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AUSTRALIAN COMMERCIAL PROPERTY MARKET SHOWS STRONG RECOVERY SIGNS

Australia's commercial property market is showing clear signs of recovery after a period of recalibration, with foreign capital returning, pricing stabilising and investor confidence improving.

Trilogy Funds' Laurence Parisi said the second half of 2025 marked a turning point for the sector with multiple interest rate cuts restoring liquidity and driving a surge in transaction volumes. "Foreign capital has been a major driver of this resurgence, injecting $7.4 billion into Australian commercial property this year, with $2.9 billion flowing into industrial assets alone," Mr Parisi said. "Queensland emerged as a standout beneficiary, capturing roughly 20 per cent of these inflows, while Victoria's share declined under the weight of rising taxes and holding costs."

Mr Parisi said the renewed global interest underscores Australia's reputation as a safe haven for investment, a theme that looks set to continue into 2026.

Industrial sector leads the recovery

According to Mr Parisi, industrial assets have been among the sector's most resilient performers and continue to dominate the conversation. "Prime industrial yields, which peaked mid-year, have begun to compress, averaging around 5.7 per cent nationally," he said. "Sydney and Brisbane are leading this recovery, while Melbourne remains subdued amid policy headwinds." He said that vacancy rates, while drifting upwards, remain below equilibrium and among the lowest rates in the world.

"In 2025, we've seen surging construction costs lift asset replacement values, moderating speculative supply and supporting rents," Mr Parisi said. "Most markets recorded 4-6 per cent annual escalation, with pressure skewed to labour and key inputs."

E-commerce driving demand

Mr Parisi highlighted that e-commerce continues to be a structural demand engine for industrial property.

"E-commerce sales have now reached the pandemic high of 14 per cent of total retail sales and are forecast to rise to approximately 17 per cent by 2029," he said. "This growth will require about 1.7-1.8 million square metres of additional logistics space over the next five years." He said transport and logistics and retail trade tenants remained top contributors to take-up, consistent with this trend.

Looking ahead to 2026, Mr Parisi said the signals point to a commercial property market that is evolving positively. "While risks persist - policy costs and global volatility to name a few – the sector's fundamentals suggest a year of opportunity for those focused on quality, resilience, and strategic location," he said.

COMMERCIAL PROPERTY MARKET SURGES WITH QUEENSLAND LEADING THE CHARGE

Australia's commercial property market has experienced a significant rebound in 2025, with transaction volumes reaching $85.58 billion across 9,015 sales, marking a 27 per cent increase over 2024 figures. Ray White Group Head of Research, Vanessa Rader, revealed that while the headline growth appears strong, it masks diverging geographic preferences and evolving sector appeal across the country.

Queensland emerged as the clear winner, with transaction volumes growing 61.1 per cent to $21.35 billion, capturing nearly 25 per cent of national activity. The state's appeal extends beyond Brisbane alone to encompass industrial demand along growth corridors, retail centre resilience, and genuine scarcity of investment-grade stock in locations such as Gold Coast and Sunshine Coast.

Queensland's average transaction size jumped 56.2 per cent to $10.79 million, indicating substantial capital deployment in quality assets rather than opportunistic trades. In stark contrast, Victoria experienced a decline of 5.5 per cent to $17.30 billion, slipping to 20.2 per cent of national activity from 24.3 per cent in 2024. "The state's commercial property tax settings continue deterring capital, with sophisticated investors simply choosing alternative markets offering comparable returns without additional cost burdens," Ms Rader explained.

Western Australia and South Australia both posted solid growth, with transactions increasing by 5.7 per cent and 10.3 per cent respectively. "East coast investors are increasingly targeting WA opportunities, recognising the state's economic diversification and relative value compared to east coast pricing," she said.

Industrial property retained its position as Australia's most-traded sector at 31.1 per cent of volumes, reaching $26.58 billion, up 27.6 per cent from 2024. "The sector's fundamentals remain compelling: low vacancy rates, limited development pipelines, and ongoing e-commerce and logistics demand," Ms Rader said. "Average transaction sizes reached $6.05 million, up from $5.20 million, as buyers recognise existing stock carries genuine scarcity value with replacement costs remaining elevated."

Retail delivered the year's most notable shift, with volumes climbing 43.8 per cent to $18.90 billion, representing 22.1 per cent of total activity.

Office property accounted for 18.9 per cent of volumes at $16.17 billion, up 28.1 per cent, though Ms Rader cautioned this masks divergent performance within the sector. "Premium CBD assets in Sydney, Brisbane and Melbourne attracted capital, while suburban markets have had mixed fortunes with elevated vacancies and quality disparity," she said.

Alternative assets, including childcare centres, service stations, and aged care facilities, climbed 80.5 per cent to $9.04 billion. "This growth represents renewed confidence in alternative property classes offering defensive income characteristics," she explained.

According to Ms Rader, the most significant market indicator is the average transaction size, which climbed to $9.49 million across all sectors, up 24.6 per cent from $7.62 million in 2024. Looking ahead to 2026, Ms Rader said interest rate policy would be critical for the market's continued momentum. "If rates fall as markets anticipate, development activity should accelerate meaningfully, while continued focus on existing stock will reflect replacement cost economics and genuine scarcity value in quality assets," she said.

RETAIL EMERGES AS AUSTRALIA'S MOST COVETED COMMERCIAL PROPERTY

Retail has become the top choice for commercial property investors in 2026, driven by increasing consumption, tight vacancy rates and limited land supply.

According to CBRE, retail transactions jumped by almost 20 per cent in 2025 to $11.3 billion, with regional shopping centres particularly attracting investor interest. Experts predict another strong year ahead, especially in regional areas.

Simon Rooney, CBRE's head of retail capital markets for the Pacific region, said there were several factors driving this trend.

"Regional shopping centres have emerged as a highly sought-after investment class," Mr Rooney said.

"Values have recalibrated post-COVID, and the sector offers strong performance fundamentals, underpinned by minimal new supply, increasing population off the back of high immigration, and strict planning regimes, which protect incumbent regional shopping centre assets."

Population growth is expected to be a major driver of performance in regional shopping centres. Australia's population is projected to increase by 4.4 million by 2035, while average wages are forecast to rise from $105,000 to $144,000 per annum during the same period.

Based on these projections, CBRE anticipates a retail spending surge, with consumer spending expected to grow from $450 billion in 2025 to $530 billion by 2030.

This consumer confidence is expected to drive rental growth for Australian shopping centres in the mid-single digits through 2026, with Perth likely to outperform with high single-digit growth.

Regional shopping centres that focus on experience-based shopping and dining are showing stronger performance than others in the market. Property owners who invest in redevelopment or refurbishment are also seeing significant returns on their investments.

Limited supply is another factor attracting investors to retail properties. The scarcity of suitable land, high construction costs, and complex planning regulations have restricted new developments in the sector.

Regional shopping centres are expected to perform well regardless of interest rate movements in the coming year.

INVOICE FINANCE VS OVERDRAFTS

Managing cash flow is one of the biggest challenges for growing businesses, particularly when customer payment terms stretch to 30, 60 or even 90 days.Two of the most common tools business owners turn to are invoice finance and overdrafts. While both can provide short-term liquidity, they work in very different ways and suit different business situations. Understanding the distinctions can help you choose the option that best supports your operations.

How an overdraft works

A business overdraft is a revolving credit facility linked to your transaction account. It allows you to temporarily spend more than the balance available in your account, up to an agreed limit. Interest is charged only on the amount used, and funds can be drawn and repaid as needed. Overdrafts are often attractive because of their familiarity and flexibility. They can be useful for managing small, short-term cash flow gaps, such as covering wages or supplier payments while waiting for revenue to arrive. However, overdrafts are usually reviewed regularly by lenders, can be reduced or withdrawn, and often come with strict conditions tied to your business's overall financial position.

How invoice finance works

Invoice finance allows businesses to access funds tied up in unpaid invoices. Instead of waiting for customers to pay, a lender advances a percentage of the invoice value upfront, with the balance released once payment is received, less fees and charges. Because invoice finance is linked directly to sales rather than overall profitability, it can scale with your business. As your invoicing grows, so does the funding available. This structure can be particularly helpful for businesses experiencing rapid growth, seasonal fluctuations, or long debtor cycles.

Flexibility and scalability

One of the key differences between invoice finance and overdrafts is how they respond to growth. Overdraft limits are usually fixed and may not automatically increase as revenue rises. In contrast, invoice finance is dynamic, expanding alongside your receivables. This can make it a more flexible solution for businesses whose cash flow needs change month to month. Invoice finance can also reduce pressure on cash flow planning, as funding is released as invoices are issued, rather than relying on forecasts or negotiations with a bank.

Covenants and security considerations

Overdrafts typically come with financial covenants, such as minimum profitability ratios or balance sheet requirements. Breaching these conditions can lead to reviews or reductions in the facility. They may also require property or personal security. Invoice finance often relies primarily on the quality of your debtor book rather than traditional covenants. While security requirements still apply, the focus is more on customer payment behaviour than on historical financial statements. This can make invoice finance more accessible for businesses with strong sales but uneven cash flow.

The right cash flow solution depends on how your business operates, how predictable your income is, and how quickly you need funds to move. Overdrafts may suit stable businesses with short payment cycles, while invoice finance can provide a more responsive and scalable option for those managing longer receivables. Speaking with a finance broker who can help you compare your options.

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CAN EQUIPMENT FINANCE HELP YOU SECURE BIGGER CONTRACTS IN 2026?

With infrastructure pipelines growing and demand for tradies, contractors, and logistics providers showing no signs of slowing down, 2026 could be the year your business takes on bigger projects. But to compete at the next level, you often need to scale your capacity, and that means better tools, vehicles, or machinery.

So how do you grow without draining your cash flow? That's where equipment finance can help.

Access bigger contracts with confidence
Clients awarding large contracts want to know you can deliver. Whether it's a civil works tender, a local government project, or a long-term commercial job, having the right gear in place matters. Equipment finance lets you upgrade your fleet or tools without waiting until you've saved the full amount. This can position you to bid confidently on work you might otherwise miss.

Stay competitive with up-to-date gear
Older gear can be a red flag to clients and a drag on efficiency. Modern equipment is often faster, more compliant, and less prone to breakdowns. Rather than stretching to buy outright, financing helps you maintain a fresher fleet that keeps you competitive and reliable.

Keep cash flow free for wages and working capital
Winning a big contract means managing more materials, more hours, and often delayed payment terms. Equipment finance can help you secure what you need without tying up the capital you need for wages, suppliers, or unexpected costs.

Structure repayments to match your cash flow
Every business has peaks and troughs. Equipment finance providers understand this and may offer repayment terms that align with your project timelines. This flexibility can help smooth cash flow over seasonal or contract-based cycles.

Separate personal and business assets
Instead of dipping into personal funds or drawing down a mortgage, equipment finance keeps the asset and its repayment within the business. It's a clearer, more structured way to grow without overextending your personal finances.

Review your finance options first
Depending on your needs, you might consider a chattel mortgage, hire purchase, or leasing structure. Each has different implications for cash flow, tax, and ownership. A broker can help you compare options based on your situation and the contracts you're aiming for.