Australian Macroeconomic & Property Outlook

Autumn Edition 2026

A detailed review of Australia's macroeconomic performance and outlook for property sectors.

ARK CAPITAL™

URBIS

Contents

CEO STATEMENT

I'm pleased to introduce the Australian Macroeconomic & Property Outlook, Autumn 2026, our ongoing collaboration with Urbis, which continues to sharpen how we assess investment settings and strategy.

This edition examines the macroeconomic forces shaping Australian real estate, alongside the geographies and sectors where Ark is most active. It also builds on our Property Clock analysis, providing a clearer view of not only where markets sit in the cycle but whether conditions are improving or deteriorating.

At the time of writing, geopolitics remains front of mind. Escalating tensions involving the United States, Israel and Iran are disrupting global oil markets, with flow-on effects locally. Australia was already navigating elevated inflation; rising energy costs are expected to compound pressures across construction and agriculture and likely contribute to further RBA rate increases.

More broadly, the economic picture is mixed. High government spending, a subdued private sector and weak productivity are not typically supportive of real estate. However, the growth states, Queensland, South Australia and Western Australia continue to outperform, underpinned by strong population growth and economic output. The key risk remains supply constraints, requiring disciplined underwriting as cost pressures persist.

Australia's population growth remains a structural strength, supporting our focus on residential and industrial sectors, particularly across growth markets.

Our Property Clock indicates most sectors sit within the 6pm-midnight range, broadly favourable conditions. Industrial is the exception, having moved into decline following its recent peak, warranting a more cautious approach.

Real estate is inherently complex. Opportunity and risk often coexist and that is precisely why this report matters. On behalf of the Ark team, I hope you find it valuable. We thank Urbis for their continued partnership.

Peri Macdonald
Chief Executive Officer
& Managing Director

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ACKNOWLEDGEMENT OF COUNTRY

Urbis acknowledges the Traditional Custodians of the lands we operate on. We recognise that First Nations sovereignty was never ceded and respect First Nations peoples continuing connection to these lands, waterways and ecosystems for over 60,000 years.

We pay our respects to First Nations Elders, past and present.

The river is the symbol of the Dreaming and the journey of life. The circles and lines represent people meeting and connections across time and space. When we are working in different places, we can still be connected and work towards the same goal.

Artwork:

Hayley Pigram (Darug Nation), *Sacred River Dreaming*, Sydney, NSW.

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PROPERTY OUTLOOK SUMMARY

The Inflation Challenge

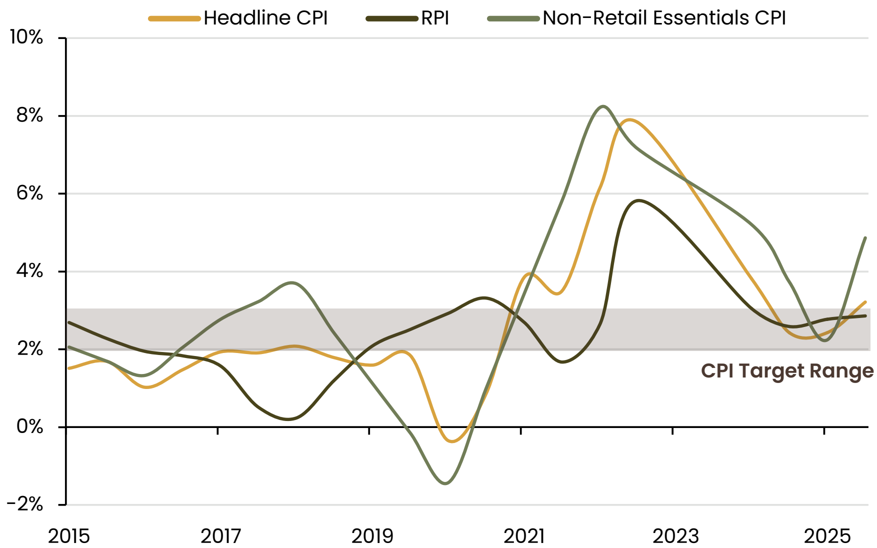
Australia's Economy is at an inflection point

The return of high inflation is placing Australia's recent rebound in jeopardy.

- Inflation has re-accelerated, raising the risk monetary policy stays tighter for longer.
- If rate rises do not curb inflation, real GDP and household disposable incomes will face medium-term pressure.

CPI – Headline, Retail Price Inflation and Non-Retail Essentials

Source: Australian Bureau of Statistics; Urbis



Short vs Long-Term Issue

Immediate risks may exacerbate longer-term structural weaknesses

Short-Term Pressures

Immediate Risks

Significant Price Rises in Essentials

Energy, health and education costs continue to drive headline inflation, directly impacting household discretionary spending power.

High Government Spending

Expansionary fiscal policy is competing with monetary tightening, complicating the RBA's efforts to cool demand.

Limited Economic 'Capacity'

Historically low unemployment (~4.1%) creates supply-side bottlenecks and persistent wage pressure in key sectors, such as construction.

Long-Term Challenges

Structural Weaknesses

Low Productivity Growth

Stagnant productivity remains a structural drag on real wage growth and long-term economic expansion.

Consumer Confidence

Sentiment metrics are entrenched below pre-COVID levels, indicating a cautious and fragile consumer mindset.

Weak Private Sector

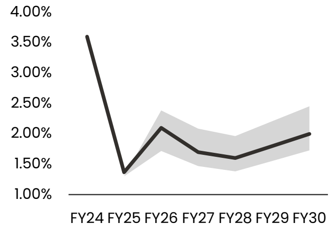
Business investment outside of mining and government-supported sectors remains soft, limiting future capacity.

Key Metrics are Forecast to Stabilise But recent inflation creates downside risk

GDP Growth

Constrained exports and pressure on real income growth will negatively impact GDP

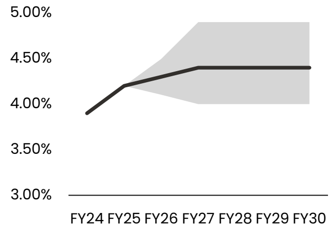
Growth is expected to rebound in FY26, before decelerating in FY27 and FY28, driven by inflation and higher interest rates. Real GDP growth improved throughout FY25 and FY26 due to lower population growth and mediating CPI.



Unemployment

While forecast to increase slightly, unemployment remains at near historic lows

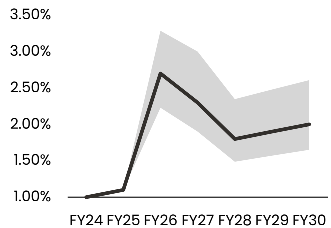
Low employment signals limited spare capacity in the economy, increasing wage pressure despite low productivity growth.



HH Consumption

After increasing faster-than-expected, household consumption growth is forecast to moderate in FY27 and FY28

Further rates rises could place consumption growth under even more pressure.



Source: Australian Bureau of Statistics; Urbis

Real Incomes Had Been Improving

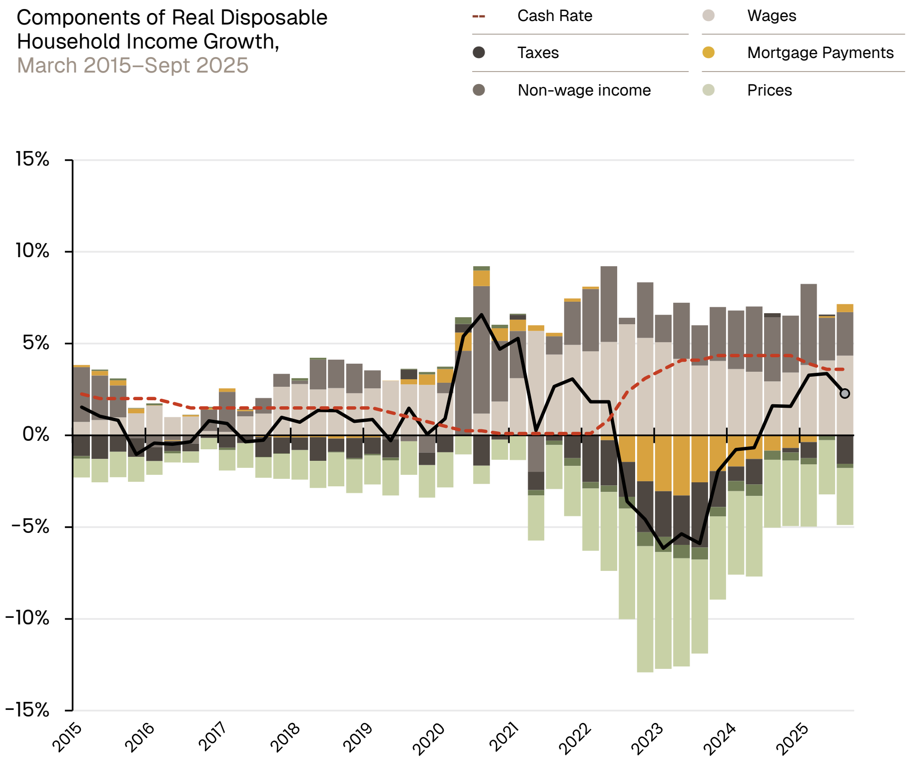
Increased mortgage payments will drive these downwards

Strong wage growth, in combination with stable interest rates and lessening price pressure, saw real household disposable income improve rapidly from mid-2024 to late 2025.

However, recent increases in the cash rate will see mortgage payments once again become a drain on real incomes.

Strong growth in non-wage earnings has supported income growth, under-written by Australians' increasing wealth / asset base. This will help soften the impact of increased mortgage repayments.

Components of Real Disposable Household Income Growth, March 2015–Sept 2025



Source: Australian Bureau of Statistics; Urbis

Building Cost Growth has Remained Elevated

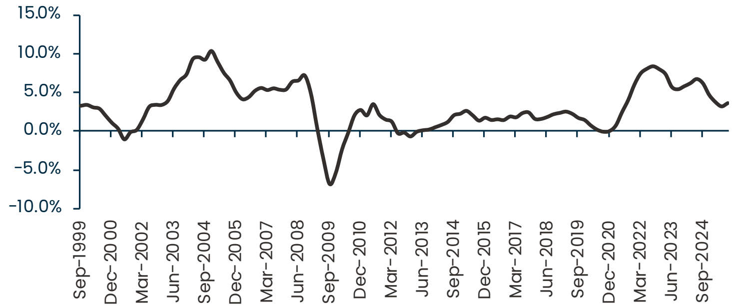
Unlike with CPI, there was only a minor correction in construction price growth

Building costs have not been immune from price rises in the broader economy. Indeed, growth has remained consistently above the post-GFC average since 2021.

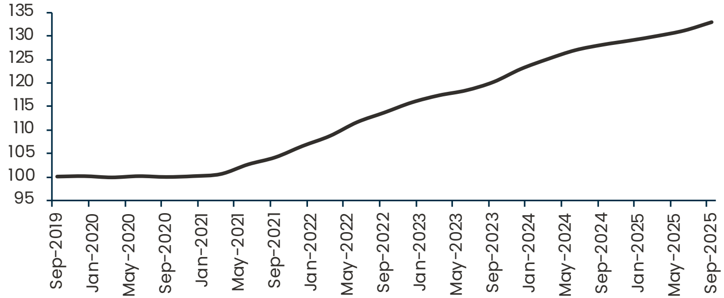
This negatively impacts development feasibility and the value of potential development sites / assets.

However, it is positive for income growth at existing properties, due to restricting new supply. This is especially the case in the context of increasingly overall inflation / price expectations.

ABS Non-Residential Building Cost Index, YoY Growth



ABS Non-Residential Building Cost Index, 2019–2025 (Index, Sept 2019 = 100)



Source: Australian Bureau of Statistics; Urbis

Property Sector: Key Risks to Monitor

Economic conditions present 3 key risks for the property market

While these factors all pose potential risks, their impact is not uniformly negative, in some respects, they are positive.

Valuation Pressures

An extended period of higher interest rates could force a revision of long-term pricing / valuation approaches, resulting in upward pressure on cap rates.

Development Feasibility

While hardly new, persistent growth in construction costs could continue to erode development margins for longer than anticipated.

International Capital

A structurally higher Australian Dollar, driven by relative yield differentials, could limit international investor interest and narrow the potential buyer pool for large-scale institutional assets.

Balancing Risk and Reward

A higher rate/yield environment is likely neutral overall — positive for rental growth but negative for valuations

Positive Implications	Negative Implications
Inflation drives rental / income growth.	Price rises restrict consumer and business spending / investment growth..
Higher interest rates (further) impact feasibility reducing new supply / competition.	Higher-for-longer interest / bond rates place pressure on cap rates / valuations.
Higher AUD reduces retail inflation (This is likely negative for retail property specifically due to relativities in rent growth across classes).	Elevated exchange rates reduce international investor interest, impacting valuations.
↑ Income	↓ Price

Macroeconomic Risks

An overview of the key risks to the macroeconomic outlook over the next five years can be found below.

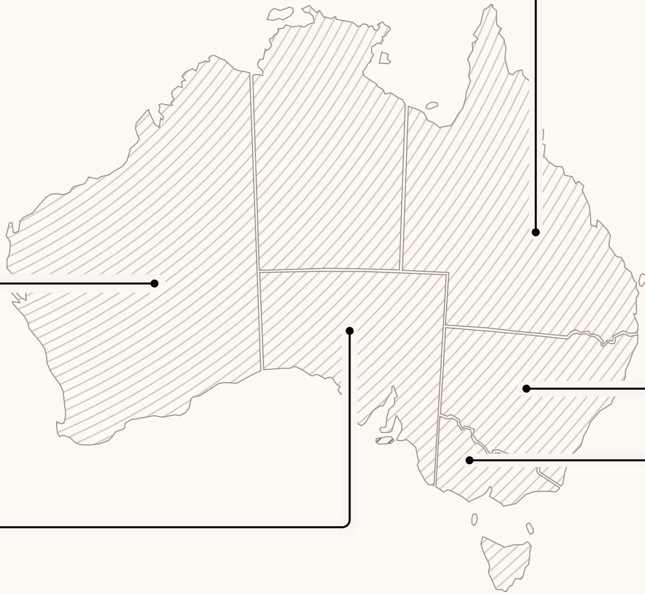
Risk profile:
- Low Risk
- Medium Risk
- High Risk

Key Factor	Short-term (1–2 years)	Medium-term (3–5 years)	Key Risks
Geopolitical Conflict			Escalating global tensions continue to pose risks for Australia's economic and political relationships. Renewed tension in the Middle East following the US and Israel's attack on Iran, the ongoing trade conflicts between the US and major economies, among other factors continue to play into international relationships and trade flows. Domestic tensions in the US are also simmering in the lead up to the 2026 US Mid-term Elections, with the nation's status as a global power having a flow-on effect on other countries.
Global Business Cycle			While global growth is projected to be stable at 3.3% for 2026, and 3.2% for 2027, the IMF indicates that momentum is uneven across various economies. The slowdown of the Chinese economy is especially hard-hitting, being Australia's top export location for merchandise trade and services. Experiencing a declining population, lowest birth rate on record, declining real estate sales and construction start and completions, China's demand for goods and services is declining. The continuation of these trends is likely to further impact demand for Australia's exports.
Interest Rates			Sticky inflation and sustained low levels of unemployment continue to play heavily into the RBA's cash rate decisions. With projected rate hikes dampening consumer confidence (increased costs to household mortgages), there is a risk that elevated interest rates will constrain consumer spending, with a greater share of household wallets diverted to offset accounts and mortgages.
Construction Sector			The dual focus on housing and infrastructure construction of various state governments continues to place a burden on labour force capacity, with the infrastructure sector alone projecting a supply shortage of 300,000 workers in May 2027. With housing delivery seen as a high priority, yet competing interest (for labour), the price of labour is likely to remain elevated. The costs of materials also remain high (despite recent trends of stabilisation), contributing to projects across various asset classes being deferred due to feasibility constraints, and major infrastructure projects experiencing cost overruns.

Key Factor	Short-term (1-2 year)	Medium-term (3-5 year)	Key Risks
Employment & Productivity Growth			Employment risks primarily lie in the projected supply shortfalls in key industries, such as construction. With prevailing low unemployment rates, the creation of new jobs places a strain on already-engaged supply. The Australian economy made modest productivity gains through the year to September 2025 (0.8%). However, improving productivity remains a core national issue. The Productivity Commission released its five inquiry reports in December, focusing on creating a more dynamic and resilient economy, building a skilled and adaptable workforce, data and digital capabilities, the care economy, and efficient net zero transformation. The short-medium-term risks lie in adopting the PC's recommendations to improve productivity in the face of a constrained labour force.
Population Growth			Overall, annual growth is projected to sit at long term averages (1.2%) over the next decade. Net overseas migration has fallen since its FY23 peak (~538,000), to 305,000 in FY25 as the last impacts of Covid-19 have tapered off. Migration remains the largest contributor to growth at the national level, and to NSW and VIC, being the largest states. Ensuring that ample housing supply is available to support this growing population therefore remains the largest risk.
Sustainability & Resilience			Extreme weather remains a persistent issue nationwide, with Victoria experiencing its highest temperature on record in January 2026. Unpredictable weather patterns can influence consumer behaviours, while assets that are not equipped to withstand heat, fire, and other elements at risk of being stranded.
Artificial Intelligence			Rapid acceleration in AI technology poses a potential disruption to households, businesses and governments. The Productivity Commission has estimated that AI could increase multifactor productivity by 2.3% over the next decade, with potential to grow in the future. Improving the nation's productivity is essential to long term economic growth. Key risks associated with the adoption of artificial intelligence include malicious use, malfunction (such as 'hallucinating data), and labour market distortion. While the anticipated AI disruption appears to be more of a 'slow burn' than was originally anticipated, risks remain around appropriate usage, dissemination of AI outputs, and data governance.

Macroeconomic Outlook
Major States

Australia's economic landscape is increasingly divided by regional strengths. Western Australia and Queensland are recording stronger demand conditions, underpinned by population growth and infrastructure investment, while South Australia is outperforming its long-run trend due to its solid labour market and construction activity. In contrast, New South Wales and Victoria are facing softer growth as labour market conditions ease and fiscal constraints intensify.



Western Australia

Western Australia remains the nation's strongest performing economy, with domestic growth of 2.9% in FY25. Strong population inflows, resilient household spending, a buoyant housing market and ongoing government support have underpinned demand, with State Final Demand forecast to rise by 3.75% in FY26 before easing to 2.75% in FY27. Government investment is focused on managing this expansion, particularly in housing, health, education and training. While home building activity has been strong, capacity and labour constraints are expected to slow momentum over time. Business investment is likely to remain a key support for the economy, underpinned by a substantial pipeline of infrastructure and decarbonisation projects.

South Australia

South Australia recorded the strongest economic performance among the states, with growth running 8.7% above its long-run average. This outcome has been supported by record employment, firmer household spending, and solid construction activity. Growth is expected to be sustained, underpinned by continued infrastructure investment and the State's expanding role in the global energy transition, particularly in critical minerals and renewable hydrogen.

Queensland

Strong population growth and sustained investment in transport, energy and social infrastructure have supported Queensland's economic growth. Infrastructure spending remains focused on the 2032 Olympic Games, with an emphasis on delivering longterm legacy assets. The Games Independent Infrastructure and Coordination Authority is overseeing 17 new and upgraded venues across the state, with the program also supporting urban renewal and broader economic benefits.

New South Wales

The New South Wales economy remains stable, with growth driven by both private and public sector investment. Growth is supported by improving business confidence, stronger construction activity, and investment in renewable energy and data centres. Unemployment is expected to rise from around 4% in 2025 to 4.5% by June 2026 as growth softens. Despite these pressures, the State Budget remains on track to return to surplus by 2027–28. The State will also welcome the opening of Western Sydney Airport at the end of the year, which will unlock greater tourism and freight and logistics capacity.

Victoria

Victoria's fiscal position is under increasing pressure due to rising health and transport infrastructure costs. Net debt is forecast to grow by 16% over the next three years, intensifying challenges around maintaining the State's AA credit rating. Higher spending and interest obligations are adding to economic uncertainty, likely weighing on business confidence and private investment in the medium-term. Increasing relative affordable housing and population growth will be positive drivers for the economy.

Outlook to the WA & SA Markets

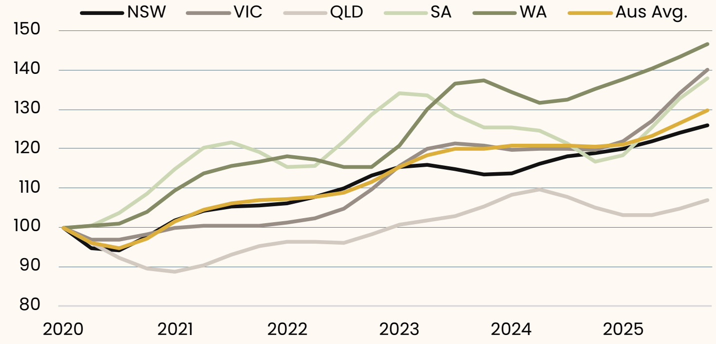
As two of the key states/territories that possess the resources, assets and innovative capability required to support the growing demand for renewable energy both nationally and internationally, WA and SA have continued to attract public and private sector investments.

Strong private business investments & pipeline

- WA and SA have witnessed strong private business investment activities since 2020. Growth in annual new capital expenditure has been consistently tracking at above national average levels.
- Such strong activities have been supported by an ongoing global market transition towards clean and renewable energy production and consumption.
- The two states currently have a large share of the national pipeline of infrastructure projects with 'Major Project' status (i.e. those considered to be economically significant. Major Projects would receive extra support from the Federal Government).
- WA has benefited from sustained global demand for critical mineral resources, in particular those required for the manufacturing of renewable energy generation facilities and storage equipment (e.g. lithium, nickel and cobalt, copper, zinc, rare earths, etc.).
- The SA economy has been going through a restructuring process, driven by renewable energy penetration and a renewed policy focus on supporting public and private investments into the sector. In addition, the state has also been focused on building its existing strengths in the defence sector, alongside other advanced manufacturing capabilities such as aerospace, batteries, solar panels, carbon fibre wind turbines and other green economy products.

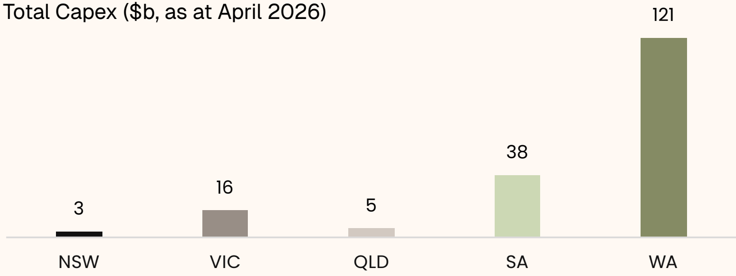
Private Business Investment Index (Q1 2020 = 100, Rolling Quarterly Trend)

Source: ABS; Urbis



Current Major Projects by Key State by Total Capex ($b, as at April 2026)

Source: Federal Government; Urbis



Outlook to the WA & SA Markets

The WA and SA property markets have been generally outperforming their eastern seaboard counterparts in recent years.

Stronger economic growth

- Supported by the strong investment pipeline in the mining and renewables sector, WA and SA have in more recent years achieved growth rates either at above national average (WA) or in line with historical trend levels (SA).
- While the average population growth in SA for the past five years remained slightly below national average, it has been tracking at above its long term average levels. Adelaide has been growing strongly at 1.5%-2.1% since 2020, above the typical 1%-1.2% for the past decade or so.
- Strong population growth has translated into robust economic growth. WA achieved comparable GSP growth rates with the rest of Australia, whereas SA recorded well above average growth since COVID.

Housing supply constraints despite solid pipeline

- Both WA and SA face similar capacity constraint challenge in their respective construction sector.
- Ongoing labour shortages, high costs and productivity bottlenecks have continued to put pressure on the sector's ability to deliver the strong housing pipeline, alongside significant public infrastructure investments.
- This could see house prices in WA and SA rise further, creating value growth opportunities across existing stock.

State Position vs. National Avg.

- Favourable
- Comparable
- Unfavourable

Source: ABS; PriceFinders; Urbis

Key Metrics	WA	SA	National Avg.
Pop. Growth 2020–25 p.a.	2.3%	1.2%	1.5%
GSP/GDP Growth 2020–25 p.a.	2.5%	3.5%	2.5%
Value of Construction Work Done Growth 2020–25 p.a.	5.8%	5.7%	1.6%
New Dwelling Approvals Growth 2020–25 p.a.	4.9%	5.0%	0.3%
Median House Prices Change 2020–25 p.a.	11.6%	10.6%	~9.1%
Retail Spend Market Growth 2019–25	53%	35%	~30%

Outlook to the WA & SA Markets

Lower or comparable vacancy levels across key asset classes

- In the above context, vacancy levels across key asset classes in the two states are either well below (i.e. housing and industrial) or generally comparable (commercial) with the rest of the country.
- Residential vacancy levels in both WA and SA are tracking at historic low levels, well below those observed in other capital cities. Our forecasts (page 38) suggest while vacancies could increase slightly over the next 3-5 years should supply conditions improve in both states, they will likely remain below the eastern seaboard markets.
- Similarly, industrial market in WA and SA continues to benefit from strong population growth, achieving some of the lowest vacancy levels across capital city markets.
- While overall commercial office demand remains at low levels post-COVID, green shoots are appearing, as evidenced by stabilising average vacancy rates in the Perth and Adelaide CBDs, amongst tightening vacancy in prime assets. Flight to quality and a measured recovery will likely continue to support performance in the prime sector.

Solid income return opportunities whilst capital growth has yet to pick up

- Both WA and SA markets have been tracking behind the eastern seaboard states in capital growth across all major non-residential asset classes (in particular commercial).
- Compared with SA, WA offers stronger value growth position in industrial and retail properties, whereas commercial office capital growth remains in the negative territory given elevated overall vacancy.
- However, both states provide solid income returns as strong population growth continues to support demand for non-residential properties, primarily in the greenfield space. This creates longer term hold and lease opportunities for assets in growth markets.

State Position vs. National Avg.

- Favourable
- Comparable
- Unfavourable

Source: SQM Research; Various agency reports; MSCI; Urbis

Key Metrics	WA	SA	National Avg.
Avg. Residential Vacancy Dec. 2025	0.7%	0.8%	~1-2%
Avg. Industrial Vacancy Dec. 2025	2.2%	2.0%	3.2%
Avg. CBD Office Vacancy Jan. 2025	16.9%	15.9%	14.8%
All Property Income Return Dec. 2025	5.6%	5.9%	5.4%
All Property Capital Return Dec. 2025	1.7%	0.4%	2.2%

Outlook for Australian Property Markets — Key Capital Cities & Sectors

Urbis' consensus view on the relative position of key capital city markets within each key sector is presented on this page, in the form of a property market cycle clock.

This property clock reflects our point-in-time view of the market and its outlook as at Jan 2026, based on macro economic conditions, policy environment, supply and demand balance/outlook and recent investment market performance for each key property sector.

- Greenfield Perth
- Industrial Adelaide, Perth
- Industrial Sydney
- Industrial Melbourne, Brisbane
- Greenfield Sydney
- Infill Sydney
- Greenfield Brisbane
- Infill Brisbane
- Retail Brisbane
- Greenfield Adelaide
- Infill Adelaide, Perth
- Retail Perth
- Commercial Sydney, Brisbane, Perth
- Greenfield Melbourne
- Infill Melbourne
- Retail Sydney, Melbourne, Adelaide
- Commercial Adelaide
- Commercial Melbourne

Disclaimer:

The position of a sector on the property cycle is an indicator of current market conditions and trends. It does not necessarily reflect the potential for investment returns or the future investment outlook.

Outlook to State Property Markets

Property Market Cycle:

- Peak
- Rise/Decline
- Bottom

	NSW	VIC	QLD
	Growth is supported by stable population growth, infrastructure delivery in Western Sydney, improving business confidence, stronger construction activity, and investment in renewable energy and data centres.	Despite Victoria's challenging fiscal position and high tax burden on development activities, strong population growth and relative affordability still bring in opportunities in greenfield residential and industrial sectors.	Strong population growth and sustained investment pipeline in the lead up to the 2032 Olympics create stable medium-term opportunities for most sectors.
Greenfield	Greenfield pricing remains elevated amid constrained land supply and steady outer-suburban demand. Approvals remain below prior peaks, though stabilising completions and population growth are supporting activity.	Melbourne's greenfield market remains relatively affordable among eastern capitals. Approvals have lifted from recent lows and delivery has normalised, supporting a more stable supply pipeline.	Greenfield lot pricing has continued to rise, supported by strong interstate migration and population growth. While sales volumes have eased from cyclical highs, underlying demand remains supported by declining supply, which remains a government focus.
Infill	Sydney's infill market remains underpinned by strong unit pricing and the highest rental levels nationally. Vacancy rates remain tight, supporting ongoing investor interest, while apartment approvals saw a spike in 2025.	Outlook for infill developments is rising, with increased apartment approvals and vacancy tightening. While unit pricing growth has been moderate relative to other capitals, improving rental conditions are supporting renewed development feasibility.	Infill market remains supported by strong unit price growth and low vacancy. Although sales volumes have moderated from recent highs, rental strength and population growth continue to underpin apartment demand.
Retail	Sydney's spending growth will likely continue to trail behind other major states, given high cost of living and elevated housing costs. Stable population growth is expected to be the main source of spending market expansion.	Melbourne will continue to benefit from high net overseas migration in the short-term, albeit elevated tax burden on new asset developments are likely to remain a challenge to new investments across the state.	Queensland will continue to be supported by interstate migration and a robust labour market. While these will likely drive steady retail spending market growth, increased housing costs, rising interest rates/inflation will impact per capita spend growth.
Commercial	Office market continues to trend in positive directions as floorspace absorption continues to remain strong.	In the backdrop of significant supply being added, the market is showing signs of recovery, especially in premium stock.	Vacancy has seen a slight uptick; however, underlying demand remains strong, with vacancy levels for premium stock having recently hit historic lows.
Industrial	Industrial take-up remained strong in 2025, supporting rental growth. However, the release of additional land in the region could place pressure on rental as higher incentives are offered to attract potential occupiers.	Take-up level mirrored Sydney and remained quite robust in 2025. Growth in face rents witnessed moderation and is expected to continue as significant supply is planned for 2026.	Broader inflation, interest rate and geopolitical risks may impact investment markets. Construction costs and land scarcity continue to influence values, liquidity and yields. Rents have stabilised and deferred investment may pressure near-term market activity.

Outlook to State Property Markets

Property Market Cycle:

- Peak
- Rise/Decline
- Bottom

	SA	WA
	Sustained strong population growth supported by federal/state-led investments into the defence and renewables sectors has continued to drive demand for housing and provide solid support for major asset classes.	WA's booming mining and renewables sectors have propelled strong overseas migration intake, sustaining solid demand for housing in particular in the greenfield market.
Greenfield	Adelaide's greenfield market remains supported by steady demand and relatively tight supply. Stabilising approvals and low vacancy conditions point to continued resilience. Expansion of Mount Barker and Playford are strong contributors to the market.	While lot sales activity has settled since its spike in 2024 due to constrained supply, sales figures have remained above levels observed for most other states excluding Victoria. Perth's greenfield sector is supported by strong house price growth and improved completions. While approvals remain cyclical and pipeline conditions are stabilising, capacity constraint in the construction sector will likely impact medium-term completions.
Infill	Adelaide's apartment market remains supply constrained, with low vacancy rates supporting rental growth. Approvals have begun to recover, though volumes remain modest relative to eastern capitals, pointing to continued tight conditions.	Perth's infill market is supported by some of the tightest vacancy conditions nationally. Apartment prices and rents have strengthened materially, and while approvals remain cyclical, constrained supply is supporting development feasibility in parts of the market. However, Perth's construction sector capacity constraint continues to impact project deliverability, further limiting available supply.
Retail	Recent strong population growth has supported the overall spending market growth, now trailing above NSW and Victoria. Rental growth is likely to pick up, given the lack of increase relative to retail turnover growth over the past five years.	Retail spending growth has remained the strongest in WA at a national level and this is likely to continue in the short-term. Rental growth has yet to pick up on the back of low occupancy cost ratios, suggesting a strong position to achieve potential income uplift over the medium-term.
Commercial	While vacancy remains lower compared to other eastern seaboard markets supported by solid take-up, significant new supply delivered in 2025 of around 23,500 sq.m has put pressure on vacancy, with an additional 22,000 sq.m of new supply expected to test the market in 2026.	CBD office vacancy declined marginally, with absorption being above the five-year average. Limited new supply is anticipated, which is expected to further reduce vacancy and support rental growth.
Industrial	Floorspace take-up have seen robust upticks, with a strong pipeline of projects for 2026. Levies & taxes in other States has diverted investment into more competitive locations, supporting yield compression, with the flow of demand expected to continue in 2026.	Above average take-up was recorded in 2025, with demand for space also driving up land values in the State. Future pipeline ramped up quite significantly for 2026-27, putting pressure on land capacity in the region. While rental growth could moderate in the short-term, land supply constraints could see land values rise in the short-term.

02

MACROECONOMIC TRENDS

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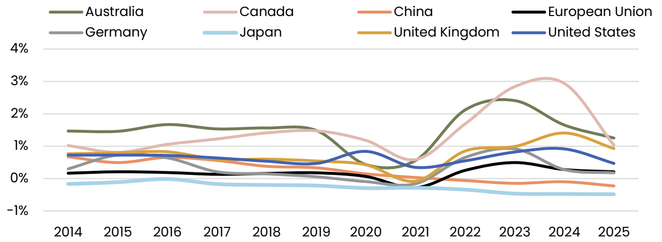
Population & GDP Growth

Population

- Australia's population growth peaked in 2023, at around 2.4%, considerably higher than any other similar economy except Canada. Around 536,000 people were added to Australia's population in 2023. 2024 saw a marked reduction in population growth which has continued into 2025.
- However, Australia is expected to maintain population growth rates above most other similar economies over the short to medium-term, at around 1.3–1.4% p.a..

Annual Population Growth (%)

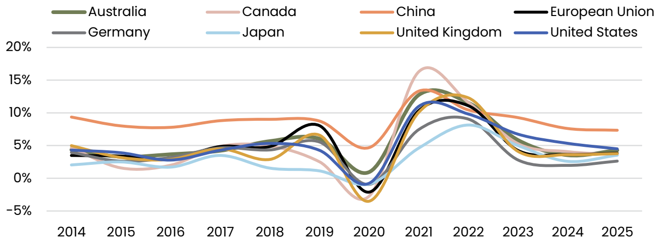


Source: International Monetary Fund

Gross Domestic Product

- Australia's economy proved more resilient than others throughout the pandemic period (in particular in 2020); with the exception of China, it was the only major economy not to contract. Growth in 2024 and 2025 was at a similar level to other developed economies. However, this growth was supported by well above average population growth.

Annual GDP Growth (%)



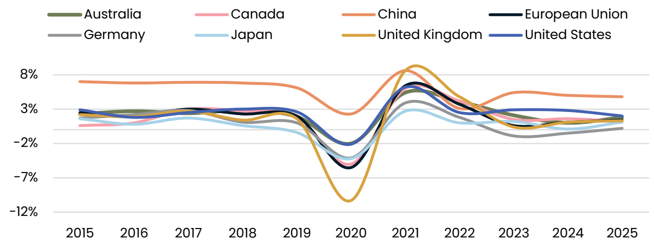
Source: International Monetary Fund

Macroeconomic Outlook

Real GDP

- Australia's real GDP did experience negative growth throughout the pandemic, but remained higher than most other developed economies, largely tracking US growth over the COVID period.
- It has since fallen slightly below the US, but remained either above or on-par with other similar economies.

Real Gross Domestic Product (%)

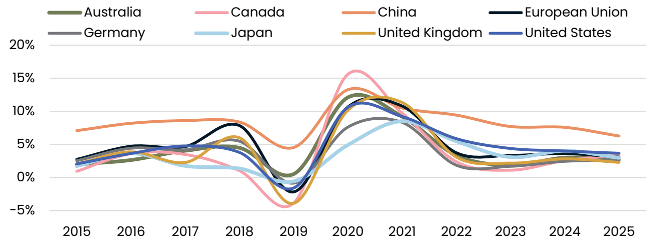


Source: International Monetary Fund

GDP Per Capita

- Due to significant population growth over the 2023–2025 period, Australia's GDP per capita has largely followed that observed amongst similar economies. Only US growth per capita has consistently outpaced Australia.
- While international comparisons are not currently available for 2025, Australian real per capita GDP growth was particularly constrained throughout 2023–2024. This improved from mid-2024 onwards, but the recent spike in CPI is again placing negative pressure on this measure as we move into 2026.

GDP per capita (%)



Source: International Monetary Fund

Population growth
by state (FY09– 29)

- Victoria's population is set to grow by 1.5% annually until 2029, up from 1.4% between 2019 and 2025. It is the only state anticipated to see higher growth in the next five years compared to the last five.
- New South Wales is anticipated to see the highest net overseas migration to 2030 (averaging around 75k p.a.) followed closely by Victoria (just under 70k p.a.).
- Forecasts indicate that Queensland will gain 20,000 additional residents from other parts of Australia each year. This state has historically accounted for the majority of domestic migration. WA is expected to see elevated internal migration in the short-term; this is forecast to mediate over the medium-term.
- New South Wales is anticipated to continue to record negative interstate migration, following traditional patterns, with SA to also expected lose local residents, but at a lower rate than pre-COVID.

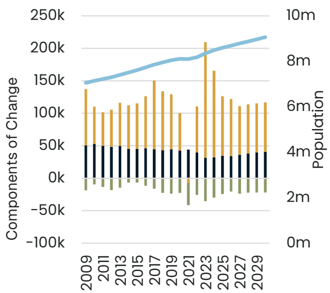
Net Overseas Migration

Net Interstate Migration

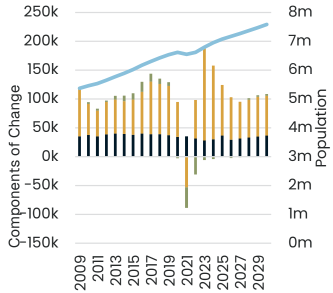
Natural Increase

Population

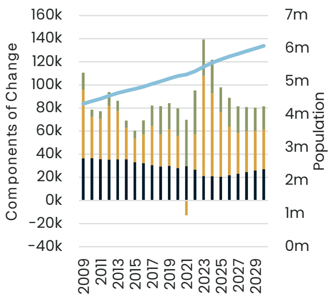
New South Wales



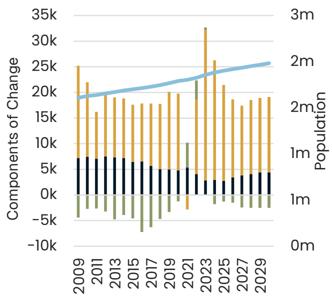
Victoria



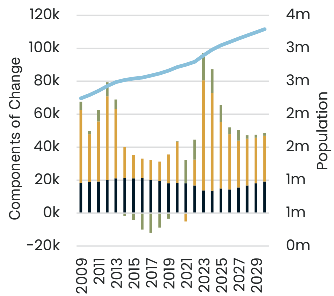
Queensland



South Australia



Western Australia

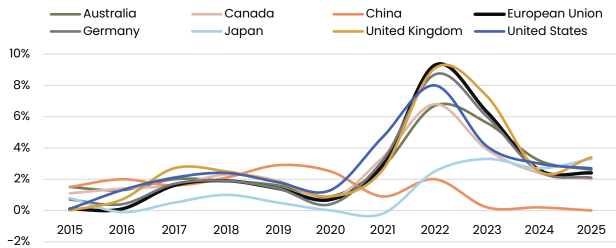


Price Inflation & Household Savings

Inflation

- After largely following global patterns throughout the pandemic period, Australian CPI has risen recently; this has not been the case for other similar economies. This suggests price rises in Australia are being driven primarily by domestic factors.
- However, the ongoing conflict in the Middle East will likely see oil prices remain at escalated levels. This could push up global inflation throughout the remainder of 2026.
- The cost of living affects the investment capacity of retail investors particularly for residential properties. However, inflation would generally be expected to support rental / income growth.

Consumer Price Index (%)

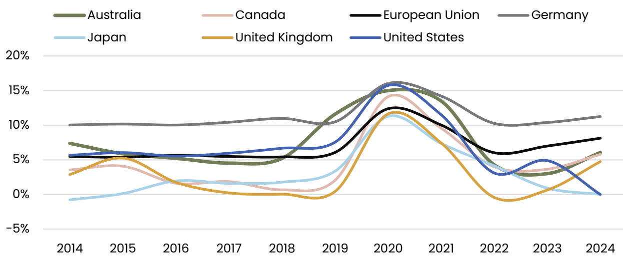


Source: International Monetary Fund

Household Savings

- Net household savings in Australia peaked at in 2020–21, before falling rapidly as inflation and interest rates increased.
- As of late 2025, household savings in Australia has stabilized at around the long-term average (~6%). Recent interest rate rises will place downward pressure on the savings rate in the short-term.

Net Household Savings Ratio (%)



Source: OECD; Urbis

Employment & Interest Rates

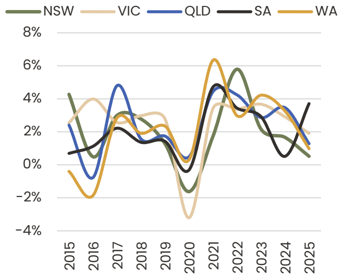
Employment

- The Australian jobs market remains particularly buoyant across states and territories. This supports strong consumption and wages growth. However, much of this growth is driven by public sector employment which is generally lower-productivity. The tightness of the labour market is contributing to the limited spare capacity in the economy, impacting price growth.

Interest Rates / Bond Yields

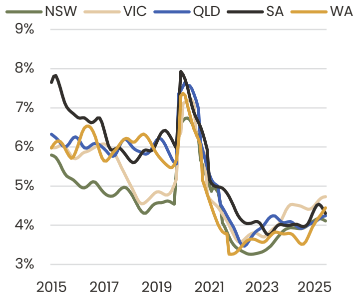
- After falling dramatically throughout the pandemic period, loan rates and bond yields are increasing. Higher-for-longer bond yields (driven by elevated cash rates) have the potential to place upward pressure on cap rates.

Job Growth (Employed Persons)

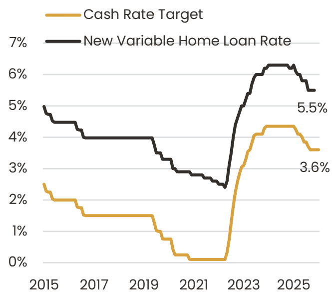


Note: Year to February
Source: ABS; Urbis

Unemployment Rates

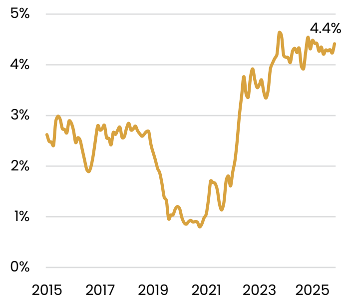


Australian Lending Finance



Source: Reserve Bank of Australia; Urbis

Australian 10-Year Bond Yields

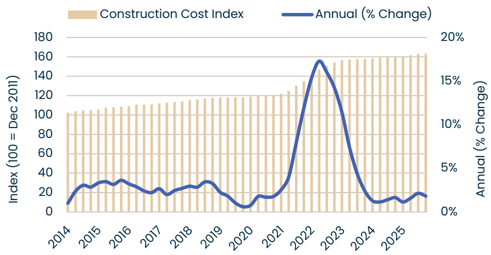


Construction Indicators

- Construction input costs have begun to stabilise, with the value of residential construction work reaching $84 billion, the highest since 2020.
- Stabilising costs suggest that the worst of construction inflation is likely over for the time being, however rising interest rates could see renewed cost inflation in the short to medium-term.
- While Melbourne and Sydney have recorded moderation in construction cost growth, Queensland continue to witness price escalation in construction related activity.
- The Federal Government's commitment to build 1.2 million new homes might further put upward pressure on costs following a recent period of reappraisal with construction headwinds for commercial and residential development activity.
- Financing costs have impacted feasibilities which is indicative in the construction work delivered in 2025.

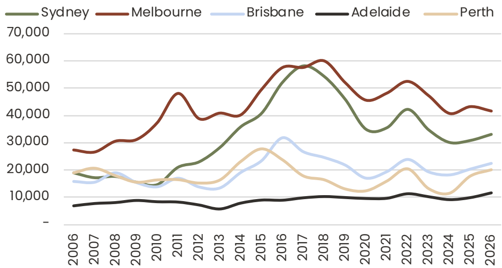
1. Engineering construction includes Roads, Highways and subdivisions, Bridges, Railways, Harbours, Utilities, Telecommunication and Heavy Industries construction,. Non-residential includes commercial, education and health buildings.

House Construction Cost Index

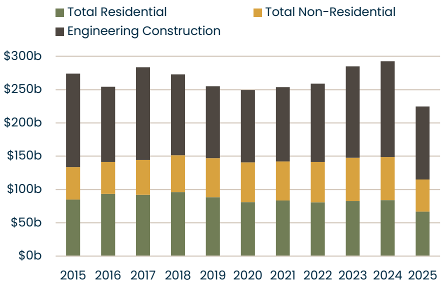


Note: Weighted Average of Sydney, Melbourne, Brisbane, Adelaide, Perth and Hobart

Building Approvals Over Time
(12-months to January)



Value of Construction Work, CVM, Annualised ($b)



Source: Australian Bureau of Statistics; Urbis

03

PROPERTY MARKETS

3.1 Residential

Key Urbis Expert Contributors:

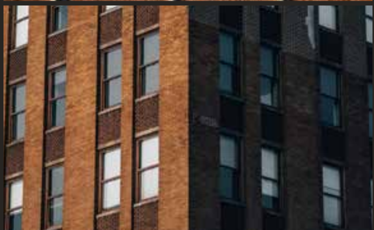
	David Cresp	Partner Economics & Property
	Alex Stuart	Director Economics & Property
	Dylan Gray	Director Economics & Property

Residential Sector Outlook

As of 2025, Australia's residential property sectors are navigating diverse market conditions and performance trends. Each sector—greenfield, build-to-rent, build-to-sell, and student accommodation—presents unique opportunities and challenges, driven by factors such as overseas migration, demographic shift, construction costs, and regulatory environments.

	Greenfield	Build-to-rent	Build-to-sell	Student accommodation
Market Conditions	Sales volumes stabilising following recent moderation, with demand supported by population growth and limited supply.	Pipeline growth moderating after rapid expansion, with focus shifting to delivery and operational performance.	Conditions vary by city where demand is strongest in Sydney, Brisbane and Perth with Melbourne stabilising.	Solid demand driven by international student intake, despite tighter migration settings.
Performance	Price growth returning in most markets as borrowing conditions improved in 2025, though sale volumes remain below peak levels.	Strong rental fundamentals and low vacancy underpin income resilience across stabilised assets.	Prices generally recovering after a soft 2024, supported by population growth and a widening house-unit affordability gap.	Low vacancy and rental growth sustained across major education hubs.
Opportunities	Ongoing undersupply across growth corridors supports short to medium-term lot price appreciation.	Institutional capital remains active, supported by structural rental demand and supply shortages.	Undersupply of new apartments in well-located sub-markets/ precincts supports medium-term price growth.	Australia's 9% PBSA provision rate (vs UK's 25% & US' 14%) highlights structural growth potential.
Challenges	Elevated construction costs and planning constraints continue to limit speed of new land delivery.	Feasibility pressures from construction costs and evolving policy settings require disciplined site selection.	Feasibility remains constrained by high build costs and cautious presales conditions.	Policy uncertainty around visa caps and development feasibility weigh in on short term growth potential.

The Road Ahead for Residential Market



Key opportunities

Build-to-rent

Over the past three years, the build-to-rent sector has become a strong investment opportunity. It offers stable, long-term rental income and meets the growing demand for quality rental housing, while providing greater control over property management and tenant experience.

Student Accommodation

Australia's high-quality education attracts large enrolments of international students, driving demand for purpose-built student housing. This sector offers high occupancy rates and stable rental income. There is an opportunity to address the current shortfall compared to global benchmarks.

Greenfield

Greenfield developments offer significant investment potential due to urban expansion and population growth. These projects facilitate the creation of modern community on unused land, catering to the demand for new affordable housing.

Key challenges

High costs

Affordability remains a critical issue, affecting both buyers and renters. High property prices are limited market entry for many potential buyers and putting significant pressure on rental markets.

Economic Uncertainties

Ongoing economic uncertainties such as high construction/labour costs, high interest rates and global market conditions will continue to influence market stability over the next 6-12 months. Investors need to be prepared for potential economic shifts that could affect property values and rental yields, in particular in what now appears an upward cycle for interest rates.

Residential Overview

Property Market Cycle:
- Peak
- Rise/Decline
- Bottom

	Sydney	Melbourne	Brisbane	Adelaide	Perth	Sector Summary
Market Cycle						
New dwelling approvals[1] 2020–25	35,610 0.1% p.a.	43,490 -2.3% p.a.	22,310 2.8% p.a.	12,300 5.0% p.a.	20,220 4.9% p.a.	Overall approvals have been stabilising, whereas higher density housing approvals declined more recently in Sydney and Melbourne amidst ongoing feasibility challenges.
Median House Price[1] 2020–25	$1.44M +8.6% p.a.	$850k +2.5% p.a.	$1.01M +12.1% p.a.	$850k +11.6% p.a.	$800k +10.6% p.a.	Prices have continued to rise, driven by tight supply conditions overall. Melbourne's soft growth reflects demand constraints and higher investor imposts post-COVID. Given its affordability relative to Sydney and Brisbane, it is well placed for strong growth.
Median Unit Price[1] 2020–25	$840k +2.9% p.a.	$670k +2.6% p.a.	$715k +11.2% p.a.	$650k +9.7% p.a.	$560k +8.1% p.a.	Brisbane, Adelaide and Perth continue to lead unit price growth, a trend that is anticipated to continue in the short-term.
Apartment Supply Pipeline Additional apartments (2026–2029)	+27,020	+22,520	+8,830	+3,130	+4,820	Sydney is likely to see stronger growth in apartment supply to 2029, driven by its larger apartment market. Melbourne will likely see steady increase in apartment supply relative to its historical levels.
Student Accommodation Beds[1] 2020–25	35,645 +4.0% p.a.	44,330 +5.8% p.a.	23,535 +2.4% p.a.	9,090 +6.3% p.a.	9,340 +3.9% p.a.	Melbourne holds the largest number of PBSA beds as of 2025, while Adelaide has had the highest annual growth rate since 2020.

[1] Data for Calendar Year 2025 (YE September)

Source: ABS, PriceFinder, Cordell, Urbis

Dwelling Approval
– Capital Cities

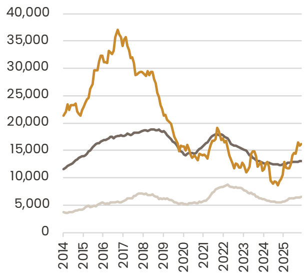
Dwelling approvals across capital cities remain below prior cycle highs, although recent data indicates a modest uptick in medium and higher-density products. Supply conditions remain constrained overall.

In 2025, semi detached and detached housing approvals continue to show relative stability across the country, with Perth showing a notable recovery amidst historical lows in the previous year.

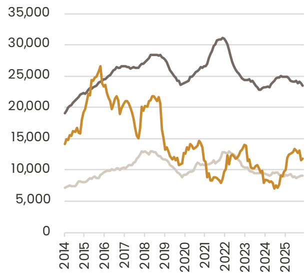
Apartment approvals declined at the turn of 2026 in key capital city markets of Sydney and Melbourne, suggesting ongoing feasibility challenges. Meanwhile, Perth and Adelaide continue to be supported predominantly by greenfield activities, whilst the apartment sectors have been tracking below historical trends.

- House
- Semi detached/townhouse
- Apartment

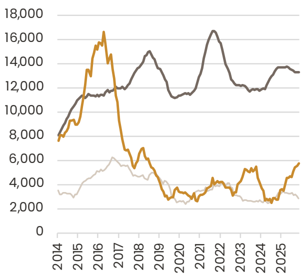
Greater Sydney



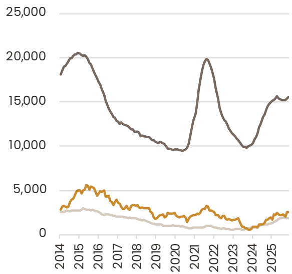
Greater Melbourne



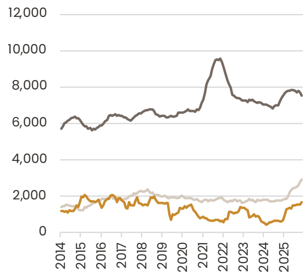
Greater Brisbane



Greater Perth



Greater Adelaide



Source: ABS; Urbis

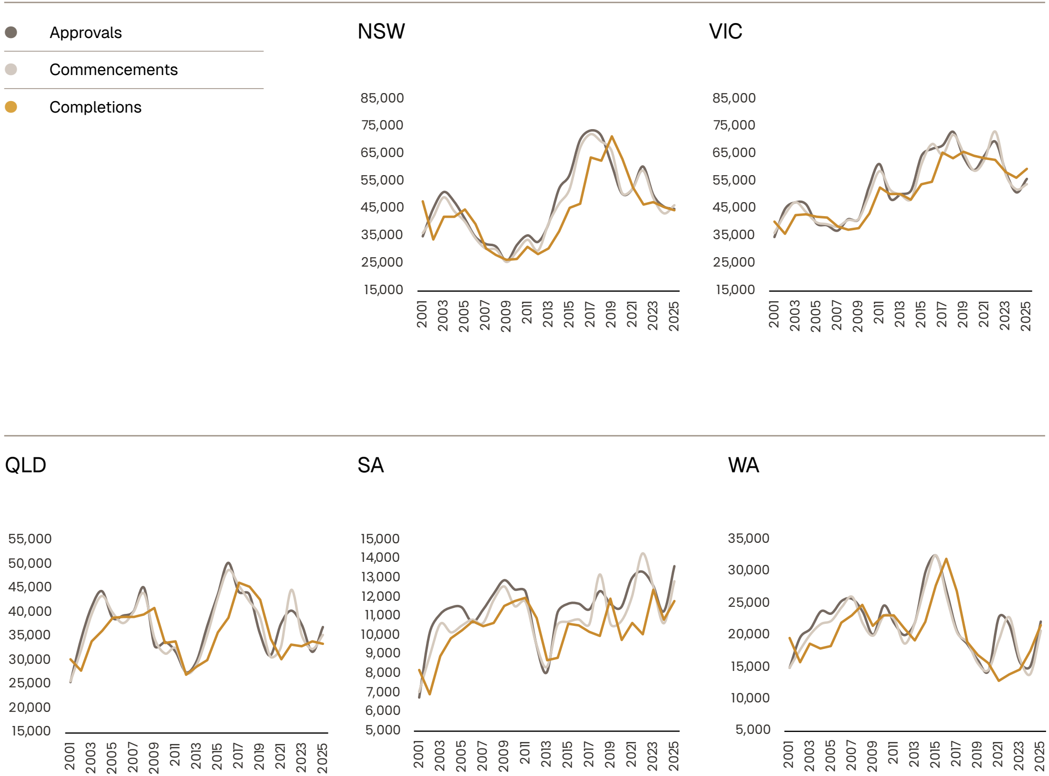
Dwelling Completions
– Major States

Completion lags have largely normalised across major eastern seaboard states, with delivery timelines now more closely aligned to approvals and commencements. This reduces near-term pipeline uncertainty and improves confidence around supply forecasting.

In 2025, completions are broadly tracking prior commencements across all states. Following lags in the previous years, WA is showing a recovery across approvals, commencements and completions.

With construction bottlenecks easing and build times stabilising across the eastern seaboard, the approvals-to-completions pipeline has rebalanced. While volumes remain below prior peaks in some markets, delivery risk has moderated and supply is flowing through more predictably. However, capacity constraint will likely remain a challenge for SA and WA where demand has remained strong.

Note: Commencement and completions include total number of houses and other residential. Approvals include all dwellings/ units approved in new residential buildings.



Source: ABS; Urbis

House & Vacant Land Housing Costs & Trends – Capital Cities

Sydney remains Australia's most expensive market, with the highest median house price ($1.435m) and weekly rent ($780). Greenfield lot prices have lifted to $688k, reinforcing Sydney's premium positioning despite more moderate sales volumes relative to prior peaks.

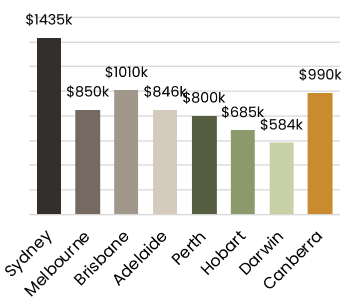
Melbourne records a median house price of $850k and rent of $580 per week, remaining comparatively affordable among the eastern capitals. Greenfield lot prices grew slightly to $396k. While Melbourne's transaction volumes remain elevated relative to most other markets driven by robust migration trends, they remain at a much lower level compared to recent peaks, both pre- and post-COVID.

Perth continues to show strong relative performance, with the third-highest median rent ($700) and steady house pricing ($800k), supported by solid greenfield activity.

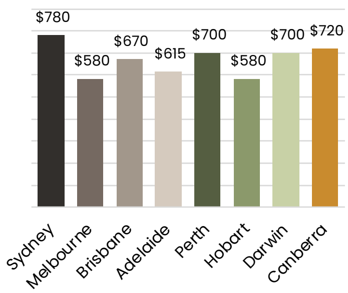
Across most capital city markets, greenfield lot prices have trended upward over the cycle, leading to an overall moderation in sales volumes from peak levels. This has been due to a combination of high construction costs, elevated interest rates/funding constraints and a looming supply constraints in zoned, available lots in certain markets (e.g. Brisbane, Perth, etc.). Overall, pricing resilience alongside more measured transaction activity reflects a market recalibrating under tighter supply and cost conditions.

Note: Year ending December 2025
Source: : ABS; Urbis

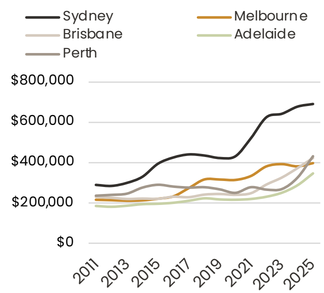
Median House Price



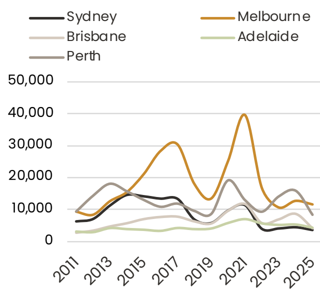
Median House Rent



New Greenfield Lot Median Prices



New Greenfield Lot Sales



Apartment/Unit Prices – Capital Cities

Apartment market conditions vary across capitals, though vacancy rates remain tight nationally, supporting both rents and pricing.

Sydney remains the premium unit market, with the highest median unit price ($838k) and rent ($740 per week), alongside the strongest sales volumes (49,000). Vacancy remains low at 1.5%, reinforcing rental market resilience.

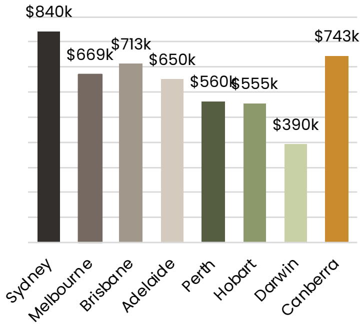
Melbourne records a median unit price of $660k and rent of $580 per week, with 44,000 total sales in 2024. Vacancy trended further down to 1.7% as at early 2026, suggesting a highly competitive rental conditions.

Brisbane and Perth continue to show strong fundamentals, combining comparatively lower prices ($690k and $550k respectively) with tight vacancy (1.0% and 0.6%), supporting ongoing rental growth.

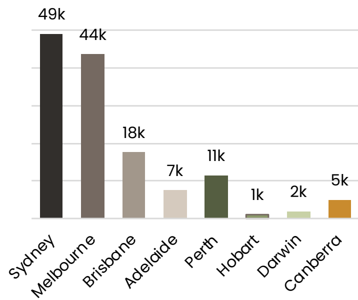
Across most markets, the widening price gap between houses and units is sustaining demand for apartments as a more affordable entry point, particularly in high-cost cities where detached housing affordability remains constrained.

Source: PriceFinder; SQM Research; Real Estate Institute of Australia; Urbis

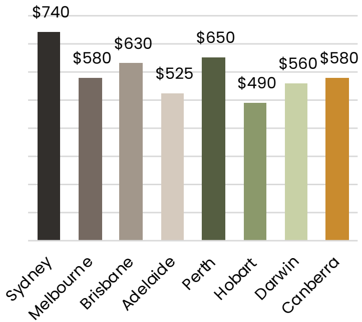
Median Unit Price (YE September 2025)



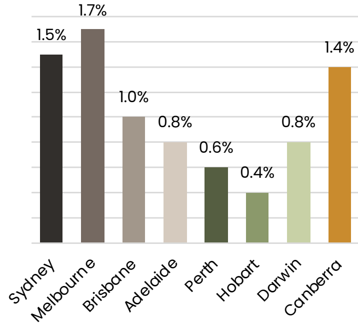
Unit Sales Volume (YE September 2025)



Median Unit Rent (YE September 2025)



Residential Vacancy Rate (January 2026)



Apartment Buyer Profile Trends

Following the Federal Government's announcement on a temporary two-year ban purchase of existing homes in Australia, domestic owner-occupiers now dominate new apartment purchases across major markets, reinforcing the depth of domestic, needs-based demand. This reflects the continued shift of demand base to the domestic market amongst an on-going supply crisis with reduced involvement of foreign capital and speculative flows.

While Brisbane has recorded a slight uplift in FIRB participation in 2025, overall foreign purchaser shares remain modest relative to earlier cycles. The broader trend since 2023 has been a rebalancing towards domestically driven demand across Sydney, Melbourne, Brisbane and Perth.

The more recent decline in the share of owner occupier purchasers in Melbourne and Perth reflects in part the market alignment of recently launched projects towards a more balanced purchaser mix, amongst ongoing feasibility challenges for projects targeting the mass market.

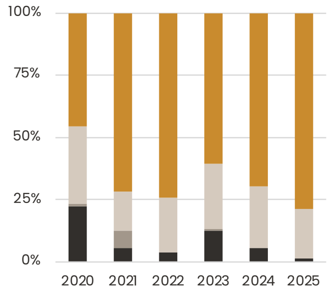
Elevated construction costs and feasibility constraints have reduced investor-led product, with developers instead targeting the owner-occupier market, particularly downsizers and first home buyers seeking more affordable entry points.

A stronger owner occupier presence supports pricing resilience, as these buyers are typically driven by lifestyle and long-term housing need rather than short-term yield movements.

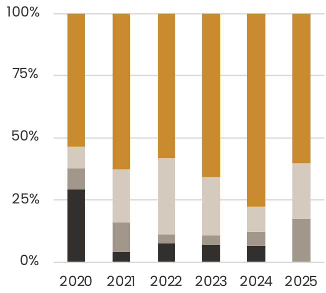
Buyer composition is expected to remain broadly aligned with domestic demand fundamentals, with owner-occupiers continuing to underpin absorption as the primary driver of new apartment markets.

- FIRB
- Interstate Investors
- Local Investors
- Owner Occupiers

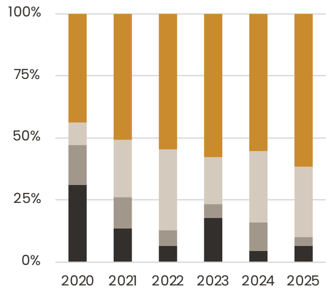
Sydney



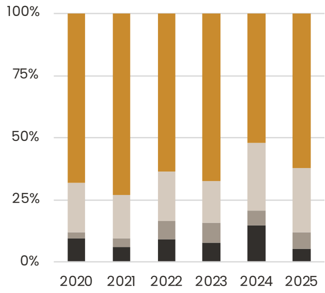
Melbourne



Brisbane



Perth



Source: Urbis Apartment Essentials

Student Accommodation

Australia's PBSA provision rate remains low at approximately 9%, well below the UK (25%) and USA (14%), highlighting clear structural undersupply and scope for further market growth.

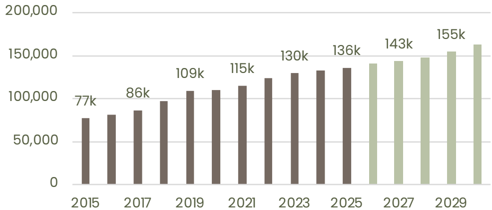
NSW and Victoria continue to lead international student visa issuance, reinforcing their role as key tertiary hubs and sustaining demand for purpose-built accommodation.

Although annual visa volumes have moderated from recent peaks, student numbers remain elevated relative to historical levels, supporting the sector's long-term growth outlook.

PBSA Supply (Beds)

Note: Projections assume completion of 75% of current development applications and approvals.

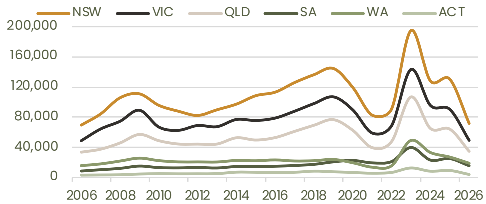
Source: Cordell; Urbis



Student Visas Granted (FY)

Note: 2026 – data to January.

Source: ABS; Department of Home Affairs; Urbis



Build-to-Rent (BTR)

In 2025, the BTR pipeline increased by approximately 6,800 units, while around 5,100 units were completed, reflecting continued delivery alongside measured new project additions.

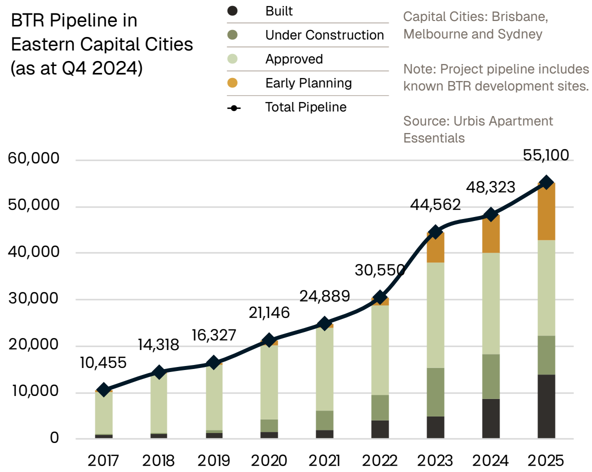
Melbourne remains a key BTR focus market on the eastern seaboard, attracting sustained institutional interest. While investors adopted a more selective approach in 2024 amid market uncertainty, the sector continues to demonstrate structural growth supported by ongoing completions and a maturing development pipeline.

BTR Pipeline in Eastern Capital Cities (as at Q4 2024)

Capital Cities: Brisbane, Melbourne and Sydney

Note: Project pipeline includes known BTR development sites.

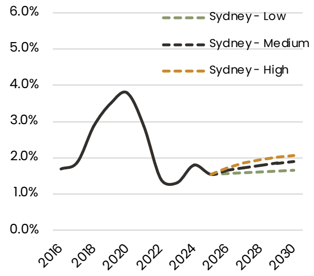
Source: Urbis Apartment Essentials



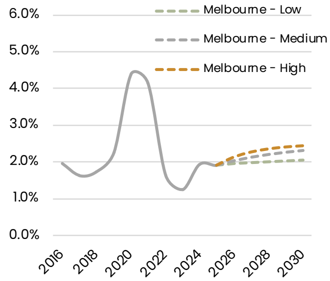
Residential Average Vacancy Forecasts

- Over the short to medium-term, overall vacancy levels across key capital cities are anticipated to remain stable, tracking around current low levels.
- This is driven by a combination of supply and demand factors, including sustained pressure in delivering more homes, the impact of sticky inflation and high cost base on the ability of the industry to support supply capacity uplift, and sustained population growth thus demand for housing.
- Given the potential in interest rate rising further over the next 3-6 months, it is unlikely that vacancy levels would see any significant uptick in the short to medium-term.

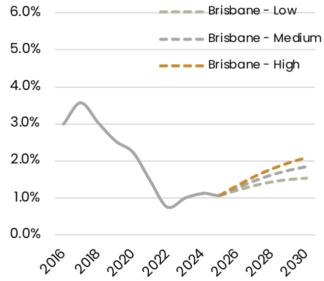
Greater Sydney



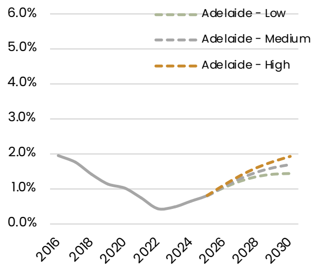
Greater Melbourne



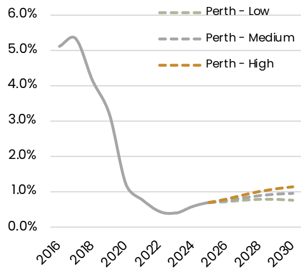
Greater Brisbane



Greater Adelaide



Greater Perth



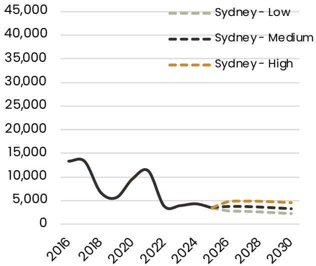
Source: Urbis

Residential Lots Consumption Forecasts

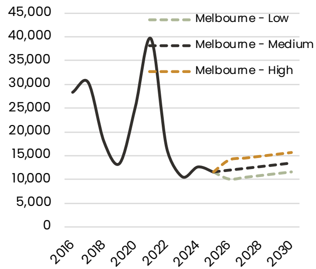
- Brisbane, Adelaide and Perth will likely continue to see solid demand for vacant resident lots, potentially further uptick on their current levels in the short-term.
- Sydney's lot consumption is expected to remain comparatively subdued, reflecting structural land constraints and limited new supply in key growth corridors.
- Melbourne is forecast to moderate in the near term, as higher interest rates and regulatory settings weigh on confidence, with conditions improving as broader market fundamentals strengthen.
- A potential moderation in net overseas migration from FY26 would some easing in land supply pressure, causing a cyclical adjustment in key markets such as Melbourne and Brisbane.

Source: Urbis

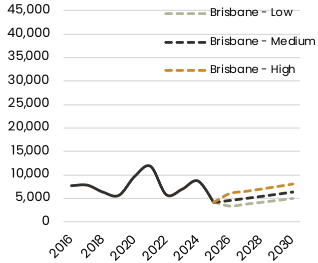
Greater Sydney



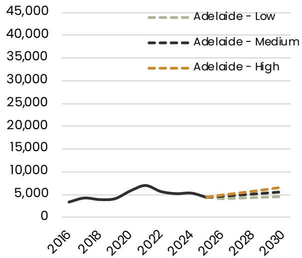
Greater Melbourne



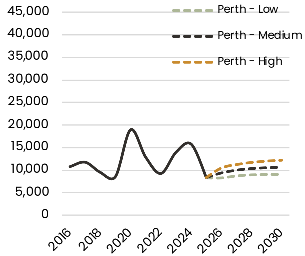
Greater Brisbane



Greater Adelaide



Greater Perth



3.2 Retail

Key Urbis Expert Contributors:

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Hamish Coleman	Associate Director Economics & Property

Retail Sector Outlook

The retail sector has encountered challenges over the past couple of years due to rising interest rates and inflation. These pressures had begun to stabilize, but increased inflation from mid-2025 will place pressure on household spending. Nonetheless, retail spending growth is expected to be relatively solid in the short-term and to improve in the medium-term. With supply particularly constrained, especially for larger asset classes, centres are well-placed to generate strong turnover productivity growth. Given historically low OCRs, there is clear potential to drive income growth over the short to medium-term even in a relatively subdued spending environment.

Market Conditions	• Australian retail spending growth is expected to stabilise at around 4.0% per annum in nominal terms over the next five years, driven by solid population growth, moderate retail price inflation, and a gradual return to positive real per capita spend by FY27.	• Elevated construction costs and interest rates have limited the supply of new floorspace, creating an environment where centres have recorded above-average productivity (turnover per sq.m) growth; this is expected to continue in the short-term.
Performance	• Specialty productivity across asset classes has grown by ~20% in the last five years but rents have grown by well under 10%. Consequently, occupancy cost ratios (OCRs) have decreased – this suggests that landlords can achieve above-average rental growth in the short-term.	• Cap rates in the retail property sector have largely remained flat across the entire pandemic / post-pandemic period. Compared to the pre-COVID period, neighbourhood centres have experienced the most compression likely due to their perceived lower risk and lower capital requirements.
Opportunities	• With low levels of new supply and strong forecast retail spending growth, optimising the performance of existing floorspace becomes critical for operators. Re-purposing less productive floorspace is an opportunity for landlords.	• While OCRs remain well-below pre-COVID levels across all asset classes, they are particularly low amongst regional centres. From a state perspective, both WA and SA have seen considerable divergence in turnover vs. rent growth, leaving OCRs in these states below levels seen in NSW, Vic (and Qld to a lesser extent).
Challenges	• Elevated construction costs impact the feasibility of value-add opportunities such as mixed-use development or retail space expansion on shopping centre sites. • The growth in e-commerce diverts some sales away from physical retail (especially discretionary items), though the impact remains minor.	• Barriers to foreign investment in Australia, including various taxes, duties, and FIRB requirements, make attracting foreign capital a challenge in the current environment. This is especially the case if interest rate rises drive a relative uplift in the value of the AUD.

Retail Market Overview

Property Market Cycle:
- Peak
- Rise/Decline
- Bottom

	NSW	VIC	QLD	SA	WA	Sector Summary
Market Cycle						
Retail Spend Growth[1] Jun 19 – Jun 25	28.4%	29.2%	49.8%	34.5%	53.1%	Spending growth nationally has been volatile, but solid overall, over the last five years. Growth in Western Australia and Queensland has been particularly robust.
Rental Growth ex Marketing[2] Jun 19 – Jun 25	9.8%	11.2%	8.2%	5.5%	1.9%	Rental growth has been solid in most markets but is well below total spending growth (and centre turnover productivity growth). This is particularly the case for WA.
OCR Change[2] Jun 19 – Jun 25	-0.9% Pts	-0.9% Pts	-1.5% Pts	-1.5% Pts	-2.9% Pts	Turnover growth has outpaced rental growth over the last five years, resulting in decreased occupancy cost ratios; this creates a strong case for above-average rental growth in the medium-term.
Supermarket Floorspace p/100 Residents	31.2 SQM	33.1 SQM	36.5 SQM	39.5 SQM	40.0 SQM	Supermarket provision levels remain stable, with minor increases recorded across most states except WA, driven in part by the delivery of new neighbourhood centres recently. They will likely remain at around current level as supply/demand balances further.

1. Including inflation. 2. Retail Specialties and Mini-Majors

Note: Occupancy cost ratio (rent / turnover) Source: Urbis, ABS

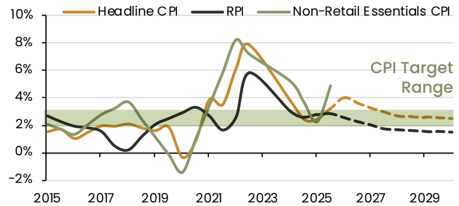
Retail Market Drivers

Australia's retail spending market had been tracking towards a rebound following notable declines in real household disposable income from 2021-2024. Key features of this rebound included:

- Real household disposable income returned to a positive growth trajectory in mid-2024.
- CPI stabilized at below the target range in mid to late 2024.
- The household savings rate shifted to marginally above the long-term average from late 2024 onwards.

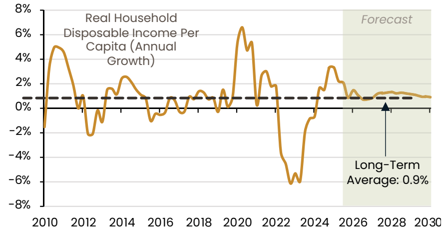
However, an inflation spike from mid 2025 places this rebound at risk. Price rises in non-retail essentials (such as in housing, health, energy and insurance) drove increases in CPI. Price growth in these categories is particularly damaging for retail spending — with consumers paying more for essential services, their capacity to spend on retail is reduced.

CPI, Retail Price Inflation and Non-Essentials CPI Actual and Forecast, 2015–2030



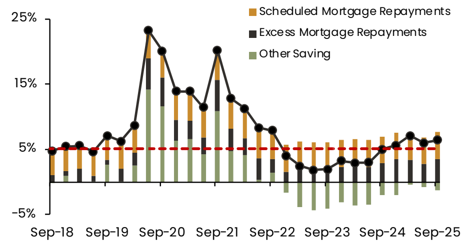
Source: ABS

Real Household Disposable Income Actual and Forecast, 2010–2030



Source: ABS, RBA

Household Savings Rate Components, 2018–2025



Source: ABS, APRA , RBA

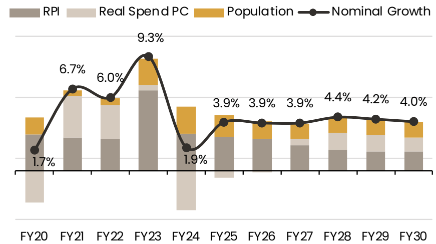
Following the most severe declines in real per capita retail spending since the 1980s, total nominal retail growth was only 1.9% in FY24. Elevated population growth and retail price inflation supported spending growth. Importantly, shopping centres outperformed the market over this period.

Real per capita spending growth improved in FY25, but remained slightly negative (adjacent & bottom left chart). A similar pattern is expected to continue in 2026, with flat real per capita spending leaving population and inflation to drive growth.

Retail price inflation is expected to begin to soften from FY27 onwards, with real spending per capita improving. Total nominal retail growth is forecast to peak at 4.4% in FY28 before mediating slightly to FY30 (bottom right chart).

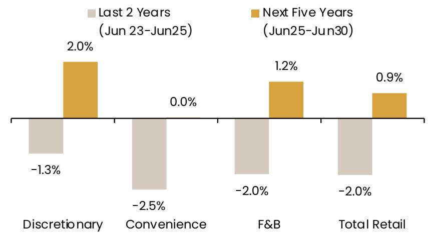
On a category basis, retail price inflation is expected to drive convenience retail growth over the forecast period following historical patterns (bottom right chart). Discretionary growth is expected to be driven mostly by volume growth, while prices are forecast to increase at a lower rate than between 2019-2025. Both volume and inflation will support F&B growth.

Components of Retail Growth Actual and Forecast, FY20–FY30



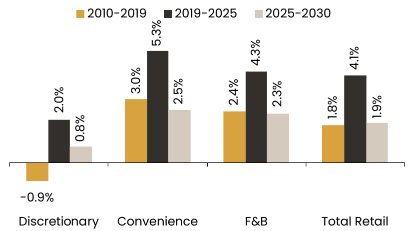
Source: ABS

Real Retail Spending Per Capita Growth



Source: ABS, RBA

Retail Price Inflation by Category Actual and Forecast, 2010–2030



Source: ABS, RBA

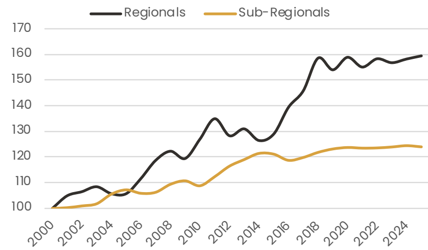
Supply Trends & Forecasts

Following rapid growth from 2000 to ~2019, the average Gross Leasable Area (GLA) of regional and sub-regional centres has plateaued, with the average centre effectively adding no GLA throughout the pandemic / post-pandemic period.

Neighbourhood centres have largely maintained their average size or actually reduced in size. Supply growth for neighbourhood centres is generally driven by new centres, rather than expansion of existing centres. Unlike for larger centre types, supply growth of supermarket based centres (i.e. the main type of neighbourhood centres) was broadly maintained at historical averages between 2019 and 2023; supply of larger centre types was well-below historical averages.

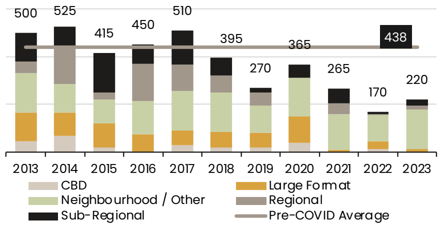
The limited new supply pipeline for larger centre types is likely to continue over the medium-term (at least the next 5 years). In part this has been driven by elevated cost levels. As an indication, non-residential building costs rose by around 34% between 2020 and 2025, significantly impacting development feasibility.

GLA, Regionals and Sub-Regionals, 2000–2025, Index 2000=100



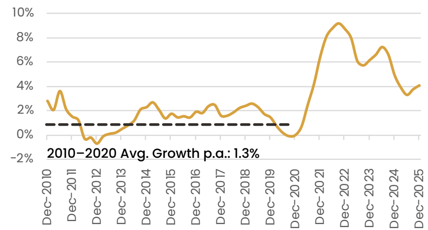
Source: Urbis

Shopping Centre Supply Growth by Type ('000s Sq.m)



Source: ABS; RBA; Urbis

ABS Non-Residential Building Cost Index, YoY Growth, 2010-2025



Source: ABS; Urbis

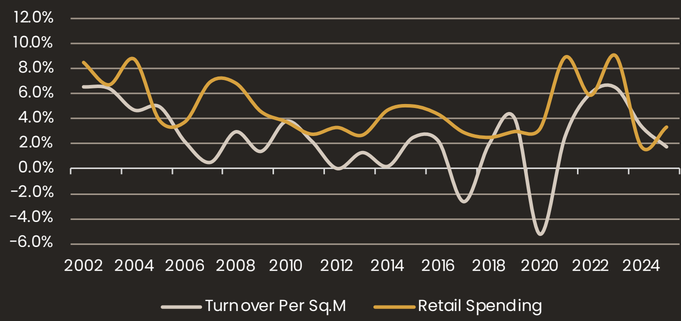
The Road Ahead For Retail Property

The limited supply environment post-pandemic has allowed shopping centres to effectively translate market growth into turnover productivity growth (at least amongst Specialty and Mini-Major tenants).

In the 5 years from 2020 to 2025, Specialty and Mini-Major turnover productivity at the average centre increased by around 20%; growth was only around 10% in the 10-years between 2010 and 2020. Recent growth has been strong across asset types, but larger centres, in particular super regionals, have experienced the most pronounced uplift, reflecting very constrained supply growth.

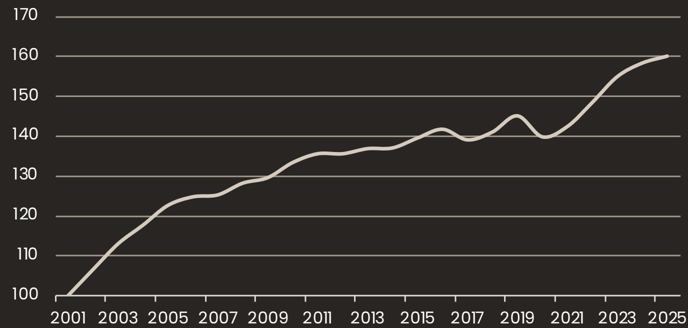
Landlords are generally focused on maximising turnover within existing footprints – 'optimizing' assets to generate the most income possible within the space available. This is expected to continue over the medium-term (next 5 years).

Centre Turnover Per Sq.m Vs Retail Spending Growth YoY, 2001–2025



Source: ABS, Retail Trade; Urbis Shopping Centre Benchmarks.

Spec + MM Turnover Productivity, 2001–2025, Index 2001=100



Source: Urbis Shopping Centre Benchmarks.

The Road Ahead For Retail Property

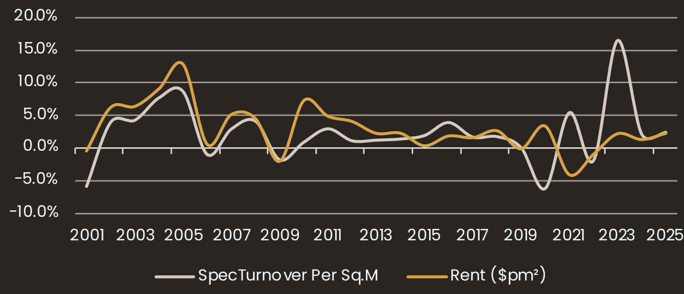
From the year 2000 to around 2015, growth in rent per sq.m generally out-paced turnover productivity growth. This relationship saw OCRs increase from around 12.0% in 2000 to just under 16% in 2014.

Between 2015 and 2019, OCRs held steady at around 15.0% - rent per sq.m and turnover productivity growth were largely aligned. This period of flat OCR growth corresponds strongly with the period of heightened supply growth at regional and sub-regional centres.

Throughout the pandemic, both rent and turnover growth were volatile. OCRs peaked in 2020, but fell rapidly in subsequent years as turnover productivity growth over-took rental growth.

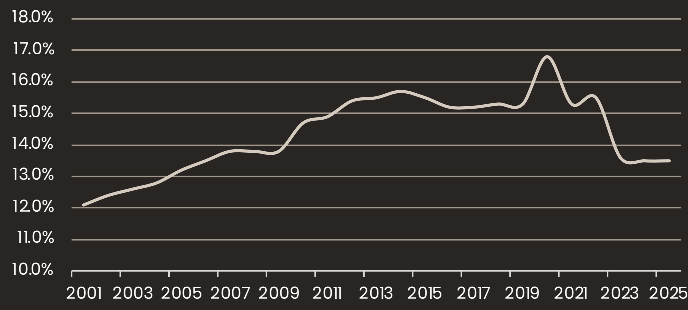
As at 2025, OCRs are the lowest they have been since the early-mid 2000s. This is most pronounced amongst larger centre types; regional centres, in particular. Increasing leasing spreads is a key focus for landlords over the short to medium-term.

Spec + MM Rent Per Sq.M Vs Turnover Per Sq.M Growth YoY, 2001–2025



Source: Urbis Shopping Centre Benchmarks.

Spec + MM OCR, 2001–2025



Source: Urbis Shopping Centre Benchmarks.

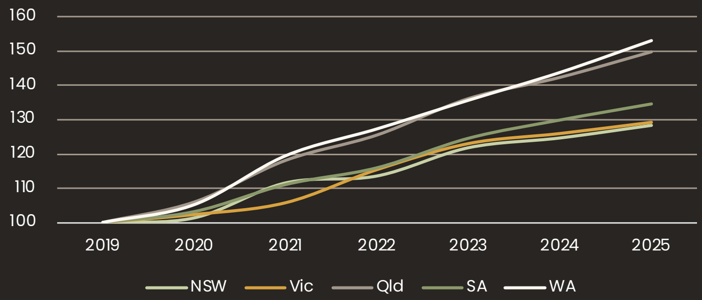
While all states have experienced solid growth in retail spending since 2019, 2 states clearly stand-out as faster-growing markets. Both Qld and WA have seen retail spending growth rise by ~50% since 2019; growth rates for other states are generally closer to 30%.

Despite relatively limited population growth, SA has experienced higher retail spending growth than both NSW and Vic. The south-eastern states have seen almost identical spending increases across the period.

There is notably less variation in centre turnover productivity growth across various states than there is for overall retail spending growth. While WA has out-performed, this is to a considerably smaller degree than overall retail spending growth would suggest; turnover productivity growth in Qld is almost exactly the same as in other states, despite comfortably higher retail spending growth.

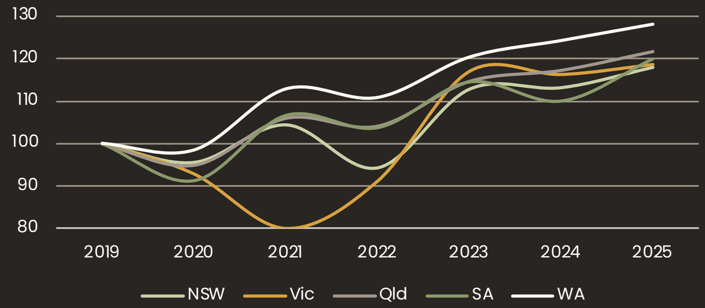
A number of factors likely influence the relatively even MAT per sq.m performance across states, including varying supply growth rates both pre and post-COVID. This analysis suggests stronger retail spending in a particular state does not necessarily automatically translate into uniformly stronger performance for individual centres.

Retail Spending Growth by State, 2019-2025, Index 2019=100



Source: ABS Experimental Retail Spending Monitor.

Spec + MM Turnover Productivity by State, 2019-2025, Index 2019=100

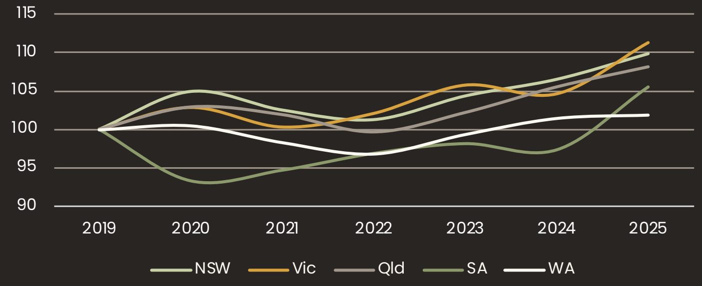


Source: Urbis Shopping Centre Benchmarks.

The Road Ahead For Retail Property

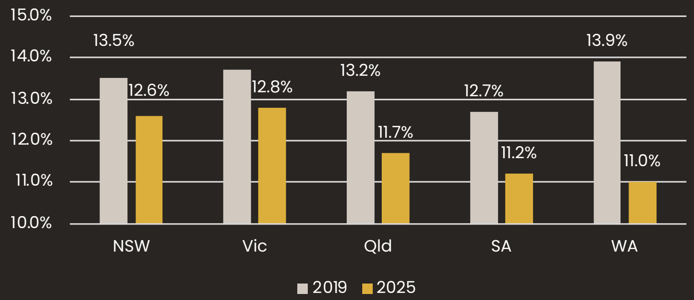
- Specialty and Mini-Major rent per sq.m growth by state has not necessarily tracked increased turnover productivity (or retail spending growth).
- Indeed, rental growth in WA has been the lowest of all states, despite turnover productivity growth being the highest. Rental growth in SA has likewise been lower than turnover productivity would suggest.
- This has resulted in these states having the lowest OCRs. OCR declines in WA are particularly dramatic. Pre-COVID, the state had amongst the highest OCRs, broadly in-line with those observed in NSW and Vic. In 2025, OCRs in WA were more than 1.5% lower. At least at face-value, this suggests there is considerable room to lift rental rates in WA, SA and Qld.

Spec + MM Rent Per Sq.M by State, 2019–2025, Index 2019=100



Source: Urbis Shopping Centre Benchmarks.

Spec + MM OCRs by State, 2019 Vs 2025



Source: Urbis Shopping Centre Benchmarks.

Retail Spending Forecast by State

Over the five years to financial year 2030 spending growth is expected to be led by Western Australia, followed by Victoria and Queensland.

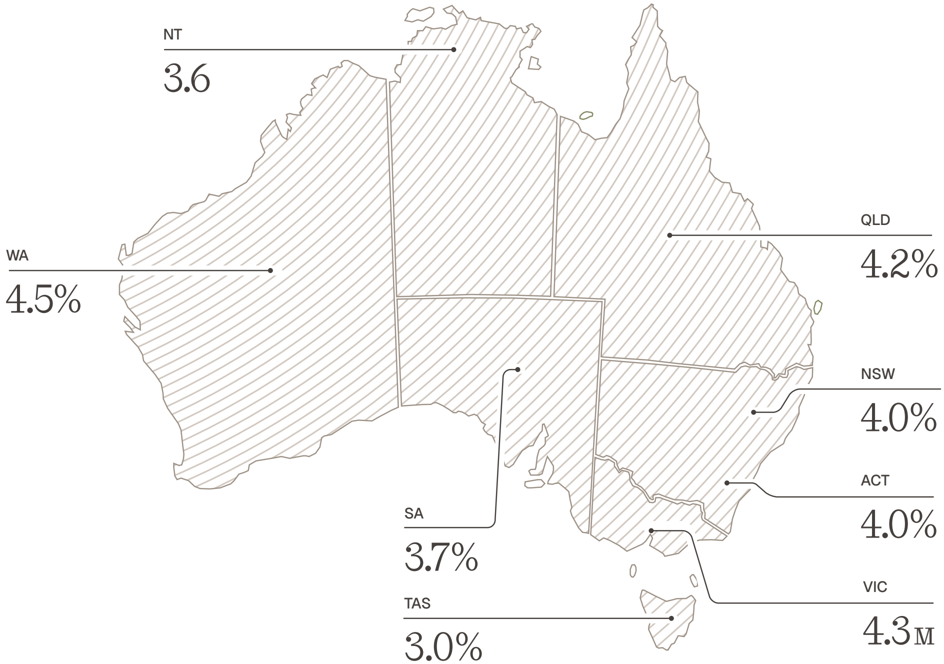
These states are forecast to outpace the balance of the country due to a mix of stronger population growth and/or underlying drivers for real spending increases.

Australia

4.1% p.a.

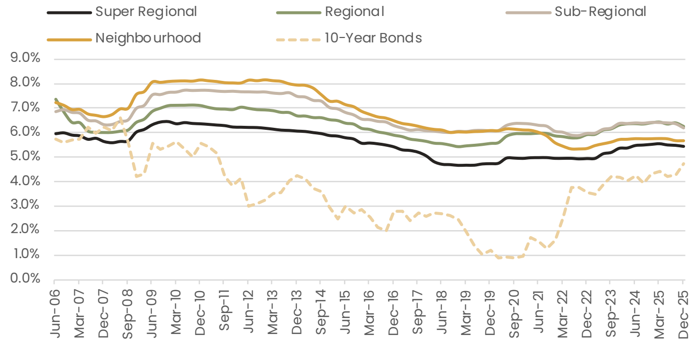
3.6% p.a. Including online diversion impacts

Average Annual Retail Spending Growth FY25– FY30



Cap Rates
By Asset Class

Cap Rates by Asset Class; 10 Year Bond Yield, 1994–2026



Source: MSCI; Urbis

Cap rates have generally consistently fallen over the last ~20 years, broadly following long-term trends in the Government's 10-year bond rate.

Short-term changes in the bond rate have had less of an impact on cap rates. For instance, currently the gap between the bond rate and cap rates is notably lower than the historical average (the lowest it has been since 2007 / 2008).

Very low bond rates (around 1%) throughout the COVID-period likewise did not result in significant above-trend compression in cap rates across key retail assets.

This is because medium to long-term yield expectations determine current cap rates, rather than short-term volatility. This speaks to the risk around an extended period of elevated interest rates —, if expectations around long-term bond yields are re-based, this could place upward pressure on cap rates.

Cap rates by asset class have evolved over-time. Effectively, they have converged. Historically, regional centres enjoyed a significant 'premium' to other asset classes — this has largely dissipated. And indeed, 'normal' regional centre cap rates are now higher than neighbourhood centres and broadly the same as sub-regional centres.

Neighbourhood centre cap rates have steadily compressed relative to other classes — cap rates for this class are now nearly on-par with super regionals and comfortably lower than sub-regionals. Asset pricing is more likely to be driven by a centre's market position / performance than its type / class.

Food Catering / QSR Insights

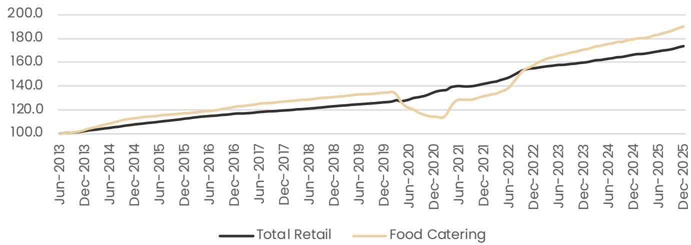
The first chart illustrates the growth in food catering spending compared to total retail since 2012, supported by both price growth and volume growth. Food catering has significantly outpaced the broader retail market both before and after the pandemic period. COVID-era lock-downs and cost-of-living pressures impacted growth between 2020 and 2023, but spending on Food Catering has accelerated strongly from mid-2022 onwards. This trend is anticipated to remain stable in the short to medium-term.

The second chart examines the distribution of quick service restaurant (QSR) stores across major capital cities. Among major QSR brands like McDonald's, KFC, and Subway, Sydney and Melbourne have the fewest stores per 100,000 residents.

When considering all QSR brands, the distribution is more balanced, with Sydney, Melbourne, and Adelaide each having 27 stores per 100,000 residents, while Brisbane and Perth have 33.

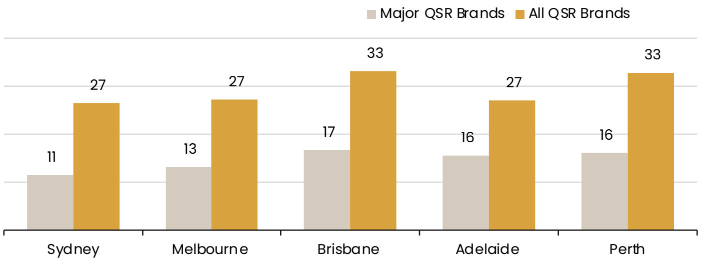
Similar to the broader retail market, the number of stores per capita has decreased due to strong population growth across Australia and limited supply growth.

Food Catering vs Total Retail, MAT Growth, 2012–2025, Index, 2012=100



Source: ABS; Urbis

Quick Service Restaurant (QSR) Stores Per 100k Residents



Note: Major QSR brands include McDonalds, KFC, Subway, Hungry Jacks and Red Rooster

Source: ABS; GapMaps, Urbis

3.3 Office

Key Urbis Expert Contributors:

Niall Ashleigh	Director, Institutional Office Valuations & Advisory
David Cresp	Partner, Economics & Property

Office Sector Outlook

While the overall conditions in most capital cities remain challenging, demand for office space continued to improve, reflected in positive absorption across the major CBD markets, alongside only marginal increases in vacancy despite a high volume of new supply entering the market. Prime incentives have either stabilised or eased slightly, supporting growth in both face rents and net effective rents. A return in confidence was also evident in performance metrics, with capital returns moving back into positive territory and renewed investment activity flowing into Eastern Seaboard markets.

Market Conditions	• CBD Office market performance continues to improve but demand remains concentrated in the premium /A-grade office stock. Net absorption was positive across all markets over 6-month period to Jan-26, led by the Melbourne CBD, despite significant new supply adding to market competition.	• Prime incentives have stabilised across markets, while secondary markets continue to see modest demand. A renewed focus on prime office is expected to support rental growth, further underpinned by a moderating development pipeline.
Performance	• Capital value for the office sector return to positive territory after a period of limited / negative growth, while income returns also recorded modest growth. • The sector still retains its risk profile as demand is more centered and driven by larger tenants. The uncertain monetary environment will also impact capitalisation rates, with limited yield compression expected across the market in the short to medium-term.	• Offshore capital continues to identify value in the Australian CBD markets, alongside a renewed focus from A-REITs, which have recently been reducing exposure through portfolio rebalancing, with most investment flowing into Sydney CBD Office.
Opportunities	• Brisbane and Sydney CBD have continued to record a reduction in premium grade vacancy in recent period (albeit a rise in vacancy for Brisbane), highlighting the trend of opting for amenity rich space, and meets occupiers ESG requirements.	• New office supply pipeline beyond 2027 is moderating quite strongly that would underpin a fall in vacancy levels and support rental growth in the coming years as floorspace demand continues to rise.
Challenges	• Secondary and fringe markets continue to face challenges, with net absorption remaining low and vacancy rising. • The ongoing gap between achievable rents and economic rents based on development costs is constraining the development pipeline.	• Momentum behind the ‘back to office’ push has eased, as trade unions push back on government return-to-work mandates, contributing to ongoing uncertainty around future office demand, particularly as AI adoption over time is expected to reduce required floorspace.

The Next Wave

Key opportunities

Prime Market Upswing

Premium vacancy has continued to decline as tenant demand continued to seek high-quality, technology-superior sustainable assets, which will continue to support prime rental growth.

Premium on Green Buildings

Green buildings that are <10 years old have witnessed significantly low vacancy compared to the market overall, with higher rental growth potential.

New Supply Shrinking

Higher construction costs and feasibility issues on the back of higher interest rate in the last couple of years has accumulated to a shortfall in new developments being planned, with increase in interest rates to further dampen future supply.

Key challenges

Challenges for Secondary Stock

While falling prime vacancy may create some pressure on secondary stock, improving its appeal would require substantial refurbishment to meet ESG standards, with high costs weighing on the feasibility of conversion and repositioning.

Case for AI in Office Space

While the AI era promises higher productivity in the economy, this will inherently reduce the need for office space, as a portion of white-collar jobs are either automated, performed by AI agents or transferred overseas.

‘Work from Home’ Policy

One of NSW’s largest public sector employers, the Rail Tram and Bus Union, has delayed its return-to-office mandate after union concerns that enforcing it alongside job cuts would harm staff wellbeing, putting a halt on return to work and setting a precedent for other Govt., departments.

Office Overview

Property Market Cycle:
- Peak
- Rise/Decline
- Bottom

CBD Office	Sydney	Melbourne	Brisbane	Adelaide	Perth	Sector Summary
Market Cycle						
Total Vacancy (%) 6 month to Jan-26	13.8% +0.1%Pts	19.0% +1.0%pts	11.8% +1.1%pts	15.5% +0.5%pts	16.9% -0.1%pts	Vacancy rates remain broadly flat despite significant new supply, particularly in Brisbane and Melbourne, signalling a return in office demand.
Net Absorption 6 month to Jan-26	+11,360 SQM	+28,030 SQM	+10,000 SQM	+10,700 SQM	+11,030 SQM	Premium and/or prime stock continued to see appeal prospective tenants as absorption for secondary continued to decline.
Future Pipeline To 2028+	174,280 SQM	158,000 SQM	72,000 SQM	77,000 SQM	60,000 SQM	The supply pipeline remains relatively strong, underpinned by solid pre-commitments that are likely to moderate future vacancy impacts.
Prime Rents Per sq.m, Q4-25	$1,400	$820	$880	$520	$735	Rents in the premium and/or core markets drove most of the increase, with Adelaide & Brisbane leading the uplift.
Prime Yields %, Q4-25	5.3% - 6.3%	6.0% - 7.3%	6.3% - 7.5%	6.8% - 7.8%	7.0% - 7.8%	Sydney CBD witnessed marginal contraction in prime yields, while other markets remained fairly stable.

Source: PCA, Agency Consensus, Urbis

Office CBD Markets Vacancy & Supply

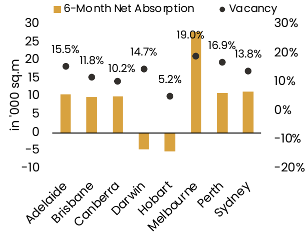
CBD office demand remains strong despite relatively high vacancy, with new supply leading to a modest rise in total vacancy, offset by increased floorspace absorption.

CBD absorption continues to be driven by demand for prime stock, with both Melbourne and Sydney recording a decline in prime vacancy, while Brisbane recorded an uptick largely due to the completion of 360 Queens Street.

In contrast, the non-CBD office markets saw limited green shoots with the majority of the markets continue to witness an increase in vacancy with limited new demand supporting absorption.

Looking ahead, significant level of new supply will test market recovery, with vacancy expected to rise in Melbourne & Sydney CBD in the short-term.

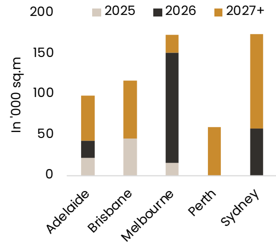
CBD Office Absorption & Vacancy



Note: 6-Months to Jan 2026

Source: Property Council of Australia; Urbis

CBD Office Development Pipeline

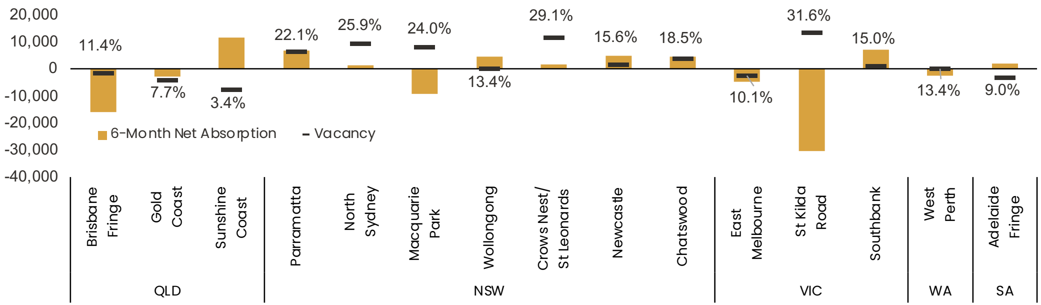


Source: Property Council of Australia; Urbis

Non-CBD Vacancy Rates & Absorption (6-Months)

Note: 6-Months to Jan 2026

Source: Property Council of Australia; Urbis



CBD Office Performance & Investment

Over the past 6-12 months, there has been an uptick in prime rents across the markets, with demand starting to build up driven by an increase in transaction activity.

Prime rents recorded healthy growth in 2025, as incentive reduced in Sydney & Brisbane, while remained steady across most markets.

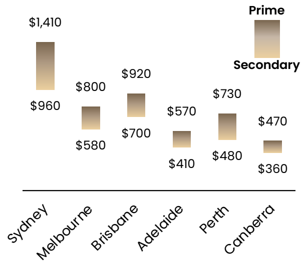
Secondary face rents also witnessed marginal growth overall, while incentives continued to trend upwards across most markets.

Adelaide and Brisbane CBD markets strengthened, with strong prime rental growth and steady incentives being recorded in Adelaide, and robust rental growth across both prime and secondary stock in Brisbane.

Prime yields recorded marginal contraction over 2025, with a selective buyer pool sensitive to required returns amid higher vacancy and cautious tenant activity.

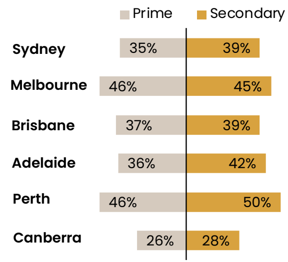
Sydney Office market led the rebound in investment activity, with around $6 billion of transactions underpinned by renewed interests from both domestic and offshore capital.

CBD Office Face Rents



Source: Industry Consensus; Urbis

CBD Office Incentives



Source: Industry Consensus; Urbis

AUS CBD Capital Flows

$8.2B

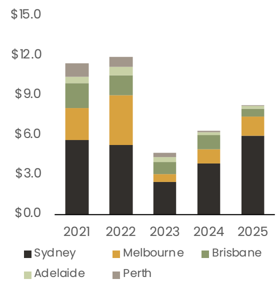
2025 CBD Office Transactions

5.8%–7.5%

Indicative Prime Yield

Source: Real Capital Analytics; Urbis

CBD Market Capital Flows ($B.)



Note: Data as of FY Dec-2025

3.4 Industrial

Key Urbis Expert Contributors:

Shane Robb	Partner, Industrial Transaction & Advisory
Matt Webb	Director, Institutional Industrial Valuations & Advisory

Industrial Sector Outlook

Industrial take-up has remained resilient, with volumes exceeding 2024 levels, although still below the peak activity recorded between 2020 and 2023. Vacancy rates are rising as a result of substantial new supply, placing some pressure on rental growth as incentives begin to increase again. Despite this, deployable capital continues to favour the industrial sector, with investors becoming more selective and focused on the acquisition of well-located assets rather than broad, diversified portfolios, with absentee taxes by States driving direction of capital particularly offshore investments.

Market Conditions	• Strong take-up volumes were underpinned by a return in discretionary spending, supported by lower interest rates and expectations of higher overall spending from a growing population base. The confidence in the sector was also represented in the revert to average volume of new supply being delivered as construction cost stabilised, albeit costs remained elevated relative to historical levels.	• The development pipeline for 2026–27 continues to drive sufficient level of pre-commitment representing sustained demand. This should provide shot-term support for the sector as the pipeline activity moderates due to constrained land supply and monetary conditions start to tighten again.
Performance	• The sector recorded robust value growth in 2025, with capital value growth in Sydney and Brisbane outpacing Melbourne. Income returns also continued to strengthen, exceeding 2024 levels, with Brisbane leading the trend.	• Yields experienced marginal compression, while existing taxes and levies, such as the Foreign Owner Surcharge, have diverted some demand away from Eastern Seaboard markets, including Melbourne and Brisbane, towards more active markets in Adelaide and Perth.
Opportunities	• While there is a growing focus on delivering alternative assets such as data centres and renewable energy, productivity gains are expected to flow through the industrial sector, driven by autonomous fulfilment systems and advanced manufacturing.	• This has led to a renewed focus on strategic asset acquisitions, with greater emphasis on individual asset attributes such as location, exposure and scale, particularly where assets are capable of supporting operational consolidation.
Challenges	• The prospect of sticky inflation raises the risk of interest rates remaining higher for longer. While short periods of elevated interest rates tend to have limited impact on industrial demand, a more prolonged high interest rate environment is likely to dampen spending, increase construction costs further and soften the investment outlook.	• At the same time, traditional industrial uses are increasingly competing with large technology operators for land (power and water), with strong access to power and water infrastructure, or sites located near existing data centres. These locations are attracting significant price premiums, prompting some traditional users to relocate to interstate markets.

Industrial Sector Potential

Key opportunities		Key challenges	
Data Centre Boom or Stop?	The potential of AI has been a constant topic of discussion in 2025; it has not slowed the data centre construction boom across the regions. However, shortages in key operational requirements — particularly electricity and water — may temper delivery timelines in some states.	Land Supply Remains Constrained	Land supply remains constrained across most markets, limiting the availability of large, contiguous lots needed to support scaled built form. This fragmentation restricts design flexibility, reduces operational efficiency for major users, and places upward pressure on land values and overall development costs, affecting the commercial viability of large-scale projects.
Cold Store Demand Builds on Energy Efficiency	Cold Storage asset subclass has continued to witness tenant demand, with operators seeking newly built stock that delivers the efficiencies of energy-efficient design, supported by solar integration and strong green ratings.	Power Availability for Next Generation Buildings	Power availability for the next generation of automated warehouses is increasingly constrained by the rapid growth of data centres, which have very high electricity demands. This competition for network capacity places pressure on existing and planned infrastructure, creating challenges for securing reliable power supply for energy-intensive logistics and industrial operations.
Favourable Capital Allocations to Industrial	The slow recovery of the Office Market will continue to see positive capital allocations towards the Industrial sector. A significant volume of capital has a mandate of Living & Logistics.	Environmental & Social Governance	The increased power demands of next-generation buildings create growing ESG compliance challenges for many major retailers. Energy-intensive operations can make it more difficult to meet emissions reduction targets, energy efficiency benchmarks and corporate sustainability commitments, particularly where access to renewable energy or low-carbon power sources is limited
Construction Cost Reducing	Industry sentiment around construction costs is a clear message of stability and in some sub-markets a sub CPI trend in cost growth.		
Industrial AI & Cognitive Automation	While most large occupiers use AMRs (Autonomous Mobile Robots), the next frontier would be the deployment of AI agents, digital twins and generative designs to understand floorspace layout, predictive operational mapping and automated decision making which will add another layer of operational efficiency.		

Industrial Overview

Property Market Cycle:
- Peak
- Rise/Decline
- Bottom

	Sydney	Melbourne	Brisbane	Adelaide	Perth	Sector Summary
Market Cycle						
Total Vacancy (%) Change from Dec 24	4.0% +0.7%pts	4.6% +1.9%pts	3.3% +0.2%pts	2.0% -0.2%pts	2.2% -0.6%pts	Eastern Seaboard markets recorded an uptick in overall vacancy, although levels remain below historical averages.
Industrial Take-up 2025	+1,193,000 SQM	+1,101,500 SQM	+568,400 SQM	+291,600 SQM	+200,400 SQM	Floorspace take-up was quite strong, with Adelaide and Perth witnessing uptick in tenant activity. Overall take-up level improved over 2024 volumes.
Future Supply U/C 2026	+660,000 SQM	+492,500 SQM	+410,000 SQM	+80,000 SQM	+250,000 SQM	Supply pipeline continues to be robust for the new year, with significant activity in Sydney & Perth.
Prime Face Rents $/sq.m	$265	$150	$170	$145	$150	Growth in face rent has softened across the markets, with rising incentive putting pressure on net effective rents. Effective rental growth has entered into negative territory.
Prime Yields %	5.0% – 5.5%	5.3% – 5.8%	5.5% – 6.0%	5.8% – 6.5%	6.0% – 6.5%	Yield in market along the Eastern Seaboard has expanded while Brisbane, Adelaide and Perth have witnessed compression, as investment shifts to more competitive settings.

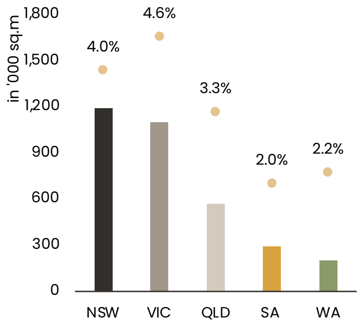
Source: PCA, Agency Consensus, Urbis

Industrial Vacancy, Supply & Future Pipeline

Take-up remains robust despite higher vacancy, as constrained land supply continue to support occupier demand.

- Vacancy ticked higher across the Eastern Seaboard States, while both South Australia and Western Australia recorded a marginal decline.
- Sydney and Melbourne led the region in take-up, driven by several large transactions that contributed to higher floorspace absorption. Adelaide also recorded strong growth, outperforming its 2024 take-up levels.
- The projected pipeline remains elevated with significant new supply anticipated in New South Wales, followed by Victoria & Queensland.
- Most developments in planning and will require precommitment before progressing to construction.
- Renewed pressure is emerging on land supply as data centre development becomes a competing use, with fast-tracked approvals for large land parcels expected to increase land consumption in the short to medium-term.

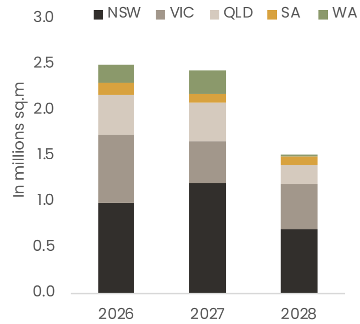
Vacancy & Take-up



Note: Data as of CY2025.

Source: Agency Consensus; Urbis

Development Pipeline



Note: Indicative data for all industrial development.

Source: Agency Consensus; Urbis

Industrial Land Supply

	Greater Sydney	Greater Melbourne	Greater Brisbane	Greater Adelaide	Greater Perth
Zoned Vacant Supply	7,935 ha	4,405 ha	7,991 ha	1,500 ha	860 ha
Effective Supply	490 ha	1,560 ha	1,025 ha	122 ha	220 ha
Capacity Remaining	2–3 yrs	4–5 yrs	4–5 yrs	1–2 yrs	2–3 yrs
Future Supply	6,970 ha	5,155 ha	6,490 ha	1,822 ha	1,702 ha

Capacity as of CY2025. Effective supply adjusted with historical consumption to account for land consumed to CY2025.

Definitions for industrial metrics noted on Pg 78

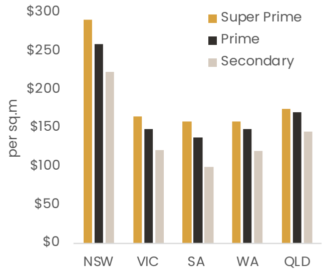
Source: NSW Employment Land Monitor 2024; VIC Urban Development Program 2025, South East Queensland Industrial Land 2023, Land Supply Report for Greater Adelaide 2021; Perth Economic and Employment Land Monitor 2020; Urbis

Industrial Performance & Investment

Incentives have started to rise on the back of an increase in vacancy while yields recorded marginal compression.

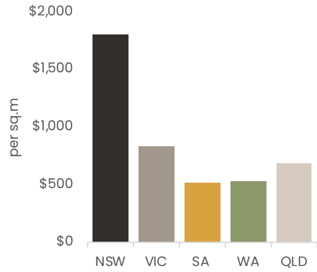
- Rental growth has prime assets continued albeit a slower rate, with increase in secondary stock relatively quite modest.
- Land values in New South Wales and Victoria largely remained unchanged with the Brisbane market being a key performer with land values rising sharply compared to other Eastern Seaboard States.
- Upticks in land values was also recorded across Western Australia and South Australia.
- Investment volume for 2025 were higher compared to 2024, with Adelaide and Brisbane recording above average transactional activity, driven by an uplift in institutional spending.
- Yield compression although modest, was led by Adelaide, Perth and Brisbane markets.
- Transaction activity and yields are expected to normalize further for 2026, given a return to tightening of monetary policy by the Central bank.

Weighted Avg. Net Face Rental Profile



Note: Data as of Dec-2025
Source: Industry Consensus; Urbis

Land Values (1–5ha)



Capital Flows

$20.2B

2025 Industrial Transactions

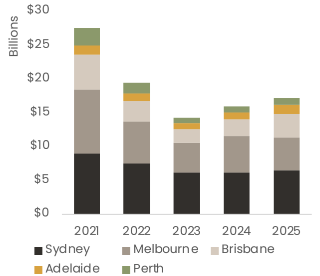
5.20%–6.25%

Indicative Prime Yield

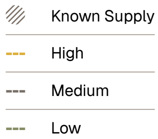
Note: Data as of CY2025. Transactions exclude data centres.

Source: Real Capital Analytics; Urbis

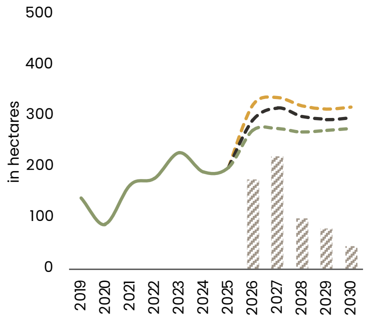
Industrial Market Capital Flows



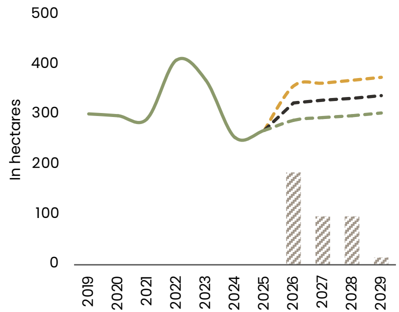
Forecast Demand for Industrial Land



Greater Sydney

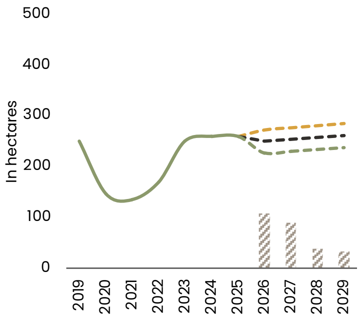


Greater Melbourne

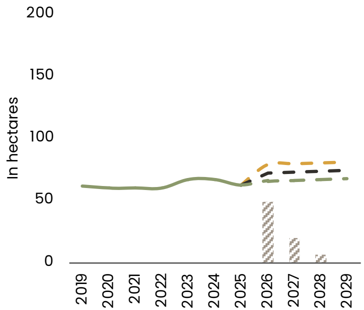


Note:
Known Supply (Future pipeline) includes all development types like self-storage, waste disposal, marine building, data centres etc that are currently in planning and is indicative only.

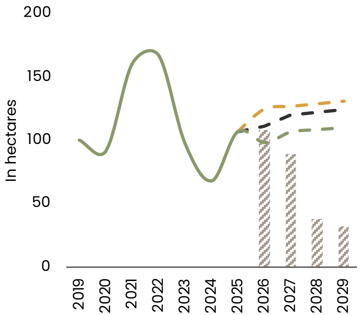
Greater Brisbane



Greater Adelaide



Greater Perth



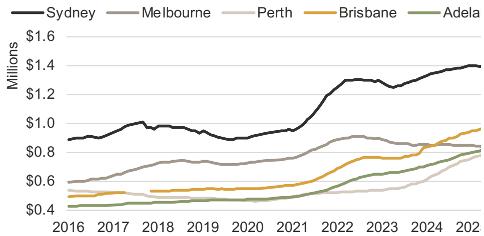
Source: ABS, Cordell, New South Wales Planning, Queensland Government, South Australia Government, Western Australia Government, Urbis


04

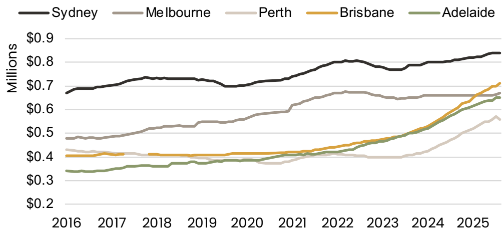
PROPERTY INVESTMENT PERFORMANCE

Residential

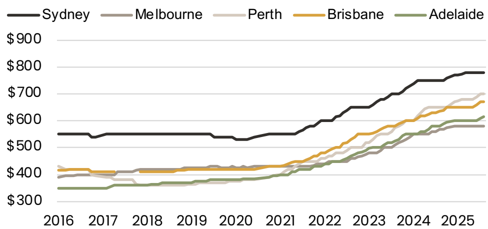
Medium House Sale Prices
by City Over Time



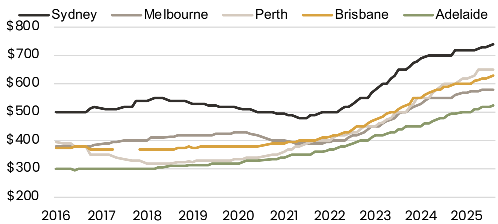
Medium Unit Sale Prices
by City Over Time



Medium House Rents
by City Over Time



Median Unit Rents
by City Over Time



Data until September 2025
Source: Pricefinder; Urbis

Performance Across Key Sectors

Positive capital return was recorded across all property sectors even Office, with income returns also continue to grow.

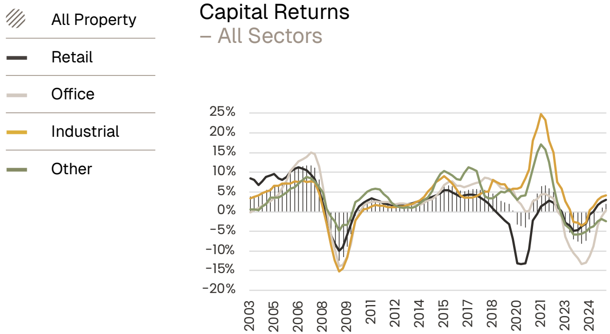
Property sectors delivered a strong total return of 7.4% in 2025, representing an increase of around 2 percentage points on the previous year and indicating a renewed growth momentum.

Total returns improved across the industrial, retail and other sectors.

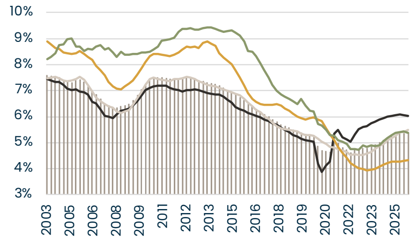
Retail performance was driven primarily by higher income returns, while industrial and other sectors benefited from a combination of capital growth and rising income returns.

The office sector in general also reverted to positive capital growth after a prolonged period of negative / limited capital returns, with the exception of Melbourne and Perth.

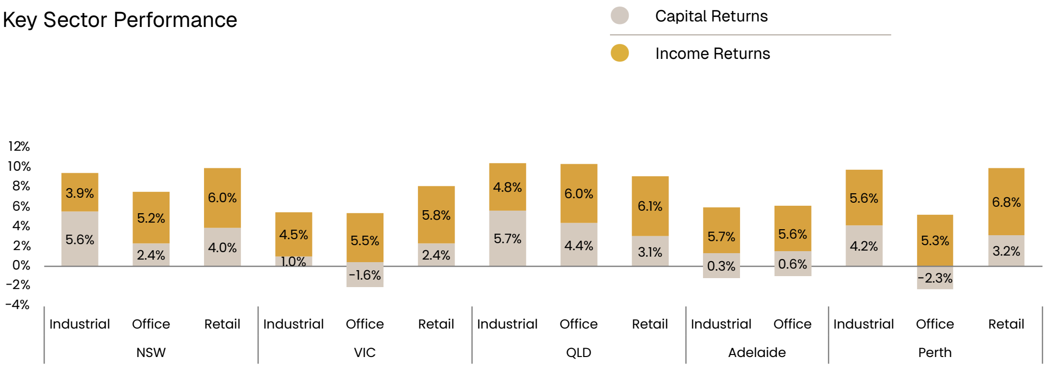
Capital Returns – All Sectors



Income Returns – All Sectors



Key Sector Performance



Note: Dec-25 data, annual returns.
Retail and Industrial returns for Perth and Adelaide are on a State level

Source: MSCI; Urbis

05

APPENDIX

Significant Infrastructure Projects

Road			
NSW	Elizabeth Drive Upgrade	$800 M	2029
	Mamre Road Upgrade	$1.3 B	2029
	Garfield Road East Upgrade	$440 M	2029
	Pacific Highway–Wyong Town Centre	$488 M	2032
	Richmond Road-M7 to Townson Rd	$520 M	2029
	Total		**$3.5 billion**
VIC	Northeast Link Road Project	$15.8 B	2028
	Eastern Freeway Upgrades	$26 B	2028
	M80 Ring Road Upgrade	$3.8 B	2028
	Western Highway Upgrade	$2.1 B	2026
	Total		**$47.7 billion**
QLD	Bruce Highway Upgrade Program	$9 B	2032
	Beerburrum to Nambour Rail	$551 M	2027
	Total		**$9.5 billion**
WA	Tonkin Highway Extension	$1 B	2028
	Swan River Crossings	$430 M	2026
	Total		**$1.4 billion**
SA	Adelaide's North-South Corridor	$14.5 B	2031
	HPV Network Project	$690 M	n/a
	Total		**$14.8 billion**
NT	Central Arnhem Road Upgrade	$230 M	2026
TAS	Bridgewater Bridge Project	$786 M	2026

Rail			
NSW	Sydney Metro West	$27 B	2032
VIC	Suburban Rail Loop	$220 B	2035
	Melbourne Airport Rail Link	$10 B	2033
	Total		**$230 billion**
QLD	Cross River Rail	$6.3 B	2029
	Gold Coast Light Rail	$2.7 B	2026
	The Wave	$5.5 B	2032
	Total		**$14.5 billion**
WA	Westport Project	$7.2 B	2028

Other			
NSW	Western Sydney Airport	$5.3 B	2026
	Western Sydney Infrastructure Plan	$4.4 B	2028
	Total		**$9.7 billion**

Source: CoreLogic; Infrastructure Australia; Sydney Build Expo; Urbis

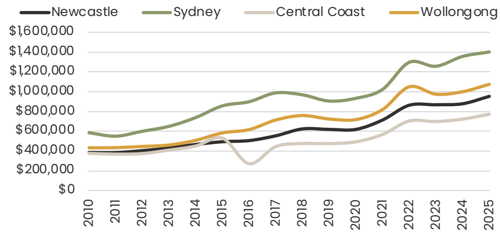
Historical Residential Sales Performance by Region

New South Wales

House Price Growth

Growth p.a.	Sydney	Newcastle	Central Coast	Wollongong
1-year	3.3%	8.5%	6.8%	7.5%
5-year	8.5%	9.0%	9.5%	8.4%
10-year	5.1%	6.8%	3.9%	6.3%
15-year	6.0%	6.2%	4.9%	6.2%

Median House Prices

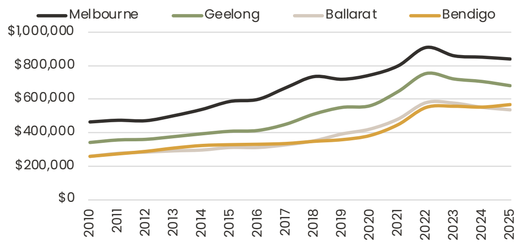


Victoria

House Price Growth

Growth p.a.	Melbourne	Geelong	Ballarat	Bendigo
1-year	-1.3%	-3.5%	-2.7%	2.7%
5-year	2.5%	4.0%	5.0%	8.2%
10-year	3.7%	5.3%	5.6%	5.6%
15-year	4.0%	4.7%	5.0%	5.4%

Median House Prices



Source: Pricefinder; Urbis

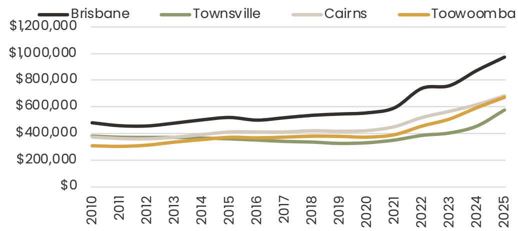
Historical Residential Sales Performance by Region

Queensland

House Price Growth

Growth p.a.	Brisbane	Townsville	Cairns	Toowoomba
1-year	11.4%	26.4%	10.7%	12.9%
5-year	11.9%	11.7%	10.3%	12.4%
10-year	6.5%	4.8%	5.3%	6.0%
15-year	4.8%	2.8%	4.2%	5.3%

Median House Prices



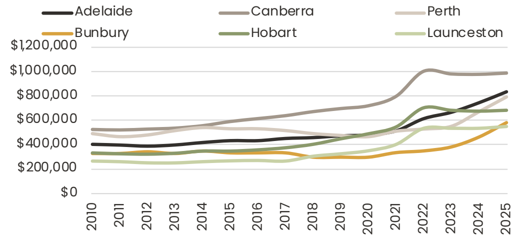
Others

House Price Growth

Growth p.a.	Adelaide	Canberra	Perth	Bunbury	Hobart	Launceston
1-year	12.2%	1.0%	18.3%	25.3%	1.0%	2.8%
5-year	11.7%	6.5%	11.3%	14.1%	6.8%	9.5%
10-year	6.8%	5.3%	4.1%	5.6%	6.9%	7.5%
15-year	5.0%	4.3%	3.3%	3.8%	4.8%	5.0%

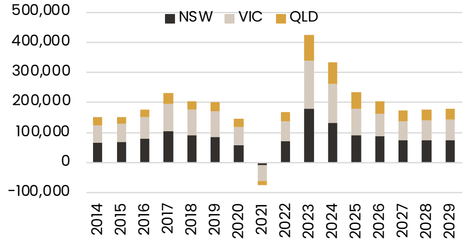
Source: Pricefinder; Urbis

Median House Prices

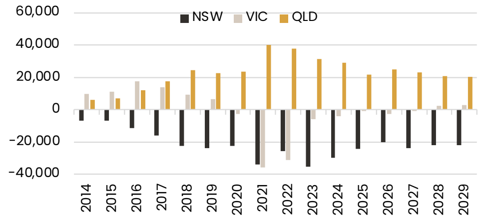


Population Components – Historical and Projected

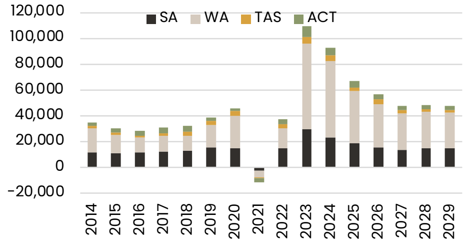
Eastern Seaboard Net Overseas Migration
(FY14-FY29)



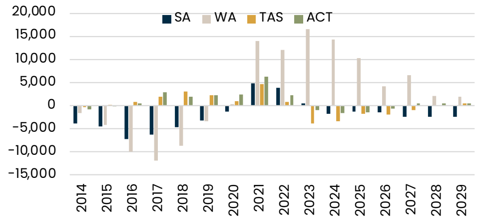
Eastern Seaboard Net Internal Migration
(FY14-FY29)



Other States/Territory Net Overseas Migration
(FY14-FY29)



Other States/Territory Net Internal Migration
(FY14-FY29)



Source: ABS; Centre for Population; Urbis

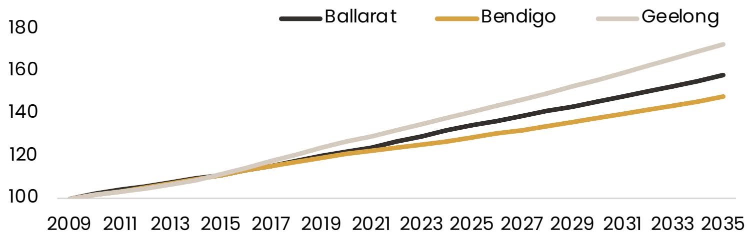
Population for Key Regional Victorian Markets

Population Trends (2015-2035FY)

	Population		Growth	Population	Growth
	2015	2025	2015–25 %	2035	2015–35 %
Ballarat	101,479	123,030	1.9%	144,670	1.6%
Bendigo	109,908	127,570	1.5%	146,670	1.4%
Geelong	232,926	295,520	2.4%	362,235	2.1%

Population Growth Index (2009 = 100)

Source: ABS; Victorian in Future 2023; Urbis

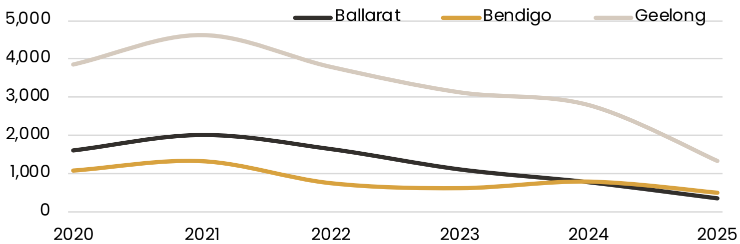


Implied Net Additional Dwellings Delivered (2012-2025)

	2012-16	2017-21	2022-25	2012-25
	(5-yr Avg.)	(5-yr Avg.)	(4-yr Avg.)	(14-yr Avg.)
Ballarat	953	1,024	958	980
Bendigo	1,090	813	651	866
Geelong	2,081	2,915	2,756	2,572

New Dwelling Approvals (12 months to December 2025)

Source: ABS; Urbis



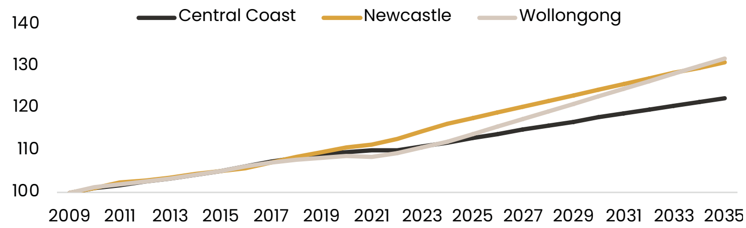
Population for Key Regional
New South Wales Markets

Population Trends
(2015-2035FY)

	Population		Growth	Population	Growth
	2015	2025	2015–25 %	2035	2015–35 %
Central Coast	333,264	358,060	0.7%	388,470	0.7%
Newcastle	159,680	179,015	1.1%	199,130	1.0%
Wollongong	208,313	225,610	0.8%	261,270	1.3%

Population Growth Index
(2009 = 100)

Source: ABS; NSW Government; Urbis

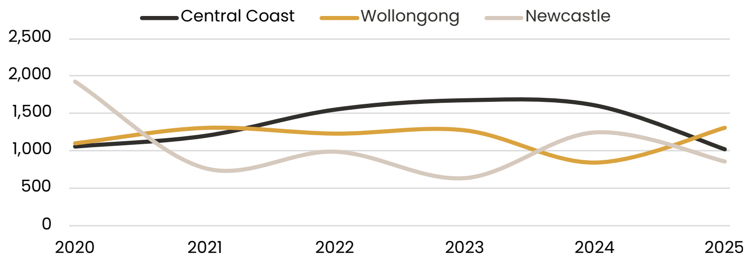


Implied Net Additional Dwellings Delivered (2012-2025)

	2012-16	2017-21	2022-25	2012-25
	(5-yr Avg.)	(5-yr Avg.)	(4-yr Avg.)	(14-yr Avg.)
Central Coast	1,022	1,659	1,226	1,308
Newcastle	623	1,103	828	853
Wollongong	728	1,083	1,043	945

New Dwelling Approvals
(12 months to December 2025)

Source: ABS; Urbis



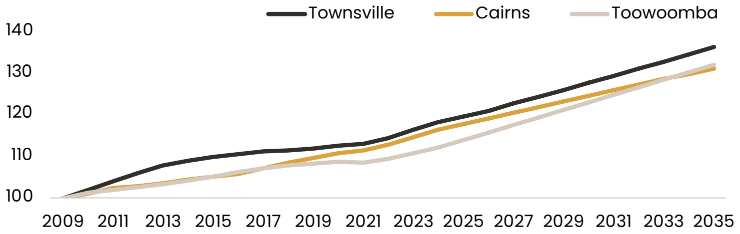
Population for Key Regional Queensland Markets

Population Trends (2015-2035FY)

	Population		Growth	Population	Growth
	2015	2025	2015–25 %	2035	2015–35 %
Townsville	190,010	206,990	0.9%	235,635	1.3%
Cairns	159,945	180,560	1.2%	206,010	1.3%
Toowoomba	162,775	185,820	1.3%	201,525	0.8%

Population Growth Index (2009 = 100)

Source: ABS; QLD Government; Urbis

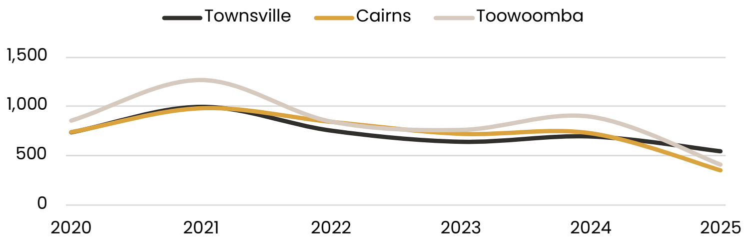


Implied Net Additional Dwellings Delivered (2012-2025)

	2012-16	2017-21	2022-25	2012-25
	(5-yr Avg.)	(5-yr Avg.)	(4-yr Avg.)	(14-yr Avg.)
Townsville	1,441	651	658	935
Cairns	1,058	1,115	660	965
Toowoomba	-	719	727	465

New Dwelling Approvals (12 months to December 2025)

Source: ABS; Urbis



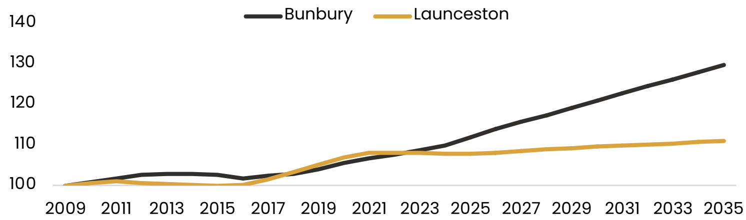
WA & Tasmania Regional Residential Property Market Overviews

Population Trends
(2015-2035FY)

	Population		Growth	Population	Growth
	2015	2025	2015–25 %	2035	2015–35 %
Bunbury	32,870	35,810	0.9%	41,515	1.5%
Launceston	66,490	71,750	0.8%	73,710	0.3%

Population Growth Index
(2009 = 100)

Source: ABS; NSW Government; Urbis

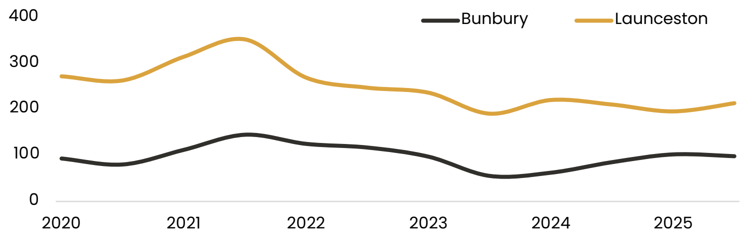


Implied Net Additional Dwellings Delivered (2012-2025)

	2012-16	2017-21	2022-25	2012-25
	(5-yr Avg.)	(5-yr Avg.)	(4-yr Avg.)	(14-yr Avg.)
Bunbury	127	104	77	104
Launceston	163	270	195	210

New Dwelling Approvals
(12 months to December 2025)

Source: ABS; Urbis



Greenfield Residential Land Supply & Estimated Remaining Capacity – 2026

Source: WA Department of Planning; Victoria Department of Planning; PlanSA; NSW Department of Planning & Environment; Queensland Department of State Development, Infrastructure, Local Government and Planning; ACT Government; PriceFinder; Urbis
The long-term trend is based on a 10-year average consumption rate and the short-term trend is based on a 3-years average consumption rate of Total Estimated Zoned Lots.

LGA	GCCSA	Total Estimated Zoned Lots	Total Estimated Unzoned Lots	Total Estimated Greenfield Lot Supply	Estimated Years of Remaining Zoned Supply (long-term trend)	Estimated Years of Remaining Zoned Supply (short-term trend)
Onkaparinga	Adelaide	5,500	1,900	7,400	9	10
Adelaide Hills	Adelaide	200	0	200	2	3
Playford	Adelaide	28,600	20,000	48,600	23	16
Mount Barker	Adelaide	8,800	300	9,100	15	14
Barossa	Adelaide	1,600	12,200	13,800	12	11
Gawler	Adelaide	3,300	11,500	14,800	16	20
Light	Adelaide	5,100	33,000	38,100	30+	26
Adelaide Plains	Adelaide	2,700	11,000	13,700	20	18
Campbelltown (SA)	Adelaide	300	0	300	3	3
Unincorporated ACT	Canberra	25,900	0	25,900	30+	30+
Greater Geelong	Geelong	14,600	42,600	57,200	6	13
Casey	Melbourne	24,300	18,300	42,600	7	12
Whittlesea	Melbourne	33,000	300	33,300	16	27
Melton	Melbourne	44,500	37,500	82,000	10	21
Mitchell	Melbourne	14,300	40,000	54,300	16	30+
Hume	Melbourne	33,200	12,100	45,300	12	19
Cardinia	Melbourne	15,500	1,600	17,100	12	27
Wyndham	Melbourne	40,700	18,800	59,500	10	18
Swan	Perth	8,300	13,900	22,200	5	5
Wanneroo	Perth	9,200	116,000	125,200	4	3
Mandurah	Perth	4,700	1,400	6,100	5	4
Murray	Perth	4,200	7,000	11,200	18	13
Kwinana	Perth	5,400	2,400	7,800	9	8
Melville	Perth	1,000	600	1,600	4	5
Fremantle	Perth	2,600	1,200	3,800	24	30+
Rockingham	Perth	8,900	6,500	15,400	9	7
Stirling	Perth	4,200	100	4,300	8	10
South Perth	Perth	900	1,000	1,900	7	8
Gosnells	Perth	2,100	5,900	8,000	5	4
Bayswater	Perth	700	4,500	5,200	4	4
Cockburn	Perth	7,000	7,200	14,200	7	9
Perth	Perth	2,800	1,500	4,300	22	30+
Joondalup	Perth	2,300	1,100	3,400	7	9

Greenfield Residential Land Supply & Estimated Remaining Capacity – 2026

Source: WA Department of Planning; Victoria Department of Planning; PlanSA; NSW Department of Planning & Environment; Queensland Department of State Development, Infrastructure, Local Government and Planning; ACT Government; PriceFinder; Urbis
The long-term trend is based on a 10-year average consumption rate and the short-term trend is based on a 3-years average consumption rate of Total Estimated Zoned Lots.

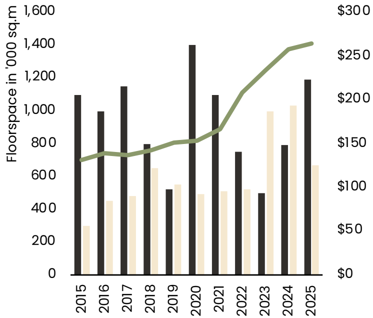
LGA	GCCSA	Total Estimated Zoned Lots	Total Estimated Unzoned Lots	Total Estimated Greenfield Lot Supply	Estimated Years of Remaining Zoned Supply (long-term trend)	Estimated Years of Remaining Zoned Supply (short-term trend)
Victoria Park	Perth	2,300	3,000	5,300	27	30+
Serpentine-Jarrahdale	Perth	5,000	10,700	15,700	12	14
Armadale	Perth	8,200	2,100	10,300	9	8
Canning	Perth	1,200	10,500	11,700	4	5
Mundaring	Perth	600	100	700	5	4
Cambridge	Perth	400	100	500	7	11
Claremont	Perth	200	0	200	3	8
Nedlands	Perth	1,100	0	1,100	14	16
Kalamunda	Perth	100	5,400	5,500	1	1
Belmont	Perth	1,100	0	1,100	8	11
Subiaco	Perth	2,200	600	2,800	30+	30+
Vincent	Perth	700	200	900	7	8
Mosman Park	Perth	100	0	100	3	4
Ipswich	Brisbane	14,700	86,500	101,200	7	8
Brisbane	Brisbane	6,600	44,500	51,100	4	6
Logan	Brisbane	10,300	105,900	116,200	4	4
Moreton Bay	Brisbane	11,200	20,200	31,400	5	6
Redland	Brisbane	1,000	8,000	9,000	1	1
Gold Coast	Gold Coast	2,800	52,400	55,200	2	7
Sunshine Coast	Sunshine Coast	4,700	25,000	29,700	3	5
Wollondilly	Sydney	4,700	15,300	20,000	10	13
Blacktown	Sydney	31,200	82,000	113,200	22	30+
The Hills Shire	Sydney	16,200	29,700	45,900	15	23
Liverpool	Sydney	10,500	45,900	56,400	13	22
Campbelltown (NSW)	Sydney	1,900	22,400	24,300	3	6
Penrith	Sydney	3,700	9,100	12,800	10	24
Camden	Sydney	35,500	65,700	101,200	28	30+
Hawkesbury	Sydney	2,100	4,500	6,600	10	12
Newcastle	Newcastle	3,000	0	3,000	25	30+
Wollongong	Wollongong	1,600	17,500	19,100	7	14

Historical Rental Growth
– Industrial

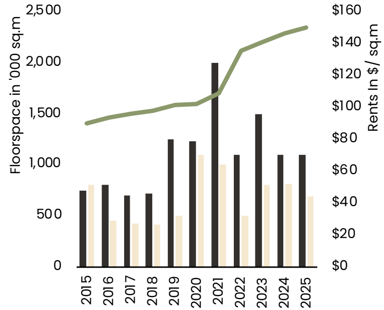
- Industrial Floorspace Take-up (LHS)
- Development Pipeline (LHS)
- Prime Rents (RHS)

Source: Cordell, Agency Consensus, Urbis.

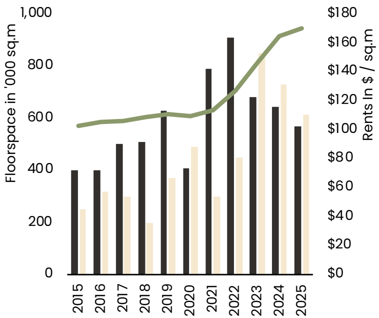
Greater Sydney



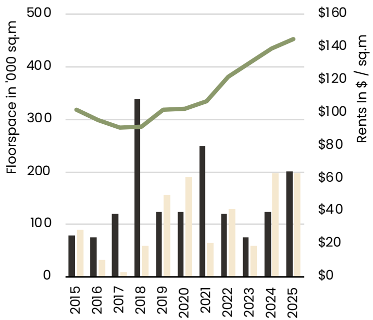
Greater Melbourne



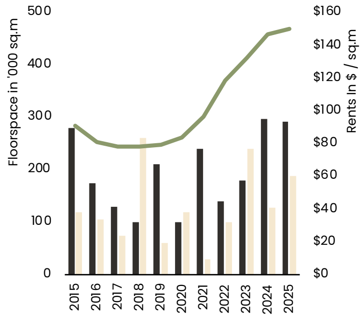
Greater Brisbane



Greater Adelaide



Greater Perth



Key Definitions – Industrial

Consumption

Industrial land consumption is the process of land use status changing from being vacant to occupied. This typically follows development activity on vacant land.

Vacant Land

Land is vacant with no development occurring.

Zoned & Vacant Industrial Land

Land currently vacant and available for development and zoned for industrial land use. Zoned supply might or might not be serviced for utilities (road, drainage) depending on the region being reviewed.

Effective Vacant Land Supply

Effective land supply includes but is not limited to zoned industrial land that is serviced and unencumbered by development barriers such as:

- Lack of servicing contamination or environmentally impacted land such as flood zones
- Restrictions in land use due to lease structures
- And is included in the metropolitan boundaries.

For the purpose of estimating effective supply, the underlying assumption is that supply is within or in proximity to existing industrial estates.
Effective land supply is expected to be considerably lower compared to Govt. estimates, due to lack of stakeholder engagement and land developability constraints.

Years of Effective Supply Remaining

Calculated by applying the 5-year average annual consumption rate to the volume of effective supply in a region. The calculated remaining years of supply is more of an indication for the short-term supply capacity of strategically located, development ready land within a region, and does not suggest the lack of or adequacy of longer-term supply.

Proposed Future Industrial Land

Future industrial land supply identified in state strategic planning documents, such as Melbourne Industrial and Commercial Land Use Plan, Greater Adelaide Regional Plan, etc. but yet to go through the formal planning process

Source: Urbis

Industrial Land Consumption Forecast Methodology

Demand Forecast for Industrial Land

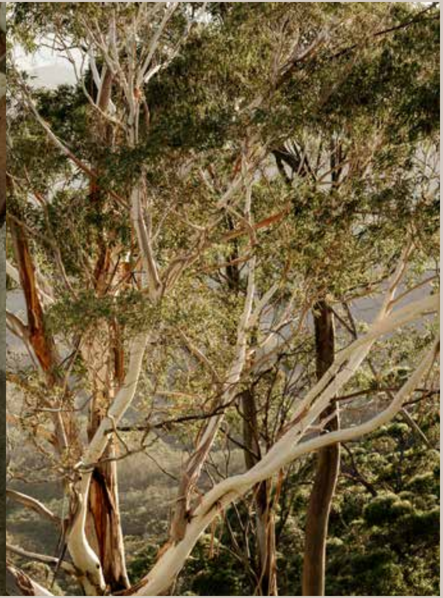
Our forecast for industrial demand follows a scenarios-based approach driven by the key factor listed alongside. As highlighted, changes in population are a key driver of industrial land consumption, with other macro economic and market specific factors influencing consumption. The underlying assumptions for the scenarios is noted below:

- **Low Scenario** – Consumption moderates below historical averages due to a contraction in the primary industrial drivers of demand.
- **Medium Scenario** – Consumption in line with historical trends, further adjusted for region specific metrics impacting demand.
- **High Scenario** – Above average demand across the regions, with an expansionary environment influencing demand.

Key Determinants

Our projections for industrial land consumption are based the key factors noted below that influence demand for industrial land:

Key Factors	Urbis Comment
Population Growth	Considered the key driver of industrial land consumption, with demand being directly driven by population increase.
Macroeconomic Trends	An anticipated rate cut in the first half of 2025 is predicted to influence the market, leading to an increase in development activity towards late 2025 or early 2026.
Discretionary Spending	An upswing in retail spending is expected by late-2025, which will further boost the demand for industrial spaces in the near future.
E-commerce	While the surge in e-commerce levelled off post the COVID-19 pandemic, it will remain as a key demand driver as the online retail spending market continues to expand.
Land Availability	The imminent release of land in Western Sydney is anticipated to stimulate land consumption in the Sydney market. Meanwhile, other regions are likely to persist with stringent conditions due to a lack of supply in the short to medium-term.
Future Development	Although the actual timelines for delivery largely depend on the planning process, the existing industrial development pipeline offers insights into the likely future activity in the market.
Asset Allocation	The emergence of alternative industrial land applications such as data centres and cold storage will generate new demand in addition to demand from the more conventional users.
Cost Pressures	While there are already indications of improvement, cost levels remain high with minimal chances of reverting back to historical averages.
Competitive Landscape	Factors including rental differential, incentives and taxes would also influence demand for industrial space across the key markets.

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