



dexus

Australian Real Asset Review

Q4 2026

Quay Quarter Tower
Sydney, NSW

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Quarter in review

Property operating fundamentals remain resilient despite a harder capital market backdrop

Real estate operating fundamentals remain resilient, with occupier demand and constrained new supply supporting rental growth, particularly for well-located, high-quality assets. This is providing an important offset to a harder capital market backdrop. Higher interest rates and bond yields have increased financing costs and, all else equal, are likely to have placed upward pressure on investors' required returns. This is weighing on sentiment and transaction activity and limiting the potential for near-term capital value growth.

What changed this quarter

Interest rate expectations moved higher, listed property repriced quickly and real estate transaction activity slowed. At the same time, occupier demand and income growth remained comparatively resilient across parts of the office, industrial and retail markets. In private credit, recent stress reinforced the importance of underwriting, liquidity and risk selection.

What this means for investors

Income and rental growth should continue to support real estate returns, with less support from cap rate compression. Asset quality, location and active asset management will matter more. Entry price, capital structure and refinancing exposure will remain important to both returns and risk.

01

Resilient operating fundamentals are supporting income and returns

02

Higher bond yields may limit near-term capital value growth

03

Property income and rental growth are carrying a larger share of real estate returns

04

Structural supply constraints support existing assets but raise development and capex risk

05

Returns are becoming more dependent on asset quality, location and active management

Risks to our view

- › **Capital markets:** Inflation or bond yields remain higher than expected; required returns drift higher; transaction activity remains weak
- › **Occupier markets:** Occupier or consumer demand weakens more than expected
- › **Asset and delivery risk:** Refinancing pressures broaden; construction and capex costs rise further

Investment climate

Growth is moderating while inflation is keeping interest rates higher for longer

Australia's economic momentum is slowing, but current indicators point to moderation rather than a sharp contraction. Business conditions moved slightly below neutral in August for the first time in six years, while labour market conditions are gradually easing. At the same time, inflation is proving more persistent than expected, reducing the likelihood of near-term interest rate relief.

The RBA increased the cash rate by 25bps in September to 4.6%, while the 10-year government bond yield rose to around 5.4%. Following 100bps of tightening in 2026, market expectations for interest rates have shifted materially higher. Oxford Economics expects the cash rate to reach 4.9% by Jun-27 before gradually declining. The cost of capital is therefore likely to remain elevated in the near term.

For real assets, higher interest rates and bond yields are likely to increase investors' required returns, all else equal. They are weighing on investor sentiment and transaction activity and limiting the potential for near-term capital growth. Higher financing costs are also placing greater pressure on highly leveraged assets and development feasibility.

Property operating fundamentals remain relatively resilient, particularly for well-located, high-quality assets. Occupier demand and constrained new supply are supporting rental growth and income across parts of the market, providing an important offset to the more challenging capital market. Our view is that real estate returns are likely to rely more on income and rental growth, with less support from cap rate compression.

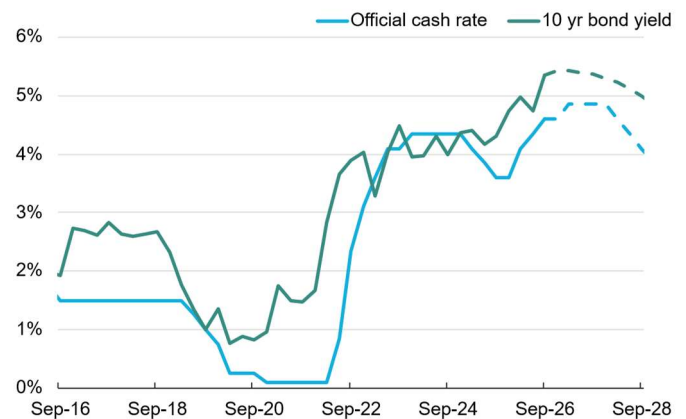
New Zealand's economy grew by 1.7% y-o-y in the Jun-26 quarter, the highest rate since Mar-24. Despite this, unemployment increased to 5.6% in Jun-26 and the recovery remains uneven, led by construction, while retail and transport lagged.

Australian economic forecasts

	Jun-27	Jun-28	Jun-29
Real GDP pa	1.7%	1.8%	2.0%
Employment pa	1.3%	1.5%	1.4%
Unemployment	4.8%	4.8%	4.4%
Business investment pa	5.4%	3.9%	1.9%
Dwelling investment pa	5.4%	-2.5%	2.6%
Population pa	1.2%	1.2%	1.2%
Retail sales pa	4.5%	3.9%	3.7%
CPI pa	3.6%	2.2%	2.6%
Cash rate	4.9%	4.5%	3.5%

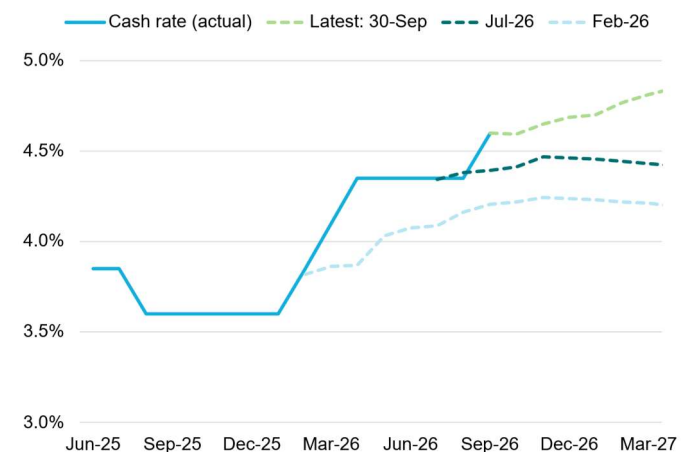
Source: Oxford Economics, Sep-26

Interest rates and bond yields have moved higher



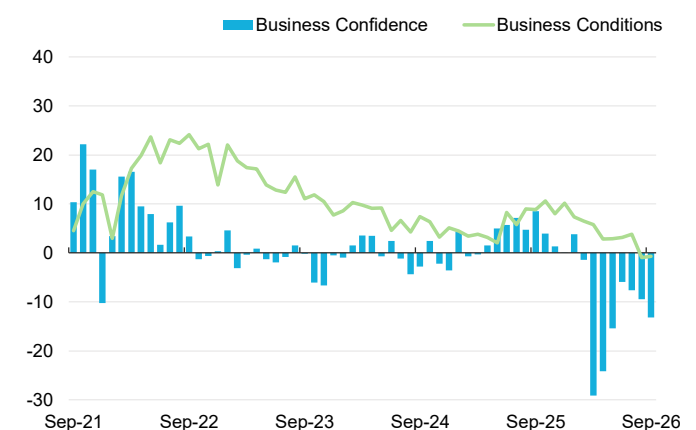
Source: Dexu Research, RBA (historical), Oxford Economics (forecast)

Markets expect interest rates to remain elevated



Source: Dexu Research, RBA (historical), ASX (expectations)

Business conditions point to slower economic momentum



Source: Dexu Research, NAB Monthly Business Survey

Spotlight: Australia's productivity challenge

Construction productivity remains a key constraint on the delivery of new real asset supply. Construction output per hour worked is only 5% higher than it was 30 years ago, while construction costs have continued to outpace inflation. This is limiting new supply and increasing the cost of developing, fitting out and upgrading assets. Where occupier demand remains supportive, limited new supply can benefit existing assets. Higher development and asset-upgrade costs also increase the importance of asset quality and capital discipline.

Supply remains constrained even as demand improves

Australia faces growing requirements for housing, logistics facilities, infrastructure and living-sector assets. However, weak productivity, labour shortages, higher construction costs and interest rates, and a large infrastructure pipeline continue to place pressure on development feasibility. As a result, new supply is likely to respond more slowly than demand in many markets. This can support occupancy and rental growth where demand is improving and existing capacity is limited.

Existing assets can benefit, but the impact will vary

Limited competing supply can support existing assets, but the magnitude of the benefit will depend on location, asset quality and occupier demand. Existing assets are also exposed to higher fit-out, refurbishment and capital expenditure costs. Assets requiring significant investment to meet occupier needs or address obsolescence may capture less of the benefit from improving rents.

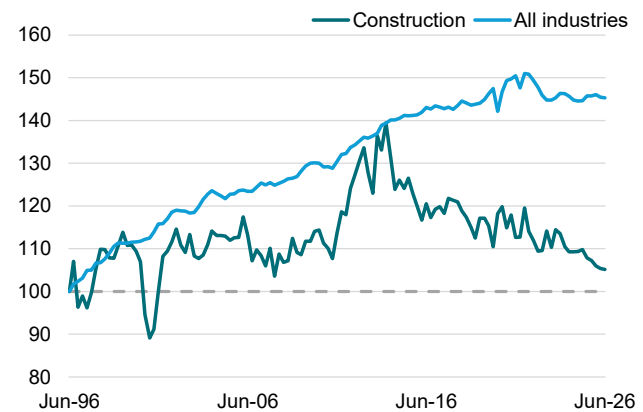
Capital and delivery discipline matter more

Higher construction costs are reducing development margins and making some projects harder to justify. They are also increasing the capital required to upgrade and reposition existing assets.

For investors, the opportunity is not simply to invest in markets with limited supply. It is to identify assets that can capture improving occupier demand without requiring disproportionate capital. This increases the importance of disciplined capital allocation, development capability and active asset management.

Construction productivity has been stagnant

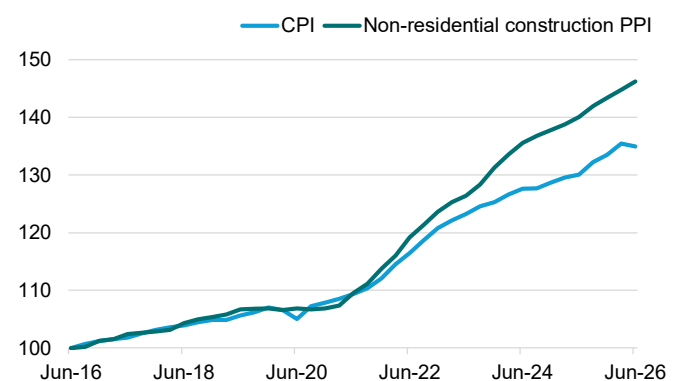
Real GVA per hour indexed to Jun-96



Source: Dexis Research, ABS Labour Force Survey & Labour Account

Construction costs continue to outpace inflation

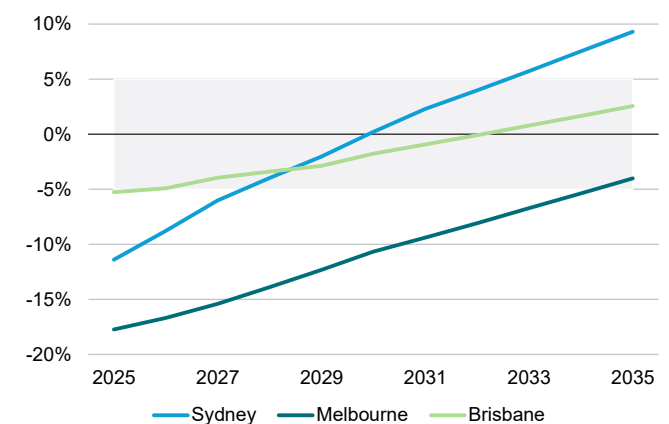
Indexed to Jun-16



Source: Dexis Research, ABS

Office development remains challenging and varies by market

Indicative feasibility index forecast, CBD office, by city



Source: Dexis Research, Oxford Economics

Investment performance

Income growth is supporting returns as higher bond yields weigh on investor sentiment

Investor sentiment became more cautious during the quarter as long-term bond yields increased. In our view, this is likely to have placed upward pressure on the returns investors require from real assets.

Listed and unlisted property markets responded differently to the higher interest rate environment. Listed markets reflected changing market expectations more quickly this quarter, with A-REITs falling by 8.4%. Unlisted property funds returned 2.0%, supported by income and rental growth, as well as the more periodic nature of asset valuations.

All unlisted fund real estate sectors returned within 8 - 11% over the year to September 2026. Industrial and retail remained the strongest performers, returning 10.8% and 10.7% p.a. respectively. Office performance continued to improve, supported by rental growth.

Australian real estate transaction volumes fell by 46% q-o-q to \$6.4bn in the September quarter. Lower transaction activity is limiting current pricing evidence and increasing uncertainty around asset values. Further transactions would provide greater insight on how investors are pricing direct assets following the increase in bond yields.

Income returns and rental growth are carrying a larger share of direct real estate returns. Stable occupancy, improving rents and constrained new supply are supporting income and capital values, reducing reliance on cap rate compression. This provides a more sustainable foundation for performance, although the higher cost of capital remains a near-term headwind.

Australian property cap rates have historically adjusted to movements in bond yields with a lag. Current spreads remain narrow relative to their long run averages. In our view, this is likely to limit near-term capital value growth even as operating fundamentals remain supportive.

Asset class performance to 30 September 2026

	Qtr. %	1 yr % p.a.	3 yr % p.a.
A-REITs ¹	-8.4%	-14.3%	9.4%
Australian shares ²	1.3%	2.7%	11.4%
Unlisted infrastructure ³	3.5%	9.3%	9.4%
Australian cash ⁴	1.1%	4.1%	4.2%
Australian fixed interest ⁵	-1.5%	-0.4%	3.6%
Unlisted property funds ⁶	2.0%	9.4%	1.7%

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 Jun-26)

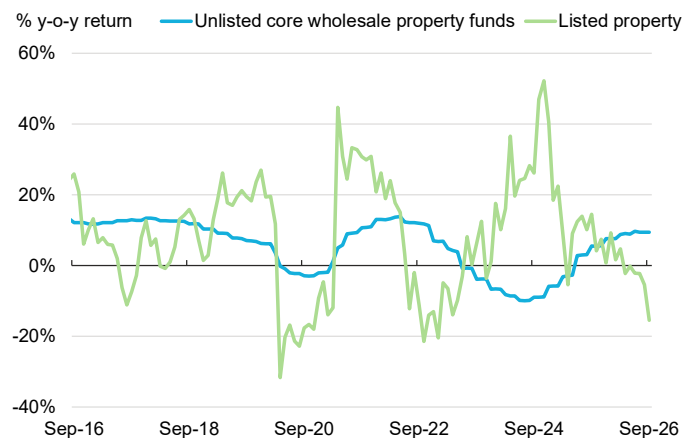
Source 4: Bloomberg BAUBIL Index

Source 5: Bloomberg BACMO Index

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

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

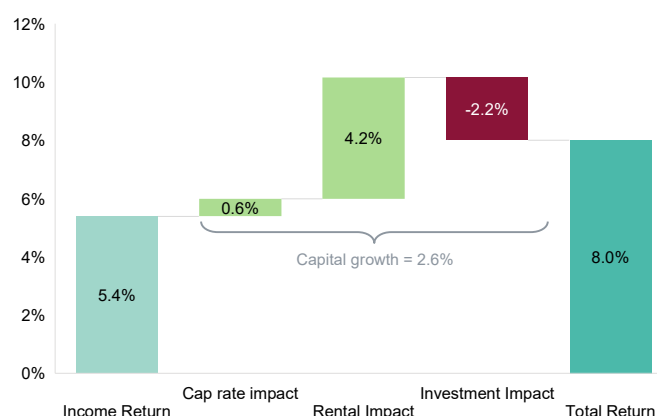
Listed and unlisted property returns have diverged



Source: Dexis Research, MSCI/Mercer Australian Core Wholesale Monthly PFI, Bloomberg

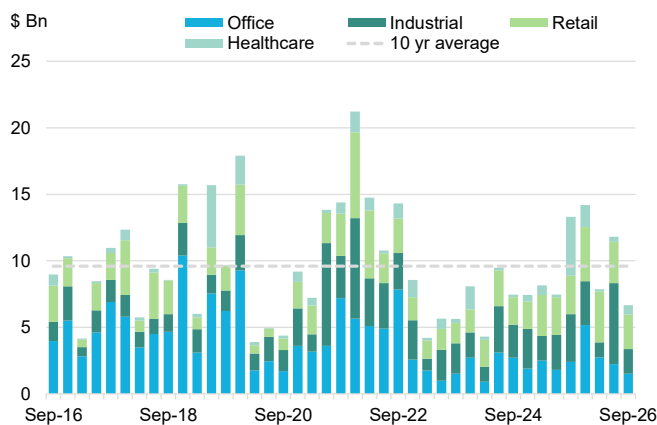
Australian direct property returns increasingly driven by growth over cap rate movements

Annualised return to Jun-26



Source: Dexis Research, Property Council/MSCI Australia Annual Property Index (frozen) (Jun-26)

Australian real estate transactions slowed in Q3



Source: Dexis Research, MSCI

A recovery with a postcode and grade

The Australian office recovery continued in Q3 2026. Positive net absorption was recorded in three of the four major CBDs. Yet, the recovery is not uniform. It has a postcode and a grade. Well-located prime CBD assets continue to capture a disproportionate share of tenant demand, while secondary assets continue to face higher vacancy, larger incentives and greater leasing risk.

Melbourne CBD recorded a material improvement, with net absorption of 48,039 sqm. This is well above the 10-year average and is the strongest quarterly net absorption result since Sep-18. Demand reflected relocations, expansion, tenant centralisation and new business formation.

Sydney CBD had another strong quarter, recording 17,888 sqm of positive net absorption. Vacancy fell to 13.6%, occupier demand held steady and is extending to high-quality A-grade buildings as premium availability tightens.

Conditions in Brisbane were mixed. The market recorded negative net absorption of 28,399 sqm. This was driven by redevelopment withdrawals and a significant public sector consolidation. Despite this, net effective rent grew by 13.7% y-o-y.

Office transaction volumes decreased by 32% this quarter (MSCI), with prime yields remaining stable across all CBD markets. Dexus sold 480 Queen Street for \$700m to Barings in July. This represents Brisbane's largest ever office transaction and the largest office deal this quarter.

Improving occupier conditions and limited new supply should support rental growth across prime CBD assets. Active asset management will be important in converting this into income growth. However, elevated funding costs, incentives and vacancy remain headwinds, particularly for secondary assets and weaker locations. Performance is expected to continue to diverge by market, grade, and asset quality.

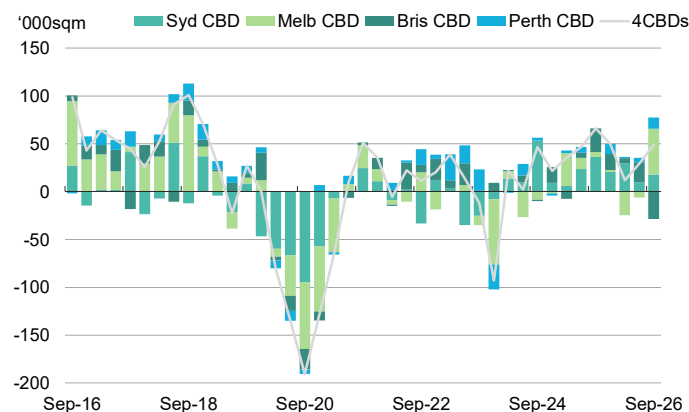
Office snapshot Q3 2026

	Total vacancy	Rent growth* % y-o-y	Projected net supply FY27-29 (% of stock)
Sydney CBD	13.6%	9.0%	1.1%
North Sydney	25.4%	5.8%	0.0%
Parramatta	22.5%	0.8%	0.0%
SOP / Rhodes	18.3%	-1.3%	0.0%
Melbourne CBD	19.4%	3.9%	0.1%
Brisbane CBD	11.6%	13.7%	1.3%
Perth CBD	15.4%	4.0%	0.0%

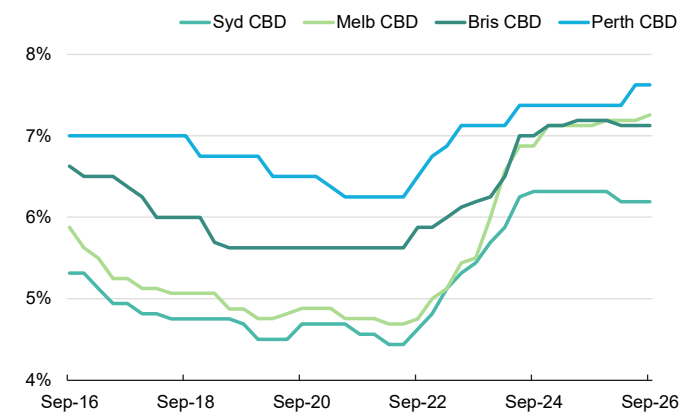
Source: Dexus Research, JLL

*Rent growth is prime net effective

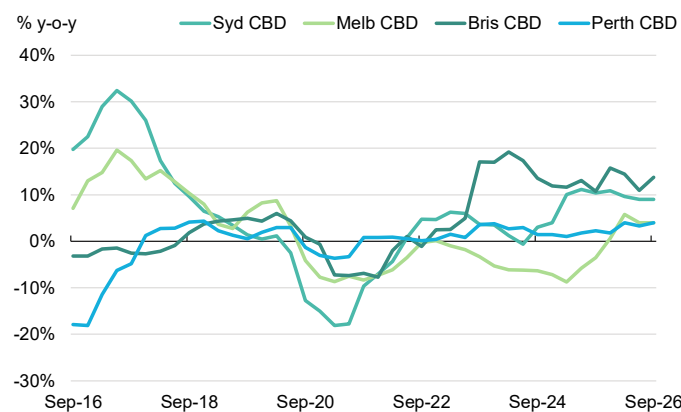
Melbourne leads CBD net absorption figures



Average prime yields hold steady across CBD markets



Brisbane continues to lead prime net effective rental growth



Office market wrap

Market	Comments	Direction of trend for next 12 months	
Sydney CBD	The Sydney CBD office market continues to lead the office recovery, recording its eleventh consecutive quarter of positive net absorption. Net absorption of 17,888 sqm was recorded, supported by the finance, insurance and education sectors. Most major moves cited relocation as the main driver, followed by expansion. Of the 14 occupier moves recorded in the quarter, all were for space less than 5,000 sqm with nine between 1,000 and 2,000 sqm, demonstrating the continued trend of smaller leases. Prime effective rents increased 9.0% y-o-y.	Vacancy	↓
		Rents	↑
		Incentives	↓
		Yields	→
North Sydney	North Sydney prime vacancy decreased significantly by 3.3 ppts, while secondary vacancy ticked up by 0.3 ppts, bringing total vacancy to 25.4%. Prime incentives remain elevated at 41% and net effective rent grew by 5.8%. Major occupier moves continue to be concentrated within North Sydney, with no evidence to date of tenants relocating from the Sydney CBD into the market. Divergence between grades persists with conditions in premium buildings far stronger than in secondary stock.	Vacancy	→
		Rents	→
		Incentives	↑
		Yields	→
Parramatta	Parramatta's weakness appears increasingly structural rather than cyclical. Leasing conditions remain challenging with limited depth of occupier demand, and no clear supply or demand catalyst expected to materially shift this outlook. Total vacancy remains elevated at 22.5%. Net absorption was positive this quarter at 5,292 sqm however well below the 10-year average. Effective rents increased marginally by 0.8% in prime stock and declined 1.80% in secondary stock, reflecting persistent divergence in the market.	Vacancy	→
		Rents	→
		Incentives	→
		Yields	→
Melbourne CBD	Melbourne CBD market recorded a material improvement in demand with 48,039 sqm of positive net absorption. Vacancy decreased by 1.1 ppts yet remains elevated at 19.4%. Prime net effective rents increased 3.9% y-o-y. Demand was driven by the finance and insurance services industry and the major drivers cited were relocation followed by expansion. The improvement in demand is encouraging, although elevated incentives and persistent vacancy mean that the market remains challenged despite headline demand.	Vacancy	→
		Rents	↑
		Incentives	→
		Yields	→
Brisbane CBD	Brisbane CBD continues to be the market leader in terms of rent growth, recording 13.7% y-o-y prime net effective rent growth. Demand appeared weaker this quarter, with Brisbane recording negative net absorption of 28,399 sqm, driven by redevelopment withdrawals and a significant 18,500 sqm consolidation of the ATO's office into existing government leases. As a result, vacancy ticked up 1.5 ppts to 11.6%. Prime yields were unchanged and secondary yields softened at the upper end of the range.	Vacancy	→
		Rents	↑
		Incentives	↓
		Yields	→
Perth CBD	Perth CBD recorded 11,274 sqm of positive net absorption, supported by expansion and new business activity across professional services and public administration. Vacancy decreased to 15.4% and prime net effective rents grew 4.0% y-o-y. Conditions continue to diverge by grade, with demand and rental growth favouring higher quality buildings and lower-grade buildings facing weaker leasing conditions. Only one building is in the supply pipeline with a high level of precommitment, which should continue to support gradual vacancy compression.	Vacancy	↓
		Rents	↑
		Incentives	↓
		Yields	→



Industrial

Industrial demand is increasing as rent growth normalises

The industrial sector held steady through Q3 2026, with demand holding up and face rents stabilising. Around 1.5m sqm of gross take-up was recorded nationally in the quarter, led by Outer West Sydney (524,000 sqm) and West Melbourne (218,000 sqm).

Recent completions continue to be absorbed across key industrial markets. Take-up in West Melbourne sits 35% above its 10-year average, while South Brisbane and Outer West Sydney are also tracking above trend. Demand is being supported by advanced manufacturing initiatives and the expansion of international occupiers in the Australian market. Amazon accounted for approximately 346,000 sqm of gross take-up nationally this quarter.

Supply risk continues to ease across the eastern seaboard, with space under construction falling again this quarter. Speculative development is moderating, while pre-commitments continue to support development activity in Sydney. Lower availability of well-located prime space should support leasing conditions and rental growth, although the benefit will vary by precinct.

Perth recorded the strongest net effective rental growth this quarter at 7.0% y-o-y for the North and South submarkets, and 6.8% for the East submarket. This was largely driven by lower incentives.

Vacancy declined in Melbourne and Sydney, falling 27bps to 4.7% and 36bps to 5.4%, respectively. Both remain low by historical and global standards.

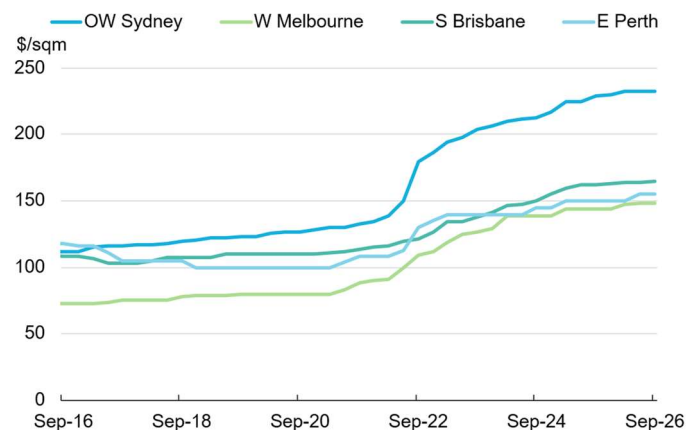
Prime yields were broadly stable across most major precincts, with modest tightening in Sydney's West submarkets and softening in Southern Brisbane. However, the higher cost of capital remains a risk to pricing. Demand and moderating supply should support income growth, although higher incentives are limiting effective rental growth in some markets. Precinct and asset selection will remain important.

Industrial snapshot Q3 2026

	Prime yield change q-o-q (bps)	Existing prime net face growth % y-o-y
Outer West Sydney	-6.5	1.4%
West Melbourne	0	3.0%
East Perth	0	3.3%
South Sydney	0	0.0%
Inner West Sydney	-6.5	2.6%
Southern Brisbane	6.5	0.7%

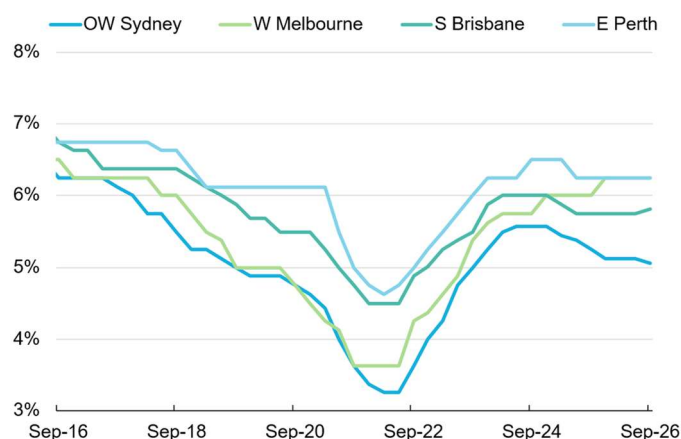
Source: Dexis Research, JLL

Industrial net face rents are stabilising



Source: Dexis Research, JLL

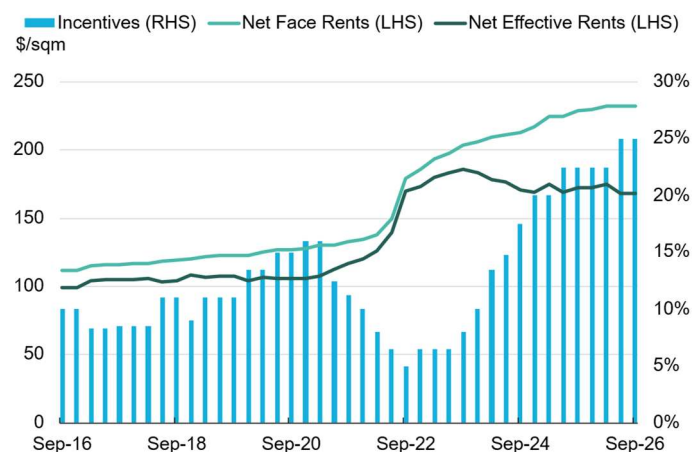
Industrial prime yields have broadly stabilised



Source: Dexis Research, JLL

Higher incentives are limiting effective rent growth

Sydney Outer West



Source: Dexis Research, JLL

Industrial by region

Outer West Sydney

Outer West Sydney recorded gross take-up of 524,000 sqm in Q3 2026, lifting the trailing 12-month total to 891,000 sqm. The strong take-up this quarter was driven by Amazon's 196,000 sqm expansion near WSI Airport and Australia Post's 124,000 sqm commitment at Horsley Park.

Net face rents held at \$232/sqm, up 1.4% y-o-y, while incentive expansion caused net effective rents to fall by 2.1% y-o-y. Prime yields compressed 6.5 bps quarter-on-quarter to 5.07%, bringing the total compression over the year to 18.5 bps.

West Melbourne

West Melbourne recorded 218,000 sqm of gross take-up in Q3 2026, with activity remaining above its long-term average. Leasing was anchored by several large commitments: JB Hi-Fi pre-leased 41,000 sqm in Laverton North and data centre construction company DC Nexus leased 27,000 sqm in Derrimut.

Net face rents rose 3.0% y-o-y. Net effective rents grew 2.9% y-o-y, the largest growth seen since 2024. 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 trade coast markets combined for 292,000 sqm of gross take-up in Q3 2026. Demand was underpinned by Amazon's pre-lease of 150,000 sqm in North Maclean, set to be Amazon's first robotic fulfilment centre in Queensland.

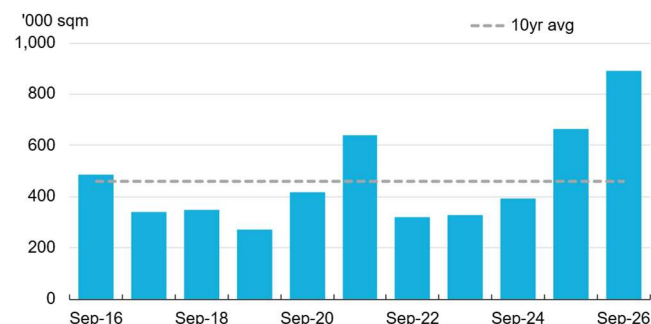
Net face rents held flat in South Brisbane at \$164/sqm (+0.7% y-o-y) and Trade Coast grew to \$206/sqm (+2.3% y-o-y). Incentives climbed to 23.8% and 17.5%, respectively. Prime yields softened 6.5 bps over the quarter in South Brisbane and held flat in the Trade Coast.

Perth (East & South)

Perth's industrial markets combined for 85,000 sqm of gross take-up in Q3 2026. East Perth was anchored by Qantas (11,000 sqm, Perth Airport) and Woolworths (11,000 sqm pre-lease, Perth Airport).

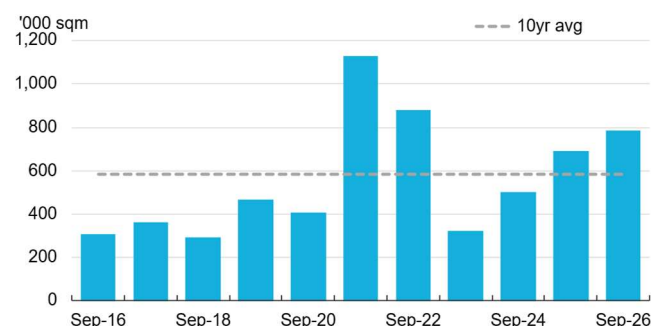
Net face rents held across all Perth markets at \$145–155/sqm, up 3.3–3.6% y-o-y. East Perth net effective rents grew 6.8% y-o-y, while South Perth's grew 7.0% y-o-y. Incentives were consistently tight at 12.5% and prime yields unchanged at 6.25% across every precinct.

Outer West Sydney gross take-up



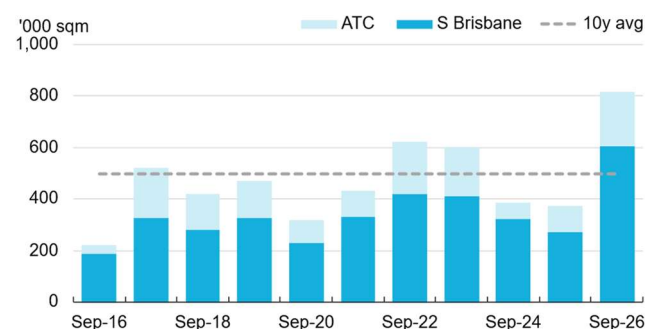
Source: Dexis Research, JLL

West Melbourne gross take-up



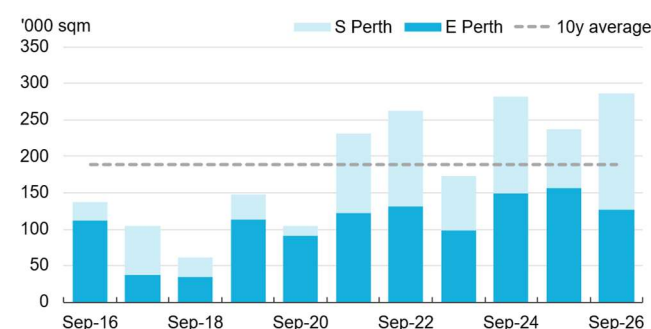
Source: Dexis Research, JLL

South Brisbane and Trade Coast gross take-up



Source: Dexis Research, JLL

East and South Perth gross take-up



Source: Dexis Research, JLL

Retail indicators

Consumer spending continues to grow, but momentum is slowing

Household spending remained relatively resilient through 2026 despite continued pressure on household budgets and consumer confidence. Total retail spending grew by 6.0% y-o-y to August, led by food & beverage retailing and other retailing, although spending declined 0.2% m-o-m. Annual growth remains broad-based, but monthly declines across most categories suggest consumer demand is beginning to moderate.

Labour market conditions have softened. The unemployment rate increased to 4.7% in September, while wage growth moderated to 3.2% in June, down 20bps since the start of the year. With inflation at 4.0%, household purchasing power remains under pressure. Combined with softer labour market conditions and weak consumer confidence, this points to a more subdued near-term outlook for discretionary spending.

Consumer sentiment fell 4.7% m-o-m to 80.4 in October, the lowest level since 2023. It is now 12.7% lower than a year ago. High living costs and economic uncertainty suggests the recovery in consumer confidence is likely to be slow and uneven.

The softer consumer backdrop and structural trends will not affect all retail assets equally. Grocery, services, dining and entertainment can support visitation and spending, while stores remain important to omnichannel strategies such as click-and-collect. Centres with strong catchments and a relevant tenant mix should be better placed than assets with greater exposure to discretionary spending.

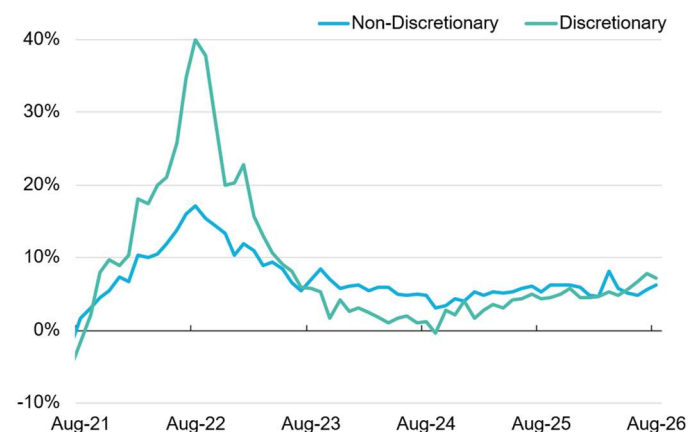
Retail sales growth by category¹ (August-26)

	m-o-m %	y-o-y %
F&B	0.4%	8.4%
Other	-0.6%	7.9%
Department stores	-1.2%	0.8%
Clothing	-0.2%	5.5%
Household goods	-0.4%	6.2%
Grocery	-0.1%	4.8%
Total	-0.2%	6.0%

Source: Dexu Research, ABS

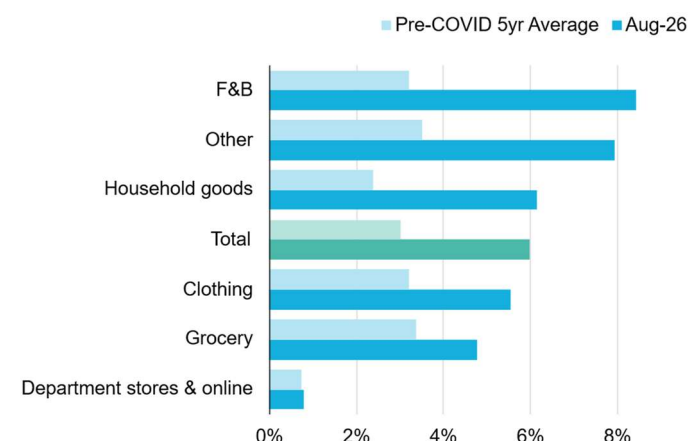
¹This series uses seasonally adjusted experimental estimates of retail turnover using bank transactions. Department stores also refer to large online retailers.

Household spending growth remains resilient



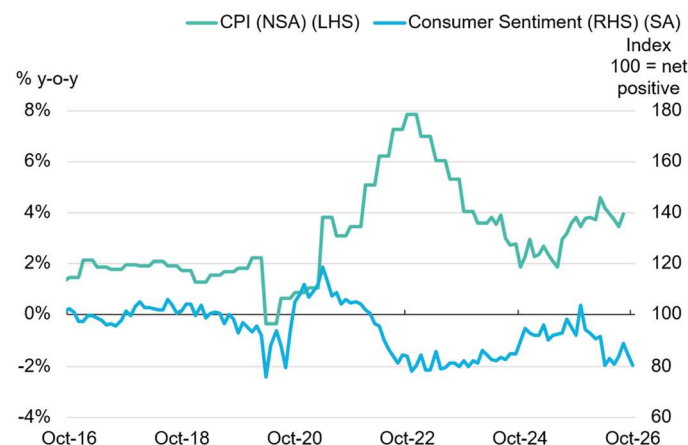
Source: Dexu Research, ABS

Retail turnover growth exceeds pre-COVID averages



Source: Dexu Research, ABS

Inflation is weighing on consumer sentiment



Source: Dexu Research, ABS, Westpac-Melbourne Institute

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

Retail performance

Limited supply and low vacancy continue to support retail performance

Retail property fundamentals remained supportive through Q3 2026, underpinned by limited supply and low vacancy rates. Unlisted wholesale retail funds returned 10.7% over the year to September 2026, the second highest return in the MSCI Australian Wholesale Fund Index.

Development activity remains focused on targeted asset enhancement rather than major new shopping centre supply. Large format retail accounted for most new retail completions during the quarter, while investment continued to concentrate on the refurbishment and repositioning of established CBD and regional centres. Owners are increasingly prioritising upgrades that improve asset quality and customer experience, with sustainability initiatives also gaining traction.

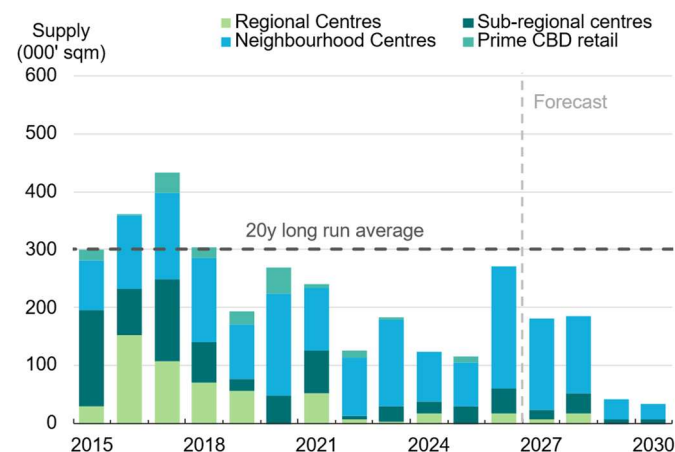
Retail yields held flat across regional and sub-regional centres nationally, supported by ongoing investor demand and resilient operating fundamentals. Transaction volumes totalled \$3.1bn, an increase of approximately 36% compared to the same period last year. 20 transactions were recorded in Queensland this quarter, the highest number of asset sales nationally. The largest deal was the agreed sale of a 50% stake in Westfield Mt Gravatt, a regional shopping centre, for \$882.5m.

Retail occupancy remains strong, with low vacancy across all formats. Neighbourhood centre vacancy declined by a further 0.5 ppts over the year to Jun-26, while investor demand for defensive income continues to support tighter pricing than for regional centres. Grocery-anchored centres remain well placed as discretionary spending softens. With their defensive characteristics already reflected in pricing, asset-level income growth will be increasingly important to future returns.

Retail performance snapshot Q3 2026

	Q3 Specialty rent growth % y-o-y	Cap rate change q-o-q (bps)
Sydney		
Regional	2.8%	0
Sub-regional	1.9%	0
Neighbourhood	1.8%	0
Melbourne		
Regional	1.8%	0
Sub-regional	1.3%	0
Neighbourhood	1.8%	12.5
SE QLD		
Regional	2.3%	0
Sub-regional	1.6%	0
Neighbourhood	1.6%	0

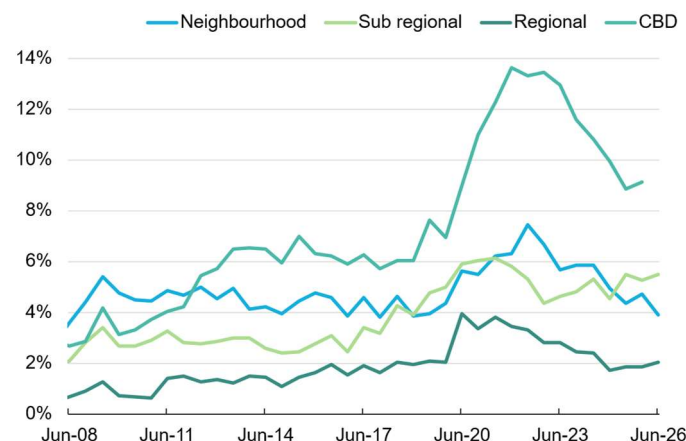
Retail supply remains structurally constrained



Source: Dexis Research, JLL

Shopping centre vacancies remain low

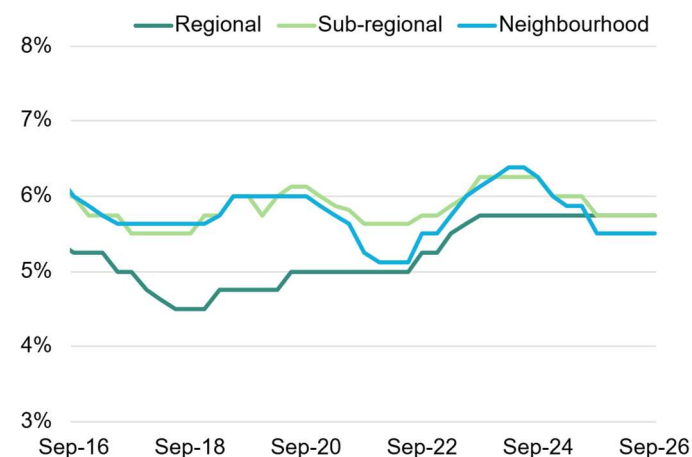
Australian average



Source: Dexis Research, JLL

Neighbourhood centres retain a pricing premium

Australian average



Source: Dexis Research, JLL

Healthcare

Healthcare uncertainty is beginning to ease

The healthcare sector returned a comparatively modest 0.5% over the year to Jun-2026, lagging stronger returns seen across other asset classes. Performance within the sector continued to diverge by asset type. Medical centres returned 5.1% while hospitals relatively underperformed, returning -1.5%.

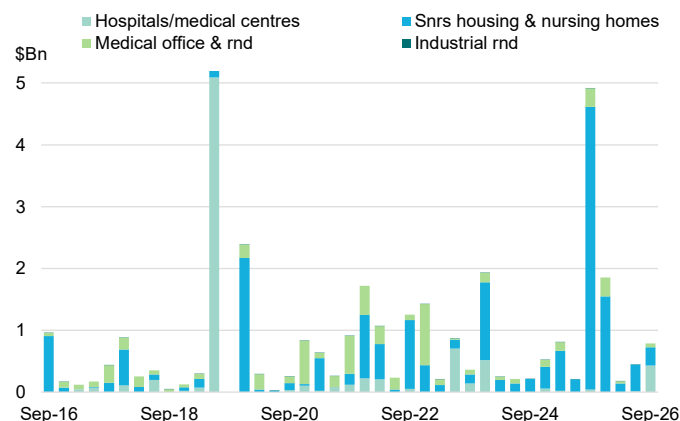
Ongoing asset repricing and operator pressures weighed on hospitals over the Jun-26 quarter. Healthcare cap rates expanded 15 bps, representing a material acceleration relative to recent quarters. Hospitals were the primary driver, with cap rates expanding 21 bps over the quarter. Transaction activity was limited over the same quarter, and the sector continues to work through the pricing cycle.

A pathway has emerged for Healthscope's remaining operations. Agreements have been reached to transfer 25 hospitals and the centralised service platform to a group of well-known hospital and healthcare operators led by Calvary Health Care. These agreements have a target completion date of 30 November 2026, subject to regulatory approvals. The agreements reduce the immediate risk of widespread hospital closures and provide greater clarity for patients, staff and landlords. They do not remove the need to assess operator profitability, rent affordability and capital requirements on an asset-by-asset basis.

Total healthcare transaction volumes increased by 76% in the Sep-26 quarter to \$700m. Transaction volumes were led by the hospital/medical centres sub-sector at \$389m, the strongest quarter since Dec-23, as investors began to re-engage. Recent transactions include Sonic Healthcare life science facility for \$445 million to Charter Hall in Jun-26, and more recently Peninsula Private Hospital, VIC for \$291 million, which settled in September. These and several other notable transactions have provided useful pricing evidence after a period of limited activity.

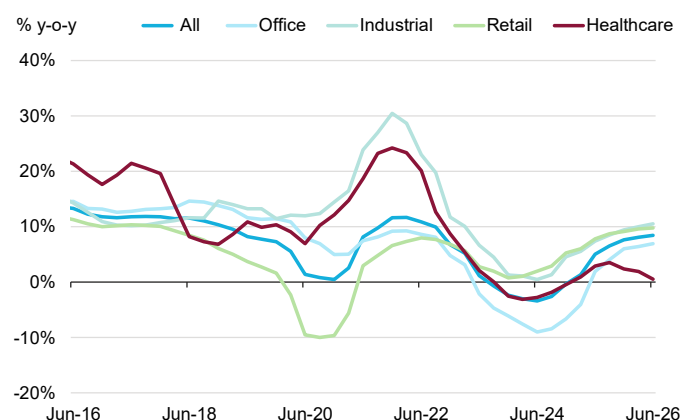
Looking ahead, long-term demand for healthcare services remains supportive, but investment outcomes will continue to vary by asset type, operator quality and lease structure. Recent transactions and greater clarity on Healthscope should improve pricing evidence. Further activity would provide a clearer basis for valuations, although hospital operator profitability and rent affordability remain key risks.

Healthcare transaction volumes increased in Q3



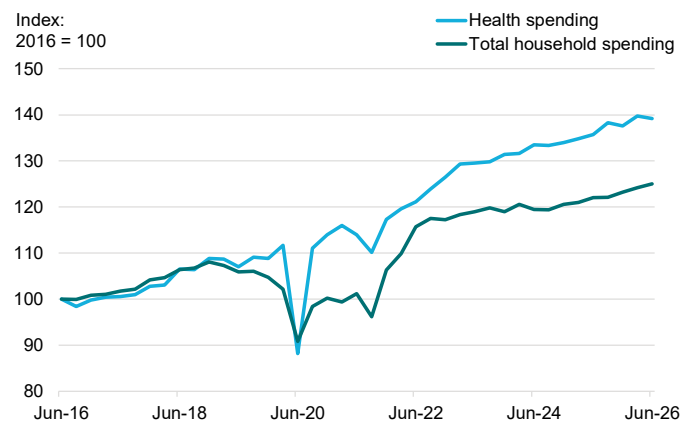
Source: Dexis Research, MSCI

Modest healthcare total returns in Jun-26



Source: Dexis Research, Property Council/MSCI Australia Annual Property Index (frozen) (Jun-26)

Health spending continues to outpace total household spending



Source: Dexis Research, ABS

Alternative investments

Real estate private credit has become an increasingly important source of property finance. Bank retrenchment from higher-risk property lending, investor demand for floating-rate income and the need to fund new housing supply are supporting market growth. Recent stress also shows that outcomes will vary materially by lending strategy, leverage, borrower quality and liquidity structure.

Separating signal from noise in private credit

Real estate private credit has moved from a niche allocation to a significant source of property finance. CBRE estimates Australian real estate private credit will expand by 80% to approximately \$90bn by 2029. The market remains heavily weighted towards residential development lending while banks continue to dominate lower-risk commercial real estate finance. Private lenders are increasingly filling funding gaps across residential construction, land and higher-leverage lending.

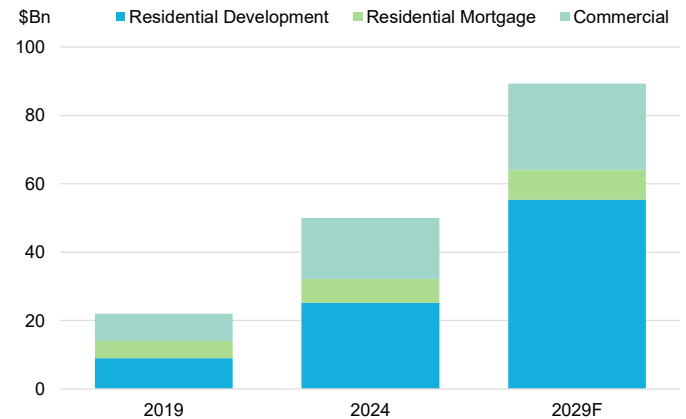
Strong capital inflows into the sector have increased competition and compressed lending margins. To maintain investor target returns, some lenders have moved up the risk curve increasing their exposure to land, construction, residual stock loans, higher-leverage structures and less established sponsors. Higher interest rates and softer residential conditions are now testing those exposures.

Recent market events have brought these risks into sharper focus. Residential developer Bathla Group entered administration in August owing more than \$3bn to around 40 private credit lenders. Signs of stress are not limited only to lenders exposed to Bathla; a growing number of funds across the broader market have restricted or frozen fund redemptions as liquidity pressures emerge. ASIC has indicated that regulatory scrutiny will increase.

Private credit is not homogeneous. Recent stress has been concentrated in residential development lending, capitalised-interest structures, large single-sponsor exposures and retail products offering monthly liquidity against multi-year loans. Senior loans secured against income-producing assets at moderate loan-to-value ratios (LVR) and within institutional governance frameworks, have a very different risk profile.

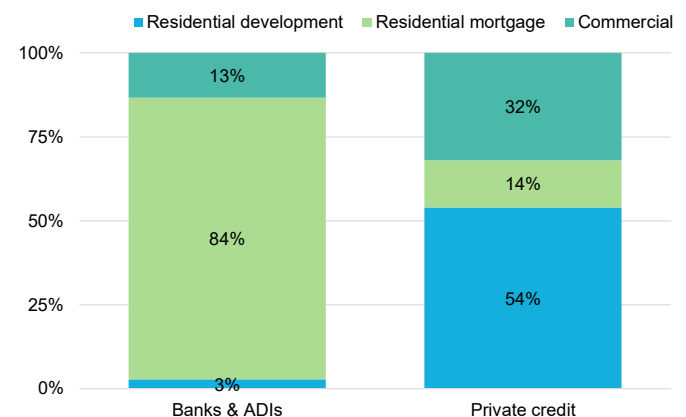
Elevated interest rates and pressure in parts of the residential market may lead to further impairments. Greater regulatory scrutiny and more disciplined pricing should favour lenders with strong underwriting, appropriate liquidity structures and institutional governance. The underlying funding gap across housing and development remains supportive of private credit, but manager and strategy selection will be critical to investment outcomes.

Australian real estate private credit is growing rapidly



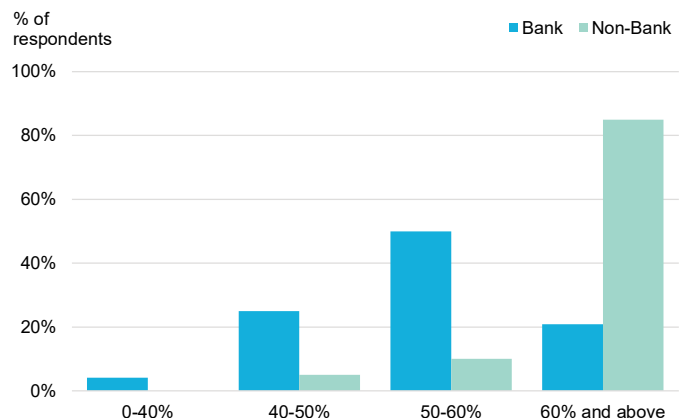
Source: Dexis Research, CBRE (Jun-2025)

Private credit is concentrated in residential development



Source: Dexis Research, CBRE (Jun-2025)

Non-bank lenders are more active in higher LVR lending



Source: Dexis Research, CBRE (Jun-2026)

Infrastructure

Power and digital infrastructure continue to attract capital

The global infrastructure M&A market declined 10% q-o-q in Q3 2026, with transaction volumes at US\$117bn. Activity was led by North America, followed by Australia. By sector, telecommunications led, followed by renewables and power.

Investment in digital and energy infrastructure continued to grow. Large technology companies increasingly see access to reliable power and the electricity grid as the main constraint on expanding data centres. This is increasing demand for power generation, particularly plants that can supply electricity when needed. Recent examples include LS Power's US\$860 million purchase of a 606MW gas plant and GIP's US\$940 million sale of a 1.5GW power plant, showing the rising value of reliable power supply.

Buyers remain disciplined on price, with the largest gap between buyer and seller expectations evident in onshore wind. Middle East tensions continue to drive volatility, fuel-cost pressure and inflation, highlighting the importance of maintaining downside protection in investor portfolios, whether that be through contracted, regulated or inflation inked cash flows.

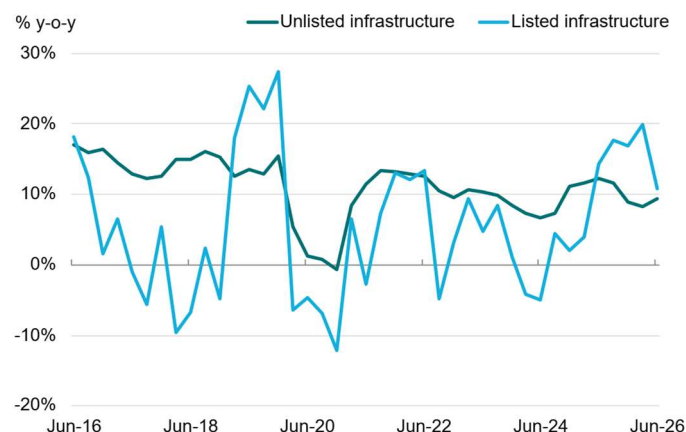
Domestic activity

Australian and New Zealand infrastructure M&A activity strengthened in Q3 2026, with volumes of US\$13bn across 9 transactions. Execution complexity continues to rise with FIRB, SOCI, mandatory ACCC notification and data-sovereignty requirements likely to extend timelines for processes. Large-cap processes and take-privates remain prominent, reflecting continued appetite for established infrastructure businesses.

Digital infrastructure was a key focus, highlighted by the stage-one lease at the 1.44GW Western Downs Digital Park in Queensland. The lease was signed by a consortium of Zerra DC, Macquarie Capital and Australian Data Centres (ADC, 85% Dexus-owned, 25% consortium interest) and an Australian subsidiary of Anthropic. The project reinforces the scarcity value of power-secured, approved land as regulatory obligations around energy, water and community impacts evolve.

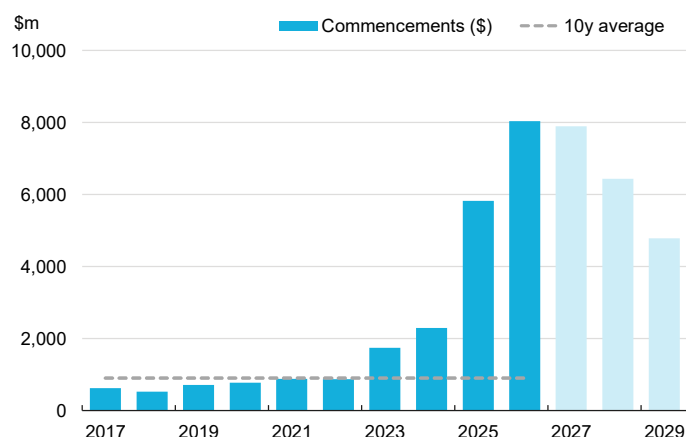
The outlook for infrastructure remains constructive, supported by strong capital availability and structural demand for digital and energy assets, though increasing regulatory complexity is likely to lengthen transaction processes and reinforce selectivity among investors.

Unlisted infrastructure returns accelerate



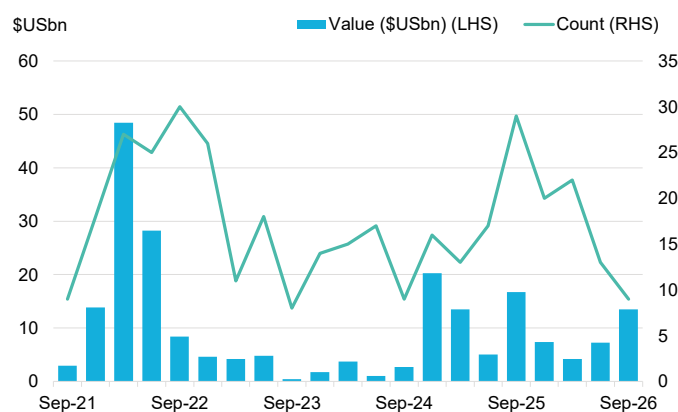
Source: Dexus Research, MSCI Australia Quarterly Private Infrastructure Fund Index Australia (NAV post fees), Bloomberg

Data centre commencements well above historical averages



Source: Dexus Research, Oxford Economics

Australia and NZ M&A transaction volumes strengthen



Source: Dexus Research, Infralogic

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Disclaimer

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