites vary in size, are currently used for industrial uses, and are located in Yeronga, Wynnum, Runcorn, Alderley, Moorooka, Stones Corner, Norman Park, Kedron, Nathan, Nundah, Dutton Park, Wilston, and Wishart.

OUTLOOK

- In response to inflationary pressures, the Reserve Bank of Australia started a period of monetary policy tightening in May last year. With further interest rate rises anticipated over the near-term, housing affordability will continue to decline, making it more difficult for buyers to obtain finance and reducing the borrowing power of purchasers. Dwelling prices are forecast to decrease further over the near-term.

- 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 (m^2)	Site $/$m^2$
520-538 Rochedale Road, Rochedale	Sep-22	$25.5m	Emerging Community	Saila Property Development Pty Ltd	86,400	295
309 Priestdale Road, Rochedale	Aug-22	$85.4m	Emerging Community	Bespoke Rocheldale Pty Ltd	240,000	356

SERVICE STATIONS

"Interest remains for well-located assets with strong investment characteristics, however there is an increasing differential between prime and secondary investments. We expect fuel volumes to continue to trend upwards this year off the back of increasing domestic tourism, after being curbed by the restrictions over the previous COVID-19 impacted years. The rising popularity in electric vehicles will continue to drive changes away from traditional service station improvements."

JEREMY HOFFMAN, DIRECTOR

CURRENT STATE OF PLAY

- According to Real Capital Analytics, service station sales totalled $337 million during 2022, down from circa $400 million in 2021. Institutional purchasers have increased their presence over the past three years, typically through large-scale portfolio acquisitions. Whilst still actively buying, privates were net sellers of service stations between 2019 and 2022.

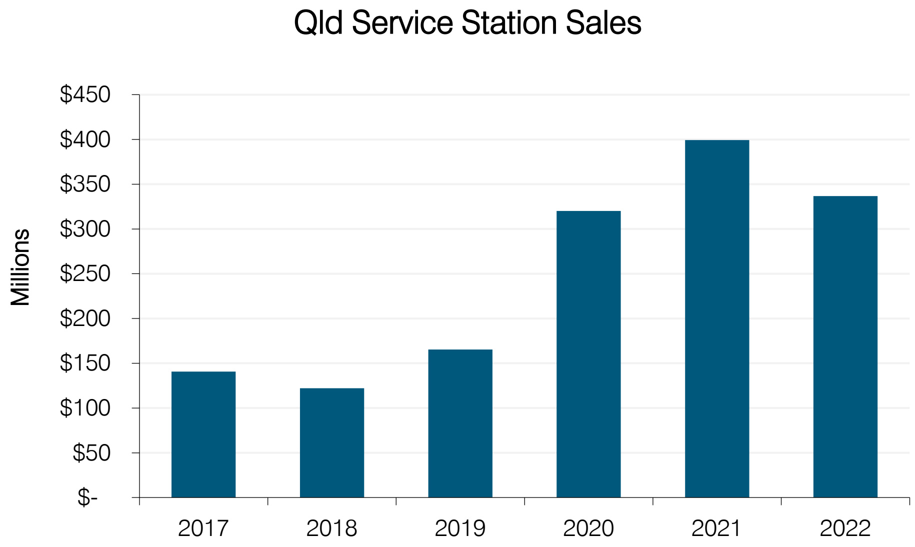
- In September 2022, Viva Energy announced that it would acquire Coles Group's convenience retailing business. The transaction will see Viva Energy own and operate Coles Express sites. The transaction was approved by the Foreign Investment Review Board in February 2023.

- Service station investment activity has slowed dramatically over recent months with a discrepancy between vendor and vendee pricing expectations apparent. This has resulted in a softening of yields particularly for secondary assets, and a number of assets being withdrawn from the market.

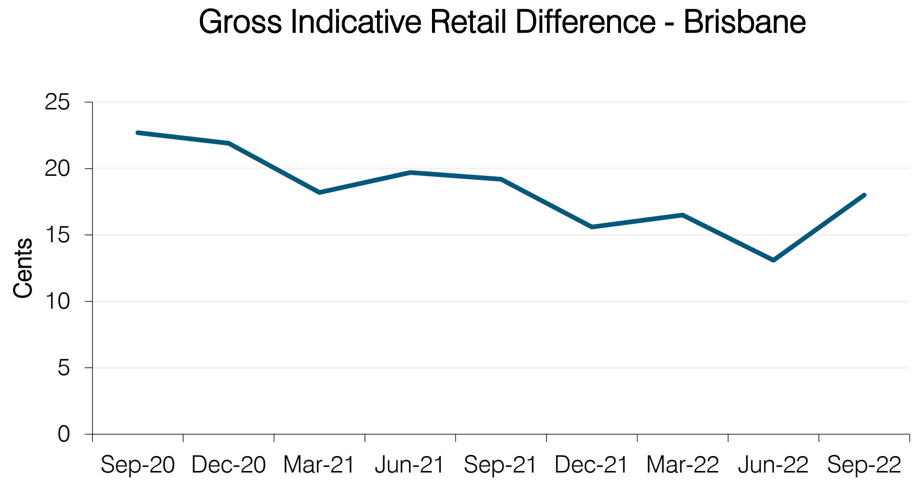
- Gross indicative retail differences – a broad indicator of gross retail margins calculated by subtracting the average wholesale prices from the average retail petrol prices – increased during the September quarter 2022, likely as a result of the significant decrease in international crude oil and refined petrol prices during the quarter.

- Electric vehicle consumption in Queensland has been limited to date, with an estimated 13,656 electric vehicles registered in the state as of October 2022. The Queensland Government released its Zero Emission Vehicle Strategy in March last year. The Strategy identifies numerous targets, including for 50% of passenger vehicle sales to be zero emission by 2030 and 100% to be zero emission by 2036. To support the target, the government introduced a $3,000 rebate on zero emission vehicles (priced below $58,000). Furthermore, in September 2022, the Queensland Government released their Queensland Energy and Jobs Plan which provides for an investment of $42 million into delivering electric vehicle charging infrastructure and trials.

- In early 2023, Ampol struck a deal with publicly owned Yurika (part of Energy Queensland) to install 34 fast-chargers across Queensland, New South Wales, Victoria and Western Australia.



Source: Real Capital Analytics (RCA), M3 Property
Note: sales over $1 million



Source: ACCC, M3 Property

OPPORTUNITIES AND CHALLENGES

- An increase in demand arising from market consolidation by both the major and independent fuel networks has seen upward pressure placed on service station rental levels after a long downwards trend. Industry consolidation has been to the detriment of smaller independents and has significantly reduced their capacity to pay, effectively pricing them out of the upper end of the market and constraining prospects of rental growth for the lower end due to a reduced tenant pool.

- Service station yields have softened since the second quarter of 2022. Vendors are experiencing difficulty selling some assets due to reduced demand and a smaller buyer pool.

- Energy-efficient hybrid and electric cars are expected to continue increasing in popularity over the medium- to long-term, posing a threat to revenue growth prospects of service stations. However, the industry continues to evolve, with service stations increasingly focusing on the sale of convenience and grocery items and the provision of services such as parcel collection, click and collect grocery collection, and electric vehicle charging.

OUTLOOK

- Yields overall are expected to soften further over the short-term however with continued interest in well-located assets with strong lease covenants. We also expect that the yield differential between prime and secondary service station investments will become more defined over the medium-term as investors look to acquire service stations that have a wider convenience and services offering and / or an alternative use (particularly for adaptability for electric vehicle charging).

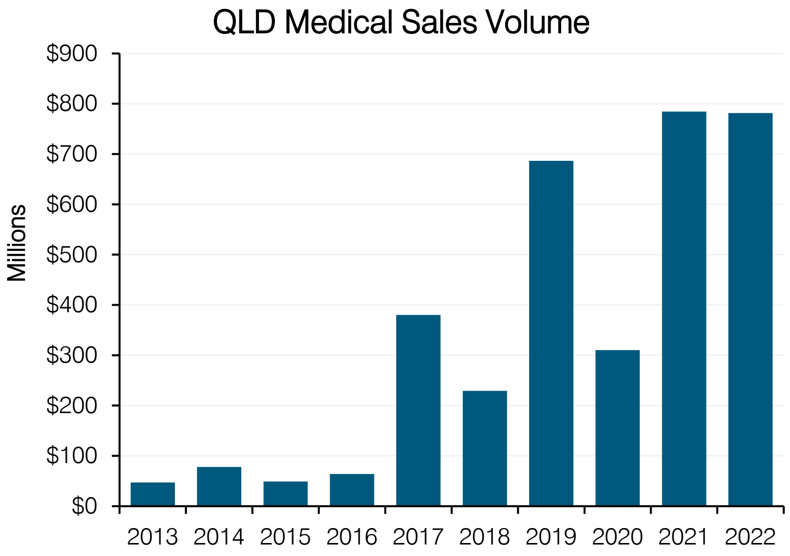
- Ownership of service stations is expected to become more consolidated as major institutional groups continue acquiring individual properties and portfolios of service stations.

Property	Tenant Mix	Sale Date	Sale Price	Equated Market Yield (%)	Site Area (m^2)	Site Analysis (/m^2)
7-Eleven, 253 Scottsdale Drive, Robina	7-Eleven, Gloria Jeans, two other retail	Sep-22	$9,200,000	5.42	3,294	$2,793
Mobil, 12-14 Boat Harbour Drive, Pialba	Mobil and Zarraffa’s	Jul-22	$8,100,000	5.48	2,228	$3,636
7-Eleven, 999 Stanley Street East, East Brisbane	7-Eleven	Jun-22	$7,120,000	4.65	1,209	$5,889

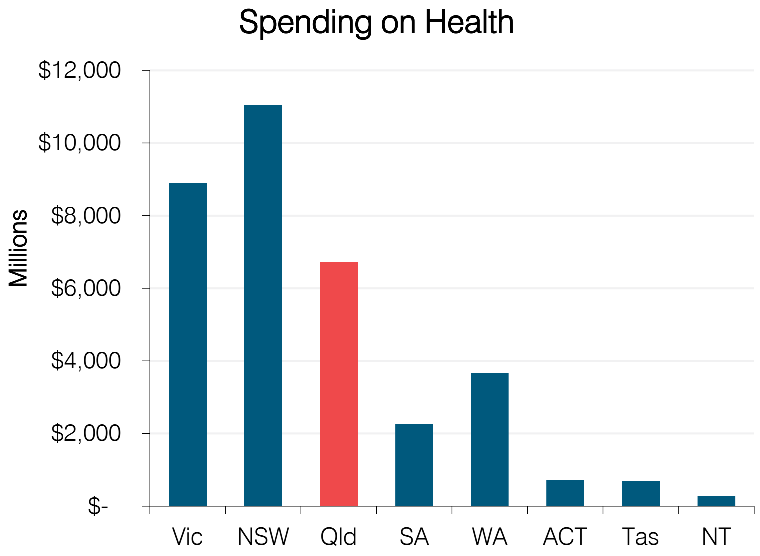
HEALTHCARE

“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."

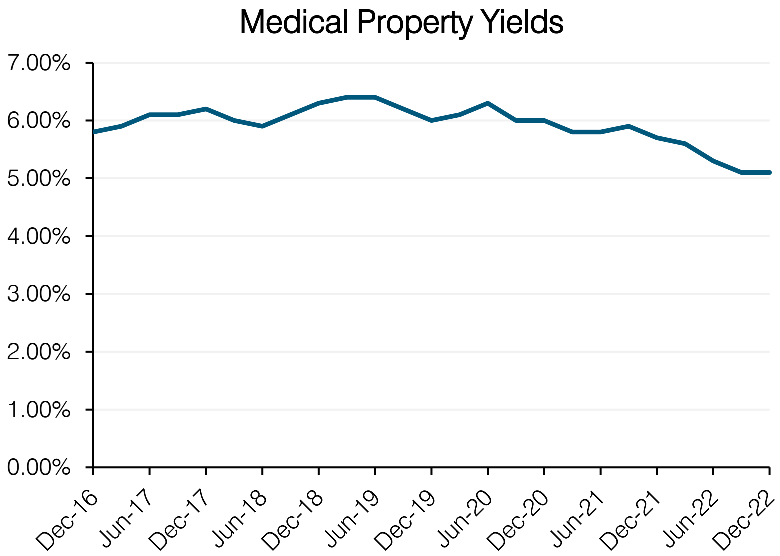
MITCH ENRIGHT, ASSOCIATE DIRECTOR



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 56 medical and hospital properties transacted across Queensland.
- Investment activity was tracking strongly, and above 2021 volumes, during the first half of 2022. Whilst activity in the second half of the year was more subdued, it was boosted in the final quarter of the year by the recapitalisation of the Elanor Healthcare Real Estate Fund (6 properties, 4 in Queensland), which involved Malaysian investor PNB's acquisition of a 95% share of the Fund.
- Institutional investors, REITs, and private buyers have been the most active buyer groups over recent years.

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 are expected to complete during the first half of 2023, which are anticipated to reflect 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 first 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.

+61 7 3620 7900

L 18 / 123 Eagle Street
Brisbane QLD 4000

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

M3
PROPERTY