Australian Industrial & Logistics Outlook

Charter Hall Research

September 2024

Munro Footwear Group, MidWest Logistics Hub, VIC

Contents

Acknowledgement of Country

Charter Hall acknowledges the Traditional Custodians of the lands on which we work and gather. We pay our respects to Elders past and present and recognise their continued care and contribution to Country.

Executive Summary

Looking through the current environment, market indicators signal Australia's Prime Industrial and Logistics (I&L) market is entering a period of accelerating value growth. A leading economic and demand environment provides a great foundation for this recovery. The sector continues to benefit from longer-term structural drivers of growth. And, importantly, the market is well positioned for accelerated value growth.

A leading economic and demand environment

The I&L market will benefit from Australia's projected outperforming growth fundamentals. Over the next 10 years, it has the strongest economic, population and employment growth forecasts – between 2 to 4 times greater than G12 nation average growth rates.

A broad range of factors still contribute to a resilient demand and consumption outlook. Australia continues to attract a lower-aged and skilled population, distinguishing it from other advanced economies. It has the youngest, and wealthiest, population across the G12 economies.

The Australian Government balance sheet is in a comparatively healthy capital position to support longer-term growth, with Government Debt to GDP levels half of the G12 nation average. This stands in contrast to growing fiscal deficits across most other major economies, which could be restrictive to growth ambitions. The recent Federal Budget was unquestionably stimulatory. It included increased spending on health, defence and government services. The Budget also provided details on the 'Future Made in Australia' plan, with a budget cost of $22.7 billion over the next decade. It also included several measures that will likely support consumption activity and incomes, such as energy rebates, rent assistance and health spending. Additionally, the income tax cuts and increases in minimum and award wages will be supportive of consumption activity.

I&L continues to benefit from strong goods movement & non-discretionary consumption

The economy benefits from a highly productive essential goods manufacturing sector. This growth is supported by a culture of trade liberation – contributing to the strongest trade volume growth by any G12 nation over the past 15 years. Online retailing growth continues to surge as penetration rates converge toward global comparable market levels. In addition, significant growth in non-discretionary consumption has also generated resilient occupier demand.

Significant longer-term trends will also support overall activity. Infrastructure development activity in Australia is at historically high levels. New transportation projects across the country will increase the efficiencies of goods movement, boosting import and export markets. This, coupled with an increasingly dense city population, will result in Prime assets having access to larger populations at reduced travel times and costs. The significant stimulatory effects through the development period will also increase I&L demand.

Australia is also transitioning to a renewable energy global superpower. It has a world-leading mining industry with vast reserves of critical minerals, vital to global energy requirements. It also has pathway to be a world leader in solar, wind and hydrogen energy.

I&L sector benefiting from longer-term structural drivers of growth

In addition to the projected requirements from growth in the population and online retailing, the market will need to service the burgeoning growth in data centre demand. By 2030, the total capacity of the data centre market is forecast to increase by 2.4x.

A focus on supply chain resilience has resulted in higher inventory levels, while greater automation and heightened ESG requirements are intensifying the demand for high quality assets in premium locations.

Market is positioned for accelerating value growth

The Australian I&L market has the world's lowest vacancy and the strongest rental growth. National vacancy rates are at 1.6% and national average rents increased by 16% over the past year. The normalisation in rents will likely take longer than market expectations as a restrictive construction environment continues to limit the appropriate supply response. Construction costs are 21% above pre-COVID trend levels and the limited provision of zoned land and supporting infrastructure is restrictive on medium-to-long term pipelines. Near-term market supply expectations will likely face downward revisions while economic rents adjust. This environment will provide opportunity for the best-in-class developers to outperform.

Forward-looking indicators signal a rotation toward a cap rate tightening cycle. Rates forecast to have reached an inflection point, supporting a downward trajectory in capitalisation rates. Transaction activity has returned to long-run averages, while buyer interest across the market has also intensified - for both unsolicited and on-market campaigns. The completed sales and guidance on current campaigns evidence an inflection point I&L cap rates.

Importantly, the Australian market has a track record in delivering leading risk adjusted returns. An outperforming economy, strong I&L and comparatively measured supply have contributed to stronger returns at lower volatility. The outperformance is forecast to continue while investor surveys highlight the continued conviction to Australia's I&L outlook.

Leading economic and demand environment supporting I&L growth

Outperforming growth fundamentals: 10yr growth forecast

29.0% GDP

Highest across G12 nations.

2.0x the G12 nation average growth.

14.1% Population

Highest across G12 nations.

3.9x the G12 average growth.

17.5% Employment

Highest across G12 nations.

4.0x the G12 average growth.

Contributors of resilient demand and consumption outlook

38 median age

Lowest across G12 nations.

Well below average G12 nation age of 43.

US$264K median wealth

2nd highest across globe, following Luxemburg.

2nd successive Government Budget Surplus in FY24

Government Debt to GDP levels half of G12 nation average.

Conditions for strong goods movement & non-discretionary consumption

105% goods trade volume growth

Highest trade volume growth across G12, nations over past 15 years.

Well above the G12 average of 68%.

15% CAGR online retailing growth over past 13 years

Online retailing growth has more than doubled every five years.

Momentum is forecast to continue with penetration rates converging on global comparable markets.

5.2% CAGR of food retailing and eating out over past 20-years

Strong growth in non-discretionary demand supported by highly productive and concentrated retailers.

Platform to support continued growth

$417bn public funded infrastructure projects currently committed or under construction

Infrastructure development activity at historically-high levels.

1st producer of lithium and iron ore globally

Largest known reserves of zinc, nickel and iron ore. 2nd largest reserves of lithium, cobalt and titanium.

Vast stock of reserves essential to global energy requirements.

1st per person producer of solar capacity globally

Australia transitioning to renewable energy superpower. Led by solar, wind and clean hydrogen.

I&L sector benefiting from longer-term structural drivers of growth

Key drivers contributing to demand Australian Prime I&L

Population growth

8.0 million sqm required over next 5yrs

Australia's population growth is forecast to lead global growth rates.

A larger volume of goods must be stored, distributed and consumed by these growing populations. Historically, an additional 4sqm of industrial space per person is required.

The vast-majority of this population results from the skilled migration programme which sources younger and skilled workers from overseas. This population has a greater propensity to consume, given the requirements of establishing a new life in Australia.

Online Retailing

~3.0 million sqm required over next 5yrs

Australia's online retailing adoption is still in growth phase, with online penetration rates and revenue lagging global developed markets.

Retailers continue to invest in online retailing fulfilment capabilities, while the evolution in technology and consumer behaviours continue to accelerate demand.

Over the next five years, the I&L market is anticipated to require between 1.9 to 4.0 million sqm of modern space to service this demand.

Datacentres

2.4x forecast forecasts growth by 2030

Australia is the 5th largest Data Centre market globally.

The market benefits from: a skilled workforce; competitive delivery costs; effective regulation, security and intellectual property rights; and access to lower cost, reliable, sources of energy and water.

By 2030, total capacity for the Australian market is forecast to increase from 1,050MW to 2,500MW. An estimated incremental stock growth of $14bn.

Automation

13% CAGR in Investment to warehouse automation by 2030

The increased prevalence of automation is increasing the demand for high quality assets.

Higher labour costs, the advancement of technological capabilities and requirements for efficiency continue to drive demand.

This has accelerated the obsolescence of older assets and the divergence in supply and vacancy.

ESG

60% of Australia's largest I&L occupiers have a net-zero target

Increased priorities on asset ESG credentials and Prime locations and assets to reduce supply chain emissions.

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Supply Chain Resilience

34% - Inventory level above pre-COVID period

In the aftermath of the Pandemic, the focus on supply chain reliance intensified.

In a heighted geo-political environment, operators are holding higher inventory levels – particularly for essential items.

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Why now? Market positioned for accelerated value growth

Market balanced for above trend rental growth

1.6% National vacancy

Australia's vacancy is the lowest globally.

Strong demand and restrictive supply conditions are forecast to continue.

15.9% National annual rental growth

Australia's rents increased at the fastest pace globally.

Imbalance between strong demand and stock availability continue to generate strong rental growth.

21% Construction costs above pre-COVID trend levels

Forward looking supply capacity continues to be challenged by insufficient availability of zoned land and labour. Tight planning controls also remain restrictive.

This will continue to place upward pressure on economic rents and present opportunities for best-in-class developers.

Market balanced for above trend capital growth

180bps Prime cap rate expansion since June-2022

Forward-looking indicators signalling rotation toward cap rate tightening cycle.

96bps – reduction in 10yr GBY forecast by end of 2026

Rates forecast to have reached an inflection point.

The reduction in rates will support cap rate compression.

110bps reduction in CPI forecast by end of 2026

Business investment and consumption activity will improve with the easing of pricing pressures, coupled with the material fiscal support.

Track record in outperforming risk adjusted returns: 15-years to Dec-23

11% Compounded annual returns

Australia and the US have generated the strongest returns, above the group average of 8% .

7% volatility

Volatility of these returns were in line with the group average of 7% and well below the US volatility of 12%.

Over this period, global peers generated an average return of 8%, at volatility of 7%. This group included US, UK, Canada, Germany, France, Netherlands Japan and Singapore.

30% total return forecast for Brisbane I&L market CY24, CY25 and CY26.

Australian I&L markets are forecast to lead the APAC returns over the three years to 2027.

2nd – Preferred city/sector investment in Asia-pac investor intentions Survey: Sydney and Melbourne I&L

Sydney and Melbourne I&L followed Sydney Residential and Tokyo I&L as the preferred investment destinations.

Both markets have been the most featured top 3 selections in the intentions survey since 2020.

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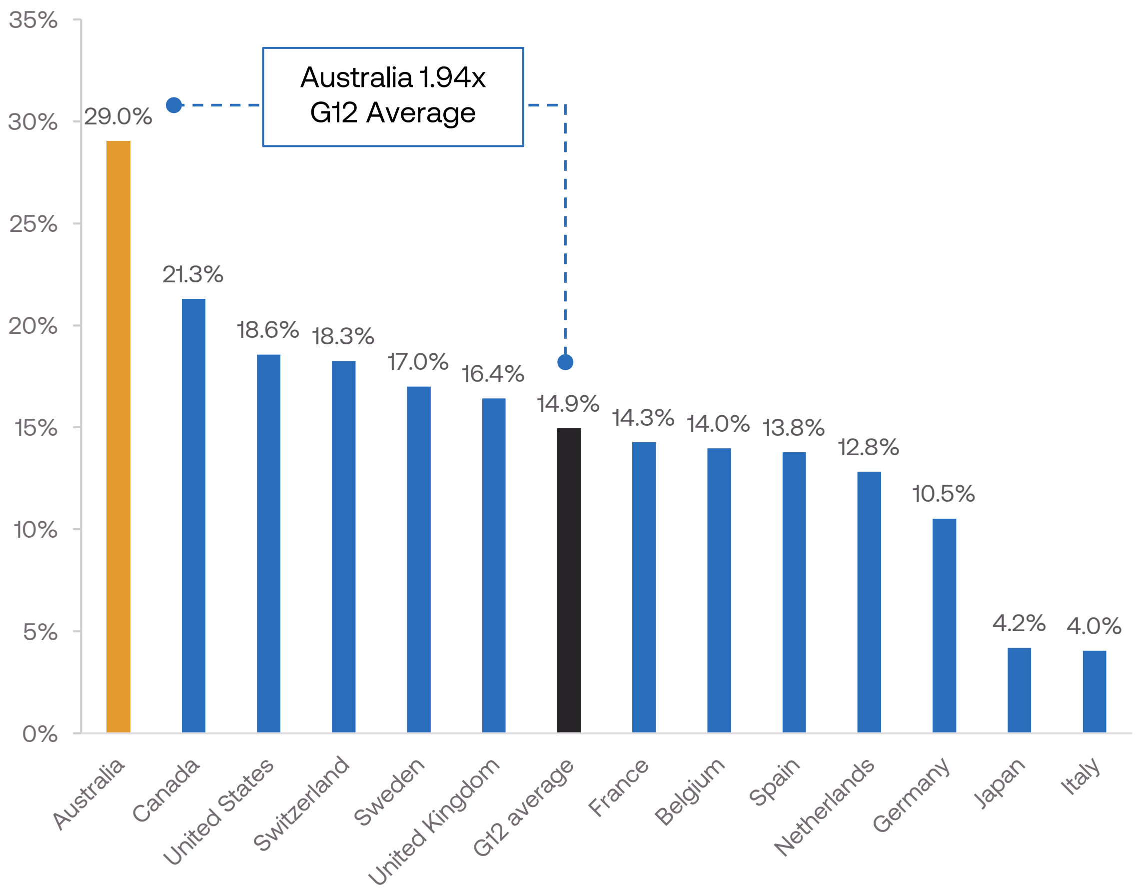
Leading economic and demand environment supporting I&L growth

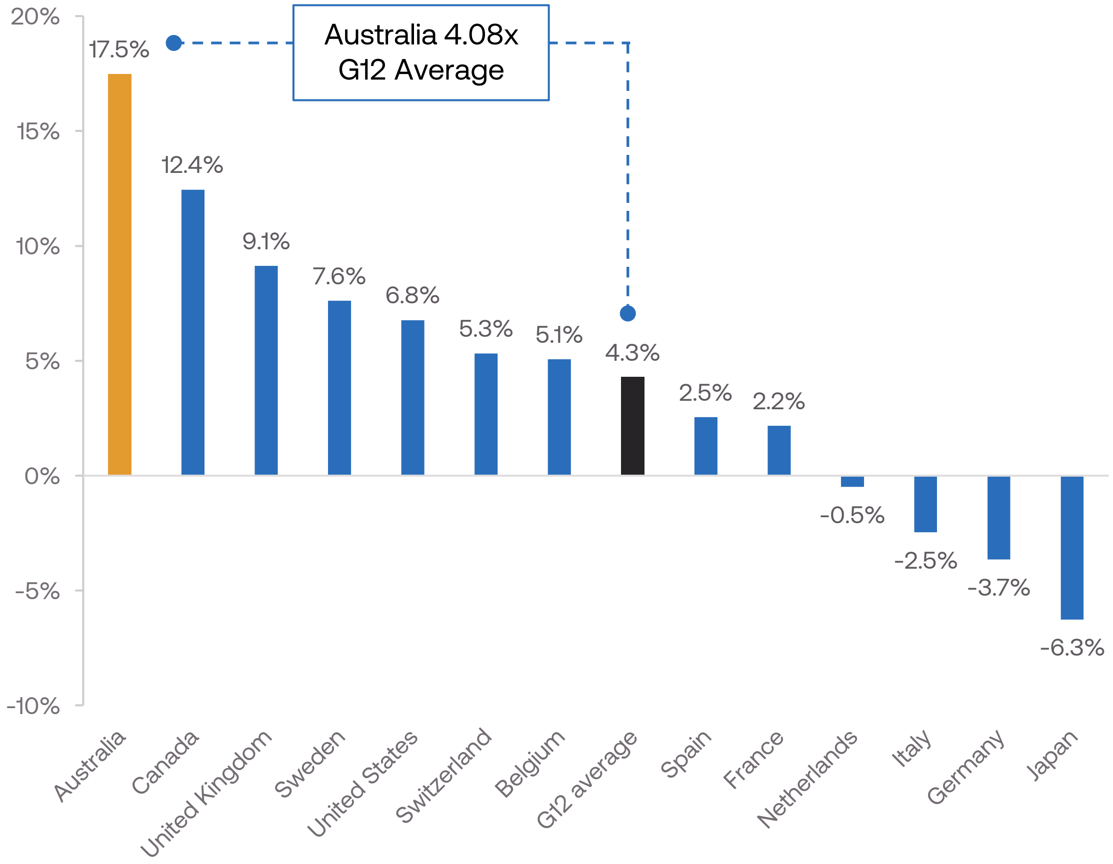
Inghams, MidWest Logistics Hub, VIC

Australia leads global economic and employment growth projections

GDP growth forecast (2023 to 2033 forecast %)



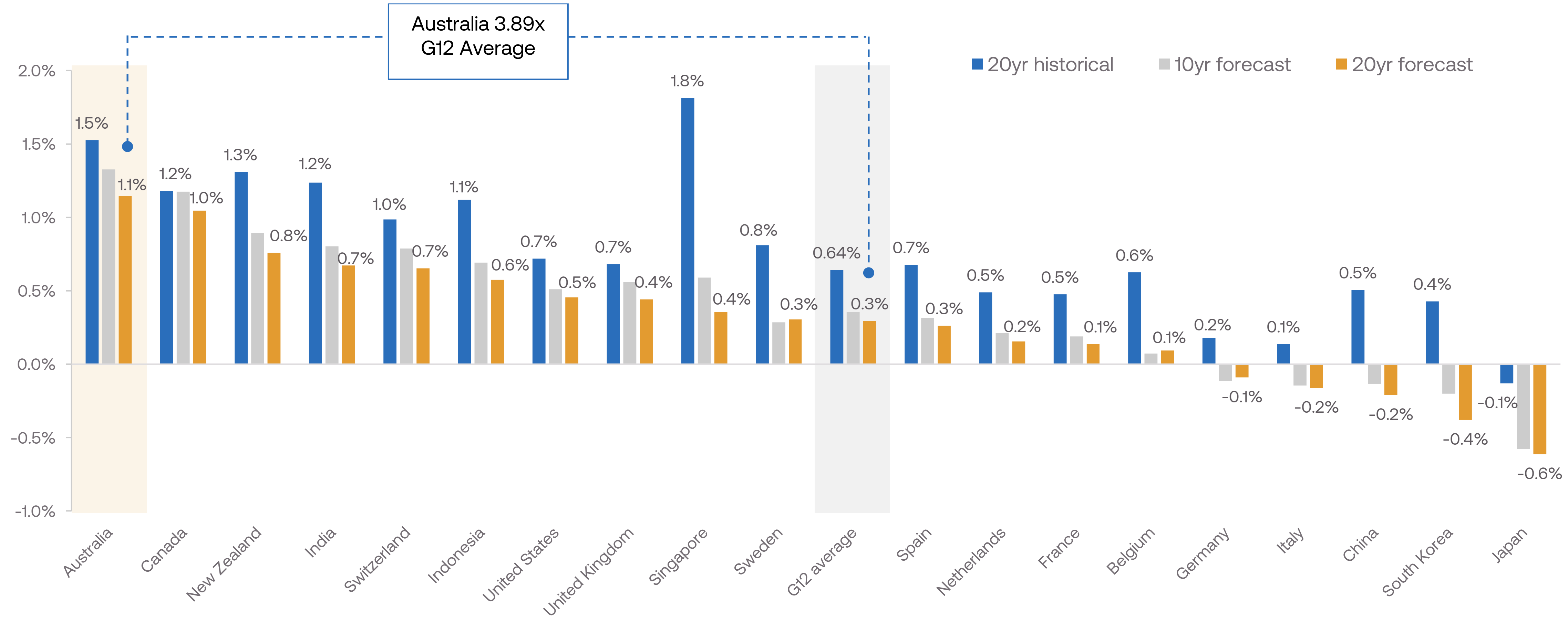
Employment growth forecast (2023 to 2033 forecast %)



Source: ABS, Oxford Economics, Charter Hall Research

Australia generates the strongest historical and projected population growth, contributing to materially higher I&L requirements

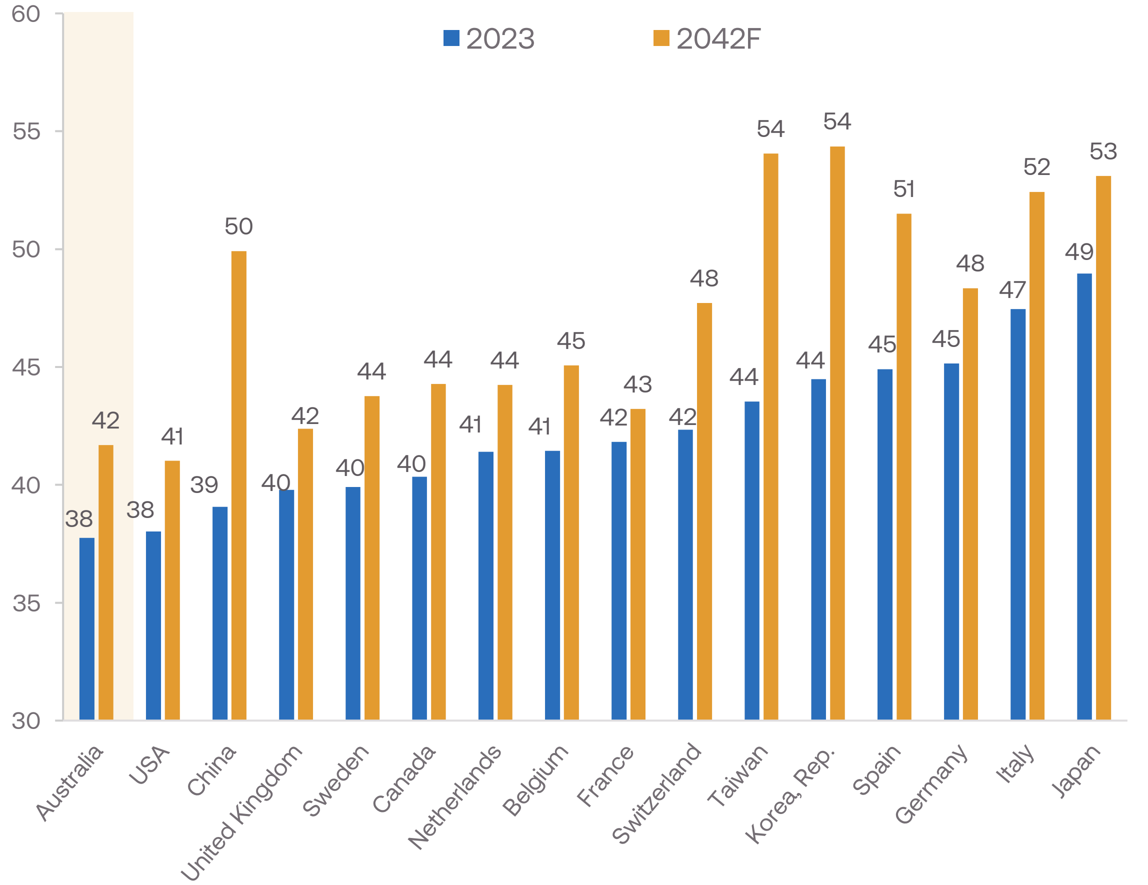
Population growth (CAGR)



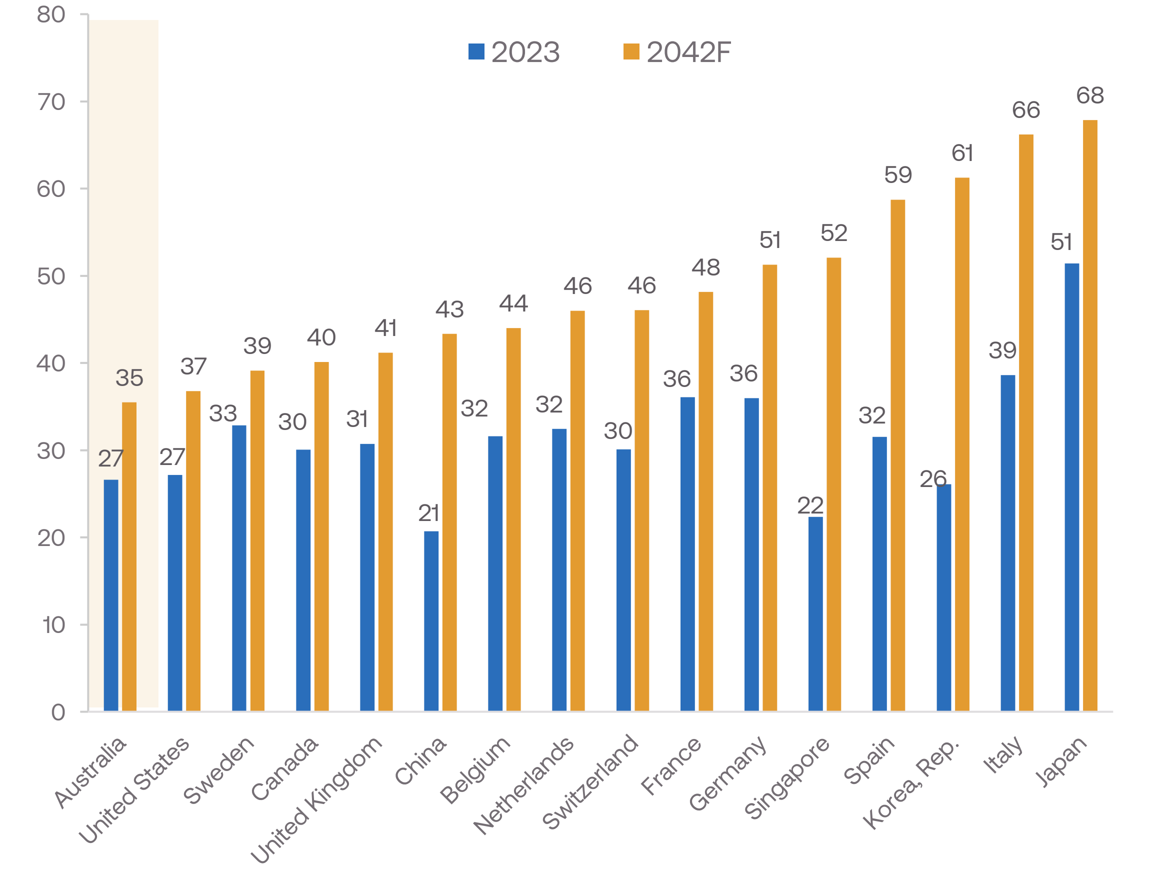
Source: ABS, Oxford Economics, Charter Hall Research

Australia will benefit from a comparably young population and favourable demographic structure, with a low old-age dependency ratio

Median age, 2023 & 2042 forecast



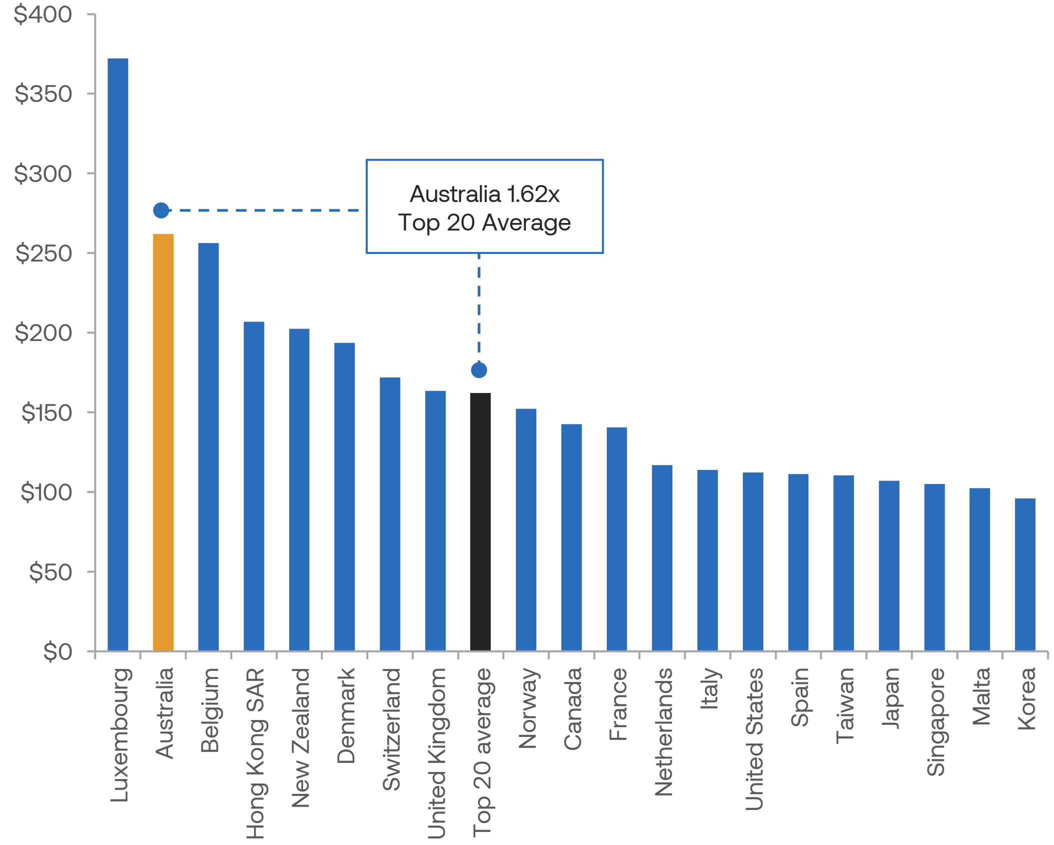
Old-age dependency ratio (%), 2023 & 2042 forecast – Number of individuals aged ≥65 per 100 people of working age (20 to 64 years old)



Source: United Nations, World Bank, Charter Hall Research

Australia has a wealthy population with a significant private capital base

Australia has the 2nd wealthiest population globally – Median wealth per adult (USD) – '000s



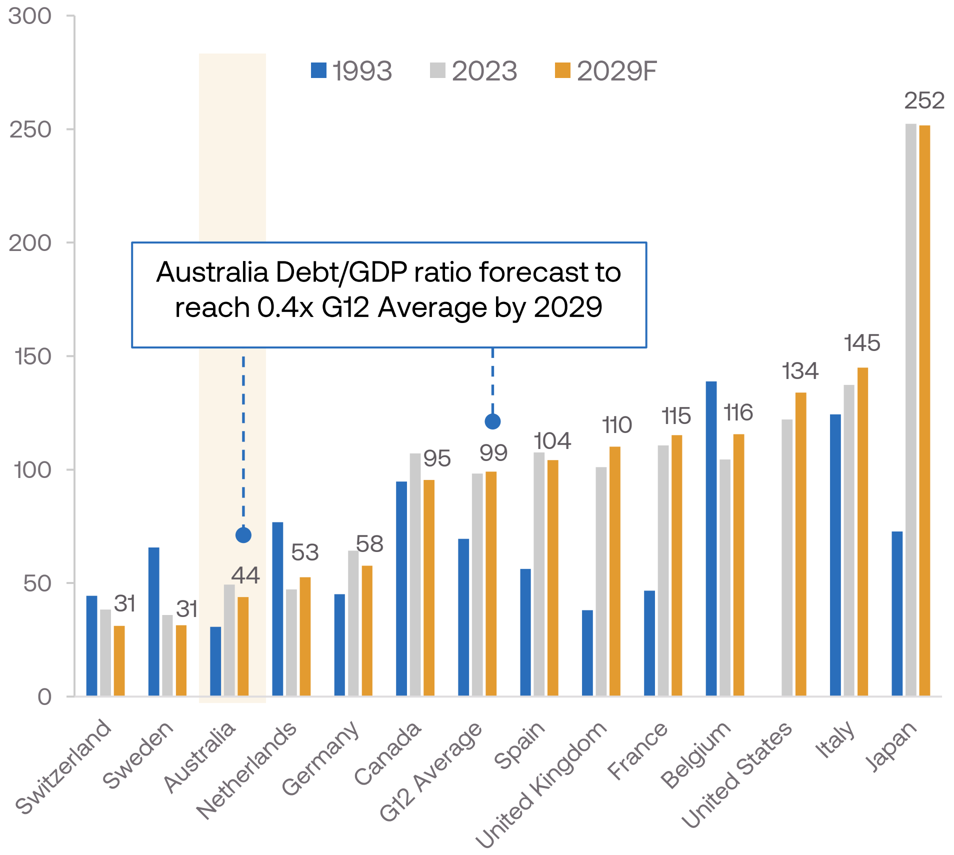
Australia has the 5th largest superannuation pool in the world

	Size of market (US$ trillion)	Assets/GDP ratio (%)	20yr CAGR, 2003 to 2023
US	35.6	132%	6.6%
Japan	3.4	80%	0.8%
UK	3.2	96%	4.8%
Canada	3.1	147%	5.5%
Australia	2.4	145%	9.2%
Average of other 17 major markets	0.5	48%	n/a

Source: UBS Wealth Report 2024, Austrade, Willis Towers Watson 2024, Thinking Ahead Institute and secondary sources, Global Pension Funds Asset Study, RBA 2024, Charter Hall Research. Foreign exchange rates – accessed during March 2024, Austrade

Australia has a strong public balance sheet, with low levels of debt, resilient income and high productivity

General debt to GDP, 1993 to 2029F



Sovereign debt rating

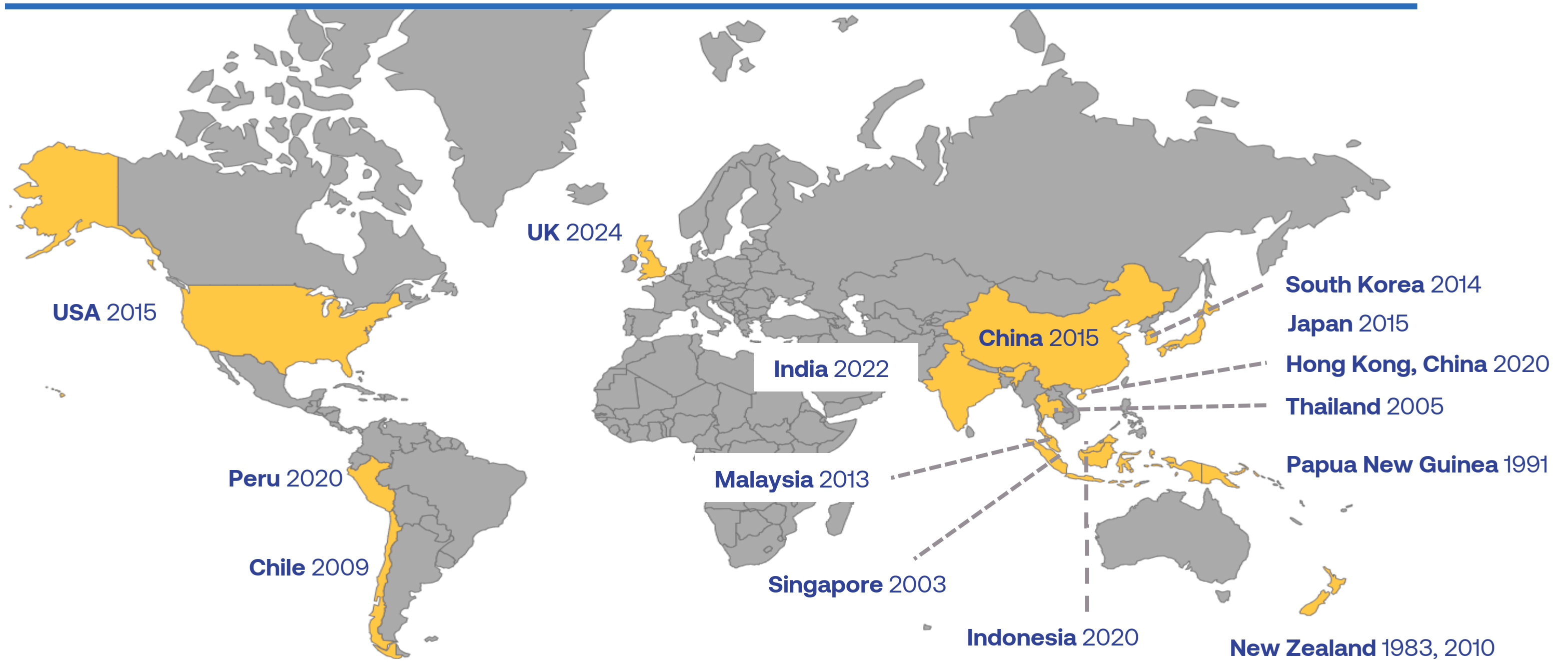
	S&P 2023	Moody's 2024
Australia	AAA	Aaa
Canada	AAA	Aaa
Switzerland	AAA	Aaa
Sweden	AAA	Aaa
United States	AAA	Aaa
United Kingdom	AAA	Aa3
Germany	AAA*	Aaa
Netherlands	AAA*	Aaa
France	AAA*	Aa2
Belgium	AAA*	Aa3
Italy	AAA*	Baa3
Japan	AA+	A1
Spain	AAA*	Baa1

- Strong growth and prudential austerity has limited **Australian General government debt to GDP has increased from 30% (1993) to 44% by 2029**. Over the same period, the G12 average is forecast to increase from 70% to 99%.
- The Australian Sovereign **risk rating ranked 1st based on credit ratings** from Fitch, Moody's and S&P.
- The Australian economy has the **second lowest risk score globally.**
- As the 2024 Federal Budget balance is expected to remain in surplus for a second consecutive year. The Treasury now expects a **surplus of $9.3 bn this financial year** - another upside surprise, due to better-than-expected outcomes for the government's largest revenue sources. This follows the FY23 surplus of $22.1 billion.

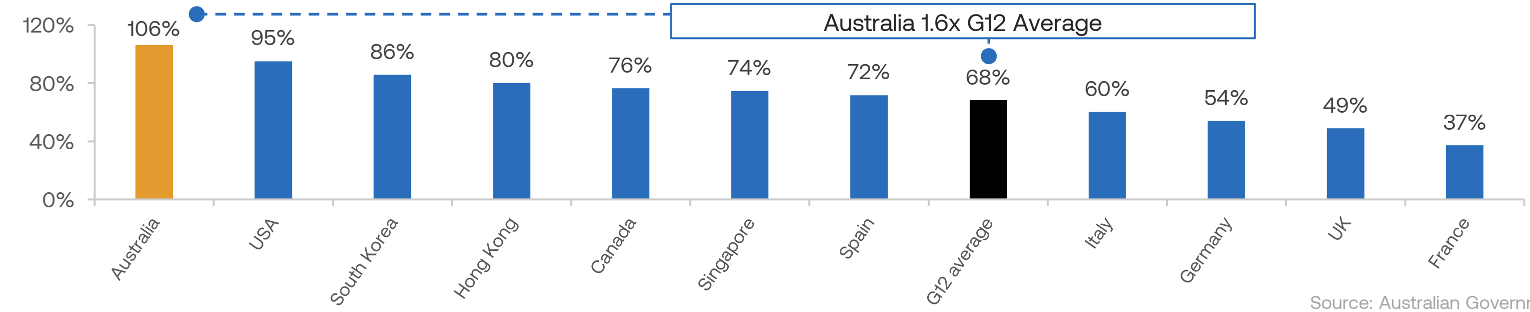
Source: IMF, IMD World Competitiveness Yearbook 2024, Oxford Economics, Federal Government, Charter Hall Research

Australia's strong trade liberalisation has promoted world-leading trade volume growth

Bi-lateral free trade agreements



Global goods trade volume growth (15 Years)



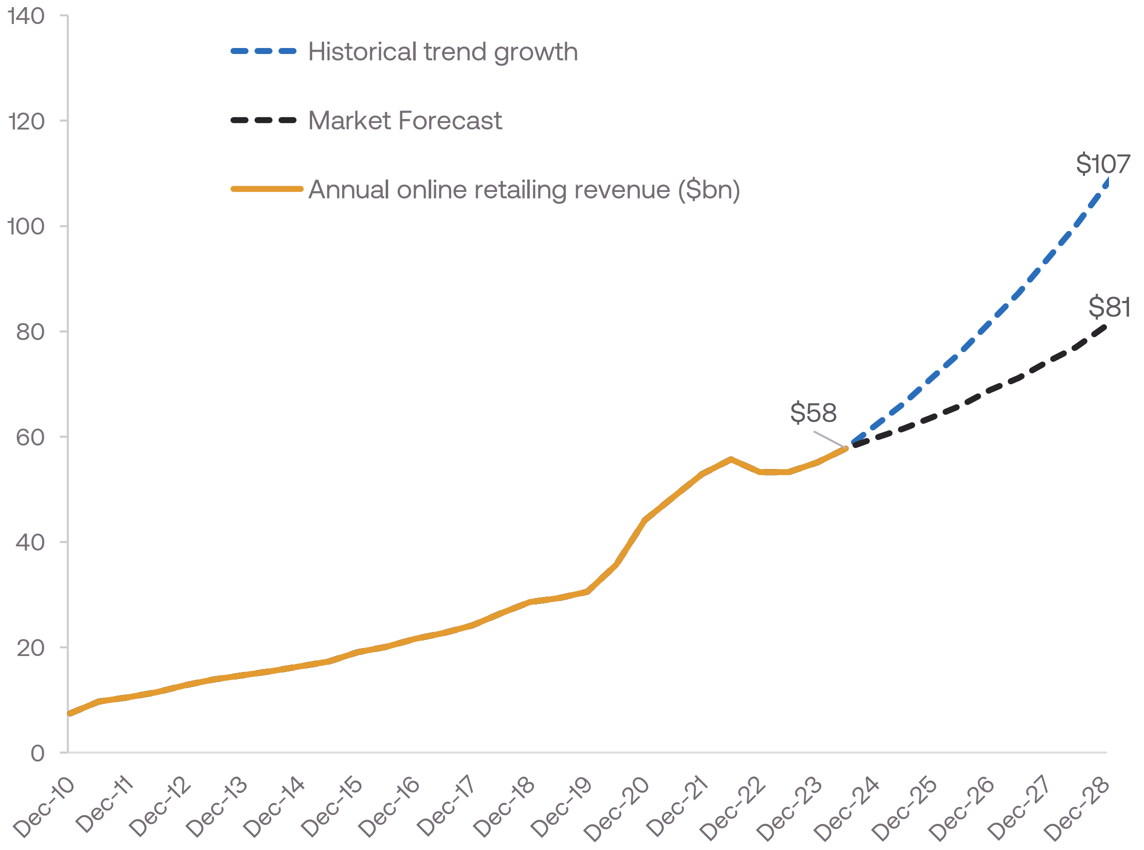
Australia's multi-party free trade agreements

	ASEAN-Australia-New Zealand Free Trade Area (2010-11)	Comprehensive and Progressive Agreement for Trans-Pacific Partnership (2018-19)	Regional Comprehensive Economic Partnership (2022)
New Zealand	●	●	●
Indonesia	●		●
Brunei	●		●
Singapore	●	●	●
Malaysia	●	●	●
Thailand	●		●
Philippines	●		
Vietnam	●	●	●
Cambodia	●		●
Laos	●		●
Myanmar	●		
China			●
Korea			●
Japan		●	●
Canada		●	
Mexico		●	
Peru		●	

Source: Australian Government (Dept. of Trade and Investment Commission), World Trade Organisation, Charter Hall Research. As of Jun-24

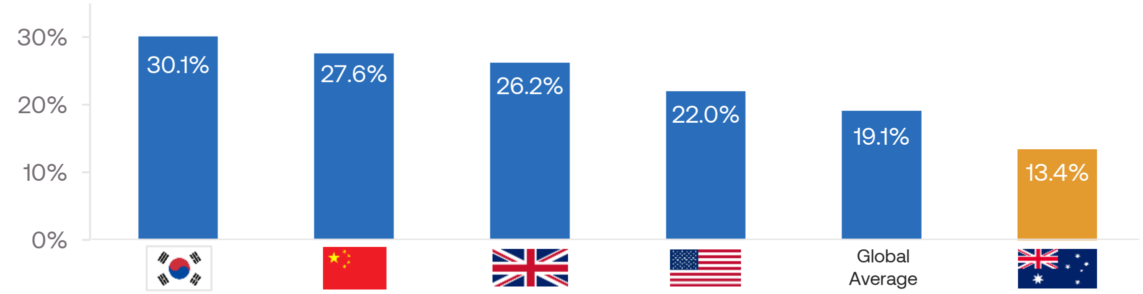
Online retailing growth could require an additional 1.9 to 4.0 million sqm I&L space over next five years

Online retailing growth and market consensus forecast ($bn)



- **Online retailing has continued to trend upward.** Technology advancements are improving the shopping user experience, delivery times, pricing and product offering. Additionally, shifts in consumer behavior continue to increase online consumption activity.
- Online retailing revenue reached $58 billion at June-2024. Over the past 13-years online retailing revenue has increased at 14.7% At this trend rate, **annual online retailing revenue is anticipated to increase to $107 billion by December-2028.** Market consensus* projections anticipate online retailing revenue will increase to $81 billion over the same period.
- Historically, online retailing revenue growth has more than doubled every five years. An additional $1 billion in online retailing sales translated in the ~80,000 sqm in I&L requirement. As such, **the Australian market could require an additional 1.9 million sqm to 4.0 million sqm over the next five years.**

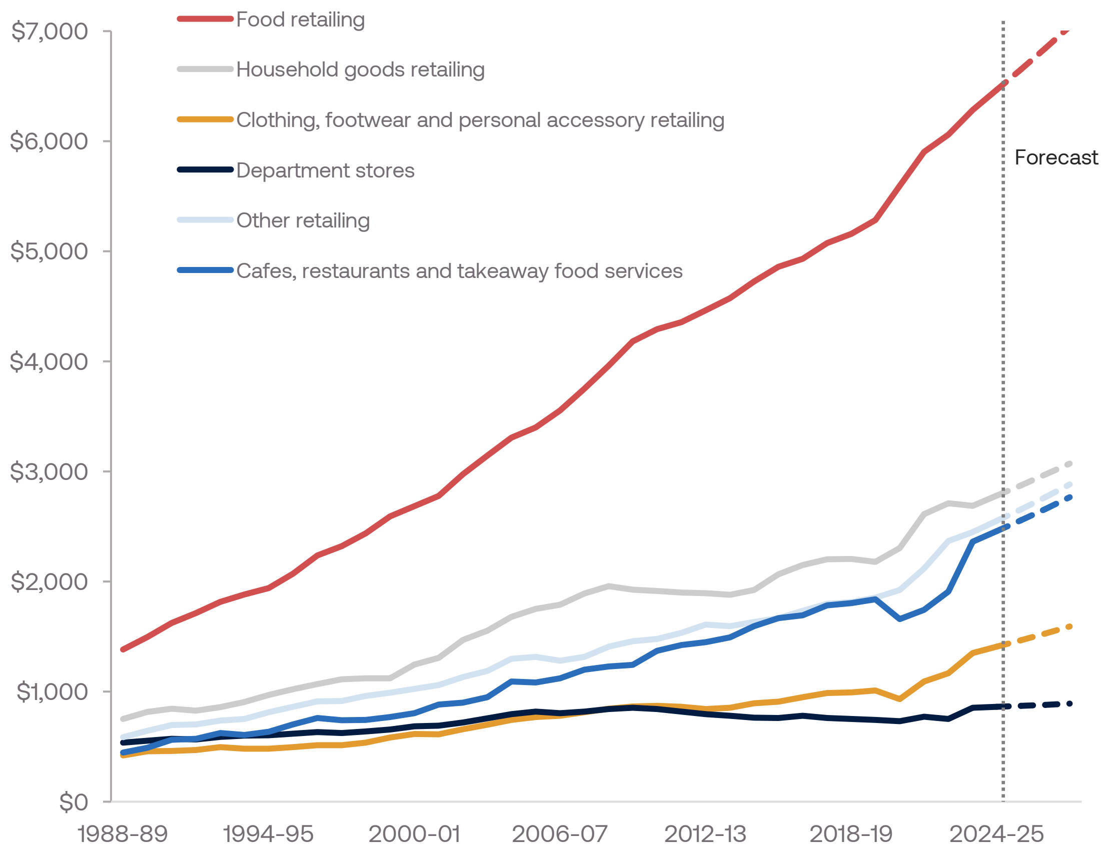
Australia remains an underpenetrated e-commerce market (as of 2023)



Source: ABS, Oxford Economics, CBRE, C&W, Statista, IbisWorld, Charter Hall Research

Australians have significantly increased consumption on non-discretionary and convenience retailing

Annual consumption per capita, by retail category ($)



Retail spending growth, by retail category (2-year and 25-year CAGR)

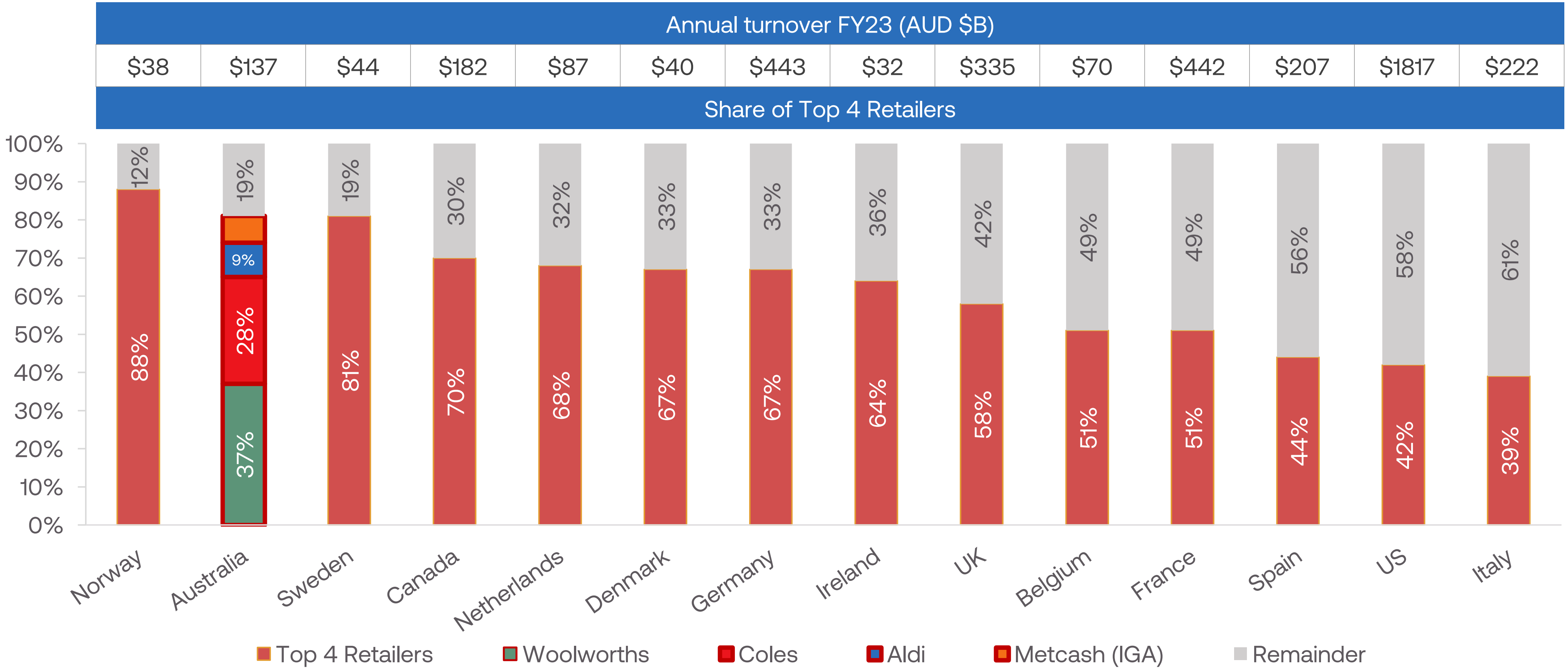
Category	Interest rate crisis 2-years (p.a)	25-years (p.a.)
Liquor	1.4%	7.3%
Cafés & restaurants	5.4%	6.4%
Pharmacy & cosmetics	4.4%	6.3%
Hardware & gardening	-1.8%	5.8%
Takeaway food	3.5%	5.3%
Supermarkets	5.1%	5.1%
Clothing	0.8%	5.0%
Household goods	-1.4%	4.9%
Electronics	-1.4%	4.3%
Footwear & accessories	1.0%	4.2%
Recreational goods	-1.0%	3.6%
Other specialised food	5.1%	3.0%
Department stores & DDS	1.1%	3.0%

Non-discretionary and convenience retailing growth have been significant

Source: ABS, Oxford Economics, Charter Hall Research

Australia has one of the most concentrated and high performing supermarket industries globally

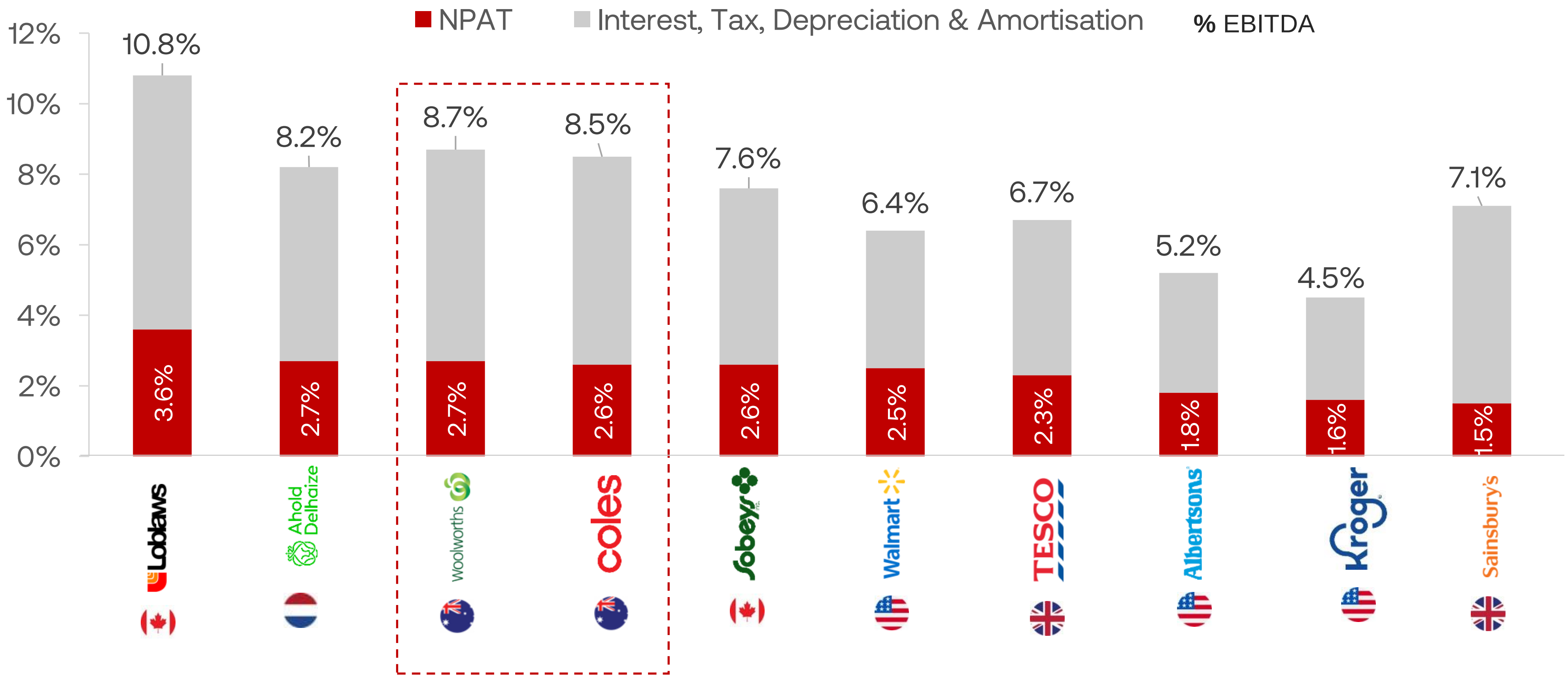
Top 4 grocery retailers market share & size of market (AUD $B)



Source: ABS, Coles Group, Company Reports, Charter Hall Research

Australia has one of the most concentrated and high performing supermarket industries globally

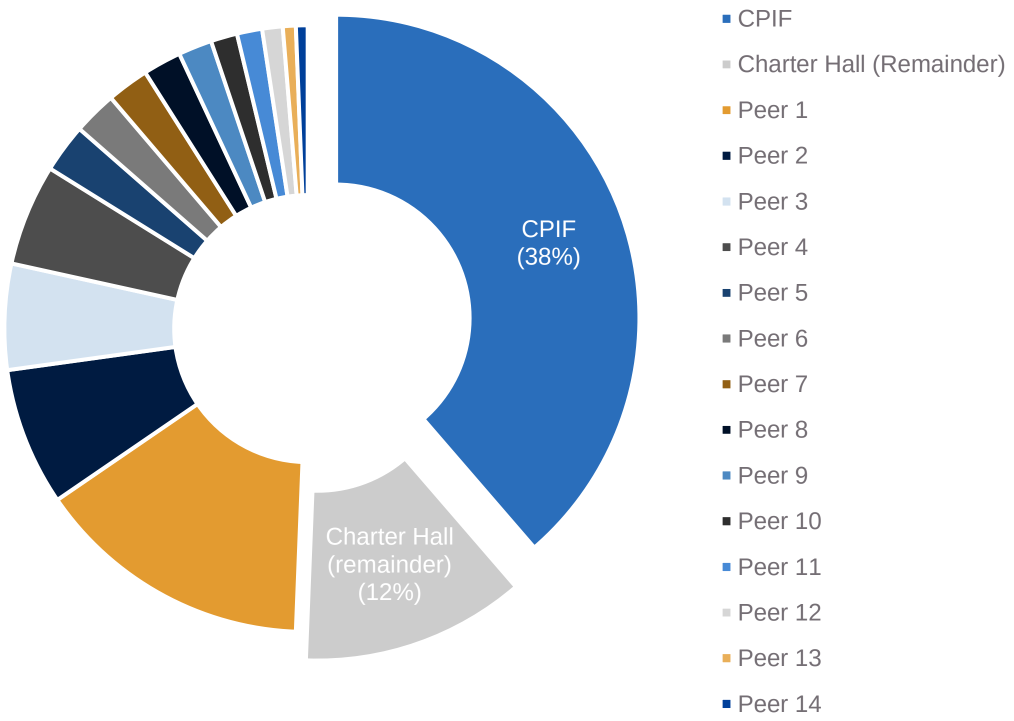
Woolworths and Coles maintain solid operating margins



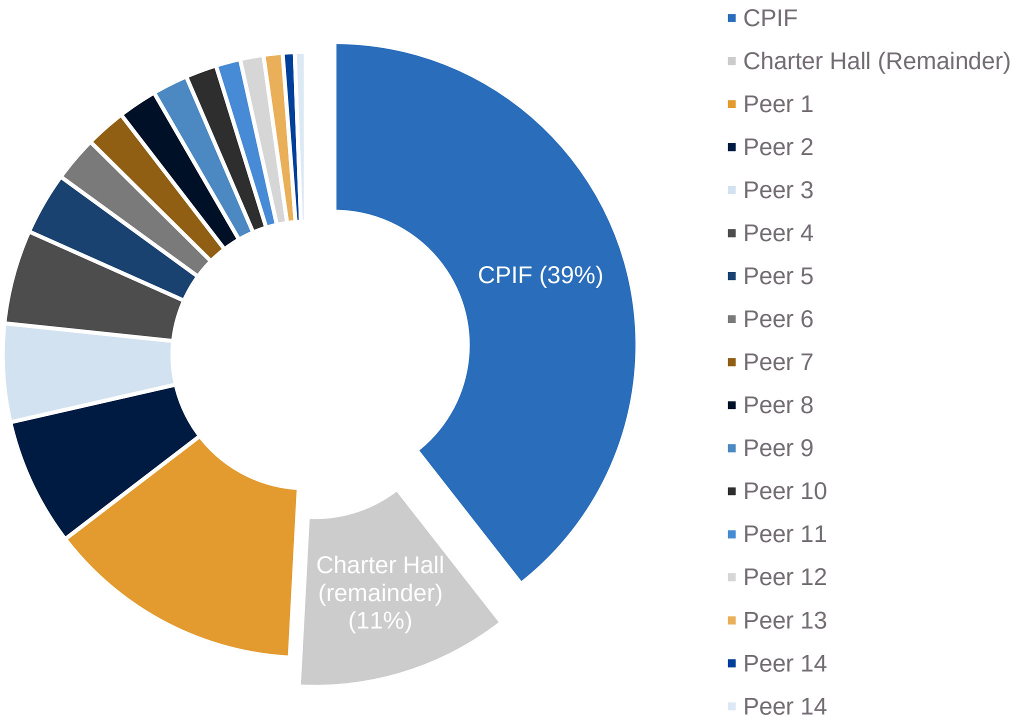
Source: ABS, Coles Group, Company Reports, Charter Hall Research *EBITDA and Annual Turnover based on retailer average of last available 3 years' reported financials

CPIF is the largest landlord to Australia's four largest grocery retailers (Coles, Woolworths, ALDI and Metcash)

Share of distribution centre ownership (as of Jun-24)



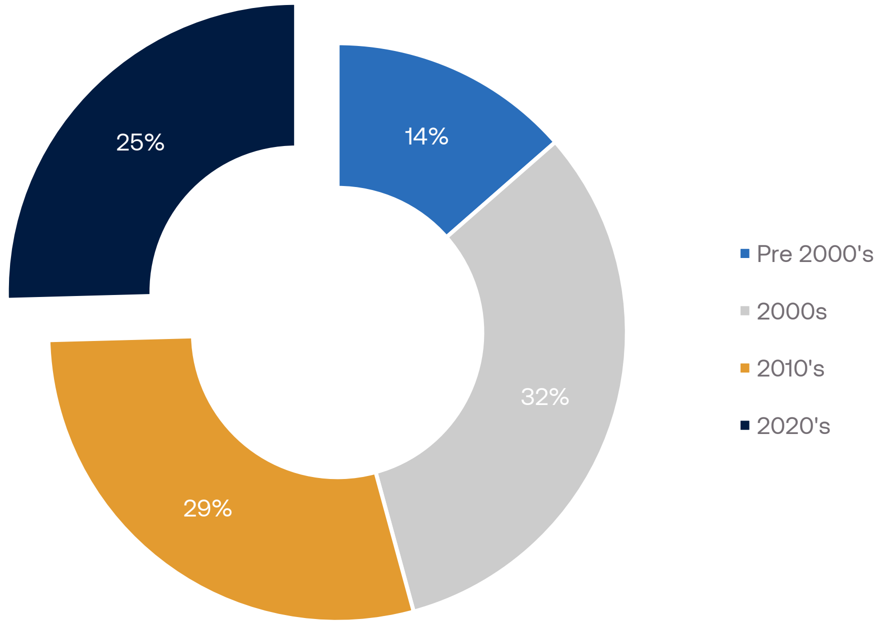
Share of distribution centre ownership (including developments due to complete by 2027)



Source: Charter Hall Research

Retailers are increasingly consolidating into newer facilities, with a quarter of all major grocery DC’s built since 2020

Age of distribution centres (Coles, Woolworths, ALDI and Metcash)



- 25% of the DCs currently operated by the four major grocery retailers (Coles, Woolworths, ALDI and Metcash) were built since 2020.
- Grocery retailers are increasingly consolidating into newer distribution centre facilities, as they incorporate greater automation into their operations.

coles Example of flight to quality:

- Heathwood, QLD (Built 2006)
- Forest Lake, QLD (Built 1999)
- Goulburn, NSW (Built 2007)

Recently closed DCs

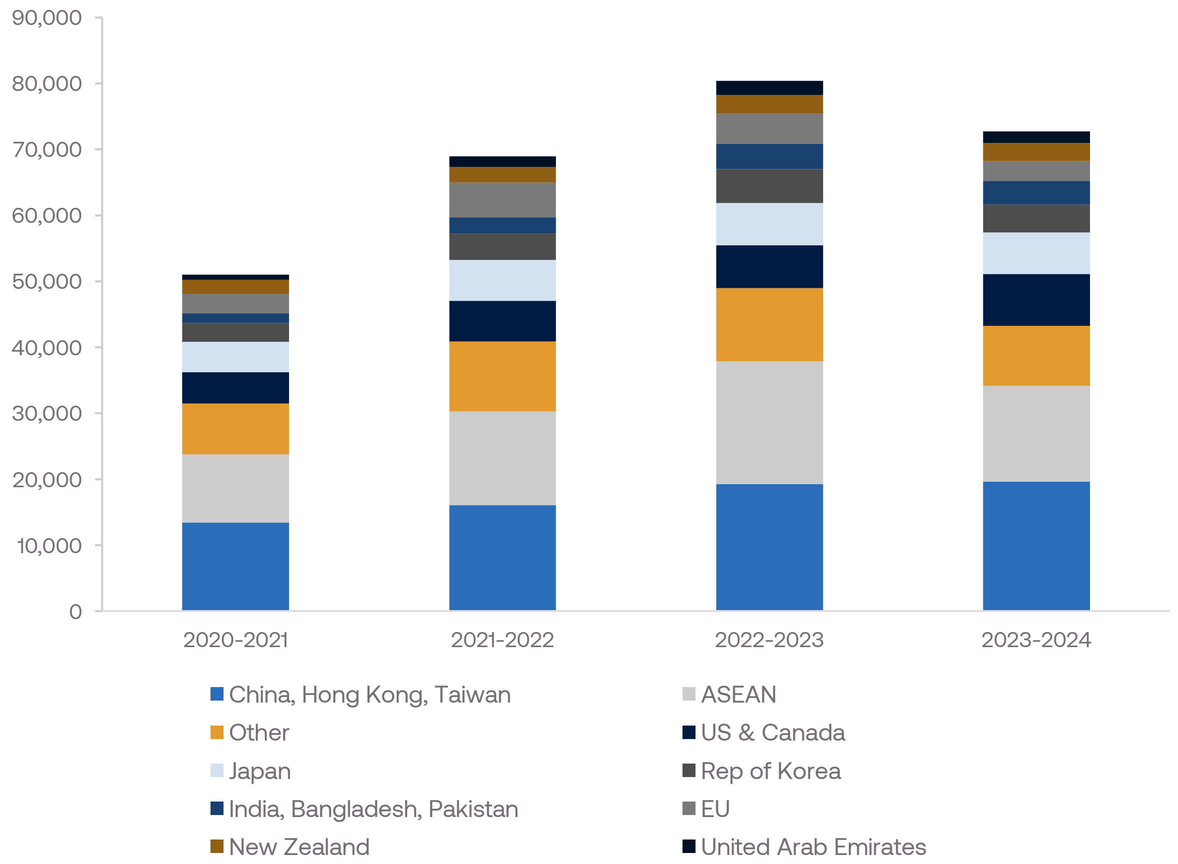
- Redbank Automated Distribution Centre, QLD (Built 2023)
- Kemps Creek Automated Distribution Centre, NSW (Built 2024)
- Wetherill Park Customer Fulfillment Centre, NSW (Built 2024)

Recently opened DCs

Source: Charter Hall Research

Australia is a large exporter of essential goods, with 72% of agricultural production exported globally

Agricultural, fisheries and forestry export volumes ($m) by market



Australian agriculture is export oriented, with 72% of agricultural production exported globally
Grains, oilseeds and pulses have been the largest growing export segment, followed by other horticulture and meat & live animals

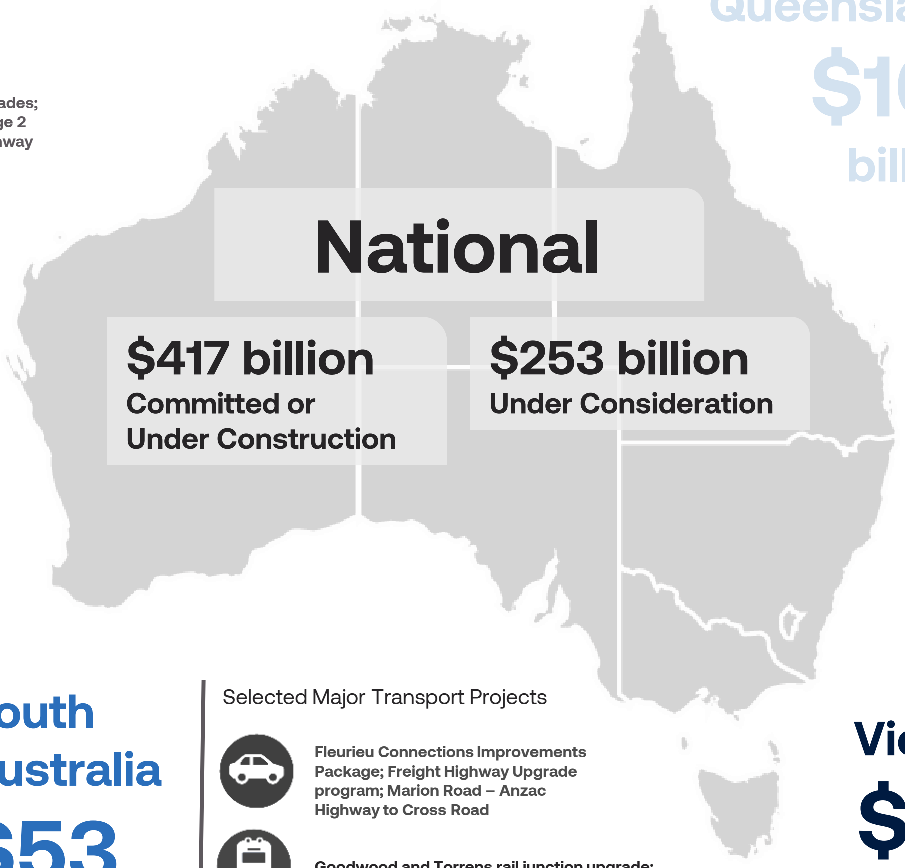
Record A$80 billions of agricultural exports in FY22-23, and second highest export levels in FY23-24 (A$73 billion)
China leads as the largest single export market, worth approximately $17 billion in 2023-24

45% of the pharmaceutical industry revenue in Australia will be made up of exports in FY23-24, with 80% of its domestically produced products exported to international markets
Australia boasts around 700 biotech and medtech companies, with a US$6.6 billion medical device market in 2023

Australia is world-class in its clinical trial capabilities, with around AU$1.6 billion investment each year, across ~1,000 new clinical trials
Australia ranks 11th globally in most secure intellectual property

Source: Dept of Agriculture, Fisheries and Forestry (ABARES) 2024, IBISWorld 2024, Austrade 2024, AusBiotech 2024 – Biotech sector fast facts, Fitch Solutions, Worldwide Medical Devices Market Factbook, Medicine Australia 2024,

Australia is benefitting from significant infrastructure development



Western Australia
$76 billion

Selected Major Transport Projects

- Tonkin Highway Corridor Upgrades; Bunbury Outer Ring Road (Stage 2 & 3); Manuwarra Red Dog Highway (Stage 4)
- Metronet; Kalgoorlie Rail Realignment and intermodal
- Phase 1 and Phase 2: international and domestic terminal facilities upgrade; New Runway Project

Queensland
$161 billion

Selected Major Transport Projects

- Coomera Connector (Stage 1); Brisbane Metro; Rockhampton Ring Road M1 Pacific motorway upgrade
- Amberley Interchange; Mayne Yard stabling facility; Loganlea train station upgrade and relocation
- Gold Coast Airport upgrades; Townsville Airport expansion; Brisbane Airport Terminal 3

NSW
$186 billion

Selected Major Transport Projects

- Western Sydney Harbour Tunnel; M6 Motorway; Sydney Gateway; Pacific Highway; M1 Pacific Motorway
- Sydney Metro City and Southwest; Sydney Metro Western Sydney Airport; Sydney Metro West
- Western Sydney Airport – Badgerys Creek

A historically-high infrastructure development pipeline will support I&L activity.

The new transportation projects will increase the efficiencies of goods movement, boosting import and export capabilities.

Prime assets will have access to larger populations at reduced travel times and costs.

The significant stimulatory effects through the development period will also increase I&L demand.

South Australia
$53 billion

Selected Major Transport Projects

- Fleurieu Connections Improvements Package; Freight Highway Upgrade program; Marion Road – Anzac Highway to Cross Road
- Goodwood and Torrens rail junction upgrade; Port Adelaide Rail Spur
- Adelaide Airport integrated airport upgrade plan

Victoria
$161 billion

Selected Major Transport Projects

- North East Link; West Gate Tunnel; Suburban Roads Upgrade; Western Highway Duplication
- Suburban Rail Loop Eastl Melbourne Metro Rail Project; Melbourne Tullamarine Airport Rail Link; Gelong Past Rail
- Melbourne Airport new north-south runway

Source: Deloitte Access Economics. Charter Hall Research

Australia has a world-leading mining industry with vast reserves of critical minerals, vital to global energy requirements

Australia's commodity reserves

Global Ranking	Resources
1	Iron ore, Zinc, Nickel
2	Lithium, Tantalum, Cobalt, Copper, Gold
4, 5, 6, 8	Manganese ore, Molybdenum, Rare earths, Graphite

Australia's commodity production

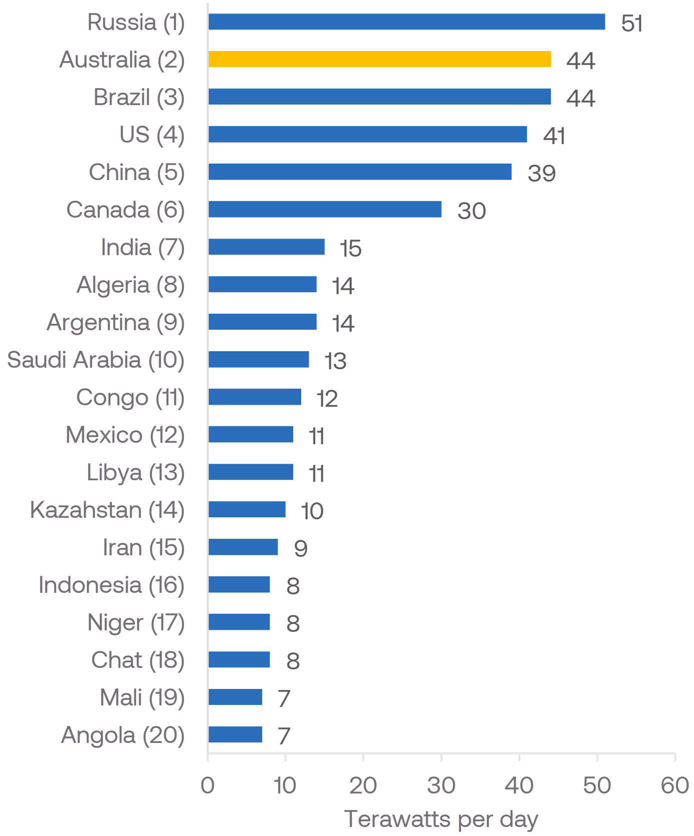
Global Ranking	Resources
1	Iron ore, Lithium
3	Zinc, Magnesium ore, Rare earths, Tantalum
4	Cobalt
5	Nickel
7, 8	Aluminium, Copper

- More than 260 new lithium, cobalt, nickel and copper mines will be needed by 2030 if the world is to meet global demand for minerals-intensive electric vehicles and energy storage batteries.
- **Australia - 1st largest producer of lithium and iron ore worldwide.** Lithium is in high global demand due to the popularity of lithium batteries, in addition to iron ore which is used for green steel production.
- **Australia - 1st largest known reserves of zinc, nickel and iron ore globally,** and is also becoming a key supplier of multiple rare earth minerals.
- **80%** of Australia's land mass is still largely unexplored, offering vast potential for discovering new mineral deposits – a promising destination for future investment.
- **Exploration expenditure over 2023 reached $4.26bn** – the highest level on record and well above the 10-year average of $2.54 billion.
- **Mining output has increased at 4.1% (CAGR)** over the past 20-years.

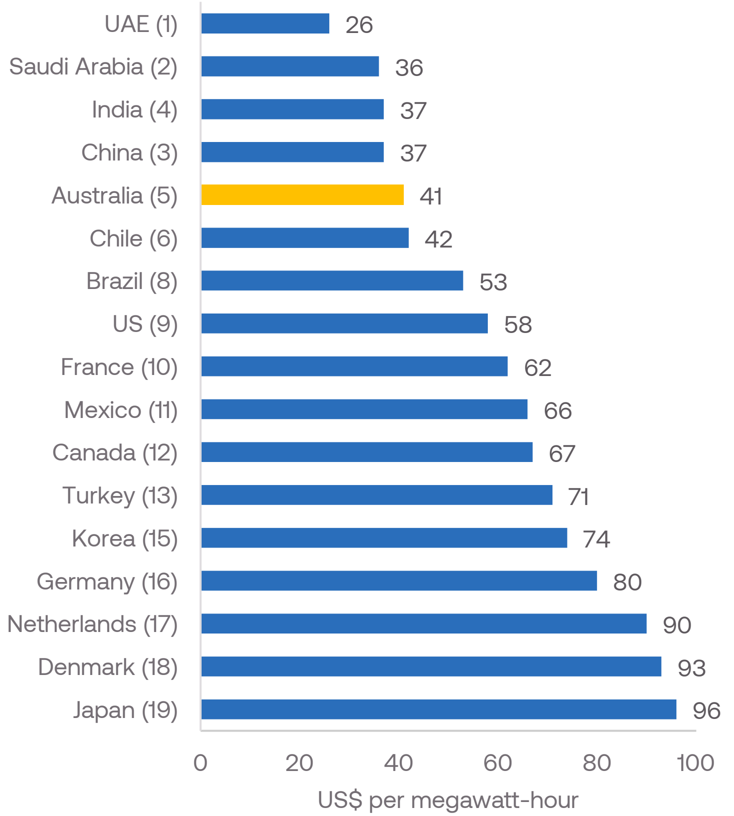
Source: Geoscience Australia, 2024, Deloitte Access Economics, Australia's Identified Mineral Resources; US Department of the Interior, 2024, Mineral Commodity Summaries; Austrade.

Australia is transitioning to a renewable energy global superpower

Australia has the 2nd highest potential for solar power globally



Australia is ranked 5th most affordable nation for large-scale solar power production



1st largest producer of solar energy per capita
Australia has the 2nd highest potential for solar power globally, benefitting from the world's highest level of solar radiation per sqm.
Australia now ranks as the 5th most affordable for solar, with costs falling by 91% from 2010 to 2024

+37,000 km² for future wind generation
Australia boasts some of the best wind resources, with vast onshore and offshore areas that have consistent, high-speed winds suitable for energy generation

A$300 billion in potential hydrogen investments
Australia is recognised by the International Energy Agency (IEA) as a global leader in hydrogen, with over 100 major hydrogen projects in active development

Source: Austrade 2024, World Bank 2023 & 2024, IRENA 2023, Renewable Power Generation Costs in 2022, Department of Climate Change, Energy, the Environment and Water 2024 - Australia's National Hydrogen Strategy & Australia's offshore wind areas, Geoscience Australia 2022, International Energy Agency, 2022 – Global Hydrogen Review

02

I&L sector benefiting from longer-term structural drivers of growth

Coles, Horsley Drive Logistics Hub, NSW

Structural drivers of demand – accommodating the growth in the population and online retailing

8.0 **million sqm for required over next 5 years**

Australia's population growth is forecast to lead global growth rates.

A larger volume of goods must be stored, distributed and consumed. Historically, an additional 4 sqm per person is required.

The vast majority of future population growth results from the skilled migration program, which sources younger and skilled workers from overseas.

This population has a greater propensity to consume, given the requirements of starting a new life in Australia.

~3.0 **million sqm required over next 5 years**

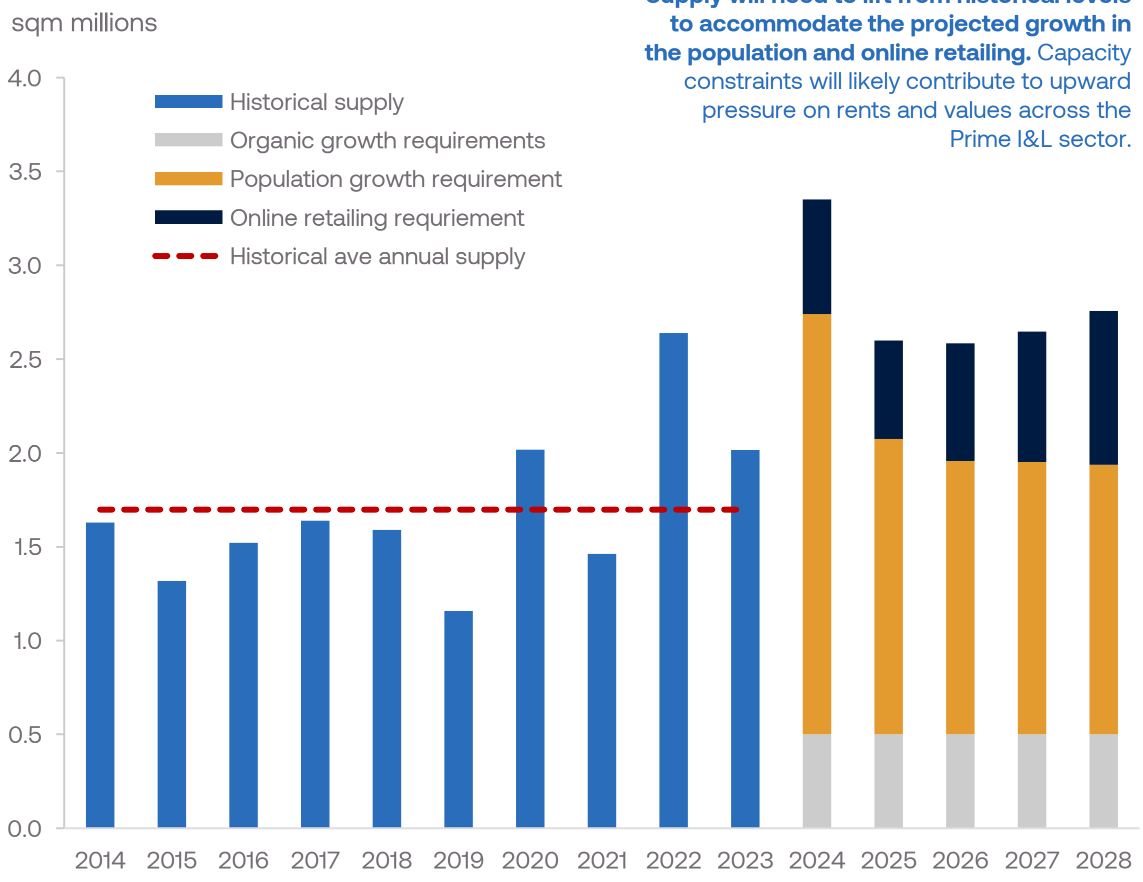
Australia's adoption of online retailing is still in growth phase, with online penetration rates and revenues lagging global markets.

Retailers continue to invest in online retailing fulfilment capabilities, while the evolution in technology and consumer behaviours accelerate demand.

Over the next five years, the I&L market is anticipated to require between 1.9 to 4.0 million sqm of modern space to service this demand.

Forecast I&L requirements from growth in online retailing and population

Supply will need to lift from historical levels to accommodate the projected growth in the population and online retailing. Capacity constraints will likely contribute to upward pressure on rents and values across the Prime I&L sector.



Source: Oxford Economics, NAB, JLL, Charter Hall Research

Data Centre demand surging in Australia – I&L market is racing to meet demand

Data centre demand has been significant. Supply has been limited by the availability of sites and power.

Transactional evidence demonstrating **land value premiums for data centres between 1.2x - 2.5x the value compared to traditional industrial uses.**

Australia is the 5th largest data centre market globally. By 2030, the market is forecast to increase by 2.4x. Total capacity to increase from 1,050MW to 2,500MW. Overall market size to increase from $11 bn to $25 billion.

Australian data centre activity continues

A skilled technical labour force

Tech-related jobs growth has been significant in Australia. Over the 3-years to June-24, total professional services employments has increased by 9.7%.

Comparatively lower delivery costs

Sydney and Melbourne market delivery are benchmarked at the 3rd and 4th lowest cost delivery markets in the APAC region, following Mumbai and Shanghai.

Delivery costs in both markets averaged US$9.25 per watt, below the global average of US$9.89 per watt.

Comparatively cheaper and reliable power

Australia's power is comparatively low by global standard, ~30% below the G12 nation average.

Australia's power system is reliable, with at least 99.998% of forecast customer demand to be met each year. Reviewed by the independent Reliability Panel, which includes large energy users, consumer groups, industry and the Australian Energy Market Operator (AEMO).

Well-regulated operating environment with high-levels of security and intellectual property.

Australia's 'Five Eyes' intelligence partners are Canada's Communications Security Establishment (CSE), the United Kingdom's Government Communications Headquarters (GCHQ), New Zealand's Government Communications Security Bureau (GCSB), and the United States' National Security Agency (NSA).

Source: ABS, Morgan Stanley, Turner and Townsend, AEMC, ASD, Charter Hall Research

Automation increasing demand for Prime I&L and experienced partners

- Higher labour costs, the advancement of technological capabilities and requirements for efficiency continue to drive an increased penetration of automated solutions. **Investment in warehouse automation is forecast to increase by 13% CAGR to 2030.**
- Tenants typically spend **between 50% to 100% of the asset value on automation equipment**, with a high integration to the facility.
- Given the higher upfront costs, automated facilities are attractive to high quality tenants with strong balance sheets.
- The larger imbedded investment if offset over longer payback periods. As such, **highly-automated facilities are typically secured by long term (typically 15+ year) leases and high-quality tenants**. Feasibilities are typically contingent on modern, high-quality assets in premium locations.
- These tenants seek to partner with experienced landlords and project managers.

Timeline: Select Infra-logistics facilities acquired and developed by CPIF

Richlands DF, QLD – Coca Cola

Modern, automated industrial facility acquired via a SLB[2] with Coca-Cola.

- 81,000sqm
- 20-year Triple Net Lease

Huntingwood DF, NSW – Arnott's

Food production and automated high bay facility acquired via a SLB[2] with Arnott's.

- 53,000sqm
- 32-year Triple Net Lease

Tarneit LH, NSW – ALDI

CPIF is currently developing a purpose-built automated distribution centre for ALDI.

- ~95,000sqm
- 20-year lease
- YOC structure

2017 | 2018 | 2019 | 2022 | June 2024 | 2026

Dandenong DC, VIC – Woolworths

CPIF partnered with Woolworths to developed the first ever fully automated grocery distribution centre in Australia.

- 69,000sqm
- 20-year Triple Net Lease

Coles Ocado Facilities - (NSW/VIC)

CPIF partnered with Coles to develop two purpose-built fully automated fulfilment centres in Sydney and Melbourne.

- 43,000sqm facilities
- 15-year leases

Light Horse LH, NSW – Woolworths

CPIF is currently developing a purpose-built automated distribution centre for Woolworths.

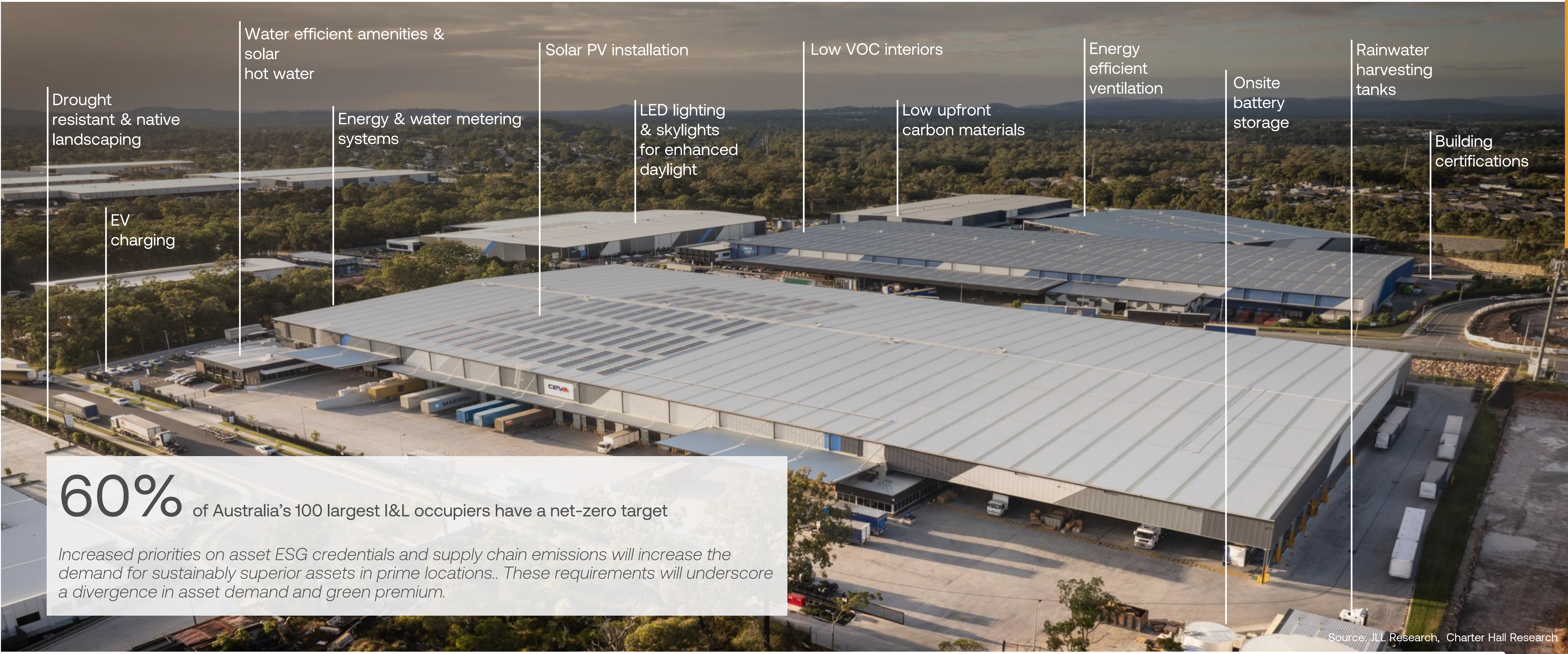
- ~88,000sqm
- 20-year lease
- YOC structure

1) Including committed pre-lease developments.
2) SLB: Sale and Lease Back.

Source: CPIF, McKinsey, Charter Hall Research

Sustainable and energy efficient buildings

ESG credentials are driving market divergence



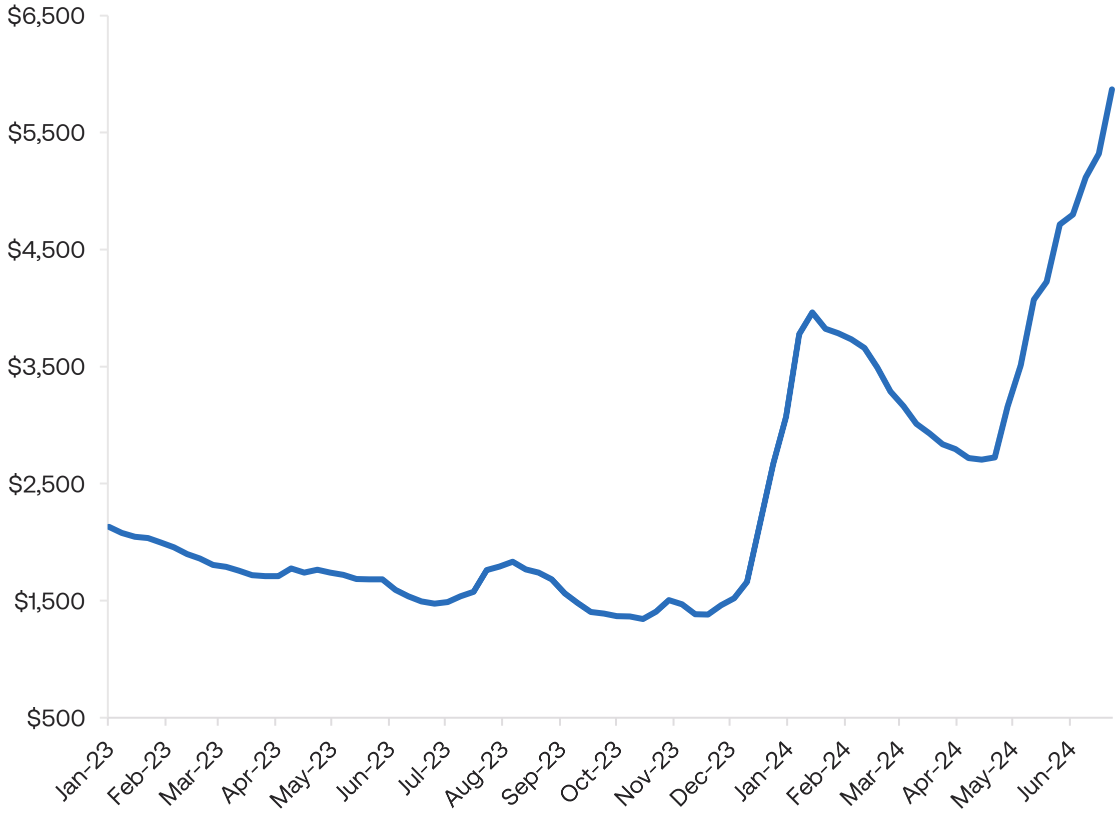
60% of Australia's 100 largest I&L occupiers have a net-zero target

Increased priorities on asset ESG credentials and supply chain emissions will increase the demand for sustainably superior assets in prime locations.. These requirements will underscore a divergence in asset demand and green premium.

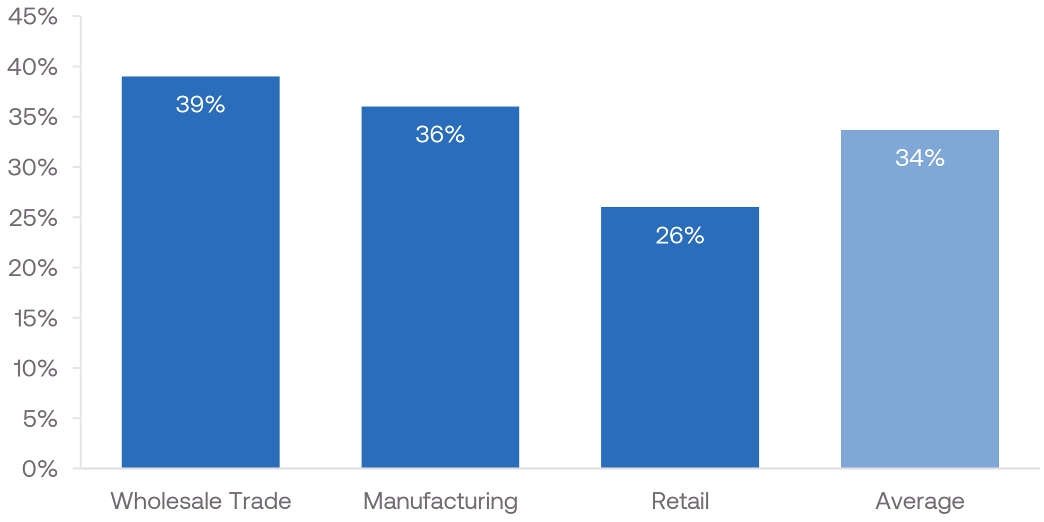
Source: JLL Research, Charter Hall Research

Priorities on supply chain resilience resulting in higher inventory holding levels

Global container spot prices continue to be volatile (US$/40ft container)



Growth in Australian inventory levels between Mar-20 to Mar-24



34% Inventory level above pre-COVID period

In the aftermath of the Pandemic, the focus on supply chain reliance intensified.

In a heighted geo-political environment, operators are holding higher inventory levels – particularly for essential items.

Source: Drewry – World Container Index, C&W. Charter Hall Research

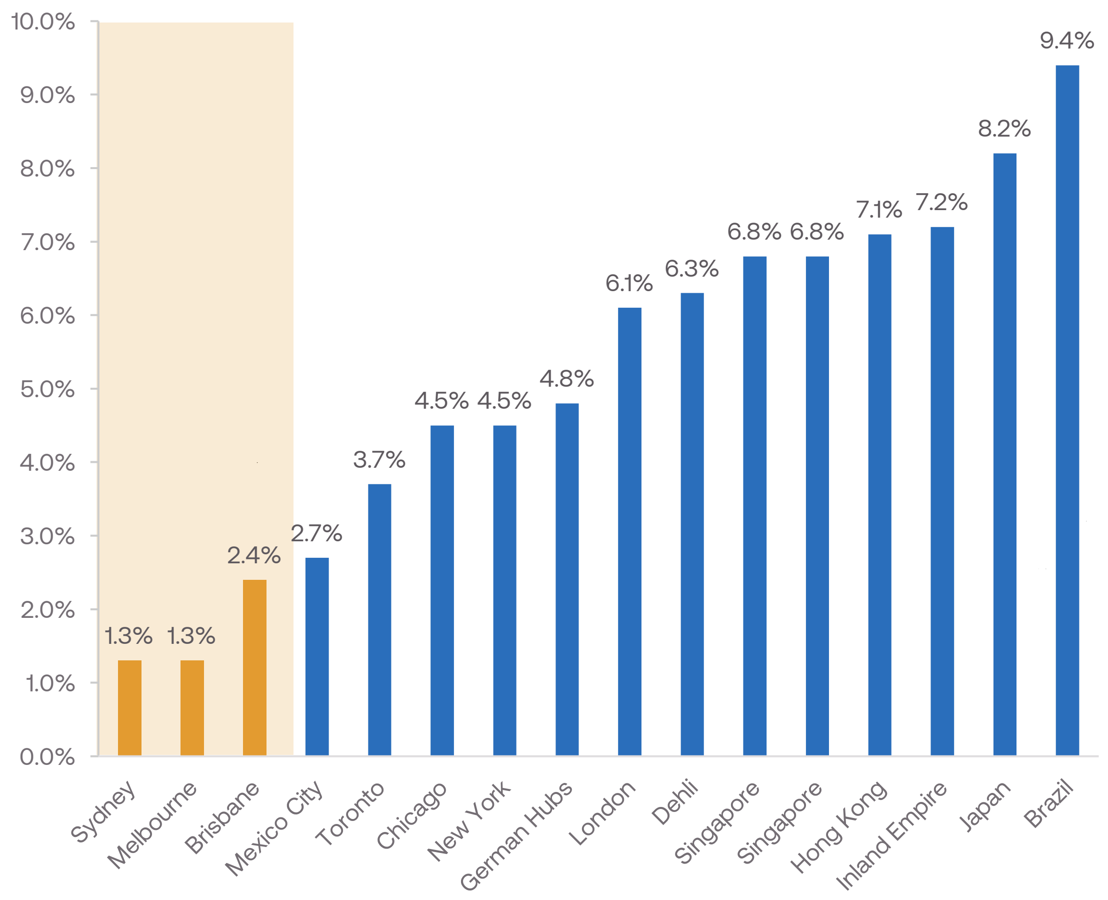
03

Why now?
Market positioned for accelerated value growth

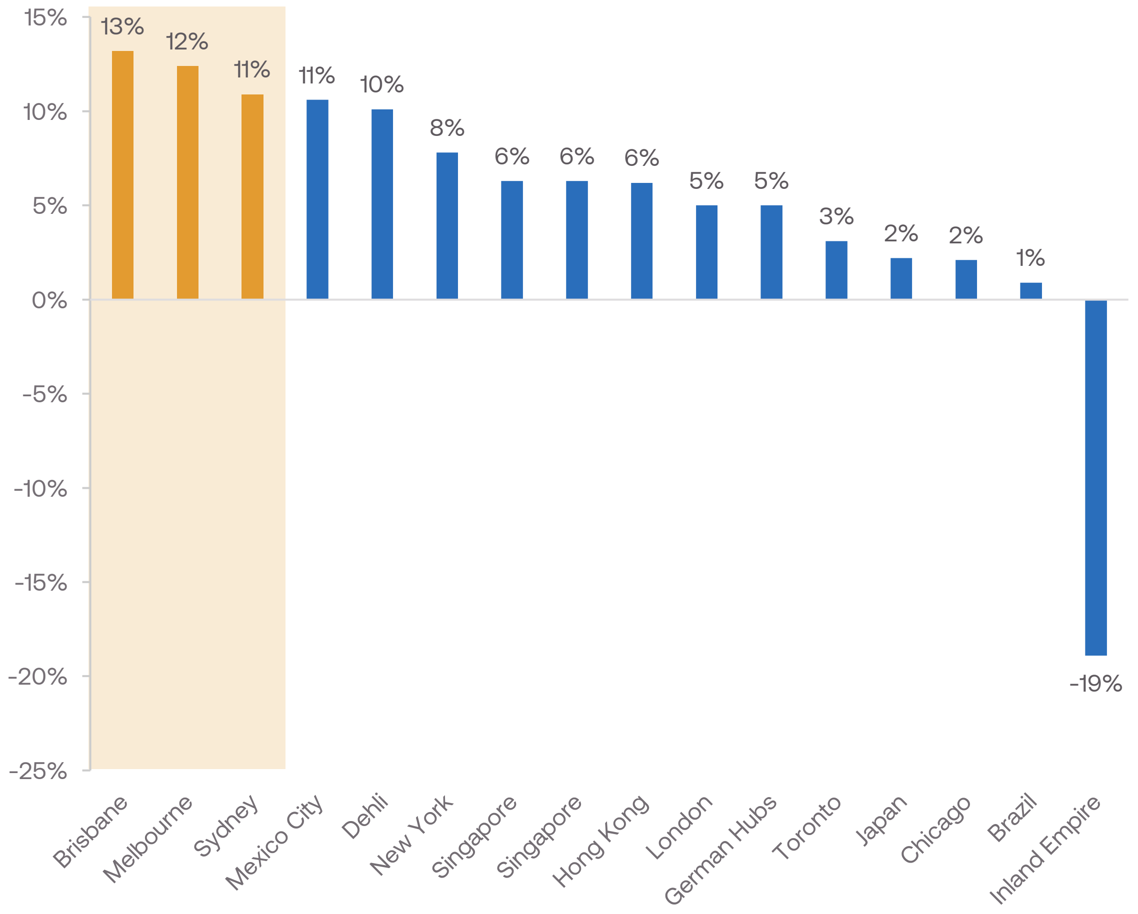
Woolworths, Dandenong Distribution Centre, VIC

Australian markets have the lowest vacancy rates and highest rental growth globally

I&L Vacancy rate, by market (% at 2Q24)



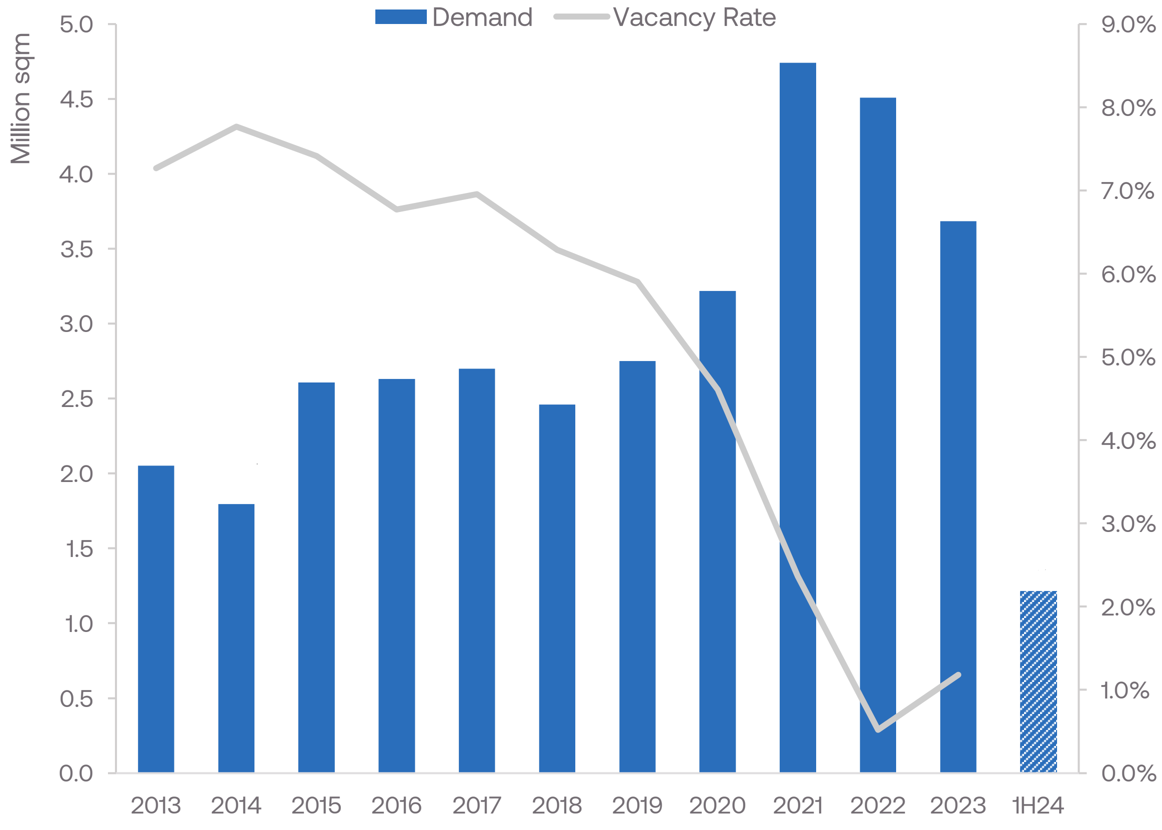
I&L annual rental growth, by city (% at 2Q24)



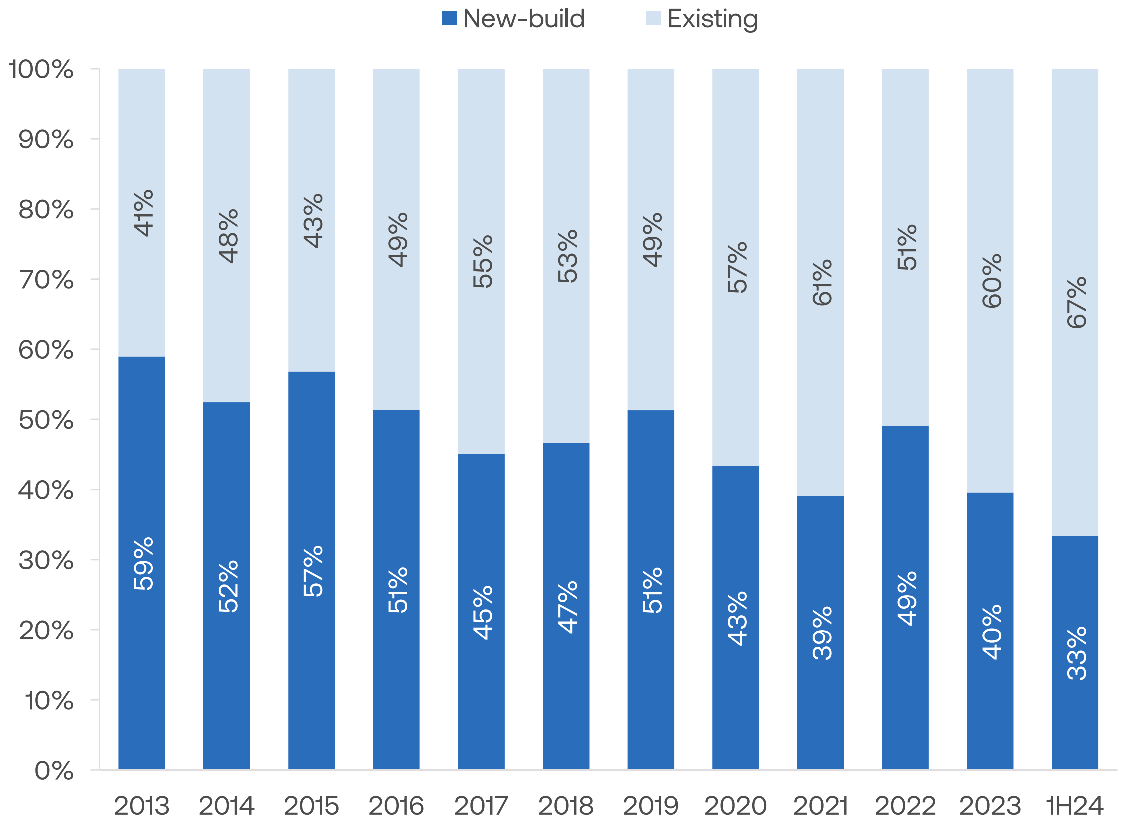
Source: Cushman & Wakefield Research, Charter Hall Research

A lack of vacant stock has limited leasing volume growth, with existing assets representing a greater volume of recent leasing activity given the insufficient supply

National leasing volumes (LHS) and vacancy rate (RHS)



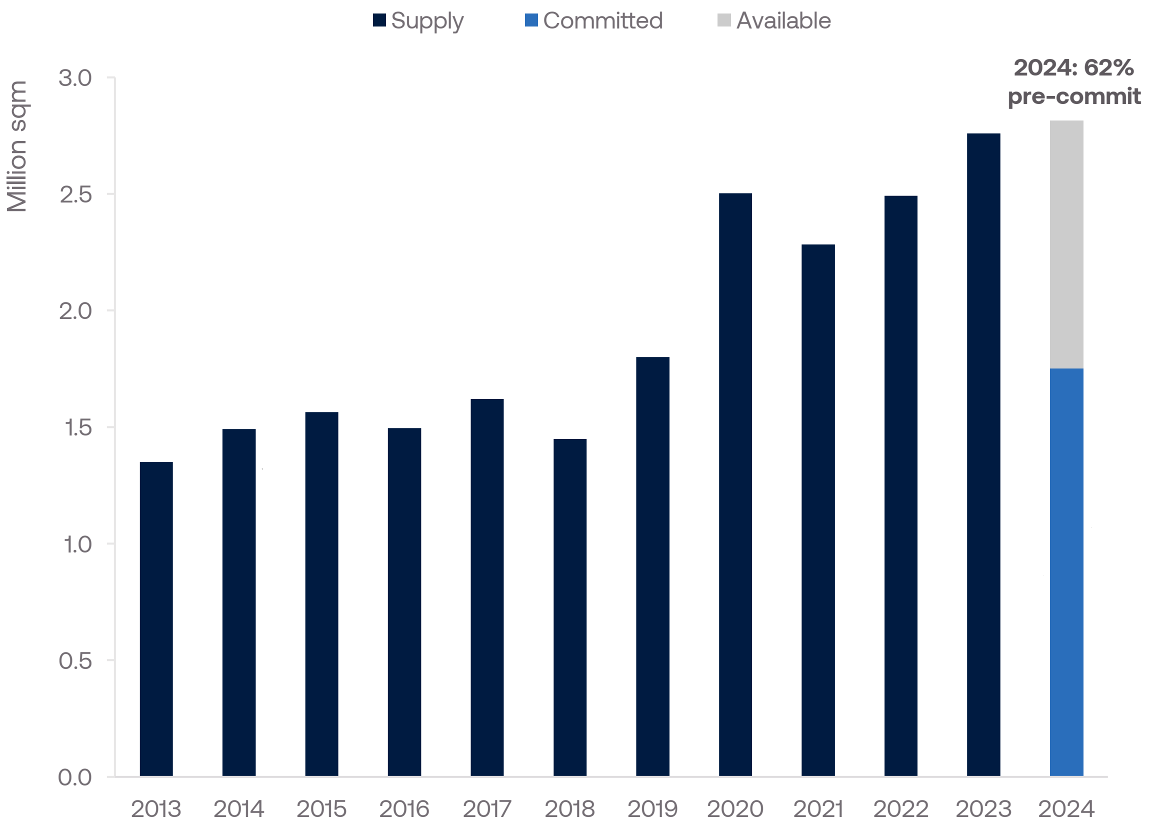
New build vs existing asset leasing breakdown



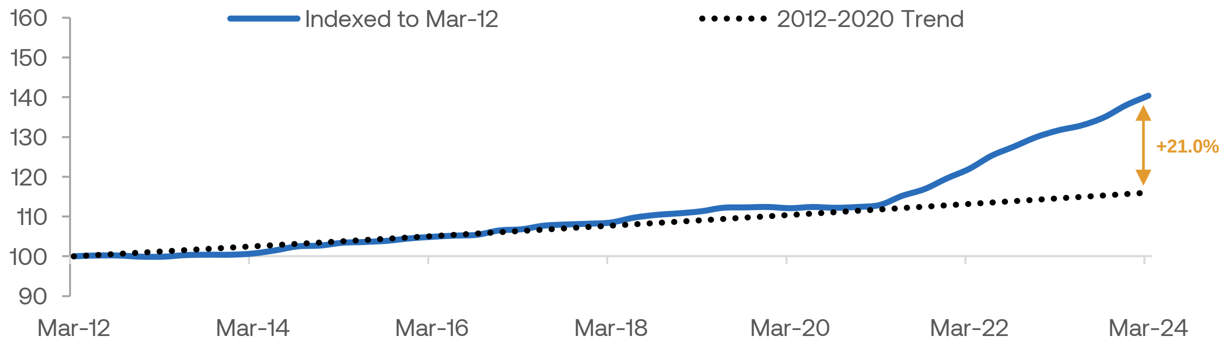
Source: Cushman & Wakefield Research, JLL Research, Charter Hall Research

Forward looking supply capacity continues to be challenged, continuing to place upward pressure on economic rents

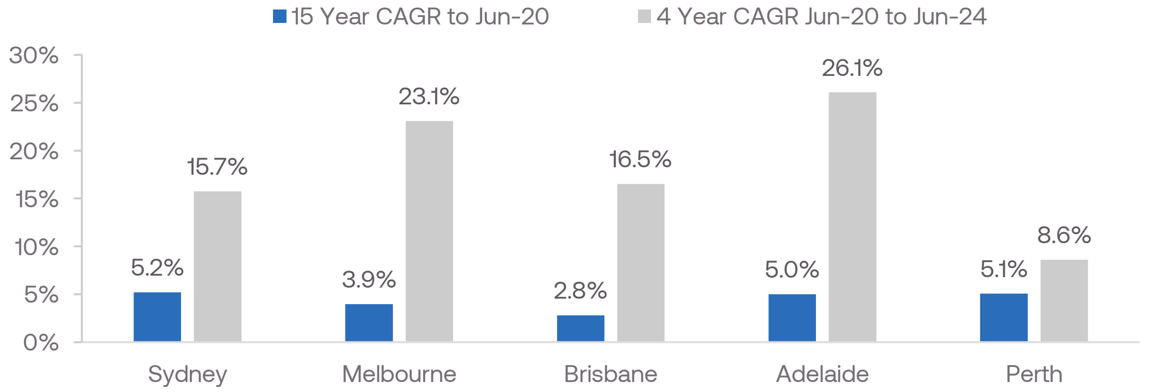
High levels of pre-commitment are reducing forward supply



Restrictive construction costs



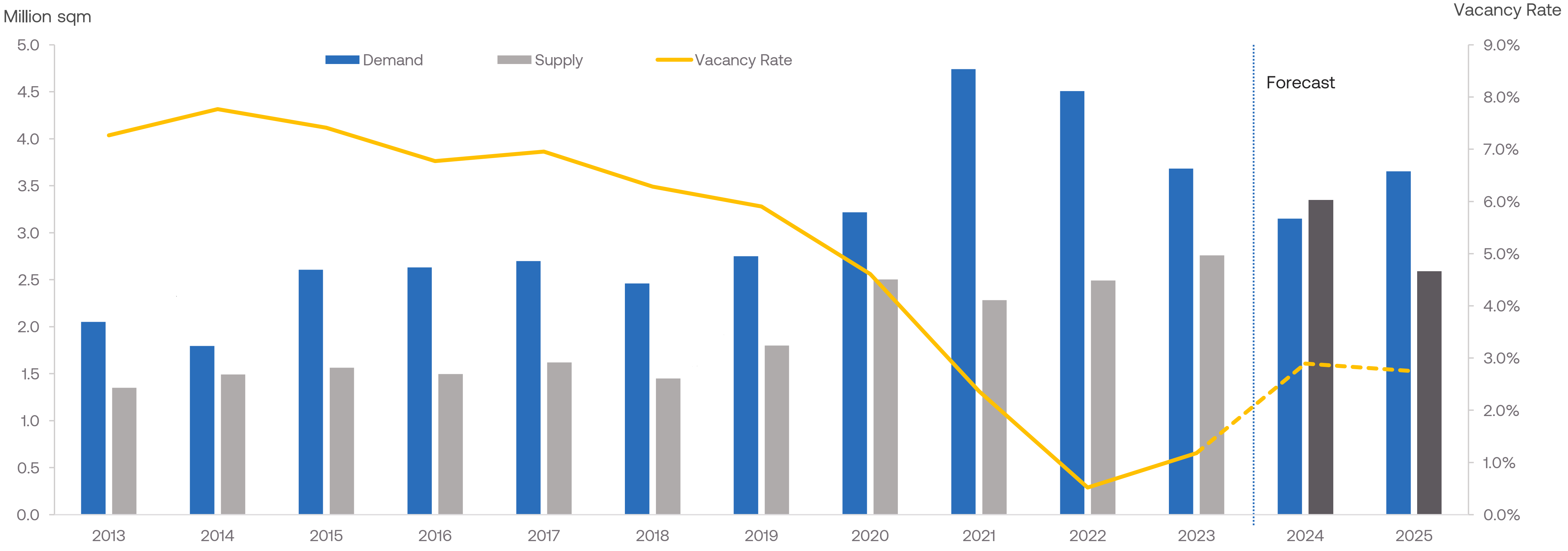
Land value growth has accelerated



Source: Cushman & Wakefield Research, ABS, Charter Hall Research

Solid demand and restrictive supply will support solid market balance

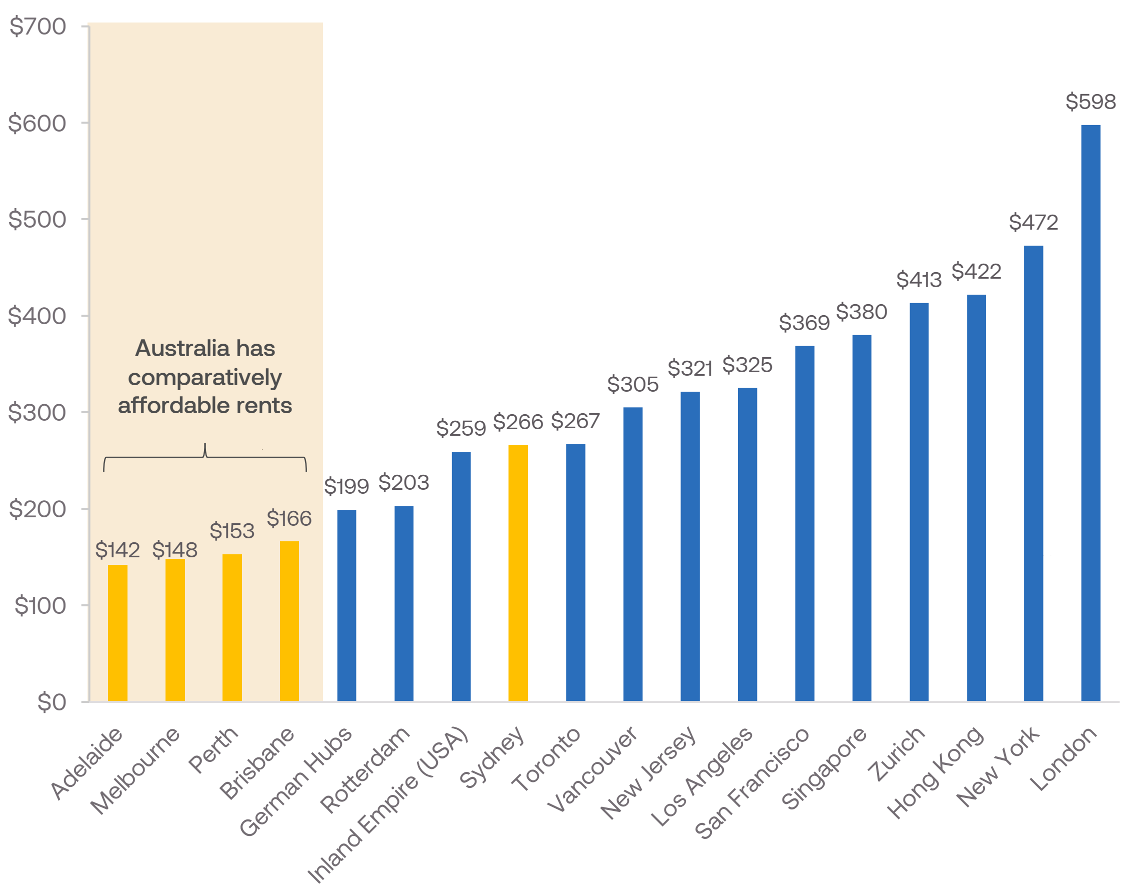
Historic and forecast demand, supply and vacancy rates



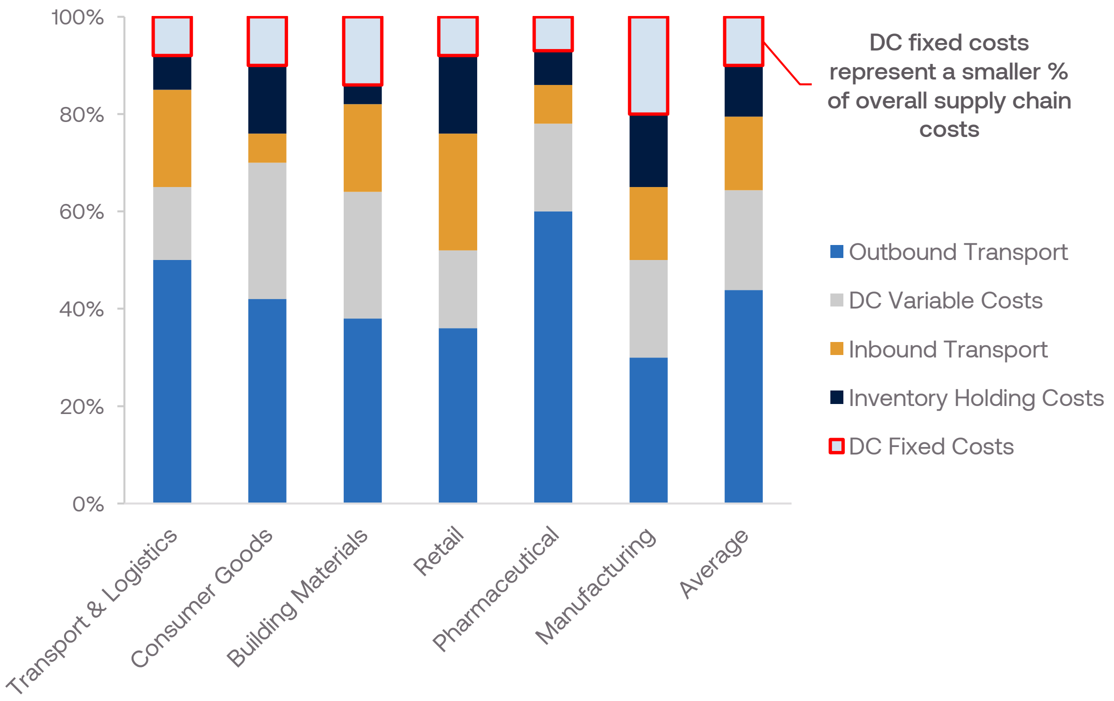
Note: Demand forecast from Cushman & Wakefield Research, Supply forecast from Charter Hall Research
Source: Cushman & Wakefield Research, Charter Hall Research

Australia remains an affordable core I&L market - Despite the material rise in rents over recent years, the market has capacity for continued growth

Rents, by market ($/sqm at 2Q24)



Supply chain cost breakdown, by sector (%)

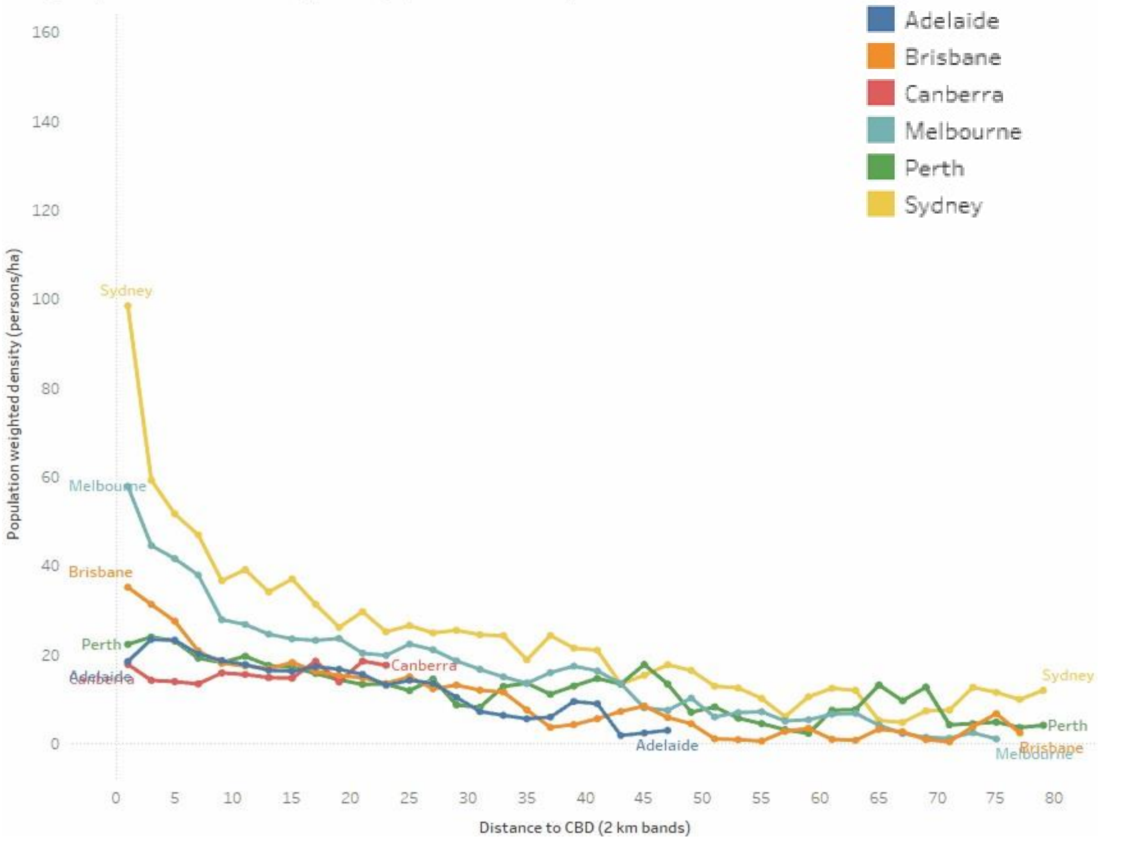


Real estate costs represent a low proportion of supply chain costs. The higher fuel, labour and transportation costs coupled with a focus on sustainability have increased the importance of high-quality locations.

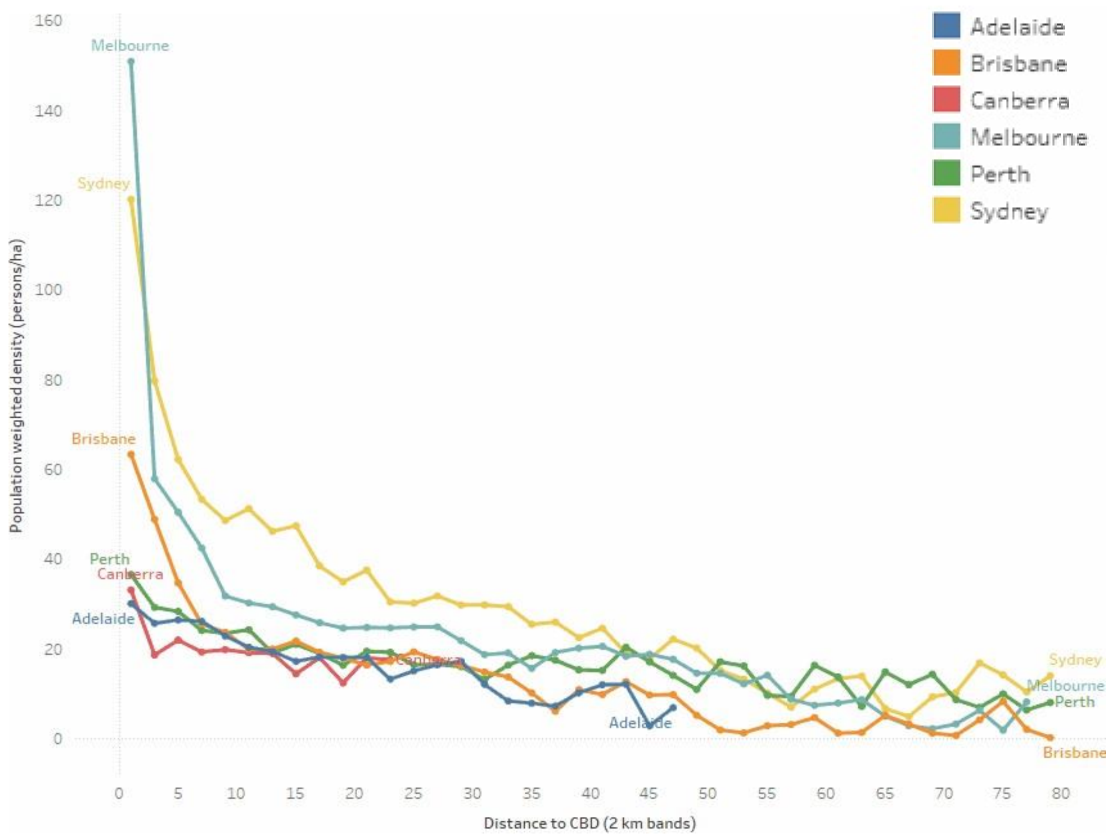
Source: Cushman & Wakefield Research, Charter Hall Research

Australia's inner-city areas have become increasingly dense, intensifying demand for well-located assets and generating land value and rental growth

2006 – Density by distance to CBD



2022 - Density by distance to CBD



Source: ABS, Charting Transport, Charter Hall Research

CPIF rents outperform prime market averages, with the portfolio well-located within 85% of Australia's capital city population

Rents ($/sqm) – CPIF GAV weighted vs JLL prime average

Note: CPIF rents are weighted by portfolio market GAV and are based on market rents as of the June of that financial year. JLL rents are an average of the prime rents for all markets in Australia, utilising the December prime rent six months prior to the CPIF rent comparison. This is to account for the two-quarter lag in valuations.

CPIF portfolio drive time analysis

Population Reach

CPIF's portfolio can service **85% of Australia's capital city population within a 30-minute drive**, providing access to 15.0 million persons. With the assets located in key growth markets, population reach is expected to increase to 17.5 million persons by 2033.

Household incomes

Household income levels within a 30-minute drive of CPIF's portfolio are **4.8% higher than the national average**, supporting higher levels of discretionary retail spend, including e-commerce.

Retail Spend Pool

CPIF's portfolio provides access to a total retail expenditure pool of $234.1 billion within a 30-minute drive, **representing 88% of Australia's capital city total spend pool** (53% of national spend pool). The portfolio can access $55.0 billion in consumer supermarket spend within a 30-minute drive time.

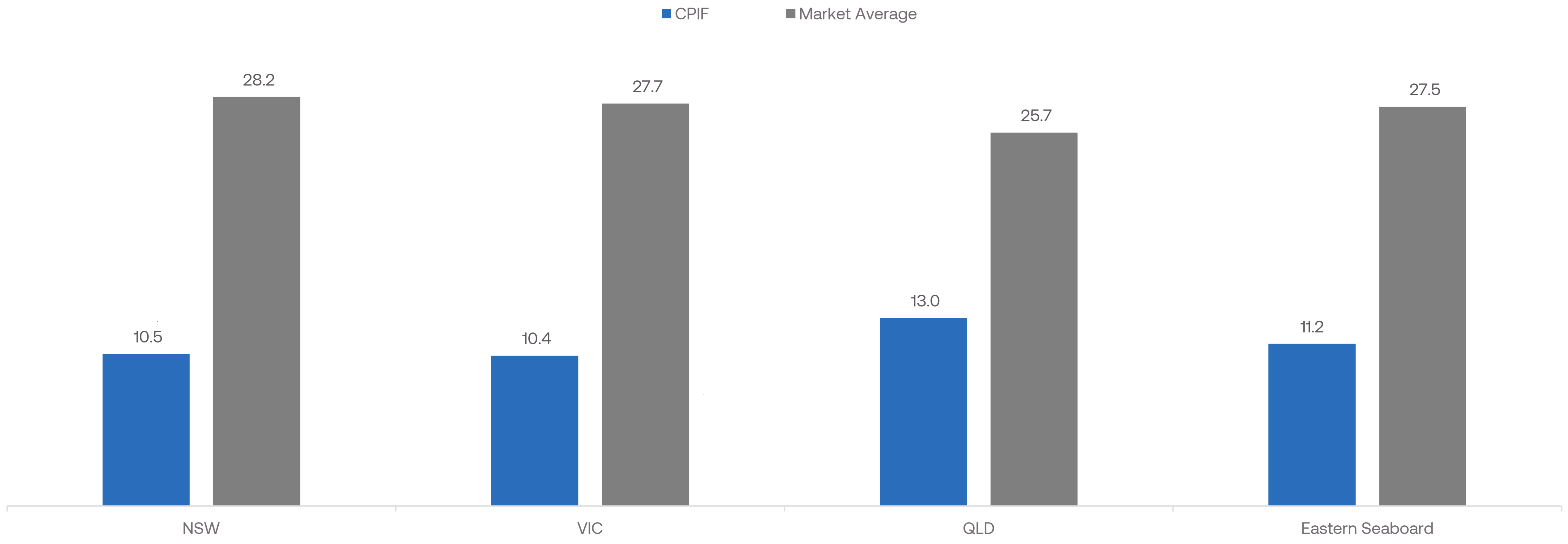
E-Commerce Spend

Within a 30-minute drive time of the CPIF portfolio**, e-commerce spend totals $41.6 billion, representing an online penetration rate of 17.8%.** This is substantially above the national average of 13.4% (NAB estimates).

Source: JLL Research, Cushman & Wakefield Research, ABS, NAB, Charter Hall Research

CPIF's portfolio is well positioned to attract strong covenant tenants, as they seek newer assets which fit their requirements for automation and ESG

CPIF average building age vs market average

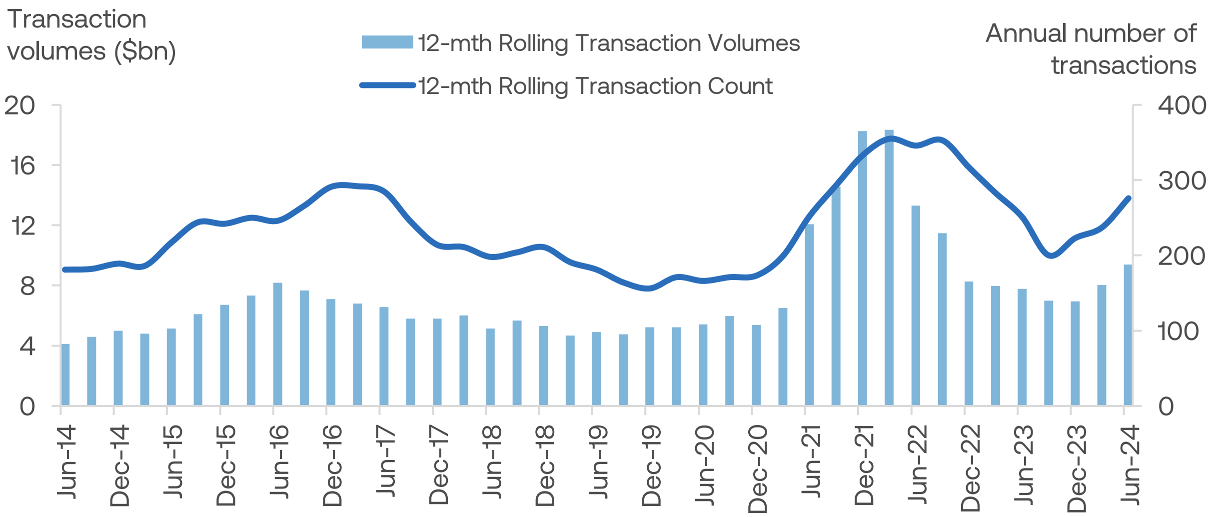


Source: CPIF, SA1, Charter Hall Research

Market is poised for period of accelerated value growth

- **Rates passing inflection point** – Economic activity expected to benefit from normalisation in rates. Consumption activity also supported by tax cuts, mandated minimum wage increases, cost-relief fiscal support and real income growth.
- **Yields approaching compression cycle –** Rate of market cap rate expansion significantly slowed over recent quarters, following an increase of between 140 bps to 180 bps since mid-2022. Forecasts anticipate a commencement of compression cycle as yields accompany declining rates.
- **Above trend rental growth and low vacancy to support strong value growth** – Market continues to benefit from material rental growth (15.9% past 12-months) and low levels of vacancy (1.6%). This combined with forecast cap rate compression is anticipated to underscore accelerated recovery.
- **Transaction activity increasing** – stabilisation of yields and conviction in forward outlook have supported greater transaction activity.

Confidence in recovery has led to a rebound in transaction activity



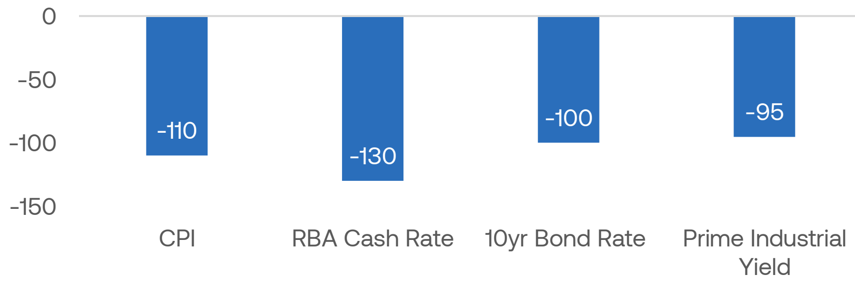
Historical market contraction summary

	1990's Recession & CRE Crash	2008 Credit Market Peak & GFC	2022 –2024 Inflation Crisis
No. of Quarters	15	7	8
Cap. Rate (bps)	+ 139 bps	+ 176 bps	+180 bps

Historical market expansion summary

	Jun-93 to Dec-07	Sep-09 to Jun-22
No. of Quarters	58	51
Capital Value Growth (%)	+158.9%	+222.7%
Capital Value Growth (CAGR)	+6.6%	+9.4%
Cap. Rate (bps)	- 455 bps	- 477 bps
Returns (CAGR)	13.2%	12.2%

Forecast reduction in rates & I&L prime market cap rate (C&W), June-24 to Dec-26 (bps)



Given the likely reduction of up to 100bps in capital costs, market forecasts anticipate cap rates to tighten 50bps plus. However, conditions in near term remain volatile.

Source: RBA, JLL, Consensus Economist Forecast, Cushman & Wakefield and Charter Hall Research. At June-24.

Australia has preferred real estate markets

Australia consistently ranks in top 3 preferred APAC investment destinations

Year	#1	#2	#3
2024	Sydney – Residential Tokyo – Industrial/Logistics	Sydney – Industrial/Logistics Melbourne – Industrial/Logistics Melbourne – Residential Tokyo - Residential	Seoul – Industrial/Logistics
2023	Sydney - Residential	Melbourne - Residential	Sydney - Office
2022	Tokyo - BTR	Sydney – Industrial Tokyo – Industrial	Seoul - Industrial
2021	Sydney - Industrial	Melbourne - Industrial	Tokyo - BTR
2020	Melbourne - Office	Sydney - Office	Tokyo - BTR
2019	Melbourne - Office	Sydney - Office	Tokyo - BTR
2018	Sydney - Office	Melbourne - Office	Sydney - Industrial
2017	Sydney - Office	Melbourne - Office	Sydney - Retail

Note: Based on a sample of 90 Institutional investors (85 institutional investors and 5 funds of funds managers, representing 898 billion USD.

2nd

Preferred city/sector investment in Asia-Pac investor intentions Survey: Sydney and Melbourne I&L

Sydney and Melbourne I&L followed Sydney Residential and Tokyo I&L as the preferred investment destinations.

Both markets have been the most featured top three selections in the intentions survey since 2020.

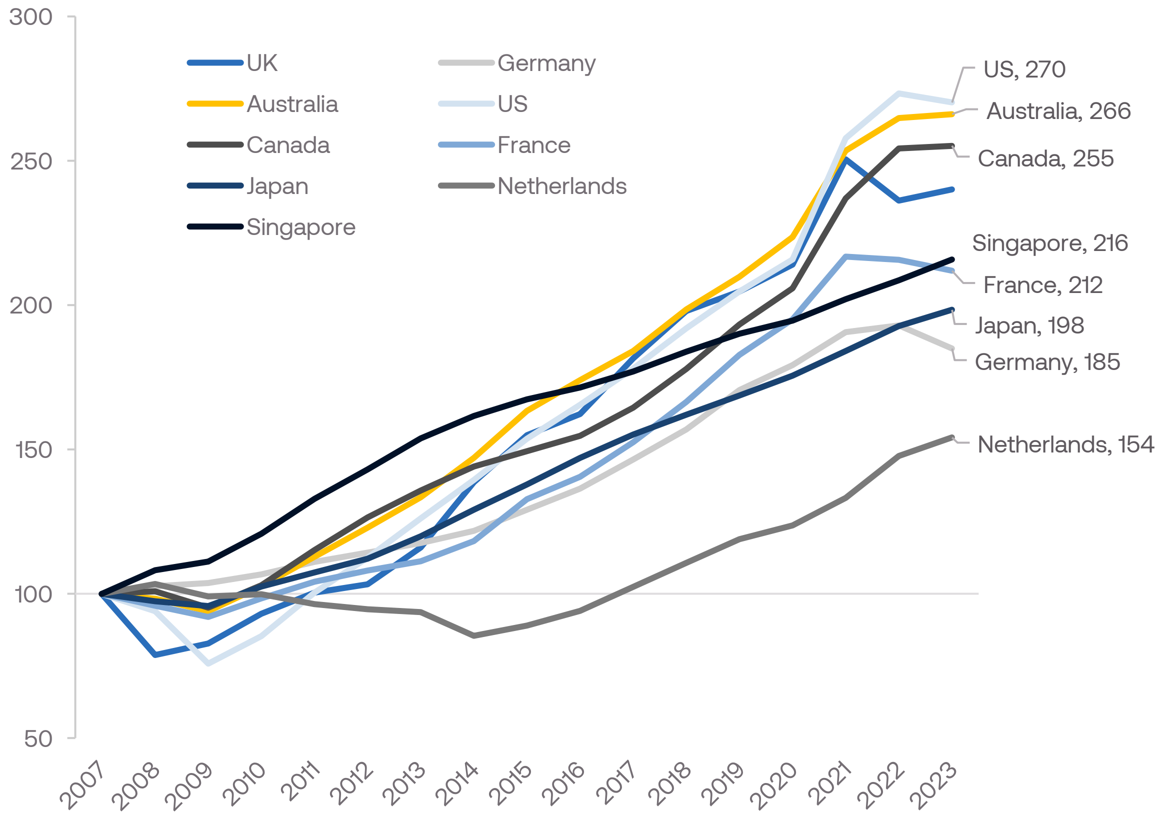
Source: ANREV Investment Intentions Survey 2024 Asia Pacific, Charter Hall Research

Australia has a track record of generating superior returns

Compounded annual returns (CAGR)

	20-years	15-years	10-years
US	11%	11%	14%
Australia	11%	11%	13%
Canada	10%	10%	12%
UK	9%	10%	12%
France	8%	7%	10%
Korea			8%
Japan		7%	8%
Singapore		7%	6%
Germany	4%	5%	7%
Netherlands		3%	6%

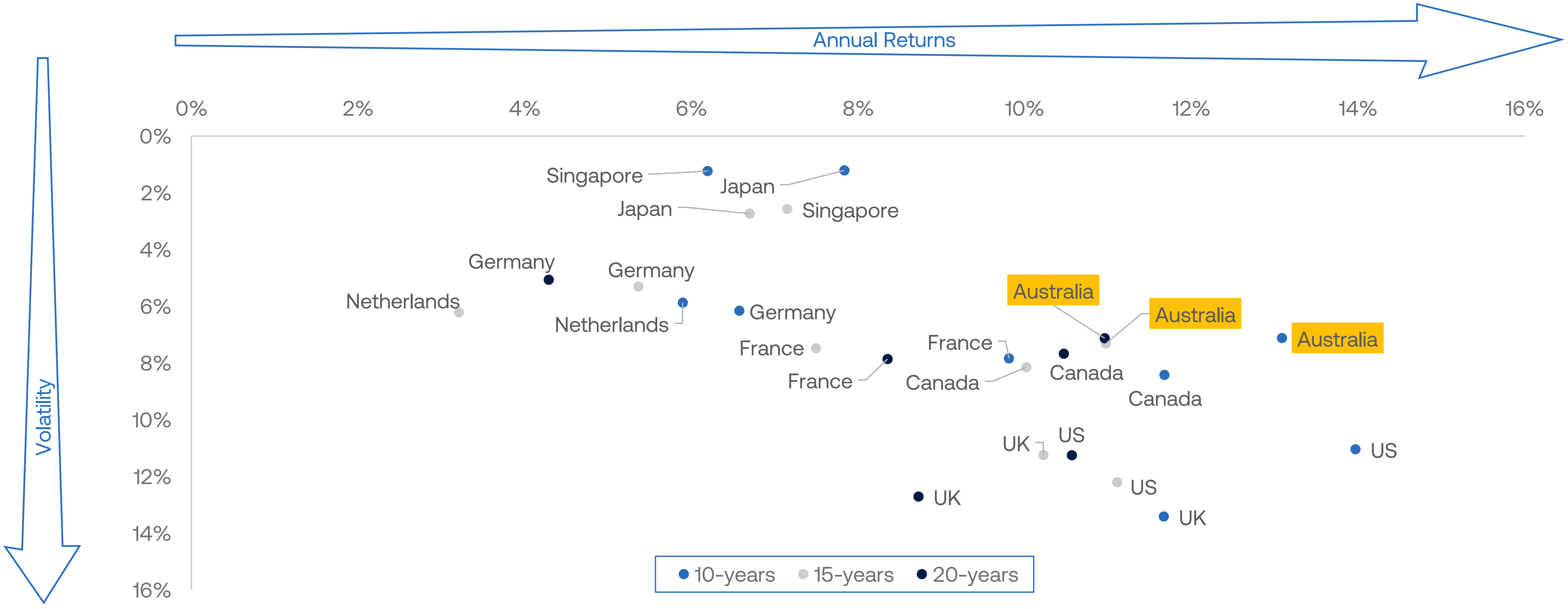
I&L Cumulative Returns (Index 2007=100)



Source: MSCI, Charter Hall Research. Performance to Dec-2023

The Australian I&L market has consistently generated superior returns at lower levels of volatility

Global I&L Return Performance

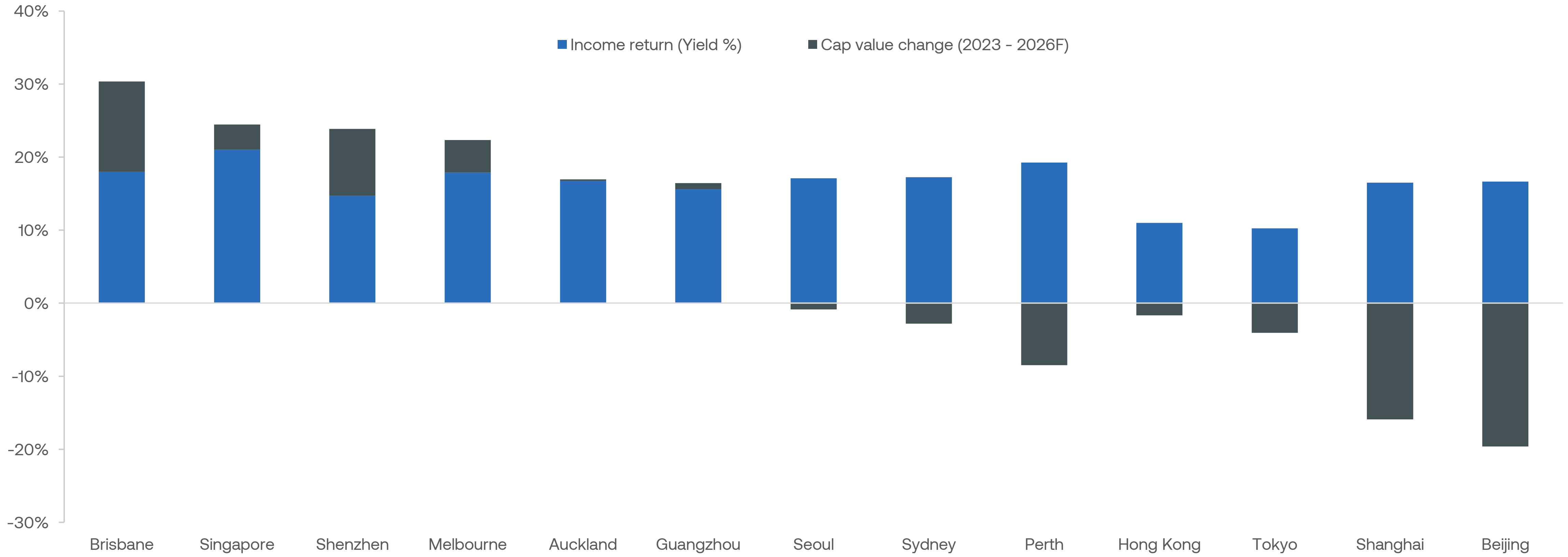


Source: MSCI, Charter Hall Research. Performance to Dec-2023

Why now? Market positioned for accelerated value growth | Market balanced for above average rental growth | Market balanced for above average capital growth | Track record in outperforming risk adjusted returns

Australian I&L markets forecast to lead APAC returns

Total returns (%) – End of 2023 to end of 2026F



Source: CBRE Research, Charter Hall Research

Why now? Market positioned for accelerated value growth | Market balanced for above average rental growth | Market balanced for above average capital growth | Track record in outperforming risk adjusted returns

Thank you

Charter Hall

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