

Intelligent Investment

H1 2026

Australia Lender Sentiment Survey

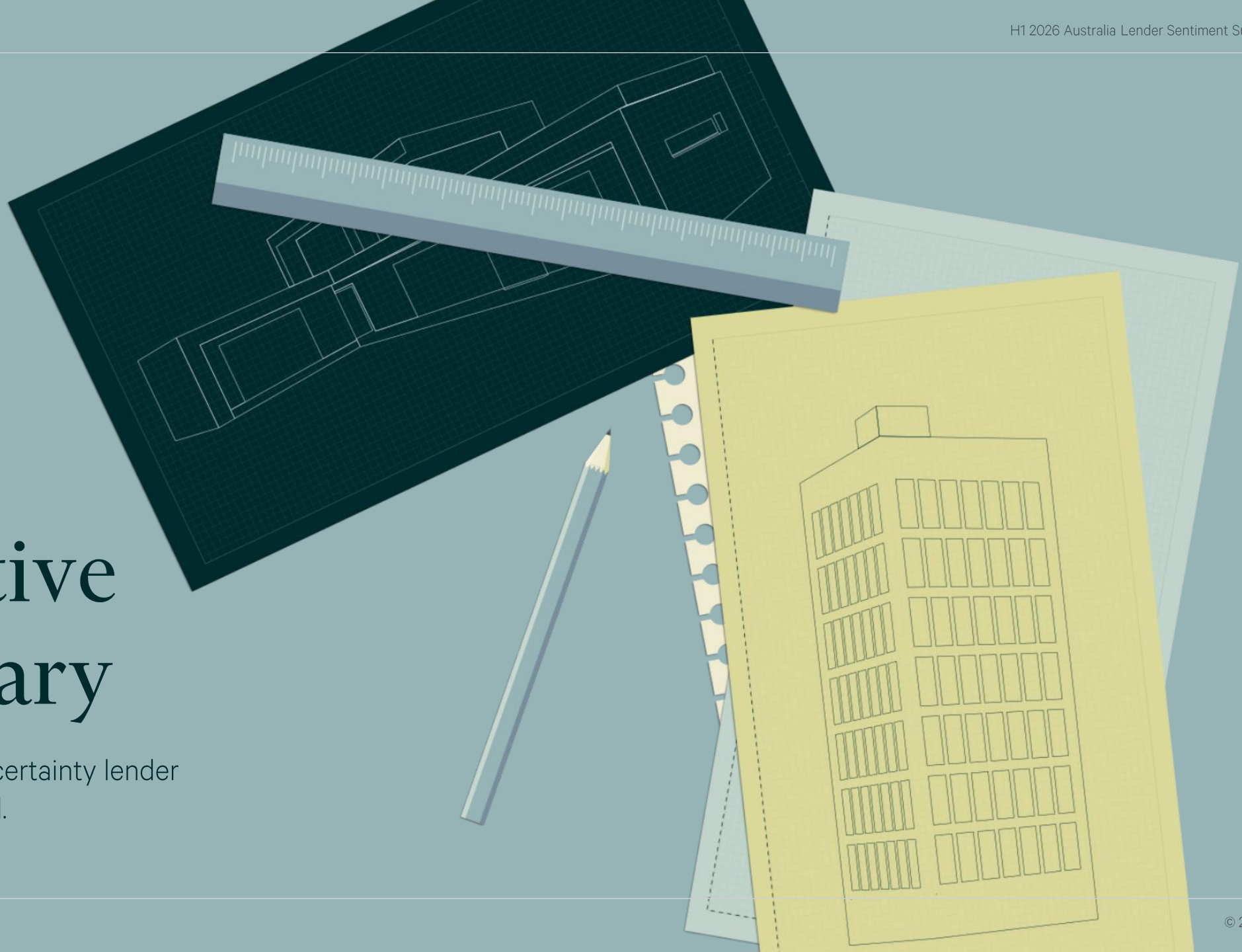
REPORT

CBRE RESEARCH
MAY 2026



Executive Summary

Despite elevated uncertainty lender
appetite is unphased.



CBRE Research's H1 2026 Lender Sentiment Survey received responses from key commercial real estate lenders across local banks, international banks and non-banks. We find:

1

Cash rate expectations have materially shifted over the last 6-months. Current **views among economists and our lenders are divided** as to the future path of cash rate movements.

2

Appetite for new loans remains positive despite elevated uncertainty, with **45% of lenders wanting to grow commercial real estate exposures** and only 5% of surveyed lenders intending to decrease their book.

3

Lender investment preference has declined in the Industrial sector to the lowest level on record. Instead, **interest in stabilised office investment has increased for the first time in three years.**

4

Credit margins expectations are divided. Whilst majority of lenders still expect stability, **34% expect credit margins to increase by at least 10bps**, up from just 5% in H2 2025.

5

Development feasibility constraints remain a key concern for lenders, however, **rising geopolitical and economic uncertainty is impacting the current outlook.**

6

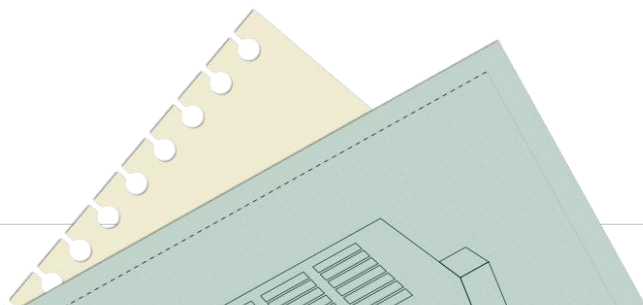
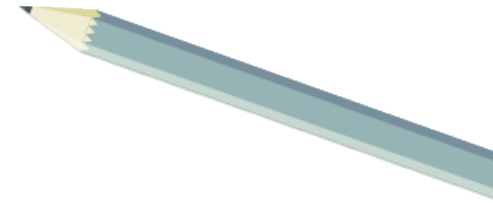
When considering refinancing, **performance-based variables have risen in importance**, as elevated uncertainty shifts the focus towards current performance.

7

The combination of elevated interest rates, rising construction cost inflation and uncertainty is **set to dampen acquisition and development loan activity** over the next 12-months.

8

Bank lenders are adopting a more **cautious stance towards residential-to-sell construction lending** via pre-sale requirements.



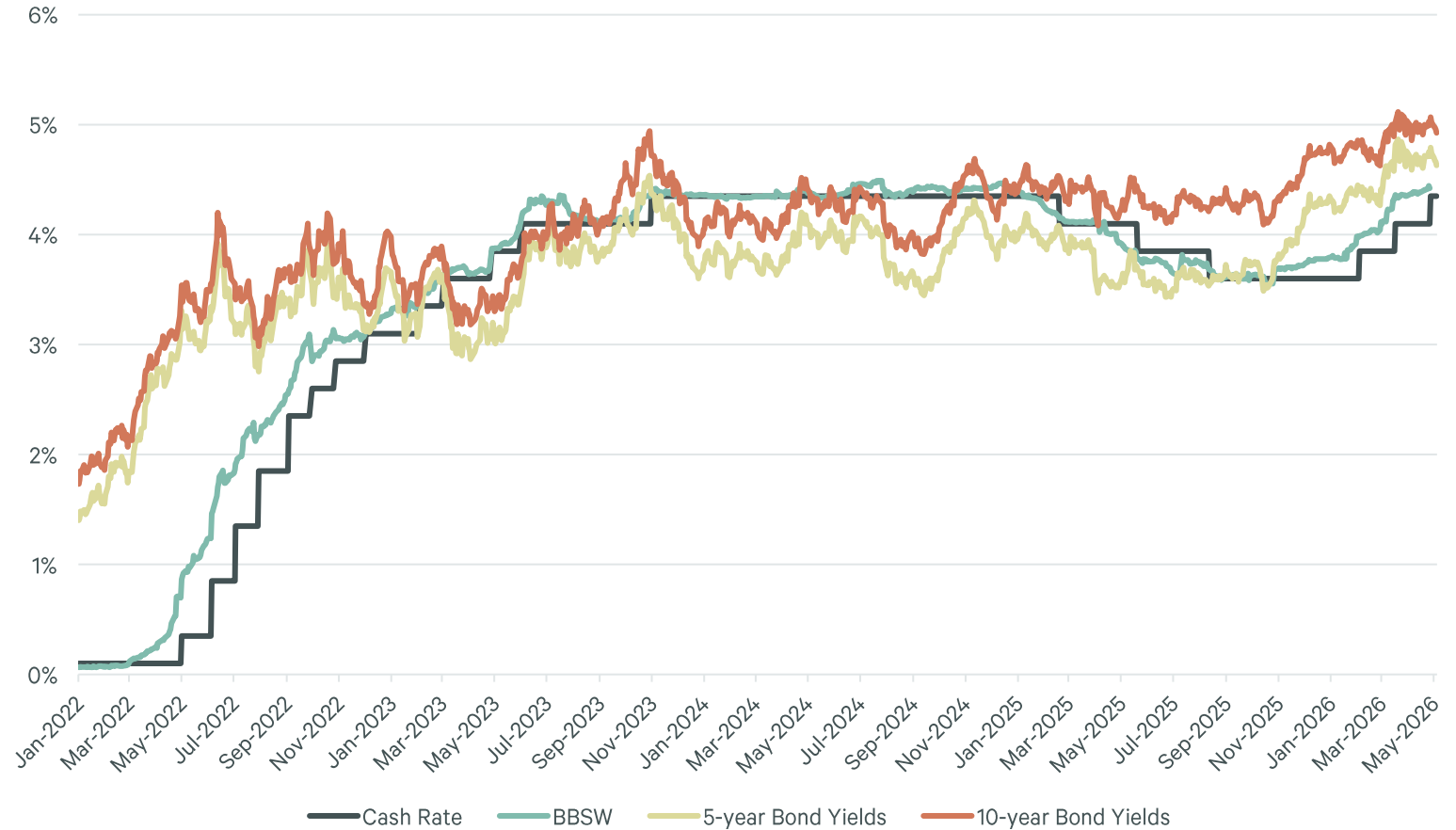
Cash rate uncertainty. Bond yields holding firm above 15-year highs.

As of May 2026, Australia’s official cash rate is 4.35%, with three rate hikes occurring over the last 6-months. Six months ago, rate cuts were being discussed as the likely path of action by the RBA, yet, above target inflation (exacerbated by the current middle east conflict) has caused the cash rate to return to its recent highs of 4.35%.

At the same time, 10-year bond yields have diverged from the cash rate, holding around 5.0% since mid-March – levels not seen since 2011. Despite two cash rate hikes since March, bond yields have remained broadly unchanged, suggesting a market view that inflation expectations and (and subsequently) the cash rate has peaked.

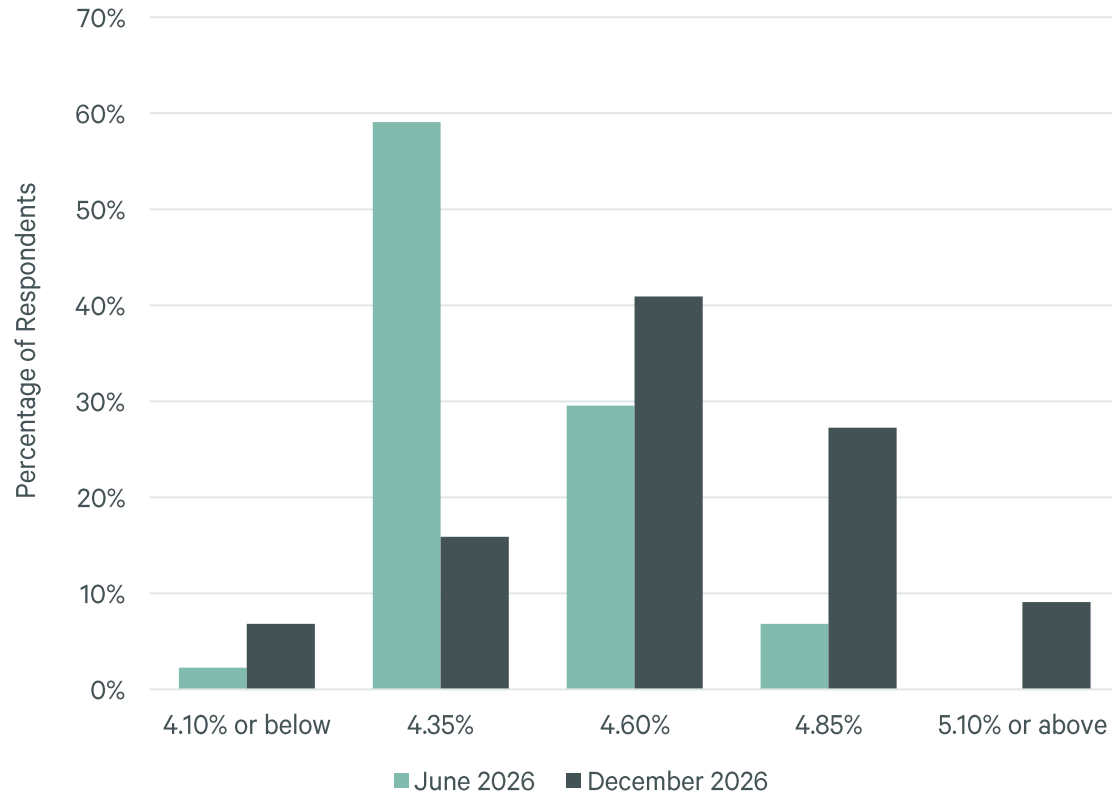
Despite this, Australian lenders have a split view on the future path of the cash rate with more than 75% expecting at least one more hike. We note this is a non-consensus view, with three of the four major banks currently predicting there will be no more hikes this cycle.

FIGURE 1: Key Rate Movements (January 2022 – May 2026)



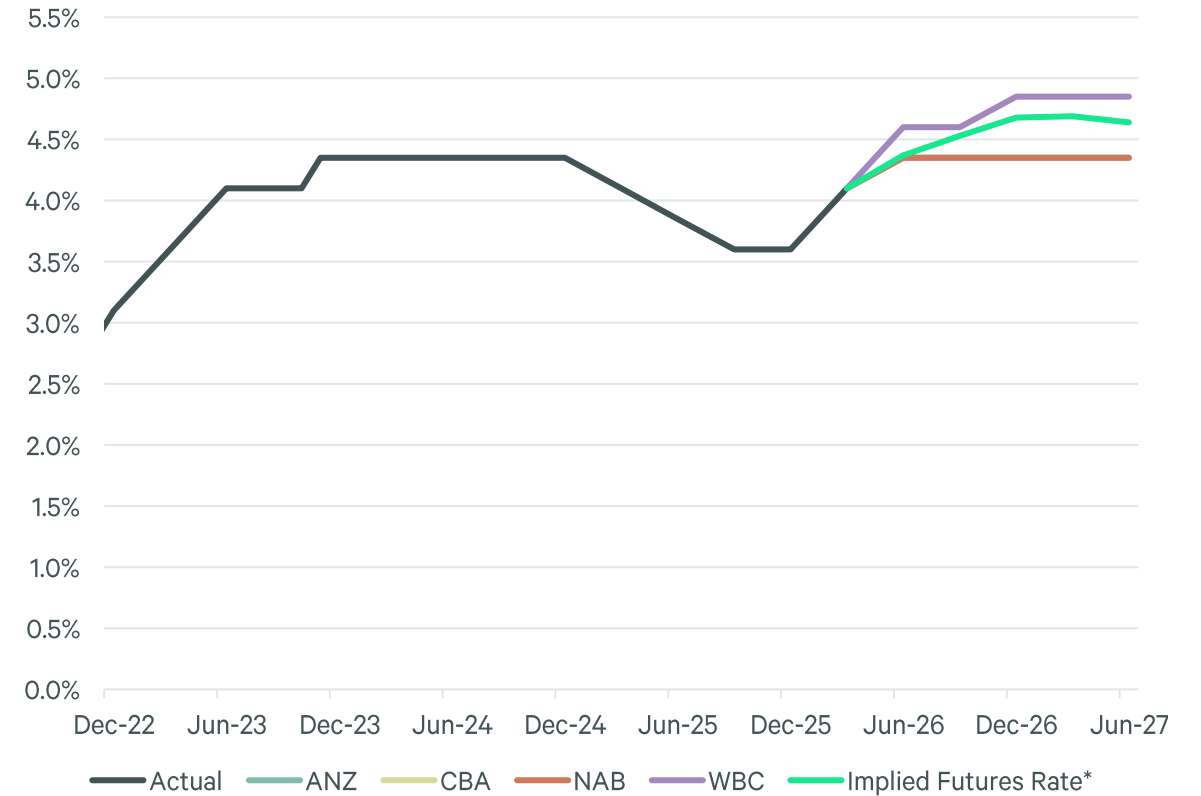
Source: CBRE Research, RBA

FIGURE 2: Lender expectations on Australia’s cash rate

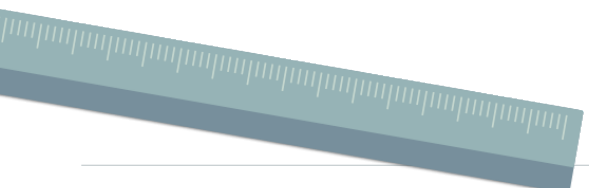


Source: CBRE Research

FIGURE 3: Australian cash rate forecasts.



Source: CBRE Research, Respective institution’s Forecast Reporting, ASX. Note: Implied futures rate data was collected on the 15th of May 2026. Bank forecast data is the latest available post the RBA’s May 2026 decision.



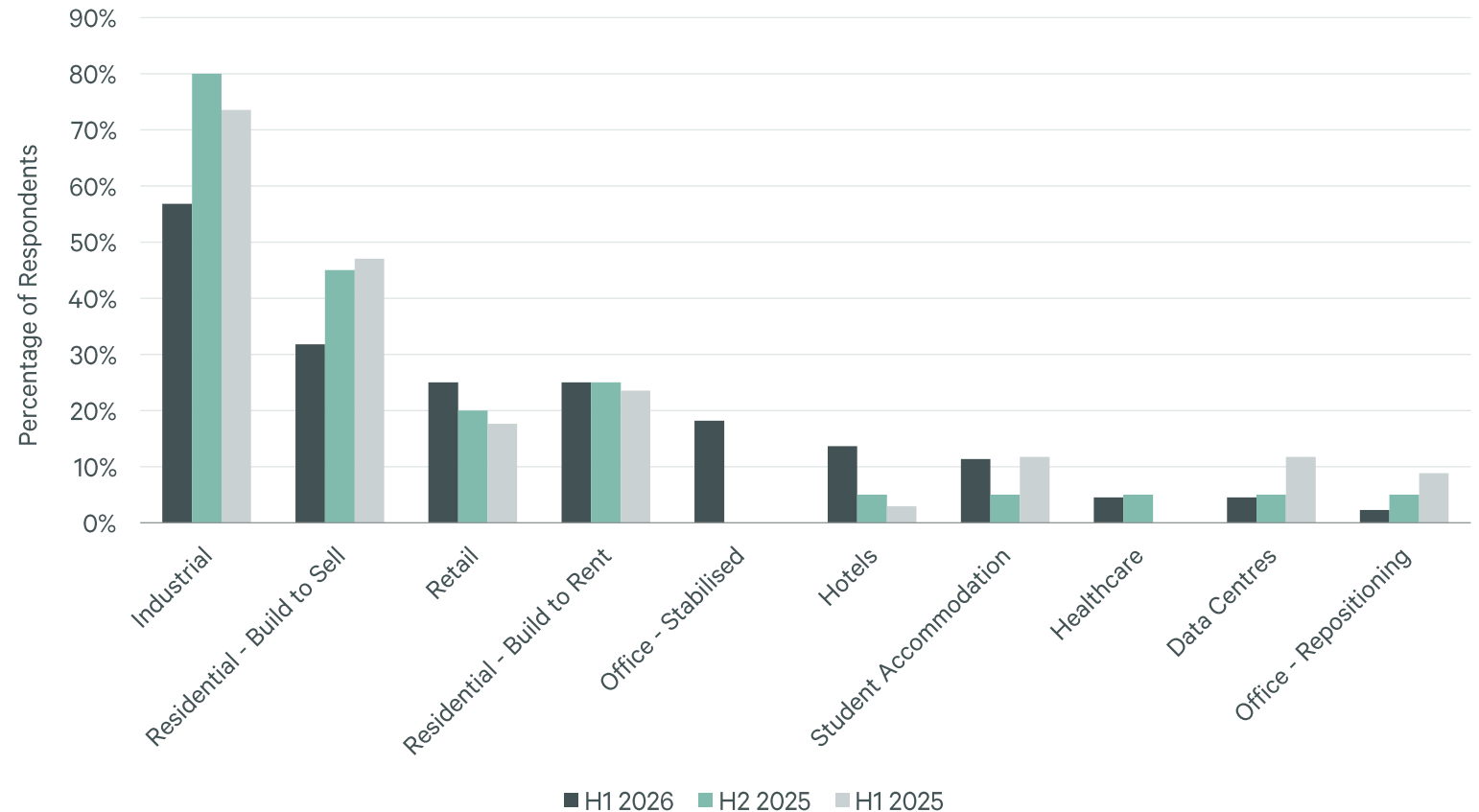
Industrial interest drops below 70% for the first time. Stabilised office grows to highest level since 2023.

Lender interest in the industrial sector declined by more than 20% from H2 2025 – the largest decline and lowest level of interest in the sector since this survey began. We attribute this not to a view of worsening fundamentals in the sector, but instead, a re-weighting of preferences as the outlook for other asset classes becomes clearer.

Notably, a rising interest in stabilised office assets (+18% h-o-h) is believed to be a key detractor from current industrial preferences. The office sector is facing a looming supply crunch nationally, that we expect will only worsen amidst rising construction costs.

This thematic is also evident through the decline in build-to-sell (BTS) interest. With feasibility pressures rising, BTS developments are becoming increasingly difficult to stack up beyond premium offerings, limiting the scope of investment into the sector over the short term.

FIGURE 4: Lender preferred asset class for new investment (top two responses).



Source: CBRE Research

Credit margin expectations divided. Loan appetite healthy despite elevated uncertainty.

Credit margins expectations have bifurcated over the last 6-months. As of H1 2026, 55% of lenders still expect credit margins to hold stable over the short term. This represents a material decrease from H2 2025 and has been replaced by increasing expectations of in credit margin expansion across both lender types.

Bank lenders have expressed a net view of declining hedging requirements, compared to an expectation of increasing hedging requirements among non-bank lenders over the same period.

Loan appetite among local lenders is broadly unchanged from H2 2025, despite a material increase in geopolitical and economic uncertainty. We observed a similar result in H1 2025 when uncertainty was equally elevated, emphasising the depth and resilience of Australia's local lending market.

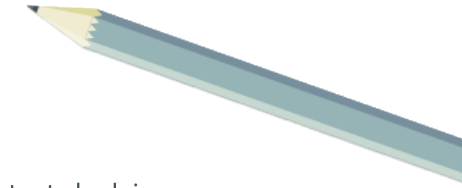
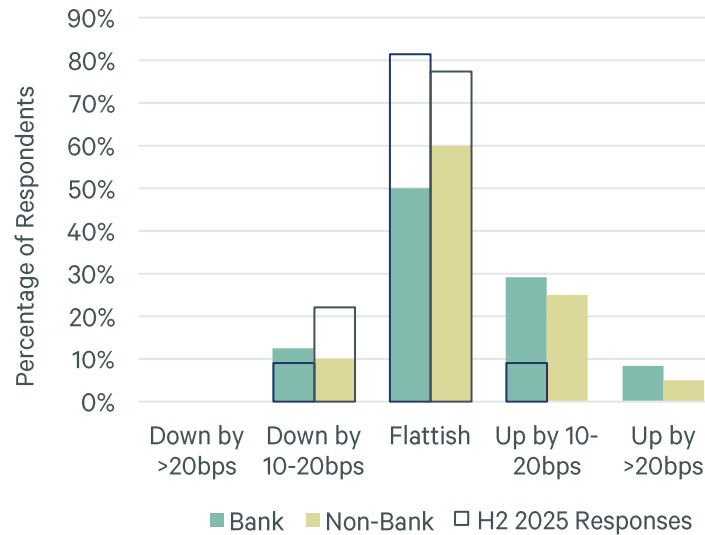
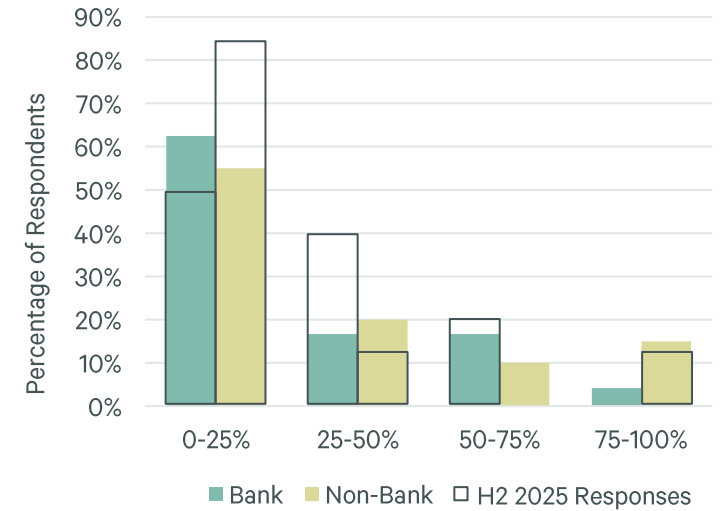


FIGURE 5: Expectations for credit margin movements over next 3-months on new loans.



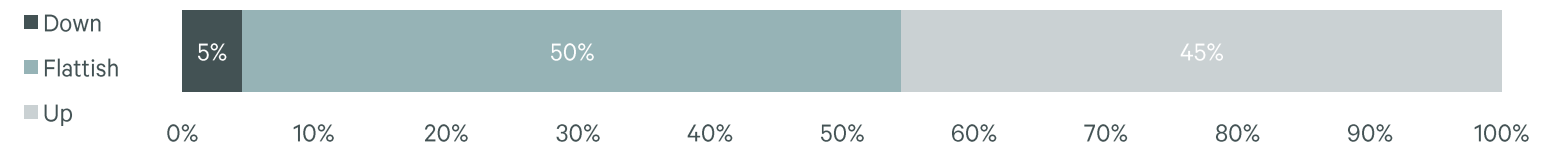
Source: CBRE Research

FIGURE 6: Current lender interest rate hedging requirements by survey period.



Source: CBRE Research

FIGURE 7: New loan appetite expectations over the next 3-months.



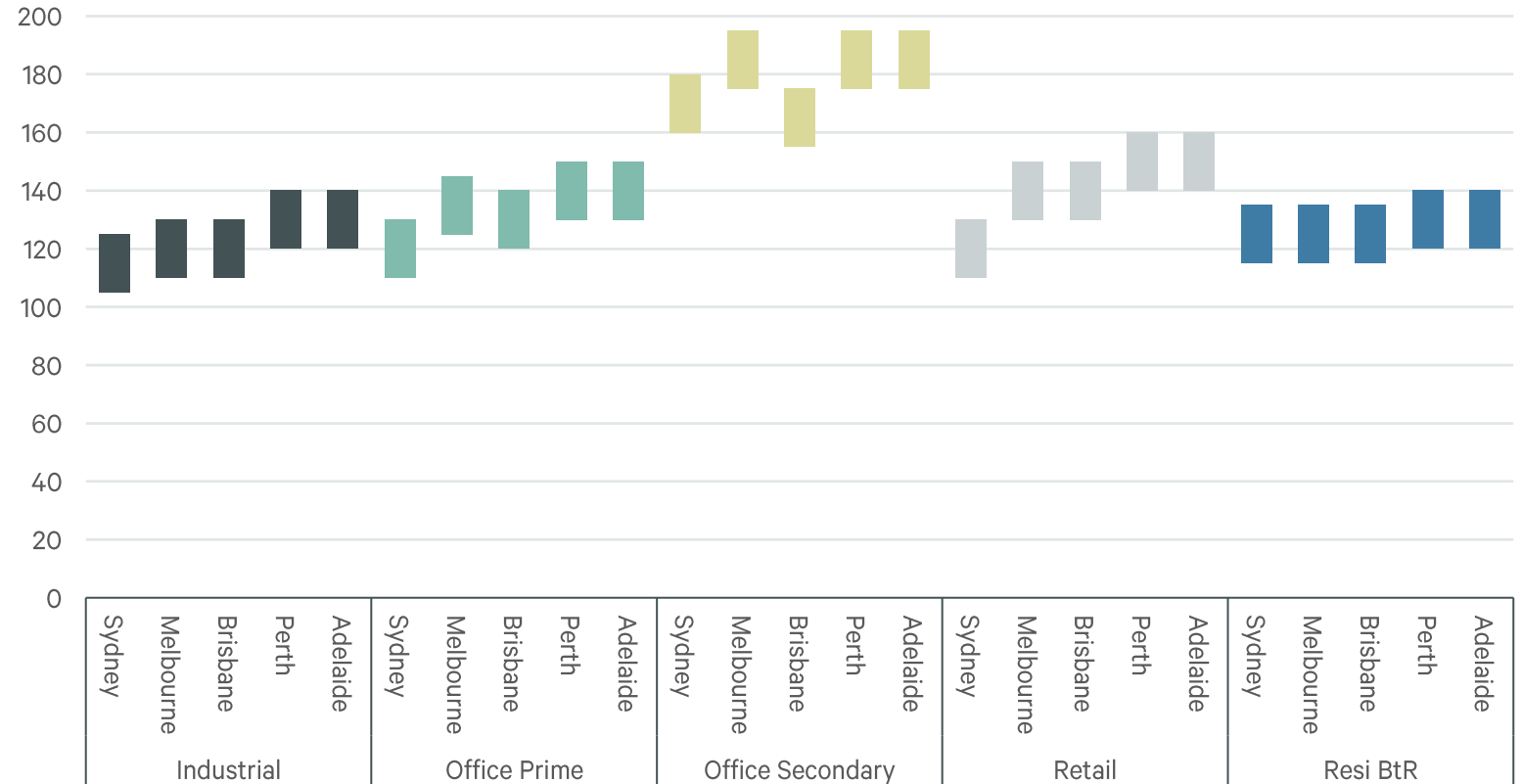
Source: CBRE Research

Margin differentials based on sector, not geography.

Credit margins across sectors are less geography based, contrary to what we've observed among equity investors and cap rates, wherein the spread between geographies has been widening in recent years.

Over the last 6-months, margins in Sydney's Industrial and Secondary office sectors have experienced slight expansion. This has been offset by margin contraction in select prime office and BTR markets.

FIGURE 8: Indicative Credit Margins for Stabilised Stock (bps) by Sector and Market



Source: CBRE Research



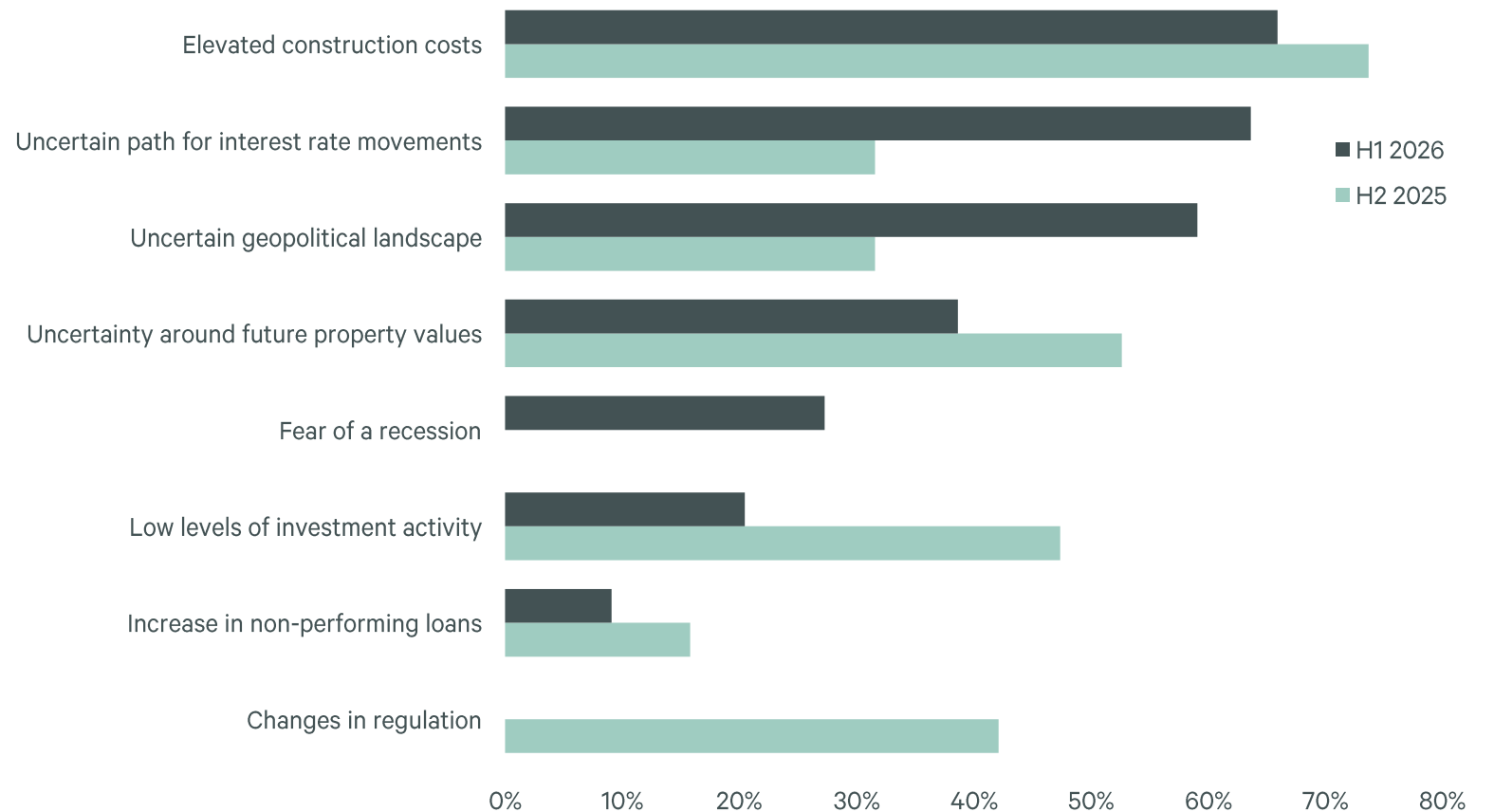
Feasibility remains top of mind, whilst uncertainty rises in lender concern.

Elevated construction costs continued to hold the top response in H1 2026. We expect construction costs to rise by +18% over 2026-2027, more than double what we've observed over the last 12-months.

Both geopolitical and economic uncertainty concerns have risen over the last 6-months. Pundits remain divided on what the terminal cash rate will be for this cycle, and the middle east conflict is creating heightened risks to the current outlook.

Both factors, combined with the current global economic shock caused by oil disruption has led to a significant rise in respondents fearful of a recession. Whilst we do not currently expect Australia to experience recessionary levels of growth, these results highlight the range in expectations and sentiment present across Australia's lending sector.

FIGURE 9: Major challenges facing Australia's lending environment over the remainder of 2026 (top three responses)



Source: CBRE Research

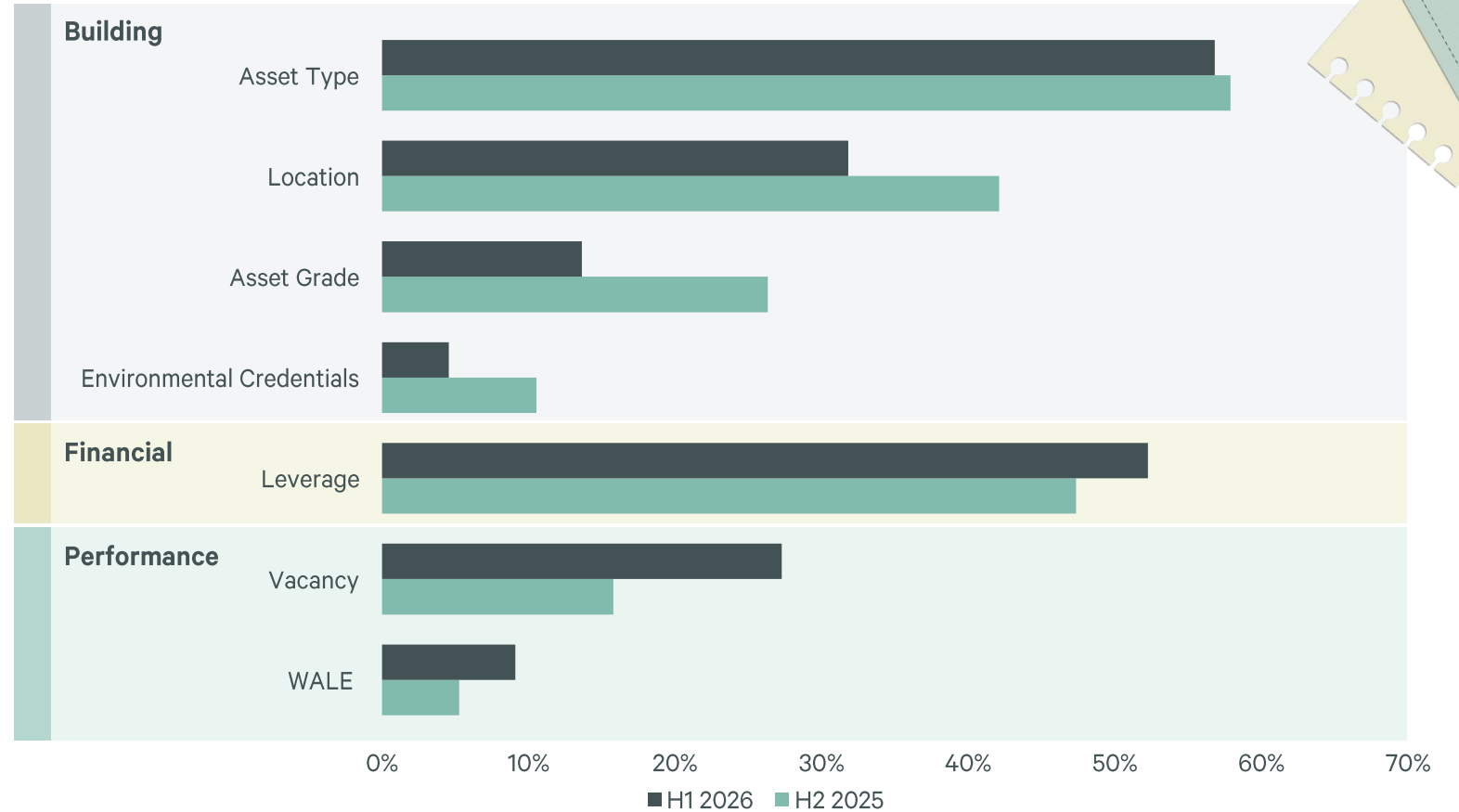
Uncertainty increasing focus towards performance & financial variables.

As of H1 2026, Australian lenders have noted three key variables as being the most important when considering refinancing for the third consecutive period; Asset Type, Location and Leverage.

Over the last six-months, all building variables declined in importance to varying degrees. We attribute this in part to the rise in uncertainty, which is shifting lender appetite towards assets with strong existing fundamentals, rather than speculative opportunities.

Although in the current environment characterised by heightened uncertainty, a greater priority being placed on current performance

FIGURE 10: Key variables impacting lender appetite for refinancing (top two responses) by period.



Source: CBRE Research

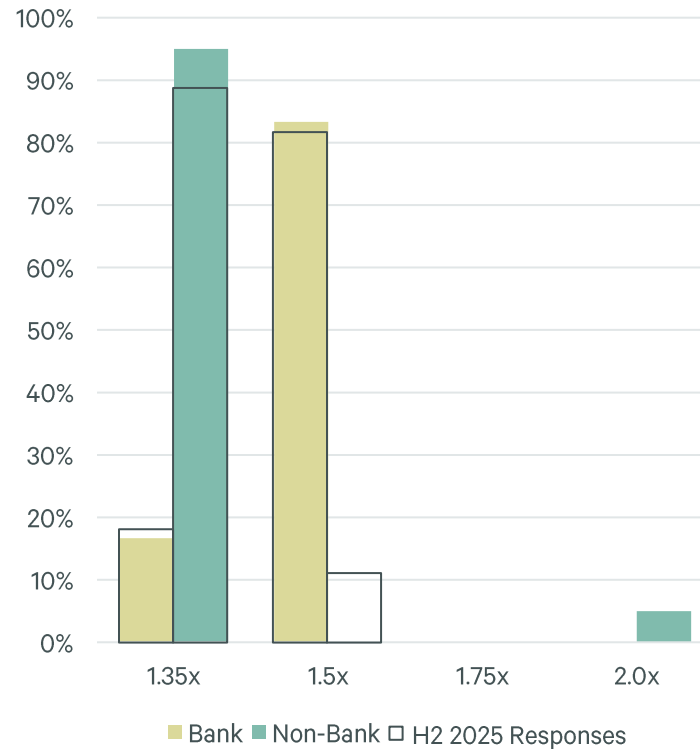
ICR requirements stable. LVR ratios experiences slight increase.

Interest coverage ratio (ICR) requirements have further converged have remained broadly unchanged. We continue to observe a large bifurcation between bank and non-bank responses.

Loan-to-value ratios have slightly increased over the last 6-months. Notably, a larger percentage of bank respondents have reported a preferred LVR ratio of 60% and above.

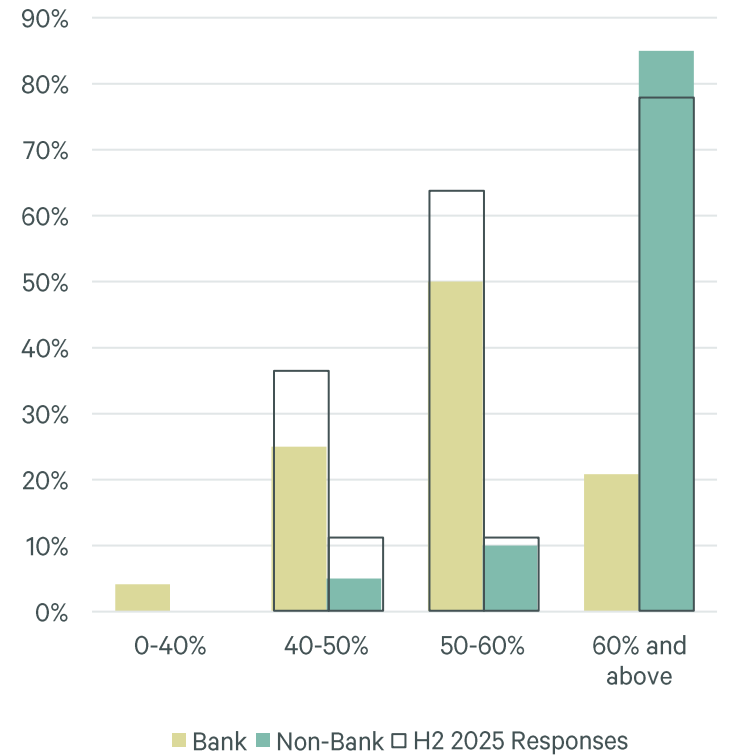


FIGURE 11: Lender ICR requirements for new investment grade lending.



Source: CBRE Research

FIGURE 12: Lender preferred LVR ratio.



Source: CBRE Research. Excludes 'Unsure' responses.

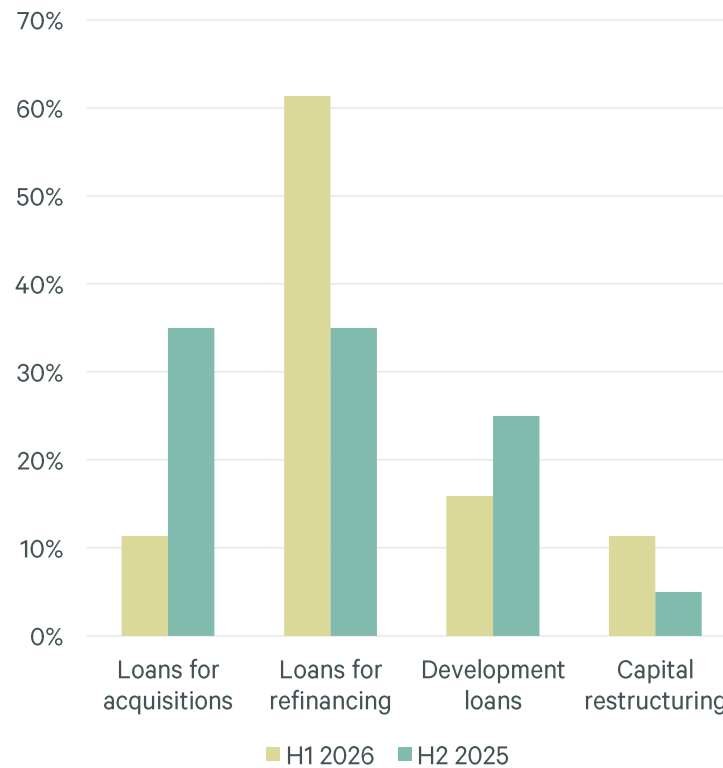
Acquisition & development activity to remain subdued.

Just 11% of lenders expect acquisition loans to be the primary driver of their lending activity over the next 12-months, a significant decline from H2 2025. This is consistent with our results in figure 9, whereby geopolitical and economic uncertainty is likely to subdue investment volumes over the short term.

Both factors are also set to drive increased feasibility pressures. Development loan activity was already expected to be subdued in H2 2025, yet the current outlook is likely to further deteriorate development conditions and associated loan activity.

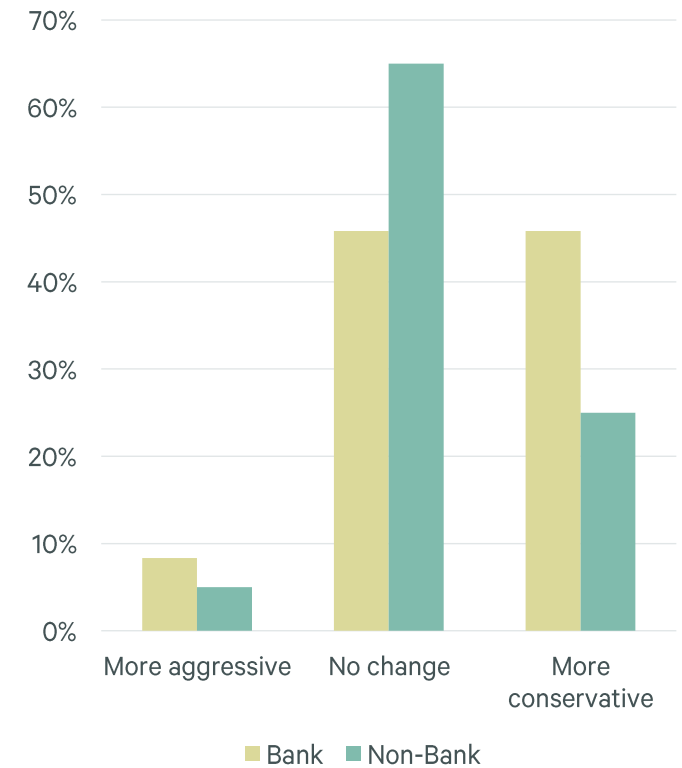
Close to half of bank lenders expect to change their underwriting criteria to be more conservative over the next 12-months, compared to just 25% of non-bank lenders.

FIGURE 13: Expected principal source of demand over the next 12-months.



Source: CBRE Research

FIGURE 14: Expected change in underwriting criteria over the next 12-months.



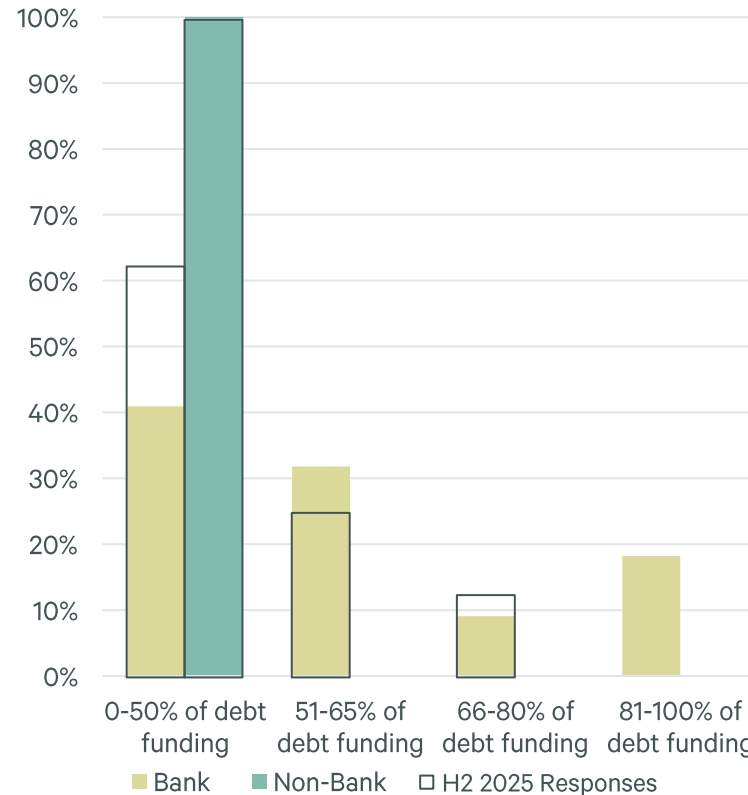
Source: CBRE Research

Diverging risk appetite for residential-to-sell development lending.

Over the last 6-months Australian lenders have expressed a divergence in risk appetite. As of H1 2026, only 40% of lenders have a debt-funding requirement of 0-50%, down from 63% in H2 2025. At the same time, 100% of non-bank lenders continue to have debt funding requirements between 0-50%, unchanged from last year.

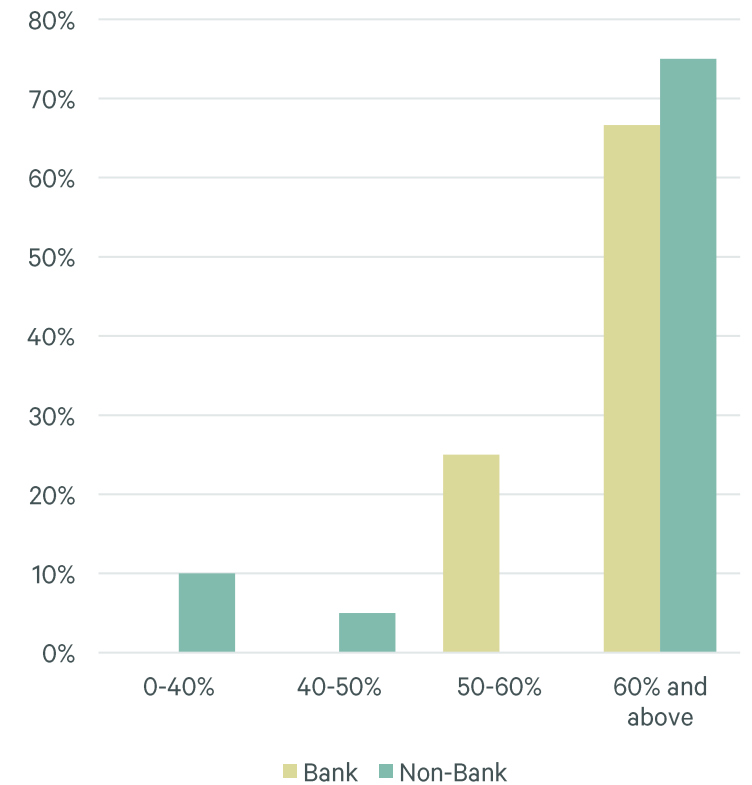
Part of this divergence may be attributed to differences in developments being funded across developer types. This is reinforced by the consistency in preferred loan-to-cost percentages across bank and non-bank lenders.

FIGURE 15: Pre-sale requirements for residential-to-sell construction lending by survey period.



Source: CBRE Research. Excludes 'Not Applicable' responses.

FIGURE 16: Preferred loan-to-cost percentage for new build-to-sell residential developments.

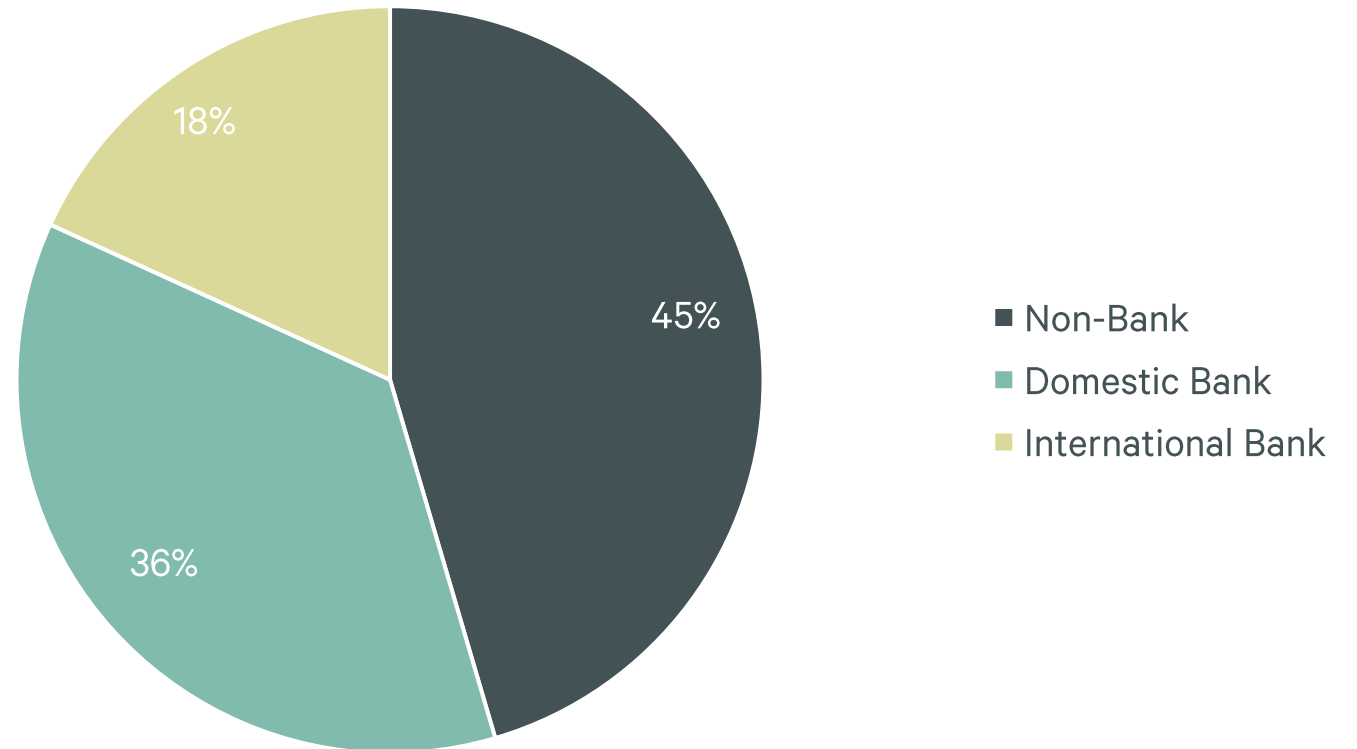


Source: CBRE Research

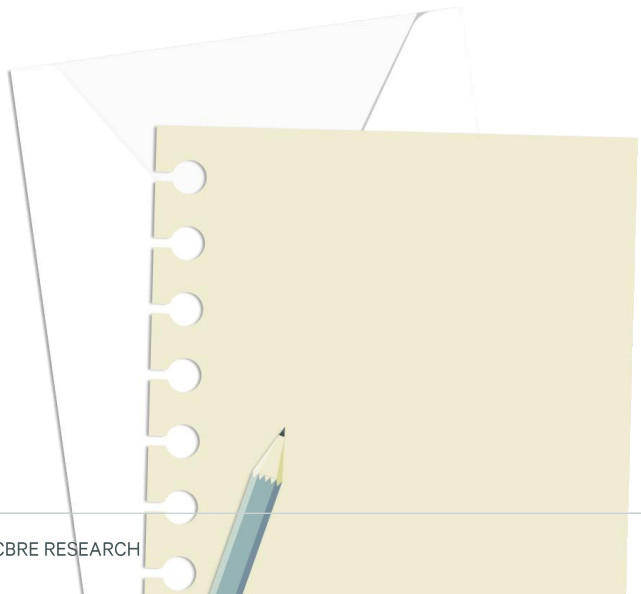
Survey Profile

The CBRE Research H1 2026 Lender Sentiment Survey was conducted over 30 April 2026 to 11 May 2026. A total of 44 lenders responded to the survey.

FIGURE 17: H1 2026 Respondent Profile by Type of Respondent Surveyed.



Source: CBRE Research



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