HERRON TODD WHITE

Month in Review

Commercial - July 2024

The Month in Review identifies the latest movements and trends for property markets across Australia.

CEO's Address

Welcome to our July edition of Month in Review

For more than 55 years, our company has established itself as one of the nation's most respected property advisory brands. From a small office in Rockhampton started by founder Kerry Herron in 1969, we've grown to over 800 staff across 63 offices servicing all locations across the country.

Key to this longevity are the bonds of trust forged with clients and affiliate professionals. I just want to take a moment and say, on behalf of our entire Herron Todd White team, a sincere thank you to our loyal customers. Your continued support in our ability to deliver exceptional independent property advice has enabled us to flourish, and for that we are enormously grateful. And we won't rest on our laurels either. Those who rely on our guidance will benefit from Herron Todd White's ongoing investment in people, processes and technology now and in the future.

In this, the July issue of Month in Review, our residential teams conduct retrospective analysis of their markets throughout the first half of 2024.

At the start of this year, there was a feeling of optimism among property stakeholders. Interest rates rises seemed to have reached their peak. There were expectations sales activity might accelerate as an increasing number of sellers released stock to a more stable market.

Since then the data shows values have grown across many locations – a function of high buyer demand meeting a low supply of listings – but the return to "normal" market conditions has been inconsistent. For example, many people are heading back to metropolitan centres after escaping to the regions during the pandemic. However, our largest cities are not seeing prices rise at the same rate as some of the smaller capitals such as Perth and Adelaide.

This multi-speed market performance is being observed across price points as well. Prestige residential has seen record high sale prices in some locations. In contrast, properties in the mid-upper bracket are recording slower price growth – a function of tougher borrowing conditions perhaps.

The crux is this... any stakeholder making important decisions without guidance from local, well-resourced and experienced professionals is at risk.

This month, our commercial teams discuss retail property activity, specifically new construction and refurbishment in the sector. While confidence in retail remains soft in the wake of delayed interest rate cuts (and a possible rise before year's end), some locations and property types are outperforming others. For example, development in retail strips appealing to tourism-driven businesses in many regional locations enjoy enviable rental demand, while other retail assets languish.

The rural team has delved into the livestock sector for July's report. This industry has enjoyed buoyant conditions for several years now, but there are signs activity is softening in some instances. Rural director Angus Ross provides an in-depth discussion of how changes in the market are driving prices and the degree of investment in operations.

As you can see, it's another comprehensive discussion on today's property markets sourced from experts across the country.

Please enjoy our July edition of *Month in Review.*

Gary Brinkworth
CEO

Since the start of the year, the data shows values have grown across many locations – a function of high buyer demand meeting a low supply of listings – but the return to "normal" market conditions has been inconsistent.

EXECUTIVE ADDRESS

HERRON TODD WHITE

National Retail Overview

Australia is presently undergoing an extraordinary period of population growth. In 2023, the increase in population was over 650,000 people. Whilst this is now starting to make headlines in terms of the residential accommodation impact, what is less considered is the impact on commercial markets, and specifically retail.

The current per capita retail requirement is circa 0.9 square metres per person. On this metric, we should be building circa 585,000 square metres of new retail accommodation (or the equivalent of three to four major regional shopping centres) per year. Yet, our current build is trending towards record lows (circa 20 per cent of the long term average) and therefore a long way short of that target figure. We are therefore potentially on the way to a significant shortfall in retail accommodation in Australia.

Alistair Weir
Commercial Director

We are potentially on the way to a significant shortfall in retail accommodation in Australia.

There is no easy solution to this situation. It is increasingly difficult to develop new retail accommodation in infill brownfield locations due to planning difficulties, traffic considerations, rapid increases in construction costs and competing land uses for such sites. Accordingly new development in built up areas is increasingly being accomplished through expansion and increasing densification of existing sites. Such development is however complex and takes considerable time.

Development in the growing outer areas is far more easily accomplished and this is reflected in ongoing development of new neighbourhood centres.

The downstream impact of this undersupply is that there is now a developing potentially long-lasting undersupply of retail accommodation. Whilst not necessarily immediately apparent, this will be to the benefit of existing owners with the increased levels of trade feeding leasing demand, rentals and ultimately capital values.

So how does this square with the current experience?

During the disruptive impacts of the COVID crisis, retail property went through a significant market correction with reduced rentals, increased vacancies and a correction in capital values (for sub-regional and regional centres). This cycle has however now ended, and we are now in a stabilised situation but with increasing levels of market interest and more positive sentiment towards the retail sector.

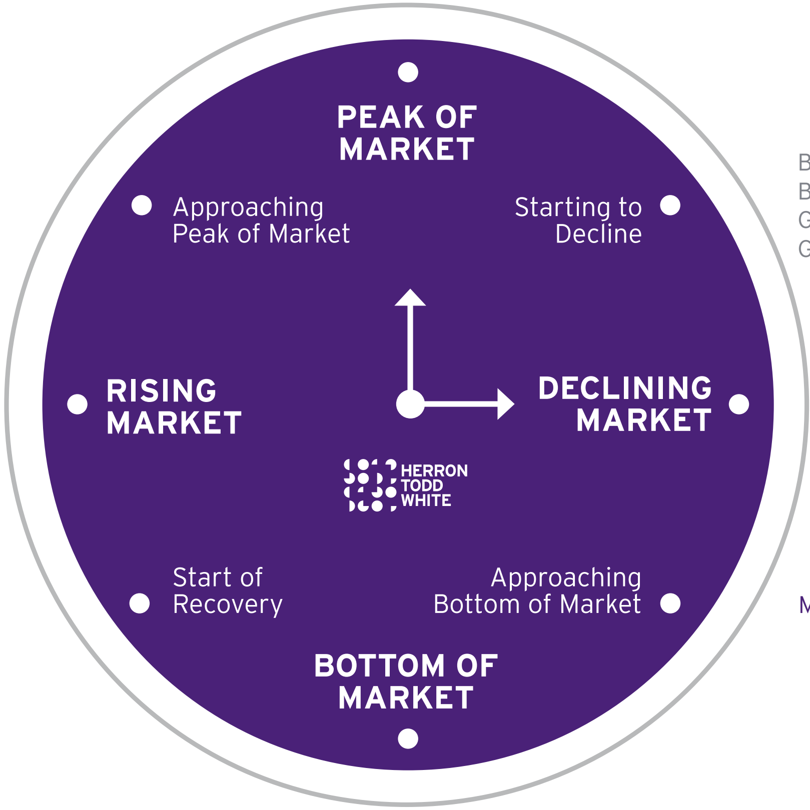
Belying this situation, we are now entering more difficult economic times and the population increase is not sufficient to offset the deteriorating economic circumstances. Current retail trade is reasonably weak as the deterioration in general economic conditions starts to impact the retail world. The Shopping Centre Council of Australia reports that up to April 2024, year on year retail trade only increased by 1.2 per cent. This is well below inflation, let alone the combined population growth and inflation impact.

In summary, whilst there are still significant headwinds, the medium- and long-term prospects for retail property owners are strong. Two key lessons of the COVID experience were that shopping is a favoured leisure experience and that people want to be able to touch and feel their purchases. The simple fact is that there will be an increasing number of people competing for goods with an increasingly tight per capita supply of retail accommodation.

National Property Clock: *Retail*

Entries coloured purple indicate positional change from last month.

Central Coast
Port Macquarie



Ballina/Byron Bay
Burnie-Devonport
Gippsland
Gold Coast
Hobart
Launceston
Mid North Coast
Townsville

Ballarat
Bendigo
Bundaberg
Emerald
Fraser Coast
Gladstone
Mackay
Rockhampton

Adelaide
Canberra
Coffs Harbour
Darwin
Echuca
Esperance
Geraldton
Illawarra
Newcastle
Sunshine Coast
Sydney

Adelaide Hills
Barossa Valley
Brisbane
Cairns
Geelong
Ipswich
Lismore
Mildura

Melbourne

Alice Springs
Perth
South West WA
Toowoomba

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New South Wales - Retail 2024

Sydney

The retail market in Sydney continues to be subdued as we get to the halfway mark of 2024. There are fewer transactions as a result of the current economic conditions. We anticipate weaker market conditions and the continued softening of the market. Retail has been heavily impacted by rising interest rates and inflation. Consumer spending has declined.

There has been limited new retail construction in Sydney over the past few years. The city is built-up, particularly in inner-city areas, which has resulted in fewer opportunities for expansion or development. New retail construction has focused on new housing estates in the outer western suburbs such as Box Hill and Marsden Park. Demand has been driven by the need to provide retail centres to serve the growing population. These newly developed estates have seen the successful uptake of shopping centres and retail hubs, with smaller tenancies predominantly occupied by local businesses. Retail development in the newly developed suburbs of outer western Sydney has additionally consisted of bulky goods retail and fast food outlets.


This development in St Leonards is typical of mixed use buildings with ground floor retail
Source: Herron Todd White

In contrast, in inner-city areas such as Waterloo, Zetland and Rockdale in the south and suburbs on the Lower North Shore, new retail supply is limited to ground floor suites within residential developments. The added supply that this has created has resulted in higher vacancy rates and longer selling periods, as these locations may face challenges related to parking availability and pedestrian traffic. Additionally, new developments often take time to generate foot traffic and trade due to the high vacancy rates in residential units during the settling, leasing and construction phases. Construction zones around these areas further impact pedestrian flow and road access. Typically occupiers of these retail suites are limited to local small business operators that service the residents within the apartments above.

There is an element of caution in the retail market at the moment. The market in Sydney remains subdued, with weaker demand and therefore limited new construction. Investors should remain cautious and strategic in their decision-making, considering the challenges posed by higher interest rates, reduced retail spending, economic uncertainty and inflation.


Angeline Mann
Commercial Director

Victoria - Retail 2024

Melbourne

Despite widely reported struggles within the construction industry, there still appears to be an appetite for new developments and refurbishment projects within the wider Melbourne retail property sector. Successful projects appear to fill a void or look to reactivate existing retail precincts through complete overhauls and redesigns of how the space is utilised and engaged with. State and local governments also appear to be supporting a range of small to large projects within the Melbourne CBD and outer suburban locations.

At a government level, there has been a continued trend of incorporating new retail development in infrastructure projects. The Melbourne Metro Tunnel project, which is due to reach completion in 2025, will incorporate 37 new retail tenancies across the nine new stations, totalling 3900 square metres of new retail space. The tenancies are said to range from as small as 10 square metres up to 410 square metres, providing an opportunity for a range of different traders to operate in these spaces.

The encouragement from state and local government has led to an increase in mixed use developments which combine residential and retail, particularly on main roads where developers have more relaxed height restrictions and high levels of exposure to vehicular and foot traffic for ground floor retail. This trend has been observed across inner-city neighbourhoods and outer suburban areas alike.

Last year, the City of Melbourne announced a plan to redevelop the Queen Victoria Market precinct to be known as Gurrowa Place which is understood to be part of the largest urban renewal project undertaken by the City of Melbourne. The project will incorporate the construction of three new mixed use towers and the refurbishment of the currently unused market retail spaces on Franklin Street. This is part of the Queen Victoria Market precinct renewal project which aims to revitalise the area and increase business for market traders.

With over 550 stores, Vicinity Centres' Chadstone, dubbed the fashion capital, is one of Australia's leading retail hubs and holds the title of the largest shopping centre in the southern hemisphere. In 2023 the centre unveiled a brand new entertainment and dining precinct, The Social Quarter, which provides 17 new tenancies which are predominantly focused on food and beverage retail. Food and beverage remains a popular choice of retailer, particularly in key retail centres and strips, as licensed premises can operate for longer hours and maximise profits. Despite cost of living pressures, consumers still appear to be spending on these luxuries, particularly in more affluent neighbourhoods.

On the outskirts of Melbourne's metropolitan area, suburbs such as Berwick, an established semi-rural neighbourhood, have experienced an influx of higher density mixed use development. The recently completed Oak building at 9 Gloucester Avenue, Berwick comprises a four storey apartment building that incorporates retail tenancies at street level. With calls from the state infrastructure body for an increase in higher density development in established areas and limits to urban sprawl, mixed use buildings are likely to become even more prevalent.

High levels of incentives from landlords have been observed for new leasing transactions in parts of the CBD such as the Collins Street precinct in efforts to attract tenants and increase business which according to local operators is still below pre-pandemic levels. Significant landlord fit-out contributions appear to be less common in more recent times, possibly due to heightened construction costs. Landlords are generally instead negotiating rent-free periods, which can be generous in length when securing a strong tenant on a long-term lease.

It is possible that the Reserve Bank of Australia may implement further cash rate rises during the remainder of 2024, although this appears less likely as inflationary pressures are beginning to show signs of slowing. This follows the recent

Despite widely reported struggles within the construction industry, there still appears to be an appetite for new developments and refurbishment projects within the wider Melbourne retail property sector.

rate increases at 13 of their meetings since May 2022. The increased cost of borrowing is placing substantial pressure on many household budgets and is likely to continue to have a negative impact on retail spending. Growth in retail spending is expected to continue to remain low throughout the remainder of 2024.

Consumer confidence has been significantly dampened by higher inflation and the impact of the multiple interest rate rises and consumers are becoming more concerned about the near-term outlook of the economy. The Westpac-Melbourne Institute Consumer Sentiment Index fell by 0.3 per cent from 82.4 in April 2024 to 82.2 in May 2024. It was reported in the survey results that consumers remained deeply pessimistic with concerns about cost-of-living pressures, inflation and the fear that further interest rate rises may be necessary.

Reduced retail spending in addition to rising costs such as wages and energy put pressure on retailer affordability of rents and other outgoings. In many areas of Victoria, retail leasing conditions are challenging and downward pressure on rents for retail tenancies is evident. Tenants are seeking greater flexibility including shorter initial terms and are seeking to negotiate lower rents and higher levels of incentive such as discounted rent or rent free periods upon commencement of new leases or renewals. Although general leasing conditions in some areas are difficult, there is still good demand within prime locations, particularly from food based and retail service tenants.

Overall, the remainder of 2024 could see a number of changes occurring in the retail property market. New tax and stamp duty rules, interest rates and consumer sentiment will play key roles in shaping the market landscape this year, on the sides of both supply and demand. Whilst the market is showing signs of improvement, it is believed that further softening yields could be observed, particularly for secondary properties.

Nathanial Ramage
Associate Director

Queensland - Retail 2024

Brisbane

In Brisbane's retail sector, several key factors are currently influencing both new construction and refurbishment efforts.

Primary influencing factors include:

- **Tenant Demand and Market Trends:** There is a significant influence from changing consumer behaviours and preferences. As consumer habits evolve, there is a growing demand for more experiential retail spaces rather than traditional formats. This shift is prompting developers to create environments that cater to these preferences, such as mixed-use developments that integrate retail with residential or entertainment spaces.
- **Infrastructure Development:** Ongoing infrastructure projects, such as transportation improvements and urban redevelopment initiatives, are enhancing accessibility and creating new commercial opportunities in various parts of Brisbane. Areas benefitting from improved infrastructure are becoming attractive for retail development, driving new construction.
- **Legislative and Regulatory Changes:** Changes in zoning laws, planning regulations or incentives for sustainable development can impact retail construction and refurbishment decisions. For example, incentives for green building practices may encourage refurbishments that improve energy efficiency and sustainability.

Currently, major developments in Brisbane are often driven by a combination of factors which include:

- **Location Advantages:** Proximity to high-density residential areas or areas with growing populations are key drivers. Retail developers are targeting locations where there is already strong demand or where infrastructure improvements are expected to increase foot traffic.
- **Tenant Demand:** Certain types of tenants, such as flagship stores of international brands, boutique retailers, or trendy food and beverage outlets, often drive new construction. Developers are responding to specific market demands and preferences.
- Mixed-Use Developments: Projects that combine retail with residential or commercial spaces are increasingly common. These developments capitalize on synergies between different types of spaces and cater to the lifestyle needs of modern consumers.

In addition, refurbishments of retail buildings in Brisbane are driven by several factors:

- **Improving Appeal and Attractiveness:** Older retail properties may undergo refurbishment to modernize their appearance and amenities. This can attract higher-quality tenants and improve overall leasing rates and returns for property owners.
- **Adapting to Changing Retail Trends:** As consumer preferences shift towards more immersive and interactive retail experiences, refurbishments may aim to create spaces that align with these trends. This could involve redesigning layouts, integrating technology, or enhancing the overall customer experience.
- **Maintaining Competitive Advantage:** Refurbishments help retail properties remain competitive in a dynamic market. Upgrading facilities and services can differentiate a property from newer developments and retain or attract tenants seeking modern, well-maintained spaces.

In summary, Brisbane's retail sector is experiencing growth in both new construction and refurbishment projects driven by evolving consumer preferences, strategic infrastructure investments, and adaptive responses to market demands. Developers and

Brisbane's retail sector is experiencing growth in both new construction and refurbishment projects driven by evolving consumer preferences, strategic infrastructure investments, and adaptive responses to market demands.

property owners are leveraging these trends to capitalise on opportunities and enhance the attractiveness and functionality of retail spaces in the city.

Terry Munn
Director

Gold Coast

Retail property construction and refurbishment on the Gold Coast has been a steady driver of building activity across the region over the past 12 months. Rapid population growth, consumer behavioural shifts and new infrastructure projects are continuing to drive tenant demand in key catchments which is enabling property owners and developers alike to capture opportunities in an evolving market.

Australia Fair, one of the Gold Coast's oldest retail centres, has recently undergone a major $50 million refurbishment. Renovations of this regional shopping centre include an upgrade of the main façade on Marine Parade and the creation of a new food and beverage laneway precinct at the northern end of the centre.

The development of the Oxley 1823 retail and dining precinct in Nobby Beach represents another significant addition to the dining and hospitality scene on the Gold Coast. Positioned within the already popular beachside commercial precinct, Stage 1 of the development has quickly risen to prominence and includes The Oxley Village Grocer and Bouy Café. Stage 2 of the development is nearing completion and will see the operators behind Burleigh's Rick Shores launch a large two level Latin American restaurant with rooftop bar.

On the northern Gold Coast in the growth corridor suburbs of Ormeau, Pimpama, Coomera and Upper Coomera, a substantial amount of convenience retail and fast food buildings have been developed over recent years, including new McDonald's, Hungry Jack's, KFC, Guzman y Gomez and Taco Bell restaurants to name a few, along with various service stations and car wash premises.

A significant amount of large format retail (LFR) has also been developed, particularly at Pimpama and Upper Coomera. One example is the partly completed Home Focus Pimpama which currently includes Bunnings, Officeworks, Petbarn, The Reject Shop and others. Further to this, a large strip of LFR tenancies has been completed within the Pimpama City Shopping Centre Complex, including a Sydney Tools, Supercheap Auto, BCF and others. This is located close to the new Pimpama Train Station, due for completion by late 2024. As can be seen from the comprehensive list above, this region of the Gold Coast now features a national tenant line-up that would rival that of many regional towns around the country.

Large format retail developments at Pimpama Source: Herron Todd White

Large format retail developments at Pimpama Source: Herron Todd White

There is still more land at Coomera which is suited to further LFR development; it will be interesting to see when this land is activated and the level of tenant demand.

Conversely, the southern Gold Coast region has experienced no new dedicated retail accommodation in the past few years apart from some small showroom developments. Retail development in this area tends to be as a small part of residential apartment developments, of which there have been numerous completed in the past couple of years and continue to be planned for the near future. Most of these developments include a ground floor retail component, with at least a single café, if not several shops that are able to be supported in part by the occupants within the complex together with the local neighbourhood and beyond.

One of the more notable recent developments is Awaken, atop Point Danger in Coolangatta. This recently completed development has capitalised on

Retail property construction and refurbishment on the Gold Coast has been a steady driver of building activity across the region over the past 12 months.

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the location's enclave characteristics, overlooking the coastline with expansive views from Fingal in the south to Surfers Paradise in the north, situated in a prominent, elevated position at the end of a headland. The building comprises single floor luxury residential units with a ground floor café and first floor restaurant. Although the location, being of primarily residential use, is yet to be proven for retail food operators, the boutique location and views could prove to be an attractive destination for patrons in search of significant vistas. Kirra Beach Hotel is another prime example of this. It was completed early this year and has proven popular with locals keen to enjoy an up market pub style accommodation on the ground floor with a large restaurant above. The retail component is also supported by a large residential tower above. A similar building is planned by the developer to commence shortly on the adjoining site, which will include retail accommodation of a smaller floor plan high street nature with a central laneway.


Ryan Kohler
Director

Sunshine Coast

In our previous overview of new construction and refurbishments in the retail sector (June 2023), we highlighted several major developments on the Sunshine Coast. These included the expansion of Sunshine Plaza, the redevelopment of the Wharf Mooloolaba and the ongoing establishment of retail precincts in emerging residential areas.

As one of the fastest-growing regions in Australia, the Sunshine Coast is expected to see substantial population growth over the next decade. Current estimates predict an increase of approximately 8000 new residents each year, bringing the population to over 500,000 by 2041. This growth will naturally lead to the development of new retail spaces such as street-level shops in new unit complexes and small local centres in master-planned communities. Notable locations for these developments include Aura, Pelican Waters, Sippy Downs and Bokarina Beach. Additionally, there is potential for new supermarkets in the hinterland suburbs of Palmwoods and Eumundi.

As some retail precincts in established areas become outdated, we anticipate a trend towards refurbishing existing spaces. However, refurbishment activity is currently limited due to several challenges, including scepticism about the retail sector, reduced discretionary spending, rental affordability issues, high overhead costs for tenants, the availability and cost of land, high construction and refit costs and a general softening of commercial markets. While significant refurbishment is not imminent, it may become more common in the medium term as economic and market conditions improve.

Areas such as Caloundra and Nambour are likely to be prioritized for these efforts. These areas are the most likely due to a range of factors including the significant level of increased residential population in surrounding areas and the overall scale of some of the existing commercial and retail holdings in these locations. Areas of these locations have already begun to see new primarily local tenants that have improved shop fronts with some landlords also incentivising tenants by providing capital maintenance programs. Council has also improved the streetscape in both locations to improve overall pedestrian flow.


Jaydon McDowell
Associate Director

Wide Bay

Supply of large format retail has expanded in the Wide Bay with the construction of new retail centres on Boat Harbour Drive and Johanna Boulevard. These developments are supported by demand from a handful of national retail brands and create some vacancies within the developments and from existing tenancies that are now vacant. Construction costs are now very high relative to the achievable net rent from new developments that is constraining supply and in some cases retail projects are simply not happening because the rental income isn't high enough to support a project's cost. A trend to keep an eye on is the expansion of retail development into fringe or suburban areas such as Eli Waters and Kepnock and the impact this may have on the surrounding residential markets and ancillary land uses. A good indicator for the retail market could be the successful lease up for specialty retail tenancies in these fringe areas over the next few years.


Grant Collins
Associate Director

Mackay

BCF has outgrown its longstanding, 2093 square metre tenancy at Northpoint Retail, Mount Pleasant. It will relocate to larger new premises on Mackay Bucasia Road, Richmond in the same complex as its main competitor, Anaconda. Pet Stock will also take up a new tenancy beside BCF. We understand that leasing demand for the former BCF tenancy has been strong, however it will be broken up into smaller tenancy areas.

A Guzman y Gomez store is near completion on a site within the Mount Pleasant Shopping Centre car park. It will have a building area of 282 square metres, a two-lane driveway for up to 14 vehicles and operate 24 hours per day, seven days per week.

Aside from demonstrating that Mackay people love fishing, pets and fast food, the development mentioned above indicates that the local economy is doing pretty well and the population is growing as more people move here from metropolitan areas.

The Sydney Street Markets aggregation was sold late last year at a reported price of over $40 million. This is a small city shopping centre anchored by Coles and ANZ Bank. It included adjacent and adjoining vacant lots and redevelopment sites.

Gregory Williams
Director

Townsville

The Townsville retail market continues to be a significant sector within the Townsville property market with an increased number of new fast food and mixed-use retail builds and applications taking place across the region.

Recent new construction within the region would indicate a leaning towards service stations with national operators or multi tenanted complexes that include drive-through national fast food retailers, childcare centres, car washes and cafes. Stage 5 of the Fairfield & Co development is underway which provides a brand new drive-through KFC and childcare centre. The continued uplift in construction costs questions the ultimate viability of such capital investment on paper. It is likely that the continued escalation in construction costs, supply chain issues and potential for extended delivery horizons may delay or inhibit new construction over the short term.

In terms of up and coming development, master planned communities such as North Shore and Elliot Springs are reaching such points of critical mass that there are now national supermarket chains and fast food retailers showing commitments in these areas, however it is unclear when construction on these complexes will commence.

Whilst the general regions are seeing improvements and development, it is quite evident that the Townsville CBD is still struggling as urban sprawl impedes retail opportunities within the inner ring locale.

Jamison Sayce
Associate Director

Cairns

Retail in Cairns at present caters to two different markets, locals and tourists. Retail catering to the local market remains reasonably strong with relatively low vacancies and reasonable demand with very limited stock to either rent or buy. Smaller suburban retail rents tend to be in the range of $350 to $450 per square metre. Whilst yields were in the order of 6% to 7% depending on quality of tenant, building and lease tenure, agents report investors now require a yield in the 7% to 7.5% range, though smaller affordable stratas will show lower yields.

Retail catering to the tourist market which is primarily located in the central business district and the Esplanade is very different, with high vacancies in non-Esplanade locations and limited demand for retail accommodation.

Much of the retail in this precinct is supported by international tourists which were non-existent during COVID, though numbers of international tourists are steadily increasing which will eventually lead to more demand for CBD retail space.

Tourism has been buoyant since early 2022 and food outlets and restaurants have been trading very well within the prime areas mainly along the Esplanade retail precinct.

Whilst vacancies within the non-Esplanade CBD are high, properties remain generally tightly held by long term owners with this type of property rarely coming onto the market.

Shane Quinn
Director

Darling Downs

Retail leasing demand in Toowoomba has been moderate to date in 2024 as a result of higher interest rates, high inflation and increasing levels of economic uncertainty.

Investor demand continues to be strong with the number of transactions limited by supply. Investment yields in Toowoomba have continued to be strong despite the recent increases in interest rates. Yields may soften in the second half of 2024 following the trend observed in most major retail

Tourism has been buoyant in Cairns since early 2022 and food outlets and restaurants have been trading very well within the prime areas mainly along the Esplanade retail precinct.

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markets in Australia over the past twelve months.

Development activity continues to be high with a number of projects in various stages of development, including:

- A new Officeworks and two fast food tenancies are under construction on the corner of James and West Streets in Harristown.
- The owners of Clifford Gardens Shopping Centre have proposed to construct two detached food outlets for KFC and Taco Bell.
- A food outlet with drive-through at 360A and 360B Bridge Street, Wilsonton (opposite Wilsonton Shopping Centre) is to be leased to Carl's Jnr.
- A café with drive-through facility is being constructed for Zarraffa's Coffee next to Freedom Fuels on the corner of Anzac Avenue and Alderley Street in Harristown.
- A new bulky goods and showroom complex has been approved in Carrel Drive next to Bunnings Warehouse.

The major transaction of note in the region is the sale of Warwick Home & Life in Albion Street, Warwick. The retail centre was fully leased to BCF, Petbarn, Anytime Fitness, Doctors & Co. and Café 63 and sold for $11.8 million in March with a net yield of 6.54%.

Ian Douglas
Director

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South Australia - Retail 2024

Adelaide

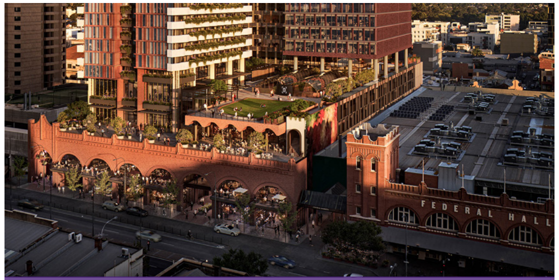
The Adelaide retail market has shown signs that yield softening has already been priced, with some yields broadly stabilising across the sector. The Westpac Melbourne-Institute Consumer Sentiment Index dropped a further 0.3 per cent in May to 82.2, remaining in deeply pessimistic territory, which is unsurprising given the current economic environment. Inflation concerns are still prevalent, with the target rate of two to three per cent being more resistant than expected which means a possible further rate hike. Expectations have been improving gradually, although they have been hindered by renewed pressures on finances in today's higher interest-rate environment.

South Australia's migration levels haven't been rising as quickly as some other state and territory numbers however they're still historically strong which is one element continuing to support the retail sector. A further bolster is these immigration numbers being coupled with the lowest unemployment rate in the nation as at February 2024. Regardless of the commentary surrounding increasing vacancy due to decreases in consumer spending, the Adelaide retail market has shown record low vacancy across the board. We will have to wait and see whether this will continue over the remainder of the year with the cost-of-living pressures mounting and the thought of a further rate hike on the cards.

Expectations have been improving gradually, although they have been hindered by renewed pressures on finances in today's higher interest-rate environment.

Burnside Village Shopping Centre Construction Source: RCP, 2024

We are seeing new retail construction servicing residential infill suburbs with a prominent development being the recently completed of Lofty Building Group's $30 million development of Lightsview Village. The property introduced approximately 2800 square metres comprising anchor tenant Drakes Supermarket, eight speciality retailers spanning lettable areas from 76 to 248 square metres, and a childcare centre. Large format retail developments are increasing in prevalence within the Adelaide market and are set to be the largest contributor to retail supply. These have also been generating solid investor interest when brought to market, typically comprising strong lease covenants with large WALEs and nationally recognised brands. The supply within 2024 and over 2025 is expected to exceed the five-year average buoyed by sub regional supply and large format retail categories including the Burnside Village Shopping Centre extension.



Market Square and Central Market Expansion Source: City of Adelaide, 2024

Another prominent development underway in the Adelaide CBD is the $400 million Market Square Development incorporating an expansion of the well-known Adelaide Central Markets. Excavation and piling works commenced in April 2024 with the construction estimated to be completed early 2026.

The development will expand the central market as well as provide a supermarket and everyday retail services and offerings. In addition to the retail development, it will also introduce 3000 square metres of public rooftop green space, 20,000 square metres of commercial office space a premium hotel with 248 rooms, 231 residential apartments and a childcare facility. The development will aid with rejuvenating the south-western corner of the city frame, an area known for older, dated buildings that have not experienced the same levels of development as other parts.

Matt Slack
Assistant Commercial Valuer

COMMERCIAL - RETAIL

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Western Australia - Retail 2024

Perth

New construction activity in the retail sector of Western Australia has been hampered to an extent by doubts surrounding consumer spending habits. There is a mounting risk that savings accumulated during the pandemic lock-down periods are or have been eroded on the back of higher mortgage repayments, stubbornly high inflation and other cost of living pressures.

Whilst the performance of the state's residential property market has created wealth, at least on paper, for homeowners, it unfortunately has continued to place considerable pressure on the local construction industry. Labour shortages and construction material supply chain disruptions have contributed to a pronounced escalation in build costs across all real estate sectors, while also delaying project timelines.

Nonetheless construction of new retail space has been prevalent in designated activity centres in Perth's establishing, peripheral suburbs and regional centres characterised by a burgeoning population catchment. Typically, these projects consist of neighbourhood-size shopping centres anchored by a major supermarket chain with accompanying fast food outlets and service stations.

Artist impression of Westfield Booragoon Shopping Centre expansion
Source: Government of Western Australia

Led by eastern states-based buyers, demand for modern, leased investment property even on the back of a wavering interest rate outlook has led to firm yields and often premium sale prices that are over and above replacement cost. Market yields for such assets, if appropriately leased, have softened over the past 18 months but nonetheless tend to range between 6% and 7%.

In terms of major refurbishment projects, the Western Australian Planning Commission (WAPC) approved a proposed $720 million expansion of Scentre Group's Westfield Booragoon during 2023 however construction is yet to commence.

This centre is located in the inner south-western corridor and is characterised by a catchment area with an above average socio-economic demographic. The relative resilience of this cohort to higher interest rates and inflationary pressures provides a degree of confidence for shopping centre owners in these locations to pursue such significant construction programs.

The restaurant precinct (or Laneway) at Claremont Quarter in Perth's western suburbs, comprising a 30,000 square metre development anchored by David Jones together with Coles and Farmer Jack's supermarkets, is currently being refurbished with elevated food and beverage offerings whilst intending to better align with the Town of Claremont's broader vision for the Claremont Town Centre.

Further south and stage two of Kardinya Park Shopping Centre's redevelopment is set to begin. The centre, located some 13 kilometres from the Perth CBD, will see an expansion of Coles' tenancy from 2,400 square metres to 3,800 square metres, creation of a new wellness precinct, fresh food market and additional parking.

Common to these and other refurbishment projects around Perth is the movement towards creation of village centres as opposed to traditional shopping

Common to these and other refurbishment projects around Perth is the movement towards creation of village centres as opposed to traditional shopping centres, where locals can shop, dine, be entertained and socialise all in one place.

HERRON TODD WHITE

centres, where locals can shop, dine, be entertained and socialise all in one place.

On a smaller scale, traditional high streets are retaining their appeal to customers, despite their much-publicised trading difficulties, for their convenience-based shopping appeal. It could be argued that such destinations have benefited from the work from home movement, especially those located in middle and outer-ring residential suburbs, plus the growth in volume of higher density housing. Rather than being repositioned by landlords however, refurbishment tends to be more frequent and often in the form of landlord works included as an incentive in new lease agreements. Non-traditional retailers such as health-care services (e.g. physiotherapists, yoga studios, etc.) are becoming more common whilst conventional retailers diversify their product and service offering.

Perth City's rich architectural heritage is also being preserved through the adaptive re-use of historical buildings. Several places of heritage significance have been repurposed and reborn as unique retail spaces that combine period features with modern retail concepts. Whilst preserving Perth's cultural heritage, such projects also serve to meet sustainability initiatives.

Above all, the retail sector is one that is constantly changing. Innovation and reinvention are critical to meeting the evolving needs of customers and the keys to the Western Australian retail sector in the future.

Greg Lamborn
Director

Northern Territory - Retail 2024

Darwin

Retail trading statistics from the Northern Territory government indicate that retail turnover in the Territory decreased by 0.1 per cent (in real terms) year on year to $3.6 billion to the March quarter 2024. This is consistent with general economic conditions currently being experienced in Darwin.

At this time of year, being the dry season in the Top End and the cooler months in the Centre, there is a focus on the NT's tourism market. Unfortunately this year (as at early July) most operators are reporting that the season start has been six weeks behind its usual commencement. This points to a much shorter than usual peak season, depending on weather conditions at the end of the dry season. For an industry that has faced a range of difficulties over the past few years, this is not good news.

In property terms, difficult trading conditions mean that some operators are under stress and there is very limited opportunity for rental growth for property owners and investors. Capital values are also expected to be steady at best.

Traditionally, all forms of real estate markets have adopted a conservative wait and see approach in periods leading up to an election. The Territory election is scheduled for August, and it is difficult to see any significant change in market conditions until after that, regardless of who forms government.

16 Dashwood Crescent Darwin City is under offer | Source: commercialrealestate.com.au

Terry Roth
Director

This points to a much shorter than usual peak tourist season, depending on weather conditions at the end of the dry season. For an industry that has faced a range of difficulties over the past few years, this is not good news.

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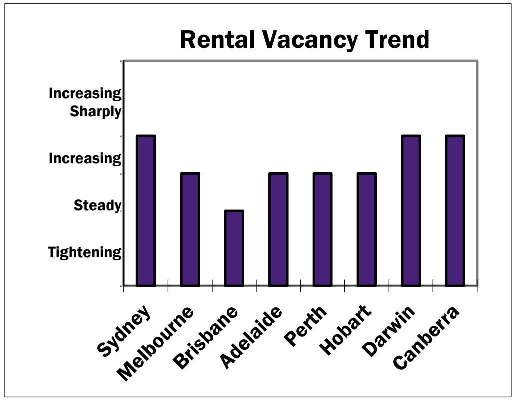
Property Market Indicators

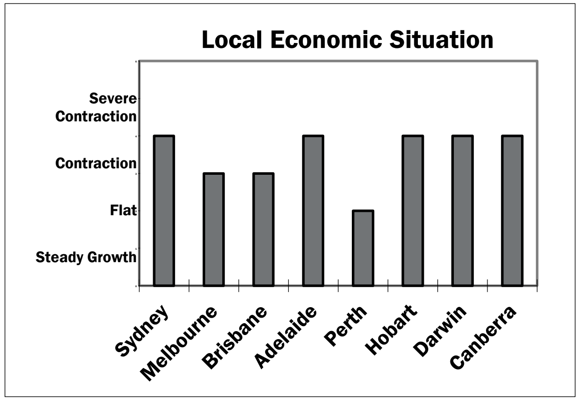
July 2024

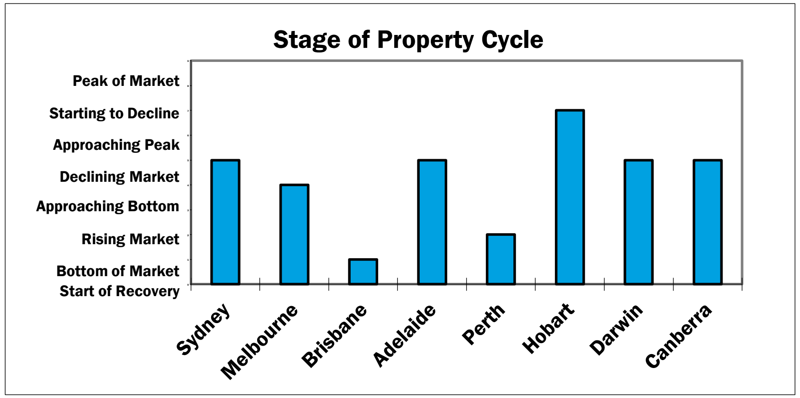
Capital City Property Market Indicators –Retail

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Tightening	Steady	Steady	Steady	Increasing	Increasing
Rental Rate Trend	Declining	Declining	Stable	Stable	Stable	Stable	Declining	Declining
Volume of Property Sales	Declining	Declining	Declining significantly	Steady	Increasing	Declining	Steady	Steady
Stage of Property Cycle	Declining market	Approaching bottom of market	Start of recovery	Declining market	Bottom of market	Starting to decline	Declining market	Declining market
Local Economic Situation	Contraction	Flat	Flat	Contraction	Steady growth	Contraction	Contraction	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Large	Large	Large	Significant	Large	Significant	Significant	Significant

Red entries indicate change from 3 months ago to a higher risk-rating *Blue entries indicate change from 3 months ago to a lower risk-rating*







East Coast & Country New South Wales Property Market Indicators – Retail

Factor	Canberra	Central Coast	Coffs Harbour	Ballina/Byron Bay	Lismore	Mid North Coast	Illawara	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Steady	Increasing	Steady	Steady	Steady	Increasing	Steady	Increasing
Rental Rate Trend	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Declining
Volume of Property Sales	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Declining	Steady	Declining
Stage of Property Cycle	Declining market	Peak of market	Declining market	Starting to decline	Start of recovery	Starting to decline	Declining market	Declining market	Peak of market	Declining market
Local Economic Situation	Contraction	Flat	Flat	Flat	Flat	Flat	Steady growth	Flat	Steady growth	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Small	Significant	Significant	Large	Large	Significant - Large	Large

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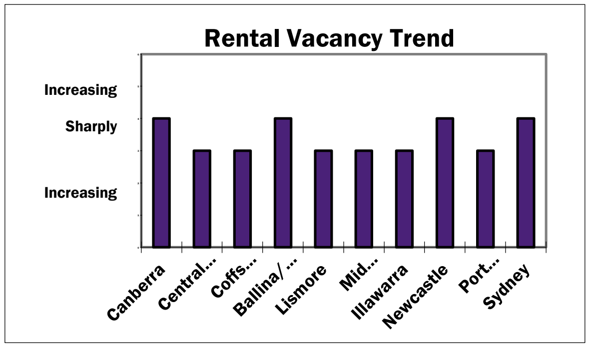

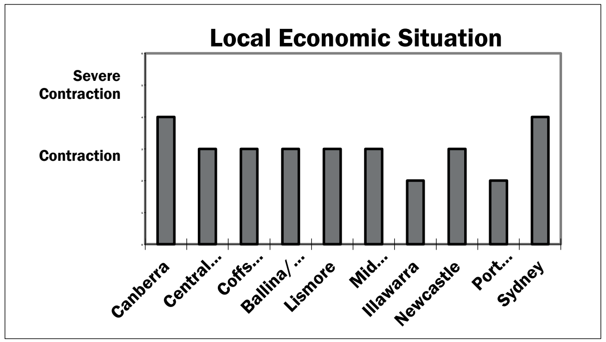

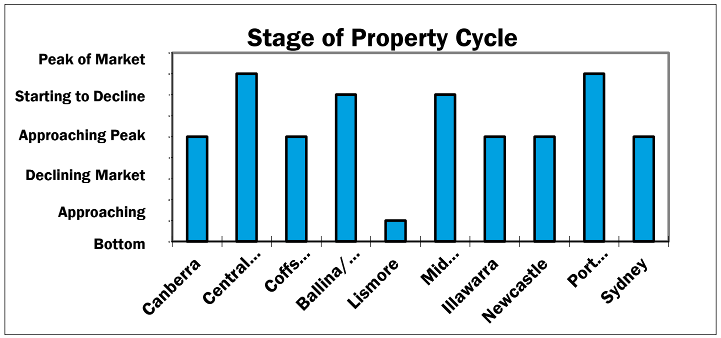

Victorian and Tasmanian Property Market Indicators – Retail

Factor	Ballarat	Bendigo	Echuca	Geelong	Gippsland	Melbourne	Mildura	Burnie/Develport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Declining	Declining	Stable	Stable	Stable	Stable
Volume of Property Sales	Declining	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Declining	Steady
Stage of Property Cycle	Rising market	Rising market	Declining market	Start of recovery	Starting to decline	Approaching bottom of market	Start of recovery	Starting to decline	Starting to decline	Starting to decline
Local Economic Situation	Steady growth	Flat	Flat	Flat	Flat	Flat	Steady growth	Flat	Contraction	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Small	Large	Significant	Large	Small	Significant	Significant	Significant

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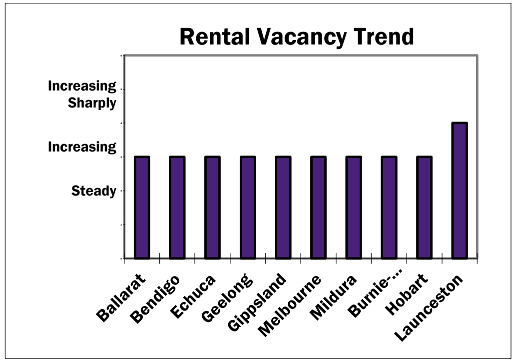

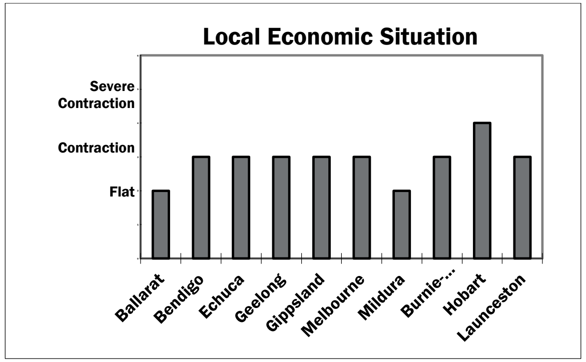

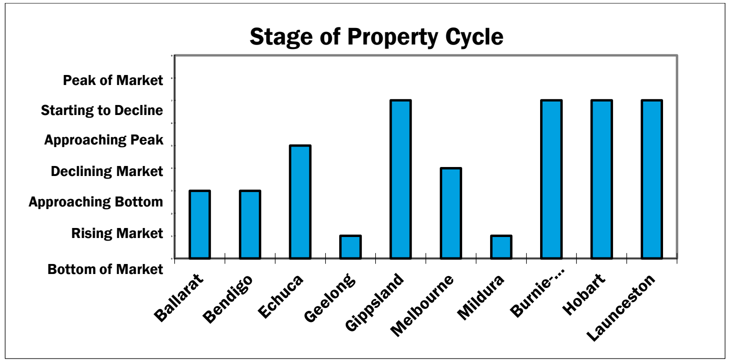

Queensland Property Market Indicators – Retail

Factor	Cairns	Townsville	Mackay	Bundaberg	Rockhampton	Gladstone	Emerald	Fraser Coast	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Tightening	Tightening	Steady	Steady	Tightening	Tightening	Steady	Steady
Rental Rate Trend	Stable	Stable	Stable	Increasing	Increasing	Increasing	Increasing	Increasing	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining significantly	Steady	Steady	Steady
Stage of Property Cycle	Start of recovery	Starting to decline	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Declining market	Start of recovery	Start of recovery	Starting to decline	Bottom of market
Local Economic Situation	Flat	Flat	Steady growth	Steady growth	Steady growth	Steady growth	Steady growth	Steady growth	Flat	Flat	Flat	Flat	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Significant	Significant	Small	Significant	Significant	Significant	Small	Significant	Large	Large	Significant	Large

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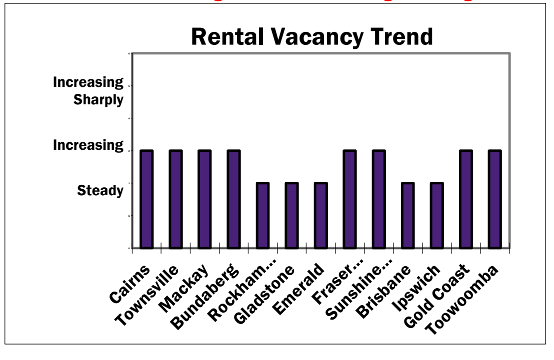

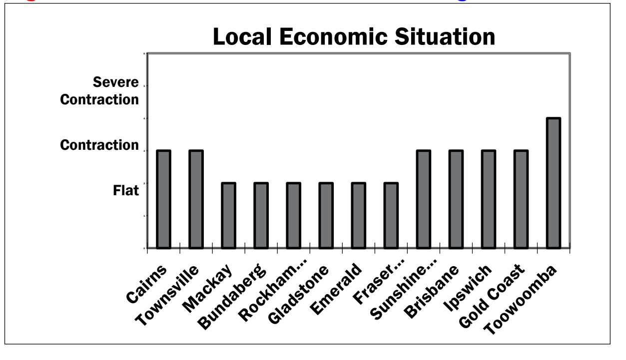

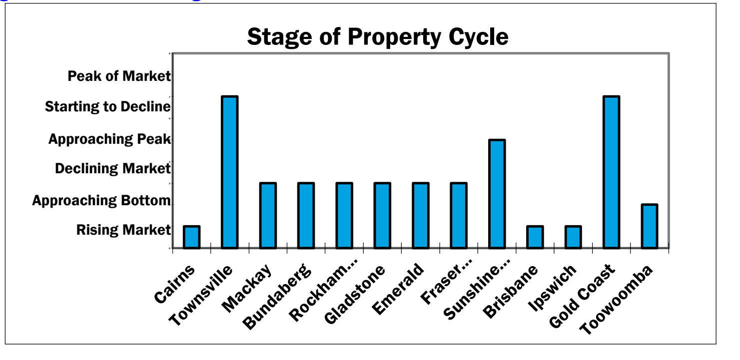

SA, NT and WA Property Market Indicators – Retail

Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	South West WA	Geraldton	Esperance
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Large over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Increasing	Steady	Steady	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Declining	Declining	Stable	Stable	Declining significant-ly	Declining significant-ly
Volume of Property Sales	Steady	Steady	Steady	Declining	Steady	Increasing	Steady	Declining significant-ly	Declining significant-ly
Stage of Property Cycle	Declining market	Start of recovery	Start of recovery	Bottom of market	Declining market	Bottom of market	Bottom of market	Declining market	Declining market
Local Economic Situation	Contraction	Contraction	Contraction	Flat	Contraction	Steady growth	Steady growth	Contraction	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Small	Significant	Large	Large	Large	Large

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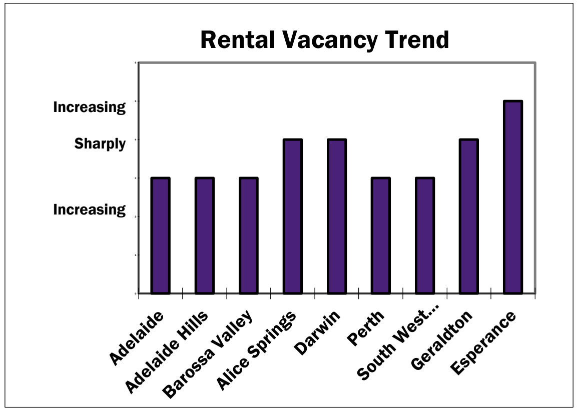

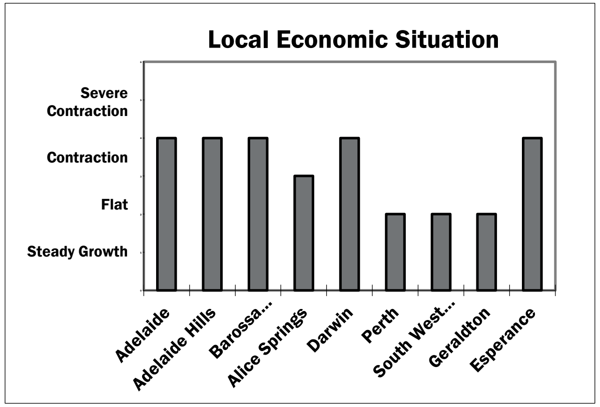

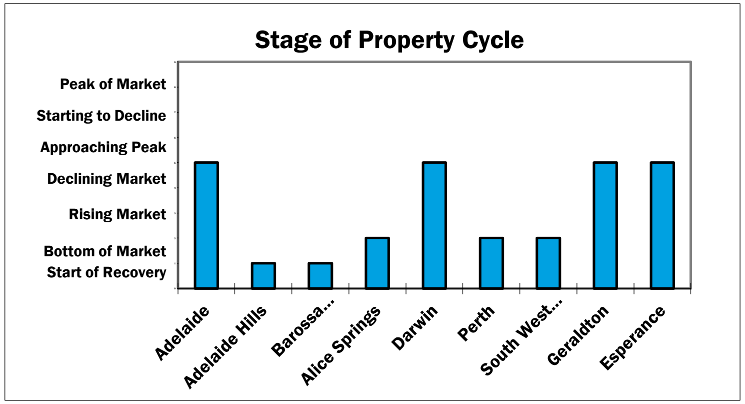

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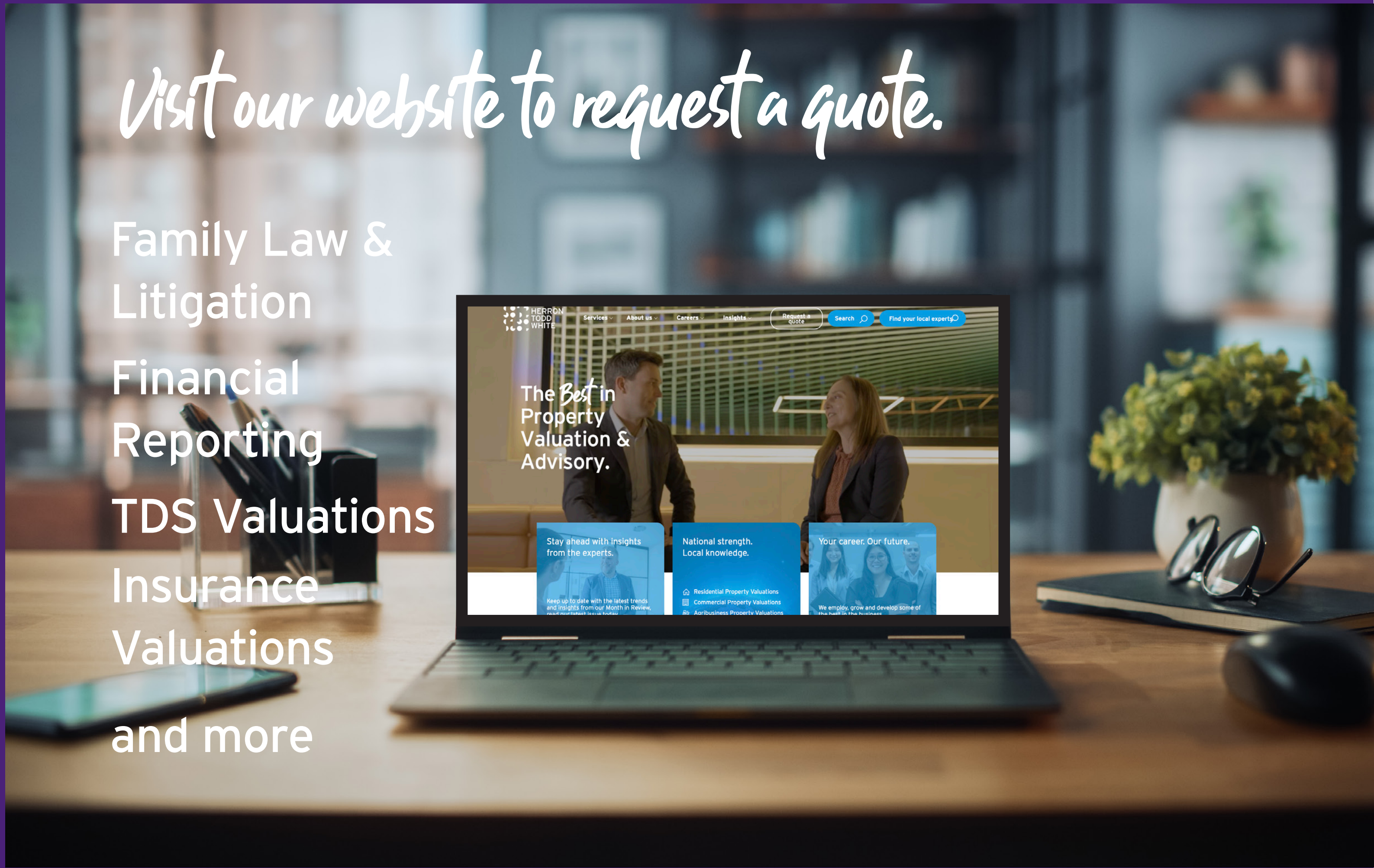

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