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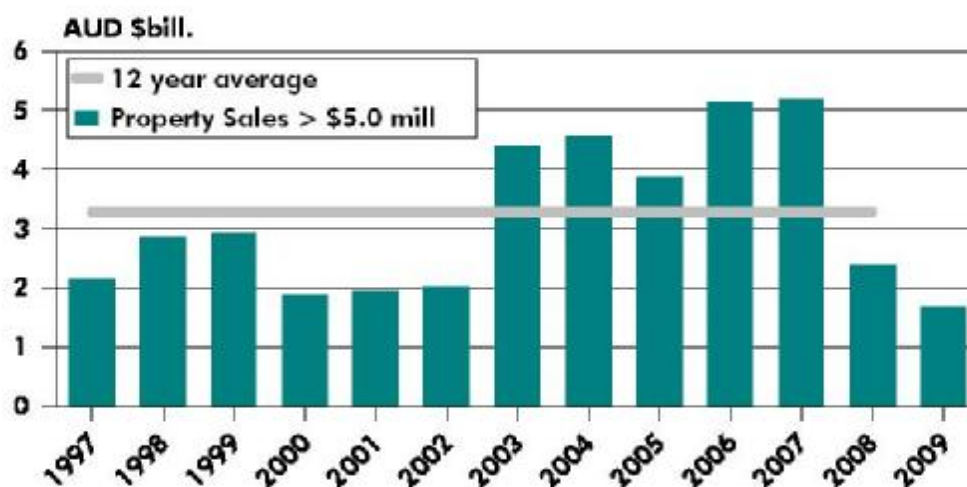
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Retail investment sales continue to track well below historic levels

Sydney, NSW (24 November 2009)

Activity is on the rise in the Australian investment sector following a series of landmark transactions. However, new CB Richard Ellis research shows that activity is continuing to track well below historic levels, with just \$1.677 billion in Australian shopping centres have changing hands in the year to date – approximately 49% below the long term average and taking into account just five sales in NSW.

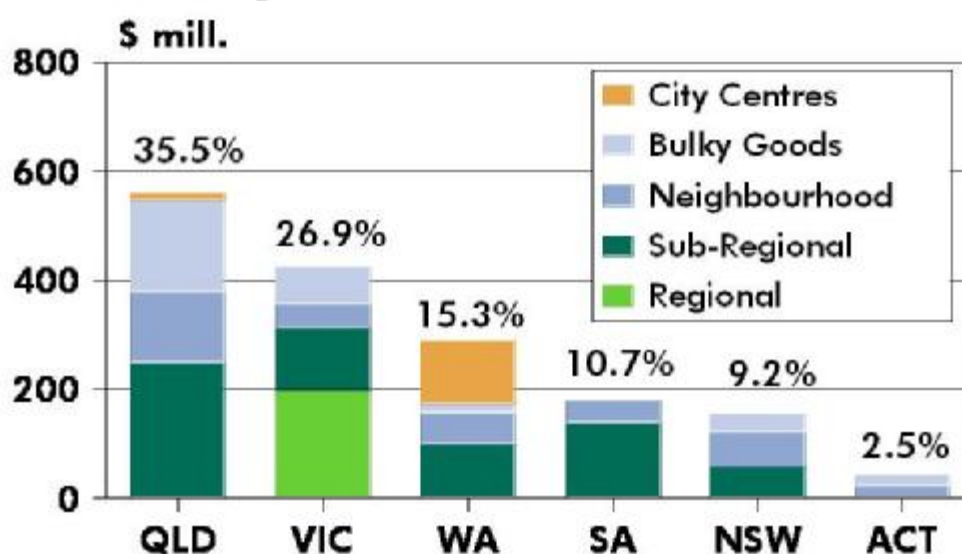
Australian Retail Property Sales 1997-2009*



Source : CB Richard Ellis (November 2009)
Includes sales over \$5.0 million
*until November 2009

The CBRE analysis was prepared following a recent CBRE Retail Investment Forum to review future opportunities in the Australian retail investment market.

Australian Retail Sales January to November 2009



Source : CB Richard Ellis (November 2009)
Includes sales over \$5.0 million

On the flipside, Queensland accounted for 35.5% of all sales over \$5 million. Victoria ran second with 26.9% of all sales, although Mr Wakeham said this result had been skewed by GPT's \$206.3 million acquisition of a further share in Melbourne's Highpoint shopping centre.

Western Australia's share of sales was 15.3%, boosted by the recent \$115 million sale of the David Jones department store in Perth to Starhill Global REIT.

"South East Queensland continues to lead the nation when it comes to retail investment activity," Mr Wakeham said.

"Strong population growth is continuing to underpin the region's retail sector, which has typically been dominated by entrepreneurial private investors and developers who will tend to be more active traders."

In stark contrast, just five centres changed hands in NSW in the year to November the 23rd, those being Kogarah Town Centre, Green Point Shopping Centre and Kincumber Village Shopping Centre - all sold by CBRE. Two more centres, Pender Place at Maitland - has also sold for \$10.1 million and now Port Central in Port Macquarie for \$60million adding some respectability to the NSW numbers.

"Subject to interest rates not rising too high, 2010 should be the year of recovery with increased investor demand and increased sales," Mr Wakeham said.

"However, at this stage we don't expect activity to return to the levels witnessed in 2006 and 2007."

A positive for the market is the return of the A-REITs and increased overseas investor interest from Asia, North America, South Africa and Europe.

While the market has been dominated by private investors over the past 18 months, Mr Wakeham said competitive tension was returning to the market as illustrated by the buyer interest in the ING portfolio, Colonial's recent purchase of the Northgate shopping centre in Tasmania and the recent sale of Underwood Marketplace in Brisbane to an Asian investor.

This had been fuelled in part by the \$19 billion recapitalisation of the A-REIT sector and was expected to be further underpinned by superannuation funds that were presently holding \$163 billion in cash - twice the norm.

"The dynamics are changing and sub regional centres with expansion potential will be the mostly keenly sought after retail assets in the coming 12 months," Mr Wakeham said.

The offering for sale of Lake Macquarie Shopping Centre and adjoining Mount Hutton Shopping Centre by CBRE is an excellent example of the developable sub regional product that A-REITs are looking for.

"Yields appear to be stabilising and will potentially firm on the back of increased buyer demand, although this will be tempered by recent interest rate rises."

One of the strong positives for the market will be ongoing population growth, particularly in South East Queensland, which will underpin turnover growth at existing shopping centres and help fuel new retail development activity.

A driver for the market will be increased housing starts following a period of significant under-building, with new starts currently running almost 90% below the 20-year average in NSW and about 50% below the 20-year average in Queensland.

"This represents significant latent demand in the housing sector which will provide a significant boost for the retail sector - in particular the bulky goods market," Mr Wakeham said.

Another speaker at CBRE's Retail Investment Forum, Duane Location IQ Managing Director Gavin Duane, said Australia was one of the fastest growing economies in the world. Underpinned by low interest rates, stronger than expected employment and the Federal Government's stimulus package, Mr Duane said consumer's disposable incomes had remained relatively high and this had translated to strong retail spending.

While sales growth was slowing, Mr Duane said the high \$A was translating to cheap electrical goods and benefiting apparel retailers who bought most of their goods from overseas in \$US.

With inflation running at 2.5-3%, real growth in spending running at 1% and population growth averaging 1.2%, retail sales growth was averaging around 5% a year.

Mr Duane said population growth would be one of the continued drivers for the retail sector with Australia's population last year growing by more than 400,000, compared with the long term average of 220,000.

With Treasury predicting Australia's population to reach 35 million people by 2049, Mr Duane said some 28.6 million square metres of new retail space (715,000sqm a year) would be required over the next 40 years to meet the current Australian quota of 2.2sqm of retail space per person.

That translated to around 40 new supermarkets, 8-10 discount departments and two new department stores every year.

However, supply had been running at around half that level given the current funding constraints.

"Even though underlying factors are strong for retail development, all major shopping centre owners have delayed non-essential development from Westfield down to smaller players," Mr Duane said.

"Until access to credit eases there be limited new development activity. In the mean time there will be significant pent up demand, particularly from the major retailers."

About CB Richard Ellis

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