

NSW Retail

Market Overview • July 2007

Contents

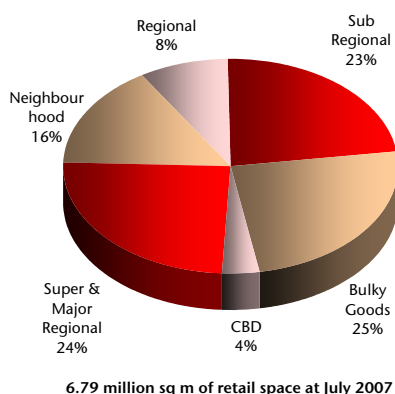
Market Indicators	2
Economic Overview	2
Sydney CBD Retail	3
Major & Super Regional	4
Regional Centres	5
Sub Regional Centres	6
Neighbourhood Centres	7
Bulky Goods Retailing	8
Deal Tracker	9
Outlook	10



Executive Summary

- The NSW retail market comprises approximately 6.8 million sq m of retail space across 497 centres. The Sydney metropolitan area accommodates 64% of the state's retail space with the remaining 36% located within regional NSW.
- Growth in retail spending in NSW for the 12 months to May 2007 was 4.78%, up from 2.88% the previous year. Whilst this represents a strong increase on the previous years growth, it continues to lag the Australian total 5-year average of 5.93%.
- Despite sluggish growth in the state economy and in retail spending, the NSW retail sector managed a healthy total return of 17.27% for the year to March 2007 (PCA/IPD), supported by low vacancy rates underpinning steady rental growth, a pick up in retail spending and yield compression on the back of strong investor demand across all retail asset classes.
- Rental growth was experienced across all retail asset classes in the 12 months to July 2007. Sub-regional centres experienced the strongest growth with net rents increasing 4.2%. Bulky goods centres fared the worst with rents increasing just 1.8% over the period. Incentive levels remained tight across all retail asset classes.
- A total of 302,000 sq m of new retail space is due to enter the market in 2007, before surging in 2008 when a further 593,000 sq m is due for completion. Regional NSW will accommodate 55% of new stock due for completion during 2007 to 2008. The Hunter region will dominate this supply, accommodating 28% of this stock.

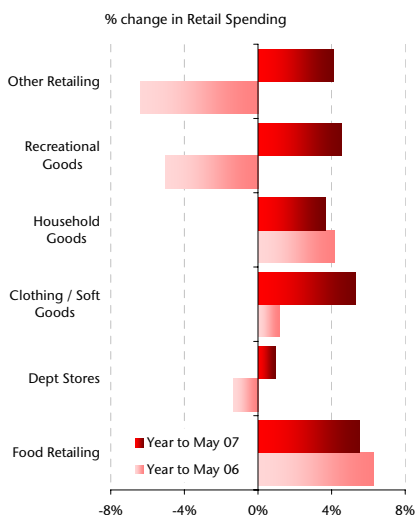
Figure 1
Stock Breakdown by Classification
 NSW Retail Market



Source: Knight Frank Research / Property Council

“Growth in retail spending in NSW for the 12 months to May 2007 was 4.78%, up from 2.88% in the previous year.”

Figure 2
Retail Turnover by Sector
 New South Wales



Source: ABS

NSW Retail Market Indicators – July 2007

Classification	Total Stock (sq m)	Avg. Market Yield (%)	Avg. Net Face Rent (\$/sq m)	Avg. No. of Majors (No.)	Avg. Size of Major (sq m)	Avg. No. of Specialities (No.)	Avg. Size of Speciality (sq m)
CBD Retail	244,457	6.00	2,744	n/a	n/a	47	103
Super & Major Regional	1,678,694	5.45	1,750	8.6	5,528	267	115
Regional	573,120	6.00	1,590	5.4	4,352	118	126
Sub Regional	1,566,618	6.50	780	2.6	4,200	56	110
Neighbourhood	1,066,480	6.75	545	1.2	2,400	21	105
Bulky Goods	1,667,066	7.75	250	3.1	3,100	15	510
Total Market	6,796,435						

Market yield: Abbreviation for analysed equated market yield - Calculated using the assessed Market Rental divided by Purchase Price adjusted for short term risk issues (vacancies, capital expenditure, etc).

Source: Knight Frank Research / Property Council of Australia

Economic Overview

The downturn in the housing market continues to impact the NSW economy, with economic growth lagging the other States at just 1.5% in 2006/07 versus the Australian average of 3.75%. In addition to the floundering housing market, three interest rate rises in 2006, drought conditions and an appreciating Australian Dollar impacting manufacturing and exports hindered the State's growth.

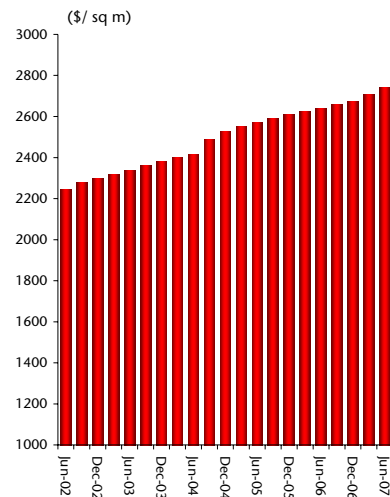
Growth in retail spending in NSW for the 12 months to May 2007 was 4.78%, up from 2.88% the previous year. Whilst this represents a strong increase on the previous year's retail spending growth, it remains in line with the State's five-year average of 4.73% and continues to lag the Australian total 5 year-average of 5.93% (6.32% for year to May 2007).

Sectors to experience the strongest growth over the year to May 2007 were Food Retailing (5.5%), being the largest retail sector accounting for 40% of the state's retail spending, followed by Clothing and Soft Goods (5.3%) marking a turnaround from the -1.3% fall recorded in the previous year and Recreational Goods (4.5%). Increased discretionary spending was supported by low unemployment, strong wages growth, tax cuts and a turn around in consumer sentiment in 2007.

Despite sluggish growth in the State economy and in retail spending, the NSW retail sector managed a healthy total return of 17.27% for the year to March 2007 (PCA / IPD Investment Performance Index). This has been supported by low vacancy rates underpinning steady rental growth, a pick up in retail spending and yield compression on the back of strong investor demand across all retail asset classes. Whilst NSW total returns lagged the booming states of Western Australia and Queensland returning 19.97% and 20.52% respectively, the State performed in-line with total returns for Australian retail (17.85%) and outperformed its 10 year historical average return of 13.07%.

Looking forward, the NSW Government anticipates a pick-up in economic growth with the State economy forecast to grow by 2.5% in 2007/08. The increase in growth will be supported by public and business investment, strong consumer demand, a moderate recovery in housing and population growth. However, inflationary pressures revealed in the June 2007 quarter CPI figures are likely to result in an upward movement in interest rates in the second half of 2007. An upward movement may dampen the housing recovering and growth in retail spending over the short to medium-term.

Figure 3
Average Net Rents
Sydney CBD Prime Retail



Source: Knight Frank Research

Sydney CBD Retail Market Dynamics & Rents

There is approximately 244,457 sq m of retail space in the Sydney CBD, representing 6% of the retail stock in the Sydney metropolitan area. Strong tenant demand for CBD retail space ensured vacancy rates remained tight at sub 4% for the year to July 2007.

Low vacancy rates and a pick-up in retail spending supported rental growth in the CBD with prime net rents increasing a healthy 3.2% in the 12 months to July 2007 to average \$2,740/sq m. Incentive levels remained steady, continuing to range between 5% - 10%, with secondary retail space commanding incentives at the top of the range.

Total Stock (sq m)	Market Yield (%)	Avg. Prime Net Face Rent* (\$/sq m)	Avg. Incentive (%)	Avg. Outgoing (\$/sq m)	Avg. No. of Majors (No.)	Avg. Size of Major (sq m)	Avg. No. of Specialities (No.)	Avg. Size of Speciality (sq m)
244,457	6.00	2,744	5% - 10%	150	n/a	n/a	47	103

Definition: Retail space located within an arcade or mall in the Sydney CBD

Source: Knight Frank Research / Property Council of Australia

* Rents exclude the Super Prime rents achieved in Pitt Street Mall

Development Activity

As a result of the spatial confinement of the CBD retail market, new stock to enter the market has typically been lumpy in nature and confined to the expansion and redevelopment of existing retail space. Retail components incorporated into new or redeveloped office and residential projects have also been a source of new CBD retail stock.

A total of 5,000 sq m was added to the CBD retail market in 2006. Supply is set to pick-up in 2007 with a further 12,300 sq m due to enter the market. The retail component of 77 King Street committed to by Apple (opening Q1 2008) and Rebel Sport (opening Q4 2007) will provide 4,700 sq m of this new space, Regent Place – Lumiere will provide a further 5,500 sq m whilst Ivy 320 George Street and 2 Market Street will provide the remaining 2,100 sq m.

The rolling refurbishment of David Jones on the corner of Elizabeth and Market Streets will be completed this year; however this refurbished space will not alter retail stock levels in the CBD.

Other major projects in the pipeline include the redevelopment of Mid City Centre with construction to start Q4 2007 will comprise 13,400 sq m of retail space and Westfield's redevelopment of its Skygarden, Imperial Arcade and Centrepoint in Pitt Street Mall, which upon completion will provide an additional 7,100 sq m of retail space to existing 31,620 sq m. Site works are scheduled to start Q1 2008 with completion due 2011.

Sales & Investment

Demand for well located CBD retail space did not abate in the year to July 2007, however the tightly held asset class resulted in minimal sales turnover during the period. The only major sale to occur was APPF's purchase of an additional 25% interest in the Mid City Centre from Fortius for \$270.94 million on a market yield of 5.40%. The sub 5.50% yield achieved is reflective of the property's development potential, which has development approval to construct a 37,500 sq m office building across 30 levels with a retail component of 9,633 sq m on the lower floors. The project is due for completion in 2010.

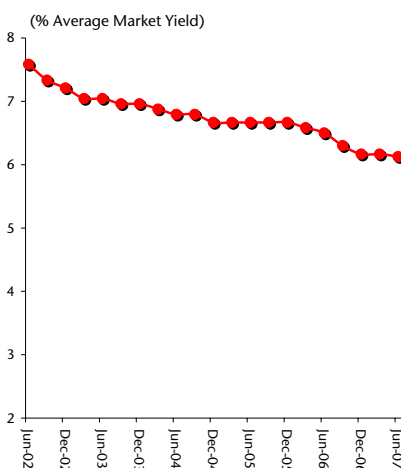
Sub 5.50% yields have also been achieved on lower priced CBD retail assets which due to their size and exposure to a single tenant place them within reach of private investors.

Table 1
CBD Lease Transactions

Tenant / Address	GLA (sq m)	Net Rent (\$/sq m)
Westpac 591 George Street	397	1,209
Dick Smith Electronics 254 Pitt Street	285	1,582
Tino Lanzi 74 Castlereagh Street	112	2,636

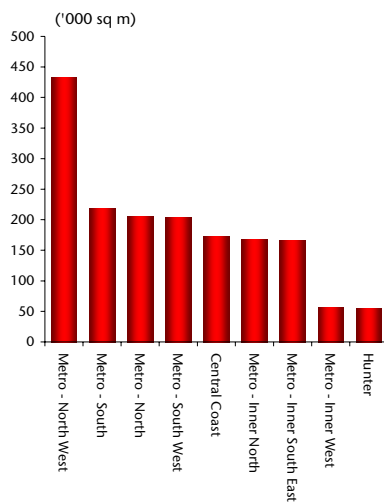
Source: Knight Frank Research

Figure 4
Average Market Yields
Sydney CBD Retail



Source: Knight Frank Research

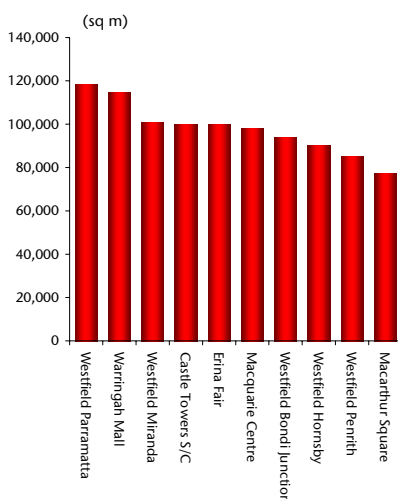
Figure 5
Stock by Region
Super & Major Regional Shopping Centres



Source: Knight Frank Research

“The scale of these centres requires a highly populated catchment area, hence 86% of super and major regional stock is located within the Sydney metropolitan area.”

Figure 6
Top 10 Centres by Size
NSW Shopping Centres



Source: Knight Frank Research / Property Council

Super & Major Regional Shopping Centres Market Dynamics & Rents

Super regional centres, the largest of shopping centre classifications (total lettable area greater than 85,000 sq m), comprises 876,313 sq m of retail space across nine centres with an average centre size of 97,368 sq m. Major regional centres, the second largest shopping centres (total lettable area greater between 50,000 sq m and 85,000 sq m), comprise 802,381 sq m of retail space across 12 centres, with an average size of 66,865 sq m. Collectively, these two asset categories represent 25% of the State's retail stock (excluding retail strips).

The scale of these centres requires a densely populated catchment area, hence 86% of super and major regional stock is located within the Sydney metropolitan area. The remaining 14% located in regional NSW is made up of two centres, Erina Fair on the Central Coast and Stockland Glendale in the Hunter region.

Super and Major regional shopping centre rents trended up over the year to July 2007, with average net rents ranging between \$1,200/sq m to \$3,200/sq m. Incentive levels remained negligible.

Total Stock (sq m)	Market Yield (%)	Avg. Net Face Rent (\$/sq m)	Avg. Incentive (%)	Avg. Outgoing (\$/sq m)	Avg. No. of Majors (No.)	Avg. Size of Major (sq m)	Avg. No. of Specialities (No.)	Avg. Size of Speciality (sq m)
1,678,694	5.45	1,750	0.00	130	8.6	5,528	267	115

Definitions: Major regional centres are shopping centres with a GLAR between 50,000 - 85,000 sq m
Super regional centres are shopping centres with a GLAR greater than 85,000 sq m

Source: Knight Frank Research / Property Council of Australia

Development Activity

Total major regional stock has been boosted over recent years by the redevelopment and expansion of regional centres to realise full development potential of sites, increasing their total lettable area and resulting in a reclassification.

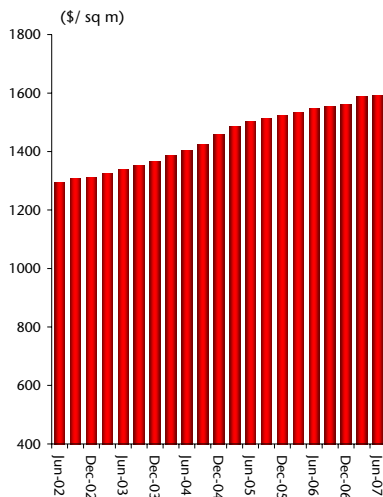
In 2006, new super and major regional stock accounted for 32% of new retail supply to enter the market (excluding retail strips), with 87,200 sq m added to existing centres. New supply will remain steady in 2007 with 90,000 sq m due for completion. No major completions are due in 2008, but supply will surge in 2009 with a substantial 187,900 due to enter the market.

Developments currently under construction include GPT's Rouse Hill Town Centre (65,000 sq m) due for completion in 2007/2008 and the 21,000 sq m extension to Westfield Kotara. The only development in the pipeline with DA approval at present is the extensive redevelopment of Top Ryde Shopping Centre (54,354 sq m).

Sales & Investment

Super and major regional centres remained tightly held with only one sale occurring in the 12 months to July 2007. GIC Real Estate purchased a 50% interest in the 135,000 sq m Westfield Parramatta for \$717.50 million on a market yield of 5.0%, representing \$5,314/sq m. As the largest transaction to take place over the past year, the sale contributed 37% to the total sales retail sales volume in NSW (above \$10 million) for the period. Given the high value of assets in this classification, all but 4% of super and major regional assets are in institutional ownership. Yields compression continued in the 12 months to July 2007 with market yields tightening to average 5.45%.

Figure 7
Average Net Rents
NSW Regional Centres



Source: Knight Frank Research

“The Illawarra and Hunter regions accommodate the highest proportion of regional stock, housing 17% and 21% respectively.”

Regional Shopping Centres Market Dynamics & Rents

The NSW retail market comprises approximately 573,000 sq m of regional shopping centre stock across 15 centres with an average size of 38,300 sq m. This represents 8% of NSW retail space (excluding retail strips). The Illawarra and Hunter regions accommodate the highest portion of regional stock, housing 17% and 21% respectively.

Regional centre rents trended up over the year to July 2007, with average net rents increasing 2.9% to average \$1,590/sq m. Incentive levels remained tight, continuing to range between 0% - 4%.

Total Stock (sq m)	Market Yield (%)	Avg. Net Face Rent (\$/sq m)	Avg. Incentive (%)	Avg. Outgoing (\$/sq m)	Avg. No. of Majors (No.)	Avg. Size of Major (sq m)	Avg. No. of Specialities (No.)	Avg. Size of Speciality (sq m)
573,120	6.00	1,590	2.00	190	5.4	4,352	118	126

Definition: Major regional centres are shopping centres with a GLAR between 30,000 - 50,000 sq m

Source: Knight Frank Research / Property Council of Australia

Development Activity

Sound economic conditions underpinning retail spending and population growth have supported the expansion of many retail centres. However, new supply in the regional centre category continues to be patchy, with a majority of supply represented by extensions and refurbishments to existing centres as opposed to new centres.

This trend has been the catalyst for the shrinking asset category, because as centres continue to expand in terms of scale and services offered they are re-classified into major regional centres. During 2005, extensions to Westfield Mount Druitt, Tuggerah and Penrith were completed, increasing the GLAR of each centre to greater than 60,000 sq m. Westfield Kotara’s redevelopment to be completed this year, increases the centre’s GLAR by 21,000 sq m to 64,000 sq m. CFS Gandel Retail Trust have submitted plans for a refurbishment and possible 8,000 sq m expansion of Chatswood Chase, which if approved will result in a classification shift for the centre.

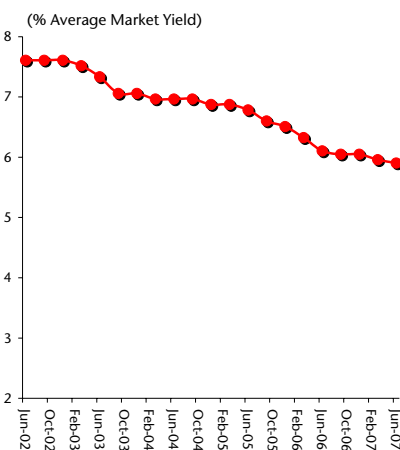
The only significant regional centre development in the pipeline with DA approval at present is the 30,000 sq m redevelopment of Stockland Nowra, due for completion in 2009.

Sales & Investment

With only 15 regional centres in NSW, the asset category remained tightly held in the 12 months to June 2007, with only one sale transacted. Broadway Shopping Centre was jointly purchased by Mirvac and Perron Investments from the Walker portfolio for \$430.00 million on a market yield of 5.60%. As the second largest transaction after the 50% interest Westfield Parramatta (\$717.50 million) to occur in the period, the sale accounted for 20% of total retail transactions in NSW (above \$10 million) in the year to June 2007.

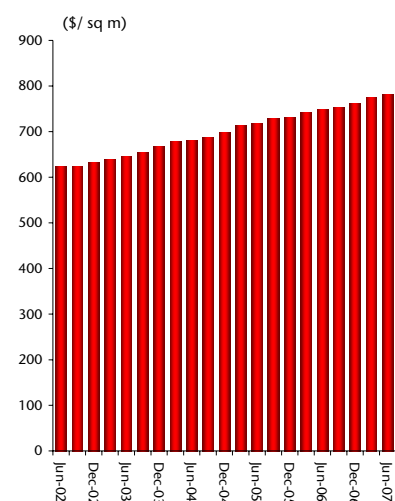
The sale of the Walker portfolio marked the exit of another private investor from the retail market, albeit influencing the regional centre ownership profile to a lesser degree as private investor Perron purchased 50% of the Broadway Shopping Centre. Presently, institutional owners are the largest holders of regional centres in NSW, collectively holding 79% of stock with private investors owning the remaining 21%. The weight of funds flowing into the sector coupled with limited supply continued to place downward pressure on market yields in the 12 months to July 2007. Market yields now average 5.85% in the metropolitan area and 6.50% in regional NSW.

Figure 8
Average Market Yields
NSW Regional Centres



Source: Knight Frank Research

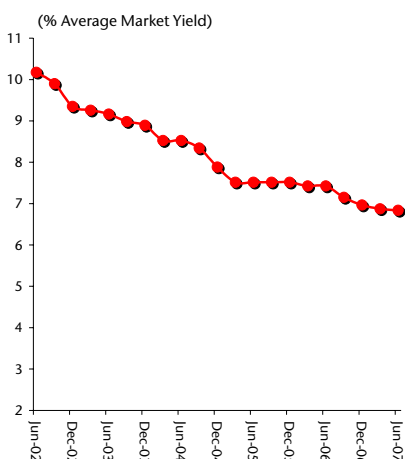
Figure 9
Average Net Rents
NSW Sub Regional Centres



Source: Knight Frank Research

“Sub-regional shopping centres comprise 1.58 million sq m of retail space across 94 centres, representing 23% of state’s retail stock.”

Figure 10
Average Market Yields
NSW Sub Regional Centres



Source: Knight Frank Research

Sub-Regional Shopping Centres

Market Dynamics & Rents

Sub-regional centres comprise approximately 1.56 million sq m of retail space across 93 centres with an average centre size of 16,875 sq m. This represents 23% of the state’s retail stock (excluding retail strips), making the asset class the second largest in the NSW retail market. The distribution of this stock is split relatively evenly between Sydney metropolitan and regional NSW. Sub-regional stock is most prominent in the regions of Metro – North West and the Hunter, accommodating 21% and 11% respectively.

Sub-regional centres have recorded healthy rental growth over the past four years of 5.0% per annum on average. The 12 months to July 2007 were no different with average net rents increasing 4.2% to average \$780/sq m. Incentive levels over the period remained tight at sub 5.0%.

Total Stock (sq m)	Market Yield (%)	Avg. Net Face Rent (\$/sq m)	Avg. Incentive (%)	Avg. Outgoing (\$/sq m)	Avg. No. of Majors (No.)	Avg. Size of Major (sq m)	Avg. No. of Specialities (No.)	Avg. Size of Speciality (sq m)
1,566,618	6.85	780	5.00	115	2.6	4,200	56	110

Definition: Sub-regional centres are shopping centres with a GLAR between 10,000 - 30,000 sq m

Source: Knight Frank Research / Property Council of Australia

Development Activity

New sub-regional stock to enter the NSW market has been relatively subdued over the past few years with 37,000 sq m entering the market during 2005 to 2006. However, supply is set to pick up in 2007 as 25,700 sq m comes online before surging in 2008 when a substantial 139,200 sq m is due for completion across 14 centres. This represents 20% of total retail stock to enter the market (excluding retail strips) in 2007 and 2008. Regional NSW will accommodate 77% of this new stock, with the Hunter and Northern regions dominating supply, collectively housing 38% of new stock.

A majority of new stock to enter the market during 2007 and 2008 will be in the form of redevelopment and additions to existing centres, however six new centres are amongst the new stock, including the 14,000 sq m Griffith Central anchored by Target and IGA, Centro Armidale anchored by Woolworths providing 18,000 sq m and the 13,500 sq m Armidale Shopping Centre.

Sales & Investment

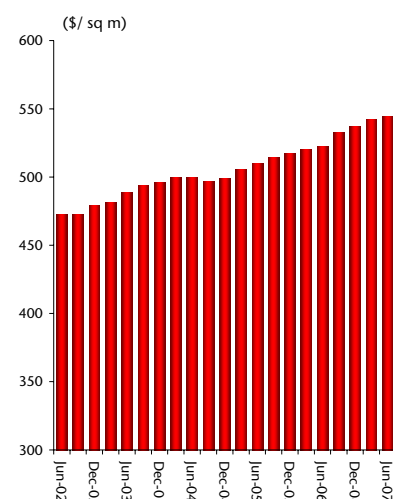
A total of \$359.50 million exchanged hands across five sub-regional centres in the year to July 2007, accounting for 18% of sales in the NSW retail market (above \$10 million). The period saw private investors exiting the market and crystallising profits achieved on the back of strong yield compression and five years of healthy rental growth whilst institutions increased their weighting to the asset class, acting as purchasers in all transactions.

Institutions are the largest owners of sub-regional stock, with LPT’s and direct funds holding 33% and 22% of stock respectively. Private owners are still major players, owning 34% of centres in NSW, however their exodus from the asset class is forecast to continue as excess liquidity continues to chase retail assets.

Yields compression continued in the 12 months to July 2007 with average market yields tightening 60 basis points to average 6.85%.

Figure 11

Average Net Rents NSW Neighbourhood Centres



Source: Knight Frank Research

“Neighbourhood centres continued to perform well, remaining relatively unaffected by the high petrol costs and interest rate rises as a result of being largely food based with minimal exposure to discretionary spending.”

Investment Snapshot Dee Why Centre 27-33 Oaks Avenue, Dee Why



Date:	May 2007
Purchaser:	Georges (Private Investor)
Sale Price:	\$24.00 million
Initial Yield:	5.35%
Market Yield:	5.34%
GLA:	4,610 sq m

A neighbourhood centre comprising Woolworths, 10 specialities and 4 office suites with development potential to a total of 16,000 sq m GLA

Neighbourhood Shopping Centres Market Dynamics & Rents

Neighbourhood centres comprise 1.06 million sq m of retail space across 233 centres with an average size of 4,590 sq m. This represents 16% of the state's retail stock (excluding retail strips), making neighbourhood centres the third largest retail asset class in NSW.

The Metro – North West region accommodates the highest share of neighbourhood centres by both number and GLAR, with 221,835 sq m across 52 centres. The Hunter region has the second highest concentration with 129,595 sq m across 27 centres. Approximately 60% of neighbourhood centre stock is located within the Sydney metropolitan area with the remaining 40% located in regional locations.

Neighbourhood centres continued to perform well remaining relatively unaffected by the high petrol costs and interest rate rises as a result of being largely food based with minimal exposure to discretionary spending. Rental growth returned to the 4% plus mark this year, after three years of inflationary growth. Average net rents increased 4.1% in the 12 months to July 2007 to currently average \$545/sq m. Incentive levels over the period remained tight at up to 6.0%.

Total Stock (sq m)	Market Yield (%)	Avg. Net Face Rent (\$/sq m)	Avg. Incentive (%)	Avg. Outgoing (\$/sq m)	Avg. No. of Majors (No.)	Avg. Size of Major (sq m)	Avg. No. of Specialities (No.)	Avg. Size of Speciality (sq m)
1,066,480	6.75	545	6.00	110	1.2	2,400	21	105

Definition: Neighbourhood centres are shopping centres with a GLAR less than 10,000 sq m

Source: Knight Frank Research / Property Council of Australia

Development Activity

New supply is set to pick up in 2007 with 77,500 sq m to come on-line across 19 centres. This represents 26% of NSW's new retail stock by GLAR, before increasing strongly in 2008 with 170,000 sq m of new stock due for completion. A majority of this new stock will be delivered by via new centres. Approximately 49% of new stock in 2007 will be located within the Sydney metropolitan area, with the remaining 51% situated in regional areas. This split is forecast to shift to 38% in Sydney metropolitan and 62% in regional NSW in 2008.

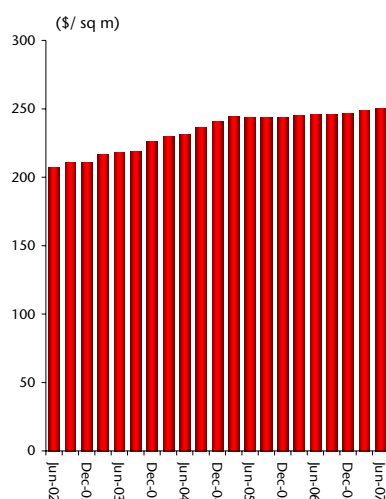
The continuing urban sprawl, new housing estates and related population growth in the fringes of the Sydney metropolitan area have been the primary catalyst for the construction of new metropolitan neighbourhood stock. The Metro - North West and South West regions will dominate new supply in 2007 accommodating 78% of new metropolitan neighbourhood stock. These regions will continue to dominate in 2008, collectively housing 29,600 sq m of new stock.

The state's coastal regions are also set to experience a pick-up in new supply on the back of population growth with the Hunter and Mid-North coast accommodating 65% of new stock in 2007.

Sales & Investment

In the 12 months to July 2007, 11 neighbourhood centres were sold totalling \$248.96 million, accounting for 13% of all retail sales in NSW (greater than \$10 million). Institutions dominated sales activity, acting as purchasers in 64% of transactions. However, private owners remain the largest owners of neighbourhood shopping centres, holding 51% of stock in NSW.

Figure 12
Average Net Rents
NSW Bulky Goods Retailing



Source: Knight Frank Research

“Bulky goods centres are now NSW’s largest retail asset class, representing 25% of state’s retail stock, following 10 years of strong construction activity.”

Investment Snapshot Harvey Norman Centre Gardeners Road, Alexandria



Date: October 2006
Vendor: Mariner Securities
Purchaser: ISPT
Sale Price: \$53.50 million
Initial Yield: 6.19%
Market Yield: 6.26%
Lettable Area: 12,068 sq m

Development:

Situated in an established bulky goods / industrial precinct. Former Megamart centre constructed in 2003 over two levels providing ground floor retailing and basement car parking.

Bulky Goods Retailing

Market Dynamics & Rents

Over the past 10 years, construction activity within the bulky goods asset class has increased sharply on the back the strong housing sector in the late 1990’s to early 2000’s and the consumer spending that accompanied the boom. As a result, bulky goods centres are now NSW’s largest retail asset class, representing 25% of state’s retail stock (excluding retail strips). Sub regional centres previously held the position of largest asset class, but in 2006 fell to second place as bulky goods centres continued to dominate new supply.

Bulky goods centres comprise 1.66 million sq m retail space with an average centre size of 13,375 sq m. Stock is concentrated in the Sydney metropolitan area, with only 33% of centres located within regional NSW. Metro – North West and South West regions accommodate the largest portion of bulky goods stock in the metropolitan area, collectively housing 67% of stock. In regional NSW, bulky goods centres are most prominent in the Hunter region, accounting for 25% of regional stock.

After strong rental growth since 2002, growth slowed in the 12 months to July 2007, with average net rents increasing 1.8% to currently average \$250/sq m. Rental growth is forecast to be minimal over the short to medium term as the market deals with an imbalance between supply and demand. Incentive levels over the period remained relatively steady at up to 10%, however higher than the 5% commanded two years prior.

Total Stock (sq m)	Market Yield (%)	Avg. Net Face Rent (\$/sq m)	Avg. Incentive (%)	Avg. Outgoing (\$/sq m)	Avg. No. of Majors (No.)	Avg. Size of Major (sq m)	Avg. No. of Specialities (No.)	Avg. Size of Speciality (sq m)
1,667,066	7.75	250	10.00	55	3.1	3,100	15	510

Definition: Bulky Goods centres typically involve the sale of bulky household items and associated goods. This classification covers centres containing multiple tenants and freestanding superstores. GLAR is typically greater than 4,000 sq m

Source: Knight Frank Research / Property Council of Australia

Development Activity

New supply peaked in 2006 with 116,700 sq m of bulky goods retail stock entering the NSW market. This represents 33% of the state’s new retail stock. Construction levels are set to remain strong during 2007 to 2009 with 101,500 sq m due for completion in 2007, followed by a high 193,000 sq m in 2008 and 163,000 sq m in 2009. Approximately 58% of this new stock will be spread relatively evenly across the regions outside of the metropolitan area. The remaining 42% to enter the metropolitan market will be highly concentrated in the North and North West regions.

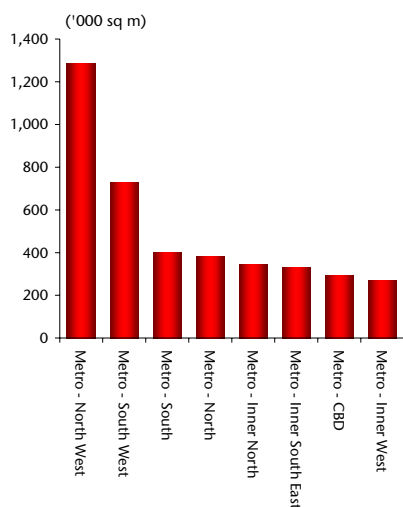
Construction has commenced on just 20% of stock scheduled for completion in 2008. It is anticipated the recent slow down in rental growth, increase in incentives and weaker demand following the housing downturn may see a number of these projects being delayed or only proceeding with satisfactory levels of pre-commitment.

Sales & Investment

A total of \$133.71 million exchanged hands across four bulky goods centres in the year to July 2007, accounting for just 7% of sales in the NSW retail market (above \$10 million). The largest sale for the period was ISPT’s purchase of the Harvey Norman Centre at Alexandria for \$53.50 million.

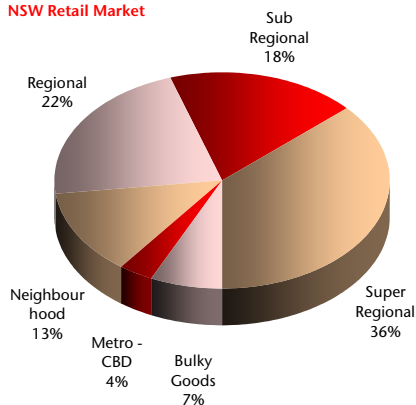
Market yields continued to firm in the 12 months to July 2007, albeit at a slower rate than other retail asset types, to average 7.75%.

Figure 13
Metro Retail Stock by Region
Sydney Metropolitan



Source: Knight Frank Research

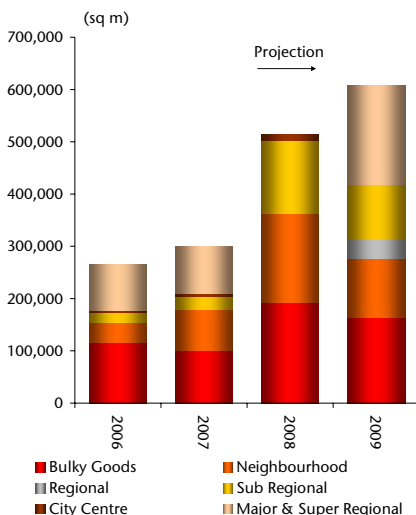
Figure 14
Sales by Type
NSW Retail Market



\$1.95 billion exchanged in year to July 2007

Source: Knight Frank Research

Figure 15
New Supply by Type
NSW Retail



Source: Knight Frank Research

Deal Tracker

Major Investment Sales Activity

Address	Type	Price (\$ mill.)	Yield [^] (%)	Area (sq m)	Rate (\$/sq m)	Purchaser	Sale Date
Westfield Parramatta	Super Regional	717.50	5.00	135,024	5,314	GIC Real Estate	Apr 07
Broadway Shopping Centre, Broadway	Regional	430.00	5.60	34,000	12,647	Mirvac & Perron	Oct 06
Rhodes Shopping Centre	Sub Regional	198.00	5.75	37,580	5,269	Mirvac & Perron	Nov 06
Mid City Centre, Sydney	Metro - CBD	70.00	5.84	11,137	6,286	Australian Prime Property Fund	Feb 07
Gosford Marketplace	Sub Regional	55.00	12.30	13,915	3,953	Investec Bank & Peak Property	Dec 06
Harvey Norman Centre, Alexandria	Bulky Goods	53.50	6.26	12,068	4,433	ISPT	Nov 06
Lake Haven Homemaker Centre	Bulky Goods	48.50	7.25	27,870	1,740	Mirvac	Nov 06
Wallsend Plaza	Neighbourhood	43.00	7.60	11,832	3,634	Stockland	Oct 06
Stockland Cammeray Under Construction	Neighbourhood	42.00	n/a	5,000	8,400	Stockland	Apr 07
Belmont Shopping Plaza Under Construction	Neighbourhood	35.50	6.75	7,362	4,822	Domaine Property Fund	Dec 06
Manning Mall, Taree	Sub Regional	32.50	6.50	10,460	3,107	Mirvac	Dec 06
Moonee Beach Shopping Centre	Sub Regional	31.00	7.17	11,030	2,811	Mirvac	Oct 06
Kogarah Town Centre	Neighbourhood	26.21	7.42	5,182	5,058	MacarthurCook	Dec 06
Dee Why Shopping Centre	Neighbourhood	24.00	5.34	4,610	5,206	George Family	May 07
Kareela Shopping Centre	Neighbourhood	22.60	6.07	4,142	5,456	Undisclosed Syndicate	May 07
Village Plaza Dee Why	Neighbourhood	22.50	6.54	4,742	4,745	Havania Pty Ltd	Aug 06
Marketfair, Campbelltown	Neighbourhood	17.77	6.80	7,917	2,245	Private Investor	Sep 06
Leeton Market Plaza	Neighbourhood	16.38	8.00	4,547	3,602	Domaine Property Fund	Dec 06
Big W Centre, Cessnock	Neighbourhood	16.05	7.50	8,000	2,006	Australian Property Funds	Aug 06
Mount Hutton Plaza	Neighbourhood	15.00	n/a	4,700	3,191	Centro Properties Group	Aug 06
Boambee Central Shopping Centre, Coffs Harbour	Neighbourhood	10.95	6.46*	3,040	3,602	Boambee Central Pty Ltd	Feb 07
Bunnings Warehouse, Belmont North	Bulky Goods	10.85	6.95	12,620	860	Bunnings Warehouse Property Trust	Dec 06
Warners Bay Supa Centre	Bulky Goods	10.80	7.95	4,940	2,186	Buildev Supa Centre Warners Bay Pty Ltd	Nov 06
Bunnings Warehouse, Villawood	Bulky Goods	10.06	n/a	9,283	1,084	Pelorus Property Group	May 07

Source: Knight Frank Research [^] Analysed equated market yield quoted * Initial yield quoted
Please note: Internal fund transfers excluded

Research

Outlook

- Access Economics has forecast a pick-up in economic growth in NSW, with growth to average 3.2% per annum for the next five-years. This is up from 1.6% growth per annum experienced over the past five-years. The increase in growth will be supported by public and business investment, strong consumer demand and a moderate recovery in housing and population growth. However, inflationary pressures revealed in the June 2007 quarter CPI figures are likely to result in an upward movement in interest rates in the second half of 2007. An upward movement may dampen the housing recovering and growth in retail spending over the short to medium-term.
- All retail sectors in the 12 months to July 2007 experienced a tightening of yields, however, firming was not consistent across the board. Moderate yield compression for retail assets is anticipated to continue for prime assets, driven by the weight of institutional and foreign funds available for investment and limited supply.
- Rental growth was experienced across all retail classifications in the year to July 2007 with sub-regional centres leading the pack. However, the bulky goods sector has underperformed, with rents increasing a marginal 1.8%. Strong levels of supply together with the sluggish housing market and three interest rate rises in 2006 started to weigh on the sector. A recovery in the housing market would support growth in the bulky goods sector going forward. Rental growth in the remaining sectors will be supported by relatively healthy retail spending and low vacancy rates.
- With opportunities to construct new shopping centres confined to new growth areas / land releases, a majority of new retail supply has been in the form of extensions and refurbishments to existing centres. Refurbishment and reconfiguration together with active management continues to be a crucial requirement for owners of secondary centres wishing to remain competitive.

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