

## QUICK STATS

	Change From	
	1/2 Yr.	Yr.
New Supply	↑	↑
Vacancy	↔	↓
Land Values	↑	↑
Rents	↑	↑
Yields	↔	↔

\* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (eg., absorption could be negative, but still represent a positive trend over a specified period.)

## HOT TOPICS

- Vacancy across key office precincts remain low with Maroochydore recording a rate of below 1%
- Both local and national retailers continue to snap up stores as they become available
- Growing institutional interest and private investor interest

## MARKET OVERVIEW

The Sunshine Coast remains one of the fastest growing regions in Australia. It has an estimated population of over 295,000 and is forecast to reach 473,700 by 2026.

Strong demand by owner occupiers and a steady take-up of new supply continued to underpin growth on the Sunshine Coast in the second half of 2007.

Strength in private sector demand, a skilled resident workforce and increasing consumer confidence are also driving regional growth.

Construction, development and improved infrastructure have encouraged businesses to expand, generating employment in the region and creating new markets. The provision of infrastructure, however, remains the key to meeting the demands of the rapidly growing region.

Demand for office space in Maroochydore and the emerging Kawana Business Village has increased, driven by business registrations reaching more than 5,100 for 2006/07 and employment numbers increasing by 5% to 6% per annum over the last five years. Almost 10,000 sq m of new space was completed in 2007. Vacancy across most of the key office precincts remains moderate to low. Strong demand for prime office space led to around 10% growth in rentals over 2007. Prime rents reached \$300/sq m to \$320/sq m net in Kawana and \$320/sq m to \$360/sq m in Maroochydore as at December 2007. Secondary stock ranged from \$270/sq m to \$300/sq m. Major (\$1 mill. and over) sales identified for the 12-months to December 2007 tallied over \$43 mill. Prime yields have tightened to range from 6.75% to 7.50%, with secondary yields in the 7.50% to 8.00% range.

The growing population has created demand for large format retail outlets, complemented by boutique stores in the strip locations. Street front retail is enjoying low vacancy, as local and

national retailers snap up stores that become available. Sub-regional net face rents ranged from \$730/sq m to \$1030/sq m at December 2007 while neighbourhood centres ranged between \$500/sq m and \$700/sq m. Bulky goods rents ranged from \$200/sq m to \$250/sq m. Strip rents have shown moderate growth, with \$1,500/sq m to \$2,500/sq m being achieved for prime retail strips and \$500/sq m to \$1000/sq m in secondary retail strips. Cafe/restaurants and fashion boutiques continue to drive tenant demand in strip retail. Major sales of \$1 mill. and over totalled almost \$59 mill. in the year to December 2007.

*“Investments in major projects point to a bright future for the region.”*

Good infrastructure and growth opportunities are encouraging industrial players into the market. There has been an increased interest from new owners, developers and investors looking for land and building opportunities. New supply tallied almost 69,200 sq m during 2007. Healthy numbers of tenants are still active in the marketplace, with building and services related industries the main drivers of demand. At December 2007, small (2,000 sq m to 4,500 sq m) lots generally ranged from \$250/sq m to \$500/sq m, depending on location. Rents have increased, with stand alone warehouses achieving up to \$160/sq m in Noosaville, \$130/sq m in Kawana, \$120/sq m in Kunda Park and \$110/sq m in Coolum. Labour shortages and rising construction costs have continued to push industrial building prices higher with capital values now ranging between \$1,450/sq m and \$2,200/sq m. A shortage of available stock has given rise to an increasing number of pre-commitments and has driven new developments. Major (\$1 mill. and over) sales identified for the year to December 2007 totalled over \$35 mill.. Yields for prime industrial assets with strong lease covenants had dropped to as low as 6.50% at December 2007. Secondary stock ranged between 7.50% and 8.50%.

## Sunshine Coast Property Market Indicators – December Quarter 2007

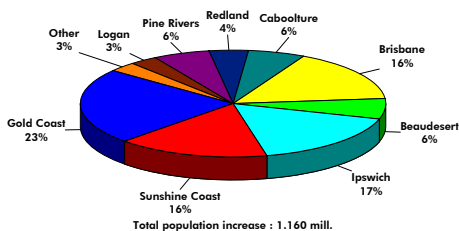
Estimated Resident Population							
Local Authority	2001	2005	2006(p)	2011	2016	2021	2026
Noosa Shire	43,758	48,255	48,660	51,757	54,793	57,070	58,432
Maroochy Shire	127,202	145,569	149,232	171,191	197,851	223,855	249,412
Caloundra City	76,207	89,725	92,309	109,570	130,693	149,479	165,883
<b>Sunshine Coast</b>	<b>247,167</b>	<b>283,549</b>	<b>290,201</b>	<b>332,518</b>	<b>383,337</b>	<b>430,404</b>	<b>473,727</b>

Property Market Indicators						
Indicator	Office Market		Retail Market		Industrial Market	
Rents	Prime, Kawana	\$300 - \$320/sq m	Sub-regional	\$730 - \$1,030/sq m	Noosaville	\$160/sq m
	Secondary, Kawana	\$270 - \$290/sq m	Neighbourhood	\$500 - \$700/sq m	Kawana	\$130/sq m
	Prime, Maroochydore	\$320 - \$360/sq m	Bulky goods	\$200 - \$250/sq m	Kunda Park	\$120/sq m
	Secondary, Maroochydore	\$270 - \$300/sq m	Prime strip	\$1,500 - \$3,000/sq m	Coolum	\$110/sq m
			Secondary strip	\$300 - \$900/sq m		
Yields	Prime	7.25% - 7.75%	Sub-regional	6.00% - 6.50%	Prime	6.50% - 7.50%
	Secondary	7.50% - 8.00%	Neighbourhood	6.50% - 7.00%	Secondary	7.50% - 8.50%
			Bulky goods	6.75% - 7.50%		
			Prime strip	5.00% - 6.00%		
			Secondary Strip	5.50% - 6.75%		

Source: CBRE Research; Australian Bureau of Statistics 3218.0; Queensland State Government, 2006 (medium series projections).

### South East Qld Population Growth 2006 to 2026



Source: Queensland State Government, 2006 (medium series projections)



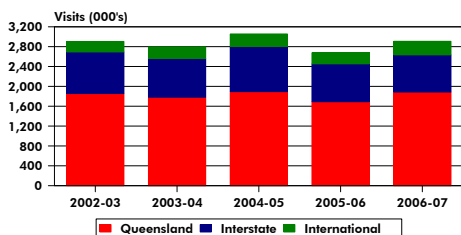
### Sunshine Coast population exceeds 290,000

The Sunshine Coast population reached 290,201 at June 2006, having increased by 3.3% per annum over the past decade. This compares with state growth of 2.0% per annum. Coastal areas supported a population of 220,199, while the hinterland population was 70,002. Maroochy Shire’s population reached 149,232; Caloundra City 92,309; and Noosa Shire 48,660. Caloundra City generated the strongest growth over the past five years (3.9% per annum), followed by Maroochy Shire (3.2% per annum) and Noosa Shire (2.1% per annum). Projections from the Queensland State Government indicate the population could reach 473,727 by 2026 (medium series), down slightly from previous forecasts but maintaining a long-term growth rate of 2.5% per annum. This represents 16% of South East Queensland’s projected growth over the period. The strongest increases are expected to be in the Maroochy and Caloundra LGAs, with areas such as Coolum, Sippy Downs and Kawana continuing to expand.

### Nearly 2.9 million visitors to the region

The Sunshine Coast remains an important tourist destination, particularly for Queensland residents. Visitor numbers increased by 8% during 2006/07 to 2.9 mill. generating nearly 11.2 mill. visitor nights. Domestic tourism dominated, with 2.1 mill. visitors from Queensland (6.5 mill. visitor nights) and 788,900 interstate visitors (5.0 mill. visitor nights). Overseas visitors totalled 291,400 (2.8 mill. visitor nights). Holiday/leisure (64% of visitors) and visiting friends and relatives (28%) were the major reasons for staying, with the business market accounting for 6% of visitors. The Sunshine Coast supports around 178 commercial accommodation establishments (of 5 rooms and over) with around 6,054 rooms. Room occupancy for 2006/07 averaged 60%.

### Sunshine Coast Visitation



Source: Bureau of Tourism Research DVS & IVS



## 2006 CENSUS DEMOGRAPHIC OVERVIEW

### Age profile older than Queensland

A total of 276,266 people were classified as being usually resident on the Sunshine Coast at the 2006 Census. A median age of 41 years was recorded compared with 36 years in Queensland. Noosa Shire recorded the highest median age (43 years) followed by Caloundra City (42 years) and Maroochy Shire (39 years). Compared with 1996, the Sunshine Coast's age profile has become older, with the median age 38 years in 1996. Queensland's population has similarly aged since 1996 (from 33 years). A more detailed age breakdown shows that the Sunshine Coast population was skewed towards older age cohorts compared with Queensland. Thirty percent of the population were aged 55 years or older compared to 24% in Queensland. Younger age cohorts were under-represented, particularly the 20 to 34 year old age group, although the share of children and teens (19 years and under) was similar to that of Queensland.

### Most new residents from Queensland

The Sunshine Coast has witnessed strong population growth in recent years. While 78.7% of residents were identified as being at the same usual address at Census night in 2006 as they were 12-months earlier, just 46.3% were at the same usual address as they were in 2001 (excluding not stated). The corresponding Queensland shares (excluding not stated) were 79% and 50%. Of those people who were at a different address in 2001 and identified where they had been living, a majority (72%) were from elsewhere in Queensland, including the local area. A further 10.5% were from New South Wales, with 8.7% from overseas. Interestingly, of people who had moved residences between 2005 and 2006, a higher share, 81.2%, were from elsewhere in Queensland, with overseas origins (6.7%) the second most common followed by New South Wales (6.2%).

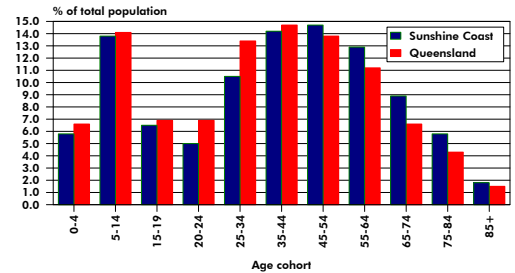
### Labour force participation rate below average

The Sunshine Coast labour force totalled 129,929 at the Census, a labour force participation rate of 60.7%. This compares with the Queensland participation rate of 66.3%. The lower rate at least partly reflects the Sunshine Coast's older age profile. Of those in the labour force, 54.5% were employed full-time, with 33.9% employed part-time. The part-time employment share was higher than Queensland's 27.7%, influenced by factors including high levels of employment in retail and industries associated with tourism. The unemployment rate at 2006 was 5.8%, above Queensland's 4.7%.

### Retail and construction the main industries of employment

The most common industries of employment on the Sunshine Coast were retail trade (14.3%) construction (13.1%) and health care/social assistance (11.3%). All three were over-represented compared to Queensland, particularly retail trade and construction. Accommodation and food services (9.5%) were also over-represented. Industries that were noticeably less common than in Queensland overall were manufacturing, public administration/safety and transport/postal/warehousing. A higher than average 13.3% of employed people worked in the accommodation and food services industry in Noosa Shire. Technicians/trade workers (16.9%) and professionals (16.1%) were the main occupations across the Sunshine Coast followed by clerical and administrative workers (13.2%), managers (12.8%) and sales workers (12.4%).

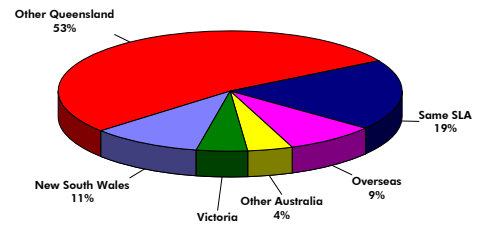
### Age Distribution Sunshine Coast & Queensland



Source: ABS Census of Population and Housing, 2006



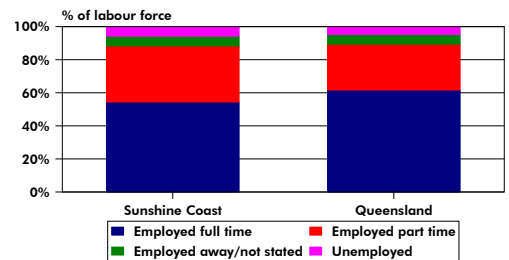
### Origin of New Residents Sunshine Coast 2001 - 2006



Source: ABS Census of Population and Housing, 2006  
Note: Excludes not stated



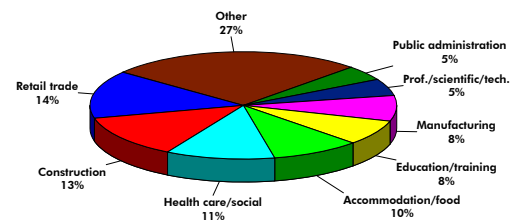
### Labour Force Status Sunshine Coast and Queensland



Source: ABS Census of Population and Housing, 2006



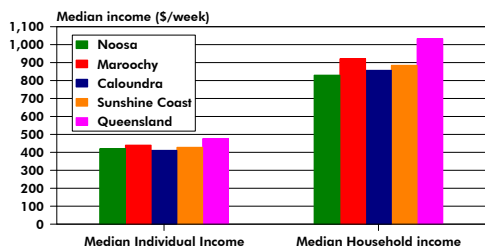
### Key Industries of Employment Sunshine Coast



Source: ABS Census of Population and Housing, 2006



### Median Income Sunshine Coast and Queensland



Source: ABS Census of Population and Housing, 2006



### 2006 CENSUS DEMOGRAPHIC OVERVIEW

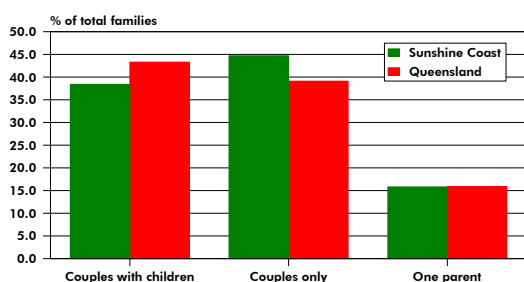
#### Median income below the State average

The Sunshine Coast recorded a median weekly individual income of \$428 at 2006, some 10% lower than the Queensland median of \$476. Household income was similarly lower than the State median (by 14%), with the median at \$885 per week compared to Queensland's \$1,033 per week. Maroochy Shire recorded the highest medians for both measures. The individual weekly income median for Noosa was above Caloundra's, with the reverse true for the household median. Sunshine Coast incomes have edged closer to the rest of the State. In 1996, for example, the individual income median was 14% lower than the Queensland median, with the household income median 19% lower.

#### Couple only families most common

Family households accounted for 65.4% of all Sunshine Coast households, with 20.4% of households comprising lone person households. This compared to the Queensland shares of 67.1% and 21% respectively. The greatest share of Sunshine Coast families were couples without children (44.7%). Couples with children comprised 38.4% of families. These shares are the opposite of those evident for Queensland. Noosa Shire recorded the highest share of couple only families (47%), with the highest share of couples with children families (40%) in Maroochy Shire. Since 1996, the share of Sunshine Coast families comprising couples only has risen (from around 42%), with a corresponding fall in the share of couples without children. The one-parent family share has also risen slightly.

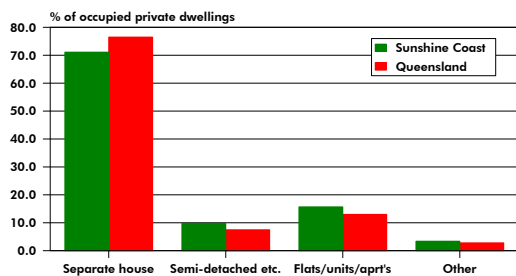
### Family Structure Sunshine Coast & Queensland



Source: ABS Census of Population and Housing, 2006



### Dwelling Structure Sunshine Coast & Queensland



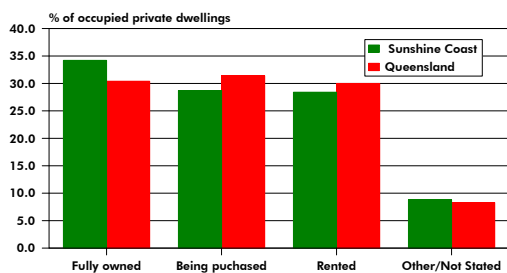
Source: ABS Census of Population and Housing, 2006



#### Units and townhouses over-represented

A total of 133,914 private dwellings were identified on the Sunshine Coast at the 2006 Census – 67,198 in Maroochy Shire, 40,848 in Caloundra City and 25,867 in Noosa Shire. While a majority of the Sunshine Coast's 116,066 occupied private dwellings were separate houses (71.1%), the share was below that evident in Queensland (76.5%). Both flats/units/apartments (15.7%) and townhouses etc. (9.8%) were over-represented compared to Queensland. Maroochy had the highest share of units/flats/apartments and townhouses (27.8%), followed by Noosa (27.3%) and Caloundra (20.6%). The number of occupied private dwellings has increased by 40% from just over 83,000 in 1996. Almost 70% of the increase has comprised separate housing. An average household size of 2.5 people was recorded on the Sunshine Coast in 2006, slightly below the Queensland average of 2.6 people.

### Dwelling Tenure Sunshine Coast & Queensland



Source: ABS Census of Population and Housing, 2006



#### A high level of outright home ownership

Outright home ownership levels on the Sunshine Coast were high, with 34.2% of occupied private dwellings fully owned compared to 30.4% in Queensland. Just 28.7% of Sunshine Coast occupied private dwellings were being purchased, compared to 31.4% in Queensland. Also lower than the State share was rented dwellings, which totalled 28.4% of occupied private dwellings compared to 30% in Queensland. Outright home ownership levels were highest in Caloundra City, at 37.2%. In 1996, some 42% of Sunshine Coast occupied private dwellings were owned outright, with just 22% being purchased. The median home loan repayment on the Sunshine Coast has risen from \$770 per month in 1996 to \$1,300 in 2006 (nominal values). Statewide, 34% of homes were owned outright in 1996, with just 20% being purchased. These differences clearly highlight the much changed housing markets of the past decade.

## OFFICE MARKET

### Over 26,900 sq m to be added during 2008

Good quality office space is in scarce supply and as a result, the Sunshine Coast office market is supporting considerable levels of development. Almost 10,000 sq m was completed during 2007 and another 26,900 sq m is in the pipeline for 2008. With an estimated 31,000 sq m of office stock, Kawana continues to strengthen as a regional hub. Recent completions have included The Pellicano Group's 2,889 sq m building at 20 Innovation Parkway and a 2,200 sq m call centre for Australian Insurance Holdings at Lot 27 Innovation Parkway. Stages B & C of Regatta Lake, two buildings of 1,200 sq m each are also complete. Construction has begun on K1 (2,962 sq m) and Capital One (1,693 sq m) with completions expected by mid 2008. Lake Kawana Corporate Centre (7,000 sq m) is expected to be added to the market by 2009. There is an estimated 70,000 sq m of office space in Maroochydore with 61-63 Primary School Court (1,106 sq m) the latest addition. An additional 25,000 sq m is expected to be added during 2008 and 2009. A 1,659 sq m building is under construction at 41-45 Primary School Court, while 21 Carnaby Street will add 2,000 sq m. Two 5,000 sq m buildings are proposed for Pikki Street, while 4,300 sq m has been approved for Sunshine Cove. The Corporate Centre in Norval Court is set to offer 3,600 sq m of space over two levels. In Noosa, plans for the next stage of Noosa Civic include 7,000 sq m of office space.

### Regional economy continues to expand

The Sunshine Coast economy has expanded strongly in recent years, with SGS Economics and Planning estimating annual growth of 7.4% per annum between 2002 and 2007 from approximately \$4.9 billion in 2002 to almost \$7 billion in 2007. The Coast's attractive lifestyle, affordability, business support services and proximity to Brisbane have helped fuel its growth. This has attracted people from across Australia and internationally, particularly in construction, engineering and planning related industries. Population and economic growth provides opportunities to attract and support a more sophisticated range of services, industries and professionals crucial for the region's long term sustainability. The University and private organisations, have been promoting a range of incentives to help businesses expand, innovate and create new markets, generating employment in the region. Total full time employment grew on average by 5% per annum between 2002 and 2007.

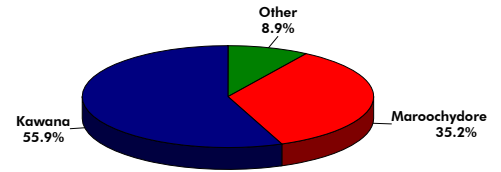
### Demand for offices supporting a rise in rents

Demand for modern office buildings in the region has supported a rise in net base rents. Prime locations in Kawana are now (December Quarter 2007) achieving between \$300/sq m and \$320/sq m net, with Maroochydore supporting from \$320/sq m to \$360/sq m. Secondary rents have risen marginally and incentives have fallen. Secondary stock now ranges between \$270/sq m and \$290/sq m in Kawana and from \$270/sq m to \$300/sq m in Maroochydore. Leasing activity during 2007 has been dominated by small to mid-size tenants up to 500 sq m in size. In Maroochydore, the Department of Main Roads has taken 1,420 sq m over the upper two levels at 21 Carnaby Street and the Department of Public Works has occupied 998 sq m at 13-15 Beach Road. At Kawana Business Village, PJT Business Professionals have occupied 493 sq m while Community Solutions have taken 450 sq m. QBE have expanded by 155 sq m, bringing their net lettable area to 410 sq m. GHD have also taken an additional 528 sq m at Regatta Lake bringing their total to 930 sq m.

### Investor demand remains strong

Investor demand remains strong, although Sunshine Coast office stock is typically tightly held. Over \$43 mill. of major sales were identified in the 12 months to December 2007. The private sector has been the most active investor group. The largest transactions were the sale of 21 Carnaby Street, Maroochydore to BlackRock Investment Management for \$10.3 mill., the 2,312 sq m Centrelink building in Nambour, sold to an undisclosed buyer for \$5.75 mill. and Sunshine Central at 3 Nicklin Way, Minyama (1,248 sq m) sold for \$5.6 mill.. In Maroochydore, almost \$20 mill. of stock has traded, with sales including 19-21 George Street (\$3.3 mill) and 31 Dalton Drive (\$2.64 mill.). The ongoing shortage of Grade A office space has generated buyer interest in the strata titled Corporate Centre, particularly from local legal and accounting firms looking to expand their existing businesses. In Kawana, recent sales have included 8 Innovation Parkway (\$1.44 mill.) and 5 Innovation Parkway (\$1.2 mill.). Prime strata titled offices are attracting owner occupiers and increasingly, investors. Over 60% of the strata offices in K1 tower were under contract or on offer at December 2007. Capital values in Kawana have increased by approximately 8% to 10% over the last year, with individual units at K1 marketed at around \$3,850/sq m. This growth in value has been encouraged by the Kawana Waters Master Plan which supports mixed use development in future stages and land release. Yields ranged from 7.25% to 7.75% for prime stock and between 7.50% and 8.00% for secondary stock.

## Office Space Additions Sunshine Coast, 2008

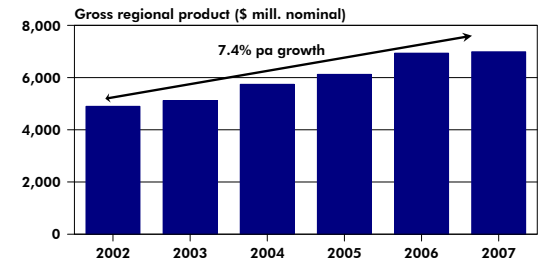


Total additions = 26,900 sq m

Source : CBRE Research  
Note: Projects of 1,000 sq m and over

**CBRE**  
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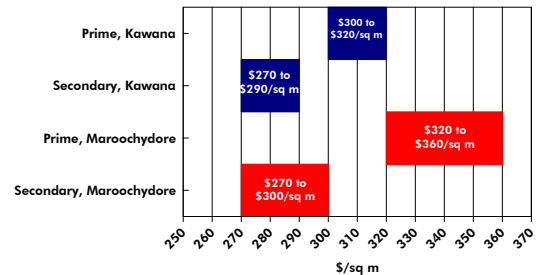
## Gross Regional Product Sunshine Coast



Source : SGS Economics and Planning

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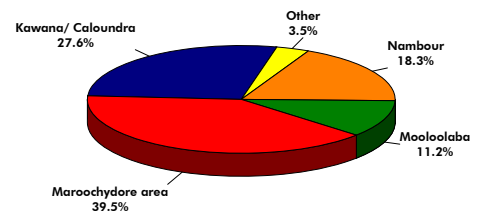
## Rental Range Sunshine Coast, December Quarter 2007



Source : CBRE Research

**CBRE**  
CB RICHARD ELLIS

## Office Sales by Locality 12-months to December 2007 (% of value)

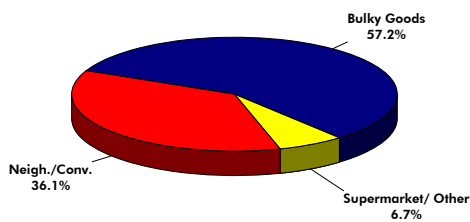


Total sales = \$43.358 mill.

Source : CBRE Research  
Note: Refers to sales of \$1 mill. and over  
\* Preliminary data for December 2007 as at January 2008

**CBRE**  
CB RICHARD ELLIS

### Retail Supply Additions Sunshine Coast, 2008



Total additions = 66,300 sq m

Source : CBRE Research  
Note: Projects of 1,000 sq m and over



### RETAIL MARKET

#### 66,300 sq m in the pipeline for 2008

The Sunshine Coast supports almost 340,000 sq m of retail space in major planned centres. Additions were modest during 2007, with less than 10,000 sq m added in major developments, including the Coast's first Aldi supermarket on Weyba Road in Noosaville. The supply pipeline will expand rapidly during 2008 and 2009, with over 124,500 sq m of potential additions already at the DA submitted stage or later. Key additions planned include a 27,900 sq m Harvey Norman anchored bulky goods centre at the Chardon Group's master-planned Sunshine Cove development. Sunshine Plaza (59,000 sq m) the region's largest centre, is set to expand by almost 30,000 sq m by 2009. Other planned additions include neighborhood centers in Caloundra (Woolworths) and Peregrin Springs (Coles) and an Aldi supermarket in Caloundra. Longer term, major developments proposed include Stockland's 25,000 sq m Kawana Town Centre, the Sippy Downs Town Centre (25,000 sq m), and the Big Top redevelopment in Maroochydore. Redevelopment of the Coolum beachfront shops will comprise 23 tenancies over 1,800 sq m.

#### Retail strip rents have enjoyed strong growth

The Sunshine Coast retail sector remains a viable market for national and local retailers. Economic strength, increased tourism and population growth have provided a strong framework. At December 2007, sub-regional specialty rents on the Sunshine Coast ranged from \$730/sq m to \$1,030/sq m, with neighbourhood specialty rents ranging between \$500/sq m and \$700/sq m. Bulky goods rents ranged from \$200/sq m to \$250/sq m. Growth has been in the order of 5% to 10% over the past year. Retail strip rents have also enjoyed strong growth. Hastings Street rents were in the \$2,000/sq m to \$3,000/sq m range gross, with Mooloolaba typically achieving \$1,500/sq m to \$2,000/sq m, edging towards \$2,300/sq m for prime sites. Rents in Coolum generally ranged from \$700/sq m to \$900/sq m in new developments, with growth of 10% to 20% expected over the next few years as new stock enters the market. Average rents in Bulcock Street, Caloundra, ranged from \$300/sq m to \$400/sq m.

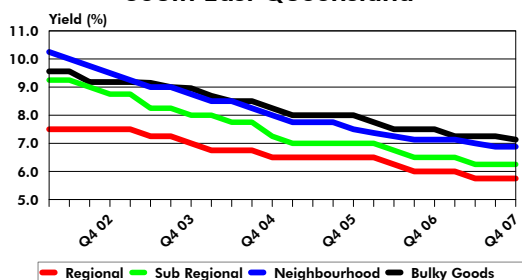
#### Vacancy low in prime retail strips

Vacancies generally remain low across the Sunshine Coast's major centres and strip retail areas. Mooloolaba Esplanade's vacancy remained at around 4% at November 2007 similar to that seen earlier this year. New tenants moving to the strip include Print Fix, Global Burgers, Deco Bar Restaurant, Vers Australia, O'Boticario, Go Girl, Youth Culture, and Elliott Kennedy Clothing. Bulcock Street, Caloundra remains stable with near nil vacancy and retailers opting to take long term leases. Coolum also recorded a nil vacancy. This market is expected to remain tight with the redevelopment of the Coolum beachfront shops. Both Hastings Street and Noosa Junction recorded a vacancy rate of around 3.5%. New tenants to the Noosa Junction strip include Splendid Silver, Stanhope, Lebanese Shack and Beowulf. Kawana is growing as a major retail hub with many tenant additions at Kawana Home Central. New tenants to Hastings Street include Mimco, 7-Eleven, and Brothers Nielson.

#### Investor interest remains strong

Recent interest rate rises appear to have had little impact on the demand for retail property with investors remaining active. Sales of \$1 mill. and over identified for the 12-months to December 2007 totalled almost \$59 mill. The most notable transactions included Juniper selling 2,887 sq m (14 shops and a three level commercial office) at Sebel Resort in Maroochydore for \$10.6 mill. to Trident Corporation. Pellicano Group has acquired 5,157 sq m Central One site on Plaza Parade for \$11 mill.. In Noosa, Shop 1, 55 Hastings Street, with a long lease to Hugo Boss was sold for \$4.65 mill., while in Nambour, a Coles anchored retail centre sold for \$3.6 mill.. Strong demand for quality retail assets has pushed sub regional yields to between 6.00% and 6.50% at December 2007. Neighbourhood yields ranged between 6.50% and 7.00%, while bulky goods yields ranged from 6.75% to 7.50%. Prime strip locations have seen yields firm to as low as 5.00%. Capital values for strip centres have grown to \$40,000/sq m in Hastings Street, Noosa, \$15,000/sq m in Coolum, \$25,000/sq m in Mooloolaba and \$8,000/sq m in Bulcock Street, Caloundra.

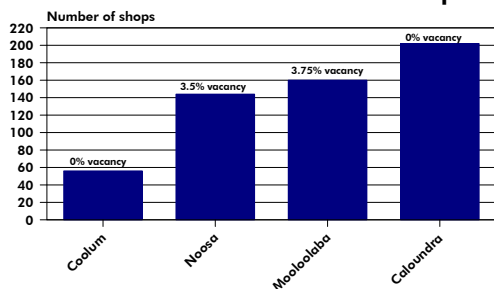
### Retail Yields South East Queensland



Source : CBRE Research



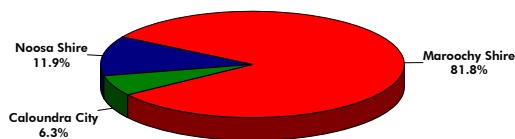
### Vacancy Rates Prime Sunshine Coast Retail Strips



Source : CBRE Research, October 2007



### Retail Sales by Locality 12-months to December 2007 (% of value)



Total sales = \$58.803 mill.

Source : CBRE Research  
Note: Refers to sales of \$1 mill. and over  
\* Preliminary data for December 2007 as at January 2008



## INDUSTRIAL MARKET

### Strong supply pipeline for 2008

Major supply additions for 2008 are expected to tally over 75,000 sq m with new estates generating strong interest. All lots in stages 1, 2, 3, 4, 7 and 8 of Centra Park, Cooloom have sold. Within stage 2, the strata titled Focus Business Park is set to provide 18 units in early 2008. Watpac have purchased the remaining 11.1 ha (stages 5 and 6), which is expected to produce 47 lots in 2008. While Development Applications are in progress for Kunda Park Central (18 ha) and Maroochy West Business Park (10 ha), Caloundra West Business Park has received approval for 4 ha of light industrial and commercial use. Unison Properties have acquired a 13 ha parcel at Roys Road, Beerwah to subdivide into 15 lots. Burnside Business Park, Nambour, comprising 17,929 sq m of land, will include strata units as part of its stage 1 development while stages 2 and 3 are set aside for design and construct projects. The Department of State Development plans to begin releasing Stage 1 (78 ha) of the Sunshine Coast Industrial Park in Caloundra in 2008, which will consist of approximately 73 lots. Another 12 ha will be released at Yandina in 2008. Stage 1 of the Cooloom development is expected to be released to the market in 2008/2009 and will have 24 ha of developable area. A key area of potential future supply is the Bridges Investigation area (367 ha) in Yandina, while the corridor along the Bruce Highway between Sippy Downs and North Lakes has the potential to develop as an industrial belt.

### Land values expected to stabilise during 2008

Industrial land supply is an issue on the Sunshine Coast and any new blocks that come to the market are generally snapped up quickly, pushing land prices up. With the region offering reasonable infrastructure and abundant growth prospects, small (2,000 sq m to 4,500 sq m) fully serviced lots are now achieving in the order of \$400/sq m to \$500/sq m in Kawana and \$400/sq m to \$450/sq m in Caloundra. Rates of between \$350/sq m and \$385/sq m are being achieved in Kunda Park. In Cooloom, rates of between \$250/sq m and \$270/sq m are typical with large lots ranging from \$220/sq m to \$240/sq m. Between 2008 and 2010, around 211 ha of land are scheduled to be released to the market, which should see land values stabilise in the short term. This will, however, present new opportunities for developers and businesses wanting to expand. Growth of the major industrial precincts is expected to continue as the local and state governments make progress in improving infrastructure.

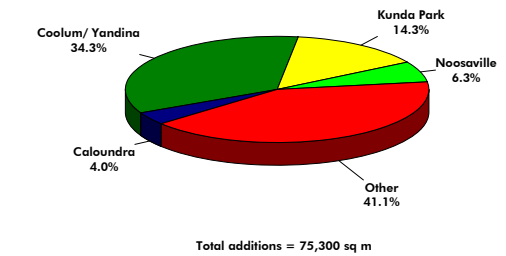
### Rents are increasing with tenant demand

Strong tenant demand has been fuelled by economic growth, while long term state government investment in infrastructure is encouraging big companies to move to the region. For the year to December 2007, stand-alone warehouse rents grew by around 5% to 10% to sit generally in the \$95/sq m to \$115/sq m range. Rents do vary between precincts, however, reaching up to \$160/sq m in Noosaville, \$130/sq m in Kawana, \$120/sq m in Kunda Park and \$110/sq m in Cooloom. With tenant demand for affordable high quality strata space continuing, rents for prime strata units have risen to range generally from \$110/sq m to \$120/sq m. Reece Plumbing has pre-committed to a 10 year lease for a 740 sq m wholesale and distribution facility in stage one of the Burnside Business Park. McEwans Architectural Windows and Doors has leased 1,838 sq m of space on a 5 + 5 year lease at 3 Production Street, Noosaville while the Crane Group, which operates Tradelink and H & L, has committed to a 10 year lease on a 3,000 sq m purpose built facility at Corporate Park, Kunda Park.

### Quality investments in demand

Major sales (\$1 mill. and over, excluding sites) tallied over \$35 mill. for the 12-months to December 2007. Significant sales included the acquisition by Reed Property Trust of the 2,850 sq m purpose built Blue Scope Steel Lysaght facility at Cooloom for \$5 mill. on a net yield of 6.5%. A 1,838 sq m industrial property at 3 Production Street, Noosaville sold for \$3.25 mill.. In Yandina, 43 Central Park Drive, leased to Strakers Trusses, sold for \$2.2 mill., while a 1,500 sq m property on Windsor Road, Nambour was acquired by EcoNova for \$2.25 mill. Yields have firmed and at December 2007 ranged from 6.50% to 7.50% for prime warehouse space. Yields for secondary assets ranged between 7.50% and 8.50%, with strata yields in the 7.00% to 8.00% range. While institutional interest is growing, activity continues to be dominated by private investors with relatively few institutional grade assets available.

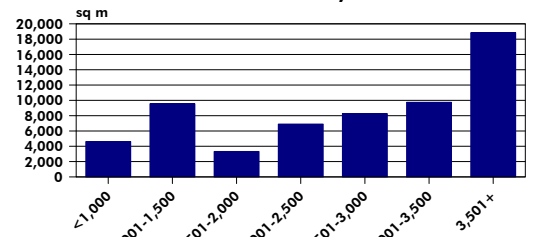
### Industrial Supply Additions Sunshine Coast, 2008



Source : CBRE Research  
Note: Projects of 500 sq m and over



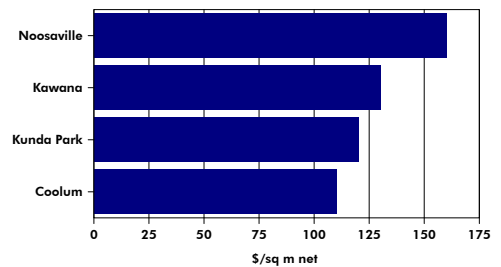
### Size Breakdown of New Industrial Stock, 2008



Source : CBRE Research  
Note: Projects of over 500 sq m and over



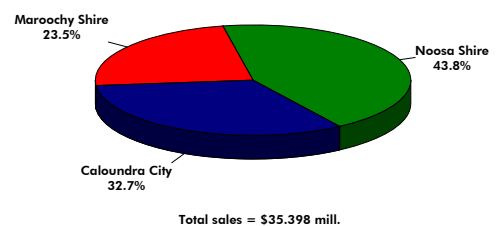
### Indicative Rents Freestanding Warehouses, Sunshine Coast



Source : CBRE Research, December Quarter 2007



### Industrial Sales by Locality 12-months to December 2007 (% of value)



Source : CBRE Research  
Note: Refers to sales of \$1 mill. and over  
\* Preliminary data for December 2007 as at January 2008



## MARKET OUTLOOK

Despite recent interest rate rises and increasing inflation, the outlook for the Australian economy remains bright. The unprecedented demand for commercial properties on the Sunshine Coast shows no signs of easing. Many projects remain in the development pipeline, driven by continued interest from tenants and investors. While the interest rate rises are not expected to have a major impact on commercial property, some players may reconsider their position in bidding for new property if they need to borrow.

*“The unprecedented demand for commercial properties on the Sunshine Coast shows no signs of easing.”*

The outlook for the office market remains positive as demand for new, quality space remains high. Pre-commitment activity is helping to keep vacancy rates down. Fundamentals are balanced, employment growth is positive and demand is expected to remain steady as businesses continue to relocate or expand into the region. Over 26,900 sq m of new supply has already been identified to potentially enter the market during 2008. The current scarcity of Grade A office space would suggest rent growth will continue at between 5% and 10% in the year ahead. Demand from owner occupiers to acquire offices is expected to continue, while steady demand remains from investors seeking properties offering income, value appreciation and higher returns.

A reduction in household disposable income resulting from increasing interest rates could see retail turnover come under pressure; however indicators of consumer confidence and Queensland retail turnover growth continue to show a positive trend. Strong occupier demand and a steady take up of new supply has led to rising rentals and strengthened developer confidence. This is expected to continue into 2008. An estimated 66,300 sq m of new supply is expected for 2008. Another

58,300 sq m is already in the pipeline for 2009 completion. The most significant developments in the pipeline over the next two years include expansion of Sunshine Plaza (30,000 sq m) and a 27,900 sq m Harvey Norman anchored bulky goods centre at Sunshine Cove. Rents are expected to increase by between 3% and 5% over the next year. Retail vacancies are expected to remain low in prime

strip areas. Investor demand is proving difficult to satisfy, with opportunities remaining limited and yields compressed. This is particularly the case in strip retail areas. Well located

retail centres will continue to be in demand and yields should hold firm.

The Sunshine Coast industrial market is expected to remain strong with construction activity remaining buoyant. An estimated 75,300 sq m of space is expected to enter the market during 2008, with most of the development occurring in Kunda Park, Caloundra and Coolool. Large scale enterprises such as BlueScope and Tradelink are critical to the economic balance and future growth of the region and, with an estimated 131 ha of land expected to enter the market during 2008 and 80 ha during 2009 and 2010, there is scope for more large developments. This is particularly necessary to meet the increasing employment demand of the Sunshine Coast population. Infrastructure, however, remains the key to attracting a greater diversity of industries. As land becomes available, land prices are expected to stabilise over the short term. With tenant demand expected to remain strong, upward pressure on rentals is also expected to continue into the next year. Investment grade stock remains tightly held, and this should see yields remain firm.

## LOCAL OFFICES

### BRISBANE

Level 33 Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000  
T 61 7 3833 9833  
F 61 7 3833 9830

### CAIRNS

Level 8  
15 Lake Street  
Cairns QLD 4870  
T 61 7 4051 8922  
F 61 7 4052 1580

### GOLD COAST

Level 4 Waterside East  
2 Holden Place  
Bundall QLD 4217  
T 61 7 5581 2000  
F 61 7 5581 2099

### MILTON

Level 1  
45 Cribb Street  
Milton QLD 4064  
T 61 7 3210 0400  
F 61 7 3210 0104

### MOOLOOLABA

18 Smith Street  
Mooloolaba QLD 4557  
T 61 7 5478 3800  
F 61 7 5478 3822

### TOWNSVILLE

Level 4  
75 Denham Street  
Townsville QLD 4810  
T 61 7 4722 5000  
F 61 7 4722 5050

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CB Richard Ellis Pty Ltd ABN 57 057 373 574  
Licenced Estate Agent  
Level 26, 363 George Street, Sydney, NSW 2000 T 61 2 9333 3333 F 61 2 9333 3330

**CBRE**  
CB RICHARD ELLIS

For more information regarding this MarketView, please contact:

**Rem Rafter**  
Managing Director, CBRE Sunshine Coast

**Ed Bull**  
Director, Industrial Services

**Brendan Robins**  
Senior Manager, Office and Retail Services

**John O'Hagan**  
Director, Valuations and Advisory Services

**Craig Godber**  
Associate Director, CBRE Research

18 Smith Street,  
Mooloolaba, QLD 4557  
T 61 7 5478 3800  
F 61 7 5478 3822