

update

APRIL 2009

Market Outlook

Look for the Grey Lining !!

It seems lately that the more market commentary and analysis we read, the more confused we become about the current position and likely future direction of the Adelaide property market and the economy in general.



Investors have been left asking how can it be possible that yields on good quality commercial investment property could move upwards a full 2% in 12 months, that institutional investors, who had driven the market to record highs, would go from being “all buyers” to “all sellers” seemingly overnight and that REIT’s, including those of the ilk of GPT and Mirvac, worth billions on the ASX could lose up to 90% of their market capitalisation in the “blink of an eye”?

The phrase “unprecedented times” is often used to help understand what we are currently experiencing.

With the benefit of hindsight I am sure that we could all look back to a particular transaction that made you think that “the market has gone crazy”, that the inherent risks of investment in property were no longer being priced appropriately.

So which did come first, the chicken (easy debt) or the egg (high asset values)?

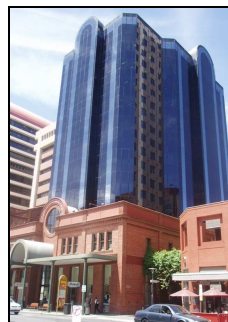
To an extent it no longer matters because both the availability of debt and asset values have come crashing back down and we are now in a, potentially, vicious circle of asset sales into a falling market to reduce gearing and the sums not adding up for either the investors or debt funders.

So where to from here for our property markets? Could there possibly be more downside?

Commentary that we have read lately leads us to believe that there may well be further downside in the market. If the majority of REIT’s are trading, as reported recently, on average weighted yields in the range of 6.25% to 7.50%, this feels too low, even for absolute prime property.

If the “absolute best” property was to fall in value further, then there will surely be a flow on effect through the rest of the market.

So should we be investing in property now?



If the fundamentals are right and if you can afford it, the answer may well be yes, because there appears to be good opportunities available at present.

The banks current lending policies probably mean that only those groups that can afford it, ie. that actually have sufficient equity, will be purchasers.

The MRS view is that the market may well get tougher before it improves, however acquisitions that are fundamentally sound, and not overly geared, are likely to continue to produce solid returns over the long term.

The MRS Directors well remember the tough times of the 1990’s. The property market fundamentals then are vastly different to now, which offers hope that there can be a turnaround in a much shorter timeframe than previously.

Our grey and receding hairlines (Robbo excepted) are a guide to our experience of difficult times in the property market and we are keen to use our experience to assist our clients through these “unprecedented” times.



Please do not hesitate to call us at any time.

For an example of some recent work undertaken, please visit our website at:

www.mrs.com.au

COMMERCIAL PROPERTY SPECIALISTS

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Advisory & Consultancy Services

MRS are able to assist our clients with advice on all sectors and all aspects of the commercial property market.

A significant proportion of our advisory and consultancy business is in the area of tenant advocacy and accommodation searches.

The cost of accommodation is a significant line on a business' Profit & Loss statement. In tight financial times, ensuring that this cost is optimised is essential.

MRS have acted on behalf of numerous companies to ensure that their cost of new or existing accommodation is optimised.

We also act on behalf of clients seeking to acquire accommodation for their own occupancy. In the "up" and "down" market which we have seen over the past 12 months, the availability of specialist, independent advice is crucial for every business in making informed, well researched commercial decisions.

At MRS we believe that our key point of difference in the provision of these services is that we are committed to providing professional, proactive, innovative, enthusiastic, and above all, personal service which allows our clients to rely on us with total confidence that we will act in their best interests at all times to optimise their property investments.

Additional MRS service lines include:

- ◆ Development Management
- ◆ Transaction Management & Advice
- ◆ Property Asset Management
- ◆ Strategic Property Reviews



Grazer



Grazer Pty Ltd is a software company specialising in the area of property asset management.

Grazer has recently engaged MRS to provide advice on a range of accommodation options, including:

- ◆ sub-leasing potential of their existing tenancy at 69 Henley Beach Road, Mile End;
- ◆ negotiation with the Landlord;
- ◆ alternative lease accommodation options; and
- ◆ marketing and agency coordination.



Hills Industries Limited



ASX listed Hills Industries Limited has retained MRS to assist with its search for new Head Office accommodation.

Known internationally for its iconic Hills Hoist clothesline, the wide range of products manufactured and distributed by Hills is truly breathtaking. Visit www.hills.com.au to see the breadth of products available through this great South Australian company.

Having sold its Edwardstown office and manufacturing facility to the Colonial Group to enable an expansion of the Castle Plaza Shopping Centre, Hills is seeking approximately 3,000 square metres of accommodation to satisfy its immediate and long term Head Office requirement.

Hills are considering both CBD and suburban locations, with on-site carparking for approximately 100 vehicles required if a suburban site is chosen.

Blockbuster



MRS are the preferred service provider for tenant advisory services to all Blockbuster and Video Ezy franchisee operators.

Our appointment brings a consistent and streamlined process to their leasing and tenancy issues, allowing the operators to focus on running their business whilst knowing that the best solution will be achieved for the business.



Charles Sturt Industrial Estate

With the recent completion and opening of the Harvey Norman Showroom adjacent to Bunnings Warehouse, the development of Charles Sturt Industrial Estate (CSIE) has been completed.



The culmination of seven years of master planning, demolition, remediation, infrastructure upgrading and new building work is an industrial estate of which the owners, the Industry Superannuation Property Trust (ISPT), can be justifiably proud.

In addition to Bunnings and Harvey Norman, other tenants on the site include Ausdoc, Parbury, Boral Timber, O'Donnell Griffin, Al Automotive, the Commonwealth Government, Bax Global, Radio Rentals, Kuehne & Nagel, David Jones, Diverse Data, Events SA and Schenker Logistics.

There can be no doubt that CSIE is now the premier Industrial Estate in South Australia.

MRS have assisted ISPT in all aspects of this project since our establishment in 2002.

We are grateful that ISPT saw fit to entrust us with our role in the project and are absolutely delighted to have been able to assist them to bring this outstanding investment to its completion.



Gerard Corporation Property Portfolio (Bowden)

Gerard Corporation has sold its ten (10) hectare "Clipsal Site" at Bowden to the State Government.

The Government is now seeking private sector partners to transform the site into a mixed use, residentially focussed, Transport Oriented Development centred around the Bowden Railway Station.



MRS assisted Gerard Corporation with its review of options for the future use of the property, preparation of the information required prior to marketing, selection of an agent to undertake the marketing campaign, negotiation of the commercial terms of the sale and coordination of due diligence investigations.

Flinders Ports

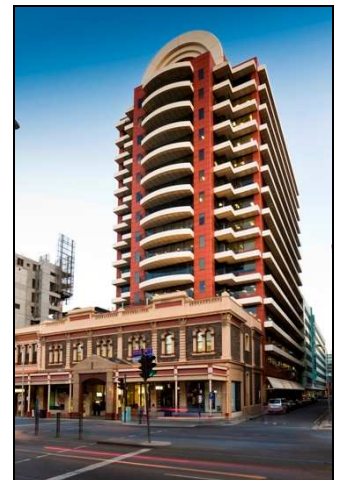


MRS has recently been appointed by Flinders Ports to assist them to bring 17 hectares of prime industrial land located on Ocean Steamers Road, Port Adelaide to the market.

Our role will be to coordinate the consultant team with respect to delivery of the land fully serviced and to assist in the identification of prospective occupants in the short to medium term.

115 Grenfell Street, Adelaide

MRS successfully handled the market rental review negotiation on behalf of Pinara Group, an Adelaide owned and operated Investment Organisation, in respect to their tenancy on Level 9, 115 Grenfell Street, resulting in a significant saving on the proposed annual rental for Pinara.



Fisher Jeffries Gadens

MRS were appointed by Fisher Jeffries Gadens to source new office accommodation for its business which, at that time, was located in 211 Victoria Square.

Following an extensive review of the market and a false start with one development option, the firm entered into negotiations with the Kambitsis Group with respect to its development at 19 Gouger Street. These negotiations resulted in the firm's commitment to the whole of Levels 1 and 2 of the building, an area of approximately 2,500 square metres.



Fisher Jeffries were attracted by the “Law Courts” precinct location, the modern design and appearance of the building and the ability to integrate its fitout and modify the building to incorporate an external balcony at first floor level.

The end result has provided a fantastic result with the clean and modern fitout catering brilliantly for the firm's staff and clients in a vibrant, “happening” location.

MRS are thrilled to have been able to assist Fisher Jeffries achieve this outstanding result.



75 Hindmarsh Square, Adelaide
Nova FM & 5AA Building



No. 1 Richmond Road
Keswick



Southlink Industrial Park
1 Sherriffs Road, Lonsdale



North Haven Shopping Centre
44-56 Osborne Road, North Haven

Property Asset Management

MRS are currently responsible for the direct asset management of a property portfolio in excess of approximately \$200 million in value.

The portfolio includes a broad mix of shopping centres, CBD and suburban office buildings and industrial properties where the role of MRS is to provide:

- ◆ financial management;
- ◆ lease management; and
- ◆ building / physical management.

These services are provided through our qualified and experienced team of three Property Managers, a Facility Manager and Trust Accountant.

Our approach to management appointments is based on personal, professional and pro-active asset and property management.

Having developed a confident understanding of our client's aspirations and objectives for the asset we adopt a strategic focus in addition to addressing the day to day issues, utilising the skills and experience of each of the MRS partners to consider the broader issues affecting the property.

MRS' clients include ASX listed fund managers, superannuation funds, syndicates and private investors.



Paul Scarborough
Director



Julie O'Malley
Asset Manager



Nadine Wessel
Asset Manager



Adrian Butterworth
Facility Manager



Diana Menesdorff
Trust Accounts

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