

FIGURES | BRISBANE RETAIL | Q1 2024

# Retail investment sales saw a slight uptick

▼ 18.7%

Brisbane CBD Vacancy Rate H2 23

▲ +50bps

Regional Centre Y-o-Y Yield Change

▲ 2.5%

Queensland Retail Sales Y-o-Y Growth

▲ \$661 million

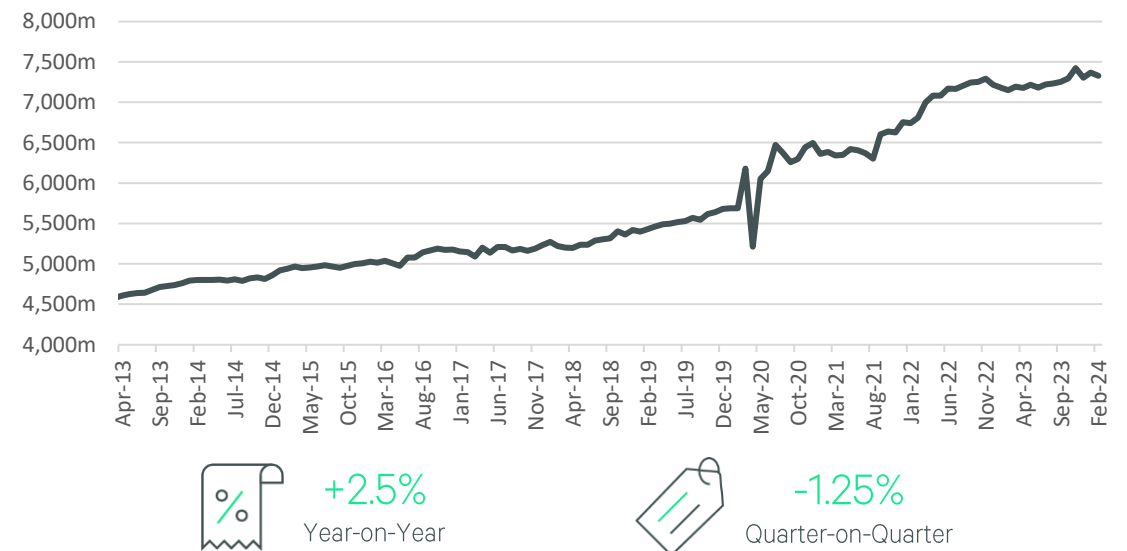
Q1 2024 Queensland Retail Asset Sales

Note: Arrows indicate change from previous quarter.

## Key Points

- Queensland recorded \$7,330m retail sales in February 2024, representing a 2.5% increase Y-o-Y.
- There is limited new supply of about 103,300 sqm expected to come online in 2024, below the 10-year average of c.140,000 sqm (excludes non-metro). New floorspace added to the market over the quarter totalled c.19,800 sqm.
- Brisbane CBD retail vacancy decreased in H2 2023 by 83bps to 18.7% vacancy.
- Net face rents have continued to increase across majority of retail categories in Q1 2024, driven largely by limited future supply.
- Retail investment sales saw an uptick in investment activity in Q1 2024, recording a total of AUD \$661 million in sale transactions (for sales > AUD \$5 million).
- Retail yields have remained stable across all asset types in Q1 2024, partly due to interest rates stabilising, which has subsequently boosted investor confidence.

Figure 1: Queensland Total Retail Turnover, Seasonally Adjusted (\$m)



Source: ABS as at Feb 2024, CBRE Research

## Economic Overview

### Queensland GSP forecasted to increase in 2024

Gross State Product (GSP) in Queensland grew by 2.3% in 2022-23, notably weaker in comparison to recent years. Despite the challenges of rising interest rates and cost-of-living pressures, Queensland's GSP is forecast to increase by 1.8% in 2024, primarily attributed to strong population growth, and robust mining and energy exports, as well as elevated infrastructure spending. Notably, Queensland's GSP growth in 2024 has helped it to lead forecasts of economic growth.

### Retail sales remain low

Retail turnover in Queensland decreased by 0.5% to \$7,330 million in February 2024 (M-o-M). This decline follows an uptick in January 2024, reversing from the drop in December 2023, as consumers cut back on spending after taking advantage of Black Friday Sales in November. This trend indicates that consumer sentiment remains low, and trade continues to slow, due to higher interest rates and the ongoing pressures of cost-of-living.

### Queensland sustains a tight labour market

Queensland's labour market remains strong, with the unemployment rate dropping from 4.0% in January to 3.9% in February. Queensland's tight labour market will contribute to a strong retail sector, driving consumer confidence and household spending.

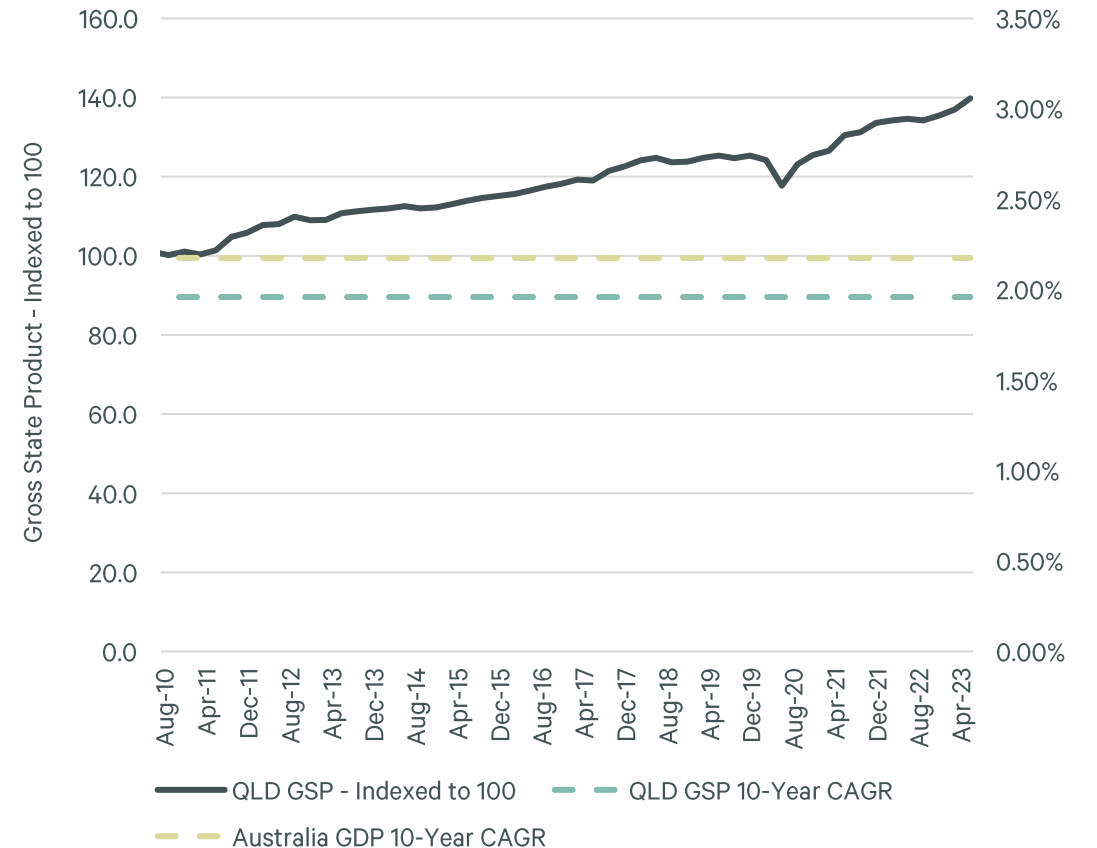
### Queensland Infrastructure Pipeline continues to grow in the lead up to the 2032 Olympic Games

The infrastructure allocation for Queensland and Brisbane remains high with over \$20.3 billion worth of capital to be delivered in 2023-2024 state-wide, directly supporting 58,000 jobs. The largest in the Brisbane area is the Cross River Rail worth \$6.3 billion total due for completion in 2025. In addition, Brisbane City Council's Brisbane Metro (\$944 million) is on track for completion in 2024. The private sector is also contributing to the pipeline with Queen's Wharf (\$3.6 billion), due for completion in Q3 2024. The major road and rail projects will contribute to Queensland' economic activity, driving consumer spending.

### Historic highs for migration expected to drive retail sales growth

Migration is expected to reach historic highs over the 2023-2025 financial years, supporting a period of improved economic and retail growth. With an estimated 1,135,000 net migrants expected to enter the country over 2023-25, CBRE Research estimates this will equate to 15.5bn in additional, annual migration related retail demand. For Queensland, based on historic migration trends, an estimated 142,000 migrants will result in more than \$1.9bn in annual expenditure for migration related demand, helping support the retail sector.

FIGURE 2: Queensland Gross State Product - Indexed to 100 & 10-Year CAGR Comparison



Source: ABS and Deloitte Access Economics and CBRE Research

## Supply

### Expected supply over 2024 remains below historical levels

There is limited new supply of about 103,300 sqm expected to come online in 2024, below the 10-year average of c.140,000 sqm (excludes non-metro). This is largely due to high construction costs and rising interest rates. New floorspace added to the market over the quarter totalled c.19,800 sqm.

Looking ahead, supply between 2024 and 2026 remains modestly concentrated in Neighbourhood and Large Format Developments, accounting for 53% and 37% of total supply, respectively.

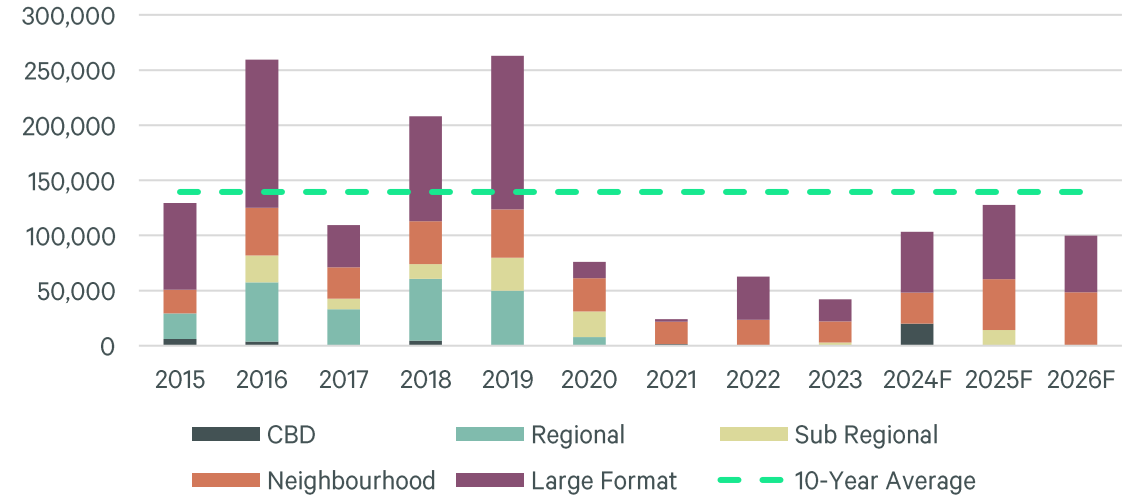
Major projects that reached practical completion over Q1 2024 included the Bethania Lifestyle Centre (11,429sqm) and Coles Local, Taringa (2,840sqm).

New retail Centre's expected to commence trading in 2024 include the Queens Wharf Redevelopment, Brisbane CBD (20,000sqm). The Riverside development was expected to complete in Q4 2023, however, the completion date has been revised to Q3 2024. This is the largest development undertaken in Queensland and the largest casino resort in Australia. MacGregor Homemaker Centre is an LFR development currently under construction and due for completion in Q2 2024. The 24,000 sqm retail development will be anchored by Harvey Norman and Domayne.

## Vacancy

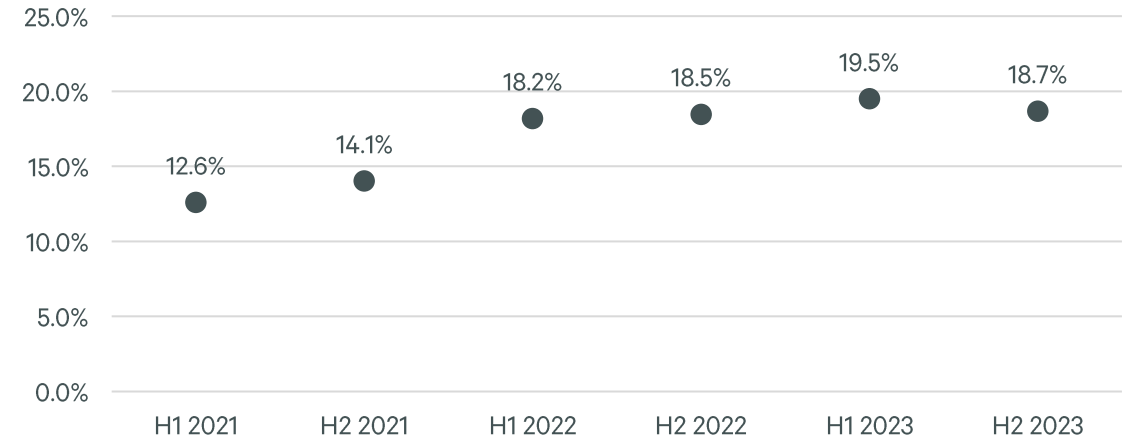
Brisbane's CBD retail vacancy decreased in H2 2023 by 83bps to 18.7% vacancy. Brisbane's tightening vacancy rate can be attributed to a solid return to office, strong population growth and a steady improvement of international tourism. Strip retail led the decrease in vacancy, declining by 187 bps to 15.2%. CBD Centre's and Arcade retail vacancy tightened over 2H23, increasing to 25.9% and 15.7%, respectively. This is largely due to a tenant flight-to-quality, with tenants opting to lease higher grade assets in core CBD locations.

FIGURE 3: South-East Queensland Retail Supply by Category



Source: CBRE Research Q1 2024

FIGURE 4: Brisbane CBD Retail Vacancy Rate



Source: CBRE 2023

## Rental Performance

### Retail growth continues across most asset classes

Net face rents have continued to increase across majority of retail categories in Q1 2024, driven largely by limited future supply. CBD Super prime net face rents held flat across the quarter, however, have recorded an 8% increase Y-o-Y. This stability can be largely attributed to the lack of activity typically seen over the Christmas period.

Queensland Regional and Sub-Regional Centre rents have experienced positive rental growth of 2% and 1% Q-o-Q in Q1 2024. Growth in rents has been largely driven by the lack of new supply, with high construction costs and financing costs limiting financial feasibility for new developments. Notably, occupancy costs have decreased, however we expect them to rebound, as rents continue to grow.

Neighbourhood Centre’s observed strong rental growth, increasing by 2.4% Q-o-Q and 5.4% Y-o-Y. This growth is particularly notable in new neighbourhood developments, whereby landlords delivering new supply are setting higher rents to compensate for higher construction costs. Additionally, due to the limited space available with a vacancy of 4.05%<sup>1</sup>, tenants are willing to pay higher rents.

Large Format Retail rents have remained stable, due to headwinds of lower spending on household goods. This lack of movement follows from a period of decline in spending post Covid, as consumers continue to prioritize cutting spending on big-ticket items, such as furniture, in response to cost-of-living pressures. Despite this, household good spend has shown signs of improvements with a 1.8% increase in February 2024 compared to the previous year. We expect household goods to experience growth in 2024 if interest rate cuts commence in 2H24.

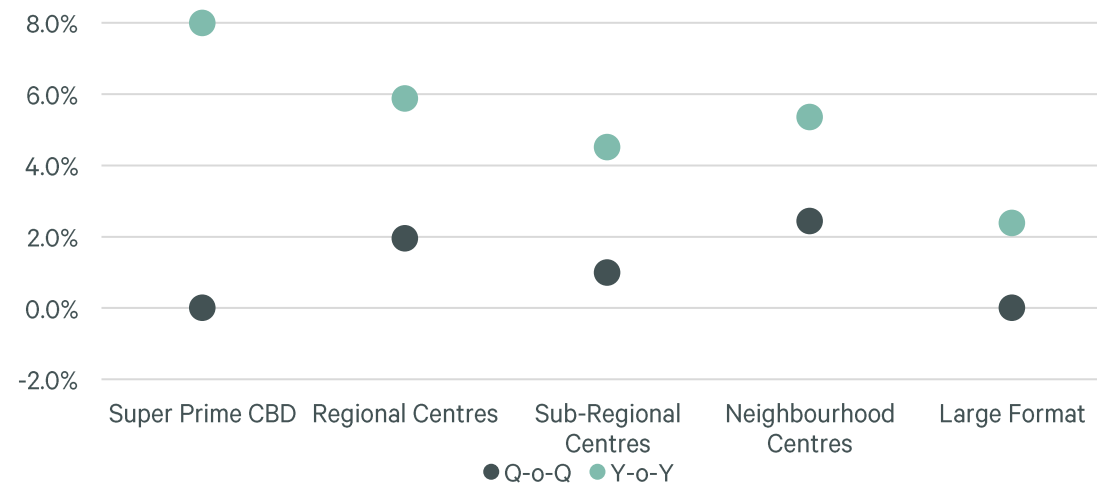
Incentives have remained stable across all retail asset types over Q1 2024. As supply becomes more constrained, we expect incentives to start to come down.

FIGURE 5: Queensland Key Leasing Rates by Retail Asset Category

Asset Type	NFR (AUD/sqm)			NER (AUD/sqm)			Incentives (%)		
	1Q24	Q-o-Q Change	Y-o-y Change	1Q24	Q-o-Q Change	Y-o-y Change	1Q24	Q-o-Q Change	Y-o-y Change
<b>CBD Super Prime</b>	<b>3,622</b>	Stable	8%	<b>2,897</b>	Stable	15.2%	<b>20%</b>	Stable	-500bps
<b>Regional</b>	<b>1,738</b>	2%	5.9%	<b>1,390</b>	2%	5.9%	<b>20%</b>	Stable	Stable
<b>Sub-Regional</b>	<b>1,005</b>	1%	4.5%	<b>804</b>	1%	4.5%	<b>20%</b>	Stable	Stable
<b>Neighbourhood</b>	<b>928</b>	2.4%	5.4%	<b>743</b>	2.4%	2.2%	<b>20%</b>	Stable	250bps
<b>Large Format</b>	<b>314</b>	Stable	2.4%	<b>259</b>	Stable	5.6%	<b>17.5%</b>	Stable	-250bps

Source: CBRE Research, Q1 2024

FIGURE 6: Queensland Net Face Rent Growth by Retail Asset Category



1. Property Council of Australia (PCA)  
Source: CBRE Research, Q1 2024

## Investment

### Strong growth forecast drive investor appetite for Shopping Centre's

Queensland saw a significant uptick in investment activity in Q1 2024, recording a total of AUD \$661 million in sale transactions (for sales > AUD \$5 million).

This increase was spurred on by the significant transaction of Cairns Central, acquired for c.\$390 million. Notably, this is Queensland's largest regional shopping Centre transaction since 2017. The sale of Cairns Central attracted strong investor interest, due to its prime regional location, strong trading performance, positive future growth and quality retail mix. Assets like these are attractive to investors, as regional Centre's remain tightly held with limited new supply. This undersupply, coupled with strong population growth, is expected to further boost sales growth for these Centre's.

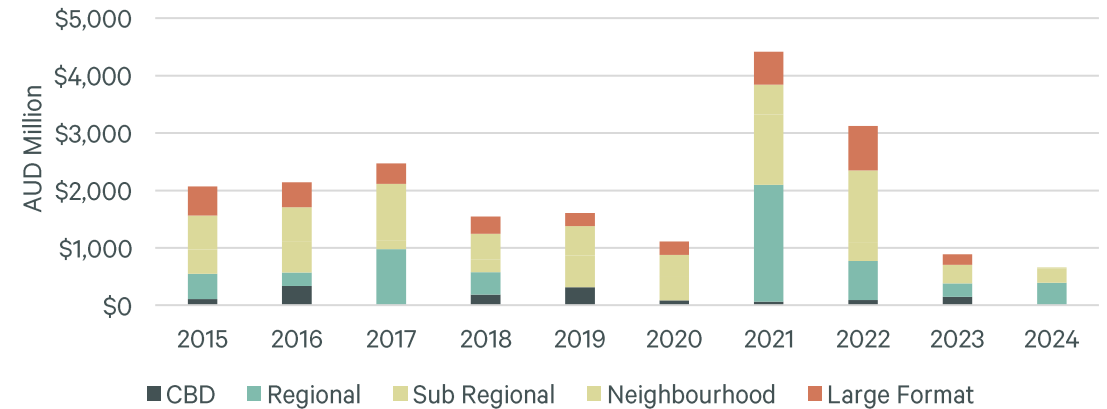
Another transaction in Q1 2024 was Centennial and Parkstone Funds Management acquiring Hinkler Central Shopping Centre for \$107 million. The sale was an attractive investment due to the Centre's high performance, reflecting a yield between 7% to 7.5%. Hinkler Central attracted strong buyer demand, as assets such as these are considered more resilient, particularly during periods of economic uncertainty.

## Yields

### Yields have broadly stabilised

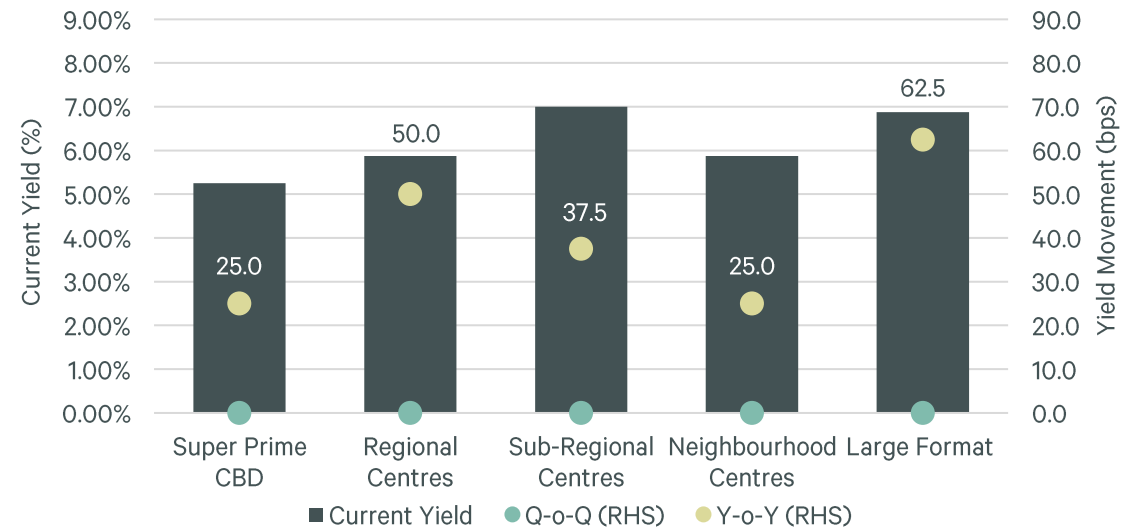
Retail yields were unchanged across all asset types in Q1 2024, partly due to interest rates stabilising, which has subsequently boosted investor confidence. Additionally, the limited transactions typically seen following the Christmas and New Year period has also contributed to the lack of yield movement. Following aggressive yield expansion across the last 12 months, it is expected that there will be limited further expansion in 2024. Notably, investor interest in retail assets has picked up, driven by relatively attractive yields and the positive fundamental drivers from strong population growth and a limited supply pipeline.

FIGURE 7: Queensland Retail Sales by Asset Category



Source: CBRE Research Q1, 2024

FIGURE 8: Queensland Retail Yields by Category



Source: CBRE Research Q1, 2024

## Contact - Research

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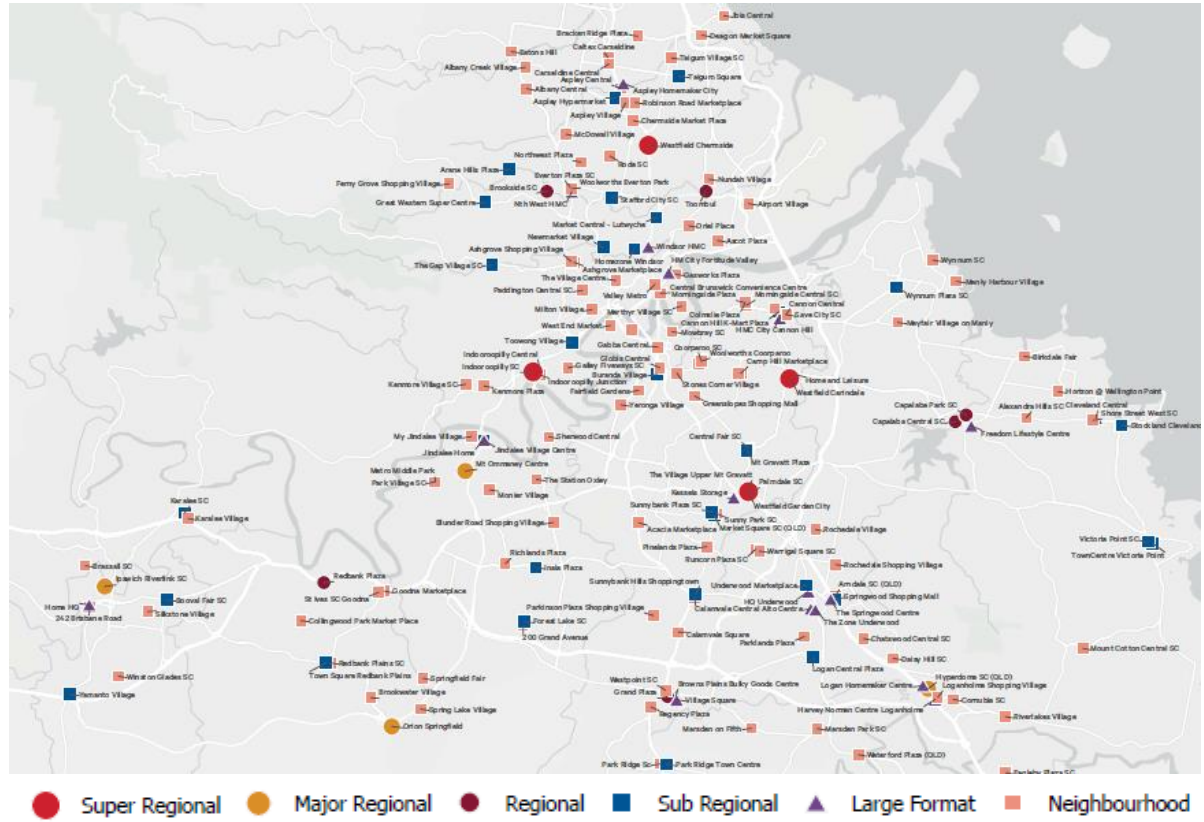
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