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FOR IMMEDIATE RELEASE — 2 August 2010

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Positive outlook for Adelaide's CBD retail sector

Adelaide, SA (2 August 2010)

Low vacancy rates and the growth of Super Prime rents in Rundle Mall over the year to June 2010 are a clear indication of the stability and strength of Adelaide's CBD retail market.

The latest Marketview report from CB Richard Ellis shows that vacancy rates in the CBD remained low over the first and second quarter of 2010, with a range of new retailers targeting Rundle Mall.

CBRE's Senior Research Analyst Kate Gray said Rundle Mall and Rundle Street recorded vacancy rates of 2.3% and 2.0% respectively as at June 2010 showing a slight increase in vacancy compared to the January quarter.

Ms Gray said the slight increase could be attributed in part to the three tenancies currently available in Rundle Mall.

"New retailers to open in the Mall during the first half of the year include Smiggle and Kiki K while Rundle Street has emerged as fashion hub with retailers Jack London, Zimmerman, Lisa Ho and Alannah Hill opening flagship stores in the last 12 months. "

CBRE's Julia Pottenger said that continued low vacancy rates had positively impacted on rentals in Rundle Mall with Super Prime space recording 11.7% growth over the year to June 2010.

"Gross face rentals for Super Prime space in Rundle Mall ranged from \$2,400 a square metre to \$4,000 a square metre however there are signs of rental growth slowing as no growth was recorded for the June quarter," Ms Pottenger said.

“Following on trend, Prime rentals in Rundle Mall have grown by 13.2% over the year to June 2010 to an indicative level of \$1,258 a square metre.”

After several years of limited major construction activity in Rundle Mall, there are now several projects under consideration or currently under construction.

Ms Pottenger said the redeveloped Woolworths store in Rundle Mall is now trading with construction still underway for four new retail tenancies.

“Three of the four tenancies have already been leased by Tree of Life and a national clothing retailer, who have amalgamated two of the tenancies,” Ms Pottenger said.

The Harris Scarfe redevelopment site which included four levels of retail and office space has no firm date for the commencement of construction at present.

Ms Gray said yields for CBD Super Prime and Prime properties in Adelaide CBD retail market tightened by 80 to 90 basis points over the year to June 2010.

“Yields ranged between 6.25% and 7.25% for Super Prime properties with an indicative yield of 6.5% while in contrast secondary property yields in Adelaide’s retail CBD softened by 10 to 20 basis points in the June quarter,” Ms Gray said.

“Thus far, the only transaction in Rundle Mall for 2010 was the sale of 41 Rundle Mall for \$9.6 million on an initial yield of 7.9%. The five storey retail a premise is anchored Country Road who occupies 1,559 square metres. “

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