

FIGURES | MELBOURNE RETAIL | Q4 2025

Flagship openings and new supply propel super prime rents in Melbourne CBD

▲ 6.9%

Melbourne CBD Vacancy H1 25

▲ 4.9%

Victoria Seasonally-Adjusted Monthly Household Spending Y-o-Y Growth, November 2025

▲ -7 bp

Regional Centre Y-o-Y Yield Change

▼ \$619.2m

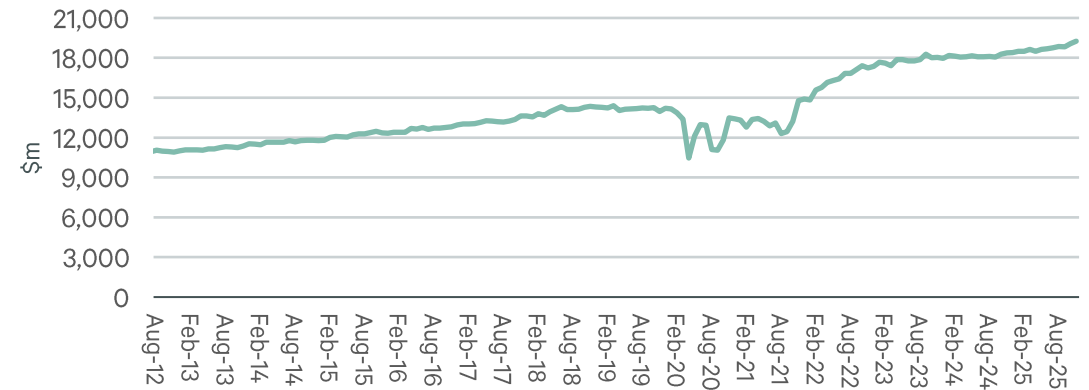
Q4 2025 Victorian Retail Transaction Volumes

Note: Arrows indicate change from previous quarter.

Key Points

- Household spending in Victoria in November 2025 rose by 1.0% m-o-m and 4.9% y-o-y in seasonally adjusted terms, hinting at continued resilience in consumer demand despite broader economic uncertainty.
- In November 2025, Victoria’s unemployment rate rose to 4.7% (+0.6 pp y-o-y), however remains low by historical standards.
- Retail supply over 2026 and 2027 is projected to reach c.333,113 sqm across CBD, shopping centre and LFR assets. Supply is anticipated to align with the five-year historical average of c.119,272 sqm p.a.
- In Q4 2025, net face rents for super prime CBD increased 7.7%, reflecting strong demand for flagship locations as luxury and experiential retail continues to rebound. LFR rents rose by 6.4% while other retail assets remained broadly stable during the quarter.
- Retail investment activity in Melbourne (\$5m+) recorded \$619.2m in Q4 2025. The most notable transaction was the sale of Burwood One, a sub-regional centre.
- Sub-regional centres experienced the sharpest y-o-y yield compression, contracting by 25 bp.

FIGURE 1: Victoria Monthly Household Spending (Seasonally Adjusted)



+1.0%

Month-on-Month, November 25



2.2%

Quarter-on-Quarter, November 25

Source: ABS, CBRE Research

Economic Overview

Australia’s economic momentum carried forward amid rising investor activity

In Q3 2025, Australia’s GDP grew by 0.4% q-o-q (seasonally adjusted, chain volume measures) and 2.1% y-o-y, maintaining its steady growth trajectory. GDP per capita was unchanged over the quarter, following a 0.3% increase in June.

Annual inflation rose to 3.4%, easing from a 3.8% rise in the 12 months to October 2025. Over the past year, the main contributors to inflation were Housing (+5.2%), Food and Non-alcoholic Beverages (+3.3%) and Transport (+2.7%). Underlying inflation continued to rise, driven by strong domestic demand and increasing administered prices.

According to ABS, declining borrowing costs combined with tight vacancy rates created an attractive environment for property investors. The value of new investor loans surged 17.6%, marking the strongest quarterly growth since June 2021, compared to a more modest 4.7% lift for owner-occupier loans.

Business investment contributed 0.5pps to GDP growth, climbing 3.2% q-o-q. This was underpinned by a 7.6% surge in machinery and equipment spending, driven by the rapid rollout of data centres as firms capitalise on artificial intelligence and cloud computing advancements.

Victoria’s economic growth is driven by services and public sector expansion

In 2024-25FY, Victoria’s GSP experienced a moderate growth of 1.1% in volume terms, following a similar 1.4% increase in the previous year. This growth is consistent with a broader national trend, as all states and territories reported positive GSP growth, while Australia's overall GDP growth stood at 1.4%. The state’s decline in GSP per capita (-0.8% y-o-y) reflects population growth outpacing economic output. Growth was driven by service industries, led by Financial and Insurance services (2.6%), Health Care and Social Assistance (2.5%) and Transport, Postal and Warehousing (2.4%), reflecting broad national strength.

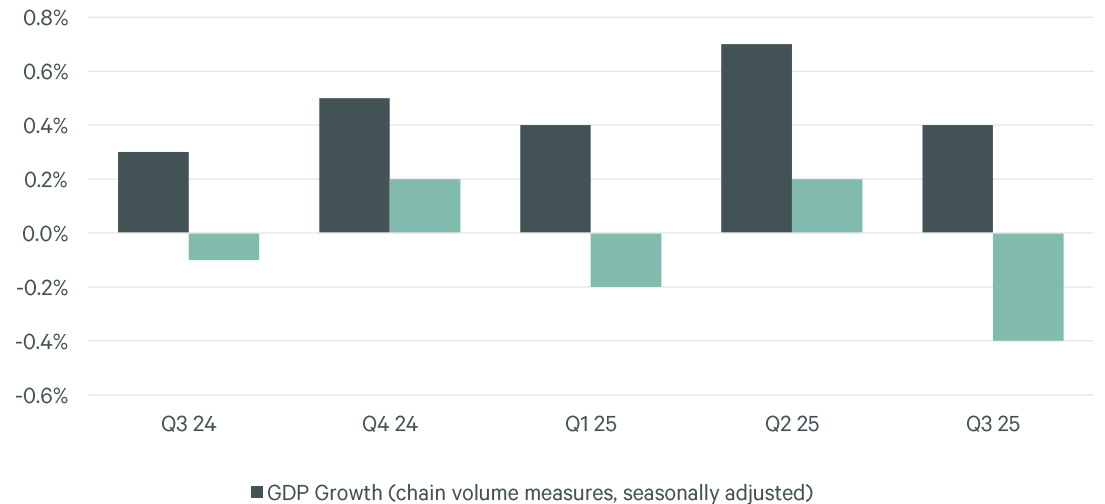
In Melbourne, the growth of public services continues to bolster the city’s economy, resulting in an increase in office-based employment. The largest contributions to growth came from professional, scientific & technical activities and construction.

Event-driven spending lifts household consumption despite inflation risks

Household consumption edged up 0.5% in Q3 2025, underpinned by notable shifts in essential spending. Electricity spending surged 4.2%, reflecting the phasing out of State government rebates. Accommodation and food prices edged up 0.2% q-o-q and 3.6% y-o-y, supported by strong hotel occupancy during footy finals and major sporting events. Although household spending fundamentals remain resilient, a renewed bout of inflation combined with the prospect of sustained higher interest rates is poised to weigh on consumer confidence, particularly among mortgage holders.

Household spending in Victoria in November 2025 rose by 1.0% m-o-m in seasonally adjusted terms, driven by promotional events boosting discretionary goods (clothing, electronics) spending and major events (concerts, festivals) lifting services spending.

FIGURE 2: Australian Real GDP and GDP Per Capita Growth by Quarter



Source: ABS, CBRE Research

Supply

Retail development lags behind Melbourne’s rapid population growth

Melbourne is expected to see c.333,100 sqm of retail supply delivered across 2026-2027. The upcoming supply pipeline remains limited, primarily focusing on LFR developments and neighbourhood centres, which are projected to account for around 44% and 35% of the total supply in the next two years, respectively. This targeted expansion aligns with Melbourne’s recent surge in population, driven by robust migration, economic opportunities and a high quality of life. Therefore, demand for retail facilities is intensifying, placing upward pressure on both existing infrastructure and future development needs.

Regional centre supply remains limited. In Melbourne’s highly competitive retail environment, opportunities for establishing new regional centres are scarce. Consequently, asset owners are focusing on enhancing the performance of existing properties through refurbishments and extensions. These upgrades often include modernising infrastructure, refreshing aesthetics, optimising tenant mixes and integrating new technologies to improve the customer experience. Moreover, the rise of e-commerce has spurred innovations in the retail sector as demand for experiential and mixed-use spaces rises in pursuit of attracting foot traffic and boosting overall value.

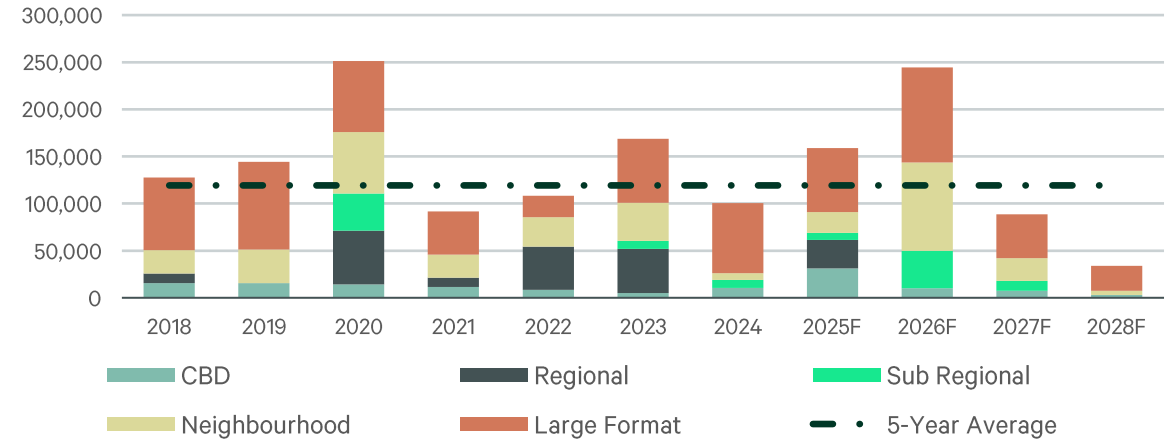
LFR assets are on track to experience substantial growth, with several new developments springing up across the state, totalling c.147,500 sqm of new supply in 2026-2027. The trend is particularly evident in the expanding growth corridors of the urban fringe and metro areas. Developer confidence in these assets remains strong, indicating a buoyant retail environment across Melbourne in the foreseeable future.

Flagship openings and completions drive leasing momentum in Melbourne CBD

New CBD supply remains constrained as several high-profile developments reached practical completion in Q3 and Q4 2025, with c.17,400 sqm scheduled for delivery across 2026-2027. Major projects such as The Walk, 299 Bourke and Mecca’s Flagship Bourke are on track to reinvigorate Melbourne’s retail core.

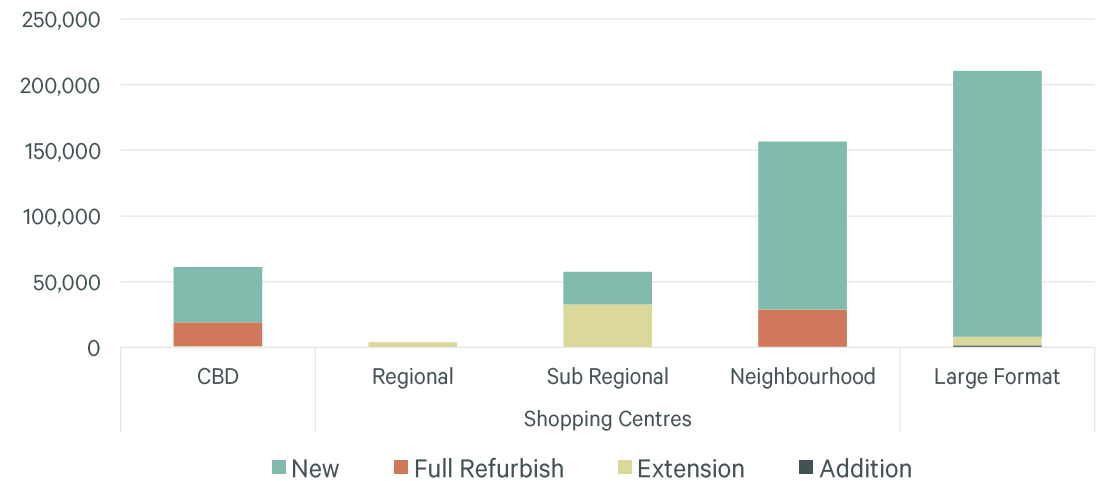
These completions have already begun to stimulate leasing activity, drawing both local shoppers and tourists while enhancing the vibrancy of the city’s retail precinct. Toward the end of 2025, several international retailers launched flagship stores (JD Sports’ Southern Hemisphere flagship, TK Maxx, Lacoste), underscoring strong demand for immersive, globally branded retail experiences.

FIGURE 3: Melbourne Retail Supply by Category



Source: CBRE Research

FIGURE 4: Melbourne Future Supply by Property and Development Type, 2026-2028



Source: CBRE Research

Rental Performance

Melbourne CBD super prime rents surge on the back of major retail completions

In Q4 2025, Melbourne’s CBD super prime retail locations recorded a sharp 7.7% q-o-q and y-o-y increase in net face rents, driven by the completion of major retail projects that revitalised the core. Leasing incentives in the CBD declined by 250 bp q-o-q and 500 bp y-o-y, as vacancy tightened in high-foot-traffic precincts, easing pressure on landlords and signalling stronger tenant demand.

LFR spaces continued its upward trajectory, with net face rents rising 6.4% q-o-q and 9.7% y-o-y, supported by resilient household spending and retailer expansion in growth corridors and suburban locations. This trend is underpinned by Melbourne’s urban sprawl and population growth in outer suburbs.

Regional, sub-regional, neighbourhood and prime stripes maintained consistent net face rent levels, with modest growth across most segments. Regional centres experienced a robust 3.1% q-o-q growth, fuelled by increased consumer demand and strong anchor tenant performance. Neighbourhood centres also showed a 1.4% y-o-y uptick, reflecting a cautiously optimistic outlook among shoppers and sustained demand for convenience-based retail.

Core strip locations in inner-city areas are outperforming, benefiting from strong rental growth and declining incentives, as demand remains high for well-positioned, high-quality retail spaces. In contrast, non-core strip locations, particularly in outer or suburban areas with softer foot traffic, are struggling, as CBD retail and major shopping centres are attracting consumers by providing enhanced convenience and a wider range of options.

Large format retail has emerged as one of the best-performing retail asset classes

CBD super prime assets demonstrated the strongest annual performance, with net effective rents increasing by 14.9%, closely followed by LFR centres at 11.1%. In comparison, other shopping centre categories recorded more moderate growth, with regional centres leading at 3.1% and sub-regional centres seeing a marginal 0.3% increase. Leasing incentives continued to decline across key segments. CBD super prime incentives fell by 500 bp y-o-y, while prime strip retail and LFR assets recorded reductions of 116 bp and 113 bp y-o-y, respectively.

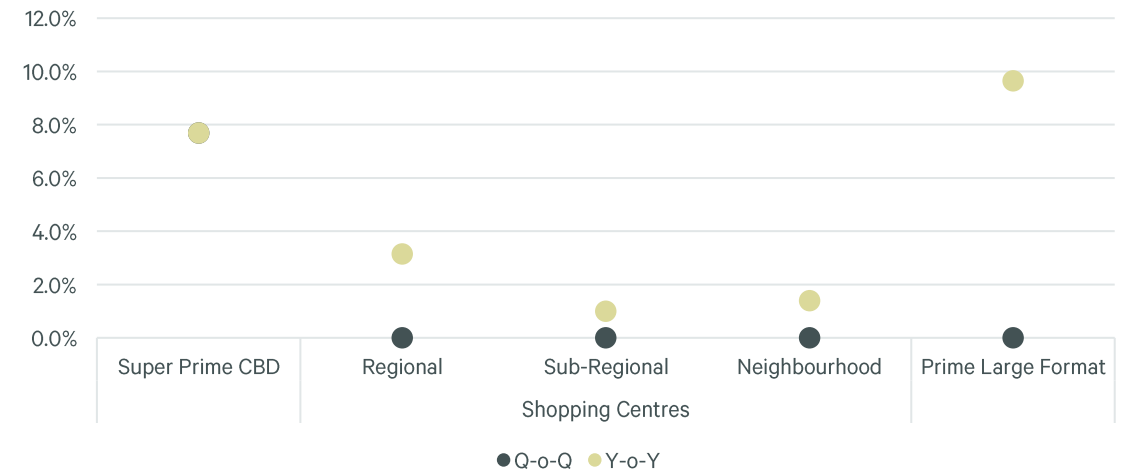
Vacancy rates in LFR centres across metropolitan Melbourne are tightening, particularly in prime locations. This scarcity, coupled with strong retailer demand and limited competitive supply, has enabled landlords to gradually increase rents, reinforcing the sector’s robust fundamentals.

FIGURE 7: Victoria Key Leasing Rates by Retail Asset Category

Asset Type	NFR (AUD/sqm)			NER (AUD/sqm)			Incentives (%)		
	Q4 25	Q-o-Q Change	Y-o-y Change	Q4 25	Q-o-Q Change	Y-o-y Change	Q4 25	Q-o-Q Change	Y-o-y Change
CBD Super Prime	7,000	+7.7%	+7.7%	5,600	+11.2%	+14.9%	20.0%	-250bp	-500bp
Regional	1,554	Stable	+3.1%	1,388	Stable	+3.1%	10.7%	Stable	Stable
Sub Regional	904	Stable	+1.0%	767	Stable	+0.3%	15.1%	Stable	60bp
Neighbourhood	731	Stable	+1.4%	633	Stable	-2.5%	13.5%	Stable	350bp
Prime Large Format	335	+6.4%	+9.7%	291	+6.4%	+11.1%	13.1%	Stable	-113bp
Prime Strips	569	Stable	+0.3%	469	+0.5%	+1.7%	17.5%	-38bp	-115bp

Source: CBRE Research

FIGURE 8: Net Face Rent Growth by Retail Asset Category



Source: CBRE Research

Investment Market

The scarcity of high-quality retail assets is ramping up competition

Victoria’s retail investment market recorded \$619.2m worth of transactions in Q4 2025. The sale of Burwood One (172-210 Burwood Highway) exemplifies strong demand for sub-regional centres with resilient income profiles and strategic locations.

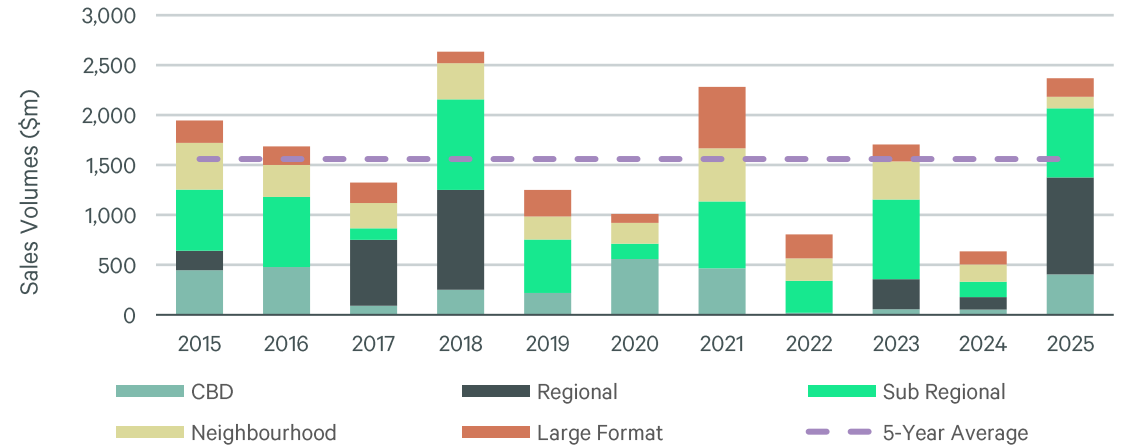
Retail assets are drawing more interest from both private and institutional investors due to their return profiles, limited new supply and inherent growth potential. While institutional capital is reasserting its presence, private capital remains highly active, often stepping in where institutions are more selective. Tight asset supply continues to constrain turnover, creating pricing tension for prime stock. Population growth in Melbourne’s growth corridors is set to underpin demand for convenience-based retail, driving development interest despite high construction costs. Interest rate cuts from late 2025 are poised to gradually filter through to lower debt costs, improving feasibility for leveraged buyers by mid-2026.

Retail yields have selectively compressed as investors back defensive assets

In Q4 2025, Melbourne’s retail yields compressed across sub-regional (-25 bp), LFR (-10 bp), regional (-7 bp) and neighbourhood (-1 bp) assets, while CBD and prime strip locations were unchanged. Compression was supported by resilient household spending and limited new supply, with pricing remaining highly selective around WALE quality and capex burden. Overall, the existing bifurcation suggests investors are selectively re-rating assets based on income security, demographic tailwinds and location fundamentals.

Following a period of cyclical peaks, yield expansion in retail has begun to moderate, signalling renewed investor confidence in asset pricing and interest rate stability. In the short term, yields are expected to remain relatively stable, with limited movement anticipated due to cautious optimism and constrained supply. With interest rates expected to hold steady or potentially rise in 2026, cap rate compression in high-performing retail formats may be more muted than previously anticipated.

FIGURE 9: Victoria Retail Sales by Asset Category, incl. Non-Metro Sales



Source: CBRE Research

FIGURE 10: Victoria Retail Yields by Category



Source: CBRE Research

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