

FIGURES | BRISBANE RETAIL | Q4 2023

Rents increase across the board, due to limited new supply

▼ 18.7%

Brisbane CBD Vacancy Rate H2 23

▲ 12.5 bps

Regional Centre Y-o-Y Yield Change

▲ 1.12%

Queensland Retail Sales Y-o-Y Growth

▼ \$836 million

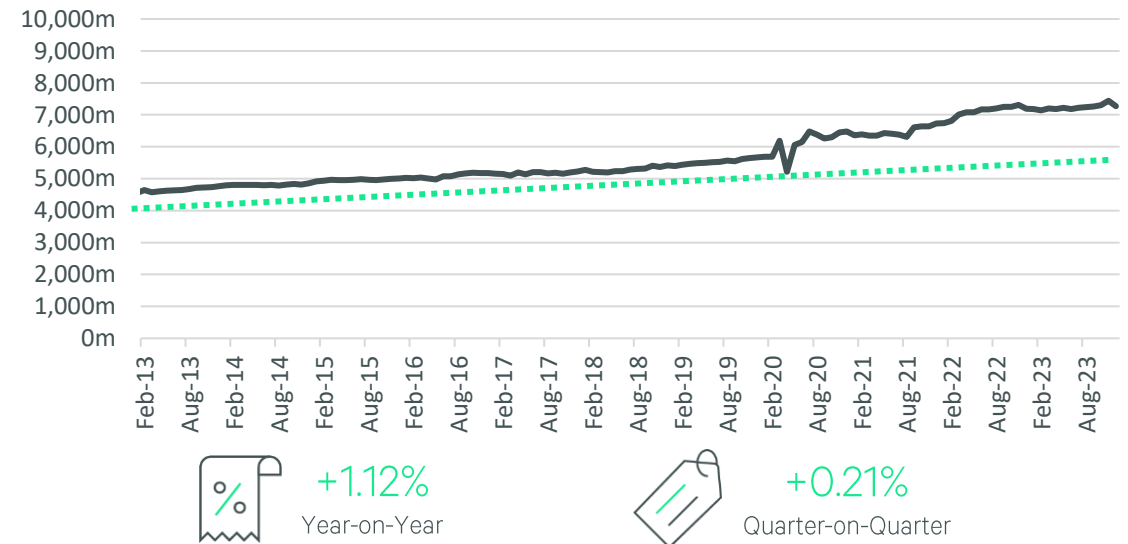
2023 Queensland Retail Asset Sales

Note: Arrows indicate change from previous quarter.

Key Points

- Queensland recorded \$7,272m retail sales in December 2023, representing a 1.12% increase Y-o-Y.
- New floorspace added in Q4 2023 totaled 20,000 sqm, down 46% on last quarter’s level. There is limited new supply of about 166,000 sqm expected to come online in 2024, roughly in line with the 5-year average of 169,485 sqm, however well below the pre-Covid annual average of 292,575 sqm (2018-19).
- Brisbane retail vacancy decreased in H2 2023 by 83bps to 18.7% vacancy.
- Queensland retail rental growth has continued to increase across all asset classes in Q4 2023. Notably, Prime CBD retail experienced strong effective rental growth of 8% Y-o-Y.
- Retail investment sales lowered in Q4 2023 compared to the previous quarter, totalling AUD 199 million in sale transactions.
- Regional Centre and LFR yields softened further in Q4 2023, expanding by 12.5 bps to 5.88% and 6.88%, respectively.

Figure 1: Queensland Total Retail Turnover, Seasonally Adjusted (\$m)



Source: ABS, CBRE Research

Economic Overview

Queensland GSP forecasted to increase in 2024

Gross State Product (GSP) in Queensland grew by 2.3% in 2022-23, notably weaker in comparison to recent years. Despite the challenges of rising interest rates and cost-of-living pressures, Queensland's GSP is forecast to increase by 1.8% in 2024, primarily attributed to strong population growth, and robust mining and energy exports, as well as elevated infrastructure spending. Notably, Queensland's GSP growth in 2024 has helped it to lead forecasts of economic growth.

Retail Turnover fall in December following Black Friday Sales

Retail turnover in Queensland fell 2.3% m-o-m in December, due to rising interest rates and ongoing cost-of-living pressures. Consumers have shifted from typical December shopping to take advantage of November's Black Friday sales.

Queensland's labour market remains strong, recording an unemployment rate of 4.4% in December. This is higher than the rate recorded in December 2022 of 3.3%. Queensland's tight labour market will contribute to a strong retail sector, driving consumer confidence and household spending.

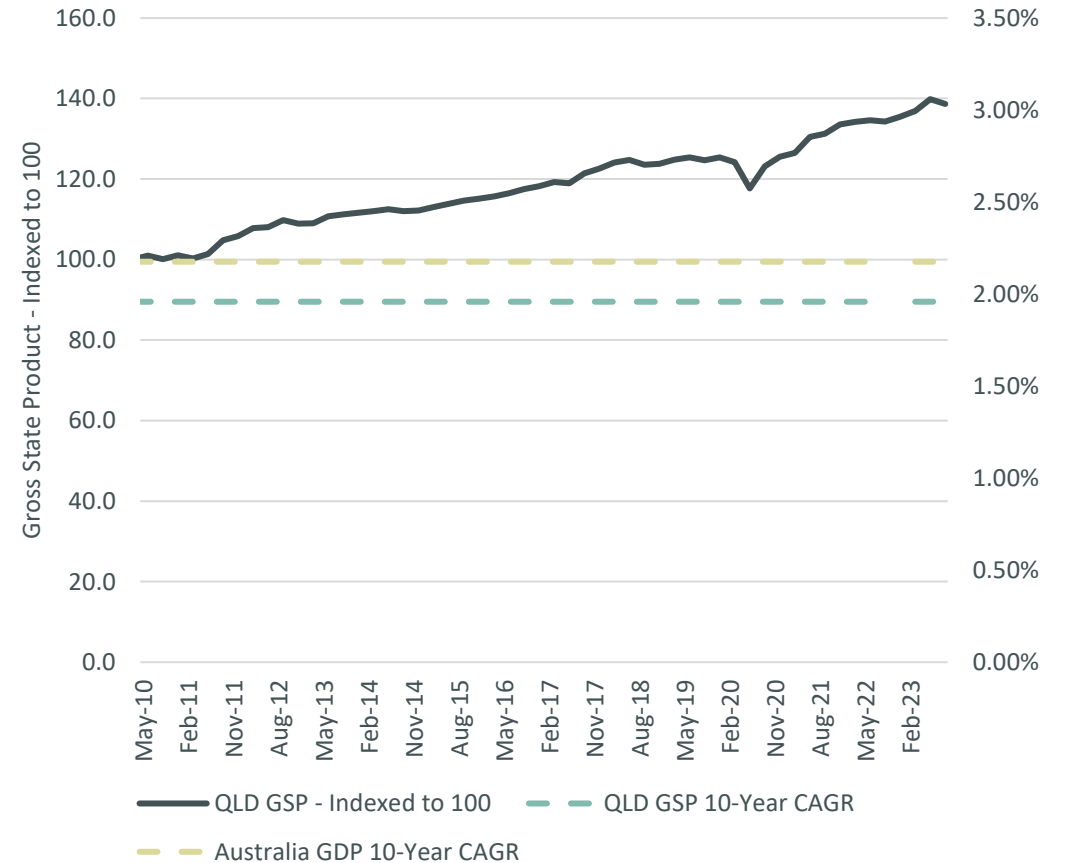
Queensland Infrastructure Pipeline continues to grow in the lead up to the 2032 Olympic Games

The infrastructure allocation for Queensland and Brisbane remains high with over \$20.3 billion worth of capital to be delivered in 2023-2024 state-wide, directly supporting 58,000 jobs. The largest in the Brisbane area is the Cross River Rail worth \$6.3 billion total due for completion in 2025. In addition, Brisbane City Council's Brisbane Metro (\$944 million) is on track for completion in 2024. The private sector is also contributing to the pipeline with Queen's Wharf (\$3.6 billion), due for completion in 2024. The major road and rail projects will contribute to Queensland' economic activity, driving consumer spending.

Historic highs for migration expected to drive retail sales growth

Migration is expected to reach historic highs over the 2023-2025 financial years, supporting a period of improved economic and retail growth. With an estimated 1,135,000 net migrants expected to enter the country over 2023-25, CBRE Research estimates this will equate to 15.5bn in additional, annual migration related retail demand. For Queensland, based on historic migration trends, an estimated 142,000 migrants will result in more than \$1.9bn in annual expenditure for migration related demand, helping support the retail sector.

FIGURE 2: Queensland Gross State Product - Indexed to 100 & 10-Year CAGR Comparison



Source: ABS, 2023

Supply

Limited retail supply scheduled for 2024

There is limited new supply of about 166,000 sqm expected to come online in 2024, roughly in line with the 5-year average of 169,485 sqm, however well below the pre-Covid annual average of 292,575 sqm (2018-19). This is largely due to high construction costs and rising interest rates.

Q4 2023 saw six new assets added to the market, totaling 20,000 sqm. This represents a 46% decrease compared to last quarter's level. This brings the total new supply completed in 2023 to 75,000 sqm, below the 5-year average.

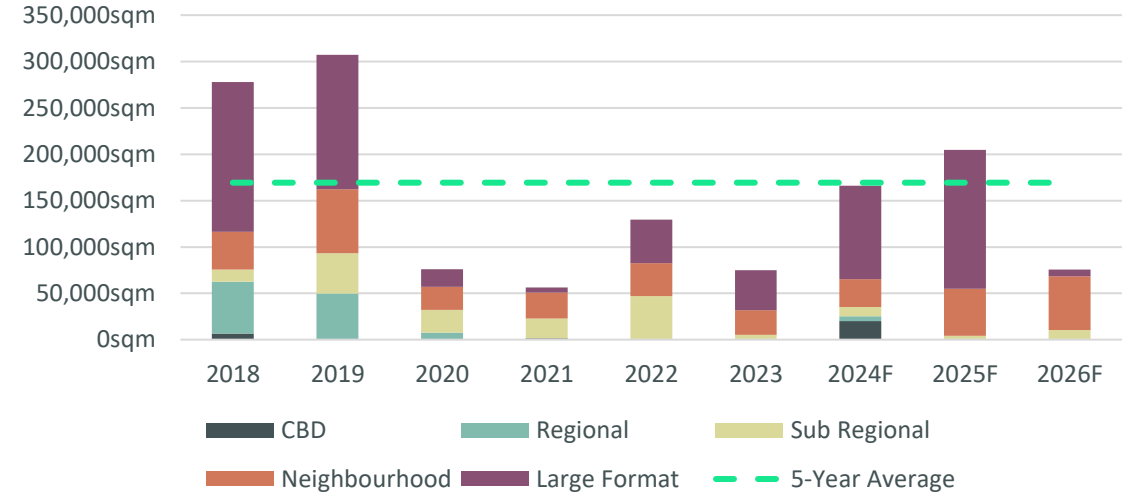
New developments completed over Q4 2023 have mainly consisted of Large Format Centre's (57%), the largest being the delivery of Plainland Home & Life Centre (4,741sqm). Neighbourhood Centre's have also dominated new stock delivery this quarter, accounting for 36% of retail developments. The largest Neighbourhood development completed over the quarter was a 4,615 sqm Retail Centre located in Bundaberg (QLD non-metro).

New shopping Centre's expected to complete in 2024 include, the Queens Wharf Redevelopment, Brisbane CBD (20,000sqm). The Riverside development was expected to complete in Q4 2023, however the completion date has been revised to Q2 2024. This is the largest development undertaken in Queensland and the largest casino resort in Australia. A LFR development, MacGregor Homemaker Centre (24,000sqm), is also currently under construction and due for completion in Q2 2024. The 24,000 sqm retail development is anchored by Harvey Norman and Domayne.

Vacancy

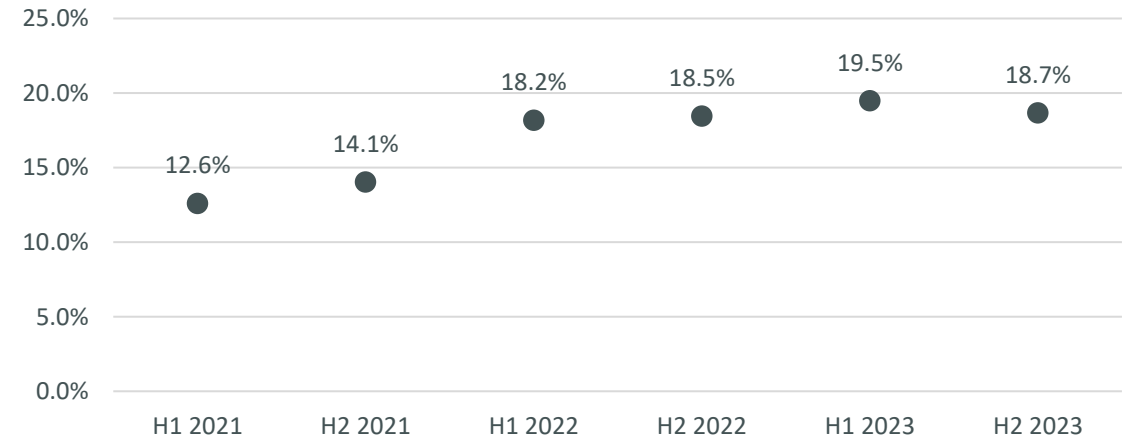
Brisbane retail vacancy decreased in H2 2023 by 83bps to 18.7% vacancy. Brisbane's tightening vacancy rate can be attributed to a solid return to office, strong population growth and a steady improvement of international tourism. Strip retail led the decrease in vacancy, declining by 187 bps to 15.2%. CBD Centre's and Arcade retail vacancy tightened over 2H23, increasing to 25.9% and 15.7%, respectively. This is largely due to a tenant flight-to-quality, with tenants opting to lease higher grade assets in core CBD locations.

FIGURE 3: Queensland Retail Supply by Category



Source: CBRE Research Q4 2023

FIGURE 4: Brisbane CBD Vacancy Growth



Source: CBRE 2023

Rental Performance

Rent growth continues across most asset classes

Net face rents have continued to increase across majority of retail categories in Q4 2023, driven largely by limited future supply. CBD Super prime net face rents remained stable across the quarter, however have recorded an 8% increase y-o-y. CBD Super Prime Assets saw the greatest net effective rent growth this quarter, increasing by 6.7% to 2,897 p/sqm. This growth is likely due to higher income households being less affected by higher interest rates.

Queensland Regional and Sub-Regional Centre rents have shown relatively strong growth of 2.5% and 2.6% q-o-q in Q4 2023. Growth in rents has been driven by the lack of new supply, high construction costs and increased interest rates, subsequently impacting the feasibility of new supply.

Neighbourhood Centre's have observed strong rental growth, increasing 1.4% q-o-q and 3.5% y-o-y. This is in line with an increase in non-discretionary spending such as groceries and everyday needs. However, this rental growth was offset by higher incentives, which in turn impacted net effective rents (-1.6% q-o-q).

Large Format Retail has also experienced positive rental growth of 1.5 % q-o-q and 4.3% y-o-y. Despite the headwinds of lower spending on household goods, rental growth has performed reasonably well.

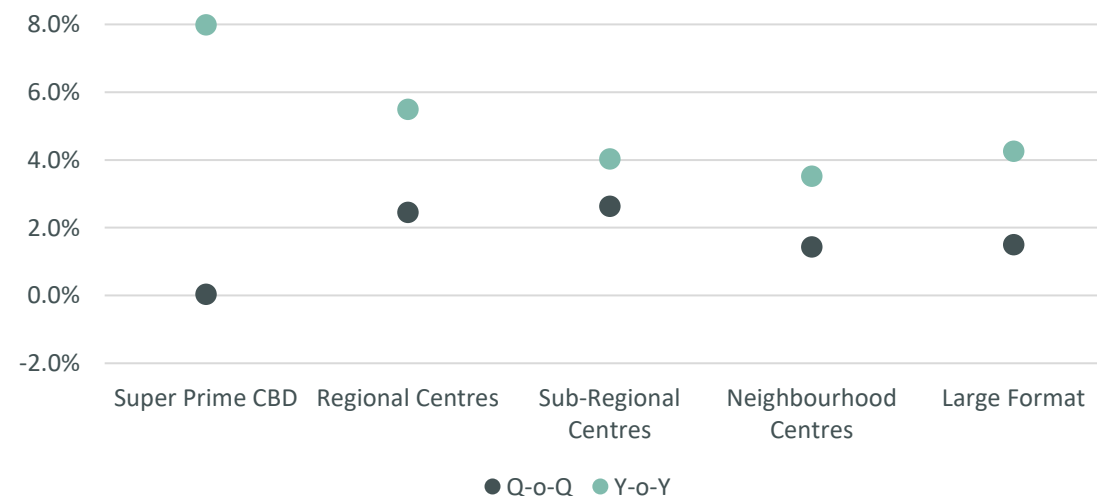
Incentives have differed across all retail asset types over Q4 2023. CBD Super Prime and Large Format Retail incentives declined over the quarter by 500bps and 217bps,. This is partly attributed to increased capital costs for landlords in this higher interest rate environment, which is putting downward pressure on incentives. Incentives for regional and Sub-Regional Centre's remained unchanged over Q4 2023 holding at 20%.

FIGURE 5: Queensland Key Leasing Rates by Retail Asset Category

Asset Type	NFR (AUD/sqm)			NER (AUD/sqm)			Incentives (%)		
	4Q23	Q-o-Q Change	Y-o-y Change	4Q23	Q-o-Q Change	Y-o-y Change	4Q23	Q-o-Q Change	Y-o-y Change
CBD Super Prime	3,622	Stable	8%	2,897	6.7%	15.2%	20%	-500bps	-500bps
Regional	1,705	2.5%	5.5%	1,364	2.5%	5.5%	20%	Stable	Stable
Sub-Regional	996	2.6%	4%	796	2.6%	4%	20%	Stable	Stable
Neighbourhood	906	1.4%	3.5%	725	-1.6%	0.4%	20%	250bps	250bps
Large Format	314	1.5%	4.3%	259	4.2%	7.5%	17.5%	-217bps	-250bps

Source: CBRE Research, Q4 2023

FIGURE 6: Queensland Net Face Rent Growth by Retail Asset Category



Source: CBRE Research, Q4 2023

Investment

QLD Investment activity remains subdued

Queensland has seen limited sale transactions in 2023, across CBD and shopping centre assets. Notably, y-o-y transaction volumes have fallen from a total of \$3,125 million in 2022 to \$836 million in 2023. This reduction in sale volumes is due to economic uncertainty and the high cost of debt impacting investment activity.

A total of AUD 199 million of sale transactions has been recorded in Q4 2023 (for sales > AUD 5 million). The most notable transaction in Q4 2023 is Haben Property acquiring the remaining 50% of the Stockland Townsville Shopping Centre for \$ 123.5 million. Notably, this is the first regional shopping centre transacted since November 2022.

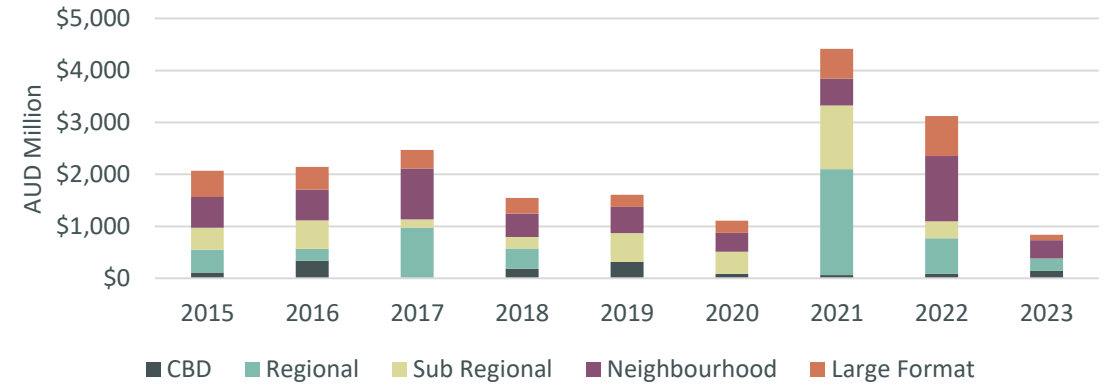
Stockland Townsville has shown solid growth in recent years, evidenced by the centre’s 99.5% occupancy and over \$278 million centre sales. This transaction represents a yield of 7.55%, higher than the average regional yield of 5.88%. Another transaction in Q4 2023 was the \$34 million sale of Robina Central located at the Gold Coast, acquired by a private investor. The sale was an attractive investment due to the centre’s strong growth, reflecting one of QLD’s tightest yields at 5.0%. Assets like these are attractive to investors, as limited new supply continues. Additionally, in recent times private investors have been relatively active in comparison to large institutional investors. This stems from private investors having greater flexibility with capital, particularly amidst rising interest rates and economic uncertainty.

Yields

Yields remain relatively stable across all asset types

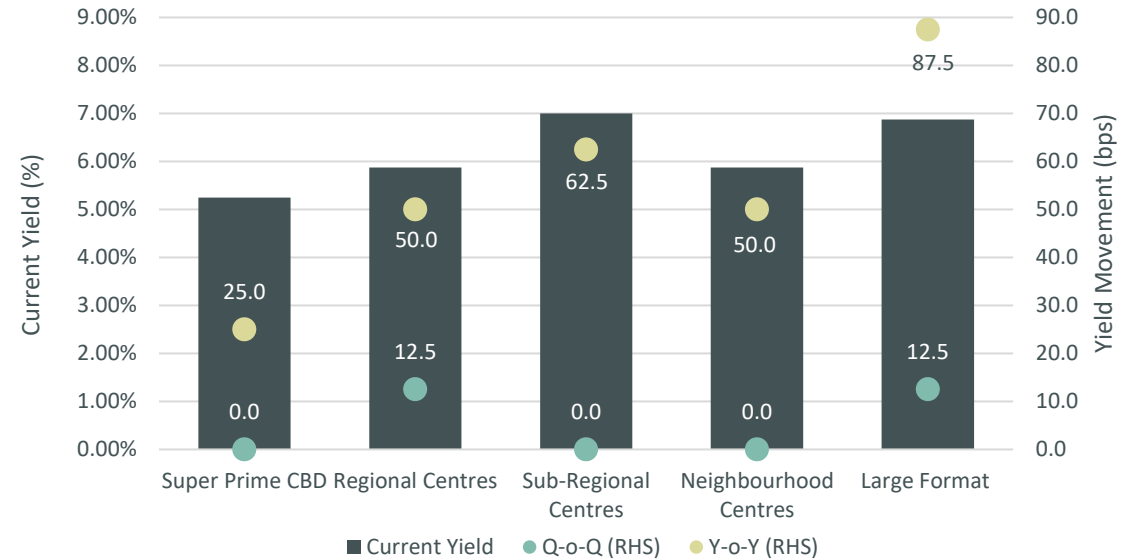
Regional Centres and LFR yields have softened further in Q4 2023, expanding by 12.5 bps to 5.88% and 6.88%, respectively. CBD, Sub-Regional and neighbourhood centre yields have remained stable in Q4 2023 at 5.25%, 7% and 5.88%. Yields have remained stable primarily due to a lack of transactions, as well as differences in vendor-buyer expectations.

FIGURE 7: Queensland Retail Sales by Asset Category



Source: CBRE Research Q4, 2023

FIGURE 8: Queensland Retail Yields by Category



Source: CBRE Research Q4, 2023

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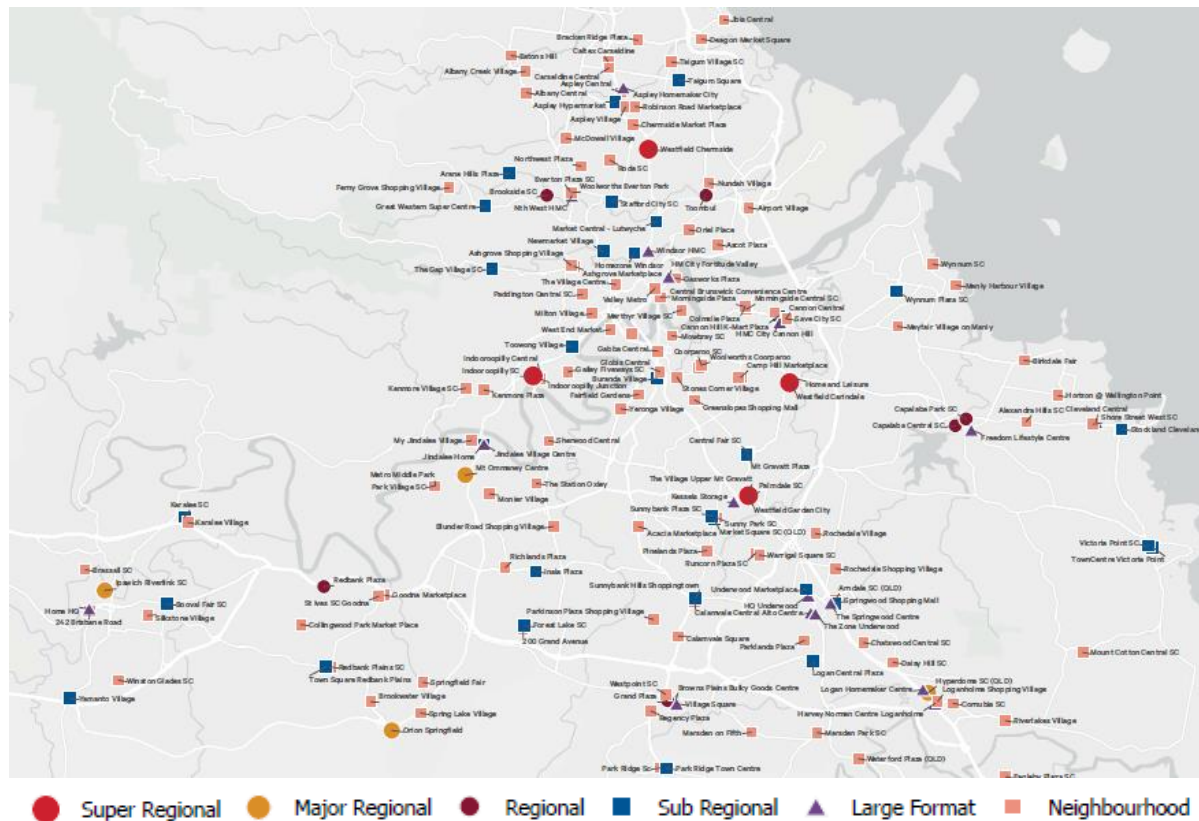
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