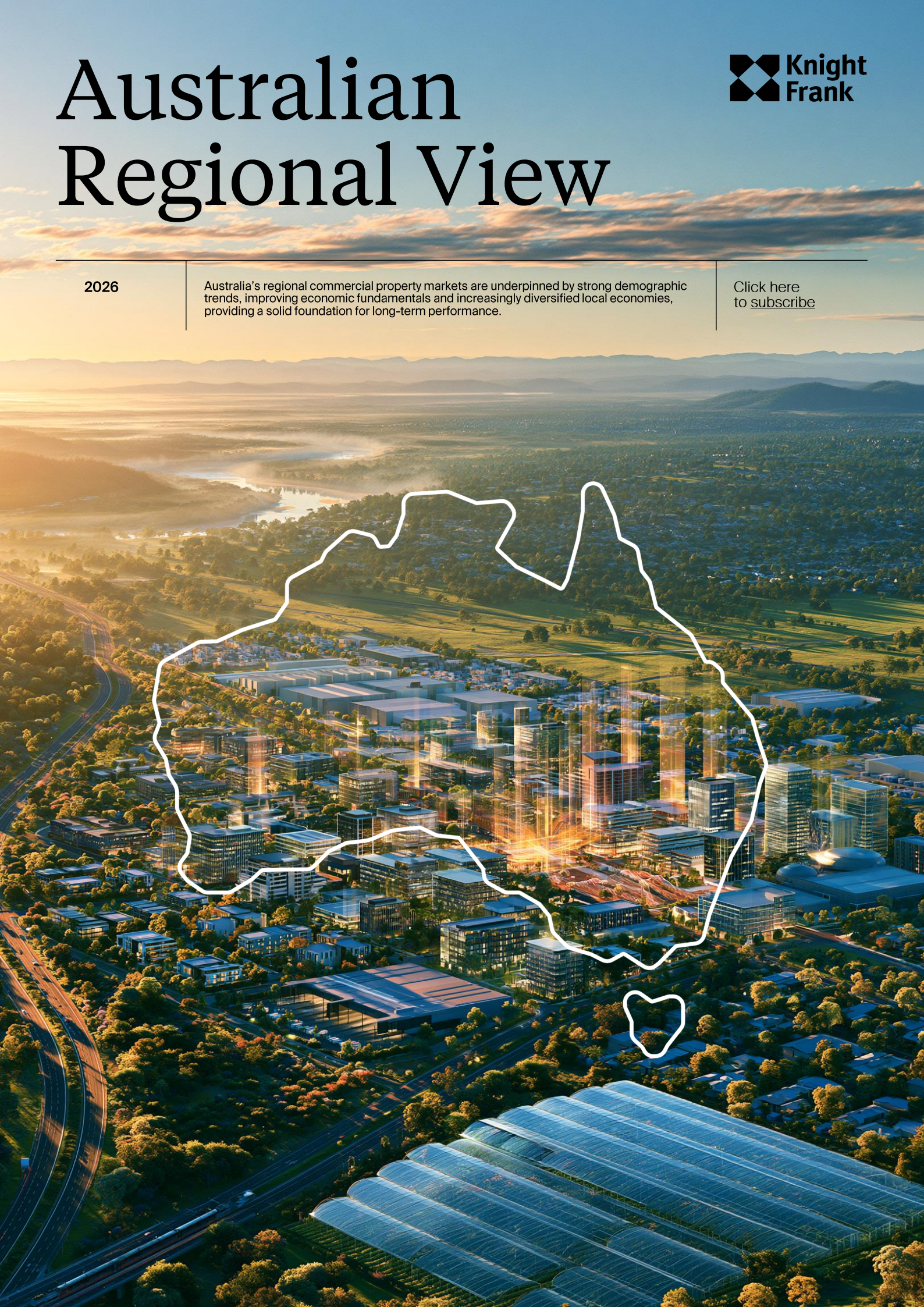
# Australian Regional View

Knight Frank

2026

Australia's regional commercial property markets are underpinned by strong demographic trends, improving economic fundamentals and increasingly diversified local economies, providing a solid foundation for long-term performance.

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# The Quick Take



## Strong regional population growth

In 2024-25, 32% (8.9 million people) of Australia's population was located outside of capital cities. Over the next 10 years, regional populations are expected to grow by 10% to 9.6 million people.



## Rising focus on coastal areas

Australia's regional population growth is expected to be driven by coastal areas. Large regional towns on, or near, the coast will continue to attract people due to their high natural amenity such as beaches, good infrastructure, and access to capital cities.



## Tourism growth supports demand

Australian tourism has rebounded strongly since the pandemic and is set for sustained growth over the coming years. Tourism Research Australia forecasts that total tourism expenditure will rise by 22% ($42 billion) to $233 billion by 2030. Australia's regions are well positioned to benefit from this growth.



## Large rise in value of agricultural land

The price of Australian farmland has risen exceptionally quickly over the past five years — rising 26% from Q1 2022 to Q4 2025 reflecting a combination of strong demand as commodity prices rose, and a fall in land for sale.



## Rising regional transaction activity

Investment volumes in regional commercial property have risen over the two years to reach $6.2 billion in 2025, accounting for around 11% of total Australian transactions.



## Retail assets are the most traded

Retail assets are the most traded, typically accounting for over 40% of regional transactions, followed by industrial and hotels. However, there has been a growing demand for Seniors Housing & Care assets in recent years as the population continues to age.

# Overview

The perception of Australia's regional commercial property markets has shifted decisively over the past five years.

Once viewed primarily as a high-income but lower growth play for yield-hungry investors, cities such as Newcastle, Wollongong, the Gold Coast, Townsville, Wagga Wagga and Tamworth are now being reassessed on their own merits — as genuine growth markets underpinned by structural drivers of demand that have bolstered the resilience of the regional economy.

Three forces are doing much of the work:



### *Population Decentralisation*

The pandemic-era shift toward lifestyle and affordability has proven stickier than many anticipated, with net internal migration continuing to favour well-connected regional centres.



### *Infrastructure Investment*

In transport, health and education — has materially improved the investment case for regional assets, lifting both liveability and business connectivity.



### *Economic Diversification*

Many of these centres have successfully broadened beyond legacy industries into health, education, logistics, defence and renewable energy, reducing their sensitivity to any single sector's fortunes.

This economic picture is translating into strong property performance across both traditional and emerging sectors. Established regional office and industrial markets are benefiting directly from infrastructure investment and the steady expansion of business and logistics activity in centres well positioned along key transport corridors.

At the same time, a growing and aging population is driving genuine momentum in emerging sectors: senior living and land lease communities are attracting increasing institutional interest as regional centres offer both the affordability and lifestyle amenity that older Australians are seeking.

Meanwhile, a resurgence in agricultural export industries is driving up land values and generating opportunity in new asset types such as glasshouses. Together, these sectors illustrate how the structural drivers of regional growth are broadening the commercial property opportunity well beyond its historical base.

Each centre explored in this report has a distinct economic signature, but the common thread is clear: regional Australia's property markets are increasingly compounding investment returns through their own fundamentals, not just riding the coattails of the capital city cycle. Understanding what drives that resilience — and where it is strongest — is the purpose of this report.



Ben Burston
Chief Economist

*"The growth across Regional Australia continues to outpace the historical average, and we expect this to continue given the strength of the fundamentals across the market. The Knight Frank franchise offering across Regional Australia allows us to provide a deep level of service that comes from a knowledge and understanding of the market drivers as a result of living and working directly in these communities. As our Franchise network continues to expand, we are able to offer our clients greater exposure to high-quality assets across Regional Australia and a dedicated team that is backed by the National and International reach of the Knight Frank network"*



Mark Lafferty
Head of Franchises
and Investment Sales

# Population to drive growth

## REGIONAL POPULATION TO GROW

In 2024-25, 32% (8.9 million people) of Australia's population was located outside of capital cities. This proportion has steadily fallen over recent decades due to a persistent urbanisation trend and rise in overseas migration. Over the next 10 years, regional populations are expected to grow by 10% to 9.6 million people, an annual growth rate of 0.8%. However, the growth of regional areas is expected to be strongest in regional centres on the coast. In New South Wales, Newcastle's population is projected to growth by 11% over the next 10 years, and Wollongong by 16%. Queensland is expected to have exceptionally strong growth with the population in the Gold Coast forecast to grow by 19%, and Townsville by 14%. Geelong is expected to see continued inflows from Melbourne with the population projected to grow by 22% over the next 10 years.

## PEOPLE TO CONTINUE MOVING TO COASTAL AREAS

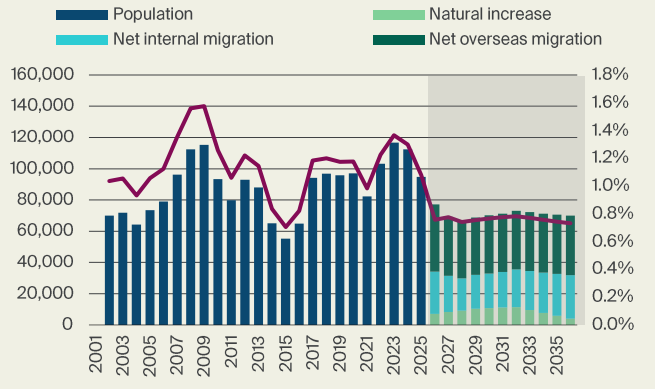
Australia's regional population growth is expected to be driven by coastal areas, while a small fall in population is expected in remote regions. Large regional towns on, or near, the coast will continue to attract people due to their high natural amenity such as beaches, good infrastructure, and access to capital cities. Older residents also tend to leave capital cities for regional areas, especially coastal, areas. As the population ages, it is expected that more residents will seek a 'sea-change' in retirement, increasing populations in coastal regions, particularly in Queensland.

## POPULATION GROWTH TO SUPPORT PROPERTY

These strong demographic tailwinds are expected to flow into strong outcomes for commercial property assets in regional areas. Rising regional populations will support increased economic activity and drive higher demand for commercial property. For example, well-located existing retail assets in coastal regions are likely to benefit from the growth and densification of populations in catchment areas.

**Population growth in regional Australia**

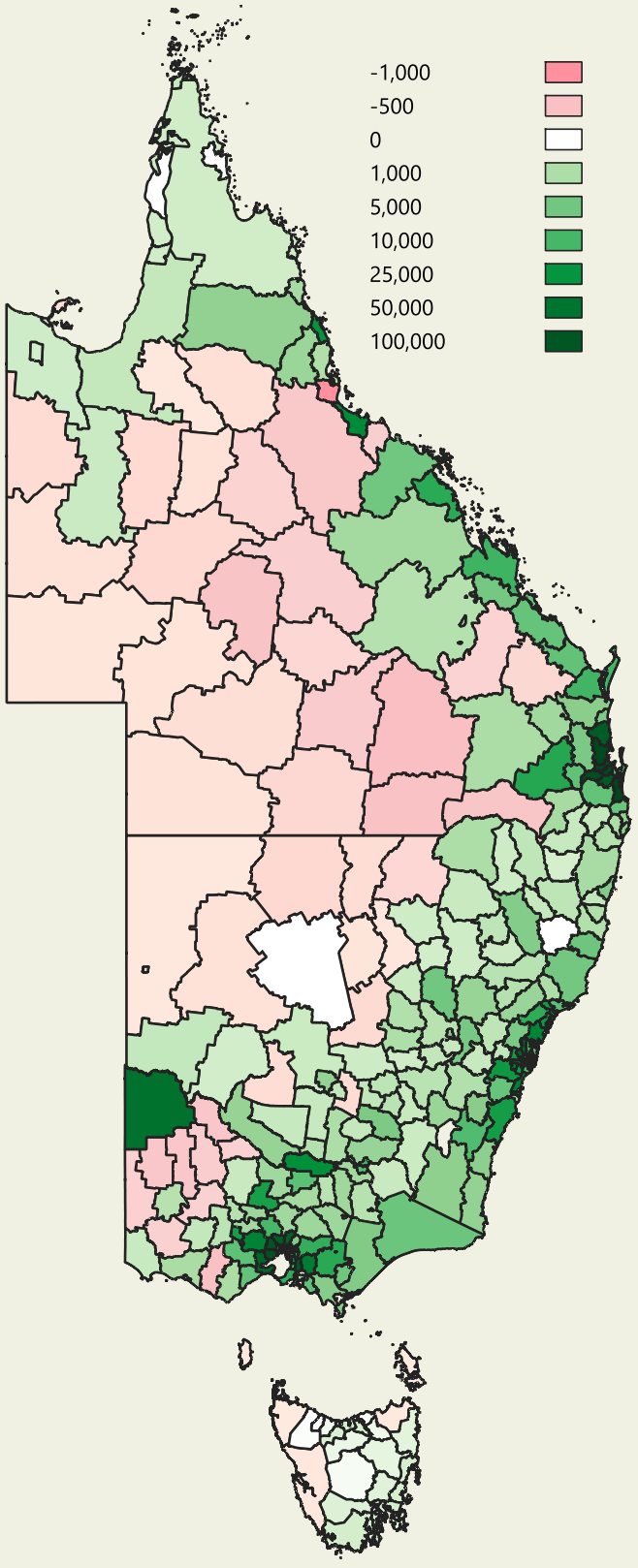
Change in population by component and annual growth (no. people)




Source: Knight Frank Research, ABS, Centre for population

**Population growth focused on coastal areas**

Forecast change in eastern Australia population by LGA, 2026 to 2036 (number of people)




Source: Knight Frank Research, ABS, NSW/VIC/QLD/TAS State Governments

# Drivers of regional growth

## RISING TOURISM TO SUPPORT DEMAND

Australian tourism has rebounded strongly since the pandemic and is set for sustained growth over the coming years. Tourism Research Australia forecasts that total tourism expenditure will rise by 22% ($42 billion) to $233 billion by 2030, driven by a continued increase in both domestic and international travel. Australia's regions are positioned to benefit from this growth, with rising visitation expected to bolster regional retail spending, hotel demand, and broader local economic activity, supporting long-term regional development.

## AGRICULTURAL LAND PRICES STABILISE

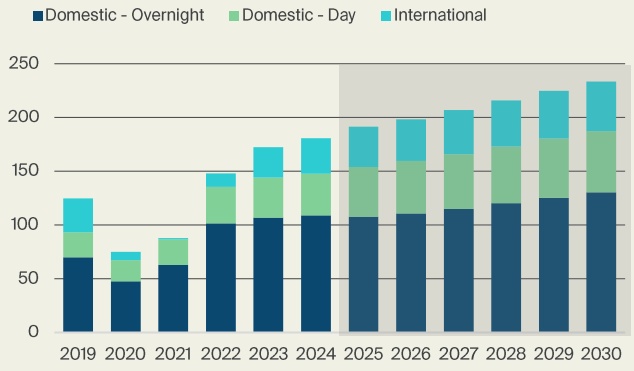
The price of Australian farmland has risen exceptionally quickly over the past five years — rising 26% from Q1 2022 to Q4 2025 — but has recently stabilised. The rise in prices was driven by increased competition for land following extremely favourable seasonal conditions, record-high commodity prices, and strong farm profitability. However, the supply of good land remained relatively tight, driving significant growth in prices and a decline in farmland transactions over recent years.

## GROWING DEMAND FOR REGIONAL RETAIL ASSETS

Investment volumes in regional commercial property have risen over the two years to reach $6.2 billion in 2025 — the third highest on record. This reflects lower interest rates and an improved economic environment driving higher investor demand.

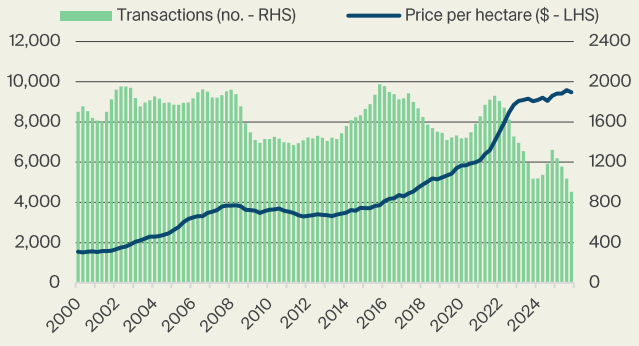
Commercial property in regional areas are typically less volatile in regional areas compared to capital cities. This has attracted capital to the regions in recent years, driving an upward trend in the share of national transactions occurring in regional areas. Regional transactions accounted for around 11% of total national transactions in 2025. Retail assets are the most traded, typically accounting for over 40% of transactions in regional areas, followed by industrial and hotels. However, there has been a growing demand for Seniors Housing & Care assets in recent years as the population continues to age, raising demand for senior living products.

**Significant growth in tourism expected**
Tourist expenditure in Australia by tourist type ($b)



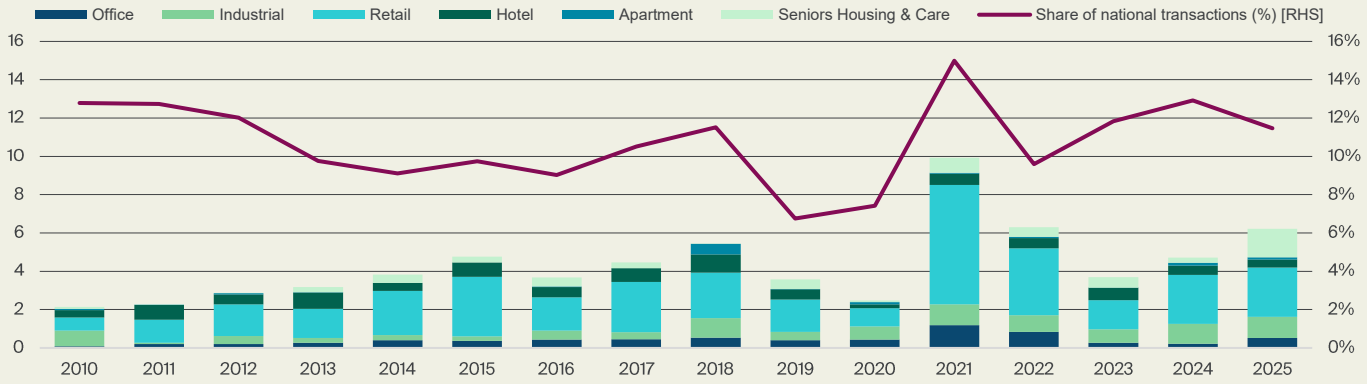

Source: Knight Frank Research, Tourism Research Australia

**National farmland prices remain elevated**
Quarterly national broadacre farmland price and number of transactions, 4-quarter rolling average




Source: Knight Frank Research, ABARES

**Rising transaction volumes in regional Australia**
Transaction volumes in regional Australia by type ($b)




Source: Knight Frank Research, ABS, RCA
Note: Regional Australia incorporates all areas outside ABS defined capital cities.

# Future growth regions

## PEOPLE LOOK FOR LIFESTYLE AND EMPLOYMENT

Future population growth is expected to concentrate in coastal regional cities that combine lifestyle appeal, relative affordability, and strong employment opportunities. The key regions that meet these criteria and are expected to see rapid growth are Geelong, the Sunshine Coast, and the Fraser Coast (incorporating Bundaberg, Wide Bay, and Agnes Waters)

Geelong, the Sunshine Coast, and the Fraser Coast were the top three LGAs for net internal migration to regional Australia in the year to Q1 2026. Collectively, these regions accounted for around 18% of net internal migration, with the majority of new residents relocating from capital cities.

## GEELONG IS ECONOMICALLY DIVERSIFYING

Geelong — traditionally a manufacturing centre — is diversifying through the expansion of health, advanced manufacturing, and digital technology sectors. This shift toward knowledge- and services-based employment is driving strong population growth and is expected to lift demand across office, retail, and industrial property assets.

## SUNSHINE COAST ATTRACTS NEW INDUSTRIES

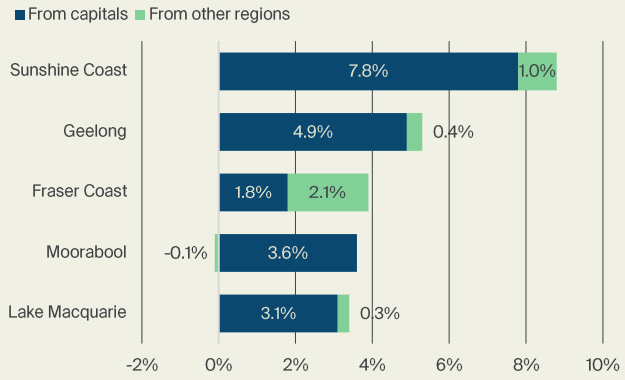
The Sunshine Coast has transitioned from a tourism-led economy to one increasingly driven by high-value industries including digital technology, health, education, and green energy. Retail activity is particularly strong, with the region accounting for almost 10% of Queensland's retail workforce, reflecting both local consumption and domestic tourism. Strategic investment in legacy economic infrastructure is also underway as the region prepares to host events associated with the Brisbane 2032 Olympic Games.

## FRASER COAST IS A GROWING TOURISM HUB

The Fraser Coast is experiencing strong growth, supported by rapid population increases and rising tourism activity. Tourism expenditure in the region has nearly doubled compared with pre-pandemic levels, underpinning increased demand for commercial property across retail, accommodation, and service-oriented assets.

### Regional population growth hotspots

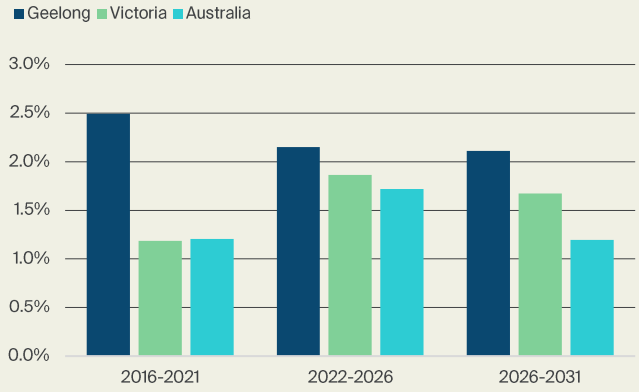
Share of change in total net internal migration to regional Australia, year to Q1 2026 (%)




Source: Knight Frank Research, Regional Australia Institute, Commonwealth

### Geelong's population growing rapidly

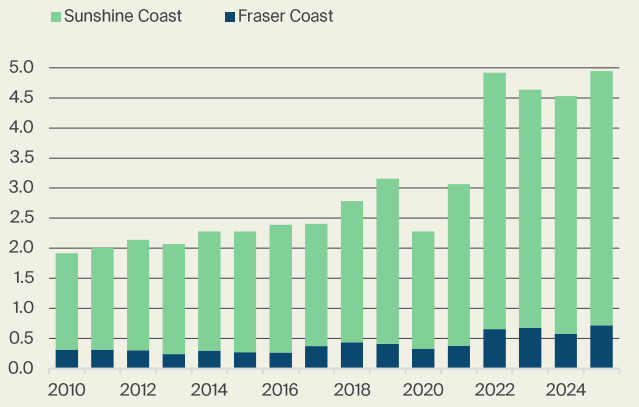
5-year average population compound average growth rate (y/y %)




Source: Knight Frank Research, ABS, Victoria Department of Transport and Planning, Centre for Population

### Tourism expenditure remains strong

Annual domestic tourism expenditure by region ($b)




Source: Knight Frank Research, Tourism and Events Queensland

# Newcastle

## NEWCASTLE'S ECONOMY IN TRANSITION

Newcastle's coal export terminal remains globally significant, with mining and port logistics continuing to underpin the local economy. However, a structural transition is underway with professional services, health and social assistance, education, tourism and advanced manufacturing sectors growing strongly while the importance of heavy manufacturing has declined.

## STRATEGICALLY IMPORTANT INDUSTRIAL MARKET

The Newcastle industrial and logistics market has seen strong growth in advanced manufacturing activity over the past decade. Demand has been underpinned by the Port of Newcastle, the expansion of renewable energy industries, and defence contractors servicing the nearby RAAF Base Williamtown. Ongoing infrastructure investment linked to these sectors is reinforcing long-term growth prospects for the industrial market.

Newcastle industrial assets continue to offer relative value, providing opportunities for both occupiers and investors to secure scale without the pricing pressure evident in core metropolitan markets. Importantly, demand is diversified across multiple industries, reducing exposure to future structural shifts.

## STRONG DEMAND FOR NEWCASTLE OFFICES

Newcastle continues to experience strong growth in demand for office space with positive net absorption in eight of the past ten years. Rising vacancy in the past few years is largely driven by new supply continuing to come online in anticipation of future demand growth. Similar to capital cities, Newcastle's office market is seeing tenants focus on well-located buildings offering modern refurbishments and high-quality amenity, as occupiers seek to attract employees back to the office.

*"Newcastle is evolving into one of Australia's most dynamic regional economies, with strong population growth and a clear shift towards services, advanced manufacturing and renewable energy.*

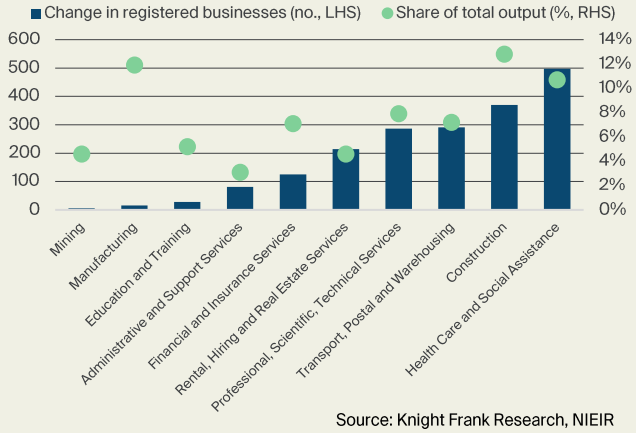
*This diversification is underpinning consistent demand across industrial and office markets, positioning the city for sustained long-term growth."*



Ross Cooper
Managing Director,
Newcastle

### Service industries are driving growth

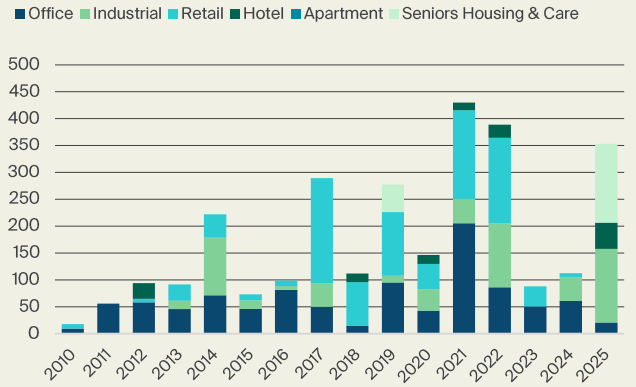
Change in number of registered businesses (2021-2025) and share of total output (2025) by industry in Newcastle LGA




Source: Knight Frank Research, NIEIR

### Newcastle is becoming a more diverse market

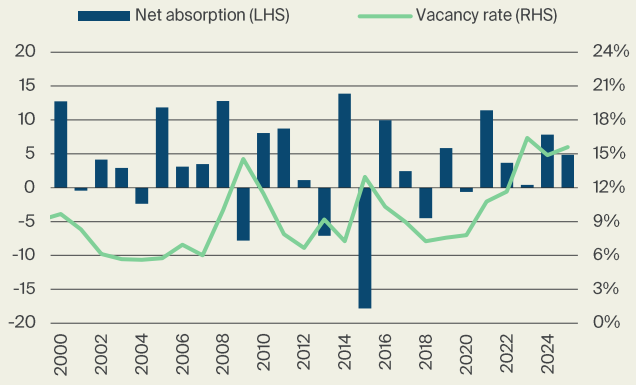
Transaction volumes in Newcastle Council LGA by type ($m)




Source: Knight Frank Research, RCA

### Positive net absorption in Newcastle offices

Annual Newcastle office net absorption ('000 sqm, LHS), vacancy rate (%, RHS)




Source: Knight Frank Research, PCA

# Wollongong

## STRONG GROWTH IN SERVICES INDUSTRIES

Wollongong's growth is being driven by a shift towards the services sector. The traditionally significant sectors of mining and manufacturing that still dominate the output of the region remain steady, while there is significant growth in service industries such as professional services and healthcare. This growth has been supported by the rising number of students at the University of Wollongong (UOW) which has seen enrolments double in size (17,400 additional students) between 2019 and 2024.

## SEVERAL FACTORS DRIVING INDUSTRIAL GROWTH

Future growth in the industrial sector will be supported by BlueScope's $2 billion Land Transformation project which is primarily occurring in Port Kembla. This project aims to develop 200 hectares of land into a precinct that focuses on advanced manufacturing, logistics, research and education, energy and sustainability technologies.

Industrial assets in Wollongong also remain uniquely positioned to service significant growth markets in southwest Sydney, as well as the new Western Sydney International Airport which is due to open in 2026. This is expected to underpin increased demand for industrial sites from transport and logistics companies.

## STRONG FUNDAMENTALS FOR OFFICE SECTOR

Wollongong's office sector has continued to steadily tighten over the past year reflecting positive net absorption as businesses take out more space. The shift towards services industries, cheaper rents compared to Sydney, and access to a growing pool of highly skilled workers from UOW, is driving strong growth in demand for office space. This is attracting new businesses, over the three years to June 2024, 39% of new leases in the CBD were to businesses that are new to the region.

*"Wollongong isn't just riding the national regional wave, it has created its own momentum. What began well before COVID as a gradual decentralisation of talent and enterprise has evolved into a structural shift of capital, business and skilled labour toward a market defined by lifestyle, connectivity and value.*

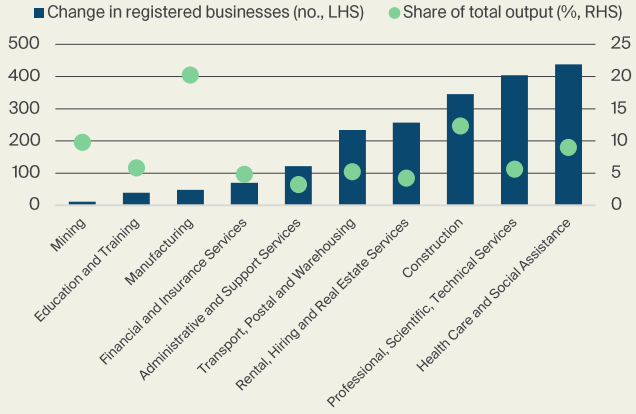
*With offshore capital increasingly targeting high-growth regional markets, combined with Port Kembla's transformation, the expanding University of Wollongong talent pipeline and direct access to Western Sydney's economic corridor, Wollongong is no longer a secondary market, it has become one of Australia's most compelling regional growth stories."*



Ben Mostyn
Managing Director,
Illawarra

### Service industries are driving growth

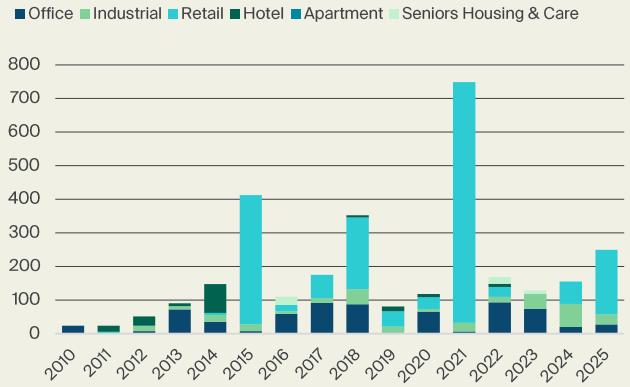
Change in number of registered businesses (2021 to 2025) and share of total output by industry in Wollongong LGA (2025)




Source: Knight Frank Research, NIEIR

### Wollongong transaction volumes steadily rise

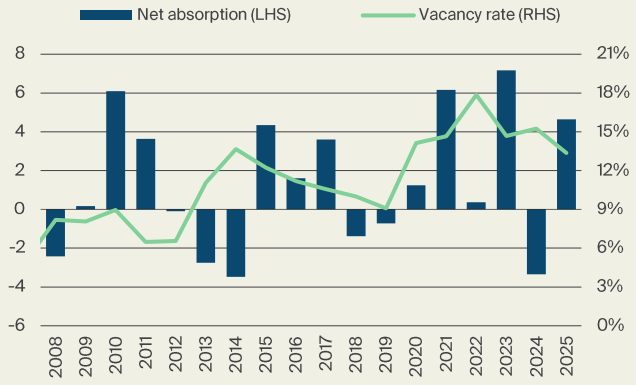
Transaction volumes in Wollongong Council LGA by type ($m)




Source: Knight Frank Research, RCA

### Wollongong office vacancy rate is falling

Annual Wollongong office net absorption ('000 sqm, LHS), vacancy rate (%, RHS)




Source: Knight Frank Research, PCA

# Tamworth

## EXCEPTIONALLY STRONG ECONOMIC GROWTH

Tamworth is the principal commercial and service hub of the Northern NSW inland region. Tamworth has experienced significant economic growth over recent years, supported by strong agricultural conditions and the rollout of the National Disability Insurance Scheme (NDIS) driving significant growth in the healthcare sector.

## LOCAL ECONOMY BEING SUPPORTED BY A STRONG AGRICULTURE SECTOR

The agricultural industry is the largest employer in the region around Tamworth, accounting for around 20% of total employment. As a result, the Tamworth economy is intertwined with the performance of the agricultural industry. Consecutive years of favourable rainfall have supported strong agricultural conditions with the average farm cash income in the region hit a record high in 2025.

Rising farm incomes are driving increased investment. This has supported stronger demand for industries that supply the agriculture sector such as businesses involved in food processing, agricultural supply and machinery, and rural logistics services. In response, these businesses are looking to expand driving stronger demand for industrial sites.

## HIGH CONNECTIVITY SUPPORTS GROWTH

Tamworth is a major hub for the New England region which has supported demand for property — particularly industrial. The town has major aviation facilities with QANTASLink and general aircraft maintenance facilities, a flying school, and Australian Defence Force facilities. It also has major rail and road infrastructure; with the Intermodal Freight Terminal Facility supporting local business by improving port access.

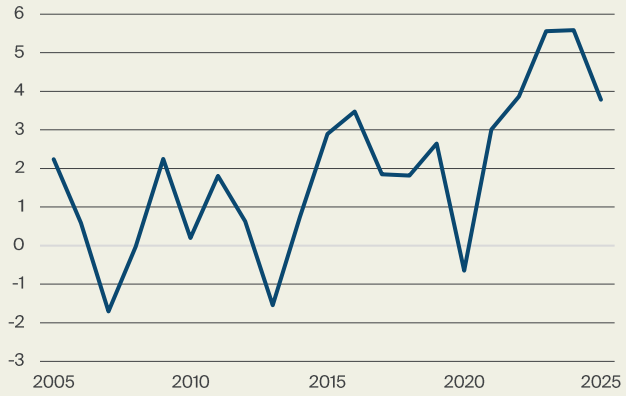
*"Tamworth is benefiting from a three-pronged growth story driven by the logistics, agriculture, and construction sectors. These industries are underpinning strong demand across the industrial property market, supported by the transformative impact of the Qube-operated intermodal terminal within the Tamworth Global Gateway Park.*

*The facility provides direct containerised rail freight connections to Port Botany via Moorebank Intermodal Precinct, as well as to Port of Newcastle, significantly enhancing supply-chain efficiency and strengthening Tamworth's role as a key inland freight and distribution hub for regional New South Wales."*



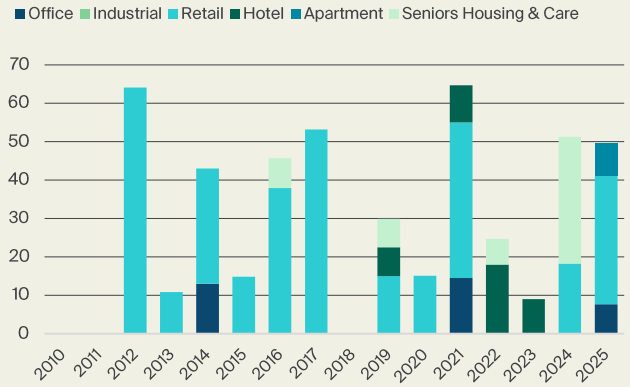
Gavin Knee
Managing Director,
Tamworth

**Tamworth is growing rapidly**
Annual growth in gross regional product in Tamworth LGA (y/y %)



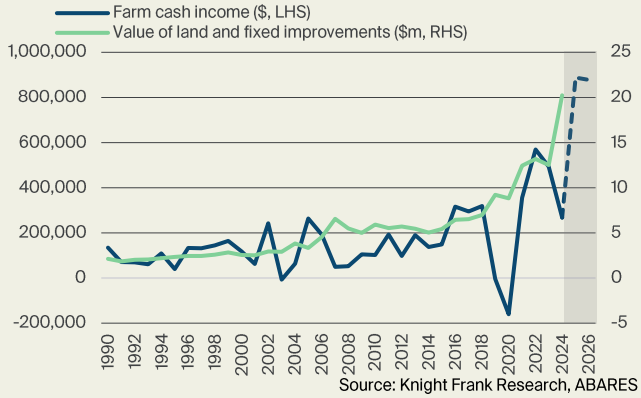

Source: Knight Frank Research, NIEIR

**Tamworth transactions are retail focused**
Transaction volumes in Tamworth Council LGA by type ($m)




Source: Knight Frank Research, RCA

**Tamworth agricultural income and farm values rise**
Real average farm cash income and land value per farm in NSW North West Slopes and Plains (2024-25 $)




Source: Knight Frank Research, ABARES
Note: Farm cash income refers to the difference between total cash receipts and total cash costs.

# Wagga Wagga

## DIVERSE ECONOMY SUPPORTS RESILIENCE

Wagga Wagga's economy is diverse with the largest economic industries being education, agriculture and food manufacturing, and the government-led industries of defence and healthcare. Over the next 5–10 years, more than $15 billion is earmarked for infrastructure projects in Wagga Wagga and the surrounding Riverina/Murray region, aiming to bolster economic growth. These include several large energy projects, an upgrade of the defence bases, and improved rail connectivity, This will support the local economy through driving stronger employment and spending in the region.

## EDUCATION INSTITUTIONS DRIVE INNOVATION

Wagga Wagga is serviced by three universities as well as top quality technical training facilities and higher education institutions. As a result, Wagga Wagga has become a regional hub for health and innovation. Wagga Wagga's Health & Knowledge Precinct has the largest physical site and the most medical specialists in Regional Australia. With a new $450 million hospital, state-of-the-art medical facilities, and training and education facilities on-site. Additionally, it has become an innovation hub, with more than 100 start-ups since 2017, with many focusing on agritech given the regions significant agricultural exposure.

## GROWING FOCUS ON INDUSTRIAL SECTOR

Wagga Wagga's Special Activation Precinct (SAP) is designed to drive industrial growth in advanced manufacturing and agritech developments, fostering further economic diversification. This precinct aims to strengthen regional industries and attract new investment. It will also improve Wagga Wagga's connection to national and global markets through the Riverina Intermodal Freight & Logistics (RIFL) Hub which enhances the connectivity of local manufacturing and agribusiness to key ports in Melbourne and Sydney.

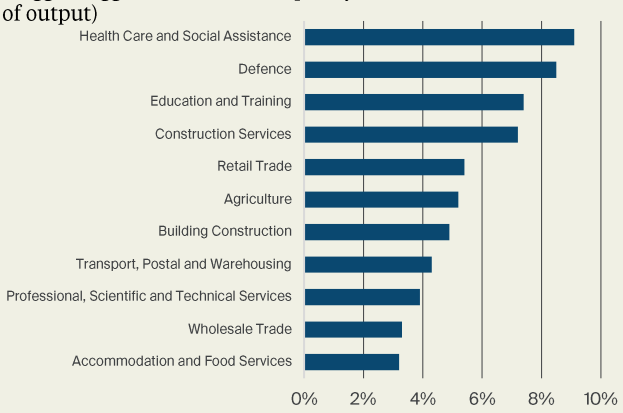
*"Wagga boasts a highly resilient economy and has grown far beyond its agricultural roots, emerging as a vibrant regional city with strong education, medical, and defence industries that continues to grow and attract external investors."*

Jill Toohey
Principal,
Wagga Wagga



### Diversified economy

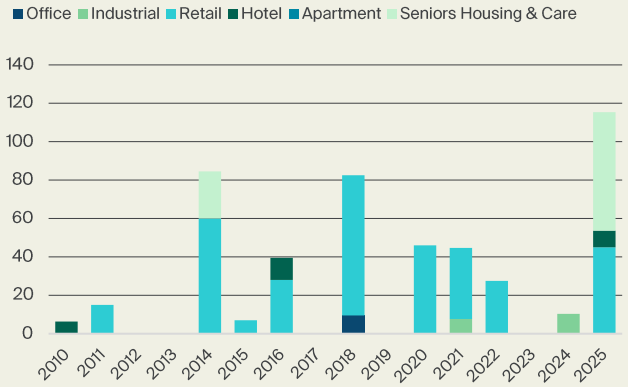
Wagga Wagga LGA share of output by selected industries, 2025 (% of output)




Source: Knight Frank Research, NIEIR

### Retail is the most traded Wagga Wagga

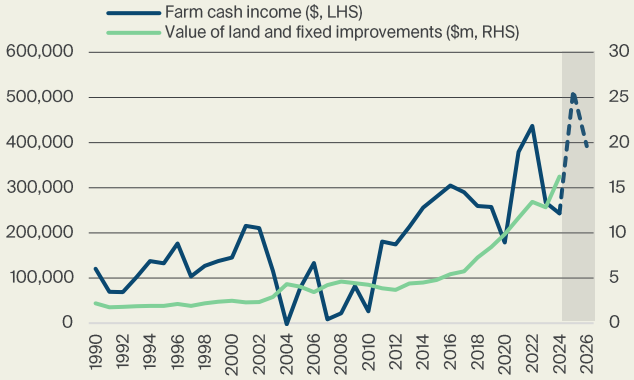
Transaction volumes in Wagga Wagga LGA by type ($m)




Source: Knight Frank Research, RCA

### High incomes and land values in NSW Riverina

Real average farm cash income and land value per farm in NSW Riverina (2024-25 $)




Source: Knight Frank Research, ABARES
Note: Farm cash income refers to the difference between total cash receipts and total cash costs.

# Gold Coast

## STRONG AND DIVERSIFIED ECONOMIC GROWTH

The Gold Coast is one of Australia's fastest-growing cities, underpinned by an increasingly diversified economic base. While tourism, manufacturing, and construction remain important, sectors such as technology, sport, professional services, screen production, and education are now making a growing contribution to overall output. This diversification is being reinforced by strong population growth—the largest increase outside Australia's capital cities—as households and businesses are drawn to the city's combination of lifestyle appeal and emerging role as a business and innovation hub.

## RISING DEMAND FOR COMMERCIAL SPACE

The Gold Coast has emerged as a hotspot for mixed-use development, integrating office, residential, and retail uses to support higher-density, lifestyle-oriented precincts. At the same time, the city's growing innovation ecosystem is fostering entrepreneurship and attracting new capital and talent. As businesses relocate and expand, demand for office and industrial space continues to rise. Retail assets are also benefiting from denser catchments, strong tourism retail spending, and evolving consumer preferences, particularly growth in self-care, health, and lifestyle-driven spending.

## GOLD COAST OFFICES ARE SUPPLY CONSTRAINED

Gold Coast office assets are relatively tightly held, with vacancy rates well below the national average. A-grade office space has become particularly scarce, with vacancy falling sharply from 18.6% in January 2021 to just 3.2% in January 2026. Supply remains constrained, with total office stock largely unchanged since 2010. Notably, the amount of A-grade office space available today is lower than in 2005. The supply pipeline remains thin — with The Base, Robina and The Landmark, Mermaid beach the next developments — and demand continuing to build, supply constraints will likely underpin strong rent growth over the medium term.

*"We're seeing strong owner-occupier demand driving the Gold Coast commercial market, particularly in the industrial and office sectors, where businesses are looking to secure their own premises rather than face rising rents and diminishing availability.*

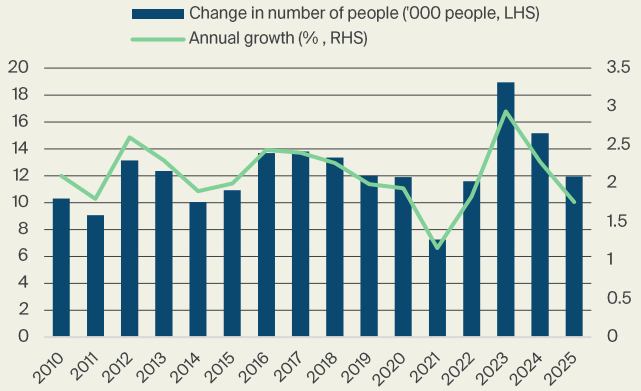
*With office supply constrained and industrial land increasingly scarce, there's genuine competition for quality assets across all sectors."*



Abel Erasmus
Director, Asset Management,
Gold Coast

### Gold Coast population growth remains high

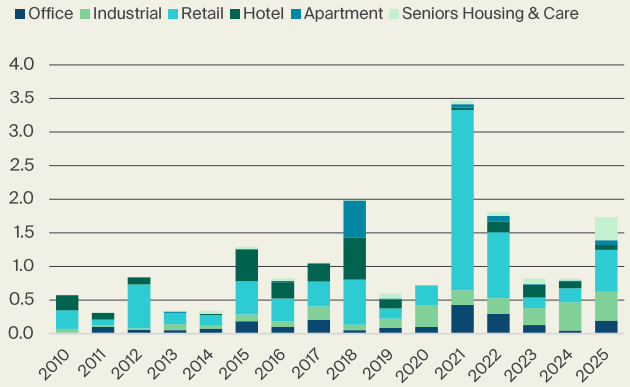
Annual change in estimated resident population




Source: Knight Frank Research, ABS

### Gold Coast industrial transactions rise

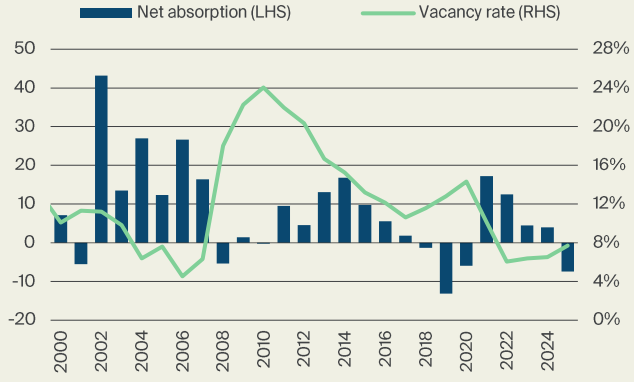
Transaction volumes in Gold Coast Council LGA by type ($b)




Source: Knight Frank Research, RCA

### Gold Coast office vacancy remains very low

Annual Gold Coast office net absorption ('000 sqm, LHS), vacancy rate (%, RHS)




Source: Knight Frank Research, PCA

# Cairns

## TOURISM REMAINS IMPORTANT TO CAIRNS

Cairns' role as a gateway to the Great Barrier Reef and Wet Tropics Rainforests has cemented the city as one of Australia's premier tourist destinations, directly underpinning retail assets in the CBD and along the Esplanade. Visitor numbers remain comfortably above pre-pandemic levels, providing an enduring support base for both hotel and retail demand.

## RESILIENT INDUSTRIAL SECTOR

Beyond tourism, Cairns benefits from a cluster of structural drivers supporting sustained industrial demand. The city is a significant maritime hub, home to three major shipyards accounting for 45% of Queensland's shipbuilding employment, and defence investment is intensifying — the Australian Government has committed $240 million to upgrade HMAS Cairns to accommodate Arafura-class Offshore Patrol Vessels, generating sustained demand for industrial and logistics space in the Portsmith and Woree precincts. Cairns Airport is also growing as a regional aircraft maintenance hub, with freight connectivity set to improve further through ongoing Bruce Highway upgrades.

## CAIRNS' OFFICE MARKET REMAINS RESILIENT

Cairns' office market is entering 2026 from a position of strength, defined by record-low vacancy, minimal incentives and subdued supply pipeline. What sets Cairns apart from many office markets is the absence of speculative development pressure. The tight vacancy environment, targeted refurbishments and high construction costs are keeping new developments largely unfeasible, anchoring demand in existing stock. As a result, rental growth in Cairns is being driven by genuine competition for space, rather than incentive-led deals. With vacancy tight and incentives low, effective rents have continued to strengthen, supporting income durability for investors.

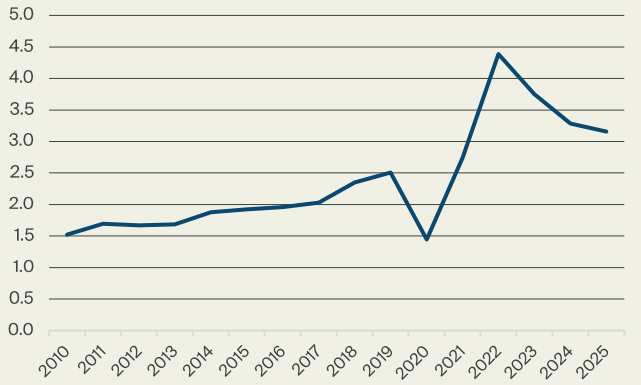
*"Cairns continues with excellent growth curved directory driven in all market sectors whilst balancing its green credentials and liveability as city.*

*Notably areas below the radio continue to be education, tropical medicines and its reach to our northern neighbours in PNG and southeast Asia creating a true northern hub.*

Greg Wood
Partner,
Cairns

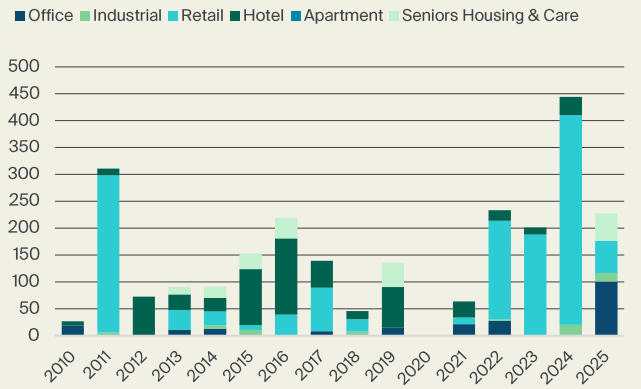


**Tourism expenditure remains firm**
Annual domestic tourism expenditure in Far North Queensland ($b)



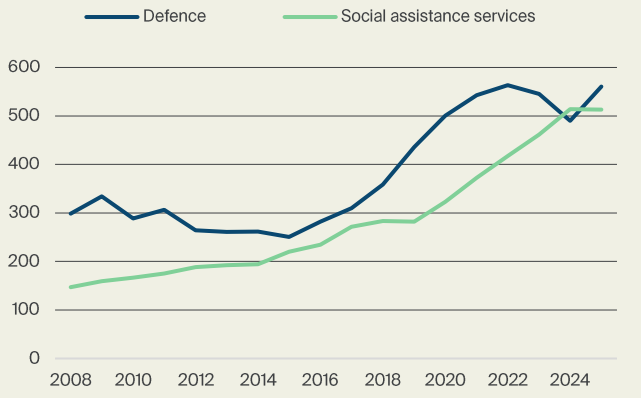

Source: Knight Frank Research, Tourism and Events Queensland

**Cairns transactions are largely retail**
Transaction volumes in Cairns Council LGA by type ($m)




Source: Knight Frank Research, RCA

**Defence and health care output grow rapidly**
Output by sector in Cairns ($m)




Source: Knight Frank Research, NIEIR

# Townsville

## GOVERNMENT-LED ECONOMIC GROWTH

Townsville is a major regional hub, with economic growth strongly underpinned by government-led industries, particularly health and defence. Tourism also remains an important pillar of the local economy, with tourist expenditure rising sharply in recent years to exceed $1 billion, driven by increased domestic visitation. Looking ahead, several emerging industries — including advanced manufacturing, mining, renewable energy and tertiary education — are expected to support the next phase of growth and further diversify the economic base.

## RISING DEFENCE INVESTMENT TO SUPPORT COMMERCIAL PROPERTY DEMAND

Townsville is positioning itself as Australia's premier Army base by 2030. Defence is already the city's largest economic sector, accounting for approximately 10% of economic output, and has expanded at an average annual rate of 5.8% over the past five years. This growth trajectory is expected to continue, supported by the recent announcement of $700 million in defence-related infrastructure and facilities investment. The construction phase alone is forecast to inject around $375 million into the North Queensland economy, driving activity across construction trades, logistics, and local suppliers, and underpinning demand for industrial assets.

## FLOW-ON EFFECTS FOR POPULATION AND RETAIL

Beyond construction, sustained defence investment is expected to support defence-led population growth, increasing household incomes and local spending. This is likely to provide a structural uplift in demand for retail assets across the region. Combined with a constrained supply of retail space, this positive outlook has driven strong investor interest and sales activity for high-quality retail assets, which are typically tightly held in the Townsville market.

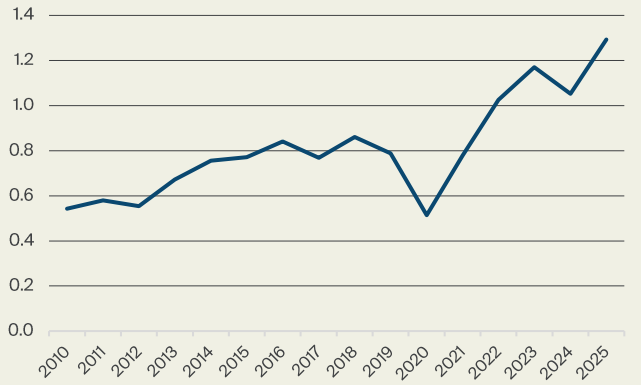
*"The Townsville story is now an overwhelmingly positive one from a regional economic perspective.*

*Specific focus by all levels of government on the resources, renewables and advanced manufacturing sectors represents an exciting platform for sustainable employment growth — all while we get ready for the 2032 Olympics"*

Craig Stack
Senior Partner,
Townsville & Mackay

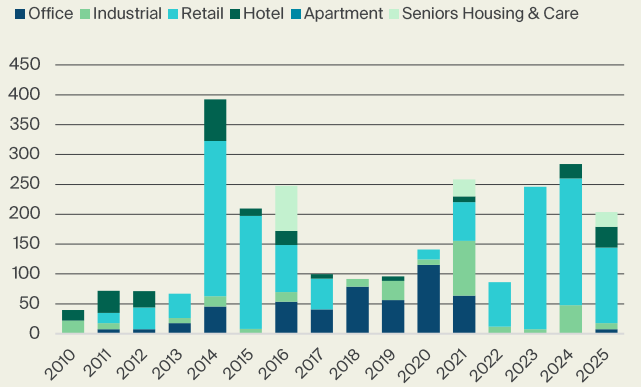


**Increased tourism in Townsville**
Annual domestic tourism expenditure in Townsville ($b)




Source: Knight Frank Research, Tourism and Events Queensland

**Large retail transactions in recent years**
Transaction volumes in Townsville Council LGA by type ($m)




Source: Knight Frank Research, RCA

## Infrastructure Project Pipeline

| |
|---|
| Quinbrook – Northern Quartz Campus, 2029 ($7.85b) |
| CopperString 2032 Transmission Line, 2032 ($13.9b) |
| Townsville University Hospital Expansion, 2029 ($1b) |
| Sun Metals Critical Mineral Refining ($1b+) |
| Townsville Energy Chemicals Hub, 2032 ($2b) |
| Townsville Port Expansion, 2030 ($1.6b) |

# Mackay/Whitsundays

## MINING SECTOR DRIVING GROWTH

Mackay plays a strategic role in the resources sector, serving as a nationally recognised hub for mining equipment, technology, and services (METS), supporting operations in the Bowen and Galilee Basins. Mackay is home to highly specialised and skilled METS organisations that design, manufacture, maintain, innovate and export across the mining and industrial value-chain. This has driven strong growth in the Mackay's primary industrial hub in Paget.

Agriculture is another vital pillar of Mackay's economy. The region is responsible for one-third of the nation's sugarcane production, with flow-on activities in sugar refining, ethanol production, renewable energy generation and emerging biomanufacturing operations. Together these industries have supported a relatively tight labour market with high employment opportunities.

## FLOW-ON EFFECTS FOR POPULATION AND RETAIL

In recent years, Mackay has seen a shift towards economic diversification, with notable growth in tourism, construction and the service industry, including education and healthcare.

Mackay's tourism industry is enjoying a period of strong growth, with new attractions recently commencing operation and new tourist-orientated infrastructure currently under construction such as the Pioneer Valley Mountain Bike Trails. This is providing a growing demand base for the regions retail sector.

The local council is looking to drive an expansion into industries such as biomanufacturing, critical mineral processing, construction and eco-tourism. These sectors are largely complementary to the regions existing expertise and will underpin continued strength for the industrial sector.

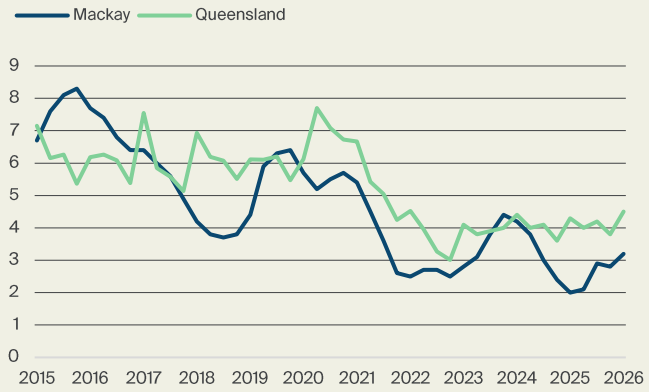
*"Confidence remains strong across the wider region with the Resources sector, Agriculture and Tourism performing positively over the past 5 years.*

*An experienced business sector has built a sustainable platform for continuing positive growth"*

Craig Stack
Senior Partner,
Townsville & Mackay

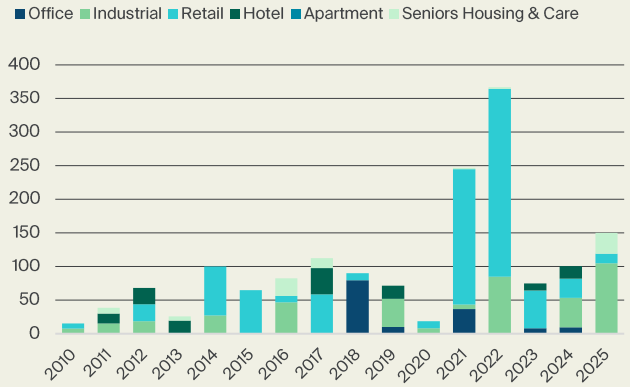


**Mackay has a consistently tight labour market**
Unemployment rate by region (%)



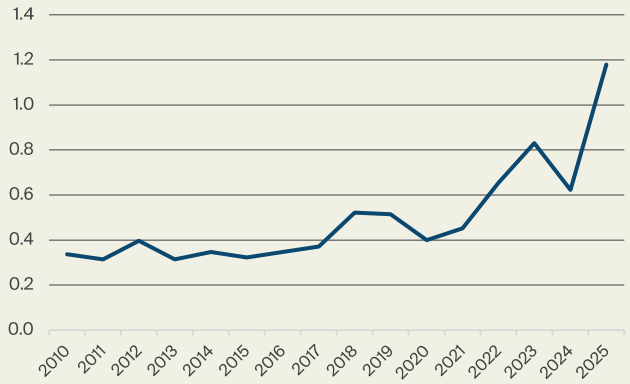

Source: Knight Frank Research, ABS, DEWR

**Industrial a rising sector Mackay**
Transaction volumes in Mackay Council LGA by type ($m)




Source: Knight Frank Research, RCA

**Sharp increase in Mackay tourism**
Annual domestic tourism expenditure in Mackay ($b)




Source: Knight Frank Research, Tourism and Events Queensland

# Darwin

## DARWIN IS A KEY INDUSTRIAL HUB

Darwin's economy is underpinned by its position as Australia's key northern logistics and trade hub to Southeast Asia. Infrastructure, defence and energy extraction are significant industries in Darwin that characterise the commercial property market. Tourism is also an important driver which has rebounded significantly over recent years with total domestic tourism expenditure rising to $500 million in 2024.

## DEFENCE SPENDING TO DRIVE TENANT DEMAND

Federal defence investment is a significant driver of Darwin's commercial property markets. Over the next decade, an estimated $6–7 billion of defence investment projects are expected across the Northern Territory. This, combined with the presence of US military infrastructure, is expected to support strong demand for industrial property linked to logistics, maintenance, and defence contracting and attract new industrial firms to the city.

This significant investment is expected to bring strong population and employment growth which will likely spill over into strengthening demand for other commercial sectors such as retail and office. In the retail space, Darwin is increasingly moving towards integrating retail into mixed-use and service-orientated retail precincts.

## STRONG DEMAND FOR A-GRADE OFFICE SPACE

Darwin's CBD office market is small and tightly held. Core tenancies include long-term leases to government, legal, engineering, and mining services. Vacancy rates have trended down over the past ten years with as high construction costs constrain supply and stock is withdrawn to be repurposed. High-quality A-grade space with advanced amenities and sustainability credentials remains sought after with the vacancy rate in A-grade offices at 6.2%.

*"In recent years, purchasers have focused on refurbishing existing office buildings or converting them into residential or tourism accommodation.*

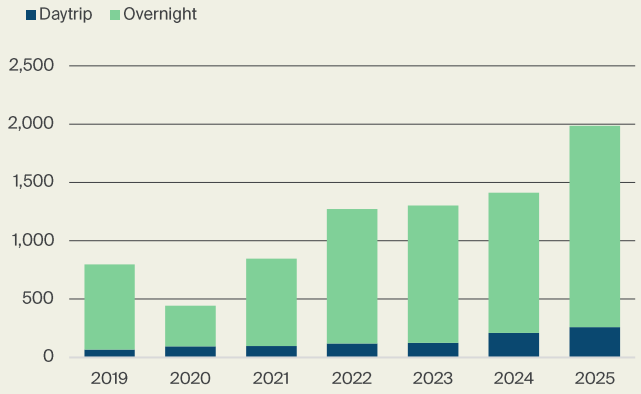
*The next development cycle is expected around 2030, when government leases in older commercial properties begin to expire. These buildings are unlikely to meet the required NABERS and Green Star ratings mandated for government tenancies."*



Matthew Knight
Managing Director,
Northern Territory

### Tourism spending is rising

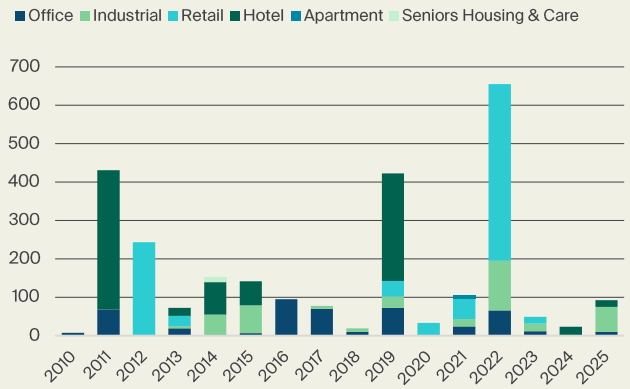
Domestic tourism spending in Northern Terriroty by type ($m)




Source: Knight Frank Research, Tourism Research Australia

### Darwin transaction activity is diverse

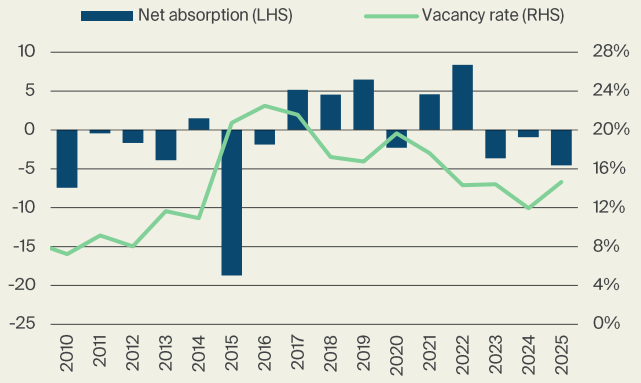
Transaction volumes in Darwin by type ($m)




Source: Knight Frank Research, RCA

### Darwin office vacancy rate near 10-year low

Annual Darwin office net absorption ('000 sqm, LHS), vacancy rate (%, RHS)




Source: Knight Frank Research, PCA

# Hobart

## EXCEPTIONALLY STRONG LABOUR MARKET

Hobart's economy is driven by health, science and technology, government-funded research, and food processing. The University of Tasmania has a significant presence in the city, supporting a strong pipeline of highly skilled labour for local businesses. Hobart also has one of the strongest labour markets in Australia, with an unemployment rate of just 2.8%, well below the national average of 4.1%. This tight labour market reflects both steady employment growth and limited labour supply, supporting income growth and business expansion.

## TOURISM SUPPORTS HOTEL PERFORMANCE

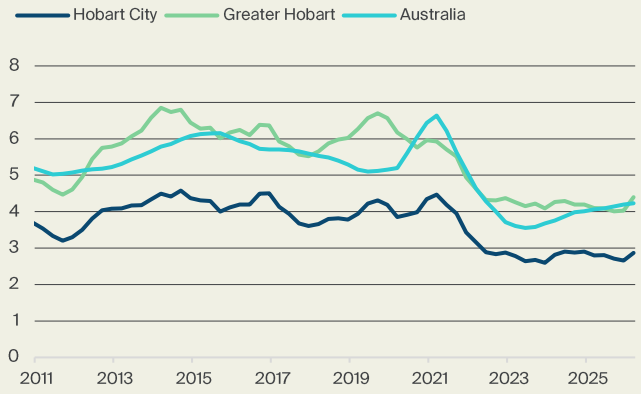
Hotels represent a significant sector in Hobart, reflecting the city's strong tourism profile. Hotel performance is being supported by stable demand and constrained supply, with no new hotel projects completed in 2025 and none currently under construction. The recently commenced redevelopment of Macquarie Wharf, which will enable the port to berth larger Oasis-class cruise ships, is expected to support further growth in visitor numbers and demand for hotel accommodation.

## LOW VACANCY TO PERSIST IN HOBART OFFICES

Despite increasing slightly over the past year, Hobart CBD's office vacancy rate remains the lowest of all Australian capital city CBDs at 5.2%, well below the national average of 15.9%. Low vacancy is a long-standing feature of the Hobart market, having not exceeded 10% since 2001. New office development in the Hobart CBD is largely demand-led, typically only proceeding with a major pre-commitment, most often from government or professional services tenants. With no new developments currently in the pipeline, and older stock possibly withdrawn for conversion to mixed-use or residential use, these conditions are expected to support strong rental growth over the coming years.

### Unemployment remains low in Hobart

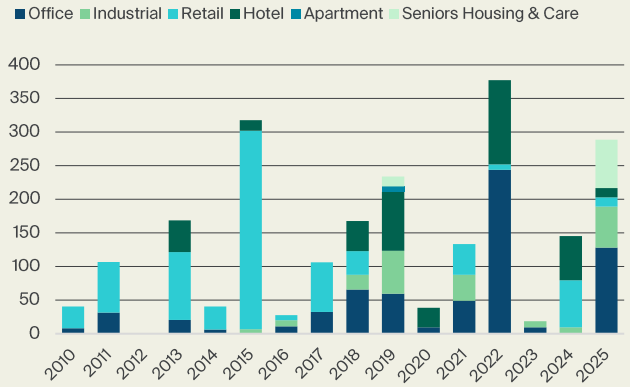
Unemployment rate by region (%)




Source: Knight Frank Research, ABS, Department of Employment, economy.id

### Rising transaction volumes in Hobart

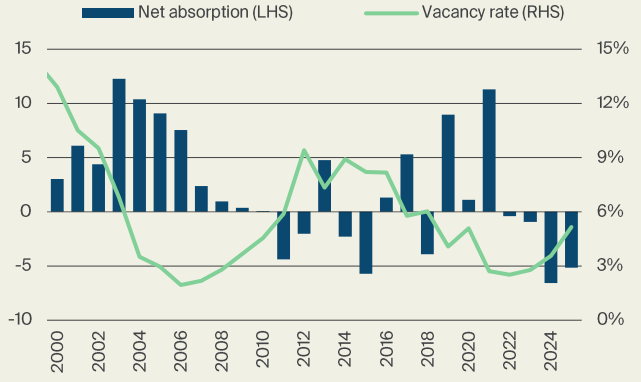
Transaction volumes in Hobart by type ($m)




Source: Knight Frank Research, RCA

### Hobart office vacancy rates remain low

Annual Hobart office net absorption ('000 sqm, LHS), vacancy rate (%, RHS)



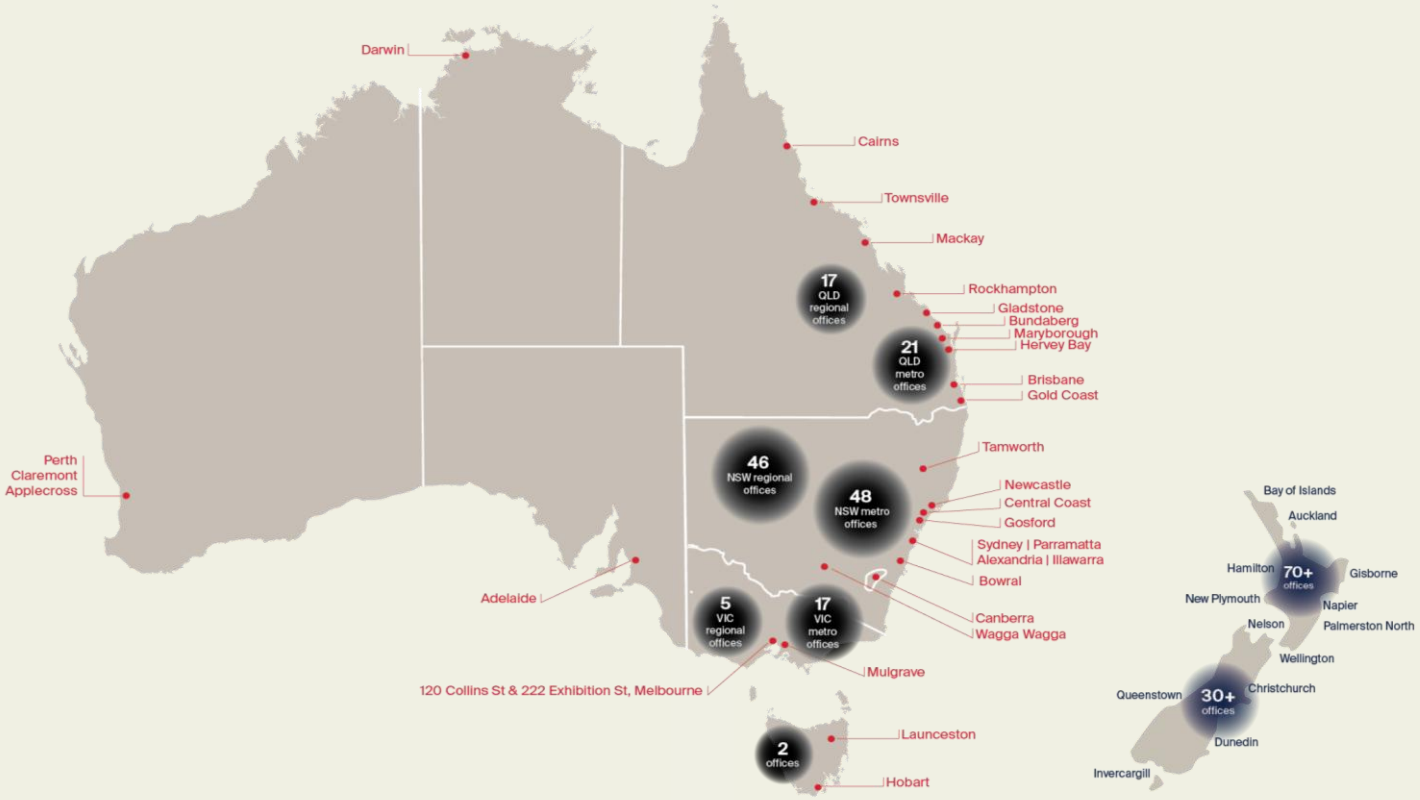

Source: Knight Frank Research, PCA

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**6,400+** people

Over **135 years** combine experience




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