SPECIALIST
INDEPENDENT
VALUATION

QUEENSLAND MARKET SNAPSHOT

APRIL 2025

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QUEENSLAND MARKET SNAPSHOT

APRIL 2025

Queensland's property market gained traction in H2 2024.

Brisbane's office sector recorded $1.07B in sales as yields stabilised and leasing momentum improved. Industrial transactions picked up to $1.7B with rents lifting 11.7% and signs the yield cycle is bottoming out. Retail saw $1.76B in deals, led by stronger private and institutional interest.

Residential remained undersupplied, with unit values up 20.5% and the vacancy rate tightening to 0.8%, and Healthcare investment eased, despite private capital remaining active. Hotel occupancy improved to 69.1%, with ADR growth and growing interest tied to the 2032 Summer Olympic Games. Across all sectors, the February rate cut is expected to support increased activity across the market in 2025.

Our experts across valuation sectors share their analysis and insights in our latest Queensland Market Snapshot covering the second half of 2024, as well as what to look out for in 2025, across Health, Aged Care and Seniors Living, Hotels & Leisure, Industrial, Office, Residential Development, Retail and Self-Storage.

HEALTHCARE

MITCH ENRIGHT

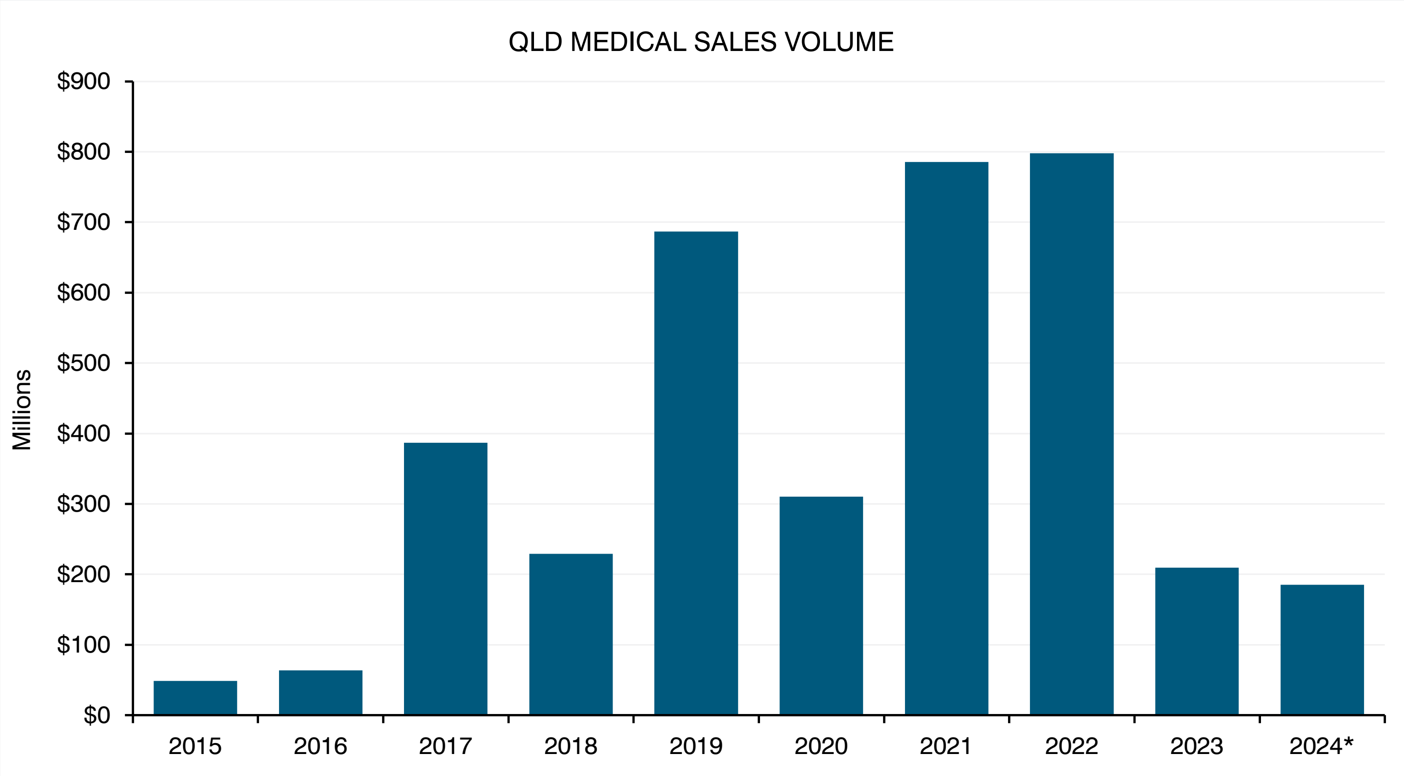
Director | Health, Aged Care & Seniors Living

"The healthcare and seniors living sector in Queensland is emerging as a core asset class, supported by strong fundamentals, investment growth opportunities, and resilience amid inflation and high interest rates. Institutional capital is increasingly drawn to the sector, driven by population growth, ageing demographics, government funding, and private healthcare.

High interest rates dampened overall investment activity, as a disconnect remains between purchasers and vendors even in the face of sustained demand for premium assets, meaning overall transaction volumes remain subdued.

The private hospital sector continues to face some potential headwinds following the federal government's review into the sector along with recent concerns voiced by the industry over financial viability faced by some operators.

Investment demand for high-quality medical assets will remain strong, with interest rate cuts in 2025 likely to assist in more transactional volumes., albeit at stabilised values."



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

INVESTMENT MARKET

- According to RCA, there were 50 medical and hospital properties with a total value of $185.2 million transacted across Queensland in 2024, compared with $209.8 million from 45 transactions in 2023.
- Private investors were the most active buyer's group over 2024, accounting for 98.1% of transactions.

YIELDS

- Yields are now averaging around 5.25% for prime medical centre assets and 7% for secondary medical assets depending on various investment characteristics.
- Yields for private hospitals generally range between 5.00% to 6.00% for prime assets and 6.75% and 7.50% for secondary assets.
- Average cap rates have softened by around 50 basis points in the twelve months to December 2024 with secondary assets softening to a greater extent.

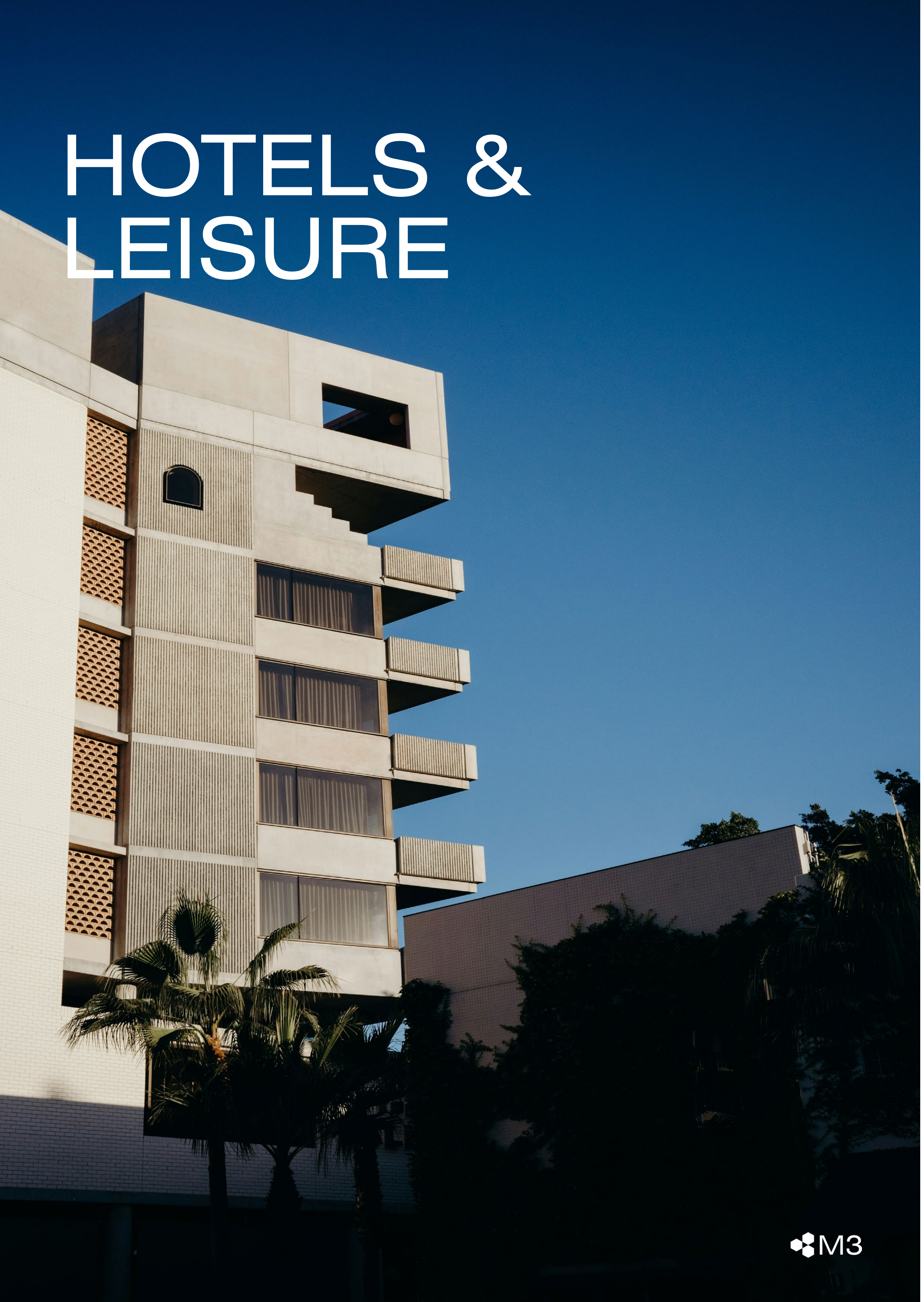
OPPORTUNITIES AND CHALLENGES

- High interest rates during 2024 continued negatively impacting investment activity in the healthcare market. Smaller investors remained active during the year, although there were good enquiry levels for the few higher priced investment grade assets that came to the market.
- 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.

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 2025 may bring more investors into play. The healthcare market is still highly fragmented and there are significant opportunities for consolidation.

HOTELS & LEISURE



JAMES RUBEN

National Director | Specialised Assets

"Brisbane's hotel market continues to recover, with occupancy reaching 69.10% in January 2025—up 2.54% year-on-year and approaching pre-pandemic levels. Revenue per available room has fully recovered, driven by strong Average Daily Rate growth linked to inflation, improved asset quality, and changing travel trends.

The Brisbane market is starting to benefit from strong market sentiment linked to the planned 2032 Summer Olympic Games. This has been one of the driving factors in increased levels of interest in the market.

Domestic visitation nearly matched 2019 highs, while international arrivals are steadily increasing. Hotel transaction activity slowed in 2024, with $179.3 million in sales across seven deals as cross-border investors led acquisitions. Rising construction costs pose challenges for new developments, though refurbishment and conversion opportunities remain.

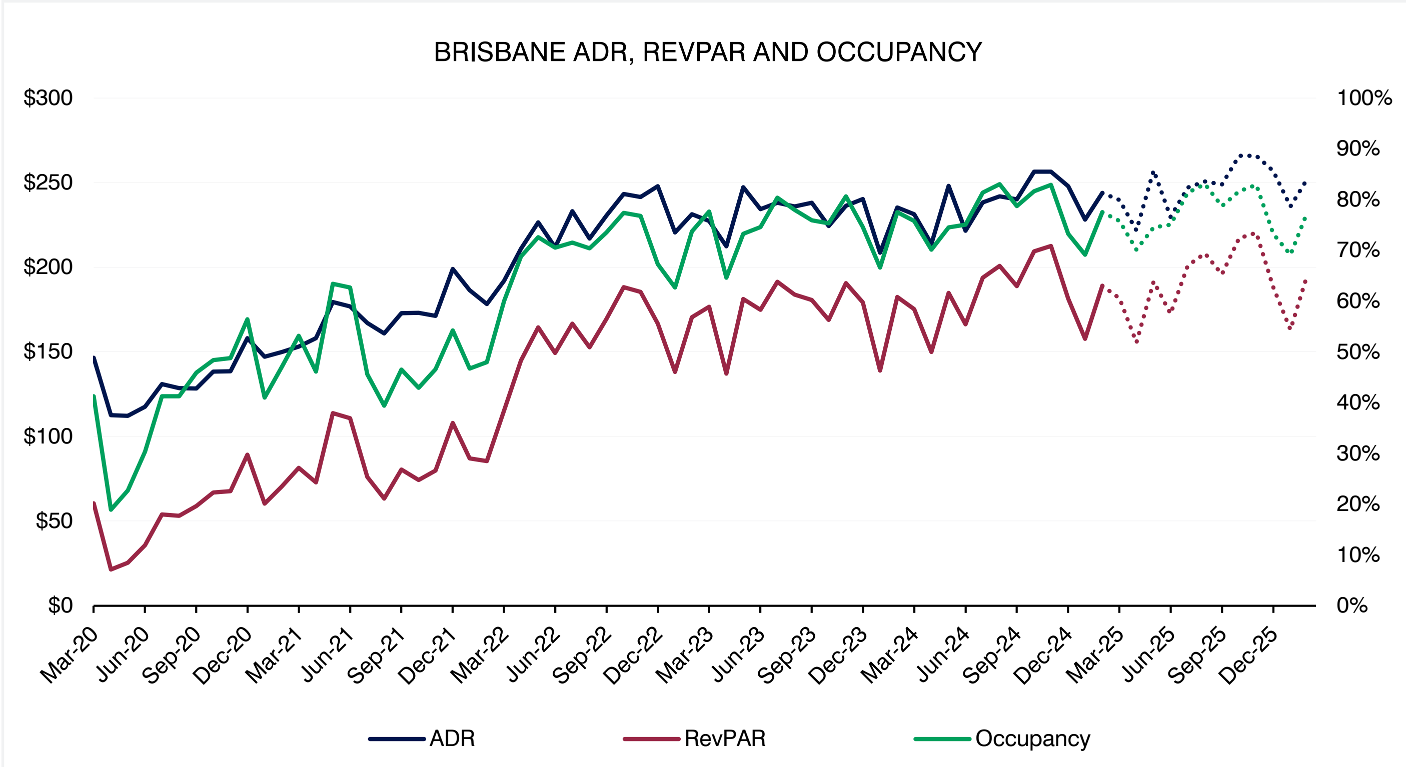
Demand is strengthening for sustainable, high-quality assets, driven by evolving tourism preferences and operational innovation."

"BRISBANE'S HOTEL MARKET CONTINUES TO RECOVER, WITH OCCUPANCY REACHING 69.10% IN JANUARY 2025—UP 2.54% YEAR-ON-YEAR AND APPROACHING PRE-PANDEMIC LEVELS."

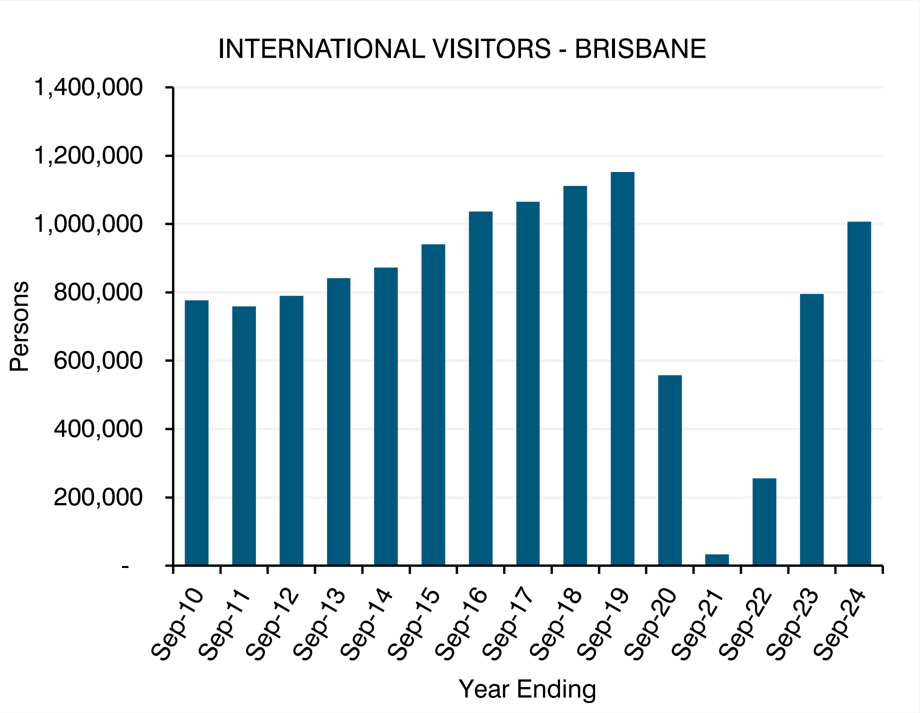
- JAMES RUBEN

CURRENT STATE OF PLAY

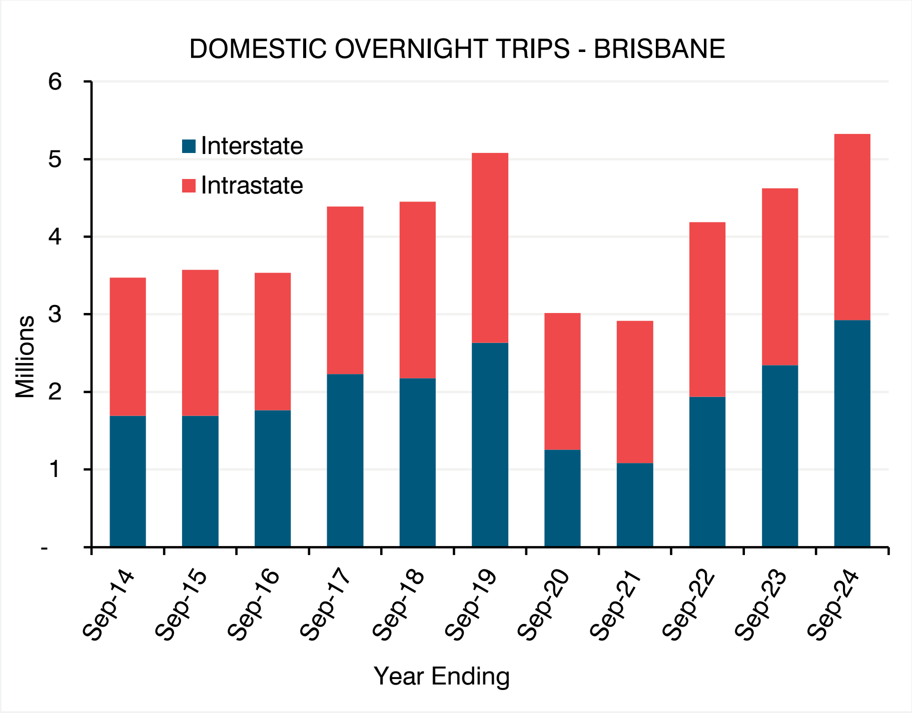
- Occupancy rates per room have largely recovered to pre-pandemic levels, with the Brisbane market recording 69.10% occupancy rates in January 2025, a year-on-year increase of 2.54%.
- Revenue per available room has recovered to pre-pandemic levels which is a result of significant Average Daily Rate (ADR) growth influenced by many factors including strong inflation with operators passing on increases in outgoings, increased quality of stock driving premium rates, and evolving travel trends increasing demand.
- International visitor rates to the Brisbane market remain below pre-pandemic levels but are showing significant year-on-year gains. In the year to September 2024 there were 1,006,587 international visitors to the region.
- There were 5.32 million domestic overnight trips taken in the Brisbane market during the year to September 2024. This almost matches the highest number of domestic overnight trips recorded in 2019, when there were 5.3 million domestic overnight trips to the Brisbane market.



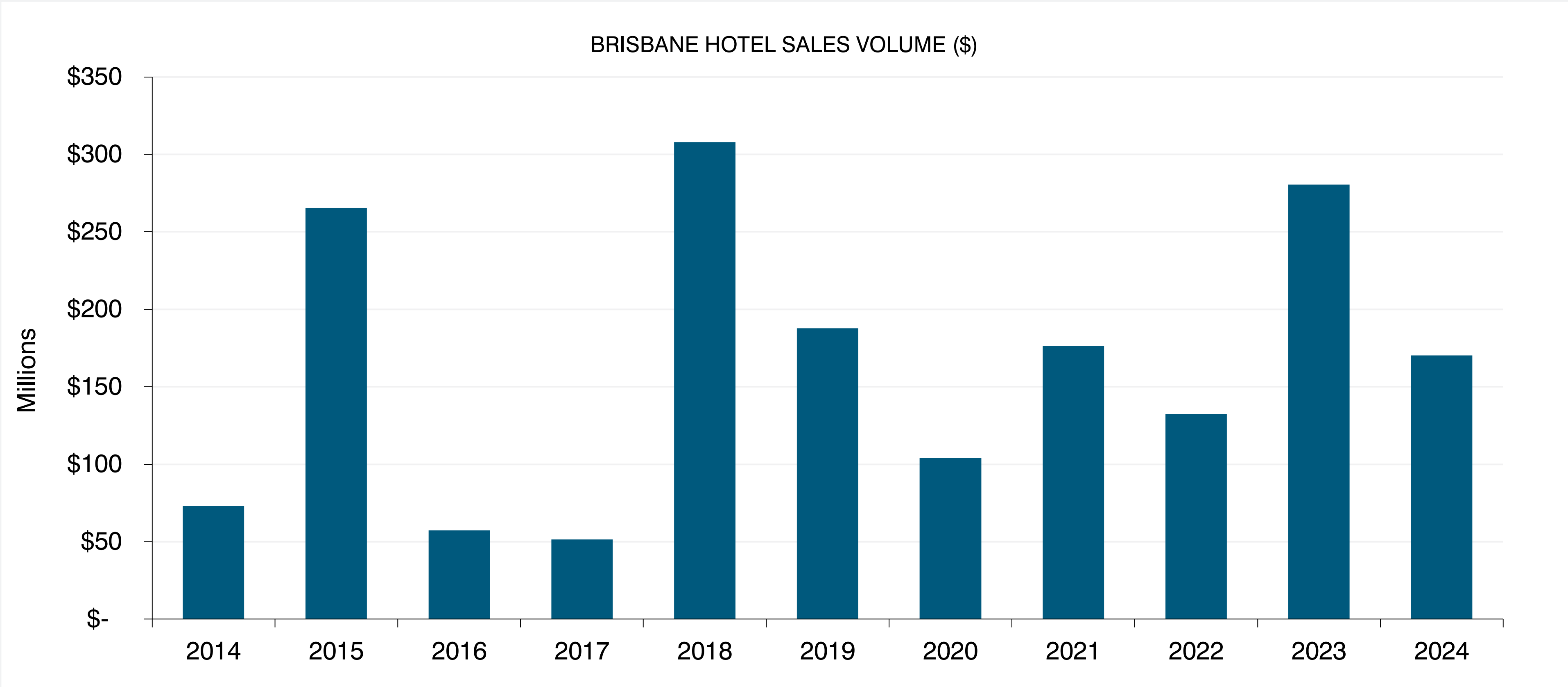
Source: M3 Property, STR



Source: TRA, M3 Property



Source: TRA, M3 Property



Source: RCA, M3 Property

TRANSACTIONS

- Activity in Brisbane was lower in 2024 due to reduced investment demand. According to Real Capital Analytics (RCA), there were seven transactions in 2024, totalling $179.3 million of hotel assets across Brisbane, compared with $280.5 million in total hotel transactions across nine sales in 2023.
- In 2024, cross-border investors formed the largest group of buyers at 52%, followed by private buyers at 34.9%.

OPPORTUNITIES AND CHALLENGES

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

INDUSTRIAL

ROSS FARWELL
Director | Industrial

"We've seen an increase in industrial property transactions in the Brisbane market throughout the second half of 2024 and first part of 2025, compared with a relatively subdued market in 2023 and early 2024. Investors have become more accepting of current market conditions and increased certainty regarding debt funding.

With the recent 25 basis point interest rate cut and 10-year bond yields trading from 4 to 4.5%, the market appears to be approaching the end of the current yield compression cycle. Recent transactions indicate a stabilisation of yields after a softening of industrial yields across greater Brisbane Industrial markets. Prime yields currently range from 5.65% to 6.5% and secondary yields range from 6.25% to 7.5%.

After strong growth through the 12 months to April 2024, rental growth has stabilised and reverted to long term trends in H2 2024 and Q1 2025. This is a result of demand levels normalising, largely driven by affordability constraints, increased supply and a slowing economy influenced by weakening household spending. The Brisbane industrial market recorded 11.7% rental growth in net face rents for prime assets and 9.2% for secondary assets in the 12 months to December 2024."

"AFTER STRONG GROWTH THROUGH THE 12 MONTHS TO APRIL 2024, RENTAL GROWTH HAS STABILISED AND REVERTED TO LONG TERM TRENDS IN H2 2024 AND Q1 2025."

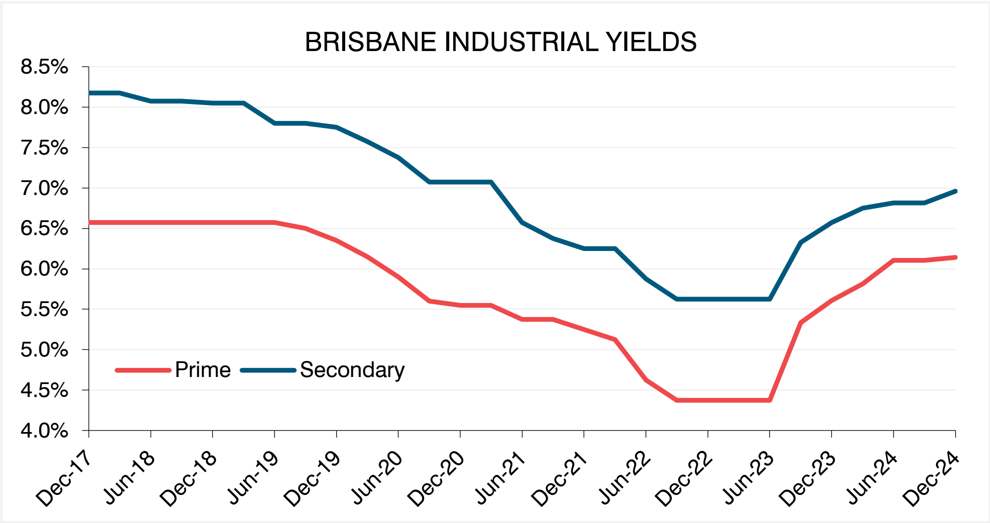
- ROSS FARWELL

CURRENT STATE OF PLAY

- There was an increased volume of industrial sale transactions throughout the second half of 2024 in the Brisbane industrial market following a period of relatively subdued activity during 2023 and early 2024. Sales volumes were above 2023 levels and in line with the 10-year average.
- The increase in the cost of funding and uncertain economic environment surrounding the drivers that underpin the industrial sector has contributed to a softening in industrial yields across Australia; prime yields softened by 55 basis points in the 12 months to December 2024.
- Significant rental growth was experienced in most Australian industrial markets in 2022 and 2023 underpinned by lack of supply and good occupier demand. Rents increased during 2024, but not to the extent of rental rate increases in 2022-23. The Brisbane industrial market recorded 11.7% growth in net face rents for prime assets and 9.2% for secondary assets, in the 12 months to December 2024.
- Rental growth has begun to stabilise over the last six months. This is a result of demand levels normalising, largely driven by factors including affordability constraints, increased supply and a slowing economy influenced by weakening household spending. These factors have created some general market uncertainty as tenants become more discerning with their relocation and expansion plans.
- The land market continues to be tight across all markets and industrial land values have continued to increase over the past 12 months. Growth in land values is expected to be more moderate and to stabilise 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.

YIELDS

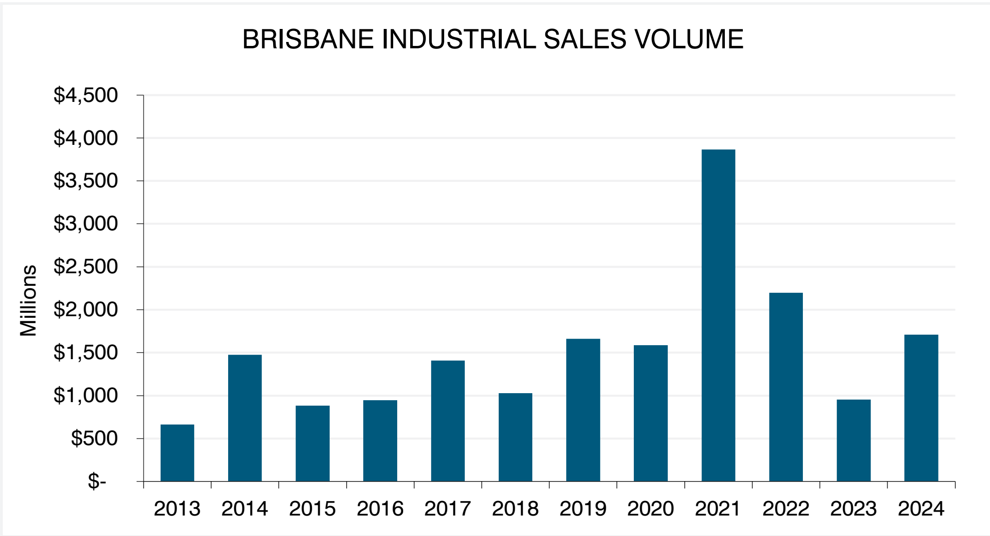
- During the December 2024 quarter, prime yields ranged between 5.75% and 6.5% and secondary yields ranged between 6.35% and 7.5%.
- Investment activity picked up over the last quarter of 2024 as investors became restless and more accepting of current market conditions. Further increases in activity are expected going into 2025, following the RBA's announcement of a 25 basis point cut to interest rates.



Source: M3 Property

INVESTMENT MARKET

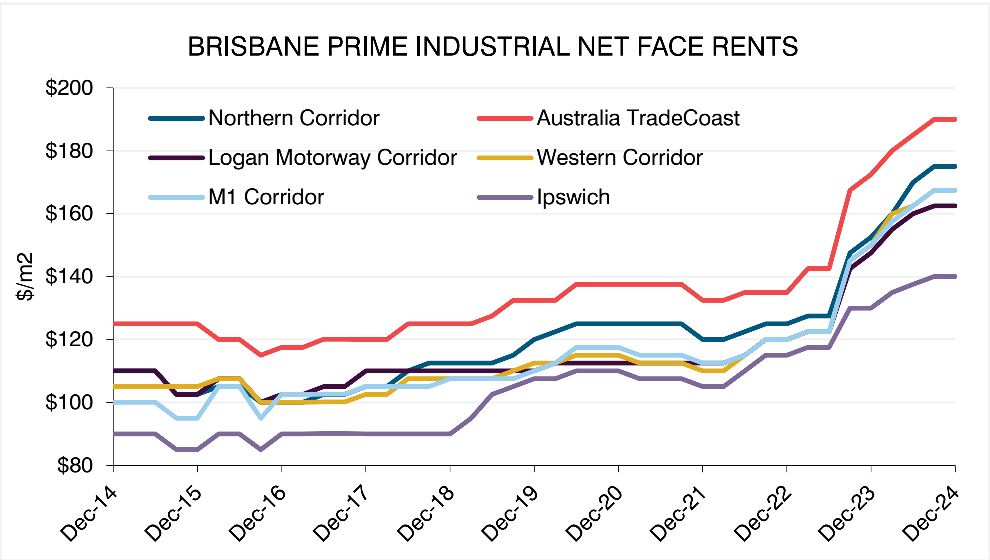
- According to RCA, there has been $1.7 billion across 121 transactions over $5 million in the Brisbane market for 2024, compared with the $953.3 million across 78 transactions over $5 million in 2023 when sales activities were more subdued.
- For 2024, private investors have accounted for the largest share of sales (45.9% by value), followed by offshore investors (35.2% by value).
- Listed funds and Real Estate Industry Trusts (REITs) exited the Brisbane industrial trading market in 2024, with limited involvement as buyers.



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

RENTAL MARKET

- Prime rents increased by 11.7% for the 12 months to December 2024 with secondary rents increasing by 9.2%.
- Incentives are typically ranging between 5% and 15% (and larger on major tenant commitments), trending upwards over the past year.



Source: M3 Property

OPPORTUNITIES AND CHALLENGES

- There remains a substantial pipeline of supply with development approval 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 in new developments.

OUTLOOK

- Occupier demand is forecast to remain at robust levels into 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 the coming six to 12 months 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 , 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 2025 with the new interest rate cut.

MICHAEL COVERDALE

Managing Director QLD

Investment activity increased during the second half of 2024, with 14 sales totalling $1.07 billion across the year, surpassing 2023's $872.2 million. Institutional buyers dominated transactions during this time with positive momentum continuing in early 2025.

Yields have stabilised at between circa 6.00% and 7.75% for prime office assets in core locations, with secondary yields ranging from 7.50% to 9.00%. With capitalisation rates shifting 150 to 300 basis points since mid-2022, the broadening consensus is the yield decompression cycle is close to an end.

The Brisbane CBD office leasing market continues to strengthen, with notable effective rental growth across all office grades as vacancy tightens. A moderate supply pipeline is in place, with circa 90,000 square metres set for delivery between late 2025 / early 2026, being virtually pre-committed. The market is in a healthy place to absorb pending back fill space over the medium term, while rental growth and absorption are forecast to remain strong over the 2025 calendar year.

Capital values broadly have bottomed out and we are forecasting a positive outlook for office investment in 2025, expecting 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.

"THE MARKET IS IN A HEALTHY PLACE TO ABSORB PENDING BACK FILL SPACE OVER THE MEDIUM TERM, WHILE RENTAL GROWTH AND ABSORPTION ARE FORECAST TO REMAIN STRONG OVER THE 2025 CALENDAR YEAR."

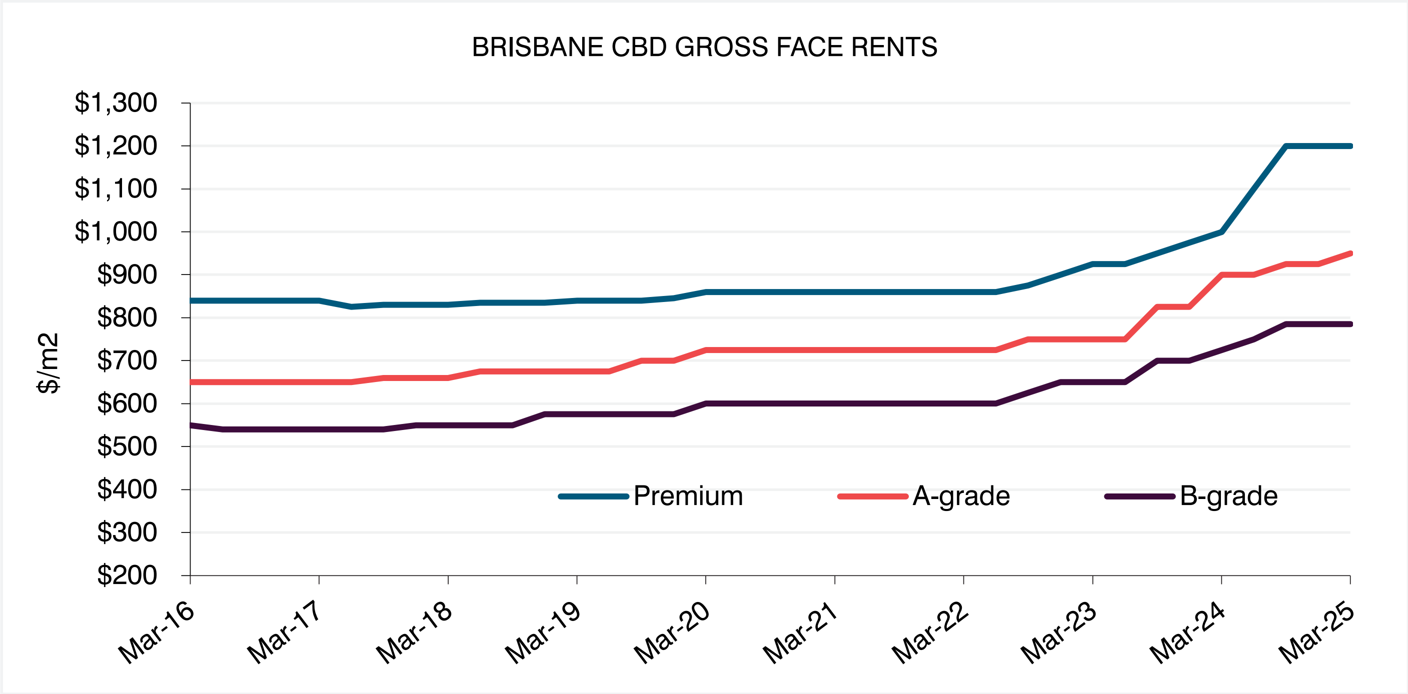
- MICHAEL COVERDALE

CURRENT STATE OF PLAY

- According to the Property Council of Australia (PCA), there was 2,319,759 square metres of office space in the Brisbane CBD as of January 2025.
- The Brisbane CBD office vacancy rate decreased from 11.7% to 10.2% over the year to January 2025. The decrease in the vacancy rate was driven by the withdrawal of 40,338 square metres of space in the first half of 2024.
- The Brisbane CBD has a healthy medium-term supply pipeline. Work is well underway at 360 Queen Street (which has pre-commitments to HWL 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

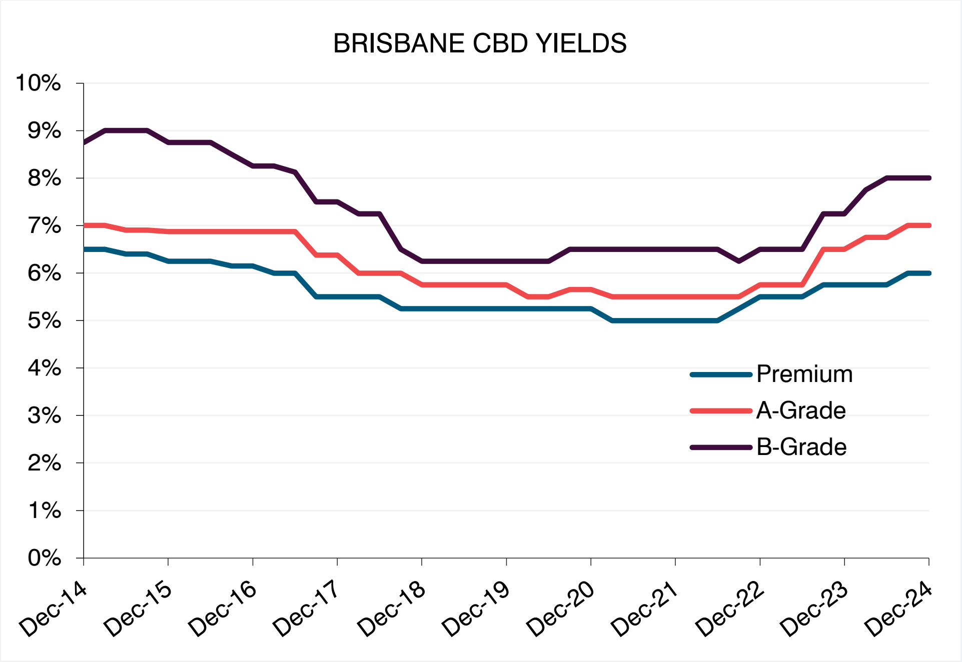
- As at the March quarter 2025, premium gross face average rents increased significantly over the second half of the year to average $1,200 per square metre and are estimated to have grown by 20.0% in the 12 months to March 2025.
- A-grade gross face rents averaged $950 per square metre, estimated to have grown by 5.56% year on year and B-grade gross face rents averaged $800 per square metre, estimated to have grown by 10.34% year on year.
- Incentives averaged 37% for premium, 38.5% for A-grade space, and 40% for B-grade space.



Source: M3 Property

YIELDS

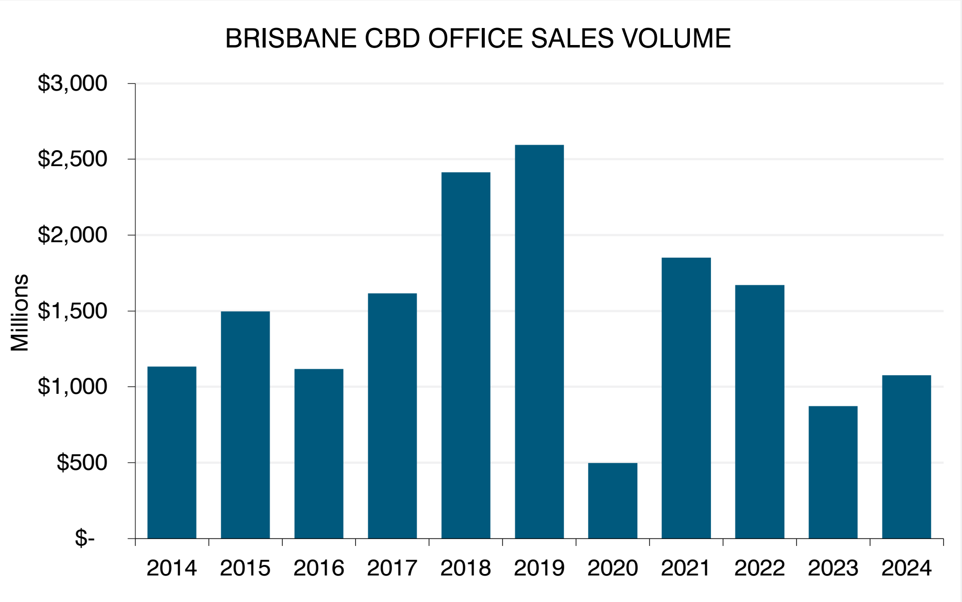
- Yields in the Brisbane CBD office market softened in the past twelve months, with premium-grade building yields softening up to 25 basis points to average 6.00%; A-grade building yields softening by 50 basis points to average 7% and B-grade building yields softening by 75 basis points to average 8%.
- With pre-committed supply, the cost of debt easing, a reduced vacancy rate and incentive levels, sales activity is expected to increase in 2025. Yield decompression will be limited going forward and will likely stabilise in 2025 with greater divergence between prime and secondary assets.



Source: M3 Property

INVESTMENT MARKET

- According to RCA, there were 14 sales totalling $1.07 billion recorded in the Brisbane CBD Office market to the end of 2024, compared with 12 sales totalling $872.2 million in 2023.
- The largest transaction in 2024 was the $250 million sale of 240 Queen Street Brisbane in June 2024 to fund manager Quintessential.
- Institutional buyers were the largest buyers of office property in Brisbane in 2024, accounting for 68.8% of the transactions.
- As capital values have broadly bottomed out, we are expecting significantly more sales in 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 are expected with rental growth moderating 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 / 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 remains one of the strongest performers nationally, with continued price growth throughout the second half of 2024. However, some segments are beginning to show signs of stabilisation.

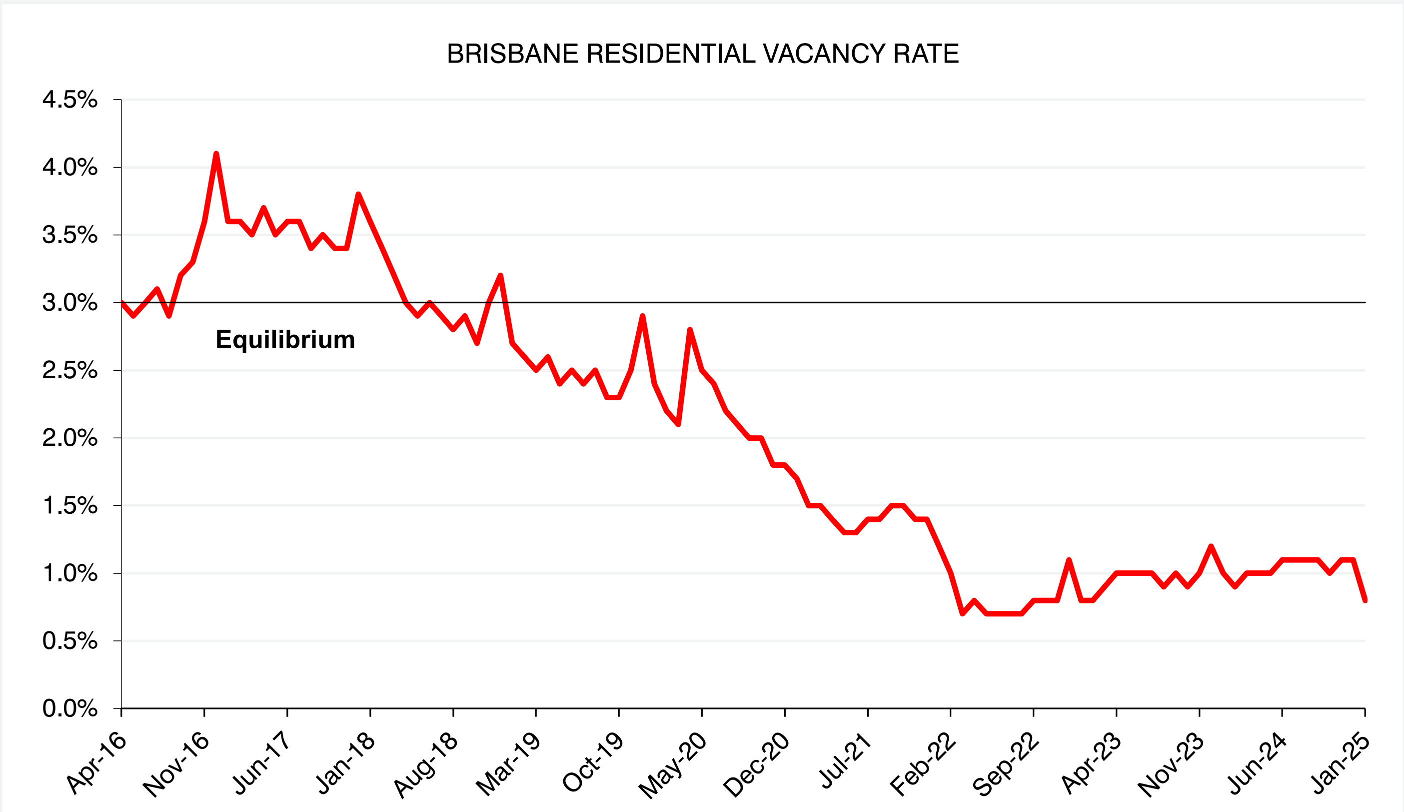
The market remains undersupplied due to limited new construction, while population growth continues to drive demand. Rental demand is also rising, pushing vacancy rates lower, though rental price growth has moderated in the second half of 2024.

Construction costs have started to stabilise as government infrastructure spending slows, although a shortage of builders remains a challenge, making it difficult for developers to secure contractors to complete projects.

Overall, we expect Brisbane's housing market to remain strong, supported by the recent interest rate reduction, which will stimulate economic activity and improve buyers' borrowing capacity by enhancing serviceability."

CURRENT STATE OF PLAY

- According to CoreLogic, median house prices in Brisbane grew by 9.98% to reach $977,343 in February 2025. The Brisbane housing market has slowed in recent months, with median prices remaining largely static since October 2024.
- With strong demand and a surge in population growth, median unit prices grew by 20.52% to reach a new peak of $685,291 in February 2025. Unit prices have continued to grow strongly as the housing market has slowed and are expected to continue growing in 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 54.3 during the September 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 January 2025, the Brisbane metro area had a vacancy rate of 0.8%, slightly lower than the 1% of January 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

- Population growth will continue to drive an undersupplied market, resulting in 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 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 has moderated in the latter half of 2024.
- 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

"In 2025 the Shopping Centre and Retail investment market is poised for continued gains.

There was renewed interest in retail assets across all key retail sub-categories in 2024. Attracted by the higher yields offered by regional and sub-regional assets in comparison to other asset classes, interest in a number of these centres transacted, reflecting activity in this asset class that was not present during 2023.

We also saw the re-emergence of institutional investors as buyers, signalling improved sentiment in the sector.

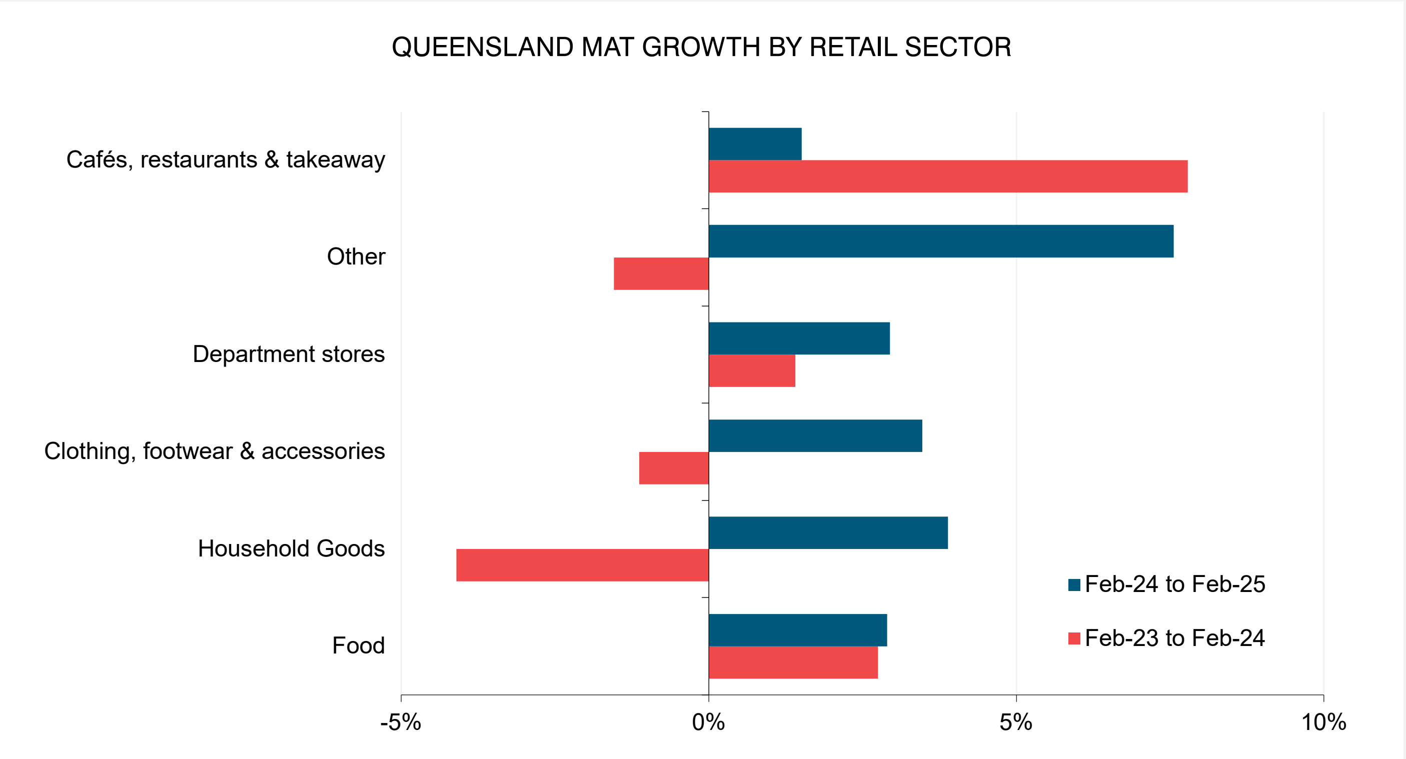
Moving into 2025, transactions are expected to continue to occur as owners re-weight their portfolios and recycle capital. On the income side, whilst rents have stabilised with positive leasing spreads occurring, subdued consumer confidence has impacted turnover growth.

The impact of cost-of-living pressure and sustained higher interest rates continues to dampen retail spending across all categories, but there is expectation for improvement during 2025 now interest rate cuts are beginning to materialise.

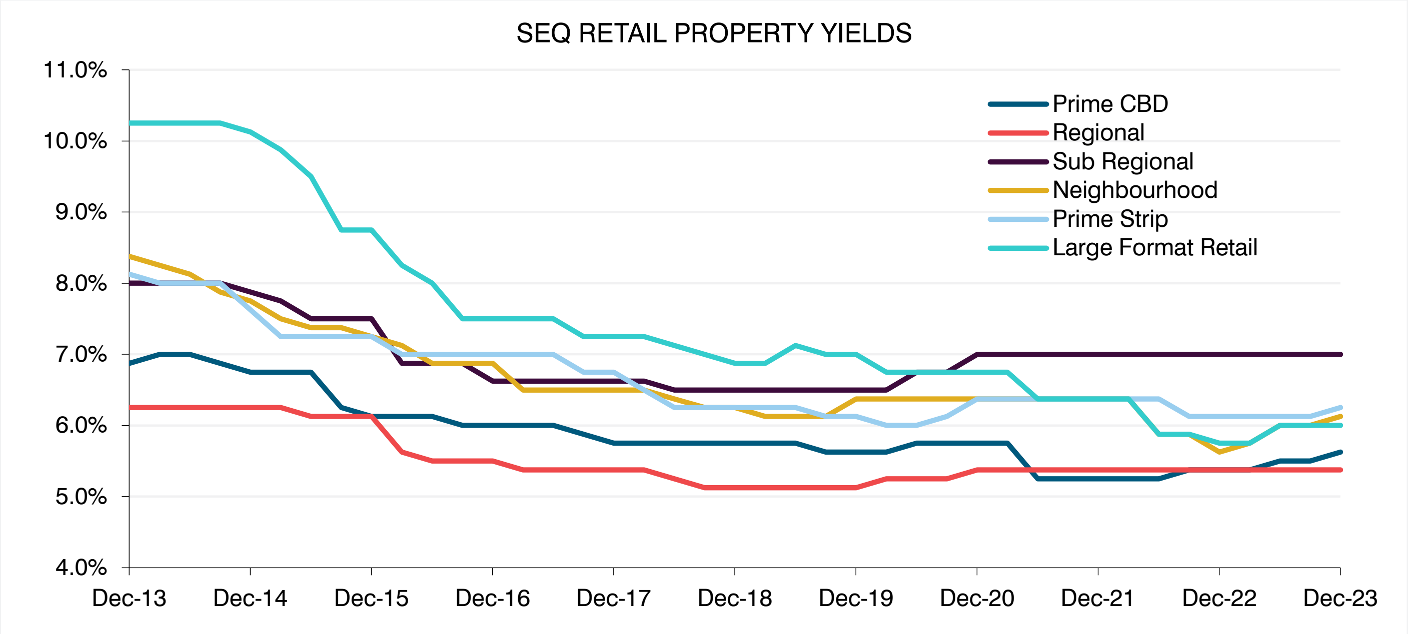
However, the supply of assets for sale may be constrained with institutional investors having already disposed of non-core assets and private investors being less inclined to sell in a strengthening market."

CURRENT STATE OF PLAY

- Total retail spending in Queensland for the 12 months ending December 2024 increased by 3.34%, compared with 1.84% recorded for the 12 months ending December 2023.
- The strongest growth by retail category was recorded in household goods (3.68%), followed by food (2.75%) and cafes, restaurants and takeaway (2.37%).
- 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 will open 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 Officeworks Oxley (initial yield of circa 5.39%) and Woolworths Logan Village (initial yield circa 5.30%).
- 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 6.50% during the March quarter 2025.

TRANSACTIONS

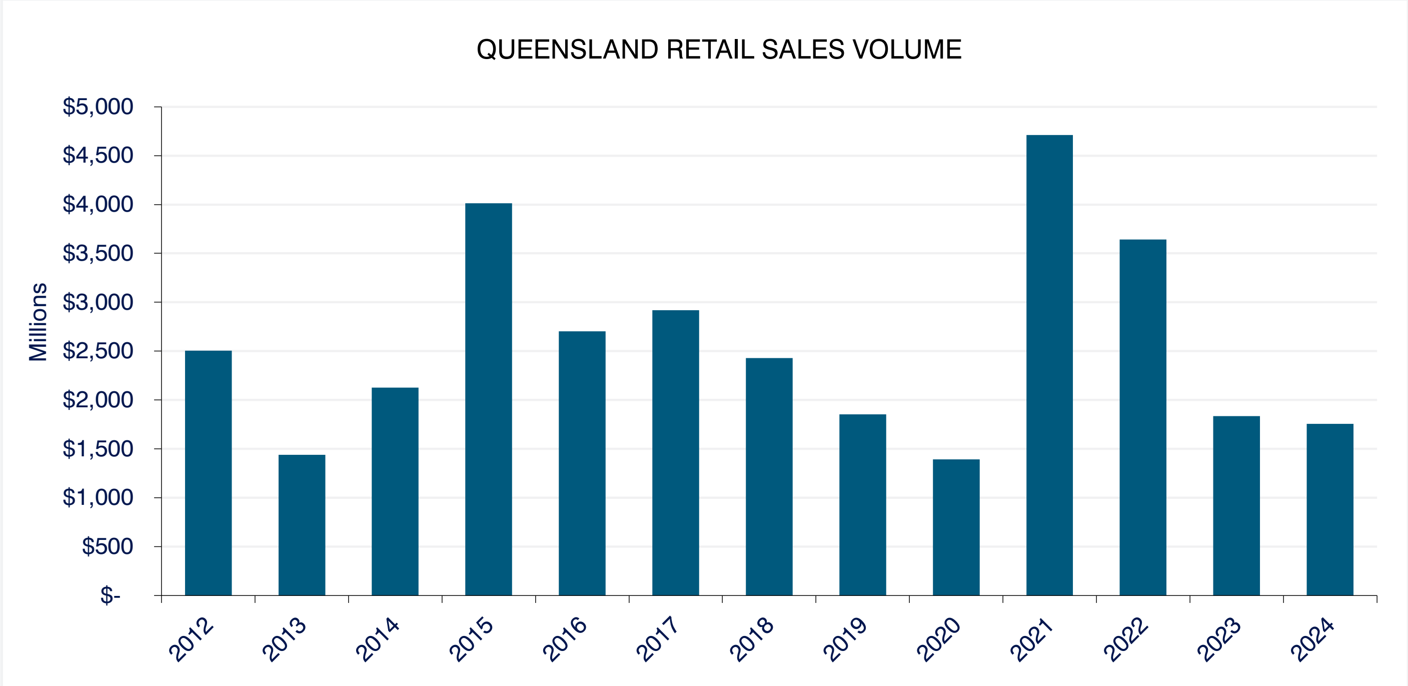
- The largest transactions in 2024 were for Cairns Central Shopping Centre, which sold for $390 million to Fawkner Property in February 2024 and Willows Shopping Centre in Townsville, which sold for $212 million to Fawkner Property in September 2024.

INVESTMENT MARKET

- According to RCA, there have been 58 retail sales totalling 1.76 billion recorded across the Queensland market to the end of 2024, slightly lower than the $1.83 billion from 53 transactions in 2023.
- Institutional and private investors were the most active buyer groups in 2024, accounting for 37.5% and 47.9% of sales respectively (by dollar value).
- Meanwhile, listed funds and REITs were the largest sellers of QLD retail assets in 2024, comprising 39.5% of transactional sellers.

“TOTAL RETAIL SPENDING IN QUEENSLAND FOR THE 12 MONTHS ENDING DECEMBER 2024 INCREASED BY 3.34%, COMPARED WITH 1.84% RECORDED FOR THE 12 MONTHS ENDING DECEMBER 2023.”

- DUANE GILLILAND



Source: Real Capital Analytics (RCA), M3 Property

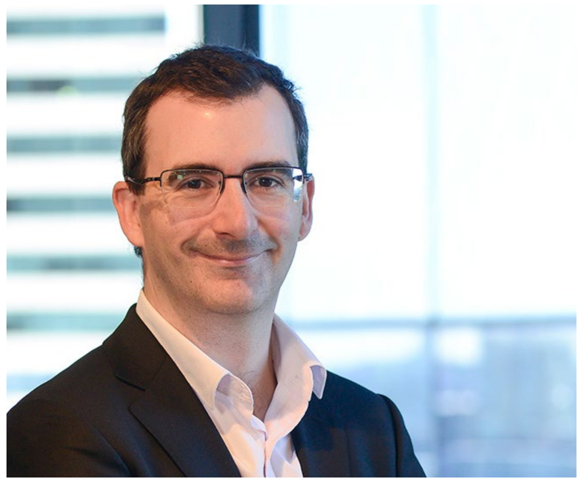
OPPORTUNITIES AND CHALLENGES

- 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. Further rate cuts later in 2025 will continue to improve sentiment.
- The February rate cut means purchasers are likely to become more active in considering assets offered for sale during 2025.

SELF-STORAGE

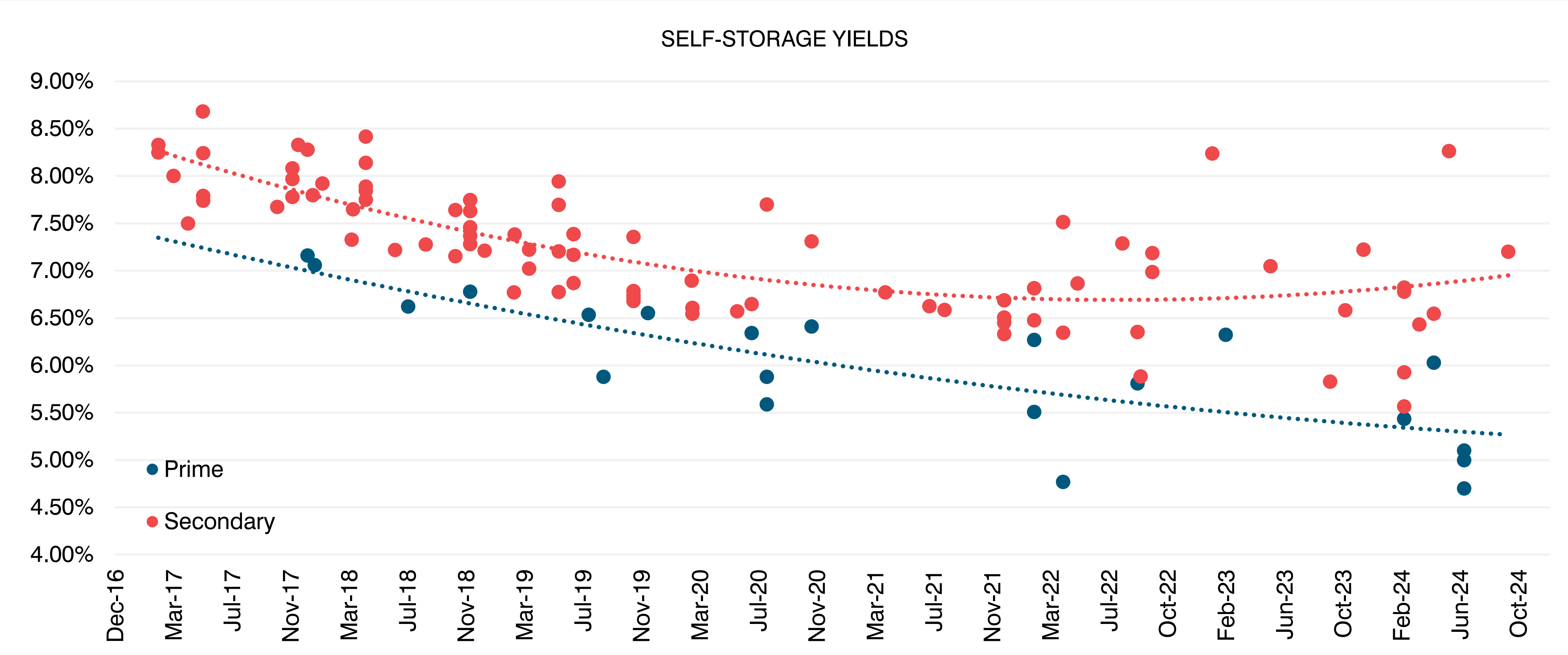


JEREMY HOFFMAN
Director | Specialised Assets

> "Australia's self-storage sector has matured into a diversified industry serving residential and commercial users, with 9% of adults currently using storage. Demand has grown due to lifestyle trends, small business activity, and housing types. South-East Queensland has seen a high level of self-storage development in high growth areas, notably along the Brisbane to Gold Coast corridor.
>
> Occupancy and rental pressures from the cost-of-living crisis and sustained higher interest rates continue to impact net incomes, but there is expectation for improvement during 2025 now interest rate cuts have begun to materialise. There continues to be a low supply of prime assets for sale, though investor sentiment has largely held firm. The medium-term outlook remains positive, supported by rising demand and continued development across the sector."

CURRENT STATE OF PLAY

- The self-storage industry is primarily involved in the leasing of personal storage units but has matured and grown to provide a range of storage types and ancillary services to both residential and commercial users.
- According to the Self-Storage Association of Australasia (SSAA), approximately 9% of the Australian adult population are currently using self-storage. Of those customers, families with children account for 50%, while 61% own the house they live in.
- Demand has increased over recent years as self-storage has become more accepted as a standard household or business expense included in cost-of-living or business expenses.
- The size and type of dwellings constructed can affect demand for self-storage.
- Growth in the number of small businesses and online retail growth has driven increased demand for self-storage.



Source: Real Capital Analytics (RCA), M3 Property

YIELDS AND INVESTMENT MARKET

- Self-storage values are highly dependent on the facility's catchment and management's ability to find a suitable pricing equilibrium. In recent years, growth in values has come from a return to rental growth post COVID-19 although the downturn in the global economy and the cost-of-living crisis put pressure on rental and occupancy levels through 2024.
- The investment market continues to be driven by Sydney and Melbourne, in line with population figures and rental levels. Brisbane and the Australian Capital Territory remain the third-strongest investment markets in Australia albeit with some growth areas similar to those in Melbourne. In recent years the Brisbane market has extended into the Gold Coast area, with the Gold Coast largely viewed as (on analysis of yields generally) effectively an outer suburban location of Brisbane.
- Recent years have seen pressure on commercial yields due to the rising interest rate environment, high borrowing costs and stagnant investment demand. This has been partially offset in the self-storage industry by increasing awareness and interest in the industry. Larger assets are expected to have a higher risk of softened capitalisation rates due to the availability of capital at higher price points for single assets.
- The larger operators and purchasers are seeking and comparing assets nationwide, with yields reflective of location-based market attributes, with stronger yields in Sydney and Melbourne. Secondary markets like Adelaide, Tasmania and regional centres reflect a yield discount, however as the markets mature, the gap continues to narrow.
- While the number of facility-specific characteristics that result in respective yields creates some ambiguity, yields have shown some signs of general upward pressure in secondary assets, largely due to a relatively high-interest rate environment compared to past years; the market has not seen widespread yield softening due to ongoing strong, broad investor sentiment.
- The asset class appears to have held strong through the recent period of market uncertainty. Over the medium-term, demand from personal and business customers is expected to drive the industry's continued expansion, encouraging investment into the sector. We note the recent BlackRock acquisition of the StoreLocal portfolio, as well as the current offer from Ki Corporation and Public Self Storage to acquire all of the outstanding stapled securities in Abacus Storage King.

OPPORTUNITIES AND CHALLENGES

- According to SSAA, there are 3,314 storage facilities in Australia, providing an estimated 7 million square metres of net storage space nationwide, equating to 2.29 storage units per 100 people.
- The industry is highly fragmented and comprises many small and mid-sized operators. There are a small number of large national chains, however most operators are single-location businesses owned by individuals meaning the industry operates in two tiers.
- Industry operation has consolidated during recent years due to bank funding favouring larger operators who offer economies of scale and diversification of geographic and rental risk, the cost of new greenfield developments being too high for small operators who cannot risk an occupancy take-up period of three to five years, and the cost and skill involved in converting existing commercial buildings to self-storage facilities.
- Major operators have been actively growing portfolios through greenfield developments, acquisitions, and expansion of existing facilities, while consolidation has slowed in recent years due to high borrowing costs, uncertain market conditions and lack of large consolidation opportunities.

OUTLOOK

- With fewer large portfolios available for consolidation and limited acquisition opportunities, major investors are turning their focus to independent operators and new facility developments. There is a substantial level of new self-storage space due for completion in 2025, with 31.2% of new facilities currently approved by councils and a further 12.12% under construction.
- Rental growth has come under pressure into 2025 on the back of cost-of-living concerns and broader economic conditions; revenue growth is expected to continue to be relatively low in the short-term due to occupancy and rental pressures, however with a return to broader rental growth in the second half of 2025.

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