MARKET IN MINUTES

Savills Research

Retail Investment

savills

Retail revival: Investors return to the checkout

Investment back on shopping lists as confidence rebounds and liquidity surges

Big ticket buys boost volumes
Investment volumes (for transactions valued over $10 million) surged to c.$3.7 billion in Q4-2024, marking a substantial 70% increase from the previous quarter to reach its highest quarterly level since 2022. Q4 volumes were bolstered by the sale of Westpoint Shopping Centre for $870.35 million to Haben Property and Hines JV, at a 6.25% equated yield. This landmark deal highlights the scale of market activity and signifies a pivotal shift in the investment cycle, enhancing overall market liquidity.

Bigger deals, better liquidity
Transactional activity maintained robust momentum throughout the year, culminating in year-end volumes of c.$10.38 billion. This figure represents the highest level since 2021, nearly double the c.$5.57 billion recorded in 2023.

Investors circle back
Institutional investors have seized the momentum, expanding their market share to 54% of total deals in 2024, doubling their stake from the previous year. Meanwhile, activity from private investors and syndicators has significantly surpassed long-term trend levels, with their presence increasing to 23% and 16%, respectively. Recent global surveys have also highlighted the sharp reversal in investor preferences for retail, with ANREV's# latest survey revealing a dramatic increase in investor preference for retail from 11% in 2024 to 52% in 2025. (# see page 2)

Shuffling the deck
Capital recycling remains a prominent strategy as investors strategically reweight or upscale their portfolios, fund developments, or reduce debt. The most active participants in this dynamic have been opportunistic private capital, syndicators, and select institutions. This reshuffling has created opportunities for agile private investors and syndicators, positioning them to capitalise on strategic plays that promise long-term income growth.

Regional's roar to life
Regional Centres accounted for 50% of total investment in Q4, with six asset stakes changing hands. In November 2024, Andrianakos Property Group acquired a 50% stake in Elizabeth City Centre in South Australia for $170 million, on a market equated yield of 7.52%. Vicinity retains half ownership and management rights. In February 2025, Andrianakos purchased a half stake in Northland Shopping Centre in Victoria from Vicinity for $385 million. This recent acquisition, expected to be reflected in Q1 volumes, brings Andrianakos's joint ownership with Vicinity to four centres.

Vicinity has been strategically divesting its non-core assets to concentrate on premium properties. Notably, acquiring the remaining 49% stake in Sydney's Chatswood Chase in early 2024, followed by a $420 million acquisition for a half stake in Lakeside Joondalup in Perth during Q3, where they also secured management and development rights from Future Fund. In late 2024, they sold a 50% interest in both Carlingford Court and Roselands Shopping Centre in NSW to HMC Capital for a combined total of $312 million. They are now undertaking development projects at Chadstone Shopping Centre (Vic), and Chatswood Chase (NSW), initiatives poised to drive future revenue growth by attracting high-profile tenants.

Regional revamps
GPT and Perron Group announced the establishment of a new retail partnership, with GPT acquiring 50% stakes in Belmont Forum and Cockburn Gateway, both in Western Australia, from Perron Group for a total of $479.35 million, securing a 20-year redevelopment plan for Cockburn Gateway.

(#Yields are reported unless stated.)

Latest economic indicators	Latest Date	Current	Trend
GDP*	Dec-24	1.30	▲
CPI*	Dec-24	2.40	▼
RBA Cash Rate Target	Feb-25	4.10	▼
Unemployment Rate	Dec-24	4.10	▼
Monthly Retail Trade	Jan-25	0.30	▲

Source Savills Research / ABS / RBA

*asterisk denotes annual rate, otherwise rate reflects monthly figure

$37.07bn
retail spend
Jan-25* (ABS)

+3.8%
Annual rise in retail trade spending compared to Jan-24* (ABS)

30,500
Retail job vacancies in Dec-24 (ABS)

+14.65%
Annual rise in retail development approvals Dec-24* (ABS)

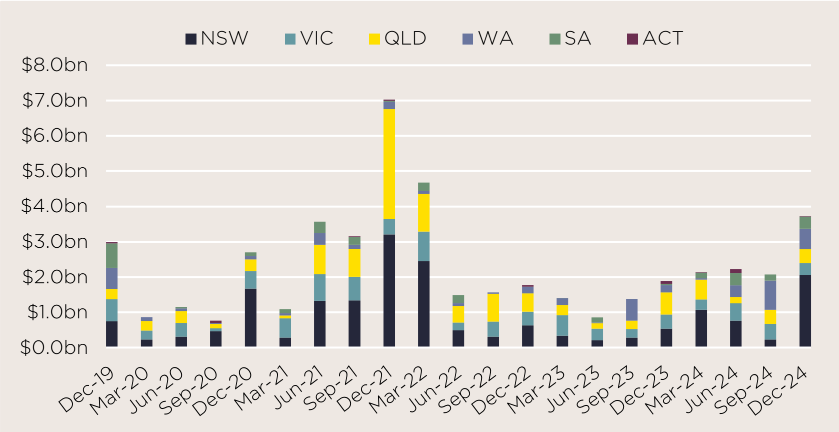
Adelaide Retail
cracks top ten most active markets in 2024, for the first time on record. (MSCI)

Source Savills Research / ABS
(*Seasonally adjusted)

Quarter highlights

Investment activity

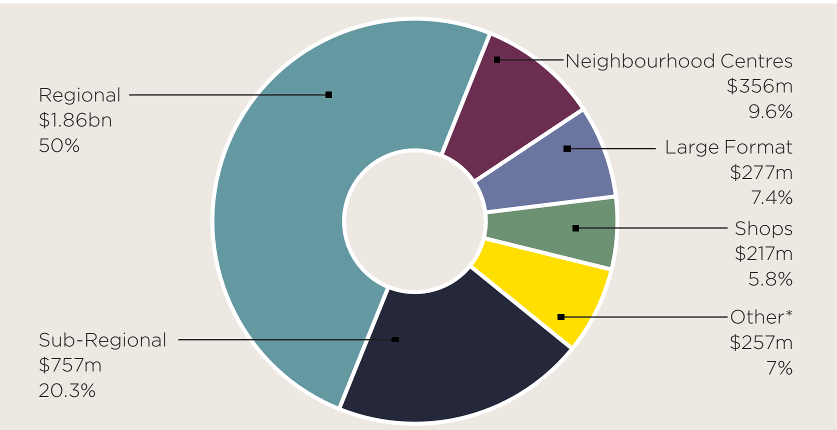
Transaction volumes ($10M+) by state, quarterly to Dec-24



Source Savills Research

Share of investment volumes by centre type

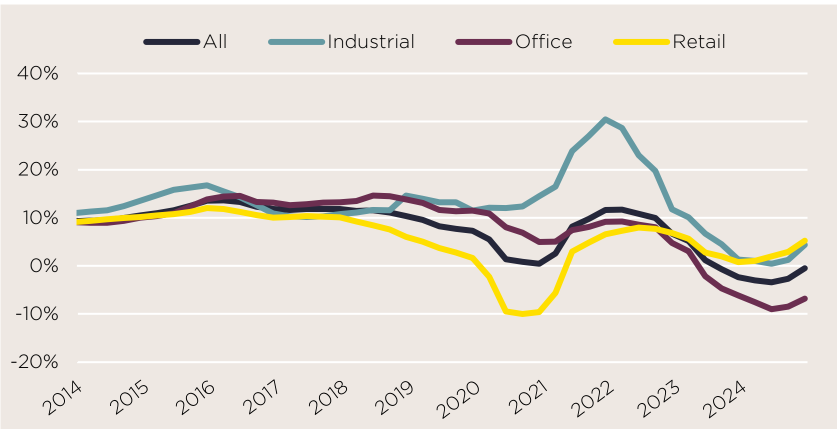
% share of investment volumes by value ($10m+) and centre type, 3-months to Dec-24



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

Retail total returns surpass all other sectors

Total return, rolling annual % change, Q1 2014 – Q4 2024



Source Savills Research / Property Council of Australia / MSCI Real Assets

The Investment Intention Survey is carried out by three regional real estate associations, including the Asian Association for Investors in Non-Listed Real Estate Vehicles (ANREV), European Association for Investors in Non-listed Real Estate Vehicles (INREV) and the Pension Real Estate Association (PREA). The 2025 survey attracted responses from 81 participants globally, of which 76 are institutional investors, and 5 multi managers. Respondents hail from 21 countries. The survey coverage reached more than 1.036 trillion USD of AUM in real estate.

Sub Regional Centres sales lift

After two active quarters with sales totalling c.$772.5 million and $756.9 million, 2024 Sub Regional volumes reached c.$2.4 billion, nearly doubling the volume recorded in 2023. Institutional investors dominated the landscape in 2024, accounting for 35% of the total investment. Meanwhile, syndicates captured 29.6% of the market, which far exceeds the five-year average of 10%, triggered by Fawkner Property, who picked up stakes in three Sub Regional Centres – the most recent being an 85% stake in Figtree Grove Shopping Centre in Wollongong, NSW, for $192 million (on a reported yield of 6.67%) from Paragon REIT (and MA Financial) following an EOI campaign.

Neighbourbood Centres

Neighbourhood Centre investment surged to c.$356.4 million in Q4, marking a 34% increase Q/Q. Over the year, total investment volumes grew by 14% to around $1.5 billion despite a 14% decrease in the average deal size, indicating a shift towards a higher volume of smaller transactions. Developers contributed 14% of the 2024 deals by value—double their long-run average. They targeted low-site coverage assets for opportunistic acquisitions, driven by the rising demand for mixed-use projects in key urban precincts.

In a recent example, Woolworths Coomera East Shopping Centre, QLD, sold for $24 million to a Sydney-based private investor on a reported 5.41% initial yield. Woolworths is on a long-term lease, and the sale price includes an approved 3,887sqm land component designated for mixed-use development.

Other notable deals included the sale of Coles Morwell Shopping Centre (Vic) to a private investor for $23.6 million (6.25% equated market yield), and the sale of Lillybrook Shopping Centre (Qld) to H5 Group for $25.2 million (7.26% equated market yield).

Large Format climbs

Large Format retail investment increased 95% over the quarter to c.$276.9 million, bringing 2024 total volumes to c.$1.0 billion, 66% above 2023 annual volumes. Institutional investors accounted for 67% of deals during 2024, while private investors comprised 29.4% and syndicates just 4%.

Big bets on Big Box

Key transactions included Baring's acquisition of Joondalup Square in WA for $74 million (6.00% equated), and Cosgrove Group's purchase of a HomeCo in Warners Bay, NSW, for $56.5 million (6.82% equated). Additionally, Stirling Property Fund secured McGraths Hill Home Centre in NSW for $55 million (6.08% equated).

Retail returns reign

Income growth emerged as the primary driver as retail property's total return outperformed all other sectors, climbing to 5.2% Y/Y as of December 2024. This reflects easing capital value declines over the year (with a return to capital growth in H2 2024) and relatively strong income returns, according to MSCI.

RECENT KEY TRANSACTIONS

Sales ($10m+)

Property	Centre Type	Price ($m) | Date | GLA	Yield (%) | Type | $/sqm
Westpoint Shopping Centre (NSW)*	Regional	870.35 | Oct-24 | 100,797	6.25 | e | 8,238
Woolworths Coomera East Shopping (QLD)	Neighbourhood	24.0 | Oct-24 | 3,869	5.54 | e | 5,815
HomeCo Warners Bay (NSW)	Large Format	56.5 | Nov-24 | 12,336	6.82 | e | 4,580
Armada Arndale Shopping Centre (SA)	Sub Regional	128.0 | Nov-24 | 24,833	7.75 | r | 3,233
Figtree Grove Shopping Centre (NSW)	Sub Regional	192.0 | Nov-24 | 21,983	6.23 | e | 8,734
Elizabeth City Centre (SA) - 50%	Regional	170.0 | Nov-24 | 80,362	7.52 | e | 4,231
Joondalup Square (WA)	Large Format	74.0 | Nov-24 | 13,215	6.00 | e | 5,599
Woolworths East Warrnambool (VIC)	Neighbourhood	20.1 | Dec-24 | 4,320	5.51 | e | 8,238

Source Savills Research / MSCI Real Capital Analytics; Key Transactions include reported deals that may not have settled
i = Initial, e = Equated, r = Reported
*Westpoint SC sale price reflects aggregate sale price including Kmart DDS , sales analysis has regard to the Westpoint Blacktown site.

RETAIL TRENDS

Retail trade modest rise
Retail trade increased across most states in January 2025, except for a 0.3% decline in NSW. Tasmania led with a 1.1% gain, while WA's retail trade grew by 0.4% for the month, totalling a 5.5% increase over the year—the highest among all states. Food related spending rebounded, with cafes, restaurants, and takeaway services up 1.1% and food retailing rising by 0.7%. Major events like the Australian Open and cricket matches boosted catering spending. The clothing and 'other retailing' categories also saw strong recoveries from December 2024, increasing by 2.0% and 2.4% respectively, with department stores posting a 0.6% increase.

Opportunity knocks
Retail development approvals varied across states. Over the past year, approvals increased significantly in NSW (+35.34%), Victoria (+24.40%), and WA (+21.27%). In contrast, Queensland experienced a decline of 19.62% over the year to December 2024, indicating a potential undersupply in large-scale retail developments. This shortfall is likely to exert upward pressure on the capital values of existing retail assets. The declining trend suggests a looming market imbalance. This could lead to competitive leasing conditions and drive further rental increases as tenants compete for limited retail space, potentially boosting capital growth.

OUTLOOK

Consumer spending is showing signs of recovery, with growth in retail turnover gradually rising since mid-2024. The rebound is expected to continue over the next few years. Deloitte Access Economics is forecasting an acceleration of growth in real household consumption from 0.7% in 2024 to 1.6% in 2025, and 2.2% in 2026.

The ongoing recovery in real household disposable income is expected to underpin stronger growth in consumer spending. Several factors are driving the rebound in household incomes, including moderating inflation pressures coupled with wage growth outpacing inflation, the shift to lower interest rates, and cost of living relief. Stronger growth in household disposable income is expected to boost consumer spending, providing a positive backdrop for the retail sector following a challenging 2024.

Further RBA rate cuts (financial market pricing implies the potential for another two or three 25bps cuts this year), and the possibility of additional cost of living relief measures in the lead up to the next federal election are likely to amplify the boost to household incomes and further support consumer spending.

As retailers grapple with store availability shortages and rising occupancy costs, opportunities for value-add investments and redevelopment projects are expected to rise. Additionally, mixed-use developments are gaining popularity, with ongoing acquisitions focused on value-add strategies in last-mile and urban centres anticipated in 2025.

Institutional investors are re-entering the retail sector, significantly boosting sales of Regional and Sub-Regional assets, drawn by stabilised yields and income growth. This trend is poised to sustain the momentum initiated in late 2024. Buy-side activity in Neighbourhood Centres and Large Format retail is expected to be led by private investors, with increasing participation from select institutions as the year progresses.

Savills Research team

Please contact us for further information

Katy Dean
Head of Research
+61 435 964 886
kadean@savills.com.au

Chris Naughtin
National Director
+61 425 719 877
chris.naughtin@savills.com.au

Barbara Cocca
Research Analyst
+61 458 644 129
barbara.cocca@savills.com.au

savills