



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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

June Quarter 2015

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Phone: +61 2 9292 7400

Fax: +61 2 9292 7404

Address: Level 14, 347 Kent Street Sydney NSW 2000

Email: research@prpsydne.com.au

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COMMERCIAL OFFICE MARKET

Sydney CBD



Investment Activity

Preston Rowe Paterson Research recorded the following major sales transactions that occurred during the three months to June 2015;

36 Carrington Street, Sydney, NSW 2000

Brookfield Office Properties had paid approximately **\$20 million** for a 10-storey office building. The 2,297 sqm building has approval for 17 lots and the property will be incorporated into the \$1 billion Wynard Place office tower development. The sale reflects a rate of \$8,707 psm. The project is expected to be finished in 2018.

131 Macquarie Street, Sydney, NSW 2000

Owners of separate floors on the *Hudson House* building had joined together to sell an ageing office building to a residential developer for **more than \$120 million**. The owners that sold the 17-storey property included property identity Phillip Wolanski, *The Australian Hotels Association* and *the Thai Embassy*. The site will likely be built into an apartment building.

143-145 York Street, Sydney, NSW 2000

Sydney Hotel City had purchased heritage office tower, **QVB Chambers**, at an auction for **\$21.25 million**. The office tower stands 9 storeys high with a WALE of 1.4 years. The 2,654.5 sqm property was sold on an **initial yield of 3.3% or 4.47% fully leased** and will be transformed into a 75 room hotel. The sale reflects a rate of \$8,005.27 psm.



53-55 Liverpool Street, Sydney, NSW 2000

An Asian-based syndicate had acquired a five-storey heritage office block from a syndicate of three families for **\$19.1 million**. The site will likely be upgraded or converted into a boutique hotel.

210 & 220 George Street, Sydney, NSW 2000

Anton Capital, on the behalf of *Goldman Sachs*, had bought two office buildings for **just under \$100 million**. The buildings currently have many existing leases but the properties could be redeveloped into either mixed-use developments or new office buildings. The sale reflected a **fully leased yield of around 7%**.

4-6 Bligh Street, Sydney, NSW 2000

Fortius Funds Management had purchased the **Bligh House** office tower from *Cromwell Property Group* for **about \$70 million**. The 23 level tower has a net lettable area of close to 10,000 sqm and is mostly leased by the *NSW Government*. The tower could be redeveloped into apartments or a hotel but it is likely to stay as an office building. The sale reflects a rate of around \$7,000 psm.



Pier 8 & 9, 23 Hickson Road, Walsh Bay, NSW 2000

Sumner Capital had purchased 1,007 sqm of office space over two storeys from *W Property* for **\$8.25 million**. The sale price reflects a **yield around 6.5%** and a rate of \$8,192.65 psm. One of the A-grade office buildings is lease to *Jackson Teece, Deluxe Australia* and *Hassell*, with a weighted average lease expiry, over all the building, of about 2.5 years.

Leasing Activity

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

Level 14/338 Pitt Street, Sydney, NSW 2000

Activist group *GetUp!* had moved from its office in Surry Hills to the southern Sydney CBD to accommodate its growing membership. *GetUp!* will pay a gross annual rent of \$550,000 for 1,000 sqm office space on a **five year deal**. The lease reflects a **rate of \$550 psm**.

1 Bligh Street, Sydney, NSW 2000

Law firm *Holman Fenwick William* will occupy 1,150 sqm of premium-grade office space in central Sydney for the **next seven years**. The law firm will have **options to extend for a further three years** and are believed to be **paying \$950 to \$1000 psm**.

54 Park Street & 66 Goulburn Street, Sydney, NSW 2000

The *Commonwealth Bank* had agreed to lease office space at *Lend Lease's* new **Darling Square** office building that is currently under construction. *CBA* has most likely signed a heads of agreement to move into 22,000 sqm of space on the site. The building is expected to be completed in 2018.



275 Kent Street, Sydney, NSW 2000

Westpac had agreed to keep leasing office space in its current Sydney headquarters for a further **12 years**. The lease has been extended from 2018 to 2030 and the building will be refurbished by the owners.

Westpac will reduce the amount of space they are occupying in the building from 75,000 sqm to 58,400 sqm. The deal reflects a **rate of approximately \$900 psm net per annum**.



200 George Street, Sydney, NSW 2000

Mirvac will occupy 5,680 sqm of space over five floors in the landmark development it co-owns with AMP Capital Wholesale Office Fund. Mirvac will take up some of the space that has been given up by accounting firm EY. The deal is for a **10-year lease** starting when the tower is expected to be completed in mid-2016.

23-24/201 Elizabeth Street, Sydney, NSW 2000

Study Group, an education provider, had moved into two floors of office space close to their headquarters. The company will lease the 1,800 sqm space for **five-years** on a **gross annual rent of around \$800 psm**.

9 Castlereagh Street, Sydney, NSW 2000

Compass Offices had leased 1,450 m2 of office space on a **10-year deal**. The company will pay around **\$800 psm per annum**.

60 Margaret Street, Sydney, NSW 2000

Serco Australia had agreed to occupy 1,457 sqm of space on a 5-year deal. Serco was take up level 23 in the building and will pay a **net annual rent of \$685 psm**.

10 Shelley Street, Sydney, NSW 2000

Suncorp group had signed a heads of agreement to lease an entire office tower to move staff to the old KPMG Tower. Suncorp will move from three separate office buildings in Sydney to increase their space to 28,000 sqm. The tower is an A-grade building that has harbour views and includes 15 levels of office accommodation, with a ground-floor foyer and café.

2 Park Street, Sydney, NSW 2000

Twitter, the social media giant, will take up close to 2,000 sqm of space of the landmark CitiCentre tower. After previously only taking up 300 to 400 sqm of space in Sydney, the company will now occupy the whole of level 39 in the premium grade tower. It is understood that the **asking rent is about \$880 psm net per annum**.

201 Kent Street, Sydney, NSW 2000

Credit Corp Group had secured a deal to leave over 3,000 sqm of space at Investa's Maritime Trade Towers Complex for **five years with options**. The company will take up levels 15 and 25 of the building and will **pay around \$675 psm**.

255 Elizabeth Street, Sydney, NSW 2000

Navitas will occupy 24,000 sqm of office space from Investa Property Group for their Sydney headquarters. Navitas will move into the building from January 2016 and the deal ends in 2028. The **gross rent is in the mid-\$600 psm range** and the company will receive an incentive of under 25%, due to the building works that are currently being undertaken.

Tower 1, Hickson Road, Barangaroo, NSW 2000

Marsh & McLennan Companies and Servcorp signed a deal to lease space at the Barangaroo development. Marsh will lease around 10,400 sqm over four and a half floors, and Servcorp will lease around 2300 sqm over one floor. The tower is now 48% leased.

Development Sites

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

The highly anticipated office development, **International Towers Sydney Tower 2**, is due for completion in the 3rd quarter of 2015. The tower is bounded by Hickson Road, Shelley Street and Sydney Harbour at Welsh Bay. The tower owned by Lend Lease will supply 87,500 sqm of net lettable area over 41 office floors on an average floorplate size of 2,300 sqm and 3,000 sqm on podium levels. The office tower will also incorporate 2,350 sqm of retail space on the lower floors and 167 underground car spaces. The development is expected to achieve a minimum 5-star NABERS Energy rating, 6-Green star Office Design and as built (v3) rating.



333 George Street office development is currently in the construction phase and is due to be completed in the 1st quarter of 2016. The development will provide a 12,500 sqm of net lettable area over 14 office levels and include approximately 2,100 sqm of retail area. The average floor plate size is about 950 sqm, have 20 car spaces and end of trip facilities. The property is expected to reach 5-star NABERS Energy rating and a 5-Green star as built rating.



Supply by Grade (Stock)

Analysis of the PCA's Office Market Report July 2015 revealed that there was a new supply of 23,633 sqm of office space in the total Sydney CBD market. 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.

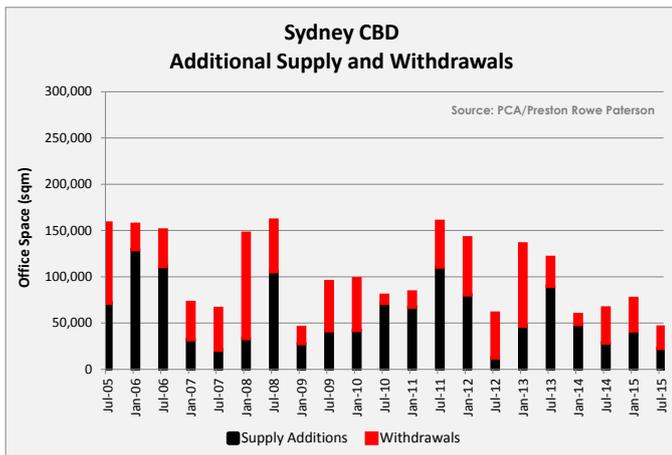


Chart 1 – Sydney CBD Additional Supply and Withdrawals – Source PCA

The increase in additional office space came from Premium and A Grade stock. Both grades contributed to about 2,663 sqm and 8,133 sqm respectively in the six months to July 2015. The total office stock in Premium Grade now reached 796,626 sqm and A Grade dominates the Sydney office market at 1,843,427 sqm.

B Grade stock did not receive any additional supply or withdrawal, recording 1,576,404 sqm of office space.

All withdrawals from the market were identified in the C and D Grade office stock. C Grade noted a tightening of -4,242 sqm to a total of 559,066 sqm and D Grade recorded -4,091 sqm decrease to 1,88,668 sqm.

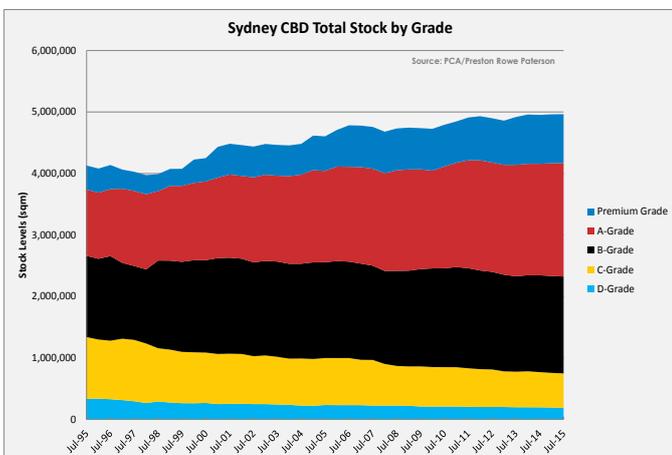


Chart 2– Sydney CBD Office Stock by Grade - Source - PCA

Vacancy Rates

The Sydney CBD office market vacancy tightened in the six months to July 2015. The total office market vacancy had tightened by -1.2% to 6.3% (311,678 sqm); of which 5.9% was direct vacancy and 0.4% was sub-lease vacancy.

All grades of office stock recorded a decrease in vacancy except for C Grade office which increased by 0.3% to 6.9%. The Premium stock experienced the largest fall in total vacancy by -1.9% to 6.7%. Followed by A Grade, B Grade and D Grade to the vacancy rate of 6.7%, 6.2% and 5.5% respectively.

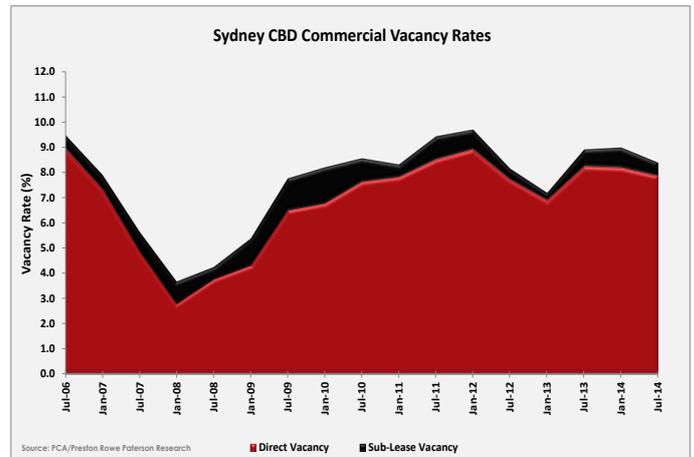


Chart 3 – Sydney CBD Office Vacancy – Source PCA



North Sydney



Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred during the three months to June 2015;

140 Arthur Street, North Sydney, NSW 2060

HK Realway paid **about \$58 million** for an office tower from CorVal, on a **yield of about 7.5%**. The 16-level building has a net lettable area of about 8,300 sqm and parking for 84 cars. The tower, which is fully-leased, has a weighted average lease expiry of 2.3 years with the NSW Business Chamber occupying about half the space. The sale reflects a rate of \$6,987.95 psm. North Sydney is located around 3.8 km north of Sydney's CBD.



Leasing Activity

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

35-51 Mitchell Street, McMahon's Point, NSW 2060

BBC Worldwide Australia agreed to lease 1,800 sqm of office space on a **10-year deal**. The company will be paying between **\$480-\$550 psm gross per annum**. McMahon's Point is located 4.4 km north of Sydney's 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 Highway** development is in the site works stage and is planned to 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 market recorded an increase of 1,161 sqm in the six months to July. The total office stock was 823,351 sqm. The market received 5,600 sqm of additional supply offset by 4,439 sqm withdrawal.

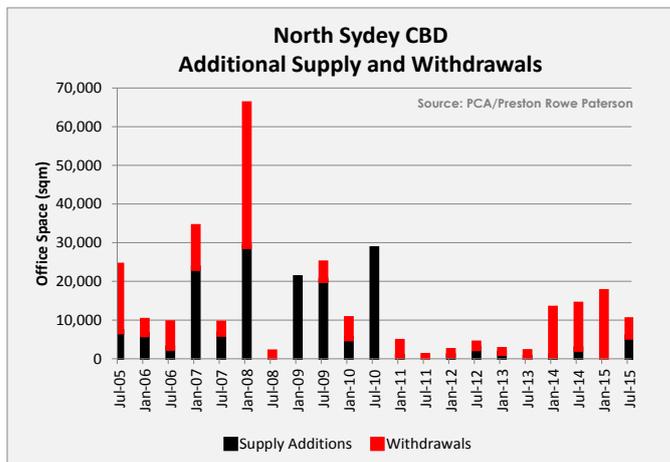


Chart 4 – North Sydney Additional Supply and Withdrawal – Source PCA

The only growth recorded in the North Sydney market was in the B Grade space which increased by 5,050 sqm to a total of 430,666 sqm. Supply withdrawals were recorded in the C and D Grade stocks, falling by -3,069 sqm and -820 sqm to 156,957 sqm and 12,932 sqm respectively.

Premium and A Grade office stock remain unchanged totalling at 36,500 sqm and 186,296 sqm respectively.

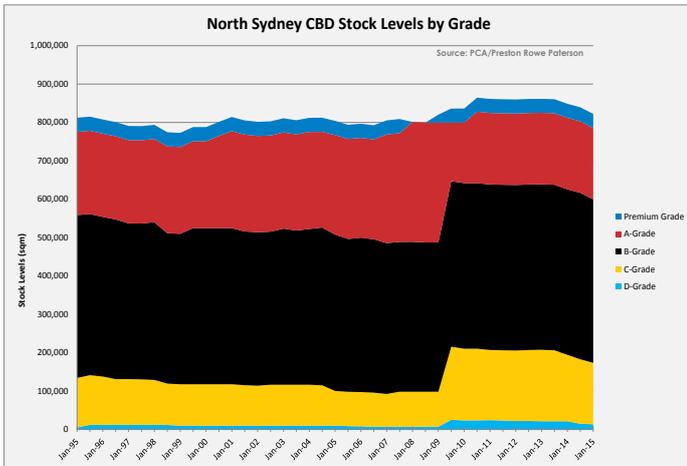


Chart 5 – North Sydney Total Stock Levels By Grade – Source PCA

Vacancy Rates

The total North Sydney office market vacancy had tightened by -0.9% to 8% in July 2015. As at July 2015, there was 65,623 sqm vacant space. 7.5% is direct vacancy and 0.5% is sub-lease vacancy.

In the six months to July, Premium Grade stock vacancy risen by 1.3% from a fully occupied state. The largest decrease in vacancy was recorded in D Grade stock which fell by -4.1% to 5.8%. Followed by A, B and C Grade vacancy rates decreasing by -1.3%, -0.9% and -0.8% to 3.7%, 10% and 9.2% respectively.

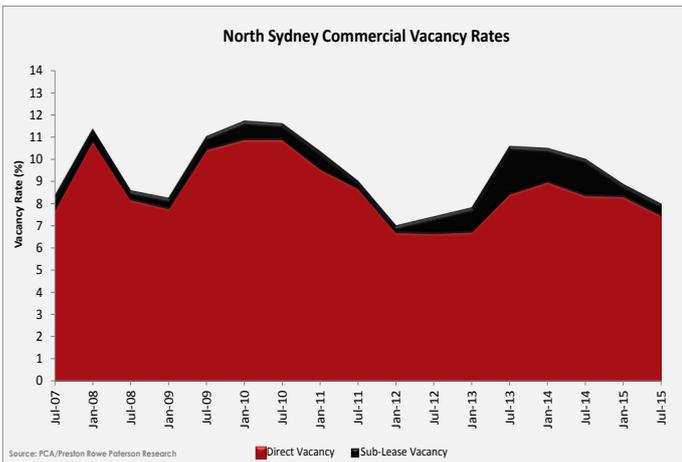


Chart 6 – North Sydney Office Vacancy Rates – Source PCA

Crows Nest/St Leonards



Investment Activity

Preston Rowe Paterson Research recorded limited sales transactions that occurred during the three months to June 2015;

170 Pacific Highway, St Leonards, NSW 2065

Southern Cross Austereo had sold its 4,464 sqm office block for **\$18.5 million** as it looks elsewhere for its Sydney headquarters. The complex spans five storeys and was sold on a **yield of about 8.7%**.



The sale reflects a rate of \$4,144.27 psm. St Leonards is located around 6.6 km north of the Sydney CBD.

Supply by Grade (Stock)

The PCA's Office Market Report July 2015 detailed that the Crows Nest/St Leonards office market recorded a -1,435 sqm withdrawals of office space in the six months to July, bringing the stock total to 346,934 sqm. The stock withdrawals were attributed to the tightening of C Grade space.

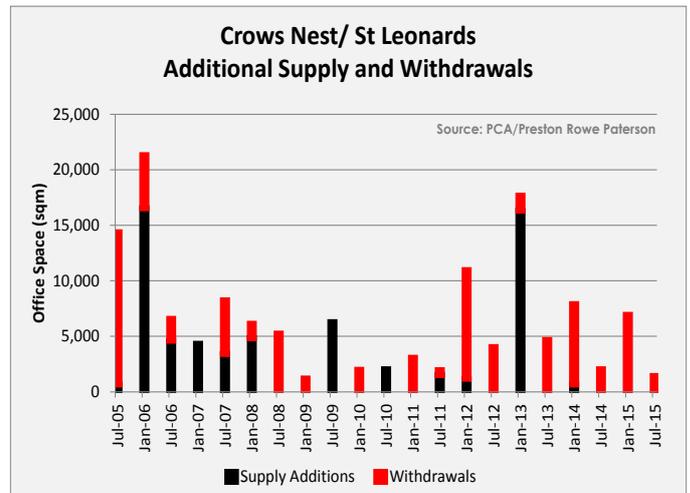


Chart 7 – Crows Nest/St Leonards Additional Supply and Withdrawals – Source PCA

C Grade stock dominates the Crows Nest/St Leonards market despite the stock withdrawal, totalling to 163,814 sqm. Other categories in the Crows Nest/St Leonards market did not record any additional supply or withdrawals.

A Grade stock amounted to 102,699 sqm, B Grade stock at 66,775 sqm and D Grade stock come to 13,646 sqm.

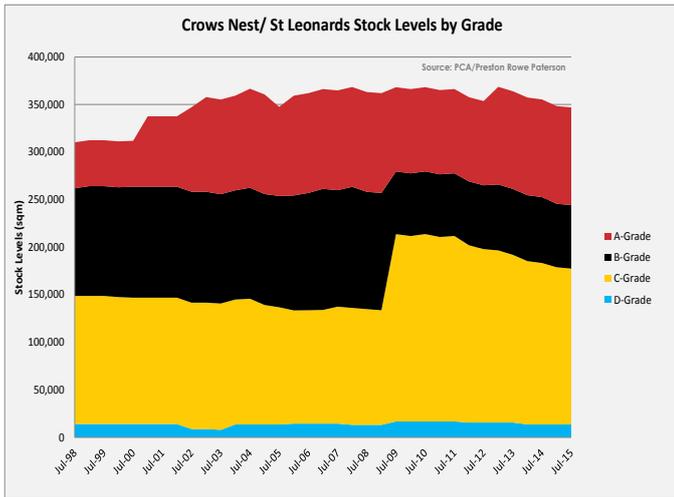


Chart 8 – Crows Nest/St Leonards Total Stock Levels by Grade – Source PCA

Total Vacancy

The 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%; where 9.5% is direct vacancy and 1.7% is sub-lease vacancy.

The only increase in vacancy rates in the market was recorded in B Grade stock which rose by 2.1% to 11.2% vacancy. The largest decrease in vacancy rate is observed in the D Grade space, falling by -4.1% to 12.2%. A and C Grade vacancy fell to 11% and 11.3% respectively.

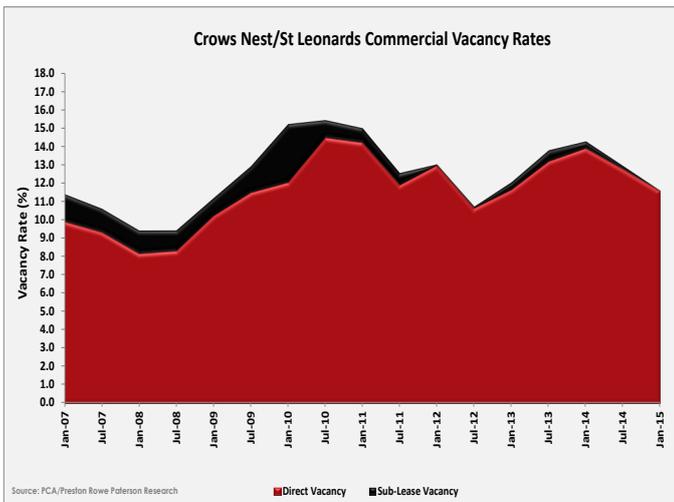


Chart 9 – Crows Nest/St Leonards Office Vacancy Rates – Source PCA

Parramatta



Investment Activity

Preston Rowe Paterson Research recorded the following transactions that occurred during the three months to June 2015.

80 George Street, Parramatta, NSW 2124

A fully leased B-grade office tower was acquired by *GDI Property Group* for **\$38.7 million**. The property was sold fully leased on a **yield of 8.5%**. The property will be the sole asset in a new GDI unlisted fund to be launched in May. Parramatta is located 23 km west of the Sydney CBD.

3 Horwood Place, Parramatta, NSW 2124

A 5,012 sqm office building was bought by *IOOF Holdings* for **\$25.4 million**. The sale reflects a rate of \$5,067.84 psm and a **yield of approximately 8%**.

91 Phillip Street, Parramatta, NSW 2124

A property syndicator purchased an office tower from *Fortius Funds Management* for **\$30 million**, on an **initial yield of 7.8%**. *Fortius* had refurbished the building with new lifts, a new foyer, upgraded building management systems and the addition of end-of-trip facilities. The 5,704 sqm building is currently 95% occupied and the sale reflects a rate of \$5,259.48 psm. Parramatta is located 23 km west of Sydney's 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**.

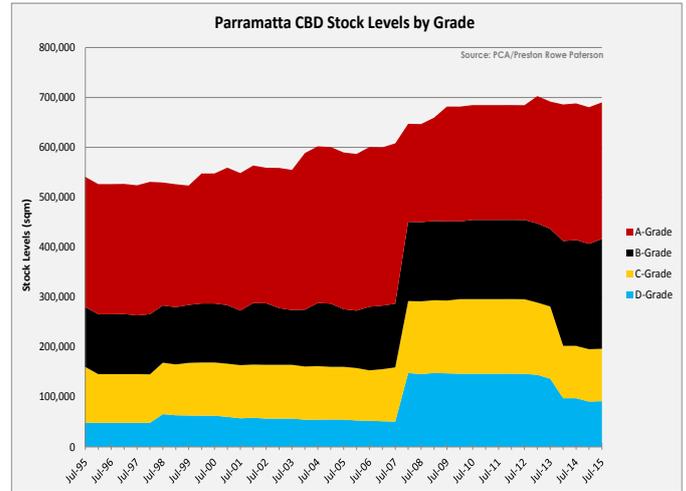


Chart 11 – Parramatta CBD Total Stock Levels by Grade – Source PCA

Supply by Grade (Stock)

The PCA Office Market Report July 2015 recorded that the total office stock in the Parramatta office market has increased to 690,073 sqm. In the six months to July, PCA observed that there was 10,933 sqm of additional supply in the Parramatta office market which was offset by 1,177 sqm of withdrawal.

The withdrawals occurred in the B and D Grade office stock, however, this was discounted in as there was a significant amount of new supply.

Vacancy Rates

The total vacancy in the Parramatta office market had increased by 1.1% to 7.4% in the past six months to July 2015. The vacancy rate comprises of 7.3% of direct vacancy and 0.1% sub-lease vacancy. The amount of vacant office space was about 51,399 sqm.

The highest increase in vacancy rates was attributed to B Grade stock. B Grade observed a 2.3% rise in vacancy to 11%. Followed by A Grade rising by 1.6% to 2.4% and D Grade by 0.2% to 2.9%.

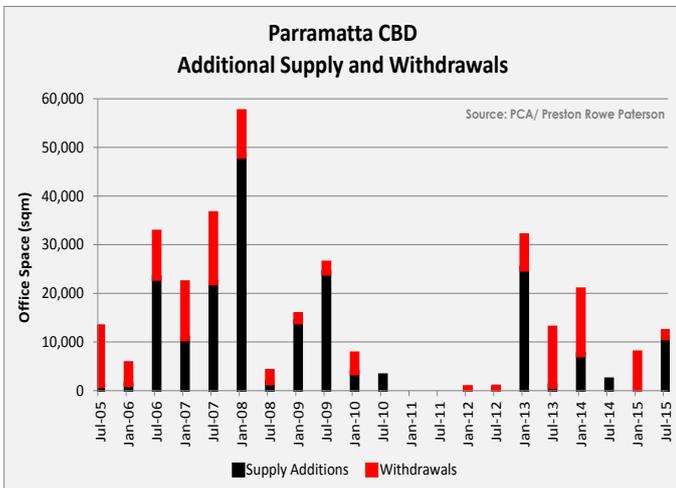


Chart 10 – Parramatta CBD Additional Supply and Withdrawal – Source PCA

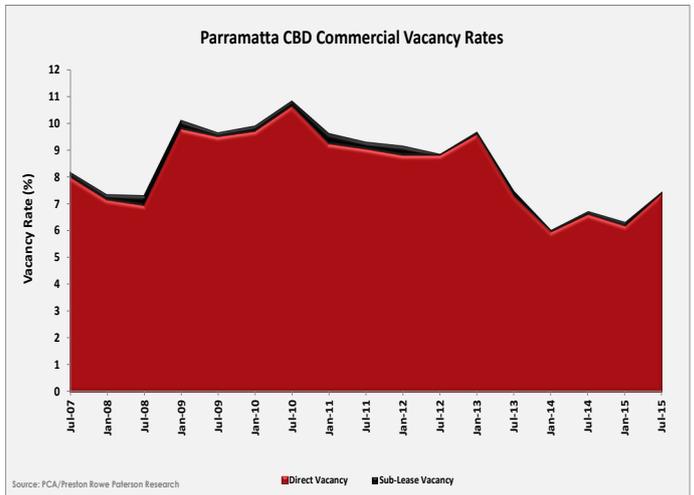


Chart 12 – Parramatta Office Vacancy Rates – Source PCA

The Parramatta office market is dominated by the A and B Grade office space. A Grade space amounted to 273,617 sqm. B Grade received an additional supply of 8,952 sqm in the six months to July, totalling to 219,975 sqm.

C Grade recorded no changes in supply remaining at 104,972sqm. D Grade noted an increase of 804 sqm in office space to 91,509 sqm.

Chatswood



Supply by Grade (Stock)

The PCA Office Market Report July 2015 noted that the total office stock in the Chatswood Office Market decreased slightly to 284,465 sqm. There was a 780 sqm of office space withdrawal in the six months to July. This is the first observable movement since July 2014.

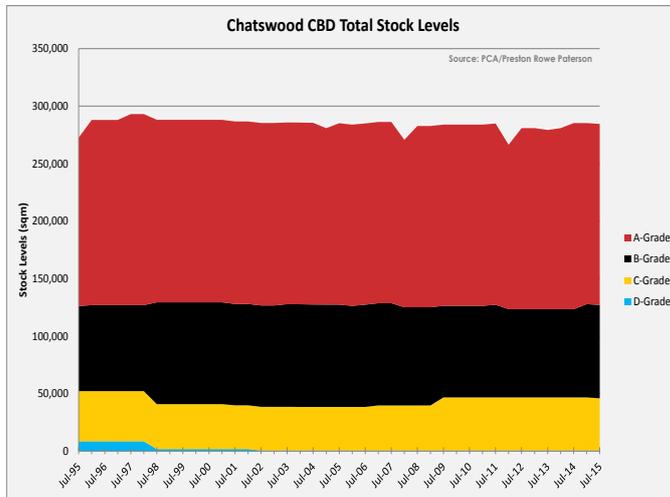


Chart 14 – Chatswood CBD Total Stock Levels by Grade– Source PCA

Total Vacancy

The Chatswood office market recorded that the total vacancy rate had declined by -1.4% to 6.8% in the six months to July 2015 with total vacant space amounting to 23,336 sqm. The total Chatswood vacancy rate comprise of 6.4% of direct vacancy and 0.4% of sub-lease vacancy.

Most office grade's vacancy rates had tightened in the six months to July. The largest vacancy rate decline was recorded in the A Grade stock, falling by -1.8% to 6.9%. B Grade and C Grade vacancy rate was 7.7% and 4.2% respectively.

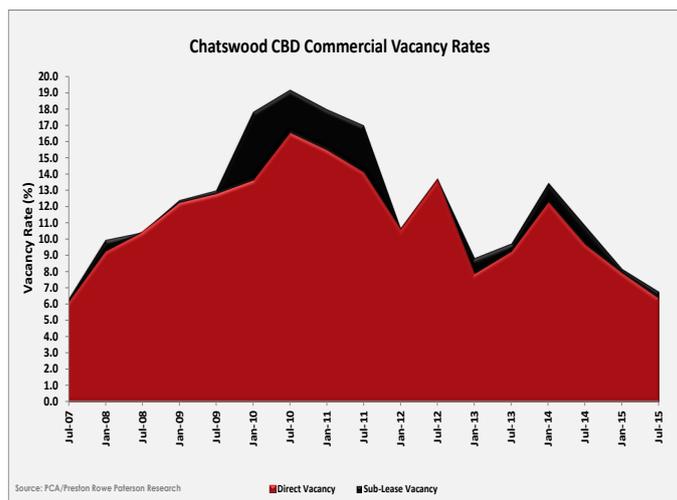


Chart 15 – Chatswood Office Vacancy Rates – Source PCA

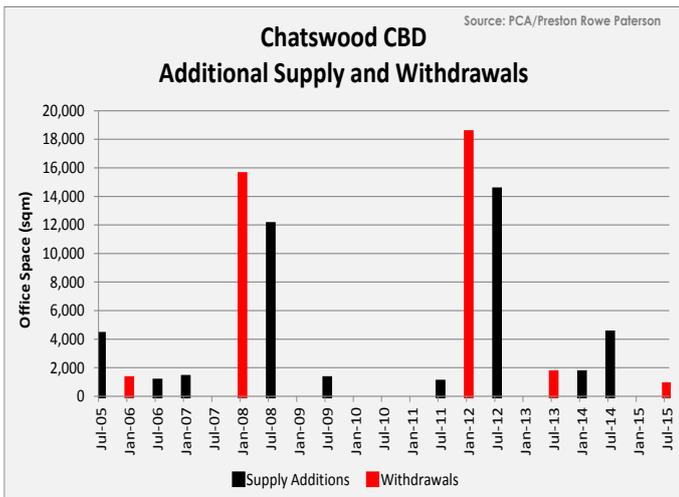


Chart 13 – Chatswood CBD Additional Supply and Withdrawal – Source PCA

A Grade stock dominates the Chatswood market and take up approximately 157,412 sqm of total office space. B Grade space amounts to 81,146 sqm and D Grade at 454 sqm.

The Chatswood office market supply withdrawal was attributed to the tightening of C Grade space. The C Grade stock level fell to 45,453 sqm.

North Ryde/Macquarie Park



Development Sites

The PCA's Office Market Report July 2015 revealed a new A Grade development in the North Ryde/Macquarie Park office market located at **1 Thomas Holt Drive**. The **Canon Building** development is due to be completed in 3rd quarter of 2016. The office building comprise of 11,500 sqm of net lettable area over 6 storeys with floor plate size of 1,840 sqm. The redevelopment will achieve a 5-star NABERS rating and a 5-star Green Star rating.



Supply by Grade (Stock)

The PCA Office Market Report July 2015 recorded that the total office stock in the North Ryde/Macquarie Park had increased by 1,815 sqm to 868,295 sqm. There was a 9,714 sqm of additional supply which was offset by 7,899 sqm of withdrawal.

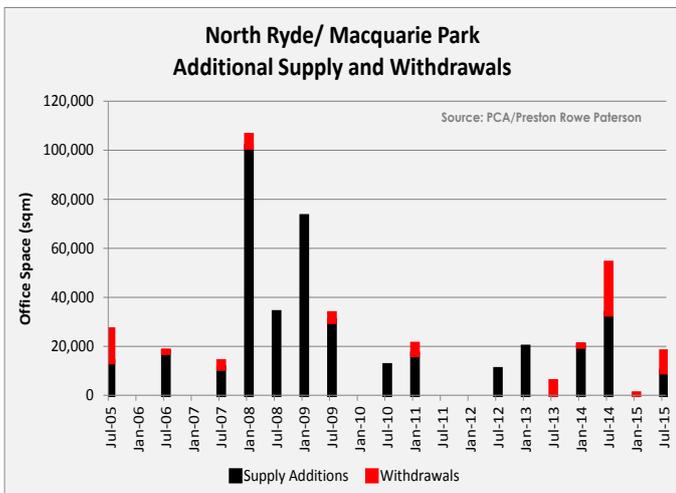


Chart 16 – North Ryde/ Macquarie Park Additional Supply and Withdrawal – Source PCA

A Grade stock dominates the North Ryde/ Macquarie Park office market, accounting for about 615,716 sqm of total office space. B Grade space increased in the six months to July with an additional supply of 4,915 sqm to bring up the market share total to 232,941 sqm.

C Grade recorded a decrease in floor space of –3,100 sqm to 16,917 sqm. D Grade office space supply remain unchanged at 2,721 sqm.

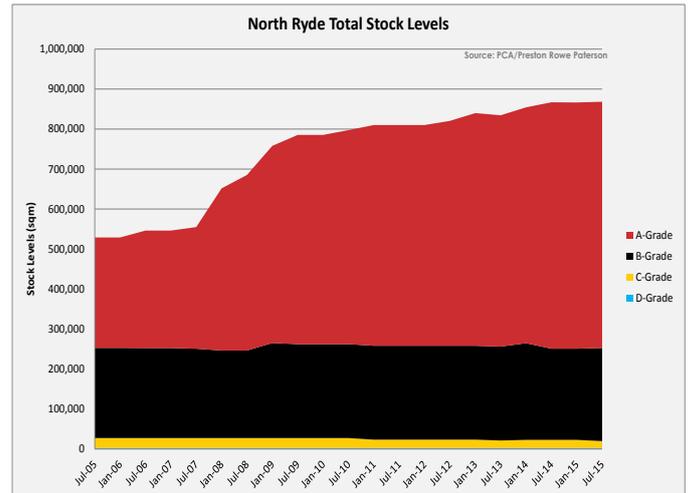


Chart 17 – North Ryde/ Macquarie Park Total Stock Levels by Grade – Source PCA

Vacancy Rates

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

A and B Grade office stock recorded a decrease in vacancy of –2.3% and –0.5% to 5.7% and 15.2% respectively. C Grade office vacancy had increased by 8.4% to 13.5%. D Grade office space recorded no vacancy.

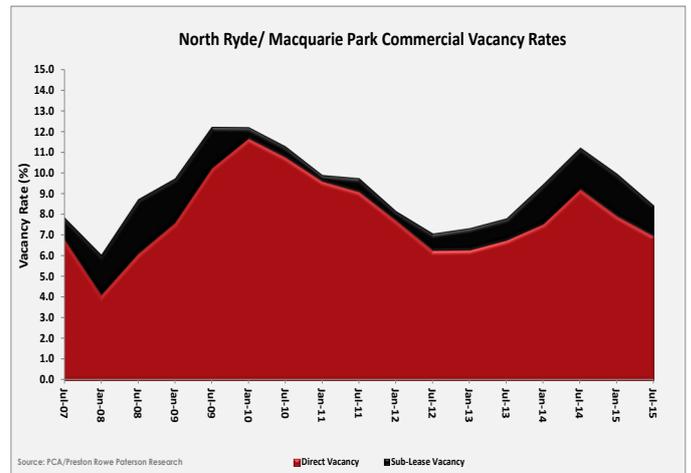


Chart 18 – North Ryde CBD Commercial Vacancy Rates – Source PCA



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 June 2015;

Cnr Harrow Road and Queen Street, Auburn, NSW 2144

Elanor Investors bought **Auburn Central** shopping centre for **\$68 million** on a **fully-leased yield of 8.04%**. The centre is anchored by a **Woolworths** supermarket and a **Big W** discount department store. Auburn is located around 19 km west of the Sydney CBD.

396 George Street, Sydney, NSW 2000

The Lea family sold the former **Darrel Lea** building to Sydney businessman Victor Comino for **more than \$25 million**. The historic site which is located on one of the most prominent retail corners in Sydney's CBD is now the home of **Telstra's** new high-tech 'Discovery Store'. Rents in the area are likely to rise in the coming years with the strip pedestrianised and the \$2 billion light-rail project is built. Last year, **Telstra** spent \$11.2 million refurbishing the property.

116 Military Road, Neutral Bay, NSW 2089

Investors Xinhua Zhong and Jingru Lin has emerged as the buyers of the **Big Bear Shopping Centre** for **almost \$100 million**. The pair have plans for redeveloping the site but will hold the **Coles**-anchored centre as a short-term investment. Neutral Bay is located 1.5 km north of the Sydney CBD.

2-40 Baptist Street, Surry Hills, NSW 2010

China-backed developer **Auswin TWT** purchased the **Surry Hills Shopping Village** for **\$96 million**, on a **yield of 4.48%**. The shopping mall is anchored by a **Coles** supermarket and currently brings in over \$4.3 million in annual income. The 1.519 ha site has redevelopment potential with the shopping centre and adjoining car park having the capacity to be converted into 300 apartments with a ground-floor shopping complex. The sale reflects a rate of \$6,319.95 psm. Surry Hills is located 5 km south-east of the Sydney CBD.



Windsor Road & White Hart Drive, Rouse Hill NSW 2155

GPT had acquired a mixed-use development site in Rouse Hill for **\$61.2 million**. The purchaser had gained development approval to allow the retail floor space to be expanded from the 69,000 sqm currently up to 130,000 sqm and for an additional 61,400 sqm of commercial and mixed use space. Rouse Hill is located around 41.2 km north-west of the Sydney CBD.

Redbank Road, Northmead, NSW 2152

The **Charter Hall Group** had purchased a new **Masters Home Improvement Store** with 354 car spaces for **\$34 million** on an **initial yield of around 6.6%**. The 12,500 sqm property, which was sold by **Lyndsay Bennelong Developments**, is currently leased to **Woolworths** for \$2.25 million net per year on a 20-year lease with two further five-year options. The sale reflects a rate of \$2,720 psm. Northmead is located 26.3 km north-west of Sydney's CBD.



Retail Statistics

The June retail turnover results had shown that the NSW retail environment remained positive in the first half of 2015. According to the Australian Bureau of Statistics category 8501.0 Retail Trade (June 2015), the retail turnover figures recorded in New South Wales produced a growth of 1% to \$7,809.2 million over the period. The seasonally adjusted annual total retail turnover growth to June 2015 was 6.72%.

Compared to the March quarter, the June results reflected a 1.3% seasonally adjusted volume growth to the Australian turnover volume of \$70,302.1 million.

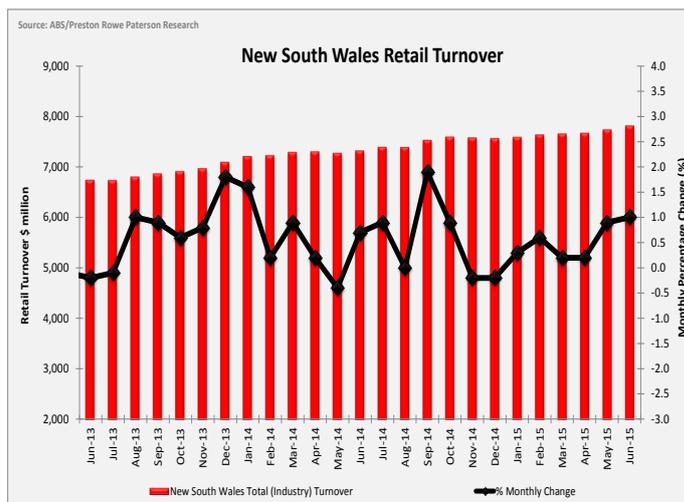


Chart 19 –New South Wales Retail Turnover – Source ABS

A predominantly positive turnover result was recorded in the retail sectors over the month of June. The highest growth was recorded in Household goods retailing rising by 3.11% to a turnover of \$1,388.4 million. Followed by Other retailing, Café, restaurants and takeaway food services and Food retailing realising a growth of 1.81% (\$1,091.5 million), 1.67% (\$1,159.9 million) and 0.07% (2,983.9 million) respectively.

Clothing, footwear and personal accessory retailing and Department stores recorded a small decrease of -0.38% and -0.18% respectively to the monthly turnover of \$684.7 million and \$500.8 million.

The year to date outperformer were the Household goods retailing and Cafes, restaurants and takeaway food services recording an annual growth of 14.93% and 9.97% respectively.

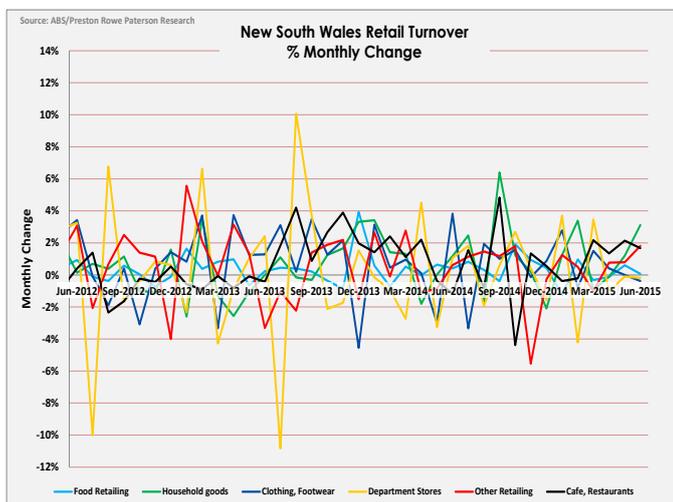


Chart 20 –NSW Turnover % Monthly Change – Source ABS

INDUSTRIAL MARKET

Investment Activity

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

7 Gibbon Road, Winston Hills NSW 2153

Food manufacturer and processor *Eastern Investment Holdings* bought a dairy processing facility in Winston Hills for **\$8.6 million**. The 18,418 sqm site includes an office, large cool room, food processing area and dry goods warehouse. The sale reflects a rate of \$466.93 psm. Winston Hills is located 30.2 km north-west of the Sydney CBD.

11 Bowden Street, Alexandria, NSW 2015

A rundown freestanding warehouse was bought by *Marshall Investments* for **\$8 million**. The 4,475 sqm, two-level warehouse will be renovated and will be the new headquarters of Marshall's business, *The Apparel Group*, which owns *Sportscraft*, *Saba* and *Willow & Jag*. The sale reflects a rate of \$1,787.71 psm. Alexandria is located 3.4 km south of the Sydney CBD.



66 Glendenning Road, Glendenning, NSW 2761

Investec Australia Property Fund paid **\$19.17 million** for a warehouse from *Dexus Property Fund*. The 16,461 sqm warehouse is currently fully-leased to *McApline Hussmann* and the **initial passing yield on the sale is 7.66%**. The sale reflects a rate of \$1,164.57 psm. Glendenning is located 41.4 km north-west of the Sydney CBD.

300 Victoria Street, Wetherill Park NSW 2164

The *Charter Hall Core Plus Industrial Fund* purchased an 8 hectare industrial site for **\$33 million**. A 40,000 sqm warehouse and factory sits on the site. Charter Hall purchased on a **yield of 10.6%** in a lease back deal to a *GWA Group* subsidiary for 3 years. Wetherill Park is located around 31.9 km west of Sydney's CBD.

19 Military Road, Matraville, NSW 2036

EG Funds Management acquired an industrial site for **\$13 million** on an **initial passing yield of 10%**. The 1.3 ha site includes an existing lease to *Veolia Environmental Services* and is used as a waste and materials transfer station. The property also has future development upside. Matraville is located 11.1 km south of the Sydney CBD.



122 Newton Road, Wetherill Park, NSW 2164

Propertylink had bought a 3.3 ha industrial property for **\$14.5 million**. The site contains a 9,450 sqm building and development potential for a further 10,000 sqm industrial development.

90 Ashford Avenue, Milperra, NSW 2214

Tsolon Investments sold an industrial site to international transport and logistics firm, a. hartrdot, for **\$10 million**. The 20,210 sqm cross-dock facility will now be the business's new Sydney warehouse. The property includes a high-clearance warehouse, roller shutter doors and a two-level 7,970 sqm office. Milperra is located around 24 km south-west of the Sydney CBD.

Cnr Denison Street & Corish Circle, Pagewood, NSW 2035

A New Zealand private equity group has emerged as the buyer of an industrial site in the container port precinct of Port Botany. The group paid **around \$20 million** for the site that was previously used for car parking. The property now has environmental auditor approval for commercial and industrial use with no need for remediation. The sale of the 4 ha site reflects a rate of \$500 psm. Pagewood is located 9.2 km south of the Sydney CBD.

186-190 Kingsgrove Road, Kingsgrove, NSW 2208

Alpha sold an industrial office and warehouse to Danjess for **\$7.3 million**. The 6,710 sqm freestanding, high-clearance warehouse sits on an 8,000 sqm site with two rear-level concrete mezzanine warehouses and a large rear yard. The sale reflects a rate of \$912.50 psm. Kingsgrove is located 21 km south-west of the Sydney CBD.

449 Victoria Street, Wetherill Park, NSW 2164

A private buyer had bought a 12,250 sqm benched and serviced industrial site for **\$4.65 million**. The sale reflects a rate of \$379.59 psm.

331 Woodpark Road, Smithfield, NSW 2164

WTT Pty Ltd acquired two connected warehouses for **\$7.55 million**. The 7,073 sqm property contains a concrete yard for truck parking, a trucking servicing pit and a fuel tank. The sale reflects a rate of \$1,067.44 psm. Smithfield is located around 28.9 km south-west of Sydney's CBD.

5, 6, 7, 8/175 Gibbes Street, Chatswood, NSW 2067

S & P Foods P/L had purchased four warehouse and office units from Charles Parsons for **\$5.8 million**. The sale of the 3,601 sqm building reflects a rate of \$1,610.66 psm. Chatswood is located around 12.2 km north of Sydney's CBD.



373 Horsley Road, Milperra, NSW 2214

GDI Property had purchased an industrial property from a private investor for **\$10.625 million**, on a **yield of 6.77%**. The property is currently leased to UGL Ltd on a triple net lease for nine more years. The sale of the 31.36 ha site reflects a rate of \$338.81 psm.

Leasing Activity

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

28B Williamson Road, Ingleburn, NSW 2565

Contract packager *Multipack* will take its operations into a new 3,015 sqm warehouse. The lease is for **three years with a further three-year option**, at the net annual rent of \$260,000. The site also contains 80 sqm of ground-floor office reception and 195 sqm of mezzanine office. The lease reflects a **rate of \$86.24 psm**. Ingleburn is located 50.3 km north-east of the Sydney CBD.

24 Cox Place, Glendenning, NSW 2761

Furniture retailer *By Dezin* had taken up 3,500 sqm of warehouse space on a **five-year deal**. The industrial space, which was recently vacated by logistics company Visy, includes 11.3 metres of internal clearances, four raised docks and natural lighting. The initial gross rent is \$332,500, reflecting a **rate of \$95 psm**.

2-16 Salisbury Street, Silverwater, NSW 2128

Flooring specialist *Topdeck Flooring* signed a three-year lease for an industrial facility. The 2,240 sqm facility comprises a 1,959 sqm high clearance warehouse and a 281 sqm office. *Topdeck Flooring* will pay a **net annual rent of \$105 psm**. Silverwater is located 18.6 km north-west of the Sydney CBD.

B1, 57 Templar Road, Erskine Park, NSW 2759

Supply chain service company *Icehouse Logistics* leased 5,466 sqm of additional warehouse space from *Dexus*, to accommodate its growing business. The deal is for **six years at a net annual rent of \$110 psm**. The new site contains internal warehouse clearance, on-grade roller doors, recessed loading docks and car and truck parking. Erskine Park is located 44.4 km north-west of Sydney's CBD.

51 Heathcote Road, Moorebank, NSW 2170

Evolution Traffic Control agreed to occupy a 4,975 sqm industrial property for **5-years**. The company will pay a **net annual rent of \$130 psm**. Moorebank is located around 27.7 km south-west of Sydney's CBD.

35 Britton Street, Smithfield, NSW 2164

TJ Andrews Pty Ltd had taken up 1,279 sqm of space at a new warehouse facility from landlord C Neil & Cuschieri. The company will pay a **net annual rent of \$98 psm** plus outgoings on a **five year deal with options**. The property features high internal clearances, truck marshalling facilities, a hardstand forecourt and an office.



326 Woodpark Road, Smithfield, NSW 2164

A new industrial facility was leased to Prestige Australia Pty Ltd to accommodate its growing Sydney operations. The 4,342 sqm warehouse has multiple on-grade doors and docks, 2,000 amps power supply and a two-level office. The company will pay a **gross annual rent of \$105 psm on a 3 year deal** to a private investor.

801 Tyrone Place, Erskine Park, NSW 2759

SCT Logistics will lease a 12,032 sqm industrial site for a net annual rent of \$811,680. The property includes a 4,550 sqm warehouse, a 4,520 sqm container, four recessed docks, a 10-metre awning and a truck refuelling station. The lease reflects a **rate of \$67.46 psm**.

15 Ketch Close, Fountainsdale, NSW 2258

Roder HTS Hocker had committed to leasing an industrial clear-span shed on a **3-year deal with options**. The company will pay \$100,000 for the 1,422 sqm property, reflecting a **rate of \$70.32 psm**. Fountainsdale is located around 76.5 km north-east of Sydney's CBD.

1 Old Wallgrove Road, Eastern Creek, NSW 2766

The Goodman Group leased out a purpose-built facility to DHL Supply Chain, on a deal worth about \$80 million. DHL will begin leasing the two facilities in May 2016 on a 10-year deal. One property will contain 25,545 sqm warehouse, a 1,200 sqm office, 151 parking spaces, and a 50 metre deep, shared hardstand with a neighbouring DHL facility. The second property will consist of a 29,480 sqm warehouse, 1,200 sqm office and 200 car spaces. Eastern Creek is located about 36.3 km north-west of Sydney's CBD.



1 Hale Street, Botany, NSW 2019

Paul's Customs and Forwarding will lease an 8,200 sqm industrial site. The company will lease the property for **7 years** on a **net annual rent of \$146 psm**. Botany is located 8.3 km south of Sydney's CBD.

RESIDENTIAL MARKET

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals June 2015, the total number of house dwelling approvals in the Sydney Statistical Division over the month has shown an increase of 46 approvals in May to 1,451 approvals in June. However, it has reflected an annual increase of 47.3% when compared to house dwelling approvals in June 2014.

The total number of non-house dwelling approvals had fallen by -37% from 2,881 dwelling approvals in May to 1,813 dwelling approvals in March. In comparison to twelve months prior to June 2014, a -2.58% decline was recorded.

The total dwelling approvals in year to date was 22,375. The dwelling approval figures analysed above shows that residential development activity in the Sydney market was active in the June quarter despite a slowdown in non-house dwelling approvals.

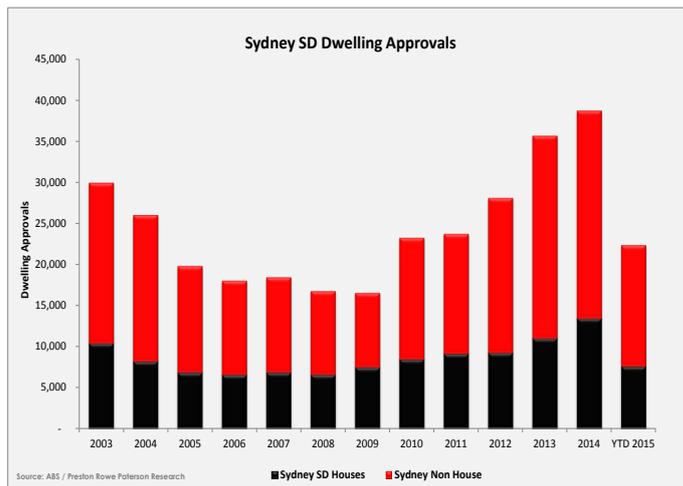


Chart 21 – Sydney SD Dwelling Approvals—Source ABS

SYDNEY

Market Affordability

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

According to the REIA, the March quarter saw the Sydney Median House price increased by 4.9% to \$929,000, and 17.9% compared to March 2014. The Sydney median house price over the quarter recorded positive results across all zones where Inner Sydney recorded the highest quarterly growth of 7.2% to \$1,603,000. Middle and Outer Sydney prices rose by 6.3% and 1.3% to a median price of \$1,100,000 and \$625,000 respectively.

All zones recorded increases in the median house price over the twelve months to March 2015. The highest annual growth was reported in Middle Sydney at 22.2%, followed by Inner Sydney and Outer Sydney at 16.6% and 13.6% respectively.

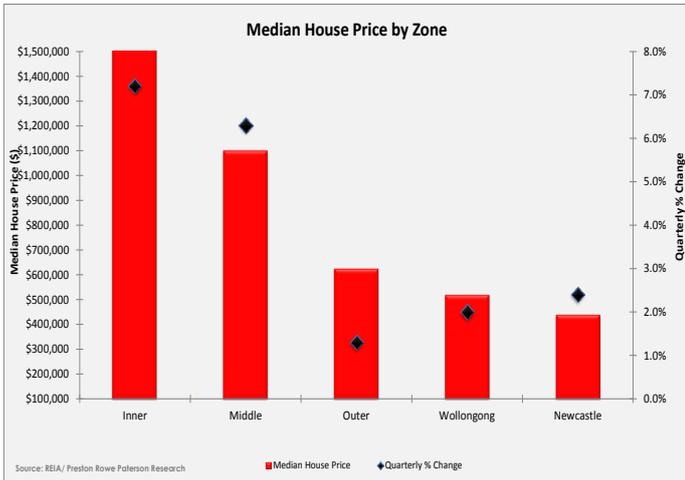


Chart 22 – Median House Price by Zone – Source REIA

Other dwellings median prices also recorded positive results over the March quarter. The median price for other dwellings in Sydney grew by 2.3% to \$615,500. Inner Sydney recorded a small growth of 0.7% to a median price of \$755,500 and Middle Sydney median price increased by 2.2% to \$615,300. Outer Sydney experienced a decline in median sales price of -1.6% to \$510,000.

The year on year comparison saw an increase in across zones of inner, middle and outer Sydney recording growth of 7.2%, 11.9% and 10.9% respectively.

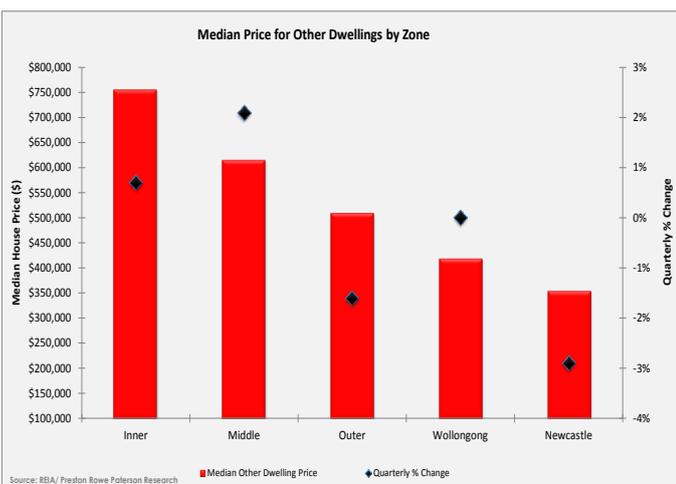


Chart 23 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

Over the March quarter, the Sydney house rental market recorded an overall increase in rents across all zones, except for Middle Sydney 3 bedroom house median weekly rent which remained at \$450. The highest quarterly increase in rents was Inner Sydney 2 bedroom house which grew by 6.2% to \$690. Followed by Outer Sydney 2 bedroom, Inner Sydney 3 bedroom and Middle Sydney 2 bedroom rental growth of 2.9%, 2.7% and 2.2% to median weekly rent of \$360, \$845 and \$460 respectively.

Over the twelve months to March, all Sydney zones recorded rental growth. The highest annual growth was recorded in Inner Sydney 2 bedroom house which grew by 6.2%. Followed by Inner Sydney 3 bedroom house and Outer Sydney 2 & 3 bedroom house growing by 5.6%, 5.1% and 3.7% respectively.

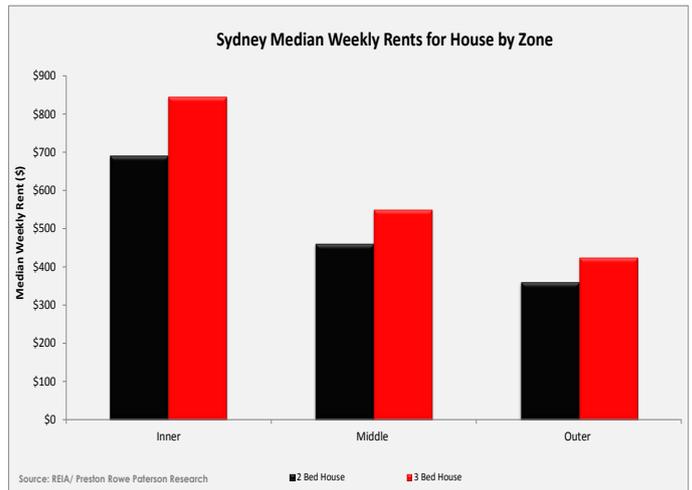


Chart 24 – Sydney Median Weekly Rents for House by Zone – Source REIA

The March quarter revealed positive results on other dwelling rents across all zones. Inner Sydney other dwelling median weekly rents remained the same in the quarter at \$500 for 1 bedroom and \$640 for 2 bedroom. Middle Sydney 1 bedroom recorded the highest increase of 4.5% to \$460 weekly rent. Outer Sydney other dwelling rents recorded a growth of 2.9% for 1 bedroom and 1.1% for 2 bedroom to median weekly rent of \$350 and \$404 respectively.

Over the twelve months to March, all Sydney Other Dwelling zones recorded growth in median weekly rents. The most marked growth was in Middle Sydney 1 & 2 bedrooms with growth of 7% and 5.5%. Followed by Outer Sydney 2 bedroom at 3.7%, Inner Sydney 2 bedroom at 3.2% and Outer Sydney 1 bedroom at 2.9% annual growth.

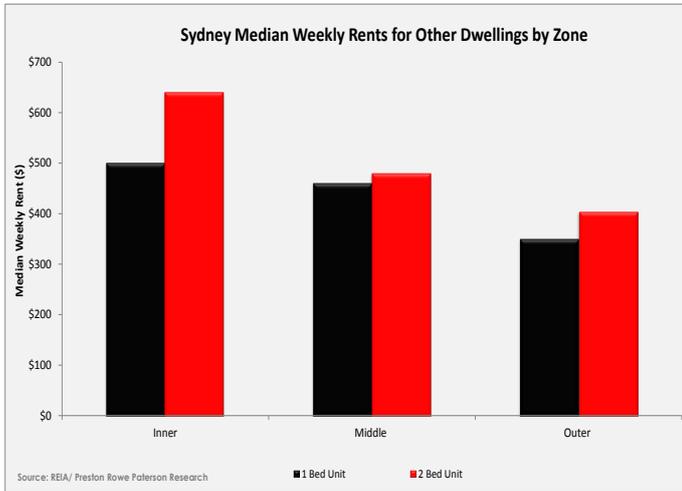


Chart 25 – Sydney Median Weekly Rents for Other Dwellings by Zone – Source REIA

NEWCASTLE

Market Affordability

Over the March quarter, the median house price in Newcastle remained increased by 2.4% to \$440,000, reflecting an annual growth of 5.3%. Other dwelling sales in the Newcastle region fallen by -2.9% over the quarter to \$355,000, revealing -0.8% annual decline.

Rental Market

Two bedroom house rents in the Newcastle region grew by 4.3% over the quarter and 4.3% through the year to the median weekly rental of \$365. 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 growth of 3.7% for one bedrooms to \$280 per week and a -2.8% fall in three bedrooms rent at \$350 per week. Over the twelve months to March 2015, only the 1 bedroom other dwellings experienced a 1.8% growth whilst the 2 bedrooms rent fell by -2.8%.

WOLLONGONG

Market Affordability

Median house prices in Wollongong recorded positive results with quarterly of 2% and annual growth of 13% to \$520,000. The quarterly median Other Dwelling prices in Wollongong remain unchanged at \$419,000, and realising a 5.1% annual increase.

Rental Market

The median house rents in Wollongong for 2 bedroom house grew by 8.6% over the quarter to median weekly rent of \$380. Wollongong 3 bedroom house rent remain unchanged in the quarter to a median weekly rent of \$420 per week.

Wollongong Other Dwellings 1 bedroom rentals remain unchanged over the quarter to \$250, whilst 2 bedroom median weekly rent grew to \$340 (3%). The annual growth of 1 & 2 bedroom other dwellings grew by 4.2% and 6.3% respectively.

SPECIALIZED PROPERTY MARKET

Investment Activity

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

574 Great Western Highway, Werrington NSW 2747

A Woolworths Caltex petrol station was purchased by a private investor for **\$7.2 million on a yield of 4.8%**. The petrol station sits on a 4,128 sqm site and produces a net income of about \$347,370 pa. It is located adjacent to McDonalds and BP petrol station. Werrington is located about 48.5 km west of the Sydney CBD.





HOTELS & LEISURE MARKET

Investment Activity

Preston Rowe Paterson Research recorded few major Hotel and Leisure property transactions that occurred in New South Wales during the June quarter 2015;

167 Enmore Road, Enmore, NSW 2042

Merivale purchased the **Queen Victoria Hotel** for **\$11 million**. The 1,000 sqm hotel includes a bar, gaming room with 20 pokie machines and bottle shop. The sale reflects a rate of \$11,000 psm. Enmore is located 4.7 km south-east of the Sydney CBD.



22 Darlinghurst Road, Potts Point, NSW 2011

The Bourbon was bought by developer and pub operator *Iris Capital* for **\$25 million**. Iris Capital will likely convert the pub into an apartment building that could hold up to 70 apartments. The Kings Cross area has experienced a transformation from a nightclub suburb to a more upmarket residential area in recent years. The pub features a bistro, bar area and entertainment area. Potts Point is located about 1.9 km north-east of the Sydney CBD.

378 Windsor Road, Baulkham Hills, NSW 2153

Dlydam bought the **Bull & Bush Hotel** and adjoining car park from the Paul Irvin Hotel Group for **\$50 million**. The 13,300 sqm car park area has development potential for a residential apartment tower that could hold up to 300 units, Dlydam intends to keep the landmark pub. The sale reflects a rate of \$3,759.39 psm. The Bull & Bush Hotel has a large car park, a dining room, a drive-in bottle shop and two bars. Baulkham Hills is located 30.9 km north-west of the Sydney CBD.

488 George Street, Sydney, NSW 2000

Bright Ruby, a Singapore-based Asian investment house, bought the **Sydney Hilton Hotel** for **\$442 million**. The hotel contains 579 rooms, 23 meetings rooms, 4000 sqm of food and beverage space and a 25 metre indoor pool. The property was sold on a **yield of 6%** and reflects a **rate of \$763,385.15 per room**.

17 Bourke Road, Mascot, NSW 2020

A Chinese investor paid **\$40 million** for an **Adina Hotel** from *Capital Corporation*. The hotel, which was recently developed and is operated by *Toga Hotel*, has 123 serviced apartments across seven storeys. The property also contains a restaurant, fully equipped kitchens and a bar. The sale reflects a **rate of \$325,203.25 per room**. Mascot is located 7 km south of the Sydney CBD.

412 Pitt Street, Sydney, NSW 2000

A private Melbourne group purchased the **Westend** backpacker's hotel for **\$19 million**. The hotel has 86 rooms including 359 beds over 13 levels. The property, which is currently a freehold accommodation asset with vacant possession, will likely be refurbished and turned into a hotel. The sale reflects a **rate of \$220,930.23 per room**.

161 Underwood Street, Paddington, NSW 2021

The **Grand National Hotel** was sold for **\$7.25 million** at auction to a private investor. *LJB Hotels* who currently have a long-term lease on the property are currently refurbishing the ground floor. The property includes a bar and restaurant. Paddington is located 3.1 km south-east of the Sydney CBD.

1 Martin Place, Sydney, NSW 2000

Singaporean developer, *Far East Organisation*, and its affiliate, *Sino Group*, have paid **\$445.33 million** for the five-star,



416-room **Westin Sydney** hotel. The sale reflected a **yield of approximately 4.5%** and a **rate of \$1,070,504.81 per room**. The hotel also has conference facilities.

76 Head Road, Mosman, NSW 2088

The **Buena Vista Hotel** was purchased by an undisclosed private equity buyer from the Medich family for **\$16 million**. The two-storey 900 sqm building will now be managed by *Public House Management Group*. The pub has development approval for renovations to be done to the existing bar and restaurant area. The sale reflects a rate of \$14,444.44 psm. Mosman is located around 7.8 km north-east of Sydney's CBD.

2 Bourke Street, Woolloomooloo, NSW 2011

The Laundry family acquired the **Woolloomooloo Bay Hotel** from *Halcyon Hotels* for **around \$20 million**. The hotel contains a bistro, bar area, gaming room, room for functions and a BWS Liquor barn. Woolloomooloo is located around 1.7 km north-east of Sydney's CBD.



2 Gale Street, Woolwich, NSW 2110

The Medich family-operated *Halcyon Hotels* sold the **Woolwich Pier Hotel** to the Laundry family for **circa \$15 million**. The pub has a sports bar and restaurant area. Woolwich is located 6.6 km north-west of Sydney's CBD.

75 Wentworth Ave, Sydney, NSW 2000

A private buyer acquired the **Central Station Hotel** from Ben May Hotels for **just below \$10 million**. The 3-star hotel has 112 rooms, a bar, 2 restaurants and café. The sale reflects a **rate of \$89,285.70 per room**.

34-38 Railway Crescent, Jannali, NSW 2226

The Durkin family sold the **Jannali Inn** for **\$10 million**. The property that includes 22 gaming machines, a bar and bistro area and, sits on a



4249 sqm site with future development potential, was sold to interests associated with the Feros Family *JDA Hotel group*. The sale reflects a rate of \$2,353.50 psm. Jannali is located around 23 km south-west of the Sydney CBD.

269 Macquarie Street, Liverpool, NSW 2170

Eastern Hotels Group purchased up the **Macquarie Hotel** for **\$25 million**. The 1000 sqm site has development potential for residential or hotel purposes, while the pub features a bar and bistro area and 30 gaming machines. The sale reflects a rate of \$25,000 psm. Liverpool is located about 30.3 km south-west of Sydney's CBD.

2A Oxford Street, Woollahra, NSW 2025

The Light Brigade Hotel was purchased by the Bayfield family for **\$9 million**, on a **yield of more than 8%**. The pub contains a restaurant, bar area and a TAB. Woollahra is located around 3.6 km south-east of Sydney's CBD.

44 Oxford Street, Darlinghurst, NSW 2010

The Exchange Hotel was bought by a private investor for **\$11.45 million**. The pub has been affected by the city's lockout laws and the site will likely be developed. The hotel currently has multiple bar and lounge areas. Darlinghurst is located about 1.5 km south-east 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 June 2015;

Investment Activity

Industrial

2 Fox Street, Wagga Wagga NSW 2650

The NSW Government sold an industrial office and warehouse to a private investor for **\$2.025 million**. The property comprise of a 715 sqm building on the 4,054 sqm site with onsite parking. It has a new lease to a NSW Government tenant on a 5 + 5 + 5 year lease. Tenant pays all outgoings, 3% fixed rental increases currently providing a net income of \$97,295 per annum. Wagga Wagga is located about 452 km south-west of Sydney or 147 km north-west of Albury.



Retail

1-9 Young Street, Bermagui, NSW 2546

A 1,800 sqm Woolworth's supermarket was purchased by a Brisbane private investor for **\$10.16 million** at auction on a **yield of 5.16%**. The site is currently leased on a 20-year term to 2035 plus options to 2075 for \$525,217 net per annum. The sale reflects a rate of \$5,644.44 psm. Bermagui is located 376 km south-west of the Sydney CBD.



Specialized Property

Hume Highway, Yass NSW 2582

AMP Capital's Property Income Fund sold the **Yass Service Centre** to Fawkner Property Group for **\$23 million** on a **yield just below 8%**. The 5.87 ha site is fully leased with *Caltex*



underpinning the tenants on a 10-year lease, representing 70% of the passing income. The site also includes a *McDonalds* and *KFC* and the *Caltex* station incorporates a *Star Mart* convenience store and a *Coolabah Tree Cafe*. The sale reflects a **rate of \$391.82 psm**. Yass is located 333 km south-west of the Sydney CBD.



Hotel & Leisure

Perisher Valley, Mount Kosciuszko National Park NSW 2624

James Packer and his joint venture partners, *Transfield Corporate* and *Murray Publishers*, sold Australia's largest ski resort,

Perisher Ski Resort for \$176.6 million to US-based *Vail Resorts*.

Perisher is currently on lease to the NSW government until 2048 with a 20-year option to review. The purchase include resort areas and 1,200 ha ski terrain with 47 lifts of **Perisher Valley, Smiggin Holes, Blue Cow and Guthega**, ski school, lodging, food and beverage, retail, rental and transportation operations. Perisher Valley is located about 489 km south-west of the Sydney CBD.



249 Cresthaven Avenue, Bateau Bay, NSW 2261

Newhaven Hotels sold the **Bateau Bay Hotel** to a private investor for **\$11 million**. The sale of the 27,000 sqm site reflects a rate of \$407.41 psm. The hotel has seven rooms, a TAB and multiple bars. Bateau Bay is located 76.1 km north-east of the Sydney CBD.

48-54 Welcome Street, Parkes NSW 2870

A private investor purchased the **Coachman Hotel** for **\$4 million**. It was sold with a 15 year lease and reflected a **yield of 11.35%**. The hotel features 36 motel rooms, the Coachman steak house, bar and bistro, TAB and 15 gaming machines. The sale reflects a rate of **\$111,111 per room**.



27 Central Road, Unanderra, NSW 2526

A local business person had bought the **Unanderra Hotel** from a company controlled by the family of former professional rugby league player Craig Young for about **\$8 million**. The sale of the 3,737 sqm site reflects a rate of about \$2,140.75 psm. The pub comprise of 2 bars, Alfresco smoking VIP lounge, 2 beer gardens, Premium TAB and budget accommodation including 2 self-contained units. Unanderra is located around 81 km south-west of the Sydney CBD.

25 Fenwick Drive, Ballina, NSW 2478

The **Ballina Lakeside Holiday Park** was purchased by *Aspen Parks Property Fund* for **\$16.5 million** on a **yield of 10%**. The sale of the 54,400 sqm site reflects a rate of **\$72,687 per room**. The park has a variety of cabins and camping & caravan areas over 227 sites. Ballina is located 741 km north-west of the Sydney CBD.

Port Macquarie Sales Wrap

The privately owned *Matsal Group* had purchased **The Port Macquarie Hotel, The Town Green Inn and Tacking Point Tavern** for **around \$12 million**. *Redcape Hotel Group* sold the hotel portfolio. The Port Macquarie Hotel has 16 budget rooms, TAB and Keno facilities, bar, bistro and a drive-through bottleshop. The Town Green Inn and the Tacking Point Tavern both contain a bar and bistro area. Port Macquarie is located about 390 km north of Sydney.

Rural

1327 Lockhart Road, Walbundrie NSW 2642

The large scale cropping and grazing farmland, known as **Weeroona** in the Eastern Riverina district, was sold by the Star family for **\$4.2 million**. The property includes 2 homesteads, steel-frame machinery shed, 3 stand electric shearing shed with steel yards, steel cattle yards, steel hayshed, 4 grains silo and ancillary shredding. The sale of the 1,261 hectare site reflects a **rate of \$3,330.70 per hectare**. The property is located approximately 546 km south-west of Sydney or 50 km north-west of Albury.

88 River Park Road, Cowra NSW 2794

The Murphy family had sold its vineyard **River Park** for **\$1.9 million**, reflecting a **rate of \$25,469 per hectare**. The property comprises of a homestead, pool, tennis court, sheds, cattle yards, a vineyard producing approximately 2 hectares of chardonnay and cabernet sauvignon grapes. The property has 74.6 hectares of farming land of which about 32 hectares is high production irrigated river flats, 28 hectares is arable farming land and is currently growing canola, Lucerne and grazing beef cattle. River Park has irrigation water licences 175ML ground water and 51 ML surface water. Cowra is located about 305 km south-west of Sydney.

Six Foot Track, Megalong, NSW 2785

Merivale event manager Emma MacMahon paid **just over \$1.8 million** for the **Dryridge Estate Vineyard** in the Blue Mountains. The 51.4 hectare site includes a 5 hectare vineyard with luxury holiday accommodation, a large equipment shed, a 100,000 litre and a 40,000 litre water tank, a wool shed, cattle yard and operational machinery for the vineyard. The property was also sold with DA approval for a second lodge to complement the existing three-bedroom family homestead. The sale reflects a **rate of \$35,019.45 per hectare**. The site is located in the Megalong Valley, about 113 km north-west of the Sydney CBD.



Borabingga, Borambola NSW 2650

A rural holding in the NSW eastern Riverina, known as the **Borabingga**, was sold at auction for **\$2.6 million**. The sale of the 451 hectare property reflects a **rate of \$5,765 per hectare**. The property is located around 20 km east of Wagga Wagga and has an 8 km frontage to the Murrumbidgee River.

Economic Fundamentals

GDP

GDP figures for the June quarter 2015 are not available until the 2nd September 2015, however, over the March 2015 quarter revealed that the Australian economy recorded growth of 0.93% seasonally adjusted which reflected growth of 2.31% seasonally adjusted over the twelve months to March 2014.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Mining (+0.5%), Financial and insurance services (+0.5%), Information media and telecommunications (+0.3%) and Healthcare and social assistance (+0.3%). In trend terms, the largest detractor were the Professional, scientific and technical services (-0.4%) and Construction (-0.2%).

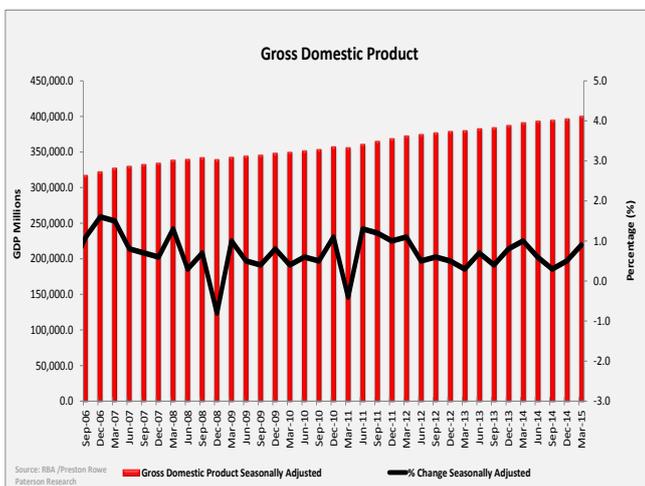


Chart 26 – Gross Domestic Product (GDP) – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the June quarter 2015 has decreased by 25 basis points to 2%. The Reserve Bank of Australia's Media Release for June 2015, released 2nd June 2015 explained that;

"In Australia the available information suggests the economy has continued to grow, but at a rate somewhat below its long-term average. Household spending has improved, including a large rise in dwelling constructions, and exports are rising. But the key drag on private demand is weakness in business capital expenditure in both mining and non-mining sectors and this is likely to persist over the coming year...Low interest rates are acting to support borrowing and spending...Dwelling prices continue to rise strongly in Sydney, though trends have been more varied in a number of other cities...In other asset markets, prices for equities and commercial property have been supported by lower long-term interest rates."

The media release also stated that inflation is as expected to be consistent with its 2%-3% target over the next two years, even with a lower interest rate.

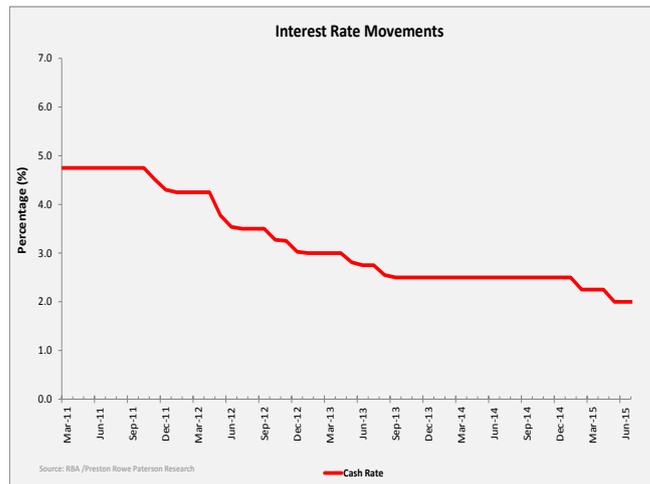


Chart 27 – Cash Rate – Source RBA

CPI

According to the Australian Bureau of Statistics (June 2015), the Australia's All Groups CPI increased by 0.7% over the June quarter from 106.8 to 107.5. The annual CPI change to June 2015 recorded a growth of 1.5%.

The most significant price rises over the June quarter were automotive fuel (+12.2%), medical and hospital services (+4.5%) and new dwelling purchases by owner-occupiers (+1.5%). The greatest price fall over the quarter was attributed to are domestic holiday travel and accommodation (-5.4%) and pharmaceutical products (-1.8%).

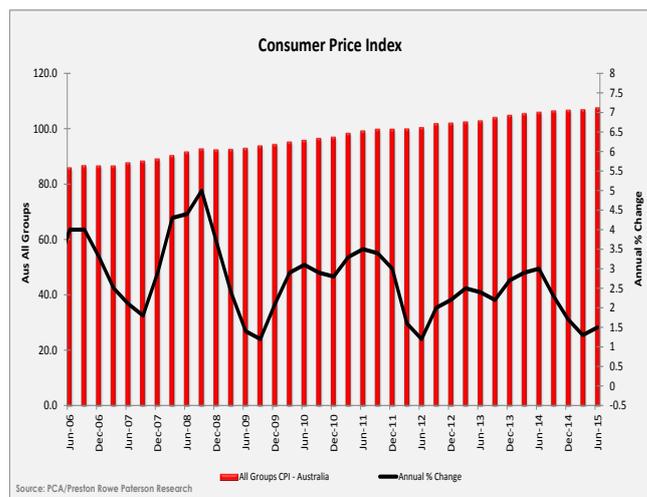


Chart 28– Consumer Price Index—Source—ABS

Labour force

Over the month to June 2015, the number of unemployed people increased by 12,791 from 743,358 in May to 756,149 in June which is a 1.72% increase. In comparison to June 2014, the number of unemployed people has increased by 10,451 which reflected an annual increase of 1.40%. The unemployment rate as at June 2015 is 6%.

The number of unemployed seeking full time employment recorded an increase in June by 27,200 to 541,200 persons. The number of unemployed seeking part time employment recorded a decrease over the month by 14,500 to 214,900 persons.

New South Wales experienced a large absolute increase in seasonally adjusted employment by 11,300 persons to 3.704 million persons. The unemployment status in New South Wales over the June Quarter 2015 decrease by 0.1% to 5.8%.

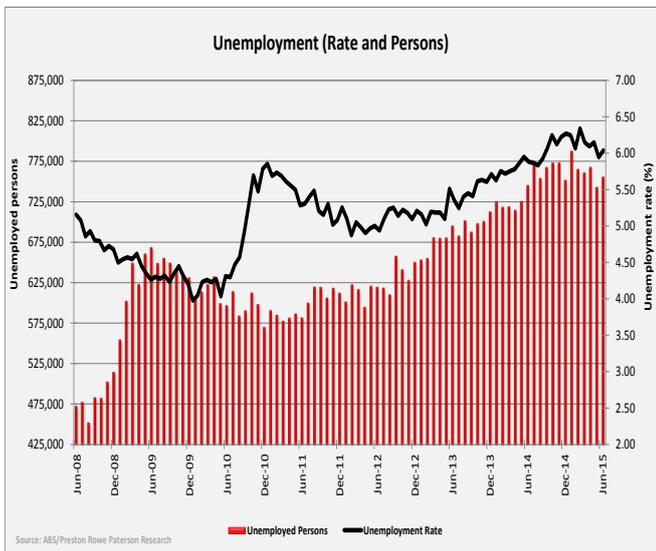


Chart 29 – Unemployment – Source ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 6.9% in June from 102.4 index points in May to 95.3 index points in June. Over the quarter the index has decreased by -4.2 points. Over the twelve months to June 2015 the index recorded a 2.25% growth.

The Index is now below to its pre-budget level in May. Westpac's Senior Economist, Matthew Hassan commented; "Several factors are likely to have refocused attention...further falls in the share market...ongoing uncertainty in Europe; more signs of soft conditions in labour markets; and added nervousness about the outlook for house prices."

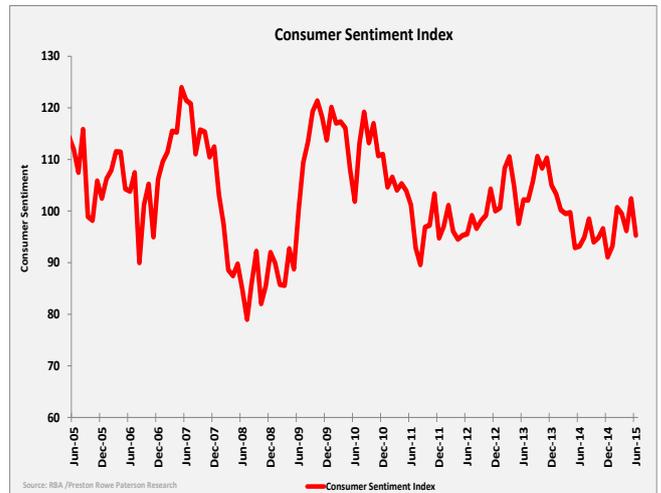


Chart 30– Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey

Australian Exchange Rates

Over June quarter 2015, the Australian Dollar increased slightly against the US Dollar, increasing from \$0.7634 in March to \$0.7680 in June. Over the twelve months to June, the Australian dollar has decreased by -18.47% from \$0.9420 USD.

The Australian Dollar also recorded a quarterly decline against the British Pound, Euro and the Japanese Yen. The Australian Dollar exchange rates against the Pound, Euro and Yen fell by -2.30%, -1.90% and -1.10% respectively.

Year on year analysis saw the Australian Dollar decline against the British Pound by -5.40% to £0.4885 and -2.90% in the Euro to €0.6866. The Australian Dollar experienced an annual increase against the Yen of 2.40% to ¥93.92.

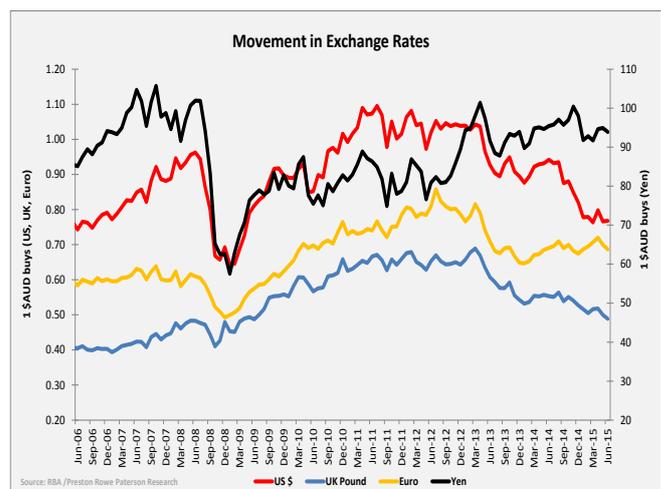


Chart 31 –Movement in Exchange Rates – Source RBA



Our Research

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

We have property covered

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

We have all real estate types covered

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

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

We have all types of plant & machinery covered

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

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

We have all client profiles covered

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

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



We have all *locations* covered

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

We have your *needs* covered

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

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



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

Elizabeth Duncan

M: 0448 656 103

E: elizabeth.duncan@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

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Preston Rowe Paterson NSW Pty Ltd
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