

FIGURES | SYDNEY RETAIL | Q4 2025

Sydney retail investment sales hit ten-year high as demand surges

▼ 5.0%

Sydney CBD Vacancy Rate H1 25

▲ 6.1%

NSW Household Spending
Y-o-Y November 2025

▲ 5.0%

Regional Centre Y-o-Y Rent Change

▲ \$2.8b

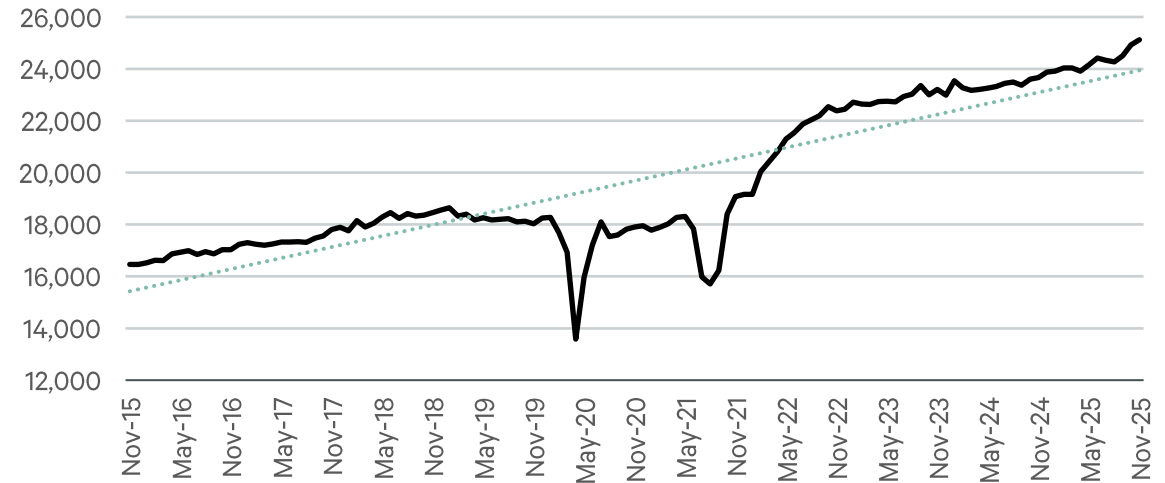
Q4 25 NSW Retail Investment Volume

Note: Arrows indicate change from previous quarter.

Key Points

- NSW household spending increased 6.1% y-o-y in November, reaching a total of c. \$25.1b.
- The opening of Sydney Metro has improved CBD access, boosting foot traffic and supporting demand for well-located retail space.
- Development activity remained subdued in Q4 25, with just c.11,000 sqm in completions recorded. Ongoing supply constraints are expected to support further rental uplift.
- Sydney CBD retail vacancy declined by 210 bp in H1 2025 to 5.0%, driven by the removal of a number of stores at MetCentre from the total stock count, some of which were vacant, ahead of their planned conversion to podium space.
- Over the quarter, super prime CBD rents increased by 3.7%, regional shopping centres rose 1.5%, while sub-regional centres, neighbourhood centres and LFR's rose by 1.3%, 0.0% and 1.8%, respectively.
- Yields compressed across most retail asset classes in Q4 25, including regional and sub-regional shopping centres and LFR's, which saw a compression of 9 bp, 20 bp and 4 bp respectively.

FIGURE 1: NSW Total Household Spending, Seasonally Adjusted (Nov 15 - Nov 25)



6.1%
Year-on-Year



0.8%
Month-on-Month

Source: ABS as at Nov 2025, 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 November 2025, y-o-y household growth for NSW was led by miscellaneous goods and services (10.3%), hotels, cafes and restaurants (9.0%) and furnishings and household equipment (7.8%).¹

NSW is set to welcome around one-third of Australia’s projected migrant intake over the next decade

Australia’s population is forecast to grow by 12% between September 2025 and 2034, according to Deloitte Access Economics. Over the same period, NSW is expected to see its population rise by 9%, a significant increase given the state’s already large population base. This growth, driven primarily by overseas migration, is expected to support stronger demand for housing and retail services. CBRE estimates that the demographic uplift could generate an additional \$4.7 billion in annual retail spending. With NSW set to absorb close to one-third of the nation’s total population growth, the state is well positioned to capture the broader economic benefits over the coming decade.

Australia’s labour market remains resilient, with the national unemployment rate steady at 4.3% as of November 2025. In NSW, unemployment fell by 40 bp to 3.9%, supported by ongoing hiring in healthcare, professional services, and logistics, which have absorbed new entrants into the workforce. This reflects continued strength in core industries and sustained confidence among workers. CBRE expects the solid employment base to support household incomes, which in turn should underpin discretionary spending and maintain near-term stability in the retail market.

1. According to ABS

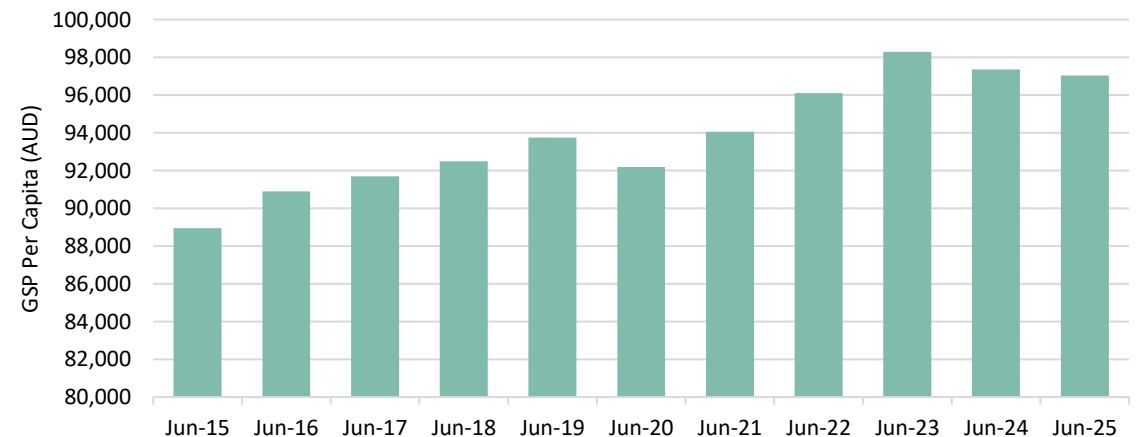
2. According to Deloitte Access Economics

New infrastructure projects enhance connectivity and boost visitation

NSW’s retail landscape is being supported by major infrastructure developments that are improving access and driving higher visitation. The launch of Sydney Metro in August 2024 has enhanced connections into the CBD, while Parramatta Light Rail, completed in late 2024, is projected to carry around 22,000 passengers daily by 2026, boosting shopper flows across Greater Parramatta. Upgrades to WestConnex, the M12 Motorway, and the emerging Western Sydney freight and transport corridor are improving travel efficiency across western and south-western corridors, expanding access to both established and emerging retail hubs.

The opening of Western Sydney International Airport in 2026 is expected to attract workers and visitors to surrounding precincts, supporting new retail and commercial nodes. Additional projects, including Sydney Metro West, the Beaches Link and Western Harbour Tunnel, will further strengthen connectivity between the CBD, Parramatta and the northern suburbs, expanding catchments for retail centres. CBRE expects these initiatives to boost foot traffic, unlock new shopper catchments and provide a stronger foundation for retail growth across NSW over the next decade.

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



Source: ABS, CBRE Research

Supply

Retail supply remains limited amid market and structural challenges

The CY25 supply totalled c. 19,000 sqm, reflecting 24% of the 10-year long-run average. The limited influx of new supply reflects a mix of structural and market dynamics. Prolonged planning and approval timelines continue to delay project starts, while escalating land and construction costs challenge project feasibility. Tenant demand remains heavily skewed towards established centres, reducing incentives for speculative development. Tighter lending standards and higher financing costs further restrict new projects. Recent delays to developments such as the Sydney Fish Market redevelopment, now scheduled to open on 19th January 2026, illustrate how these pressures are encouraging developers and investors to prioritise refurbishments and redevelopment of existing assets over greenfield builds.

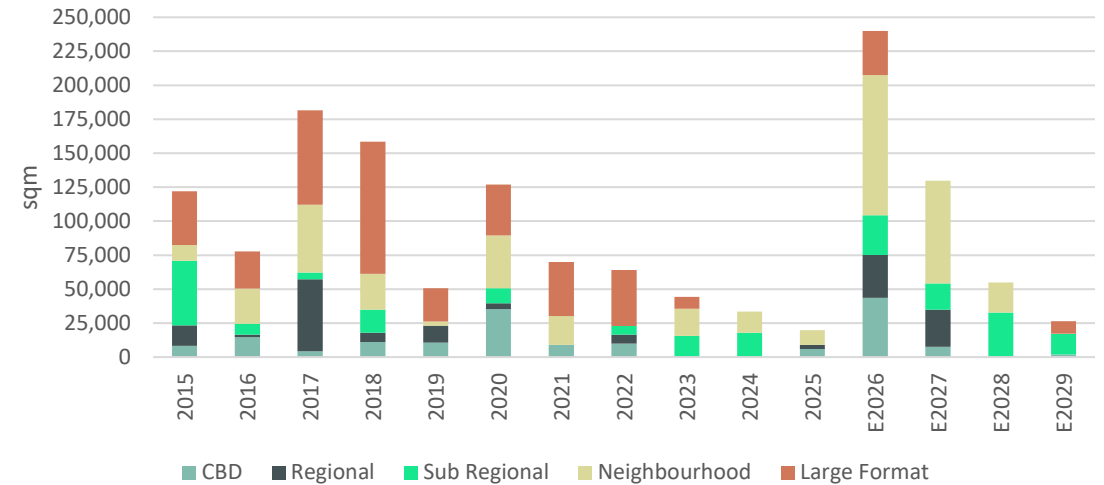
Over the period to the end of 2027, c. 370,000 sqm of retail space is expected to enter the market. Neighbourhood centres are projected to make up nearly half of this supply, with regional shopping centres and CBD retail accounting for c. 16% and c. 14%, respectively. Their strong presence in the pipeline reflects the relative ease of delivering these projects, as well as the ability to cater to localised demand in growing suburban catchments, making them a practical choice for developers compared with larger, more complex schemes.

Vacancy

Sydney CBD vacancy tightens

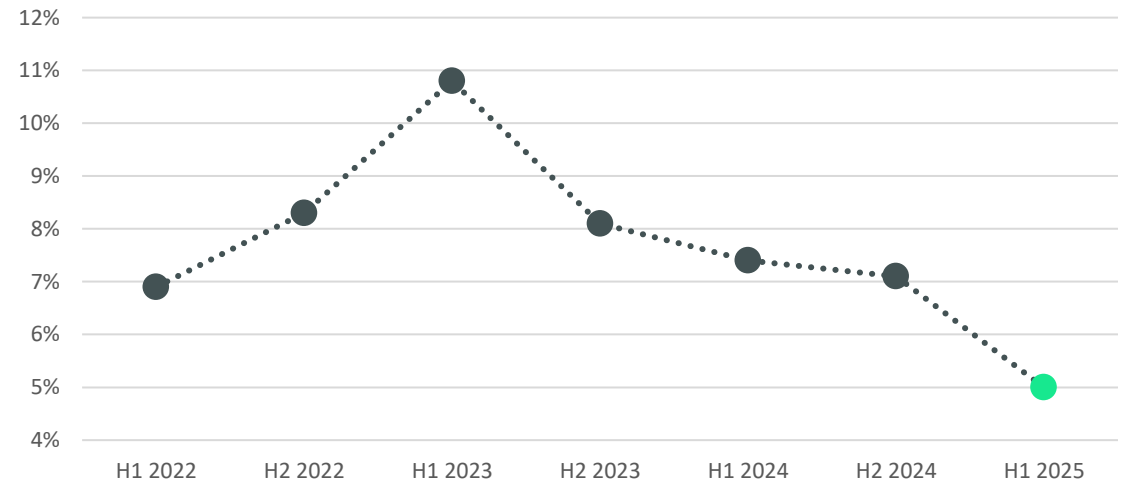
In H1 25, Sydney CBD retail vacancy declined by 210 bp to 5.0%, marking a fourth consecutive half-year of improvement. The reduction was partly attributable to the removal of a number of stores at MetCentre from total stock, ahead of their planned conversion into podium space, which reduced reported vacancy. Beyond this adjustment, improving leasing conditions across core precincts and the continued rationalisation of secondary retail space also supported lower vacancy. Vacancy rates across core and non-core precincts converged over the period at 5.0% and 5.2% respectively, indicating a more even recovery across the CBD. On a like-for-like basis, non-core vacancy in the prior period would have remained materially higher, underscoring the extent of the recent tightening.

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 7.9% over the year

Sydney’s super prime CBD net face rents rose 7.9% over the year and 3.7% over the quarter, reflecting heightened competition among tenants for prime space. Low vacancy, improved shopper footfall, and the strategic enhancement of existing assets have supported stronger occupancy and rent growth.

In Q4 25, net face rents at regional shopping centres increased 1.5%, compared with 1.3% at sub-regional centres and no change at neighbourhood centres. Over the year, regional assets recorded the strongest growth at 5.0%, ahead of sub-regional (2.6%) and neighbourhood centres (1.1%). Retailers remain selective in their leasing decisions, with prime locations continuing to attract the most interest despite broader economic headwinds.

Looking ahead, rental growth across shopping centres is anticipated to remain moderate in 2026, as retailers carefully manage expansion amid ongoing cost pressures and economic uncertainty. While demand for prime and well-positioned space remains solid, subdued discretionary spending and cautious leasing decisions are likely to temper the pace of rental increases.

Prime LFR rents rose by 1.8% this quarter, supported by subdued leasing activity in a tight market. Leasing transactions in 2025 were in line with 2024 levels, with the largest lease being Anaconda at Caringbah. While leasing volumes remain below the peaks seen in CY22 and CY23, the renewal rate has stayed high at around 95%. With construction costs stabilising, occupiers are increasingly prioritising lease renewals to avoid the higher rents typically associated with new leases.

LFR assets are well-positioned for further rental growth in 2026, underpinned by low vacancy rates of around 2.5%, a constrained supply pipeline, and continued population growth driving demand for LFR goods. Enquiries for space remain strong, but opportunities are limited due to the tight vacancy. Prime LFR rents recorded 7.4% y-o-y growth as of Q4 25. Rental opportunities typically arise in clusters, as centres developed in the same year often have leases expiring together, with 5–10 leases coming up simultaneously, creating periods of increased market activity.

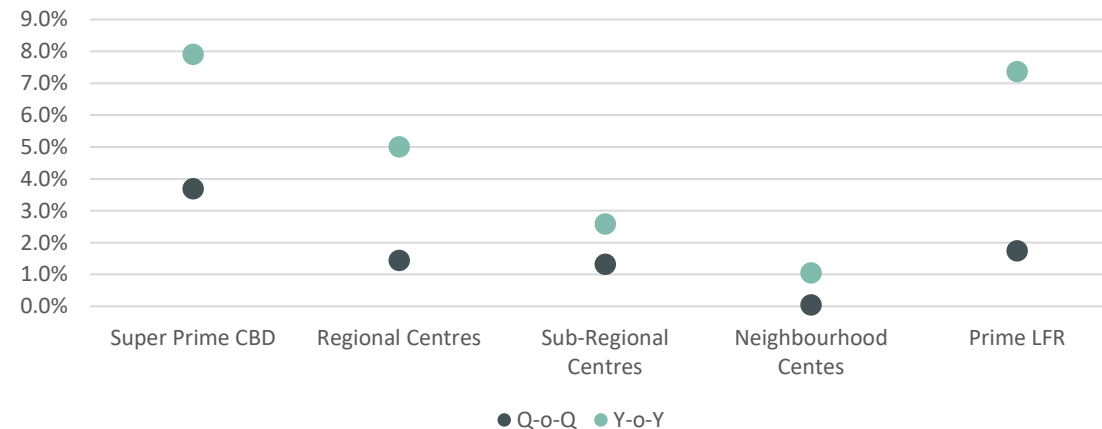
Incentives were stable across all retail sectors in Sydney over Q4 25, supported by cautious leasing activity and a limited pipeline of new space, which allowed landlords to maintain terms.

FIGURE 5: NSW Key Leasing Rates by Retail Asset Category

Asset Type	NFR (AUD/sqm)			NER (AUD/sqm)			Incentives (%)		
	Q425	Q-o-Q Change	Y-o-y Change	Q425	Q-o-Q Change	Y-o-y Change	Q425	Q-o-Q Change	Y-o-y Change
CBD Super Prime	11,515	3.7%	7.9%	9,787	3.7%	9.2%	15.0%	Stable	-100bp
Regional	1,984	1.5%	5.0%	1,637	1.5%	5.0%	17.5%	Stable	Stable
Sub-Regional	1,207	1.3%	2.6%	1,062	1.3%	2.6%	12.0%	Stable	Stable
Neighbourhood	1,188	0.0%	1.1%	1,027	0.0%	1.1%	13.5%	Stable	Stable
LFR	683	1.8%	7.4%	609	1.8%	7.4%	10.8%	Stable	Stable

Source: CBRE Research

FIGURE 6: Net Face Rent Growth y-o-y, by Retail Property Type (Dec 24 - Dec 25)



Source: CBRE Research

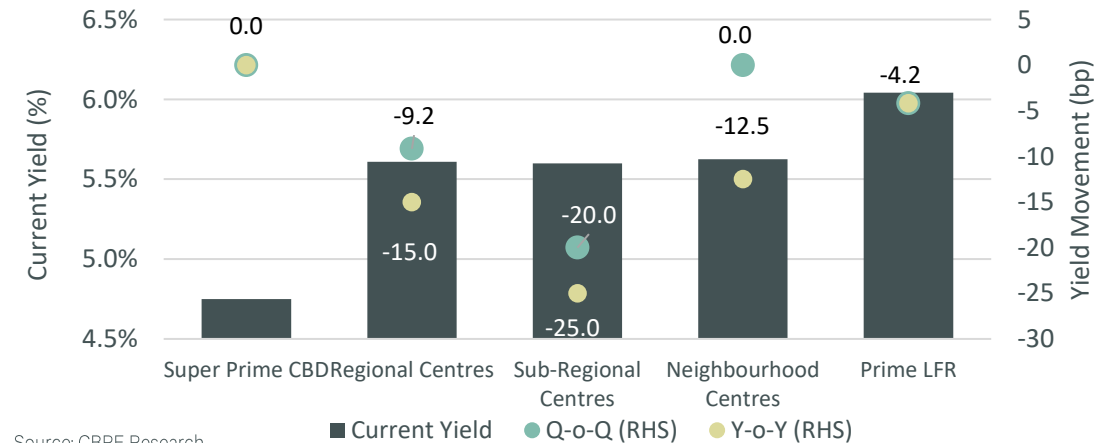
Investment

Sydney retail investment volumes outpace the last decade

A total of c. \$2.8 billion of investment sales were recorded in Q4 25 across eleven transactions in NSW for sales greater than \$5 million. The largest transaction involved the \$895 million sale of Erina Fair shopping centre by Lendlease and its co-investor, Korea’s National Pension Service (NPS), to Fawkner Property. Looking ahead, returns are expected to be increasingly driven by income growth rather than capital appreciation, as yield compression remains limited in the current interest rate environment. Stable occupancy, high renewal rates and ongoing rental growth, particularly across essential service-led and well-located centres, are expected to underpin income-focused performance.

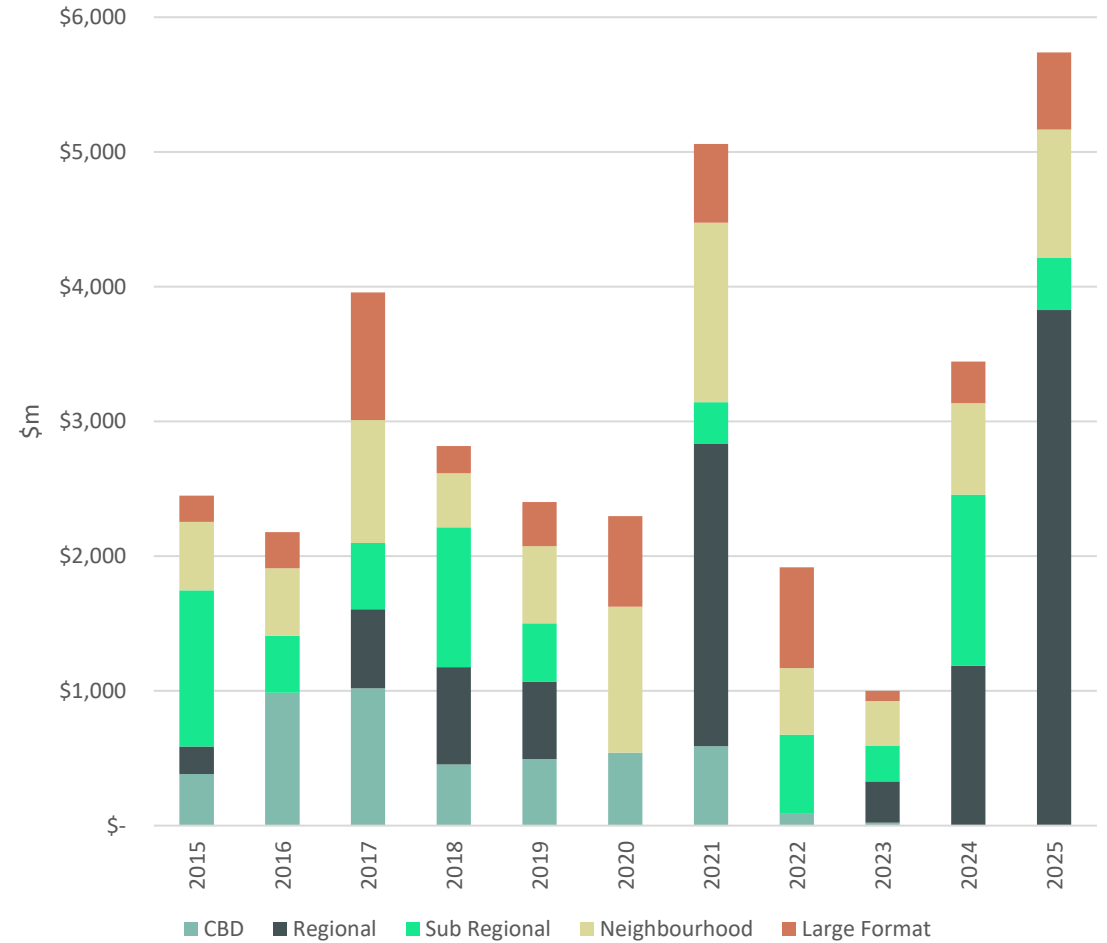
Yields were largely stable across retail asset classes in the December quarter, with regional and sub-regional shopping centres the key exceptions. Regional centre yields tightened by 9 bp off the back of strong investor demand, resilient income streams and limited availability of prime assets. Sub-regional centre yields tightened by 20 bp, supported by their defensive positioning, stable income profiles and strong local catchment demand. Neighbourhood centre yields remained flat, as higher tenant turnover and greater exposure to discretionary spending constrained 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

Research Contacts

Jack Sywak

Research Analyst
 +61 468 323 533
 jack.sywak@cbre.com

Kate Bailey

Head of Retail and Alternatives Research
 +61 438 528 352
 kate.bailey@cbre.com

Sameer Chopra

Head of Research, Pacific and ESG APAC
 +61 422 242 830
 sameer.chopra@cbre.com



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