

C & P North East Australia Development Fund

Property Managers report for meeting 15 June 2010

Period of May 2010

South Tweed Centre

New leasing enquiry remains slow, with no new tenant lettings finalised, despite Neil Johnston of Alpha Property maintaining a temporary on site Leasing Display Suite. Three of the 14 retail shop fronts remain vacant and 9 commercial areas of the 13 suites are available. Although not operating and looking to sublease, K People are continuing to pay their rent. As previously mentioned they are continuing to try and source alternative supply arrangements with the hope of being able to reopen trading.

Existing tenants are all happy with no lease expiries due till late 2010, with majority in 2011 and 2012.

The proposed Pet Shop operator for Unit 1 and 2 No 64 Machinery Drive has decided not to proceed due to family health related commitments, which is disappointing for all parties concerned.

The South Tweed area is seeing a continuation of new retail and commercial stock enter the market, with vacancy rates now at their highest for the past ten years. This is likely to see increased downward pressure on rents and extra incentives offered to entice tenants.

The general business outlook for the area remains positive, however as a result of the Reserve Bank interest rate rises' there is concern amongst small business operators, resulting in deferring of decisions. The latest decision from the Reserve to hold rates for June is promising, but the Government bungled stimulus programmes and negative global market sentiment created by a poorly managed tax reform around the Super Tax on Resources has stalled market confidence.

To look to stimulate leasing activity at this centre we have appointed Byron and Sam from D J Stringer to give them sole signage rights at the centre for the next two months, in return to pump up a marketing strategy, combined with a market illusion of more flexible incentives with the aim of gaining leasing momentum. Sam is fresh from a successful letting programme on the commercial space below Twin Towns Resort which was also suffering from high vacancy and poor market perception

Nerang Centre

The centre remains 100% fully leased, with discussions taking place with tenants regarding upcoming lease expiries. Business Express has agreed to new terms exercising their option for a further three years.

To date, indications have been that all will exercise options or enter into new ongoing leases, although Australia Post and the Pathology Centre are possibly not being fully open with their intentions. This only represents a small number of specialty tenants, and in most cases, apart from Australia Post, rent rises are not substantial.

We are still having issues with the Cinema. The electrical pricing supply dispute has been listed for a tribunal hearing which hopefully will bring this long standing dispute to resolution. The other positive step was the switch over recently to direct electricity supply for the cinema which no longer means that we are funding ongoing electricity costs.

As previously mentioned discussions were had with the Cinema operator who confirmed his interest to expand the number of screens at the centre, and over the next few months would be putting further proposals forward.

Still in progress is the design and due diligence for Kiosk operators to use the upgraded central mall, which will see a proposal to add new life and colour into this area, which is starting to look a little tired. This could see two new tenancies with high brand profiles provide specialist fast food options, as well as replace old seating with a combination of customer and public seating options, as well as a general refurbishment in this area.

Otherwise, due to the difficult trading environment for Property Trusts, management remains committed to minimising capital outlays, while trying to keep the centre looking fresh.

Withcott Centre

Tenancy concerns for this centre are continuing, with no immediate solution to filling the vacant space caused by the forced lock out of the Real Estate Agent and the Pet Shop.

New signs promoting the now approved expansion have been installed in prominent locations to generate local community enthusiasm and tenant enquiries. This has generated early enquiry and discussions are continuing with a high profile coffee operator and other complimentary business to establish prior to the opening of the supermarket. No firm leasing commitments yet.

Management continue to work closely with moving forward the IGA leasing proposal with a franchisee found, now waiting for formal IGA Board signoff. If lucky, this could occur in the next month.

If the existing vacant space can be rented, major income upside will be achieved.

We are working closely with the Principal's of LJ Hooker Toowoomba, who have been very successful in developing centres such as Plainlands and others similar to the west of Toowoomba. This includes identifying secondary anchors and national specialty tenants, as well as progressing with the financial due diligence for construction of the expansion. They are also the most likely to identify potential centre purchases when the timing is right.

Hervey Bay Property

37 Main St remains leased. Stegbar are still yet to complete the external works of cladding and painting in the next few months, as per their lease obligations. Firmer action is going to be required as it seems obvious that they are now stalling in completing these works.

Shop 1, 31 Main Street, the Pet Shop tenant has ceased trading due to a combination of health related issues (suffering a Heart Attack) and alleged tenancy issues relating to the flooring support for the large fish tanks. We are trying to settle the matter immediately, while at the same time looking to find a new tenant.

Shop 2, 31 Main St is now leased to a beautician hair dressing salon. The leased commenced 1st May 2010, at \$240 psm with only small incentives required. The term is 1+1+3 Years. Early indications are promising, but the market in this area is very volatile and difficult for retailers and service businesses.

Shop 3 and 4, 31 Main St continues to be rented to Suncare Community Services till March 2011.

Our good relationship will ensure a new lease will be signed in 2011, subject to the group getting continued funding from the Federal Government, which they are reasonably confident.

Coolangatta Airport – Long term Land Leases

This has remained on hold over the period, other than a meeting with GCAL to express our continued interest in progressing this matter later in 2010.

As previously mentioned, we remain conscious as to the consolidation phase of the trust, during this continued period of tight liquidity to fund development opportunities with either debt or equity.



Mark Walsh
C & P Properties Group
Property Manager