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FOR IMMEDIATE RELEASE — 1 May 2009

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Small redevelopment projects on the rise in South Sydney

Sydney, NSW (1 May, 2009)

Tenants searching for new or refurbished office space on the City Fringe will have limited options in the next 12 months as a lack of financing puts the brakes on major new projects.

New analysis from CB Richard Ellis highlights that little new stock of more than 1,000 square metres is to be made available in the next 12 months - despite increased tenant demand for cost effective accommodation on the City Fringe.

Already, a number of major projects have been put on hold, including the 13,500 square metre Holt & Hart project at Surry Surry Hills.

CBRE Associate Director Daniel O'Brien said in the current market environment, smaller buildings rather than larger projects would be the target for developments given the current funding crisis, which was making it difficult to get large scale projects of the ground.

"There is very little space available for tenants seeking 1,000 square metres or more of City Fringe space in the next 12 months," Mr O'Brien said.

"In this environment developers are seeing the opportunity to undertake smaller projects, to capitalise on a recent spike in activity and commitments from tenants for creative warehouse in the city fringe."

One such project is "100 Chalmers", a former rag trade warehouse in Surry Hills which is presently being converted to offices.

Mr O'Brien said the building's owners were spending a significant amount refurbishing the building to suit office users seeking space on the city fringe.

The 4,300 square metre project will be the only warehouse conversion building completed this year in the City Fringe, and will be ready to occupy Q1 2010.

"The building is expected to appeal to companies in media, advertising, etc who are looking for cost effective accommodation solutions," Mr O'Brien said.

"We have already had interest from some of these groups, as well as a number of semi government bodies."

The tenant interest in these types of City Fringe buildings has been illustrated by the success of a newly refurbished Ultimo office project at 1-3 Smail Street.

The building, which is owned by Orchard Funds Management, has attracted some significant tenancy commitments. CBRE has negotiated signed leases and Heads of Agreement over levels 3, 4 and 5 in the past six weeks.

The three floors have a combined total area of 3,700 square metres, with 1,232 square metre floor plates. IT firm Net Registry has committed to level 4 while Stuart Alexander has committed to level 3. A major multi national has committed to another whole floor in the building.

"The price of refurbished stock in the fringe is circa \$500 square metres gross, whereas new stock is being leased at \$540 a square metre net - or \$610 including outgoings," Mr O'Brien said.

"This price differential is proving to be a significant drawcard for tenants and leading to strong interest in any new redevelopment opportunities.

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