Australian Capital View

Key metrics on Australian capital markets

Q3 2026

Knight Frank

knightfrank.com.au/research

Investment activity concentrated in retail assets in Q3

TRANSACTION ACTIVITY REMAINS RESILIENT

Total investment volumes remained resilient in Q3 2026 at $14.2 billion. This brings total 2026 YTD investment to $36.8 billion which is broadly in line with 2025 levels. A further $4.0 billion worth of deals remain pending for Q3. Retail was the most transacted sector by far in Q3 however activity was more subdued in all other sectors.

RETAIL ON TRACK FOR THE HIGHEST ACTIVITY SINCE 2015

In Q3, $5.4 billion in retail assets were traded which is the highest-level quarterly volume since Q4 2021. This comes off the back of elevated sales activity in Q1 and Q2 which may see retail investment volumes in 2026 reach the highest level since 2015 when $18.9 billion of assets were traded. A combination of attractive valuations, low vacancy rates, strong rent growth, and constrained supply are driving strong investor demand for retail assets. Recent acquisitions by Cbus and Australian Retirement Trust signal growing demand from superannuation funds for large retail assets.

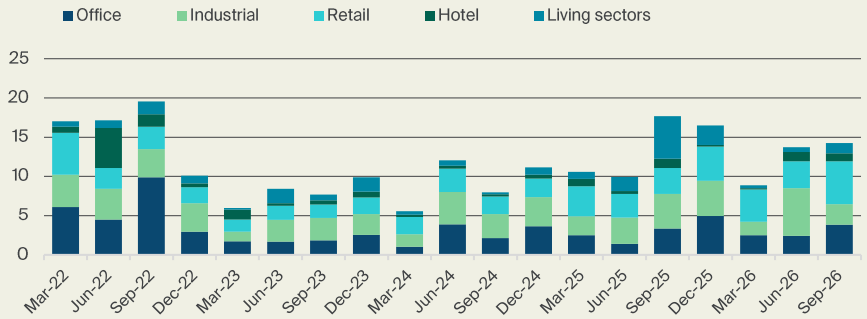
BOND YIELDS ROSE SHARPLY IN Q3

Borrowing rates rose sharply during Q3, likely reflecting several drivers including investors shifting to a higher for longer interest rate outlook across the world, and increased supply of debt to fund the AI construction boom.

The sharp rise in borrowing rates in Q3 appears to be increasingly weighing on investor sentiment — particularly in the office sector. The gap in pricing expectations between buyers and vendors appears to be growing and more deals are terminating during due diligence as investors reassess the shifting macroeconomic environment.

Retail drives investment activity in Q3

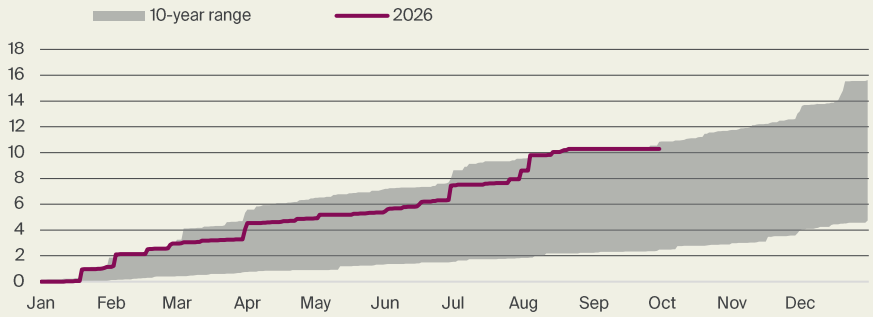
Quarterly investment volumes by sector (AUD billions)



Source: Knight Frank Research, RCA

Retail activity is the strongest since 2015

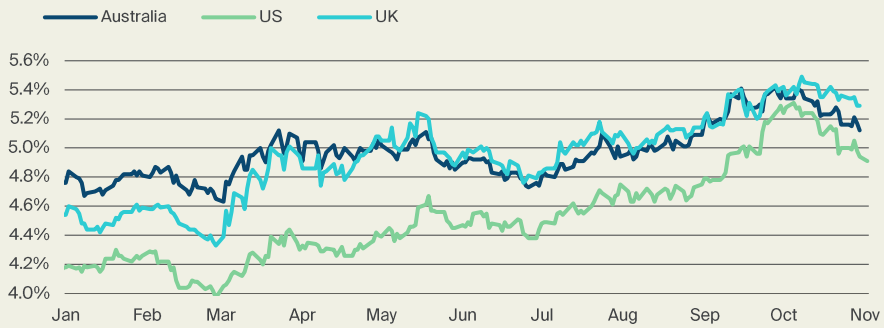
Daily cumulative transaction volume by year, retail



Source: Knight Frank Research, RCA

10-year bond yields rose sharply in Q3, but have declined since

10-year government bond yields by country, weekly (%)



Source: Knight Frank Research, Macrobond

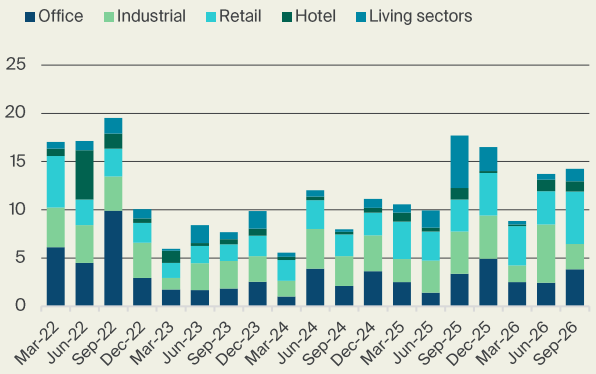
Investment activity resilient

Retail activity remains strong, but investment volumes soften in other sectors

- Total investment volumes remained resilient in Q3 2026 at $14.2 billion. This brings total 2026 YTD investment to $36.8 billion which is broadly inline with 2025 levels. Around $4.0 billion worth of deals remain pending for Q3.
- Transaction activity in Q3 was driven by the retail sector where $5.4 billion in assets were traded — the highest level since Q4 2021. Major transactions included Cbus Super buying 50% of Westfield Carindale ($758 million) and Lakeside Joondalup ($542 million) from Lendlease, GPT buying 50% of Sunshine Plaza ($622 million) and Macarthur Square ($568 million) from Lendlease, and Australian Retirement Trust buying 50% in Westfield Mt Gravatt from Scentre Group for $882.5 million.
- Office activity picked up to $3.8 billion, major transactions included GIC buying 1 Market St for $450 million from Investa, and Centuria acquiring 50% of 680 George St for $415.5 million. Industrial was more subdued with $2.6 billion transacted, notably M&G purchased a 50% stake in five sites for a combined $438 million from Stockland.
- The sharp rise in borrowing rates in Q3 appears to be increasingly weighing on investor sentiment — particularly in the office sector. The gap in pricing expectations between buyers and vendors appears to be growing and more deals are terminating during due diligence as investors reassess the changing macroeconomic environment.

Retail drives investment activity in Q3

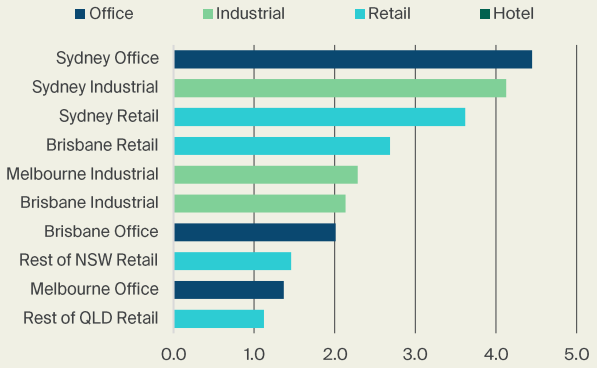
Quarterly investment volumes by sector (AUD billions)



Source: Knight Frank Research, RCA

Capital focused on Sydney and Brisbane

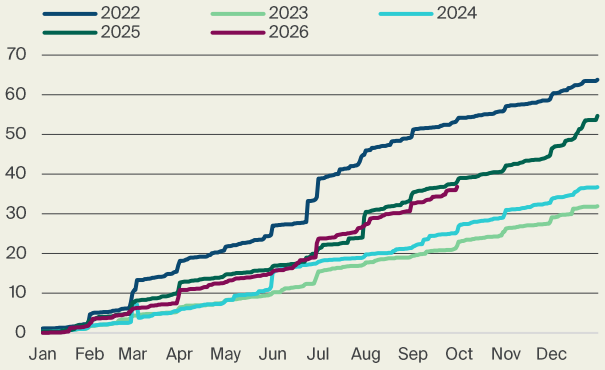
Transaction volumes by city and sector, Q1-Q3 2026 (AUD billions)



Source: Knight Frank Research, RCA

Total activity broadly inline with 2025 levels

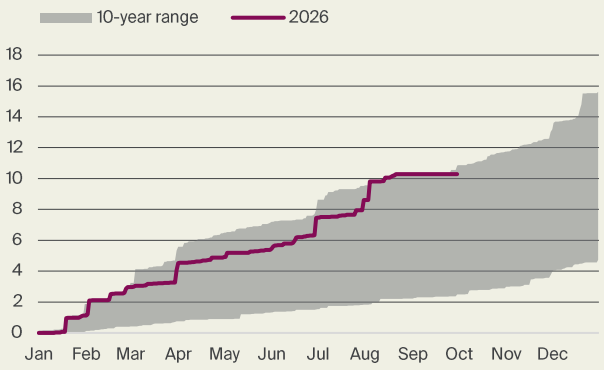
Daily cumulative transaction volume by year, all assets (AUD billions)



Source: Knight Frank Research, RCA

Retail activity is the strongest since 2015

Daily cumulative transaction volume by year, retail (AUD billions)



Source: Knight Frank Research, RCA

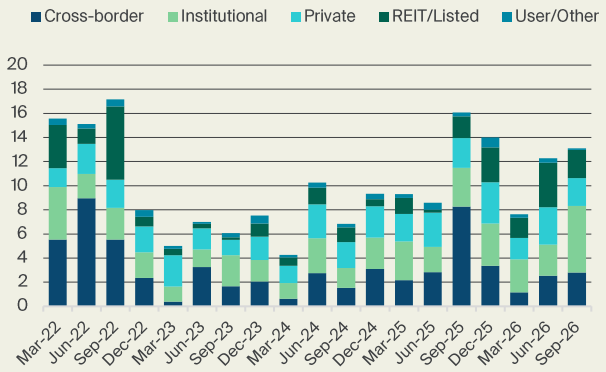
Institutions are active

Institutions remain the most active buyers, REITs/listed groups continue to divest assets

- Institutions continued to drive investment activity in Q3, accounting for $5.5 billion (42%) of acquisitions, followed by cross-border capital ($2.8 billion, 21%), private capital ($2.3 billion, 18%), and REIT/listed capital ($2.3 billion, 18%).
- Institutions remain the key source of new capital into Australia commercial property with net investment volumes (acquisitions minus disposals) totalling $3.9 billion of new capital in Q3, bringing the 2026 YTD total to $7.2 billion. This growth largely reflects increased buying activity from Australian superannuation funds.
- Cross-border investment volumes remain relatively subdued, reflecting continued elevated global uncertainty since the start of 2026. Investment in 2026 has been led by the US, but there have been several large deals in Q3 involving Singaporean capital that signal ongoing interest in Australian office and industrial assets.
- A-REITs continued to be the largest net sellers of assets in Q3 reflecting divestment from several large retail and office assets. A-REIT buying activity in Q3 was comparatively smaller and mainly focused on retail assets.

Institutions lead buying activity

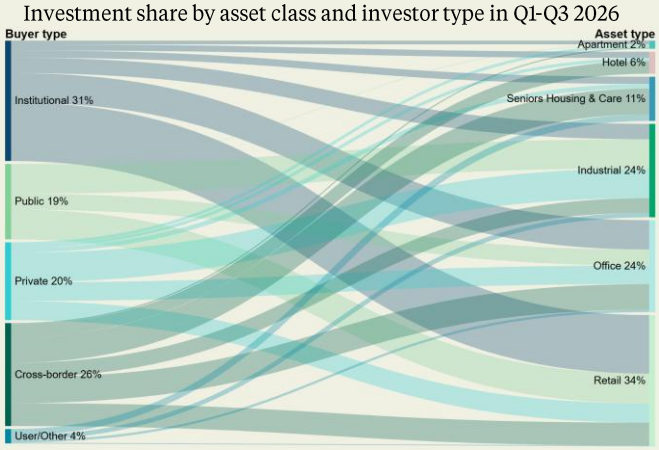
Acquisitions by investor type (AUD billions)



Source: Knight Frank Research, RCA

Cross-border capital deployment is diversified

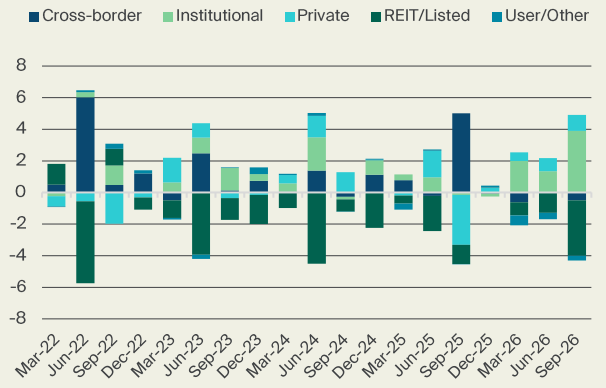
Investment share by asset class and investor type in Q1-Q3 2026



Source: Knight Frank Research, RCA

Institutions driving net buying activity

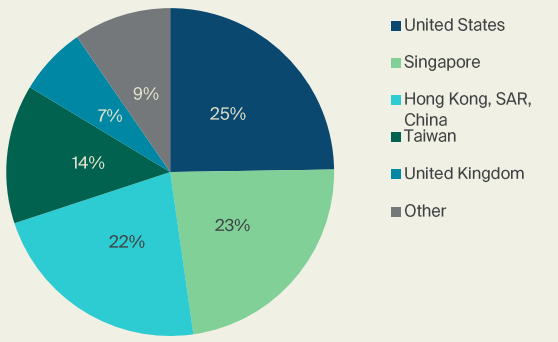
Net investment volumes by investor (AUD billions)



Source: Knight Frank Research, RCA

US and Asia drive cross-border activity

Proportion of cross-border transaction volume, Q1-Q3 2026 (%)



Source: Knight Frank Research, RCA

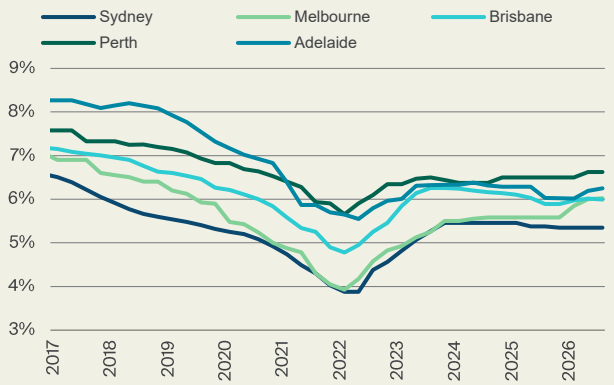
Yields soften as rates rise

Elevated borrowing rates and uncertainty have led to a softening in yields

- Industrial yields were mixed in Q3. Yields remained steady in Sydney and Perth and fell in Brisbane (-3bps), however they rose in Melbourne (+3bps), Adelaide (+6bps). Investor demand remains resilient for prime assets in Sydney and Melbourne.
- Prime CBD office yields rose in Q3 2026 reflecting a softer investment demand. Yields remained steady in Sydney CBD and Brisbane CBD as robust rent growth supports increased investor confidence. However, yields softened further in Melbourne (+5bps), Adelaide (+13bps) and Perth (+3bps) with upward pressure from higher borrowing rates and lower rent growth.
- For offices, a substantial volume of office stock has been brought to market in recent months, which may place upward pressure on yields. In Sydney alone, more than $3 billion of CBD assets and nearly $4 billion in non-CBD office are currently being marketed.
- Capital growth is slowing across most sectors. Rising values are largely driven by income growth and are largely confined to certain cities and asset types. The outlook for capital growth remains challenging, reinforcing the need for investors to focus on sectors and individual assets that can deliver income growth.

Industrial prime yields move higher

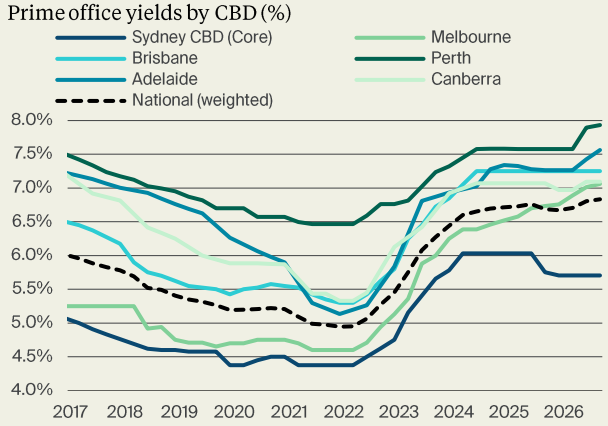
Average across precincts (5,000 sqm assets, 5 yr WALE)



Source: Knight Frank Research

Prime office yields rise

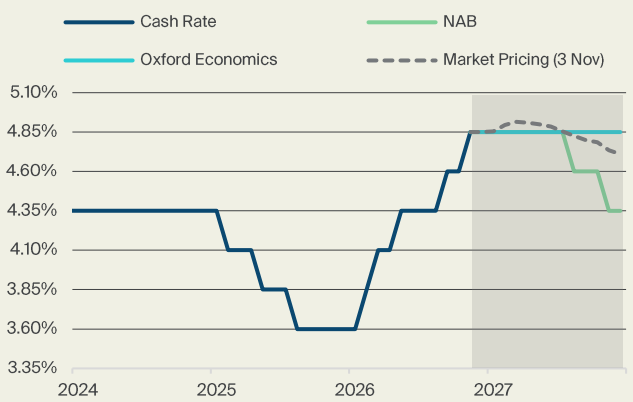
Prime office yields by CBD (%)



Source: Knight Frank Research

RBA raises the cash rate in November

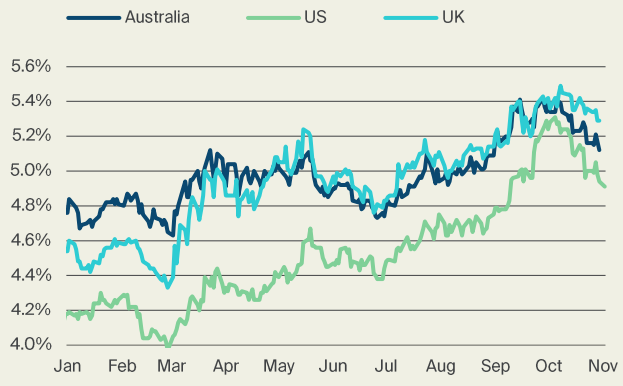
Cash rate - historical, market pricing and forecasts by source (%)



Source: Knight Frank Research, ASX, RBA, NAB, Oxford Economics

Yields rose sharply in Q3, but declined since

10-year government bond yields by country, weekly (%)



Source: Knight Frank Research, Macrobond

We like questions, if you've got one about our research, or would like some property advice, we would like to hear from you. You can also click here to subscribe to our research.



Alistair Read
Senior Economist
+61 450 831 899
Alistair.Read@au.knightframk.com



Ben Burston
Chief Economist
+61 2 9036 6756
Ben.Burston@au.knightframk.com



Michael Kwok
Capital Markets
+61 2 9036 6620
Michael.Kwok@au.knightframk.com



Rob Sewell
Institutional Sales
+61 2 9036 6847
Rob.Sewell@au.knightframk.com



Al Carpenter
Valuations
+61 2 9036 6662
Al.Carpenter@au.knightframk.com

© Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice © Knight Frank Australia Pty Ltd 2026 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank Australia Pty Ltd for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Australia Pty Ltd in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank Australia Pty Ltd to the form and content within which it appears.approval of Knight Frank Australia Pty Ltd to the form and content within which it appears.