

Australian Unity A-REIT Fund

Fund Update

31 December 2025

The Fund invests in a portfolio of select Australian Real Estate Investment Trusts (A-REITs), aiming to deliver a total gross return, consisting of income and capital growth, above the S&P/ASX300 A-REIT Accumulation index over the medium to long term.

Performance as at 31 December 2025

	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.	Since inception% p.a.
Distribution return	1.12	8.43	6.60	7.32	8.91	10.69	10.75
Growth return	(1.84)	8.67	3.76	(0.63)	(3.11)	(4.48)	(0.92)
Total return (Net)	(0.72)	17.10	10.36	6.69	5.80	6.21	9.83
S&P/ASX 300 A-REIT Accumulation Index	(1.22)	9.68	14.68	8.90	8.40	8.14	11.17

Inception date for performance calculations is 31 July 2011.

Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

How the listed property market performed

Australia's economic environment at the end of 2025 reflects a transition from inflation containment toward sustainable growth. While inflation remains above the mid-term target range, it has eased significantly from its 2022–24 peaks. The Reserve Bank of Australia (RBA) responded with cumulative rate reductions totaling approximately 75 basis points during 2025, which have begun to ease financial conditions and support activity across broader markets. However, inflation is still higher than the target range and as a result the RBA increased the cash rate to 3.85% on 3 February 2026.

Labour market conditions have softened modestly, with participation and employment growth slowing from earlier cyclical highs. Unemployment remains relatively low, underpinning consumer confidence and household income stability, although wage growth has moderated. Consumption is holding up, particularly in essential services, while discretionary spending continues to normalise after pandemic-era distortions.

In response to a varying interest rate outlook the Australian 10-year Government bond retraced from an October 2025 low of 4.09% to finish the quarter at 4.73%. The stabilisation of this metric over 2025 had been a key signal for capital markets, helping to anchor investor expectations for commercial real estate pricing and returns. As such, market participants will continue to monitor this position and monitor whether this recent elevation is temporary. Overall, the Australian economy is positioned for moderate but stable expansion, with improved financial conditions supporting consumption and investment without stoking renewed overheating.

Australian office and retail property markets enter 2026 on firmer footing following a period of repricing and stabilisation through 2024 and 2025. The interest rate cuts delivered during 2025 supported a recovery in transaction activity and buyer confidence, while valuations across both sectors have largely stabilised.

While the office property sector embarks on a phase of measured recovery, retail property remains well supported, underpinned by resilient consumer spending, population growth and constrained new supply. Investor demand for retail assets increased materially through 2025, supported by attractive income yields relative to other asset classes and improving operating fundamentals. While discretionary spending remains sensitive to interest rate expectations, essential retail formats are well positioned to deliver stable cash flows in 2026.

Led by Sydney and Melbourne, industrial property demand levels continue to remain steady with 3 million sqm of gross take up recorded nationally across 2025 (CBRE), up c.10% on 2024 levels. The development supply response to such demand has continued trends of recent years with 2025 seeing total new floorspace of 2.2 million sqm added nationally over 2025, 15% above the long-term development supply average. Development supply of industrial property is expected to continue in 2026, which despite robust tenant demand, is likely to support recent moderation in rental growth moderate and support incentive levels. Despite this, national vacancy levels remain low and CBRE forecast that close to 50% of the 2026 supply is pre-committed while return pressures may see some development deferred that will support existing assets.

The Australian commercial property sector has transitioned into a more stable and investable phase of the cycle. While elevated bond yields temper expectations of rapid capital growth, improving fundamentals and renewed confidence provide a solid platform for income-led returns in 2026 and beyond. For long-term investors, well-located, high-quality real estate assets continue to offer attractive risk-adjusted outcomes in an increasingly selective market environment.

For the quarter ending 31 December 2025, the Australian listed property sector, as measured by the S&P/ASX 300 A-REIT Accumulation Index (A-REIT Index), returned negative 1.2% underperforming the broader equities market as measured by the S&P/ASX 300 Accumulation Index which returned negative 0.9%. Sector performance was impacted

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following key domestic macro-economic data releases over the quarter, driving market revisions to cash rate expectations as consensus forecasts were revised upwards.

Retail related property stocks fared best of the A-REIT subsectors led by Bunnings Warehouse Property Trust (BWP), which returned 8.5% over the quarter following positive revaluation activity. Elsewhere Aspen Group (APZ) was the standout performer for the period, returning 24.9% following recent A-REIT Index inclusion and strong operational performance driving upgrades to FY26 earnings guidance. National Storage REIT (NSR) returned 18.7% for the December 2025 quarter after announcing takeover interest from Brookfield and GIC which also appeared to lift competitor Abacus Storage King (ASK) which returned 10.8%. Laggards for the period included Mirvac Group (MGR) and Charter Hall Social Infrastructure REIT (ARF), which returned -7.8% and -7.9% for the period respectively, while the Index's largest contributor, Goodman Group (GMG), returned -5.0%.

As the first half of 2025 saw the macro-economic environment adjust towards a more supportive interest rate setting, listed real estate performance benefited. Pricing stability within bond markets assisted transactional activity which in turn has supported asset valuation levels, appearing to mark a bottoming of the current valuation cycle. Transaction volumes were up 39% on those of 2024, the highest level since 2021 (JP Morgan) with the retail sector preferred as tailwinds of limited supply, ongoing population growth and resilient consumer spending drive operational performance.

Such consumer strength is, however, contributing to the elevated inflation rate being experienced. Following a jump in September's quarterly inflation data, bond rates traded higher as the market adjusted future interest rate expectations, negatively impacting A-REIT performance.

Despite a soft end to the year, solid listed A-REIT market performance over 2025 was widespread with 24 of 31 A-REIT Index included stocks outperforming the broader equities market (S&P/ASX 300 Accumulation Index) which returned 10.7% over the 12 months to 31 Dec 2025. Overall, the A-REIT Index total return for 2025 was 9.7%, weighed down by the substantial underperformance of Goodman Group (GMG), the largest component of the Index, accounting for c.35% of the index weight.

Pleasingly 2025 saw a return to form for several small to mid-cap entities (market cap below \$10bn), with this part of the A-REIT market in particular witnessing several stock trading levels at substantial discounts to underlying asset values. Noting an increasing confidence that underlying valuations are bottoming, the potential for mergers and takeover activity remains as recently experienced with GIC/Brookfields takeover offer for National Storage REIT (NSR).

As of 31 December 2025, the A-REIT sector (A-REIT Index) is trading at a c.3.2% FY26 estimated dividend per share yield and a c.3.3% premium to last stated Net Tangible Assets (NTA) which excludes Charter Hall Group, Centuria Capital Group and Goodman Group from the equation as these have a large portion of non-rental earnings/assets (i.e. development and funds management businesses) and their market pricing can deviate substantially from NTA backing.

Outlook

In general terms, listed property participants continue to point towards improving market and operational fundamentals while property yield stabilisation appears underway. In the near term listed market volatility is set to continue, while returns moving forward are likely to be increasingly guided by underlying property fundamentals.

Top 5 A-REIT holdings

Stock	Portfolio %
Scentre Group Limited (ASX: SCG)	11.44
Goodman Group (ASX: GMG)	9.46
Dexus (ASX: DXS)	7.03
Stockland (ASX: SGP)	6.20
GPT Group (ASX: GPT)	5.41

Asset Allocation

Asset class	Portfolio %
Listed Property	97.69
Cash	2.31

Important Information

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