WESTERN SYDNEY INSIGHTS

NSW Retail

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NSW Retail

Executive Summary

NSW retail enters the second half of 2026 with household spending holding its most stable pattern in years.

Population growth is accelerating in Western Sydney specifically, and investor appetite is returning across every corner of the sector, even as three interest rate rises and inflation still above target introduce real caution into how far that momentum can run. Retail's underlying demand story hasn't changed. NSW's population continues to grow and Western Sydney is absorbing the bulk of it, adding residents at more than double the state's overall rate. That growth is landing in a market where new retail supply, across every format, isn't keeping pace.

RETAIL CENTRES

NSW shopping centre transactions reached $4.36 billion in 2025/26, up 29.8% and the second strongest year in a decade, with private buyers backing convenience anchored neighbourhood centres and institutions and trusts, including offshore capital, returning to larger regional and sub-regional assets. Yields have compressed to their tightest range in a decade and returns across both centre types have fully recovered from the negative results of 2023. Supply remains the constraint, with just 2 of 36 pipeline projects under construction against a glut of DA approved projects.

LARGE FORMAT RETAIL

LFR transaction volume rose 66.8% to $386.1 million across NSW, though these assets remain tightly held and rarely trade. Net face rents have climbed 24.3% over the past three years to average $690/sqm across NSW and returns are tracking back toward double digits. Western Sydney's growth corridors, led by the Hills Shire, Cumberland and Camden, carry more than 60% of the state's entire LFR new supply pipeline.

QUICK SERVICE RESTAURANTS

QSR transaction volume fell 33.1% to $124.99 million across the state, a supply story rather than a demand one, with yields tightening to as low as 3.20% as tenant demand continues to increase as the cost of living pressure pushes more consumers toward fast food. Unlike the other retail formats, QSR's pipeline leans regional, spread across highway towns and service corridors rather than concentrated in Sydney's growth areas.

RETAIL STRIPS

NSW retail strip transactions totalled $1.46 billion, the steadiest of the retail formats at the aggregate level, though yields range from 2.90% to 10% depending on location, age and tenant quality. This remains the highest-risk, most management-intensive corner of the market, and the one most likely to see a new wave of private buyers as negative gearing changes redirect capital toward commercial alternatives.

Across all four retail types, the same tension defines the year ahead: population growth and consumer demand isn't slowing, against a supply pipeline that consistently struggles to convert approvals into delivered stock.

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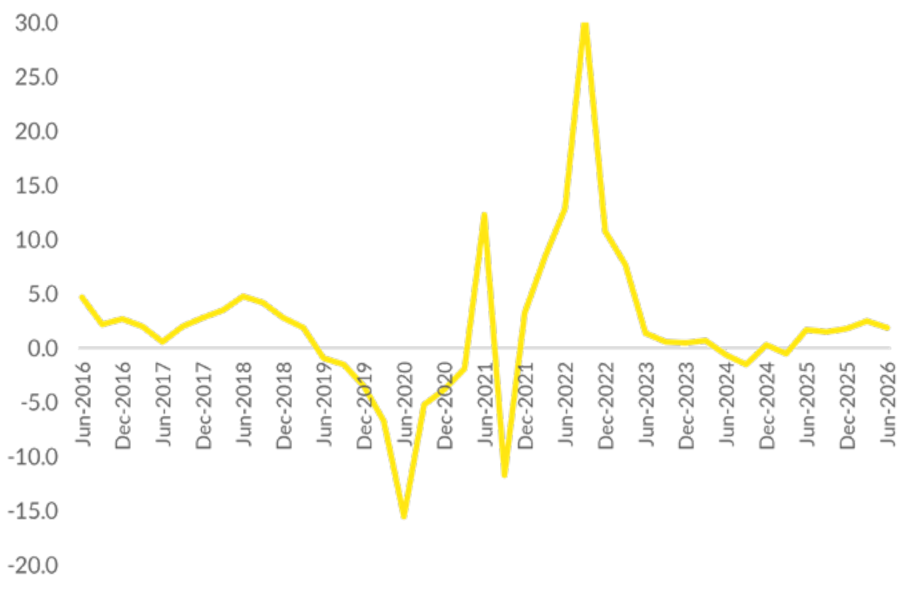
Spending Growth ***Steadies***

NSW HOUSEHOLD SPENDING
QUARTERLY CHANGE



SOURCE: ABS

NSW household spending grew 1.9% through the year to June 2026, down from 2.5% in March but still the fifth straight quarter sitting between 1.5% and 2.5%. It's the most consistent series of results seen since before the pandemic.

Spending collapsed 15.5% in mid 2020, then swung to a 30.7% spike in late 2022. Both extremes have now washed out of the annual comparison.

Growth was negative for most of 2024, dipping to -1.5% in September that year, before turning positive again from December 2024 onward.

The past five quarters have all landed under 3%, a level of consistency the data hasn't shown since 2017/18.

Rate cuts through 2025 supported the recovery in spending, but three rate rises in 2026 and inflation still sitting above the 2-3% target band introduce a new layer of caution into how far the growth can go.

Population growth across NSW and notably in Western Sydney, points to an underlying appetite for retail that isn't fading.

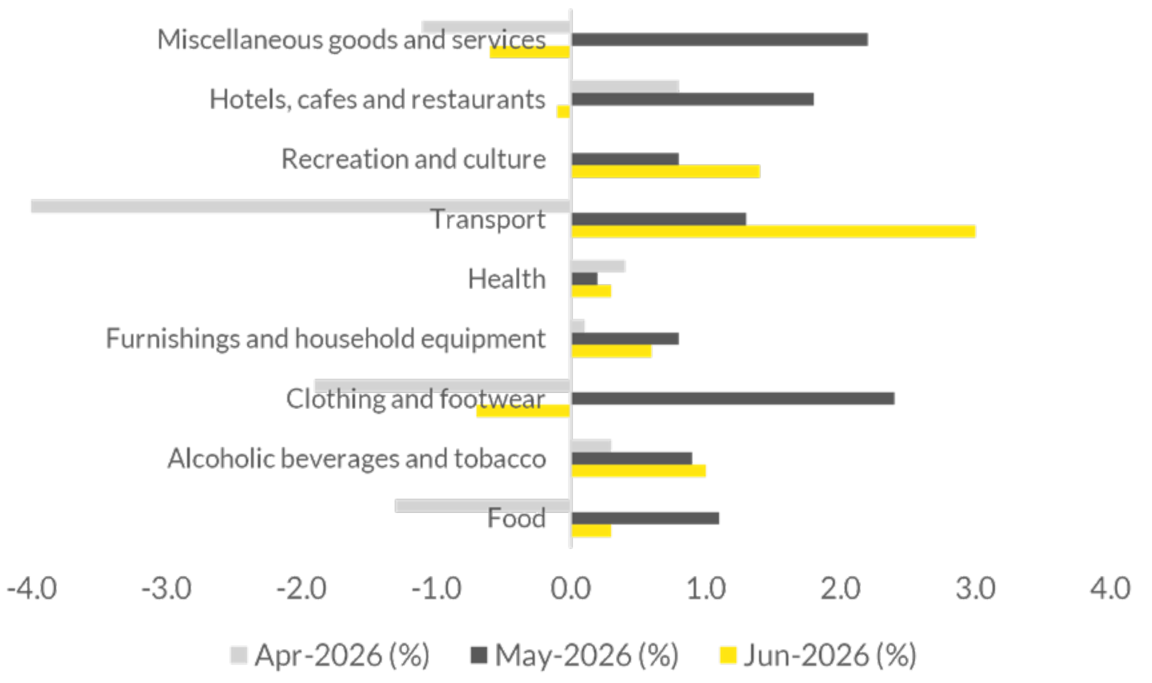
Despite years of predictions that online trade would erode the need for physical retail, a growing consumer base means that ongoing supply of retail stock and retail operators will not dissipate.

> **Five quarters in a row between 1.5% and 2.5% growth, after years of double-digit swings, shows household spending settling into a genuinely stable pattern.**

Recreation, Alcohol And Furniture *Spending Up*

HOUSEHOLD EXPENDITURE BY INDUSTRY

MONTHLY CHANGE



SOURCE: ABS

Transport spending rose 3.0% in June with fuel prices remaining a key consideration for consumers. Recreation and culture added a further 1.4%, building on gains through May. Everything discretionary however, is showing more uncertainty.

Clothing and footwear fell 0.7% in June, giving back most of May's 2.4% jump.

Hotels, cafes and restaurants slipped 0.1%, following a strong 1.8% May as consumers tighten their belts.

Miscellaneous goods and services dropped 0.6%, its second decline in three months

Furnishings and household equipment held up better, up 0.6% in June and positive across all three months despite the housing market showing some subdued results.

Food and alcoholic beverages both posted small, steady monthly gains throughout the quarter, as is typical of essential categories.

With three rate rises now behind households in 2026 and inflation still above target, the swing between categories each month appears like consumers are picking their moments to spend on discretionary items rather than committing to sustained increases.

The pattern is consistent with what's been playing out across the sector all year: essential and needs-based categories tick along steadily, while discretionary spend swings from one month to the next depending on where consumers feel they can afford to loosen up.

Unemployment Creeping Up Across the State

NSW UNEMPLOYMENT RATE

SOURCE: ABS

NSW unemployment sat at 4.0% in June 2026, down from 4.4% in April and back near where it started the year.

The rate has now moved in a narrow 3.8% to 4.4% band since early 2024, well above the cycle low of 3.0% recorded in late 2022 but nowhere near the 5%-plus levels considered normal before 2020.

The tightest labour market in decades ran from mid-2022 to early 2023, when unemployment sat below 3.5% for a sustained period.

Since then, the rate has drifted up gradually rather than sharply, moving less than half a percentage point in over two years.

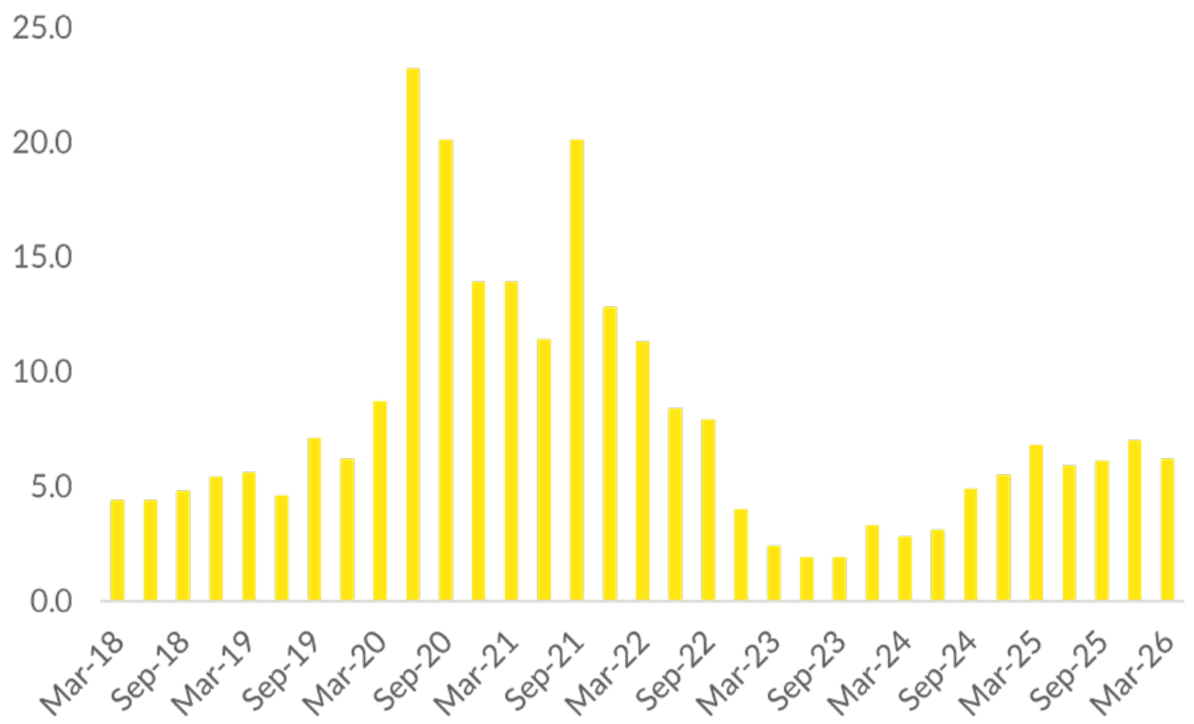
A rising rate environment through 2026 adds a layer of risk to this stability. Employers weighing higher borrowing costs alongside high inflation may become more cautious on hiring in the months ahead. Anecdotally we have seen many employers reduce staffing numbers notably in the technology, property and finance industries which may take a few months to be seen in the unemployment statistics.

A stable, low unemployment rate has however, so far supported household income even as spending growth moderates elsewhere.

A labour market that's barely moved in two years gives retailers confidence that spending patterns will maintain, however rising rates make that a harder call to bank on for the year ahead.

Australian Households Are *Saving* Again

HOUSEHOLD SAVINGS RATIO



SOURCE: ABS

The household saving ratio was 6.2% in March 2026, easing slightly from 7.0% in December but still well up on the 1.9% low recorded in mid-2023.

The ratio has climbed in six of the past eight quarters, a steady rebuild after households ran their buffers down through 2022 and 2023.

The ratio peaked at an extraordinary 23.2% in June 2020 during the lockdown period, when spending options were limited and support payments were high.

It bottomed at 1.9% in both the September and June quarters of 2023, as cost of living pressures ate into what households could put aside.

From there it has rebuilt steadily, reaching 5.5% by December 2024 and 7.0% a year later.

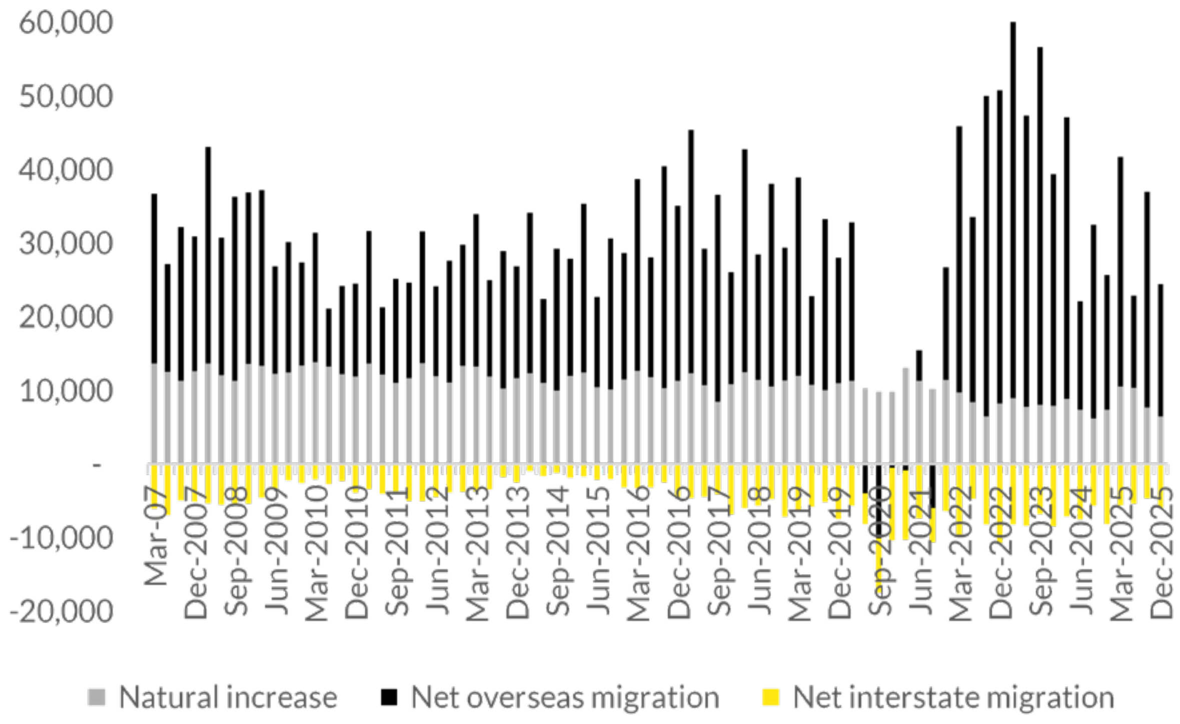
Three interest rate rises through 2026, coming after cuts in 2025, have reintroduced genuine uncertainty for households. With inflation still sitting above target band and the prospect of further increases live, a more cautious approach to spending and a preference for rebuilding savings looks like a rational response rather than a one-off.

That caution doesn't mean spending stops. It means households are more selective about where discretionary dollars go, which is consistent with the category level data showing steady essentials and choppier discretionary spend.

Households went from saving almost nothing in 2023 to putting away over 6% of income again and with rates rising and inflation still elevated, that buffer looks less like a coincidence and more like a deliberate hedge.

Overseas Migration ***Slowing*** In NSW

NSW QUARTERLY POPULATION CHANGE BY TYPE



SOURCE: ABS

NSW's population reached 8.6411 million on 31 December 2025, up 104,600 people over the year, a 1.2% increase.

That's the slowest annual growth rate of any mainland state bar South Australia, with Victoria at 1.7%, Queensland at 1.6% and Western Australia leading at 2.2%.

Net overseas migration remains the dominant driver of NSW growth, contributing 17,918 people in the December 2025 quarter alone, though well down from the extraordinary 52,442 recorded in March 2023.

Natural increase has held in a narrower band, running at 6,508 to 10,548 per quarter over the past two years.

NSW has recorded a net interstate loss every quarter for over two decades and the outflow has widened again, sitting at -5,842 in the December 2025 quarter.

Queensland remains the primary beneficiary of that outflow. A stronger state economy and the run-up to the 2032 Olympics are drawing residents and workers north, competing directly with NSW for both population and construction labour.

Western Sydney is the main recipient of the population growth across the state. Population across the region is projected to grow from 3.825 million in 2025 to 4.682 million by 2041, adding around 53,500 residents a year, well above the state's current 1.2% growth rate.

NSW keeps growing, but it's growing on the back of overseas migration covering for a persistent loss of residents to Queensland, a trade-off that shows no sign of reversing.

Retail *Centres*

NSW shopping centre transactions reached $4.36 billion in 2025/26, up 29.8% and the second strongest year in a decade.

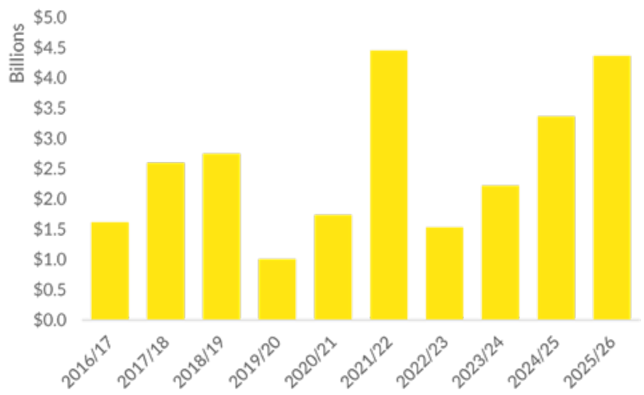
Yields have compressed to their tightest range in ten years, 4.70% to 6.40%, as private buyers back convenience anchored neighbourhood centres and institutions, including offshore capital, return to larger regional and sub-regional assets.

Net face rents range from $1,200 to $2,200/sqm, with total returns of 8.8% for major, super and regional centres and 9.6% for sub-regional and neighbourhood, confirming a full recovery from the negative results of 2023.

Supply remains the constraint, with just 2 of 36 pipeline projects under construction.

Interest In NSW Retail Centres Has *Rebounded* Over The Last Two Years

NSW RETAIL CENTRE SALES VOLUME
FINANCIAL YEAR



SOURCE: RWCWS, REAL CAPITAL ANALYTICS, PIMS

NSW shopping centre transactions reached $4.36 billion in 2025/26, up 29.8% on the prior year and just shy of the 2021/22 peak of $4.45 billion.

It's the second strongest year in the decade of data and it confirms a market that has fully shaken off the subdued conditions of 2019/20, when volume fell to just $1.0 billion.

- Smaller neighbourhood centres remain the domain of private buyers and syndicates, drawn to the convenience based, supermarket anchored format and its defensive income.
- Larger regional and sub-regional centres sit largely in institutional hands (including off shore capital) and 2025 was a busy year for that buyer group as confidence in the sector's fundamentals returned.
- Volume has now grown in three of the past four years, a clear reversal of the uncertain pattern seen through 2019 to 2022.
- The split by size means the sector is really two markets running side by side, private capital chasing convenience income, institutions chasing scale.

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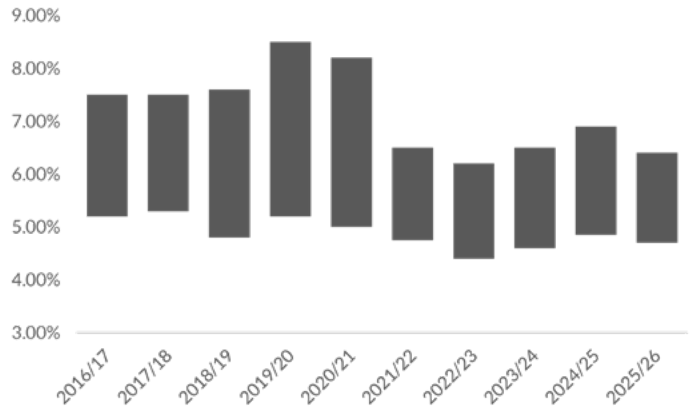
Shopping centres are attracting both ends of the investor spectrum at once, private buyers backing the convenience story and institutions backing scale and both sides had a genuinely busy year.

Investment Yields Narrow as Interest Returns to Retail Centres

NSW RETAIL CENTRE YIELD RANGE
FINANCIAL YEAR



SOURCE:RWCWS, REAL CAPITAL ANALYTICS, PIMS

Shopping centre yields in 2025/26 range from 4.70% to 6.40%, a spread of just 1.70%, the tightest the market has been in the decade of data and a significant compression from the 3.30% spread recorded in 2019/20. Prime metropolitan assets are leading that tightening.

- Metropolitan centres sit at the sharper end of the range, well located and often on large landholdings that make them a genuinely scarce infill investment opportunity for those considering a long-term play.
- Super, Major and Regional centres trade at the wider end, reflecting higher risk and softer population growth relative to metropolitan catchments.
- Limited new supply against sustained population growth is lifting occupancy across existing centres and investors, including offshore capital, are returning to a sector that had been out of favour for some time.
- The online retail threat hasn't materialised the way many expected. Convenience based “click and collect” particularly popular however with consumers still coming into centres, further incidental purchases are on offer and highlight the enduring need for retail property.

The bigger lever now is management and centres leaning into food, entertainment and other uses such as gym or wellness anchors to extend dwell time are the ones capturing that renewed investor interest.

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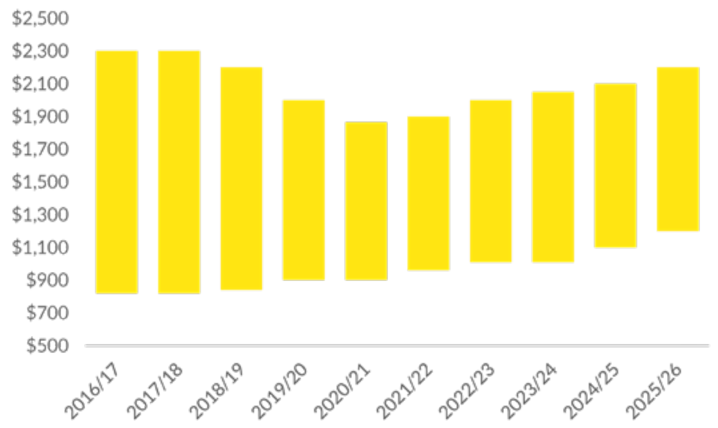
Shopping centre yields have compressed to their tightest range in a decade and with offshore capital back at the table, the appetite for well-located metropolitan centres shows no sign of easing.

Centre Rents Show *Recovery* After A Tough Pandemic Period

NSW RETAIL CENTRE NET FACE RENT RANGE

FINANCIAL YEAR, ($/SQM)



SOURCE: RWCWS, PIMS

Net face rents for NSW retail centres in 2025/26 span from $1,200 to $2,200/sqm, a $1,000 spread that has widened at the top end even as the bottom end has climbed.

Back in 2016/17 the range sat at $820 to $2,300/sqm, so while smaller convenience and neighbourhood centres have seen their rents rise meaningfully over the decade, the ceiling for the largest formats has moved only modestly in comparison. The closure of larger department stores forcing centres to consider discounted rents, short term leases such as pop ups and having to carve up larger spaces for new tenants.

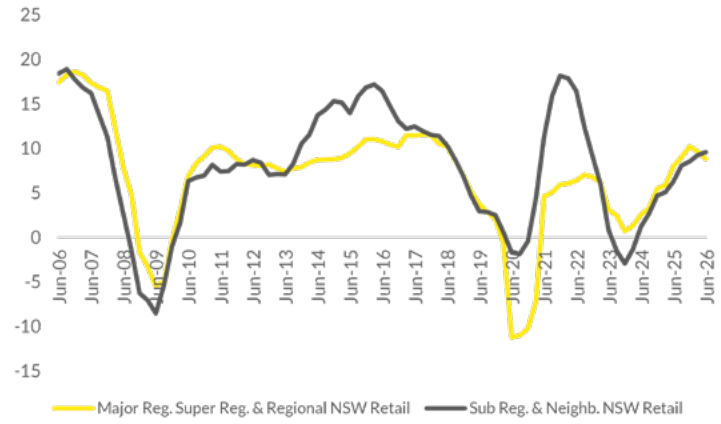
- The lower end of the range reflects smaller, convenience-based neighbourhood centres, where rents have climbed steadily from $820/sqm in 2016/17 to average $1,200/sqm.
- The upper end captures the largest malls and super regional centres, where premium positioning commands the top rents in the state.
- Shop size and location within the centre matter just as much as centre type, a small specialty tenancy near a supermarket entrance can command very different rent to an equivalent space tucked away from foot traffic with ranges greater than these averages quoted.
- Incentives vary by format too. Neighbourhood centres typically sit in the 12% to 17% range or less if occupancy remains high, while larger centres run closer to 20%, reflecting the greater competition for tenants in bigger, more discretionary heavy formats.

> **A wide spread in net face rents for this market highlights the various function of centre size, tenancy position and format, all layered on top of each other to determine the appropriate rent.**

Investment Case for Retail Investment Improves

NSW RETAIL CENTRE TOTAL RETURN

ROLLING ANNUAL, % PA



SOURCE: RWCWS, MSCI

OVER 15 YEARS

Sub-regional and neighbourhood returns average 8.5% pa against 6.0% pa for major regional and regional centres.

OVER 3 YEARS

Major regional centres are ahead at 6.4% pa versus 5.6% pa, reflecting the strength of the current recovery cycle specifically.

Major, super and regional NSW retail delivered a rolling annual total return of 8.8% to June 2026, while sub-regional and neighbourhood centres came in slightly ahead at 9.6%.

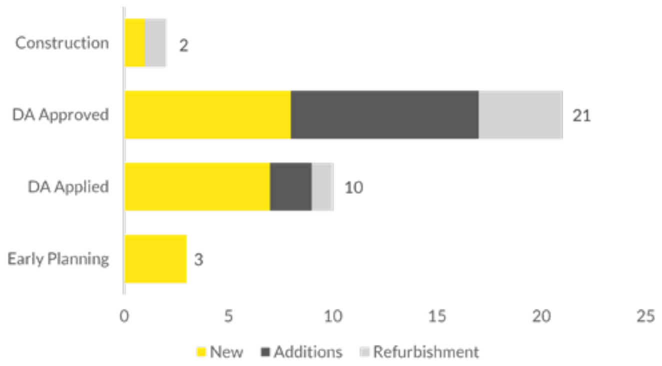
Both figures confirm a sector that has fully recovered from the negative returns recorded through 2023, when rising vacancy and a broader loss of confidence in retail dragged major regional returns to -3.2% for the year to September 2023 and sub-regional returns to -7.9% for the year to December 2023.

The pandemic tells a different story for each format. Major regional and super regional centres bore the brunt of it, with returns collapsing to -11.2% for the year to June 2020 as lockdowns and shifting consumer behaviour hit the largest, most discretionary-heavy centres hardest. Sub-regional and neighbourhood centres, anchored more heavily by supermarkets, discount department stores and essential services, dipped only to -1.7% over the same period before rebounding sharply to 18.1% for the year to December 2021, well ahead of major regional centres

> **Sub-regional and neighbourhood centres carried this sector through its worst years and are still ahead over the long run, but major regional centres are the ones driving the current recovery, a genuine role reversal from the pandemic period.**

Limited New Supply Centres as Owners Look to *Reposition Existing Assets*

NSW RETAIL CENTRE SUPPLY BY STAGE
TYPE, NO. PROJECTS



SOURCE: RWCWS, CORDELL CONNECT

There are 36 retail centre projects across NSW's pipeline and the split tells a clear story about where growth is happening.

New builds account for 19 of those projects, additions to existing centres another 11 and refurbishments the remaining 6, a pipeline more focused on expanding and upgrading what's already there in established suburbs than starting from scratch.

Metropolitan Sydney dominates, holding 28 of the 36 projects against just 8 across regional NSW. The Hills Shire and Penrith LGA lead the count with 4 and 3 projects respectively, followed by Blacktown with 5, all corridors where population growth is running well ahead of existing retail floorspace. Regional activity is more scattered, with Lake Macquarie the standout at 3 projects and the remainder spread thinly across the Central Coast, Illawarra and regional centres like Wagga Wagga and Ballina.

The pipeline is still heavily front-loaded toward approval rather than delivery:

21 PROJECTS
At DA Approved Stage
the largest single category by far

10 PROJECTS
At DA Applied Stage

2 PROJECTS
Currently Under Construction

3 PROJECTS
In Early Planning

That gap between approval and construction is worth watching particularly as cost of construction continues to be under pressure.

With land availability tight across Sydney's key growth corridors, particularly in the North West and South West, the pathway from a DA approved centre to an operating one is likely to remain a slow one, keeping existing centres in high demand as new supply takes time to materialise.

Sub-regional and neighbourhood centres carried this sector through its worst years and are still ahead over the long run, but major regional centres are the ones driving the current recovery, a genuine role reversal from the pandemic period.

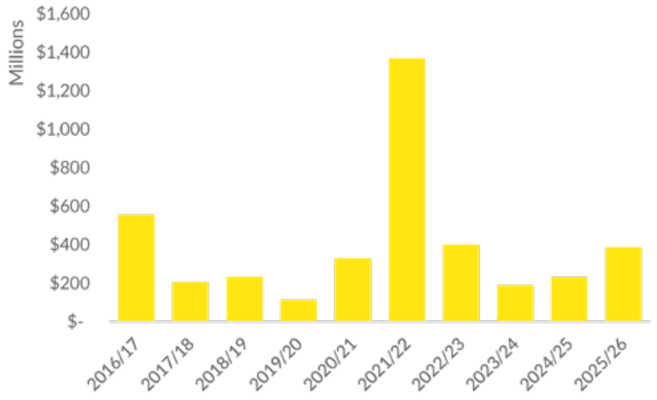
Large Format Retail *(LFR)*

LFR transaction volume jumped 66.8% to $386.1 million in 2025/26, though these assets remain tightly held and rarely trade.

Net face rents are up 24.3% over the past three years to average $690/sqm, while yields have narrowed to 5.25% to 7.25%, the top end compressing sharply from 10% back in 2019/20. Western Sydney's growth corridors, led by the Hills Shire, Cumberland and Camden, carry more than 60% of the state's entire LFR pipeline, and with just 1 of 21 projects under construction, that scarcity story only deepens.

LFR Assets Remain Tightly Held, Keeping Volumes Low

NSW LARGE FORMAT RETAIL SALES VOLUME
FINANCIAL YEAR



SOURCE: RWCWS, REAL CAPITAL ANALYTICS, PIMS

LFR transaction volume reached $386.1 million in 2025/26, up a sharp 66.8% on 2024/25's $231.5 million.

Even with that jump, it sits well below the extraordinary $1.37 billion recorded in 2021/22, a result driven by a handful of large deals rather than a genuine change in the market's depth.

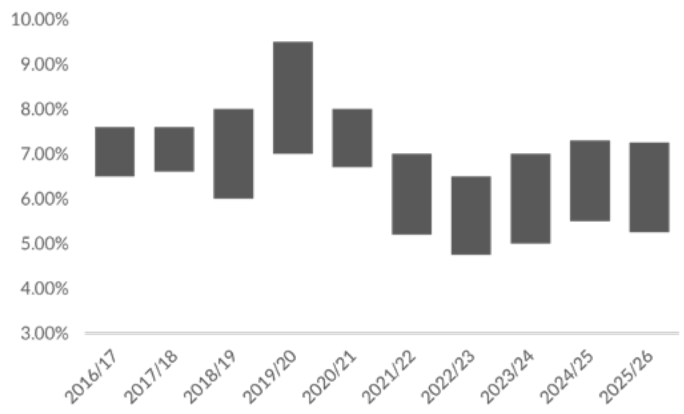
These assets are tightly held and rarely change hands. Limited available land and consistently high occupancy make LFR attractive across a broad spectrum of investors, from private buyers through to institutions, while a meaningful share of occupiers own their own premises outright rather than lease, further limiting what reaches the market. That combination means transaction volume in any given year says less about investor appetite than it does about how much stock has come to market.

The pattern in the data backs this up. Volume swings sharply from year to year, up 191.3% in 2020/21 alone, not because demand is inconsistent, but because supply is genuinely scarce.

> **Large format retail's transaction volumes swing wildly from year to year and that's not a demand problem, it's a supply one, these assets simply don't come to market often.**

Limited Prime Transactions Keep Yield Range *Wide*

NSW LARGE FORMAT RETAIL YIELD RANGE
FINANCIAL YEAR



SOURCE: RWCWS, REAL CAPITAL ANALYTICS, PIMS

LFR yields sit between 5.25% and 7.25% in 2025/26. The top end of the range has come down sharply, from 10% in 2019/20 to 7.25% now, even as the low end has held broadly steady in the 5.00% to 6.70% band across the past four years.

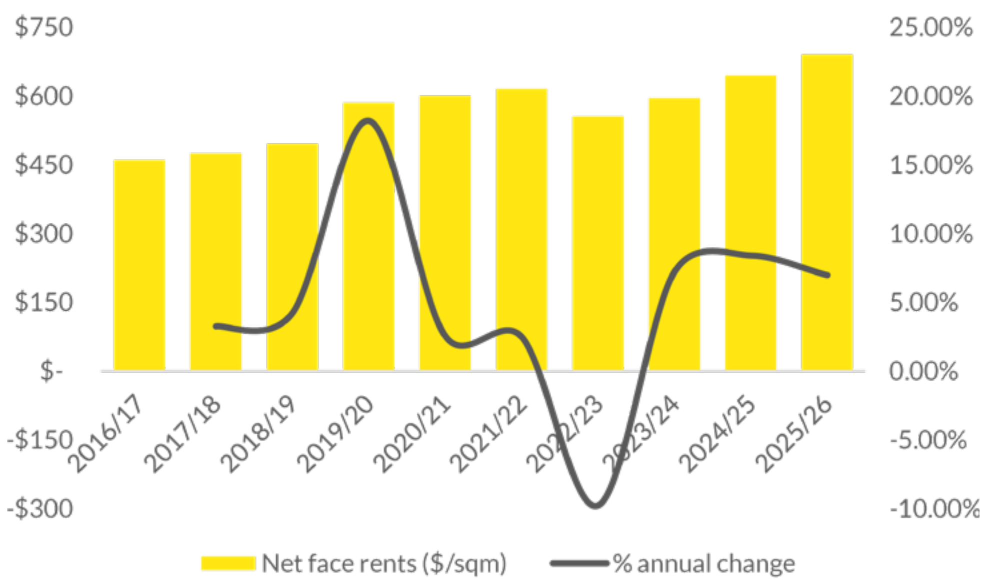
That compression at the top reflects the same forces working across the sector more broadly: land constraint, high occupancy and a tightly held ownership base mean the assets that do come to market attract genuine competition. LFR's covenant strength, often anchored by national hardware, homewares or bulky goods operators, adds to its appeal for investors seeking a defensive income profile without the management intensity of a shopping centre.

Growth corridors in Sydney's North West and South West are worth watching closely here, as expanding populations in those catchments create a case for either new LFR development or the renovation and repositioning of existing assets to serve a much larger local base than they were originally built for.

> **LFR's yield range has narrowed from the top down and that's the market re-rating an asset class it once treated as a secondary alternative to shopping centres.**

Rental Growth Positive As Vacancy Remains Tight Across LFR

NSW LARGE FORMAT RETAIL NET FACE RENT AVERAGE & GROWTH
FINANCIAL YEAR



SOURCE: RWCWS, PIMS

LFR average net face rents reached $690/sqm in 2025/26, up 7.0% on the prior year and continuing a run that has now delivered growth in eight of the past nine years.

The one exception, a 9.7% fall in 2022/23 to $555/sqm, sits as a clear outlier against an otherwise consistent upward trend and rents have since rebuilt through 7.2% and 8.4% growth in the two years that followed.

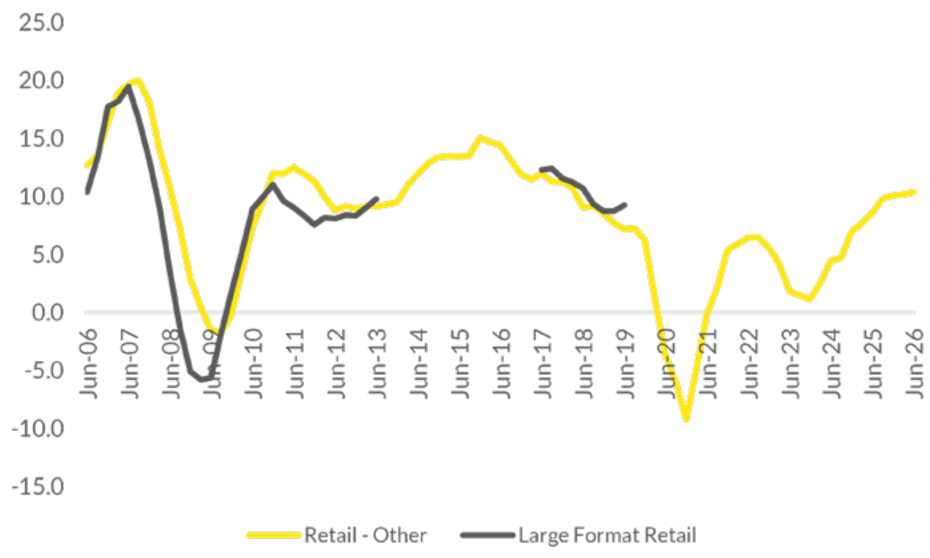
The standout year in the series is 2019/20, when rents jumped 18.2% in a single year to $585/sqm. Growth has been more measured since, sitting in the mid to high single digits, which is consistent with a market where high occupancy has kept incentives to a minimum.

That high occupancy is starting to reshape tenant behaviour. With limited stock available, many large format retailers are having to reconsider their footprint requirements. These tenants have traditionally needed significant floorplate, but a genuine scarcity of appropriately sized space is pushing some toward smaller formats or a more considered approach to what they require to trade effectively.

> **LFR rents are up 24.3% over the past three years alone and with stock this scarce, tenants aren't just paying more, they're being forced to rethink how much space they actually need.**

Other Retail Returns *Show Quality Outcomes*

OTHER RETAIL TOTAL RETURN
ROLLING ANNUAL % PA



SOURCE: RWCWS, MSCI

The Retail - Other category, used here as a proxy for LFR given the two series tracked closely together from 2011 through to 2019, delivered a rolling annual total return of 10.4% to June 2026.

That's the strongest annual result since before the pandemic and confirms LFR's return to favour among investors after several difficult years.

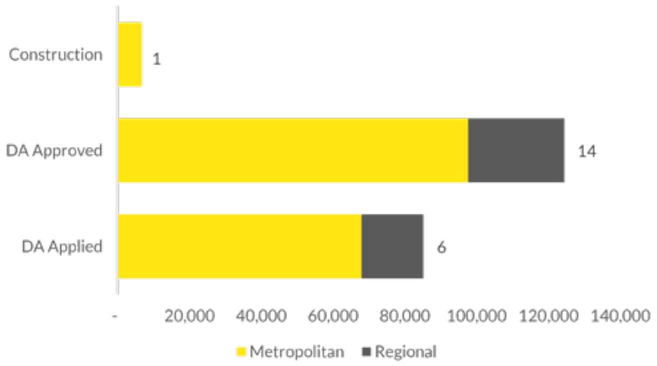
Direct LFR data is only available through to mid-2019, when the last recorded rolling annual figure sat at 9.2%, and the two series moved almost in lockstep across that overlap period, dropping from a shared peak of around 12% in 2017 to single digits by 2019. That correlation is the basis for leaning on Retail - Other through the years the dedicated LFR series wasn't tracked.

- The pandemic hit hard but recovered fast: Falling to -9.2% for the year to December 2020 before turning positive again by June 2021.
- Longer-run averages tell the real story of the format's resilience: 7.8% pa over three years, 6.3% pa over five years and 7.5% pa over fifteen years, all comfortably ahead of the ten-year average of 5.5% pa.
- A strong housing market over the last few years also fuelling improved returns for this sector with furniture, electrical, hardware all growing in consumer demand. The current slowdown has not dampened occupancy levels keeping returns elevated.

> **Large format retail's rolling annual returns are climbing back toward double digits and given the format's track record over three, five and fifteen years, that looks less like a rebound and more like a return to normal.**

Bulk of New Large Format Retail Projects *Sitting in Approval Stage*

NSW LARGE FORMAT RETAIL SUPPLY BY STAGE, REGION, SQM & NO. PROJECTS
TYPE, NO. PROJECTS



SOURCE: RWCWS, CORDELL CONNECT

NSW's LFR pipeline totals 216,171 sqm across 21 projects, with metropolitan Sydney accounting for 172,214 sqm, nearly 80% of the total pipeline.

Just 6,682 sqm across a single project is currently under construction, with the vast bulk of activity, 124,416 sqm across 14 projects, still sitting at DA approved stage.

Western Sydney LGAs are the standout within that metropolitan figure. The Hills Shire alone accounts for 57,133 sqm across two projects, the single largest concentration anywhere in the state, followed by Cumberland at 26,097 sqm, Camden at 21,929 sqm and Blacktown at 20,057 sqm. Together with Liverpool and Penrith, Western Sydney's growth corridors make up 134,102 sqm of the total pipeline, more than 60% of the total state and well over three-quarters of the metropolitan total.

These are the same corridors carrying the bulk of Sydney's population growth and land availability for genuinely large format sites is slightly more achievable compared to established, infill metropolitan locations.

21 PROJECTS
Across the state

6 PROJECTS
At DA Applied Stage

14 PROJECTS
At DA Approved

1 PROJECT
In Construction

172,214 SQM
Metro

43,957 SQM
Regional

Western Sydney LGAs alone:
134,102 sqm across the six precincts of Hills Shire, Cumberland, Camden, Blacktown, Liverpool and Penrith

Western Sydney's growth corridors are carrying more than half of the entire state's LFR pipeline and with land this scarce across more infill locations of metropolitan Sydney, the concentration is likely to deepen.

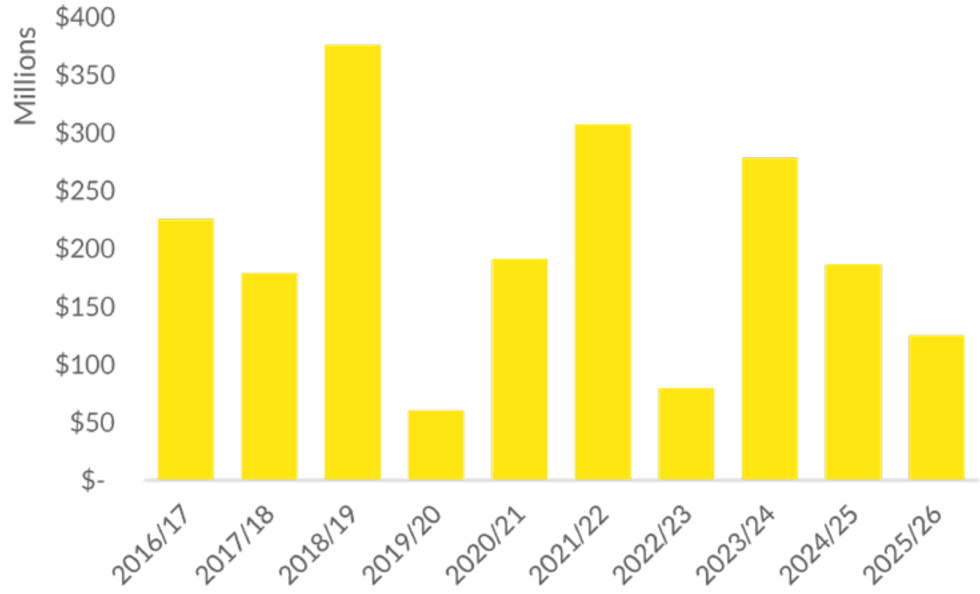
Quick Service Restaurant – QSR *(Fast Food)*

QSR transaction volume fell 33.1% to $124.99 million across NSW, a supply story rather than a demand one, with yields tightening to as low as 3.20%, among the sharpest in the retail sector, as cost of living pressure pushes more consumers toward fast food.

The format's appeal as a set and forget investment, long lease, national tenant, tenant-paid outgoings, keeps buyer demand deep even as available stock thins. The pipeline leans regional, with 44 projects split across 24 metropolitan and 20 regional sites, chasing traffic and visibility over dense residential catchments.

After Strong Periods of QSR Volumes, Market Activity ***Has Declined***

NSW QUICK SERVICE RESTAURANT SALES VOLUME
FINANCIAL YEAR



SOURCE: RWCWS, REAL CAPITAL ANALYTICS, PIMS

QSR transaction volume fell to $124.99 million in 2025/26, down 33.1% on the prior year's $186.7 million and the second-lowest result in the decade of data.

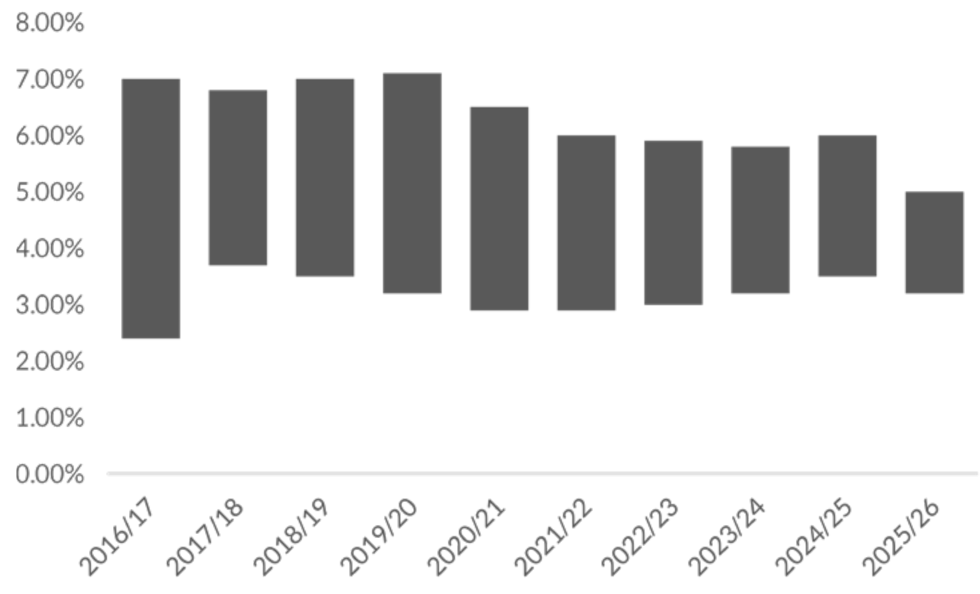
- Buyers in this space are often mum and dad investors seeking a "set and forget" asset.
- The attraction comes as these assets are usually secured against a long lease to a multinational fast food or franchise group.
- Tenants pay all outgoings and locations are typically well positioned on main roads or high streets.
- The fall in volume reflects less stock coming to market, rather than a fall in buyer demand for the format.

With the Federal Budget's changes to negative gearing pushing more private investors to look at commercial alternatives to residential, QSR's income certainty and hands-off management profile put it in a strong position to attract a new wave of first-time commercial buyers if lending can be secured and yields represent the value buying for investors risk appetite.

QSR volumes have fallen, but that's a supply story, not a demand one and with negative gearing changes pushing more private buyers toward commercial property, this is a format that's well placed to benefit once stock returns to the market.

QSR Assets Represent a ***Narrow, Low Range***

NSW QUICK SERVICE RESTAURANT YIELD RANGE
FINANCIAL YEAR



SOURCE: RWCWS, REAL CAPITAL ANALYTICS, PIMS

QSR yields range from 3.20% to 5.00% in 2025/26, down from a high of 7.00% back in 2016/17.

The low end has held remarkably stable, sitting between 2.90% and 3.70% for most of the past decade, while the top of the range has steadily compressed.

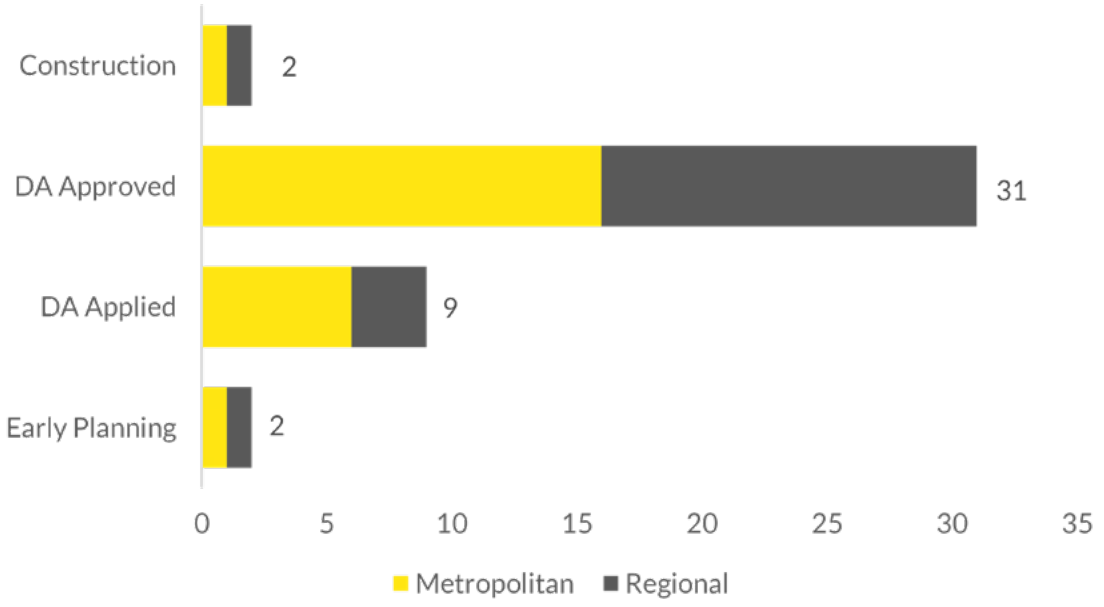
- Cost of living pressure is pushing more consumers toward fast food, a tailwind for QSR operator sales and by extension, landlord confidence in these covenants.
- The format's appeal as a "set and forget" investment, long lease, national tenant, tenant-paid outgoings, keeps buyer demand deep even as available stock thins.
- A tightening yield range at the premium end suggests investors are prepared to pay up for the certainty QSR offers, particularly relative to more management-intensive retail formats however financing has become increasingly important during this time of rising interest rates.

With negative gearing changes likely to push more private capital toward commercial property, QSR's yield profile and low management burden put it in a strong position to see the range further tightening.

QSR yields have tightened from both ends and with cost of living pressure pushing more spending toward fast food, landlords are backing tenants whose sales are actually being supported by the conditions consumers are complaining about.

New Fast Food Projects Spread Across Both Metro and Regional Locations

NSW QUICK SERVICE RETAIL SUPPLY BY STAGE
REGION, NO. PROJECTS



SOURCE: RWCWS, CORDELL CONNECT

QSR has 44 projects in the NSW pipeline, split across 24 metropolitan and 20 regional.

Regional NSW accounting for 45.5% of QSR projects, more than double its 20.3% share of LFR floor area and its 22.2% share of centre projects.

These sites don't rely on dense residential catchments the way a shopping centre or neighbourhood strip does, they need traffic, visibility and a main road frontage, conditions regional highway towns and service corridors provide just as well as metropolitan Sydney markets. The regional spread sees projects are scattered across Ballina, Bellingen, Cessnock, Dubbo Regional, Griffith, Kempsey, Port Stephens, Queanbeyan-Palerang, Tweed, Upper Hunter and Wagga Wagga, a genuinely broad footprint rather than concentration in a handful of growth corridors.

By development stage, the pipeline mirrors the other formats with DA approved projects dominating with 31 (16 metro, 15 regional), well ahead of DA applied at 9 and just 2 each under construction and in early planning. Highlighting delivery as being a major constraint.

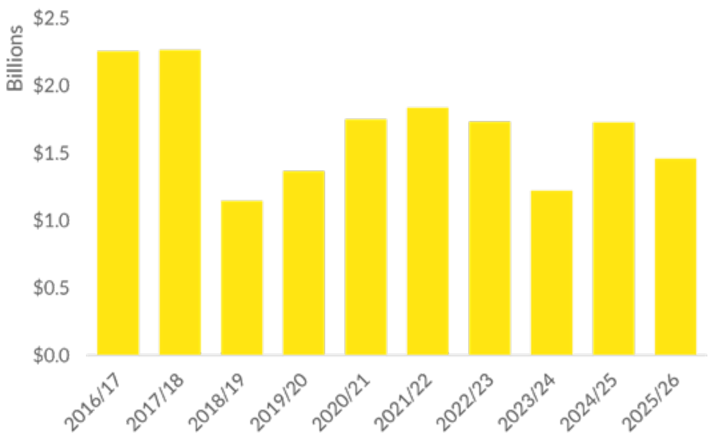
Retail *Strips*

NSW retail strip transactions totalled $1.46 billion in 2025/26, down 15.6% on the prior year but the steadiest of the four retail formats at the aggregate level.

Yields range as widely as 2.90% to 10% depending on location, age and tenant quality, with the average sitting at 5.79%. This remains the highest risk, most management intensive corner of the market, and the one most likely to see a new wave of private buyers as negative gearing changes redirect capital toward commercial alternatives.

Strong Private Investment into Strips *Continues*

NSW RETAIL STRIP SALES VOLUME
FINANCIAL YEAR



SOURCE: RWCWS, REAL CAPITAL ANALYTICS, PIMS

Retail strip transactions totalled $1.46 billion in 2025/26, down 15.6% on 2024/25's $1.73 billion.

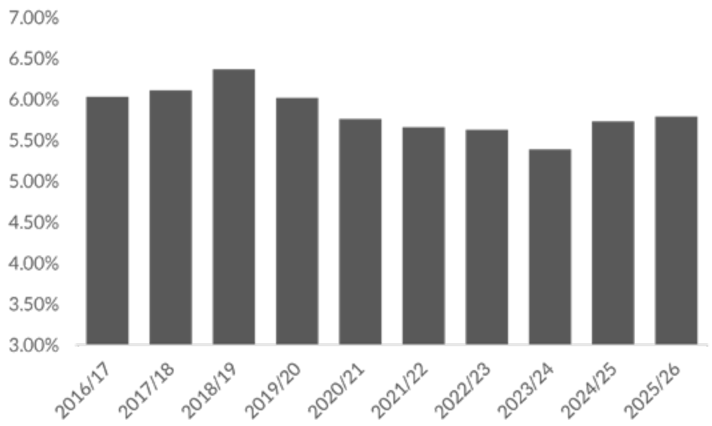
Volume has held in a relatively consistent $1.1 to $2.3 billion range across the decade, a steadier pattern than the other three retail types, though that consistency at the aggregate level hides a lot of variation underneath.

Tenancy covenants are often not as strong compared to shopping centres, LFR or QSR, so pricing swings widely depending on location, age, quality, frontage and access, as well as the calibre of the tenant. Practical considerations matter too, with facilities such as grease traps and exhaust systems for food tenants and the decline of clothing and soft goods retailers across many strips, both weigh into how individual assets are valued.

Negative gearing changes may draw more private investors into strip retail as a residential alternative, but this end of the market carries more risk and active management, along with a solid grasp of the Retail Leases Act, matters more here than almost anywhere else in commercial property.

Wide Ranging Asset Quality & Risk Keeps Yields *Stable*

NSW RETAIL STRIP AVERAGE
FINANCIAL YEAR



SOURCE: RWCWS, REAL CAPITAL ANALYTICS, PIMS

The average retail strip yield sits at 5.79% in 2025/26, up slightly from 5.63% in 2022/23 but below the 6.37% recorded in 2018/19.

Unlike the other three formats, strip yields represent a vast range depending on size, location and lease covenant. The true spread across the state over this last year is from roughly 2.90% to as much as 10% which is too wide to be a meaningful guide to any individual asset.

That spread comes down to the sheer variability within the format. Metropolitan versus regional locations, age, quality, frontage, access further move the number independently of each other and no two strips are comparable on yield alone.

Local councils also have an influence here too, with the vibrancy of a strip often tied directly to council led activation, parking policy and streetscape investment.

Population growth across Sydney's North West and South West continues to support the case for strip retail in those corridors specifically, even as older, more established strips elsewhere contend with the changing face of retailers within their tenant mix as clothing and soft goods retailers make way for more services and food offerings.

Outlook

The conditions shaping NSW retail through the back half of 2026 point in a consistent direction: demand holding up better than the economic headlines suggest and supply structurally unable to keep pace with it.

Population growth concentrated in Western Sydney will continue to underpin retail spending regardless of how the rate cycle plays out.

Shopping centres should keep tightening. With yields already at decade lows and only a handful of projects under construction, existing centres are positioned to hold their value and see further rental growth, particularly in metropolitan growth corridors where competition for space is most acute. Large format retail's scarcity story deepens further; land constraints mean the pipeline concentrated in Western Sydney's Hills Shire, Cumberland and Camden corridors will take years to materially shift supply, keeping rents and returns on their current upward trajectory.

QSR is the format most exposed to financing conditions in the near term, but its fundamentals, cost of living pushing consumers toward fast food and a tenant base secured on long, low-management leases, remain sound. Expect volumes to recover once a new wave of buyers enter and more stock comes to market, more so than because underlying demand has shifted. Retail strips will likely see increased private buyer interest as negative gearing changes redirect capital away from residential, though this format will continue to reward considered, asset-by-asset scrutiny over broad market assumptions.

The rate environment remains the genuine swing factor across all retail classes. A further rise or an extended hold would test buyer confidence, particularly for more leveraged private purchasers. But the structural story, population growth outpacing supply, isn't a cyclical one and it's the reason retail across NSW looks better positioned than the broader economic caution might suggest.

Physical retail has proven far more resilient to online competition than predicted a decade ago and a growing, ageing and increasingly discerning population needs somewhere to shop, eat, be served and be entertained. For investors prepared to do the work on location, tenant covenant and asset quality, that need translates directly into opportunity, at a variety of scales.

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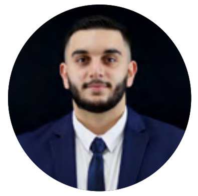

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