LMW Research

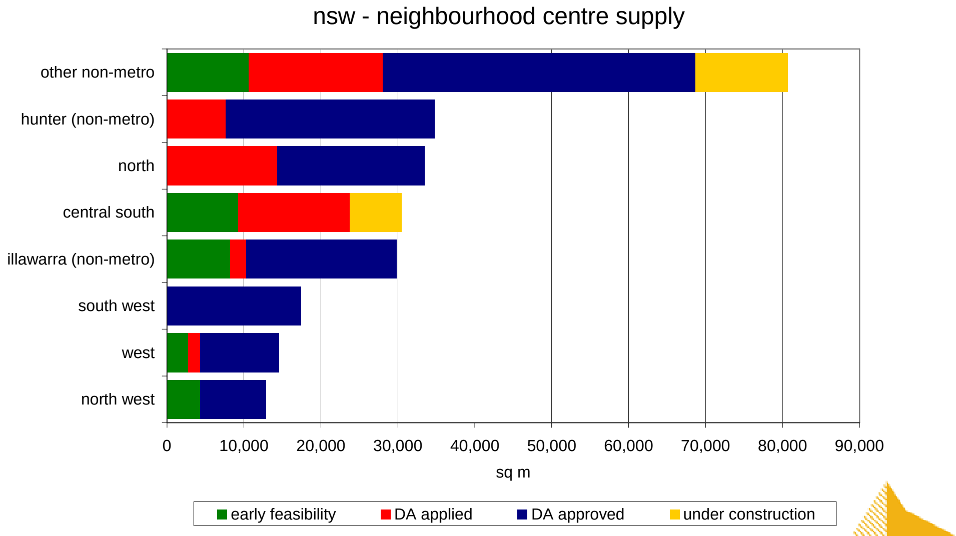
LandMark Byte

A LandMark White Group publication

NSW NEIGHBOURHOOD CENTRES – MARKET UPDATE

SUPPLY

Neighbourhood retail centres represent 17.31% of total supply projected for New South Wales. Of this amount only 7.37% is under construction and 56.12% has DA approval. Across Sydney Metropolitan the North region is one of the key providers of future neighbourhood centres accounting for 13.17% of the total. One of the largest projects with DA approval is for the 9,765 sq m mixed use development Cammeray Square, which is anticipated to be completed in mid 2008. The redevelopment of the Balgowlah Shopping Centre (14,316 sq m) is currently in the early stages of planning, however the project is due to enter the market late 2008.



Source: LandMark White Research & Reed Construction Data

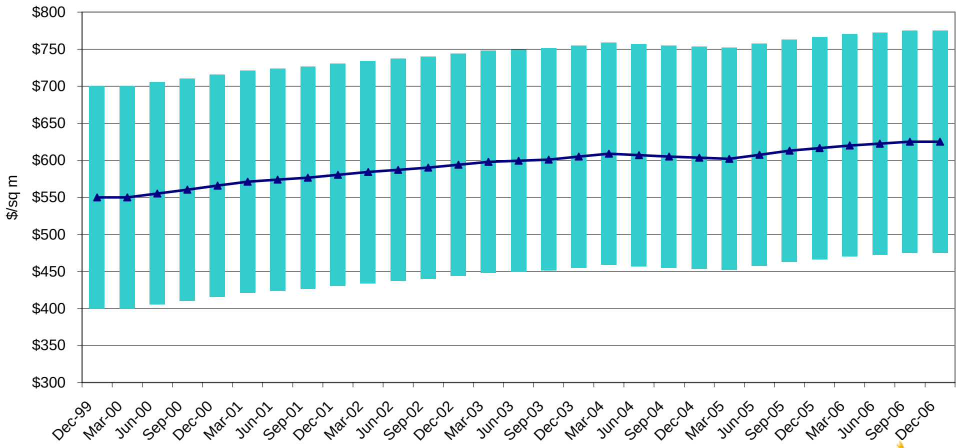
Non-metro regions account for more than half of new supply with the bulk of supply emerging from the Hunter region. One of the major developments with DA approval is the redevelopment plans for the Belmont Bowling Club, which will provide 7,345 sq m of retail space, with completion anticipated in late 2007.

Supply for new Neighbourhood centres is restricted to new residential release areas that are not already serviced by Sub-Regional and Regional centres.

RENTS

Rents across Neighbourhood shopping centres continue the upward trend after the market experienced a slow down in 2004. Average net face rents are currently recorded at $625/sq m, this represents a 1.38% increase in the last 12 months. The variance in size and position of specialty stores between Neighbourhood centres has resulted in the large range seen in average rents.

nsw neighbourhood shopping centre net face rents



Source: LandMark White Research

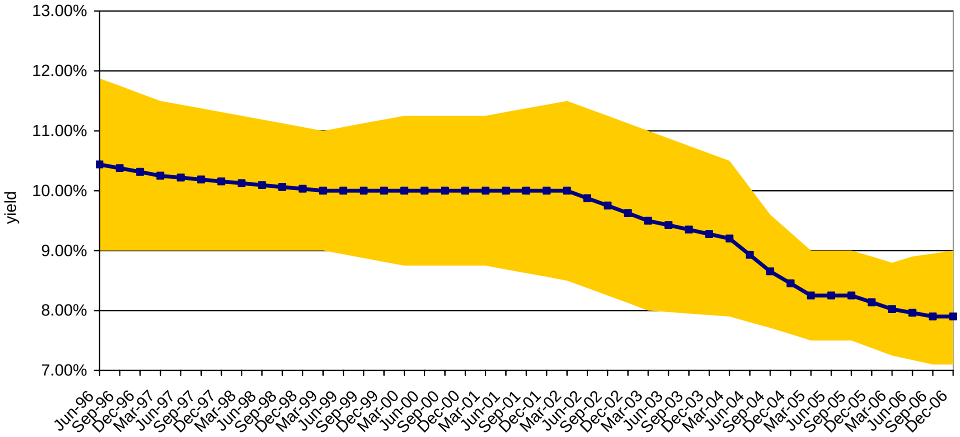
Neighbourhood centres have witnessed good growth over the past two years as consumers return to convenience based shopping. Since 2002 rental rates have risen on average 1.50% per annum, growth has slowed after the highs of 2005 of 2.15% at $617/sq m. New supply will have minimal impact on rental growth rates in well established areas, with the majority of new supply concentrated near residential land release areas, especially in non-metro regions.

YIELDS

Neighbourhood shopping centre yields in New South Wales have shown minimal movement over the last six months, with an indicative yield of 7.90% in the December quarter 2006. With limited available stock, there is a clear separation between prime and secondary neighbourhood centre stock. Hence, the slight increase in range of yields achievable, with an average range of 7.15% to 9.00%. Despite this range, yields have been known to trade below this average, particularly for well located centres in established areas.

In October 2006, Havania Pty Ltd bought Village Plaza at Dee Why for $22.50 mill., on an initial yield of 6.68%. While a syndicate purchased Moonee Beach Shopping Centre for $30.00 mill., with an initial yield of 8.45%.

nsw neighbourhood shopping centre yields

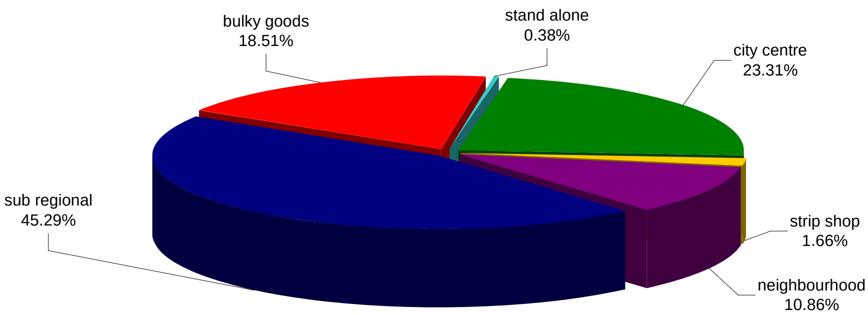


Source: LandMark White Research

INVESTMENT

In 2006, retail sales >$5.0 million across New South Wales totalled $1.690 billion. The total value of retail properties transacted was predominately focused in Sub Regional centres, accounting for 45.29% of total transactions. Neighbourhood centres sold represented 10.86% of the total value. Neighbourhood retail suffered from a lack of quality available stock, with only three centres being purchased in the past 12 months.

nsw retail transactions by retail type



Total turnover $1.690 billion in 33 transactions

Source: LandMark White Research
**sales reported in 2006 calendar year*
**sales >$5.0 million*

In August 2006, Campbelltown Square was sold by a family trust to Metroland Properties for $14.80 mill. Fortius Funds Management acquired Campbelltown Marketfair in June 2006, for $20.20 mill., from Votaint No. 963 Pty Ltd.

NB. All retail supply projects over 1,000 sq m have been included; if you require definitions for sub regions, planning status or property types please contact Vanessa Rader.

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