M3 PROPERTY

SPECIALIST
INDEPENDENT
VALUATION

SOUTH AUSTRALIAN MARKET SNAPSHOT

OCTOBER 2025

CONTENTS

M3

SOUTH AUSTRALIAN MARKET SNAPSHOT

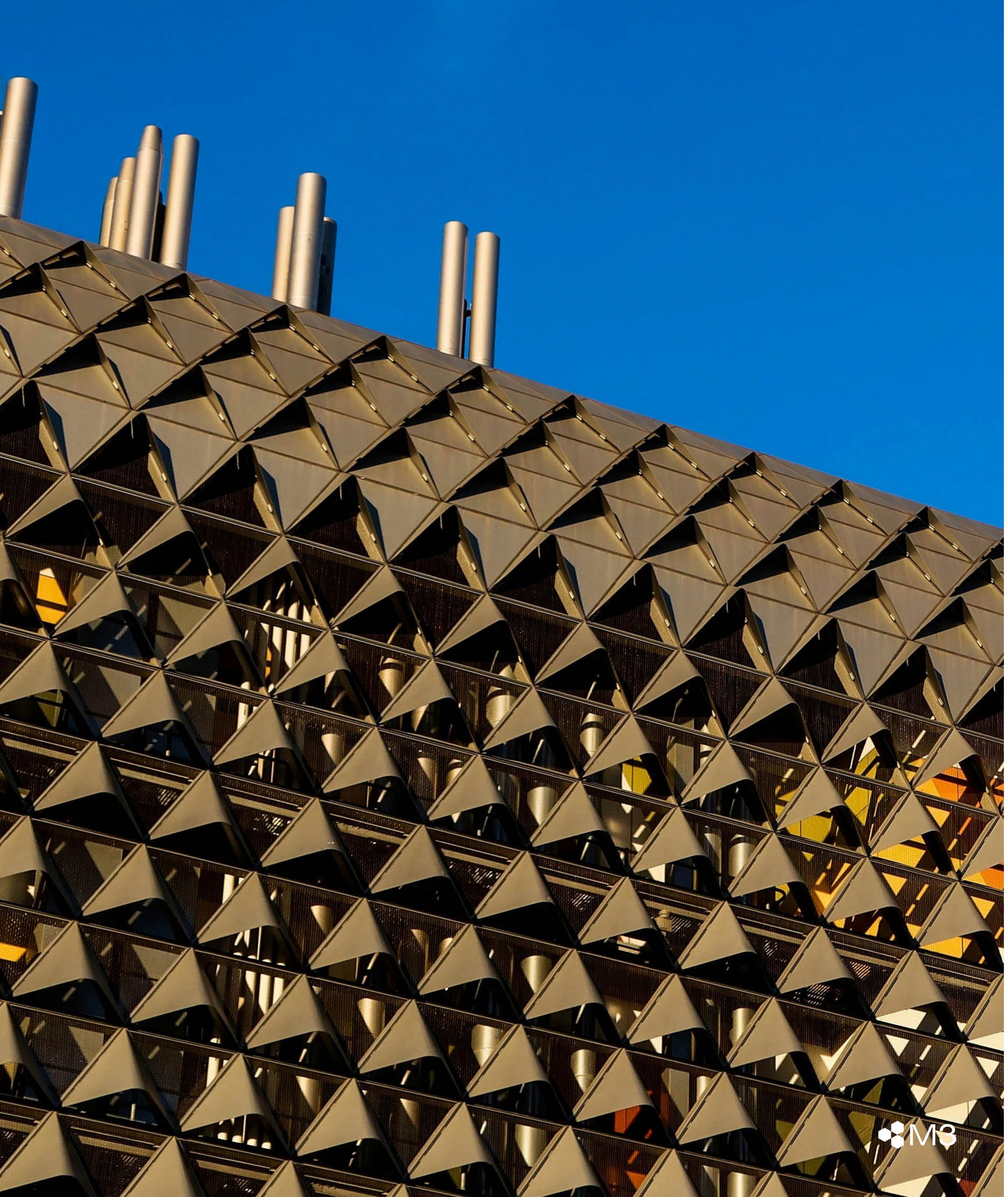
OCTOBER 2025

South Australia's property market showed strong momentum overall in H1 2025, with notable growth across many sectors. Healthcare transactions rose to $31.4 million, driven by private investors, while the industrial sector saw $482.9 million in deals (over $5 million) – underpinned by tight vacancy and e-commerce demand. Hotel occupancy reached 75.6%, supported by ADR growth and revived interstate visitation. Office vacancy dropped to 15%, buoyed by tenant absorption and improving sentiment following RBA rate cuts. Retail activity remained robust, with $226.9 million in sales and private capital dominating acquisitions amid shifting tenancy trends.

Residential prices continued to climb, led by units and strong rental growth – although affordability pressures remain. Service station investments increased locally, with national focus shifting toward diversification and EV resilience. Looking ahead towards the remainder of 2025 and into 2026, sustained investor interest, demographic tailwinds, and ongoing development pipelines position Adelaide as a stable market with opportunities across core asset classes.

Our experts across valuation sectors share their analysis and insights in our latest South Australia Market Snapshot covering the first half of 2025, as well as what to look out for in 2026, across Healthcare, Hotels and Leisure, Industrial, Office, Residential Development, Retail and Service Stations.

HEALTHCARE

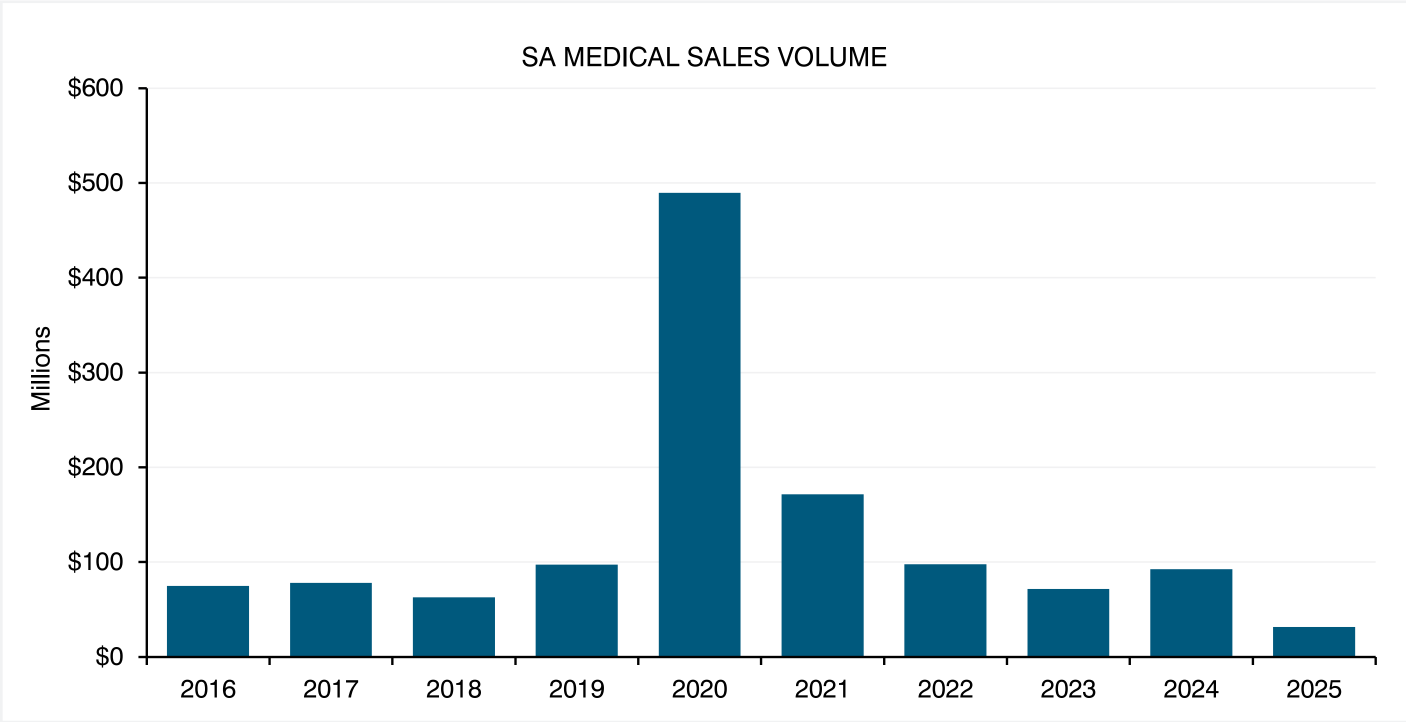


SIMON HICKIN
Director | Healthcare & Office

"The Adelaide healthcare property market saw solid growth in H1 2025, with $31.4 million in sales across nine transactions - up from $21.5 million in H1 2024. Private investors dominated activity, accounting for nearly 90% of transactions. Yields averaged 5.5%–6.5% for prime medical centres and above 7.0% for secondary assets.

Interest rate cuts in early 2025 have helped reinvigorate institutional interest, though smaller investors remain active. Demand is underpinned by population growth, ageing demographics, rising mental health needs, and chronic disease prevalence. However, workforce shortages in some health sectors continue to impact occupancy.

Adelaide is home to two major life sciences precincts - Adelaide BioMed City and Flinders University Urban Village - highlighting growing innovation and investment. Looking ahead, healthcare is expected to remain a core asset class, supported by stable fundamentals, government backing, and ongoing opportunities for market consolidation."



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

INVESTMENT MARKET

- According to Real Capital Analytics (RCA), sales volume of healthcare properties in South Australia for H1 2025 was $31.4 million from 9 transactions. This compares with $21.5 million from 10 transactions in H1 2024.
- Private investors were the most active buyer's group during H1 2025, accounting for 89.9% of transactions.

YIELDS

- Yields are now averaging around 5.5% to 6.5% for prime medical centre assets and above 7.0% for secondary medical assets, depending on various investment characteristics including price level.
- Yields for private hospitals generally range between 5.25% to 6.5% for prime assets and 6.75% and 7.5% for secondary assets.
- Average cap rates softened by around 30 basis points in the six months to December 2025, having remained relatively stable since. Secondary assets softened to a greater extent.

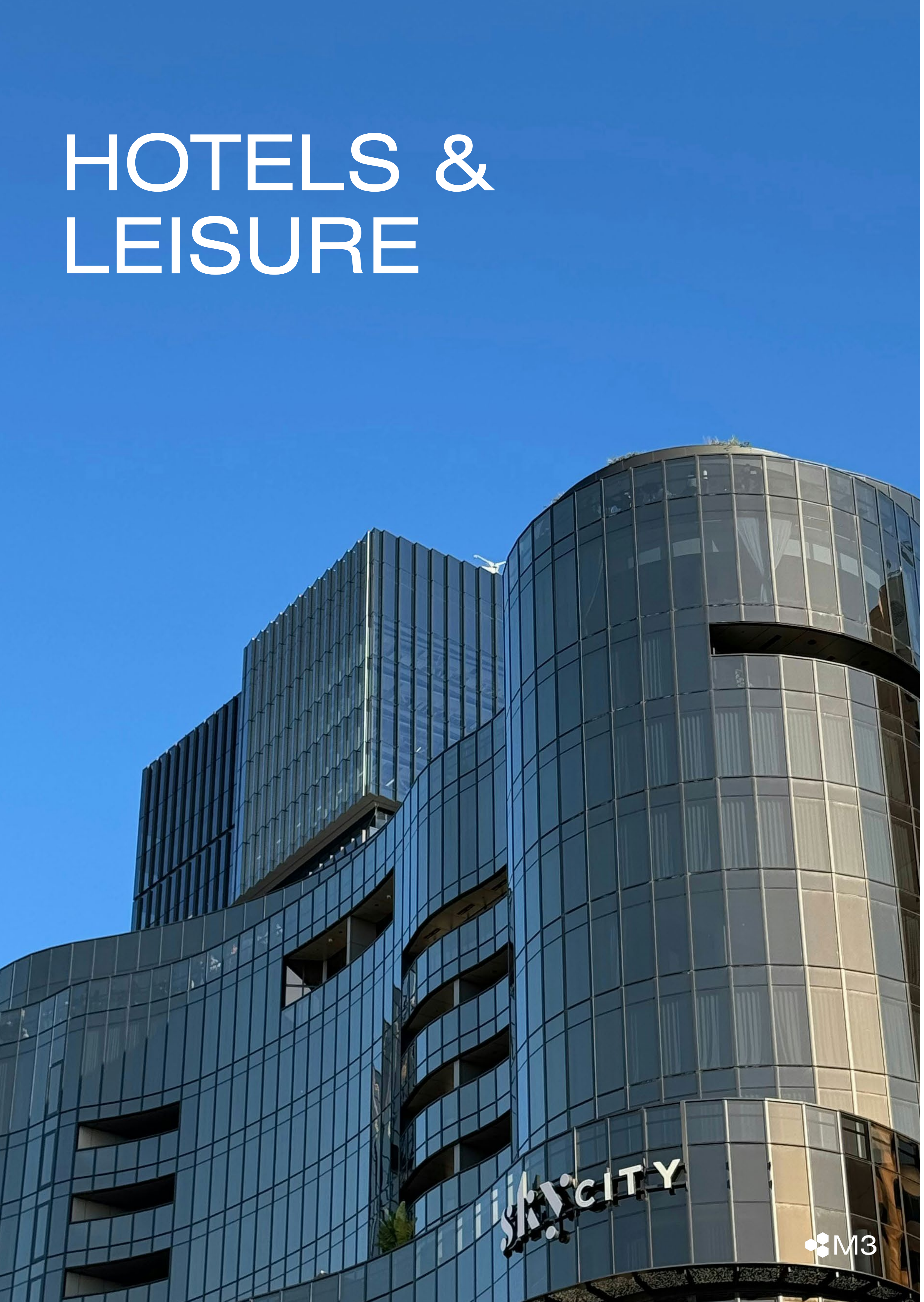
OPPORTUNITIES AND CHALLENGES

- Interest rate reductions between February and August 2025 have contributed to renewed interest from institutional investors in the healthcare market. Smaller investors however continue to remain active.
- GP and other health specialist shortages have impacted 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 two Healthcare and Life Sciences precincts in Adelaide. These are the Adelaide BioMed City and Flinders University Urban Village Precinct.

OUTLOOK

- The healthcare sector will continue to grow as a core asset class, supported by key market fundamentals and significant investment growth opportunities.
- 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 between February and August 2025 may bring more investors into play. The healthcare market is still highly fragmented and there are significant opportunities for consolidation.

HOTELS & LEISURE



ANTONY SCHOBER
Director | Hotels & Leisure

"Adelaide's hotel market has strengthened in H1 2025, with occupancy reaching 75.6% in July - 7% higher than July 2024. Revenue per available room has returned to pre-Covid benchmarks, underpinned by strong Average Daily Rate (ADR) growth. This uplift has been driven by inflationary pressures, premium quality stock, and shifting travel trends. Interstate visitation has fully recovered, while international arrivals are increasing gradually but remain below pre-pandemic levels, with 435,000 international visitors recorded in the year to June 2025.

Investment activity has surged, with $212 million in hotel transactions across three major deals, led by the Hilton Adelaide and Mayfair Hotel sales. Cross-border investors accounted for more than half of acquisitions.

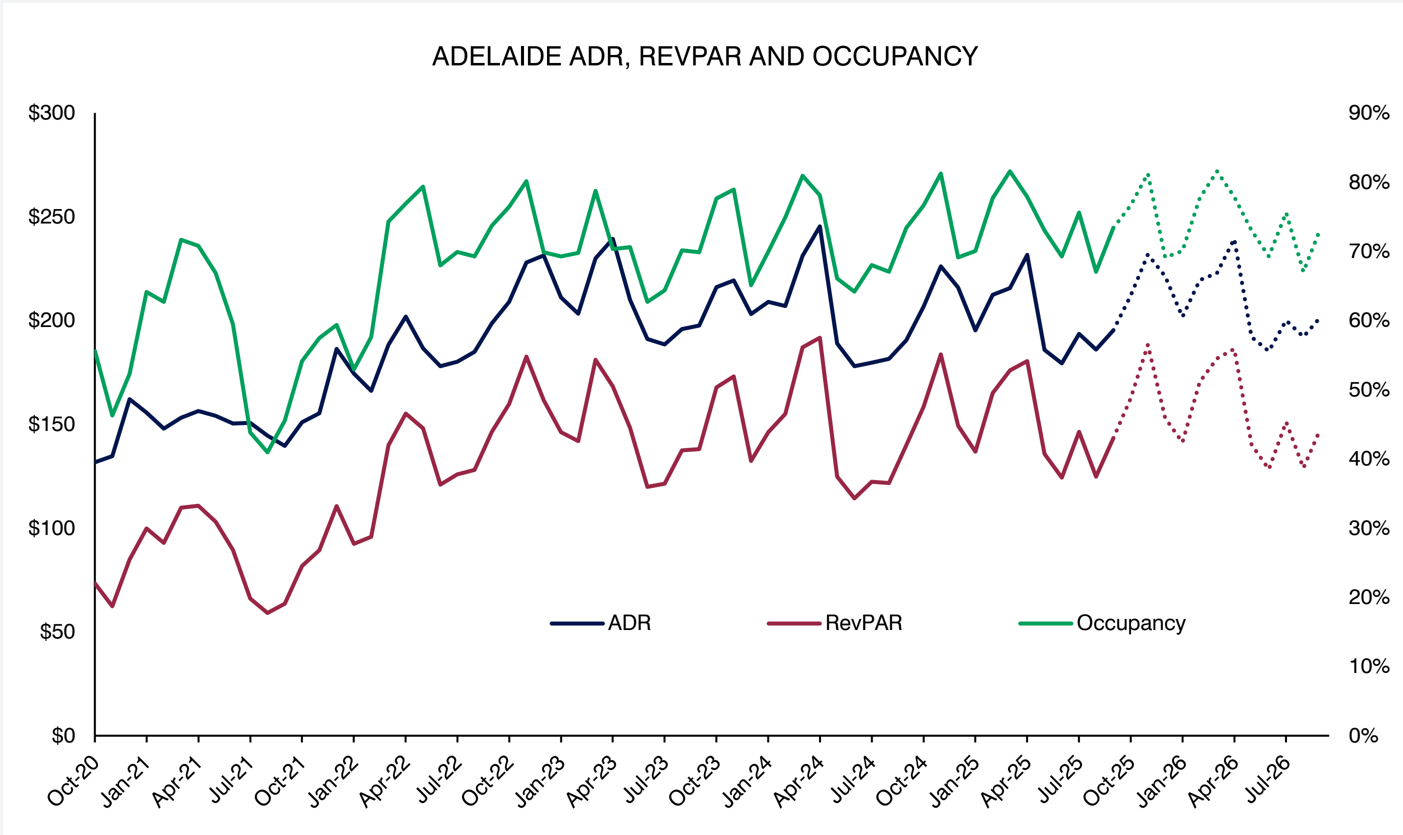
Looking ahead, high construction costs will constrain new supply, but opportunities exist in refurbishments and conversions. Sustainability, wellness, and evolving travel preferences including eco-tourism and digital nomadism are expected to shape future demand."

"SUSTAINABILITY, WELLNESS, AND EVOLVING TRAVEL PREFERENCES INCLUDING ECO-TOURISM AND DIGITAL NOMADISM ARE EXPECTED TO SHAPE FUTURE DEMAND."

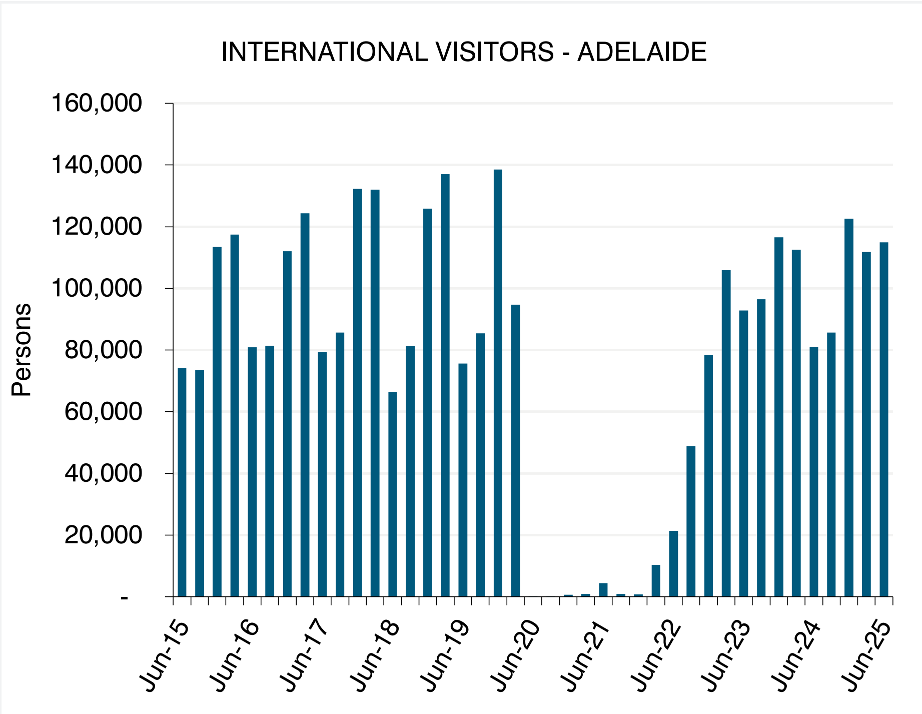
- ANTONY SCHOBER

CURRENT STATE OF PLAY

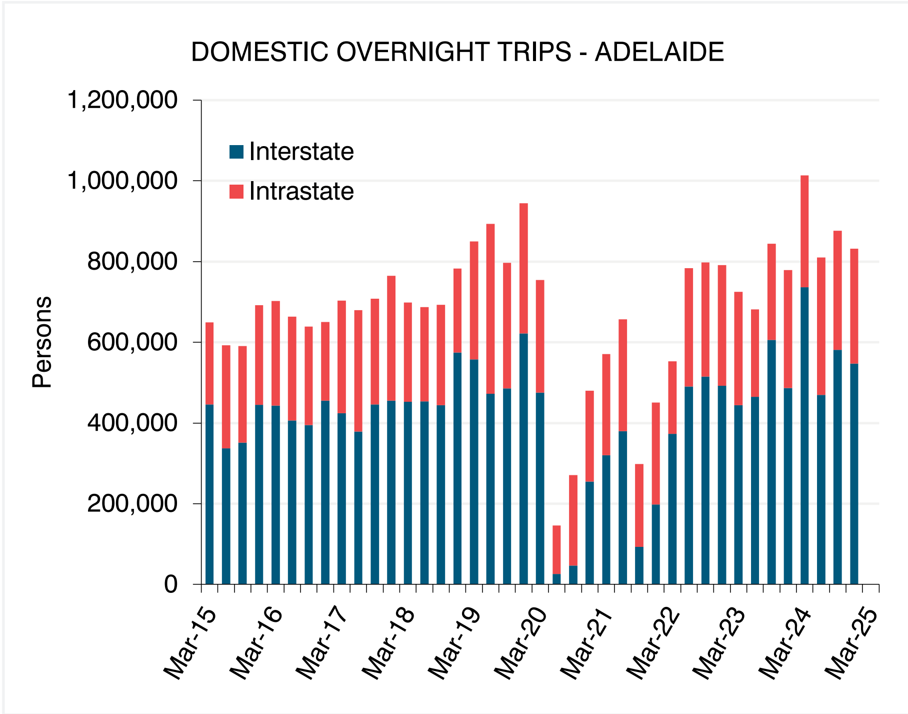
- Prior to the pandemic, the Adelaide occupancy rate generally fluctuated between 70% and 90%. Occupancy rates per room are still just below pre-Covid levels, with the Adelaide market recording 75.6% occupancy rates in July 2025; this is 7% higher than the July 2024 rate, but around 3% lower than the same month pre-Covid.
- Revenue per available room has recovered to pre-pandemic levels which is a result of significant Average Daily Rate (ADR) growth. ADR growth has been influenced by many factors including strong inflation with operators passing on increases in outgoings, an increased quality of stock driving premium rates, and evolving travel trends increasing demand.
- Since the pandemic, international visitor numbers have started rising on a quarterly basis, however, remain lower than pre-pandemic levels. During the year ending June 2025, there were 435,000 international visitors, spending a total 11.96 million nights, in the region.
- Interstate visitor rates to the Adelaide market have returned to pre-pandemic levels.



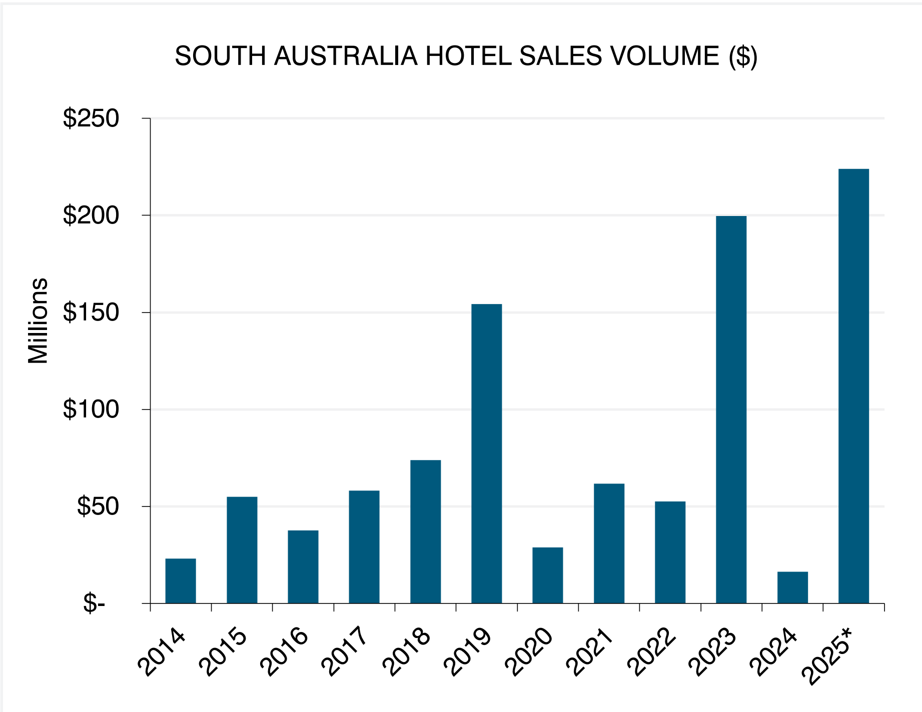
Source: M3 Property, STR



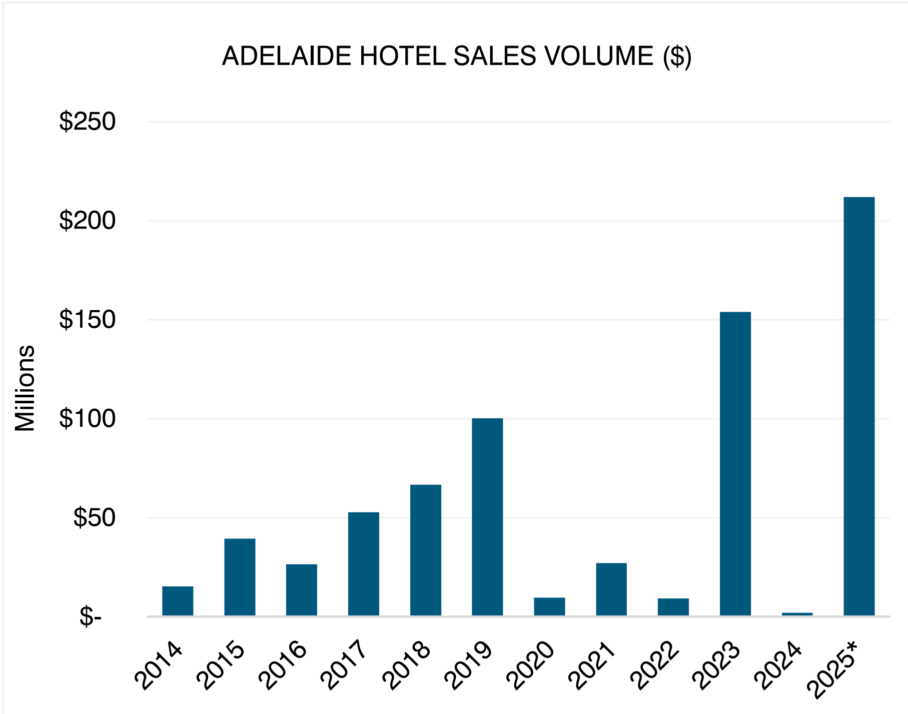
Source: TRA, M3 Property



Source: TRA, M3 Property



Source: RCA, M3 Property



Source: RCA, M3 Property

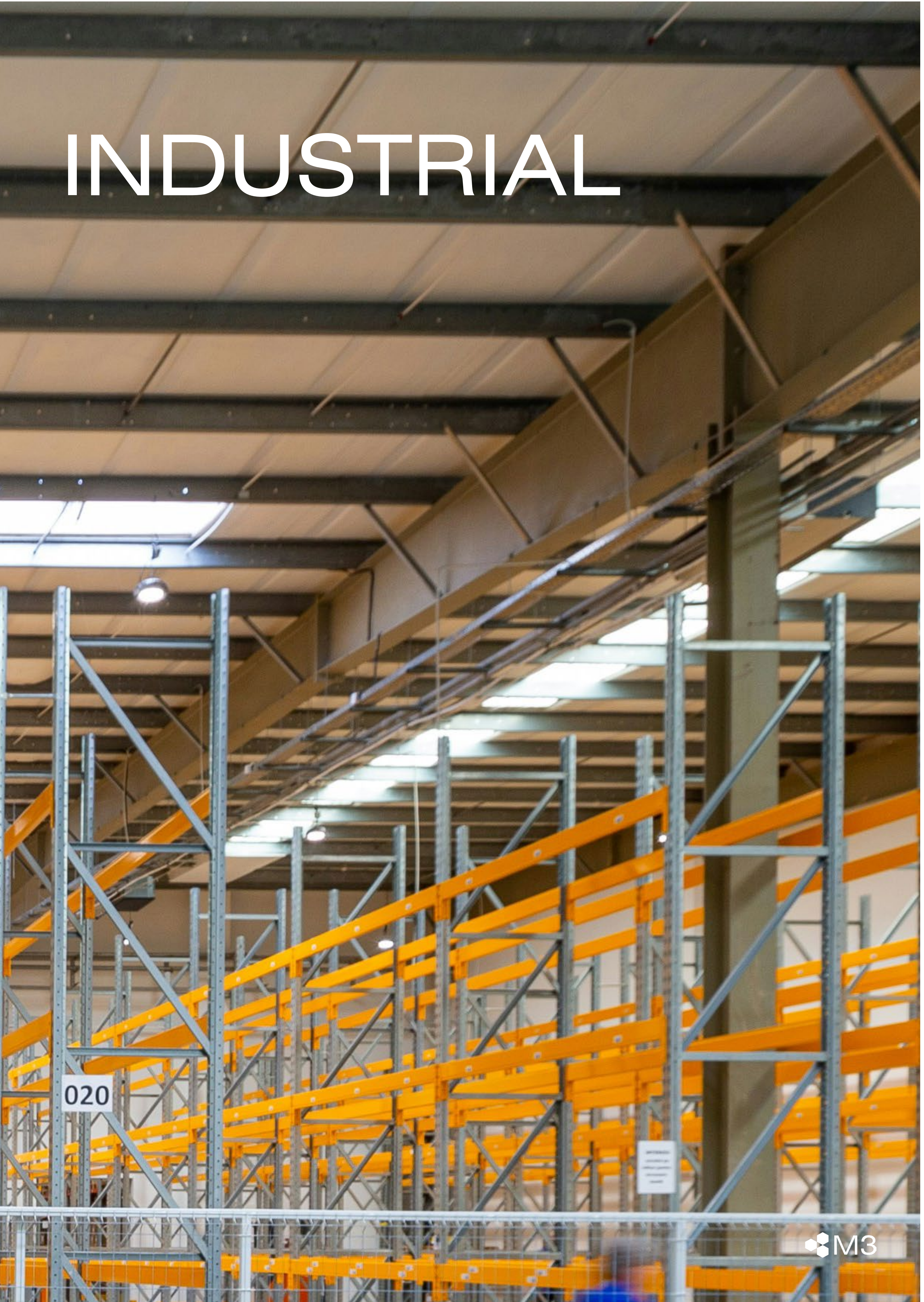
TRANSACTIONS

- According to RCA, there have been three transactions of hotel assets in Adelaide so far in 2025, totalling $212 million. This is significantly higher than the total achieved for the whole of 2024, when there was one transaction totalling $2 million in Adelaide.
- The two largest sales so far in 2025 have been the sale of the Hilton Adelaide for $110 million to Regal Partners and Ark Capital Partners and the sale Mayfair Hotel Adelaide for $75 million to Amora Hotels & Resorts.
- For 2025, cross-border investors were the largest of buyers, acquiring 51.9% of the hotel assets that sold.

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



MICHAEL LEECH
Managing Director SA

"South Australia's industrial sector remained resilient through H1 2025, underpinned by limited stock and solid occupier demand. Vacancy rates remain tight, particularly for prime assets where rates are below 2%, driving rental growth of 1.4% over the year to June. Prime net face rents now range between $115 and $190 per square metre, with leasing activity concentrated in the outer north and west, supported by large-scale precinct developments and state government incentives.

Investment activity has been strong, with 28 sales above $5 million sold totalling $482.9 million, up from $361 million across the same period in 2024. The largest transaction was Centuria Capital Group's $216 million purchase of the Port Adelaide Distribution Centre, marking the state's biggest-ever industrial deal.

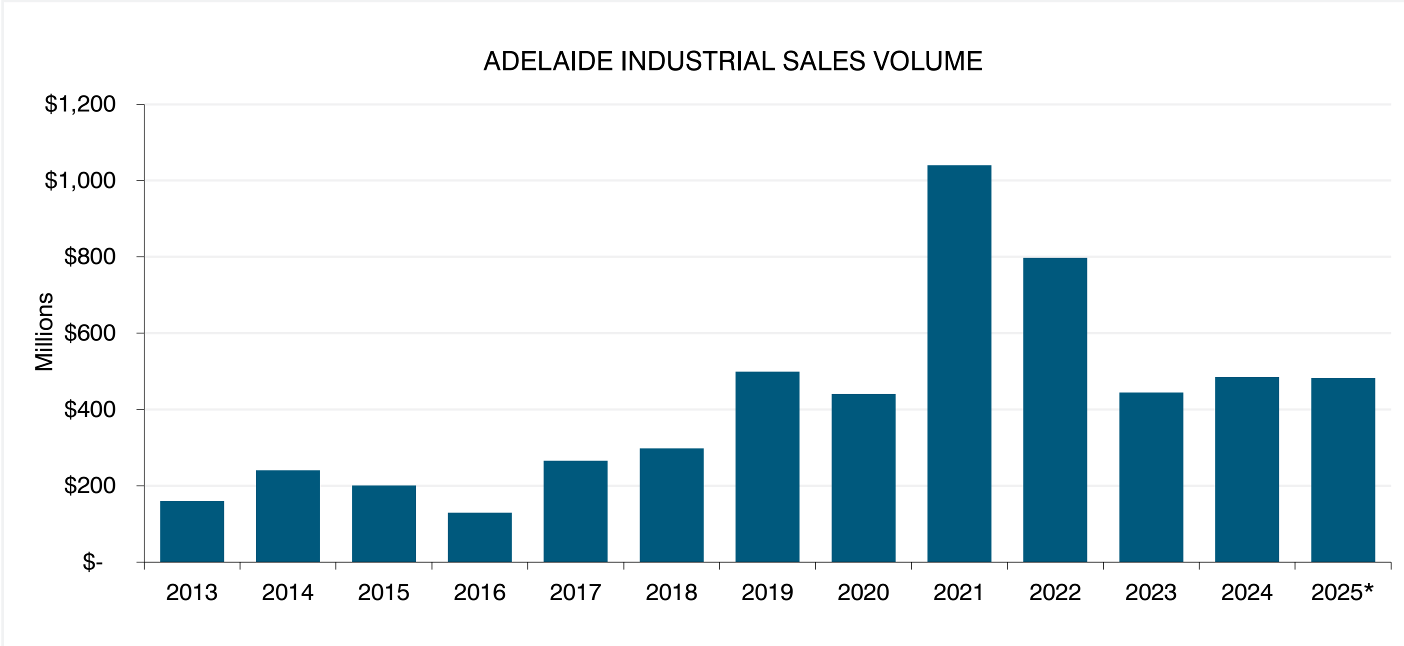
Yields have softened over the past year, averaging 6.1% for prime assets, though rate cuts in 2025 have supported stability. Looking ahead, ongoing supply constraints, e-commerce growth, and food manufacturing demand will continue to underpin the market, despite economic headwinds and construction cost pressures."

“INVESTMENT ACTIVITY HAS BEEN STRONG, WITH 28 SALES ABOVE $5 MILLION SOLD TOTALLING $482.9 MILLION, UP FROM $361 MILLION ACROSS THE SAME PERIOD IN 2024.”

- MICHAEL LEECH

CURRENT STATE OF PLAY

- The fundamentals of the South Australian industrial market remained strong during H1 2025, reflecting limited stock and continued demand.
- Low vacancy rates have driven rental growth, although this is expected to moderate with tenants focusing on cost control.
- 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 moderate during 2025, as proposed development becomes difficult or unfeasible, due to elevated construction costs, the increased cost of funding and lower investment values.
- Yields have stabilised through H1 2025, assisted by cash rate reductions which at the date of publishing equated to 75 basis points through the year.



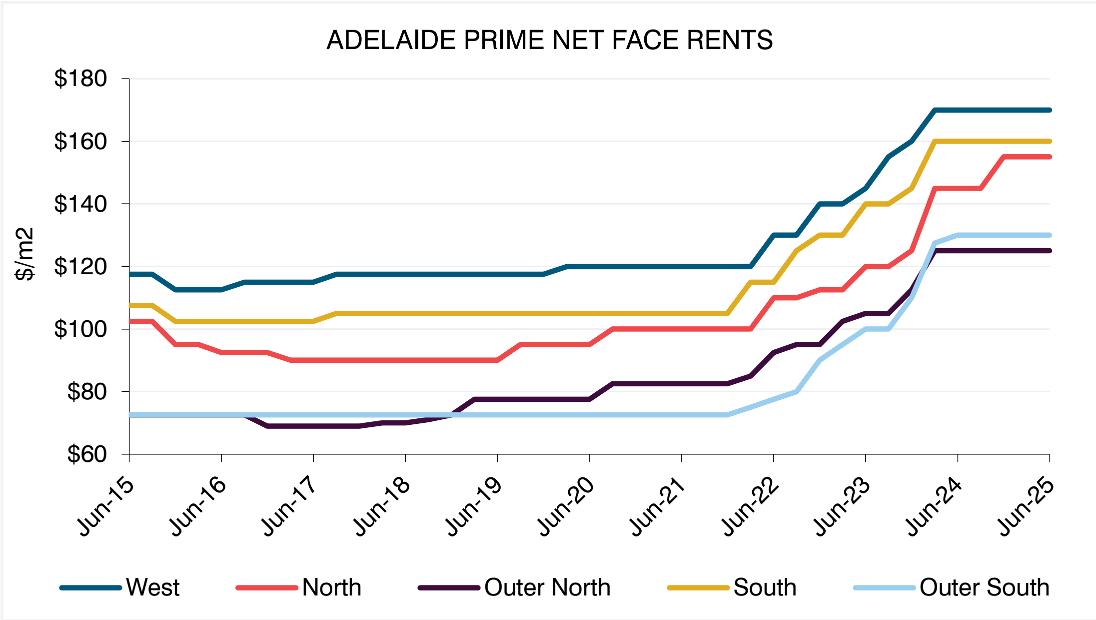
Source: Real Capital Analytics (RCA), M3 Property
Note: Sales over $5 million

INVESTMENT MARKET

- According to RCA there have been 28 industrial properties above $5 million sold for a total of $482.9 million across Adelaide to the end of August 2025, compared with 24 properties sold for a total of $361 million in for the same period in 2024.
- Private investors with 48% of transactions and institutional investors with 46% of transactions have been the primary purchasers of industrial property so far in 2025.
- The largest sale so far in 2025 has been the sale of the Port Adelaide Distribution Centre at 25-91 Bedford Street in Port Adelaide for a total of $216 million. The property was sold by Quintessential to Centuria Capital Group and is the largest industrial deal in South Australian history.

RENTAL MARKET

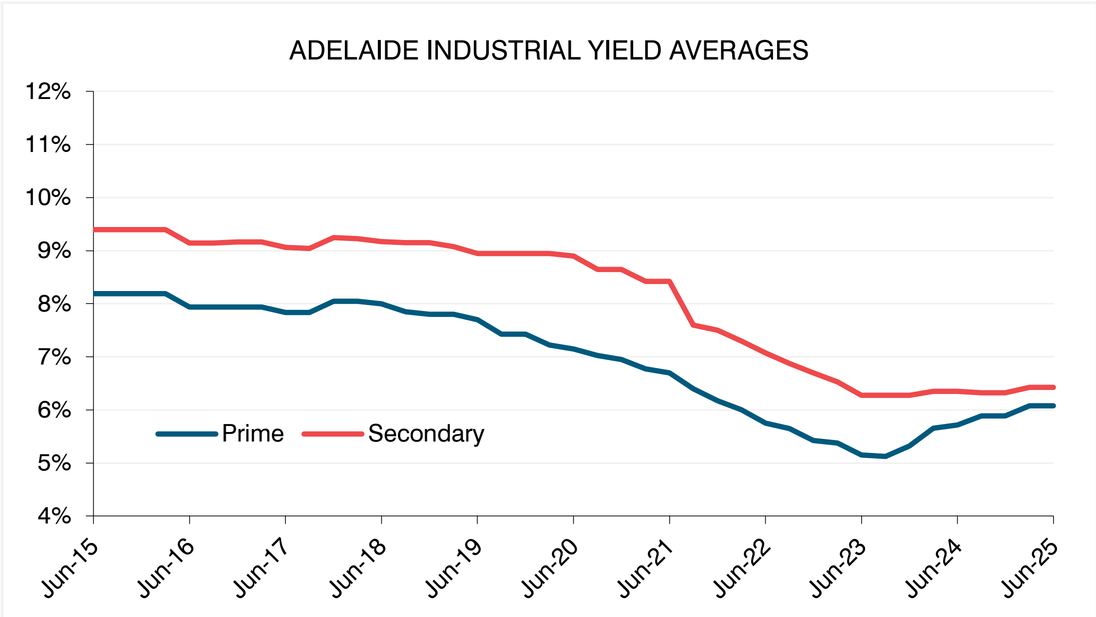
- Across the Adelaide metropolitan market, prime net face rents are ranging between $115 and $190 per square metre. Prime rents increased by 1.4% over the 12 months to June 2025.
- Leasing activity continues to be the strongest in the outer north and west, with several large-scale projects in the area including Renewal SA's Edinburgh Park precinct, the adjacent Vicinity estate at Direk developed by the Walker Corporation, Charles Sturt Industrial Park, and Lionsgate Estate (formerly GM's headquarters). These projects have benefited from state government incentives to bring employment to South Australia.



Source: M3 Property

YIELDS

- There remains a spread between Adelaide's industrial yields and other eastern seaboard industrial yields, making the market attractive to investors looking for yield and geographic diversification, whilst also obtaining a competitive return.
- Yields have softened in the 12 months to June 2025. Prime industrial yields have softened by around 36 basis points and are typically ranging between 5.75% and 6.5%, averaging at 6.087%. Secondary yields are between 5.5% and 7.75%, with an average of 6.35%.
- In the period from 2021 to 2024, healthy investor appetite and the spread between property yields and interest rates exerted significant downward pressure on yields. However, economic uncertainty and the cost of debt has seen yields soften in the past year.



Source: M3 Property

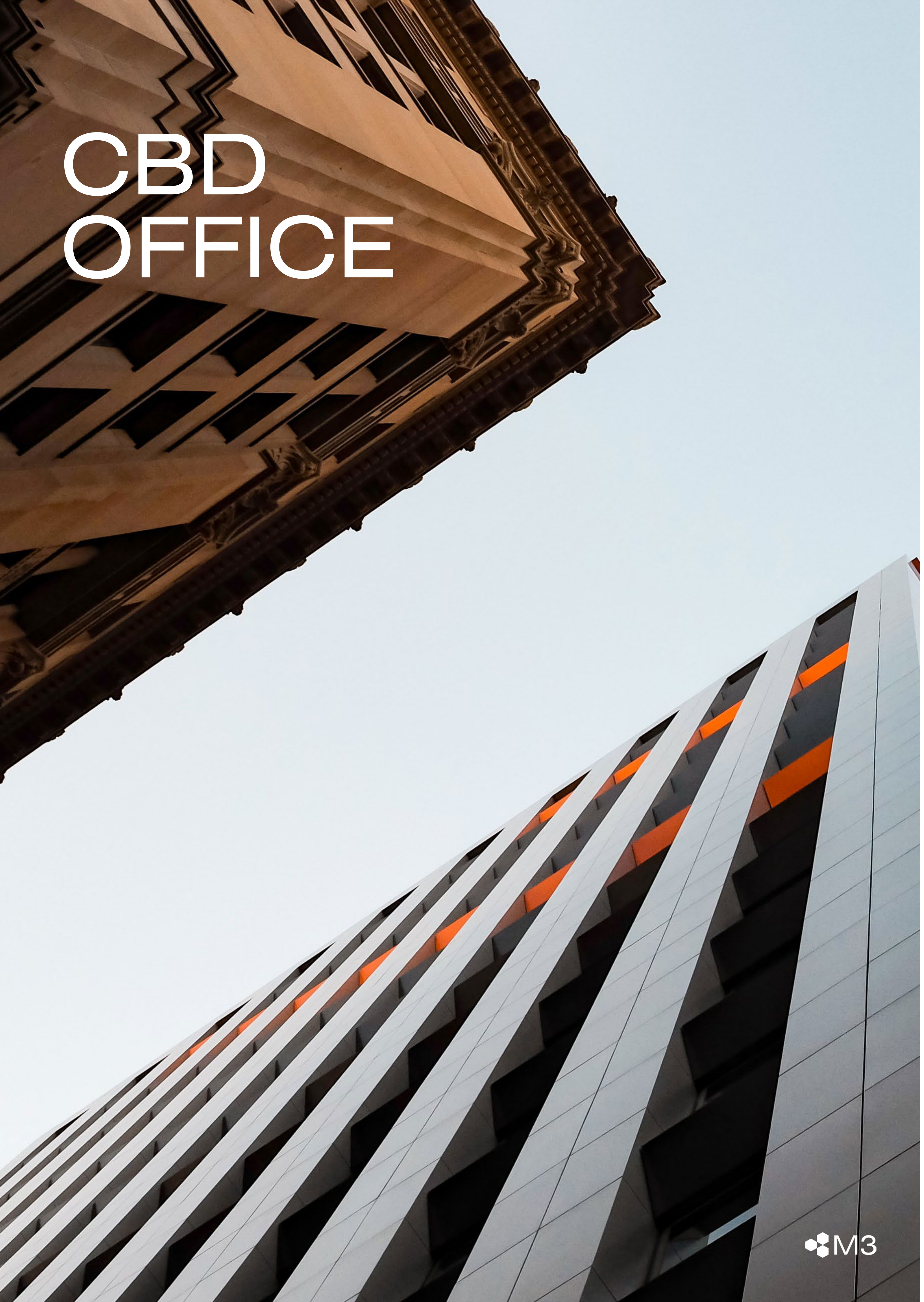
OPPORTUNITIES AND CHALLENGES

- Vacancies remain tight, particularly for prime-grade properties where the vacancy rate is below 2%. This is expected to continue in the short term, providing a moderated yet positive outlook for rental growth. As the market changes in response to softening economic conditions, supply shortages may potentially hide any signs of weakening demand as the supply-demand equilibrium is progressively restored.
- A continued scarcity of land suitable for development prevails with a concerning lack of future englobo opportunities, thus presenting increased opportunities for gentrification of older industrial precincts.

OUTLOOK

- Occupier demand is expected to remain at strong levels over the coming months with growth in e-commerce and solid public sector investment forecast to continue driving demand for warehouse and advanced manufacturing space (particularly food).
- The Reserve Bank of Australia (RBA) has cut the interest rate by 75 basis points since the start of 2025 and this is likely to generate more interest by reducing borrowing costs; however, the unfolding US trade tariff situation continues to create uncertainty.
- It appears the market is approaching the end of the yield decompression cycle. Sale volumes are expected to continue gathering momentum in 2025.
- The supply pipeline is thinning in parts, reflecting rising construction costs and supply chain challenges.

CBD OFFICE



SIMON HICKIN

Director | Healthcare & Office

"The Adelaide CBD office market strengthened in H1 2025, with total stock reaching 1.57 million sqm, up 6,650 sqm year-on-year. Vacancy fell from 17.5% in July 2024 to 15% in July 2025, driven by 44,932 sqm of tenant absorption. Major projects under construction include 42-56 Franklin Street (21,000 sqm) and Market Square (22,000 sqm), while 24,782 sqm is under refurbishment, notably at 30 Pirie Street.

RBA rate cuts of 75 basis points in 2025 are expected to boost activity in the second half of the year, with tenants attracted to CBD amenity and flexible space offerings. Prime rents range from $450-$600/sqm and secondary from $270-$450/sqm, with incentives between 25%-45%.

Investment activity remains soft, with only three sales totalling $62.7m in 2025 (over $5 million), down from $98.4m a year earlier. Yields are elevated, ranging from 6.0%-90%. Demand varies significantly across the price categories with privates and syndicators active in the sub $80 million sector and low interest above this price level where institutional investors are dominant."

“RBA RATE CUTS OF 75 BASIS POINTS IN 2025 ARE EXPECTED TO BOOST ACTIVITY IN THE SECOND HALF OF THE YEAR, WITH TENANTS ATTRACTED TO CBD AMENITY AND FLEXIBLE SPACE OFFERINGS.”

- SIMON HICKIN

CURRENT STATE OF PLAY

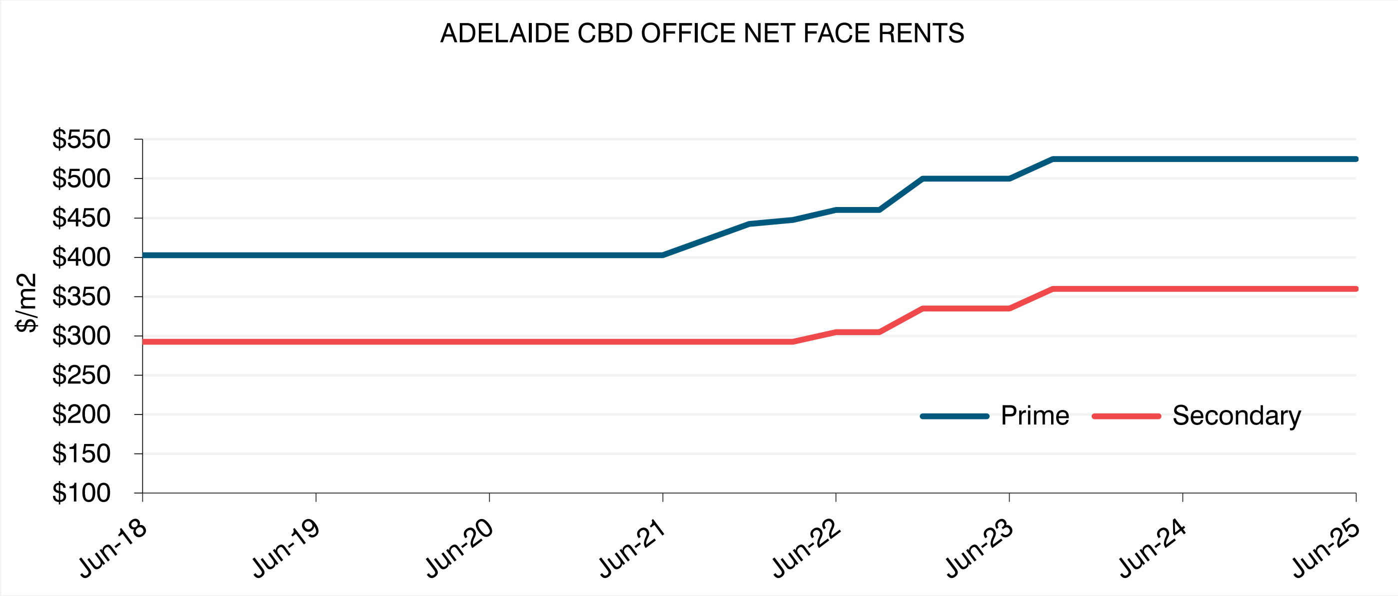
- According to the Property Council of Australia (PCA), there was 1,570,367 square metres of office space in the Adelaide CBD as of July 2025; a year-on-year increase of 6,650 square metres.
- The total vacancy rate for Adelaide’s CBD office market decreased from 17.5% in July 2024 to 15% in July 2025; the reason for this decrease is that 44,932 square metres of office space was absorbed by new tenants.
- 42-56 Franklin Street, Adelaide (approx. 21,000 square metres), and the Market Square development at 30 Gouger Street (approx. 22,000 square metres) are under construction, with a further 24,782 square metres of office space under refurbishment, including 45 Pirie and 30 Pirie Street.
- With the RBA reducing the cash rate by 75 basis points between February 2025 and August 2025, we expect to see market activity pick up in the later part of 2025.
- Tenants continue to see value opportunities in the CBD due to proximity to restaurants, events and more, contributing to a shift in fringe and suburban tenants moving into the CBD.
- Corporate occupiers continue to show demand for flexible space that can be expanded or contracted during the term of the lease, buildings with high energy and wellness ratings, outdoor areas, building third space, and natural lighting.

OPPORTUNITIES AND CHALLENGES

- The CBD has an ageing stock profile, with a large proportion greater than 30 years old and an inability to recycle these buildings.
- There remains a greater ability for new/modern developments to achieve superior effective rental growth compared to older stock, the latter of which will likely be impacted by reduced demand as new stock is added to the market.

OUTLOOK

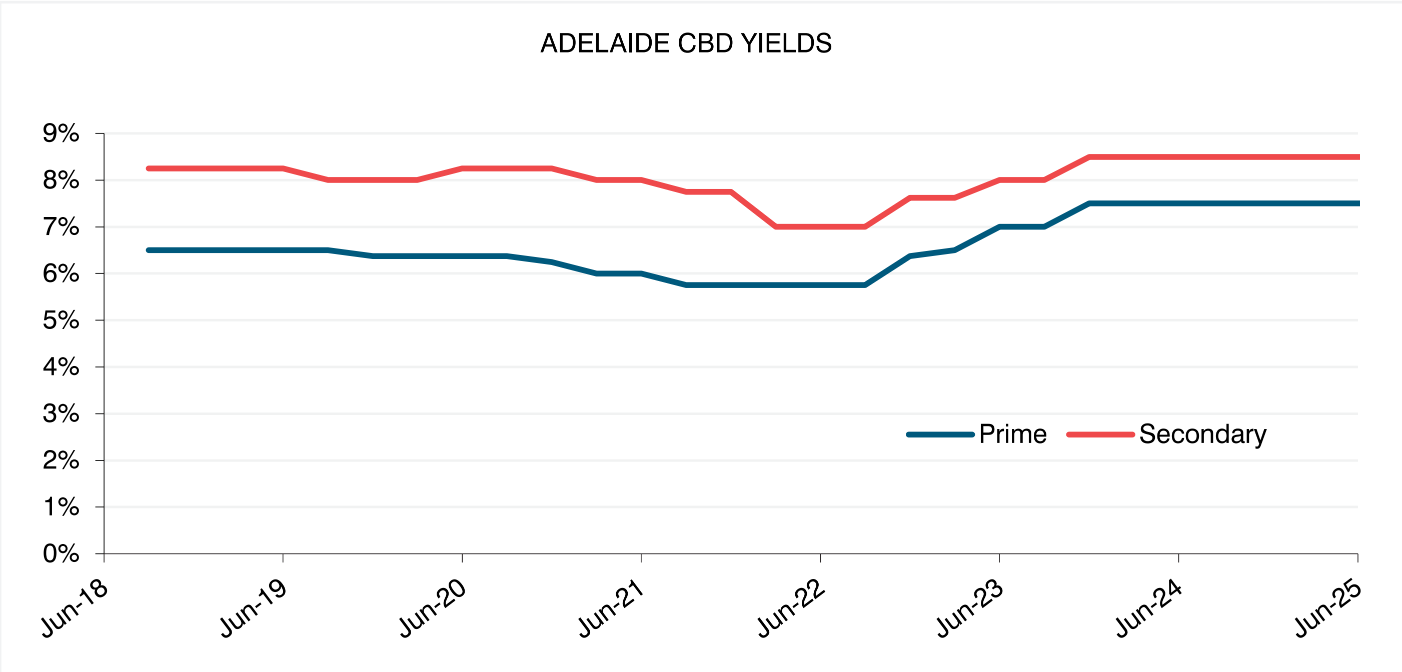
- Employment growth in white-collar employing industries is forecast to strengthen over the medium-term, with annual growth of 3.1% forecast by BIS Oxford Economics each year until 2027.



Source: M3 Property

RENTAL MARKET

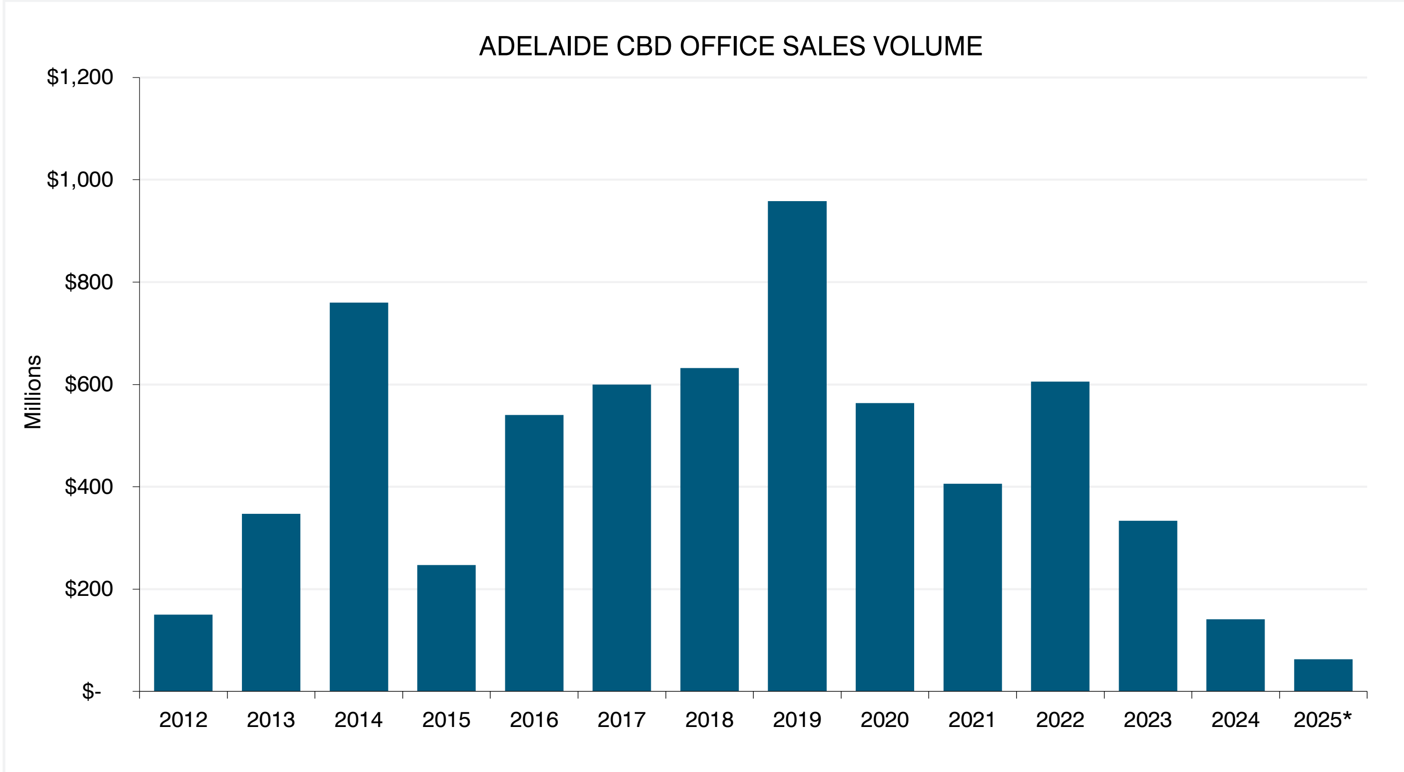
- As at the June quarter 2025, prime net face rents ranged from $450 to $600 per square metre and secondary net face rents ranged between $270 and $450 per square metre.
- Prime incentives range between 30% and 45% and secondary incentives range between 25% and 40%.



Source: M3 Property

YIELDS

- Purchasers continue to have a greater focus on pricing risk, income security and strength of tenant covenants.
- The attractive spread between office yields in Adelaide compared to eastern seaboard yields fuelled investor interest and sales volumes over recent years.
- Yields softened during 2024 but have remained stable in 2025, with prime yields ranging between 6.0% and 7.50% and secondary yields ranging between 8.5% and 9.0% in the June 2025 quarter. There is however a two-tiered market with prime yields for higher priced assets above $80 million influenced by the lack of institutional buyer interest which range from 7.25% to 8.0%.



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

INVESTMENT MARKET

- According to RCA, there have been 3 properties sold for over $5 million totalling $62.7 million recorded in the Adelaide CBD office market so far in 2025, compared with the 2 sales totalling $98.4 million recorded at the same time in 2024.
- Institutional investors with 38.5% of the transactions and private investors with 36.4% of the transactions have been the largest buyers of office property in Adelaide so far in 2025.
- The largest transaction to occur in 2025 was the sale of 63-69 Pirie St, acquired for $50.5 million by Centennial Property Group.

RESIDENTIAL DEVELOPMENT

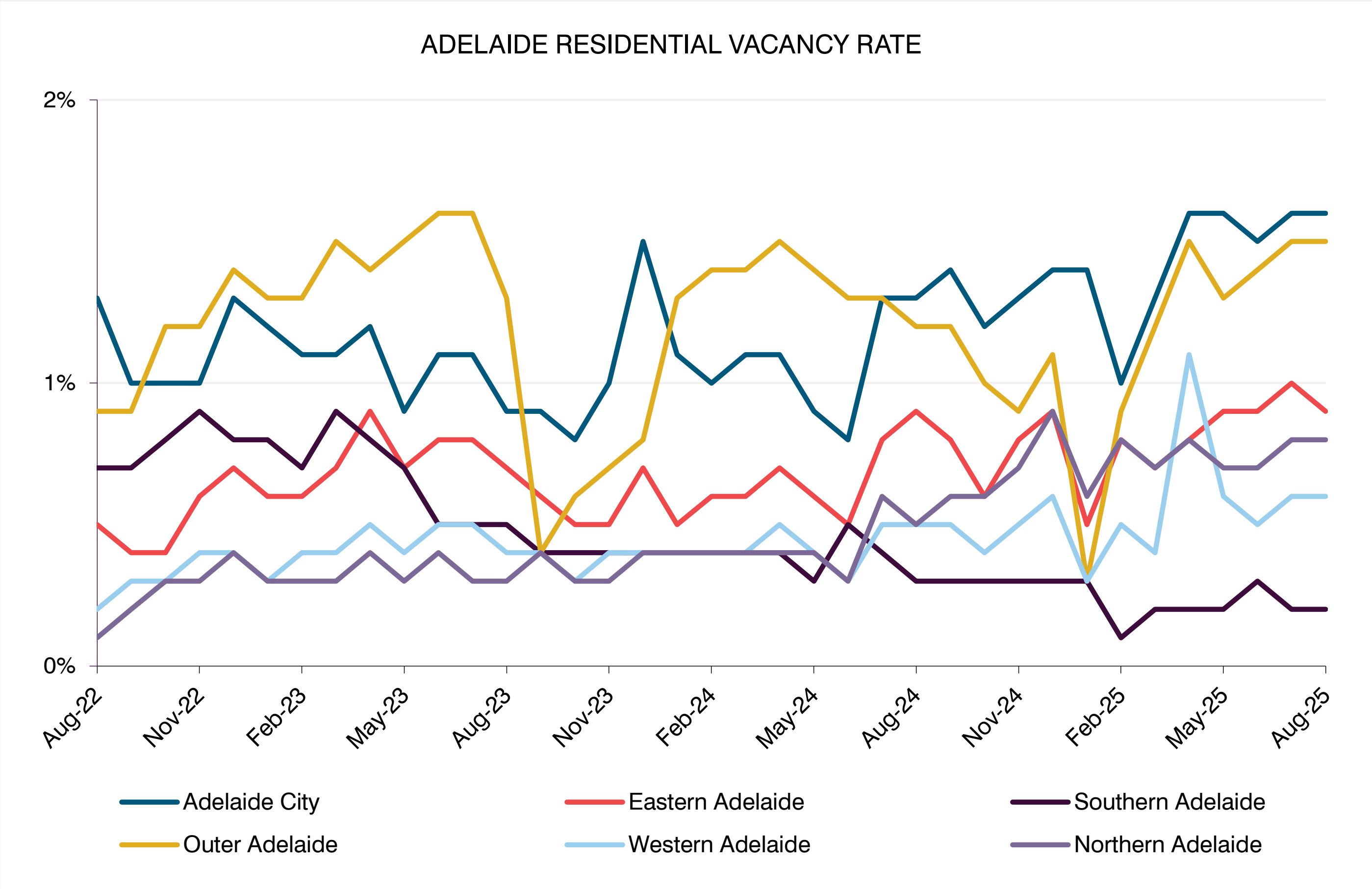
KYM DREYER

Director | Residential Development

> "Adelaide's residential market has continued to perform well throughout H1 2025, with strong underlying market fundamentals including high demand. Adelaide's median house price increased 7.3% while units surged 11.7% during the first half of the year. Vacancy remains low at 0.8% - reinforcing supply shortages. Rental growth has persisted, with house rents rising 1.9% and unit rents increasing by 6.0% during H1 2025.
>
> Housing affordability remains a major challenge, with demand strongest in affordable segments. Greenfield land values experienced strong growth, particularly in Adelaide's north and in Mount Barker, with median lot prices rising 19% despite a decline in sales activity. Investor interest continues to rise, driving speculative land purchases.
>
> Looking ahead, prices are expected to stabilise, particularly for units due to persistent rental demand. Demand for englobo land remains high, supported by record pricing. The SA Government's Better Housing Future Plan aims to boost supply, although ongoing land production issues and investor activity will continue to shape market dynamics."

CURRENT STATE OF PLAY

- The median house price for Adelaide grew by 7.30% to reach $906,620 in September 2025. The median unit price increased 11.69% to reach $620,421 in September 2025.
- Vacancy across Adelaide's metropolitan residential market was 0.8% in August 2025, up slightly on the 0.6% recorded in August 2025 and continues to be well below the benchmark equilibrium rate of 3.0%, indicating that the market is significantly undersupplied.
- Growth in rental rates for houses has slowed in the past 12 months, but the tight vacancy rate continues to drive strong rental growth for units. In the 12 months to September 2025, rental rates for houses increased by 1.9% across the Adelaide Metropolitan area to reach $669 per week; rents for units/flats also saw robust growth, with rents increasing by 6.0% to reach $533 per week.



Source: M3 Property, SQM

OPPORTUNITIES AND CHALLENGES

- Housing affordability remains a key issue for South Australia. Over the past year, escalating prices driven largely by supply constraints, have placed further pressure on first home buyers.
- The strongest price growth appears to have occurred at the more affordable end of the market, where demand has remained resilient potentially driven in part by government subsidies e.g. First Home Owners Grant and Stamp Duty Concessions.
- Tight vacancy rates across the city are expected to continue pushing rental rates upwards, albeit at a slower rate than achieved in the last 12 -24 months.
- The residential development sector has seen continued escalation in greenfield land values, notably within Adelaide's northern growth corridors and the Mount Barker region. As further rezoning of land occurs in line with strategic growth plans set out by the South Australian Government, we anticipate upward pressure on underlying land values to occur in areas that have been identified for rezoning.
- Despite development constraints, there was significant price growth within new estates with allotment prices reported to rise by 19% over the year to reach a median lot price of $307,000. The decline in sales activity paired with rising prices indicates continued strong levels of demand for the limited established allotment product available in the market.
- Given the tight rental market, there is an increasing number of investors participating in the market highlighting the speculative nature currently influencing the land market.

OUTLOOK

- Dwelling prices are expected to stabilise over the medium term, with the unit / apartment market likely to be more insulated than the established house market due to tight rental market conditions.
- Given strong growth in purchaser demand for established allotments, demand for englobo land parcels will continue to be strong, with record prices reported for greenfield sites across metropolitan Adelaide.
- The SA government is boosting residential land supply and paving the way for close to 40,000 new residential homes across the state as part of the A Better Housing Future plan, and the current pipeline of residential rezonings.
- The performance of the 2025 market has been influenced by the ongoing issues around falling levels of allotment production, ongoing levels of accumulated pulled forward demand influenced by government grants / rebates etc. and investor demand. The net result from these influences we expect will be moderating sale volumes, placing pressure on pricing and continuing high demand from investors.
- The Reserve Bank of Australia (RBA) has cut the interest rate by 75 basis points since the start of 2025 which may help to provide a boost to median prices during the remainder of 2025.

RETAIL

SHAUN O'SULLIVAN
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.

Retail spending in South Australia grew 3.94% in the year to June 2025, led by strong gains in clothing, footwear and accessories (6.29%). Shopping centre owners reported improved rental spreads, with tenancy mixes shifting toward health, beauty, services, food and entertainment. Investment volumes reached $226.9m across 16 sales, down from a record $705.5m in 2024, with private investors dominating transactions.

Shopping Centre yields range from 5.00% to 6.00% for Neighbourhoods and 5.50% to 6.50% for Sub-Regionals, with downward pressure expected as capital costs ease. Outlook is positive, supported by interest rate cuts, stable rental profiles, strong private capital interest and rising institutional participation."

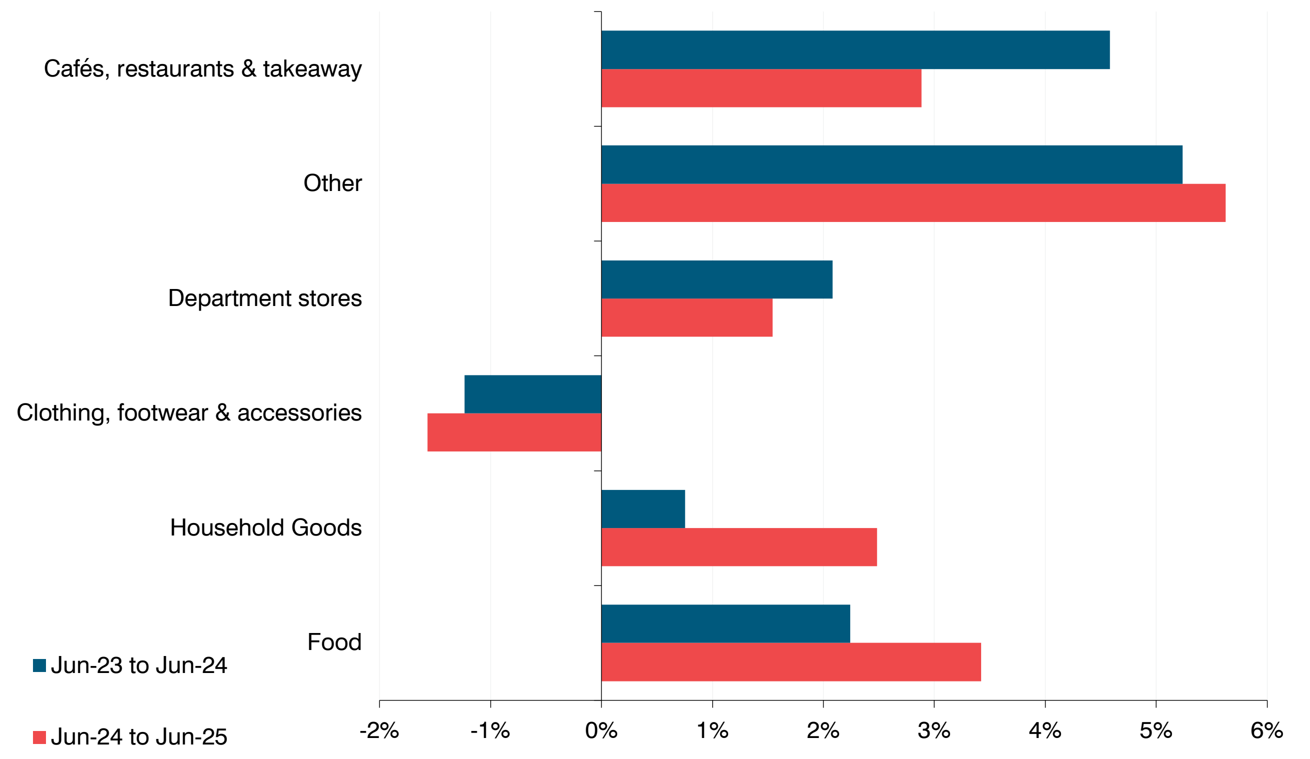
"OUTLOOK IS POSITIVE, SUPPORTED BY INTEREST RATE CUTS, STABLE RENTAL PROFILES, STRONG PRIVATE CAPITAL INTEREST AND RISING INSTITUTIONAL PARTICIPATION."

- SHAUN O'SULLIVAN

CURRENT STATE OF PLAY

- Total retail spending growth in South Australia for Y/E June 2025 was 3.94%, up from 2.91% for the year ending June 2024. The strongest growth by retail category was recorded in clothing, footwear and accessories (6.29%), followed by household goods (4.04%).
- 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.
- New retail space coming to the market is generally part of mixed-used projects and in new/ growing residential communities.

SA: MAT GROWTH BY RETAIL SECTOR



Source: ABS, M3 Property

RENTAL MARKET

- Due to ongoing vacancies, there are a number of options available in the CBD for tenants entering the leasing market and tenants for whom leases are close to expiry.
- Net face rents were steady across most retail property types in SA during the year to June 2025.
- Incentives remained steady across all retail types in the year to December 2024.

TRANSACTIONS

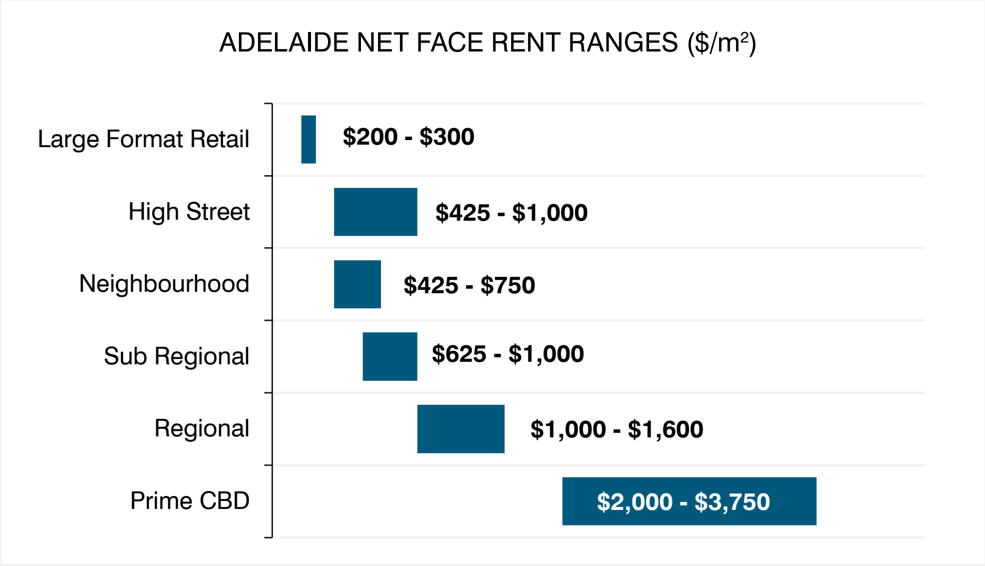
- The largest sale in 2025 to date was the sale of Kurralta Village a sub-regional shopping centre in Kurralta Park, for $75.2 million from Coles Group to a private investor.

YIELDS

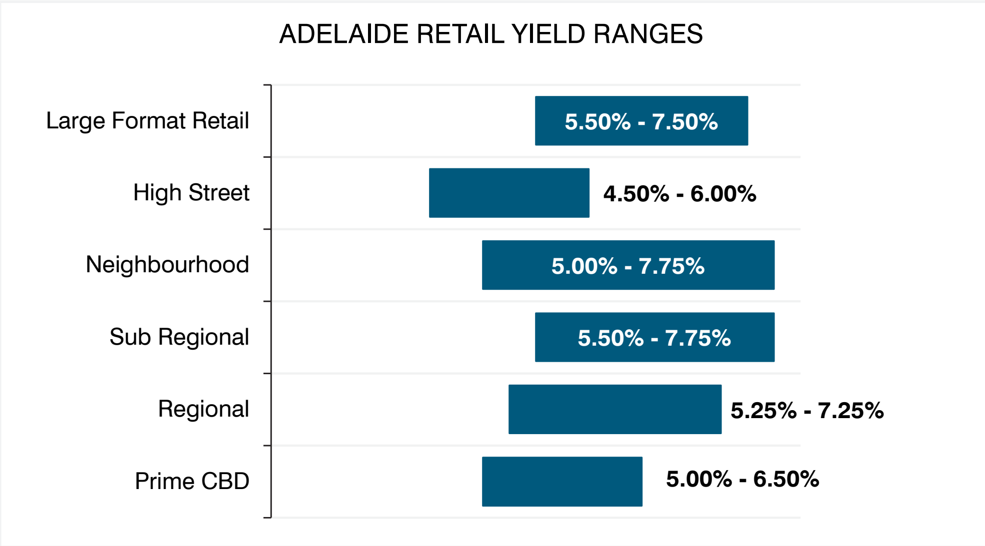
- Retail yields generally continue to look attractive relative to the alternative investment classes of office and industrial.
- Prime yields for CBD retail properties currently range from 5.00% to 6.50%, while high street retail properties range from 4.50% to 6.00%.
- We expect there to be downward pressure on yields for prime Neighbourhood and Sub-Regional Centres following the renewed purchaser interest in the sector and the reducing cost of capital.

INVESTMENT MARKET

- According to RCA, there have been 16 properties sold for a total of $226.89 million (over $5 million) so far in 2025, compared with $705.5 million transacted across 15 sales for the same period in 2024.
- The 2024 sales total was a record for South Australia and was boosted by the sale of interests in several large Regional and Super Regional Centres.
- Private buyers were the only buyer group in H1 2025, accounting for 100% of sales (by dollar value).



Source: M3 Property



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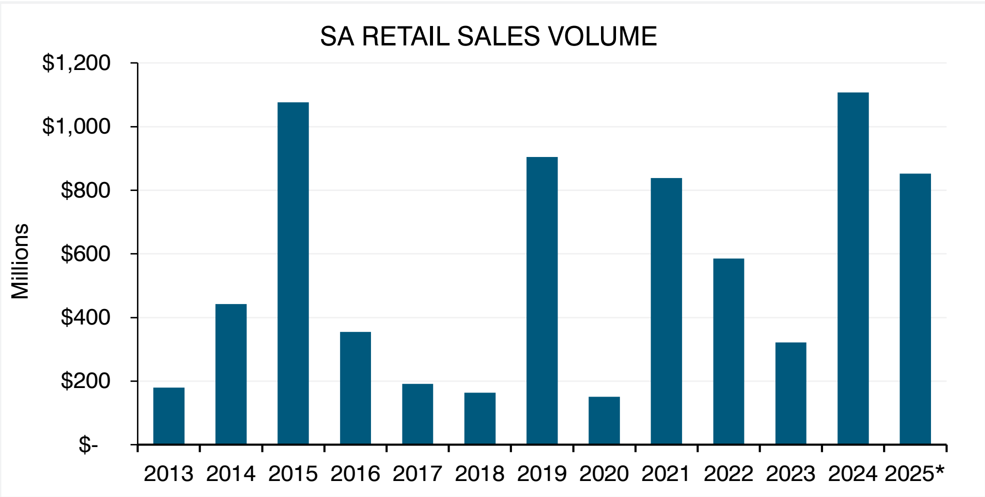


Source: Real Capital Analytics (RCA), M3 Property

OPPORTUNITIES AND CHALLENGES

- Rental levels within shopping centres have largely reset over recent years, leading to more stable income profiles.
- 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

- Institutional capital is becoming more active in the market and this will compete with private and syndicator capital which has been dominate in recent years.
- Investors will remain focused on assets offering long-term secure income streams to quality tenants coupled with good income growth.
- Consumer confidence started to improve over the second half of 2024. The Reserve Bank of Australia (RBA) has cut the interest rate by 75 basis points since the start of 2025, and this has buoyed investors looking at retail assets.
- There could be supply constraints for good quality assets offered to market, as vendors may be reluctant to sell while the market is still improving.

SERVICE STATIONS

JAMES RUBEN
National Director | Specialised Assets

"Australia's service station sector remains competitive, with operators differentiating on price, location, and retail offering. Non-fuel sales now account for around 15% of industry revenue, as stations expand into convenience and grocery lines to boost margins. Demand for strategically located highway service centres remains strong, typically anchored by national tenants such as BP, Viva Energy (Coles Express) and Ampol.

In South Australia, four service stations transacted in H1 2025 for a combined $26.8 million, up from $12.5 million in H1 2024. Nationally, activity slowed to $142.8 million from 24 sales, compared to $275.7 million in H1 2024. Private investors dominated acquisitions. Yields have stabilised at around 6%, with metropolitan assets outperforming regional locations.

Looking ahead, consolidation by institutional investors is expected to increase. Key challenges include policy shifts, EV adoption and high entry barriers. Future-proofing through EV charging and retail diversification will be critical to long-term resilience."

CURRENT STATE OF PLAY

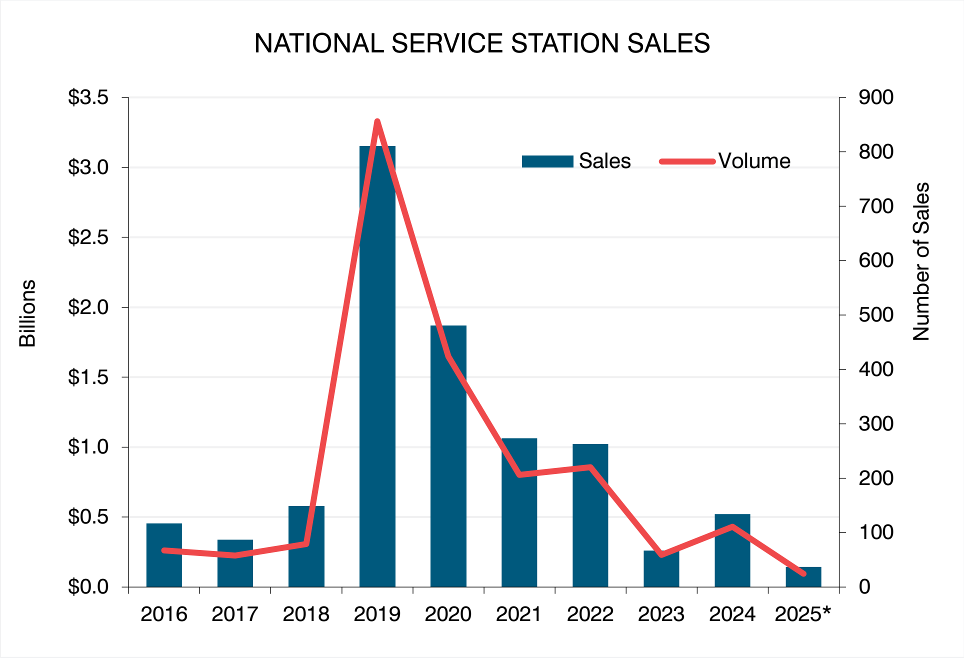
- Service stations compete on price, location, marketing, and promotions.
- Service stations have evolved to focus more on the sale of convenience and grocery items, which has boosted profit margins. According to IBISWorld, non-fuel products account for 15.0% of industry revenue.
- Nationally, demand 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.

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 4 service station sales totalling $26.8 million recorded across the South Australian market during H1 2025, higher than the $12.5 million from 2 transactions in H1 2024.
- Private buyers accounted for all service station transactions in H1 2025.

YIELDS

- Service station yields in South Australia 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.



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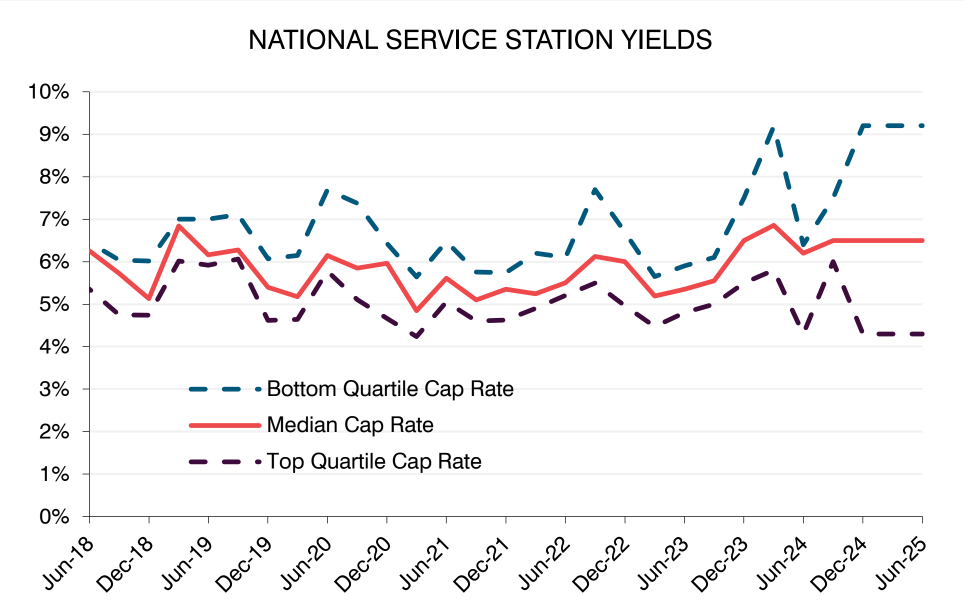

Source: Real Capital Analytics (RCA), M3 Property

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 Reserve Bank of Australia (RBA) has cut the interest rate by 75 basis points since the start of 2025, and this has buoyed investors looking at service station assets.
- Looking ahead, transaction volumes are anticipated to increase for prime grade assets underpinned by national covenants, long WALEs and contemporary retail offerings, particularly following recent interest rate cuts. Yields are likely to continue to show a large spread.

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