Intelligent Investment

CBRE RESEARCH

Australian Shopping Centres

Report Insights

May 2026

Australian Shopping Centres Outlook

Booming spend

CBRE forecast **retail sales will grow to $530bn by end of the decade** (+55% through the 2020s). A triple boost **of population growth, jobs growth and income growth will help to grow the retail base.** Look good, feel good and travel well – we estimate these categories have taken an extra 8% share of wallet over the past 20 years.

Rents rebased, can re-grow

For retailers, occupancy cost ratios (OCR) are **lower than pre 2020 levels.** This is particularly the case for Fashion and Services tenants.

We see scope for rents to **grow at mid-single digits.**

Supply constrained

CBRE estimate **0.7m sqm of future shopping centre supply over 2026-2028, primarily neighbourhood centres**. Recent geopolitical events **add 18% to construction costs**, widening the chasm between rent and cost to build.

Nearly 60% of shopping centres exhibit sub 5% vacancy. This is particularly the case for recent builds incorporating **modern retail formats and upgraded food/customer experience.**

More defensive

94% of shopping centres (Regional and Sub-regional) have at least two daily needs supermarkets. **New variety of specialty with large floorplate is replacing department stores.**

We see e-commerce growing **from 14.6% in 2025 to 16.7% by 2029.** Omni-channel click and collect/return facilities justify physical presence.

Residential upside

Expansion or re-development into mixed use, incorporating residential offers valuable optionality, in our view. Centres located on **larger sites, close to transport and in areas where residential rents are high**, may be early candidates for mixed use re-development.

Investment returns

Neighbourhood centres had posted sector leading investment returns of +9.4% pa over the past 10 yrs. Looking ahead, CBRE forecast **investment returns for Regional shopping centres could double to ~9% pa**, lead by rent growth. There is still scope for modest cap rate compression of ~10bps over the next 3 years.

Investment returns

Neighbourhood Centres had posted sector leading investment returns of +9.4% pa over the past 10 yrs, supported by cap rate compression and rising rents. Looking ahead, CBRE forecast investment returns for Regional shopping centres could double to +8.9% pa, lead by rent growth. There is still scope for modest cap rate compression of ~10bps over the next three years.

FIGURE 1

Regional shopping centres

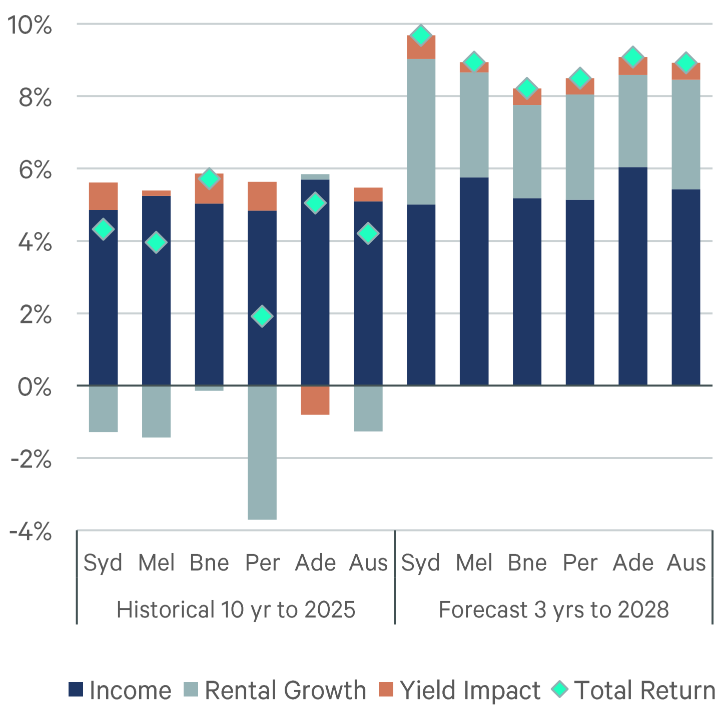


FIGURE 2

Sub-regional shopping centres

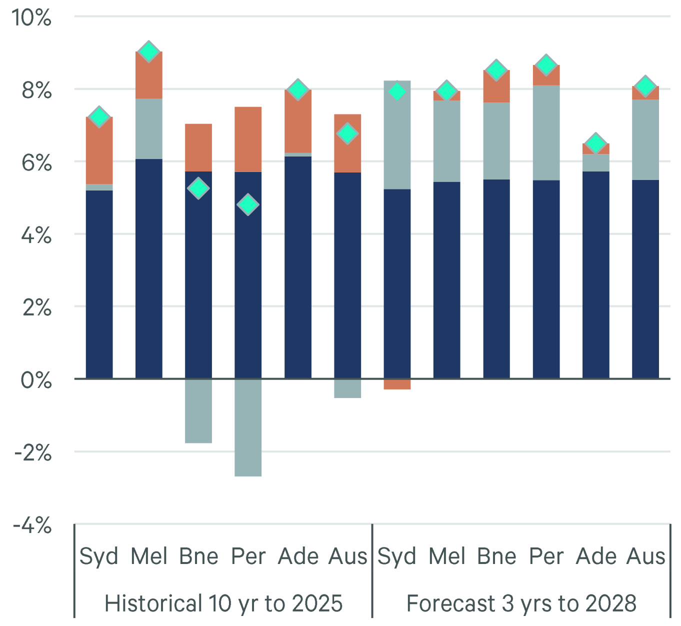
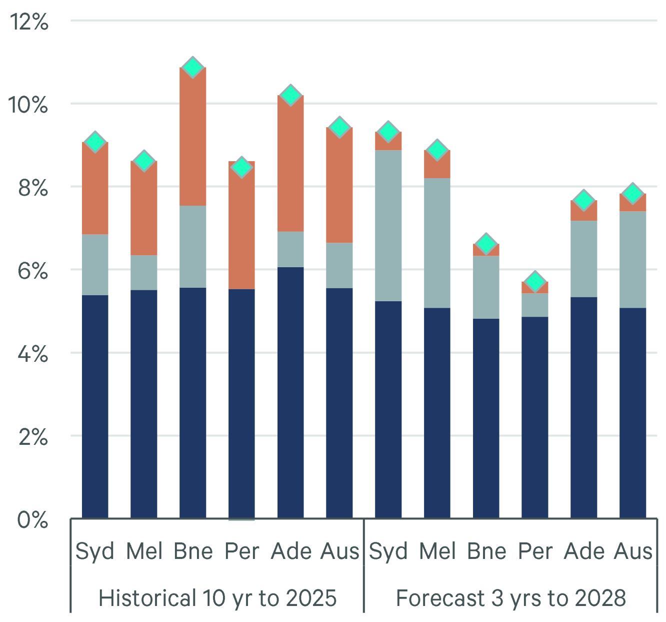


FIGURE 3

Neighbourhood shopping centres



Source: CBRE Research

Demand triple boost

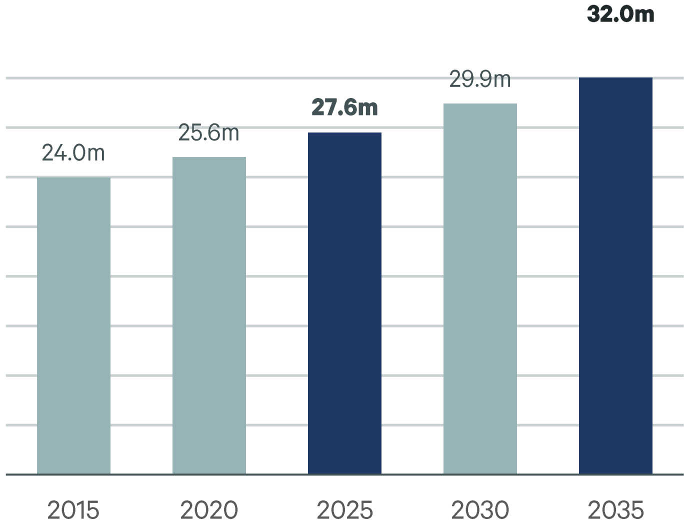
The demand for consumer facing real estate is expected to benefit from the triple boost of rising population, rising jobs and rising income. Collectively, this wealth effect will add ~$1,000bn of income over the next decade, a significant proportion of which is likely to be directed towards housing,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

FIGURE 4

Triple boost of population, jobs and income

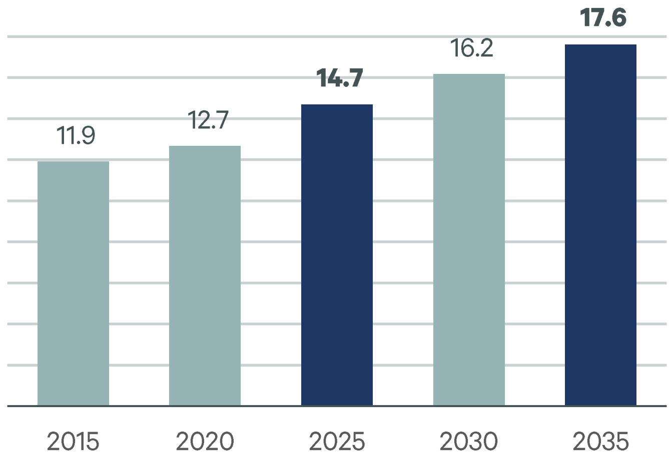
Population growth

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



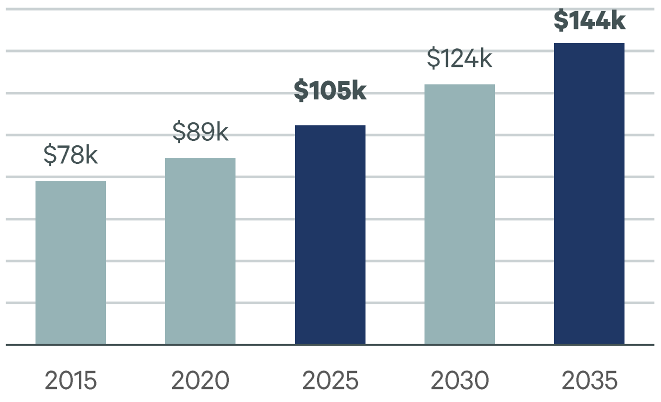
Jobs, jobs, jobs

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

Share of wallet

Category spend by Australian consumers has shown some, but not large shifts over the past 20 years.

Personal Consumption Expenditure data suggests that Food and Rent still comprise 31% of overall consumer spend. The 6% of wallet saved on Alcohol and Tobacco is now directed towards Recreation, Health and Apparel.

Total retail sales in Australia are near $443bn, 54% higher than 2015 spend of $287bn. Even through the course of 2022-23, when consumers felt the impact of 425bps of interest rate hikes, retail sales have grown by ~3.5%.

CBRE forecast retail sales could be ~$530bn by end of the decade, representing ~4% p.a. growth.

FIGURE 5
Retail sales per annum ($bn)

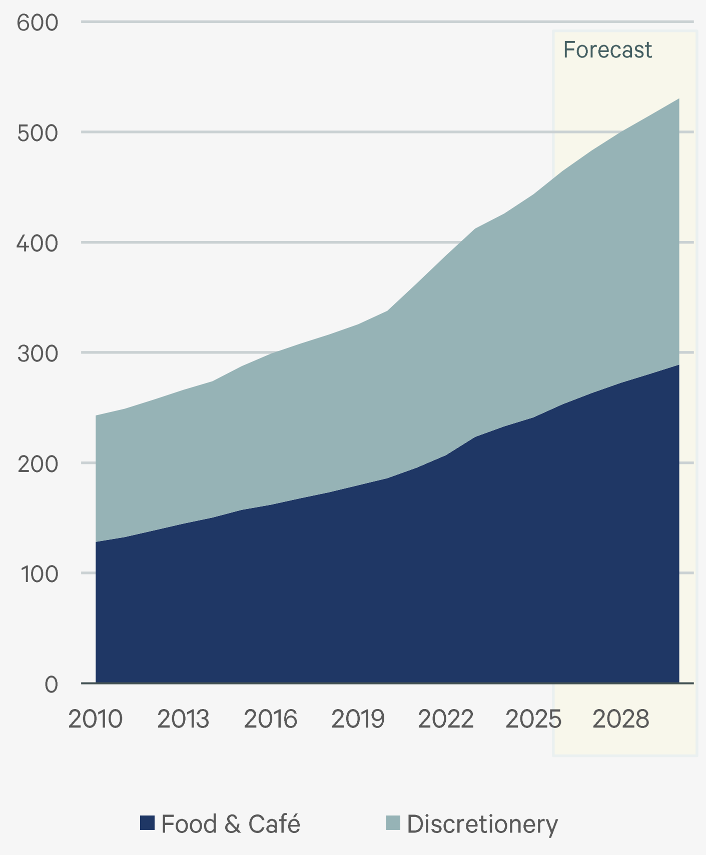
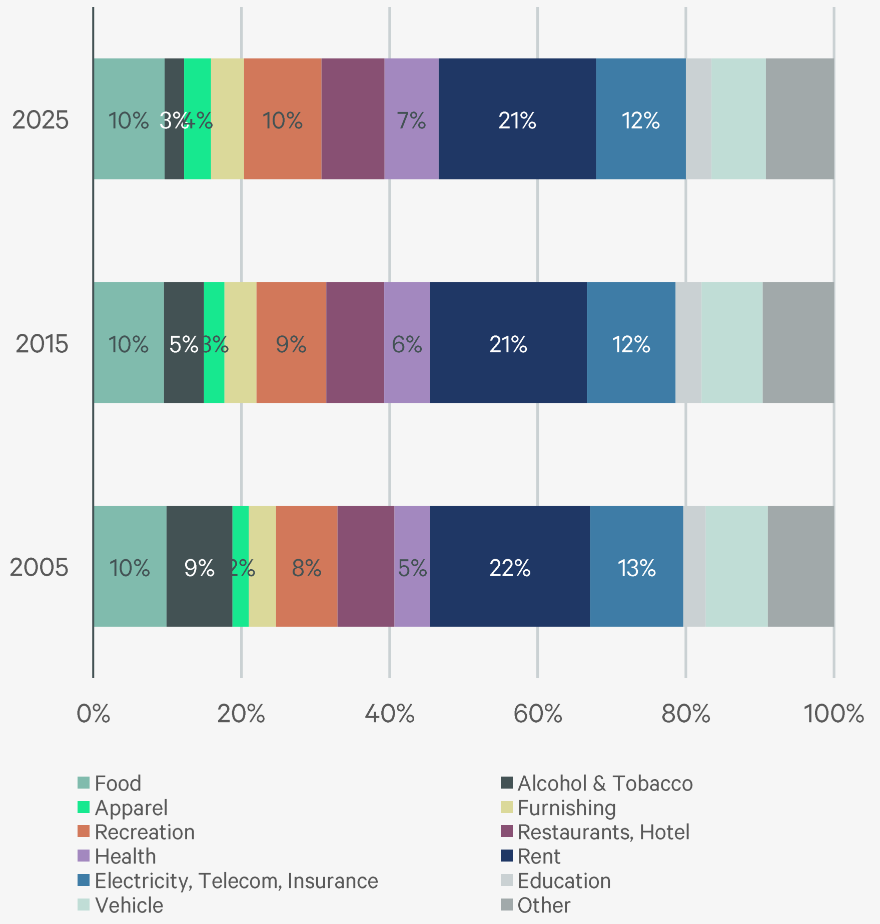


FIGURE 6
Share of wallet



Source: ABS, CBRE Research

Mark your calendar

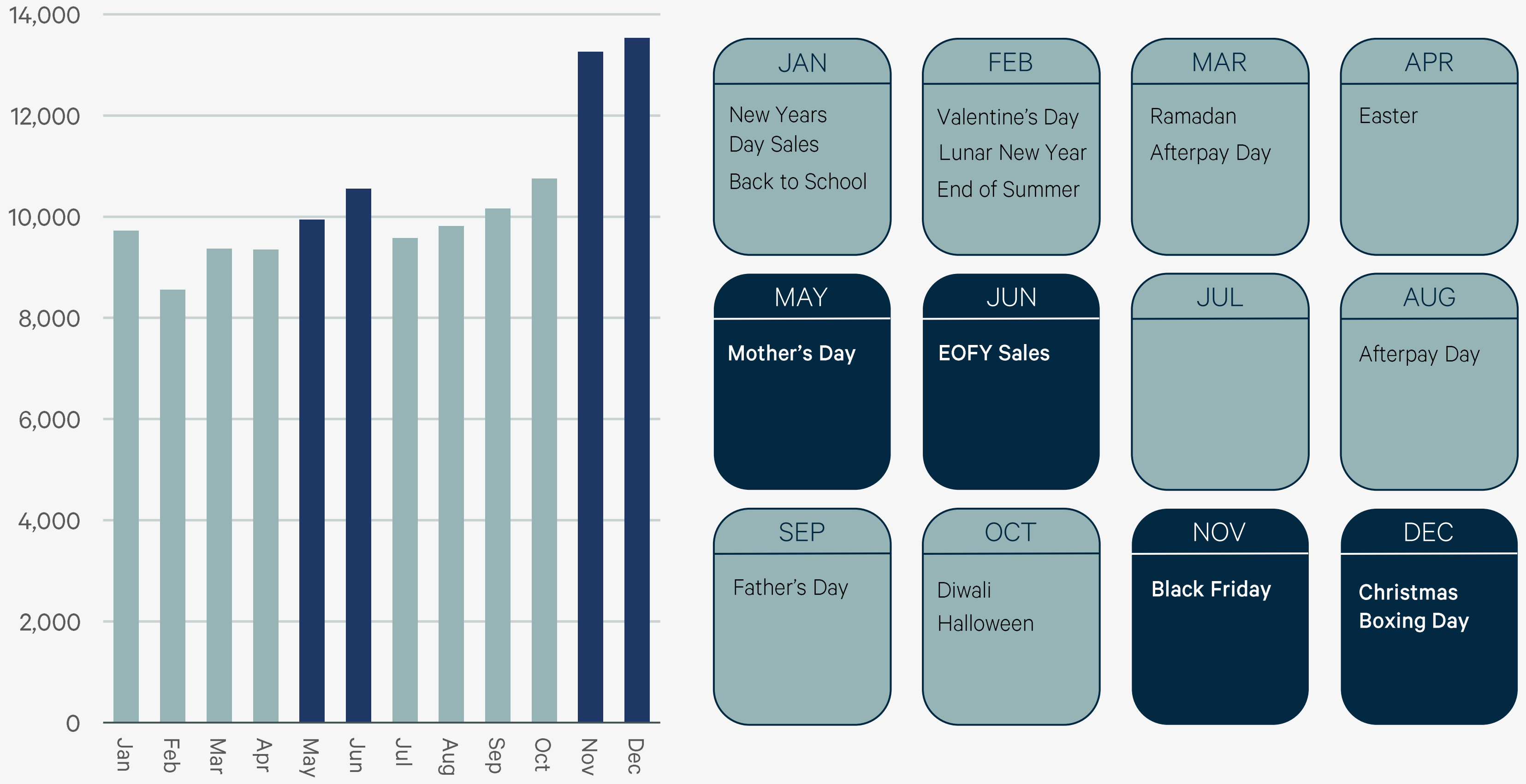
Boxing Day, Black Friday, End of Financial Year (EOFY) and Mother's Day are key dates in a calendar peppered with sales events.

Industry estimates suggest around half of annual store profits are generated over the Black Friday to Boxing Day period.

Retail-tainment and instagrammable events throughout the year also help generate foot traffic.

FIGURE 7

Clothing, accessories, homeware and department store sales through the year ($m)



Source: ABS, CBRE Research

Retailer financial health

Revenue and profit across Retail occupiers grew by 3.5% in 2025, broadly in line with inflation. Sector-wide margins are ~5.5%.

Hiring activity was flattish in 2025 but up 5% since 2019. This suggests an ongoing focus on "margin protection" while navigating higher insurance and electricity costs.

We don't expect to see pressure to reduce real estate footprint.

FIGURE 8

Sales and Profit across Retail occupiers

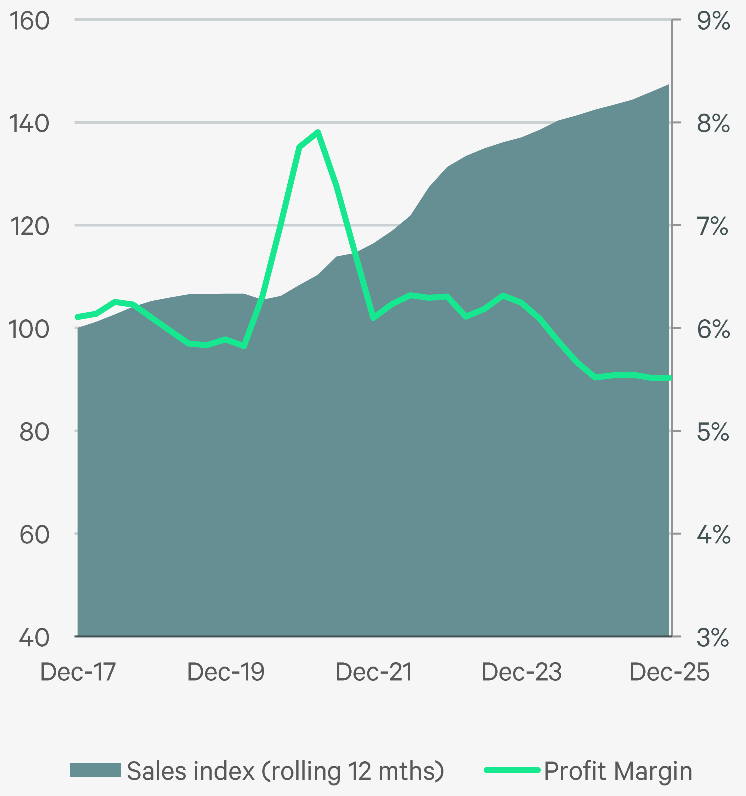
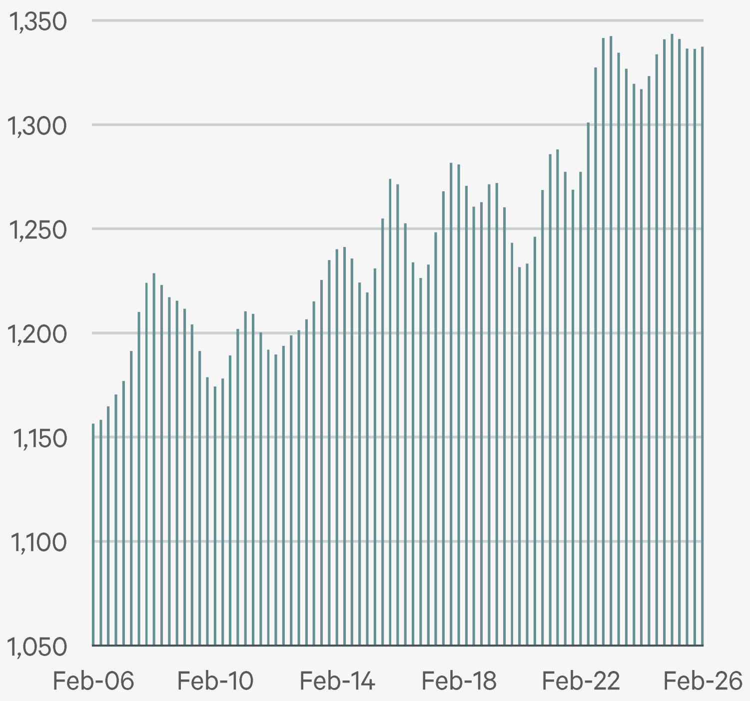


FIGURE 9

Retail headcount (000s)



Source: ABS, CBRE Research

Improving Cost Effectiveness

Retail occupancy costs in regional and sub-regional shopping centres are lower than pre-2020 levels. This has been through a combination of lowered rents (during pandemic) and strong retail sales growth.

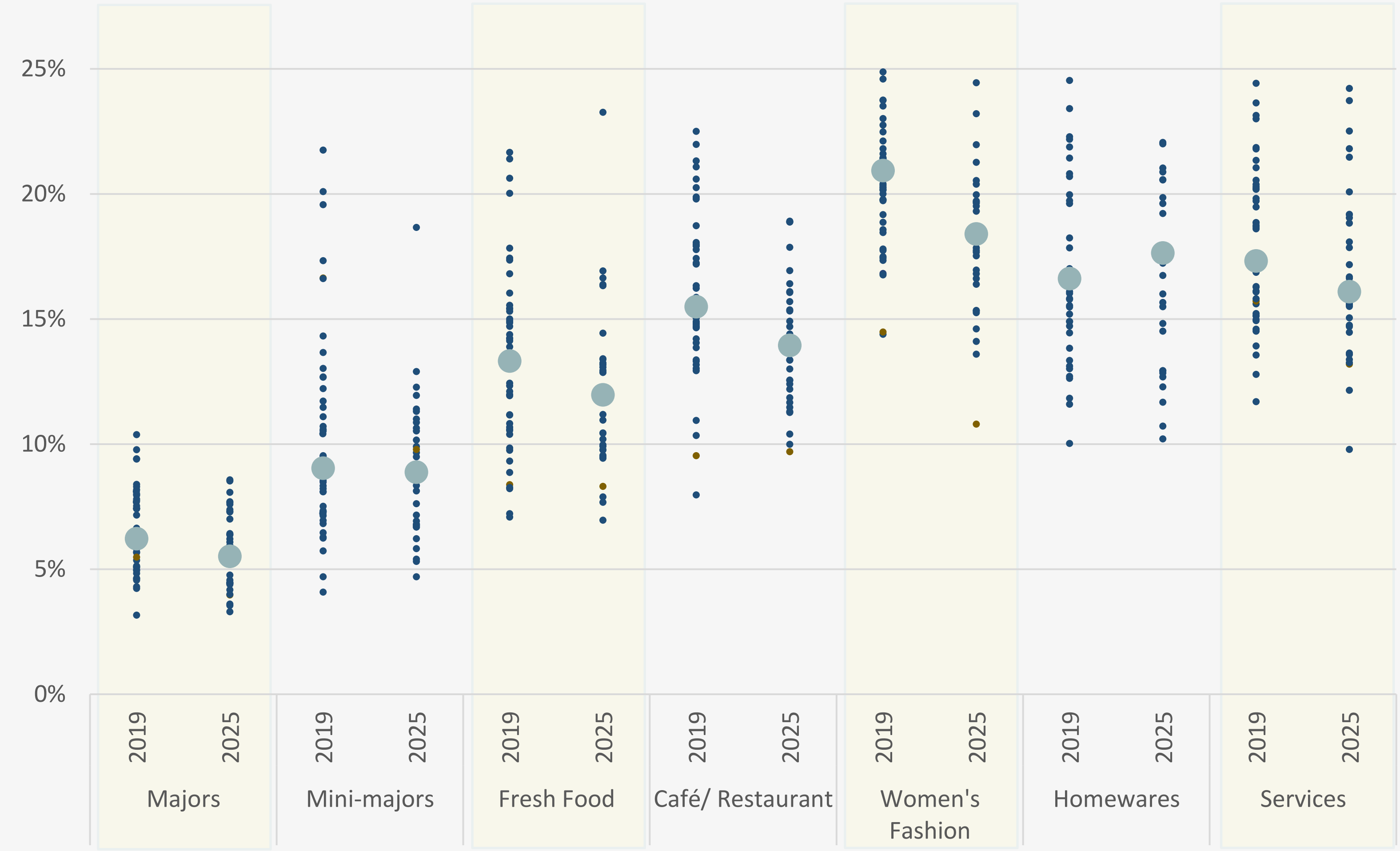
The reduction in occupancy costs has been most noticeable in the fashion and service categories, where median cost ratios have declined by ~2.5%.

Even for mini-majors, retail sales have slightly out-paced rent growth over the past five years.

We view this as a favourable outcome, providing scope for specialty rents to re-grow over time.

FIGURE 10

Occupancy cost by retailer type for selection of Regional and Sub-regional shopping centres



Source: CBRE Research

Positive re-leasing spreads

Re-leasing spreads in convenience and neighbourhood centres continue to exhibit resilience and are tracking to mid single digit growth.

For regional malls, re-leasing spreads are now back to consistent positive growth.

Tight vacancy is likely to keep re-leasing spreads in positive territory, in CBRE's view.

Most centres have also prioritised increasing share of turnover based anchors.

FIGURE 11

Re-leasing spreads convenience & neighbourhood

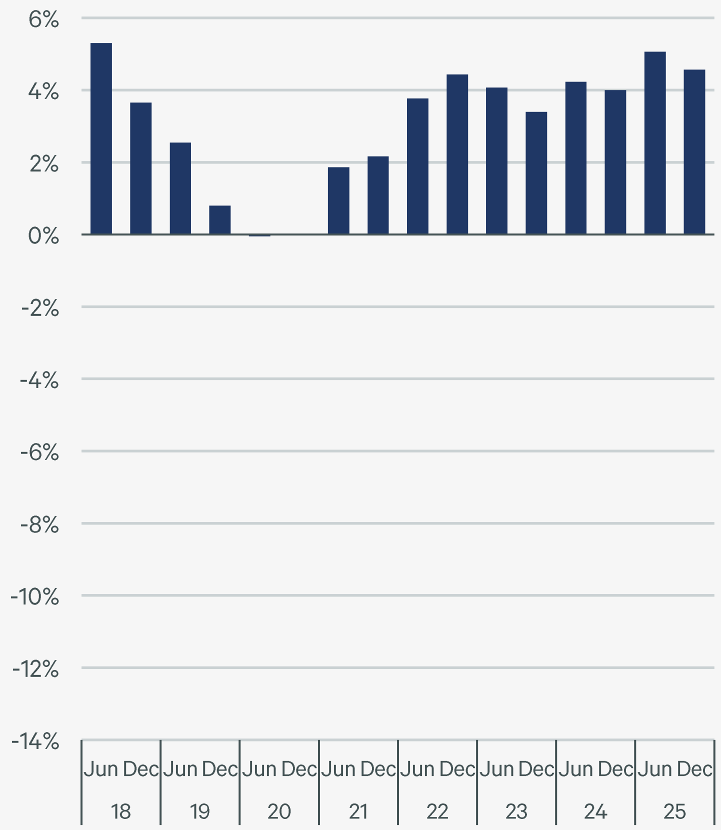
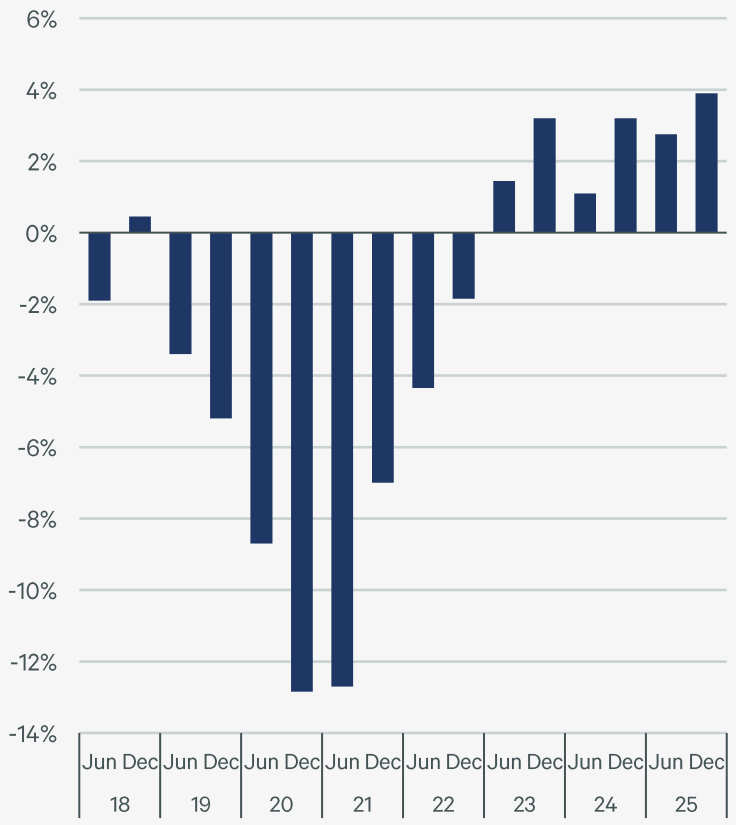


FIGURE 12

Re-leasing spreads regional shopping centres



Source: Company reports, CBRE Research

Anchored by supermarkets

Whitsunday Plaza, QLD & Gympie Central, QLD (100%) - Sold as part of the VCX Sub-Regional Portfolio - $250.3 million

eCommerce penetration has been **growing at a manageable 0.6% pa and currently sits at ~15%.**

There are typically **2-3 supermarkets in each centre, collectively accounting for c11% of floorspace (GLA).** These include Aldi, Coles and Woolworths. Typically, supermarkets occupy around 8,500 sqm of space within a shopping centre but this can be as high as 13,000 sqm.

OPEN

Mini-majors have continued to gain traction and now account for c15% of GLA, including retailers such as Chemist Warehouse, Cotton-On, JB HiFi and Rebel Sport.

Specialty stores account for 38% of the shopping centre footprint and have been **rebased for future rental growth.**

Department Stores, Discount Department Stores and Hardware account for 31% of GLA, including Myer, David Jones, Big W, K Mart, Target and Bunnings, amongst others.

Source: CBRE Research

Anchored by supermarkets (cont.)

FIGURE 13

eCommerce penetration

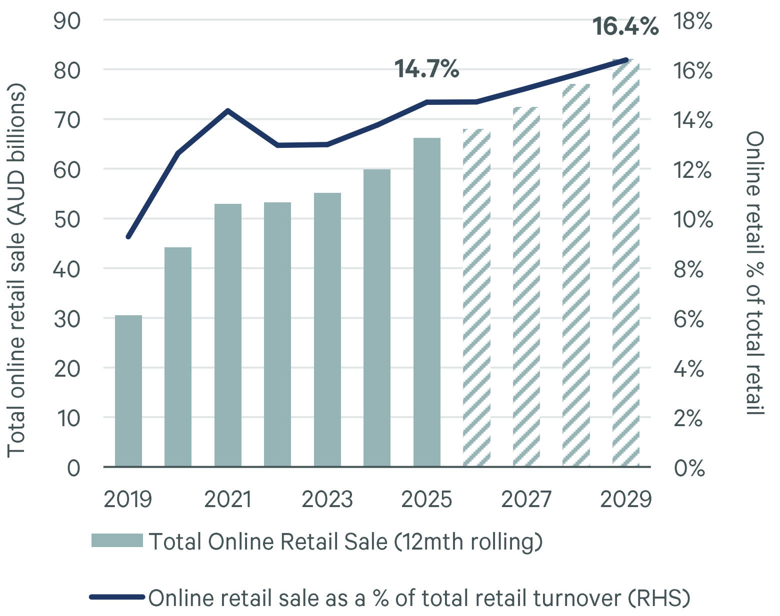


FIGURE 14

Gross Lettable Area by Occupier-type

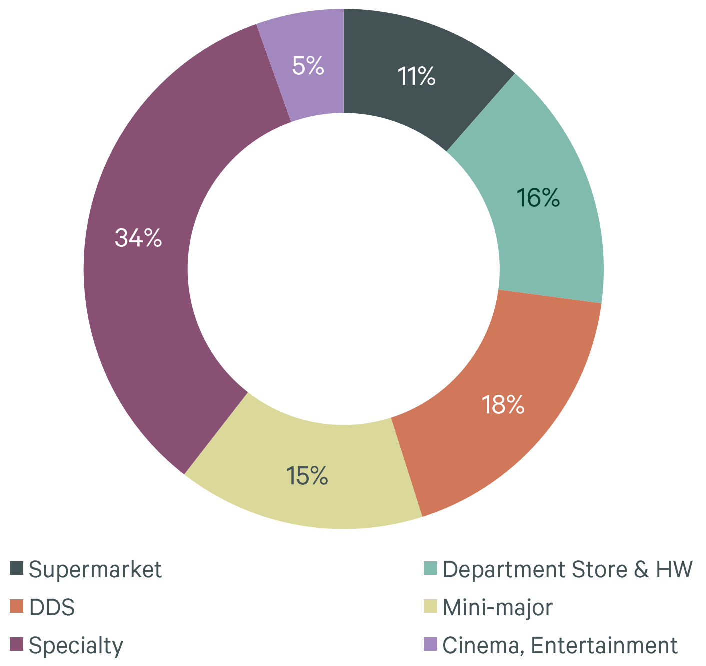
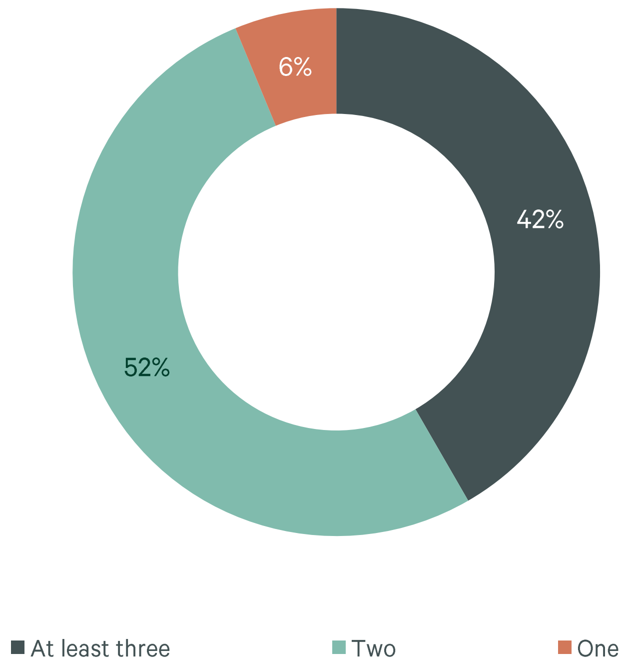


FIGURE 15

Number of supermarkets per Centre



Source: CBRE Research

Diverse tenant base

Established brands are increasingly complemented by newer market-entrants.

FIGURE 16

Supermarket stores by retail brand

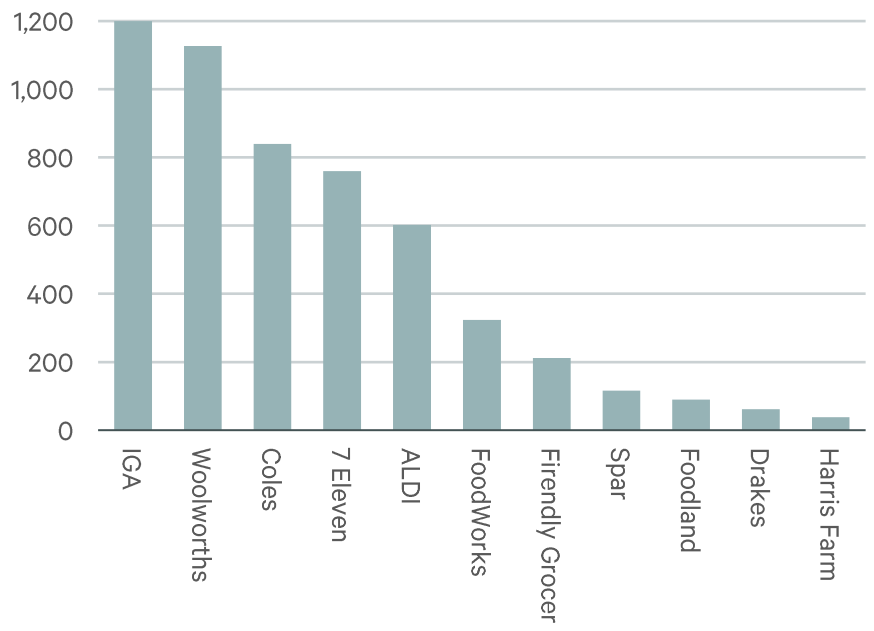
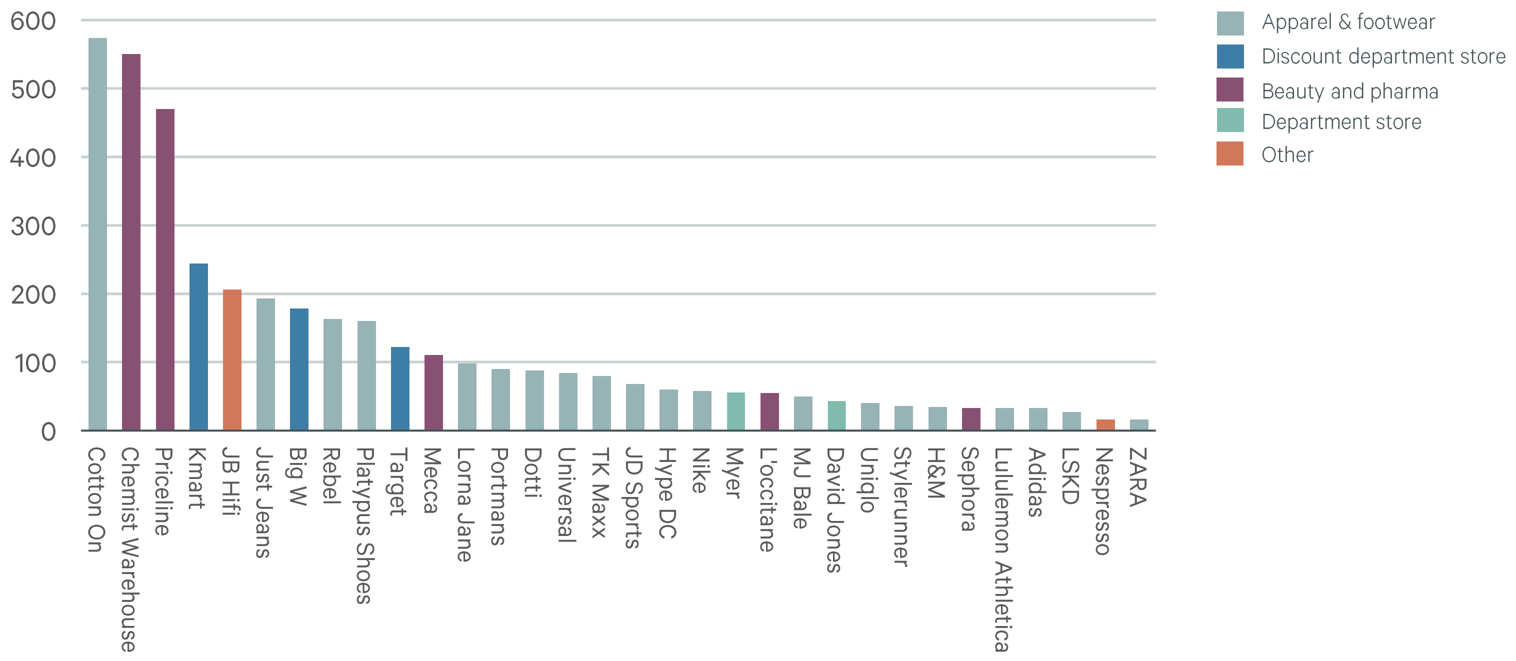


FIGURE 17

Apparel, Beauty & pharmacy, DDS, Department stores by retail brand



Source: CBRE Research

Diverse lease footprint

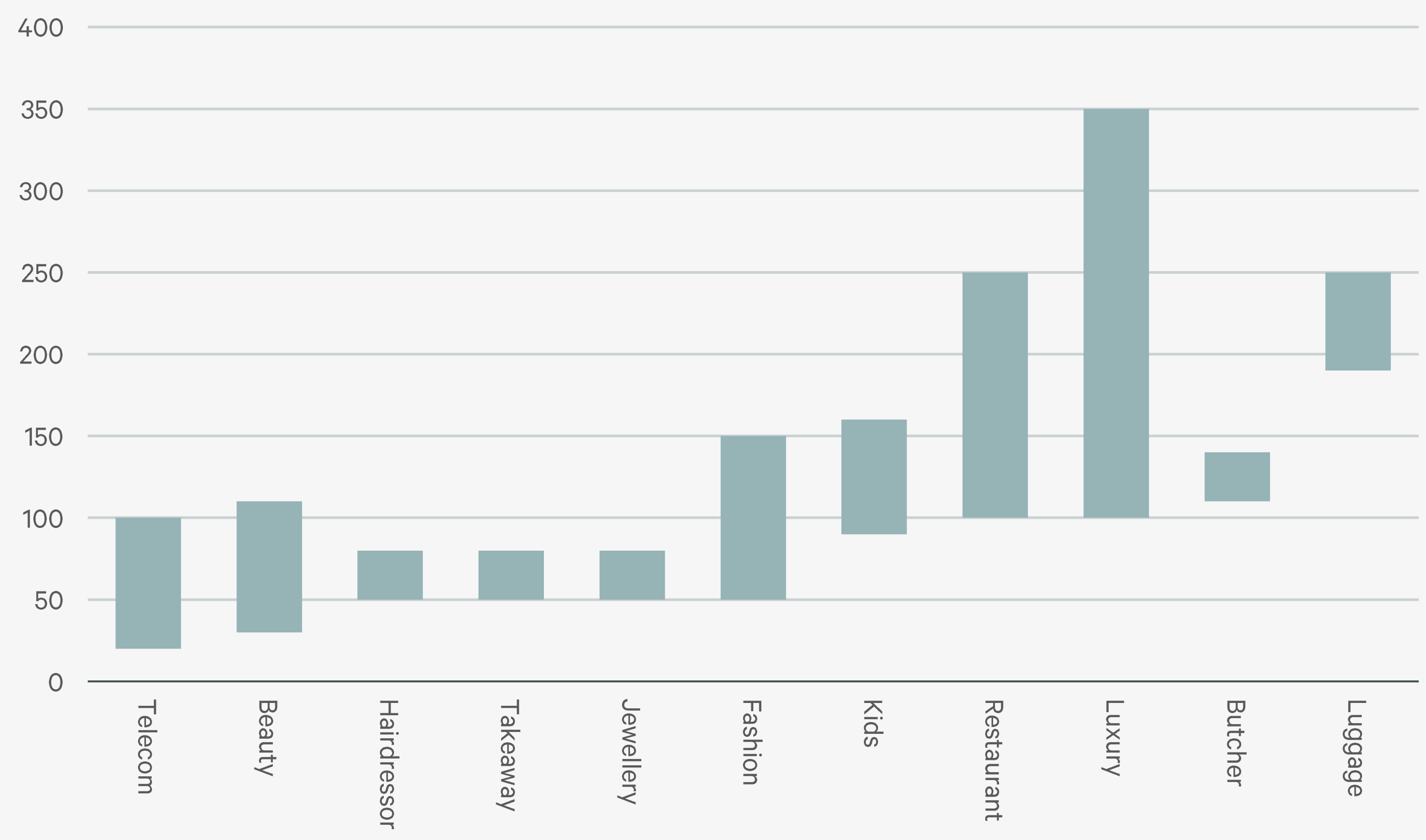
The majority of specialty leases in shopping centres are in 50sqm – 300sqm range.

Restaurants and Luxury are usually at the upper end of the take-up range.

CBRE expect select occupiers to consolidate the number of leases into larger marque footprint.

FIGURE 18

New leasing deals in 2025, typical size (sqm)



Source: Company reports, CBRE Research

Vacancy is already tight

Vacancy is trending back below 5% levels evident pre 2020 and nearly 60% of shopping centres already exhibit sub 5% vacancy. This is particularly the case for more recent builds incorporating modern retail formats and upgraded food/customer experience.

FIGURE 19

Vacancy by segment

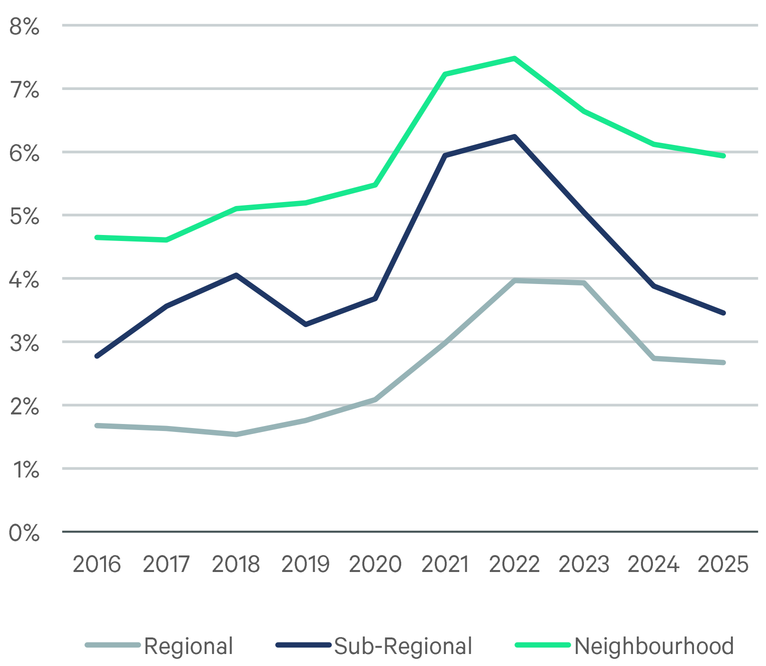


FIGURE 20

Percentage of centres by vacancy

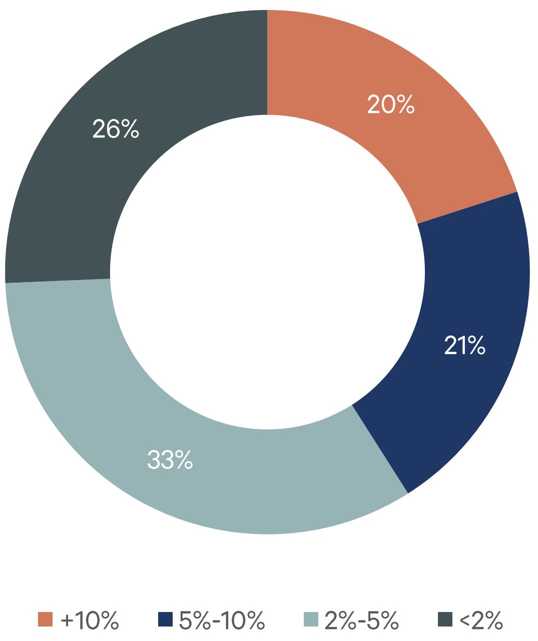
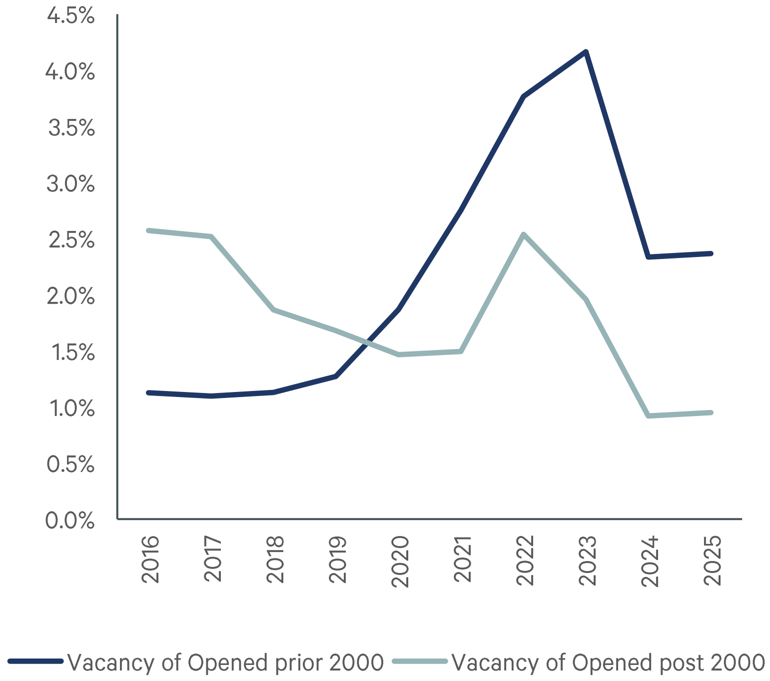


FIGURE 21

Vacancy by vintage, regional centres



Source: Property Council of Australia, CBRE Research

Challenging construction

The differential between rents and cost to build has widened by 45%-75% for Shopping centres. Recent geopolitical events could add 18% to construction costs over 2026-27, further challenging new developments.

FIGURE 22

NSW rents vs inputs into new supply

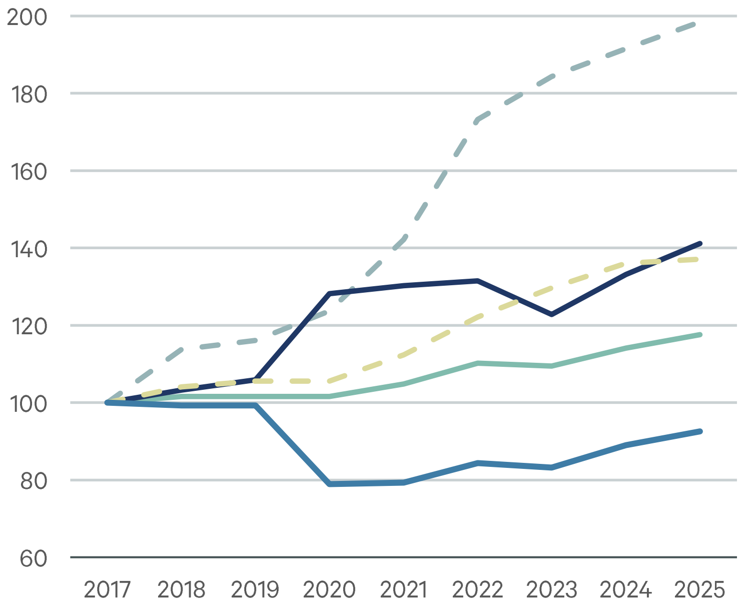
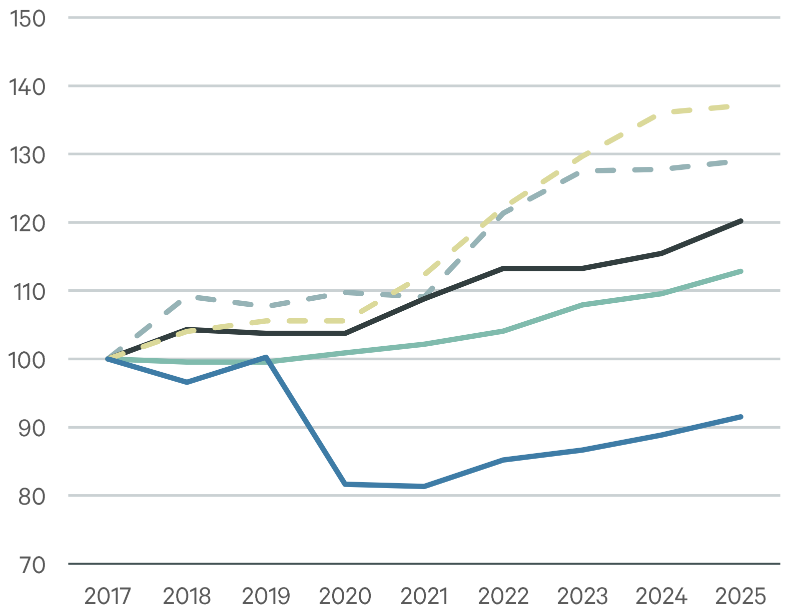


FIGURE 23

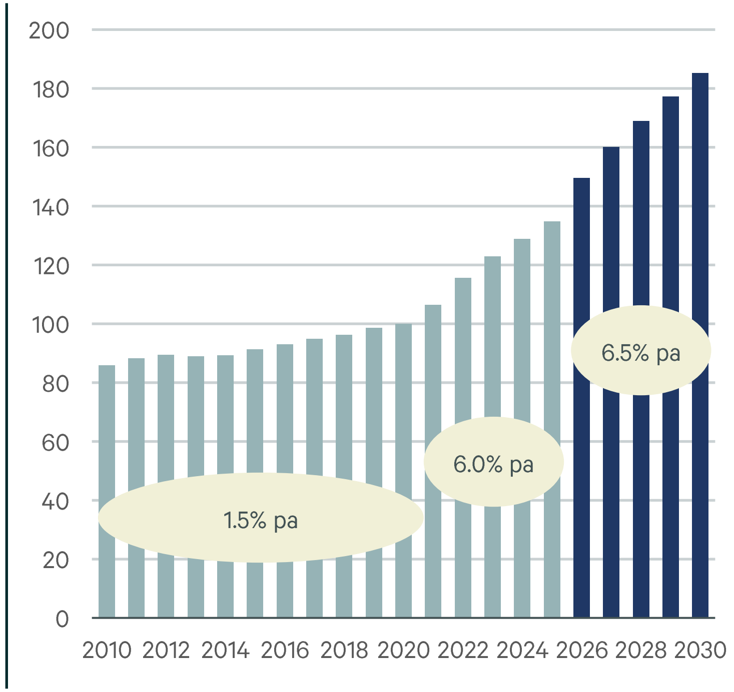
VIC rents vs inputs into new supply



Land cost — Rent Neighbourhood — Rent LFR — Construction cost — Rent Shopping centre

FIGURE 24

Construction cost index



Source: CBRE Research

Supply skewed to neighbourhood centres

CBRE estimates 0.7 million sqm of shopping centre supply over 2026–2028, which is not keeping pace with the increase in population of 1m over the next 3 years.

Future supply is concentrated in New South Wales (48%), Queensland (22%) and Victoria (15%).

Looking ahead, the supply outlook remains heavily skewed toward neighbourhood developments, which are projected to account for c. 69% of the shopping-centre pipeline through to 2028. Accordingly, delivery of regional and sub-regional centres is expected to total just 230,000 sqm over the next three years.

FIGURE 25

National Shopping Centre Development Supply Pipeline by Asset Type (New, & Extensions)

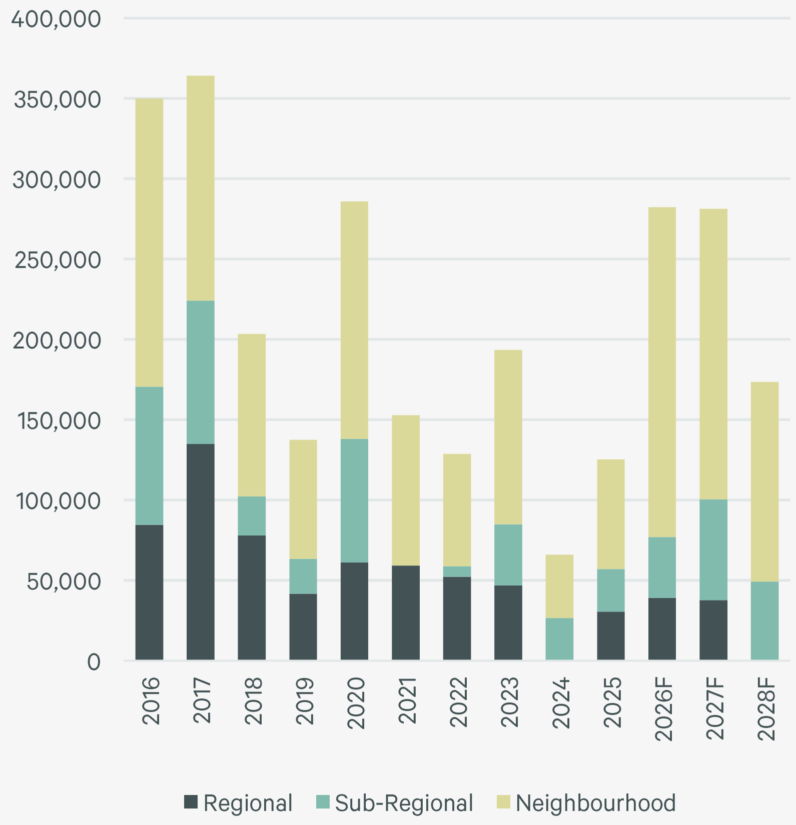
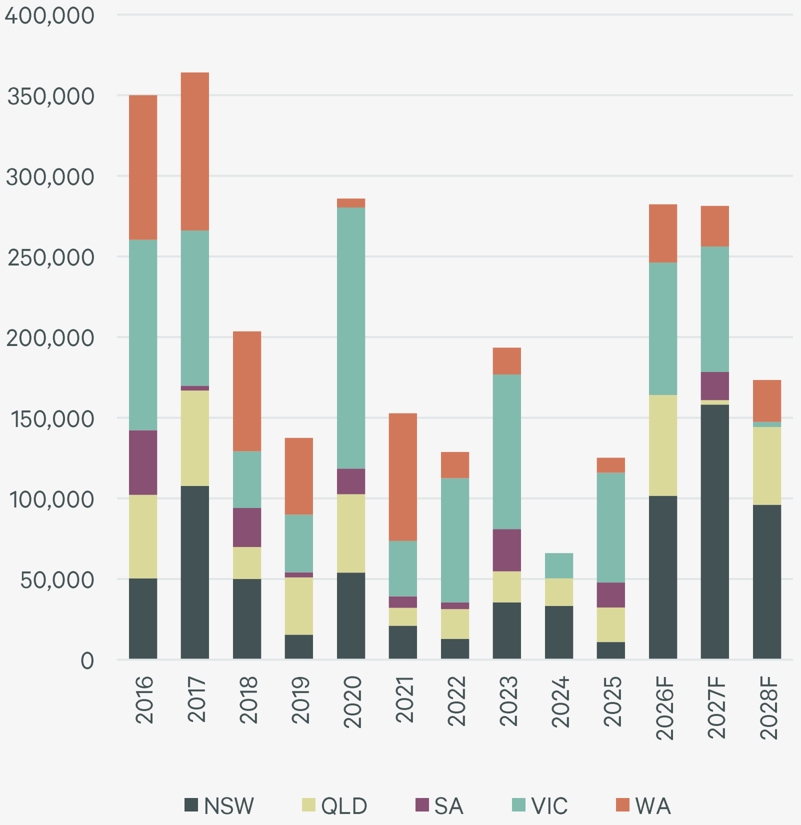


FIGURE 26

National Shopping Centre Development Supply Pipeline by State (New, & Extensions)



Source: CBRE Research

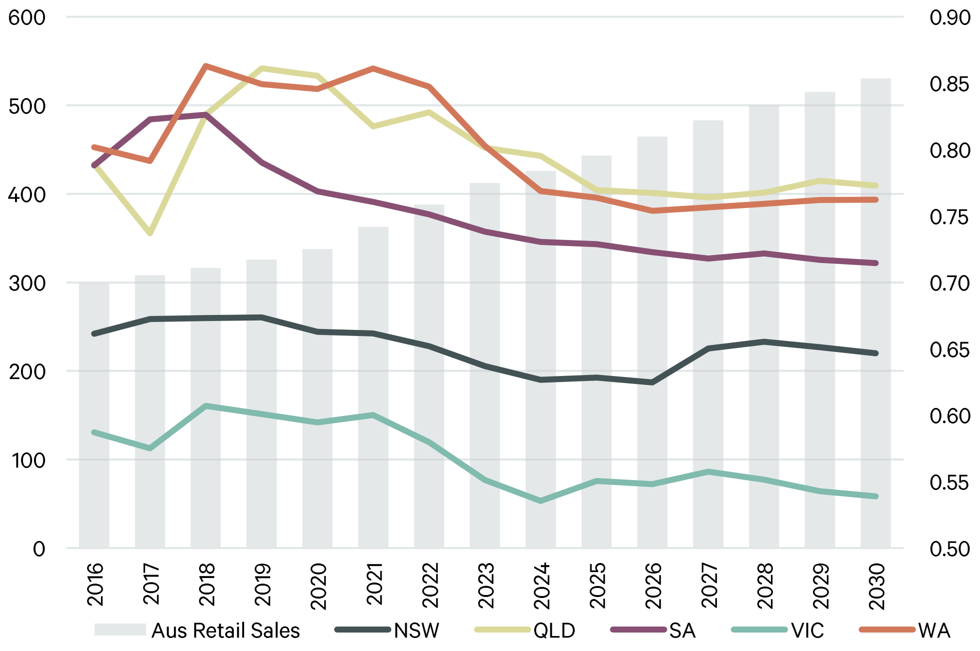
Falling GLA per capita

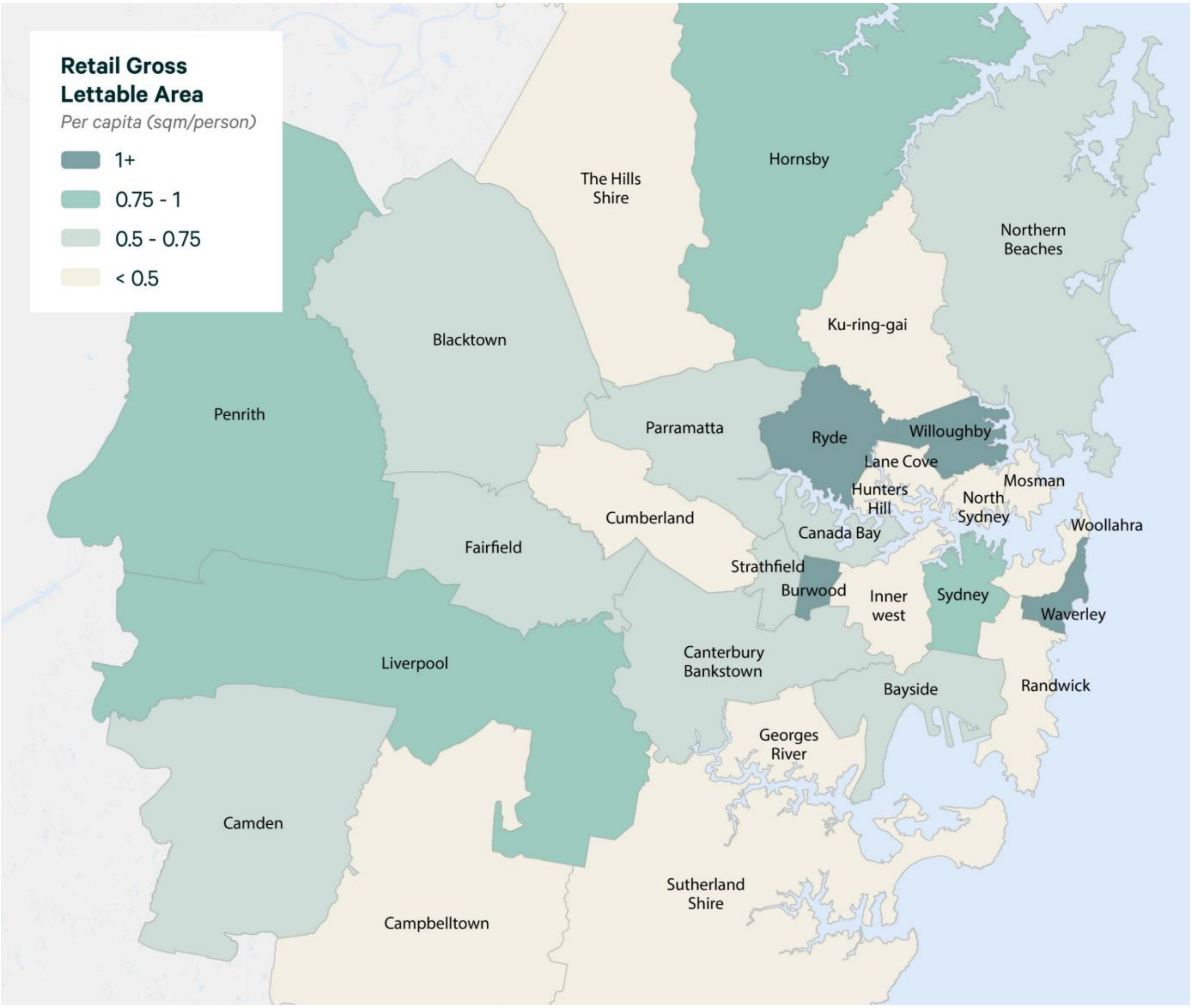
National shopping centre GLA per capita is 0.69 sqm per resident and is expected to remain unchanged by 2030; however, despite this stagnation in retail space productivity, we see a strong case for growth in retail sales.

Shopping Centre GLA per capita is lowest in NSW and Victoria.

FIGURE 27

Shopping Centres GLA per Capita via State



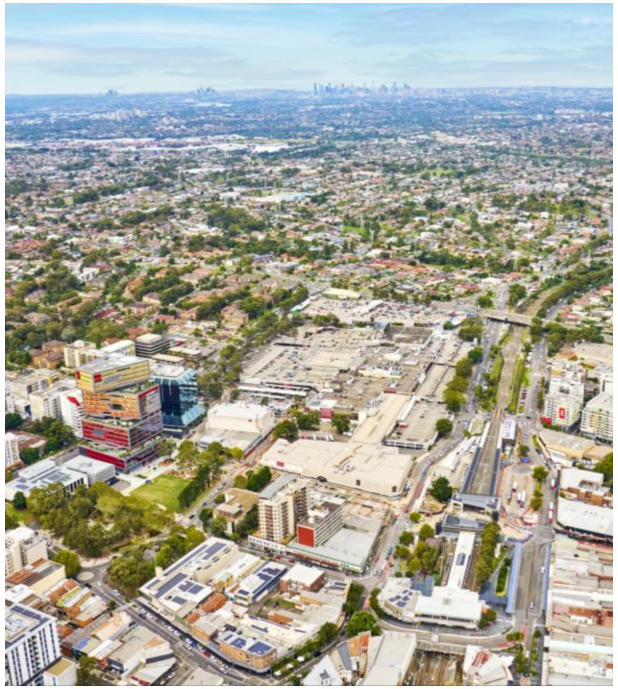


Source: PCA, Deloitte Access Economics, CBRE Research

High performing centres

The Top 25% of all centres typically generate over $11,000 per sqm of sales.

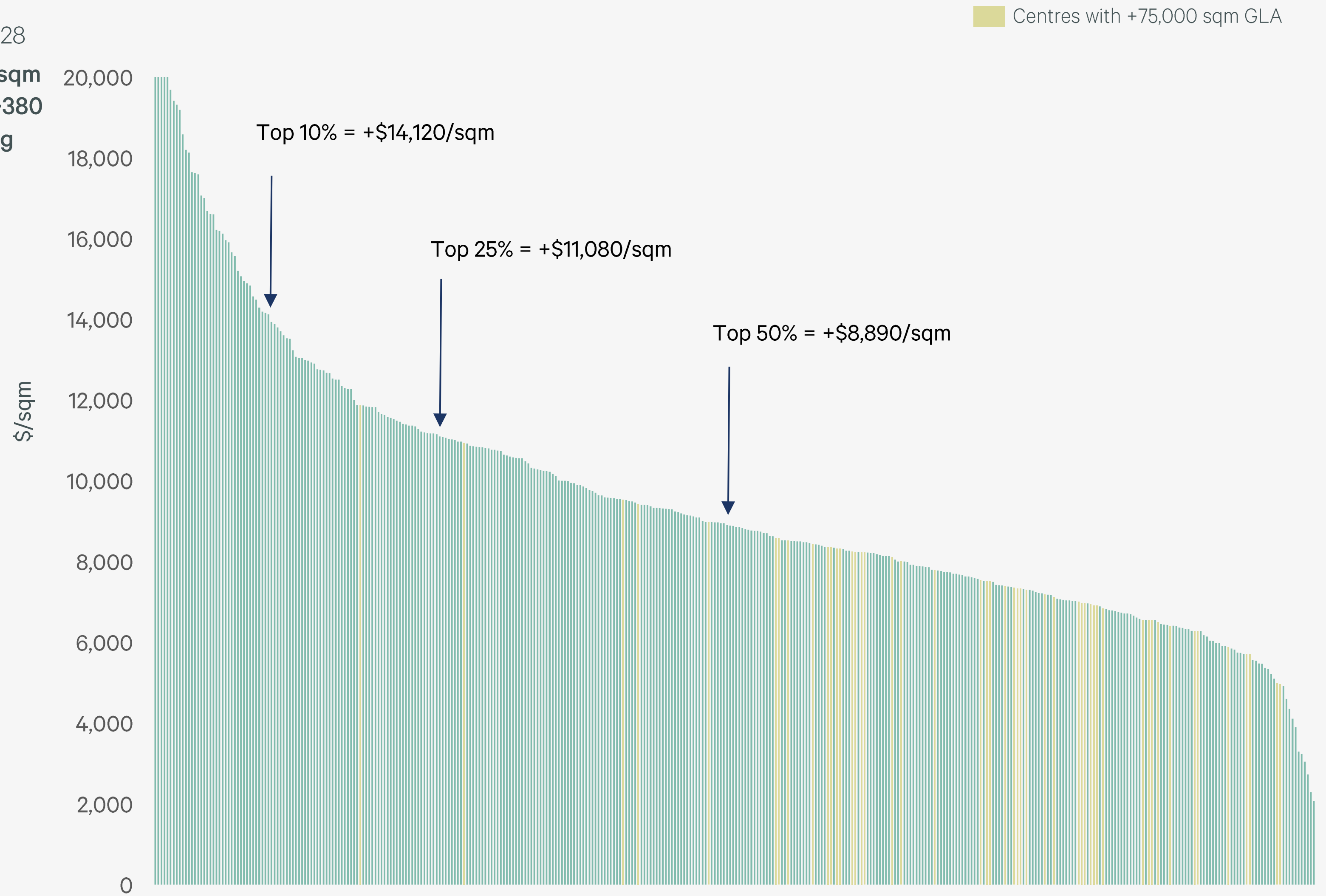
For convenience and neighbourhood centres, ~60% have productivity of +$10,000/sqm helped by Supermarkets.



Bankstown Central, NSW (50%) - Sold $318.6 million.

FIGURE 28

MAT $/sqm across ~380 shopping centres



Source: SCN, CBRE Research

Rent growth

Rents for shopping centres are forecast to grow at mid-single rates through 2026, building on the growth experienced since 2023. We forecast rental growth for shopping centres in Perth could be in the high single digits during 2026.

FIGURE 29

Regional shopping centre net effective rent growth

Source: CBRE Research

Residential optionality

There is scope to add additional value for select shopping centres through mixed-use conversion.

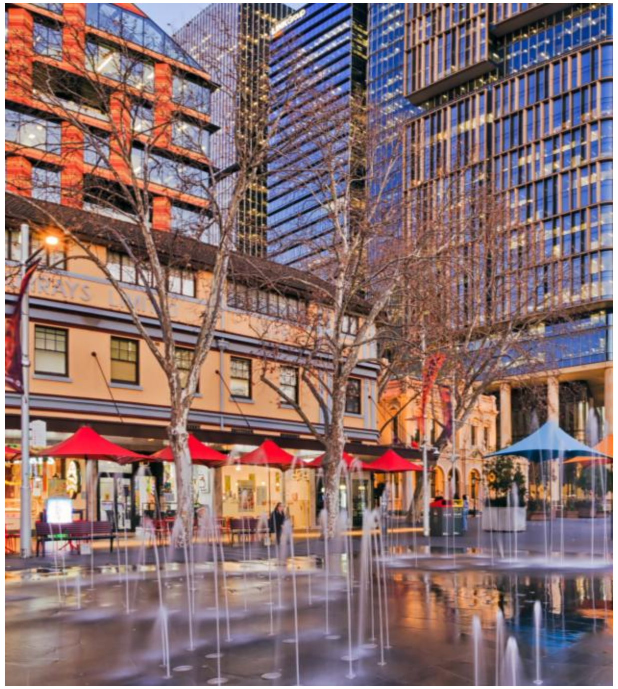


FIGURE 30

Mixed use site selection – sample screen

Source: CBRE Research

Investment activity

Investment activity has continued to show robust recovery with 2025 volumes at a record high. CBRE has seen a resurgence of institutional buyers, adding liquidity into the sector.

Erina Fair SC, NSW (100%) - Sold $895 million

FIGURE 31

Shopping Centre Investment Volume by Property Type ($ million)

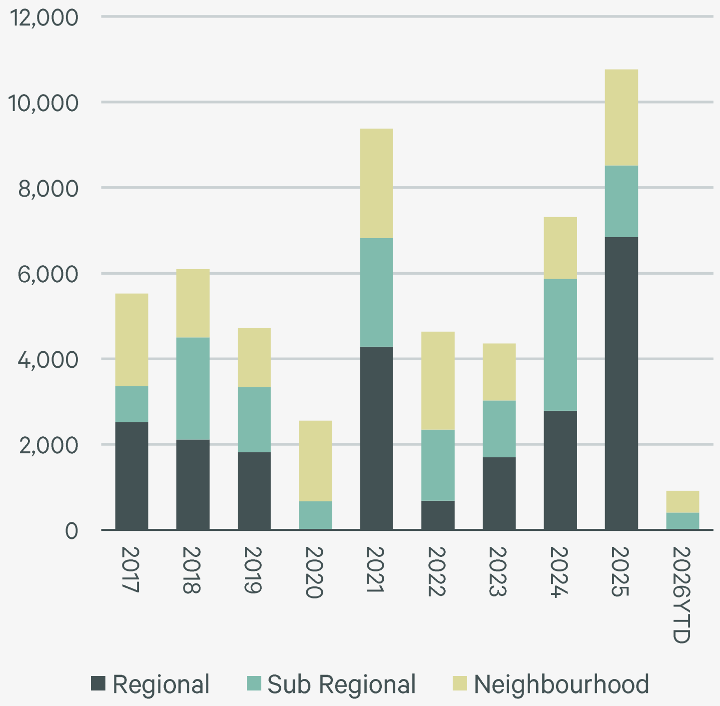
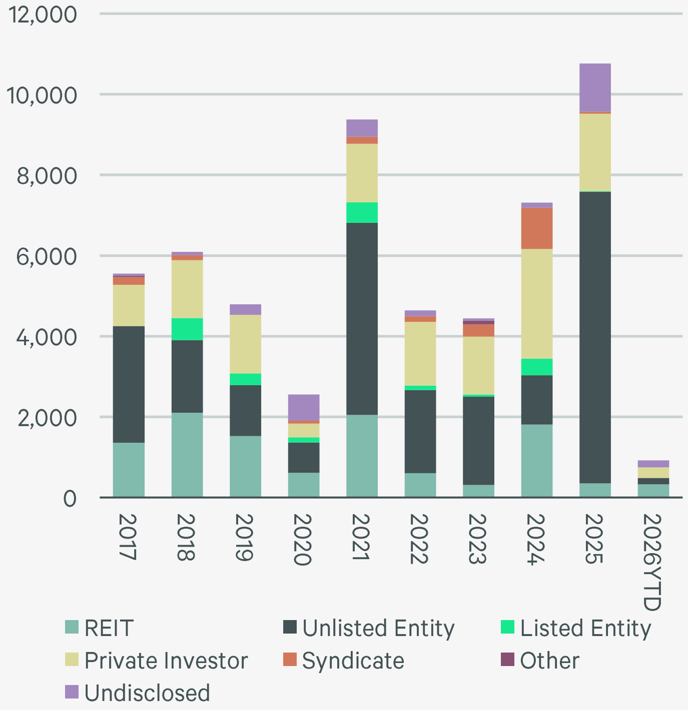


FIGURE 32

Shopping Centre Investment Volume by Buyer Group



Note: 'Other' Includes Insurance Companies, Pension Funds, Public Sector and Sovereign Wealth Funds.

Source: CBRE Research, RCA

Pricing trends

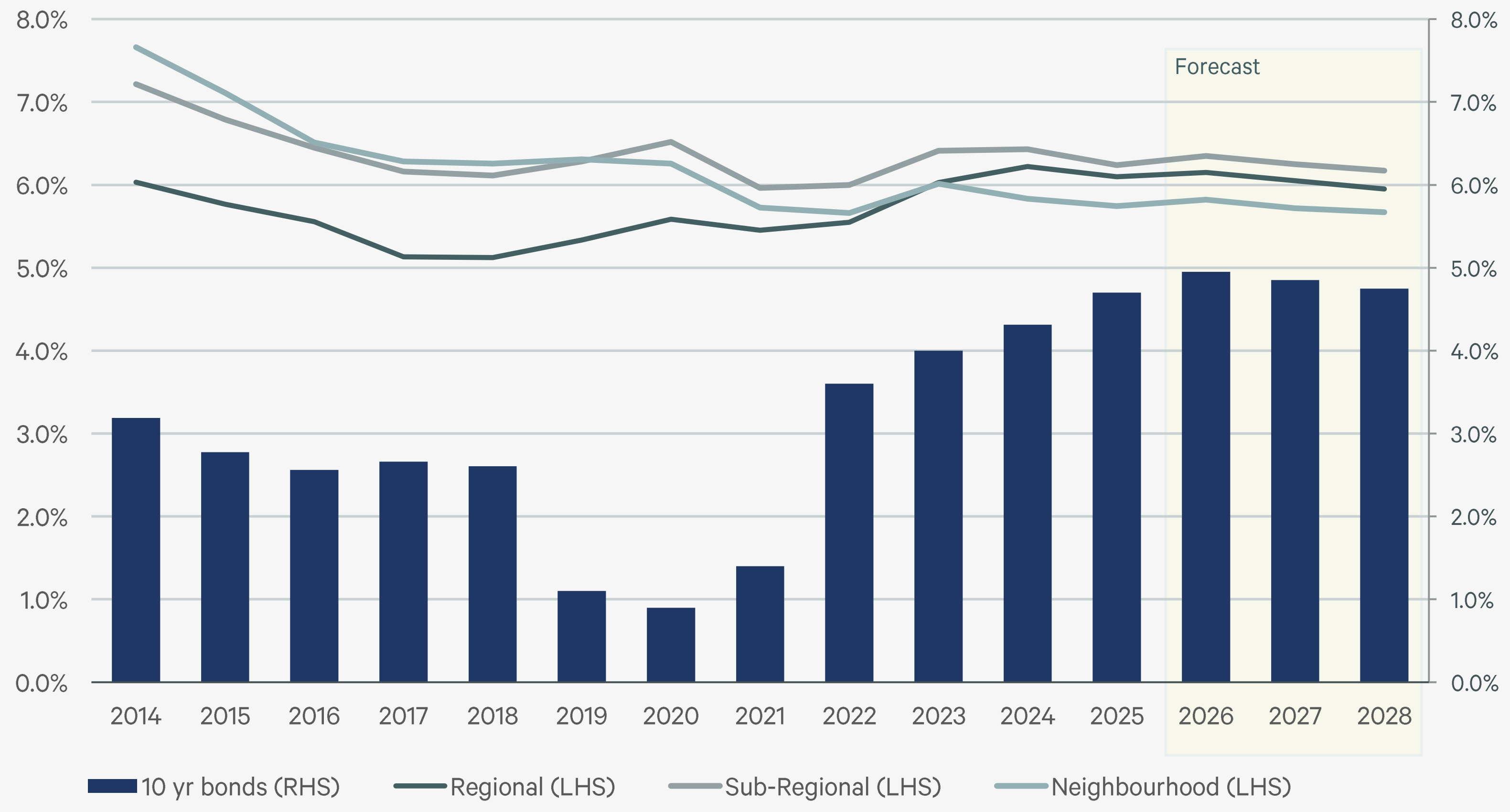
Shopping centre yields compressed during 2025, despite elevated and rising bond yields. Compared to other sectors, cap rate movement in shopping centres has been more modest during the recent hiking cycle.

Super-regionals and City Centre assets have been trading at 140 bps and 100 bps tighter cap rate than sub-regionals.

We also see Sydney and Melbourne based assets at trading at a premium to assets in Adelaide and Perth, by 40-90bps. The spread differential is tighter for Neighbourhood centres compared to Sub-Regionals.

FIGURE 33

Indicative cap rates, national



Source: CBRE Research

Debt structures

Credit for Retail real estate is ~$115bn, growing at CAGR 8% pa. Depending upon the need for financial flexibility, four sources of debt capital can help with varying structures and terms.

FIGURE 34
Lending to Retail sector ($m)

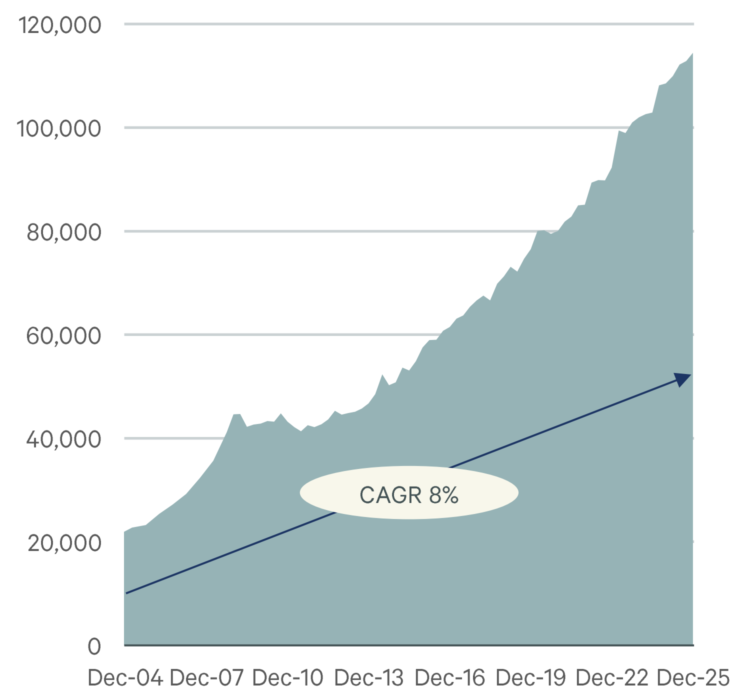


FIGURE 35
Indicative terms

	Domestic Bank	Foreign Bank	Private Credit	Mutual Fund
Tenor (yrs)	3-5	3-7	1-2	3-10
LVR	<55%	<60-65%	<65-75%	<65%
ICR	1.50x	1.35x	Int can be capitalised	1.10-1.35x
Margin (bps)	125-140	150-175	350+	165-185

FIGURE 36
Select recent CBRE sale transactions

Building Name	State	Price ($m)
VCX sub-regional portfolio	NSW/QLD	$250.3
Erina Fair	NSW	$895.0
Mall 88 St Leonards	NSW	$57.0
The Barracks	QLD	$148.9
Hyperdome Shopping Centre	QLD	$678.7
Noosa Junction Plaza	QLD	$35.2
Next Gen Doncaster	VIC	$24.7
North Adelaide Village	SA	$54.0
Bankstown Central	NSW	$318.6
Logan Reserve Shopping Village	QLD	$45.0
Terrace Central	NSW	$44.1

Source: APRA, CBRE Research

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