Preston Rowe Paterson

International Property Consultants

Sydney *Impact* Report

Retail Market

First Half 2017

HIGHLIGHTS

- In seasonally adjusted terms, New South Wales retail market performed the strongest over the month, with an increase of 1.3% in total turnover to $8,436 million.
- Online Retail Sales Index released by the National Bank of Australia indicates a strong performance in online sales over the month of May, with a seasonally adjusted month-on-month increase of 1.3%.
- As of May 2017, New South Wales' Café, restaurant and catering services turnover stands at a seasonally adjusted $713.3 million, signifying a growth of 5.19% when compared to twelve months prior.
- A significant amount of retail development is expected to be completed by 2017. This includes the extensions of Emerton Village Shopping Centre, Glenrose Shopping Centre, Narellan Town Centre and Market Place Leichhardt. Construction of Ingleburn Village Shopping Centre is also expected to be completed by 2017.

INSIDE THIS ISSUE:

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us

Preston Rowe Paterson®
International Property Consultants

Retail Statistics

Over the month to May 2017, retail turnover in Australia increased by a seasonally adjusted 0.6%, following a rise of 1.0% over the month to April 2017. Turnover in May stood at $26,083.6 million in current seasonally adjusted prices, with increases stemming from Food retailing (+0.1%), Household goods retailing (+2.2%), Clothing, footwear and personal accessory retailing (+1.3%), Other retailing (+0.6%), Cafes, restaurants and takeaway food services (+0.6%) and Other retailing (+0.6%). While sales in the aforementioned categories were stronger, Department stores continue to struggle with turnover falling 0.7% over the month.

In seasonally adjusted terms, New South Wales performed the strongest over the month, with an increase of 1.3% in their total turnover to $8,436.6 million. New South Wales experienced the same changes over the different industry sectors over the month when compared to the rest of the country, with monthly increases recorded for Food retailing (0.4%), Household goods (3.7%), Clothing and footwear (1.9%), Café, restaurants and takeaway food services (2.2%) and Other retailing (2.8%), whilst Department stores experienced a decline of 0.5% over the month. When we look at year on year change, Café, restaurants and takeaway food services experienced the largest annual increase of 6.5%, followed by Clothing and footwear (+5.3%), Household goods retailing (4.6%), Food retailing (4.5%) and Other retailing (2.8%). Department stores experienced a decline of 1.4% in their annual turnover.

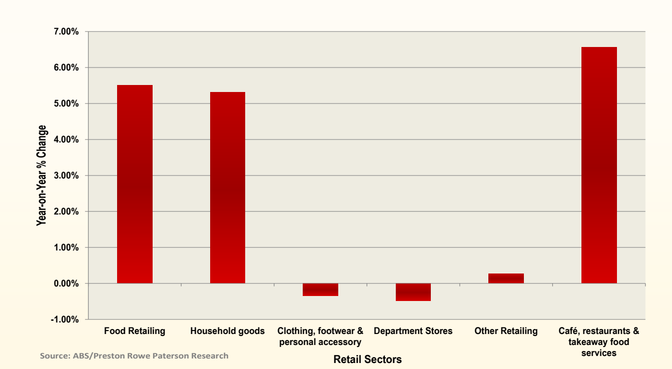

Chart 1—Year on Year % change to May 20017 of retail subgroups—Source—ABS

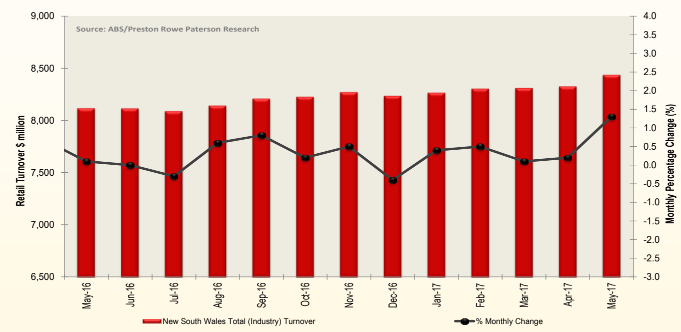

Chart 2—New South Wales Retail Turnover—Source—ABS

Online Retail

The Australian & New Zealand Standard Industrial Classification (ANZSIC) defines 'retail trade' as "the purchase and on-selling, commission-based buying, and commission-based selling of goods, without significant information, to the general public".

Online Retail Sales Index released by the National Bank of Australia indicates a strong performance in online sales over the month of May, with a seasonally adjusted month-on-month increase of 1.3%. This increase follows a weak performance in April, of which the index contracted by -0.7% over the month. Over the year to May, online retailing increased by 7.9%. It's estimated that Australian consumers have spent approximately $22.53 billion worth of online transactions over the twelve months to May 2017, which the NAB have estimated to be equivalent to 7.4% of spending at traditional in-store retailers. The largest spend share over the month stemmed from online purchases of Homeware and appliance (11.5%), Department stores (6.8%), Grocery and liquor (6.6%) and Personal & recreational goods (5.7%).

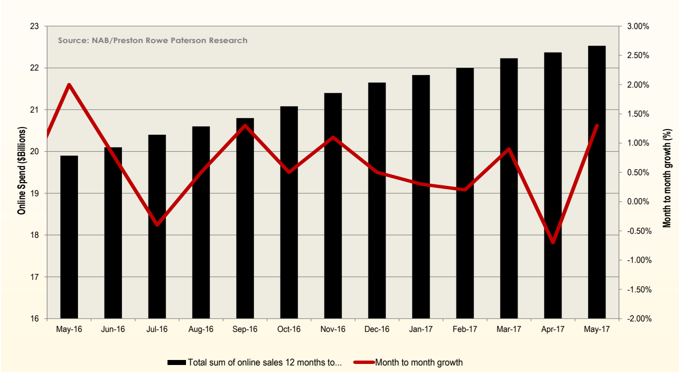

Chart 3—NAB Online Retail Sales Index—Source—NAB

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us

Preston Rowe Paterson

International Property Consultants

A Snapshot into Sydney's Food Services Industry

The main drivers of the café, restaurant and takeaway food services industry include real household disposable income, convenience of service and location, health, competition and food and pop cultures. When we look at wage growth between 2004 and 2012, figures were around 4%, which allowed consumers to spend more on discretionary expenditure such as dining out. However, between 2012 and 2016, wage growth slowed to an average of 2% per annum, which inevitable would have an effect on consumers' choice to do so. When we look at total turnover for café, restaurants and catering services in New South Wales, figures slumped down to $630.2 million during October 2014 before increasing to a turnover of $641.0 million in December 2014, and then further dropping to $626.9 million in February 2015. It was during February 2015 that turnover had recorded an annual decline of -1.95. However, we note that the sub-industry recovered afterwards, with fluctuating albeit positive annual growths up until January 2016, during which annual change in turnover in NSW peaked at 11.4% with a seasonally adjusted turnover of close to $710 million. As of May 2017, New South Wale's Café, restaurant and catering services turnover stands at a seasonally adjusted $713.3 million, signifying a growth of 5.19% when compared to twelve months prior.

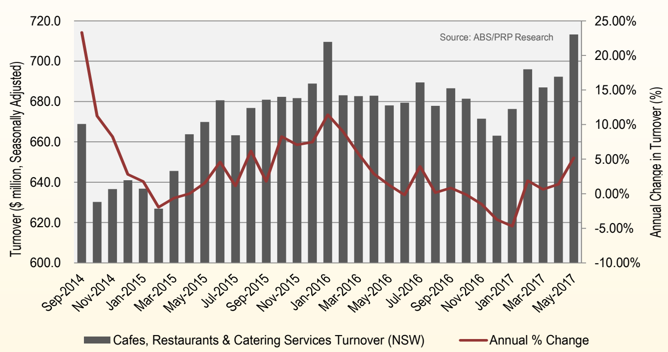

Chart 4—Monthly turnover for Cafes, restaurants & catering services in NSW & annual percentage change—Source—ABS

During this modern era, Australians are living busier lives, which inevitably would lead to an increased demand in fast and convenient food and beverages. According to the Australian Bureau of Statistics, takeaway food services have increasingly become a larger portion of total Food services turnover over the past three years. Back in September 2014, Café, restaurant & catering services as a % of total food services turnover stood at 61.1%, whilst Takeaway food services took up 38.2%. As at May 2017, Café, restaurant & catering services declined to 55.8%, whilst Takeaway food serviced increased accordingly to 44.2%.

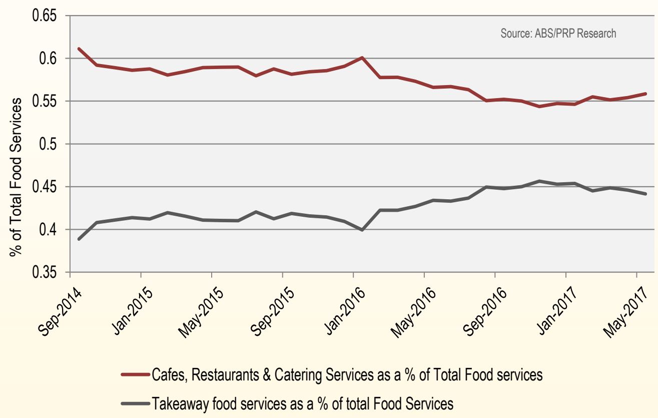

Chart 5— Food industry subgroups as a percentage of total food services—Source—ABS

Consumer taste is also changing, with a shift in demand towards healthier, quality food and beverages. Restaurants have begun to focus on fresh, premium ingredients and increasing their menu range as this is expected to reap in the most customers as they search for better quality dining experiences. When we look at price growth of restaurant meals in Sydney, figures indicate that prices have been on the upward trend since December 2015 when it comes to restaurant meals, albeit it showing signs of strong price fluctuations prior. Similarly with price changes for Takeaway and fast foods in Sydney, we can see clear price fluctuations, with percentage increases peaking in December 2015 at 1.4% over the quarter (corresponding to Restaurant meals' quarterly price decline of -0.4%), though figures indicate that price changes for takeaway & fast food appear to be on the downward trend. This figure indicate that in Sydney, consumers are becoming more inclined to spend more on quality produce which often comes with sit-in restaurants rather than takeaway and fast food chains. In saying this, competition within the restaurant and food services industry is strong, which will be the main factor in limiting price growth in the future. From Figure 3, we can see that price changes in restaurants meals as well as takeaway food is gradually syncing with price changes in CPI, indicating that restaurants and takeaway food services will have less room to move when it comes to adding a mark-up to inflation. As at June 2017, restaurant meals in Sydney inflated by 1.0% when compared to the previous three months, whilst takeaway % fast food experienced a similar change with 0.9% inflation over the same period. However, Sydney experienced an overall increase in CPI of 0.4% over the June quarter, though this figure is influenced mainly by falls in domestic holiday travel & accommodation (-2.7%), insurance (-3.5%) and fruit (-4.5%).

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us

RETAIL MARKET

Analysis of the Property Council of Australia's (PCA) Shopping Centre Directory has revealed the following definitions of the eight core classifications of shopping centres;

1. **City Centre**—Retail premises within an arcade or mall development with a total gross lettable area **exceeds 1,000 sqm**.
2. **Super Regional Centre**—A major shopping centre which typically includes two full line department stores, two supermarkets, one or more full line discount department stores and approximately 250 specialty shops. Total gross lettable area **exceeds 85,000 sqm**.
3. **Major Regional Centre**—A major shopping centre with at least one full line department store, one or more full line discount department stores, a supermarket and approximately 150 specialty shops. Total gross lettable area ranges **between 50,000 & 85,000 sqm**.
4. **Regional Centre**—A shopping centre with one full line department store, a full line discount departments store, supermarket and approximately 100 specialty shops. Total gross lettable area ranges **between 30,000 & 50,000 sqm**.
5. **Sub-Regional Centre**—A medium sized shopping centre with at least one full discount department store, major supermarket and approximately 40 specialty shops. Total gross lettable area ranges **between 10,000 & 30,000 sqm**.
6. **Neighbourhood Centre**—A local shopping centre comprising a supermarket and approximately 35 specialty shops. Total gross lettable area is **less than 10,000 sqm**.
7. **Outlet Centre**— A medium to large sized shopping centre which does not normally include a department store, discount department store or supermarket. Comprises of specialty shops often selling stock at discounted prices including samples, seconds ad discontinued lines.
8. **Bulky Goods Centre**— A medium to large sized shopping centre dominated by bulky goods retailers (furniture, white goods and other home wares), occupying large areas to display merchandise. Typically contain a small number of specialty shops. Total gross net lettable area retail is generally **greater than 5,000 sqm**.

Investment Activity

Preston Rowe Paterson Research recorded a number of significant retail sales in New South Wales over the year to June 2017:

Centre	Address	Sale Price	Sale Date	Reported Yield	Vendor	Purchaser	GLAR (sqm)	$/sqm	Type
Marketfair Campbelltown Mall	4 Tindall Street, Campbelltown NSW 2560	$ 48,250,000.00	Aug-16	6.50%	Private owner	APOF II	9,094	$2,098.00	Enclosed Retail Centre
David Jones	77 Market Street, Sydney NSW 2000	$ 360,000,000.00	Aug-16	4.50%	Woolworths Holdings	Scentre Group/Cbus Fund	9,427	$32,030.00	Enclosed Retail Centre
Campbelltown Mall	271 Queen Street, Campbelltown NSW 2560	$ 197,000,000.00	Sep-16	6.00%	Perron Investments	Charter Hall Group	42,200	$4,668.00	Enclosed Retail Centre
37 Epping Road, Macquarie Park NSW 2113	37 Epping Road, Macquarie Park NSW 2113	$ 34,000,000.00	Sep-16	7-8.00%	Abacus Property Groups	CorVal	8,010	$4,245.00	Bulky Goods Centre
Edgecliff Centre	Edgecliff NSW 2027	$ 138,750,000.00	Sep-16	3.72%	Private owner	Longhurst Group	10,845	$12,794.00	Sub-regional centre
37 Epping Road, Macquarie Park NSW 2113	37 Epping Road, Macquarie Park NSW 2113	$ 34,000,000.00	Sep-16	7-8.00%	Abacus Property Groups	CorVal	8,010	$4,245.00	Bulky Goods Centre
Kogarah Town Centre	1/9 Railway Parade, Kogarah NSW 2217	$ 47,500,000.00	Oct-16	6.95%	Stonebridge Property Group	Private Investor	6,484	$7,326.00	Neighbourhood
Menai Central	5/21 Carter Road, Menai NSW 2234	$ 43,300,000	Oct-16	7.23%	Sentinel Property Group	Wingdom Group	10,165	$4,260.00	Enclosed Retail Centre
Bathurst Supa Centre	Bathurst Supa Centre, Kelso, NSW 2795	$ 14,500,000.00	Nov-16	7.51%	Private syndicate	Private investor	6,565	$2,209.00	Large Format Retail
Super AMART Auburn	315 Parramatta Road, Auburn, NSW 2144	$ 28,250,000.00	Dec-16	N/A	N/A	N/A	10,805	$2,615.00	Large Format Retail
Bunnings Bathurst	21 Great Western Highway, Bathurst, NSW 2795	$ 25,500,000.00	Dec-16	5.35%	Bunnings Group	Private investor	14,272	$1,787.00	Large Format Retail

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us

Bathurst Supa Centre	230 Sydney Road, Kelso, NSW 2795	$	14,670,000.00	Feb-17	7.40%	Crowe Horwath	Properties and Pathways	7,487	$1,959.00	Neighbourhood
Maryland Shopping Centre	144 Maryland Drive, Maryland, NSW 2287	$	7,500,000.00	Mar-17	4.40%	PPB Advisory	Newcastle-based Syndicate	4,985	$540.00	Neighbourhood
Symond Arcade	12-14 Churchill Avenue, Strathfield, NSW 2135	$	30,000,000.00	Mar-17	3.00%	Private owner	Private buyer	645	$46,512.00	Neighbourhood
Muswellbrook Marketplace	72-78 Brook Street, Muswellbrook, NSW 2333	$	34,250,000.00	May-17	8.72%	Private owner	Muswellbrook Shire Council	12,838	$2,075.00	Sub-regional
Salamander Bay Centre	2 Town Centre Circuit, Salamander Bay, NSW 2317	$	174,500,000.00	May-17	6.00%	Private owner	Charter Hall Retail REIT	24,000	$7,271.00	Sub-regional
NSW Large Format Retail Sales Wrap (Home Hub Castle Hill & Home Hub Marsden Park)	16-18 Victoria Avenue & Showground Road, Castle Hill, NSW 2154; 9 Hollinsworth Road, Marsden Park, NSW 2765	$	436,000,000.00	May-17	5.60%	LaSalle Investment Management	Aventus Property Group	N/A	N/A	Large Format Retail

Table 1—Retail Centre Sales Transactions - Source - Preston Rowe Paterson Research

Sales Information

Preston Rowe Paterson Research recorded many major retail transactions in the six months to June 2017. Notable sales transactions over the six months include:

230 Sydney Road, Kelso, NSW 2795

Properties and Pathways have acquired the Bathurst Supa Centre from Crowe Horwath for $14.67 million, on a yield of 7.4%. The 7,487 m2 large format retail centre is anchored by Fantastic Furniture, BCF, Petbarn and Homemakers Furniture. Kelso is located about 195 km north-west of the Sydney CBD.

10 Darwin Street, Cessnock, NSW 2325

A Melbourne vendor has sold a *Big W*-anchored retail centre to a Sydney-based private investor for **$13.2 million**. The 8,009 m2 centre is 89% leased and occupies a 1.9-hectare site. The sale reflects a **passing yield of 7.6%** and a **rate of $695 psm**. Cessnock is located about 151 km north of the Sydney CBD.

Shop 12, 1 Macquarie Street, Circular Quay, NSW 2000

A local family investor has purchased a retail strata unit leased to *French Connection UK (FCUK)* for **$10.2 million**. The 131 m2 shop sold in an off-market deal on a **net yield of 3.15%.** The sale reflects a **rate of $77,863 psm.**

Roselands Drive, Roselands, NSW 2196

Revelop has paid $13 million to Charter Hall Retail REIT for the freestanding Woolworths Rosehill. The 4,012 m2 site has a 2,440 m2 supermarket and BWS liquor store as well as 99 on-grade car spaces. The sale reflects a 5.3% net yield and a rate of $3,240 psm. Roselands is located about 15.2 km south-west of the Sydney CBD.

82-84 Dixon Street, Haymarket, NSW 2000

A 3-level commercial building on a 342 m2 site has sold at auction for $19.9 million. The ground-floor of the 983 m2 of lettable area property is leased to Hingara Chinese Restaurant, while the upper retail levels are leased to Live Crafts Centre. The site is zoned B8 Metropolitan Centre. The sale reflects a rate of $58,187 psm.

144 Maryland Drive, Maryland, NSW 2287

A Newcastle-based syndicate has purchased the 4,985 m2 The Neighbourhood Centre from PPB Advisory for $7.5 million on a sharp initial yield of 4.4%. The centre has 1 mini-major, 6 specialty tenants, one ATM and 4 vacancies. There are also 180 car spaces on the 1.39-hectare. The sale reflects a rate of $540 psm. Maryland is located around 14.4 km north-west of Newcastle's CBD.

12-14 Churchill Avenue, Strathfield, NSW 2135

A private buyer has acquired the Symond Arcade at auction for just above $30 million. The property has 12 ground-floor retail shops and 14 offices on the upper level. The sale of the 645 m2 site reflects a rate of over $46,512 psm. Strathfield is located around 12.2 km west of the Sydney CBD.

4-12 Garfield Street, Five Dock, NSW 2046

A private investor has purchased a Coles strata-titled supermarket for $19.66 million at a net yield of 4.89%. The 3,333 m2 Coles-anchored stratum supermarket features a restaurant and secure basement parking for 163 vehicles. The sale reflects a rate of $5,899 psm. Five Dock is located around 9.2 km west of Sydney's CBD.

72-78 Brook Street, Muswellbrook, NSW 2333

A subregional shopping centre anchored by Woolworths Supermarket and Big W has sold for $34.25 million. A private vendor sold the Muswellbrook Marketplace shopping centre to Muswellbrook Shire Council. The Council's Future Fund will use both debt and equity to acquire the property in order to rejuvenate the town centre's current decline. The property features 3 mini major tenants, 28 specialties, 1 kiosk, 1 ATM, under croft car parking for 426 vehicles and a Woolworths Petrol pad site. The 12,838 m2 shopping centre occupies a 16,508 m2 site and brings in a fully leased net income of $2,985,306 per annum. The sale reflects a net yield of 8.72% and a rate of $2,075 psm. Muswellbrook is located around 231 km north of Sydney's CBD.

2 Town Centre Circuit, Salamander Bay, NSW 2317

The Salamander Bay Centre has been bought by Charter Hall Retail REIT for $174.5 million. The 24,000 m2 mall has been purchased on a 6% cap rate. The circa 1986 centre has been anchored by Coles, Woolworths, Kmart, Aldi and Target Country as well as over 55 specialty stores. The sale reflects a rate of $7,271 psm. Salamander Bay is located 45 km north-east of the Newcastle CBD.

New South Wales Large Format Retail Sales Wrap

Aventus Property Group has paid $436 million for two Sydney facilities controlled by LaSalle Investment Management. The properties include Home Hub Castle Hill and Home Hub Marsden Park. The average capitalisation rate for the portfolio of 5.6%.

NSW Retail Sales Wrap

Sentinel Property Group has sold 3 neighbourhood shopping centres for a total of $44.5 million to Real Asset Management. The properties that were sold include the 4,205 m2 Rutherford Shopping Centre on a yield of 6.89%, the 3,841 m2 Tanilba Bay Shopping Centre on a yield of 7.17% and the 5,560 m2 Gunnedah Shopping Centre on a yield of 7.71%. All three of the shopping centres are Coles anchored.

Corner Sturgeon and Glenelg Street, Raymond Terrace, NSW 2324

Vicinity Centres has sold the 7,258 m2 **Terrace Central** for **$33.5 million** to *Panthera Property Group* and is to settle in November. The neighbourhood shopping centre is anchored by *Woolworths*. The sale reflects a **rate of $4,616 psm.** Raymond Terrace is located 24.5 km north of Newcastle's CBD.

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us

Development Activity

Preston Rowe Paterson Research recorded a number of retail developments that are in various stages of construction in New South Wales over six months to June 2017:

Centre	Address	Type	New (sqm)	Extension (sqm)	Refurbish (sqm)	Completion
Coles East Leppington	Leppington NSW 2179	Freestanding	5,440			2017
Emerton Village Shopping Centre	Jersey Road & Popondetta Road, Emerton NSW 2770	Neighbourhood		7,500		2017
Glenrose Shopping Centre (Stage 2)	56-58 Glen Street, Belrose NSW 2085	Neighbourhood		10,243		2017
Narellan Town Centre	326 Camden Valley Way, Narellan NSW 2567	Regional		36,000		2017
Marketplace Leichhardt	100/122-138 Flood Street, Leichhardt, NSW 2040	Freestanding		1,150		2017
Ingleburn Village Shopping Centre	104 Macquarie Road, Ingleburn, NSW 2565	Freestanding	10,850			2017
Macurthur Square Shopping Centre	200 Gilchrist Drive, Campbelltown NSW 2560	Major Regional		16,000		2018
Glemore Park Town Centre	1-11 Town Terrace, Glenmore Park, NSW 2745	Sub-Regional		8,700		2018
Stockland Green Hills Shopping Centre	1 Molly Morgan Drive, East Maitland NSW 2323	Sub Regional		37,000		2018
Castle Towers Shopping Centre	6-14 Old Castle Hill Road, Castle Hill NSW 2154	Super Regional		80,000	113,457	2018
Woolworths Prestons	Prestons, NSW 2170	Freestanding	5,300			2018
Stockland Glendale Shopping Centre	387 Lake Road, Glendale NSW 2285	Sub Regional		7,680		2019
Bonnyrigg Shopping Village	Edensor Park, NSW 2176	Neighbourhood	13,000			2019
Crown Casino Retail	Barangaroo, NSW 2000	Mixed Use	6,700			2019
Woolworths Kellyville	Kellyville, NSW 2155	Neighbourhood	6,265			2019
Woolworths Kirrawee	Kirrawee, NSW 2232	Freestanding	5,400			2020
Woolooware Bay Precinct	Woolooware, NSW 2230	Mixed Use	26,473			2020
Coles Schofields	Schofields, NSW 2762	Neighbourhood		4,200		2021
Sydney Fishmarkets	Bank Street & Pyrmont Bridge Road, Sydney NSW 2009	Mixed Use	15,500			2021
Westfield Roselands	Roseland Drive, Roseland NSW 2196	Regional		50,000	62,000	TBC

Table 2- Retail Developments - Source - BCI/Preston Rowe Paterson Research

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us

Development Information

The observable retail developments that are due for completion in 2016 and beyond in the Sydney metropolitan area are predominantly retail extension projects.

Woolooware Bay Town Centre

The development of Woolooware Bay Town Centre is a joint-venture project undertaken by Capital Bluestone and the Cronulla Sharks Leagues Club, which commenced in 2010 and is expected to be completed by 2020. The development encompasses three separate stages of residential development which will add an approximate total of 625 apartments in combination with a rooftop pool, an exclusive health club, a rooftop cinema and café. Stage 4 of the project will include the addition of retail centre, hotel and serviced apartments. The new retail area will cover over 26,000 square metres of floor space, and will include a full-line supermarket, specialty retail stores, mini-majors, a new medical centre and food court. A community space will also be added into the development, which will include a 220 square metre community room that will be offered free of charge to various community groups. Construction of Stage 4 additions is expected to begin in December 2017, and is expected to be completed in the fourth quarter of 2020.

Castle Towers Shopping Centre

Castle Towers Shopping Centre is currently undergoing renewal and expansion of its retail space, with an addition of 80,000 square metres of floor space to be added for retail, dining and entertainment purposes as well as the refurbishment of approximately 113,500 square metres of old floor space and an addition of close to 8,000 car spaces. The shopping centre was built in 1979 and last refurbished in 1991. The current make over will see the extension being built as a four-storey space, which will include a brand new food court, speciality stores and restaurants. The $900 million redevelopment plan in Castle Towers will increase the retail floor area from 113,197 square metres to 193,457 square metres, and is expected to result in an improvement in access and circulation through the parking area by the introduction of new entry and exit points.

Ingleburn Village Shopping Centre

The re-development of Ingleburn Village Shopping Centre will result in the revamp of the entire retail space with the addition of a full line Coles supermarket and a mix of twenty four shops, cafes, restaurants and services. 416 car park spaces will be also added for easy car access, though the centre is also easily accessible by public transport with Ingleburn train station a short walk away. There will be approximately 8,400 square metres of new retail space, with Coles supermarket will alone taking up 4,000 square metres of floor space.

Stockland Green Hills Shopping Centre

The $412 million redevelopment of Stockland Green Hills will result in the doubling of size of the centre, from the previous 33,000 square metres to the planned 74,000 square metres. Furthermore, approximately 1,500 car spaces will be created, taking the total number of car spaces to over 3,100 spaces. The first stage of the development opened in late April 2017, with the introduction four brand new stores and the return of old favourite that have come back bigger than their previous spaces. The second stage of development is expected to be open sometime early August 2017, with the introduction of 17 new retail stores and an additional 320 additional roof top car park spaces. Upon completion, the centre will have a new format David Jones department store, as well as s new 5,900 square metre Target department store, 900-seat Hoyts cinema and a total of 225 other specialty stores. The redevelopment will also provide the centre with new dining and entertainment precinct, which will become the biggest with the most variety in the region. Completion date is expected to be around mid-2018.

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us

Economic Fundamentals

Consumer Price Index

The June quarter Consumer Price Index (CPI) figures will not be available until 27th July, hence March quarter figures will be used for the following analysis. CPI increased by 0.5% over the March quarter, following an increase of 0.5% in the December quarter 2016. The main contributor to this increase was the Housing group (+0.8% over the quarter), the Transport group (+1.5% over the quarter), the Health group (+2.0%), Education group (+3.1%) and the Alcohol and tobacco Group (+1.1%). In contrast, the main inhibitors to further increases in CPI were the Furnishing, household equipment & services group (-1.0%), Recreation & culture group (-0.7%), Clothing and footwear group (-1.4%), Communications group (-0.3%) and Food & alcoholic beverage group (-0.2%).

Over the year to March 2017, All Groups CPI increased across all eight capital cities in Australia, with Melbourne and Sydney recording the biggest yearly increase, of +2.5% and +2.4% respectively. In contrast, Darwin recorded the lowest increase, with an annual change of 0.5%. Over the March quarter, CPI increased in all capital cities, except for Darwin.

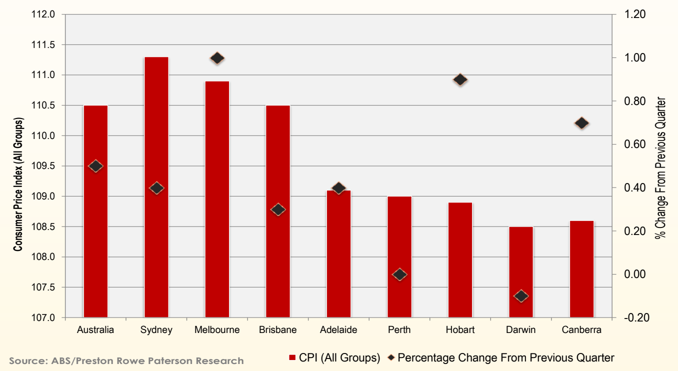

Chart 1—All Group CPI (Capital Cities) and Percentage Change from December 2016 to March 2017—Source—ABS

Business Sentiment

Both business conditions and business confidence declined over the month of May. Figures released by National Australia Bank indicate that business conditions dropped by 1 point, to +12 index points, whilst business confidence index fell by 6 points to +7 index points. In stating this, both indices remain slightly above their long-run average index (+5 for business conditions, +6 for business confidence), with leading indicators for both business condition and business confidence remaining relatively strong. NAB's chief economist, Alan Oster, noted that a disconnect is present when we look at evidence of solid business activity in conjunction with data that indicates a slowdown in consumer spending. With weak household data and wage growth remaining at record low, and a strong business sector, Mr Oster have noted how this 'disparity resolves itself will be critical to the outlook for growth'.

	Net Balance		
	March 2017	April 2017	May 2017
Business confidence	7	13	7
Business conditions	14	13	12

Table 1— Monthly Net Balance of Business confidence index and Business conditions index — Source— National Australia Bank

Consumer Sentiment

According to the Westpac Melbourne Institute Index of Consumer Sentiment, consumers over the month of June are feeling the most pessimistic since the Reserve Bank's 2016 rate cuts. The index fell 1.8% from 98.0 in May to 96.2 in June, with a reading below 100 indicating that the number of pessimists outweigh optimists in their outlook of the economy. The main contributor to the results stems from the March quarter GDP figures, which produced relatively weak results. Annual growth had declined to 1.7%, the slowest increase since the GFC prompting consumers' pessimistic responses during the June survey.

Job security remains a topic on most consumers' mind, with the Westpac Melbourne Institute Unemployment Expectations Index increasing from 135.5 to 140.3, with a lower number indicating that fewer consumers expect unemployment to rise over the next twelve months. In saying this, job figures have come out positive, with unemployment expectations showing a positive improvement, as average index figures for 2015 and 2016 were both at 144 points.

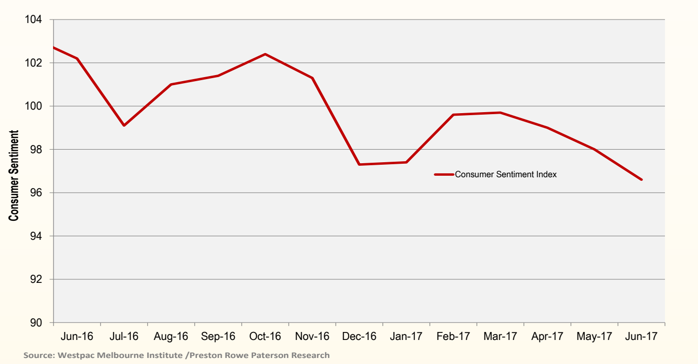

Chart 2—Consumer Sentiment Index, February 2016 to February 2017—Source—Westpac Melbourne Institute Survey

	June 2016	May 2017	June 2017
Consumer Sentiment Index	102.2	98	111.3
Family finance vs. a year ago	90.3	82.6	81.4
Economic conditions next 12 months	97.9	95.9	91.3
Time to buy a dwelling	103.7	90.0	90.9

Table 2— Consumer Sentiment– June 2017 — Source— National Australia Bank

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us

Gross Domestic Product

Over the first quarter of 2017, Australia's gross domestic product (GDP) increased by a seasonally adjusted 0.3%- a relatively weak figure when compared to December 2016 quarterly increase of 1.1%. Over the twelve months to March 2017, Australia's economy grew by 1.7%, relatively weaker than the 2.4% yearly increase in the fourth quarter 2016. Many economists had anticipated weaker growth over March quarter, after current account figures had indicated a dramatic slowdown in exports over the three months. However, the quarter's growth now means that Australia has experienced 103 quarters without a technical recession (defined as two consecutive quarters of negative growths).

We note that export of goods and services declined by a seasonally adjusted 1.6% over the quarter. The main influence was a decline in the export of mineral ores and coal, which contributed to a 2.6% decline in the export of goods. The export of services partially offset this decline by increasing by 2.5% over the quarter, though was not enough to stimulate an overall positive growth after the previous six quarters of growth. Moreover, terms of trade increased by 6.6% over the quarter, a decline from the 9.6% increase from last quarter.

Dwelling investments declined by 4.4% over the March quarter, though over the twelve months, dwelling investment has declined by 2.5%. Victoria was the only state to experience an increase in dwelling investment over the quarter, though at a national level, dwelling investment remains high.

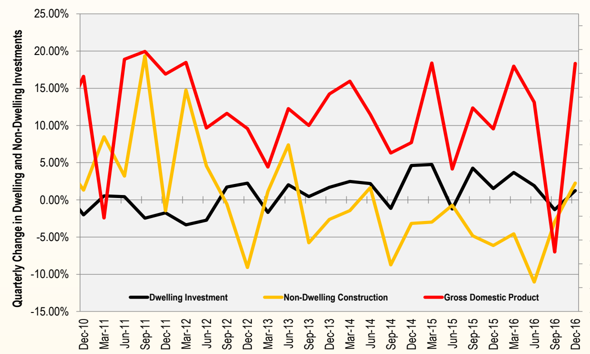

Chart 3— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

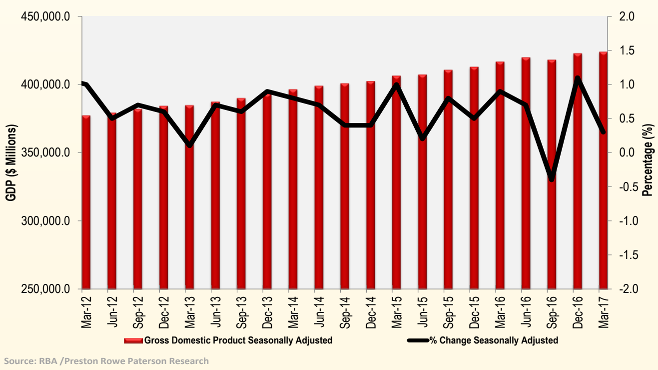

Chart 4— Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP— Source: ABS

Unemployment

Over the month to May 2017, seasonally adjusted unemployment rate declined to 5.5%, the lowest level since February 2013. There were 52,100 new persons in full time employment, though the number of persons starting part-time roles declined by 10,100- bringing the net total number of employed persons to 42,000 over the month. Over the same period, the participation rate declined to 64.9% (-0.1%), underemployment rate declined to 8.8% (-0.1%) and the underutilisation rate declined to 14.4% (-0.4%).

New South Wales experienced the largest month-on-month increase in employment with 32,600 persons. Victoria and Queensland experienced the next largest increases, with 6,900 persons and 5,500 persons respectively. When we look at the unemployment rate around the country, South Australia and Western Australia experienced the largest decline, both by -0.4%. Tasmania experienced an increase of 0.2%, whilst New South Wales increased by 0.1%. Tasmania experienced an increase of 0.8% in their participation rate, whilst Western Australia experienced a decline of 0.1% in theirs.

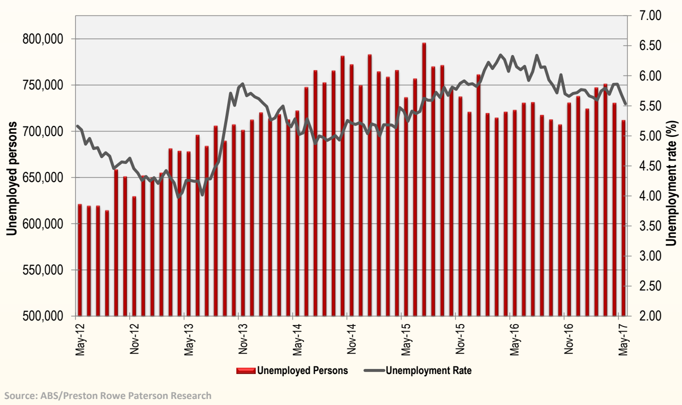

Chart 5— Unemployment Persons and Unemployment Rate, March 2011 to March 2017 — Source: ABS

	Unemployment Rate (%)			Participation Rate (%)		
	April	May		April	May	
Australia	5.7	5.5	▼	64.9	64.9	—
New South Wales	4.7	4.8	▲	65.3	65.2	▼
Victoria	6.1	6.0	▼	66.0	65.5	▼
Queensland	6.3	6.1	▼	69.0	68.1	▼
South Australia	7.3	6.9	▼	65.0	64.8	▼
Western Australia	5.9	5.5	▼	68.8	67.5	▼
Tasmania	5.9	6.1	▲	59.5	59.9	▲
Northern Territory*	3.3	3.2	▼	74.3	65.6	▼
Australian Capital Territory*	3.6	3.5	▼	67.8	66.1	▼

Table 3— Unemployment Rate and Participation Rate, February vs. March 2017 — Source: ABS * Trend figures used for NT and ACT as seasonally adjusted data for both are not publicly available

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us

10 Year Bond & 90 Day Bill Rate

10-year government bond yield in Australia declined by 0.14% to 2.41% over the month to June 2017. Over three months, the 10-year bond yields declined by 0.40%, though when compared to June 2016, yields had increased by 0.29%. Australia's 90-day bill rate declined by 0.01% over the month, to 1.72%. This figure signifies a 0.07% decline over the quarter and a 0.27% decline over the year. Historically, Australian government yields are usually higher than that of the US government yields. However, the differential between Australian and US 10-year government bonds have narrowed to just 16 basis points at the end of June as global investors price in more monetary tightening by the Federal Reserve. We note that Australian 10-year bond yields, being influenced by the global increase in yields, had increased by 53 basis points since August last year, during which yields dropped to a historical low of 1.88%. Preston Rowe Paterson notes that long term bond yields have been declining gradually since the 1980's, and we consider the sharp increase in late December 2016 and the current elevated bond yields a normalisation of 10-year government bonds after it dropped to a record low in August 2016.

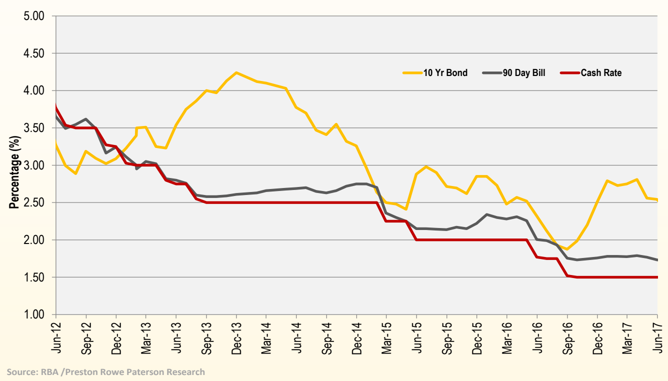

Chart 6— Monthly Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

Interest Rates

The Board of the Reserve Bank left rates unchanged at 1.5% for the tenth consecutive month at their June meeting. The main concerns brought up at the board meeting included concerns surrounding Australia's low wage growth and the imbalance between the housing markets around various parts of Australia. Ultimately, the Reserve Bank strives to achieve financial stability by pursuing an inflation target of two to three percent over the medium term. As the nation transitions through the mining boom investment phase, interest rates were cut to its lowest historical levels in order to support economic growth within the country. Reserve Bank board members noted the importance of a prudent regulatory body in promoting financial stability, and noted the need for a strong relationship built between the Bank and banking regulators, especially Australia Prudential Regulatory Authority (APRA).

The Board's decision to keep interest rates unchanged stemmed from upbeat messages from world economic growth, in conjunction with the prospect of world-wide increase of wages and prices as the labour markets in many countries begin to improve. It was also noted that headline inflation in many countries have increased over the past twelve months, though core inflation remain relatively low. In the domestic economy, improvements in business conditions and business investments, in the parts of the economy that was not directly affected by the slowdown in mining investments contributed to the Board's interest rate decisions. Slow wage growth continue to highlighted, with members pointing out the low increase in income and high levels of household debts as being the main inhibitors to household consumption.

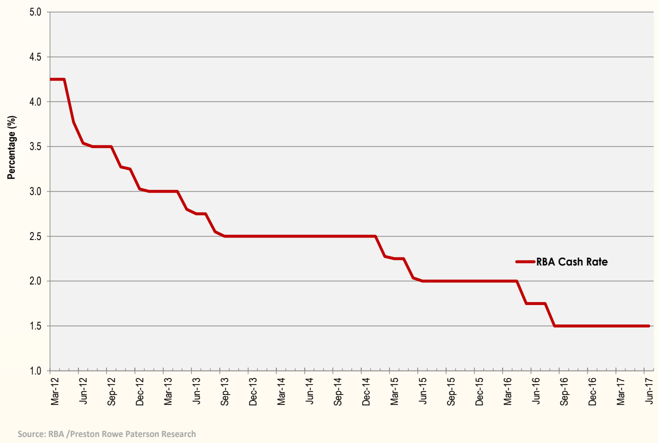

Chart 7— Reserve Bank of Australia Overnight Cash rate—Source: RBA

Exchange Rate

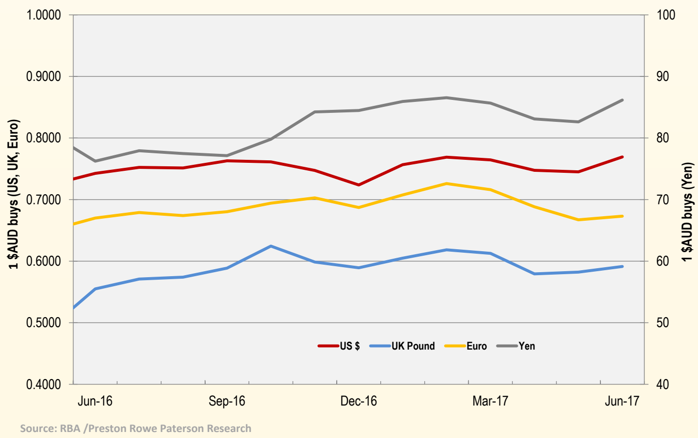

Chart 8— Movement in Exchange Rate over the year to March 2016— Source: RBA

Our Research

At Preston Rowe Paterson, we pride ourselves on the research which we prepare in the market sectors within which we operate. These include Commercial, Retail, Industrial, Hotel & Leisure and Residential property markets as well as infrastructure, capital and plant and machinery markets

We have *property* covered

· Investment
· Development
· Asset
· Corporate Real Estate
· Mortgage
· Government
· Insurance
· Occupancy
· Sustainability
· Research
· Real Estate Investment Valuation
· Real Estate Development Valuation
· Property Consultancy and Advisory
· Transaction Advisory
· Property and Asset Management
· Listed Fund, Property Trust, Super Fund
· and Syndicate Advisors
· Plant & Machinery Valuation
· General and Insurance Valuation
· Economic and Property Market Research

We have all *real estate* types covered

We regularly provide valuation, property and asset management, consultancy and leasing services for all types of real estate including:

· CBD and Metropolitan commercial office buildings
· Retail shopping centres and shops
· Industrial, office/warehouses and factories
· Business parks
· Hotels (accommodation) and resorts
· Hotels (pubs), motels and caravan parks
· Residential development projects
· Residential dwellings (individual houses and apartments/units)
· Rural properties
· Special purpose properties such as: nursing homes; private hospitals, service stations, oil terminals and refineries, theatre complexes; etc.
· Infrastructure including airports and port facilities

We have all types of *plant & machinery* covered

We regularly undertake valuations of all forms of plant, machinery, furniture, fittings and equipment including:

· Mining & earth moving equipment/road plant
· Office fit outs, equipment & furniture
· Agricultural machinery & equipment
· Heavy, light commercial & passenger vehicles
· Industrial manufacturing equipment
· Wineries and processing plants
· Special purpose plant, machinery & equipment
· Extractive industries, land fills and resource based enterprises
· Hotel furniture, fittings & equipment

We have all *client profiles* covered

Preston Rowe Paterson acts for an array of clients with all types of real estate, plant, machinery and equipment interests such as:

· Accountants
· Banks, finance companies and lending institutions
· Commercial and Residential non bank lenders
· Co-operatives
· Developers
· Finance and mortgage brokers
· Hotel owners and operators
· Institutional investors
· Insurance brokers and companies
· Investment advisors
· Lessors and lessees
· Listed and private companies corporations
· Listed Property Trusts
· Local, State and Federal Government Departments and Agencies
· Mining companies
· Mortgage trusts
· Overseas clients
· Private investors
· Property Syndication Managers
· Rural landholders
· Self managed super funds
· Solicitors and barristers
· Sovereign wealth funds
· Stock brokers
· Trustee and Custodial companies

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us

Preston Rowe Paterson
International Property Consultants

We have all *locations* covered

From our capital city and regional office locations we serve our client's needs throughout Australia. Globally, we operate directly or via our relationship offices or special purpose real estate asset classes, infrastructure and plant & machinery.

We have *your needs* covered

Our clients seek our property (real estate, infrastructure, plant and machinery) services for a multitude of reasons including:

· Acquisitions & Disposals
· Alternative use & highest and best use analysis
· Asset Management
· Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
· Compulsory acquisition and resumption
· Corporate merger & acquisition real estate due diligence
· Due Diligence management for acquisitions and sales
· Facilities management
· Feasibility studies
· Funds management advice & portfolio analysis
· Income and outgoings projections and analysis
· Insurance valuations (replacement & reinstatement costs)
· Leasing vacant space within managed properties
· Listed property trust & investment fund valuations & revaluations
· Litigation support
· Marketing & development strategies
· Mortgage valuations
· Property Management
· Property syndicate valuations and re-valuations
· Rating and taxing objections
· Receivership, Insolvency and liquidation valuations and support/ advice
· Relocation advice, strategies and consultancy
· Rental assessments and determinations
· Sensitivity analysis
· Strategic property planning

About This Report

Preston Rowe Paterson prepare standard research reports covering the main markets within which we operate in each of our capital cities and major regional locations.

Within this report we analysed the sales, leases and developments over the past six months to the reported quarter in various NSW locations of retail property categorized as; city centre, super-regional centre, major regional centre, regional centre, sub-regional centre and neighbourhood centre.

To compile the research report we have considered the most recently available statistics from known sources. Given the manner in which statistics are complied and published they are usually 3-6 months out of date at the time we analyse them. Where possible we consider short term movement in the statistics by looking at daily published data in the financial press. Where this shows notable fluctuation, when compared to the formal published numbers we have commented accordingly.

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us

Preston Rowe Paterson

International Property Consultants

Head Office (Sydney)

Level 14, 347 Kent Street
Sydney NSW 2000
PO BOX 4120, Sydney NSW 2001
P: 02 9292 7400
F: 02 9292 7404
E: research@prpsydney.com.au

National Directors

Gregory Preston
M: 0408 622 400
E: greg.preston@prpsydney.com.au

Gregory Rowe
M: 0411 191 179
E: greg.rowe@prpsydney.com.au

Neal Ellis
M: 0417 053 116
E: neal.ellis@prp.com.au

Damian Kininmonth
M: 0417 059 836
E: damian.kininmonth@prp.com.au

Greg Sugars
M: 0435 911 465
E: greg.sugars@prp.com.au

www.prp.com.au

Capital City Offices

Adelaide
Rob Simmons
M: 0418 857 555
E: adelaide@prp.com.au

Brisbane
Troy Chaplin
M: 0419 029 045
E: troy.chaplin@prpqueensland.com.au

Hobart
Damien Taplin
M: 0418 513 003
E: damien.taplin@prp.com.au
Shelley Taplin
M: 0413 309 895
E: shelley.taplin@prp.com.au

Melbourne
Neal Ellis
M: 0417 053 116
E: neal.ellis@prp.com.au
Damian Kininmonth
M: 0417 059 836
E: damian.kininmonth@prp.com.au

Perth
Cameron Sharp
M: 0438 069 103
E: cameron.sharp@prp.com.au

Sydney
Gregory Preston
M: 0408 622 400
E: greg.preston@prpsydney.com.au
Gregory Rowe
M: 0411 191 179
E: greg.rowe@prpsydney.com.au

Affiliate offices in Canberra, Darwin and other regional areas.

Regional Offices

Albury Wodonga
Michael Redfern
M: 0428 235 588
E: michael.redfern@prp.com.au

Ballarat
Darren Evans
M: 0417 380 324
E: darren.evans@prp.com.au
Peter Murphy
M: 0402 058 775
E: peter.murphy@prp.com.au

Bendigo
Damien Jerinic
M: 0409 820 623
E: damien.jerinic@prp.com.au

Central Coast/Gosford
Colin Pugsley
M: 0435 376 630
E: colin.pugsley@prp.com.au

Dubbo
James Skuthorp
M: 0409 466 779
E: james.skuthorp@prp.com.au
Tom Needham
M: 0412 740 093
E: tom.needham@prpsydney.com.au

Geelong
Gareth Kent
M: 0413 407 820
E: gareth.kent@prp.com.au
Stuart Mcdonald
M: 0405 266 783
E: stuart.mcdonald@prp.com.au

Gippsland
Tim Barlow
M: 0400 724 444
E: tim.barlow@prp.com.au
Alexandra Ellis
M: 0407 724 444
E: alex.ellis@prp.com.au

Griffith
Dan Hogg
M: 0408 585 119
E: daniel.hogg@prp.com.au

Horsham
Ben Sawyer
M: 0429 826 541
E: ben.sawyer@prp.com.au

Launceston
Damien Taplin
M: 0418 513 003
E: damien.taplin@prp.com.au

Mornington
Neal Ellis
M: 0417 053 116
E: neal.ellis@prp.com.au
Damian Kininmonth
M: 0417 059 836
E: damian.kininmonth@prp.com.au

Mount Gambier
Stuart McDonald
M: 0405 2660783
E: stuart.mcdonald@prp.com.au

Newcastle
Robert Dupont
M: 0418 681 874
E: bob.dupont@prp.com.au
David Rich
M: 0413 052 166
E: david.rich@prpncle.com.au

Southport
Ian Hawley
M: 0458 700 272
E: ian.hawley@prpqueensland.com.au
Troy Chaplin
M: 0419 029 045
E: troy.chaplin@prpqueensland.com.au

Swan hill
Ian Boyd-Law
M: 0418 5980232
E: ian.boyd-law@prp.com.au

Tamworth
Bruce Sharrock
M: 0429 465 012
E: bruce.sharrock@prp.com.au
Matt Spencer
M: 0447 227 002
E: matt.spencer@prp.com.au

Wagga Wagga
Dan Hogg
M: 0408 585 119
E: daniel.hogg@prp.com.au

Warrnambool
Stuart McDonald
M: 0405 266 783
E: stuart.mcdonald@prp.com.au

New Zealand Offices

Head Office (Auckland)
Greg Sugars
M: +64 (0)27 777 9010
E: greg.sugars@prpnz.nz
Mitchell Stubbs
M: +64 (0)27 774 34100
E: mitchell.stubbs@prpnz.nz

Dunedin
James Stowell
M: +64 (0)17 807 3866
E: james.stowell@prpnz.nz

Greymouth
Mark Bollard
M: +64 (0)27 694 7041
E: mark.bollard@prpnz.nz

Tauranga
Alex Haden
M: +64 (0)21 833 118
E: alex.haden@prpnz.nz

www.prpnz.nz

Asian Offices

Associated office networks throughout:

- China
- Hong Kong
- Japan
- Philippines
- Thailand

Preston Rowe Paterson Australasia Pty Ltd
ACN: 060 005 807

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au to follow us