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FOR IMMEDIATE RELEASE — 27 May 2009

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Sales activity on the rise as small businesses capitalise on lower interest rates

Adelaide, SA (15 May 2009)

A growing number of small business owners are capitalising on historically low interest rates to switch out of the leasing market to acquire freehold and strata properties in Adelaide's city fringe suburbs.

CB Richard Ellis Senior Negotiator, Metropolitan Investment Properties, Ben Younger said he had negotiated four significant transactions in the past month - all involving owner occupiers as buyers.

In one of the most recent deals, Mr Younger said a local lawyer had paid \$1.1 million for a historic villa-style property in the popular fringe suburb of Rose Park. A doctor had owned and practiced from the 22 Kensington Road building for 35 years before listing the property for sale.

The new owner intends to also practice from the character building, which includes seven main rooms on a 698 square metre site, in close proximity to the Adelaide CBD.

"Whilst the overall number of buyer enquiries has reduced, there are still purchasers in the market ready to secure the right property," Mr Younger said.

"Twelve months ago a property like 22 Kensington Rd would have attracted 60-plus enquiries over a four week period. In this campaign we received more like 25 enquiries, however a greater portion of these were genuine buyers ready to act."

Other recent CBRE transactions involving owner occupiers include:

2/149 Hutt St, Adelaide - \$415,000
4/191 Melbourne St, North Adelaide - \$400,000
5/102 Greenhill Road, Unley - \$910,000

Mr Younger said all three were strata properties that had been purchased by owner occupiers. The properties had all attracted significant buyer competition, which pushed the price upwards to generate a strong result.

"Lending terms have certainly affected the market with some people who were once capable of completing these types of transactions finding they cannot get the necessary finance," Mr Younger said.

"However, there are still buyers that can and they are fuelling demand for property in Adelaide's city fringe market in the sub \$2 million price bracket."

In general terms, Mr Younger said city fringe properties were more likely to achieve higher sale prices offered vacant, than if they were offered leased, given that many of the current buyers in the market were tenants seeking to occupy their own property, while enquiries from investors had diminished.

"There has been a real trend for business owners seeking to own their own property in a quality location as in many cases mortgage repayments are not too much greater than what it would cost to lease similar premises," Mr Younger said.

"An interesting point to note is that none of the properties mentioned above would have achieved the same result if they were leased at market rates. Owner occupiers are pushing the market to levels where investors cannot compete."

In the case of 22 Kensington Road, Mr Younger said the property was capable of being rented for circa \$55,000 to \$60,000 per annum - reflecting a yield on the sale price of 5 - 5.5%.

"This is a reflection of the market today, where owner occupiers will pay a premium over and above investors to buy the right property that suits their needs. Owner occupiers are generally more long term holders and they appreciate these opportunities are still few and far between," Mr Younger said. "We still have a numbers of buyers who are keen to secure their own property immediately."

The level of owner occupier competition had also been borne out in the sale of 5/102 Greenhill Road in Unley. There were four registered bidders for the 261square metre, level one strata unit with two parties strongly competing to secure the property.

Similarly, the recent sale of 4/191 Melbourne Street in North Adelaide attracted significant interest and was sold within three weeks using only on-line marketing. An owner occupier currently leasing in the area purchased the 125 square metre strata unit, which include two car spaces.

Mr Younger said the buyer had been the underbidder on the recent auction sale. Three prospective purchasers bid for the upstairs strata unit, pushing the price above expectations.

The 105 square metre unit incorporates six offices, a photocopy room, kitchenette and bathroom.

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