

THE COMMERCIAL CHRONICAL

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INSTITUTIONAL INVESTORS RETURN TO AUSTRALIAN COMMERCIAL REAL ESTATE

Institutional capital is flowing back into Australian commercial property as market fundamentals strengthen, with experienced investors moving ahead of broader market confidence. Charter Hall, Australia's largest manager of commercial real estate, reported incoming equity commitments of \$4.8 billion to its funds in the half-year to December 2025, marking the strongest six-monthly equity inflows in the company's 30-year history.

Steve Bennett, CEO of Charter Hall Direct, which manages direct investments for high-net-worth clients, family offices and sophisticated investors, said experienced capital is re-entering the market as fundamentals become clearer.

"Australian commercial property is not offering a speculative rebound," Mr Bennett said. "It's offering predictable and growing income, a constrained forward-looking supply pipeline and much greater visibility at this point in the cycle - one where institutional and high-net-worth capital is already investing."

The renewed confidence is appearing across core sectors, including office where valuations were heavily marked down, as well as industrial and logistics, and segments such as convenience retail.

What makes the current environment different is the combination of significant supply constraints, strong tenant demand, and recovering valuations. Mr Bennett said data from Charter Hall's 1,600 properties shows supply challenges are structural rather than cyclical across the sector.

Replacement costs are now 30 to 60 per cent higher than buying existing buildings, creating a significant barrier to new development. Structural issues including infrastructure delays, high construction costs, labour shortages and planning complexity are limiting new supply across commercial real estate.

"If replacement cost is 30% to 60% higher than buying an existing building, you have to ask why a rational developer would take on leasing risk, planning risk, construction risk and financing risk. That puts real downward pressure on new supply," Mr Bennett said.

The supply-demand imbalance is particularly visible in prime office markets. In Sydney's CBD, only two prime-grade office towers are expected to reach completion between now and 2030. This has created market-wide tightening as tenants seek amenity-rich assets in vibrant precincts.

Convenience retail is also experiencing supply constraints, where population density and planning restrictions make new supply in prime catchments effectively impossible. Meanwhile, demand continues to strengthen with Australia's population growth running at roughly four times the G12 average in recent years, while unemployment remains low.

"That combination means tenant demand continues to be there, and Economics 101 tells you that's a good setting for rental growth, which ultimately drives valuations in the long term," Mr Bennett said.

AUSTRALIAN FARMLAND PRICES SET FOR MODEST GROWTH IN 2026

Australian farmland prices are expected to continue their modest growth trajectory in 2026, with the median price per hectare forecast to increase by two per cent, according to Rabobank's latest annual Australian Farmland Price Outlook.

The specialist agribusiness bank's RaboResearch division says the moderate growth outlook is driven by a combination of mixed agricultural commodity prices, elevated farm input costs exacerbated by the Iran war, and the prospect of further interest rate increases. This continues a trend of constrained growth seen over the past year, where the median price per hectare of all agricultural land types nationally increased by just 0.4 per cent in 2025. This is a significant slowdown from the average annual growth rate of approximately 11 per cent over the past decade, signalling a fundamental shift in the market.

RaboResearch commodity analyst Paul Joules said the market has now transitioned into a new phase characterised by more moderate growth that is likely to persist over the coming years. "Our base case forecast expects Australian agricultural land values to continue rising in 2026, with the median price per hectare projected to increase by around two per cent year-on-year," Mr Joules said. "And the expectation is for similarly moderate growth in land values from 2026 to 2031, with the market having firmly entered a weaker growth cycle, driven by higher interest rates and softer commodity pricing."

The report found that Australian agricultural land values held firm in 2025 despite a complex environment for agricultural commodities. Lower interest rates likely helped underpin market stability, with the official cash rate cut by 75 basis points over the course of 2025.

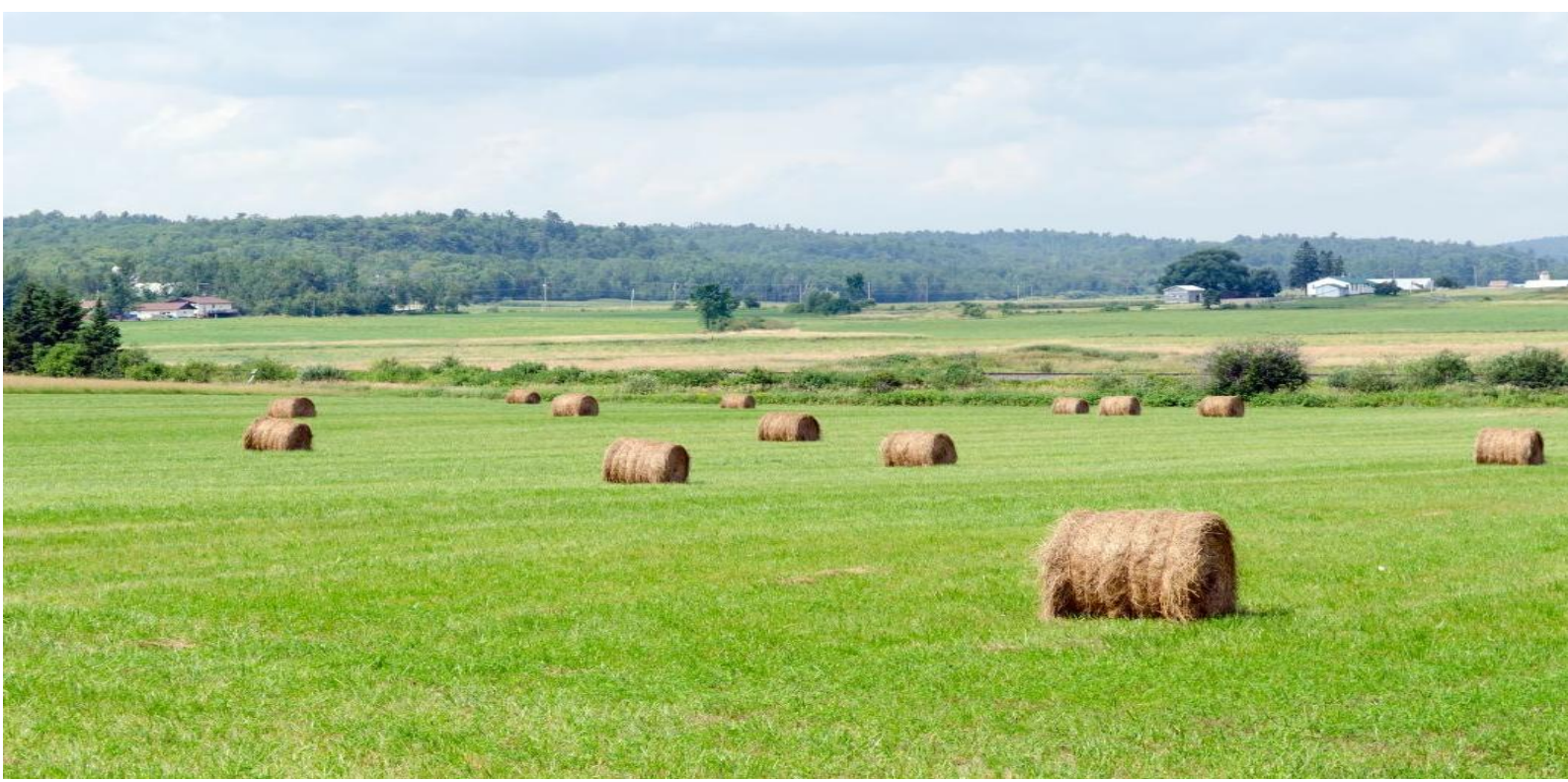
Farmland price growth in 2025 was driven primarily by grazing land, which recorded a three per cent increase in median price per hectare on the previous year. This contrasted sharply with arable cropping land values, which declined by one per cent over the same period.

"Land purchasing conditions improved year-on-year in 2025," Mr Joules said, "supported by three RBA rate cuts over the year. This made land acquisitions more attractive, particularly in the latter part of the year." He said strong returns in the livestock sector help explain why most price appreciation occurred in grazing land, while negative growth in arable land prices partly reflects deteriorating cropping sector margins, which declined year-on-year.

Land price movements varied significantly across the country. South Australia and New South Wales showed the largest increases in the median price per hectare of grazing land at 23 per cent and 22 per cent respectively. However, New South Wales also saw the biggest fall in arable land prices in the nation, with the median price per hectare declining by 11 per cent. South Australia's arable land prices increased the most in the year, with median price per hectare up 13 per cent.

Looking ahead to 2026, conditions for farm budgets are challenging, with farmers under significant pressure from rising input costs and a mixed income outlook across commodity sectors. The report analysed more than 2000 sales from 2025 from a data set comprised of in excess of 16,000 sales across the country since 2019.

Mr Joules said elevated farm input costs amid the Iran war, combined with rising interest rates, are leading to a more subdued outlook on farmland price growth in 2026. "A key challenge, and one likely to remain a recurring theme in 2026, is the supply shock stemming from the Iran war," he said. "The conflict has already driven fertiliser and diesel prices to exceptionally high levels, which are expected to have a material impact on margin potential across the sector."





NEIGHBOURHOOD CENTRES EMERGE AS COMMUNITY HUBS AMID SHIFTING CONSUMER HABITS

Neighbourhood and convenience centres are evolving beyond simple shopping destinations as daily convenience trips replace traditional weekly shopping, according to a retail property expert. Ray White Group, Head of Research, Vanessa Rader said the shift in consumer behaviour has significant implications for how these assets are managed and valued by investors. "The weekly trolley push is becoming a relic," Ms Rader said.

"Consumer habits have shifted markedly, with daily convenience trips now replacing the traditional big-shop model, turning neighbourhood and convenience centres into something closer to daily community infrastructure." Ms Rader said the investment case for neighbourhood centres has strengthened considerably, with the latest MSCI data for the year to December 2025 showing total returns of 8.5 per cent with capital growth of 2.7 per cent, sitting within a retail sector that has outperformed both office and industrial for consecutive quarters. "2025 marked the first time in Australian history that retail became the most traded commercial asset class, with institutional investors increasing their sector weighting," she said. "Australia's structural under-supply of retail space is keeping specialty vacancy tight while making new supply increasingly costly to deliver."

She said the tenants that survived recent disruptions have emerged with stronger businesses and more sustainable rent structures. "This is providing a more durable income base than the sector has carried for some time," Ms Rader said.

According to Ms Rader, neighbourhood centres have offered consistency compared to larger retail formats. "MSCI data shows that through both the GFC and the pandemic period, neighbourhood centres held their ground while larger discretionary formats experienced sharper contractions," she said. "For investors navigating a more uncertain rate environment, that steady return profile across the cycle is increasingly part of the appeal."

Ms Rader said upward pressure on interest rates combined with high fuel costs is likely to weigh on discretionary consumer spending. "That environment tends to concentrate activity closer to home, and history supports the view that needs-based, locally anchored retail outperforms during periods of household financial stress," she said.

"Centres that give people a genuine reason to linger, through quality food offerings, community programming, thoughtful design, and a sense of belonging, are converting the daily convenience trip into something longer and more valuable. Shoppers are more likely to spend time in centres enhanced with cultural or design-focused improvements, and that dwell time flows directly through to specialty tenant turnover and renewal rates." She said non-retail uses are also gaining ground in neighbourhood centres.

"Dedicated community space for after-school programs, fitness, and social services are helping maintain foot traffic through traditionally quiet afternoon periods," Ms Rader said. According to Ms Rader, neighbourhood centres occupy a particular position within the broader retail recovery.

"The centres performing best are not simply those with the right anchor," she said.

"They are the ones that have become somewhere people genuinely want to be."

CASH FLOW MISTAKES GROWING BUSINESSES COMMONLY MAKE

Strong sales are always an encouraging sign for any business. But growth brings its own financial pressures, and cash flow is often where those pressures first show up. It's a pattern that catches many business owners off guard. The business is performing well on paper, yet there's never quite enough cash in the account when it's needed. Here are some of the most common cash flow mistakes growing businesses make, and what to consider instead.

Confusing profit with cash flow

Profit and cash flow are not the same, but it's easy to treat them as if they were. A business can be profitable on its income statement while struggling to pay its bills if that profit is tied up in unpaid invoices, stock sitting in a warehouse, or expenses that are due before revenue comes in. This gap between profit and available cash tends to only increase as a business grows. More customers can mean more invoices outstanding. Larger orders can mean more upfront costs before payment is received. Without a clear view of cash flow timing, business owners can find themselves making decisions based on revenue figures that haven't yet translated into actual money. Maintaining a rolling cash flow forecast, separate from your profit and loss reporting, gives you a much clearer picture of where the business actually stands at any given point.

Letting invoice payment terms drift

Offering generous payment terms can feel like good customer service, particularly when you're trying to win or retain clients. But 30-day terms can easily become 45 or 60 days in practice, especially if your invoicing and follow-up processes aren't tight. For a growing business with its own supplier payments and payroll to meet, that gap can create real pressure. Slow-paying clients are one of the most common causes of cash flow stress in otherwise healthy businesses. The problem is often compounded by a reluctance to follow up firmly, particularly with clients that generate significant revenue. Reviewing your payment terms, automating invoice reminders and having a clear process for following up overdue accounts are straightforward steps that can make a big difference to the timing of cash coming into the business. For businesses where long payment cycles are unavoidable, invoice finance is a funding option worth exploring.

Funding growth from operating cash flow alone

When a business is growing, the temptation is to fund expansion from the cash the business is generating. In some cases, this works, but it can also leave the business light on working capital, with little wiggle room if revenue drops or a large expense arrives unexpectedly. Using the right type of finance for growth expenditure can preserve cash flow for day-to-day operations. Equipment finance, for example, allows a business to acquire the assets it needs without reducing working capital, spreading the cost over time.

Waiting until there's a crisis to look at financing options

One of the most costly cash flow mistakes a growing business can make is only looking for finance when things have already become urgent. Lenders assess applications based on the financial health of the business at the time of application, and a business under cash flow pressure is a harder case to make than one that is trading well and planning ahead. A business line of credit, for example, is a useful facility to have in place before you need it, not after. Having access to flexible funding means short-term gaps in cash flow don't have to become operational problems. But securing that facility is easier, and typically comes with better terms, when the business is in a strong position. Thinking about your funding needs as part of your growth planning, rather than as a response to a problem, puts the business in a much stronger position.

A finance broker can help you compare your options across a range of products.



5 QUESTIONS TO ASK BEFORE MAKING AN EQUIPMENT PURCHASE BEFORE EOFY

With 30 June fast approaching, many business owners are turning their attention to equipment purchases, and for good reason. The instant asset write-off is currently available for eligible small businesses, allowing an immediate deduction for assets costing less than \$20,000 each that are first used or installed ready for use before the end of the financial year. But EOFY urgency can also lead to rushed decisions. Buying equipment you don't genuinely need or making a purchase without thinking through how it will be financed, can cost your business more than it saves. Before you commit to an equipment purchase this EOFY, here are some questions worth asking.

Does my business actually need this equipment right now?

A tax deduction reduces your taxable income, but it doesn't eliminate the cost of the asset. If you're spending \$15,000 on equipment your business isn't ready to use or doesn't genuinely need, you're still spending \$15,000. The most effective EOFY purchases are ones that would have made sense at any time of year, equipment that improves productivity, replaces something worn out, or helps the business take on more work. If the only reason you're buying is the tax deadline, it's worth coming up with a better plan.

Does this purchase actually qualify for the instant asset write-off?

The instant asset write-off is available to small businesses with annual turnover under \$10 million, for eligible assets costing less than \$20,000 each. The threshold applies per asset, so multiple qualifying purchases can each be claimed individually. However, if a single asset costs \$20,000 or more, it cannot be written off immediately and instead goes into the small business depreciation pool. It's also worth noting that the current \$20,000 threshold is a temporary measure, confirmed until 30 June 2026. Unless extended by Parliament, it is scheduled to revert to \$1,000 from 1 July 2026. Checking eligibility with your accountant before purchasing is a good decision.

Will the asset be installed and ready for use before 30 June?

This is one of the most commonly overlooked requirements. To qualify for the instant asset write-off in the current financial year, the asset must be first used or installed ready for use by 30 June 2026. Ordering or paying for equipment before the deadline is not enough if it hasn't been commissioned and made operational by that date. For straightforward purchases like tools, computers or office equipment, this is usually manageable. But for larger or more complex items, machinery that requires installation, vehicles awaiting delivery, or equipment that needs site preparation, lead times can push past the deadline if you leave it too late. If you're considering a purchase that involves any kind of setup or delivery lead time, now is the time to act rather than leaving it until mid-June.

Should I pay cash or use equipment finance?

Even if you have the cash available, paying outright for equipment isn't always the best decision for your business. Using working capital to fund a large asset purchase can leave the business exposed if an unexpected expense or cash flow gap comes up shortly after.

Equipment finance allows you to acquire the asset now while spreading the cost over time, preserving your working capital for day-to-day operations. Depending on the finance structure you use, chattel mortgage, finance lease or hire purchase, there may also be different tax and GST implications, which is another reason to talk to your accountant before deciding. The right approach will depend on your cash position, the size of the purchase and your broader tax planning for the year. It's not always one or the other, and the most effective strategy often involves coordinating the purchase timing, the finance structure and your tax position together.

A finance broker can help you compare your options across a range of equipment finance products and lenders and help you meet the 30 June deadline.

