AUSTRALIA

CAPITAL MARKETS Q3 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
$15.3B Investment Volume (AUD)	▲	▲
$57.0b Rolling Annual Volume (AUD)	▲	▲
299 properties Sold	▲	▲
30% Foreign Investment	▼	▲

Source: MSCI Real Capital Analytics, Cushman & Wakefield

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.8% GDP Growth	▲	▲
2.1% Consumer Price Index	▲	▲
4.3% Unemployment	▲	▲
4.3% Australian 10-Yr Treasury Yield	▼	▼

Source: ABS, RBA

ECONOMIC OVERVIEW:

A softer September quarter inflation reading reinforced expectations of further easing by the Reserve Bank of Australia after the August cut to 3.60%. Headline inflation slowed to 2.8% year-on-year, while core and trimmed mean measures eased to 2.6% and 2.7%, both within the 2–3% target band. These figures confirm a clear moderation in price pressures, supporting the case for another cut before year-end.

Oxford Economics now forecasts GDP growth of 1.7% in 2025, slightly higher than earlier expectations but still below trend. While household spending shows resilience, business investment remains weak, and global headwinds persist, leaving the outlook subject to further revision.

TOTAL INVESTMENT ACTIVITY:

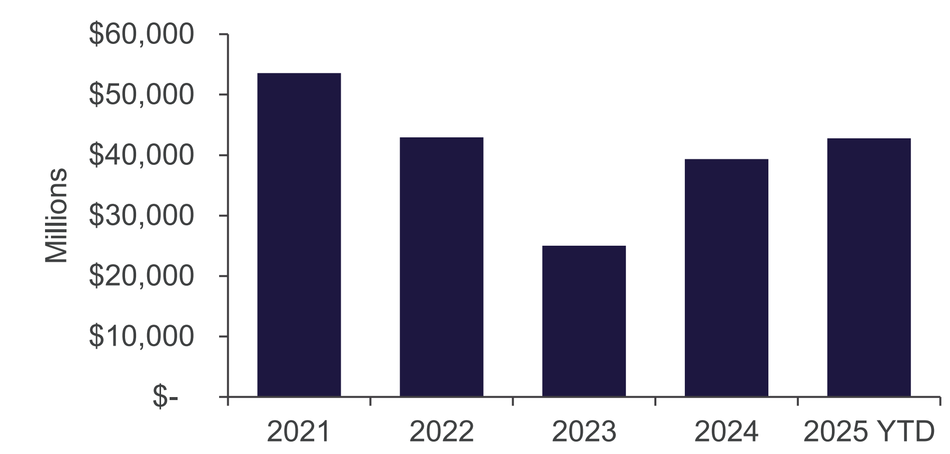
Despite ongoing geopolitical uncertainty across global markets, Australia's commercial real estate investment sector is demonstrating renewed strength and accelerating recovery. Total transaction volumes reached $15.3 billion in Q3 2025, representing the first two consecutive quarters north of $15 billion and underscoring improving investor confidence and sustained market momentum.

This marks the seventh consecutive quarter of rolling annual growth, lifting the 12-month total to $57.0 billion, the strongest result since Q1 2022 and clear evidence that the recovery is gaining pace.

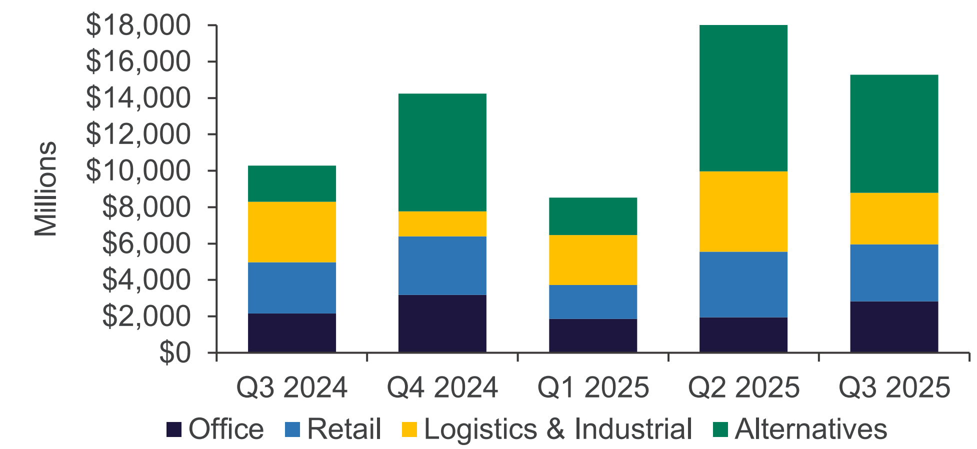
Cross border capital continued to play a pivotal role, contributing $4.6 billion, or approximately 30% of total investment, with $3.6 billion originating from the Asia Pacific region. This reinforces Australia's position as a preferred destination for offshore capital and highlights deepening investor appetite for Australian assets, particularly across alternative sectors.

The Alternatives sector remained the leading investment segment, with $6.5 billion transacted during the quarter, supported by strong demand for living and hotel assets. The Office sector recorded a significant rebound, attracting $2.8 billion and achieving its highest quarterly volume this year. The Logistics and Industrial sector continued to perform well, underpinned by resilient fundamentals and stable occupier demand, also recording $2.8 billion. The Retail sector maintained strong momentum, with $3.1 billion transacted for the quarter and reaching a record 12-month rolling annual volume of $11.8 billion.

INVESTMENT SALES VOLUME

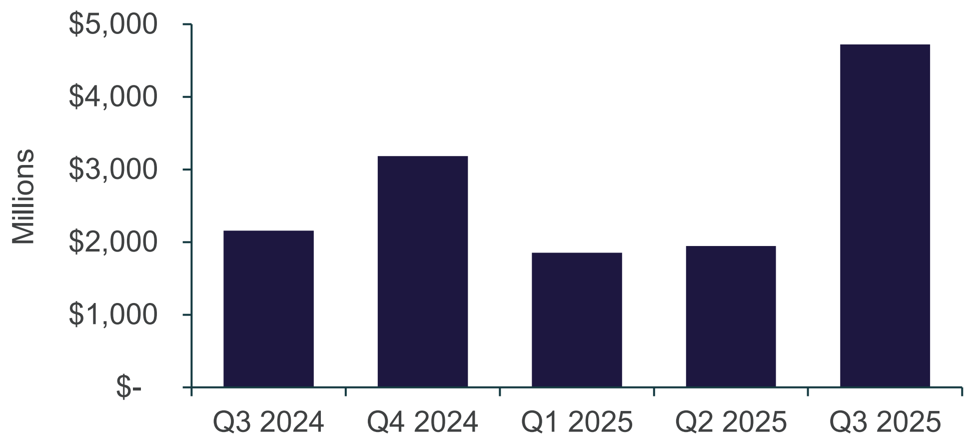


INVESTMENT SALES VOLUME BY SECTOR

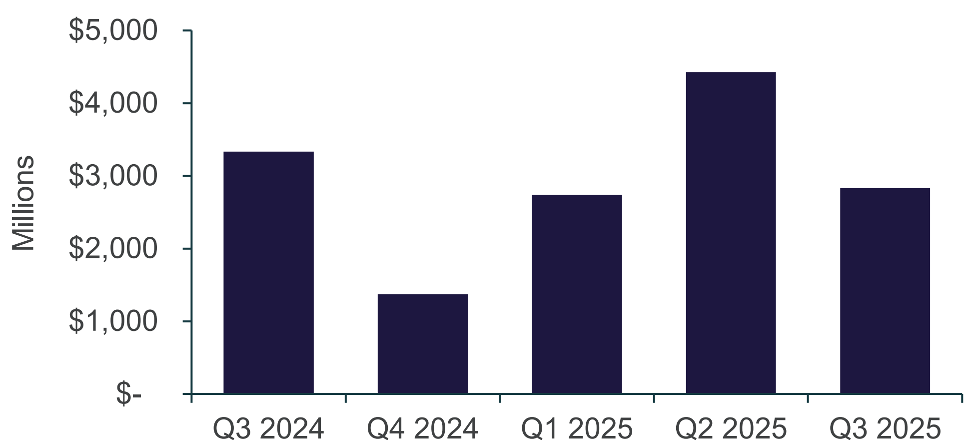


Source: MSCI Real Capital Analytics, Cushman & Wakefield

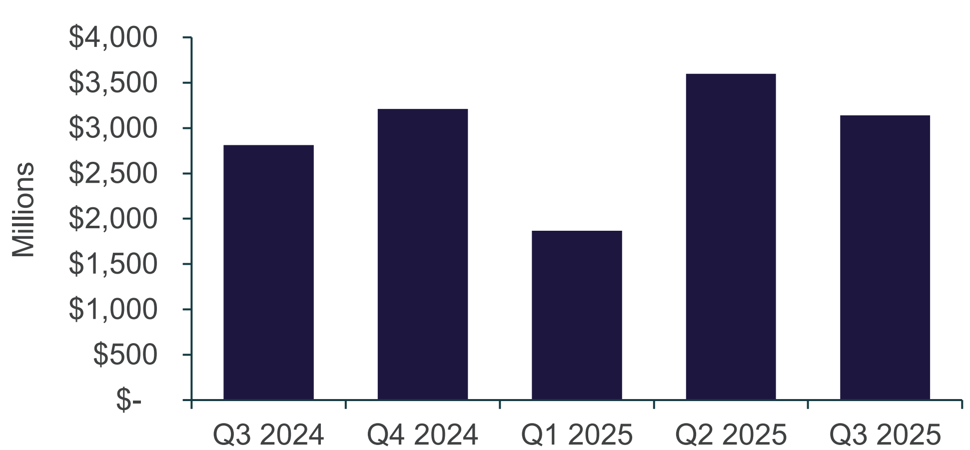
OFFICE



LOGISTICS & INDUSTRIAL



RETAIL



Source: MSCI Real Capital Analytics, Cushman & Wakefield

OFFICE:

While the office sector continues to face some headwinds, clear signs of recovery are emerging. Investment volumes rose sharply to $2.8 billion in Q3, the highest quarterly total this year and in line with the five-year average of $2.8 billion. Although 2025 transaction activity remains below peak-cycle levels, improving market fundamentals are supporting renewed momentum. Across most major office markets, rental growth, stronger tenant absorption, and improving business sentiment are becoming increasingly evident. These factors are laying the groundwork for a more sustained recovery in investor and vendor confidence.

The most significant transaction this quarter was Lendlease's acquisition of 175 Liverpool Street in Sydney for an undisclosed amount from Shimao Group, with plans to develop luxury apartments, with an end value of $2.5 billion.

LOGISTICS & INDUSTRIAL:

The Logistics and Industrial sector continues to outperform, supported by strong rental growth, low vacancy rates, and solid absorption across major markets. Q3 recorded $2.8 billion in transactions, slightly below the previous quarter but remaining above the five-year average of $2.6 billion. The sector continues to attract a deep pool of investors, with sustained momentum underpinned by resilient occupier demand and solid operational performance. Cross-border capital inflows and ongoing portfolio activity, particularly along the eastern seaboard, are expected to continue supporting investment volumes over the near term.

In notable deals for the sector this quarter, PSP Investments out of Canada will allocate $800 million into the Aliro Group Industrial Vehicle (AGIV), which is the company's flagship open-ended industrial fund. Centuria have acquired the Port Adelaide Distribution Centre from Quintessential Equity for $216 million.

RETAIL:

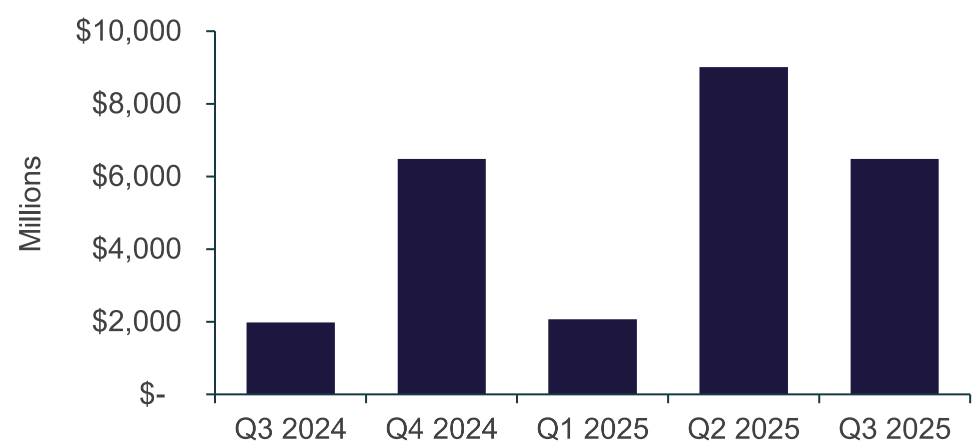
The Retail sector recorded $3.1 billion in Q3 transactions, continuing its strong momentum from Q2. With year-to-date volumes already surpassing the long-term annual average of $7.5 billion, the sector is on track for a standout year. Investor sentiment remains highly positive, with several large transactions anticipated in Q4 expected to further lift annual totals. Institutional, listed, and offshore investors are actively re-entering the market, driving sustained demand across a diverse range of retail asset types.

The largest retail deal of the quarter saw Dexus acquire a 25% stake in Westfield Chermside for $648.8 million from Scentre Group, while in Sydney IP Generation acquired Top Ryde City from Bevillesta for $525 million.

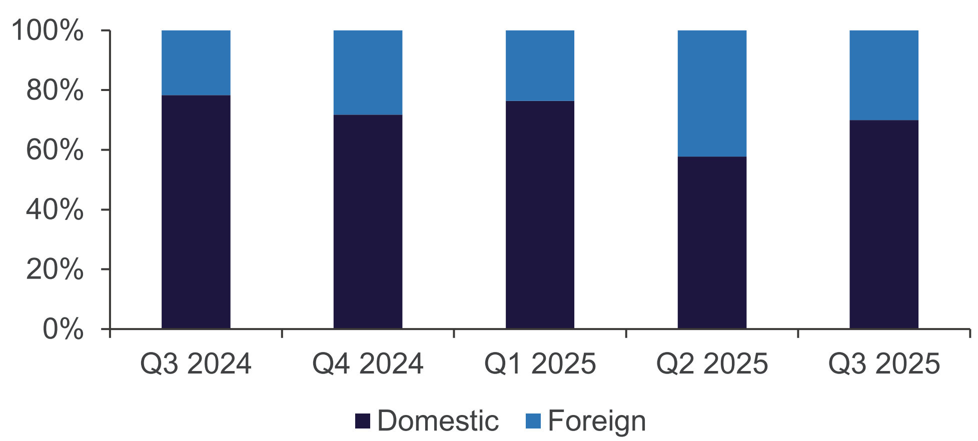
OUTLOOK

- Economic growth is expected to strengthen through 2025 and into 2026, as Gross Domestic Product continues to recover toward longer-term averages.
- 2025 investment volume has already exceeded 2024 full-year levels, reflecting broad-based confidence and renewed capital deployment across asset classes. With improving macroeconomic conditions and increased liquidity, investment activity is expected to remain elevated through the remainder of the year.
- In the Office sector, pricing evidence suggests the market has stabilised and is firmly in the early stages of recovery, although the pace of improvement will vary by city and precinct.
- The Logistics and Industrial sector is expected to experience continued rental growth through 2025, supported by tight vacancy and resilient demand. Foreign capital is also expected to remain an important contributor to investment volumes, particularly across institutional-grade assets.
- The Retail sector is positioned to finish the year strongly, with several significant transactions anticipated in Q4 expected to lift annual volumes further above the long-term average.

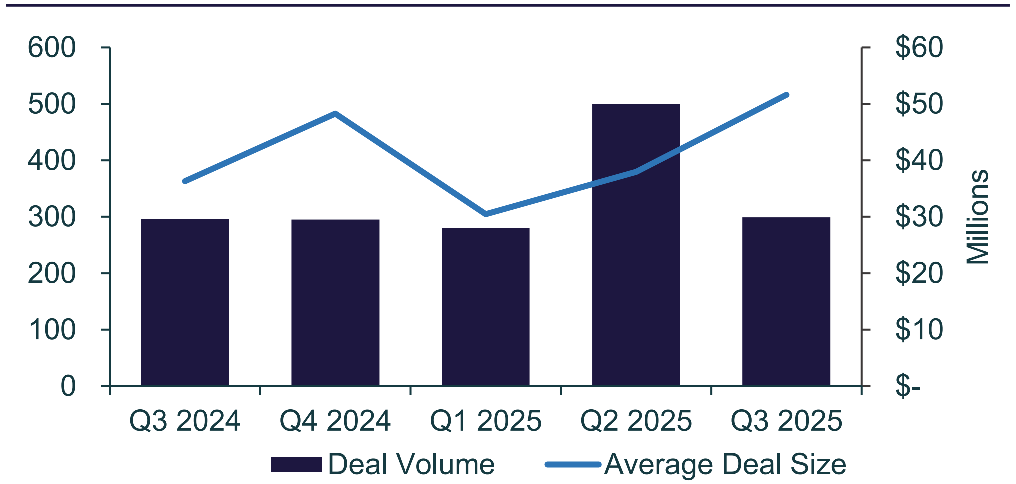
ALTERNATIVES



FOREIGN INVESTMENT



DEAL METRICS



Source: MSCI Real Capital Analytics, Cushman & Wakefield

ALTERNATIVES:

The alternatives sector continued its strong run of activity, recording $6.5 billion in transactions during Q3, maintaining its position as the leading asset class. This quarter was dominated by the living sector and hotel assets, supported by significant cross-border capital and large-scale portfolio transactions. The scale and diversity of these deals reflect growing investor confidence in alternatives as a resilient and increasingly mainstream component of the commercial real estate landscape.

Key deals during the quarter included the $2.3 billion sale of the Infrared Capital Housing Portfolio to IFM Investors. In another significant portfolio deal, Mitsubishi Estate acquired a half stake in the planned $2.3 billion Harbourside mixed use project in Sydney.

FOREIGN INVESTMENT:

Foreign investment remained a significant contributor to Australia's commercial real estate market in Q3, totaling $4.7 billion, or 30% of overall transaction activity. Offshore capital was heavily concentrated in the alternatives sector ($2.54 billion), followed by industrial ($969 million), office ($757 million), and retail ($324 million).

Asia Pacific investors dominated inflows, accounting for $3.6 billion, underscoring Australia's continued appeal as a safe and attractive destination for regional capital deployment. Large-scale transactions and portfolio deals were the primary focus, particularly in sectors offering scale and long-term income streams.

TRANSACTION LOCATION, VOLUME AND SIZE:

In Q3, transaction activity eased from the highs of Q2, with 299 deals recorded compared to 500 last quarter. Despite the decline in deal count, the average deal size increased to $52 million, up from $38 million in Q2. Large-scale transactions continued to shape the market, with deals over $1 billion contributing 46% of total investment volume. This quarter resembled the dynamics seen in 2021 and early 2022, where investment was concentrated in fewer but significantly larger transactions, amplifying the impact of mega-deals on overall performance.

In terms of geographical distribution, New South Wales led investment with 38% followed by Victoria and Western Australia with 20%, while Queensland accounted for 13%. Large multi state portfolios were limited this quarter, accounting for only 6% of total transaction activity, well below last quarters 32% and also down on the 5-year average of 12%.

OUTLOOK

- Investment into the retail sector remains on an upward trajectory, with $1.5 billion in Q3 transactions keeping the market on track to surpass the annual average of $7.5 billion. Strong demand for core assets continues to underpin yield stability, with some compression likely in Q4 as several significant deals reach completion.
- The alternatives sector continues to build on its strong momentum, with living sector assets (including build-to-rent and student accommodation) remaining in high demand through H2 2025 amid growing institutional interest.
- Foreign investment remains a key driver of activity, particularly across logistics, retail, and office assets. While volumes are expected to moderate slightly following a record-breaking first half, offshore capital continues to account for a substantial share of total transaction activity.

SIGNIFICANT SALES

PROPERTY	TYPE	BUYER	SELLER	PURCHASE PRICE (AUDm)	LOCATION
175 Liverpool Street	Office	Lendlease	Shimao Property	N/A	Sydney
InfraRed Capital (AUS) Housing Portfolio 2025	Alternatives	IFM Investors	InfraRed Capital Partners, Curtin University	$2,338	Perth
Harbourside Precinct Mixed Use Development	Alternatives	Mitsubishi Estate Co	Mirvac Group	$2,300	Sydney
Aliro Group Industrial Value Fund (AGIV) Portfolio	Industrial	PSP Investments	Aliro	$800	Aus-Wide
Westfield Chermside	Retail	Dexus	Scentre Group	$648.8 (25%)	Brisbane
Rosebud Retirement Village	Alternatives	Palisade Impact and the Zig Inge Group Pty Ltd	Baptist Village Baxter Ltd	$350	Melbourne
Bankstown Central	Retail	The JY Group	Invest AD, Challenger	$319 (50%)	Sydney

Sources: MSCI Real Capital Analytics, Cushman & Wakefield Research transactions over $5 million

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