



Preston
Rowe
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International Property Consultants

Industrial Market Report

SYDNEY– MELBOURNE– BRISBANE

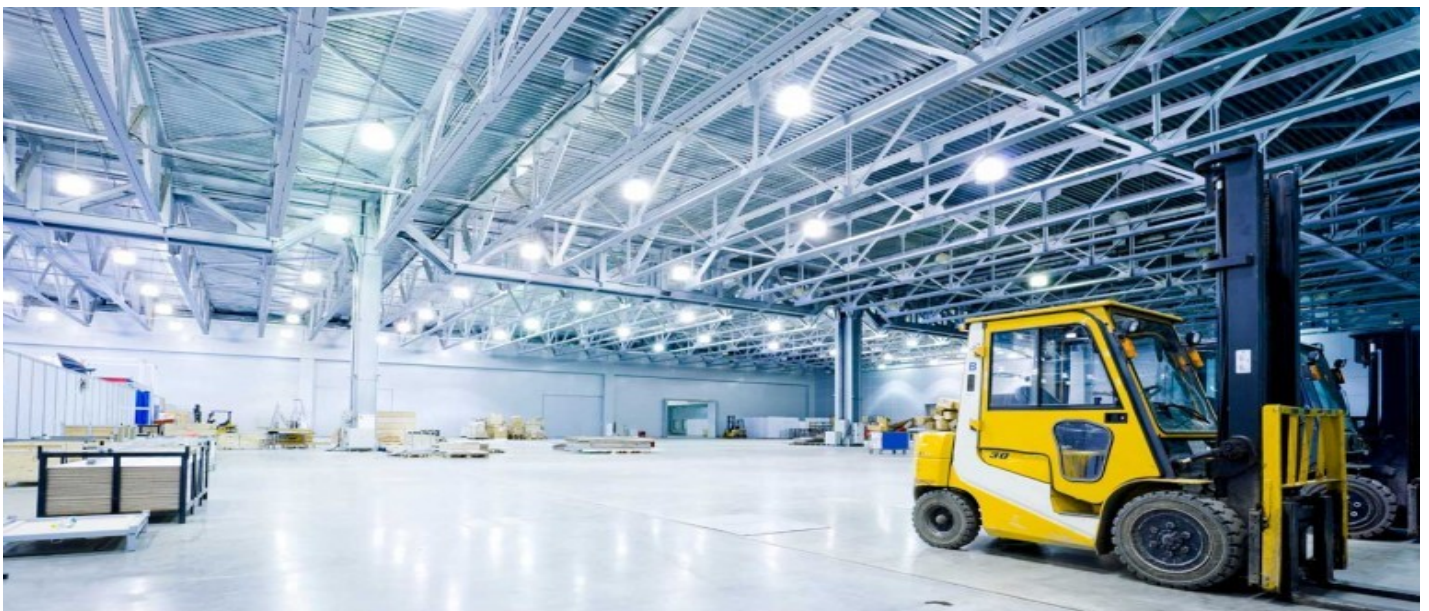
First Half 2017

HIGHLIGHTS

- ◆ The strength of New South Wales's economy has contributed to driving the growth of Sydney's industrial property sector over recent times. The relocation of industrial users out towards Sydney's west, as a result of urban renewals of industrialised zoned land in inner and middle Sydney, have allowed users to reap the benefit of cheaper land values and net face rents as well as larger sites.
- ◆ Melbourne's industrial leasing market is currently being driven by the strong logistics and wholesale industries, which has driven competition for industrial space in the city's East and South East markets. Capital values of industrial sites in Melbourne's metropolitan area have increased over the period, with observed growth to be strongest in the South East and West markets.
- ◆ Brisbane's industrial property market over the first half of 2017 remains static, as indicated by limited vacancy and lightly improved sales across the metropolitan area. The distribution sector remains the strongest in Brisbane's industrial market, however the overall market remains challenged by a lack of quality stock.

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SYDNEY

Overview

New South Wales's economy continues to retain top ranking as Australia's best performing state, with Commsec's July 2017 State of the States Report indicating top or near top performances in economic growth, retail spending, business investment, unemployment, population growth, construction work done, housing finance and dwelling commencements. NSW's economy experienced a growth of 3.5% over the 2015-16 calendar year- the fastest pace since 1999-00, and is expected to record further solid growth this coming financial year. NSW was one of two states in the country (the other being South Australia) to record positive business spending over the year to March 2017, with a figure that is 7.2% above the decade average. Furthermore, when we look at construction work, NSW recorded a 19.0% increase on decade average levels.

The strength of New South Wales's economy has contributed to driving the growth of Sydney's industrial property sector over recent times. Notably, the relocation of industrial users out towards Sydney's west, as a result of urban renewals of industrialised zoned land in inner and middle Sydney, have allowed users to reap the benefit of cheaper land values and net face rents as well as larger sites. The allocation of a \$1 billion budget towards Western Sydney roads in the federal Budget this year will contribute to its existing infrastructure, which will co-function to support Sydney's second airport at Badgerys Creek as well as drive the momentum for new developments in the region. According to a report by Urbis, Sydney's vacancy rate stands at 1.9% (compared to average of 2.9% across eastern seaboard markets), with the highest vacancy stemming from Central West Sydney, which has a vacancy rate of 3%. The average size of vacancy in Sydney is reported at 12,800 square metres, with prime vacancy rate standing at 1.2%, whilst secondary vacancy rate stands at 3.7%.

Strong demand and limited stock availability have driven rental prices in most of Sydney's industrial markets, which when combined with imminent entrance of international online retailers Amazon and Alibaba, will lead to further growths in net face rents in the future. Preston Rowe Paterson notes that Amazon's arrival will have a strong impact on industrial property landlords, as they try to accommodate the expected surge in demand for space by investing in new developments.

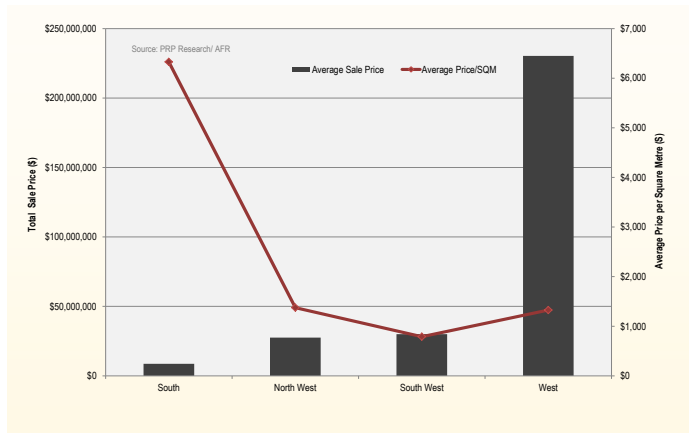


Figure 1: Total sale of industrial sites in Sydney's sub-markets over first half of 2017 and respective Average Price per SQM — Source: AFR

Over the first half of 2017, approximately \$310 million worth of transactions occurred within Sydney's industrial market. Western Sydney's industrial market performed strongly over the period, with 75% of the total transacted amount stemming from this region. The average price per square metre of space of industrial properties in Sydney's West over the six months to June 2017 stands at \$1,326.

Each of South, North West and South West Sydney recorded one major sale each over the first half of 2017. In Sydney's South, a 1,370 square metre warehouse conversion in *Rosebery* was acquired by a private investor for **\$8.67 million**. The sale reflects a net yield of **5.47%** and a rate of **\$6,328 per square metre**.

Two properties in *Rydalmere* in Sydney's North West was acquired earlier in the year by Propertylink Group for **\$27.5 million**. The properties have a total net lettable area of 20,022 square metres, reflecting a rate of **\$486 square metres**. In *Padstow*, a 20,389 square metre industrial building was acquired by Mirvac Group for **\$30 million**. The warehouse has a corporate office and a flexible layout that offers the potential for the building to be split into tenancies. The sale of this property in Sydney's south west reflects a rate of **\$789 square metres**.

The sales record for the first half of 2017 indicates strong demand for industrial space in Sydney's Outer West market, as land owners benefit from the federal government's decision to fund the construction of the Western Sydney Airport. Strong demand from institutional investors will prevail over the coming months, as they remain active buyers in this market to further take advantage of development opportunities on vacant land.

NEW SOUTH WALES

Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in New South Wales over the first half of 2017:

60 Marple Avenue, Villawood, NSW 2163

An owner-occupier has acquired an A-grade industrial facility from *360 Capital Industrial Fund* for **\$20 million**. The facility comprises 8,615 m² of office and warehouse improvement and is leased to *Kent Transport* until February. The sale reflects a **rate of \$2,322 psm**. Villawood is located about 25.4 km south-west of Sydney's CBD.

36 Gow Street, Padstow, NSW 2211

A 20,389 m² industrial building has been acquired by *Mirvac Group* for **\$30 million**. The property occupies a 3.8-hectare site and comprises gantry cranes for unloading containers and drive-around access for trucks. The modern warehouse also has a corporate office and a flexible layout that offers the potential for the building to be split into two tenancies. The sale reflects a **rate of about \$789 psm**. Padstow is located around 21.3 km south-west of the Sydney CBD.



Great Western Highway, Huntingwood, NSW 2148

The *Charter Hall Prime Industrial Fund* has bought a 5.6-hectare industrial site from *Beiersdorf* for **\$29.715 million**. The buyer plans to construct an A-grade, 32,715 m² warehouse and distribution facility with a completion value of \$65 million. The Fund has already lodged a development application for the project. The site is regular shaped and has B-double truck access. The sale reflects a **rate of \$531 psm**. Huntingwood is located about 33.6 km west of the Sydney CBD.

7 Tollis Place, Seven Hills, NSW 2147

A 2,990 m² warehouse/office with two large roller shutter doors has been bought by a Sydney-based owner-occupier for **\$5.27 million**. The sale of the 5,525 m² site reflects a **rate of \$954 psm**. Seven Hills is located about 32.2 km north-west of the Sydney CBD.



10-12 Pike Street, Rydalmere, NSW 2116

A private owner-occupier has paid **\$27.5 million** for two manufacturing warehouses from *Propertylink Group*. The 20,022 m² properties are leased to *Waco Kwikform* to 2018. The sale reflects a **rate of \$1,373 psm**. Rydalmere is located around 20 km north-west of the Sydney CBD.

3 George Young Street, Auburn, NSW 2144

Primewest has purchased a 5,000 m² office and warehouse facility for **\$10.3 million**. The property occupies a 7,667 m² lot and is leased to *Coast to Coast* until 2022. There are office, showroom, warehouse and workshop facilities on the site. The sale reflects a **rate of \$1,343 psm**. Auburn is located around 18.8 km north-west of Sydney's CBD.

10-14 John Morphett Place, Erskine Park, NSW 2759

The Macquarie and Ivanhoe Cambridge-backed *LOGOS* has paid about **\$18 million** for a 3.7-hectare site. The companies plan to construct a 19,000 m² facility on the site that has an end value of \$50 million. Around 7,500 m² of planned facility is pre-committed. The sale reflects a **rate of \$486 psm**. Erskine Park is located about 44.4 km north-west of Sydney's CBD.

8 George Young Street, Auburn, NSW 2144

Zou has purchased a 3,338 m² freestanding high-clearance warehouse and office for **\$6.66 million**. The property features parking and container access and has a WALE of 4.5-years. The sale reflects a **rate of \$1,995 psm**. Auburn is located around 18.8 km north-west of the Sydney CBD.

1 Davis Road, Wetherill Park, NSW 2164

A Melbourne owner-occupier has bought a 4,744 m² warehouse from *PMB Holdings* for **\$7.765 million**. The sale of the 8,866 m² site reflects a **rate of \$876 psm**. Wetherill Park is located about 31.9 km west of Sydney's CBD.



Australia Industrial Sales Wrap

The *Lederer Group* has sold its portfolio of 10 meat processing plants run by *JBS* to *Charter Hall* for **\$179.4 million**. Most of the facilities are in Victoria and NSW and were sold on an **initial yield of 6.5%**.

129-141 Woodpark Road, Smithfield, NSW 2164

Investors have purchased four warehouse buildings for **\$5.3 million** at auction. The buildings total 5,210 m² and are leased to three separate tenants. They all have multiple roller-shutter access and one building has overhead cranes. The sale reflects a **rate of \$1,017 psm**. Smithfield is located about 28.9 km west of Sydney's CBD.

101 Derby Street, Silverwater, NSW 2128

A modern complex of six industrial units has been sold by *Buckingham Investment Financial Services* for **\$7 million**. The units feature a large roller door, a six-metre high clearspan warehouse, offices and on-street parking. The 2,236 m² property occupies a 3,340 m² site. The sale reflects a **rate of \$2,096 psm**. Silverwater is located around 18.6 km north-west of the Sydney CBD.

New South Wales Industrial Sales Wrap

A single investor has purchased a portfolio of six industrial assets for **\$71 million**. The 'Sydney Six' include four Wetherill Park assets, a Smithfield property and an Eastern Creek site. The properties feature 45,850 m² of net lettable area and bring in an annual income of \$4.82 million. The sale of the fully-leased properties reflect an **overall yield of 6.79%** and a **rate of \$1,549 psm**.

120 Dunning Avenue, Rosebery, NSW 2018



A 1,370 m² warehouse conversion was acquired by a private investor for **\$8.67 million**. The property is leased to Zimmerman and the sale reflected a **net yield of 5.47%**. The sale reflects a **rate of \$6,328 psm**. Rosebery is located about 11 km south of Sydney's CBD.

59-61 Derby Street, Silverwater, NSW 2128

AA Derby has bought an industrial facility on a 4,218 m² site for **\$5.5 million**. The vacant property has a freezer and facilities to produce ice cream, yoghurt and smoothies. There are also packing and storage areas. The sale reflects a **rate of \$1,304 psm**. Silverwater is located about 18.6 km north-west of the Sydney CBD.

3-7 Marianne Place, Minchinbury, NSW 2770

A retiring private owner has sold an office/warehouse property for **\$6.45 million**. The 3,503 m² property occupies a 5,857 m² site and has drive around access, three roller doors and 64 car spaces. The sale reflects a **rate of \$1,101 psm**. Minchinbury is located about 39.4 km north-west of Sydney's CBD.

Australian Industrial Sales Wrap

Frasers Logistics & Industrial Trust has acquired seven new warehouses from *Frasers Property Australia* for **\$169.3 million**. The properties in Melbourne, Sydney and Brisbane are currently under development and have a weighted lease expiry of 9.6-years. The tenants include *Stanley Black & Decker*, *Clifford Hallam Healthcare*, *Beaulieu Carpets*, *CEVA Logistics* and *Ecolab*.

Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred in New South Wales over the first half of 2017:

6 Wonderland Drive, Eastern Creek, NSW 2766

Titan Australia has leased a 4,099 m² industrial building for **5-years with options**. The **net annual rent is \$120 psm**. Eastern Creek is located around 36.3 km north-west of Sydney's CBD.

2/26 McIlwraith Street, Wetherill Park, NSW 2164

A private investor has found a tenant for a 1,169 m² office and warehouse. *Simco Catering Equipment* agreed to occupy the space for **5-years with options** at an initial net annual rent of \$113,295. The lease for the property with car parking, an office and amenities reflects a **rate of \$97 psm**. Wetherill Park is located about 31.9 km west of the Sydney CBD.

10 Vicars Place, Wetherill Park, NSW 2164

Aggressor Corporation has agreed to a **3-year lease with options** over 818 m² office and warehouse on a 1,389 m² site. A private landlord leased out the property on a **net annual rent of \$115 psm**. Wetherill Park is located around 31.9 km west of the Sydney CBD.



7 Walker Place, Wetherill Park, NSW 2164

An industrial property has been leased by *Saint-Gobain Solar Gard Australia Pty Ltd* for **5-years**. The 1,111 m² site is leased for **\$110 net psm**. Wetherill Park is located around 31.9 km west of Sydney's CBD.



42 McCauley Street, Matraville, NSW 2036

Husniye Yavuz and the estate of the late Salim Yavuz have signed *Bowerbird Interior Styling Group* at its 945 m² property. The site features a high clearance clear span warehouse and an office. Matraville is located around 11.1 km south of Sydney's CBD.

M4 Freeway, Eastern Creek, NSW 2766

CEVA Logistics has signed as the first tenant in *Mirvac Group's Calibre* industrial estate on a **4-year deal**. The lessee will pay an **annual rent of \$120 psm** while receiving an incentive at the market rate. This reflects an annual rent of around \$2.2 million for an 18,000 m² warehouse and 1,000 m² of office space. Eastern Creek is located 51 km west of the Sydney CBD.



74-94 Newtown Road, Wetherill Park, NSW 2164

360 Capital has leased a 1,584 m2 office and warehouse property to ITW Australia for a **net annual rent of \$125 psm**. The lease is for **3-years**. Wetherill Park is located around 31.9 km west of the Sydney CBD.

16 Voyager Circuit, Glendenning, NSW 2761

Xero Manufacturing has moved into a 949 m2 warehouse for **3-years and 2-months**. The property also offers a two-storey office, parking and truck and other vehicle access. The net annual rent being paid to the landlord SND Properties is **\$120 psm**. Glendenning is located 41.4 km north-west of Sydney's CBD.



2 Muir Place, Wetherill Park, NSW 2164

A private investor has secured Foxcom Australia as a new tenant in a 1,036 m2 warehouse. Foxcom will pay a **net annual rent of \$115 psm** for **4-years**. Wetherill Park is located around 31.9 km west of the Sydney CBD.

7 Watsford Road, Campbelltown, NSW 2560

National Indoor Sports will use a 1,070 m2 warehouse for recreation facilities after agreeing to a **7-year deal**. The property features a clear-span warehouse, mezzanine offices, coolrooms, roller doors, a loading dock and truck access. The **gross annual rent is about \$129 psm**. Campbelltown is located about 50.2 km south-west of the Sydney CBD.



63-79 Parramatta Road, Silverwater, NSW 2128

Ringmer Pacific Management has found an occupier for three warehouse/office strata units at **Gateway Business Park** for **8-years with options**. The properties are 2,577 m2 in size and the tenant will pay a **net annual rent of \$200 psm**. Silverwater is located around 18.6 km north-west of the Sydney CBD.

205 Fairfield Road, Yennora, NSW 2161

A private landlord has found a new tenant at its 6,829 m2 industrial property for **7-years**. Warehouse & Distribution Solutions will pay a **net annual rent of \$110 psm with minimal incentives**. The property features 11.5 metre clearances, on-grade roller shutter doors and sunken loading docks. Yennora is located around 25.2 km west of the Sydney CBD.

2/66 Jemma Road, Prestons, NSW 2170

Gemini Accident Repair Centre will occupy a 2,812 m2 industrial facility for **3-years with options**. The net annual rent for the property is **\$110 psm**. Prestons is located about 34.6 km south-west of the Sydney CBD.

2/472 Victoria Street, Wetherill Park, NSW 2164

QEP has leased a 1,794 m2 industrial property from landlord Dallen Bay Pty Ltd for a net annual rent of \$206,264. The lease is for **3-years** and will be used as its NSW distribution centre. The lease reflects a **rate of \$115 psm**. Wetherill Park is located around 31.9 km west of Sydney's CBD.



Unit 1/10 Hill Road, Homebush, NSW 2140

Orlani Property Group has found a new tenant in its office/warehouse property for 3-years. Inskin Cosmetics has leased the 949 m2 unit for a **net annual rent of \$155 psm**. The lessee will use the high-clearance warehouse for expansion. Homebush is located around 13.7 km west of Sydney's CBD.

1 Butu Wargun Drive, Greystanes, NSW 2145

In an off-market deal, Parton's Wines Distribution will occupy a 4,355 m2 warehouse for **10-years**. The lessee will pay a **net annual rent of \$115 psm** for the property. Greystanes is located about 26.8 km north-west of Sydney's CBD.



Muir Road, Chullora, NSW 2190

Frasers Property Australia has signed a deal with PFD Food Services for a lease at a \$70 million cold storage and food production warehouse. The 22,208 m facility will begin being constructed in the coming months. PFD Food Services will occupy the 15.19-hectare site when the facility is completed in the 2nd quarter of 2018. Chullora is located about 17.1 km south-west of Sydney's CBD.

19-31 Huntingwood Drive, Huntingwood, NSW 2148

Burgess Corporate has sold an office/warehouse property to Sefar for **\$5.625 million**. The 2,752 m2 building has three roller doors and 38 car spaces. The buyer will occupy the property. The sale of the 4,888 m2 site reflects a **rate of \$1,151 psm**. Huntingwood is located around 33.6 km west of Sydney's CBD.



12 & 13/287 Victoria Road, Rydalmere, NSW 2116

Eva Imports Pty Ltd has leased a 1,032 m2 industrial facility for **3-years with options**. The property features a 422 m2 showroom, a 424 m2 office and a 186 m2 showroom. There is also a roller door with a 6.3-metre clearance and 10 parking spaces. A private landlord will be paid a **gross annual rent of \$126 psm**. Rydalmere is located about 20 km north-west of the Sydney CBD.



29 Yennora Avenue, Yennora, NSW 2161

My Muscle Chef will occupy a 2,149 m2 warehouse on a **5-year** lease and will pay a **gross annual rent of \$115 psm**. Yennora is located approximately 25 km west of Sydney's CBD.

272 Honeycomb Drive, Eastern Creek, NSW

Skyjack has leased the new 3,652 m2 industrial property on a **10-year** lease. The **net annual rent of \$438,360 psm** will be paid to a private investor. Eastern Creek is located 36.6 km north-west of Sydney's CBD.

4/2-6 Orion Road, Lane Cove, NSW 2066

Castle Crest has leased a 1,425 m2 warehouse/office to *Ace Office* for an undisclosed term. The 1,425 m2 property will be occupied at a **net annual rent of \$177 psm**. The site has 10 car spaces and a driveway for heavy vehicle access and container loading. Lane Cove is located around 9.3 km north-west of Sydney's CBD.

12 Frost Road, Campbelltown, NSW 2560

Icon Visual Marketing will occupy an office-warehouse property after consolidating three properties into one new location. The 2,195 m2 property will be leased from *Maxiland Pty Ltd* for **5-years** at a **net annual rent of \$92 psm**. The property has a 514 m2 office over two levels, a 1,681 m2 high clearance warehouse and showroom. Campbelltown is located around 50.2 km south-west of the Sydney CBD.



423-427 Victoria Street, Wetherill Park, NSW 2164

Atom will occupy 4,215 m2 during a lease period of **5-years**. The **net annual rent was \$484,725**. Wetherill Park is located 31.9 km west of Sydney CBD.



200 Governor Macquarie Drive, Warwick Farm, NSW 2170

Daikin Australia will occupy the 33,278 m2 office and warehouse premises for a **10-year** lease. The property is located within **Warwick Farm Industrial Business Park**. Warwick Farm is located 30.8 km south-west of Sydney CBD.



MELBOURNE

Overview

Victoria has propelled itself as the second best performing state in the country, with its strong economic performance mainly attributed to by strong population growth over the past two years. Notably, the state's population, as at July 2017, is 2.4% higher than when compared to twelve months prior. Furthermore, Commsec's July State of the States report indicates that this growth rate is 19.4% above its decade-average level. Construction work in Victoria comes out second highest across all of Australia, recording a 20.4% increase on decade-average levels over the March quarter 2017. In contrast, business investment in Victoria was down 4.2% when compared to twelve months prior, and is at a level that is 15% lower than its decade-average level.

Melbourne's industrial leasing market is currently being driven by the strong logistics and wholesale industries, which has driven competition for industrial space in the city's East and South East markets. Prime rental growths in these areas are reported to be approximately 6% over the year to June 2017. A report from Urbis states that incentives in Melbourne's market have surpassed 30%, which have restricted further rental growth. From our analysis of the investments that have occurred over the first half of 2017, Melbourne's investment market is becoming tight due to the lack of assets and opportunities available for purchasers. Consequently, capital values of industrial sites in Melbourne's metropolitan area have increased over the period, with observed growth to be strongest in the South East and West markets.

According to an Urbis report, overall vacancy rates in major industrial properties across Australia's eastern seaboard markets is currently at 2.9%. The report focused on industrial buildings of 10,000 square metres or more in metropolitan Brisbane, Sydney and Melbourne. Melbourne's vacancy rate stands at 3.0%, with the highest vacancy sub-market stemming from West Melbourne, which is reported to have a vacancy rate of 4.3%. Furthermore, Urbis has reported the average size of vacancy to be at 15,900 square metres, with the prime vacancy rate standing at 4.0%, and secondary vacancy rate standing at 1.7%.

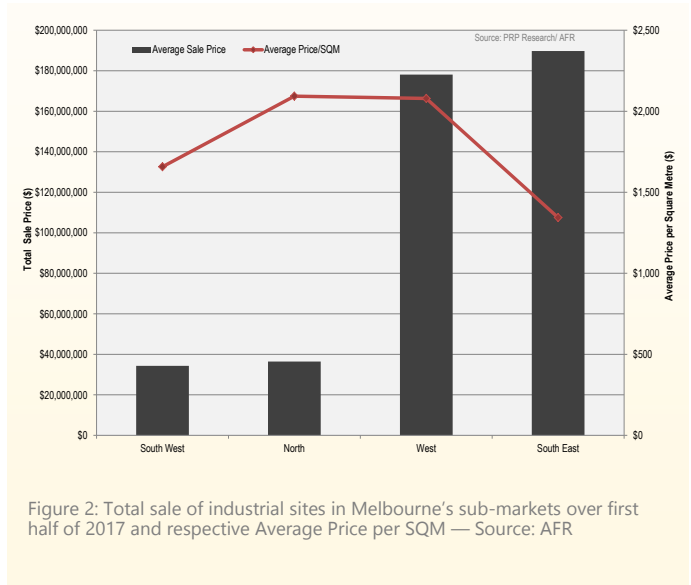
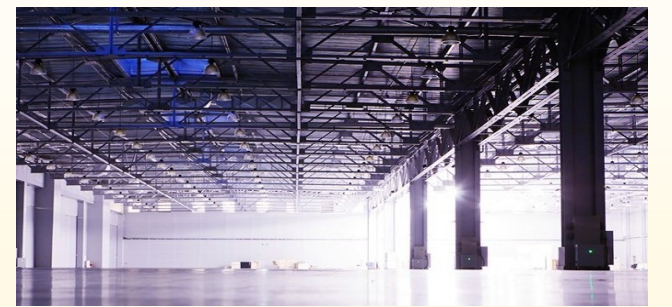


Figure 2: Total sale of industrial sites in Melbourne's sub-markets over first half of 2017 and respective Average Price per SQM — Source: AFR

Total amount of transactions of industrial properties in the Melbourne metropolitan area amounted to \$340.5 million over the first half of 2017. The majority of the sales originated from South East and West Melbourne, which recorded \$189.7 million and \$178.1 million worth of sales, respectively. North Melbourne recorded \$36.5 million of sales, whilst South West Melbourne recorded \$34.3 million of industrial sales.

The rezoning of industrial land into residential space in Inner Melbourne has directed impacted on the availability of industrial space in the market. Melbourne's industrial market will continue to grow and be active throughout the rest of 2017, with strong demand from institutional investors wanting to expand their portfolio of industrial assets in Australia's high growth cities, namely Melbourne and Sydney. Notable portfolio purchases include Charter Hall's acquisition of a portfolio of 10 meat processing plants in *Victoria and New South Wales* for **\$179.4 million**. The sale was sold on an initial **yield of 6.5%**.

Properties in *Melbourne, Sydney and Brisbane* were also acquired by Frasers Logistics & Industrial Trust from Fraser Property Australia for **\$169.3 million** in June 2017. Furthermore, two logistics warehouses (one in *Derrimut, Melbourne's west*, and one in *Parkinson, Brisbane's south*) were acquired by Deutsche Asset Management from Propertylink for **\$73.1 million**. The availability of industrials assets, especially those within the logistics sector, is diminishing and this will inevitably increase the competitiveness amongst institutional investors



VICTORIA

Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in Victoria over the first half of 2017:

605-617 High Street, Preston, VIC 3072

Private owners have sold a 1,875 m² industrial property to a local investor for **\$5.9 million**. The property is leased to *Nissan Australia* for 5-years with options at a net annual rent of \$318,000. The sale reflects a **net yield of 5.39%** and a **rate of \$3,147 psm**. Preston is located around 9.8 km north-east of Melbourne's CBD.



Australian Industrial Sales Wrap

Deutsche Asset Management has purchased two logistics facilities from *Propertylink* for **\$73.1 million**. The two refrigerated logistics warehouses are both leased to *Rand Refrigerated Logistics*. The 10,848 m² facility is in Derrimut, in Melbourne's West. The other warehouse is 8,413 m² and is in Parkinson, in Brisbane's south.

Evolution Drive, Dandenong South, VIC 3175

Primewest has acquired a 3,793 m² warehouse and 301 m² office for **\$5.625 million**. The complex is leased to *Metaltext Australia* until September 2021. The sale reflects a **rate of \$1,374 psm**. Dandenong South is located around 31.3 km south-east of the Melbourne CBD.

752 Springvale Road, Mulgrave, VIC 3170

A private investor has bought an 8,590 m² industrial property for **\$5.4 million**. The sale reflects a **6.4% yield** and a **rate of \$629 psm**. Mulgrave is located about 23 km south-east of Melbourne's CBD.



Western Ring Road, Laverton North, VIC 3026

An industrial complex has been sold by *Challenger* to *Cache Logistics Trust* for **\$22.5 million** on a **yield of around 7%**. The 36,250 m² site is leased to *Spotlight* for 10-years commencing in July 2011 with two six-plus-six year renewal options. The 20,723 m² of gross lettable area property has a ceiling height clearance of 9.3m, cross-dock features as well as 19 loading bays. The sale reflects a **rate of \$614 psm**. Laverton North is located about 14.6 km west of the Melbourne CBD.

7-11 Northcorp Boulevard, Broadmeadows, VIC 3047

A 6,050 m² property on a 9,919 m² site has been acquired by *Baron Rubber* for **\$6.05 million**. The property includes two buildings with the buyer occupying the 3,160 m² building and leasing the neighbouring 2,890 m² building on a new 3-year term. The sale reflects a **rate of \$610 psm**. Broadmeadows is located about 16.7 km north-west of the Melbourne CBD.



Foxley Court, Derrimut, VIC 3030

Primewest has bought a 23,000 m² off the plan warehouse from *Frasers Property Australia* for **\$24 million**. The construction of the building will commence soon and will be completed by the end of the year. The property has 22,500 m² of warehouse space, 500 m² of office space and 67 car spaces. The property is located in the 310-hectare **West Park Industrial Estate** and includes a three-year lease backed by rental guarantee from *Frasers Property Australia*. The estate has tenants including *CEVA Logistics*, *Toll*, *Goodyear*, *Mitre 10* and *Australia Post*. The sale reflects a **rate of \$1,043 psm**. Derrimut is located about 19.4 km west of the Melbourne CBD.

27-43 Toll Drive, Altona North, VIC 3025

LOGOS has paid **\$27.3 million** for two adjoining building leased to *Toll Transport* and *Visa Global Logistics*. The facility was completed in 2016 and occupies a 9.7-hectare site. The facility at 27 Toll Drive is a purpose-built, state-of-the-art container park leased to *Visa Global* for



10-years. The building at 43 Toll Drive will be vacated by *Toll Transport*. There is a total of 21,720 m² of industrial facilities. The sale reflects a **rate of \$281 psm**. Altona North is located 12.8 km south-west of Melbourne's CBD.

Australia Industrial Sales Wrap

Blackstone has paid **\$126 million** to *Charter Hall* for a portfolio of industrial assets. The portfolio includes 150,000 m² of industrial land with two properties in Victoria and two in Queensland. The properties are 95% occupied and a portfolio lease expiry of 5.2-years.

58-86 Toll Drive, Altona, VIC 3018

Matthew Brothers Engineering has acquired a 3,400 m² factory with dual gantry cranes, external truck wash area, a paint shop and 330 m² of office space for **\$7 million**. *Cadence Property Group* sold the site that has more than 8,000 m² of expansion land. The property is located within the **Altona Logistics Park**. Altona is located around 16.8 km south-west of the Melbourne CBD.

Australia Industrial Sales Wrap

The *Lederer Group* has sold its portfolio of 10 meat processing plants run by *JBS* to *Charter Hall* for **\$179.4 million**. Most of the facilities are in Victoria and NSW and were sold on an **initial yield of 6.5%**.

68-80 Kirkham Road West, Keysborough, VIC 3173



Osprey Property has purchased 33,000 m² of warehousing facilities on a 6.4-hectare site. The net rent is \$1.58 million with a lease in place to *Venture Group Australia* until the end of the year. Keysborough is located about 26.2 km south-east of the Melbourne CBD.

13-27 & 29-43 Whiteside Road, Clayton South, VIC 3169

A Chinese foreign investor has acquired a 39,720 industrial site for **\$23 million** across two titles. The warehouse and office space on the site is leased to *CSR Building Products* with a 7.75-year WALE and a **net annual yield of 6.56%**. The sale reflects a **rate of \$579 psm**. Clayton South is located about 22.7 km south-east of the Melbourne CBD.

139-149 Boundary Road, North Melbourne, VIC 3051

Grange Developments has purchased a 4,900 m² office and warehouse property from a private family for **more than \$14 million**. The 4,504 m² site is leased to *Homyped*. The buyer plans to hold the site with the possibility of a future rezoning under the Arden-Macaulay urban renewal plan. The sale reflects a **rate of \$3,108 psm**. North Melbourne is located about 2 km north-west of the Melbourne CBD.



7-23 Dunmore Drive, Truganina, VIC 3029

CorVal has sold the **Montague Cold Storage** to *Deutsche Asset Management* on behalf of a German institutional fund for **\$66 million**. The high-tech logistics facility is three years old and is fully-leased to *Montague Cold Storage*. The cold storage warehouse is nearly 17,000 m² and features freezer rooms, cold room annex, facility rooms and administration offices. The sale reflects a **rate of \$3,882 psm**. Truganina is located around 23.5 km south-west of the Melbourne CBD.



Australian Industrial Sales Wrap

Frasers Logistics & Industrial Trust has acquired seven new warehouses from *Frasers Property Australia* for **\$169.3 million**. The properties in Melbourne, Sydney and Brisbane are currently under development and have a weighted lease expiry of 9.6-years. The tenants include *Stanley Black & Decker*, *Clifford Hallam Healthcare*, *Beaulieu Carpets*, *CEVA Logistics* and *Ecolab*.



Property Address	89 – 103 South Park Drive, Dandenong South, Victoria	43 Efficient Drive, Truganina, Victoria
Key Tenant		
Land Title	Freehold	Freehold
WALE ⁽¹⁾	9.8 years	5.0 years

10-16 Evolution Drive, Dandenong, VIC 3175

Huabao Investment Holdings Australia, backed by *Zhejiang Shanghong Shelf Co*, has purchased a purpose built office warehouse of 5,118 m² for **\$6.1 million**. *RANDC Developments* and *CM Innovation Park* sold the property. The sale reflects a **rate of \$1,192 psm**. Dandenong is situated approximately 31.3 km south-east of Melbourne's CBD.

495-501 Blackburn Road, Mount Waverley, VIC 3149

FIFE Capital has bought **Gateway Business Park** from *EG* for **\$76 million**. The property which has a net lettable area of 22,000 sqm is currently leased to *Leica Biosystems* and *Metricon Homes*. The building includes offices, a laboratory, a warehouse and storage facilities. The sale reflects a **rate of \$3,455 psm**. Mount Waverley is located approximately 18.1 km south-west of Melbourne CBD.



18 Victoria Crescent, Abbotsford, VIC 3067

Cadence Property Group has purchased a 4,836 m² office/ warehouse for **\$10.5 million** in an acquisition and leaseback deal with ASX listed *Spotless*. The sale reflects a **rate of \$2,171 psm**. Abbotsford is located approximately 4.5 km south-west of Melbourne's CBD.

Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred in Victoria over the first half of 2017:

74-80 Fitzgerald Road, Laverton North, VIC 3026

Soper Industries will occupy a 12,640 m² warehouse for **5-years with options**. The property comprises 4 warehouses with full truck drive-around access. The **net annual rent is \$44 psm**. Laverton North is located around 14.6 km west of Melbourne's CBD.



15 Paraweena Drive, Truganina, VIC 3043

Farmgard has leased an office/warehouse to use as its new Australian headquarters for **3-years**. The gross annual rent for the 2,418 m² facility is \$170,500. The brand-new property features a 150 m² office, a clear-span warehouse with a 10-metre internal spring height, 22 car parks and a 415 m² rear yard. The lease reflects a **rate of \$71 psm**. Truganina is located about 23.5 km south-west of Melbourne's CBD.

7 Raleigh Street, Spotswood, VIC 3015

The City of Melbourne has agreed to lease a new warehouse from a private landlord for **6-months**. Part of the events department will occupy the 1,910 m² property for a gross annual rent of around \$14,000 including outgoing. The lease reflects a **rate of about \$7 psm**. Spotswood is located about 10.5 km south-west of the Melbourne CBD.



90 Turner Street, Port Melbourne, VIC 3207

Crema Constructions will occupy a new industrial space close to their current offices to store building materials and construction equipment. The lessee will pay a gross annual rent of \$242,000 with no incentives for **3-years with options**. The property is owned by a private investor features an older style industrial building in a multiple building complex. The building has a high clearance section with a 10-tonne travelling gantry crane and a 2,100 m² hardstand area. Port Melbourne is located about 5 km south-west of Melbourne's CBD.



317 Abbotts Road, Dandenong, VIC 3175

Nelson Global Products Australia will relocate its operations from Scoresby in order to expand its business in the truck industry. The company secured a **5-year lease with options** with landlord *Zaden* at a **net annual rent of \$70 psm**. The industrial facility has an internal area of 5,285 m². Dandenong is located around 31.3 km south-east of the Melbourne CBD.

344 Lorimer Street, Port Melbourne, VIC 3207

DEXUS Property and *Charter Hall* has signed *Australia Fusion Corporation* to a lease for a 1,570 m² office and warehouse property. The company will pay a **gross annual rent of around \$220 psm** on a **5-year term with options**. Port Melbourne is located about 5 km south-west of Melbourne's CBD.



866 Cooper Street, Somerton, VIC 3062

BKS Centre has leased a 1,818 m² property for **5-years** at a **net annual rent of \$95 psm**. The property features a showroom and warehouse. Somerton is located about 19.9 km north of the Melbourne CBD.

23 Lionel Road, Mount Waverley, VIC 3149

Kuga Australia has agreed to lease a 1,742 m² warehouse for a net annual rent of \$160,000. The property occupies a 3,400 m² site. The lease reflects a **rate of \$47 psm**. Mount Waverley is located about 18.1 km south-west of the Melbourne CBD.



Dandenong, VIC 3175

Natural Flooring Concepts has leased a 1,913 m² office/warehouse for **5-years with options**. The **net annual rent is \$80 psm**. The landlord is *Equaland*. Dandenong is located about 31.3 km north-west of Melbourne's CBD.

1 Newman Street, Preston, VIC 3072

Vintage Garage is paying a net annual rent of \$95,000 for a 1,300 m² warehouse. The retailer will occupy the 2,000 m² site for **5-years**. The property features multiple roller-door access, parking and a storage yard. The lease reflects a **rate of \$73 psm**. Preston is located about 9.8 km north-east of Melbourne's CBD.



2/8 Vulcan Drive, Truganina, VIC 3029

Skyzer Technologies will occupy a 4,011 m² office/warehouse from landlord 151 Property on a **5-year lease**. The new facility has a high-clearance warehouse, 50-metre hardstand, three roller shutter doors, two recessed loading docks and 200 m² of office space. There are also 27 car spaces. The **annual rent is \$77 psm**.

40 Howleys Road, Notting Hill, VIC 3168

A private investor has sold an office/warehouse property to a private buyer for **\$10.55 million**. The property is vacant. Notting Hill is located around 21.4 km south-east of the Melbourne CBD.

17 Stoney Way, Derrimut, VIC 3030

A private landlord has found a new tenant for its 2,073 m² warehouse. Kyda Group will occupy the property for **3-years with options** at a **net annual rent of \$68 psm**. Derrimut is located about 18 km west of the Melbourne CBD.



4 Fiveways Boulevard, Keysborough, VIC 3173

Intertrading Australia has secured a **4-year lease** of a warehouse with a secure yard. The net annual rent for the 2,423 m² building is **\$88 psm**. Keysborough is located around 26.2 km south-east of the Melbourne CBD.



19 White Street, Maribyrnong, VIC 3032

Snooze will occupy a 1,227 m² warehouse for **18 months** until it finds a larger facility. The **net annual rent is \$48 psm**. Maribyrnong is located about 8.7 km north-west of Melbourne's CBD.

17-21 David Street, Brunswick, VIC 3056

Pet Rescue Superstore has secured a lease for a 1,184 m² office and warehouse property for a new outlet. The company will pay a **net annual rent of \$80 psm** for **5-years**. Brunswick is located about 5.3 km north of the Melbourne CBD.

260 Fairbairn Road, Sunshine West, VIC 3020

Moreton Hire has moved into a 5,988 m² industrial property for **3-years**. The landlord Palazzo Filomeno will be paid a **net annual rent of \$67 psm**. Sunshine West is located around 13 km west of the Melbourne CBD.



6/19-23 Paramount Road, West Footscray, VIC 3012

Platinum Safes has leased an 870 m² industrial building for **3-years with options**. The **net annual rent is \$55 psm**. The landlord is private. West Footscray is located about 8.4 km north-west of Melbourne's CBD.

27-43 Toll Drive, Altona North, VIC 3025

LOGOS has found a new tenant for its 16,229 m² industrial facility. Storage & Material Handling Group will be the lessee. Altona North is located around 12.8 km south-west of the Melbourne CBD.



480 Princes Highway, Scoresby, VIC 3179

A 4,800 m² site with a 1,764 m², two level office with rear hardstand and 60 car spaces has been leased by Seeley International for **5-years**. A private Melbourne investor landlord leased the property to the new tenant for \$160,000 per annum. The lease reflects a **rate of \$33 psm**. Scoresby is located about 28.5 km south-east of Melbourne's CBD.

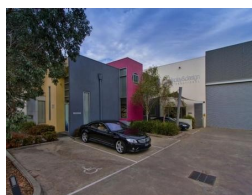
110-118 Cochranes Road, Moorabbin, VIC 3189

Mahogany by Hand has agreed to lease a 1,340 m² office/warehouse for **3-years** to accommodate its expansion. The property comprises a first-floor office/showroom, a warehouse with eight metres internal height and 15 on-site car spaces. The **annual rent is \$94 psm**. Moorabbin is located around 15.5 km south-west of the Melbourne CBD.



31 Essex Street, Port Melbourne, VIC 3207

The Circus Spot Reason has been signed on by a private family landlord for a 1,000 m² clear-span warehouse. The property features container-height roller doors and small offices. The net annual rent for the property is **\$95 psm**. The lease is for **5-years with options**. Port Melbourne is located around 5 km south-west of the Melbourne CBD.



490-500 Western Port Highway, Cranbourne West, VIC 3977

CIMC Vehicle Australia and Marshall Lethlean will combine their operations after pre-leasing a 13,290 m² truck and trailer manufacturing facility. The \$20 million facility in the Cranbourne West industrial precinct will be built by Chadwick Investments on the 5-hectare site. The pre-lease is for **12-years**. Cranbourne West is located about 46 km south-east of the Melbourne CBD.



71-75 Redwood Drive, Dingley Village, VIC 3172

Grapeworks has leased a 2,342 m2 warehouse for **4-years with options**. The landlord *Holyoake Industries* leased out the property for a **gross annual rent of \$87 psm**. Dingley Village is located about 26.1 km south-east of Melbourne's CBD.



332 Plummer Street, Port Melbourne, VIC 3207

ULR has agreed to occupy a 3,432 m2 warehouse for **5-years**. The property also has 2,000 m2 of hardstand area. The **annual rent is approximately \$100 to \$110 psm**. Port Melbourne is located around 5 km south-west of the Melbourne CBD.

14 Allied Drive, Tullamarine, VIC 3043

A private pre-fab homes business has agreed to lease an office and warehouse on a **net annual rent of \$67 psm**. The 720 m2 building occupies a 1,000 m2 site. Tullamarine is located around 16.4 km north-west of Melbourne's CBD.



1 Chifley Drive, Moorabbin Airport, VIC 3194

Ellis Air Conditioning has leased the modern 5,804 m2 warehouse in the *Chiefly Business Park* for **10-years** with a **net annual rent around \$100 psm**. Moorabbin Airport is located 23.2km south-east of Melbourne's CBD.

186-190 Discovery Road, Dandenong South, VIC 3175

Ecolab will occupy a 10,425 m2 office and warehouse premises for **10-years**. The property is located within *Frasers Property Australia's South Park Industrial Estate*. Dandenong South is located around 31.3 km south-east of the Melbourne CBD.

Derrimut Drive, Derrimut, VIC 3030

Silk Contract Logistics has leased a 20,337 m2 warehouse and office property from *Frasers Property Australia* for **6-years**. The property located within the **West Park Industrial Estate** will be used to service two new blue chip food manufacturing customers. Derrimut is located about 19.4 km west of the Melbourne CBD.

8-10 River Street, Richmond, VIC 3121

Roy Morgan Research will occupy the 1,570 sqm office- warehouse for **5-year** term with options for net annual rent \$300,000 per annum. The lease reflects a **rate of \$191psm**. Richmond is located 3.8 km east of Melbourne's CBD.



178 Northbourne Road, Campbellfield, VIC 3061

Landlord *Findella* has leased its 3,600 m2 warehouse to a private mail house group and will receive a gross annual rent of \$190,000 on a **4-year** lease term. The lease reflects a **rate of \$53 psm**. Campbellfield is located 15.3 km north of Melbourne CBD.



45 Jessica Road, Campbellfield, VIC 3061

Developer *Fulton Hogan* has leased a refurbished office- warehouse for a **3-year** lease term. The 2,838 sqm property has roller-door access and a large power supply. Although the net annual rent was not disclosed, indicative rents in the area are about **\$80-85 psm**. Campbellfield is located 15.3 km north of Melbourne CBD.

600 Geelong Road, Brooklyn, VIC 3012

Benworth Transport has leased a 4,596 m2 warehouse in building 4 from *GM Property* for a **net annual rent of \$65 psm**. Brooklyn is located 12.6 km west of Melbourne CBD.

600 Geelong Road, Brooklyn, VIC 3012

GM Property has leased a 5,100 m2 warehouse in building 6 to *JBS International* for a **net annual rent of \$65 psm**. Brooklyn is located 12.6 km west of Melbourne CBD.



73-75 Canterbury Road, Kilsyth, VIC 3137

Jackaroo Timber has committed to leasing a 4,061 m2 office and warehouse on a **5-year** lease. The property which has multiple roller doors, 250 m2 of office space and rear yard parking will amount to a cost of **\$240,000 psm gross annual rent**. Kilsyth is located approximately 32 km East of Melbourne CBD.

BRISBANE

Overview

Queensland is currently Australia's fourth strongest economy (equal with Tasmania), according to CommSec's State of States report for July 2017, which measures a range of indicators against their average performance over the past decade. Queensland currently benefits from strong export growth, which has grown 56% over the year to March quarter 2017. Retail spending in Queensland was up 9.6% when compared to decade-average levels, a level which indicates a growth of 1.7% over the year. In contrast, business investment in Queensland had declined by 15.2% when compared to decade-average levels, though when we look at the change over the year, business investment in Queensland was up 9.9%.

Brisbane's industrial property market over the first half of 2017 remains static, as indicated by limited vacancy and lightly improved sales across the metropolitan area. The distribution sector remains the strongest in Brisbane's industrial market, however the overall market remains challenged by a lack of quality stock. Competition still remains active amongst investors, with yield compression recorded across most precincts. Preston Rowe Paterson reports that average prime yields across Brisbane stand at between 6.75% and 7.25%.

Vacancy rate in Brisbane's industrial market stands at 4.3%, above the average vacancy rate of 2.9% for Australia's eastern seaboard market, as reported by Urbis. Brisbane's South remains the sub-market with the highest vacancy rate at 6.3%. The average size of vacancy in Brisbane is 12,100 square metres, with prime vacancy rate remaining at 3.8%, whilst secondary vacancy rate remaining at 5.1%.

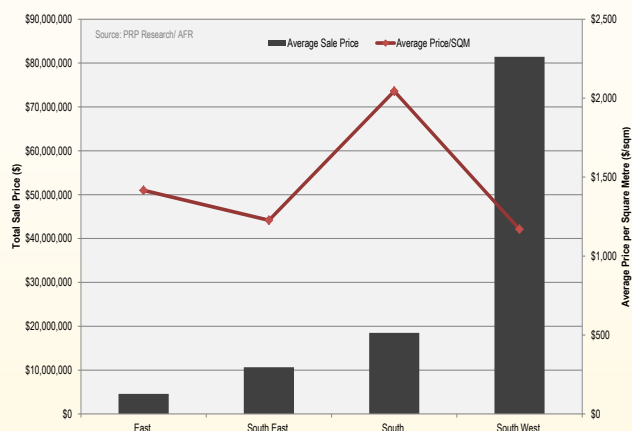
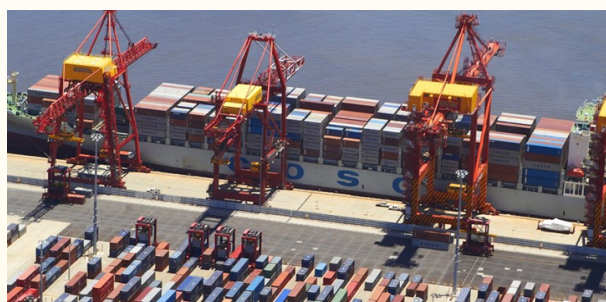


Figure 1: Total sale of industrial sites in Brisbane's sub-markets over first half of 2017 and respective Average Price per SQM — Source: AFR

There were \$215.1 million worth of property exchanged within Queensland's industrial property market during the first half of 2017. Approximately 75% of this total amount stemmed from Brisbane's South West market. This included the sale of a Coca Cola Amatil manufacturing plant in *Richlands* for **\$156 million** to Charter Hall's Unlisted Prime Industrial Fund. The South West corridor is leading Brisbane's industrial land sales, with a strong number of current and future land developments. The region currently has thirteen planned and active industrial developments, with a total of 300 hectares of industrial land up for potential investment in the future. Preston Rowe Paterson highlights that Brisbane's South West region is favoured by manufacturing and logistics groups as the connectivity between the Logan Motorway, Ipswich and Centenary Highways provides convenient and fast rail, port and airport access.

South Brisbane's industrial market recorded two major sales within the first half of 2017. The acquisition of a logistics facility in *Parkinson* was part of a purchase by Deutsche Asset Management of two properties (the other in *Derrimut in West Melbourne*) for **\$73.1 million**. The refrigerated logistics warehouse in Parkinson contains 8,414 square metres in Net Lettable Area, and is currently leased to Rand Refrigerated Logistics. Furthermore, a 1.7 hectare site approved for development was bought by LOGOS for approximately **\$5 million**. Approval has been granted for the construction of a 8,000 square metre industrial facility, reported to be worth **\$20 million**.

East and South East Brisbane both recorded a major sale each over the six month period. The sale in East Brisbane's *Morningside* of a 3,234 square metre industrial site recorded a price of **\$4.58 million** on a yield of **8.3%**. This reflects a rate of **\$1,416 per square metre**. In Brisbane's South East, an industrial facility in *Yatala* was sold to a private investor for **\$10.65 million**. The property is 8,680 square metres in size and reflects a rate of **\$1,227 per square metre**.

QUEENSLAND

Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in Queensland over the first half of 2017:

Australian Industrial Sales Wrap

Deutsche Asset Management has purchased two logistics facilities from *Propertylink* for **\$73.1 million**. The two refrigerated logistics warehouses are both leased to *Rand Refrigerated Logistics*. The 10,848 m² facility is in Derrimut, in Melbourne's West. The other warehouse is 8,413 m² and is in Parkinson, in Brisbane's south.

47 Logistics Place, Larapinta, QLD 4110

LOGOS will build a \$20 million industrial facility after acquiring a 1.7-hectare site for **about \$5 million**. The site has existing development approval for an 8,000 m² industrial facility. The sale reflects a **rate of \$294 psm**. Larapinta is located about 22.7 km south-west of Brisbane's CBD.

29 Business Street, Yatala, QLD 4207

Growthpoint Properties Australia has sold an industrial facility to a private investor for **\$10.65 million**. The 8,680 m² property is leased to *CMC Streeel Distribution*. The sale reflects a **rate of \$1,227 psm**. Yatala is located around 42 km south-east of Brisbane's CBD.

Australia Industrial Sales Wrap

Blackstone has paid **\$126 million** to *Charter Hall* for a portfolio of industrial assets. The portfolio includes 150,000 m² of industrial land with two properties in Victoria and two in Queensland. The properties are 95% occupied and a portfolio lease expiry of 5.2-years.

164 Riverside Place, Morningside, QLD 4170

A private owner-occupier has purchased a 3,234 m² industrial site for **\$4.58 million**. The 2,901 m² cold storage and distribution facility sold on a **yield of 8.3%**. The sale reflects a **rate of \$1,416 psm**. Morningside is located about 6 km east of the Brisbane CBD.

Australian Industrial Sales Wrap

Frasers Logistics & Industrial Trust has acquired seven new warehouses from *Frasers Property Australia* for **\$169.3 million**. The properties in Melbourne, Sydney and Brisbane are currently under development and have a weighted lease expiry of 9.6-years. The tenants include *Stanley Black & Decker*, *Clifford Hallam Healthcare*, *Beaulieu Carpets*, *CEVA Logistics* and *Ecolab*.

49 Bellwood Street, Darra, QLD 4076

Westpoint Auto Group has paid **\$6.85 million** for a 4,000 m² warehouse/office facility. *Brava Property Group* sold the concrete tilt facility. The sale reflects a **rate of \$1,713 psm**. Bellwood is located about 15.5 km south-west of the Brisbane CBD.

220-260 Orchard Road, Richlands, QLD 4077

Coca Cola Amatil has sold its main manufacturing plant for **\$156 million** to *Charter Hall's* unlisted *Prime Industrial Fund*. The 24.9 hectare site will have more than 81,000 m² of space within 2 facilities. *Coca Cola Amatil* had a sale and lease back deal with *Charter Hall* and in-turn will see *Coca Cola Amatil* lease back the property on a 20-year lease with 3% annual rent rises. The sale reflects a **rate of \$6,265,060 per hectare**. Richlands is located 19.6 km south-east of Brisbane CBD.

Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred in Queensland over the first half of 2017:

30 Bellrick Street, Acacia Ridge, QLD 4110

Rocket Logistics will occupy an 8,294 m² industrial estate within a *DEXUS Property Group* industrial precinct for **3-years**. The estate features four freestanding buildings with hardstand areas. The **net annual rent is around \$95 to \$100 psm**. Acacia Ridge is located around 14.6 km north-west of the Brisbane CBD.

14 Manton Street, Morningside, QLD 4170

Herron Books Distributors has moved into a 1,760 m² freestanding warehouse and office property on a **3-year lease**. The lessee will pay a **net annual rent of \$110 psm** for the high-bay warehouse, with four container-height roller doors. The site is 4,000 m². Morningside is located around 5.5 km north-east of the Brisbane CBD.

34, 35 & 46, 448 Nudgee Road, Hendra, QLD 4011

CV Services Group Pty Ltd has committed to leasing three building with a total gross area of 7,840 m². The three sheds have custom-built offices and are joined via awnings. The **net annual rent is between \$90 and \$100 psm** and the lease is for **10-years with options**. The site also has car spaces and sealed vehicle manoeuvring areas. Hendra is located about 8.7 km north-east of the Brisbane CBD.

6-10 Traders Way, Currumbin Waters, QLD 4223

RY.com.au has found a new warehouse to lease for **2-years**. *Balter Brewing* will sublease to 1,000 m² warehouse to the new tenant for a **gross annual rent of around \$152 psm**. Currumbin Waters is located about 23.4 km south of the Gold Coast CBD.

Economic Fundamentals

Consumer Price Index

Australia's consumer price index (CPI) increased by 0.2% in the June quarter, with the All groups weighted average Index number for the eight capital cities increase to 110.7. Over the year, Australia's CPI recorded an increase of 1.9%. All capital cities experienced increases in their CPI over the year, with Hobart bringing on the largest increase with 2.3%. Sydney and Melbourne both recorded 2.2%, Canberra recorded 2.1%, whilst other cities experienced increases which ranged between 0.5% and 1.8%.

When we look at Sydney, the main contributors to the rise in the capital city during the June quarter include Medical & hospital services (+3.9%), New dwelling purchase by owner-occupiers (+0.9%), and vegetables (+4.6%). The increase is offset by declines in domestic holiday travel & accommodation (-5.6%), Automotive fuel (-2.4%) and Fruit (-4.3%).

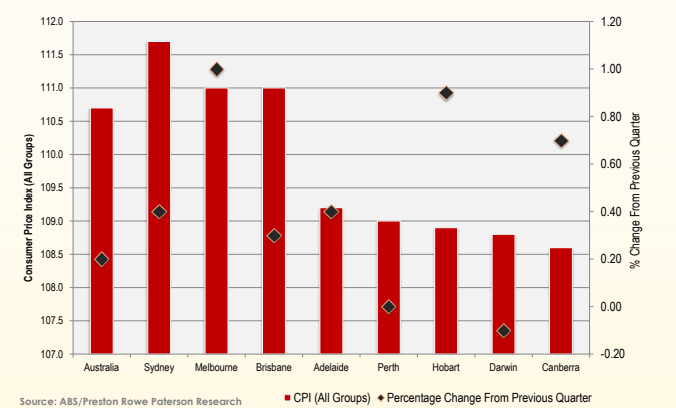


Chart 1—All Group CPI (Capital Cities) and Percentage Change over the quarter to June 2017—Source—ABS

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.

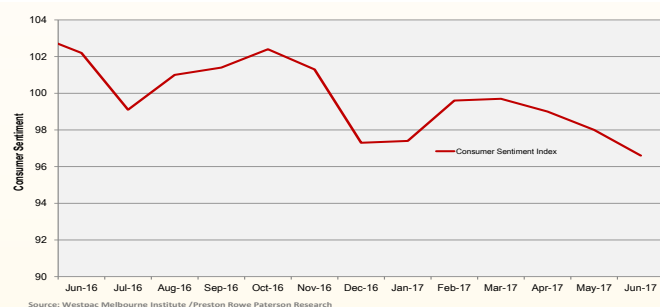


Chart 2—Consumer Sentiment Index, February 2016 to February 2017—Source—Westpac Melbourne Institute

	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

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.

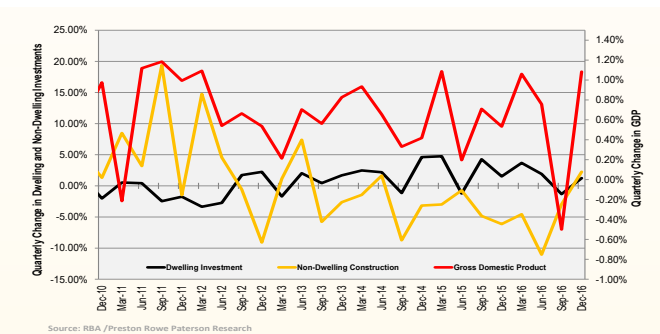


Chart 3— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

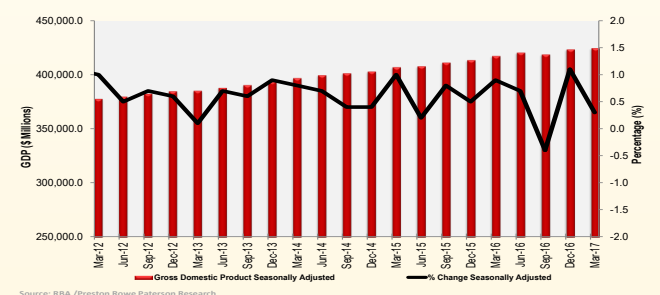
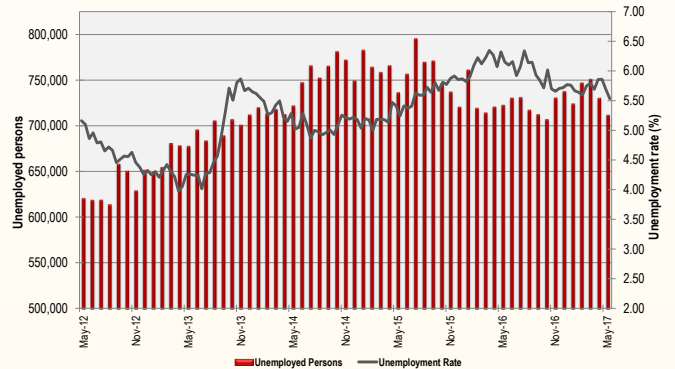


Chart 4— Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP— Source: ABS

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.



Source: ABS/Preston Rowe Paterson Research

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

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.

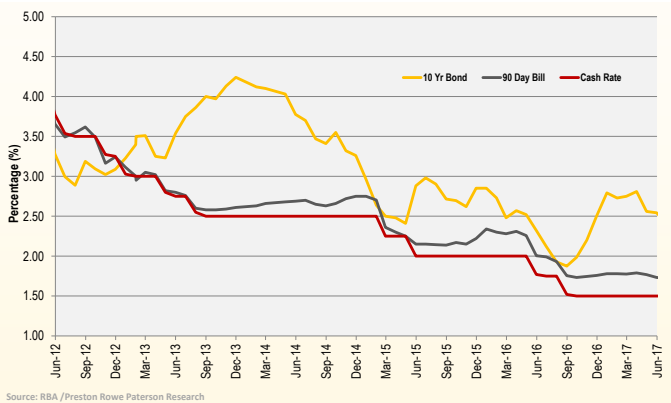
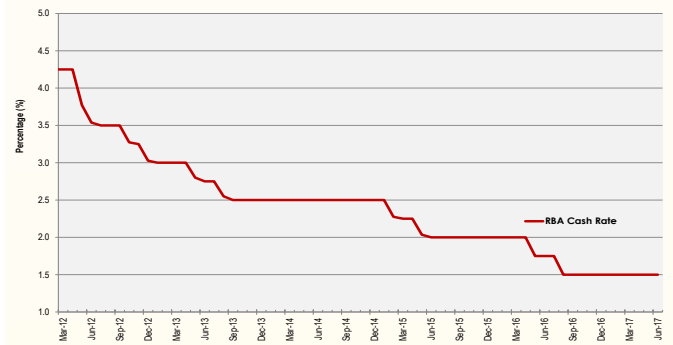


Chart 6— Monthly Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

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).

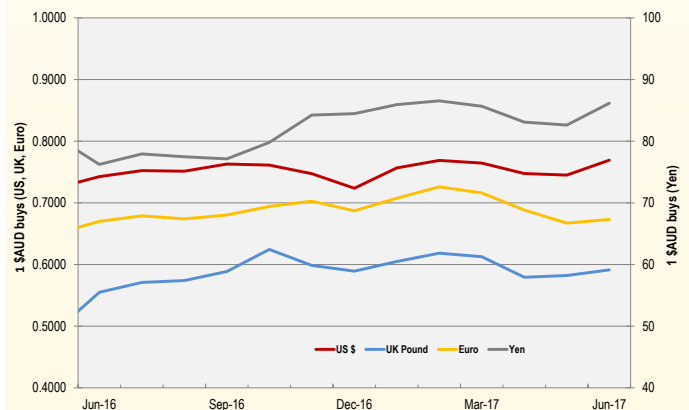
The Board's decision to keep interest rates unchanged stemmed from upbeat messages from world economic growth, in conjunction with the prospect of world-wide increase of wages and prices as the labour markets in many countries begin to improve. It was also noted that headline inflation in many countries 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.



Source: RBA /Preston Rowe Paterson Research

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

Exchange Rate



Source: RBA /Preston Rowe Paterson Research

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

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

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 for 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



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- ◆ Philippines
- ◆ Thailand

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