

P R E S S R E L E A S E

CB Richard Ellis Pty Ltd
ABN 57 057 373 574Level 26, 363 George Street
Sydney NSW 2000
DX 10262T 61 2 9333 3333
F 61 2 9333 3330www.cbre.com.au

FOR IMMEDIATE RELEASE —24 August 2010

For further information:
Frances Kearey
Marketing & Communications
Coordinator
61 2 9333 3585
61 411 967 287

Slow and steady recovery for Perth Bulky Goods sector

Perth, WA (24 August 2010)

The West Australian bulky goods market is moving into a recovery phase, according to a new CB Richard Ellis report which forecasts that renewed developer confidence will drive a series of new homemaker projects in 2011 and 2012.

CBRE's latest Pacific Bulky Goods MarketView report predicts a slow and protracted recovery for bulky goods markets across Australia, underpinned by population increases and low unemployment rates.

In WA, the recovery has also been boosted by low levels of new construction, with only 17,000 square metres of new stock forecast to be completed this year, following a bumper 2008 during which 140,000 square metres of space was completed.

CB Richard Ellis Senior Research Analyst, Florisa Anolin said that strict lending restrictions from the Australian banks and moderating retailer demand had resulted in a significant reduction in new supply – not just in Perth but in bulky goods markets across the country.

"The reduction in new supply has become a consistent theme over the past two years with some 389,000 square metres of approved developments remaining in the pipeline, however many have pushed out their expected completion dates," Ms Anolin said.

In WA, stronger fundamentals are expected to underpin a pick up in construction next year according to CBRE Associate Director, Retail Bulky Goods, Richard Cash. This should see the completion of the Osborne Park Homemaker Centre (12,500 square metres) and the Malaga Homemaker Centre (35,000 square metres), which will add 50,000 square metres of homemaker space to the market by 2012.

"Into 2010 and beyond, integral fundamentals to retail sales growth are population and the resulting housing growth and with solid tenant demand this has renewed developer confidence in the WA bulky goods sector," Mr Cash said.

Whilst supply challenges still lie ahead, CBRE Director Bulky Goods Retail, Alistair Palmer said opportunities were emerging in the market for stronger retailers to take over smaller or failing retailers.

"This has been seen with Super Cheap Auto Group's purchase of the Rays Outdoors brand to complement their already strong BCF outdoors offer," Mr Palmer said.

"Other examples include Harvey Norman's recent acquisition of the brand and stock of Clive Peeters and the renewal of leases on some 30 sites. These are prime examples of the current market in which the stronger retailers are able to expand while the weaker retailers suffer."

Demand for quality Bulky Goods zoned sites is also increasing with Woolworths Hardware seeking to satisfy a 150 store requirement within the next five years as part of the brand's expansion.

Mr Palmer said limited new development in 2010 was likely to apply downward pressure on vacancy rates within existing centres which would prove positive for rental growth levels.

"While rental growth remained limited across all Bulky Goods markets over the year to June 2009, CBRE's quarterly rental surveys have yielded positive results in 2010 with rents in prime centres continuing to stabilise," Mr Palmer said.

WA's bulky goods market remained buoyant throughout the downturn, lagging behind the falling rental trend. This resulted in rental levels remaining steady throughout most of 2008 before cooling in 2010.

Over the 12 months to June 2010, indicative net face rents decreased by 6.6% to an indicative \$211 per square metre however the market is expected to stabilise underpinned by continued interest from national retailers keen to expand in WA, Mr Cash said.

In the investment market, a dual speed recovery has occurred over the six months to June 2010. While prime investment yields have tightened, secondary stock continued to be plagued by discounted capital values.

Transactional evidence has been limited in WA, with only five transactions occurring over \$5 million in 2009 including the sale of Lifestyle Zone Ocean Keys, Clarkson (\$27.5 million) and Bunnings Warehouse, Kalgoorlie \$6.1 million).

Bulky goods investment yields in WA now sit at an indicative 8.5% and are likely to remain steady moving into the second half of 2010.

"Private investors are attracted by the strong lease covenants and high yields offered by bulky goods centres and we expect the stabilisation in bulky goods yields to continue throughout 2010 and moving into 2011," Mr Cash said.

About CB Richard Ellis

CB Richard Ellis Group, Inc. (NYSE:CBG), a *Fortune* 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services firm (in terms of 2009 revenue). The

3 September 2010

Company has approximately 29,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 300 offices (excluding affiliates) worldwide. CB Richard Ellis offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. CB Richard Ellis has been named a *BusinessWeek* 50 “best in class” company for three years in a row. Please visit our Web site at www.cbre.com.au