LandMark White Valuation Research Property Advice

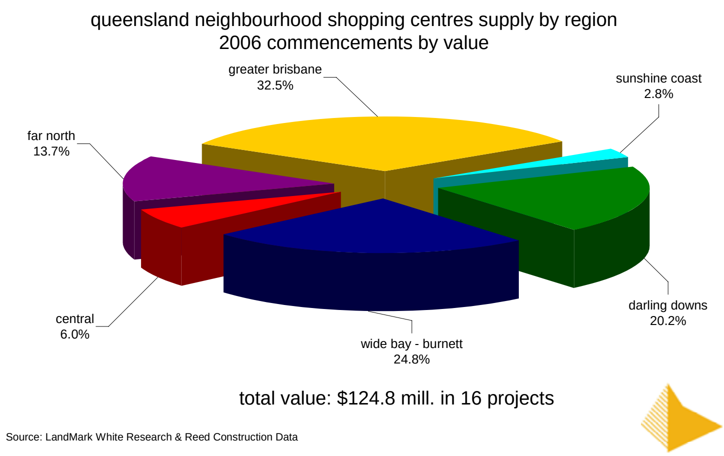
LandMark Byte

QUEENSLAND NEIGHBOURHOOD CENTRES – STATE OF THE MARKET

- Population growth and supermarket competition has encouraged greater neighbourhood centre development;
- Private investors and institutions competing for quality neighbourhood centres has continued the firming of yields.

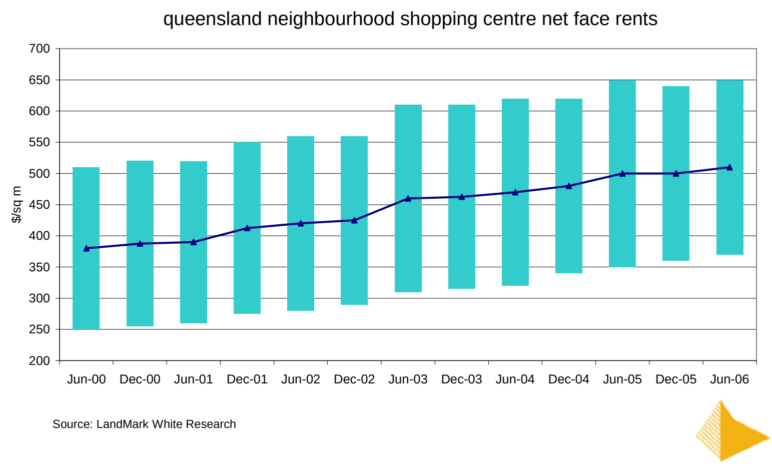
Supply of neighbourhood centres in Queensland has remained buoyant even though retail spending growth and residential development has slowed. LandMark White has been monitoring new retail supply in 2006; during this year approximately 74,000 sq m is under construction as part of 16 projects and expected to be completed by 2007.

The Greater Brisbane region accounts for over $40 million (end value) of projects under construction, including centres at Nundah, Upper Mt Gravatt and Burpengary. Looking ahead new neighbourhood centre development is expected to continue in regions experiencing residential and population growth and catchments under-represented by existing supermarket chains. The wave of development is now spreading west and north with a number of centers being constructed in provincial towns which have been impacted by infrastructure and mining development.



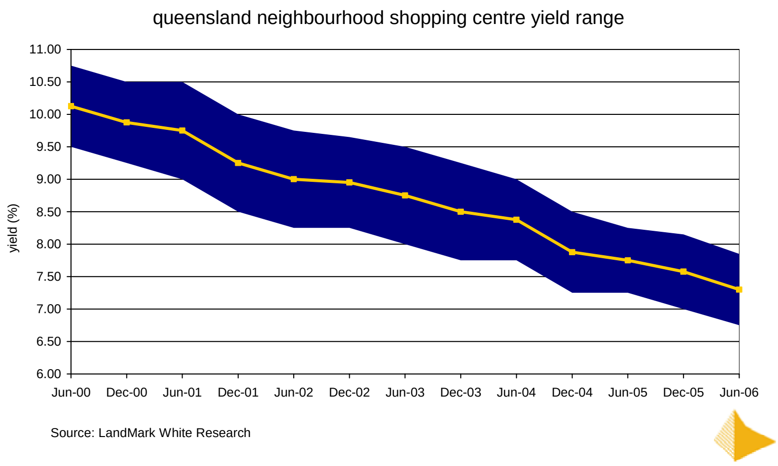
While turnover growth in other retail sectors has been effected by rising interest rates and increases in the price of petrol, the food retailing sector is expected to see continued sales growth. Generally, net face rents achieved for neighbourhood centres, range between $370 and $650/sq m, with recent rental growth averaging between 2% and 5% per annum.

Rents have been increasing modestly as there is a growing requirement for well located specialty shops; this high demand has come from both franchises and national chains looking to expand. Supermarket chains have typically displayed strong interest in locations where good market share can be obtained by identifying positive demographic trends. IGA in particular is targeting smaller country towns which have previously lacked modern supermarket facilities.



Despite the anticipated slowdown in rental growth in neighbourhood shopping centres, demand for stock in this retail sector remains strong. Institutional investors continued to compete with private investors; which has resulted in further firming of yields.

Currently, average yields range between 6.75% and 7.85%, with some quality stock achieving yields below and at the lower end of this range. Everton Plaza, a centre located in an established region of Brisbane sold for $24 million with a reported yield of 6.71%. This well below the current indicative yield for neighbourhood shopping centres throughout Queensland of 7.30%.



In the year to June 2006, retail sales greater than $5 million in Queensland totalled $1.276 billion. Some of the more significant sales of neighbourhood centres include Multiplex's purchase of Wilsonton Shopping Centre in Toowoomba for $50 million and Crestwood Plaza Shopping Centre on the Gold Coast for $14.52 million at a reported yield of 6.50%.

Over this period, neighbourhood centre sales represented almost 28% of the total value of retail properties sold however this represents over 60% of the total transactions that occurred last financial year. Continued interest from Private Investors and Institutions should see solid investment activity in this sector continue as existing owners look to 'cash-in' on the market demand.

OUTLOOK

Supply of new neighbourhood centres is expected to be driven by new residential or master planned development in addition to the supermarket chains desire to expand into new regions. On the rental side, expectations are for subdued growth in rates for specialties and supermarket anchors after recent trends of strong growth.

The indicative yield for neighbourhood centres is currently at 7.30%. With uncertainty in the current economic climate and the potential for interest rates to rise further, it is anticipated that there will be minimal movement of yields in the short term.

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