

Adelaide Strip Vacancy Viewpoint

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ADELAIDE RETAIL STRIP VACANCIES FALL

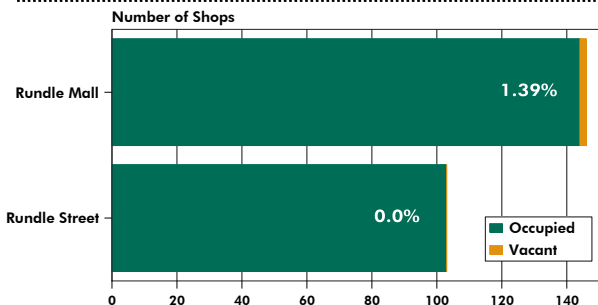
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SUMMARY Although there is pessimism in the current retail market and predictions of falling retail sales, this has not translated to higher vacancy rates across the prime retail strips in Adelaide. In fact vacancies have fallen in most of the prime retail strips over the last six months.

Adelaide CBD

Demand for tenancies along Rundle Mall remains strong despite the current market pessimism for retail sales through 2009. Vacancies along Rundle Mall and Rundle Street are extremely tight and are currently recorded at 0.81% in the CB Richard Ellis vacancy count in April 2009. This was an unexpected result with vacancies falling from 2.02% in September 2008. There are no vacancies recorded on Rundle Street, but several tenancies have changed retailers in the six month period. Rundle Mall recorded two vacancies, but both tenancies are large first floor spaces with escalator access from Rundle Mall. With this in mind it could be argued that there are no ground floor vacancies along Rundle Mall.

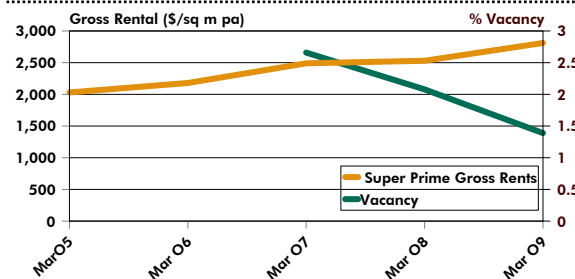
Retail CBD Vacancy rates



Source : CB Richard Ellis (April 2009)

Although vacancies along both Rundle Mall and Rundle Street have been tight over recent years, and generally range between 2.0%-3.0%, a vacancy rate of 0.81%, is an extraordinary result given the current retail trading conditions. This shows that retailers still want a presence on Rundle Mall as it is still the premier shopping strip in Adelaide. There are also only a limited number of tenancies along Rundle Mall and there is no scope to extend the strip as is the case with most suburban strips.

Retail CBD Rental growth



Source: CB Richard Ellis (March 2009)

Tight vacancies also tend to have upward pressure on rents which is evident in the table above. There has been consistent growth in Gross face rents over the last five years and is currently between \$2000 - \$3700/sq m. Gross Face Rents along Mall have grown by 11% in the 12 months to March 2009. There appears to be a trend that tenancies at each end of Rundle Mall are achieving higher rents due to limited tightly held tenancies in the best positions on the Mall and also the refurbishment of some tenancies at the East end of the Mall. It also indicates there is still strong demand for tenancies on Rundle Mall regardless of the current trading conditions.

Adelaide Suburban Strips

Most Adelaide suburban retail strips have also recorded a declining vacancy rate in the CB Richard Ellis retail vacancy survey in April 2009. This is a fantastic result and seems to be contrary to all of the pessimism for retail in 2009 in South Australia after a very strong performance throughout 2008.

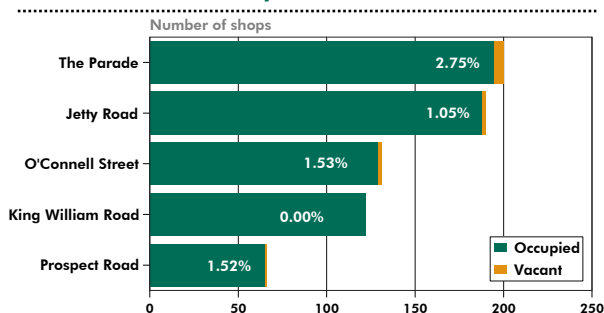
King William Road recorded no vacancies in the April survey which is down from three vacancies with a vacancy rate of 2.56% in the September 2008 survey. There have also been limited movement in tenancies in the last 12 months with six properties changing tenants in this time. King William Road is a well known food and boutique fashion destination with these tenancy types accounting for over 50% of the strip.

O'Connell Street recorded two vacancies which gives a vacancy rate of 1.53%. This is down from 4.35% in September 2008. Most vacancies in September 2008 can be attributed to the new retail tenancies which became available through the redevelopment of the Hotel Adelaide into apartments. All of these ground floor tenancies have now been leased. The proposed development of the old LeCornu site will reinvigorate the area with the addition of new luxury apartments and retail tenancies on O'Connell Street.

The Parade is the longest of all of the Strips surveyed with 200 tenancies surveyed. The vacancy rate on the Parade was recorded at 2.75% which is down from 3.27% in the September 2008 survey. Most of these vacancies are located at the Eastern end of The Parade which is further from the hub of Norwood Place, Norwood Mall and the Hoyts complex and would be considered a secondary location on The Parade.

Jetty Road is a very seasonal strip due to its beach front location and being a tourist destination. Vacancies on Jetty Road were recorded at 1.05% in the April 2009 survey which is down from 2.62% in September 2008 survey. There is currently the redevelopment of the Bay Junction Shopping Centre which had several tenancies facing Jetty Road. This redevelopment takes several tenancies out of the survey during construction which is due to be completed in December 2009. This redevelopment will invigorate the Eastern end of Jetty Road and become a more desirable location for tenants.

Retail Suburban Vacancy rates



Source : CBRE Richard Ellis (April 2009)

Prospect Road has been included in the survey since July 2008 as it is now considered an emerging retail strip with some reinvigoration over the last few years. Vacancies along Prospect Road were 1.52% in April 2009 compared to 8.96% in September 2008. There is currently a redevelopment of a group of strip shops which is due to be completed in the second half of 2009, which may see vacancies temporarily increase while they are being leased.

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