AUSTRALIAN ALTERNATIVES

SNAPSHOT

ALTERNATIVES Q3 2024



CUSHMAN & WAKEFIELD



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TOTAL INVESTMENT ACTIVITY

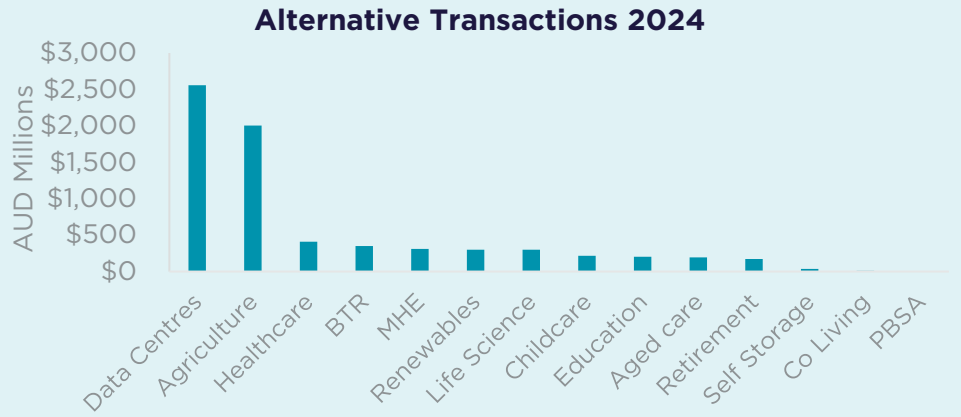
A promising outlook for the remainder of the year

In Q3 2024, the Federal Reserve's first interest rate cut in four years marked a significant shift in monetary policy, reducing the federal funds rate by 0.5 percentage points to 4.75%-5%. This move, designed to ease labor market pressure and alleviate the impact of prolonged high borrowing costs, signaled a more accommodative stance. Globally, this decision enhanced liquidity and affected foreign exchange rates. Lower borrowing costs are expected to fuel increased investment in debt-sensitive sectors such as real estate, driving renewed interest and potential growth across both housing and commercial markets.

Alternative real estate still remains an attractive strategy, even amidst mixed economic signals and subdued transaction volumes. For example, Dexus and Marquette Properties have recently acquired 41 George Street in Brisbane CBD for $123 million. They plan to redevelop this property into a $500 million student accommodation asset. This marks Dexus' first move into the PBSA sector.

Looking ahead, the outlook for the latter part of the year appears positive. There is optimism that several deals will come to fruition, further boosting several sectors including student accommodation, retirement and various other niche markets. We anticipate a number of transactions to be completed over the short to medium term, reinforcing pricing metrics across the Australian alternatives market.

		12-Month Forecast
ROLLING ANNUAL VOLUME	$7.1bn	▲
FOREIGN INVESTMENT	21%	▲



**Note: This chart reflects transactions involving outright purchases or sales of assets over $5 million.*

AUSTRALIAN ALTERNATIVES

LIVING

ALTERNATIVES Q3 2024



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KEY THEMES

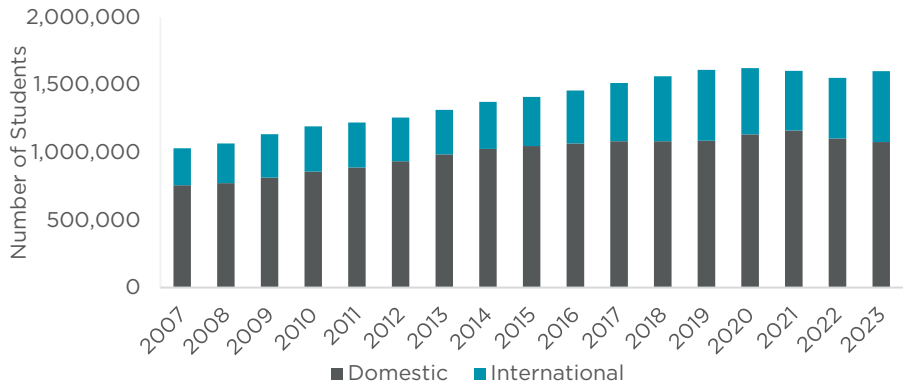
- The first significant BTR portfolio trade containing an operational asset has been completed by Ontario Teachers' Pension Plan and Hines. The acquisition included two BTR assets in Brisbane, totaling 354 units for a reported $350 million.
- Recent proposals to international student policies, which are still being debated and not yet legislated, aim to limit the number of international student enrolments in 2025. The proposed cap is 270,000 new student commencements, around the level of commencements achieved in 2023. Despite the proposed policy changes, investors are remaining optimistic towards the sector as headline enrolments are not anticipated to fall significantly in 2025/2026, with limited impacts anticipated on continuing student enrolments.
- Brookfield sold 13 Aveo retirement villages in South Australia to Uniting Care for $122 million. The villages are being acquired by two Uniting Care agencies, Resthaven and Eldercare. This acquisition demonstrates the continued ability of not-for-profit organizations to compete effectively in the market.
- Assembly Funds Management has acquired two sites in Victoria to develop a portfolio of over 10 MHE communities valued >$500 million, in partnership with Elka Capital – a new entrant to the MHE sector.

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	▲

Yields are as at Q2 2024.
Please note yields are tracked twice yearly, this movement was from Q4 2023 to Q2 2024, with the next update Q4 2024.

Higher Education Student Enrolment 2007 to 2023



Source: Department of Education

Key Transactions

Sector	Name	Size AUD	Yield	Investor	Date
MHE	Macquarie Opportunistic Fund 2	$2.9bˆ	N/A	Macquarie Asset Management	Jun-24
Retirement	Aveo Portfolio	$122m	13.00%*	Uniting Care	Aug-24
BTR	Arklife Portfolio	TBC	TBC	Ontario Teachers & Hines	Oct-24

**Discount rate*
ˆCapital raise



AUSTRALIAN ALTERNATIVES

SOCIAL INFRASTRUCTURE

ALTERNATIVES Q3 2024

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KEY THEMES

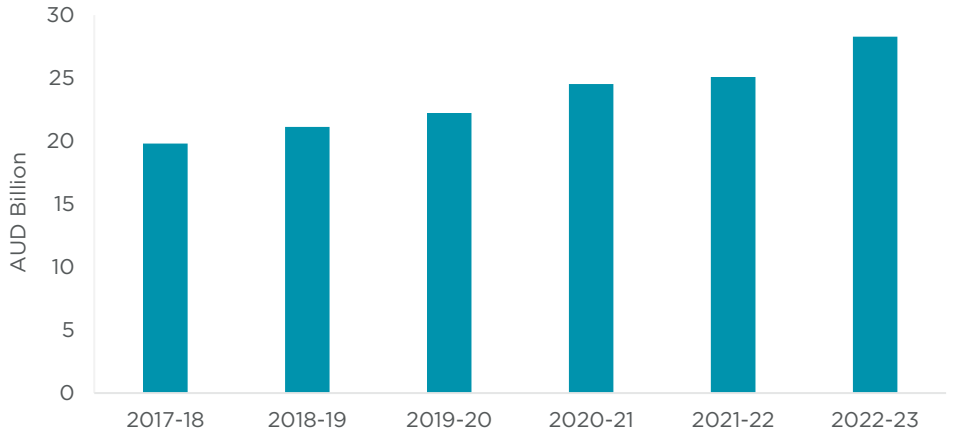
- The aged care sector is in the early stages of experiencing financial stability due to recent government reforms. While no new developments have come to market recently, there is light at the end of the tunnel. Regis Aged Care plans to initiate new builds in FY25, with projects in Toowong, Belrose and Carlingford, adding an additional 323 new aged care beds to their portfolio. This expansion signals a positive outlook for the sector, addressing the growing demand for aged care services.
- GP Plus was acquired by a private investor for $42 million. Cushman & Wakefield analysed the transaction and determined that the sale was at an initial yield of 7.18%.
- The federal government has approved grants for over 13,700 social and affordable homes through its $10 billion HAFF Fund. Housing Australia has selected 185 projects nationally, supporting a $9.2 billion investment. This aims to deliver more than one-third of the program's five-year target of 40,000 homes. Approximately 700 homes are expected to be completed this financial year.

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	▼

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Government Spending on Aged Care Services



Source: AIHW

Key Transactions

Sector	Name	Size AUD	Yield	Investor	Date
Life Science	37 Epping Road, Macquarie Park	$48m	6.7%	Confidential	Aug-24
Life Science	17 O'Riordan Street, Alexandria	$148m	5.6%	Confidential	Aug-24
Childcare	Only About Children Cremorne	$18.5m	4.7%	Perpetual	Sep-24
Healthcare	GP Plus	$42m	7.18%	Private Investor	Sep-24



AUSTRALIAN ALTERNATIVES

INFRA-LITE

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- National Storage (NSR) has finalised a JV with GIC to develop and operate an initial portfolio of 10 foundation assets sourced from NSR's existing development portfolio. NSR and GIC will hold 25% and 75% equity respectively, investing $270 million over 12-18 months.
- Western Australia has initiated its first Capacity Investment Scheme (CIS) tender to secure 2GW of clean, dispatchable capacity in the Wholesale Electricity Market (WEM). This initiative is part of the government's AU$5 billion investment in solar, wind, and battery projects. The scheme aims to de-risk investments in storage and variable renewables, thereby bolstering decarbonization efforts across the state.
- NEXTDC has opened Adelaide's first Tier IV certified data center, A1. Located in Adelaide's CBD, A1 offers 5MW capacity and 3,000 sqm of IT space. This facility will support South Australia's digital transformation across various sectors. Moreover, the data center landscape in Sydney is rapidly evolving, with significant capacity already in place and more developments underway. This growth is crucial to support the increasing digital demands of businesses and consumers alike.

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	⟷

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Sydney Data Centre Supply Indicators

Operators/Data Centres 19 / 47	**In Operation** 770 MW
UC*/Planned 274MW / 950MW	**COLO Vacancy** 8%

Key indicators are based on operational Hyperscale Cloud, Colo, Edge & Telco data centre facilities in the market.

**Under construction*

Key Transactions

Sector	Name	Size AUD	Yield	Investor	Date
Leased Agriculture	Inghams Portfolio	$225.3m	7.5%	Fresh Country Farms	Jun-24
Data Centres	184-200 Broadway, Sydney	$67.6m	6.7%	Triton Group	Jun-24
Renewables	Stor-Energy*	$2b	N/A	HMC Capital	Jul-24
Data Centres	ResetData 50%	$21m	N/A	Centuria	Aug-24

**Capital raise*