February 2025

Commerical Month In Review

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

National Retail Overview

After an extended period of uncertainty and significant headwinds in the post-COVID era, the retail sector is set to emerge from the long night as a favoured investment asset class in 2025.

There is an improvement in investor sentiment on account of strong indications that the yield cycle has stabilised. Additionally, the sector is being strongly underpinned by the high levels of immigration, price inflation, and improving consumer sentiment. As a result, the number of retail transactions is now firmly trending upward, reflecting far more positive market sentiment towards this sector.

Alistair Weir
Commercial Director

At the shopfront level, the past three years have seen an extremely challenging retail environment, and retailers have borne the brunt of the adverse economic circumstances. These have seen higher interest rates and significant pressure on household discretionary expenditure. As a result, rents have been stagnant and in many localities vacancy rates have been high. However, rentals have stabilised and are likely to start to grow, whilst turnover is starting to trend upward.

Australian retail spending is slowly recovering, having risen 3.5 per cent year on year to November 2024. This is not evenly spread across the country however with Queensland having the strongest monthly turnover increase of the eastern states whilst New South Wales is the most sluggish.

Australia's population surge is creating strong underpinning demand. However, due to the adverse conditions impacting retail investment markets and surging construction costs, supply has not kept pace with this demand. In simplistic terms, there is a requirement for the development of circa one square metre of retail accommodation per capita, yet actual construction has fallen far short of this benchmark for some period. At some point, this shortfall in accommodation will build pressure for the development of new accommodation.

In specific retail markets, the situation varies across asset classes. At the low end, for high street retailing, convenience centres and single tenant large format complexes, rents are largely stable, whilst investor demand is strong, albeit that yields have softened by up to 100 basis points from the market peak.

For neighbourhood centres, investment yields have softened slightly but remain resilient. These centres have also been the beneficiaries of the population boom, with ongoing demand for properties in strong growth localities.

At the institutional level, the market correction is largely complete and the demand for high end assets is increasing, albeit that the availability of stock has been limited.

In the online world, the rate of growth of market penetration is slowing, and all major retailers have now established a mix of physical and cyber retailing. The requirement for physical stores is now fully evident and we foresee a relatively symbiotic relationship in years to come.

The landscape for new retail development remains challenging with the rapid increase in construction costs and the complexity of establishing new larger centres presenting the greatest challenges. There is no doubt that new development will require strong significant rental growth, but this is difficult to achieve when broader economic conditions for retailing are difficult.

National Property Clock: *Retail*

Entries coloured purple indicate positional change from last month.

New South Wales - Retail 2025

Sydney

Broadly speaking, Sydney's retail markets are set to perform relatively well over the next year, particularly in comparison to the past at least five years. Retail property, particularly in prime locations, has seen renewed interest, leading to a stabilisation of the market from a rate, yield and rental perspective. This trend is expected to continue into 2025 with population growth increasing demand and a positive outlook on prospective falling interest rates being driving factors in this regard.

Prime locations in high traffic areas such as Sydney's CBD and other prime retail precincts and strips will remain the strongest performers of the retail market in 2025, particularly those with strong leasing covenants.

It should be noted that older properties, properties in secondary and fringe positions with lack of exposure and footfall, and properties with weak leasing covenants are still expected to struggle in 2025, experiencing higher vacancy, higher yields, lower rents and higher incentives in comparison to their newer and better-positioned counterparts.

Retail property may see some physical changes in 2025, with competing spaces needing to update and innovate to provide unique consumer experiences, and also having an increasing regard to ESG (environmental, social, and governance) attributes as both investors and consumers become more conscious of issues surrounding sustainability. There are also financial benefits from ESG considerations, such as green or sustainability linked loans, providing incentives to prospective investors.

Broadly speaking, Sydney's retail markets are set to perform relatively well over the next year, particularly in comparison to the past at least five years.

There are some good opportunities in the market right now, including:

- Properties that are well-positioned in primary retail areas, with higher degrees of exposure to passing trade and anchor tenants such as supermarkets;
- Properties with strong leasing covenants;
- Mixed use properties, particularly with residential spaces, are seen as less risky and more resilient to market downturn, with diverse income streams and lower vacancy.

Secondary, fringe and isolated retail assets in Sydney typically suffer from reduced exposure to passing trade and footfall, and often aren't underpinned by anchor tenancies within their respective areas. These assets and areas are typically subject to higher vacancy rates, higher yields and lower achieved rentals in comparison to their better positioned counterparts.

Older or run down properties requiring significant capital expenditure should also be avoided., Depending on the property's position, refurbishment may not be feasible.

Most commentary out there is optimistic and predicts the majority of retail markets in Sydney to at the very least remain stable over the next year. This is largely going to be impacted by macroeconomic factors, particularly interest rates. There will likely be a continued disparity between prime and secondary/fringe retail, with the latter continuing to struggle and underperform in 2025.

David Unkovic
Associate Director

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Victoria - Retail 2025

Melbourne

The softening of certain sectors within the Melbourne retail property market is expected to continue in 2025 as high interest rates, increased expenses and flat leasing markets dampen demand from investors and owner-occupiers.

Mind you, the recent decision by the Reserve Bank of Australia at its February meeting to cut rates will set the scene for the first half of 2025. The timing and number of interest rate cuts will likely play an important role in returning some certainty to the market with the potential to increase investor confidence.

The changes to the Victorian land tax minimum threshold, which was lowered from $300,000 to $50,000 at the beginning of 2024, saw a larger number of small-scale commercial property investors exposed to land tax liabilities. These liabilities are unable to be passed on to the majority of retail tenants given land tax is considered to be a non-recoverable outgoing in accordance with the Retail Leases Act 2003 (Vic). The local retail property market appears to have been particularly impacted by these changes in comparison to industrial or office assets which, in many cases, do not fall under the provisions of the Act.

The progressive replacement of stamp duty on commercial and industrial property through the introduction of the Commercial Industrial Property Tax in July 2024 does not appear to have resulted in any significant increases in the number of transactions despite the government offering eligible parties a 10-year loan to assist funding the stamp duty liability.

There do not appear to be any significant signs yet that the market will move one way or the other in 2025 given continued uncertainty around long-term interest rates. While the February cut may improve sentiment somewhat, further cuts could be required to markedly improve confidence.

Rental affordability is likely to be an ongoing issue for many tenants as it was throughout 2024 with some businesses finding it difficult to support significant increases in rental rates or even seeking significant reductions given relatively flat retail turnover growth and higher operating costs.

Yields will likely remain sensitive to changes in the cash rate with some lag expected following any RBA announcement although the market is expected to respond somewhat faster to decreases than it did to the upward cycle which commenced back in May 2022.

There has been a general lack of high-quality assets offered to the market over the past twelve months and this trend is not expected to significantly change in early 2025. While demand is strong for prime assets with long lease covenants to high quality tenants, these properties are sought after and have been attracting relatively sharp yields even throughout the peak of the interest rate cycle.

Secondary and vacant properties continue to trade at significant discounts in comparison to leased assets as investors seem less prepared to take on risk associated with securing a new tenant in the current market. Nonetheless, there do appear to be some opportunities available to acquire vacant properties at discounts either for owner-occupation or where a tenant could be secured relatively easily through existing relationships.

Quality development sites may still be attractive to some purchasers however a lack of sufficient holding income to cover ongoing expenses such as council rates and land tax has eroded confidence in acquisitions of sites. Some of these sites, which during the peak of the market had traded at sub 2.00% yields, are now experiencing significant reductions in value as a result of softer yields and smaller purchaser pools.

It is difficult to predict how the Melbourne retail property market will progress in 2025. The cash rate will continue to play a significant role in determining demand for properties and also in securing some confidence in the market and for consumers. While 2025 has brought the beginning of a downward cash rate cycle, there appears to be some disagreement about the timing and frequency of the reductions as the RBA attempts to return the economy to the target range.

Rental affordability is likely to be an ongoing issue for many tenants as it was throughout 2024.

Nathanial Ramage
Associate Director

Queensland - Retail 2025

Brisbane

The retail sector in 2025 is poised for a period of growth and evolution, shaped by key economic and demographic factors. Brisbane, in particular, is expected to experience continued urban development and population growth, making it a focal point for retail property investment and the reduction in interest rates along with limited supply will create a strong market.

Some key trends and predictions we have include:

1. Investor Demand and Capital Values:

- Investor interest in retail properties is forecast to increase, driven by a reduction in interest rates and a strong economic outlook.
- Limited stock availability and rising confidence are likely to boost capital values, presenting opportunities for capital appreciation.

2. Resilience of Physical Retail:

- Despite the rise in e-commerce, brick-and-mortar stores continue to play a critical role, accounting for nearly 89 per cent of retail sales.
- Retailers are expected to focus on enhancing in-store experiences, integrating omnichannel strategies, and leveraging technology to attract consumers.

3. Urban Renewal and Infrastructure Development:

- Brisbane's urban renewal projects, such as those in Chermside and Moorooka, are creating vibrant mixed-use spaces that blend retail, residential, and commercial offerings.
- Improved infrastructure and public transport links will further drive foot traffic and increase retail property values.

The retail sector in 2025 is poised for a period of growth and evolution, shaped by key economic and demographic factors.

Retail rents are expected to remain stable, with modest growth in prime locations due to high demand and limited supply. Yields may compress slightly as investor competition intensifies with the anticipated reduction in interest rates. Well-located suburban and urban hubs in particular will be best placed to achieve firmer yields. Secondary locations may see slower rent growth, but upgrades and repositioning opportunities could offer long-term value.

There are few opportunities to watch for in our retail market including:

- **Suburban Growth Areas:** Emerging suburban retail centres with strong population growth are attractive options for investors seeking yield and long-term growth.
- **Mixed-Use Developments:** Retail properties integrated into mixed-use developments (e.g. residential and office accommodation) offer diversified revenue streams and resilience against market fluctuations.
- **Experiential Retail Spaces:** Properties that can accommodate experiential retail formats, such as food precincts and entertainment hubs, are likely to outperform traditional setups.

The retail sector will still face some risks and challenges. We believe these will include:

- **Obsolescence of Older Assets:** Older retail properties without modern features may face higher vacancy rates unless repositioned or refurbished.
- **E-commerce Competition:** Properties dependent on traditional retail models without digital integration strategies may struggle to attract tenants.
- **Economic Uncertainty:** Interest rate fluctuations and inflationary pressures could impact investor sentiment and borrowing costs.

While 2025 holds promise for growth and innovation in the retail property sector, investors must stay agile and responsive to changing consumer behaviours and economic conditions. The outlook is optimistic, but success will hinge on careful asset selection, strategic upgrades, and leveraging emerging trends in experiential and mixed-use developments.

Terry Munn
Director

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Gold Coast

Service station assets have clearly become a recognised and highly desirable asset class.

Prior to the interest rate increase phase, yields peaked in the low to mid 5% range.

However, over recent times there has been a distinct softening, partly due to the increased interest rate environment. Other reasons include the fact that some facilities are now several years old with slightly reduced lease expiry profiles and rentals that have been ratcheting up by way of annual increase mechanisms. Those with CPI increases have ramped up markedly, impacting affordability considerations. Increased risk equals increased cap rate.

While these had previously been highly profitable development opportunities, profit margins have dwindled on the back of significantly higher construction costs and softer yields.

We are aware of numerous transactions in the mid to high 6% range, along with some sales above 7%.

However, there are some firmer transactions from time to time.

One example is 27 City Centre Drive, Upper Coomera, which recently sold and settled for $14.75 million. This comprises a mixed-use retail complex including a Caltex service station (fuel operator tenant trading as Caltex), several fast-food tenancies including a Red Rooster and Oporto with drive-through service lanes, and a car wash. It was completed in 2023 and is developed upon an 8762 square metre site. It was 100 per cent leased and reflects an analysed yield of 6.00%, a passing yield of 6.08%, and a WALE of 9.42 years (by income). While the yield is relatively sharp, the cost to purchase the land and develop a facility of this nature would be significant, and we understand this was a purchase consideration.

More broadly, there was only a handful of notable retail transactions across the Gold Coast during 2024. However, the year is off to a good start with several property owners testing the waters during the summer selling season.

By the time this article is published we will have seen numerous retail properties taken to auction, including a boutique mixed use complex on Chevron Island, a convenience centre at Varsity Lakes, a prominent service station, hinterland offerings at Tamborine Mountain, and a freehold showroom at Bundall.

Based on recent trends, expectations are for quite sharp yields with the better quality properties chasing yields in the order of 5.5%. However the yield spread in the market is now quite pronounced, with some secondary assets displaying analysed yields in the 7.0% to 7.5% range.

With a rate cut now announced, the first quarter of this year will be an important litmus test that may well set the tone of the market for the year ahead.

Ryan Kohler
Director

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Sunshine Coast

Throughout 2024, we observed a continued softening of yields for retail assets across the Sunshine Coast, particularly for secondary or compromised properties. Higher borrowing costs and the rising cost of living have placed pressure on the market over the past 12 to 18 months.

Despite these challenges, demand remained steady for well-located, high-quality retail assets. However, limited sales volumes were recorded for premium properties, reflecting a cautious investment landscape. That said, several transactions highlighted the resilience of well-located assets with strong lease covenants, including:

- **Pelican Waters –** A near-new supermarket leased to IGA with close to 15 years remaining, achieving a yield of approximately 5.91%.
- **Buderim –** A modern retail strata property in a highly sought-after location, leased to Coffee Club with just over five years remaining, achieving a yield of approximately 5.50%.

As the market has softened, the yield spread between prime assets and those in regional and hinterland locations or with less favourable tenancy profiles or physical characteristics has widened. A notable transaction illustrating this trend includes:

- **Nambour –** An older, multi-tenanted retail building with a short lease expiry, leased to NAB and several small local tenants. The passing yield exceeded 10%, though the analysed market yield was in the mid-8% range.

Looking ahead, recent economic data suggests inflation in Australia is moderating. The Reserve Bank of Australia projects inflation will return to its target range of two to three per cent in 2025, reaching the midpoint of this range by 2026.

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The recent easing of monetary policy will likely improve investor confidence and stimulate demand across most commercial sectors.

Jaydon McDowell
Associate Director

Wide Bay

The Wide Bay retail property market is experiencing steady growth, supported by ongoing development across key areas.

Johanna Boulevard in Bundaberg continues to expand as a retail hub, which is highlighted by the recent openings of Anaconda and 4WD Supa Store. In Kepnock, planned developments include a Banjo's drive-through and a new McDonald's, further boosting the area's retail offerings. Meanwhile, the SPG Hervey Bay shopping centre is expanding its footprint, attracting a variety of national tenants and enhancing the region's retail appeal.

Investment yields in the region remain consistent, with prominent and highly sought-after fast-food properties achieving yields below 5%, while yields between 7% and 8% are more common for smaller or locally tenanted properties on shorter lease terms.

Despite no strong evidence suggesting a significant market shift, the region continues to benefit from substantial construction projects that fuel employment growth. According to Profile.ID, unemployment in the region is very low compared to historical trends, further supporting the retail sector's stability and ongoing development.

Ben Harnell
Associate Director

We suspect that investment yields for retail properties in Mackay throughout 2025 will remain stable at best and could moderately ease at worst.

Mackay

According to REMPLAN Economy, there were 465 retail businesses in the Mackay Regional Council area in June 2024, 3.5 per cent fewer than in June 2023 but still 4.3 per cent more than in June 2022. Around 38 per cent of retail businesses have turnovers of $200,000 to $2 million. Businesses with turnovers of $10 million or greater are small in number but have gradually risen from 21 in June 2022 to 29 in June 2024. Based on these numbers, retailing has been fairly stable in recent years and high-turnover businesses requiring larger retail premises are slowly increasing.

Also according to the same source and to get a better appreciation of the relative scale of retailing in Mackay, there were 5662 retail jobs in the 2021 census including some full-time, some part-time and some casual, making it the second largest employer after health care and social assistance and ahead of construction. Given the favourable economic conditions in recent years, we suspect this number will now be considerably higher.

14 Discovery Lane, Mount Pleasant   Source: realcommercial.com.au

A prominent large format retail property at 14 Discovery Lane, Mount Pleasant was sold at $2.82 million in November 2024. It was substantially leased to Choices Flooring. A small furniture retailer had recently vacated the property before their lease expiry and an additional upper-level office tenancy was vacant. This sale shows an analysed market yield of 7.49% with a fairly short WALE of 1.04 years. This property was previously sold at a higher price of $3.1 million in February 2023 on a fully leased basis.

There have been very few other retail investment property transactions to signal broader market trends. Given that before the reduction in February, the RBA cash rate had been stuck at a cyclical high level since November 2023, world trade uncertainty as it relates to our regional coking (steel-making) coal mining industry and a federal election looming, we suspect that investment yields for retail properties in Mackay throughout 2025 will remain stable at best and could moderately ease at worst. Investors will become more discerning this year, with a keener eye for longer WALEs, quality tenants and newer buildings with tax depreciation benefits.

Gregory Williams
Director

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Mackay and Whitsundays

With a high concentration of experienced based and service retail, the retail markets in the regional towns of Mackay and Airlie Beach should benefit from forecast easing inflation and interest rate cuts in 2025.

In addition to this positive broader economic outlook, Mackay's economy is underpinned by its prosperous coal mining industry and the Whitsundays is benefiting from a tourism resurgence in the region. Both regions have seen strong post-COVID-19 population growth and are expected to receive continued strong growth over the longer term. These conditions set a positive outlook for the 2025 retail market in Mackay and Whitsundays.

Britt Atkin
Senior Valuer

Townsville

2025 is expected to be a solid year for retail.

Townville's entry level retail sector has performed relatively well over the past two years. The typical price range commences in the sub $1 million dollar bracket and includes standalone fringe CBD and strip commercial ribbon development along major roads. Buyers are both owner-occupiers and entry level investors. The mum and dad investor market remains quite buoyant up to $3 million.

Small standalone commercial offices, showrooms, multi-tenanted strip retail, large format retail, childcare centres and standalone fast-food properties are all well sought after although supply remains limited. The prevalence of buyer's agents continues to drive investor competition from southern investors with local buyers finding it more

2025 has started reasonably well in the Townsville market with a number of small suburban shopping centres being offered to market between $4.5 million and $14 million which is favourable.

difficult to pin down assets worthy of investment. Our analysis of sales reveals a mainstream yield spread of 6.25% to 7.50% although noting that high-profile fast-food assets are typically 100 basis points tighter and continue to be the shining light.

We do not envisage elevated risk in the sub $5 million range given the depth of participants. High interest rates have not tempered investor attitudes with entry level assets in the sub $3 million bracket proving to be somewhat of a safer bet, along with modern childcare centres and fast-food assets with long cash flow expiries.

We did see some big-ticket regional centres transact in the last quarter of 2024, with the most relevant being the sale of the Willows Regional Shopping Centre at $212,550,000. At that point in time, this was reported to be the largest retail transaction of the year in Queensland, being the only triple-supermarket anchored centre in Northern Queensland, comprising over 44,500 square metres and reportedly generating more than $360 million in moving annual turnover.

2025 has started reasonably well with a number of small suburban shopping centres being offered to market between $4.5 million and $14 million which is favourable.

High construction costs are continuing to retard new developments, which inversely increases buyer competition, placing upward movement on values and downward pressure on yields. We do not see any change to this scenario and if the RBA reduces the cash rate further, then we would anticipate strong investment fundamentals to remain bullish throughout 2025.

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 good demand with very limited stock to either rent or buy. Yields for small and affordable suburban retail buildings and strata units tightened in recent years and remain stable at the current level. We see no reason to think this situation will change in the near future.

The inner-city retail sector is largely focused on the international tourist trade and has struggled since the pandemic. During the height of the pandemic, we saw very little activity in the market overall and high vacancy rates with a number of businesses within the CBD closed throughout the height of the pandemic and some tenants opting to vacate rather than reopen. It remains difficult to secure a tenant in the current market with moderate vacancy rates and limited demand overall. The lack of demand has impacted achievable rental levels which have reduced considerably in some cases and are somewhat dependent on the financial position of the owner.

Agents advise lessees in the market are still hesitant to commit to anything of a considerable size and are more often still looking to lease on

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short or month to month terms allowing the ability for the tenant to vacate if there is limited trade or the business venture is not viable.

The Esplanade retail precinct however has no vacancies, being primarily occupied by food and bar outlets.

While Cairns has regained a moderate percentage of its trade, the international market is still below pre-pandemic levels. Prior to the pandemic the inner city CBD market had been static for several years with limited purchaser and leasing demand and it is expected that the retail sector will continue to struggle in the short to medium term.

Whilst vacancies within the CBD are moderate, properties remain generally tightly held by long term owners.

Shane Quinn
Director

Toowoomba

Retail leasing activity in Toowoomba increased slightly throughout 2023 and 2024 after two years of subdued demand with the market negatively impacted by the effects of COVID-19. Investor demand has remained strong but the lack of quality, fully leased properties has significantly limited the number of investment sales.

For the entry level investor, opportunities are limited as a result of flat, if not declining growth within the retail sector as a result of economic challenges stemming from rising living costs, increasing utility prices, and increased mortgage repayments due to higher interest rates. As a general observation, consumers appear to have generally reduced discretionary spending which has a flow-on effect on the retail sector with retail tenants tending to opt for shorter lease terms.

Retail investment sales of note in Toowoomba during 2024 include 553 Ruthven Street (Cash Converters) which sold at a 6.65% net yield with a leaseback to the franchisee in place. It is noted that quality retail investment assets are generally not sold locally with a large number included in non-local auction campaigns targeting interstate investors.

The level of development activity is strong with a number of projects in the planning or development approval stage, including the following:

- Brisbane developer Capital Transactions has submitted plans for a new commercial precinct on Brisbane Street, Drayton featuring a 2000 square metre supermarket and a mix of shopping and food and drink outlets.
- Construction of The Habitat residential subdivision has commenced with the masterplan including a supermarket, tavern and retail outlets with an application currently under consideration by Toowoomba Regional Council.
- Construction of a Woolworths-anchored shopping centre with 900 square metres of retail tenancies in North Toowoomba.
- Plans to transform the 10,569 square metres Gasworks site into a retail-focused, mixed use development area also underway.
- The owners of Clifford Gardens Shopping Centre have proposed to construct two detached food outlets for KFC and Taco Bell.
- Two detached food outlets on the corner of Bridge Street and Richmond Drive in Wilsonton with one to be leased to Guzman y Gomez.
- A food outlet with drive-through at 360a and 360b Bridge Street, Wilsonton (opposite Wilsonton Shopping Centre).
- A food outlet with drive-through at 350 Bridge Street, Wilsonton (adjoins Red Rooster). This project has been linked with Mad Burgers.

In relation to the number of fast food outlets in the planning stage, a possible concern is the increasing number and potential over-supply which may affect medium term yields.

The outlook for 2025 is expected to be similar to 2024 with similar activity levels and yields potentially impacted by movement in interest rates and the on-going effects of cost-of-living increases.

Ian Douglas
Director

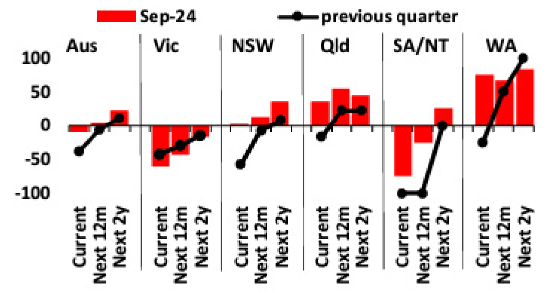
Retail leasing activity in Toowoomba increased slightly throughout 2023 and 2024 after two years of subdued demand with the market negatively impacted by the effects of COVID-19.

South Australia - Retail 2025

Adelaide

Sentiment around the retail sector may begin to shift in 2025 for retail property as demand is expected to increase with macro-economic changes afoot. After the past few years of the commercial market being dominated by industrial property, retail transaction volumes picked up towards the end of 2024. This indicates that investors are becoming increasingly confident that the market has reached or is nearing the cyclical trough, seeing a potential rebound in property values and retail performance on the horizon.

Large-format retail assets in metropolitan areas could be the fastest growing in the years to come, as economists and property research analysts predict that neighbourhood centres with a diverse tenant mix will be highly sought after. NAB's commercial property survey confirms the broader rising sentiment - however the uplift in retail sentiment in South Australia lags the majority of Australia's capital city markets. Sentiment is expected to improve from -75 recorded in September 2024 to -25 by the end of this year, before turning positive in the next two years (NAB Commercial Property Survey, Quarter 3, 2024).



Retail Property Index by State — Source: NAB

Opportunities within the retail market are currently diverse, from neighbourhood centres boasting diverse tenant mixes to smaller retail boutiques and single-tenancy options. 253 Diagonal Road, Warradale is a multi-tenancy retail property currently on the market through CommercialSA with a price guide of in excess of $3 million. The property offers approximately 2445 square metres of land, 834 square metres of floor area and six tenancies with a net annual income of $140,198. Tenancies include an Indian grocery store, a Middle Eastern grocery store, a cafe, laundromat, and a beauty salon. The eclectic tenant mix, coupled with main road frontage, close proximity to the local railway station, and three Certificates of Title across the property, means the site offers redevelopment upside.

253 Diagonal Road - External — Source: realcommercial.com.au

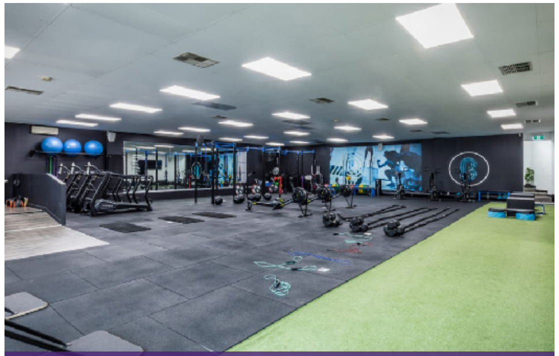
253 Diagonal Road - Internal — Source: realcommercial.com.au

Smaller-scale retail opportunities on the market include 100 Melbourne Street, North Adelaide. The property is listed through DG Real Estate and comprises a cafe with indoor seating area, service counter, rear commercial kitchen, cool room and separate bathroom and storage area to the rear. Tenanted until 2027 with a rent of approximately $36,070 trading as Butter & Toast, the property would reflect a yield of approximately 4.24% if sold for the current asking price of $850,000.

100 Melbourne Street - External — Source: realcommercial.com.au

Although there has been an uptick in recent sales and investment activity, macro-economic challenges such as inflation and cost of living pressures remain, impacting retail spending.

100 Melbourne Street - External Source: realcommercial.com.au



153 Murray Street- Internal Source: realcommercial.com.au

153 Murray Street, Gawler offers a leased retail investment opportunity in the form of a BodyFit Training gym. The building comprises an open-plan gym area, a small creche and children's play space, male and female amenities, four onsite carparks and bulky goods access with hydraulic goods lift to the rear of the building. The property is tenanted until July 2026 with options to extend, providing a net annual rental of $71,027, listed for sale through Collins Bateman (realcommercial.com.au).

153 Murray Street- External Source: realcommercial.com.au

Whilst major shopping centres and prime retail assets possess the ability to mitigate some of the current market risks through significant anchor tenants and premium offerings, the entry-level retail investments and those without secure tenancies are more susceptible to fluctuating market conditions. Although there has been an uptick in recent sales and investment activity, macro-economic challenges such as inflation and cost of living pressures remain, impacting retail spending.

Ben Millar
Property Valuer

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Western Australia - Retail 2025

Perth

As we embark on the 2025 calendar year, the retail property market is likely to be faced with both challenges and opportunities, however after a prolonged period of subdued activity, the Perth retail property market is poised for growth.

Underpinning the sector is Western Australia's robust economy, led by strong population growth, which is likely to bolster consumer spending and provide the impetus for retail expansion.

Initially, we expect market participants to exercise a degree of caution and await further clarity surrounding key economic indicators, in particular inflation. While market pundits would have welcomed the Reserve Bank of Australia (RBA) cutting interest rates during the first quarter of the year, uncertainty remains on the back of conflicting economic data.

We caution that should mortgage interest rates remain at existing levels for longer, there is a risk that consumers' discretionary spending habits will come under further strain - in combination with broader cost-of-living pressures.

Nonetheless investor sentiment towards retail property appears to have changed course in the latter part of 2024.

Notably, Woolworths Clarkson Shopping Centre, located in Perth's peripheral northwestern suburbs, was acquired by ISPT in late 2024 for circa $36 million. The near new, 6,466 square metre centre was fully leased with a reported WALE of 8.15 years by income, anchored by Woolworths which accounts for some 65 per cent of the GLAR.

We expect similar investment-grade retail property (e.g. neighbourhood shopping centres) to remain a highly sought after yet tightly held asset in 2025, meeting key criteria that sophisticated investors continue to seek such as long remaining lease terms (i.e. WALE), non-discretionary tenancy mix backed by strong lease covenants (typically associated with Coles or Woolworths) and sound locational attributes with a growing population catchment.

Purchase demand for local retail assets from eastern states-based buyers appears likely to continue throughout the year with the yields on offer in Western Australia remaining above those available within their local markets.

Making headlines at the start of this year is the proposed redevelopment of Carillon City in Perth's CBD. Acquired by the investment arm of mining magnate Andrew and Nicola Forrest back in 2022, plans have been lodged with the City of Perth for a $400 million project to include high rise student accommodation, a hotel plus a multi-storey retail and food and beverage precinct. The project continues a trend towards providing a multi-faceted destination with a focus on enhancing customer experiences.

From a buying perspective, discussions with a number of industry participants suggest an apparent disparity over yield expectations between buyers and sellers which may limit the number of transactions in the short term. Further, the broad yield differential between prime and secondary assets is likely to remain, impacting on transaction volumes, particularly for those secondary assets.

Traditional high streets and suburban shopping hubs are likely to retain their convenience-driven customer pull. It could be argued that such destinations have benefited from the work from home movement but also the growth in higher density housing. Accordingly we expect current occupancy levels to remain fairly stable in the short term with minimal movement in achievable rental rates.

At this stage it remains difficult to predict how the market will perform in the short to medium term. Whilst there is likely to be an element of caution, the retail sector has reason to be optimistic as we navigate 2025.

Greg Lamborn
Director

Underpinning the sector is Western Australia's robust economy, led by strong population growth, which is likely to bolster consumer spending and provide the impetus for retail expansion.

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Northern Territory - Retail 2025

Darwin

The local NT landscape changed slightly throughout 2024 and we look forward to overcoming the challenges of 2025.

As always, demand for property in the NT is driven by population growth, and population growth will only really occur with employment growth.

There have already been signs of increased demand and prices in some segments of the Darwin residential market. Historically commercial property tends to follow residential property, with a time lag of six to 18 months.

On the macroeconomic front, it can be argued that the NT is the most exposed of any Australian jurisdiction to US politics. Although we have limited exports to that country, the US has an important presence here:

- In the Top End, the US Marine Rotational Force is now in its 14th iteration. Darwin remains an important staging post into south-east Asia and considerable investment in infrastructure and material is underway from both Australia and the US. US policy, especially around AUKUS, will have an important bearing on future investment in this sector.
- In the Centre, Pine Gap is a major employer and economic driver. Any detraction in its role that reduces staff numbers would have a negative effect on population levels in Alice Springs; conversely, any ramp-up of activity could stimulate demand for more housing and commercial services in the town.

Historically commercial property tends to follow residential property, with a time lag of six to 18 months.

While this situation is obviously very fluid, it is difficult to see Defence becoming less important in the NT.

We are starting to see gold production out of Tennant Creek again, along with other mining projects that could add to the NT economy. The NT is also well placed for both traditional and renewable energy production, which would lead to population growth and demand for property.

So what does all this mean for property markets in the NT in 2025? Despite a slight surge through COVID, property markets have been generally stagnant or declining for the past 10 years. We've been looking on in envy at southern Australian capitals for some years, but if we can enjoy some economic sunshine then the increasing economic activity could result in more positive markets here. Action in the sectors mentioned above, along with a shortage of residential accommodation, high yields and the prospect of possible lower interest rates, also point to a more prosperous 2025 for NT property markets.

Terry Roth
Director