

Intelligent Investment

2026 Pacific Real Estate Market Outlook

REPORT

AUSTRALIA
& NEW ZEALAND
REAL ESTATE

CBRE RESEARCH



CBRE

TINA | There Is No Alternative

“

New supply is set to undershoot historical levels by 20% to 50%. With reduced property choice, the alternatives for investors and renters are increasingly limited.

We see demand to lease and buy accelerating into the next best (only) option.

Income yield contribution will start to dominate total returns (except Residential).



Sameer Chopra

Head of Pacific Research

Where are the opportunities?

- **Premium assets** are likely to be joined by the next best option in outperforming on both rent growth and capital value appreciation.
- **Buy existing assets** as replacement costs are high and rents could take up to a decade to catch-up.
- We expect strongest outperformance from **offices** in Brisbane and Canberra; **industrial** in Adelaide and Brisbane; **shopping centres** in Sydney and Melbourne; and **apartments** in Gold Coast and Perth.
- Premium and assets **close to emerging infrastructure** (metro, airport, defence) should prove more defensive from risks associated with technology disruption.

Sustainably high cost of construction is likely to materially dampen future supply. In fact, economic rents for most assets have risen by 40% to 90% and sit 20% to 30% above market rents. We continue to have faith in our long-held view of a “rent-a-demic” as vacancy tightens again.

With the exception of assets located in premium precincts, we expect net effective rents should grow by low single digits. Leasing activity is likely to pick up through 2026 to take advantage of attractive incentives and supply shortfall.

Both Australia and New Zealand are likely to experience economic growth (+2.0%), albeit below trend. We see interest rates on hold in both markets.

Transaction volumes should grow in 2026, rising by ~5% to 10%, with faster growth in Office. Over 2026 to 2028, we see cap rates tightening by 25bps to 40bps depending upon asset class.

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01

Economic Outlook

Australia's economy is expected to grow 2.0% in 2026, with interest rates on hold. Immigration, infrastructure and Care sector are likely to be a key contributor to economic growth.

New Zealand's economy is expected to grow 2.3% and inflation recede to 1.8%. Tourism related services are a welcome boost to consumption pressure.

Key takeaways

~2.0%

growth across Australia and New Zealand in 2026.

3.2%

inflation by end of 2026 for Australia.

240k+

new migrants expected to arrive in Australia. New Zealand will also continue to see positive net migration.

01 GROWTH

Australia's economy will grow in 2026 but at a "below trend" rate of +2.0%.

New Zealand's economy is also expected to grow at 2.0 to 2.5% through 2026.

02 INTEREST RATES

We see interest rates on hold in Australia for the duration of 2026. In contrast, there is scope for bond yields to compress by 40bps.

Following 325 bps of easing since late 2024, interest rates have now bottomed out in New Zealand.

03 INFLATION

Australian inflation is likely to be elevated in 1H 2026 before falling in 2H 2026 to 3.2%.

New Zealand inflation is also expected to fall to 1.8% by end 2026.

04 JOBS GROWTH

Unemployment rate may edge up to 4.6%. Jobs growth is likely skewed to care sectors and white-collar.

05 MIGRATION

Australia and New Zealand have amongst the highest projected population growth in the coming decade. For 2026, 240,000 new migrants are expected to arrive in Australia.

Net migration in New Zealand was circa 12,000 in the past year.

Australian economy is paddling along

Australia's GDP growth in 2025 was c2.0%, slightly below historical trend rate of 2.9% and population growth of c1.4%. Higher interest rates weighed on consumption.

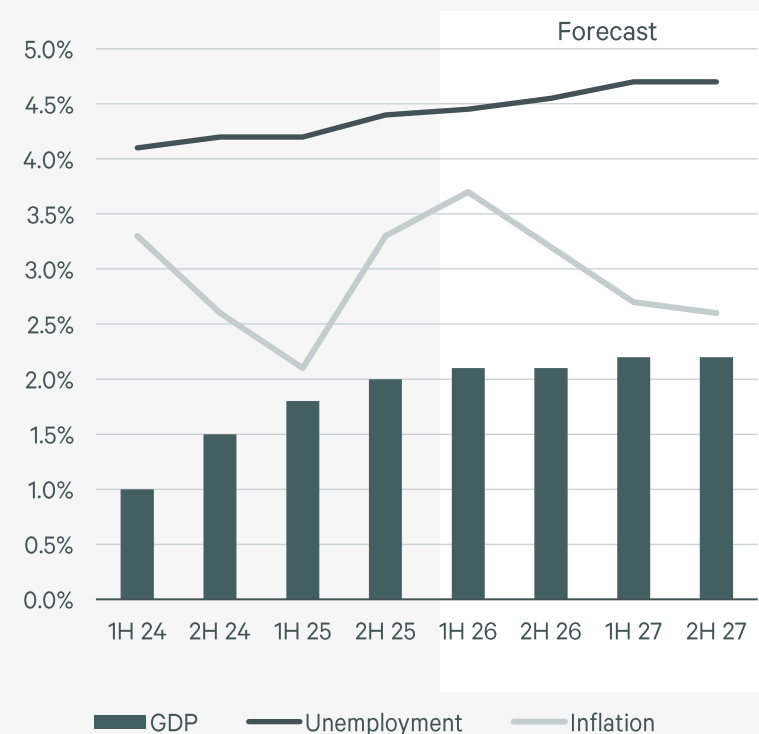
For 2026, we see GDP growth of c2.1%, with about 0.9% contribution from population growth. To get higher growth rates approaching the historical trend of 2.9%, Australia will need substantive interest rate cuts to spur investment and consumption spending, in our view.

The unemployment rate hovered near record lows of 4.3% in 2025 and we expect modest increase to 4.6%. Job vacancy rates are getting back to normalised 2019 levels, although the market remains tight in construction.

Australia's cash rate ended 2025 at 3.6%. Our forecasts assume an extended "on hold" period during 2026. There is scope for a rate cut in late 2026 or early 2027 as inflation cycles through one-off electricity price hikes.

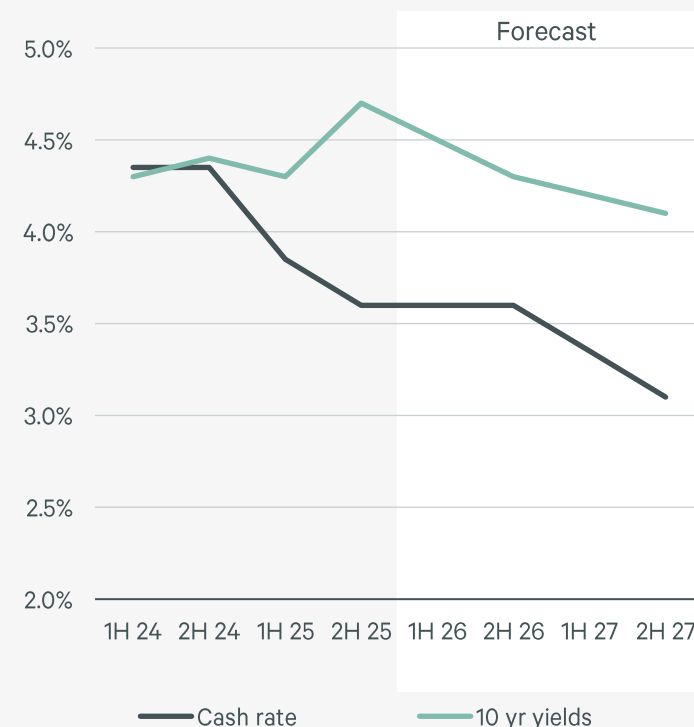
We expect 10-year bond yields to stay elevated in 2026 before falling to 4.1% by late 2027.

Figure 1: Australia's GDP growth, employment and inflation



Source: ABS, RBA, CBRE Research

Figure 2: Australia's interest rates



New Zealand is benefitting from sharp rate cuts

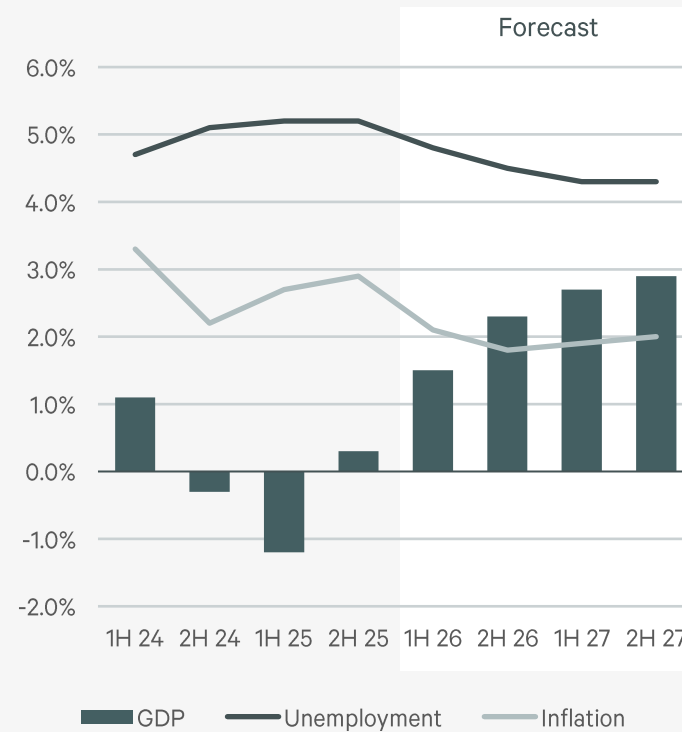
The 325bps cut to cash rates over the past 18 months is translating into improving GDP growth in 2026. Consumers are cautiously driving the initial rebound.

We expect that occupier demand for business space will see a material lift later in 2026, and a stronger absorption rebound should sustain into 2027 to 2028.

A soft inflation outlook combined with the economy's spare capacity, gives the RBNZ room to be growth-friendly for an extended period. The central bank will likely start normalising monetary policy again around mid-2027, providing an 18 month window of short term interest rates remaining around current lows.

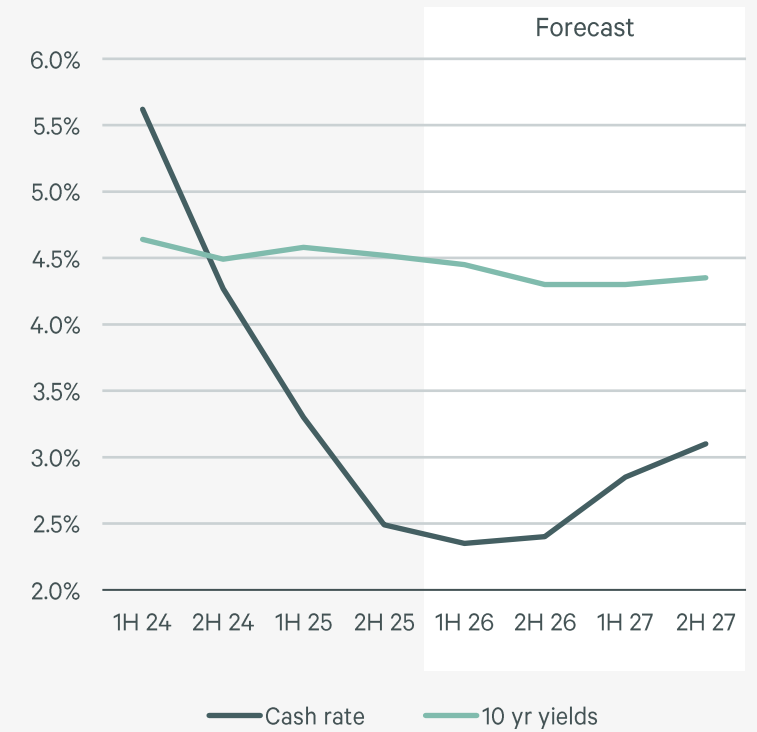
Other central banks have eased by less than the RBNZ and are more cautious about how much capacity they have to cut, given inflation pressures. Whereas the OCR is 2.25% in New Zealand, the US Fed Funds rate is circa 3.8% and markets only expect it to fall to around 3.1%. The contrast with Australia is even greater, with the RBA policy rate at 3.6%. As a result, bond yields in the two countries have held up, supporting New Zealand bond yields too. The consensus view is that long-end interest rates little room for further easing.

Figure 3: New Zealand's GDP growth, employment and inflation



Source: Statistics NZ, CBRE Research

Figure 4: New Zealand's interest rates



Population drives demand

Australia and New Zealand have amongst the highest projected population growth in the coming decade. This is likely to drive significant demand for real estate.

Australia's population was 27.6 million in Dec 2025. This represents +16% growth over the last decade.

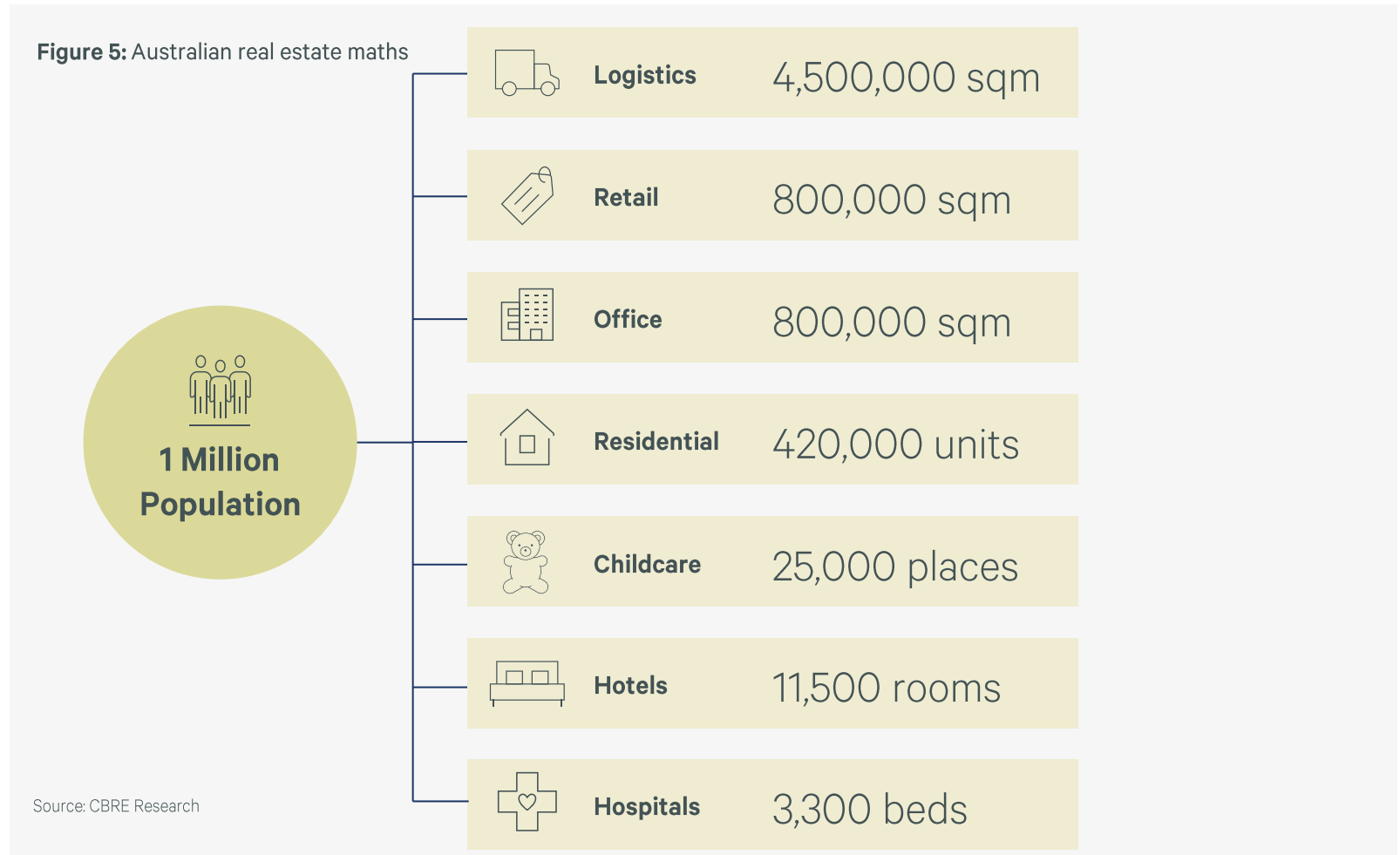
Population growth in Australia is projected to be 350,000 (+1.3%) in the year ended June 2026.

Medium-term, population is expected to increase by 2.4 million or 9.0% growth between 2022 to 2027.

The 2.4 million growth over 2022 to 2027 is akin to recreating Brisbane, Australia's third largest city. Think about all the real estate in Brisbane - residential, retail, logistics, offices, hotels, hospitals and childcare.

The latest projections see Australia's population at 32 million by 2035 (+15%).

Our maths for the incremental real estate required to support each 1 million growth in population is: Industrial & Logistics at 4.5 million sqm, Retail at 0.8 million sqm, Office at 0.8 million sqm, Residential at 420,000 units, Childcare at 25,000 places, Hotels at 11,500 rooms and Hospitals at 3,300 beds.



\$1 trillion triple boost

The demand for consumer facing real estate is expected to benefit from the triple boost of rising population, rising jobs and rising income.

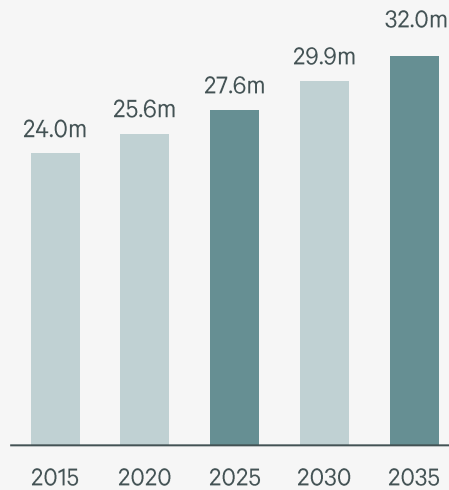
Collectively, this wealth effect will add ~\$1,000 billion of income over the next decade. A significant proportion of which is likely to be directed towards housing, retail and leisure.

Figure 6: Triple boost of population, jobs and income



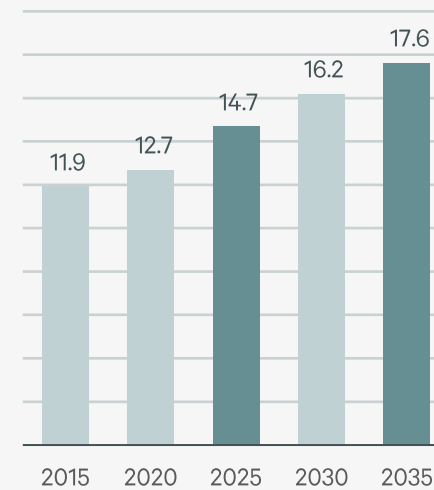
Population growth

Immigration is likely to contribute to two-thirds of Australia's population growth, to 32 million by 2035.



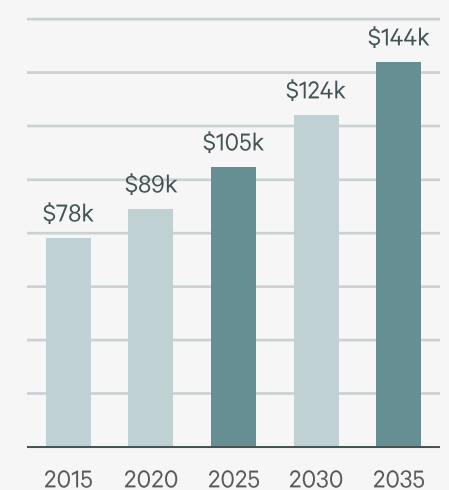
Jobs, jobs, jobs

We expect another 1.9 million Australians with jobs over next decade.



Rising income & wealth

Average annual income increasing from \$105,000 currently to \$144,000 pa by 2035.



Source: ABS, Population Statement, CBRE Research

02

Themes

1. New development supply is likely to fall by 20% to 50% of historical levels for the rest of the decade.
2. Construction cost growth could re-accelerate to mid-single digits.
3. Industrial and residential precincts sitting alongside infrastructure investment in Metro rail, roads, airport and defence further outperform.
4. Occupiers and investors start to formalise view on the rate of impact of AI, autonomous driving, e-commerce, GLPs and robotics on Australian real estate. Local employment impacts are more likely in 2030s.



Supply undershoot

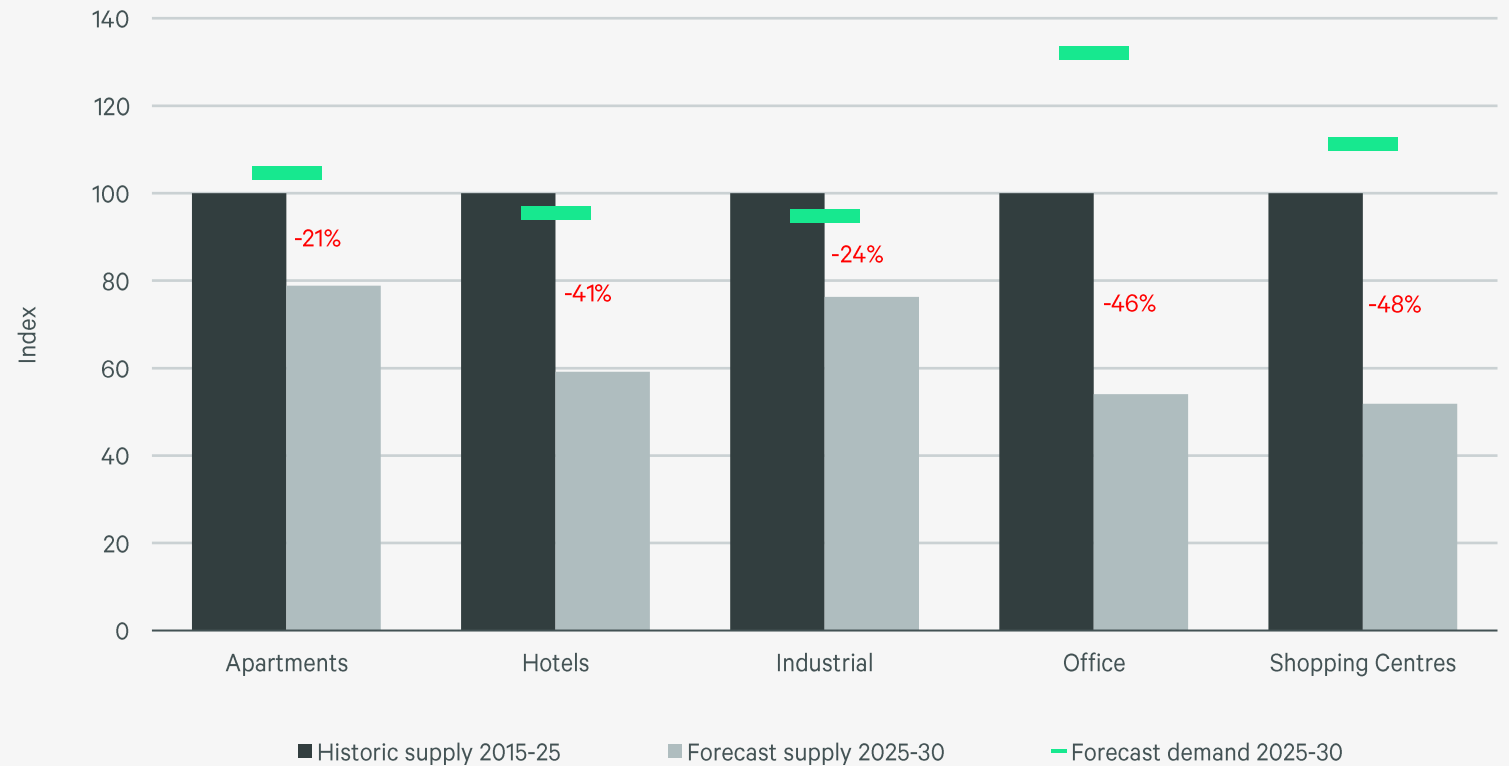
CBRE estimate that supply will fall by 20% to 50% of historical levels for the rest of the decade.

Demand is expected to exceed forecast supply across all sectors, with the largest mismatch likely in Office and Shopping Centres.

Apartments (1.8%) and Industrial (3.2%) already experience low vacancy. Supply shortfall is likely to pressure vacancies further, particularly over 2027 to 2028.

We anticipate tightening markets will be conducive to slight compression in incentives, particularly for Industrial and Office through the rest of the decade.

Figure 7: Supply is falling across real estate classes, undershooting demand significantly



Source: CBRE Research

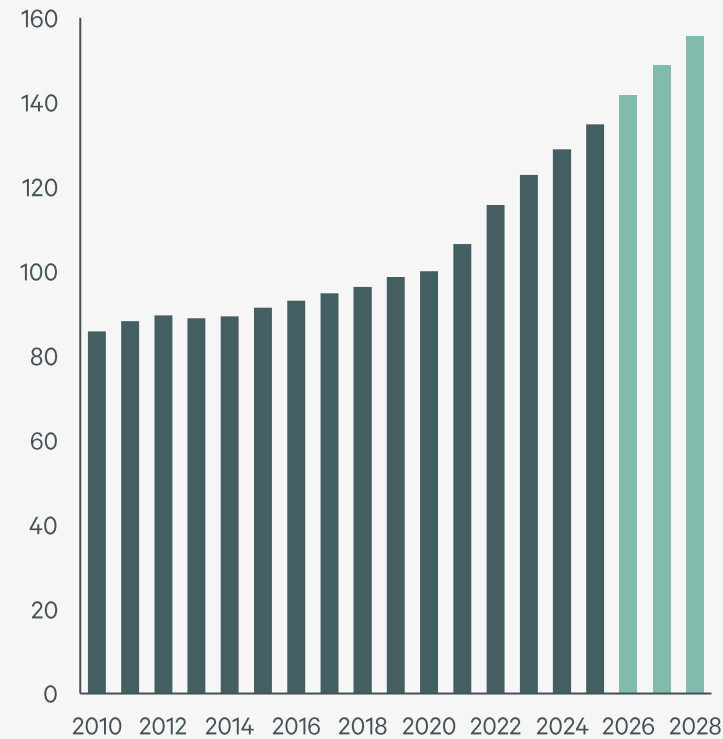
Construction cost pressure endures

Construction cost growth has slowed materially from June 2023 onwards. But costs are growing at 4.0% to 5.0% pa, slightly ahead of inflation.

Labour markets for construction are still tight with 25,000 job vacancies. This is nearly double pre-pandemic levels.

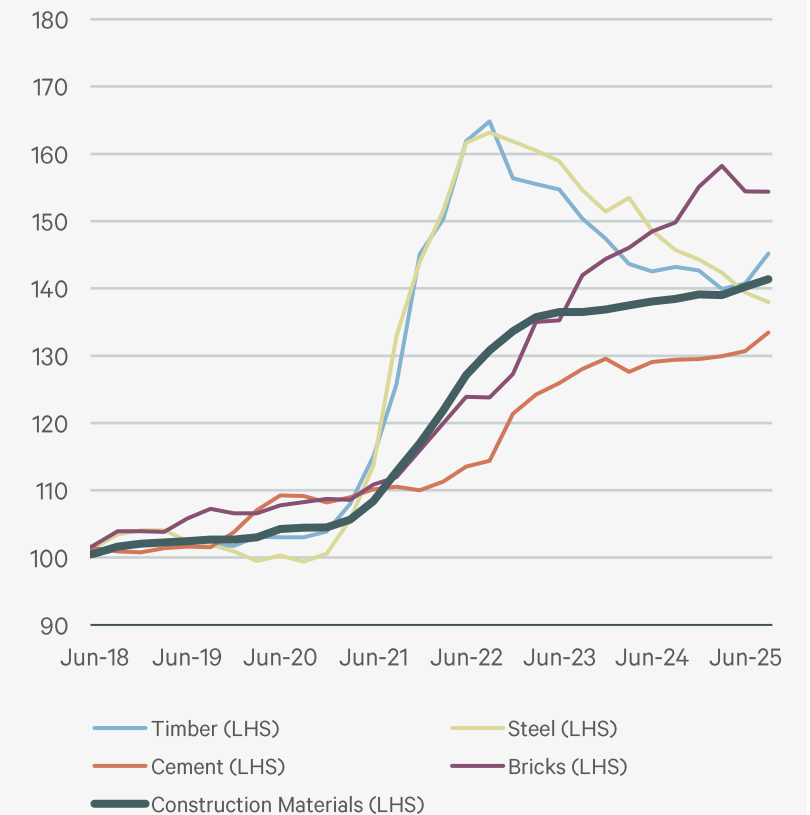
Higher insolvencies are also likely to see construction firms take a more prudent approach to bidding activity and margins.

Figure 8: Construction cost outlook (2000 = 100)



Source: ABS, CBRE Research, Turner & Townsend

Figure 9: Elevated raw material prices (2018 = 100)



Infrastructure wave

Australia’s infrastructure spend (national and state) is ~\$100 billion per annum and has more than doubled over the past decade.

Airport, rail and road transport sectors account for the majority of recent large investments. Initiatives including Melbourne’s West Gate Tunnel, Adelaide’s North-South Connector, Coomera Connector and Western Sydney Airport improve **Logistics** efficiency.

Sydney Metro, Melbourne Metro, Brisbane Cross-River Rail, Perth METRONET and Canberra Light Rail provide new opportunities for high-density **Residential** and faster commutes for CBD and fringe **Office** workers.

AUKUS defence infrastructure spend in Adelaide and Perth is underway and likely to benefit Industrial and Apartment sectors, in particular. Olympics related spend should boost Brisbane **Hospitality, Logistics** and **Residential** sectors.

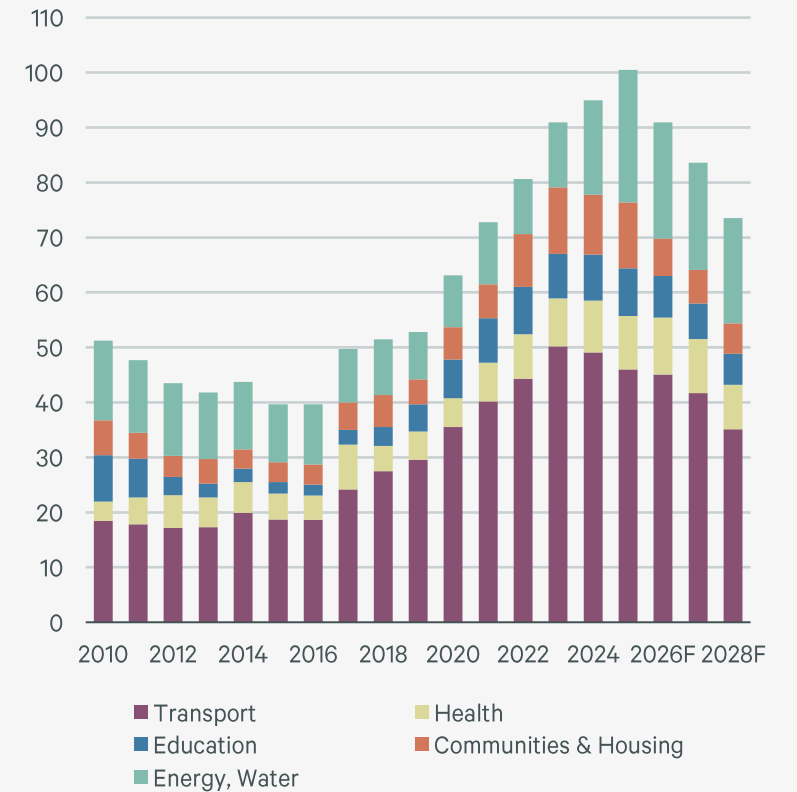
Western Sydney Airport



West Gate Tunnel



Figure 10: Infrastructure spend \$bn



Source: CBRE Research

New Metro network precincts

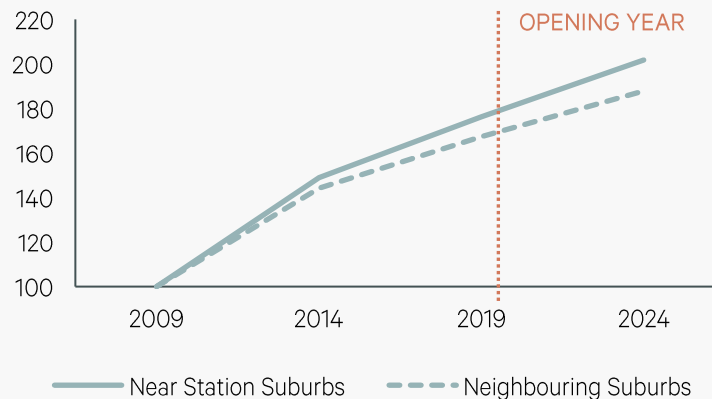


Northwest Line Tallawong to Chatswood



10-year growth to 2019

Compared to **67%** in suburbs further out.



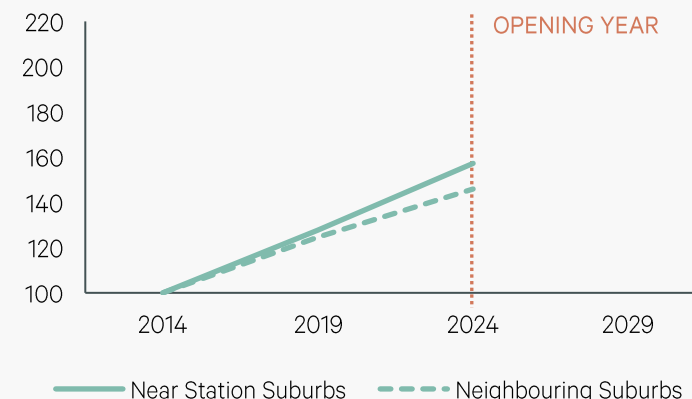
Source: Cotality, CBRE Research

City and Southwest Line Crows Nest to Sydenham



10-year growth to 2024

Compared to **46%** in suburbs further out.



Rate of impact on Australian real estate

E-COMMERCE

Logistics:

- ✓ Online retailers
- ✓ Faster delivery time

Retail:

- ✗ Omnichannel

GLP

Healthcare:

- ✓ Improved outcomes

Retail:

- ✓ Apparel, Athleisure
- ✓ Restaurants

Senior Housing:

- ✗ Longer tenure
- ✓ More active (amenity)

ROBOTICS

Industrial:

- ✗ Manufacturing & packing automation

Healthcare:

- ✓ Precision surgery & care

Retail:

- ✓ Food preparation

Residential:

- ✓ Jobs evolution

ARTIFICIAL INTELLIGENCE

Invest, Develop, Manage:

- ✓ Analysis, pitchbook
- ✓ Estimation
- ✓ Tenancy Management, Maintenance

Office:

- ✓ Premiumisation (F2Q)
- ✓ Flex
- ✗ Processing centres

Datacentre, Renewables:

- ✓ 2x by 2030

Residential:

- ✓ Jobs evolution

Retail:

- ✓ Recommendation
- ✓ Inventory management

Industrial:

- ✗ Inventory optimisation

Private credit:

- ✓ DC development
- ✓ Credit analytics

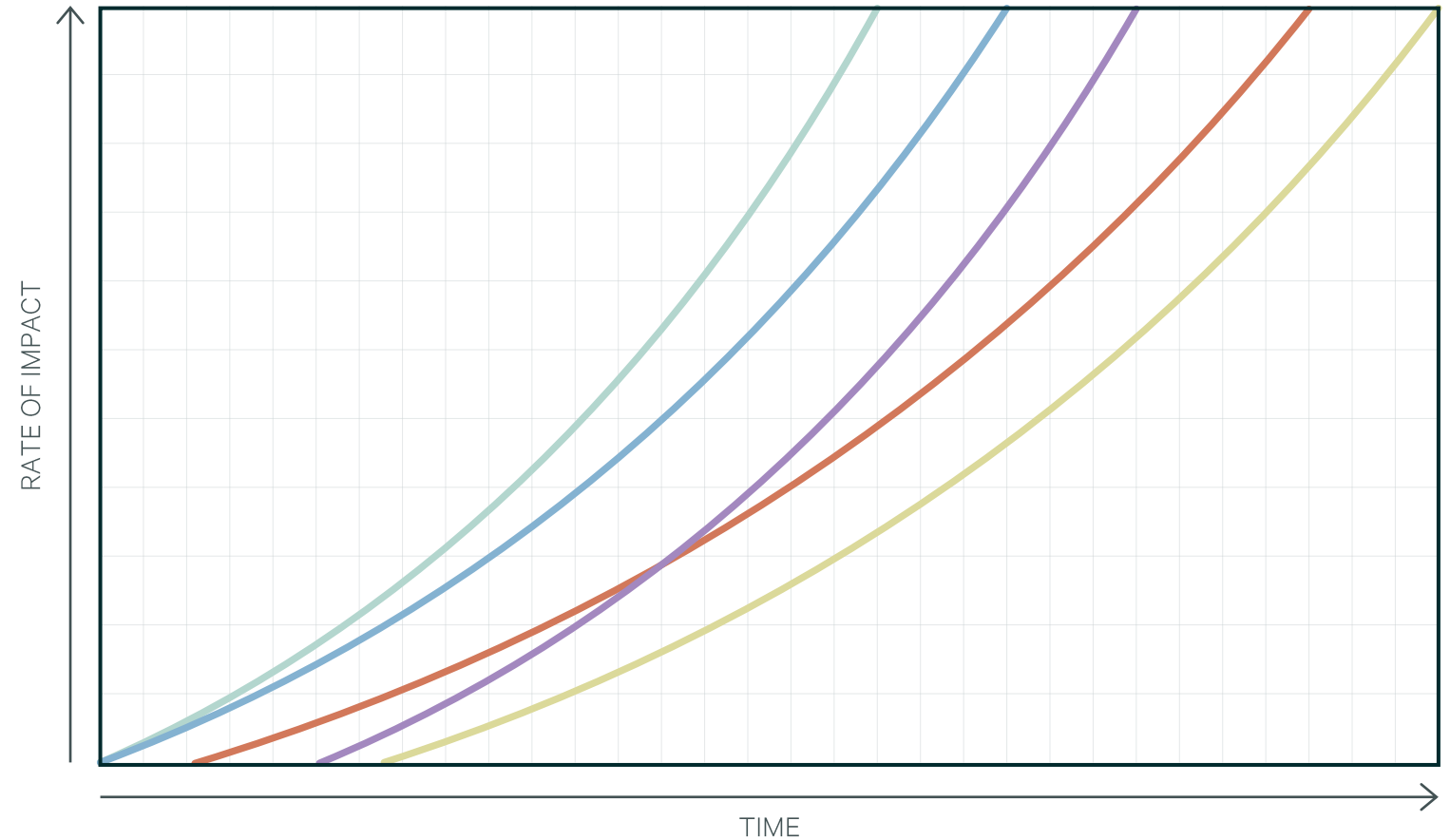
AUTONOMOUS DRIVING

Office, Carparks:

- ✓ Increased office visitation
- ✗ Drop-off zone

Car dealerships:

- ✗ Ride sharing



Evolving workforce

What impact will new emerging technologies have on jobs and demand for real estate?

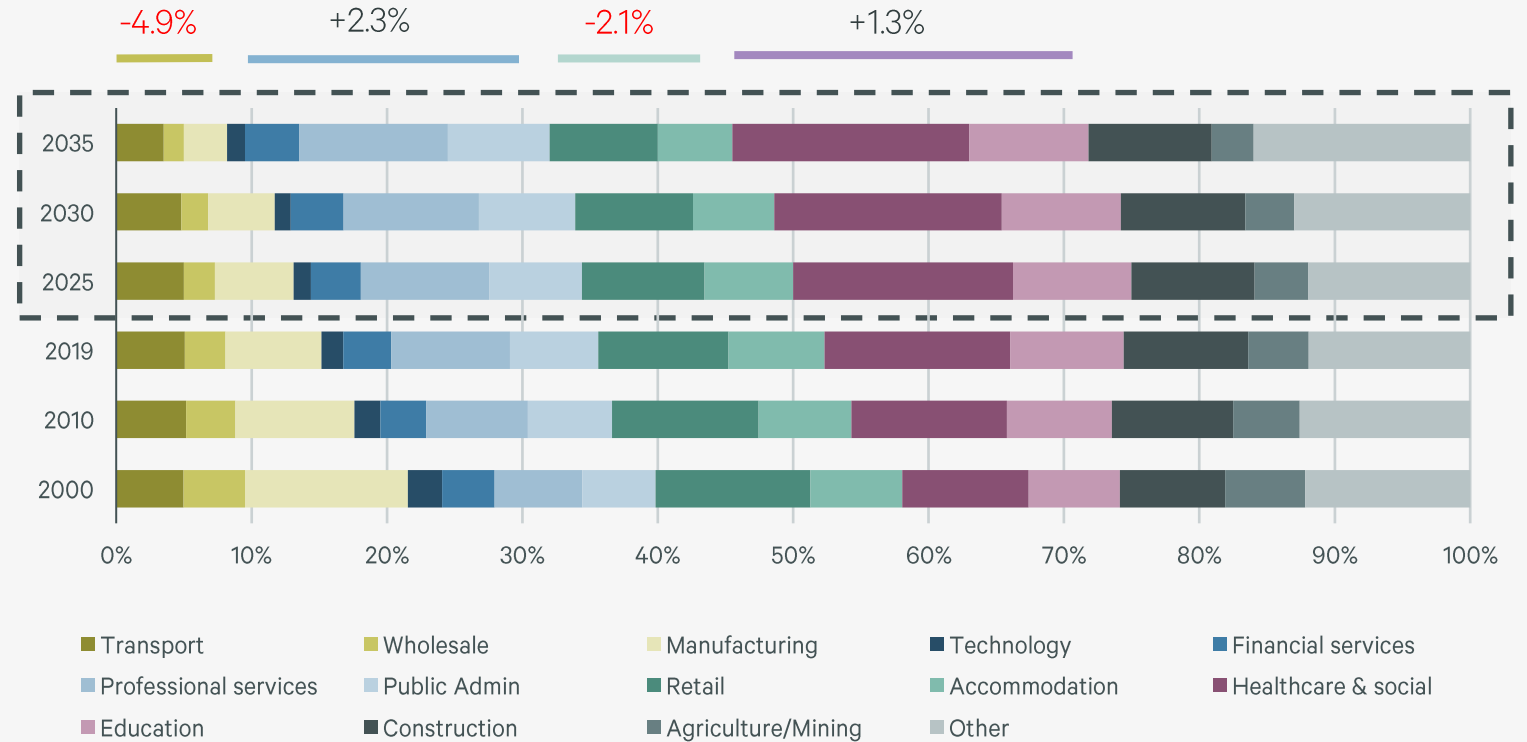
Care economy (purple colour bars) and white-collar roles (blue colour bars) have grown significantly over the past 25 years. We expect another 2.3% share gain in office facing roles and +1.3% share gain in aged/health/education.

In the coming decade, our forecast is for Professional Services, Financial Services, Tech and Public admin to add 980,000 roles. This is supportive for office take-up.

The impact of robotics and self-driving are likely to see enhanced productivity (fewer roles) in Transport and Retail. We expect a bigger step-down in roles during 2030-2035.

We currently assume 1 million jobs growth in "other sectors". Without that, unemployment could be in the high single digits.

Figure 11: Jobs mix over time



Source: ABS, Trading economics, CBRE Research

03

Investment Outlook

We forecast ~5% to 10% growth in investment volumes in 2026. Investors have indicated net buying intention and assets such as office are trading at 20% to 30% below replacement value. The yield tightening cycle commenced in Sydney during 2025. The majority of lenders that we surveyed have also indicated a willingness to grow their commercial real estate exposures.

Key takeaways

5-10%

Transaction value growth in 2026.

20-40bps

Cap rates tightening to 2028 as bond yields compress.

01 VOLUMES

We see investment volumes continuing to recover through 2026. Our forecasts are for 5.0% to 10% growth in 2026, led by Office at +25% and 10% each for Industrial and Hotels. After a very strong 2025, Retail investment sales could flatten or decline.

02 TOTAL RETURNS

We forecast +10% total returns per annum for nearly half of the prime investment universe across the four major asset classes.

For shopping centres, income growth is likely to be the primary driver of returns. This contrasts with capital growth as primary driver for apartments.

03 DEBT MARKET

Lenders prefer the Industrial and Residential sectors but are mindful of challenges posed by elevated construction costs. Credit margins are likely to remain stable at compressed levels.

04 PRICING

CBRE estimate prime Office yields will tighten by 40 bps over the next three years to 2028 led by Sydney and Brisbane. Logistics super prime yields will tighten another 20 bps, national shopping centre yields by 35 bps and large format retail by 30 bps to 2028.

05 BELOW REPLACEMENT COST

Transaction evidence suggests pricing in 2025 was 30% below replacement costs. This should provide buyers with confidence and encourage buy over build strategy.

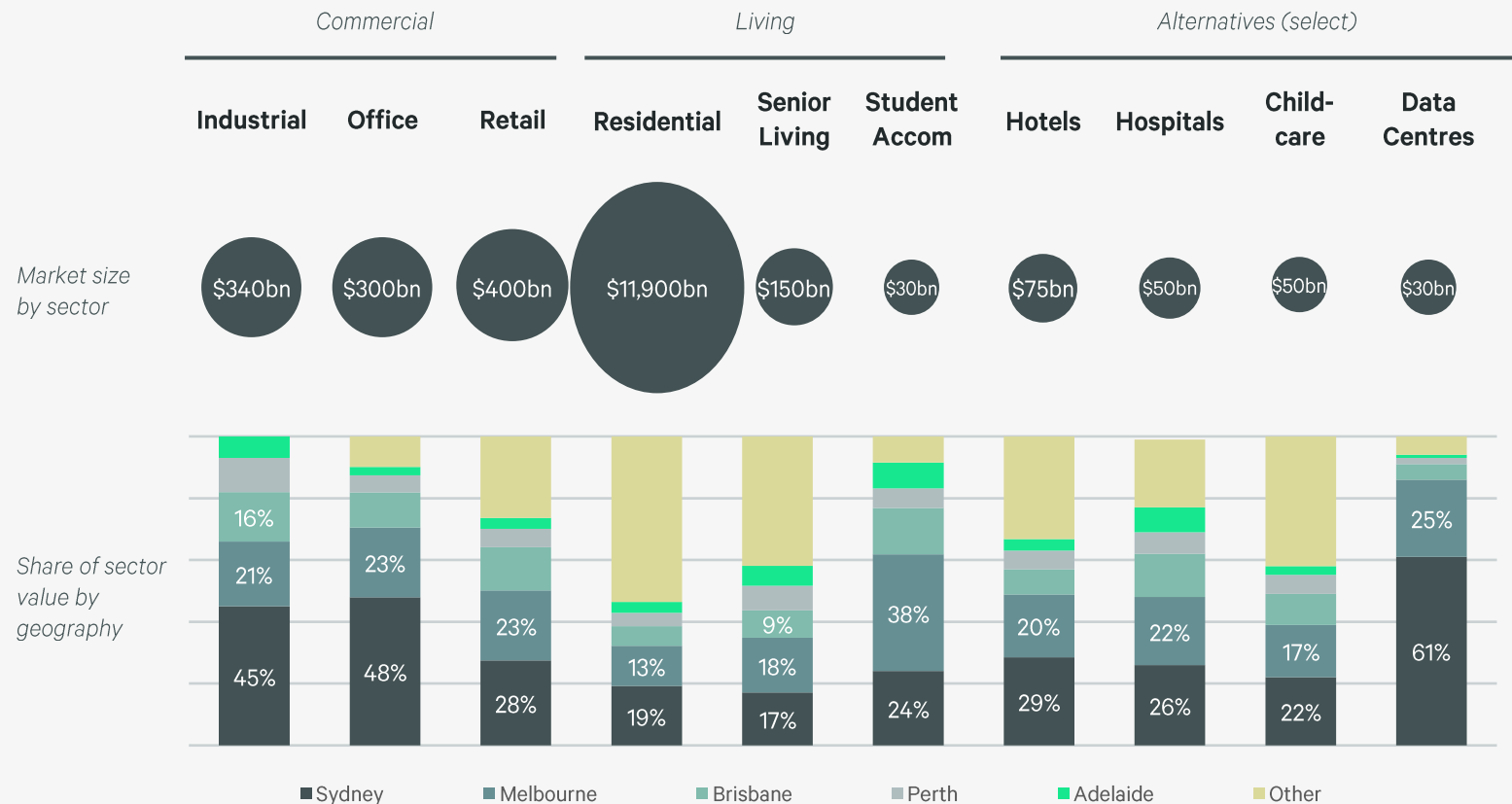
Market size

CBRE estimates that the institutional real estate assets in Australia are worth \$1,400 billion. The value of the traditional commercial real estate sectors is ~\$1,000 billion, the Living sector (instructional and privately owned) is ~\$12,100 billion and Alternatives (incl Hotels) is slightly over \$200 billion.

While sector choice matters, location can be even more important as a driver of real estate performance. In Industrial, Office and Data Centres, Sydney accounts for an out-sized share of value - nearly half. This is partly because of higher capital values per stock in Sydney. In Student Accommodation, Melbourne is a larger and deeper market.

The Other segment captures markets including Canberra, Darwin, Geelong, Gold Coast, Hobart, Newcastle and others. As such, the Other segment has more prominent share of value in Residential, Senior Living, Hotels and Retail sectors.

Figure 12: Real estate market size by sector and geography



Source: CBRE Research

Investment volumes

We see investment volumes continuing to recover through 2026. Our forecasts are for 5.0% to 10% growth in 2026 to c\$33 billion and +10% to c\$37 billion in 2027. This is similar to levels last seen in 2015 to 2019, which we would view as “normalised years”.

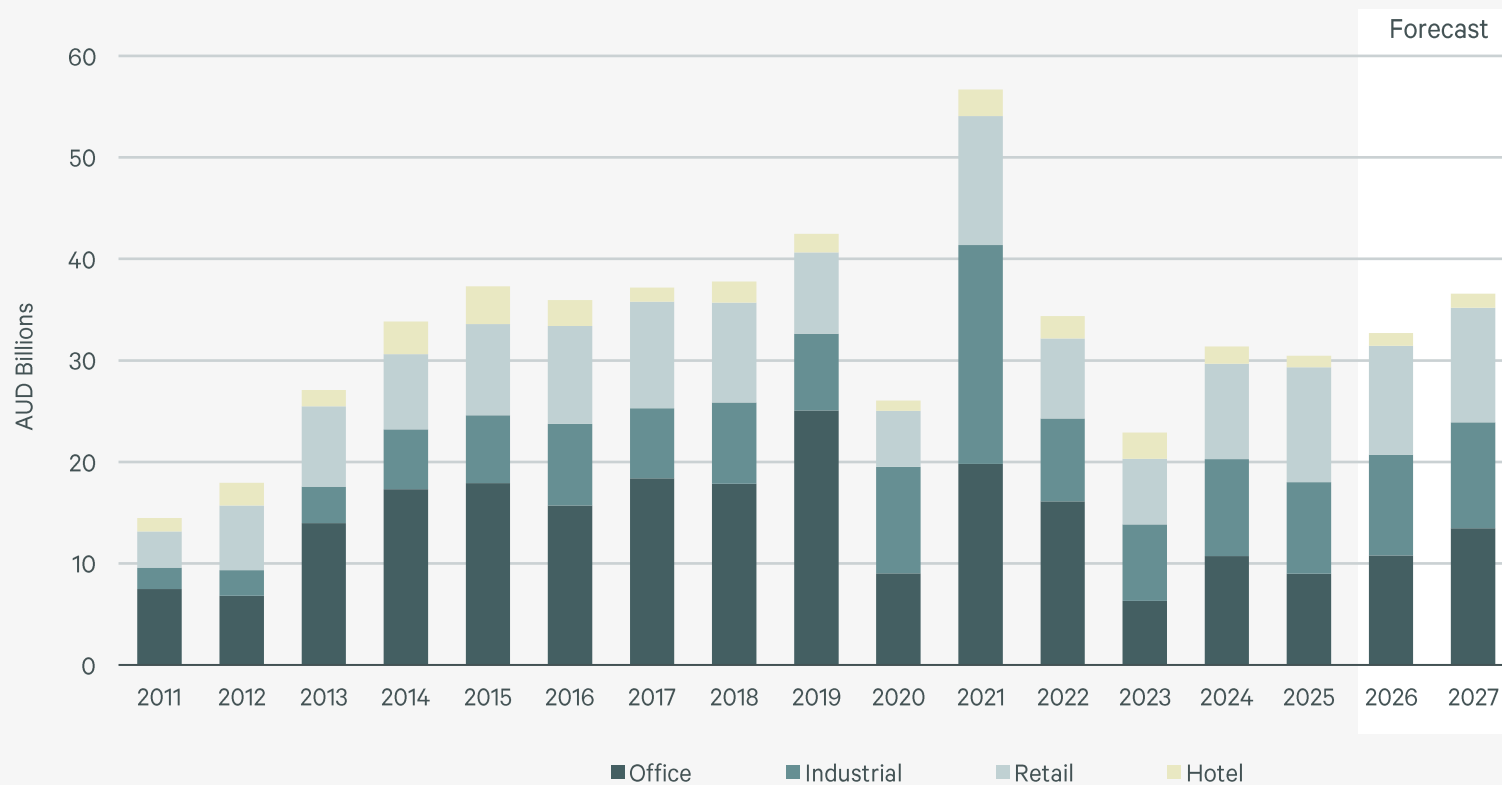
More transaction evidence and stable (elevated) bond yields will continue to support rising transaction activity.

For 2026, we forecast +20% volume growth in Office, 10% each for Industrial and Hotels and potentially -5.0% for Retail (off a high base).

Sustained growth will need a pick-up in transactions outside Sydney.

Re-capitalisation and fine-tuning of portfolio allocations are likely to be key themes in 2026. There is also scope for increase in ticket size.

Figure 13: Commercial real estate transaction values



Source: CBRE Research

Total return forecast

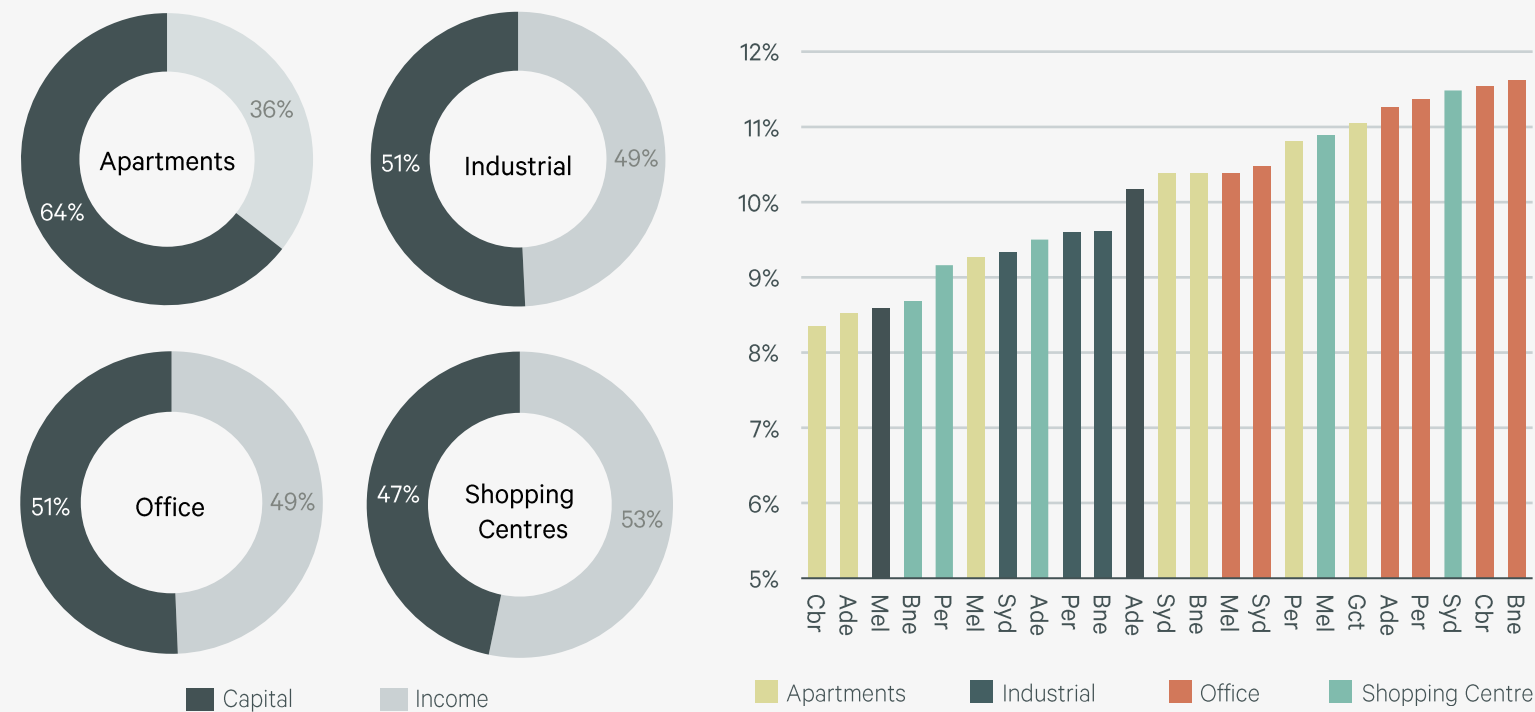
We forecast +10% total returns per annum for nearly half of the prime investment universe across the four major asset classes.

For Shopping Centres, income growth is likely to be the primary driver of returns. This contrasts with capital growth as primary driver for Apartments.

In our assessment, the basket of assets likely to drive the highest total returns over the next three years includes:

- Office in Brisbane and Canberra
- Industrial in Adelaide and Brisbane
- Shopping centres in Sydney and Melbourne
- Apartments in Gold Coast and Perth

Figure 14: Forecast annual returns (2025-28), by sector, type and city



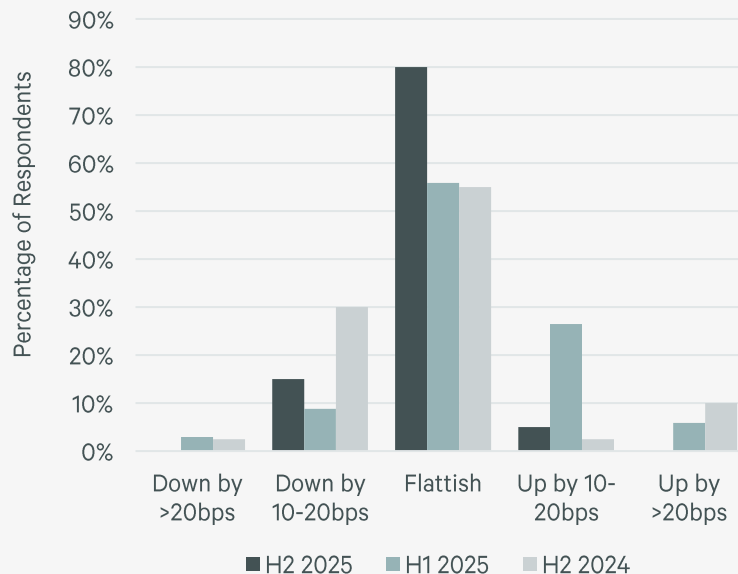
Source: CBRE Research

Credit margins

CBRE H2 2025 Australian Lender Sentiment Survey found:

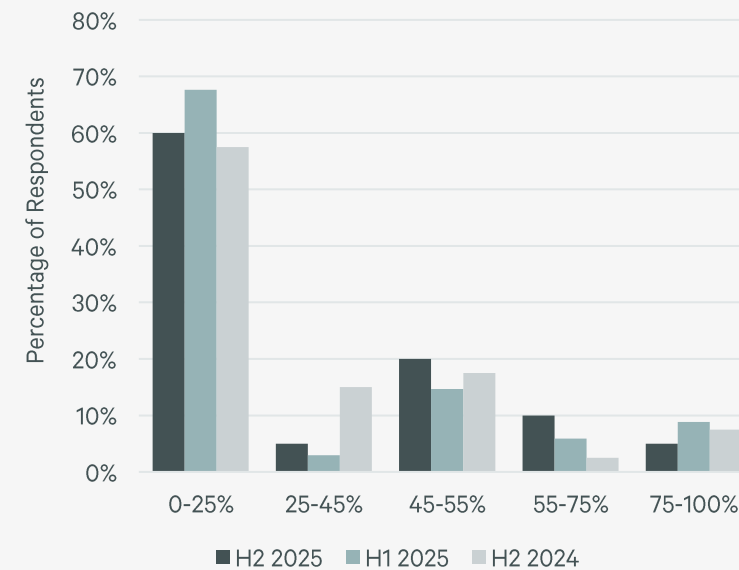
- Credit margins are expected to stabilise over the coming months.
- Majority of non-banks require interest rate hedging of 0% to 25% of loan value.
- Loan appetite remains positive for lenders, with 50% having a desire to grow their book over the next three-months.

Figure 15: Expectations for credit margin movements over next 3-months on new loans



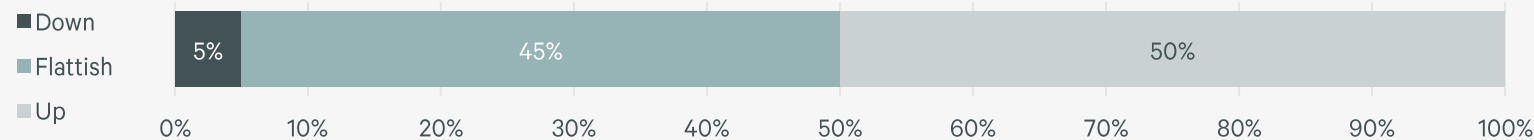
Source: CBRE Research

Figure 16: Current lender interest rate hedging requirements by survey period



Source: CBRE Research

Figure 17: New loan appetite expectations over the next 3-months



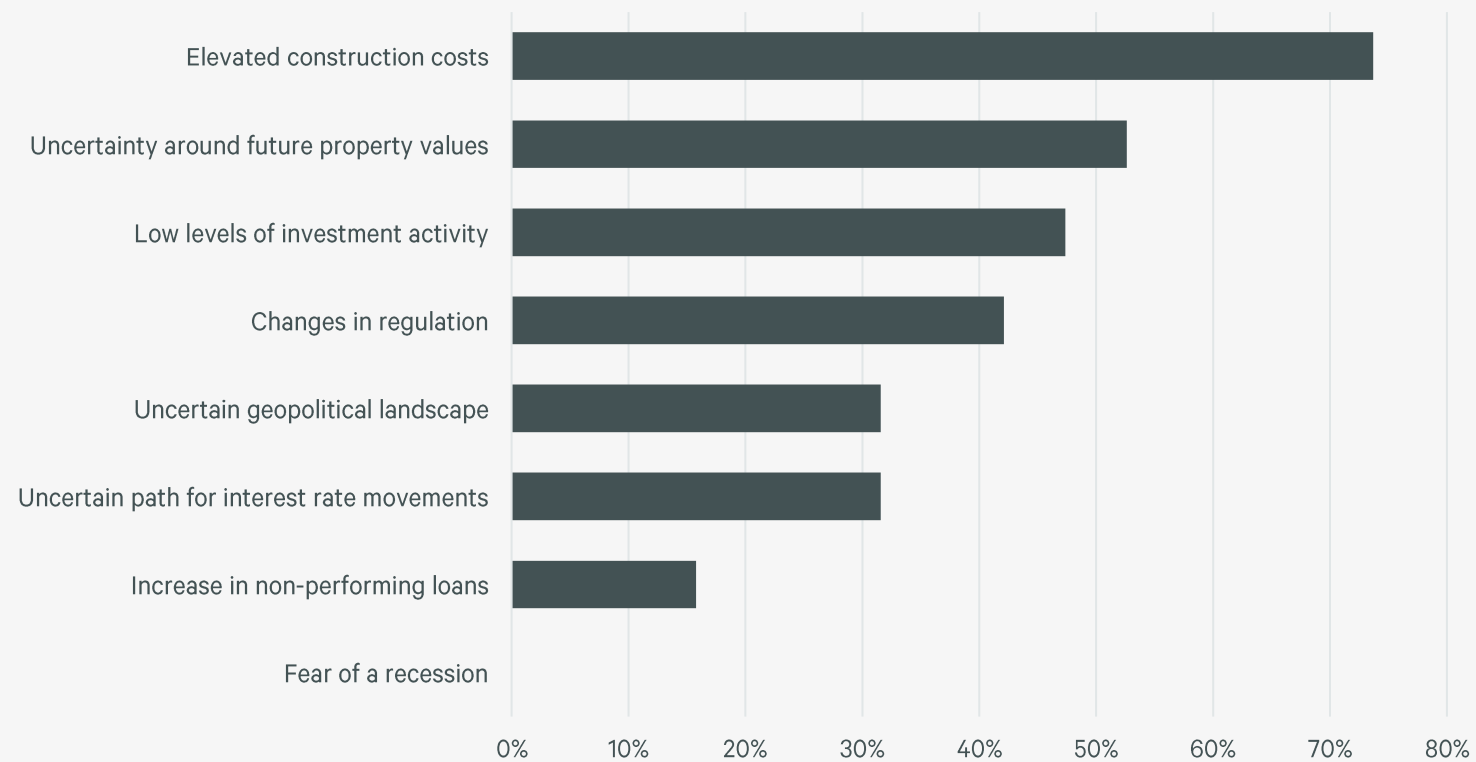
Source: CBRE Research

Lender concerns

Australian lenders have noted elevated construction costs as the single most important challenge facing the lending environment in 2026.



Figure 18: Major challenges facing Australia's lending environment in 2026 (top three responses)



Source: CBRE Research

Pricing

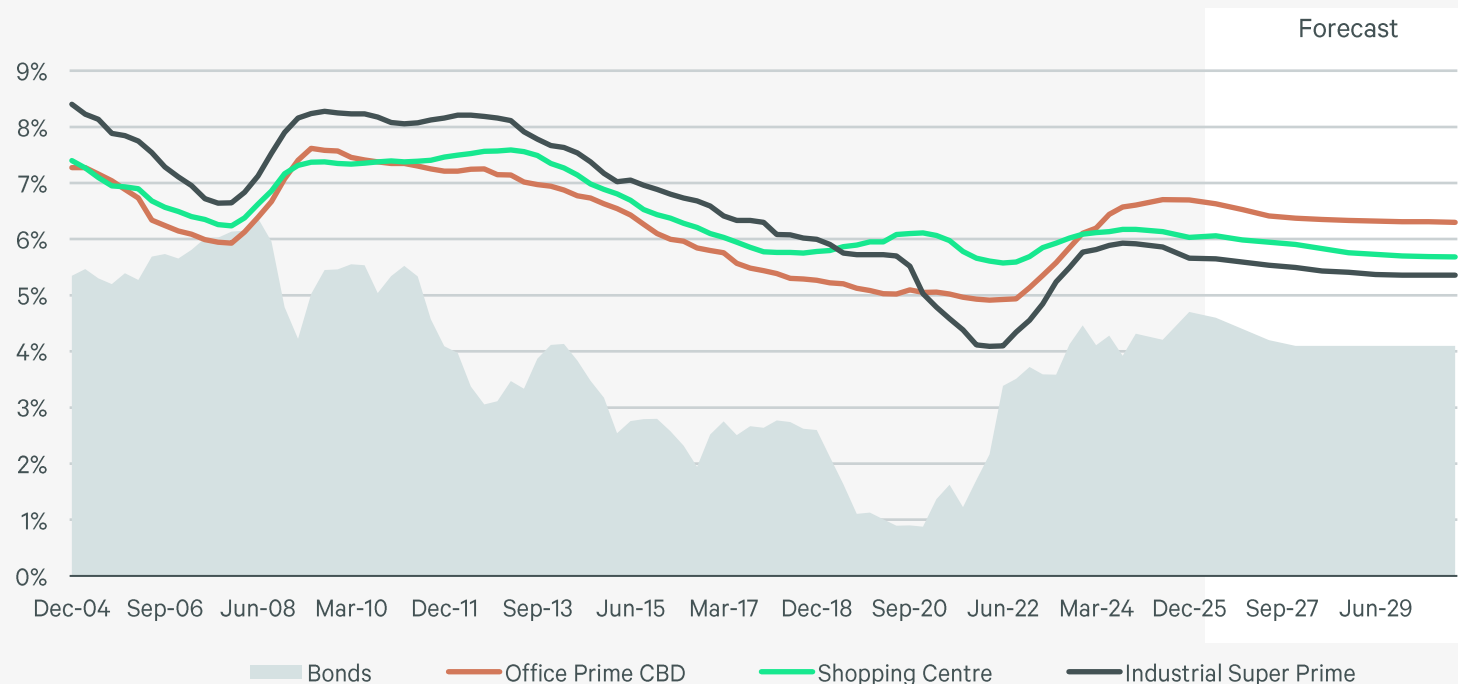
CBRE estimate prime CBD office yields will tighten by about 40 bps from now until end 2028.

- Sydney and Brisbane are expected to see moderate tightening in 2026 supported by investor demand for markets with clear evidence of NER growth and falling vacancies.
- Melbourne yield tightening is expected from 2027 and see yields tighter than Brisbane at the end of the decade.
- Perth, Adelaide and Canberra to tighten slightly from 2027.
- Auckland and Christchurch will lead the way in New Zealand.

Logistics Super Prime yields will tighten by about 20 bps from now until the end of 2028, in our view. Overall, city-level outcomes point to a slower and shallower re-tightening cycle, with yield differentiation increasingly driven by structural factors rather than uniform national compression. In Australia, our forecasted industrial yields by city rank: Sydney (tightest), Brisbane, Adelaide, Perth and Melbourne. In Auckland, CBRE has already observed yield tightening for assets below \$20 million, within the reach of private investors.


We expect shopping centre yields will tighten by around 35 bps over next three years to 2028: 50 bps for Regional and 25bps for each of Sub-Regional and Neighbourhood. We also forecast prime large format retail yields will tighten by 30 bps over 2025-28. New Zealand retail centre yields are notably high relative to interest rates and offer some of the largest yield firming potential in the next two years.


Figure 19: Cap rates





Source: CBRE Research


Figure 20: Indicative cap rates for Prime assets in select locations


 Industrial - Super Prime			
	2024	2025	2026 outlook
Sydney	5.46%	5.17%	-5bps
Melbourne	5.89%	5.89%	Flat
Brisbane	5.85%	5.52%	-5bps
Auckland	5.62%	5.51%	-15bps
Perth	6.25%	5.88%	-10bps
Adelaide	6.20%	5.85%	-15bps
Wellington	6.50%	6.50%	-10 bps
Christchurch	6.17%	5.97%	-10 bps

 Office - CBD Prime			
	2024	2025	2026 outlook
Sydney Core	5.87%	5.75%	-10bps
Melbourne	6.90%	7.07%	Flat
Brisbane	7.06%	7.04%	-15bps
Auckland	6.93%	6.84%	-15bps
Perth	7.40%	7.72%	Flat
Adelaide	7.70%	7.75%	Flat
Canberra	7.20%	7.65%	Flat
Wellington	7.02%	7.02%	Flat
Christchurch	6.65%	6.65%	-10 bps

 Retail Shopping Centres			
	2024	2025	2026 outlook
Sydney	5.76%	5.55%	-10bps
Melbourne	6.01%	5.90%	-15bps
Brisbane	5.98%	5.88%	-5bps
Auckland	7.12%	6.72%	-20 bps

 Hotels			
	2024	2025	2026 outlook
Sydney	5.50%	5.50%	-25bps
Melbourne	5.75%	5.50%	Flat
Brisbane	6.25%	6.00%	Flat

 Residential Build-to-Rent			
	2024	2025	2026 outlook
Sydney	4.15-4.35%	4.15-4.35%	-10bps
Melbourne	4.25-4.50%	4.25-4.50%	Flat
Brisbane	4.25-4.50%	4.25-4.50%	Flat

 Student Accommodation			
	2024	2025	2026 outlook
Sydney	5.00%	4.75-5.0%	Flat
Melbourne	5.25%	5.0-5.2%	Flat
Brisbane	5.65%	5.25-5.75%	Flat

Source: CBRE Research

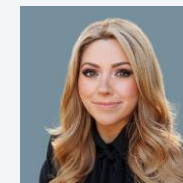
04

Industrial & Logistics

Demand for modern, well-located industrial assets is expected to strengthen through 2026 as incentives reach their cyclical peak, prompting occupiers to bring forward leasing decisions and secure favourable terms. Rental growth will moderate across most markets, though structurally low vacancy in core infill locations will continue to preserve landlord pricing power. Outer precincts offering higher availability and competitive deal structures will drive an uplift in leasing activity as occupiers capitalise on current conditions ahead of an anticipated tightening in 2027.

Key takeaways

“ We expect to see a decline in super prime availability alongside a lift in vacancy within prime and secondary assets. This reflects the superior height clearance and efficiency of super prime facilities, which enable higher pallet density and better utilisation compared with older stock. These efficiencies are increasingly critical for logistics operators - Australia’s largest industrial occupier segment - supporting sustained demand for modern super prime space.



Sass Jalili

Head of Industrial & Logistics and Data Centre Research Australia and Director of NSW Research

01 DEMAND

Gross take-up in 2025 increased 10% year-on-year. Demand for high-quality assets in core locations is expected to remain resilient, with occupiers well-positioned to leverage elevated incentive levels and negotiate more favourable lease terms. This environment is likely to continue supporting leasing activity through the year.

02 SUPPLY

The supply outlook remains structurally constrained, with limited developable land, elevated construction hurdles and rising delivery risk restricting the effective future pipeline. Although forecast supply remains above long-run averages, around ~10% is unlikely to proceed and a further ~35% remains contingent on pre-commitment, ensuring ongoing tight market conditions and sustained rental growth.

03 VACANCY

National industrial vacancy is expected to peak in 2H26 but remain below the long-term equilibrium threshold of 4.0%, reinforcing a structurally tight leasing environment. As vacancy shifts toward prime and secondary stock, demand for modern super-prime facilities is set to remain resilient, supporting rental growth and limiting downside risk across core markets.

04 RENT GROWTH

Effective rents are expected to turn positive in 2026 as incentives peak early in the year and begin to stabilise - and in some markets compress - with stronger growth anticipated in 2027 as incentives unwind more meaningfully. At the same time, occupier preference for modern, high-specification assets will continue to widen the rental gap between super prime and prime/secondary stock, reinforcing pricing power at the top end of the market.

05 DATA CENTRES

Rising hyperscale and AI-driven data centre investment is materially intensifying competition for industrial land, reinforcing scarcity across core markets. This structural shift is tightening land supply, elevating pricing pressure and strengthening the long-term investment case for well-located, serviced industrial sites.

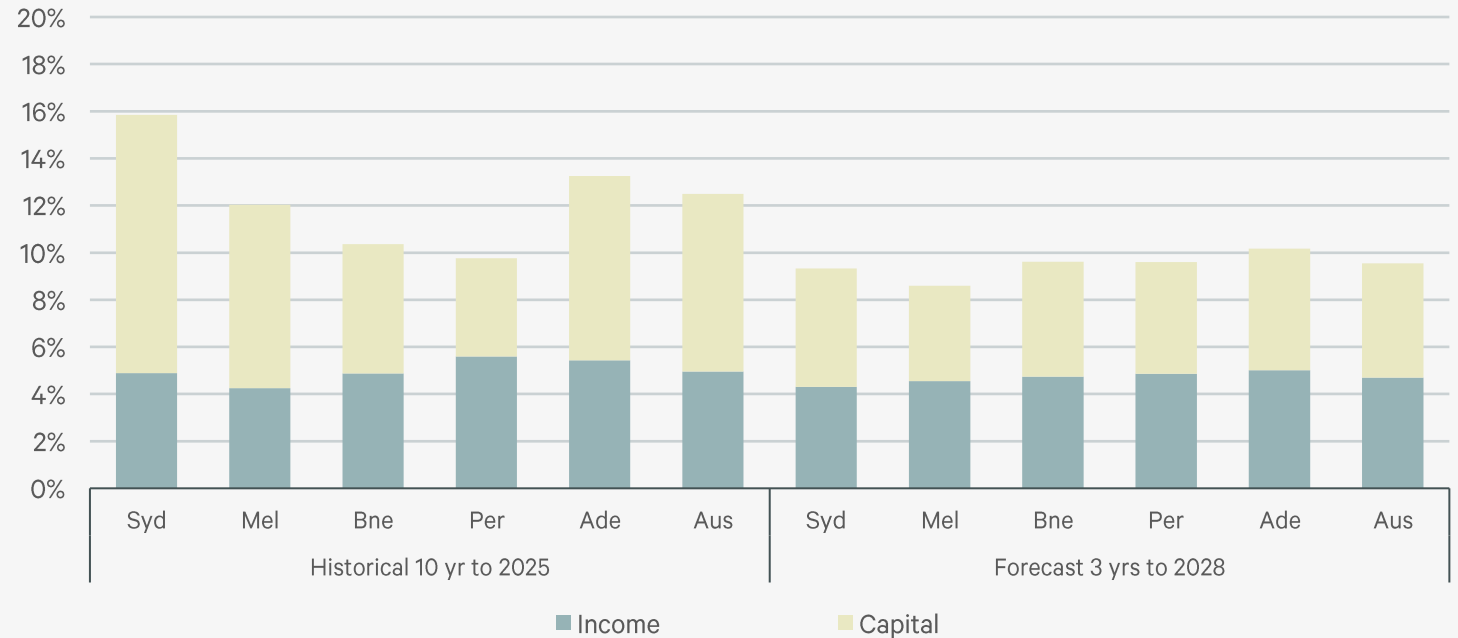
Total returns

Historically, Sydney and Adelaide have outperformed peer markets over the past decade. Sydney saw capital values grow at a remarkable +11% per annum, underpinned by cap rate compression and +8.0% per annum net effective rent (NER) growth.

Looking ahead to 2028, total returns are expected to normalise following a period of strong performance, as further cap rate compression becomes more limited and rental growth moderates in the near term. Cap rates have already compressed by approximately 30bps in 2025 across Sydney, Brisbane, Perth and Adelaide.

Within this environment, Adelaide and Brisbane are expected to modestly outperform peer markets.

Figure 21: Total return historical and forecasts for super prime Industrial, by city



Source: CBRE Research

The next phase of e-commerce: Q-Commerce

Online sales in Australia continues its structural upward trend and now accounts for close to 15% of total retail spend. While Australia remains below global benchmarks, this gap underscores the long-term expansion runway for digital retail. However, the next phase of growth is no longer driven by penetration alone. It is increasingly shaped by how consumers shop - with speed, convenience and immediacy now becoming critical differentiators.

Australia is now entering the early stages of Quick Commerce (Q-Commerce) - an evolution of e-commerce defined by ultra-fast delivery, typically within 10–30 minutes, enabled through dense networks of micro-fulfilment centres, dark stores and last-mile facilities embedded within metropolitan areas.

While Q-Commerce remains selective today - concentrated in inner-metro Sydney and Melbourne and focused on grocery, convenience, pharmacy and food - international experience strongly suggests Australia is approaching an acceleration phase.

15%

Australia

11%

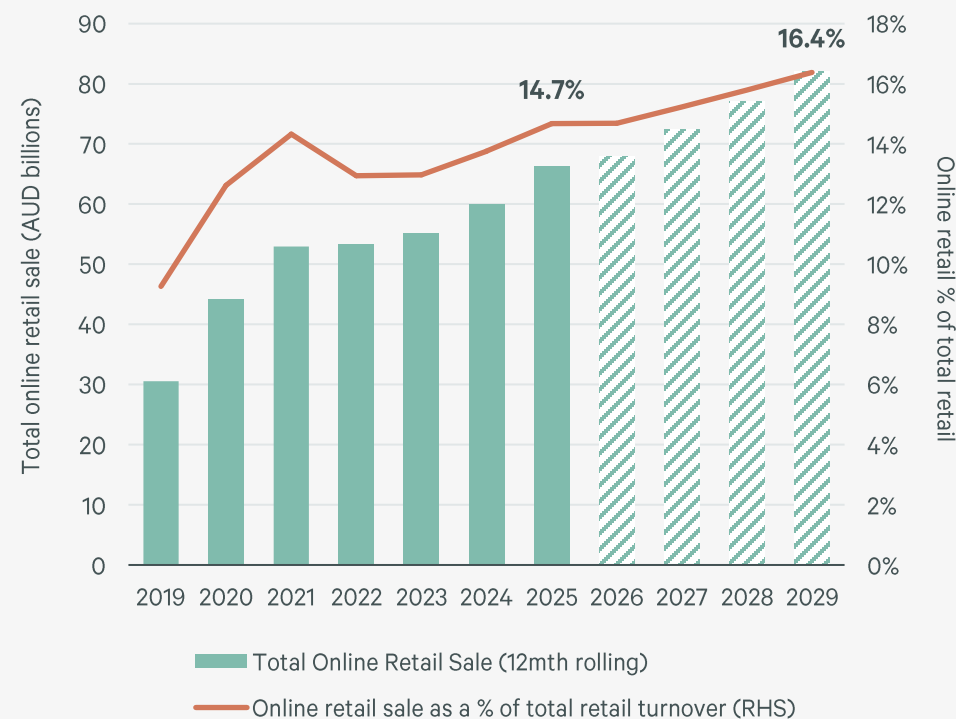
New Zealand

More households are shopping online and more frequently



Source: Australia Post, CBRE Research.

Figure 22: Australia e-commerce trend and trajectory



To note: Online retail spend in 2025 reflects 12 months to September 2025.

Source: ABS, NAB, CBRE Research.

Constraints to the development pipeline remains a key issue

Despite an extended period of elevated development activity, Australia’s industrial market continues to experience a chronic supply shortage - underscoring the depth of underlying occupier demand and the structural limitations of developable land.

New supply has consistently exceeded long-run norms, with total development completions above the 10-year annual average (~2 million sqm) for three consecutive years. Yet even this elevated delivery profile has proven insufficient to materially lift vacancy.

Vacancy remains structurally low, highlighting that recent supply volumes have not been enough to shift the needle on overall market tightness.

The forward pipeline remains relatively elevated; however, delivery risk is increasing. Our analysis of the circa 7 million sqm forecast supply in the pipeline for delivery between 2026 and 2029 shows that approximately 10% is unlikely to proceed, while a further 35% will require a pre-commitment before construction can commence.

A combination of factors is making development more challenging, including construction costs, delays in

enabling infrastructure, financing constraints, pre-sale/pre-lease requirements, incentives, the approvals process, taxation, exit cap rates. These challenges are reflected in the sharp increase in economic rents since 2020 – industrial rents have risen 60% to 80%.

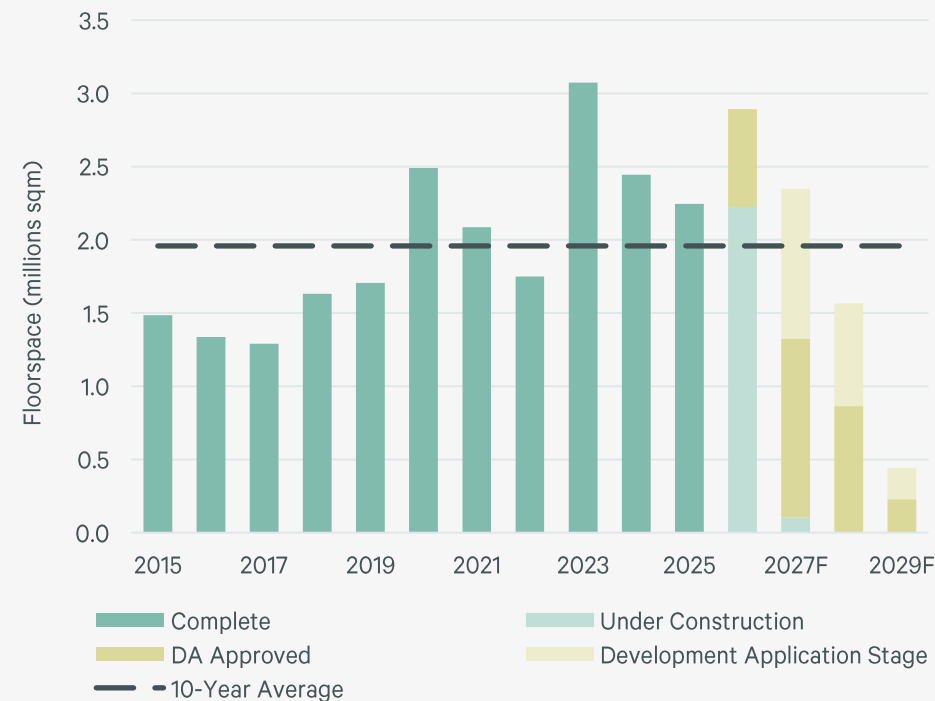
The national pre-commitment rate (as at 4Q24) for the 2026 pipeline currently stands at a healthy level of 45%.

Over the medium to long-term, Australia’s supply of serviced zoned industrial land will remain constrained, and this will continue to play a role in a limited development pipeline.

2.1 million sqm

Approximate new floorspace required per annum, based on the combined drivers of population, e-commerce and F&B sectors over the next four years in Australia.

Figure 23: National development supply pipeline



To note: reflects projects >5,000 sqm for Sydney and Melbourne, projects >4,000 sqm for Brisbane and Perth, projects >3,000 sqm for Adelaide.

Source: CBRE Research. As at Q4 2025.

The vacancy rate is expected to peak in 2H26

Australia’s average Industrial & Logistics vacancy rate continued its gradual upward trajectory through 2H25, reaching 3.2% nationally. While vacancy has risen, it remains below the 3.5% level we previously anticipated for this period, indicating a softer-than-expected increase in available space.

Vacancy is still expected to peak in 2H26; however, even at its highest point, the national vacancy rate will likely remain below the market’s ‘equilibrium’ threshold of 4.0%.

New Zealand industrial vacancy rates have also been increasing over the past two years, but are close to peaking as the 2026 supply pipeline has fallen significantly relative to recent years' and is more closely aligned to demand.

The risk of sublease space has now largely subsided and is no longer viewed as a material threat to future supply.

Transactional activity lifted incrementally in 2025 across most markets, although renewals continued to dominate, accounting for more than 85% of leasing activity in many locations. Where transactions have occurred, they have largely been driven by landlords prepared to offer more competitive commercial terms, including enhanced incentives, early access, and increased fit-out contributions. This dynamic is expected to persist into 2026 as owners increasingly acknowledge that depth of demand is more consistent with a ‘normalised’ market environment.

A new trend is emerging: a decline in super prime availability alongside a lift in vacancy within prime and secondary assets. This reflects the superior height clearance and efficiency of super prime facilities, which enable higher pallet density and better utilisation compared with older stock. These efficiencies are increasingly critical for logistics operators - Australia’s largest industrial occupier segment - supporting sustained demand for modern super prime space.

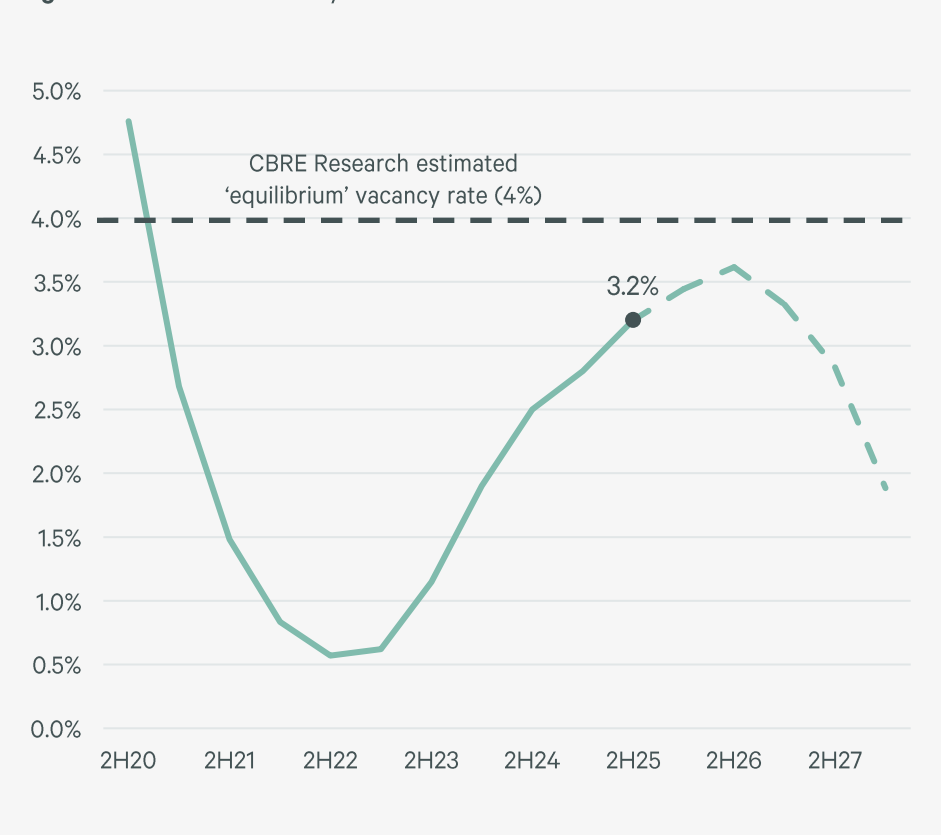
3.2%

Australia vacancy rate

2.0%

New Zealand vacancy rate

Figure 24: National Vacancy Trend and Forecast



Source: CBRE Research

Economic rents

Our team estimates logistics replacement values have increased by 60%-120%, varying by region, since pre-COVID levels, driven by soaring land prices, rising construction costs, stronger tenant incentives, tighter cap rates and infrastructure investments.

The chart underscores the tightening economics for developers, as rising costs compress margins, highlighting the importance of efficient development strategies to maintain profitability. These trends highlight the evolving dynamics of the industrial market and challenges faced by developers in balancing rising input costs with market demand.

Figure 25: Economic rents vs actual rents



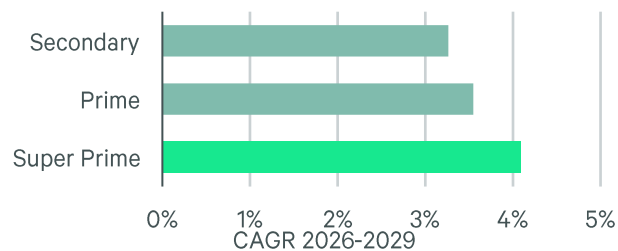
Source: CBRE Research

Rents between super prime, prime/secondary grade rents will widen

Effective rents are expected to turn positive in 2026, following a weak outcome in 2025 when effective rental growth was largely flat nationally and negative in both Sydney and Melbourne, with Brisbane the only major market to record positive effective rent growth. This inflection reflects the expectation that incentives will peak in early 2026 and begin to stabilise - and in some markets compress - toward the end of the year, allowing face rental growth to translate more directly into effective rental growth.

Momentum is expected to strengthen further in 2027, as incentive levels unwind more meaningfully across most markets, supporting a stronger effective rent growth trajectory.

Figure 29: National Net Effective Rent Growth



Note: Reflects supply-weighted average growth rates.
Source: CBRE Research. As at Q4 2025.

As occupiers continue to prioritise building efficiency and operational performance, the rental differential between super prime and prime/secondary assets is forecast to widen, reinforcing the pricing power of modern, high-specification stock.

Asset grade definitions (guide)

Super Prime

- < 6 years old
- Height clearance: ~13.7m – 14.6m
- Design-led facilities with ESFR sprinklers, dock-level & on-grade doors
- Excellent truck articulation and logistics efficiency

Prime

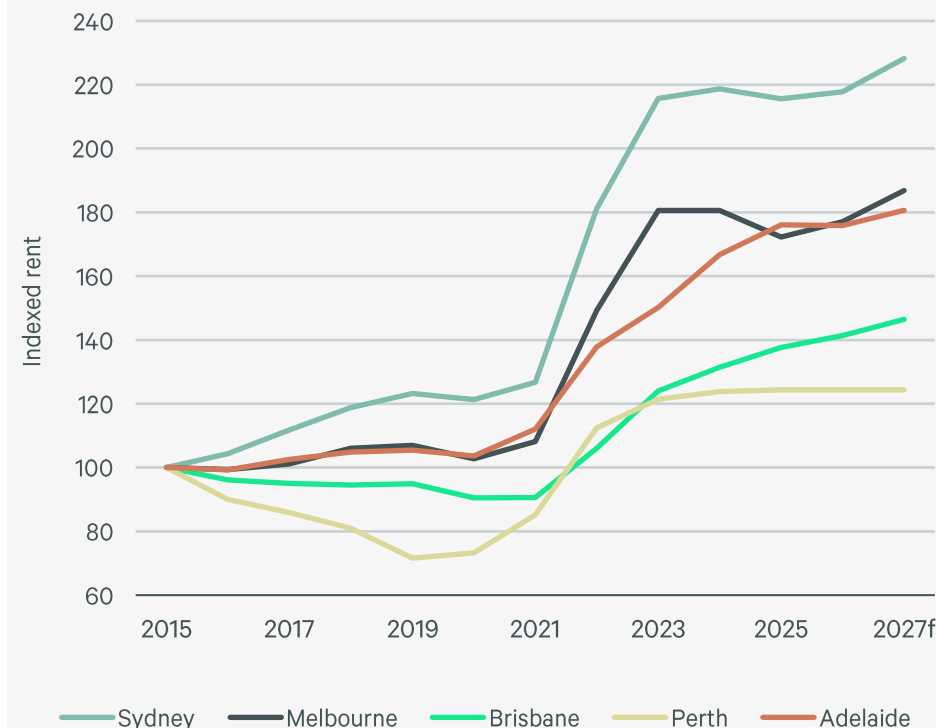
- 6–15 years old
- Height clearance: >10m up to 13.7m
- Modern, efficient logistics facilities

Secondary

- > 15 years old
- Height clearance: ~8m – 11m
- Older style but functional industrial accommodation

Source: CBRE Research

Figure 26: Net Effective Rents to lift in 2026



Note: Reflects super prime grade assets.
Source: CBRE Research. As at Q4 2025.

Data centres are Intensifying Competition for Industrial Land

Demand for industrial zoned land continues to accelerate, driven by transport & logistics, e-commerce and manufacturing - and now increasingly by hyperscale and AI-driven data centre development.

Australia's position as a global data centre investment destination, underpinned by power grid reliability, regulatory stability and sovereign data requirements, is reshaping land demand dynamics within core industrial markets.

Hyperscalers and cloud operators are pursuing larger, strategically located industrial landholdings to secure power, scale and network connectivity, placing upward pressure on land values and availability for traditional industrial users. Over the medium term, this structural shift is expected to tighten industrial land supply, elevate pricing competition and reinforce the scarcity premium of well-located, serviced industrial land.

Data from DC Byte shows there was about 1.3 GW of operational data centre capacity in Australia. Live capacity is forecasted to increase to around 1.8 GW within the next three years.

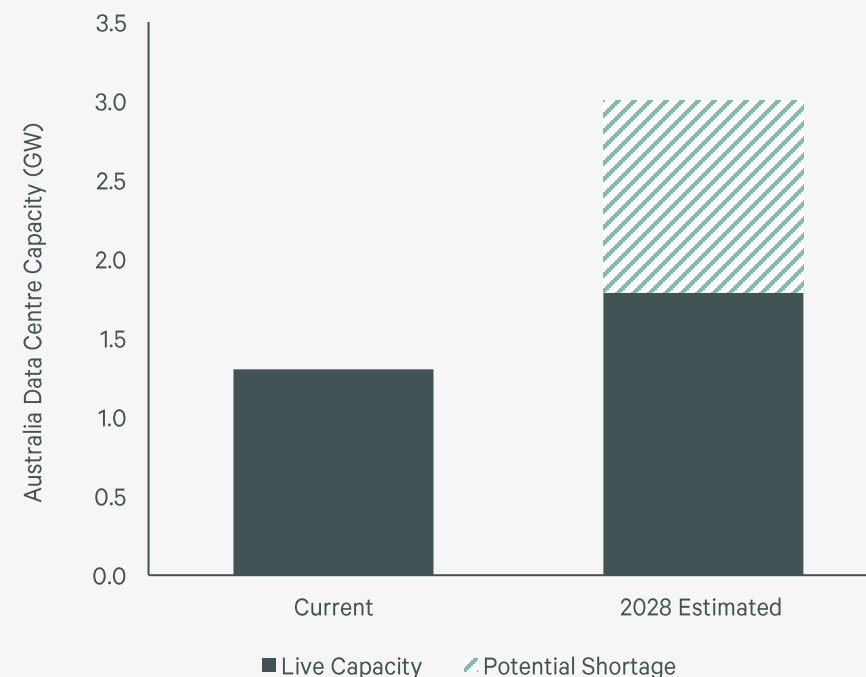
Based on CBRE's estimates for demand of 2.5GW to 3.5GW, Australia will see a supply shortage of around 0.7GW to 1.7GW by 2028.

- CBRE expects newer assets to see more expansionary demand, ensuring steady growth in prices.
- Regional vacancy will continue to trend down but competition for capacity will be more prominent in developed economies, such as Australia, where there is stronger demand from corporates seeking to upgrade from aged data centres.
- While Sydney has the larger supply pipeline, Melbourne is attracting growing interest due to relatively greater land supply, making it a rising hub for hyperscale and large-scale data centre projects.

20ha+

Hyperscale data centres now typically require industrial sites over 20 hectares to support power density, redundancy and long-term expansion.

Figure 27: Data centre pipeline unlikely to match growth in demand

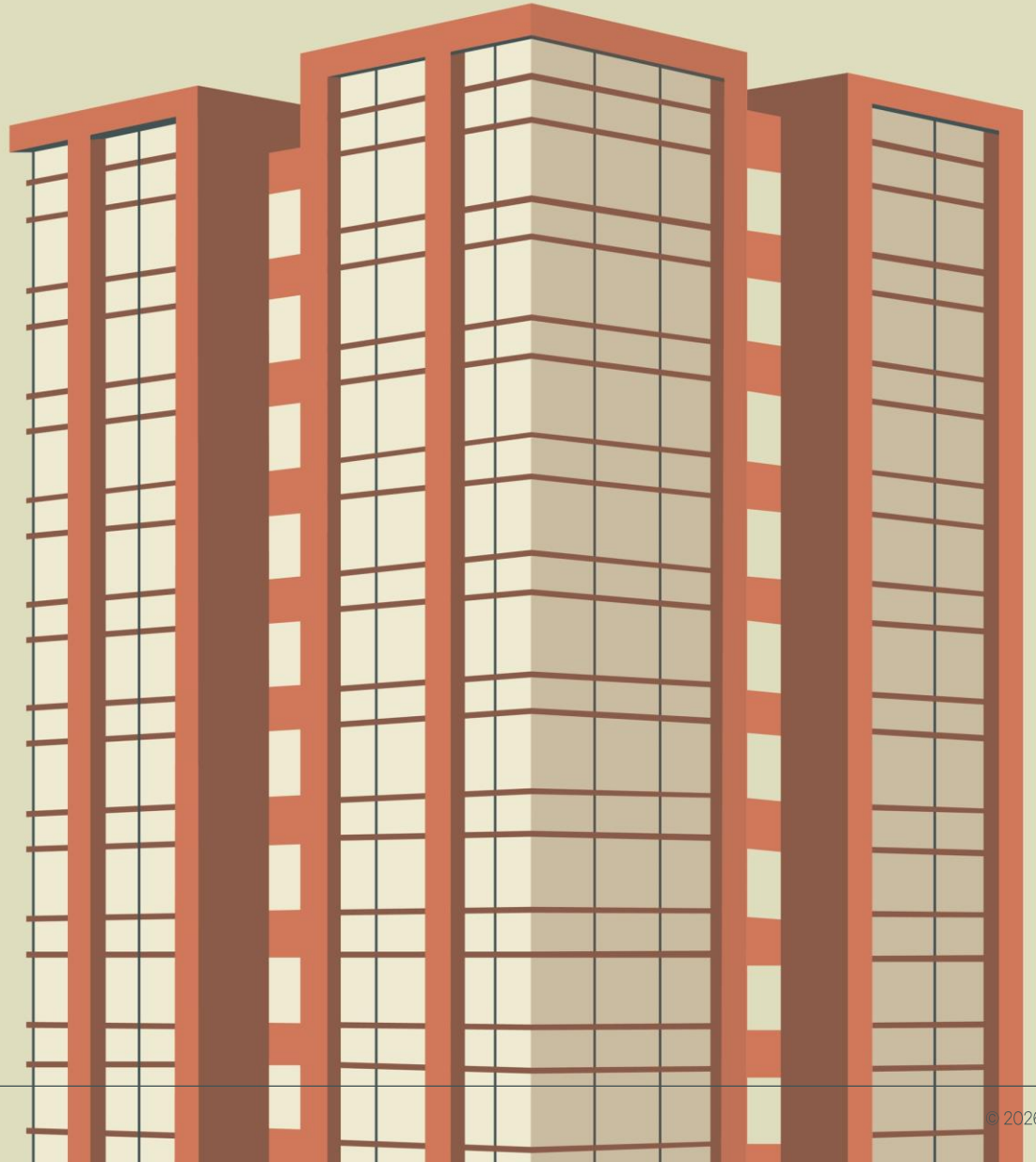


Note: All projects under construction were added, along with 50% of the 'committed' pipeline for forecast.
Source: DC Byte, CBRE Research

05

Office

Total returns for CBD office are expected to accelerate following a reset of asset values, improving net effective rents and slightly tighter cap rates. In most cities, three to four of the next five years is likely to see no new supply. This should lead to meaningful pick-up in net effective rents.



Key takeaways

“

Momentum is continuing to build in the Australian office market moving into 2026. The significantly lower supply outlook is driving improved rent growth across the country. Investors are also starting to respond to valuations reaching their trough across all markets.



Tom Broderick

Head of Office and
Capital Markets Research

01 RETURN EXPECTATIONS

CBRE forecast total returns over the next three years will be significantly above historical levels, led by Brisbane CBD and Canberra CBD.

A re-set of asset values, improving net effective rents and slightly tighter cap rates (40bps by 2028) will assist.

02 ECONOMIC vs MARKET RENT

CBRE estimate economic rents for premium office have increased by over 60% between 2020 to 2025.

For 2026, CBRE forecast net effective rent growth for Brisbane CBD +7.3% and Sydney CBD +6.6%. For Melbourne, we're baking in a recovery from 2027 onwards.

03 OCCUPIERS

CBRE's office occupier survey indicates growing optimism around future space requirement. Rent remains a small part of office occupier profitability (4.5% expense for Professional Services) with scope to continue investing in employee experience and productivity.

Lack of supply and rising rent should increasingly favour occupiers considering Grade A and near-CBD locations.

04 SUPPLY

New supply for CBD Office for the remainder of the decade is likely to be just one third of previous five years.

The supply picture is even more acute within cities. For instance, there will be no new supply in Sydney for three of the next five years. For Adelaide, Brisbane, Melbourne and Perth, four of the next five years will see no new supply.

Return expectations

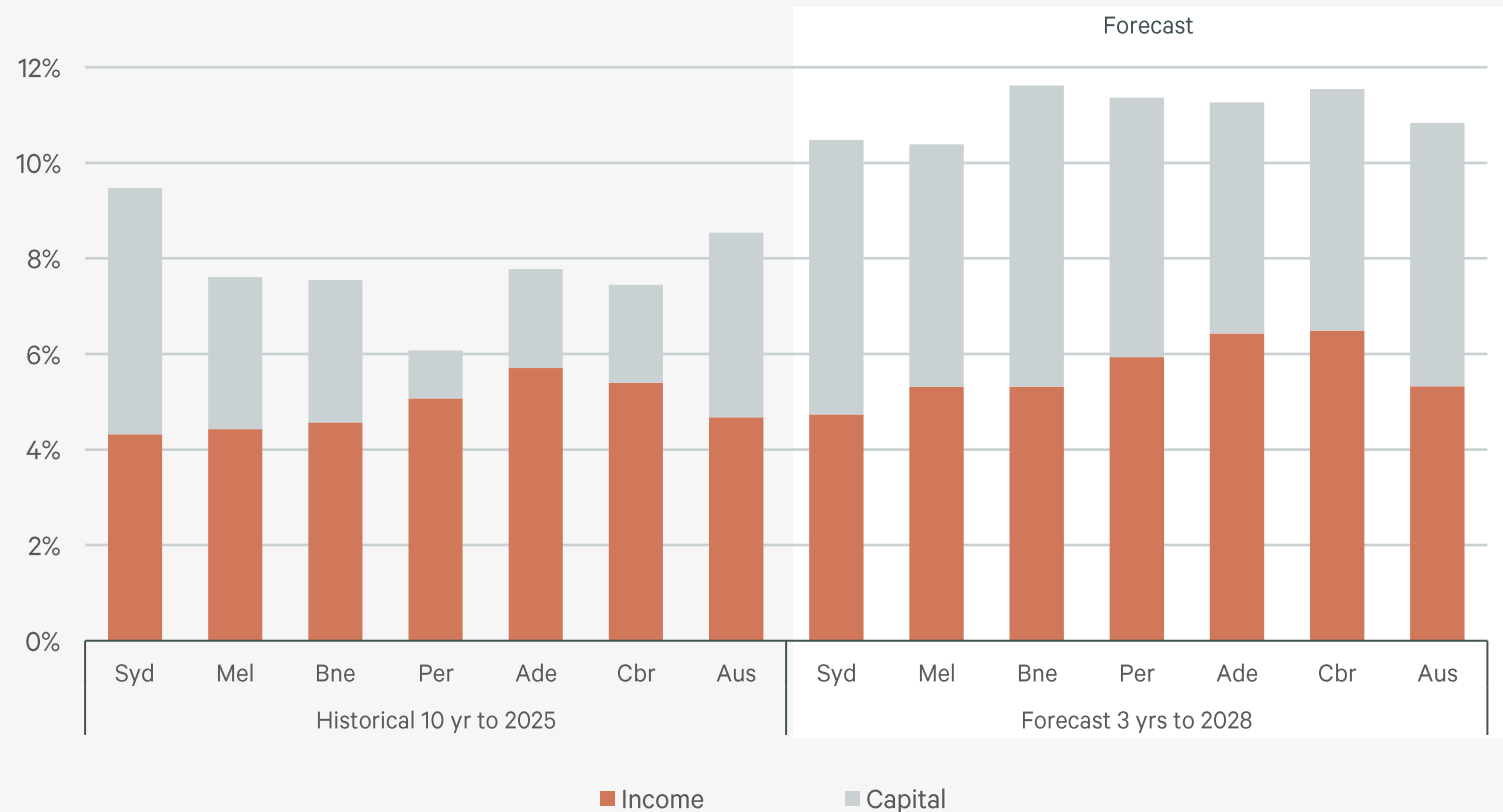
Historically, Sydney CBD office has outperformed its peers over the past 10 years. This has largely been driven by relative performance on capital values (less cap rate expansion in recent history). For example, Sydney capital value declined 7.0% and Melbourne 28% between 2020 and 2025, in our estimate.

The smaller and less competitive markets of Adelaide and Canberra have offered stronger income yields.

Looking over the next three years, CBRE forecast total returns will be significantly above historical levels.

A re-set of asset values, improving net effective rents and slightly tighter cap rates (40bps by 2028) will assist. We expect total returns over the next three years will be highest for Brisbane CBD and Canberra CBD office markets.

Figure 28: Total returns, CBD prime Office



Source: CBRE Research

Rent growth

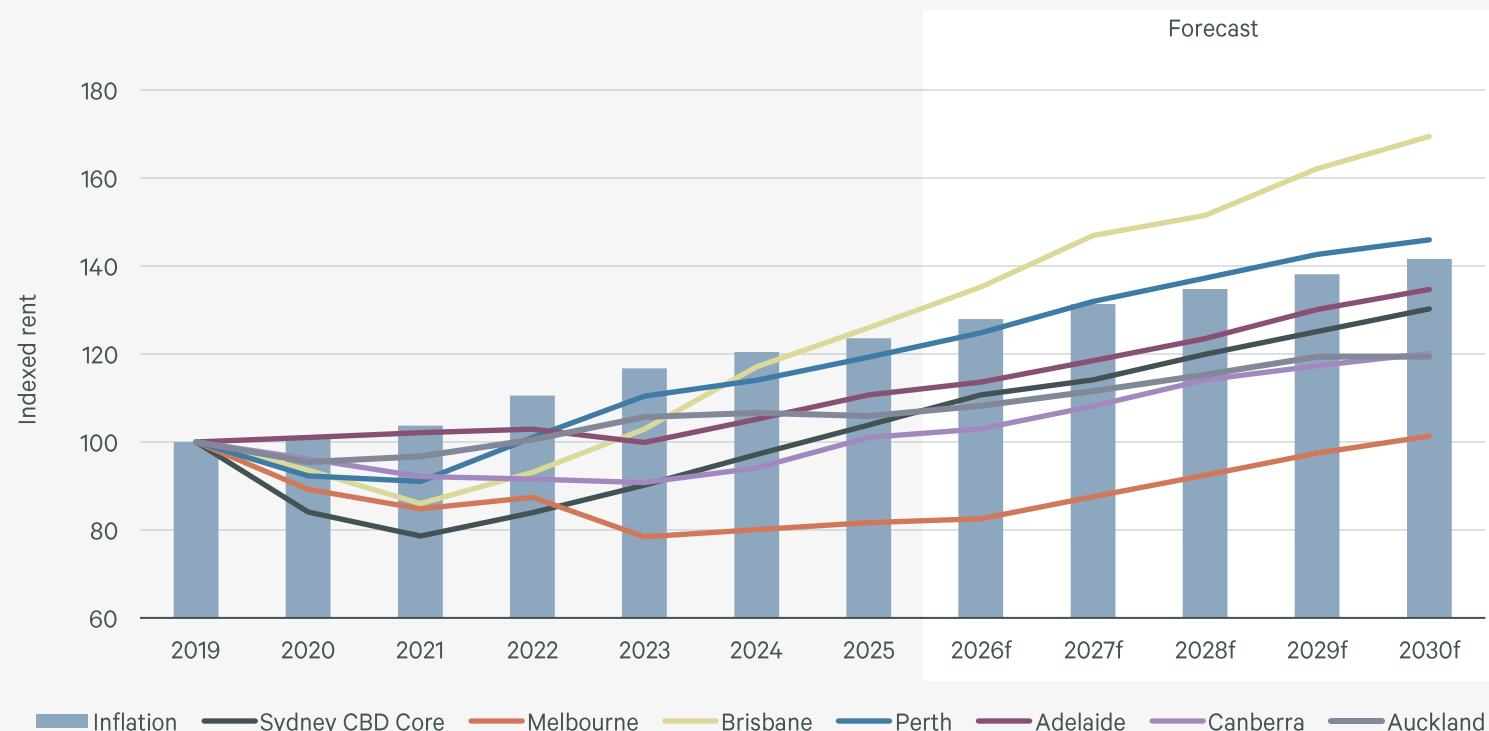
In 2025, Australian CBD prime effective rents grew by 5.3%, with outperformance from Brisbane, Canberra and Sydney CBD Core. For 2026, CBRE estimate CBD Office net effective rents (NER) will growth at +3.3%.

The highest growth rates are expected in Brisbane CBD +7.3% and Sydney CBD +6.6%. For Melbourne, we're baking in a recovery from 2027 onwards as the market starts to tighten following recent supply impacts. For Adelaide, Canberra and Perth CBD, we forecast low to mid-single digit NER in 2026.

The large gap in rents between existing buildings and new development is helping to push up rents in stronger performing markets. Also, the major contractionary activity and sublease availability of the past few years appears to have passed. Finally, markets that have been relatively weak, like Melbourne, are witnessing centralisation into the CBD. This will underpin net absorption and help to drive rents higher.

Auckland face rents remained largely stable, but incentives increased in 2025, driving net effective rents to fall. As space market conditions improve, incentives could be withdrawn quite rapidly which will result in effective rents bouncing back more strongly in 2027 to 2028.

Figure 29: Net Effective Rent growth



Source: CBRE Research

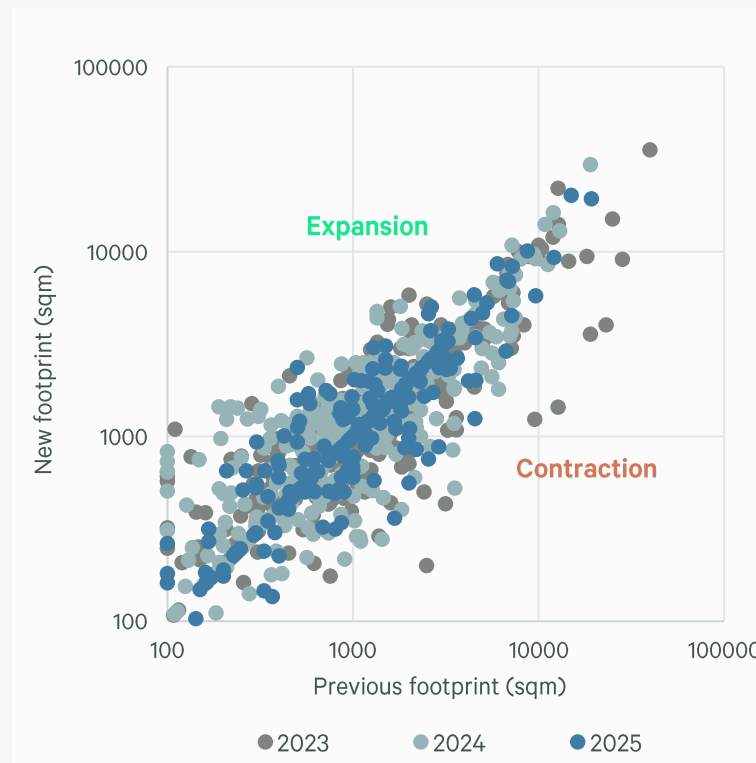
Expansion and contraction

In 2025, smaller tenants (under 1,000 sqm) grew their footprint by 23% when relocating or renewing. Mid-size tenants maintained a broadly stable footprint during leasing. Large scale tenants (>3,000 sqm) shrunk footprint by 11% but this trend has been waning in recent years.

When clients are relocating, CBRE find the median face rental premium is +6.0% and 63% of tenants moved to a better building in 2025.

Looking ahead, CBRE’s 2025 office occupier survey indicated growing optimism around future space requirement. The latest survey points to 33% of occupiers looking to expand footprint over the next three years, up from 20% in previous survey.

Figure 30: Leasing transactions analysis (n=890 deals)



Source: CBRE Research

	2023	2024	2025
Small Tenants (<1,000sqm)	+27%	+36%	+23%
Mid-sized Tenants (1,000-3,000 sqm)	-3%	+4%	+2%
Large Tenants (>3,000 sqm)	-22%	-13%	-11%

Occupancy costs

Rents in Brisbane CBD and Sydney CBD Core have grown by 35% and 24% cumulatively over the three years to December 2025. Two questions that often come up: 1) will occupiers choose an alternative more affordable city; and 2) is there a natural ceiling to rents.

Our proprietary data on occupier rent expense shows that while rent is an important discussion point, it is not the main driver of choice of location. For Professional Services firms ~60% of office rent spend is in Sydney, Melbourne 20% and 20% across the other CBDs. In Financial Services, Sydney comprises 67% of office rent expense, Melbourne 23% and 10% for other markets.

Rent also remains a small component of revenue for office occupiers. The median office occupancy cost to revenue ratio (OCR) for: Banks, Insurers/Superannuation firms is 0.7%, Investment Banks/Wealth Managers is 2.3%, and Professional Services firms is 4.6%.

Figure 31: CBD office occupancy cost ratio by sector



Source: CBRE Research

Economic rents

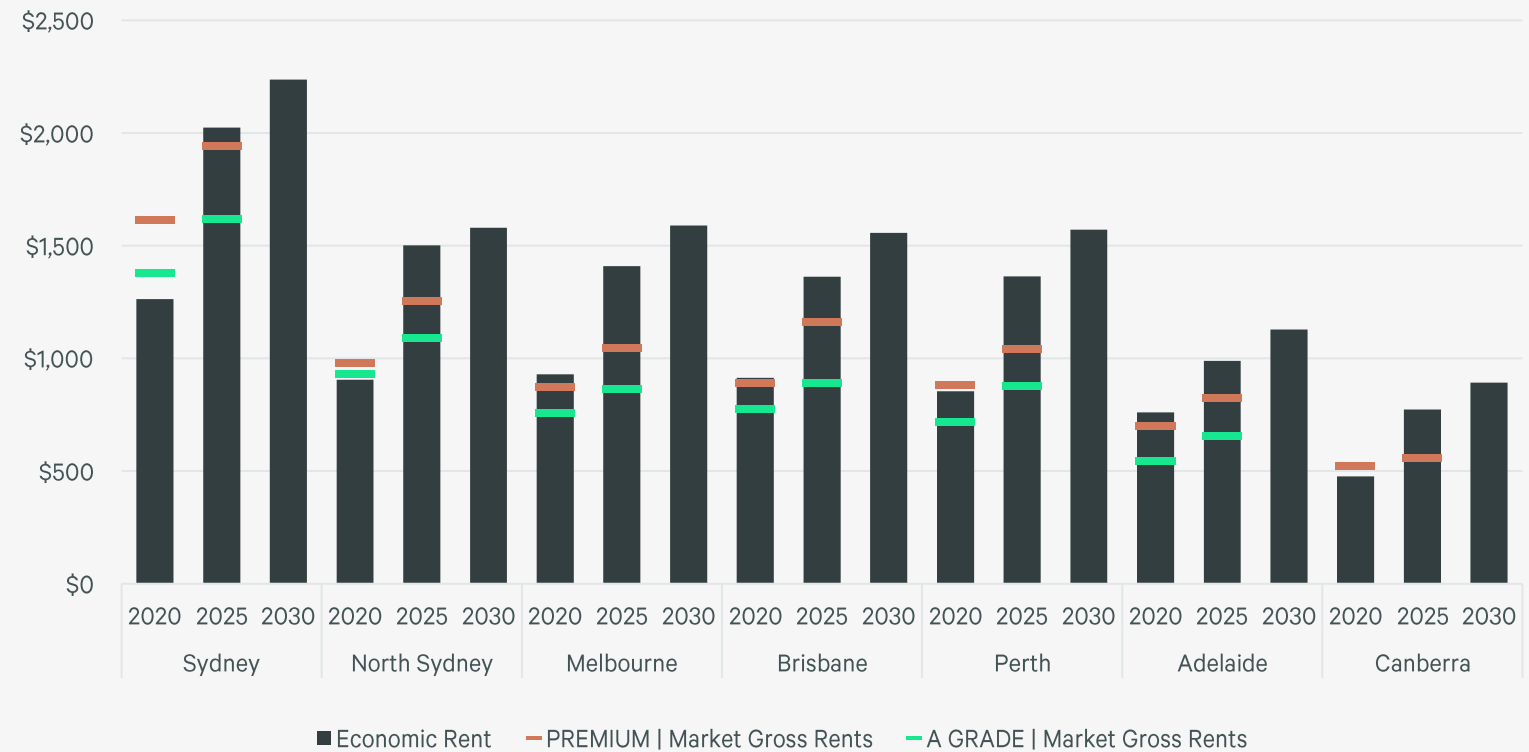
CBRE estimate economic rents for premium office have increased by over 60% between 2020 and 2025. This is due to higher construction costs (+50%), higher incentives (e.g. +15% for Melbourne CBD office) and higher cap rates (e.g. +190 bps North Sydney office).

Historically, market rents exceeded economic rents, encouraging supply. Today, in most markets, Grade A market rents are 20% to 35% below economic rents.

In our view, new supply will continue to be directed at the premium end, targeting locations and specific occupiers/owners who can afford to pay the higher economic rents/values.

We see scope for capital value and rent in legacy assets to benefit from the tailwind of falling supply. This should happen more quickly in markets with the tightest vacancies.

Figure 32: Economic rents vs actual rents



Source: CBRE Research

Supply forecast

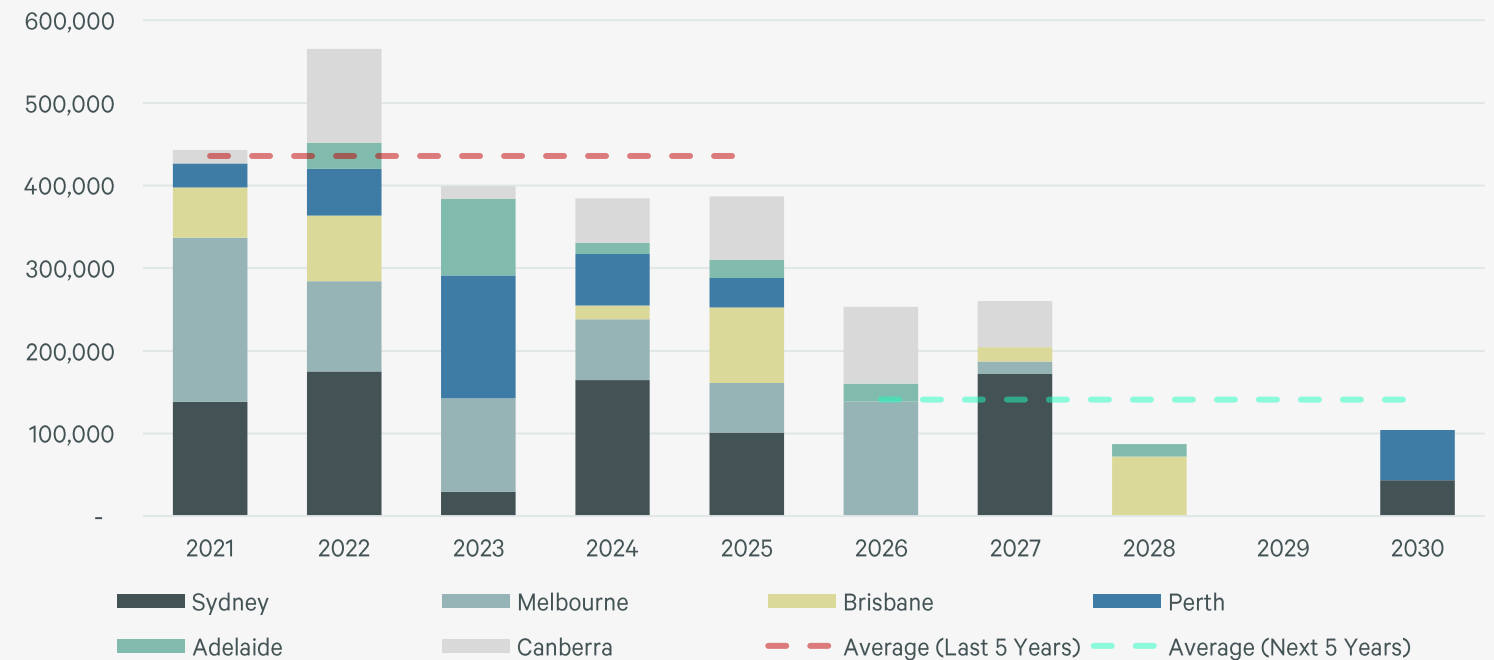
New office supply typically has long lead-times, up to five to 10 years between concept to delivery. The recent combination of high construction cost and softer cap rates have already dented prospects for office supply in the late 2020s and early 2030s.

Over the next five years, new supply for CBD Office is likely to be just one third of previous five years.

The supply picture is even more acute within cities. For instance, CBRE estimate that three of the next five years will see no new supply in Sydney. For Adelaide, Brisbane, Melbourne and Perth, four of the next five years will see no new supply on current projections.

The other consideration is withdrawals. We are continuing to see secondary office buildings withdrawn for other uses, particularly in the living sector, given the depth of capital looking for that sector. Both these factors should allow vacancy rates to tighten over the medium term.

Figure 33: Australian CBD Forecast New Supply

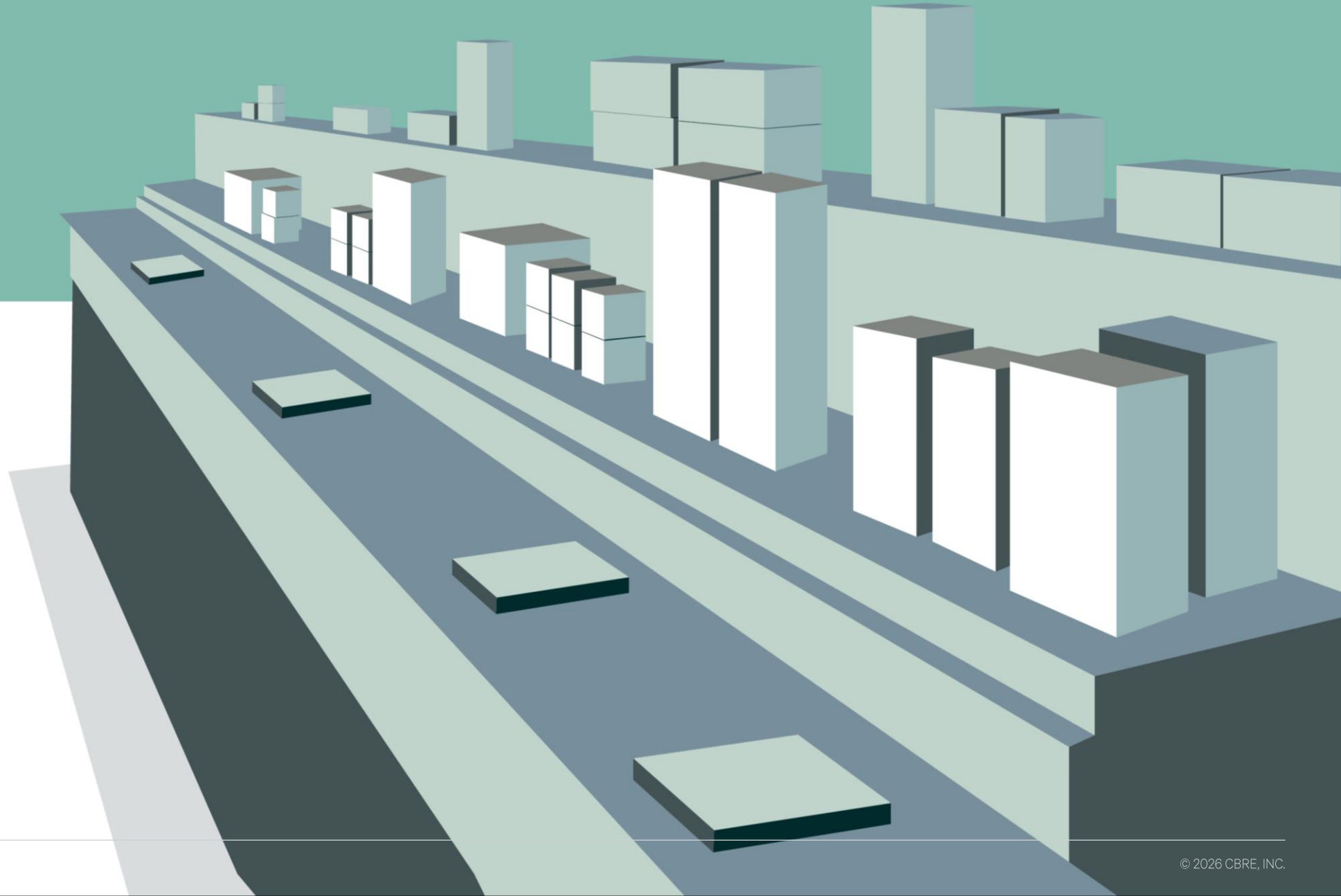


Source: CBRE Research

06

Retail

Low occupancy cost ratio, sub 5.0% vacancy rates, lack of new supply, resilient retail sales and modest growth in online spend point to continuing positive re-leasing spreads. Transaction markets are supportive with scope for further cap rate tightening in 2026.



Key takeaways

01 TOTAL RETURNS

Regional shopping centres and Large Format Retail (LFR) in Sydney and Melbourne offer amongst the highest prospective total returns.

For Regional centres, rents in 2026 should grow mid-single digits Perth high single digit).

01 CONSUMPTION

Consumer cost-of-living and subdued housing market are headwinds that could abate in 2026. Transaction activity was very strong in 2025, in line with our prediction. For 2026, volumes could soften as stock dries up.

02 FLOCK TO SHOP

Retail sales have increased 55% over past decade. CBRE forecast \$530bn in retail consumer spend by 2030, up 17% from current levels. Food is the engine room for shopping centres, growing +4.7% CAGR.

Investment into dining precincts deliver stronger visitation, longer dwell time and higher cross-spend across the centre.

03 LACK OF NEW SUPPLY

The majority of regional centre and CBD supply is comprised of extensions and refurbishments with very few new centres being constructed. Neighbourhood and Large Format Retail centres comprise 53% of the future pipeline, located in regions of population growth.

04 SUB 5.0% VACANCY RATE

Vacancy rates are likely to continue trending lower, with shopping centres and large-format retail at sub 5.0% levels.

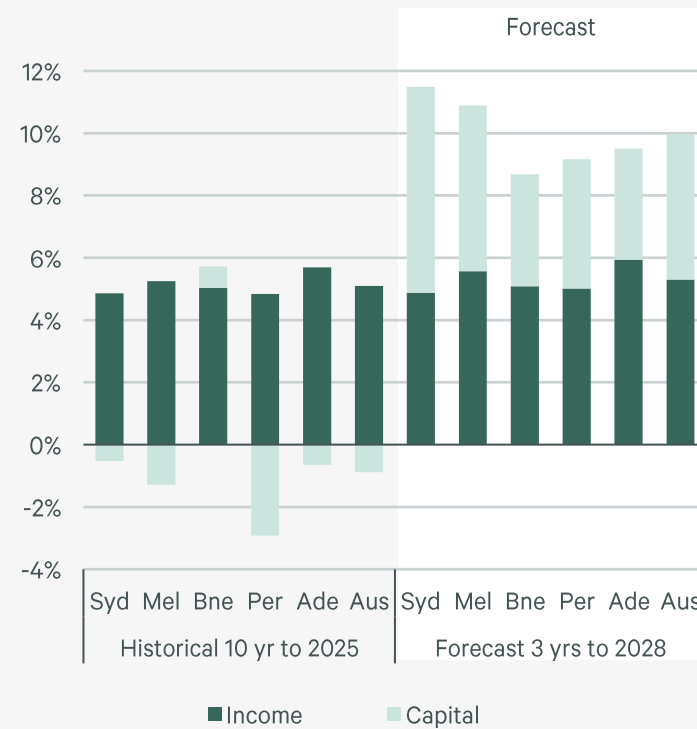
Total return

Regional shopping centres and Large Format Retail (LFR) in Sydney and Melbourne offer amongst the highest total returns of any sector/geo combination in our view.

While LFR had outperformed shopping centres over the past 10 years, we expect roles to be reversed. For example, Regional shopping centres in Sydney are forecast to achieve 40 bps yield compression over the next three years.

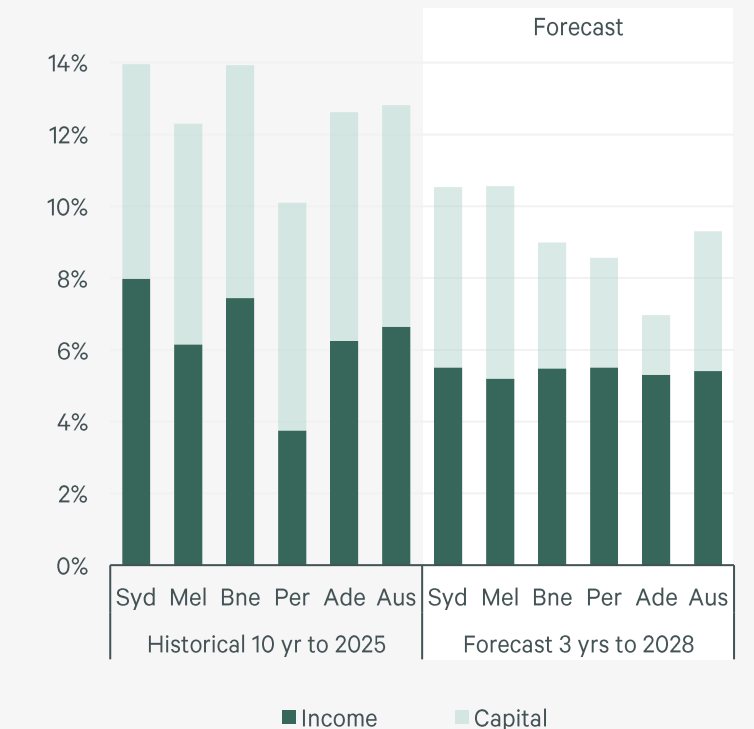
Total returns for Regional shopping centres are slightly skewed towards greater contribution from Income over Capital.

Figure 34: Regional shopping centres



Source: CBRE Research

Figure 35: Large format retail



Rent and vacancy

Rents for shopping centres are forecast to grow at mid-single rates through 2026, building on the growth experienced since 2023. We forecast rental growth for shopping centres in Perth could be in the high single digits during 2026.

Shopping centre occupancy has remained resilient, in the high 90% range. Limited supply of new space and solid occupancy levels will help to maintain demand for shopping centre space.

In Auckland, the slowing momentum of rent growth seen in the first half of 2025 has continued into the second half. Despite recent retail sales growth surprising on the upside, we only anticipate a weak rental rebound in 2026, with growth strengthening in 2027 to 2029.

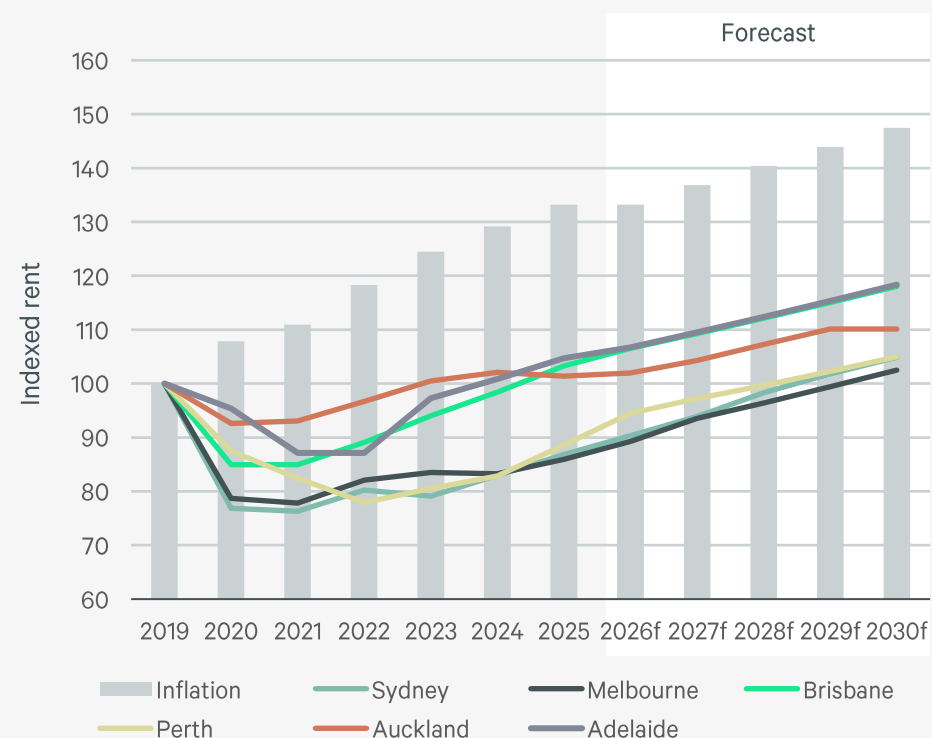
CBD rents are expected to continue their post-COVID recovery, growing by low-single digits across 2026. Melbourne will see the strongest turnaround after the completion of a number of key retail developments in and around Bourke Street Mall expected to spur a recovery in tenant demand.

For CBD shops, historical vacancy had been elevated with Sydney at 5.0% and Perth at 22%, per CBRE. The lack of new supply in a strong retail environment should see the tightening momentum from 2025 persist into 2026.

2-5%

Shopping centre vacancy range

Figure 36: Regional shopping centre net effective rent growth



Source: CBRE Research

Flock to shop

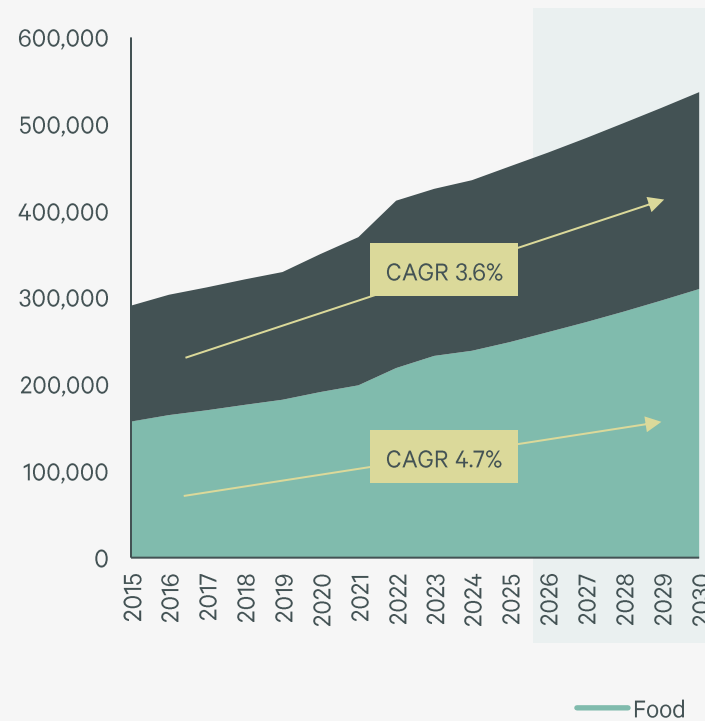
Total retail sales in Australia were \$450 billion in 2025, having grown 55% over the previous 10 years. CBRE forecast retail sales could be ~\$530 billion by the end of the decade.

Food is emerging as the engine room of shopping centres. While discretionary retail faces growing competition from e-commerce, food spend continues to grow steadily, underpinned by its experiential, social and in-person nature. Online penetration in discretionary categories is now 2.5 times higher than food, amplifying the role of dining as one of the last truly “e-commerce-resistant” drivers of in-centre traffic.

For landlords, this means food isn’t just a leasing category, it’s a strategic anchor. Investment into dining precincts deliver stronger visitation, longer dwell time and higher cross-spend across the centre.

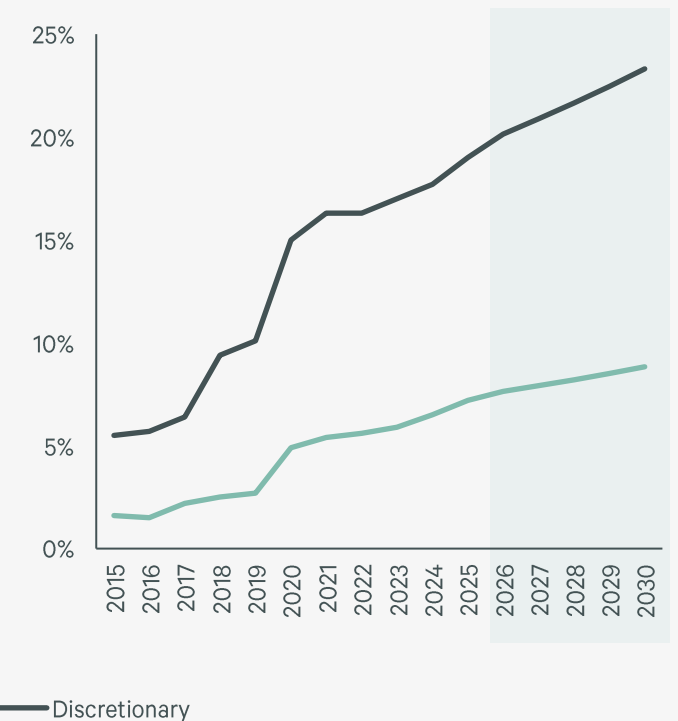
Consumer: Eat socially, look good, feel good and travel well.

Figure 37: Retail sales per annum (\$m): Food vs discretionary (2015–2030)



Source: ABS, CBRE Research

Figure 38: Online penetration rates (%): Food vs discretionary (2015–2030)



Metro and newer build

For Regional centres, post-2000 metro centres perform strongly, with vacancy averaging 0.9% in 2025.

These assets are better aligned with modern retail formats, tenant mixes and shopper convenience, supported by proactive upgrades in food, entertainment and experience-led uses.

Even refurbished pre-2000 centres show elevated vacancy (2.5%), suggesting reinvestment cannot fully overcome legacy design or location drawbacks.

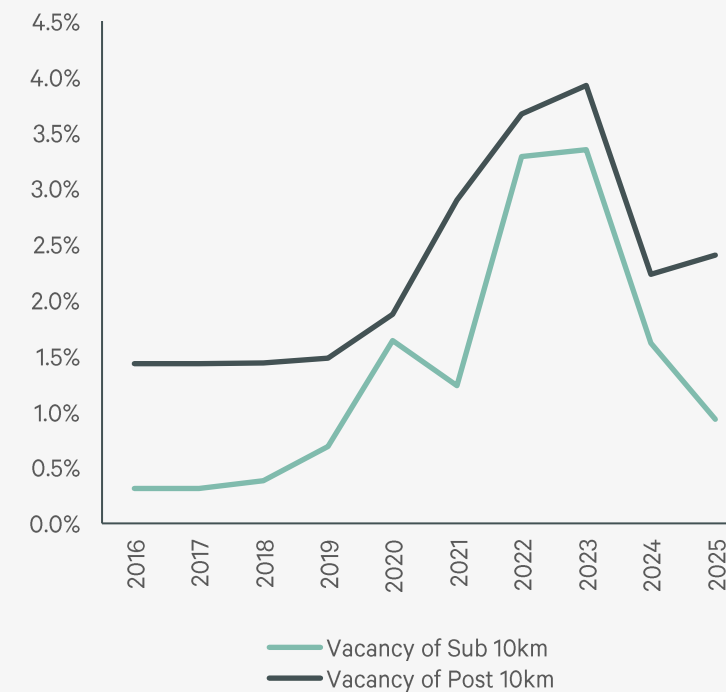
Location is also critical. Metro centres within 10km of a major city average 0.9% vacancy, benefiting from dense, affluent catchments and strong connectivity. Regional shopping centres beyond 10km face higher vacancy (2.4%), pressured by weaker economic fundamentals, competition from smaller formats and retailer preference for flagship urban sites.

Figure 39: Australian metro regional shopping centre vacancy opening prior/post-2000



Source: PCA, CBRE Research

Figure 40: Australian metro regional shopping centre vacancy 10km sub/post from major city



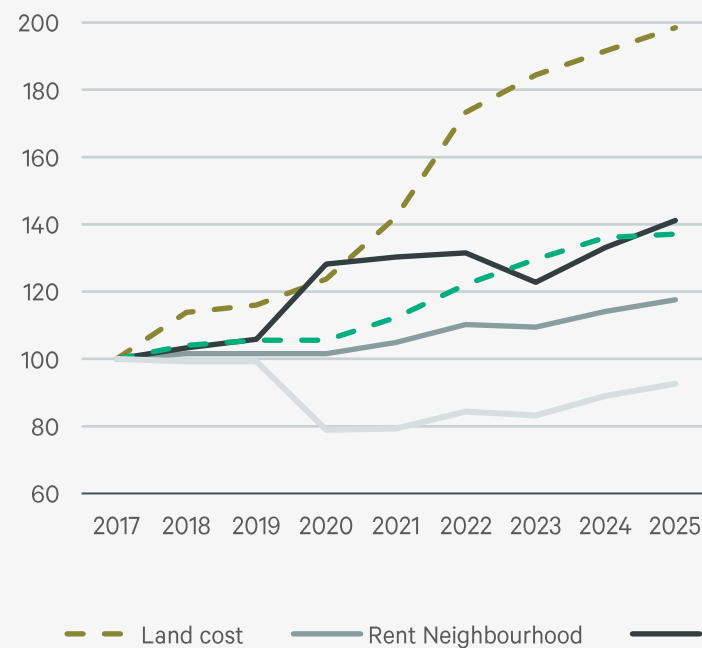
New build challenging

Construction costs have increased by ~30% over the last five years as supply chain issues, freight costs, materials cost and labour productivity continue to have an impact. Land costs have also significantly outpaced rents:

- NSW: The differential between rents and land cost to build has widened by ~40 index points since 2019.
- VIC: The differential between rents and land cost to build has widened by ~20 index points since 2019.

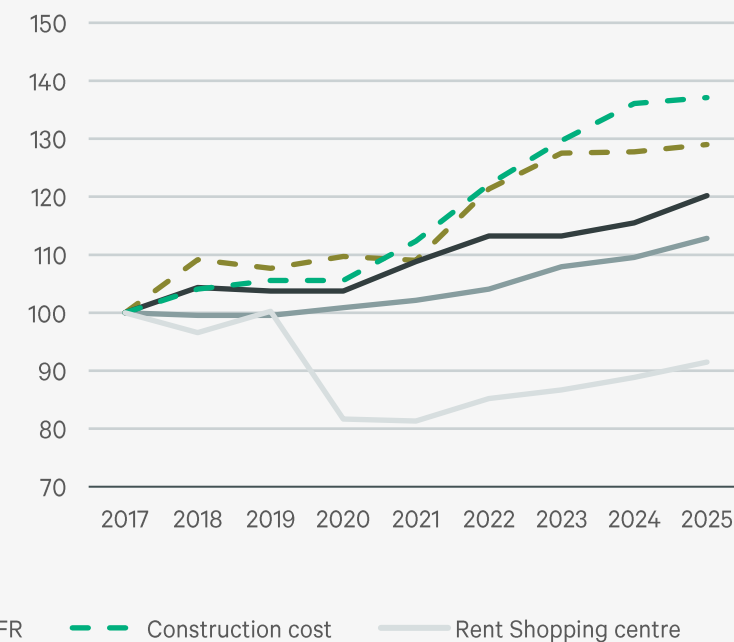
Regional centres have a greater build cost than traditional retail due to higher spec fit outs, multistorey builds and greater back of house space required. The growing disconnect between rents and development costs has effectively stalled new development activity. We see only refurbishments and extensions proceeding.

Figure 41: Greater Sydney shopping centre & LFR face rents vs input cost of new supply



Source: CBRE Research

Figure 42: Greater Melbourne shopping centre & LFR face rents vs input cost of new supply

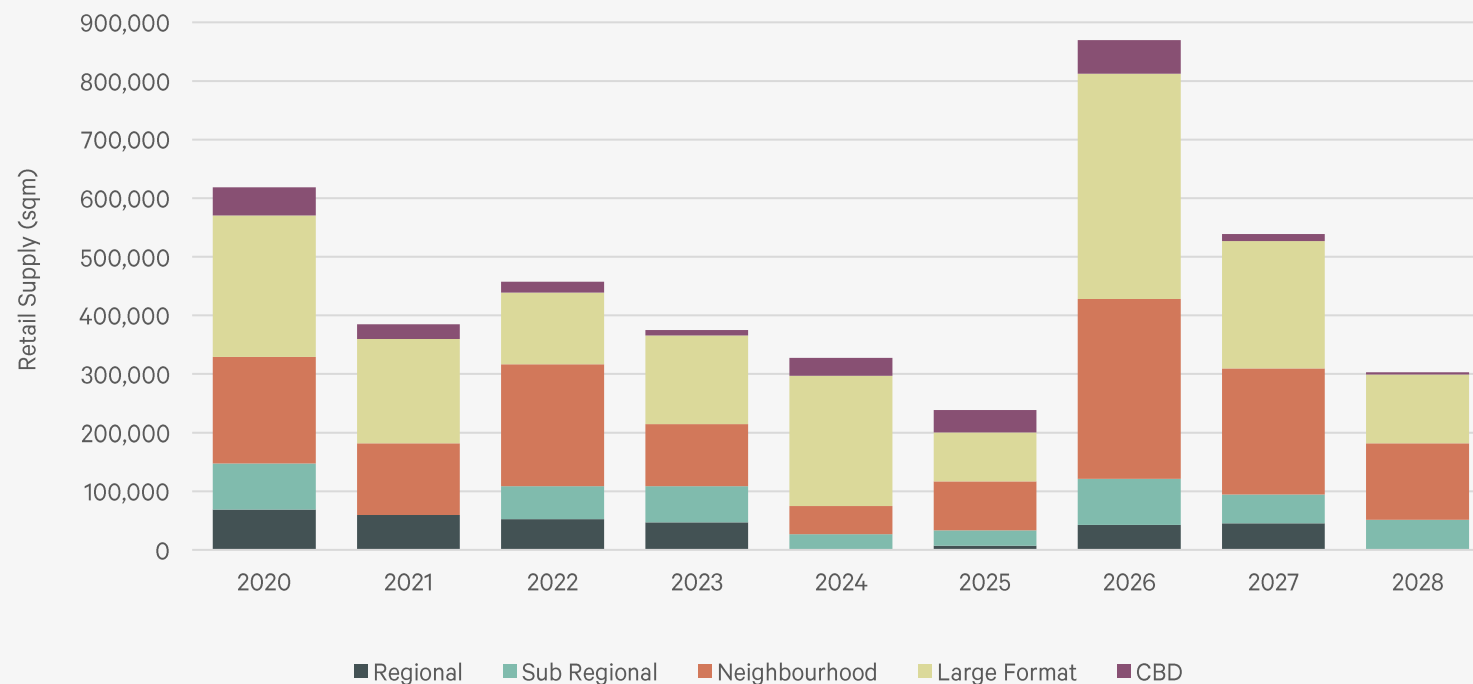


Limited retail supply

The majority of upcoming retail development in the next three years will consist of large format and neighbourhood space, accounting for approximately 42% and 38% of the total retail development pipeline (1.71 million sqm), respectively. This construction is aimed at supporting new population growth, particularly in the urban areas. The creation of new neighbourhood centre is intended to meet the demand from urban growth zones, with limited sales cannibalisation expected for existing centres, as they anticipate a bolstering of their catchments due to new housing construction. The aim is to meet the demand generated by this growth while minimising the impact on existing centres.

The surge in large format centres in 2024 and 2026 is primarily driven by population growth, with new housing development stimulating household goods sales. Meanwhile, the majority of regional centre and CBD supply will comprise extensions and refurbishments, with few new centres being built. This approach is expected to bolster sales density and foot traffic while curbing oversupply.

Figure 43: Retail supply by major category



Source: CBRE Research

07

Living

Capital city vacancy should continue to drift lower as apartment supply falls below 60,000 in 2026. Our forecast for capital value growth is +28% and rent growth is +24% over 2025 to 2030. New PBSA supply is likely to lift penetration to ~8.0% of university students. In land lease communities, newly built properties are trading at similar/premiums to traditional homes in nearby locations.

Key takeaways

24%, 28%

Forecast rent and capital value growth over five years.

<60K

Apartment supply forecasted in 2026, well below through cycle demand of 75,000 to 85,000.

01 LOW VACANCY

CBRE forecast that capital city vacancy will fall to 1.1% by 2030 from 1.8% in 2025, re-enforcing *TINA*.

02 SUPPLY SHORTFALL

CBRE forecast the future supply of apartments is likely to hover around 60,000 pa over 2026 to 2030, well below long-run demand of ~75,000 to 85,000 apartments.

03 RENTS TO CONTINUE GROWING

CBRE expect median rents to grow by \$180/week (+24%) between 2025 to 2030. This follows the 51% growth over the previous decade.

04 VALUES SUPPORTED

CBRE forecast 28% capital value gain to 2030. Near-term, CBRE's residential valuers are most constructive on Brisbane, Gold Coast, Sunshine Coast and Perth.

05 STUDENT ACCOMMODATION

CBRE estimate that there is c180,000 beds of unmet demand across the six largest student precincts.

06 SENIOR LIVING

Just 11% of Australians over 65 years-old live in purpose built senior living accommodation. Homes in newer vintage land lease communities are already trading at a premium to comparable living options.

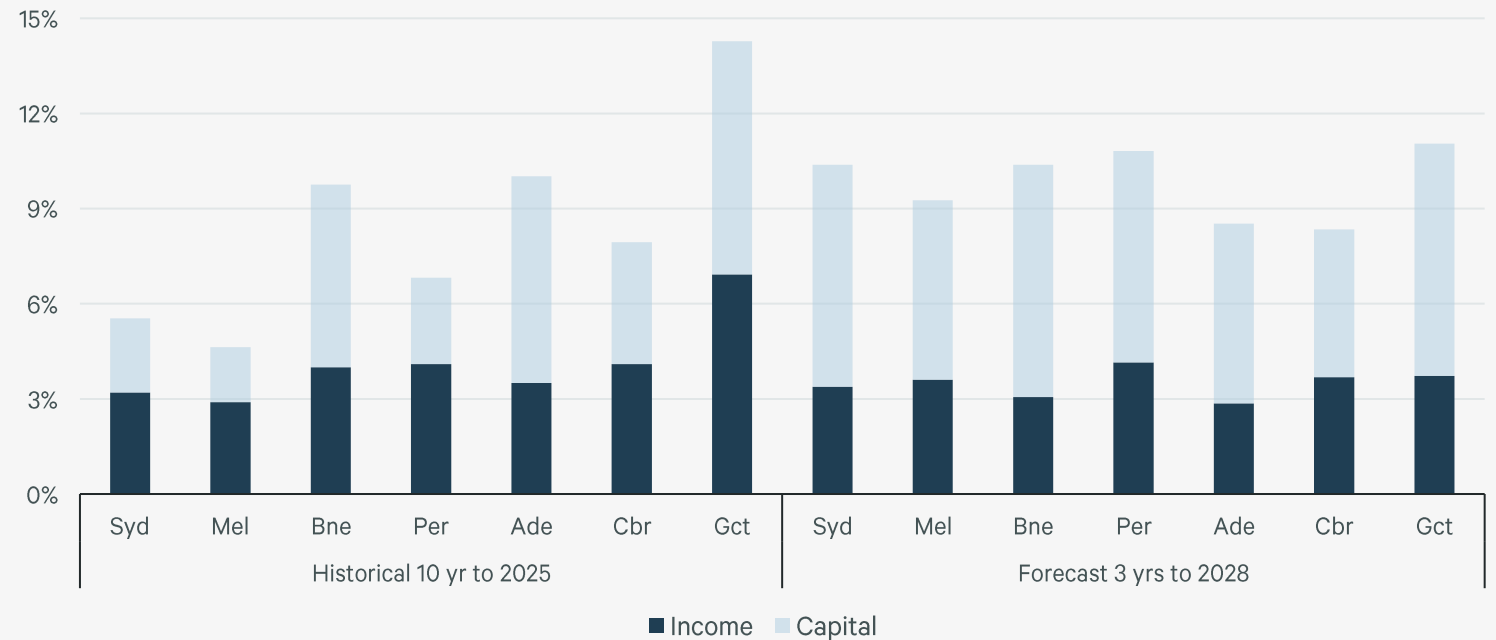
Total return

Historically, Gold Coast had provided the highest total returns for investors. This was more than double the pace of returns from Sydney and Melbourne.

CBRE forecast that Brisbane and Gold Coast can continue this outperformance, benefitting from new demand associated with upcoming Olympics and lack of new supply.

Rents (+24%) and capital values (+28%) are expected to grow materially to the end of the decade.

Figure 44: Capital growth remains a key plank of apartment returns



Source: CBRE Research

Capital value

28%

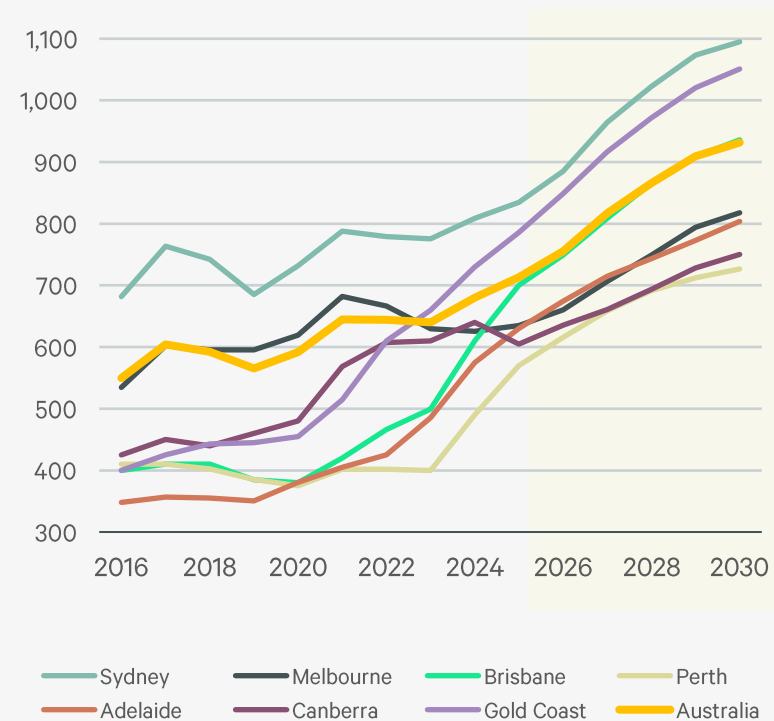
National apartment price growth to 2030.

CBRE expect median apartment prices to grow by 28% between 2025 and 2030. We expect the strongest growth to be in 2026 and 2027. Our forecasts take the demand-supply imbalance into account, as well as vacancy rates, rent growth rates, income growth, unemployment and affordability.

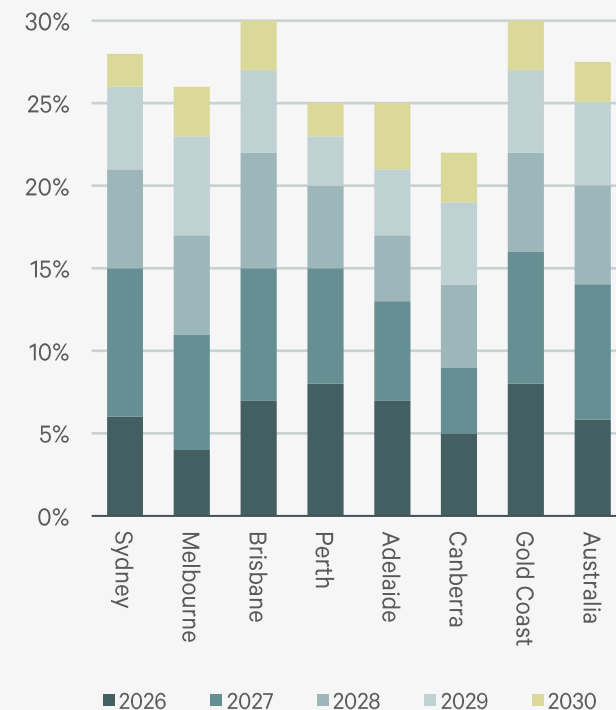
We're most optimistic around Brisbane, Gold Coast and Sydney markets.

Historically, data shows an equal probability in terms of whether the market moves at a pedestrian low single digit annual rate or robust high single or double digit move.

Figure 45: Apartment values (2 bed) and forecast to 2030



Source: CBRE Research, Cotality, REIA, SQM



Valuers' perspective

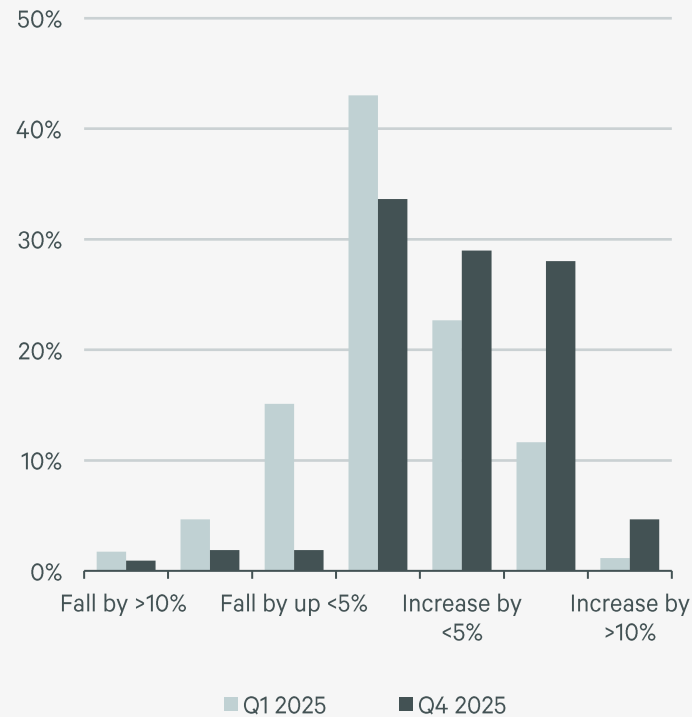
CBRE's Q4 2025 Residential Valuer Insights revealed that almost two-thirds of Valuers reported 'strong' to 'very strong' demand in Q4, the highest result of 2025, and up from a quarter of Valuers in Q1. Only 2.0% of Valuers reported 'soft' or 'very limited' demand, indicating stronger market conditions than in New Zealand where 16% of valuers reported soft housing market demand during the same period.

Demand to purchase is strongest in Adelaide and Brisbane Metro. First home buyers, local investors, and upgraders were consistently the most active buyer types in 2025.

62% of Valuers expect apartment value growth over the next 12 months, up from just 35% in Q1 2025. Nationally, two times as many valuers expect price growth vs price stability.

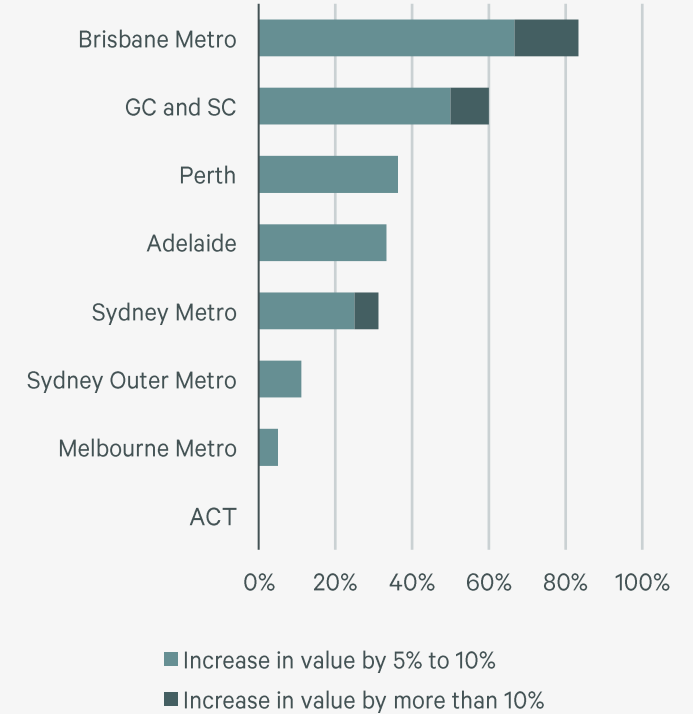
The most growth is expected to be in Brisbane Metro, the Gold and Sunshine Coasts, and Perth.

Figure 46: Expectations of apartment value movement in the next 12 months, Australia wide.



Source: CBRE Research

Figure 47: Expectations of apartment value movement in the next 12 months, Australia wide.



Rent outlook

CBRE expect median apartment rents to grow by 24% between 2025 and 2030. This follows the 51% growth over the previous decade.

+24%

Forecast weekly rent growth 2025 to 2030.

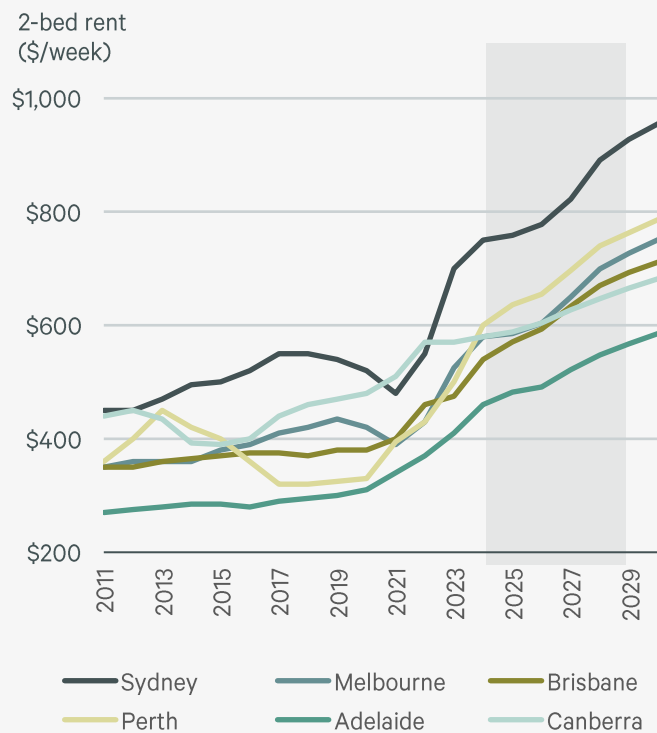
16

Precincts with +25% projected rent growth.

After modest growth in 2025 and 2026, rents are likely to surge higher in 2027 and 2028 due to tightening vacancy and higher outgoings.

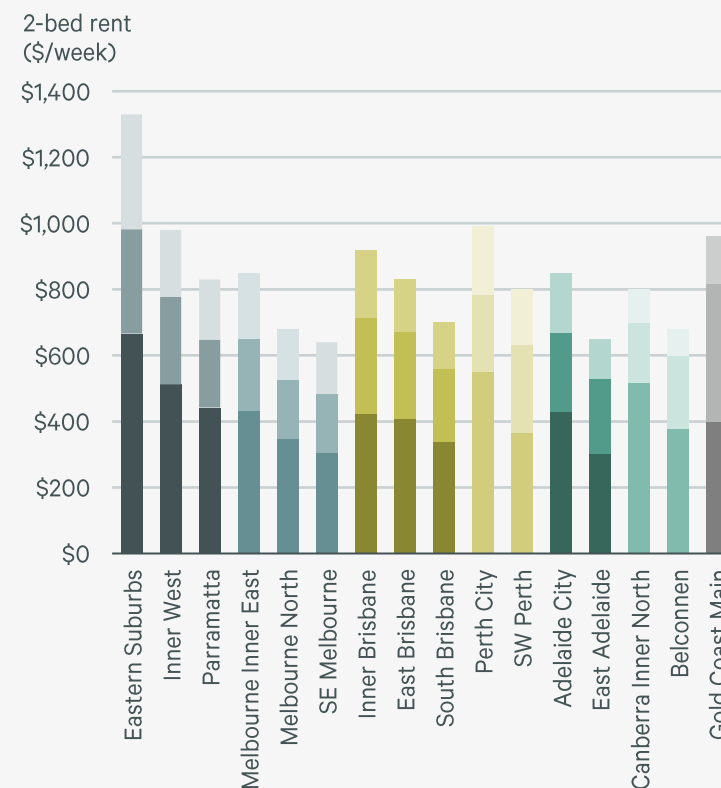
By 2030, 92% of 2-bed apartments are forecast to have rents exceeding \$700/week, and 33% exceeding \$1000/week.

Figure 48: Apartment city rents (2 bed) historic and forecast



Source: SQM, CBRE Research

Figure 49: Apartment rents (2bed) across a selection of Australian city precincts (CBRE coverage 53 precincts)



Sydney

CBRE estimate Sydney's apartment delivery will average 11,700 per annum over 2025 to 2030. Demand for housing stock (apartments and communities) is likely to average 30,000 per annum over the next five years. In the next three years, we see city-wide vacancy falling from 2.0% to 1.2%.

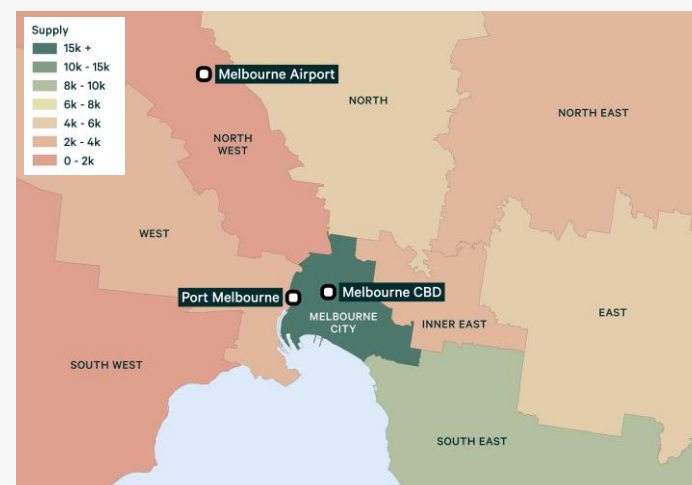
Figure 50: Sydney apartment supply over 2025-29



Melbourne

CBRE estimate Melbourne's apartment delivery will average 9,000 per annum over 2025 to 2029, nearly 25% below Sydney. Demand for housing stock (apartments and communities) is likely to average 38,000 per annum over the next five years. In the next three years, we see city-wide vacancy falling from 2.1% to 1.4%.

Figure 51: Melbourne apartment supply over 2025-29



Brisbane

CBRE estimate Brisbane's apartment delivery will average 4,600 per annum over 2025 to 2030. Demand for housing stock (apartments and communities) is likely to average 16,000 per annum over the next five years. In the next three years, we see city-wide vacancy falling from 1.1% to 0.7%.

Figure 52: Brisbane apartment supply over 2025-29



Vacancy outlook

CBRE expect capital city vacancy will fall further to 1.1% by 2030 from 1.8% in 2025. These tight conditions (**TINA**) will endure as vacancy stays at around half of the previous decade average of 2.5%.

1.1%

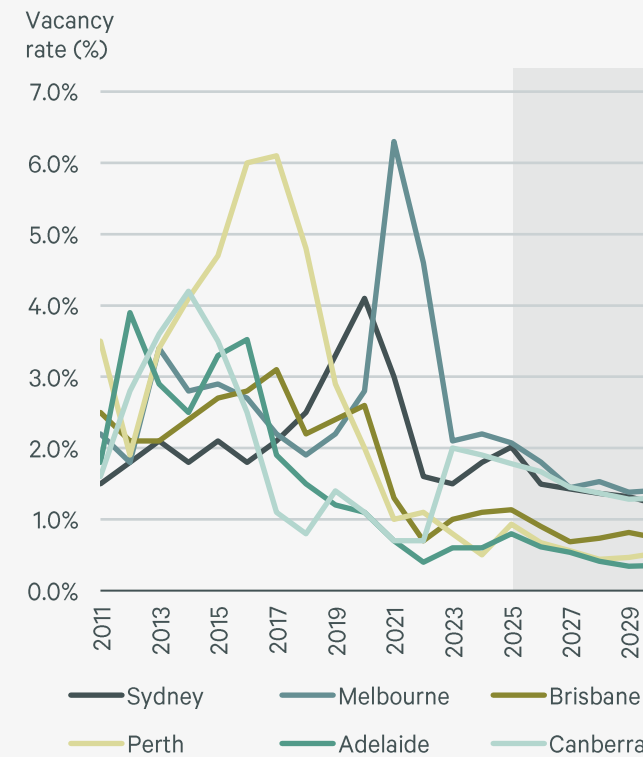
Forecast vacancy in 2030.

A balanced market for apartment rentals would typically see vacancy around 3.5% to 4.5%. For most markets, vacancy has remained below 4.0% during the previous decade, except for the 2020 to 2021 lock-down periods.

The vacancy situation is already extremely tight (sub-1.0%) in large parts of Adelaide and the more affordable suburbs in Melbourne and Sydney.

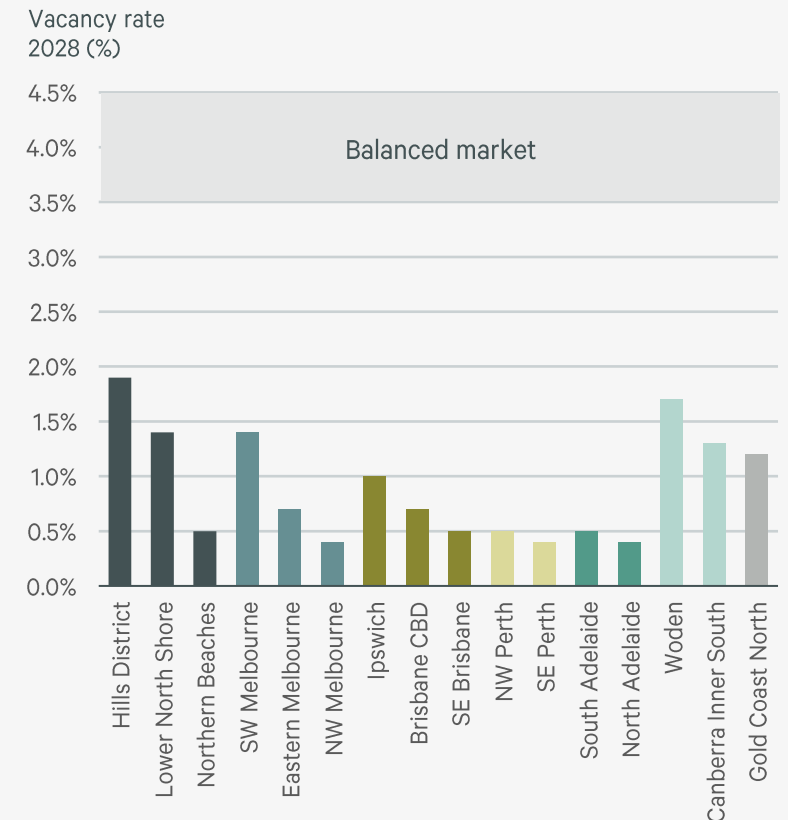
We forecast the annual absorption rate of house and apartments is c170,000 to 200,000 per annum.

Figure 50: City vacancy rate historic and forecast



Source: SQM, CBRE Research

Figure 51: Forecast vacancy rate in 2028 across a selection of Australian city precincts (CBRE coverage 53 precincts)



Student accommodation

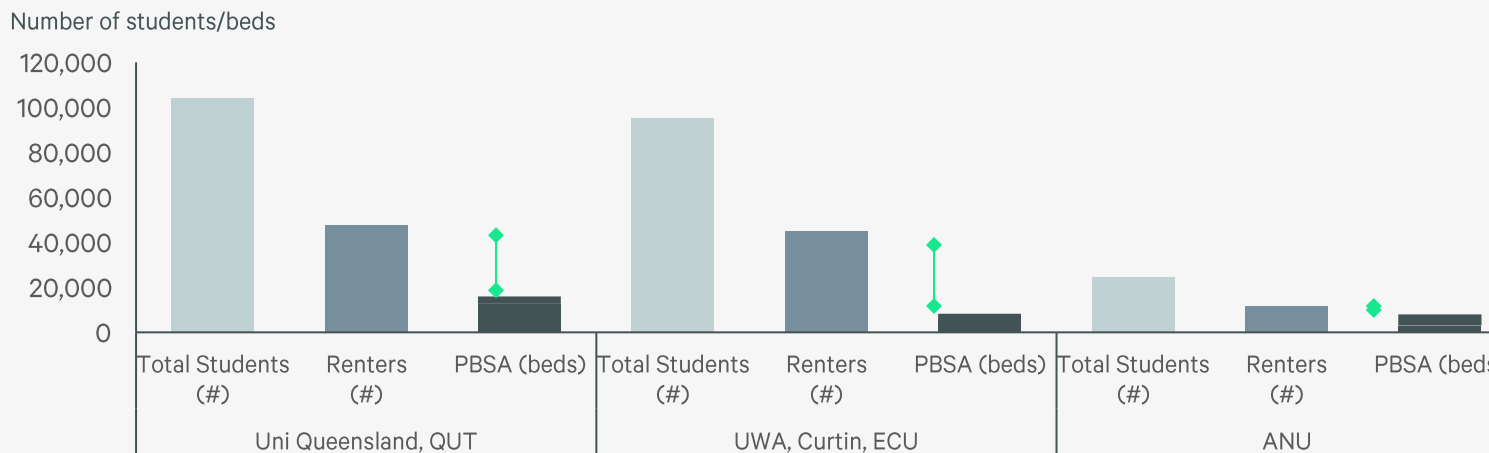
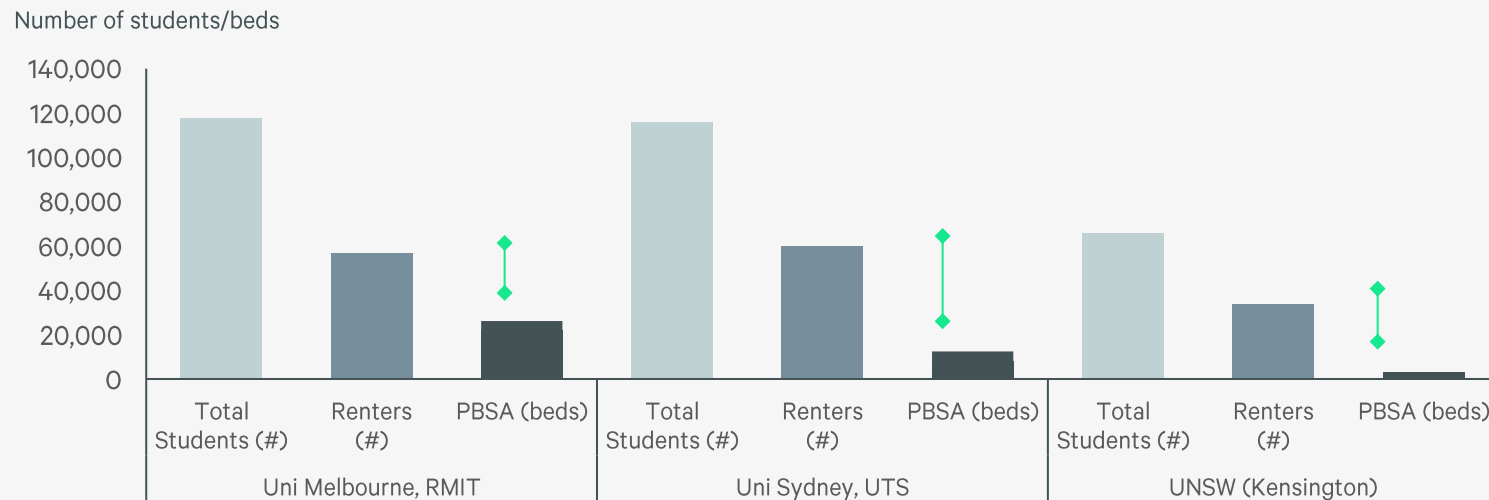
CBRE estimate that there is a significant pool of unmet demand for PBSA. Students typically prefer to live within walking or short-commute of Universities.

180,000

Gap between student renters and available stock.

By way of illustration, CBRE estimate that the University of Melbourne and RMIT (catchment area) has 57,000 students actively looking to rent. We estimate there is 10,000 of unmet demand (**TINA**) for PBSA in Melbourne City/Inner North Melbourne.

Figure 52: Bed supply shortfall across sub-markets



Source: CBRE Research

In conversation with students

Why did you choose to stay in student accommodation rather than a shared house or a rental apartment?



“It’s easier to make friends.” / “I wanted to meet other students.” / “I didn’t know anyone when I moved here so it was a good way to meet people.”

“Renting an apartment can be quite complicated when you first move to Australia, as most agencies require personal references and a history of residence from the past few years.” / “So much work to apply for an apartment.” / “I didn’t have time to look for a rental apartment.”

“Willing to pay inflated price for the convenience: lower deposits, no references needed, no need to purchase furniture or appliances.” / “Everything was set up for me, no stress about furniture or bills.”

“My agent recommended this accommodation.” / “My parents chose this accommodation for me.”

“I didn’t know anyone in Australia, so student accommodation felt safer and more social + amenities and no stress with furniture.” / “Student accommodation is safer.” / “I didn’t know anybody here so it was difficult to share an apartment.” / “I prefer the privacy of a studio apartment.”

“Mostly for price and location.” / “Convenient for both university and other parts of the city.” / “I was considering college accommodation, but it was too expensive.” / “I arrived in Australia just a week before classes started, so I didn’t have time to look for a rental.”

What made you choose your current residence? Was it price or friends or features of the apartment or recommendation?



“It was the only place that had availability when I applied.”

“The features ... I looked at different properties and chose the room that looked the nicest.”

“My agent recommended this building because it was a 3 minute walk to the university. And I knew I could make friends.” / “An international student agency that helped with my visa, they arranged the accommodation as well.”

“I looked online and I found the Amberstudent app which is how I found my current residence. I liked how it looked and the features.” / “Short lease option”

“Price first. And this one was convenient because of the location.”

“The location - easy to go to school and convenient.” / “I can walk to class, Queen Vic market, the supermarket and the CBD.” / “walking distance to both uni and the city. I didn’t want to bother with public transport every day.” / “I chose it more so for convenience as it’s close to the university and near the CBD.”

“A friend had lived here recommended it. She told me the location was convenient for the university.” / “Recommendations from seniors.” / “Friends recommended it.”

Retirement living demographics

Australia currently has 4.75 million people aged +65 years old.

The Australian Government estimates this will increase to nearly 7 million by 2040.

CBRE estimate approximately 11% of the +65 years population resides in residential aged care or retirement living communities.

Penetration levels for retirement living and aged care increase with age of population.

Figure 53: Forecast aging of population (millions)

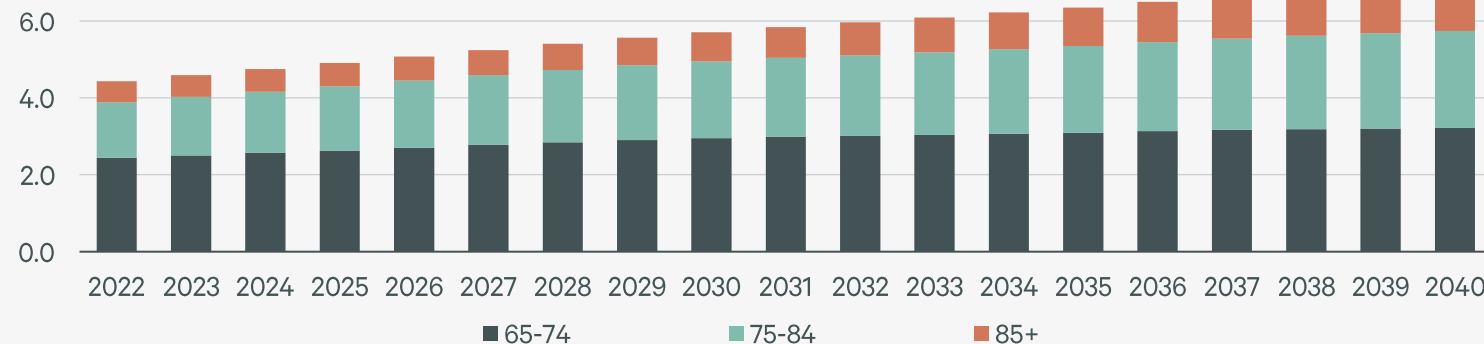
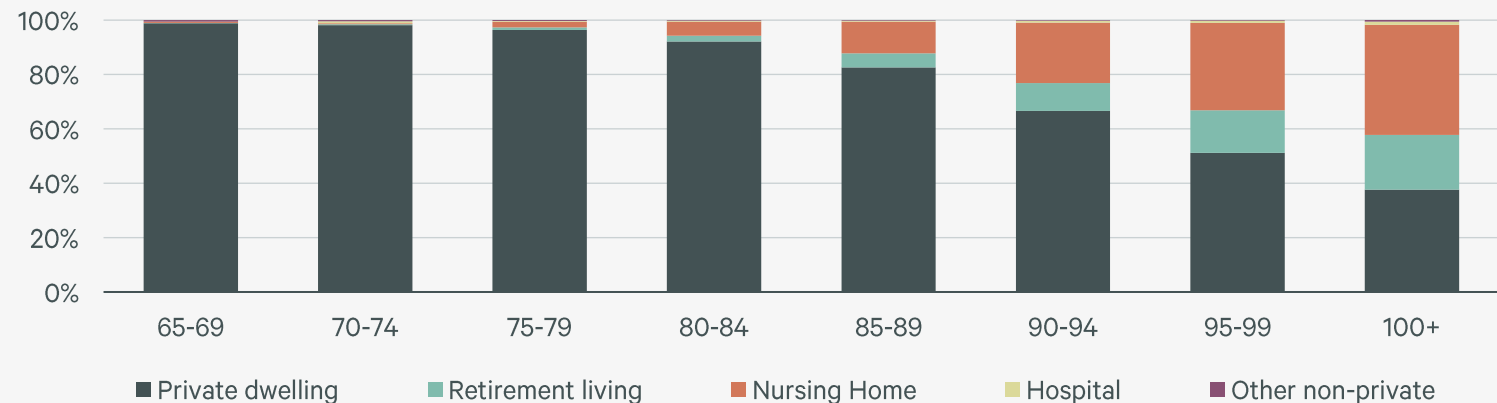


Figure 54: Dwelling structure by age group



Source: ABS, AIHW, CBRE Research

Spotlight on land lease

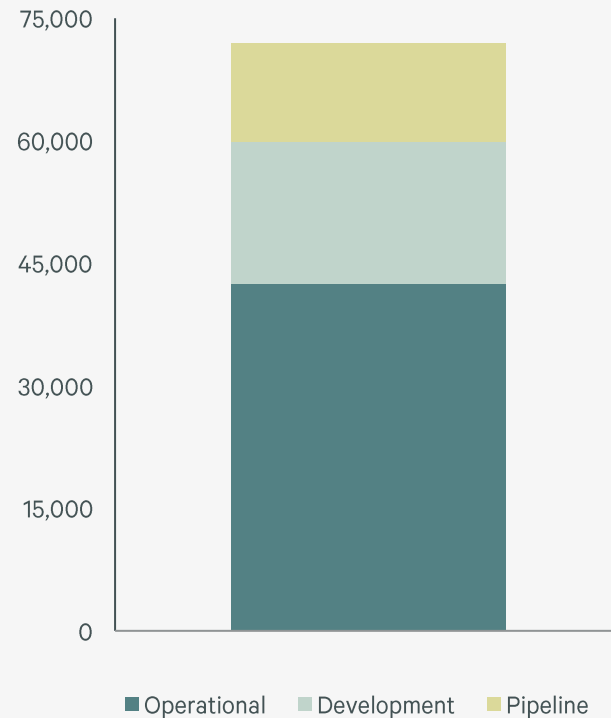
CBRE estimate that there are slightly over 40,000 Land Lease sites in operation with another 15,000 to 20,000 in development phase.

Queensland accounts for nearly the same market size as NSW and Victoria combined. The top five operators of land lease communities account for two-thirds of current supply and under-development.

Around two-thirds of land lease communities see homes trade at a 10% to 70% discount to traditional homes in close proximity. Just under a quarter of these communities see homes sell at a price premium to nearby homes.

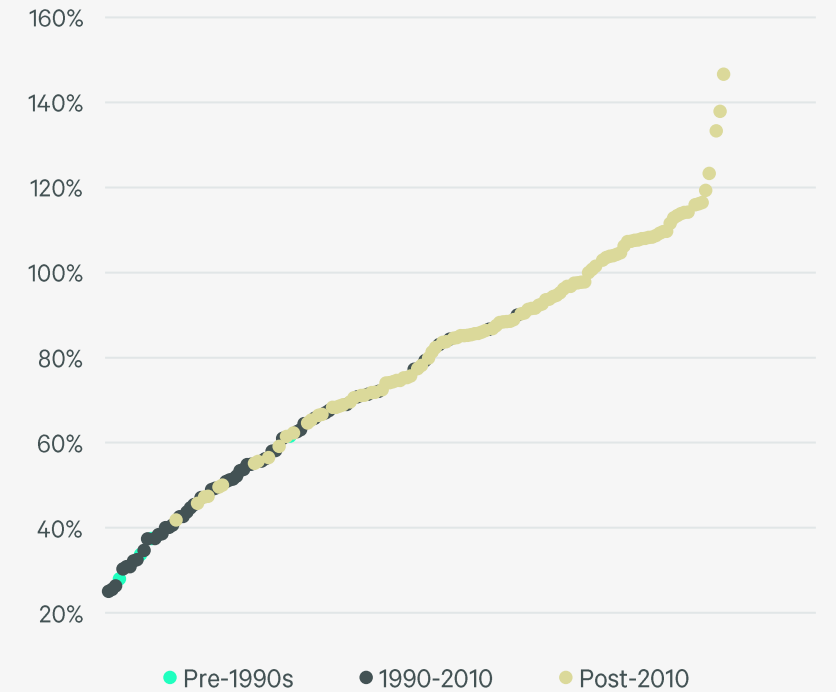
The discount is typically greater in land lease communities with older homes and more basic facilities. While modern homes in premium locations, with state-of-the-art community facilities may command a premium price.

Figure 55: Supply by stage of development



Source: CBRE Research

Figure 56: Average home price in an LLC compared to median house price (in the same suburb) – by vintage



08

Hotels

International visitor arrivals grew 7.0% in 2025, with China, UK and NZ contributing. Business travel trends have also recovered to near pre-COVID levels. Sydney remains the market displaying fastest growth for now.

Occupancy will tighten as supply has 14% fewer rooms under construction than a year ago. For travellers, a *TINA* situation could emerge in many desirable locations.

Broad recovery

Australia's major hotel markets continued to record solid trading performance in 2025. We see scope for further improvement in trading performance during 2026 from recovery in corporate demand and constrained supply.

Sydney remains the national leader, with the highest occupancy, ADR and RevPAR, reflecting its position as Australia's primary gateway market.

Brisbane and Perth recorded strong RevPAR outcomes in 2025, supported by elevated occupancy and rate performance.

Melbourne continues to advance its recovery, with improving occupancy and ADR despite recent supply additions.

Figure 57: Key performance metrics by major market

Cairns	Nov25	Y-o-y
OCC	78%	3%
ADR	\$213	5%
RevPAR	\$167	8%

Darwin	Nov25	Y-o-y
OCC	61%	7%
ADR	\$204	1%
RevPAR	\$123	8%

Brisbane Centre	Nov25	Y-o-y
OCC	76%	0%
ADR	\$260	8%
RevPAR	\$196	8%

Perth Centre	Nov25	Y-o-y
OCC	81%	4%
ADR	\$259	9%
RevPAR	\$209	13%



Gold Coast	Nov25	Y-o-y
OCC	69%	-2%
ADR	\$282	2%
RevPAR	\$194	0%

Adelaide Centre	Nov25	Y-o-y
OCC	76%	7%
ADR	\$208	1%
RevPAR	\$157	8%

Sydney Centre	Nov25	Y-o-y
OCC	83%	5%
ADR	\$330	3%
RevPAR	\$275	8%

Hobart	Nov25	Y-o-y
OCC	78%	5%
ADR	\$215	3%
RevPAR	\$169	8%

Melbourne Centre	Nov25	Y-o-y
OCC	77%	3%
ADR	\$241	1%
RevPAR	\$185	5%

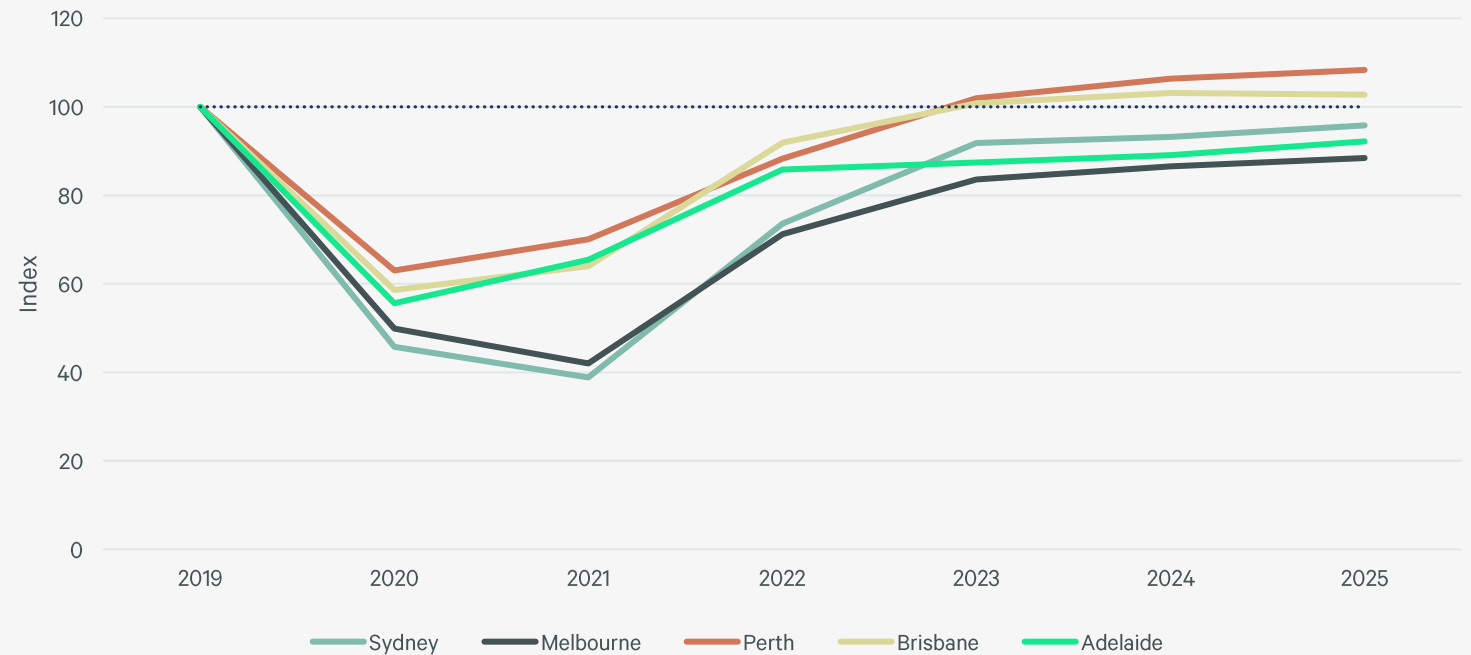
Canberra	Nov25	Y-o-y
OCC	72%	2%
ADR	\$194	-1%
RevPAR	\$140	1%

Source: STR, CBRE Research

Corporate travel recovery

Mid-week trading conditions have strengthened across major markets, indicating corporate and MICE related travel demand is approaching leisure-based levels. Brisbane and Perth have recorded the strongest improvement in mid-week occupancy since 2022, while Sydney continues to record the highest absolute mid-week occupancy nationally, with Sydney and Melbourne's recovery tempered by the absorption of recent new supply.

Figure 58: Midweek Occupancy Recovery (Tuesday to Thursday)



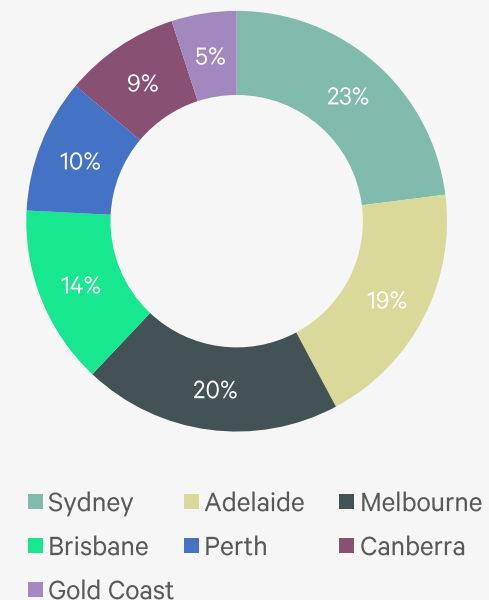
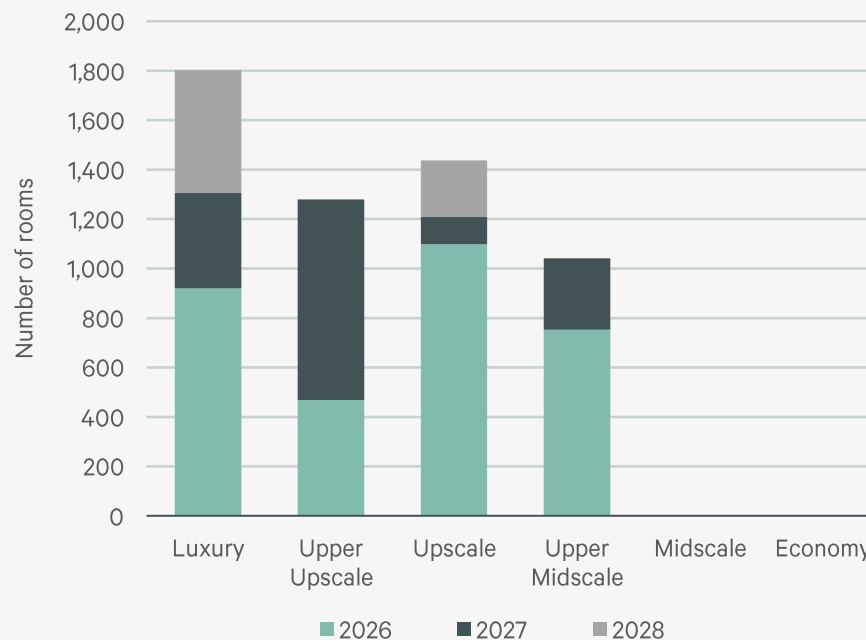
Source: STR, CBRE Research

Hotel supply

Australia’s hotel supply pipeline has continued to moderate, with 10% fewer rooms delivered in 2025 and 14% fewer rooms under construction than a year ago.

There are approximately 5,560 hotel rooms currently under construction nationally, with delivery largely scheduled for 2026 and 2027. Beyond this period, the forward pipeline is thin, with only two projects totalling 724 rooms currently scheduled for completion in 2028. Relative to historical delivery volumes and forecast demand growth, new supply is tracking below medium-term requirements. Supply remains concentrated in Sydney and Melbourne, while Adelaide represents a comparatively elevated share of current construction activity. Brisbane continues to record a modest pipeline.

Figure 59: New supply over 2026 to 2028

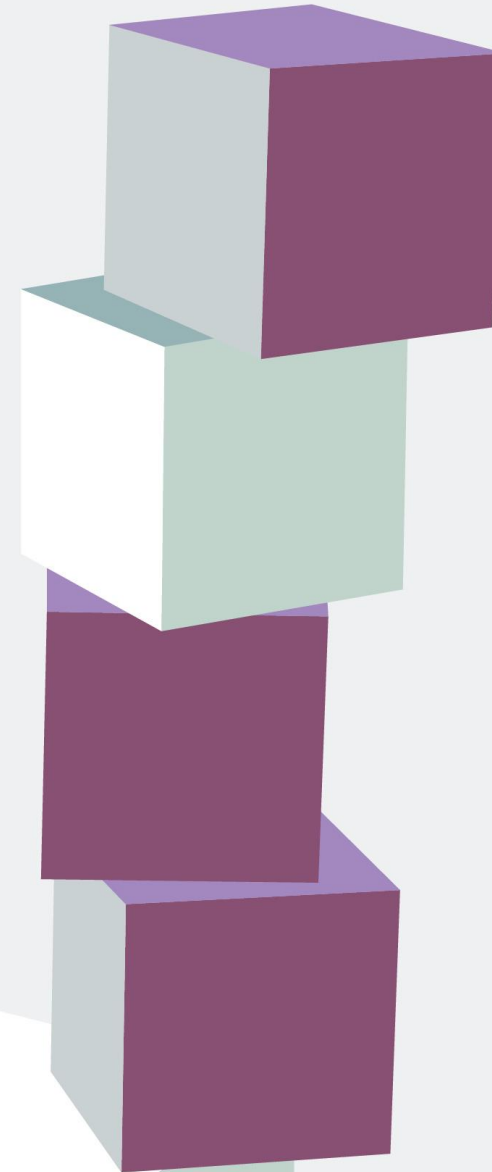


Source: TRA, CBRE Research
 Figures only include CBD and inner-city supply for Sydney, Melbourne and Brisbane

09

Risks

For real estate investors, we see potential changes to property tax as the key risk. Construction and regulatory costs continue to impact new development capex. Near-term occupier demand could also be soft as they balance scope for technology related productivity enhancements.





Property taxes

Land taxes and stamp duty targeting foreign and domestic owners could increase again. We see May/June budgetary cycle as key risk.

Real estate taxes remain an option for Government to fund growing fiscal spend and manage Government debt.



Construction & regulatory costs

Development cost inflation of mid-high single digits could persist, making supply and upgrades challenging.

Upward pressure on energy costs, persistent construction worker shortage and managing natural disaster risk could impact developments.



Occupier demand

Leasing velocity in Office and Retail could fall in 2026, as occupiers confront supply related TINA.

Occupiers are also likely to be cognisant of technology related disruption.



Interest rate cycle

There is scope for the RBA to hike interest rates if inflation remains persistent during 2H 2026 and unemployment has held steady.

Source: CBRE Research



Contacts

Sameer Chopra

Head of Research, Pacific
Sameer.Chopra@cbre.com

Zoltan Moricz

Head of Research, New Zealand
Zoltan.Moricz@cbre.com

David Aguilar

David.Aguilar@cbre.com

Kate Bailey

Kate.Bailey@cbre.com

Thomas Biglands

Thomas.Biglands@cbre.com

Tom Broderick

Tom.Broderick@cbre.com

Tamba Carleton

Tamba.Carleton@cbre.com

Jorge Chang Urrea

Jorge.Changurrea@cbre.com

Cameron Douglas-Perrine

Cameron.DouglasPerrine@cbre.com

Katya Ezhova

Katya.Ezhova@cbre.com

Roger Du

Roger.Du@cbre.com

Ally Gibson

Ally.Gibson@cbre.com

Craig Godber

Craig.Godber@cbre.com

Mitch Hollins

Mitch.Hollins@cbre.com

Sass Jalili

Sass.Jalili@cbre.com

Jesse Lapham

Jesse.Lapham@cbre.com

Izzy O'Hara

Izzy.Ohara@cbre.com

Eza Ranjbar

Eza.Ranjbar@cbre.com

Jack Sywak

jack.sywak@cbre.com

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