

FIGURES | RETAIL | Q2 2024

# Australia's retail yields stabilised across Q2 amid softening retail sales

▲ 83.6

Consumer Sentiment  
June 2024

▲ 1.7%

Retail Trade Growth  
y-o-y May 2024

▼ \$5,390

CBD Super Prime Net Face Rents

▲ 6.08%

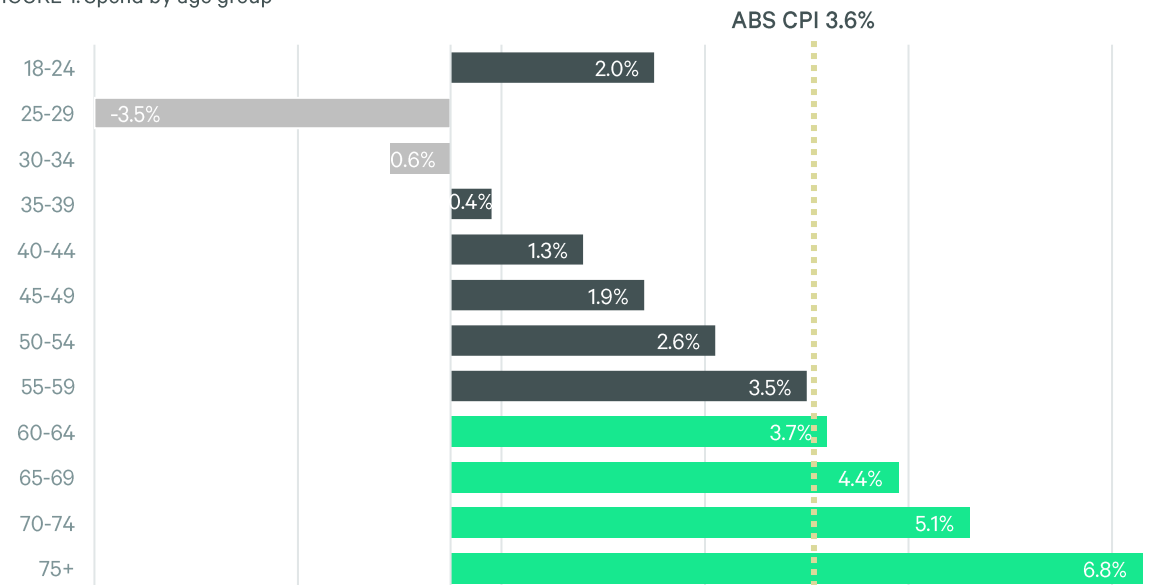
Regional Centre Yields

Note: Arrows indicate change from previous quarter.

## Key Points

- Retail sales jumped in May, recording an increase of 0.6% m-o-m and 1.7%. This increase in spending was off the back of discounting from EOFY sales with clothing, footwear, and personal accessory and household goods retailing driving growth, increasing by 1.6% and 1.1% m-o-m respectively.
- Consumer sentiment rose to 83.6 in June 2024 from 82.2 in May, amid ongoing cost-of-living pressures. Despite the improvement, consumer sentiment remains below its March level and is below the neutral level of 100.
- Rents were broadly stable across the quarter, with all shopping centres asset classes recording growth. Sub-regional centres have seen the greatest amount of net face rent growth over the past 12 months, increasing by 3.6%.
- Yields for CBD assets expanded in Q2, with super prime, prime and secondary yields all increasing by 5bp q-o-q.
- In Q2 2024, there were 28 retail transactions totalling c.\$850 million. Retail transaction volumes totalled \$2,727 billion in the first half of 2024.

FIGURE 1: Spend by age group



Source: CBRE Research, ABS, CommBank IQ

## National Retail Trends

### Retail Sales show continued growth off the back of discounting

Retail sales jumped in May, recording an increase of 0.6% m-o-m and 1.7%. This followed a 0.1% rise in April 2024 and a 0.4% fall in March. This increase in sales was driven by end of financial year sales with shoppers taking advantage of discounts. clothing, footwear, and personal accessory and household goods retailing driving growth, increasing by 1.6% and 1.1% m-o-m respectively. It is likely that spend will soften over the next couple of months as sales end and cost-of-living pressures continue to impact households spending.

Consumer sentiment rose to 83.6 in June 2024 from 82.2 in May, amid ongoing cost-of-living pressures. Despite the improvement, consumer sentiment remains below its March level and is below the neutral level of 100.

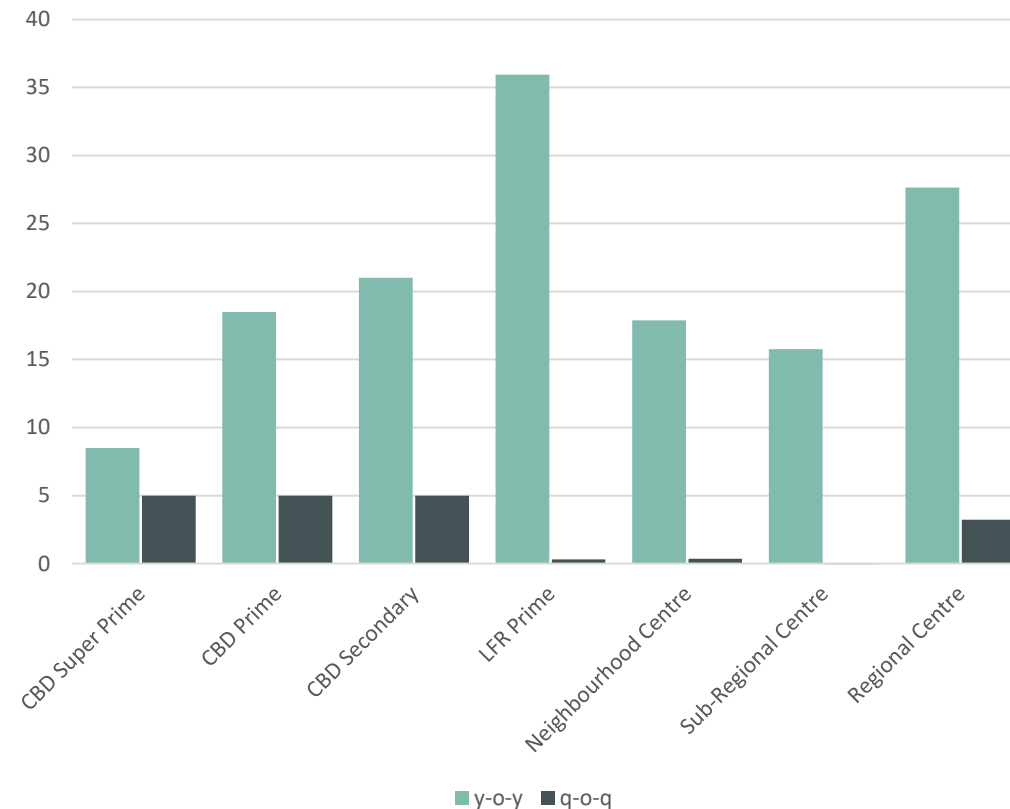
### Rate of yield expansion for shopping centres slowed in Q2

While most retail asset classes saw some yield expansion during Q2, the largest increase in yields were for CBD assets which all saw expansion of 5bp across the quarter while shopping centres saw relatively little change, with sub-regional centre yields remaining flat. Sticky interest rates and lingering concern around household spend should see another 25bp of expansion in the second half of 2024 across all asset classes however, retail yields are close to the peak of the cycle.

### Shopping Centre’s remain the dominate force behind retail investment activity

In Q2 2024, there were 28 retail transactions totalling c.\$850 million. Sub-regional centres remained the most popular asset class for investors, with \$1.3 billion transacted so far in 2024. Notable sub-regional transactions in Q2 include Ashfield Mall in Sydney which sold for \$169 million to Mintus and Maddington Central in Perth which sold for \$107 to Realside. Sub-regional and neighbourhood centres have a high level of liquidity and solid demand fundamentals and as a result, we expected solid volumes of trade for the remainder of 2024.

FIGURE 2: National Yield Delta by Category



Source: CBRE Research

## CBD Retail

### Mixed rental performance in key markets.

Super prime CBD rents saw mixed performance in Q2 2024, following the stability reported across most markets in Q1 2024. Both Perth and Brisbane super prime CBD assets saw mild growth over the quarter, at 2.72% and 0.83%, respectively. Both Sydney and Adelaide recorded stability of the quarter, with Melbourne recording a decline of -3.85%.

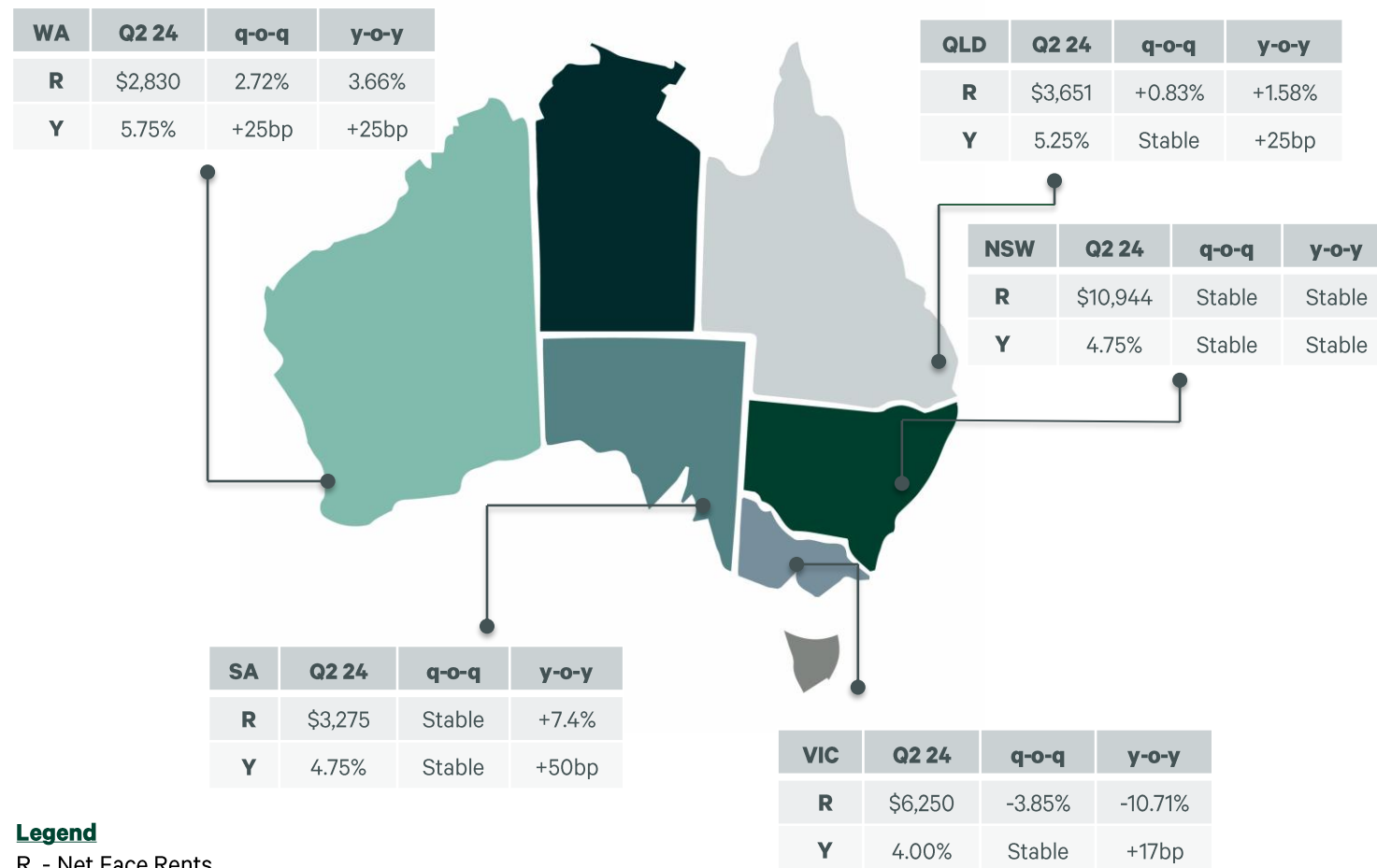
Year-on-year growth rates in all markets (besides Melbourne) indicate a recovery in super prime CBD performance. Subdued economic activity and retail spending continues to CBD assets across the country, however resilience continues to be demonstrated in key assets across the market, in part driven by low vacancy and the flight-to-quality amongst tenants.

Melbourne is the exception. The combination of subdued retail spending and significant developments taking place across the CBD continues to dampen rents in super prime assets in Melbourne. Expectations are that once stability is achieved, both economically and in developments across the city, rents will stabilise and may see mild growth.

### Limited repricing in Q2 2024, with limited transaction activity occurring.

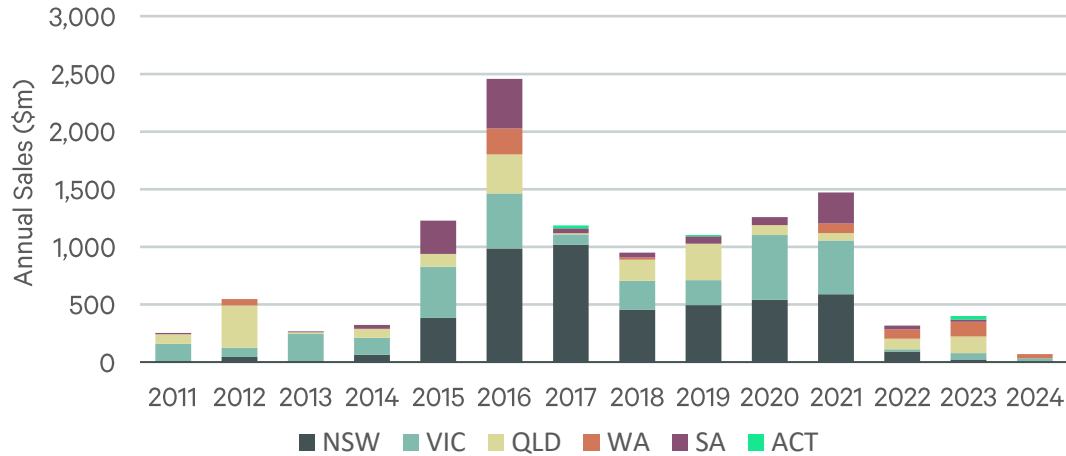
Q2 2024 CBD super prime yields remained stable across most major markets besides Perth which saw a 25bp increase to 5.75%. The moderate repricing in Perth's super prime CBD market was driven by recent sales activity, most notably 223-225 Murray Street Mall. Limited evidence in other markets continues to drive stable yields over the quarter.

FIGURE 3: Super Prime CBD retail key metrics



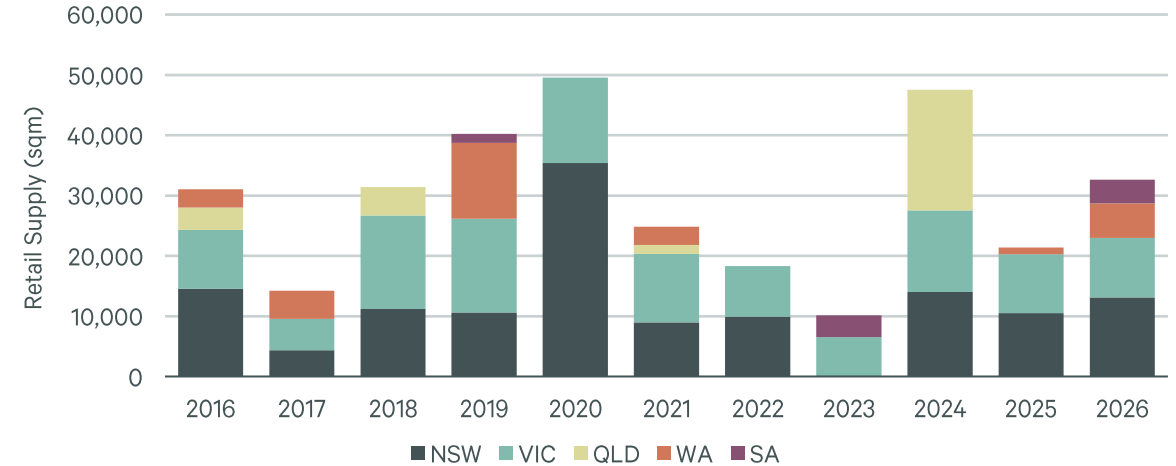
Source: CBRE Research

FIGURE 4: CBD Retail Transactions by State



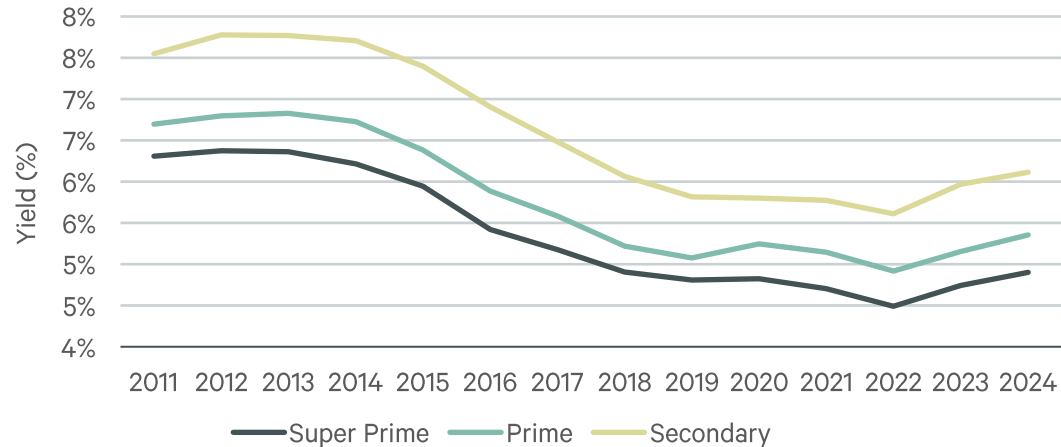
Source: CBRE Research

FIGURE 5: CBD Retail Supply by State



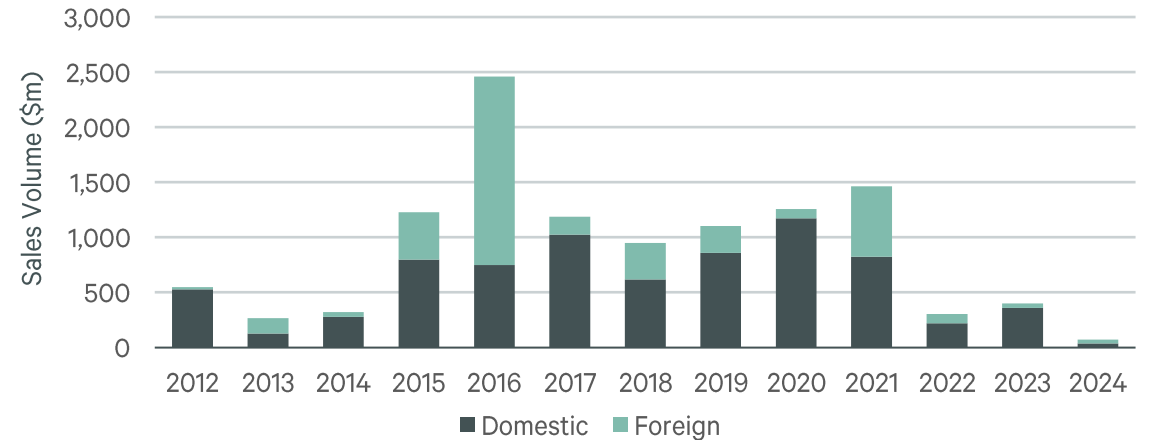
Source: CBRE Research

FIGURE 6: Australian Average CBD Retail Yield



Source: CBRE Research

FIGURE 7: Retail Buyer Profile



Source: CBRE Research

## Shopping Centres

### Rents remained relatively unchanged in Q2

Rents across the board remained relatively unchanged, mainly attributed to investor uncertainty and a lack of transaction volumes. Sydney, Melbourne and Adelaide rents stabilised in Q2 24, whilst Perth and Brisbane saw marginal rental growth. Perth's regional centres saw the strongest growth, recording a 0.95% increase q-o-q. Brisbane followed with q-o-q rent growth of 0.33%.

Regional centre yields remained fairly stable in Q1 24, reaching a national average of 6.11% (+3.2 bp q-o-q). The largest yield movement was seen in Sydney and Adelaide regional centres, expanding by +14bp and +5bp, respectively. Melbourne yields tightened by 2.8bp, while other remaining markets were stable.

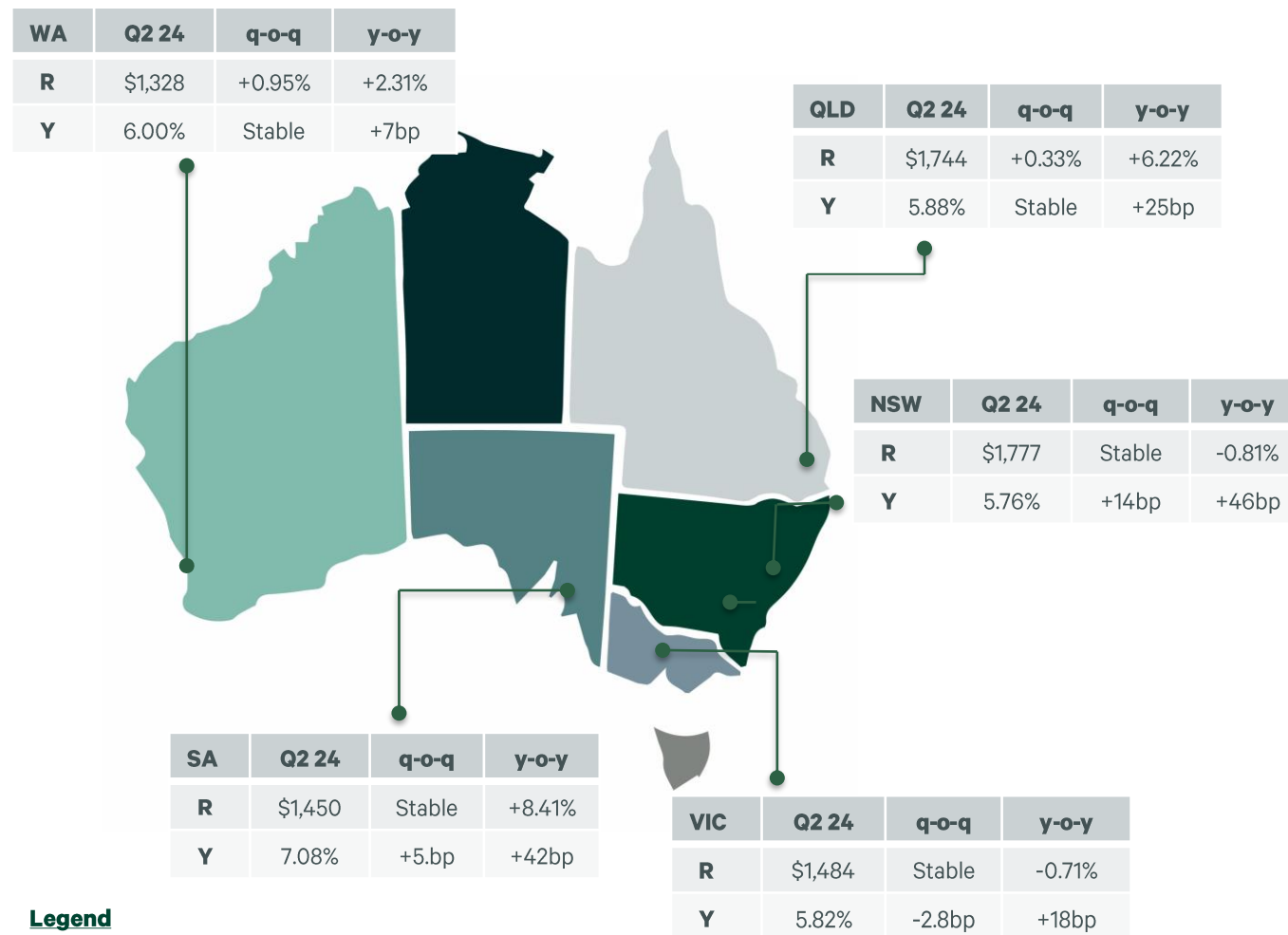
### Future supply continues to be concentrated in Neighbourhood centres.

Shopping centre supply completions were significantly higher compared to the previous quarter totalling c.57,900 sqm. Forecasted supply continues to be dominated by neighbourhood centres, which made up c.90% of stock delivered this quarter. Neighbourhood centres also dominate the future pipeline, accounting for 60% of expected supply by volume over the remainder of 2024-2027. Regional developments in the supply pipeline primarily comprise of extensions and additions, with only one new regional development in the pipeline coming from Sydney to be completed in 2027 (c.21,300 sqm). Forecasted supply amongst sub-regional developments over 2024-27 is lowest, with c.132,400 sqm total over this period (18% of expected supply).

### Transaction volumes decreased compared to last quarter

Total shopping centre sales in Q2 reached \$742m with transactions highest in sub-regional centres. This decreased by approximately 55% q-o-q from Q1 which saw \$1,629m in sales activity. The softening in sales activity can in part be attributed to the high cost of debt and uncertainty within the current economic climate. Major transactions included Mintus acquiring Ashfield Mall in Sydney (24,600sqm) for \$169m and Maddington Central in Perth selling for \$107 to Realside.

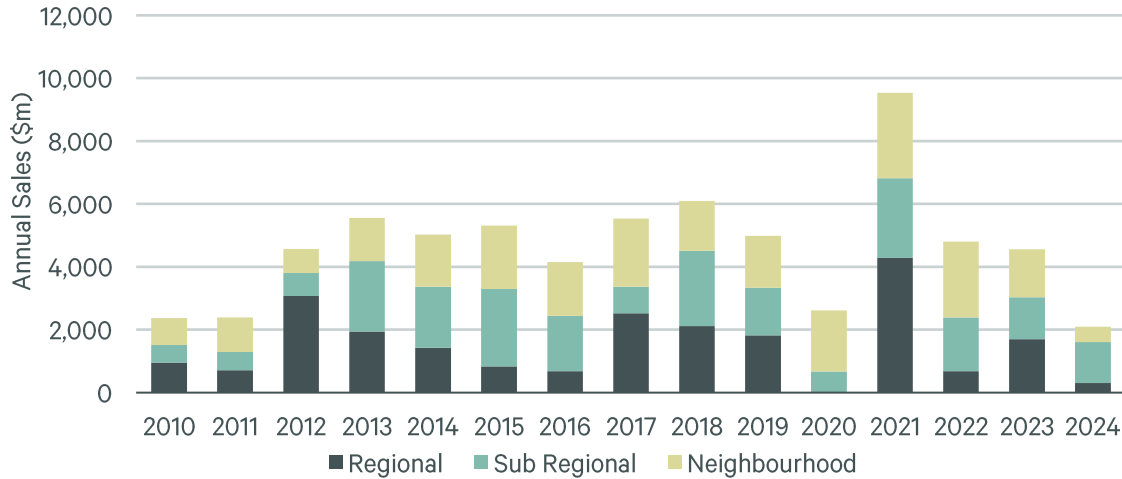
FIGURE 8: Regional Centre Key Metrics



**Legend**  
 R - Rents  
 Y - Yields

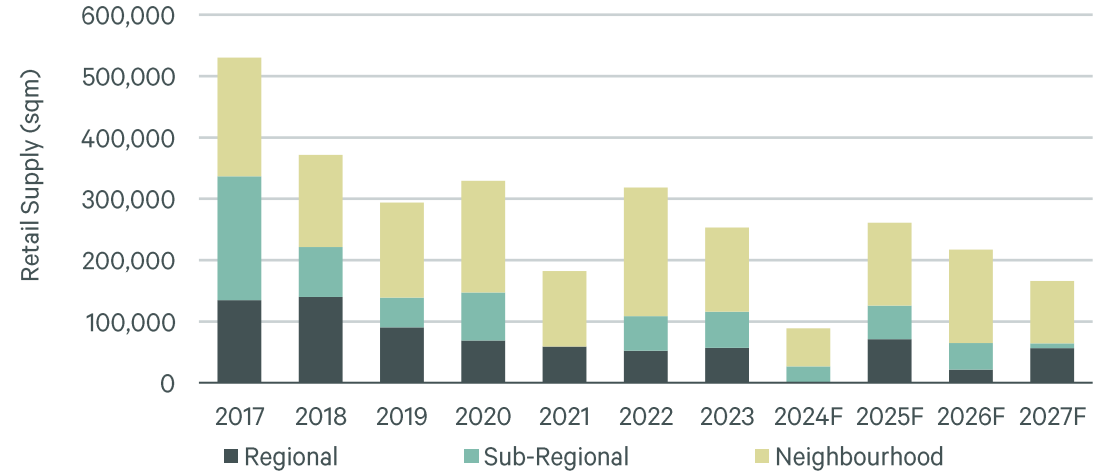
Source: CBRE Research

FIGURE 9: Australian Shopping Centre Retail Transactions



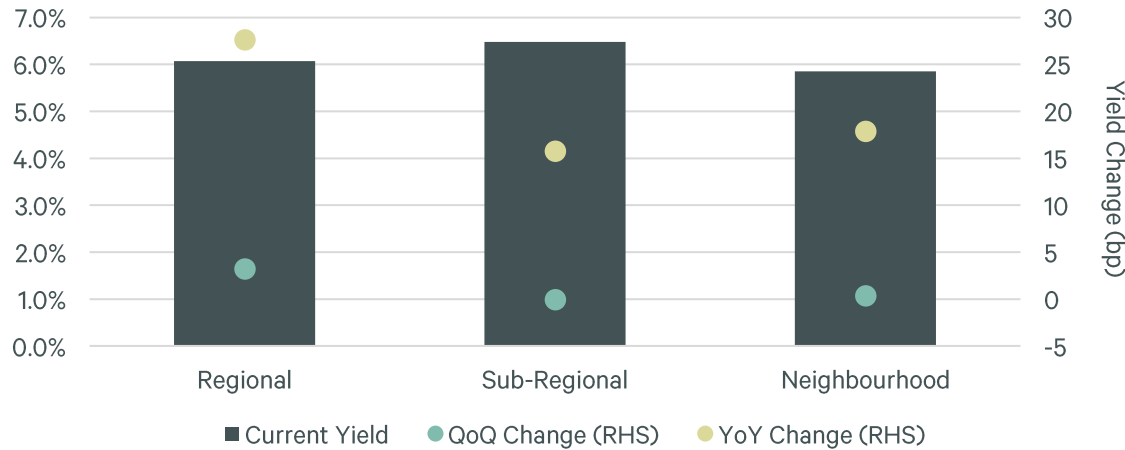
Source: CBRE Research

FIGURE 10: Australian Shopping Centre Retail Supply



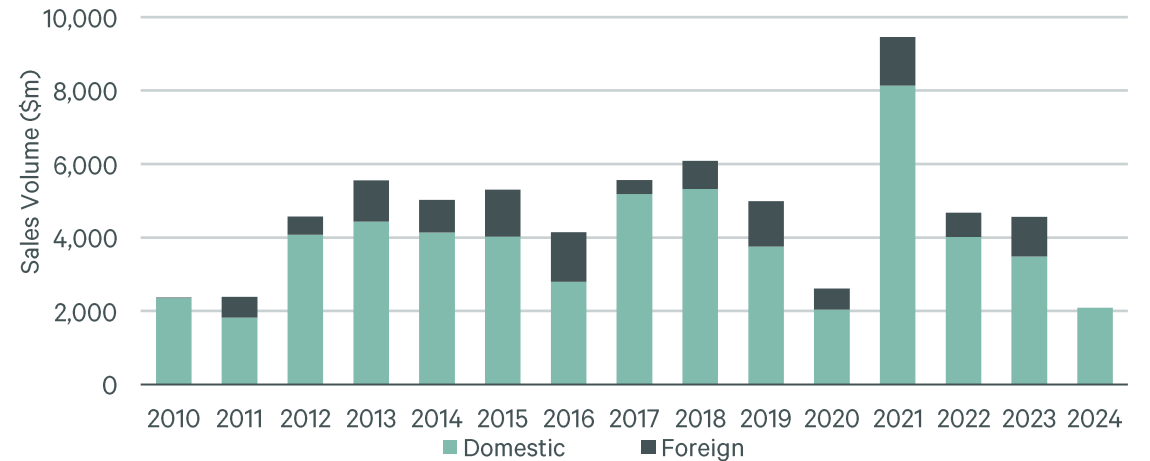
Source: CBRE Research

FIGURE 11: Australian Average Shopping Centre Retail Yield



Source: CBRE Research

FIGURE 12: Shopping Centre Buyer Profile



Source: CBRE Research

# Large Format Retail

## Large Format Retail (LFR) rents stabilised in most states

Household goods spend (seasonally adjusted) returned positive growth in May 2024 by +1.1% m-o-m. Household goods spend continues to be lower than its peak in November 2021.<sup>2</sup> Furnishings and household equipment spend recorded the third largest increase of the household spending categories, up 6.4% y-o-y in April 2024, following declines in February and March.<sup>3</sup> If interest rate cuts occur towards the end of the year, we can expect spend to increase on larger ticket household items over the second half of 2024.

Prime LFR net face rents recorded either positive growth or stabilised in each state. WA and QLD were the only states that recorded slight increases of 0.9% and 0.6% q-o-q respectively. The lack of rental growth shows that a level of uncertainty among both occupiers and owners is becoming evident across each state. Over the next two years, strong levels of supply are expected in VIC, QLD, WA and SA. In contrast NSW has a constrained supply pipeline over the coming years amongst LFR assets, which should result in heightened demand for LFR assets.

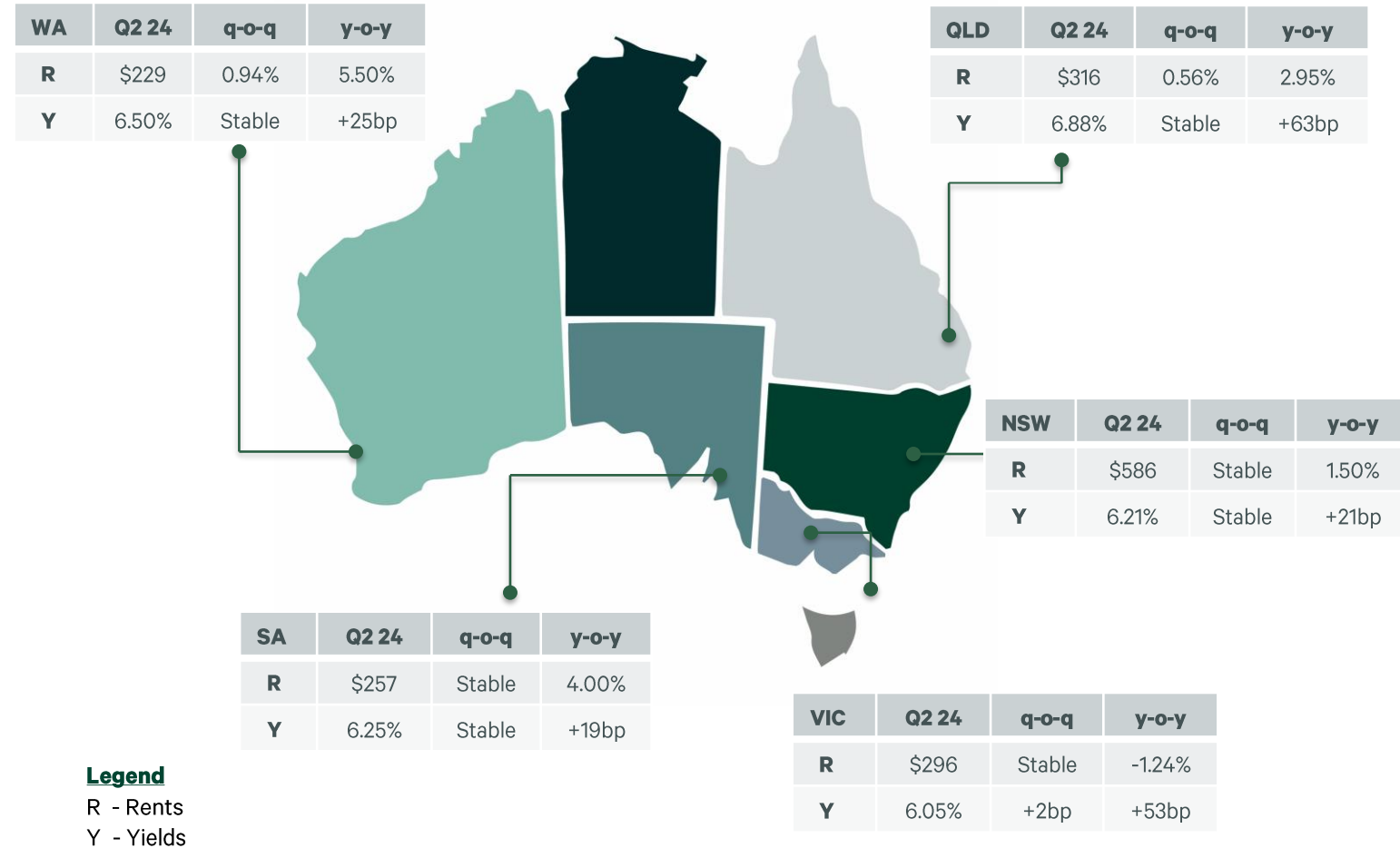
## Yields remain stable in Q2

As seen in Q1 2024, LFR yields continued to remain unchanged over the quarter at 6.38%. (+36bp y-o-y). By state, yields were unchanged for all states except VIC which recorded a marginal softening of +2bp q-o-q.

After no transactions were completed in the prior quarter, approximately \$191m in LFR assets sold in Q2 across eight transactions. Four of these were in NSW, which accounted for 65% of LFR sales activity.

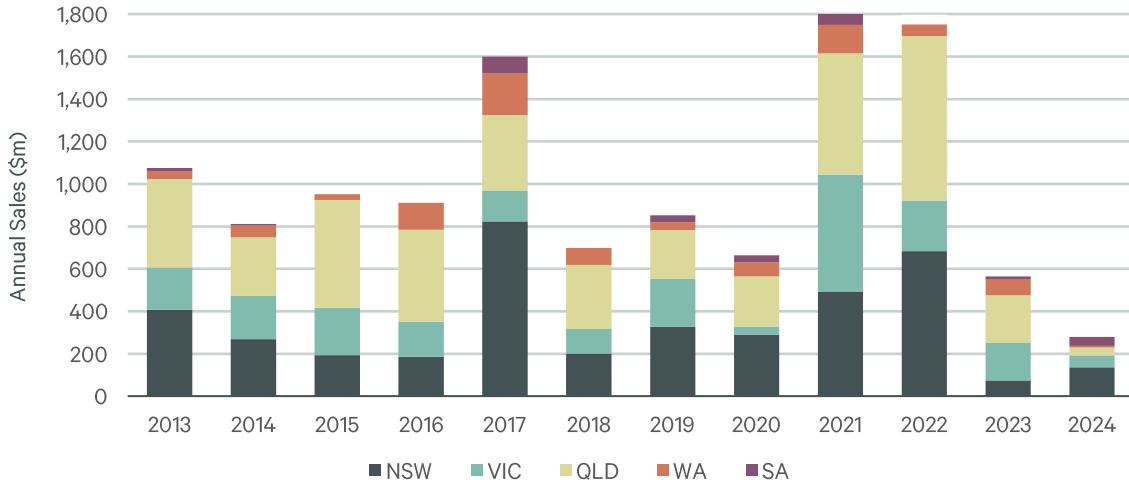
National supply remains limited, with only c.10,900 sqm of floorspace added in Q2. This should help continue to support the market over the second half of the year.

FIGURE 13: Large Format Retail Key Metrics



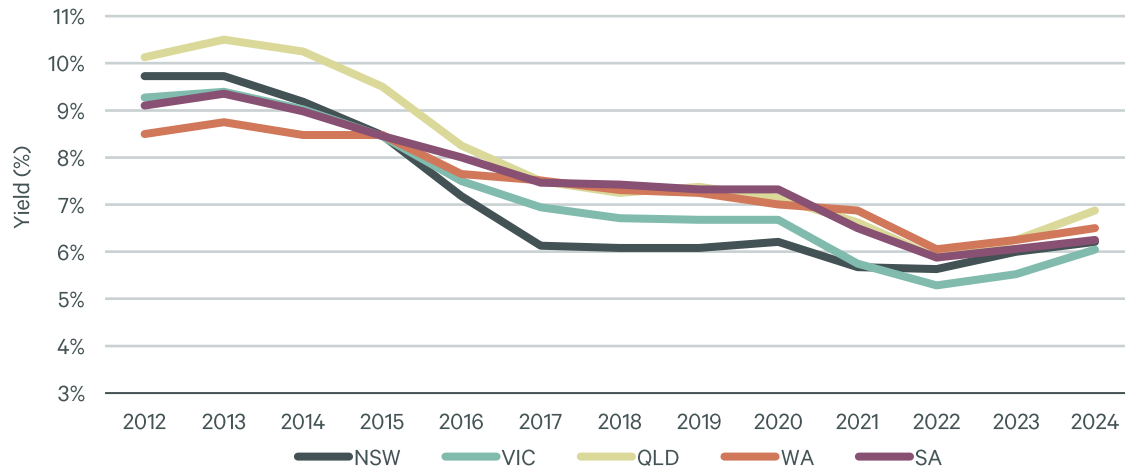
Source: 2 & 3. ABS. Source 4 LFRA.  
 Source: CBRE Research

FIGURE 14: Large Format Retail Transactions by State



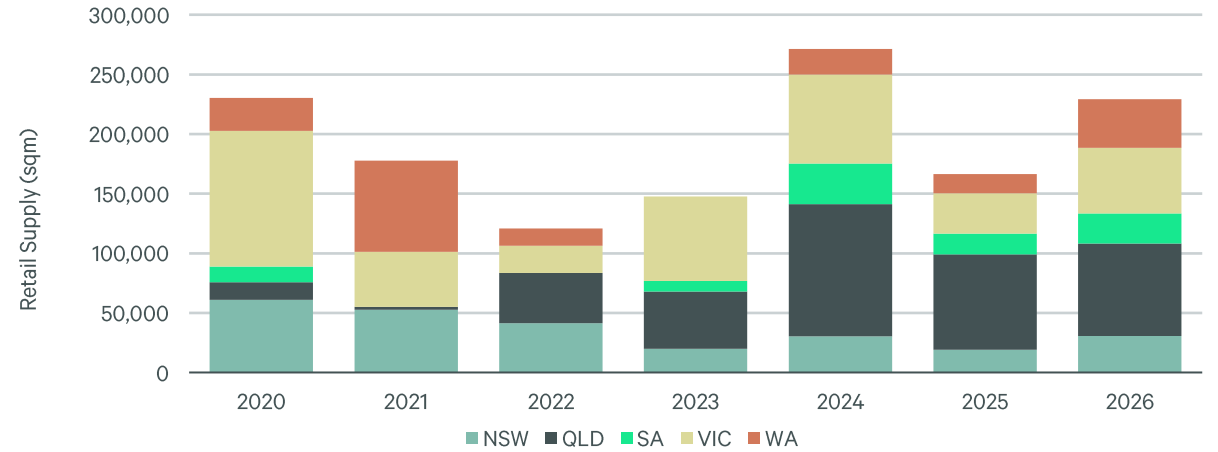
Source: CBRE Research

FIGURE 16: Prime Large Format Retail 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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