



**Preston
Rowe
Paterson**

®
International Property Consultants

Property Market Report

New South Wales

ABOUT THIS REPORT

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

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

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

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

September Quarter 2016

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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 2016:

36 Hickson Road, Sydney, NSW 2000

DEXUS Property Group has paid **\$17.105 million** for the soon-to-be-vacated headquarters of *Lendlease*. The 1,445 m2 site contains two historic bond buildings. One has 5-levels and the other has 3-levels. The property has 20 car spaces and is divided into 6-lots. The sale reflects a **rate of \$11,837.37 psm**.

10-14 Quay & 775-779 George Streets, Haymarket, NSW 2000

Citadin has sold three commercial buildings to a Hong Kong family for **\$42 million** on a **3.9% yield**. The property on Quay Street is a 6-storey building, while the properties on George Street are two 693 m2 heritage terraces. The sites have a mixed-use zoning but will likely be held. They are 98% occupied and occupy a total site of 1,207 m2. The sale reflects a **rate of \$34,797.02 psm**.

287 Elizabeth & 136 Liverpool Streets, Sydney, NSW 2000

A Hong Kong private investor has acquired an inter-connected 5,856 m2 building with ground-floor retail and 10-levels of office space from *Citadin* for **\$55 million**. The property is unlikely to be refurbished or redeveloped in the short-term. The building has a WALE of 3-years and features tenants such as *St George Bank*, *ACM Group*, *Grace Lawyers* and *7-Eleven* on ground-level. The sale reflects a **yield of 5%** and a **rate of \$9,392.08 psm**.

210 & 220 George Street, Sydney, NSW 2000

Poly Real Estate has purchased two office buildings from *Anton Capital* for **\$160 million**. 210 George Street is a 16-level, B-grade, office building with one level of retail shops. 220 George Street is a 13-level office building consisting of basement car parking and ground-floor retail. The fully leased income at March 2016 was \$7.314 million. The purchaser may redevelop the sites into commercial properties.

28 O'Connell Street, Sydney, NSW 2000

Chubb Insurance has sold a 14-storey commercial building to *Coombes Property Group* for **\$91 million**, reflecting a **yield of 4.67%**. The ACE Building has 6,109 m2 of net lettable area and occupies a 754 m2 site. *Coombes Property Group* own the adjoining property, which allows for an amalgamation of a 1,000 m2 site. The sale reflects a **rate of \$120,690 psm**.

140 Sussex Street, Sydney, NSW 2000

Bank of China has acquired an office tower from *Deutsche Asset Management* for a reported purchase price of **\$130 million**. The Bank will occupy approximately half of the 12,440 sqm building when it moves in sometime after May 2017. They intend to move its offshore bank's Sydney headquarter into the building.

303 George Street, Sydney, NSW 2000

Sydney Council has acquired *Pittsway Arcade* in **Sydney CBD** for \$43 million as part of their *Sydney Square* project. The property was previously privately owned by members of the Hong Kong family of *Greenwich*, who had previously purchased the property in two parcels of land. The 3,410 sqm of net lettable area is currently mostly leased, with a weighted average lease expiry of more than three years.

65-77 Market Street, Sydney, NSW 2000

Cbus Property Pty Ltd and *Scentre Group* have jointly acquired the *David Jones* menswear store on Sydney CBD's Market Street for **\$370 million**. *Scentre* paid **\$182.5 million**, with *Cbus Property* paying the remaining **\$177.5 million**. The building itself has a total area of 21,390 sqm on a 2,537 sqm land size. *David Jones* will continue to occupy the site until late 2019 on a lease agreement providing a 4.5% per annum rental return on the sale price.

92-94 Pitt Street, Sydney, NSW 2000

An *undisclosed buyer* has acquired a commercial building on Pitt Street from *EG Funds Management* for **\$50 million**. The building has total area of 4,621 sqm and sits on a land area of 556 sqm.

235 Pyrmont Street, Pyrmont, NSW 2009

Anton Capital has sold a heritage-converted office complex to *Kador Group* for **just over \$80 million**. The 8-storey building comprises 10,399 m2 of space and is fully-leased to tenants including *Village Roadshow*, *JWT* and *Think Education*. The property was refurbished in 2011 and in 2014. The sale reflects a **yield of just below 6%** and a **rate of over \$7,693 psm**. *Pyrmont* is located about 2 km west of Sydney's CBD.

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 2016:

680 George Street, Sydney NSW 2000

Brookfield Prime Property Fund has secured a leased with *Government Property NS* for 10,990 sqm.

255 Pitt Street, Sydney, NSW 2000

RPS Australia East has agreed to lease a whole-floor in *ISPT's* A-grade office building for the next **5-years**. The 1,933 m2 of space was leased at a **net annual rent of \$750 psm**.

50 Bridge Street, Sydney, NSW 2000

A 1,172 sqm office at the A-Grade AMP Tower has been leased out to engineering contractor *John Holland* as they prepare for the beginning stages of the construction of the *Sydney Metro* project. The lease is for **9-months**, and even though the lease was held in confidentiality, indicative net annual rents in the area are approximately **\$670 per sqm**.

Development Sites

The July 2016 edition of PCA's Office Market Report have recorded a few office developments that are in the construction stages of the Sydney office pipeline:

International Towers Sydney Tower 3, part of the three high rise Premium Grade office buildings of International Sydney, is has been completed in the second quarter of 2016. The tower is bounded by Hickson Road, Shelley Street and Sydney Harbour at Welsh Bay. The owner of the tower, *Lend Lease*, will supply 79,352 sqm of net lettable area over 38 office floors, with the average floorplate size at 2,300 sqm. Retail space will take up 5,315sqm of the tower, with 167 car spaces available.

International Towers Sydney Tower 1 will see its development being completed by the fourth quarter of 2016. This larger development, under the same owner as Tower 2 (completed June 2015) and 3, will have a net lettable area of 101,729 sqm over 48 office floors and of which 8000 sqm will be retail space. The average floorplate size will be 2,300 sqm, and contain 167 carpark space in total.

Supply by Grade (Stock)

The July 2016 Market Report from the Property Council of Australia (PCA) revealed an increase of 126,474 sqm in the supply of office space in Sydney's Central Business District. This was offset by a withdrawal of 110,731 sqm of space, resulting in a higher total stock of 5,082,215 sqm in office space within Sydney's CBD.

The increase in additional office space came solely from Premium Grade stocks. Its supply increased by 122,724 sqm from previous figures in January 2016. Total stocks of Premium Grade, as at July 2016, stand at 1,052,848 sqm.

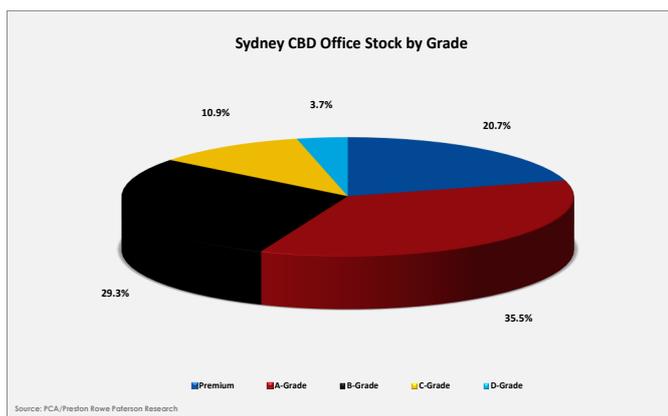


Chart 1 – Sydney CBD Office Stock by Grade – Source PCA

All other grades contributed to the withdrawals in stock from the market, with the largest decline emerging from the decrease of 54,201 sqm in A Grade stocks. B Grade, D Grade and C Grade followed, with withdrawals of 48,310 sqm, 3,042 sqm and 1,428 sqm respectively. A Grade buildings still dominate the market, totalling 1,805,226 sqm, followed by B Grade, C Grade and D Grade buildings, with total areas of 1,487,037 sqm, 551,478 sqm and 185,626 sqm respectively.

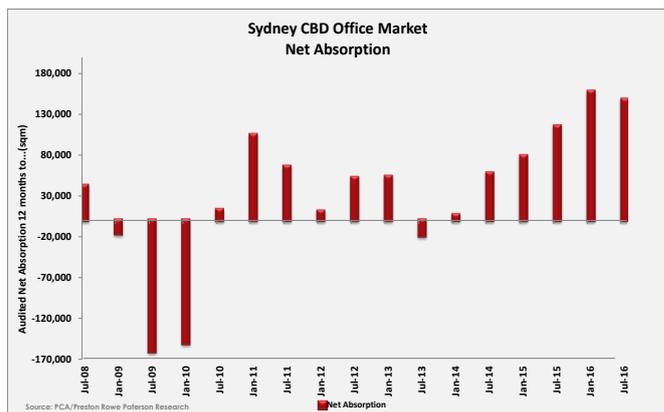


Chart 2– Sydney CBD Office Net Absorption - Source - PCA

Vacancy Rates

Vacancy in the Sydney CBD office market tightened during the six months to July 2016. Total office market vacancy had tightened by 0.7% down to 5.6% (282,457 sqm). Of the 5.6% vacancy, 4.9% was direct vacancy and 0.7% was sub-lease vacancy.

All grades of office stocks recorded a decrease in vacancy- except for Premium and C Grade office stocks-which increased by 3.2% and 0.6% to 11.3% and 6.0% respectively. The largest fall in total vacancy was reported by B Grade stocks, which fell by 3.3% to 3.5%. This is followed by a decline of 1.4% in A Grade stock to a total of 4.0%.

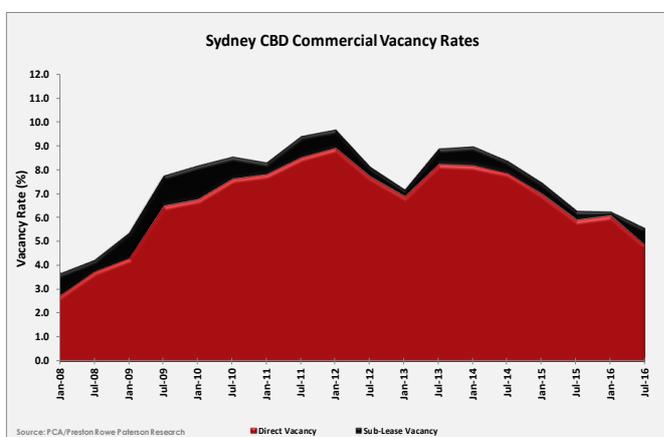


Chart 3 – Sydney CBD Office Vacancy – Source PCA



North Sydney



Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred during the three months to September 2016:

52 Alfred Street, Milsons Point, NSW 2061

An overseas Chinese buyer has paid **about \$130 million** to *Bridgehill Group* for a 10,000 m2 office building. The building is leased to *Kimberly-Clark*. There is also basement car parking. The sale reflects a **rate of \$13,000 psm**. Milsons Point is located around 2.7 km north of Sydney's CBD.



90 Arthur Street, North Sydney, NSW 2060

A 16-storey, B-grade office building has been sold by *151 Property Group* for **around \$75 million**. The property has a WALE of 3.08-years and has recently been refurbished for tenants including *Serco* and *Veda*. The sale reflects a **yield of about 6.27%**. North Sydney is located around 3.8 km north of Sydney's CBD.



189-197 Miller Street, North Sydney, NSW 2060

A commercial building in North Sydney has been acquired by *Transport for NSW* from *Tanert Pty Ltd* for **\$20.74 million**. The building has a total net lettable area of 438 sqm, and sits on a 754 sqm block of land.

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 2016:

76 Berry Street, North Sydney, NSW 2060

BT Australia has agreed to lease out an A-Grade office building on a **gross annual rent of \$925,000**. The deal was made for a **6-year lease**. The building is currently owned by Government Super, and has total net lettable area of 1,400sqm and a 4-Star NABERS rating.

Development Sites

The Property Council of Australia's (PCA) Office Market Report July 2016 noted that there are two active development in the North Sydney office market:

177-199 Pacific Highway, North Sydney, NSW 2060

The Norberry Terrace project, located at the corner of Berry Street and Pacific Highway, is due to be completed in the fourth quarter of 2016. The development will provide 39,383 sqm of net lettable area over 31 office levels. Its average floorplate size stands at approximately 1570 sqm, with the additional 112 car park spaces available.



Artist impression of development site at 177-199 Pacific Highway, North Sydney.

Supply by Grade (Stock)

As shown in the PCA's Office Market Report July 2016, North Sydney's office market recorded a withdrawal of 28,265 sqm in office stock and zero additional supply for the half year to July 2016.

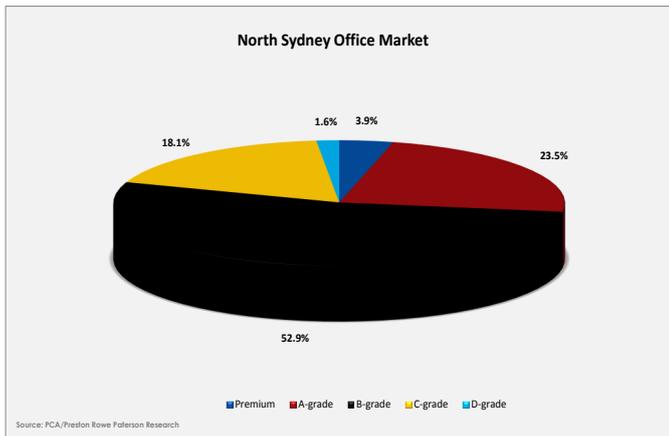


Chart 4 – North Sydney Total Stock Levels by Grade– Source PCA

These withdrawals resulted in the decline in Premium Grade, B Grade and C Grade stocks of 5,713sqm, 9,096 sqm and 13,456 sqm respectively. As of July 2016, their respective total supply stands at 30,787 sqm, 418,966sqm and 143,501 sqm. There was no change in the supply of A-Grade and D-Grade stocks, remaining at 186,296 sqm and 12,932 sqm respectively.

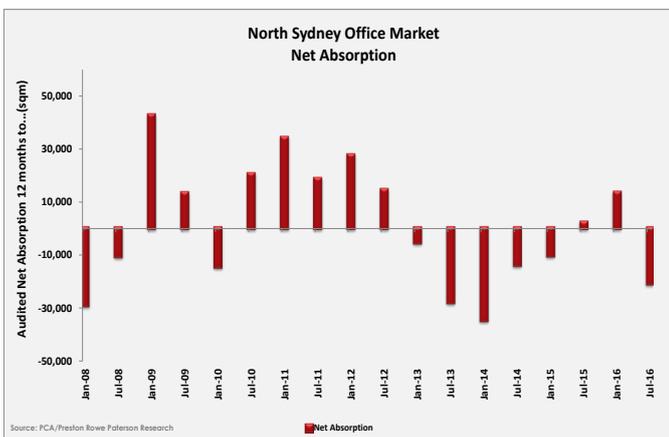


Chart 5 – North Sydney Office Net Absorption – Source PCA

Vacancy Rates

North Sydney's office market vacancy rate increased slightly by 0.3% over the six months to July 2016. As at July 2016, 55,603 sqm of vacant space was available, with 6.8% being direct vacancy and 0.2% as sub-lease vacancy.

It is worth noting that over the six months to July, the vacancy rate of Premium stock had increased by 41.2% from a fully occupied state in the first half of the year. All other office stocks experienced a decrease in vacancy rate from January 2016. A Grade, B Grade, C Grade and D Grade vacancy rates decreased by 5.4%, 6.1%, 4.9% and 3.0% respectively, and now stand at 5.4%, 6.1%, 4.9% and 3.0% respectively.

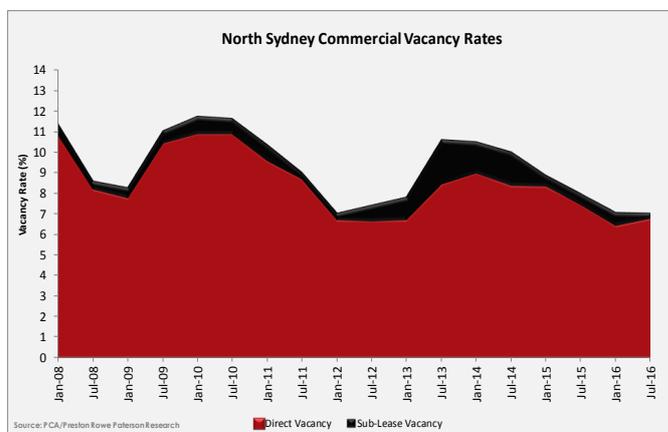


Chart 6 – North Sydney Office Vacancy Rates – Source PCA

Crows Nest/St Leonards



Investment Activity

Preston Rowe Paterson Research did not identify any sales transactions that occurred during the three months to September 2016 in the Crows Nest/St Leonards office market.

Leasing Activity

Preston Rowe Paterson Research revealed no leasing transactions had occurred during the three months to September in the Crows Nest/St Leonards office market.

Supply by Grade (Stock)

The PCA's Office Market Report July 2016 detailed that the Crows Nest/St Leonards office market recorded a withdrawal of 11,166 sqm in office space during the six months to July, bringing the stock total to 333,631 sqm. Notably, the stock withdrawals were attributed to the tightening of C Grade space.

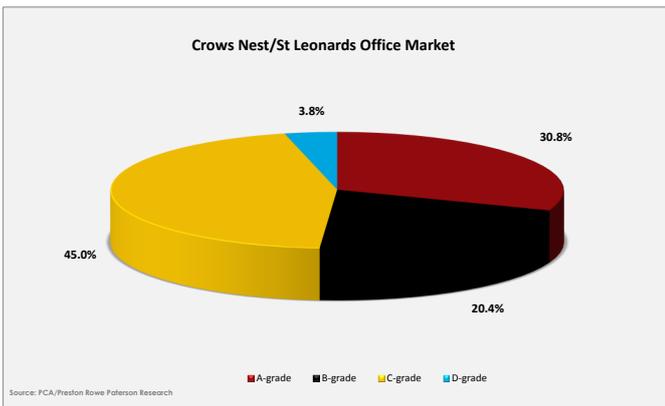


Chart 7 – Crows Nest/St Leonards Total Stock Levels by Grade – Source PCA

Despite the withdrawal, the Crows Nest/St Leonards market is still dominated by the C-Grade office stock with 150,153 sqm of space recorded for the July 2016 Report. No additional supply or withdrawal was recorded by the other types of office stocks in this Sydney zone.

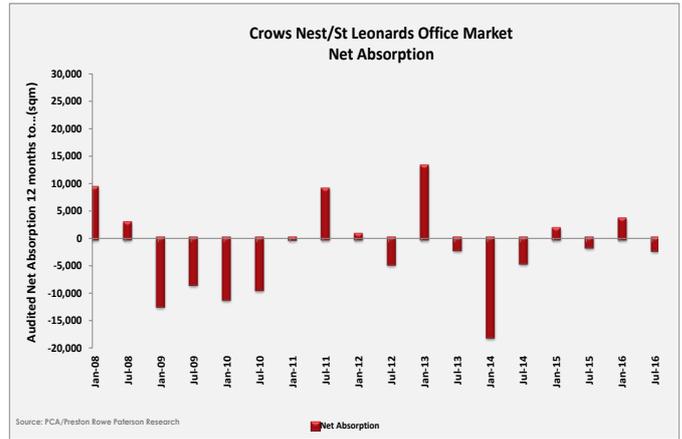


Chart 8 – Crows Nest/St Leonards Office Net Absorption – Source PCA

Total Vacancy

Over the six months to July 2016, Crows Nest/St Leonards recorded a decrease in total market vacancy rate of 1.3% to 8.3%. Amongst this, direct vacancy decreased by 1.1% to reach a vacancy rate of 7.3% and sub-lease vacancy reducing by 0.2% to a new rate of 1.0%.

The only increase in vacancy rate came from D Grade office stock, which increased by 5.4% to 14.6% vacancy. We observe the largest decrease in vacancy rate in the B-Grade stock, which decreased by 2.8% to a new rate of 6.3%. A Grade and C Grade stocks also experience decline in vacancy, of 0.6% and 1.4% respectively, to their new respective rates of 2.9% and 12.4%.

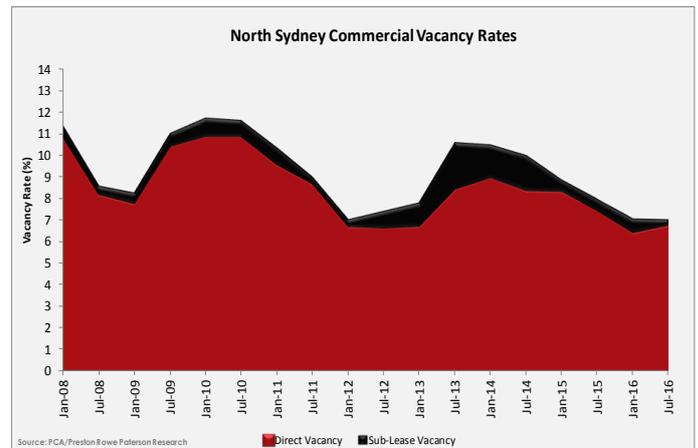


Chart 9 – Crows Nest/St Leonards Office Vacancy Rates – Source PCA



Parramatta



Investment Activity

Preston Rowe Paterson Research revealed the following sale transaction that occurred in the three months to September 2016:

18 Smith Street, Parramatta, NSW 2150

A refurbished A-Grade office and retail building located in **Parramatta** has been acquired by *Eureka Funds Management* for a reported **\$85 million**. The building is 12,000 sqm in size and homes government and ASX-listed tenants, including the Australian Electoral Office, Employers Mutual and Telstra. The building is currently at a 95% leased status, with a passing net annual income of \$5.69 million.



Leasing Activity

Preston Rowe Paterson Research recorded no leasing transactions that occurred during the three months to September in the Parramatta office market.

Development Sites

169 Macquarie Street, Parramatta NSW 2150

Stage 1 development of Parramatta Square is reported to be completed by the fourth quarter of 2016. Under its owner, *Charter Hall Group*, the site will provide a net lettable area of 26,000 sqm over 14 office levels. Its average floorplate size will be 2200 sqm, with 108 carpark spaces available upon completion.

Supply by Grade (Stock)

The PCA Office Market Report July 2016 recorded that the total office stock in the Parramatta office market has decreased to 682,469. The market report states that the six months to July 2016 recorded an addition of 1,470sqm to office supply, however this is offset by a 1,908sqm in withdrawal.

A and C Grade offices did not experience any change in their supply, remaining at 273,617 sqm and 100,373 sqm respectively. B Grade offices experienced an increase of 385 sqm to 219,303 sqm. In contrast, D Grade offices experienced a decline of 823 sqm to reach a new supply of 89,176 sqm for the period.

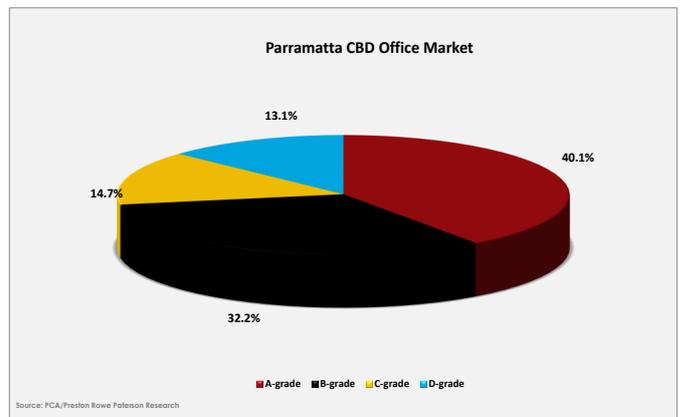


Chart 10 – Parramatta CBD Total Stock Levels by Grade – Source PCA



Building design for 169 Macquarie Street by Architectus.

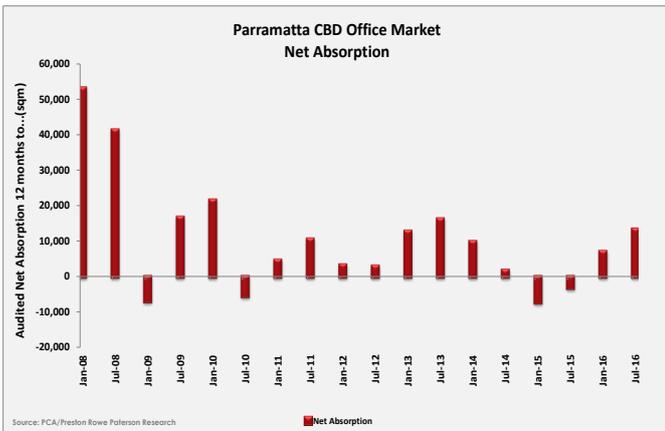


Chart 11 – Parramatta CBD Office Net Absorption – Source PCA

Vacancy Rates

The total vacancy in the Parramatta office market had decreased by 0.9% to 4.4% in the six months to July. Its vacancy rate comprises of 4.4% of direct vacancy and 0% sub-lease vacancy. The amount of vacant office space is approximately 30,498 sqm.

The only increase in vacancy stemmed from D Grade stocks, which increased by 2% over the half year to 5.1% vacancy. A, B and C Grade stocks all experienced a decline in vacancy of 1.7%, 1.6% and 1.6% respectively. As of July 2016, their respective vacancy rate stands at 0.0%, 6.8% and 11.0%.

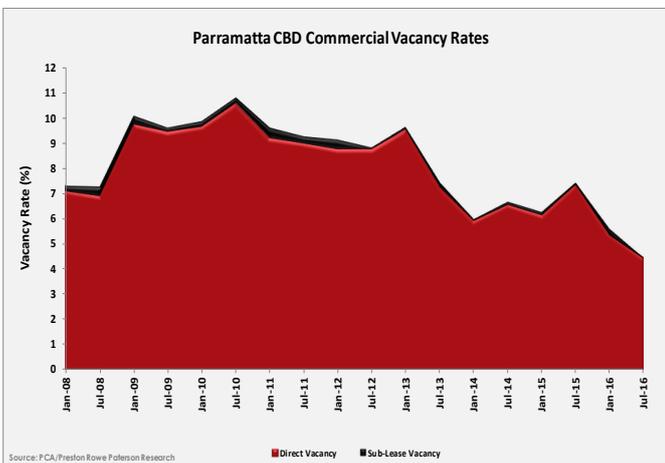


Chart 12 – Parramatta Office Vacancy Rates – Source PCA

Chatswood



Supply by Grade (Stock)

The July 2016 Office Market Report from the PCA indicates that there is no change in the total office stock in the Chatswood region, with total stock remaining at 278,919 sqm. There were no addition to supply and no withdrawals for the period.

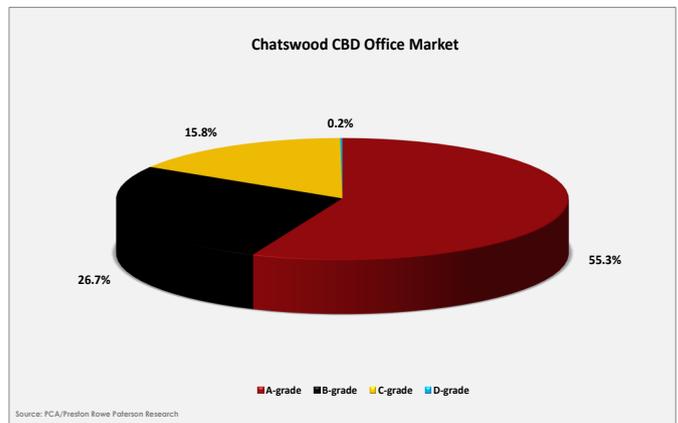


Chart 13 – Chatswood CBD Total Stock Levels by Grade– Source PCA

The Chatswood market is dominated by A Grade stock, which hasn't changed in supply since January 2015 at 157,412 sqm. There are approximately half as many B Grade as A Grade office stock, with July 2016 figures showing there are 76,046sqm of B Grade office stock. There are 45,007 sqm in space of C-Grade offices, and 454 sqm of D Grade stocks.

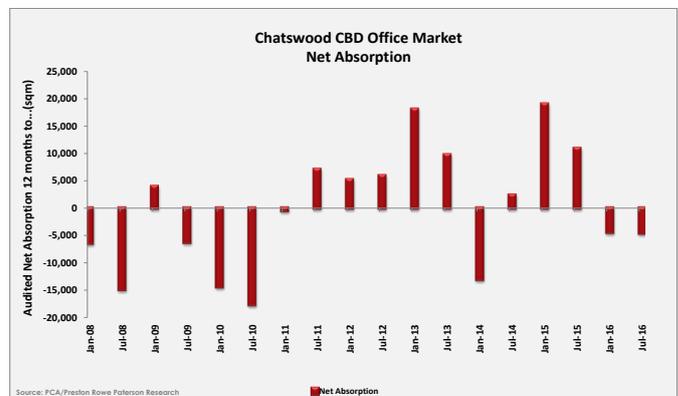


Chart 14 – Chatswood CBD Total Stock Levels by Grade– Source PCA

Total Vacancy

The Chatswood office market recorded that the total vacancy rate had declined by 1.1% to 6.6% in the six months to July 2016 with total vacant space amounting to 18,298 sqm. The total Chatswood vacancy rate comprise of 5.3% of direct vacancy and 1.3% of sub-lease vacancy.

All office grade's vacancy rates, but D Grade stock's, had tightened in the six months to July. The largest vacancy rate decline was recorded in the C Grade stock, falling by -2.5% to 2.5%. A Grade and B Grade vacancy fell by 1.1% and 0.2% respectively to 6.1% and 9.9%. As of July 2016, there is no supply of D Grade stocks in the Chatswood office market.

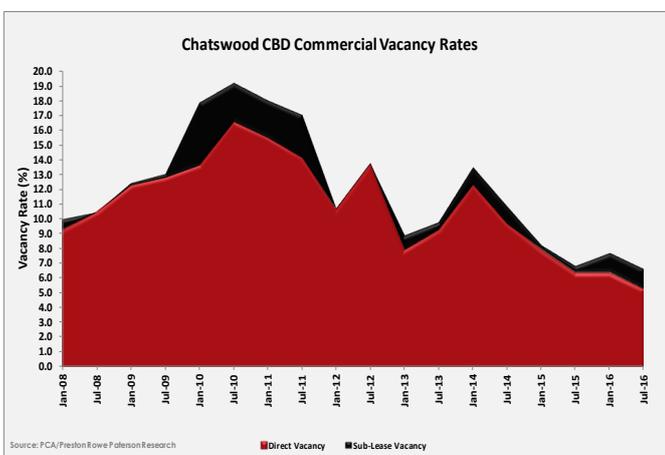


Chart 15 – Chatswood Office Vacancy Rates – Source PCA

Investment Activity

Investment Activity

Preston Rowe Paterson Research did not identify any sales transactions that occurred during the three months to September 2016 in Chatswood's office market.

Leasing Activity

Preston Rowe Paterson Research revealed no leasing transactions had occurred during the three months to September in Chatswood's office market.

North Ryde/Macquarie Park



Investment Activity

Preston Rowe Paterson Research recorded this sale transaction that occurred during the three months to September 2016:

810 Pacific Highway, Gordon, NSW 2072

A 4-level office building has been bought by **Aldi** for **\$26.5 million** on a **6.05% yield**. Marprop Real Estate Partners sold the 2,300 m2 block which is leased to **Allergan** until 2018 with options until 2021. The site has redevelopment potential with the previous owner planning their own development of about 80-apartments and retail space. The sale reflects a **rate of \$11,521.74 psm**. Gordon is located about 15.3 km north-west of Sydney's CBD.

37 Epping Road, Macquarie Park, NSW 2113

CorVal has acquired a building complex located in **Macquarie Park** from the Abacus Property Group for a reported \$33-34 million. The price reflects a yield of 7 to 8%. The building has a floor area of 8,010 sqm on a 0.80 hectare land size. It is reported that the building earns an estimated fully leased net income of \$2.46 million p.a., over three levels of commercial space and 220 car spaces. Macquarie Park is located 12 km north west of Sydney CBD.



20 Bridge Street, Pymble, NSW 2073

Yuhu Group, a Chinese-backed property developer, has acquired the Pymble Corporate Centre for **\$78 million**. The sale of the 1-hectare site, reflects a **yield of 7.2%**. The property was sold by owners Bob Magid and Eleanor Goodridge, and comprises of 14,459 sqm of office space and 1,017 car spaces.

Leasing Activity

Preston Rowe Paterson Research revealed no leasing transactions had occurred during the three months to September in North Ryde/ Macquarie Park office market.

Supply by Grade (Stock)

The PCA Report revealed that the total office stock in the North Ryde/Macquarie Park had decreased by 3,132 sqm to 883,367 sqm. This decrease is solely the result of the 3,132 sqm of withdrawal of supply from the North Ryde/Macquarie Park market.

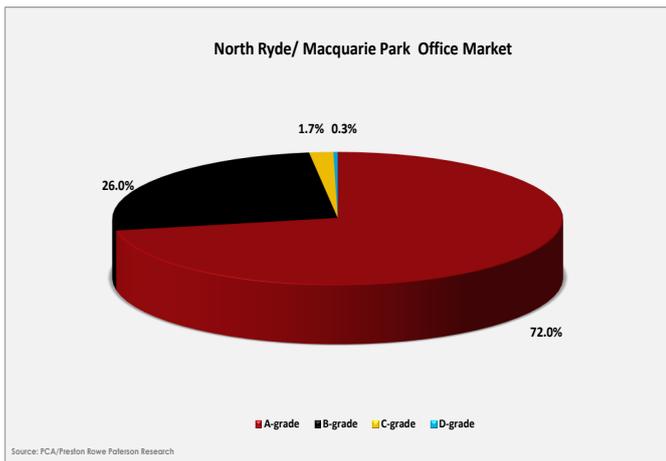


Chart 16 – North Ryde/ Macquarie Park Total Stock Levels by Grade – Source PCA

A Grade stock dominates the North Ryde/ Macquarie Park office market, accounting for about 635,620 sqm of total office space. B Grade space decreased in the six months to July with an decrease in supply of 1,600 sqm to total supply of 229,641 sqm. C Grade also recorded a decrease in supply of 1,532 sqm to a lower supply of 15,385 sqm. D Grade office space supply remain unchanged at 2,721 sqm.

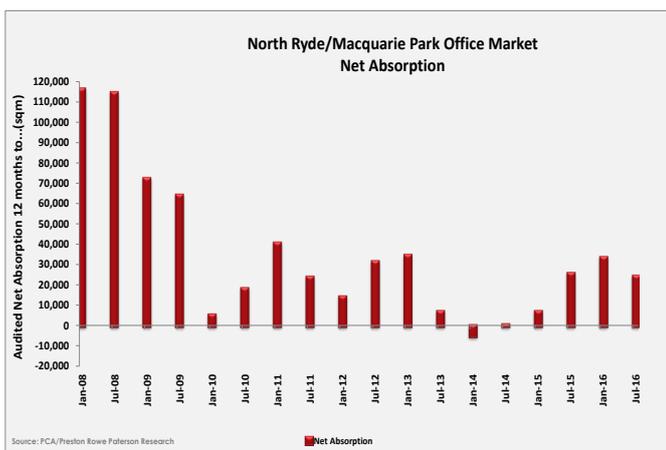


Chart 17 – North Ryde/ Macquarie Park Office Net Absorption – Source PCA

Vacancy Rates

The North Ryde/Macquarie Park market recorded a slight decrease in total office vacancy in the six months to July 2016, tightening by 1.1% to a new vacancy rate of 7.1%. It comprise of 6.5% direct vacancy and 0.6% sub-lease vacancy.

A, B and C Grade office stock all recorded a decrease in vacancy of 0.5%, 2.6% and 2.0%, to 4.3%, 14.9% and 10.4% respectively. C Grade office vacancy increased by 8.4% to 13.5%.

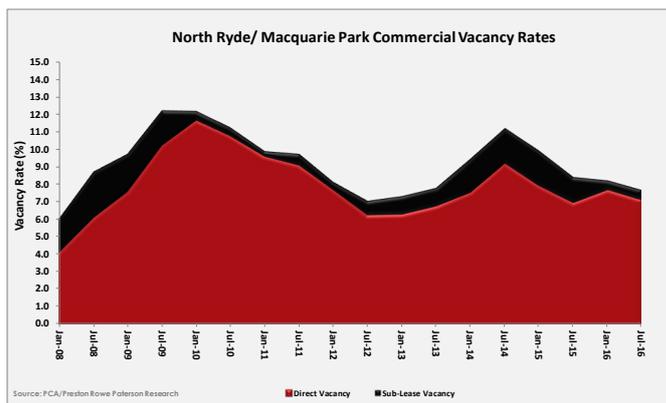


Chart 18 – North Ryde CBD Commercial Vacancy Rates – Source PCA



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 September 2016:

Campbell Parade & Curlewis Street, Bondi Beach, NSW 2026

GLG has sold the **Beach House Lane** retail centre to Cook Property Group for **\$31.3 million**. The 1,166 m2 full-leased retail arcade features 14 tenants including Aesop, Birkenstock, Aesop, Sonoma, Tuchuzy and the Drake Eatery. The sale reflects a **passing yield of 5.9%** and a **rate of \$26,843.91 psm**. Bondi Beach is located about 7.5 km south-east of Sydney's CBD.

4 Tindall Street, Campbelltown, NSW 2560

APOF II has paid **\$48.25 million** for the fully-leased **Marketfair Campbelltown** mall on a **6.5% yield**. The WALE of the centre is 8.5-years and the total site is 2.3-hectares. **Marketfair** features a Woolworths supermarket, Country Fresh, Chemist Warehouse, Country Fresh, Trade Secret, 20 specialty tenants, 2 kiosks and a Hungry Jacks pad site. The sale reflects a **rate of \$2,098 psm**. Campbelltown is located about 50.1 km south-west of the Sydney CBD.

6 Wine Country Drive & 16 Dover Street, Nulkaba, NSW 2325

Neil Wallace has sold an 8-hectare development site that will be turned into an IGA supermarket for **\$5.2 million**. The site also has approval for a community centre, recreation areas and 178 individual retirement villas. The sale reflects a **rate of \$65 psm**. Nulkaba is located around 50.9 km west of the Newcastle CBD.

37 Epping Road, Macquarie Park, NSW 2113

CorVal has paid **about \$34 million** to Abacus Property Group for a commercial and bulky good retail building. The 3-storey, 8,010 m2 complex sold on a **yield in the mid-7% range**. The sale reflects a **rate of about \$4,244.69 psm**. Macquarie Park is located about 18.4 km north-west of Sydney's CBD.

100 Edinburgh Road, Castlecrag, NSW 2068

The Mok family has sold the **Quadrangle Shopping Village** to Greencliff for **\$25 million** on a **yield of just below 5%**. The 2,500 m2, one-level shopping village sits on a 5,200 m2 site. IGA, Rodney Clarke and Australia Post are all tenants in the property. The sale reflects a **rate of \$481 psm**. Castlecrag is located around 8.4 km north of the Sydney CBD.

New South Head Road, Edgecliff, NSW 2027

Longhurst Group has paid **\$138.75 million** to a Hong Kong-based owner for the early 1970s **Edgecliff Centre**. The property comprises an Aldi-anchored neighbourhood shopping centre and a 6-storey office building. The total floor area is 10,845 m2 and the **yield is 3.72%**. The site also has redevelopment opportunities. The sale reflects a **rate of \$12,794 psm**. Edgecliff is located 3.1 km south-east of Sydney's CBD.

271 Queen Street, Campbelltown, NSW 2560

Perron Group has sold the **Campbelltown Mall** to the MTAA Super-backed Charter Hall Group for **\$197 million**. The 42,000 m2 mall is anchored by Coles, Aldi, Woolworths, Target and Kmart, as well as 10 mini-majors and 84 specialty tenancies. The sale reflects a **yield of 6%** and a **rate of \$4,690 psm**. Campbelltown is located around 50.2 km south-west of the Sydney CBD.

46 King Street, Sydney, NSW 2000

Showgirls Bar 20 has been acquired by Lorenz Grollo for **\$13.25 million**. The strip club will be closed down on November 4 with the new owner planning a mixed-use redevelopment in the future. The property was sold by the liquidators of Planet Platinium.

152-194 Allison Crescent, Menai, NSW 2234

The Menai Central retail complex has been acquired by Sydney-based Wingdom Group from Sentinel Property Group for **\$43.3 million**. The complex contains 10,796 sqm of net lettable area and is currently anchored by IGA, Dan Murphy's and Goodlife Health Club, along with 275 parking spaces.

124 Campbell Road, Bondi Beach, NSW 2026

Former Bates milk bar at 124 Campbell Road at Bondi Beach has been acquired by developer Allen Linz's Rebel Property Group, Capital Group's Eduard Litver and Gil Baron for a reported **\$19.2 million**. The sale reflects a rate of rate of \$57,075 per sqm and a **reported yield of 3.14%**. Currently, the property reaps in a net income of \$600,000 p.a.

Leasing Activity

Preston Rowe Paterson Research recorded the following significant leasing transaction that occurred in the Sydney metropolitan areas during the three months to September 2016:

1-3 Brady Street, Mosman, NSW 2088

Aldi will open a new supermarket in a 1,500 m2 retail space within the 6,800 m2 **Bridgepoint Shopping Centre**. The lease is for **15-years** and the **rent is believed to be around \$1,000 to \$1,200 gross psm**. The centre will go through a \$10 million refurbishment soon and the store is set to open in May 2017. Mosman is located around 6.5 km north-east of the Sydney CBD.

Retail Statistics

September's retail turnover results showed that New South Wales' retail environment remained positive coming into the second half of 2016. According to the Australian Bureau of Statistics category 8501.0 Retail Trade (June 2016), the retail turnover figures recorded in New South Wales produced a quarterly growth of 1.06% to \$8,159.1 million. The seasonally adjusted annual retail turnover growth to September was 3.94%.

The seasonally adjusted estimate for Australian turnover increased by 0.6% in September, following a rise of 0.5% in August and a relatively unchanged estimate in July. As of September 2016, Australia's total turnover stand at \$25.315 billion.

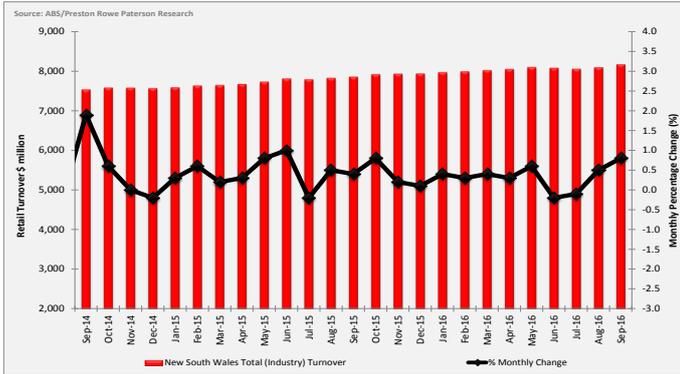


Chart 19 –New South Wales Retail Turnover – Source ABS

Modest increases were recorded in New South Wales's retail sector over the month of September, with Food retailing, Household goods, Department stores and Café & restaurants amongst the sectors experiencing retail turnover growth over the month. The highest monthly increase was recorded in the Household goods sector, which increased by 4.68% to \$1.442 billion for September. Clothing & footwear recorded the largest decline over the month, of 2% to their monthly turnover of \$745 million.

On a year-on-year basis, the outperformers were the Clothing & footwear and Café & restaurants with annual growths of 8.78% and 5.75%, respectively. Household goods recorded the lowest yearly change, with a modest 1.25% increase from the previous year.

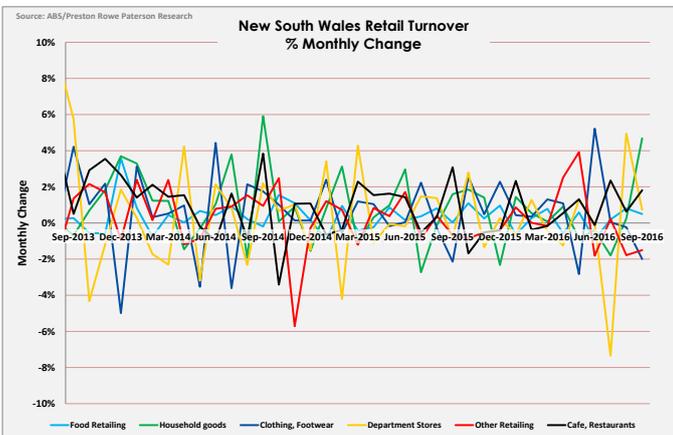


Chart 20 –NSW Turnover % Monthly Change – Source ABS





INDUSTRIAL MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in the Sydney metropolitan during the three months to September 2016:

29-33 King Road, Hornsby, NSW 2077

A private local owner-occupier has acquired an office and warehouse complex for **\$8.6 million**. The 4,697 m² property has a short-term lease to *Auto-Bake*, who occupies three separate buildings. The 8,756 m² site features an insulated cool room, hardstand, container access, storage, and an unloading facility. The complex is located within the **Hornsby Industrial Precinct**. The sale reflects a **rate of \$982.18 psm**. Hornsby is located about 23.6 km north-west of the Sydney CBD.

Bulk purchase by GPT Group in Sydney

Three separate parcels of land in Sydney's west- Eastern Creek, Erskine Park and Huntingwood- have been acquired by GPT Group. A deal was made to purchase a 5.3 hectares property on **Old Wallgrove Road in Eastern Creek**, and a 50% stake in a 4.3 hectare lot on **Templar Road in Erskine Park** from Jacfin, a property company. The third property, purchased from Sharp Corporation, is a 7 hectare property located at 1 Huntingwood Drive in Huntingwood. The three purchases are expected to provide a \$180 million worth of developed real estate onto GPT's balance sheet.

Regents Park, NSW 2143

A 10,459 m² office and warehouse has been purchased by *Benlee Property Trust No 11* for **\$12.5 million**. A private investor sold the property on a **yield of 7.67%**. The lease to *IPD Group Limited* will expire in January 2019. There is four buildings on the 2,052-hectare site and the buildings have recently undergone a \$1.75 million refurbishment. There is the potential for the site to be leased to multiple tenants or residential development if approval can be obtained from council. The sale reflects a **rate of \$609.16 psm**. Regents Park is located about 20.3 km west of the Sydney CBD.

54-58 Woodfield Boulevard, Caringbah, NSW 2229

A private investor has paid **\$5.1 million** on a **6.37% net yield** for a warehouse property. The 1,738 m² high clearance facility was constructed for food manufacturing. The sale reflects a **rate of \$2,934.41 psm**. Caringbah is located about 22.7 km south-west of the Sydney CBD.



274 Victoria Road, Rydalmere, NSW 2116

Mirvac has acquired a manufacturing and production facility on a 3.6-hectare site for **\$47.55 million**. The 1950s industrial property has a 4,467 m² office, an 8,119 m² production laboratory and a recently refurbished 10,148 m² warehouse. There are also 350 parking spaces and a 1,051 m² enclosed rear awning. *Thales Australia Limited* is fully-leasing the site until 2022. Mirvac will not convert the property into apartments. The sale reflects an **initial passing yield of 6.65%** and a **rate of \$1,321 psm**. Rydalmere is located about 20 km north-west of Sydney's CBD.

6a Wonderland Drive, Eastern Creek, NSW 2766

A distribution company has purchased an industrial building, which it will now occupy, from *Wallgrove Investments* for **\$8.6 million**. The 4,663 m² property is a full-height concrete panel warehouse. The sale reflects a **rate of \$1,844 psm**. Eastern Creek is located around 36.3 km north-west of the Sydney CBD.

79-99 St Hilliers Road, Auburn, NSW 2144

China Lesso Group Holdings has bought **St Hilliers Estate** from *Dexus Property Group* for **\$65 million**. The business park comprises 25,200 m² of building area on a 3.5-hectare site. The sale reflects a **rate of \$1,857 psm**. Auburn is located around 18.8 km north-west of Sydney's CBD.



95-101 Wetherill Street North, Silverwater, NSW 2264

An office and warehouse property has been acquired by private investors from NSW and SA for **\$7.813 million**. The 4,116 m² property has multiple roller shutter door entries, a concrete paved area and is leased for a net passing rent of \$556,483. The sale reflects a **yield of 7.13%** and a **rate of \$1,898 psm**. Silverwater is located around 18.6 km north-west of the Sydney CBD.

Banksmeadow, NSW 2019

DuPont has sold a 4,266 m² office and warehouse property for **\$12.6 million**. The property sits on a 7,954 m² site and was sold on a **net yield of 5%**. The sale reflects a **rate of \$1,584 psm**. Banksmeadow is located around 11.3 km south of the Sydney CBD.



239-251 Woodpark Road, Smithfield, NSW 2164

An offshore investor has paid **\$7.3 million** to *Mustera Property Group* for a 2-hectare industrial site. The 5,169 m² warehouse property is fully-leased and sold on a **yield of 7.67%**. The sale reflects a **rate of \$1,412 psm**. Smithfield is located 28.9 km west of the Sydney CBD.

1 WesTrac Drive, Tomago, NSW 2322

Industria REIT has acquired the *WesTrac* facility from *Australian Capital Equity* for **\$158.6 million** on an **initial yield of 7.25%**. The 45,500 m² facility is fully-leased by *WesTrac* on a triple-net lease for 18-years. The property was completed in 2012 and features 12 interconnected facilities and ancillary buildings. The sale reflects a **rate of \$3,486 psm**. Tomago is located about 156 km north-east of Sydney's CBD.





Marsden Park, NSW 2765

LOGOS has paid **\$40 million** to a local farmer for a 21-hectare industrial development site. LOGOS will construct a multi-tenanted logistics estate capable of holding up to 115,000 m2 of warehouse facilities. The **Marsden Park Logistics Estate** will have an end value of over \$200 million. The sale reflects a **rate of \$190 psm**. Marsden Park is located about 49.7 km north-west of Sydney's CBD.

28-38 Bowden Street, Alexandria, NSW 2015

Krumpet No 10 has acquired a 1,220 m2 creative office and 1,077 m2 warehouse for **\$7.45 million**. The sale reflects a **rate of \$3,242 psm**. Alexandria is located about 3.9 km south of the Sydney CBD.

54 Ferndell Street, South Granville, NSW 2142

Jaycar founder Gary Johnston has paid **\$55 million** to VIMG for a 10-hectare site. The site will house the company's head office and distribution centre. The sale reflects a **rate of \$550 psm**. South Granville is located around 22.2 km north-west of the Sydney CBD.

Leasing Activity

Preston Rowe Paterson Research recorded a relatively low number of leasing transactions that occurred during the three months to September 2016, in the Sydney Industrial Market.

44-48 O'Dea Avenue, Waterloo, NSW 2017

Gregsets Pty Ltd will occupy a 1,180 m2 warehouse for a **gross annual rent of \$136 psm**. The term is **2-years with options**. The landlord is Crown W48 Pty Limited at the eight-unit **Waterloo Business Centre**. There is a shared truck marshalling area. Waterloo is located about 3.3 km south of the Sydney CBD.



Reconciliation Road, Pemulwuy, NSW 2145

DEXUS has leased a property at the 69-hectare industrial estate known as **Quarry at Greystanes** to *Armstrong World Industries* for a net annual rent of \$453,360. The 3,778 m2 property has purpose-built spaces for logistics and contains rain water harvesting/recycling facilities, natural ventilation initiatives and access to solar hot water. The lease reflects a **rate of \$120 psm**. Pemulwuy is located about 29.4 km north-west of Sydney's CBD.

76 Heathcote Road, Moorebank, NSW 2170

A private landlord has leased a 2,700 m2 industrial property to *Grosvenor Engineering Group* for **5-years**. The lessee will pay a **gross annual rent of \$120 psm**. Moorebank is located about 27.7 km south-west of the Sydney CBD.

2 Ainslie Close, Somersby, NSW 2250

NSW Government has agreed to occupy a 1,999 m2 industrial property for **1-year**. The lessee will pay a **net annual rent of \$75 psm**. Somersby is located about 70.8 km north of the Sydney CBD.

40 Marigold Street, Revesby, NSW 2212

Verosol Australia will occupy a 4,323 m2 warehouse complex from JNKH in the newly refurbished **Kirby Industrial Estate**. The property has clearances of up to 9-metres and roller shutter door and truck access. The lease is for **5-years** at a **net annual rent of \$110 psm**. Revesby is located around 21.9 km south-west of Sydney's CBD.



Unit E1A, 35-39 Bourke Road, Alexandria, NSW 2015

Fresco Gourmet has moved into a 1,538.8 m2 modern warehouse property for **10-years**. The property will be used as a cold storage and distribution facility. The landlord is *Perpetual Nominees Limited*. Alexandria is located about 3.9 km south of the Sydney CBD.



Unit 2, 14A Baker Street, Banksmeadow, NSW 2019

Trust Company Limited has leased a 2,033 m2 warehouse and office building to *Alpha Flight* for **3-years**. Banksmeadow is located around 11.3 km south of the Sydney CBD.

80 Cope Street, Waterloo, NSW 2017

Suncorp Property Group has found a new tenant for its 1,013 m2 industrial unit. *Bravofoods* has agreed to a **20-month** lease term for the property that has 10 cool rooms and a processing area. The **gross annual rent is \$99.30 psm**. Waterloo is located about 3.3 km south of the Sydney CBD.

2 Pine Road, Yennora, NSW 2161

Great Western Auto Dismantlers has agreed to occupy a 4,048 m2 industrial property with a yard for **3-years**. The company will pay a gross annual rent of \$130,000 to the landlord *Spartan Steel*. The lease reflects a **rate of \$32 psm**. Yennora is located 25.2 km west of the Sydney CBD.

39 Pine Road, Yennora, NSW 2161

Precast Elements will occupy a 3,547 m2 industrial facility on a 1.12-hectare site for **5-years**. The property features three buildings with a wash bay and a 10-tonne overhead gantry. The **gross annual rent is for \$33 psm**. Yennora is located 25.2 km west of the Sydney CBD.

22-26 Myrtle Street, Marrickville, NSW 2204

ERTH Visual & Physical has agreed to occupy a 1,753 m2 industrial warehouse and office property for the next **3-years**. The property has internal clearances of up to 6.5-metres and basement storage. The lessee will pay a **gross annual rent of \$117 psm**. Marrickville is located about 7 km south-west of the Sydney CBD.

RESIDENTIAL MARKET

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals September 2016, the total number of house dwelling approvals in the Sydney Statistical Division over the month of September has shown a 5.95% decrease in approvals, from 1,614 approvals in August to 1,518 approvals in September. However, September's figure reflect an annual increase of 9.84%, when compared to the house dwelling approvals in September 2015.

The total number of non-house dwelling approvals had fallen by 20.26% from 4,304 dwelling approvals in August to 3,432 dwelling approvals in September. However, when we compare September's figures to a year ago, a 65% increase was recorded in non-house dwelling approvals.

The total dwelling approvals to date stand at 40,398.

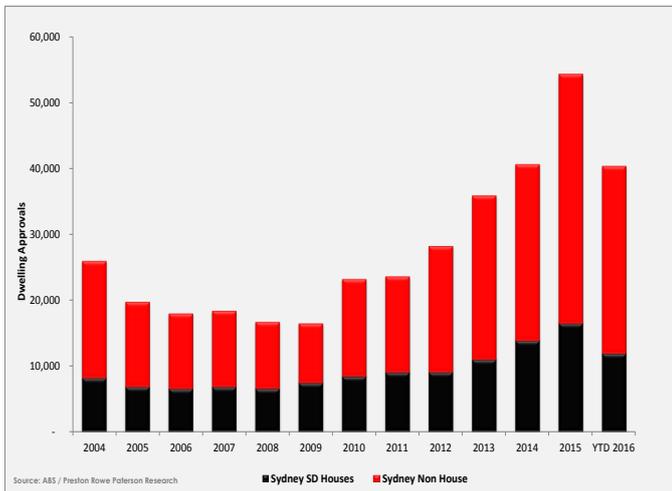


Chart 21 – Sydney SD Dwelling Approvals—Source ABS

SYDNEY

Market Affordability

Market affordability figures for the September quarter 2016 are not available from the Real Estate Institute of Australia (REIA), however, we have used latest figures from the June quarter for our analysis below.

According to the REIA, the June quarter saw the Sydney median house price increased by 2.1% over the quarter to \$1,023,200. The annual increase from June 2015 was a more modest increase of 1.3%. Sydney's median house price over the quarter recorded various results across all zones, with Outer Sydney recording the highest quarterly growth of 4.4% to \$710,000. Growth in Middle Sydney was recorded at 3.0% for the quarter, bringing up the median price to \$1,215,000. On the other hand, Inner Sydney has experienced a decline of -0.6% over the quarter, to its median price for the June quarter of \$1,740,000.

Inner and Middle Sydney experienced annual growths of 2.4% and 6.0%, respectively. Middle Sydney, on the other hand, experienced a decline of 0.2% over the year.

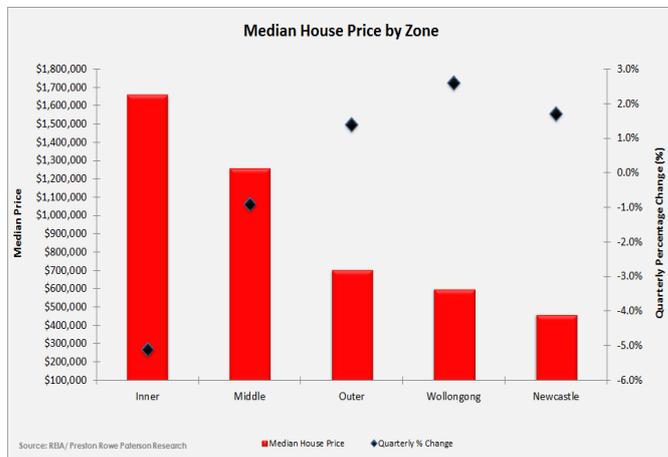


Chart 22 – Median House Price by Zone – Source REIA

Other dwellings median prices also recorded mixed results over the March quarter. The median price for other dwellings in Sydney increased by 0.4% over the quarter to \$672,000. Inner Sydney recorded a 1.9% growth over the quarter, to \$835,500. Prices in Middle Sydney experienced an increase of 2.3%, to \$835,500. Conversely, Outer Sydney experienced a decline of 0.9% in growth, down to \$580,000.

A year on year analysis sees Inner and Outer Sydney prices for Other dwellings increasing by 2.4% and 3.6% respectively. Middle Sydney, on the other hand, experienced an annual decline of 0.7% over the same period.

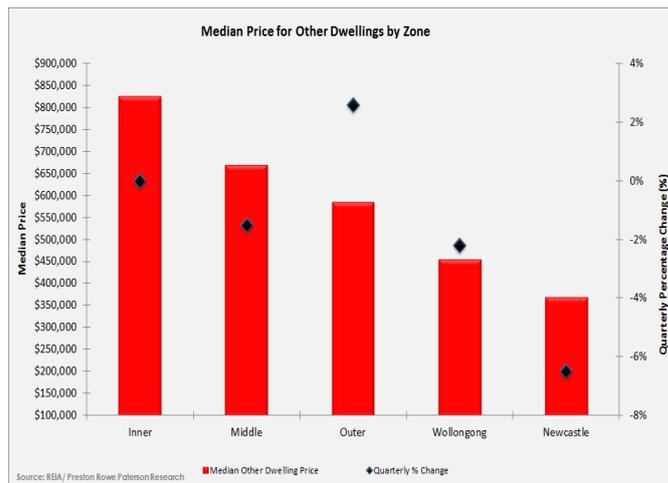


Chart 23 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

Over the June quarter, the Sydney house rental market recorded an overall increase in rents across all zones, except for Outer Sydney's 2 and 3 bedroom houses. The largest rental increase stemmed from Middle Sydney's 2 bedroom houses, which increased by 4.2% to a new weekly rent of \$500. Outer Sydney's 3 bedroom houses experienced the only decline in rent through the quarter, declining by 2.2% to a new rate of \$440 per week.

Over the twelve months to June, all Sydney zones recorded rental growth. The highest annual growth was recorded in Middle Sydney's 2 bedroom houses, in which the weekly rent grew by 8.7%. This is followed by Inner Sydney's 3 bedroom and Middle Sydney's 3 bedroom houses, whose weekly rent increased by 5.9% and 5.5%, respectively, to \$900 and \$580 per week. Rental prices for Outer Sydney's 3 bedroom houses increased the least over the quarter, with the 2.3% increase bringing its weekly rental price up to \$440.

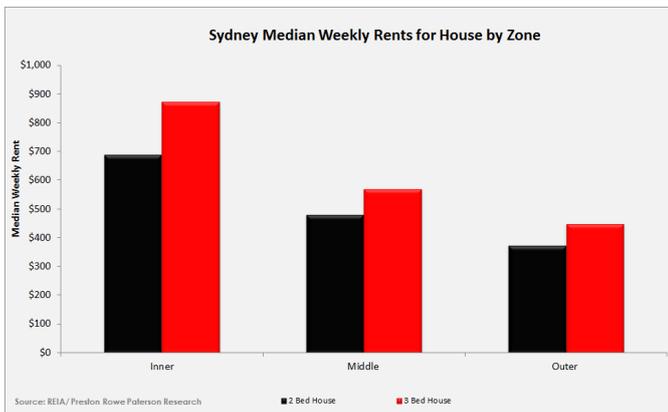


Chart 24 – Sydney Median Weekly Rents for House by Zone – Source REIA

The June quarter revealed modest growth on Other dwelling rents across all zones.

Median weekly rent remained unchanged over the quarter for Inner and Outer Sydney's 1 bedroom Other dwellings, remaining at \$660 and \$350 respectively. Middle Sydney's 1 bedroom dwellings recorded the highest increase of 2.2% to a median weekly price of \$470. Weekly rents Inner Sydney's 1 bedroom and Middle Sydney's 2 bedroom increased by 1.9% and 2.0% respectively, to their respective rental prices of \$530 and \$500 per week.

Over the twelve months to June, all Sydney Other Dwelling zones, recorded positive growth in their median weekly rents. The most notable growth was in Middle Sydney's 2 bedroom, Inner Sydney's 1 bedroom and Inner Sydney's 2 bedroom units with growths of 4.2%, 3.9% and 3.1% respectively. The lowest growths stemmed from rental prices of Middle Sydney's 1 bedroom units, which increased by 2.2%.

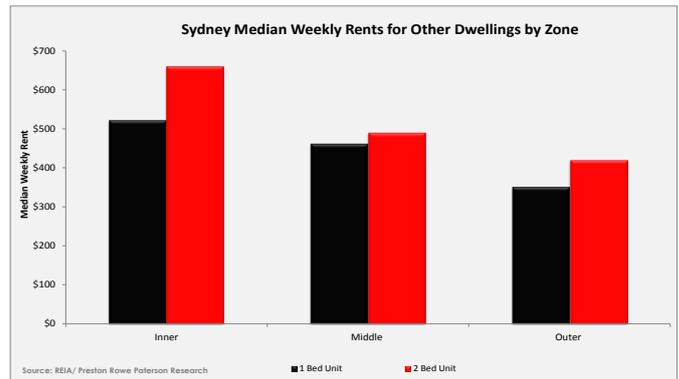


Chart 25 – Sydney Median Weekly Rents for Other Dwellings by Zone – Source REIA

NEWCASTLE

Market Affordability

Over the June quarter, Newcastle's median house price increased by 1.7% to \$470,000, reflecting an annual growth of 7.1%. Other dwelling sales in the Newcastle region increased by 5.7% over the quarter to \$391,300. This figure, reflects a more modest annual growth of 0.3%.

Rental Market

Two bedroom house rents in the Newcastle region grew by 2.7% over the quarter and 8.6% over the year, to its currently median weekly rent \$380. Weekly rents for three bedroom decreased by 2.5% over the quarter and remained unchanged over the year, at its current price of \$400 per week.

Quarterly results for Other Dwelling rentals in the Newcastle region recorded an overall decline for rental prices of both 1 and 2 bedroom dwellings. 1 bedroom rental prices decreased by 5.4% to \$265 per week, whereas 2 bedroom rental prices decreased by 2.8% to \$350.

WOLLONGONG

Market Affordability

Median house prices in Wollongong recorded positive results with quarterly increase of 3.8% and annual growth of 11.2% to \$622,500. The quarterly median Other Dwelling prices in Wollongong decreased by 0.6%, though a yearly increased of 8.2% has brought the median price to \$460,000.

Rental Market

The median house rents in Wollongong for 2 bedroom house decreased by 2.6% over the quarter to median weekly rent of \$370. Wollongong 3 bedroom house rent remain unchanged in the quarter to a median weekly rent of \$450 per week.

Wollongong Other Dwellings 1 bedroom rentals increased by 5.8% over the quarter to \$275, whilst 2 bedroom median weekly rent increased by 2.9% to \$360.

SPECIALIZED PROPERTY MARKET

Investment Activity

946 Anzac Parade, Maroubra, NSW 2035

Catholic Healthcare has acquired the **Maroubra Beach RSL** bowling club for **\$28.5 million**. The 10,850 m2 site is not zoned for residential development. The sale reflects a **rate of \$2,626.73 psm**. Maroubra is located around 12.4 km south-east of the Sydney CBD.

15 Fisher Road, Dee Why, NSW 2099

The **Aged Care Plus Centre** in Dee Why has been sold by the *Salvation Army* for a reported **\$25 million**. The 1 hectare site is approved for residential development of 4 buildings and more than 100 apartments. Notably, the sale of this property has an extended settlement to mid-2017 in order to enable the completion of a new development in Collaroy, located further up the road, for the present Dee Why residents. Dee Why is located 18 km north-east of Sydney's CBD.

27 Park Street, Sydney, NSW 2000

The Park Regis Hotel, located in Sydney CBD, has been sold to a *Chinese private capital group* for a reported **\$46 million**. The attraction of this property came from its replacement value given the low hotel stock in the Sydney CBD area. A 15 year management agreement of this 122-room hotel has been made to the private equity group.

625 Pittwater Road, Dee Why, NSW 2099

A private investor has paid **\$7.2 million** on a **yield of 4.86%** for a *United 24* service station. The 985 m2 site is leased for 20-years to 2036 plus options to 2061. The sale reflects a **rate of \$7,310 psm**. Dee Why is located about 17.4 km north-east of the Sydney CBD.

100 Rookwood Road, Yagoona, NSW 2199

A *United 24* service station has sold to a private investor for **\$4.82 million** on a **4.97% yield**. The property is leased for 20-years to 2036 plus options to 2061. The sale of the 1,378 m2 site reflects a **rate of \$3,498 psm**. Yagoona is located 19.5 km south-west of Sydney's CBD.

955 Pacific Highway, Berowra, NSW 2081

A *Shell* service station on a 5-year lease from 2014 + options to 2029 has been acquired for **\$5.1 million**. A large canopy and convenience store occupies the 1,505 m2 corner site. The sale reflects a **rate of \$3,389 psm**. Berowra is located about 33.8 km north of the Sydney CBD.

38-40 Wainewright Avenue, West Hoxton, NSW 2171

A *G8 Education* leased centre on a 10-year lease expiring June 2023 with 3 further 5-year options to 2038 has been purchased. A private investor paid **\$2.327 million** on a **yield of 4%** for the 46-place centre. The sale of the 1,274 m2 site reflects a **rate of \$50,587 per placement**. West Hoxton is located around 39.5 km south-west of Sydney's CBD.

217 Commercial Road, Vineyard, NSW 2765

The **A-vina Van Village** has been acquired by the *Ingenia Communities Group* for **\$33 million**. The site has 180 income producing sites and the ability to develop 150 new homes on additional land. The sale reflects a **rate of \$183,333 per income-producing site**. Vineyard is located 47.3 km north-west of the Sydney CBD.

20-22 Mons Road, Westmead, NSW 2145

Heathley Medical Property Fund No.1 has sold the **Mons Road Medical Centre** to *Vital Healthcare Property Trust* for **\$30.7 million**. The 4-level property has tenants including *Castlereagh Imaging* and *IVF Australia*. The **initial yield is 6.7%**. Westmead is located around 24.9 km 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 2016:

106 Hassall Street, Rosehill, NSW 2142

Silversea Investment has bought the 165-room **Mercure Parramatta**, which is managed by *Accor* under an agreement until 2021, for **\$40 million**. The hotel has conference facilities, a restaurant, bar, outdoor swimming pool, tennis court and undercover parking. The sale reflects a **rate of \$242,424.24 per room**. Rosehill is located about 21.3 km north-west of Sydney's CBD.



321-325 Sussex Street, Sydney, NSW 2000

Three, five-level terraces have been sold by *Ambly Holdings* to *Oceania Property* for **\$21.35 million**. The 391 m2 land holding will likely make way for a 13-storey hotel. The site has a height limit of 50-metres. The sale reflects a **rate of \$54,603.58 psm**.

69 Regent Street, New Lambton, NSW 2305

Hunt Hospitality has created a private syndicate to purchase the **Duke of Wellington Hotel** for **around \$8.5 million**. The pub has a bar area with a sheltered courtyard and a bistro. The property generates around \$1 million a year in EBITDA, which reflects a **yield of about 11%**. New Lambton is located around 7.3 km west of the Newcastle CBD.

35 Henderson Road, Alexandria, NSW 2015

Fiducia has sold the **Alexandria Hotel** to *Merivale* hospitality group for **\$10 million**. The new buyer will likely keep and update the pub which occupies a 913 m2 site. The pub features a bar and a bistro. The sale reflects a **rate of \$10,953 psm**. Alexandria is located about 3.9 km south of Sydney's CBD.





114 Darlinghurst Road, Darlinghurst, NSW 2010

S.C.C.E has paid **\$5.8 million** to KMG Holdings for the 16-guest room boutique hotel **L'otel**. The property has a bar and restaurant known as **Bar Brose**. The sale of the 247 m2 mixed-use site reflects a **yield of 7.37%** and a **rate of \$36,500 per guest room**. Darlinghurst is located about 1.5 km south-east of the Sydney CBD.

94 Beattie Street, Balmain, NSW 2041

Jon Adgemis has acquired the heritage-listed **Exchange Hotel** for **\$5 million**. The new buyer will upgrade the 1,076 m2 of net lettable area property that was constructed in 1885. The building houses a bistro, 2 bars and a terrace. The sale of the 640 m2 site reflects a **rate of \$7,813 psm**. Balmain is located about 4 km north-west of the Sydney CBD.

27 Park Street, Sydney, NSW 2000

A Chinese private capital group has bought the **Park Regis Hotel** through planning company **Cornerstone Capital** for **\$46 million**. **Staywell Hospitality Group** sold the 112-room hotel that features modern rooms and an outdoor, rooftop swimming pool. The sale reflects a **rate of \$410,714 per room**.

117-125 Oxford Street, Darlinghurst, NSW 2010

Iris Capital has acquired the **Colombian Hotel** from David McHugh for **over \$15 million**. The pub features a large bar and lounge area and was founded in 1995. 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 September 2016;

Residential

Pokolbin, NSW 2320

Sam Arnout has paid **around \$12 million** to Duncan Hardie for the **Hunter Valley Sweetwater** estate. The property features a European-style mansion and 50-hectares of olive groves and shiraz and cabernet grapevines. The sale reflects a **rate of about \$240,000 per hectare**. Pokolbin is located about 158 km north of Sydney's CBD.

458 Bowman River Road, Gloucester, NSW 2422

Brad Marzato has sold a 350-hectare beef cattle property to a private buyer for **around \$1.875 million**. The property known as **'Wyeworrie'** has a 6-bedroom modern homestead, 400-head steel cattle yards and 13-grazing paddocks. The sale reflects a **rate of \$5,357 per hectare**. Gloucester is located about 116 km north of the Newcastle CBD.



Specialised Property

9292 Murrumbidgee River Road, Darlington Point, NSW 2706

Casella Wines has paid **around \$12 million** to **Belvino Investments** for the **Dunvar** vineyard. The 902-hectare landholding comprises 170-hectares planted to Shiraz, 202-hectares planted to Pinot Grigio and 236-hectares planted to Chardonnay. Structural improvements on the land include a manager's residence, workers' quarters, large storage shed, four machinery sheds and a workshop. There are also 120-hectares that can be developed. The sale reflects a **rate of \$13,304 per hectare**. Darlington Point is located about 592 km south-west of the Sydney CBD.

New South Wales Rural Sales Wrap

An undisclosed buyer has acquired two pastoral holdings from the Seidel family for **about \$15 million**. The properties include the 4,544-hectare **Buckingbong Station** and the 453-hectare **Oakdale Station**. **Buckingbong Station** has been extensively developed to include irrigated and dry land farming, as well as grazing operations. There is also a historic homestead.

239 White Flag Road, Yass, NSW 2582

Gina and Chris Grubb have purchased a 907-hectare grazing property at auction for **\$5.825 million**. The property known as **Billabong** has a homestead, improved and native perennial pastures and has the opportunity for cropping and grazing enterprises. The sale reflects a **rate of \$6,422 per hectare**. Yass is located around 286 km south-west of the Sydney CBD.

4 Wellington Road, Dubbo, NSW 2830

A private buyer has paid **\$5.215 million** at auction for a childcare centre on a 20 + 10 year lease to **Green Leaves Early Learning**. The 865 m2 facility has a license for 124-placements and has 31 car spaces. The sale of the 4,114 m2 site reflects a **yield of 7.10%** and a **rate of \$42,056 per placement**. Dubbo is located around 389 km north-west of the Sydney CBD.

48 Gateway Boulevard, Morisset, NSW 2264

A purpose-built child-care has been purchased by a private investor for **\$2.264 million**. The 1,828 m2 site is on a 10-year lease to 2023 with options to 2033. There are 14 on-site car spaces and a license for 59-places. The sale reflects a **yield of 6.8%** and a **rate of \$38,373 per placement**. Morisset is located about 109 km north-east of Sydney's CBD.

401 Tarean Road, Karuah, NSW 2324

A BP service station on an 8,500 m2 site has sold to a private investor at auction for **\$2.515 million** on a **7.8% yield**. The property is on a 12-year lease until 2027 and options to 2037. There is a 3-bedroom house on the site that is used by the manager. The sale reflects a **rate of \$296 psm**. Karuah is located about 189 km north-east of the Sydney CBD.

15 Albert Street, Orange, NSW 2800

Eureka Group Holdings has bought the 55-unit **Albert Street Gardens** for **\$5.115 million**. The retirement village is 92% occupied. The sale reflects a **rate of \$93,000 per unit**. Orange is located about 251 km west of Sydney's CBD.

ECONOMIC FUNDAMENTALS

GDP

GDP figures for the September quarter will not be available until the 7th of December, and hence we will use June's figure for the following analysis of growth in the Australian economy. A seasonally adjusted chain volume growth of 0.5% was recorded for the second quarter, and 3.3% for the twelve months to June. The quarterly figure signifies twenty-one consecutive quarters of growth for Australia, with our last recession occurring 25 years ago in 1991. In trend terms, annual growth stood at 3.1%, with the main sources of growth being Mining (0.8%), Financial and insurance services (0.5%), Public administration and safety (0.3%), Construction (0.2%) and Wholesale trade (0.2%) industries. In contrast, the largest detractor to growth was manufacturing (-0.2%).

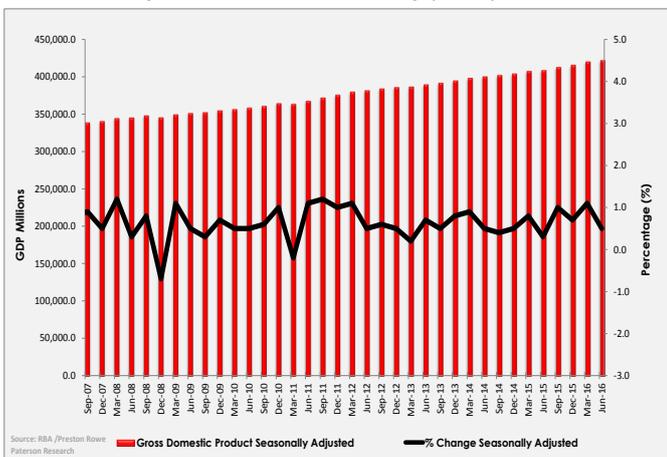


Chart 26 – Gross Domestic Product (GDP) – Source ABS

Interest Rates

Following the Reserve Bank of Australia's monthly meeting, the Board kept interest rates unchanged at 1.50% for October 2016. This comes at the back of the RBA's decision to cut interest rates to historic lows in August, as a result of inflation declining to its lowest level since 1999, in conjunction with slower than average growth in the world economy. The decision to have rates unchanged for the second month in a row is backed by modest improvements in Australia's economy, with declines in the mining industry being offset by growths in residential construction, public demand and imports. Furthermore, the RBA reiterated that commodity prices had been rising over the past few months, coming off the reduction in demand from China from the previous few years.

In relations to the housing market, the Central bank noted that growth in lending for housing has been on a downward trajectory throughout the year as lenders take more precautions with their lending practice. Furthermore, house prices are still increasing, albeit at a slower pace than the past year, with the exception of the persistently strong housing markets in Sydney and Melbourne.

The RBA is sure to be monitoring the housing market closely in the near future, especially for signs of increases in capital gains or an increase in speculative purchases in the future.

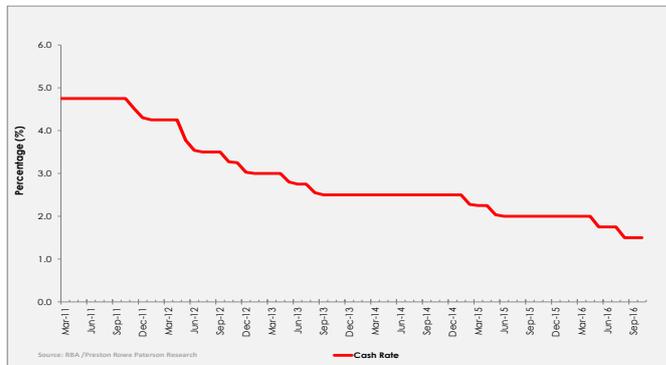


Chart 27 – Cash Rate – Source RBA

CPI

Figures from the Australian Bureau of Statistics indicate that headline inflation in the third quarter of 2016 grew by 0.7%, with year-on-year growth at 1.3%. These figures show strong improvements in inflation from the last quarter, which only increased by 0.4% over the quarter and 1.0% over the year to June. However, when we look at underlying inflation for September, which measure inflationary pressures from only the change in market forces, a quarterly rise of 0.35% and yearly change of 1.5% were recorded.

The largest contributors to the hike in prices stemmed from Fruit (19.5%), Vegetables (5.9%), Electricity (5.4%) and Property rates (4.0%). In contrast to this, Index figures for Fuel and Telecommunications both declined over the quarter, by -2.9% and -2.5% respectively.

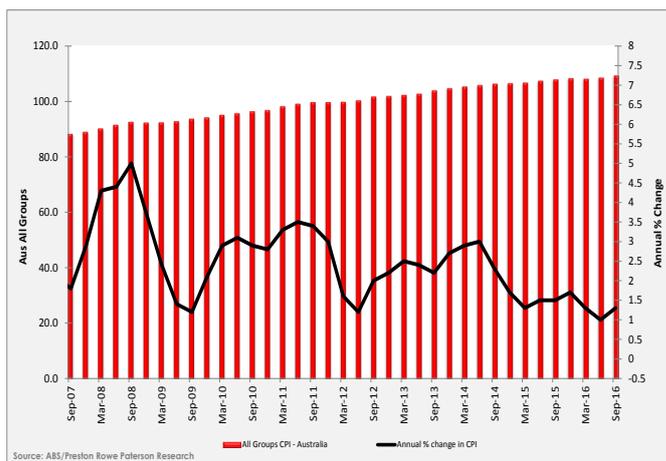


Chart 28 – Consumer Price Index—Source—ABS

Labour force

Unemployment rate fell 0.1 percentage point to 5.6% in September, with total number of people with jobs falling by 9,800 (seasonally adjusted) in the month. Furthermore, full time employment reduced by 53,000 persons, and notably, part-time employment increased by 43,200 persons. When we look seasonally adjusted figures for states and territories, New South Wales and Tasmania were the only states to record an increase in employment over the month.

The month to September sees New South Wales experiencing a slight increase in the seasonally adjusted total number of employed persons, which as of September stands at 3,811,790. Unemployment rate for New South Wales remain unchanged, at a seasonally adjusted 4.9%.

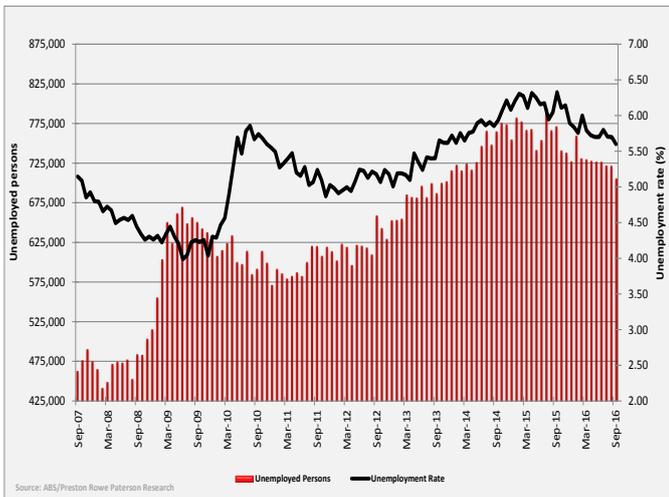


Chart 29 – Unemployment – Source ABS

Consumer Sentiment

September of 2016 has seen positive gains in consumer sentiment, in which the Westpac Melbourne Institute of Consumer Sentiment increased by 0.4% to 101.4 over the month. However, when compared to three months prior, consumer sentiment had decreased by 0.8%, from June’s index of 102.2.

Westpac’s Chief Economist, Bill Evans, stated that the index has remained relatively stable over the six months to September, despite the many economic events occurring during that time. Notably, two interest rate cuts (May and August), the Federal Election and Federal Budget, as well as major political changes occurring offshore (Brexit and the US Elections) have all occurred during this time. However, considering these outside forces, we have not experienced any drastic changes in consumers sentiment.



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

Australian Exchange Rates

The Australian Dollar performed strongly against most currencies over the month of September, notably appreciating by 1.5% against the US to a high of \$0.7630 USD. Furthermore, the quarter and year to September brought through an appreciation of 2.70% and 8.84%, respectively, against the greenback. The steady rise against the greenback comes at the back of the Federal Reserve reluctance to raise US interest rates, disappointing job reports from the US, Australia’s cash rate held at a steady rate and improvement in the nation’s terms of trade during that period.

During September, one Australian dollar on average equated to £0.5886- a 2.50% appreciation against the pound over the month and 27.32% over the year. The pound has faced pressure ever since Britain’s unexpectedly successful vote to exit the European Union on June 24.

Over the month, the Australian dollar appreciated against the Euro (+0.9% to 0.6802 EUR), though weakened against the Yen (-0.5% to ¥77.13). Year on year analysis indicate a 9.08% appreciation against the Euro, and 8.23% depreciation against the Japanese Yen.

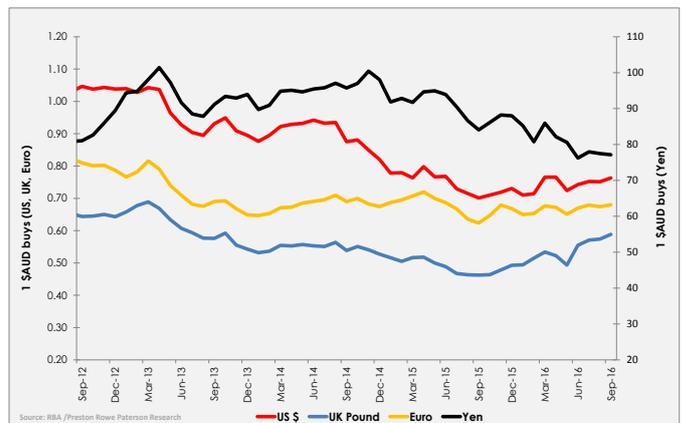


Chart 31 –Movement in Exchange Rates – Source RBA



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



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- ◆ Thailand

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