dexus

Australian Real Asset Review

Q3 2026

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Brisbane, QLD

Contents

Investment climate

Pressures beginning to ease

The outlook has stabilised since the difficult start to the year. While economic growth remains subdued and uncertainty around the Middle East persists, the downside risks that dominated sentiment earlier in the year have eased. In particular, the risk of a significant oil price shock, further interest rate increases and other adverse economic outcomes now appears lower than was feared in March.

Australia's business confidence has begun to improve. After lows in March, each subsequent month has had material improvements in sentiment, suggesting that the downside fears of the conflict look less likely. The share market remains close to record highs.

The cash rate now sits at 4.35% after the RBA Board elected to hold rates at the June meeting, while 10-year bond yields remain elevated at just under 5%.

Inflation has remained above the RBA's 2-3% target range, though pressures that had accelerated it in early 2026 are beginning to ease. The monthly CPI fell 0.7% in May, with annual inflation easing to 4.0% from 4.2% in April. As a result, economists are divided on the direction of the RBA's next rate move.

GDP is now forecast to grow 2.3% in FY27, a 40bps increase from previous forecasts. This points to a stronger recovery than previously expected, despite the effects of the RBA's tightening cycle.

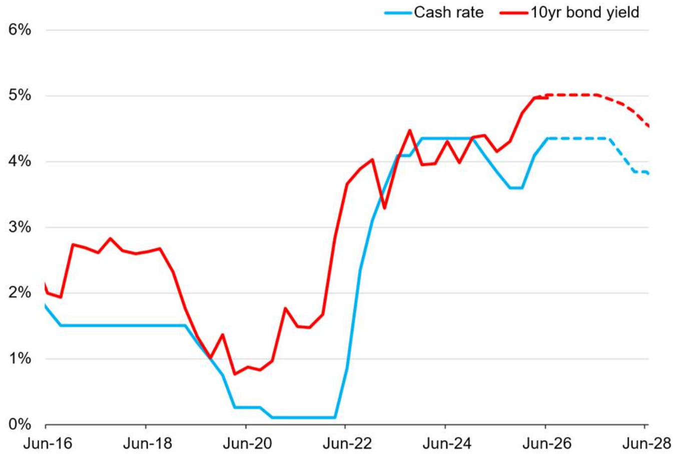
New Zealand's economy remained stable, growing 0.8% y-o-y in the Mar-26 quarter. Unemployment remained high, easing marginally to 5.3% in Mar-26 from 5.4% in Dec-25. The recovery has been uneven, led by the manufacturing sector, while growth remained constrained by decreased activity in the mining sector.

Australian economic forecasts

	Jun-26	Jun-27	Jun-28
Real GDP pa	2.1%	2.3%	1.9%
Employment pa	1.3%	1.5%	1.4%
Unemployment	4.4%	4.7%	4.6%
Business investment pa	12.2%	2.5%	2.1%
Dwelling investment pa	5.1%	6.1%	0.5%
Population pa	1.4%	1.2%	1.2%
Retail sales pa	4.9%	3.9%	3.8%
CPI pa	4.3%	3.1%	2.4%
Cash rate	4.4%	4.4%	3.9%

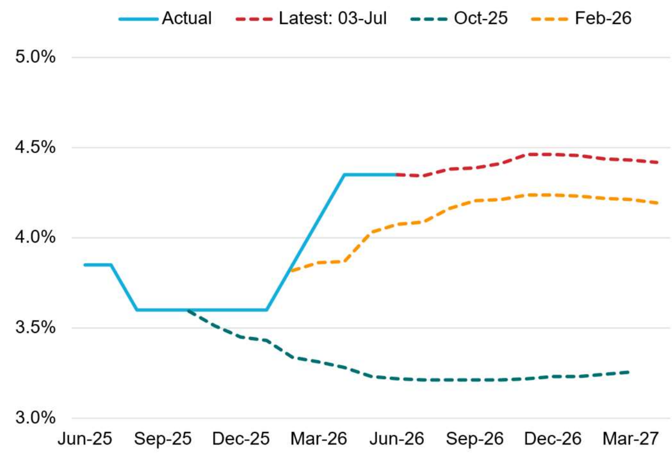
Source: Oxford Economics, Jun-26

Cash rate and bond yields



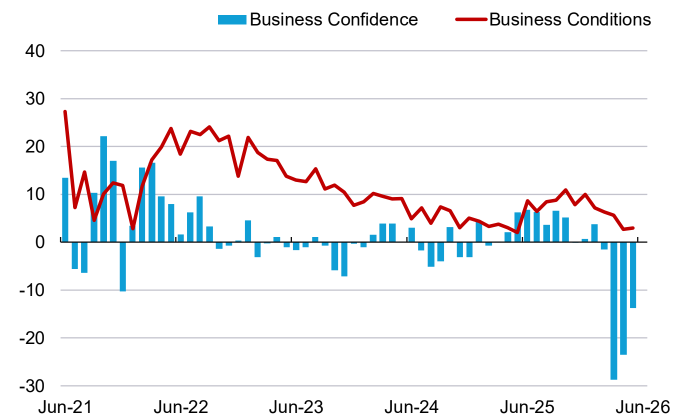
Source: Dexus Research, RBA, Oxford Economics.

Cash rate outlook has flipped



Source: Dexus Research, RBA, ASX.

Recovering business confidence



Source: Dexus Research, NAB.

Spotlight: Australia's development cycle

We have released our latest Australian Real Asset Spotlight, Feasibility first: Navigating Australia's development cycle, co-authored with Oxford Economics Australia. The paper shows that development has not stalled, it has bifurcated, with feasibility now varying sharply by sector, city, asset positioning and timing. Below is a quick overview of the key findings. You can find the full report [here](#).

Office is diverging sharply by city

CBD office development remains below feasibility across all three East coast cities, but the trajectories split. While market rents remain below economic rents, Sydney is approaching a development window on a near-empty pipeline and normalising incentives. Brisbane is improving but exposed to execution risk through the Olympic build. Melbourne, with vacancy above 20%, is structurally challenged and unlikely to see new premium supply at scale in the short-term.

Industrial is development-ready, but land is the story

Industrial development economics remain comparatively resilient, helped by shorter delivery timelines that keep projects closer to feasibility. City outcomes diverge on land economics rather than build costs. Increasing data centre demand will compete directly for industrial-zoned land in key precincts.

Retail is supply-constrained and approaching its next chapter

Regional shopping centres are broadly at or around feasibility today, with conditions generally expected to improve through the decade. Constrained new supply is supporting income resilience and pricing power for existing dominant assets, particularly in catchments benefiting from population growth.

Purpose-built student accommodation is the clearest development opportunity

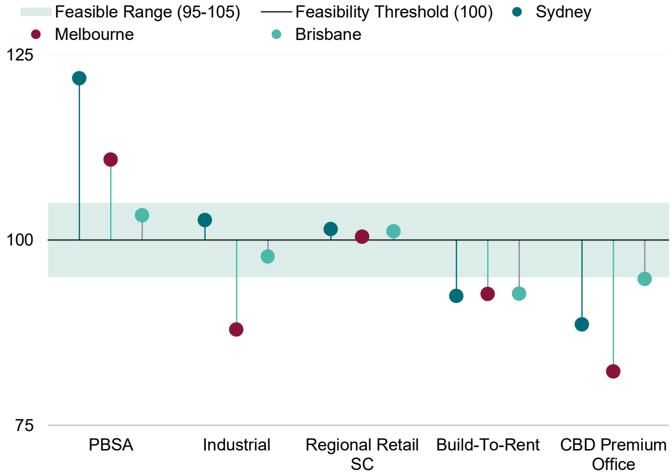
PBSA is the only sector consistently above feasibility across Sydney, Melbourne and Brisbane today. Purpose-built supply serves just 6% of Australia's full-time students, compared to 45% in the United Kingdom. A national pipeline of around 42,000 beds between 2026 and 2030 still leaves Sydney alone short by an estimated 25,000 beds.

Build-to-rent is a long duration income play

Despite strong rental demand, current rents sit 8-16% below the levels needed to justify new builds across Sydney, Melbourne and Brisbane. Construction costs are forecast to outpace rental income growth through to 2035.

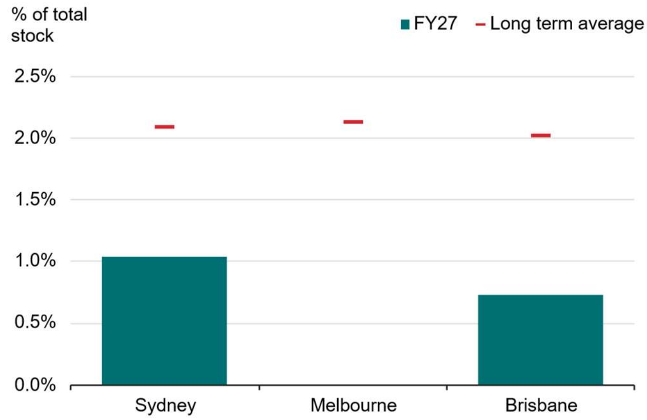
Feasibility ratios, by asset type and city

Higher = more feasible



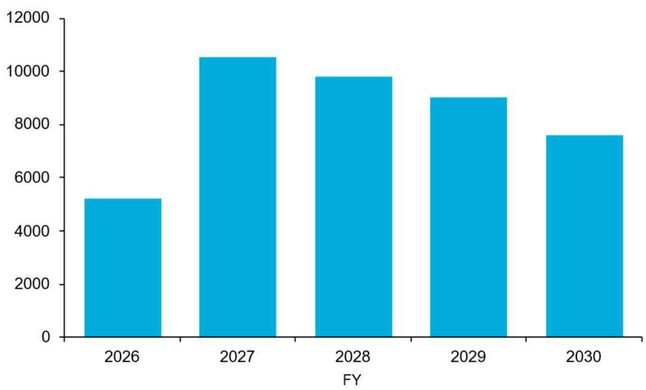
Source: Oxford Economics, Dexus Research

Completions as a percentage of total stock, CBD office, by city



Source: Dexus Research, JLL

Number of completions, PBSA Beds, National



Source: Oxford Economics

Investment performance

Unlisted assets look-through uncertainty

Market sentiment improved during the quarter as concerns around oil prices eased, supporting stronger returns across most asset classes. A-REITs returned 13.7% through the quarter, outperforming Australian shares by 9.7%. In contrast, direct real estate continued to demonstrate its defensive characteristics, with valuations remaining significantly less volatile than listed markets. The subsequent recovery in unlisted markets was more measured.

All unlisted real estate sectors delivered positive returns in the June quarter, with the MSCI wholesale fund index posting a positive 9.7% y-o-y return. Three-year returns continue to strengthen as valuation declines from 2022-23 progressively roll out of the measurement period. Industrial and retail funds remained the strongest performers, delivering 11.4% and 10.8% y-o-y returns respectively, while office performance continued to improve on the back of rental growth and stabilising capital values. The sustained improvement in direct property returns reflects strengthening fundamentals across most sectors.

Australian commercial real estate transaction volumes moderated in the June-26 quarter, with total sales of $8 billion, down 40% y-o-y. However, offshore capital remains highly active, accounting for approximately 29% of 2026 YTD transaction volumes. Investment activity has been led by buyers from the US, Hong Kong, Singapore and Japan, underscoring continued international conviction in Australian real estate.

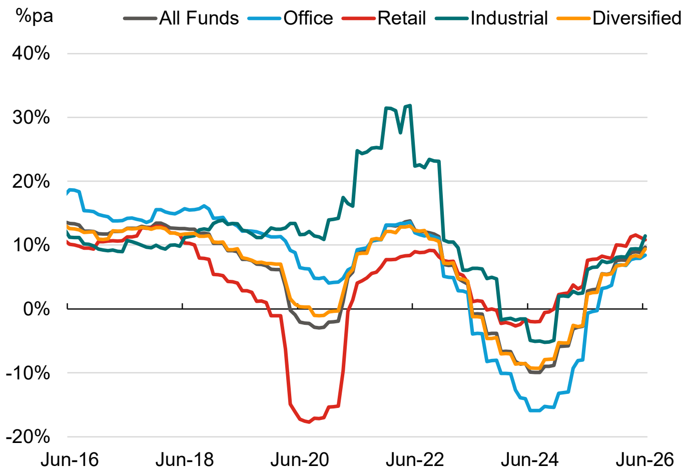
Over the longer term, recent CGT budget changes tilt positively toward REITs and yield-bearing commercial real assets and away from growth-oriented investments. By replacing the CGT discount with indexation and a 30% minimum tax the reform reduces the after-tax advantage that made low-yield, capital-growth assets competitive, shifting incentives toward income and strengthening the relative return profile of income-structured real assets.

Asset class performance to Q2 2026

	Qtr. %	1 yr % p.a.	3 yr % p.a.
A-REITs[1]	13.7%	-2.2%	11.6%
Australian shares[2]	4.0%	6.1%	10.6%
Unlisted infrastructure[3]	1.5%	8.3%	9.1%
Australian cash[4]	1.1%	3.9%	4.2%
Australian fixed interest[5]	2.6%	1.5%	4.0%
Unlisted property[6]	2.2%	9.7%	0.5%

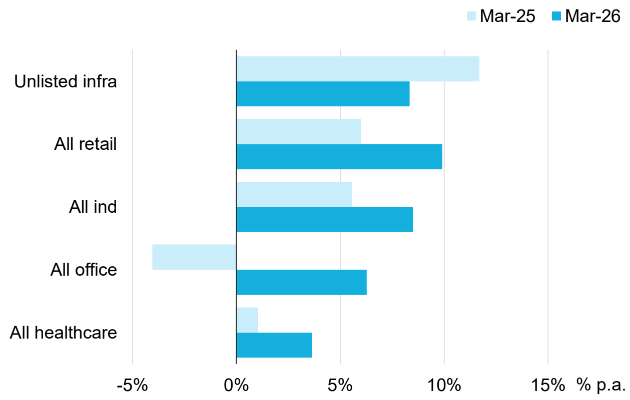
Source 1: S&P/ASX 200 A-REIT Accumulation Index
Source 2: S&P/ASX 200 Accumulation Index
Source 3: MSCI Australia Quarterly Private Infrastructure Fund Index (to Mar-26)
Source 4: Bloomberg BAUBIL Index
Source 5: Bloomberg BACM0 Index
Source 6: MSCI/Mercer Australian Core Wholesale Monthly PFI (Jun-26)
*Note: unlisted property and infrastructure are NAV pre fees

Unlisted wholesale fund returns by sector



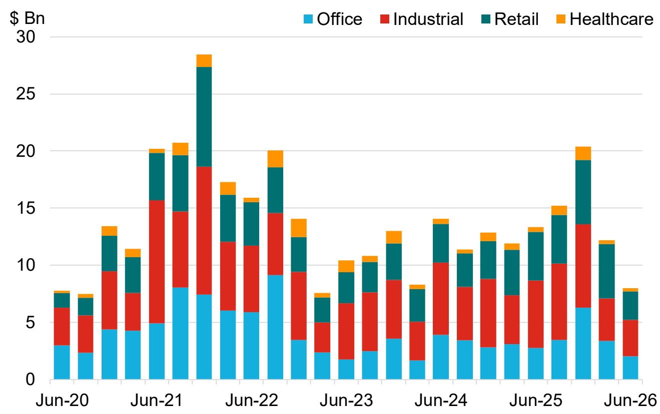
Source: Dexus Research, MSCI.

Annual total returns by sector



Source: Dexus Research, MSCI.

Australian real estate transaction volumes, by quarter



Source: Dexus Research, MSCI.

Office

Positioned for continued recovery into FY27

Despite the uncertain economic environment, Australian CBD office demand improved over the quarter. Four of six CBDs recorded positive net absorption. The theme of bifurcation remains pronounced in the sector, where prime, well-located stock with strong amenity outperforms and secondary space experiences weaker demand.

Net absorption has been positive for 10 consecutive quarters in Sydney CBD. Net absorption over the year is 96,000 sqm, well over the 20y average of 20,000 sqm. As a result of sustained occupier demand, vacancy continues to fall and prime net effective rent growth recorded 9% for FY26. Prime Sydney CBD yields were stable this quarter, after compressing late last year.

Brisbane CBD experienced the strongest net absorption this quarter, at 21,000 sqm. Occupier demand was consistent across grades and supported by tenant growth across various SME groups and centralisations. The notable lease of ConocoPhillips for 3,200 sqm of space, demonstrates the continued centralisation and flight to quality theme seen in the sector.

Melbourne CBD net absorption improved through the quarter after a soft Q1. However, Melbourne occupier demand conditions remain out-of-step with other Eastern Seaboard office markets. Leasing activity has started to pick up with notable transactions attributed to Finance and Insurance Services and an uptick in tenant rep briefs.

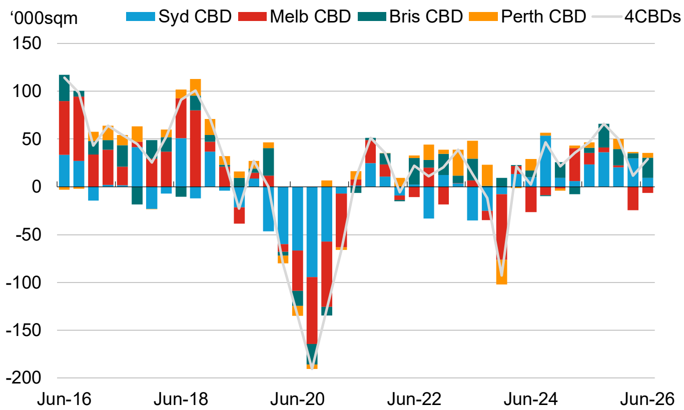
Across the sector, the forward supply pipeline and improving demand remains the key structural support. Projected completions over the next three years are minimal for most CBD markets, positioning the sector for continued recovery into FY27. In Melbourne, 2027 will be the first year since 2001 with no office completions at all. Effective rents grew 13.5% that year.

Office snapshot Q2 2026

	Total vacancy	Rent growth* % p.a.	Projected net supply FY27-29 (%of stock)
Sydney CBD	13.9%	9.0%	1.1%
North Sydney	26.8%	5.6%	0.0%
Parramatta	23.0%	1.3%	0.0%
SOP / Rhodes	18.0%	-0.5%	0.0%
Melbourne CBD	20.5%	4.0%	0.1%
Brisbane CBD	10.6%	10.9%	1.3%
Perth CBD	16.0%	3.3%	0.0%

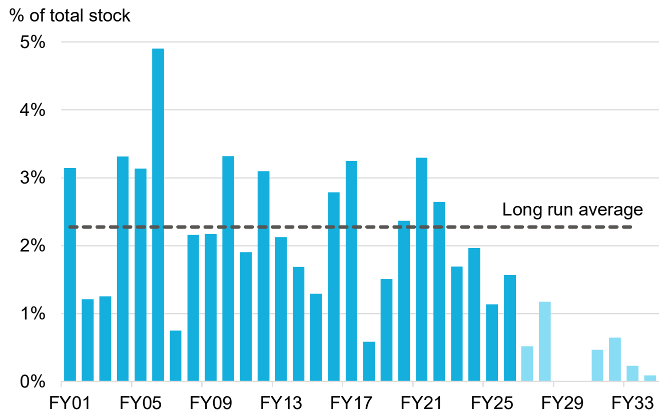
Source: Dexus Research, JLL
*Rent growth is prime net effective

Quarterly net absorption by CBD market



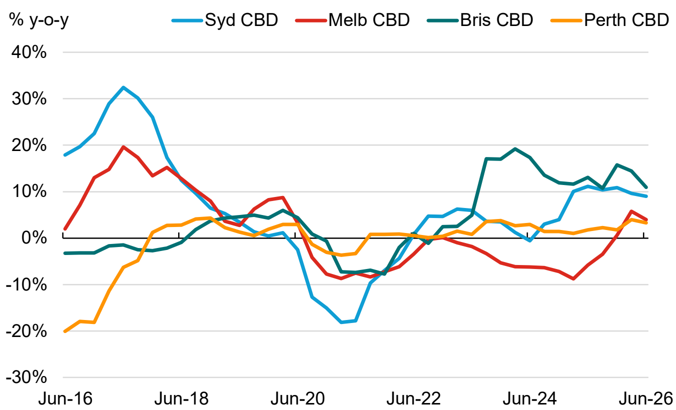
Source: Dexus Research, JLL

Sydney CBD and Melbourne CBD office completions



Source: Dexus Research, JLL.

Prime net effective rent



Source: Dexus Research, JLL.

Office market wrap

Market	Comments	Direction of trend for next 12 months
Sydney CBD	The Sydney CBD office market continues to improve, driven by sustained occupier demand and limited supply. Net absorption of 96,000 sqm for FY26 was well above long-run averages. Take-up in the June quarter was solid with the majority of major moves citing relocation as the main driver. Of 27 transactions recorded, two were for space larger than 10,000 sqm and one for larger than 5,000 sqm. Demand continues to broaden and fewer tenants are reducing their CBD office footprint. In FY26, prime effective rents grew 9.0%, incentives tightened to 32%, and prime equivalent yields compressed 13 basis points.	Vacancy ↓ Rents ↑ Incentives ↓ Yields →
North Sydney	North Sydney vacancy ticked up in Q2 to 26.8%. Vacancy remains elevated largely driven by the completion of Victoria Cross, delivering approximately 55,000 sqm of a 60,000 sqm supply pipeline in the year. The market will take time to absorb the new space. Prime incentives remain elevated at 41% and net face rents grew by 6.6%. 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 →
Parramatta	Parramatta is the most structurally challenged market, total vacancy increased 60 basis points in Q2 to 23%. Demand was weak throughout FY26, recording negative net absorption of -9,600 sqm. Effective rents held broadly stable throughout the year in both prime and secondary markets. 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 →
Melbourne CBD	Melbourne CBD market continues to lag other CBD markets. Net absorption was negative for the year, and vacancy rates ticked up again in Q2. Vacancy is likely to remain elevated as three new office developments have completed in H1 2026. Beyond 2026, the supply pipeline is the smallest on record with no new developments planned, giving the market time to absorb the new space. Prime incentives remained stable and effective rents grew 4.0% in the year. The bifurcation between grades and locations continues to characterise the market.	Vacancy → Rents ↑ Incentives → Yields →
Brisbane CBD	Brisbane remains the fastest-growing CBD office market nationally, with prime net effective rents growing by 10.9% in FY26. Demand for the year was strong, recording 68,000 sqm of net absorption, well above long run averages. Total vacancy decreased by 90bps in the quarter. Prime incentives continued to tighten, now at 38%. Brisbane CBD market has the greatest supply pipeline of all CBD markets with three new offices at the plans approved stage and expected completions in 2030 and 2031 estimated to deliver over 122,000 sqm of new space.	Vacancy → Rents ↑ Incentives ↓ Yields →
Perth CBD	Perth CBD vacancy fell modestly by 30bps to 16.0% and recorded 17,000 sqm of positive net absorption for the year. Conditions remain more bifurcated between prime and secondary grades than any other market. Prime net effective rents grew 3.3% while secondary net effective rents fell by -3.5% over the year. 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 Q2 2026, with demand holding up and face rent growth slowing. Around 1.2 million sqm of tenant moves were recorded nationally in the quarter, led by Outer West Sydney (220,000 sqm) and West Melbourne (217,000 sqm).

The high level of completions has driven incentive expansion through most submarkets across the eastern seaboard. Take-up in West Melbourne sits 20% above its ten-year average, while South Brisbane and South Perth are also tracking well above trend. 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.

Supply risk is easing across the eastern seaboard. Space under construction fell again this quarter, while developers are increasingly requiring pre-commitments before commencing new projects. The growing data centre pipeline is also becoming a material land-use theme: operators are competing for power-enabled industrial sites, particularly in major logistics precincts, which can reduce the pool of land available for warehouse development and place upward pressure on land values.

Perth was the best performing industrial market this quarter with net effective rent growth exceeding expectations at 7.1% y-o-y for the South submarket and 6.8% y-o-y for the East.

Vacancy compressed again in Melbourne, falling a modest 25 basis points to 4.9%, while Sydney held steady at 5.8%. Both remain low by historical and global standards.

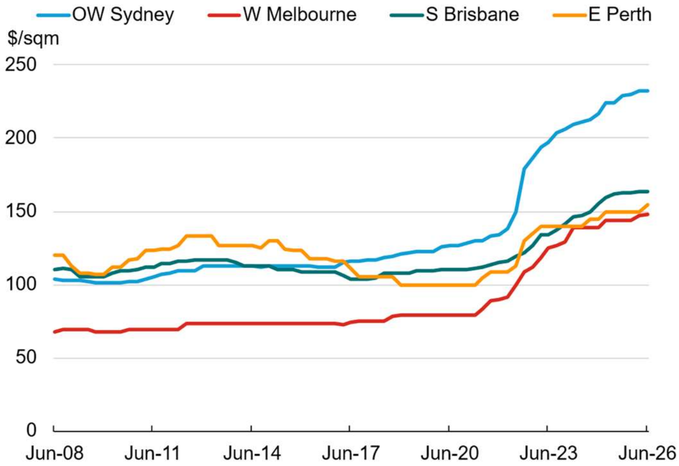
Prime yields were flat across all major precincts in the quarter. The combination of stabilising yields, sustained occupier demand and a moderating supply pipeline supports a constructive outlook for income growth, even as the sector adjusts to a more balanced operating environment.

Industrial snapshot Q2 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	2.9%
East Perth	0	3.3%
South Sydney	0	0.0%
Inner West Sydney	0	6.2%
Southern Brisbane	0	1.0%

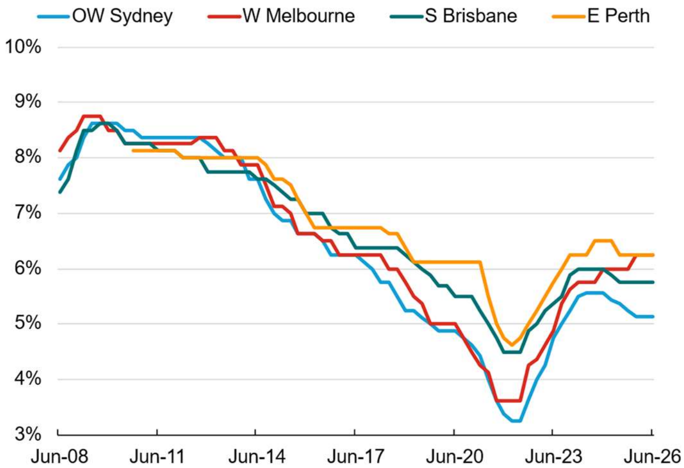
Source: Dexus Research, JLL.

Industrial net face rents by precinct



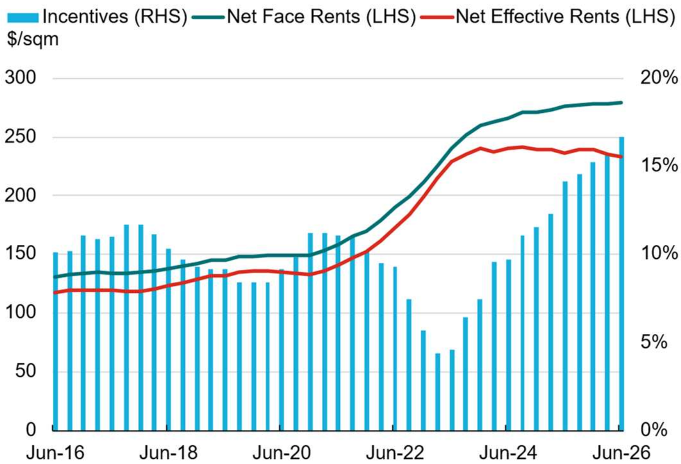
Source: Dexus Research, JLL.

Industrial prime cap rates by precinct



Source: Dexus Research, JLL.

Sydney prime net rents and incentives



Source: Dexus Research, Cushman and Wakefield.

Industrial by region

Outer West Sydney

Outer West Sydney recorded gross take-up of 219,576 sqm in Q2 2026, lifting the trailing 12-month total to 508,102 sqm. The strong take-up this quarter was driven by Toll's 30,581 sqm sub-lease at Kemps Creek and Tate Flooring's 23,102 sqm commitment at Eastern Creek.

Net face rents held at $232/sqm, up 3.4% y-o-y and, while net effective rents fell 0.4% y-o-y. Prime yields were unchanged at 5.13% quarter-on-quarter after compressing 25 bps over the year from 5.38%, pointing to stabilising investor pricing following the earlier tightening cycle.

West Melbourne

West Melbourne recorded 725,961 sqm of gross take-up over the past 12 months, signalling sustained occupier demand across the precinct. Leasing was anchored by several large commitments: DHL pre-leased 55,000 sqm in Altona North and Asahi pre-committed to a 46,950 sqm purpose-built facility in Deer Park in Q4 2025.

Net face rents rose 2.9% y-o-y. Net effective rents softened, down 3.0% y-o-y as incentives climbed to 28.8% (up 3.8 percentage points). Prime yields held at 6.25%, unchanged for three consecutive quarters after softening 25 bps in Q4 2025.

Brisbane (South & Australian Trade Coast)

Brisbane's southern and airport markets combined for 569,977 sqm of gross take-up over the past 12 months.

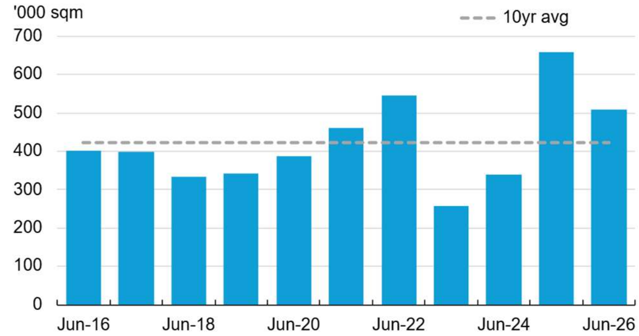
Net face rents grew in South Brisbane to $164/sqm (+1.0% y-o-y) and Trade Coast at a $204/sqm (+1.4% y-o-y). Incentives climbed to 21.3% and 17.5%. Prime yields were unchanged throughout the quarter.

Perth (East & South)

Perth's industrial markets combined for 273,793 sqm of gross take-up over the past 12 month, with 84,732 sqm Q2 2026. South Perth was anchored by Milwaukee (20,000 sqm, Canning Vale) and Australian Pharmaceutical Industries (16,400 sqm pre-lease, Jandakot); East Perth by ATOM (21,470 sqm pre-lease, Kenwick) and Pacific Energy (17,100 sqm pre-lease, Perth Airport).

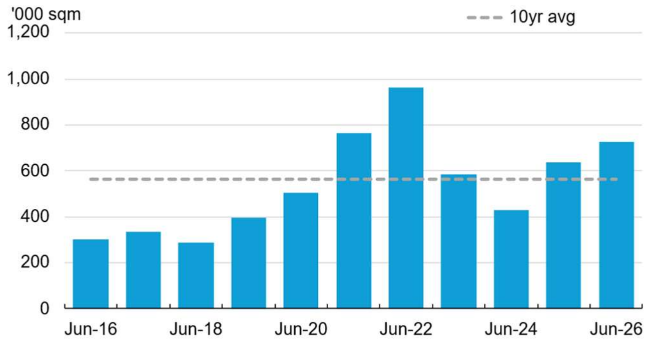
Net face rents firmed across all three markets to $145–155/sqm, up 3.3–3.5% y-o-y, with East Perth net effective rents growing 6.8% y-o-y. Incentives were consistently tight at 12.5% and prime yields unchanged at 6.25% across every precinct.

Outer West Sydney gross take-up



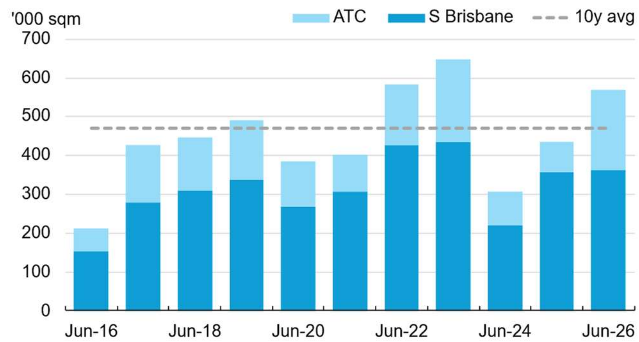
Source: Dexus Research, JLL.

West Melbourne gross take-up



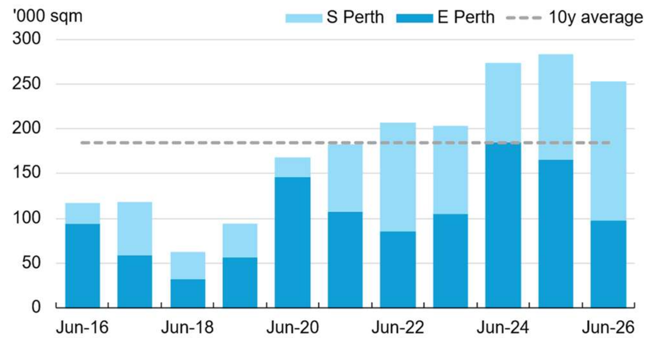
Source: Dexus Research, JLL.

South Brisbane and Trade Coast gross take-up



Source: Dexus Research, JLL.

East and South Perth gross take-up



Source: Dexus Research, JLL.

Retail indicators

Resilient retail trade despite headwinds

Household spending growth has remained resilient through 2026, despite pressures from tightening cash rates and the conflict in the Middle East. Total retail spending grew by 5.8% y-o-y, led by other retailing, followed by dining. In May, growth in discretionary spending surpassed that of non-discretionary spending for the first time since 2023.

Growth remains above pre-COVID levels, and consumers' discretionary spending priorities are increasingly favouring lifestyle and personal care over larger household purchases.

Online retail is growing significantly faster than in-store across all subsectors. CommBank IQ estimates that online spending growth rates are in the double-digits this year, compared with lower single-digit growth in-store. This is reinforcing a shift towards digital convenience and routine.

The labour market remains resilient; however growth has started to soften following an uptick early in the year. Y-o-y wage growth has fallen 0.2 p.p. since the start of the year and accelerating inflation has caused CPI growth to diverge further from WPI. The effect is continued pressure on real wages, diminishing purchasing power and leaving households with less discretionary capacity to support spending.

Consumer sentiment has fallen 13% y-o-y, signalling greater uncertainty across the market. In the near term, the spending mix is likely to tilt further toward non-discretionary categories as consumers favour essentials over discretionary purchases. If cost-of-living pressures persist, they may flow through to more subdued retail spending growth through the remainder of 2026, even as underlying demand holds up.

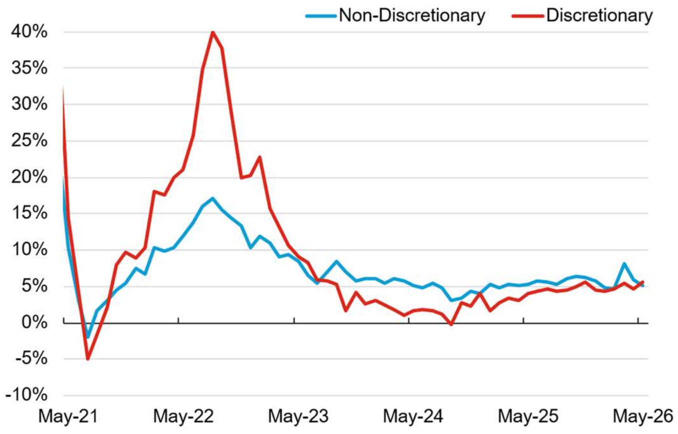
Retail sales growth by category[1] (May-26)

	m-o-m %	y-o-y %
F&B	2.1%	7.2%
Other	0.3%	7.4%
Department stores	1.5%	4.9%
Clothing	3.0%	6.9%
Household goods	0.5%	6.4%
Grocery	1.3%	4.2%
Total	1.2%	5.8%

Source: Dexus Research, ABS

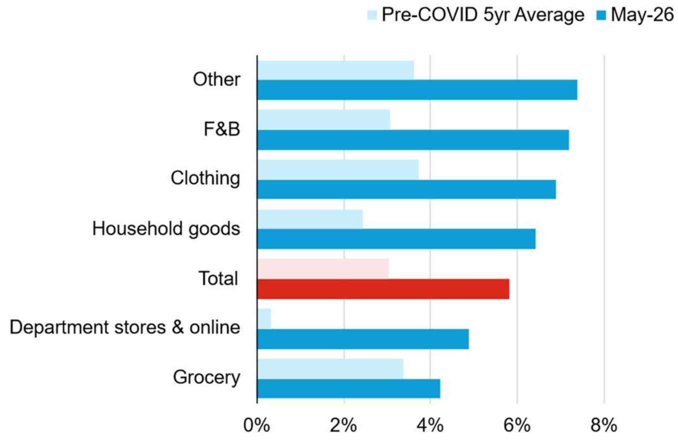
[1]*This series uses seasonally adjusted experimental estimates of retail turnover using bank transactions, Department stores also refer to large online retailers.*

Household spending growth



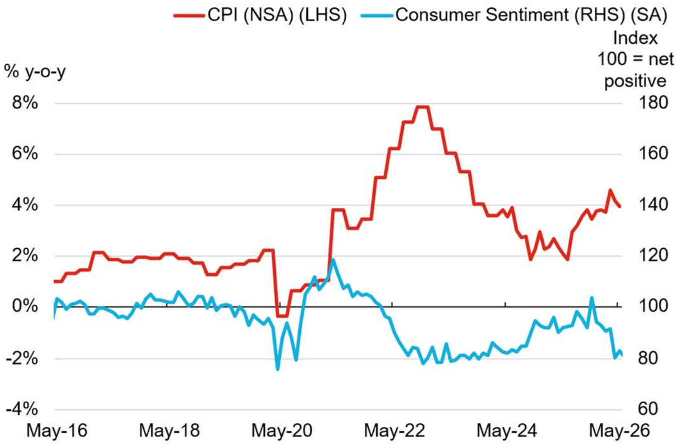
Source: Dexus Research, ABS.

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 resilient demand power sector-leading returns for retail

The retail sector continued to outperform in the first half of the year. Demand for retail assets is underpinned by tight supply conditions and healthy fundamentals, despite an uncertain economic outlook. Retail unlisted wholesale funds have remained the best performing sector in the MSCI Australian Wholesale Index since June 2024, returning 10.8% in the year to June 2026.

Supply remains the defining structural support for the sector, particularly for larger centres. New supply has largely consisted of smaller formats, with neighbourhood centres representing a significant share of completions in 2026 so far. With construction costs up by a third in the past five years, no new regional centres are planned, only refurbishments and extensions. The resulting supply scarcity is keeping vacancy rates tight across the sector, particularly in regional centres.

Retail yields held flat across regional and sub-regional centres nationally. Transaction volumes totalled $3.1 billion, a decrease of approximately 20% compared to the same period last year. The largest sale in Q2 2026 was a 50% stake in Westfield Marion, a regional centre in Adelaide, selling for $670 million. Investment activity has otherwise been concentrated in New South Wales and Queensland.

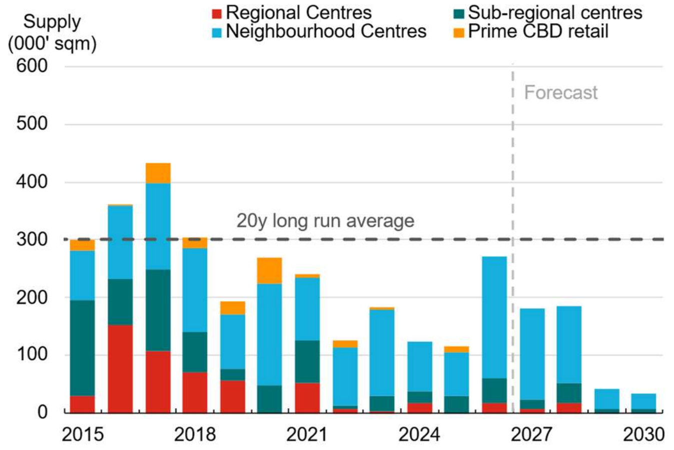
The notable shift in relative pricing dynamics in the retail sector has continued throughout 2026. Neighbourhood centres continue to trade at tighter yields than regional centres, reflecting strong investor demand for the defensive characteristics of grocery-anchored centres. This is likely to extend as cost pressures rise and consumers pull back on discretionary spending.

Retail performance snapshot Q2 2026

	Q2 Specialty rent growth % y-o-y	Cap rate change q-o-q (bps)
Sydney		
Regional	2.3%	0
Sub-regional	1.9%	0
Neighbourhood	1.5%	0
Melbourne		
Regional	1.8%	0
Sub-regional	1.3%	0
Neighbourhood	1.5%	0
SE QLD		
Regional	1.8%	0
Sub-regional	1.6%	0
Neighbourhood	1.3%	0

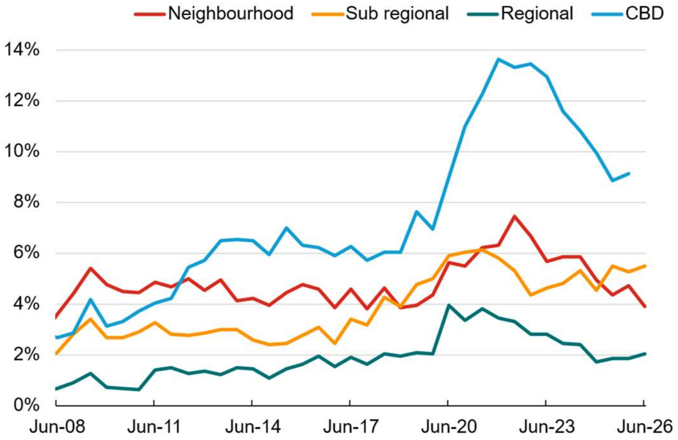
Source: Dexus Research, JLL.

Retail historic and forecast supply



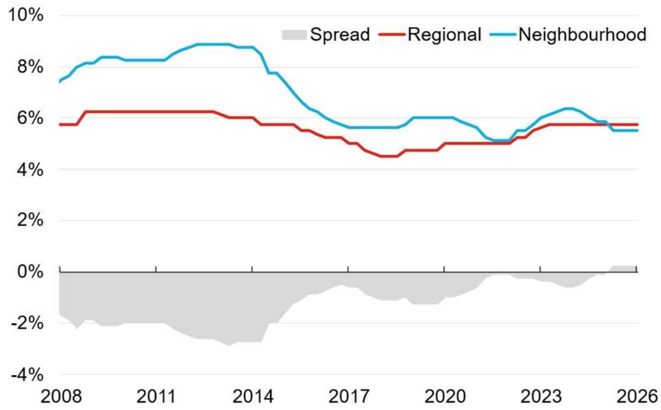
Source: Dexus Research, JLL.

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

Improving signals in healthcare

The healthcare sector delivered its strongest quarterly result since March 2023, returning 1.4% q-o-q (Mar-26). There is expected to be an increase in asset sales through the second half of this year which will provide further evidence on pricing.

Medical centres remain the bright spot, returning 6.0% y-o-y to Mar-26. Hospitals had a strong quarter yet still lag medical centres, returning 2.6% y-o-y. The divergence reflects heavier repricing hospitals have absorbed through the cycle and operator pressures. Capitalisation rates held broadly stable in the quarter.

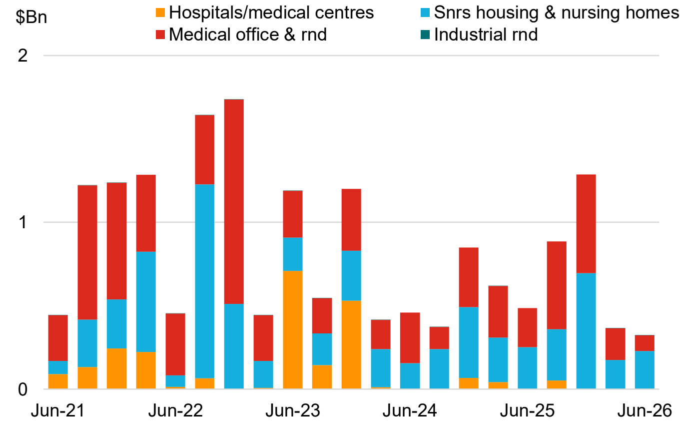
The funding backdrop continued to improve for operators. Approved 4.41% average increases to private health insurance premiums came into effect this quarter. This represents the largest increase since 2017, reflecting the rising costs of delivering hospital and medical services. This channels more revenue to private hospitals and stronger operator economics are supportive of the rents and covenants that underpin hospital asset values.

The May budget was supportive of the sector. Medicare Urgent Care Clinics were made permanent and expanded to 137 sites, alongside bulk billing incentives, strengthening tenant covenants behind medical centre assets. Additionally, a $3.7 billion aged care package was introduced, aimed at lifting the feasibility of new development. The ageing population and overstretched public system remain tailwinds for private hospital and medical centre utilisation.

The healthcare sector has strong demand thematics, 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.

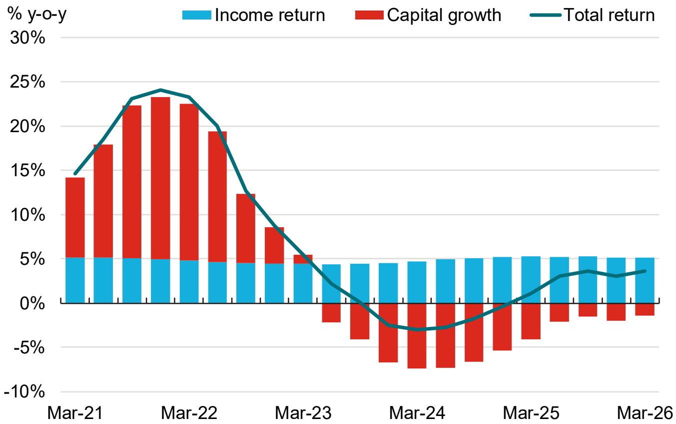
Operator pressures eased this quarter. The receivership of Healthscope continues to be resolved this quarter with 31 hospitals transitioning to a new not-for-profit operator, five hospitals sold or transferred to established operators and the Northern Beaches Hospital returning to the NSW government. The outcome avoids hospital closures and works toward removing a significant overhang that has clouded sentiment toward hospital assets.

Quarterly healthcare transaction volumes



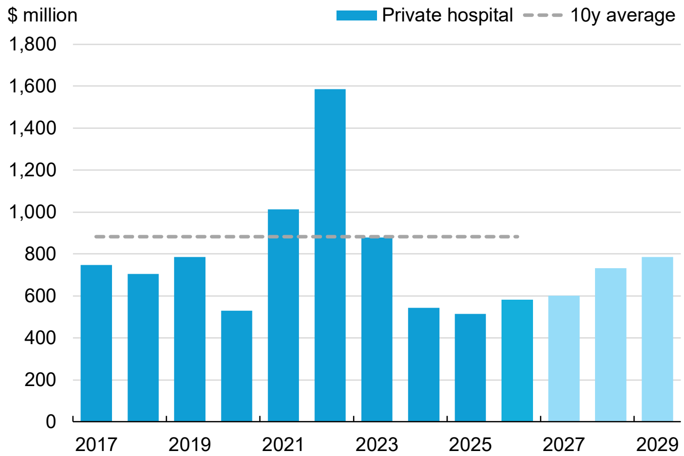
Source: Dexus Research, MSCI Real Assets.

Healthcare total returns



Source: Dexus Research, MSCI Real Assets.

Private hospital commencements



Source: Dexus Research, Oxford Economics.

Infrastructure

Sustained tailwinds in infrastructure

Infrastructure total returns slowed marginally to 8.3% y-o-y in Q1 2026. The global infrastructure M&A market maintained momentum in Q2 2026, with transaction volumes reaching US$209 billion. Activity remained geographically broad-based, with North America continuing to account for the largest share of deal value. By sector, power led with US$39 billion in transactions, followed by renewables at US$22 billion and telecommunications at US$18 billion.

Digital infrastructure remained the dominant capital theme, as AI-driven compute demand continues to attract the highest deal values across data centres, fibre, and network assets. Alongside the data centre build out comes an increased burden on energy infrastructure. The increasing data-centre load is emerging as a major new source of offtake for renewables and storage. At the equity level, value creation has shifted from a discretionary lever to a baseline underwriting expectation.

While risks have moderated since March, geopolitical tensions remain a source of volatility. in the Middle East, are expected to contribute to periods of market volatility in coming quarters. While infrastructure assets remain fundamentally defensive, potential impacts on energy markets and inflation expectations may result in more cautious transaction processes and longer execution timelines.

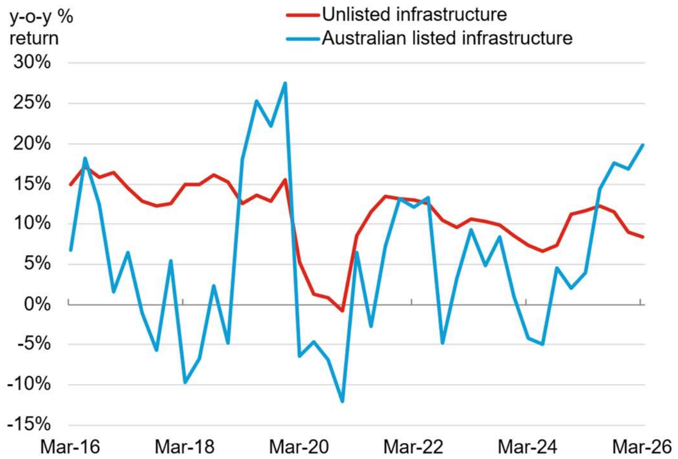
Domestic activity

In Australia, execution complexity is rising. FIRB review, Security of Critical Infrastructure (SOCI) obligations, data-sovereignty requirements, and government-contracting considerations are materially extending deal timelines. Sembcorp's A$6.5 billion (approximately US$4.3 billion) acquisition of Alinta Energy was completed this quarter, after being announced in December 2025 with FIRB approval being one of the final stages of the deal.

Financing structures are also growing more layered, with hybrids, green bonds, intercreditor arrangements, and hyperscaler pre-commitments increasingly central to valuation and diligence. This trend was evident during the quarter through NEXTDC's A$1 billion hybrid securities issue and ESR's US$850 million equity raise designed to fund expanding digital infrastructure pipelines.

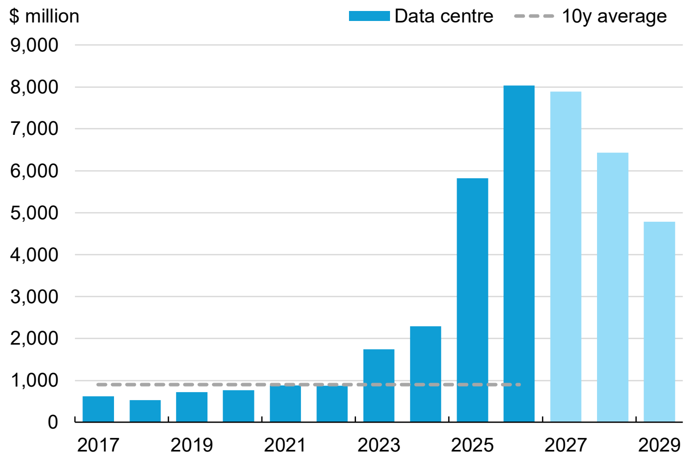
The forward domestic pipeline remains constructive across a number of projects expected to come to market. These include GreenPoint Energy's 2.5GW portfolio of battery and wind assets, Akaysha Energy's large scale battery storage business with an active pipeline of almost 10 GW and Octa's remote energy solutions platform.

Australian infrastructure returns



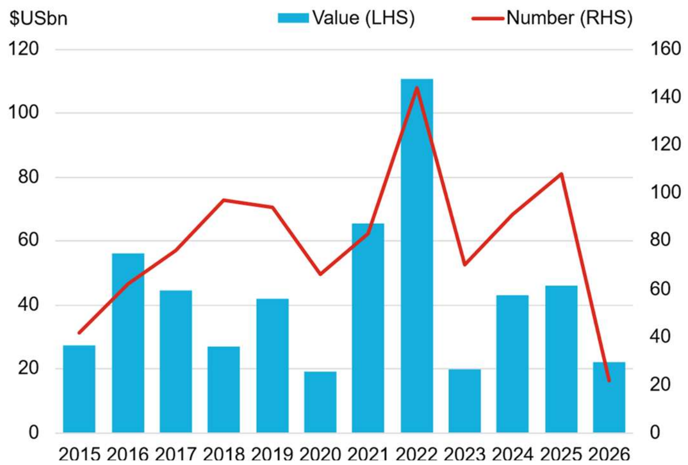
Source: Dexus Research, MSCI Australia Quarterly Private, Infrastructure Fund Index Australia (NAV post fees).

Data centre commencements



Source: Dexus Research, Oxford Economics

Australia & NZ private infrastructure transaction volumes



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Disclaimer

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