CUSHMAN & WAKEFIELD

INSTANT INSIGHT

THE RETAIL RUNDOWN MOMENTUM CONTINUES TO BUILD

AUGUST 2025

Key Points

- **Retail spending is rebounding,** with discretionary categories like transport, recreation, and hospitality driving a 2.4% year-on-year increase in household expenditure.
- **Household financial fundamentals are stabilising,** supported by rising net wealth and steady savings ratios, enabling sustained discretionary activity despite economic uncertainty.
- **Commercial real estate opportunities are sector-specific**, as interest rate cuts by the RBA shift consumer sentiment and spending toward discretionary-aligned sectors.

Retail Finds Its Rhythm

Total retail trade rose 1.2% year-on-year (YoY) in Q1 2025 marking a shift from the stagnation observed in late 2024 to a more positive trajectory. While daily needs retail continues to anchor overall performance, discretionary categories, particularly entertainment and mobility are driving the upswing.

Momentum is beginning to translate into selective leasing demand, especially in high-performing sub-sector such as urban hospitality and lifestyle precincts. In Sydney and Melbourne, for example, leasing activity has picked up in mixed-use developments and refurbished high-street locations, where foot traffic and experiential offerings are strongest.

Discretionary Revival

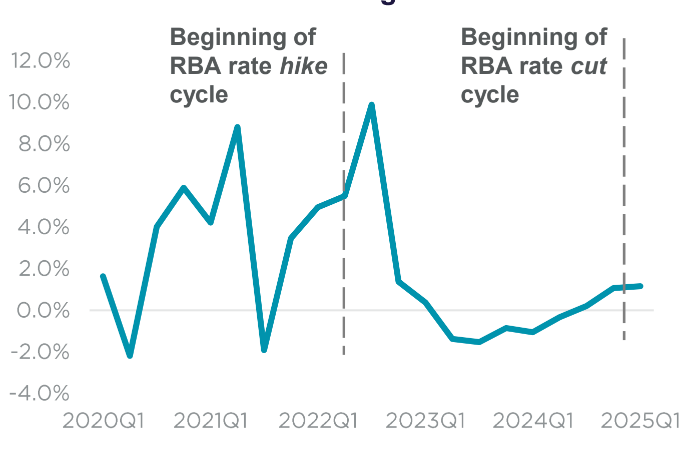
Discretionary spending led June's growth, with transport (+6.4% YoY), recreation & culture (+4.8% YoY), and hospitality (+3.9% YoY) outperforming other sectors. Overall discretionary sales rose 4.3% YoY, potentially indicating an easing of cost-of-living pressures constraining spending. The broader trend reflects a shift in consumer priorities toward experience-led and lifestyle-oriented spending. Landlords can take advantage of this by curating tenant mixes that reflect these evolving preferences.

Confidence Returns

Consumer sentiment has improved since mid-2023 and has held above 90 for several months. Although this does still indicate that on balance consumers are more negative than positive, the RBA's pivot to interest rate cuts has eased some of the pessimism amongst consumers.

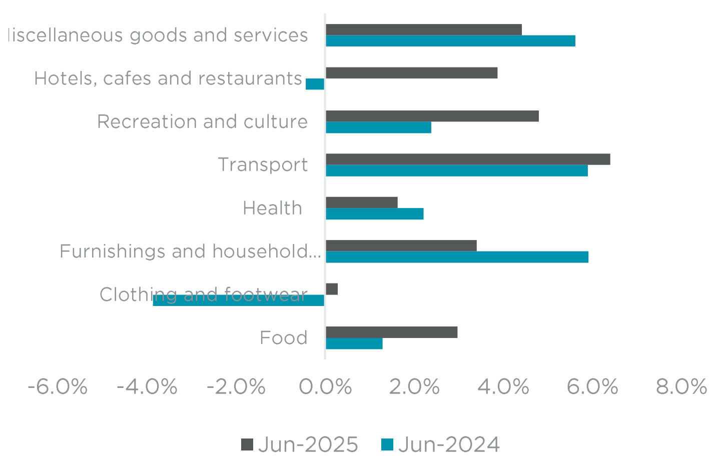
As sentiment improves, retail activity is gaining momentum, especially in discretionary categories. Hospitality and entertainment venues located in high-footfall urban areas are likely to benefit most.

Total Retail Trade YoY Change



Source: Oxford Economics: Cushman & Wakefield

Household Spending Subcategories



Source: ABS: Cushman & Wakefield

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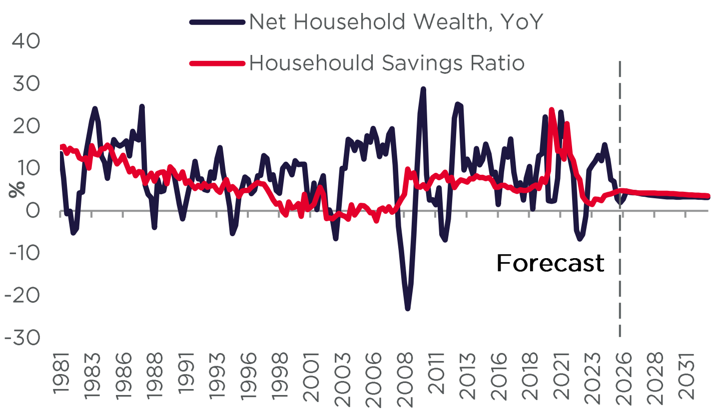
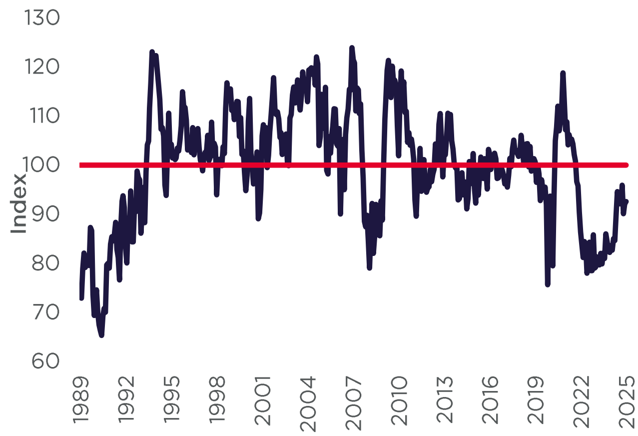
Household Wealth vs Spending Ratio



Source: ABS; Oxford Economics; Cushman & Wakefield

Consumer Confidence Index



Source: Melbourne Institute; Westpac; Cushman & Wakefield

Households Rebalance

Rate cuts have contributed to a steady rise in household net wealth throughout 2025. At the same time, savings ratios have stabilised around 4–5%, indicating that although consumers are spending more, they are not overextending. This rebalancing suggests a more stable and confident consumer base, capable of supporting discretionary retail growth.

What Happens Next?

With rates now lower, early signs of increased discretionary spending—particularly in hospitality and entertainment—are beginning to emerge in high-traffic precincts. Historical patterns suggest that sentiment and spending respond quickly to monetary easing, especially in well-located venues with formats that align with consumer preferences.

For assets on the margin, this could be a critical window to capture the rebound. Location, tenant mix, and experiential appeal will be key differentiators in the months ahead.

Key Indicators

GDP (YoY)	1.3%
CPI (YoY)	2.1%
Unemployment	4.2%
Overseas Migration (YoY)	20.2%
Household Spending (YoY)	4.8%
Consumer Sentiment	93.1

Annika Lausev
Research Analyst
Business Development Services
+61 412 172 705
annika.lausev@cushwake.com