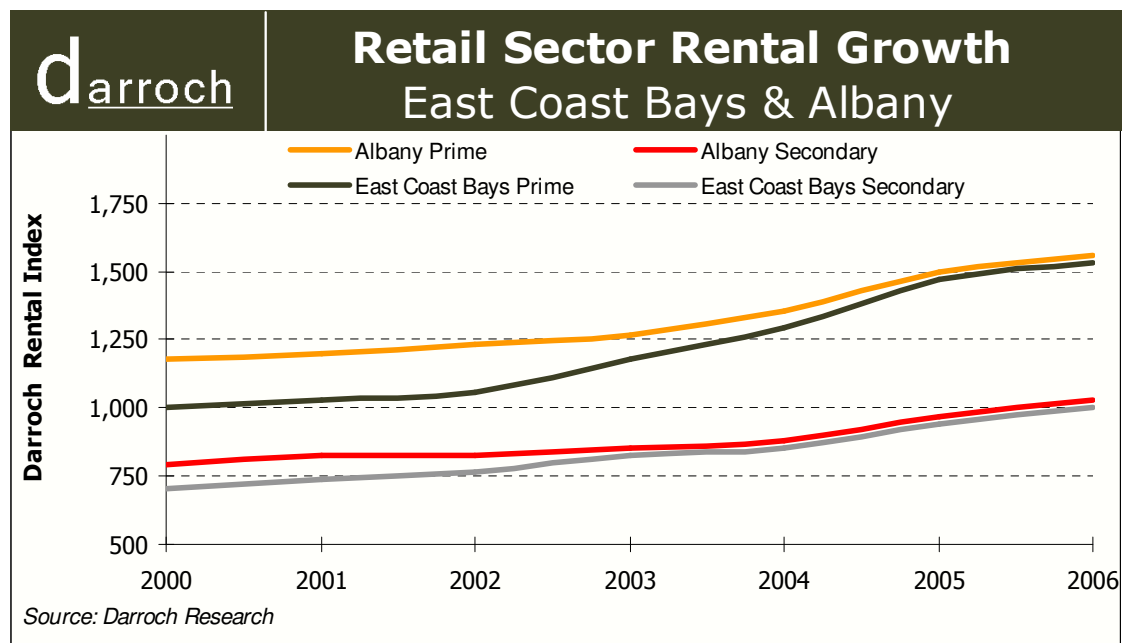


East Coast Retail Rents Play Catch Up

September 2006

Market rentals for prime retail shops in East Coast Bays have escalated in the last few years to the point that they are approaching levels achievable in comparable retail premises in Albany.

According to the *Darroch North Shore Retail Rental Index*, prime rents in East Coast Bays have almost caught up to their Albany counterparts despite starting this decade well in arrears. The dramatic recovery in East Coast Bay rent levels has seen prime rentals there average almost 7% compound growth per annum since 1999-2000. Secondary rents were fractionally more subdued but achieved a respectable 6% per annum. In contrast, growth in prime and secondary rentals in Albany averaged just under 5%. The Albany analysis excluded rents associated with bulk retail property.



Back in 1999-2000, precincts like Browns Bay & Mairangi Bay still suffered the effects of an exodus of major retailers heading north to the 'new' Albany. This resulted in an oversupply of retail premises in the East Coast Bays area. In the face of high vacancy rates and weak leasing demand rental levels stagnated. The area was forced to reinvent itself to along boutique lines including catering to a growing café culture. Stronger consumer spending as a result of a more buoyant economy after 2002 assisted. Council have also expended capital on beautification works near the Bays foreshore which has helped lift the presentation of the streetscape in the vicinity of Clyde Road and Beach Road.

At present prime vacancy rates in the main East Coast Bays precincts are extremely low. Prime rents are now achieving close to \$500 per square metre – a far cry from six years earlier when the market was weaker and top rents were lucky to break the \$300 psm barrier. Overall, the market is in far better balance now but the forecasted fall in GDP growth could impact on this sector which otherwise has been in an upbeat phase since 2003.