



RWC

WESTERN **S**YDNEY INSIGHTS

NSW Living Sectors

BLOCK OF UNITS

CO-LIVING

BUILD TO RENT

ISSUE 1

RWC WESTERN SYDNEY

MAY 2026

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Executive Summary

NSW's living sectors enter mid-2026 demonstrating genuine structural momentum, underpinned by the state's persistent rental housing shortage and the emergence of institutional capital seeking professionally managed residential income streams.

Greater Sydney's median unit rent reached new highs this month, a 51.5% increase from just less than five years earlier, while vacancy rates remain compressed below 2.0% across most of the metropolitan area. This tight market environment continues to support both rental growth and investor returns despite three interest rate increases through the first half of the year, with the cash rate now sitting at 4.35%.

\$76.3M

block of unit transactions*

\$961,780

average per-unit value

4.07%

average yield

14,503

rooms in the co-living pipelines

13,552

units in the BTR pipeline

91,570

net overseas migration

25,636

dwellings needed annually

BLOCK OF UNIT MARKET

The block of unit market has recorded \$76.3 million in transactions through May 2026 across 11 sales, placing the sector on track to potentially exceed 2025's full-year result of \$397.9 million. Average per-unit values have climbed to \$961,780 as buyers focus on premium inner Sydney assets offering established built form well below replacement cost. Investment yields have compressed to an average 4.07%, reflecting intensified competition for quality assets and recognition that rental income growth of 40-50% over recent years provides meaningful total return enhancement even at lower entry yields. Western Sydney blocks remain tightly held by owners unwilling to part with income-producing assets demonstrating sustained cash flow growth.

2026/27 FEDERAL BUDGET

The 2026/27 Federal Budget introduced significant changes to residential investment property taxation that will further constrain block of unit transaction volumes. **Negative gearing benefits for new residential property purchases have been removed** from Budget night with existing investments grandfathered under current rules. Additionally, **the longstanding 50% Capital Gains Tax discount has been eliminated for residential investment properties.** Despite their commercial asset characteristics, block of units are classified as residential property for taxation purposes due to their

use as rental housing, meaning these changes apply in full. The taxation reforms create powerful incentives for current owners to retain assets, benefiting from both grandfathered negative gearing treatment and avoiding the substantially higher CGT liability on disposal. Combined with strong rental growth over recent years, these factors suggest transaction volumes will face consolidation through 2026 and 2027 as owners prioritise hold strategies over capital gains under the new regime.

CO-LIVING EMERGENCE

Co-living (and boarding houses) has emerged as one of the state's most active residential development sectors, with 14,503 rooms across the pipeline including 6,899 DA Approved and 2,230 DA Applied. The asset class recorded \$91.3 million in transactions during 2025 across 18 sales, attracting diverse capital from private investors and family offices through to offshore institutions and private credit funds. Transaction yields sit comfortably above block of unit yields and traditional residential returns, validating the sector's position between traditional boarding houses and purpose-built student accommodation. Construction economics remain viable despite elevated building costs, with simplified design, limited basement requirements, and favourable land tax treatment for registered boarding houses supporting continued project feasibility.

FUNDAMENTAL DRIVERS

The fundamental drivers supporting NSW's living sectors remain firmly in place. The state recorded a net gain of 91,570 people from overseas migration in 2024/25, though lost a net 24,328 residents to interstate migration primarily driven by housing affordability. Western Sydney requires 25,636 new dwellings annually through to 2041 to accommodate close to 59,000 new residents per year, well ahead of current construction levels. This supply-demand imbalance ensures rental market conditions will remain structurally tight, despite interest rate growth. The living sectors offer institutional and private capital exposure to Australia's most persistent investment theme: chronic housing undersupply meeting non-discretionary demand in the nation's largest and most economically diverse metropolitan market.

BUILD-TO-RENT

Build to Rent (BTR) represents the institutional frontier, with 13,552 units across 46 active projects in NSW, though only an estimated 2,078 units currently operating. The sector remains dominated by offshore capital from Japan, the United States, and Europe, with domestic superannuation funds including Australian Retirement Trust's 48.5% acquisition into the \$1.7 billion Mirvac's five-asset LIV portfolio in December 2025 demonstrating growing institutional appetite for stabilised assets. Transaction volumes of \$304.2 million in the year to December 2025 primarily represent development site acquisitions rather than operating asset sales, underscoring the sector's formation phase as Australia builds toward the scale.

If you'd like to discuss this report in more detail or to learn more about the Living Sector market we would be delighted to engage in a conversation with you.



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Greater Sydney Rents Hit Record High, Amid Tightest Supply in Two Decades

Greater Sydney's median unit rent reached **\$750/week** in April 2026, marking a dramatic **51.5% surge** from **\$495** early 2022 results. This acceleration represents the sharpest rental growth period in two decades, eclipsing even the 2014-2017 boom when Sydney's housing market last experienced sustained price appreciation.

SUPPLY SHORTAGE DRIVING UNPRECEDENTED GROWTH

The rental surge stems from a fundamental imbalance between population growth and housing delivery:



NSW recorded a net gain of 91,570 people in 2024/25 from overseas migration.



NSW lost a net 24,328 residents to interstate migration, primarily driven by housing affordability.



Western Sydney requires 25,636 new dwellings annually through 2041, well ahead of the actual construction rate.



The region expects to absorb close to 59,000 new residents annually through 2041

GREATER SYDNEY RENTS, UNITS, \$/WEEK



SOURCE: COTALITY

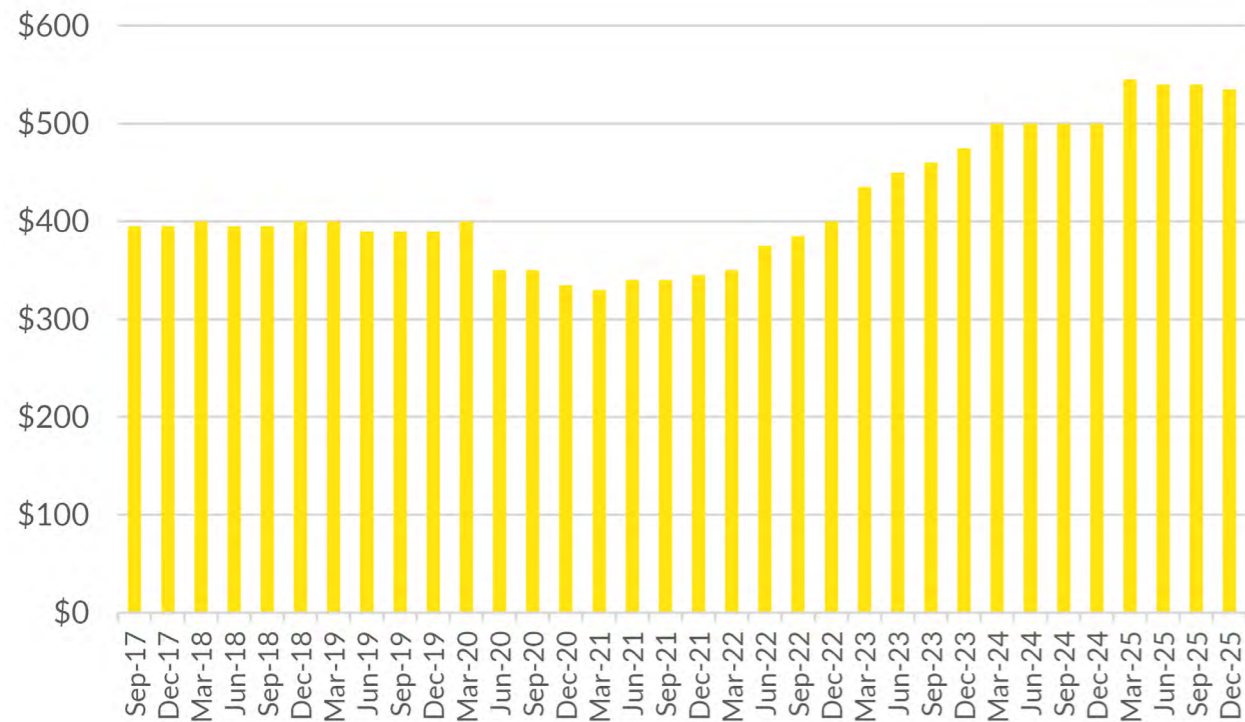
The May 2026 interest rate increase compounds the challenge. Higher borrowing costs dampen investor appetite for new purchases while doing nothing to address the structural undersupply driving rental growth. For existing investors, elevated rents and compressed vacancy rates continue to deliver strong income returns, even as capital growth moderates.



"With construction costs remaining elevated and the approval process long, the homes required to meet this demand will be slow to be added, likely resulting in further gains in rents."

Bedsit Demand *Surges* as Affordability Drives Downsizing

GREATER SYDNEY BEDSIT RENTS, \$/WEEK



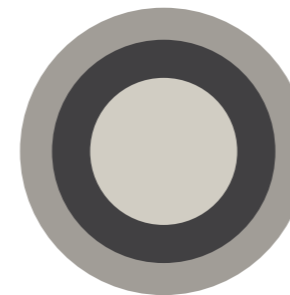
SOURCE: FACS INSIGHTS

SINGLE-PERSON ACCOMMODATION CAPTURES STRONGEST GROWTH

Sydney's bedsit rental market has posted exceptional growth, with median weekly rents reaching \$535 in December 2025. Over the past three years, bedsit rents have surged 51.5%, outpacing all other accommodation types as single-person households and couples seek entry-level options in an increasingly unaffordable market.

RING-BY-RING PERFORMANCE REVEALS MIDDLE SYDNEY STRENGTH

The growth pattern varies significantly by location:



- Outer ring bedsits reached \$440/week, showing more moderate but sustained growth of 45.2% over three years.
- Middle ring bedsits averaged \$500/week in December 2025, up 48.6% over three years and 67.7% over five years.
- Inner ring bedsits commanded \$555/week, reflecting premium positioning but slower percentage growth from an already elevated base.

CO-LIVING OPPORTUNITY VALIDATED BY RENTAL PERFORMANCE

The limited supply of bedsit accommodation has created consistent demand pressure, with the Middle ring recording particularly strong performance as it balances accessibility with relative affordability. For co-living developments and boarding house operators, these rental levels validate the business case for small-format accommodation. Purpose-built co-living assets offering similar accommodation with enhanced amenity can command premium pricing while delivering better value than traditional rental options when utilities and furnishings are included.

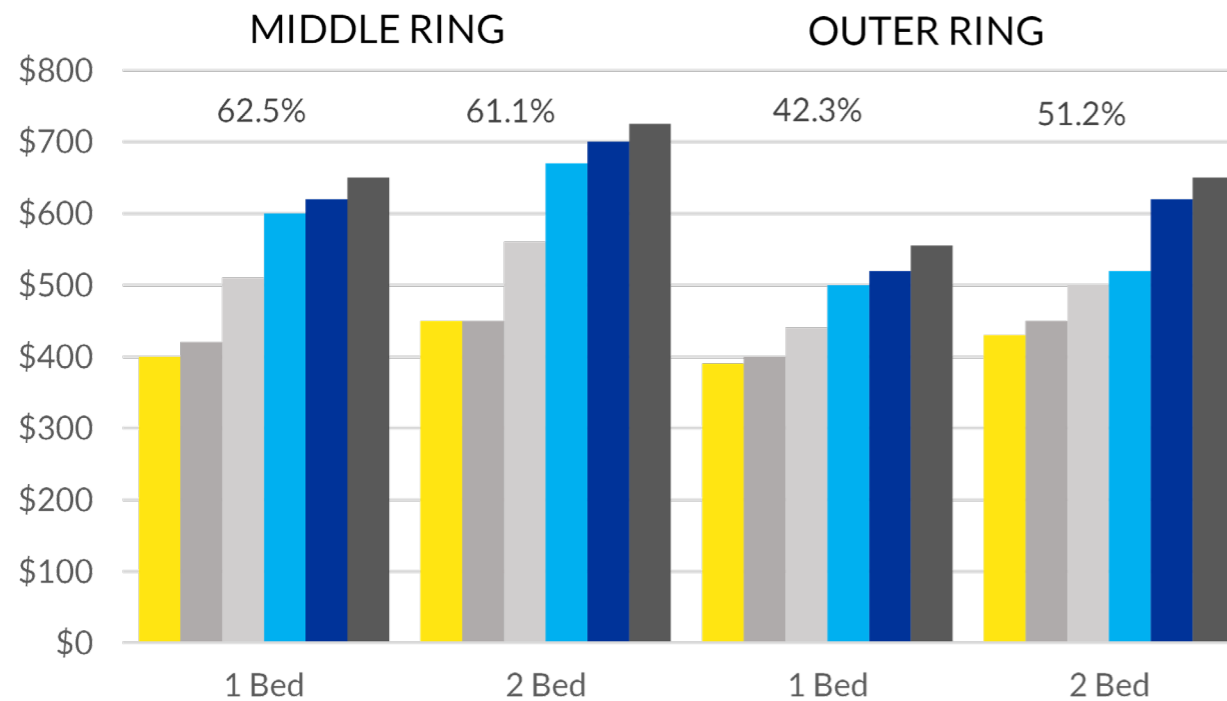


"With a limited pool of bedsit options across the Middle ring, this segment has seen the most robust growth, increasing by 50% over the past two years."

Middle Ring Outperforms as Families Trade Space for Location

GREATER SYDNEY MEDIAN UNIT RENTS BY SIZE AND RING, \$/WEEK

TWO-BEDROOM UNITS LEAD RENTAL GROWTH ACROSS ALL CONFIGURATIONS



SOURCE: FACS INSIGHTS

December 2025 data reveal the Middle ring has captured the strongest rental performance across all bedroom types, with significant growth recorded over both two and five-year periods:

Type	Rent/week	3yr growth	5yr growth
MIDDLE RING			
Bedsit	\$500	48.6%	67.7%
1 bed	\$650	27.5%	62.5%
2 bed	\$725	29.5%	61.1%
OUTER RING			
Bedsit	\$440	45.2%	42.3%
1 bed	\$555	26.1%	42.3%
2 bed	\$650	30.0%	51.2%

AFFORDABILITY PRESSURES RESHAPE HOUSEHOLD LOCATION CHOICES

The data reveals a clear pattern of households migrating outward in search of affordability while downsizing accommodation to maintain accessibility. The Middle ring's exceptional five-year bedsit growth of 67.7% reflects intense competition for smaller, more affordable accommodation options in locations that balance proximity to employment with manageable rent levels.

Two-bedroom units across both rings have posted similar three-year growth rates (29.5% Middle, 30.0% Outer), suggesting families priced out of the rental house market are accepting unit accommodation regardless of location. However, the five-year figures tell a different story, 61.1% growth in the Middle ring versus 51.2% in the Outer ring, indicating the Middle ring commanded a sustained premium through the full COVID and post-COVID rental cycle.

GROWTH RATES EXCEED INCOME GAINS, FORCING HOUSEHOLD ADAPTATION

All accommodation types across both rings have posted growth rates that substantially exceed income growth over the same periods. This explains the documented rise in household size, emergence of multi-generational living arrangements, and increased acceptance of longer commutes as households adapt to the new rental reality. With rents now 50-67% higher than five years ago in the Middle ring, affordability constraints have fundamentally reshaped Sydney's rental market dynamics.



"With families now outpriced from the rental house market, the two-bedroom unit sector has seen similar surges in average rents across both the Middle and Outer rings."

Persistently *Low* Vacancy Rates Entrench Rental Growth

Sydney's rental vacancy rates remain at historically compressed levels across all rings.

Inner ring
1.8%

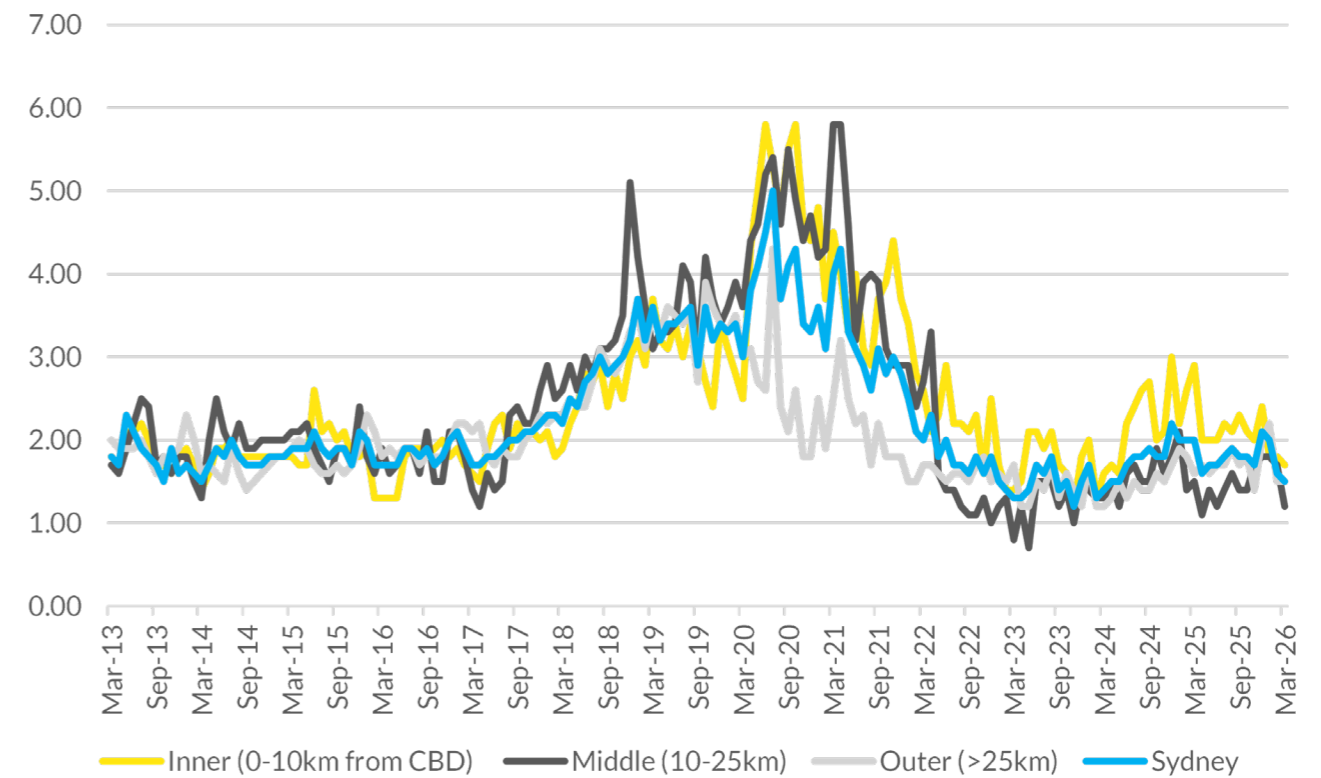
Middle ring
1.2%

Outer ring
1.5%

Greater Sydney
1.7%

MARCH 2026 DATA

SYDNEY RESIDENTIAL VACANCY RATES (%)



SOURCE: REINSW

These figures sit well below the 3.0% threshold considered a balanced market and have persisted at or below 1.5% for more than two years in the Middle and Outer rings. The swift recovery from COVID-era peaks, when Inner Sydney briefly exceeded 5.0% vacancy in 2020-2021, demonstrates the structural undersupply that characterises the market when normal migration patterns resume. The Middle ring's persistently lower vacancy rate reflects its role as Sydney's affordability pivot point: close enough to employment centres to remain desirable, yet more accessible than Inner Sydney options.

Despite the May 2026 rate rise, demand fundamentals remain intact, suggesting vacancy rates will stay compressed throughout 2026 and beyond.







"Vacancies have remained low for more than two years, averaging 1.5% after falling substantially from the COVID highs of 2020 and 2021."

Rental Yields

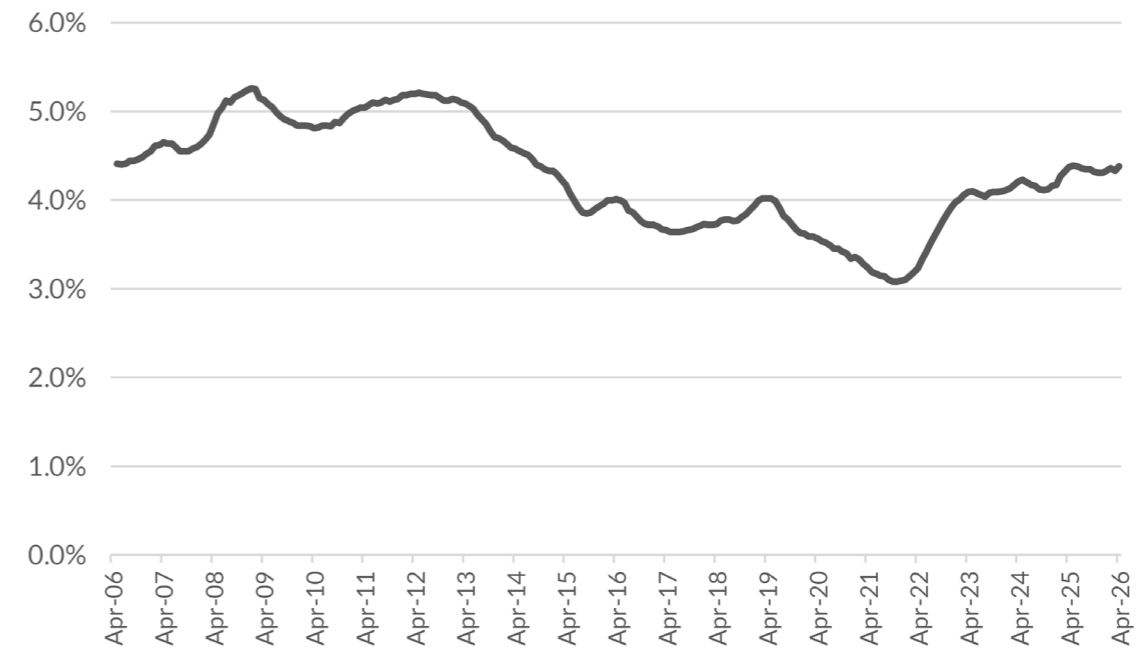
Residential Rental Yields Demonstrate Resilience Amid *Broader Market Uncertainty*

The May 2026 rate increase marks the third rise this year, with the cash rate now sitting at 4.35%. For residential investors, this translates to

-  Investment loan rates now averaging 6.0-6.4% (interest-only, according to RBA data)
-  Negative gearing remains necessary for most leveraged purchases
-  Higher borrowing costs reducing buyer competition at the acquisition stage
-  Greater emphasis on rental growth to offset financing cost increases

However, the yield improvement in residential rental has partially offset higher financing costs. An investor purchasing at a 4.5% yield today generates significantly more income than the 3.8% yields available three years ago, while also benefiting from the 8.7% annual rental growth trajectory currently being recorded across Sydney.

GREATER SYDNEY YIELDS, UNITS



SOURCE: COTALITY

RENTAL GROWTH TRAJECTORY SUPPORTS INVESTMENT CASE DESPITE RATE ENVIRONMENT

The investment case for Sydney residential rental centres on income growth sustainability rather than near-term capital appreciation. With rents rising 8.7% annually, vacancy compressed below 2.0% across most of Sydney, and tenant retention rates high for well-managed assets, the income fundamentals remain robust despite higher interest rates.

Looking forward, the supply-demand imbalance driving rental growth shows little sign of resolution. Construction costs remain elevated, approval processes lengthy, and new dwelling completions continue to lag household formation. This structural shortage underpins continued rental growth expectations through 2026 and beyond, supporting investment returns even as the rate environment remains uncertain.



"Despite these gains, the cost of finance has increased albeit affordable given the current interest only investment loans now averaging between 6.0% and 6.4% according to the RBA."



Block of Unit Market

The NSW block of unit market continues to demonstrate resilience as an investment class, with established assets offering immediate income in a market where new construction remains difficult.

Unlike development dependent sectors, block of units provide existing built form at prices well below replacement cost, with the added benefit of proven tenancy performance and established rental income.

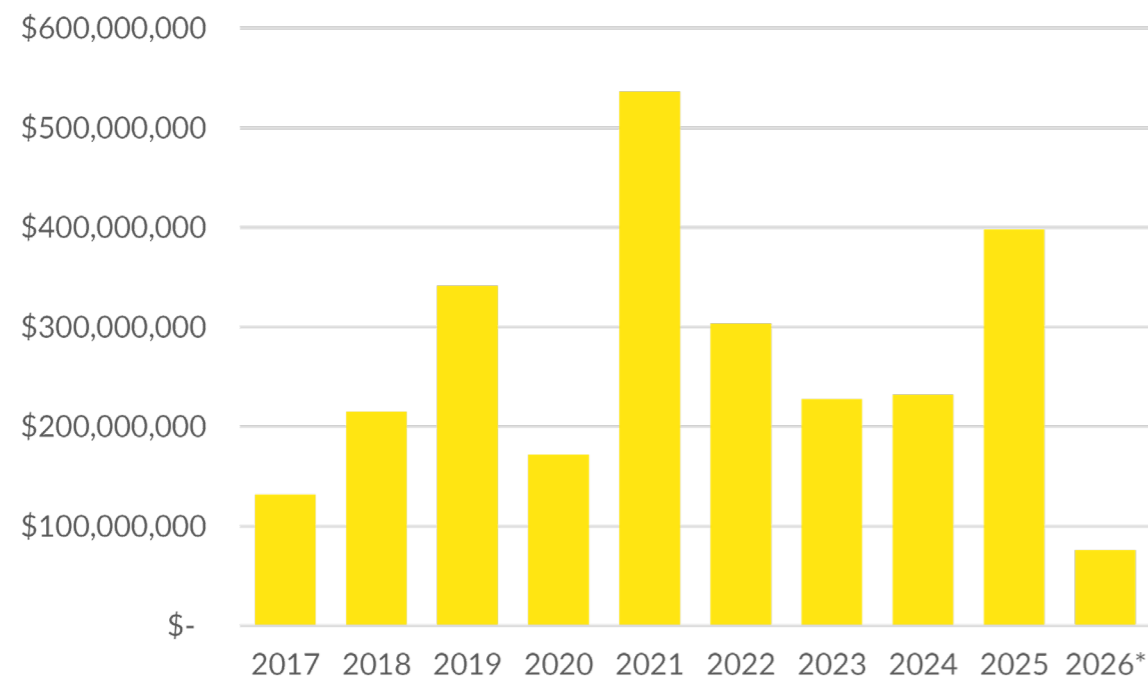
The sector appeals to a broad investor base, from private buyers seeking cash flow and potential strata subdivision opportunities, to sophisticated syndicates targeting under-rented assets with income enhancement potential. With Sydney rents rising 51.5% in less than five years and vacancy compressed below 2.0%, the income fundamentals supporting block of unit values remain robust despite higher interest rates tempering capital growth expectations.

The 2026/27 Federal Budget's residential investment property reforms have fundamentally altered the block of unit investment landscape. The removal of negative gearing for new purchase, combined with elimination of the 50% CGT discount, creates stark divergence between existing owners and prospective buyers.

Current owners benefit from grandfathered negative gearing treatment and potentially face substantially lower CGT on eventual disposal, while new buyers acquire assets without negative gearing benefits and face full CGT rates on future gains. Block of units, despite their commercial characteristics and professional management structures, are treated as residential property for taxation purposes, meaning these changes apply without exemption.

Investment Momentum *Builds* as Inner Sydney Dominates Transaction Activity

NSW BLOCK OF UNIT TRANSACTION VOLUME



SOURCE: RWCWS *2026 REPORTED TO 1 MAY

The NSW block of unit market has demonstrated renewed strength in 2026, with transaction volumes through to 1 May reaching \$76.3 million across 11 sales.

Given the recent Budget announcement, transaction levels are expected to be dampened with 2026 volumes unlikely to meet 2025's full-year result of \$397.9 million (68 sales). The average transaction size has increased substantially to \$6.9 million, with per-unit values climbing to \$961,780, reflecting a clear shift toward higher-quality inner metropolitan assets.

INNER SYDNEY PREMIUM DRIVES PRICING

The increase in average sale price reflects concentrated activity in premium inner Sydney locations, where established blocks in the \$5-15 million range continue to attract sophisticated buyers.

These inner-city assets appeal for their established built form in a high construction cost environment, well-located positioning in Transit Oriented Development (TOD) precincts offering longer-term development upside, and quality construction with solid land ratios presenting both income and capital growth potential.

Western Sydney assets remain tightly held by long-term owners who recognise the 40-50% rental income growth achieved over recent years. Regional activity continues to be minimal, representing less than 10% of total transaction volume, while limited stock availability has intensified competition for quality assets.

FEDERAL BUDGET TAXATION CHANGES ENTRENCH HOLD STRATEGIES

The taxation asymmetry heavily favours retention over sale. An owner who purchased a Western Sydney block three years ago has realised substantial rental income growth, benefits from grandfathered negative gearing, and faces the legacy 50 per cent CGT discount on disposal. Selling to realise gains under current market conditions means forfeiting these advantages and subjecting proceeds to the new CGT regime on reinvestment. For prospective buyers, investment through corporate structures or unit trusts may offer pathways to some taxation benefits, though this adds complexity, cost, and ongoing administration to what has traditionally been a straightforward private investor asset class. The net effect is likely to be materially lower transaction volumes through 2026 and 2027 as owners prioritise hold strategies, compressing an already constrained supply of quality stock coming to market.

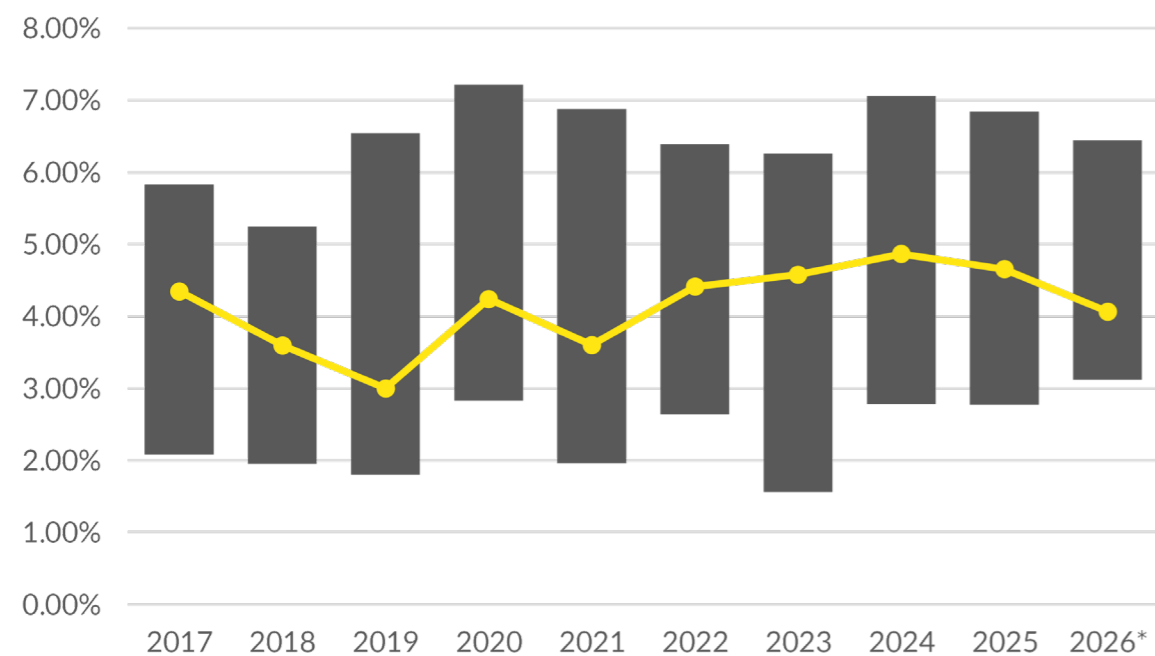


"The average transaction size of \$6.9 million and per-unit value of \$961,780 demonstrates the market's shift toward premium inner Sydney assets, where established built form and development potential justify higher entry prices."



Yield Spectrum *Narrows* as Quality Drives Pricing

NSW BLOCK OF UNIT GROSS YIELD RANGE



SOURCE: RWCWS *2026 REPORTED TO 1 MAY

Block of unit investment yields through May 2026 have demonstrated notable compression, with the range tightening to 3.12-6.44% from 2025's broader spread.

The average yield has declined to 4.07% from 4.66%, reflecting increased competition for quality assets and growing recognition of the sector's income stability and development potential, despite the rising interest rate cycle.

BUILT FORM VALUE PREMIUM IN HIGH CONSTRUCTION COST ENVIRONMENT

The lower end of the yield spectrum is increasingly dominated by premium assets where buyers price in multiple value drivers beyond current rental income. Established blocks provide built form at prices well below current replacement cost, with construction expenses remaining 30-40% higher than pre-pandemic levels. Assets in TOD zones command substantial premiums due to future rezoning and density increase potential, while sophisticated investors accept modest current yields in exchange for long-term development upside.

The acceptance of lower yields is partially offset by rental growth trajectory. With Sydney unit rents increasing 51.5% in less than five years, investors can model significant income enhancement even at compressed entry yields.



"The average transaction size of \$6.9 million and per-unit value of \$961,780 demonstrates the market's shift toward premium inner Sydney assets, where established built form and development potential justify higher entry prices."



Co-Living Market

(Boarding House)

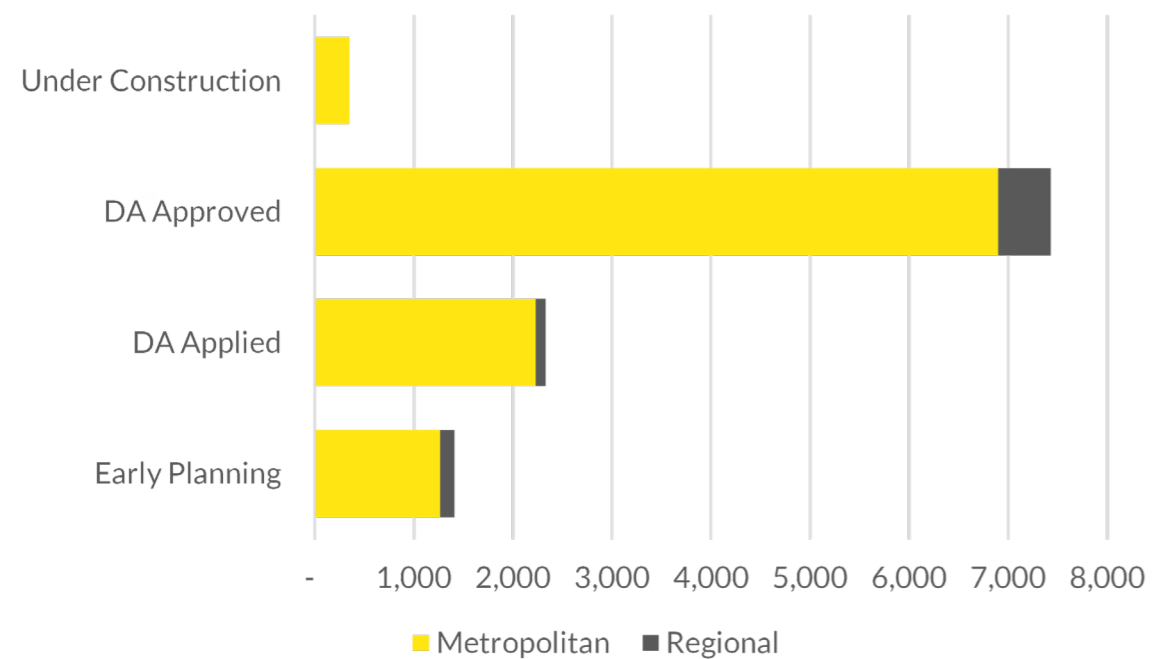
Co-living has emerged as one of NSW's most active development sectors, bridging the gap between traditional boarding houses and purpose-built student accommodation.

The asset class targets young professionals, students, and essential workers seeking affordable, well-located housing with shared amenity and flexible lease terms.

With 14,503 rooms across the NSW pipeline and construction economics that remain viable despite elevated building costs, co-living represents one of the few residential types delivering new supply at scale. The sector has attracted diverse capital, from private investors and developer-operators to offshore funds, drawn by yields averaging up to 6.5% and the structural undersupply of affordable single-person accommodation. As the pipeline matures and operational track records strengthen, co-living is transitioning from niche opportunity to recognised institutional asset class within Australia's broader living sectors.

Co-Living Emerges as *Feasible Development* Solution to Rental Crisis

NSW CO-LIVING NEW SUPPLY, NO. ROOMS



SOURCE: CORDELL CONNECT, RWCWS

NSW's co-living pipeline has reached 14,503 rooms across metropolitan and regional locations, with development heavily weighted toward DA Approved (6,899 rooms) and DA Applied (2,230 rooms) stages.

This concentration demonstrates strong developer confidence, with 351 rooms currently under construction positioning co-living as one of the more active development sectors.

CONSTRUCTION ECONOMICS FAVOUR CO-LIVING DELIVERY

Co-living developments have emerged as economically viable in the current high-cost environment. Single-loaded corridors and efficient floor plates reduce build complexity, limited basement requirements suit CBD/university proximity, higher density yields deliver more lettable area per square metre, and gross yields on stabilised assets provide adequate development margins.

METROPOLITAN FOCUS REFLECTS TARGET MARKET CONCENTRATION

The pipeline shows clear metropolitan dominance, with City of Parramatta (635 units), Sydney LGA (1,684 units), and Inner West (1,138 units) leading activity. Regional locations represent less than 10% of total pipeline, reflecting the asset class's dependence on dense employment, education, and transport infrastructure.

LAND TAX SETTINGS SUPPORT BOARDING HOUSE DEVELOPMENT

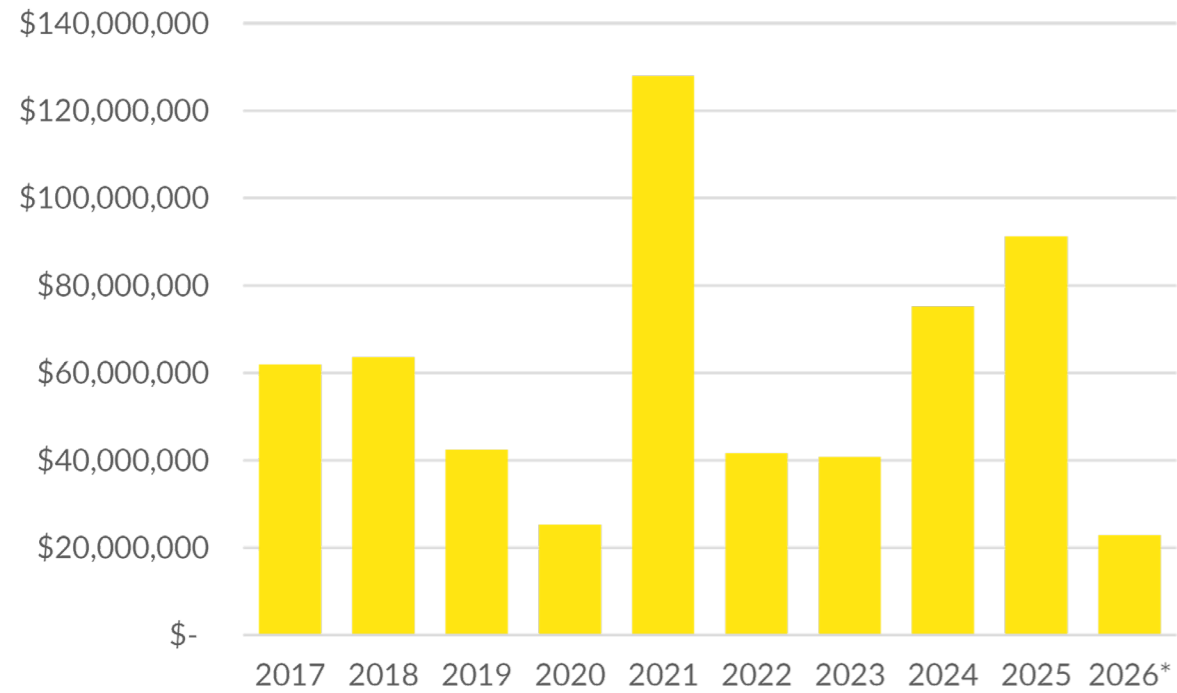
NSW land tax policy provides meaningful incentives for co-living development. Registered boarding houses may qualify for land tax exemption, while low-cost accommodation providers can access concessions, with potential savings of \$50,000-\$150,000+ per annum improving project feasibility



"With 6,899 rooms DA Approved and 2,230 rooms in DA Applied stages, co-living developments represent one of the most active residential construction pipelines in NSW."

New Asset Class *Attracts* Broad Investor Interest

NSW CO-LIVING SALES VOLUME



SOURCE: RWCWS *2026 REPORTED TO 1 MAY

The NSW co-living market recorded \$91.3 million in transactions during 2025 across 18 sales, with 2026 year-to-date performance of \$22.9 million across 5 sales (through May) suggesting continued activity.

Average transaction sizes of \$5.1 million (2025) and \$4.6 million (2026 YTD) reflect a market spanning both smaller boarding house conversions and larger purpose-built developments.

INVESTOR DIVERSITY REFLECTS SECTOR MATURATION

The co-living sector has attracted an unusually diverse buyer base: private investors and family offices seeking alternative residential exposure, developer-operators retaining completed developments for long-term hold, private syndicates pooling capital to acquire individual assets, private credit funds taking equity positions seeking higher yields, and offshore institutional capital drawn to Australia's undersupplied rental market.

YIELD PROFILE SUPPORTS INVESTMENT CASE

Transaction yields have averaged 6.55% (2025) and 6.48% (2026 YTD), sitting comfortably above block of unit yields (4.07%) and traditional residential rental returns (4.0-4.5%). This yield premium compensates for higher operational intensity and regulatory complexity. However, the premium is narrowing as operational track records strengthen and buyer competition increases, with sophisticated operators now prepared to accept sub 6.0% for quality, well-located assets with proven tenancy stability.



"Co-living's 6.5% average yield and diverse buyer base spanning private investors, developers, syndicates, private credit and offshore capital demonstrates the sector's evolution from niche opportunity to recognised asset class."





Build to Rent Sector

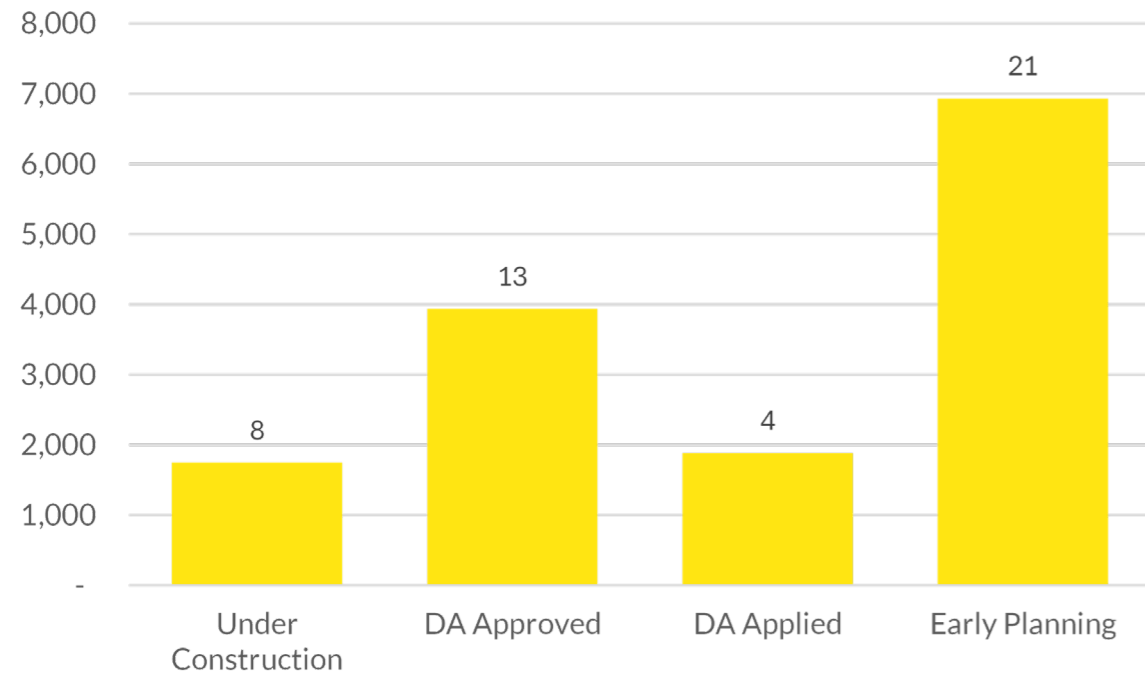
Build to Rent (BTR) represents the most institutionally-oriented segment of Australia's living sectors, with purpose-built rental housing delivered at portfolio scale for long-term hold.

Unlike traditional residential development where apartments are sold upon completion, BTR projects are retained and professionally managed as income-producing assets, creating a distinct investment profile aligned with superannuation fund, pension fund, and REIT mandates.

The NSW pipeline of 13,552 units across 46 projects demonstrates the sector's momentum, though Australia remains in the early stages of BTR adoption compared to mature markets like the UK (6% of rental stock) and the US (12%). With offshore capital from Japan, the United States, and Europe actively funding development, and domestic institutions like Australian Retirement Trust acquiring stabilised portfolios, BTR is establishing itself as a core allocation within institutional real estate portfolios seeking inflation hedged income and ESG-aligned housing delivery.

BTR Sector Demonstrates Institutional Interest

NSW BUILD TO RENT SUPPLY PIPELINE, NO UNITS & PROJECTS



SOURCE: CORDELL CONNECT, RWCWS

<p>Total units 13,552 across 46 active projects</p>	<p>Under construction 1,749 across 8 projects</p>	<p>Avg project size >300 units</p>
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NSW's Build to Rent pipeline has reached 13,552 units across 46 active projects, heavily weighted toward DA Approved (3,937 units across 13 projects) and Early Planning (6,932 units across 21 projects), with 1,749 units under construction across 8 projects.

Average project sizes exceeding 300 units distinguish BTR from traditional residential development.

GEOGRAPHIC CONCENTRATION IN KEY GROWTH CORRIDORS

The pipeline demonstrates clear concentration in established growth corridors. City of Parramatta leads with 635 units under construction and 2,497 units in development stages. Sydney LGA accounts for 1,684 units, reflecting CBD prime positioning. Inner West LGA follows with 1,138 units, while Ryde (1,757 units), North Sydney (1,747 units), Canterbury-Bankstown (784 units), Willoughby (1,061 units) and Cumberland (1,260 units) round out key inner metropolitan concentrations. Outer areas including Liverpool (320 units) demonstrate more selective activity.

OFFSHORE AND INSTITUTIONAL CAPITAL DOMINATES OWNERSHIP

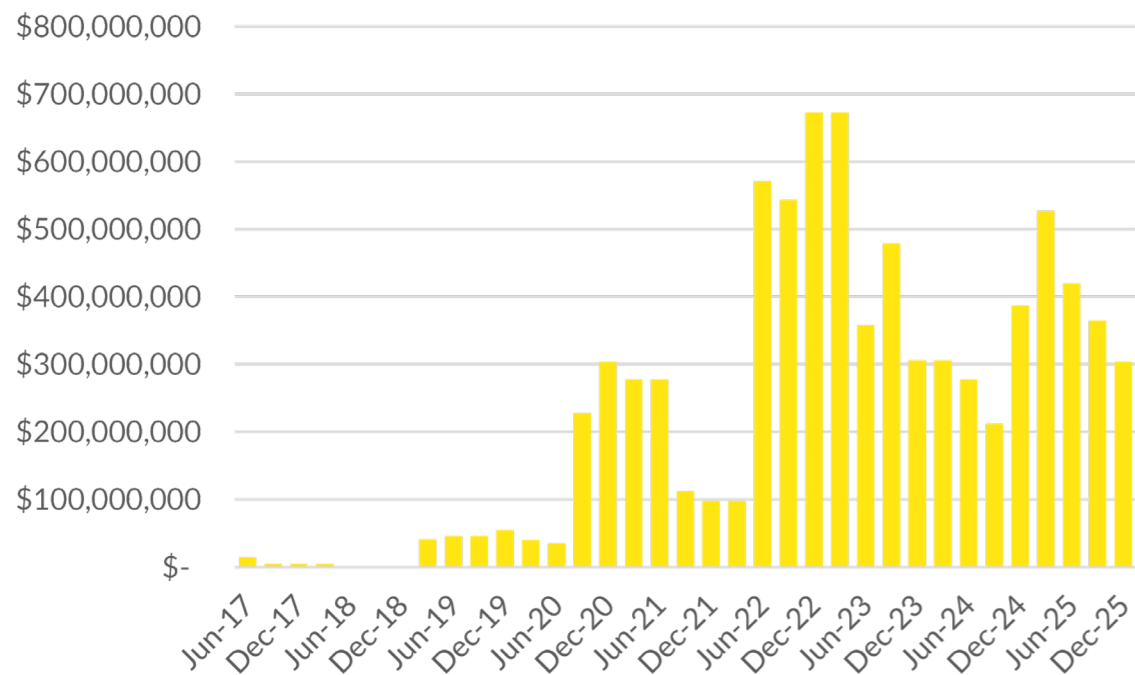
Unlike block of units or co-living, BTR remains almost exclusively an institutional and offshore investment class. Domestic superannuation funds, international pension funds, and listed REITs comprise the primary ownership base, drawn by portfolio scale, income stability, and ESG alignment. As Australia's BTR sector matures (currently estimated at less than 0.5% rental stock versus 6% UK, 12% US), institutional capital allocation will accelerate through 2026-2027.



"With 13,552 units across 46 projects averaging over 300 units each, NSW's BTR pipeline demonstrates the institutional scale that distinguishes this asset class from traditional residential development."

Development Site Sales *Dominate* Transaction Profile

NSW BUILD TO RENT SALES, ROLLING 4 QUARTER VOLUME



SOURCE: : REAL CAPITAL ANALYTICS

Australian BTR transaction volumes reached \$304.2 million in the year to December 2025, down from the peak of \$673.3 million recorded in December 2022.

However, this volume primarily represents development site acquisitions rather than completed operating assets, with institutional developers acquiring sites, securing planning approvals, and commencing construction while very few stabilised assets remain available for secondary trading.

OPERATING ASSET TRANSACTIONS REMAIN LIMITED

The December 2025 sale of Mirvac's LIV portfolio to Australian Retirement Trust represents one of the few significant operating asset transactions recorded. The \$1.7 billion portfolio sale in December 2025 comprised five assets across the east coast, with the NSW portion including the 315 unit LIV Indigo asset at Olympic Park valued at approximately \$291.1 million. The \$1.7 billion portfolio transaction represented a 48.5% partial interest sale by Mitsubishi Estate to Australian Retirement Trust, with Mirvac retaining its existing 44% stake. The NSW portion of the transaction included the 315-unit LIV Indigo asset at Olympic Park, with the 48.5% interest valued at approximately \$141.2 million (reflecting 100% asset valuation of \$291.1 million). The transaction reflected a modest uplift from Mirvac and Mitsubishi Estate's June 2023 entry at \$894,751/unit to approximately \$924,256/unit, validating the asset class's income-focused return profile.

INTERNATIONAL CAPITAL DRIVES DEVELOPMENT ACTIVITY

The BTR sector continues to attract significant offshore investment, with funds from Japan, the United States and across Europe actively deploying capital into Australian development opportunities, reflecting Australia's undersupplied rental market and transparent investment environment. With only an estimated 2,078 units currently operating across NSW, the Australian BTR sector remains in its infancy, though the 1,749 units under construction and 3,937 DA Approved units will establish more robust pricing benchmarks through 2026-2028.



“Offshore capital from Japan, the United States, and Europe continues to drive BTR development activity in NSW, reflecting institutional confidence in Australia's structural housing shortage and long-term rental demand fundamentals despite limited operating asset liquidity.”

Outlook

NSW's living sectors are positioned for sustained growth through the remainder of 2026 and into 2027, driven by structural fundamentals rather than speculative momentum.

Rental vacancy rates remain compressed below 2.0% across most of metropolitan Sydney, with Western Sydney requiring 25,636 new dwellings annually. The supply-demand imbalance ensures rental growth will persist, even as the pace moderates from the exceptional rental increases recorded over the past five years.

The block of unit market faces a fundamentally altered environment following the 2026/27 Federal Budget's residential property taxation reforms. Investment yields compressing to 4.07 per cent reflect genuine competition for quality assets, though transaction volumes are expected to decline materially through 2026 and 2027 as the removal of negative gearing for new purchases and elimination of the 50% CGT discount create powerful incentives for existing owners to retain rather than sell. Western Sydney blocks will remain even more tightly held than current conditions suggest, with owners benefiting from grandfathered negative gearing treatment and facing substantially lower CGT on eventual disposal compared to the new regime. Similarly, Inner Sydney stock availability, already constrained, will face additional obstacles as owners weigh the taxation cost of realised gains.

For prospective buyers, the investment equation has shifted considerably. New acquisitions no longer benefit from negative gearing, while alternative structures including corporate ownership or unit trusts may offer some taxation advantages at the cost of increased complexity and administration. The net effect is likely to be, reduced transaction volumes as existing owners hold, offset by intensified competition among cashed-up buyers for the limited stock that does trade.

Co-living stands at a critical transition point. With 6,899 rooms DA Approved and 2,230 DA Applied, the next 12-18 months will test whether labour availability, financing conditions, and council compliance frameworks can support delivery at scale. Transaction yields currently provide adequate return buffer, though downward pressure will emerge as operational track records strengthen and buyer competition increases. Land tax settings for registered boarding houses remain a meaningful feasibility driver, making policy stability essential to sustained pipeline activation.

BTR's outlook centres on offshore capital commitment and domestic institutional adoption. The sector's 13,552-unit NSW pipeline represents genuine institutional conviction, though only an estimated 2,078 units currently operate statewide. Australian Retirement Trust's \$1.7 billion LIV portfolio acquisition signals domestic superannuation willingness to acquire stabilised BTR at scale, critical for secondary market liquidity. However, growth depends on offshore development capital to continue to flow into site acquisitions and construction funding.

Interest rates remain a significant variable. The May 2026 increase to 4.35%, the third rise this year, reflects persistent inflation pressure and creates genuine carrying cost pressure for leveraged buyers. However, rental growth continues to provide meaningful income enhancement, and for institutional capital operating on longer time horizons, current entry points offer attractive risk-adjusted returns compared to alternative commercial property sectors facing structural headwinds.

The fundamental story remains unchanged: NSW faces a structural housing shortage that will take years to resolve. The state's net gain of 91,570 people from overseas migration in 2024/25, despite losing residents to interstate migration, underscores demand persistence. Living sector assets provide direct exposure to this shortage through professionally managed rental income streams with limited substitution risk. As Australia's population growth normalises toward 300,000 net overseas migration annually, with NSW capturing approximately 30% of that intake, demand for rental housing across all formats will remain robust through 2026, 2027, and beyond.



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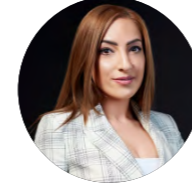


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*Who we are,
what we do,
why we do it*



The logo consists of the letters 'RWC' in a bold, italicized, sans-serif font, centered within a white square.

RWC

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