

The image features a modern, multi-story building with a dark, curved facade and large glass windows. The building is set against a backdrop of a city skyline at dusk, with various skyscrapers illuminated. The MaxCap Group logo is prominently displayed in the upper left corner of the image.

MaxCap
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An Investor Travel Guide

MaxCap Group Research – October 2024

Contiki with Capital



Travel with a private guide. For private real estate investors, it is important to take a knowledgeable guide wherever you go, not just to find the best hangout spots, but more to access the key players, understand the micro market trends and source the best local deals.

It is mostly about location. A key part of success in real estate is knowing where to invest, in which city, in which suburb and down to which street. In markets with widely divergent performance trends, good market and asset selections can create a lot of alpha returns.

It is also a relationship business. Real estate deals – much like dating – are best done offline and in person. Local representation is a huge competitive advantage against fly-in, fly-out competitors. Boots on the ground are essential for any credible deal-sourcing platform.

Divergent market trends. At various times, local market outcomes may differ to the broader macro trends, as we are seeing right now in specific segments – like Melbourne residential and Brisbane office. The top-down perspective does not always lead to the best outcomes.

Be armed with local market intel. Local colour is so important for a complete perspective of market risk and return potential. Some of that info comes from city- or suburb-specific data points, but most of our intel comes from our local deal origination teams based in each city.

Going with a credible partner. While it is fun to hear from our local guides, there is a serious message here. In a market with a lot of new managers, many outfits are not well resourced on the ground. Deep, diverse origination teams are essential to deploy well in this market.

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Melbourne, Victoria

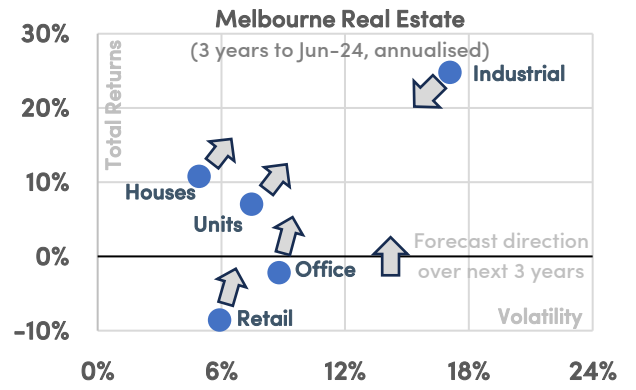
Melbourne is the second largest city in Australia, and well on track to take the lead in the coming years. This is also the de facto home of corporate Australia, where we find the most Global Fortune 500 headquarters in the country, as well as the largest investment and superannuation fund managers. The city itself ranks very well for liveability (2024: 4th globally) and real estate market transparency (2022: 16th globally).

The city has seen a **dramatic transformation** since the 1990s, having shifted away from a traditional manufacturing base to be more focused on financial and business services, education, logistics and technology. The city continues to see very strong population gains from both overseas and domestic sources. Meanwhile, new infrastructure works – like the Suburban Rail Loop – are set to reshape the city.

In terms of **local opportunity**, there is an ongoing boom in industrial and logistics, particularly in the city's West. Meanwhile, housing market performance is lagging that of other Australian cities, given several new state-based property taxes. However, robust population gains and new infrastructure are still driving firm occupier demand for new housing, especially in the city centre and the inner suburban ring.

Melbourne at a glance		
Population (2023, % p.a.)	5.2 million	+3.3%
Income (2023, USD per capita)	us\$56,600	
Unemployment (Jul 2024, %)	5.2%	
Key sectors (% share of GDP)	Financial services (12%)	
	Professional services (12%)	

Local market performance (last 3 years vs next 3 years)



Hear from our guides...



Bill McWilliams
CIO

Secret hangout in Melbourne: The little stretch of beach between Edithvale and Aspendale is very underrated. **Key theme for Melbourne in 2025:** I see value in Melbourne apartment prices compared to the rest of the country. I expect escalation in prices for new projects in 2025.



Penny Tao
Director, Capital

The best part of Melbourne: I love Hosier Lane and its renowned street art. **Key theme for 2025:** Cultural diversity and global engagement are strong city drivers, as Melbourne expands its role as an international business, art & education hub.

The Melbourne real estate market (Q2 2024)

Houses (prices, rents)	A\$865,000	A\$570 /week
Apartments (prices, rents)	A\$616,000	A\$540 /week
CBD Office (cap rate, rent)	6.9%	A\$328 /m ² /y
Regional Malls (CR, rent)	6.0%	A\$1,508 /m ² /y
Industrial (cap rate, rent)	5.7%	A\$139 /m ² /y

Source: ABS, EIU, JLL REIS, Oxford Economics, Proptack, MaxCap Group (October 2024)

Sydney, New South Wales

Sydney is (for now at least) the largest city in Australia. It is also a major global financial services centre (2024: ranked 18th globally). The city remains a critical entry port into Australia and a popular choice of location for many multi-national firms. Sydney rates highly for liveability (2024: 7th globally) and real estate market transparency (2022: 9th globally).

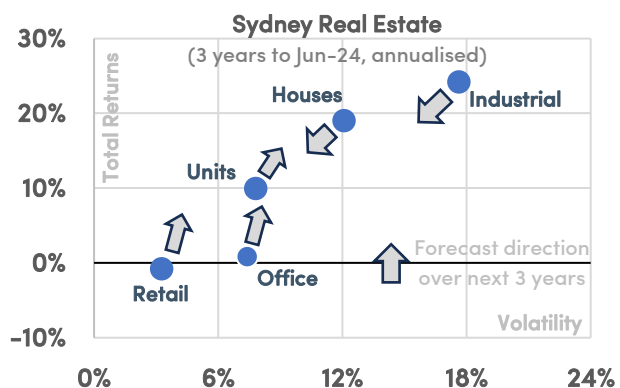
The **local economy** continues to be heavily skewed to the services sector, with a heavy concentration of globalised financial, business and professional services. While these links add a degree of accessibility for foreign capital, they also increases its correlation to the financial market cycle. New transport links – like the Metro and the Western Sydney Airport – are driving new development corridors across the city.

For **local opportunities**, locations that track the transport infrastructure are set to be the new hotspots. The Sydney housing market looks well supported by robust population growth, although affordability constraints are becoming more telling, particularly in the expensive Eastern Suburbs. Logistics remain a popular local choice, but well-located sites in the inner- and mid-ring are always well contested. The office market is well set for a cyclical turning point, following the lead of peer office markets abroad.

Sydney at a glance

Population (2023, % p.a.)	5.5 million	+2.7%
Income (2023, USD per capita)	us\$62,700	
Unemployment (Jul 2024, %)	5.0%	
Key sectors (% share of GDP)	Financial services (15%)	
	Professional services (13%)	

Local market performance (last 3 years vs next 3 years)



Hear from our guides...



Adam Matkovich
Investment Director

Favorite restaurant in Sydney: The Gidley for a tasty lunch. Can't go past the Gidley Burger. **What is your key theme for Sydney in 2025?:** The living sector in Sydney will be the big focus for the government, as they deal with the acute housing shortage and lack of affordability.



Leyla Sacks
Director, Capital

Favorite café in Sydney: The Shop & Wine Bar in Bondi, for the best coffee and chicken sandwich. **What are investors looking for?:** Strong appetite for first mortgage remains. Investors are looking for strong risk-adjusted returns, conservative gearing & a clean exit.

The Sydney real estate market (Q2 2024)

Houses (prices, rents)	A\$1.4 million	A\$750 /week
Apartments (prices, rents)	A\$770,000	A\$680 /week
CBD Office (cap rate, rent)	6.3%	A\$710 /m ² /y
Regional Malls (CR, rent)	5.8%	A\$1,718 /m ² /y
Industrial (cap rate, rent)	5.6%	A\$211 /m ² /y

Source: ABS, EIU, JLL REIS, Oxford Economics, Proptrack, MaxCap Group (October 2024)



South-East Queensland

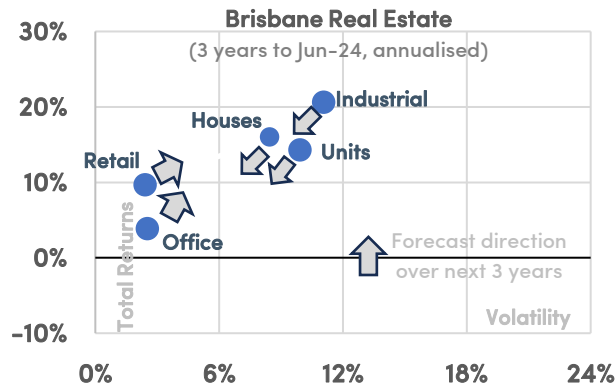
South-East Queensland is a massive urban area of 4 million people covering the state capital of Brisbane, the glitzy Gold Coast and the more chilled Sunshine Coast. Brand name recognition for Brisbane is set to skyrocket in coming years, particularly as it hosts the 2032 Olympic Games. Brisbane ranks comparatively well on liveability (2024: 16th globally) and real estate market transparency (2022: 20th globally).

More so than many other state capitals, Brisbane has a **well-diversified local economy**, with broad growth drivers from healthcare, mining, professional services, construction and logistics. The city is ramping up for a big construction cycle ahead, to deliver the necessary sporting and transport infrastructure works needed for the 2032 Summer Olympic Games.

There are diverse **local opportunities** on offer across these markets, and certainly warrant more attention from investors narrowly focused on Sydney and Melbourne. Brisbane and the Gold Coast continue to gain from strong population inflows, particularly from interstate migrants moving for lower costs of living and better housing affordability. Unlike the rest of the country (and the world), the Brisbane office market has outperformed, having avoided the scarring pandemic lockdowns and work-from-home trend seen elsewhere.

Brisbane at a glance		
Population (2023, % p.a.)	2.7 million	+3.1%
Income (2023, USD per capita)	US\$57,200	
Unemployment (Jul 2024, %)	5.2%	
Key sectors (% share of GDP)	Health care & social (10%)	
	Mining (10%)	

Local market performance (last 3 years vs next 3 years)



Hear from our guides...



Michael Nitschke

State Director, QLD

Favorite restaurant in Brisbane: The food scene is improving every week. Sono in Hamilton is our special event spot. **What are you looking forward to in 2025:** We need to get rolling on the major infrastructure projects needed for the rapidly growing SEQ population.



Michael I'Anson

Manager, Capital

Your favorite spots on the Gold Coast: Snapper Rocks, Social Eating House + Bar and Le Café Gourmand. **What is the next hotspot on the Gold Coast?:** Palm Beach and anything south of the state border. Gold Coast has been drifting south for many years.

The Brisbane real estate market (Q2 2024)

Houses (prices, rents)	A\$850,000	A\$625 /week
Apartments (prices, rents)	A\$565,000	A\$560 /week
CBD Office (cap rate, rent)	7.0%	A\$330 /m ² /y
Regional Malls (CR, rent)	5.8%	A\$1,488 /m ² /y
Industrial (cap rate, rent)	6.0%	A\$148 /m ² /y

Source: ABS, EIU, JLL REIS, Oxford Economics, Protrack, MaxCap Group (October 2024)



Perth, Western Australia

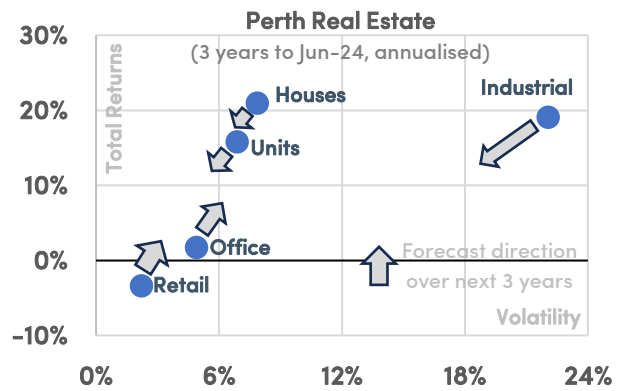
Perth is a unique market, with its small population and geographic isolation seemingly at odds with its resounding economic success. The state's abundance of natural resources has made it one of the largest mining capitals of the world, with multiple international firms headquartered in the city. From these offices, one can look upon the Swan River and the natural diversity the state is famous for.

The **local economy** is closely linked to the commodity cycle. The 2003 commodity boom substantially transformed the city, accelerated a broad range of infrastructure projects and drove the urban sprawl that continues today. While there is still a massive focus on iron ore and natural gas, there is also rapid diversification into commodities that are essential for the energy transition, particularly in the lithium sector.

The Perth **industrial / logistics sector** is surging ahead. For the industrial corridors in the North, East and South, vacancy rates sit lowly at 1%, 2.5% and 4%, respectively. For **residential markets**, firm demand from investors, looking to capitalise upon the population boom, is driving prices and trading volumes to record highs. Looking forward, these macro drivers show no signs of slowing and markets look well placed for sustained growth.

Perth at a glance		
Population (2023, % p.a.)	2.3 million	+3.6%
Income (2023, USD per capita)	USD\$98,000	
Unemployment (Jul 2024, %)	2.9%	
Key sectors (% share of GDP)	Mining (48%)	
	Construction (6%)	

Local market performance (last 3 years vs next 3 years)



Hear from our guides...



Justin Pearce
State Director, WA

Favorite restaurant in Perth: My favourite is the Bib & Tucker overlooking Leighton Beach near Fremantle. **The next hotspot in Perth:** Looking forward to the completion of the Edith Cowan University campus in the CBD in 2025, which will be home to 8,100 students & 1,100 staff.



Ashley Feldman
A / Dir., Capital

Favorite café in Perth: Can't go wrong with the Chu Bakery in Northbridge. Best pastries in Perth. **What is the next hotspot in Perth?:** The CBD is absolutely firing along Elizabeth Quay. Also watch the new student village in the city, developed by MaxCap.

The Perth real estate market (Q2 2024)

Houses (prices, rents)	A\$700,000	A\$650 /week
Apartments (prices, rents)	A\$460,000	A\$560 /week
CBD Office (cap rate, rent)	7.4%	A\$283 /m ² /y
Regional Malls (CR, rent)	6.3%	A\$1,782 /m ² /y
Industrial (cap rate, rent)	6.3%	A\$140 /m ² /y

Source: ABS, EIU, JLL REIS, Oxford Economics, Proptrack, MaxCap Group (October 2024)



Auckland, New Zealand

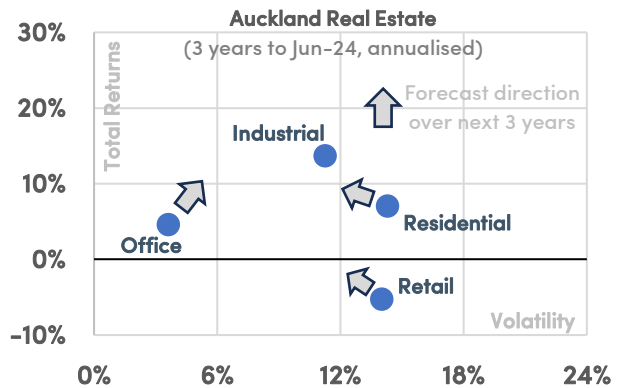
Auckland is the largest city, the commercial heart and the primary gateway into New Zealand. For many years, the city has been a tremendous beneficiary of immigration, from broader Asia, from the Pacific Islands, and from other New Zealand cities. As a city, Auckland is one of the most liveable in the world (2024: 9th globally). As a country, New Zealand real estate markets are highly transparent (2024: 7th in the world, 2nd in the Asia Pacific).

The **local economy** is well diversified, providing a full range of commercial and financial services for New Zealand and the broader Pacific region. While the local economy has been slowed by early and aggressive interest rate increases since 2021, that tide is now clearly changing, as the central bank shifts towards stimulus mode.

For a smaller market, there are **deep opportunities** here, although you need a strong local presence to develop relationships and unlock deals. The residential market – previously cowed by high rates – is stabilising in 2024 and set for a rebound with lower rates in 2025. The Auckland logistics market is still well in favour, buoyed by robust demand for distribution space, low vacancies and limited land availability.

Auckland at a glance		
Population (2023, % p.a.)	1.7 million	+1.3%
Income (2023, USD per capita)	US\$41,700	
Unemployment (Jul 2024, %)	4.4%	
Key sectors (% share of GDP)	Professional services (11%)	
	Financial services (9%)	

Local market performance (last 3 years vs next 3 years)



Hear from our guides...



Nick Bullick
CIO, NZ

Favorite restaurant in Auckland: I love Waiheke Island for the best wineries, restaurants and beaches in New Zealand.
Key theme for Auckland in 2025: Lower interest rates and housing supply issues will pave the way for a strong residential construction surge.



Angus Simpson
A / Dir., Investment

Favorite restaurant in Auckland: Cassia, Indian fusion restaurant in the SkyCity Precinct.
Key theme for Auckland in 2025: Confidence returns to the residential market, as sales volumes rise, following two years of pent-up demand and subdued activity.

The local real estate market (Q2 2024)

Houses (prices, rents)	NZ\$1.1 million	NZ\$660 /week
CBD Office (cap rate, rent)	5.9%	NZ\$700 /m ² /y
Retail (cap rate, rent)	7.5%	NZ\$1,812 /m ² /y
Industrial (cap rate, rent)	5.9%	NZ\$194 /m ² /y

Source: CBRE, JLL REIS, Infometrics, NZ Stats, Oxford Economics, MaxCap Group (October 2024)

Additional Information

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