

FIGURES | RETAIL | Q3 2025

# Investors drive down shopping centre yields as capital pours into retail market

▲ 95.4

Consumer Sentiment  
September 2025

▲ 5.0%

Monthly Household Spending Indicator  
y-o-y July 2025

▲ \$5,520

CBD Super Prime Net Face Rents

▼ 6.16%

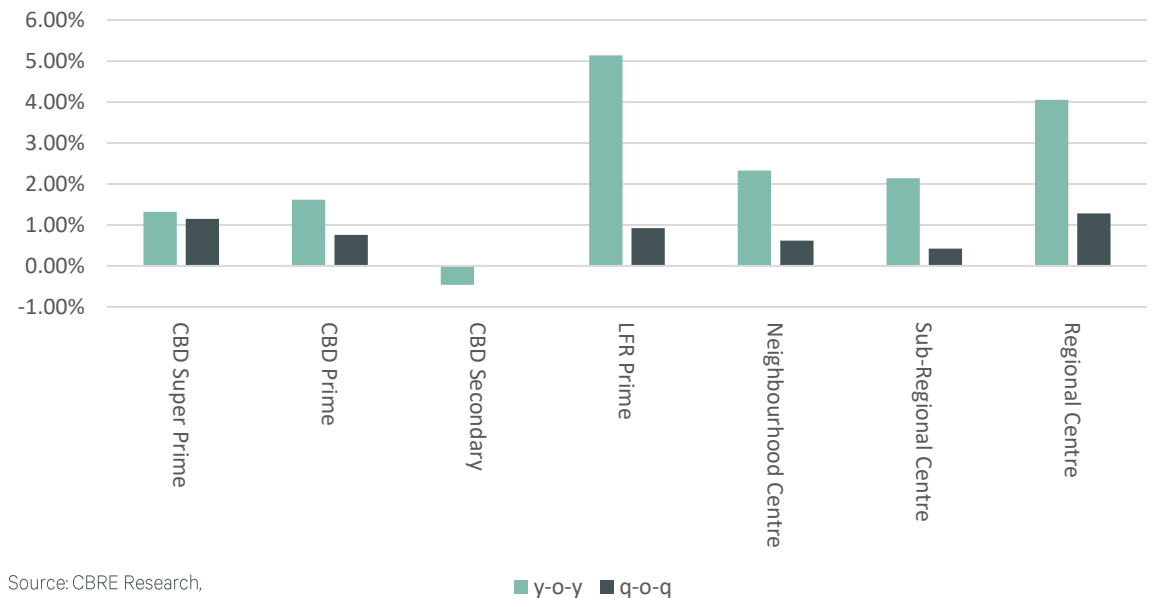
Regional Centre Yields

Note: Arrows indicate change from previous quarter.

## Key Points

- Household spending rose 0.1% in August, following a rise of 0.4% in July and 0.5% in June. Household spending has increased 10 times over the past 11 months bolstered by improving consumer confidence.
- The Westpac–Melbourne Institute Consumer Sentiment Index declined to 95.4 in September from 98.5 in August.
- Net face rents grew across all sectors in Q3 except secondary CBD locations. Regional centre assets recorded the highest growth of 1.3% q-o-q.
- Shopping centre and large format yields continued to compress over Q3 with regional centres compressing by 9 bp and neighbourhood and large format centres compressing by 6 bp q-o-q. Interest rate cuts have put downwards pressure on yields, while the return of larger investors have seen the market become more competitive, driving down yields.
- In Q3 2025, there were 38 retail transactions (greater than \$5 million) totaling c.\$2.093 billion. Transaction volumes for the first three quarters of the year were the highest since 2016 reflecting continued strong demand for retail assets.

FIGURE 1: Net Face Rent Growth



Source: CBRE Research,

### Household spend has increased nine times over the past 10 months

Household spending rose 0.1% in August, following a rise of 0.4% in July and 0.5% in June. Household spending has increased 10 times over the past 11 months bolstered by improving consumer confidence. Households spent more on booking airline travel and accommodation services during August, which contributed to a 0.5% increase in services spending. In contrast, goods spending fell 0.2% after mid-year sales boosted spending by 0.9% in June.

The Westpac–Melbourne Institute Consumer Sentiment Index declined 3.1% to 95.4 in September from 98.5 in August. At 95.4, the latest Index read is still 2.5% above its July level and 5.9% above the low seen following the tariff-related turmoil in April.

### Yields continue to compress as interest rate cuts help drive demand

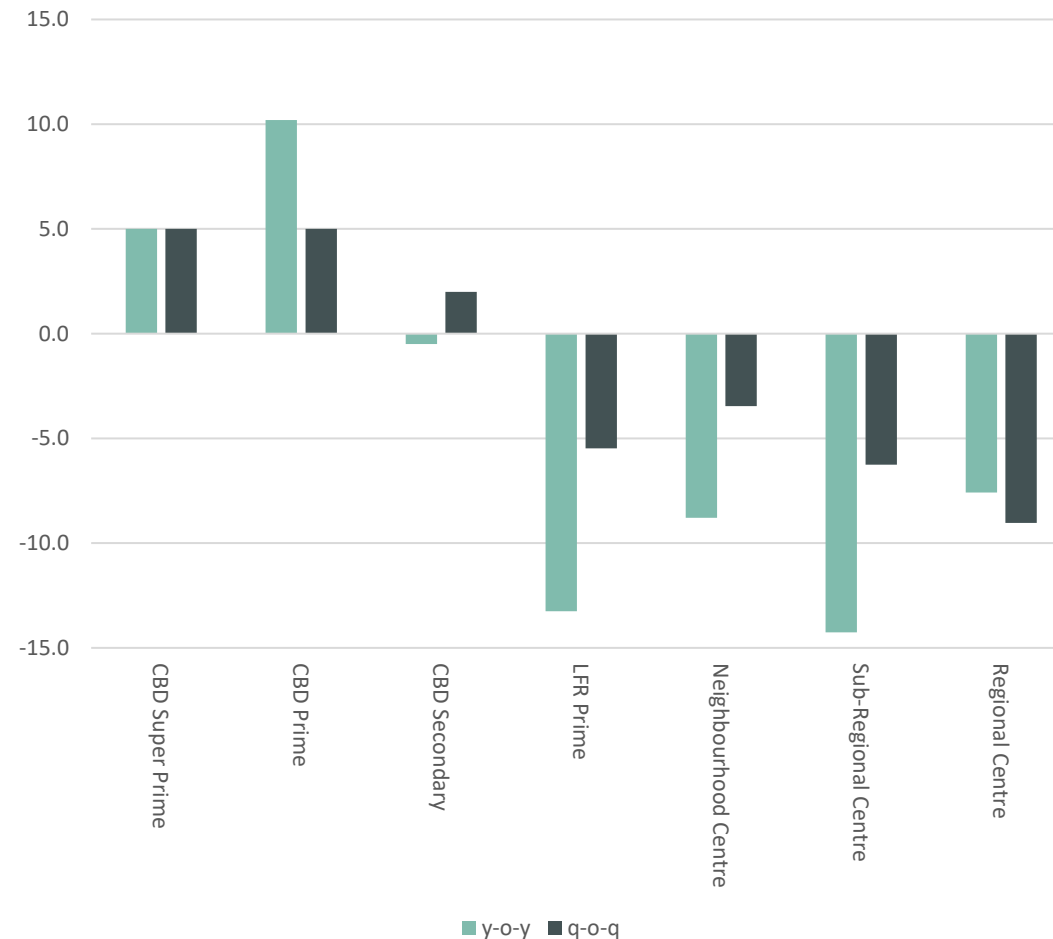
Shopping centre and large format yields continued to compress over Q3 with regional centres compressing by 9 bp and neighbourhood and large format centres compressing by 6 bp q-o-q. Interest rate cuts have put downwards pressure on yields, while the return of larger investors have seen the market become more competitive, driving down yields. Interest rate cuts so far this year have helped demand for assets popular with private investors. Further yield compression is expected over the next 24 months, with regional centres expected to see momentum accelerate in the second half of the year.

Net face rents grew across all sectors in Q3 except secondary CBD locations. Regional centre assets recorded the highest growth of 1.3% q-o-q. Continued demand for prime assets has driven down vacancies and is helping keep pressure on rents with further growth expected over 2026.

### YTD transaction volumes highest on record

In Q3 2025, there were 38 retail transactions (greater than \$5 million) totaling c.\$2.093 billion. Transaction volumes for the first three quarters of the year were the highest since 2016 reflecting continued strong demand for retail assets. Notable transactions this quarter include a 25% share in Westfield Chermside for \$683 million to Dexus and JY Group’s acquisition of a 50% share in Bankstown Central for \$318m. These regional centre transactions reflect increased liquidity in the sector and signals a resurgence in institutional investors which will deepen the shopping centre buyer pool.

FIGURE 2: National Yield Delta by Category



Source: CBRE Research

## CBD Retail

### Renewed demand ignites growth in super prime CBD face rents in NSW and QLD

Super prime CBD retail face rents in Sydney and Brisbane saw a quarterly increase of 2.5% and 1.1%, respectively, signalling renewed interest in flagship retail locations in markets with strong underlying fundamentals. This uptick is supported by improving consumer confidence, a rebound in tourism and constrained supply. By contrast, super prime CBD face rents in other states remained unchanged, a sign of a more gradual recovery, with rental growth expected to follow as overall economic conditions improve.

Stable rents and, in some cases, slight y-o-y growth across many markets reflect strengthening conditions in super prime CBD retail assets. This trend is underpinned by declining vacancy rates and a noticeable flight to quality among tenants, showcasing the ongoing resilience and adaptability of CBD spaces.

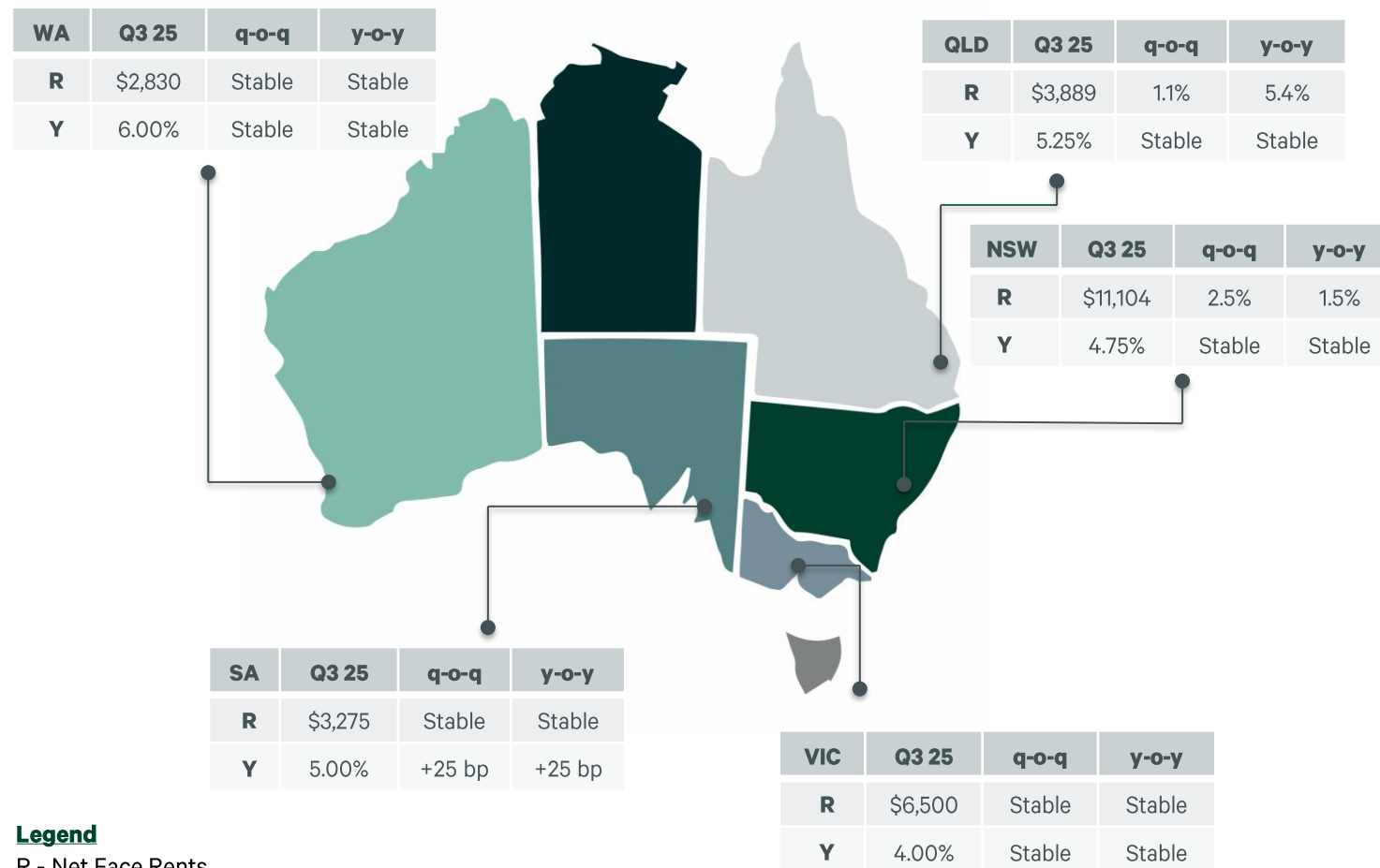
### Hospitality and premium brands drive CBD retail momentum

The rising calibre of hospitality and entertainment offerings, paired with a packed calendar of sports, cultural and music events, is a key catalyst behind falling vacancy rates across Australia's CBD retail markets.

In Melbourne, CBD retail rental growth remained stable. Ongoing works, particularly around Bourke Street and the Metro Tunnel have affecting leasing activity in 2025, leading to reduced foot traffic and temporary leasing hesitancy among retailers. Some retailers have delayed expansion or relocation plans until construction concludes. Completion of the metro tunnel expected in late 2025, combined with the recently opened Walk Arcade and Mecca flagship is poised to boost retail vibrancy and reinvigorate leasing momentum.

Meanwhile, a number of flagship store openings (Salomon, Orotan and Bassike) in Q3 2025 underscore the strong momentum in Sydney's CBD retail market. Premium and lifestyle brands are doubling down on high-visibility locations to boost foot traffic and brand impact, which in turn contributes to stronger rental fundamentals as demand for prime retail space intensifies.

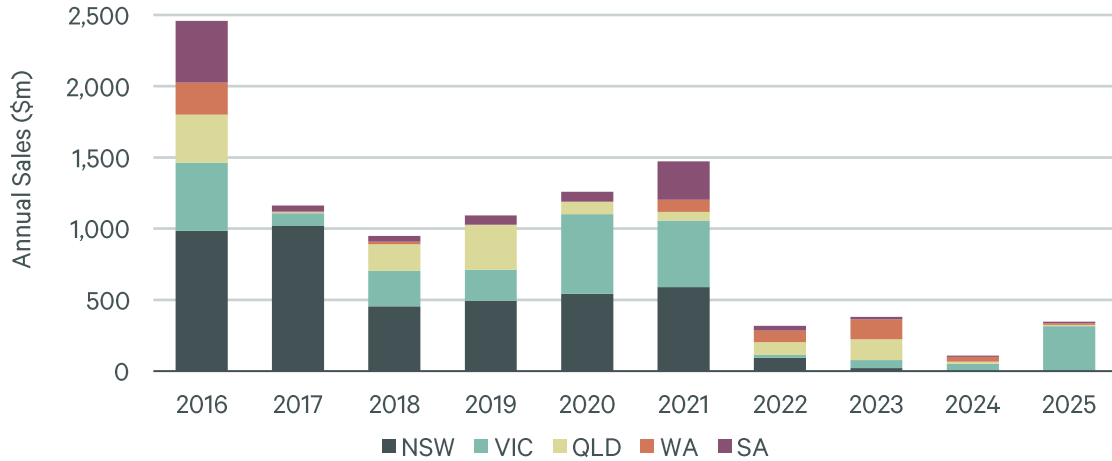
FIGURE 3: Super Prime CBD retail key metrics



**Legend**  
 R - Net Face Rents  
 Y - Yields

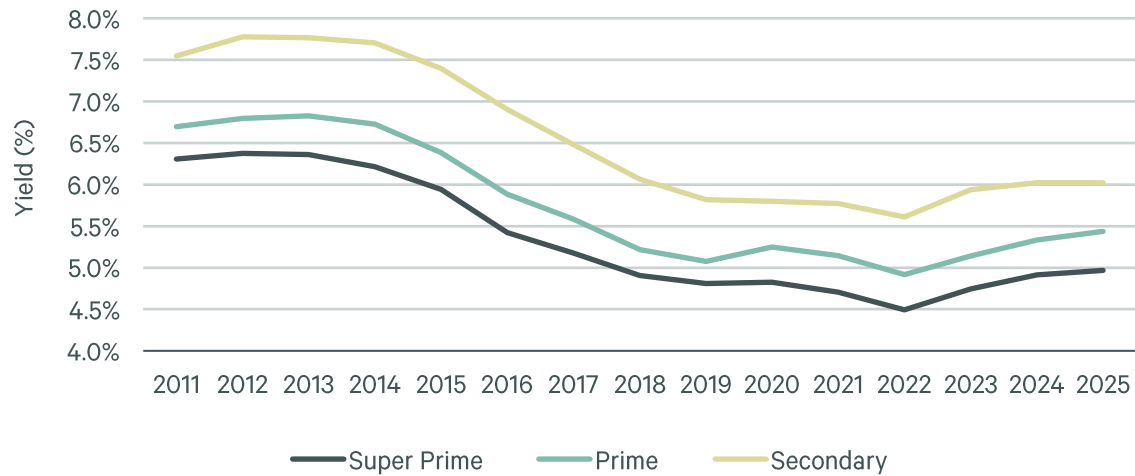
Source: CBRE Research

FIGURE 4: CBD Retail Transactions by State



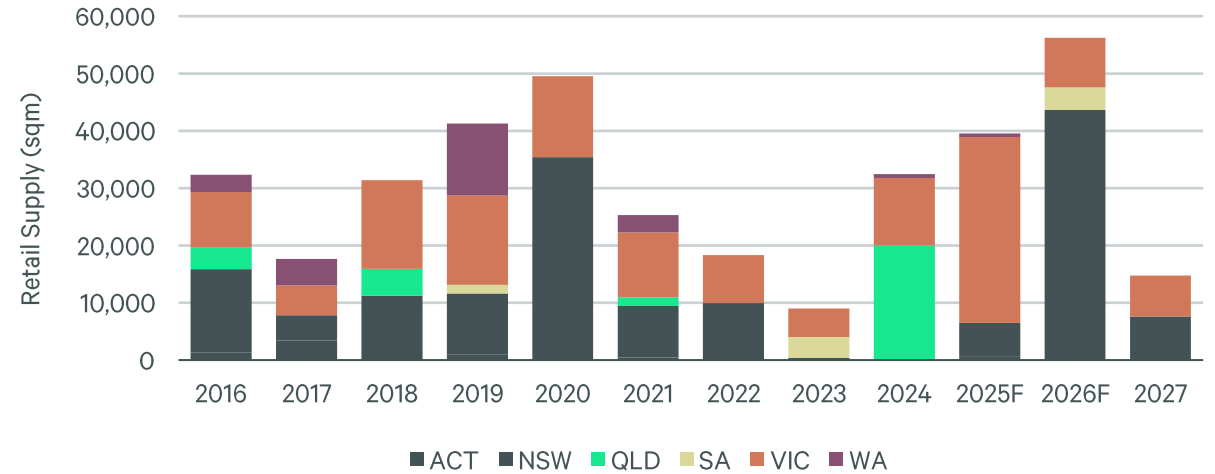
Source: CBRE Research

FIGURE 6: Australian Average CBD Retail Yield



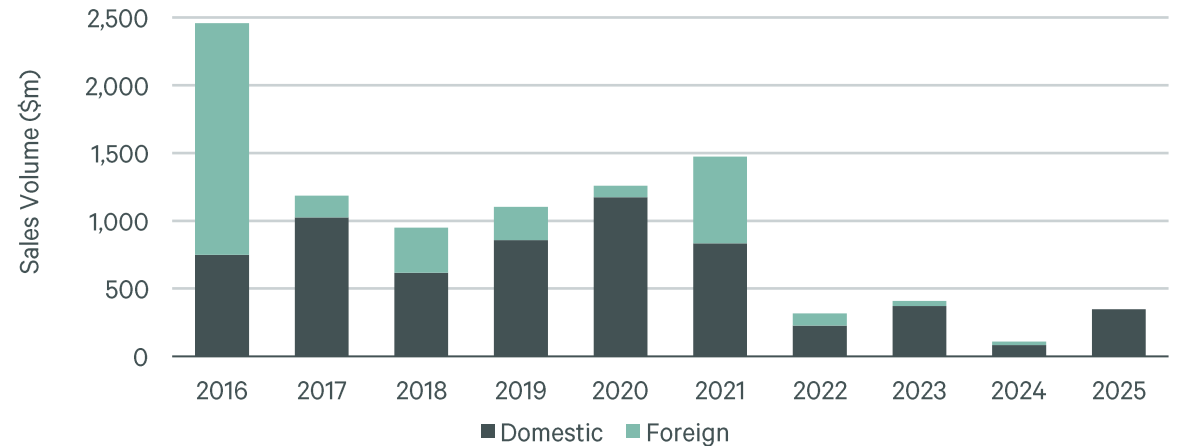
Source: CBRE Research

FIGURE 5: CBD Retail Supply by State



Source: CBRE Research

FIGURE 7: Retail Buyer Profile



Source: CBRE Research

# Shopping Centres

## Growing demand for regional centres supports national yield compression

Regional shopping centre net face rents experienced mild growth in Q3 2025, except for Perth rents, which remained stable. Melbourne's regional centres saw the strongest growth, recording a 3.1% increase q-o-q. Sydney followed with q-o-q rent growth of 1.4%, while Brisbane saw marginal rent growth of 1.1% q-o-q. The ongoing imbalance between strong demand and constrained supply has continued to drive rental growth across regional centres. Regional centre yields nationally tightened over the quarter by 9 bp to 6.16% (-7.6 bp y-o-y). The largest yield movement was seen in Adelaide and Perth, tightening by 15 bp and 12.5 bp q-o-q to 7.08% and 6.13%. Melbourne, Brisbane and Sydney also recorded yield compression of 6.9 bp, 5.7 bp and 5.0 bp.

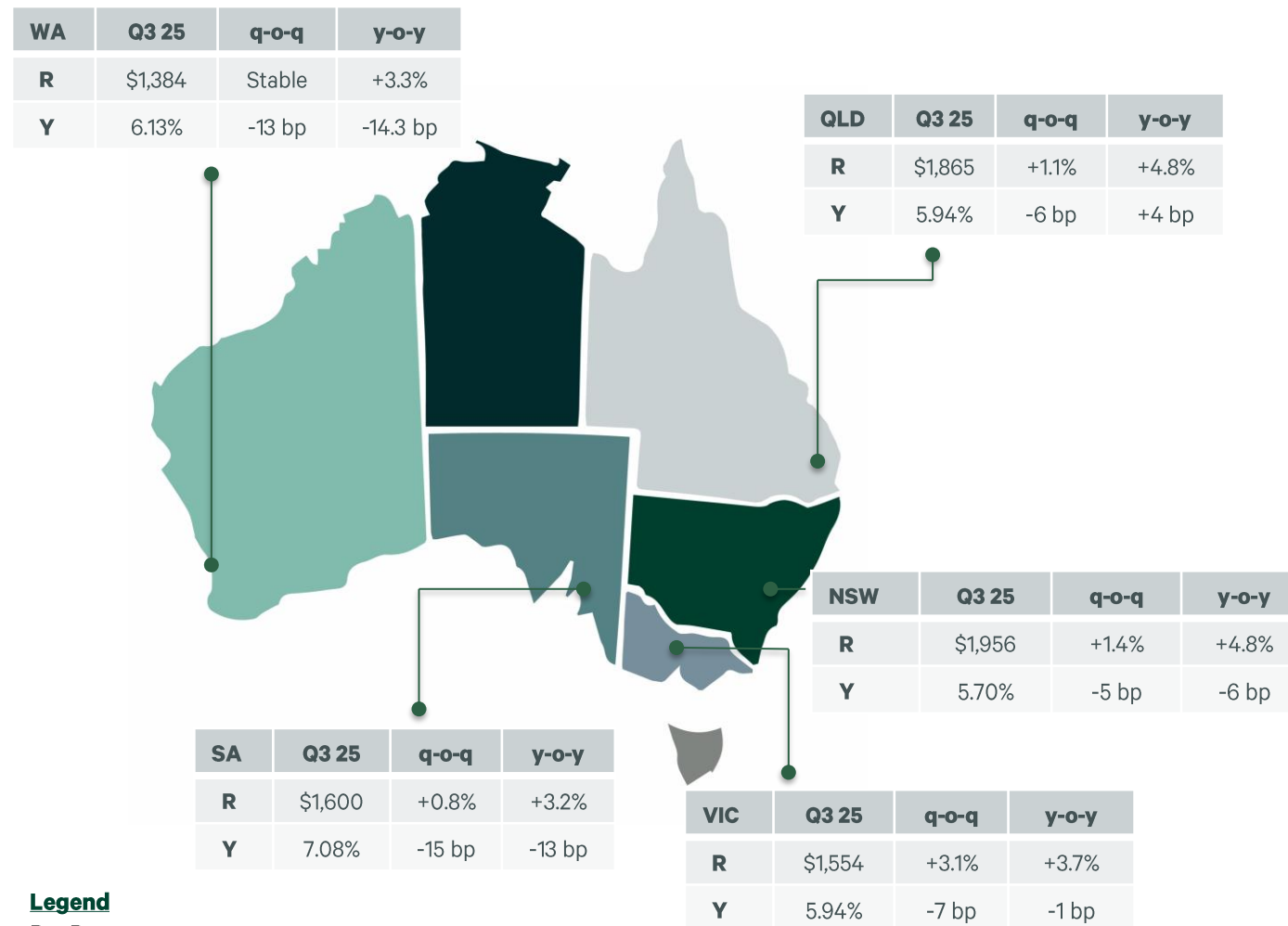
## Limited Shopping Centre supply to sustain strong demand

New retail development supply delivered over Q3 2025 totalled approximately 11,600 sqm, down from the 18,500 sqm completed last quarter. Sub-regional centres dominated supply this quarter, accounting for approximately 62% of total stock delivered. The supply outlook remains heavily focused on neighbourhood developments, which are on track to comprise approximately 70% of the projected supply pipeline until 2027. In contrast, regional and sub-regional centres are expected to account for just 12% and 18% shopping centre supply respectively. Over the next three years, only c.183,000 sqm of regional and sub-regional developments expected to be delivered, with only one new regional development in the pipeline coming from Sydney to be completed in 2027 (c.21,300 sqm). As such, existing centres are expected to continue outperforming, driven by limited new supply and increased competitiveness.

## Transaction volumes down compared to last quarter

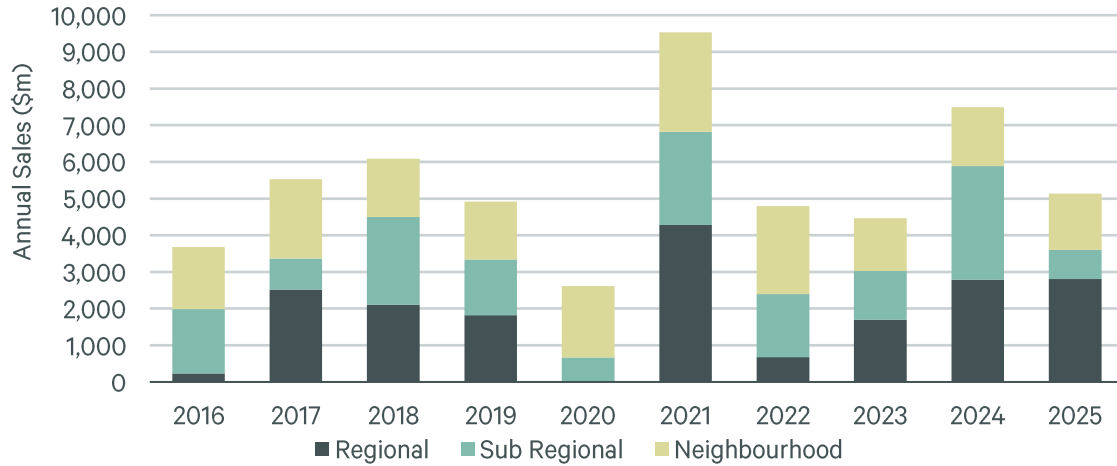
In Q3 2025, shopping centre investment volumes in Australia reached c.\$1.4 billion, reflecting a 22% decrease compared to the same period last year. The largest transaction over the quarter was Scentre Group's 25% stake in the Westfield Chermide Wholesale Shopping Centre Fund for \$683 million. Other notable transactions include the JY Groups 50% stake in Sydney's Bankstown Central for \$318.6 million and the Chullora Marketplace in Sydney to Charter Hall for \$145 million.

FIGURE 8: Regional Centre Key Metrics



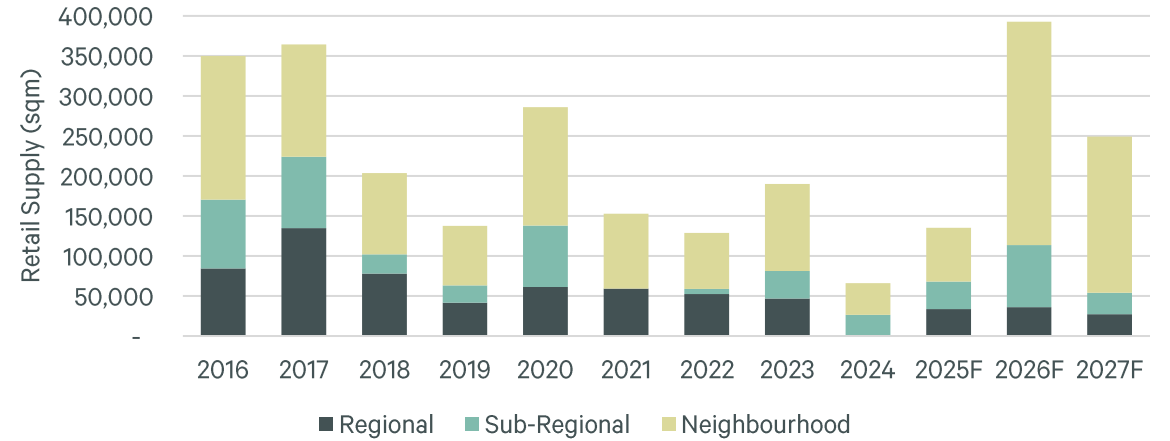
Source: CBRE Research

FIGURE 9: Australian Shopping Centre Retail Transactions



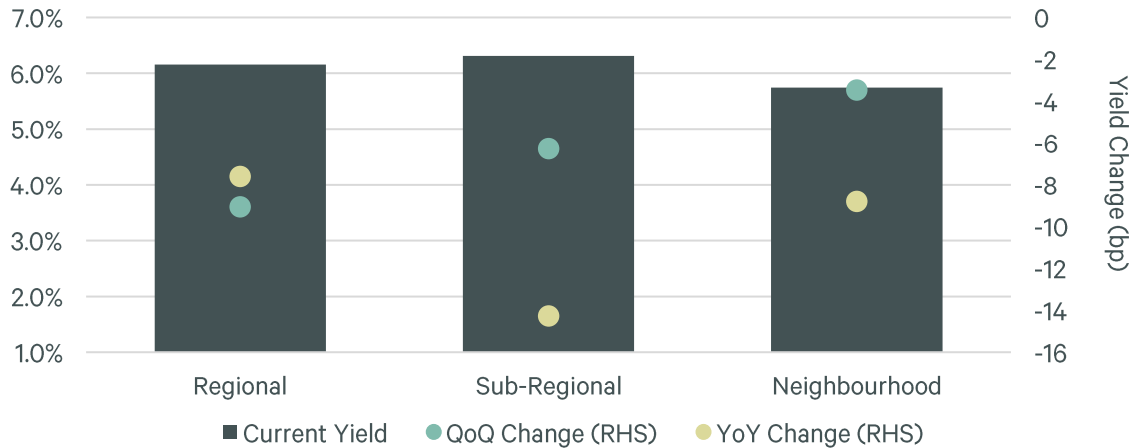
Source: CBRE Research

FIGURE 10: Australian Shopping Centre Retail Supply



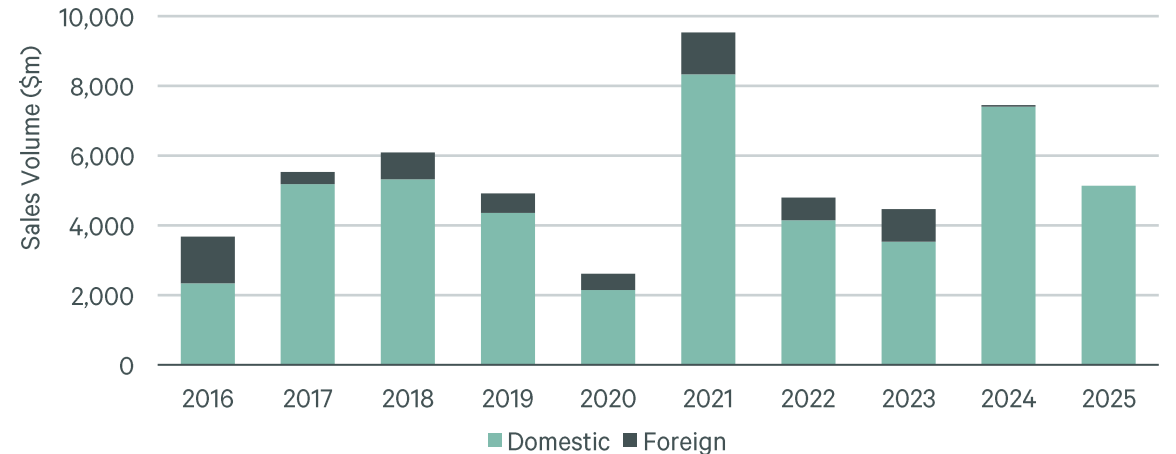
Source: CBRE Research

FIGURE 11: Australian Average Shopping Centre Retail Yield



Source: CBRE Research

FIGURE 12: Shopping Centre Buyer Profile



Source: CBRE Research

# Large Format Retail

## Rents broadly stable with stronger growth recorded in Sydney

Household goods spending increased by 0.1% m-o-m in August 2025.<sup>1</sup> Furniture and household equipment retailing saw spending down 0.1% m-o-m. On a y-o-y basis however, it rose 3.7% compared to August 2024.<sup>2</sup> Spending on big ticket household items is expected to improve as confidence builds around further interest rate cuts in early 2026. Renewed housing market activity and the prospect of lower borrowing costs are likely to support a lift in higher value purchases.

Prime Large Format Retail (LFR) rents rose across all major markets in Q3 2025, with the exception of Adelaide, where rents remained stable. Sydney led rental growth, increasing by 1.2% q-o-q and 9.0% y-o-y driven by strong economic fundamentals and population expansion. Resilient household goods retail sales, tightening availability of prime LFR space and increased retailer expansion activity, particularly from homewares and bulky goods operators, are being supported by strong housing market turnover.

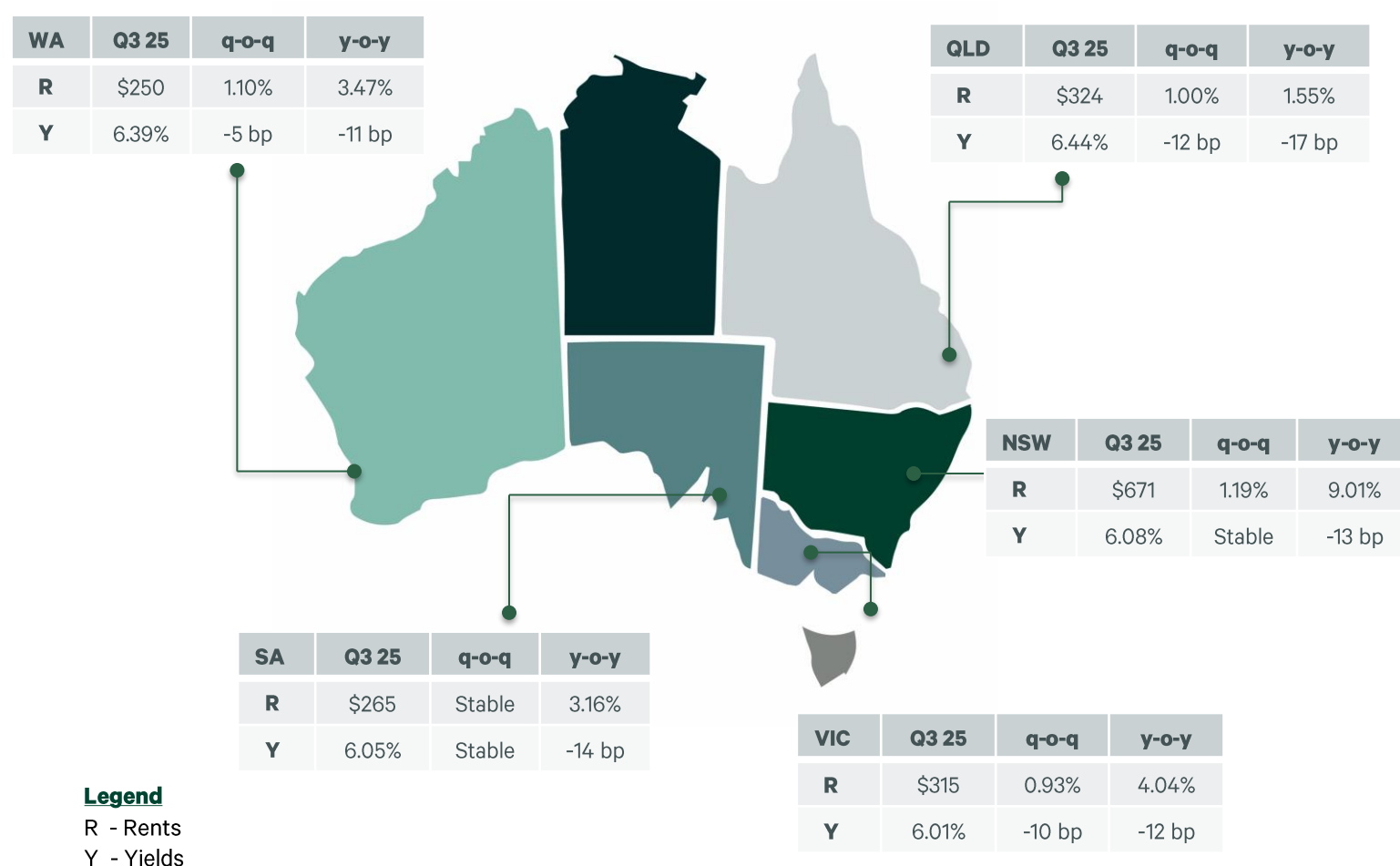
New retail development completions over Q3 2025 totalled approximately 34,100 sqm, marking an increase from the previous quarter. This additional supply is expected to support market activity through till the end of the year.

## Yields compress across the quarter

LFR yields nationally tightened over the quarter by 5 bp to 6.19%. (-13 bp y-o-y). By market, yields stabilised in all markets except Perth, Brisbane and Melbourne, which recorded a q-o-q compression of 5 bp, 12 bp and 10 bp respectively.

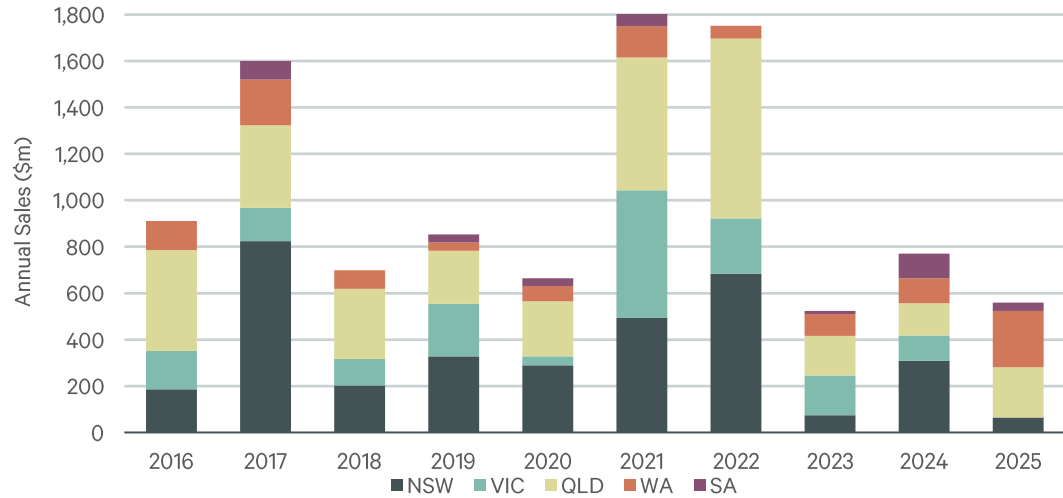
During the quarter, \$156 million of LFR assets transacted, edging above the \$114m of LFR assets recorded in Q2 2025. The largest transaction was APIL's sale of Joondalup Gate Edgewater, WA which sold for c. \$79m.

FIGURE 13: Large Format Retail Key Metrics



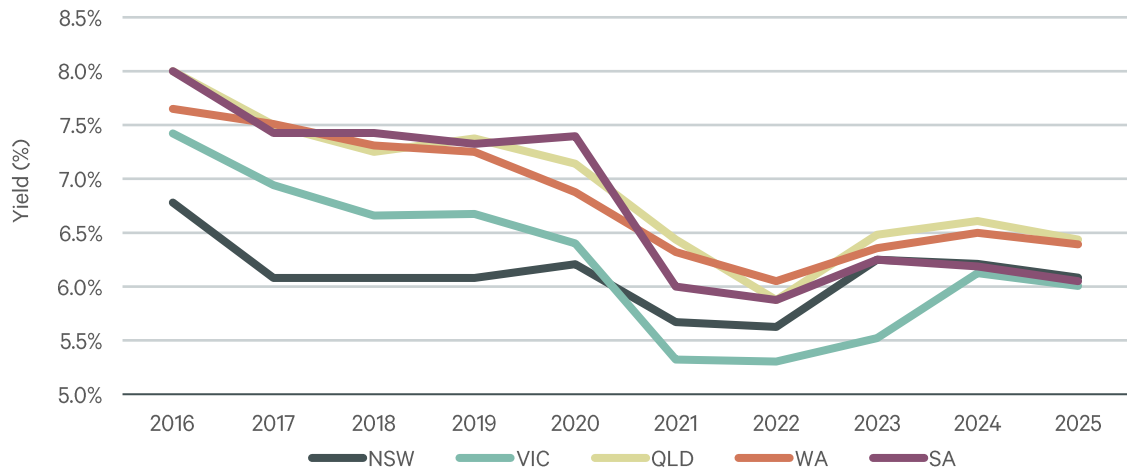
Source: 1 & 2. ABS.  
 Source: CBRE Research

FIGURE 14: Large Format Retail Transactions by State



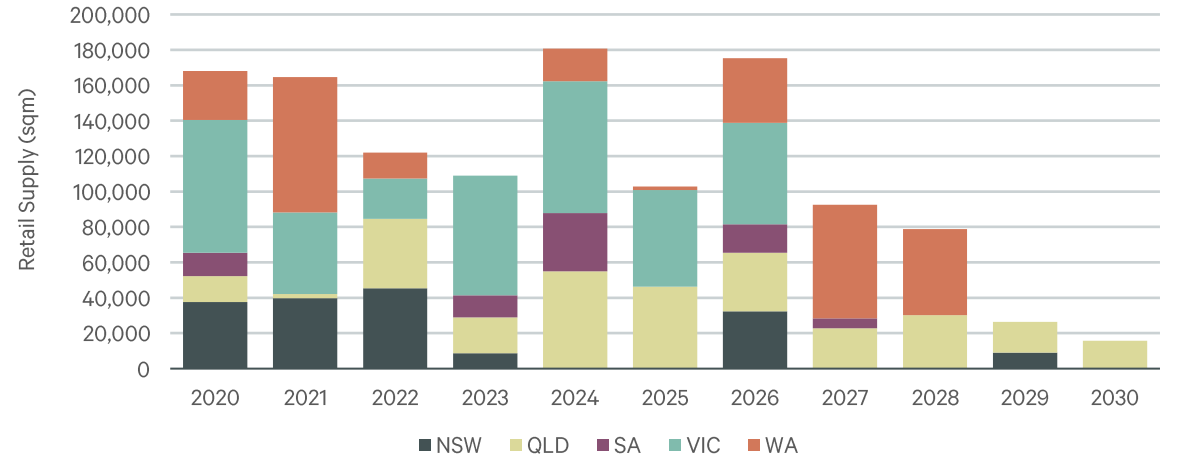
Source: CBRE Research

FIGURE 16: Prime Large Format Retail Yield by State



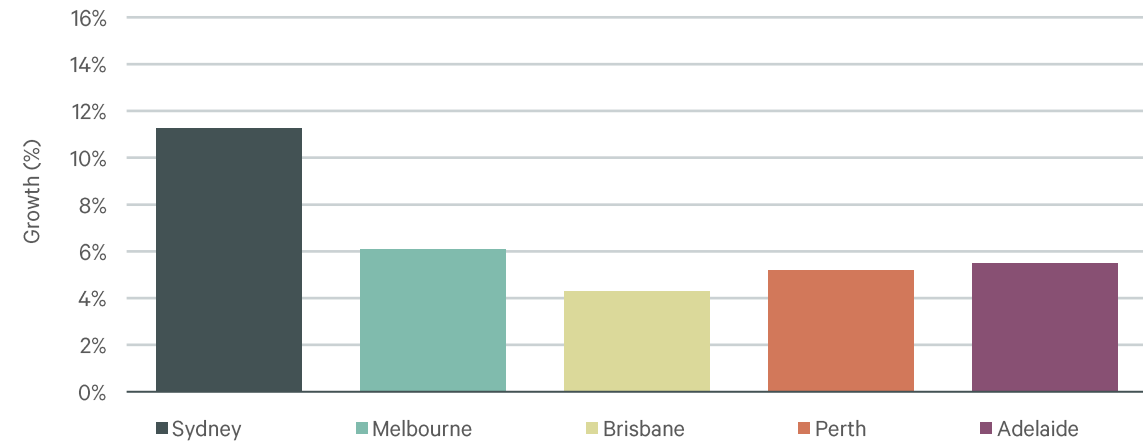
Source: CBRE Research

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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