MARKET IN MINUTES
Savills Research

Retail Investment

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Retail investment remains on the radar

Investors consolidate portfolios, with $100m+ deals driving liquidity

Q2 investment picks up, following softer start to 2025

Investment volumes, for transactions over $10 million, reached approximately $2.9 billion in Q2, up nearly 25% on the the same time last year and 53% above the five-year pre-pandemic average.

Rolling 12-month volumes increased to $10.5 billion, up from the $7.7 billion in the prior period, supported by nine transactions exceeding $250 million.

Institutional consolidation

Transactions above $100m+ accounted for c.70% of Q2 activity. Institutional capital represented 63% of total transactions by value, up from 55% a year earlier.

The average deal size rose 54% Q/Q to $80.5 million, highlighting the influence of institutional capital recalibrating portfolios rather than fragmented private activity. This has reinforced a clear bifurcation in the market, with liquidity concentrated in fewer, larger assets.

Steady demand, little supply

Two major Regional Centre transactions were completed in Q2. The first was the $440 million sale of Woodgrove Shopping Centre (VIC), reflecting a reported yield of 6.39%.

The second saw UniSuper, in joint venture (JV) with Cbus, acquire a 50% stake in Macquarie Centre (NSW) for $830 million, following a successful Supreme Court appeal to secure control of the asset. Together, these deals totalled $1.27 billion in volume, more than double the level recorded in the same quarter last year and nearly five times the five year Q2 average.

Sub-Regional volumes hit decade high, led by St Ives

Activity was dominated by the $450 million sale of St Ives Shopping Village (NSW), marking Iris Capital's first entry into large-scale retail. The landmark centre, anchored by Woolworths, Coles, and Harris Farm, offers strong catchment fundamentals and long-term mixed-use potential, and transacted on a reported yield of 5.41%. Other deals included the $146 million sale of Corio Village (VIC) to Charter Hall on a 6.77% equated market yield, and the $75.2 million sale of Kurralta Village (SA) to Taplin Group on a 5.39% reported yield.

Rate cuts, a timely catalyst

The latest interest rate cut is expected to provide a positive boost for the retail sector, with improved consumer sentiment likely to translate into higher discretionary spending in the coming months.

Lower borrowing costs are also supporting investor appetite, particularly for prime retail assets, as wider yield spreads and more attractive capital values draw interest. This combination of stronger retail trade prospects and renewed investment confidence is set to underpin transactional activity through the second half of the year.

$37.9 bn
retail spend Jun-25* (ABS)

+4.9%
Annual rise in retail trade spending compared to Jun-24* (ABS)

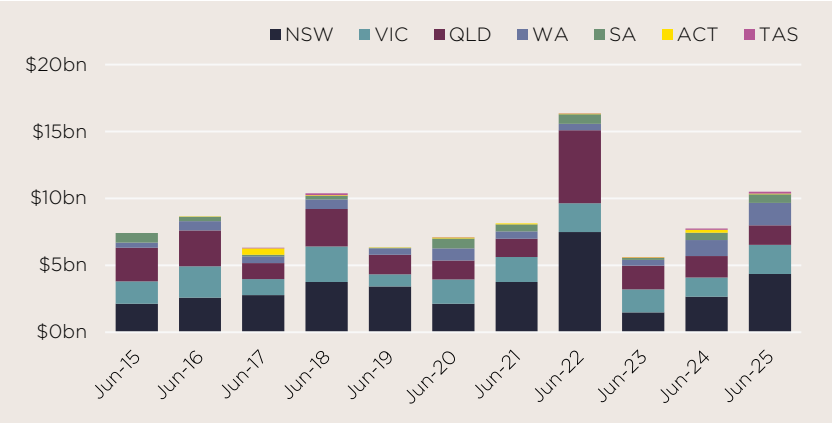
25,300
Retail job vacancies in Jun-25 (ABS)

+8.7%
Annual rise in retail development approvals Jun-25* (ABS)

Quarter highlights

Investment activity

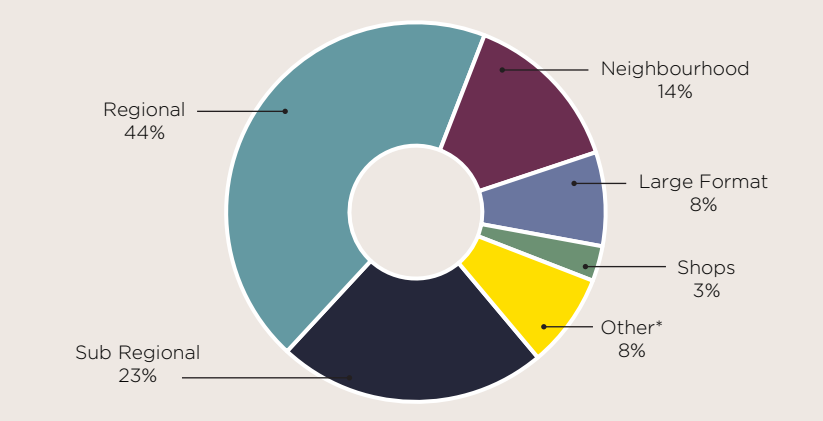
Transaction volumes ($10M+) by state, 12-months to Jun-25



Source Savills Research

Share of investment volumes by centre type

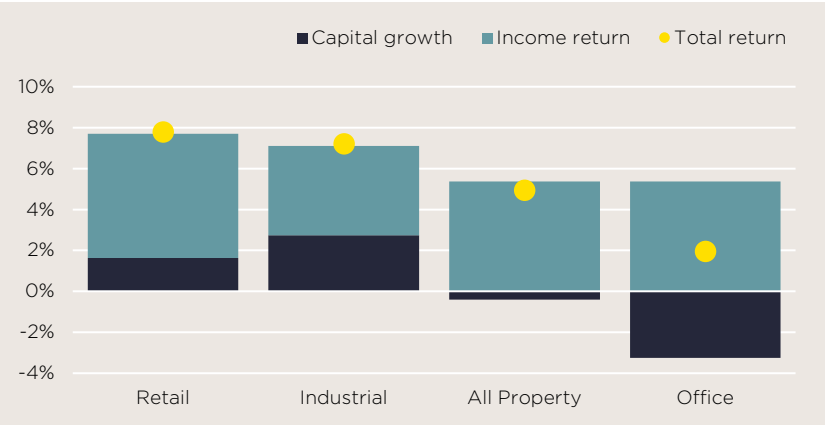
% share of investment volumes by value ($10m+) and centre type, 3-months to Jun-25



Source Savills Research
*Other includes freestanding, city centre and other

Strong income returns appeal to retail investors

Capital growth, income return, and total return by sector, year to Q2 2025



Source Savills Research using Property Council of Australia /MSCI Real Assets Australia Annual Property Index June 2025

Neighbourhood watch

Q2 saw c.$399 million in Neighbourhood Centre sales ($10m+), broadly in line with the $404 million recorded in the same quarter last year, though down 12% Y/Y. Annual volumes totalled $1.5 billion, with an 11% increase in deal number, while the average deal size slipped 20%, amid a flurry of smaller transactions.

In Q2, private investors and syndicates took the lead, accounting for nearly 49% of activity, while the institutional share eased to 44%, down from 51% in the prior quarter.

Major reported transaction included The Strand at Coolangatta (Qld) for $142 million (8.00% reported yield), Greystanes Shopping Centre (NSW), acquired by Revelop for $76 million (5.54% equated market yield), and North Shore Marketplace (Qld), purchased by ISPT Retail Australia Property Trust for $33 million (6.22% equated market yield).

Large Format

Large Format retail sales volumes totalled around $231.5 million in Q2, down 58% on Q2 2024 and 37% below the five-year Q2 average, leaving annual activity broadly in line with the prior year. Institutional capital accounted for six of the eight transactions by value, with only two acquisitions made by private investors.

Key assets transacting in Q2 included HomeCentre Wagga Wagga (NSW), which sold off-market to Westbridge Funds Management for $45 million. The centre, anchored by Spotlight, Anaconda, Petstock, and RSEA, carries a WALE of 6.67 years and achieved an equated market yield of 6.51%. Other deals included Cannon Park Collective (QLD), a large-format entertainment hub in Townsville, sold to ReThink Investing for $33.25 million (6.20% reported yield), and Home Central Shepparton (VIC), acquired by Blackfox Property for $27.6 million (6.71% reported yield).

Retail returns drive investor confidence

Retail assets delivered the strongest total returns over the year to Q2 2025 at 7.8%, supported by consistently high income returns of 6.1% and modest capital growth of 1.6%.

This performance underscores the sector's resilience, particularly against the broader market where total returns averaged just 4.9% as negative capital growth weighed on outcomes, reflecting ongoing structural and demand challenges.

In this context, retail's combination of stable income and competitive overall returns highlights its relative strength and continued appeal to investors focused on income-led performance.

RECENT KEY TRANSACTIONS

Sales ($10m+)

Property	Centre Type	Price ($m) | GLA | Sale Date	Yield (%) | Type | $/sqm
Woodgrove Shopping Centre (Vic)	Regional	440 | 63,778 | Jun-25	6.52 | r | 6,899
Corio Village (Vic)	Sub Regional	146 | 33,647 | May-25	6.77 | e | 4,339
Kurralta Central (SA)	Sub Regional	75.2 | 10,695 | May-25	4.59 | e | 7,031
The Strand at Coolangatta (Qld)	Neighbourhood	142 | 32,237 | May-25	8.00 | r | 4,272
Greystanes Shopping Centre (NSW)	Neighbourhood	76 | 6,002 | Apr-25	5.54 | e | 12,663
Terrace Central (NSW)	Neighbourhood	44.1 | 6,978 | Jul-25	7.57 | e | 6,320
HomeCo Wagga Wagga (NSW)	Large Format	45 | 16,637.5 | May-25	6.66 | e | 2,705
HomeCo Rutherford (NSW)	Large Format	34.4 | 12,040 | Apr-25	7.20 | e | 2,857
Ballarat LFR Hub (Vic)	Large Format	33.3 | 11,596 | May-25	7.38 | e | 2,872

Source Savills Research / MSCI Real Capital Analytics; Key Transactions include reported deals that may not have settled
i = Initial, e = Equated, r = Reported

RETAIL TRADE

Australian retail turnover rose 1.2% in June 2025 (seasonally adjusted), following a 0.5% lift in May and a flat April, according to the ABS. The strong June result was driven by end-of-financial-year discounts and new product launches, particularly in discretionary categories.

Household goods retailing (+2.3%) and other retailing (+1.9%) saw the largest gains, with sales events boosting demand for big-ticket items such as furniture, bedding, and electronics. Department stores (+1.9%) and clothing, footwear and personal accessories (+1.5%) also benefitted from mid-year sales and winter purchases.

Cafes, restaurants and takeaway food services declined 0.4%, partly offset by a 0.9% rebound in food retailing, suggesting households continue to manage cost-of-living pressures by favouring groceries over dining out. Turnover rose across all states and territories, led by the Eastern seaboard.

On a quarterly basis, retail volumes increased 0.3% in June, marking a fourth straight quarter of growth. However, with prices up 0.6%, per capita volumes fell 0.1%, highlighting that population growth is still outpacing spending. Consumers remain cautious, selectively lifting discretionary spending when discounts are available.

OUTLOOK

Rising consumer confidence, supported by lower interest rates and stronger growth in household incomes, is gradually translating into a recovery in consumer spending. Consumers' perceptions around the outlook for their personal finances have improved markedly over the past two years. While softening gradually, labour market conditions remain tight and continue to support wage growth above inflation.

The RBA's easing cycle is underway, with the third consecutive rate cut delivered in August, lowering the cash rate by 25 basis points to 3.60%. Markets are pricing a cash rate of around 3.0% by the end of 2026, implying scope for several more cuts and a total of 125 basis points of easing this cycle. If realised, this would provide meaningful relief to households, with the RBA forecasting stronger consumer spending through the remainder of 2025.

An improving consumption outlook will lift discretionary spending, benefiting major Regional Centres, while business activity and tourism flows are expected to support CBD and airport retail. Neighbourhood Centres, underpinned by non-discretionary spending, will continue to benefit from strong population growth. At the same time, a limited supply pipeline, constrained by land availability, planning restrictions, and high construction costs, is fuelling an imbalance between supply and demand. This imbalance is expected to intensify competition for prime assets, placing upward pressure on rents and capital values in well-located centres.

These dynamics, combined with comparatively high income returns, are strengthening investor appetite for retail. The sector's share of investment volumes has been rising over recent years, with institutional investors seeking greater exposure to high-quality centres and portfolio reweighting opportunities. Private investors and syndicates remain active as well, particularly in smaller-scale assets such as Neighbourhood Centres and shops.

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