M3 PROPERTY

SPECIALIST
INDEPENDENT
VALUATION

SOUTH AUSTRALIAN MARKET SNAPSHOT

SEPTEMBER 2026

CONTENTS

M3

OVERVIEW

South Australia's property market maintained solid underlying fundamentals during the first half of 2026, with constrained supply, population growth and steady demand supporting conditions across key sectors. However, higher interest rates and elevated costs have contributed to a more cautious investment environment.

Industrial remains a standout, with vacancy around 2% supporting solid occupier demand. Retail continues to benefit from strong leasing fundamentals and investor interest, while hotels are supported by improving visitation, occupancy and room rates. Healthcare remains attractive to private investors, underpinned by demographic trends. In contrast, Adelaide CBD office vacancy increased to 16.3%, while residential development activity has moderated amid affordability and borrowing cost pressures.

Interest rate rises during early 2026 have increased funding costs and placed pressure on investment returns, with investors becoming increasingly selective, particularly for larger transactions.

Overall, the outlook remains cautiously positive, with supply constraints and strong underlying fundamentals supporting the market despite higher interest rates and economic uncertainty.

Our experts share their insights in our latest South Australia Market Snapshot, covering H1 2026 and the outlook for Healthcare, Hotels and Accommodation, Office, Industrial, Residential Development and Retail.

HEALTHCARE

SIMON HICKIN
Director | Healthcare & Office

“The healthcare sector in South Australia maintained its appeal as a core asset class during the first half of 2026, supported by strong fundamentals, investment growth opportunities, and resilience amid elevated inflation and interest rates. Institutional capital is attracted to the sector because of population growth, ageing demographics, government funding, and private healthcare.

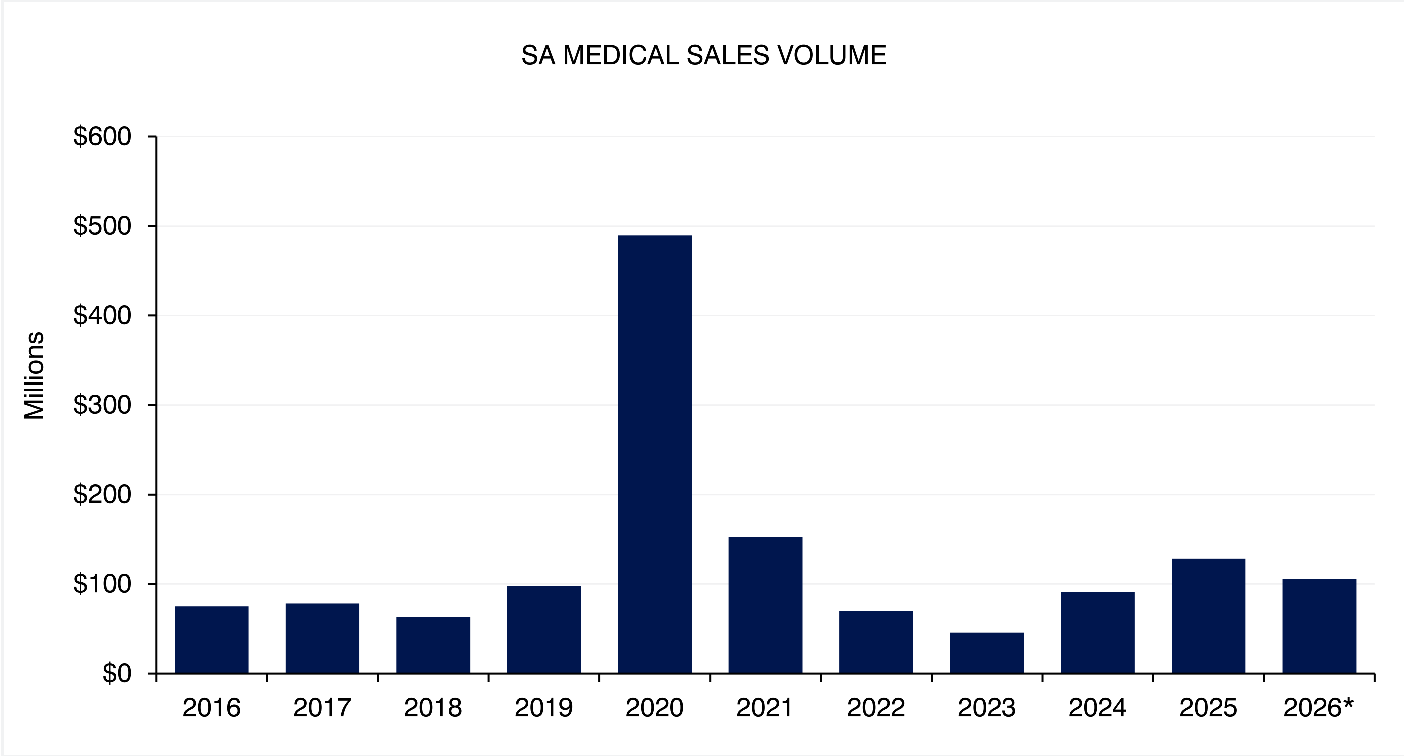
For 2026 year-to-date, South Australia recorded $105.9 million from 28 transactions. In 2025 South Australia recorded $128.2 million in medical and hospital property sales across 26 transactions, being at a 40.6% increase over 2024. Private investors were again the most active buyer’s group for both 2025 and 2026 YTD accounting for over 90% of purchases. Prime medical yields averaged 5.5% to 6.5%, while secondary assets reached 7.0%, with cap rates remaining relatively stable over the year.

Earlier interest rate rises in February, March and May and potential for further rate rises across the year has cast a shadow on the wider investment market outlook. While yields stabilised in early 2026, there is an expectation that interest rate rises will put pressure on investment returns, particularly as the 10-year bond has reached a 15-year high.

Investment demand should remain strong for high-quality medical assets in the short term, although with interest rate changes, overall market activity is likely to remain subdued throughout 2026 - particularly for assets over $30 million.

“THE HEALTHCARE SECTOR WILL CONTINUE TO GROW IN IMPORTANCE AS A CORE ASSET CLASS, SUPPORTED BY KEY MARKET FUNDAMENTALS AND SIGNIFICANT INVESTMENT GROWTH OPPORTUNITIES.”

- SIMON HICKIN



Source: Real Capital Analytics (RCA), M3 Property
Note: Sales over $1 million. Includes Medical and Hospital sales. *YTD sales as of 18 September 2026.

INVESTMENT MARKET

- According to Real Capital Analytics (RCA), sales volume of healthcare properties in South Australia for 2026 YTD* was $105.9 million from 28 transactions tracking closely to the $128.2 million from 26 transactions in 2025.
- Private investors were the most active buyer’s group during 2026 YTD, accounting for 90.4% of transactions.

YIELDS

- Medical Centre and allied healthcare yields are now averaging around 5.5% to 6.5% for prime assets and above 7.00% for secondary assets (predominantly regionally located).
- Hospital yields (freehold) generally range between 5.00% and 6.00% for prime assets and 6.25% and 7.00% for secondary assets.

$3.6B	$366M	$300M
Adelaide BioMed City health and medical research precinct	New Mount Barker Hospital investment	Flinders HealthCARE Centre investment

OPPORTUNITIES AND CHALLENGES

- Interest rate reductions through 2025 supported renewed investor appetite for healthcare assets; however with the RBA cash rate increases in early 2026 transaction activity has moderated as tighter financial conditions weigh on investment decisions.
- GP and other health specialist shortages continue to affect occupancy levels for some medical practices.
- Demand for medical services by a growing and ageing population is expected to continue increasing; unhealthy lifestyles, obesity rates and an increasing focus on mental health and wellbeing continue to drive demand for medical services, medical suites and centres.
- Australia's Healthcare and Life Sciences sector is one of the largest and fastest-growing in the southern hemisphere, driven by a confluence of government support, industry innovation, and private and institutional investment. Adelaide BioMed City is a major $3.6 billion health and medical research precinct, positioning Adelaide as a leading centre for healthcare innovation, research and clinical care. Adelaide BioMed City includes the South Australian Health and Medical Research Institute (SAHMRI) Royal Adelaide Hospital Adelaide University Health and Medical Sciences Building Adelaide University Centre for Cancer Biology.
- South Australia continues to invest in major healthcare infrastructure projects, including the $365.8 million New Mount Barker Hospital and the $300 million Flinders HealthCARE Centre, expanding healthcare capacity, improving service accessibility and supporting the state's growing population.
- Significant health precinct developments are strengthening Adelaide's long-term infrastructure pipeline, with the New Women's and Children's Hospital under construction in the Adelaide BioMed City precinct, delivering expanded bed capacity, modern clinical facilities and future-ready healthcare services for South Australian families.
- Recent private hospital developments include Eastwood Private Hospital, which was completed July 2025, comprising a six-storey, purpose-built hospital fronting Greenhill Road, providing 51 inpatient beds and six operating theatres. Avive Health has commenced construction of a mental health facility on Wakefield Street, which is expected to provide 60 mental health beds together with a day program facility. Western Hospital has had significant upgrading works completed since 2018 including upgraded wards, replacement of operating theatres, new ICU and replacement of major building services. Furthermore, a major redevelopment of Burnside Hospital at Toorak Gardens has received approval and is currently proposed to be completed by 2028.
- The location of hospitals generally mirrors population distribution, age distribution, birth rates, household income and government health policies. Private hospitals are less likely to be in rural areas compared with public hospitals.
- Growth risk is expected to be medium over the outlook period. IBISWorld forecasts that annual industry revenue will grow 2.7% to $237.2 billion. In comparison, revenue expanded 3.1% per year between 2024-25 and 2026-27.

OUTLOOK

- The healthcare sector will continue to grow in importance as a core asset class, supported by key market fundamentals and significant investment growth opportunities; some other core sectors have become less favoured due to poor investment fundamentals. The current high-interest rate environment will also support this shift.
- The sector will continue to benefit from new and existing institutional capital being drawn to the asset class thanks to its key fundamentals including population growth, ageing population demographics, government funding and private healthcare.
- It is expected that investment demand for high-quality medical assets will remain strong over the medium term. Earlier interest rate increases in 2026 may see continued subdued activity from buyers for the remainder of 2026. Transaction activity for lower priced assets under $20 million will remain active due to good demand by high-net-worth private investors, however those over $30 million will be more difficult to trade as the buyer pool is reduced. Institutional investors dominate the market for higher-priced assets and they remain much more cautious in their investment selections.

HOTELS & ACCOMMODATION

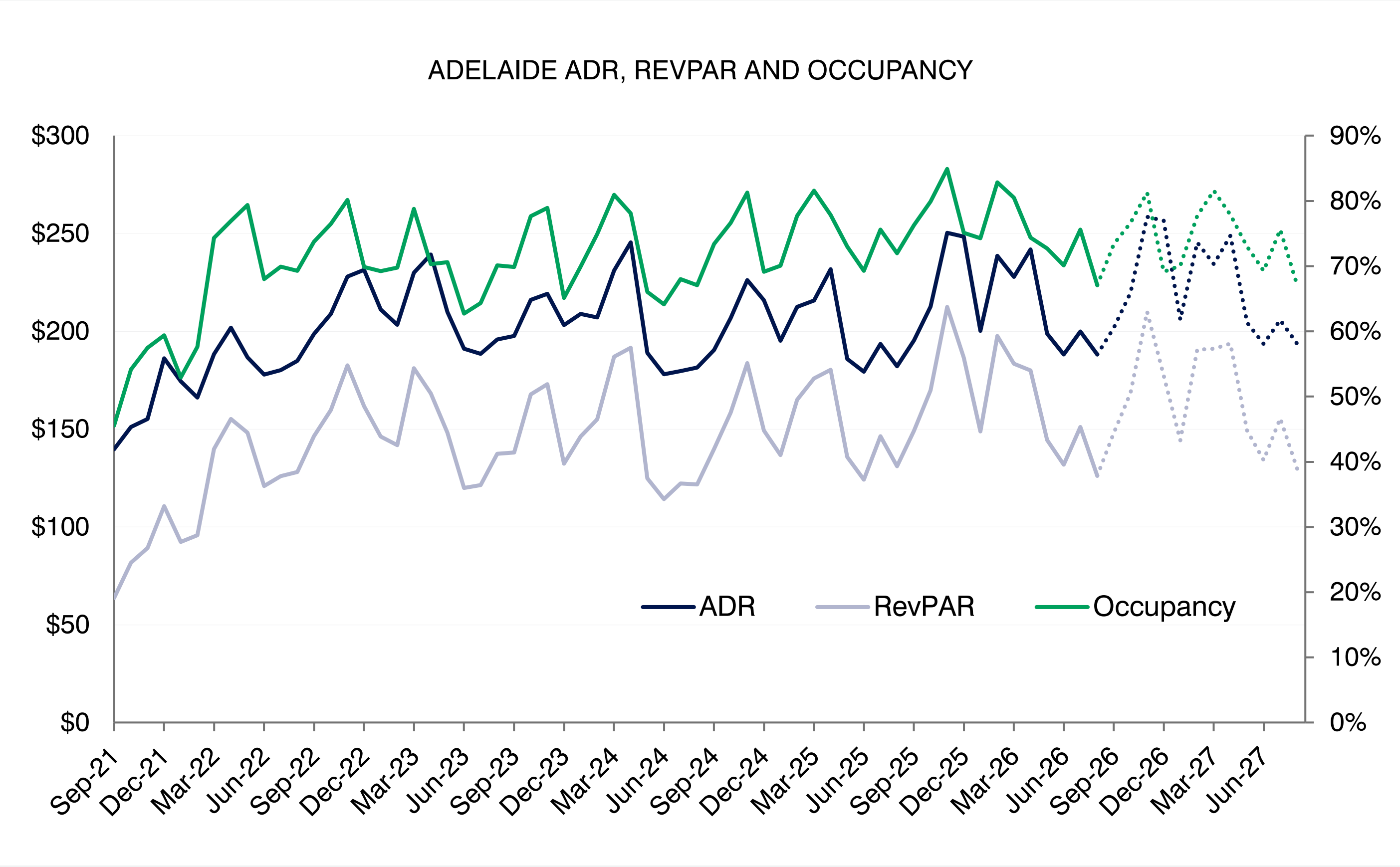
JAMES RUBEN
National Director | Specialised Assets

"The South Australian hotels and accommodation market is entering the second half of 2026 with cautious momentum, supported by improving domestic and international visitation, stronger occupancy and room rates, and resilient local travel demand. The state government in SA continues to support the sector with a growing calendar of community events and festivals.

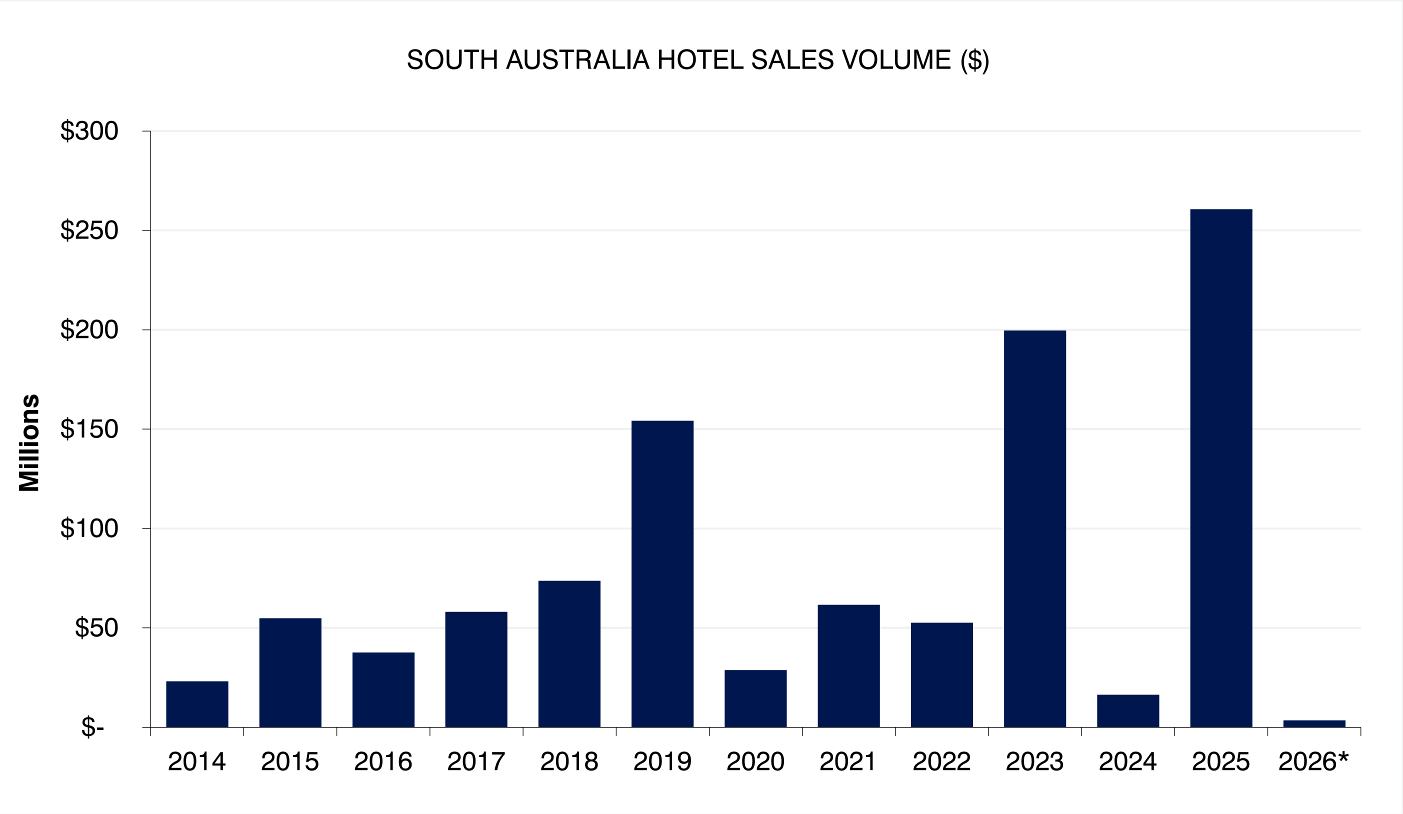
Despite elevated operating costs, new supply and broader economic uncertainty, Adelaide's recovery trajectory remains positive over the medium term. International arrivals and longer-stay visitors are expected to continue to support growth beyond 2026.

The Adelaide market continues to attract development interest, with a number of planned new hotels at various stages of development, however continued growth in construction costs presents an ongoing challenge to the delivery of planned new supply.

Over the coming year, we expect to see modest growth in room rates and occupancies which will continue to support capital values in the sector."



Source: M3 Property, STR/CoStar



Source: RCA, M3 Property
*Note: Sales over $1m. 2026 represents YTD sales as at 14 July 2026.

CURRENT STATE OF PLAY

- Adelaide's hotel market continues to stabilise, supported by improving domestic and international visitation.
- Domestic overnight visitation reached 3.24 million visitors in the year ending March 2026, with intrastate visitors accounting for 45% of domestic overnight visitors.
- International visitation is recovering, with 411,811 international visitors recorded in the year ending March 2026, accounting for around 11.3% of total visitors.
- International visitors continue to stay materially longer than domestic visitors, averaging 21.1 nights compared with 3.2 nights for domestic visitors.
- Hotel trading conditions have improved, with Adelaide recording 72.7% occupancy, an ADR of $198.78 and RevPAR of $144.51 in May 2026.

TRANSACTIONS

- Investment activity remains variable, reflecting the lumpy nature of hotel asset sales.
- Adelaide hotel investment activity reached a record high in 2025, with five transactions totalling $286.9 million.
- Major 2025 transactions included the Hilton Adelaide sale for $110 million and the Mayfair Hotel Adelaide sale for $75 million.
- Cross-border investors were the dominant buyer group in 2025, acquiring 50% of hotel assets sold.
- Activity has been subdued in 2026 YTD, with three transactions totalling $3.57 million above the $1 million price point across South Australia.

OPPORTUNITIES AND CHALLENGES

- Domestic tourism remains resilient as some Australians continue to favour local travel over international trips.
- Improving international visitation and longer average stays support demand recovery, particularly across Adelaide's accommodation sector.
- New hotel supply and elevated operating costs continue to influence room-rate strategies and market performance.
- Short-term accommodation approvals across South Australia declined 24.5% year-on-year to $580.8 million in the year ending May 2026.
- Geopolitical tensions, cost-of-living pressures and global travel disruptions may continue to weigh on discretionary travel and booking patterns.

INDUSTRIAL

MICHAEL LEECH

Managing Director SA

"South Australia's industrial property market remained resilient through early 2026, supported by tight vacancy of around 2%, robust occupier take-up and stronger investment activity. Prime rents remained broadly stable, ranging between $115 and $190 per square metre, while secondary rents recorded no growth over the year to June 2026.

However, cost pressures - namely elevated construction costs, higher funding costs and lower investment values - continue to constrain new development feasibility, with land values increasing year-on-year but remaining stable over the June quarter. Investment activity has strengthened since 2024, supported by private capital and Adelaide's relative yield appeal compared with eastern seaboard markets.

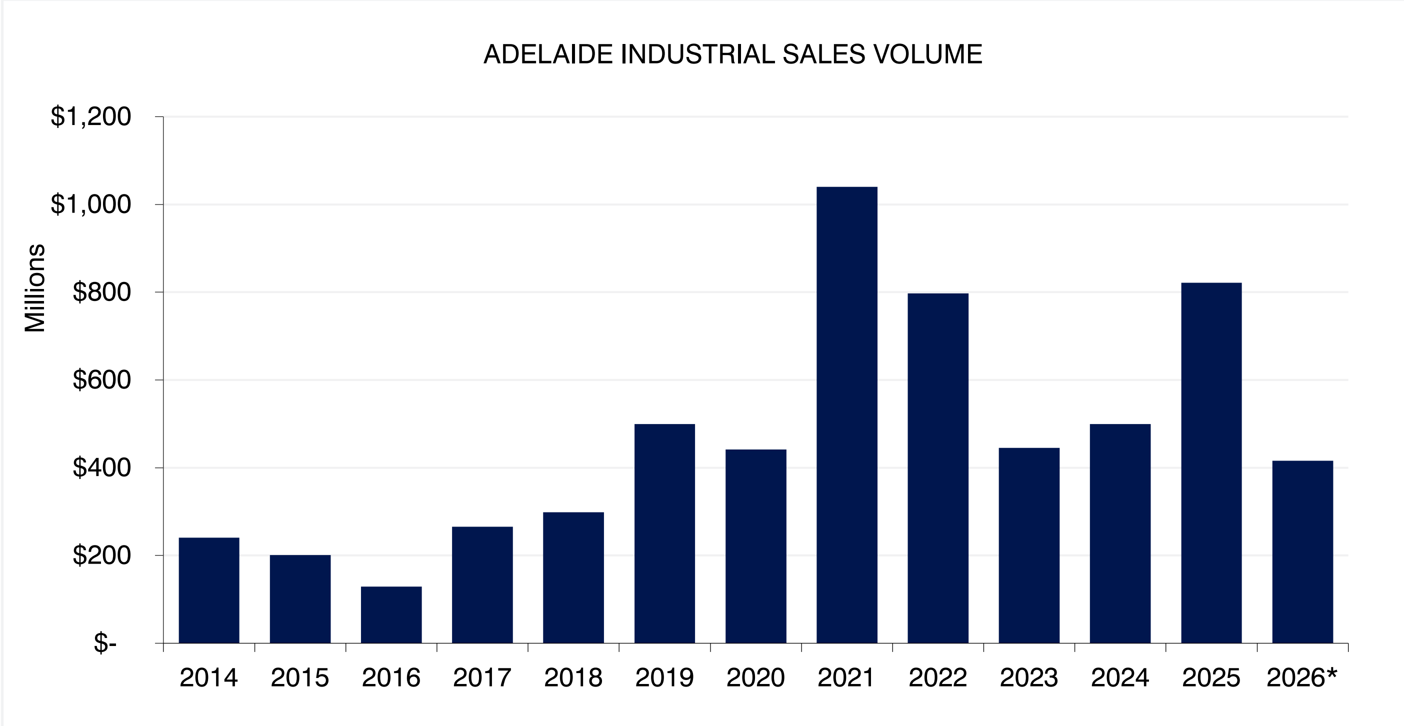
Yields remained stable over the year to June 2026, reflecting solid market fundamentals despite elevated debt costs and economic uncertainty. Looking ahead to the remainder of 2026, occupier demand is expected to remain solid but measured, while limited land supply continues to underpin Adelaide's long-term industrial market fundamentals."

“INVESTMENT ACTIVITY HAS STRENGTHENED SINCE 2024, SUPPORTED BY PRIVATE CAPITAL AND ADELAIDE’S RELATIVE YIELD APPEAL COMPARED WITH EASTERN SEABOARD MARKETS.”

- MICHAEL LEECH

CURRENT STATE OF PLAY

- Adelaide’s industrial market has recorded stronger transactional activity in 2026, with $453.18 million in sales above $5 million across 30 transactions year-to-date.
- This compares with $235.17 million across 24 transactions over the same period in 2025.
- Gross take-up reached 98,500 sqm in Q2 2026, sitting well above historical averages.
- Prime yields remained stable over the 12 months to June 2026, averaging 6.08%.
- Vacancy remains tight at around 2.0% in Q2 2026, although available stock has increased compared with 2024.
- Prime rents averaged $150/sqm in Q2 2026, up 0.7% year-on-year.
- Average prime land values reached $650/sqm in Q2 2026, up 2.8% year-on-year.



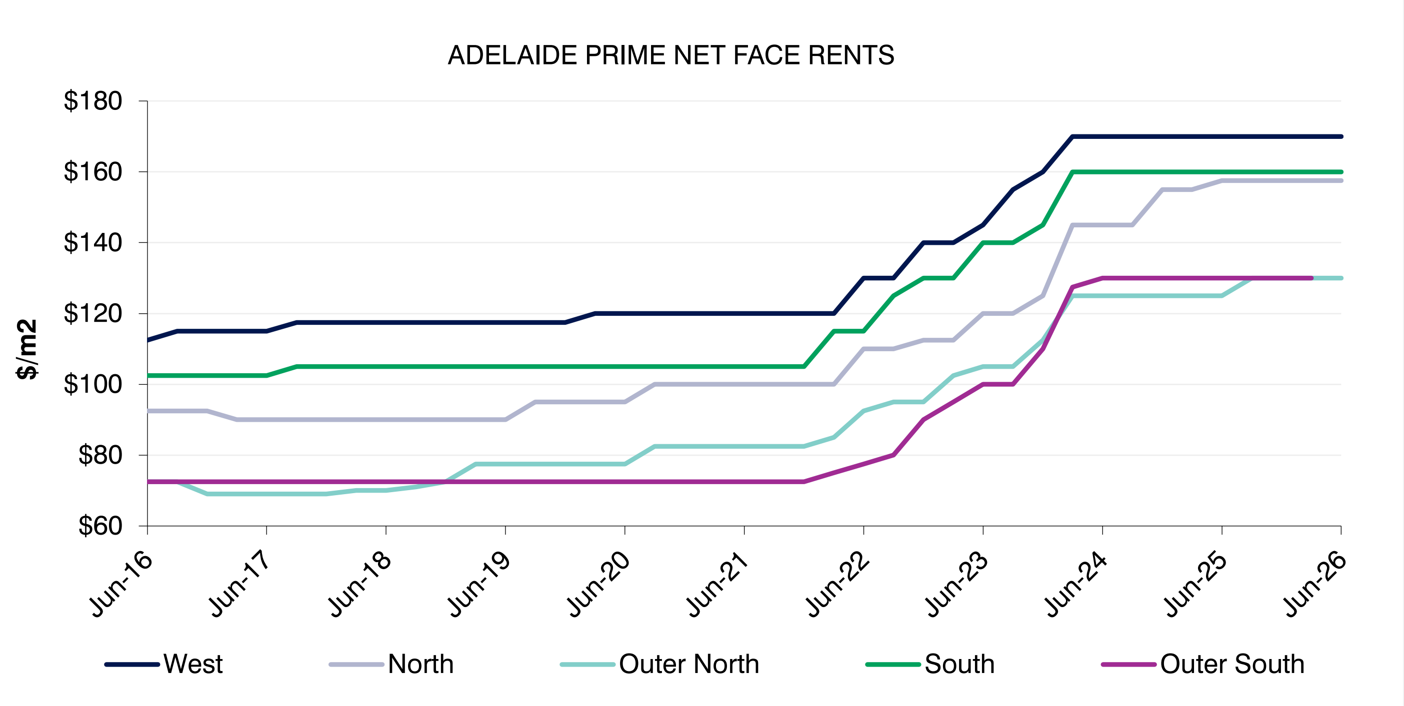
Source: Real Capital Analytics (RCA), M3 Property
Note: Sales over $5 million

INVESTMENT MARKET

- Investment activity strengthened in 2026, with $453.18 million in transactions above $5 million across 30 sales as at 14 July 2026. This compares with $235.17 million across 24 sales over the same period in 2025.
- Private investors are the dominant participants in the market, accounting for 72.7% of purchasers and 68.8% of sellers so far in 2026.
- The largest transactions in 2026 YTD include 50–64 Mirage Road for $50.0 million and 281–301 Grand Junction Road for $41.0 million.

RENTAL MARKET

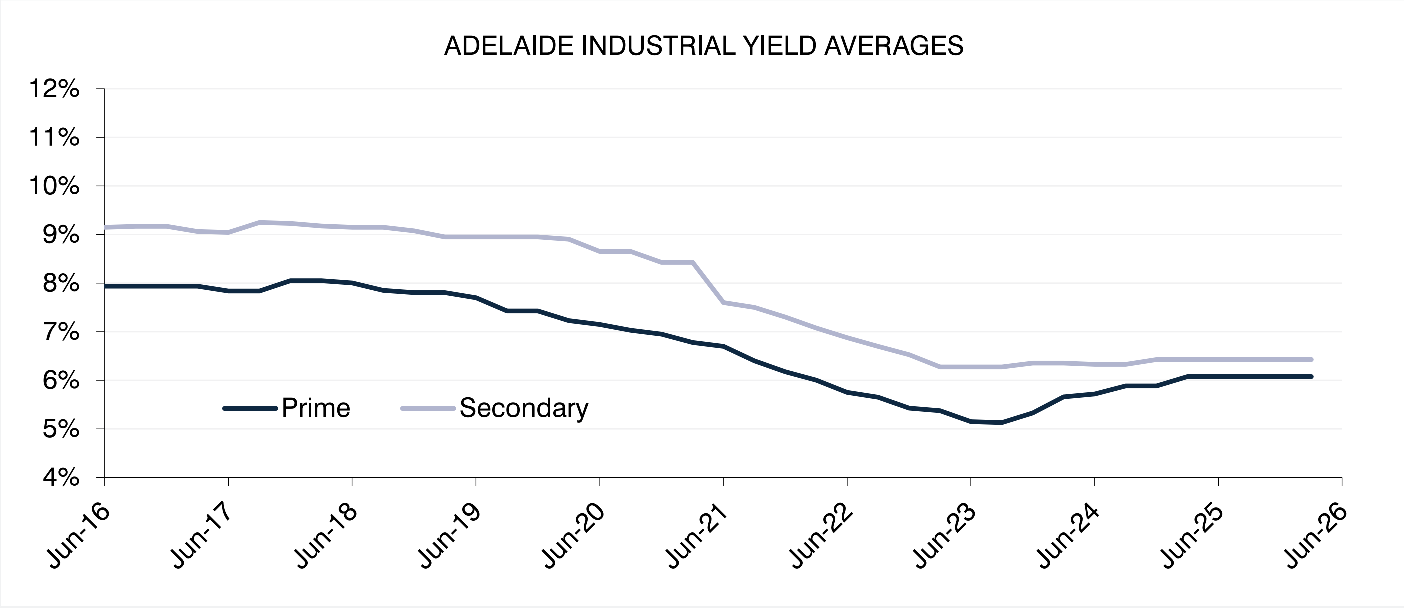
- The Adelaide industrial rental market stabilised over the year to June 2026, with 0.7% growth for prime assets and no growth for secondary assets.
- Incentives remained stable, averaging 7.5% for prime space and 8.5% for secondary space in Q2 2026.
- Rent growth has moderated as tenants have more leasing options available compared with 2025.
- Prime rents range from $115–$190/sqm in the June 2026 quarter, depending on precinct.
- Secondary rents range from $65–$125/sqm in the June 2026 quarter, depending on precinct.
- New prime builds near major road networks continue to attract stronger demand, particularly from warehousing, distribution and logistics occupiers.



Source: M3 Property

YIELDS

- Prime industrial yields remained stable over the 12 months to June 2026, averaging 6.08% with prime yields generally ranging from 5.75% to 6.50% across Adelaide's key industrial precincts. Secondary yields range from 5.75% to 7.75%, depending on submarket and asset quality.
- Yield stability reflects stronger transaction activity, despite elevated funding costs and broader economic uncertainty.
- Adelaide's yield spread relative to eastern seaboard industrial markets continues to support investor interest from groups seeking yield and geographic diversification.



Source: M3 Property

OPPORTUNITIES AND CHALLENGES

- Limited land supply remains a key challenge, particularly in core industrial precincts where demand continues to outstrip supply.
- Occupier demand gained traction over the first half of 2026, with Q2 gross take-up reaching 98,500 sqm and exceeding the long-term quarterly average. This points to an active leasing market, although occupiers are still taking a considered approach to new commitments given the uncertain economic setting.
- A continued scarcity of land suitable for development prevails with a concerning lack of future englobo opportunities, thus presenting increased opportunities for gentrification of older industrial precincts.

OUTLOOK

- Occupier demand has gained traction over the first half of 2026, supported by Q2 gross take-up of 98,500 sqm and continued activity in the northern precincts.
- Leasing decisions are likely to remain measured as occupiers respond to economic uncertainty and affordability pressures.
- Rents are expected to remain broadly stable, with some growth likely for new super-prime builds where economic rents are needed to support feasibility.
- Yields are expected to remain stable until there is further movement in interest rates.
- Land values are expected to remain supported, with stronger growth likely in the Northern and Outer Northern precincts due to reduced developable supply.
- Adelaide's industrial market outlook remains cautiously positive, underpinned by tight vacancy, active private capital, stable yields and a forward pipeline that supports medium-term supply.

CBD OFFICE

SIMON HICKIN
Director | Healthcare & Office

"The Adelaide CBD office market stock increased in 2026, reaching 1.59 million square metres, up 26,809 square metres year-on-year. Vacancy increased from 15.0% in July 2025 to 16.3% in July 2026, despite 1,473 square metres of tenant absorption. Major projects include 30 Gouger Street (approximately 22,000 square metres) under construction and King William Tower in Festival Plaza (approximately 50,000 square metres) also under construction, with expected completion in 2028+.

Prime net face rents range from $470-640 per square metre and secondary from $375-480 per square metre, with incentives between 25%-45%.

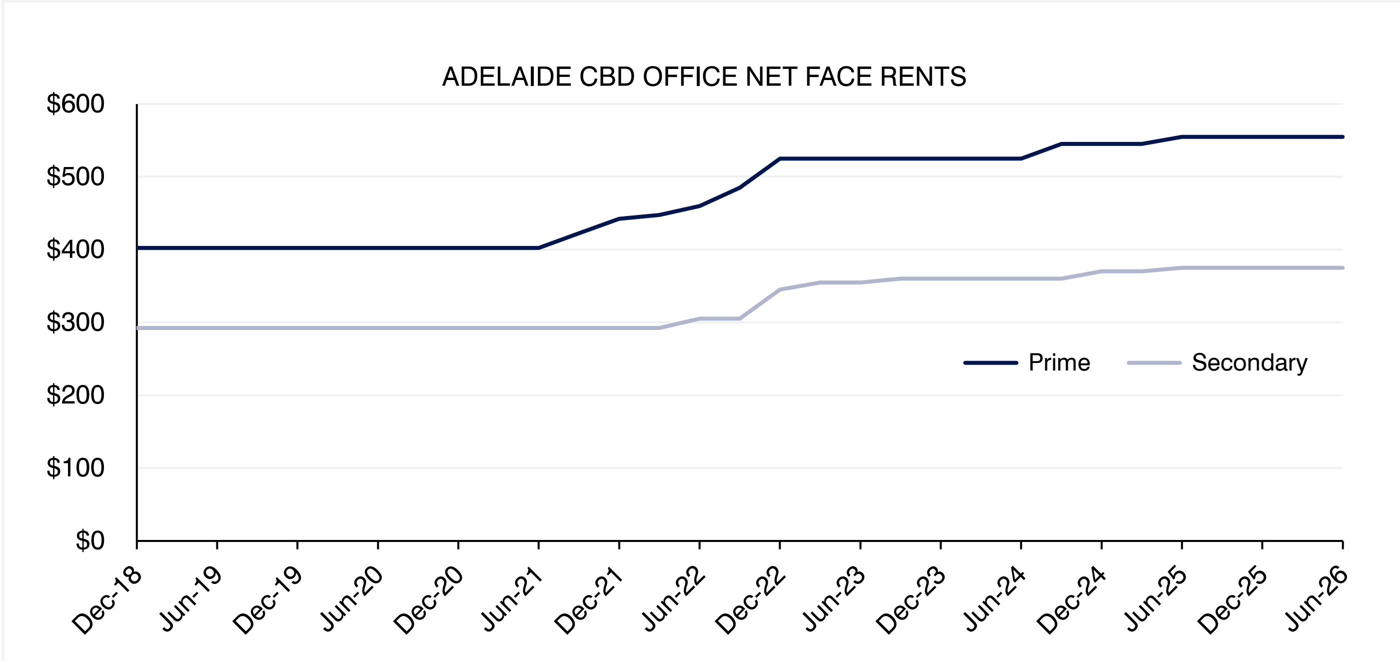
Investment activity strengthened, with 9 sales totalling $330.18m in 2026 YTD, already surpassing 2025 levels of $170.25 million across 10 transactions. Yields are elevated, ranging from 6.5%-8.5%, although are price sensitive. Demand varies significantly across the price categories with privates and syndicators active in the sub $50 million sector and low interest above this price level where institutional investors are dominant."

“INVESTMENT ACTIVITY STRENGTHENED, WITH 9 SALES TOTALLING $330.18M IN 2026 YTD, ALREADY SURPASSING 2025 LEVELS OF $170.25 MILLION ACROSS 10 TRANSACTIONS.”

- SIMON HICKIN

CURRENT STATE OF PLAY

- According to the Property Council of Australia (PCA), there was 1,597,176 square metres of office space in the Adelaide CBD as of July 2026; a year-on-year increase of 26,809 square metres.
- The total vacancy rate increased from 15.0% as of July 2025 to 16.3% as of July 2026.
- There was positive net absorption of 1,473 square metres of office space in the twelve months to July 2026.
- The completion of the Kyren Group tower at 42-56 Franklin Street, Adelaide in late 2025 added around 21,000 square metres to the supply.
- The Market Square development at 30 Gouger Street (approx. 22,000 square metres) and Festival Tower Two, Festival Plaza (approx. 50,000 square metres) are currently under construction.
- Tenants continue to see value opportunities in the CBD due to proximity to restaurants, events and more, contributing to a shift in fringe and suburban tenants moving into the CBD.
- Corporate occupiers continue to show demand for flexible space that can be expanded or contracted during the term of the lease, buildings with high energy and wellness ratings, outdoor areas, building third space, and natural lighting.



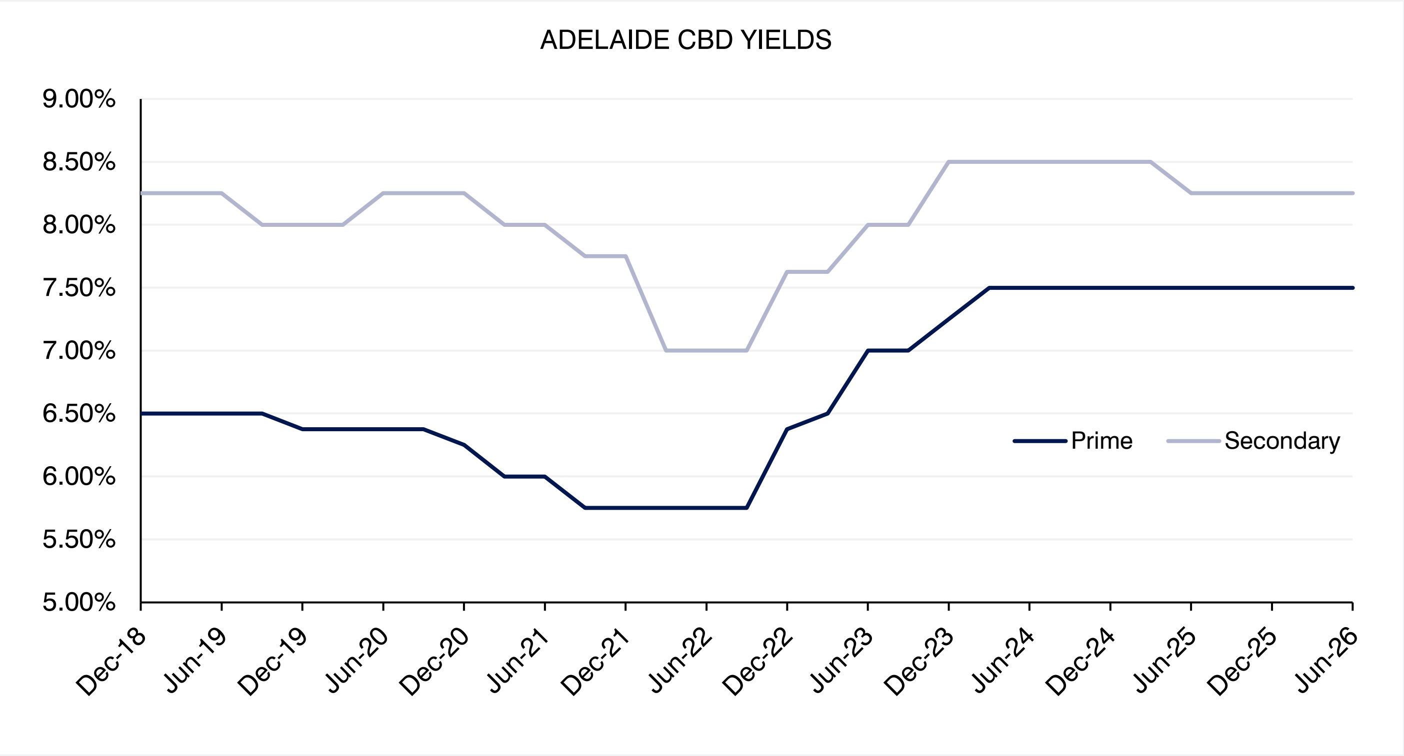
Source: M3 Property

RENTAL MARKET

- As at the June quarter 2026, prime net face rents ranged from $470 to $640 per square metre and secondary net face rents ranged between $375 and $480 per square metre.
- Prime incentives range between 30% and 45% and secondary incentives range between 25% and 40%.
- Rental growth is likely to remain subdued over the coming six months due to the challenging economic conditions faced in the first part of 2026.

YIELDS

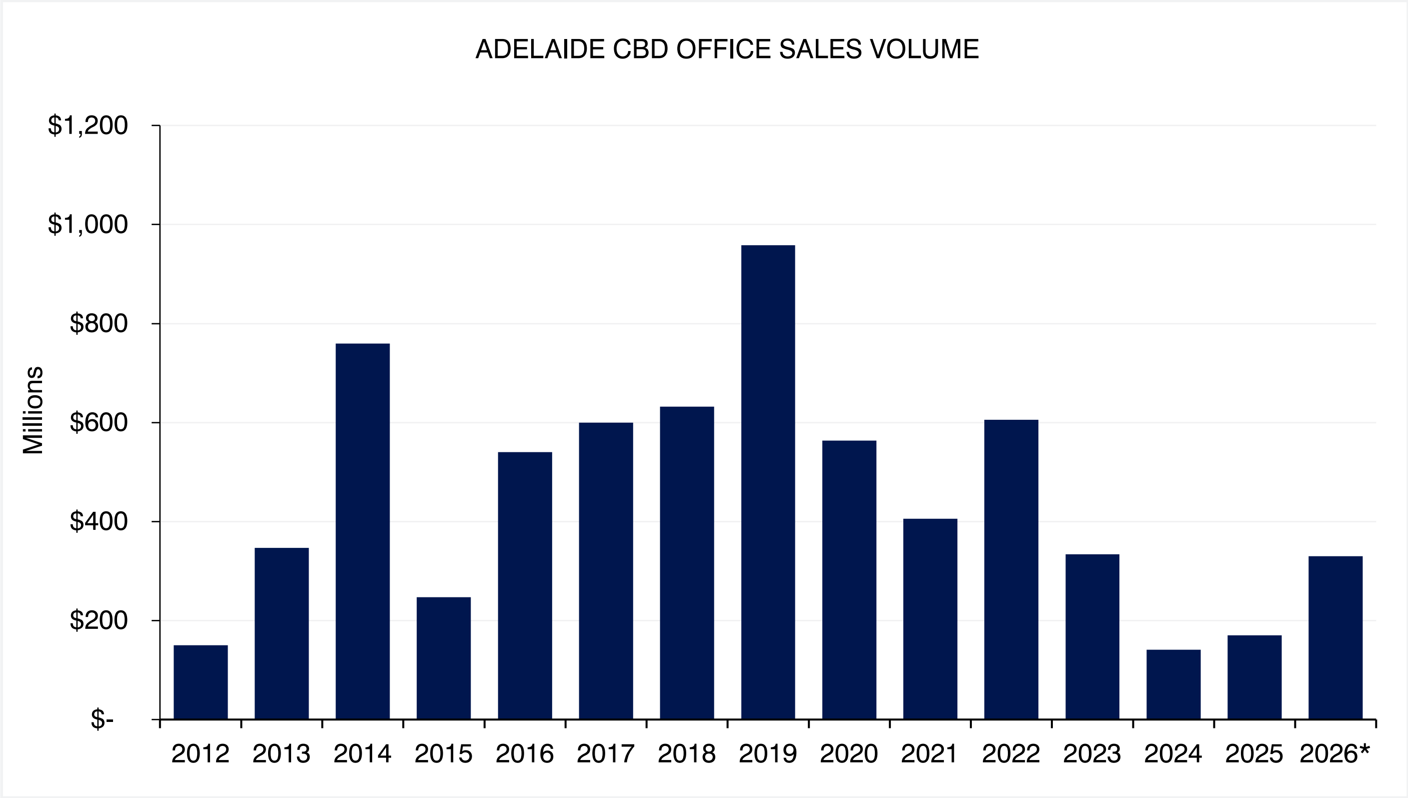
- Purchasers continue to have a greater focus on pricing risk, income security and strength of tenant covenants.
- The attractive spread between office yields in Adelaide compared to eastern seaboard yields fuelled investor interest and sales volumes over recent years.
- As of June 2026, prime yields ranged between 6.50% and 8.00%, and secondary yields ranged between 8.00% and 9.00%.
- There is, however, a two-tiered market, with prime yields for higher-priced assets above $50 million influenced by the lack of institutional buyer interest, ranging from 7.00% to 8.00%.



Source: M3 Property

INVESTMENT MARKET

- For YTD 2026, there have been $330.18 million office sales across 9 transactions. This includes the pending sale of Adelaide's Central Market tower for $200 million in June 2026 purchased by Lederer Group.
- This is already above the 2025 level of $170.25 million in office sales across 10 transactions, and above the $141.03 million recorded across 5 transactions in 2024.
- Private investors with 80.5% of the transactions and institutional investors with 15.8% of the transactions were the largest buyers of office property in Adelaide in 2026.



Source: Real Capital Analytics (RCA), M3 Property
Note: Sales over $5 million

OPPORTUNITIES AND CHALLENGES

- The CBD has an ageing stock profile, with a large proportion greater than 30 years old and an inability to recycle these buildings.
- There remains a greater ability for new/modern developments to achieve superior effective rental growth compared to older stock, the latter of which will likely be impacted by reduced demand as new stock is added to the market.

OUTLOOK

- The medium-term outlook for white collar employment in Adelaide is positive, with Oxford Economics Australia forecasting an additional 26,030 persons to be employed in white collar employing industries in Adelaide by December 2028.
- Net absorption is expected to be negatively impacted over the near term by the large amount of backfill space being added but should remain positive through the short term; however, it is expected that some tenants will hold off making major relocation or expansionary decisions given softening economic conditions.

RESIDENTIAL DEVELOPMENT

KYM DREYER

Director | Residential Development

"Adelaide's residential development market has moderated in recent months, but overall has remained resilient throughout the first half of 2026, supported by constrained supply. Adelaide dwelling values softened 0.8% in August 2026 but remain 8.6% higher year-on-year, underscoring the relative resilience of South Australia's housing market amid broader national weakness. Nationally, median selling times have increased to 34 days, the longest level in five years, reflecting softer buyer demand and a more measured pace of market activity.

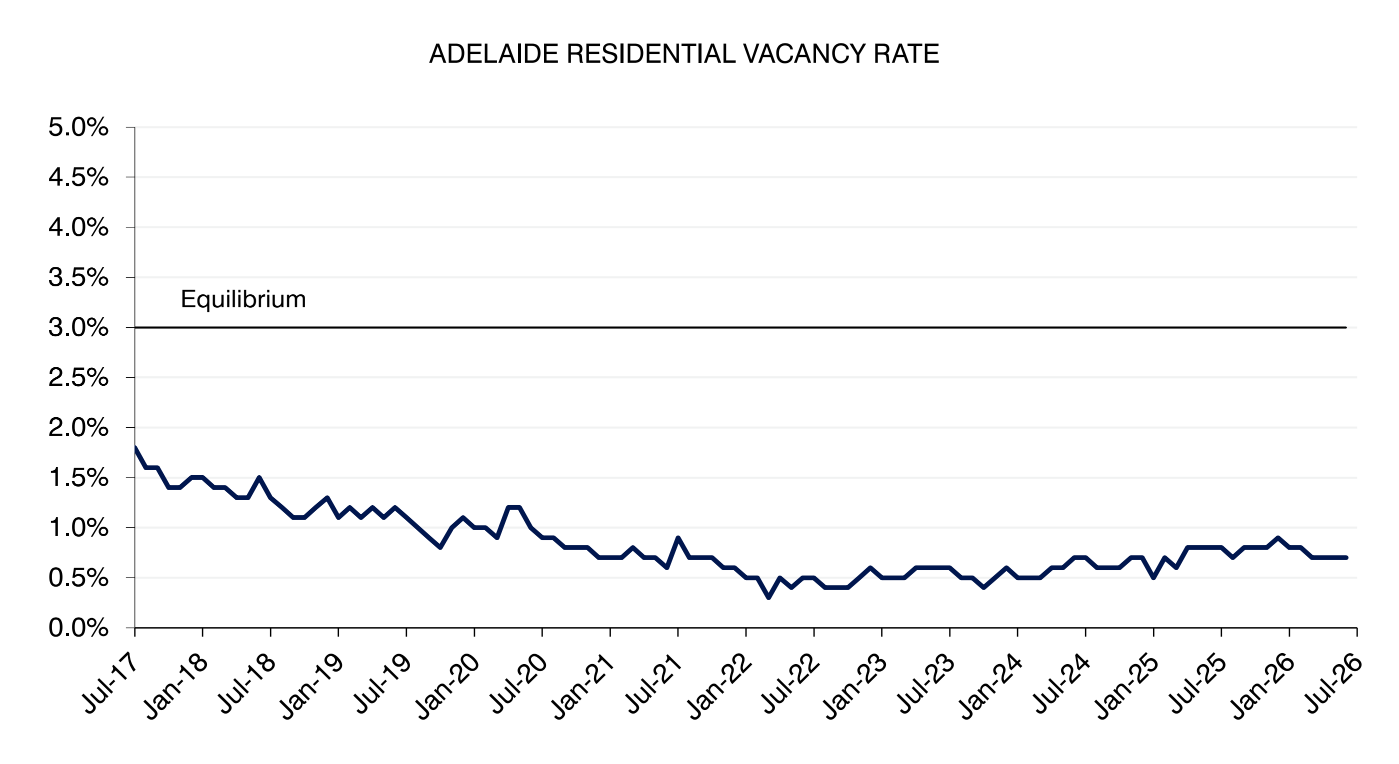
Market performance in 2025 was shaped by reduced allotment production, combined with accumulated, pulled-forward demand from government incentives and strong investor activity. The net result from these influences in 2026 has been moderating sale volumes with affordability placing pressure on allotment pricing, which we expect will stabilise over the coming months.

Affordability remains a key challenge across the residential market, especially at price points that lie outside the first home buyer threshold. Greenfield land values have stabilised across the major growth corridors, given uncertainty regarding the timing and delivery of service infrastructure.

Looking to late 2026, conditions are expected to regain some equilibrium. Higher interest rates and affordability constraints will temper demand; however, persistent supply constraints and a limited development pipeline will underpin land values, with unit/apartment markets expected to remain relatively resilient. Sale rates are expected to moderate through most price tiers across the market during the remainder of 2026."

CURRENT STATE OF PLAY

- The median house price for Adelaide grew by 10.3% to reach $1,007,684 in July 2026. The median unit price increased 11.5% to reach $692,861 in July 2026.
- Vacancy across Adelaide's metropolitan residential market was 0.7% in July 2026, down slightly on the 0.8% recorded in July 2025, and continues to be well below the benchmark equilibrium rate of 3.0% - indicating that the market is significantly undersupplied.
- Growth in rental rates for houses has slowed in the past 12 months, although the tight vacancy rate has continued to drive strong rental growth for units / apartments. According to Domain data, in the 12 months to June 2026, rental rates for houses increased by 4.8% across the Adelaide Metropolitan area to reach $650 per week; rents for units/flats also saw robust growth, with rents increasing by 5.8% to reach $550 per week.



Source: M3 Property, SQM
*Note: The market equilibrium vacancy rate is considered to be 3.0%. Vacancy rates higher than this typically represent an oversupplied rental market whilst lower vacancy rates typically represent an undersupplied market.

OPPORTUNITIES AND CHALLENGES

- Housing affordability remains a key issue for South Australia. Over the past year, escalating prices driven largely by supply constraints have placed further pressure on first home buyers.
- The strongest price growth appears to have occurred at the more affordable end of the market, where demand has remained resilient potentially driven in part by government subsidies e.g. First Home Owners Grant and Stamp Duty Concessions.
- Tight vacancy rates across Adelaide are expected to continue pushing rental rates upwards, albeit at a slower rate than achieved in the last 12-24 months.
- The residential development sector has seen continued escalation in greenfield land values, notably within Adelaide's northern growth corridors and the Mount Barker region. As further rezoning of land occurs in line with strategic growth plans set out by the South Australian Government, we anticipate upward pressure on underlying land values to occur in areas that have been identified for rezoning.
- Over the medium-term, dwelling completions are forecast to be lower (averaging 5,900 per annum for 2026). Over the longer term, completions are expected to increase to an average of 8,800 per annum between 2027 and 2030. However, supply completions are likely to continue to be impacted by elevated construction costs, labour and materials shortages, and tightening credit conditions.
- Despite development constraints, there was significant price growth within new estates with allotment prices rising by 23% during 2025 to reach a median lot price of $377,135. A total of 2,534 lots were sold at a median price of $983 per square metre.
- Given the tight rental market, there are an increasing number of investors participating in the new allotment market highlighting the speculative nature currently influencing this market sector.

OUTLOOK

- Dwelling prices are expected to stabilise over the medium term, with the unit / apartment market likely to be more insulated than the established house market due to tight rental market conditions.
- Given strong growth in purchaser demand for established allotments, demand for englobo land parcels will continue to be strong, with record prices reported for greenfield sites across metropolitan Adelaide.
- The SA government is boosting residential land supply and paving the way for close to 40,000 new residential homes across the state as part of the A Better Housing Future plan, and the current pipeline of residential rezonings.
- The performance of the market through 2026 has been influenced by the ongoing issues around falling levels of allotment production, ongoing levels of accumulated pulled-forward demand influenced by government grants / rebates etc. and investor demand. The net result from these influences we expect will be moderating sale volumes, placing pressure on pricing and continuing high demand from investors.

RETAIL

SHAUN O’SULLIVAN
Director | Retail

“Improved liquidity led to a wave of Shopping Centre transactions which has paved the way for continued performance of the sector in 2026.

There has been strong transactional activity in the Shopping Centre investment market over the last 12 to 18 months. A weight of capital was chasing retail assets during 2025 as institutional investors competed with fund managers, syndicators and private investors to secure centres offered for sale. This resulted in many transactions occurring across all sub-sectors.

Heading into the latter half of 2026, capital remains strong for the sector, although the broader interest rate environment continues to contribute to a level of caution in the market. That said, investors remain attracted to the strong underlying thematics of the sector.

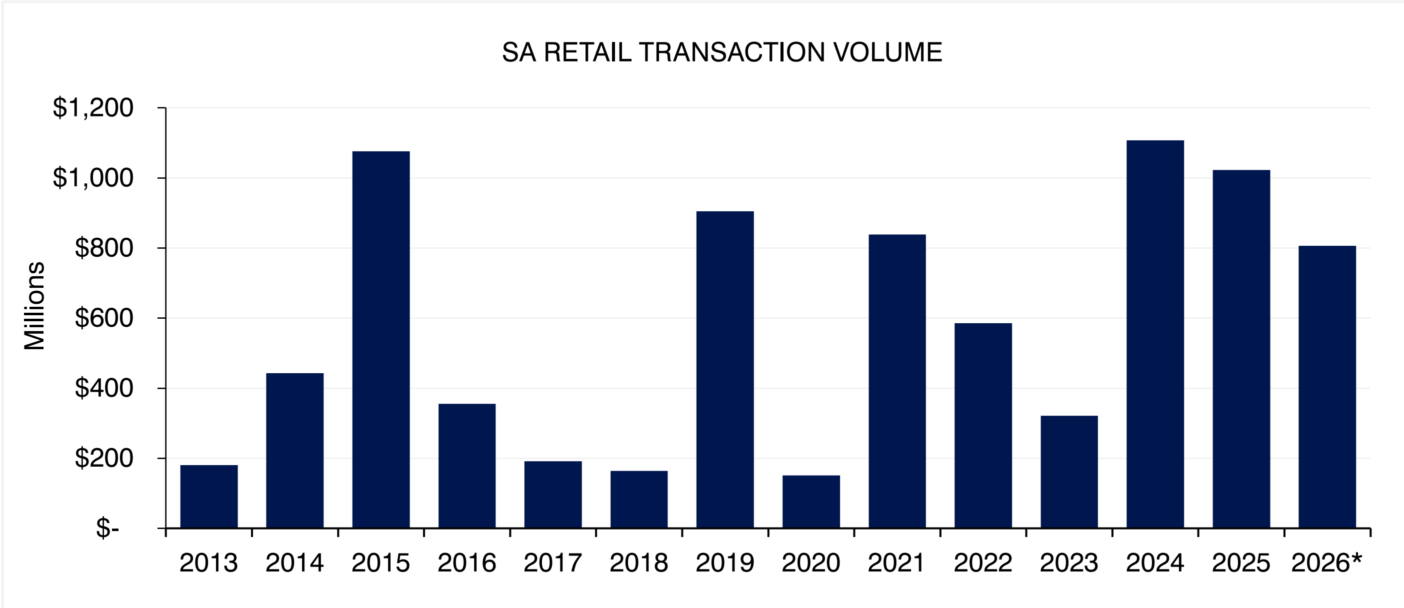
On the income side, landlords are achieving strong leasing spreads, helped by low levels of vacancy, population growth and constrained new floorspace supply. However, retailers continue to face operational challenges including navigating higher inflation, consumer ‘cost of living’ pressures, and heightened stock theft and crime.

"ON THE INCOME SIDE, LANDLORDS ARE ACHIEVING STRONG LEASING SPREADS, HELPED BY LOW LEVELS OF VACANCY, POPULATION GROWTH AND CONSTRAINED NEW FLOORSPACE SUPPLY."

- SHAUN O'SULLIVAN

CURRENT STATE OF PLAY

- Total retail spending in South Australia increased by 5.64% over the year to May 2026, up from 4.61% growth over the year to May 2025.
- The strongest retail category growth was recorded in Clothing, Footwear and Accessories, which increased by 8.48% over the year to May 2026.
- Rental market conditions for South Australian shopping centres have continued to improve, with vacancy trending downward since June 2024 and net face rents as at June 2026 ranging from $1,000–$1,600 per sqm for Regional Centres, $625–$1,000 per sqm for Sub-Regional Centres, and $425–$750 per sqm for Neighbourhood Centres, depending on location and quality.
- Growth in online retail and the continued expansion of online marketplaces are prompting centre owners to adjust tenancy mixes, with a continued shift toward health and beauty, services, food-based retailing and entertainment.
- Rental spreads for Australian REIT shopping centre owners have materially improved over the past 12 months, supported by low vacancy, population growth and constrained new floorspace supply. Although owners are cautious that economic headwinds may dampen rental growth in the short term.



Source: Real Capital Analytics (RCA), M3 Property
Note: Sales over $5 million *YTD sales as at 23 September 2026

INVESTMENT MARKET

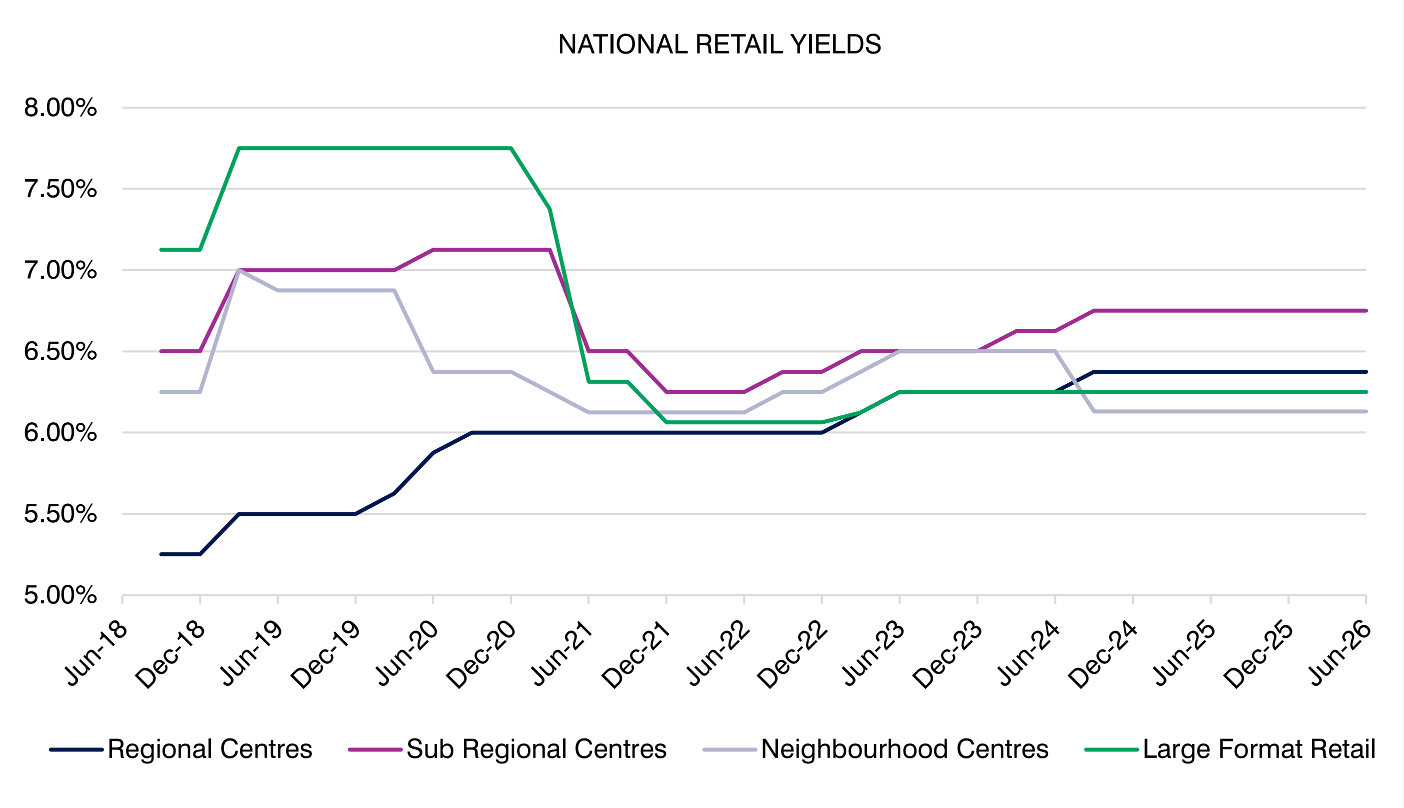
- In 2025, South Australia recorded retail asset sales totalling $1.26 billion, an approximate 14% increase on 2024 levels.
- So far in 2026, transaction activity has remained strong, with 87 South Australian retail asset sales totalling circa $1.1 billion.
- Private buyers continue to account for most retail transactions in South Australia, with private investors also remaining the most active buyer type for high street retail properties.

TRANSACTIONS

- 2026 activity includes the sale of a half share in Westfield Marion for $670 million in June 2026, while Adelaide CBD retail recorded 22 sales totalling $72.99 million so far in 2026.

YIELDS

- Retail yields in South Australia continue to remain attractive across key retail asset classes, with investor demand strongest for convenience and non-discretionary-focused assets.
- Transaction activity has been mixed across the retail sector, with limited sales for some shopping centre categories as owners continue to tightly hold assets.
- As of the June quarter 2026, South Australian retail yields are estimated to range between 5.50% and 7.25% for Regional Centres, 5.50% and 8.00% for Sub-Regional Centres, 5.25% and 7.00% for Neighbourhood Centres, 5.00% and 6.50% for Prime CBD retail, 4.50% and 6.00% for High Street retail, and 5.50% and 7.00% for prime Large Format Retail centres.



Source: M3 Property

OPPORTUNITIES AND CHALLENGES

- A lack of development is improving the demand/supply equation. With population growth contributing to demand, vacancy levels are generally quite low across all sub-categories. Scentre Group have reported portfolio occupancy of 99.8% as at 30 June 2026; the highest in more than a decade. This theme should continue in the short term for strong centres.
- Rental growth has been solid. National retailers with store rollout programs are agreeing to increased rents to help facilitate the commencement of developments for Neighbourhood Centres, Large Format Retail (LFR) Centres and Quick Service Restaurants (QSR).
- A-REITs are reporting strong leasing spreads, including GPT (6.6%), VCX (4.2%), Region Group (4.0%) and Scentre Group (3.7%) to 30 June 2026.
- Institutional capital values the stabilised income profiles of Shopping Centres, backed by long-term leases and fixed rental growth.
- Retail theft and crime puts extra pressure on the resourcing and profits of retailers and landlords. This is an unwanted focus of the industry and a drag on operations.
- Stratum retail can be challenging assets to sell, attracting reduced levels of investor capital.
- Shopping centres have natural advantages through planning and transport to assist with the housing supply crisis as cities expand vertically, but the overly onerous regulatory framework provides hurdles.
- Centres still play a vital role in the community. Retail is where people do their living. Some shopping centres are adding co-working tenants, childcare, serviced apartments and other non-traditional retail uses.

OUTLOOK

- Consumer confidence had been improving over the past year, however, the current interest rate environment continues to influence discretionary consumer spending. With monetary policy remaining a key consideration heading into the final quarter of 2026, there is still a level of caution regarding the economic outlook and the negative impact the Federal Budget has had on the housing market. In this environment, buyer behaviour is likely to become more considered and selective about where capital is committed, supporting a more sustainable and balanced market as assets are brought to market throughout 2026.
- Over the medium term, we expect to see most new supply to be focused on convenience based / daily needs retailers, particularly in locations experiencing or forecast to experience stronger population growth.

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