

dexus

# Australian Real Asset Review

Q2 2026

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Sydney NSW

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# Investment climate

## Heightened global uncertainty

The cautiously optimistic outlook that prevailed through early 2026 has been disrupted by domestic inflation pressures and escalation of the US-Iran conflict. After back-to-back rate hikes, the cash rate now sits at 4.10%, having risen 50bps since the start of the year and unwinding two of 2025's three rate cuts. The 10-year bond yield remains stubbornly high, just under 5%.

Inflation has been sticky, remaining above the RBA's 2-3% target range since October last year. Since then, the cash rate market curve has flipped, further accelerated by the Middle East conflict. The full effects are yet to be reflected in inflation figures, and markets are pricing the cash rate at 4.6% by the end of the year.

Australia's streak of positive business confidence has deteriorated significantly, driven largely by the conflict in the middle east. However, business conditions have held up at +5.7 index points, suggesting underlying activity retains momentum. The share market remains close to record highs.

The medium-term growth outlook has softened. GDP is now forecast to grow at 2.1% in FY26, with a recovery to 2.3% in FY27. Uncertainty is likely to persist throughout the year.

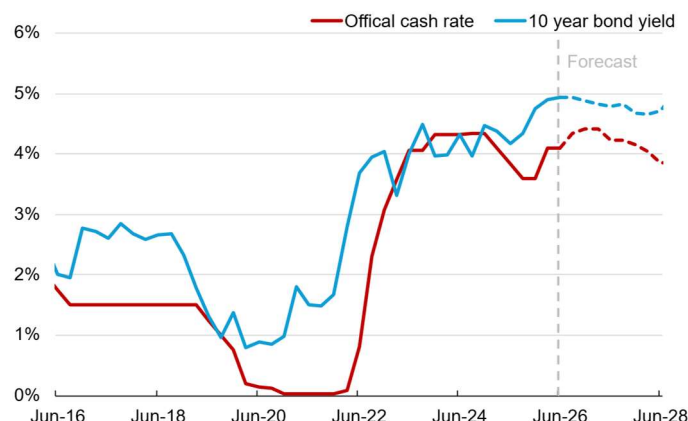
New Zealand's economy held stable, growing marginally by 0.2% in Dec-25, well below expectations. The unemployment rate reached 5.4% in Dec-25, the highest in over a decade. The recovery has been uneven, led by the rural economy and primary sector, while consumer spending remains constrained by weak employment income and soft house prices.

## Australian economic forecasts

	Jun-25	Jun-26	Jun-27
Real GDP pa	1.9%	2.1%	2.3%
Employment pa	2.1%	1.2%	1.7%
Unemployment	4.2%	4.5%	4.6%
Business investment pa	-0.2%	6.6%	3.2%
Dwelling investment pa	5.5%	4.9%	6.9%
Population pa	1.5%	1.3%	1.2%
Retail sales pa	4.2%	5.9%	4.2%
CPI pa	2.1%	4.8%	3.1%
Cash rate	3.8%	4.1%	4.1%

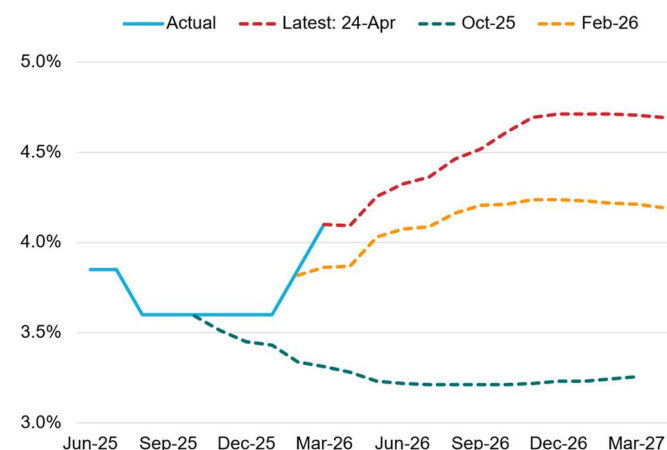
Source: Oxford Economics, Mar-26

## Rising cash rate and bond yields



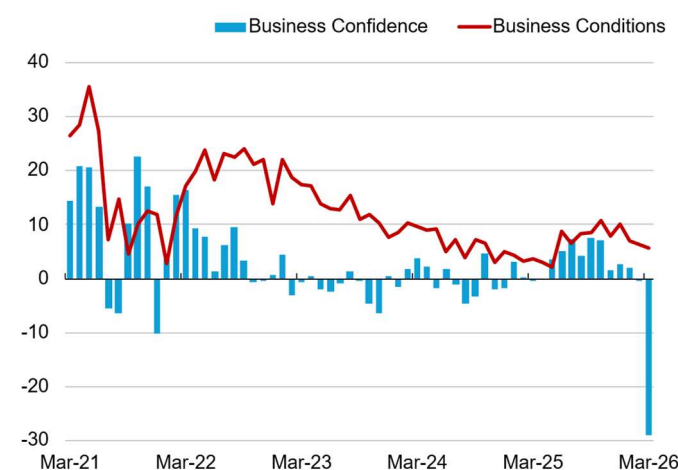
Source: Dexis Research, Bloomberg, Oxford Economics.

## Cash rate outlook has flipped



Source: Dexis Research, RBA, ASX.

## Declining business confidence



Source: Dexis Research, NAB.

# Spotlight: Five forces of Australian real assets

We have released our inaugural *Capital Foresight* report. The paper sets out five key forces shaping Australian real assets, and the portfolio and investment implications we believe matter most through the next cycle. Below is a quick guide to each key force. You can find the full report [here](#).

## Australia's population growth has no developed-world parallel

Australia is forecast to add 1.7 million people over the next five years. No developed peer comes close. An ageing population, international students, and chronic housing undersupply create demand for seniors living, student accommodation, healthcare and housing.

## Core development has slowed; development is rotating to alternatives

Rising construction costs and tighter financing have slowed core real estate development. For owners of stabilised office, retail and infill industrial, less new will convert to rental growth. The development opportunity has moved to living sectors, data centres, and the power and grid infrastructure that services them.

## Technology is reallocating demand for real assets

Capabilities in tech are shifting office activity toward collaborative, client-facing work and away from routine processing that can be done remotely or automated. In logistics, tenants are moving to larger, higher-spec facilities that can support automated handling systems, accelerating obsolescence in older stock. Healthcare benefits from physically anchored demand that grows as technology makes provision cheaper and more accessible. The net effect is positive for real asset demand in aggregate, but the distribution across and within sectors is changing fast.

## A productivity acceleration improves the growth outlook

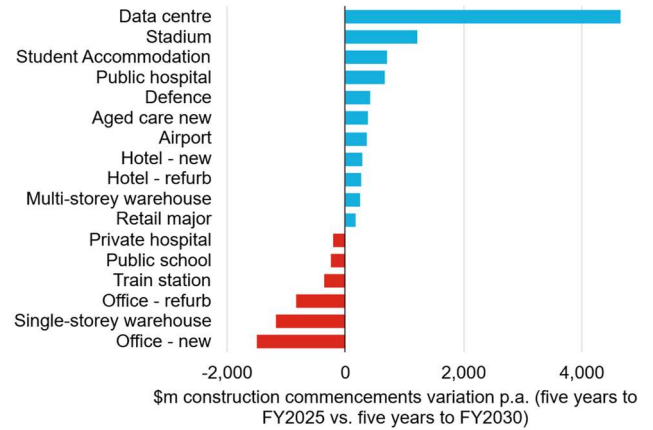
Investors and corporates expect meaningful returns from investment into AI. Australia is well placed to benefit. Its white-collar-heavy labour mix is exactly the kind of work AI augments, and local business confidence in revenue growth sits well above the global average. If productivity gains of even one percentage point per annum are sustained, GDP growth lifts materially, real wages rise, and household spending shifts toward discretionary categories.

## Pricing has left normal ranges

Sydney CBD office spreads, industrial yield cushions and retail pricing relativities have all moved outside historical norms. Some dislocations will prove structural. For example, the spread in effective rents between the Sydney's prime CBD core versus the Western Corridor is the largest on record. Others will revert. Telling the difference requires deep sector expertise.

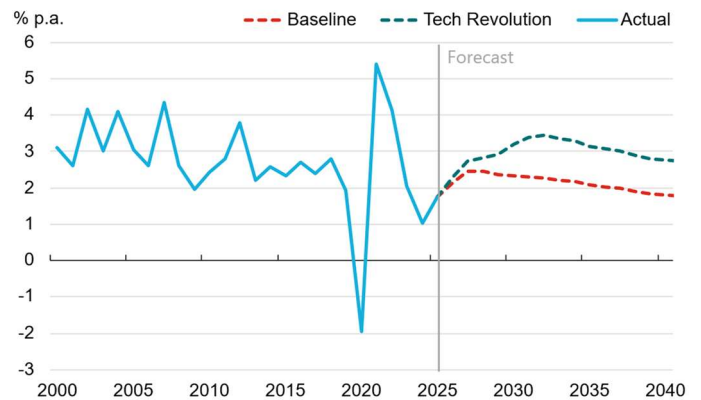
## Construction commencements

Past five years vs next five years



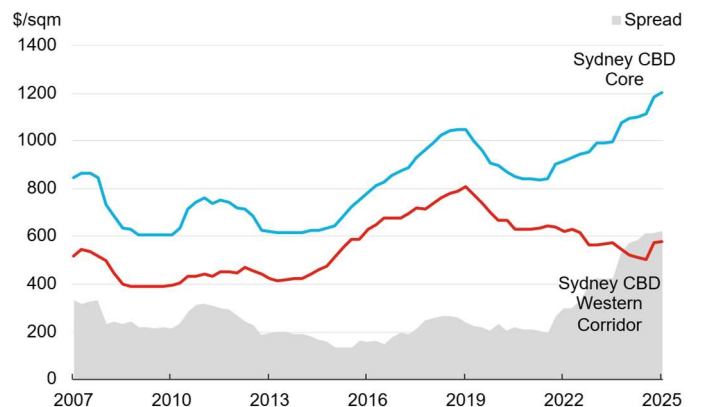
Source: Dexus Research, Oxford Economics.

## Australia GDP growth scenarios



Source: Dexus Research, Oxford Economics.

## Sydney CBD office net effective rents



Source: Dexus Research, CBRE Research.

# Investment Performance

## Diverging signals across listed and unlisted real estate

All unlisted real estate sectors reported positive returns for the quarter to Feb-26. Unlisted wholesale fund returns continue to grow with the all-fund index reporting a positive 7.6% y-o-y return. 3-year returns are continuing to improve as valuation declines of 2022-23 roll out of the measurement window. Retail and industrial funds continued to lead the sectors, returning 9.8% and 8.1% y-o-y (respectively). Office funds have turned decisively positive, supported by firming rents and stabilising capital values. The sustained acceleration in direct returns reflects improving fundamentals across most sectors.

The divergence between listed and unlisted real estate assets widened sharply during the quarter. Listed markets responded rapidly to macro uncertainty, while unlisted real estate performance continued to reflect stabilising values and improving underlying fundamentals.

Both A-REITs and Australian equities sold off during Q1 2026, down 16.6% q-o-q and 1.6% q-o-q, respectively. The selloff was driven by the escalation of the US-Iran conflict and back-to-back RBA rate hikes, which weighed on investor sentiment. Over a three-year horizon, A-REITs have tracked broadly in line with Australian shares, returning 8.1% p.a. compared with 9.5% p.a. Direct real estate is well placed to look through the current uncertainty in the outlook, with valuations far less volatile than listed comparators. Unlisted infrastructure returns remained positive through the quarter.

Real estate transaction volumes were subdued after a strong finish in the Dec-25 quarter. Total transaction volumes were down 43% compared to the same period last year. The pullback was broad-based with retail the relative outperformer for the quarter. Despite the quarterly decline in transaction volumes, rolling annual volumes to Mar-26 remained 19% above the prior year, indicating that recovery in transaction activity through 2025 has not reversed.

## Asset class performance to Q1 2026

	Qtr. %	1 yr % p.a.	3 yr % p.a.
A-REITs <sup>1</sup>	-16.6%	-2.3%	8.1%
Australian shares <sup>2</sup>	-1.6%	11.7%	9.5%
Unlisted infrastructure <sup>3</sup>	2.4%	9.0%	9.5%
Australian cash <sup>4</sup>	0.9%	3.8%	4.1%
Australian fixed interest <sup>5</sup>	-0.3%	1.5%	2.1%
Unlisted property <sup>6</sup>	2.4%	7.6%	-1.8%

Source 1: S&P/ASX 200 A-REIT Accumulation Index

Source 2: S&P/ASX 200 Accumulation Index

Source 3: MSCI Australia Quarterly Private Infrastructure Fund Index (to Dec-25)

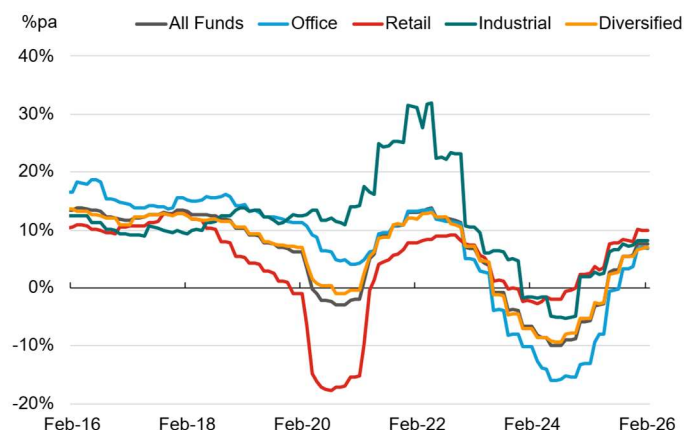
Source 4: Bloomberg BAUBIL Index

Source 5: Bloomberg BACMO Index

Source 6: MSCI/Mercer Australian Core Wholesale Monthly PFI (Feb-26)

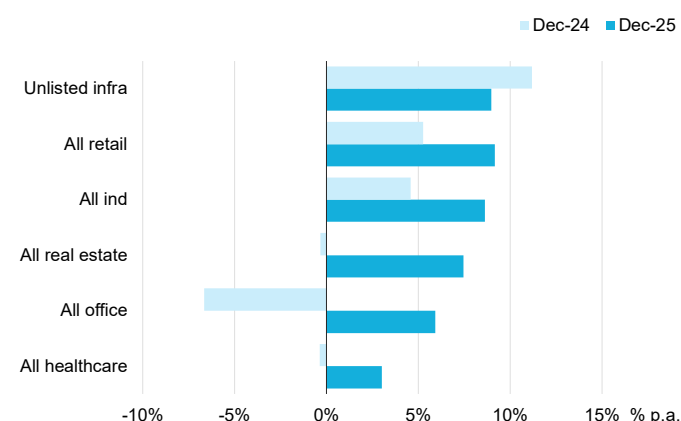
\*Note: unlisted property and infrastructure are NAV pre fees

## Unlisted wholesale fund returns by sector



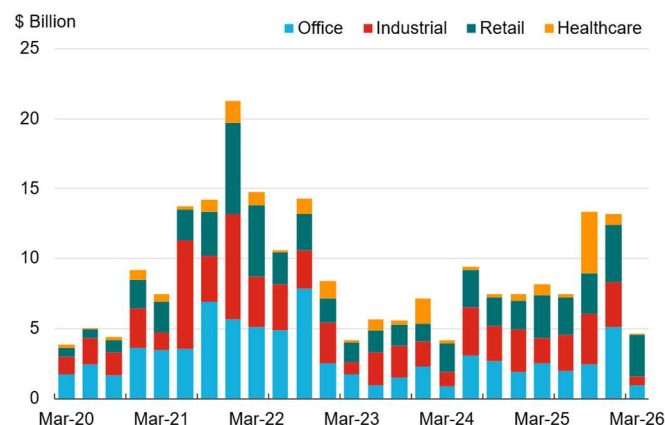
Source: Dexus Research, MSCI.

## Total returns, by sector



Source: Dexus Research, MSCI.

## Australian real estate transaction volumes, by quarter



Source: Dexus Research, MSCI.

# Office

## Office recovery maintains pace, but unevenly

The Australian office sector continues to recover, with improving demand and constrained forward supply reinforcing the rental growth trajectory established over the past year. Sydney and Brisbane CBD remain the best performing office markets nationally. The dominant theme in the sector remains bifurcation, where premium and well-located stock outperforms while secondary space experiences weaker demand.

Net absorption over the past year in Sydney CBD was strong, at 110,000 sqm, well above long-run averages, driven by further improving occupier demand. Vacancy continues to fall and effective rent growth was nearly double digits. Prime Sydney CBD yields have been the first in the office sector to compress this cycle, a clear signal of improving investor sentiment. The demand momentum is broad-based and building.

Brisbane CBD absorbed solidly over the year, driven partially by the completions of 205 North Quay and 360 Queen Street, two towers that together delivered nearly 90,000 sqm. Vacancy rose modestly as a result. The increase is almost entirely supply-driven. Conditions in prime stock are considerably tighter than headline vacancy suggests.

Melbourne CBD delivered a softer result with net absorption declining through the quarter. Melbourne occupier demand conditions remain out-of-step with other Eastern Seaboard office markets. The supply pipeline beyond FY26 is among the smallest on record, with just 10,000 sqm in the forward pipeline. The constraint gives demand time to absorb existing vacancy.

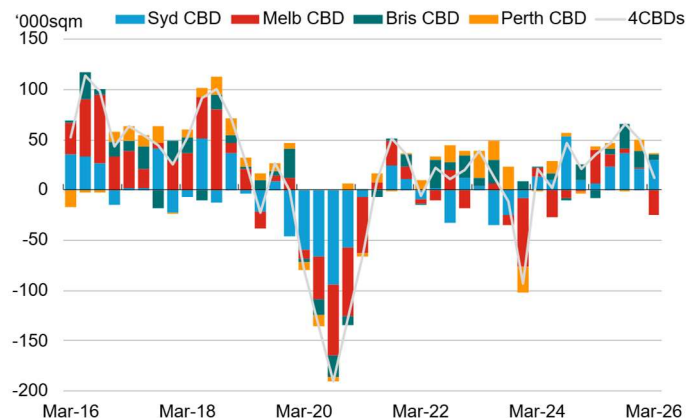
Across the sector, the forward supply pipeline remains the key structural support, projected completions over the next three years are minimal for most markets. Combined with improving take-up and firming rents, the office sector is positioned for continued recovery through 2026.

### Office snapshot Q1 2026

	Total vacancy	Rent growth* % p.a.	Projected net supply FY26-28 (%of stock)
Sydney CBD	14.1%	9.6%	1.0%
North Sydney	24.6%	1.2%	2.4%
Parramatta	22.4%	2.3%	0.0%
SOP / Rhodes	17.0%	-0.5%	0.0%
Melbourne CBD	19.7%	5.8%	1.0%
Brisbane CBD	11.5%	14.4%	1.5%
Perth CBD	16.3%	4.0%	0.0%

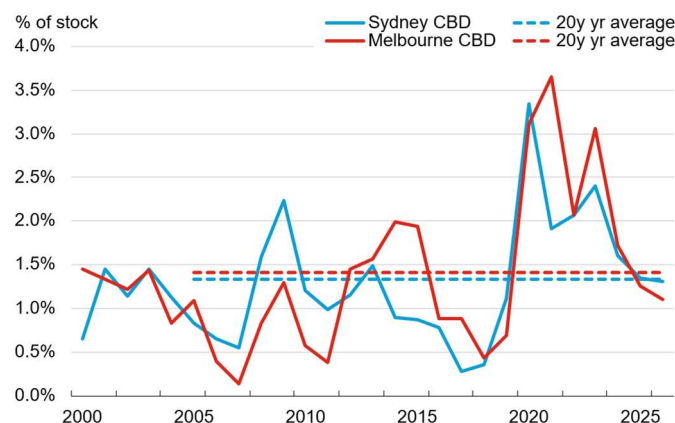
Source: Dexis Research, JLL  
\*Rent growth is net prime effective

## Quarterly net absorption by CBD market



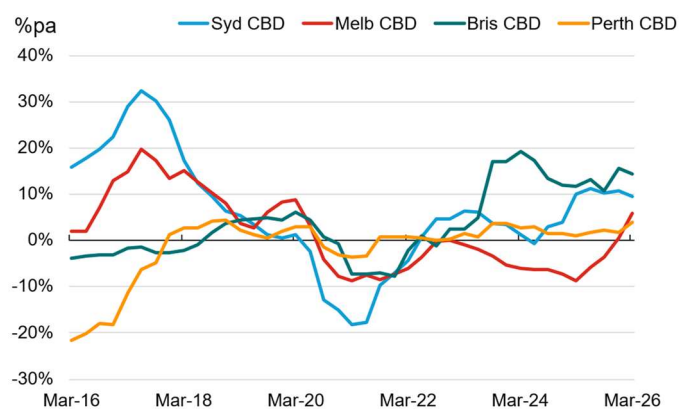
Source: Dexis Research, JLL.

## Sydney CBD and Melbourne CBD sublease vacancy



Source: Dexis Research, JLL.

## Prime net effective rent



Source: Dexis Research, JLL.

## Office market wrap

Market	Comments	Direction of trend for next 12 months
<b>Sydney CBD</b>	The Sydney CBD office market continues to improve. Net absorption of 110,000 sqm over the year was well above long-run averages, driven by occupier demand across the market. Take-up in the March quarter was dominated by smaller tenant moves. Of 21 transactions recorded, only two were for space larger than 5,000 sqm. Demand continues to broaden and fewer tenants are reducing their CBD office footprint. Effective rents grew 9.6% over the year, incentives tightened to 32%, and prime equivalent yields compressed 13 basis points over the quarter.	Vacancy ↓ Rents ↑ Incentives ↓ Yields →
<b>North Sydney</b>	North Sydney vacancy fell in Q1 to 24.6%. It remains elevated following the delivery of more than 60,000 sqm of new supply over the year, dominated by Victoria Cross. The market will take time to absorb the new space. Face rents grew 5.3% over the year, though incentives widened to 41%, leaving net effective growth at just 1.2%. The divergence between grades continues to widen, with conditions in premium buildings far stronger than in secondary stock. Some upside is emerging from potential office-to-residential conversions through the longer-term.	Vacancy → Rents → Incentives ↑ Yields →
<b>Parramatta</b>	Parramatta vacancy fell 150 basis points over the year to 22.4%, aided by the withdrawal of Macquarie Tower at 10 Valentine Avenue for residential conversion, removing more than 16,000 sqm from the market. Net absorption was modest. Effective rents grew 2.3% over the year. No new supply is expected in this market over the next three years, which should support gradual vacancy reduction even with subdued demand.	Vacancy → Rents ↑ Incentives → Yields →
<b>Melbourne CBD</b>	Net absorption was negative for the year, dragged lower by the ATO's contraction from 735 Collins Street and the contraction of Mercer & Marsh from 727 Collins Street to 8 Exhibition Street, taking up considerably less space. Vacancy rose 120 basis points to 19.7%. Effective rents still grew 5.8%, reflecting the bifurcation between premium stock and secondary space that characterises this market. The supply pipeline beyond FY26 is among the smallest on record at just 10,000 sqm, which gives demand time to work through the vacancy overhang.	Vacancy → Rents ↑ Incentives → Yields →
<b>Brisbane CBD</b>	Brisbane remains the fastest-growing CBD office market nationally, with net effective rents up 14.4% over the year. 205 North Quay and 360 Queen Street together delivered nearly 90,000 sqm over the past year, pushing vacancy up 130 basis points to 11.5%. These buildings were well precommitted and vacancy uplift was a result of backfill. Net absorption of 52,000 sqm was solid but could not keep pace with the supply wave. Conditions in prime stock remain considerably tighter than headline vacancy suggests, and the forward pipeline is more manageable.	Vacancy → Rents ↑ Incentives ↓ Yields →
<b>Perth CBD</b>	Perth CBD vacancy rose modestly to 16.3%, despite 18,000 sqm of net absorption. Conditions remain bifurcated between premium and secondary grades. Effective rents grew 4.0% and incentives tightened to 47%. The supply pipeline is effectively empty, with no major completions expected over the next three years, which should support gradual vacancy compression.	Vacancy ↓ Rents ↑ Incentives ↓ Yields →



# Industrial

## Industrial demand steady

The industrial sector continued to normalise through the March quarter, with demand holding up and rent growth moderating after the strong gains of recent years. Around 800,000 sqm of gross take-up was recorded nationally in Q1 2026, led by West Melbourne (127,000 sqm) and South Brisbane (108,000 sqm).

Take-up in West Melbourne sits 20% above its ten-year average, while South Brisbane and South Perth are also tracking well above trend. Outer West Sydney was quieter in the quarter at 61,000 sqm, bringing its twelve-month total to 352,000 sqm, roughly 84% of the long-run average. Logistics and distribution tenants remain the primary source of demand, with pre-lease activity picking up as occupiers secure purpose-built space ahead of completion.

South Brisbane's net effective rents were a standout, rising 3.5% in the quarter as incentives compressed to 15.0%, bucking the national trend. Elsewhere, incentives continue to drift higher, now sitting at 22.5% in Outer West Sydney and 27.5% in West Melbourne. The widening gap between face and effective rents is a key dynamic: landlords are maintaining headline rents while offering more to convert deals.

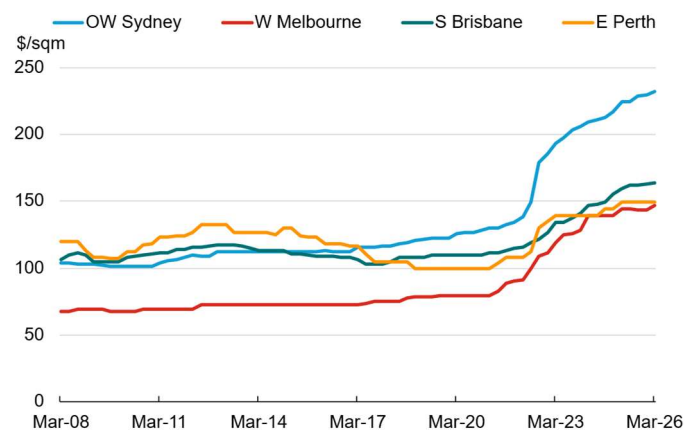
Vacancy edged lower in Melbourne, falling 14 basis points to 5.2%, while Sydney held steady at 5.8%. Both remain low by historical and global standards. Prime yields were flat across all major precincts in the quarter. The combination of stabilising yields, sustained occupier demand and a moderating supply pipeline supports a constructive outlook for income growth, even as the sector adjusts to a more balanced operating environment.

## Industrial snapshot Q1 2026

	Prime cap rate change q-o-q (bps)	Existing prime net face growth % y-o-y
Outer West Sydney	0	3.4%
West Melbourne	0	2.0%
East Perth	0	0.0%
South Sydney	0	0.0%
Inner West Sydney	0	6.2%
Southern Brisbane	0	2.4%

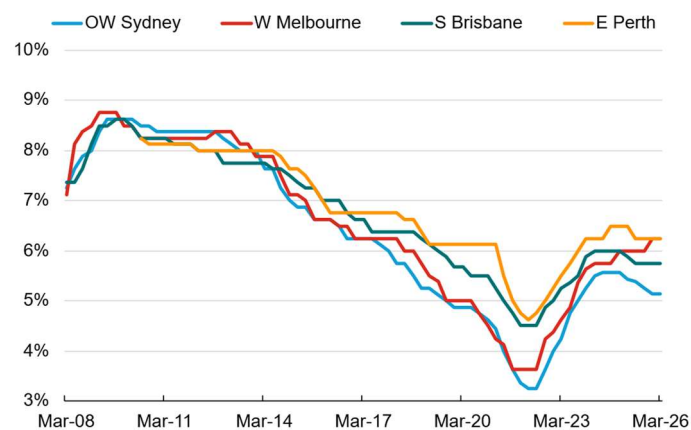
Source: Dexis Research, JLL.

## Industrial net face rents by precinct



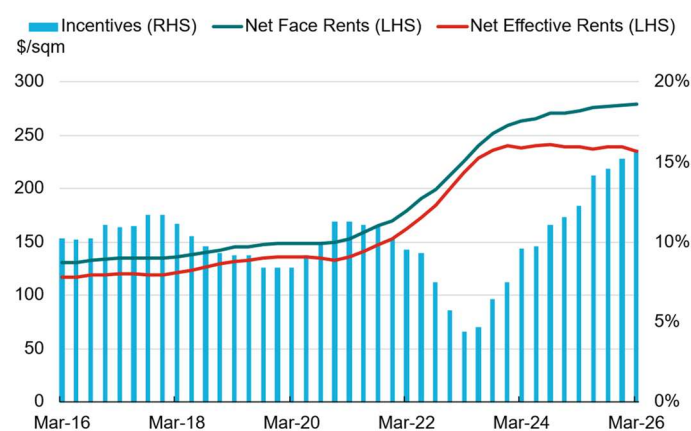
Source: Dexis Research, JLL.

## Industrial prime cap rates by precinct



Source: Dexis Research, JLL.

## Sydney prime net rents and incentives



Source: Dexis Research, Cushman and Wakefield.

# Industrial by region

## Outer West Sydney

Outer West Sydney recorded 61,000 sqm of gross take-up in Q1 2026, bringing the trailing twelve-month total to 352,000 sqm, just shy of the long-run average. This represents a step down from the elevated levels seen through 2025, when close to 600,000 sqm was leased for the calendar year. Parratech Group, a construction company, leased 20,500 sqm in Wetherill Park, and Shiperoo leased 14,300 sqm in Kemps Creek. Net face rents grew 1.1% over the quarter and 3.4% year-on-year to \$232/sqm. Incentives have widened to 22.5%. Prime yields were flat in the quarter at 5.13%.

## West Melbourne

West Melbourne recorded 127,000 sqm of take-up in Q1 2026, bringing the trailing twelve-month total to 656,000 sqm, around 20% above the ten-year average. This continues the stronger demand trend that emerged through 2025. Austracold leased 23,500 sqm in Tottenham in Q1, while the twelve-month period was anchored by Asahi's 47,000 sqm pre-lease in Deer Park in Q4 and Makita's 35,000 sqm commitment in Truganina in Q3. Net face rents grew 2.2% over the quarter to \$147/sqm. Incentives sit at 27.5% and net effective rents were flat through the quarter at \$104/sqm. Prime yields held steady at 6.25%.

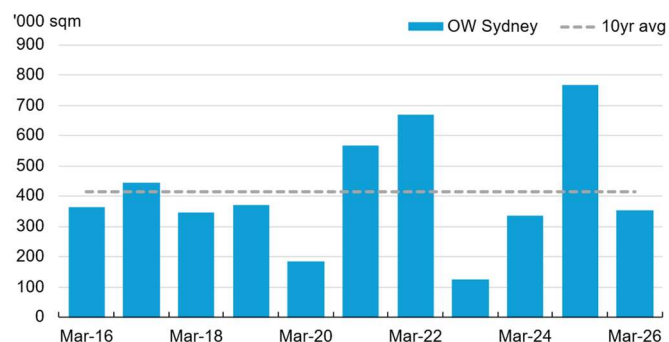
## Brisbane (South & Australian Trade Coast)

South Brisbane recorded 108,000 sqm of take-up in Q1 2026, headlined by Asahi Beverages' 34,000 sqm pre-lease at Redbank. Trailing twelve-month take-up reached 376,000 sqm, comfortably above the ten-year average. The Trade Coast also had a strong quarter at 82,000 sqm, led by Manheim (22,500 sqm, Eagle Farm) and Hyne Timber (21,500 sqm, Murarrie). South Brisbane was a standout nationally, with net effective rents rising 3.5% in the quarter as incentives compressed to 15.0%. Prime yields were flat in both precincts at 5.75% and 5.68% respectively. Brisbane's attractiveness as investment destination is underscored by Amazon's decision to acquire land at Flagstone Logistics Estate in North Maclean for a \$750 million, 150,000 sqm multi-level robotics fulfilment centre.

## Perth (East & South)

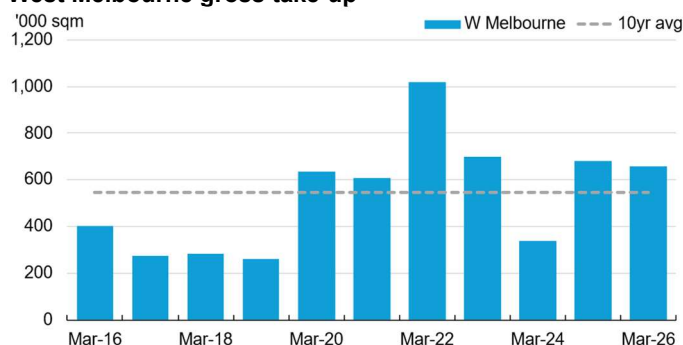
Demand in Perth remains well above the ten-year average. South Perth was the standout in Q1 2026, recording 57,000 sqm of take-up in the quarter alone, led by Milwaukee's 20,000 sqm lease in Canning Vale. The East was quieter in Q1 at 10,700 sqm, though its twelve-month total of 135,000 sqm remains 34% above the ten-year average. Net face rents were flat in both precincts through the quarter, sitting at \$150/sqm in the East and \$140/sqm in the South. Prime yields held steady at 6.25% across both markets.

## Outer West Sydney gross take-up



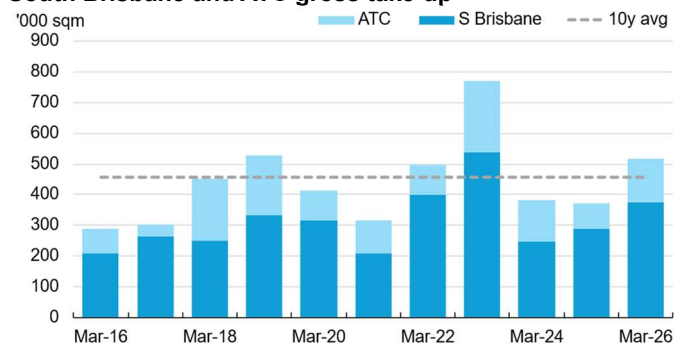
Source: Dexis Research, JLL.

## West Melbourne gross take-up



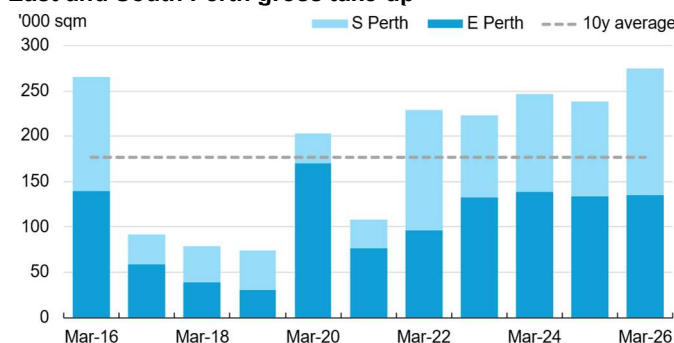
Source: Dexis Research, JLL.

## South Brisbane and ATC gross take-up



Source: Dexis Research, JLL.

## East and South Perth gross take-up



Source: Dexis Research, JLL.

# Retail indicators

## Resilient retail trade despite headwinds

Household spending growth has remained resilient, stabilising around 4-5% y-o-y, and discretionary and non-discretionary spending growth is converging. Total retail spending grew 4.8% y-o-y, led by cafes, restaurants and food services, followed by other retailing. Growth remains above pre-COVID levels, however the outlook points to stabilisation as cost-of-living pressures build and geopolitical uncertainty weighs on household budgets.

The labour market remains resilient but is showing early signs of softening. Employment grew above expectations in February, however, the composition was skewed toward part-time roles.

Consumer confidence has deteriorated, decreasing by 13% since November 2025, sitting firmly in pessimistic territory. Daily survey responses pointed to a material weakening of sentiment following the March rate rise and the escalating conflict in the Middle East. Sustained elevated inflation has pushed CPI above WPI growth, keeping real wages under pressure and eroding purchasing power in the short term. If these pressures are sustained, geopolitical uncertainty and rising costs may flow through to subdued retail spending growth through the remainder of 2026.

Experiential retail again outperformed over the quarter, with food and beverage (F&B) remaining the strongest leasing driver and service categories becoming more embedded in shopping centre performance. However, in the near term, the spending mix is likely to tilt further toward non-discretionary categories as consumers favour essentials over discretionary purchases amid rising uncertainty.

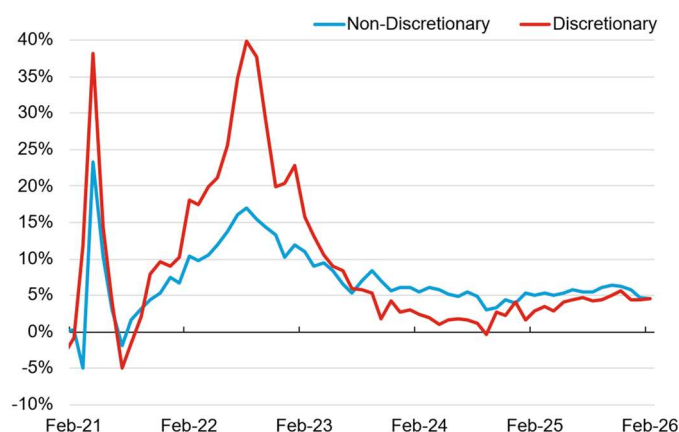
## Retail sales growth by category<sup>1</sup> (Feb-26)

	m-o-m %	y-o-y %
F&B	-0.3%	7.1%
Other	1.0%	8.7%
Department stores	1.4%	3.7%
Clothing	-0.4%	4.9%
Household goods	-0.3%	3.2%
Grocery	0.8%	3.1%
Total	0.4%	4.8%

Source: Dexus Research, ABS

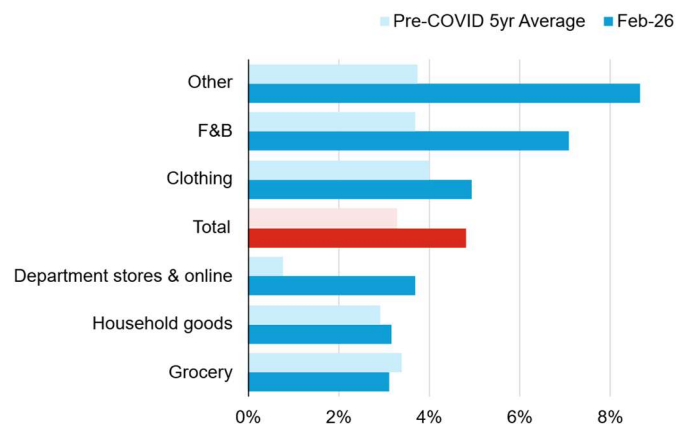
<sup>1</sup>This series uses seasonally adjusted experimental estimates of retail turnover using bank transactions, Department stores also refer to large online retailers.

## Household spending growth



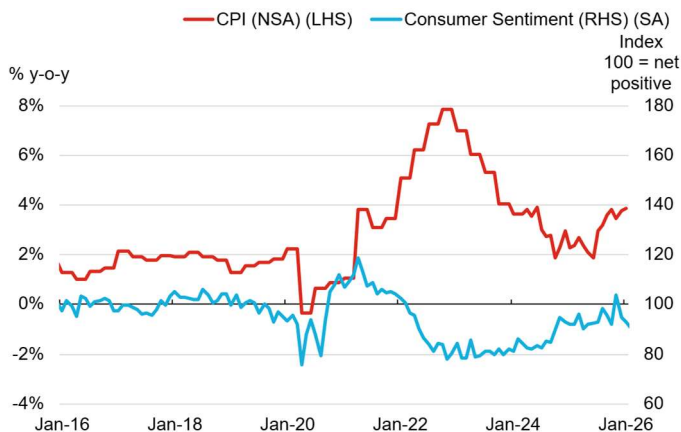
Source: Dexus Research, ABS.

## Retail turnover growth by category



Source: Dexus Research, ABS.

## Consumer sentiment and inflation



Source: Dexus Research, ABS, WMI.

\*CPI series uses monthly inflation data from Apr-24 onwards.

# Retail performance

## Supply scarcity and defensive demand driving the retail sector

Investor interest in retail improved through 2025. Demand for the sector has extended into 2026, underpinned by tight supply conditions and economic tailwinds. Retail unlisted wholesale funds have been the best performing sector in the MSCI Australian Wholesale Index since June 2024, returning 9.8% in the year to February 2026.

Supply remains the defining structural support for the sector, particularly for larger centres. The most recent new super-regional shopping centre to open in Australia was Westfield Bondi Junction in 2004, over two decades ago. With construction costs up by a third in the past five years, no new regional centres are planned, only refurbishments and extensions. Tight supply has supported low vacancy rates with regional centres benefitting most at this stage of the cycle.

Retail yields held flat across regional and sub-regional centres nationally. Transaction volumes were subdued, totalling \$1.7bn, a decrease of 27%, compared to the same period last year.

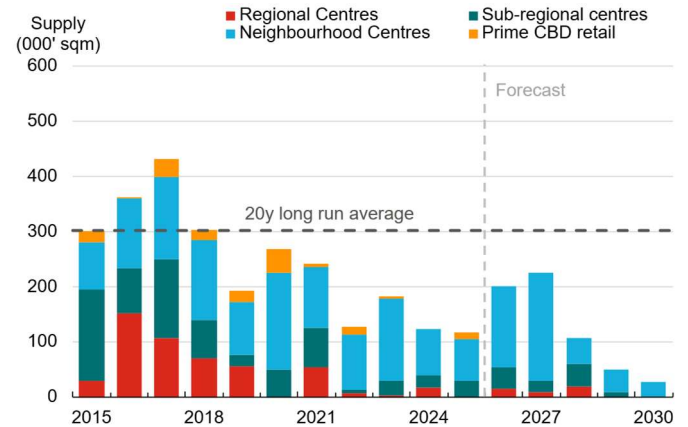
The notable shift in relative pricing dynamics in the retail sector has continued into 2026. For the first time on record, neighbourhood centres are trading at tighter yields than regional centres. This reflects strong investor demand for grocery-anchored, defensive income characteristics, likely to extend as cost pressures rise and consumers pull back on discretionary spending.

### Retail performance snapshot Q1 2026

	Q1 Specialty rent growth % y-o-y	Cap rate change q-o-q (bps)
<b>Sydney</b>		
Regional	3.2%	0
Sub-regional	2.0%	0
Neighbourhood	0.8%	0
<b>Melbourne</b>		
Regional	3.2%	0
Sub-regional	0.5%	0
Neighbourhood	0.6%	0
<b>SE QLD</b>		
Regional	3.8%	0
Sub-regional	1.0%	0
Neighbourhood	0.7%	0

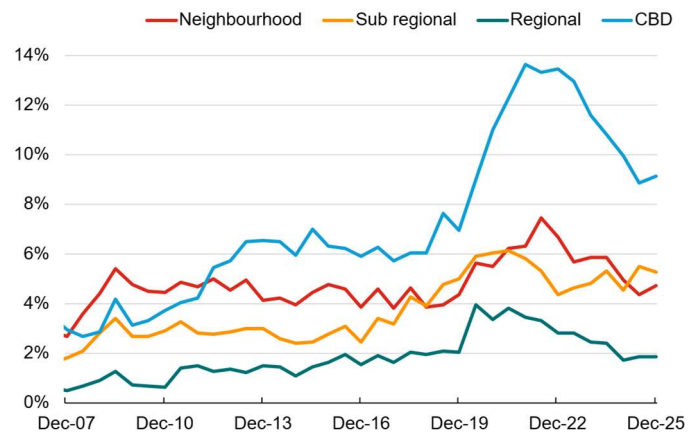
Source: Dexus Research, JLL.

## Retail historic and forecast supply



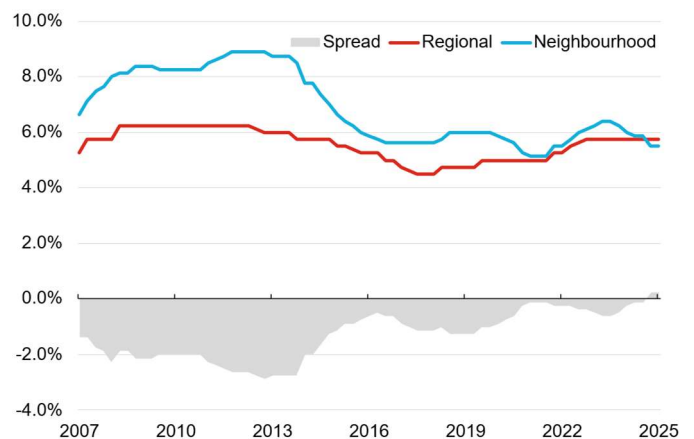
Source: Dexus Research, JLL.

## Average Australian shopping centre vacancy rates by type (specialist shops)



Source: Dexus Research, JLL.

## Sydney Regional and Neighbourhood shopping centre yields



Source: Dexus Research, JLL.

# Healthcare

## Mixed signals in healthcare

The healthcare sector delivered mixed results in the quarter. Funding fundamentals continued to improve, and there remains a structural supply gap, however headwinds persist as the sector works through the repricing cycle.

Total returns for the sector fell marginally in the Dec-25 quarter with medical centres a relative bright spot. Year-on-year, growth remains positive at 3%, trailing behind other sectors. Cap rates drifted slightly up, indicating the slowest repricing of any sector.

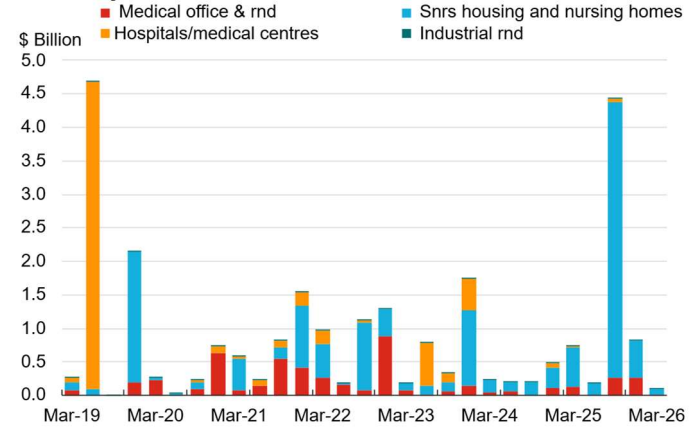
Despite soft investment performance, Government health spending continues to grow, with expenditure estimated to rise 5% in FY26 to \$295bn. Workforce investment is increasing with \$662m allocated over five years to expand GP and nursing training, including 200 new GP training places annually, rising to 400 from 2028.

Public hospital systems continue to operate under significant strain, with elective surgery wait times well above pre-pandemic benchmarks across most states, highlighting structural inefficiencies across the system. While recent measures have been aimed at easing capacity constraints, the inability of the public system to absorb the growing demand is a structural tailwind for private hospital utilisation as patients seek timely access outside the public queue. This dynamic reinforces the defensive characteristics of well-located private hospital assets and underpins occupancy resilience through the cycle.

As of December 2025, over 45% of the population have hospital coverage and over 55% have general treatment coverage, an increase from 2024. In February, the Federal Government approved a 4.41% average increase in private health insurance premiums, with some funds increasing premiums by up to 5%. Increases are effective from 1 April 2026, reflecting the rising cost of delivering hospital and medical services. This is the largest increase since 2017.

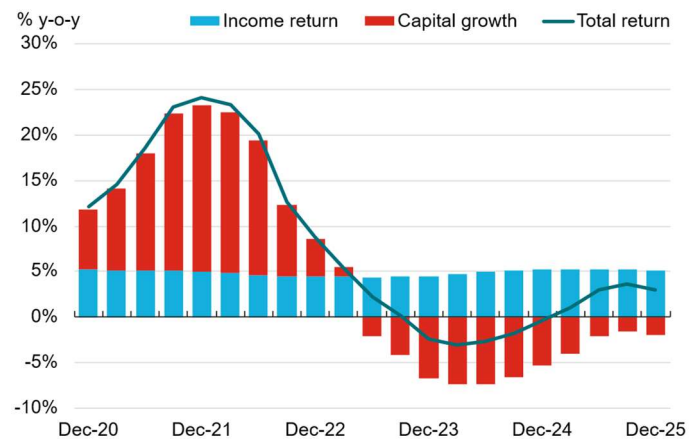
From an investment perspective, the healthcare sector has strong demand themes, driven by demographic composition and usage trends. Demand in the private hospital sector is rising rapidly and the number of projects due to complete is well below the ten-year average. This should help underpin the value of existing hospital assets, even as the sector works through its current repricing cycle.

## Quarterly healthcare transaction volumes



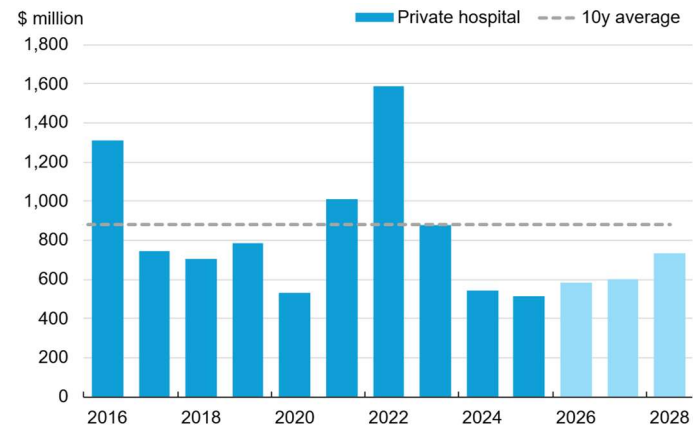
Source: Dexis Research, MSCI Real Assets.

## Healthcare total returns



Source: Dexis Research, MSCI Real Assets.

## Private hospital commencements



Source: Dexis Research, Oxford Economics.

# Alternative Investments

As the economic landscape evolves and investors increasingly seek diversification, alternative investments are coming into focus. Key trends of demographic ageing, constrained housing supply and demand for resilient, long-duration income streams are driving growth in the sector. Retirement living is an increasingly important part of Australia's housing infrastructure, providing purpose-built, community-oriented accommodation for older Australians seeking security, lifestyle amenity and independence.

## The deepening supply gap in retirement living

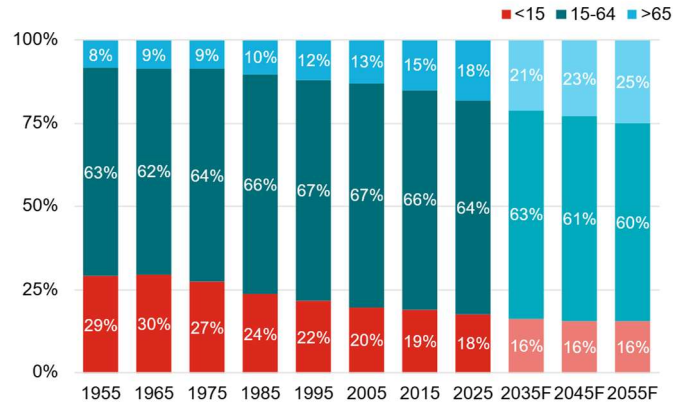
Australia's retirement village sector is supported by strong demographic tailwinds. According to ABS projections, the number of Australians aged 65 and over is expected to nearly double from 3.8 million in 2017 to between 6.4 and 6.7 million by 2042, placing increasing pressure on existing housing infrastructure designed for older Australians. Currently, less than 10% of this cohort lives in a retirement village, pointing to significant latent demand as the population ages.

Despite this, the sector's ability to deliver new supply continues to fall well short. Cushman & Wakefield estimate that the national stock base comprises approximately 230,000 units across more than 700 operators. Yet only around 1,340 independent living units (ILUs) were delivered in 2024, against an estimated annual demand of approximately 7,000 units, meeting less than 20% of need. Elevated construction costs, limited site availability and prolonged planning pathways have constrained the development pipeline, even as underlying demand accelerates.

This imbalance is evident in operating fundamentals. National occupancy reached 96% in 2024, the highest on record. ILU prices have grown above the broader housing market yet remain at approximately 57% of the median house price in equivalent postcodes, preserving affordability appeal for retirees releasing equity from the family home. Contract structures have continued to evolve toward simpler, more transparent models, supporting buyer confidence and faster sales conversion.

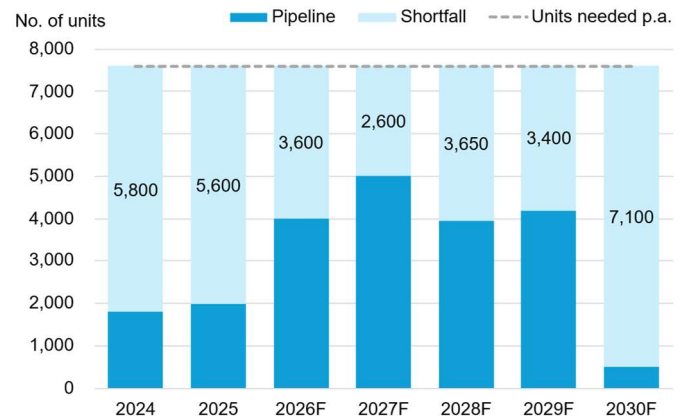
Institutional capital has responded decisively. The \$3.85 billion acquisition of Aveo by The Living Company, backed by South Korea's National Pension Service, marked the largest direct real estate transaction in Australian history. The deal encompassed 65 retirement villages and more than 10,000 units across four states. Invesco Real Estate acquired RetireAustralia for \$845 million, and Keyton divested its Western Australia portfolio of 10 villages to BaptistCare. Collectively, these transactions underscore growing institutional conviction in the sector's demographic tailwinds, constrained supply dynamics and income resilience.

## Proportion of population by age cohort



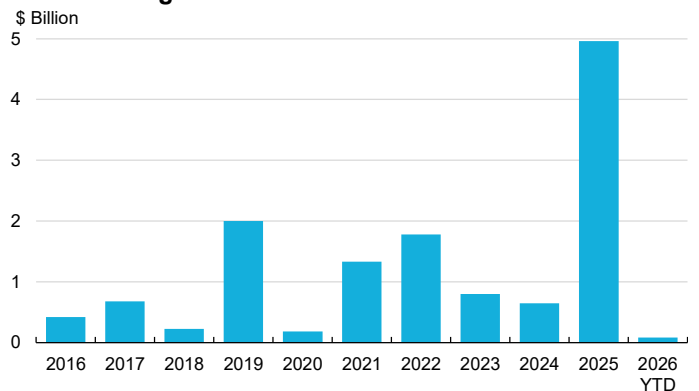
Source: Dexis Research, UN.

## Retirement supply pipeline



Source: Dexis Research, CBRE.

## Seniors living transaction volumes



Source: Dexis Research, MSCI Real Assets.

# Infrastructure

## Sustained tailwinds in infrastructure

The global infrastructure M&A market maintained strong momentum in Q1 2026, with transaction volumes reaching US\$108 billion, extending the surge that defined late 2025. Deal activity was broad-based with volumes in the Asia Pacific growing disproportionately as institutional appetite across the region deepened. Listed infrastructure returns decelerated slightly but still posted 16.8% for the year, above unlisted infrastructure at 9.0% p.a. to Dec-25.

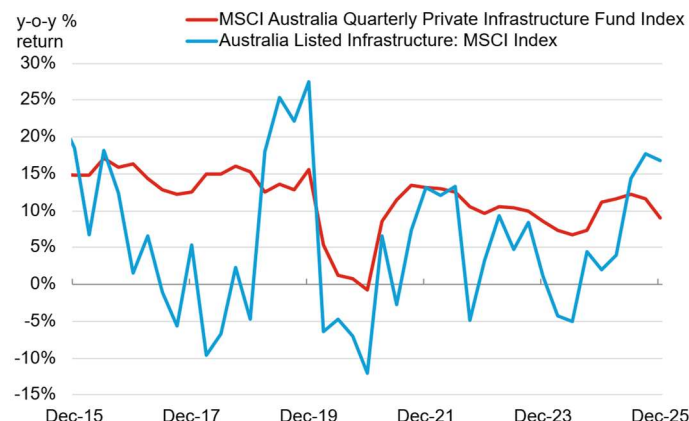
Global private infrastructure totalled US\$225bn for the quarter, led by telecommunications (US\$58bn), power (US\$57bn) and renewables (US\$53bn). The composition of global infrastructure has shifted materially over the past 5 years. Telecommunications have captured a larger share of investment over the last 5 years than it did prior to 2020. The scale of transactions has also increased with deal growth driven by larger average ticket sizes.

The buyer landscape continued to evolve, with superannuation and sovereign wealth funds increasingly active as direct acquirers alongside traditional infrastructure managers, and Japanese corporates emerging as a notable source of cross-border capital. Investor sentiment remained broadly positive underpinned by abundant capital targeting digital transformation and decarbonisation themes and infrastructure dry powder.

Domestically, Australian and New Zealand infrastructure M&A started 2026 at a brisk pace, with Q1 volumes of US\$22 billion across 21 transactions, up 166% from Q4-2025 and 37% year on year. Telecommunications dominated at US\$13bn. Notable transactions included Macquarie's proposed A\$11.7 billion take-private of Qube Holdings, the launch of Ausgrid's sale process for Plus ES (expected ~A\$2–3bn), and Aware Super's decision to sell a 50% stake in SERV (implying ~A\$4bn valuation). These transactions underscore the robust appetite for Australian and New Zealand's stable long-term infrastructure assets across transport and energy to digital and social infrastructure.

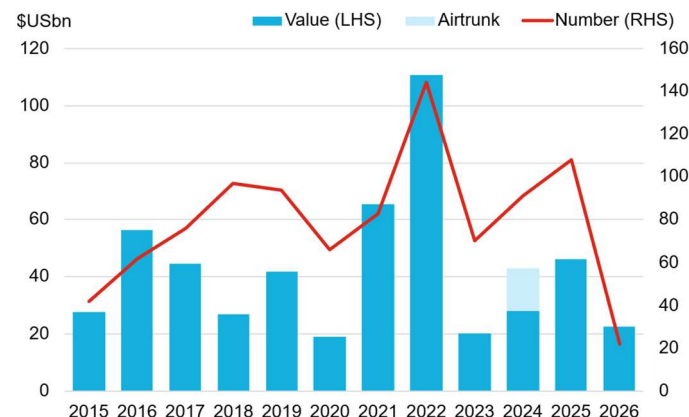
Infrastructure assets remain fundamentally defensive, and the current inflation backdrop may be beneficial for the sector. Contractual and regulatory inflation pass-throughs convert high inflation into higher nominal cash flows rather than margin compression. However, heightened geopolitical tensions, particularly in the Middle East, are expected to contribute to periods of market volatility in coming quarters.

## Australian infrastructure returns



Source: Dexis Research, MSCI Australia Quarterly Private, Infrastructure Fund Index Australia (NAV post fees).

## Australia & NZ private infrastructure transaction volumes



Source: Dexis Research, Infralogic.

## Major infrastructure transactions Q1 2026

Date	Asset	Buyer	Value (US\$m)
Jan 26	Spark New Zealand Data Centre Platform Sale (75% Stake)	PEP Secure Assets Fund	347
Jan 26	UGL Transport Business Sale (50% Stake)	Sojitz	539 <sup>1</sup>
Feb 26	HMC Capital Energy Transition Platform	KKR Global Climate	421
Mar 26	Zenith Energy Sale (2025)	KKR	1,195

Source: Dexis Research, Infralogic.  
<sup>1</sup> Enterprise value



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