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Asian investors circle Australian property investment opportunities

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Asian investors are increasingly active in the Australian property market according to a new CB Richard Ellis review which highlights growing offshore buyer interest in both large and small scale commercial transactions.

Since 2004 foreign direct investment in Australia grew at an annual average rate of 5.2% with China, Japan and Singapore ranked among the highest growth nations during the period according to Industry and Investment NSW.

Property has been one of the major targets, with the CBRE review highlighting growing buyer demand both at the 'big end' of town and for smaller assets in the sub \$30 million price bracket.

In the \$50 million-plus range, Hong Kong, Korean and Singaporean investors accounted for 48% of all office deals in the year to June 30 (figures boosted significantly by sale of Aurora Place, Sydney to South Korea's National Pension Fund in late December 2009).

CBRE Executive Managing Director, Scott Gray-Spencer said similarly strong buyer interest was being evidenced at the smaller end of the market, with a number of recent auction campaigns having attracted competitive bidding from Asian investment syndicates and high net worth individuals.

"Australian investment property is an attractive option for offshore investors given the stability and relatively secure nature of our market, which remained relatively resilient during the Global Financial Crisis compared to many European markets," Mr Gray-Spencer said.

To capitalise on the increased inflow of Asian investment and the demand for Australian property opportunities, CBRE will next month stage an Asia Property Expo in Hong Kong.

Mr Gray-Spencer said the aim of the expo was to provide Australian property owners with a unique opportunity to showcase properties to a wide Asian investor audience. CBRE agents from Australia, New

Zealand and Hong Kong will show case an array of properties at the expo, which be staged at the Mandarin Oriental Hotel on October 30th-31st.

"We are experiencing particularly high demand from high net worth individuals and private Asian syndicates for sub \$30 million retail assets located in western Sydney," Mr Gray-Spencer said.

"The recent \$10.8 million sale of the Cecil Hills Shopping Village clearly demonstrates the strength of demand, with several local and offshore Asian investors actively competing to acquire the property at auction."

The 3,911 square metre Woolworths anchored neighbourhood centre was sold on a yield of 8.9% through CBRE's Harry Bui and Steven Lerche.

Other recent sales include a 208 square metre freehold shop at 67 John Street, Cabramatta which sold for \$3.045 million to a private offshore Asian investor. The sale price was well above initial expectations and reflected a tight yield of just 3.5%.

The next test of the market will be the upcoming sale of the Cabramatta City Centre, in Sydney's south west. CBRE's Harry Bui and Steve Lerche will steer the auction campaign for the centre located at 97-99 John Street being auctioned on Tuesday 19 October 2010.

Mr Bui said Asian private investors had traditionally dominated the Cabramatta market with the John Street retail strip a particularly sought after destination for property investors.

"Cabramatta City Centre comprises 37 speciality stores in a high profile location in one of Sydney's busiest Asian retail precincts," Mr Bui said.

"The market is typically tightly held with an indicative vacancy of just 0.2% as at June 2010."

Larger Asian investment groups and institutions have also been active in the Australian market as evidenced by the recent sale of 77 King Street, Sydney to Singapore-listed K-REIT Asia. The A-Grade office tower was purchased for \$120 million and is the second Australian property in K-REIT's portfolio.

Further afield, the Malaysian investment group Permodalan Nasional Berhad (PNB) recently purchased Brisbane's Santos Building for \$287 million. The purchase represented PNB's first venture into the Australian market and is the largest transaction to occur in Queensland since the beginning of the Global Financial Crisis.

In other deals, Melbourne property developer David Marriner recently partnered with Chinese investors to acquire the Whisper Bay development at Airlie Beach for close to \$60 million.

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