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Retailer demand boosts Melbourne CBD super prime rents

Melbourne, VIC (1 September 2010)

Increased retailer interest in the “Paris end” of Collins Street and Bourke Street Mall boosted super prime Melbourne CBD rents over the first half of 2010 according to new research from CB Richard Ellis.

CBRE Research Analyst Erin Obliubek said that super prime rents had risen by 2.12% since the beginning of the year to reach an indicative \$6,000 a square metre.

“Over the same period, prime and secondary rents increased marginally to an indicative \$2,675 a square metre and \$1,375 a square metre respectively,” Ms Obliubek said.

“Prime and secondary CBD locations have been increasingly sought after by emerging retailers looking to establish a presence in the precinct.”

CBRE Senior Negotiator of Melbourne Retail Services, Max Cookes said retailers such as Sunglass Hut were seeking strategic sites in prime locations to ensure the brand was well represented in key Melbourne retail locations.

“Sunglass Hut has recently taken up 54 square metres at 321 Little Collins Street, this will be Sunglass Hut’s fifth CBD location as part of the company’s continued expansion in Melbourne’s prime retail precinct,” Mr Cookes said.

Other recent deals include a 105.1 square metre lease in Collins Place to Australian retailer, House of Cashmere at 45 Collins Street.

Mr Cookes said deals of this nature confirmed the strength and reputation of Melbourne’s retail market.

CBRE’s latest Retail MarketView shows the combined vacancy for Melbourne’s CBD core fell slightly over the first half of 2010 to represent 2.0% as at June 2010.

Ms Obliubek said whilst vacancy remained low in the core, month to month lease renewals and a rise in discounted retailing had occurred over the first half of 2010.

"In a rising interest rate environment with consumer confidence at low levels, we would expect upward pressure on vacancy during the second half of 2010," Ms Obliubek said.

Changes to Melbourne's CBD street frontage tenancy mix have been minimal since the beginning of the year, however the specialised foods category increased by 0.36 percentage points to represent 14.38% of the city's tenancy mix.

National tea retailer Easy Way Tea has recently opened a Swanston Street store, the company's first Victorian location.

"The Taiwanese owned beverage chain opened its first Australian store in late 2001 in Sydney and with increased popularity has expanded to over 60 stores in New South Wales, Queensland, Western Australia and Victoria," Mr Cookes said.

"Since the beginning of the year CBRE has concluded leasing agreements with Pie Face, The Cupcake Bakery, Chatime Tea & Coffee House and Cake World along Elizabeth Street."

"Unusually aggressive rents have been achieved in the specialised foods tenant category in Melbourne's CBD recently, with one recent retailer paying over \$5,000 a square metre for a core retail premises," Mr Cookes added.

Clothing, footwear and soft goods remain the most dominant retail tenancy category occupying over 25% of CBD floor space.

"The departure of high end retailers, Le Louvre and Escada, from Collins Street resulted in a slight decrease in the presence of clothing retailers in the city, however they remain the most active tenancy group," Mr Cookes said.

The Melbourne CBD retail market continues to be tightly held with only two significant transactions since the beginning of the year.

CBRE's Mark Wizel negotiated the sale of a three level retail complex at 389-391 Swanston Street to a international private investor. The full leased complex comprised a net lettable area of 1,335 square Metres and was transacted on an initial yield of 4.00% for approximately \$15 million.

"Yields across Melbourne's CBD core remained stable over the first two quarters of 2010 with super prime yields ranging from 4.75% to 5.00% and an indicative of 4.87%," Ms Obliubek said.

"Prime yields remained at an indicative 5.46% while secondary yields ranged from 5.25% to 6.25% over the first six months of 2010."

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