Regional centre rents outperform retail sector

1.3%
SA Economic Growth 2025-26[1]
[1] Deloitte Access Economics

9.3%
CBD Vacancy Rate, H1 25

3.2%
Regional Centres y-o-y Net Face Rent Growth

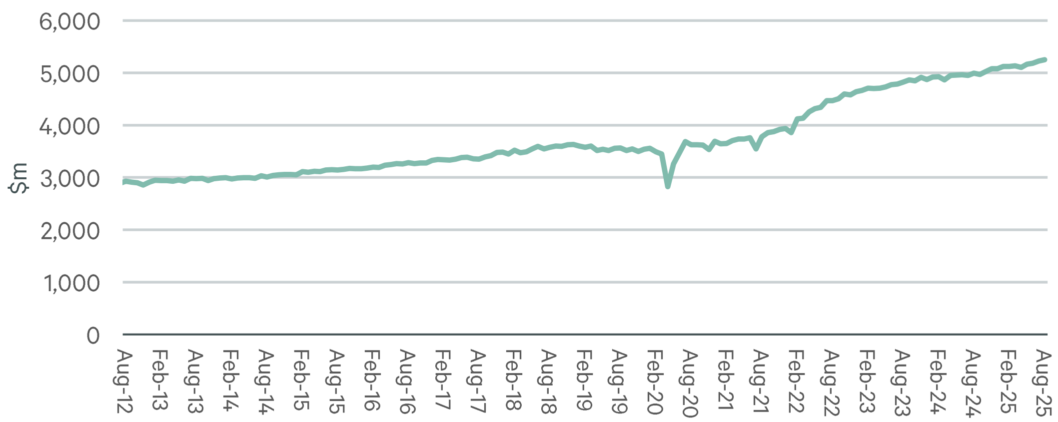
6.05%
Large Format Retail Yield

Note: Arrows indicate change from previous quarter.

Key Points

- Monthly household spending in SA rose by 5.2 y-o-y in August 2025, reflecting a solid rebound in consumer sentiment driven by easing cost-of-living pressures.
- There was 6,000 sqm of retail supply recorded for Q3 2025, following completion of the Old Le Cornu site redevelopment at 88 O'Connell (for developments ≥ 3,000). Retail supply in 2025 is set to total c.22,800 sqm, slightly below the 10-year average of c.28,200 sqm p.a.
- Regional centre net face rents increased 0.8% q-o-q and 3.2% y-o-y to an average of $1,600/sqm. Average net face rents remained stable q-o-q across the other retail categories.
- Retail vacancy in the Adelaide CBD increased to 9.3% in H1 2025, signalling a shift from the declining trend that had been seen since H1 2022.
- Across Greater Adelaide, c.$156 million of transactions have been recorded for YTD (for transactions ≥ $5 million).
- Yields across Adelaide's regional centres decreased by 15 bp q-o-q to an average of 7.08%, while CBD super prime retail yields expanded by 25 bp q-o-q to an average of 5.00%.

FIGURE 1: South Australia Monthly Household Spending (Seasonally Adjusted)



+5.2%
Year-on-Year to August 25

+0.5%
Month-on-Month to August 25

Source: ABS, CBRE Research

Economic Overview

Temporary economic drivers sustain Australia's economic growth

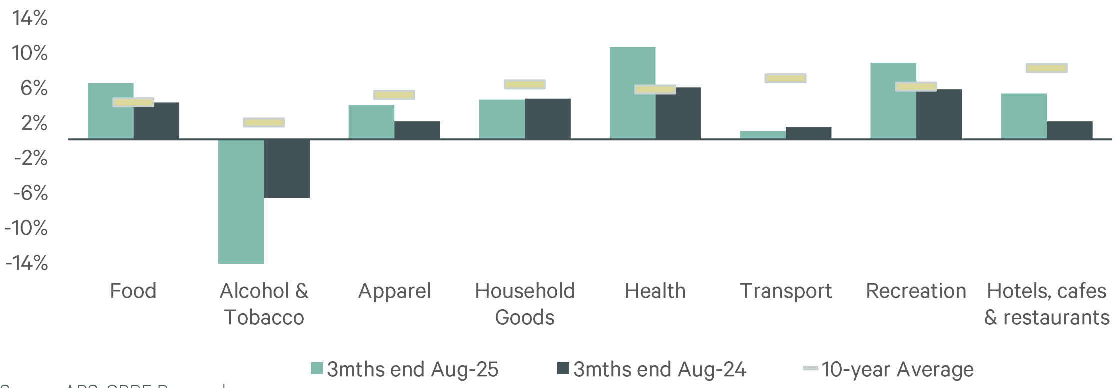
In Q2 2025, Australia's GDP grew by 0.6% q-o-q (seasonally adjusted, chain volume measures) and 1.8% y-o-y. Despite underlying softness, this growth was fuelled by robust retail discounting, holiday timing and spending related to the Federal election. Public investment was the main obstacle to expansion, whereas net trade provided a modest boost, largely driven by exports of mining commodities.

South Australia's economy grew by 1.2% in 2023-24, after a 3.6% increase the year before. According to Deloitte Economics, the state's economy is expected to grow at a robust rate of 1.5% in 2024-25. This growth is bolstered by double-digit growth in state dwelling investment and an increase in household spending.

Household spending has emerged as a key driver of SA's economic growth

Household expenditure recorded consistent gains over the past year. In August 2025, household spending in the state rose 5.2% y-o-y. The outlook remains positive, as consumers continue to spend across discretionary categories such as hotels, cafes and recreation activities along with household furnishings, hinting at growing confidence and resilience in the state's domestic economy.

FIGURE 2: South Australia Household Spending Y-o-Y by Category



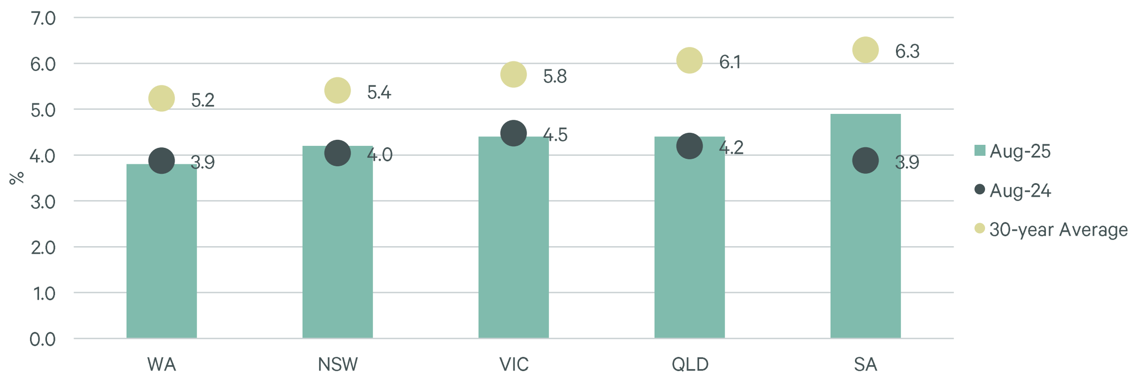
Source: ABS, CBRE Research

SA labour market is showing steady growth but remains tight and competitive

In July 2025, the state's employment rose by 0.3% (seasonally adjusted), bringing the total number of employed people to nearly 980,000. The unemployment rate held firm at 4.3%, suggesting a relatively tight labour market. Meanwhile, the participation rate remained stable at 64.3%, reflecting consistent engagement from the working-age population.

Adelaide's primary sectors are health and social work, which make up c.14.9% of total Gross Value Added and wholesale and retail trade, contributing c.10.3%. Adelaide is rapidly positioning itself as a global leader in biomedicine and defence-related research, anchored by the transformative Adelaide BioMed City precinct (an ongoing $3.8 billion investment development).

FIGURE 3: Unemployment Rate by State (%) (seasonally adjusted)



Source: ABS, CBRE Research

International migration has become the primary engine of SA's population growth

As of March 2025 (latest available), SA's population growth is moderate yet steady, with a 1.1% y-o-y increase. According to the ABS, this growth is largely fuelled by strong net overseas migration (+18,748), which compensates for a negative net interstate migration (-1,470). In comparison to faster-growing states like Western Australia and Victoria, South Australia's growth remains subdued.

Supply

Adelaide's Q3 2025 retail pipeline remains muted, with major non-metro LFR developments in the pipeline

Retail supply in 2025 is forecast to total c.22,800 sqm, slightly below the 10-year average of c.28,200 sqm. In Q3 2025, around 6,000 sqm of new retail space was delivered, primarily in the strip retail category, driven by the redevelopment of the old Le Cornu site at 88 O'Connell Street, North Adelaide. This mixed-use project includes residential, retail and public spaces and marks a significant activation of the precinct.

In 2026, South Australia's retail supply pipeline is expected to expand substantially, with c.55,400 sqm of new space - well above the long-term average. A major contributor is the Mount Gambier Homemaker Centre, a large format retail development in a non-metro location, adding 18,400 sqm. Another key project is the Market Square redevelopment in the CBD, which is set to deliver 4,000 sqm of ground-floor retail as part of a broader mixed-use precinct featuring offices, residences and a premium hotel.

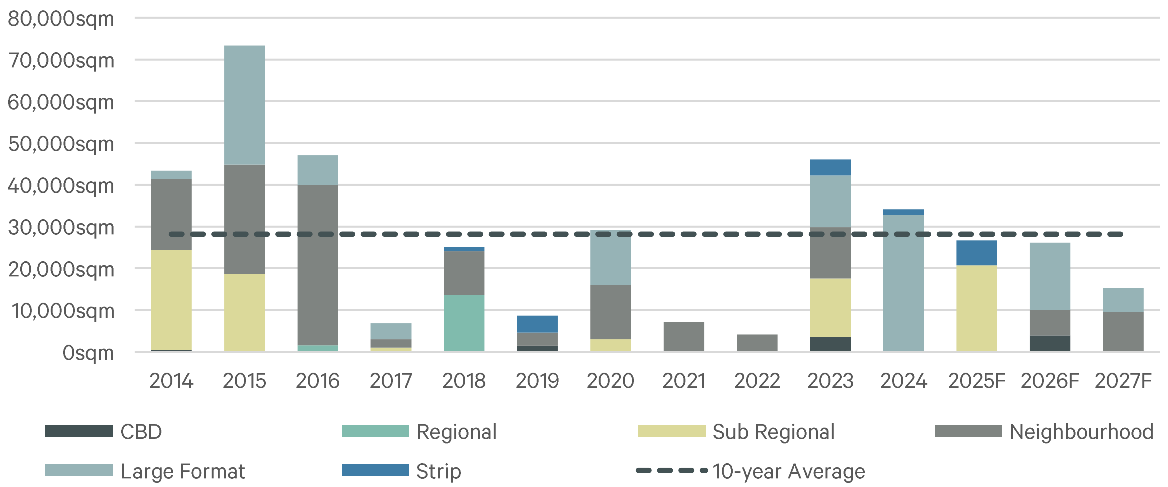
In 2027, Adelaide is set to see a notable wave of retail completions, particularly in large format retail (69%) and neighbourhood centres (31%), highlighting a trend of investment beyond the metropolitan core. Key projects include Old Port Wakefield Road's Two Wells Town Centre (9,500 sqm) and Bunnings Mount Barker (16,300 sqm).

Vacancy

Retail vacancy in the Adelaide CBD rose to 9.3% in H1 2025, marking a reversal of the downward trend observed since H1 2022. While overall vacancy across the CBD had been gradually declining, the rise was largely attributed to elevated vacancy levels at one of the CBD's major centres, which outweighed the reductions observed across surveyed strip and arcade retail locations.

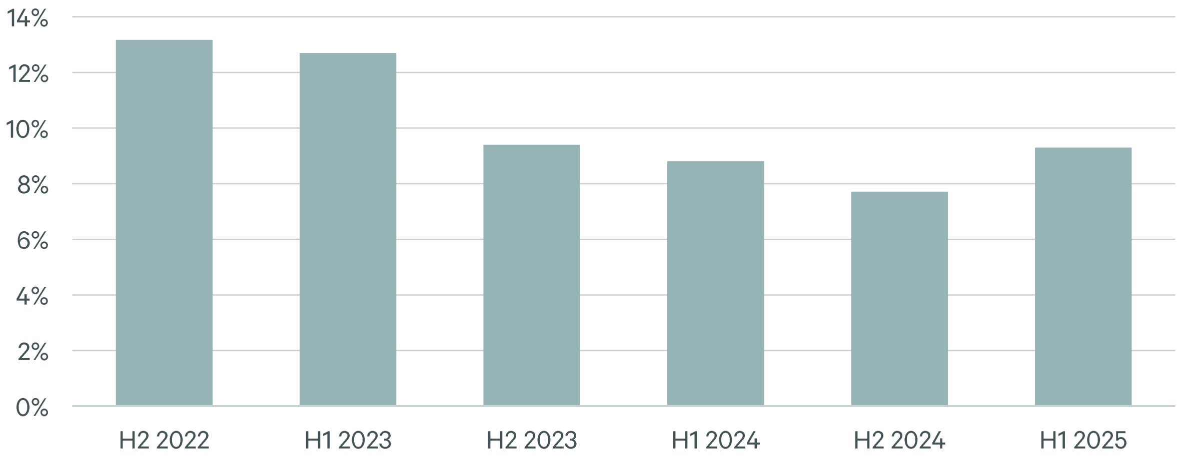
Within the CBD centres, which include Rundle Place and Myer Centre, the overall vacancy rate for H1 2025 increased to 15.3%, up from 11.3% recorded in H2 2024. Vacancy at Rundle Place remains relatively low, with a rate of 6.0% reported for H1 2025.

FIGURE 4: Adelaide Retail Supply by Category



Source: CBRE Research

FIGURE 5: Adelaide CBD Vacancy Rate by Half Year



Source: CBRE Research

Rental Performance

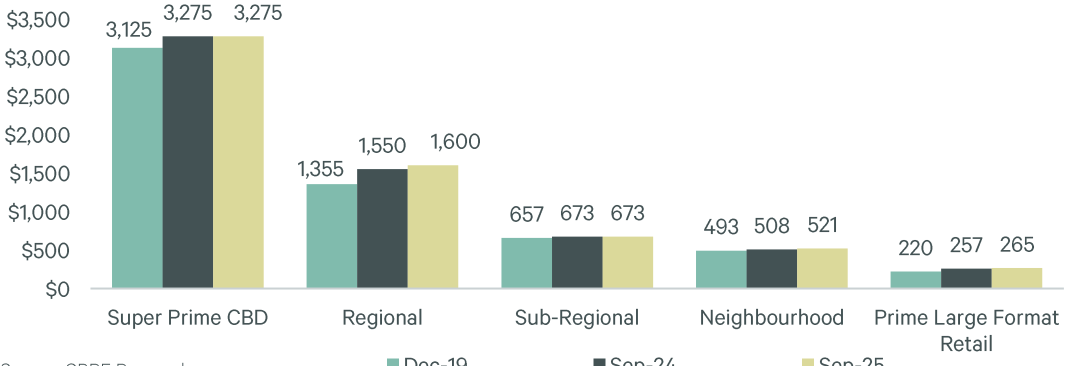
Regional centres lead rental growth during the quarter

During Q3 2025, regional centres in Adelaide experienced the strongest rent growth, with net face rents increasing by 0.8% q-o-q and 3.2% y-o-y, reaching an average of $1,600/sqm. Large format retail, which had recently led rental growth rates, saw net face rents remain stable q-o-q (+3.2% y-o-y), reporting at $265/sqm.

Although stable during Q3 2025, average incentives for super prime CBD assets declined by 174 bp y-o-y, while incentives for neighbourhood centres fell by 94 bp y-o-y. This downward trend in incentives is attributable to a gradual shift in landlord confidence, driven by improving tenant demand in top-tier assets.

Adelaide's retail market is well-positioned for rent growth over the next year. A limited pipeline of new retail developments, combined with high construction costs, is keeping supply tight, while putting upward pressure on rents. At the same time, the city's population continues to grow steadily, supporting demand. Consumer spending is also poised to improve, aided by further interest rate cuts, which should boost household confidence.

FIGURE 6: Retail Net Face Rents (Q4 19 to Q3 25)



Source: CBRE Research

FIGURE 7: South Australia Key Leasing Rates by Retail Asset Category

Asset Type	NFR (AUD/sqm)			NER (AUD/sqm)			Incentives (%)		
	Q3 25	Q-o-Q Change	Y-o-y Change	Q3 25	Q-o-Q Change	Y-o-y Change	Q3 25	Q-o-Q Change	Y-o-y Change
CBD Super Prime	**3,275**	Stable	Stable	**3,002**	Stable	+1.9%	**8.3%**	Stable	-174bp
Regional	**1,600**	+0.8%	+3.2%	**1,363**	+0.8%	+3.2%	**14.8%**	Stable	Stable
Sub Regional	**673**	Stable	Stable	**578**	Stable	Stable	**14.2%**	Stable	Stable
Neighbourhood	**521**	Stable	+2.7%	**448**	Stable	+3.8%	**14.1%**	Stable	-94bp
Large Format Retail	**265**	Stable	+3.2%	**228**	Stable	+3.2%	**13.8%**	Stable	Stable

Source: CBRE Research

FIGURE 8: Net Face Rent Growth by Retail Asset Category

Source: CBRE Research

Investment Market

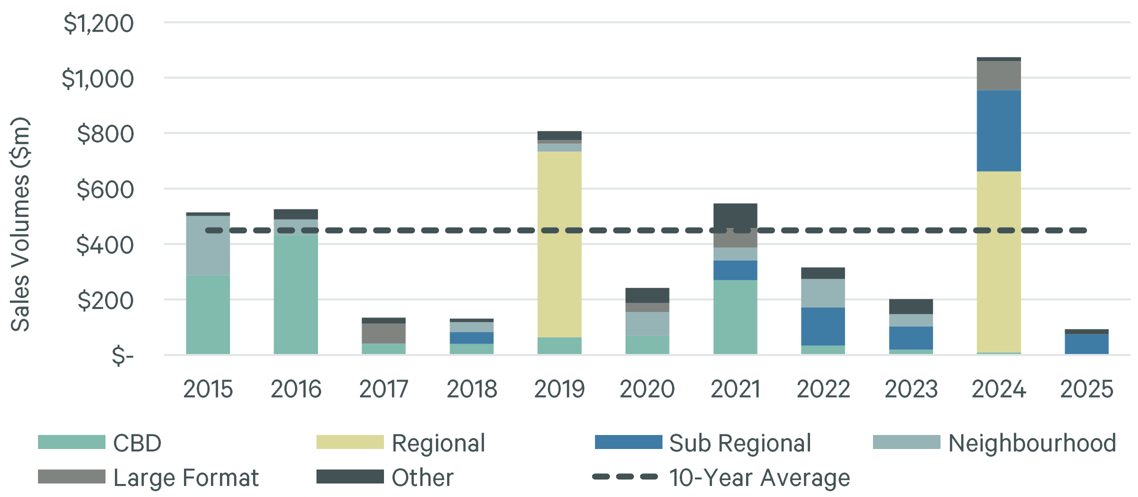
In 2025, transaction volumes cooled post-2024 peak

With a record $1.1 billion in retail investment transaction volumes recorded in 2024, investment volumes during 2025 have been relatively subdued. Across Adelaide, c.$156 million of transactions have been recorded for YTD (for transactions ≥ $5 million).

The most notable transaction recorded in 2025 was the sale of Kurralta Park Village. Taplin Group have acquired the asset from Coles Group for an adjusted price of $74.6 million. This transaction alone accounts for nearly 48% of total YTD volume in Greater Adelaide. This acquisition highlights continued demand for neighbourhood and convenience-based retail centres, particularly those anchored by supermarkets or offering essential services. These assets are seen as resilient amid economic headwinds.

While volumes are down, pricing for quality assets remains firm as vendors are not under pressure to sell at discounts. A rebound in activity is poised to occur in late 2025 - early 2026 as macroeconomic conditions stabilise and markets recalibrate.

FIGURE 9: Adelaide Retail Sales by Asset Category



Source: CBRE Research

Yields

Retail yields are poised to compress in line with easing interest rates

In Q3 2025, regional centre yields experienced a notable decrease of 15 bp q-o-q, settling at an average of 7.08%, while super prime CBD yields expanded by 25 bp q-o-q to 5.00%. Yields remained stable q-o-q for sub-regional (6.46%), neighbourhood (5.94%) and large format retail (6.05%).

With further rate cuts on the horizon in late 2025 and early 2026, Adelaide's retail yields are poised to tighten as buyer activity ramps up and pricing benchmarks sharpen. This environment is likely to accelerate capital deployment, particularly into high-performing assets with strong tenant covenants and long lease profiles.

FIGURE 10: Adelaide Retail Yields by Category

Source: CBRE Research

Contact - Research

Katya Ezhova

Research Analyst
+61 421 547 176
katya.ezhova@cbre.com

Kate Bailey

Head of Retail and Alternatives Research
+61 438 528 352
kate.bailey@cbre.com

Sameer Chopra

Head of Research, Pacific and ESG APAC
+61 422 242 830
sameer.chopra@cbre.com