Re-Leased

Commercial Real Estate Live Data

AUSTRALIA

Tenant Health Index

Unlock deeper understanding of tenant dynamics.
The Tenant Health Index (THI) provides a clear, data-driven assessment of tenant occupancy health across Australia.

Market Lens

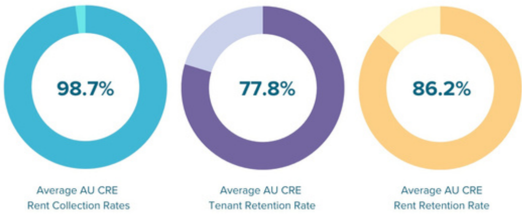
The Re-Leased platform captures live rental collection data directly from over 80,000 unique leases from across the country. The report looks at the Australian picture and also provides segmented analysis across major property asset classes (Office, Industrial, Retail and Hospitality).

This report does not rely on surveys or secondary collections, and the data has been collected, anonymised and aggregated in line with the Re-Leased Terms and Conditions as at the time of publishing .

Core Metrics of the THI

The Tenant Health Index provides a detailed view of tenant dynamics within commercial properties, offering insights into key performance areas. High collection rates ensure reliable cash flow, while strong tenant retention reflects long-term stability and enduring relationships. Robust rent retention shows the preservation of rental income, even when tenants change. Additionally, the Rent to Lease Retention Variance highlights shifts in rental income relative to tenant retention, providing valuable information for pricing and negotiation strategies.

By combining these metrics, the Tenant Health Index empowers landlords and investors to benchmark tenant health, enabling more informed decisions that optimise property performance and investment strategies.



Collection Rates

Measures: Percentage of rent paid within 30 days of the due date.
Significance: Indicates tenants' payment reliability and financial health.

Tenant Retention

Measures: Percentage of tenants remaining after 12 months.
Significance: Reflects tenant loyalty and long-term occupancy potential.

Rent Retention

Measures: Percentage of rent paid by retained tenants compared to the previous year.
Significance: Assesses whether rental income is maintained with existing tenants.

Rent Variance

Shows: Difference between rent retention and tenant retention rates.
Positive Variance: Retained tenants are paying more, possibly due to rent increases or leasing more space.
Negative Variance: Tenants are paying less despite staying, indicating potential revenue decline.

Collection Rates

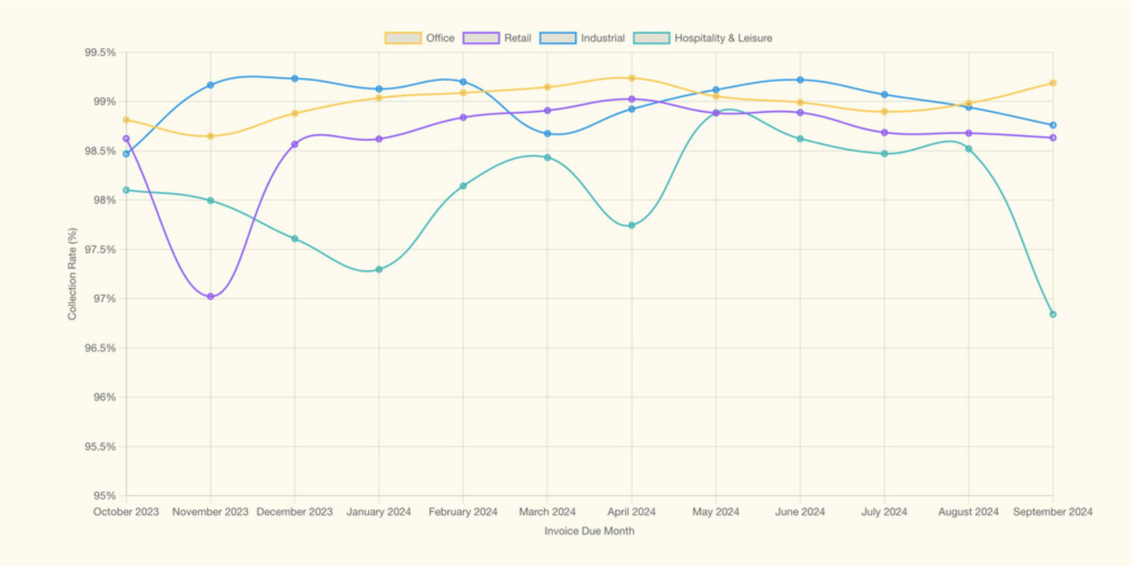
This measures the percentage of rent that is paid within 30 days of the due date, reflecting how reliably tenants are meeting their payment obligations. A high collection rate indicates strong financial health and cash flow consistency.

Commercial Real Estate Rent Collection

Australia has recovered its commercial property rent collection rates, bouncing back from the pandemic-driven low in April and May 2020, when landlords collected only 67% of rent.

Average collection rate: 98.7%

Australia's commercial real estate market is showing positive rent collection trends, with the vast majority of tenants across all sectors paying their rent on time. While the overall risk of arrears is low, there is a variability in hospitality and retail, suggesting that some businesses may be facing financial pressures.



Office Collection Rate

Average collection rate: 99%

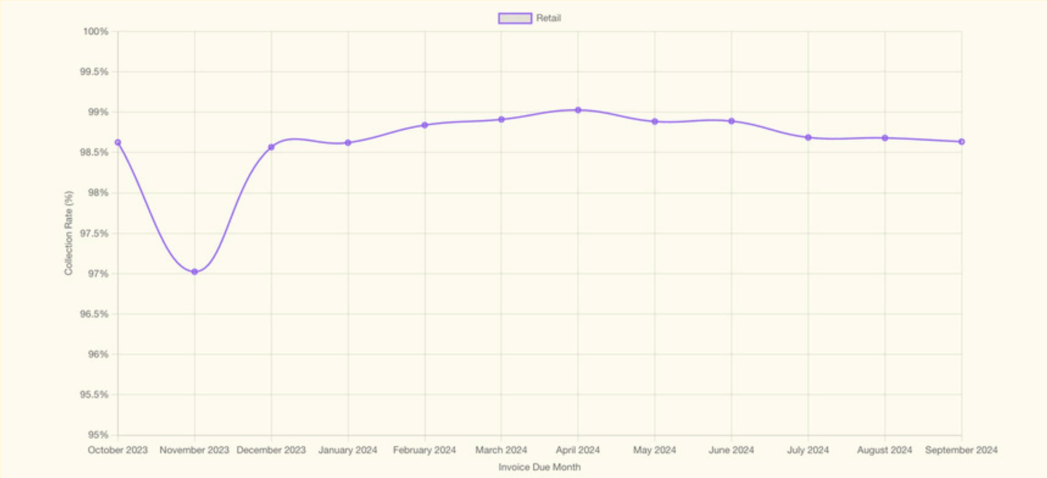
Office rent collection rates during this 12-month period are consistently high, with only minor fluctuations, suggesting a healthy and stable office rental environment in Australia. This is a notable improvement from the May 2020 rent collection low of 77%. With collection rates ranging from 98.6% to 99.2%, this data reflects strong market fundamentals and effective rent recovery practices across the sector.

Invoice Due Month	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Collection Rate	98.8%	98.6%	98.9%	99.0%	99.1%	99.2%	99.2%	99.0%	99.0%	99.0%	99.0%	99.2%

Retail Collection Rate

Average collection rate: 98.62%

Retail rent collection in Australia is solid, having fully recovered from the lows of 54% in May 2020. Although the sector shows similar variability to hospitality, most tenants are meeting their obligations. Certain businesses may still be grappling with the challenges of adapting to new consumer behaviours, such as the ongoing shift to online shopping. Retail landlords may need to keep a close eye on tenants in non-prime locations to mitigate any potential arrears.



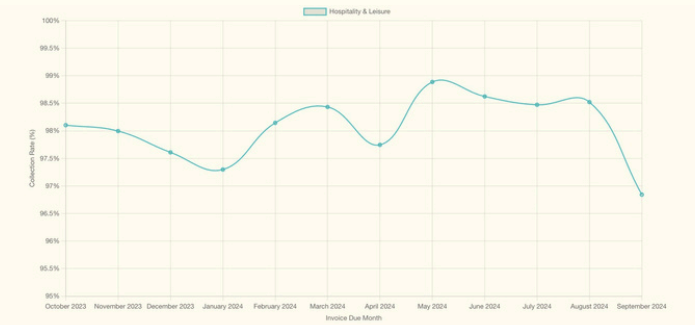
Invoice Due Month	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Collection Rate	98.6%	97.0%	98.6%	98.6%	98.8%	98.9%	99.0%	98.9%	98.9%	98.7%	98.7%	98.6%

Industrial Collection Rate

Average collection rate: 99%

Industrial rent collection remains a standout performer in Australia with a near 100% of rent collected. Tenants are paying their rents consistently, with minimal deviation across months. While this sector has strong financial health, an emerging trend is reassuring for landlords, indicating little to no arrears risk.

Invoice Due Month	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Collection Rate	98.5%	99.2%	99.2%	99.1%	99.2%	98.7%	98.9%	99.1%	99.2%	99.1%	98.9%	98.8%



Invoice Due Month	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Collection Rate	98.1%	98.0%	97.6%	97.3%	98.1%	98.4%	97.7%	98.9%	98.6%	98.5%	98.5%	96.8%

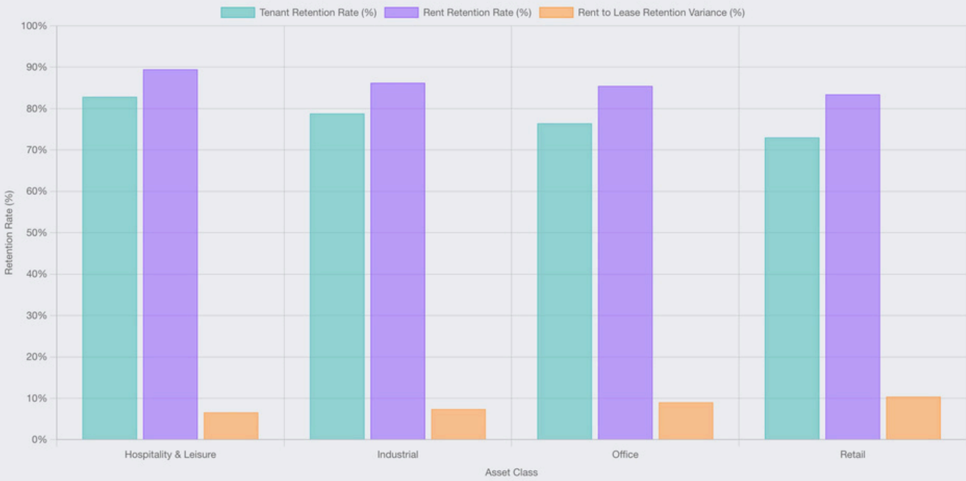
Hospitality and Leisure Collection Rate

Average collection rate: 98.06%

The hospitality and leisure sector in Australia demonstrates generally reliable rent collection, though it shows more variability than other sectors. While most tenants are fulfilling their obligations, some fluctuation suggests that certain businesses may still be grappling with challenges tied to the ongoing economic recovery or market pressures.

Tenant and Rent Retention

Based on the dataset provided and industry trends, we can identify several key insights regarding tenant retention, rent retention, and the rent to lease retention variance in the Australian commercial real estate market, particularly in sectors such as industrial, office, retail, and hospitality.



	Tenant Retention Rate	Rent Retention Rate	Rent to Lease Retention Variance
Hospitality & Leisure	82.86%	89.48%	+6.6%
Industrial	78.82%	86.23%	+7.4%
Office	76.43%	85.47%	+9.0%
Retail	73.02%	83.43%	+10.4%

Tenant Retention Rate

Tenant retention rates across sectors reflect the stability and loyalty of tenants over a 12-month period. In the dataset:

- The **industrial** sector has seen strong 78% tenant retention rate. While the industrial sector has broadly seen strong demand, reflecting the warehousing needs of e-commerce and supply chains, emerging trends show softening in specific Australian precincts. Retention rates remain high in core areas, yet rising vacancy rates in certain precincts point to a growing variation in demand.
- **Office** retention in Australia continues to face pressure as companies adopt hybrid work models. Tenant retention in offices is 76%, as businesses have more confidence in what their occupational footprint will look like moving forward.
- **Retail** faces ongoing structural challenges, with lower tenant retention at 73%, driven by the accelerated shift to online shopping and changing consumer behaviour. Several factors underpin these lower retention rates including an increase in retailers going out of business, tenants opting for smaller, more flexible space, or relocating to more affordable areas.
- **Hospitality & Leisure** retains the highest tenant retention rate in Australia, reflecting the resilience of this sector as consumers return to leisure activities post-pandemic. Although challenges remain, particularly in urban areas, tenants in hospitality have been relatively stable.

Rent Retention Rate

Rent retention tracks the amount of rent retained from tenants who stay in the property year-over-year. The dataset reveals:

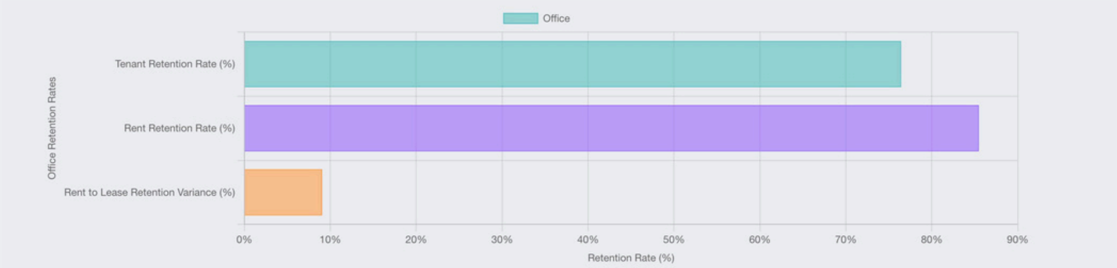
- While the **industrial** sector continues to thrive in many areas, certain precincts are beginning to experience softened demand. In prime locations, landlords still retain rents at strong levels, but some areas with larger warehouses are seeing an uptick in vacancies and more moderate rent growth. Despite some tenant turnover, those that stay often pay premium rates for prime space.
- **Office** rent retention shows some signs of stabilisation, but the sector faces increased rents. Businesses are renegotiating leases to align with downsized office needs or receiving favourable lease terms.
- **Retail** rent retention highlights the industry's challenge in maintaining pre-pandemic levels, driven by the shift to online shopping. The sector is experiencing a growing divide between prime and secondary locations. For tenants who remain, retail saw the largest rent increase at 10.42%, which indicates a willingness from tenants to pay a premium rent to secure their prime stores or locations.
- Rent retention in **hospitality** is strong, indicating that landlords have been able to maintain or even increase rents for retained tenants. This is particularly true for prime locations or businesses that have successfully adapted to new market realities.

Rent to Lease Retention Variance

The variance between rent retention and tenant retention reflects how much more (or less) retained tenants are paying compared to the previous year:

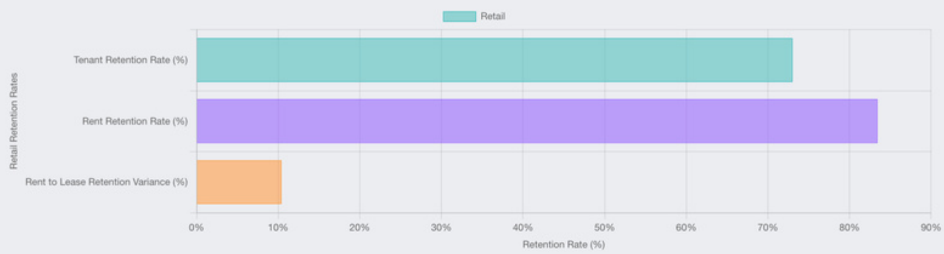
- The **industrial** sector shows positive rent-to-lease retention rates at +7.4%, with tenants in high-demand hubs often paying premium rents due to competitive conditions. However, in some precincts, vacancy rates are creeping up, which is dampening rent growth off a high base. This variance suggests landlords in prime locations are capitalising on demand, while others are adjusting to increased availability.
- **Office** variance is at +9%, suggesting that while tenant retention is lower, those that remain often negotiate smaller, more premium spaces at increased rates. This could reflect a trend toward more modern, flexible workspaces that are perceived as higher value, or tenants who are willing to pay to secure prime offices that suit their business requirements.
- **Retail** is undergoing a significant transformation, with lower retention but higher rent for remaining tenants. This reflects growing segmentation in the retail market, where prime retail tenants can withstand rising rents, but many traditional retailers struggle to keep pace.
- **Hospitality & leisure** show positive variance, meaning tenants who remain are paying slightly higher rents, though growth is modest. The recovery in this sector has been gradual, and while some operators are willing to pay more for prime spaces, many still face financial pressure.

Office Tenant and Rent Retention



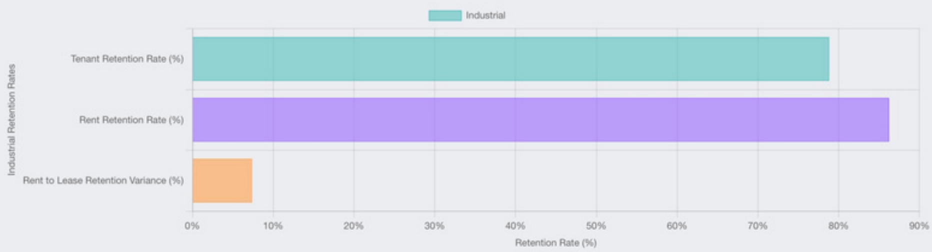
The office sector continues to experience pressure from the shift towards hybrid work models, however, tenants are showing a willingness to invest in premium spaces. The positive rent-to-lease retention variance suggests that businesses staying in offices are choosing higher-quality, flexible environments, even at slightly increased rates. This reflects a growing preference for modern, adaptable workspaces among those committed to maintaining physical offices.

Retail Tenant and Rent Retention



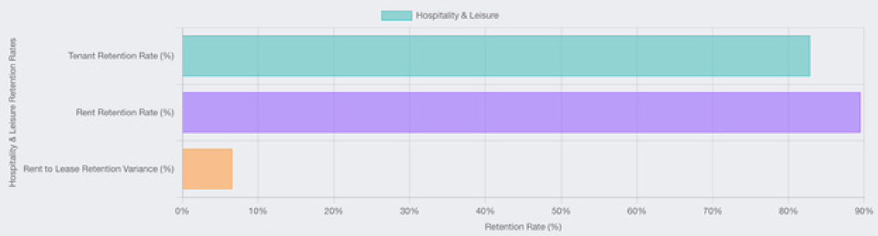
Retail faces significant structural challenges as consumer behaviour shifts towards online shopping. The lower tenant retention rate highlights frequent turnover, but the positive rent to lease retention variance suggests that remaining tenants in prime locations can afford higher rents. This indicates a growing segmentation within the retail market, where successful tenants can withstand rent increases while others struggle.

Industrial Tenant and Rent Retention



The industrial sector remains a strong performer in the Australian CRE market, though recent shifts are evident. Demand for logistics and warehousing continues, fuelled by e-commerce growth, yet vacancy rates are gradually rising in some metro areas as sublease options increase, especially in larger facilities. While this has moderated rental growth from previous highs, tenant retention remains robust, reflecting competition for prime spaces. In areas with limited new supply, landlords can still secure rent increases, highlighting the sector's resilience and solid long-term prospects. The positive variance indicates that retained tenants are paying more, underscoring the sector's resilience.

Hospitality and Leisure Tenant and Rent Retention



Hospitality & Leisure properties show strong rent retention relative to tenant retention, which may be due to a post-pandemic recovery in consumer activities such as dining and entertainment. The positive variance indicates that landlords are successfully raising rents on renewed leases or benefitting from an increased willingness to pay in high-demand locations.