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C & P North East Australia Development Fund

Property Managers report for meeting 21st June 2011

Period of May

South Tweed Centre

The commercial property market remains very tough for both leasing and sales. The Reserve Banks decision to leave rates on hold this month continued to be one of the few positive signs. The general economic softness continues. The so called "mining boom" and "flood recovery" resurgence has yet to filter into this part of the economy. Greece's debt crisis is causing global unease, combined with at best mixed signals from the US is creating market volatility. This is likely to see continued pressure on rents, and continued higher than normal vacancy levels.

The "Expression of Interest" campaign failed to generate any real sale interest, with any interest shown now unlikely to lead to a sale. The market is continuing to prove a difficult one. The agents strategy is to focus on the Leasing front, which will make the asset more saleable.

No new leasing occurred this month. Three of the 14 retail shop fronts remain vacant and 9 commercial areas of the 13 suites are available. Discussions are continuing with a Korean Food operator to lease shop 1 /129, but slow due to the owner having a serious car accident, and the existing tenant Tropical Fish Centre has advised he will be vacating when his lease expires in June 2011, although extremely aggressive incentives were offered to entice him to stay. Concern exists about several tenants especially the Bridal Centre. No other firm leads exist

Recent meetings with the individual tenants, highlighted the current weak trading environment in the South Tweed area. It is becoming clear that concessions will be required to support them, including some form of marketing rebates and strong effort to fill vacancies to improve foot traffic and vibrance of the centre, otherwise the outlook for tenant retention will become difficult when their leases are up for renewal between 2012 – 2015.

Our continued focus is to ensure the centre presents well, including comments by tenants to prospective purchasers or new tenants.

Withcott Centre

No Change has occurred since our last meeting. Economic activity in this area is improving after the major storm event that caused havoc to the local area in January. The Thrifty Link Hardware store, Pie Shop and others are happy with general trading. We have signed a short term agreement with a local

Fruit & Veg merchant to trial a retail outlet, commencing July 1st, from the site of the old chemist. Peter hall is continuing to negotiate with two other parties (flooring company & Solicitor Practice) but progress remains slow.

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

The Stage 1 Centre expansion is slowly progressing, with lawyers now happy with the proposed lease, which we are told is now being put up to IGA Board for ratification. We have on foot a signed expression of interest from the adjoining hotel, wanting to lease a bottle shop site of approx 130 sqm. Discussions with a Discount Chemist operator as well as several café operators would see all stage 1 space fully pre committed.

The intention is, subject to project costings & due diligence being finalized, and the appropriate lease signoffs Stage 1 building is likely to be completed Mid 2012.

Margaret St Toowoomba

This asset comprising retail and commercial office suites, is anchored by the First National Residential Sales and Leasing Centre, as well as First National Commercial. Both have a long history and strong reputation in town. retail outlet includes a "Big Chef" take away, as well as several community and service related operators. One small commercial operator went into liquidation, leaving 2 small commercial suites vacant, with early discussions underway with a possible tenant.

In line with the Trust wind up strategy, this property is being marketed for sale, directly to local property players. Discussions are progressing, with expectations that a conditional contract of Sale will be received in the next week or so.

Hervey Bay Property

Retail and general business activity remains subdued, in the general area.

Shop 1, 31 Main Street, remains vacant after the Pet Shop tenant has ceased trading. This month several inspections have taken place, but no firm offers received, with the local leasing market remaining soft.

Shop 2, 31 Main St continues to be leased as a beautician hair dressing salon. The market in this area is still very volatile and difficult for retailers and service businesses, but we are more confident that this operator will succeed as they have other similar business's in the greater Hervey Bay area.

Shop 3 and 4, 31 Main St continues to be rented to Suncare Community Services, with the group committing to a lease extension till 30th June 2012.

This property is now being not only marketed for Lease of the remaining vacant space, but also for Sale, in line with the trusts wind up strategy. Some interest has been shown by the adjoining property owner, including doing property inspection reports but to date no offer has been made.



Mark Walsh
C & P Properties Group
Property Manager