

Creating Resilience

2023 Australia Retail Flash Survey

REPORT FIGURES

CBRE RESEARCH
FEBRUARY 2023

2023 Australia Retail Flash Survey

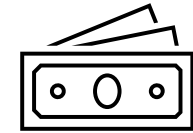
Key messages



58%
expect sales performance
to improve in 2023.



58%
anticipate that a portion
of online sales will return
to brick-and-mortar retail.



79%
believe business
operating costs will
continue to rise.



83%
plan to open more stores
in 2023.



50%
intend to open in CBDs.
There is also growing
interest for secondary
retail in city centres.



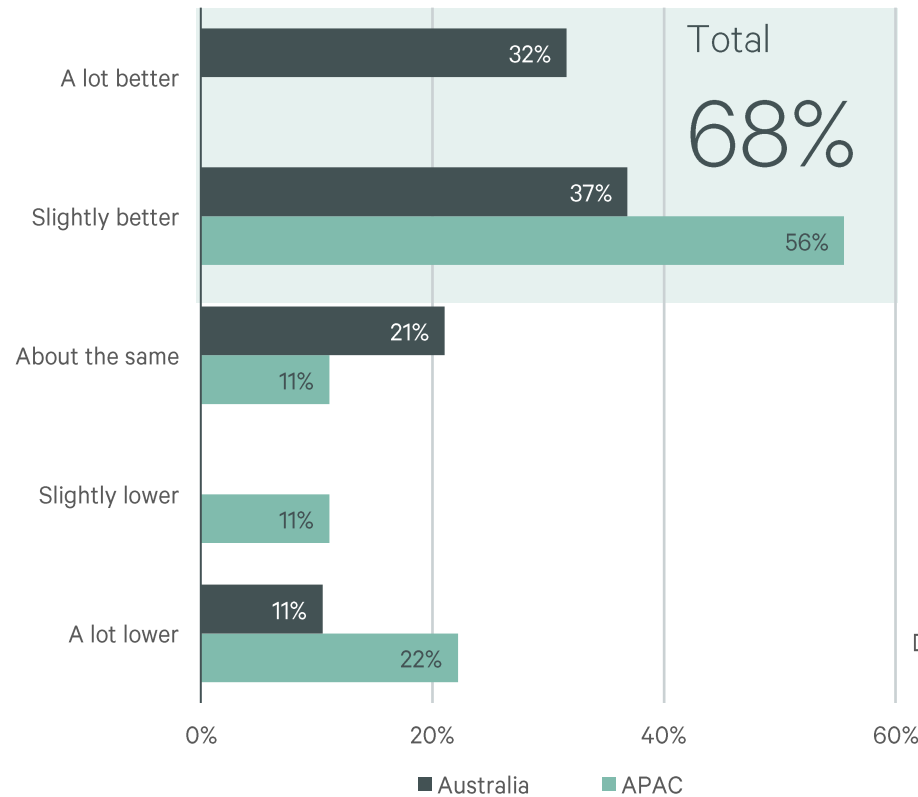
100%
have seen construction
and fit out costs increase
compared to 2019.

Australian retailers had a better recovery than APAC

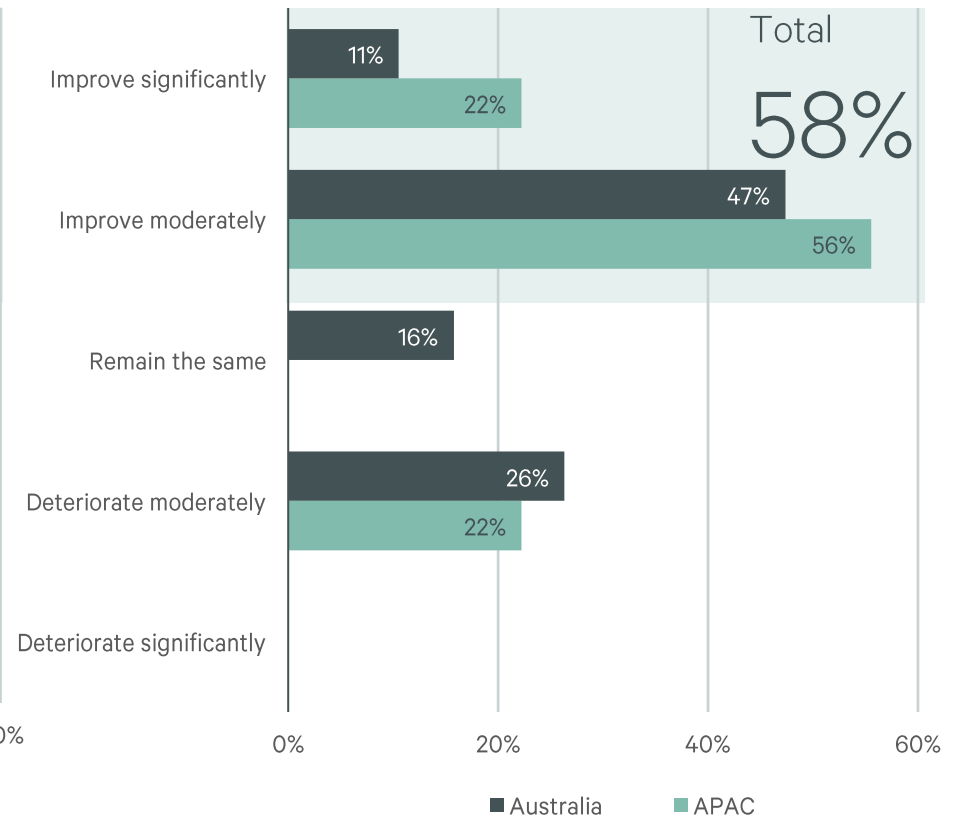
Of Australian respondents, 68% said H2 2022 sales revenue was better than H2 2019 compared to 56% of APAC.

Subsequently, a lower number of Australian respondents believe that sales revenue in 2023 will be higher than 2022 when compared to APAC (58% v 72%) as their revenue volumes are comparatively higher. No retailers in Australia or APAC believe their sales revenue will deteriorate significantly in 2023.

How will H2 2022 sales revenue perform compared to H2 2019 (pre-pandemic)?



What are your expectations for sales revenue in 2023 compared to that in 2022?



Note: Figures may not add up to 100% due to rounding.
 Source: 2023 Australia Retail Flash Survey, CBRE Research, January 2023.

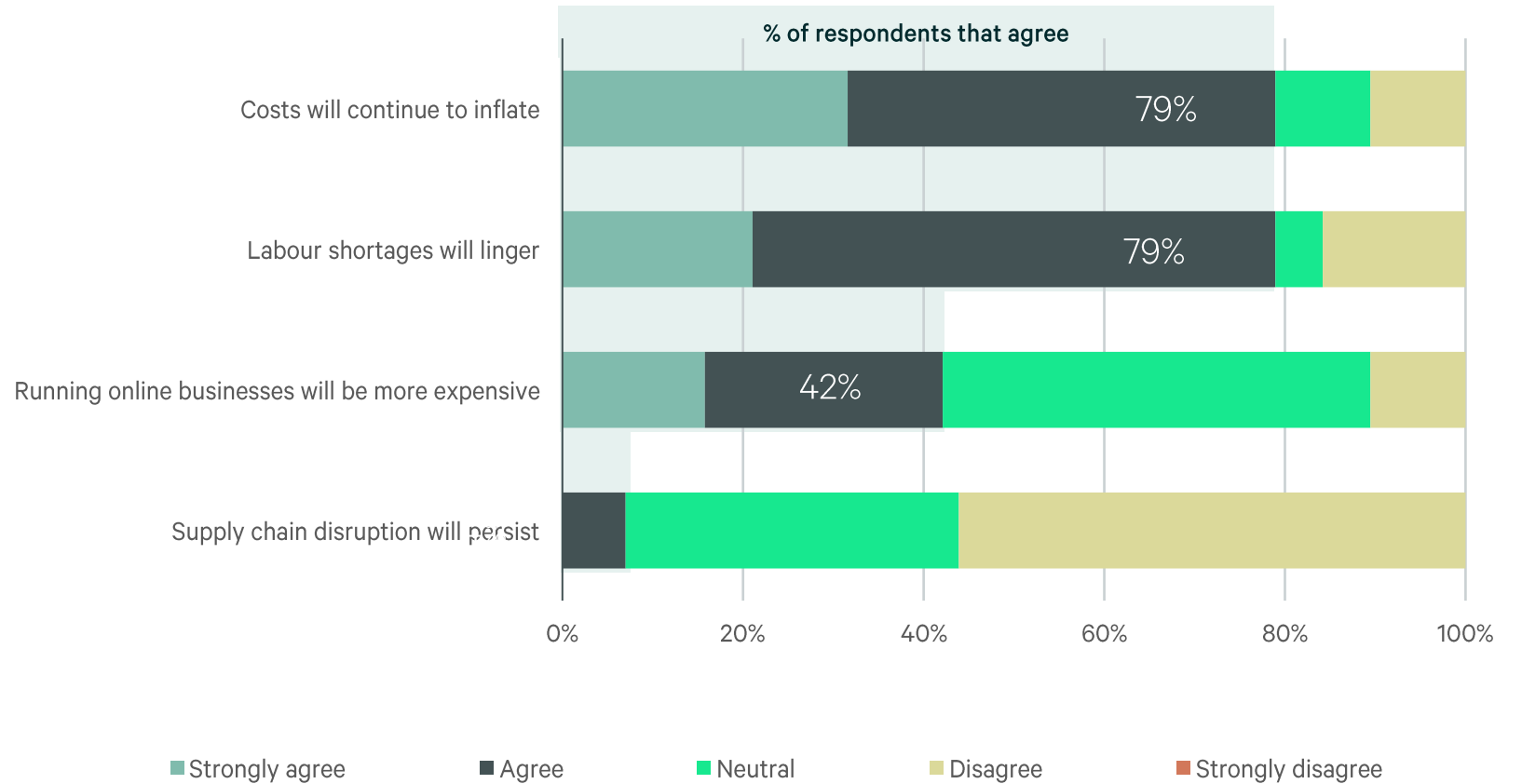
Cost inflation set to remain a challenge

Although inflation in Australia is forecast to ease in 2023, most retailers expect operational costs to continue to rise.

Low unemployment will push up wage growth and production costs. For online retailers, the rising expense of new customer acquisition and logistics will erode margins.

Macroeconomic issues such as currency fluctuation and supply chain disruption ranked relatively low among the list of retailers' main concerns.

Major concerns for 2023



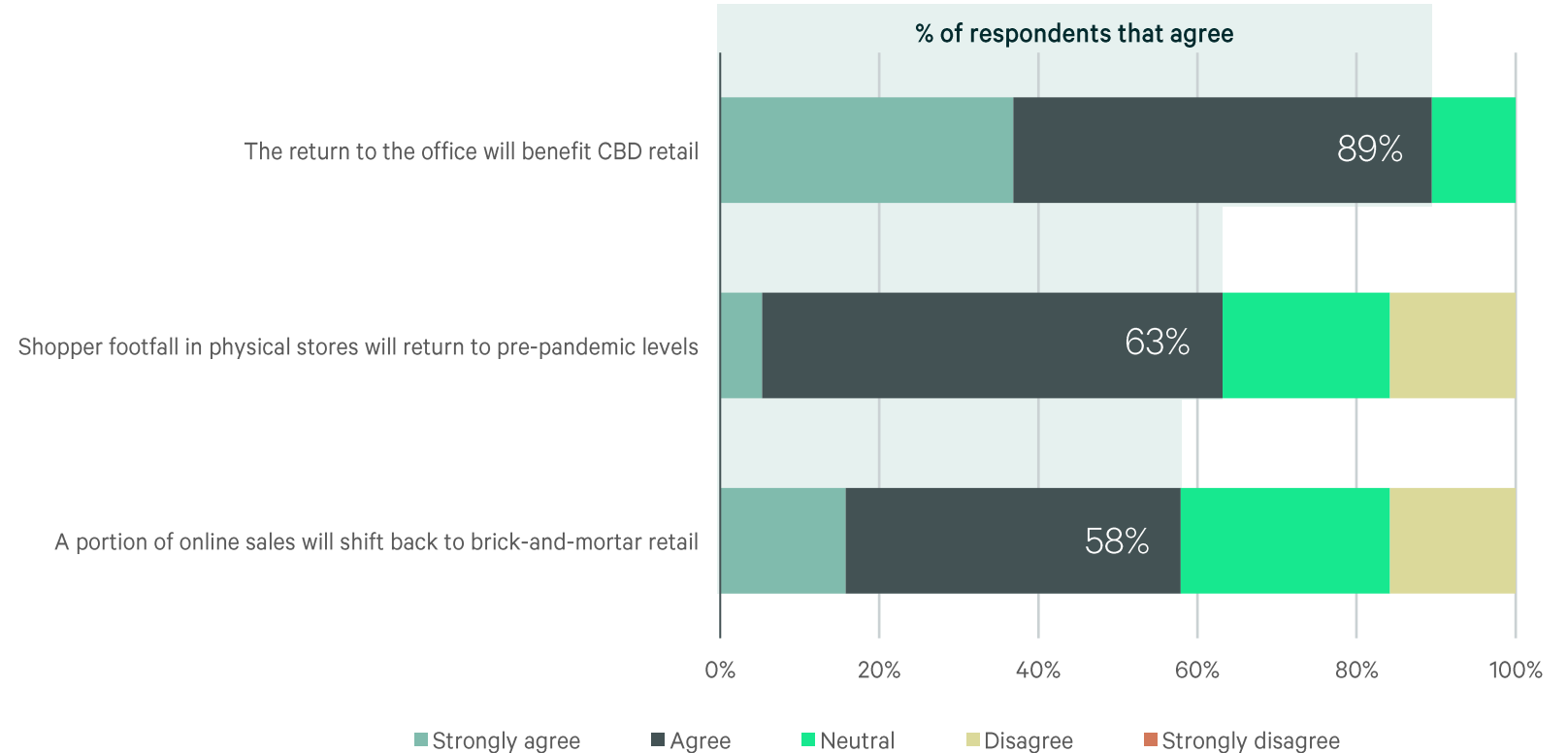
Note: Figures may not add up to 100% due to rounding.
 Source: 2023 Australia Retail Flash Survey, CBRE Research, January 2023.

Australian respondents are optimistic about the impact returning to office will have on the CBD

89% of Australian respondents believe that the return to office will benefit CBD retail with no retailers believing this will have a negative impact on sales.

Respondents were also optimistic about a recovery in the retail sector with 63% confident that footfall in physical stores will return to pre-pandemic levels while 58% thought a portion of online sales will shift back to brick-and-mortar retail.

To what extent do you agree with the following statements for 2023?

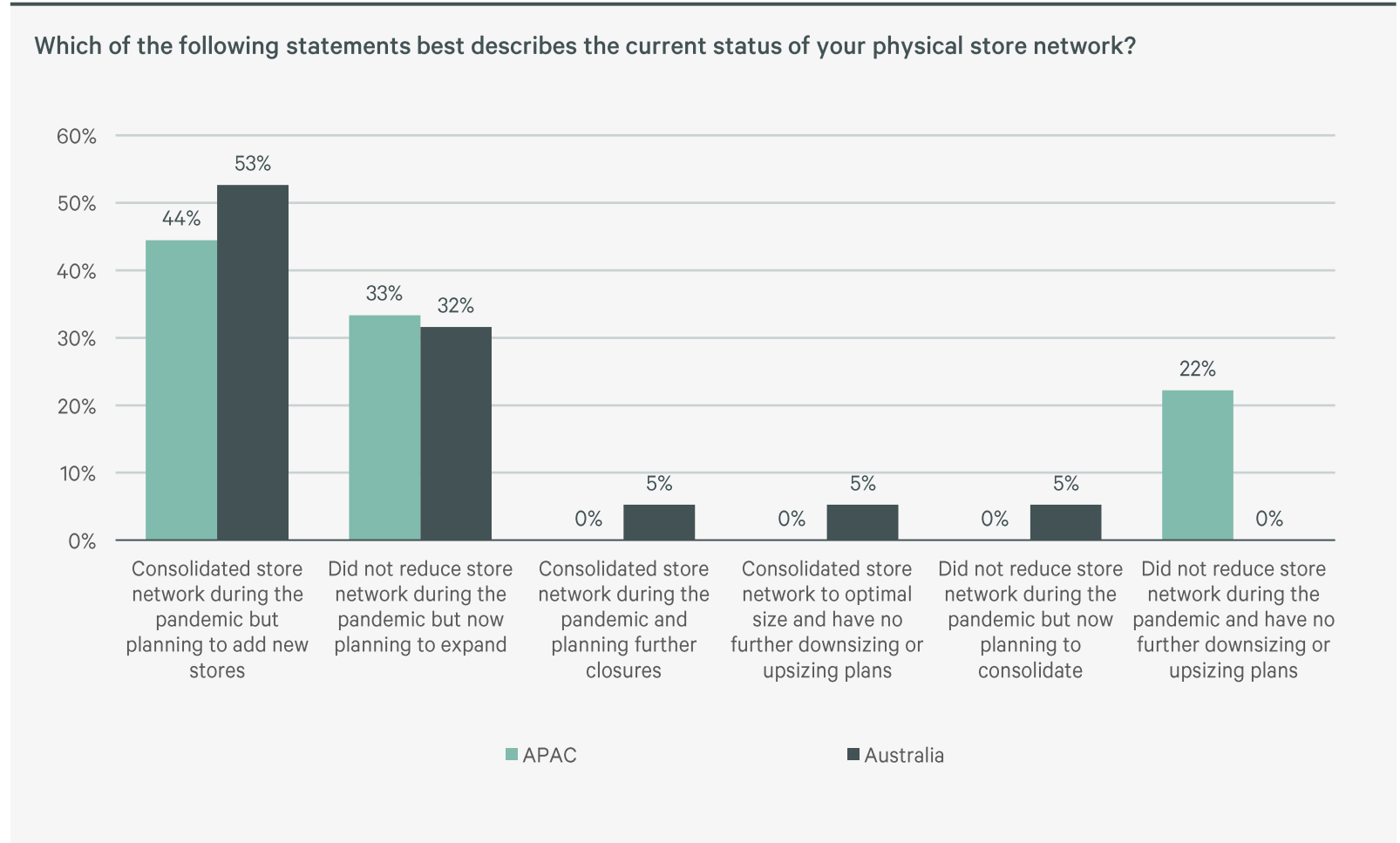


Note: Figures may not add up to 100% due to rounding.
 Source: 2023 Australia Retail Flash Survey, CBRE Research, January 2023.

Australian respondents are planning to add new stores to their network

The majority of Australian respondents (53%) consolidated their store network during the pandemic but are now planning to add new stores while 32% did not consolidate their network but are still planning to expand.

Just 11% of Australian respondents are planning to consolidate their network.



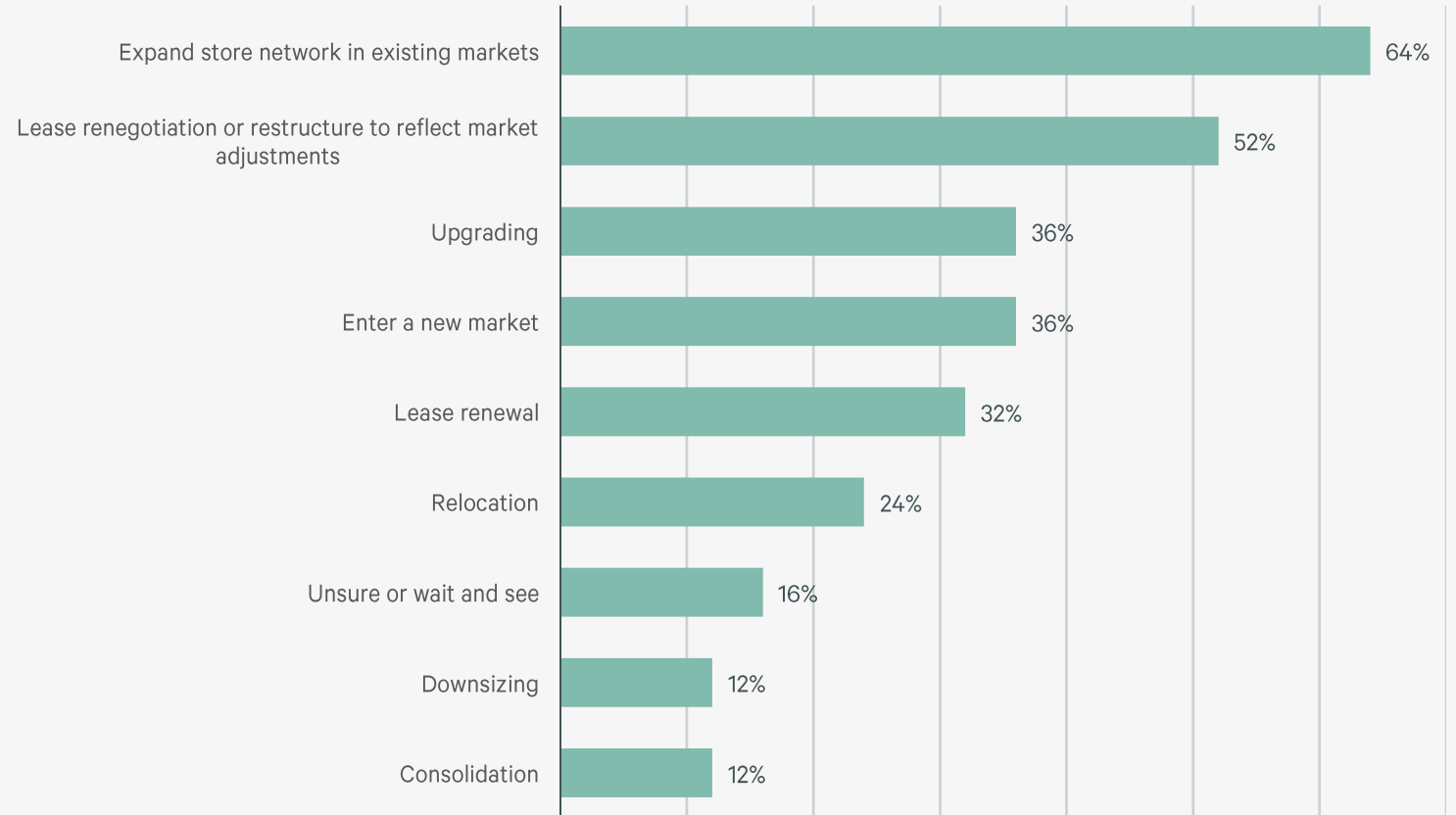
Note: Figures may not add up to 100% due to rounding.
 Source: 2023 Australia Retail Flash Survey, CBRE Research, January 2023.

Retailers prefer to expand in familiar markets

Most respondents stated a preference for existing markets. Upgrading store networks (and in the process capitalising on lower rents) is another key priority.

Other areas of focus include lease renegotiation or restructuring amid growing demand for the inclusion and expansion of force majeure clauses after the pandemic, and a shift to a turnover rent model amid what is still a tenant-favoured market.

Top three priorities for real estate portfolio strategy in 2023



Note: Multiple selections allowed.

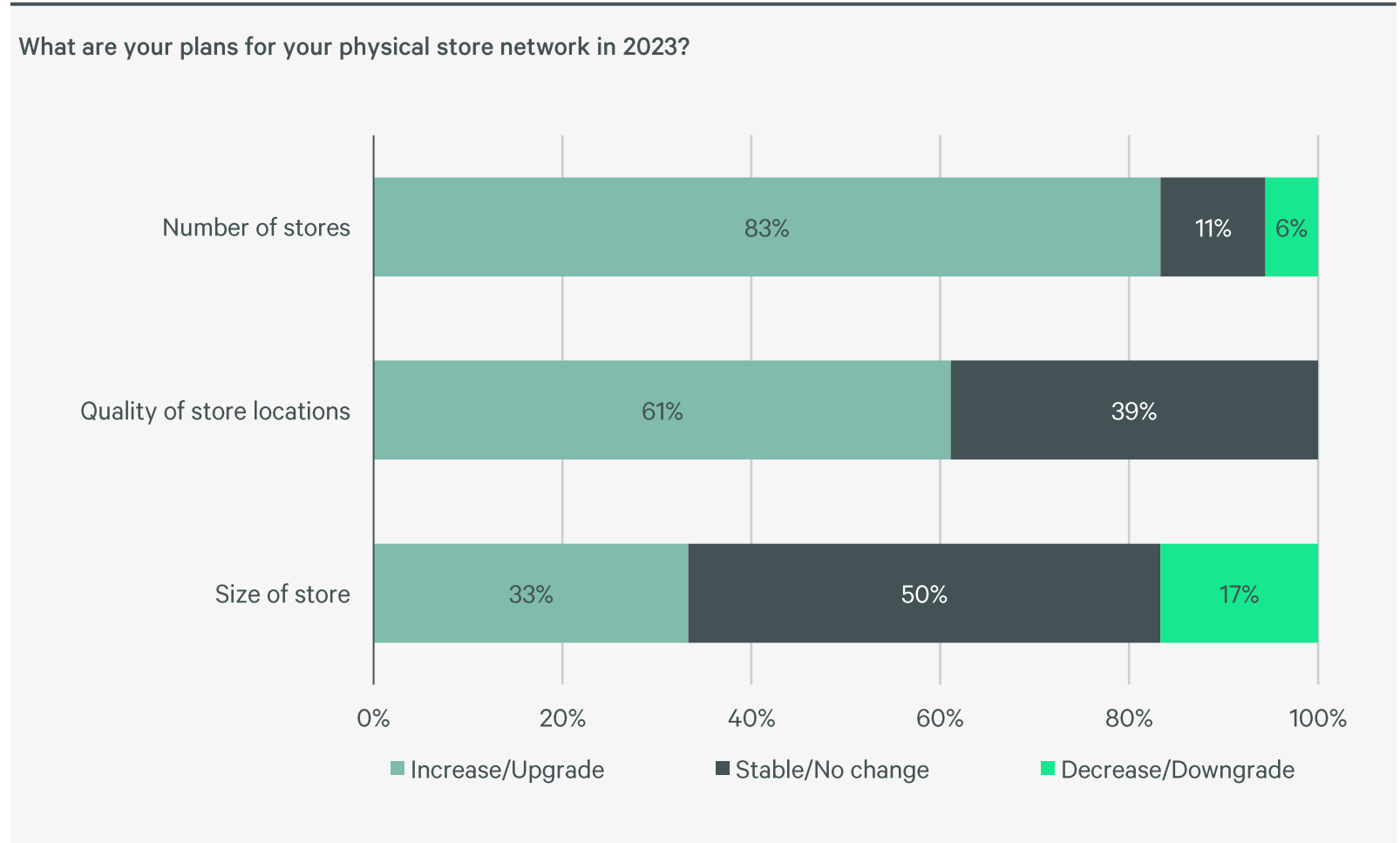
Source: 2023 Australia Retail Flash Survey, CBRE Research, January 2023.

Australian retailers have a strong appetite to expand store numbers to quality locations

A significant majority (83%) of Australian retailers were planning on opening more stores in 2023 with just 6% decreasing the number of stores in their network this year.

Unsurprisingly, no respondents were planning to decrease the quality of their store locations with 61% planning to capitalise on market conditions and improve the locations of stores in their network.

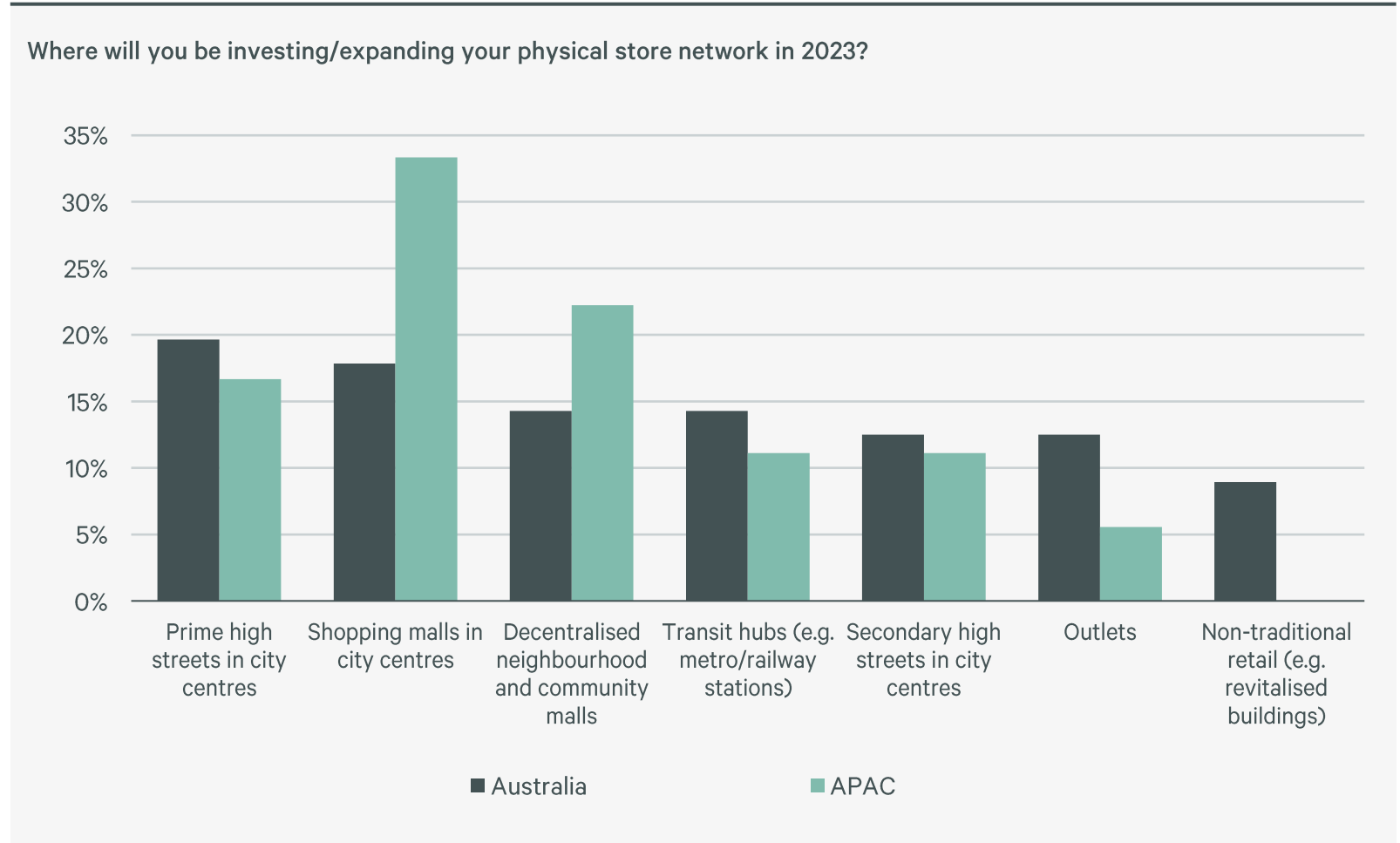
A third of respondents are planning on increasing the size of their store footprints which reflects the continued push towards larger stores that contain experiential elements while capitalising on a softer leasing market experienced in the past three years.



Note: Figures may not add up to 100% due to rounding.
 Source: 2023 Australia Retail Flash Survey, CBRE Research, January 2023.

CBD retail remains popular for Australian retailers

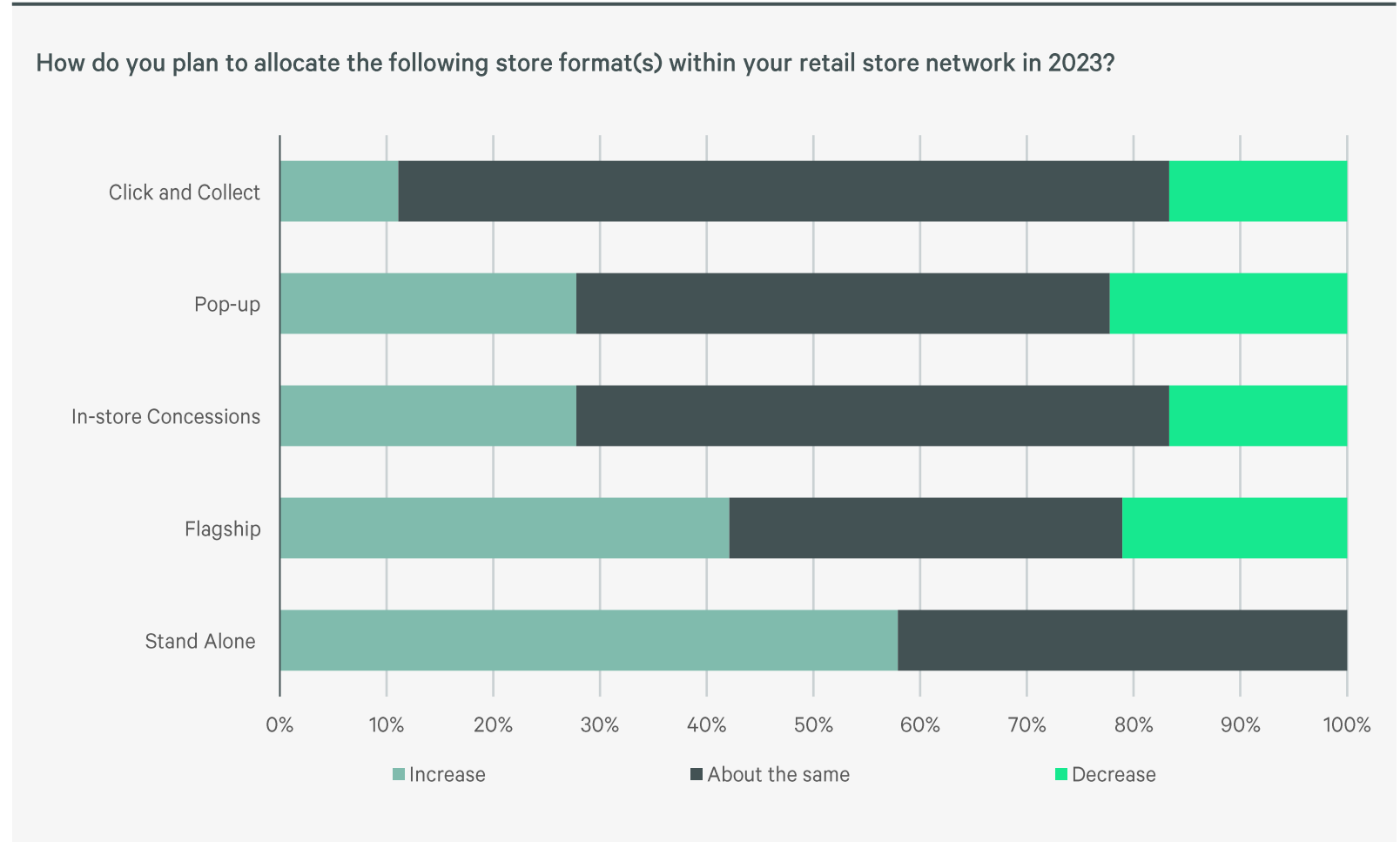
Strong flight-to-quality demand continues to prompt retailers to seek high quality retail spaces in city centres and along prime high streets. While decentralised properties will also continue to attract interest, CBRE expects assets in prime locations to outperform in 2023.



Note: Figures may not add up to 100% due to rounding.
 Source: 2023 Australia Retail Flash Survey, CBRE Research, January 2023.

Australian retailers are keen to invest and grow in their traditional stand alone store network

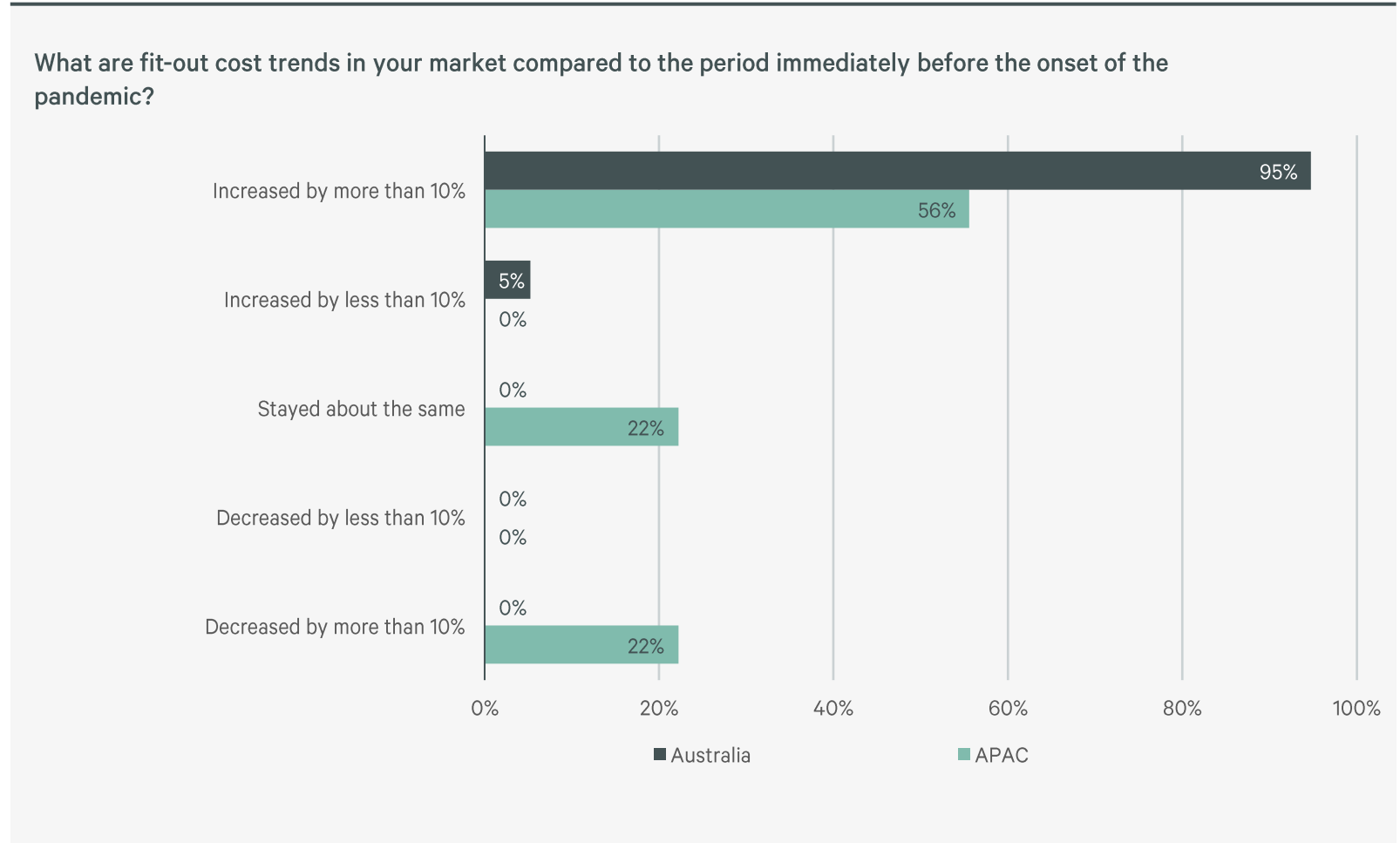
58% of Australian respondents planned on increasing the number of traditional stand alone stores in their network in 2023. Just 11% said they would increase the number of click and collect stores and 28% said they would increase the number of pop-up and in-store concessions which suggests that retailers are confident in the future of traditional retail outlets.



Note: Figures may not add up to 100% due to rounding.
 Source: 2023 Australia Retail Flash Survey, CBRE Research, January 2023.

Construction costs in Australia have increased at a greater rate than APAC

All Australian respondents reported an increase in fit out costs compared to the period immediately before the onset of the pandemic which is contrasted against just 56% of respondents from APAC. Although this is expected to moderate in 2023, costs are expected to remain elevated which will impact some retailer’s expansion plans.



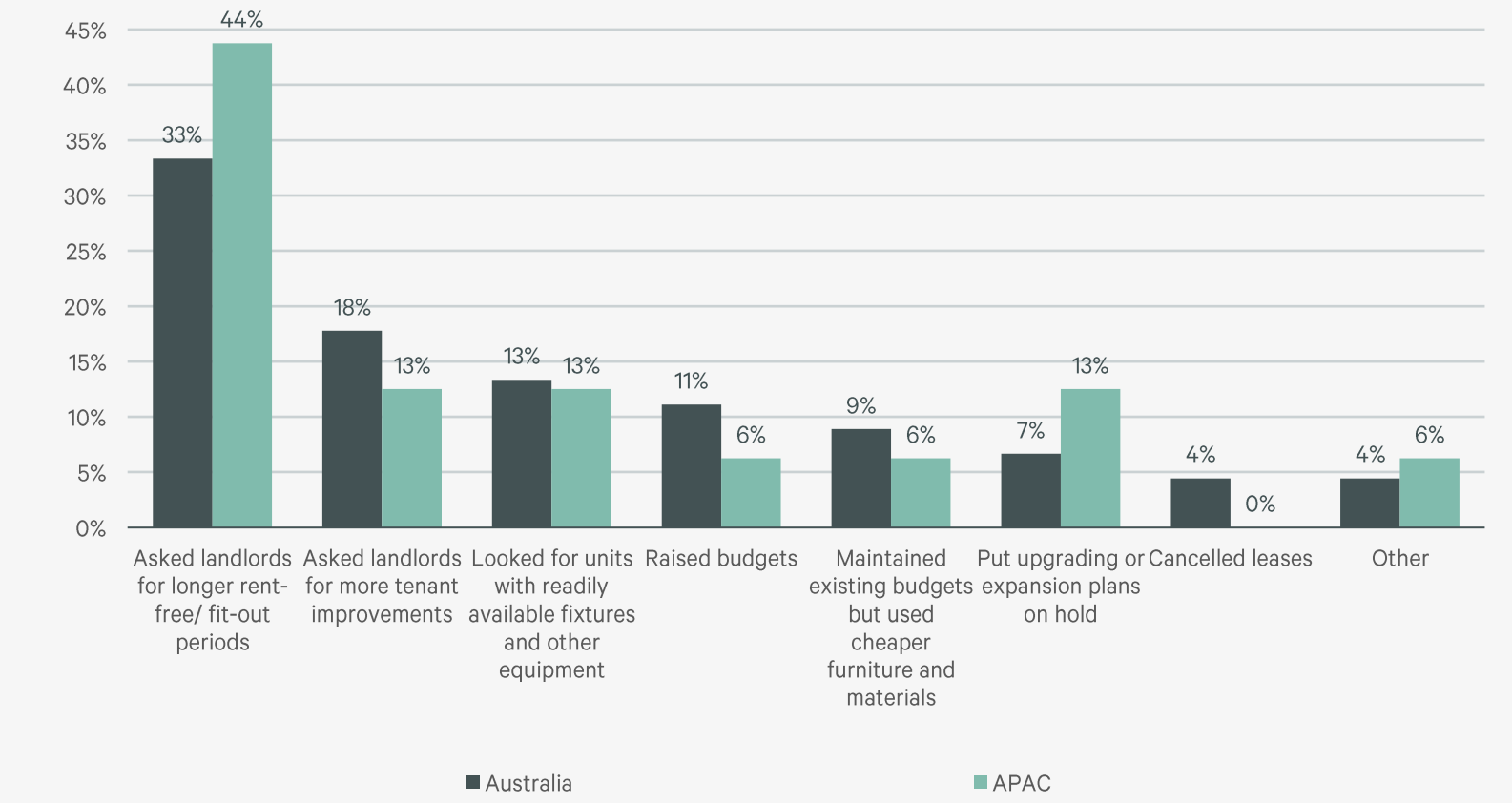
Note: Figures may not add up to 100% due to rounding.
 Source: 2023 Australia Retail Flash Survey, CBRE Research, January 2023.

Retailers want landlords to assist with fit-out costs

With the retail market yet to fully recover and construction cost pressures ongoing, many retailers are asking landlords to provide more incentives or other contributions to offset growing fit-out costs.

However, this number is lower in Australia than APAC (33% v 44%) which suggests the Australian market has been faster to recovery or that landlords have been less likely to provide continued support to tenants after significant contributions during 2020 and 2021.

How have you responded to fluctuations in fit-out costs?



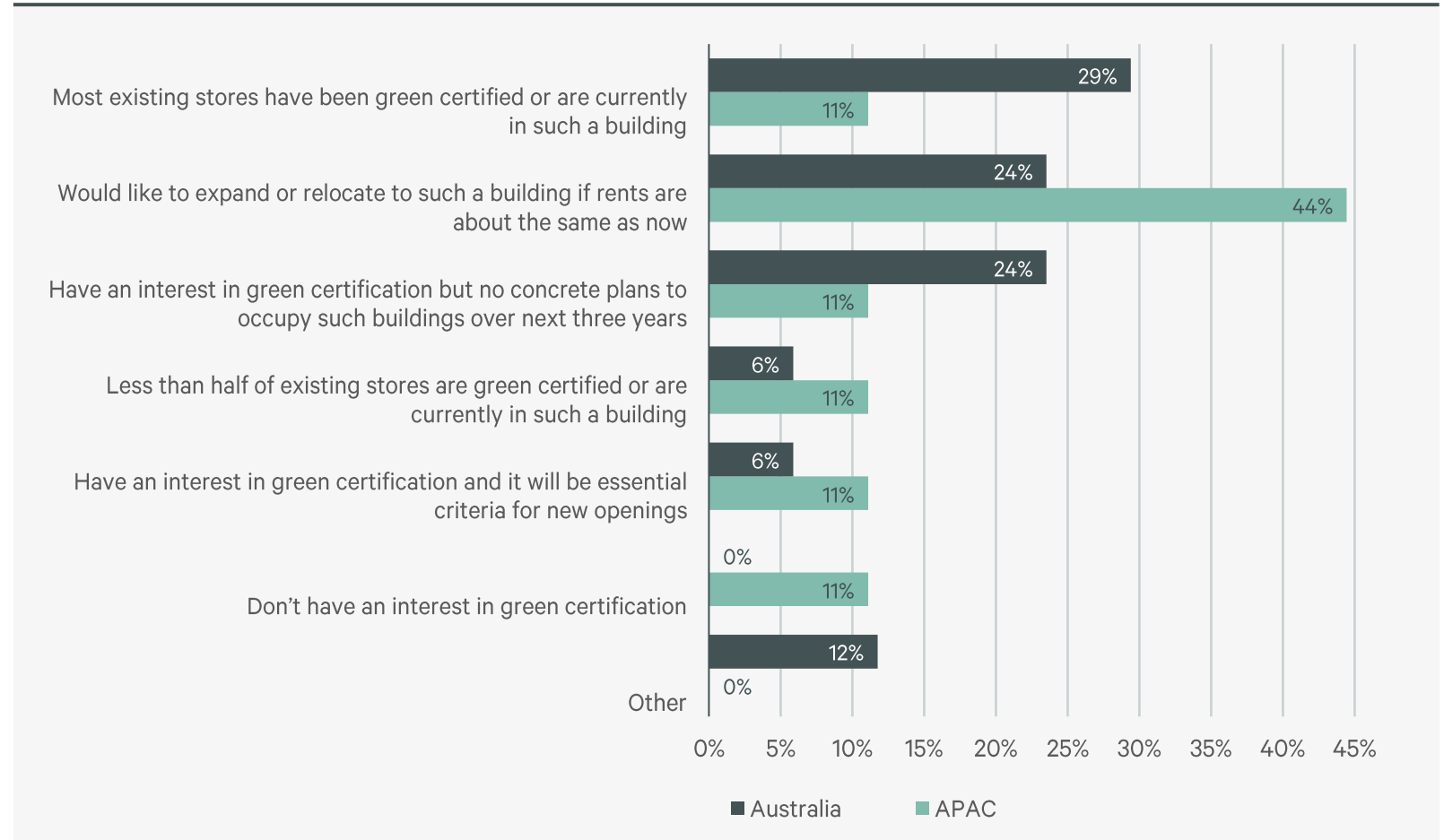
Note: Multiple selections allowed.
 Source: 2023 Australia Retail Flash Survey, CBRE Research, January 2023.

Australia has a higher proportion of stores that have been green certified than APAC

29% of Australian respondents had most of their existing stores green certified or were in a green certified building which was considerably higher than the 11% of respondents from across APAC.

All Australian respondents stated they had an interest in green certification suggesting that landlords will need to ensure they try and obtain green certification (e.g. LEED, BEAM Plus, NABERS, Green Mark, WELL) to remain competitive among the tenant pool.

What consideration do you give to green certification (e.g. LEED, BEAM Plus, NABERS, Green Mark, WELL) when considering a property for lease?



Note: Figures may not add up to 100% due to rounding.
 Source: 2023 Australia Retail Flash Survey, CBRE Research, January 2023.

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Survey Profile

The CBRE Research Asia Pacific Retail Flash Survey was conducted from November to December 2022. A total of 87 responses were received.

Respondents by market

