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Mall makeover to establish new rental benchmarks forecast for the Sydney CBD

Sydney, NSW (19 February 2010)

The vacancy rate for prime retail space in the core of the Sydney CBD has fallen to the lowest level in at least a decade according to new CB Richard Ellis research which highlights the ongoing strength in the city retail market.

Development work along Pitt Street Mall has played a major role, driving displaced tenants to seek out alternate homes ahead of the completion this year of the first stages of Mid City Centre and Westfield Sydney.

There are now no vacancies in the city's Super Prime sector (which takes into account the Mall), while the vacancy rate for Prime shops in the city core has reduced to 0.59% - the lowest level since CBRE record keeping began 1990.

CBRE Global Research and Consulting Analyst Florisa Anolin said building work in the Mall had continued to keep the CBD vacancy low and fuel increases in effective rents. Super Prime rents grew by 5.5% over 2009 to average \$7,560 a square metre and further increases are forecast as displaced retailers return to the precinct with the completions of the preliminary stages of Mid City Centre and Westfield Sydney.

"This will raise the calibre of retail in Sydney and attract the return of established brands as well as new local and international labels to the precinct," Ms Anolin said.

"During this time sublease space is expected to increase within Prime and Secondary locations, where much of the temporary accommodation was sourced."

CBRE Associate Director, Retail Services, Quintin Mansell, said the Mall openings were expected to set new rental benchmarks for the CBD, with Westfield and Lend Lease expected to generate circa \$10,000 a square metre for mall frontage tenancies of approximately 100 square metres.

"There are a significant number of deals being finalised in the city at present and while these deals have not yet flowed through to our data we foresee a significant increase in Super Prime and Prime rents ." Mr Mansell said.

"December sales were strong, recessionary fears have abated, job creation is on the way up and unemployment is on the way down, which has led retailers to revisit their expansion plans."

Mr Mansell said CRRE did not foresee a spike in vacancy within the Prime and Super Prime precincts over the next three years despite the addition of 300 new CBD stores given the strong retailer demand and solid market fundamentals.

"The end winner will be the consumer, with projects such as the remixing of World Square and development of Mid City Centre and Westfield Sydney to provide a completely new retail landscape by mid to late 2010," Mr Mansell said

CBRE's MarketView report highlights a slight easing in Prime city rents during 2009 following a period of strong rental growth. Asking rents in Prime precincts fell by 0.9% over the year to average \$2,598 a square metre.

The opposite trend was apparent in the secondary market, with rents increasing by 4.1% to an indicative level of \$1,526 square metre net following two quarters of negative growth.

On the investment front, the MarketView report highlights that prime and secondary yields tightened slightly during the fourth quarter of 2009 as confidence in the underlying fundamentals returned.

As at December 2009, Prime and Secondary retail yields firmed to 6.46% and 7.39% respectively.

#### About CB Richard Ellis

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