



**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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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.

### December Quarter 2013

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# Economic Fundamentals

## GDP

GDP figures for the December quarter are not available until the 5th March 2014, however PRP Research over the September 2013 quarter revealed that the Australian economy grew by 0.6% seasonally adjusted. In comparison to the September quarter 2012, growth of 2.3% was recorded. Over the September quarter, the main contributors to expenditure on GDP were Public Gross Fixed Capital Formation (GFCF) (1.3%), which measures the value of acquisitions of new or existing fixed assets by the business, government and household sectors less the disposals of fixed assets.

The Terms of Trade over the quarter declined by 3.3% reflecting an annual decline of 3.6%. Terms of Trade represent the relationship between the prices of exports and imports.

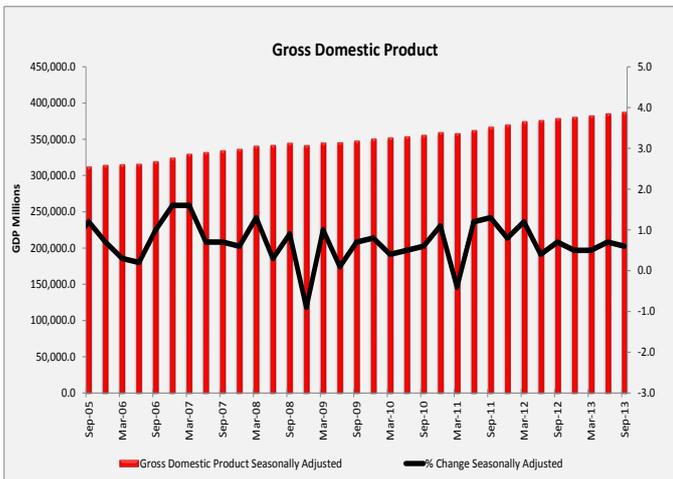


Chart 1 – Gross Domestic Product (GDP) – Source ABS

## Labour force

The official employment figures released from the Australian Bureau of Statistics revealed that the unemployment rate increased by 1.12 percentage points to 5.8% seasonally adjusted as at December 2013.

Employment over the month to December recorded a decline of 31,571 persons from 8,099,264 reflecting a percentage decline of 0.39%. In comparison to December 2012, there was growth of 0.44%, which was an increase of 35,906 persons.

The number of unemployed seeking full time employment increased over the month by 13,273 persons to 532,372, reflecting a percentage increase of 2.56%. The number of unemployed seeking part time employment declined by 5,273 persons over the month to December to 189,613 reflecting -2.71%.

The participation rate recorded a slight decline of 0.2 percentage points over the month to December to 64.6%, with year on year comparison revealing a 0.7% decline.

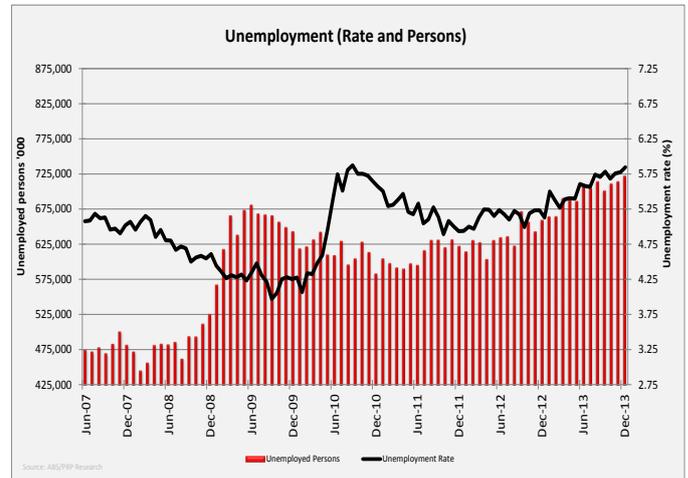


Chart 2 – Unemployment – Source ABS

## Interest Rates

At the date of publishing, the official Cash Rate over the December quarter 2013 remained unchanged at 2.50%. The cash rate has remained unchanged since September and is recording its lowest level since the RBA began recording data. At the Board's meeting in December, the RBA's Governor Glenn Stevens stated;

"In Australia, the economy has been growing a bit below trend over the past year and the unemployment rate has edged higher. This is likely to persist in the near term, as the economy adjusts to lower levels of mining and investment. Further ahead, private demand outside the mining sector is expected to increase at a faster pace, though considerable uncertainty surrounds this outlook. There has been an improvement in indicators of household and business sentiment recently, but it is still unclear how persistent this will be. Public spending is forecast to be quite weak.

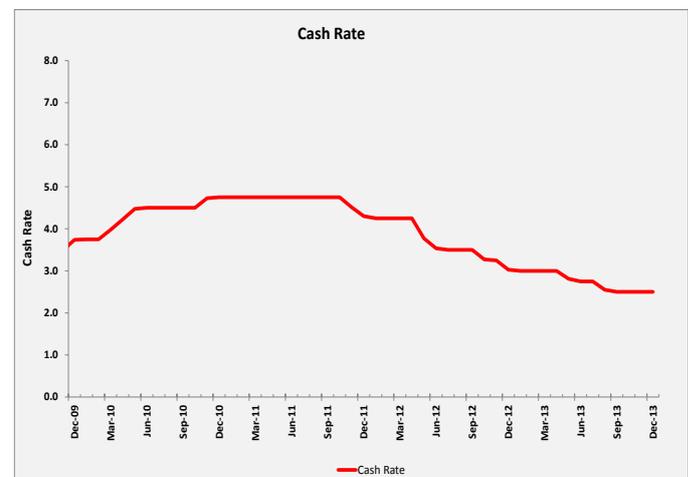


Chart 3 – Cash Rate – Source RBA

## CPI

According to the Australian Bureau of Statistics Category 6401.0 Consumer Price Index (December 2013), the Australia's All Groups CPI increased by 0.8% over the quarter to December 2013 from 104.0 to 104.8. In comparison to December 2012, Australia's All Groups CPI has increased by 2.8 index points which reflects annual growth of 2.75%.

The most marked price rises over the December quarter were for fruit (+8.1%), vegetables (+7.1%), domestic holiday travel and accommodation (+6.9%), international holiday travel and accommodation (+2.6%), tobacco (+2.2%) and new dwelling purchase by owner-occupiers (+1.0%). The most significant price fall over the December 2013 quarter was attributed to automotive fuel, declining by 1.1%.

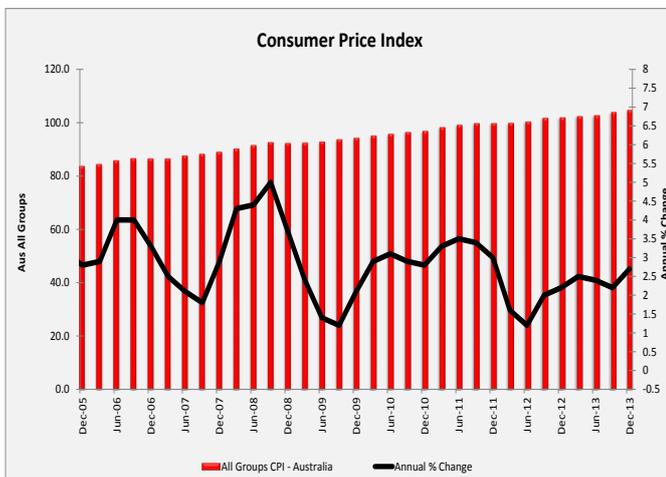


Chart 4- Consumer Price Index—Source—ABS

## Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index declined by 4.8% in December from 110.3 in November to 105.0 in December. Over the quarter the index has declined by 5.6 points, a decline of 5.06%. In comparison to December 2012, the index has increased by 5 index points reflecting a 4.97% increase.

Over the year of 2013 the Consumer Sentiment Index remained above 100 in all months apart from May, when it experienced the trough of 97.6. For the month of December, Westpac's Chief Economist, Bill Evans, commented that "This is the lowest level of the index since July this year. It is 4.3% below the average print for the last 3 months which covered the post-election period and the time of most euphoria around house prices".

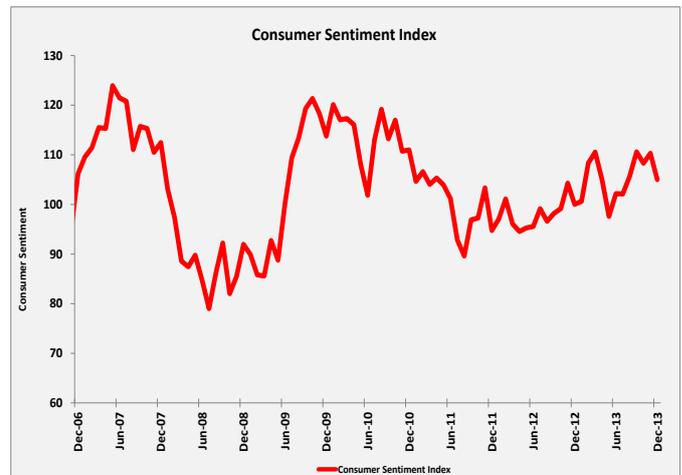


Chart 5- Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey

## 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 December 2013.

A Chinese Investment Corporation has purchased Centennial Plaza at **260-300 Elizabeth Street in the Sydney CBD** for **\$320 million**. The building comprises **53,635 sqm** and was purchased on a **yield of 8.2%**.

A Swiss real estate firm has purchased the **1,440 sqm** heritage-listed building at **117 Harrington Street, Sydney CBD** for more than **\$12 million**. The property was purchased on an initial **yield of 9.1%** and is subject to a 99 year ground lease with 92 years remaining to the Sydney Harbour Foreshore Authority.

A private Hong Kong investor has purchased a 15-level office tower at **171 Clarence Street, Sydney CBD** for a reported **\$37.9 million**. The sale price reflects a fully leased **yield of 7.85%**.

Far East Organisation, a Singaporean Group has purchased a B-Grade office tower at **227 Elizabeth Street, Sydney CBD** for **\$145 million** and is slated for residential conversion. No further details were released.

Ausgrid has sold Ausgrid House at **550-570 George Street, Sydney CBD** for **\$105 million**. The property has a gross building area of **21,930 sqm** and a NABERS energy rating of 2.0. No further details were released.

### Leasing Activity

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

Hipages Group an online personal training and natural health network have leased a **1,200 sqm** office suite at **338 Pitt Street, Sydney CBD** for a **gross annual rental of \$550 per sqm**.

### Development Sites

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

The development at 8-12 Chifley Square is expected to be completed in 2013, which comprises 19,135 sqm of new supply over 21 office levels and will have 31 car spaces. The building is 50% owned by Mirvac and 50% owned by K-REIT Asia. The completion date of the new development at 180 Thomas Street in the Sydney CBD has been pushed back from the fourth quarter of 2013 to the first quarter of 2014. 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 July 2013 have been analysed to derive at the following findings:

#### Supply by Grade (Stock)

Over the six months to July 2013 there was 57,200 sqm of new supply which entered the Sydney CBD Office Market due to the completion of a new development at 161-163 Castlereagh Street, Sydney. Partial supply accounted for 33,643 sqm resulting in total supply of 90,843 sqm. This was offset by 29,191 sqm of stock withdrawals over the period which reflected a net supply of 61,652 sqm in the six months to July 2013.

Premium Grade office stock accounted for 59,100 sqm of supply, however also experienced stock withdrawal of 906 sqm in the six months to July 2013. Premium Grade now comprises of 777,799 sqm reflecting 15.8% of the market share.

A Grade office stock recorded 30,743 sqm of new supply enter the market and experienced 5,296 sqm of stock withdrawals. Total A Grade stock is now 1,812,314 sqm which maintains its majority share of the market with 36.9%.

B Grade office stock recorded minimal supply of 1,000 sqm, and recorded 17,183 sqm of withdrawals. This resulted in a decline in total office market stock to now be 1,552,518 sqm reflecting a market share of 31.6%.

Both C & D Grade recorded no supply additions over the six months to July 2013, however experienced withdrawals of 1,516 sqm and 4,290 sqm respectively to total stock levels of 578,254 sqm and 197,059 sqm respectively. Total market share for C & D Grade is now 11.8% and 4% respectively. The Sydney CBD total office market supply is 4,917,944 sqm as at July 2013.

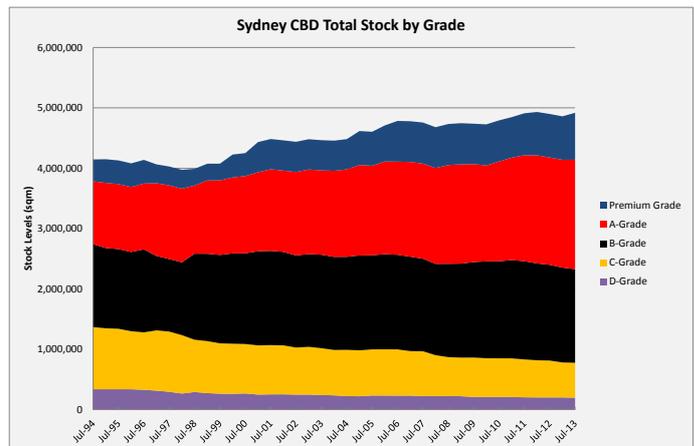


Chart 6 – Sydney CBD Total Stock by Grade – Source PCA

### Total Vacancy

In regard to vacancy, the Sydney CBD office market recorded an increase in the total vacancy rate by 1.7% to 8.9% as at July 2013. Sub-lease vacancy accounted for 0.7% of the total and 8.2% was attributed to direct vacancy. This increase in vacancy reflects an increase in vacant stock of 88,636 sqm, with 70,097 sqm attributed to direct vacancy and 18,539 sqm to sub-lease vacancy.

Total vacancy as at July 2013 was recorded at 437,387 sqm, its highest level since January 2012. Premium Grade office stock recorded 64,696 sqm of vacant stock which reflects a vacancy rate of 8.3%. A Grade vacancy was 184,743 sqm reflecting a vacancy rate of 10.2%. B Grade vacancy was 123,557 sqm with a vacancy rate of 8%. C Grade total vacancy was 49,833 sqm (8.6%) and D Grade vacant stock was 14,558 sqm (7.4%)



Chart 7 – Sydney CBD Commercial Vacancy Rates – Source PCA

### North Sydney

#### Investment Activity

PRP Research recorded few major transactions that occurred during the three months to December 2013 in the North Sydney office market, however;

Singaporean Trust Suntec REIT has purchased a **40,000 sqm** office building at **177 Pacific Highway, North Sydney** for **\$413.9 million**. The property was purchased on a **yield of 6.89%** and reflected a **rate of approximately \$10,500 per sqm**.

Cromwell Property Group has purchased the North Point Tower at **100 Miller Street, North Sydney**, which comprises **32,500 sqm** of office and 2,600 sqm of retail space. The property was purchased for **\$278.7 million** on a **yield of 8.7%**.

Ho Wye Tong, a Singaporean based developer has purchased a **10,800 sqm** office tower at **99 Mount Street, North Sydney** for **\$47 million**. The property was purchased on a **yield of 8%** displaying a **rate of approximately \$4,325 per sqm**.

### Property Council of Australia

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

#### Supply by Grade (Stock)

In the six months to July 2013 the North Sydney office market recorded a decline in total supply of 1,093 sqm. This is attributed to withdrawals of 1,443 sqm which was offset with 350 sqm of supply.

Premium Grade, A Grade and D Grade did not record any supply or withdrawal over the six months to July 2013. Stock levels remained unchanged at 36,500 sqm (4.2%), 186,296 sqm (21.6%) and 21,662 sqm (2.5%) respectively.

B Grade recorded the supply addition of 350 sqm and no withdrawals, which brings total stock to 431,216 sqm and total market share to 50.1%. C Grade experienced withdrawal of 1,443 sqm which brings total stock to 184,787 sqm and total market share is now 21.5%.

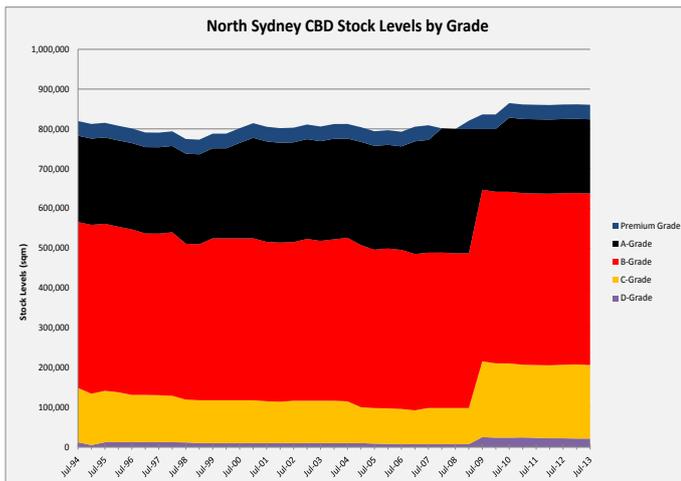


Chart 8 – North Sydney CBD Stock Levels by Grade – Source PCA

#### Total Vacancy

The North Sydney office market recorded an increase of 2.8% in total vacancy as at July 2013 to 10.6%. Sub-lease vacancy accounted for 2.1% of the total and direct vacancy accounted for 8.4%. The increase in vacancy reflects increases of 8,951 sqm for sub-lease vacancy to 18,478 sqm and 23,680 sqm for direct vacancy to 90,946 sqm.

Over the six months to July 2013, Premium Grade office stock vacancy remained unchanged at 1.6% to remain at 591 sqm of vacant stock. A Grade total vacancy was 13,935 sqm as at July which reflects an increase of 2.2 percentage points to 7.5%. B Grade office stock total vacancy increased by 5,435 sqm to 38,971 sqm reflecting a percentage increase of 1.2% and brings total vacancy to 9%.

C Grade office stock recorded the most marked increase in total vacancy over the six months to July 2013. Total vacancy increased by 14,171 sqm reflecting an increase of 7.8% to vacancy of 18.2%. Finally D Grade office stock recorded a marginal increase of 34 sqm reflecting a total vacancy increase of 0.2% to 17.9%.

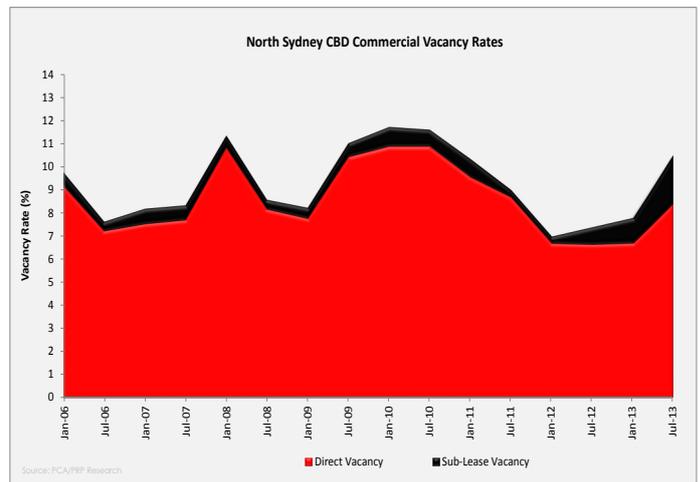


Chart 9 – North Sydney CBD Commercial Vacancy Rates – Source PCA

### Crow's Nest/St Leonards

#### Property Council of Australia

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

#### Supply by Grade (Stock)

In the six months to July 2013 the Crow's Nest/St Leonards office market recorded a decline of 4,668 sqm, with no new supply entering the market. A Grade, B Grade and D Grade all remained unchanged with no supply or withdrawals recorded. Stock levels are currently at 102,699 sqm (28.2%), 69,288 sqm (19%) and 15,603 sqm (4.3%) respectively.

C Grade recorded the stock withdrawal of 4,668 sqm and lowered its total stock to 176,338 sqm as at July 2013 and still maintains a majority share of the supply market with 48.5%. C Grade did not record any supply additions over the six months to July.

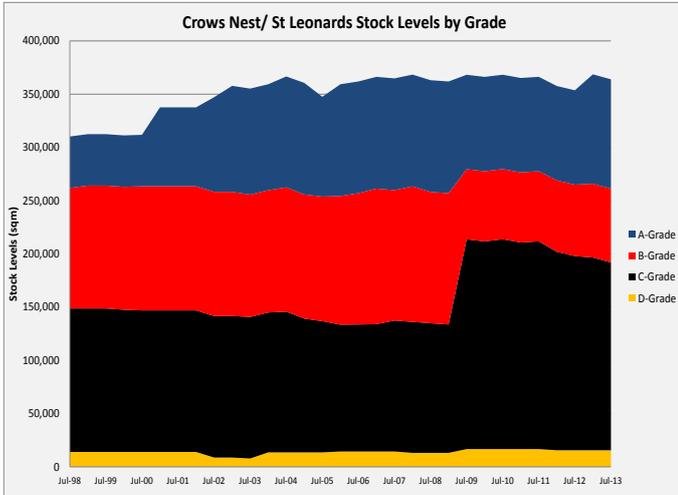


Chart 10 – Crow’s Nest/St Leonards Stock Levels by Grade – Source PCA

**Total Vacancy**

The Crow’s Nest/St Leonards office market recorded an increase in total vacancy over the six months to July 2013 of 1.8%. Direct vacancy accounted for 1.6% increasing to 13.2%. Sub-lease vacancy increased by 0.2% to 0.6%. The increase in direct vacancy and sub-lease vacancy reflects vacant stock levels of 47,901 sqm and 2,209 sqm respectively.

A Grade office stock direct vacancy increased by 701 sqm (0.7%) to 12,943 sqm and sub-lease increased to 1,805 sqm (1.8%). B Grade office space recorded a decline of 1,280 sqm (1.8%) to 6,713 sqm. C Grade office stock recorded a 2.9% (4,877 sqm) increase in direct vacancy to 14.3% and a tightening of 0.1% (216 sqm) in sub-lease vacancy to 0.2%. D Grade direct vacancy increased by 781 sqm (5%) to 3,030 sqm and sub-lease vacancy recorded a tightening of 900 sqm to record no vacancy over the six months to July 2013.

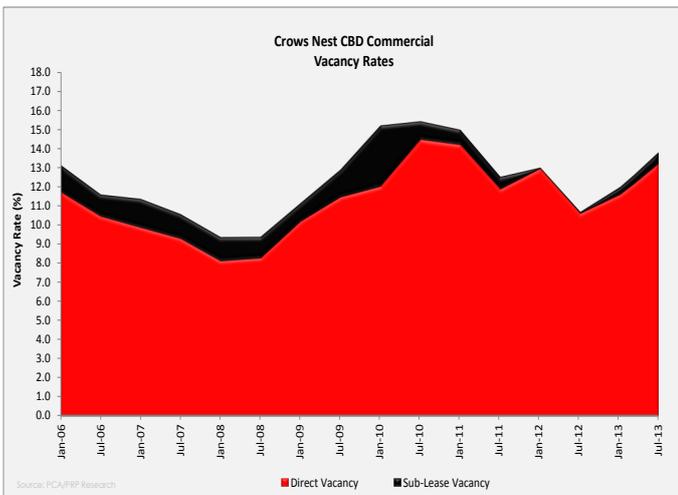


Chart 11 – Crow’s Nest CBD Commercial Vacancy Rates – Source PCA

**Parramatta**

**Property Council of Australia**

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

**Supply by Grade (Stock)**

Total office stock in the Parramatta office market recorded a tightening of 11,018 sqm over the six months to July 2013. There was a marginal 881 sqm of supply recorded and 11,899 sqm of stock withdrawal. A Grade and C Grade office stock remained unchanged over the six months to July 2013 with stock levels of 255,017 sqm (36.9%) and 144,739 sqm (20.9%) respectively.

B Grade office space recorded 881 sqm of supply and withdrawals of 4,070 sqm resulting in total stock levels of 155,467 sqm which reflects a market share of 22.5%. Finally, D Grade which recorded withdrawals of 7,829 sqm resulted in total stock declining to 136,480 sqm and reflecting a market share of 19.7%.

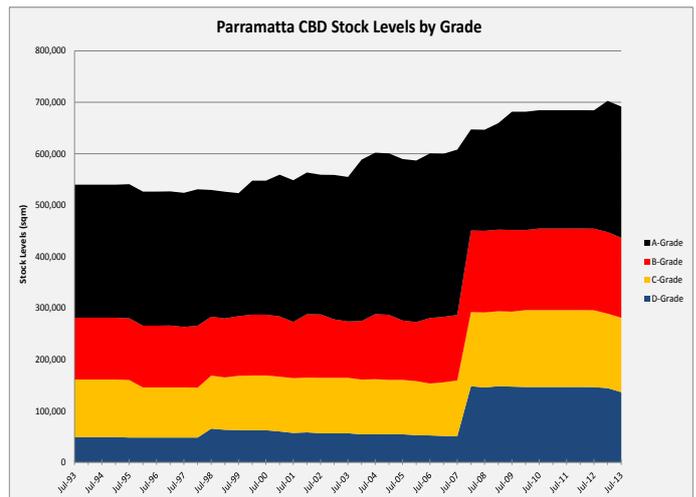


Chart 12– Parramatta CBD Stock Levels by Grade– Source PCA

**Total Vacancy**

The Parramatta Office Market recorded a decline in the total vacancy of 16,299 sqm over the six months to July 2013 reflecting a percentage decrease of 1.8%. Direct vacancy accounted for 16,967 sqm which reflected a 2.3% decline, however was offset by sub-lease vacancy which increased by 668 sqm which reflected 0.1%.

A Grade office stock direct vacancy declined by 4,124 sqm in the six months to July 2013 to 5,534 sqm (2.2%) and sub-lease vacancy remained unchanged at 680 sqm (0.3%). B Grade office space revealed a direct vacancy decrease of 1,656 sqm to 8,279 sqm (5.2%) and sub-lease vacancy increased from 0 to 199 sqm (0.1%).

C Grade office stock recorded a decline in direct vacancy of 3,309 sqm to 24,748 sqm (17.1%) and sub-lease vacancy increased from 0 to 119 sqm (0.1%). Finally, D Grade office space direct vacancy declined by 7,878 sqm to 11,845 sqm (8.7%) and sub-lease vacancy increased by 350 sqm to 394 sqm (0.3%).

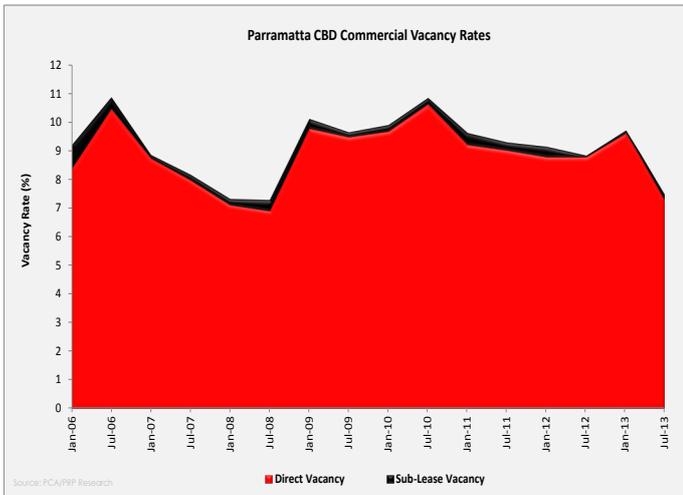


Chart 13 – Crow's Nest CBD Office Market Net Absorption – Source PCA

## Chatswood

### Property Council of Australia

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

### Supply by Grade (Stock)

The total office stock in the Chatswood Office Market declined by 1,617 sqm to 279,228 sqm over the six months to January 2013, with the entirety of the withdrawal attributed to A Grade stock. A Grade continues to maintain a majority share of the Chatswood market with 155,795 sqm (55.8%).

B Grade, C Grade and D Grade office stock all remained unchanged over the six months to July 2013, with no supply or withdrawals recorded. B Grade comprises 76,746 sqm (27.5%) of the total office market, followed by C Grade with 46,233 sqm (16.6%) and D Grade with 454 sqm (0.2%).

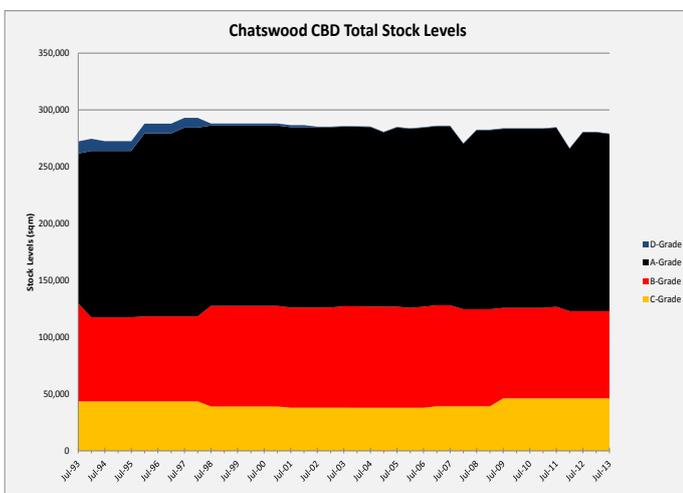


Chart 14 – Chatswood CBD Total Stock Levels – Source PCA

## Total Vacancy

The Chatswood CBD office market recorded a 0.9% increase in total vacancy in the six months to July 2013 with total vacant space now at 27,230 sqm. Direct vacancy increased by 3,697 sqm, however sub-lease vacancy declined by 1,332 sqm.

A Grade direct vacancy increased by 1,172 sqm to 13,060 sqm (8.4%) whereas sub-lease vacancy declined by 1,213 sqm to 1,400 sqm (0.9%). B Grade direct vacancy increased by 1,849 sqm to 9,952 sqm (13%) and sub-lease vacancy remained unchanged at 0 sqm. C Grade direct vacancy increased by 676 sqm to 2,818 sqm (6.1%) whereas sub-lease vacancy declined to record no vacancy. D Grade direct and sub-lease vacancy remained unchanged over the six months to July recording no vacant stock.

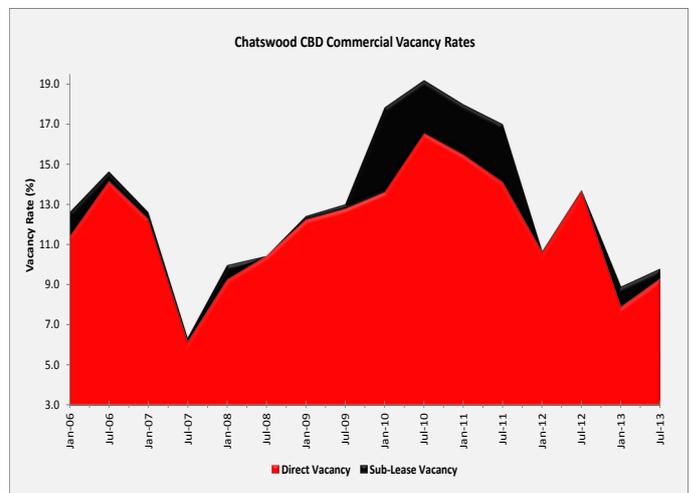


Chart 15 – Chatswood CBD Commercial Vacancy Rates – Source PCA

## North Ryde/Macquarie Park

### Investment Activity

PRP Research recorded few transactions that occurred during the three months to December 2013 in the North Ryde/Macquarie Park office market, however;

ASX listed property group Stockland has sold a **14,672 sqm** office asset at **78 Waterloo Road, Macquarie Park** for **\$72 million**. The property sold on a **yield of between 7% and 8%** and reflects a **rate per sqm of around \$4,907**.

An **11,323 sqm** data centre at **54-60 Talavera Road, Macquarie Park** has been purchased by Securus Data Property Fund for **\$48 million**. The property was purchased on a **yield of 8.29%**.

### Property Council of Australia

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

### Supply by Grade (Stock)

Over the six months to July 2013, the North Ryde/Macquarie Park office market declined by 5,504 sqm to 834,445 sqm. A Grade office space continues to maintain a majority share of the North Ryde office market, accounting for 578,427 sqm (69.3%) despite recording a 3,419 sqm stock withdrawal. B Grade followed, remaining unchanged at 234,812 sqm (28.1%). B Grade office stock has not recorded any change in stock levels since July 2009.

C Grade office stock recorded a stock withdrawal of 2,085 sqm to result in 18,485 sqm (2.2%) of market share. D Grade remained unchanged at 2,721 sqm and comprises 0.2% of the total North Ryde/Macquarie Park office market.

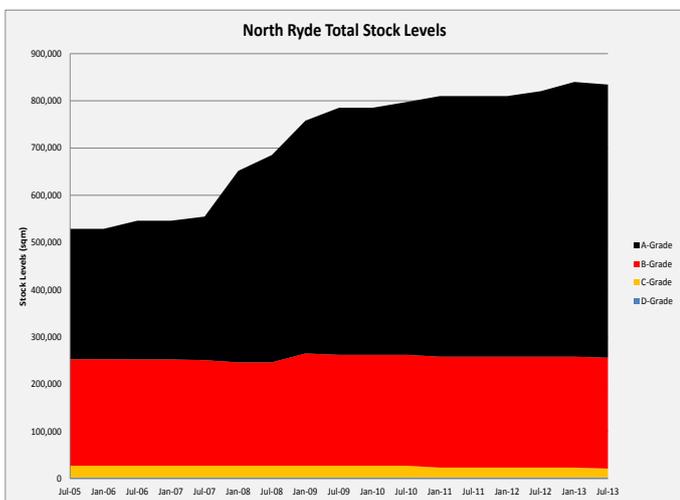


Chart 16 – North Ryde Total Stock Levels – Source PCA

### Total Vacancy

The North Ryde/Macquarie Park market recorded an increase in total vacancy in the six months to July 2013 of 0.4%. Direct vacancy increased by 0.4% to 6.7% and sub-lease vacancy remained unchanged at 1.1%. The increase in vacancy reflected an increase of 3,616 sqm for direct vacancy and a marginal decline of 42 sqm for sub-lease vacancy.

A Grade direct vacancy increased by 1,605 sqm to 26,145 sqm (4.5%); sub-lease vacancy also increased by 1,185 sqm to 3,750 ssqm (0.6%). B Grade direct vacancy increased by 2,011 sqm to 24,771 sqm (10.5%), whereas sub-lease vacancy declined by 1,227 sqm to 5,193 sqm (2.2%). C Grade sub-lease vacancy remained unchanged however total vacancy recorded an increase of 3% to 28.9% due to withdrawals of stock from the market. D Grade remained unchanged recording no direct or sub-lease vacancy in the six months to July 2013.

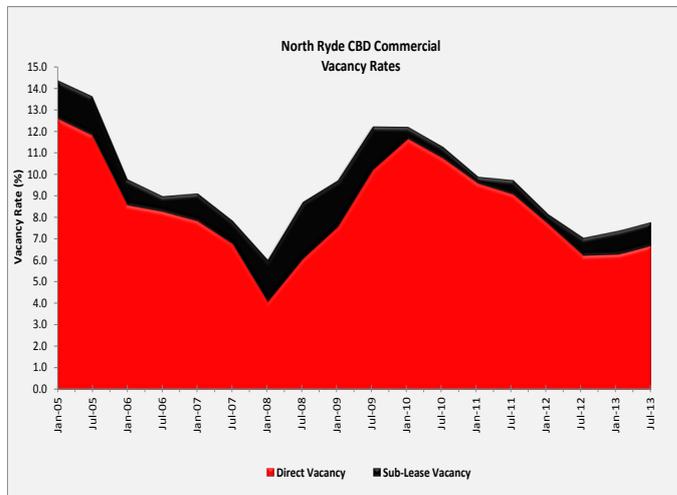


Chart 17 – North Ryde CBD Commercial Vacancy Rates – Source PCA

### Retail Market

#### Investment Activity

PRP Research recorded a relatively low number of major retail transactions that occurred in New South Wales during the December quarter 2013.

A syndicate of private investors have purchased the **4,422 sqm** Grafton Mall at **52-74 Fitzroy Street, Grafton** for **\$10.55 million** on a **yield of 8.43%**. The centre comprises 15 specialty shops with Coles Supermarket the anchor tenant.

BWP Trust has purchased the **23,753 sqm** Hoxton Park Central bulky goods retail complex at **2 Lyn Parade, Hoxton Park** for **\$40.75 million**. The complex was sold fully leased with a WALE of 7 years.

Telstra Super will partner with Federation Centres to purchase the Carlingford court sub-regional shopping centre on the **corner Pennington Hills & Carlingford Roads, Carlingford**. The centre will be purchased for **\$177 million** and reflects a **rate per sqm of approximately \$5,363** and a **passing yield of about 7.25%**.

### Economic Statistics

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

The total retail turnover in New South Wales grew by 0.41% over the month of November 2013, with an annual total retail turnover growth of 4.91% seasonally adjusted. This reflects turnover for the month of November of \$6,805.7 million. Over the month of November, declines were experienced in Food Retailing and Department Stores of 0.8% and 3.41% to monthly turnover of \$2,721.4 million and \$484.3 million respectively.

The most marked monthly growth was recorded in cafes, restaurants and takeaway food services of 3.89% to monthly turnover of \$946.4 million, followed by clothing, footwear and personal accessory retailing (2.11%) to turnover of \$608.8 million. Growth over the month of November was also recorded in other retailing and household goods retailing of 1.89% and 0.03% to monthly turnover of \$1,010.4 million and \$1,034.4 million respectively.

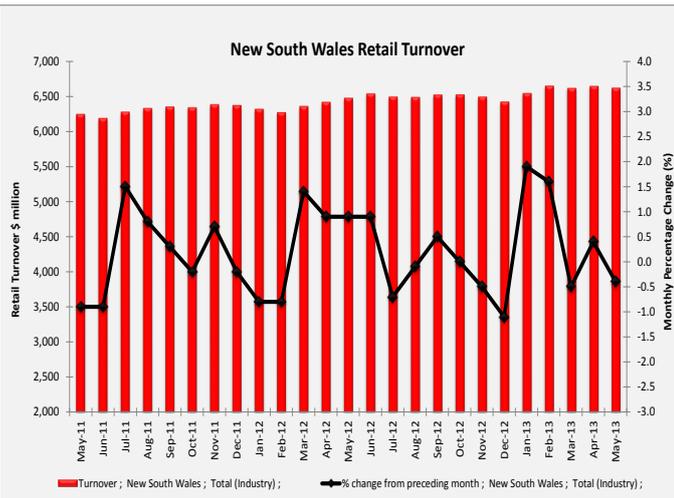


Chart 23 – New South Wales Retail Turnover – Source ABS

Year on year analysis of the six categories revealed predominantly positive results with declines attributed to Household Goods retailing (-1.32%) and Department Stores (-0.39%). All other categories experienced growth over the year, with clothing, footwear and personal accessory retailing recording the most marked growth of 19.37%, followed by cafes, restaurants and takeaway food services with 11.22%. Other Retailing and Food Retailing experienced annual growth of 6.69% and 2.91% respectively.

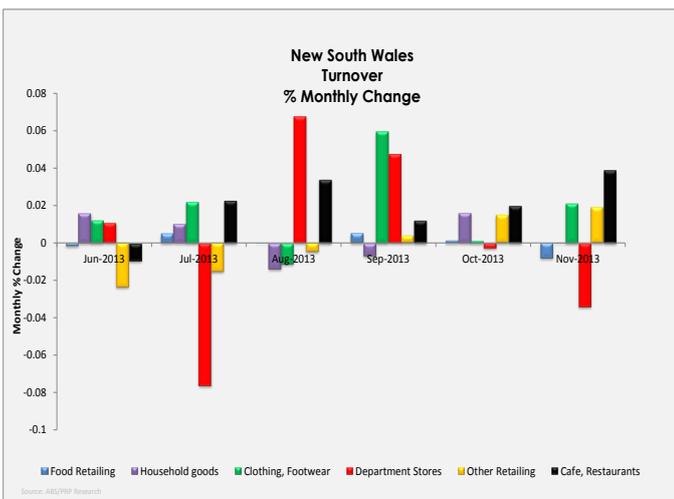


Chart 24 – New South Wales Turnover % Monthly Change – Source ABS

Analysis of retail sub-categories over the twelve months to November 2013 has revealed predominantly positive results. The most significant monthly decline in retail turnover was attributed to Newspaper and Book retailing, declining by 9.61% to turnover of \$96.9 million. Hardware, building and garden supplies retailing also recorded a decline over the year of 5.73% to turnover of \$307.5 million. The most marked growth in comparison to November 2012 was experienced in clothing retail, increasing by 21.65% to \$419.1 million, followed by recreational goods retailing (21.82%) to \$126.5 million.

## 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 December 2013;

A private investor and owner-occupier purchased an **8,899 sqm** industrial property at **8-12 Wiggs Road, Riverwood** for **\$9.7 million**. The property was purchased from Hills Holdings and comprises six warehouses and office buildings.

Sydney based developer Dylam has purchased a **7,000 sqm** free-standing high clearance warehouse at **2-16 Salisbury Road, Silverwater** for **\$8.067 million**. The sale represents a **rate per sqm of \$1,152** and a **yield reflecting 8.18%**.

Three industrial units in **Waterloo, Sydney** have been purchased by an unnamed developer for a combined value of **\$8.625 million**. The complex spans over **3,300 sqm** and displays a **rate per sqm of \$2,613**.

A **27,000 sqm** industrial complex at **1-11 Smeaton Grange Road, Smeaton Grange** has been purchased by a private investor for **\$27.5 million**. The property was purchased on a **yield of 10.8%** with a WALE of 6 years.

The Australian Industrial REIT has purchased an industrial property at **29 Glendenning Road, Glendenning** for **\$29.5 million**. The property was sold on a **yield of 7.9%** and is fully leased to Green's General Foods for a 15 year term.

Stockland has purchased a **60,000 sqm** distribution centre at **40-88 Forrester Road, St Marys** for **\$72.85 million**. The property is leased to ACI and has a WALE of 5.3 years.

An **117,000 sqm** second-hand industrial complex at **138 Bourke Road, Alexandria** has been purchased by the Goodman Australia Industrial Fund for **\$343 million**. The sale price reflects a building rate of **\$2,932 per sqm**.

A **54,640 sqm** industrial development site at **32 Swinbourne Street, Botany** has been purchased by GIL Holdings (Aust) Pty Ltd for **\$22.2 million**. No further details were released.

### Leasing Activity

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

Pipeline renewal specialist Interflow has leased a **6,647 sqm** warehouse facility at **2/254 Toongabbie Road, Girraween** for a **10 year term** at an **annual net rental of \$322,655** reflecting a **rate per sqm of approximately \$45**.

A **1,483 sqm** warehouse and concrete panel factory at **54 Somerset Street, Minto** has been leased by Bravo Industries for a term of **3 years** with a 3 year option at a rental of **\$74.17/sqm in the first year, \$80.92/sqm in the second year and \$84.29/sqm in the third year.**

Precision Automotive, a car part retailer and mechanic has leased a **1,760 sqm** warehouse site at **130 Dunning Street, Roseberry** for a **5 year term** with a 3 year option for a **net annual rental of \$184,800**, reflecting a **rate per sqm of \$105.**

Vermeer Australia, a construction and mining equipment wholesale has leased a **2,827 sqm** office and warehouse facility at **1 Tyrone Place, Erskine Park.** The property was leased for a **5 year term** with a 5 year option at a **net annual rental of \$100 per sqm.**

Centrum Printing has leased a **3,000 sqm** office and warehouse at **43 Riverside Road, Chipping Norton** for a **7 year term** at an **annual rental of \$300,000** reflecting a **rate per sqm of \$100.**

Food container manufacturer Scoform Plastics has signed a **3 year lease** with two 3 year options for an industrial property at **75-77 Cowpasture Road, Wetherill Park.** The group will pay a **rate per sqm of \$110** for the **1,400 sqm** property.

Geolocation and GPS technology company Garmin are relocating to **Clay Place, Eastern Creek** in the industrial precinct. The company has leased a **6,000 sqm** facility for a **12 year term** at a **rate per sqm of \$190.**

Ryde Motor Group has leased two industrial units at **20-36 Nancarrow Avenue, Meadowbank.** The units total **3,794 sqm** and reflect a **rate per sqm of \$85. Unit 1 is leased for a term of 11 months and unit 2 on a term of 1 year 8 months.**

## Residential Market

### Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals November 2013, the total number of house dwelling approvals in the Sydney Statistical Division over the month has showed a decline of 7.97% from 1,117 approvals in October to 1,028 approvals in November 2013. This has reflected growth of 13.84% when compared to the November 2012 house dwelling approvals. Despite recording a monthly decline, house dwelling approvals are recording their highest level since 2002, with 10,745 approvals.

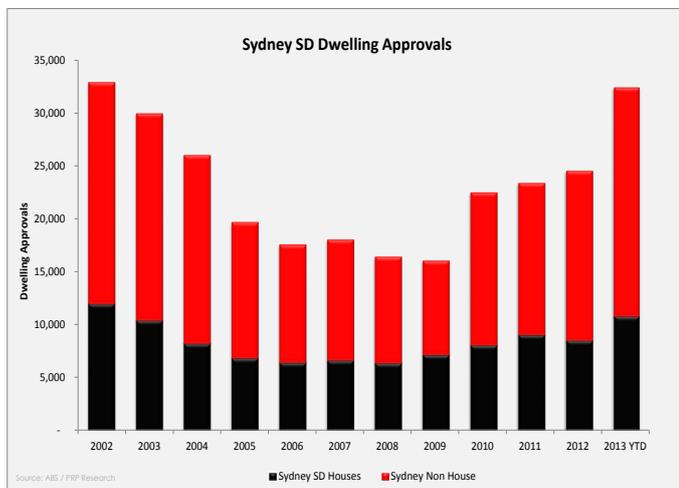


Chart 25 – Sydney SD Dwelling Approvals—Source ABS

The total number of non-house dwelling approvals has increased by 2.99% from 2,443 dwelling approvals in October to 2,516 dwelling approvals in November. In comparison to twelve months prior in November 2012, a significant growth of 50.93% was recorded. Total non-house dwelling approvals over the year of 2013 up to November recorded 21,617 dwelling approvals which reflected the highest number of approvals since 2002.

## SYDNEY

### Market Affordability

The Real Estate Institute of Australia's December quarter issue of 'Real Estate Market Facts' is not available until March 2014, however according to the September quarter 2013 issue, the Sydney median house price over the September quarter increased by 4.2% from \$690,064 in June to \$722,718. This reflects growth of 9.5% when compared to the September quarter of 2012.

Over the September quarter 2013 growth was recorded in Middle and Outer Sydney zones of 4.8% and 4% respectively to median house prices of \$828,000 and \$515,000 respectively. The Inner Sydney zone recorded a quarterly decline in the median house price of 2% resulting in a median house price of \$1,200,000.

Over the twelve months to September 2013 all Sydney zones recorded growth. Outer Sydney recorded the most significant annual growth with 14.4%, followed by Middle and Inner Sydney with 14.2% and 14.1% respectively.

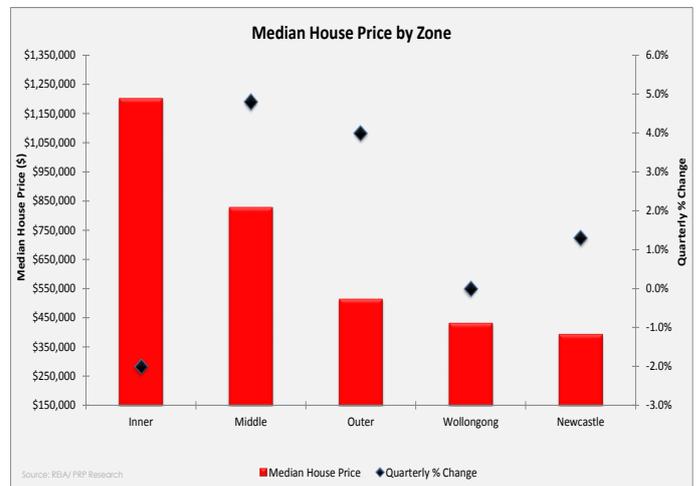


Chart 26 – Median House Price by Zone – Source REIA

Other dwelling Median House prices in Sydney recorded growth across all zones over the quarter, with the most marked growth recorded in Middle Sydney of 4.0% (\$519,000) followed by Outer Sydney by 2.8% (\$435,000) and Inner Sydney by 2.4% (\$650,000). All other Dwellings zones of Inner, Middle and outer Sydney recorded significant growth over the twelve months to September 2013 of 11.1%, 12.2% and 10.1% respectively.

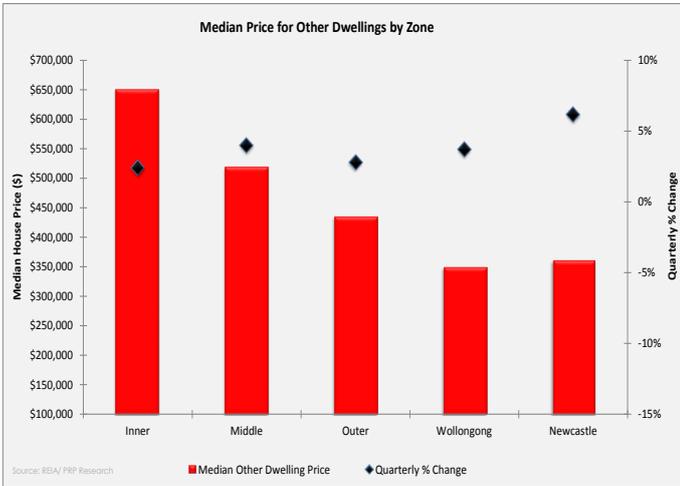


Chart 27 – Median Price for Other Dwellings by Zone – Source REIA

### Rental Market

Over the September quarter, there were three Sydney house zones which recorded a decline in the median weekly rental; Inner, Middle and Outer Sydney two bedrooms declined by 1%, 1.2% and 6.3% respectively to median weekly rentals of \$475, \$405 and \$300. The most marked quarterly growth for Sydney House rents was recorded in Inner Sydney 3 bedrooms by 1.6% to weekly rental of \$793.

Over the twelve months to September 2013, the majority of Sydney house rents recorded growth, apart from Middle Sydney 2 bedrooms which declined by 4.4% to median weekly rental of \$430. The most significant growth over the year was experienced in Inner, Middle and Outer Sydney 3 bedrooms by 2.9%, 1.9% and 2.6% respectively to median weekly rentals of \$793, \$530 and \$400 respectively.

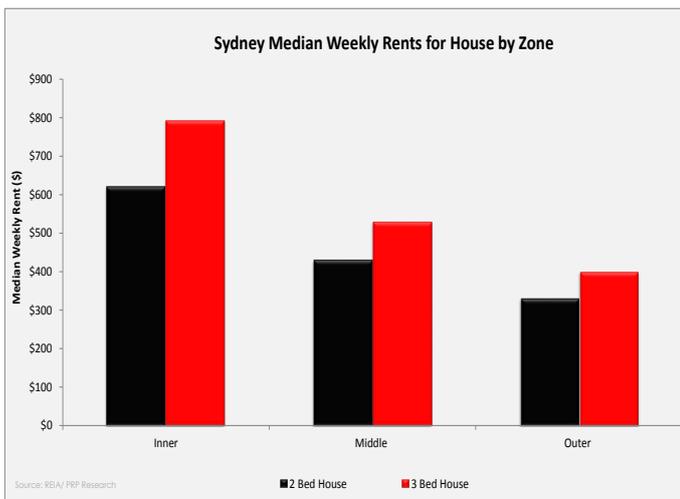


Chart 29 – Sydney Median Weekly Rents for House by Zone – Source REIA

Over the twelve months to September 2013, all Sydney Other Dwelling zones recorded increases in median weekly rental. Outer Sydney 1 bedroom was the only zone to remain unchanged over the year with median rental of \$300 per week. The most marked growth was experienced in Inner, Middle and Outer Sydney two bedrooms with growth of 2.6%, 4.7% and 5.4% respectively to median weekly rentals of \$600, \$450 and \$390.

The September 2013 quarter revealed varied results with 1 bedroom dwellings in Inner, Middle and Outer Sydney recording declines of 1%, 1.2% and 6.3% respectively to median weekly rentals of \$475, \$405 and \$300 respectively. Inner Sydney 2 bedroom other dwellings remained unchanged over the quarter at \$600 per week. Middle and Outer Sydney 2 bedrooms recorded growth of 1.1% and 2.6% to median weekly rental of \$450 and \$390 respectively.

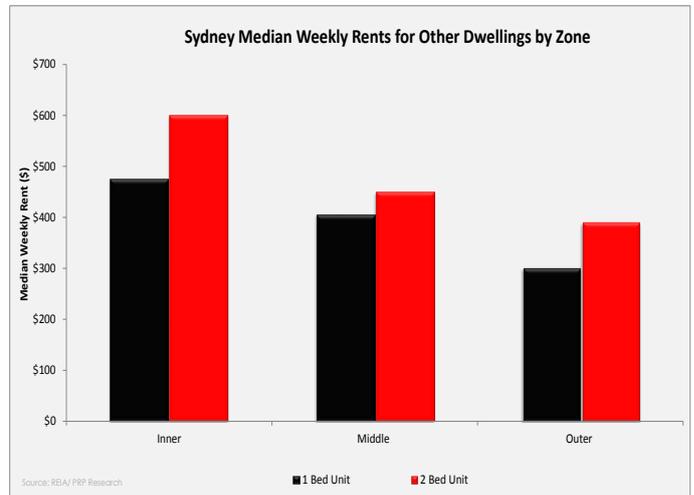


Chart 28 – Sydney Median Weekly Rents for House by Zone – Source REIA

### NEWCASTLE

#### Market Affordability

Over the September quarter 2013, the median house price in Newcastle increased by 1.3% to \$395,000, reflecting an annual growth of 6.8%. Other dwelling sales in the Newcastle region increased by 6.2% over the quarter to \$361,000 and recorded significant annual growth of 16.5%.

#### Rental Market

Two and three bedroom house rents in the Newcastle region remained unchanged over the September quarter 2013 at \$350 and \$400 respectively. Over the twelve months to September 2013, two bedroom rents remained unchanged and three bedroom rents recorded growth of 2.6%.

Quarterly results for Other Dwelling rentals in the Newcastle region recorded a decline of 11.1% for one bedroom to \$245 per week and a decline of 0.7% for two bedrooms to \$348 per week. Over the twelve months to September 2013 both one and two bedrooms recorded declines of 5.8% and 0.7% respectively.

## WOLLONGONG

### Market Affordability

Median house prices in Wollongong remained unchanged over the three months to September 2013 at \$433,000. This median house price reflected annual growth of 5.6%. Other Dwelling median sale prices in Wollongong revealed positive results over the quarter and the year, with quarterly growth of 3.7% and annual growth of 13.1% to a median sale price of \$349,500.

### Rental Market

Median house rents in Wollongong for 2 & 3 bedrooms recorded growth over the quarter of 2.9% and 2.6% respectively to median weekly rental of \$350 and \$400. Over the twelve months to September 2013 Wollongong growth was also experienced in 2 & 3 bedrooms of 6.1% and 5.3% respectively.

Positive results were also experienced in Wollongong Other Dwellings rentals over the September quarter, with 1 & 2 bedroom units recording growth of 6.7% and 3.2% respectively to median weekly rental of \$240 and \$320. Over the twelve months to September, 1 & 2 bedroom units recorded marked growth of 9.1% and 6.7% respectively.

## Hotels & Leisure Market

### Investment Activity

PRP Research recorded few Hotel and Leisure transactions that occurred in New South Wales during the December quarter 2013;

The 32-room Fontainebleau Motor Inn located at **467 Hume Highway, Liverpool** sold for **\$5.65 million**. The **11,640 sqm** hotel has redevelopment potential and the sale price reflects a **rate per sqm of \$399**. The purchaser of the property was The Hume Highway Hotel.

## 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 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.

## **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

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**ACN: 61 003 139 188**

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### Capital City Offices

Adelaide

Brisbane

Melbourne

Sydney

### Regional Offices

Albury Wodonga

Ballarat

Bendigo

Cairns

Central Coast/Gosford

Geelong

Gold Coast

Gippsland

Mornington

Newcastle

Wagga Wagga

### Relationship Offices

Canberra

Darwin

Hobart

Perth

Other regional areas