

FIGURES | SYDNEY RETAIL | Q1 2026

CBD super prime retail rents outperform as vacancy tightens to record low

▼ 4.3%

Sydney CBD Vacancy Rate H2 25

▲ 3.3%

NSW Household Spending
Y-o-Y February 2026

▲ 7.0%

Regional Centre Y-o-Y Rent Change

▲ \$339m

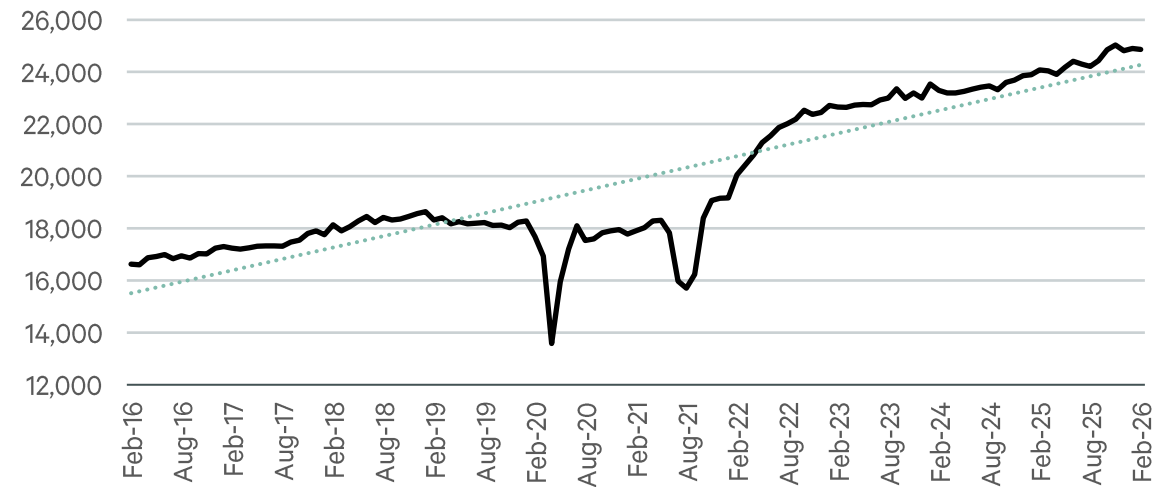
Q1 26 NSW Retail Investment Volume

Note: Arrows indicate change from previous quarter.

Key Points

- NSW household spending increased 3.3% y-o-y in February, reaching a total of c. \$24.9b.
- Q1 2026 development activity was subdued, with only c. 9,000 sqm delivered, reinforcing the structurally constrained supply environment supporting rental outperformance.
- Sydney CBD retail vacancy declined a further 78 bp in H2 2025 to 4.3%, marking the fifth consecutive half-year of tightening since H1 2023, driven by sustained leasing activity across core precincts and improved occupancy in arcade, strip and centre retail formats.
- During the quarter, CBD super-prime rents recorded the strongest uplift at 3.0%, followed by regional shopping centres at 1.9%, while sub-regional and neighbourhood centres increased by 1.0% and LFR assets rose by 2.0%.
- Yields were unchanged across all retail asset classes in Q1 2026. On an annual basis, regional and sub-regional shopping centres recorded the most pronounced compression of 16 bp and 20 bp respectively, while LFR and neighbourhood shopping centres experienced more modest tightening of 4 bp and 6 bp respectively.

FIGURE 1: NSW Total Household Spending, Seasonally Adjusted (Feb 16 - Feb 26)



3.3%
Year-on-Year



-0.2%
Month-on-Month

Source: ABS as at Feb 2026, CBRE Research

Economic Overview

Household spend still centred on services rather than goods

NSW GSP rose 0.9% in 2024-25 (-0.3% per capita), up from 1.1% (-1.0% per capita) the previous year. As at February 2026, y-o-y household spend growth for NSW was led by miscellaneous goods (6.4%), food (5.2%) and recreation and culture (5.1%).¹

NSW to capture a large share of national population growth driven by migration

Australia’s population is forecast to increase by approximately 12% between December 2025 and 2034, according to Deloitte Access Economics. Over the same period, NSW is expected to record population growth of around 9%, which is material given its already large base. This expansion is being driven primarily by overseas migration and is expected to lift demand for both housing and retail services. CBRE estimates that the associated demographic growth could contribute an additional \$4.7 billion in annual retail spending. With NSW projected to capture close to one-third of total national population growth, the state is well positioned to benefit from the resulting economic momentum over the next decade.

Australia’s labour market remains resilient, with the national unemployment rate steady at 4.3% as at March 2026. In NSW, unemployment increased by 20 basis points to 4.3%, with continued hiring across healthcare, professional services and logistics supporting the absorption of new workforce entrants. This reflects ongoing strength across key sectors and sustained confidence among workers. While cost of living pressures and elevated interest rates continue to weigh on household budgets, the solid employment backdrop is supporting income levels and helping to sustain discretionary spending. Broader global uncertainty, including geopolitical tensions and energy market volatility, presents a potential upside risk to inflation, although the impact on domestic retail conditions is expected to remain manageable in the near term.

1. According to ABS

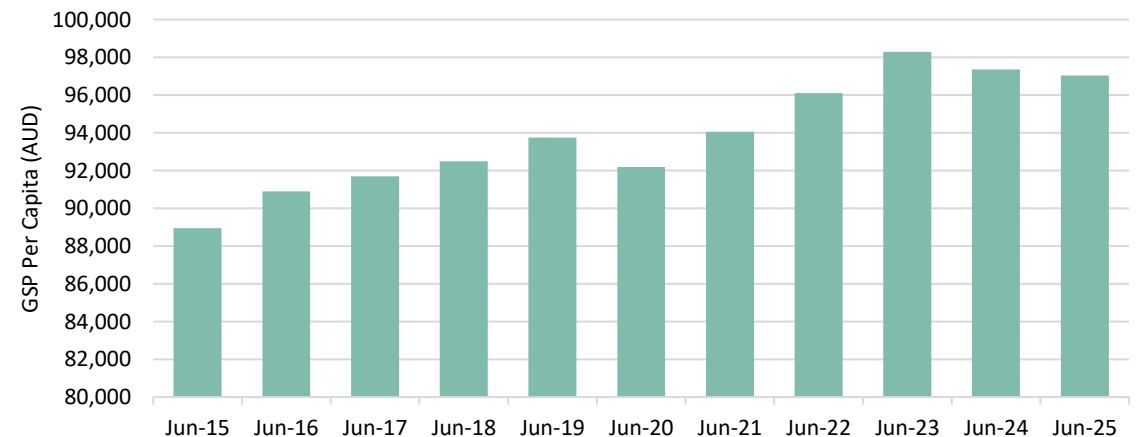
NSW infrastructure investment improving connectivity and supporting visitation

NSW’s retail environment is being supported by a significant pipeline of infrastructure investment that is improving accessibility and driving visitation. The introduction of Sydney Metro and completion of Parramatta Light Rail have strengthened connectivity to key retail precincts, while upgrades to WestConnex, the M12 Motorway and broader Western Sydney transport corridors are reducing travel times and expanding access across growth areas.

The opening of Western Sydney International Airport in 2026 is expected to act as a key catalyst for economic activity, attracting workers and visitors to surrounding precincts and supporting new retail and commercial hubs. Additional projects including Sydney Metro West, Warringah Freeway upgrade and the Western Harbour Tunnel will further enhance connectivity, broaden retail catchments and support foot traffic over time.

In a more moderated consumer environment, characterised by softer spending growth and a greater focus on value, these infrastructure investments are expected to help offset cyclical headwinds and provide a strong foundation for retail performance across NSW over the medium to long term.

FIGURE 2: NSW Gross State Product Per Capita (Jun 15 - Jun 25)



Source: ABS, CBRE Research

Supply

Structural constraints continue to limit retail supply

Q1 2026 retail supply totalled c. 9,000 sqm across CBD, shopping centre and LFR formats, including additional specialty space at Chatswood Chase. Larger developments, such as the Eastern Creek Quarter outlet centre and the Sydney Fish Market redevelopment, fall outside the charted asset classes and are not captured. Ongoing planning delays, elevated construction costs and conservative financing conditions continue to constrain new supply, reinforcing a preference for refurbishment and redevelopment over greenfield development within core retail formats.

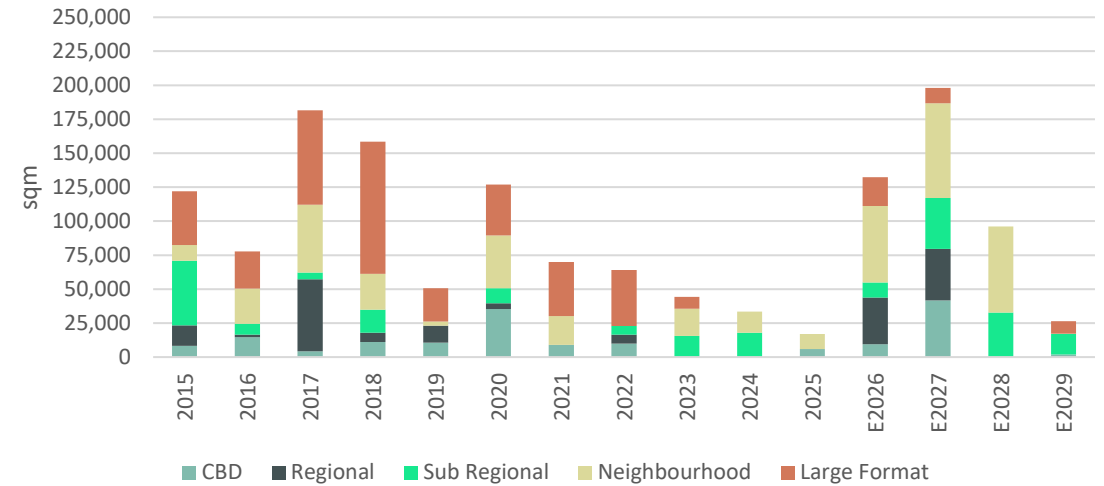
Through to the end of 2027, c. 330,000 sqm of retail space is forecast to be delivered. Neighbourhood centres are expected to account for the largest share of new supply at around 38%, followed by regional shopping centres and CBD retail at c. 22% and 16%, respectively. The weighting towards these formats reflects their relatively simpler delivery profiles and ability to service localised demand in expanding suburban catchments, making them more feasible for developers than larger, more complex retail schemes.

Vacancy

Sydney CBD vacancy tightens to record low

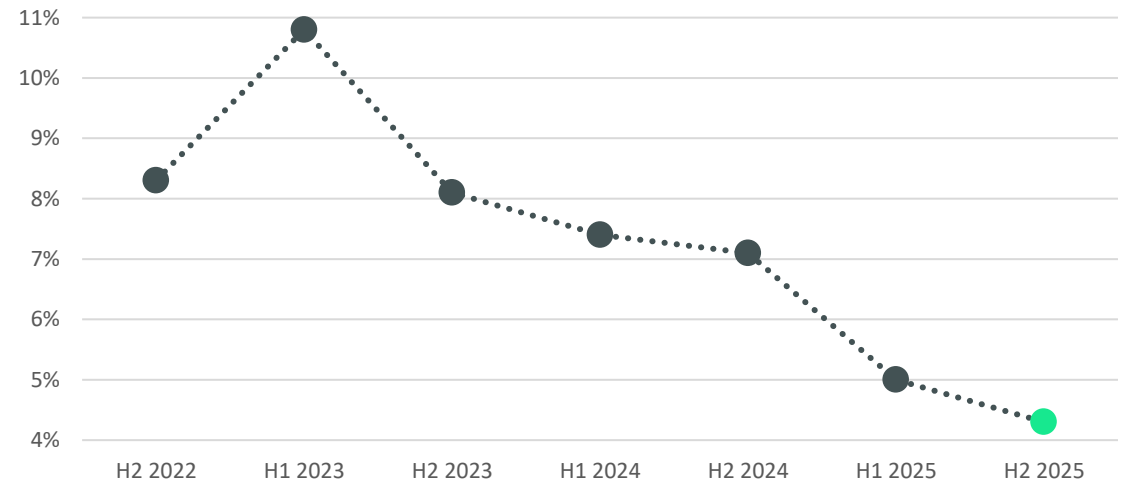
In H2 2025, Sydney CBD retail vacancy tightened by a further 78 bp to 4.3%, marking the fifth consecutive half-year of improvement since H1 2023 from a peak of 10.8%. Unlike earlier periods, the decline was driven by genuine occupier-led absorption rather than stock adjustments, with leasing activity strengthening across core precincts. Improved occupancy in CBD arcades, together with tightening across strip and centre retail formats, supported the reduction amid constrained prime availability and improving trading conditions. A widening divergence emerged between core and non-core precincts, with core vacancy compressing to 4.0% versus 4.9% in non-core areas, underscoring the concentration of demand within Sydney’s prime retail corridors and the increasingly supply-constrained nature of the CBD.

FIGURE 3: NSW Retail Supply by Category



Source: CBRE Research

FIGURE 4: Sydney CBD Vacancy by Half Year



Source: CBRE Research

Rental Performance

CBD super prime net face rent increases by 11.1% over the year

Sydney’s super prime CBD net face rents rose 11.1% over the year and 3.0% over Q1 2026, driven by strong competition for prime space amid record-low vacancy. Constrained supply, improving trading conditions and targeted asset enhancements across core precincts have supported occupancy and rental growth.

In Q1 2026, net face rents at regional shopping centres increased 1.9%, compared with 1.0% at sub-regional and neighbourhood centres. Over the year, regional assets recorded the strongest shopping-centre rental growth at 7.0%, ahead of sub-regional (3.6%) and neighbourhood centres (2.1%). Stronger uplift at regional centres reflects their dominant catchment positions, higher footfall and broader tenant mixes, which continue to support stronger retailer demand and pricing power.

Looking ahead, rental growth across shopping centres is expected to remain measured through 2026, as retailers continue to navigate higher operating costs and adopt a disciplined approach to expansion. While demand for prime and well-located space remains resilient, leasing momentum is likely to be led by well-capitalised operators, with more cautious decision-making moderating rental growth across non-core assets.

Prime LFR rents increased by 2.0% in Q1 2026, supported by tight vacancy and limited availability of well-configured space. While consumer confidence continues to influence the timing of larger discretionary purchases, leasing sentiment among LFR operators remains positive, with expansion focused on sites that align with network requirements for location, scale and access.

LFR assets remain underpinned by low vacancy of c. 2.5% and a constrained supply pipeline, supporting rental growth prospects into 2026. Enquiry levels remain solid, though execution is limited by the scarcity of suitable opportunities. Retailers continue to prioritise well-located assets with strong visibility and adjacency to complementary national brands, reinforcing demand for high-quality centres.

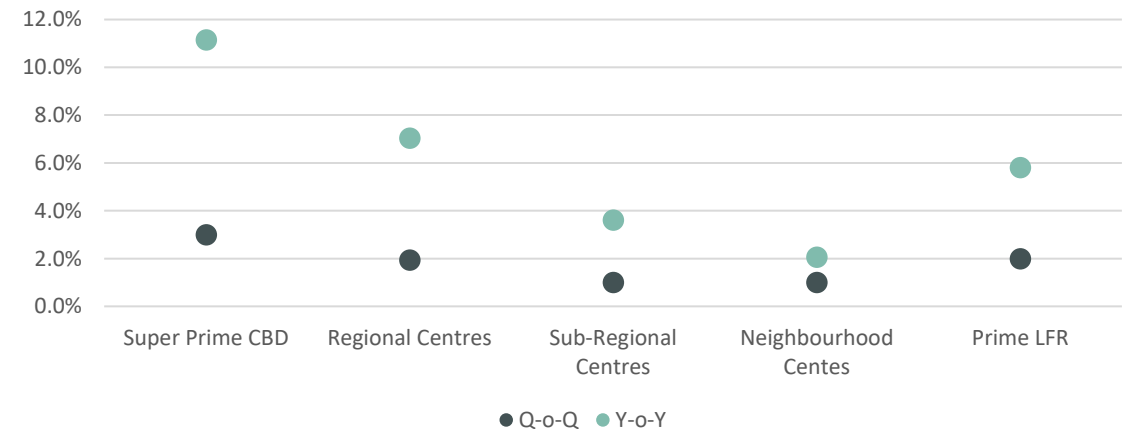
Incentives remained stable across all retail asset classes in Q1 2026, supported by disciplined leasing conditions and limited new supply.

FIGURE 5: NSW Key Leasing Rates by Retail Asset Category

Asset Type	NFR (AUD/sqm)			NER (AUD/sqm)			Incentives (%)		
	Q126	Q-o-Q Change	Y-o-y Change	Q126	Q-o-Q Change	Y-o-y Change	Q126	Q-o-Q Change	Y-o-y Change
CBD Super Prime	11,860	3.0%	11.1%	10,081	3.0%	12.5%	15.0%	Stable	-100bp
Regional	2,023	1.9%	7.0%	1,669	1.9%	7.0%	17.5%	Stable	Stable
Sub-Regional	1,219	1.0%	3.6%	1,073	1.0%	3.6%	12.0%	Stable	Stable
Neighbourhood	1,199	1.0%	2.1%	1,038	1.0%	2.1%	13.5%	Stable	Stable
LFR	696	2.0%	5.8%	621	2.0%	5.8%	10.8%	Stable	Stable

Source: CBRE Research

FIGURE 6: Net Face Rent Growth y-o-y, by Retail Property Type (Mar 25 - Mar 26)



Source: CBRE Research

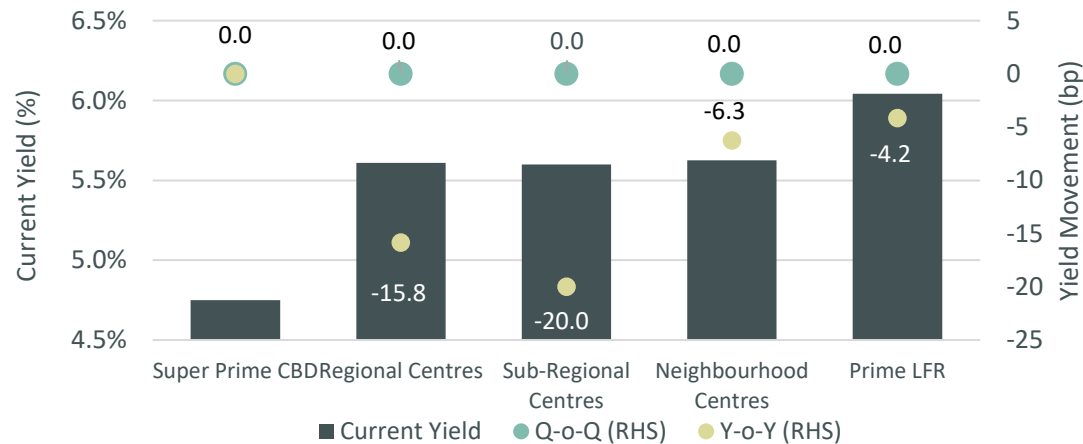
Investment

Sydney retail investment volumes normalise following decade-high 2025

A total of \$339 million of investment sales were recorded in Q1 2026 across four transactions in NSW for sales greater than \$5 million. The largest transaction involved the \$143 million sale of Bonnyrigg Plaza Shopping Centre by LaSalle Investment Management to Charter Hall. Investor sentiment remains constructive, with demand concentrated on high-quality retail assets offering secure income and growth potential. While activity has become more selective amid higher interest rates, supportive debt markets, tightening bid-ask spreads and stable operating fundamentals are expected to underpin steady, income-led performance across well-located and essential-service-anchored assets.

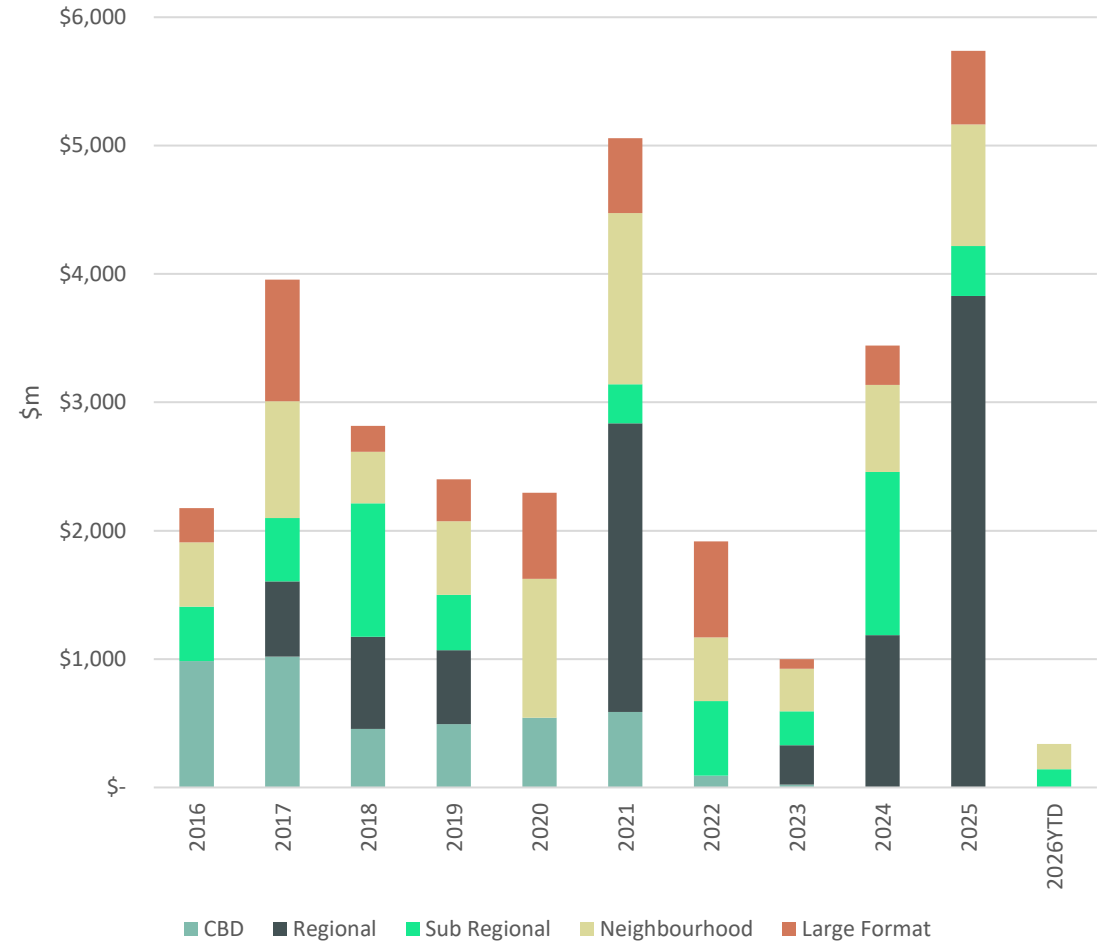
Yields were stable across all retail asset classes in the March quarter. Over the year, regional shopping centre yields tightened by 16 bp, underpinned by sustained investor demand, resilient income profiles and limited availability of prime assets. Sub-regional centre yields compressed by 20 bp, supported by their defensive positioning, stable income streams and strong localised catchment demand. Neighbourhood centre yields tightened by 6 bp, with higher tenant turnover and greater exposure to discretionary spending continuing to limit the extent of further yield compression.

FIGURE 7: NSW Retail Yields by Category



Source: CBRE Research

FIGURE 8: NSW Retail Investment Sales by Category (greater than \$5 million)



To Note: Excludes Strip and Stand Alone sales.
Source: CBRE Research

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

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 Kilometers
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