SNAP SHOT

ALTERNATIVES Q2 2024

CUSHMAN & WAKEFIELD

TOTAL INVESTMENT ACTIVITY

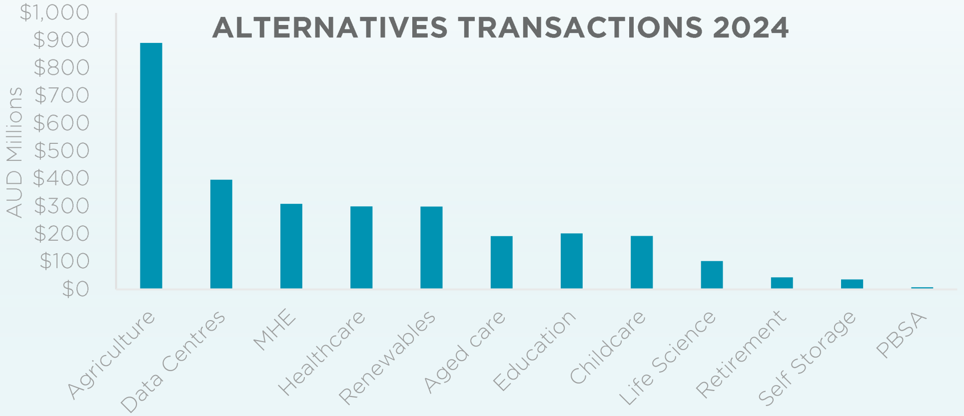
Mid-Year Transactions Overview

Alternative real estate strategies remain a key priority across the investor community. However, transaction volumes remain relatively subdued primarily as economic readings remain mixed, causing ongoing caution amongst the market. Despite attractive sector fundamentals, lower levels of liquidity and infrequent pricing evidence compared to core sectors have been additional hurdles facing alternatives within an already challenging transactional environment. There is no doubt that a gap remains between buyer and seller pricing expectations in many instances. Nevertheless, there is preliminary evidence that the gap has been narrowing over recent months, particularly as pressures to execute on allocation and disposal strategies increase.

Transaction volumes are expected to rise in the second half of 2024, provided the market's expectation that interest rates have peaked is accurate. This is likely to be driven by an easing cycle prompted by movements in global markets.

Broader structural thematics remain generally supportive of most Alternative sectors, with many of these sectors driven by ongoing under supply, steady demand from end users, as well as significant Government support in some instances. Foremostly, the living sectors including student accommodation, build to rent, retirement living, specialist disability accommodation and social and affordable housing remain highly attractive sectors in the current broader low housing supply environment.

		12-Month Forecast
TOTAL INVESTMENT VOLUME 2024	~$3.0bn	▲
FOREIGN INVESTMENT	13%	▲



**Note this chart reflects only transactions involving outright purchases or sales of assets >AUD 5m transactions included*

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LIVING

ALTERNATIVES Q2 2024

KEY THEMES

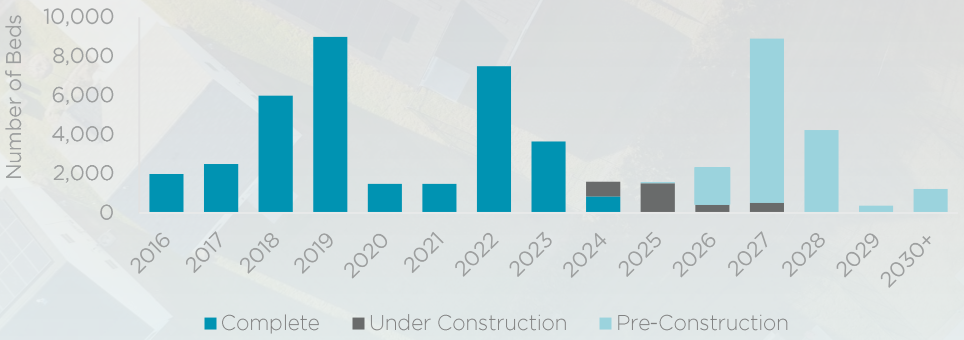
- Changes to the migration policy is causing some uncertainty across the PBSA sector. However, operators and investors remain largely confident due to ongoing discussions between industry and governments, as well as collaborative efforts between PBSA operators and universities. Occupancy is at record highs as the broader rental market remains tight, with further robust rental growth expected in 2025. Additionally, capital markets momentum remains strong on the back of broader living and/or education real estate mandates.
- Build to Rent (BTR) remains a key focus, but growth in the sector continues to be held back by uncertainty over the implementation of new taxation regimes and construction-side delays. Despite this, new capital commitments to the sector (Apt. Residential JV) demonstrate the long-term outlook investors are taking on sector evolution.
- Manufactured Housing Estates (MHE) or land lease communities (LLC) has been garnering significant interest over the first half of 2024, with several new partnerships and equity raises highlighting the sectors strong growth potential.
- Retirement Living remains topical with processes underway to sell very large retirement platforms. There is also increased deal flow at the smaller end of the market. We expect this sector to remain busy.

PRIME YIELD RANGE AND OUTLOOK

Sub-Sector	Upper	Movement	Lower	Movement	Forecast
BTR	4.25%	0 bps	4.75%	0 bps	⟷
PBSA	5.00%	+25 bps	6.25%	0 bps	⟷
MHE	5.00%	+25 bps	5.50%	0 bps	⟷
Co Living	4.75%	-25 bps	6.00%	0 bps	▲
Retirement*	11.50%	0 bps	14.00%	0 bps	▲

*Discount rate

NATIONAL PBSA SUPPY PIPELINE 2016 TO 2030+



*Pre-construction includes projects that are under construction, proposed, plans submitted and approved

KEY TRANSACTIONS

Sector	Name	Size AUD	Yield	Investor	Date
MHE	Living Gems Portfolio	$284.5m	N/A	AVID Property Group	May-24
BTR	Apt.Residential JV	$1.5b*	N/A	PGGM & Apt. Residential	May-24
MHE	Stockland and Invesco Partnership	$1.1b*	N/A	Stockland & Invesco	May-24
MHE	Greenfort & GAW Capital JV	$800m*	N/A	Greenfort & GAW Capital	Jun-24

*Total fund size

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SOCIAL INFRASTRUCTURE

ALTERNATIVES Q2 2024

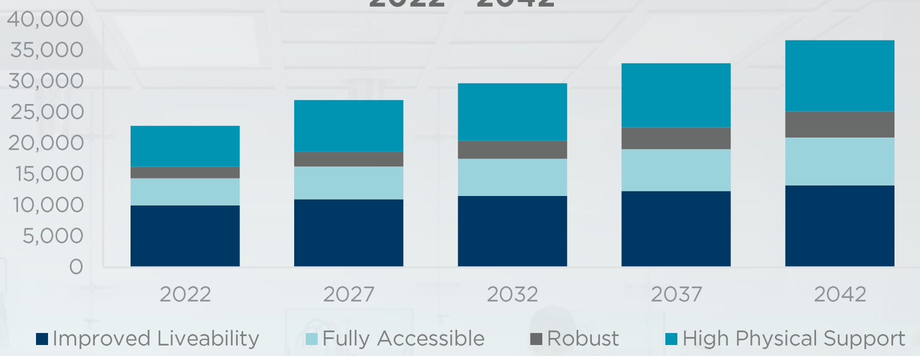
KEY THEMES

- Several Specialist Disability Accommodation (SDA) fund managers are currently raising capital, building on the successes of their initial investments. Compelling risk-adjusted returns continue to attract a wide range of investors, including wholesale and institutional investors.
- The first round of submissions for the Housing Australia Future Fund (HAFF) attracted widespread interest from both community housing providers and fund managers. With $10 billion in initial funding, HAFF aims to boost social and affordable housing and address the needs of Indigenous communities, women, children, and veterans. The strong response for funding from HAFF demonstrates the demand for investment production creation in the affordable housing sector.
- The healthcare sector continues to be a focal point in valuation discussions, particularly due to current challenges faced by some healthcare tenants and operators. These challenges include pressures on profitability, and evolving dynamics with private health insurance providers. Despite these headwinds, we anticipate an increase in transaction volumes in the healthcare sector. This activity is expected to be driven by asset recycling programs.

PRIME YIELD RANGE AND OUTLOOK

Sub-Sector	Upper	Movement	Lower	Movement	Forecast
HEALTHCARE	5.00%	+25 bps	6.50%	+50 bps	▲
AGED CARE Free hold / Going concern	6.00% / 13.00%	0 / 0 bps	8.00% / 15.00%	+50 / 0 bps	▲
LIFE SCIENCE	5.50%	+50 bps	6.50%	+50 bps	▲
SDA Free hold / Going concern	7.00% / 8.50%	-25 / 0 bps	9.00% / 10.00%	0 / 0 bps	▲
CHILDCARE	4.75%	+25 bps	6.25%	+25 bps	▼

SDA DEMAND PROJECTIONS BY DESIGN CATEGORY 2022 - 2042



Source: SDA Pricing Review Demand Projections 2022-23

KEY TRANSACTIONS

Sector	Name	Size AUD	Yield	Investor	Date
Childcare	G8 Education	$17.5m	5.20%	Private	Mar-24
MEDICAL	Nundah Healthcare	$51.3m	N/A	RAM	Apr-24
MEDICAL	GP Plus Healthcare Centre	$42m	6.50%	Dexus	May-24
AGED CARE	Freehold Aged Care Portfolio	$57.5	7.28%	Catalyst Health REIT	Jun-24

AUSTRALIAN ALTERNATIVES

INFRA-LITE

ALTERNATIVES Q2 2024

CUSHMAN & WAKEFIELD

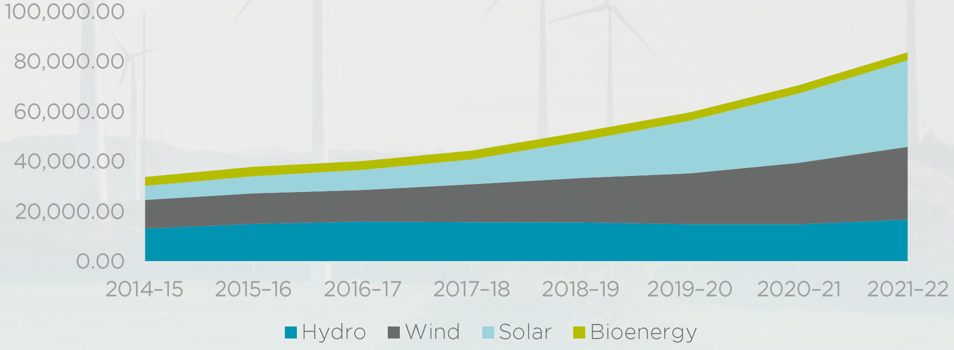
KEY THEMES

- The Centuria Agriculture Fund expanded its portfolio by acquiring its fifth asset, Katunga Fresh, a 21-hectare glasshouse facility in Victoria. This acquisition, valued at AUD $90 million, was one of the most significant transactions completed in Q2 2024 for leased agriculture. Overall, the leased agriculture sector has seen an increase in available sites, with several notable deals expected to emerge in the market.
- The self storage sector remains robust with strong rental growth across all major Australian and New Zealand markets. Occupancy has recently settled to 85%-90% from a peak of 89%-94% in Q1 2022. Despite this slight decline in occupancy rates, revenue has seen consistent YoY growth from Q4 2020 with current data indicating the first signs of stabilisation in revenue growth. Investor demand remains strong with H1 2024 transactions reflecting strong investment metrics across the sector.
- The renewable energy market is strongly supported by Government investments and a focus on decarbonisation. Recently, the Australian Renewable Energy Agency (ARENA) announced an AUD $1 billion boost for domestic solar photovoltaic (PV) manufacturing through the Solar Sunshot program. This program aims to strengthen local production across the entire PV supply chain. Additionally, Government is making significant investments in renewable hydrogen and its derivatives.

PRIME YIELD RANGE AND OUTLOOK

Sub-Sector	Upper	Movement	Lower	Movement	Forecast
DATA CENTRES	5.00%	+25 bps	5.75%	+25 bps	▲
LEASED AGRICULTURE	6.75%	+25 bps	7.50%	+25 bps	▲
RENEWABLES	7.50%	0 bps	8.00%	0 bps	▲
SELF STORAGE	5.00%	-50 bps	6.50%	+50 bps	⟷

GROWTH IN AUSTRALIAN RENEWABLE ELECTRICITY GENERATION



Source: Department of Climate Change, Energy, the Environment and Water, 2023

KEY TRANSACTIONS

Sector	Name	Size AUD	Yield	Investor	Date
DATA CENTRE	Intellicentre Campus Sydney	$174	N/A	Keppel DC REIT	Apr-24
RENEWABLES	Yanco Delta Wind Farm	$300m	N/A	Origin Energy	Apr-24
AGRICULTURE	Katunga Fresh Glasshouse	$90m	7.50%	Centuria	Jul-24