

PRIVATE INVESTORS CHECK OUT RETAIL BUYS

The retail sector is forecast to lead property transactions in 2009 with private investors dominating purchasing activity, according to new Savills research.

The latest Savills National Retail Property Market Overview highlights the underlying strengths of retail property in the current market and the re-emergence of private investor interest in the sector.

"In times of economic uncertainty, retail property is widely regarded as a defensive investment due to the large percentage of non-discretionary spending supporting income streams," the report says.

"Private investors have been sidelined from purchasing retail property for a number of years due to the strong interest of institutional investors. The global financial crisis has now sidelined many institutional investors and has created a window of opportunity for private investors, with pent-up demand, to re-enter the market.

"Enclosed centres and shops are increasingly taking the interest of private investors. Local market conditions have also caught the attention of international investors, as good quality, tightly-held assets are becoming available."

Savills research recorded approximately \$2 billion worth of retail property transactions in 2008, with 100 properties sold.

There was \$945 million worth of retail property transactions in 2008 in the \$10m-\$50m price range, accounting for 47.1% of total retail activity and highlighting the significant fall in high-end sales and institutional investor activity.

The private investor purchaser category was the most active in the investment market, purchasing 46.1% of stock sold in 2008. This category also accounted for the highest number of transactions (52).

While Savills expects a further softening of market yields across all asset classes, retail property with potential increases in pedestrian traffic, redevelopment and/or expansion potential, or located within close proximity to known retail hotspots, should command tighter yields.

"Retail fared better than other commercial property sectors in 2008 and is again expected to lead the way this year on the back of increased attention from private investors," said Michael Andrews, Savills NSW Managing Director.

"While those purchasers who have to answer to investors domestically and overseas are waiting for a clearer picture as to whether the market has reached the bottom of the cycle, private investors are actively re-entering the retail investment market, where they have been somewhat pushed to the sidelines in previous years."

Highlighting the interest of private investors in the retail property market, Savills finalised the sale of the Mt Sheridan Shopping Centre south of Cairns, in north Queensland, for \$26.25 million in January.

The sale, negotiated by Mr Andrews and Peter Tyson, Savills Retail Investment Sales QLD, comprised a Coles-anchored neighbourhood retail centre with GLA of 7,650 sq m and adjoining land for future development.

The property was sold to a private investor on behalf of the Mirvac Real Estate Investment Trust at an initial yield of 7.64% at rate per sq m of GLA of \$3,755.

Savills also negotiated the sale of the Seaford Shopping Centre in Adelaide last year to a private investor for approximately \$72 million.

The sale of this regional shopping centre, anchored by Woolworths and Big W, was negotiated by Rino Carpinelli, Savills South Australia Managing Director, at a yield of 7.27%.

"This is a well performing, well leased shopping centre in a rapidly expanding growth corridor, south of Adelaide," Mr Carpinelli said.

Please note:

"These assets are very attractive to private investors, who haven't been able to get a look in to such quality retail properties for a number of years, but opportunities are now emerging for them in the current market."

The Savills research shows new retail development has slowed as a result of the current economic environment.

Savills forecasts 2,396,056 sq m to be added to the nation's existing retail property stock of 19,839,318 by the fourth quarter of 2013.

Retail spending has been affected by the general climate of consumer caution, which in turn has decreased demand for retail property.

Prudential management, tenant liaison and a longer-term view should be the main focus of retail property owners during the current downturn, according to Savills.

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Please note:

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