



# NEW SOUTH WALES MARKET SNAPSHOT

MARCH 2026

## CONTENTS

HEALTHCARE

HOTELS & LEISURE

INDUSTRIAL

OFFICE

RESIDENTIAL  
DEVELOPMENT

RETAIL



## NEW SOUTH WALES MARKET SNAPSHOT

MARCH 2026

In H2 2025, the NSW property market showed improved transaction activity, supported by earlier rate cuts, though renewed rate rises have tempered the outlook in 2026.

Office and retail sectors saw strong investment demand, with offshore and private capital active, while leasing fundamentals remained solid. Industrial activity stabilised, with moderating rental growth amid rising supply. Residential development remained constrained by high construction costs, limiting new supply despite improved sentiment. Healthcare and hotels continued to perform strongly, supported by defensive fundamentals and undersupply. Overall, investor focus remains on high-quality assets, with caution expected to persist as interest rate pressures impact market activity.

There is a degree of market uncertainty across all markets in early 2026 driven by geopolitical tensions in the Middle East, and ongoing trade policy adjustments. This environment has contributed to heightened volatility across equity markets and, notably, US Treasury yields. Oil prices are currently rising with impacts to cost of living. Continuing geopolitical instability may place upward pressure on inflation. Early evidence of tariff related inflationary pressure has been reported in the US and is expected to continue during 2026 as businesses pass on higher input and substitution costs. Australia's economy continues to be influenced by broader economic conditions, contributing to a cautious domestic market.

Our experts across valuation sectors share their analysis and insights in our latest NSW Market Snapshot covering the second half of 2025, as well as what to look out for during the remainder of the year, across Health, Aged Care and Seniors Living, Hotels & Accommodation, Industrial, Office, Residential Development and Retail.

# HEALTHCARE

## MITCH ENRIGHT

Director | Health, Aged Care & Seniors Living



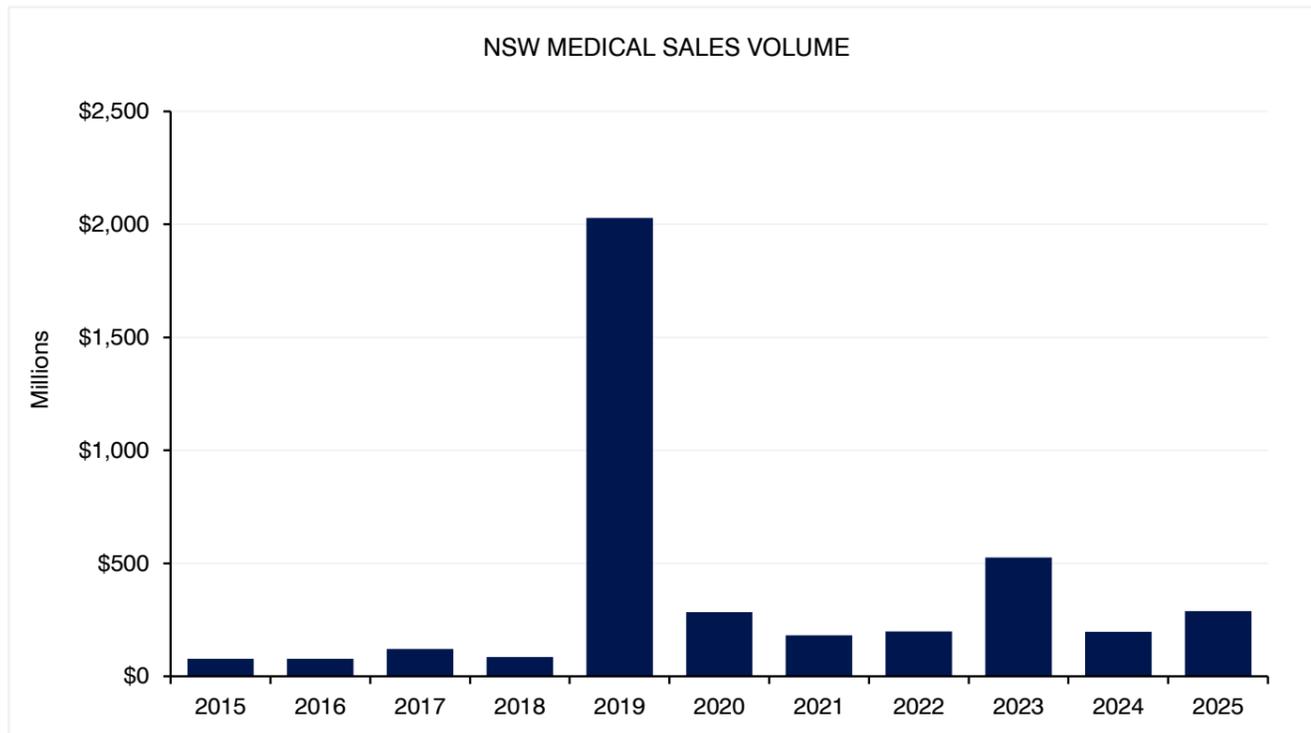
“The healthcare and seniors living sector in Victoria maintained its appeal as a core asset class during the second half of 2025, supported by strong fundamentals, investment growth opportunities, and resilience amid elevated inflation and interest rates. Institutional capital is attracted to the sector because of population growth, ageing demographics, government funding, and private healthcare.

In 2025, NSW recorded \$288.7 million freehold investment in healthcare sales across 61 transactions, being at an improved level from 2024. Private investors were again the most active buyer group in 2025, accounting for over 50% of purchases. Most assets that transacted were under \$20 million with transactional yields into the early 5.00% range for prime medical assets. Secondary assets have hovered between 6-7%, depending on asset characteristics, with cap rates remaining relatively stable over the year.

The lowering of interest rates in early 2025 improved buyer activity towards the later months of the calendar year, albeit a disconnect remains between purchasers and vendors for premium assets.

Recent interest rate rises in February and March and potential for further rate rises across the year has cast a shadow on the wider investment market outlook. While yields stabilised in 2025, there is an expectation that interest rate rises will put pressure on investment returns, particularly as the 10-year bond has reached a 15-year high.

Investment demand should remain strong for high-quality medical assets in the short term, although with interest rates poised to rise again, overall market activity is likely to remain subdued in 2026 - particularly for assets over \$30 million.



Source: Real Capital Analytics (RCA), M3 Property  
 Note: Sales over \$1 million. Includes Medical and Hospital sales

## OPPORTUNITIES AND CHALLENGES

- Interest rate reductions during 2025 contributed to renewed investment activity from institutional investors in the healthcare market, but this activity from institutional investors is likely to slow again during 2026 following rate increases in February and March 2026.
- GP and other health specialist shortages continue to affect occupancy levels for some medical practices.
- Mental health and wellbeing is becoming an emerging health issue, with 43.7% of people between 16 and 85-years old experiencing a form of mental disorder in their life and 21.4% of people experiencing a mental disorder for at least 12 months.
- Demand for medical services by a growing and ageing population is expected to continue increasing; unhealthy lifestyles, obesity rates and an increasing focus on mental health and wellbeing continue to drive demand for medical services, medical suites and centres.
- Australia’s Healthcare and Life Sciences sector is one of the largest and fastest-growing in the southern hemisphere, driven by a confluence of government support, industry innovation, and private and institutional investment. There are eight Healthcare and Life Sciences precincts in Sydney. The largest precinct in Sydney is the Westmead Health Precinct which comprises a total of 400,000 sqm of health and life sciences space and is anchored by Westmead Hospital, University of Sydney, Western Sydney University, Viral Vector Manufacturing Facility and the National Biocontainment Centre.

## INVESTMENT MARKET

- According to RCA, there were 61 medical and hospital properties with a total value of \$288.7 million transacted across NSW in 2025. This compares with \$197.5 million from 52 transactions in 2024.
- The largest transaction was \$56 million for the 8 Herbert Street, St Leonards, sold by AU and acquired by RAM; most other assets were priced under \$10.0 million. The sale of RPAH to April Group was contracted in 2025, however due to settlement in 2026, it has not been included in the below data.
- Private investors were the most active buyer’s group over 2025, accounting for 54.2% of transactions.

## YIELDS

- Yields range from 5.00-6.00% for prime medical centre assets and 6.25-7.25% for secondary medical assets (predominantly regionally located older facilities).
- Yields for private hospitals generally range between 5.5% and 6.25% for prime assets and 6.50% and 7.5% for secondary assets.

## OUTLOOK

- The healthcare sector will continue to grow in importance as a core asset class, supported by key market fundamentals and significant investment growth opportunities; some other core sectors have become less favoured due to poor investment fundamentals including elevated inflation. The current high-interest rate environment will also support this shift.
- The sector will continue to benefit from strong investment interest as new and existing institutional capital is drawn to the asset class thanks to its key fundamentals including population growth, ageing population demographics, government funding and private healthcare.
- Investment demand for high-quality medical assets will remain strong over the medium term. Interest rate increases in February and March 2026 may see reduced activity from buyers during 2026. Assets under \$20 million will remain highly sought after by private investors, however over \$30 million will be difficult to trade as the buyer pool is reduced and impacted by the increasing cost of debt.

# HOTELS & LEISURE



**JAMES RUBEN**

National Director | Specialised Assets

“During 2025, the Australian hotel market overall has continued to benefit from upward pressure on room rates and stabilising occupancies. This is partly driven by a relatively low Australian dollar. This follows a long stabilisation period after the impact of the pandemic on travel trends.

Most markets across the country have seen stability in investment metrics, and modest growth in capital values.

Sydney continues to face an undersupply of hotel rooms, bolstering both occupancy and room rate growth. This has supported the value growth that we have seen in the market and is likely to continue over the next 12 months.

The prospect of further escalating construction costs presents an ongoing challenge for the delivery of new hotel stock to the state.

Astute investors continue to uncover opportunities across the market created by the prevailing market conditions.

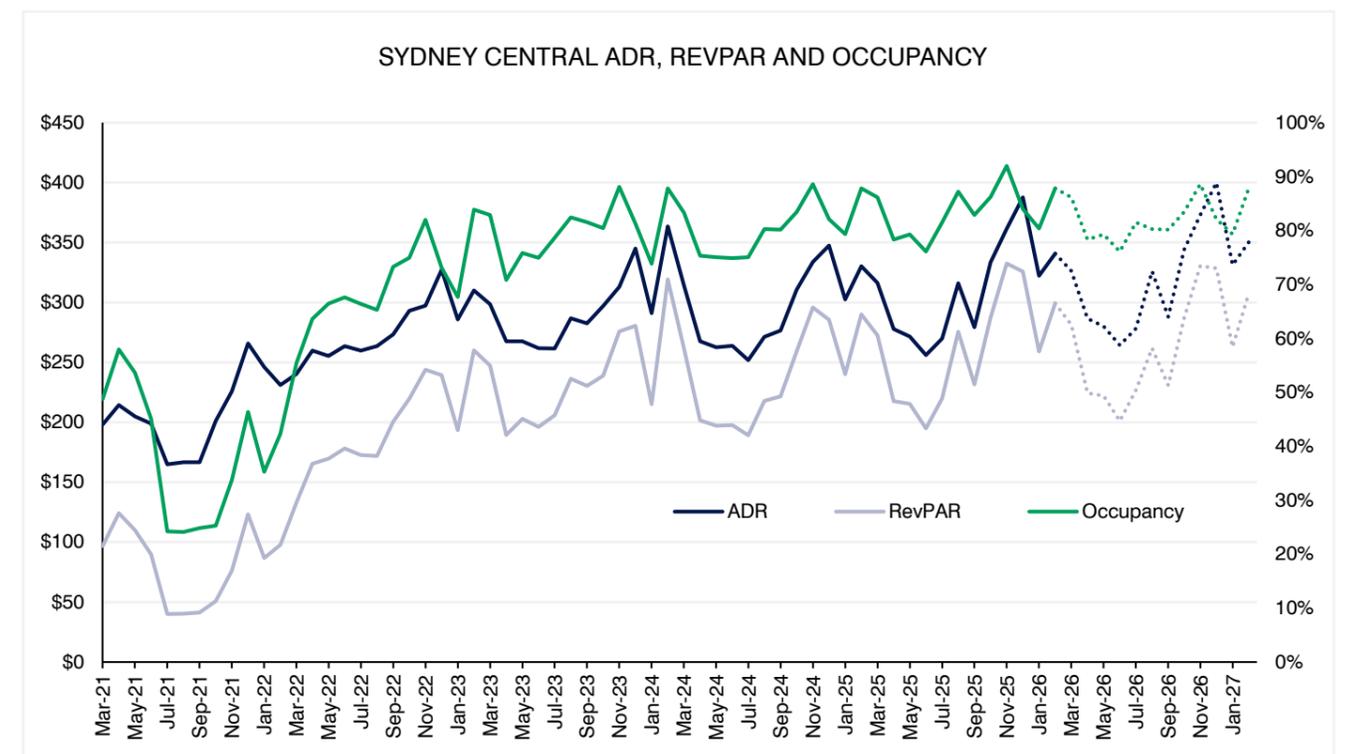
We expect the current trends to continue over the next 12 months with continued stability in investment metrics, upward pressure on room rates and potential market opportunities for savvy investors.”

**“WE EXPECT THE CURRENT TRENDS TO CONTINUE OVER THE NEXT 12 MONTHS WITH CONTINUED STABILITY IN INVESTMENT METRICS, UPWARD PRESSURE ON ROOM RATES AND POTENTIAL MARKET OPPORTUNITIES FOR SAVVY INVESTORS.”**

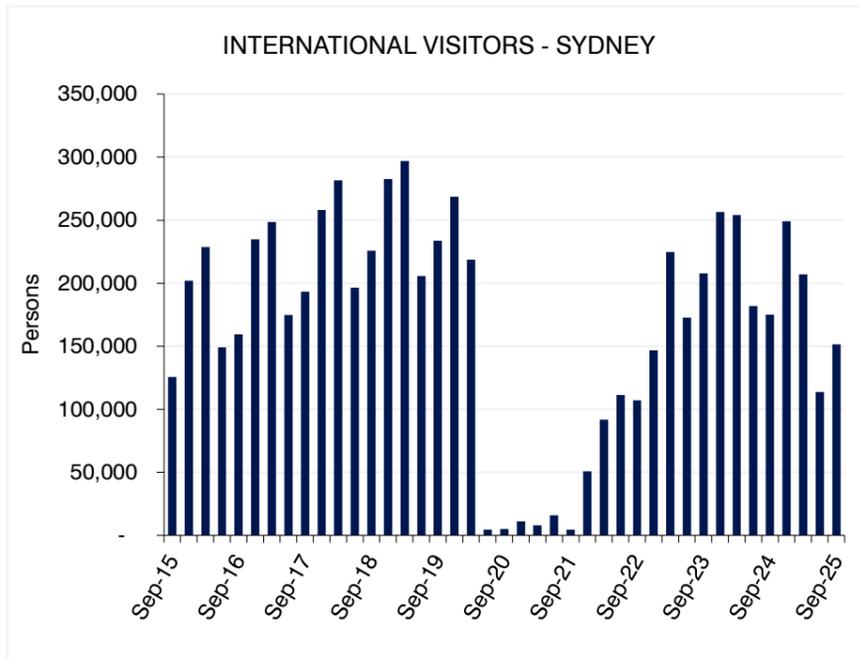
- JAMES RUBEN

## CURRENT STATE OF PLAY

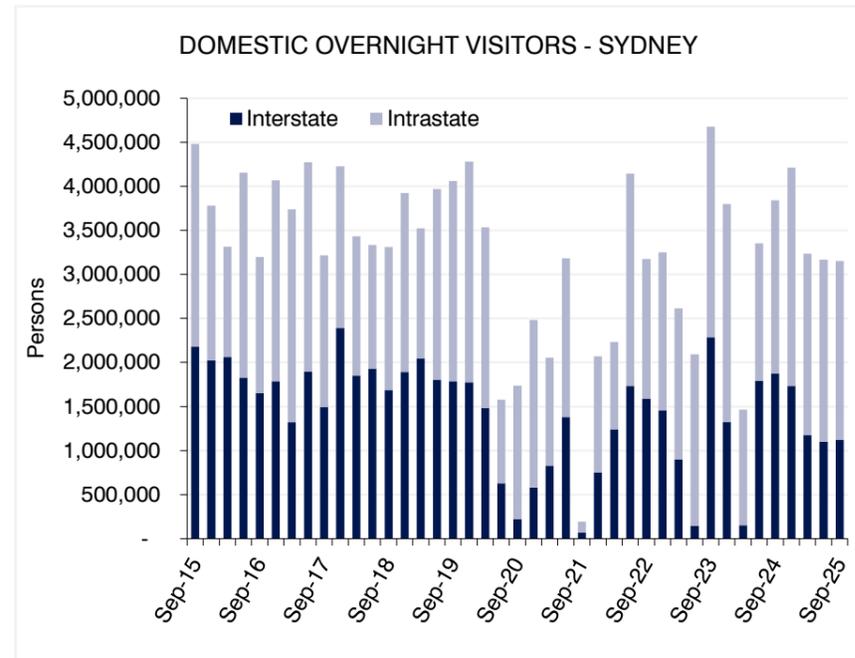
- Occupancy rates per room have largely recovered to pre-pandemic levels, with the Sydney market recording 80.40% occupancy rates in January 2026, which is a 1% increase on January 2025.
- Revenue per available room has recovered to pre-pandemic levels as a result of significant Average Daily Rate ADR growth influenced by several factors including strong inflation (with operators passing on increases in outgoings), increased quality of stock driving premium rates, and evolving travel trends increasing demand.
- International visitor numbers have started rising on a quarterly basis; however, they remain somewhat subdued compared to pre-pandemic levels, and are currently 28.2% below pre-pandemic levels. During the year ending September 2025, there was 721,325 international visitors, spending an average of 25.5 nights per trip in the region. This compares with 867,625 international visitors, spending the average of 27.8 nights for the year ending September 2024.
- Domestic travel remains strong, with rates of interstate visitors to the Sydney market having returned to pre-pandemic levels. There were 13,774,315 domestic overnight visitors to the Sydney region during the year ending September 2025. Intrastate visitors accounted for 64% of domestic overnight visitors during the year.



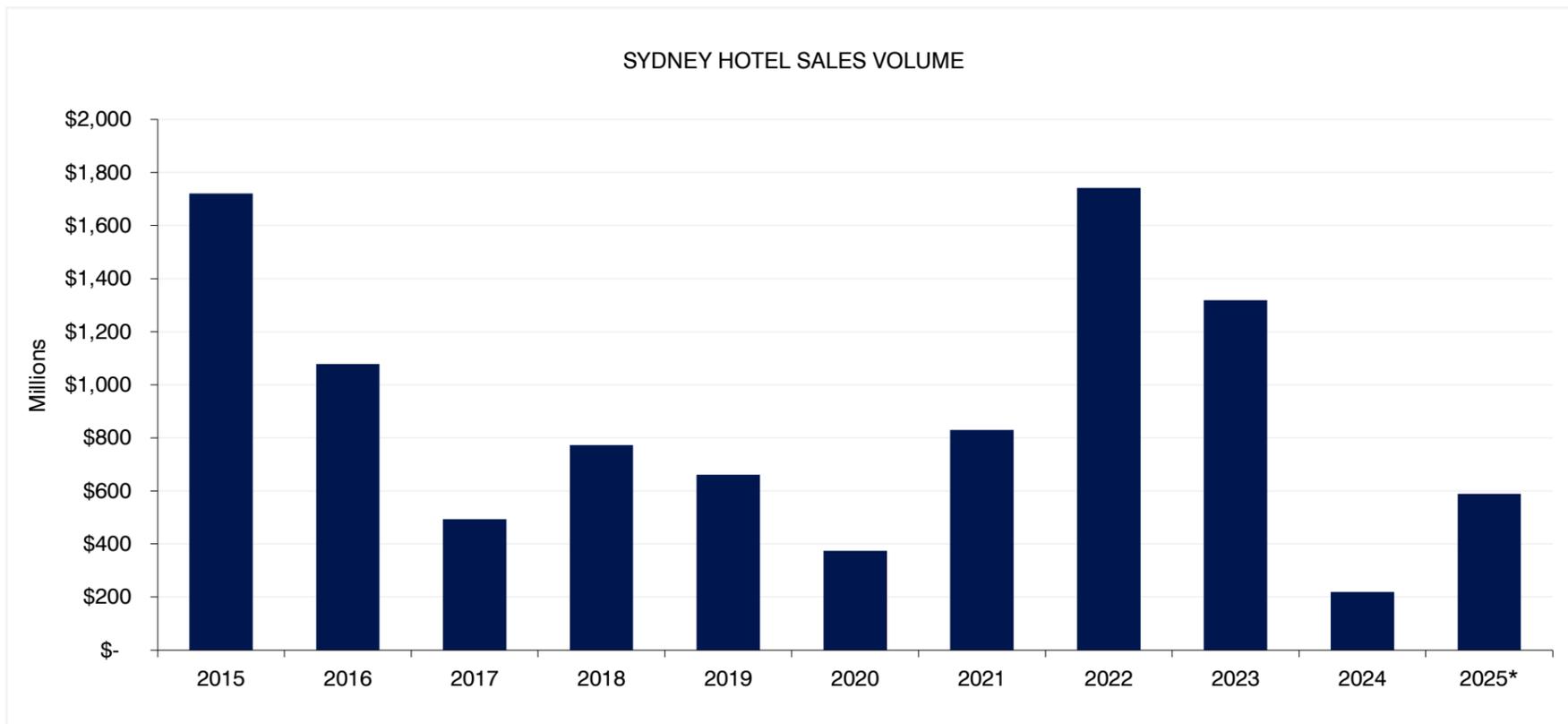
Source: M3 Property, STR



Source: TRA, M3 Property



Source: TRA, M3 Property



Source: Real Capital Analytics (RCA), M3 Property

## TRANSACTIONS

- According to Real Capital Analytics (RCA), there were eight transactions in 2025, totalling \$589.2 million of hotel assets across Sydney. This level of activity is higher than 2024 when there were seven transactions totalling \$219.2 million.
- The two largest sales were the \$265 million sale of the Sir Stamford Hotel at Circular Quay in February 2025, and the \$215 million sale of the Intercontinental Sydney Double Bay in February 2025.
- In 2025, institutional investors formed the largest group of buyers at 46%, followed by private buyers at 40.6%.

## OPPORTUNITIES AND CHALLENGES

- Changing consumer expectations and travel trends around sustainability and social governance will continue to influence both consumer decision making and investment.
- Demand for good quality, sustainable assets is expected to grow, together with consumer demand for higher quality accommodation products and services.
- Evolving technology continues to improve efficiency in hotel management, with potential to reduce staffing levels and improve margins.
- New trends such as leisure travel, digital nomadism, eco-tourism, wellness tourism and boutique product positioning are all contributing to the transforming market.

# INDUSTRIAL



**JOEL DUCEY**

Director | Industrial

“Transaction volumes in the NSW Industrial market have steadily increased over the past six months, albeit remain at relatively moderate levels.

Yields have remained steady, following a period of decompression over the preceding 12 months. The impact of the RBA's decision to increase the cash rate in February and March 2026 may have a slight dampening effect on investor demand; however, the full extent of this impact remains uncertain.

The theme of moderating rental growth and increasing incentives continues, with supply increasing off the back of recent speculative stock completions.

Land values remain steady, with infill sites continuing to outperform the broader market.

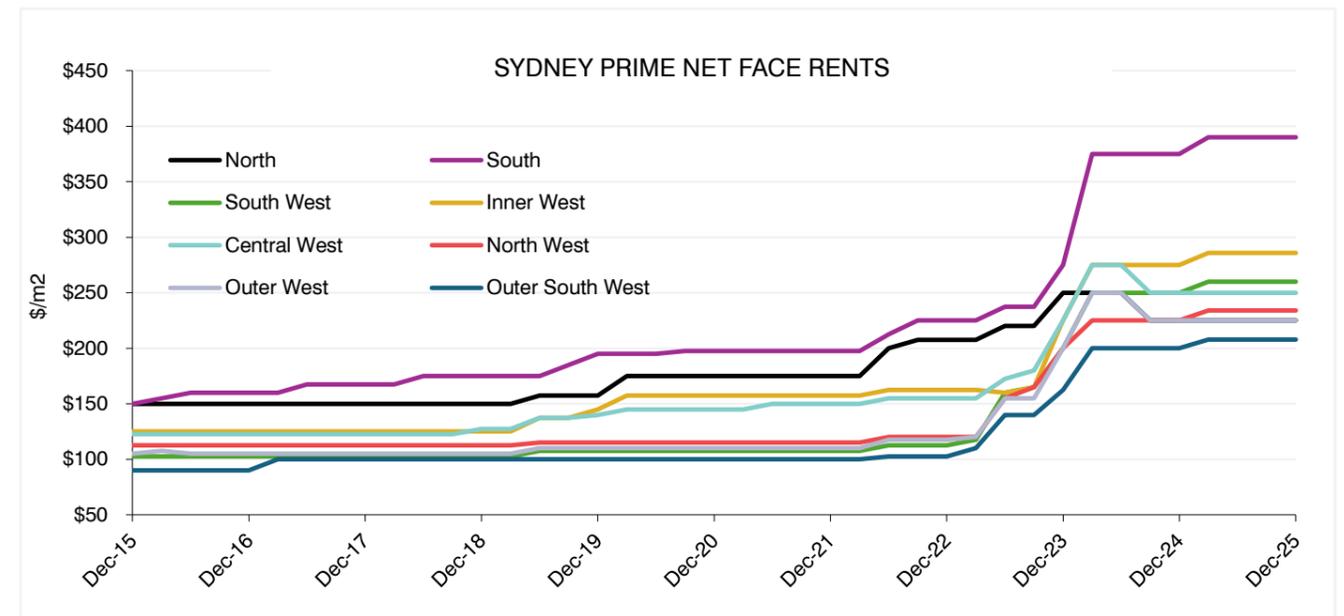
The majority of Sydney's development activity is focused in the Outer West and Western Sydney Aerotropolis, where large scale precinct planning and infrastructure investment continue to drive supply pipelines.”

“THE THEME OF MODERATING RENTAL GROWTH AND INCREASING INCENTIVES CONTINUES, WITH SUPPLY INCREASING OFF THE BACK OF RECENT SPECULATIVE STOCK COMPLETIONS.”

- JOEL DUCEY

## CURRENT STATE OF PLAY

- Newer buildings in prime locations close to major roads or freight rail networks which are designed to accommodate warehousing, distribution and logistics operations continue to generate more robust demand than the broader market.
- While there was previously a substantial pipeline of speculative and pre-committed supply expected to enter the market in 2026, this may now be easing, as numerous projects have been postponed or abandoned. Approximately 25% of the 2025-28 pipeline is already pre-committed. Higher building costs and land prices have delayed a substantial portion of new supply originally expected in 2027.
- Over the past few years, competition with other land uses in the southern and inner sub-markets has reduced available industrial stock in these precincts, which has led to the ongoing migration of activity into western precincts and major regional centres.
- Whilst the land market remains tight (particularly within the inner sub-markets), there is evidence to suggest an easing of demand, as development becomes more difficult, or unfeasible due to high construction costs, increased funding costs and lower build-out investment values.



Source: Real Capital Analytics (RCA), M3 Property

## RENTAL MARKET

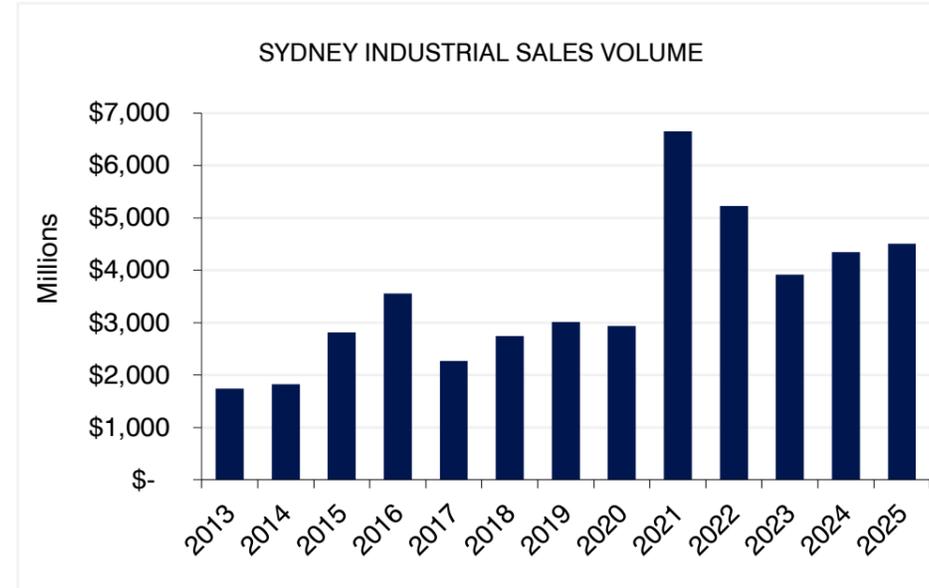
- Prime net face rents ranged between \$182 and \$416 per square metre at the end of 2025, with secondary net face rents ranging between \$150 and \$275 per square metre.

## INVESTMENT MARKET

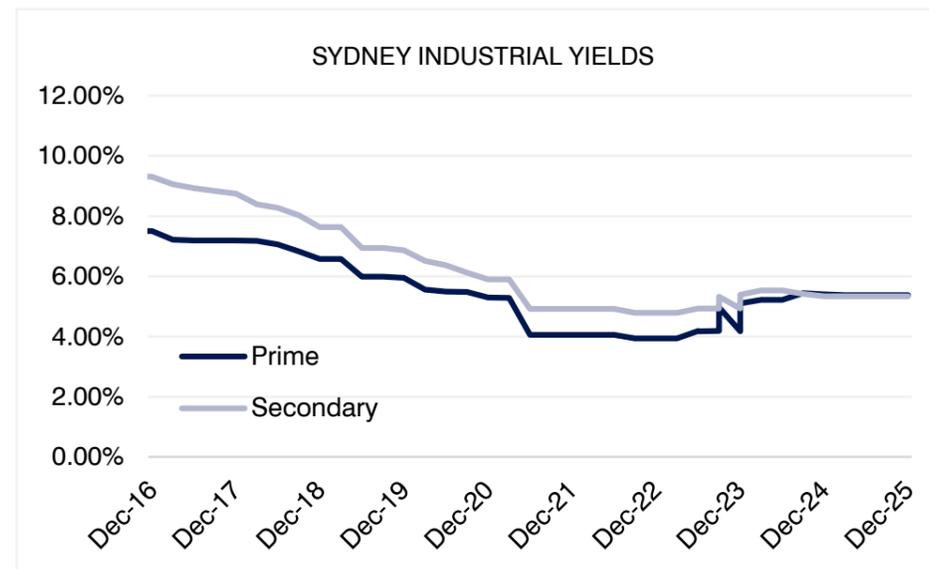
- According to RCA there was \$4.5 billion of sales over \$10 million across 131 sales in the Sydney market during 2025. This is slightly higher than the \$4.3 billion of sales over \$10 million recorded across the Sydney market for 2024.
- Market activity is expected to remain stable despite the February and March 2026 interest rate increases. Owner occupiers remain most active in the \$2 to \$20 million price bracket. Institutional investors remain somewhat cautious amid continuing global economic headwinds, moderating rental growth, increased speculative stock completions and affordability concerns.
- Offshore groups and private investors were the top two buyers during 2025, making up 49.1% and 31.2% of Sydney Industrial buyers respectively.

## YIELDS

- Following a period of sustained yield compression, recent sales transactions point to yields softening by up to as much as 135 basis points since the peak of the market in 2021-22.
- Yield decompression began to occur from early 2023, reaching 5.38% for Prime yield average and 5.34% for Secondary yield average as of December 2025.
- There was a modest increase in incentive levels during 2025, with Prime incentives currently ranging between 10% - 17% and secondary incentives ranging between 15% - 22.5% as of December 2025.



Source: Real Capital Analytics (RCA), M3 Property  
Note: Sales over \$10 million



Source: Real Capital Analytics (RCA), M3 Property

## OPPORTUNITIES AND CHALLENGES

- A total of 1,557,000 sqm of new stock was completed across 2024 and 2025. This is likely to somewhat alleviate the supply imbalance that prevailed over the previous 2-3 years. It is also likely to place further downward pressure on rental growth and place increased pressure on incentive levels.
- Occupiers continue to seek modern, efficient buildings and are increasingly expecting Environmental-Social-Governance (ESG) features in new developments.

## OUTLOOK

- Occupier demand is expected to remain steady through early 2026; however, take-up is anticipated to decline due to the ongoing supply-demand imbalance. Over the medium term, some rationalisation of inventories is likely as supply chain conditions continue to normalise, which may contribute to a softening in occupier demand. In addition, as household discretionary incomes come under increasing pressure, demand from retail groups may moderate.
- Land values are expected to remain generally stable in the short to medium term, with some developments becoming difficult or unfeasible because of high construction costs, increased funding costs and somewhat tempered investor demand for end product.
- The Reserve Bank of Australia (RBA) increased the interest rate by 25 basis points to 3.85% in February 2026 and a further 25 basis points to 4.10% in March 2026. Despite inflation easing from its 2022 peak, a material uptick in the second half of 2025 has kept the RBA concerned about global economic uncertainty and tight labour markets.
- The rate increase is likely to result in further caution from investors. Institutional investors remain somewhat cautious amid global economic headwinds, increased speculative stock completions and moderating tenant demand.

# CBD OFFICE

## EDWARD HINE

Director | Office



“Transaction activity in Sydney’s CBD improved throughout 2025, with positive momentum continuing into early 2026.

Total transactions reached \$5.3 billion in 2025; around 50% higher than 2024. Prime yields stabilised at 5.25%–6.50%, with secondary yields at 6.30%–7.60%, following a 150–300 basis point shift since mid-2022. While yield tightening had been expected in 2026, recent RBA rate rises have made this outlook less certain, with stabilisation now more likely for the remainder of the year.

Offshore investors led activity, supported by a weaker Australian dollar and opportunities to acquire prime assets below replacement cost.

Office demand strengthened in 2025, with positive absorption of 21,657 sqm, although vacancy rose slightly to 13.8% due to new supply. With limited new completions expected in 2026, vacancy is likely to tighten and rents to increase.

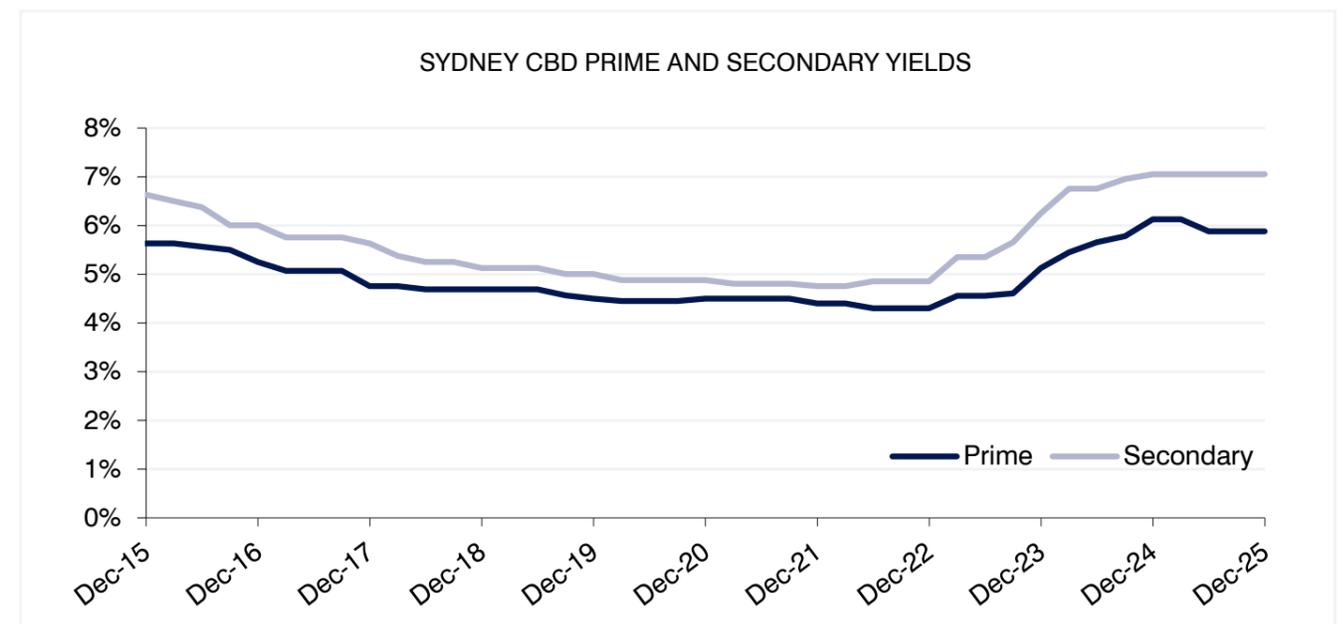
Prime and A-grade assets continue to outperform, driven by ‘flight-to-quality’ trends. Prime rents have grown, with incentives remaining high at 32%–39%. The completion of infrastructure projects, including Sydney Metro, has been a key driver of office space demand with strong leasing activity and growth experienced in those precincts closest to Metro stations.”

**“TRANSACTION  
ACTIVITY  
REBOUNDED  
STRONGLY IN  
2025, SIGNALLING  
RENEWED  
CONFIDENCE IN  
SYDNEY’S CBD  
OFFICE MARKET.”**

- EDWARD HINE

## CURRENT STATE OF PLAY

- According to the latest Property Council of Australia Office Market Report (OMR), the Sydney CBD Office market is made up of 5,385,115 sqm of space as of January 2026.
- Over the twelve months to January 2026, the Sydney CBD vacancy rate increased from 12.8% to 13.8%.
- Net absorption across all grades was positive during the twelve months to January 2026 at 21,657 sqm.
- Recently developed premium-grade assets are performing well, with tenants capitalising on high incentives to relocate to higher-quality office space.



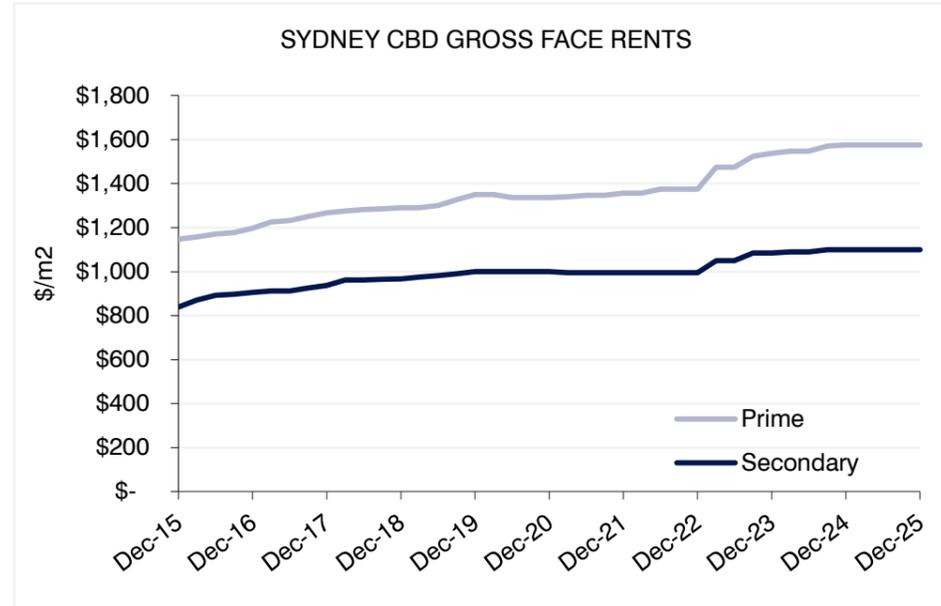
Source: M3 Property

## YIELDS

- Prime CBD yields ranged between 5.25% and 6.50% during the December 2025 quarter, tightening by 25 basis points compared to the December 2024 quarter.
- Yields for secondary CBD office assets ranged between 6.3% and 7.6% during the December 2025 quarter. Secondary yields remain the same as the December 2024 quarter.

## RENTAL MARKET

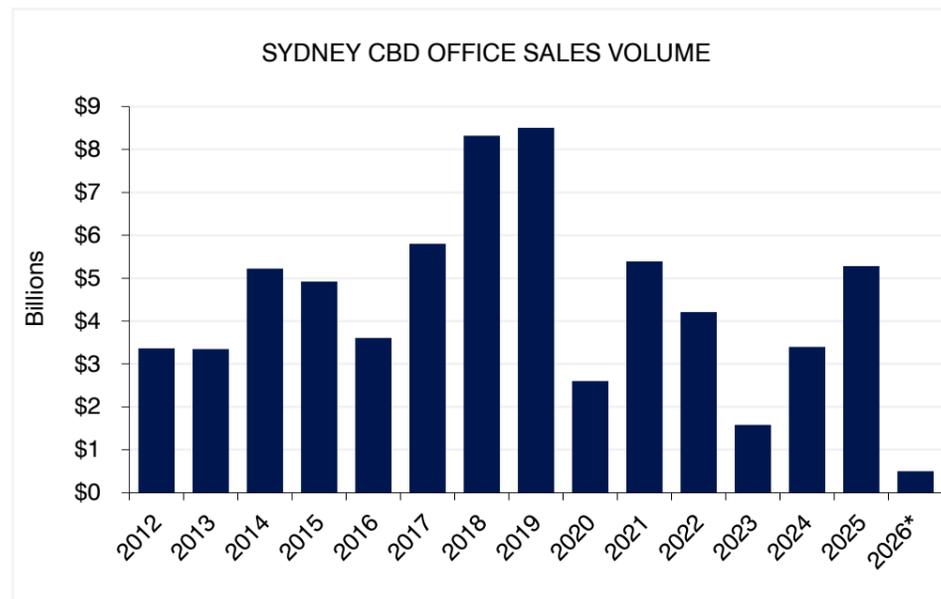
- Sydney CBD prime gross face rents remained stable in the twelve months to December 2025 and range between \$1,195 and \$1,955 per sqm.
- Sydney CBD secondary gross face rents remained stable during the year, and range between \$890 and \$1,310 per sqm.
- CBD prime incentives remained stable in the twelve months to December 2025, and range between 32% and 39%. Similarly, secondary incentives were also stable and range between 32% and 40%.



Source: M3 Property

## INVESTMENT MARKET

- According to RCA, there were 21 sales totalling \$5.28 billion recorded in the Sydney CBD Office market in 2025 above the \$5m million mark. The total is significantly higher than \$3.39 billion from 41 sales in 2024.
- The largest transaction in 2025 was the complex sale of Grosvenor Place at 225 George Street, Sydney. Blackstone Group sold its 75% share to Commonwealth Superannuation Corporation (who already held a 25% share) across two transactions totalling \$1.35 billion. This purchase made CSC the sole owner of the property and they subsequently sold a 50% share to GPT for \$860 million.
- Cross-border buyers were the largest buyers of office property in Sydney in 2025, accounting for 56.2% of the transactions.
- The first two months of 2026 saw five transactions totalling \$500 million recorded in the Sydney CBD Office market.



Source: Real Capital Analytics (RCA), M3 Property  
Note: Sales over \$5 million

## OPPORTUNITIES AND CHALLENGES

- The Sydney Metro project will improve connectivity across Sydney and occupier demand is increasing around new Metro stations, including Central Station, Pitt Street, Martin Place and Hunter Street.
- The vacancy rate is forecast to moderate during 2026, with around 17,601 sqm of new office space to be added to the market for the remainder of the year.

## OUTLOOK

- Occupier demand is likely to gradually improve through 2026.
- The medium-term outlook for white-collar employment in Sydney is positive, with Oxford Economics Australia forecasting an additional 139,730 people to be employed in white collar employing industries in Sydney by 2028.
- There is about 177,675 sqm of supply under construction in the Sydney CBD market as well as a large pipeline of mooted supply.
- Rental growth is forecast to strengthen over the coming years and with incentives forecast to trend downwards, effective rents are forecast to grow strongly over the 10-year horizon.
- With the RBA increasing the cash rate by 25 basis points in February 2026 and by a further 25 basis points in March 2026, market activity is expected to slow during 2026 compared to 2025.

# RESIDENTIAL DEVELOPMENT

## JARROD MORGAN

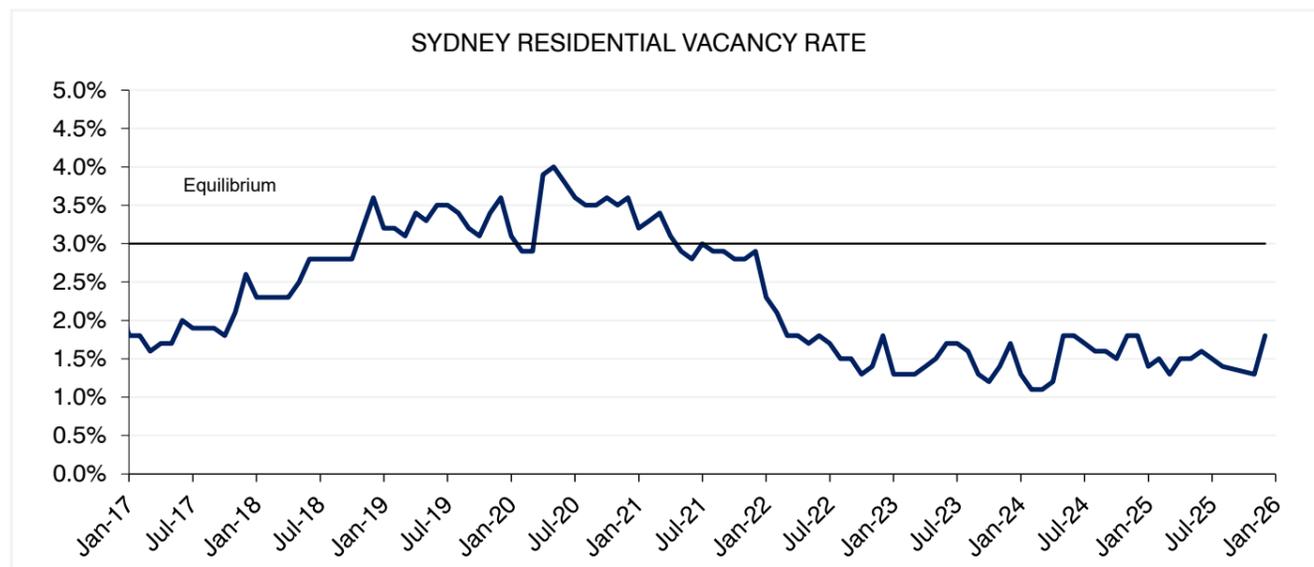
Managing Director NSW



“In the second half of 2025, the NSW residential development market remained broadly stable, supported by improving consumer sentiment following the third cash rate cut of the year. Notwithstanding this improvement, a material disconnect between development approvals and construction commencements remained, with elevated construction costs continuing to place pressure on project feasibilities.

These feasibility constraints were most evident within the apartment sector. New apartment supply was largely skewed toward luxury, owner-occupier product, providing no material contribution to broader affordability constraints. At the same time, the apartment market remained highly price sensitive, creating a clear mismatch between prevailing buyer demand and the pricing and positioning of new project launches. Despite higher entry price points, the detached housing market demonstrated comparatively greater resilience, underpinned by sustained owner-occupier demand.

Overall, while market conditions stabilised through the second half of 2025 and sentiment improved, the recovery in development activity remained constrained, reflecting ongoing feasibility pressures impacting supply.”



Source: SQM, M3 Property  
 \*Note: The market equilibrium vacancy rate is considered to be 3.0%. Vacancy rates higher than this typically represent an oversupplied rental market whilst lower vacancy rates typically represent an undersupplied market.

## CURRENT STATE OF PLAY

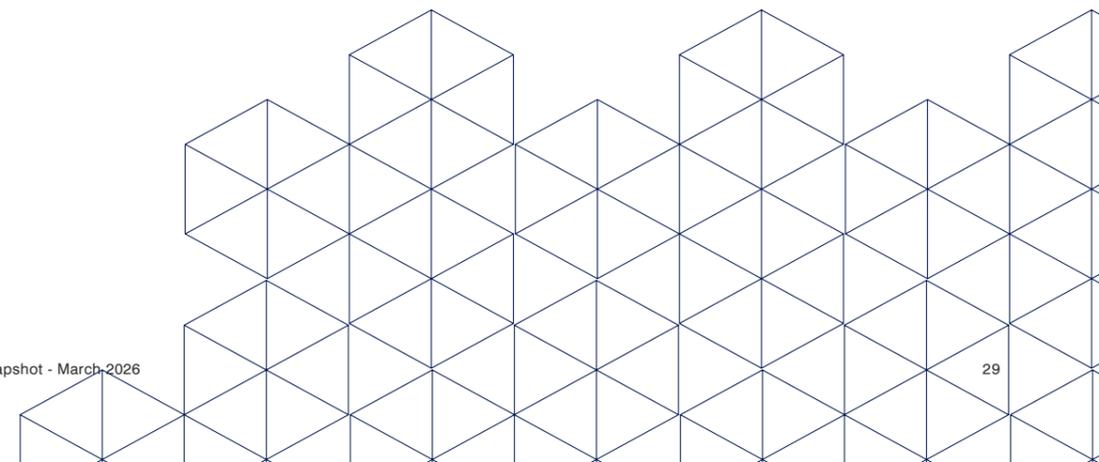
- Despite house prices being approximately 1.8 times higher than unit prices, Sydney’s median house price increased by 6.8% year on year to \$1,607,046 by March 2026, outperforming unit price growth of 3.9%, with median unit prices reaching \$903,080.
- Sydney’s residential vacancy rate was 1.5% in January 2026, marginally higher than the 1.4% recorded a year earlier, but still well below the 3.0% equilibrium benchmark, indicating an undersupplied market. Limited new commencements and completions, combined with continued population growth, have maintained pressure on rental demand, driving strong rental growth, although the pace of growth has moderated in recent months.
- There were 53,296 dwellings approved across New South Wales in the twelve months to December 2025, representing a considerable 21.0% year-on-year increase; however, elevated construction costs and ongoing feasibility constraints are likely to result in a material time lag to commencements, with not all approved projects expected to proceed to construction.
- Sydney’s detached housing market recorded strong growth throughout 2025, underpinned by sustained owner-occupier demand, limited supply and improving buyer sentiment. Looking ahead, Oxford Economics forecasts house prices to increase by 6.9% per annum in 2026, before moderating to 5.0% per annum in 2027.

## OPPORTUNITIES AND CHALLENGES

- Despite negative interstate migration, New South Wales continued to command the greatest share of overseas arrivals providing ongoing support to underlying residential demand.
- Against a backdrop of accelerating investor credit growth, with investors accounting for approximately 38% of total mortgage demand, APRA implemented high debt-to-income (DTI) lending constraints, which may temper investor participation moving forward.
- Median unit prices are expected to outperform house prices over the next few years, as affordability pressures continue to push buyer demand toward the unit market. While house price growth is forecast to moderate, Oxford Economics expects unit prices to increase by 7.7% per annum in 2026 and 5.7% per annum in 2027.

## OUTLOOK

- Tight vacancy rates across Sydney are expected to persist amid limited new completions. Housing Australia forecasts net dwelling completions in NSW to total 22,900 in 2026, broadly in line with 2025, before improving modestly over 2027 and 2028 to average 24,450 dwellings per annum. However, elevated construction costs and ongoing feasibility constraints continue to skew new supply toward higher-end apartment product, limiting the delivery of housing that aligns with broader affordability-led demand.
- These conditions are expected to support ongoing rental growth. While house rental growth is forecast to remain positive, it is expected to underperform unit rental growth, reflecting affordability constraints and stronger demand for unit accommodation from migrants and international students.



# RETAIL



**SHAUN O'SULLIVAN**

Director | Retail

“During 2025, improved liquidity led to a wave of Shopping Centre transactions which has paved the way for continued performance of the sector in 2026.

There has been strong transactional activity in the Shopping Centre investment market over the last 12 to 18 months. A weight of capital was chasing retail assets during 2025 as institutional investors competed with fund managers, syndicators and private investors to secure centres offered for sale. This resulted in a large number of transactions occurring across all sub-sectors.

Heading into 2026, capital remains strong for the sector although the February and March 2026 cash rate rises, and potential for further increases, has resulted in a level of caution in the market. That said, investors are attracted by the strong underlying thematics of the sector.

On the income side, landlords are achieving strong leasing spreads, helped by low levels of vacancy, population growth and constrained new floorspace supply. However, retailers continue to face operational challenges including navigating higher inflation, consumer 'cost of living' pressures, and heightened stock theft and crime.”

## CURRENT STATE OF PLAY

- Total household spending on retail in NSW for the 12 months to December 2025 was up 4.2% year on year.
- The strongest growth by retail category was recorded in hotels, cafes and restaurants (6.0%), followed by food (5.4%).
- Rental spreads (i.e., the difference between a tenants' new rent and their prior rent) have materially improved over the last 12 months for Australian Real Estate Investment Trust (AREIT) shopping centre owners.
- Growth in the online retail sector and the continuing expansion of online marketplaces has resulted in centre owners changing their tenancy mix.
- Rental spreads (i.e. the difference between a tenant's new rent and their prior rent) have materially improved over the last 12 months for Australian Real Estate Investment Trust (AREIT) shopping centre owners.



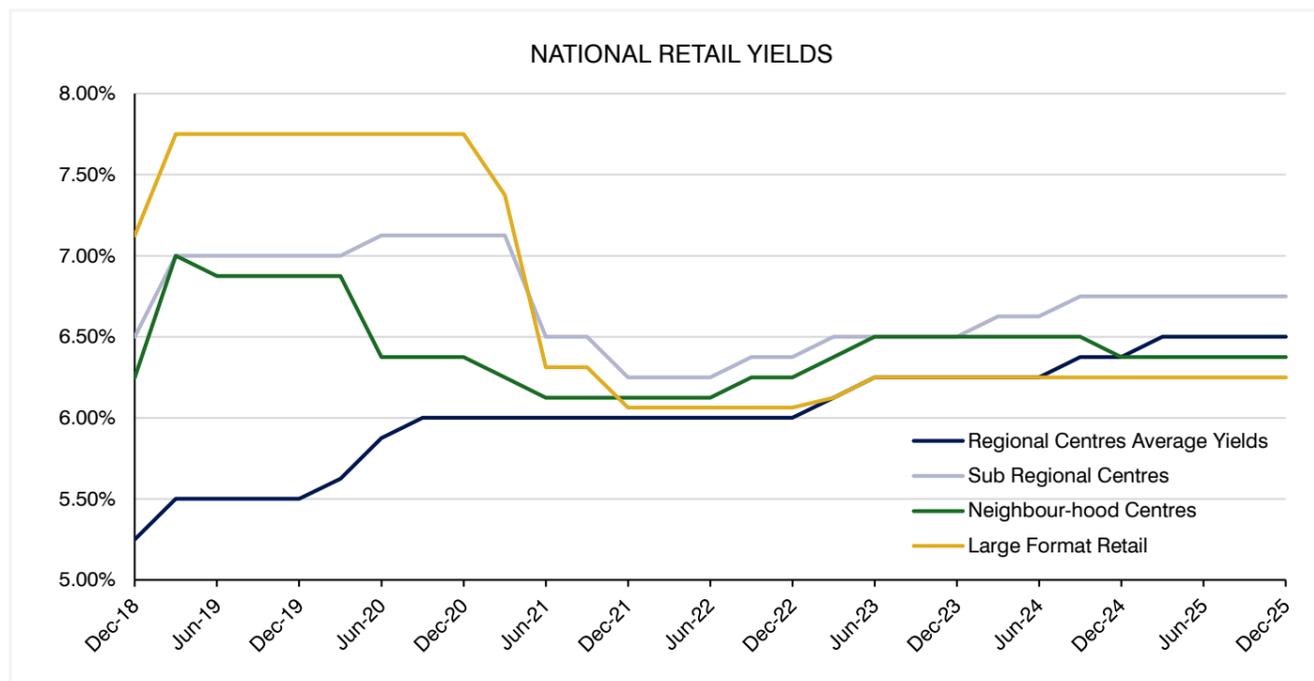
Source: Real Capital Analytics (RCA), M3 Property  
Note: Sales over \$5 million

## INVESTMENT MARKET

- According to RCA, there were 148 retail sales totalling \$7.364 billion recorded across the NSW market for 2025. Total sales volume for 2025 was significantly higher than the \$3.525 billion recorded for 2024.
- Institutional buyers were the most active buyer group in 2025, accounting for 32.5% of sales (by \$ value). Cross-border investors were the next largest buyer group taking up circa 27.1% of sales followed by Private investors with 25% of sales.

## TRANSACTIONS

- There were four transactions of over \$800 million in 2025. The two highest sales set records for the highest ever individual retail assets sold in Australia.
- The largest transaction recorded in 2025 was the sale of Erina Fair, a super-regional shopping mall in Erina on the NSW Central Coast. The centre was sold by the Lendlease-managed APPF Retail Fund and South Korea's National Pension Service for \$895 million to Fawkner Property. This transaction replaced Westpoint Blacktown as the largest individual retail asset transaction in Australian history.
- The second largest transaction recorded in 2025 was the sale of Westpoint Blacktown, a sub-regional shopping mall in Blacktown. The centre was sold by Queensland Investment Corporation for \$870.35 million to local syndicator Haben and US investment manager Hines, and at the time was the largest retail asset transaction in Australian history.
- The third largest transaction recorded in 2025 was the sale by Scentre Group of a 20% share in Westfield Sydney for \$864 million to the Australian Retirement Trust. The fourth largest transaction was the sale by Dexus of a half share in Macquarie Centre for \$830 million to UniSuper and Cbus Property.
- Other strong sales included the sale of Top Ryde centre for \$525 million, and a half share of Bankstown Central for \$318 million.
- There was a total of 16 transactions of more than \$100 million in 2025.



Source: M3 Property, RCA

## YIELDS

- Retail yields generally continue to look attractive relative to the alternative investment classes of office and industrial.
- The transactions that occurred in H2 2025 confirmed yields were stable, or in some categories they confirmed yield tightening. However, the February and March 2026 cash rate increases and concerns of further rises has brought a level of caution to the market.
- In broad terms, from the transactions that have occurred, Bunnings Warehouses are trading in the range of 4.75% to 5.25%, Neighbourhood Centres 5.25% to 6.50%, prime Sub Regionals 5.00% to 5.75%, prime Regionals 4.75% to 5.50% and secondary Regionals exhibiting a larger range of 6.00% to 7.00% reflecting the variance in this sub-category.

## OPPORTUNITIES AND CHALLENGES

- A lack of development is improving the demand/supply equation. With population growth contributing to demand, vacancies levels are generally quite low across all sub-categories. Scentre Group and GPT have reported portfolio occupancy of 99.8%; the highest in 13 years. This theme should continue in the short term for strong centres.
- Rental growth has been solid. National retailers with store roll out programs are agreeing to increased rents to help facilitate the commencement of developments for Neighbourhood Centres, Large Format Retail (LFR) Centres and Quick Service Restaurants (QSR).
- AREITS are reporting strong leasing spreads, including GPT (4.9%), VCX (4.6%), Region Group (3.4%) and Scentre Group (3.2%).
- Institutional capital values the stabilised income profiles of Shopping Centres, backed by long-term leases and fixed rental growth.
- Retail theft and crime puts extra pressure on the resourcing and profits of retailers and landlords. This is an unwanted focus of the industry and a drag on operations.
- Stratum retail can be challenging assets to sell, attracting reduced levels of investor capital.
- Shopping centres have natural advantages through planning and transport to assist with the housing supply crisis as cities expand vertically, but the overly onerous regulatory framework provides hurdles.

## OUTLOOK

- Consumer confidence had been improving over the past year; however, the RBA's decision to increase the cash rate by 25 basis points in February 2026 and by a further 25 basis points in March 2026 is expected to temper discretionary consumer spending in the near term as households adjust to higher borrowing costs. In this environment, buyer behaviour is likely to become more considered rather than speculative, contributing to a more sustainable and balanced market as assets are brought to market through 2026.
- Over the short term, retail turnover will remain elevated by consumer price inflation and sales volumes are expected to be patchy as consumers prepare for unexpected economic conditions from the international trade sources.

## KEY CONTACTS



**JARROD MORGAN**  
Managing Director NSW  
[jarrod.morgan@m3property.com.au](mailto:jarrod.morgan@m3property.com.au)



**EDWARD HINE**  
Director, Office  
[edward.hine@m3property.com.au](mailto:edward.hine@m3property.com.au)



**JAMES RUBEN**  
National Director, Specialised Assets  
[james.ruben@m3property.com.au](mailto:james.ruben@m3property.com.au)



**JOEL DUCEY**  
Director, Industrial  
[joel.ducey@m3property.com.au](mailto:joel.ducey@m3property.com.au)



**MITCH ENRIGHT**  
Director, Healthcare  
[mitchell.enright@m3property.com.au](mailto:mitchell.enright@m3property.com.au)



**SHAUN O'SULLIVAN**  
Director, Retail  
[shaun.osullivan@m3property.com.au](mailto:shaun.osullivan@m3property.com.au)



[m3property.com.au](https://m3property.com.au)