

FIGURES | RETAIL | Q3 2026

Heading for another record year of transaction activity

▼ 80.4

Westpac-Melbourne
Consumer Sentiment Index October 2026

▲ 6.8%

Monthly Household Spending Indicator
y-o-y August 2026

▲ \$6,215

CBD Super Prime Net Face Rents

▼ 6.00%

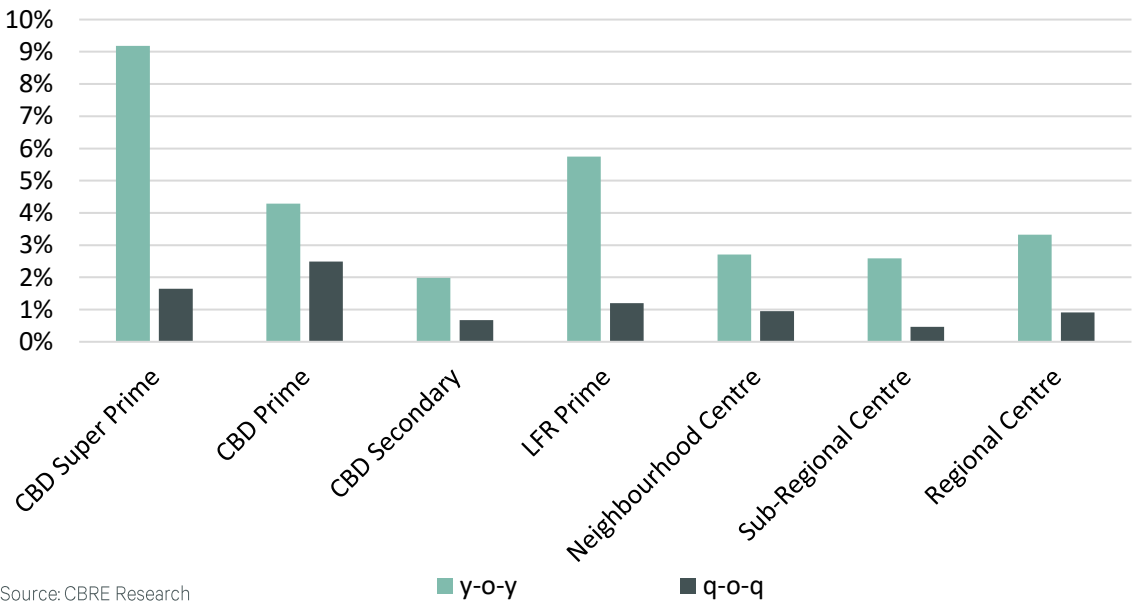
Regional Centre Yields

Note: Arrows indicate change from previous quarter.

Key Points

- Consumer spending grew strongly in August to 6.8% y-o-y, partly due to higher fuel prices. YTD spend on Food +5.7%, Clothing +5.5% and Furnishing +5.0% remain robust. We attribute this to mix of population growth, income growth and inflation.
- Net face rents increased across all retail asset classes in Q3 2026, with CBD super prime assets at 1.6% q-o-q, Regional and Neighbourhood at 0.9% q-o-q and Large Format Retail (LFR) at 1.1% q-o-q. Tight vacancy in these segments remains supportive for consistent rent growth.
- Regional shopping centres experienced further (slight) yield compression, with yields tightening by 3 bp q-o-q and 16 bp y-o-y. Sub-regional centres also recorded yield firming, compressing by 4 bp q-o-q and 16 bp annually.
- Neighbourhood centre yields were broadly stable over the quarter and on an annual basis.
- In Q3 2026, there were 46 retail transactions (≥\$5 million, incl. non-metro assets) with a combined value of c.\$4.3 billion. Sales activity in 2026 YTD is \$10.22bn compared to 2025 full year level of \$12.27bn.

FIGURE 1: Net Face Rent Growth



Source: CBRE Research

Discretionary spending eases slightly amid increased economic uncertainty

Household spending growth was stable in August, down from the 1.2% month on month increase recorded three months earlier in May. Meanwhile annual growth was 6.8% y-o-y compared to 5.4% seen three months earlier. The overall stable spending in August was driven by three of the nine spending categories recording increases, led by transport (+2.3%) amid higher petrol prices, hotels, cafes and restaurants (+0.8%), and miscellaneous goods (+0.3%). Discretionary spending softened by -0.3% month on month in August while non-discretionary spending grew 0.6%, reflecting some tighter consumer spending behaviour.

Service-related spending eased over August, down 0.3% in the month driven by decreased spending on recreational, health and personal care services. In contrast, household spending on goods increased by 0.3% in August and was up 7.7% y-o-y driven by consumption of motoring goods and purchase of vehicles due to the growth in electric vehicle demand amid higher fuel costs. The composition of goods and services related spending and easing in discretionary categories in August suggests that households are taking a more measured approach to spending as higher interest rates and falling home values weigh on consumer confidence.

Yields marginally compress across select retail assets

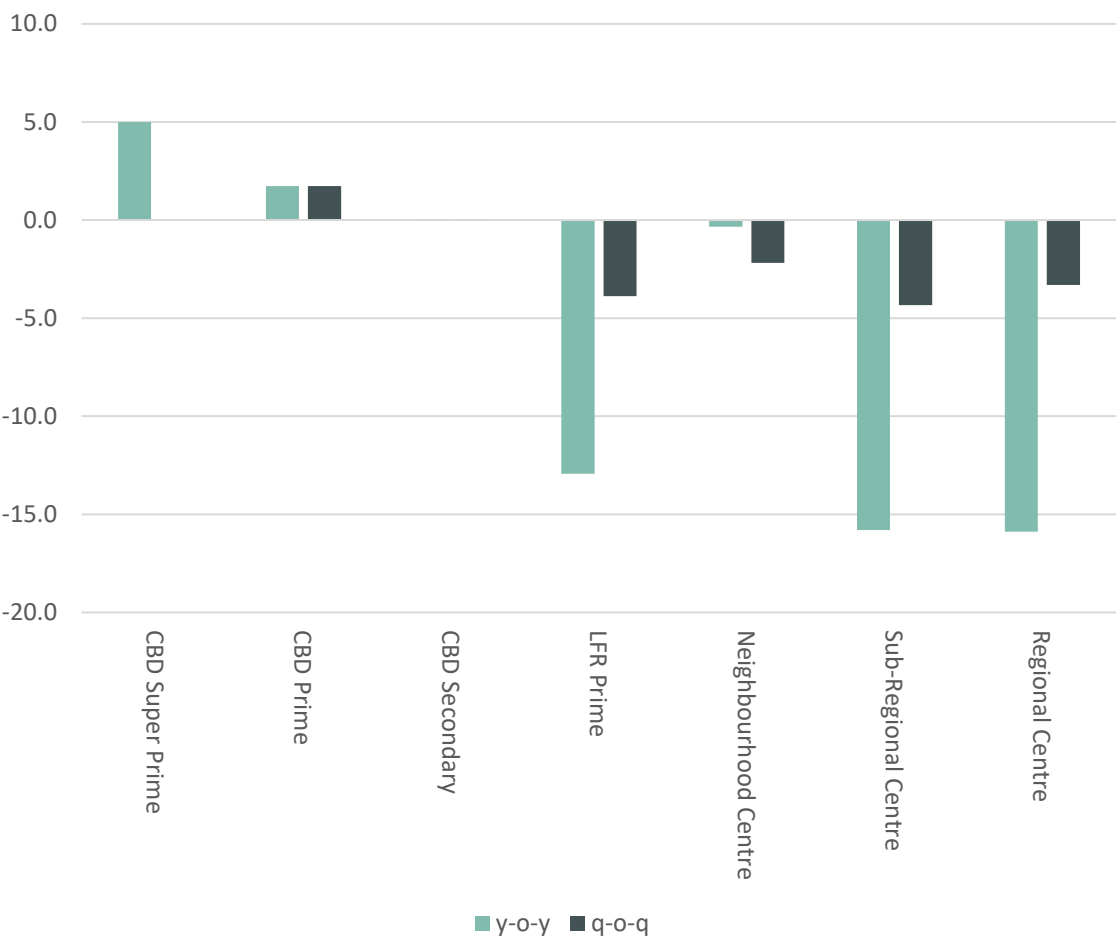
Retail yields compressed across several asset classes over the quarter, with only modest outward movement across select CBD assets. Sub-regional shopping centres recorded the strongest yield compression, tightening by 4 bp q-o-q and 16 bp y-o-y. Regional centre yields also firmed, compressing by 3 bp q-o-q and 16 bp y-o-y. Investor capital gravitated towards larger-scale retail assets with strong sales productivity, dominant market positions and institutional-grade income profiles. LFR also outperformed, compressing by 4 bp q-o-q and 13 bp y-o-y. Neighbourhood centre yields remained relatively stable, tightening by 2 bp q-o-q and 0.3 bp y-o-y. CBD Super prime yields were unchanged over the quarter but increased by 5 bp y-o-y.

CBD super prime rents increased by 1.6% q-o-q and 9.2% y-o-y, supported by strong demand for premium retail space in core CBD locations. Regional centre rents also recorded stable growth of 0.9% q-o-q and 3.3% y-o-y, while sub-regional rents increased by 0.5% q-o-q and 2.6% y-o-y, reflecting ongoing rental growth across dominant centres.

Strong retail transaction activity in Q3, though more selective capital deployment expected

In Q3 2026, 46 retail transactions were recorded nationally totalling c.\$4.3 billion, a strong uplift from the previous quarter. Exceptional investment activity throughout the quarter was underpinned by several large-scale deals, with transaction volumes for 2026 YTD now just below the record levels achieved in 2025. Looking ahead, investor appetite for retail assets is expected to continue given the positive underlying sector fundamentals, though capital deployment will be more selective amid cost of debt, with investors placing greater emphasis on pricing, asset quality, income security and growth prospects.

FIGURE 2: National Yield Delta by Category



Source: CBRE Research

CBD Retail

Rental growth continuing in some super prime CBD retail markets amid tight vacancy

Super prime CBD net face rents in Perth, Sydney and Brisbane increased during the quarter by 5.1%, 2.5%, and 1.1%, respectively, highlighting continued interest in flagship retail locations in markets with strong underlying fundamentals. The rental growth in these markets reflect ongoing competition for premier retail locations amid tight vacancy in the core retail locations with strong pedestrian activity, tourism flows and lack of new supply.

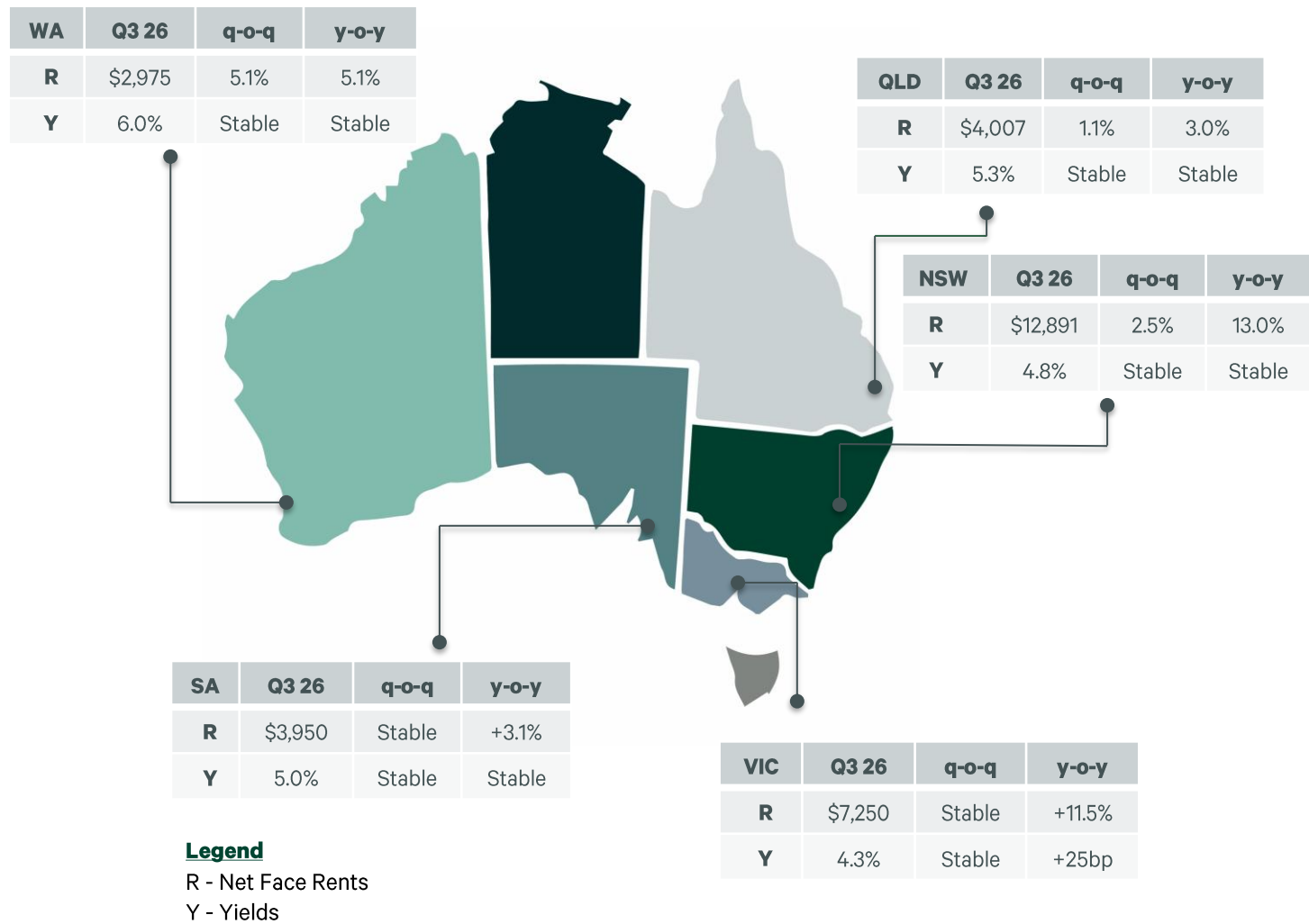
Net face rents across the remaining CBD markets held steady during the quarter, amid increased economic uncertainty. The higher interest rate environment means retailers are adopting a more measured approach to expansion and new store roll outs as consumers tightens their belts, which is expected to lead to more subdued rent growth in the near term. Notwithstanding the increased economic uncertainty for retailers, super prime CBD locations are expected to continue to perform better than secondary CBD retail precincts given their vacancy advantage and exposure to the highest pedestrian foot traffic locations.

Super prime CBD yields stable during Q3 amid lower transaction activity

There was limited transaction activity seen across national CBD retail markets during Q3, reflecting easing capital market conditions amid rising interest rates. 2026 YTD transaction volumes for CBD markets have now reached just over \$430 million, tracking below the 10-year annual average of just over \$800 million (for transaction over \$5m).

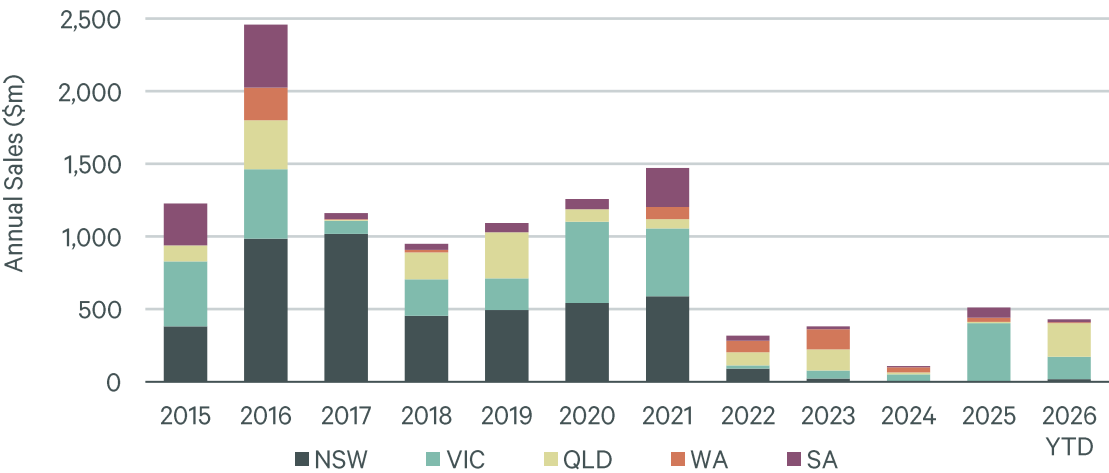
CBD super prime yields held firm across all markets during Q3 averaging 5.05%, reflecting limited transaction evidence in the quarter, while national average prime yields edged up marginally by 2 bp q-o-q to 5.55%, which was driven by the Adelaide prime market where yields increased by 8 bps q-o-q to 5.56%. Secondary grade yields also held steady nationally in the quarter with the national average at approximately 5.75%. Looking ahead, yields are expected to soften through the next twelve months amid higher interest rates, though any increase in super prime CBD yields are expected to be more modest, reflecting the underlying quality of the assets and higher rent growth prospects than non core assets.

FIGURE 3: Super Prime CBD retail key metrics



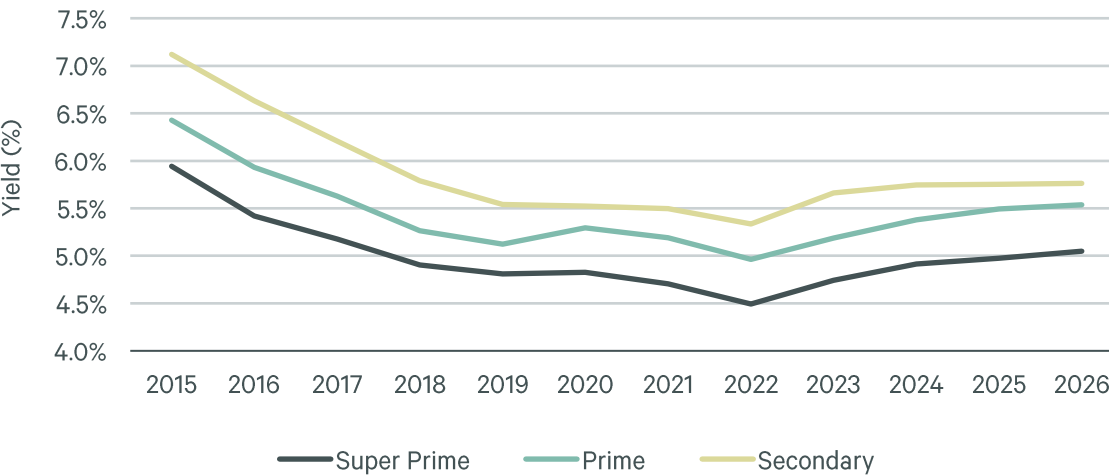
Source: CBRE Research

FIGURE 4: CBD Retail Transactions by State



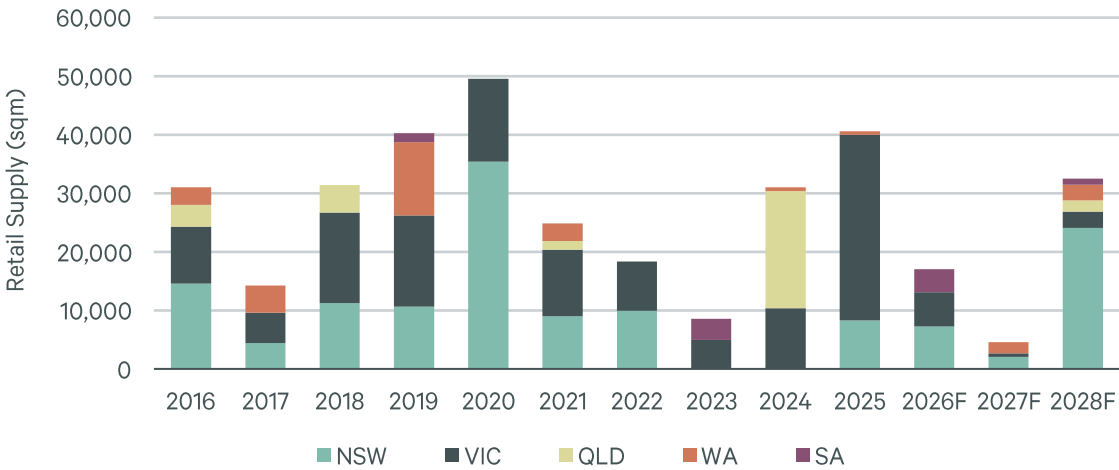
Source: CBRE Research

FIGURE 6: Australian Average CBD Retail Yield



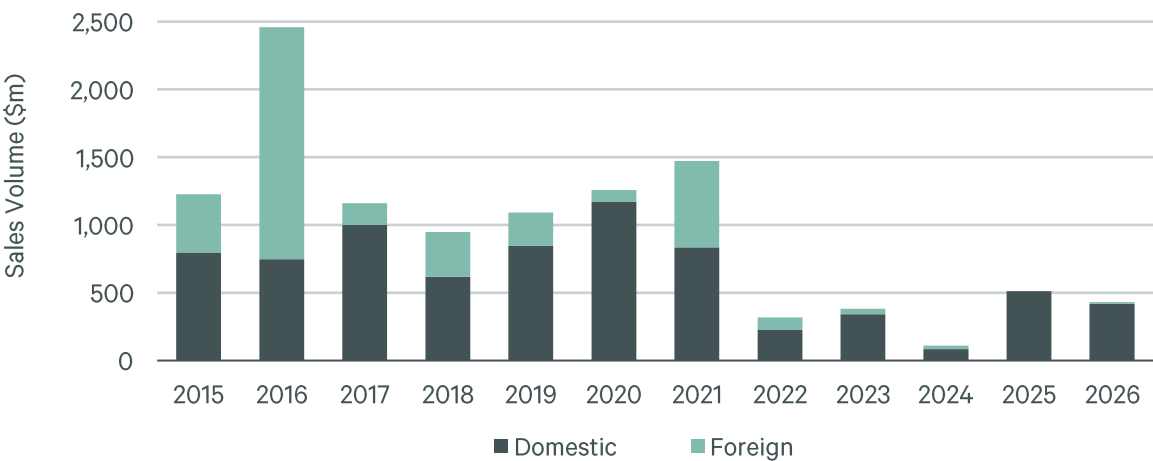
Source: CBRE Research

FIGURE 5: CBD Retail Supply by State



Source: CBRE Research

FIGURE 7: CBD Retail Buyer Profile



Source: CBRE Research

Shopping Centres

Adelaide leads with strong rental growth and yield tightening

Regional shopping centre rents saw ongoing growth with net face rents up 0.9% q-o-q and 3.3% y-o-y. Annual rent growth has been driven by Brisbane, Perth, Sydney and Adelaide, where net face rents have increased by 3.9%, 3.5% and 3.4% and 3.3%, respectively. Ongoing robust customer visitation growth, consumer spending and constrained new supply of regional centres has supported rental growth, with the momentum expected to continue into 2027, though there may be some easing expected if discretionary spending slows materially. Regional centre yields nationally tightened marginally over the quarter by 3 bp to 6.0% (-16 bp y-o-y). Adelaide recorded the strongest movement tightening by 10 bp (from a relatively higher yield), while Melbourne compressed by 5 bp and Sydney experienced a marginal tightening by 2bp. Investor appetite for regional shopping centres is expected to continue amid strong sector tailwinds due to population growth, lack of supply and higher replacement costs, though yields may expand modestly in the near term due to higher interest rates.

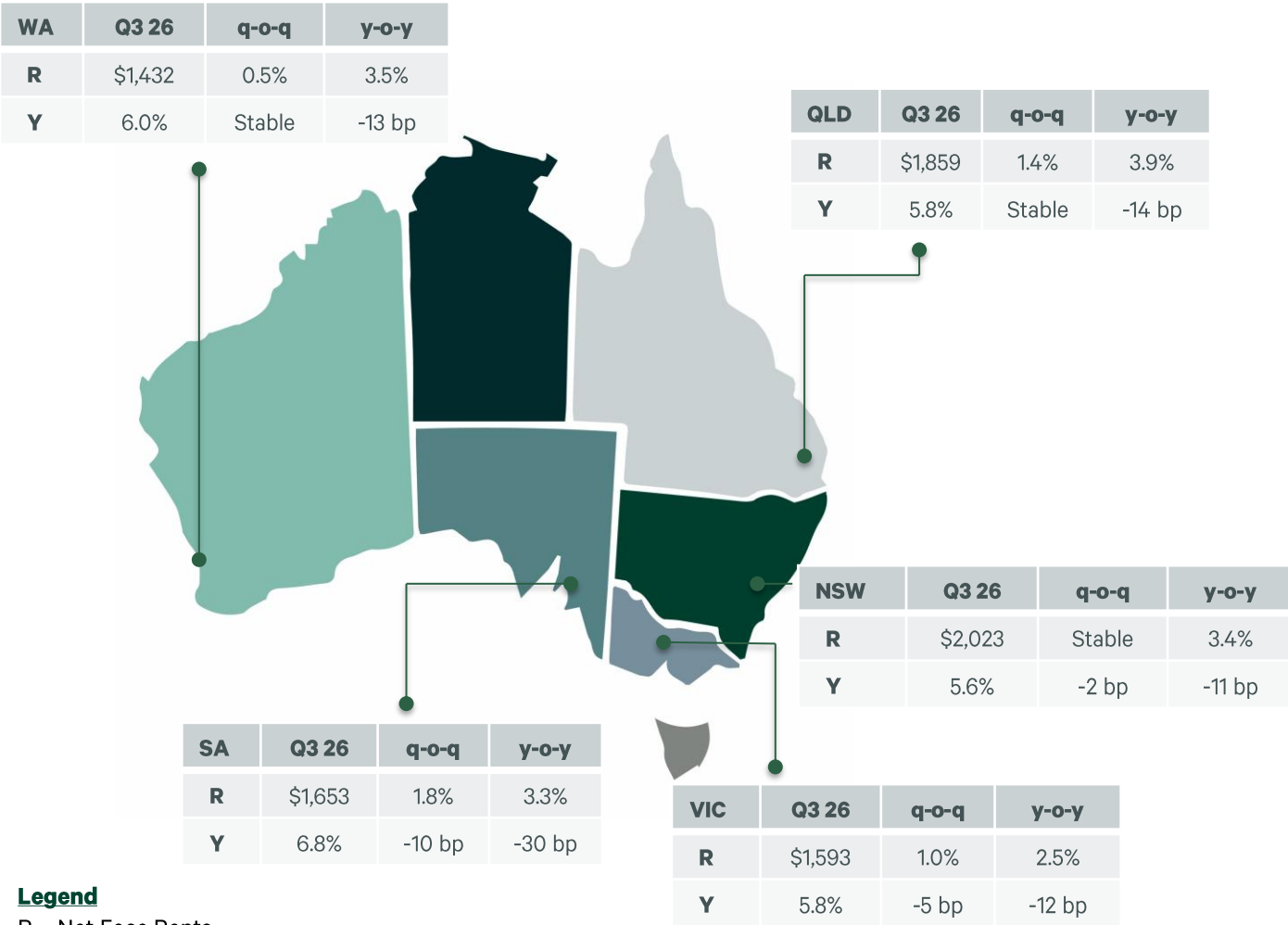
Future supply remains skewed towards neighbourhood centres

New shopping centre development supply delivered over Q3 2026 totalled approximately 33,400 sqm, an uplift from the c.17,000 sqm in the previous quarter. Supply was dominated by neighbourhood centres, accounting for 100% of shopping centre developments with completions diversified across Brisbane, Perth, Sydney and Melbourne. Looking ahead, the supply outlook remains heavily skewed toward neighbourhood developments, projected to comprise approximately 95% of the shopping-centre pipeline through to end of 2027. Comparatively, only around 15,000 sqm of regional and sub-regional shopping-centre space is expected to be delivered through to end of 2027.

Shopping centre investment volumes continue strong momentum

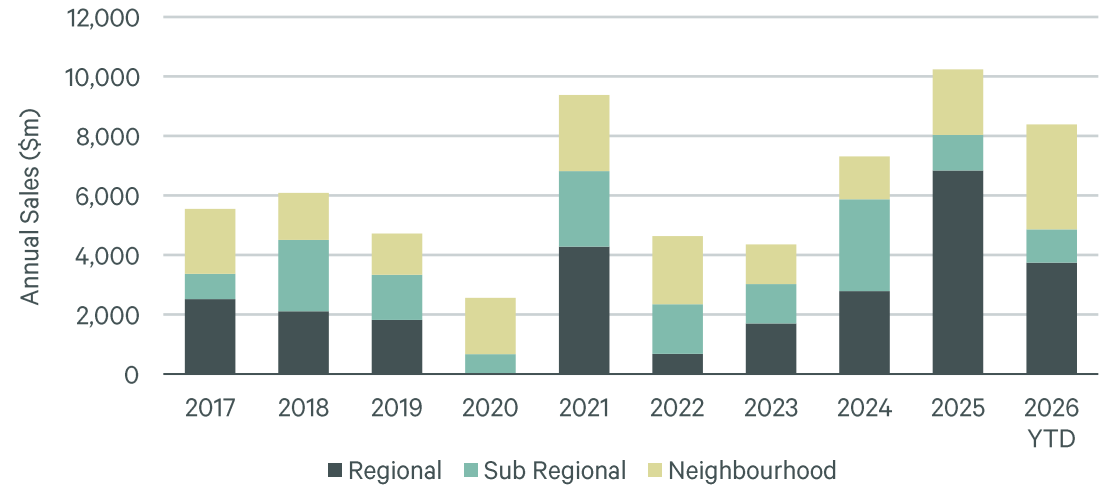
In Q3 2026, shopping centre investment volumes in Australia reached c.\$3.82bn, continuing the momentum in the retail sector seen over the past 2 years. The largest transaction was Cbus Property’s acquisition of half stakes in two Lendlease shopping centres, consisting of Brisbane’s Westfield Carindale and Perth’s Lakeside Joondalup for \$1.3bn. Another significant transaction was Scentre Group’s \$882.5 million sale of a 50% interest in Brisbane’s Westfield Mt Gravatt to Australian Retirement Trust.

FIGURE 8: Regional Centre Key Metrics



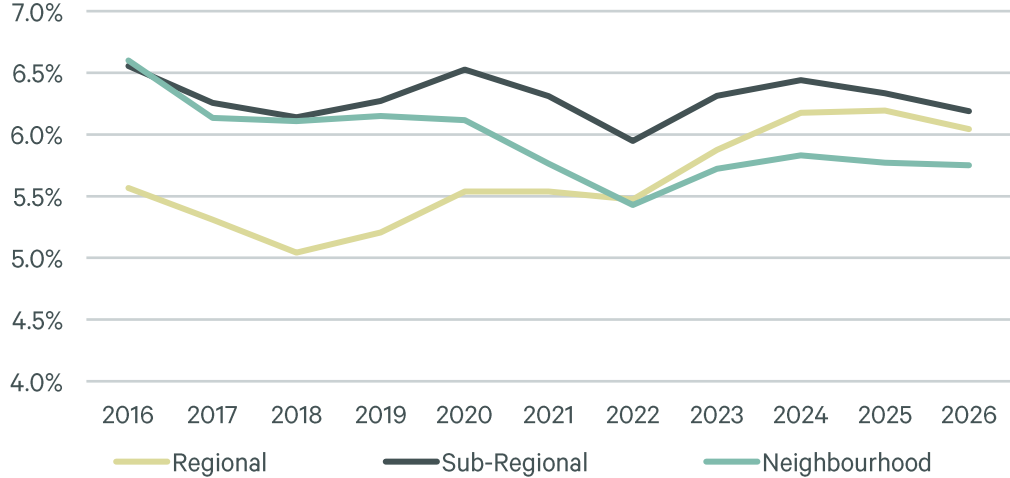
Source: CBRE Research

FIGURE 9: Australian Shopping Centre Retail Transactions



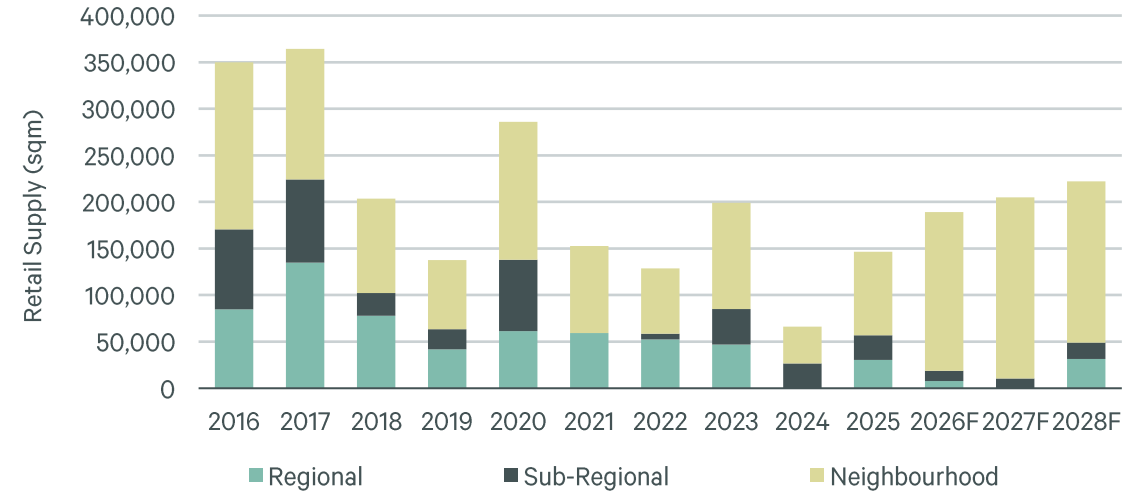
Source: CBRE Research

FIGURE 11: Australian Average Shopping Centre Retail Yield



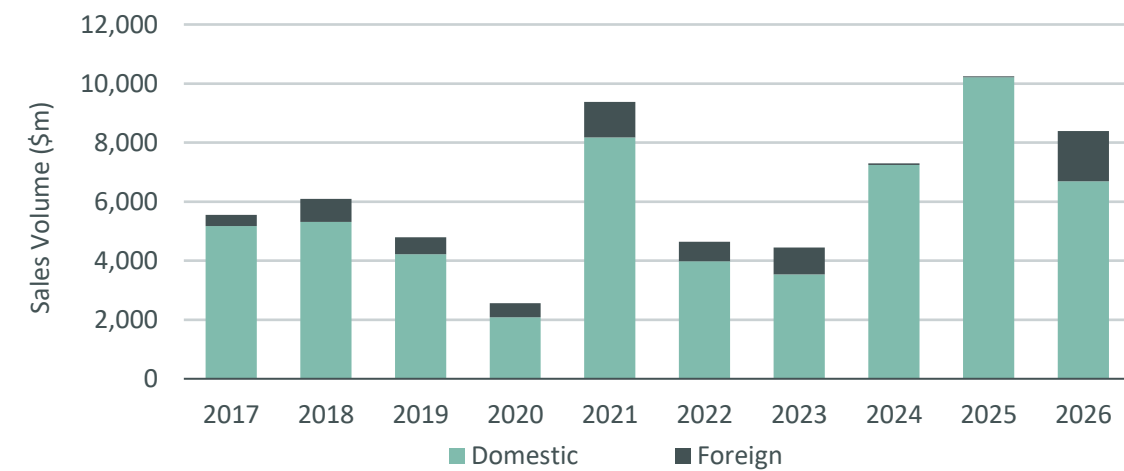
Source: CBRE Research

FIGURE 10: Australian Shopping Centre Retail Supply



Source: CBRE Research

FIGURE 12: Shopping Centre Buyer Profile



Source: CBRE Research

Large Format Retail

Resilient market fundamentals underpin LFR rental growth

LFR fundamentals have remained resilient throughout Q3 2026 amid tight sector vacancy, despite caution creeping in among consumers in the quarter with spending on furnishings and household equipment declining 0.6% month on month in August. Exposure to ongoing population growth and tight sector vacancy remain supportive for the sector, though tightening consumer budgets and weakness in the residential property market and housing churn may see the rental growth momentum ease in the near term.

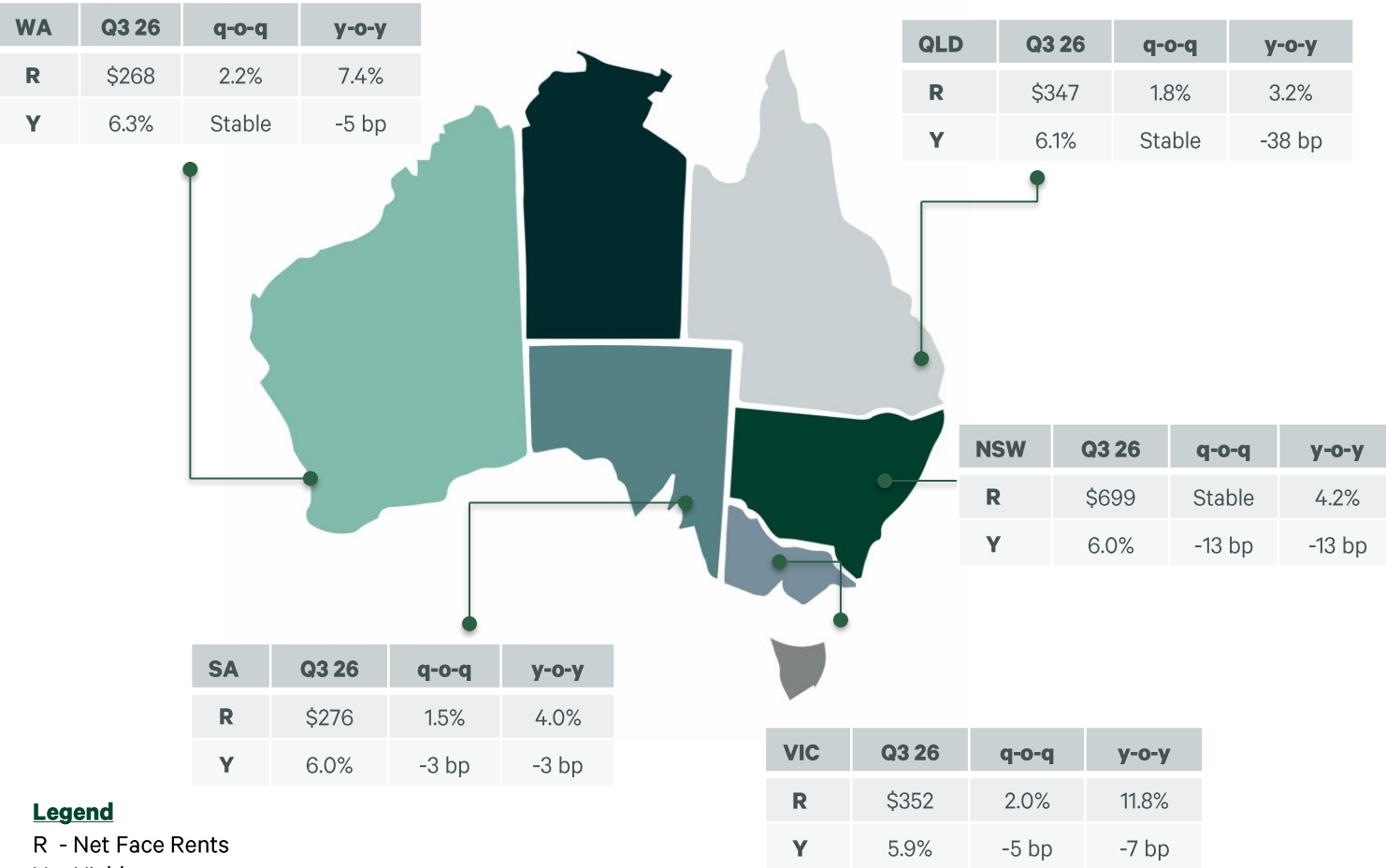
Against this backdrop, in Q3 prime LFR prime net face rents increased strongly across Perth, Brisbane, Adelaide and Melbourne, while holding steady in Sydney. Perth continued to lead rental growth, increasing by 2.2% q-o-q and 7.4% y-o-y. The city's strong performance has been underpinned by favourable economic fundamentals, the strongest population growth in the country, solid labour market conditions and comparatively strong household consumption growth.

On the supply side, c.39,800 sqm of large format retail space was completed during Q3 2026 and approximately 127,000 sqm is expected for 2026 across greater capital cities, below the long run average. Development supply is expected to increase in 2027 and 2028, though only to around the historical average. Supply in the sector has been demand led with high pre-commitments amid growing residential catchments driving the need to service the rising population in these locations.

Prime yields tighten amid favourable investor appetite for LFR assets

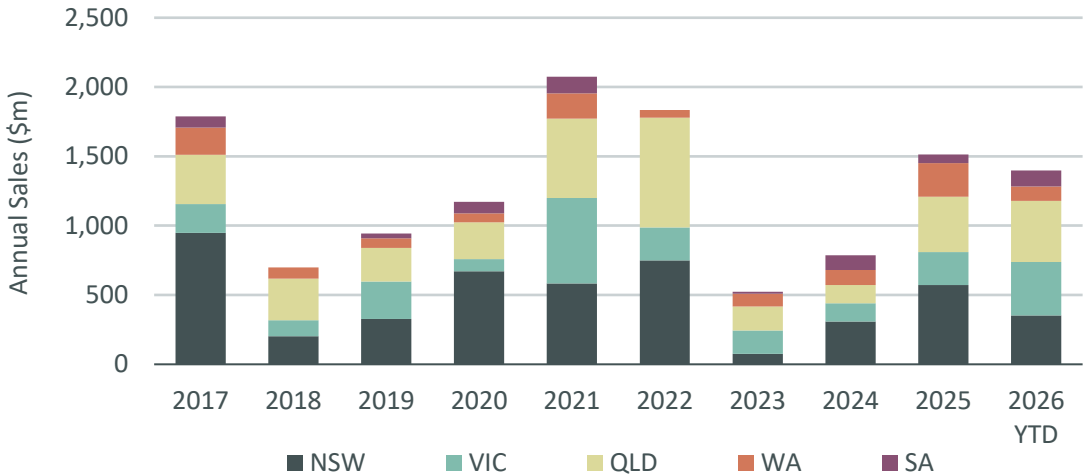
Prime LFR yields recorded further tightening in Q3 2026 to 6.1%, compressing by 4 bp q-o-q and 13 bp y-o-y supported by q-o-q decreases in Sydney, Melbourne and Adelaide. Sydney recorded the strongest compression by 13 bp over the quarter, while Perth and Brisbane yields remained stable. Investment activity totalled \$346.5 million nationally (incl. non-metro). The largest transaction was the sale of Churchill Centre South for \$80 million. Given the medium term tailwinds to population growth, low vacancy and higher rent growth prospects, investor appetite is expected to remain favourable for high quality LFR assets.

FIGURE 13: Large Format Retail Key Metrics



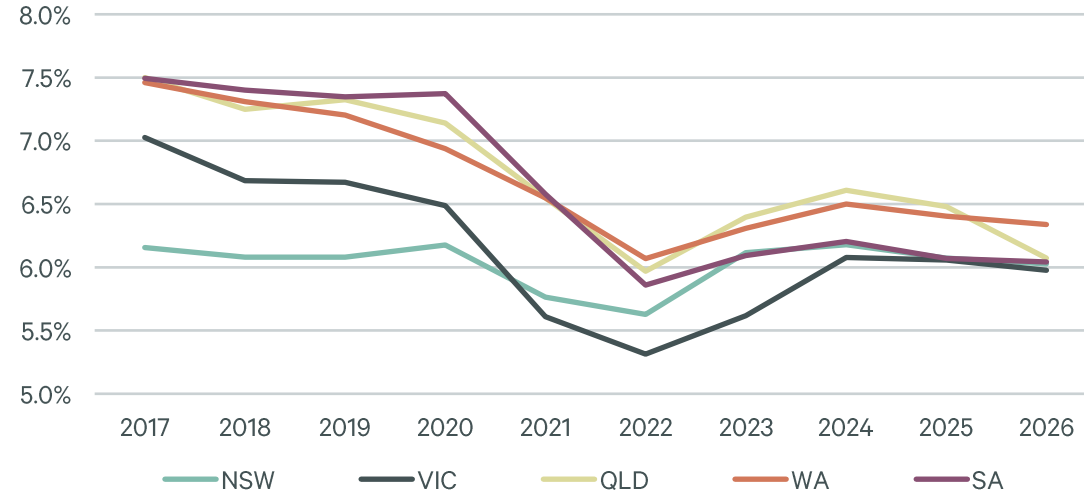
Source: CBRE Research

FIGURE 14: Large Format Retail Transactions by State



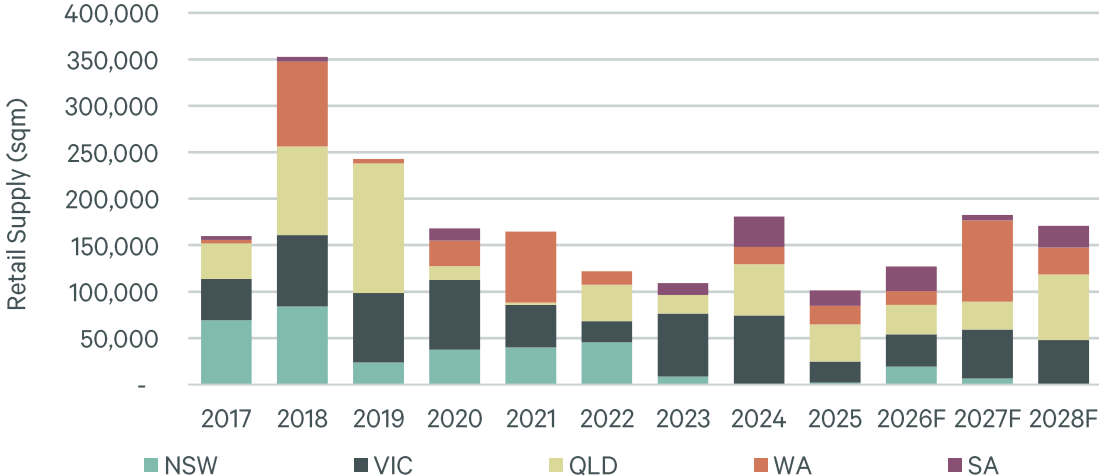
Source: CBRE Research

FIGURE 16: Prime Large Format Retail Average Yield by State



Source: CBRE Research

FIGURE 15: National Large Format Retail Prime Supply by State



Source: CBRE Research

FIGURE 17: Annual Capital Value Growth – Prime Large Format Retail



Source: CBRE Research

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