



**Preston
Rowe
Paterson**

®
National Property Consultants

Property Market Report

New South Wales

About This Report

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

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

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

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

June Quarter 2014

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Phone: +61 2 9292 7400

Fax: +61 2 9292 7404

Address: Level 11, 80 Clarence Street Sydney NSW 2000

Email: research@prpsydney.com.au

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Economic Fundamentals

GDP

GDP figures for the June quarter are not available until the 3rd September 2014, however, Preston Rowe Paterson's research over the March 2013 quarter revealed that the Australian economy recorded growth of 1.1% which brings the annual growth to 3.5%.

The main contributors to expenditure on GDP were Net Exports which increased by 1.4%, final consumption expenditure, which increased by 0.3%. The expenditure on GDP was private gross fixed capital formation, increased by 0.2 percentage points.

In seasonally adjusted terms, the main contributors to GDP were Mining which increased by 8.6%, Financial and insuring services increasing by 2.8% and Construction (up 3%). Each of these industries accounted for 0.2% of the total increase in GDP.

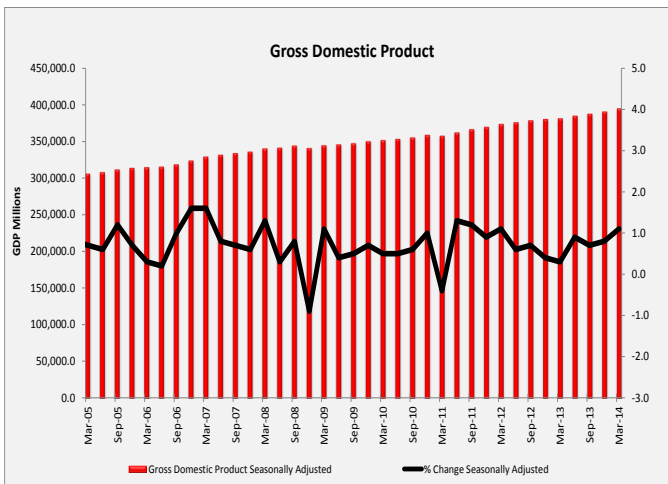


Chart 1 – Gross Domestic Product (GDP) – Source ABS

Labour force

The official employment figures released from the Australian Bureau of Statistics revealed that the unemployment rate is 6% in June 2014.

Over the month to June 2014, the number of unemployed people increased by 20,322 from 721,330 in May to 742,652 in June which is a percentage decline over the month of -2.82%. In comparison to June 2013, the number of unemployed people has increased by 49,772 which reflected a percentage increase of 7.2%.

The number of unemployed seeking full time employment recorded an increase over the month of June by 10,000 to 543,000 persons, reflecting a growth of 1.8%. The number of unemployed seeking part time employment recorded an increase over the month by 10,300 to 198,600 persons, reflecting a growth of 4.9%.

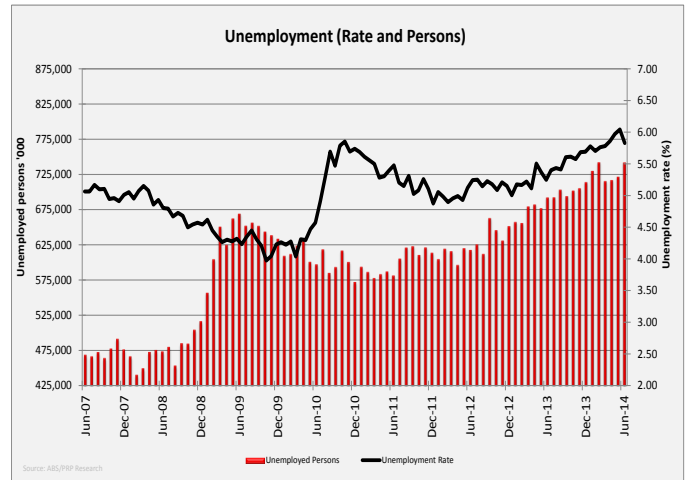


Chart 2 – Unemployment – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the June quarter 2014 remained unchanged at 2.50%. The Reserve Bank of Australia's Media Release for July 2014, released 1st July 2014 explained that:

"In Australia, recent data indicate somewhat firmer growth around the turn of the year, but this resulted mainly from very strong increases in resource exports as new capacity came on stream; smaller increases in such exports are likely in coming quarters. Moderate growth has been occurring in consumer demand. A strong expansion in housing construction is now under way. At the same time, resources sector investment spending is starting to decline significantly. Signs of improvement in investment intentions in some other sectors are emerging, but these plans remain tentative as firms wait for more evidence of improved conditions before committing to significant expansion. Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend over the year ahead."

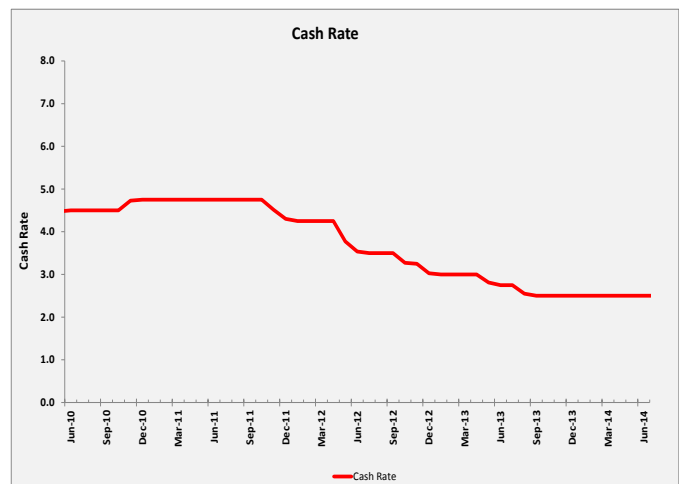


Chart 3 – Cash Rate – Source RBA

CPI

According to the Australian Bureau of Statistics (June 2014), the Australia's All Groups CPI increased by 0.5% over the quarter to June 2014 from 105.4 to 105.9. The annual CPI change to June 2014 recorded a growth of 3%.

The most significant price rises over the June quarter were for medical and hospital services (+4.6%), tobacco (+3.1%) and new dwelling purchase by owner-occupiers (+1.6%). The greatest price fall over the June quarter was attributed to domestic holiday travel and accommodation (-3.8%), followed by automotive fuel (-2.7%) and telecommunication equipment and services (-1.6%).

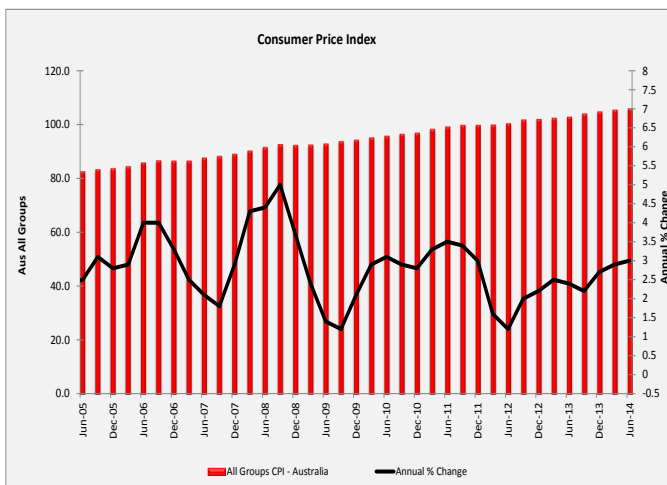


Chart 4— Consumer Price Index—Source—ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index increased by 0.3% in June from 92.9 index points in May to 93.2 index points in March. Over the quarter the index has declined by 6.3 points, a decline of -6.33%. Over the twelve months to June the index declined by 9 index points, reflecting a percentage decline of -8.79%.

The Index has risen from its lowest in May and is expected to continue to do so. Westpac's Senior Economist, Matthew Hassan stated; *"Sentiment has stabilised after registering a sharp fall in the wake of the Federal Budget last month. The Index is still in firmly pessimistic territory however, down 6.6% from its pre-Budget level in April and 15.6% below its post-election high in November last year"*.

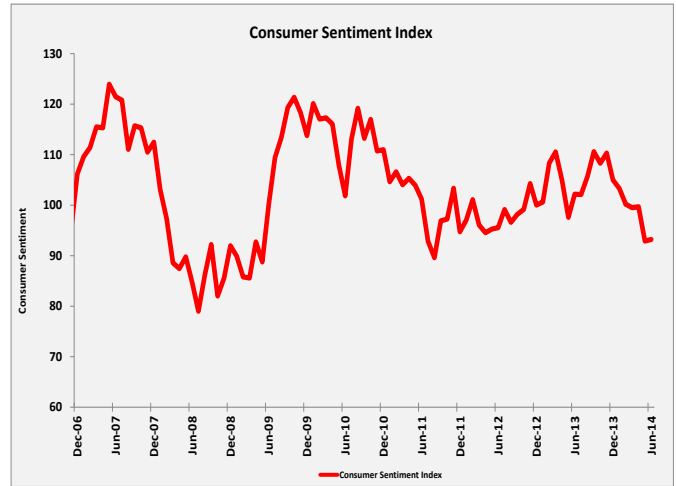


Chart 5— Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey

Commercial Office Market

Sydney CBD



Leasing Activity

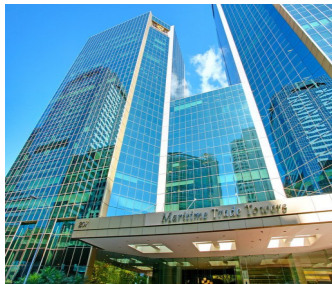
Preston Rowe Paterson Research recorded several notable leasing transactions that occurred in the Sydney CBD Office Market during the three months to June 2014;

1 Farrer Place, Sydney, NSW 2000

Top-tier law firm King & Wood Mallesons has resigned a lease for three floors of office space in **Governor Phillip Tower**. The firm, who is one of the largest tenants in the Tower, has a deal with landlords to continue to lease 11,892 sqm of office space. The asking rent would have been more than \$1,200 psm for the high rise floors but King & Wood Mallesons have a deal at **\$1,000 psm** reflecting a **30% rental incentive**. No further details were released.

201-207 Kent Street, Sydney, NSW 2000

Rabobank subsidiary De Lage Landen has leased an entire floor of Sydney's **Maritime Trade Towers**. The group, which specialises in vendor finance, business leasing and factoring has agreed to a **5 year lease** paying a around **\$655 psm net annual rent** for the 1,325 sqm property spanning across the whole of level 20. No further details were released.



680 George Street, Sydney, NSW 2000

Gambling and entertainment group Tabcorp Holdings have leased around 5,000 sqm of space in the 35 storey A-grade tower at 680 George Street which is atop of the **World Square Shopping Centre**. Tabcorp along with many other companies is taking advantage of the high vacancy rate and incentives to upgrade into more central and modern offices. Tabcorp have agreed to a **10 year lease with one option**. There has not been any confirmation of the rent however net rents in the midtown part of Sydney are **between \$600 and \$800 psm**.

Development Sites

The Property Council of Australia's (PCA) Office Market Report January 2014 has been analysed to derive new commercial office building developments.

The new development at **Broadway** by Central Park Joint Venture is expected to be completed in the 4th quarter of 2015. It will provide 55,000 sqm NLA and will consist of 18 office levels and 235 car spaces. The average floor size is 3,500 sqm.



The Investa and Ausgrid new development at **33 Bligh Street (20-26 O'Connell Street)** had been DA approved. The date of completion is in discussion. This development is to provide 24,000 sqm of office space into the Sydney CBD office market.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply by Grade (Stock)

Analysis of the 5 Grades of office space has revealed that there was new supply entering the Sydney CBD Office Market over the six months to January 2014. The supply additions for the different office grades of stock are attributed to the completion of partial and full refurbishments.

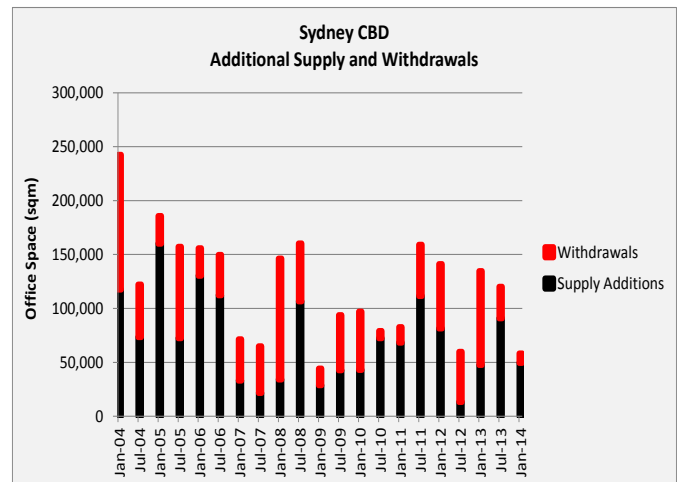


Chart 6– Sydney CBD Additional Supply and Withdrawals - Source - PCA

In the six months to January 2014, the was a new supply of 49,510 sqm of new supply which entered the Sydney CBD market was offset by 8,748 sqm of withdrawals, resulting in increasing the total Sydney CBD Commercial Office market to 4,958,706 sqm.

A Grade office stock experienced a slight supply increase from the last 6 months which provided 4,296 sqm of supply and 3,378 sqm of stock withdrawal which brings total stock for A Grade to 1,813,232 sqm.

B Grade office stock growth is second to the premium grade stocks with 15,471 sqm. However, there was 5,370 sqm space withdrawal in the past 6 months. Total stock for B Grade accounts for 1,562,619 sqm.

Similar to the premium grade stock, the C Grade office space recorded a rise in supply with 6,579 sqm and no withdrawals. As at January 2014 total C Grade stock was recorded at 584,833 sqm.

The worst performing grade is the D Grade office stock with neither an increase nor decrease in stock supply at 197,059 sqm.

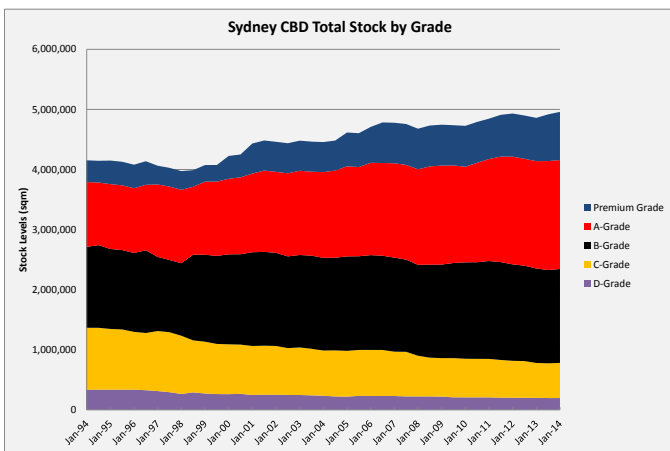


Chart 7 – Sydney CBD Total Stock by Grade – Source PCA

Total Vacancy

The Sydney CBD office market vacancy as a whole had remained steady as at January 2014. The direct vacancy level is at 8.2% and remain unchanged since July 2013. The sub-lease vacancy accounted for 0.80% of total vacancy. The rise in both office stocks and vacancy accounts to a reserved market.

Total vacancy as at January 2014 was recorded at 444,860 sqm which is an increase when compared to twelve months prior in January 2013 when the total vacancy was 437,387 sqm, reflecting a percentage increase of 1.8%.

Premium Grade office stock recorded 79,009 sqm of vacant space as at January 2014 which reflects a vacancy percentage of 9.9%. A Grade vacancy was 176,873 sqm accounting for 9.8% of the A Grade market. B Grade stock was 130,313 sqm and 8.3% followed by C Grade and D Grade with 45,539 sqm (7.8%) and 13,126 sqm (6.7%) respectively.

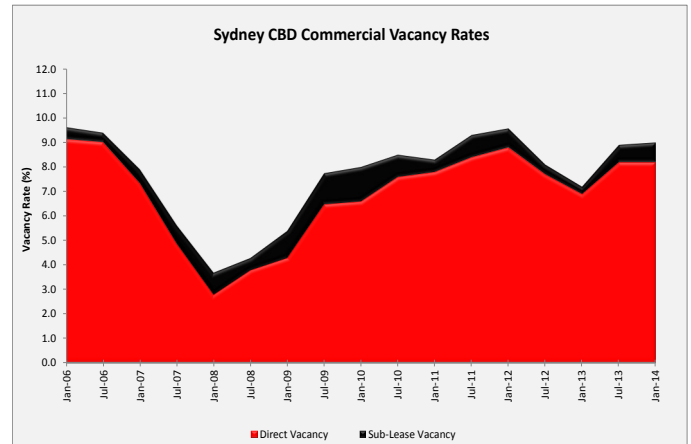


Chart 8 – Sydney CBD Net Absorption & Vacancy – Source PCA

North Sydney



Investment Activity

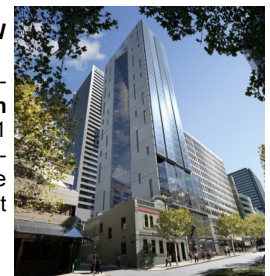
Preston Rowe Paterson Research recorded few major sales transactions that occurred in the North Sydney office market during the three months to June 2014;

144-148 Pacific Highway, North Sydney, NSW 2055

The **Visionhire House** in the North Sydney CBD has been sold for **\$25.07 million** to a residential developer. The 7 storey aged commercial building owned by Strand Estates has plans for a 24 storey mixed-use development.

88 Walker Street, North Sydney, NSW 2060

A Singaporean hotel group has purchased the property for **\$12.5 million** with the intention of converting it into a 31 storey hotel. The property has a DA approval for a major 200 room hotel. The property was offloaded by Eastmarket Holdings.



105-151 Miller Street, North Sydney NSW 2060

A local superannuation fund has paid **\$60 million** for a North Sydney office asset from an unlisted Abacus Property Group fund. The sale displays a **\$5,783 psm**. The 10,357 sqm building is leased to NAB expiring in 2017.



15 Blue Street, North Sydney, NSW 2060

Denwol Group has finalised a deal to buy the Fujitsu Centre in North Sydney for almost **\$90 million**. The sale reflected a **9% yield** for the 1976 building that spans 15,880 sqm. The sale displays approximately **\$5,668 psm**.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply by Grade (Stock)

In the six months to January 2014 the total North Sydney office market experienced a decline of 11,856 sqm. The lack of new developments have contributed to the limited new supply of office space.

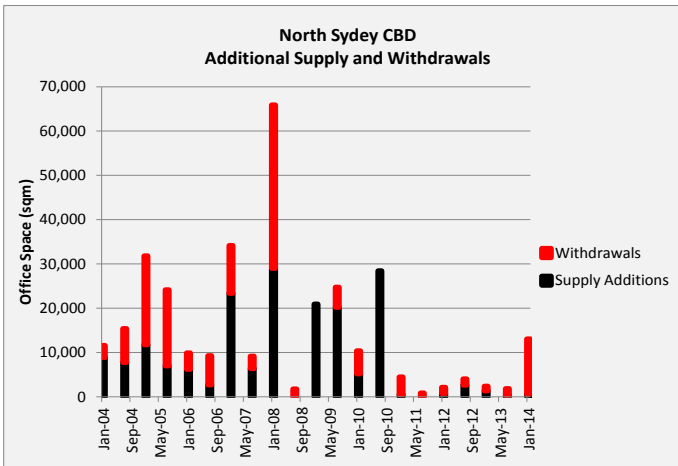


Chart 9 – North Sydney Additional Supply and Withdrawals – Source PCA

Premium Grade, A Grade, B Grade and D Grade office space did not record any supply additions or withdrawals over the six months to January 2014.

However, the North Sydney C Grade stock had lost 12,438 sqm of office space. In the past 6 months there was only 582 sqm additional supply, realising an annual decline of -11.7% of stock.

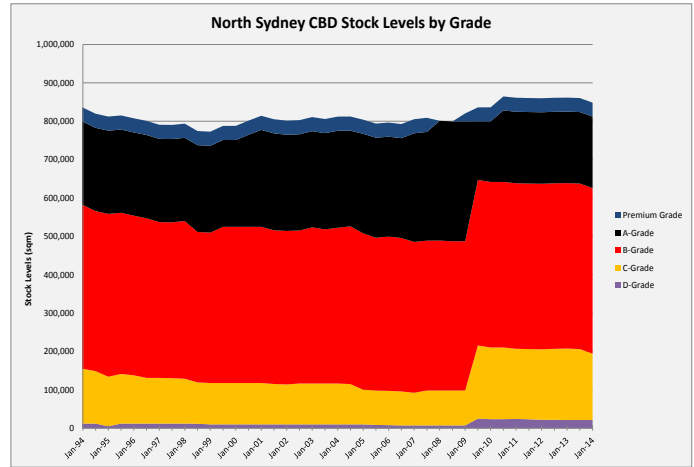


Chart 10 – North Sydney CBD Stock Levels By Grade – Source PCA

Total Vacancy

In the past six months the North Sydney office market vacancy has remained stable as at January 2014 with a slight decrease in total vacancy at 10.5%. The direct vacancy accounted to 9% and the sub-leasing vacancy at 1.5%. However, year on year comparison has seen total vacancy increase to 88,937 sqm.

Over the six months to January 2014, Premium Grade office stock reflected the lowest vacancy rate with the sub-lease vacancy remained stable with total vacancy of 1.6% at 591 sqm.

A Grade total vacancy was 10,711 sqm as at January which reflects a decrease of -2.2% to 5.7%. The B Grade office stock has seen an increase in total vacancy of 10,824 sqm to 49,795 sqm.

The C Grade office stock vacancy decreased by -3.4% to 14.8% at 25,591 sqm vacant stock. Finally D Grade office stock tightened by 7.5% to 10.4% which reflects a decrease of 1622 sqm and brings total vacant space to 2,249 sqm as at January 2014.

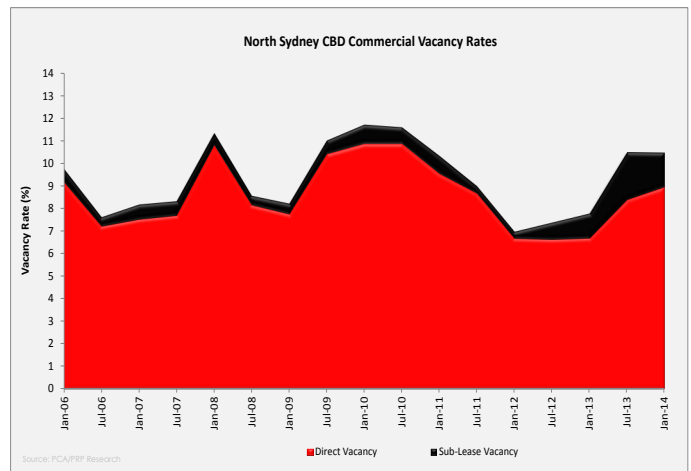


Chart 11 – North Sydney CBD Commercial Vacancy Rates – Source PCA

Crows Nest/St Leonards



Investment Activity

Preston Rowe Paterson Research recorded few major transactions that occurred during the three months to June 2014.

29-57 Christie Street, St Leonards, NSW 2065

Perth based syndicator Australasian Property Investment Limited (APIL) and private real estate financiers Wingate Group teamed up for the purchase of **Charter Grove** office and retail building, from the unlisted Charter Hall Office Trust. The team has paid **\$96.4 million**.



Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply by Grade (Stock)

In the six months to January 2014 the Crows Nest/St Leonards Office market recorded a decrease of 6,595 sqm to 357,333 sqm which is reflected in the marginal new supply which amounted to 650 sqm against the 7,245 sqm withdrawal.

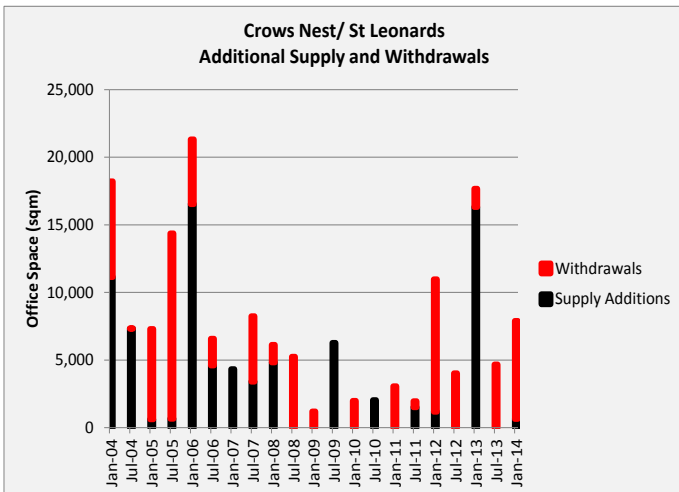


Chart 12 – Crows Nest/St Leonards Additional Supply and Withdrawals – Source PCA

Crows Nest/ St Leonards A Grade and B Grade stock experienced neither new supply nor withdrawals. A Grade and B Grade stock accounts to 102,699 sqm and 69,288 sqm respectively.

C Grade stock saw to 4,638 sqm withdrawal lowering the total stock to 171,700 sqm. D Grade stock experienced a 650 sqm additional supply with a 2,607 sqm withdrawal in the overall 13,646 sqm.

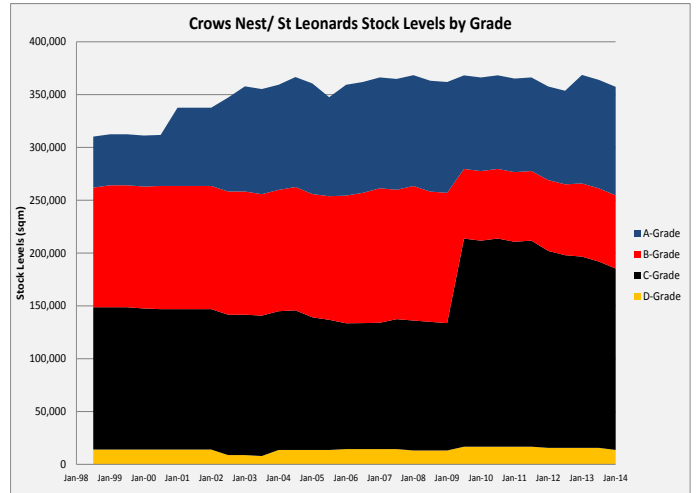


Chart 13 – Crows Nest/St Leonards Stock Levels by Grade – Source PCA

Total Vacancy

Total office market vacancy in Crows Nest/St Leonard's increased over the six months to January 2014 by 0.5% from 13.8% to 14.3%. The direct vacancy assumed 13.9% and sub-lease vacancy was 0.4%. The total vacancy space amounts to 50,920 sqm.

Varied results were recorded across the four grades of office space, with A Grade and C Grade increasing by 2.2% and 1% respectively to total vacancy levels of 16.6% and 15.5%. B Grade office space was the best performer with a 1.7% decline in total vacancy at 8% and D Grade recorded declines 6.5% respectively to total vacancy levels of 12.9%.

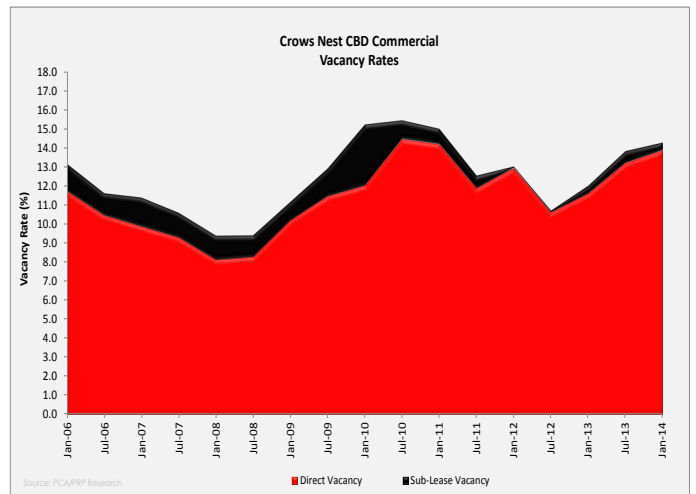


Chart 14 – Crows Nest CBD Commercial Vacancy Rates – Source PCA

Parramatta



Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply by Grade (Stock)

Total office stock in the Parramatta office market recorded an overall tightening of 5,825 sqm to 685,878 sqm over the six months to July 2014. There was a 7,408 sqm supply gain and 13,233 sqm of stock withdrawal.

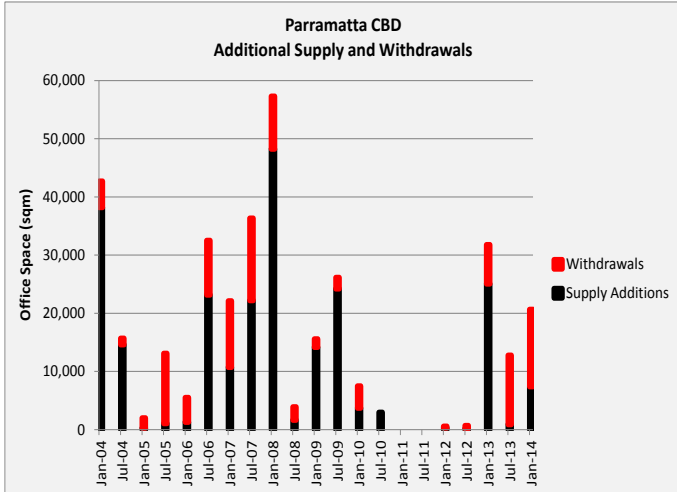


Chart 15 – Parramatta CBD Additional Supply and Withdrawals – Source

A Grade stock realised neither supply nor withdrawal of office space. B Grade office space recorded a large withdrawal of 11,237 sqm with additional supply of 7,100 sqm. C Grade office stock remained relatively unchanged over the six months to July 2014 with stock levels of 104,972 sqm with additional supply of 308 sqm.

Finally, D Grade which recorded withdrawals of 1,996 sqm and no new stock supply resulting a decline of total stock to 97,413 sqm.

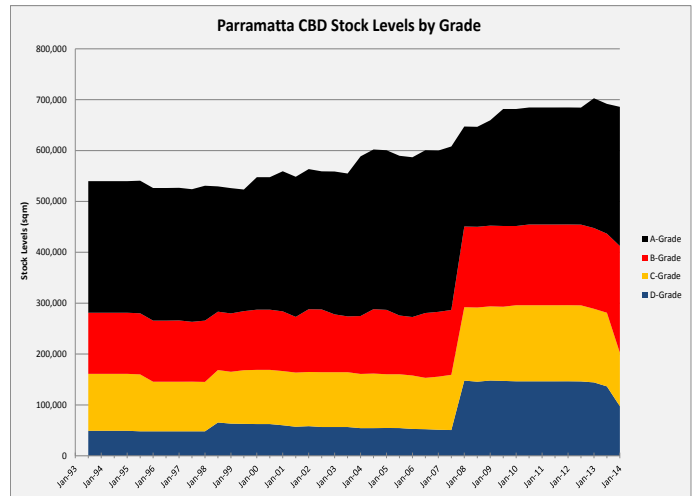


Chart 16 – Parramatta CBD Stock Levels by Grade – Source PCA

Total Vacancy

The total vacancy in the Parramatta office market has declined by - 0.5% to 6% in the past 6 months to January 2014. Total vacancy comprises of 40,703 sqm (5.9%) of direct vacancy and 548 sqm (0.1%) of sub-lease vacancy.

A Grade stock realised a tightening of vacancy space both direct and sub-lease, bringing it down 1.9% to 1,450 sqm of total vacancy. B Grade and C Grade realised a gain in total vacancies at 6.5% (13,688 sqm) and 18.8% (19,684 sqm) respectively. D Grade office space only comprised of direct vacancy at 6.6% (6,429 sqm).

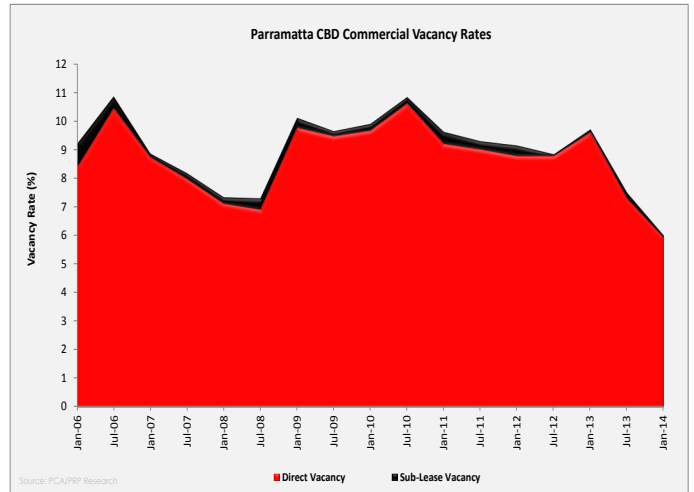


Chart 17 – Parramatta CBD Commercial Vacancy Rates – Source PCA

Chatswood



Investment Activity

Preston Rowe Paterson Research recorded a relatively low number of sales transactions that occurred during the three months to June 2014, in the Chatswood Commercial Office Market.

67 Albert Street, Chatswood, NSW 2067

Property fund manager CorVal has secured an office building on Sydney's north shore on behalf of a trio superannuation fund investors. The building sold for **\$85 million** on a yield in the **high 8% range**.



Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply by Grade (Stock)

The total office stock in the Chatswood Office Market increased by 1,617 sqm to 280,845 sqm over the six months to January 2014, with the entirety of the supply attributed to the A Grade stock.

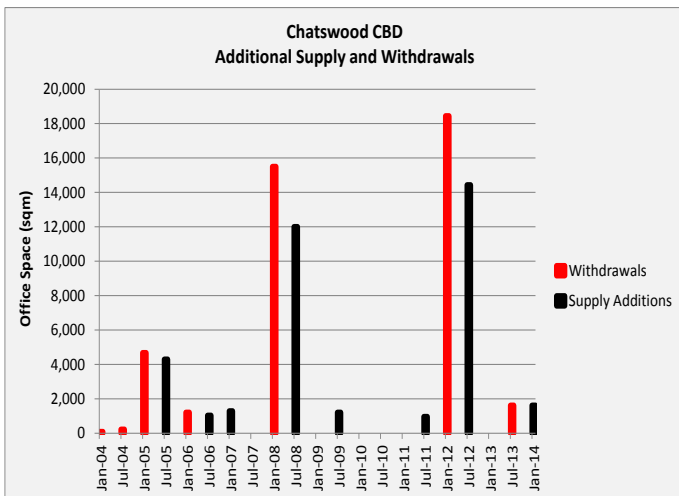


Chart 18 – Chatswood CBD Additional Supply and Withdrawals – Source PCA

A Grade office space continued to maintain a majority share of the Chatswood market with 157,412 sqm (56%). B Grade, C Grade and D Grade office stock all remained unchanged over the six months to July 2014, with no supply or withdrawals recorded. B Grade comprises 76,746 sqm (27.3%) of the total office market, followed by C Grade with 46,233 sqm (16.5%) and D Grade with 454 sqm (0.2%).

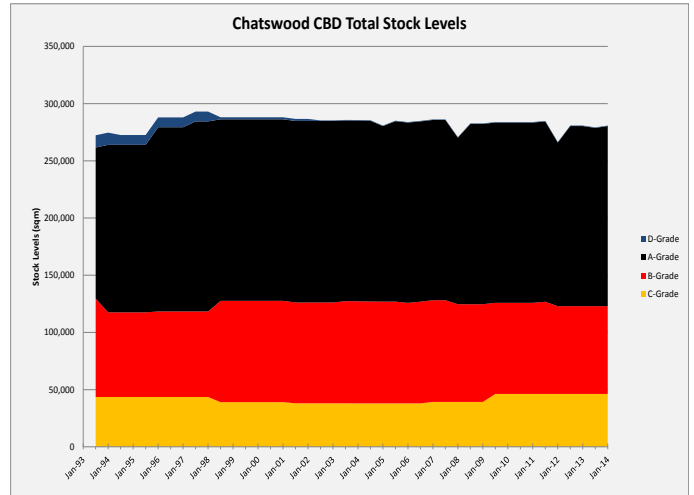


Chart 19 – Chatswood CBD Total Stock Levels – Source PCA

Total Vacancy

The Chatswood CBD office market recorded an increase of 3.7% in total vacancy in the six months to January 2014 with total vacant space now at 37,854 sqm. D Grade stock vacancy remained unchanged recording no vacant stock.

A Grade office space has substantially increased by 6.3% to 24,559 sqm in the last 6 months to January 2014. B Grade vacancy increase was attributed with the direct vacancies of 8,971 sqm (11.7%). Similarly the C Grade office vacancy recorded a 9.4% increase in direct vacancy only at 4,324 sqm.

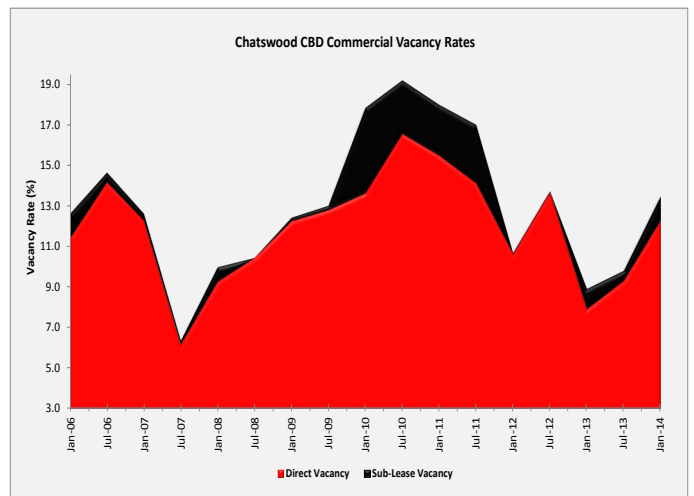


Chart 20 – Chatswood CBD Commercial Vacancy Rates – Source PCA

North Ryde/Macquarie Park



Investment Activity

Preston Rowe Paterson Research recorded a relatively low number of sales transactions that occurred during the three months to June 2014, in the North Ryde and Macquarie Park Commercial Office Market.

66-82 Talavera Road, Macquarie Park, NSW 2113

Private developer Holdmark has purchased an office development site for **\$32 million** in the fast growing Macquarie Park precinct in Sydney. The property is just under **4 hectares** of site area with 3 existing free standing buildings – one of which will be leased back by pharmaceutical company AstraZeneca under a 12 month lease back plus options. AstraZeneca has also negotiated a pre-lease deal for a new 3,000 sqm office building that will be purpose built on the site.

Leasing Activity

Preston Rowe Paterson Research recorded a number of leasing transactions that occurred in the Melbourne Industrial Market during the three months to June 2014;

4 Talavera Road, Macquarie Park, NSW 2113

Medical device manufacturer Maquet Australia has leased a **1,272 sqm** research facility in Sydney's popular Talavera Road business precinct in Macquarie Park. The lease for this high tech office complex **annual net rent of \$270 psm on an 8 year term**. The facility has 3 levels of fully refurbished office space, a low clearance research area and a high clearance warehouse at the back of the site.



Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply by Grade (Stock)

Over the six months to January 2014, the North Ryde/Macquarie Park office market increased by 180,194 sqm to a total of 854,251 sqm.

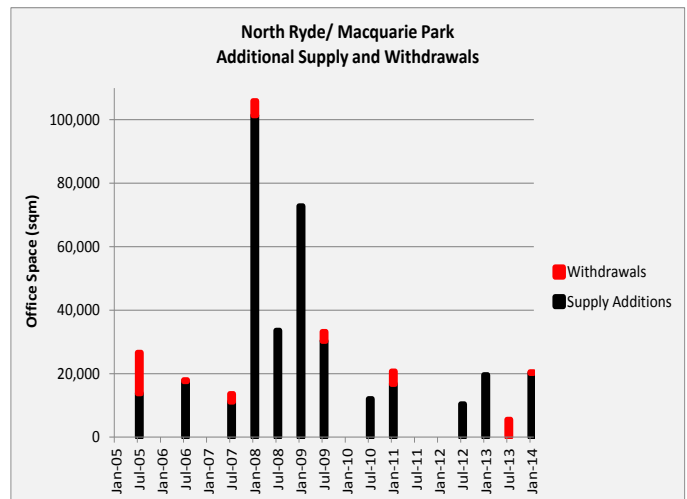


Chart 21 – North Ryde Office Market – Source PCA

A Grade office space continues to maintain a majority share of the North Ryde office market, accounting for 589,721 sqm (69%) recording additional supply of 11,294 sqm with no withdrawals. The completed 7 office level new development by Goodman Group contributed to the North Ryde/Macquarie total office space.

For the first time since July 2009, the B Grade office space saw a 2.9% increase to 241,792 sqm. C Grade office stock also recorded a stock supply increase of 1,532 sqm to result in 20,017 sqm of market share. D Grade remained unchanged at 2,721 sqm and comprises 0.2% of the total North Ryde/Macquarie Park office market.

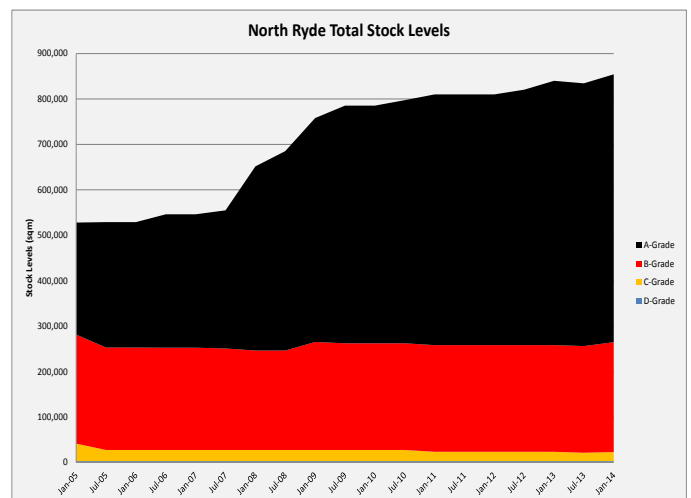


Chart 22 – North Ryde Office Market – Source PCA

Total Vacancy

The North Ryde/Macquarie Park market recorded an increase in total vacancy in the six months to January 2014 of 1.7%. The increase in vacancy reflected an increase of 8,060 sqm for direct vacancy and 7,688 sqm for sub-lease vacancy.

A Grade total vacancy increased to 47,959 sqm and B Grade office vacancy increased to 29,169 sqm.

C Grade recorded a decrease of total vacancy of 9.2% to 3,883 sqm due to the lack of withdrawals on the market. D Grade remained unchanged recording no vacancy in the six months to January 2014.

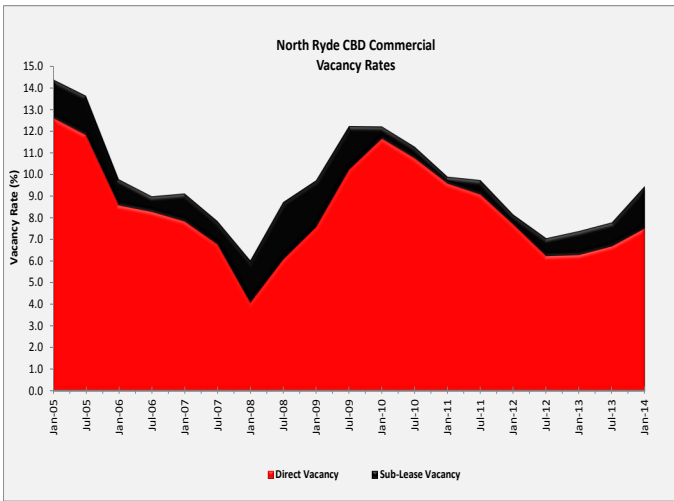


Chart 23 – North Ryde CBD Commercial Vacancy Rates – Source PCA

Retail Market



Economic Statistics

According to the Australian Bureau of Statistics category 8501.0 Retail Trade (May 2014), the retail turnover figures recorded in New South Wales produced varied results. The total retail turnover in New South Wales declined -0.5% over the month of May 2014 at \$7,235.3 million. The seasonally adjusted annual total retail turnover growth to May 2014 was 7.3%.

Over the month of May, declines were experienced in household goods, clothing, footwear and personal accessory retailing, department stores and other retailing; recording a decrease of -1.28%, -3.28%, -3.07% and -0.29% to monthly turnover of \$1,170.5 million, \$625.4 million, \$477.4 million and \$1,045.4 million respectively.

Monthly growth was recorded in food related industries. Food retailing grew by 0.57% to \$2,845 million turnover in May 2014. And cafes, restaurants and takeaway food services monthly turnover increase by 0.02% to \$1,071.1 million.

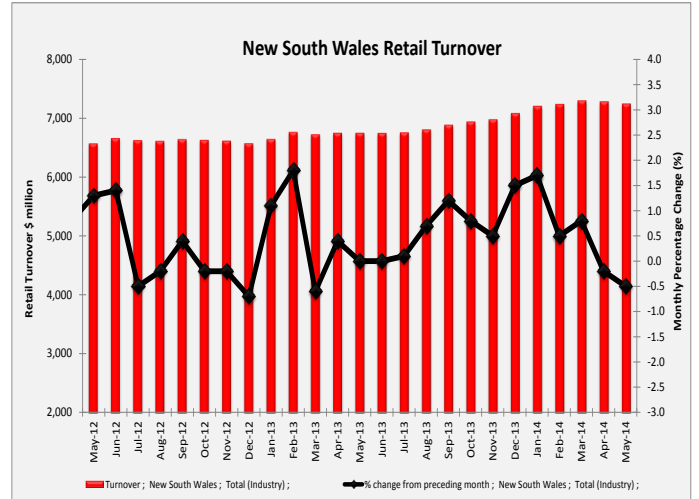


Chart 24 –New South Wales Retail Turnover – Source ABS

Year on year analysis of the six retail categories revealed positive results with the only decline attributed to department stores retailing falling by -1.24%. All other categories experienced growth over the year with cafes, restaurants and takeaway food services recording the most marked annual growth of 24.39%, followed by household goods and clothing, footwear and personal accessory retailing at 9.98% and 8.13% respectively. Food retailing grew by 4.53% and other retailing reached a 1.38% growth.

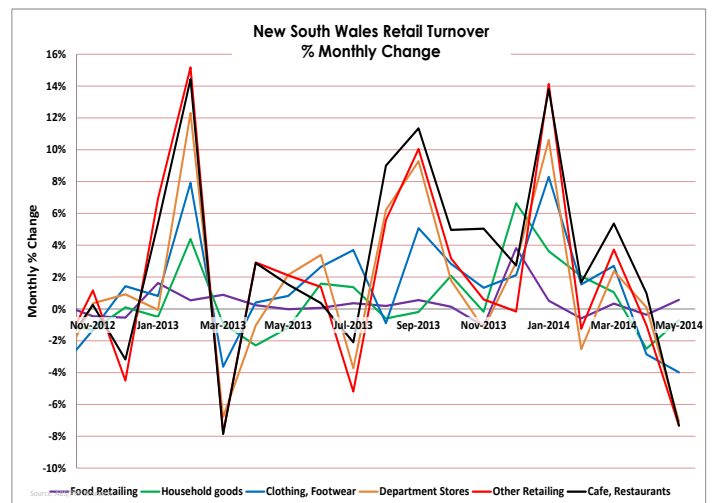


Chart 25 –NSW Turnover % Monthly Change – Source ABS

Industrial Market

Investment Activity

Preston Rowe Paterson Research recorded a number of sales transactions that occurred in the Sydney and Metropolitan Industrial Market, during the three months to June 2014;

1-3 Ricketty Street, Mascot, NSW 2020

A **4,433 sqm** industrial property in Sydney's south east has been purchased for **\$14.5 million**. The property, which is partially leased by Qantas, was purchased by a private investor and has high clearance warehouse units that open onto a large yard area. Air-line companies Qantas and Jetstar Transport Express are on short term leases.



300 Parramatta Road, Auburn, NSW 2144

A 10,000 sqm industrial and office facility in Sydney's west has been purchased by private equity real estate investment group Altis Property Partners for **\$21 million**. The property which includes 360 car parking bays has a net income of \$2.9 million p.a. and is leased to Coles until late 2017.

1 Inglis Road, Ingleburn, NSW 2565

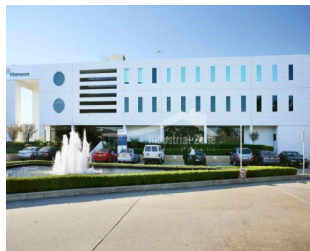
Boutique Fund Manager, Quintessential Equity has acquired an A-Grade industrial property for **\$13.8 million** in Sydney's suburb of Ingleburn. The property comprises a **9,928 sqm** warehouse and single storey office, completed in 2002, which occupies just 15% of the land which leaves strong potential for further development of the site, with more than 44,000 sqm of surplus land. A 3 year lease is currently in place to Schneider Electric (Australia). Ingleburn is located approximately 50 km south west of the Sydney CBD.

10 Killo Crescent, Glendenning, NSW 2761

Fatidin has purchased a factory and warehouse facility for **\$5.825 million** in Glendenning in Sydney's north-west. The property includes two buildings on an area of **5,700 sqm**.

42 Birnie Avenue, Lidcombe, NSW 2141

A private investor has purchased an office and warehouse facility in Sydney's west for **\$12.2 million**. The modern **8,069 sqm** warehouse sits on a 13,850 sqm site and is split into 2 units. One has a modern 3 storey office building, café and warehouse and the other comprises a 2 storey building with a warehouse.



24-32 Forge Street, Blacktown, NSW 2148

A Sydney based hardware company has purchased a distribution industrial facility in Sydney's west. The company paid **\$6.68 million** for the 6,713 m2 facility displaying a approximately **\$995 psm**. The freestanding facility consists of a large surplus yard, clear-span warehouse with roller shutter door access, office accommodation over two levels, six loading docks as well as 140 onsite car spaces.

Leasing Activity

Preston Rowe Paterson Research recorded a relatively low number of leasing transactions that occurred during the three months to June 2014, in the Sydney Industrial Market.

2 Glendenning Road, Glendenning, NSW 2761

Outdoor garden furniture supplier Good Living Global has sub-leased industrial space from GroMarket a distribution services provider. The property comprises a high clearance warehouse and will be leased by Good Living on a **15 month term**. The company will pay a **net annual rental of**

\$484,000 for **4,400 sqm** of space, displaying a approximately **\$110 psm**. Glendenning is around 48km north-west of the Sydney CBD.



6/7 Jubilee Street, Warriewood, NSW 2102

Mona Vale based plumbing supplies and drainage specialist Fernco Australia has secured a new warehouse and office space on Sydney's northern beaches. The property comprises **126 sqm of office space** and **957 sqm of warehouse**. The lease displays **\$150 psm** on a **3 year term with a 3 year option**.

64-68 Cosgrove Road, Strathfield, NSW 2135

Canterbury Timbers and Building Supplies have secured a new industrial space in Sydney's inner south west. The property is on a 9,625 sqm site and comprises a large hardstand with an awning and office suite. The group will pay a **net annual rental of \$25 psm** on a **7 year lease with a 5 year option**.

Residential Market

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals May 2014, the total number of house dwelling approvals in the Sydney Statistical Division over the month has showed an increase from 880 approvals in April to 1,025 approvals in May 2014. This has reflected a decline of 0.97% when compared to house dwelling approvals in May 2013.

The total number of non-house dwelling approvals has increased by 41.58% from 1,479 dwelling approvals in April to 2,094 dwelling approvals in May. In comparison to twelve months prior to May 2013, a substantial growth of 53.74% was recorded. Total dwelling approvals in the year to May 2014 was 14,842.

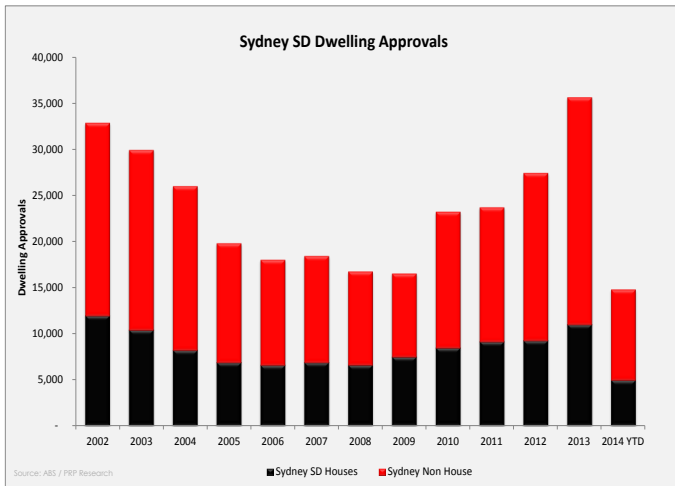


Chart 26 – Sydney SD Dwelling Approvals—Source ABS

SYDNEY

Market Affordability

Over the March quarter 2014 according to the Real Estate Institute of Australia the Sydney Median House price increased by 3.1% to \$782,973, and 12.6% compared to March 2013. The Sydney median house price over the quarter recorded positive results in all zones of Inner and Middle of 3.1%, 1.3% whereas Outer Sydney remained unchanged, to median sale prices of \$1,350,000, \$907,000 and \$550,000 respectively.

All zones recorded increases in the median house price over the twelve months to March 2014, with the most marked growth in Middle Sydney of 21.7%, followed by Inner Sydney and Outer Sydney with 17.4% and 13.4% respectively.

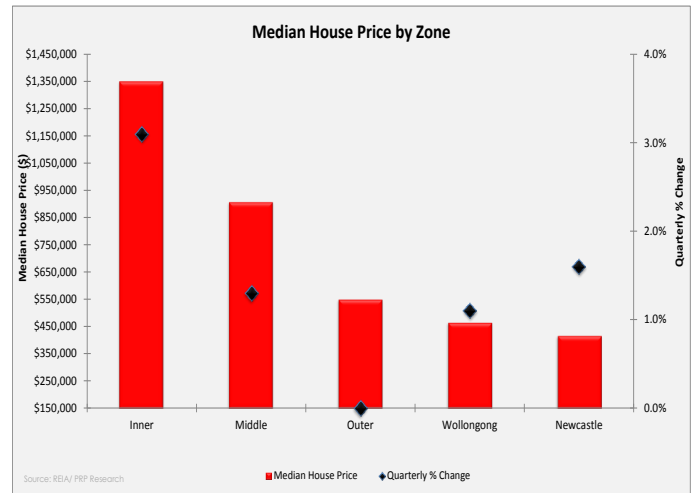


Chart 27 – Median House Price by Zone – Source REIA

Other dwelling median house prices also recorded positive results with all zones bar Outer Sydney increasing over the March quarter. Inner Sydney recorded the largest increase of 3% to median sale price of \$696,200.

Middle Sydney recorded marginal growth of 0.2% at \$540,000 median sale price and Outer Sydney experienced a decline of -2.2% at \$455,000 median sales price. The year on year comparison saw an increase in all zones of inner, middle and outer Sydney recording growth of 13.8%, 10.2% and 7.1% respectively.

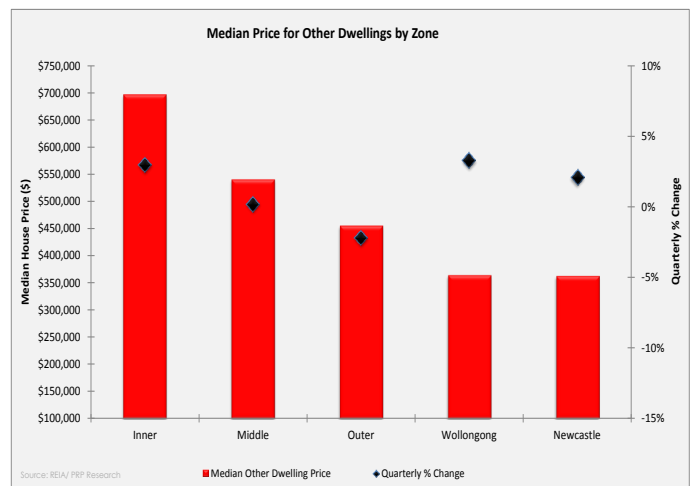


Chart 28 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

Over the March quarter 2014, positive results were recorded in all zones of Sydney house rents. The most marked growth was in Middle Sydney 2 bedrooms and Inner Sydney 2 bedrooms, with growth of 2.3% and 1.6% to median weekly rental of \$440 and \$650 respectively. Outer Sydney 2 bedrooms and 3 bedrooms also increased by 0.7% and 2.5% respectively to median weekly rental of \$343 and \$410. All other zones Sydney zones remained unchanged over the quarter.

Over the twelve months to March 2014, all Sydney zones recorded growth, with Inner Sydney 2 and 3 bedrooms increasing by 4.8% and 1.3% respectively. Middle Sydney 2 and 3 bedrooms followed with annual growth of 2.3% and 5.8% respectively. Outer Sydney 2 bedrooms increased by 3.8% over the year and 3 bedrooms recorded annual growth of 2.5%.

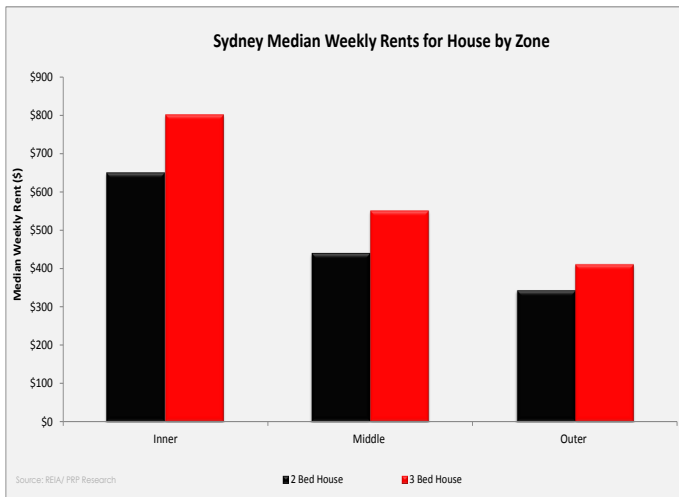


Chart 29 – Sydney Median Weekly Rents for House by Zone – Source REIA

The March 2014 quarter revealed positive results on other dwelling rents across all zones. All zones recording growth apart from Inner and Outer Sydney 2 bedrooms, which remained unchanged at \$620 and \$390 per week respectively. The most marked quarterly growth was in Outer and Middle Sydney 1 bedrooms with growth of 3% and 2.4% to median weekly rental of \$340 and \$430 respectively.

Over the twelve months to March 2014, all Sydney Other Dwelling zones recorded increases in median weekly rentals. The most marked growth was in Outer Sydney 1 bedrooms with growth of 9.7% and Middle Sydney 2 bedrooms with the growth of 5.8%. Inner Sydney followed with 1 and 2 bedrooms recorded annual growth of 5.3% and 4.2% to median weekly rentals of \$500 and \$620 respectively. Middle Sydney 1 bedrooms and Outer Sydney 2 bedrooms had a smaller annual growth of 2.4% and 2.6% respectively.

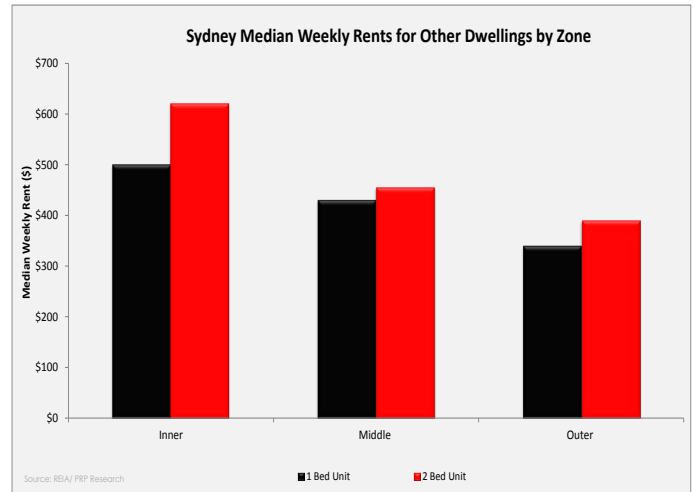


Chart 30 – Sydney Median Weekly Rents for Other Dwellings by Zone – Source REIA

NEWCASTLE

Market Affordability

Over the March quarter 2014, the median house price in Newcastle increased by 1.6% to \$416,000, reflecting an annual growth of 8.2%. Other dwelling sales in the Newcastle region increased by 2.1% over the quarter to \$362,500, however recorded a 9.8% annual growth.

Rental Market

Two bedroom house rents in the Newcastle region recorded declined over the March quarter and through the year of -2.8% to median weekly rental of \$350. Three bedroom house rents increased by 2.5% over the quarter and over the year at \$410 per week.

Quarterly results for Other Dwelling rentals in the Newcastle region recorded an increase of 6.8% for one bedrooms to \$275 per week and an increase of 2.9% for three bedrooms to \$360 per week. Over the twelve months to March 2014, 1 bedroom other dwellings experienced a 6.8% growth whereas the 2 bedrooms recorded a decline of -2.7%.

WOLLONGONG

Market Affordability

Median house prices in Wollongong recorded positive results with quarterly of 1.1% and annual growth of 3.6% to \$465,000. Median Other Dwelling prices in Wollongong recorded a quarterly increase of 2.1% to \$362,500. This quarterly increase reflected an annual growth of 9.8%.

Rental Market

The median house rents in Wollongong for 2 bedrooms recorded decline over the quarter of -2.1% to median weekly rental of \$350. Wollongong 3 bedrooms increase by 2.5% at \$410 per week. Over the twelve months to March 2014 Wollongong 2 and 3 bedrooms recorded growth of 2.9% and 2.5% respectively.

Wollongong Other Dwellings rentals over the December quarter recorded growth in 1 and 2 bedrooms of 9.1% and 1.6% to median weekly rentals of \$240 and \$320 respectively. Over the twelve months to March, positive results were experienced with growth in 1 and 2 bedrooms of 9.1% and 3.2% respectively.

Hotels & Leisure Market

Investment Activity

Preston Rowe Paterson Research recorded few Hotel and Leisure transactions that occurred in New South Wales during the June quarter 2014;

51 Terry Road, Rouse Hill, NSW 2155

Ingenia Communities has purchased the **OK Caravan Park** in Rouse Hill, in Sydney's north-west for **\$6.8 million** on an ongoing **yield of 8.7%**. The property currently has 120 permanent homes and 10 short-term home sites with potential for at least another 64 homes. Ingenia Communities have plans to incorporate the property into the group's Active Lifestyle Estates manufactured home park business.

229 Darlinghurst Road, Sydney, NSW 2000

A Chinese private investor has paid **\$11.3 million** for the **Kirketon Hotel** in Sydney confirming the substantial offshore interest in hotel opportunities around Australia. The freestanding iconic hotel is a three level building with 1,720 m2 of space sold on a **yield of 8.2%**, reflecting an approximately **\$6,570 psm**. The property comprises a cocktail bar and an Asian restaurant and is currently leased on a **7 year lease** with one **7 year option** to 8Hotels, which currently operates boutique hotels around the world.



2-4 Bronte Road, Bondi Junction, NSW 2022

Tea Gardens Hotel in Bondi Junction has become the highest selling pub asset in 2014, fetching more than **\$37 million** in a sale to a private investor. The pub, previously owned by Melbourne based publicans Aussie Leisure Group, was sold at the end of a campaign which attracted interest from Singaporean residential developers, Chinese gaming groups and local hoteliers including the Laundry group at Merivale. The hotel had 30 gaming machines on its 800 m2 site. The sale of the Tea Gardens displays **\$46,250 psm**.



Leasing Activity

Preston Rowe Paterson Research recorded a relatively low number of leasing transactions that occurred during the three months to June 2014, in the Sydney Industrial Market.

169 Dolphin Street, Coogee, NSW 2034

Sydney based hospitality group Merivale has secured a lease with an option to buy at the historic **Beach Palace Hotel** in Sydney's eastern suburb of Coogee. The leasing deal of the property is believed to be worth upwards of **\$30 million**.



Regional Market

Preston Rowe Paterson Research recorded sales transactions that occurred in regional New South Wales during the three months to June 2014;

Commercial Office

155-157 Marius Street, Tamworth, NSW 2340

A Sydney based private investor has purchased Noel Park House in NSW's Tamworth for more than **\$13 million**. The building which is one of the towns largest at a lettable area of **5,630 sqm** over 3 levels has a 25 year head lease to the NSW Government. The sale of this A-grade building displays a rate per sqm of approximately \$2,309. Tamworth is situated approximately 407 km north east of Sydney.



Industrial

211 East Street, East Albury NSW 2640

The **Old Mill** factory was sold for **\$3.15 million** to Joss Capital Pty Ltd. The three storey factory covers **9,725 sqm** of the 3.891 hectare site consists of office and warehouse areas at 1,055 sqm and 16,442 sqm respectively, 140 on site car spaces, B double access and truck loading areas. The property is located within close proximity to the north and southbound entry into the Hume Highway; it is suited for a medium to large manufacturing or warehouse business.





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 & re-valuations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
- Property syndicate valuations and re-valuations
- Rating and taxing objections
- Receivership, Insolvency and liquidation valuations and support/advice
- Relocation advice, strategies and consultancy
- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning



Sydney (Head Office)

Level 11, 80 Clarence Street
Sydney NSW 2000

PO BOX 4120, Sydney NSW 2001

P: 02 9292 7400

F: 02 9292 7404

E: research@prpsydney.com.au

W: www.prpsydney.com.au

Follow us:



Preston Rowe Paterson Australasia Pty Ltd

ACN: 060 005 807

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Directors

Greg Preston

M: 0408 622 400

E: greg.preston@prpsydney.com.au

Greg Rowe

M: 0411 191 179

E: greg.rowe@prpsydney.com.au

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