



Preston
Rowe
Paterson

®
International 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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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 2015

INSIDE THIS ISSUE:

Sydney CBD Office Market	2
North Sydney Office Market	4
Crows Nest/St Leonards Office	6
Parramatta Office Market	7
Chatswood Office Market	8
North Ryde/Macquarie Park Office	9
Retail Market	11
Industrial Market	13
Residential Market	15
Specialized Property Market	17
Hotel & Leisure Market	18
Regional Market	19
Economic Fundamentals	20
About Preston Rowe Paterson	22
Contact Us	24



Phone: +61 2 9292 7400

Fax: +61 2 9292 7404

Address: Level 14, 347 Kent Street Sydney NSW 2000

Email: research@prpsydne.com.au

Follow us: Visit www.prpsydne.com.au

© Copyright Preston Rowe Paterson NSW Pty Ltd

COMMERCIAL OFFICE MARKET

Sydney CBD



Investment Activity

Preston Rowe Paterson Research recorded the following major sales transactions that occurred in the Sydney CBD office market during the three months to December 2015;

160 Sussex Street, Sydney, NSW 2000

Burcher Property Group acquired the office building for just **under \$60 million** on a **yield of 7%**. The property brings in a total annual rental of approximately \$4 million. In 2015, *Aviva* paid about \$5 million for refurbishments including a separate entrance for students because of the new lease from *AIPE*. The building has a WALE of 4.3 years.



1-3 Munn Street, Barangaroo, NSW 2000

Primary Health Care sold a development site to an unnamed property developer for **\$40 million**. The mixed-use site offers panoramic views across the Sydney Harbour and is an opportunity for apartment development. One building on the site is leased to *NBC Universal* until January 2018 with a three-year option.

204 Clarence Street, Sydney, NSW 2000

A private overseas party purchased a heritage-listed office building from *Greenpath Pty Ltd* for **\$15.5 million**. The building was constructed in 1908 and was refurbished in 1999. It has a net lettable area of 2,242 sqm.

432 Kent Street, Sydney, NSW 2000

KSO Pty Ltd has sold strata suites to a Singaporean education provider for **\$13.8 million**. The 1,339 sqm buildings sits on a 297 sqm site and has flexible zoning for hotel or residential development. The sale reflected a rate of \$10,306.20 psm.

17 Clarence Street, Sydney, NSW 2000

Altis has sold a 12-storey, B-grade office tower to *Roxy Pacific Holdings* for **\$81 million** on a **yield around 6%**. The building is around 50% leased to a government tenant who is in the process of renewing its lease. The property brings in a net passing income of around \$5 million and the average lease is for two years. The sale of the 12,546 sqm building reflected a rate of \$6,456.24 psm.

175 Castlereagh Street, Sydney, NSW 2000

Transport for NSW has compulsorily acquired a 17-storey office building from *Centuria Property Fund* for **\$98 million**. The 11,848 sqm of net lettable area building was bought for the purposes of the **Sydney Metro Project**. The sale reflected a rate of \$8,271.44 psm.

International Tower One, Barangaroo, NSW 2000

A large Asian institutional investor has purchased a 25% stake in **International Tower One** for **\$350 million**. The largest commercial tower in the **Barangaroo South** precinct development will be completed in 2017 and will have *PwC*, *HSBC* & *McLennan Companies* and *Servcorp* leasing space.

Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transaction that occurred in the Sydney CBD office market during the three months to December 2015;

Darling Park Tower 3, 201 Sussex Street, Sydney 2000

Rabobank has subleased 1,512 sqm of premium-grade office space to *Salesforce* on a **5-year lease**. The **annual net rent was around \$795 psm**.

1 Martin Place, Sydney, NSW 2000

Expedia will take up around 4,500 sqm of office space over three floors. The company will be paying a **net rent of about \$800 psm**.

338 Pitt Street, Sydney, NSW 2000

SportsBet has secured a short-term lease of 1,000 sqm at a gross annual rent of **around \$500 psm plus GST**. The lessor of the property is *AMP Capital Investors*.

10 & 11/130 Pitt Street, Sydney, NSW 2000

LinkenIn has subleased 1,539 sqm of office space to *Sensis* for **19 months**. The **gross annual rent was about \$800 psm**.

2 Park Street, Sydney, NSW 2000

Amazon Web Services has secured 9,260 sqm of office space from Charter Hall and GPT Group for **7-years**. The technology firm's new headquarters will spread across 4 levels of office space in the **Citibank Centre**. The WALE of the building is now up to 6.45 years.



200 George Street, Sydney, NSW 2000

AGL Energy will move its headquarters to the CBD after agreeing to lease around 3,500 sqm of space at AMP Capital and Mirvac's new development. The building will be completed in the first quarter of 2016 and there is only around one vacant floor left in the tower.

Development Sites

The Property Council of Australia's (PCA) Office Market Report July 2015 have recorded a few office developments that are in various stages of the Sydney office pipeline.

The **333 George Street** mix-use development owned by Charter Hall Core Plus Office Fund is estimated to be completed towards the end of the 1st quarter of 2016. Construction of the A Grade office tower is underway and is projected to yield approximately 12,500 sqm across 14 levels of office space, 2,100 sqm of retail space across three ground levels and 20 car parking bays.



Mirvac's new development located close to Circular Quay at **190-200 George Street** is due for completion in the 1st quarter of 2016. The Premium Grade office tower features 38,676 sqm of office space across 35 levels, 476 sqm of retail area, 63 car spaces, 5-star NABERS Energy rating and 6-star Green Star rating. The property will be tenanted by accounting consultants EY across 28,300 sqm on a 10 year lease.



Supply by Grade (Stock)

Analysis of the PCA's Office Market Report July 2015 revealed that there was an additional supply of 23,633 sqm of office space in the six months to July. This was offset by the 21,170 sqm withdrawals, resulting in an increase of the total Sydney CBD office market space to 4,964,191 sqm.

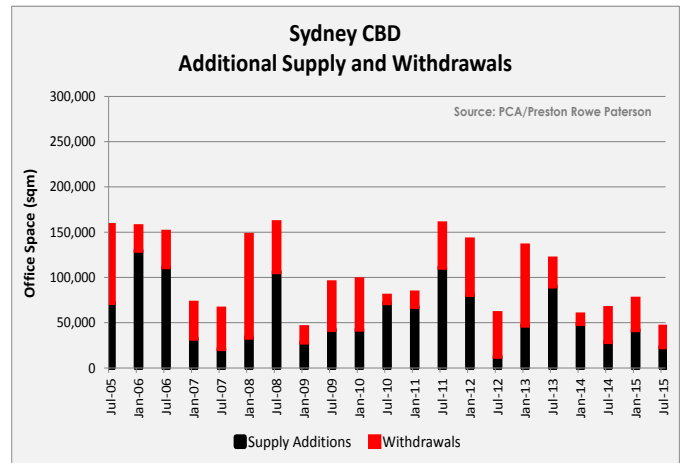


Chart 1 – Sydney CBD Office Additional Supply and Withdrawals - Source - PCA

The increase in additional office space is attributed to the growth of Premium and A Grade stock supply. Both grades contributed about 2,663 sqm and 8,133 sqm respectively of additional office space in the six months to July 2015. Withdrawals were noted in the C and D Grade stock of approximately 4,242 sqm and 4,091 sqm respectively.

The Sydney CBD office market continues to be dominated by the A and B Grade stock, amounting to 1,843,427 sqm and 1,576,404 sqm respectively. Premium Grade stock takes up 796,626 sqm whilst C and D Grade office space sums up to 559,066 sqm and 188,668 sqm respectively.

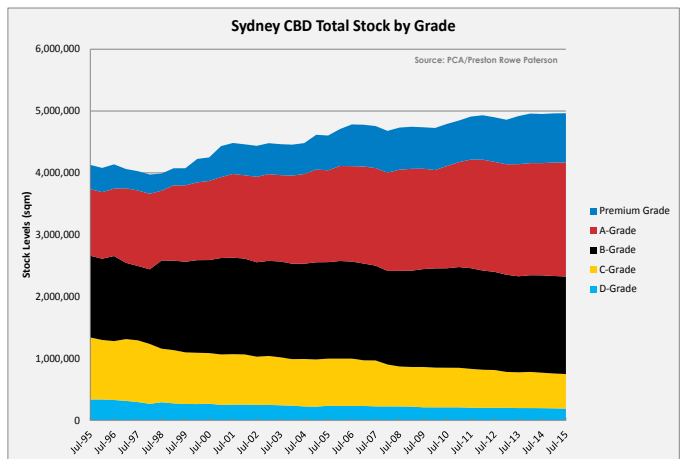


Chart 2 – Sydney CBD Office Total Stock by Grade – Source PCA

Vacancy Rates

The overall office vacancy in Sydney had remain unchanged at 6.3% in the six months to July 2015. Direct vacancy assumes 6.1% and sub-lease vacancy is 0.2%.

The largest vacancy rate decrease was recorded in Premium Grade stock which tightened by -1.9% to 5.2%. A Grade vacancy fell by -1.3% to 6.7%, B Grade vacancy decreased by -1.1% to 6.2% and D Grade vacancy tightened by -1.5% to 5.5%. The D Grade vacancy rate increased by 0.2% to 6.9%.

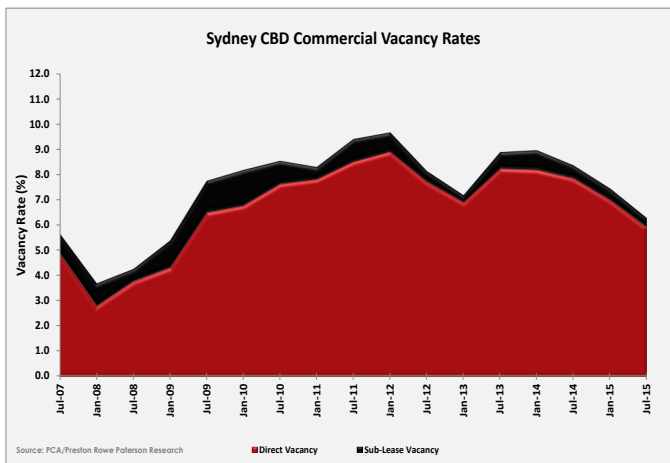


Chart 3 – Sydney CBD Office Vacancy – Source PCA

North Sydney



Leasing Activity

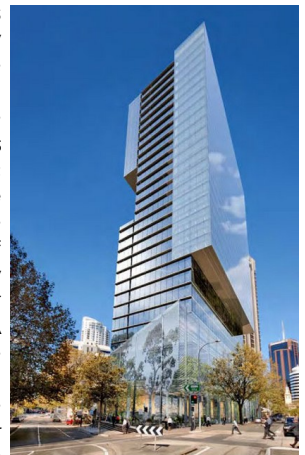
Preston Rowe Paterson Research recorded the following leasing transaction that occurred in the North Sydney office market during the three months to December 2015;

177 Pacific Highway, North Sydney, NSW 2060

Jacobs has agreed to pre-commit to 6,872 sqm of office space from *Suntec Real Estate Investment Trust* in a new \$413 million office development. The leasing deal means that the 40,000 sqm building will be 93% occupied upon completion. North Sydney is located around 3.8 km north of the Sydney CBD.

Development Sites

The Property Council of Australia's (PCA) Office Market Report July 2015 noted that there is only one active development in the North Sydney office market. The **Norberry Terrace** project is located at **177-199 Pacific Highway** development is in the site works stage and is planned be completed in the 2nd quarter of 2016. The development owned by *Suntec Real Estate Investment Trust* will provide 39,383 sqm of NLA over 31 office levels. The average floor plate size is about 1,570 sqm, includes 370 sqm of retail space and accommodate 112 car spaces. The development is located at the corner of Berry Street and Pacific Highway, and is in close proximity to the **Greenwood Plaza** and North Sydney train station.



Supply by Grade (Stock)

As shown in the PCA's Office Market Report July 2015, the total North Sydney office stock recorded 5,600 sqm of additional supply offset by 4,439 sqm of withdrawals, bringing the total office market stock to 823,351 sqm. Additional supply was attributed to the increase in B Grade stock. Office space withdrawals were noted in C Grade and D Grade stocks of 3,069 sqm and 820 sqm respectively.

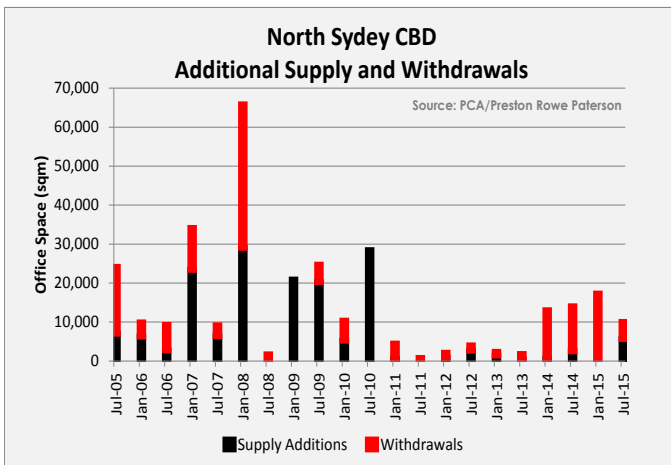


Chart 4 – North Sydney Office Additional Supply and Withdrawals – Source PCA

Vacancy Rates

The total North Sydney office market vacancy has tightened by 0.9% to 8% in July 2015. This reflects approximately 65,623 sqm of vacant space in the market.

Over the six months to July 2015, there has been Premium Grade office recorded 1.3% vacancy. D Grade noted the largest decrease in vacancy of -4.10% to 5.8%. A, B and C grade office vacancy declined by -1.3%, -0.9% and -0.8% to the vacancy rate of 3.7%, 10% and 9.2% respectively.

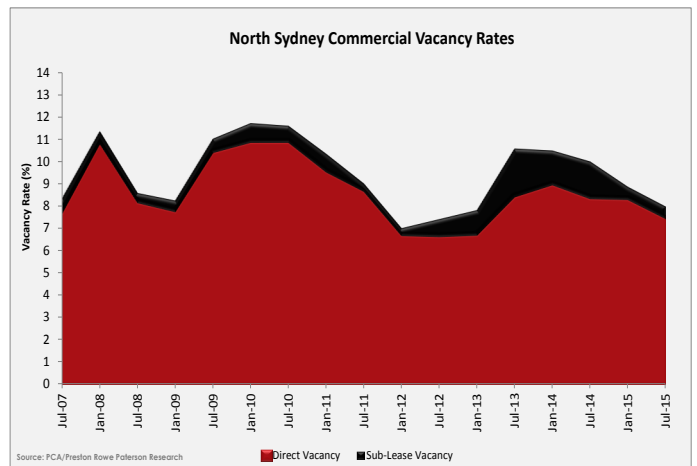


Chart 6 – North Sydney Office Vacancy Rates – Source PCA

The B Grade stock dominates the North Sydney market amounting to 430,666 sqm. Premium and A Grade stock levels remain unchanged at 36,500 sqm and 186,296 sqm respectively. C Grade stock accounted for 156,957 sqm and D Grade space summed to 12,932 sqm.

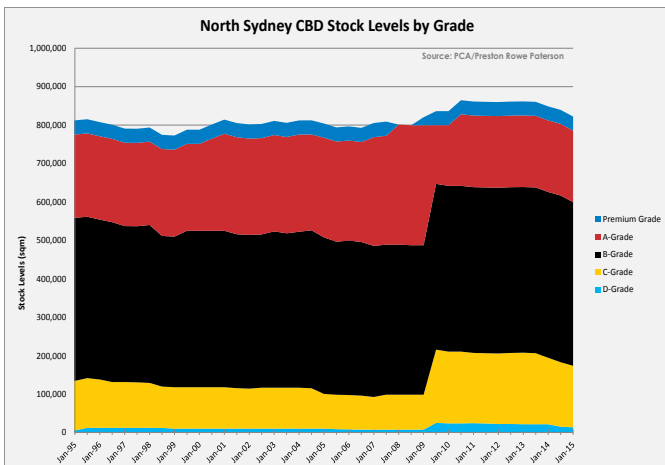


Chart 5 – North Sydney Total Stock Levels By Grade – Source PCA

Crows Nest/St Leonards



Investment Activity

Preston Rowe Paterson Research recorded limited sales transactions that occurred in the Crows Nest/St Leonards office market during the three months to December 2015;

203 Pacific Highway, St Leonards, NSW 2065

Centuria Property Funds have acquired a 50% stake in an A-grade office tower for **\$86 million**. An unlisted Centuria fund will acquire the other 50%. The sale of the 11,764 sqm building reflects a rate of \$7,310.45 psm. St Leonards is located about 6.6 km north of the Sydney CBD.

38 Pacific Highway, St Leonards, NSW 2065

Edsgear Pty Ltd acquired a freehold commercial building from a private investor for **\$21 million** on a **yield of 5.24%**. The 1,600 sqm of net lettable area building has 48 car spaces and a WALE of around 5 years.

Supply by Grade (Stock)

The PCA's Office Market Report July 2015 detailed that in the Crows Nest/St Leonards office market recorded a withdrawal of 1,435 sqm, bringing the total market stock levels to 346,934 sqm. No additional office space supply were recorded.

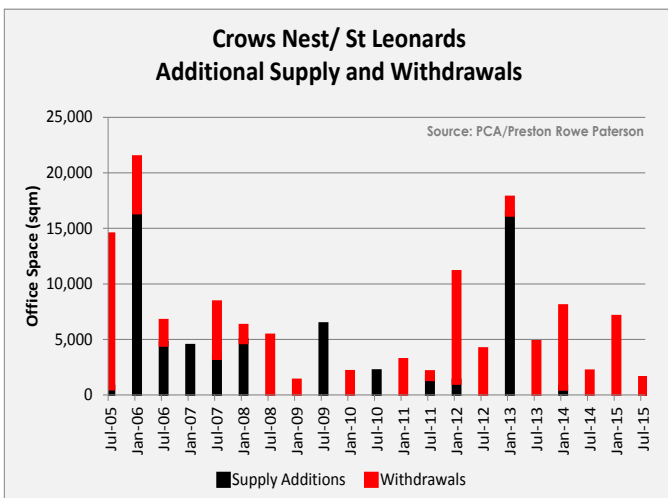


Chart 7 – Crows Nest/St Leonards Office Additional Supply and Withdrawals – Source PCA

The recorded stock withdrawal occurred in the C Grade stock which dominates the Crows Nest/St Leonards market. C Grade office space takes up 163,814 sqm. The A , B and D Grade stock levels remain unchanged in the six months to July amounting to approximately 102,699 sqm, 66,775 sqm and 13,646 sqm respectively.

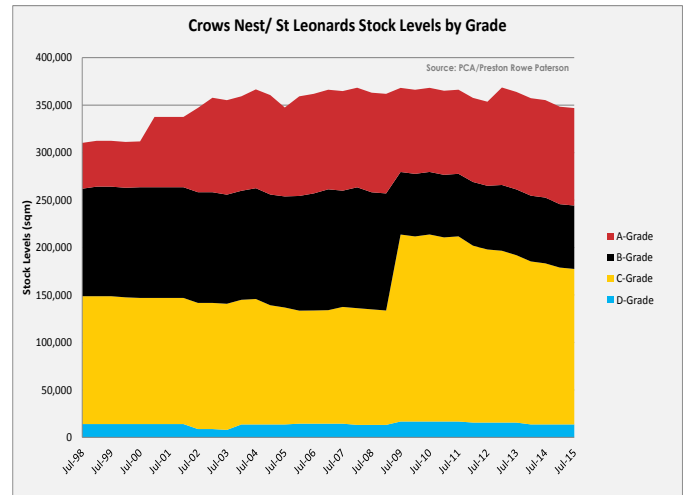


Chart 8 – Crows Nest/St Leonards Total Stock Levels by Grade – Source PCA

Total Vacancy

Total office market vacancy rate in Crows Nest/St Leonards had decreased over the six months to July 2015 by -0.3% to 11.2% . This reflects a total stock vacancy of 38,962 sqm.

D Grade vacancy fell by -4.1% to 12.2% , C Grade vacancy declined to -1.1% to 11.3% and A Grade vacancy declined by -0.1% to 11% . B Grade recorded an increase in vacancy to 2.1% and 11.2% respectively.

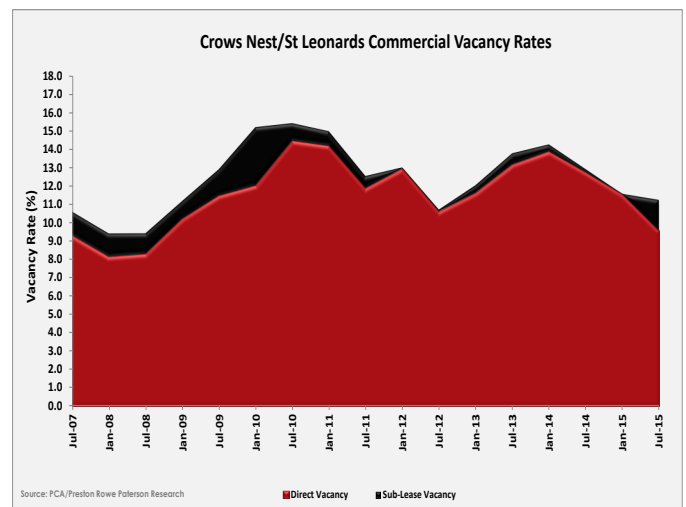


Chart 9 – Crows Nest/St Leonards Office Vacancy Rates – Source PCA

Parramatta



Investment Activity

Preston Rowe Paterson Research recorded the following transactions that occurred in the Parramatta office market during the three months to December 2015.

93 George Street, Parramatta, NSW 2124

Rathdrum Properties has paid **\$37.3 million** for a fully-leased office building from *Marprop*. The 7,127 sqm building is 80% occupied by *Government Property NSW* and has a WALE of 3.3 years. There are plans for a revised lobby which would include retail and end-of-trip facilities and for two additional floors. The sale reflects a rate of \$5,233.62 psm. Parramatta is located about 23 km west of the Sydney CBD.

17-21 Macquarie Street, Parramatta, NSW 2124

Lederer Group has bought **Lachlan Towers** from a private, offshore-based family for **\$18.7 million** on a **passing initial yield of 5.3%**. The property is 75% leased with a 2.3 year WALE. The sale of the 4,717 sqm tower reflects a rate of \$3,964.38 psm. Parramatta is located around 23 km west of the Sydney CBD.



Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transaction that occurred in the Parramatta office market during the three months to December 2015;

56 Station Street, Parramatta, NSW 2150

Infosys has agreed to a **3-year lease** for 1,103 sqm of office space. The net annual rent for the A-grade space on level-six is **between \$380 to \$400 psm**. Parramatta is located about 23 km north-west of the Sydney CBD.

Development Sites

The PCA Office Market Report July 2015 reported that the **Parramatta Square (stage 1)** development is in the construction stage and is planned be completed in the 4th quarter of 2016. The development on **169 Macquarie Street** will provide 24,500 sqm of net lettable area over 14 office levels and 800 sqm of retail area. The average floor plate size is about 2,200 sqm and includes 108 car spaces. The Parramatta Square development site planned commercial and residential spaces over 6 projects. It is located north to the **Sydney Water** building and within close proximity to the Parramatta transport interchange and **Westfield Parramatta Shopping Centre**.



Just across the laneway, the development of **Parramatta Square (stage 3_ at 153 Macquarie Street)** is in its early feasibility stages. The former Australia Post site will provide 25,000 sqm of net lettable area over 17 office levels. The office tower is expected to achieve 5-star Green Star. The development will have 7,000 sqm of 5-star Green Star public facilities including civic building, community centre and public library.



Supply by Grade (Stock)

The PCA Office Market Report July 2015 recorded an additional supply of 10,933 sqm offset by 1,177 sqm of stock withdrawal in the Parramatta office market. The additional stock supply and withdrawals were attributed to the changes in B and D Grade stock.

B Grade stock recorded an additional supply of 9,785 sqm and space withdrawal of 833 sqm. Similarly, D Grade stock recorded 1,148 sqm of new supply and 344sqm of withdrawal.

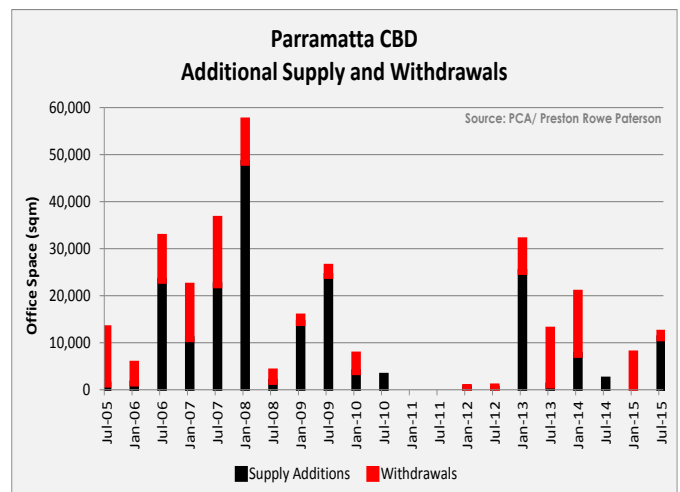


Chart 10 – Parramatta CBD Office Additional Supply and Withdrawals – Source PCA

The Parramatta office market is dominated by A and B Grade stock. A and C Grade stock levels remain unchanged accounting for 273,617 sqm and 104,972 sqm respectively. B Grade stock takes up 219,975 sqm and D Grade assumed 91,509 sqm of office space.

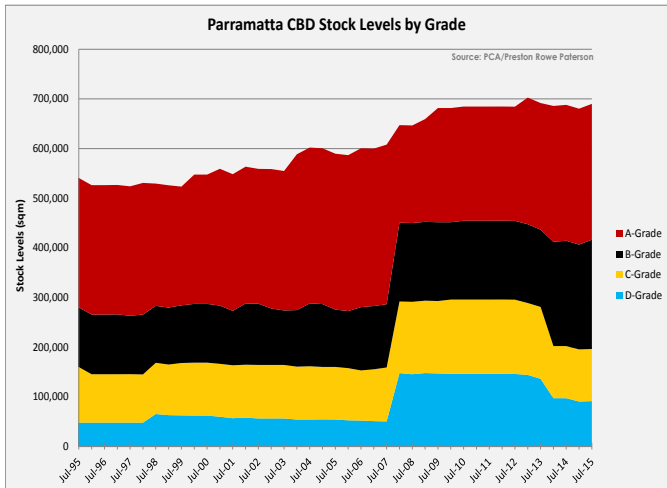


Chart 11 – Parramatta CBD Total Stock Levels by Grade – Source PCA

Vacancy Rates

The total vacancy in the Parramatta office market has increased by 1.1% to 7.4% in the six months to July 2015. Direct vacancy assumed 7.4% and sub-lease vacancy was 0.1%.

All office stock grades recorded growth in vacancy rates in the six months to July, except for C Grade which tightened by -1.7% to 17.1%. B Grade vacancy increased by 2.3% to 11%, A Grade vacancy grew by 1.6% to 2.4% and D Grade vacancy recorded a small increase of 0.2% to 2.9%.

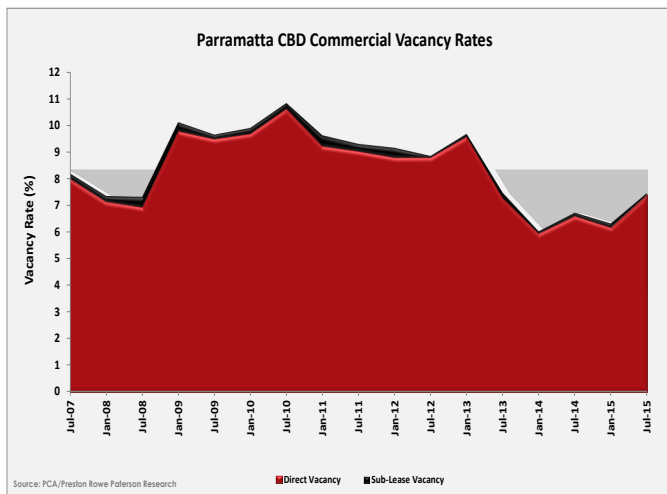


Chart 12 – Parramatta Office Vacancy Rates – Source PCA

Chatswood



Supply by Grade (Stock)

The PCA Office Market Report July 2015 revealed that there was a supply withdrawal of 780sqm in the Chatswood office market. The withdrawal is attributed to the tightening of C Grade stock. No additional stock supply was recorded in the six months to July 2015.

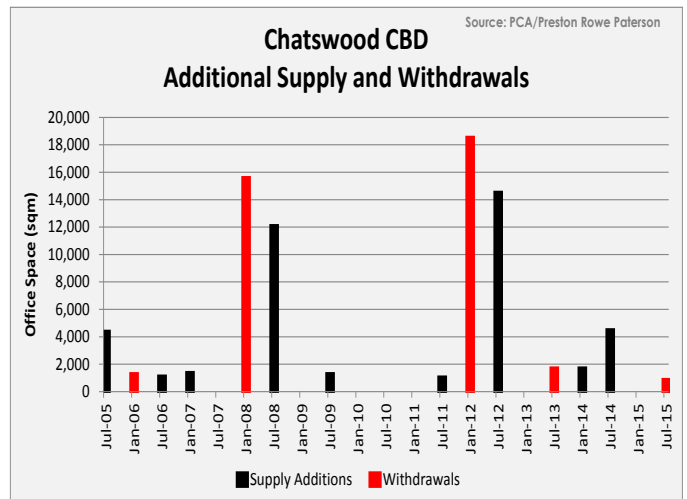


Chart 13 – Chatswood CBD Office Additional Supply and Withdrawals – Source PCA

All stock levels remain unchanged in the six months to July, except for C Grade which now assumes 45,453 sqm. A Grade office stock dominates the Chatswood market accounting for 157,412 sqm, B Grade takes up 81,146 sqm and D Grade totals to 454 sqm.

North Ryde/Macquarie Park



Investment Activity

Preston Rowe Paterson Research recorded the following transactions that occurred in the North Ryde/Macquarie Park office market during the three months to December 2015.

78 Waterloo Road, Macquarie Park, NSW 2113

Corval has sold an office tower to *Mapletree Investments* for **\$106 million** on a **yield of 6.3%**. The 14,672 sqm, eight-level building is anchored by *Schneider Electric*. The sale reflects a rate of \$7,224.65 psm. Macquarie Park is located about 18.4 km north-west of the Sydney CBD.

12 Waterloo Road, Macquarie Park, NSW 2113

Lester Group has bought a four-level, 3,887 sqm commercial building for **\$14.56 million**. The property is leased to five tenants. The sale reflects a rate of \$3,745.82 psm. Macquarie Park is located about 18.4 km north-west of the Sydney CBD.



16 Byfield Street and 80 Waterloo Road, Macquarie Park NSW 2113

A local development group from Melbourne, which is backed by a Chinese group, bought two commercial properties for **\$101 million**. *Centuria Property Funds* sold the properties. The sites have the potential to be redeveloped into residential towers. Macquarie Park is located around 18.4 km north-west of the Sydney CBD.

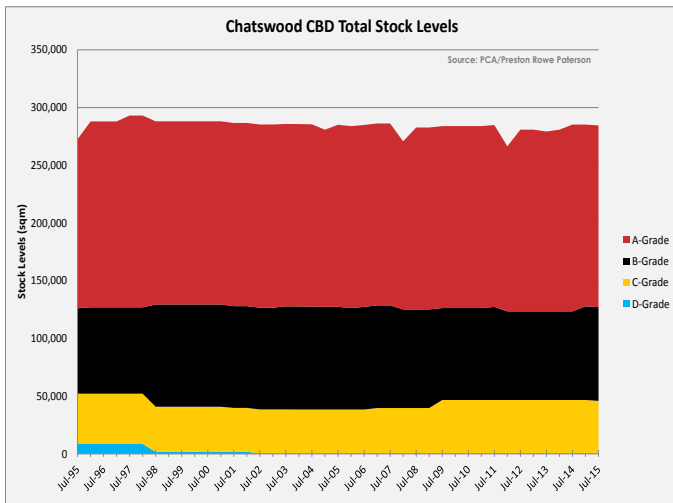


Chart 14 – Chatswood CBD Total Stock Levels by Grade – Source PCA

Total Vacancy

The Chatswood office market recorded a decline in total office vacancy rate of –1.4% to 6.8% in the six months to July 2015. Direct vacancy assumed 6.4% and sub-lease vacancy was 0.4%.

D Grade stock recorded the largest vacancy increase to 39.2%. A Grade vacancy decreased by –1.8% to 69%, B Grade vacancy fell by –0.8% to 7.7% and C Grade vacancy tightened by –1.6% to 4.2%.

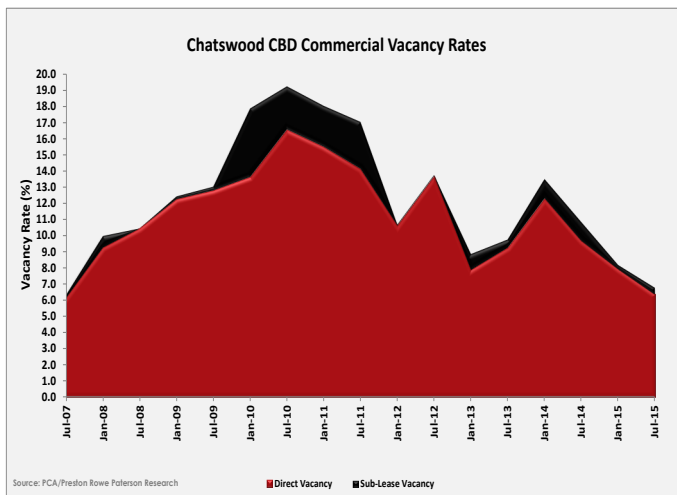


Chart 15 – Chatswood Office Vacancy Rates – Source PCA

Supply by Grade (Stock)

The PCA Office Market Report July 2015 the North Ryde/Macquarie Park market recorded an additional supply of 9,714 sqm which was offset by 7,899 sqm of withdrawals. The total office stock level is 868,295 sqm.

The additional supply is attributed to the increase in B Grade stock which was offset by 4,799 sqm of withdrawal. Further office space withdrawal was recorded in the C Grade stock where 3,100 sqm was removed.

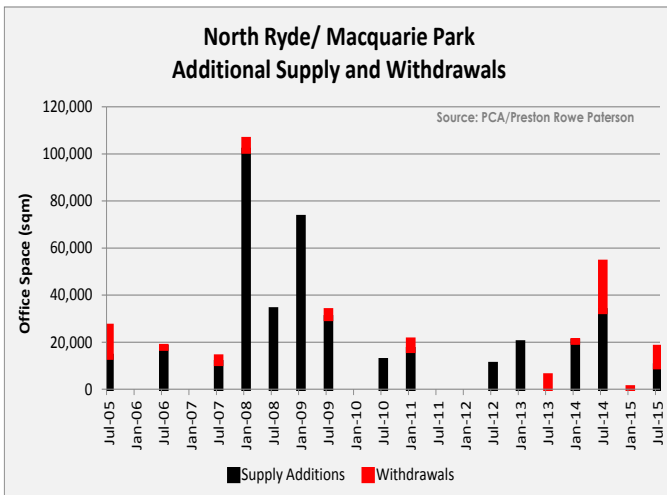


Chart 16 – North Ryde/ Macquarie Park Office Additional Supply and Withdrawals – Source PCA

The North Ryde/Macquarie Park office market is heavily populated by A Grade office stock. The A Grade stock level accounts for 615,716 sqm, followed by B Grade stock at 232,941 sqm. C Grade stock levels tightened to 16,917 sqm and D Grade remain unchanged assuming 2,721 sqm.

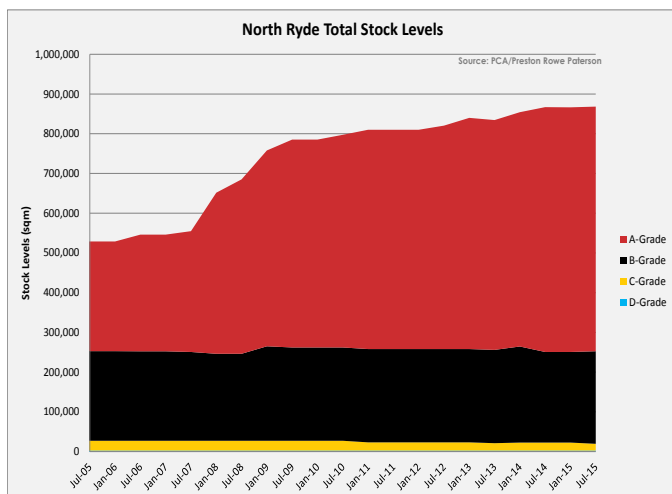


Chart 17 – North Ryde/ Macquarie Park Total Stock Levels by Grade – Source PCA

Vacancy Rates

The North Ryde/Macquarie Park market recorded a decrease in total vacancy rate of –1.5% to 8.4% in the six months to July 2015, of which 6.9% was direct vacancy and 1.5% was sub-lease vacancy.

C Grade stock recorded an 8.4% increase in vacancy to 13.5 in the six months to July. Whilst A and B Grade vacancy reported a decline of –2.3% and –0.5% to 5.7% and 15.2% respectively. No vacancy results were recorded for D Grade office space.

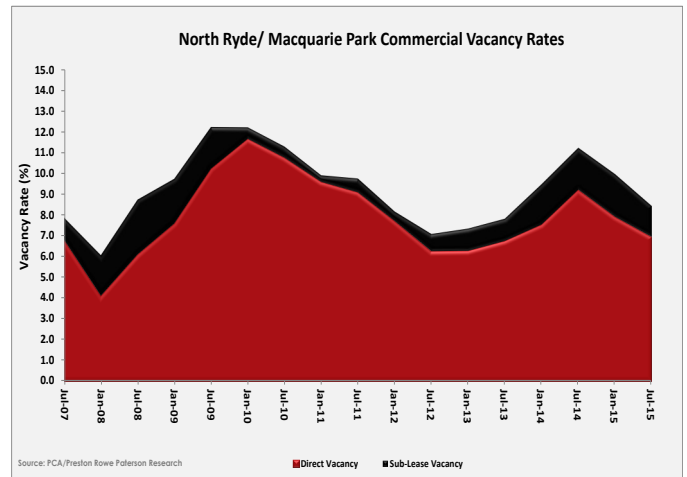


Chart 18 – North Ryde CBD Commercial Vacancy Rates – Source PCA



RETAIL MARKET



Investment Activity

Preston Rowe Paterson Research recorded the following significant retail transactions that occurred in the Sydney metropolitan areas during the three months to December 2015;

436 Oxford Street, Bondi Junction, NSW 2022

The Chen family paid **\$13.4 million** for a *St George Bank* on a **4.9% yield**. *St George* pays a net annual rent of \$665,600. The 957 sqm building is three-storeys and holds a freehold title. Bondi Junction is located 4.7 km south-east of the Sydney CBD.

Denison Street, Eastgardens, NSW 2036

A private investor purchased a planned new store from *Bunnings* for **\$56 million** on a **yield of 5.15%**. The retailer will pay a net rental income of approximately \$2.89 million over the next 12 years for the 14,760 sqm warehouse. The sale reflects a rate of \$3,794.04 psm. Eastgardens is located around 9.8 km south of the Sydney CBD.

31 Wheat Road, Darling Harbour, NSW 2000

Grocon has paid *Markham* **\$70 million** after exercising its option over the **IMAX** site. *Grocon* will now commit to redeveloping the site into an \$800 million office and retail complex.



1187 Horsley Drive, Wetherill Park NSW 2164

Altis Property Partners has acquired the **Greenway Plaza and SupaCentre** at Wetherill Park for **\$84 million**. The large format retail centre incorporates 22,355 sqm of bulky goods retail and 28,972 sqm of convenience retail space. The 6.5 ha complex has major tenants such as *Spotlight*, *Officeworks*, the *Good Guys* and *Westpac*. It also comprise of 28 specialty retail, 5 kiosks, 6 office tenancies and onsite car parking for 691 car spaces.

197 Young Street, Waterloo, NSW 2017

A Hong-Kong based investor has bought the *PYD* building, an interior design and homewares centre, for **\$17.6 million**. The property sold for an **initial yield of 6%** but as the potential for a 8.3% yield. There is 1,100 sqm of development land on the site. The sale of the 3,230 sqm centre reflects a rate of \$5,448.92 psm. Waterloo is located about 3.3 km south of the Sydney CBD.

508 Old Northern Road, Dural, NSW 2158

A private investor and local shopper have acquired a *Woolworths* supermarket property for **\$19.65 million** on a **yield of 5.61%**. The 4,356 sqm property is leased to *Woolworths* for 20 years with options to 2053. The sale reflects a rate of \$4,511.02 psm. Dural is located around 32.2 km north-west of the Sydney CBD.

4 Defries Avenue, Zetland, NSW 2017

Mirvac has purchased a 50% stake in the **East Village Shopping Centre** for **\$154.7 million**. The 33,000 sqm of lettable area centre is anchored by a *Coles* supermarket and over 40 specialty shops. The sale reflects a rate of \$4,687.88 psm. Zetland is located 4.5 km south of the Sydney CBD.



Warringah Road, Frenchs Forest, NSW 2086

Invesco Asset Management has purchased the **Forestway Shopping Centre** from *GPT Wholesale* for **\$112 million** on a **yield of 5.97%**. The 9,603 sqm centre is anchored by *Woolworths* and *ALDI* supermarkets, 38 specialty stores, three kiosks, three ATMs and eight office suites. There is also a development opportunity for 343 new apartments on top of the shopping centre, subject to council approval. The sale reflects a rate of \$11,663.02 psm. Frenchs Forest is located about 16.9 km north of the Sydney CBD.

680 George Street, Sydney, NSW 2000

ISPT has acquired a **50% share** in **World Square** from *Brookfield Property Partners* for **\$285 million**. The shopping centre complex has 522 car spaces. The sale reflected a **yield of just under 4.5%** and a rate of \$32,837 psm.



Retail Statistics

The December retail turnover results revealed optimistic results in the NSW retail environment. According to the Australian Bureau of Statistics category 8501.0 Retail Trade (December 2015), the retail turnover figures recorded in New South Wales produced a 0.1% growth to \$7,932.7 million in December. The seasonally adjusted annual total retail turnover growth to December 2015 was 4.95%.

Compared to the September quarter, the Australian turnover volume December quarterly results of \$72,062.8 million reflected a 0.6% seasonally adjusted volume growth.

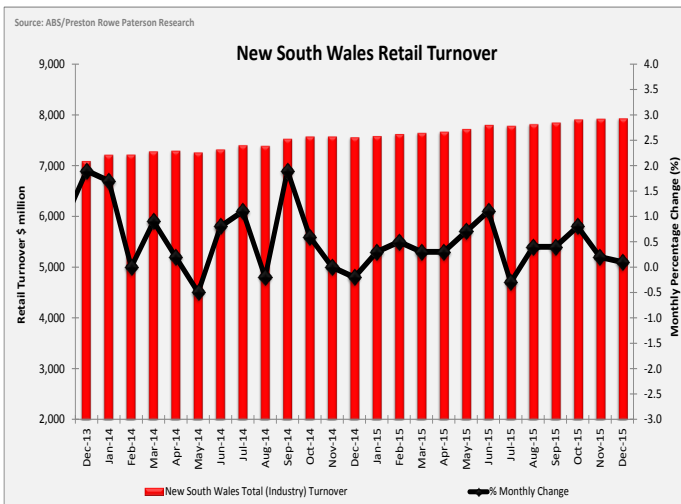


Chart 19 –New South Wales Retail Turnover – Source ABS

Varied turnover results were recorded in the retail sectors over the December month. The highest growth was recorded in Clothing, footwear and personal accessory retailing rising by 2.4% to a turnover of \$720.7 million. Followed by Food retailing and Department stores realising a growth of 1.01% (\$3,099.6 million) and 0.37% (\$521.4 million) respectively.

Household goods, Other retailing and Café, restaurants and takeaway food services recorded a decrease of -2.27%, -0.63% and -0.28% respectively to the monthly turnover of \$1,377.3 million, \$1,053.6 million and \$1,160.1 million.

As observed in the following graph, the NSW retail monthly turnover in December 2015 has performed better when compared to previous years. In comparison to the December 2014 results, the NSW retail turnover showed positive results across all retail industries. The year to date outperformer was Clothing, footwear and personal accessory retailing recording an annual growth of 9.43%.

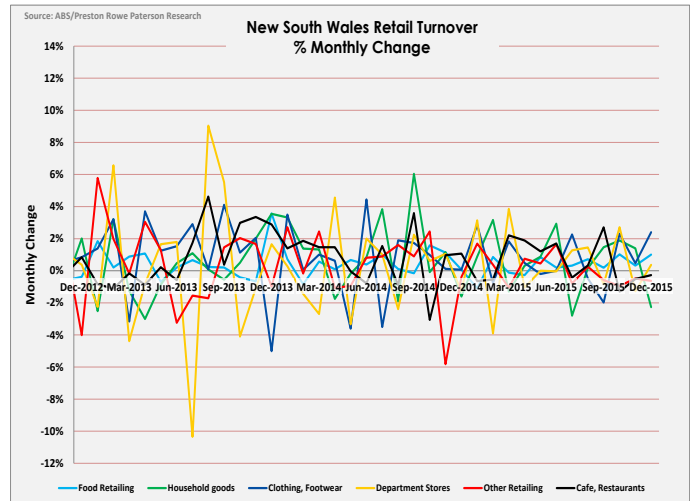


Chart 20 –NSW Turnover % Monthly Change – Source ABS

INDUSTRIAL MARKET

Investment Activity

Preston Rowe Paterson Research recorded a number of sales transactions that occurred around the Sydney metropolitan area during the three months to December 2015;

34 Reddalls Road, Kembla Grange, NSW 2526

Growthpoint Properties Australia acquired a 14.1-hectare industrial property for **\$20.3 million** on an **initial yield of 7%**. The property is fully leased to *Patrick Autocare* on a 15-year deal. Kembla Grange is located 90.3 km south-west of the Sydney CBD.

174 Andrews Road, Penrith, NSW 2751

Mills Investment Group purchased an 8,000 sqm freestanding warehouse from *HSD Systems Marketing* for **\$6 million**. The property is on a 1.87-hectare site. The sale reflects a **rate of \$320.86 psm**. Penrith is located 53.5 km north-west of Sydney's CBD.

148-152 Pacific Highway & 1-3 James Street, Hornsby, NSW 2077

A private owner-occupier bought a 2,363 sqm showroom and bulky goods industrial property from *Tooley Imports* for **\$7.6 million**. The purchaser will use the four warehouses, on five blocks of land, for its automotive business. The sale reflects a rate of \$3,216.25 psm. Hornsby is located about 23.6 km north-west of the Sydney CBD.

34 Yarrunga Street, Prestons, NSW 2170

LOGOS Property bought a 20-hectare industrial site from a private vendor for **around \$50 million**. LOGOS plans to develop the site into a new \$220 million logistics estate with four or five facilities. Prestons is located about 34.6 km south-west of the Sydney CBD.

57-75 Templar Road, Erskine Park, NSW 2759

A private investor that is likely to be M&G purchased a 30,000 sqm warehouse and office facility from *DEXUS Property Group* for **\$50 million**. The property sold on a **yield of just below 7%** and a WALE above 4 years. The sale reflects a rate of \$1,666.67 psm. Erskine Park is located about 44.4 km north-west of the Sydney CBD.

Locomotive Street, Eveleigh, NSW 2015

A Mirvac-led consortium paid a **total of \$263 million** for the **Australian Technology Park** from *UrbanGrowth NSW Development Corporation*. AMP Capital Wholesale Office Fund, Sunsuper and Mirvac have co-invested a one-third interest in a 93,000 sqm office building development in the park, which will be leased by the *Commonwealth Bank*. The development will be completed in 2020 and the bank will lease two buildings on a 15-year term. Eveleigh is located around 3.8 km south of the Sydney CBD.

1 Zoe Place, Mount Druitt, NSW 2770

Ausunion First Group paid **\$6.3 million** for an industrial property from *Volandu*. The 3,411 sqm property was recently rezoned to residential and occupies a 6,525 sqm site. The sale reflects a rate of \$965.52 psm. Mount Druitt is located around 41.9 km north-west of Sydney's CBD.

32 Pine Road, Yennora, NSW 2161

LOGOS Property Group sold a 12,872 sqm warehouse to a private investor for **\$9.33 million**. The sale of the 30,300 sqm site reflects a rate of \$307.92 psm. Yennora is located about 4.5 km south of the Sydney CBD.

2 Pine Road, Yennora, NSW 2161

An owner-occupier acquired a 6,400 sqm warehouse on a 21,480 sqm site for **\$6.35 million**. Logos Property Group sold the property. The sale reflects a rate of \$295.62 psm.

57-65 Templar Road, Erskine Park NSW 2759

M&G Real Estate purchased the Erskine Park complex for **around \$50 million** from *DEXUS Property Group*. The property is part of a multi-tenanted industrial estate.



Ingleburn NSW 2565

M&G Real Estate purchased a warehouse in Ingleburn for **around \$30 million** from *Quintessential Equity*. Ingleburn is located around 50.3 km south-west of Sydney's CBD.

20 Queen Street, Revesby, NSW 2212

Sam Nachabe and Michael Nachabe acquired a 5,627 sqm industrial site from *Giuseppe and Michael Calabro* for **\$5.8 million**. The sale reflects a rate of \$1,030.74 psm. Revesby is located around 21.9 km south-west of Sydney's CBD.

202-212 Euston Road, Alexandria, NSW 2015

Goodman Group and Altis Property Partners paid **\$24 million** for an industrial site from an owner-occupier. The 1.7-hectare site is leased to *Australian Refined Alloys* who will move when the lease expires in three years. The sale reflects a **yield of around 7.5%**. Alexandria is located about 3.9 km south of the Sydney CBD.

27 Frank Street, Wetherill Park, NSW 2164

Propertylink Australian Industrial Partnership II Fund acquired a logistics property for **\$16.56 million** on a **yield of 8.3%**. The sale of the 41,720 sqm site reflects a rate of \$396.93 psm. Wetherill Park is located about 31.9 km west of Sydney's CBD.



M5 Motorway, Prestons, NSW 2170

Several different private vendors have sold a large industrial site to *Charter Hall Group* for **\$39 million**. The 75,000 sqm of net lettable area buildings will have an end value of approximately \$125 million. A lease has been secured for 15,500 sqm in the property with *Bracknells*. There will be a total of between three and five facilities on the site.

6-20 Clunies Ross Street, Greystanes, NSW 2145

A 38,549 sqm Sydney industrial complex has been acquired by *Ascendas REIT* from *Deka Immobilien Investment* for **\$76.6 million**. The 7.3-hectare site has long-term leases to the *NSW Police* and *Australia Post*. The property features a 36,220 sqm modern high clearance warehouse and a 2,359 sqm freestanding two-storey office and laboratory facility. The sale reflects a **yield of 6.6%** and a rate of \$1,049.32 psm. Greystanes is located about 26.8 km north-west of the Sydney CBD.



Leasing Activity

Preston Rowe Paterson Research recorded a relatively low number of leasing transactions that occurred during the three months to December 2015, in the Sydney industrial market.

26 Fariola Street, Silverwater, NSW 2128

Coffee Galleria leased an industrial site from *Lend Leases Funds Management Limited* for **10-years**. The lessee will pay a **gross annual rent of \$159 psm** for the 1,418 sqm building. The site will be refurbished to create a showroom coffee lab, barista training area and roasting facilities for warehousing and distribution. Silverwater is located about 18.6 km north-west of the Sydney CBD.

318A Horsley Road, Milperra, NSW 2214

Hari Om Investments #3 Pty Ltd secured a lease for a 5,500 sqm overflow and storage yard to *NSW Container Systems* for **2-years**. *NSW Container System* will pay a gross annual rent of \$137,500, reflecting a **rate of \$25 psm**. Milperra is located 23.9 km south-west of the Sydney CBD.

31/2 Holker Street, Silverwater, NSW 2128

Anixter have leased a 3,502 sqm industrial site on a **7-year deal**. The lease reflects a rate of **\$154 psm gross per annum**.

64 Mentmore Avenue, Rosebery, NSW 2018

Designer Rugs P/L have agreed to lease 965 sqm of warehouse and office space for **\$212 psm gross**. The lease is for **4-years with a further 4-year option**. Rosebery is located about 11 km south of the Sydney CBD.

178 Power Street, Glendenning, NSW 2761

Hy-Clor Australia will move into a 7,277 sqm industrial property on a **7-year deal**. The lessee will pay a **net rent of \$120 psm per annum** for the property. Glendenning is located 41.4 km north-west of the Sydney CBD.

48/32 Slough Avenue, Silverwater, NSW 2128

Bentley Safes will move into an office and warehouse in the **Silverwater Slough Business Park** for 3-years. Landlord *Goodman Group* leased the 965 sqm high clearance warehouse and office for a **net annual rent of \$125 psm**. The property also includes parking.

2 Davis Road, Wetherill Park, NSW 2164

Stora Enso will lease a 5,988 sqm facility on a **5.5-year deal** with an initial rental of \$888,770 per year. *Stockland* will build a 9,000 sqm hardstand facility on additional land. The lease will increase by 3.35% every year and reflects a **rate of \$102.50 psm** for the warehouse and **\$30 psm** for the hardstand area.

347 Burwood Highway, Burwood East, NSW 3151

NEC have agreed to lease a ground floor office and lab for **5-years**. The 1,963 sqm property has roller door access, a lab and technical area, a new multi-deck car park and offices. *NEC* will pay a **net annual rent is \$230 psm**. Burwood East is located 18.4 km east of the Sydney CBD.



15-16 Ormsby Place, Wetherill Park, NSW 2164

Normet Asia Pacific signed a **5-year lease with options** for a warehouse facility. The company will pay a net annual rent of \$464,320 for the 4,001 sqm warehouse and a 420 sqm office. The lease reflects a **rate of \$105.03 psm**.

74-94 Newton Road, Wetherill Park, NSW 2164

DHL Supply Chain sub-leased a 14,600 sqm industrial site to *Metcash Trading* for **11 months**. The lessee will pay a **net annual rent of \$112 psm** for the 9.5 metre clearance warehouse with dock access.

12/2-8 South Street, Rydalmere, NSW 2116

Sapphire Group have agreed to lease a 6,646 sqm warehouse and office facility from *DEXUS Property Group* for **5-years with options**. The lease for the property at **Cumberland Green Estate** is for a **net annual rent of \$135 psm**. Rydalmere is located around 20 km north-west of Sydney's CBD.

5 Stonny Batter Road, Minto, NSW 2566

Findella have secured in a new **5-year lease with options** for a 5,313 sqm industrial warehouse and office property. The property features a hardstand, six-metre minimum internal clearance and two container-height roller shutter doors. The gross annual rent for the property, which will be paid to the landlord *Falcones*, is \$464,888. The lease reflects a **rate of \$87.50 psm**. Minto is located about 45 km south-west of Sydney's CBD.

126 Jedda Road, Prestons, NSW 2170

Pretty Girl Fashion Group leased a 3,994 sqm warehouse and office property with a hardstand for **5-years**. The company will lease the property from *Melbourne Factory* for a gross annual rent of \$500,000. The lease reflects a **rate of \$125.19 psm**.

10 Welder Road, Seven Hills, NSW 2147

Alliance Geotechnical have secured a **3-year deal** to lease a 987 sqm office and warehouse facility. The warehouse has a dual roller shutter door and container storage area. The net annual rent for the property is \$118,440. The lease reflects a **rate of \$120 psm**. Seven Hills is located about 32.2 km north-west of the Sydney CBD.



10 Garner Place, Ingleburn, NSW 2565

Bison Group Pty Ltd will move into a 1,480 sqm warehouse on a **3-year deal**. The lessee will pay a **net annual rent of \$100 psm**.

RESIDENTIAL MARKET

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals December 2015, the total number of house dwelling approvals in the Sydney Statistical Division over the month shown a decrease from 345 approvals in November to 1,118 approvals in December. However, it reflected an annual increase of 10.15% when compared to house dwelling approvals in December 2014.

The total number of non-house dwelling approvals grew by 27.12% from 3,127 approvals in November to 3,975 approvals in December. In comparison to December 2014, a -1.78% decline was recorded.

The total number of dwelling approvals in 2015 was 51,106. The dwelling approval figures analysed above showed that residential development activity in the Sydney market was active in the December quarter despite a slowdown in house dwelling approvals towards the end of the year.

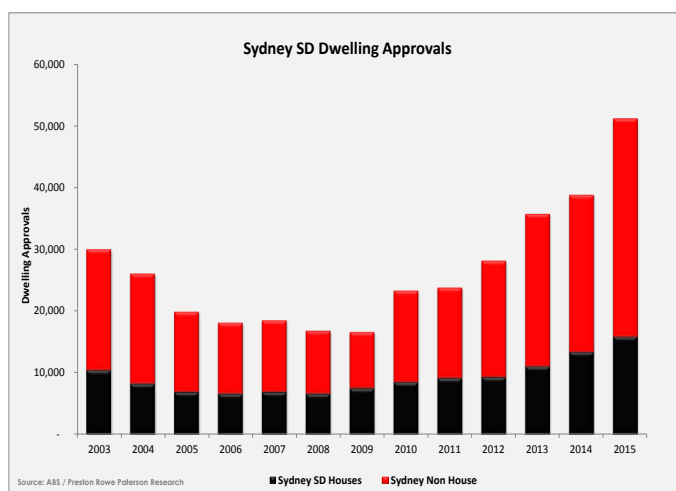


Chart 21 – Sydney SD Dwelling Approvals—Source ABS

SYDNEY

Market Affordability

Market affordability figures for the December quarter 2015 are not available from the Real Estate Institute of Australia (REIA), however, we have used figures from the September quarter for our analysis.

According to the REIA, the September quarter saw Sydney Median House price increase by 3.6% to \$1,040,100; which was a 22.6% growth compared to September 2014. The Sydney median house price recorded positive results across all zones during the quarter. Middle Sydney recorded the highest quarterly growth of 5.4% to \$1,265,000. Outer Sydney prices rose by 3.5% to a median price of \$688,500 and Inner Sydney median house price remain unchanged at \$1,700,000.

Over the twelve months to September 2015, all zones recorded growth in the median house price. The highest annual growth was reported in Middle Sydney (29.1%), followed by Outer Sydney (20.2%) and Inner Sydney (18.1%).

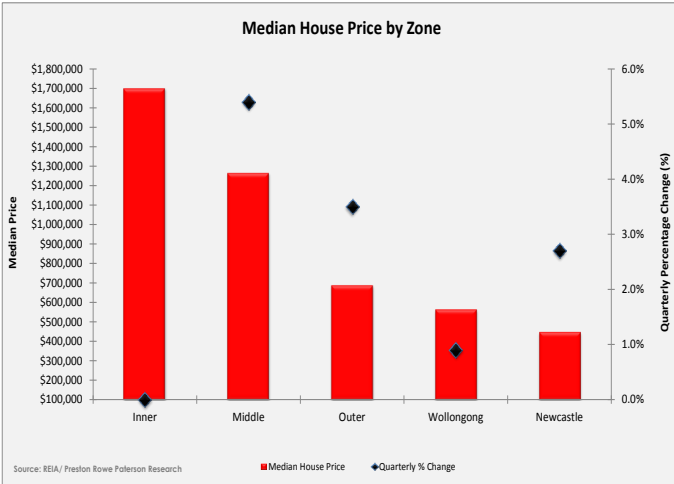


Chart 22 – Median House Price by Zone – Source REIA

Other dwellings median prices also recorded positive results over the quarter. The median price for other dwellings in Sydney grew by 2.8% to \$683,700. Inner Sydney recorded a small growth of 0.7% to a median price of \$815,800, whilst Middle and Outer Sydney median price increased by 2.6% and 2.7% to \$678,000 and \$565,000 respectively.

The year on year comparison saw an increase in across zones of inner, middle and outer Sydney recording an annual growth of 12.5%, 14.9% and 13.8% respectively.



Chart 23 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

Over the September quarter, the Sydney house rents have generally increased. The largest rent increase was in Middle Sydney 2 bedroom house, growing by 4.3% to \$480. Followed by Inner Sydney 2 bedroom house and Middle Sydney 3 bedroom house rents increasing by 2.2% and 1.8% respectively to median weekly rent of \$685 and \$560. Outer Sydney 2 bedroom house rent increased by 0.7% to \$360.

Inner and Outer Sydney 3 bedroom house rent remain unchanged in the quarter at \$850 and \$430 respectively.

Over the twelve months to September 2015, all Sydney zones recorded rental growth. The highest annual growth was recorded in Inner Sydney 2 bedroom house rents increasing by 5.4%, followed by Inner Sydney 3 and Middle Sydney 2 bedroom house, both grew by 4.3%.

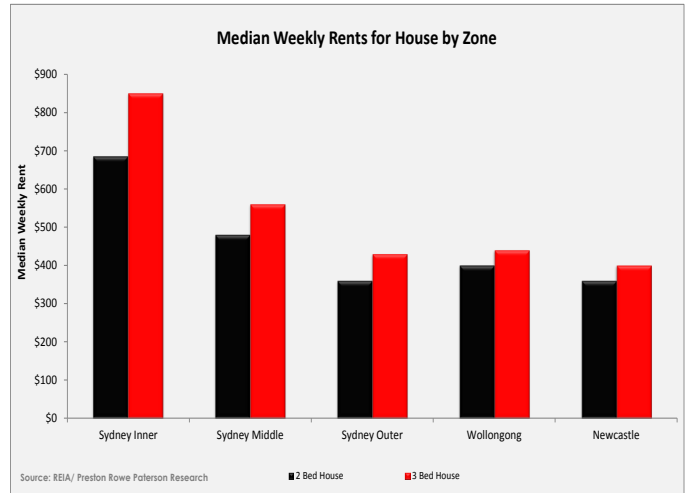


Chart 24 – Median Weekly Rents for House by Zone – Source REIA

The September quarter revealed mixed results on other dwelling rents across all Sydney zones. Rental growth was recorded in the Outer Sydney other dwellings increasing by 2.9% (1 bedroom), 2.5% (2 bedroom) and Inner Sydney 2 bedroom other dwellings of 1.6% to median weekly rents of \$350, \$410 and \$650 respectively.

Rents declined in the Inner and Middle Sydney 1 bedroom other dwellings which fell by -2% and -2.2% to \$500 and \$450 respectively. The Middle Sydney 2 bedroom other dwelling median weekly rent remain unchanged at \$480.

Over the twelve months to September 2015, all Sydney Other Dwelling zones recorded growth in median weekly rents. The highest annual growth recorded were Outer Sydney 1 bedrooms and Inner Sydney 2 bedroom with growth of 6.1% and 4.8% respectively. Followed by Middle and Outer Sydney 2 bedroom rents at 2.1% and 3.8% respectively.

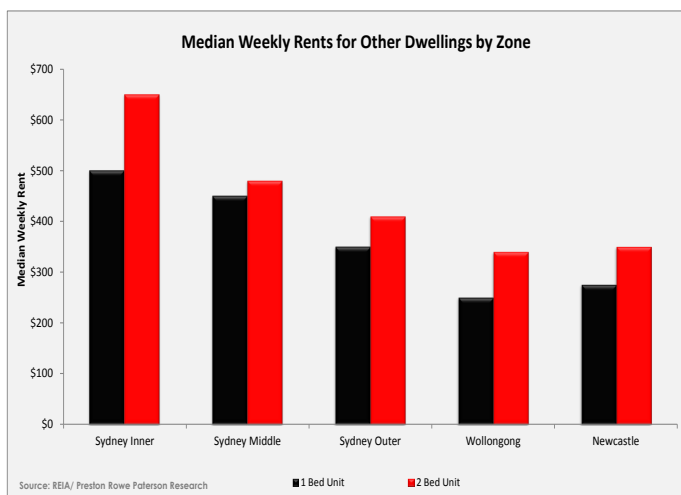


Chart 25 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

NEWCASTLE

Market Affordability

Over the September quarter, the median house price in Newcastle increased by 2.7% to \$449,000, reflecting an annual growth of 6.9%. Other dwelling median sales price in the Newcastle region decreased by -3.1% over the quarter to \$378,000, revealing a -1.8% annual decline.

Rental Market

Two bedroom house rents in the Newcastle region increased by 2.9% over the quarter to the median weekly rental of \$360. Three bedroom house rents remained unchanged over the quarter to \$400 per week.

Quarterly results for Other Dwelling rentals in the Newcastle region recorded a 1.9% growth for one bedrooms to \$275 per week and a -2.8% decrease in three bedrooms rent at \$350 per week. Over the twelve months to June 2015, the 1 bedroom other dwellings experienced a 5.8% growth.

WOLLONGONG

Market Affordability

Median house prices in Wollongong recorded positive results with quarterly of 0.9% and annual growth of 18.9% to \$565,000. The quarterly median Other Dwelling prices in Wollongong fell by -2.5% to \$404,500, whilst realising a 8.4% annual increase.

Rental Market

The median house rents in Wollongong for 2 bedroom house increased by 11.1% over the quarter to median weekly rent of \$400. Wollongong 3 bedroom house rent remain unchanged to a median weekly rent of \$440 per week.

Wollongong Other Dwellings 1 bedroom rentals remain unchanged over the quarter to \$250, whilst 2 bedroom median weekly rent increased by 1.5% to \$340. The annual growth of 2 bedroom other dwellings grew by 1.5%.

SPECIALIZED PROPERTY MARKET

Investment Activity

Preston Rowe Paterson Research recorded limited major Specialized property transactions that occurred in New South Wales during the December quarter 2015;

NSW Manufactured Housing Estate Sales

Gateway Lifestyle paid **almost \$32 million** for three manufactured housing estates. The first sale was the *Homestead Village* in Salamander Bay for **\$8.3 million**, which has 102 fully-occupied sites. The second property, *Spinnakers Leisure Park* in Belmont, sold for **\$12.5 million**



Homestead Village - Salamander Bay

and has 161 sites with room for expansion. The last property is the *Beach Haven Holiday Resort* in Ulladulla which sold for **\$10 million** and is earmarked for conversion into pre-fab home sites.

Airport Sales

First State Super and *Altis Property Partners* acquired the **Bankstown** and **Camden airports** from a consortium including, *Mirvac Group*, *Australian Super* and *Colonial First State*, for **\$203 million**. The **Bankstown airport** comprises 313-hectares and has 136 tenants, while the **Camden airport** is fully occupied with 43 tenants and comprises 196-hectares. The airports include 32.8 hectares of surplus land at Bankstown and 8.3 hectares at Camden to be developed on in the future. Around 90% of the income from the airports comes from the existing facilities and half of the tenants are in the aviation industry. The WALE is 6.4 years. Both airports were privatised in 2003 and are currently held under a long-term lease to the Australian government with 82-years remaining. The sale of the total 509-hectare sites

HOTELS & LEISURE MARKET

Investment Activity

Preston Rowe Paterson Research recorded few major Hotel and Leisure property transactions that occurred in metropolitan Sydney during the December quarter 2015;

116 Queen Street, Woollahra, NSW 2025

Public House Group paid **over \$30 million** for the **Woollahra Hotel** from John Ryan. The A-grade pub features the **Bistro Moncur** restaurant, bar areas, rooftop terrace and TAB facilities. Woollahra is located around 3.6 km south-east of the Sydney CBD.

383 Burwood Road, Belmore, NSW 2192

The **Belmore Hotel** in Sydney was sold for **\$32 million** by *Waugh Hotel Group*. The hotel features 18 pub-stay style accommodation rooms, 30 gaming machines and a bar and bottle shop. The property was purchased by an Asian-backed fund. Belmore is located 21.7 km south-west of the Sydney CBD.

71 Epping Road, Macquarie Park, NSW 2113

Goodman Group sold a 111-room hotel to *Viking Group* for **\$34.5 million** on a **yield of 7.07%**. The property is leased to *Quest* for 21 years and they're paying \$2.44 million per annum for the 6 -storey hotel. The sale of the hotel reflects a rate of \$310,810.80 per room.

195 Victoria Road, Drummoyne, NSW 2047

Private operators Michael Wiggins and Joanne Cassar have purchased the **Oxford Hotel** from *Iris Capital* for **\$34 million**. The Hotel just underwent



a \$4 million renovation and the sale includes an adjacent retail property. The property features bar areas, a bistro and 30 gaming machines. The 974 sqm total site has the potential for height increases and for a rooftop bar to be constructed. Drummoyne is located 6.4 km north-west of the Sydney CBD.

118 Percival Road, Stanmore, NSW 2048

L90 Capital paid **about \$8.5 million** for the **Salisbury Hotel**. The hotel features a modern bar with TAB and Keno, a bistro, outdoor areas and play room for kids. Stanmore is located around 5.2 km south-west of the Sydney CBD.

65 Sussex Street, Sydney, NSW 2000

M&L Hospitality have purchased a 1,180 sqm hotel development site from *Alfasi Property Development* for **around \$22 million**. The mid-scale hotel is due to be completed in late 2017.

105 Sutherland Street, Paddington, NSW 2021

Public House Management have acquired the **Four in Hand** pub from Joe Saleh and Colin Fassnidge for **about \$8 million**. The pub features a restaurant that has a Two Hats status, gaming machines, a bar and a dining room. The property recently had a \$1.5 million facelift. Paddington is located about 3.5 km south-east of the Sydney CBD.



O'Riordan Street, Mascot, NSW 2020

Nanshan Group paid **around \$84 million** for the **Pullman Sydney Airport Hotel** from *Goodman Group*. The 229-room, five-star hotel is currently being built and will be completed towards the end of 2016. The sale reflects a rate of \$366,812.23 per room. Mascot is located about 7.3 km south-west of the Sydney CBD.

412 Crown Street, Surry Hills, NSW 2010

A group of investors including Deke Miskin have purchased the **Dolphin Hotel** for **\$11.15 million**. The hotel features several bars, function spaces, licenced outdoor areas and a gaming room. Surry Hills is located about 3 km south-east of the Sydney CBD.

25-29 Dixon Street, Haymarket, NSW 2000

Iris Capital and *Gallagher Hotel Management* bought the leasehold interest in the **888 Hotel** for **\$7.5 million**. The property comprises bar areas, a CBD hotel licence and 30 attached poker machines.

288 Princes Highway, Banksia, NSW 2216

Mitchell Waugh have sold the **Banksia Hotel** to a Singaporean -based fund for **about \$14 million**. The hotel occupies a 1,050 sqm site and features a bar, a restaurant, gaming facilities and accommodation. The upper level of the hotel has 12 rooms as well as a 3 bed manager's residence, separate male/female amenities and kitchen / common room. Banksia is located around 11.7 km south-west of the Sydney CBD.



REGIONAL MARKET

Preston Rowe Paterson Research recorded the following significant sales transactions that occurred in regional New South Wales during the three months to December 2015;

Investment Activity

Retail

Cnr Leisure and Fraser Drive, Banora Point, NSW 2486

The **Banora Central Shopping** has been acquired by a private investor for **\$19 million** on a **passing yield of 6.49%**. The 3,601 sqm neighbourhood shopping centre sits on a 13,340 sqm site and is anchored by a Coles supermarket. The property is also supported by a BWS liquor store, newsagent, combined chemist, medical centre, *Zaraffa's* coffee outlet and two ATMs. There is shaded and open grade level car parking for around 152 cars. The sale reflects a rate of \$1,424.30 psm. Banora Point is located about 840 km north-east of the Sydney CBD.



Hotel & Leisure

21 Red Head Road, Redhead, NSW 2430

Gateway Lifestyle bought the **Beachfront Holiday Resort** for **\$12.3 million**. The 4.5-star resort comprises 372 sites featuring power campsites and self-contained units. The site can also be converted into a manufactured housing estate for retirement accommodation. The sale reflects a rate of \$33,064.52 per site. Redhead is located 130 km north-east of the Sydney CBD.

15 Thompsons Road, Pokolbin, NSW 2320

Minor International have acquired the **Cypress Lakes Resort** from *Lasseters International*, after exercising its put and call option, for **\$10 million**. The resort features 124 serviced apartments, restaurant and bar, function rooms for up to 280 and 360 seatings. The site includes a 18-hole championship golf course and two parcels of development land. The property sits on a 100-hectare site and has DA approval for a 120-room hotel and 225 apartments on the vacant land. The sale reflects a rate of \$80,645.16 per existing room. Pokolbin is located around 162 km north of the Sydney CBD.



73 Fishermans Drive, Emerald Beach, NSW 2456

Discovery Holiday Park purchased the **Big 4 Emerald Beach Holiday Park** for **over \$10 million**. The beach-front property has recently been redeveloped. The site features 21 self-contained accommodation as well as a 99 caravan park and camping sites. Emerald Beach is located about 567 km north-east of the Sydney CBD.

Rural

Wisemans Ferry Road, Central Mangrove, NSW 2250

Derek Rynenberg have sold **Akuna Springs** to a Chinese buyer for **\$5 million**. The 28-hectare property includes a five-bedroom home, guest house, avocado plantation, spring-fed dam and natural plantation. The sale reflects a rate of \$178,571.45 per hectare. Central Mangrove is located about 80.2 km north of the Sydney CBD.

42 Oldbury Road, Sutton Forest, NSW 2577

Teo Ah Khling have acquired **Southern Highland Wines** for **\$4.85 million**. The 33-hectare winery and wedding venue features 12-hectares of vineyards, a cellar door and winery, 70-seat restaurant and 120-seat function centre. The sale reflects a rate of \$146,969.70 per hectare. Sutton Forest is located 135 km south-west of Sydney's CBD.

198 Connells Lane, Yass, NSW 2582

Raymond Burn and his wife bought a 1,184-hectare grazing and cropping property, known as **Dowan Hill**, from the Connell family for **\$5 million**. The property produces ewes and lambs and grows canola and wheat. The site also features a four-bedroom homestead, five shearing yards, cattle yards and various sheds. The sale reflects a rate of \$4,222.95 per hectare. Yass is located 333 km south-west of the Sydney CBD.



2224 Wongwibinda Road, Wongwibinda, NSW 2350

The Salter family have sold their red meat production site, known as **Doughboy Mountain**, to *T.A. Field Estates* for **\$7.65 million**. The 3,340-hectare grazing property features a home with a clay tennis court, a second cottage, a woolshed and a 700-metre airstrip. The sale reflects a rate of \$2,290.40 per hectare. Wongwibinda is located about 540 km north-east of the Sydney CBD.

2125 Wongwibinda Road, Wongwibinda, NSW 2350

T.A. Field Estates purchased a 1,337-hectare property with basalt soils and an established pasture base for **\$2.75 million**. On the site is a four-bedroom homestead, wool shed and timber cattle yards. The sale reflects a rate of \$2,056.85 per hectare.

357 Jilliby Road, Jilliby, NSW 2259

The country estate and grazing property, **Linton Park**, was sold to a group of Chinese investors for **\$2.15 million**. The 1903 estate has 20-hectares of parkland and will be used as a hobby farm. The rural property features a four-bedroom homestead with four living spaces and another five-bedroom home with a dining room. The site also features a large spring-fed dam, gardens, dressage arena, round yard, paddock stables, a machinery shed, a hayshed, a loading dock and four other dams. The sale reflects a rate of \$107,500 per hectare. Jilliby is located about 91.8 km north-east of the Sydney CBD.

Economic Fundamentals

GDP

GDP figures for the December quarter 2015 are not available until the 2nd March 2016, however, over the September 2015 quarter revealed that the Australian economy recorded growth of 0.9% seasonally adjusted which reflected growth of 2.5% seasonally adjusted over the twelve months to September 2015.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Financial and insurance services (+0.5%), Healthcare (+0.3%) and Mining (+0.3%). In trend terms, the largest detractor was Manufacturing (-0.1%).

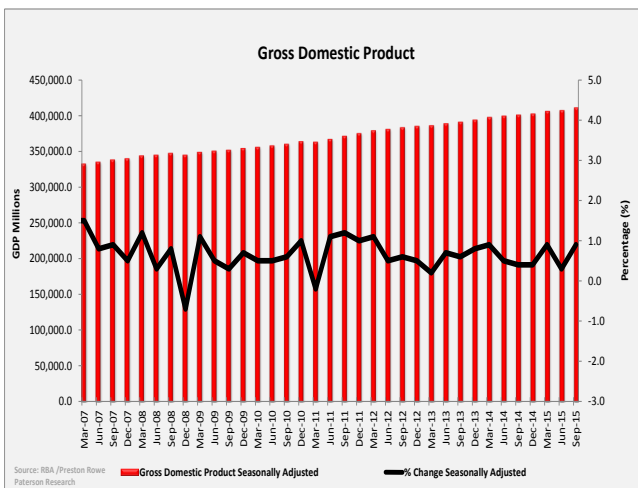


Chart 26 – Gross Domestic Product (GDP) – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the December quarter 2015 has remain steady at 2%. The Reserve Bank of Australia's Media Release for December 2015, released 1st December 2015 explained that;

"The global economy is expanding in a moderate pace, with some further softening in conditions in Asia region, continuing growth in US and a recovery in Europe. Key commodity prices are much lower than a year ago, reflecting increased supply, including Australia, as well as weaker demand. Australia's terms of trade are falling...In Australia the available information suggests moderate expansion in the economy continues in the face of a large decline in capital spending in the mining sector. While GDP growth has been somewhat below long-term averages for some time, business surveys suggests a gradual improvement in conditions in non-mining sectors over the part year. This has been accompanied by stronger growth in employment and a steady rate of unemployment... Inflation is forecast to be consistent with the target over the next one or two years."

The media release also stated that inflation is as expected to be consistent.

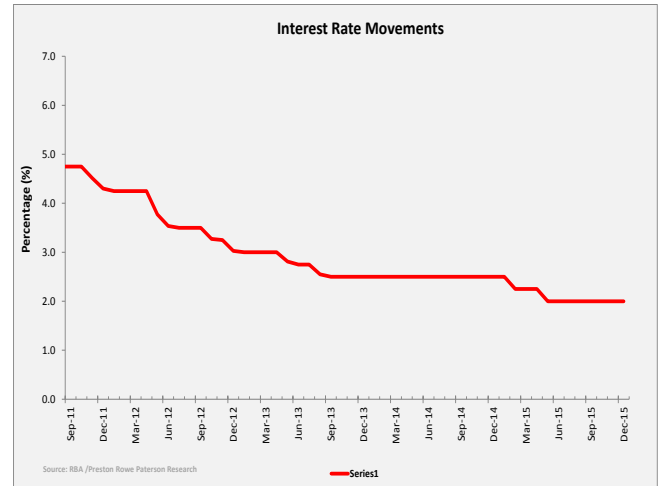


Chart 27 – Cash Rate – Source RBA

CPI

According to the Australian Bureau of Statistics (December 2015), the Australia's All Groups CPI increased by 0.4% over the December quarter from 108 to 108.4. The annual CPI change to December 2015 recorded a growth of 1.7%.

The most significant price rises over the December quarter were Tobacco (+7.4), Domestic holiday travel and accommodation (+5.9%) and International holiday travel and accommodation (+2.4%). The greatest price fall over the quarter was attributed to are Automotive fuel (-5.7%), Telecommunication equipment and services (-2.4%) and Fruit (-2.6%).

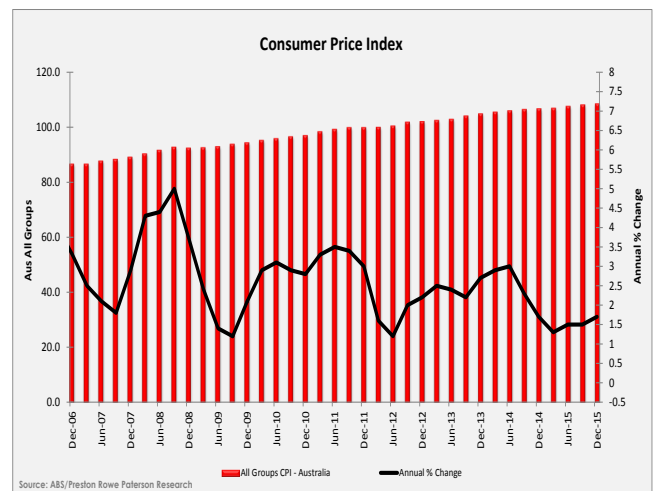


Chart 28– Consumer Price Index—Source—ABS

10 Year Bond & 90 Day Bill Rate

Analysis of the daily 10 Year Government Bonds has revealed no changes to the rate over the month of December at 2.85%. The 90 day bill rates had increased by 12 basis points to the month end of 2.34%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of 17 basis points.

Over the December 2015 quarter, the 10 Year Government Bonds recorded an increase of 16 basis points from 2.7%. The 90 Day Bill Rate recorded a 17 basis points growth over the quarter from 2.34%.

In the twelve months to December 2015, the monthly 10 Year Bond Rate has decreased by 11 basis points from 2.96%. Similarly, the monthly 90 Day Bill Rate fell by 41 basis points from 2.75%.

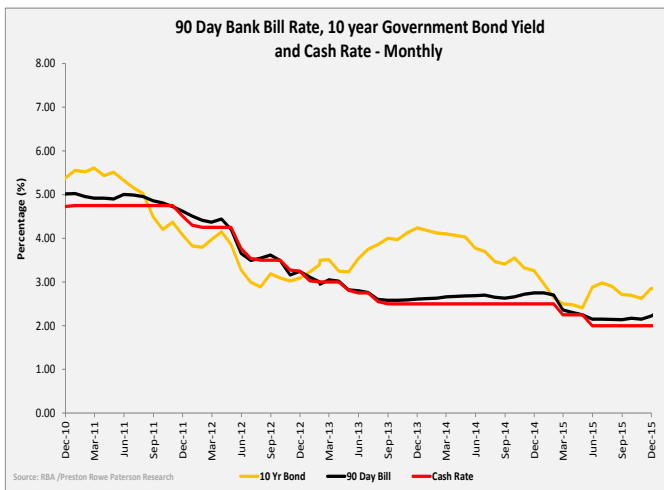


Chart 29 –90 Day Bill, 10 year bond and cash rate – MONTHLY – Source RBA

Labour force

Over the month to December 2015, the number of unemployed people has declined by 10,900 from 738,400 in November to 727,500 in December, reflecting a -0.1% decrease. In comparison to December 2014, the number of unemployed people had decreased by 27,300 reflecting an annual decline of -3.6%. The unemployment rate was 5.8% as at December 2015.

The number of unemployed seeking full time employment recorded a decrease in December by 2,600 to 515,000 persons. The number of unemployed seeking part time employment also decreased over the month by 8,400 to 212,500 persons.

New South Wales experienced a large absolute decrease in seasonally adjusted employment by -5,330 persons to 3.801 million persons over the month of December. The unemployment status in New South Wales over the quarter decrease by 0.6% to 5.2%.

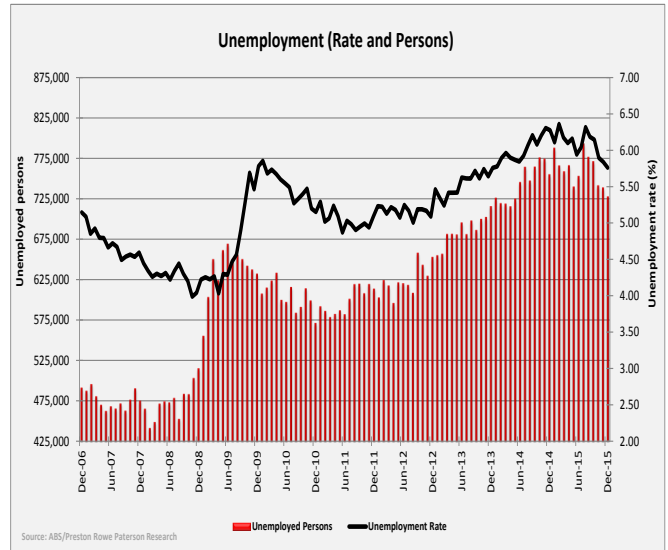


Chart 30 – Unemployment – Source ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 0.8% from 101.7 index points in November to 100.8 index points in December. Over the December quarter the index has increased by 6.9 points and recorded a 10.65% annual growth.

Westpac's Economist, Bill Evans commented; "The Index has held on to most of the gains from (November's) 4% lift and is 10.7% above its levels this time last year...The most important (sentiment) change was around 'budget and taxation' with the proportion of respondents assessed as considerably less favourable. Presumably speculation around tax changes, particularly with respect to the GST...Confidence around the housing market continues to deteriorate...housing-related sentiment continues to show sharper falls and considerably weaker reads in NSW and VIC."

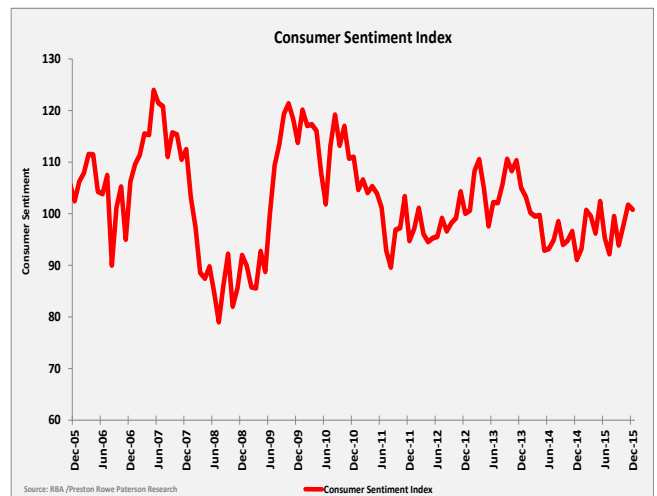


Chart 31– Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey



Our Research

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

We have property covered

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

We have all real estate types covered

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

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

We have all types of plant & machinery covered

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

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

We have all client profiles covered

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

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



We have all *locations* covered

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

We have your *needs* covered

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

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



Sydney (Head Office)

Level 14, 347 Kent Street
Sydney NSW 2000

PO BOX 4120, Sydney NSW 2001

P: 02 9292 7400

F: 02 9292 7404

E: research@prpsydney.com.au

W: www.prpsydney.com.au

Follow us:



Directors

Gregory Preston

M: 0408 622 400

E: greg.preston@prpsydney.com.au

Gregory Rowe

M: 0411 191 179

E: greg.rowe@prpsydney.com.au

Associate Directors

Keiran Fleming

M: 0448 656 103

E: keiran.fleming@prpsydney.com.au

Michael Goran

M: 0448 757 134

E: michael.goran@prpsydney.com.au

Erika Minnaard

M: 0448 886 335

E: erika.minnaard@prpsydney.com.au

Neal Smith

M: 0448 656 647

E: neal.smith@prpsydney.com.au

Capital City Offices

Adelaide

Brisbane

Hobart

Melbourne

Sydney

Regional Offices

Albury Wodonga

Ballarat

Bendigo

Central Coast/Gosford

Geelong

Gold Coast

Gippsland

Griffith

Horsham

Mornington

Newcastle

Tamworth

Wagga Wagga

Warrnambool

Relationship Offices

Canberra

Darwin

Perth

Other regional areas

New Zealand Offices

Auckland (Head Office)

Dunedin

Greymouth

Hamilton & Morrinsville

Tauranga

Wellington

Preston Rowe Paterson NSW Pty Ltd
ABN: 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.