

FIGURES | ADELAIDE RETAIL | Q2 2024

Sales activity improves amidst market uncertainty

▼ 8.8%

Adelaide CBD Vacancy Rate H1 24

▼ 1.3%

South Australia Retail Sales Y-o-Y Growth

▲ 8.4%

Regional Centre Y-o-Y Face Rent Growth

▲ \$308m

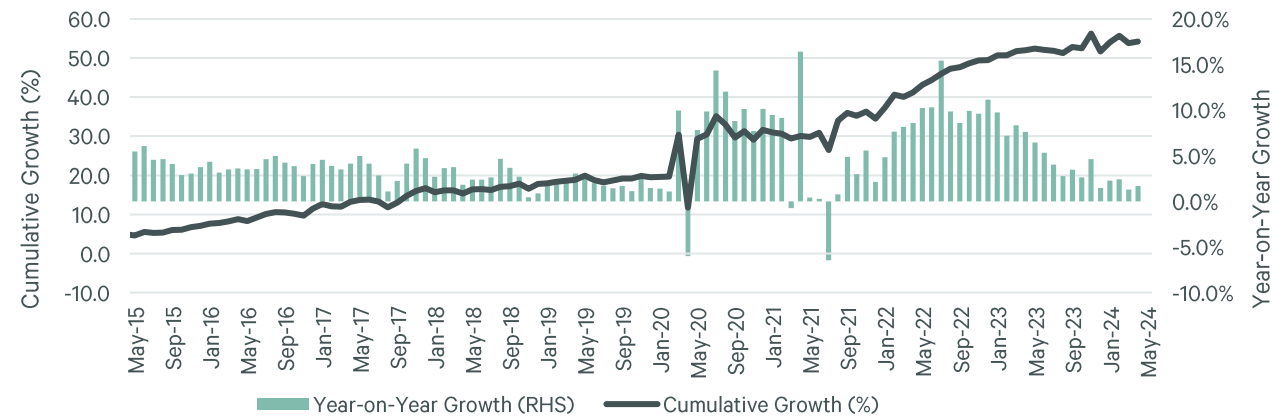
Q224 South Australia Retail Asset Sales

Note: Arrows indicate change from previous quarter.

Key Points

- South Australian retail sales reached \$2,322m in May, showing no change quarter-on-quarter however an increase of 1.3% year-on-year.
- No new retail supply was completed over Q2 2024, as majority of supply in 2024 is scheduled for completion in the second half of 2024, consisting of LFR assets. Supply for 2024-2026 is expected to exceed the five-year average.
- Regional net face rents outperformed other retail assets, on a year-on-year (8.4%) basis. On a quarter-on-quarter basis rents across all retail asset types held steady.
- In line with stable rents, yields recorded minimal movement quarter-on-quarter, with slight expansion seen only amongst regional (+5bp) and neighbourhood (+2bp) assets. Regional centres saw greatest expansion year-on-year, increasing by 42bp.
- Retail sales over the first half of 2024 have reached \$515m, already exceeding sales activity in 2023. The sale of Westfield Tea Tree Plaza (50% share) was the largest transaction to occur in the first half 2024.

FIGURE 1: South Australia Total Retail Turnover (Seasonally Adjusted), Cumulative and Year-on-Year Growth.



+1.3%
Year-on-Year



Stable
Quarter-on-Quarter

Source: ABS, CBRE Research.

Economic Overview

GSP expected to have mild growth over 2023-24.

South Australia GSP grew 3.8% in 2022-23 financial year and is forecast to grow by 1.3% over the 2023-24 according to SA State Budget papers, a slower pace of growth in comparison to prior years. To further boost economic growth in South Australia, the 2024-25 Budget is expected to fund key areas such as jobs and training, cost of living relief, education and health to further support economic growth in the state. In the 2022-23 financial year the Mining, Agriculture, Accommodation and food services and Transport, postal and warehousing sectors were the largest contributors to GSP growth in South Australia.

Retail sales in SA grows y-o-y in May 2024.

The May data release showed modest growth in retail sales in South Australia. Although South Australia's retail sales were stable quarter-on-quarter, an increase of 1.3% was recorded year-on-year. This was slightly lower than the national growth of 1.7% year-on-year. Despite an uncertain economic outlook and ongoing cost of living pressures, consumer spending in SA continues to demonstrate resilience.

SA continues to record a low unemployment rate.

South Australia's seasonally adjusted unemployment rate declined from 4.2% in April to 4.0% in May 2024. South Australia's unemployment rate is now in line with the national unemployment rate of 4.0% (down -0.1 pps from April). Unemployment remains at historically low levels. The tight labour market in SA will boost retail expenditure however, reduced tenant expansion from a shortage of skilled workers may result.

Growing infrastructure pipeline to increase retail expenditure.

\$25.6b in infrastructure funding over the next four years is included in the 2024-25 Budget. This comprises an additional \$200m towards the South Eastern Freeway upgrade and \$7bn (up to 2027-28) towards the North-South Corridor project. Main construction works for the North-South Corridor are expected to begin in 2025. Investment in transport infrastructure will increase accessibility to retail precincts within metropolitan areas, boosting retail expenditure.

Historically high migration levels expected to boost retail sales.

Australia recorded an annual population of 2.5% in December 2023. South Australia's population reached 1.87m, an increase of 1.6% year-on-year. Population increase was primarily driven by net overseas migration (8.9% higher compared to 2022) and returning international students. This increase will support the retail sector.

FIGURE 2: South Australia Gross State Product Growth vs National GDP Growth



Source: ABS, CBRE Research, SA State Budget Papers

Supply

Expected supply over 2024-2026 exceeds five-year average levels.

No new retail stock was completed over Q2 2024. Despite this, approximately 37,800 sqm of LFR assets are due to enter the market over the second half of the year, bringing supply to levels well above the five-year annual average. The construction of Richmond Village, a large format retail centre, is the largest development in the pipeline, with expected completion in Q4 2024. Two large format retail centres located in the South precinct are also under construction and due for completion next quarter, totaling 11,600 sqm.

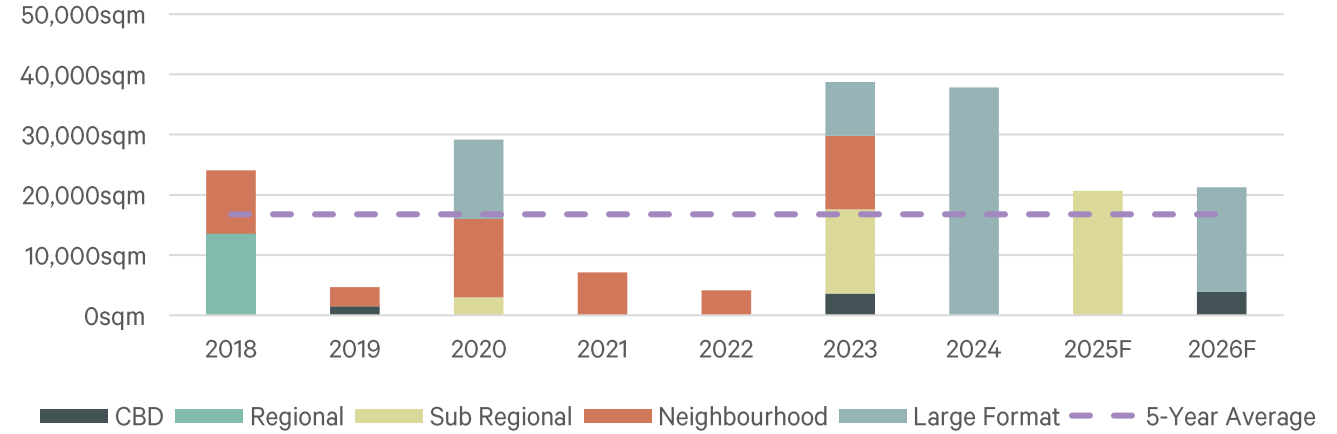
2025 supply levels are expected to exceed the average (c.26,400 sqm), with the extension of Burnside Village Shopping Centre being a key asset (c.20,000 sqm of supply).

Large format retail assets are expected to see a significant uptick in new floorspace, with approximately 55,100 sqm added to the market over 2024-2026.

Due for completion in 2026 is the Market Square development in Adelaide’s CBD, a mixed-use development comprising of commercial office space, new residences, a premium hotel, and an expansion of the Adelaide Central Market. The development is expected to bring c.4,000 sqm of retail offerings (on the ground floor) combined.

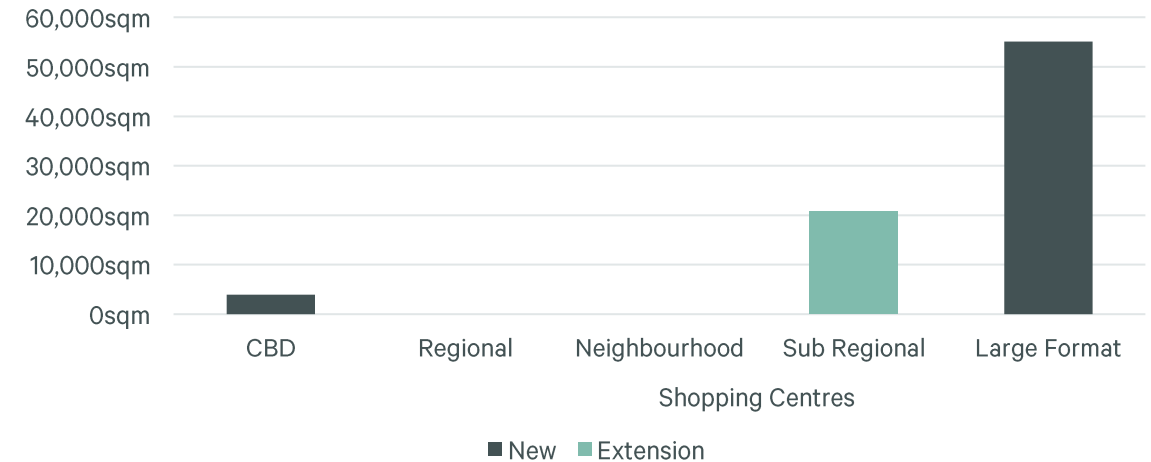
Given the limited future supply (among new and refurbished stock) in the pipeline for existing CBD, regional and neighbourhood assets, we can expect to see strong performance in the short term as economic conditions continue to improve.

FIGURE 3: Adelaide Retail Supply by Category



Source: CBRE Research

FIGURE 4: Adelaide Future Supply by Property and Development Type (2024-2026)



Source: CBRE Research

Vacancy

Adelaide CBD vacancy drops further to lowest level seen since 2021.

Adelaide’s overall CBD vacancy levels declined by -60bp in H1 2024, reaching the lowest CBD vacancy rate recorded over the past three years. Vacancy has been on a downward trend over the last 24 months. The half-on-half decrease in vacancy was driven by tightening in centres and strips.

Vacancy across CBD centres recorded a decline of 70bp over the last six months from 11.8% to 11.1%. CBD Centre assets comprise Rundle Place and Myer Centre which is 47% of the surveyed CBD area. Rundle Place was the main contributor of low CBD Centre vacancy due to the centre having only three vacancies on the top level, and the recent opening of Gazman which relocated from Gawler Place. Vacancy within strips also saw a decline at H1 2024 by 20bp, as stationery store Miligram is scheduled to open in July.

Arcades continued to record lowest vacancy across Adelaide at 2.0% and remained unchanged from the prior six months.

FIGURE 6: Adelaide CBD Vacancy by Period

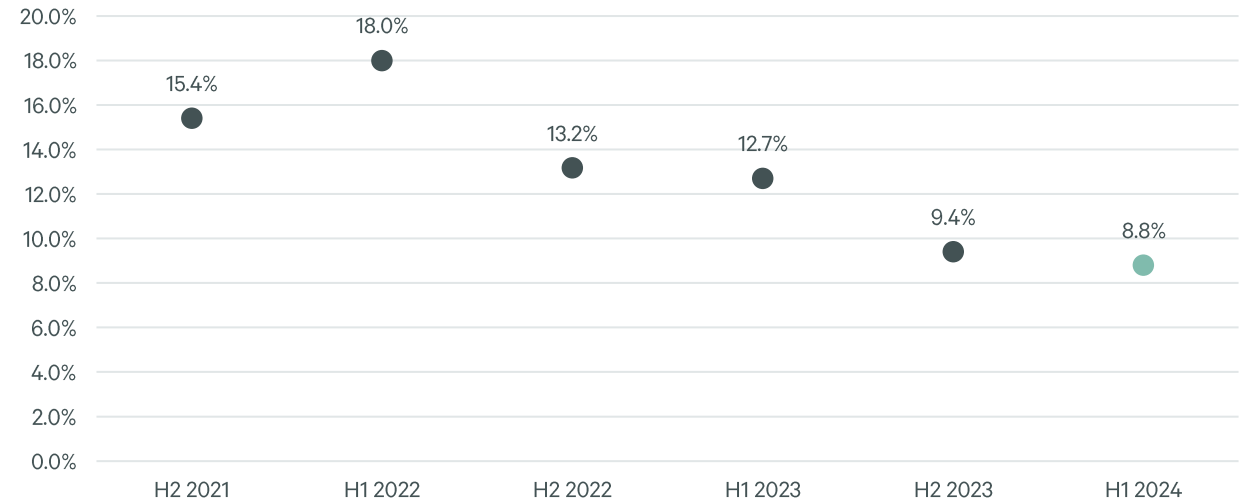
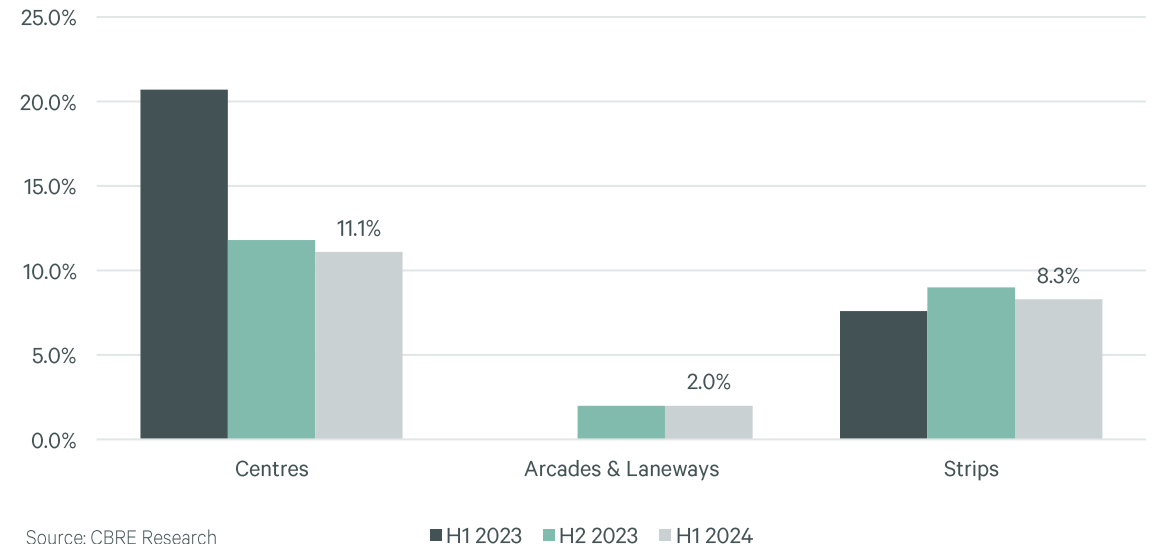


FIGURE 7: Adelaide CBD Vacancy Breakdown by Retail Tenancy



Source: CBRE Research

Source: CBRE Research

■ H1 2023 ■ H2 2023 ■ H1 2024

Rental Performance

Rents starting to stabilise quarter-on-quarter across all SA assets.

All retail assets in South Australia saw no change in rents quarter-on-quarter. On a year-on-year basis, regional centres outperformed other shopping centre categories with an 8.4% increase, followed by LFR (+4%), then neighbourhood (+2.3%). Quarter-on-quarter stability has been driven by a combination of minimal leasing deals, a sentiment of uncertainty in the market, and high construction costs have meant tenants need to think carefully about how to finance their fitouts, particularly within food and beverage outlets. Despite this, the low vacancy across Adelaide’s CBD is expected to further drive rental growth in the future.

Net effective rents remained unchanged quarter-on-quarter in all retail assets. Neighbourhood centres showed largest yearly growth (6.9% increase) followed closely by regional shopping (6.8% increase), while LFR and CBD super prime assets recorded smaller increases (1.9% and 1.3% respectively). The yearly decline in incentives (-104bp amongst CBD super prime and -500 bp amongst neighbourhood) contributed largely to the yearly growth in effective rents.

Incentives remained stable quarter-on-quarter across all retail asset types over Q224. In line with highest effective rental growth, neighbourhood recorded largest decline in incentives by 500bp. Super prime CBD assets also had significant yearly decline by 104bp, while regional assets had slight decrease of 4bp.

FIGURE 8: South Australia Key Leasing Rates by Retail Asset Category

Asset Type	NFR (AUD/sqm)			NER (AUD/sqm)			Incentives (%)		
	Q224	Q-o-Q Change	Y-o-y Change	Q224	Q-o-Q Change	Y-o-y Change	Q224	Q-o-Q Change	Y-o-y Change
CBD Super Prime	3275	Stable	Stable	2905	Stable	1.3%	10.1%	Stable	-104bp
Regional	1450	Stable	8.4%	1218	Stable	6.8%	14.8%	Stable	-4bp
Sub-Regional	673	Stable	Stable	570	Stable	Stable	14.2%	Stable	Stable
Neighbourhood	493	Stable	2.3%	412	Stable	6.9%	15.0%	Stable	-500bp
Large Format Retail	257	Stable	4.0%	217	Stable	1.9%	13.8%	Stable	Stable

Source: CBRE Research

FIGURE 9: Net Face Rent Growth by Retail Asset Category



Source: CBRE Research

Investment Market

Investment volumes continue to increase from Q223.

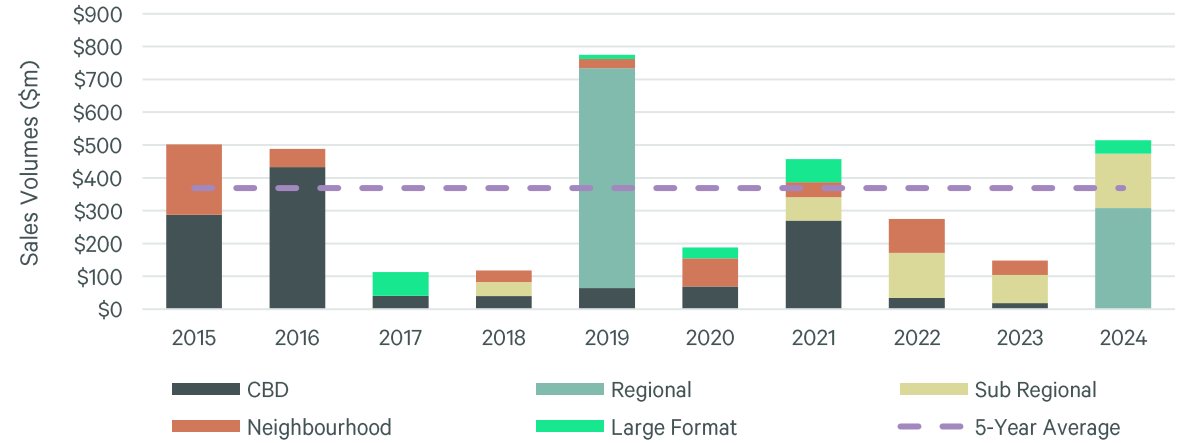
Investment volumes across Adelaide in 2024 saw a significant rise compared to levels seen in 2023, reaching approximately \$515 million. Scentre Group and Barrenjoey purchased a 50% share in Westfield Tea Tree Plaza (a regional asset) last quarter, the largest transaction this year to date, while Southgate Square and Kurralta Central, both sub-regional assets, were also major contributors to investment volumes in the first quarter.

Strong volumes over the half suggests continued investor appetite, particularly amongst sub-regional assets which have consistently been major contributors to investment volumes since 2021.

Yield expansion across regional assets dominated in Q224.

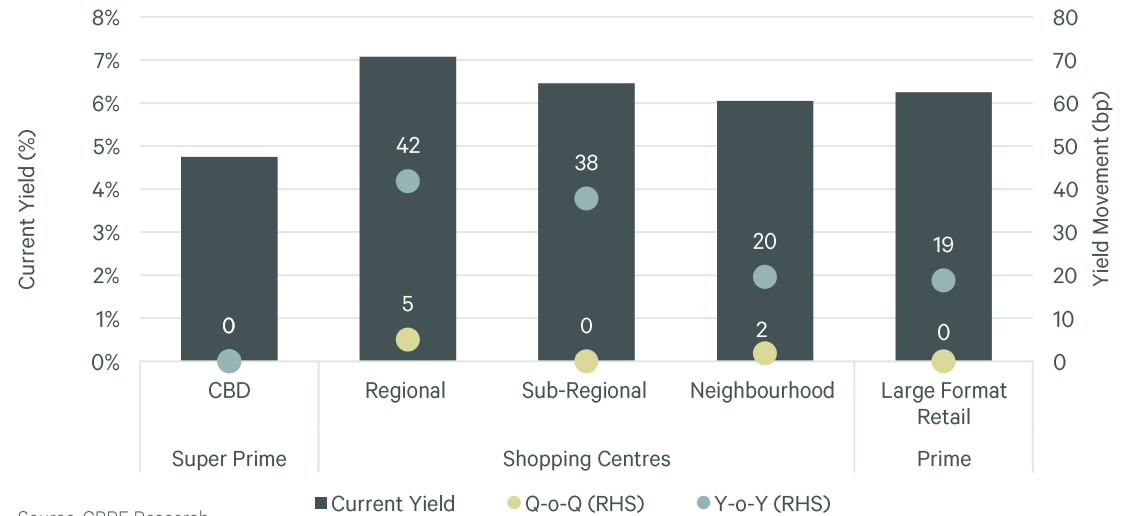
Yields remained relatively stable over Q2 2024 for all retail asset types except for the regional and neighbourhood assets, which recorded 5bp and 2bp increases respectively. Sub-Regional yields remain lower than Regional centres, driven by different buyer-vendor profiles and differences in fundamentals. All shopping centre asset classes recorded year-on-year expansion in yields except super prime CBD where yields were unchanged.

FIGURE 10: South Australia Retail Sales by Asset Category



Source: CBRE Research

FIGURE 11: South Australia Retail Yields by Category



Source: CBRE Research

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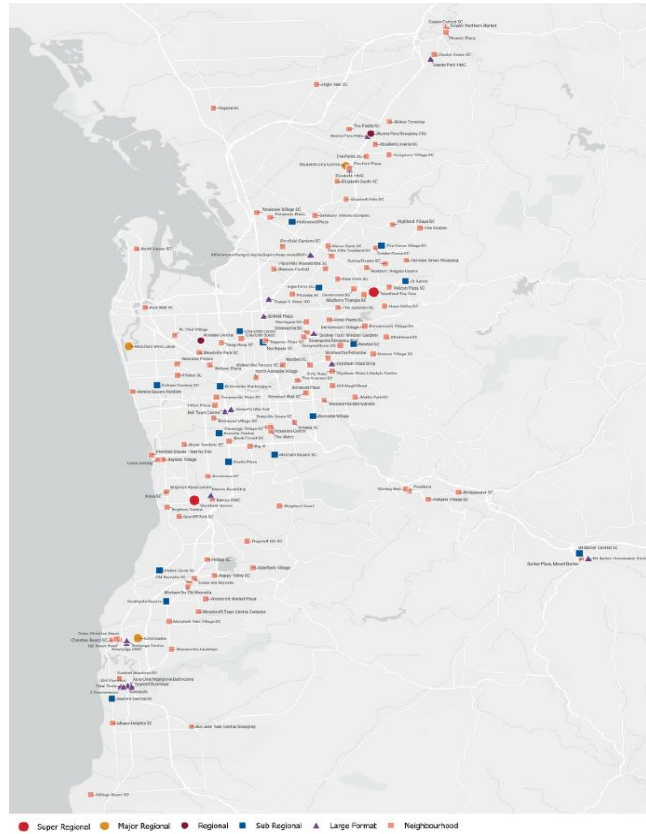
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● Super Regional ● Major Regional ● Regional ● Sub Regional ▲ Large Format ■ Neighbourhood

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