

XX<sup>th</sup> Xxxx XXXX

XXXXXXXX XXXXXXXX  
XXX XXXXX XXXXXX,  
XXXXXXXX Xxx XXXX

Via email: [XXXXXXXX@XXXXX.XXX.XX](mailto:XXXXXXXX@XXXXX.XXX.XX)

Dear XXXXX

Chris Mason & Associates Pty Ltd

ABN 850 116 691 10

P.O. Box 1287,

Doncaster East Vic 3109

Telephone 0417 741 481

Email: [chris@masonre.com.au](mailto:chris@masonre.com.au)

**Re: Preliminary Market Rental Advice**  
**Properties: Ground Floor Xxx XXXXXX XXXXX, XXXXXXXX Xxx XXXX**

As instructed we have inspected the retail property, situated on the Ground Floor at XXX XXXXX XXXXX, XXXXXX for the purpose of providing you with our independent opinion as to the current market rental value for the property. We are aware that lease is due to reach the end of its current term. We understand that you will have regard to our advice in negotiating the rent for the new option period of the lease.

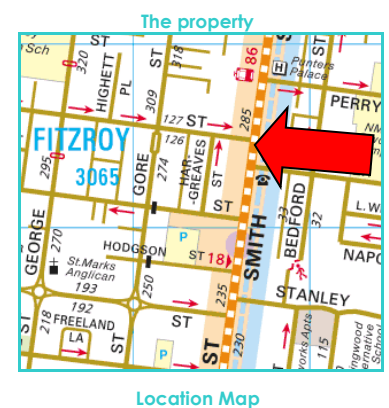
In providing some comparable evidence for your consideration, we have inspected the subject property both externally and internally, reviewed its physical attributes including accommodation, condition and useable lettable area.

In profiling suitable market evidence for comparison purposes, we have reviewed a range of recent lettings as well as review what is available for lease within the Smith Street precinct.

The property comprises one of two, ground floor retail tenancies, situated within an established two storey building, which fronts the south western corner of Smith and Greeves Street within the inner northern suburb of Fitzroy.



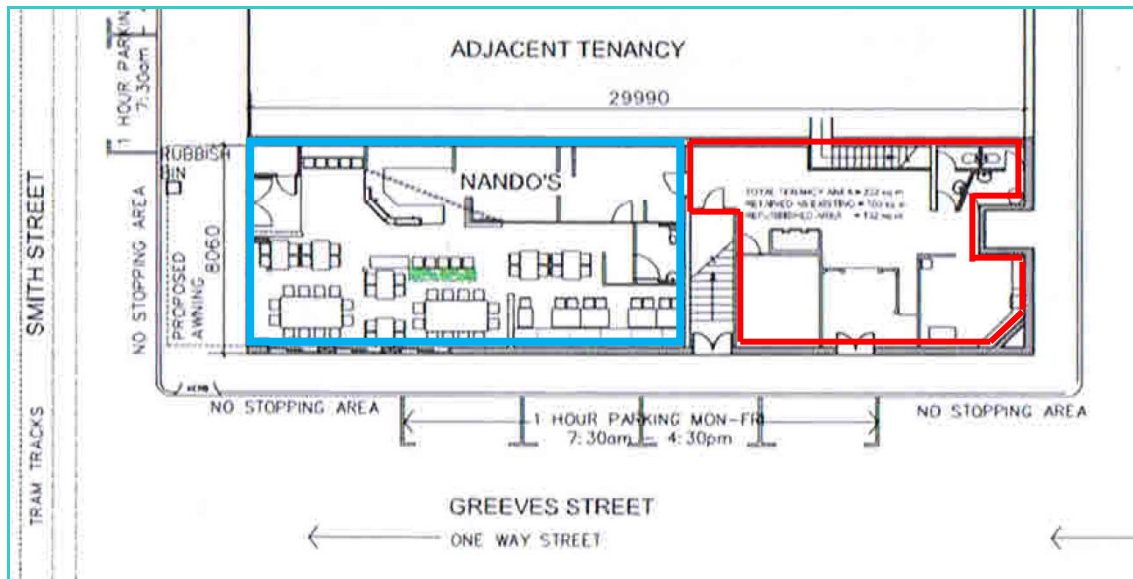
The property is located on a corner, fronting Smith Street within the busier part of the strip between Gertrude Street to the south and Johnston Street to the north.



According to Wikipedia "By the 1860's Smith Street was a popular suburban shopping strip". For a variety of reasons Smith Street has always been considered more downmarket than its trendier neighbour Brunswick Street. The strip comprises a combination of restaurant's budget type retail shops, cafe's and bars. The area north of Johnston Street comprises a number of factory outlets.

Based upon our inspection of the property we noted the following about the subject property;

- The property is located along the western alignment of Smith Street and enjoys a corner position with Greeves Street.
- The heritage nature of the building that the tenancy resides within is one subject to a Heritage listing and as such is limited by the works that can be done to the building and also restricts the external signage and lighting which can be utilised to highlight the tenancy, as such the whole of the Greeves Street facade is unused.
- While the overall size of the space appears reasonable at approximately 232.0 square metres, in practical terms however the space is not well suited to its current use, the front two thirds of shop or around 132 square metres (noted with a blue border on the plan) is good useable retail space, however the rear third of the shop (noted with a red border on the plan) or around 100.0 square metres is blighted by two separate staircases to other parts of the building, an elevated loading dock with limited access and toilets that apparently cannot be used. Clearly the rear section is of limited overall utility.



Shop Layout

- We also noted damage to the ceiling in the restaurant area caused by repeated water damage caused by a leaking toilet from the first floor.

At the time of this valuation, the economy is one of two speeds, there is the economy being driven by the huge mining boom in Western Australia and Queensland. By contrast the rest of the Australian economy is sluggish at present and we note that consumer sentiment is negative.

The Board of the Reserve Bank of Australia at its meeting in June 2012 has decided to reduce the cash rate by 25 basis points to 3.50%, in order to stimulate the economy, to date the four major banks have passed on some of this reduction to mortgage holders.

By comparison the negative sentiment reported in the media by many retailers has had little impact upon property values or retail rents in the existing strip markets of Melbourne. Vacancy rates to this point have not significantly changed to suggest that retail values are likely to soften. Despite this the anecdotal evidence points the other way with mortgage defaults and business closures increasing.

It is against this backdrop, we have considered the current market value of the property.



Shop Interior



Rear Area



Rear Area

In deriving an opinion of current market rental, we have had regard to a range of recent retail lettings within Fitzroy area and more specifically within the Smith Street retail strip over the last 12 months or so.

On this basis, we have summarised the most comparable market transactions available within the following table;

Comp	Address	Rents \$ (p.a)	Comments
1.	300 Smith Street, Fitzroy	\$75,000 / <b>\$441 p/sqm</b>	The property comprised a two storey Victorian era retail shop and first floor space occupied a cafe. The property comprised a lettable area of approximately 170 square metres. The lease was reviewed to market in 2012 at \$75,000 per annum. <b>Superior overall.</b> <b>Better located.</b> <b>Fully usable space.</b>
2.	302 Smith Street, Fitzroy	\$72,500 / <b>\$426 p/sqm</b>	The property comprised a two storey Victorian era retail shop and first floor space formerly occupied as a Laundromat and in poor condition. The property was let to a national tenant on a 5x5x5 lease. The property comprised a lettable area of approximately 170 square metres. The lease was reviewed to market in 2011 at \$72,500 per annum. <b>Superior overall.</b> <b>Better located.</b> <b>Fully usable space.</b>
3.	Ground Floor, 232 Smith Street, Fitzroy	\$101,782 / <b>\$565 p/sqm</b>	The property comprised the ground floor of a two storey Victorian era retail shop occupied by the TAB. The property comprised a lettable area of approximately 180 square metres. The lease was reviewed to market in 2012 at \$101,782 per annum. <b>Superior overall.</b> <b>Better located.</b> <b>Fully usable space.</b>
4.	340 Smith Street, Fitzroy	\$68,000 <b>\$290 p/sqm</b>	The property comprised a two storey retail shop and first floor space which is situated on the north eastern corner of Smith and Johnston Streets. The property was let to a clothing retailer. The property comprised a lettable area of approximately 235 square metres. The property was let at \$68,000 per annum in early 2012. <b>Comparable overall.</b> <b>Superior location.</b> <b>Corner position.</b> <b>No restriction on use nor signage.</b> <b>Fully usable space.</b>
5.	301 Smith Street, Fitzroy	\$34,000 <b>\$400 p/sqm</b>	The property comprised the single level retail shop. The property comprised a lettable area of approximately 85 square metres. The property was let at \$34,000 per annum in early 2012. <b>Inferior overall.</b> <b>Smaller retail area.</b> <b>Inside location.</b>
6.	274 Smith Street, Fitzroy	\$120,000 <b>\$140 p/sqm</b>	The property comprised the ground floor retail shop and basement store and loading dock situated along the eastern alignment of Smith. The property was let to a discount retailer. The property comprised a lettable area of approximately 555 square metres. The property was let at \$120,000 per annum in 2011. <b>Superior overall.</b> <b>Larger retail space.</b> <b>Wider frontage.</b> <b>No restriction on use or signage.</b>
7.	265 Smith Street, Fitzroy	\$50,000 <b>\$239 p/sqm</b>	The property comprised the single level retail shop. The property comprised a lettable area of approximately 209 square metres. The lease was reviewed in late 2011 at \$53,000 per annum. <b>Inferior overall.</b> <b>Inside location.</b> <b>No restriction on use nor signage.</b>
8	284 Smith Street, Fitzroy	\$157,000 <b>\$290 p/sqm</b>	The property comprised a three level retail space, situated on corner of Smith and Otter Streets. The property comprised a lettable area of approximately 540 square metres. The property was recently let in mid 2012 on a long term lease at \$157,000 per annum. <b>Superior overall.</b>

Comp	Address	Rents \$ (p.a)	Comments
9	63 Smith Street, Fitzroy <b>(For Lease)</b>	\$39,000 / <b>\$447 p/sqm</b> <b>(Asking Rental)</b>	<b>Prominent corner position.</b> <b>Three levels of space.</b> <b>The whole building has been redeveloped.</b> The property comprises a vacant single storey retail shop, having a lettable area of approximately 93 square metres. <b>Inferior overall.</b> <b>Lesser location.</b> <b>Smaller retail area.</b>
10.	Ground Floor 339 Smith Street, Fitzroy <b>(For Lease)</b>	\$69,000 / <b>\$475 p/sqm</b> <b>(Asking Rental)</b>	The property comprised a ground floor retail space, having a lettable area of approximately 85 square metres. <b>Inferior overall.</b> <b>Smaller retail area.</b> <b>Inside position.</b> <b>Heritage building.</b>

In considering the property and its current market value, we have been able to summarise 10 properties within the Smith Street retail strip, with information coming from recent lettings, shops available for lease, as well as information from prominent local agents active within this strip and finally from a number of adjoining tenants who were forthcoming as to their current rents. The comparable information depicts a broad range of market rents of between \$34,000 per annum which represents the lower end of the range and \$157,000 per annum at the upper end of the range. On a comparative basis, the rentals equate to a range of between \$140 and \$565 on a per square metre basis, for areas of between 85.0 and 555.0 square metres.

I note that at the commencement of the lease, the property was vacant and had been unoccupied for some time. We understand that the Nando's on behalf of the tenant undertook and completed all of the works to the building at the commencement of the lease to bring the space upto a standard capable of supporting the current fast food/restaurant use.

I also note that the commencing rental at the start of term was \$50,000 per annum, plus GST and outgoings which has grown to around the \$58,000 per annum plus GST and outgoings.

As outlined the current tenancy represents somewhat of a compromise to the deficiencies of an older building, having an irregular shaped lettable area with valuable retail space at the front as well as inefficient and less useable space at the rear.

Based upon our inspection of the property, review of a range of available market lettings as well as our anecdotal discussions with local agents in the area, we have calculated our preliminary view of the current market rental for the property as at the 28<sup>th</sup> June 2012 as follows:

Areas	Applicable Rental (Rate p/sqm)	Market Rent	Annual Rental
Front Area 132.0 sqm <b>(Prime Retail Space)</b>	\$465 p/sqm	\$61,380	
Rear Area 100.0 sqm <b>(D Grade Space)</b>	\$85 p/sqm	\$8,500	\$69,880 p.a.
		<b>Rounded</b>	<b>\$70,000 p.a.</b>

Our overall value assessment, equates on a comparative basis to a value of approximately \$302 on a per square metre basis, which is reflective of the nature of being within a heritage building with restrictions, the inefficiency of the Floorplan and the utility of the space as a whole as well as having consideration of a range of rentals within the surrounding area to the property.

We would certainly be happy to provide any further discussion on this matter, in the event that this matter is to go to determination, we would be pleased to formalise our findings into a comprehensive submission to a determining valuer.

In the event that you have a query, please contact me directly on 0417 741 481.

Regards

**Chris Mason**  
**Director**  
**Certified Practising Valuer**