Major regional centre sale underscores investor confidence

▼ 1.1%	▲ 11.7%	▲ 2.3%	▶ 6.05%
SA Economic Growth 2026-27[1]	CBD Vacancy Rate, H2 25	Regional Centres Y-o-Y Net Face Rent Growth	Large Format Retail Yield

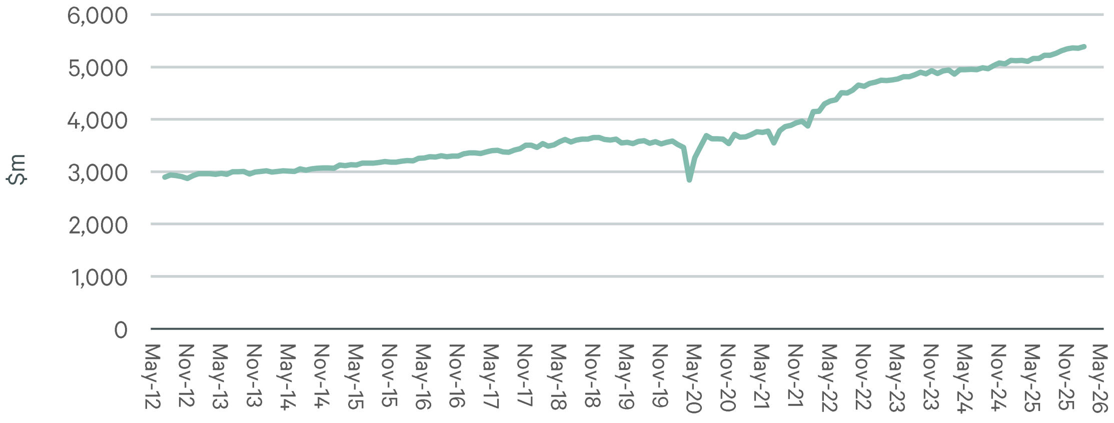
[1] Deloitte Access Economics

Note: Arrows indicate change from previous quarter.

Key Points

- Monthly household spending in South Australia rose by 6.8% y-o-y in May 2026, outperforming the national growth rate of 5.5%.
- Q2 2026 saw c.8,000 sqm of new retail supply added to the market following the completion of The Palms Shopping Village, a non-metro neighbourhood shopping centre. SA's 2026 retail development pipeline is forecast to total c.44,400 sqm, with the majority of supply concentrated in neighbourhood and large format retail developments.
- Regional shopping centres were the only retail asset class to achieve rental growth in Q2 2026, with average net face rents rising by 1.5% over the quarter and 2.3% on an annual basis.
- Across Adelaide, a single major transaction drove retail investment activity in Q2 2026, with total sales volume reaching $670 million (for transactions ≥ $5 million).
- In Q2 2026, regional centre yields recorded the strongest movement, compressing 20 bp y-o-y to 6.88%, while prime strip yields firmed by 5 bp to 5.10%. All other retail asset classes saw yields remain stable over the quarter.

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



+6.8%
Year-on-Year to May 26

+1.6%
Month-on-Month to May 26

Source: ABS, CBRE Research

Economic Overview

Australia's growth softens amid consumption caution, as AI-driven investment and sticky core inflation shape the outlook

Australia's economy expanded by just 0.3% q-o-q (seasonally adjusted chain volume measure) and 2.5% y-o-y in Q1 2026. Growth moderated due to cautious household consumption, subdued public demand and weather-related disruptions to mining exports. However, private business investment was a key driver, rising 5.7% over the quarter and contributing around 0.7pp to GDP growth. This was largely underpinned by a monumental surge of 18.1% in machinery and equipment investment, particularly linked to the rollout of AI-related data centres, although the net impact on GDP was partly offset by associated import growth.

Headline inflation in Australia eased to 4.0% y-o-y in May 2026, driven by cheaper fuel. However, underlying 'trimmed mean' inflation strengthened to 3.6% y-o-y, the highest in almost two years. Housing costs (+6.5%) and food prices (+3.3%) remain the largest persistent drivers of domestic price pressures. The intense demand for local electrical engineers, specialised construction labour and building materials added immediate upward pressure to domestic service costs.

Total monthly household spending in SA rose by 1.6% in nominal, seasonally adjusted terms during May 2026, reaching a level 6.8% higher than a year earlier. This May rebound followed a 1.0% decline in the previous month and outpaced the national average, where Australian household spending grew by 1.3% over the same period.

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

Source: ABS, CBRE Research

Defence and life sciences investment strengthen Adelaide's economic outlook

South Australia's unemployment rate remains c.4.2%, continuing to track near historical lows and placing the state among the strongest-performing labour markets nationally. Employment growth also remained positive, with 2,900 jobs added in May 2026, representing 0.3% m-o-m growth.

Adelaide's primary sectors are health and social work, which make up c.15% of total GVA and wholesale and retail trade, contributing c.10.3%. The city is also strengthening its position as a nationally significant hub for biomedicine and defence-related research, anchored by Adelaide BioMed City, a $3.8 billion health and medical research precinct in the CBD. In addition, sustained federal investment in the defence sector continues to support growth in high-skilled engineering, technology and research-related employment across the metropolitan area.

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 December 2025 (latest available), SA's population growth is moderate yet steady, with a 1.0% y-o-y increase. According to the ABS, this growth is largely fuelled by strong net overseas migration (+18,518), which compensates for a negative net interstate migration (-1,576). In comparison to faster-growing states like Western Australia (2.2%) and Victoria (1.7%), South Australia's growth remains subdued.

Supply

Retail supply holds steady in Q1 2026 as mixed-use and LFR projects shape SA's pipeline

Retail development activity accelerated modestly in Q2 2026 with the completion of Palms Shopping Village in Riverlea, adding c.8,000 sqm of retail floorspace to SA's non-metro market. Looking ahead, the state's 2026 retail development pipeline is forecast to total c.44,400 sqm, broadly in line with the long-term average, supporting steady growth in retail stock.

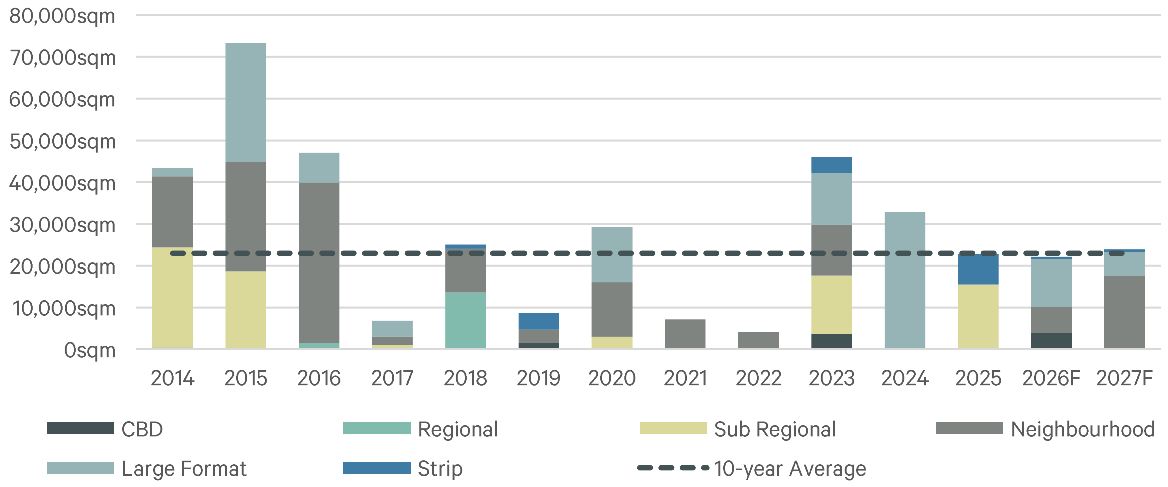
Adelaide CBD retail is transitioning from planning to delivery, led by the Market Square/Central Market expansion, alongside increasing activity across the East End and North Terrace precincts. As several mixed-use projects progress towards completion, the market is positioned for a meaningful uplift in retail supply through late 2026 and 2027.

Development activity is expected to strengthen further in 2027, with the majority of new supply concentrated in LFR and neighbourhood centres. More than half of this pipeline is already under construction, providing a high level of certainty around near-term completions. Key projects include The Home at Mount Gambier (11,950 sqm) and Two Wells Town Centre (9,500 sqm), highlighting growing investment in regional and growth-corridor locations supported by population expansion and evolving consumer demand.

Population growth in northern suburbs underpins strong retail development momentum

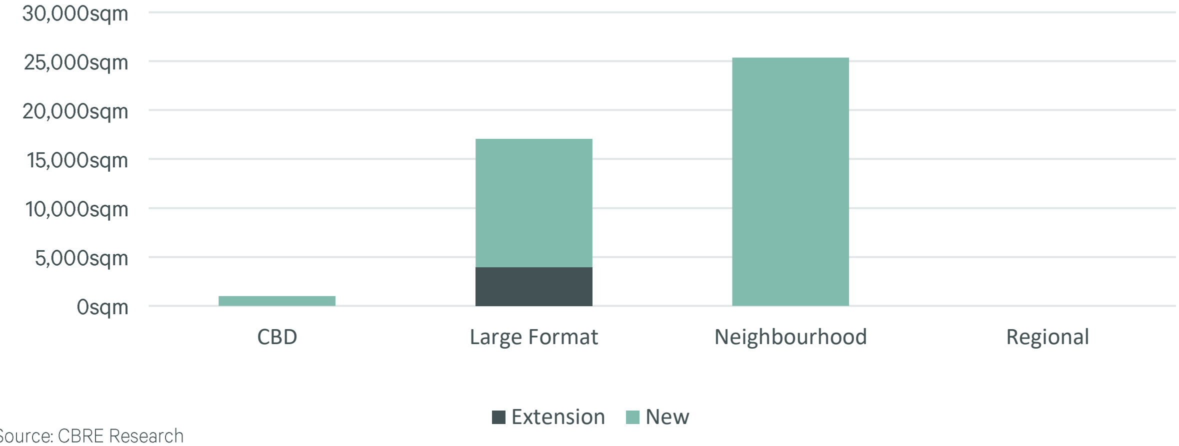
The pipeline for 2026 and 2027 is heavily weighted toward rapidly expanding outer-metropolitan regions, particularly Adelaide's northern growth corridor, where Angle Vale, Two Wells and Munno Para are experiencing sustained population growth and large-scale housing delivery. As a result, LFR and neighbourhood centres in these growth corridors are expected to outperform other retail formats, underpinned by expanding catchments, lower development costs relative to CBD sites and continued retailer preference for larger footprints with efficient layouts. State investment in roads, water and sewer upgrades across Playford and Light Regional Council areas is set to support earlier activation of LFR and neighbourhood centres.

FIGURE 4: Greater Adelaide Retail Supply by Category



Source: CBRE Research

FIGURE 5: Adelaide Future Supply by Property and Development Type, 2026-2028



Source: CBRE Research

Rental Performance

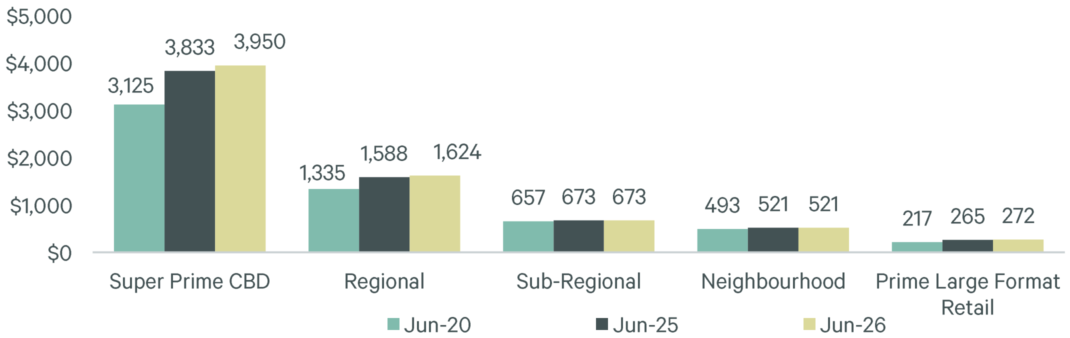
Regional centres remain Adelaide's rental growth engine

During Q2 2026, regional shopping centres were the only retail asset class to record quarterly rental growth, with average net face rents increasing 1.5%, reflecting the strength of dominant centres and their ability to capture discretionary spending. Rents across all other retail asset classes remained stable. On an annual basis, super-prime CBD retail recorded the strongest rental growth, with net face rents rising 3.1% y-o-y to an average of $3,950/sqm. This uplift continues to be driven by limited prime vacancy, expanding experiential retail demand and improved trading performance in the CBD core.

LFR maintained its steady upward trajectory, with rents increasing 2.5% y-o-y to $272/sqm, underpinned by strong occupier demand from essential retailers, home improvement and value-based brands. Regional shopping centre net face rents lifted by 2.3% y-o-y to $1,624/sqm. In contrast, sub-regional and neighbourhood shopping centre rents remained unchanged over the year.

Leasing incentives were unchanged across all retail asset classes on both a quarterly and annual basis, highlighting balanced market conditions and disciplined landlord leasing strategies.

FIGURE 6: Retail Net Face Rents (Q2 20 to Q2 26)



Source: CBRE Research

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

Asset Type	NFR (AUD/sqm)			NER (AUD/sqm)			Incentives (%)		
	Q2 26	Q-o-Q Change	Y-o-y Change	Q2 26	Q-o-Q Change	Y-o-y Change	Q2 26	Q-o-Q Change	Y-o-y Change
CBD Super Prime	**3,950**	Stable	+3.1%	**3,555**	Stable	+3.1%	**10.0%**	Stable	Stable
Regional	**1,624**	+1.5%	+2.3%	**1,383**	+1.5%	+2.3%	**14.8%**	Stable	Stable
Sub Regional	**673**	Stable	Stable	**578**	Stable	Stable	**14.2%**	Stable	Stable
Neighbourhood	**521**	Stable	Stable	**448**	Stable	Stable	**14.1%**	Stable	Stable
Large Format Retail	**272**	Stable	+2.5%	**234**	Stable	+2.5%	**13.8%**	Stable	Stable

Source: CBRE Research

FIGURE 8: Net Face Rent Growth by Retail Asset Category

Source: CBRE Research

Investment Market

High-quality retail assets continue to attract capital

Adelaide's retail investment market was defined by a single major transaction in Q2 2026 - the $670 million sale of a 50% interest in Westfield Marion from Singapore-based investor Cuscaden Peak to JY Group. The transaction, which was the largest retail property deal nationally during the quarter, highlights sustained investor appetite for dominant regional shopping centres, underpinned by strong turnover performance, defensive cash flows and supportive SA economic and retail market fundamentals.

Although overall volumes have declined, pricing for high-quality assets remains firm, supported by limited distress and vendors unwilling to accept discounted offers. This dynamic is helping maintain value stability despite reduced transaction activity.

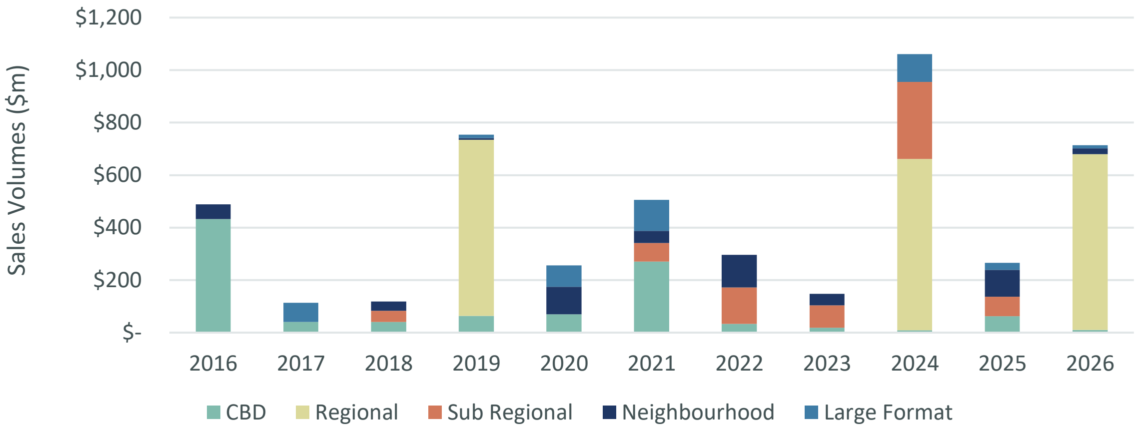
Investor demand for regional centres and prime strips supports yield compression

During Q2 2026, regional centre yields recorded a notable 20 bp y-o-y compression to average 6.88%, while prime strip yields tightened by 5 bp to 5.10%. Yields across all other retail asset classes remained stable over the quarter.

On an annual basis, super prime CBD yields softened by 25 bp, while regional centre and prime strip yields compressed by 35 bp and 10 bp, respectively. The divergence in yield movement reflects continued investor demand for high-performing regional and prime strip assets, contrasted with more cautious sentiment towards super prime CBD retail despite improving city centre trading conditions.

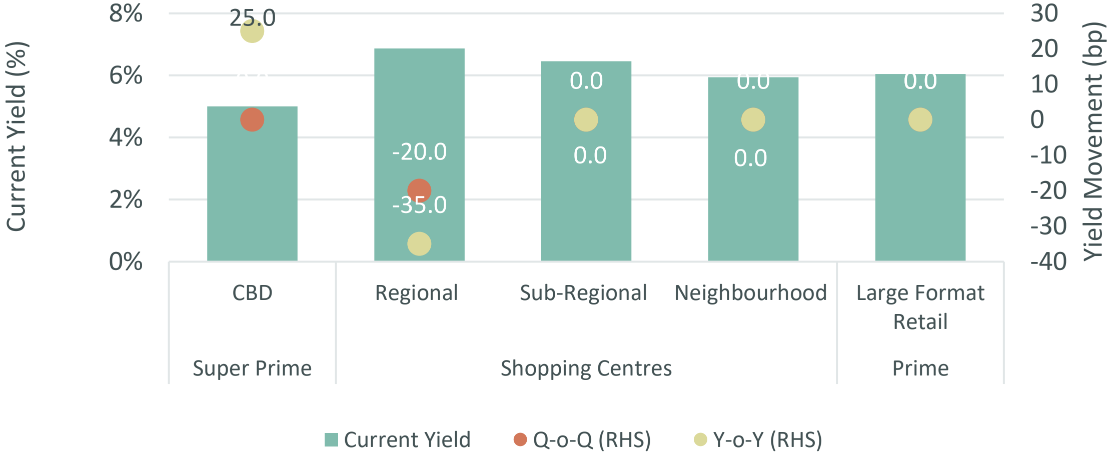
In H2 2026, Adelaide retail yields are expected to remain broadly stable, with modest tightening anticipated for prime neighbourhood and sub-regional assets. Supermarket-anchored and essential service centres are likely to experience firming, supported by strong investor demand and a limited supply of high-quality stock. Secondary retail assets, which continue to face quality and repositioning challenges, are expected to remain broadly stable, with limited scope for yield compression and a risk of further softening.

FIGURE 9: Adelaide Retail Sales by Asset Category



Source: CBRE Research

FIGURE 10: Adelaide Retail Yields by Category



Source: CBRE Research

Contact - Research

Katya Ezhova

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

Sameer Chopra

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