Research and
Forecast Report

Colliers INTERNATIONAL

Accelerating success.

RETAIL

First Half 2017

CONTENTS

RETAIL SNAPSHOT

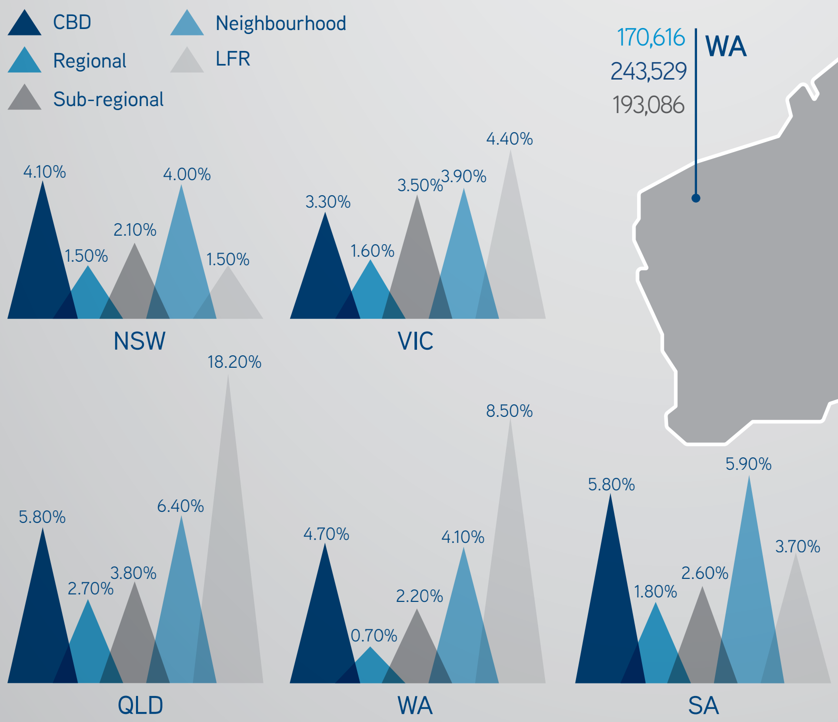
AVERAGE YIELDS

	CBD		REGIONAL		SUB REGIONAL		NEIGHBOURHOOD		LARGE FORMAT RETAIL	
	1Q17	1Q18	1Q17	1Q18	1Q17	1Q18	1Q17	1Q18	1Q17	1Q18
SYDNEY	5.34%	5.07%	5.25%	5.11%	6.13%	6.03%	6.00%	6.00%	7.16%	7.16%
MELBOURNE	5.00%	4.82%	5.13%	5.03%	6.03%	6.03%	5.73%	5.73%	7.88%	7.68%
BRISBANE	6.25%	6.05%	5.63%	5.47%	6.25%	6.25%	6.38%	6.38%	7.88%	7.83%
PERTH	5.55%	5.55%	5.75%	5.56%	6.13%	6.13%	6.60%	6.60%	7.50%	7.50%
ADELAIDE	5.63%	5.63%	5.88%	5.64%	8.13%	7.90%	7.63%	7.63%	8.00%	7.96%

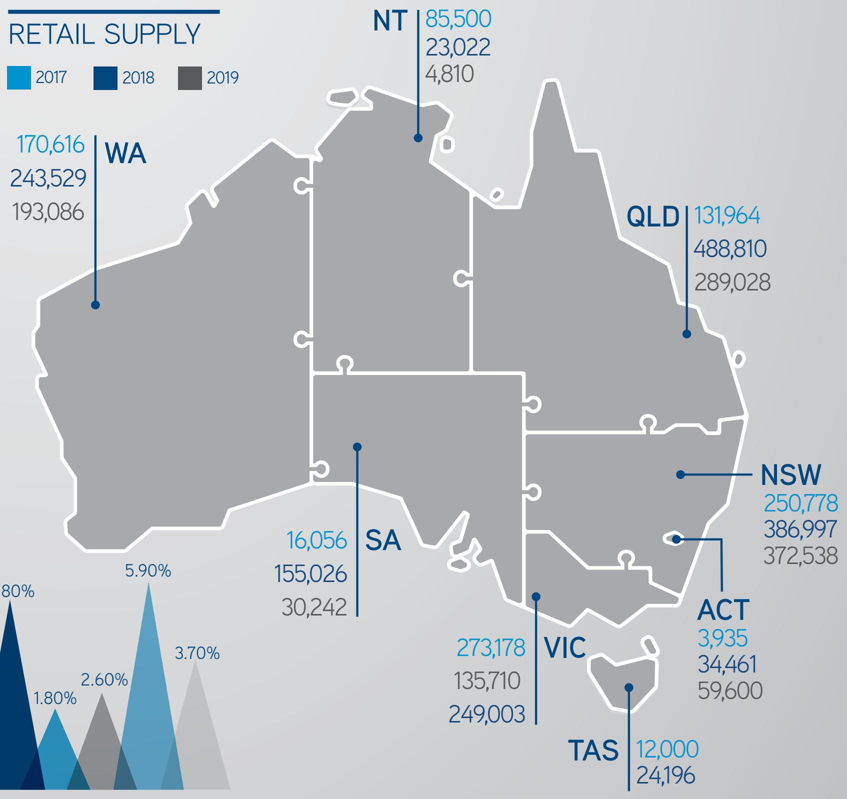
AVERAGE GROSS FACE RENTS

	CBD		REGIONAL		SUB REGIONAL		NEIGHBOURHOOD		LARGE FORMAT RETAIL	
	1Q17	1Q18	1Q17	1Q18	1Q17	1Q18	1Q17	1Q18	1Q17	1Q18
SYDNEY	$10,760	$10,966	$1,773	$1,812	$1,325	$1,354	$1,075	$1,099	$474	$484
MELBOURNE	$7,250	$7,357	$1,775	$1,811	$1,060	$1,082	$800	$816	$270	$276
BRISBANE	$4,650	$4,644	$1,606	$1,627	$1,110	$1,124	$800	$810	$350	$354
PERTH	$3,665	$3,710	$1,100	$1,110	$788	$794	$555	$560	$190	$192
ADELAIDE	$2,800	$2,845	$1,613	$1,621	$800	$804	$530	$533	$230	$231

RETAIL VACANCY



RETAIL SUPPLY



Source: Colliers Edge, PCA

NATIONAL OVERVIEW

By Daniel Lees
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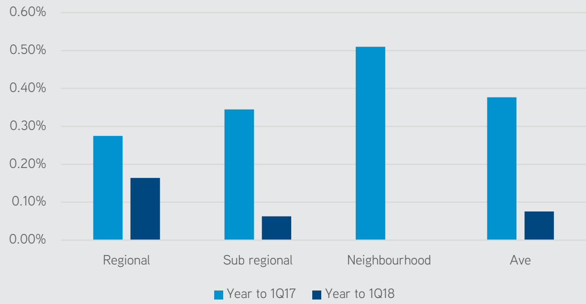
An attractive asset class

Retail assets within the direct property sector remain attractive from an investment perspective with transaction volumes only restricted by market stock levels. A softer global consumer backdrop and geopolitical headwinds have not reduced rents within Australian assets, particularly those on the eastern seaboard. Depending on the type of asset sought after, retail investors are presented with opportunities to maximise internal rates of return through optimising the tenancy mix or exploiting development opportunities. Additionally, those investors seeking more defensive positions have found refuge in Neighbourhood centres, gaining exposure to non-discretionary spending and reliable yields. These factors combined explain the rapid rate of compression that has occurred across the retail asset class spectrum, with Regional, Sub regional and Neighbourhood centre average yields compressing 28, 35 and 51 basis points respectively through the year to 31 March 2017. This trend was also evident during the most recent corporate reporting season, where the average cap rates of listed landlords compressed by 25 basis points in the six months to December 2016.

Looking forward, we expect that the rate of yield compression will continue albeit at a slower rate, as global inflation expectations rise and the spread between risk free rates and retail asset class yields settle close to long term historical averages. As such we

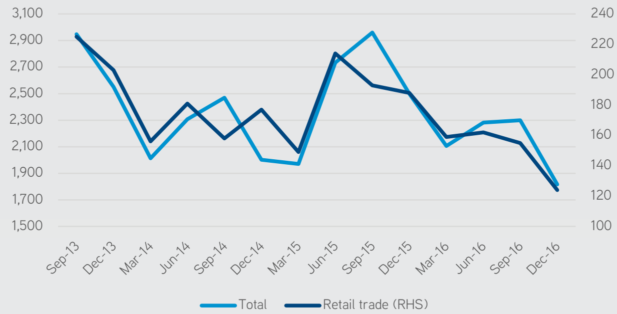
Macarthur Square, Sydney NSW
Retail valuation on behalf of GPT Funds Management

Shopping Centre Yield Compression



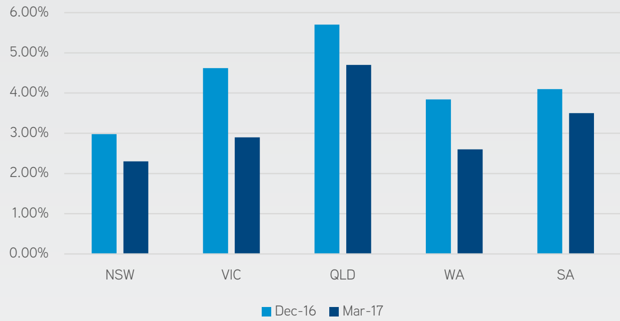
Source: Colliers Edge

ASIC Insolvency Cases (#)



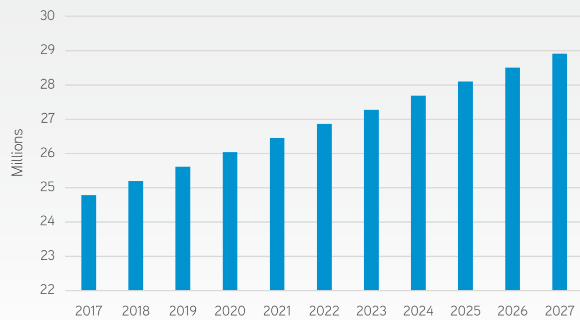
Source: ASIC

Average Retail Vacancy



Source: Colliers Edge, PCA

Australian Forecast Population



Source: Colliers Edge, ABS

see average Australian shopping centre yields compressing just eight basis points on average over the next 12 months, although this is likely to be higher in Regional centres where yields could reduce 16 basis points on average. We anticipate this compression will be facilitated by a lift in transaction volumes as institutions take advantage of the current market pricing conditions and rotate out of profitable positions.

Disruption will also bring opportunity

Disruption within the retail sector is gaining momentum as the likes of Amazon and Kaufland establish operations on our shores and recent arrivals such as Topshop and Topman launch e-commerce platforms for Australian consumers. Unsurprisingly, this has created headwinds for some domestic retail organisations where outdated strategies have failed to keep up with the increasingly competitive environment and rising consumer expectations. We expect there will be more pain to come, and lending institutions will no doubt be monitoring the loan covenants of domestic organisations operating within these disrupted retail sectors. However we also note that amidst this upheaval, the number of retail organisations entering external administration has actually been declining steadily. ASIC data indicates that Australian insolvency cases have come down from a recent high of 214 in June 2015 to a low of 124 in the most recent December 2016 release. Disruption will be accompanied by successes as select retailers manage to defend their customer proposition through product differentiation, experience, service or expertise. There has been an unprecedented level of hype surrounding Amazon's entrance to Australia, and while consumers appear to be eager adopters, this may vary across product categories with under 10 per cent of respondents to a recent Neilson survey indicating they would purchase fresh produce from the online provider. Some goods may simply not become available to consumers via Amazon such as those that are literally too big or cumbersome to ship (bulky goods) or those that are strongly branded such as luxury items.

Landlords have their eyes wide open

Australia's shopping centre landlords are well aware of the challenges faced in the retail industry, and have been quick to adapt. While they may not be able to compete with new online entrants on price alone, they can differentiate on experience, service and atmosphere which explains their very deliberate move into high end food offerings and lifestyle orientated services.

Park Ridge Town Centre, Park Ridge QLD
Retail leasing on behalf of RG Property Three Pty Ltd

Regional centre owners and managers have been successful in curating an optimal tenant mix and providing an environment that can be experienced exclusively in-store. We acknowledge that specialty sales growth has been moderating across the listed landlords, however in some instances growth has shifted to other categories such as mini-majors or hospitality offerings. Meanwhile vacancy levels have been trending lower across the board, and we expect that landlords will continue to innovate in order to remain relevant to surrounding communities.

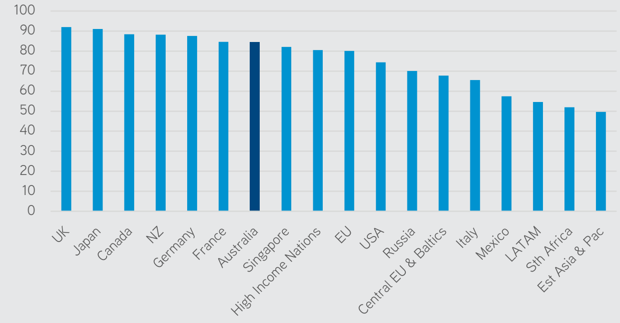
The consumer wins

Interestingly, it's the consumer that looks to benefit most, as disruption drives down prices and bricks and mortar retailers look to improve experience and services. New platforms such as Amazon Marketplace will provide more depth to the current online offering available to Australian consumers, while also delivering end to end online sales infrastructure that was previously out of reach for many small to medium size domestic retailers. Excessive profit margins that were previously exploited by incumbent Australian retailers will now be eroded, as pricing structures and margins become more harmonized with global benchmarks.

The Australian consumer remains quite healthy, which explains why so many offshore retailers have been executing entry strategies over the past few years. We have a high income population which is concentrated within a relatively small number of capital cities, and that population is growing. Internet penetration is also high, and many Australians are well travelled with a strong appetite to adopt global brands and fashion. Sentiment levels have been remarkably resilient in the wake of several recent geopolitical events and the composition of the labour market has been improving in recent data releases. Price increases of major items such as food and fuel have also been subdued.

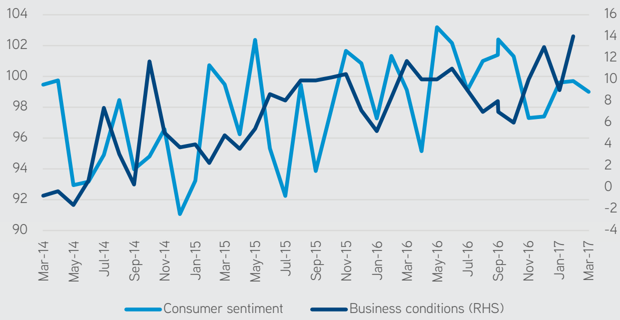
Some headwinds do exist for retail spending, with Australia's wage growth inflation hovering around two per cent. The wealth effect delivered through the housing market looks to be tempering as regulators attempt to contain price growth in residential markets. Retail sales figures have been trending lower over the past three years, although much of this trend can be explained through supermarket wars, turnaround strategies within department stores and corporate failures within the household goods sector.

Internet Usage (% of population - 2015)



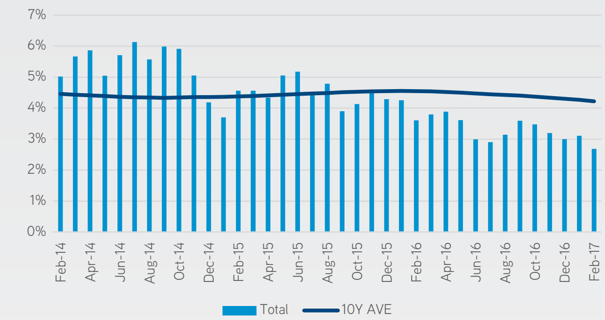
Source: World Bank

Australian Sentiment



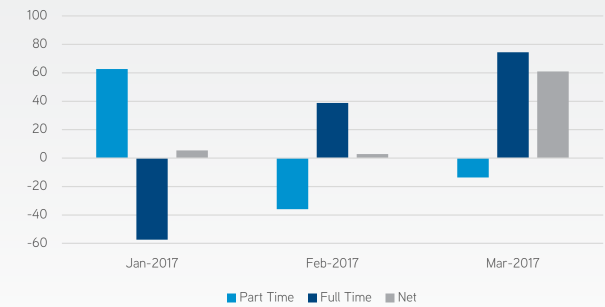
Source: NAB, Westpac-MI

Australian Retail Sales (% change YoY)



Source: ABS

Australian Employment Change ('000)



Source: Colliers Edge, ABS

Research & Forecast Report

NEW ZEALAND

Retail | First Half 2017

By Leo Lee
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MARKET HIGHLIGHTS

Increasing house values, booming tourism and strong population growth, especially in Auckland, continue to drive retail spending and keep New Zealand retailers positive.

Prime retail locations are highly sought after, highlighting the importance of branding for many major retailers, with low vacancy across Auckland and Wellington.

Interest rates are on the rise with yields expected to be relatively flat over the medium term.

Retailers rejoice

Increasing population remains one of the key drivers of the retail sector in New Zealand, underpinned by record high net migration of 71,900 migrants in the year to March 2017. This is welcome news to retailers, as more demand for goods and services translates to more money in the till. Housing growth has been particularly buoyant in Auckland, encouraging some job seekers and retirees to buy instead in other cities in New Zealand, particularly in Hamilton and Tauranga, boosting population and regional retail activity.

Other parts of the New Zealand economy are also in good shape. Continued growth in the tourism sector has seen visitor arrivals increase 8.9 per cent in the year to March 2017. Visitors are also staying in New Zealand longer with over 610,000 visitors here for 22 days and over, up 5.6 per cent from a year ago.

The retail environment remains challenging for some with David Lawrence, Marcs, Shanton and Valley Girl being the latest casualties over the last year. Amazon's entry into the Australian market is set to be a major disruptor to 'brick and mortar' retailers. New Zealand retailers will no doubt have a firm eye on the impact it will have on spending patterns here.

Steady and confident

New Zealand's consumer confidence remains bouyant, increasing to 121.7 in April 2017 from 120.0 a year ago, according to the latest ANZ-Roy Morgan consumer confidence survey. This level of consumer confidence remains robust and in line with economic momentum driven by positive net migration and growth in the tourism market.

Expectations around the economy's future prospects and consumer's current situation have stayed constant in comparison to 12 months ago, with those believing it is a good time to buy a major household item remaining unchanged at a positive 56.

DIY outpacing spending in other categories

Rising confidence is loosening the purse strings with hardware, building and garden supplies at the top of consumers' wish list. Retail spending for bulky goods - which includes categories such as electrical goods, the DIY sector, homeware, hardware and furniture - has outpaced spending in other categories, with annual growth in national spending of 8.4 per cent in the year to quarter four 2016. Over the past four years, Auckland's share of retail spending has increased from 35 per cent up to 38 per cent, making up for the decline in Waikato, Wellington and Christchurch. The remaining regions around the country stayed relatively constant.

Prime space in hot demand

Prime retail space is in hot demand in Auckland and Wellington, pushing vacancy to its lowest level in several years. Auckland's CBD retail vacancy rate was 2.4 per cent in December 2016, the lowest it has been since 2008, with approximately 2,700 sqm of available space. Wellington has had a resurgence of retail activity along its premier retail strip, Lambton Quay, reducing to 3.3 per cent from four per cent a year ago in December 2015.

More retailers are looking to expand into New Zealand. Last year, David Jones opened its first New Zealand store taking occupation of approximately 6,400 sqm on Lambton Quay in Wellington. International retail giants H&M and Zara also opened their first stores in the country in Auckland in 2016.

Rents as a result are increasing too, but the CBD rates are 'leaps and bounds' above other locations, highlighting the importance of branding for many major retailers. Auckland holds the top position for prime net face rents averaging $3,000/sqm. Wellington CBD gross average prime face rents have increased to $1,340/sqm. Rental growth is up 1.7 per cent and 6.7 per cent respectively across those cities. The recent earthquakes in Wellington are likely to push up operating expenses, due to increased insurance costs. Now that inflation is starting to show signs of increasing, reaching 2.2 per cent annually in March 2017, this may likely manifest into higher rents.

Interest rates rising

Investors remain confident and active in the New Zealand retail market. Our latest Commercial Property Investor Confidence reached a national net positive of 15.1 per cent (optimists minus pessimists). Although this has reduced from 25.9 per cent reported in the first quarter of 2016, it is still higher than the long term average of 11.5 per cent.

Retail property sales for 2016 are set to account for approximately 30 per cent of all property sales activity, up from 22 per cent in 2015.

The rate of yield compression experienced in Auckland's retail sector continues to provide investors with strong value growth. Access to quality stock is limited in Wellington, where average CBD investment yields remained relatively steady over the past year at 6.9 per cent and Regional Centre yields were at eight per cent.

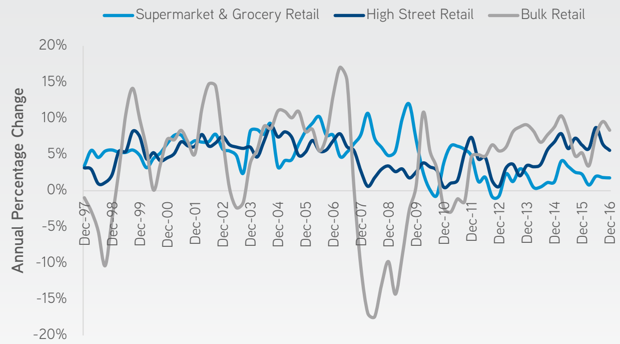
Notable sales in the first half of 2017 include the WestCity Shopping Centre for $205 million to Angaet Property Group. The Vendor was Scentre Group, who are shifting their focus to expansion of their existing centres in Newmarket, St Lukes, and Albany.

Interest rates are rising as banks pass on the cost of their overseas borrowing and seek to attract deposits. Yields are forecasted to be relatively flat over the medium term.

ANZ-Roy Morgan Consumer Confidence Index

Source: ANZ-Roy Morgan, Colliers International Research

New Zealand Retail Sales By Category



Source: StatsNZ, Colliers International Research
*Seasonally adjusted

Outlook

Retailers are expected to be upbeat over the medium to long term due to positive economic growth forecasts in the main centres and regionally. This will keep tenant demand buoyant, and prime retail areas will continue to receive the majority of the enquiry. Rents are rising steadily across the precincts and asset classes which is forecasted to continue. Retail investment activity remains high, however the higher interest rate environment and tighter lending conditions may become an obstacle this year for investors.

WestCity Shopping Mall, Auckland
Managed on behalf of Angaet Group

Research &
Forecast Report

SYDNEY CBD

Retail | First Half 2017

By Daniel Lees
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MARKET HIGHLIGHTS

We expect that average Sydney CBD retail yields will compress by 27 basis points to 5.07 per cent by first quarter 2018.

Average Sydney CBD gross face rents forecast to increase by 1.9 per cent to $10,966/sqm by first quarter 2018.

Sydney CBD retail floor space supply will peak at almost 69,000 sqm in 2020 due to the refurbishment of Harbourside Shopping Centre.

Transaction market

No Sydney CBD transactions have been recorded since August 2016 when 77 Market Street (David Jones) and 66 Hunter Street (Rockpool Bar & Grill) sold on yields of 4.5 and 6.33 per cent respectively. In the absence of transaction evidence, our Sydney CBD yield range lies between 4.37 and 6.3 per cent with the lower bound representing the most recent valuation of Westfield Sydney. Our outlook for the Sydney CBD retail sector is for further compression in average yields as stock comes to market. Colliers Edge data suggests that the long term historical spread between the Sydney CBD sector and risk free rates is 96 basis points, far wider than the current spread of 2.6 per cent. With this in mind, and after factoring in a rise in 10 year bond yields we believe that average yields will fall to 5.07 per cent by 31 March 2018.

Leasing market

Retail assets in Sydney's CBD attract the highest gross face rents nationally and have grown at a faster pace than any other retail sector. Sydney CBD rents increased 16.32 per cent over the year to an average of $10,760, supported by growth across all major precincts. Despite disruption associated with the Sydney Light Rail project, demand for space in this precinct is high, pushing our basket range to $3,750 - $6,750/sqm, up from $3,500 - $6,500/sqm in the prior quarter. After remaining flat through the end of 2016, Pitt Street rents have experienced some uplift on the back of leasing transactions in the food and beverage sector. Average rents here are now $3,510/sqm, up from $2,823/sqm, while incentives have simultaneously fallen 100 basis points to 11.5 per cent. Pitt Street Mall continues to attract the highest gross face rents within the Sydney CBD with an average rate of $14,500/sqm. Meanwhile Pitt Street Mall incentives fell 150 basis points over the quarter to an average of six per cent. We have added King Street to our collection basket, with a current rental range of $6,000 - $12,750/sqm, although we expect that leasing activity in the near future will push this range higher. Incentives here are currently 8.5 per cent on average. Looking forward we expect that average Sydney CBD retail gross face rents will increase 1.9 per cent to $10,966/sqm by first quarter 2018, in line with CPI and Sydney CBD retail employment growth forecasts.

Tenant moves and development activity

Metro related compulsory acquisitions and withdrawals have had a significant impact on Sydney CBD office market, and the effects have flowed through to the retail sector. The withdrawal of 39 Castlereagh Street will see Tiffany & Co and Breitling move to new locations on King Street and Market Street respectively. Additionally the withdrawal of assets on the corner of Pitt and Park Streets has led to the displacement of retail tenants within the food and beverage sector.

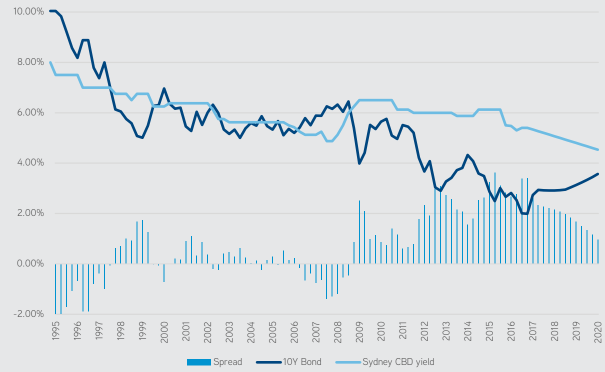
In terms of other significant tenant moves, we understand that Nike will be establishing a flagship store at 319-321 George Street while we expect there will be some substantial tenant moves within the Pitt Street Mall precinct to make way for a large international flagship store. At 273 George Street, ING's customer service centre will occupy most of the backfill space left by Max Brenner with a new lobby café taking the remainder. Oxford clothing will take space within Metcentre with the backfill refurbished for food and beverage tenancies.

Retail development activity for the remainder of 2017 equates to 5,180sqm, comprised mainly of additional assets in Barangaroo, together with 345 George Street which is expected to attract premium retail tenancies. In 2018, retail floor space supply lifts to 9,668sqm, due to the Carlton House mixed use development. 2019 will see supply levels lift sharply to 25,938sqm as developments such as Quay Quarter Sydney, Darling Square and 60 Martin Place come online. Supply will increase further in 2020 at almost 69,000sqm of floor space, although this mainly due to the redevelopment of Harbourside Shopping Centre (52,000sqm) and construction of Wynyard Place (7,500sqm).

A more sophisticated offering for consumers

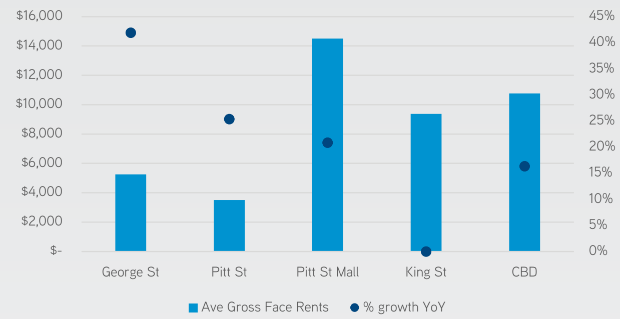
The Sydney CBD office market is in the midst of a significant development phase that commenced with Barangaroo in 2015 and will continue out to 2021 and beyond with projects from Brookfield, AMP and Lendlease. And as these projects reach completion, it's becoming very clear that the standard of retail on offer for consumers is being improved with every iteration. Developers are taking a holistic approach to precinct development, firmly aware that an appealing retail offering whether it be F&B or apparel based, will go a long way to attract the most optimal tenants. And while these office and residential tenants are the most obvious beneficiaries of such projects, the wider consumer population of Sydney also reaps rewards in the form of laneway activation, new brands and more sophisticated dining experiences.

Sydney CBD Retail Yield



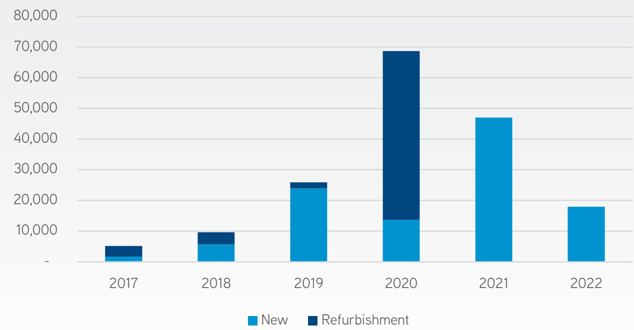
Source: Colliers Edge

Sydney CBD Gross Face Rent ($/m²)



Source: Colliers Edge

Sydney CBD Retail Supply (m²)



Source: Colliers Edge

MidCity Centre, Sydney NSW
Sold on behalf of Fortius Funds Management

Research &
Forecast Report

MELBOURNE CBD

Retail | First Half 2017

By Anika Wong
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MARKET HIGHLIGHTS

- Strong offshore purchaser interest continues to climb
- Tenant demand for central locations drive up prime face rents with limited prime grade supply volumes
- Yields for prime assets sits lowest across the combined capital cities

Gross face rents in Melbourne CBD have dropped by an average of 3.3 per cent to $7,250/sqm over the 12 months to March 2017. What's contributed to the average fall are the higher than average vacancy levels along Swanston and Little Collins Streets' strips, arcades and laneways. The opening of St Collins Lane and the beginning of construction of Melbourne Metro Rail have re-directed traffic flow, creating a seamless walkway from Flinders Street, through to St Collins Lane and Melbourne Central. Gross face rents for super prime and prime assets however have been trending at the same rate per sqm for the past year. We expect this rate to hold steady, as tenants still have appetite for CBD areas in high foot traffic zones, particularly the super prime locations of Bourke Street Mall and the Paris end of Collins Street.

Emerging trends challenge the leasing market

Changing demands of the consumer in the fashion world has seen a shift in consumer choice for casual sportswear. The rise in popularity of activewear has not only put pressure on retailers to create a segment of sports apparel but struck as a game changer in the footwear industry. Seed Femme, a trend-led women's boutique recently introduced their activewear line with many fashion forward brands following suit. As a result of this trend, designer and dress shoes retailers are pressured to sustain transaction activity or seek to relocate to cheaper premises. Footwear retailer RCG Corp - the umbrella group of Hype DC, The Accent Group and The Athletes Foot has also seen stagnating sales. In reflection of the asset performance of core and non-core assets, yields are now sitting on a new benchmark where compression in core and mid-tier markets of the CBD hit a record low on average on a national level.

Established offshore retailers continue to scout the Melbourne CBD for appropriate retail space with brands such as Massimo Dutti by Zara, Tory Burch, Loewe and Givenchy currently seeking opportunities for their first foray in the CBD. The rollout of fast fashion and luxury goods are expected to persist, forcing existing brands to evolve in order to stay competitive and landlords to reposition their retail presence. Smaller format stores are choosing to invest more in their store design and concept to meet the landscape change and better prepare for new foreign entrants to combat higher rents against sales turnover. In line with this growth, we expect to see rental increases, decreasing incentives and vacancy rates for super prime spaces to remain low.

Other International retailers, such as JD Sports, recently made its home at Melbourne Central, stocking brands like Nike, Adidas, Reebok, Ellesse and North Face. This creates competition with the middle-market sport merchants like Rebel Sport and Footlocker, who hold stores in the CBD core. Footlocker has also changed tenancies to a more sought after location, recently moving their flagship store from Swanston Street to an annual rent of $1.7 million on Bourke Street Mall. Another trend to watch in the sports apparel and footwear sector is the relocation of retailers separating their apparel and footwear lines. Adidas for example targets their training apparel and footwear at their Bourke Street store whilst their Melbourne Central store is isolated for sports fashion.

Landlords are smiling with opportunity to re-align tenant mix

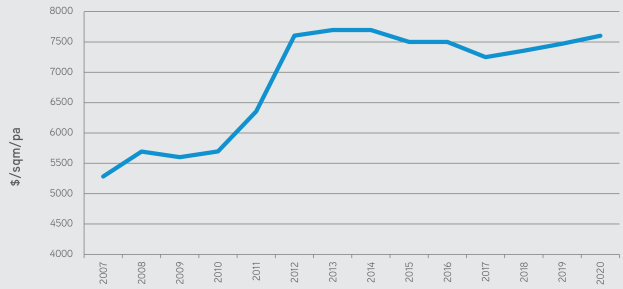
Retailers between Swanston and Elizabeth Street are currently experiencing above average vacancy. Leading Australian fashion brands David Lawrence and Marcs on 289 Collins Street fell into administration in February this year as a result of deteriorating sales, weak cash-flow and tough competition. However landlords with capacity to take on the wait-and-see approach may look to reset their tenant calibre off the back of Sandro Paris, Reiss, Maje and Scanlan Theodore currently tenanted in St Collins Lane. Vacancy rates in the remaining CBD Core have reduced from 5.20 per cent to 3.85 per cent the lowest it has been in five years and is expected to remain relatively subdued as Melbourne's diversifying population mix, growth in Asian tourism and the low Australian dollar prompt off-shore fashion retailers to secure a spot in Melbourne's CBD.

Incentives for super prime and prime retail assets remains the lowest on a national level, decreasing from six per cent in December 2016, to now average 5.5 per cent. Landlords have been reducing incentives in areas of strong demand from the Food and Beverage and Luxury end retailer sectors. In areas of higher vacancy, however, incentives can be negotiated at circa 10 per cent.

According to the City of Melbourne, total annual expenditure in the CBD has risen 16 per cent since 2013 to $3.03 billion with Food and Beverage making up approximately 80 per cent of retail transactions. The fierce competition among existing players and new entrants including supermarket and department store sectors resulted in a surge in sales as value-hungry consumers are fed the benefits of discounted price points and frequent specials. Consumers are spoilt with choice to shop and eat within short distance with the food-delivery service boom, 17 new designated food truck sites and new stores creating convenience for students and workers to shop before and after work or during their lunch break. This drive in demand is primarily fuelled by growth in CBD-based workers and residential population.

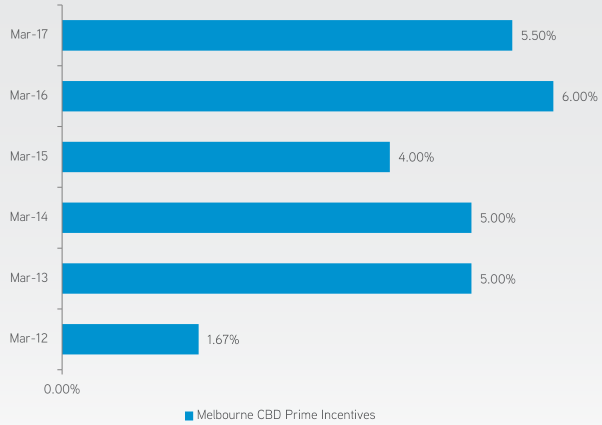
At a time where Melbourne's CBD retail investment market is running high, we expect leasing activity to remain elevated and attractive on a global scale for buyers seeking a low-volatile market and stability in returns.

Melbourne CBD Gross Face Rents



Source: Colliers Edge

Melbourne CBD Gross Incentives



Source: Colliers Edge

St. Collins Lane, Melbourne CBD VIC
Retail management on behalf of JP Morgan

Research &
Forecast Report

BRISBANE CBD & GOLD COAST

Retail | First Half 2017

By Helen Swanson
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MARKET HIGHLIGHTS

Prime grade high street retail gross face rents head northward making the CBD sit as the third most expensive region across Australia.

Improved business conditions, strong population growth and record tourism numbers are assisting retail trade turnover across the South East.

Yields across all retail categories have tightened over the past 12 months to March 2017.

Brisbane

Leasing market

Gross face rents in Brisbane's CBD sit as the third most expensive in the country at an average of $4,650/sqm, below that of Sydney at $10,760/sqm and Melbourne at $7,250/sqm. On a year on year (YoY) basis for March 2017 rents in Brisbane's CBD recorded the second highest growth rate of all capital cities at 5.68 per cent. Brisbane CBD has recorded positive and progressively stronger rental growth for retail tenancies from September Quarter 2016. This trend was not confined to Brisbane CBD retail, as rents for specialty tenancies within regional and neighbourhood centres also recorded strong growth over the period. Whilst gross face rents have risen, incentives remain a key feature of the retail market especially for non-luxury based tenancies which currently sit at circa 15 per cent. Looking forward we anticipate gross face rental growth for CBD tenancies to remain in positive territory this year at between two to three per cent.

Driving rents in Brisbane's CBD is strong population growth along with increased tourism numbers which is assisting retail trade within the city's centre. Recent refurbishments and additions to the retail tenancy mix is also providing a renewed ambience and improved streetscape to Brisbane's CBD. In particular a mix of tenancies which attract people in the daytime and in the evening are resulting in an uplift in patronage in certain precincts of Brisbane's CBD particularly in the rejuvenated street of Edward. The Brisbane City Council has been diligent in its efforts to stretch the Edward Street precinct with completion of an $11.8 million beautification project that included the addition of sub-tropical, mature trees and improved lighting as well as improved boulevard pavements.

Some recent additions to the CBD tenancy mix in the Macarthur Central Shopping Centre located on the Corner of Queen and Edward Streets include:

- Hardy Brothers
- Hugo Boss
- NAB

Additionally, Burger Project have also recently committed to 500sqm at 144 Edward Street for a period of ten years.

Investment market

The outlook for the retail market in Brisbane is positive with improving business conditions, strong population growth and increased tourist numbers. Yields across all asset classes have tightened over the 12 months to March 2017. Within the CBD yields for strip retail currently range between 5.5 and seven per cent and have tightened on average 50 basis points over the last 24 months. Strengthening rents driven by improved retail trade figures and limited supply of quality investment stock has seen yields head south over this period.

The largest retail transaction to take place recently in the inner city region of Brisbane is the sale of Post Office Square in late 2016. The retail arcade which is located underground between Queen and Adelaide Streets sold for $95 million to La Salle Investment Management and included a net lettable area of 1,756sqm along with 29 specialty tenants, six ATM's and a 316 bay car park. The recent sale reflects the continued demand for quality retail centres by major institutions and global fund managers.

Gold Coast

Significant number of major infrastructure projects along with strong population growth, record tourist numbers and limited supply pipeline is seeing strong results both from an investment and leasing perspective for retail property on the Gold Coast.

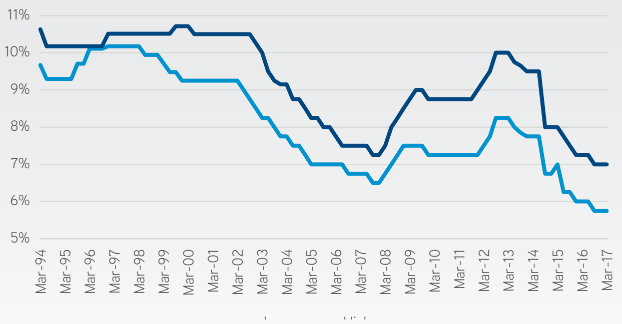
A record number of shopping centre sales on the Gold Coast took place in 2016 and current indicators suggest this trend should continue on in 2017. Strong demand for assets offering stabilised income flows located particularly in high pedestrian flow areas have been fiercely contested by private, individuals, SMSFs and syndicates. Limited availability of this stock however has seen fierce competition by investors to purchase these assets resulting in yields tightening 50 basis points over the last 12 months to March 2017. As a result of limited stock of prime grade, long WALE retail style assets available to purchase, investors have looked to move up the risk curve and purchase assets with either a development upside and or those requiring a leasing reposition strategy. This has consequently seen the gap between prime and secondary grade retail assets diminish over recent months.

A boom in the construction sector on the Gold Coast is also seeing strong demand for large format centres with rents seeing some upward movement since last year and yields tightening 25 basis points for the 12 months to March 2017. Further news in this sector sees three former Masters stores to become enticing retail malls by mid to late 2017. Home Consortium, representing major retail industry interests will operate the malls, at Bundall, Nerang and Upper Coomera, and each is proposed to have a cafe and employ up to 150 staff. Tenants will include retailers along the likes of JB Hi-Fi, Spotlight, The Good Guys, Super A Mart, Nick Scali, Supercheap Auto, and Fantastic Furniture.

Brisbane CBD Yields

Source: Colliers Edge

Brisbane Neighbourhood Retail Yields



Source: Colliers Edge

1 William Street, Brisbane
Retail leasing on behalf of ISPT and Cbus

Research &
Forecast Report

ADELAIDE

Retail | First Half 2017

By Kate Gray
Associate Director | Research
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MARKET HIGHLIGHTS

- Sustained Growth in retail sales in South Australia
- Vacancy on Rundle Mall falls
- Sales activity driven by private investors

Retail sales continue to grow above national average

Retail sales in South Australia have seen a sustained trend of above national average growth over the last 12 months with an annual growth rate of 3.3 per cent. This has been driven by strong growth in Café and Restaurants, Food and Other retail categories. Household goods sales growth was slightly below the state average growth. Department store sales have fell by 7.9 per cent and 4.1 per cent respectively. This above average growth in retail sales has supported increased enquiry and falling vacancy for many prime retail strips and centres.

Vacancy falls in Rundle Mall

Vacancy in Rundle Mall has fallen to 2.8 per cent down from 4.2 per cent in September 2016. This is the lowest level of vacancy we have seen since mid-2013. There are several new tenants which have moved into Rundle Mall over the last half which included Levi (74 Rundle Mall), Lululemon (98 Rundle Mall) and Gong Cha (6 Rundle Mall). Several tenants have moved to a different position on Rundle Mall over the last half which included Mazzucchellis, Temt, Hairhouse Warehouse, Pandora, Adidas and Jo Mercer. Demand for retail space on Rundle Mall has lifted over the second half which has resulted in vacancy falling. Clothing and footwear remains the key tenant type in Rundle Mall which accounts for nearly 40 per cent of the tenants in the precinct.

Rents however have remained steady at this stage and fall within a wide band of $1,800/sqm to $3,800/sqm. Incentives have remained stable at 20 per cent of a lease, but it is expected as vacancy tightens on Rundle Mall that incentives will start to fall which will result in net effective rental growth.

Citi centre under contract

Citi Centre, 141-159 Rundle Mall is on the corner of Rundle Mall and Pulteney Street is understood to be under contract at time of writing. This is a mixed use building which has ground floor retail (2,611 sqm) and office accommodation above (13,750 sqm). This has frontage to both Rundle Mall and Pulteney Street and there are future opportunities to reposition the retail component of this asset, which is currently configured as retail space facing Rundle mall and Pulteney Street with a Food Court. This is a leasehold site which was owned by a Singaporean investor and is expected to be purchased by a local investor. Sale price has not been disclosed at time of writing.

Through 2016, $21.8 million of assets exchanged hands in Rundle Mall, with all of these in the second half. This was over three assets which include 3 Rundle Mall, 138-140 Rundle Mall and 133 Rundle Mall. All of these assets were purchased by private investors. This is well below the activity in 2015 which saw record volumes, with the two largest assets in the mall exchanging – the Myer Centre and Rundle Place. Assets in Rundle Mall are reasonably tightly held and usually when offered to the market attract strong interest.

New development underway in Rundle Mall

Construction has commenced in February at 11-13 Rundle Mall which is the former Katie's site. This development is a two level building which is understood to be leased to Bank SA on completion. This construction is expected to complete in the second half of 2017. There have been several refurbishments undertaken the last half with the Levi, Lululemon, Mazzucchellis, Temt, Hairhouse Warehouse, Pandora, Adidas and Jo Mercer all having new fit outs as they move into new accommodation.

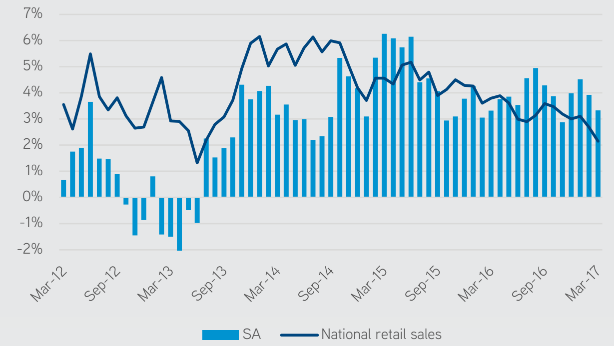
Aldi continues to grow

Aldi has continued to grow in South Australia with the latest store to open in Hawthorn in early April. This is after the opening of St Agnes, Mount Barker, Noarlunga, Kilburn and Modbury in March. With the Hawthorn store opening there are now 14 Aldi stores in operation. There are a further five stores which have been announced which are in Aldinga, Berri, Evanston, Victor Harbor and Kensington Gardens. Aldi plans to open 10 stores in 2017. Longer term Aldi expect to have a store network of around 50 stores and will have over half of their store network open by the end of 2017.

Domayne opens their first SA store

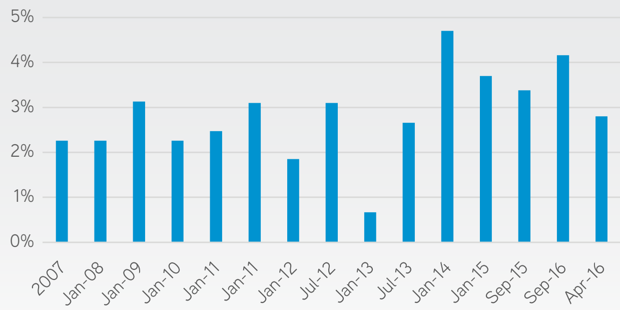
The furniture, bedding and homewares retailer Domayne has opened their first store in South Australia in March. This store is located in the large format strip at 919-929 Marion Road, Marion. This new construction also includes a new store for Plush sofas. They join other retailers in the precinct such as Freedom, The Good Guys, Snooze, Nick Scali, Barbeques Galore and the Sofa Shop.

SA Retail Sales (% change YoY)



Source: ABS

Rundle Mall Vacancy



Source: Colliers Edge

Murray Bridge Marketplace, Murray Bridge SA
Retail management on behalf of SCA Property Group

Research & Forecast Report

PERTH

Retail | First Half 2017

By Quyen Quach
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MARKET HIGHLIGHTS

- Major centres undertaking works to reposition assets
- Weak housing market continues to impact 'Household Goods' turnover
- CBD rents adjusting as demand softens

The 'Amazon Threat'

The threat from e-commerce ramped-up late in 2016 following Amazon's announcement of its impending roll-out in Australia. The first 'fulfilment' centre is due to open in the eastern states in the near term with other States to follow. Amazon is also likely to introduce a physical store model in Australia, as a necessary complement to its online business.

Australia's regional centres, located long distances from capital cities, can generate distribution difficulties for online retailers. Physical stores in these regional centres have the potential to reduce delivery difficulties and maintain service levels similar to capital city offerings.

Major retail centre owners move to reposition assets

Over the next decade Perth's retail sector landscape could look distinctly different than it does today. The race is now on to 'Amazon-Proof' existing centres' connections with the local community, in order to defend market share.

A shift in consumer attitudes toward shopping and the rise of online retailing, has instigated the demise of dozens of shopping centres in the US over the past decade, with more expected.

To avoid being a casualty, major shopping centre owners have proposed an estimated $3.95 billion in expansions and improvements over the next five years; seeking to turn these centres into entertainment, leisure and tourism hubs.

The social isolation associated with online shopping generates an opportunity to attract customers by creating vibrant destinations. By creating diverse activity centres, where shoppers can interact and have unique experiences, centre owners hope to defend themselves from the threat of becoming a retail backwater.

Past centre closures in the US were a function of declining population and economic activity within catchments, in addition to the e-commerce onslaught.

Perth's centres face less of this threat. As the population continues to expand from a relatively small base. Economic activity, although sluggish, is expected to improve. Though this should not instigate complacency amongst centre owners. The creation of 'destination' complexes by larger shopping centres, poses significant risks to less significant centres. With an increased capacity to attract pedestrians, there is a heightened risk traffic and tenants will be detracted from these mid-size centres.

Current retail market conditions

WA's economic woes continued to cause sluggish retail conditions over the March 2017 quarter. Population growth slowed to 0.97 per cent in September 2016. Consumer confidence remains supressed, as key contributors to this measure, such as unemployment, underemployment and income growth, remained soft.

In line with this, Perth's 'Household Goods' turnover during the March 2017 quarter fell 5.25 per cent year on year. Meanwhile, online retailing disruption and consumer belt tightening are likely behind the 5.12 per cent contraction in 'Department Stores' turnover.

Sectors that grew over the year were 'Café, Restaurants etc.'and 'Food'. Together, these improvements underpinned a 0.46 per cent total turnover growth.

Retail spend per capita declined 0.33 per cent to $3,232 in September 2016. However, this was still 3.04 per cent higher than the national rate of $3,137 per person.

The lacklustre retail turnover results drove retail employment down 6.5 per cent or 9,500 employees in the year to March 2017.

The demand for retail space in Perth remains subdued, impacting rental growth. CBD mall rents were averaging $3,665/sqm for space ranging between 50sqm and 100sqm at the end of March 2017. This is down from $3,845/sqm at the end of December 2016.

Neighbourhood centre rents also contracted. The rise in space available for lease over the past year has caused rents to fall to an average of $555/sqm

Notwithstanding this, most major centres maintained strong occupancy levels. Major centre owners remain optimistic about Perth's future, and are forging ahead with significant redevelopment and expansion plans.

In terms of future supply of shopping centre floor space in the Perth metropolitan area, 143,504sqm is scheduled for completion in 2017. From here, supply peaks in 2018 at 231,840sqm before falling steadily over the following years in 2019 (161,701sqm), 2020 (123,903sqm) and 2021 (19,400sqm).

Investment demand

During the December 2016 quarter, the most significant transaction was Dexus's $140 million purchase of Carillon City from Brookfield and Hawaiian. This returned an initial yield of approximately 5.47 per cent.

Robust investor interest and low interest rates continue to drive capital towards retail assets with secure cash flow. This has resulted in tightening yields for assets in prime locations.

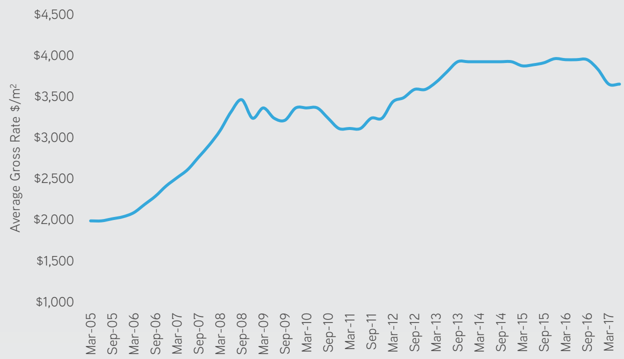
However, it is possible yield compression may be starting to bottom out, as the credit environment appears to be tightening.

The outlook

WA recently voted in a new State Government, delivering more short-term political certainty. This has generated optimism that the worst is behind WA. Business confidence received a boost from announcements of new capital expenditure and job creation initiatives.

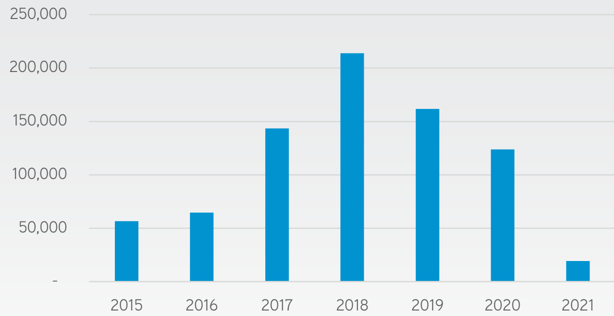
Deloitte Access Economics is forecasting further soft retail conditions for WA, but are expecting turnover growth to rebound in 2017-18 and surpass the national growth rate.

Perth CBD Mall & High Street Average Rents



Source: Colliers Edge

Western Australia Shopping Centre Supply (sqm)



Source: Colliers Edge

Civic Mall, South Perth WA
Retail leasing on behalf of South Perth Civic Triangle Pty Ltd

Research & Forecast Report

CENTRES

Retail | First Half 2017

By Daniel Lees
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MARKET HIGHLIGHTS

Offshore retailer growth strategies will maintain leasing demand within Australian shopping centres.

The arrival of Amazon will be disruptive but there will be more than one winner.

Shopping centers are striving to provide consumers with unique in-store experiences, hence the substantial development pipeline.

Shopping centres

Leasing demand

While many of the international retailers have already established a foothold in the Australian market, growth strategies are still in their infancy ensuring steady demand for floor space within Australian shopping centres. TK Maxx has recently commenced its store rollout following the acquisition of 35 Trade Secret assets from Gazal Corp in 2015. In addition to the 35 existing sites, TK Maxx will be aiming to increase its network to at least 50 over the next 12 months, seeking sites of approximately 2,000sqm predominantly on the Australian east coast. TK Maxx's product mix is broadly comprised of 50 per cent fashion, 30 per cent household items or homewares and 20 per cent hard goods such as bags and accessories. We also understand that The Foschini Group has entered the Australian marketplace and is also poised for growth over the coming 12 months.

While the above brands and the other large international retailers will increase competitive pressures already hindering sales within the discount department store sector, it should provide some level of comfort to landlords that any vacated floor space will be met by steady demand.

In addition to apparel, Colliers International has experienced an uplift in shopping centre tenant enquiry from banking and financial services together with food and beverage operators seeking placement within restaurant courts.

Supply

During the December 2016 reporting season, listed landlords disclosed the attractive development yields being achieved with Scentre Group and Mirvac delivering yields of 7 to 7.5 per cent. It is therefore unsurprising that the development pipeline from the listed sector amounts to just over $6 billion, and the broader supply of retail floor space is growing.

The overall supply of retail floor space increases from 944,027sqm in 2017 to a peak of 1,491,751sqm in 2018. From this point, supply tapers to 1,198,307sqm in 2019, 752,070sqm in 2020 and then 471,827sqm in 2021. Supply in all periods is skewed to shopping centres which is unsurprising given the high yield on development available to landlords. 2017 shopping centre supply is weighted to Victoria (192,473sqm) and New South Wales (175,813sqm). 2018 marks the peak of shopping centre supply, with a concentrated to Queensland (285,011sqm) and Western Australia (213,840sqm). In 2019, current shopping centre supply is skewed to New South Wales (213,977sqm) and Queensland (213,330sqm).

Amagone?

Amazon is coming, and as the outgoing CEO of Wesfarmers Richard Goyder famously stated, the retail giant is widely anticipated to "eat all our breakfasts, lunches and dinners". There is no doubt that Australian retailers are currently experiencing a period of poor sentiment as news of Amazon's entry to Australia, together with the demise of several high profile retailers in the United States hit the news wires. We have already witnessed the impact of new entrants on the Australian market, particularly amongst incumbent retailers who could not compete on price, range or supply chain, and had been applying strategies that were simply out of date. While Amazon's arrival implies there is more pain to come in the retail sector, this probably won't be isolated to the bricks and mortar sector. Online retail is a very difficult model to perfect, evident in the successes, or lack thereof of pure play online retailers in the Australian marketplace. Incumbent online players such as ASOS, The Iconic and Surfstitch will now find it harder to demonstrate a clear customer value proposition given they are effectively online aggregators of existing products, which is precisely what Amazon excels at on a global scale. Australian consumers like to try new things, and the majority of Amazon's offering is expected to be received well. A recent Neilson survey suggested that Australian's will likely be keen adopters of the Amazon suite of products, especially categories of electronics, books, clothing and shoes. Meanwhile under ten per cent of respondents to the Neilson survey indicated they would consider buying fresh meat and vegetables from the online retailer.

So while there has been a lot of hype around Amazon Fresh, the global retail giant will have the challenging task of overcoming Australian grocery shopping behaviour, together with capturing market share from Australia's supermarket duopoly comprised of Coles and Woolworths, who have established online grocery capabilities. Pundits are quick to point out the disruption and angst Amazon's arrival will bring, but there is room for more than one winner. Amazon Marketplace will expand Amazon's product offering and increase competitiveness for existing retailers but it will also provide smaller retailers with an end to end online sales capability that was previously out of reach. Retailers that may have once only considered eBay, will now be able to outsource online sales portals, inventory management systems and supply chain management to Amazon.

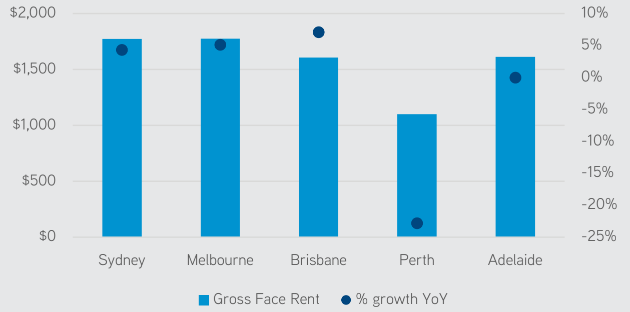
A defendable position

In the face of disruption, shopping centres are becoming far more relevant. It is the role of Australian landlords to build physical marketplaces where transactions can take place between buyers and sellers and create an environment where retailers can achieve optimal performance.

This goes some of the way to explain the significant shopping centre development pipeline as landlords invest heavily in refurbishments, experiences and place making. Essentially shopping centres must create a unique customer value proposition that can only be experienced in-store, hence the evolution of restaurant courts and outdoor dining precincts that are now becoming prominent amongst Australia's premium shopping centres.

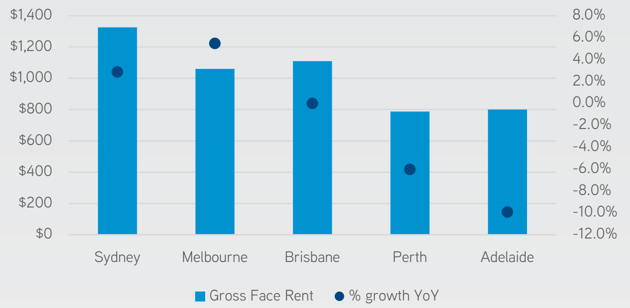
Shoppers must be engaged whether it be through the tactile experience of a Tesla display, or the experience of creating a personalised Mon Purse handbag. The attraction of a completely customised product or experience cannot be under estimated. According to Redbubble CEO Martin Hosking, 67 per cent of his organisation's sales are for items that sell 50 times or less which demonstrates the consumer's desire for individuality.

Regional Centres - 1Q17 Gross Face Rents ($/sqm/pa)



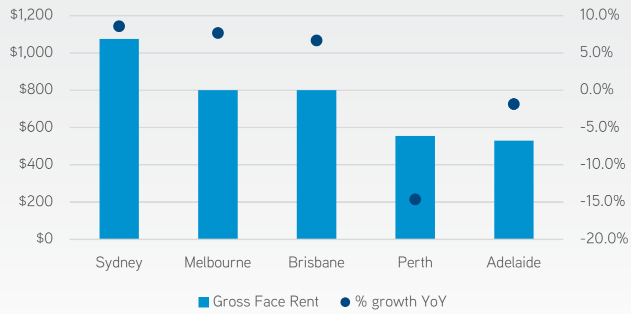
Source: Colliers Edge

Sub regional Centres - 1Q17 Gross face rents ($/sqm/pa)



Source: Colliers Edge

Neighbourhood Centres - 1Q17 Gross face rents ($/sqm/pa)



Source: Colliers Edge

So while it is very hard to say that shoppers prefer online over bricks and mortar or vice-versa, we can say that consumers enjoy unique engaging experiences across multiple sales channels, and this is exactly the kind of environment Australia's landlords are striving to create for retailers and shoppers alike.

Australian Shopping Centre Productivity

Following the influx of headlines regarding the poor performance of US shopping malls, we have conducted some analysis on shopping centre productivity and retail floor space per capita across both US and Australian shopping centres. Looking specifically at the comparable specialty categories of apparel and shoes, furnishings, jewellery and food services, it appears that Australian Regional centres are more productive across all these categories with the exception of furnishings. Additionally between FY2015 and FY2016 the average productivity level improved across all categories in Australia while deteriorating across apparel and shoes and furnishings in the US. Furthermore the analysis suggests that Australia is better placed than the US in terms of retail floor space per capita across the vast majority of retail assets.

Leasing Market

Shopping centre leasing metrics remain the most favourable on Australia's eastern seaboard, with Sydney, Melbourne and Brisbane posting year on year gross face rental increases across all asset classes. This trend has been supported by evidence from the listed market, where almost all landlords reported positive leasing spreads in the first half FY2017 reporting season earlier this year. This positive rental growth is occurring against a backdrop of moderating like for like specialty sales growth however sales are increasing in other segments such as mini-majors, particularly across more productive portfolios.

Regional Centres

Rents within our basket of Regional centres within Sydney have improved marginally over the quarter, with the average lifting 0.74 per cent over the quarter and 4.3 per cent over the year to $1,773/sqm. Specialty rents are performing well in centres that have recently undergone refurbishment, although incentive levels were retained at an average of 12.5 per cent. Melbourne Regional rents have remained static over the quarter at $1,775/sqm despite gaining 5.1 per cent over an annual period, and have average incentive levels of five per cent. In Perth, Regional centre rents have continued their path lower, falling -4.3 per cent over the quarter and -22.8 per cent over the year to $1,100 according to our collection sample. Broadly speaking, retail sector turnover conditions in Perth are still challenging, and retail turnover per capita has been trending lower since 2012. Landlords have resorted to sharper reductions in asking rents to secure tenants, and hence have not had to lift incentive offerings over the period. In Adelaide, Regional rents have remained unchanged for the fifth consecutive quarter at $1,613 while average incentive levels remain at 15 per cent.

Sub Regional Centres

Australian Sub regional centres are facing the challenge of falling sales within the Discount Department Store (DDS) space although we note that not all DDS are suffering. Specialty rents within the sector have demonstrated resilience over the year, with centres in Sydney (+2.9 per cent) and Melbourne (+5.5 per cent) registering gains over the year to $1,325/sqm and $1,060/sqm respectively. Rents within our Brisbane sample remained static over the same period at $1,110. Conditions in Adelaide (-9.9 per cent) and Perth (-6.0 per cent) did deteriorate over the year although Adelaide did not register any decline over the quarter.

Neighbourhood Centres

Generally speaking, Neighbourhood centres have continued to trade well given their weighting to non-discretionary spending and convenience based specialty retail offering. Sydney

Delacombe Town Centre, Ballarat VIC
Retail leasing on behalf of H.Troon

Neighbourhood centres remained static over the quarter but gained 8.6 per cent over the year to $1,075/sqm. Melbourne rents increased 4.3 per cent over the quarter and 7.7 per cent over the year to $800/sqm. Again, performance in Adelaide in Perth lagged, falling -1.9 per cent and -14.6 per cent over the year to $530/sqm and $555/sqm respectively, although Adelaide rents in this sector remained static over the quarter.

Investment markets

Australian shopping centres continue to resonate well with both domestic and international investors as they look to capture reliable yield and optimise underperforming assets. Combined with Australia's safe haven status, yield compression amongst shopping centres has been rapid, and most pronounced in sectors experiencing higher transaction volumes such as Neighbourhood centres. We have recorded $491 million of shopping centre sales in the first quarter of 2017, which is down on the $1.2 billion registered in the fourth quarter of 2016, but higher than the $326.6 million recorded in the first quarter of 2016.

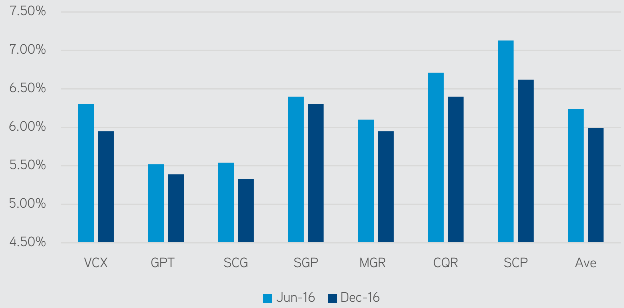
Since the 50 per cent sale of Westfield Woden late last year for $335 million on a yield of 5.5 per cent, there have been no Regional centre sales, although yields across the sector did compress on the back of revaluations. We note in the six months to December 2016, retailer AREIT cap rates compressed an average of 25 basis points over the half from 6.24 per cent to 5.99 per cent.

There was only one Sub regional transaction over the first quarter of 2017, being Redbank Plains in Queensland for $160 million on an initial yield of six per cent which fell into our current Brisbane yield range of 5.75 to 6.75 per cent. Given the lack of transactional evidence in the sector, our yields have remained broadly static.

Most of the transactional activity was contained within the Neighbourhood sector, specifically across Queensland and New South Wales, however these transactions have only led to small adjustments in our yield ranges (Sydney now 5-7 per cent, Brisbane unchanged at 5.75-7 per cent).

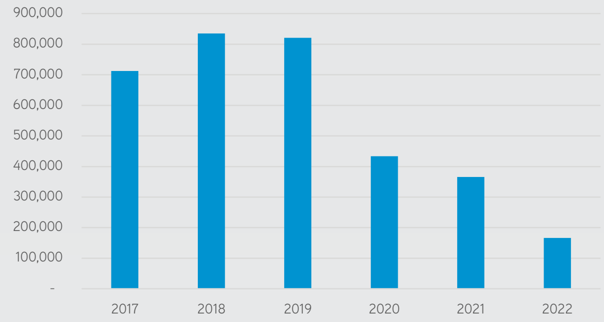
Looking forward, it is becoming harder to forecast further yield compression within the Sub regional and Neighbourhood sectors nationally, due to the compression that has already occurred, and spreads that are now close to long term historical averages. The recent increase in risk free rates together with the volatile outlook for bond markets makes this element of forecasting quite challenging, and our forecast for limited future compression in these subsectors is conservative. Investor demand for non-discretionary focused centres in growth corridors is high, especially those with potential for GLA expansion or development upside. In this respect it's quite possible that yields in these subsectors compress below where historical spreads deem 'fair value' to be.

AREIT Cap Rates



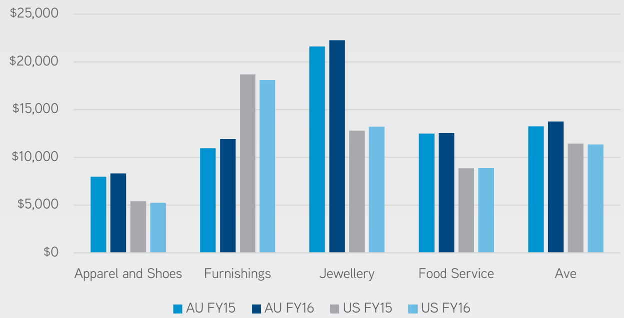
Source: Colliers Edge

Australian Shopping Centre Supply ('000 sqm)



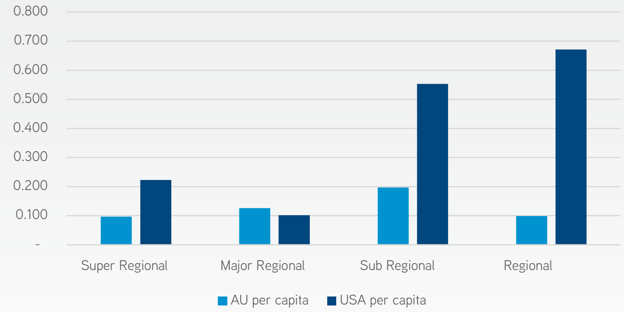
Source: Colliers Edge, Cordell

Shopping Centre Productivity - sales/m²



Source: Colliers Edge, URBIS, ICSC

Retail Floorspace per Capita



Source: Colliers Edge, ICSC

Research &
Forecast Report

LARGE FORMAT RETAIL

Retail | First Half 2017

By Kate Gray
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MARKET HIGHLIGHTS

- Decathlon to open new store in NSW
- Masters sale likely to proceed to Home Consortium
- Household goods sales growth rate slowing

Decathlon to enter Australian market

The major international sports retailer Decathlon has entered the Australian market with an online presence launched recently. We have seen the first application for their first Australian store which is in NSW. They plan to extend their stores with a focus on Sydney and Melbourne. Over the next decade it is expected that the store network will grow to around 40 stores. Decathlon have over 1,000 stores internationally with their head office based in France. Their offer is mainly private label based and are expected to take on Rebel Sport and Amart Sports, both owned by Super Retail Group. According to Roy Morgan Rebel sport has 19 per cent market share with Amart accounting for four per cent. The remainder share is across smaller sporting retailers. Although direct competitors are sporting retailers it is likely that the Decathlon entry could also extend competition to discount variety stores such as Kmart, Big W and Target. Floor footprints for these stores tend to be larger than the competitors, with the average being about double the size of Rebel and Amart.

Ikea Group purchases Franchises in SA and WA

The Swedish furniture retailer IKEA Group has purchased the franchises for Western Australia and South Australia from the current franchisee Cebas for a reported $170 million. This brings control of all of the 10 IKEA sites in Australia under the IKEA Group. In addition to the franchise purchase, IKEA has also purchased IKEA Perth Innaloo property from the unlisted Lex Property Fund (controlled by Cebas) for $132 million in February. The Lex Property Fund still own the IKEA at Adelaide Airport which has an expiry in 2023 with plans regarding IKEAs acquisition of this site unclear.

Home consortium to purchase Masters Sites

After a protracted sale process, Woolworths are reported to be able to proceed with the sale of the Masters property assets to Home Consortium. This sale process has been delayed due to a dispute between Woolworths and their partners Lowes in the Masters venture which has now reached a point where the assets are able to be sold. With a reported sale price of $835 million this will be the largest sale in the Large Format Retail sector and includes 61 vacant stores and 21 development sites which equates to circa 700,000sqm of retail space nation-wide. The purchaser Home Consortium Group includes retailers such as Spotlight, Anaconda and Chemist Warehouse and more recently PrimeWest.

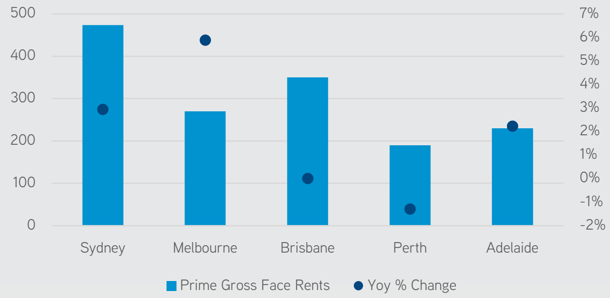
Several of these sites have been leased to Bunnings with seven stores currently owned by BWP trust closing with the store moving to a Masters store. Assuming that the remaining sites are suitable for conversion to Large Format Retail space, the remainder of the sites are likely to be repositioned. We have seen two applications in Queensland for conversion of the current Masters stores, with more expected this year. The repositioning of this space is likely to impact on demand for new construction in the short term. The hardware category has driven new supply in the large format sector over the past few years, and with the closure of Masters it will take some time to absorb this space into the market. Estimates are that this supply (excluding the Bunnings leased sites) of the conversion of this stock to large format retail will grow the current market by 18 per cent. It is expected that this level of new additions will take some time for this space to be fully absorbed and therefore new supply is expected to be below average in the short term.

Signs of slowing growth in household goods

Growth in the large format sector is closely linked with higher transaction volumes and house price growth. The Australian housing market has seen significant growth over the past few years which has been mainly concentrated in the Sydney and to a lesser extent the Melbourne markets. Growth in these indicators usually supports growth in the household goods sector. Meanwhile we have witnessed below average growth in ABS household goods sales, with annual growth of 0.6 per cent in March 2017. Coming in below the national level after enjoying a buoyant period through 2014-16. This however has not hampered rental growth in the Large Format Retail sector with Sydney seeing annual growth of 2.9 per cent which was down slightly from the annual growth of 5.15 per cent in the prior quarter. Melbourne's annual rental growth rates are actually increasing, up 5.9 per cent annually. The Adelaide market continues to grow at a more modest 2.2 per cent however this has declined steadily from a high of 11.9 per cent year on year in the second quarter of 2016. Brisbane rents have remained static at $350/sqm although average incentive levels have fallen considerably from 25 per cent to 15 per cent within our sample basket.

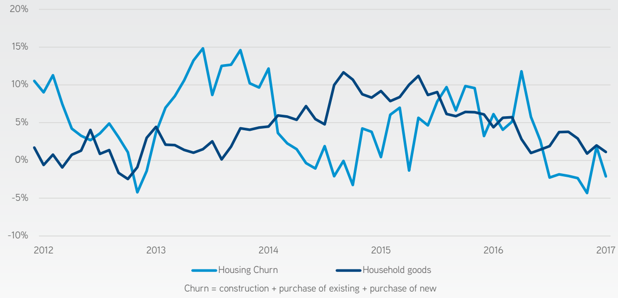
Total housing finance figures released by the ABS remain in growth territory, although this growth is tempering, dragged lower by both owner occupiers and investors. These leading indicators suggest that headwinds are mounting for the Large Format Retail sector, which will test rental growth over the coming 12 months.

Large Format - Gross Face Rents



Source: Colliers Edge

Housing Churn vs Household goods (% growth Yoy)



Source: ABS

Woodpark Lifestyle Connection, Woodpark NSW
Large Format Retail Leasing on behalf of Snowside Pty Ltd

OUR EXPERIENCE RETAIL

LEASED

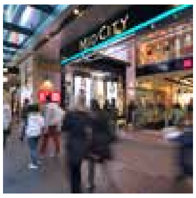
Delacombe Town Centre
Delacombe, Ballarat, VIC
19,004m²
On behalf of H.Troon

Park Ridge Town Centre
Park Ridge, QLD
13,095m²
On behalf of RG Property Three Pty Ltd

North Kellyville Square
North Kellyville, NSW
6,551m²
On behalf of RG Property Four Pty Ltd

SOLD

Westfield Woden
Philip, ACT
$335 million (50% interest)
On behalf of GPT Wholesale Shopping Centre Fund No.1 (GWSCF)



MidCity Centre
Sydney, NSW
$320 million (75% interest)
On Behalf of Fortius Funds Management

Casey Central
Narre Warren South, VIC
$220.75 million
On Behalf of M&G Real Estate Asia Pte Ltd

MANAGED

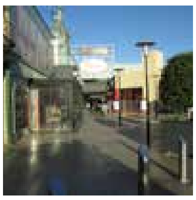
Hunter Supa Centre
Rutherford, NSW
21,179m²
On behalf of Primewest

Murray Bridge Marketplace
Murray Bridge, SA
18,679m²
On Behalf of SCA Property Group

Market Square
Deception Bay, QLD
13,634m²
On behalf of Mintus

VALUED

Westfield Parramatta Regional Centre
Parramtta, NSW
137,566m²
On behalf of Scentre Group Limited



Westfield Marion Regional Centre
Oaklands Park, SA
137,164m²
On behalf of Scentre Group Limited

Warringah Mall Shopping Centre
Brookvale, NSW
132,421m²
On behalf AMP Capital

Note: figures calculated over a 12 month period from 1 May 2016 to 1 May 2017
* Sales of assets $15 million and above only
** Excludes New Zealand

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AUSTRALIA & NEW ZEALAND

IN THE LAST 12 MONTHS

625 tenancies covering 178,483 square metres

Pohutukawa Coast Shopping Centre, Beachlands, NZ
6,5000m^2
On behalf of Beachlands Junction Limited

Newman Town Centre Newman, WA
4,000m^2
On behalf of St Bartholomews Pilbara Pty Ltd

63 Pirie Street Adelaide, SA
175m^2
On behalf of Raptis Properties Pty Ltd

17 assets totalling over $2.06 billion value*

Large Format Retail Portfolio Australian Eastern Seaboard
$219 million
On behalf of 151 Property

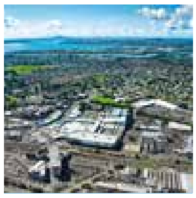
Runaway Bay Shopping Village, Runaway Bay, QLD
$160 million (50% interest)
On behalf of Vicinity Centres (VRP)

Westfield Chartwell and Queensgate Portfolio Hamilton and Lower Hutt, NZ
$445 million
On behalf of Scentre Group

322 assets totalling over 1.21 million square meters

St Collins Lane Melbourne, VIC
10,004m^2
On behalf of JP Morgan

North Kellyville Square North Kellyville, NSW
6,551m^2
On behalf of RG Property Group



West City Henderson, NZ
36,108m^2
On behalf of Westcity NZ Nominees Pty Limited and Westcity NZ Pty Limited as partners in the Westcity NZ Partnership

2.9 million square meters totalling over $28.72 billion worth in value**

Westfield Southland Regional Centre Cheltenam, VIC
129,191m^2
On behalf of Scentre Group Limited

Macarthur Square Regional Centre Sydney, NSW
107,534m^2
On behalf of GPT Funds Management

Cairns Central Regional Centre Cairns, QLD
53,429m^2
On behalf of Lendlease Funds Management

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66 countries on
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$2.5
billion in
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610
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under management

16,000
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and staff

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