MARKETBEAT
AUSTRALIA
CAPITAL MARKETS Q2 2026

MARKET FUNDAMENTALS

	YOY Chg	Outlook
$16.2B Investment Volume (AUD)	▲	▲
$63.7b Rolling Annual Volume (AUD)	▲	▲
491 properties Sold	◀▶	▲
49% Foreign Investment	▼	▲

Source: MSCI Real Capital Analytics, Cushman & Wakefield

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.5% GDP Growth	▲	▼
3.8% Consumer Price Index	▲	▼
4.4% Unemployment	▲	▲
4.8% Australian 10-Yr Treasury Yield	▲	▼

Source: ABS, RBA

ECONOMIC OVERVIEW:

Economic conditions remain mixed, with growth moderating while inflationary pressures continue to build. GDP rose by 0.3% in the March quarter and 2.5% over the year, reflecting softer household and government consumption. Meanwhile, headline CPI rose 3.8% year-on-year in June, while trimmed mean inflation remained at 3.6%.

The RBA held the cash rate at 4.35% in June following three increases earlier in 2026; however, the full impact of tighter monetary policy will continue to flow through the economy over coming months.

TOTAL INVESTMENT ACTIVITY:

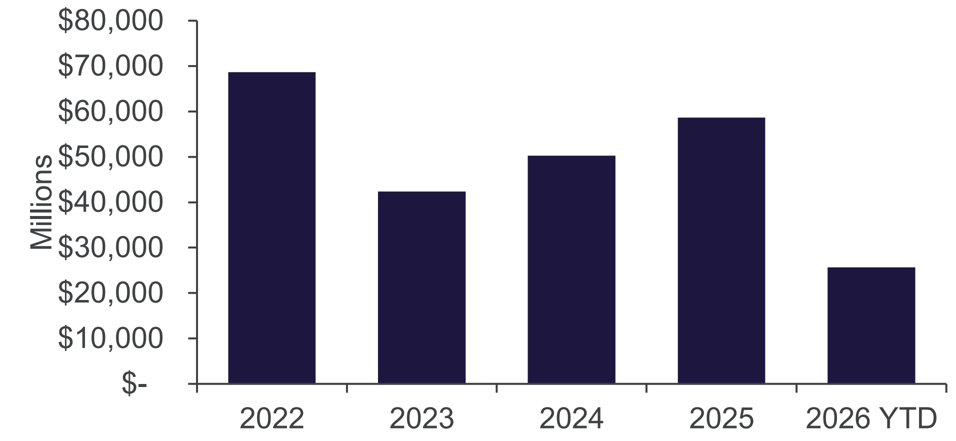
Australia's commercial property market recorded $16.2 billion in transaction volumes during Q2 2026, representing a 70% increase on the previous quarter and a 38% increase year-on-year. The rebound reflects the completion of several large institutional and portfolio transactions, alongside improving market liquidity as investors become increasingly willing to deploy capital following an extended period of price discovery.

Rolling annual investment volumes increased to $63.7 billion, reinforcing the gradual recovery underway across Australia's capital markets. While quarterly activity continues to fluctuate with the timing of larger transactions, the broader trend suggests investors are becoming increasingly comfortable transacting under current market conditions. Improving alignment between buyer and vendor pricing expectations, together with greater confidence in asset valuations and long-term income growth, continues to support transaction activity across multiple sectors.

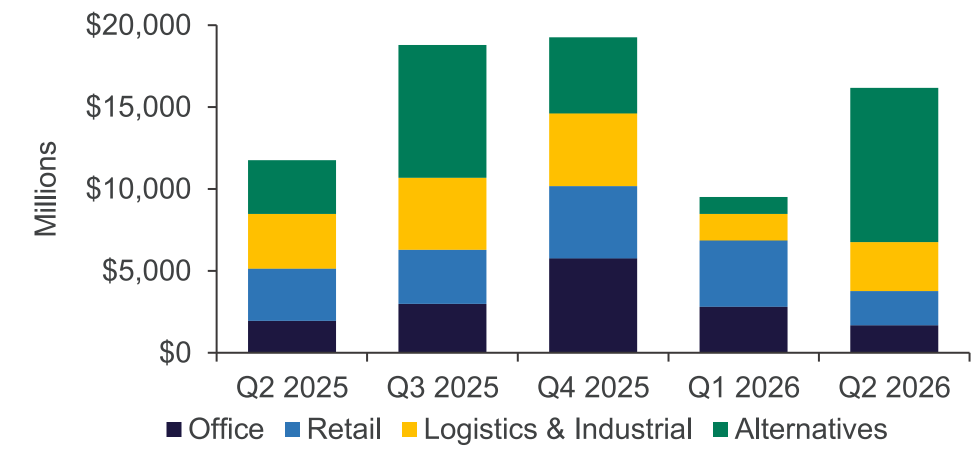
Investment activity during the quarter was led by alternatives, followed by logistics and industrial, retail and office. Alternatives remained the largest contributor as investors continued to favour assets supported by structural demand drivers. Logistics and industrial volumes also recovered strongly following a quieter Q1, while retail remained supported by resilient operating fundamentals. Office investment remained comparatively subdued, with quarterly volumes influenced by transaction timing and a continued focus on premium assets offering secure income and long-term growth potential.

Investor discipline remains evident despite improving confidence. Capital continues to favour assets offering secure income, repositioning opportunities or exposure to long-term structural themes, while secondary assets and opportunities with significant leasing or capital expenditure risk remain more challenging to transact.

INVESTMENT SALES VOLUME

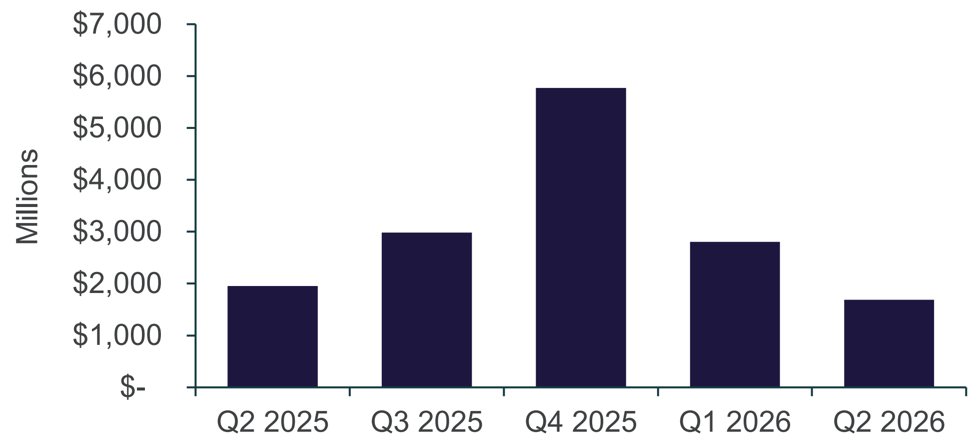


INVESTMENT SALES VOLUME BY SECTOR

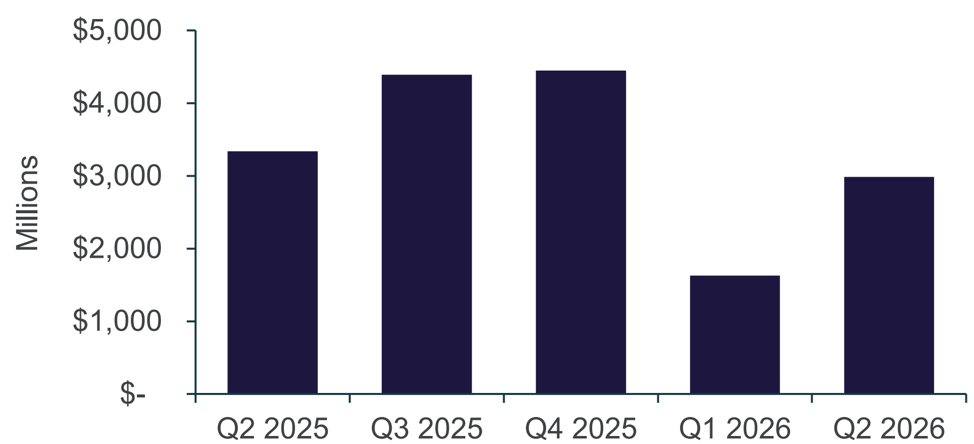


Source: MSCI Real Capital Analytics, Cushman & Wakefield

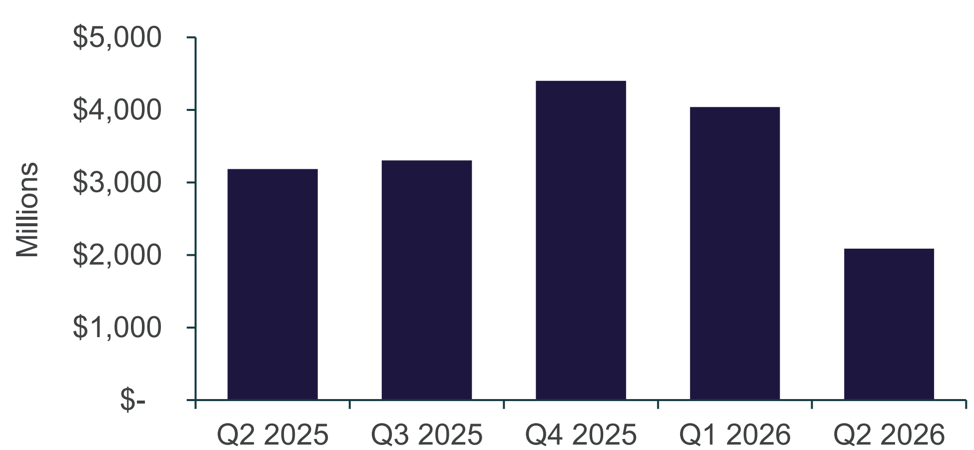
OFFICE



LOGISTICS & INDUSTRIAL



RETAIL



Source: MSCI Real Capital Analytics, Cushman & Wakefield

OFFICE:

Office investment volumes totalled $1.7 billion in Q2 2026, down from the stronger Q1 result and below the same period last year. The softer outcome reflected both a more limited supply of institutional-grade assets and the timing of several larger transactions, with a number of deals settling shortly after the end of the quarter rather than within Q2.

Market activity was led by the $558 million acquisition of 100 Mount Street in North Sydney, alongside transactions including Midtown Plaza Melbourne, Work Zone East Perth, 9 Help Street Chatswood and Brisbane's Edison Telephone Exchange. These transactions demonstrated continued demand for well-located assets offering secure income and asset management opportunities, while secondary assets continued to require sharper pricing or a clearly articulated repositioning strategy.

LOGISTICS & INDUSTRIAL:

Logistics and industrial investment increased to $3.0 billion in Q2 2026 (excludes the Goodman/Soul Patts recapitalisation and Goodman’s divestment of the Moorabbin Airport), rebounding strongly from the subdued Q1 result and remaining above long-term quarterly averages. Activity remained supported by resilient occupier demand, constrained availability of institutional-grade assets across key markets, and investor confidence in the sector's long-term income growth prospects.

Transaction activity was led by several significant institutional deals including 24 Markwell Street, Bowen Hills, the Frasers Melbourne Super Prime Portfolio and 3 Herbert Place, Smithfield. The quarter highlighted the continued depth of capital targeting high-quality logistics assets, with institutional, offshore and private investors actively recycling capital into core locations offering secure income.

RETAIL:

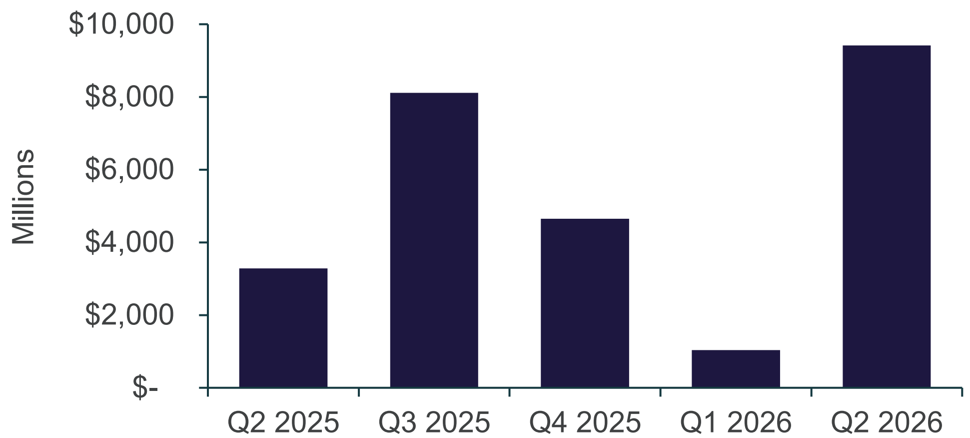
Retail investment totalled $2.1 billion during Q2 2026, moderating from the stronger Q1 result but continuing to outperform historical averages. The sector remained supported by resilient operating fundamentals and strong investor demand for assets capable of delivering secure income, defensive cashflows and long-term rental growth.

The quarter was underpinned by several significant shopping centre transactions, including Uptown Brisbane, Paradise Centre, Burwood Brickworks and Tooronga Village, highlighting continued institutional demand for high-quality retail assets. Large regional and sub-regional shopping centres continued to attract institutional capital, while neighbourhood and convenience centres remained popular with private investors, reflecting growing confidence in the sector's income resilience and long-term operating fundamentals.

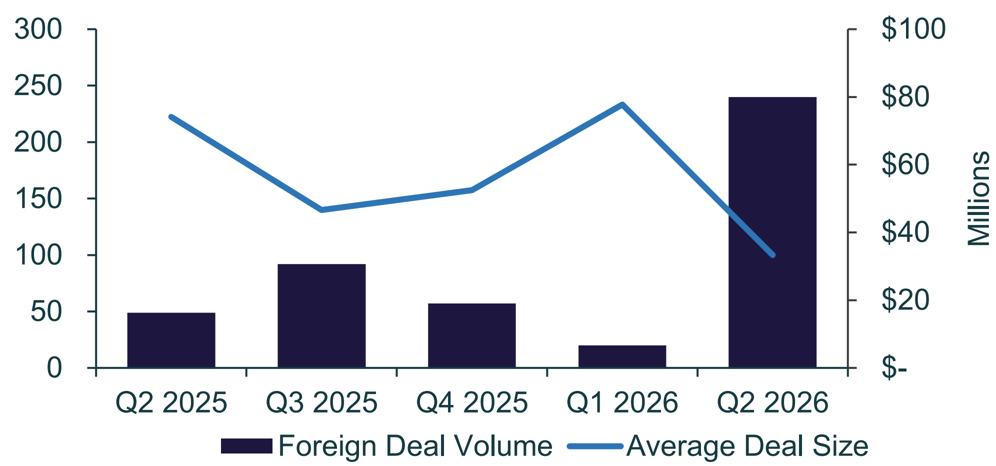
OUTLOOK

- While macroeconomic uncertainty and geopolitical risks remain, investors have become increasingly comfortable operating within the current interest rate environment. As pricing expectations continue to align and financing conditions stabilise, commercial property fundamentals are expected to play a greater role in investment decision-making through the remainder of 2026.
- Investment activity is expected to remain supported through the second half of 2026 as improving pricing certainty, greater market liquidity and a healthier pipeline of institutional opportunities continue to encourage capital deployment. Quarterly volumes are likely to remain influenced by the timing of larger portfolio and platform transactions.
- Office investment activity is expected to strengthen through the second half of the year as several larger transactions complete, although investor demand is likely to remain concentrated in prime CBD and metropolitan assets supported by improving leasing fundamentals and rental growth. Value-add opportunities will continue to transact where pricing appropriately reflects leasing and capital expenditure risk.

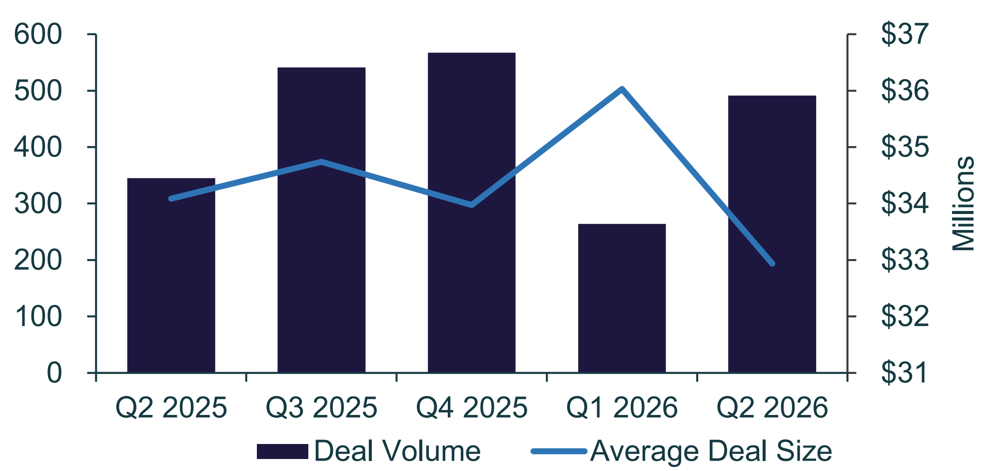
ALTERNATIVES



FOREIGN INVESTMENT



DEAL METRICS



Source: MSCI Real Capital Analytics, Cushman & Wakefield

ALTERNATIVES:

Alternatives investment totalled $9.4 billion in Q2 2026, making it the largest contributor to quarterly investment activity and significantly exceeding historical averages. The result was heavily influenced by several large portfolio and platform transactions, particularly across self-storage and hotels, rather than an equivalent uplift across every alternative subsector.

Activity was led by Brookfield and GIC's acquisition of National Storage REIT ($6.7b), alongside the transfer of Star Entertainment's Queensland hotel interests, the Novotel and Ibis Sydney Darling Harbour transaction, and the hotel component of the Paradise Centre and Novotel Surfers Paradise sale. These transactions highlight investor appetite for scalable operating platforms and larger accommodation portfolios, although the concentration of activity in several major deals amplified the quarterly result.

FOREIGN INVESTMENT:

Foreign investors accounted for 49% of total transaction activity during Q2 2026, contributing $8.0 billion and remaining an important source of liquidity across Australia's commercial property market. While domestic investors continued to underpin activity across the traditional office, retail and industrial sectors, offshore capital was increasingly concentrated within Alternatives, where several large portfolio transactions drove the majority of investment activity.

The divergence highlights differing investment strategies between domestic and offshore investors. Local capital continued to target traditional commercial sectors and value-add opportunities, while international investors pursued larger platform and portfolio acquisitions offering scale, operational expertise and exposure to long-term structural demand themes. Australia's transparent market, stable regulatory environment and favourable long-term population growth continue to support its appeal to global capital.

TRANSACTION LOCATION, VOLUME AND SIZE:

Investment activity strengthened in Q2, with 490 transactions recorded, up from 298 in the previous quarter. The average deal size eased to $33m from $36m, despite several major portfolio transactions, reflecting a broader spread of activity across smaller and mid-market assets alongside the quarter's larger institutional deals.

New South Wales remained the most active market, supported by office, retail and logistics transactions, while Queensland recorded a particularly strong quarter across retail, industrial and hotel assets. Victoria was also a meaningful contributor, with Western Australia and South Australia recording steady deal flow. Although the National Storage transaction and other major portfolio trades lifted overall volumes, the increase in transaction numbers suggests improving liquidity was not confined solely to a handful of mega-deals.

OUTLOOK

- Logistics and industrial investment is expected to remain underpinned by resilient occupier demand, limited availability of institutional-grade assets and continued rental growth. Investor demand is likely to remain strongest for core infill assets offering secure income and opportunities to capture future rental reversion.
- Retail is expected to remain a key contributor to investment activity, supported by resilient operating fundamentals and continued demand for institutional-quality shopping centres. Investor interest is expected to remain broad across regional, neighbourhood and convenience retail, underpinned by secure income and opportunities to enhance long-term asset performance.
- Alternatives are expected to remain a major driver of investment activity as institutional and offshore investors continue to target scalable operating platforms across healthcare, hospitality, self-storage and other operational real estate sectors. Long-term demographic trends and portfolio diversification are expected to continue supporting investor demand.

SIGNIFICANT SALES

PROPERTY	TYPE	BUYER	SELLER	PURCHASE PRICE (AUDm)	LOCATION
National Storage REIT Portfolio	Alternatives	Brookfield & GIC	National Storage REIT	~6,700*	National
Queen's Wharf Brisbane Hotel Assets	Alternatives	Chow Tai Fook & Far East Consortium	The Star Entertainment Group	518	Brisbane, QLD
100 Mount Street	Office	Investa (on behalf of BGO)	Dexus	558	North Sydney, NSW
24 Markwell Street, Bowen Hills	Logistics & Industrial	Charter Hall	Sonic Healthcare	445	Brisbane, QLD
Novotel & Ibis Sydney Darling Harbour	Alternatives	Wentworth Capital	ADIA	~390	Sydney, NSW
Paradise Centre & Novotel Surfers Paradise	Mixed Use (Retail/Hotel)	Pau Jar Group	GPT Group / Schwartz Family Co.	346.5	Gold Coast, QLD
3 Herbert Place, Smithfield	Logistics & Industrial Portfolio	BKC	Goodman Group	127.5	Sydney, NSW

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

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