M3 PROPERTY

SPECIALIST
INDEPENDENT
VALUATION

VICTORIAN MARKET SNAPSHOT H2 2023

MARCH 2024

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M3

VICTORIAN MARKET SNAPSHOT H2 2023

Victoria's property sectors continued to see low levels of transactional activity over the second half of 2023 as a result of the broader inflationary and high interest rate environment. However, over the course of 2024 we anticipate levels of activity to start to increase as a result of more confidence returning to the market off the back of stabilised interest rates, and as vendor and purchaser expectations realign.

In our latest Victorian Market Snapshot - H2 2023, representatives from our valuation sectors share their insights into the year to date as well as opportunities and challenges for the year ahead.

HEALTHCARE

SIMON HICKIN

Director | Health, Aged Care & Seniors Living

> "Victoria's healthcare sector continues to experience positive investment demand despite the current economic climate due to 'recession proof' investment characteristics and key underlying fundamentals.
>
> Coupled with the headwinds facing other core commercial property sectors, and along with the significant amounts of capital allocated to the healthcare sector, means we expect healthcare yields to be resilient, yet not immune to higher interest rates.
>
> Mixed results have been achieved for assets offered to the market over the previous 18 months with some yield softening evident. We anticipate increased activity to return to the market as investor confidence returns and once interest rates start to decrease."

INVESTMENT MARKET

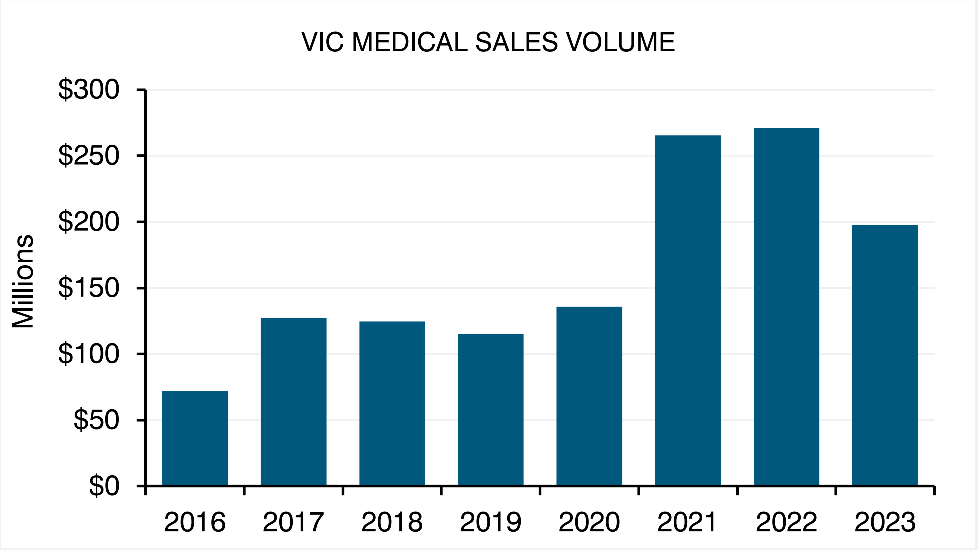
- According to RCA, sales volume of healthcare properties in Victoria for 2023 was $197.5 million from 74 transactions. This figure does not include the five Victorian assets sold as part of the Healthscope Hospital Portfolio.
- The 2023 sales volume is significantly down on the record highs achieved in 2021 and 2022 with close to $270 million of sales recorded in both years. In 2022, there were 89 medical and hospital properties transacted across Victoria.
- Institutional investors, REITs, and private buyers have been the most active buyer groups over recent years.

TRANSACTIONS

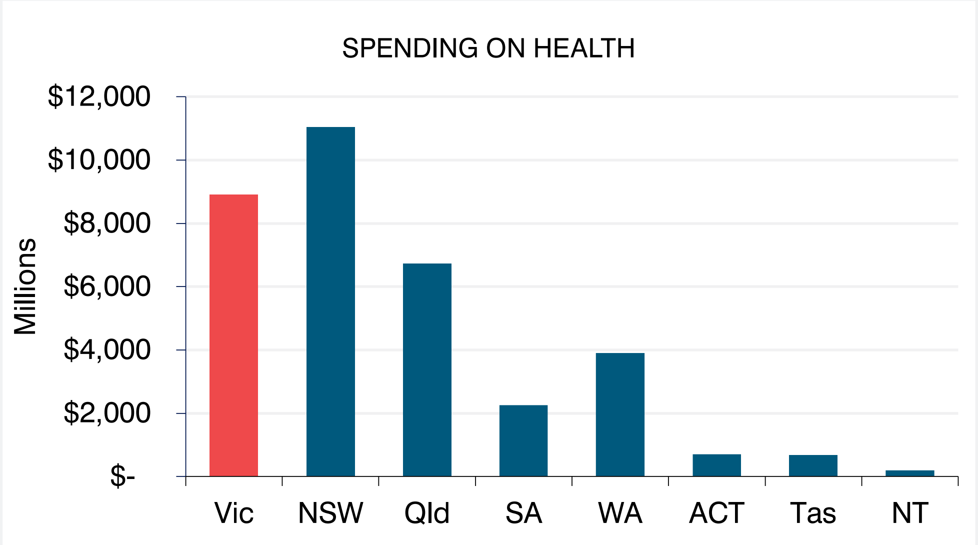
- Healthcare sales during 2023 were boosted by the sale of the Healthscope Hospital Portfolio. This sale included five assets in Victoria: Knox Private Hospital in Wantirna; Northpark Private Hospital in Bundoora; Ringwood Private Hospital in Ringwood; Geelong Clinic in St Albans Park; and the Victorian Rehabilitation Centre in Glen Waverley.
- The sale of the Healthscope Hospital Portfolio aside, sales transactions were more subdued during 2023 compared to past years.

YIELDS

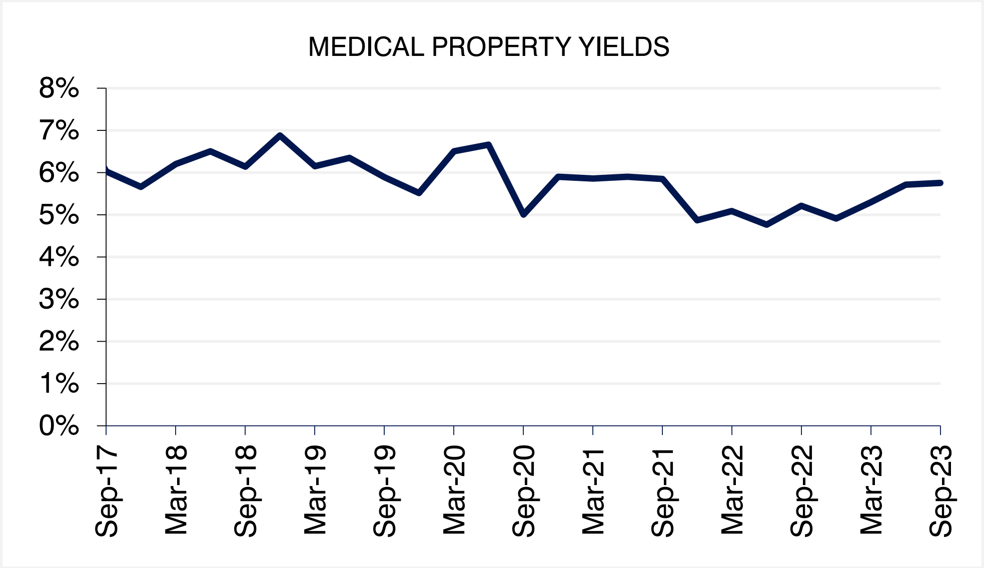
- Yields have undergone a period of compression over recent years.
- Core investment healthcare yields currently average between 4.50% and 5.00%.
- Yields for secondary assets are ranging between 5.50% and 6.50%.
- Yields are anticipated to soften during the second half of 2023.



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



Source: GapMaps, M3 Property



Source: M3 Property

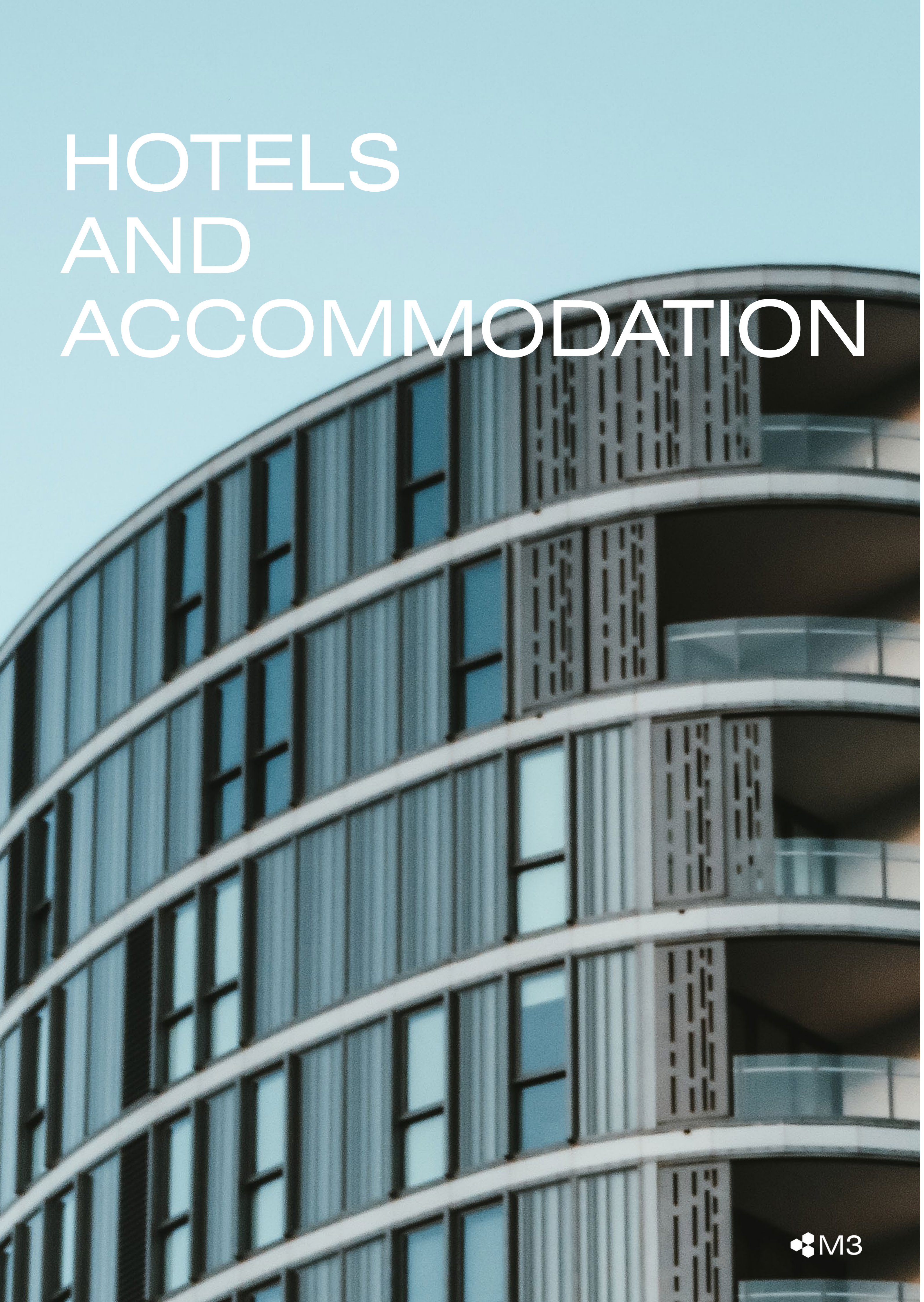
OPPORTUNITIES AND CHALLENGES

- Rising interest rates has equated to 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.

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.

HOTELS AND ACCOMMODATION



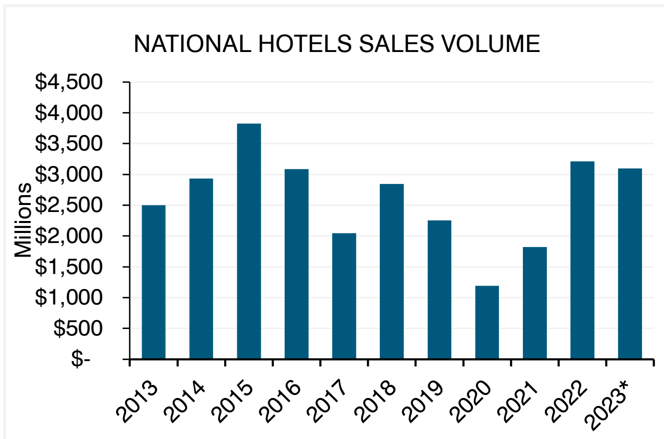
JAMES RUBEN

National Director | Specialised Assets

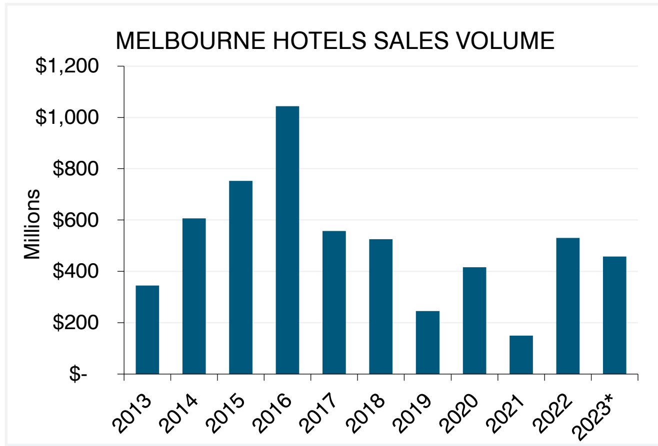
> "Since the end of border closures and COVID-19 lockdowns, although there has been continued upward movement on room rates and occupancies, this has been counterbalanced to some degree by rising operational costs for operators. Melbourne remains the most challenging market for operators in Australia, however yields have continued to remain stable. Overall, there has been modest capital value growth in the hotels sector, which we expect to continue looking forward.
>
> In the current financing and development environment, the delivery of new hotels has been challenging and is likely to remain so in the short to medium-term."

TRANSACTIONS

- Nationwide, hotel transactions were slightly lower in 2023 due to reduced investment demand. According to RCA, there have been just 84 transactions of hotel assets totalling $3.09 billion nationwide. This compares with 84 transactions totalling $3.21 billion for 2022.
- According to RCA, there were 9 transactions totalling $457.8 million of hotel assets across Melbourne. This is below the 2022 figure of 10 assets totalling $530.5 million.
- The largest sale was the sale of the Ibis and Novotel Melbourne Hotel for $170 million in July 2023.
- Private and offshore buyers were the two largest groups of buyers of Melbourne for 2023.

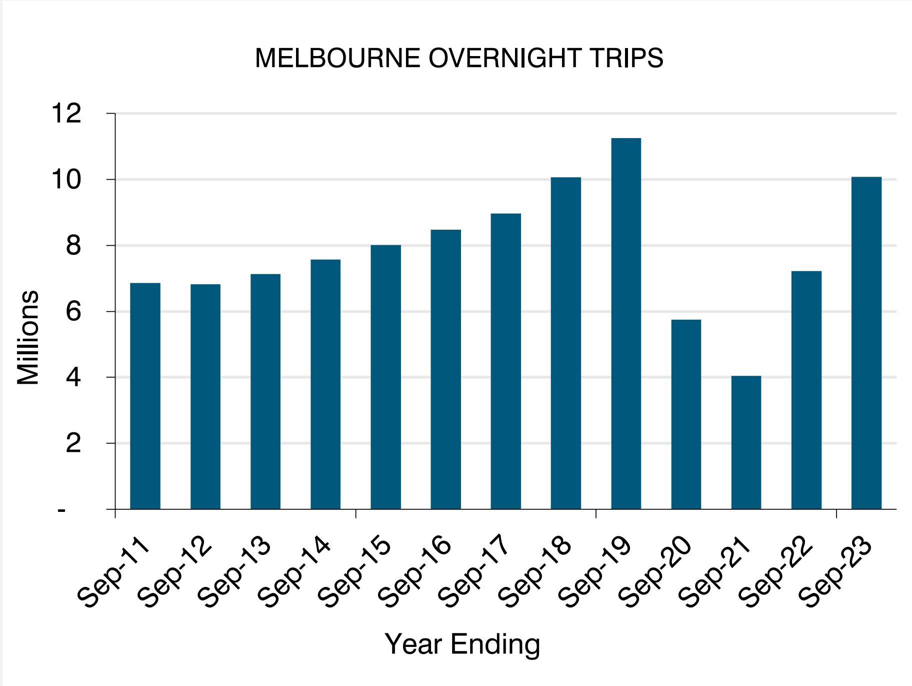


Source: Real Capital Analytics (RCA), M3 Property

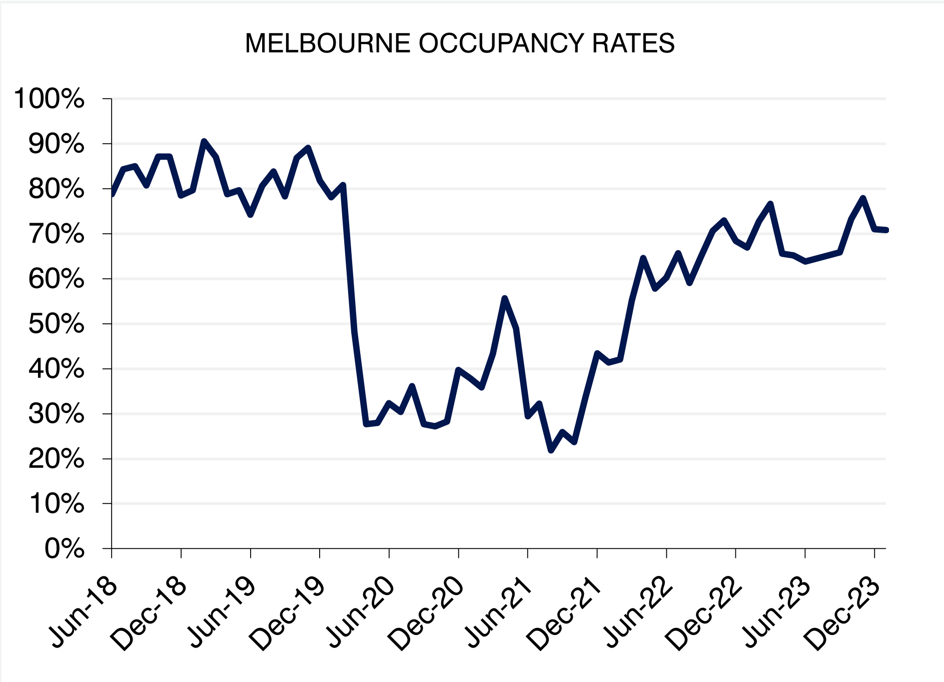


Source: Real Capital Analytics (RCA), M3 Property

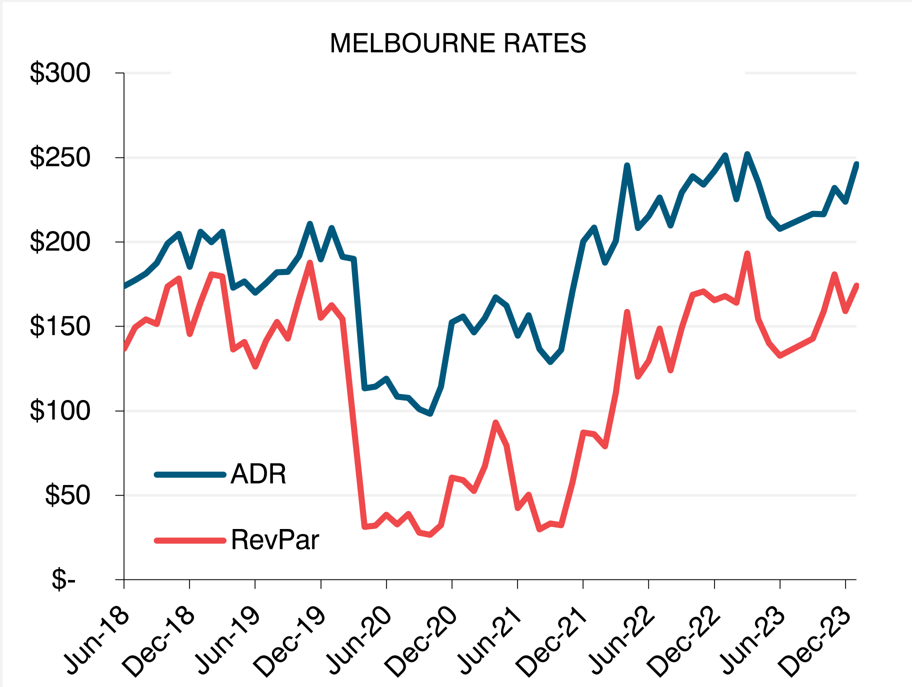
Source: TRA, M3 Property



Source: TRA, M3 Property



Source: STR, M3 Property



Source: STR, M3 Property

CURRENT STATE OF PLAY

- Occupancy rates per room remain around 10% lower than pre-pandemic levels, with the Melbourne market recording 70.8% occupancy rates in January 2024 - well above the 66.9% from January 2023. However, occupancy is around 10% lower than the same months in 2019 and 2020.
- Revenue per available room has recovered to pre-pandemic levels which is a result of significant ADR growth. ADR growth has been influenced by a number of 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.
- International visitor rates to the Melbourne market remain well below pre-pandemic levels but are showing significant year-on-year gains.
- Inter-state visitor rates to the Melbourne market have returned to pre-pandemic levels.
- Over the past 3 years, Melbourne has seen the opening of several new hotels, adding to the quantum of hotel stock. This has improved the average quality of that stock throughout the market, driving average ADR growth. However, the additional stock has had a slowing impact on average market occupancy rates.

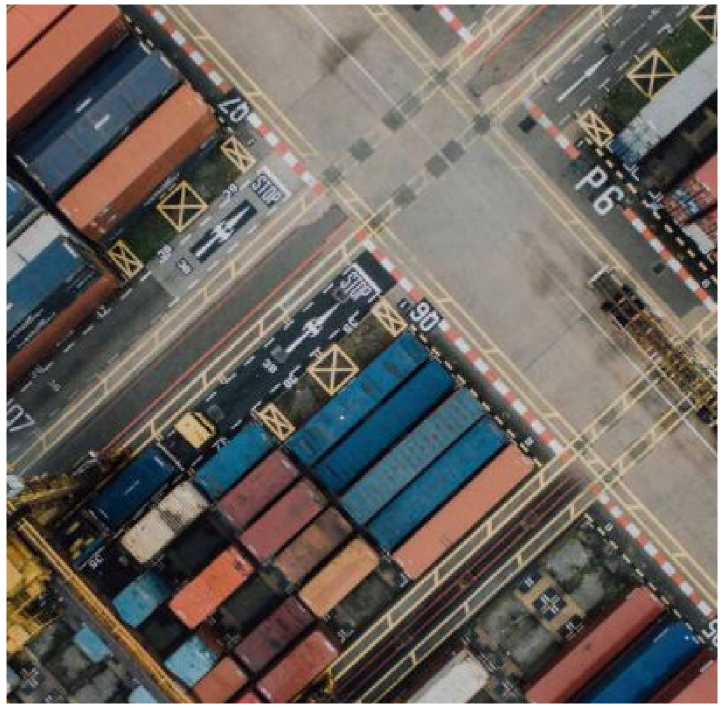
OPPORTUNITIES AND CHALLENGES

- Construction costs continue to place pressure on new hotel development, however, conversion and refurbishment/repositioning opportunities exist within the market to repurpose alternate use properties or older/tired accommodation assets.
- Evolving 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

CURRENT STATE OF PLAY

- Rental growth continues to be strong, with vacancy rates still sitting at historic lows. While economic growth continues, the supply/demand imbalance is likely to continue to support rental growth - however increased occupancy costs, including much higher land tax outgoings, bring some doubt to the capacity for tenants to pay increased rentals.
- Increased supply is likely to hit the market this year which may impact rental growth levels.
- High net worth individuals are becoming more active in the $10 to $30 million investment market as Real Estate Investment Trusts continue to sit out the market due to their increasing cost of capital.
- Market yields have softened in the last 12 months and are expected to continue softening under current interest rate pressure.
- Sales of industrial properties across the Melbourne market totalled $2.2 billion (for sales over $5 million) for 2023, with off-shore investors being the most active buyers in net terms (Source: RCA).
- Demand for zoned land remains strong, however given increases in interest rates and therefore holding costs, the market for unzoned land awaiting Precinct Structure Plan approval has softened.
- Improved infrastructure, land affordability relative to Sydney, a reduction of available sites in inner precincts, and ongoing residential development has seen an increasing prevalence of industrial land being marketed in outer areas of Melbourne.



RENTAL MARKET

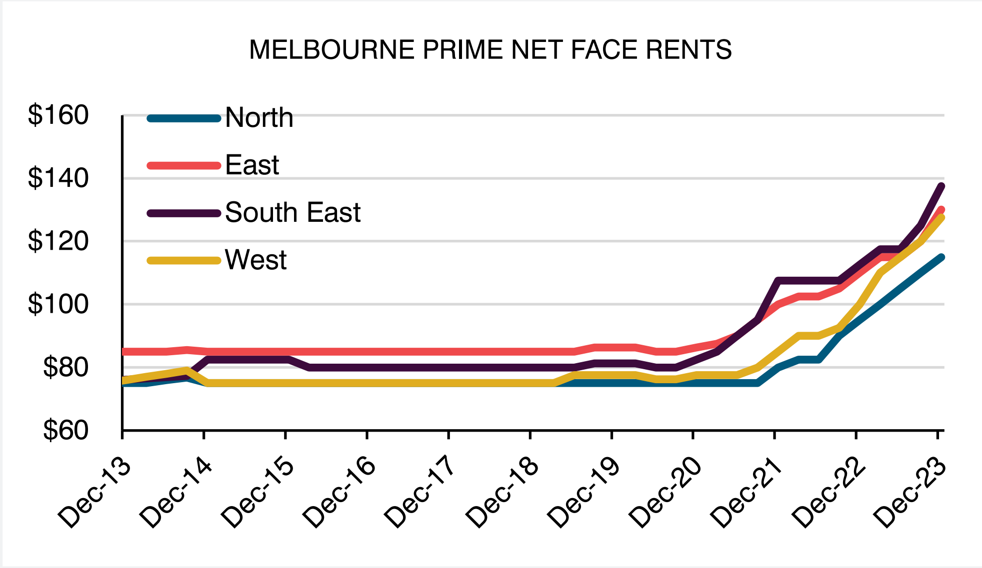
- There has been a renewed focus on rental levels from property owners over the past year. Precincts where land supply shortages are evident have seen the strongest growth in rents.
- Prime rents increased by circa 22.2% during 2023, with growth seen across all precincts. Secondary rents experienced a slight increase over the December quarter by 3.4% compared to the December 2022 quarter.
- Incentives for prime and secondary buildings have remained largely unchanged throughout 2023.

YIELDS

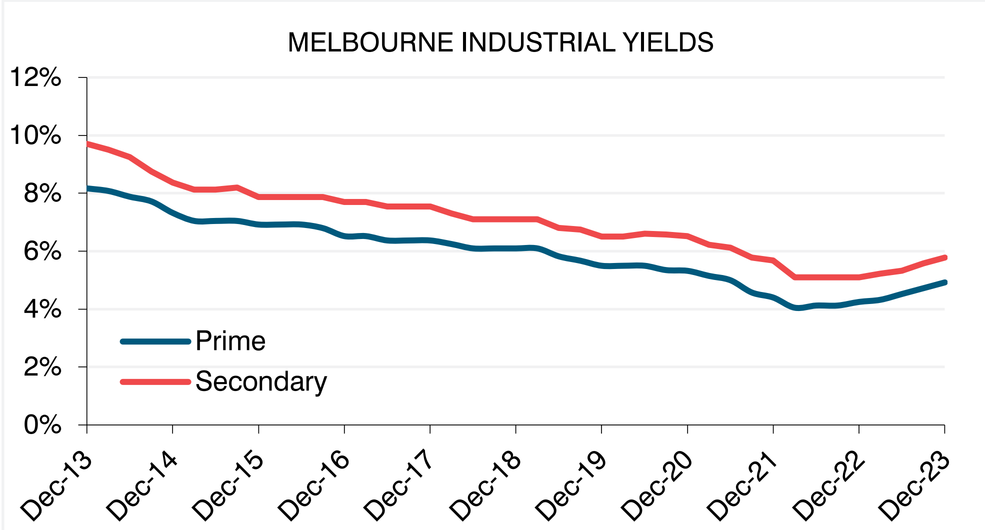
- Prime assets are currently trading at yields between 3.5% and 5.75%. Secondary assets are trading between 4.50% and 6.75%.
- As a result of supply delay, prime yields jumped by circa 91 basis points and secondary yields softened by circa 87 basis points throughout 2023.
- In the decade prior to 2021, healthy investor appetite and the spread between property yields and interest rates exerted significant downward pressure on yields. However, economic uncertainty has seen yields soften over the past two years.

INVESTMENT MARKET

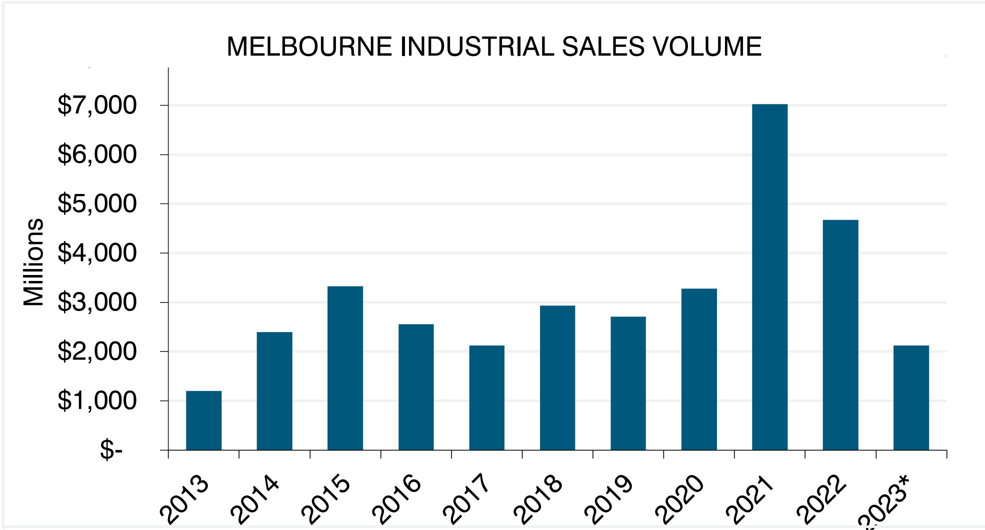
- According to RCA, there have been 92 industrial sales over $5 million (totalling $2.2 billion) recorded across the Melbourne market during 2023. This compares with 232 sales (totalling $4.67 billion) for 2022.
- Sales volumes for 2023 were significantly lower than in 2022. Although with lower transaction volume, the price per transaction has gone up considerably. Changes to monetary policy has resulted in higher purchasing costs, lowering demand level from investors, especially institutional buyers.
- Offshore investors and Private Buyers were the largest buyers of industrial property in Melbourne in 2023.



Source: M3 Property



Source: M3 Property



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

OPPORTUNITIES AND CHALLENGES

- Despite concerns in the investment market due to inflationary pressures, recent transactions show land values continue to increase strongly. The market sees a persistent shortage of well-located industrial zoned land in the major markets of the southeast and western precincts.
- In the institutional space, purchasers have had to reprice due to the increasing cost of capital, however, vendors have not yet adjusted to the new pricing levels. This has led to a significant fall in transaction levels from 2022. During 2023, the expectation is that more property in the $30 million-plus price point will come to the market and a reevaluation of market yields may occur.
- Construction cost growth appears to have moderated. Cost certainty should help to increase supply; however, this will always be limited by a shortage of zoned land.

OUTLOOK

- Occupier demand is expected to remain at strong levels over the coming six months with growth in e-commerce forecast to continue driving demand for warehouse and logistics space, solid public sector investment and continued demand for advanced (particularly food) manufacturing. However, as household discretionary incomes come under increasing pressure over the coming year, we expect to see logistics demand from retail groups reduce. In the near-term though, supply chain disturbances will continue to encourage retailers to keep larger inventories.
- We expect that face rents will increase over the short term as leasing demand remains strong and the availability of leasing options declines.

CBD OFFICE

GARY LONGDEN

Director | Office

> "The Melbourne CBD Office Market has continued to see a softening of yields and extended selling periods as a result of the inflationary and interest rate environment, with a subdued level of transactions and purchaser demand. However, the market is expected to stabilise in the medium-term as confidence returns.
>
> Private investors are entering the market due to perceived value, with vendors meeting pricing expectations in the short term. We anticipate the Property Funds may return to the market as pricing becomes more attractive for higher-quality assets.
>
> Face rents are forecast to rise modestly over 2024 whilst incentives are forecast to increase further before stabilising and reducing in FY2025 and 2026. Effective rental growth is expected to strengthen as incentives reduce in the second half of the decade."

CURRENT STATE OF PLAY

- According to the Property Council of Australia (PCA), there was 5,170,349 square metres of office space in the Melbourne CBD as of Jan 2024; an increase of 42,118 square metres from Jan 2023. The Western Core remains the largest precinct, accounting for 33.76% of total CBD stock, followed by Docklands (22.73%).
- The total vacancy rate for Melbourne's CBD office market increased from 14.1% in Jan 2023 to 16.4% in Jan 2024, with increases experienced in both the prime and secondary markets. Vacancy has increased due to both new supply added to the market, as well as negative / subdued net absorption, over the past four years.
- Over the past five years, there has been an average of 88,409 square metres of new supply added to the market every six months. Accounting for withdrawals, net supply additions averaged 46,521 square metres every six months.
- There is currently circa 287,680 square metres of stock under construction in the CBD and an additional 111,435 square metres undergoing site works. Adding DA approved and submitted developments, the total supply pipeline for the Melbourne CBD is circa 786,468 square metres, however, not all projects that are approved will proceed to development.
- Investor demand at previously compressed yields has significantly reduced. Currently vendors are reluctant to reduce asking prices and selling periods are extended.

RENTAL MARKET

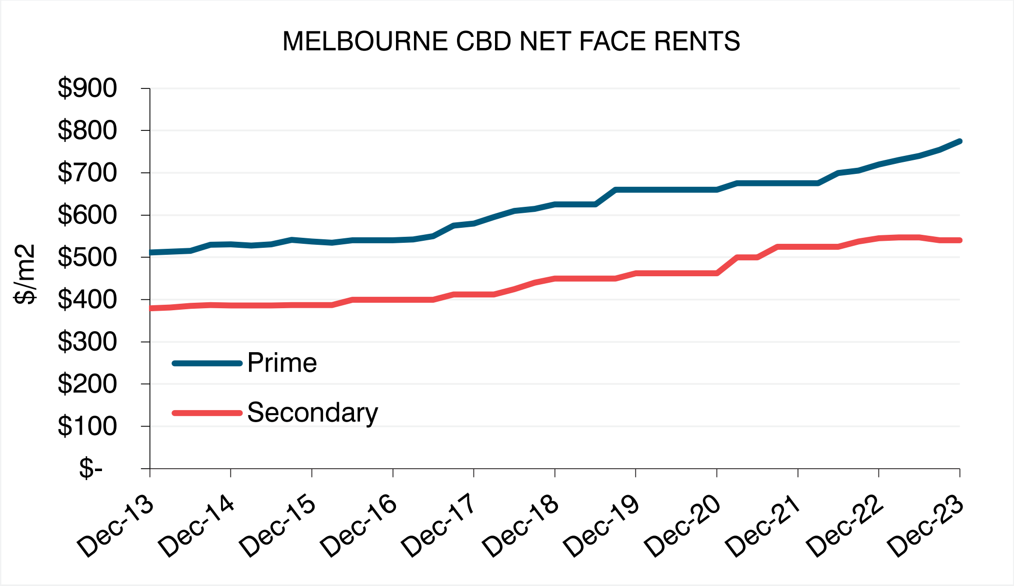
- Prime net face rents increased by 7.64% over the year to December 2023 to range between $650 and $900 per square metre. Prime incentives ranged between 37% and 43% during the quarter. Incentives bottom line have increased over the year, resulting in net effective rentals increasing by 2.9% over the year.
- Secondary net face rents ranged between $480 and $600 per square metre as of the December quarter 2023, decreasing slightly by 0.92% over the year. Secondary incentives generally range between 35% and 42.5%, tightening the bottom line which resulted in a 6.6% decrease in secondary net effective rent.

YIELDS

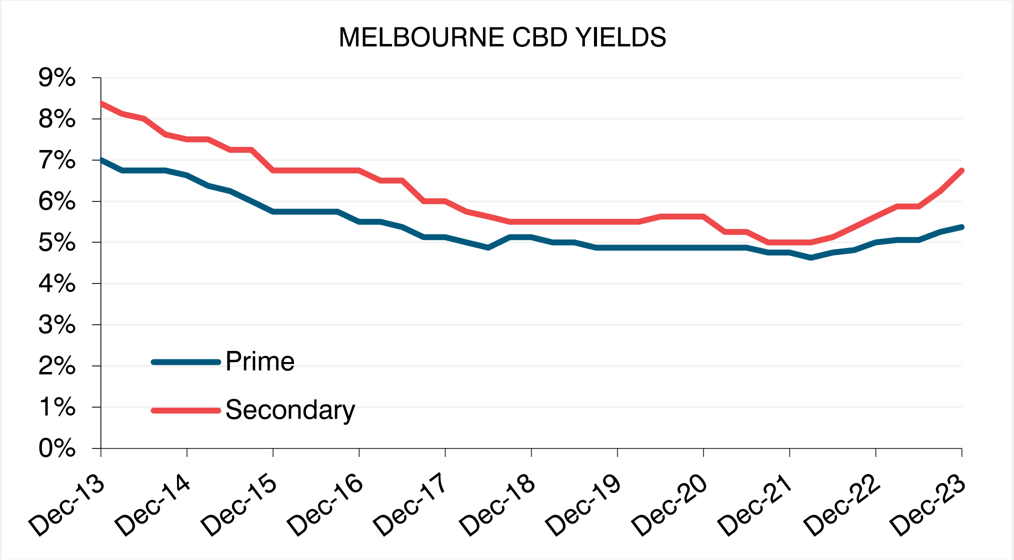
- During the December quarter 2023, yields ranged between 4.75% and 6.00% for prime buildings and 6.50% and 7.00% for secondary buildings.
- Prime and secondary yields have softened over 2023. Prime yields are estimated to have softened by circa 40 basis points, and secondary yields by circa 120 basis points, over the twelve months to December 2023.

INVESTMENT MARKET

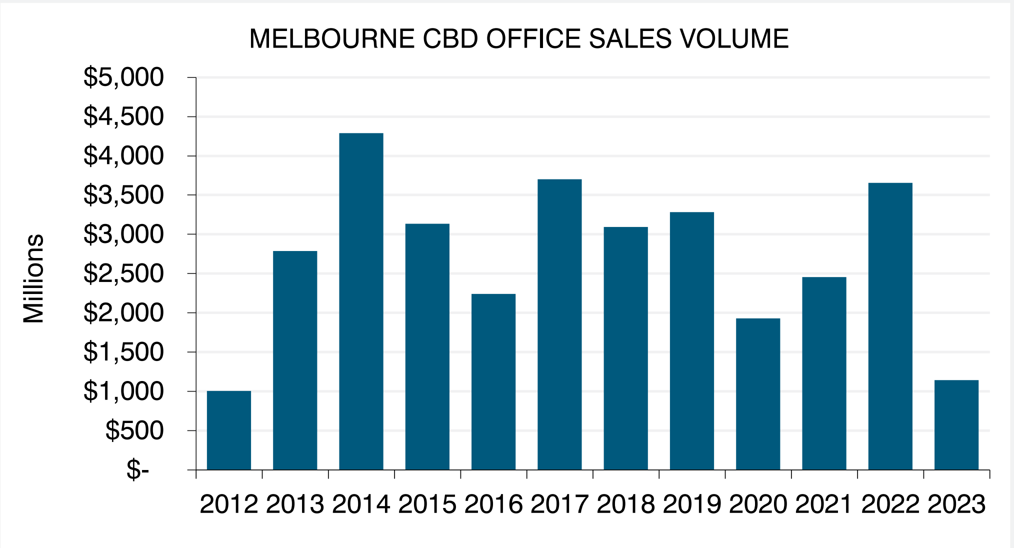
- Sales activity in the Melbourne CBD office market averaged $2.88 billion per annum over the five years to 2022.
- There has been a total of $1.15 billion in sales for the year 2023. This compares with $3.65 billion in sales for 2022.
- Offshore buyers have accounted for the largest share of sales (by total value transacted) with 77.7% of the transactions in 2023.



Source: M3 Property



Source: M3 Property



Source: Real Capital Analytics (RCA), M3 Property

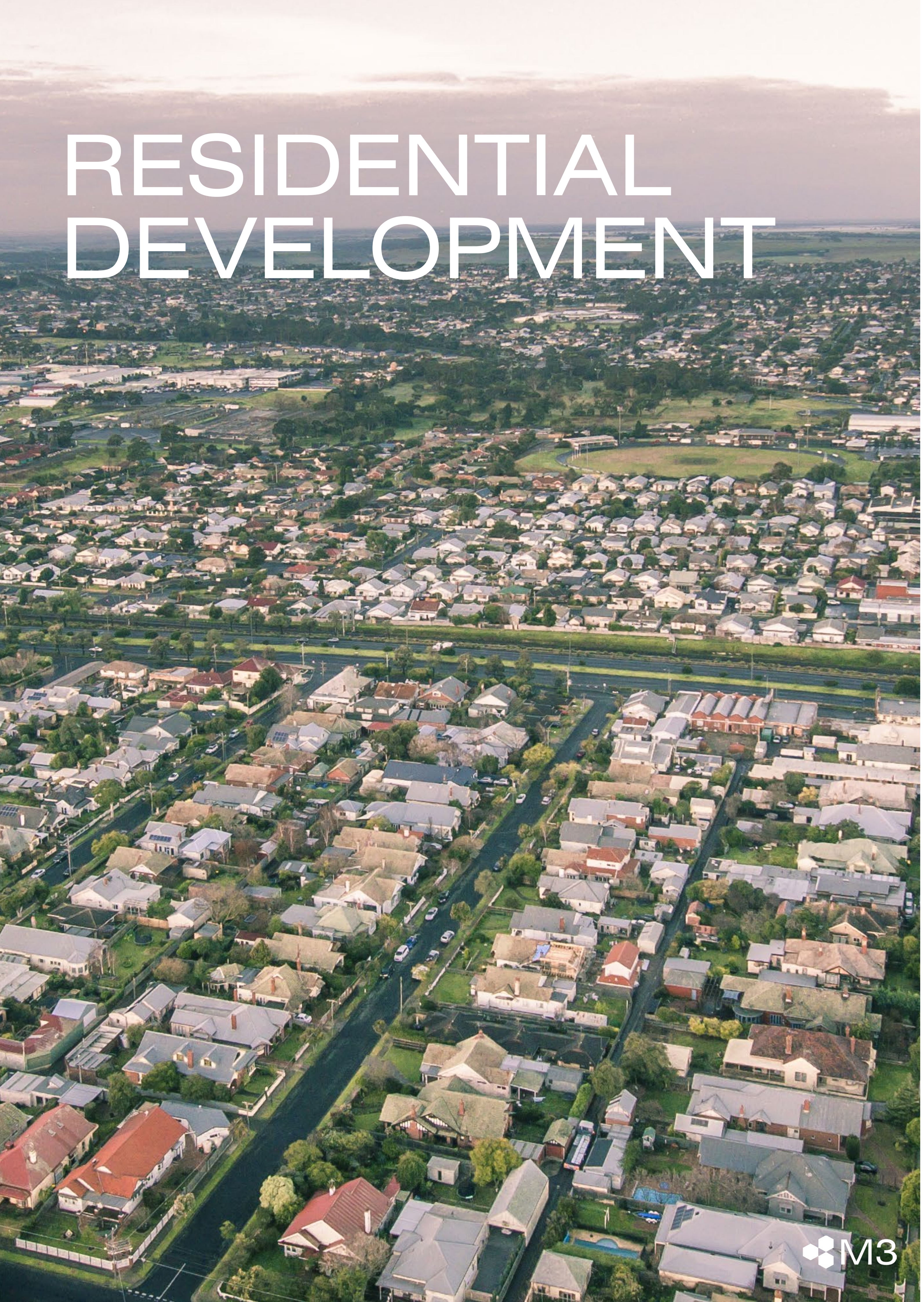
OPPORTUNITIES AND CHALLENGES

- The high vacancy rate in the Melbourne CBD market continues to make conditions 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, Green Star 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.

OUTLOOK

- There is circa 287,680 square metres of supply under construction in the Melbourne CBD. The increased cost of construction as well as rising interest rates have potential to push some development timeframes out.
- The medium-term outlook for white-collar employment in Melbourne is positive, with BIS Oxford Economics forecasting an additional 81,000 persons to be employed in white collar employing industries in Melbourne over the five years to June 2027. Occupier demand in the CBD market is expected to strengthen in 2024.
- Effective prime rents are forecast to rise modestly over the 2024 financial year due to the forecast increase in face rents and incentives being relatively stable over this period. Effective rental growth is expected to strengthen as incentives reduce in the second half of the decade.
- In response to inflationary pressures, the RBA started a period of monetary policy tightening in May 2022. The RBA has signalled that further rises to the official cash rate are likely over the short-term. Melbourne office yields continued to soften over 2023 and are expected to soften further.

RESIDENTIAL DEVELOPMENT



LUANA KENNY
Managing Director

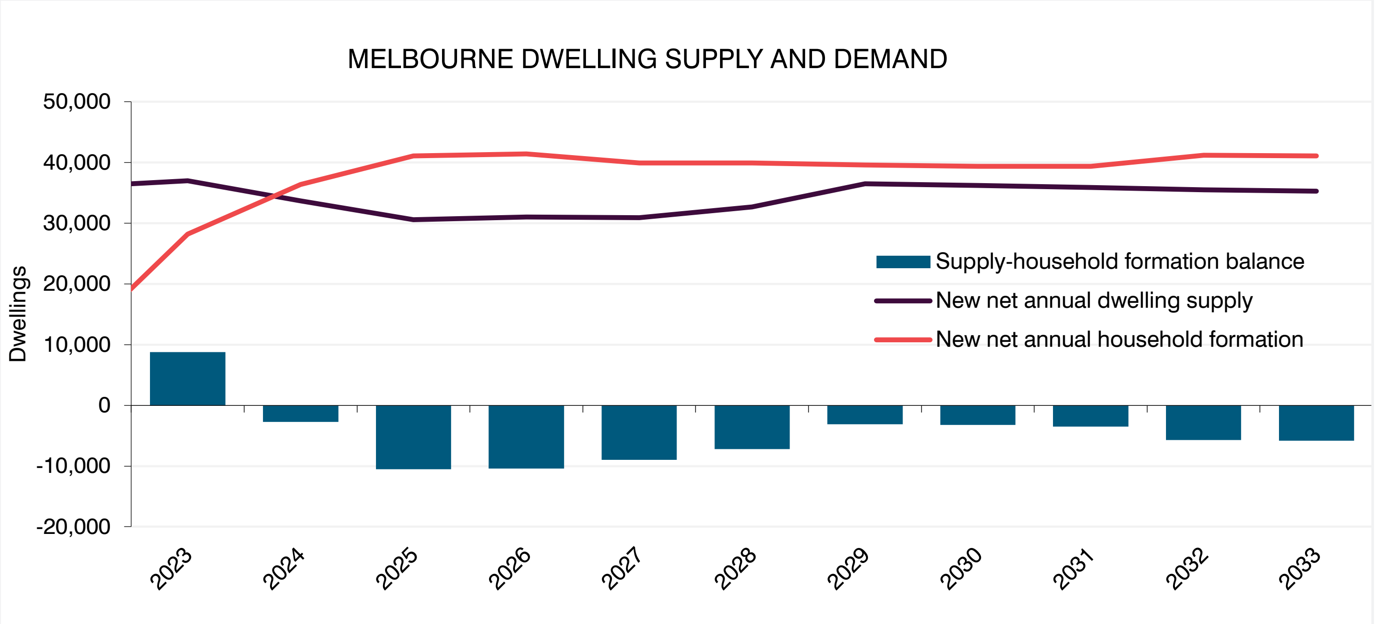
"The residential apartment and townhouse market continues to face challenges. With construction costs remaining at record highs and with a lack of real revenue growth in apartments, feasibilities continue to show below market return expectations. As population growth places further pressure on supply and with low vacancy rates, we expect the apartment market to improve and to see price growth in the latter part of 2024 and into 2025, improving feasibilities and increasing the housing supply over the medium term.

The residential lot market remains subdued and is expected to be relatively soft for the remainder of 2024 with this market expected to improve in 2025. A lack of land supply in the growth areas going forward as a result of infrastructure challenges and ongoing delays to the approval of Precinct Structure Plans will place pressure on bringing land to the market, which in turn will place pressure on pricing and improve these market conditions.

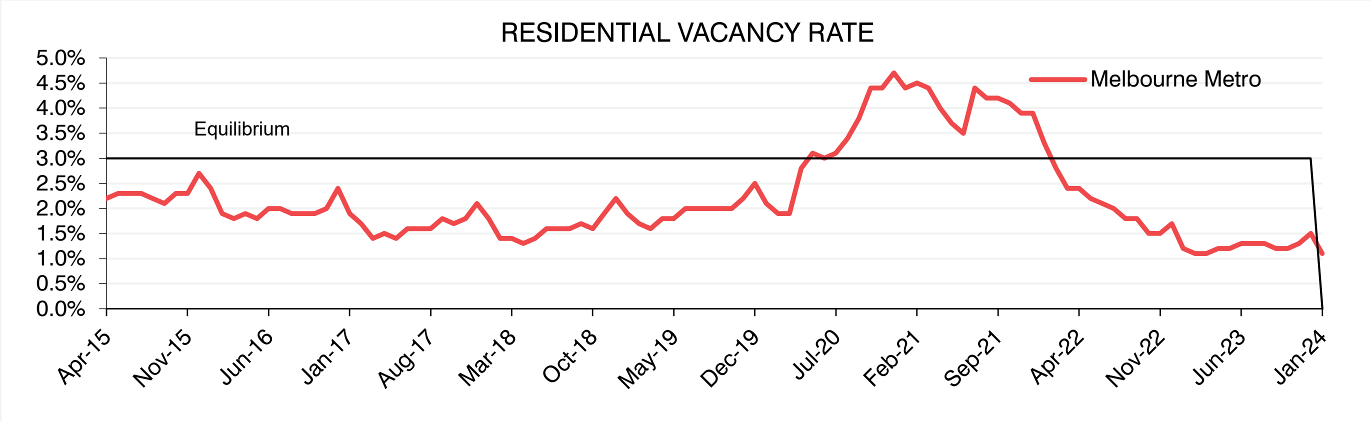
Looking forward, whilst the market will continue to face challenges in 2024, the outlook for the latter part of 2024 and beyond is positive."

CURRENT STATE OF PLAY

- Low vacancy rates and limited supply coming to the market is continuing to put pressure on rental rates, with the vacancy rate reducing from its peak in December 2020 of 4.7% down to 1.1% in January 2024.
- The market has experienced a modest recovery from the most recent downturn, with house prices returning positive annual growth of 4.3% and unit prices returning positive annual growth of 3.1% in the twelve months to February 2024.
- The overall economic fundamentals will continue to underpin a recovery of the market following the rapid increase of the cash rate from May 2022.
- There were 51,045 dwelling approvals in the twelve months to December 2023, down 18.04% on the 62,282 dwelling approvals in the twelve months to December 2022. Approval rates for new dwellings are currently below the 10-year average.
- Housing Australia is forecasting net dwelling completions in Victoria to total 33,700 for 2024 (compared to 37,000 in 2022) before trending further downwards between 2025 and 2027. Supply completions are likely to continue being impacted by the supply of fully serviced land, elevated construction costs, and tightening credit conditions.
- However, as population growth returns to pre pandemic levels, with a growth of 1.63% over the last 12 months and expected to increase by an average of 1.4% per annum over the next five years, this will put pressure on the market, resulting in an undersupply from 2024, with the market expected to remain undersupplied for the next few years.
- The State government has released the Victoria's Housing Statement, which sets an ambitious target of 800,000 new dwellings over 10 years to address the housing shortage and affordability issues that are being faced by Victoria.



Source: NHFIC, M3 Property



Source: M3 Property, SQM

OPPORTUNITIES AND CHALLENGES

- The growth corridors of Melbourne face significant headwinds relating to unlocking planning controls and approval of new Precinct Structure Plans (PSPs) and planning permits. Excessive time delays in the planning process due to constraints relating to flora and fauna, and approval of Cultural Heritage Management Plans, have in part contributed to a drag in the approval of proposed PSP's and issuance of planning permits impacting on development within growth areas. The announcement by the State Government to focus resources on greater development in established infill locations will see further delays in approving PSP's and impact bringing supply to the market in these areas.
- Planning continues to be a challenge with ongoing permit approval delays, uncertainties in existing areas around development guidelines, and government and local authority intervention delaying development.
- The State government has recently introduced further property taxes, increasing the cost of developing and delivering new home supply to the market. The introduction and increase of taxes is disadvantaging Victoria in attracting investment into the property market and delivering the housing supply required to meet affordable housing opportunities and keep demand with increasing population growth.

OUTLOOK

- Population growth has rebounded which will assist the continuing residential market recovery during 2024, with the market expected to see price growth during 2024, albeit not at the same levels that was experienced through 2021/2022. The Melbourne market recovery to date has been more modest than other states, with median house prices forecast to stabilise into 2024. Oxford Economics Australia is forecasting a marginal increase of 0.7% for FY2024. Longer term it is expected that house prices will increase by 5.5% per annum by 2026 .
- Increasing overseas and domestic migration rates will place upward pressure on housing demand, further supporting an increase in end realisations. It will also support the demand for CBD apartment developments, which has faced challenges since early 2020.

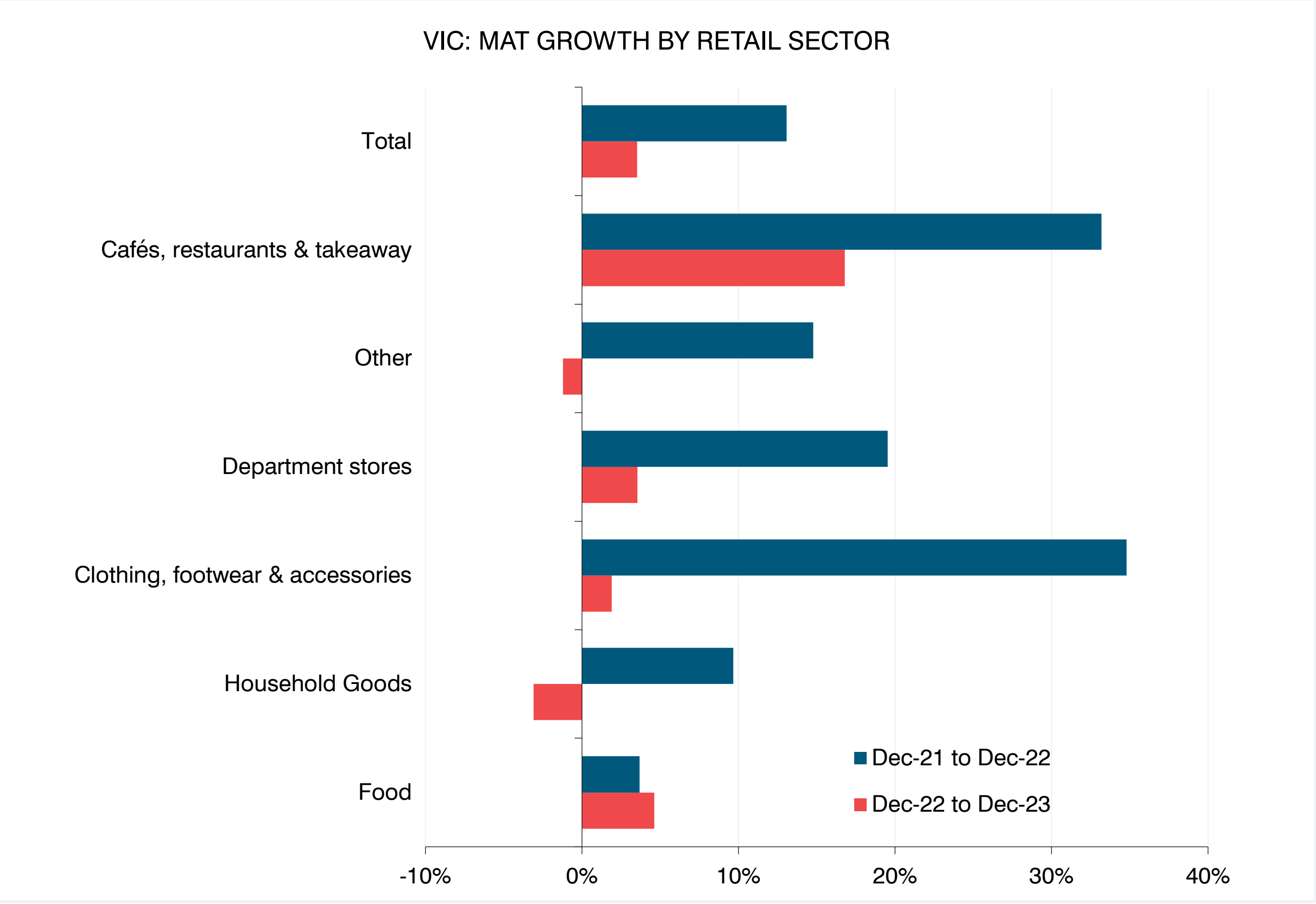
RETAIL

SHAUN O'SULLIVAN
Director | Retail

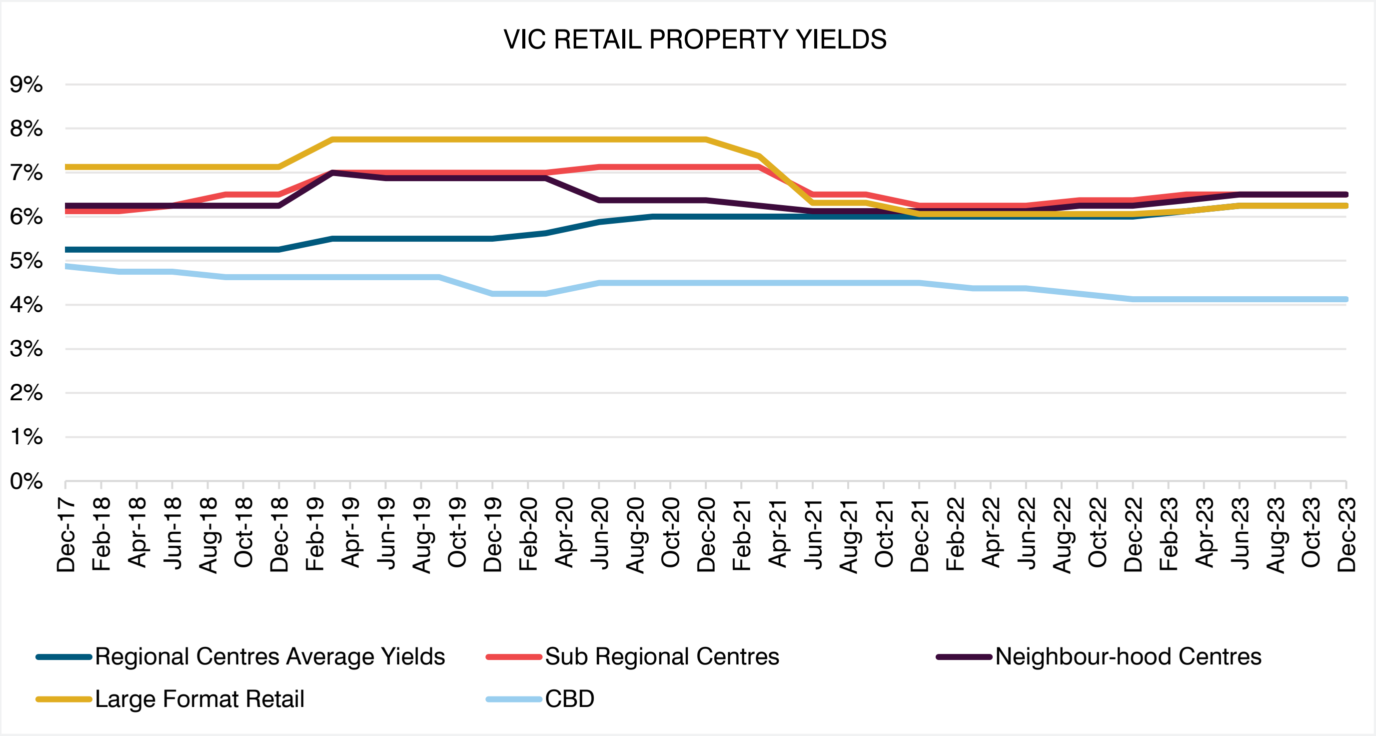
> "There was an increase in sales activity in the final quarter of 2023 in Victoria's Retail sector due to declining bond yields and purchaser belief that interest rates had likely peaked.
>
> Sales activity is largely being driven by institutional owners selling neighbourhood and sub-regional assets, which are being purchased primarily by private investors, syndicators and fund managers. Nationally, sales that have occurred have shown a softening and stabilisation in capitalisation rates from the market peak as vendors readjust to current pricing.
>
> In 2024, we anticipate an increase in transactions and on-market campaigns, given vendor and buyer expectations are becoming more aligned. As we see more certainty around interest rates, it is likely there will be an increase in activity in the market."

CURRENT STATE OF PLAY

- Total retail spending growth in Victoria for the 12 months ended Dec 2023 was 3.52%, down from 13.07% growth for the 12 months ended July 2022.
- The strongest growth by retail category was recorded in Cafes, restaurants and takeaway (16.78%) followed by Food (4.63%)
- Rental spreads (i.e., the difference between a tenants' new rent and their prior rent) have materially improved over the last 12 months for 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.
- Spending on high-end, non-discretionary items such as luxury retail and restaurants has not been materially impacted by the cost-of-living crisis.



Source: ABS, M3 Property



Source: M3 Property

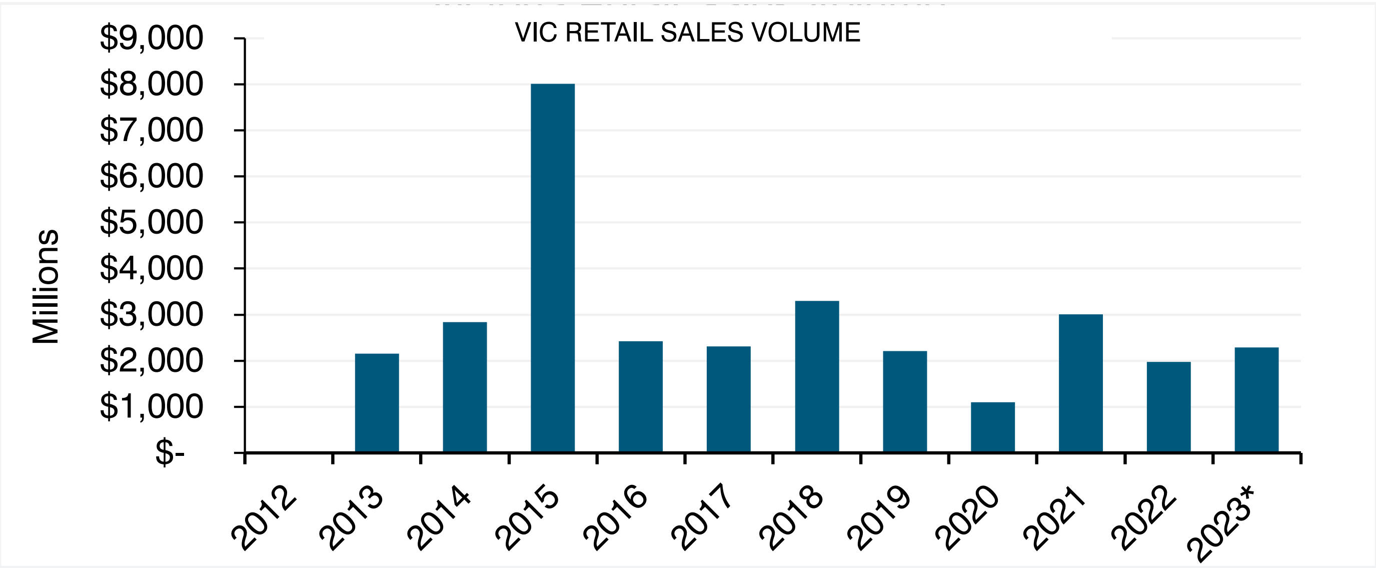
YIELDS

- Retail yields generally continue to look attractive relative to the alternative investment classes of office and industrial.
- There has been limited stock of Bunnings Warehouses offered to the market and as such, purchaser investment hurdles for these asset classes are yet to be strongly tested.

TRANSACTIONS

- There has been an increase in the value of transactions completed in 2023 compared with 2022 as vendor and purchaser expectations become more aligned.
- Transactions have reflected yield softening for all assets above $20 million.

“WITH INTEREST RATES STABLISING, PURCHASERS HAVE BECOME MORE ACTIVE IN CONSIDERING ASSETS OFFERED FOR SALE.”



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

INVESTMENT MARKET

- Retail property sales in Victoria totalled $2.28 billion from 69 transactions for the year 2023. This compares with $1.97 billion from 87 transactions for 2022.
- Privates have been the largest buyer group in 2023, accounting for 46.2% of sales (by $ value). Offshore buyers were the next largest buyer group, with 35% of sales.

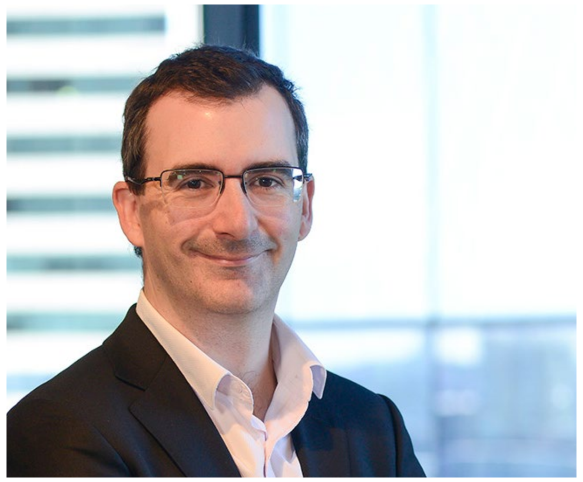
OPPORTUNITIES AND CHALLENGES

- Rental levels within shopping centres have largely been reset over recent years, leading to more stable income profiles.
- Shopping centres sit on large tracts of land with flexible zoning provisions, allowing for a variety of mixed uses to be introduced, supporting the retail component and extracting further value for the owner. Many shopping centres are adding co-working tenants, childcare, serviced apartments and other non-traditional retail uses.
- The role of shopping centers 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 will be closely monitored over the next six months to measure the impact of the increased cost of living and increased interest rates on consumer spending and turnover of retail tenants.
- With interest rates stablising, purchasers have become more active in considering assets offered for sale.

SELF STORAGE



JEREMY HOFFMAN
Director | Specialised Assets

"Both rental and occupancy in Victoria's self-storage market have been flat over the second half of 2023, with limited sales activity. Demand for acquisitions remains high, and we are expecting this to continue. Several smaller regional transactions have indicated continued strength in the market, with the self-storage sector holding steady with strong fundamentals. We've seen a lack of good-quality and limited secondary stock on the market.

In the first half of 2024 we are expecting a continued focus on developments rather than acquisition due to the lack of available stock. Towards the second half of the year we'll likely see more rental growth coming back to the market and some occupancy growth due to increasing confidence and stability in the market."

CURRENT STATE OF PLAY

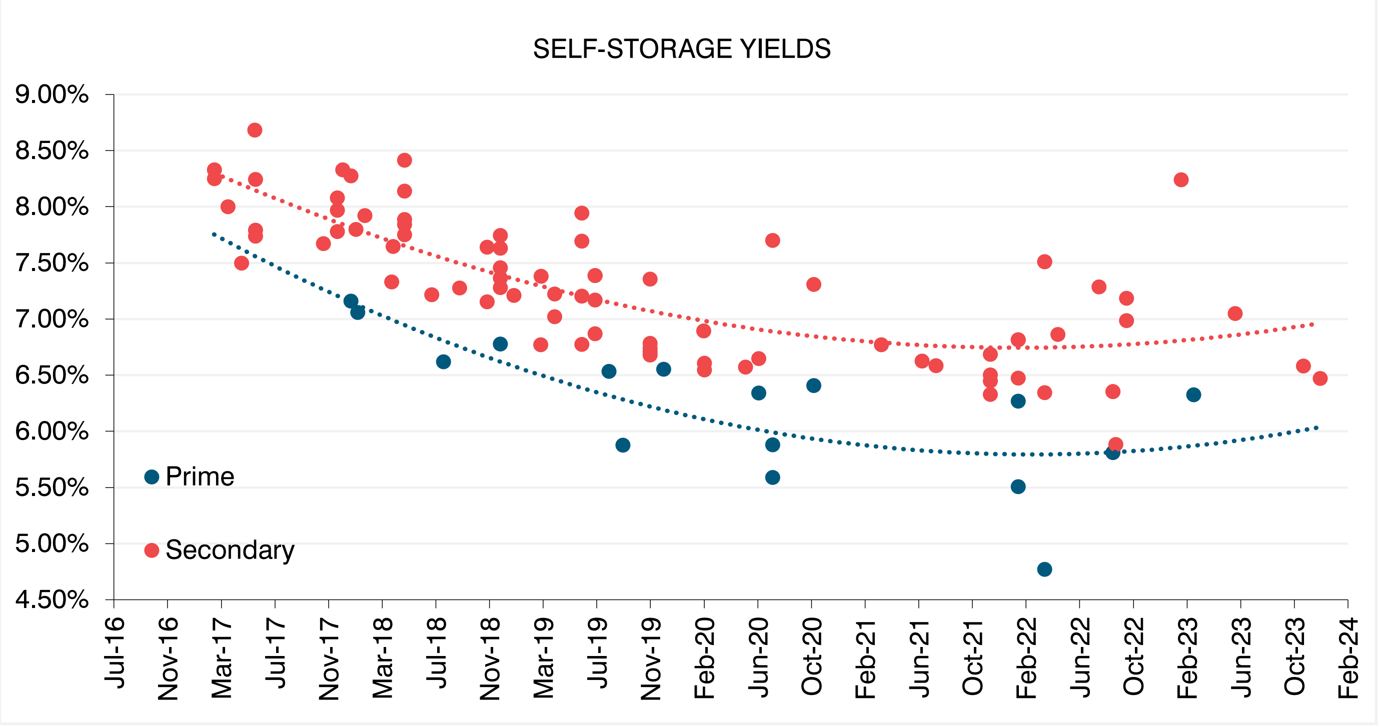
- According to the Self-Storage Association of Australasia (SSAA) 2023 Industry Snapshot, there are circa-2,265 storage facilities nationwide. The industry is fragmented, with over 50% run by independent operators. Facilities typically range between 1,500 and 4,900 square metres of net lettable area, with unit sizes generally ranging between one and 20 square metres.
- There is an estimated 5.46 million square metres of storage across Australia. This equates to 2.14 storage units per 100 persons. According to the SSAA, circa 5% of the population across Australia and New Zealand requires self-storage, a decrease from 8.6% in 2020. Persons living in apartments are more likely to need storage than those living in a house.
- Despite high demands, growing prices and new emerging investors, the Self-Storage sector experienced slow activity levels in 2023. Majority of large-scale portfolios have been consolidated, and major operators are turning their attention to individual assets and smaller operation for acquisition. According to RCA there were 31 sales transactions in the self-storage space valued at circa $145 million in 2023.
- Two notable transactions in 2023 were the sale of The Lock Up Self Storage facility in Mitchell ACT for $15.5 million in February 2023 and the sale of iStore Hervey Bay in Dundowran QLD for $9.5 million in December 2023.
- Recent years have seen average yields soften on the back of limited prime assets being sold with an increased number of regional/secondary assets transacting. Prime yields typically range between 5 to 6%, while Secondary assets are typically range between 6 to 7%. Larger, established, operators are the biggest buyer's group for this asset class, follow by Institutional and International buyers.

OPPORTUNITIES AND CHALLENGES

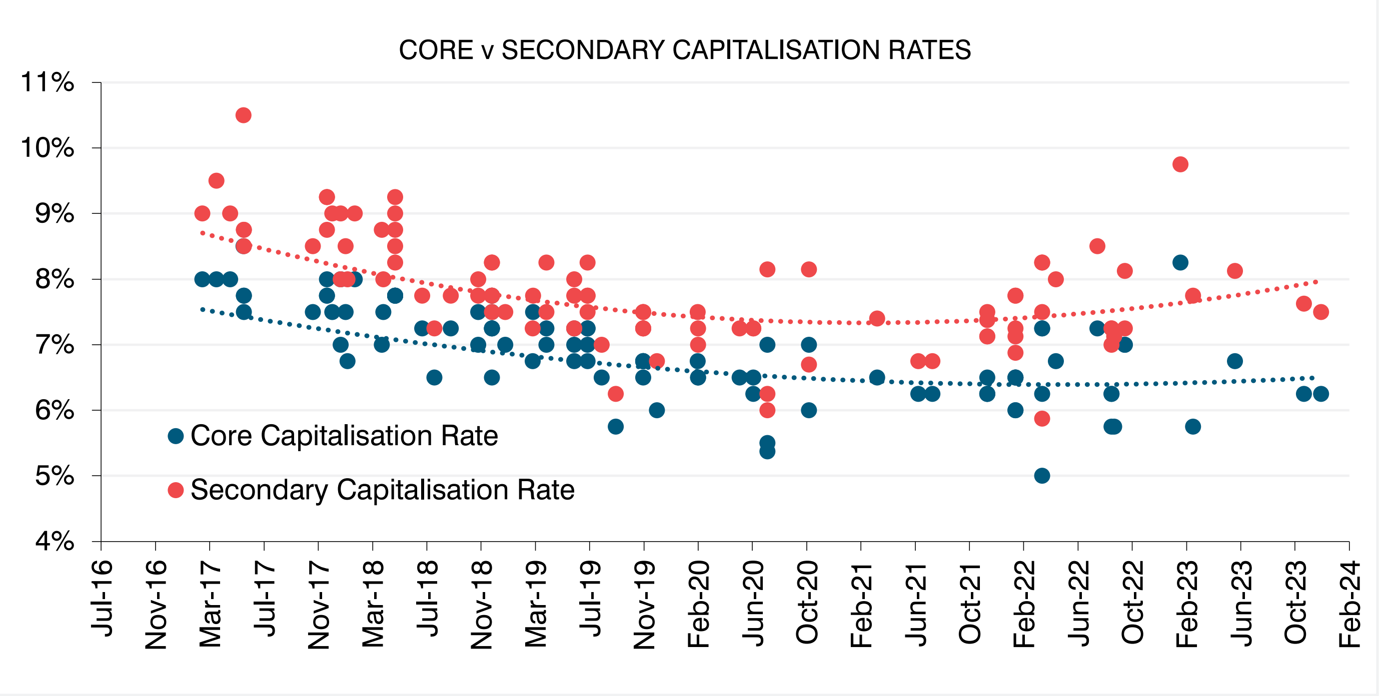
- While there are few opportunities for acquisitions, the Self-storage market is still largely fragmented, with ample opportunities to consolidate on individual properties and operations.
- The ongoing and typically undersupplied nature of the self-storage market in Australia, particularly in metropolitan locations, further exacerbated by population growth and the ongoing increasing awareness of the self-storage industry by consumers, is expected to continue to drive strong occupancy and rental levels. However this is likely to be tempered in the short term by the market-wide inflationary period and cost of living.

OUTLOOK

- Yields overall are expected to remain strong - particularly for well-located assets with strong catchment growth. Secondary assets, particularly those in regional locations, may see some value softening largely due to the general market conditions.
- Ownership of self-storage facilities is expected to become more consolidated as major operators continue acquiring individual properties, however the major operators' overall market share will also continue to increase through the ongoing strong levels of new facility development.



Source: M3 Property



Source: M3 Property

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