

Q4 2025

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CAPITAL

# edge

MAJOR REPORT

The House View:  
What Australia's  
Property  
Landscape Will  
Look Like in 2026

**Sector  
spotlights on  
Retail, Student  
Accommodation  
and Industrial &  
Logistics**

**The Big Questions: What's  
Really Driving Capital in 2025?**

**Luxury Reloaded: Australia's  
Premium Retail Renaissance**

**From Gym to Street:  
Athleisure's Retail Revolution**

**Beds, Books & Big Returns:  
The Student Housing Surge**

**Leasing Logic: Why Logistics  
Occupiers are Playing the  
Long Game**

**Australia's Digital Backbone:  
Why Data Centres are the  
Next Institutional Frontier**

**Capital Spotlight:**

**The O'Connell Precinct  
Where Scale Meets Vision**

# Flint Davidson

on the state of play



## Welcome to the ninth edition of Capital Edge.

Picking markets is only an exact science when you overlay the benefit of hindsight. In the fourth quarter of last year, a few brave souls called the 'bottom', and with the benefit of hindsight they were probably right. The market hasn't shifted significantly since then, however there are a few signs that suggest momentum is building quickly;

- Trading volumes are up but what is interesting is where the trading is most active. It is harder to find quality as vendors hold their best assets in favour of trading secondary stock, and there is a deepening pool of capital for these assets albeit at soft pricing.
- Capital is returning en masse and buyer depth across the board has increased, including for larger trades above A\$200 million.
- Syndicators are raising some big cheques suggesting there is an abundance of retail money and healthy confidence in the sector from these investors.
- Pricing in some sectors has already firmed. Quality industrial and retail has sharpened while capital has switched from office-curious to office-serious.

It's often hard to see a market moving when you are in the middle of it, however the early signs suggest the next evolution of this cycle will show some pricing results that will put the market on notice.

In this edition, our Sector Spotlights provide a closer look at three areas shaping the outlook for investors and developers. The student accommodation market is experiencing a surge in demand, with supply lagging and Australia's reputation as a global education destination fuelling investor appetite. The I&L sector is showing signs of stabilisation, with yields and construction costs settling and new development projects gaining momentum, particularly in Sydney and Perth. Meanwhile, the Retail sector is undergoing a premium renaissance, as flagship stores, elevated experiences, and strategic partnerships redefine the shopping centre landscape.

We hope you find this issue of Capital Edge both informative and practical. Our goal is to deliver timely insights and expert perspectives to support your investment decisions and strategic planning. Here's to a successful and rewarding quarter ahead.

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## MAJOR REPORT

The House View:

# What Australia's Property Landscape Will Look Like in 2026

Whether you're an investor, occupier or asset owner, a comprehensive look at the Australian real estate market's positioning moving into 2026 is crucial. And it's exactly what CBRE's Phil Rowland and Sameer Chopra presented in the final episode of Talking Property: The House View for 2025.

The leaders dissected the global trends, emerging opportunities, and assessed the industry's key considerations to help commercial property stakeholders stay informed ahead of a new year of potential.

## WHERE THERE'S RESILIENCE & TAILWINDS

The Australian real estate sector has demonstrated remarkable resilience over the past few years. "Real estate appears to have climbed this massive wall of worry," says Sameer, highlighting the challenges of higher interest rates, evolving office dynamics, and economic shifts.

Despite these headwinds, capital values have remained near 2022 levels in residential, logistics, and retail. This resilience, coupled with strong population growth and significant infrastructure investment, positions Australian real estate favourably on the global stage.

Phil further emphasised this shift in momentum of headwinds becoming tailwinds. Significant infrastructure projects, including airports, road tunnels, and rail lines, are acting as significant tailwinds for development.

"Strong population growth is driving solid, long-term demand across office, logistics, retail, housing and the infrastructure investment that's supporting the backbone of development. This includes \$100 billion per year that's been spent or allocated to city shaping infrastructure."

Additionally, with the expectation of further interest rate cuts, and the potential for increased investment from the substantial superannuation savings system, the local real estate sector is poised for growth in the coming year.

## GLOBAL VIEW ON US TRENDS & THE COMPETITIVE LANDSCAPE

CBRE's analysis of the US market reveals a shift in investor sentiment. While multifamily and industrial sectors are favoured, retail is experiencing a resurgence, gaining share in global investment volumes. The US cap rate survey indicates stabilisation, and potentially compression, despite macroeconomic uncertainties.

The Manhattan office market is also experiencing a strong comeback, with leasing activity significantly above the five-year average and decreasing vacancy rates. Tokyo's office market equally shows promising signs. This particular global landscape presents attractive opportunities.

## LOGISTICS SEES SUPPLY CONSTRAINTS & TECHNOLOGICAL DISRUPTION

Globally, the logistics sector is facing supply constraints, with completions dropping to levels last seen in 2017. This trend underscores the need for Australia to remain competitive and not become complacent about inbound capital flows, according to Sameer. Furthermore, technological advancements, particularly in robotics and AI, are poised to reshape warehouse design and operations.

## CONFIDENCE RETURNS TO DEBT & EQUITY MARKETS

The equity market is witnessing increased capital partnerships as investor confidence rebounds. Australian assets are considered attractive due to

We can't afford to be complacent, there are attractive competing opportunities emerging in other markets. Australia needs to be proactive in articulating its strengths and streamlining its investment pathways.

Phil Rowland, CEO of  
CBRE Pacific

capital and income growth, comparatively high cap rates, and reduced supply. On the debt side, increased competition among domestic banks is driving risk margins down, potentially benefitting borrowers.

## OCCUPIER TRENDS SHOWING ADAPTION OF CHANGE

CBRE's occupier surveys reveal evolving trends in office and logistics. Office occupiers, particularly smaller companies, are generally meeting attendance expectations. Most occupiers expect to expand their footprint in the next three years. Location remains paramount for office tenants, according to Phil.

In the logistics sector, Sameer also notes cost pressures, including transport, fuel, and labour, are driving portfolio reassessments. Most logistics occupiers anticipate expanding their footprint, prioritising modern facilities and sustainability considerations.

## AI'S IMPACT ON PRODUCTIVITY & OPPORTUNITY

AI is poised to transform the property sector, though its impact on real estate requirements is not expected to be immediate. AI will likely allow for more productive operations, with the potential to drive job creation and evolution.

"AI will have an impact, no doubt, but it'll also allow us to sort of move forward in a more productive manner," explains Sameer.

## TIGHTENING RESIDENTIAL MARKET ALONGSIDE RENTAL GROWTH

The residential market remains tight, with capital city vacancy rates projected to fall further. With population growth outpacing supply, the market is expected to see further rent increases by the end of the decade. "It's still a very tight market out there. We expect capital city vacancy will fall further. It could drop as low as 1.1% by 2030; it's about 1.8% right now," says Sameer.

## Sector Specifics & Emerging Trends

### Data centres and living sectors:

Significant growth opportunities exist, with an emphasis on strategic partnerships.

**Graduate hiring:** Firms are generally maintaining graduate hiring programs, emphasising the importance of future talent pipelines.

**Retail space demand:** Mixed-use developments, particularly apartments on shopping centre sites, are gaining momentum.

**Apartment features:** Internal laundry and car parking are the most desirable features in apartments.

**First home buyers:** The average age of first-time buyers is increasing, highlighting the need for more rental product.

**International students:** Culture and proximity to Asia are key drivers for international students choosing Australia.

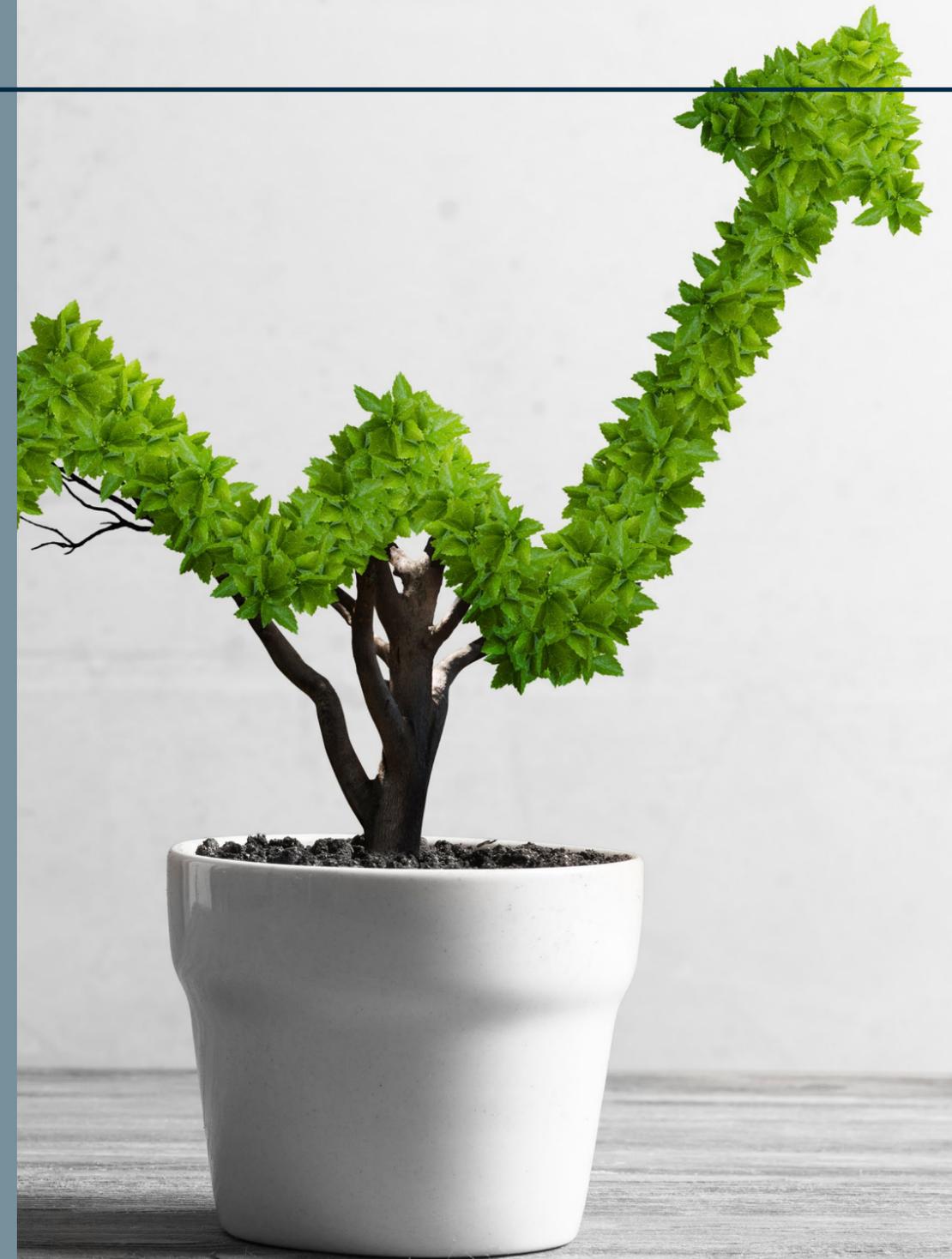
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the full House  
View podcast.



# Q-on-Q Pacific Barometer

 <b>INDUSTRIAL &amp; LOGISTICS</b>	 5.85% Cap Rates	 0.4% Net Eff. Rents Y-o-Y	 \$1.6b Sales Volumes	 2.8% Vacancy
 <b>OFFICE</b>	 6.68% Cap Rates	 4.8% Net Eff. Rents Y-o-Y	 \$2.1b Sales Volumes	 14.3% Vacancy
 <b>RETAIL</b>	 6.16% Cap Rates	 4.9% Net Eff. Rents Y-o-Y	 \$2.4b Sales Volumes	 11.1% Vacancy
 <b>LIVING / BUILD-TO-RENT</b>	 4.25% Cap Rates	 4.1% Rents Y-o-Y	 \$0.4b Sales Volumes	 1.2% Vacancy
 <b>HOTELS</b>	 4.9% RevPAR Y-o-Y	 2.3% Daily Rates Y-o-Y	 \$0.6b Sales Volumes	 72.5% Occupancy
 <b>DEBT</b>	 3.60% Cash Rate	 1.50x Interest Cover Ratios	 Strong Domestic Lending Appetite	 50% Loan to Value Ratio (LVR)



# The O'Connell Precinct

An iconic premium office tower alongside an amalgamation of income-rich assets, the O'Connell Precinct plays host to Sydney's most strategic development site.

After nearly a decade of strategic land banking, the precinct brings together five high-performing assets in the heart of Sydney's financial district. With over \$50 million in annual income and a combined site area of 6,177 square metres, investors have a unique opportunity: reposition existing assets for greater value or participate in the planning for Sydney's tallest premium office tower.

Sydney's CBD prime office assets are among the world's top performers for net effective rental growth, a trend forecast to continue for the next decade. This is driven by limited new supply, increased withdrawals for redevelopment, and improving occupier fundamentals. Major infrastructure upgrades, including the adjacent Hunter Street Metro Station (opening 2032) and the proposed pedestrianisation of surrounding streets, are set to create a vibrant public realm and enhance connectivity. These changes align with global trends toward mixed-use precincts and walkable city centres.

One O'Connell Street, the precinct's flagship, boasts 6-Star Green Star and WELL Platinum certifications, reflecting the growing demand for sustainable, healthy workplaces. Premium end-of-trip facilities, wellness studios, and advanced connectivity are now baseline expectations for top-tier tenants. With 48% of 2025 leasing briefs seeking sub-500 square metre floor plates, the precinct's mix of premium and B-grade assets caters to both large corporates and agile, boutique occupiers. This flexibility is increasingly valued in a market where hybrid work and tenant experience drive leasing decisions.

Recognised by the City of Sydney as pivotal to the city's evolution, the precinct is earmarked for a landmark 309-metre office tower, potentially Sydney's tallest. The planning proposal, supported by the City and NSW Department of Planning, offers a clear pathway for development approval via a design excellence competition.

First round expressions of interest close mid-October.

## Where Scale Meets Vision

# Investor Demand Surges at Burgess Rawson from CBRE Auctions

CBRE's recent acquisition of Burgess Rawson has strengthened our capabilities and reach in the commercial property market. This expanded platform was evident at the latest national auction events, where investor appetite surged and total transactions exceeded \$155 million over three days.

Sydney's auction achieved more than \$70 million in sales and a 100% clearance rate, with yields as low as 3.18%. Medical, fast food, and childcare assets were highly contested, reflecting the resilience of essential services. "Yet again, essential services demonstrate proven resilience, underpinned by long-term leases and strong tenant covenants. Investors recognise their reliability, especially in uncertain economic conditions," said Burgess Rawson from CBRE Senior Director, Yosh Mendis.

Brisbane's event saw over \$21 million in transactions, highlighted by strong demand for convenience retail and early education assets. Notable sales included a Bridgestone centre in Chuwar at a sharp 3.99% yield and an Ampol store in Warana at 5.51%. The auction also reflected a rise in Asian investment, particularly from Vietnam, as international buyers seek security and transparency in the Australian market.

Melbourne's auction contributed more than \$62 million in sales, with an average yield of 5.85% and a 73% success rate. Assets in South Australia attracted attention due to the absence of stamp duty, with several properties selling under the hammer.

The results highlight continued investor appetite for quality commercial properties, with essential services and secure income streams remaining top priorities for buyers.



## INTELLIGENT INVESTMENT

# What's Really Driving Capital in 2025?

### STRATEGIC CLARITY EMERGES AS INVESTORS NAVIGATE COMPLEXITY AND RECALIBRATE RISK

In a year marked by economic recalibration and cautious optimism, CBRE's Capital Markets leaders have tackled the questions that matter most to institutional investors. The Big Questions 2025 series distils the forces shaping real estate investment across Australia and New Zealand, offering a strategic lens on capital flows, sector challenges and policy reform.

The series is built around three core questions: Where is capital going? What's holding it back? And what would unlock its full potential?

### CAPITAL IS CHASING FUNDAMENTALS

Capital is flowing to markets with strong demographic trends, stable income profiles and long-term growth potential. Regional cities are gaining traction, buoyed by infrastructure investment, leasing strength and pricing opportunities. Investors are increasingly seeking value in sectors and locations where fundamentals align, and timing is favourable.

"Capital is being drawn to markets with resilient demand and transparent pricing," said Peter Chapple, State Director - QLD Office. "We're seeing renewed interest in regional hubs where infrastructure and population growth are converging".

The flight to quality remains a dominant theme. High-performing assets in core locations continue to attract capital, while secondary stock faces scrutiny. Debt markets are also playing a pivotal role, with domestic banks and offshore lenders supporting deal flow across sectors.

### CHALLENGES ARE STRUCTURAL, NOT CYCLICAL

The second question, what's holding capital back, reveals a landscape constrained by planning inefficiencies, construction cost inflation and regulatory complexity. These structural barriers are limiting new supply and impacting project feasibility, particularly in sectors like build-to-rent, student accommodation and data centres.

"Planning delays and tax inconsistencies are creating friction in the system," said Marcello Caspani-Muto, Director - Healthcare & Social Infrastructure. "Investors are navigating a maze of compliance requirements that vary across jurisdictions".

The report highlights that while capital is available, deployment is being delayed by asset-specific challenges and limited deal flow. Investors are increasingly focused on risk-adjusted returns and are demanding greater transparency in performance data and regulatory settings.

### POLICY REFORM IS THE UNLOCK

The third question, what would unlock capital, elicits a clear response: policy reform. Improved planning efficiency, tax consistency and access to performance data are seen as essential to unlocking future growth. Investors want clarity, speed and confidence in the regulatory environment.

"Policy reform is the lever that could transform market momentum," said Will Edwards, Associate Director - Debt & Structured Finance. "We need to streamline planning approvals and create a more consistent tax framework to support long-term investment".

The report also calls for a shift in market perception. Addressing supply constraints and improving transparency could create new opportunities, particularly in emerging sectors where institutional capital is still underweight. "We're at a turning point," said Caiti Morgan, Director, Capital Markets New Zealand. "The fundamentals are strong, but unlocking capital requires a coordinated effort across policy, planning and data transparency".



WATCH HERE

Watch the full Big Questions series to hear directly from CBRE's Capital Markets leaders on what's shaping investment strategy in 2025.

## RETAIL



## From Simon Rooney

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# Sector Spotlight

## “Investor focus shifts to high-quality, major opportunities.”

- “Opportunistic window” remains open, highly compelling value proposition.
- Several large regional transactions currently in play, early signs of yield compression.
- Increasing levels of offshore investment.

The Australian retail market has seen a continuing increase in activity with total transactions reaching \$8.3 billion in 2024, a 63% improvement over 2023. \$6.7 billion has transacted in 2025 year-to-date, with expectations for an additional circa \$2 billion to be executed prior to year end, with several large transactions in play, potentially surpassing 2024 transaction levels.

This growth has been driven by renewed investor confidence and a strategic shift towards high-quality, larger retail assets given their rebased, sustainable income profiles and the compelling value and return proposition. Institutional owners like Scentre Group, ISPT, Lendlease, NPS and QIC are actively rebalancing portfolios, reducing gearing and in some cases, addressing redemptions in 2025 and into 2026.

Capital is slowly moving down the risk-yield curve while an “opportunistic window” remains open for larger transactions, highlighted by 9 Major and Super Regional assets transacting in 2024/2025. We are seeing increased levels of transaction activity and buyer pool depth for larger assets is also increasing, but narrows somewhat, where deals are being transacted.

Private capital, including firms like Fawkner Property, MA Financial (IP Generation), JY Group, Haben, Assembly FM and Revelop remain highly active, representing 53% or \$6.2 billion of acquisitions in 2024/2025, down from 87% or \$3.3 billion in 2023.

Unlisted institutions have increased their acquisitions to 28% (\$3.2 billion), and REITs (VCX, GPT, HMC Capital) have significantly boosted their activity marking a \$1.47 billion increase from 2023 levels and contributing to over 19% (\$2.2 billion) in acquisitions throughout 2024/2025.

Institutional owners and REITs such as QIC, Dexu, Vicinity Centres, Scentre Group, Future Fund, Stockland, ISPT and GPT have dominated the seller profile, representing \$9.9 billion or 85% in total transactions in

2024/2025. Scentre Group, for example, made a strategic divestment of a 25% stake in Westfield Chermside (QLD) for \$683 million to the Dexu managed DWSF and GPT divested a 50% stake in Northland Shopping Centre (VIC) for \$385 million to Nikos Property Group.

There remains significant liquidity for joint venture opportunities, with syndicators, private investors and domestic institutional capital acquiring stakes in key retail assets including 15 part-share deals totalling \$4.3 billion since 2024 (including 5 management stakes).

The re-entry of offshore capital has continued post PAG’s acquisition of Midland Gate (WA) together with Fawkner Property in 2023 with over \$11 billion of investment activity since 2024 (Keppel REIT, Hines, PGIM).

The positive outlook is bolstered by a historically low supply pipeline, with new developments at 50% of the historical average. These are primarily retailer-led expansions by Coles, Woolworths, and Bunnings. Rising construction costs, further limit new supply, contributing to a reduction in GLA per capita and driving asset productivity.

Economic conditions have provided a clearer pathway for interest rate cuts with the RBA delivering three interest rate cuts, bringing the cash rate down from 4.35% to 3.60%. An additional cut is anticipated in either late 2025 or early 2026, potentially reaching 3.35%. This easing of borrowing costs creates a more accommodating environment for real estate investment.

The overarching investor sentiment is positive, with strong retail fundamentals and resilient retailer performance driving continued improvement in investment activity. The “opportunistic window” for acquiring high-quality assets remains open, offering compelling value propositions, whilst several large regional transactions are currently underway, setting the stage for a strong start to 2026.

*Note: Transactions analysis includes transactions above \$10 million, buyer/vendor analysis includes transactions above \$50 million.*

## NSW

# Bankstown Central Sold to JY Group for \$318.6 Million

BANKSTOWN CENTRAL, SYDNEY (50% INTEREST)

The opportunity to secure a 50% interest in a thriving major, Sydney metropolitan regional shopping centre, 17 kilometres southeast of the CBD, positioned on a substantial 11.4 hectare site, and strong turnover performance generated considerable domestic and offshore investor interest and bidding.

The centre is set to benefit from significant committed private and public infrastructure, positioned opposite Bankstown train station, which is undergoing a major upgrade expected to be completed by mid-2026 as part of the Sydney Metro City and Southwest project and in proximity to the new \$2 billion Bankstown Hospital Site, estimated for completion in 2031.

Bankstown Central provides significant mixed-use potential via the opportunity to unlock a development master plan envisioned for the site to include 300,000 square metres of new development floorspace across up to 19 buildings (subject to relevant planning approvals).

CBRE was exclusively appointed to steer the off-market sale process. The remaining interest in the centre is owned and managed by Vicinity Centres.

The transaction completes 15 part-share deals totalling \$4.3 billion having been completed since the start of 2024.

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SA

# Strategically Located in One of Adelaide's Most Affluent Suburbs

NORTH ADELAIDE VILLAGE

Situated just 2.6 kilometres from the CBD, North Adelaide Village is in one of Adelaide's most affluent and tightly held catchments in close vicinity to the redeveloped Adelaide Oval and revitalised Riverbank Precinct.

North Adelaide Village is a 9,352 square metre centre, and occupies a high-profile and prominent corner site of 11,439 square metre within the heart of the premier O'Connell Street retail precinct.

With a diverse tenancy mix and a focus on convenience, lifestyle, service and fresh food, the centre is anchored by a Romeo's Foodland on a long-term lease until 2033 with a further 25-year option, alongside a Goodlife Gym, 32 specialty shops and kiosks, seven office tenancies and one car wash pad site.

The corner site also offers future mixed-use development potential of up to six-storeys (subject to the relevant planning approvals) with the pending completion of the adjacent 88 O'Connell Street development showcasing

the potential sale and demand for high density development.

The asset benefits from an affluent and high-spending demographic, with primary trade area per capita income levels 34% above the benchmark. Population growth within the main trade area is projected to increase from approximately 44,000 to 55,500 by 2046, representing robust average annual growth of 1.1%.

North Adelaide is experiencing significant capital investment, including the near completion of the 88 O'Connell mixed-use residential development and redevelopment of the North Adelaide Golf Course, Adelaide Oval, Market Square, Keystone Tower and Festival Tower highlighting capital interest in the region and inflows into South Australia.

CBRE recently ran the off-market sale process on behalf of Qualitas Convenience Retail Fund No. 1 and Greenpool Capital.

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CREATING RESILIENCE

# Luxury Reloaded: Australia's Premium Retail Renaissance



LISTEN NOW

Listen to the full podcast to discover how Australia's premium shopping centres are being reimagined, and why they're outperforming in 2025.

Australia's premium retail sector is undergoing a transformation that's as strategic as it is stylish. CBRE's latest Talking Porperty podcast, Revamping Retail, explores the resurgence of high-end shopping centres and the forces driving their outperformance. From flagship expansions to curated food precincts, the country's top retail assets are being reimagined for a new era of consumer engagement and investor confidence.

The conversation features Ross Siciliano, General Manager of Premium & Luxury Accounts at Vicinity Centres, and Kate Bailey, CBRE's Head of Retail & Alternatives Research. Together, they unpack the trends behind the success of destinations like Chadstone, Queens Plaza and Chatswood Chase, where luxury is not just a category, it's a strategy.

EXPERIENCE IS THE NEW PRODUCT

Premium shopping centres are no longer just places to transact, they're places to linger, explore and connect. The elevation of food and beverage offerings, integration of wellness and beauty services, and the rise of experiential retail formats are driving longer visits, higher sales and stronger tenant demand.

"Experience is the new product," said Kate Bailey. "Consumers are seeking more than just goods, they want atmosphere, service and storytelling. That's what premium centres are delivering, and it's translating into performance".

This shift is evident in the redevelopment of Chatswood Chase, which will soon host 12 flagship LVMH brands, a move that signals confidence in the Australian luxury market and its ability to attract both domestic and international spend.

FLAGSHIP STRATEGY & BRAND PARTNERSHIPS

Vicinity Centres is leading the charge with a flagship strategy that prioritises deep brand partnerships and curated retail mixes. Ross Siciliano oversees relationships with global icons like LVMH, Kering, Richemont, Hermès, Prada and Chanel, ensuring that each centre reflects the aspirations of its catchment. "We're not just leasing space, we're building brand ecosystems," said Ross Siciliano. "Our partnerships are long-term, and they're focused on creating environments where luxury brands can thrive and evolve".

This approach has led to luxury-focused redevelopments at Chadstone and Queens Plaza, as well as strategic enhancements at Queen Victoria Building and Emporium Melbourne. The result is a portfolio that's outperforming on foot traffic, dwell time and sales per square metre.

INVESTOR IMPLICATIONS & ASSET RESILIENCE

For institutional investors, the premium retail renaissance offers a compelling proposition. These assets are demonstrating resilience in the face of e-commerce disruption, thanks to their ability to deliver experiences that cannot be replicated online. Vacancy rates are low, rental growth is steady, and consumer demand is strong.

CBRE's research suggests that premium centres are outperforming broader retail benchmarks, with luxury spend rising and international tourism returning. The demographic shift toward high-net-worth Millennials and Gen Z consumers is also fuelling demand for curated, high-quality retail environments.

## INTELLIGENT INVESTMENT

# From Gym to Street: Athleisure's Retail Revolution

## HOW ACTIVEWEAR BECAME AUSTRALIA'S FASTEST-GROWING FASHION & RETAIL CATEGORY

Athleisure is no longer just a trend; it's a retail transformation. In 2025, Australia's fitness and athletic clothing market is valued at \$4.2 billion, with sports apparel expected to generate \$2.3 billion in revenue this year alone. The rise of athleisure wear, blending fashion and function, has reshaped consumer behaviour, retail strategy and investment priorities across the country.

CBRE's latest podcast episode and accompanying report, *Fitness Becomes Fashion*, explore how brands like Lorna Jane, Lululemon and JD Sports are redefining the retail experience. From boutique activations to national rollouts, athleisure is driving foot traffic, expanding store footprints and creating new opportunities for landlords and investors.

"Today, athleisure isn't just about what women wear, it's about how it makes them feel," said Anna Strzelczykowski, Head of Property & Retail Development at Lorna Jane. "We've adapted alongside our community, introducing innovations like our Shop The Look concept and partnering with initiatives like parkrun to deepen our commitment to movement and connection".

### THE DEMOGRAPHIC DRIVING THE BOOM

Gen Z and Millennials are the engine behind athleisure's meteoric rise. Influenced by social media, celebrity culture and a growing focus on wellness, these consumers are prioritising versatility, comfort and style. Their spending habits reflect a shift toward experiential retail and identity-driven fashion.

CBRE's Senior Research Analyst, Charlotte Fordyce notes that this age group is more health-conscious and highly engaged with platforms like Instagram and TikTok. "They're not just buying clothes, they're buying into a lifestyle," she said. "Activewear is now a form of self-expression, and that's driving consistent demand".

This demand is translating into real growth. The market reported a compound annual growth rate (CAGR) of 3.0% between 2019 and 2024 and is forecast to grow by 3.4% annually through to 2030.

### RETAIL STRATEGY MEETS LIFESTYLE BRANDING

Athleisure brands are investing heavily in physical retail, despite the rise of e-commerce. Flagship stores are being designed as immersive brand experiences, with curated layouts, wellness activations and

community engagement zones. This shift reflects a broader trend: retail is no longer just transactional, it's relational.

CBRE's Kate Bailey, Head of Retail & Alternatives Research, highlights the importance of physical stores in building brand loyalty. "Retailers are creating spaces that do more than sell product, they tell a story," she said. "Athleisure brands are leading the way in experiential retail, and that's resonating with consumers".

The report also points to the growing affluence of Australian consumers, with high-net-worth migration contributing to premium retail spending. Established brands have recorded impressive revenue growth since 2019: JD Sports (160%), Lululemon (152%) and Lorna Jane (12%).

### DOOM SPENDING & RESILIENCE

A surprising driver of athleisure's growth is the phenomenon of "doom spending", a behavioural trend where consumers seek short-term gratification through shopping to cope with economic uncertainty. CBRE's research suggests that this trend is creating pockets of resilience within the retail sector, particularly in categories like activewear.

"Doom spenders are buying athleisure as a coping mechanism," said Charlotte Fordyce. "It's not just about fashion; it's about finding comfort and control in a world that feels unpredictable".



LISTEN NOW

Listen to the full podcast to explore how athleisure is reshaping Australia's retail landscape, and what it means for investors.

## LIVING SECTORS STUDENT ACCOMMODATION



### From Andrew Purdon

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# Sector Spotlight

## “Student demand surges, supply lags, investor appetite up.”

- Living sectors draw strong investor demand, backed by solid occupancy, rental growth, and long-term fundamentals.
- Sydney tops BTR and PBSA picks, driven by rental undersupply and strong market liquidity.

Australia's living sectors, especially student accommodation, have become one of the most dynamic alternative asset classes in 2025. The sector is flourishing, with the return of international students, strong domestic enrolments, and a chronic undersupply of quality beds. Smaller markets including Perth, Brisbane, Adelaide and Canberra demonstrate clear headroom for new supply, indicating good potential for rental growth.

Build-to-rent continues to be a high conviction investment thematic for global investors, but investment and development have slowed due to construction costs.

#### PBSA DYNAMICS & REGIONAL HIGHLIGHTS

Australia faces a shortfall of about 180,000 PBSA beds, mainly in cities with "Group of 8 Universities," especially Sydney and Melbourne. CBRE notes shortages of roughly 10,000 beds in Melbourne CBD/Inner North and 25,000 in Sydney Central/Inner West.

Perth has the highest student-to-bed ratio and is getting new investment, including Edith Cowan University's \$850 million City Campus. The upcoming merger of University of South Australia and University of Adelaide will create a 70,000-student institution in January 2026. New PBSA projects have recently been announced in Adelaide CBD, pending funding decisions.

Brisbane remains a very challenging construction market for new development and adaptive re-use of office buildings is emerging as a solution to bring on new supply. Canberra only has one off-campus PBSA asset which is trading ahead of expectations and supports the case for new supply within a short distance of ANU.

#### OCCUPANCY & LEASING TRENDS

Occupancy remains resilient post-COVID, with rental growth outpacing inflation. Median rents for PBSA

studios in Melbourne and Sydney have grown at a compound annual rate of 5.5% since 2018 and now sit 13% above comparable two-bedroom apartments in the same precincts.

Leasing activity is strong, with students prioritising proximity to campus, community, and amenities. The student experience, including community, safety, convenience, and pastoral care, is increasingly central to asset performance and investor strategy.

#### INVESTMENT & DEVELOPMENT LANDSCAPE

Engagement is high, with global institutional capital leading major acquisitions and portfolio transactions. Transaction volumes hit \$1.8 billion in 2025, a dramatic leap from the previous year, underscoring renewed confidence in the sector's fundamentals.

Development is constrained by planning delays and construction cost inflation. Most investors acknowledge that development is essential to create scale in the sector as stabilised operational stock remains tightly held and portfolio sales are very scarce. As an alternative approach to taking on all development risks, many investors are seeking fund through opportunities where a developer has packaged up a project with a planning approval and construction contract.

Looking ahead, student accommodation is expected to remain "high conviction" for investors with performance varying by city. Sydney and Melbourne are likely to lead in cap rate pricing while Brisbane, Adelaide, Canberra and Perth offer diversification and value. Strong rental growth is available across all the Group of 8 University markets. The fundamentals, including education demand, migration trends, and supply constraints, remain intact. As capital mobilises around the lower interest rate environment and development challenges ease in 2026, the sector is well-positioned for increased investment activity and long-term growth.

WA

# Largest Single PBSA Asset Transaction

WELLINGTON STREET, PERTH



Singapore-based Mapletree Investments has made a significant move into Australia's student housing sector by acquiring the site and entering a development funding agreement with Alceon. Located at 609 Wellington Street, Perth, this site will be transformed into an 835-bed purpose-built student accommodation (PBSA) project. Valued at approximately \$300 million, this transaction marks the largest single asset deal in Australia's PBSA market and underscores the growing investor interest in this sector.

The 32-storey building, set for completion by 2028, will offer a variety of accommodation options, from single studios to five-bed apartments. The development will also feature amenities such as a café, gym, music room, and cinema, catering to the diverse needs of students. Its prime location in Perth's Central Business District places it near several universities, including Edith Cowan University and Curtin University Law School. University of Western Australia is accessed via public transport in approximately 20 minutes.

Mapletree's entry into the Perth market comes at a time when the city's student housing sector is experiencing significant growth. In addition to being home to many prestigious institutions, Mapletree selected Perth for their first investment in Australian PBSA due to its exceptional market fundamentals. Perth remains one of Australia's most undersupplied central business districts for student accommodation. The city's rental market dynamics, characterised by strong demand and limited supply, make it an attractive destination for institutional investors seeking long-term, stable returns.

The PBSA sector in Perth is experiencing significant growth, driven by strong rental demand and limited supply. With Perth having a high student-to-bed ratio, this transaction reflects the increasing interest from institutional investors in the sector, as they seek to capitalise on the favourable market conditions and long-term growth potential.

Mapletree's investment in Perth is part of a broader strategy to expand its presence in the global student housing market. The company currently manages nearly \$100 billion in property assets across Asia Pacific, Europe, the United Kingdom, and the United States. Student accommodation is one of four core investment pillars for Mapletree, alongside logistics, office, and data centres.

As the PBSA market continues to evolve, it is likely to play a crucial role in addressing the housing needs of Australia's growing student population. The sector's ability to provide high-quality rental housing and its potential for stable, long-term returns make it an attractive investment opportunity for institutional investors. The Wellington Street transaction is a testament to the sector's growing prominence and its potential to shape the future of Australia's student housing market.

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## INTELLIGENT INVESTMENT

# Beds, Books & Big Returns: The Student Housing Surge

Australia's purpose-built student accommodation (PBSA) sector is no longer a niche play; it's a strategic asset class on the rise. CBRE's latest Pacific Student Accommodation Report reveals a market defined by surging demand, chronic undersupply and a compelling investment thesis that's drawing institutional capital back to the education precincts of Sydney and Melbourne.

With over 1.9 million students enrolled in Australian universities, 700,000 of them international, the demand for quality, well-located accommodation has never been higher. Yet only 6% of students currently have access to PBSA, leaving tens of thousands scrambling for alternatives in a private rental market that's increasingly unaffordable and undersupplied.

"PBSA is attracting renewed interest from institutional investors, drawn by stable occupancy rates and resilient rental growth," said Rosie Young, CBRE's Living Sectors Director. "Yields have compressed, but long-term fundamentals remain attractive".

#### THE SUPPLY SQUEEZE IS INTENSIFYING

CBRE estimates an unmet demand of 10,000 beds in inner-city Melbourne and 25,000 in inner-city Sydney. While 28,000 new beds are expected to be delivered nationally between 2025 and 2028, this pipeline falls well short of what's needed. The imbalance is most acute in Group of Eight university cities, where student populations are densest and land availability is constrained.

This structural undersupply is driving rental premiums. Median rents for PBSA studios in Melbourne and Sydney have grown at a compound annual rate of 5.5% since 2018 and now sit 13% above comparable two-bedroom apartments in the same precincts.

#### INVESTOR APPETITE IS SHIFTING

Unlike other real estate sectors that have seen yield expansion in response to rising interest rates, PBSA has demonstrated remarkable resilience.

Occupancy rates remain strong post-COVID, and rental growth continues to outpace inflation. This has helped stabilise investment yields and reinforce the sector's defensive characteristics.

"PBSA has proven its mettle," said Andrew Purdon, CBRE's Regional Director, Living Sectors Capital Markets. "With structural undersupply across key university precincts, the investment thesis remains compelling for both domestic and international capital".

Capital is now actively pursuing completed assets in core education markets, as well as development opportunities where scale and location align. Portfolio acquisitions are also on the rise, with investors seeking exposure to a sector that offers both income stability and long-term growth.

#### POLICY TAILWINDS & MIGRATION TRENDS

Government regulation is beginning to favour genuine student migration, which is likely to benefit the PBSA sector. Students who arrive for full-time study are more likely to seek accommodation near campus, and PBSA offers a turnkey solution that includes pastoral care, community engagement and security.

The return of international students (over 30,000 in 2023 alone) has reignited demand. Meanwhile, domestic enrolments remain robust, and interstate migration is adding further pressure to inner-city rental markets.

"The opportunity size is significant," said Sameer Chopra, CBRE's Pacific Head of Research. "We estimate up to 180,000 beds could be needed to house every student renter attending Australia's leading universities".

READ NOW

Explore the full report to uncover the trends, data and investment insights shaping Australia's student accommodation market.



## INDUSTRIAL & LOGISTICS



### From Chris O'Brien

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# Sector Spotlight

## "Investors seeking diversification and value."

- Sydney lead national performance, with Perth and Adelaide markets emerging.
- Depth is starting to improve in Melbourne, however still in midst of correction/stabilisation phase.
- Long WALE assets and modern facilities are back in favour as core capital re-engages.

Australia's Industrial & Logistics (I&L) sector remains a resilient and strategically vital part of the commercial real estate landscape in 2025. Despite macroeconomic headwinds and development constraints, the sector continues to attract strong interest from domestic and offshore investors, buoyed by structural tailwinds and shifting occupier needs.

#### MARKET DYNAMICS & REGIONAL HIGHLIGHTS

Melbourne has slowed, with subdued transactional activity and low expectations for a late-year rebound due to rising property taxes including foreign purchaser surcharges making it increasingly difficult for offshore groups to invest in Melbourne.

Brisbane continues to trade steadily, though offshore sentiment has softened. The Absentee Owners Land Tax and recent land value reassessments have introduced friction. Local demand remains supported by infrastructure investment and population growth.

Sydney stands out nationally. Yield compression continues, driven by intense competition for prime assets and limited supply in core infill locations. Its proximity to major transport hubs and consumer markets makes it a preferred destination for logistics operators and institutional capital.

Adelaide and Perth are emerging as attractive alternatives. Both cities are gaining momentum, with increasing buyer depth and renewed interest from groups seeking diversification. Adelaide's affordability and Perth's strategic location for mining and export logistics are key drawcards.

#### VACANCY & LEASING TRENDS

Vacancy rates are rising modestly due to speculative supply and slower absorption. Yet national vacancy remains below 3%, with Sydney and Perth maintaining tight conditions; well below global benchmarks.

Leasing activity is steady, though off-peak highs. Tenants are focused on automation, sustainability and location efficiency, driving demand for modern, well-located facilities. Long WALE assets are returning to favour, as core capital re-engages, seeking stability and income security.

#### INVESTMENT & DEVELOPMENT LANDSCAPE

Land sales are down nationally, with development constrained by high construction costs, planning delays and limited serviced land. Developers are relying on pre-commitments, and speculative builds are approached cautiously.

Investor engagement remains high. Offshore volumes are down, but interest in Australian logistics assets remains elevated relative to other global markets. Australia's transparent legal system, stable economy and strong tenant covenants continue to appeal to international capital.

The sector is poised for further yield compression, particularly if the Reserve Bank proceeds with expected rate cuts. Lower interest rates would enhance the appeal of income-generating assets and could reignite transactional momentum in late 2025.

Looking ahead, I&L is expected to remain resilient, though performance will vary by region. Sydney and Perth are likely to lead in rental growth and capital uplift, while Melbourne and Brisbane may face slower recovery. Adelaide's rise as a secondary logistics hub is one to watch, especially as investors seek value and diversification.

The fundamentals, e-commerce growth, supply chain reconfiguration and infrastructure investment, remain intact. As core capital resurfaces and development challenges ease, the sector is well-positioned for long-term growth.

## SA

# Port Adelaide Distribution Centre Sells for \$216 Million

BEDFORD STREET, PORT ADELAIDE



The Port Adelaide Distribution Centre was sold in August 2025 for \$216 million, marking a significant moment for Adelaide's industrial market. As the city's largest industrial estate, the property covers 319,600 square metres and offers a gross lettable area of 174,594 square metres. The sale, brokered by CBRE Capital Markets Industrial & Logistics and Colliers, achieved an initial yield of approximately 5.62%. With a WALE of 3.4 years and a diverse mix of tenants, the centre provides secure income and future value-add potential.

Located close to major transport links such as the Port River Expressway and Northern Connector, the asset appeals to operators in logistics, recycling, agriculture, and

manufacturing. The transaction comes at a time when land supply in Adelaide is tight, and investors are increasingly focused on scale and stability.

"This sale shows there's still strong interest in scale and security, especially in markets where land is tight," said Paul McKay a Senior Director in CBRE's South Australian Industrial & Logistics team.

The deal highlights ongoing confidence in Adelaide's industrial sector, with buyers continuing to seek well-located assets that offer both stability and room for growth.

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NSW

# Major Industrial Land Deal at Badgerys Creek Signals New Era for Sydney

MARTIN ROAD, BADGERYS CREEK

The CSR Badgerys Creek site in Sydney's Outer South West has become the focus of industry attention following its sale to a major investor. Spanning 196 hectares, this significant land parcel sits within the heart of the Western Sydney Aerotropolis, set to be a world-class precinct. The site strategically adjoins the new Western Sydney International Airport, a \$20 billion infrastructure project that is set to transform the region's connectivity and economic profile over the coming decade.

This generational opportunity provides the ability to develop one of the largest logistics estates in Australia with over 703,007\* square metres of GLA (STCA), providing a premium destination for globally recognised occupiers which will underpin leasing demand.

The site's strategic location is further enhanced by major infrastructure upgrades, including the M12 Motorway, which will provide direct access to the airport and connect to Sydney's broader motorway network. The M12 is part of the Western Sydney Infrastructure Plan and is expected to be completed by 2026, reducing travel times and supporting up to 52,000 vehicles per day. Elizabeth Drive is also being upgraded to connect the airport and surrounding industrial precincts with key arterials such as Mamre and Northern Roads, streamlining transportation for residents and businesses in the area.

With Sydney's supply of serviced, industrial-zoned land at historic lows, the property attracted significant interest from both national and international buyers. The site's scale and proximity to new transport links make it a prime candidate for future development, with plans for a multi-billion dollar industrial estate already in motion. "Opportunities of this scale are rare in Sydney's industrial market. The combination of location, infrastructure investment, and land scarcity made this site particularly compelling for buyers looking to secure a long-term foothold," said Jason Edge, CBRE's Head of NSW Capital Markets, Industrial & Logistics.

The deal highlights the growing importance of Western Sydney as a hub for transport, logistics, and manufacturing. As the new airport nears completion and major motorway connections come online, Badgerys Creek is set to play a central role in shaping the next chapter of Sydney's industrial landscape.

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\*Per proposed feasibility masterplan



## CREATING RESILIENCE

# Leasing Logic: Why Logistics Occupiers are Playing the Long Game

## COST RECALIBRATION & CAUTIOUS EXPANSION DEFINE THE NEW INDUSTRIAL RHYTHM

Australia's logistics sector is undergoing a strategic recalibration. The 2025 CBRE Logistics Occupier Survey reveals a market that is resilient yet pragmatic, with occupiers navigating cost pressures and operational complexity while keeping one eye firmly on long-term growth.

Despite global trade volatility and inflationary headwinds, 66% of Australian logistics occupiers expect to expand their footprint over the next three to five years. But this is not a land grab. Expansion is measured, focused on upgrading existing facilities and consolidating within established networks. The Eastern Seaboard remains the preferred destination, with occupiers favouring modern, lease-flexible assets close to urban centres.

"Occupier sentiment suggests continued long-term expansion requirements in the Australian market," said Sass Jalili, CBRE's Head of Industrial & Logistics, Data Centre Research Australia. "Australia recorded a 25% net expansion interest, reflecting a stable approach among occupiers. The market continues to benefit from its mature infrastructure, transparent regulatory environment, and strategic location for servicing both domestic and regional demand".

## COST PRESSURES ARE RESHAPING PORTFOLIOS

Rising freight, labour and land costs are forcing occupiers to reassess their portfolios. Transportation and labour top the list of cost concerns, cited by 71% of respondents. This has led to a prioritisation of cost-saving strategies over initiatives with unclear ROI, including some ESG features.

Lease flexibility and rental savings are now the leading drivers of relocation decisions. In fact, 92% of respondents cite securing better lease terms as the primary factor behind site moves. Consolidation and improved transport connectivity also rank highly, with 54% of occupiers aiming to streamline operations and enhance network efficiency.

## RESILIENCE THROUGH VISIBILITY & AUTOMATION

Supply chain resilience is no longer a buzzword; it's a business imperative. Improved inventory visibility and planning were the top-ranked resilience priorities, with 62% of occupiers focusing on supplier diversification and operational transparency.

The physical attributes of logistics facilities are also evolving. Occupiers are seeking greater clearance heights and wider column spacing to support automation and future-proof their operations. This reflects a broader shift toward facilities that enable flexibility, scalability and technological integration.

## MEASURED OPTIMISM AMID MACRO UNCERTAINTY

While expansion plans are tempered by caution, business sentiment remains optimistic. 79% of Australian logistics occupiers expect performance to improve over the next two years, with 29% anticipating significant gains. This optimism is underpinned by Australia's strategic positioning as a logistics hub for multinationals balancing regional risk.

The survey paints a picture of a sector that is not retreating but recalibrating. Occupiers are making deliberate choices, prioritising cost efficiency, operational resilience and strategic location over rapid expansion. It's a long game, and Australia is well-positioned to play it.

"Australia will continue to play a critical role as a strategic logistics hub," said Sass Jalili. "Expansion interest is largely driven by business upgrading existing facilities and capitalising on established networks".



READ NOW

Read the full report to explore how Australia's logistics occupiers are reshaping their strategies for resilience and growth.



## INTELLIGENT INVESTMENT

# Australia's Digital Backbone: Why Data Centres are the Next Institutional Frontier

## AI, CLOUD & CAPITAL CONVERGE TO MAKE AUSTRALIA A GLOBAL HOTSPOT FOR DATA INFRASTRUCTURE INVESTMENT

Australia's data centre sector is no longer a niche infrastructure play, it's a core institutional asset class. CBRE's latest report, *Why Australia for Data Centres*, outlines the compelling fundamentals driving investor interest, from hyperscale cloud growth and AI adoption to resilient pricing and a globally competitive cost base.

The numbers speak volumes. Australia's live data centre capacity is forecast to grow from 1.3GW in 2025 to 1.8GW by 2028. Yet demand is outpacing supply, with a projected gap of up to 1.7GW over the same period. This imbalance is fuelling investment in greenfield developments, strategic acquisitions and build-to-suit projects, with institutional capital flowing into Sydney, Melbourne and emerging hubs like Perth and Brisbane.

"AI is driving a new phase of data centre growth," said Sass Jalili, CBRE's Head of Industrial & Logistics and Data Centre Research Australia. "Australia combines rising AI-driven demand, resilient pricing and a globally competitive cost base, making it one of the most attractive markets for data centre investment worldwide".

### YIELD STABILITY & LONG-TERM CERTAINTY

Australia's appeal lies in its ability to offer attractive risk-adjusted returns. Long lease terms, strong credit covenants and stable political conditions provide investors with certainty in an increasingly competitive Asia Pacific landscape. The country's secure energy grid and robust regulatory framework further reinforce its position as a safe and scalable destination for digital infrastructure.

CBRE forecasts that the investable universe for data centres in Australia will grow by 50% over the next four years, reaching approximately A\$46 billion by 2029. This expansion is being driven by institutional capital inflows and the strategic repositioning of data centres as essential real estate assets.

"Investor confidence in Australia's data centre sector is expected to continue strengthening," said Darcy Frawley, CBRE's Pacific Data Centres Capital Markets Director. "Occupiers are competing aggressively to increase their footprint, and institutional capital is responding".

### NEOCLOUD & HYPERSCALE DEMAND

The rise of NeoCloud customers, fast-scaling enterprises with AI-heavy workloads, is reshaping leasing dynamics. These occupiers are absorbing capacity at short notice, often outpacing traditional hyperscale demand. This has led to record leasing activity and heightened competition for power-ready sites.

Sydney and Melbourne remain the core hubs, hosting the majority of built-out capacity. However, the pipeline indicates significant investment in secondary markets, with Perth, Brisbane and Canberra emerging as viable alternatives due to infrastructure upgrades and business activity.

### CHALLENGES & OPPORTUNITIES

Despite its strengths, Australia's data centre sector faces challenges. Elevated construction costs, tightening site availability and access to adequate power supply are limiting development timelines. Yet these constraints are also creating scarcity value, driving rental growth and reinforcing the sector's appeal.

"Insatiable demand from major occupiers is driving the growth of the asset class," said Darcy Frawley. "Australia is set to see a large gap between capacity and demand, which will lead to significant rental growth and make the sector even more appealing for investors".

"Data centres are now at the heart of institutional strategy," said Sass Jalili. "Australia's fundamentals are strong, and the sector is evolving rapidly to meet the needs of AI, cloud and digital transformation".



READ NOW

Read the full report to understand why Australia is emerging as a global leader in data centre investment.



# Needle Movers

A selection of recent needle-moving transactions from CBRE.

## Salesforce Tower, 180 George Street Sydney, NSW

**Purchase Price:** Confidential (30% interest)  
**Vendor:** Mitsubishi Estate Asia (MEA)  
**Purchaser:** Confidential

The sale of Salesforce Tower in Sydney's CBD marks a significant moment for the city's office market. As one of Sydney's newest premium towers, the asset features state-of-the-art amenities and a blue-chip tenant mix. This transaction sets a new benchmark for prime office pricing in the CBD, reinforcing Sydney's reputation as a global investment destination.



## Raymond Terrace Central Raymond Terrace, NSW

**Purchase Price:** \$44,104,000  
**Vendor:** Panthera Group  
**Purchaser:** Confidential

Raymond Terrace Central offers a diverse tenant mix and a strong regional location. The centre's essential services offering and secure income profile made it a compelling retail investment, reflecting renewed confidence in regional retail assets.



## 205 Pacific Highway St Leonards, NSW

**Purchase Price:** \$44,500,000  
**Vendor:** HCF  
**Purchaser:** Confidential

205 Pacific Highway in St Leonards is a premium office asset in Sydney's North Shore. With strong tenant covenants and excellent connectivity, this property stands out in a tightly held market. The transaction highlights ongoing demand for quality office space in core locations, with investors continuing to target assets that offer both stability and long-term growth.

## Titan Containers Portfolio NSW & SA

**Purchase Price:** \$15,350,000  
**Vendor:** Titan Containers  
**Purchaser:** Confidential

The Titan Containers Portfolio, spanning New South Wales and South Australia, comprises a mix of strategic locations and secure income streams. The portfolio attracted investors seeking diversification and scale, demonstrating the growing appetite for multi-asset industrial deals.



## Metro Estate Rydalmere, NSW

**Purchase Price:** \$152,100,000  
**Vendor:** Dexus  
**Purchaser:** Confidential

Metro Estate in Rydalmere offers scale, modern facilities, and proximity to major transport links. The estate's strategic location and strong fundamentals reflect the ongoing strength of Sydney's industrial sector, with well-located estates in Western Sydney continuing to attract institutional capital.

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connect with Capital Markets

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