OFFICE MARKET OUTLOOK

• 8 new office buildings will be added to the CBD in 2015

• Since 2000, 800,000m² of office space has been added

• The city is having indigestion trying to digest the huge upswing in supply. This has resulted in a rapid spike in Perth’s office vacancy rate, with a further rise expected.

• Office vacancies are expected to rise to between 20 and 25 % before the end of 2018.
**OFFICE MARKET OUTLOOK**

- Office market is extremely competitive and is very much lease expiry driven.
- “A tenant’s market” - softening rents and increasing incentives
- Owners and developers are seeking tenants to either anchor new projects or back fill existing buildings as a result of current and foreseen expiries.
- Major mining, resource and engineering groups are contracting and consolidating.
- Lower CBD office rents are attracting more of service based tenants back into the Perth CBD.
- Shift to quality - Tenants relocating from B Grade to A Grade quality stocks.
- The slowdown was inevitable as it is a natural part of the cycle.
- The increase in office vacancies is due to the vast amount of stock that has recently come onto and is due to hit the market by the end of 2015.
OFFICE MARKET

OFFICE CONSTRUCTION

PERTH CBD OFFICE SUPPLY

- Under Construction: 174,520m²
- Proposed: 73,733m²
- Mooted: 212,062m²

January 2015
OFFICE MARKET

PERTH OFFICE MARKET

- Consistent rise in office vacancy given the level of office construction over the past few years

- It will continue to rise due to the vast amount of space due for completion in 2015

![Perth CBD Market Balance graph](image)
### PERTH CBD VS WEST PERTH VACANCY RATES

<table>
<thead>
<tr>
<th></th>
<th>Office Market</th>
<th>Vacancy Rate July 2014</th>
<th>Vacancy Rate January 2015</th>
<th>Vacancy Rate July 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perth CBD</td>
<td>11.8%</td>
<td>14.8%</td>
<td>16.6%</td>
<td></td>
</tr>
<tr>
<td>West Perth</td>
<td>9.5%</td>
<td>11.1%</td>
<td>11.0%</td>
<td></td>
</tr>
</tbody>
</table>

#### Perth CBD Sub Lease vs Direct Vacancy Rates

![Perth CBD Sub Lease vs Direct Vacancy Rates Graph](chart1.png)

#### West Perth Sub Lease vs Direct Vacancy Rates

![West Perth Sub Lease vs Direct Vacancy Rates Graph](chart2.png)
OFFICE MARKET

VACANCY RATE BY GRADE

- Both Perth CBD and West Perth have higher vacancy rates in lower grade stock

- All grades have experienced an increase in vacancy rates in the last 12 months

Perth CBD Vacancy Rates by Grade

- Premium Stock: 9.5%
- A Stock: 15.6%
- B Stock: 21.5%
- C Stock: 17.6%
- D Stock: 49.8%

Total vacancy rate 16.6%

West Perth Vacancy Rates by Grade

- A Stock: 5.7%
- B Stock: 12.3%
- C Stock: 14.5%
- D Stock: 20.5%

Total vacancy rate 11.0%

August 2015
OFFICE MARKET

A GRADE EFFECTIVE NET RENTS

• Effective net rents have fallen 42% since June 2012

• Prime gross effective rents decreased by 3.7% during the 2nd quarter of 2015 to an average of $524 per sqm p.a.

• Incentives increased by 3 months during second quarter, 2015, to 45 months’ rent free (based on a 10 year lease), equates to 37.5% rent free

• The level of incentive varies based between building grades, based on the quality and facilities and the face net rental

August 2015
OFFICE MARKET

NET FACE RENTS

• As at September 2015, net face rents in Perth typically range
  • Premium Grade - $625 to $775 per square metre per annum
  • A Grade - $500 to $700 per square metre per annum
  • B Grade - $300 to $400 per square metre per annum

• The average A Grade net face rent is $600 per square metre per annum, a 9.0 percent decline over the 12 months to September 2015.

• Incentives have been increasing in the Perth office market since late 2013, resulting in a decline in effective rents.

• It is estimated that as at September 2015 incentives across Prime grade in the CBD are close to 45 percent and in some cases above (Savills, September 2015)
SUBURBAN OFFICE MARKET

- Rentals have continued to fall as tenants can now afford better quality, relocating to newer buildings in better locations.

- Small office/commercial precincts such as Leederville, Joondalup, Stirling and South Perth, whilst face rents have reduced, incentives still remain much lower than areas such as West Perth and Perth CBD due to less competing stock.
INDUSTRIAL MARKET

CHANGES TO INDUSTRIAL MARKET

• More trade is moving to eCommerce however it remains relatively small compared to traditional bricks and mortar retailing – E.g. Catch of the Day

• Globalisation of logistics – Major changes in ownership
  • Toll Group is now part of Japan Post
  • Australia Post is the sole shareholder in Startrack and is rapidly reinventing itself as a logistics service provider
  • Brookfield has made a takeover bid for Australian freight logistics company Asciano

• These changes in ownership has resulted in an enormous growth in the amount of industrial floor space these groups occupy as well as significant investment in more sophisticated and automated warehousing facilities.

• New term for very large warehouses – Campus Style Distribution Centres are now a requirement for major groups such as DHL and CEVA. Both groups are looking at distribution centres in excess of 75,000m². This trend is expected to continue in global warehousing
INDUSTRIAL MARKET

CHANGES TO INDUSTRIAL MARKET

• New term for very large warehouses – Campus Style Distribution Centres are now a requirement for major groups such as DHL and CEVA. Both groups are looking at distribution centres in excess of 75,000m².

• This trend is expected to continue in global warehousing.

• In Asia, most cutting edge facilities are now at lease 150,000m² with Interlink in Hong Kong comprising 213,000m² and Logistic Republic – Taipei Park expected to comprise 264,000m² on completion.

• Australia Post has been impacted by the rise of email and digital billing with the postage business experiencing a significant decline in mail volumes. The letter business posted a $328.4 million loss over the 2013-2014 period.

• Australia Post has an unrivalled retail network of over 4,000 stores with more than half located in rural areas.

• Despite the unrivalled retail network, Australia Post is required to evolve and innovate
PERTH INDUSTRIAL MARKET

- Continued to soften during the September 2015 quarter after experiencing some moderation in rents and land values over the first half of 2015.

- Lower business sentiment and moderating domestic demand has been the main driver of low tenant demand.

- Rental contractions continues to impact small to medium assets, more so than large assets.

- Larger assets are now experiencing falling demand and the increase in vacancies is impacting rents.

- The fall in demand for hardstand across rates of the metropolitan area is causing rental levels to return to pre-boom between $10/m² and $20/m².
INNER PERTH APARTMENT MARKET

- 20% of new dwellings will be apartments by 2020 (Master Builders Association and Y Research, 2015)

- Research indicates approximately 75% of future apartment supply will be located in mid-rise and high-rise buildings, which will bring new retail offerings and suburban employment hubs.

- Long–term rental vacancy rate average was between 3% – 3.5%, currently 5.6% in the metropolitan area (REIWA, October 2015)

- 121 apartment projects are under construction, approved or being designed in 19 suburbs within 5 km of the Perth CBD.

- If and when completed, these projects could add 10,685 apartments to the inner city market by 2020 – a 56 per cent increase on current supply.

- In the 15 years since 2000, 51.5 % of existing supply has been built.

- 1613 new apartments will finish construction in 2015 in Perth’s inner city precinct. A 52.2% increase of the previous 2010 record.

- Northbridge, due to the Perth City Link, Burswood, due to the new football stadium, and the Perth CBD due to Elizabeth Quay are hot spots for future development.
WESTERN AUSTRALIAN HOUSEHOLD SNAPSHOT

- Low wages growth
- Increasing debt

November 2015
HOTEL DEVELOPMENT

• Approved DA’s for 25 hotel/residential developments (including refurbishments)

• Approximately an additional 4,500 hotels/short stay apartments

• Inline with promotion of activity centres with an increased number of hotel proposed near shopping centres

• This will create supply that will need to be met
<table>
<thead>
<tr>
<th>HOTEL</th>
<th>LOCATION</th>
<th>NUMBER OF ROOMS</th>
<th>STAGE OF DEVELOPMENT</th>
<th>STAR</th>
<th>YEAR EXPECTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Como The Treasury</td>
<td>Treasury Building</td>
<td>48</td>
<td>Completed</td>
<td>6 star</td>
<td>Completed</td>
</tr>
<tr>
<td>Terrace Hotel</td>
<td>St Georges Terrace, Perth</td>
<td>15</td>
<td>Completed</td>
<td>5 star</td>
<td>Completed</td>
</tr>
<tr>
<td>Frasers Suites</td>
<td>10 Adelaide Terrace, East Perth</td>
<td>236</td>
<td>Completed</td>
<td>5 star</td>
<td>Completed</td>
</tr>
<tr>
<td>Bailey's Service Apartments</td>
<td>63 Bennett St, East Perth</td>
<td>25</td>
<td>Completed</td>
<td>4 star</td>
<td>Completed</td>
</tr>
<tr>
<td>Alex Hotel Northbridge</td>
<td>Northbridge</td>
<td>74</td>
<td>Completed</td>
<td>4.5 star</td>
<td>Completed</td>
</tr>
<tr>
<td>Hougoumont Hotel</td>
<td>7-15 Bannister St, Fremantle</td>
<td>92</td>
<td>Completed</td>
<td>4 star</td>
<td>Completed</td>
</tr>
<tr>
<td>City Lights Best Western</td>
<td>137 Newcastle St, Northbridge</td>
<td>46</td>
<td>Under Construction</td>
<td>4 star</td>
<td>2015</td>
</tr>
<tr>
<td>Sage Hotel</td>
<td>West Perth</td>
<td>94</td>
<td>Under Construction</td>
<td>4 star</td>
<td>2016</td>
</tr>
<tr>
<td>Rydges Perth</td>
<td>Existing Kings Hotel, 525 Hay Street, Perth</td>
<td>174</td>
<td>Refurbishment</td>
<td>4 star</td>
<td>2016</td>
</tr>
<tr>
<td>DoubleTree by Hilton</td>
<td>Waterfront</td>
<td>241</td>
<td>Committed</td>
<td>4 star</td>
<td>2016</td>
</tr>
<tr>
<td>DoubleTree by Hilton</td>
<td>2 Point St, Fremantle</td>
<td>155</td>
<td>Committed</td>
<td>4 star</td>
<td>2016</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>788 Hay Street, Perth</td>
<td>182</td>
<td>Refurbishment</td>
<td>4.5 star</td>
<td>2016</td>
</tr>
<tr>
<td>Quest</td>
<td>Adelaide Terrace, East Perth</td>
<td>130</td>
<td>Under Construction</td>
<td>4.5 star</td>
<td>2016</td>
</tr>
<tr>
<td>Quest</td>
<td>Pakenham Street, Fremantle</td>
<td>73</td>
<td>Under Construction</td>
<td>4.5 star</td>
<td>2016</td>
</tr>
<tr>
<td>Quest</td>
<td>Mounts Bay Road, Perth</td>
<td>71</td>
<td>Under Construction</td>
<td>4.5 star</td>
<td>2016</td>
</tr>
<tr>
<td>Quest</td>
<td>Kings Park Road, Perth</td>
<td>72</td>
<td>Under Construction</td>
<td>4.5 star</td>
<td>2016</td>
</tr>
<tr>
<td>Crown Towers</td>
<td>Burswood</td>
<td>500</td>
<td>Under Construction</td>
<td>5 star</td>
<td>2016</td>
</tr>
<tr>
<td>DoubleTree by Hilton</td>
<td>Northbridge</td>
<td>205</td>
<td>Under Construction</td>
<td>4 star</td>
<td>2017</td>
</tr>
<tr>
<td>AVANI Hotel</td>
<td>Adjacent to Perth Arena</td>
<td>250</td>
<td>Committed</td>
<td>4.5 star</td>
<td>2017</td>
</tr>
<tr>
<td>InterContinental</td>
<td>Existing Rydges Hotel, 815 Hay Street</td>
<td>240</td>
<td>Refurbishment</td>
<td>5 star</td>
<td>2017</td>
</tr>
<tr>
<td>AVANI Residences</td>
<td>Adjacent to Perth Arena</td>
<td></td>
<td>Committed</td>
<td>TBA</td>
<td>2017</td>
</tr>
<tr>
<td>The Westin</td>
<td>Old Perth FESA House</td>
<td>320</td>
<td>Committed</td>
<td>5 star</td>
<td>2018</td>
</tr>
<tr>
<td>The Ritz-Carlton Perth</td>
<td>The Towers at Elizabeth Quay</td>
<td>205 rooms 375 luxury apartments</td>
<td>Committed</td>
<td>5 star</td>
<td>2018</td>
</tr>
<tr>
<td>Hampton Inn by Hilton</td>
<td>Cockburn Central</td>
<td>146 rooms 109 apartments</td>
<td>Committed</td>
<td>3.5 star</td>
<td>TBA</td>
</tr>
<tr>
<td>The Courtyard by Marriott</td>
<td>609 Wellington Street</td>
<td>332</td>
<td>Committed</td>
<td>TBA</td>
<td>TBA</td>
</tr>
<tr>
<td>Mantra Hotel</td>
<td>623 Wellington Street</td>
<td>120</td>
<td>Committed</td>
<td>TBA</td>
<td>TBA</td>
</tr>
</tbody>
</table>

Source: Tourism W.A. and Lease Equity, November 2015
RETAIL MARKET

CBD SHOPPING CENTRES

• Perth CBD Retail market has softened.

• Majority of Perth CBD fashion retailers within enex100, Carillon City, Wesley Quarter, Forrest Chase and the Hay Street and Murray Street Malls have experienced minimal growth or a decrease in turnover.

• “A Tale of Two Malls”

• Landlords are generally accepting rent reductions and/or offering incentives to retain existing tenants and/or attract new tenants.

• Large scale construction and road works throughout the Perth CBD continue to cause high levels of traffic congestion.

• Greater appeal of larger and improved shopping centres (e.g. Lakeside Joondalup):
  • Extended trading hours
  • Free parking
  • Weather protected shopping environment
  • Comparable retail offering
CBD RETAIL MARKET INDICATORS

- WA has the highest CBD retail vacancy rate in Australia at 3.5%
- It is the only state to increase the average incentive
- Perth’s vacancy rate is higher than 3.5% however the data below is impacted by the William Sonoma deal in which over 2,000 sqm was leased

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Gross Face Rent ($/m2 pa)</th>
<th>Average Incentive</th>
<th>Vacancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sep-14</td>
<td>Sep-15</td>
<td>Sep-14</td>
</tr>
<tr>
<td>Sydney</td>
<td>$ 8,640</td>
<td>$ 8,775</td>
<td>10%</td>
</tr>
<tr>
<td>Melbourne</td>
<td>$ 7,750</td>
<td>$ 7,500</td>
<td>4%</td>
</tr>
<tr>
<td>Brisbane</td>
<td>$ 3,250</td>
<td>$ 4,400</td>
<td>17%</td>
</tr>
<tr>
<td>Adelaide</td>
<td>$ 3,100</td>
<td>$ 3,000</td>
<td>14%</td>
</tr>
<tr>
<td>Perth</td>
<td>$ 3,025</td>
<td>$ 2,850</td>
<td>6%</td>
</tr>
</tbody>
</table>
REGIONAL SHOPPING CENTRES

- Low vacancy rate
- Mini majors and specialty stores still performing whilst department stores are losing market share
- MAT close to Eastern States Shopping Centres despite the smaller GLA

<table>
<thead>
<tr>
<th>Averages</th>
<th>WA Only</th>
<th>Nationwide (Excluding WA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centre GLA</td>
<td>67,237 m²</td>
<td>84,404 m²</td>
</tr>
<tr>
<td>Reported MAT – Retail</td>
<td>$480.6 M</td>
<td>$494.6M</td>
</tr>
<tr>
<td>Retail Specialty Average Trading Levels</td>
<td>$12,318/m²</td>
<td>$10,083/m²</td>
</tr>
<tr>
<td>Retail Specialty Rent</td>
<td>$2,073/m²</td>
<td>$1,758/m²</td>
</tr>
<tr>
<td>Retail Specialty Occupancy Cost Rates</td>
<td>16.7%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Specialty Vacancy Rate</td>
<td>1.4%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

Note: Research data excludes Shopping Centres undergoing redevelopment

Source: Urbis, November 2015
## Retail Market

### Sub Regional Shopping Centres

- Higher vacancy rate
- Benefitted from policy restricting the size of regional shopping centres as evident with larger floorplates than Eastern State Sub Regional Shopping Centres

<table>
<thead>
<tr>
<th>Averages</th>
<th>WA Only</th>
<th>Nationwide (Excluding WA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centre GLA</td>
<td>31,319 m²</td>
<td>26,999 m²</td>
</tr>
<tr>
<td>Reported MAT – Retail</td>
<td>$219.1 M</td>
<td>$157.4 M</td>
</tr>
<tr>
<td>Retail Specialty Average Trading Levels</td>
<td>$8,999/m²</td>
<td>$8,084/m²</td>
</tr>
<tr>
<td>Retail Specialty Rent</td>
<td>$1,318/m²</td>
<td>$1,126/m²</td>
</tr>
<tr>
<td>Retail Specialty Occupancy Cost Rates</td>
<td>14.6%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Specialty Vacancy Rate</td>
<td>4.1%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Note: Research data excludes Shopping Centres undergoing redevelopment. Source: Urbis, November 2015
# Retail Market

## Neighbourhood Shopping Centres

- Higher vacancy rate
- Western Australian Neighbourhood Shopping Centres are substantially larger than Eastern States

<table>
<thead>
<tr>
<th>Averages</th>
<th>WA Only</th>
<th>Nationwide (Excluding WA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centre GLA</td>
<td>9,092 m²</td>
<td>7,876 m²</td>
</tr>
<tr>
<td>Reported MAT – Retail</td>
<td>$63.9 M</td>
<td>$62.4 M</td>
</tr>
<tr>
<td>Retail Specialty Average Trading Levels</td>
<td>$6,689/m²</td>
<td>$7,794/m²</td>
</tr>
<tr>
<td>Retail Specialty Rent</td>
<td>$774/m²</td>
<td>$960/m²</td>
</tr>
<tr>
<td>Retail Specialty Occupancy Cost Rates</td>
<td>11.3%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Specialty Vacancy Rate</td>
<td>4.1%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

*Note: Research data excludes Shopping Centres undergoing redevelopment*

*Source: Urbis, November 2015*
RETAIL MARKET

STRIP RETAIL

• Significantly impacted by shopping centres and major developments

• Limited appeal to international retailers which is one of the drivers of visitation

• Potential to capture and promote their local market by differentiating themselves from shopping centres

<table>
<thead>
<tr>
<th>Location</th>
<th>Gross Rent (£)</th>
<th>Incentive (Months)</th>
<th>Vacancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cottesloe</td>
<td>$600 - $1,000</td>
<td>3 – 5</td>
<td>3% Napoleon Street</td>
</tr>
<tr>
<td>Claremont</td>
<td>$1,100 - $1,500</td>
<td>3 – 12</td>
<td>15% Bay View Terrace</td>
</tr>
<tr>
<td>Nedlands</td>
<td>$300 - $600</td>
<td>Limited incentives required</td>
<td>5% Hampden Road</td>
</tr>
<tr>
<td>Subiaco</td>
<td>$500 - $900</td>
<td>3 – 12</td>
<td>15% Rokeby Road</td>
</tr>
<tr>
<td>Leederville</td>
<td>$500 - $900</td>
<td>2 – 3</td>
<td>5% Oxford Street</td>
</tr>
</tbody>
</table>

Source: Lease Equity, November 2015
CHANGES TO SHOPPING CENTRES

- Government imposed size limits to WA Shopping Centres contributed to the undersupply of Retail Space

- Lifting of size restrictions in WA will bring with it the beginning of new retail developments

- Landlords encouraged to include residential, leisure and lifestyle precincts in shopping centre D.A.’s

- In 2005, 32 centres exceeded 70,000m² GLA nationwide, currently there are 50 shopping centres (Shopping Centre News, November 2015)

- At present 5 WA shopping centres have a GLA of ≥ 70,000m² out of 152 shopping centres (BNIQ, November 2015). Following redevelopments 2 more shopping centres will exceed this size
<table>
<thead>
<tr>
<th>Shopping Centre</th>
<th>Existing (m²)</th>
<th>Expansion (m²)</th>
<th>New Total (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westfield Carousel</td>
<td>83,010</td>
<td>47,220</td>
<td>130,230</td>
</tr>
<tr>
<td>Garden City</td>
<td>70,000</td>
<td>50,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Karrinyup Shopping Centre</td>
<td>59,175</td>
<td>53,825</td>
<td>113,000</td>
</tr>
<tr>
<td>Whitford City Shopping Centre</td>
<td>76,985</td>
<td>27,000</td>
<td>103,985</td>
</tr>
<tr>
<td>Lakeside Joondalup</td>
<td>74,105</td>
<td>25,000</td>
<td>99,105</td>
</tr>
<tr>
<td>Westfield Innaloo</td>
<td>51,300</td>
<td>47,700</td>
<td>99,000</td>
</tr>
<tr>
<td>Midland Gate</td>
<td>57,580</td>
<td>24,000</td>
<td>81,580</td>
</tr>
<tr>
<td>Cockburn Gateway</td>
<td>39,760</td>
<td>20,000</td>
<td>59,760</td>
</tr>
<tr>
<td>Mandurah Forum</td>
<td>34,859</td>
<td>24,000</td>
<td>58,859</td>
</tr>
<tr>
<td>Kingsway City Shopping Centre</td>
<td>26,263</td>
<td>22,000</td>
<td>48,263</td>
</tr>
<tr>
<td>Kwinana Marketplace</td>
<td>29,240</td>
<td>12,500</td>
<td>41,740</td>
</tr>
<tr>
<td>Oceans Keys Shopping Centre</td>
<td>22,548</td>
<td>14,000</td>
<td>36,548</td>
</tr>
<tr>
<td>Halls Head Shopping Centre</td>
<td>5,979</td>
<td>12,500</td>
<td>18,479</td>
</tr>
</tbody>
</table>

Note: Excludes Greenfield and CBD developments
SPECIALTY STORES

• Total Additional Retail Area Planned for Shopping Centres – 400,000m² approx.

• Applying Major: Specialty Ratio – 40%

• Total Additional Specialty Shops – 160,000m²

• Or, an additional 1,280* shops (approximately)

*Estimated at 125m² per shop
*Excluding Greenfield, CBD, airport, hospitals, etc.
RETAIL MARKET

MAJOR REGIONAL SHOPPING CENTRE EXPANSIONS

KARRINYUP SHOPPING CENTRE

• AMP Capital lodged a DA to redevelop and increase the retail footprint by 53,825m²
• New retail footprint to be 113,000m²
• Target international large format retailers
• Enhance David Jones and Myer and provide a full line offer
• Proposed development to include residential apartments, dining and entertainment precinct, fresh food precinct and an additional supermarket

WESTFIELD CAROUSEL

• DA submitted to increased size by 47,220m² and reclaim title as largest shopping centre in WA
• New retail footprint to be 130,230m²
• Maximise synergy with Hoyts Cinema with creation of new leisure and dining precinct fronting Albany Highway
• Proposed civic and community hub at the corner of Cecil Avenue and Carousel Road
• DA to kick-start City of Canning’s city centre high street proposal on Cecil Avenue
MAJOR REGIONAL SHOPPING CENTRE EXPANSIONS

GARDEN CITY

• Increased footprint from 77,220m² – becoming one of the largest 15 shopping centres in Australia

• New retail footprint to be 120,000m²

• Already ranked number 1 for specialty sales per sqm in WA for more than 10 years

• First Zara in W.A.

• Redevelopment to include expanded David Jones, new supermarket and DDS, leisure & lifestyle precinct and residential

WESTFIELD INNALOO

• Redevelopment to increase size by 47,700m²

• New retail footprint to be 99,000m²

• Redevelopment to include rooftop dining precinct with a new cinema complex

• Retail, entertainment, commercial and community space, creating a new world class lifestyle hub
RISE OF FOOD AND BEVERAGE

- Rise of quick serve, bar and restaurant Food and Beverage precincts in all shopping destinations including strip retail

- Repositioning stereotype of Fast Food

- ‘Food is Fashion’

- Increase dwell time in Shopping Centre redevelopments

- Examples include:
  - 140
  - Brookfield Place
RISE OF FOOD AND BEVERAGE

- CBD office blocks will introduce more Food and Beverage options
- Led by Brookfield Place
- Food and Beverage is part of attracting and retaining office tenants
- All existing and proposed developments are incorporating Food and Beverage options
ZARA
• 2 level, $10 million store on Murray Street Mall
• Setting new benchmark of International Fashion Retailers in Perth
• Open for trade in October 2014

TOPSHOP
• 2 level store in Carillon City fronting Murray Street Mall
• Open for trade end of October 2014
• First time Zara & Top Shop will be retail neighbours

WILLIAMS SONOMA
• Williams-Sonoma, West Elm, Pottery Barn and Pottery Barn Kids all under the one roof
• 1,950m2 store opened July 2015 on a 15 year term with two 5 year options
• Estimated turnover of $15 million

H&M
• Likely to be confirmed for Perth GPO opposite Forrest Chase
• First W.A. store to opened at Lakeside Joondalup August 2015
• Perth store likely to open in late 2016
BIG BOX INTERNATIONALS

- International invasion
- Biggest change to Retail Landscape in 50 years
- Regional Centres will build to accommodate

Logos of various international retail brands are shown, including MUJI, GAP, FOREVER 21, UNIQLO, MARKS & SPENCER, TESLA, SEPHORA, RIVER ISLAND, SAMSUNG, and VICTORIA'S SECRET.
## INTERNATIONAL RETAILERS - DEMAND

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Existing Stores</th>
<th>Target Number</th>
<th>Estimated Average Store Size</th>
<th>Incremental GLA Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zara</td>
<td>13</td>
<td>20</td>
<td>1,250</td>
<td>8,750</td>
</tr>
<tr>
<td>Zara Home</td>
<td>2</td>
<td>10</td>
<td>600</td>
<td>4,800</td>
</tr>
<tr>
<td>Top Shop</td>
<td>6</td>
<td>20</td>
<td>1,850</td>
<td>25,900</td>
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<tr>
<td>H&amp;M (Flagship)</td>
<td>8</td>
<td>10</td>
<td>2,000</td>
<td>4,000</td>
</tr>
<tr>
<td>COS</td>
<td>2</td>
<td>10</td>
<td>250</td>
<td>2,000</td>
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<tr>
<td>Uniqlo</td>
<td>7</td>
<td>30</td>
<td>1,750</td>
<td>40,250</td>
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<tr>
<td>Forever 21</td>
<td>3</td>
<td>5</td>
<td>836</td>
<td>1,672</td>
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<td>Banana Republic</td>
<td>-</td>
<td>5</td>
<td>600</td>
<td>3,000</td>
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<tr>
<td>GAP</td>
<td>6</td>
<td>25</td>
<td>600</td>
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<tr>
<td>Debenhams</td>
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<td>15</td>
<td>4,500</td>
<td>67,500</td>
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<tr>
<td>Muji</td>
<td>3</td>
<td>10</td>
<td>750</td>
<td>5,250</td>
</tr>
<tr>
<td>Microsoft</td>
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<td>0</td>
<td>250</td>
<td>3,500</td>
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<tr>
<td>Marks &amp; Spencer</td>
<td>-</td>
<td>5</td>
<td>2,500</td>
<td>12,500</td>
</tr>
<tr>
<td>Sephora</td>
<td>2</td>
<td>25</td>
<td>600</td>
<td>13,800</td>
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<tr>
<td>Sony</td>
<td>4</td>
<td>10</td>
<td>400</td>
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</tr>
<tr>
<td>Samsung</td>
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<td>20</td>
<td>400</td>
<td>7,200</td>
</tr>
<tr>
<td>Tesla</td>
<td>1</td>
<td>10</td>
<td>300</td>
<td>2,000</td>
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<tr>
<td>Victoria’s Secret</td>
<td>8</td>
<td>20</td>
<td>200</td>
<td>2,400</td>
</tr>
<tr>
<td>Under Armour</td>
<td>-</td>
<td>10</td>
<td>1,500</td>
<td>15,000</td>
</tr>
<tr>
<td>Mr Price</td>
<td>2</td>
<td>100</td>
<td>1,000</td>
<td>98,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>243</strong></td>
<td><strong>639</strong></td>
<td></td>
<td><strong>403,641</strong></td>
</tr>
</tbody>
</table>

Source: Macquarie Research and Lease Equity, November 2015
NEW LARGE FORMAT ENTRANTS

- New large format retailers have recently entered or expected to enter the Australian market including:
  - LIDL – Given Aldi’s successful infiltration of the market, Lidl is expected to follow a similar strategy and store layout model.
  - TJ MAXX – It is understood that the US parent company TJX plans to open as many as 10 stores per year in Australia over the next 10 years. TJ Maxx presents a viable distribution channel for brands which have excess stock or have been deleted by big retailers such as Myer and David Jones.
  - MR PRICE (MRP) – Recently opened two 1,000 sqm stores in Melbourne. MRP is expected to reduce market share of brands such as Big W, Target, Dotti, Jay Jays and Just Jeans.
  - STEINHOFF – PEPKOR – The acquisition of Pepkor Holdings by Steinhoff made the combined group one of the world’s largest discount retailers, bringing additional brands such as Harris Scarfe into the group. The presence of this company in the Australian market will increase competition for Myer, Harvey Norman, JB Hi-Fi Home and Fantastic Holdings.
RETAIL MARKET

CHANGING MIX AHEAD

- Expect more and larger medical centres and services located within shopping centres
- Membership to gyms in Europe is up +44% - expect an increase in centres in Australia
- Entertainment and leisure uses:
  - Legoland
  - Children’s playground
  - Community uses
- Hotels as part of Shopping Centres
- Childcare in Shopping Centres
- More Technology focused tenants
- Re-emersion of book stores
- Less banks on High Streets (UK 700 closed in 12 months)
Future Predictions of Online Spending

• Most retailers estimate that their online stores is in the top 3 in their network

• Three quarters of UK consumers will buy at least half their Christmas presents online

• Spend on smartphones is forecast to rise by 243.5% in the next 4 years, with direct spend on both phones and tablets set to climb by over 230%

• Research shows by 2019, annual shopping via mobile will be worth as much as the amount spent in more than 30,000 UK shops.

• Almost 80% of UK shoppers made a purchase online in the year to September 2015. This makes the UK higher than any other European Union country

• Increase interrelation between online spending and bricks and mortar – E.g. Click & Collect, Concierge Return Assistance, etc.
STATE GOVERNMENT - MAJOR DEVELOPMENTS
STATE GOVERNMENT - MAJOR DEVELOPMENTS

1. ELIZABETH QUAY
   - Size: 10 ha
   - Total Investment: $2.62 billion
   - Uses: 800 new dwellings, 400 new hotel rooms, 200,000m² commercial/office space, 25,000m² retail
   - Status: Staged completion through 2020

2. PERTH CITY LINK
   - Size: 13.5 ha
   - Total Investment: $5.3 billion
   - Uses: 1,660 new dwellings, 244,000m² of commercial/retail space and 4.4 ha of public space
   - Status: Staged completion through 2020

3. RIVERSIDE
   - Size: 40 ha
   - Total Investment: $2.11 billion
   - Uses: 4,000 new dwellings and 90,000m² of commercial/retail space
   - Status: Staged completion through 2020

4. PERTH STADIUM
   - Size: 73 ha
   - Total Investment: $820.7 million
   - Uses: 60,000 seat sports stadium, public open spaces, cultural attractions and residential developments
   - Status: Completion estimated in March 2018

5. PERTH RIVERFRONT
   - Size: 100 ha
   - Total Investment: $200 million
   - Uses: 32,000m² retail, 12,500 dwellings and 60,000m² commercial space
   - Status: Completion estimated in 2025

6. HEIRISSON ISLAND
   - Size: 19 ha
   - Total Investment: $11.5 million
   - Uses: Public space and cultural attractions
   - Status: Currently in the planning/proposal stage

7. CATHEDRAL AND TREASURY PRECINCT
   - Size: 20 ha
   - Total Investment: Not available
   - Uses: Luxury hotel, retail/cultural attractions, commercial/office, public library and public space
   - Status: Staged completion through February 2017

8. WA MUSEUM
   - Size: 22-23,000m²
   - Total Investment: $428 million
   - Uses: Cultural attraction/retail
   - Status: Completion estimated in 2020

Source: Tourism WA, March 2015
STATE GOVERNMENT - MAJOR DEVELOPMENTS

1. KINGS SQUARE REDEVELOPMENT
   - Size: 13,665m²
   - Total Investment: $220 million
   - Uses: Commercial/public meeting spaces
   - Status: Currently in the planning stage

2. 81 QUEEN VICTORIA STREET
   - Size: 2,742m² and 56m²
   - Total Investment: $11 million
   - Uses: 54 residential and commercial
   - Status: Development approved

3. 11 QUEEN VICTORIA STREET
   - Size: 1,211m²
   - Total Investment: $12 million
   - Uses: 6 storey mixed use, 48 residential and 95m² office spaces
   - Status: Construction has commenced

4. 11 CLIFF STREET
   - Size: 2,956m²
   - Total Investment: $8 million
   - Uses: 4 storey office building
   - Status: Development approved

5. FORT KNOX APARTMENTS
   - 36 Queen Victoria Street
   - Size: Not available
   - Total Investment: $60 million
   - Uses: 5 storey mixed use and 241 apartments
   - Status: Development approved

6. Spicer
   - 14 Henderson Street
   - Size: 7,200m²
   - Total Investment: $21.5 million
   - Uses: 5 storey mixed use office and retail
   - Status: Development approved

Source: Tourism WA, March 2015
BIG PICTURE PROJECTS

- WA Government leading major developments throughout Perth as part of ‘The Bigger Picture’ project
- Developments designed to meet Perth’s growing needs & projected population increase
- Future-proofing WA
- Creating new jobs in the process

Source: Government of WA, September 2014
STATE GOVERNMENT - MAJOR DEVELOPMENTS

PERTH CHILDREN’S HOSPITAL

- $1.2 billion 298 bed children’s hospital at QEII Medical Centre site
- Set to replace Princess Margaret Children’s Hospital
- Current hospital site to be redeveloped into a commercial and residential precinct
- Redevelopment of 12.5ha gross floor area
- Scheduled to open in April 2016

FIONA STANLEY HOSPITAL

- $2 billion hospital with 783 beds
- Located 15km south of Perth CBD
- WA’s first comprehensive cancer centre south of the river
- Recently opened in October 2014
QEII MEDICAL CENTRE

- QEII Medical Centre to become largest medical, research & education facility in WA
- 5 year $2 billion project set to complete by April 2016
- Development includes:
  - Perth Children’s Hospital
  - Retail Precinct and new entry
  - QEII Mental Health Unit
  - QEII Cancer Centre
  - Harry Perkins Institute
  - 5,000 bay Multi-deck car park
  - Western Power Substation
BURSWOOD PRECINCT

Source: Landgate Map Viewer, September 2014
STATE GOVERNMENT - MAJOR DEVELOPMENTS

NEW PERTH STADIUM
- $1.24 billion stadium
- Centrepiece of the Burswood Precinct
- Set to become a major sporting and entertainment venue
- 60,000 – 70,000 seating
- Scheduled to open in time for the 2018 AFL season

BELMONT RACECOURSE
- $3.5 billion Redevelopment of 75Ha. Belmont Racecourse site
- Redevelopment to provide:
  - 4,500 residential dwellings
  - 80,000m² office space
  - 40,000m² of retail

CROWN TOWERS PERTH
- $645 million 6 star hotel under construction – 500 rooms with resort pool, restaurants, bars, grand ballroom, convention centre and private gaming salons
- Due for completion in late 2016
- Perth CBD’s major competitor in F&B and entertainment

PERTH STADIUM
CROWN TOWERS PERTH
BELMONT RACECOURSE
THANK YOU