LMW Research

LandMark Byte

A LandMark White Group publication

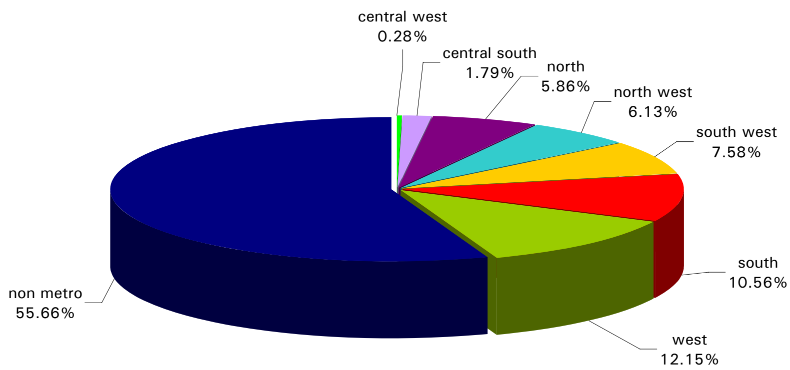
NSW BULKY GOODS MARKET OVERVIEW

- LandMark White is monitoring over 726,000 sq m of future Bulky Goods space, with the majority of supply located in regional areas;
- Rental levels witnessed good growth over the last 12 months, however the amount the of future supply and interest rate rises may ease growth;
- Investment fell over the past year as a result of limited opportunities, with yields recording further tightening during this period.

SUPPLY

Across New South Wales, LandMark White is monitoring 70 Bulky Goods projects totalling approximately 726,026 sq m of retail space to enter the market over the next three years. Bulky Goods supply represent 35.67% of total retail supply throughout the state, with the majority of supply focused in regional locations. Total non-metro space accounts for over 55.00% total Bulky Goods supply, with the Illawarra and Hunter regions the key providers of Bulky Goods space. These locations remain popular for development given the proximity to new residential release areas. Only 10.41% of non-metro supply is under construction, while over 66.00% of developments are still in early planning stages.

nsw bulky goods supply by sub region



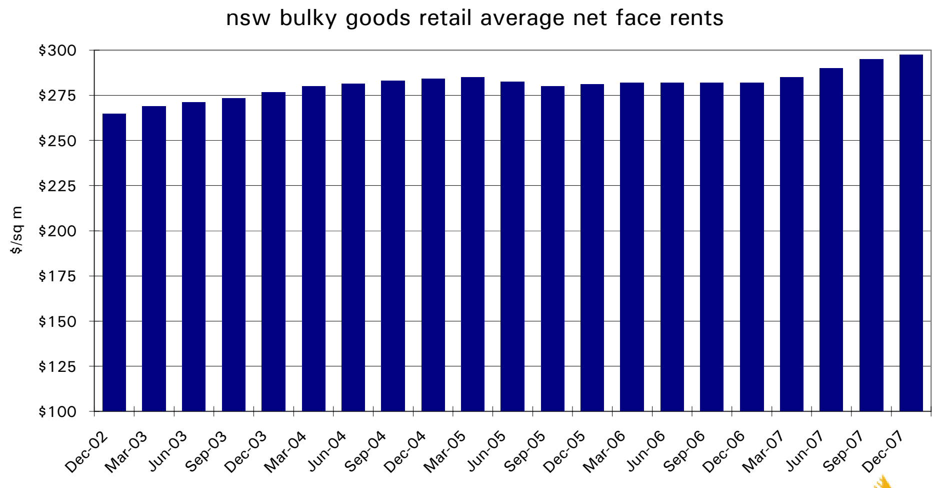
Total Supply 726,026 sq m in 70 projects

Source: LandMark White Research & Reed Construction Data
**as at November 2007*

In comparison, the West region with only 12.15% of total supply is the main source of development across the Sydney Metropolitan area, with half of this amount expected to be completed over the next 12 months. The South region is the second highest with approximately 76,684 sq m identified for Bulky Goods development, with the North, North West and South West regions ranging between 5.66% and 7.58% of supply. The Central South and Central West regions represent 2.06% of total supply, this is a result of the limited development opportunities available in these established localities.

RENTS

In the past 12 months Bulky Goods rental rates have shown some noticeable upward movement, due to improved retail trade despite a slow residential market, with average annual growth of 5.50% to $298/sq m. This result is a significant improvement on the historical five year average growth of 2.39% per annum or $284/sq m. According to the Australian Bureau of Statistics, during the year to December 2007 retail spending on household goods recorded an increase of 6.32% on average compared to 6.02% in the previous year. This strong growth has been one of the major factors in the rising rental levels in 2007.



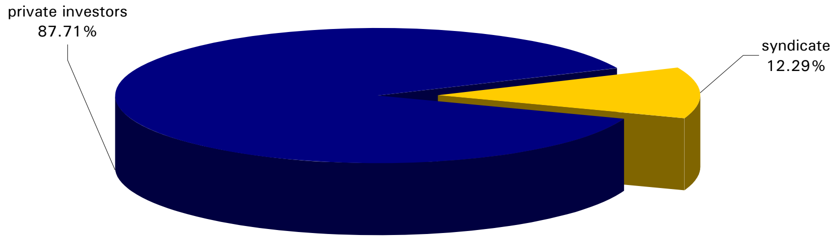
Source: LandMark White Research

However, over the next 6 to 12 months, rental growth is likely to slow given the amount of supply identified and the possibility of further interest rate rises, which will likely further prolong a recovery in the residential market. Discretionary spending by consumers is likely to experience some downward pressure, given increasing inflation, fuel costs and the potential threat of future interest rate rises. This will flow through to rental levels and will likely have a lowering affect on rental growth of Bulky Goods centres. Over the next five years Access Economics expect retail turnover in New South Wales to achieve an annual average of 2.80%, this figure falls behind the historic five year annual average of 3.22%.

INVESTMENT

Retail turnover for Bulky Good centres totalled $69.594 million from only 6 transactions during the 2007 calendar year. Investment fell sharply over this period from $374.78 million as a result from the limited opportunities available in the market, in particular for prime centres. Private Investors were the major purchasers during the year, accounting for 87.71% of total turnover, with Syndicates representing the remaining 12.29%. Regional locations recorded the highest activity over the year representing over 70.00% of total transactions.

nsw bulky goods retail transactions by purchaser type



Total turnover: $69.594 million in 6 transactions

Source: LandMark White Research
**sales recorded for 2007 calendar year*

Yields across the New South Wales Bulky Goods sector have continued to tighten further in the last year, as rental conditions improved in the market. With limited available stock, there is a clear separation between prime and secondary Bulky Goods stock, hence the large range of yields achievable. At current, yields range between 6.75% and 8.25%, with some prime stock achieving yields below this range. Older showroom type bulky goods space not well located on main arterial roads is a good example of centres at the upper end of the yield range.

"The general who wins the battle makes many calculations in his temple before the battle is fought. The general who loses makes but few calculations beforehand" ***Sun Tzu***

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