



**Preston
Rowe
Paterson**

National Property Consultants

Property *Market* Report

New South Wales

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.

The markets covered in this research report include the commercial office market, industrial market, retail market, hotel and leisure market and residential market as well as economic factors impacting on the real estate markets within we operate.

We regularly undertake valuations of commercial, retail, industrial, hotel and leisure, residential and special purpose properties for many varied reasons, as set out later herein. We also provide property management services, asset and facilities management services for commercial, retail, industrial property as well as plant and machinery valuation.

To compile the research report we have considered the most recently available statistics from known sources. Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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.

June Quarter 2013

INSIDE THIS ISSUE:

Economic Fundamental	2
Sydney CBD Office Market	3
North Sydney Office Market	5
Crows Nest/St Leonards Office Market	6
Parramatta Office Market	7
Chats wood Office Market	8
North Ryde/Macq. Park Office Market	8
Retail Market	9
Industrial Market	10
Sydney Residential Market	12
Newcastle Residential Market	12
Wollongong Residential Market	13
Hotel & Leisure Market	13
Medical/Aged Care Market	13
About Preston Rowe Paterson	14
Contact Us	16



Phone: +61 2 9292 7400

Fax: +61 2 9292 7403

Address: Level 11, 80 Clarence Street Sydney NSW 2000

Email: mailroom@prpsydney.com.au

Follow us: Visit www.prpsydney.com.au to follow us

© Copyright Preston Rowe Paterson NSW Pty Limited

Economic Fundamentals

GDP

GDP figures for the June quarter are not available until the 4th September 2013 however PRP research over the March 2013 quarter revealed that the Australian economy recorded growth of 1.33% which brings annual growth to 3.03%.

In seasonally adjusted terms, the main contributors to expenditure on GDP were Net exports which increased by 1% and Final Consumption expenditure increasing by 0.4 percentage points. The main declines were total gross fixed capital formation and changes in inventories with declines of 0.7 percentage points and 0.4 percentage points respectively.

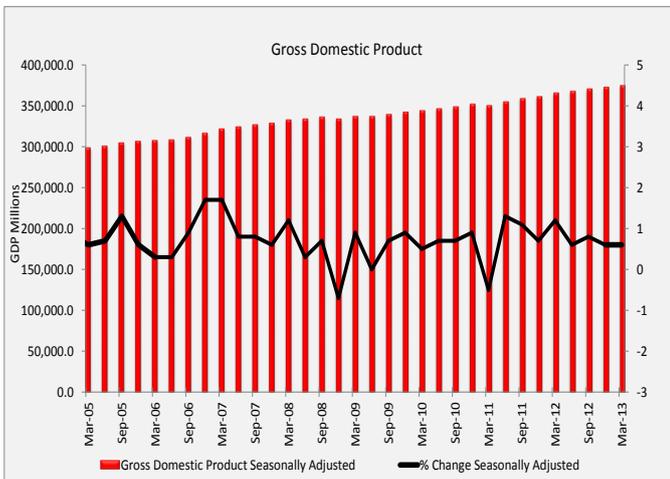


Chart 1 – Gross Domestic Product (GDP) – Source ABS

Labour force

Figures released by the Australian Bureau of Statistics revealed that the unemployment rate increased by 0.2 percentage points to 5.7% as at June 2013.

Employment over the month recorded growth of 0.089% which brings total employment to 11,668,533 persons. Unemployment over the month increased by 23,732 persons to 709,297, year on year comparison revealed an 11.88% increase in the number of unemployed persons.

The participation rate recorded a slight increase of 0.1 percentage points to 65.3% as at June 2013, with year on year comparison revealing a 0.1% increase.

Over the month of June 2013 aggregate number of hours worked increased by 8.82 million hours to a total of 1,638.6 million hours seasonally adjusted.

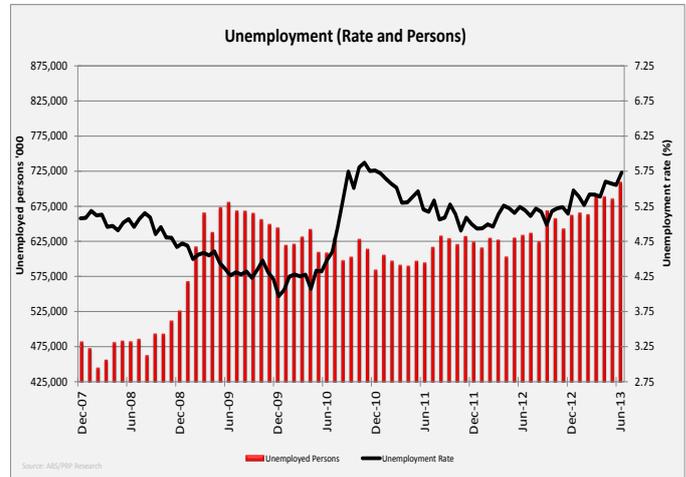


Chart 2 – Unemployment – Source ABS

Interest Rates

At the date of publishing, the official Cash Rate over the June quarter 2013 declined by 25 basis points to 2.75%. The decline took place in May and remained unchanged for the months of April and June. The Media Release from the RBA's Glenn Stevens for May 2013 provided the Board's reasoning for a reduction in the cash rate;

"The board has previously noted that the inflation outlook would afford scope to ease further, should that be necessary to support demand. At today's meeting the Board decided to use some of that scope. It judged that a further decline in the cash rate was appropriate to encourage sustainable growth in the economy, consistent with achieving the inflation target".

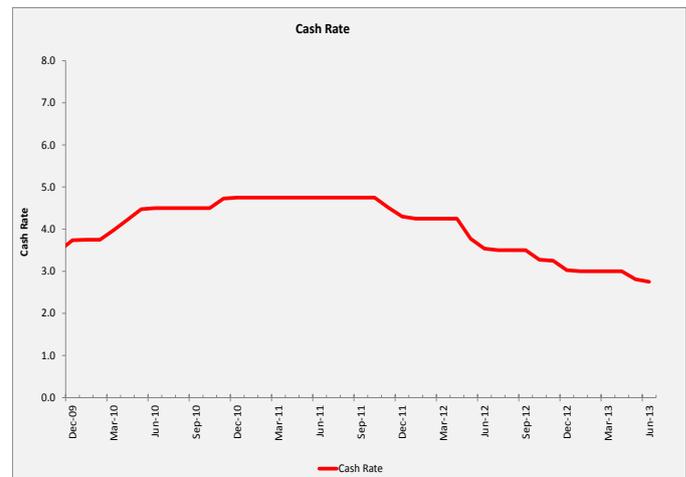


Chart 3 – Cash Rate – Source RBA

CPI

The Consumer Price Index (CPI) rose by 0.4% in the June quarter 2013 with the index now recording 102.8, reflecting annual growth of 2.4%. The most significant price rises this quarter were for medical and hospital services increasing by 3.4%, tobacco with a 3% increase and furniture increasing by 4.8%.

The most significant declines were experienced by domestic holiday travel and accommodation, decreasing by 4% and automotive fuel declining by 3.1%.

The Housing Group recorded growth of 0.6% over the quarter to June 2013. The sub-groups which contributed to this increase were new dwelling purchase by owner-occupiers (+0.9%) and rents (+1.1%). Over the twelve months to June, the housing group recorded a 5.3% increase, with main contributors being electricity (+17.2%), new dwelling purchase by owner-occupiers (+3.6%) and rents (3.4%).

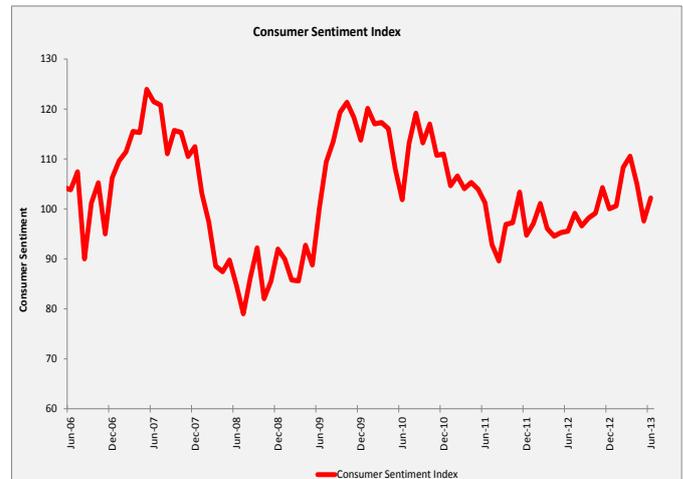


Chart 5- Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey



Chart 4- Consumer Price Index—Source—ABS

Consumer Sentiment

The Consumer Sentiment Index increased by 4.7% in June from 97.6 in May to 102.2 in June. Over the quarter this was the only increase in sentiment. From March 2013 to May 2013 the index fell by 11.7% from 110.5 to 97.6. In the twelve months to June 2013, the index has recorded growth of 7.25% increasing from 95.6 to 102.2.

With the index over the 100 level again this indicates that optimists outnumber pessimists despite consumer sentiment sitting 7.56% below its peak of 110.5 in March 2013.

Commercial Office Market

Sydney CBD

Investment Activity

PRP Research recorded a number of reported sales transactions that occurred in the Sydney CBD Office Market during the three months to June 2013.

John Swire & Sons is reportedly finalising the sale of **10 Spring Street, Sydney CBD** to Centuria Capital for **\$91.6 million**. The site has an area of **13,871 sqm**, reflecting a rate of \$6,603 per sqm.

Denwol is negotiating to purchase **121 Harrington Street in the Sydney CBD** from the Charter Hall Group. The **6,134 sqm** office building is reported to be sold for approximately **\$45 million**, reflecting a rate of \$7,336 per sqm.

AMP Capital Investors have sold a **12,571 sqm** office building located at **117 Clarence Street, Sydney CBD** to Altis Property Partners for a reported **\$61.25 million**. The sale reflects a yield of 9.25% and a rate of \$4,872 per sqm.

An **850 sqm** mixed residential and commercial property situated at **125-129 Bathurst Street, Sydney CBD** sold for **\$6.1 million**.

An undisclosed Chinese Investor has purchased an **82 sqm** heritage building at **296 George Street, Sydney CBD** through the Hang Tat Enterprise for a reported \$5.8 million. The sale reflects a yield of 7.4%.

A major transaction which occurred outside of the CBD was the purchase of the Norwest Quay Building located in **Norwest Business Park at Bella Vista** by Altis Property Partners. The office building comprises **10,780 sqm** and was purchased for a reported **\$32.5 million** with a reflective yield of 10.7%

A Chinese Investor has purchased a 250 sqm heritage building located at **shop 2, 350 George Street, Sydney CBD** for **\$4.9 million** which reflects a **net yield of 5.3%**.

Leasing Activity

PRP Research recorded several notable leasing transactions that occurred in the Sydney CBD Office Market during the three months to June 2013.

World Wildlife Fund for Nature has leased office space at **1 Small Street** in the **Sydney CBD**. The **1,153 sqm** of office space has been leased for a 10 year term at a gross rent of **\$400 per sqm**.

QBE Insurance has reportedly leased **2,800 sqm** of office space from the Mirvac Group at **8 Chifley Square** in the **Sydney CBD** at an undisclosed rental.

Office space of **1,304 sqm** at **15 Bourke Road, Mascot** has been leased by Government Property NSW for a term of 3 years at a gross rental of **\$379 per sqm**.

Promin Australia, an IT services firm has leased a **360 sqm** office space in **Pymont** for a three year term for a gross rental of \$180,000 per annum reflecting a gross rental of **\$500 per sqm**.

Development Sites

The Property Council of Australia's (PCA) Office Market Report January 2013 has been analysed to derive new commercial office building developments.

There are 2 new developments anticipated for completion in 2013. **8-12 Chifley Square** is expected to be completed in the 3rd quarter of 2013 which is 50% owned by Mirvac and 50% owned by K-REIT Asia. This development will provide 19,135 sqm of new supply to the Sydney CBD Office market and will consist of 21 office levels and 31 car spaces. Average floor plate size of the building is 2,700 sqm.

Another new development which is expected to be completed in the 4th quarter of 2013 is located at **180 Thomas Street** in the Sydney CBD. This development is owned by TransGrid and will introduce 13,941 sqm of office stock into the market. There will be 9 office levels with an average floor plate size of 1,549 sqm and parking for 18 cars.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2013 have been analysed to derive at the following findings:

Supply by Grade (Stock)

Analysis of the 5 Grades of office space has revealed that there was no new supply entering the Sydney CBD Office Market over the six months to January 2013. The supply additions for the different office grades of stock are attributed to partial supply and refurbishments.

Premium Grade office stock accounted for 8,836 sqm of supply, however also experienced stock withdrawal of 9,658 sqm in the six months to January 2013. Premium Grade now comprises of 719,605 sqm of the market.

A Grade office stock was the only office grade to record greater supply than withdrawal, with 15,275 sqm of supply and 6,893 sqm of stock withdrawal which brings total stock for A Grade to 1,786,867 sqm.

B Grade office stock experienced the greatest supply of space in comparison to all grades with 19,344 sqm. Office space removed from the market accounted for 35,095 sqm. Total stock for B Grade accounts for 1,571,536 sqm.

C Grade office space recorded the greatest withdrawal of supply with 36,257 sqm and accounted for only 5,182 sqm of supply addition. As at January 2013 total C Grade stock was recorded at 579,770 sqm.

Over the six months to January 2013 D Grade office supply and withdrawal remained unchanged at 201,349 sqm with no new additions or withdrawals taking place.

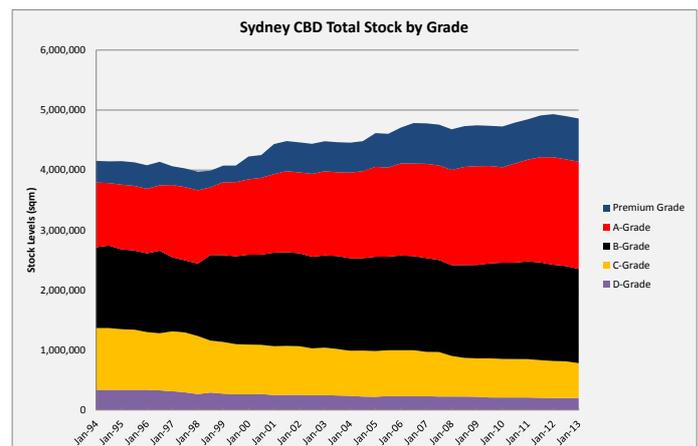


Chart 7 – Sydney CBD Total Stock by Grade – Source PCA

Total Vacancy

In regard to vacancy, the Sydney CBD office market as a whole tightened by 0.90% to 7.2% as at January 2013. Sub-lease vacancy accounted for 0.30% of the total and 6.90% attributed to direct vacancy. This decline in vacancy reflects a decline in vacant stock of 47,732 sqm, with 43,037 sqm recorded by direct vacancy and 4,695 sqm to sub-lease vacancy.

Total vacancy as at January 2013 was recorded at 351,021 sqm which is a vast improvement when compared to twelve months prior in January 2012 when total vacancy was 477,418 sqm, a decline of 126,397 sqm reflecting a percentage decrease of 2% over the year.

Premium Grade office stock recorded 45,165 sqm of vacant space as at January 2013 which reflects a vacancy percentage of 6.3%. A Grade vacancy was 131,450 sqm accounting for 7.4% of the A Grade market. B Grade stock was 112,670 sqm and 7.2% followed by C Grade and D Grade with 48,596 sqm (8.4%) and 13,140 sqm (6.5%) respectively.

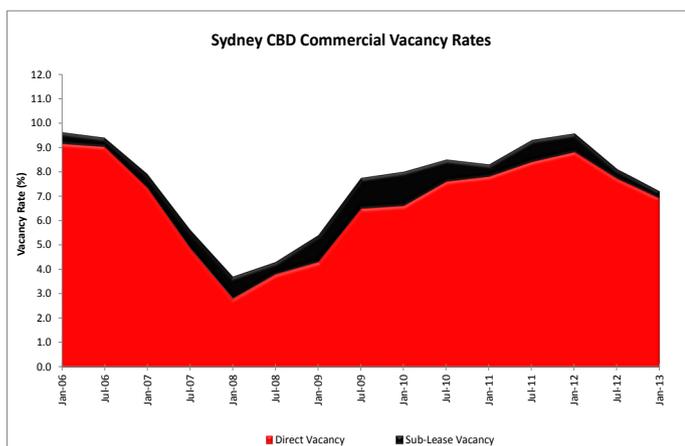


Chart 8 – Sydney CBD Commercial Vacancy Rates – Source PCA

North Sydney

Investment Activity

PRP Research recorded few major transactions that occurred during the three months to June 2013.

An undisclosed buyer has paid a reported **\$5.17 million** for a **1,963 sqm** office building on **Gordon Street in Coffs Harbour** with a reflective yield of 10.41%.

Fund Manager Quintessential Equity has purchased a **7,129 sqm** office building at **166 Epping Road, Lane Cove** for a reported **\$12.7 million** reflecting a passing **yield of 13.5% and rising to 17.6% fully let**. The office building is 80% leased to Nielsen Television Audience Measurement & Cavidien Pty Ltd.

Leasing Activity

Gresham Computing has leased a **300 sqm** site at **1 Pacific Highway, North Sydney** for a reported annual net rental of \$150,000 reflecting a rate of **\$500 per sqm**.

A **224 sqm** office space at **1101/2 Elizabeth Plaza, North Sydney** has been leased by Metgasco for a reported gross rental of **\$650.2 per sqm** reflecting an annual gross rental of \$145,644.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2013 have been analysed to derive at the following findings:

Supply by Grade (Stock)

In the six months to January 2013 the North Sydney office market recorded growth of 401 sqm. This is attributed to supply that re-entered the North Sydney market of 1,374 sqm, however was offset by withdrawals of 973 sqm.

Premium Grade and A Grade office space did not record any supply additions or withdrawals over the six months to January 2013. B Grade office stock experienced a withdrawal of 350 sqm which reflected an increase of 0.6% in the occupied stock.

The 1,374 sqm of supply addition was attributed to C Grade due to the completed refurbishment of 157-159 Walker Street. Finally D Grade office stock experienced supply withdrawal of 623 sqm and a decrease of 2.3% in occupied stock over the six months to January 2013.

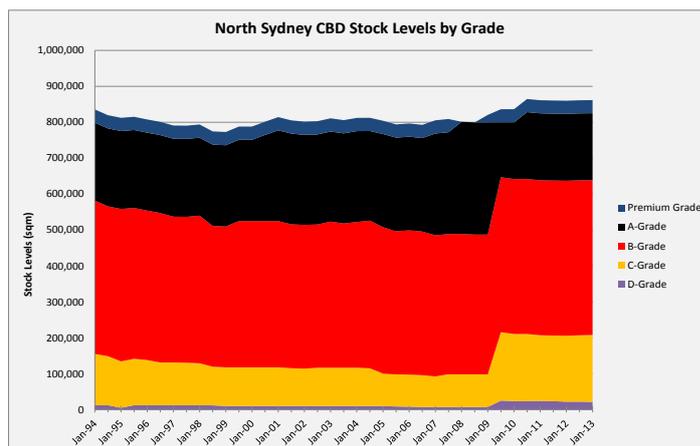


Chart 9 – North Sydney CBD Stock Levels By Grade – Source PCA

Total Vacancy

The North Sydney office market recorded an increase of 0.4% in total vacancy as at January 2013 to 7.8%. Sub-lease vacancy accounted for 1.1% of the total and direct vacancy accounted for 6.7%. The increase in vacancy reflects increases of 3,008 sqm for sub lease vacancy to 9,527 sqm and 3,532 sqm for direct vacancy to 67,266 sqm.

Year on year comparison has seen total vacancy increase by 7,085 sqm to 67,266 sqm, an increase of 0.8 percentage points. Over the six months to January 2013, Premium Grade office stock sub-lease vacancy tightened by 2% to a total vacancy of 1.6% from 1,307 sqm to 591 sqm of vacant stock.

A Grade total vacancy was 9,895 sqm as at January which reflects an increase of 3.3 percentage points to 5.3%. B Grade office stock total vacancy tightened 2,651 sqm to 33,536sqm which reflects a percentage decline of 0.6% and brings total vacancy to 7.8%.

C Grade office stock recorded a slight increase of 0.4% to January 2013 reflecting an increase of 994 sqm of vacant stock which brings total vacancy for C Grade stock to 19,407 sqm. Finally D Grade office stock tightened by 0.4 percentage points to 17.7% which reflects a decrease of 201 sqm and brings total vacant space to 3,837 sqm as at January 2013.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2013 have been analysed to derive at the following findings:

Supply by Grade (Stock)

In the six months to January 2013 the Crow's Nest/St Leonards Office market recorded growth of 14,970 sqm which was due to a new development which was completed situated at 219-247 Pacific Highway which comprised of 14,100 sqm. There was also a refurbishment completed at 35-37 Chandos Street which added a further 2,220 sqm, however this was offset with supply withdrawals of 1,350 sqm.

A Grade office space recorded the 14,100 sqm of new supply to enter the market and did not record any withdrawals, bringing total supply to 102,699 sqm. B Grade also recorded an increase in the supply due to the completed refurbishment, adding 2,220 sqm and bringing total stock to 69,288 sqm.

C Grade recorded the stock withdrawal of 1,350 sqm and lowered its total stock to 181,006 sqm as at January 2013. D Grade office stock remained unchanged over the period at 15,603 sqm.

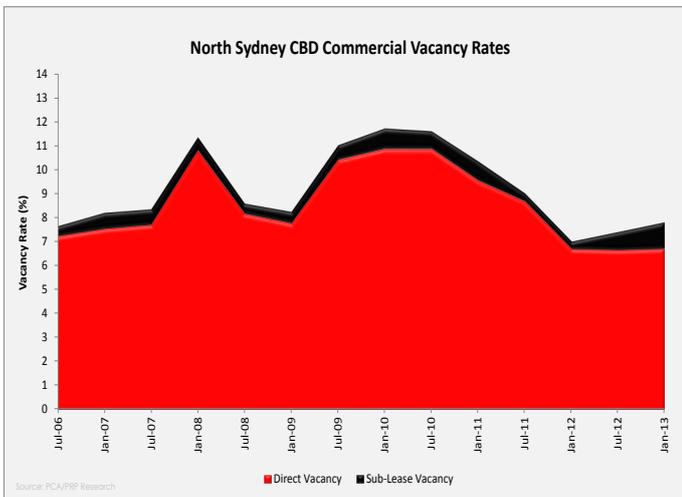


Chart 10 – North Sydney CBD Commercial Vacancy Rates – Source PCA

Crow's Nest/St Leonards

Investment Activity

PRP Research recorded few major transactions that occurred during the three months to June 2013.

A **596 sqm** commercial site situated at **328 Pacific Highway, Crow's Nest** has been purchased by an undisclosed developer for a reported **\$12 million**.

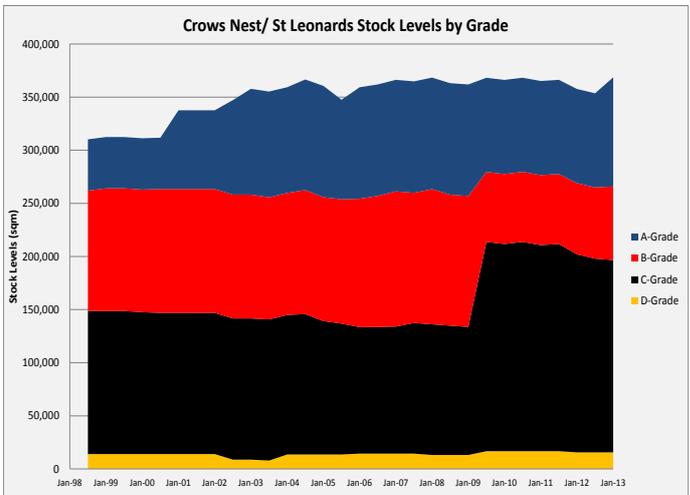


Chart 11 – Crow's Nest/St Leonards Stock Levels by Grade – Source PCA

Total Vacancy

The Crow's Nest/St Leonards office market recorded an increase in total vacancy over the six months to January 2013 of 1.3%. Direct vacancy accounted for 1% increasing to 11.6%. Sub-lease vacancy increased by 0.3 percentage points to 0.4%. The increase in direct vacancy and sub-lease vacancy reflects vacant stock levels of 42,822 sqm and 1,520 sqm respectively.

Year on year analysis revealed a decrease in direct vacancy of 3,447 sqm, however sub-lease recorded an annual increase of 1,190 sqm. Over the six months to January 2013, A Grade office stock direct vacancy increased by 5,599 sqm (4.4%) to 12,242 sqm. B Grade office space recorded an increase of 1,825 sqm (2.3%) to 7,993 sqm. D Grade direct vacancy also increased marginally, by 202 sqm (1.3%) to 2,249 sqm. D Grade sub-lease vacancy recorded its first vacancy of 900 sqm which reflects 5.8% of the D Grade office market.

C Grade office space was the only grade to record a tightening in direct vacancy of 2,310 sqm (1.2%) to 20,338 sqm. Sub-lease vacancy increased marginally by 290 sqm (0.1%) to 620 sqm.

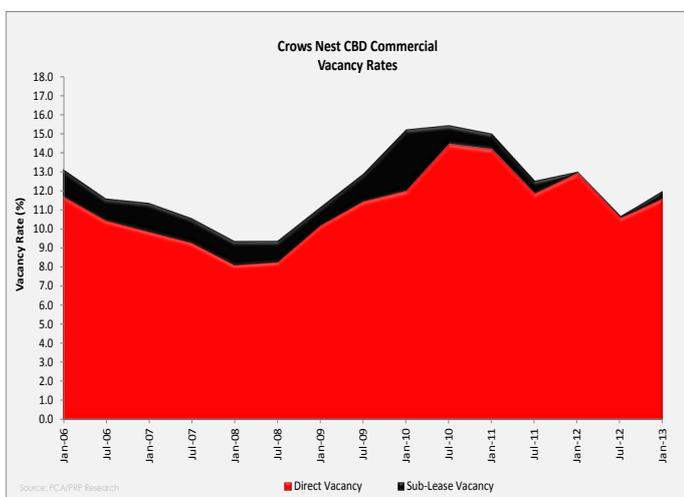


Chart 12 – Crow's Nest CBD Commercial Vacancy Rates – Source PCA

Parramatta

Investment Activity

PRP Research recorded few major transactions that occurred during the three months to June 2013.

A **1,035 sqm** site at **55 High Street, Parramatta** has been purchased by Parramatta Providence Developments for a reported **\$3.05 million**.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2013 have been analysed to derive at the following findings:

Supply by Grade (Stock)

Total office stock in the Parramatta office market recorded growth of 18,321 sqm over the six months to January 2013 due to a new development situated at 60 Station Street which comprised of 25,050 sqm.

The Parramatta supply was offset by 6,729 sqm of stock withdrawals. The 25,050 sqm new development added stock to the A Grade class bringing total stock for A Grade to 255,017 sqm.

B Grade office space remained unchanged at 158,656 sqm and has not changed since January 2008. C Grade and D Grade office stock recorded supply withdrawals of 4,800 sqm and 1,929 sqm respectively which brought total stock for C and D Grade to 144,739 sqm and 144,309 sqm respectively.

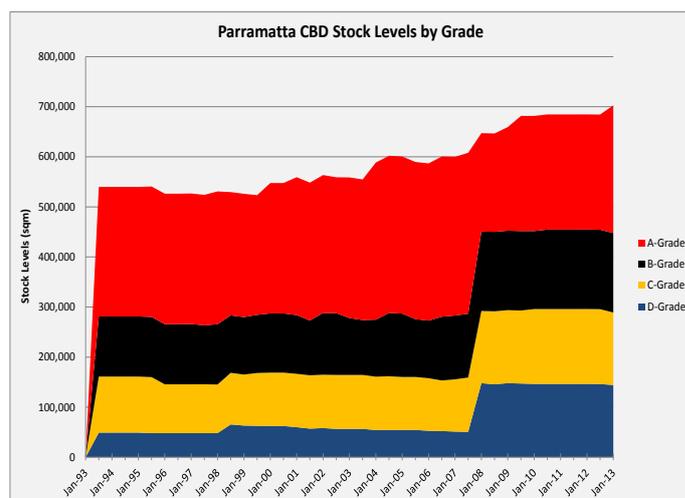


Chart 13 – Parramatta CBD Stock Levels by Grade – Source PCA

Total Vacancy

The Parramatta Office market recorded an increase in the total vacancy of 7,433 sqm over the six months to January 2013 reflecting a percentage increase of 0.9%. Direct vacancy accounted for 7,098 sqm which reflected a 0.8 percentage point increase and sub-lease made up the remaining 335 sqm which reflected 0.1%.

Analysis over the 12 months to January 2013 revealed that direct vacancy increased by 7,086 sqm and sub-lease vacancy tightened by 1,772 sqm. A Grade office stock direct vacancy increased by 4,487 sqm in the six months to January 2013 to 9,658 sqm (3.8%) and sub-lease vacancy increased from 0 to 680 sqm (0.3%).

B Grade office space revealed a direct vacancy increase of 1,774 sqm (1.1%) to 9,736 sqm. C Grade office stock recorded a decrease in sub-lease vacancy of 345 sqm to record no sub-lease vacancy as at January 2013. Direct vacancy increased by 3,218 sqm (2.8%) to 28,057 sqm.

Finally D Grade office space direct vacancy tightened by 1.4% to 19,723 sqm from 22,104 sqm. Sub-lease vacancy remained unchanged in the six months to January 2013 at 44 sqm.

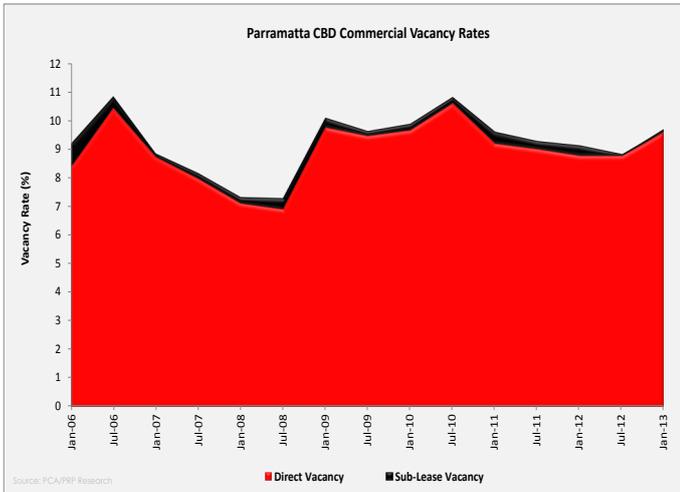


Chart 14 – Parramatta CBD Commercial Vacancy Rates – Source PCA

Chatswood

Property Council of Australia

The latest statistics from the Property Council of Australia’s (PCA) Office Market Report January 2013 have been analysed to derive at the following findings:

Supply by Grade (Stock)

The total office stock in the Chatswood Office Market remained unchanged at 280,845 sqm over the six months to January 2013, with no new supply or withdrawals recorded. A Grade consists of the majority of the Chatswood market with 157,412 sqm of stock, followed by B Grade with 76,746 sqm, C Grade with 46,233 sqm and D Grade with 454 sqm.

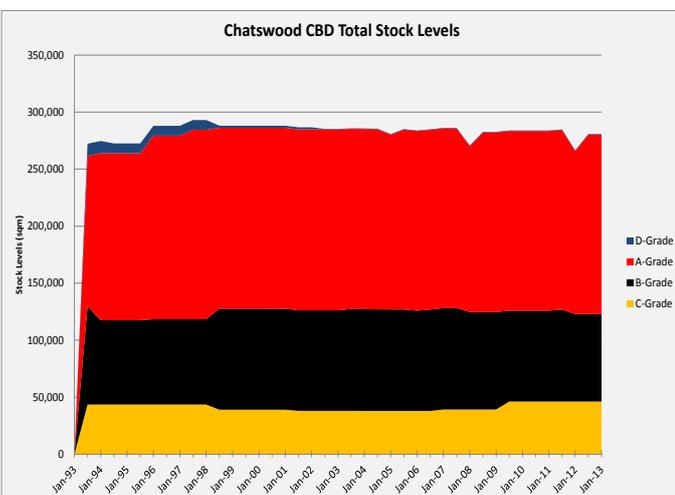


Chart 15 – Chatswood CBD Total Stock Levels – Source PCA

Total Vacancy

The Chatswood CBD office market recorded a 5.8% tightening of vacancy in the six months to January 2013 with total vacant space now at 24,865 sqm. Total direct vacancy tightened by 16,256 sqm, however sub-lease vacancy rose by 2,594 sqm.

A Grade office space tightened by 14,333 sqm (9.1%) to 11,888 sqm whereas sub-lease vacancy increased by 1.7% from 0 to 2,613 sqm. B Grade recorded a tightening of direct vacancy of 829 sqm (1.1%) to 8,103 sqm. Sub-lease vacancy reduced from 138 sqm to 0 sqm.

C Grade office space direct vacancy tightened by 1,044 sqm (2.3%) to 2,142 sqm and sub-lease vacancy increased by 0.3% to 119 sqm of vacant stock. D Grade direct and sub-lease vacancy remained unchanged in the six months to January 2013 and did not record any vacant space.

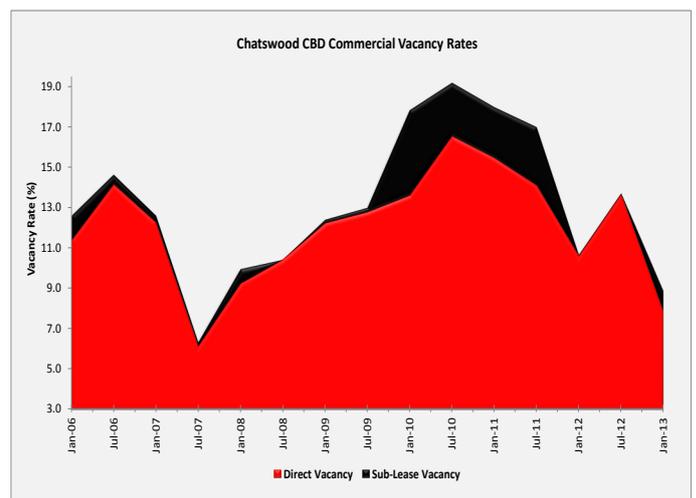


Chart 16 – Chatswood CBD Commercial Vacancy Rates – Source PCA

North Ryde/Macquarie Park

Leasing Activity

PRP Research recorded a relatively low number of leasing transactions that occurred during the three months to March 2013, in the North Ryde and Macquarie Park Commercial Office Market.

Ospray Pty Ltd has leased a **315 sqm** office at **12 Julius Avenue, North Ryde** for a gross annual rental of **\$120,000**.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2013 have been analysed to derive the following findings:

Supply by Grade (Stock)

The total office stock in the North Ryde/Macquarie Park market rose by 19,538 sqm to 839,949 sqm. This was attributed to completion of a new development at 16 University Drive which accounted for the entirety of the new A Grade supply. A Grade office space as at January 2013 accounts for 581,846 sqm of the total North Ryde/Macquarie Park office market which is over 69% of the total market, followed by B Grade with 234,812 sqm, C Grade with 20,570 sqm and D Grade with 2,721 sqm.

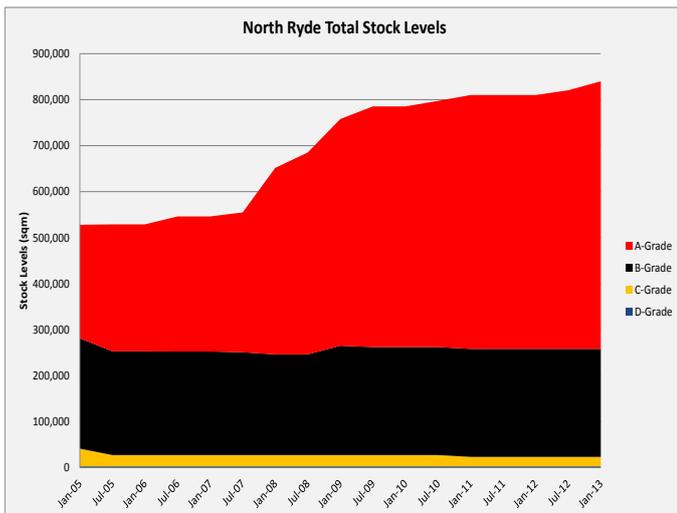


Chart 17 – North Ryde Total Stock Levels – Source PCA

Total Vacancy

The North Ryde/Macquarie Park market recorded a slight 0.3% increase in total vacancy in the six months to January 2013. Direct vacancy increased by 0.1% to 6.3% and sub-lease vacancy increased by 0.2% to 1%. These increases in vacancy reflected increases of 1,403 sqm for direct vacancy and 2,170 sqm for sub-lease vacancy.

A Grade direct vacancy increased by 0.9 percentage points to 24,540 sqm (4.2%) and sub-lease vacancy declined by 1.1 percentage points to 2,565 sqm (0.4%). B Grade direct vacancy tightened by 1.7% to 22,760 sqm and sub-lease vacancy rose by 1.3% to 6,420 sqm. C Grade direct vacancy also recorded a decline of 1.7% to 25.9% vacancy with 5,337 sqm vacant. D Grade remained unchanged with no direct or sub-lease vacancy.

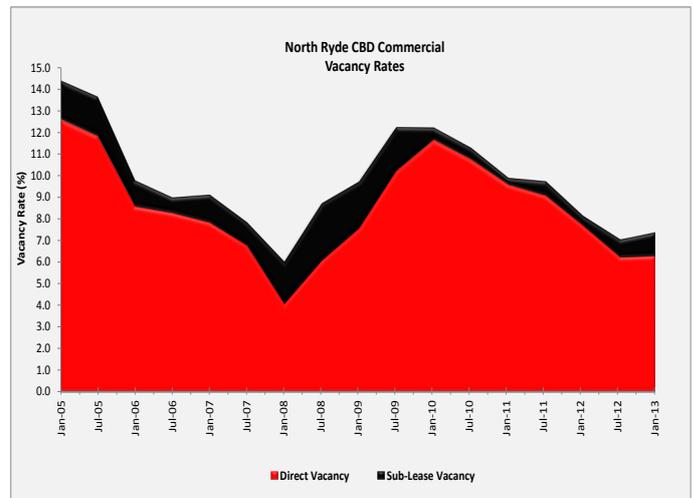


Chart 18 – North Ryde CBD Commercial Vacancy Rates – Source PCA

Retail Market

Investment Activity

PRP Research recorded few retail transactions that occurred in New South Wales during the June quarter 2013.

An undisclosed overseas investor has reportedly paid **\$5.8 million** for a **423 sqm** commercial building at **296 George Street, Sydney CBD** on a yield reflecting 7.4%.

Woolworths and Lowes Companies Inc. have entered in a joint venture by purchasing a site at **144 Wicks Road, Macquarie Park** for approximately **\$30 million**. The **13,500 sqm** site is to be constructed into a Masters Home Improvement bulky goods outlet.

Insolvency from Ferrier Hodgson has sold an **8,000 sqm** property at **37 Epping Road, Macquarie Park** for a reported **\$17.35 million**.

A **670 sqm** retail building at **312-316 Victoria Avenue, Chatswood** has been purchased by an undisclosed overseas investor for a reported **\$14 million** on a net yield of 5%.

Shopping Centres

Sino Ace Investments Pty Ltd has purchased a Woolworth's supermarket at **43-53 Grosvenor Street, Neutral Bay** for a reported **\$40 million**.

Economic Statistics

According to the Australia Bureau of Statistics category 8501.0 Retail Trade (May 2013), the retail turnover figures recorded in New South Wales produced varied results.

In seasonally adjusted terms, the state of New South Wales produced a monthly turnover decline of 0.361% however the results are positive when compared to twelve months prior in May 2012.

The most significant growth recorded over the month of May was attributed to Pharmaceutical, Cosmetic and Toiletry Goods Retailing which increased by 2.5% to monthly turnover of \$389.4 million. Followed by, Clothing Retail and Clothing, Footwear and Personal Accessory Retailing which recorded growth of 1.7% and 1.35% to monthly turnover of \$371.2 million and \$546.4 million respectively.

Significant declines over the month of May were recorded by Electrical and Electronic Goods Retailing, declining by 4.6% to annual turnover of \$424.2 million, followed by Newspaper and Book retailing also decreasing by 4.6% to turnover of \$92.9 million. Other Recreational Goods Retailing followed with a decline of 4% to a monthly turnover of \$118.9 million.

Year on year analysis of the various categories revealed mixed results, with many recording significant growth. The most marked annual growth was attributed to Other Retailing n.e.c which increased by 25.3% to a turnover of \$420.8 million. Other recreational goods retailing followed with annual growth of 20.2% to turnover of \$118.9 million.

The most significant declines recorded over the twelve months to May 2013 were attributed to Newspaper and Book Retailing which decreased by 22.3% annually followed by Hardware, building and Garden supplies retailing which decreased by 10.9% to a turnover of \$294 million.

Overall, analysis of the New South Wales retail turnover recorded annual growth of 2.2% despite the monthly decline.

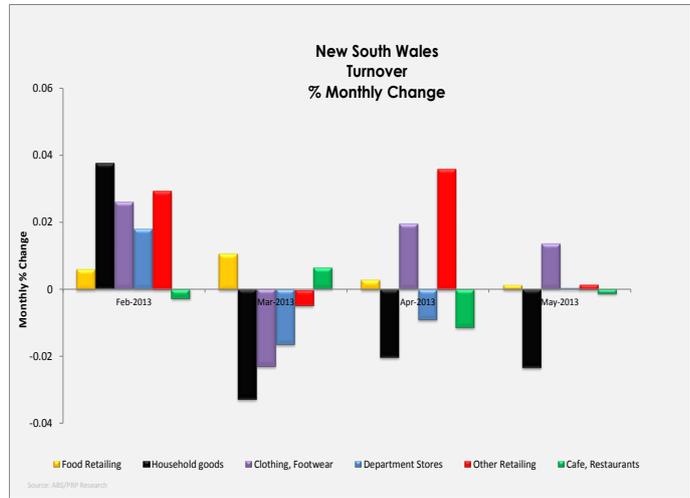


Chart 19 – New South Wales Turnover % Monthly Change – Source ABS

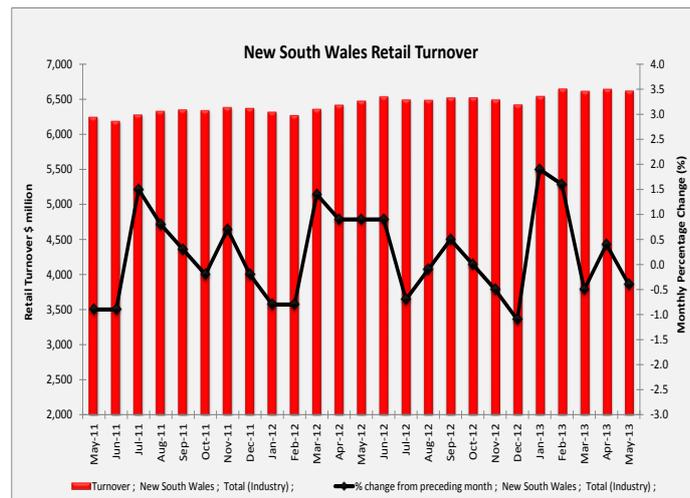


Chart 11 – New South Wales Retail Turnover – Source ABS

Industrial Market

Investment Activity

PRP Research recorded a number of sales transactions that occurred in the Sydney and Metropolitan Industrial Market, during the three months to June 2013;

GPT has purchased a **6,780 sqm** office warehouse at **3 Figtree Drive, Homebush Bay** for a reported **\$19.4 million**, reflecting a rate of \$2,861 per sqm.

An undisclosed buyer has purchased a **4,282 sqm** industrial space at **2 Clyde Street, Silverwater** from Auburn Council for a reported **\$3.2 million**.

A **4,700 sqm** industrial facility at **12 Larkin Street, Riverwood** was purchased by Riverwood Investment Holdings for a reported **\$3.8 million**. Riverwood Investment Holdings intends to occupy approximately 1,900 sqm and lease the remaining space.

A **16,051 sqm** office warehouse at **457 Waterloo Road, Chullora** has been purchased by 360 Capital for a reported **\$17.2 million** on a capitalisation rate of 9.25%.

Private Investors

A **1,596 sqm** mixed-use zoned building located at **410-412 Botany Road, Alexandria** has been purchased by a private investor for a reported \$3.25 million.

A **1,133 sqm** industrial building located at **48-54 Fitzroy Street in Marrickville** has sold for a reported **\$2.2 million** to a private investor.

Leasing Activity

PRP Research recorded a number of leasing transactions that occurred in the Sydney and Metropolitan Industrial Market during the three months to June 2013.

Interface has leased a **24,000 sqm** industrial facility from Altis Property Partners at **34 Airds Road, Minto** for a 15 year term at a rental reflecting **\$83 per sqm**.

NSW Food Distributors Pty Ltd has leased **1,740 sqm** of industrial space from Shamrock Properties Pty Ltd at **3/27 Nyrang Street, Lidcombe** for a 3 year term at a gross rental of **\$110 per sqm**.

An industrial warehouse at **131-139 Parramatta Road, Five Dock** has been leased by Repipe Connections Sydney. The **1,003 sqm** space has been leased at a gross rental of **\$125 per sqm** for a 3 year term.

Matt Blatt Furniture has leased a **2,450 sqm** space from AAA Complete Restoration at **88 O'Riordan Street, Alexandria** for a 3 year term at a net rental of **\$130 per sqm**.

A **1,648 sqm** industrial property at **9 Melissa Place, Kings Park** has been leased by KF Specialty Ingredients on a 5 year term at a rental of **\$107 per sqm**.

A **1,570 sqm** office warehouse situated at **175 Power Street, Glendenning** has been leased by The Bar Group for a 3 year term at a net rental of **\$105 per sqm**.

ACR Supply Partners have leased a **5,903 sqm** industrial facility at **57-75 Templar Road, Erskine Park** for a reported net rental of **\$110 per sqm**.

Toby's Auto Parts has leased a **1,243 sqm** warehouse and office facility at **137 Magowar Road, Girraween** for a 3 year term at a reported **\$95 per sqm**.

Carpet Maker, Godfrey Hirst Australia has leased a **3,110 sqm** industrial warehouse in **Smithfield** for a term of 5 years at a reported rental of **\$88 per sqm**.

Stratton Fleet Services has leased **750 sqm** office and warehouse property at **Unit 7, 4 Avenue of Americas in Newington** for a four year term at a net rental of **\$112,545 per annum**.

The Independent Bulk Network Pty has leased a **3,203 sqm** industrial property at **1/15 Kerr Road, Ingleburn** for a two year term with a five year option at a gross face rental of **\$264,165 per annum**.

Residential Market

Economic Statistics

According to the Australia Bureau of Statistics category 8731.0 Building Approvals May 2013, the total number of house dwelling approvals in the Sydney Statistical Division over the month of May has showed a significant increase of 28.7% from 791 approvals in April 2013 to 1,018 approvals in May 2013. This increase reflects an annual growth of 19.2% when compared to March 2012 house dwelling approvals.

The total number of non-house dwelling approvals has declined by 39.53% from 2,021 to 1,222 dwelling approvals over the month of May 2013. This reflects an annual decline of 39.05% when compared to May 2012.

SYDNEY

Market Affordability

According to the Real Estate Institute of Australia over the March quarter 2013 the Sydney Median House price increased by 1.6% to \$673,681. All zones recorded quarterly growth apart from Middle Sydney which declined by 2.7% to a median price of \$750,000. Inner Sydney increased by 4% over the quarter to \$1,120,000 and Outer Sydney increased by 1% to \$485,000.

Year on year analysis of revealed increases across all three Sydney zones of Inner, Middle and Outer Sydney with annual growth of 6.6%, 5.4% and 3.2% respectively.

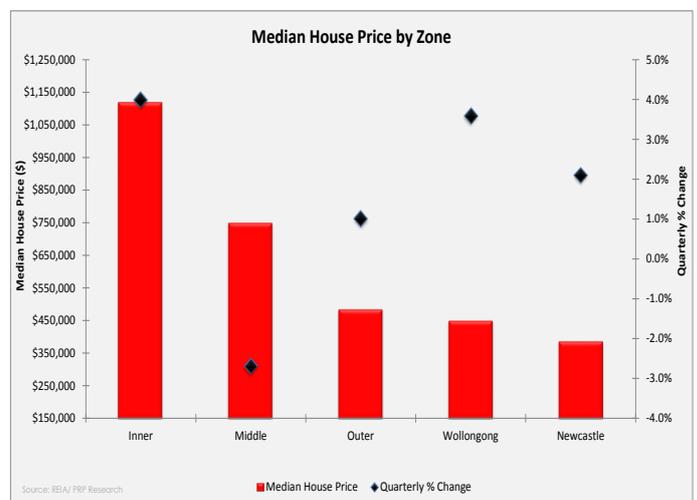


Chart 12 – Median House Price by Zone – Source REIA

Other Dwelling Median sale prices recorded a decrease in Middle Sydney of 2% to \$478,000 while Inner and Outer Sydney remained unchanged at \$600,000 and \$420,000 respectively. Year on year analysis of the three Sydney Zones revealed increases across all zones.

The most significant increase was experienced by Outer Sydney with annual growth of 5.7% followed by Inner Sydney with 2% and Middle Sydney with 1.3%.

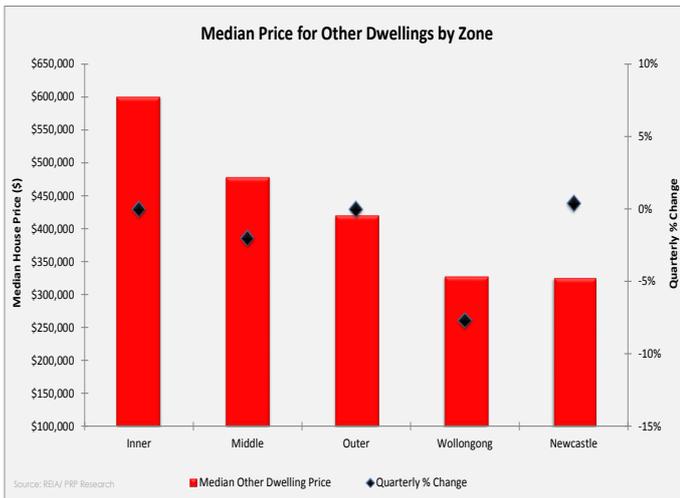


Chart 13 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

The Sydney rental market remained positive over the March 2013 quarter with all Sydney zones either increasing or remaining unchanged. Increases were recorded in Inner Sydney 2 and 3 bedrooms, Middle Sydney 2 bedrooms and Outer Sydney 3 bedrooms. The most significant increase was Inner Sydney 3 bedrooms with quarterly growth of 5.3% to a median rental of \$790 per week.

Over the 12 months to March 2013 all Sydney Zone recorded increases apart from Middle Sydney 2 bedrooms which remained unchanged at \$430 per week. The most marked increases were Inner Sydney 3 bedrooms (5.3%, \$790 per week), Middle Sydney 3 bedrooms (4%, \$520 per week) and Outer Sydney 3 bedrooms (3.9%, \$400 per week).

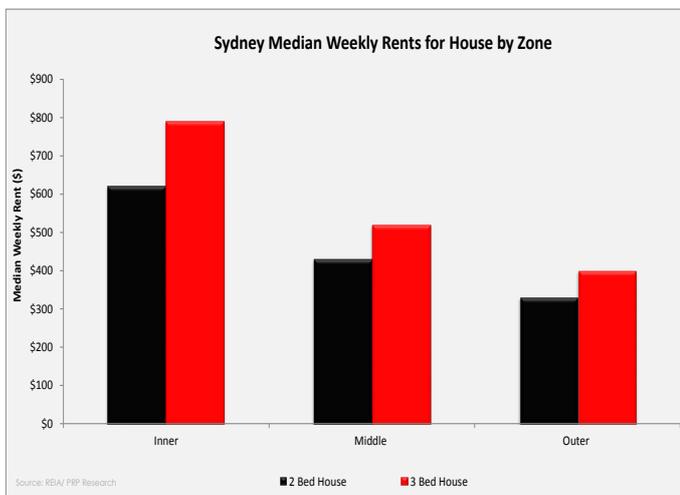
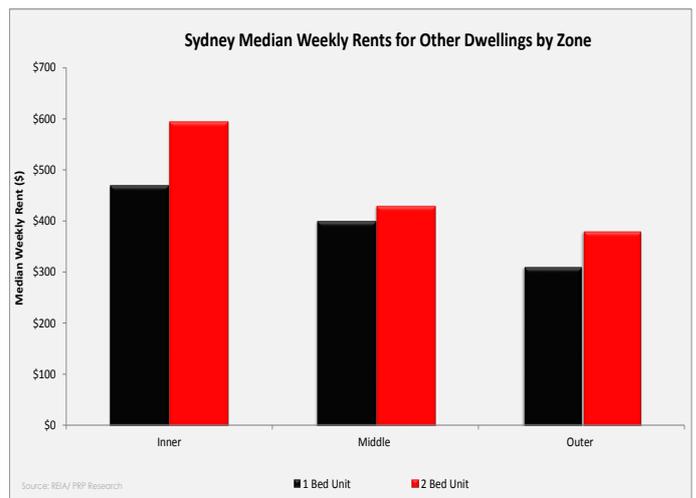


Chart 14 – Sydney Median Weekly Rents for House by Zone – Source REIA

Other Dwelling Rental Rates in Sydney recorded positive results with all zones experiencing annual growth. The most significant annual growth was in the Outer Sydney 1 bedroom and Middle Sydney 1 bedroom zones with growth of 6% to \$308 per week and 5% to \$420 per week respectively.

Over the March quarter 2013, Outer Sydney 1 bedrooms were the only zone to record a decline of 0.8% to \$308 per week. All other zones either increased or remained unchanged with the most marked increase attributed to Middle Sydney 1 bedrooms with quarterly growth of 5% to a weekly rental of \$420.



NEWCASTLE

Market Affordability

Over the March quarter 2013, the Median House price in Newcastle increased by 2.1% to \$387,000, with an annual growth of 4.3%. Other Dwelling sales in the Newcastle Region increased by 0.4% over the March quarter however remained unchanged over the twelve months to March 2013.

Rental Market

Three bedroom house rentals in Newcastle remained unchanged at \$400 per week over the March 2013 quarter, however 2 bedroom house rents recorded an increase of 2.9% to \$360 per week. Year on year analysis revealed growth in both Newcastle house categories with 2 bedroom rentals increasing by 5.9% and 3 bedroom rentals increasing by 4.4%.

Other Dwelling rentals in Newcastle recorded growth in both 1 bedroom and 2 bedroom units over the quarter. Analysis of the Real Estate Institute of Australia March Quarter Report revealed growth of 2% and 7.1% to median rentals of \$255 and \$370 per week respectively.

Year on year remained positive with marked increases in both one and two bedroom units. One bedroom units revealed annual growth of 4.1% and two bedrooms recorded growth of 8.8%.

WOLLONGONG

Market Affordability

According to the Real Estate Institute of Australia, Wollongong sale prices have recorded quarterly and annual growth of 3.6% and 4.7% respectively to a median sale price of \$450,000. Other Dwellings median sale price in Wollongong increased by 0.4% over the quarter to \$325,000, however remained unchanged over the twelve months to March 2013.

Rental Market

Wollongong house rentals recorded mixed results over the quarter, with 2 bedrooms decreasing by 2.9% to \$340 per week and 3 bedrooms increasing by 5.3% to \$400 per week. Year on year analysis revealed growth of 6.3% for 2 bedroom houses and 3.9% for 3 bedrooms.

Other Dwelling median rentals in Wollongong recorded growth over the 3 months to March for both 1 and 2 bedroom units of 4.8% to \$220 per week and 3.3% to \$310 per week respectively. Over the twelve months to March 2013 Wollongong 1 bedroom units remained unchanged and 2 bedroom units increased by 3.3%.

Hotels & Leisure Market

Investment Activity

PRP Research recorded few Hotel and Leisure transactions that occurred in New South Wales during the June quarter 2013, totalling a reported.

An undisclosed investor has purchased the 91 room **Ibis Hotel on King Street Wharf** in the Sydney CBD for a reported **\$25 million** from Tourism Asset Holdings. The sale reflects a **yield of 7%**.

Arena Property Fund has sold the 78 room **Diamond Hotel at 14 Kings Cross Road, Potts Point** to an undisclosed private investor for a reported **\$18.2 million**.

The Stamford Plaza hotel at **33 Cross Street, Double Bay** has sold to Royal Group Holdings for a reported **\$60 million**.

The Australian Pub Fund has purchased the Bristol Arms Hotel at **88 Sussex Street, Sydney** for a reported **\$8 million**.

Medical/Aged Care

Investment Activity

PRP Research recorded few Medical and Aged Care transactions that occurred in New South Wales during the June quarter 2013,

Generation Healthcare REIT has purchased the Westmead Rehabilitation Hospital situated at **7 Coleman Street, Merrylands** for a reported **\$20 million** with a **yield of 9%**.

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.

Our Corporate Property Services 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

Types of Real Property 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.

Types of Plant & Machinery 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

Our Clients 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
- Solicitors and barristers
- Stock brokers
- Trustee and Custodial companies

Our Service Area

We have all *locations* covered

From our central office location within the Sydney Central Business District we serve our clients' needs throughout the Sydney CBD, greater Sydney metropolitan area, throughout the state of New South Wales. For special purpose real estate asset classes, infrastructure, and plant & machinery we operate throughout Australia and globally either directly or through our relationship offices.

Reasons for our Services

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 & re-valuations
- 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

Sydney (Head Office)

Level 11, 80 Clarence Street
Sydney NSW 2000

PO BOX 4120, Sydney NSW 2001

P: 02 9292 7400

F: 02 9292 7403

E: mailroom@prpsydney.com.au

Preston Rowe Paterson NSW Pty Ltd

ACN: 61 003 139 188

The information provided within this publication should be regarded solely as a general guide. We believe that the information herein is accurate however no warranty of accuracy or reliability is given in relation to any information contained in this publication. Nor is any responsibility for any loss or damage whatsoever arising in any way for any representation, act or omission, whether expressed or implied (including responsibility to any person or entity by reason of negligence) accepted by Preston Rowe Paterson NSW Pty Ltd or any of its associated offices or any officer, agent or employee of Preston Rowe Paterson NSW Pty Limited.

Directors

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

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

Associate Directors

Ben Greenwood
M: 0448 656 103
E: ben.greenwood@prpsydney.com.au

Neal Smith
M: 0448 656 647
E: neal.smith@prpsydney.com.au

Rachel Cooper
M: 0448 757 134
E: rachel.cooper@prpsydney.com.au

Ben Toole
M: 0448 886 335
E: ben.toole@prpsydney.com.au

Capital City Offices

Melbourne

Adelaide

Brisbane

Regional Offices

Albury Wodonga

Ballarat

Bendigo

Cairns

Central Coast/Gosford

Geelong

Gold Coast

Gippsland

Mornington

Newcastle

Wagga Wagga

Relationship Offices

Canberra

Perth

Hobart

Darwin

Other regional areas