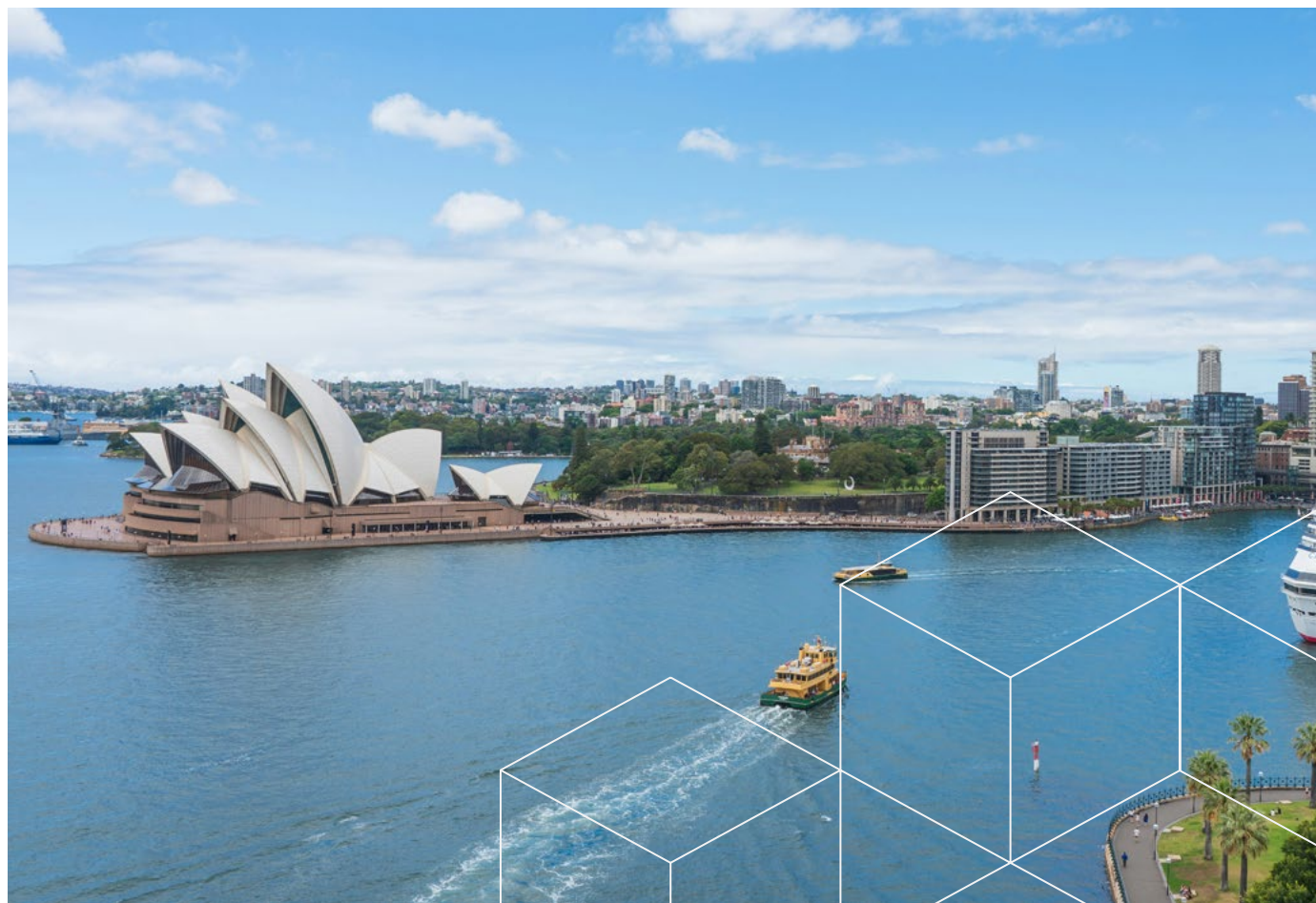




NEW SOUTH WALES MARKET SNAPSHOT

OCTOBER 2026

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OVERVIEW

The NSW property market maintained generally sound fundamentals through the first half of 2026, supported by population growth, constrained supply and continued demand for quality assets. However, higher interest rates, affordability pressures and elevated development and operating costs are increasingly weighing on investment and development activity.

Conditions vary across sectors. Industrial, office, retail, healthcare and marinas continue to demonstrate some areas of resilience, although investors are becoming increasingly selective around asset quality, pricing and returns. Residential development faces greater challenges, with affordability constraints, higher financing and construction costs, and taxation changes placing further pressure on activity.

Looking ahead, higher borrowing costs and economic uncertainty are expected to continue weighing on sentiment, with investment and development activity likely to remain selective across NSW.

Our latest NSW Market Snapshot brings together insights from our valuation experts across Healthcare and Seniors Living, Marinas, Industrial, Office, Residential Development and Retail, examining first-half conditions and the key factors shaping the remainder of 2026.

HEALTHCARE

MITCH ENRIGHT

Director | Healthcare



“The healthcare and seniors living sector in NSW maintained its appeal as a core asset class during the first half of 2026, supported by strong fundamentals, investment growth opportunities, and resilience amid elevated inflation and interest rates. Institutional capital is attracted to the sector because of population growth, ageing demographics, government funding, and private healthcare.

In 2025, NSW recorded \$288.7 million freehold investment in healthcare sales across 61 transactions. Yet again private investors were the most active buyer group in 2025, accounting for over 50% of purchases. Most assets that transacted were under \$20 million with yields into the early 5.0% range for good quality medical assets. Secondary assets have hovered between 6.0-7.0%, depending on asset characteristics, with cap rates remaining relatively stable over the year.

Interest rate increases in early 2026 tempered buyer activity, with a disconnect remaining between purchasers and vendors for premium assets.

The earlier interest rate increases in February, March and May, followed by a further increase in September, have weighed on the wider investment market outlook. While yields stabilised in early 2026, higher borrowing costs are expected to place pressure on investment returns, particularly as the 10-year bond yield had reached a 15-year high.

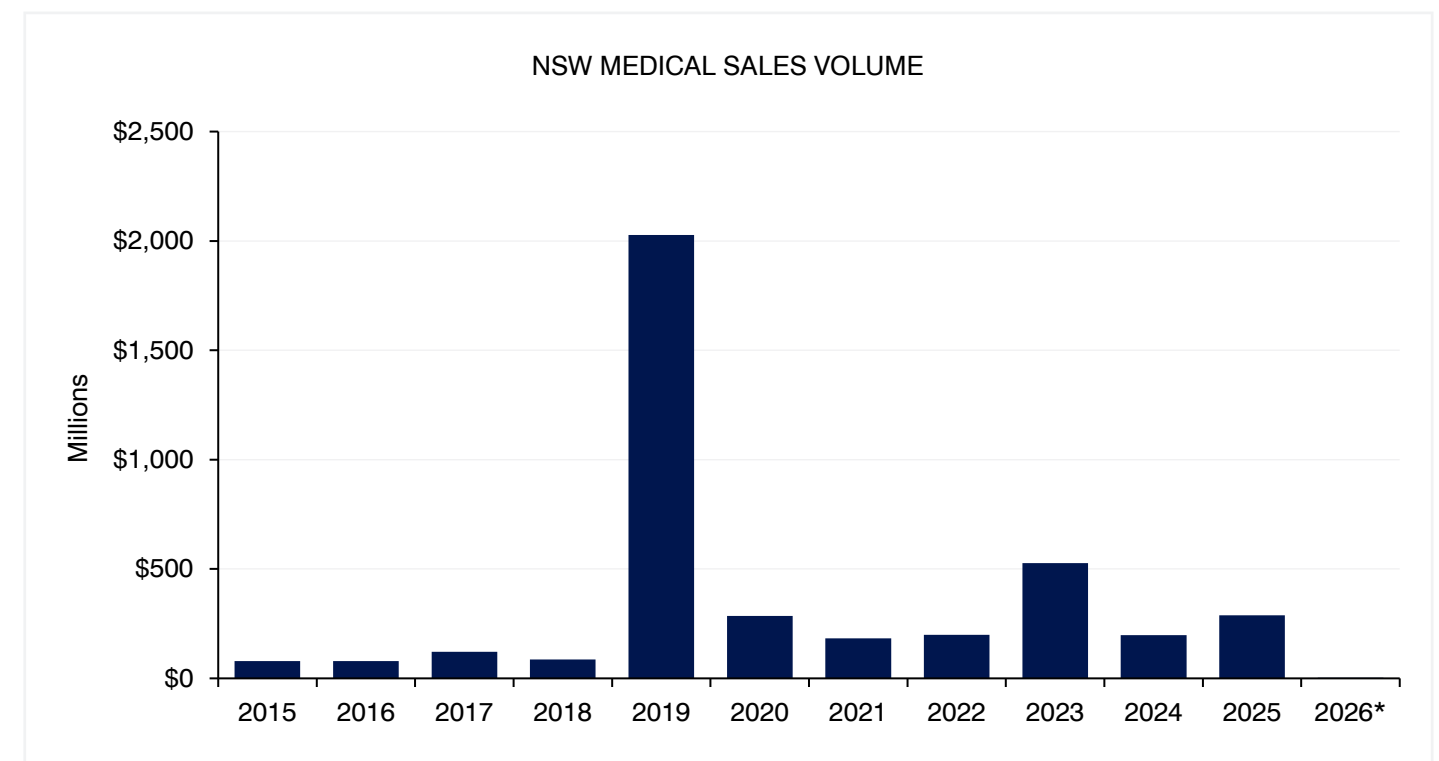
Investment demand should remain strong for high-quality medical assets in the short term, although with interest rate changes, overall market activity is likely to remain subdued throughout 2026 - particularly for assets over \$30 million.”

**“THE HEALTHCARE
SECTOR WILL
CONTINUE TO GROW
IN IMPORTANCE
AS A CORE ASSET
CLASS, SUPPORTED
BY KEY MARKET
FUNDAMENTALS
AND SIGNIFICANT
INVESTMENT GROWTH
OPPORTUNITIES.”**

- MITCH ENRIGHT

INVESTMENT MARKET

- Investment market transaction volumes remain moderate with volumes below those recorded at the same time in 2025. We have, however, seen an increase in assets coming to market which is a positive.
- For 2025, there were 61 medical and hospital properties with a total value of \$288.7 million transacted across NSW in 2025. This compares with \$197.5 million from 52 transactions in 2024.
- Private investors were the sole active buyer group for YTD 2026.



Source: Real Capital Analytics (RCA), M3 Property
Note: Sales over \$1 million. Includes Medical and Hospital sales. *YTD sales as of 13 August 2026.

YIELDS

- Freehold healthcare yields are now averaging around 5.25-5.75% for prime medical assets and 6.75-7.50% for secondary medical assets.
- Yields for hospitals generally range between 5.25% and 6.00% for prime assets and 6.25% and 7.25% for secondary assets.

OPPORTUNITIES AND CHALLENGES

- Interest rate reductions through 2025 supported renewed investor appetite for healthcare assets; however, activity is expected to moderate through the remainder of 2026 as tighter financial conditions weigh on investment decisions, following cash rate increases during 2026, including a further increase at the RBA's September meeting.
- GP and other health specialist shortages continue to affect occupancy levels for some medical practices.
- Mental health and wellbeing is becoming an emerging health issue, with 43.7% of people between 16 and 85 years old experiencing a form of mental disorder in their life and 21.4% of people experiencing a mental disorder for at least 12 months.
- Demand for medical services by a growing and ageing population is expected to continue increasing; unhealthy lifestyles, obesity rates and an increasing focus on mental health and wellbeing continue to drive demand for medical services, medical suites and centres.
- Australia's Healthcare and Life Sciences sector is one of the largest and fastest-growing in the southern hemisphere, driven by a confluence of government support, industry innovation, and private and institutional investment. There are eight Healthcare and Life Sciences precincts in Sydney. The largest precinct in Sydney is the Westmead Health Precinct which comprises a total of 400,000 sqm of health and life sciences space and is anchored by Westmead Hospital, University of Sydney, Western Sydney University, Viral Vector Manufacturing Facility and the National Biocontainment Centre.
- There has been subdued growth in private hospital bed numbers, due to more efficient capacity management of private hospitals. Furthermore, advances in technology are expected to make hospital procedures more efficient over the medium- to longer-term.
- The location of hospitals generally mirrors population distribution, age distribution, birth rates, household income and government health policies. Private hospitals are less likely to be located in rural areas compared with public hospitals.
- Growth risk is expected to be medium over the outlook period. IBISWorld forecasts that annual industry revenue will grow 2.7% to \$237.2 billion. In comparison, revenue expanded 3.1% per year between 2024-25 and 2026-27.



OUTLOOK

- The healthcare sector will continue to grow in importance as a core asset class, supported by key market fundamentals and significant investment growth opportunities; some other core sectors have become less favoured due to poor investment fundamentals including elevated inflation. The current high-interest rate environment will also support this shift.
- The sector will continue to benefit from strong investment interest as new and existing institutional capital is drawn to the asset class thanks to its key fundamentals including population growth, ageing population demographics, government funding and private healthcare.
- Investment demand for high-quality medical assets will remain strong over the medium term. Earlier interest rate increases in 2026 may see subdued activity from buyers in the latter half of 2026. Assets under \$20 million will remain highly sought after by private investors, however over \$30 million will be difficult to trade as the buyer pool is reduced and impacted by the increasing cost of debt.

INDUSTRIAL



JOEL DUCEY

Director | Industrial

“Transaction volumes across the NSW industrial market have remained relatively steady at moderate levels over the past six months. Purchasers remain selective, with acquisition decisions increasingly driven by asset-specific fundamentals and risk considerations.

Yields have remained broadly stable, following a period of decompression over the preceding 12 months. However, evolving expectations surrounding the RBA’s medium-term stance on interest rates are likely to temper investor confidence and continue to influence pricing outcomes.

Rental growth has continued, albeit at a more sustainable pace, while incentives continue to soften. Increased supply in selected submarkets and growing affordability constraints are moderating leasing conditions and tempering rental growth expectations.

Land values remain broadly stable, with infill markets continuing to outperform broader metropolitan and outer-ring locations.

The majority of Sydney’s development activity is focused in the Outer West and Western Sydney Aerotropolis, where large-scale precinct planning and infrastructure investment continue to drive supply pipelines.”

“LAND VALUES
REMAIN BROADLY
STABLE, WITH INFILL
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TO OUTPERFORM
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LOCATIONS.”

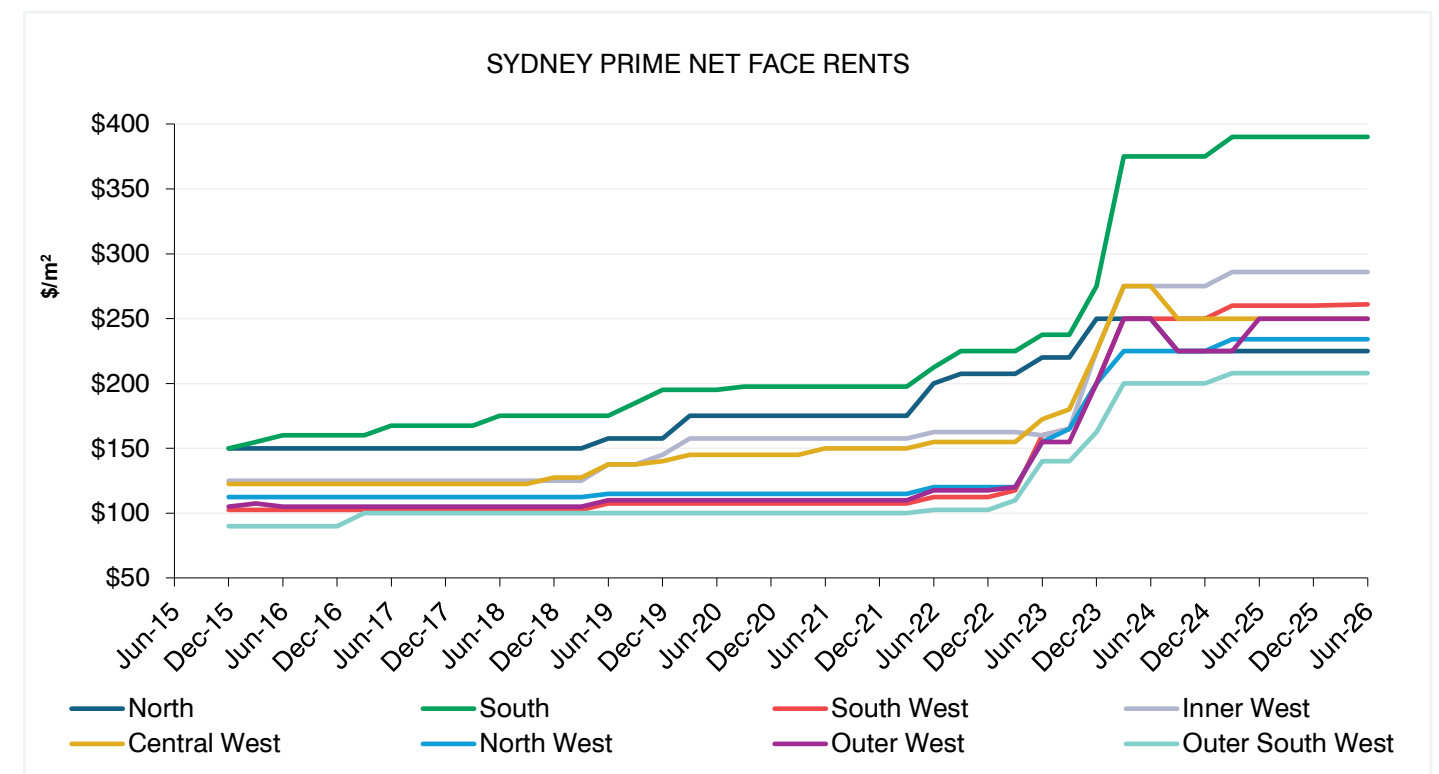
- JOEL DUCEY

CURRENT STATE OF PLAY

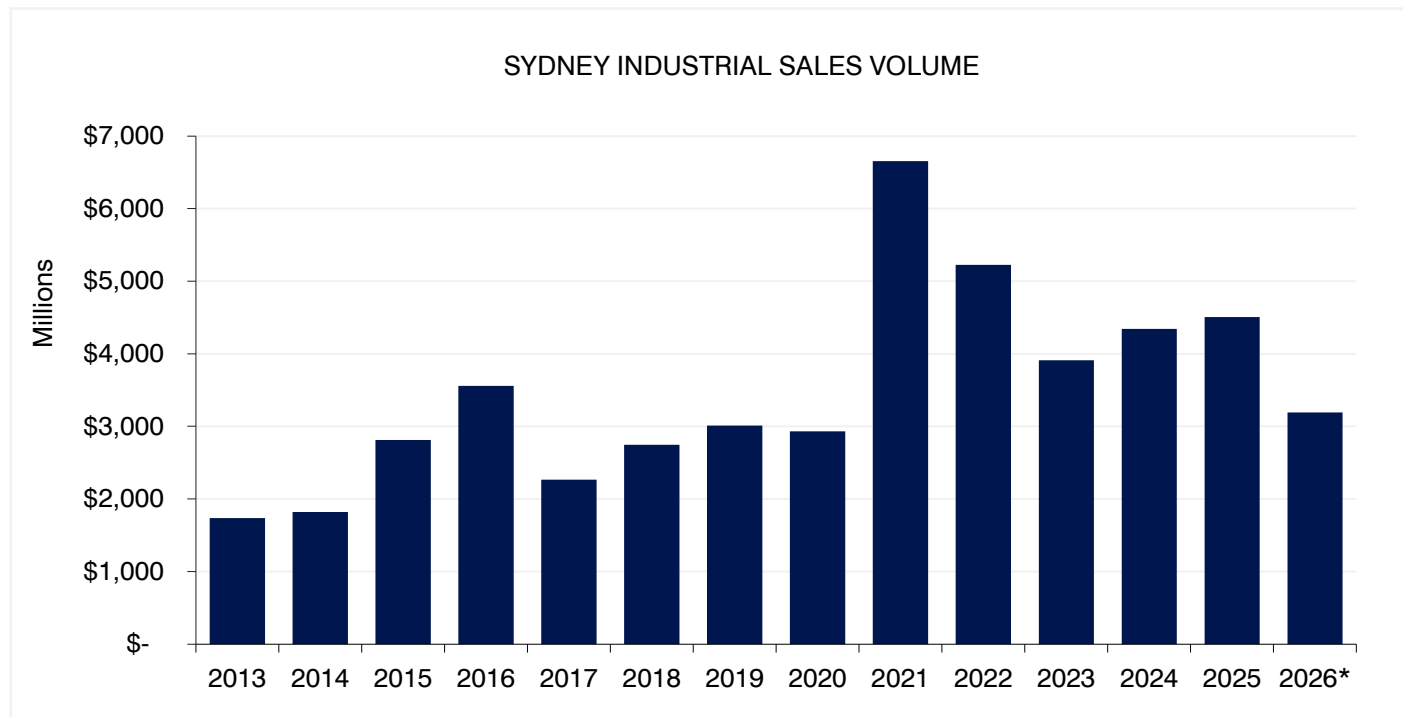
- Newer buildings in prime locations close to major roads or freight rail networks which are designed to accommodate warehousing, distribution and logistics operations continue to generate more robust demand than the broader market.
- While there was previously a substantial pipeline of speculative and pre-committed supply expected to enter the market in 2026, this may now be easing, as numerous projects have been postponed or abandoned. Approximately 27% of the 2026-28 pipeline is already pre-committed. Higher building costs and land prices have delayed a substantial portion of new supply originally expected in 2027.
- Approximately 280,000 sqm of new supply was delivered during Q2, with completions largely concentrated in the Outer North West.
- Over the past few years, competition with other land uses in the southern and inner sub-markets has reduced available industrial stock in these precincts, which has led to the ongoing migration of activity into western precincts and major regional centres.
- Whilst the land market remains tight (particularly within the inner sub-markets), there is evidence to suggest an easing of demand, as development becomes more difficult, or unfeasible due to high construction costs, increased funding costs and lower build-out investment values.

RENTAL MARKET

- Prime net face rents ranged between \$182 and \$416 per square metre at the end of Q2 2026, whilst secondary net face rents range between \$150 and \$275 per square metre.



Source: M3 Property



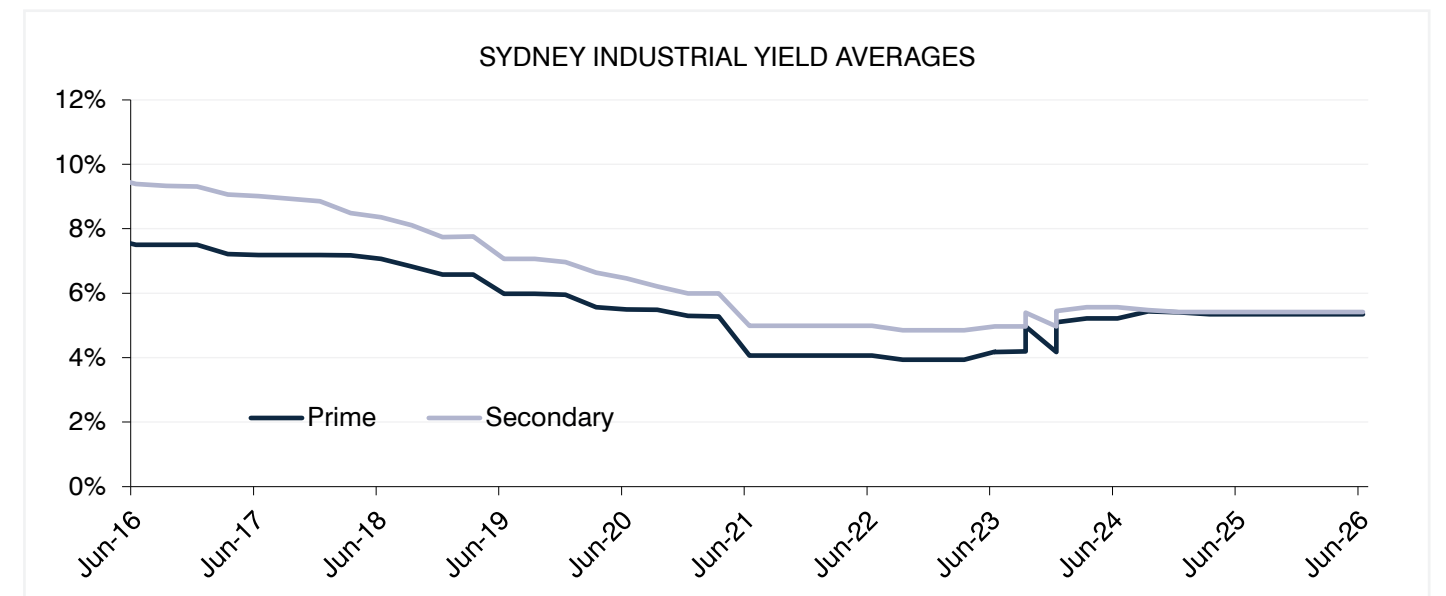
Source: Real Capital Analytics (RCA), M3 Property
Note: Sales over \$5 million

INVESTMENT MARKET

- According to RCA, there were 64 industrial properties (over \$10 million) transacted across the Sydney market to year-to-date 30th June 2026, totalling \$3.38 billion in value. This has increased compared to the same period in 2025 (above \$10 million price point), totalling \$2.29 billion across 50 sales.
- Market activity is expected to remain stable despite the three (3) interest rate increases in early 2026. Owner occupiers remain most active in the \$2 to \$20 million price bracket. Institutional investors remain somewhat cautious amid continuing global economic headwinds, moderating rental growth, increased speculative stock completions and affordability concerns.
- Listed REITs and cross-border investors were the top two buyers as of June 2026, making up 61.2% and 22.3% of Sydney Industrial buyers respectively.

YIELDS

- Following a period of sustained yield compression, recent sales transactions point to yields softening by up to as much as 135 basis points since the peak of the market in 2021-22.
- Yield decompression began to occur from early 2023, reaching a prime yield average of 5.34%, and a secondary yield average of 5.47% as at June 2026. Yields appear to have now largely stabilised.
- There was a modest increase in incentive levels during 2026, with Prime incentives currently ranging between 13.33% - 17.5% and secondary incentives ranging between 15.00% - 22.5% as at June 2026.



Source: M3 Property

OPPORTUNITIES AND CHALLENGES

- A total of 1,557,000 sqm of new stock was completed across 2024 and 2025. This is likely to somewhat alleviate the supply imbalance that prevailed over the previous 2-3 years. It is also likely to place further downward pressure on rental growth and place increased pressure on incentive levels.
- Stock completions totalled 280,000m² in Q2 2026, up 39.3% from 201,000m² in Q2 2025.
- Occupiers continue to seek modern, efficient buildings and are increasingly expecting Environmental-Social-Governance (ESG) features in new developments.

OUTLOOK

- Occupier demand is expected to remain steady through the remainder of 2026; however, take-up is anticipated to moderate due to the ongoing supply-demand imbalance. Over the medium term, some rationalisation of inventories is likely as supply chain conditions continue to normalise, which may contribute to a softening in occupier demand. In addition, as household discretionary incomes come under increasing pressure, demand from retail groups may moderate.
- Land rates have stabilised over the past twelve months and, in some instances, may soften from current levels as a result of higher yields, elevated holding costs, increased debt costs and persistently high construction costs. Over the medium to long term, the Outer West, Southwest and Outer Southwest precincts are expected to accommodate the highest levels of industrial development.
- The RBA increased the cash rate to 4.60% at its September 2026 meeting. The decision reflects ongoing concerns around persistent inflation pressures, heightened global uncertainty and a tight labour market.
- The rate increase is likely to result in further caution from investors. Institutional investors remain somewhat cautious amid global economic headwinds, increased speculative stock completions and moderating tenant demand.

MARINAS



BEN FITZGERALD

Associate Director | Specialised Assets



“The Australian marina market is benefiting from structural demand drivers, including rising recreational boating participation, limited new berth supply and high occupancy levels across major coastal markets.

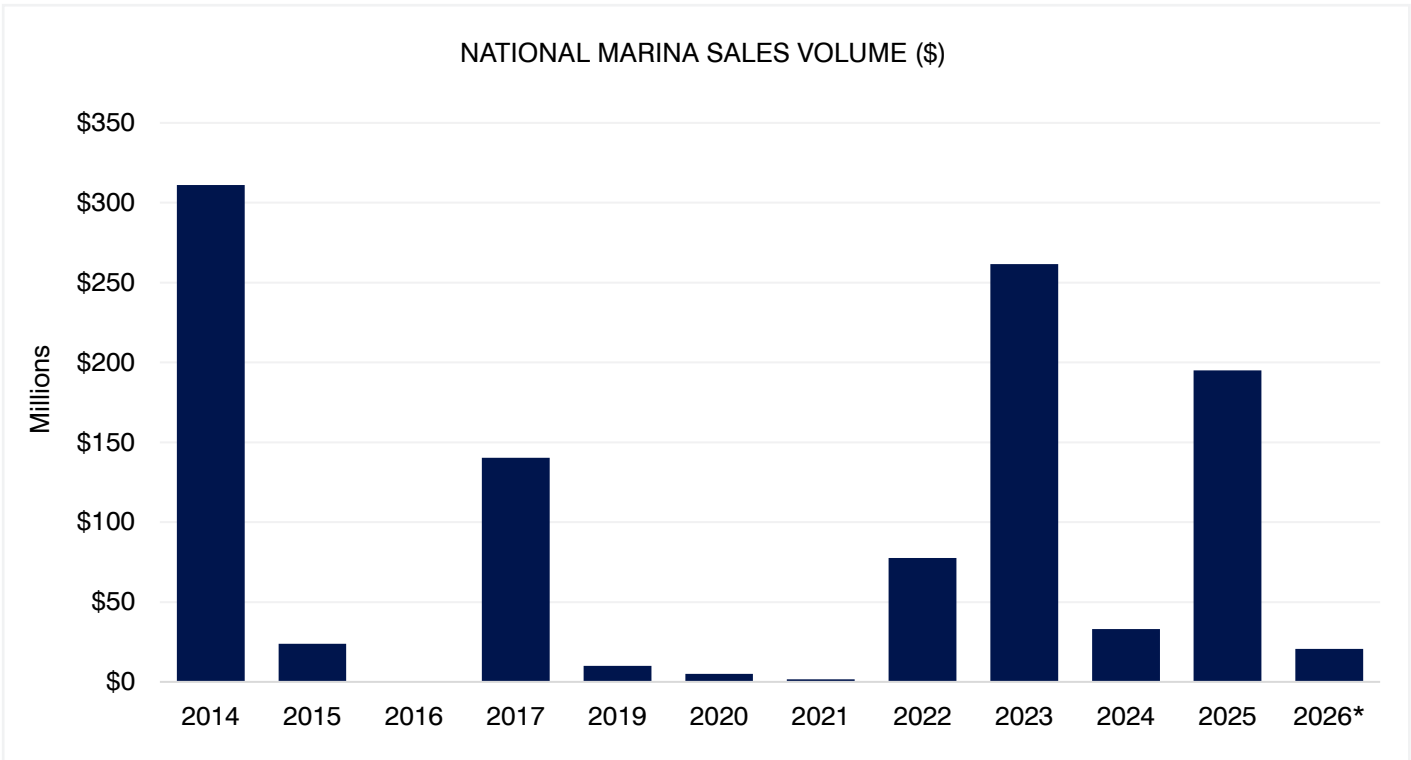
Investor interest has strengthened as marinas are increasingly viewed as an alternative real estate asset class with diversified income streams, operational upside and high barriers to entry.

While demand fundamentals remain positive, expansion opportunities are constrained by environmental regulation, planning controls, high capital costs and the prevalence of leasehold tenure.

Transaction activity improved materially in 2025, supported by several notable marina sales, although the buyer pool remains largely private-investor led. In 2026, fuel prices remain a key risk for marina operators amid heightened global uncertainty, with geopolitical tensions and disrupted shipping routes likely to sustain price volatility, increase boating operating costs and weigh on discretionary vessel usage, particularly among cost-sensitive recreational boat owners.”

CURRENT STATE OF PLAY

- Recreational boating remains an established and expanding sector, with an estimated 900,000+ registered boats across Australia and around 24,500 people employed in the recreational boating sector in 2025.
- Boat registrations have outpaced the delivery of new marina berths over the past five years, creating pressure on existing marina storage capacity.
- Demand is particularly strong for wet berths and moorings, driven by growth in vessels over 10 metres, which generally require in-water storage rather than dry berth or trailer storage.
- National marina occupancy averages more than 85.4%, according to the 2025 Health of the Australian Marina Industry report.
- Australia has an estimated 296 marinas, down from 320 in 2017, highlighting constrained supply and limited new development.
- NSW has the largest number of marinas nationally, with approximately 108 marinas as of late April 2026, although the average number of storage spaces per marina is relatively low compared with Queensland and Victoria.
- Modern marinas typically generate income from multiple sources, including mooring and storage, servicing, fuel, boat repair, watercraft rental, restaurants, cafés and other on-site commercial uses.



Source: RCA, M3 Property
*Note: Sales over \$1m. 2026 represents YTD sales as at 2 September 2026.

TRANSACTIONS

- As at 30 August 2026, according to RCA there has been one Marina sale (including pending sales) in the NSW market. We are also aware of the recent sale of Marks Point Marina, Marks Point, which reportedly transacted for \$7.3 million.
- In 2025, according to RCA there were five marina sales nationally totalling approximately \$195.05 million, a significant increase compared with 2024.
- National transaction activity in 2025 was materially higher than 2024, when only 1 marina sale totalling \$33 million was recorded.
- A key 2025 transaction was Capri on Via Roma, Gold Coast, which sold in April 2025 for a reported 5.7% capitalisation rate.
- Other notable transactions included Port of Airlie, Whitsundays for \$20.75 million at a c.9% cap rate, 9–19 Spinnaker Drive, Brisbane for \$12.25 million, and 2 Commercial Drive, Queensland for \$1.85 million.
- In 2023, 15 marinas sold nationally for \$251.57 million, with NSW accounting for five sales totalling \$86.46 million.
- Private investors have been the dominant purchaser group in recent years, while institutional investors and listed funds/REITs have reduced their exposure to the sector.

OPPORTUNITIES AND CHALLENGES

- High occupancy and waitlists for berths suggest ongoing undersupply, particularly in markets such as NSW and Tasmania where occupancy is above 90%.
- Marinas are facing challenges in attracting and retaining employees, which has contributed to the decline in employment within the industry.
- Limited land availability, strict planning and environmental controls, and lengthy approval pathways create high barriers to new marina development.
- Existing operators benefit from strong incumbent positions, as the ability to add new berths or develop competing marinas is limited.
- There is opportunity to improve income through asset modernisation, ancillary services and complementary land-based uses such as hospitality, retail, residential, tourism and mixed-use development.
- Recent capital upgrades have focused on fixed and floating jetty systems, hard-stand and boatyard infrastructure, parking, storage, restaurants and other on-site amenities.
- Leasehold tenure can limit investor appetite and constrain redevelopment or repositioning potential compared with freehold ownership.
- High capital costs may limit expansion or upgrade feasibility, particularly where berth pricing or ancillary income cannot offset development expenditure.
- Broader macroeconomic pressures, including fuel price volatility, marine insurance costs and global shipping disruption, may create short-term uncertainty for marina operators, particularly those exposed to transient or commercial vessel activity.

CBD OFFICE

KENNY DUNCANSON

Director | Office & Industrial



“Office demand in Sydney CBD Core strengthened in mid-2026, with positive absorption of 30,074 sqm over a 12-month period, with vacancy decreasing slightly to 13.3%. With limited new completions expected in the next five years, vacancy is likely to tighten and rents to increase.

Prime and A-grade assets continue to outperform, driven by ‘flight-to-quality’ trends. Prime rents have grown, although incentives remain high at 32%–39%. We will need to see further tightening in vacancy rates before incentives contract meaningfully. With fit-out costs forming a large part of the overall incentive, a sharp fall in incentives is unlikely while construction costs remain elevated.

The completion of infrastructure projects, including the Sydney Metro, has been a key driver of tenant demand with strong leasing activity and growth experienced in those precincts closest to Metro stations, and we expect this to continue for the remainder of the year and into 2027.”

Total sale transactions reached \$2.73 billion in YTD 2026, around 39% lower than the same period in 2025. Prime yields stabilised at 5.25%–6.50%, with secondary yields at 6.30%–7.60%, following an average 175 basis point shift since mid-2022. Notably, most of the major transactions that have settled in 2026 first came to the market in mid-2025, indicative of the time taken to get transactions completed.

While yield tightening had been anticipated in 2026, higher borrowing costs have made this increasingly unlikely, particularly across markets outside the Sydney CBD core. Elevated financing costs, combined with the ongoing migration of tenants from non-CBD locations into the CBD, continue to weigh on investor demand and leasing fundamentals in non-core markets. However, transaction activity has remained relatively subdued, limiting pricing evidence and delaying the full extent of repricing that many anticipate. In contrast, the Sydney CBD, particularly the financial core where vacancy remains the lowest, continues to attract strong investor interest due to its relative resilience, liquidity and occupier demand.

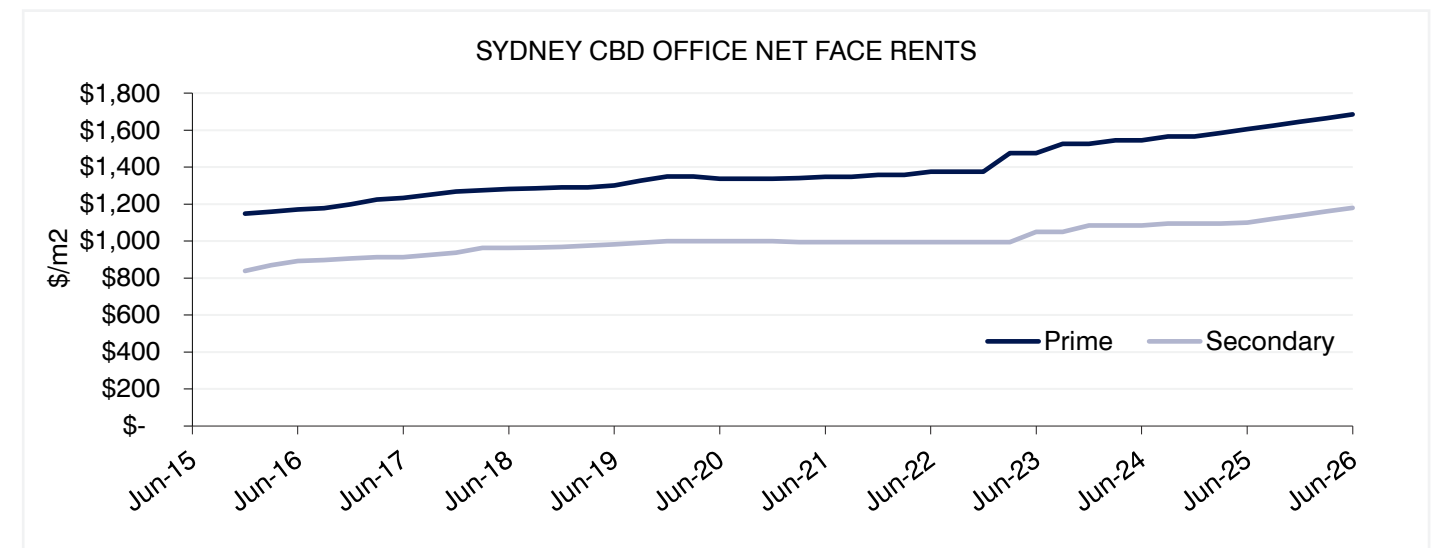
As at September 2026, there is approximately \$10 billion of office stock on the market in NSW without the capital available to absorb this supply. As a result, we expect many sales campaigns will fail to secure a buyer at vendors’ pricing expectations. Despite this, buyers will continue to pursue assets selectively, particularly where opportunities exist to acquire high-quality properties below replacement cost and at what appears to be a cyclical low point in the market.”

**“HIGH-QUALITY
SYDNEY CBD
OFFICES CONTINUE
TO OUTPERFORM AS
TENANTS PRIORITISE
PREMIUM SPACE,
CONNECTIVITY AND
AMENITY.”**

- KENNY DUNCANSON

CURRENT STATE OF PLAY

- According to the latest Property Council of Australia Office Market Report (OMR), the Sydney CBD Office market is made up of 5,379,391 sqm of space as of July 2026.
- Over the twelve months to July 2026, the Sydney CBD vacancy rate decreased from 13.7% to 13.3%.
- Net absorption was negative across all grades except A-Grade, totalling 42,623 sqm over the year to July 2026.
- Recently developed premium-grade assets are performing well, with tenants capitalising on high incentives to relocate to higher-quality office space.



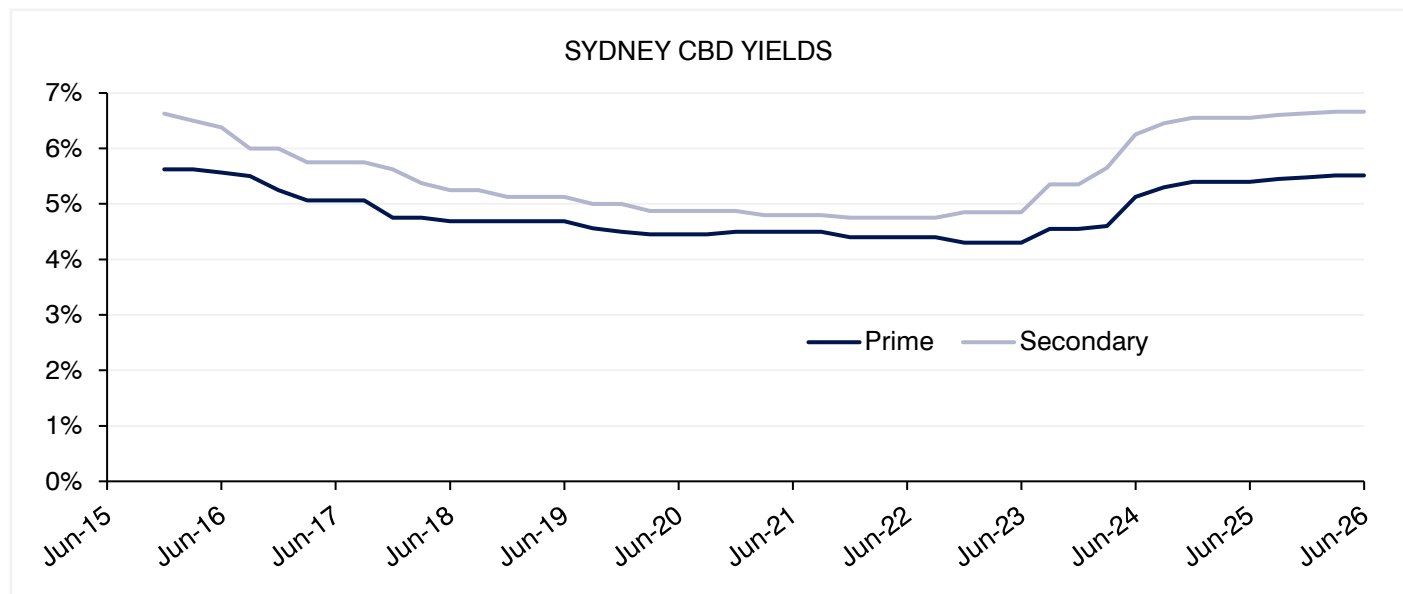
Source: M3 Property

RENTAL MARKET

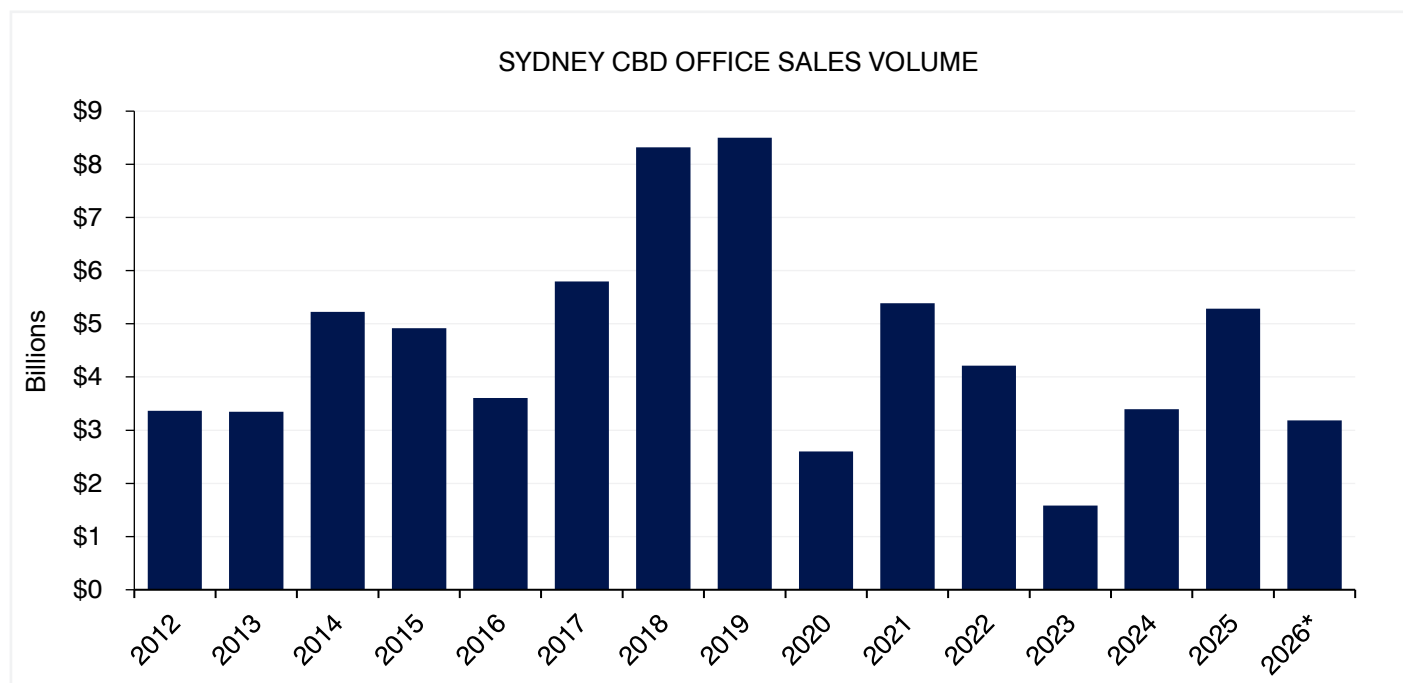
- Sydney CBD prime gross face rents grew by 4.98% in the twelve months to June 2026 and range between \$1,310 and \$2,060 per sqm.
- Sydney CBD secondary gross face rents grew by 7.27% during the year to June 2026, and range between \$970 and \$1,390 per sqm.
- CBD prime and secondary incentives remained stable in the twelve months to June 2026, and range between 35% and 42%. Premium towers in the CBD Core will have tighter incentives than the aforementioned range, reflecting tenant demand for quality assets.

YIELDS

- Prime CBD yields ranged between 5.11% and 5.91% during the June 2026 quarter, which has increased approximately 10bps since June 2025. Yields in the CBD Core precinct appear to be stable, while the expansion in yields has been confined to precincts outside the core.
- Yields for secondary CBD office assets ranged between 5.91% and 7.41% during the June 2026 quarter, which has increased approximately 10bps since June 2025. As with prime assets, the biggest expansion in yields has occurred in areas outside the CBD core.



Source: M3 Property



Source: Real Capital Analytics (RCA), M3 Property
Note: Sales over \$5 million

INVESTMENT MARKET

- According to RCA, there were 24 sales totalling \$2.73 billion recorded in the Sydney CBD Office market in 2026 YTD above the \$5 million mark.
- The largest sales that settled in 2026 in the Sydney CBD were 50% interest in 1 O'Connell Street, purchased by Charter Hall for \$360,000,000 (\$720,000,000), a 75% interest in Grosvenor Place, purchased by GPT and Commonwealth Superannuation Corporation for \$1,290,000,000 (\$1,720,000,000) and 19.9% of Salesforce Tower, purchased by QUE REIT for \$357,000,000 (\$1,785,000,000).

- Outside the Sydney CBD the largest sale was 100 Mount Street (purchased by Investa on behalf of BGO and Cliffbrook Capital for \$590,000,000).
- Cross-border buyers were the largest purchasers of office property across the Sydney office market (Sydney CBD and metropolitan Sydney combined) YTD, accounting for 47.3% of transaction volume. The most active sources of capital originated from the USA, Singapore and Germany.

OPPORTUNITIES AND CHALLENGES

- The Sydney Metro project has improved connectivity between the Sydney CBD, North Sydney and North Shore metro markets. We are already seeing stronger tenant demand to be relocated close to metro stations which augurs well for the Metro West project which will complete in 2032 and link the Sydney CBD to Parramatta through existing office locations of Pyrmont and Sydney Olympic Park.
- The flight-to-quality thematic amongst tenants is still highly prevalent, this has led to the Sydney CBD Core having the lower level of vacancy, whilst some metropolitan locations are experiencing ever increasing vacancy rates and, in some cases, up to 28% like in Crow's Nest /St Leonards.
- The most significant opportunity is to ensure their buildings are kept to a good enough standard to accommodate tenants as tenants' choices are limited due to the lack of supply under construction. The vacancy rate has slightly dropped from 13.8% in January 2026 to 13.3% in July 2026, with no supply additions to the Sydney CBD market for the remainder of the year.

OUTLOOK

- Occupier demand is likely to gradually improve around the city core through the latter half of 2026.
- The medium-term outlook for white-collar employment in Sydney is positive, with Oxford Economics Australia forecasting an additional 139,730 people to be employed in white-collar industries in Sydney by 2028.
- There are three large developments expected to come online in 2027 being 55 Pitt Street, 2 Chifley and 8-10 Lee Street, which is 174,275 sqm.
- Rental growth is forecast to strengthen over the coming years and with incentives forecast to trend downwards, effective rents are forecast to grow strongly over the 10-year horizon, due to the lack of supply in the pipeline.
- Following 25-basis-point cash rate increases in February, March, May and September 2026, market activity is expected to slow during late 2026 compared to 2025.
- Four interest rate rises during 2026 have dampened investment activity, with the threat of more rises further impacting sentiment in the market.

RESIDENTIAL DEVELOPMENT

JARROD MORGAN

Managing Director NSW



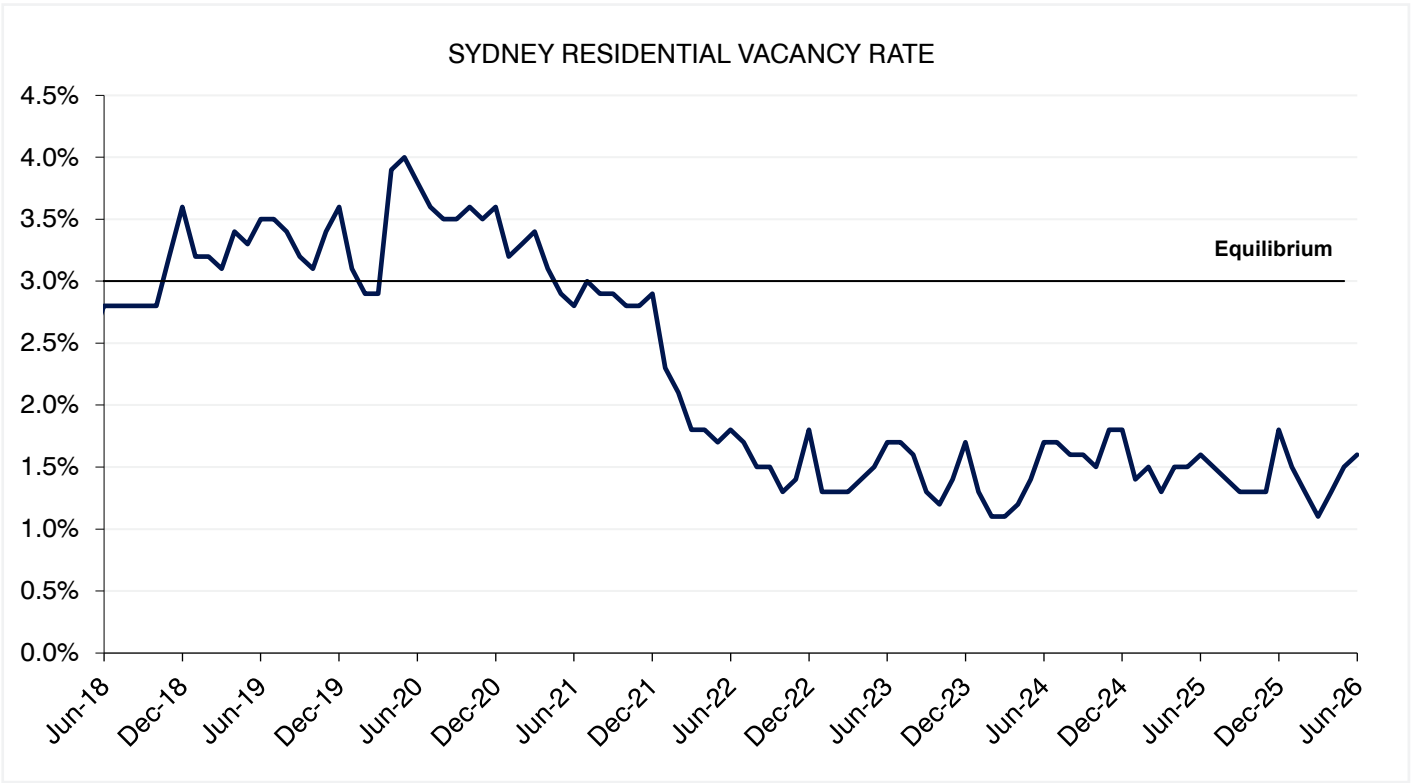
“In late 2026, conditions across the NSW residential development market have softened. Declining dwelling values, constrained borrowing capacity and weaker buyer confidence are impacting sales activity, while recent reforms to capital gains tax and negative gearing have created additional uncertainty for investors. At the same time, elevated construction and financing costs continue to challenge project feasibility and the delivery of new residential supply.

These constraints remain most evident in the apartment sector, where new supply is still skewed toward higher-priced owner-occupier product and pre-sale demand has become selective. While tight rental vacancy and population growth continue to support underlying demand, affordability pressures and policy uncertainty are limiting the pace of new project launches.

Overall, NSW remains structurally undersupplied, but the market has entered a more challenging phase. Development activity is expected to remain constrained through late 2026 and 2027 as declining prices, higher holding and financing costs, and changes to negative gearing and capital gains tax weigh on purchaser demand and project feasibility. While current conditions are likely to delay new project delivery, underlying population and rental demand continue to support the longer-term need for additional housing supply.”

CURRENT STATE OF PLAY

- Cotality's August 2026 Home Value Index reported that Sydney's median house value declined 4.6% over the three months to July 2026 to \$1,529,308, while the median unit value declined 2.5% to \$889,617.
- According to SQM Research, Sydney's residential vacancy rate was 1.6% in June 2026, marginally higher than the 1.5% recorded a year earlier, but still well below the 2.0-3.0% equilibrium benchmark, indicating an undersupplied market. Limited new completions, combined with continued population growth, have maintained pressure on rental demand, driving rental growth, although the pace of has moderated in recent months.
- The ABS has reported there were 52,666 dwellings approved across NSW in the twelve months to June 2026, representing a considerable 6.1% year-on-year increase; however, elevated construction costs, ongoing feasibility constraints and slower take-up rates are expected to result in a material time lag to commencements, with not all approved projects expected to proceed.



Source: M3 Property, SQM
*Note: The market equilibrium vacancy rate is considered to be 3.0%. Vacancy rates higher than this typically represent an oversupplied rental market whilst lower vacancy rates typically represent an undersupplied market.

OPPORTUNITIES AND CHALLENGES

- Despite broader Sydney market softness, comparatively affordable outer markets have continued to outperform, with Outer South-West Sydney house prices reportedly increasing by almost 13% over the past year, reinforcing the relative strength of lower-priced housing.
- Mortgage approvals are showing signs of softening, with ANZ reporting a 12% decline in mortgage applications since the Federal Budget's proposed property tax changes, compared with larger falls of 15% at CBA and 20% at Westpac, highlighting weaker purchaser confidence and borrowing capacity as a near-term challenge for residential development demand.
- Weaker buyer confidence is increasingly affecting sales activity across traditionally more affordable Western Sydney markets, placing greater emphasis on appropriate pricing, purchaser incentives and product positioning to maintain sales velocity.

OUTLOOK

- Sydney dwelling prices are expected to remain under downward pressure into 2027, with weaker buyer confidence and reduced borrowing capacity weighing on purchaser activity. The prospect of further cash rate increases presents an additional downside risk, potentially further constraining borrowing capacity and buyer demand. Rental conditions remain relatively tight, although rising vacancy and moderating rental growth indicate some easing in market pressures.
- New housing delivery is expected to remain constrained, with elevated construction and financing costs, weaker market conditions and feasibility pressures limiting the conversion of approvals into commencements. While the changes to negative gearing favour investment in new residential property, it remains too early to determine whether this will materially improve investor demand or support additional project delivery.

RETAIL

SHAUN O’SULLIVAN

Director | Retail



“Improved liquidity led to a wave of Shopping Centre transactions which has paved the way for continued performance of the sector in 2026.

There has been strong transactional activity in the Shopping Centre investment market over the last 12 to 18 months. A weight of capital was chasing retail assets during 2025 as institutional investors competed with fund managers, syndicators and private investors to secure centres offered for sale. This resulted in many transactions occurring across all sub-sectors.

Heading into the latter half of 2026, capital remains strong for the sector, although the broader interest rate environment continues to contribute to a level of caution in the market. That said, investors remain attracted to the strong underlying thematics of the sector.

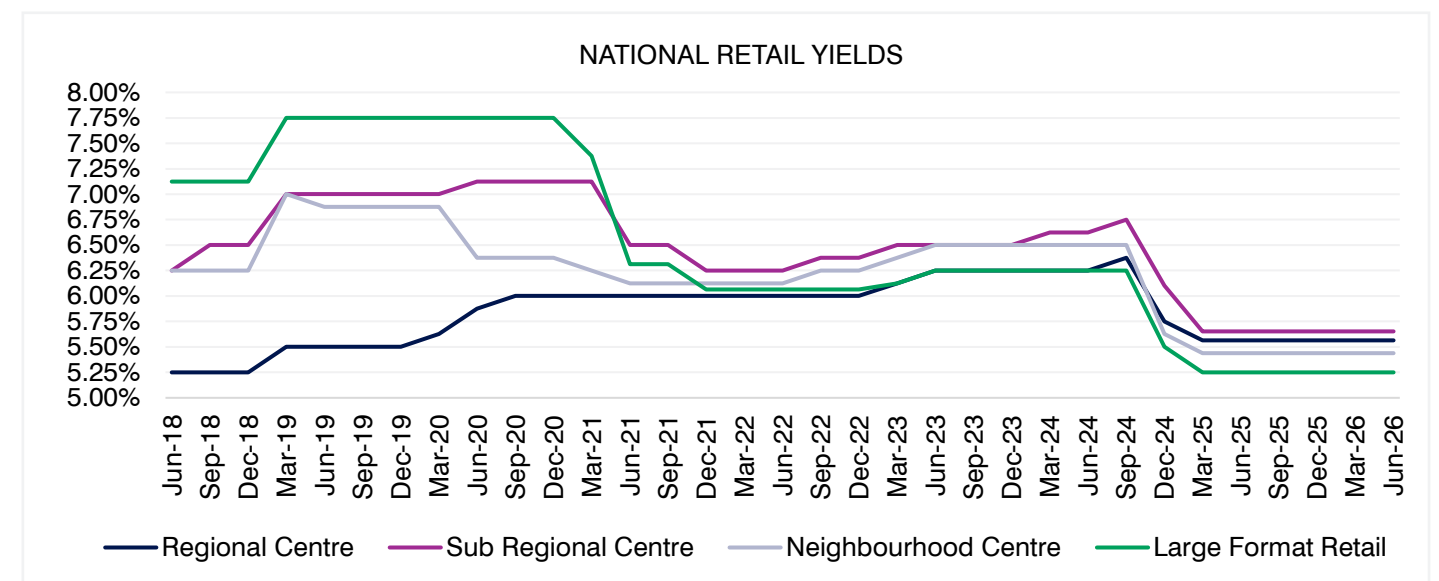
On the income side, landlords are achieving strong leasing spreads, helped by low levels of vacancy, population growth and constrained new floorspace supply. However, retailers continue to face operational challenges including navigating higher inflation, consumer ‘cost of living’ pressures, and heightened stock theft and crime.”

“RETAIL YIELDS
REMAIN ATTRACTIVE
RELATIVE TO OFFICE
AND INDUSTRIAL,
SUPPORTED BY
RESILIENT INCOME
PROFILES, LOW
VACANCY AND
CONSTRAINED
NEW FLOORSPACE
SUPPLY.”

- SHAUN O’SULLIVAN

CURRENT STATE OF PLAY

- Total retail spending in NSW increased by 5.83% over the 12 months to May 2026, up from 3.69% annual growth recorded in the previous year.
- The strongest growth was recorded in cafes, restaurants and takeaway food at 7.74%, followed by clothing, footwear and accessories at 6.58%.
- Retail building approvals in NSW totalled \$2.4 billion over the year to April 2026; however, commencements are expected to remain constrained as elevated construction costs and weaker demand for new space continue to impact feasibility.
- Growth in online retail and the continued expansion of online marketplaces are prompting centre owners to adjust tenancy mixes, with a continued shift toward health and beauty, services, food-based retailing and entertainment.
- Rental spreads for Australian REIT shopping centre owners have materially improved over the past 12 months, supported by low vacancy, population growth and constrained new floorspace supply, although owners remain cautious that economic headwinds may dampen rental growth in the short term.

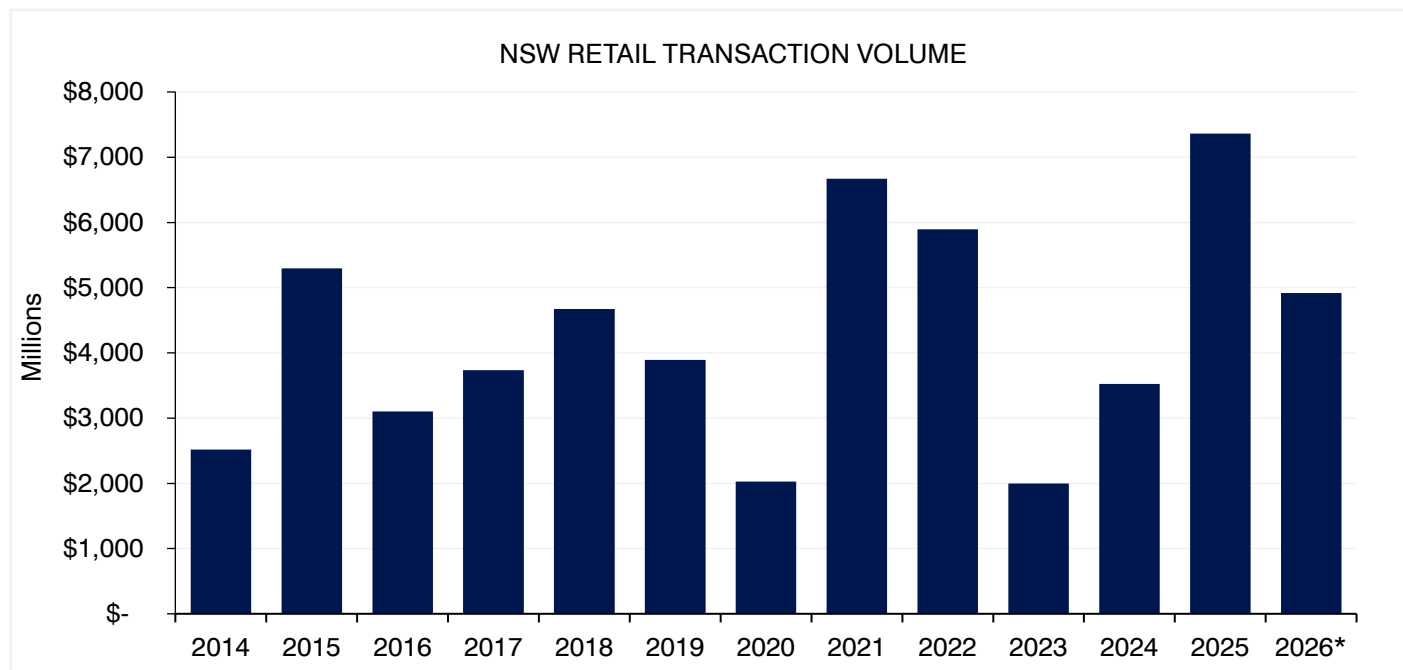


Source: M3 Property

Note: Yield figures are based on the average of the reported prime yield range.

YIELDS

- Retail yields remain attractive relative to office and industrial, supported by resilient income profiles, low vacancy and constrained new floorspace supply.
- Strong transactional activity through 2025 and into H1 2026 confirmed yields were broadly stable, with some tightening evident in neighbourhood and sub-regional centres. However, the February, March, May and September 2026 cash rate increases have introduced a level of caution to the market.
- As of the June quarter 2026, NSW retail yields are estimated to range between 5.25% and 7.00% for Regional Centres, 5.50% and 7.25% for Sub-Regional Centres, 5.00% and 7.00% for Neighbourhood Centres, 5.00% and 6.50% for Prime CBD retail, 4.00% and 6.00% for High Street retail, and 5.50% and 7.00% for prime Large Format Retail centres.



Source: Real Capital Analytics (RCA), M3 Property
Note: Sales over \$5 million

INVESTMENT MARKET

- According to RCA, there were 64 retail sales totalling \$4.91 billion recorded across the NSW above the \$5 million price point market as of 30 July 2026. This is a moderate increase compared to the \$3.99 billion across 74 sales recorded over the same period for 2025.
- According to RCA, there were 148 retail sales totalling \$7.364 billion recorded across the NSW market for 2025. Total sales volume for 2025 was significantly higher than the \$3.525 billion recorded for 2024.
- Institutional buyers were the most active buyer group in 2025, accounting for 32.5% of sales (by \$ value). Cross-border investors were the next largest buyer group taking up circa 27.1% of sales followed by private investors with 25% of sales.

TRANSACTIONS

- Sydney CBD retail recorded one transaction totalling approximately \$19 million year-to-date to July 2026, following a strong 2025 when eight sales totalled approximately \$921 million.
- The largest Sydney CBD transaction in 2025 was Scentre Group's 19.9% share sale of Westfield Sydney for \$864 million reflecting a 4.7% yield to Australian Retirement Trust.
- Sydney Strip retail transactions totalled approximately \$543 million across 23 sales year-to-date to July 2026, compared with \$604 million across 198 assets during 2025.
- Private groups remain the most active buyers and sellers in the Sydney Strip retail market, while institutional investors dominated Sydney CBD retail acquisitions as of YTD 2026.
- Pitt Street Mall remains Australia's priciest retail strip, with strong rental growth and tight vacancy supporting continued investor interest and spillover demand into adjacent streets such as Castlereagh Street.

OPPORTUNITIES AND CHALLENGES

- A lack of development is improving the demand/supply equation. With population growth contributing to demand, vacancy levels are generally quite low across all sub-categories. Scentre Group have reported portfolio occupancy of 99.8% as at 30 June 2026; the highest in more than a decade. This theme should continue in the short term for strong centres.
- Rental growth has been solid. National retailers with store rollout programs are agreeing to increased rents to help facilitate the commencement of developments for Neighbourhood Centres, Large Format Retail (LFR) Centres and Quick Service Restaurants (QSR).
- A-REITs are reporting strong leasing spreads, including GPT (6.6%), VCX (4.2%), Region Group (4.0%) and Scentre Group (3.7%) to 30 June 2026.
- Institutional capital values the stabilised income profiles of Shopping Centres, backed by long-term leases and fixed rental growth.
- Retail theft and crime put extra pressure on the resourcing and profits of retailers and landlords. This is an unwanted focus of the industry and a drag on operations.
- Stratum retail assets can be challenging to sell, attracting reduced levels of investor capital.
- Shopping centres have natural advantages through planning and transport to assist with the housing supply crisis as cities expand vertically, but the overly onerous regulatory framework provides hurdles.
- Centres still play a vital role in the community. Retail is where people do their living. Some shopping centres are adding co-working tenants, childcare, serviced apartments and other non-traditional retail uses.

OUTLOOK

- Consumer confidence remains subdued, with higher interest rates, cost-of-living pressures and broader economic uncertainty continuing to influence discretionary spending. With monetary policy remaining a key consideration heading into the final quarter of 2026, households and investors are likely to remain cautious and selective in their spending and capital allocation decisions. While this may moderate near-term activity, the more considered deployment of capital should support a balanced and sustainable retail investment market as assets are brought to market.
- Over the medium term, we expect new supply to remain concentrated in convenience-based and daily-needs retail, particularly in locations experiencing, or forecast to experience, stronger population growth.

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