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FOR IMMEDIATE RELEASE — 26 November 2007

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## **Lack of new supply predicted to help performance of existing Wellington retail centres**

Wellington (November 2007)

The lack of major new supply in the Wellington region over the next two years will help the trading performance of existing retail centres according to the latest research undertaken by CB Richard Ellis.

Director of Research at CB Richard Ellis, Zoltan Moricz forecasts that the lack of new supply of retail space in the immediate future will provide existing retail centres with an opportunity, and allow them to trade up.

Following the completion of the Harvey Norman Shopping Centre (13,000 square metres) in Lower Hutt early this year, there has been no new retail centre supply in the greater Wellington Region over the last nine months.

CBRE Director of Retail, Erin Palmer said that one project is currently under construction - Cobham Drive Shopping Centre (3,800 square metres), which has secured an anchor tenant who is taking over half of the total building area. The centre is located in the eastern suburbs with frontage to the arterial route connecting the city to airport, and will sit aside Wellington's new Indoor Stadium.

"Whilst major new supply is in hiatus, in the medium to long term there are several new retail developments planned for Wellington, Porirua and the Hutt Valley providing a mix of bulk and specialty retail opportunities," Mr Palmer said.

"There are also several new inner city stores under construction as part of Wellington's increasing apartment market. The first of these to open will be the balance of the Chews Lane development on Willis Street, which has 29 stores." Mr Palmer added.

Overall, it has been a quiet quarter for the retail sector with a lack of major transactions and stable yields in most submarkets according to CBRE's research.

On an annual basis, all yield series have firmed by double digits.

"The top performer in the retail sector was Regional Shopping Centres, whose yields contracted by 79 basis points to an indicative rate of 6.59 per cent. Bulky Goods also performed well, firming by 27 points to 7.74 per cent," Director of Research at CB Richard Ellis, Zoltan Moricz commented.

During the September quarter, rental growth varied between retail submarkets.

"Secondary CBD and Bulky Goods rentals grew by 3.7 per cent each, followed by Prime CBD which saw a 3.5 per cent increase," said Mr Moricz.

In a Prime Lambton Quay location, Partridge Jewellers renewed the lease of a 78 square metre shop, paying over \$2,500 per square metre (gross).

Wellington retail sales reached \$6.7 billion over the year ended June 2007, ranking the region third behind Auckland and Canterbury.

According to CB Richard Ellis research, the overall retail sales growth was 4.7 per cent for the June 2007 Quarter, down from the 6.6 per cent of the previous June quarter and less than the 6.3 per cent national growth rate.

"Consumer confidence has fallen in the June 2007 quarter due more to a decline in perceptions about the short term economic outlook rather than a decline in perceptions about consumer's own financial situation," Mr Moricz commented.

"However, while easing, Wellington consumer's confidence remains one of the highest in the country," Mr Moricz added.

Mr Moricz said that retailer demand remains positive for well located premises, however areas whose catchments are unable to support their level of retail provision, are experiencing vacancy issues which will likely take some time to remedy.

"The Lower Hutt city strip, for instance, is becoming more price competitive with increasing incentives reflecting the higher level of vacancies since the completion of the Queensgate expansion," Mr Moricz said.

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