INTELLIGENT INVESTMENT

2025

Regional Shopping Centres Reimagined

REPORT

CBRE RESEARCH
NOVEMBER 2025

Australian regional shopping centre outlook

SUPPLY CONSTRAINED

Regional shopping centre supply has halved since 2020 compared to the 10-year average. Construction costs have increased around 30% over the past five years, supporting high occupancy and stabilising leasing fundamentals.

MARKET DYNAMICS

Transaction activity in 2023–2024 was led by REITs and private pooled capital, with attractive pricing supporting exits. Early 2025 shows private and institutional investors re-entering the market, while NSW continues to dominate metro-area sales.

TENANT MIX EVOLUTION

Since 2019, fashion and accessories have lost 3pp of total sqm and general retail & home 2pp, while food & beverage and mini majors have gained 2pp. Mini majors remain the largest category at 32%, followed by fashion and food & beverage at 30%, highlighting the strength of essential and experience-driven retail.

FAVOURABLE RETURNS

Higher total returns have historically lifted sales activity. As post-covid performance drew more capital into the market. Regional shopping centres have offered stable income, with yields around 5.5-6%. Interstate returns vary: Brisbane strongest, Perth weakest.

RISING RETAIL DEMAND

GLAR per capita is highest in QLD and lowest in SA, with QLD and VIC seeing the largest per capita gains since 2019. Retail turnover is projected to grow 3.6% p.a. for discretionary spending and 4.5% p.a. for food sales through 2030, supporting long-term income and centre performance.

LEASING REBOUNDING

Effective rents dipped during 2020–2022 but have rebounded since 2022. Re-leasing spreads turned positive in 2023. Incentives were slightly adjusted to reflect market conditions. Stronger spreads show recovering tenant demand and improved income streams.

VACANCY RECOVERING

CBRE estimates national regional shopping centre vacancy at 2.7% in 2025. Centres built post-2000 show lower vacancy than pre-2000. Metro locations average 1.9% versus 3.8% for non-metro. Recovery is strongest in newer and centrally located centres.

EXPERIENCE-LED DESTINATIONS

Regional shopping centres are increasingly evolving into experience-led destinations, combining dining, wellness, culture and sport to drive engagement, extend dwell time and strengthen their role as community and lifestyle hubs.

Regional shopping centre pipeline slows amid rising costs

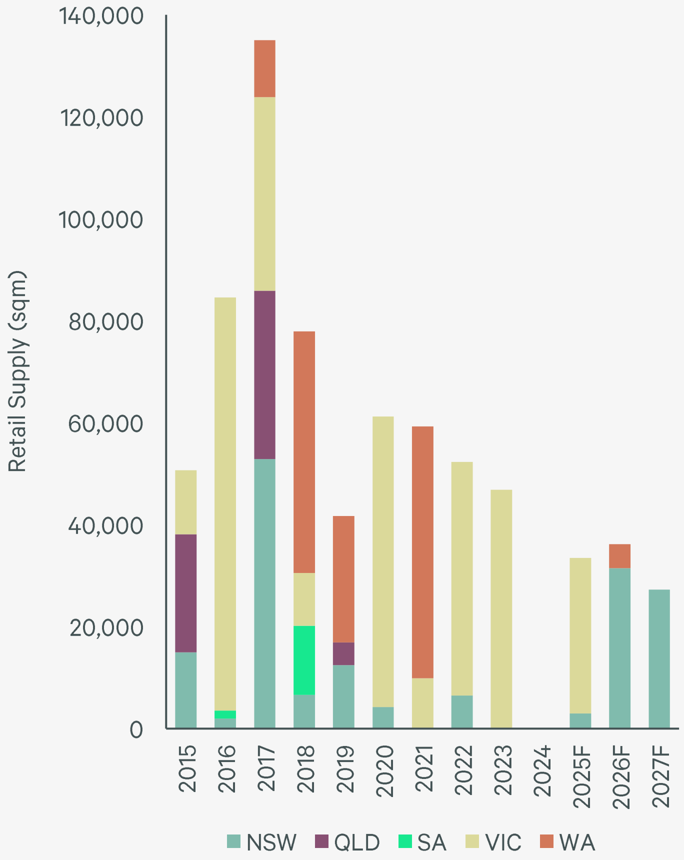
The regional shopping centre supply pipeline has contracted sharply since 2020, with no new metro floorspace delivered in 2024 compared to an annual average of 68,000 sqm between 2015–2023. Delivery has slowed due to high costs, financing challenges, the complexity of securing large catchments, anchor pre-commitments and curated specialty mixes. Shifting consumer demand towards convenience and mixed-use precincts has further reduced appetite for traditional enclosed formats, with owners now prioritising repositioning over new builds.

New regional shopping centres have become exceptionally rare. The last major greenfield development was Westfield Coomera, which opened in October 2018. Since then, new supply has been limited almost entirely to redevelopments and expansions of existing assets. This means the average regional centre in Australia is now more than a decade old, underscoring how scarce new stock has become and why vacancy has remained relatively tight.

The slowdown has been exacerbated by structural barriers, such as construction costs, which have increased by approximately 5.5% annually over the past five years and are forecast to persist through 2028. Labour shortages linked to record infrastructure investment, and protracted planning approval processes. As a result, many projects have been delayed, re-scoped, or abandoned, keeping vacancy relatively tight at 2.7% in 2025.

Figure 1:

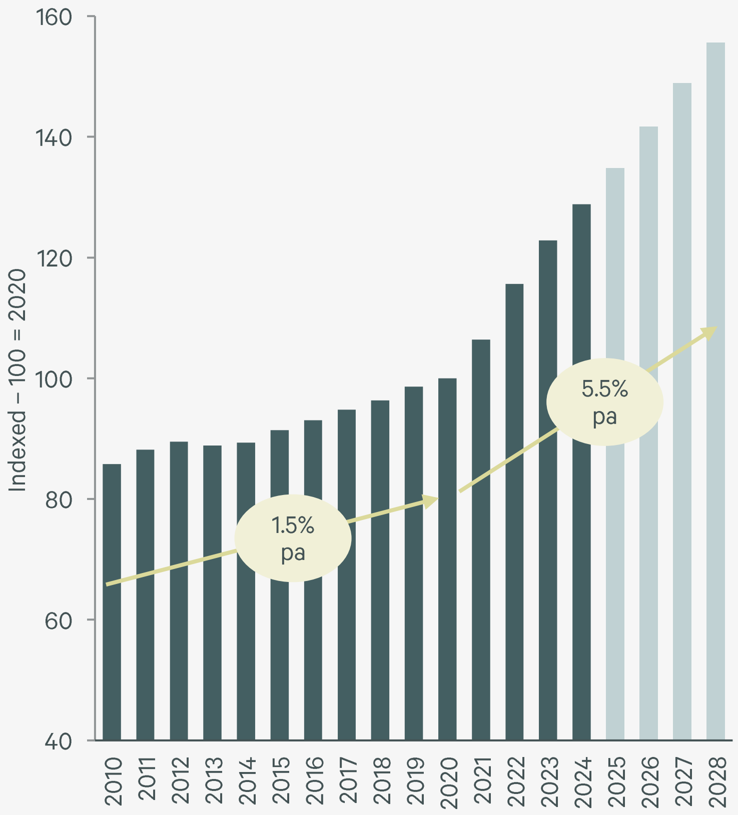
Regional shopping centre supply by state



Source: CBRE Research Q3 2025

Figure 2:

Construction costs



Source: CBRE Research

Regional shopping centres hit by cost-rent gap

Construction costs have increased by ~30% over the last five years as supply chain issues, freight costs, materials cost and labour productivity continue to have an impact. Regional centres have a greater build cost than traditional retail due to higher spec fit outs, multistorey builds and greater back o house space required.

- NSW: Commercial land costs have increased by ~65% since 2019 but rents have lagged this input cost growth. The differential between rents and land cost to build has widened by 75 index points for regional shopping centres.
- VIC: The cost to build has increased by ~33% since 2017 but rents have also lagged this input cost growth. The differential between rents and land cost to build has widened by 40 index points for regional shopping centres.

For regional shopping centres, this growing disconnect between rents and development costs has effectively stalled new development activity, with if anything, mainly only refurbishments and extensions proceeding. With project feasibility eroded, construction pipelines remain thin as returns on cost fall well below acceptable thresholds for developers and investors.

Until rental growth materially outpaces construction inflation, or land values correct, few, if any, new regional shopping centres are likely to proceed beyond planning in the near term.

Figure 3:

Greater Sydney regional shopping centre face rents vs input cost of new supply

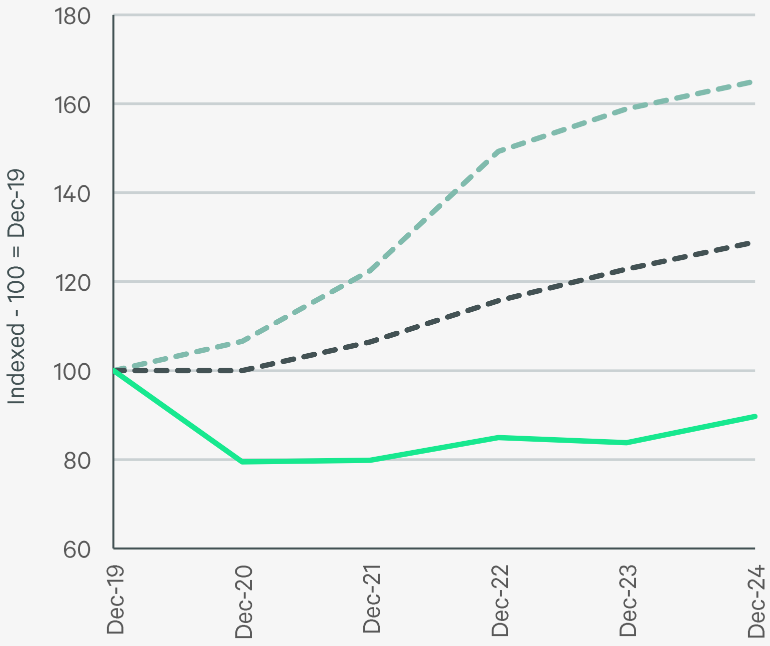
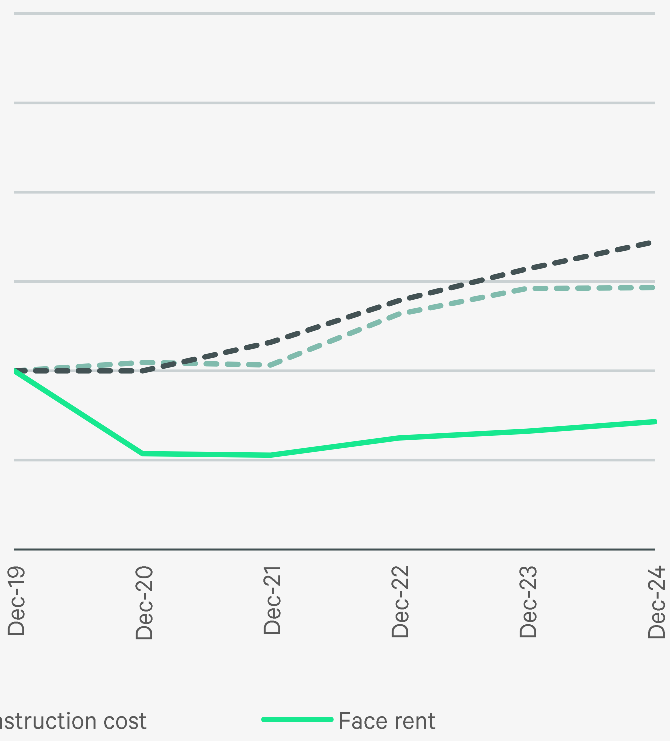


Figure 4:

Greater Melbourne regional shopping centre face rents vs input cost of new supply



Source: ABS, CBRE Research

Unlisted funds take lead, metro sales skewed to NSW

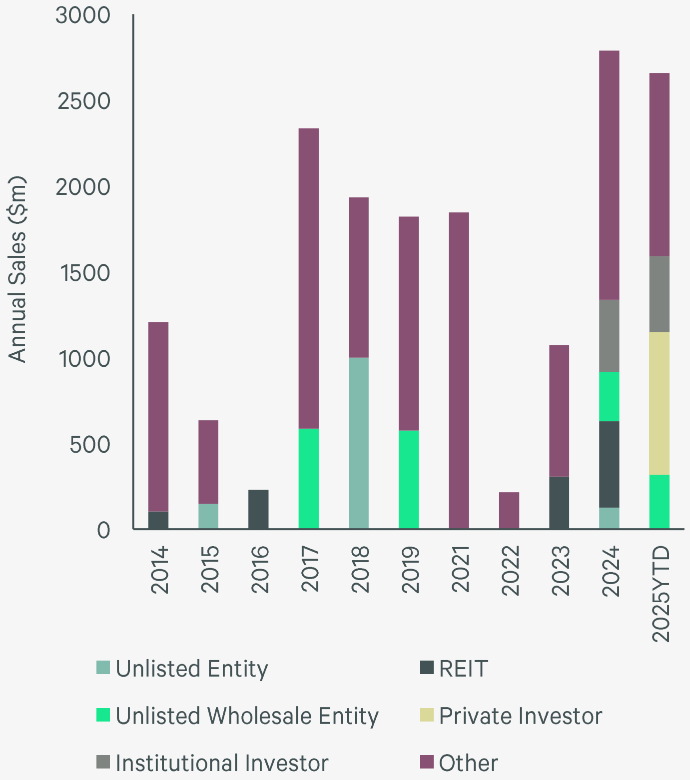
In 2023–2024, transaction activity was dominated by REITs and “Other” buyers, which includes syndicators and private pooled capital, including HNWI contributions. This aligns with market commentary noting that privates and syndicators were able to pursue income-producing, value-add assets while REITs and larger mandates remained largely on the sidelines. Attractive pricing provided exit opportunities for existing owners, supporting transaction volumes.

Early 2025 data shows a shift, with private investors re-emerging, institutional investors increasing their share, and REITs remaining selective. Recent market re-entry includes GPT (through the GWSCF), Charter Hall and MA Financial, targeting well-located, income-secure assets, reflecting the gradual diversification of the buyer landscape

Since 2019, NSW has led metro-area sales, representing almost half of total transaction volumes, while QLD sits at the bottom with just 9% of metro transactions. However, most QLD sales activity has occurred outside Greater Brisbane and when non-metro transactions are included, QLD rises to second nationally with 33% of total sales, closely behind NSW at 40%. This reflects QLD's significant population base outside the state capital.

Figure 5.

Metro regional shopping centre sales by buyer type (2014-Q3 2025)

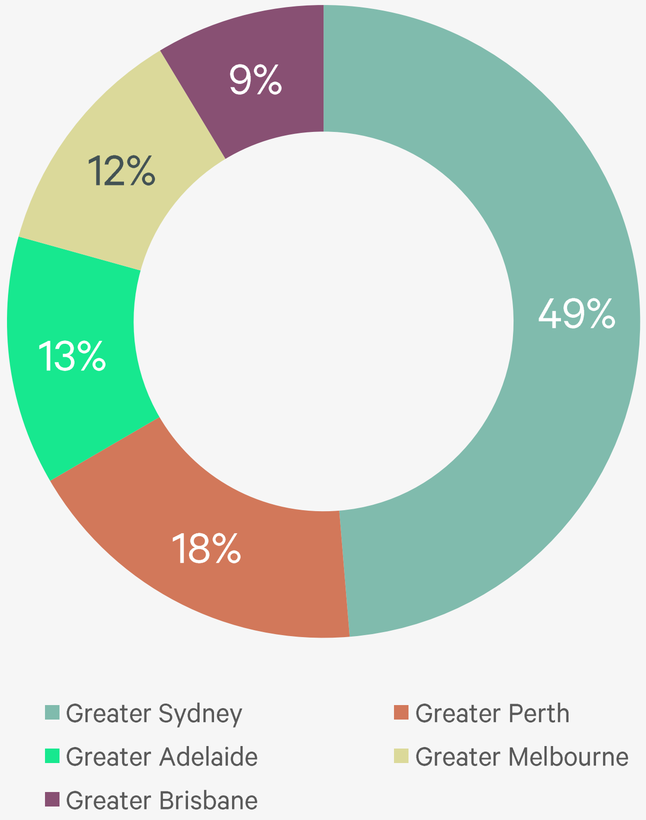


To Note: “Other” includes Property Fund, Property Company, Other listed Entity, Undisclosed and Other.

Source: CBRE Research Q3 2025

Figure 6.

Metro regional shopping centre sales by city (2019 – Q3 2025)



To Note: for sales > $5 million

Source: CBRE Research Q3 2025

Gradual upmarket shift in regional shopping centres

FIGURE 7:

Australian metro regional shopping centres transaction count by sale price range ($m), (2014 – Q3 2025)

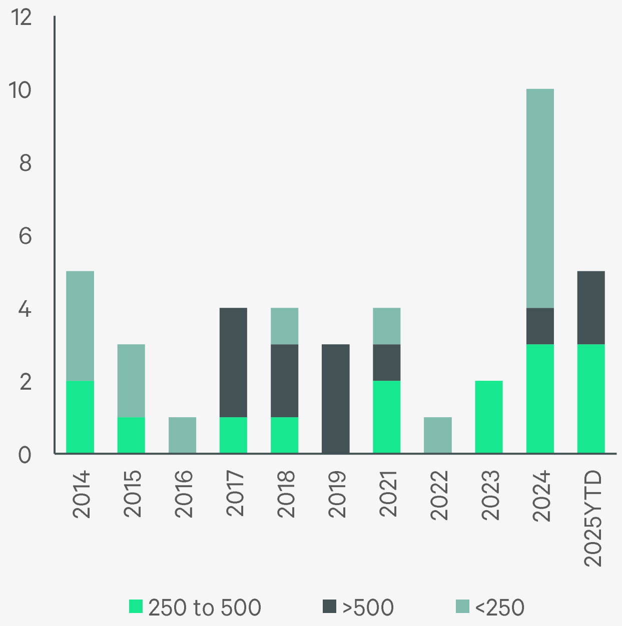


FIGURE 8:

Australian metro regional shopping centre transactions above AU$250m (2024 – Q3 2025)

Building Name	State	Sale Price ($m)	NLA (sqm)	Initial Yield (%)	Sale Date	Buyer Name	Vendor Name
Westpoint Shopping Centre (NSW)	NSW	880	109,352	6.3%	Oct-24	Hines, Haben Property Fund	QIC
Macquarie Centre (50%)	NSW	830	135,453	5.8%	Jun-25	Uni Super / CBUS (GPT Manager)	DWSCF
Westfield Chermside	QLD	683	176,581	5.0%	Jul-25	Dexus Wholesale Property Fund	Scentre Group
Woodgrove	VIC	440	52,802	6.5%	Jun-25	Assembly Funds Management; PGIM Real Estate	QIC
Lakeside Joondalup Shopping Centre	WA	420	99,832	6.7%	Aug-24	Vicinity Centres	Future Fund
Northland Shopping Centre (50%)	VIC	385	97,111	6.5%	Feb-25	Nikos Property Group	GPT
Bankstown Central	NSW	319	86,276	6.0%	Aug-25	The JY Group	ADIC, Challenger Life
Westfield Tea Tree (50%)	SA	308	101,052	8.0%	Jun-24	Scentre Group and Barrenjoey	Dexus
Roselands Centre (50%) and Carlingford Court (50%)	NSW	287	96,761	7.1%/6.6%	Dec-24	HMC Capiital	Vicinity Centres

Over the last 10 years, smaller and medium-scale transactions (<$250m and $250m–$500m) dominated the regional shopping centre market, both equally exceeding large-scale deals (>$500m) in volume.

Over the past five years, however, medium-scale transactions have become the most prominent, reflecting growing appetite for assets in the higher sales price range.

Domestic investors have remained active, accounting for 73% of transactions between 2015–2024, supported by their hands-on expertise in managing these operationally intensive assets.

Institutional and offshore buyers remain most active at the larger end of the market, while unlisted funds and syndicates continue to target $250m+ opportunities with repositioning or value-add potential. Strong underlying land values, catchment dominance, and long WALEs anchored by major national retailers underpin the enduring appeal of these assets as strategic, long-term investments.

To Note: for sales > $5 million

Source: CBRE Research Q3 2025

Metro regional shopping centre total return vs annual sales over last decade

In periods of elevated total returns, annual sales have shown a corresponding uplift. This relationship has been particularly evident post COVID, with steadily improving performance drawing more capital into the market.

Looking ahead, we expect market conditions over the next three years to support a continuation of this trend. Supply is muted relative to the peaks of 2016–2017, which should underpin rental growth and capital values.

At the same time, anticipated interest rate cuts will lower the cost of capital, improve debt affordability and further enhance pricing momentum.

Accordingly, we anticipate total returns to continue strengthening. With tighter supply, cheaper funding and improved buyer confidence, investment sales are expected to increase at a similar pace.

FIGURE 9:

Australian annual total returns and annual sales cycle

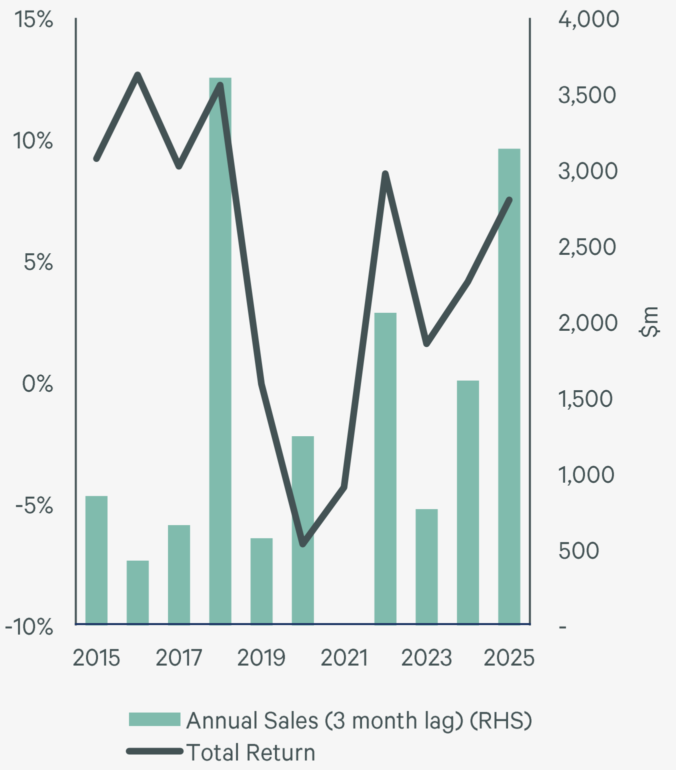
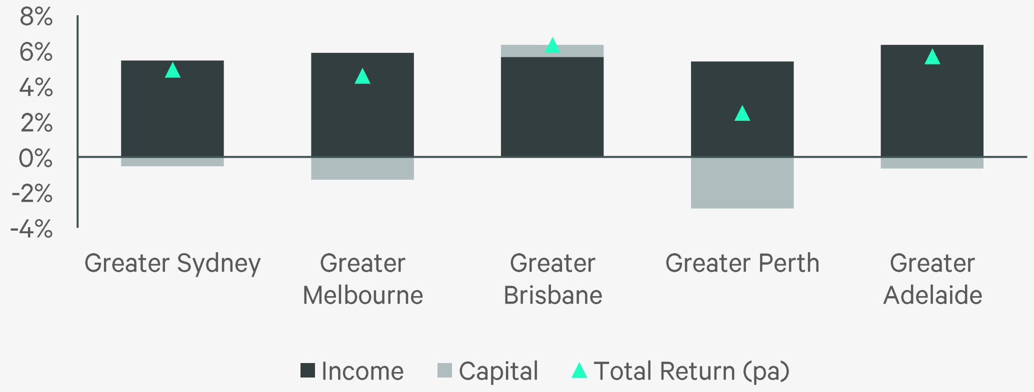


FIGURE 10:

Annual total returns. 10 years to June 2025 by city



Regional shopping centres have offered attractive and stable income returns, with annualised yields showing only a small deviation around the 5.5–6.0% mark. This highlights their resilience and consistent occupier demand, even through changing market conditions.

However, interstate total returns have varied due to the divergence in annualised capital returns. Greater Brisbane recorded the only positive annualised capital growth, driven by stronger population inflows, robust retail spending, affordable entry pricing and tightening vacancy. In contrast, Greater Perth saw the lowest total return, reflecting weaker leasing demand, softer investor sentiment and limited capital growth momentum.

Source: CBRE Research

Tenant mix evolves: Fashion and general retail decline, F&B rises

Between 2016/17 and 2024/25, regional shopping centres have seen shifts in tenant mix, with fashion and accessories falling by 3pp. In contrast, food and beverage and mini majors have increased by 2pp and general retail & home has increased by 1pp. The uplift in food and beverage reflects the growing role of dining and social experiences as a key driver of visitation, particularly as centres reposition to compete with online retail.

Increased spending on household goods and essentials, coupled with elevated savings and population growth, drove growth in general retail and home sectors during and after the pandemic, further supported by the categories' relative resilience to online competition

Growth in mini majors has been supported by demand from value-driven chains, sporting goods and daily-needs retailers that benefit from larger floorplates and steady foot traffic.

Over the past decade, mini majors have held the largest share of space in regional shopping centres at 32%, followed closely by fashion and accessories at 30%. While fashion and accessories remains a significant category, its share has contracted as discretionary spend continues to shift online and retailers consolidate store networks.

Figure 11:

Australian regional shopping centres tenant type mix-shift (2016/17 vs 2024/25)

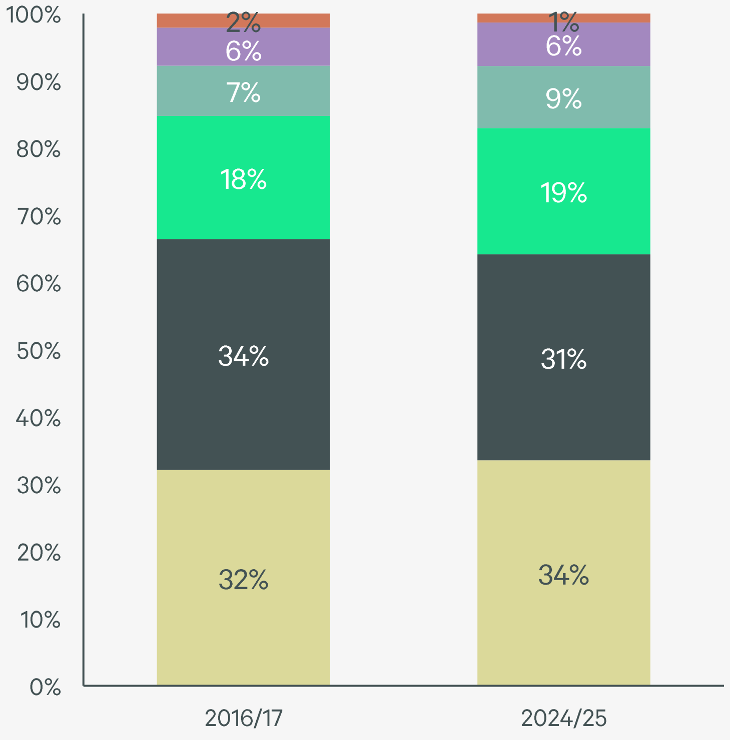
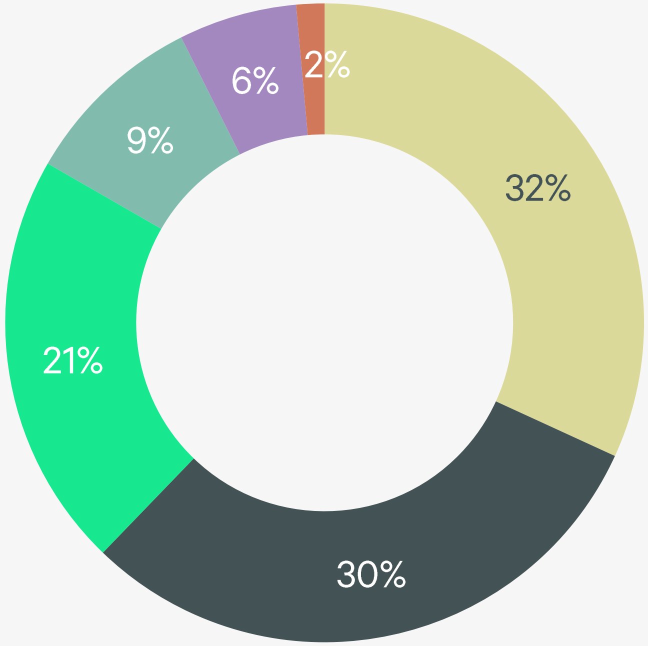


Figure 12:

Australian regional shopping centres tenant type mix-shift (2015-2025)



Mini Majors · Fashion & Accessories · General Retail & Home · Food & Beverage · Services · Other

Source: CBRE Research, Sample of regional shopping centre's tenancy rental analysis

Food as key driver of in-store growth

Food is emerging as the engine room of regional shopping centres. While discretionary retail faces growing competition from e-commerce, food spend continues to grow steadily, underpinned by its experiential, social and in-person nature. Online penetration in discretionary categories is now 2.5x higher than food, amplifying the role of dining as one of the last truly "e-commerce-resistant" drivers of in-centre traffic.

For landlords, this means food isn't just a leasing category, it's a strategic anchor. Investment into dining precincts deliver stronger visitation, longer dwell time and higher cross-spend across the centre. But this shift also demands a rethink behind the scenes: as online sales rise, back-of-house logistics capacity - truck bays, loading docks and last-mile infrastructure, must keep pace to support omnichannel retailing.

Figure 13:

Retail sales per annum ($m): Food vs discretionary (2015–2030)

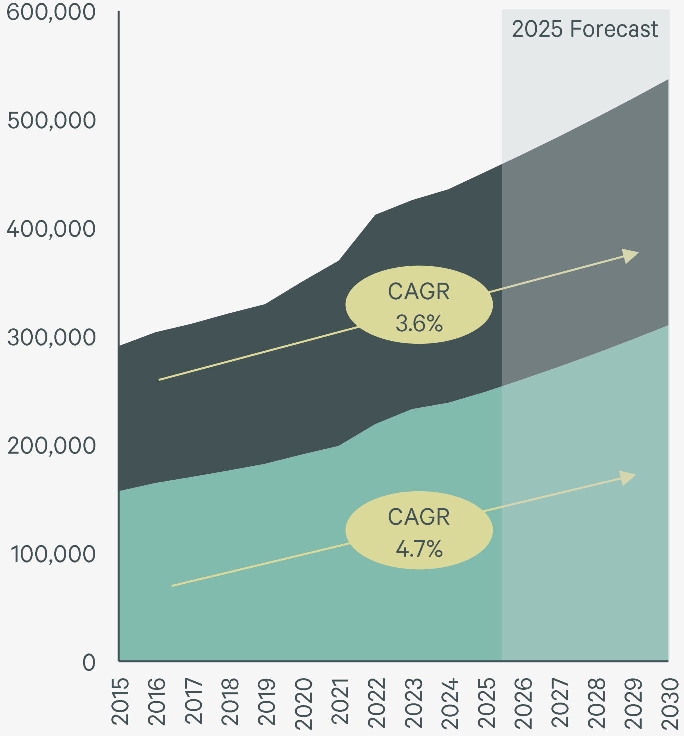
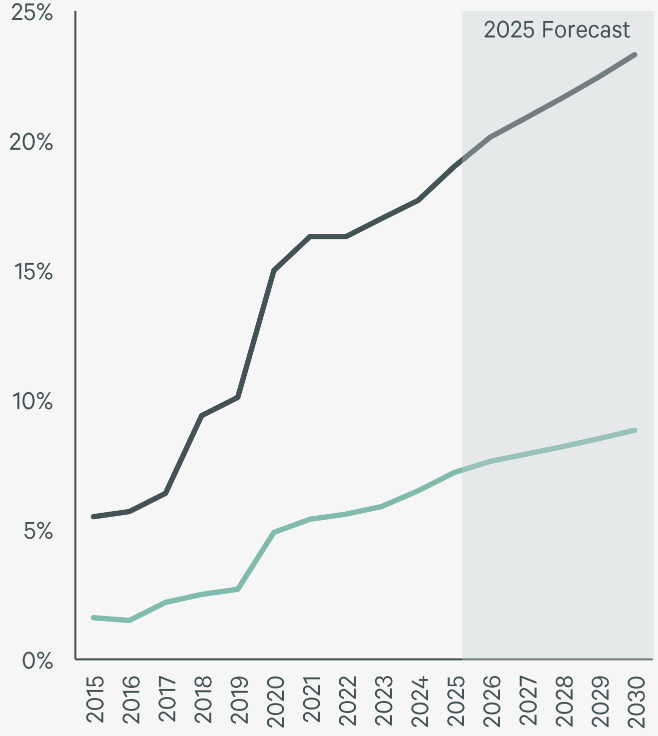


Figure 14:

Online penetration rates (%): Food vs discretionary (2015–2030)



Food Discretionary

Source: ABS, CBRE Research

Australia's population growth is outpacing delivery of new regional shopping centre space

According to the PCA, Australia's retail market currently comprises 142 regional shopping centres, totalling 9 million sqm GLAR and serving a population of 26 million.

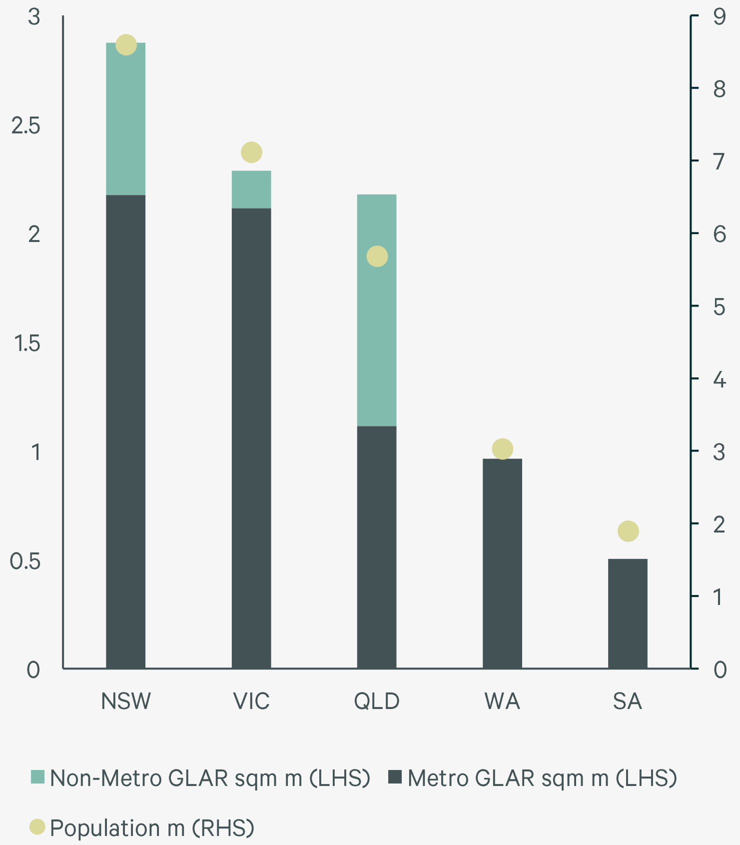
With cumulative net migration projected to reach a record 1,135,000 over FY24–FY26, retail supply will be unable to keep pace with rising demand. Regional shopping centres play a key role in supporting population growth, further fuelling investment interest.

National regional shopping centre GLAR per capita currently stands at 0.33 sqm per resident and is set to decline by 2026, driven by a limited pipeline and continued population growth, creating a future supply shortage.

GLAR per capita is highest in Queensland (0.38 sqm) and lowest in South Australia (0.27 sqm), reflecting Queensland's more decentralised population base with major regional hubs versus South Australia's concentration around metropolitan Adelaide.

Figure 15.

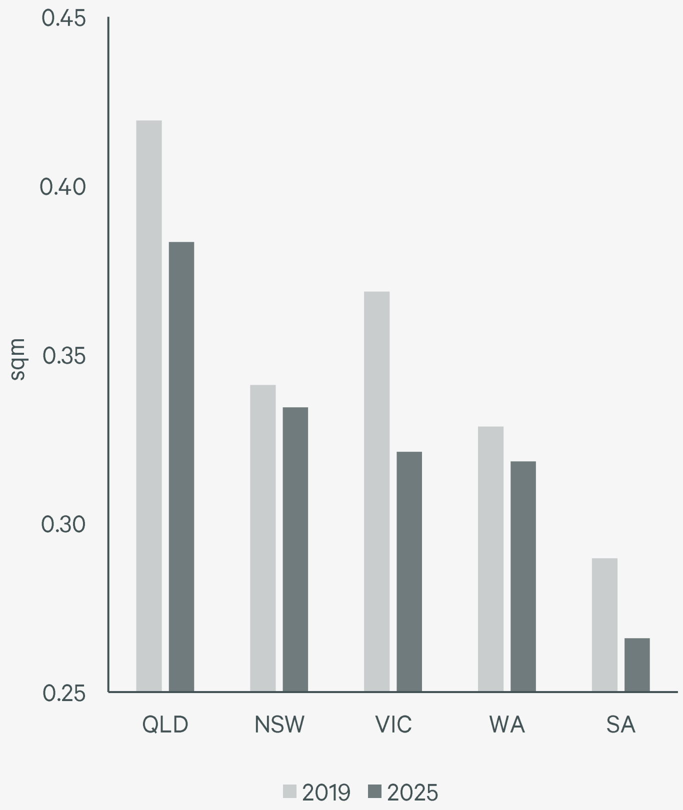
Regional shopping centres GLAR (2025) vs state population



Source: Property Council of Australia, Deloitte Access Economics, CBRE Research

Figure 16:

Regional shopping centres GLAR per capita by state (2025 vs 2019)



Re-leasing spreads recover as vacancy tightens

Regional shopping centre vacancy remains below 3% nationally, easing slightly from 2023. In 2025, metro vacancy averaged 2.2% compared with 3.4% in non-metro areas, underpinned by steady demand from essential and experience-led retailers and minimal new supply.

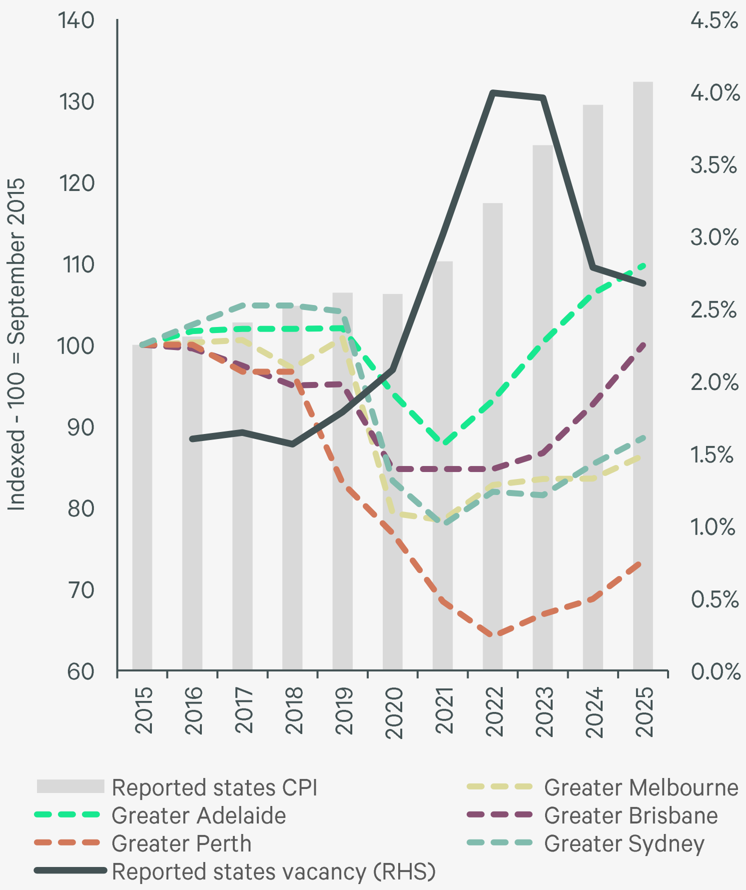
Stronger sales performance and more balanced trading conditions have helped sustain occupancy, with hybrid and work-from-home trends lifting weekday visitation in suburban and regional locations, a trend highlighted in a recent Scentre Group media release and reported by the Australian Financial Review (1 September 2025).

Re-leasing spreads have recovered alongside these fundamentals, rebounding to +2.75% in 2025 after sharp declines during 2020-21, when effective rents fell around 10% as landlords provided significant support to tenants.

As sales surpassed pre-COVID levels, rents became more affordable relative to turnover, enabling landlords to reset deals at higher levels as pandemic-era leases rolled off. With vacancy tightening, limited new supply, and improving CBD visitation (up to 72% of 2019 levels in June 2025), spreads are expected to remain positive into 2026.

Figures 17:

Regional shopping centre effective rents cumulative growth by city vs Australian vacancy



Source: Property Council of Australia, ABS, CBRE Research Q3 2025

Figure 18.

Australian regional shopping centre indicative re-leasing spreads

Source: Company Reports, CBRE Research

Strongest tenant demand in metro assets built after 2000

Vacancy trends highlight the uneven performance of regional shopping centres across Australia. Metro centres built before 2000 and not refurbished record the highest vacancy (2.4% in 2025), reflecting obsolescence and poor retailer alignment. Even refurbished pre-2000 centres show elevated vacancy (2.5%), suggesting reinvestment cannot fully overcome legacy design or location drawbacks.

In contrast, post-2000 metro centres perform strongly, with vacancy averaging 0.9% in 2025. These assets are better aligned with modern retail formats, tenant mixes and shopper convenience, supported by proactive upgrades in food, entertainment and experience-led uses.

Location is also critical. Metro centres within 10km of a major city average 0.9% vacancy, benefiting from dense, affluent catchments and strong connectivity. Regional shopping centres beyond 10km face higher vacancy (2.4%), pressured by weaker economic fundamentals, competition from smaller formats and retailer preference for flagship urban sites.

Overall, the data shows that asset age influences performance, though reinvestment, catchment strength and accessibility are key to sustaining occupancy.

Figure 19.

Australian metro regional shopping centre vacancy opening prior/post-2000

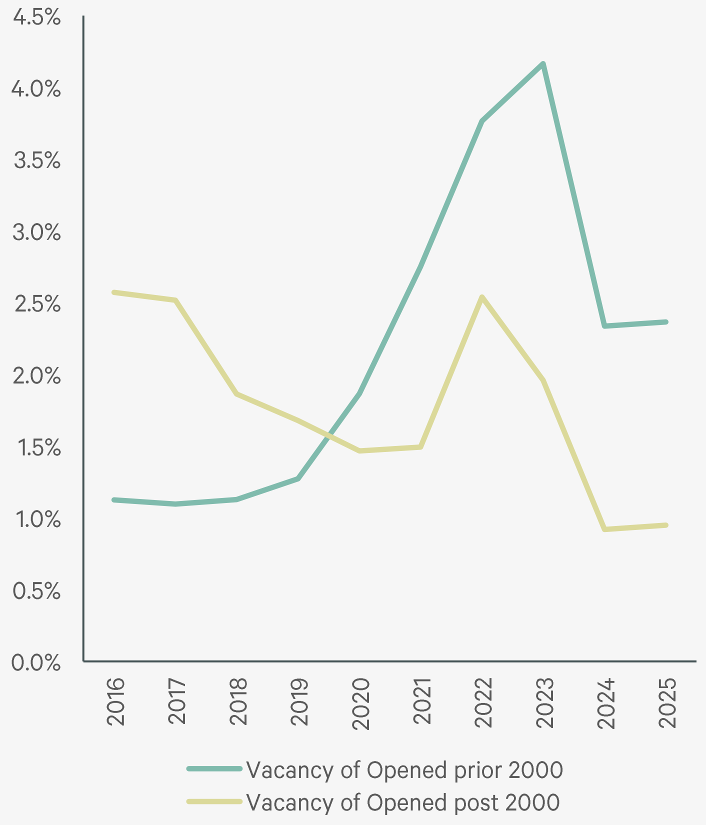


Figure 20.

Australian metro regional shopping centre vacancy 10km sub/post from major city

Source: Property Council of Australia, CBRE Research

E-Motion: The 5 E's elevating regional shopping centres

Eat

"Hunter & Gatherer Market Precinct," opened in December 2024 in Pacific Epping shopping centre, brings a vibrant, buzz-worthy dining experience with 20 fresh food and casual dining operators celebrating the local multicultural community. From colourful street-food-style stalls to Instagram-worthy cafés, it transforms the centre into a social hub where visitors can eat, explore and hang out. Food & beverage here isn't just a necessity, it's an experience that drives dwell time, sparks social interactions and makes visiting the centre genuinely fun.

Escape

Rooftop Oasis & Urban Garden (Upgraded 2024) in Westfield Mt Gravatt shopping centre has recently transformed its rooftop into a lush urban garden featuring shaded green zones, landscaped seating areas and ambient lighting, creating a calm, nature-infused retreat above the retail floor. This space allows visitors to unwind, meet friends, or work remotely in a relaxed outdoor setting, offering a respite from the bustle of the shopping centre.

Energise

Virgin Active Wellness Club (Opened 2025) A next-generation Virgin Active wellness club has opened at Westfield Bondi Junction shopping centre, bringing premium fitness, recovery and holistic health services directly into the shopping centre. By weaving active lifestyle offerings into the retail environment, the centre is positioned as a daily destination rather than just a shopping trip.

Engage

"Lost & Found" by Cj Hendry launched on 19 June 2025, this immersive art exhibition marks Cj Hendry's first Australian show in four years. It transformed Chadstone Shopping Centre into a multi-site art experience blending hyperrealism, interactivity and bold design. The activation reaffirmed Chadstone's position as a leader in integrating culture and commerce to deliver high-impact placemaking outcomes.

Entertain

"The Social Quarter" in Chadstone shopping centre featuring Malibu Barbie Café, immersive VR experiences and family-friendly entertainment zones. This offers playful, Instagram-worthy experiences that drive foot traffic and social sharing.

LOOKING AHEAD

Sport-led activations in regional shopping centres

Sport is emerging as a powerful new driver of engagement in shopping centres. Landlords are increasingly exploring ways to integrate recreational and sporting experiences into their centres, with basketball courts already in place and concepts such as futsal pitches and pickleball arenas being considered to drive engagement. A recent example includes the DA for a three-court basketball stadium at Forest Hill Chase in Melbourne, developed in partnership with Nunawading Basketball and Basketball Victoria. Similarly, Emporium Melbourne's rooftop Stephen Curry Court, part of Rebel's flagship wellbeing destination, brings an NBA sized court to the city skyline, merging sport and retail in a uniquely interactive way. These activations mark the next evolution for regional shopping centres, transforming them into true community hubs that encourage longer visits, attract broader audiences and blur the lines between retail, recreation and lifestyle.

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