



**Preston  
Rowe  
Paterson**

National Property Consultants

# Property *Market* Report

## Queensland

### About This Report

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

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

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

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

### December quarter 2013

#### INSIDE THIS ISSUE:

|                             |    |
|-----------------------------|----|
| Economic Fundamentals       | 2  |
| Brisbane CBD Office Market  | 3  |
| Gold Coast Office Market    | 4  |
| Retail Market               | 5  |
| Industrial Market           | 6  |
| Residential Market          | 6  |
| About Preston Rowe Paterson | 8  |
| Contact Us                  | 10 |



Phone: +61 2 9292 7400

Fax: +61 2 9292 7403

Address: Level 11, 80 Clarence Street Sydney NSW 2000

Email: [mailroom@prpsydney.com.au](mailto:mailroom@prpsydney.com.au)

Follow us: Visit [www.prpsydney.com.au](http://www.prpsydney.com.au) to follow us

© Copyright Preston Rowe Paterson NSW Pty Limited

# Economic Fundamentals

## GDP

GDP figures for the December quarter are not available until the 5th March 2014, however PRP Research over the September 2013 quarter revealed that the Australian economy grew by 0.6% seasonally adjusted. In comparison to the September quarter 2012, growth of 2.3% was recorded. Over the September quarter, the main contributors to expenditure on GDP were Public Gross Fixed Capital Formation (GFCF) (1.3%), which measures the value of acquisitions of new or existing fixed assets by the business, government and household sectors less the disposals of fixed assets.

The Terms of Trade over the quarter declined by 3.3%, reflecting an annual decline of 3.6%. Terms of trade represent the relationship between the prices of exports and imports.

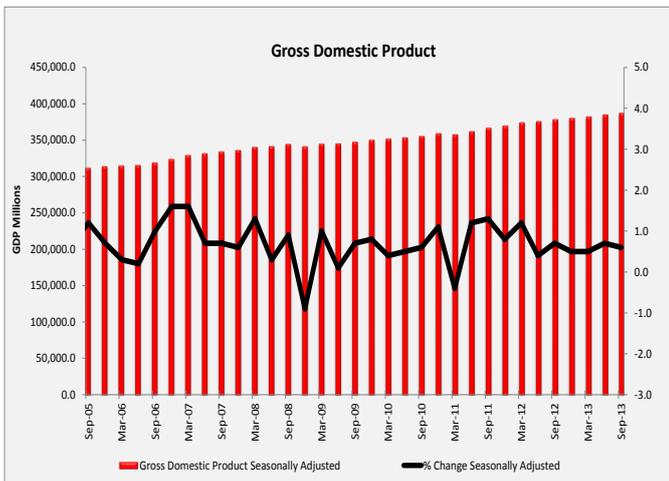


Chart 1 – Gross Domestic Product (GDP) – Source ABS

## Labour force

The official employment figures released from the Australian Bureau of Statistics revealed that the unemployment rate increased by 1.12 percentage points to 5.8% seasonally adjusted as at December 2013.

Employment over the month to December recorded a decline of 31,571 persons from 8,099,264 reflecting a percentage decline of 0.39%. In comparison to December 2012, there was growth of 0.44%, which was an increase of 35,906 persons.

The number of unemployed seeking full time employment increased over the month by 13,273 persons to 532,372, reflecting a percentage increase of 2.56%. The number of unemployed seeking part time employment declined by 5,273 persons over the month to December to 189,613 reflecting –2.71%.

The participation rate recorded a slight decline of 0.2 percentage points over the month to December to 64.6%, with year on year comparison revealing a 0.7% decline.

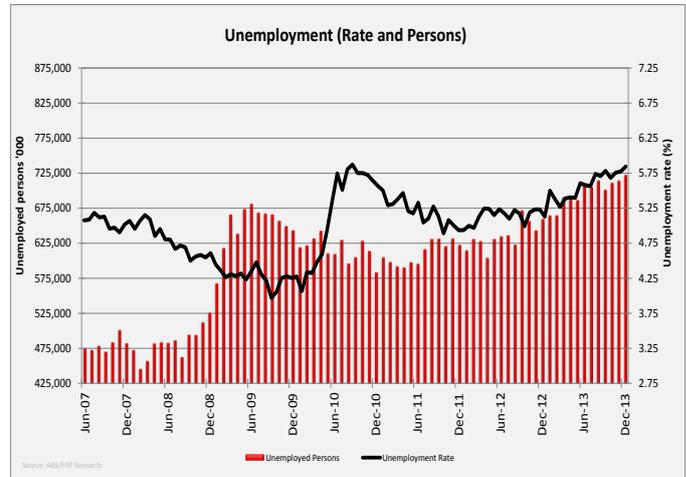


Chart 2 – Unemployment – Source ABS

## Interest Rates

At the date of publishing, the official Cash Rate over the December quarter 2013 remained unchanged at 2.50%. The cash rate has remained unchanged since September and is recording its lowest level since the RBA began recording data. At the Board’s meeting in December, the RBA’s Governor Glenn Stevens stated;

“In Australia, the economy has been growing a bit below trend over the past year and the unemployment rate has edged higher. This is likely to persist in the near term, as the economy adjusts to lower levels of mining and investment. Further ahead, private demand outside the mining sector is expected to increase at a faster pace, though considerable uncertainty surrounds this outlook. There has been an improvement in indicators of household and business sentiment recently, but it is still unclear how persistent this will be. Public spending is forecast to be quite weak.”

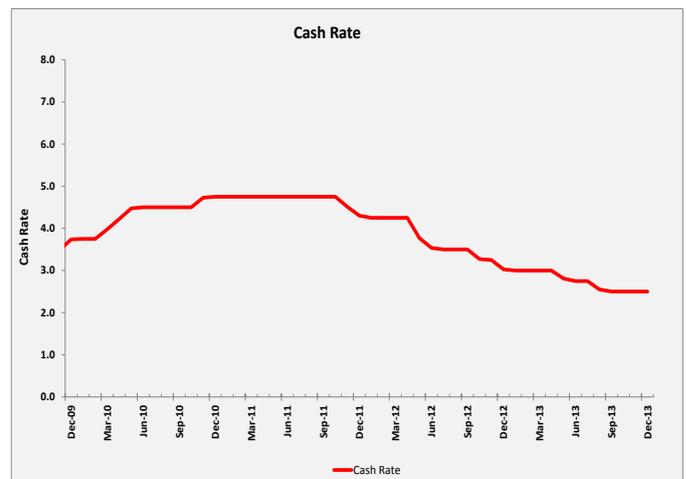


Chart 6 –Cash Rate – Source RBA

## CPI

According to the Australian Bureau of Statistics Category 6401.0 Consumer Price Index (December 2013), the Australia's All Groups CPI increased by 0.8% over the quarter to December 2013 from 104.0 to 104.8. In comparison to December 2012, Australia's All Groups CPI has increased by 2.8 index points which reflects annual growth of 2.75%.

The most marked price rises over the December quarter were for fruit (+8.1%), vegetables (+7.1%), domestic holiday travel and accommodation (+6.9%), international holiday travel and accommodation (+2.6%), tobacco (+2.2%) and new dwelling purchase by owner-occupiers (+1.0%). The most significant price fall over the December 2013 quarter was attributed to automotive fuel, declining by 1.1%.

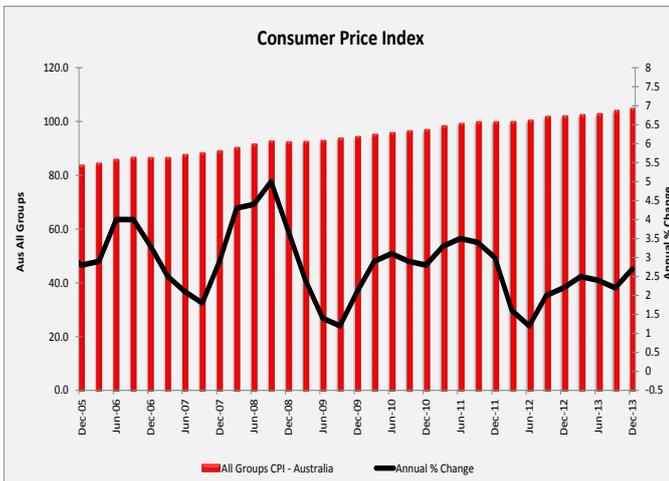


Chart 4 – Consumer Price Index—Source—ABS

## Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index declined by 4.8% in December from 110.3 in November to 105.0 in December. Over the quarter the index has declined by 5.6 points, a decline of 5.06%. In comparison to December 2012, the index has increased by 5 index points reflecting a 4.97% increase.

Over the year of 2013 the Consumer Sentiment Index remained above 100 in all months apart from May, when it experienced the trough of 97.6. For the month of December, Westpac's Chief Economist, Bill Evans, commented that "This is the lowest level of the Index since July this year. It is 4.3% below the average print for the last 3 months which covered the post-election period and the time of most euphoria around house prices".

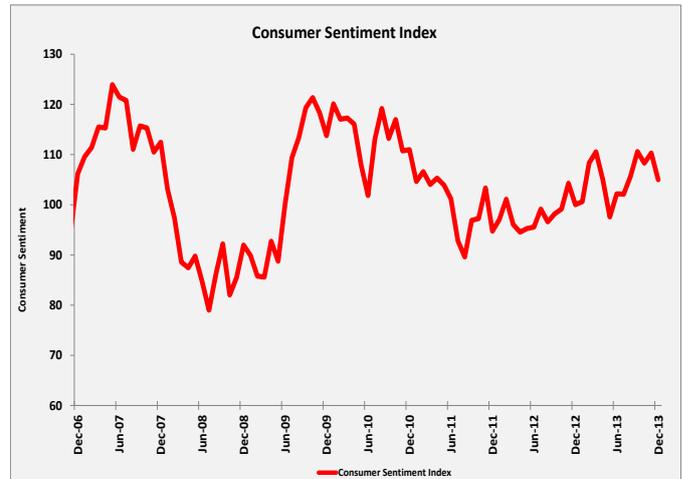


Chart 5 – Consumer Sentiment Index—Source—Westpac Melbourne Institute Survey

## Commercial Office Market

### Brisbane CBD

#### Investment Activity

PRP Research recorded a low number of reported major sales transactions that occurred in the Brisbane CBD Office Market during the three months to December 2013,

The City of Brisbane Investment Corporation's commercial building at **157 Ann Street, Brisbane CBD** has been sold to Goldman Sachs for **\$39 million**. The anchor tenant is Brisbane City Council, who has six years remaining on their lease. No further details were released.

### Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2013 have been analysed to derive at the following findings:

#### Supply by Grade (Stock)

Over the six months to July 2013 there was 18,600 sqm of new supply which entered the Brisbane CBD Office Market due to the completion of a new development at 55 Elizabeth Street, Brisbane. Partial supply accounted for 2,715 sqm resulting in total supply of 21,315 sqm. This was offset by 5,524 sqm of stock withdrawals over the period which reflected a net supply of 15,791 sqm in the six months to July 2013.

Premium Grade, C Grade and D Grade office stock all remained unchanged over the six months to July at supply levels of 204,056 sqm (9%), 217,584 sqm (10%) and 61,507 sqm (3%) respectively. A Grade office stock recorded 18,600 sqm of supply enter the market and experienced 1,246 sqm of stock withdrawals. Total A Grade stock is now 869,017 sqm which maintains a majority share of the market with 40%.

B Grade office stock experienced minimal supply of 2,715 sqm, and recorded 4,278 sqm of withdrawals. This resulted in a decline in total office market stock to now be 840,495 sqm reflecting a market share of 38%. The Brisbane CBD total office market supply is 2,192,659 sqm as at July 2013.

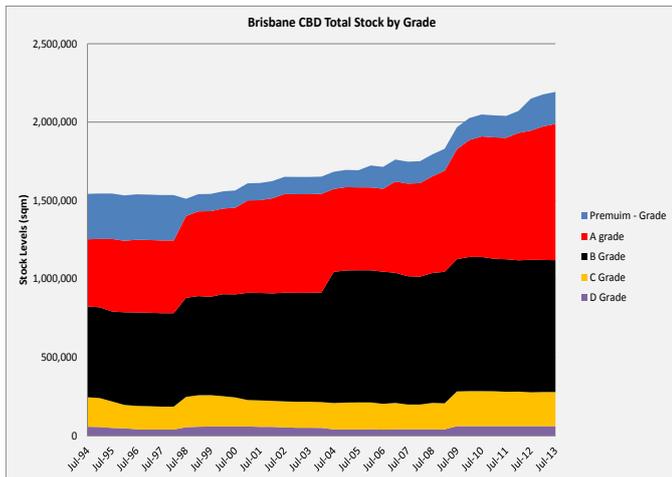


Chart 6 – Brisbane CBD Total Stock by Grade – Source PCA

### Total Vacancy

In regard to vacancy, the Brisbane CBD office market recorded an increase in the total vacancy rate by 3.5% to 12.8% as at July 2013. Sub-lease vacancy accounted for 1.9% of the total and 10.9% was attributed to direct vacancy. This increase in vacancy reflects an increase in vacant stock of 79,860 sqm, with 56,461 sqm attributed to direct vacancy and 23,399 sqm to sub-lease vacancy.

Total vacancy as at July 2013 was recorded at 281,647 sqm, its highest ever recorded level since data from the PCA first became available in January 1990. Premium Grade office stock recorded 24,450 sqm of vacant stock which reflects a vacancy rate of 12%. A Grade vacancy was 76,852 sqm reflecting a vacancy rate of 8.8%. B Grade vacancy was 143,075 sqm with vacancy rate of 17%, C Grade and D Grade recorded vacancy levels of 26,447 sqm (12.2%) and 10,823 sqm (17.6%) respectively.

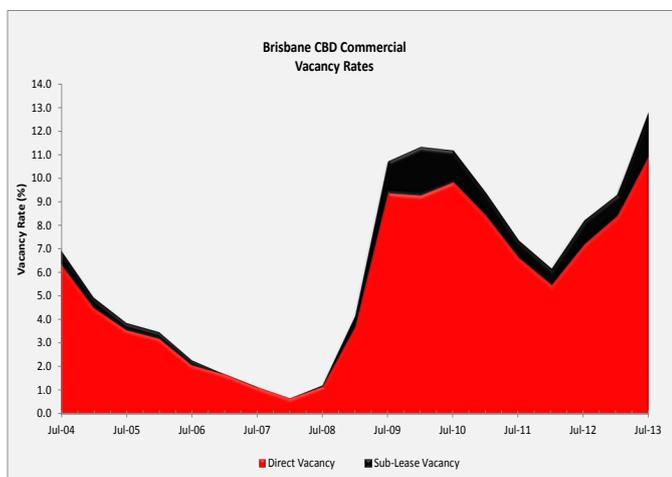


Chart 7 – Brisbane CBD Commercial Vacancy Rates – Source PCA

## Gold Coast Office Market

### Leasing Activity

PRP Research recorded relatively few leasing transactions that occurred in the Gold Coast office market during the three months to December 2013;

Sykes Australia has leased a **2,000 sqm** office suite for a **6 year term** at **183 Varsity Parade, Varsity Lakes**, approximately 5 km south of the Gold Coast. A Rental of between **\$315 and \$330 per sqm** has been agreed upon.

### Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2013 have been analysed to derive at the following findings:

### Supply by Grade (Stock)

Limited supply of 404 sqm entered the Gold Coast office market in the six months to July 2013 and 1,224 sqm of withdrawals was recorded over the same period. Net supply for the Gold Coast office market was -820 sqm. A Grade and D Grade office stock remained unchanged over the six months to July with no supply or withdrawals recorded. Current stock levels are 132,163 sqm and 17,433 sqm respectively reflecting a market share of 38.7% and 3.8% respectively.

B Grade office stock experienced withdrawal of 874 sqm which resulted in a decline in total office market stock to now be 179,570 sqm and still maintains the majority share of the Gold Coast office market with 38.7%. C Grade office stock recorded supply of 404 sqm and withdrawals of 350 sqm which resulted in supply increasing marginally to 134,678 sqm and maintain its market share of 28.5%.

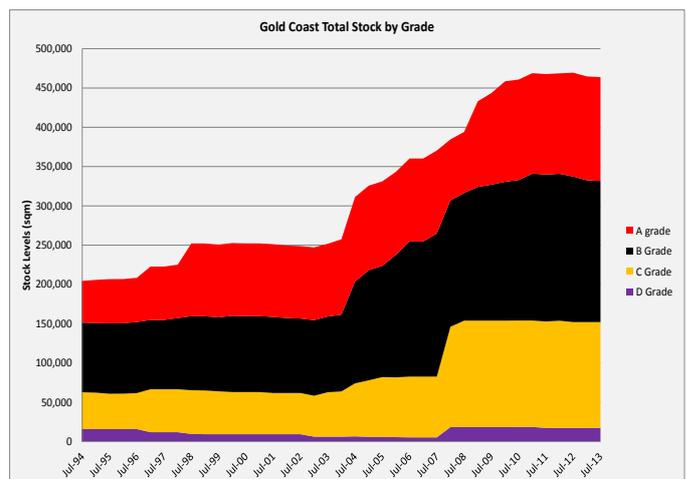


Chart 8 – Gold Coast Total Stock by Grade – Source PCA

### Total Vacancy

In regard to vacancy, the Gold Coast office market recorded a tightening in total vacancy of 0.4% to 19.9% as at July 2013. Sub-lease vacancy accounted for 1.1% of the total and 19.8% was attributed to direct vacancy. This decline in vacancy reflects a decline in vacant stock of 2,392 sqm, with 1,828 sqm attributed to direct vacancy and 564 sqm to sub-lease vacancy.

Total vacancy as at July 2013 was recorded at 92,077 sqm, its lowest level since July 2009. A Grade office stock recorded 32,218 sqm of vacant stock, which reflects a vacancy rate of 24.4%. B Grade vacancy was 30,551 sqm with a vacancy rate of 17%. C Grade vacancy was 24,719 sqm and D Grade was 5,089 sqm with vacancy rates of 18% and 29.2% respectively.

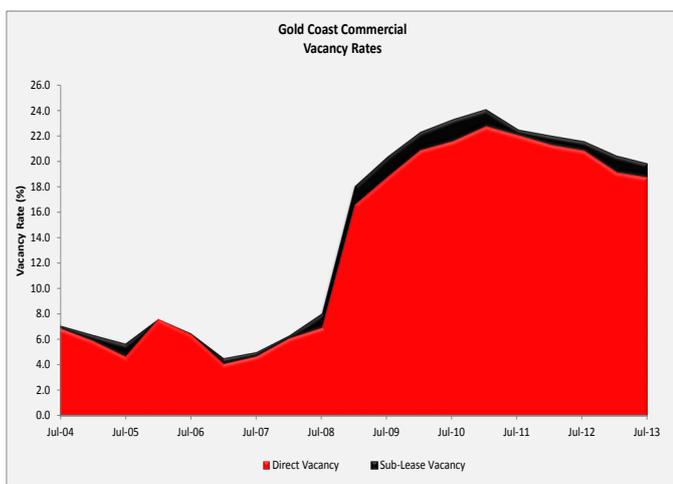


Chart 9– Gold Coast Commercial Vacancy Rates – Source ABS

## Retail Market

### Investment Activity

PRP Research recorded few retail transactions that occurred in Queensland during the December quarter 2013;

Engage Capital will purchase the **8,800 sqm** Ashmore City Shopping Centre on Southport-Nerang Road, Ashmore for a reported **\$37 million**. The centre was sold on an approximate **passing yield of 8.5%** and sits on a **2.6 hectare** site.

### Economic Statistics

According to the Australian Bureau of Statistics category 8501.0 Retail Trade (November 2013), the retail turnover figures recorded in Queensland produced predominantly positive results. Total retail turnover for Queensland over the month of November increased by 0.49% to \$4,691.6 million, this reflects an annual growth of 4.72% in total retail turnover.

Of the six categories analysed, food retailing and department stores retailing were the only two categories to record monthly declines in turnover. Food retailing declined by 0.07% to turnover of \$1,971 million and department stores retailing declining by 3.11% to turnover of \$302.5 million. The most significant monthly growth was experienced by Clothing retailing, with growth of 1.86% and 1.82% respectively to monthly turnover of \$290.7 million and \$721.7 million.

Year on year analysis revealed similar results, with the only decline of 2.92% attributed to department stores retailing. Significant annual growth was recorded by cafes, restaurants and takeaway food services (19.55%) to monthly turnover of \$662.4 million, followed by other retailing (9.13%) to \$721.7 million and household goods retailing (4.98%) to monthly turnover of \$743.5 million.

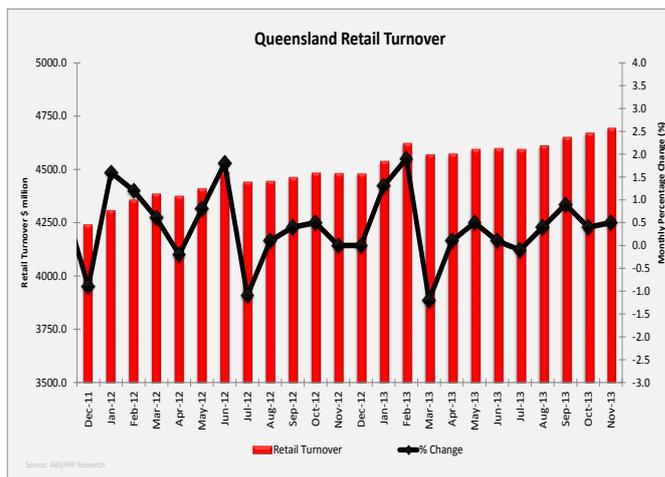


Chart 10—Queensland Retail Turnover– Source ABS

Analysis of sub-categories of retail trade in comparison to November 2012 has revealed positive results with only 5 out of the 18 sub-categories recording declines. The most marked decline was attributed to Newspaper and book retailing (-16.33%) which declined to monthly turnover of \$70.2 million. Department stores and takeaway food services retailing followed, with monthly declines of 3.11% and 2.41% respectively to turnover of \$302.5 million and \$311.5 million. The most marked growth in the sub-categories over the year was experienced by other recreational goods retailing (+32.34%) to turnover of \$124.4 million, followed by other retailing n.e.c. (+25.55%) to turnover of \$228 million.

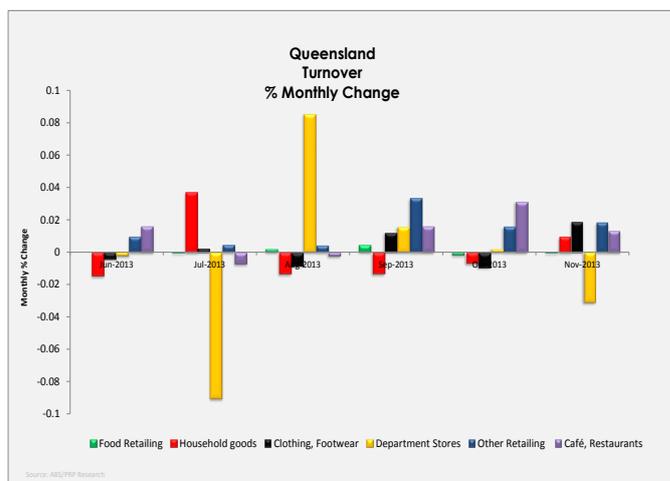


Chart 11—Queensland Turnover % Monthly Change– Source ABS

## Industrial Market

### Investment Activity

PRP Research recorded few sales transactions that occurred in the Brisbane Industrial Market, during the three months to December 2013;

Charter Hall Direct Industrial Fund No. 2 has purchased a new **\$12.5 million** industrial facility at **Gracemere Industrial Park, Rockhampton**. The property was purchased on a **yield of 8.5%** with Toll Holdings committing to a 12-year lease with two five year options.

### Leasing Activity

PRP Research recorded a low number of leasing transactions that occurred in the Brisbane Industrial Market during the three months to December 2013.

Slattery Auctions has leased a **6,500 sqm** industrial site at **57 Hayward Street, Stafford** for a **5 year term** with a 5 year option. The company will pay **\$350,000 per annum** reflecting a **rate per sqm of approximately \$39**.

## Residential Market

### Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals November 2013, the total number of house dwelling approvals in the Brisbane Statistical Division over the month have declined by 18.5% from 773 approvals to 630 approvals. Despite the monthly decline, in comparison to the month of November 2012 there has been an increase of 9.56% in house dwelling approvals. Up until November, 2013 has seen total of 7,130 house dwelling approvals.

Non-house dwelling approvals recorded significant growth of 22.65% over the month of November with 1,543 approvals. In comparison to November 2012, there was a 136.65% increase in the number of approvals indicating a turn-around in the unit market. Queensland non-house dwellings are recording their highest level of annual approvals since 2002, with 8,819.

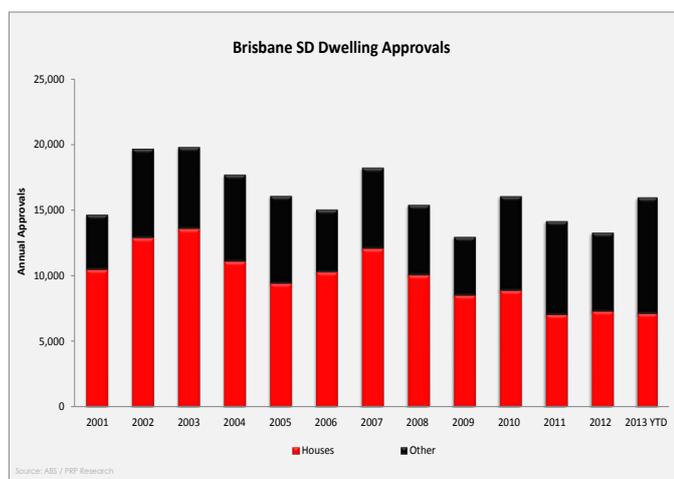


Chart 12—Brisbane SD Dwelling Approvals— Source ABS

## QUEENSLAND

### Market Affordability

Over the September quarter 2013, the Brisbane median house price increased by 0.2% to \$442,100 reflecting an annual increase of 2.8%. Over the three months to September, all Queensland zones recorded a decline in median sale prices, with Inner and Middle Brisbane remaining unchanged at median sale prices of \$710,000 and \$495,000 respectively. The most significant quarterly decline was attributed to Townsville (-5.2%) to \$346,000, followed by Outer Brisbane (-2.7%) to \$360,000 and Cairns (-1.8%) to \$351,000.

Year on year analysis revealed results, with increases and decreases across the zones. The most marked growth was experienced by Inner Brisbane by 4.4%, followed by Gold Coast (2.6%) to \$472,100 and Middle Brisbane which recorded 2.1% annual growth. Declines were recorded by Townsville, Outer Brisbane and Cairns of -2.8%, -1.4% and -0.3% respectively.

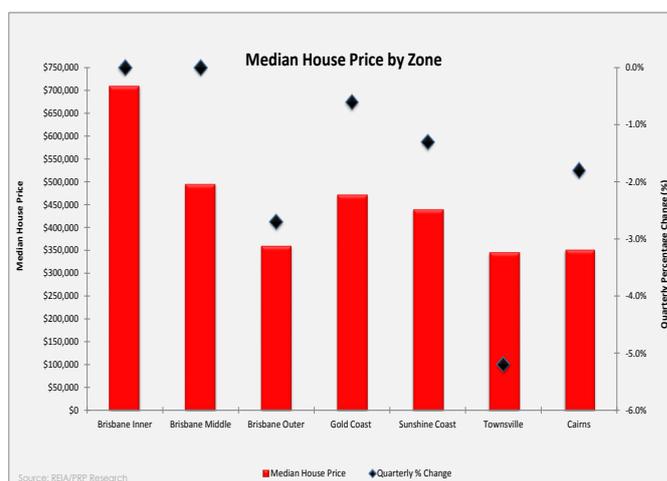


Chart 13—Median House Price by Zone— Source REIA

Other Dwelling median sale prices in Queensland recorded predominantly negative results, with the only growth over the quarter recorded by Cairns and Middle Brisbane, increasing by 10% and 0.3% respectively to median sale prices of \$215,000 and \$355,000. The most marked declines were in Outer Brisbane, Townsville and the Gold Coast, declining by -5.8%, -3.3% and -2.9% respectively to median sale prices of \$260,000, \$260,000 and \$335,000 respectively.

Year on year analysis revealed similar results, with all zones recording declines apart from Cairns, which increased by 12.8%. The most significant declines were recorded in Outer Brisbane (-16.5%), Townsville (-10.3%) and the Sunshine Coast (-5.9%).

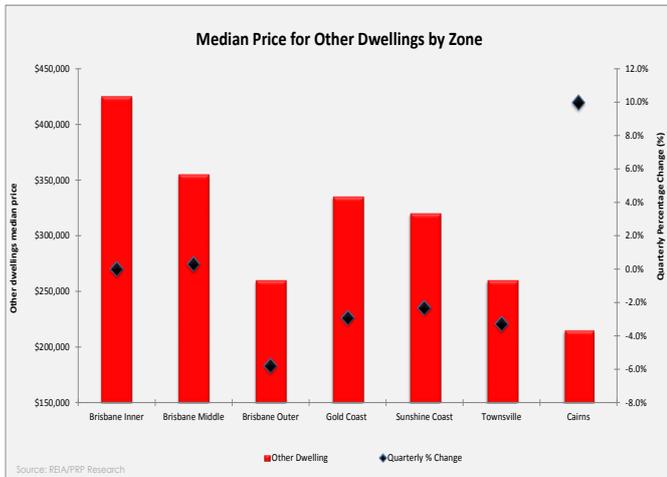


Chart 14—Median Price for Other Dwellings by Zone— Source REIA

### Rental Market

The majority of zones over the September 2013 quarter in Queensland remained unchanged. Declines in house rentals were experienced in Townsville 2 & 4 bedrooms and Cairns 2 bedrooms with declines of 1.7%, 2.5% and 3.6% respectively to median weekly rentals of \$295, \$390 and \$270. The most marked quarterly growth for house rents was experienced in Cairns 3 bedrooms and Inner Brisbane 3 bedrooms, with growth of 3% and 2.9% respectively to median weekly rentals of \$340 and \$525.

Year on year analysis revealed varied results with increases and decreases in median house rentals. The most significant declines were attributed to Cairns 2 bedrooms (-6.9%) to \$270 per week, Inner Brisbane 4 bedrooms (-4.1%) to \$695 per week, Gold Coast 2 bedrooms (-2.9%) to \$330 and Townsville 2 bedrooms (-2.9%) to \$340.

The most marked growth over the twelve months to September 2013 in Queensland house rents was recorded in Cairns 4 bedrooms (5.3%) to \$400 per week, followed by Inner Brisbane 2 bedrooms (4.8%) to \$435 and Outer Brisbane 2 bedrooms (3.8%) to \$270 per week.

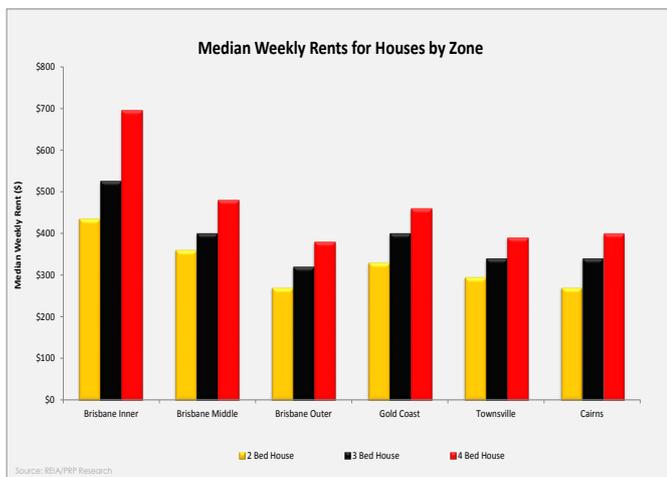


Chart 15—Median Weekly Rents for Houses by Zone— Source REIA

Other Dwellings rental rates over the September quarter revealed positive results, with the majority of zones either increasing or remaining unchanged. The only decline over the quarter was experienced by Inner Brisbane 1 bedrooms (-2.8%) to a median weekly rental of \$350. The most marked quarterly growth was in Townsville 3 bedrooms (+36.8%) to a median weekly rental of \$390. Outer Brisbane and Cairns 1 bedrooms followed with both zones increasing by 5% over the quarter to each record a weekly rental of \$260.

Year on year analysis revealed similar results to the quarter, with the only declines experienced by Inner Brisbane (-2.8%) and Townsville 2 bedrooms (-1.8%) to rentals of \$350 and \$280 respectively. The most marked annual growth was seen in Cairns 1 bedrooms (+5%), followed by Cairns 2 bedrooms and Middle Brisbane 1 bedrooms with 3.8% each to median weekly rentals of \$270 each.

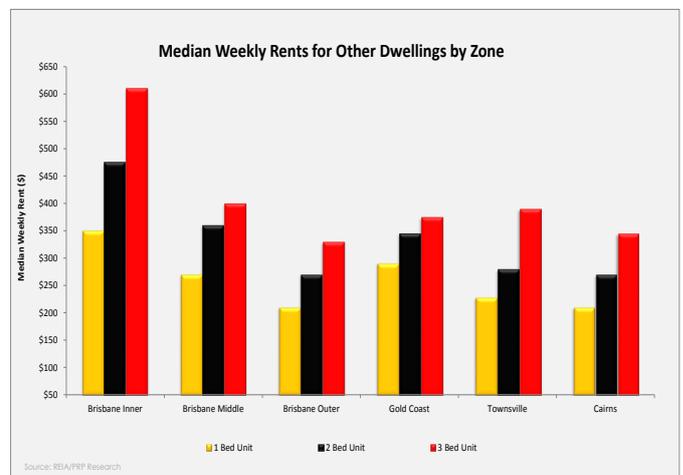


Chart 16—Median Weekly Rents for Other Dwellings by Zone— Source REIA

## 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 central office location within the Sydney Central Business District we serve our clients' needs throughout the Sydney CBD, greater Sydney metropolitan area, throughout the state of New South Wales. For special purpose real estate asset classes, infrastructure, and plant & machinery we operate throughout Australia and globally either directly or through our relationship offices.

## **We have *your needs* covered**

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

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

### Sydney (Head Office)

Level 11, 80 Clarence Street  
Sydney NSW 2000

PO BOX 4120, Sydney NSW 2001

P: 02 9292 7400

F: 02 9292 7403

E: [mailroom@prpsydney.com.au](mailto:mailroom@prpsydney.com.au)

W: [www.prpsydney.com.au](http://www.prpsydney.com.au)

Follow us:



### Preston Rowe Paterson NSW Pty Ltd

ACN: 61 003 139 188

The information provided within this publication should be regarded solely as a general guide. We believe that the information herein is accurate however no warranty of accuracy or reliability is given in relation to any information contained in this publication. Nor is any responsibility for any loss or damage whatsoever arising in any way for any representation, act or omission, whether expressed or implied (including responsibility to any person or entity by reason of negligence) accepted by Preston Rowe Paterson NSW Pty Ltd or any of its associated offices or any officer, agent or employee of Preston Rowe Paterson NSW Pty Limited.

### Directors

**Greg Preston**  
M: 0408 622 400  
E: [greg.preston@prpsydney.com.au](mailto:greg.preston@prpsydney.com.au)

**Greg Rowe**  
M: 0411 191 179  
E: [greg.rowe@prpsydney.com.au](mailto:greg.rowe@prpsydney.com.au)

### Associate Directors

Ben Greenwood  
M: 0448 656 103  
E: [ben.greenwood@prpsydney.com.au](mailto:ben.greenwood@prpsydney.com.au)

Neal Smith  
M: 0448 656 647  
E: [neal.smith@prpsydney.com.au](mailto:neal.smith@prpsydney.com.au)

Michael Goran  
M: 0448 757 134  
E: [michael.goran@prpsydney.com.au](mailto:michael.goran@prpsydney.com.au)

Ben Toole  
M: 0448 886 335  
E: [ben.toole@prpsydney.com.au](mailto:ben.toole@prpsydney.com.au)

### Capital City Offices

Adelaide

Brisbane

Melbourne

Sydney

### Regional Offices

Albury Wodonga

Ballarat

Bendigo

Cairns

Central Coast/Gosford

Geelong

Gold Coast

Gippsland

Mornington

Newcastle

Wagga Wagga

### Relationship Offices

Canberra

Darwin

Hobart

Perth

Other regional areas