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## **Adelaide Bulky Goods sector leads the country**

Adelaide, SA (23 August 2010)

The Adelaide bulky goods market has emerged as one of the strongest in the country according to a new CB Richard Ellis report which highlights the resilience of the city's retail sector throughout the recent downturn.

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

Adelaide is leading the charge, with rents having remained buoyant over the past 12 months following the completion of new centres such as Gepps X – the largest bulky goods complex in the Southern Hemisphere.

"Following a period of limited rental growth between 1999 and 2006, new additions to Adelaide's bulky goods sector have raised the standards in bulky goods accommodation and this has worked to keep indicative rents buoyant over the past 12 months," CBRE Scott Littler said.

As at June 2010, indicative net face rents stood at \$188 per square metre according to CBRE's MarketView, with incentives remaining stable over the period at six months on a five year lease term.

A reduction in new supply – in Adelaide and across the country - has been a boom for the bulky goods sector according to CB Richard Ellis Senior Research Analyst, Florisa Anolin who said that strict lending restrictions from the Australian banks and moderating retailer demand had resulted in a significant reduction in new stock.

"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 Adelaide, no projects over 5,000 square metres are expected to be completed over the next two years following a construction boom, which saw 117,000 square metres of stock added to the market in 2009.

Looking ahead, CBRE Director Bulky Goods Retail, Alistair Palmer said opportunities were emerging in the bulky goods 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 BC 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.

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.

In Adelaide, investment yields have stabilised over the past three quarters to stand at an indicative level of 8.53% as at June 2010.

However, investment opportunities have remained limited, with no bulky goods assets exchanged in 2009.

Activity has increased this year with ING's Retail Property Fund divesting part of their Mile End Homemaker Centre, which was purchased by Charter Hall for \$40.1 million in March 2010. Charter Hall has also featured as a seller within the market, after divesting a share of the Gepps X Homemaker Centre to a private investor for \$40 million.

"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 Littler said.

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