MARKET OVERVIEW

1. MACROECONOMIC OVERVIEW

1.1. GLOBAL ECONOMIC SITUATION

The global economy continues to navigate major headwinds

The global economy continues to be weighed by a slowdown in major economies and geopolitical tensions including the ongoing Russia-Ukraine and Israel-Hamas conflicts.

Inflationary pressures eased in 2023 due to high interest rates which is expected to remain high in the near term. While inflation may support net property income growth, this may slow as inflation eases.

Uncertain macroeconomic conditions, increased financing and higher capital costs have contributed to less attractive yield spreads for investors, with trading volume remaining subdued compared to pre-pandemic levels.

1.2. SINGAPORE ECONOMIC OVERVIEW

Singapore's economic growth moderated and inflation eased in 2023

Singapore's economy grew by 1.1% year-on-year ("y-o-y") in 2023, moderating from the 3.8% growth in 2022, mainly supported by the collective growth in the services and construction sectors.

The Consumer Price Index increased by 4.8% y-o-y in 2023, down from 6.1% in 2022. Moderating supply chain frictions, global energy and commodity price pressures, together with easing inflation in major trading partners have cooled overall inflationary pressures.

Singapore's population grew by 5.0% y-o-y to 5.9 million in 2023. The median annual household income (including CPF contributions) in nominal terms grew by 7.6% to S$130,428 in 2023. The overall unemployment rate stood at 1.9%, 0.2 percentage point ("pp") lower y-o-y.[1]

In 2023, total retail sales (excluding motor vehicles) recorded near S$42.8 billion, up by 2.1% y-o-y. The Retail Sales Index (excluding motor vehicles) rose by 0.6% y-o-y while the Food & Beverage ("F&B") Index rose by 2.5% y-o-y.[2]

1.3. TOURISM

Singapore's tourism market recovered strongly with the steady return of Chinese tourists

Singapore's international visitor arrivals recorded 13.6 million in 2023, about 71.2% of that in 2019 and within the Singapore Tourism Board ("STB")'s forecast of 12.0 to 14.0 million visitor arrivals. Demand was led by top source markets of Indonesia, China, and Malaysia, which made up 16.9%, 10.0%, and 8.0% of the total visitor arrivals respectively. Total tourism receipts are expected to reach S$24.5 to S$26.0 billion in 2023, about 88.5% to 93.9% of 2019's tourism receipts and above STB's forecast of S$18.0 to S$21.0 billion for 2023.[3]

Post-COVID-19, visitors are staying in Singapore for longer on average, increasing from 3.4 days in 2019 to 3.8 days in 2023. Indonesia overtook China as the top source market of visitor arrivals for the first time since 2020. Chinese visitor arrivals have been steadily recovering since the reopening of China in early 2023, recording near 1.4 million visitors in 2023 which is 37.6% of that in 2019 and 1042.2% of that in 2022.

STB has unveiled its "Made in Singapore" global campaign in September 2023 to inspire travels to Singapore by rolling out experiences that are quintessentially Singapore, new, and innovative for travellers. STB has also stepped up its efforts in positioning Singapore as the leading entertainment destination in Asia, working with event organisers to develop a strong and exclusive pipeline of live entertainment acts which has garnered immense interest from visitors in the region. This will in turn stimulate tourist spending and boost Singapore's hospitality and F&B sectors.

Aligned with STB's expectation for tourism to recover to pre-pandemic levels by 2024, retail footfall and sales are expected to benefit strongly, particularly in tourist-centric submarkets such as Orchard where Paragon is located at.

2. SINGAPORE RETAIL MARKET

2.1. RETAIL MARKET OVERVIEW

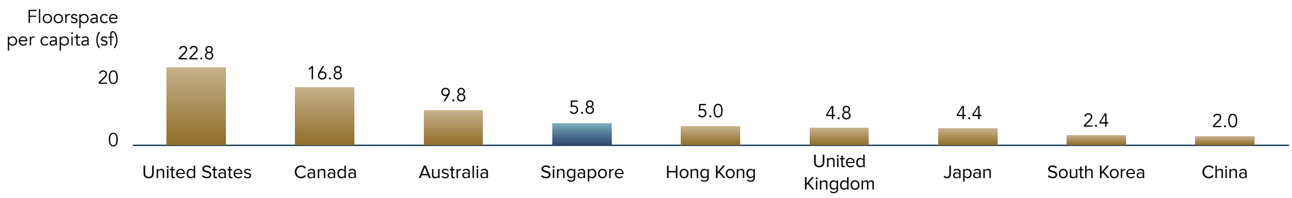
Retail Supply

Limited upcoming retail supply against historical levels

Singapore's total island-wide retail stock stood at 67.5 million square feet ("sf") as at 4Q 2023, about 74.3% of it is private retail stock. Private retail stock in Orchard makes up about 14.4% of the island-wide private retail stock at 7.2 million sf. Approximately 42.1 million sf of the retail space in Singapore is owned by developers and REITs.

1 Based on preliminary estimates from the Ministry of Manpower.
2 Annual indexes calculated based on the average of monthly indexes in chained volume terms.
3 Based on preliminary estimates from the Singapore Tourism Board.

SHOPPING MALL FLOORSPACE PER CAPITA OF DEVELOPED COUNTRIES (2023)

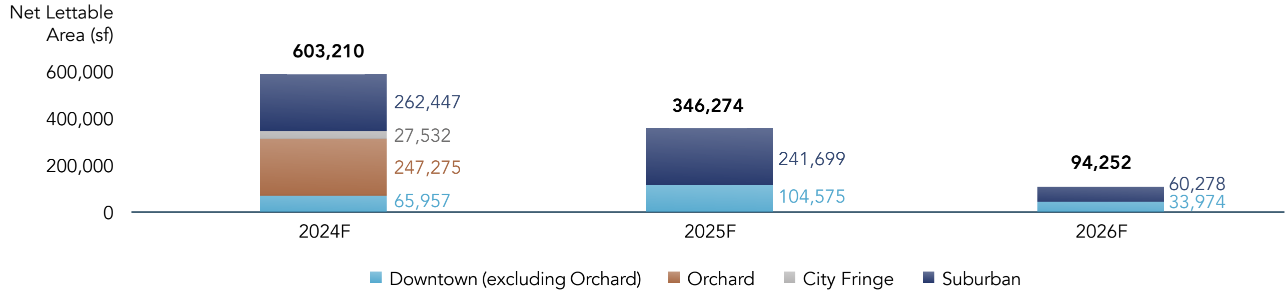


Source: Colliers

Approximately 1.0 million sf of retail space is anticipated to be delivered island-wide from 2024 to 2026, averaging near 348,000 sf per year of upcoming new supply, which is lower than the five-year average of about 489,000 sf per year from 2019 to 2023.

Upcoming retail supply include the asset enhancements of Grand Hyatt Hotel and The Cathay in Orchard, retail space in Pasir Ris Mall and Punggol Digital District in the Suburban submarket. The upcoming supply are not expected to directly compete with PARAGON REIT's portfolio.

FUTURE RETAIL SUPPLY (2024 TO 2026)



Source: URA, Colliers

Retail Demand and Occupancy

Orchard retail demand outstripped net new supply in 2023

Demand for retail space outstripped the net new supply available in the Orchard submarket by about 67,700 sf, while that fell short in the Suburban submarket by 53,000 sf, in 2023. The five-year average demand for Orchard was about -69,000 sf and for Suburban was 233,700 sf, versus the net new supply of about -12,900 sf for Orchard and 38,800 sf for Suburban.

Island-wide retail occupancy increased by 0.6 pp y-o-y to 93.5% as at 4Q 2023; Orchard retail occupancy rate improved by 0.8 pp y-o-y to 91.0% while Suburban retail occupancy rate observed a slight dip of 0.2 pp y-o-y to 95.8%.

Retail Rents

Island-wide retail rents increased in 2023

Island-wide average retail rents not limited to those in malls increased by 21.3% y-o-y to S$15.00 per square foot per month ("psf pm") as at 4Q 2023, the highest since 4Q 2013. Orchard prime retail rents increased by 4.7% y-o-y to S$39.51 psf pm, while Suburban prime retail rents in regional centres increased by 7.0% y-o-y to S$33.06 psf pm.[4] Retail rents are expected to continue to pick up for both the Orchard and Suburban submarkets on the back of steady recovery in tourists arrivals and resilience of a strong catchment population respectively, which would bode well for PARAGON REIT's portfolio.

4 Source: Colliers. Orchard and Suburban prime retail rents refer to average retail rent of units with high footfall or main street frontage in a selected basket of prime retail malls tracked by Colliers in the Orchard and Suburban (Regional Centres) submarkets respectively. Regional centres refer to suburban malls in key regional centres such as the North (Woodlands), East (Tampines) and West (Jurong East).

MARKET OVERVIEW

2.2. ASSETS CATCHMENT ANALYSIS

Paragon

Paragon is expected to benefit from the strong recovery of tourism

Paragon is located in the Orchard retail submarket which has about 41 retail developments. Paragon serves approximately 1,200 residents in the Orchard Planning Area (primary catchment) and near another 21,300 residents in the Newton and River Valley Planning Areas (secondary catchment). Footfall to Paragon is also supported by tourists in the Orchard retail submarket, which has shown robust recovery in 2023.

The Clementi Mall

The Clementi Mall is supported by an increasing residential population catchment

The Clementi Mall serves approximately 98,000 residents in the Clementi Planning Area (primary catchment) and another 182,000 residents in the Bukit Timah and Queenstown Planning Areas (secondary catchment). There are approximately 1,300 new residential units in the pipeline as at 4Q 2023, translating to an expected increase in residential population by about 4,000 over the next three years in the primary catchment. The student population is estimated at near 100,000 in the primary catchment.

The Rail Mall

Accessibility enhancement near the Rail Corridor to benefit footfall to The Rail Mall

The Rail Mall serves near 308,000 residents in the Bukit Batok and Bukit Panjang Planning Areas, 18.6% of the catchment lives in private residential properties. There are approximately 1,205 new residential units in the pipeline as at 4Q 2023, translating to an expected increase in residential population by about 3,600 over the next three years. The student population is estimated at near 35,000 in the catchment.

Asset enhancement of the walking trail between Kranji and Hillview MRT stations in the Rail Corridor was completed and opened to visitors in February 2023.[5] The existing pedestrian overhead bridge on Upper Bukit Timah Road has been extended with a connector that links the Hillview node of the Rail Corridor to The Rail Mall, the increased convenience and direct accessibility will benefit footfall to The Rail Mall.

2.3. INVESTMENT MARKET FOR RETAIL ASSETS

S$6.3 billion worth of retail assets transacted in 2023

The total value of retail asset transaction recorded near S$6.3 billion in 2023. Key transactions include the divestment of Jurong Point for near S$2.0 billion and the en-bloc sale of Far East Shopping Centre (office and retail) for S$908 million. As at 4Q 2023, average prime retail capital values for Orchard and Suburban increased by 1.7% y-o-y to S$3,563 psf and S$2,857 psf respectively.[6] Prime retail rental yields rose slightly by 0.2 pp and 0.1 pp y-o-y to 4.5% and 4.9% in the Orchard and Suburban submarkets respectively.[7]

2.4. RETAIL TRENDS AND MARKET OUTLOOK

Online retail sales accounted for 14.4% of total retail sales in 2023. Economic recovery, tourism, entertainment events, and a resilient domestic consumer market to strengthen Singapore's retail sector growth

Retail malls have evolved to incorporate more experiential retail elements, technology platforms and digital uses, as well as activity-based and F&B offerings to generate physical visits.

The increased adoption of work-from-home will continue to benefit footfall and retail sales of malls located near residential estates as more people choose to dine, shop, or opt for food deliveries near their homes.

Existing inflationary pressures, manpower shortages and the 1 January 2024 Goods and Services Tax rate hike are expected to provide challenges to the retail sector. However, modest economic growth and high household disposable incomes are expected to provide some support.

The continued recovery in tourism, especially with the increasing return of Chinese tourists, and the strong pipeline of live entertainment acts and events are expected to support footfall, demand for retail space and improve occupancy levels, particularly in the tourist-centric Orchard submarket where Paragon is located. Suburban malls including The Clementi Mall and The Rail Mall are expected to continue to be supported by strong domestic catchment population.

Coupled with the limited upcoming supply, retail rents are expected to continue its upward trajectory.

5 The asset enhancements include the construction of new pedestrian bridges, safer walking trail completed with grass-and-gravel finish, and access paths to connect the Rail Corridor to residential estates, neighbourhoods, and park connector.

6 Source: Colliers. Average prime retail capital values are based on S$ psf net lettable area and have taken into account the remaining lease tenures of retail assets.

7 Source: Colliers.

3. SINGAPORE MEDICAL SUITE MARKET

3.1. INDUSTRY TRENDS

Singapore's healthcare market shifting towards digitalisation and preventive healthcare

Singapore is recognised as one of the top established medical tourism markets in the region, with an estimated market value of S$25.8 billion and hosting about 500,000 medical tourists annually prior to the COVID-19 pandemic.

Following the reopening of borders in February 2023, medical tourist arrivals to Singapore have generally recovered, albeit reportedly at lower than pre-pandemic levels.

The COVID-19 pandemic has also accelerated the demand for digitalised healthcare services including tele-consultations and tele-medicine. Healthcare providers are increasingly working with solution providers to innovate healthcare services, such as the utilisation of vending machines for medication prescriptions.

Singapore's government is shifting its focus towards preventive healthcare, including rolling out of its new preventive care strategy "Healthier SG" and STB's focus on wellness as a key tourism offering in the next five to ten years.

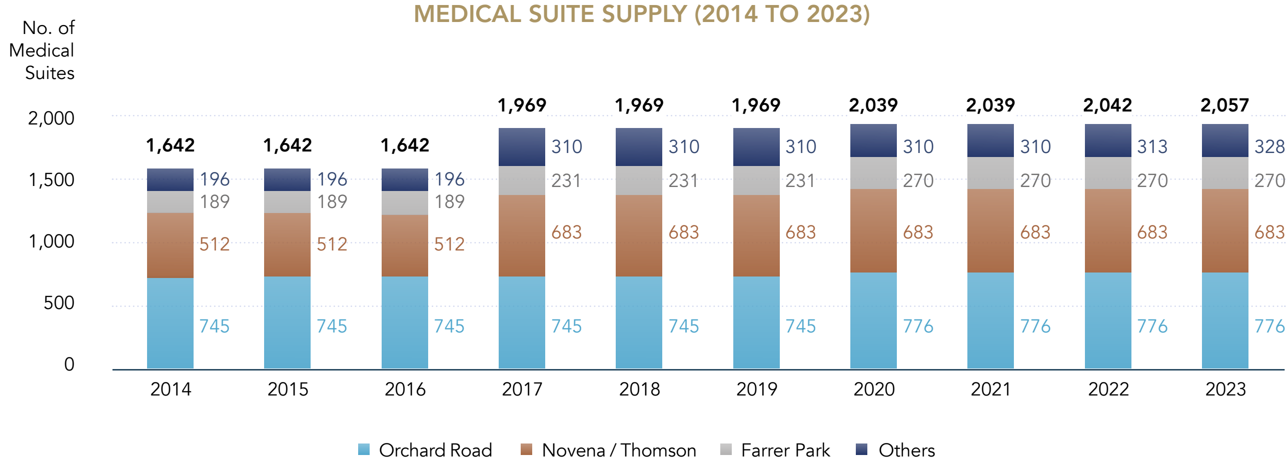
These government initiatives are expected to boost Singapore's healthcare industry as more will be encouraged and prompted to seek regular medical services for positive health outcomes.

3.2. SUPPLY

No new medical suite supply

As at 4Q 2023, Singapore's total island-wide medical suite stock stood at 2,057 units. 37.7% of the stock is located in Orchard, followed by 33.2% in Novena/Thomson, and 13.1% in Farrer Park. There is no known new supply of medical suites in the pipeline over the next few years.

MEDICAL SUITE SUPPLY (2014 TO 2023)



Source: Colliers

3.3. DEMAND AND RENTS

Medical suites demand remains resilient, rents increased in 2023

Medical suites remain a resilient asset class in Singapore, backed by robust demand from both domestic and foreign patients and overall no known new supply in the market.

As at 4Q 2023, the asking monthly gross rents for medical suites island-wide have increased on the back of return of medical tourists and overall tight supply.

Asking monthly gross rents in Orchard, Novena/Thomson, and Farrer Park were approximately S$15.61 psf pm, S$12.22 psf pm, and S$7.25 psf pm respectively. The Orchard submarket commands the highest rents due to its prime location close to a top private hospital, and a wide range of retail and hospitality offerings in its vicinity. Rents in Novena/Thomson and Farrer Park have picked up pace over the past few years, driven by the new medical suites.

3.4. MARKET OUTLOOK

Singapore will remain as a key market for high-end, quality medical services

Singapore's shift in demographics towards an ageing population and the projected rise in income levels in Singapore and the region, are expected to generate good demand for high-quality medical services in Singapore.

Singapore faces growing competition from the region, especially from Malaysia and Thailand, due to the cost-competitiveness and increasing standards of medical services provided in regional competing hubs. Despite so, Singapore is expected to remain as the key destination for medical tourism in Asia, particularly for high-end medical services with complex procedures.

Prime medical suite assets including Paragon are expected to continue to benefit from the demand from high-end medical tourist visitors. Coupled with tight supply in the market, rents for medical suites are expected to continue to grow in the coming year at a rate of 1.5% y-o-y.[8]

4. AUSTRALIA MARKET OVERVIEW

4.1. ECONOMIC OVERVIEW

Inflation moderating, but aggressive monetary policy creating headwinds

Australia's economy grew by near 0.2% in 3Q 2023, a marginal decrease of 0.2 pp from 2Q 2023 and mainly supported by exports and public investment, while household spending remained subdued.

CPI slowed to 4.1% y-o-y in 2023, continuing the downward trajectory since its peak of 7.8% in 4Q 2022. Inflation for goods continued to decline while that for services remained high.

Australia's population grew by 2.4% to 26.6 million as of June 2023. The median annual household income in nominal terms grew by 3.8% to A$72,810 as of May 2023. As of 4Q 2023, the overall unemployment rate stood at near 3.8%. The total national retail sales recorded near A$425 billion in 2023, up by 3.3% y-o-y as a rising population base and low levels of unemployment has supported resiliency in Australian retail spending.

The Reserve Bank of Australia has undertaken an aggressive approach to taming inflation, raising the cash rate +425 basis points to 4.35% since May 2022 to curb inflationary pressures.

Australia has a high predominance of variable-rate home loan mortgages, and therefore rising interest rates are a more powerful tool in the context of monetary policy to control disposable incomes. The household savings rate has dropped to 1.1% in December 2023, down from a high of 23.6% in December 2020.

4.2. EMERGING RETAIL TRENDS

Experiential and essential retail drive discretionary spend in malls

Retail spending throughout the economy has remained strong in the wake of the restrictions imposed during the pandemic, with pent up demand driving above average retail spending. Retail spending volumes are currently circa 29% above the pre-pandemic trendline, with consumers demanding physical retail experiences. This has seen landlords dedicate up to 40% of Gross Lettable Area ("GLA") towards an experience-based retail offering throughout iconic retail assets. It is expected that in the face of cost of living pressures experienced throughout the economy that consumer spending will moderate to more sustainable levels throughout 2024.

Online retail sales in Australia represents 10.6% of the total national retail turnover as of December 2023. This is comparatively below other advanced economies such as the United Kingdom (25.0%), United States (15.4%) and China (27.2%).

Online as a proportion of total retail sales in Australia reached a peak of 15.3% in September 2021, during a period of widespread lockdowns throughout the country. Online retailing has failed to re-emerge to those levels as online fatigue remains at the forefront

8 Source: Colliers.

for consumers. In contrast to other overseas markets, the online experience continues to be hamstrung by inefficiencies in the supply chain; with slow speed of delivery to consumers as compared to markets such as the United States and United Kingdom where same day delivery is more commonplace. Given the tight nature of the Australian industrial and logistics market, the ability of e-commerce platforms to improve delivery capabilities in the short-term face significant headwinds, especially when considering the vast geographic distances between Australia's major cities.

Nonetheless Australian retail fundamentally differs from overseas retail markets in that supermarkets tend to anchor centres, with up to 15% of GLA dedicated to fresh food offerings. This leads to increased visitation frequency and utilises non-discretionary retail to drive the discretionary spending within shopping centres.

4.3. ASSETS CATCHMENT ANALYSIS

Westfield Marion

The catchment area of Westfield Marion boasts an income level surpassing the state average

Westfield Marion ("WM") has a total trade area population within 3km trade population of 61,754 people, and 5km trade population of 121,756 people as of 2023. There is a population growth of 2.7% expected within 5km of the centre by 2031. The Marion Local Government Area ("LGA") currently has 94,721 residents and is expected to grow by 9.6% over the next 10 years.

The median annual household income within the 5km trade catchment is A$96,608 per annum, which is 3.9% above the South Australian ("SA") state average of A$92,941. The 5km catchment has an annual retail spend per capita of A$16,005 per person, which is 2.8% above the SA average of A$15,565 per person. This is driven by a higher annual spend for apparel and leisure retail goods which sit 7.3% and 3.4% higher than the SA state average respectively.

The region has three public hospitals providing 687 beds, with nearby Noarlunga Hospital expected to increase capacity from 48 beds to 140 beds.

Flinders University is the closest university to WM and is the third largest university for enrolments in the state.

Alternative shopping destinations to WM are Westfield Tea Tree Plaza, Westfield West Lakes and Colonnades. Burnside Village and the Adelaide Central Business District (Rundle Mall precinct) are also alternative shopping destinations, particularly for fashion. By 2025, Burnside Village is scheduled to add an additional 222,662 sf of floorspace, including an enhanced luxury and dining offering. This is expected to bring about increased competition for WM's fashion trade category. However, the improved fashion offerings at Burnside Village is expected to have a more negative impact on the retail offerings in the CBD, as compared to WM.

Figtree Grove Shopping Centre

Figtree Grove Shopping Centre is well positioned to capture above average retail spending within the catchment

Figtree Grove Shopping Centre ("FTG") has a total trade area population within 3km trade population of 43,461 people, and 5km trade population of 85,168 people as of 2023. Anticipated population growth of 5.1% within a 5km radius of the centre by 2031 directly contributes to the expansion of the primary consumer base for the centre. The broader Wollongong LGA currently has 214,564 residents and is expected to grow by 11.6% over the next 10 years.

The median annual household income within the 5km trade catchment is A$103,511 per annum, which is 5.7% below the New South Wales ("NSW") state average of A$109,794. The 5km catchment has an annual retail spend per capita of A$15,383 per person, which is 1.8% above the NSW average of A$15,115 per person. This is driven by a higher annual spend per person for non-discretionary items such as food and groceries, which accounts for 39.4% of all retail spending per person.

The region has six hospitals providing 910 beds and features the Wollongong University which is the sixth largest university for enrolments in the state.

The key competition for FTG include Wollongong Central and Warrawong Plaza. Nonetheless, considering the nature of FTG as a convenience-based centre, competition is restricted to the allure of supermarkets and proximity to customers' travel routes. FTG stands out by providing convenient on-grade parking and hosting the sole Kmart store in the Wollongong area.

Both WM and FTG are largely dependent on their local catchments, less reliant on the tourism market and are therefore largely unimpacted by tourism.

MARKET OVERVIEW

4.4. RETAIL MARKET OVERVIEW[9]

Retail Supply

Australian retail is trending towards undersupply in the face of robust population growth and a diminished supply pipeline

Australia's new retail supply remains well below historical levels, which is currently 59.8% below 2019 levels. Many projects have been deferred or pushed out due to rising construction costs, with shopping centre construction costs increasing from 2019 to 2023 by 26.6% in Adelaide and 17.3% in Sydney.

The Australian retail market historically has had a low level supply of retail floorspace per capita with 9.8 sf per capita, which is well below that of the United States of 22.8 sf per capita.

Adelaide currently has the lowest level of regional shopping centre floorspace per capita of any of Australia's capital cities at 1.9 sf per capita. With population growth and limited new supply, existing retail assets are expected to benefit from increased sales density (sales psf) which will support rental growth in line with more sustainable occupancy costs.

The Wollongong retail market has seen limited new supply to market, with the shopping centre market seeing limited new opportunities for shopping centre development. New supply to market has been limited to mixed use schemes that involve limited retail offerings.

Demand, Vacancy and Net Absorption

Australian occupancy levels continue to show resilience, maintaining strong levels

Retail in Australia continues to maintain high occupancy levels, which stood at 98.6% as of June 2023. Demand for retail space remains strong, especially for prime locations, non-discretionary and services based retail.

The supply of new retail space in both the Wollongong and Adelaide markets continues to be limited. Wollongong is projected to witness a modest addition of 87,564 sf of shopping centre space by 2025. Similarly, Adelaide is forecasted to experience an additional 368,760 sf of retail space during the same period.

Retail sales in New South Wales increased by 3.0% y-o-y to near A$133.5 billion in 2023. In comparison, sales in South Australia have grown by 5.3% y-o-y to near A$27.5 billion. The national average for retail sales growth during this period stands at 3.3% y-o-y.

Retail Rents

Retail rents have shown positive momentum through 2023, supported by strong sales growth and footfall

National average gross face rents recorded quarterly growth in 4Q 2023 of 0.2% for regional centres and remained flat for sub-regionals.

Leasing spreads on renewals averaged 3.2% and total leasing spreads grew at 2.3% nationally in the year to 30 June 2023.[10] This is the first time on record that positive spreads have been recorded by all tracked retail REITs through a reporting season; showing the positive leasing momentum that has permeated through the Australian retail market.

Average gross face rents moderated during the pandemic years, as mandatory closures to shopping centres negatively impacted the sector. However, rental growth following this period has been supported by strong retail sales spending.

The average gross face rents for sub-regional centres in Sydney have demonstrated y-o-y growth of 0.8% as of December 2023 to A$8.19 psf pm, the first growth observed since December 2021.

As of December 2023, regional centres in Adelaide have experienced a y-o-y average gross face rental growth of 1.1% to A$9.86 psf pm.

Incentives within the retail market have generally maintained stability, attributed to the filling of residual vacancies during the pandemic. Low vacancy rates in both sub-regional and regional centres exert downward pressure on incentives. The average incentives for regional centres in Adelaide and Sydney sub-regional centres are 24% and 25% respectively.

4.5. INVESTMENT MARKET FOR RETAIL ASSETS

The macroeconomic environment and the cost of capital has led to a moderation in transaction activity

The prevailing trend of escalating interest rates significantly weighed on transaction volumes in 2023. Throughout 2023 investors adopted a cautious stance opting to wait for more clarity on the macroeconomic outlook before making significant moves. Valuations softened as discount rates increased on the back of higher interest rates. Hurdle rates also increased that necessitated cap rate expansions.

9 Source (retail supply, floorspace per capita, occupancy, average gross face rents, average incentives, transactions, and yields): Colliers.
10 Total leasing spreads comprise of the spread for lease renewals and the spread for new leases, based on the renewed first year's gross passing rent against the previous year's gross passing rent; the tenant may not be the same.

Following a record year of investments in 2021, investment activity moderated in 2023. Retail transaction volume recorded near A$6.3 billion in 2023, a 4.3% decrease y-o-y and remained 21.3% below the 10-year average. Most of the deals transacted were below book value.

Transactions of sub-regional centres remained buoyant throughout 2023, with a total of 10 centres transacted for a total value of A$1.3 billion in 2023. Regional centres transactions were the most active in the Australian retail sector, with a total of 9 centres transacted for a total value of near A$2.3 billion.

The average retail yields for sub-regional centres in Sydney increased by 0.4 pp y-o-y to 6.8%, while that for regional centres in Adelaide increased by 0.1 pp y-o-y to 6.1%, as of December 2023.

In the face of the macroeconomic pressures of rising inflation and interest rates, the Australian retail sector has proved to be highly resilient and continues to pose an attractive long term defensive investment proposition driven by long leases to high quality tenants.

Whilst inflation has potentially peaked, and more certainty has been formed around the cash rate; market activity is starting to gain traction as we head into 2024. The retail sector continues to show strong fundamentals through the cycle, leaving shopping centres well placed for future years.

4.6. RETAIL MARKET OUTLOOK

The Australian retail market continues to show strong fundamentals, despite wider economic headwinds

Australia retail malls maintain their strength through solid asset fundamentals, being anchored by high-performing supermarkets and everyday needs retail, which not only supports discretionary spending but also enhances visitation frequency.

Retail centres in Australia typically benefit from their strategic locations in strong residential catchments, often supported by robust transport and infrastructure networks.

Australia stands out among advanced economies globally with some of the strongest population growth prospects, Australia's population is forecasted to increase by 15.0% in the next eight years to 2032. Cities like Wollongong and Adelaide are expected to experience significant population growth, with eight-year population growth forecasts indicating a growth of 11.6% for Wollongong and 9.6% for Adelaide, respectively.

The retail development pipeline and scarcity of available sites in most major cities will see existing retail assets benefit from increasing catchments.

Prime retail valuations within the Australian market are tracking down by 10.9% from peak values seen in 2018. They however have remained broadly stable throughout 2023 with organic income growth offsetting any value erosion as a result of yield expansion.[11]

From 1 July 2024, the Stage 3 income tax legislation will come into effect, which will see more than 95% of taxpayers paying a marginal tax rate of 30% or less. The proposed Stage 3 tax cuts and the easing of interest rates combined effect, could stimulate consumer spending and contribute positively to the retail landscape.

Throughout 2023, Australian retailers showcased their adaptability, being 'match fit' in competition with e-commerce. There is an ongoing shift back to omni-channel methods of distribution as the industrial market faces constraints in easing delivery methods. This underscores the resilience and agility of the Australian retail sector in navigating challenges and adjusting strategies to meet evolving consumer demands.

The Australian retail market stands to gain from structural tailwinds in the form of existing high occupancy levels, population growth and an anticipated undersupply of retail space. This is expected to enhance existing retail assets through heightened sales density and continued rental growth. The 2024 expected y-o-y rental growth is 0.8% for Sydney sub-regional centres and 1.1% for Adelaide regional centres.[12]

Colliers
23 February 2024

11 Source: Colliers.
12 Source: Colliers.