Regional centres remain at the forefront of yield compression

▲ 83.9
Westpac-Melbourne Consumer Sentiment Index July 2026

▲ 5.5%
Monthly Household Spending Indicator y-o-y May 2026

▲ $6,141
CBD Super Prime Net Face Rents

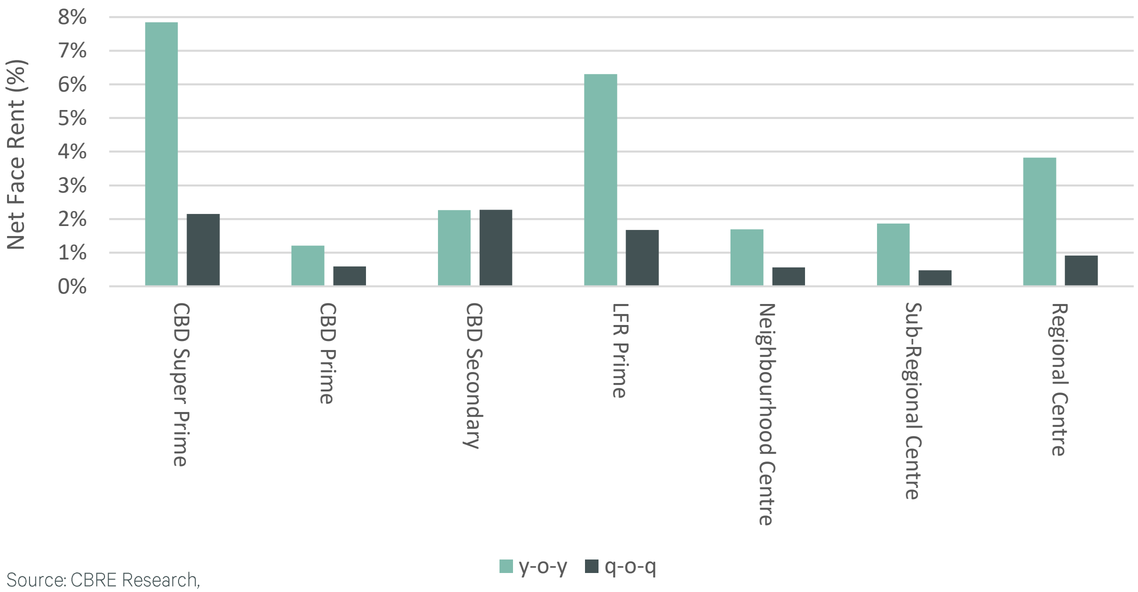
▼ 6.03%
Regional Centre Yields

Note: Arrows indicate change from previous quarter.

Key Points

- Consumer spending rebounded strongly in May, rising 1.3% and offsetting April's 1.1% fall, with y-o-y growth accelerating to 5.5%.
- Net face rents increased across all retail asset classes in Q2 2026, with secondary LFR and CBD super prime assets leading growth at 3.0% and 1.9% q-o-q, respectively. CBD Super Prime rents rose by 8.7% y-o-y, underpinned by robust demand for premium retail space in prime CBD precincts.
- Regional shopping centres experienced the most significant yield compression, with yields tightening by 7 bp q-o-q and 22 bp y-o-y. Sub-regional centres also recorded yield firming, compressing by 2 bp q-o-q and 18 bp annually.
- Neighbourhood centre yields softened slightly in Q2 2026, expanding by 2 bp over the quarter, although they remained 2 bp tighter than a year earlier.
- In Q2 2026, there were 45 retail transactions (≥$5 million, incl. non-metro assets) with a combined value of c.$4.05 billion. The quarter's headline deal was the $670 million sale of a 50% freehold interest in Westfield Marion, Adelaide's largest retail asset and only Super Regional shopping centre.

FIGURE 1: Net Face Rent Growth



Source: CBRE Research,

Consumer spending rebounds as demand for experiences continues to outpace goods

Household spending rebounded by 1.3% in May, reversing the 1.1% decline in April, while annual growth accelerated to 5.5% y-o-y from 5.1%. The recovery was broad-based, with all nine spending categories recording gains, led by clothing and footwear (+2.7%), hotels, cafes and restaurants (+1.9%), and transport (+1.4%). The strength in discretionary spending suggests Australian consumers remain resilient despite elevated interest rates and ongoing cost-of-living pressures, providing a positive signal for consumer confidence and economic activity.

Service-related spending growth was strongest across hospitality, dining, travel and recreation, supported by major sporting and cultural events as well as higher hospitality prices. The continued outperformance of services-related spending highlights an ongoing preference for experiences over goods, reinforcing demand for F&B and entertainment operators. This remains supportive for retail assets with strong exposure to hospitality and experiential tenants.

Yields marginally compress across the top-tier retail assets

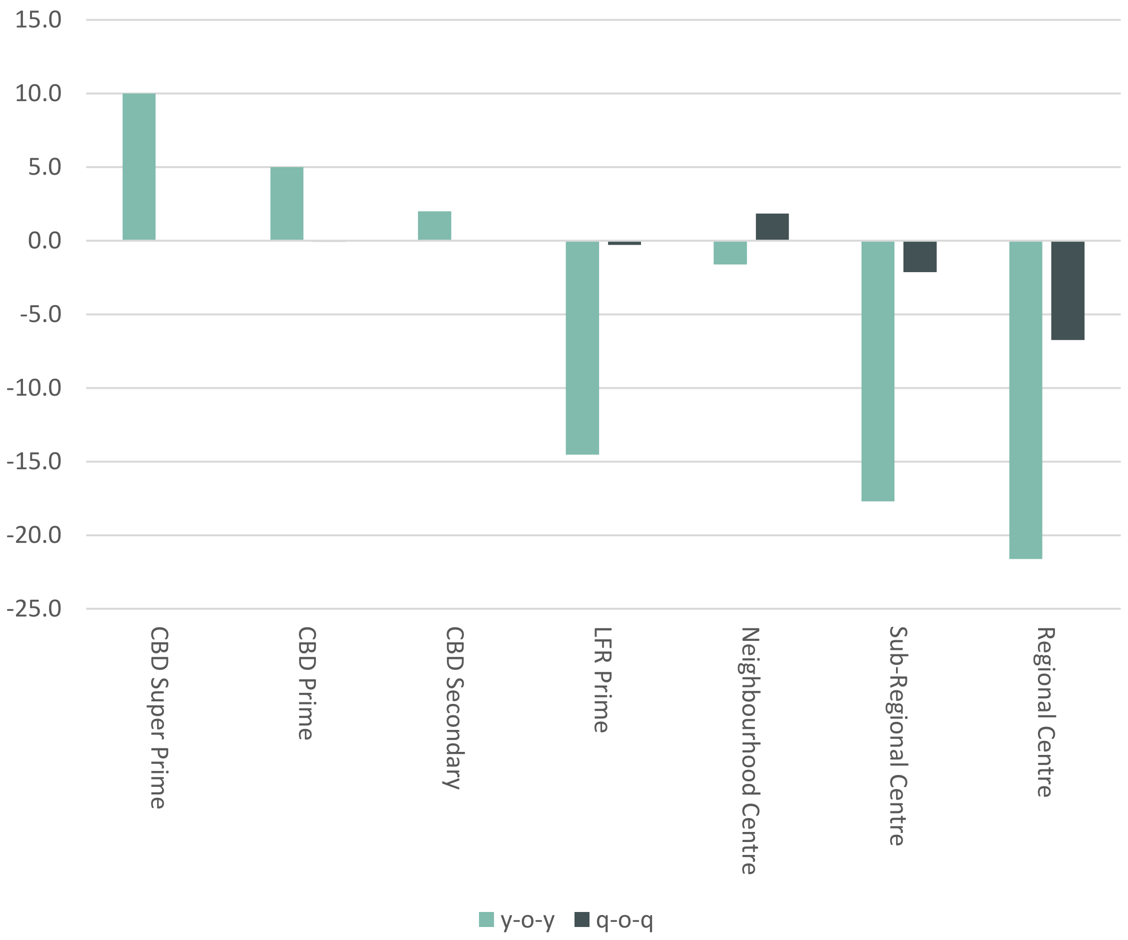
Retail yields remained broadly stable over the quarter, with only modest movement across asset classes. Regional shopping centres recorded the strongest yield compression, tightening by 7 bp q-o-q and 22 bp y-o-y. Sub-regional centre yields also firmed, compressing by 2 bp q-o-q and 18 bp y-o-y. Investor capital continues to gravitate towards larger-scale retail assets with strong sales productivity, dominant market positions and institutional-grade income profiles. Neighbourhood centre yields expanded marginally by 2 bp q-o-q but remained 2 bp tighter than a year ago. LFR yields were unchanged over the quarter and compressed by 6 bp y-o-y.

CBD Super Prime rents increased by 1.9% q-o-q and 9.1% y-o-y, supported by strong demand for premium retail space in core CBD locations. Regional centre rents grew by 0.9% q-o-q and 3.7% y-o-y, while Sub-Regional rents increased by 1.5% q-o-q and 3.2% y-o-y, reflecting ongoing rental growth across dominant centres.

Retail transaction activity returns to sustainable levels following a record year

In Q2 2026, 34 retail transactions were recorded nationally, totalling c.$3.75 billion. While investment activity remains healthy, transaction volumes in 2026 are unlikely to surpass the exceptional levels achieved in 2025, given the concentration of large-scale deals completed during H2 2025. Looking ahead, investment demand is expected to remain selective, with investors placing greater emphasis on asset quality, income security and earnings resilience rather than pursuing volume-driven acquisitions. As a result, capital is likely to continue gravitating towards dominant retail assets with strong catchments, defensive income profiles and clear rental growth prospects.

FIGURE 2: National Yield Delta by Category



Source: CBRE Research

CBD Retail

Rising demand is driving an uplift in super-prime CBD face rents across NSW and QLD

Super prime CBD retail face rents in Sydney and Brisbane saw a quarterly increase of 3.3% and 1.1%, respectively, signalling renewed interest in flagship retail locations in markets with strong underlying fundamentals. The uplift reflects growing competition for premier retail locations, supported by strong pedestrian activity, renewed tourism flows and limited opportunities for new supply.

In contrast, face rents across the remaining CBD markets held steady, indicating that recovery momentum is becoming increasingly market-specific. While leasing activity remains positive, occupiers in these locations continue to adopt a measured approach to expansion, resulting in a slower pace of rental uplift.

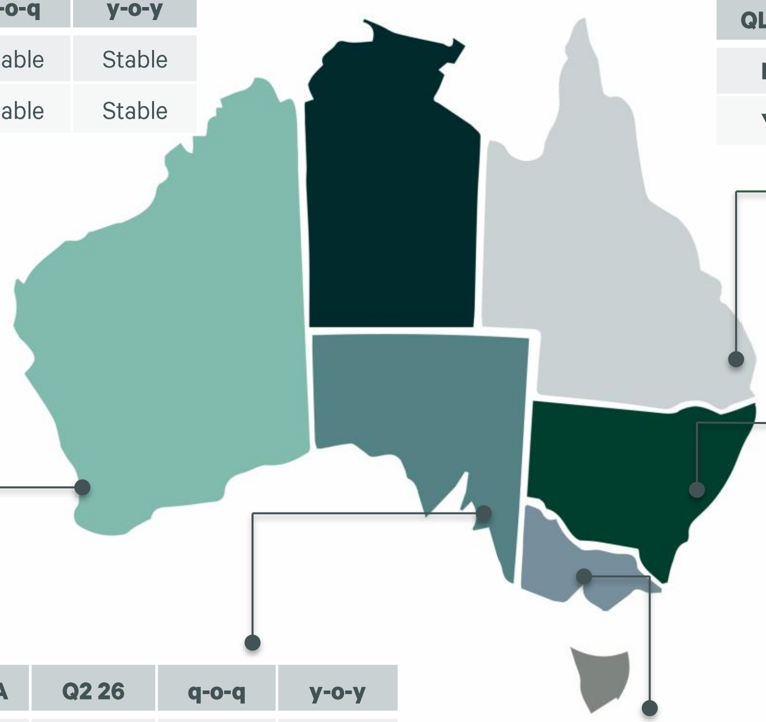
Experience-led demand continues to reshape Australia's CBD retail recovery

Australia's CBD retail recovery is increasingly being fuelled by the rising calibre of hospitality and entertainment offerings, supported by a packed year round calendar of sports, cultural and music events. These activations are proving to be a powerful catalyst for falling vacancy rates, driving foot traffic back into city centres and strengthening retailer confidence. Experiential retail formats continue to expand and draw diverse visitor groups, amplifying dwell time and reinforcing the shift toward interactive, experience-led shopping.

In Melbourne, annual CBD retail rental growth has gained momentum as leasing conditions continue to improve. The completion of major projects around Bourke Street and the Metro Tunnel toward the end of 2025 has revitalised precinct activity, lifted foot traffic and improved retailer willingness to commit to space.

Sydney CBD continues to attract major flagship retail investment, supported by the ongoing evolution of the Sydney Metro Martin Place precinct, which has introduced more than 3,500 sqm of retail space and a curated mix of dining, convenience and lifestyle operators, further enhancing the CBD's retail and experiential offering. Premium and lifestyle brands are doubling down on high-visibility locations to boost foot traffic and brand impact, which in turn contributes to stronger rental fundamentals as demand for prime retail space intensifies.

FIGURE 3: Super Prime CBD retail key metrics



WA	Q2 26	q-o-q	y-o-y
R	$2,830	Stable	Stable
Y	6.00%	Stable	Stable

QLD	Q2 26	q-o-q	y-o-y
R	$3,963	1.1%	3.0%
Y	5.25%	Stable	Stable

NSW	Q2 26	q-o-q	y-o-y
R	$12,577	3.3%	13.1%
Y	4.75%	Stable	Stable

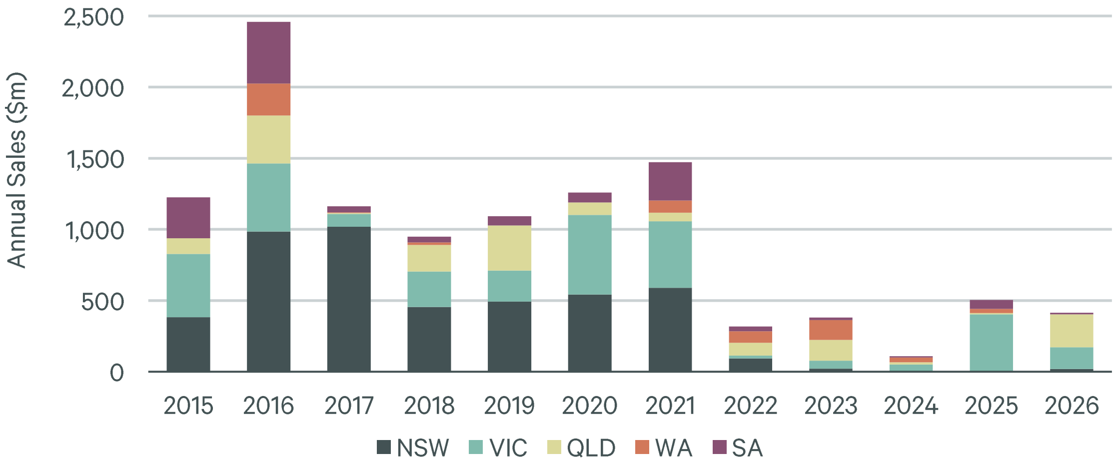
SA	Q2 26	q-o-q	y-o-y
R	$3,950	Stable	+3.1%
Y	5.00%	Stable	+25bp

VIC	Q2 26	q-o-q	y-o-y
R	$7,250	Stable	+11.5%
Y	4.25%	Stable	+25bp

Legend
R - Net Face Rents
Y - Yields

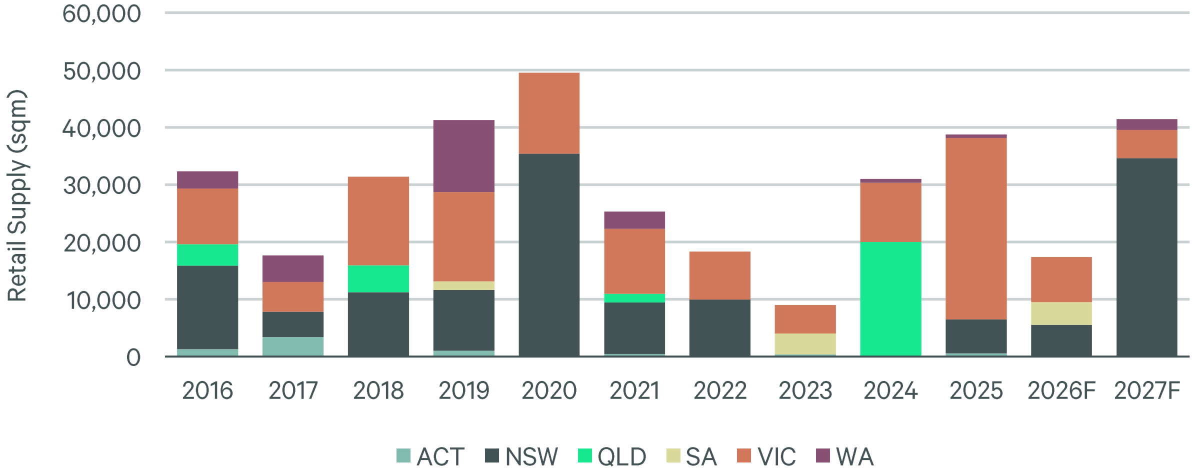
Source: CBRE Research

FIGURE 4: CBD Retail Transactions by State



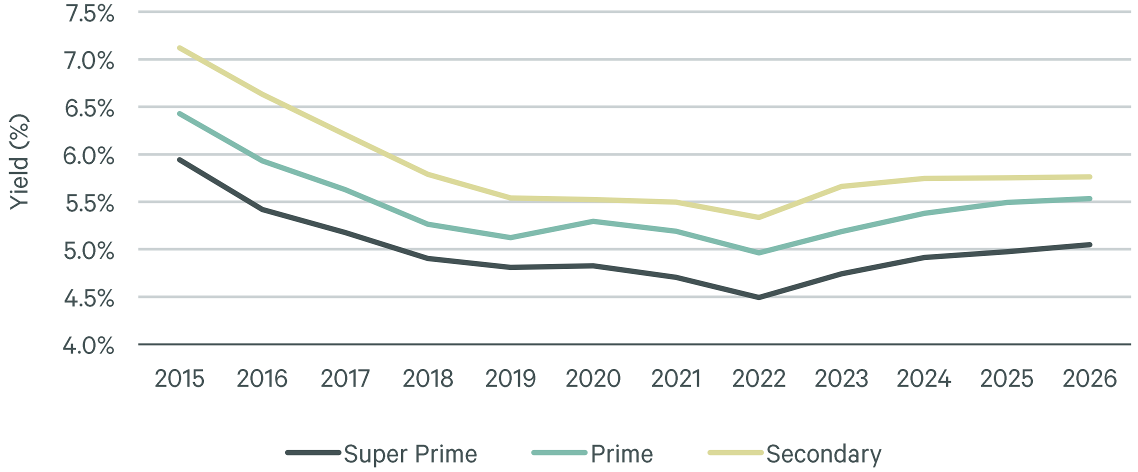
Source: CBRE Research

FIGURE 5: CBD Retail Supply by State



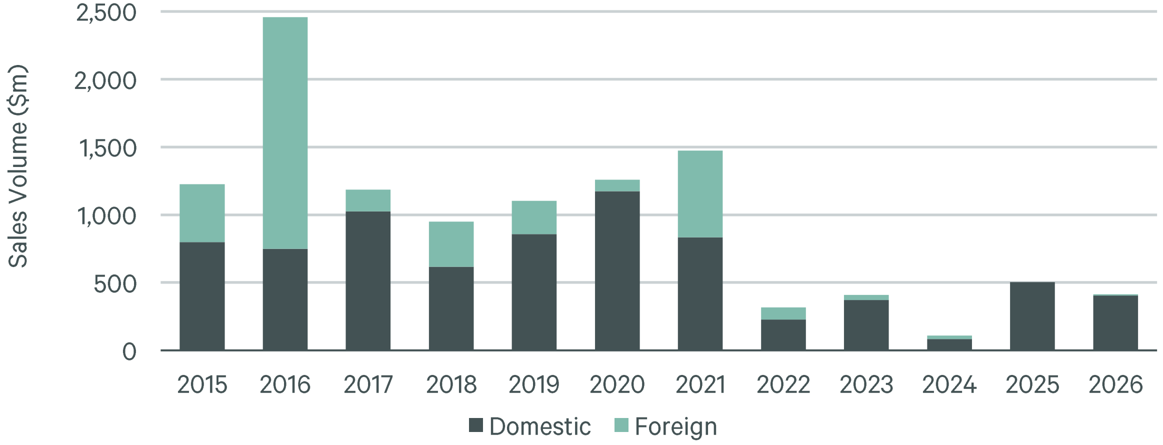
Source: CBRE Research

FIGURE 6: Australian Average CBD Retail Yield



Source: CBRE Research

FIGURE 7: CBD Retail Buyer Profile



Source: CBRE Research

Shopping Centres

Rental growth continues with resilient tenant demand

Regional shopping centre net face rents recorded modest growth of 1% q-o-q, driven by Melbourne, Adelaide and Brisbane which saw quarterly increases of 1.5%, 1.5% and 1.1%, respectively. This lifted national average rental growth to 3.7% y-o-y. The continued imbalance between resilient tenant demand and structurally constrained new supply has supported rental growth across regional centres, with momentum expected to build gradually into 2026 and 2027. Regional centre yields nationally tightened marginally over the quarter by 7 bp to 6.03% (-22 bp y-o-y). Adelaide recorded movement tightening by 20 bp, along with Brisbane and Melbourne which both tightened by 7bp, respectively. Steady leasing demand, improving trading conditions and favourable demographic dynamics continue to support yield compression.

Future supply skewed towards neighbourhood centres

New retail development supply delivered over Q2 2026 totalled approximately c.17,000 sqm, down from c.33,000 sqm in the previous quarter. Supply was dominated by neighbourhood centres, accounting for 100% of completions, with three of the four projects being delivered within the Greater Perth region. Looking ahead, the supply outlook remains heavily skewed toward neighbourhood developments, projected to comprise approximately 62% of the shopping-centre pipeline through to 2027. Over the next two years, only around 114,000 sqm of regional and sub-regional shopping-centre space is expected to be delivered. As a result, existing centres continue to benefit from limited new supply, with competitive pressures increasingly concentrated on the acquisition and performance of established assets rather than new development.

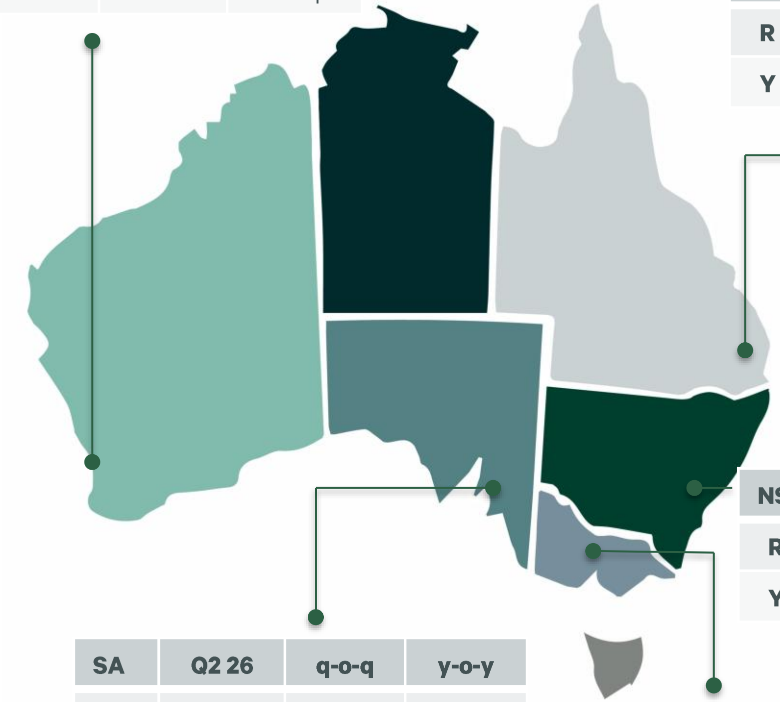
Shopping centre transactions remain strong in early 2026

In Q2 2026, shopping centre investment volumes in Australia reached c.$3.3bn, a continuation of the momentum in the retail sector over the past 2 years. The largest transaction was the GPT Group's acquisition of Lendlease's $1.2b portfolio, consisting of Sunshine Plaza in QLD and Macarthur Square in NSW. Another notable transaction involved the $670 million sale of a 50% interest in Westfield Marion shopping centre in Adelaide by Cuscaden Peak Investments to The JY Group.

FIGURE 8: Regional Centre Key Metrics

WA	Q2 26	q-o-q	y-o-y
R	$1,425	+0.7%	+3.0%
Y	6.00%	Stable	-25 bp

QLD	Q2 26	q-o-q	y-o-y
R	$1,832	+1.1%	+3.5%
Y	5.80%	-7 bp	-20 bp



NSW	Q2 26	q-o-q	y-o-y
R	$2,023	Stable	+4.8%
Y	5.61%	Stable	-14 bp

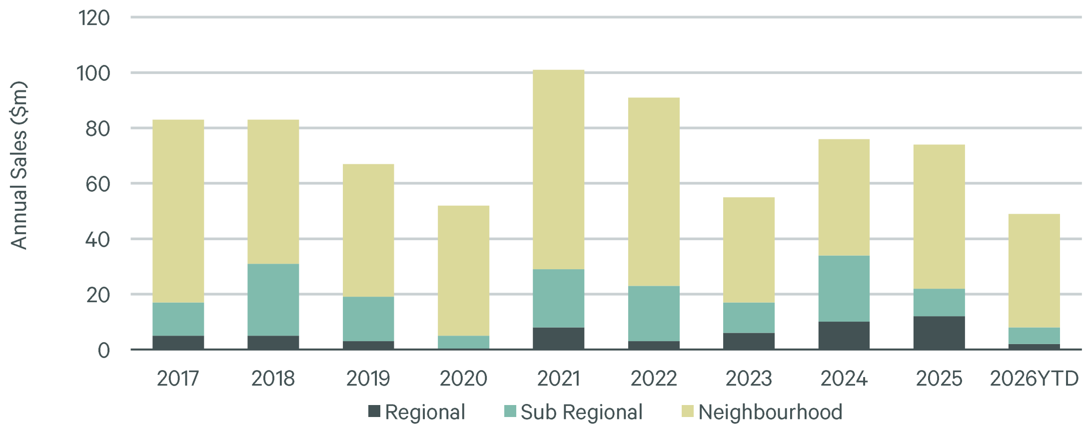
SA	Q2 26	q-o-q	y-o-y
R	$1,624	stable	+1.5%
Y	6.88%	-20 bp	-35 bp

VIC	Q2 26	q-o-q	y-o-y
R	$1,577	1.5%	+4.7%
Y	5.88%	-7 bp	-14 bp

Legend
R - Rents
Y - Yields

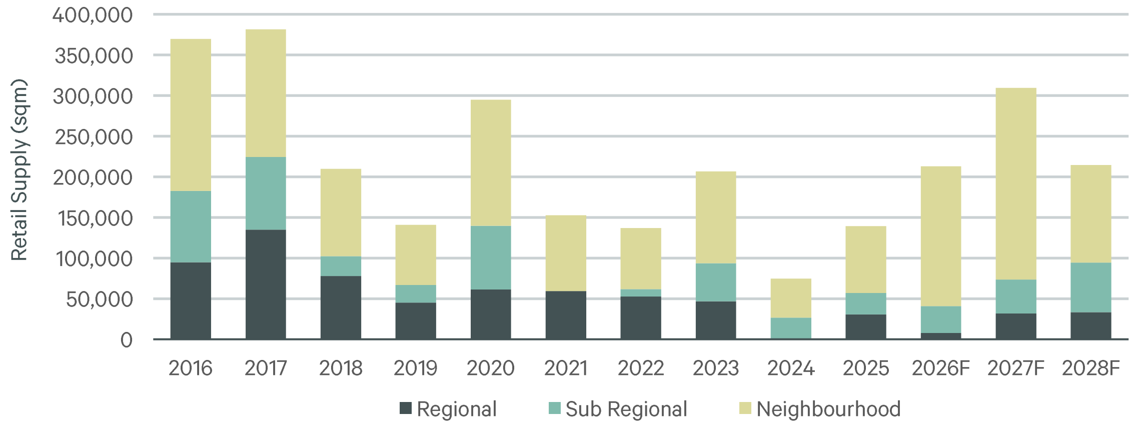
Source: CBRE Research

FIGURE 9: Australian Shopping Centre Retail Transactions



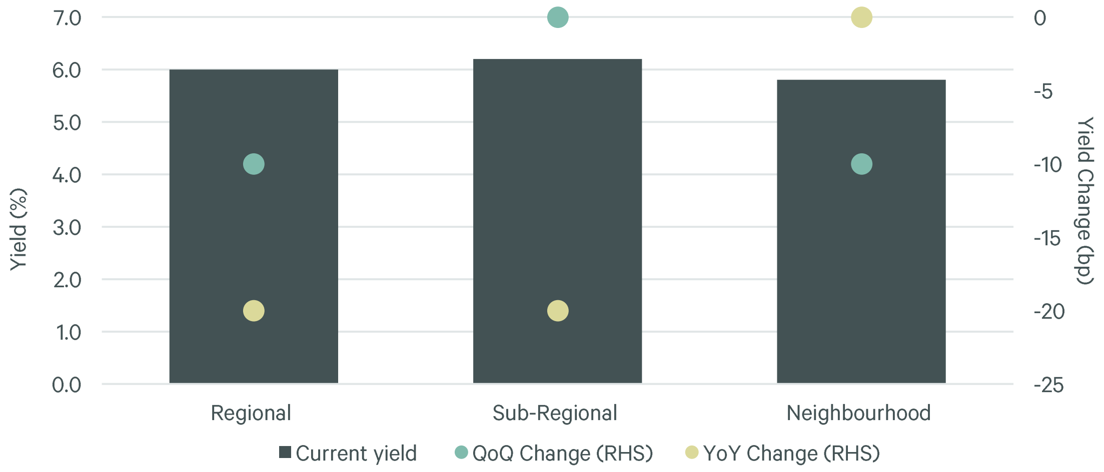
Source: CBRE Research

FIGURE 10: Australian Shopping Centre Retail Supply



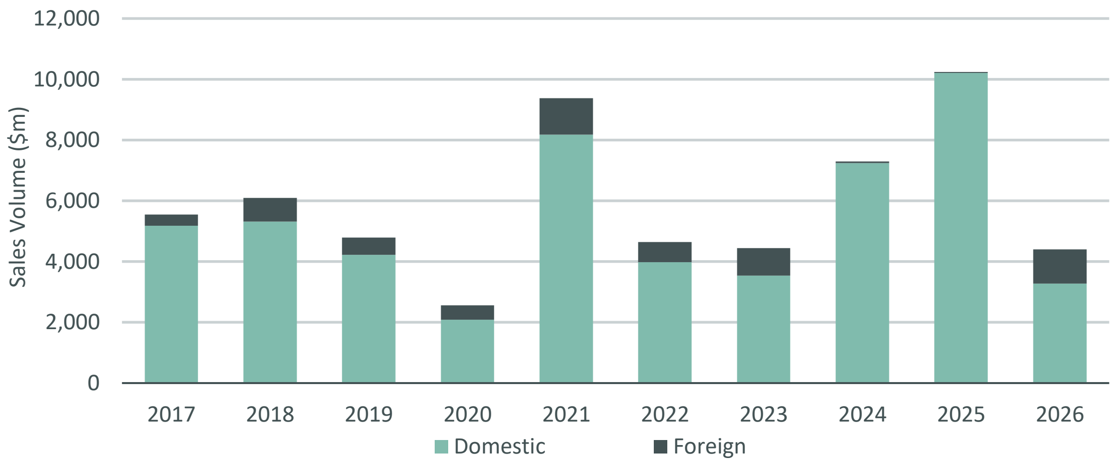
Source: CBRE Research

FIGURE 11: Australian Average Shopping Centre Retail Yield



Source: CBRE Research

FIGURE 12: Shopping Centre Buyer Profile



Source: CBRE Research

Large Format Retail

Perth leads with strong rental growth

LFR fundamentals remained resilient throughout Q2 2026, despite ongoing caution among consumers. Recent spending on big-ticket household goods appears to have been largely driven by necessity-based replacement demand and targeted purchasing decisions, rather than a broad-based recovery in discretionary spending. While household spending has strengthened in recent months, elevated living costs and a preference for value continue to influence consumer behaviour, reinforcing the appeal of retailers offering essential home improvement, household and lifestyle products.

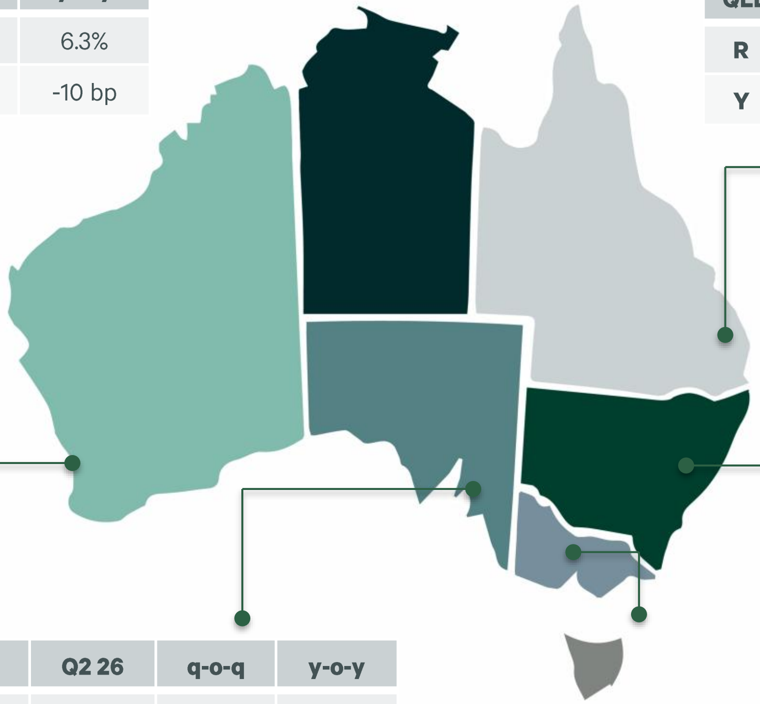
Against this backdrop, prime LFR rents increased across the major markets of NSW, VIC and WA during the quarter, while rental levels in QLD and SA remained stable. Perth led rental growth, increasing by 1.2% q-o-q and 6.3% y-o-y. The city's strong performance has been underpinned by favourable economic fundamentals, including robust population growth, solid labour market conditions and comparatively strong household consumption.

On the supply side, c.7,950 sqm of retail space was completed during Q2 2026. While development activity remains relatively subdued by historical standards, additional supply is emerging from mixed-use urban renewal projects that incorporate homemaker and bulky-goods retail alongside residential and commercial uses, while a significant proportion of new stock is being generated through the expansion and redevelopment of existing homemaker centres rather than the development of entirely new retail precincts.

Prime LFR yields tighten y-o-y amid $557 million of transactions

Prime LFR yields remained stable at 6.11% in Q2 2026, tightening by 6 bp y-o-y. While yields softened by 4 bp Sydney, Melbourne and Brisbane recorded modest compression of 2 bp and 3 bp, respectively. Investment activity totalled $557.2 million nationally (incl. non-metro). The largest transaction was the sale of 231 Kings Way, South Melbourne, an Officeworks-leased asset, for a c.$75 million.

FIGURE 13: Large Format Retail Key Metrics



WA	Q2 26	q-o-q	y-o-y
R	$263	1.2%	6.3%
Y	6.3%	Stable	-10 bp

QLD	Q2 26	q-o-q	y-o-y
R	$341	Stable	2.9%
Y	6.1%	-3 bp	-50 bp

NSW	Q2 26	q-o-q	y-o-y
R	$699	0.4%	5.5%
Y	6.1%	4 bp	Stable

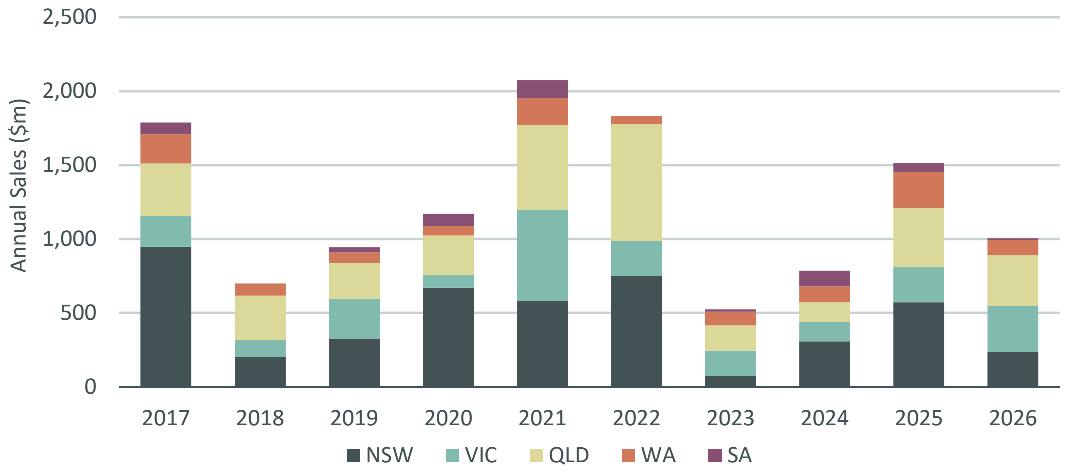
SA	Q2 26	q-o-q	y-o-y
R	$272	Stable	2.5%
Y	6.1%	Stable	Stable

VIC	Q2 26	q-o-q	y-o-y
R	$345	0.2%	10.6%
Y	6.0%	-2 bp	-13 bp

Legend
R - Rents
Y - Yields

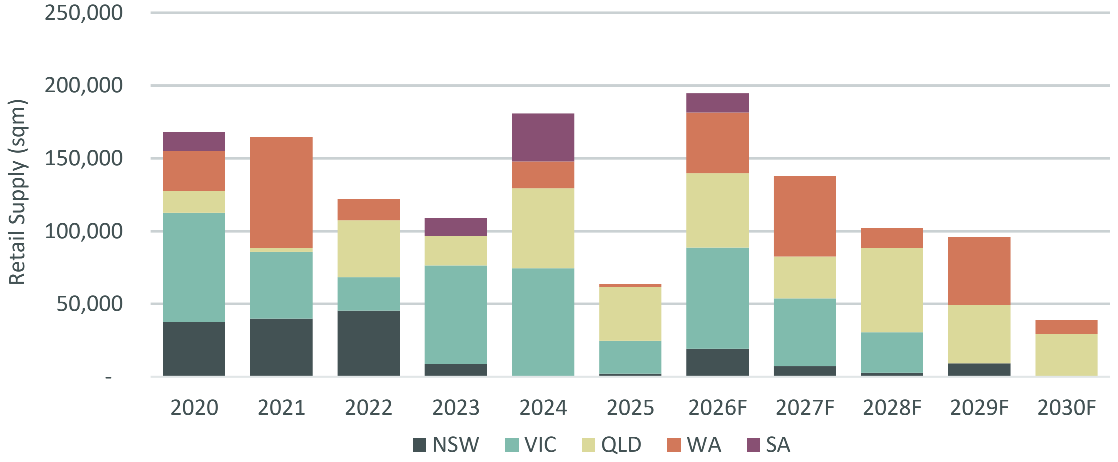
Source: CBRE Research

FIGURE 14: Large Format Retail Transactions by State



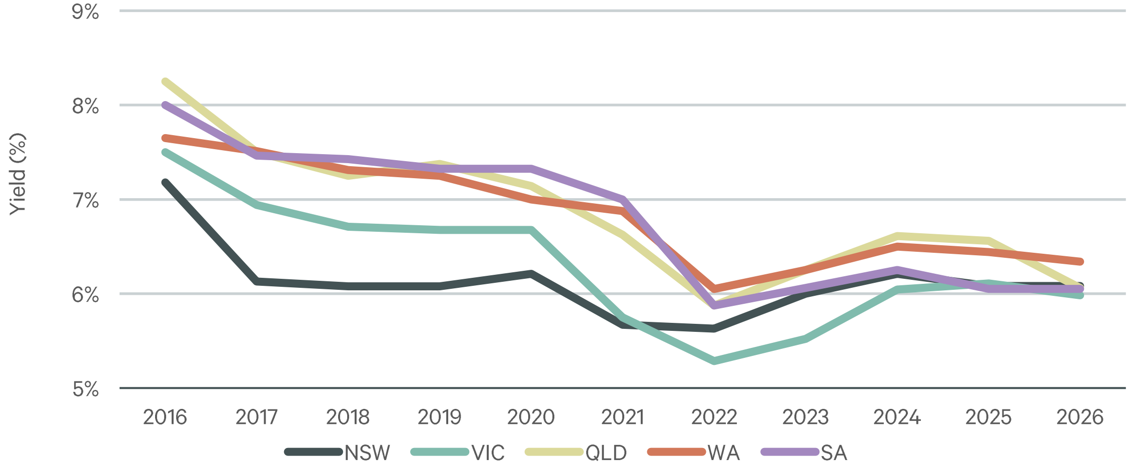
Source: CBRE Research

FIGURE 15: National Large Format Retail Prime Supply by State



Source: CBRE Research

FIGURE 16: Prime Large Format Retail Yield by State



Source: CBRE Research

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

Source: CBRE Research

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