Intelligent Investment

Large Format Retail

REPORT — Insights

CBRE RESEARCH
JUNE 2026

Intelligent Investment

Large Format Retail (LFR) Outlook

Booming spend

CBRE forecast **household goods** sales will grow to $94bn by end of the decade, **+70% through the 2020s**. A triple boost of population growth, jobs growth and income growth will help to grow the retail base.

In addition, rising home values have seen an acceleration in household goods spend across WA, QLD and SA.

Still low penetration

LFR GLA per capita is 0.22 sqm, around 1/3rd of levels in the US and Australian shopping centres.

Vacancy has already fallen to low single digits and 72% of centres nationally exhibit sub 2% vacancy.

For developers, we view Sydney, Canberra and Regional QLD/NSW/VIC amongst markets that are still relatively under-penetrated.

Supply constrained

New supply fell to a 10-year low in 2025.

Although we forecast an improvement in 2026, much of the forward pipeline remains stuck in approvals. Elevated construction costs and interest rates are likely to delay or derail projects, keeping completions well below historical norms over the next 5 years.

Occupier diversity

The Top 20 occupiers have over 3,250 stores nationally. Diversity of occupier is also evidenced by 33% of space take-up by Furniture shops, 19% by Hardware/Garden, 12% by Electrical and 11% by Homewares.

More recently, Pet products and Gyms have opted to take-up space in LFR. We also see scope for ongoing growth in penetration by food & liquor occupiers.

Rent growth

Rents are up 21% nationally since 2020, with Sydney leading at 31%.

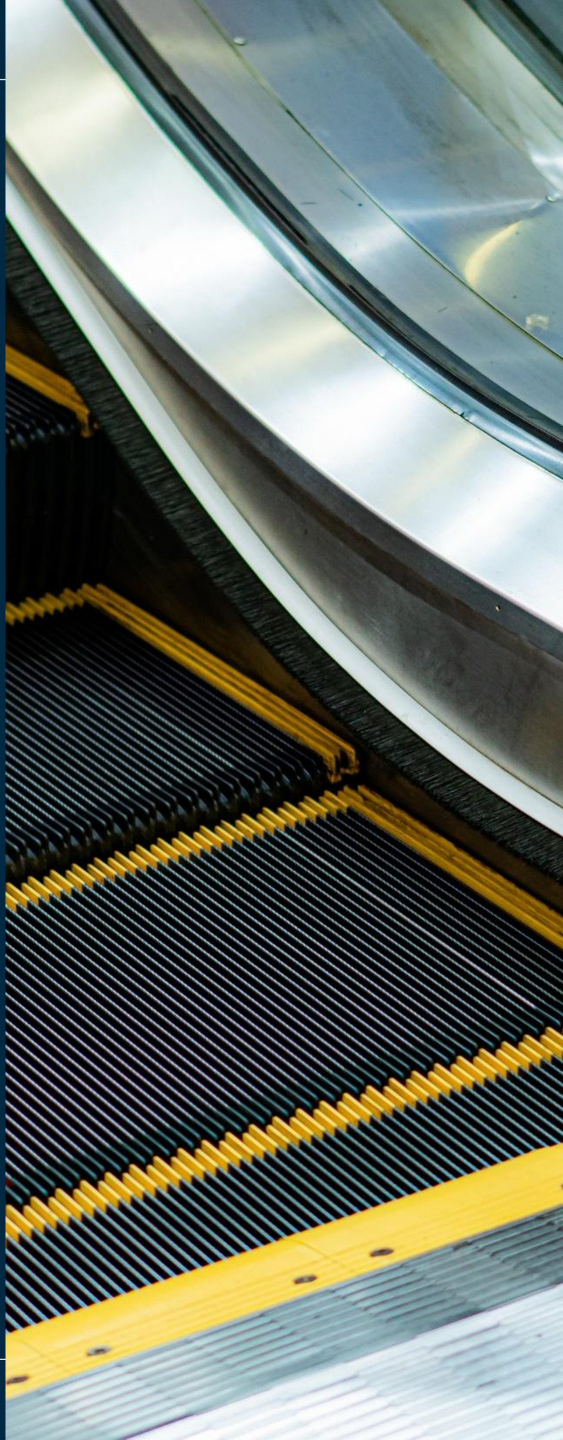
Vacancy has tightened further, falling to 2.8%. This continues to place upward pressure on rents and CBRE forecast ~5% pa to 2030.

For context, leading LFR tenants have experienced Sales and EBIT growth of nearly 50% since 2019 while margins are broadly stable at 12%.

Investment returns

LFR had posted sector leading investment returns of +12.8% pa over the past 10 yrs. Rent growth combined with cap rate compression to deliver exceptional results.

Looking ahead, CBRE forecast investment returns could be ~11% pa, lead by rent growth. There is still scope for modest cap rate compression of ~10bps over the next 3 years.



Investment returns

Large Format Retail had posted sector leading investment returns of +12.8% pa over the past 10 yrs, supported by cap rate compression and rising rents.

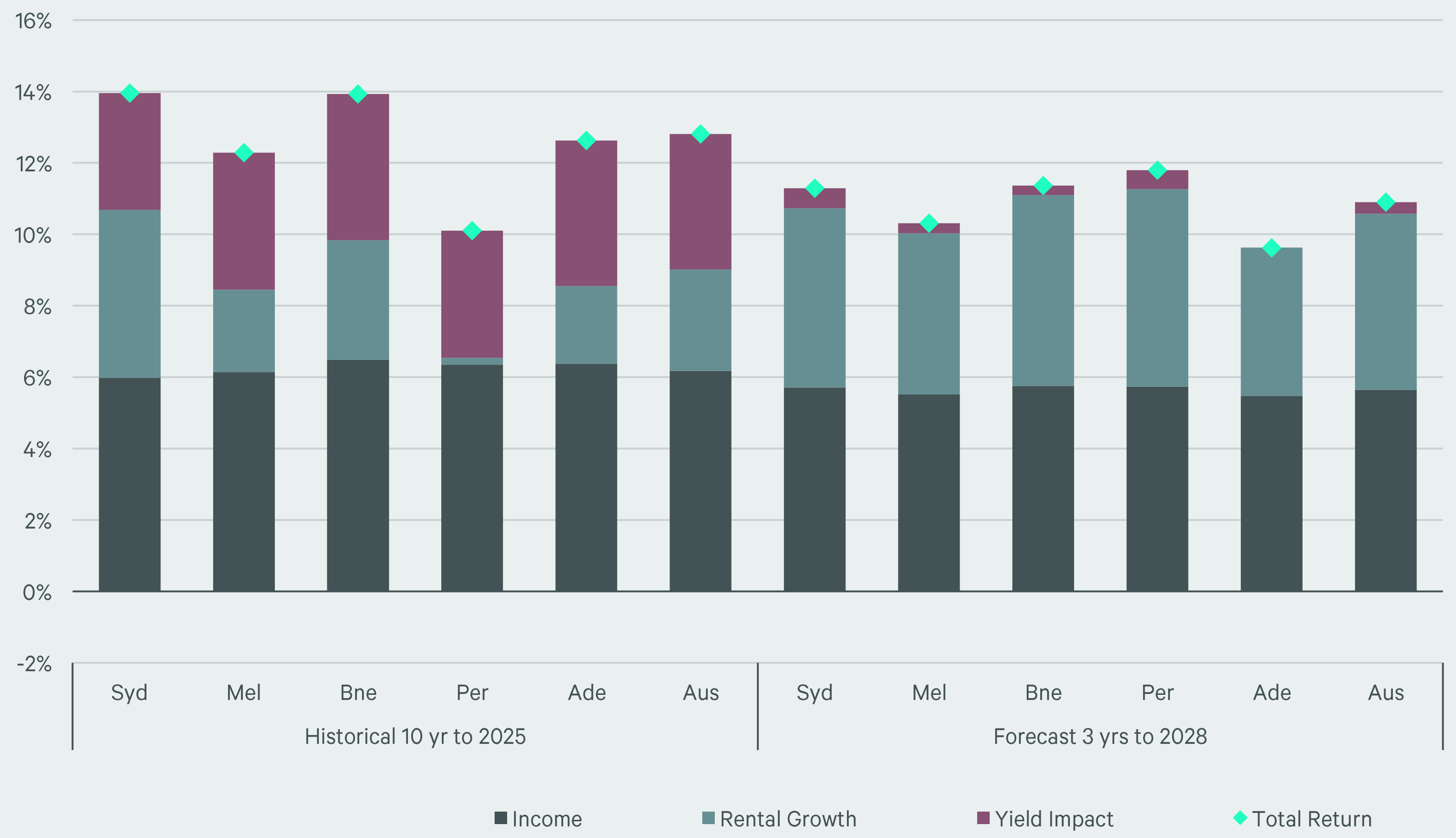
Unlike many other sectors, LFR benefits from minimal incentives, helping to sustain a strong income yield.

Looking ahead, CBRE forecast investment returns are likely to average nearly 11% pa supported by strong income and rent growth.

Our forecast is for mid single digit rent growth, lead by Brisbane and Perth. There is also scope for modest cap rate compression of ~10bps over the next three years.

FIGURE 1

Investment returns



Source: CBRE Research

Demand triple boost

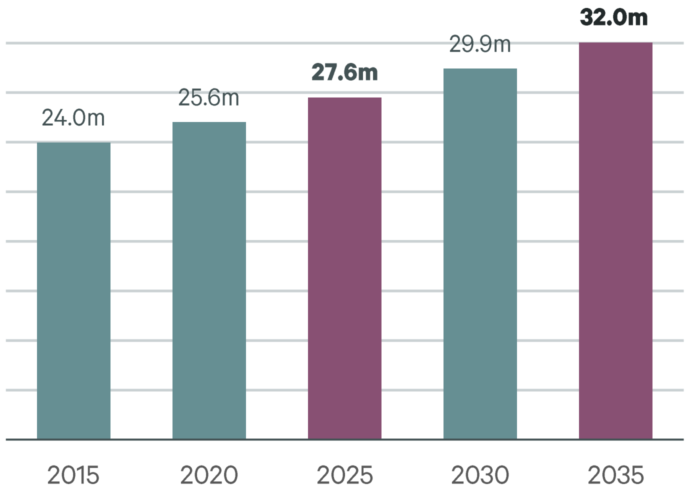
The demand for consumer facing real estate is expected to benefit from the triple boost of rising population, rising jobs and rising income. Collectively, this wealth effect will add ~$1,000bn of income over the next decade, a significant proportion of which is likely to be directed towards housing, living, retail & leisure.

FIGURE 2

Triple boost of population, jobs and income

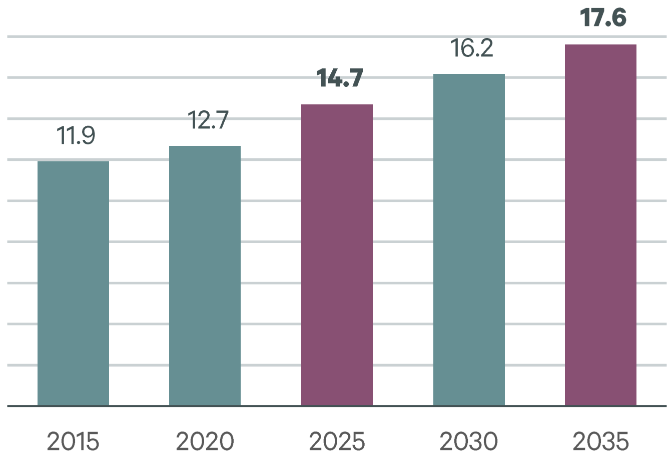
Population growth

Immigration is likely to contribute to two-thirds of Australia's population growth, from 27.6m in 2025 to 32.0m by 2035.



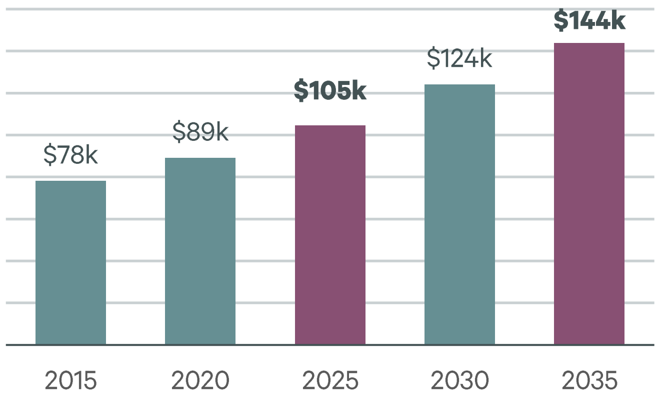
Jobs, jobs, jobs

The employment market has been particularly robust, adding 2.8m workers between 2020 and 2025. We see employment growing by another 2.9m to 2035.



Rising income & wealth

We see average annual income increasing from $105,000 currently to $144,000 pa by 2035.



Source: ABS, Population Statement, CBRE Research

Consistent sales

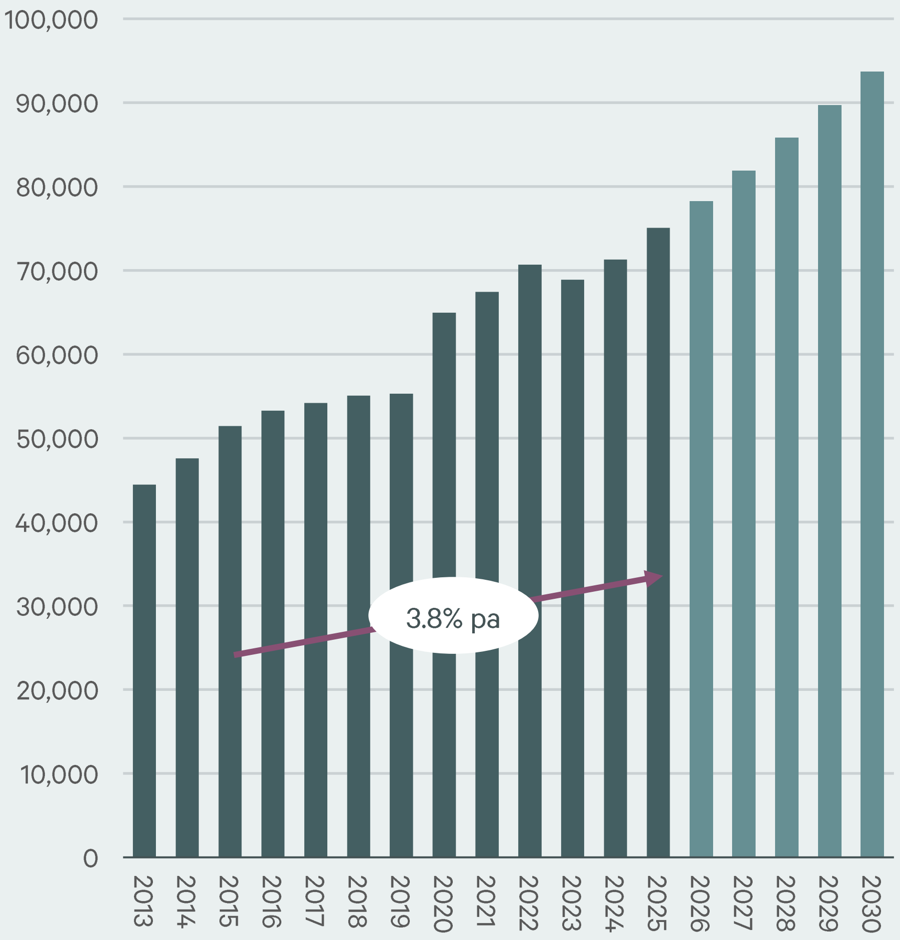
LFR categories account for between 20%-25% of all retail sales. Spend on household goods increased at mid-single digits over the past decade.

Furnishings account for 27%, Electronics 37% and Hardware 36% of spend.

Robust employment conditions and rising home values have seen an acceleration in Household spend across Western Australia, Queensland and South Australia.

FIGURE 3

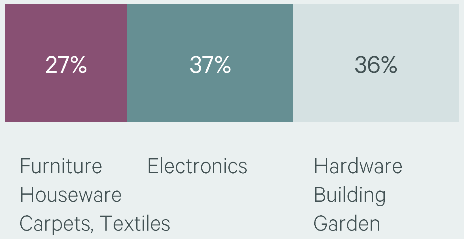
Household goods spend ($m)



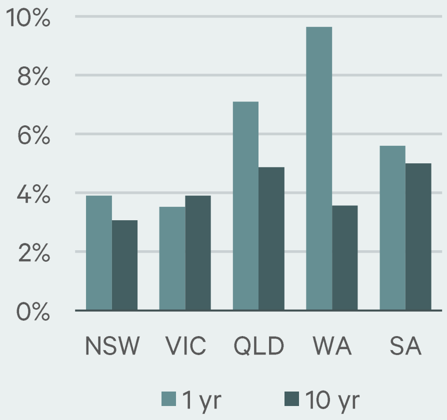
Source:: ABS, CBRE Research

FIGURE 4

Share of spend (estimate)



Growth rate by State



Housing

We view a robust housing development pipeline and home values as conducive to spend on household goods.

In recent times, there have been 170,000-180,000 new homes built in Australia. A new resident typically spends between $15,000-$50,000 furnishing their home. It all depends on needs such as coffee machines, bed linen, style of dining etc.

Increasing home values have also encouraged owners to renovate their properties. Separately, the wealth effect of rising home values has been a tailwind for upgrades to home furnishing.

Over the last 15 years, home value appreciation has been most noticeable in Sydney (+7.1% pa), Brisbane (+6.0% pa) and Adelaide (+5.5% pa).

Near-term, CBRE expect more modest home value and apartment supply outcomes.

FIGURE 5

Housing completions

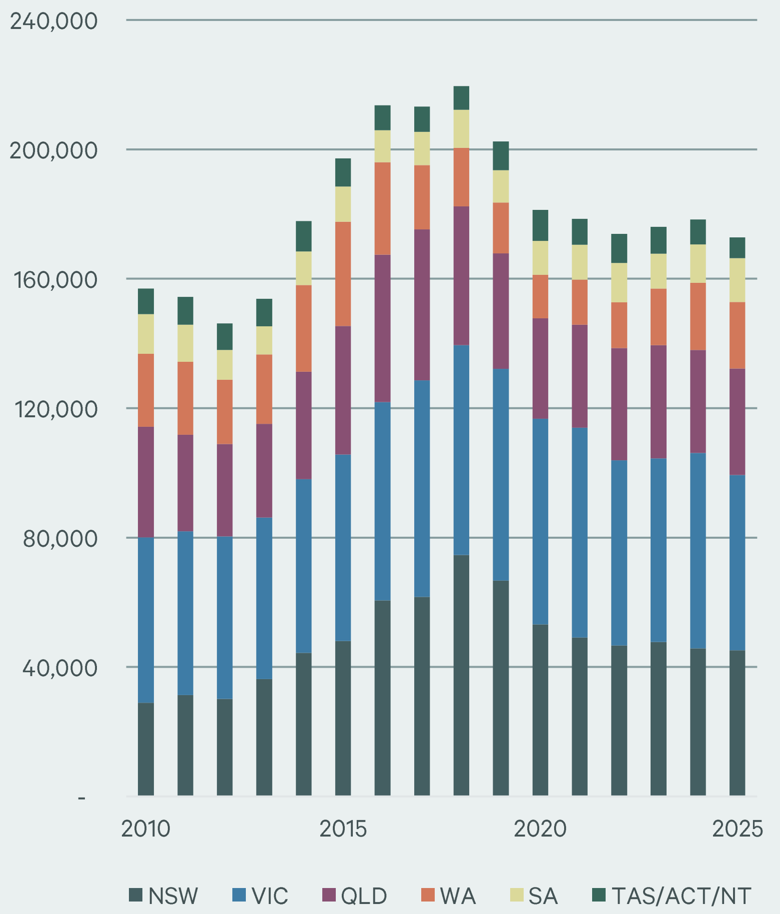
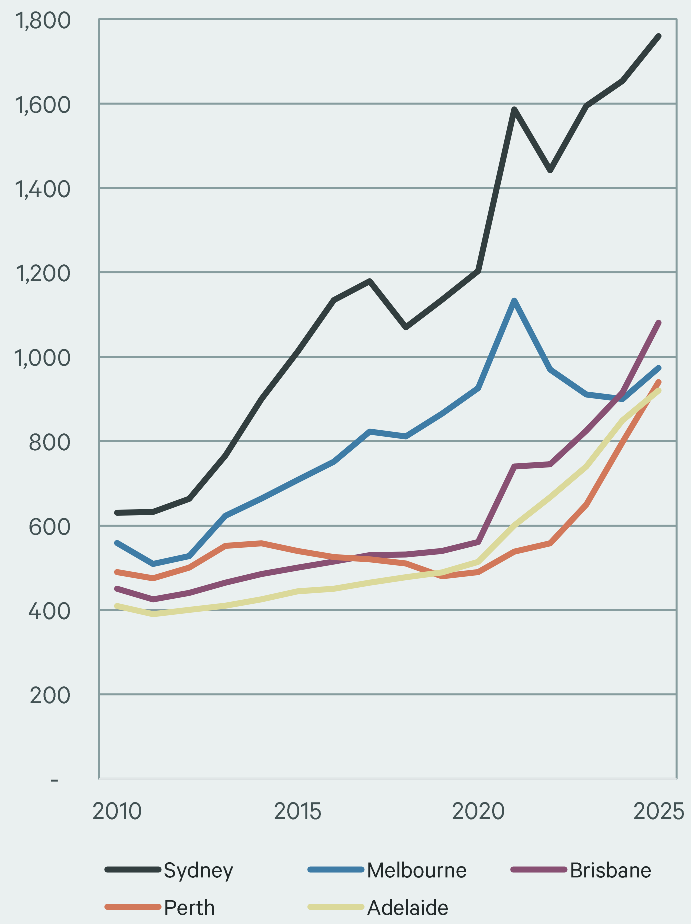


FIGURE 6

Residential values $000



Source:: ABS, CBRE Research

Occupiers

The Top 20 occupiers have over 3,250 stores nationally. Diversity of occupier is also evidenced by 33% of space take-up by Furniture shops, 19% by Hardware/Garden and 12% by Electrical and 11% by Homewares.

More recently, pet products and gyms have opted to take-up space in LFR. We also see scope for ongoing growth in penetration by food & liquor occupiers.

FIGURE 8

Category by floorspace

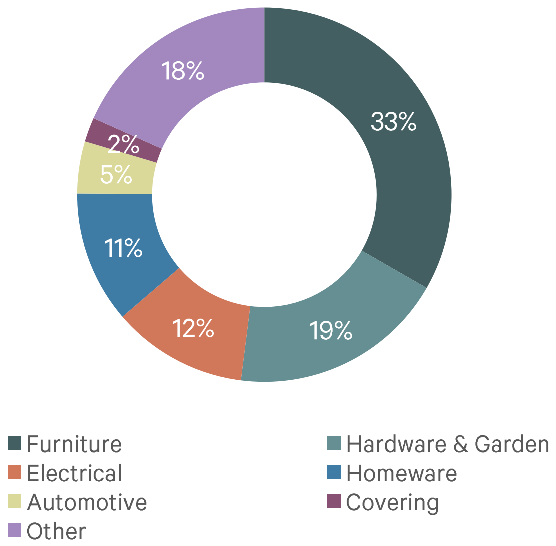
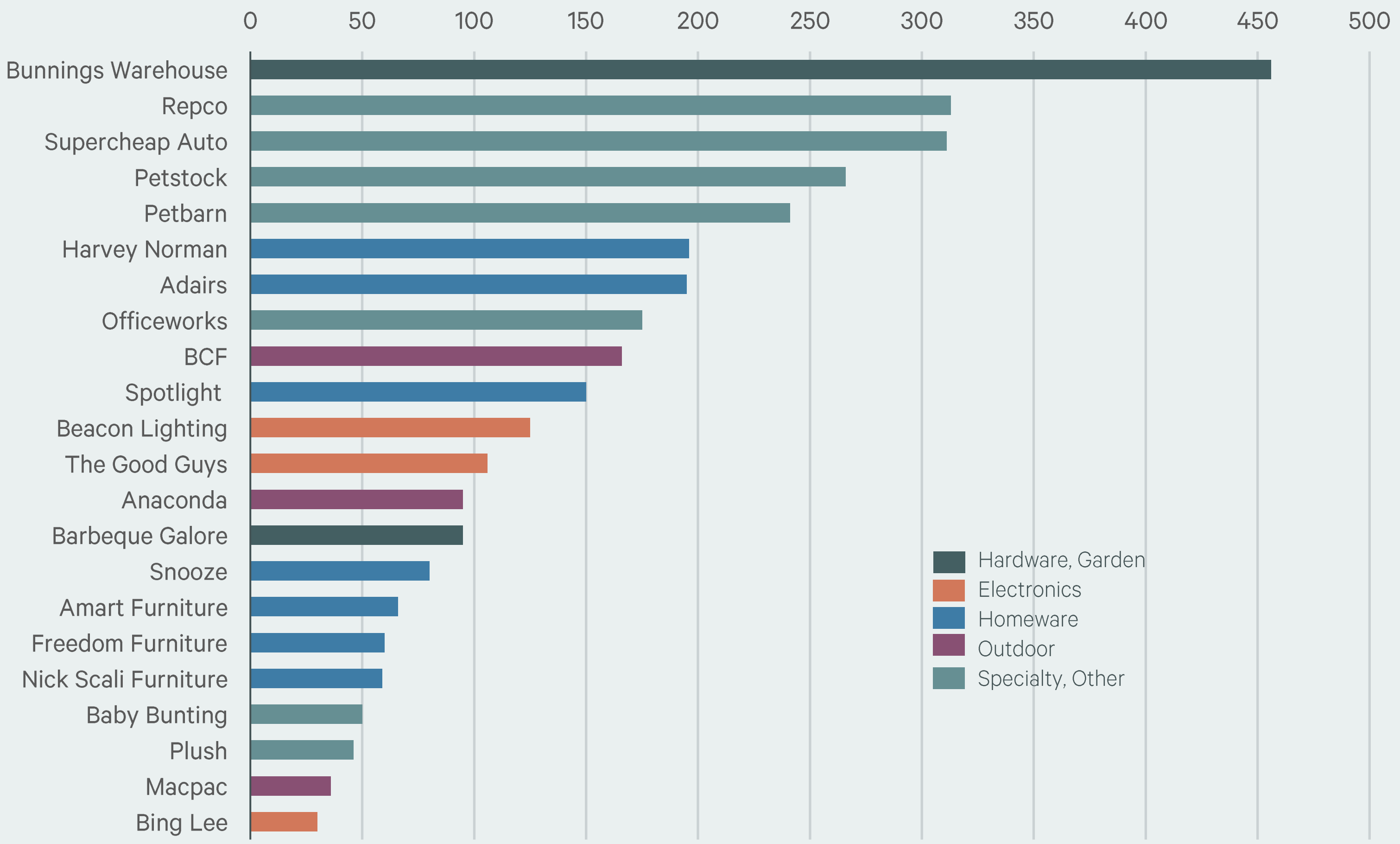


FIGURE 7

Estimated store count by selection of major occupiers



Source:: CBRE Research

Spotlight: Pets & Gyms

32m

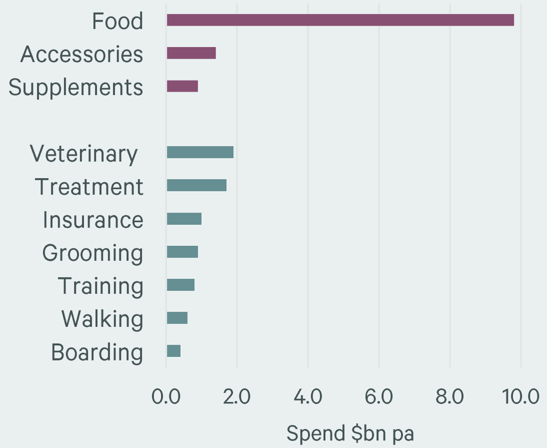
Number of Pets

73%

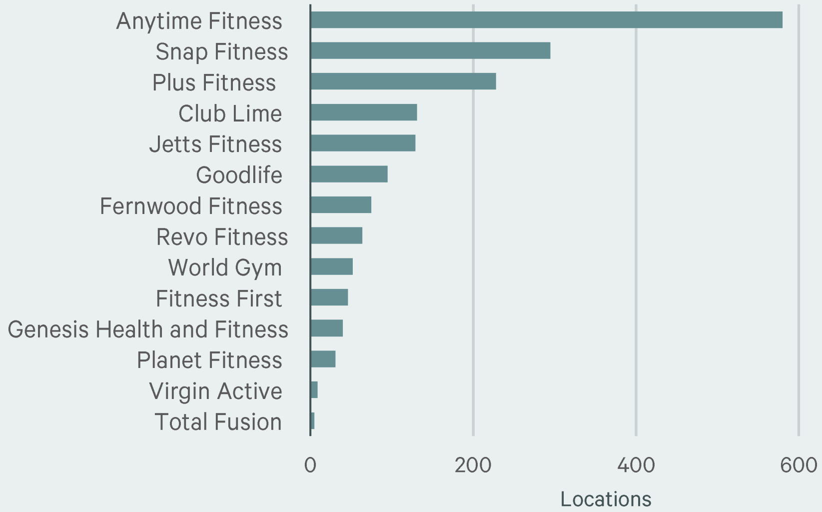
Household penetration

$23bn

Annual spend on Pets



Source:: Animal Medicines Australia, CBRE Research



Shops preferred

For DIY, Groceries and Homewares, consumers overwhelmingly prefer an in-store experience.

Australia's eCommerce penetration is still relatively low at just 14.7%. More recently, there are emerging case studies of stores which exclusively rely on click&collect.

FIGURE 10

eCommerce penetration

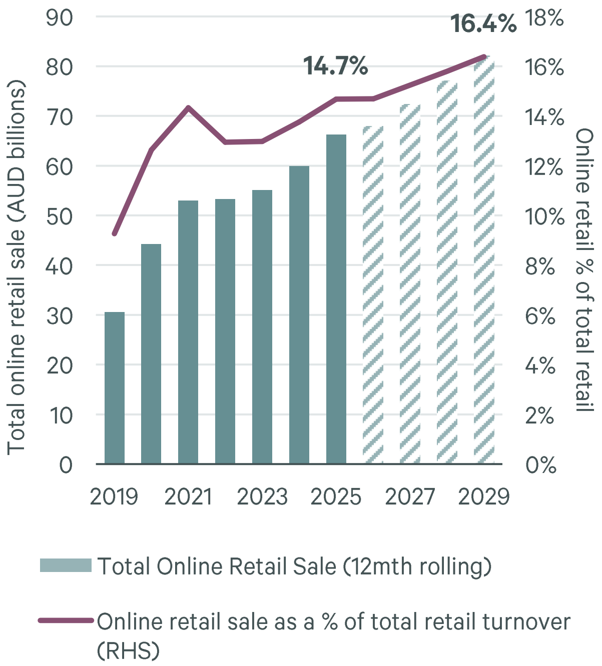
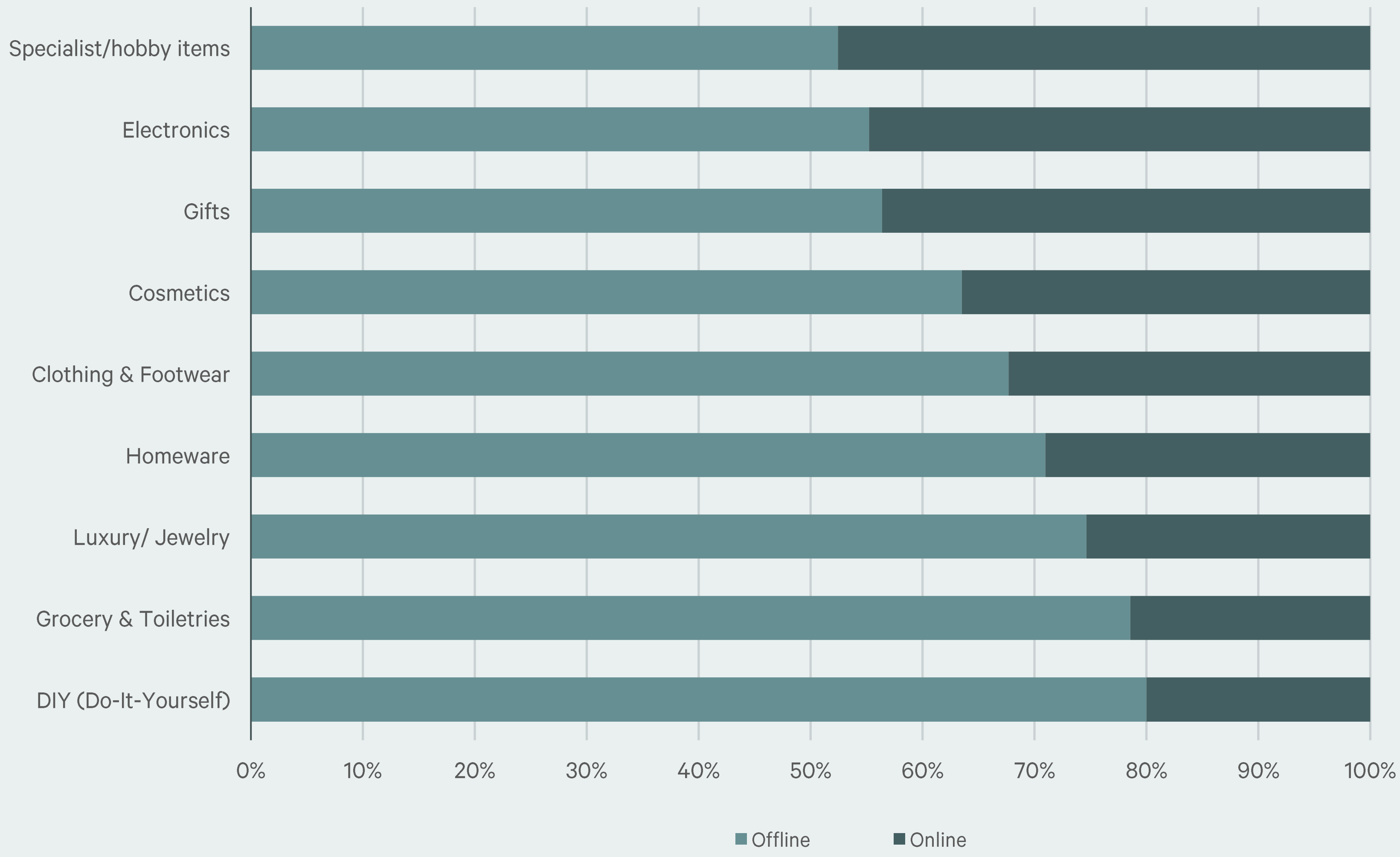


FIGURE 9

Preferred method of shopping



Source:: CBRE Research

Occupier health

Retailers have posted significant sales growth over the past six years, while holding profit margins broadly stable.

Across all categories of Retail, including groceries, fashion, food and household goods, sales are +40% since 2019. Margins have evolved from 6.0% to 5.5% but EBIT is higher.

For leading LFR tenants, we assess Sales and EBIT are nearly 50% higher since 2019 while margins are broadly stable at 15%.

FIGURE 11

All Retail – Sales and Margin

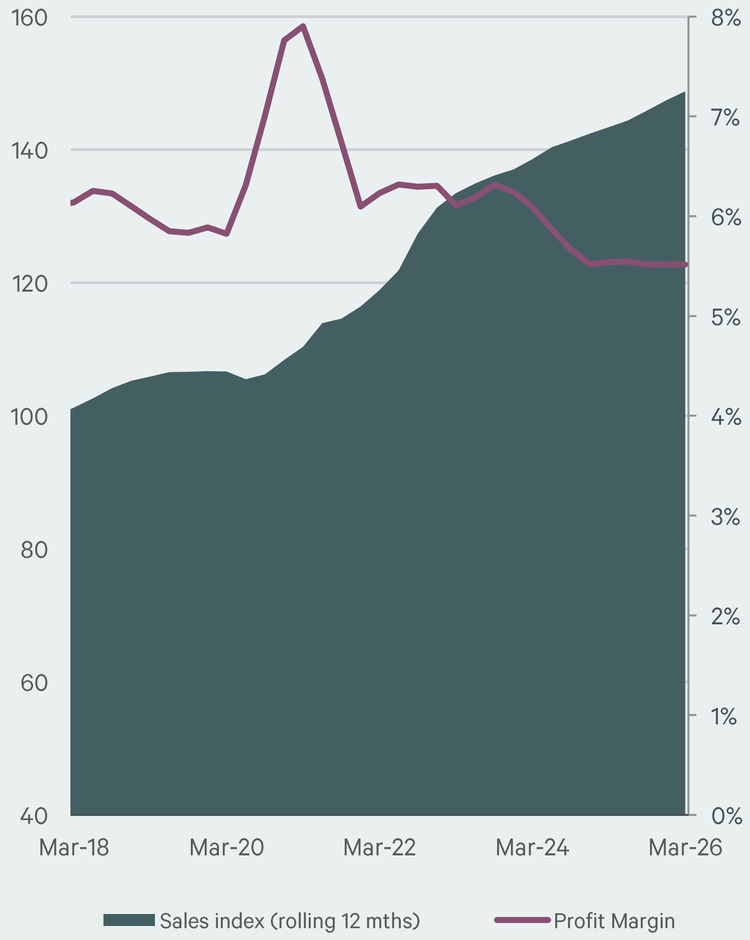
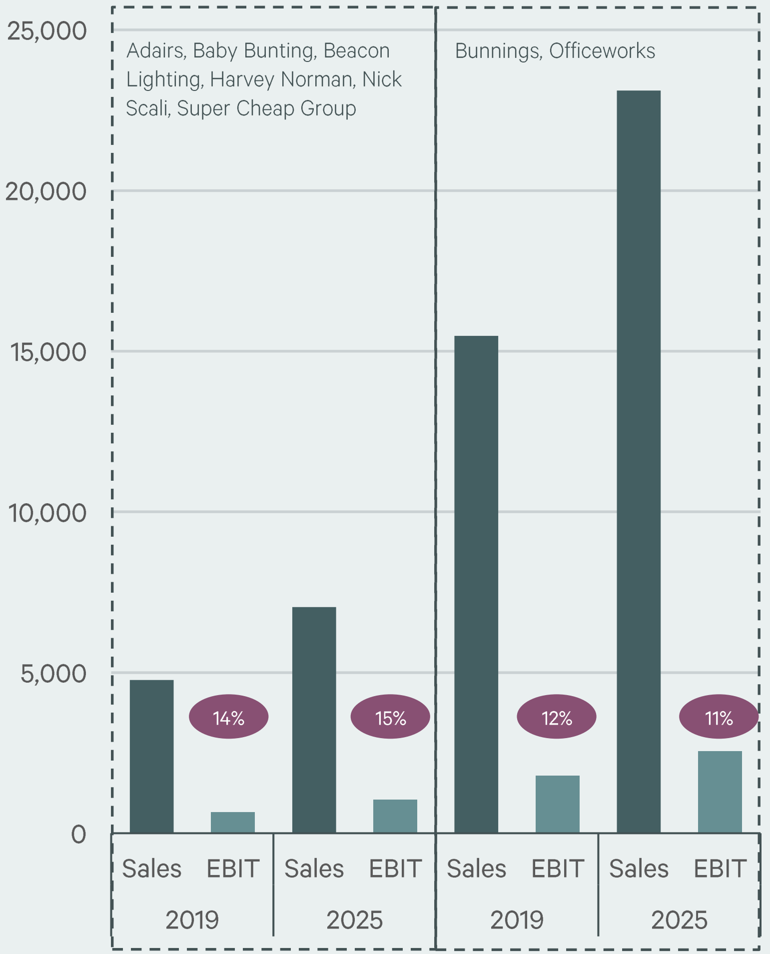


FIGURE 12

Select LFR occupiers - Sales and Margin



Source:: ABS, Company reports, CBRE Research

GLA/Capita

National GLA sqm per capita for Large Format Retail is 0.22 sqm, around 1/3rd of US penetration.

Sydney, Canberra and Regional QLD/NSW/VIC are markets that are most under-penetrated.

Most cities are likely to benefit from outsized population growth over the coming decade.

FIGURE 14

GLA vs population growth

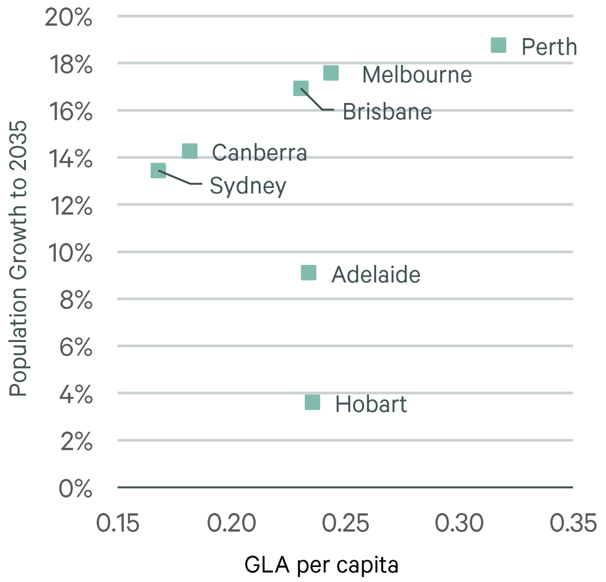
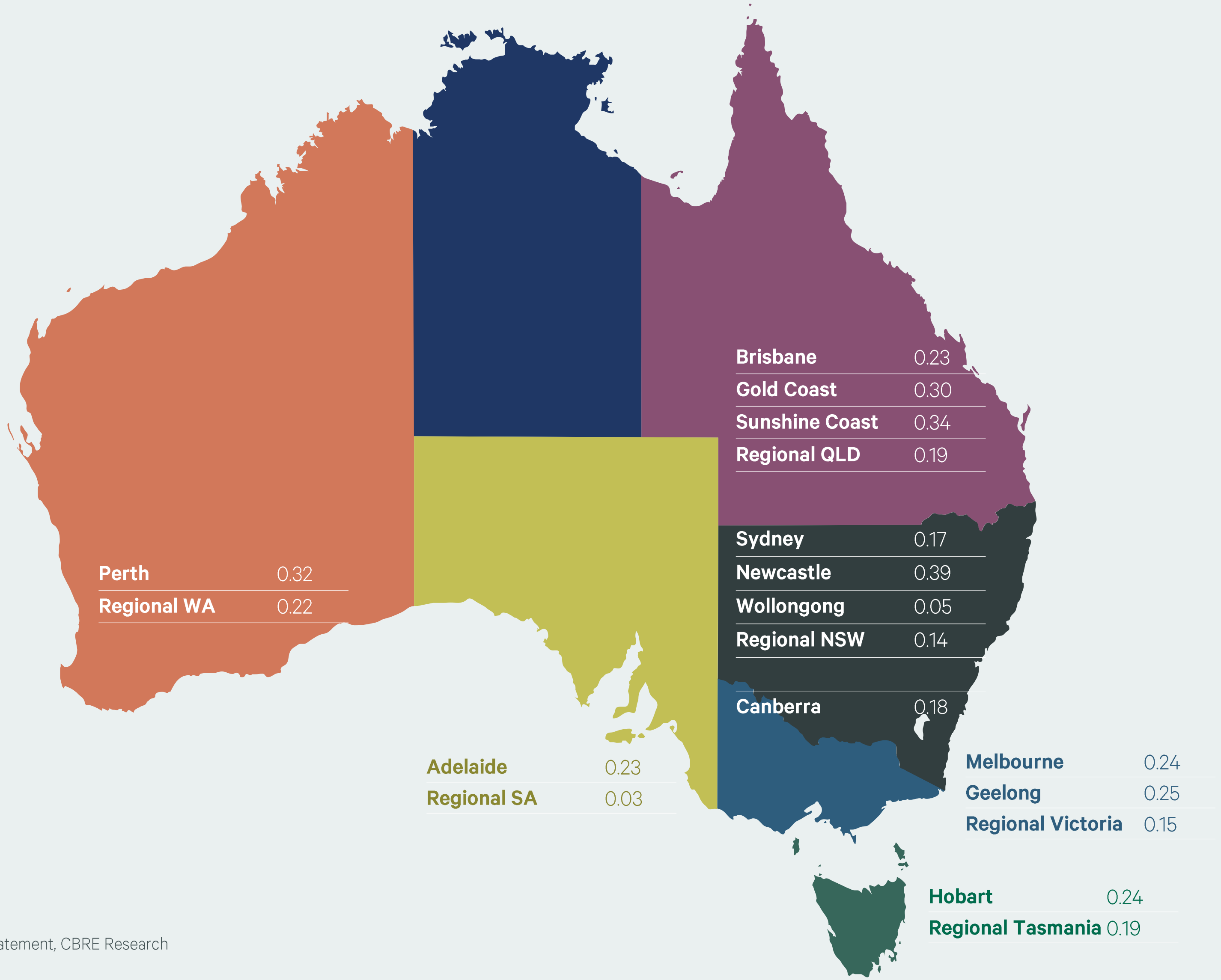


FIGURE 13

GLA sqm per capita by major market



Source:: LFRA, Population Statement, CBRE Research

Supply

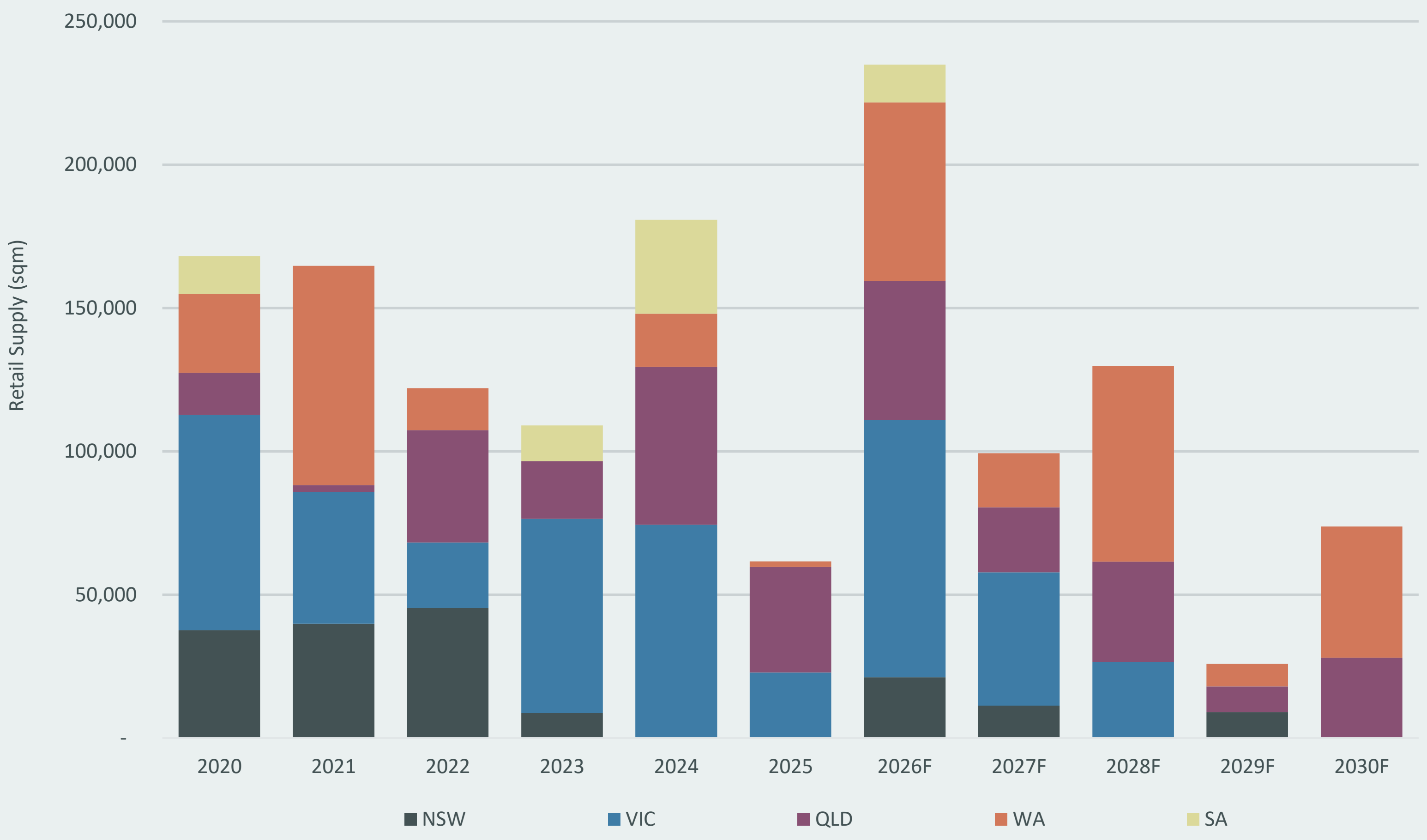
New supply fell to a 10-year low in 2025, despite vacancy sitting at a meagre 2.8%.

Although we forecast an improvement in the pipeline for 2026, much of it remains stuck in approvals.

Elevated construction costs and interest rates are likely to delay or derail projects, keeping completions well below historical norms over the next 5 years.

FIGURE 15

National large format retail supply by state



Source:: CBRE Research

Vacancy

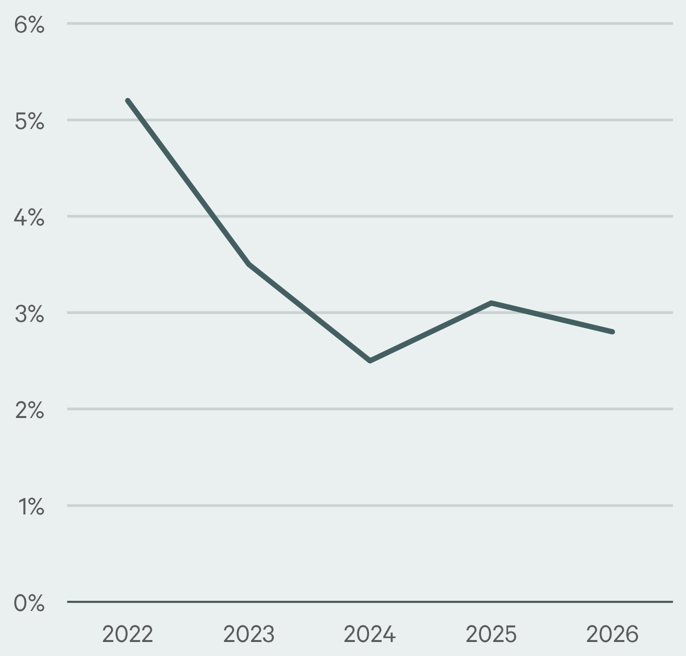
Vacancy has declined to low single digits in recent years.

NSW, QLD and TAS have amongst the lowest LFR vacancy nationally.

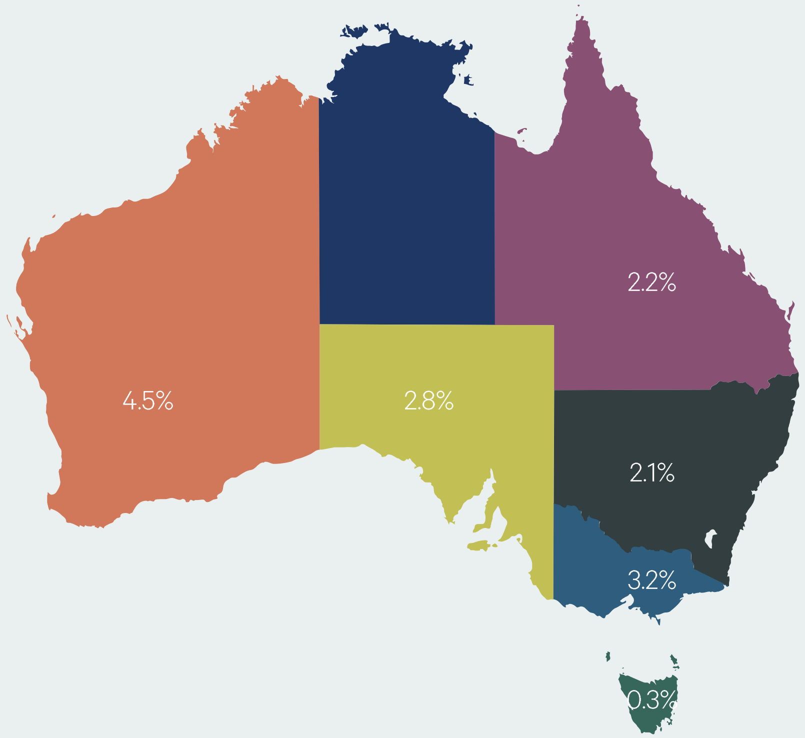
72% of LFR centres have sub 2% vacancy rates.

FIGURE 16

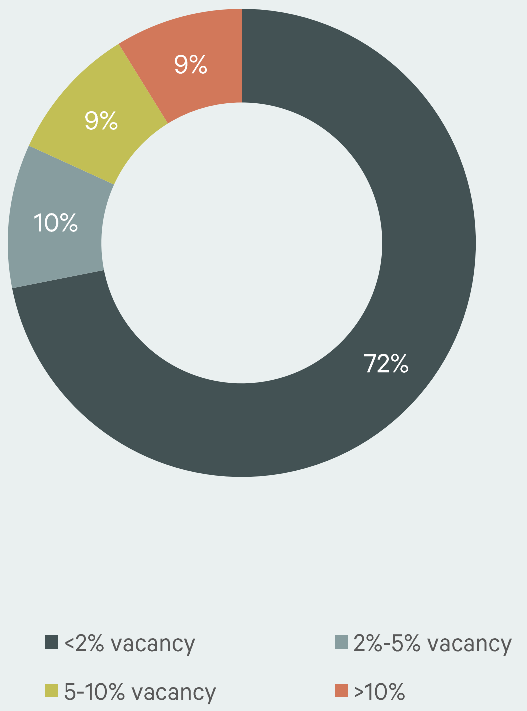
Vacancy rates over time



Vacancy by State



Vacancy by centres



Source:: LFRA, CBRE Research

Rents

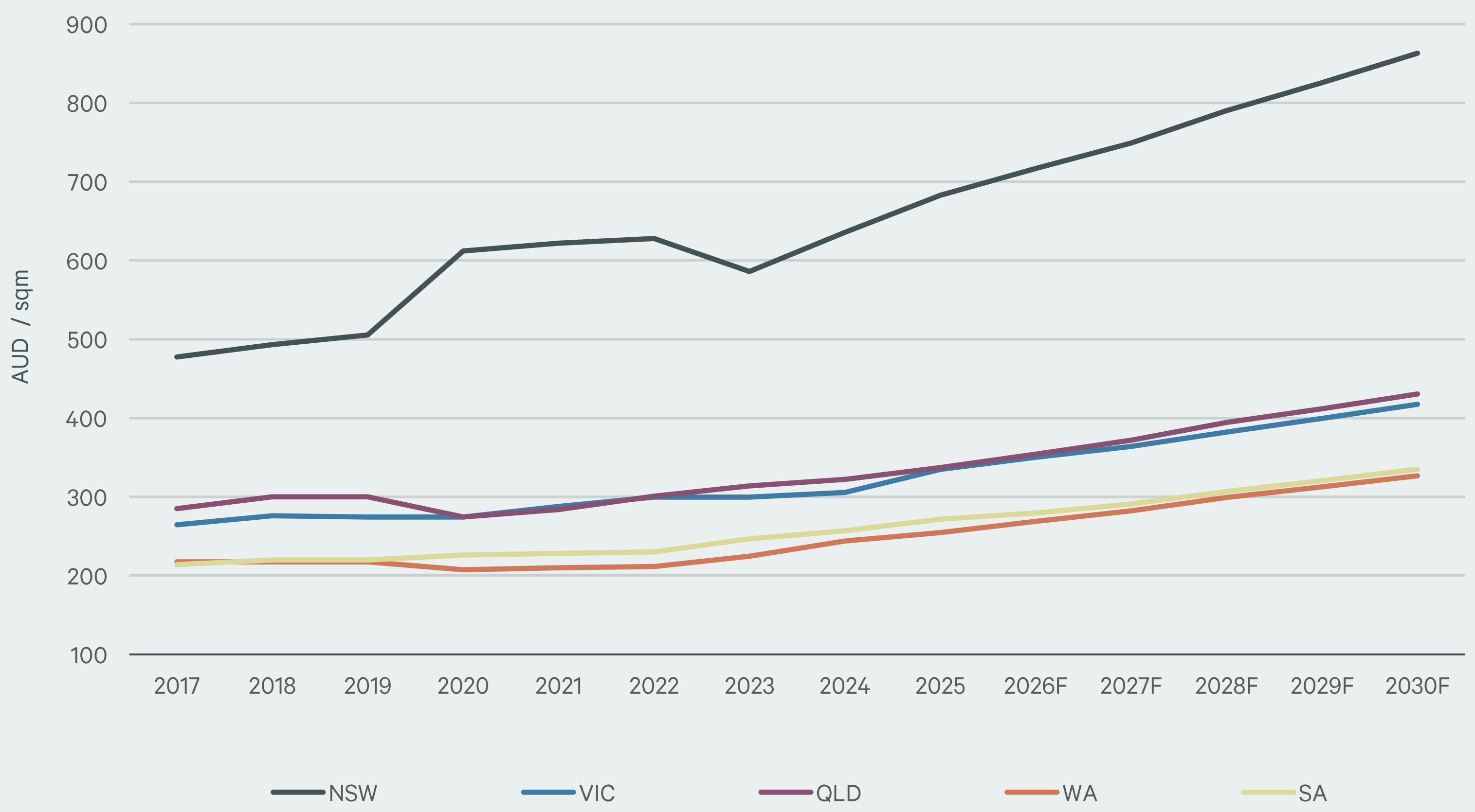
Australia's LFR sector has delivered strong rental growth, underpinned by sustained demand and limited supply. Rents are up 21% nationally since 2020, with Sydney leading at 31%.

Vacancy has tightened further, falling from 3.1% to 2.8%, reinforcing supply constraints. Combined with elevated construction costs and limited new delivery, this continues to place upward pressure on rents.

CBRE forecast mid-single digit rent growth though 2026-30. We're slightly more constructive on QLD and WA rent outlook supported by house values.

FIGURE 17

Average large format retail net face rents, by state



Source:: CBRE Research

Transactions

Sales have averaged over $1,200m pa over the past 10 years. Volumes had recovered strongly in 2025, supported by growing conviction around consumer spending.

The majority of LFR transactions over the last 10 years have been between the $5 to $50 million range, reflecting growing participation by private investors.

The $50 to $100 million sales category is typically the preferred value range of institutional investors.

FIGURE 18
Transactions by State

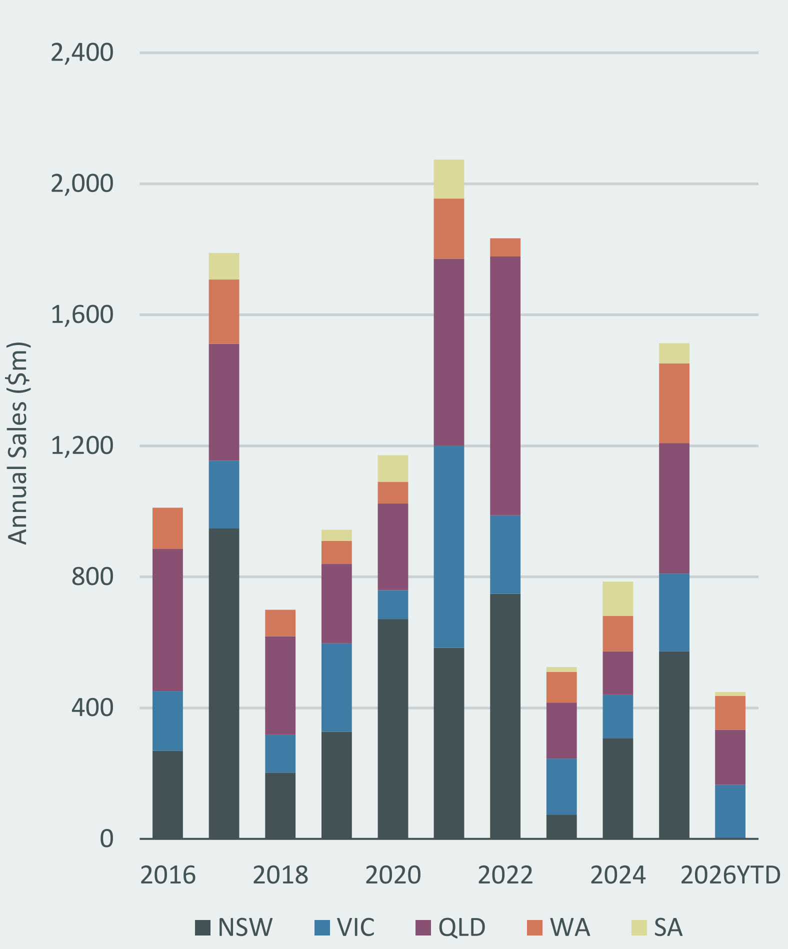
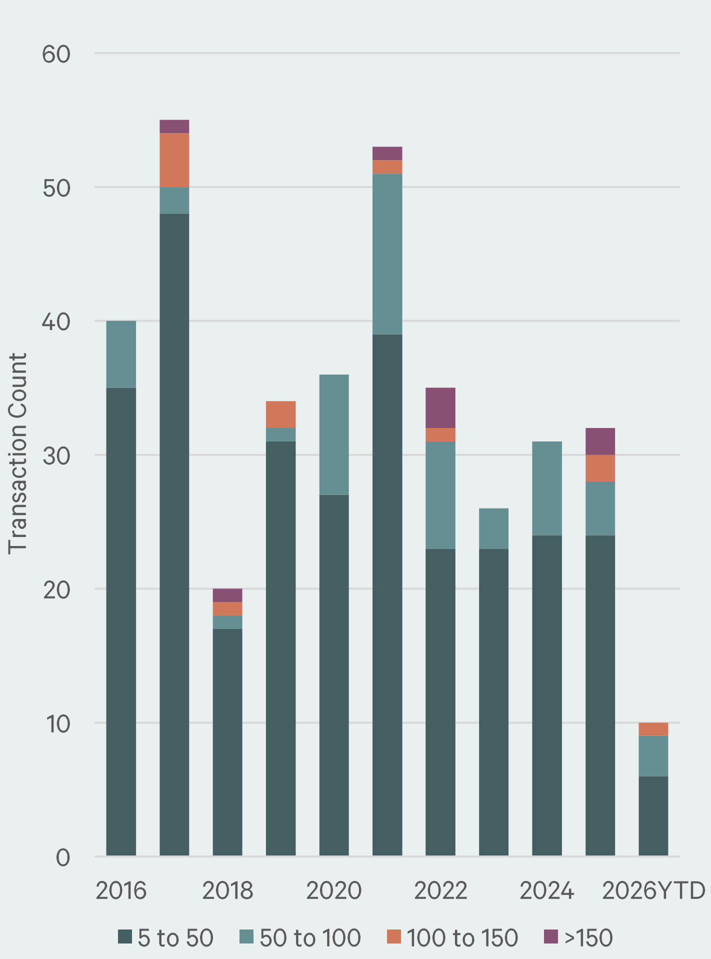


FIGURE 19
Transactions by deal size



Source:: CBRE Research

Select transactions

FIGURE 20

Recent transactions

Property	State	Sale Price ($m)
Home HQ Artarmon	NSW	180
Morayfield Super Centre	QLD	126
Chadstone Lifestyle Centre	VIC	86
Bunnings Seven Hills	NSW	65
Treendale Home & Lifestyle Centre	WA	53
HomeCo North Lakes	QLD	52
Bunnings Epping	VIC	50
Morayfield Home Centre	QLD	48
1 Kellicar Road	NSW	39
Windsor Exchange	QLD	29
1-23 Wells Road	VIC	28
52–64 Old Geelong Road	VIC	24
215 Campbell Road	WA	23

Source:: CBRE Research

Bunnings Shellharbour

Reece South Penrith

Pricing

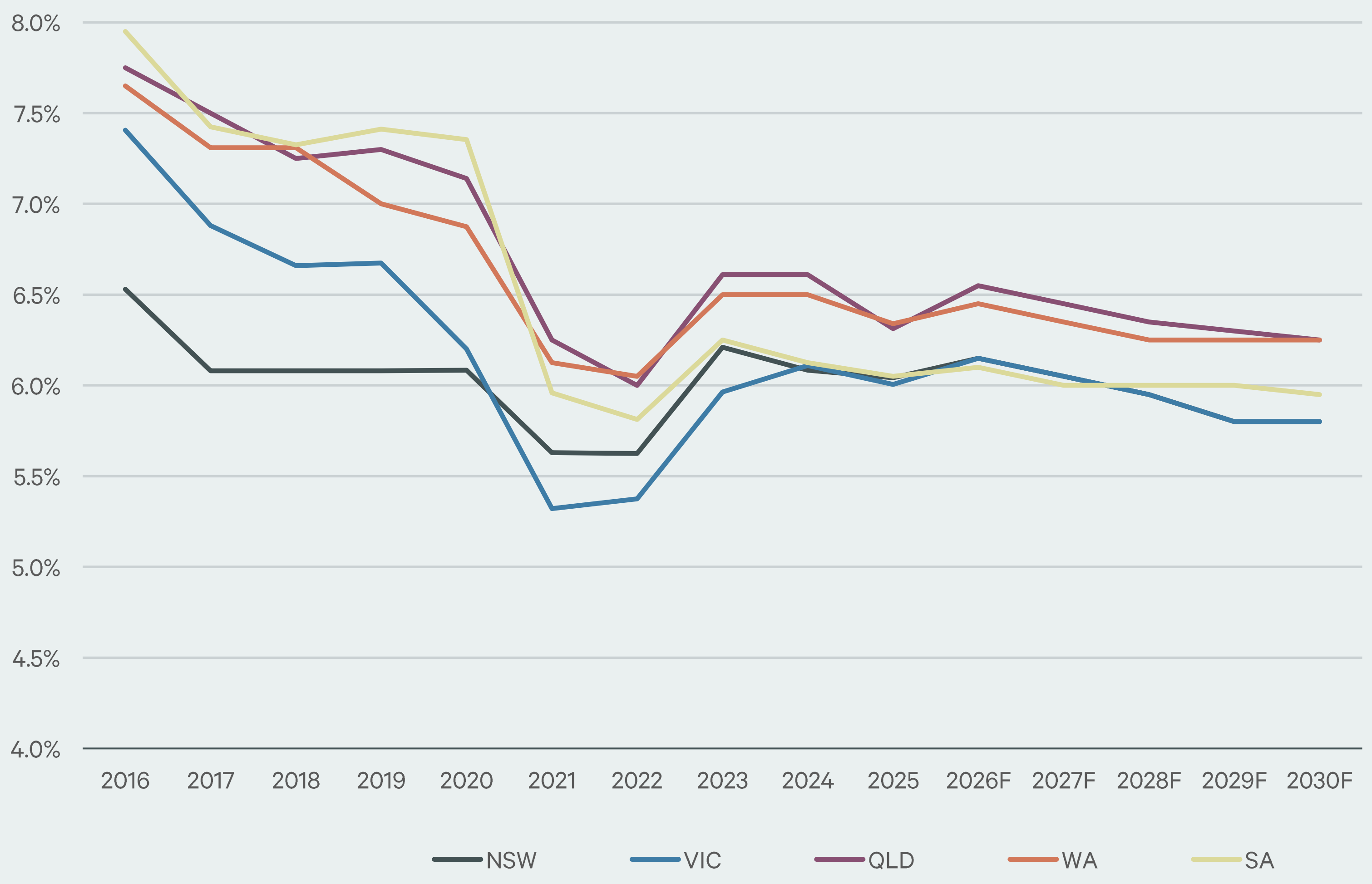
The LFR sector remains a preferred investment, underpinned by strong tenant performance and sustained demand, reinforcing its resilience and appeal.

Yields tightened moderately over the past two years on the back of strong investor interest and constrained supply, following the post-covid repricing cycle through to 2025. Average national yields now sit at 6.1%.

Looking ahead to 2026, yields are expected to soften slightly as elevated bond rates and macro uncertainty weigh on pricing. Our forecasts are for 2028 yields to be ~10bps tighter than 2025.

FIGURE 21

Cap rates by State



Source:: CBRE Research

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