

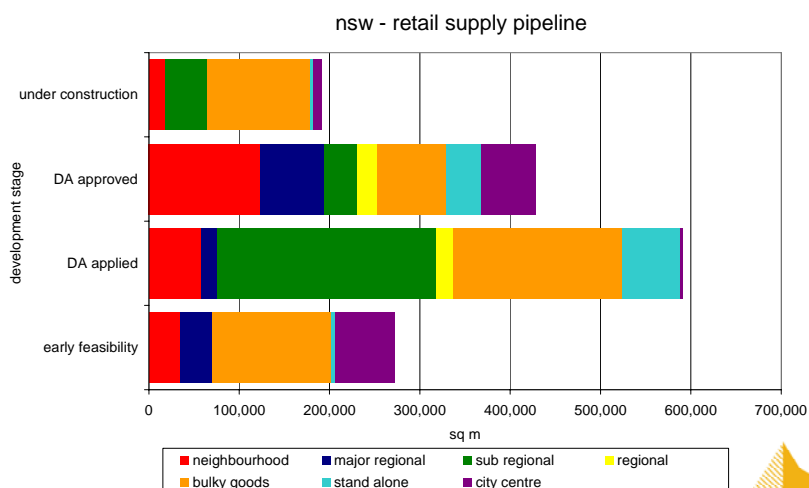


## NSW RETAIL UPDATE & END OF YEAR WRAP UP

- LandMark White are monitoring over 161 retail developments across New South Wales likely to be added to the market in the next five years;
- Retail rents have seen minimal growth in the past year inline with limited retail turnover growth;
- Retail investment activity buoyant in 2006 as yields continue to show some compression.

### SUPPLY

LandMark White is currently monitoring 1.48 million sq m of new retail supply in 161 projects in various stages of planning due for completion over the next five years. Retail development activity continues in the trend we have seen in the last three years of non metropolitan development, of this monitored supply 42.2% of all space is located outside of the Sydney metropolitan area. Most of this regional supply is in the form of Neighbourhood centres and Bulky Goods, this convenience based shopping representative of the smaller population catchment.



Neighbourhood retail centres represent 15.8% of total supply projected for New South Wales, of this amount only 8.0% is under construction and 52.7% has DA approval. Western and South West regions of Sydney account for 13.4% of Neighbourhood centre development, new supply in these regions being primarily in residential growth areas.

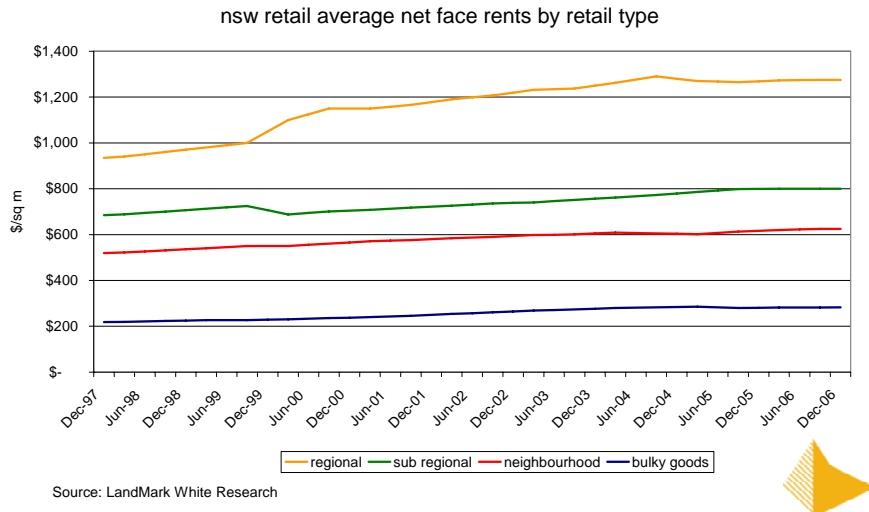
Non metropolitan regions account for more than half of new supply with the bulk of supply emerging from the Hunter region. There is a greater need for additional retail infrastructure in this location given the completion of the Lower Hunter Regional Strategy identifying areas of increased residential growth. Development such as Rutherford Marketplace which has DA approval for a 6,629 sq m centre, anticipated to enter the market mid 2008 is an example of this.

Despite a fall in retail spending for household goods and the softening Sydney residential market, Bulky Goods development has continued strongly. Accounting for close to 35% of all New South Wales retail developments, this segment has continued to grow particularly in the western regions of Sydney.

Looking ahead Bulky Goods supply is likely to continue in regions anticipating high levels of residential growth. Notably is the likely growth in Bulky Goods type developments in non metropolitan areas such as the Hunter and Central Western New South Wales in line with increased residential land supply.

## RENTS

Retail rents have seen little movement over the past eighteen months given limited retail trade growth results. LandMark White's December quarter rent and yield analysis finds the vast variance in rental levels dependent on size and retail centre type. Regional centres net face rents currently range between \$1,175/sq m and \$1,375/sq m, resulting in a minimal 0.5% growth over the last year. Sub Regional centres show a similar annual growth rate with rents ranging \$630/sq m to \$980/sq m with an average of \$800/sq m.

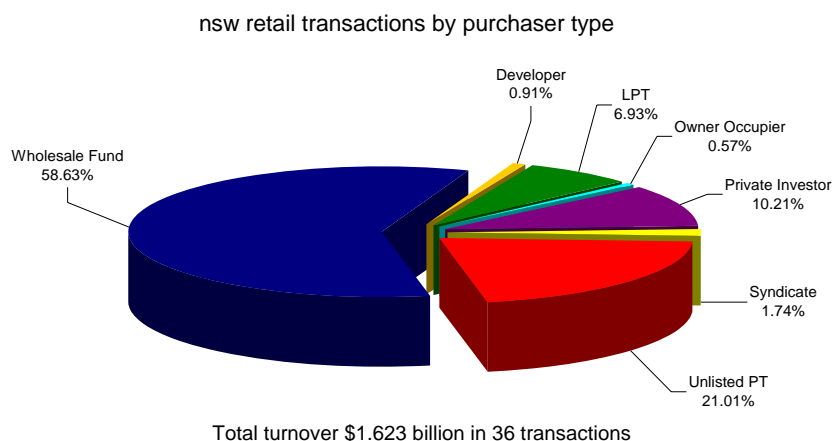


Neighbourhood centres have resulted in the best rate of annual growth of 1.4% to average \$625/sq m within the range of \$475/sq m to \$775/sq m. There has been a growing interest in this more convenience based retailing resulting in robust investment activity and development. Bulky Goods retailing has come back slightly in the last year after a reduction in rents achieved during the late 2004 and early 2005 during the peak of residential activity. Currently net face rents average \$283/sq m, resulting in a 0.7% increase over the 2006 calendar year.

## YIELDS & INVESTMENT

Average yields for retail centres continue to compress, albeit at a much lesser pace to twelve to eighteen months ago. Regional centres and prime CBD retailing continue to attract record

low yields ranging between 5.25% and 7.00% with an average of 6.45% and 6.10% respectively. Average yield for Sub Regional (7.50%) and Neighbourhood centres (7.90%) have tightened 25 basis points in the last year, while prime Bulky Goods investment stock continues sub 8% at 7.75% this quarter. In the last twelve months there has been a greater volume of retail investment stock available to the market; this increase despite being highly contested will ensure yields remain constant with little further decrease forecast.



Source: LandMark White Research  
\*as at 4th December 2006



Looking over the 2006 calendar year (to 4<sup>th</sup> December) there has been \$1.623 billion transacted in New South Wales, well ahead of 2005 results of \$1.143 billion, yet still below 2004 results. The issue of falling retail turnover growth is having a dampening effect on the retail market resulting in a greater volume of large investment grade stock becoming available to the market. Investment into this market has been dominated by Wholesale Funds, not dissimilar to investment across all property classes and types, accounting for 58.6% of all transactions. Listed Property Trust investment falling this year to 6.9% compared with their domination in 2005 of 52.4%.

Retail investment within non metropolitan locations has remained similar to 2005, representing 16.9% of all sale value or 14 transactions. The greatest value in activity has been in the Regional and Sub Regional centre type category with a number of large transactions such as Rhodes and Broadway Shopping Centres. Bulky Goods continue to be well contested in 2006 with activity over \$310 million in 10 transactions.

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