



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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

September Quarter 2015

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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 September 2015;

4 – 6 Bligh Street, Sydney, NSW 2000

Real Estate Capital Asia Partners has bought an office tower from the *Cromwell Property Group* for **\$68 million on an initial yield of about 7.5%**. The property features 20 office floors, 2 retail stores and 21 car spots. The *NSW government* are currently leasing all of the 9,964 sqm of net lettable area until June 2018. The sale reflects a rate of \$6,824.57 psm.

155 Clarence Street, Sydney, NSW 2000

Union Investment Real Estate has paid **\$120 million** for a 12-level office building from a fund managed by *St Hilliers Property*. The building has been refurbished into a complex with 11,972 sqm of A-grade office space after formerly being used by the *Australian Red Cross*. The building is around 85% leased to tenants including *Tyro Payments*, *First State* and *Havas Worldwide and Cox Architecture*. The sale reflects a rate of \$10,023.39 psm.



104-120 Goulburn Street, Surry Hills NSW 2010

German bank *Commerz Real AG* is believed to have bought the **Federal Police Headquarters** from *Kinder Investments* in a private sale for **\$150 million**. The property features 12 office floors across 14,188 sqm, bullet and bomb proofing, security entrances, witness protection areas, gun range, rooftop squash court and 164 car spaces. The Australian Federal Police will fully lease the building for 6 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 September 2015;

80 George Street, Sydney, NSW 2000

Boston Consulting Group will lease over 1,040 sqm of space, over three floors, at the heritage-listed **Metcalfe Bond Stores** building. The company has secured a **10-year** deal for the ground floor, first floor and arcade area of the building.

345 George Street, Sydney, NSW 2000

Landlord ISPT has re-signed *Employers Mutual* to a new **8-year lease**, commencing November 2016, for five floors in the building. *Employers Mutual* will lease 6,727 sqm at a **starting net rent of \$632 psm**, with a market incentive. The lease is worth over \$35 million.

20 Martin Place, Sydney, NSW 2000

Apple will lease 6,200 sqm of office space in the \$250 million Martin Place development by *Pembroke*. *Pembroke* built the nearly 20,000 sqm project after buying the site in 2011.

127 Liverpool Street, Sydney, NSW 2000

Group Colleges Australia has leased 2,602 sqm of office space over two floors on a **5-year deal**. The company will pay a **gross annual rent of \$460 psm**.

55 Hunter Street, Sydney, NSW 2000

Ultimate Office Solutions has taken out 1,000 sqm of space from *City Freeholds* on a **7-year lease**. The lease reflects a **rate of \$630 psm net**.

Development Sites

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

Along with the progressive opening of the Barangaroo office precinct's International Tower 2 in July 2015, construction of **International Tower 3** is expected to be completed in the 1st quarter of 2016. Tower 3 will comprise of 78,000 sqm of office space over 38 floors on an average floorplate of 2,300 sqm, 5,315 sqm of retail space on the lower levels and provide 167 underground car spaces. Accounting firm KPMG and developer Lend Lease have pre-committed to lease over half of the available office space in Tower 3.



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 has revealed that there was an additional supply of 23,633 sqm of office space released in the six months to July. This was offset by the 21,170 sqm withdrawals, resulting in an increase of the total Sydney CBD office market space to 4,964,191 sqm.

The increase in additional office space is attributed to the growth of Premium and A Grade stock supply. The Sydney CBD office market continues to be dominated by the A and B Grade stock, taking up 37.1% and 31.8% of total stock respectively. Premium Grade stock assumes 16% whilst C and D Grade office space sums up to 11.3% and 3.8% respectively.

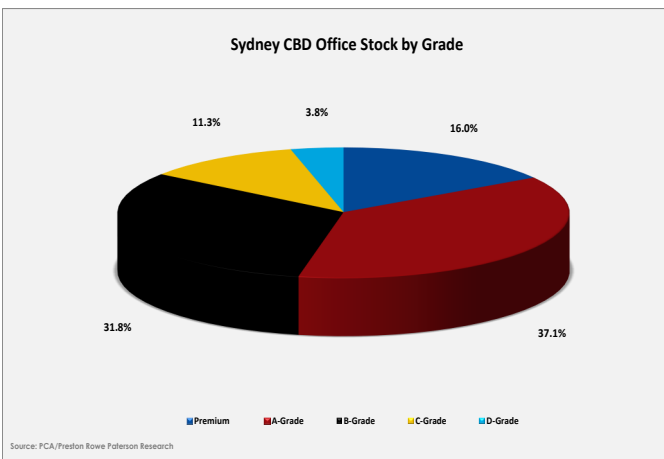


Chart 1 – Sydney CBD Office Stock by Grade - Source - PCA

Net Absorption

The Sydney CBD office market has absorbed 114,684 sqm of space in the 12 months to July 2015. The total market net absorption in the six months to July was 60,405 sqm.

Positive absorption was recorded in the Premium, A and B Grade stock in the six months to July. A Grade absorbed the largest amount of space at 30,813 sqm, followed by Premium Grade at 17,924 sqm and B Grade at 17,985 sqm. C and D Grade stock recorded negative absorptions of -5,295 sqm and -1,022 sqm respectively.

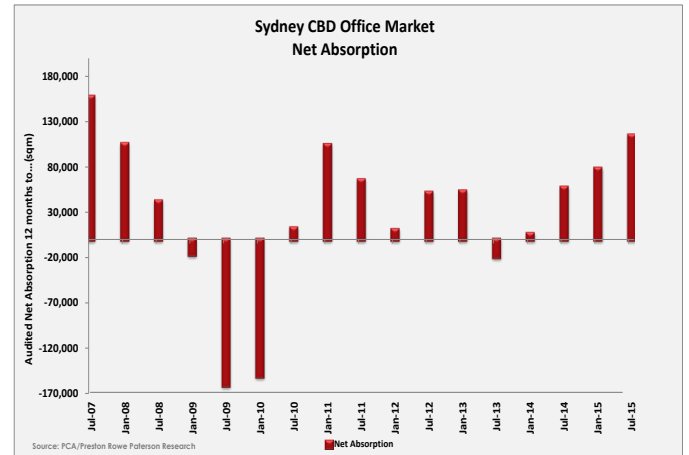


Chart 2 – Sydney CBD Office Net Absorption – Source PCA

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).

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.

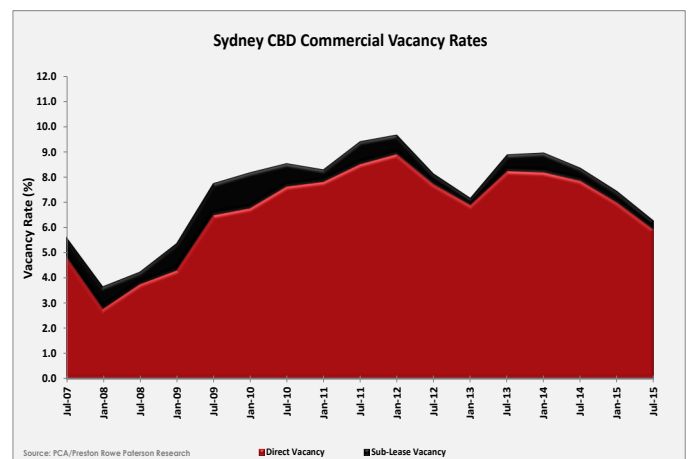


Chart 3 – Sydney CBD Office Vacancy – Source PCA

North Sydney



Investment Activity

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

20 Berry Street, North Sydney, NSW 2060

Yuhu has acquired a 21-storey office building from Robert Magid for around **\$60 million**, on a **yield of 7%**. The fully-leased property has 9,723 sqm of floor area and a WALE of 5.42 years. The purchased has lodged plans to convert the building into 173 units and 5,200 sqm of office space. The sale reflects a rate of \$6,170.93 psm. North Sydney is located around 3.8 km north of Sydney's CBD.



33 Berry Street, North Sydney, NSW 2060

The *Australian Catholic University* has purchased a 13-storey office building from *Horaco Property* for **more than \$90 million**. The property is fully-leased with a mixed-use zoning.

Leasing Activity

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

40 Mount Street, North Sydney, NSW 2060

Gartner will move into *Investa Commercial Property Fund* and *Pramerica's* office tower in September of 2015. The company will occupy 2,259 sqm of space, taking the building to full occupancy.

Development Sites

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



Supply by Grade (Stock)

As shown in the PCA's Office Market Report July 2015, the total North Sydney office stock recorded 5,600 sqm of additional supply offset by 4,439 sqm of withdrawals, bringing the total office market stock to 823,351 sqm.

The B Grade stock dominates the North Sydney market totals to 52.3% market share. A and C Grade have similar market shares at 22.6% and 19.1% respectively. Premium Grade summed up to 4.4% and D Grade accounted for only 1.6%.

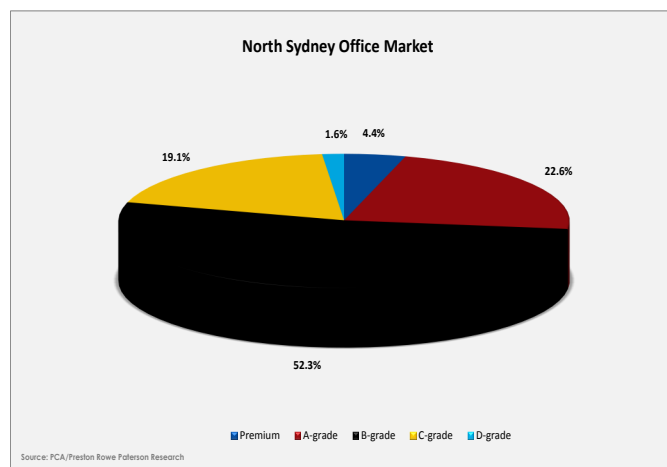


Chart 4 – North Sydney Total Stock Levels By Grade – Source PCA

Net Absorption

The North Sydney office market net absorption was positive, taking in 2,095 sqm in the 12 months to July 2015. The total market net absorption in the six months to July was 8,363 sqm.

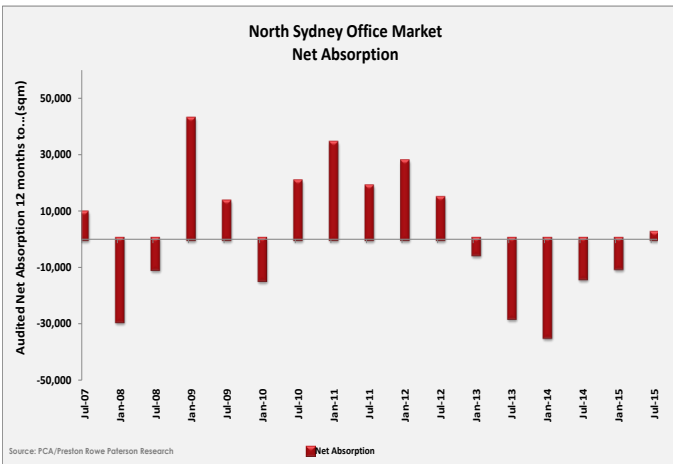


Chart 5 – North Sydney Office Net Absorption – Source PCA

Vacancy Rates

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

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

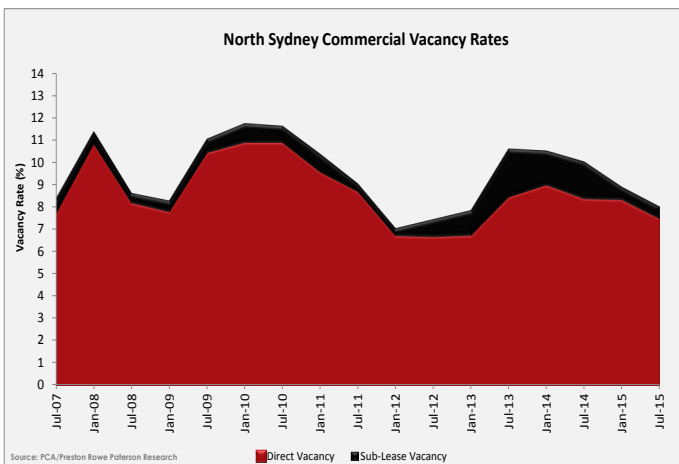


Chart 6 – North Sydney Office Vacancy Rates – Source PCA

Crows Nest/St Leonards



Investment Activity

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

407 Pacific Highway, Artarmon, NSW 2064

Justin White of *Jadan Property Group* has purchased a twin-tower office for **\$16.1 million**. The sale of the 5,591 sqm office tower, which also includes 131 car spaces, reflects a **yield of 8.5%** and a rate of \$2,879.63 psm. The building fully leased to five office tenants and features a café. The income is approximately \$1.57 million per annum and a weighted average lease expiry of five years. Artarmon is located around 9.2 km north-west of the Sydney CBD.

207 Pacific Highway, St Leonards, NSW 2065

Altis Property Partners has paid **around \$170 million** for an A-grade office asset from *Primewest*. The two buildings comprise 18,324 sqm of office space and 1,540 sqm of ground floor retail. The offices are both fully leased. The sale reflects a rate of \$8,558.20 psm. St Leonards is located about 6.6 km north of Sydney's CBD.

Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transaction that occurred in the Crows Nest/St Leonards office market during the three months to September 2015;

203 Pacific Highway, St Leonards, NSW 2065

Primary Health Care has signed up to lease 4,164 sqm of A-grade office space at **The Forum**. The company will take up the remaining space in the building and will pay an **annual rent of around \$470 psm**. The deal, with landlord *Challenger*, is for **7-years**.



Supply by Grade (Stock)

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

The recorded stock withdrawal occurred in the C Grade stock which dominates the Crows Nest/St Leonards market at 47.2% market share. The A , B and D Grade stock levels remain unchanged in the six months to July reflecting market shares of 29.6%, 19.2% and 3.9% respectively.

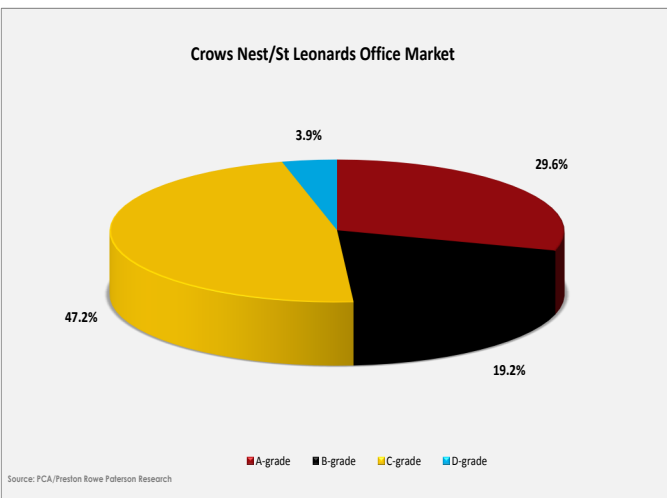


Chart 7 – Crows Nest/St Leonards Total Stock Levels by Grade – Source PCA

Net Absorption

The total market net absorption in the Crows Nest/St Leonards office market recorded a negative result of –1,468 sqm in the 12 months to July 2015. The market also recorded –132 sqm of absorption in the six months to July.

B Grade stock recorded the only negative absorption in the market at –1,395 sqm in the six months to July. Positive market absorption was recorded in A Grade at 126sqm, C Grade at 577 sqm and D Grade at 260 sqm.

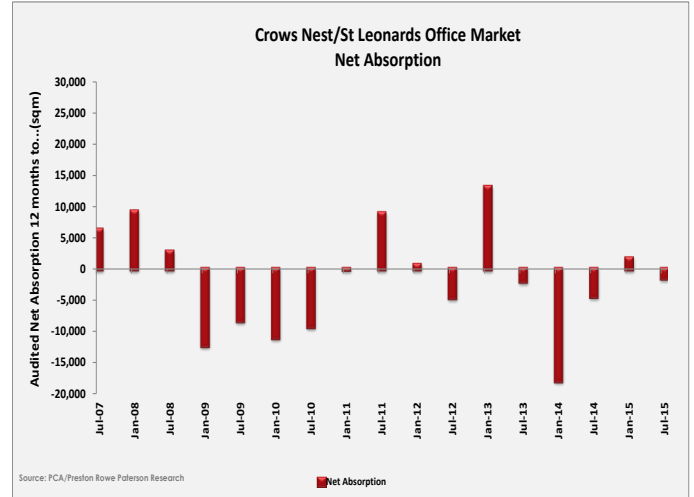


Chart 8 – Crows Nest/St Leonards Office Net Absorption – Source PCA

Total Vacancy

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

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

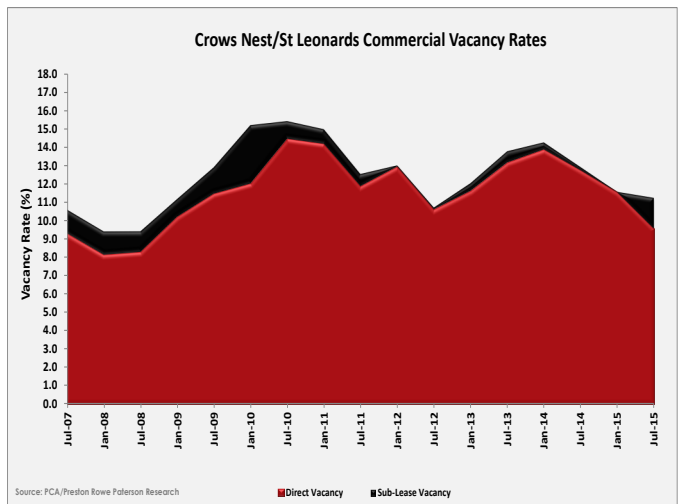


Chart 9 – Crows Nest/St Leonards Office Vacancy Rates – Source PCA

Parramatta



Investment Activity

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

9 George Street, Parramatta, NSW 2150

Hadley Green has bought a 7-storey A-grade office tower for **\$30 million**, on a **yield of 7.8%**. The 5,414 sqm of net lettable area building is 90% leased and reflects a rate of \$5,541.19 psm. Parramatta is located 23 km west of the Sydney CBD.



Development Sites

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



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



Supply by Grade (Stock)

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

The Parramatta office market is dominated by A and B Grade stock which assumed 39.7% and 31.9% respectively of the total market share. C Grade takes up 15.2% and D Grade totals to 13.3%.

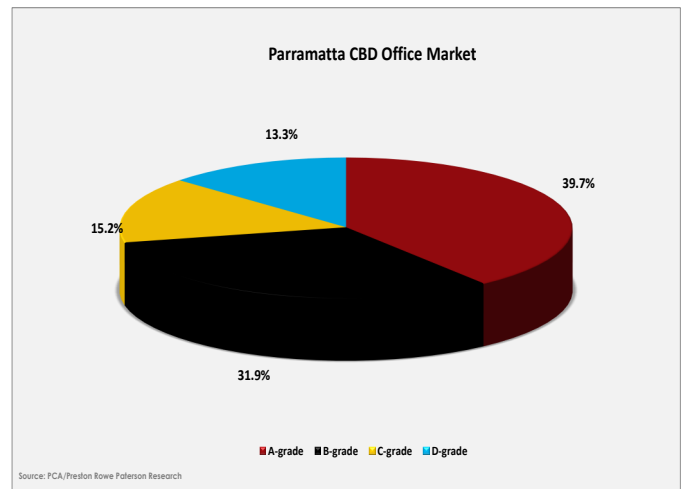


Chart 10 – Parramatta CBD Total Stock Levels by Grade – Source PCA

Net Absorption

The total market net absorption in the Parramatta office market was recorded to -3,167 sqm over the 12 months to July 2015. Contrarily in the six months to July, the market recorded 1,283 sqm of net absorption.

The only negative absorption was recorded in the A Grade stock where -4,257 sqm of stock was not absorbed in the six months to July. B Grade recorded the highest absorption at 3,098, followed by C Grade at 1,824 sqm and D Grade at 618

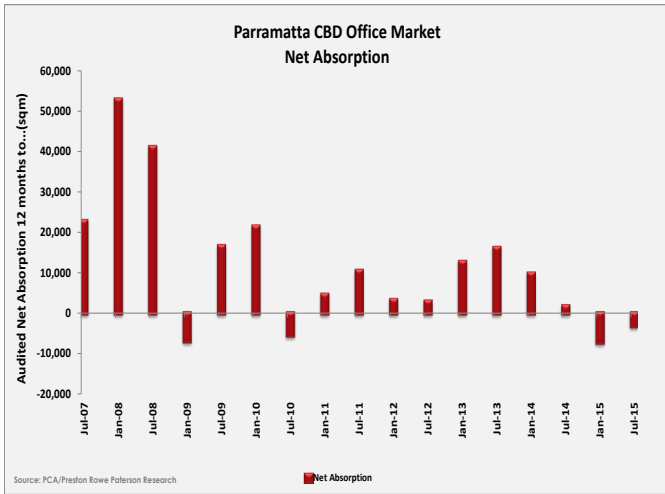


Chart 11 – Parramatta CBD Office Net Absorption – Source PCA

Vacancy Rates

The total vacancy in the Parramatta office market has increased by 0.1% to 7.4% in the six months to July 2015. This reflects a total stock vacancy of 51,399 sqm.

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

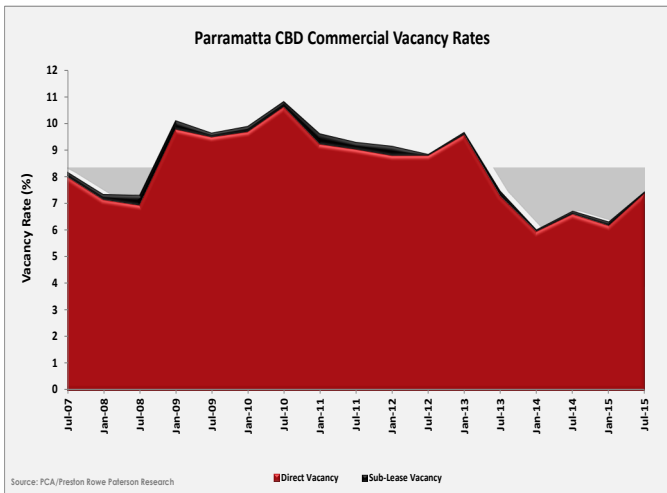


Chart 12 – Parramatta Office Vacancy Rates – Source PCA

Chatswood



Supply by Grade (Stock)

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

All stock levels remain unchanged in the six months to July, except for C Grade which now assumes 16% of total market share. A Grade office stock dominates the Chatswood market assuming 55.3% of the total market share, B Grade takes up 28.5% and D Grade totals to 0.2%.

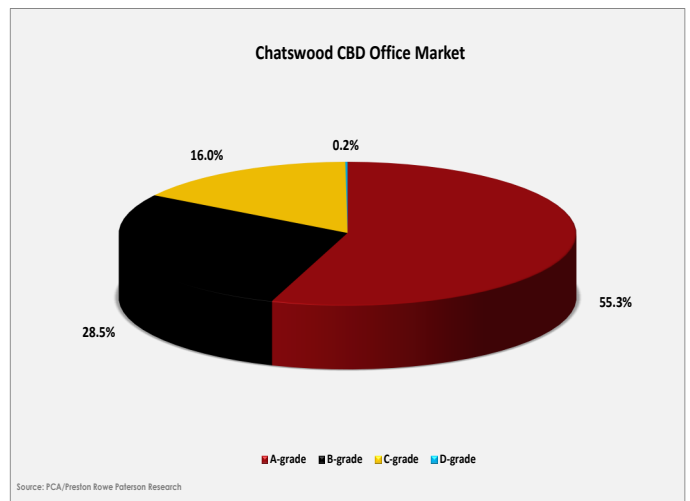


Chart 13 – Chatswood CBD Total Stock Levels by Grade – Source PCA

Net Absorption

In the 12 months to July 2015, the Chatswood office market recorded a positive net absorption of 10,841 sqm. The market net absorption in the six months to July was 3,267 sqm.

All grades of office stock produced positive net absorption results in the six months to July, except for D Grade which recorded a -178sqm absorption. A Grade absorbed the highest amount of floor space at 2,755 sqm, followed by B Grade at 689 sqm and C Grade at 1sqm.

North Ryde/Macquarie Park

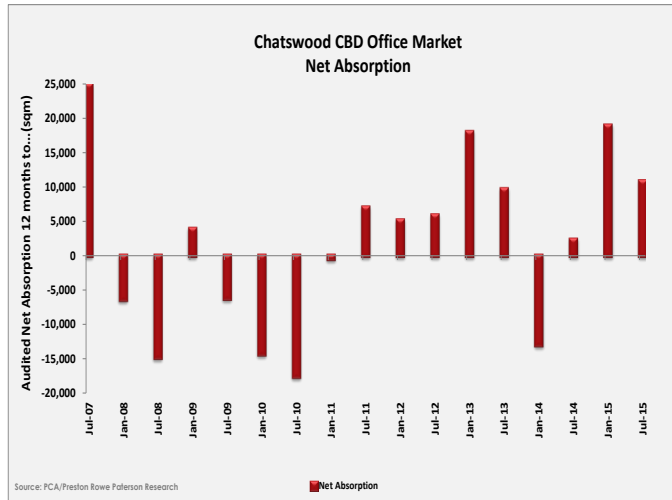


Chart 14 – Chatswood CBD Office Net Absorption – Source PCA

Total Vacancy

The Chatswood office market recorded a decline in total office vacancy rate of -1.4% to 6.8% in the six months to July 2015 with a total vacant space amounting to 19,289 sqm.

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

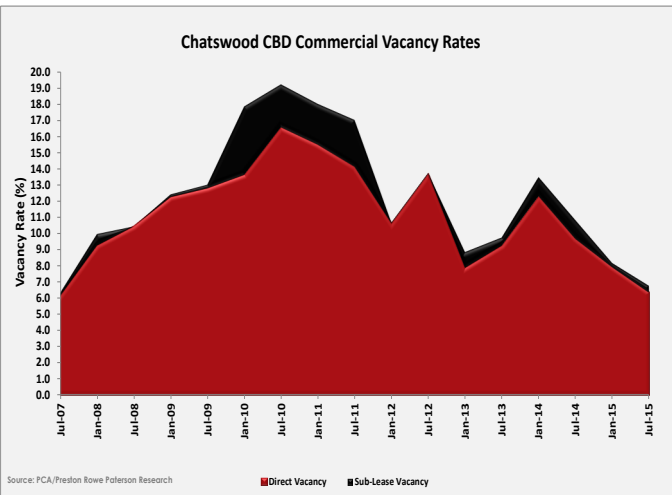


Chart 15 – Chatswood Office Vacancy Rates – Source PCA

Investment Activity

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

17 – 23 Talavera Road, Macquarie Park, NSW 2113

The **Intellicentre 2** office building has been purchased by Singapore's **Keppel DC REIT** for **\$43.3 million**.

The property was purchased from **Macquarie Telecom**, who will lease the building for 20 years on triple net terms with renewal options. Macquarie Park is located about 18.4 km north-west of the Sydney CBD.



Development Sites

The PCA's Office Market Report July 2015 revealed that the development at **52-54 Waterloo Road** in North Ryde is currently in the construction phase and to be completed in the 3rd quarter of 2015. The development owned by **Novartis Pharmaceuticals Australia** will provide 10,000 sqm NLA. The site is located within close proximity to both the Macquarie Park and Macquarie University train station, and the Macquarie Centre shopping centre.



Supply by Grade (Stock)

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

The North Ryde/Macquarie Park office market is heavily populated by A Grade office stock. The A Grade stock level accounts for 70.9% of total market share, followed by B Grade stock at 26.8%. C Grade stock levels tightened to 1.9% and D Grade remain unchanged assuming just 0.3% of total market share.

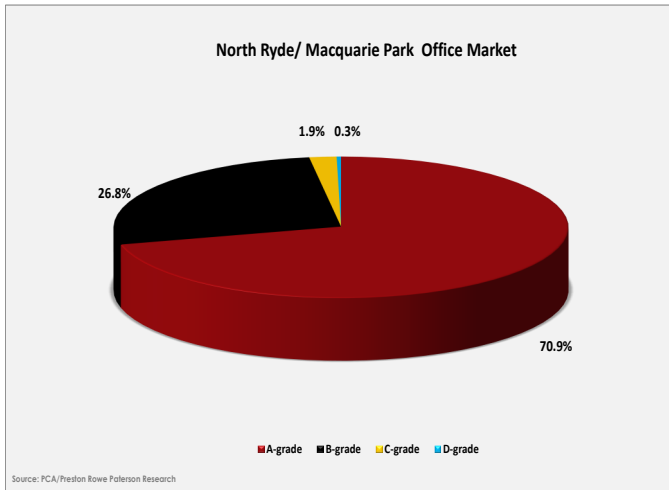


Chart 16 – North Ryde/ Macquarie Park Total Stock Levels by Grade – Source PCA

Net Absorption

The North Ryde/Macquarie Park office market reflected a 25,567 sqm net absorption in the 12 months to July 2015. The net absorption over the six months to July was 15,002 sqm.

A and B Grade stock reported positive net absorption of 14,140 sqm and 5,222 sqm respectively. C Grade recorded a negative absorption of -4,360 and D Grade stock remain unchanged with no recorded absorbency.

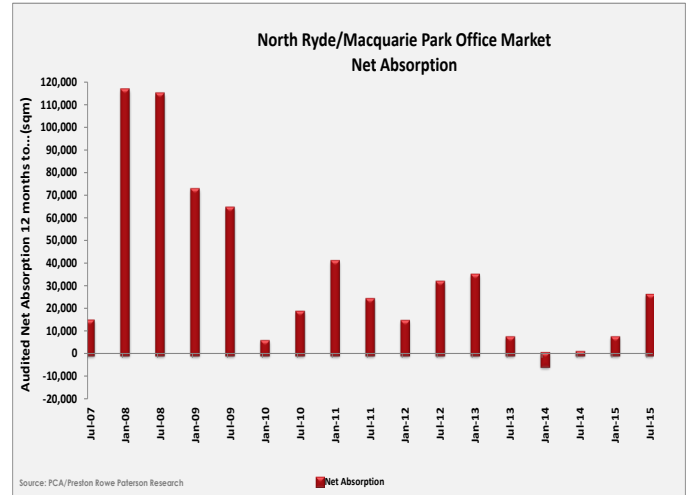


Chart 16 – North Ryde/ Macquarie Park Office Net Absorption – Source PCA

Vacancy Rates

The North Ryde/Macquarie Park market recorded a decrease in total vacancy rate of -1.5% to 8.4% in the six months to July 2015. There were 73,104sqm of vacant space.

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

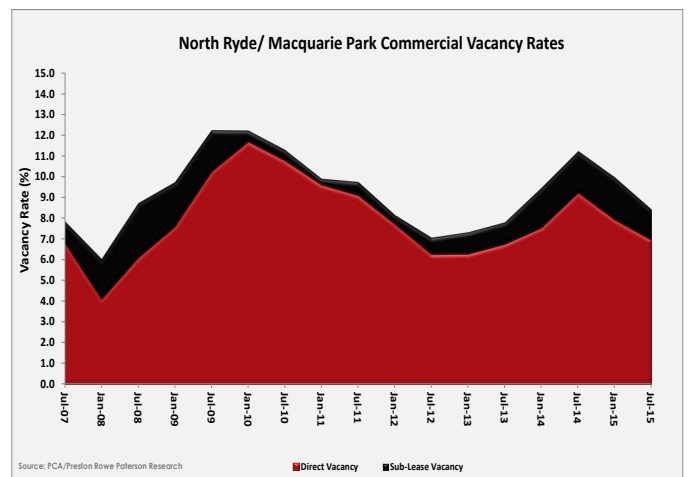


Chart 18 – North Ryde CBD Commercial Vacancy Rates – Source PCA



RETAIL MARKET



94 Darlinghurst Road, Potts Point, NSW 2011

The Kings Cross Centre has been bought by a private Australian property trust for **\$37.3 million** on a **passing yield of 6.9%**. The centre is anchored by a Coles supermarket, along with twenty-four other specialty tenants including *Flight Centre* and *Guzman Y Gomez*. The 4,400 sqm property, which is located under the famous Coca-Cola neon sign, has a 98.5% occupancy rate. The sale reflects a rate of \$8,477.25 psm. Kings Cross is located 1.9 km north-east of the Sydney CBD.



753 Hume Highway, Bass Hill, NSW 2197

A *Charter Hall Group*-managed fund is acquiring the **Bass Hill Plaza** for **around \$90 million**, on a **yield of about 6%**. The 19,600 sqm *Woolworths* and *Kmart* anchored shopping centre also includes 53 specialty stores and another 46,600 sqm of residential and retail development. The sale reflects a rate of \$4,591.85 psm. Bass Hill is located 22.6 km south-east of the Sydney CBD.

227 – 229 Forest Road, Hurstville, NSW 2220

A freehold retail building has been sold by *Crown Trading & Development Pty Ltd* to investors *Xiao Hong Huang* and *Denis Ho* for **\$18.8 million**, on a **yield of 4%**. The purchaser has plans to convert the four-level, 1,776 sqm retail building into a boutique hotel. The building currently has 15 tenants. Hurstville is located about 8.4 km south-west of the Sydney CBD.



Oxford Street, Bondi Junction, NSW 2022

A three-story, freehold retail building has been sold to a private investor for **\$13.4 million**, on a **4.95% yield**. The 957 sqm gross lettable area retail property is leased to *St George Bank* for a net income of \$655,600. The sale of the 360 sqm site reflects a rate of \$37,222.20 psm. Bondi Junction is located about 4.7 km south-east of the Sydney CBD.

Retail Statistics

The September retail turnover results has shown that NSW retail environment has improved since its retraction in July. According to the Australian Bureau of Statistics category 8501.0 Retail Trade (September 2015), the retail turnover figures recorded in New South Wales produced a growth of 0.3% to \$7,839.3 million over the month. The seasonally adjusted annual total retail turnover growth to September 2015 was 4.14%.

Compared to the June quarter, the September results reflected a 3.7% seasonally adjusted volume growth to the Australian turnover volume of \$71,674.9 million.

Investment Activity

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

1 Tindall Street, Campbelltown, NSW 2560

A private Sydney investor has purchased the **Cambelltown SupaCenta** from a *Fortius Funds Management Trust* for **\$15.1 million**. The sale of the 10,290 sqm site reflects a **yield of 9.25%** and a rate of \$1,467.45 psm. The 6,618 sqm centre contains national tenants including, *Hogs Breath Café*, *Autobarn*, *The Discount Party Warehouse* and a large 4,363 sqm *Fit HQ Gym*. Campbelltown is located about 50.2 km south-west of the Sydney CBD.

425 Victoria Avenue, Chatswood, NSW 2067

A local investor has acquired a *Westpac Banking Corporation* building for **\$25 million** on a **yield of 3.9%**. The 550 sqm property is fully leased to Westpac until 2021. The sale reflects a rate of \$45,454.55 psm. Chatswood is located 12.2 km north of Sydney's CBD.

328-332 Victoria Road, Gladesville, NSW 2111

A private investor has purchased a *Dan Murphy's* liquor store for **\$11.51 million** on a **yield of 4.6%**. The property has a new 15 year lease to *Woolworths* plus options to 2060. The 1,721 sqm building also has 39 car spaces. The sale reflects a rate of \$6,688 psm. Gladesville is located 10.4 km north-west of Sydney's CBD.



830 – 850 Bourke Street, Waterloo, NSW 2017

Goldman Sachs and *Fortress Investment Group* have sold 18 vacant retail units in one line to a private investor for **\$11.5 million**. The spaces range from 50-150 sqm in size. The sale reflects a rate of \$638,888.90 per retail unit. Waterloo is located around 3.3 km south of the Sydney CBD.

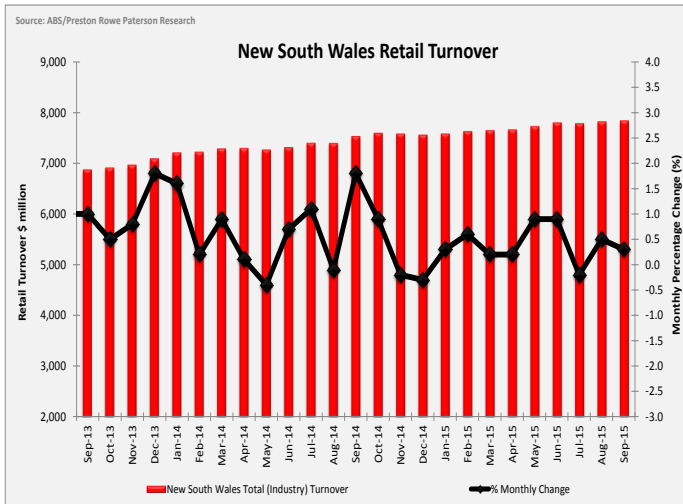


Chart 19 –New South Wales Retail Turnover – Source ABS

Varied turnover results were recorded in the retail sectors over the month of September. The highest growth was recorded in Café, restaurants and takeaway food services rising by 2.45% to a turnover of \$1,189.8 million. Followed by Household goods retailing and Food retailing realising a growth of 0.63% (\$1,351.2 million) and 0.26% (\$3,025.5 million) respectively.

Clothing, footwear and personal accessory retailing, Department stores and Other retailing recorded a decrease of -2.14%, -1.21% and -0.22% respectively to the monthly turnover of \$681.7 million, \$507.9 million and \$1,083.2 million.

The NSW retail turnover in quarter has performed well when compared to previous years. The Department store sector performed surprisingly well when compared to the 2014 results where retail turnover grew by 3.87% in the year to September 2015. The year to date outperformer was Cafes, restaurants and takeaway food services recording an annual growth of 7.47%.

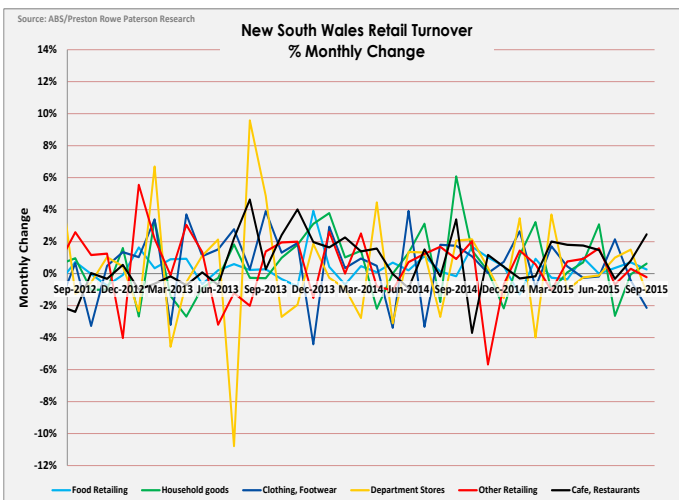


Chart 20 –NSW Turnover % Monthly Change – Source ABS

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 September 2015;

M7 Business Hub, Eastern Creek, NSW 2766

Mapletree Investments have acquired a large refrigerated distribution centre from Goodman Group and Brickworks for **\$253 million**. The 55,394 sqm facility sold on a **yield of 5.78%** and reflects a rate of \$4,567.30 psm. Coles is leasing the property for \$14.65 million a year with fixed annual rent increases at 2.75%, until 2034. Eastern Creek is located about 36.3 km north-west of Sydney's CBD.

98 Wetherill Street, Silverwater, NSW 2128

Bovara Electrical has acquired a vacant industrial property from a private investor for **\$5.5 million**. The 2,515 sqm warehouse and office has a large power supply and will be used as the company's new headquarters. The sale of the 5,021 sqm site reflects a rate of \$1,095.40 psm. Silverwater is located around 18.6 km north-west of the Sydney CBD.



107 Carnarvon Street, Silverwater, NSW 2128

Freedman Electronics has paid **\$6.95 million** for an industrial facility. The 3,500 sqm office and warehouse space is split into two units with one currently being leased. Freedman will likely move its manufacturing business into the vacant unit and hold the leased unit for future expansion.

112 Wharf Road, Melrose Park, NSW 2114

Pharmaceutical group Eli Lilly has sold an industrial site to Holdmark Property Group for **around \$40 million**. The unzoned site has residential potential and could yield more than 300 units. The sale of the 21,000 sqm site reflects a rate of \$1,904.75 psm. Melrose Park is located around 16.5 km north-west of the Sydney CBD.

12 Birmingham Avenue, Villawood, NSW 2163

A 5900 sqm warehouse and 450 sqm office has been sold by Ken and Julie Gray for **\$7.5 million**. The sale of the 15,690 sqm site reflects a **yield of 6.56%** and a rate of \$478 psm. Villawood is located about 25.4 km south-west of the Sydney CBD.

66 Christina Road, Villawood, NSW 2163

Abacus Property Group has sold an industrial property to a private investor for **\$9.2 million**. The 35,710 sqm site has five buildings and the investor will develop the site. The sale reflects a rate of \$257.65 psm.



44 – 50 Australia Street, Camperdown, NSW 2050

Property developer Theo Onisforou has acquired the former Dairy Bell ice-cream factory for **\$5.75 million**. The two-storey brick-and-concrete industrial property is vacant and has an internal floor area of around 1,262 sqm. The sale of the 892 sqm site reflects a rate of \$6,445.20 psm. Camperdown is located around 4.2 km south-west of the Sydney CBD.

15 – 19 Berry Street, Granville, NSW 2142

GPT Group has sold the Granville Logistics Centre to private company Toplace for around **\$65 million**. The site contains 29,600 sqm of warehouse and office space in two buildings and brings in a net rental income of around \$9 million. Toplace will likely try to secure DA approval for residential development before the industrial leases run out in 2020. Tenants include Toll Holdings and Mitsubishi. The sale reflects a rate of \$2,195.95 psm. Granville is located 22.2 km north-west of the Sydney CBD.



75 Pile Road, Somersby, NSW 2250

A private investor has purchased an industrial property from Hunter Land for **\$11.6 million** on a **yield of 12.9%**. The waste and recycling materials processing facility is leased to Remondis Australia. Somersby is located around 70.8 km north of Sydney's CBD.

20 George Young Street, Regents Park, NSW 2143

Core Technology Partners has purchased a 4,470 sqm industrial site for **\$5.25 million**. The property includes 2,868 sqm of showroom and office space. The sale reflects a rate of \$1,174.50 psm. Regents Park is located 20.6 km south-west of the Sydney CBD.

23 Wonderland Drive, Eastern Creek, NSW 2766

Stockland has acquired a 4.3-hectare industrial site for **\$34 million**, on a **yield of 8%**. The site features a high clearance warehouse and a freight terminal totalling 21,500 sqm. The sale reflects a rate of \$1,581.40 psm. Eastern Creek is located about 36.3 km north-west of the Sydney CBD.

2 Costello Place, Seven Hills, NSW 2147

Propertylink has purchased an 11,000 sqm industrial office and warehouse from DEXUS Wholesale Property Fund for **\$14.87 million**, on a **yield of 7.75%**. The sale reflects a **rate of \$1,351.82 psm**. Seven Hills is located about 32.2 km north-west of the Sydney CBD.

3 – 5 Birmingham Avenue, Villawood, NSW 2163

Real Foods has acquired an industrial building from Woodland Properties for **\$9 million**. The 22,270 sqm property was sold as a vacant possession and Real Foods will now undertake significant refurbishment. The sale reflects a rate of \$404.15 psm.

4 – 6 Seville Street, Fairfield East, NSW 2165

Tian Yuan P/L has bought a 4,546 sqm office and warehouse facility for **\$5.35 million**, on a **yield of 6.5%**. The sale of the 5,574 sqm site reflects a rate of \$959.80 psm. Fairfield East is located around 26.2 km west of the Sydney CBD.

Leasing Activity

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

1A/42 Birnie Avenue, Lidcombe, NSW 2141

Meshcrete has taken up a leasing deal for a 2,060 sqm warehouse on a **3-year deal**. The company will pay a **gross annual rent of \$116 psm**. Lidcombe is located 17.4 km west of the Sydney CBD.

19 – 21 Loyalty Road, North Rocks, NSW 2151

Imation ANZ has moved into a new facility on a **2-year term**. The rent for the 1,554 sqm warehouse and office facility is **\$110 psm net**. North Rocks is located about 24.6 km north-west of the Sydney CBD.

29b Davis Road, Wetherill Park, NSW 2164

Lend Lease has rented out a 4,475 sqm office and warehouse to King & Wilson for \$602,966 gross per annum. The deal is for **7-years with a 5-year option** and the lease reflects a **rate of \$134.74 psm**.

1 – 3 Ricketty Street, Mascot, NSW 2020

Creative Pty Limited has taken out a lease for an industrial property on a **gross annual rent of \$224 psm**. The deal for the 1,022 sqm site is for **5-years**. Mascot is located around 7 km south of the Sydney CBD.

809 Botany Road, Rosebery, NSW 2018

The Print Centre has subleased 1,076 sqm of industrial space to Amzen International on a **5-year lease**. The company will pay a **net annual rent of \$160 psm** for a high clearance warehouse with truck access and modern office space.

Cosgrove Road, South Strathfield, NSW 2136

Swift Transport has committed to leasing over 20,000 sqm of industrial space at the \$500 million **Enfield Intermodal Logistics Centre**. The company will pay a **net rent of over \$120 psm** for a purpose-built office, warehouse and hard-stand space in the 60 -hectare estate. South Strathfield is located about 14 km west of the Sydney CBD.

4 Chalmers Crescent, Botany, NSW 2019

Punkaj Vij has leased a 1,305 sqm warehouse to the All Import Export Co P/Ltd on a **3-year lease**. The lease reflects a rate of **\$122.60 psm gross per annum**. Botany is located 9 km south of the Sydney CBD.



28A Chifley Street, Smithfield, NSW 2164

Asset Group Solutions have agreed to lease a 1,915 sqm office and warehouse property on a **5-year term**. The lessee will pay a **gross annual rent of \$127.50 psm**. Smithfield is located around 28.9 km west of the Sydney CBD.

71A Milperra Road, Revesby, NSW 2212

Dazmac International will move into a 1,104 sqm industrial property on a **gross rent of \$113 psm per annum**. Revesby is located around 21.9 km south-west of Sydney's CBD.



36 Stennett Road, Ingleburn, NSW 2565

A 1,140 sqm industrial warehouse has been leased by Katrina Trading Company on a **3-year deal**. The company will pay a **rate of \$102 psm gross per annum**. Ingleburn is located about 50.3 km south-west of the Sydney CBD.

9 – 11 South Street, Rydalmere, NSW 2116

Allworth Homes has leased 1,154 sqm of warehouse and office space on a **5-year deal**. The new tenant will pay a rate of **\$150 psm net per annum**. Rydalmere is located around 20 km north-west of the Sydney CBD.

RESIDENTIAL MARKET

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals September 2015, the total number of house dwelling approvals in the Sydney Statistical Division over the month has shown a decrease of 172 approvals in August to 1,267 approvals in September. However, it has reflected an annual increase of 13.7% when compared to house dwelling approvals in September 2014.

The total number of non-house dwelling approvals has fallen by -23.7% from 2,406 dwelling approvals in August to 1,835 dwelling approvals in September. In comparison to twelve months prior to September 2014, a 5.3% growth was recorded.

The total dwelling approvals in year to date was 36,117. The dwelling approval figures analysed above shows that residential development activity in the Sydney market was active in the September quarter despite a slowdown in both house and non-house dwelling approvals.

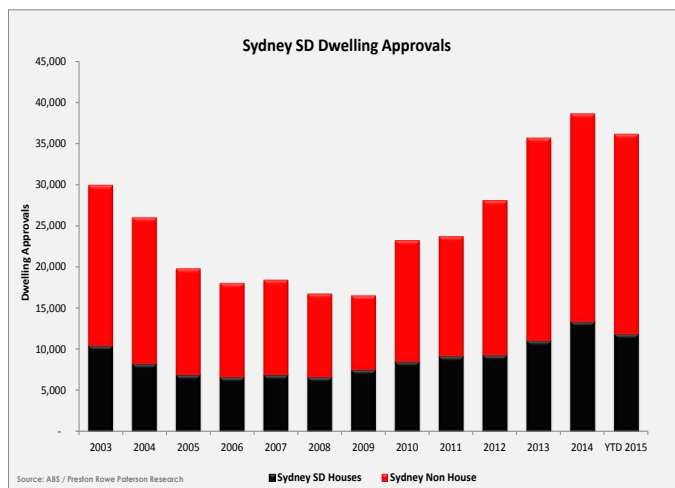


Chart 21 – Sydney SD Dwelling Approvals—Source ABS

SYDNEY

Market Affordability

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

According to the REIA, the June quarter saw the Sydney Median House price increased by 8.5% to \$1,004,800 which was a 23.4% increase compared to June 2014. The Sydney median house price recorded positive results across all zones during the quarter. Middle Sydney recorded the highest quarterly growth of 11.8% to \$1,207,300. Inner and Outer Sydney prices rose by 4.7% and 7.4% to a median price of \$1,685,000 and \$670,000 respectively.



All zones recorded growth in the median house price over the twelve months to June 2015. The highest annual growth was reported in Middle Sydney (28.4%), followed by Inner Sydney (23.4%) and Outer Sydney (17.5%).

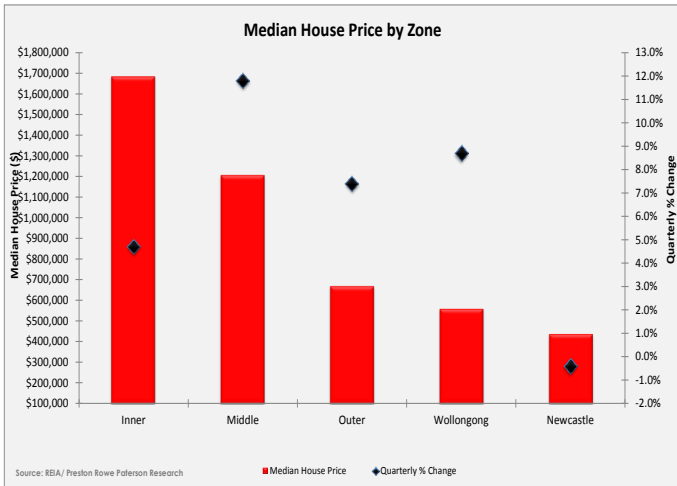


Chart 22 – Median House Price by Zone – Source REIA

Other dwellings median prices also recorded positive results over the June quarter. The median price for other dwellings in Sydney grew by 7.2% to \$656,400. Inner Sydney recorded a small growth of 5.8% to a median price of \$803,800 and Middle Sydney median price increased by 5.6% to \$655,000. Outer Sydney experienced a decline in median sales price of 4.9% to \$535,000.

The year on year comparison saw an increase in across zones of inner, middle and outer Sydney recording growth of 12.4%, 13.9% and 12.6% respectively.

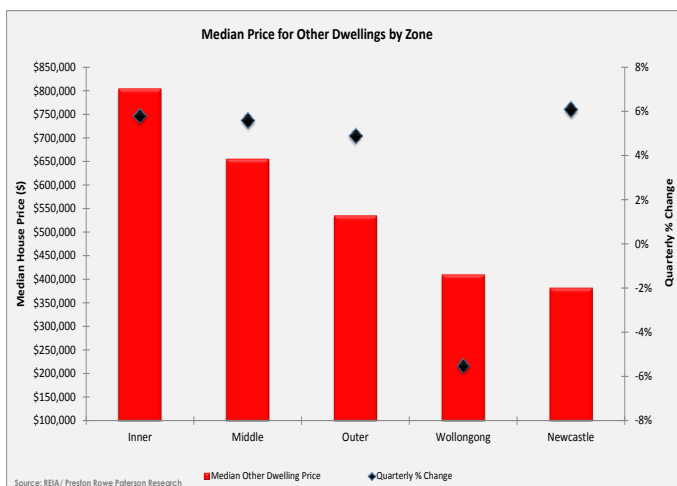


Chart 23 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

Over the June quarter, the Sydney house rental market has remained relatively stable. Middle Sydney rents stayed the same at \$460 and \$550 for a 2 & 3 bedroom house respectively. The Outer Sydney house quarterly rental results varied from a 1.2% growth in 3 bedroom house (\$430) to a -0.7% decrease in 2 bedroom house (\$358). Inner Sydney 2 bedroom rents fell by -2.9% to \$670 and 3 bedroom house rents increased by 0.6% to \$850.

Over the twelve months to June, all Sydney zones recorded rental growth. The highest annual growth was recorded in Inner Sydney 2 bedroom house which grew by 3.1%. Followed by Outer Sydney 3 bedroom house and Middle Sydney 2 bedroom house growing by 2.4% and 2.2% respectively.

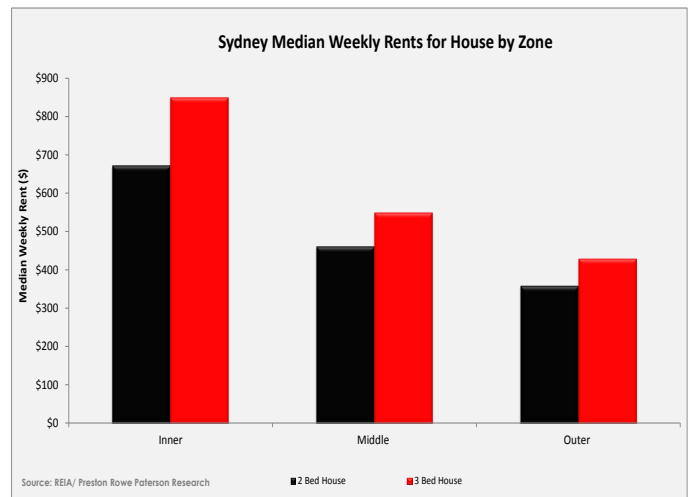


Chart 24 – Sydney Median Weekly Rents for House by Zone – Source REIA

The June quarter revealed mixed results on other dwelling rents across all Sydney zones. Middle Sydney other dwelling median weekly rents remained the same in the quarter at \$460 for 1 bedroom and \$480 for 2 bedroom. Inner Sydney 1 bedroom recorded the only rental growth of 2% to \$510 weekly rent, whereas the 2 bedroom rent remain the same at \$640. Outer Sydney other dwelling rents recorded a decrease of -2.9% for 1 bedroom and -1.1% for 2 bedroom to median weekly rent of \$340 and \$400 respectively.

Over the twelve months to June, all Sydney Other Dwelling zones recorded growth in median weekly rents. The most marked growth was in Middle Sydney 2 bedrooms and Outer Sydney 1 bedroom with growth of 4.3% and 3% respectively. Followed by Inner & Middle Sydney 1 bedroom at 2.2% and 2% annual increase respectively.

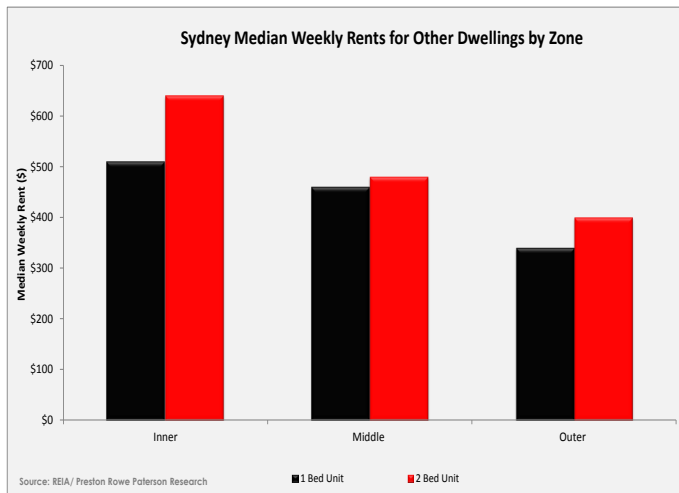


Chart 25 – Sydney Median Weekly Rents for Other Dwellings by Zone – Source REIA

NEWCASTLE

Market Affordability

Over the June quarter, the median house price in Newcastle remained decreased by -0.4% to \$438,000, reflecting an annual growth of 4.3%. Other dwelling sales in the Newcastle region grew by 6.1% over the quarter to \$382,000, revealing -4.3% annual decline.

Rental Market

Two bedroom house rents in the Newcastle region decreased by -4.1% over the quarter to the median weekly rental of \$350. 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 decrease of -3.6% for one bedrooms to \$270 per week and a 2.9% growth in three bedrooms rent at \$360 per week. Over the twelve months to June 2015, the 2 bedroom other dwellings experienced a 2.9% growth.

WOLLONGONG

Market Affordability

Median house prices in Wollongong recorded positive results with quarterly of 8.7% and annual growth of 17.9% to \$560,000. The quarterly median Other Dwelling prices in Wollongong fell by -5.5% to \$410,000, and realising a 8.2% annual increase.

Rental Market

The median house rents in Wollongong for 2 bedroom house fell by -5.3% over the quarter to median weekly rent of \$360. Wollongong 3 bedroom house rent increased in the quarter by 4.8% to a median weekly rent of \$440 per week.

Wollongong Other Dwellings 1 bedroom rentals remain unchanged over the quarter to \$250, whilst 2 bedroom median weekly rent fell by -1.5% to \$335. The annual growth of 1 & 2 bedroom other dwellings grew by 8.7% and 4.7% respectively.

SPECIALIZED PROPERTY MARKET

Investment Activity

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

50-60 Riverside Drive, Airds, NSW 2560

A private investor has paid **\$6.15 million** for a 2,765 sqm petrol station. The sale reflects a rate of \$2,224.25 psm. Airds is located 52.2 km south-west of the Sydney CBD.



8 Argyle Street, Camden, NSW 2570

A private investor has purchased a 2,158 sqm petrol station for **\$4.86 million**. The sale reflects a rate of \$2,252.10 psm. Camden is located 65 km south-west of the Sydney CBD.

896A Woodville Road, Villawood, NSW 2163

A private investor has bought a 1,391 sqm petrol station for **\$6 million**. The sale reflects a rate of \$4,313.45 psm.

51-55 Salisbury Avenue, Kemps Creek, NSW 2178

A private investor has acquired a 6,905 sqm petrol station for **\$14.5 million**. The sale reflects a rate of \$2,099.95 psm. Kemps Creek is located 43.6 km west of the Sydney CBD.

898-902 Victoria Road, West Ryde, NSW 2114

A private investor has paid **\$5.6 million** for a 670 sqm petrol station. The sale reflects a rate of \$8,358.20 psm. West Ryde is located about 15.4 km north-west of Sydney's 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 September quarter 2015;

St Johns Road, Glebe, NSW 2037

A private investor has acquired the **Nag's Head Hotel** for **\$6 million**. The hotel includes a pub and 17 gaming machines. Glebe is located 2.4 km south-west of the Sydney CBD.

237 Glenmore Road, Paddington, NSW 2021

Public House Group has bought the **Royal Hotel** from the Kelly family for **\$15 million**. The property was built in 1888 and has recently undergone a \$4 million renovation which has seen a repositioning of the multilevel food and beverage operation; including a new rooftop bar with views of the city skyline. The pub also includes a restaurant, bottle-shop and two bars. Paddington is located about 3.5 km south-east of Sydney's CBD.



156 – 160 Terrigal Drive, Terrigal, NSW 2260

A Europe-based investor has paid **\$9.6 million** for the **Country Comfort Motel**. The 10,059 sqm site has residential development potential with the price reflecting a rate of \$147,000 per unit site. Terrigal is located about 67.6 km north-east of the Sydney CBD.

952 Botany Road, Mascot, NSW 2020

JDA Hotels has purchased the **Tennyson Hotel** for **close to \$28 million**. The property includes multiple bars, a bistro and a gaming room. There is an opportunity for a serviced apartment development on part of the property.

George and Quay Streets, Haymarket, NSW 2000

Naumi Hospitality has acquired the **Rendezvous Hotel Sydney Central** from Bruce Mathieson for **\$38 million**. The hotel has conference facilities, retail, a restaurant and bar and 116 rooms. It is currently being operated by TFE Hotels. The sale reflects a rate of about \$327,586.21 per room.

11 Crofts Avenue, Hurstville, NSW 2220

Gallagher Hotels has purchased the **Tiger Bar** from the Nasser family for **around \$28 million**. The pub features 30 gaming machines, a restaurant, multiple bars, a bottleshop and a TAB. Hurstville is located 16.4 km south-west of the Sydney CBD.

2 St Marks Road, Randwick, NSW 2031

The Good Beer Group has acquired the **Duke of Gloucester Hotel** for **\$16 million**. The hotel features a 2am license, 19 poker machines, multiple bars and a large outdoor beer garden. The sale of the 746 sqm site reflects a rate of \$21,447.70 psm. Randwick is located around 7 km south-east of the Sydney CBD.

28 Chalmers Street, Surry Hills, NSW 2010

A Chinese buyer has acquired the five-star hotel, **Bounce Backpackers**, for **\$18.3 million**. The hotel features 190 beds over three levels, a tavern and top floor kitchen facilities. The sale reflects a rate of \$96,315.79 per room. Surry Hills is located around 5 km south-east of the Sydney CBD.



12-30 Duffys Road, Terrigal, NSW 2260

The **Terrigal Sands Lifestyle Village** has been bought for **\$8.5 million**, on an **initial yield of 8.2%**. The site is a mature park with 198 occupied manufactured homes at a passing rent of \$160 a week. The sale reflects a rate of \$42,929.30 per home site.

REGIONAL MARKET

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

Investment Activity

Retail

28 Central Avenue, South Nowra, NSW 2541

Sentinel Property Group has bought the **Nowra House and Home** for **\$15.3 million**. The 8,100 sqm property sits on an 18,744 sqm site and is fully occupied by national retailers *The Good Guys* and *Anytime Fitness*. South Nowra is located around 161 km south-west of Sydney's CBD.



169 Crawford Street, Queanbeyan, NSW 2620

A *Dan Murphy's* liquor store has been acquired by a private investor for **\$11.3 million** on a **yield of 4.7%**. The 1,400 sqm building has 41 car spaces and the property has a 15 year lease plus options to 2060 to *Woolworths*. The sale reflects a **rate of \$8,071.43 psm**. Queanbeyan is located 337 km south-west of the Sydney CBD.

Cnr Yambil & Crossing Streets, Griffith, NSW 2680

Shopping Centres Australasia has bought the **Griffin Plaza Shopping Centre** from *Elanor Investors* for **\$23.5 million**. The *Coles* anchored centre was sold on an 18-month rental guarantee to cover vacant tenancies. This means the sale was on a **fully leased yield of 8%** and not the current passing yield of 6.9%. Griffith is located around 597 km south-west of the Sydney CBD.



Hotel & Leisure

1 Cobb Highway, Moama NSW 2731

The **Moama Riverside Holiday and Tourist Park** has been acquired by *Gateway Lifestyle* for **\$12.3 million**. The tourist park has 198 sites and 2 ha of adjoining vacant land with potential for 45 modular homes. The deal reflects an **8.4% yield**. Moama is located about 800 km south-west of Sydney or about 232 km north of Melbourne.

819 Tomago Road, Tomago, NSW 2322

Aspen Group has bought the **Tomago Village Van Park** for **\$10.5 million** on an **initial yield of 9.3%**. There are currently 136 sites licenced for long-term use and approval for a further 24 sites. The sale reflects a rate of \$65,625 per site. Tomago is located 156 km north-east of Sydney's CBD.

1 Norman Street, Lake Conjola, NSW 2539

The mixed use accommodation park **Big 4 Conjola Lakeside** has been purchased by *Ingenia Communities* for **\$24 million**. The property features 287 annual sites and 81 tourism cabins and sites. The site has the potential for further expansion and could accommodate 100 new homes. The sale of the 21-hectare site reflects a \$65,217.39 per site. Lake Conjola is located about 216 km south-west of Sydney's CBD.

New South Wales Hotel Sales Wrap

A private motel operator and two investors have bought a regional NSW hotel portfolio known as **The Hallmark Inns** for a **combined total of \$8.5 million**. A local investor acquired **The Regency Inn** which is a 40-room motel located in Armidale for **\$1.5 million**. The sale reflects a rate of \$37,500 per room. A Chinese investor purchased the 70-room **Charbonnier Hallmark** hotel in the Upper and Lower Hunter vineyards for **\$4 million**. The sale reflects a rate of \$57,142.86 per room. A private motel operator paid **\$3 million** for the 60-room **Hallmark Inn** in Tamworth. The sale reflects a rate of \$50,000 per room.

Myola Road, Myola, NSW 2540

Gateway Lifestyle has purchased the **Myola Lifestyle Resort** from a private investor for **\$5.35 million**. The 4.5 hectare resort has 201 permanent modular home sites. The sale reflects a rate of \$26,616.90 per home site. Myola is located 183 km south-west of the Sydney CBD.

122 Soldiers Point Road, Soldiers Point, NSW 2317

Ingenia Communities has acquired the **BIG4 Soldiers Point Park** for **\$10.5 million**. It is a 2.8-hectare freehold park with cabins, convenience store, playground, pool and a go-kart area. Soldiers Point is located about 189 km north-east of the Sydney CBD.

Rural

Maguires Road, Maraylya, NSW 2765

A former *Inghams* poultry farm has sold for **around \$4 million** to a company with ties to agribusiness and property development. The sale of the 16.2 hectare site reflects a rate of \$246,913.58 per hectare. Maraylya is located about 49.2 km north-west of Sydney's CBD.



Economic Fundamentals

GDP

GDP figures for the September quarter 2015 are not available until the 2nd December 2015, however, over the June 2015 quarter revealed that the Australian economy recorded growth of 0.2% seasonally adjusted which reflected growth of 2% seasonally adjusted over the twelve months to June 2015.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Financial and insurance services (+0.6%), 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 (-0.1%) and Construction (-0.2%).

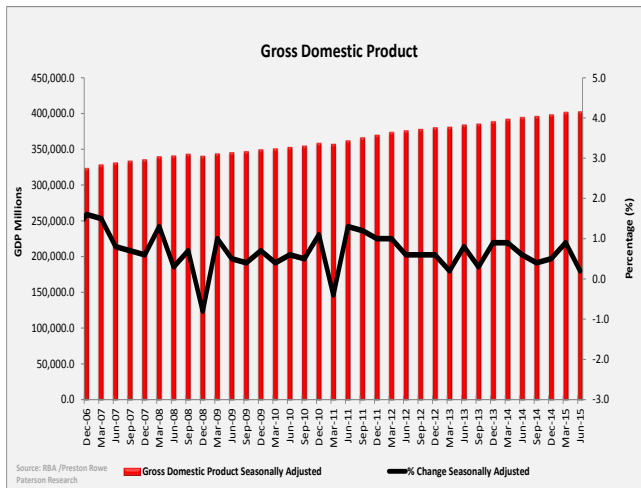


Chart 26 – Gross Domestic Product (GDP) – Source ABS

Interest Rates

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

"The global economy is expanding in a moderate pace, with some further softening in conditions in China and east Asia of late, but stronger US growth. Key commodity prices are much lower than a year ago, in part reflecting increased supply, including Australia. Australia's terms of trade are falling...In Australia the available information suggests moderate expansion in the economy continues. While growth has been somewhat below long-term averages for some time, it has been accompanied with somewhat stronger growth of employment and steady rate of unemployment over the past year. Overall the economy is likely to be operating with a degree of spare capacity for some time yet, with domestic inflationary pressures contained. Inflation is thus forecast to remain consistent with the target over the next one to two years, even with a lower exchange rate."

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

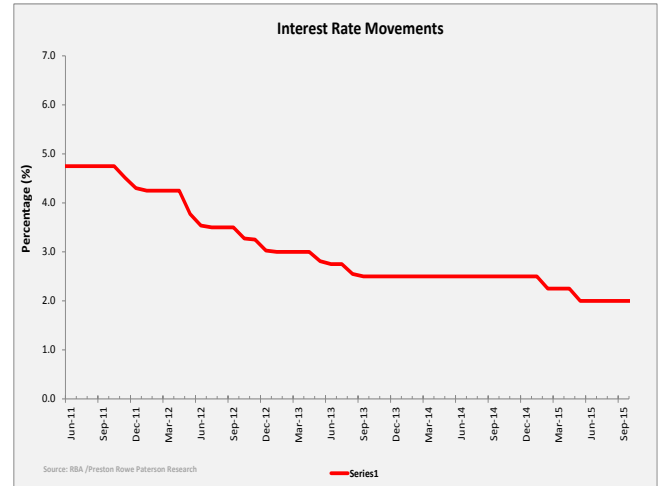


Chart 27 – Cash Rate – Source RBA

CPI

According to the Australian Bureau of Statistics (September 2015), the Australia's All Groups CPI increased by 0.5% over the September quarter from 107.5 to 108. The annual CPI change to September 2015 recorded a growth of 1.5%.

The most significant price rises over the September quarter were International holiday travel and accommodation (+4.6%), Fruit (+8.2%) and Property rates and charges (+4.6%). The greatest price fall over the quarter was attributed to are Vegetables (-5.9%), Telecommunication equipment and services (-2%) and Automotive fuel (-1.7%).

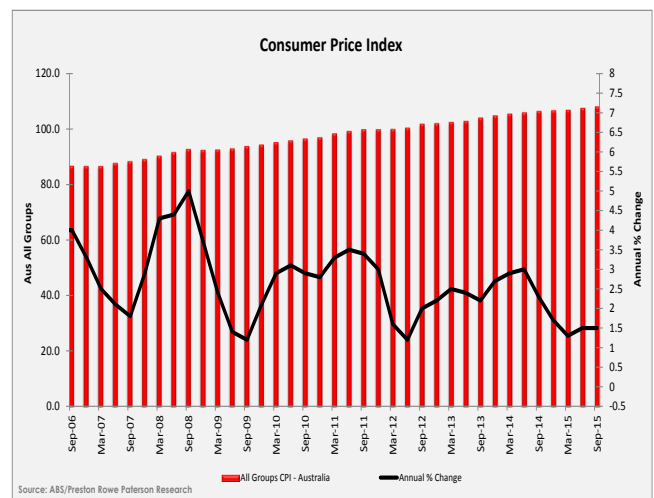


Chart 28– Consumer Price Index—Source—ABS

10 Year Bond & 90 Day Bill Rate

Over the September 2015 quarter, the 10 Year Government Bonds recorded a decline of 29 basis points from 2.7%. The 90 Day Bill Rate recorded a 2 basis points growth over the quarter from 2.17%.

In the twelve months to September 2015, the monthly 10 Year Bond Rate has decreased by 86 basis points from 3.55%. Similarly, the monthly 90 Day Bill Rate fell by 49 basis points from 2.66%.

Analysis of the daily 10 Year Government Bonds has revealed a decrease of 2 basis points over the month of September ending to 2.61%. The 90 day bill rates had increased by 3 basis points to the month end of 2.19%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of 23 basis points.

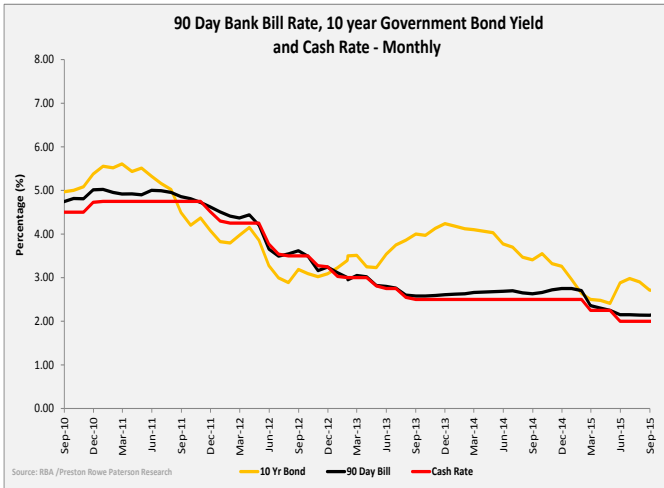


Chart 29 – 90 Day Bill, 10 year bond and cash rate – MONTHLY – Source RBA

Labour force

Over the month to September 2015, the number of unemployed people has declined by 8,139 from 780,677 in August to 772,538 in September, reflecting a –1% decrease. In comparison to September 2014, the number of unemployed people had increased by 7,650 reflecting an annual increase of 1%. The unemployment rate was 6.2% as at September 2015.

The number of unemployed seeking full time employment recorded a decrease in September by 6,200 to 556,100 persons. The number of unemployed seeking part time employment recorded a decreased over the month by 2,200 to 216,500 persons.

New South Wales experienced a large absolute decrease in seasonally adjusted employment by –1,276 persons to 3.736 million persons over the month of September. The unemployment status in New South Wales over the quarter increase by 0.1% to 5.9%.

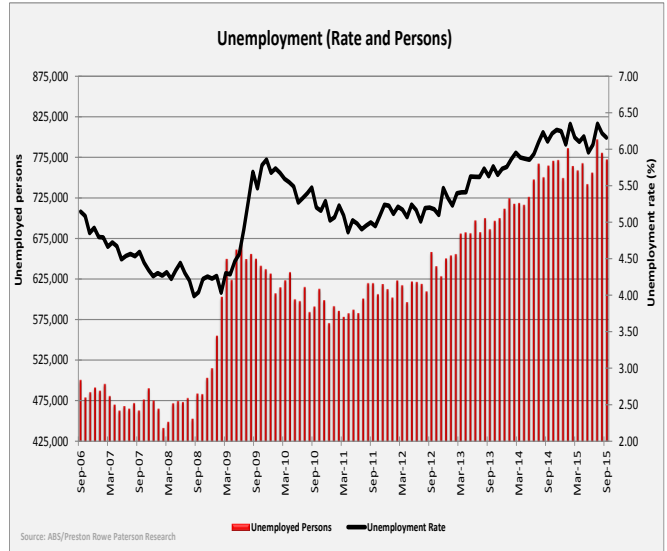


Chart 30 – Unemployment – Source ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 5.6% from 99.5 index points in August to 93.9 index points in September. Over the quarter the index has decreased by –1.4 points and recorded a –0.11% annual decline.

Westpac's Economist, Bill Evans commented; "This solid fall comes as no surprise...violent gyrations in both Australian and overseas equity markets, poor economic data from China, disappointing report on Australia's growth rate and weakness in the Australian dollar were likely to have unnerved households."

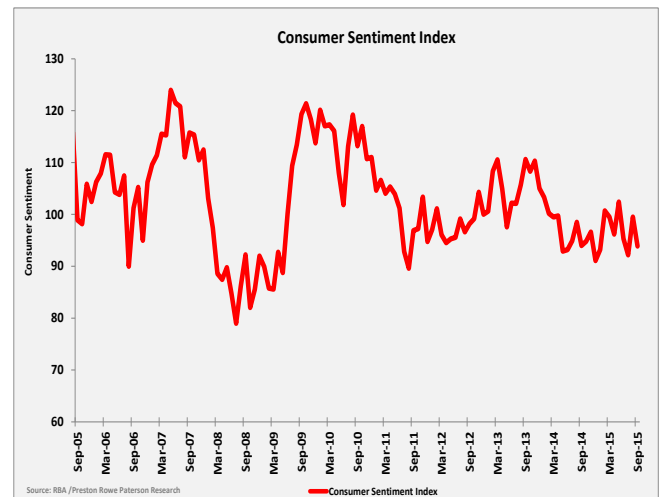


Chart 31 – Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey



Our Research

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

We have property covered

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

We have all real estate types covered

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

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

We have all types of plant & machinery covered

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

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

We have all client profiles covered

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

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



We have all *locations* covered

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

We have your *needs* covered

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

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



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New Plymouth

Tauranga

Wellington

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