

P R E S S R E L E A S E

CB Richard Ellis Pty Ltd
ABN 57 057 373 574Level 26, 363 George Street
Sydney NSW 2000
DX 10262T 61 2 9333 3333
F 61 2 9333 3330www.cbre.com.au

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For further information:
Kathryn House
Communications Manager
61 2 9333 3585
61 402 465 440

Outlook strong for South East Queensland retail sector

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Overbuilding remains one of the few threats to South East Queensland's strongly performing retail sector, according to new forecasts from CB Richard Ellis.

However, the executive director of CBRE Research for the Pacific Region, Kevin Stanley told attendees at the firm's Market Outlook presentation today in Brisbane that that the region's strong population, jobs and wages growth, and continued low unemployment – should underpin the continued strong performance of the retail sector.

While new retail supply is expected to peak in 2008, Mr Stanley said the trend was for smaller neighbourhood or convenience style projects and this would spread the geographical impact of new construction.

Bulky goods was also staging a comeback, with 46 per cent of all new retail completions in 2007 and 2008 to involve bulky goods/homemaker centres.

"Strong household formation in South East Queensland is increasing the share of spending dedicated to household goods. We think this will help underpin the expansion of the sector currently underway in South East Queensland right through the long term," Mr Stanley said.

Supply issues aside, Mr Stanley said Brisbane retail rents in absolute terms were now at an all-time high, meaning that strong rental growth rates, in percentage terms, would be increasingly difficult to achieve in the future.

Mr Stanley said rental growth across the key retail property types had already slipped slightly to about 4 per cent in the past 12 months as a result of higher interest rates and easing growth in house prices.

However, Mr Stanley said the overall outlook for the retail sector remained extremely positive, with competition for retail assets as strong as ever (\$1 billion in Queensland retail property changed hands last financial year) and with shopping centre yields heading towards 5 per cent.

So where are the future opportunities for investors and developers?

CBRE Regional Director Retail Services, Stewart Gilchrist said non traditional retail markets were gaining momentum as Woolworths continued its aggressive store roll-out in Queensland; as Wesfarmers prepared to inject \$5 billion into the country's largest retailer, Coles; and as IGA continued its strong growth in Queensland underpinned by its recent commitment to a new \$100 million warehouse and distribution facility at Park Ridge.

"In order to gain market share, supermarket chains are now prepared to throw away the rule book in terms of the traditional population guidelines," Mr Gilchrist said.

"They are prepared to commit to growing locations which will evolve in the short to medium term. This is a real opportunity for developers and investors to secure anchors for new centres," Mr Gilchrist continued.

"Who would have thought towns like Woodford, Fernvale, Cooloola or North Bundaberg would have been attractive as supermarket locations. And Airlie Beach as suitable for a discount department store," Mr Gilchrist added.

Infill sites in the Gold Coast corridor were another area of opportunity.

In addition to the Beenleigh Coomera corridor, the Rochedale Greenbelt - which was shortly to be rezoned from rural to residential - was one area of particular interest, Mr Gilchrist said.

FKP, The Pask Group and Watpac had all recently secured large landholdings in the vicinity and there were expectations of further investment activity.

Mr Gilchrist said other attractive locations for new neighbourhood shopping centres included:

- The south west corridor along the Mt Lindsay Highway and including Jimboomba, Keystone and Park Ridge.
- The western corridor to Springfield and Ipswich.
- The northern corridor via Aspley and beyond the Northlakes region

Other areas of opportunity included large strip retail blocks, particularly those with the potential for upgrading and expansion.

Mr Gilchrist also advocated that investors target emerging sites around new residential land release areas and population growth nodes such as Beenleigh South, Capalaba, the central Gold Coast and the southern Sunshine Coast.

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