



Preston
Rowe
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International 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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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 2015

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COMMERCIAL OFFICE MARKET

Brisbane CBD



Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in the Brisbane CBD office market during the three months to December 2015.

313 Adelaide Street, Brisbane, QLD 4000

Deutsche Asset Management has bought an office building from a private family group for **\$125 million** on a **yield of around 7%**. The 30-year old refurbished property is 80% leased to the Queensland government.

41 George Street, Brisbane, QLD 4000

AEP Investment Management has entered into due diligence to purchase an office tower for **over \$150 million**. The building is leased to the Queensland government until a year before the opening of The Star Entertainment Group's **Queen's Wharf Casino** in 2022. The 30,000 sqm property could then be redeveloped into a hotel, student accommodation or residential apartments. The sale reflected a rate of over \$5,000 psm.

201 Charlotte Street, Brisbane, QLD 4000

Blackrock and Fortius Funds Management have acquired the **Anglo American House** from a Queensland agricultural family for **under \$90 million**. Anglo American takes up 10 of the 16 floors in the 20% vacant, 13,400 sqm building. The property sold on a **yield of about 8%** at rate of about \$6,716.40 psm.



80 Ann Street, Brisbane, QLD 4000

Wee Hur Holdings paid **\$63 million** for an office tower and adjoining property from Queensland Investment Corporation. The property holdings are known as **Tower 89**.

Leasing Activity

Preston Rowe Paterson Research recorded limited leasing transactions that occurred in the Brisbane CBD office market during the three months to December 2015.

140 Creek Street, Brisbane, QLD 4000

Software company SAP have agreed to lease 3,715 sqm of space from *Investa Office Funds*. The lease begins in January 2016 and will cover three floors from level 18, 19 and 20.

Development Sites

According to the Property Council of Australia (PCA)'s Office Market Report July 2015, a new developments is expected for completion towards the end of 2015 in the Brisbane CBD.

Another new development is 480

Queen Street project located at the Brisbane CBD. The project is owned by *DEXUS Property Group* and is expected to be completed in the 1st quarter of 2016. The Premium Grade office tower comprise of 56,855 sqm of office space across 31 levels on an average floorplate size of 1,150 sqm, 1,300 sqm of retail space on the lower floors, 271 underground car parking and end-of-trip facilities. The office tower is expected to achieve a 6-star Green Star rating and 5-star NABERS Energy rating.



Supply by Grade (Stock)

According to the Property Council of Australia (PCA) Office Market Report July 2015, the Brisbane CBD office market recorded a tightening of -35,513 sqm to the total office stock levels of 2,158,290 sqm. There was an additional supply of only 583 sqm to 36,096 sqm of space withdrawal.

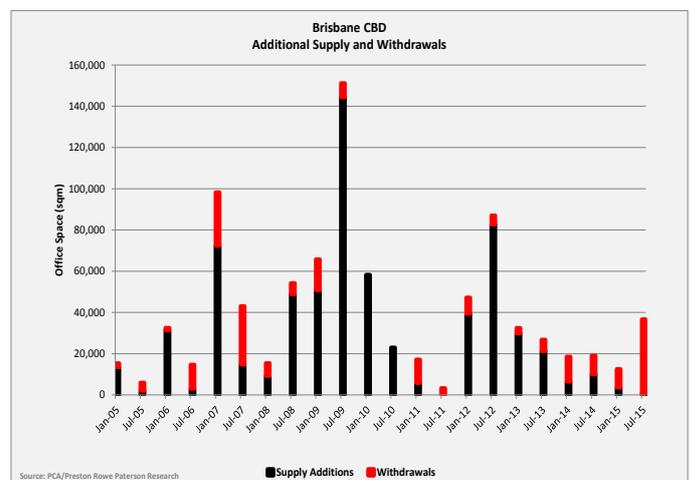


Chart 1 – Brisbane CBD Office Additional Supply and Withdrawals – Source PCA

The Brisbane CBD office market was dominated with A Grade stock which totals to 864,317 sqm, closely followed by B Grade stock at 811,658 sqm. Both Premium and C Grade have similar stock levels amounting to 201,256 sqm and 220,202 sqm respectively. D Grade stock totalled to 60,857 sqm.

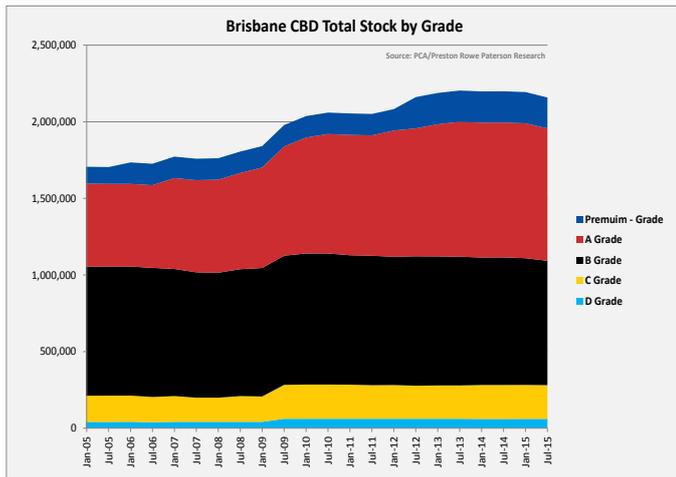


Chart 2 – Brisbane CBD Total Stock by Grade – Source PCA

Total Vacancy

The total vacancy rate in the Brisbane CBD office market over the six months to July 2015 has tightened by -0.5% to 15% (323,656 sqm). Direct vacancy assumed 13% and sub-lease vacancy took up 2%.

B Grade recorded the largest fall in vacancy of -3.4% to 19.2% and D Grade noted a small decrease of -0.1% in vacancy to 16.5%. C Grade recorded an increase of 2.9% in vacancy to 15%, followed by A Grade vacancy at 12.3% (+1.2%) and Premium Grade vacancy at 9.3% (+0.1%).

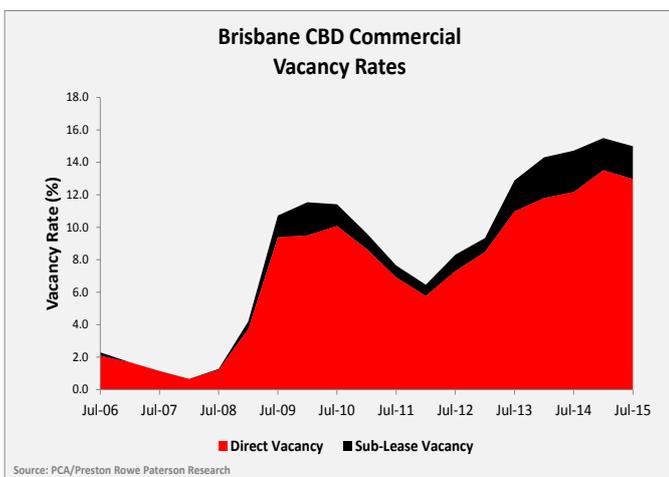


Chart 3 – Brisbane CBD Commercial Vacancy Rates – Source - PCA

Gold Coast Office Market



Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in the Gold Coast office market during the three months to December 2015.

203 Robina Town Centre Drive, Robina, QLD 4226

Clarence Property Group and Sentinel Property Group have bought 'The Rocket' office tower for **\$70 million**. The 12,814 sqm building was constructed in 2007. The sale reflected a rate of \$5,462.78 psm. Robina is located about 9.5 km south-west of the Gold Coast CBD.



50 Cavill Avenue, Surfers Paradise, QLD 4217

GDI Property Group has acquired a 22-storey, A-grade office tower from Albert Chung for **\$48.8 million**. The 16,500 sqm building is 45% vacant with more than 7,500 sqm of space available for lease. The buyer will upgrade the lifts, air-conditioning and will refurbish some of the vacant floors over the next three years at a cost of around \$10 million. The sale reflected a rate of \$2,957.58 psm.

Supply by Grade (Stock)

According to the PCA's Office Market Report July 2015, the Gold Coast total office space reveals a 0.3% supply growth. There was an additional supply of 1,428 sqm that occurred in the B Grade office stock. There were no recorded space withdrawals in the six months to July.

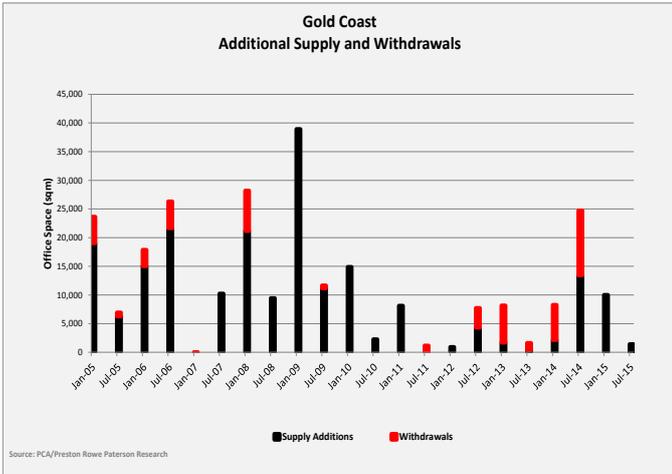


Chart 4 – Gold Coast Office Additional Supply and Withdrawals – Source - PCA

The Gold Coast market is dominated by B Grade office stock which accounts for 190,144 sqm of the total office floor space in Gold Coast (473,450 sqm). Both A and C Grade have similar stock levels amounting to 132,163 sqm and 136,004 sqm respectively. D Grade stock takes up only 15,139 sqm.

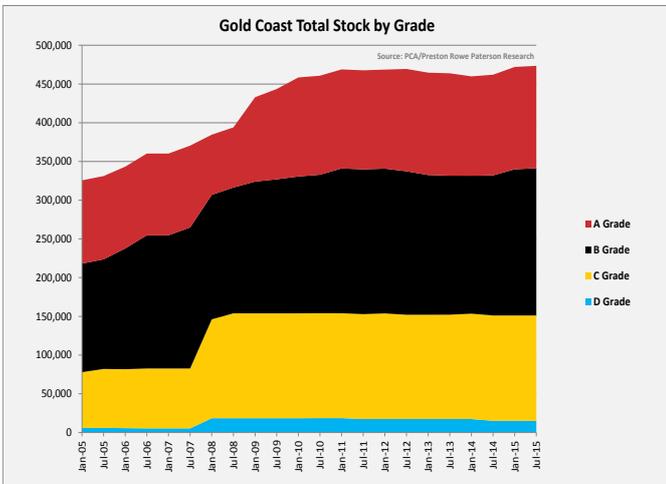


Chart 5 – Gold Coast Total Stock by Grade – Source PCA

Total Vacancy

The Gold Coast office market has recorded a -0.4% decrease in total vacancy to 14.8% in the six months to July 2015. Direct vacancy took up 14.4% and sub-lease vacancy assumed 0.4%. The total vacancy in the market amounts to 70,052 sqm.

Vacancy rates have tightened across all office grades except for C Grade, which increased by 1.8% to 13.4% vacancy rate. The largest decrease in vacancy was recorded in A Grade office of -1.5% to 17.4% vacancy, followed by B Grade vacancy which fell by -1.4% to 17.4% and D Grade vacancy which decreased by -0.3% to 12.6%.

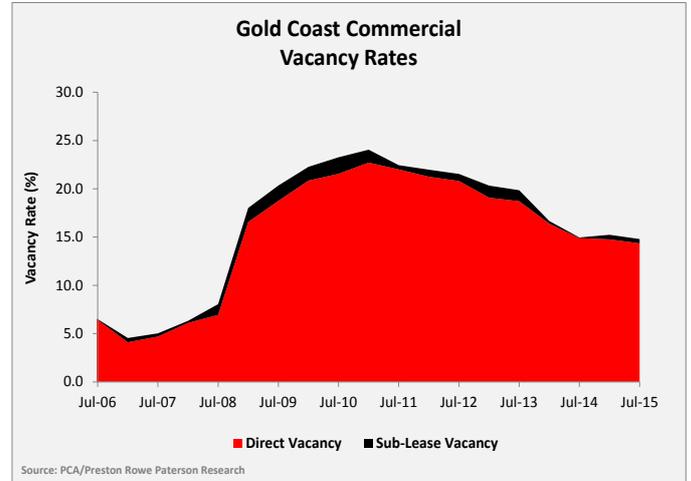


Chart 6 – Gold Coast Commercial Vacancy Rates – Source ABS

RETAIL MARKET



Investment Activity

Preston Rowe Paterson Research recorded a number of retail transactions that occurred in Queensland during the December quarter 2015;

461-473 Lutwyche Road, Lutwyche, QLD 4030

A Sydney syndicate has bought two adjoining retail and commercial buildings for **\$22.5 million** on a **yield of 7.09%**. The refurbished properties, which are leased to *Ladbrokes* and *Fitness First*, have a net lettable area of 4,962 sqm and sit on a 4,416 sqm site. The sale reflected a rate of \$5,095.10 psm. Lutwyche is located around 6 km north of the Brisbane CBD.



85 Leon Capra Drive, Augustine Heights, QLD 4300

A private investor paid **\$10.8 million** to own and fund the development of the **Augusta Village Shopping Centre**, reflecting a **yield on completion of 7.42%**. As part of the transaction, the private investor will acquire a 6,101 sqm site and will progressively fund the construction of an 11,645 sqm convenience centre. IGA has committed to a 15-year lease to be the anchor tenant once construction is completed. The centre is being developed by *Engage Capital* and *Evans Long*. Augustine Heights is located about 31.5 km south-west of Brisbane.

312 Morayfield Road, Morayfield, QLD 4506

LaSalle Investment Management have purchased the **Morayfield Super Centre** from private investors for **approximately \$75 million**. The 28,000 sqm bulky goods centre is anchored by *Coles*, *Woolworths*, *Big W*, *Kmart* and *Target*. The property sold on a **yield of between 7 and 7.5%**. The sale reflected a rate of about \$2,678.57 psm. Morayfield is located 46.3 km north of the Brisbane CBD.

99 Elizabeth Street, Brisbane, QLD 4000

Valparaiso Capital Partners has bought the **Elizabeth Arcade** from multiple private owners including Andy Georges for **\$28 million**. The 1,800 sqm site will be converted into student accommodation when the retail tenant leases expire in 2018. The development will require approval but could accommodate up to 1,000 beds and a newly developed retail ground floor. The sale reflected a rate of \$15,555.55 psm.

Cypress Street, Redland Bay, QLD 4165

A Gold Coast-based private investor paid **over \$14 million** to *Parmac Property Group* for the **Rededge Redland Bay Shopping Centre**. The two-level centre of 2,688 sqm NLA sits on a 5,171 sqm site. The property is anchored by an IGA Supermarket and has 123 parking spaces. The sale reflected a rate of over \$2,707.41 psm. Redland Bay is located 36.1 km south-west of the Brisbane CBD.



1 Main Street, Springfield Lakes, QLD 4300

A private investor have purchased a *Bunnings Warehouse* store in a sale-and-leaseback agreement for **\$40.1 million** on a **yield of 5.27%**. The brand new 15,972 sqm store, which sits on a 37,110 sqm site, was sold on a new 12-year lease with options. The sale reflected a rate of \$1,080.57 psm. Springfield Lakes is located about 29.7 km south-west of the Brisbane CBD.

Stafford Road, Everton Park, QLD 4053

Woolworths has sold a *Woolworths*-anchored shopping centre and *Masters Home Improvement* store to *Rockworth Capital Partners* for **around \$70 million**. The 5.6-hectare total site contains a 5,687 sqm neighbourhood shopping centre on a new 20-year lease to *Woolworths Limited*. The 13,570 sqm *Masters Home Improvement* store is on a new 15-year net lease. The site sold on a **yield of around 5.8%**. The sale reflected a **rate of \$1,250 psm**. Everton Park is located about 8.6 km north-west of Brisbane's CBD.

1 Woolgar Road, Gympie, QLD 4570

A private investor has acquired the **Southside Town Centre** from *AHC Limited* for **\$28.3 million** on a **yield of 6.5%**. The neighbourhood shopping centre is anchored by *Woolworths* on a 20-year lease until 2031. The centre is also supported by a *Discount Variety* store and 12 specialty stores. Gympie is located about 174 km north-west of the Brisbane CBD.

19 Peachey Road, Ormeau, QLD 4208

A private investor has paid **\$10.5 million** for the **Ormeu Town Centre** from a private investor. The 1,518 sqm centre is anchored by a *Woolworths Plus* petrol station and is supported by many fast food outlets and medical & commercial tenants. The sale reflected a rate of \$6,917 psm. Ormeau is located 46.4 km south-east of the Brisbane CBD.

33 Duncan Street, Fortitude Valley, QLD 4006

AsheMorgan has bought the Valley Heart property portfolio from Tseng family for **\$79 million**. The portfolio features buildings on both sides of the **Chinatown Mall** including the heritage-listed **TC Beirne** building. The **Chinatown Car Park** was also included in the portfolio. A development scheme is in place for up to 900 apartments but the buyer plans to reposition the property in the immediate future. The sale reflected a **6% yield** and a rate of \$8,458 psm. Fortitude Valley is located around 2.1 km south-west of Brisbane's CBD.



743-757 Deception Bay Road, Rothwell, QLD 4022

Henry Yuen has acquired the **Focus @ Rothwell** homemaker centre from *Sentinel Property Group* for **\$30.68 million**. The property includes five freestanding building with a total lettable area of 11,088 sqm. Tenants include *Officeworks*, *Ray's Outdoors*, *A-Mart Sports* and the *Commonwealth Bank*. The sale reflected a rate of \$2,766.95 psm. Rothwell is located about 34.8 km north-east of the Brisbane CBD.

167 Ipswich Road, Woolloongabba, QLD 4102

Officeworks has sold one of its properties to a private Victorian investor for **\$8.2 million** on a **yield of 5.8%**. The lease was extended for 10-years before it was put to the market. Woolloongabba is located about 4.4 km south-east of the Brisbane CBD.

7/9-13 Mill Street, Nambour, QLD 4560

Michael Lasky has acquired the **Nambour Mill Village** from *Coles Group* for **close to \$30 million**. The 6,460 sqm centre is anchored by a full-line *Coles* supermarket on a new 15-year lease. The property also has one mini-major and 11 specialty retailers. The sale reflected a rate of \$4,643.95 psm. Nambour is located about 104 km north of Brisbane's CBD.



Queensland Retail Sales

A Melbourne-based syndicator has purchased two shopping centres in Northern Queensland from MAB Funds Management for a total of **\$23.75 million**. The two centres are the **Rising Sun** neighbourhood centre in Townsville and the **Town Plaza** neighbourhood centre in Charters Towers. The properties were sold on an **initial yield of about 7.5%**. Townsville is located about 1,348 km north-west of Brisbane and 348 km south-east of Cairns. Charters Towers is located about 134 km from south-west of Townsville.

63 St Andrews Drive, Tewantin, QLD 4565

The IGA-anchored **Noosa Outlook Shopping Centre** has sold for **\$6 million**. The 1,474 sqm of NLA centre consists of a total of 14 shops on a 7,559 sqm land parcel. The centre has a net income of \$420,928 per annum. The sale reflected a rate of \$793.75 psm. Tewantin is located 140 km north of the Brisbane CBD.

43 Morayfield Road, Morayfield, QLD 4506

Primewest has acquired the **Homestyle Homemaker Centre** from a private seller for **\$34.75 million**. The 12,809 sqm of net lettable area property is leased to tenants such as *Good Guys* and *BCF*. The centre has total net annual rent is \$2.7 million and sold on a **yield of 7.75%**. The sale reflected a rate of \$2,712.95 psm. Morayfield is located about 46.3 km north of the Brisbane CBD.

Leasing Activity

Preston Rowe Paterson Research recorded limited leasing transactions that occurred in the Queensland retail market during the three months to December 2015.

4-6 Executive Drive, Burleigh Waters, QLD 4220

Total Tools has leased a 2,048 sqm showroom for **10 -years**. The company will pay a **gross annual rent of \$170 psm**. Burleigh Waters is located 90.9 km south-west of the Brisbane CBD.



36 Webster Road, Brisbane, QLD 4000

My Pet Warehouse has secured a lease for a 1,200 sqm warehouse for **5-years with options**. The two private landlords will receive a net annual rent of \$180,000. The lease reflected a **rate of \$150 psm**.

RETAIL STATISTICS

According to the Australia Bureau of Statistics category 8501.0 Retail Trade (December 2015), the retail turnover figures recorded in Queensland produced mixed results. The total retail turnover for Queensland over the month of December increased by 0.17% to \$5,003 million, reflecting an annual growth of 3.04%.



Chart 7—Queensland Retail Turnover— Source ABS

The retail turnover for the month of December 2015 has revealed a relatively stable retail results. The highest monthly turnover was Food retailing which increased by 0.71% to \$2,122.6 million. Household goods retailing and Clothing, footwear and personal accessories retailing monthly turnover increased by 0.61% and 0.56% to \$855 million and \$323.1 million respectively.

The largest decrease in monthly retail turnover was Other retailing which decreased by -1.06% in December to a \$674.8 million turnover. Department stores monthly turnover declined by -0.92% to \$311.7 million and the Café, restaurants and takeaway services monthly turnover declined by -0.43% to \$715.8 million.

In comparison to the December 2014 results, the Queensland retail turnover results showed growth across all retail industries, except for Café, restaurants and takeaway services which recoded a -5.41% annual decline. The year to date outperformer was Household goods retailing recording an annual growth of 7.67%.

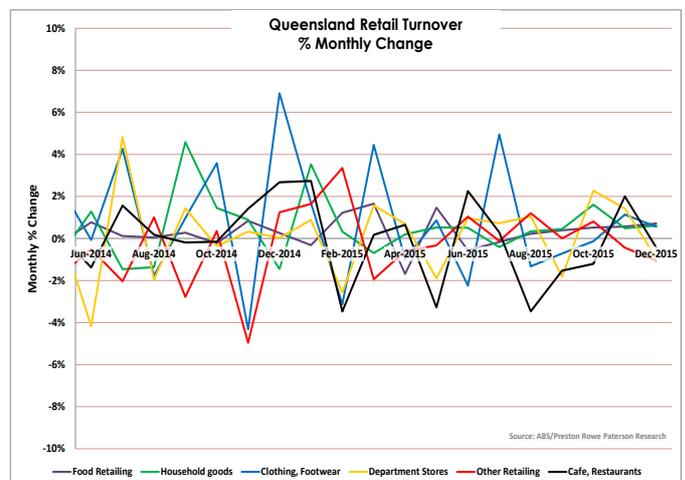


Chart 8—Queensland Turnover % Monthly Change— Source ABS

INDUSTRIAL MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following transactions that occurred in the Brisbane industrial market, during the three months to December 2015;

29-41 Lysaght Street, Acacia Ridge, QLD 4110

AMP Capital has paid **\$21.6 million** for the **Acacia Gate Industrial Estate** from *DEXUS Wholesale Property Fund*. A portion of the facility is currently vacant. The 18,500 sqm facility sits on a 3.2-hectare site. The sale reflected a rate of \$675 psm. Acacia Ridge is located around 14.6 km south of the Brisbane CBD.

203 Viking Drive, Wacol, QLD 4076

Cache Logistics Trust has acquired a distribution centre from the unlisted *Wacol Industrial Property Trust* managed by *One Investment Group* for **\$27 million**. The 13,363 sqm warehouse was built in 2008 and is leased to *Western Star Trucks* until 2023. The sale of the 2.2-hectare site reflected a rate of \$1,227.27 psm. Wacol is located about 21.1 km south-west of Brisbane's CBD.



2/29 Newheath Drive, Arundel, QLD 4214

Greenery Developments have bought a 1.78-hectare site for **\$6.7 million**. The site will likely be developed into a design and construct facility. The sale reflected a rate of \$376.40 psm. Arundel is located around 11.5 km north-west of the Gold Coast CBD.

408 Stapylton Road, Heathwood, QLD 4110

LOGOS Property Group has acquired an industrial land site from *Lyn Brazil* for **around \$50 million**. The 24.6 hectare site will be developed into a premium logistics estate with an end value of more than \$200 million. The sale reflected a rate of \$203.25 psm. Heathwood is located about 22.4 km south-west of Brisbane's CBD.

37 Eagleview Place, Eagle Farm, QLD 4009

A private Sydney-based buyer has acquired an industrial investment for **\$9.1 million** on a **yield of 8%**. The 2,452 sqm warehouse and office sits on a 5,335 sqm site and is leased to *Audio Visual Technology* for a net annual rent of \$728,912. The sale reflected a rate of \$1,705.72 psm. Eagle Farm is located about 11.6 km south-west of Brisbane's CBD.

1517 Lytton Road, Hemmant, QLD 4174

A former *Inghams* chicken facility and transport yard has been purchased by *Charter Hall's Core Plus Industrial Fund* for **\$6 million**. The 17,766 sqm land holding is leased for an annual rental of \$520,000. The sale reflected a **yield of 8.66%** and a rate of \$337.72 psm. Hemmant is located about 16 km north-east of the Brisbane CBD.



141a Boundary Road, Oxley, QLD 4075

Pipeclay Lawson has bought a 2.1-hectare industrial facility for **\$8.215 million** on a **yield of 7.87%**. The 3,141 sqm property is leased to *Chep Australia* for a net annual rent of \$646,500. The sale reflected a rate of \$391.19 psm. Oxley is located about 13.4 km south-west of Brisbane's CBD.

1 Lahrs Road, Ormeau, QLD 4208

Propertylink Australia has paid **\$29 million** for an industrial property in the **Yatala Enterprise Area** on a 7% yield. The property is 100% leased to *Seabest International* for 11-years. The property has a net lettable area of 9,590 sqm. The sale reflected a rate of \$3,023.98 psm. Ormeau is located 46.4 km south-east of the Brisbane CBD.

Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred in the Brisbane industrial market during the three months to December 2015;

40 Buchanan Road, Banyo, QLD 4014

Enviropipes Pty Ltd will move into a 1,030 sqm warehouse and office property for **5-years**. The lessee will pay a private landlord a net annual rent of \$130,000, reflecting a **rate of \$126.21 psm**. Banyo is located 13.2 km north-east of the Brisbane CBD.



21 Reichart Drive, Molendinar, QLD 4214

Williams Group has leased a 7,000 sqm industrial facility on a **3-year lease**. The property features a 2,323 sqm building, hardstand and container-height roller doors. The lease reflected a **rate of \$42.14 psm**. Molendinar is located about 8 km north-east of Gold Coast or 76.6 km south-east of the Brisbane CBD.



Yatala Central, Yatala, QLD 4207

Owens-Illinois will be the first tenant to lease space at *Fraser's Property Australia's Yatala Central* industrial estate. Owens-Illinois will occupy a 30,000 sqm warehouse and 400 sqm office on a 6.75 hectare site from the third quarter of 2016. The lease is for **six-years** and is for **about \$90 psm**. Yatala is located 38.4 km south-east of the Brisbane CBD.

14 Leda Drive, Burleigh Heads, QLD 4220

Tribeca Health has agreed to lease a 758 sqm bulky goods warehouse on a 1,500 sqm site. The lease is for **2-years with options**, on a gross annual rent of \$100,000. The lease reflected a **rate of \$66.67 psm**. Burleigh Heads is located 10km south of Gold Coast or 90.9 km south-west of Brisbane's CBD.

27-29 Industrial Avenue, Molendinar, QLD 4214

Viadux will move into a new 3,168 sqm industrial facility in the **Enterprise Industrial Park**. *Viadux* will lease 40% of the property and the rest will be split into multiple tenancies. The lease is for **5-years with options** and the lessee will pay a net annual rent of \$364,000. The lease reflected a **rate of \$114.90 psm**.



RESIDENTIAL MARKET

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals December 2015, the total number of house dwelling approvals in the Brisbane Statistical Division over the month to December 2015 has decreased by -4.27% from 913 approvals to 874 approvals. In comparison to December 2014, a growth of 8.98% was recorded.

The total number of non-house dwelling approvals had fallen by -33.59% over the month from 1,388 approvals in November, to 1,388 dwelling approvals in December. In comparison to twelve months prior, non-house building approvals decreased by -4.54%.

In 2015, the Brisbane total dwelling approvals amounted to 30,946 approvals.

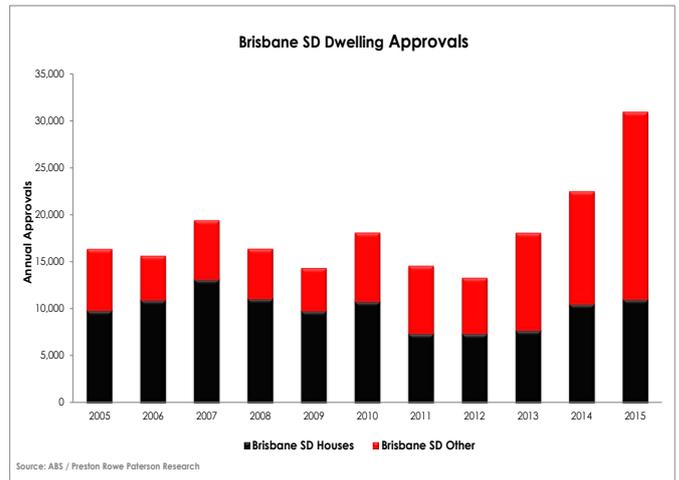


Chart 9—Brisbane SD Dwelling Approvals—Source ABS

BRISBANE

Market Affordability

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

According to Real Estate Institute of Australia (REIA) September quarter, the Brisbane median house price increased by 0.2% to \$480,000, reflecting an annual growth of 3.1%.

The Brisbane zones recorded positive quarterly results. Inner Brisbane recorded growth in median sales house price of 5.8% to \$815,000 and Middle Brisbane prices increased by 1.4% to \$565,000. Outer Brisbane median sales price remain unchanged at \$375,000.

In comparison to September 2014, positive results were recorded across all zones. Inner Brisbane recorded the largest growth of 7.8%. Middle and Outer Brisbane median prices grew by 4.6% and 4.7% respectively.

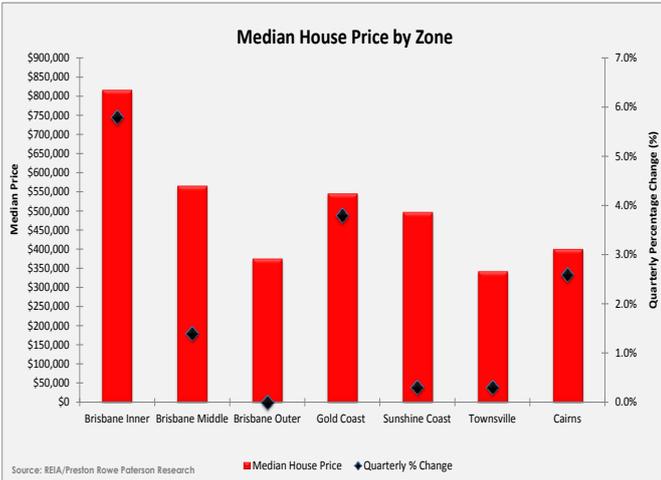


Chart 10—Median House Price by Zone— Source REIA

The Brisbane median other dwellings median sales price increased by 1.9% to \$397,500 in the September quarter. Inner Brisbane other dwelling sales price remain unchanged at \$460,000. Middle and Outer Brisbane other dwelling sales prices grew by 2.1% and 5.2% to \$372,500 and \$292,000 respectively.

A year on year comparison has revealed positive growth across all zones. The largest annual increase was Outer Brisbane at 4.3%, followed by Middle and Inner Brisbane at 2.8% and 2.2% respectively.

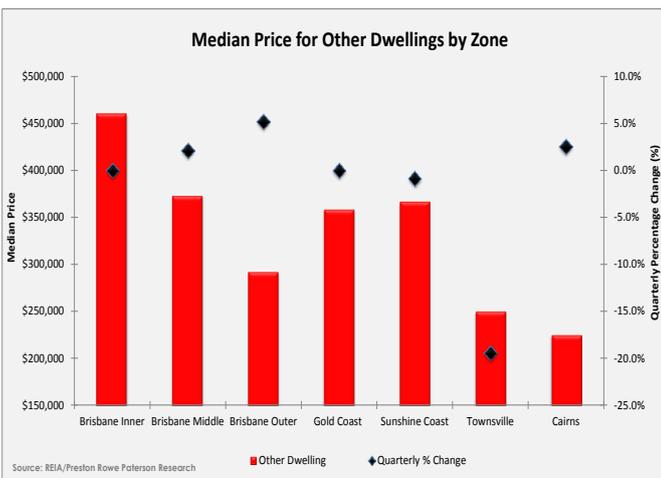


Chart 11—Median Price for Other Dwellings by Zone— Source REIA

Rental Market

Over the September quarter, the Brisbane house rental market was relatively stable. There were no recorded changes to median weekly rents in Middle and Outer Brisbane houses, except for Middle Brisbane 4 bedroom house rents which fell by -1% to \$495.

The only rental growth was reported in Inner Brisbane 3 bedroom house by 2% to \$520. Inner Brisbane 2 & 4 bedroom house rents fell by -6.7% to \$420 and -0.7% to \$715 respectively.

Year on year analysis has revealed rental growth across most zones except for the regional city of Middle Brisbane 2 bedroom house that remain unchanged at \$370. The highest annual rental growth was noted in Inner Brisbane 4 bedroom house at 4.4%.

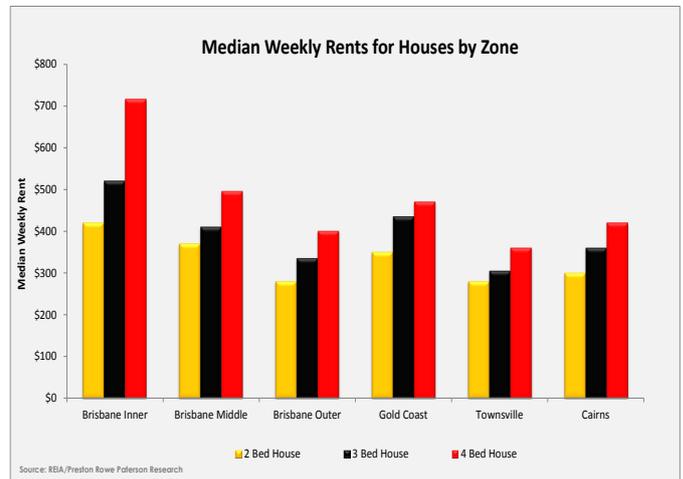


Chart 12—Median Weekly Rents for Houses by Zone— Source REIA

Other dwelling median weekly rents was relatively stable across all zones. Decrease in median weekly rent was recorded in Inner Brisbane 2 bedroom and Outer Brisbane 3 bedroom where rents fell by -3.4% and -0.3% to \$460 and \$335. Increases in median weekly rent occurred in the Inner Brisbane 1 bedroom and Middle Brisbane 3 bedroom other dwellings at 1.4% and 2.5% to \$365 and \$410 respectively.

A year on year analysis revealed mixed results in the September quarter. The largest annual growth of median weekly rental was recorded in the Middle Brisbane 3 bedroom where rents grew by 2.5%. The annual rental decline was reported in the Inner Brisbane 1 & 2 bedroom other dwelling by -1.4% and -4.2% respectively.

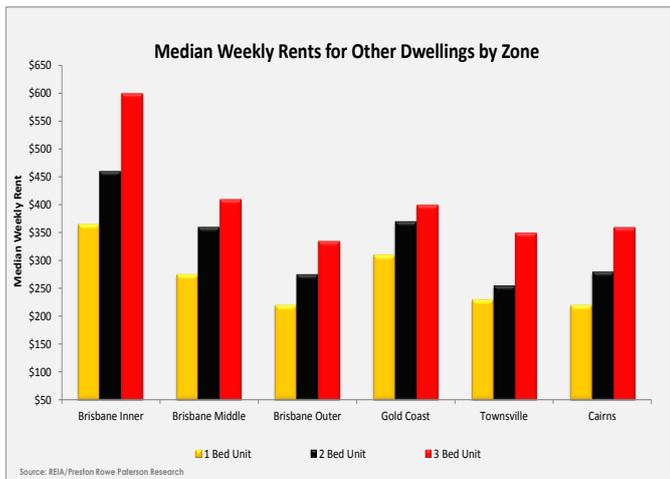


Chart 13—Median Weekly Rents for Other Dwellings by Zone— Source REIA

GOLD COAST

Market Affordability

Over the September quarter, the median house price in Gold Coast increased by 3.8% to \$528,000, however, reflecting an annual increase of 10.1%. Similarly other dwelling sales price remain unchanged at \$358,000.

Rental Market

The median house rents increased in the 3 bedroom rent grew by 1.2% to \$435, 4 bedroom rent decreased by -2.1% to \$430 and 2 bedroom rent remain unchanged at \$480.

The only recorded change in median weekly rent was the 1 bedroom other dwelling which increased by 1.6% to \$310. The 2 & 3 bedroom other dwelling rents remain unchanged in the quarter at \$370 and \$400 respectively.

SUNSHINE COAST

Market Affordability

The Sunshine Coast median house sales price increased in the September quarter by 0.3% to \$496,500, reflecting a 4% annual increase. Other dwelling median sales price in Sunshine Coast decreased by -0.9% to \$366,500, revealing a 4.7% annual growth.

TOWNSVILLE

Market Affordability

The median house sales price in Townsville has increased by 0.3% over the September quarter to \$342,000, reflecting a 0.6% annual growth. However, the Townsville median sales price for other dwellings fell by -19.5% to \$250,000, a -0.7% annual decline.

Rental Market

The Townsville rental market revealed mixed results in September quarter 2015. Growth in rents was recorded in 2 bedroom house at 1.8% to \$280. 3 bedroom house rent fell by -1.6% to \$305 and 4 bedroom house rent remain unchanged at \$360.

The Townsville other dwelling rental market improved in the September quarter. The 2 & 3 bedroom other dwelling median weekly rents increased by 6.3% and 6.1% to \$255 and \$350 respectively. The 1 bedroom rent did not record any change to a median weekly rent of \$230.

CAIRNS

Market Affordability

Over the September quarter, the median house price in Cairns grew by 2.6% to \$400,000, reflecting an annual increase of 8.1%. Similarly other dwelling sales price increased by 2.5% to \$225,000 over the quarter, reporting an annual growth of 7.1%.

Rental Market

The median house rents in Cairns increased most categories. The 2 & 3 bedroom rent tightened by increased by 3.4% and 2.9% in the September quarter to median weekly rents of \$300 and \$360 respectively. The 4 bedroom house rents remain unchanged at \$420.

Other dwelling rents also increased in the quarter. The median other dwelling rent for 1 & 3 bedroom other dwellings grew by 4.8% and 2.9% to \$220 and \$360 respectively. 2 bedroom other dwelling rents remain unchanged at \$280.

HOTEL & LEISURE MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in the Queensland Hotel & Leisure Market, during the three months to December 2015;

735 Stanley Street, Woolloongabba, QLD 4102

Dyldam, along with the *Barakat Group*, has acquired the **Chalk Hotel** and adjoining development land for **\$25 million**. The two developers will develop the land into over 430 apartments and will look to sell the hotel in sometime in the future. The **Chalk Hotel** is a three-level venue that offers both bar and dining options. The sale reflected a rate of \$58,139.53 per potential apartment. Woolloongabba is located around 4.4 km south-east of the Brisbane CBD.



SPECIALIZED PROPERTY MARKET

Investment Activity

Preston Rowe Paterson Research recorded some sales transactions that occurred in the Brisbane Specialised Market during the three months to December 2015;

141 Maudsland Road, Oxenford, QLD 4210

A private local owner has sold a fully-leased 7-Eleven service station and retail complex to an interstate investor for **\$8.92 million**. The sale of the 2,267 sqm property that sits on a 7,500 sqm site reflected a **yield of 7.56%**. The current lease will expire in 2026 plus options and returns a net annual rental of \$674,550. The retail complex is on a 1,040 sqm site with 10 tenants and 73 car parks. The sale reflected a rate of \$1,189.33 psm. Oxenford is located 62.4 km south-east of the Brisbane CBD.



REGIONAL MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in the Queensland Regional Market, during the three months to December 2015;

Rural

Baralaba, QLD 4702

Simpson Agribusiness has purchased a 715 hectare stud farm and grazing property known as **Durack** for **\$2.5 million**. The property has the capacity for 305 head of cattle and offers 188 -hectares of leucaena grazing paddocks, shedding, dams, buffel grass paddocks and a four-bedroom homestead. The sale reflected a rate of \$3,496.50 per hectare. Baralaba is located about 592 km north-west of the Brisbane CBD.

Roma, QLD 4455

Gunn Agri Partners has bought three cattle stations for **\$11 million** from *Ekari Park Pty Ltd*. The portfolio features **Ballaroo** with 11,463 hectares, **Fairview** with 11,393 hectares and **Ekari Park** with 13,239 hectares. The total 36,095 hectare site has development opportunities to implement more intensive backgrounding and fattening operation. The sale reflected a rate of \$304.75 per hectare. Roma is located around 473 km north-west of Brisbane's CBD.





Economic Fundamentals

GDP

GDP figures for the December quarter 2015 are not available until the 2nd March 2016, however, over the September 2015 quarter revealed that the Australian economy recorded growth of 0.9% seasonally adjusted which reflected growth of 2.5% seasonally adjusted over the twelve months to September 2015.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Financial and insurance services (+0.5%), Healthcare (+0.3%) and Mining (+0.3%). In trend terms, the largest detractor was Manufacturing (-0.1%).

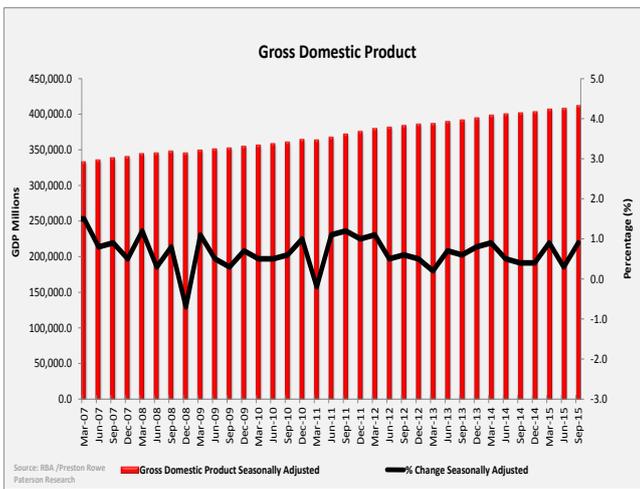


Chart 14 – Gross Domestic Product (GDP) – Source ABS

Interest Rates

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

"The global economy is expanding in a moderate pace, with some further softening in conditions in Asia region, continuing growth in US and a recovery in Europe. Key commodity prices are much lower than a year ago, reflecting increased supply, including Australia, as well as weaker demand. Australia's terms of trade are falling...In Australia the available information suggests moderate expansion in the economy continues in the face of a large decline in capital spending in the mining sector. While GDP growth has been somewhat below long-term averages for some time, business surveys suggests a gradual improvement in conditions in non-mining sectors over the part year. This has been accompanied by stronger growth in employment and a steady rate of unemployment... Inflation is forecast to be consistent with the target over the next one or two years."

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

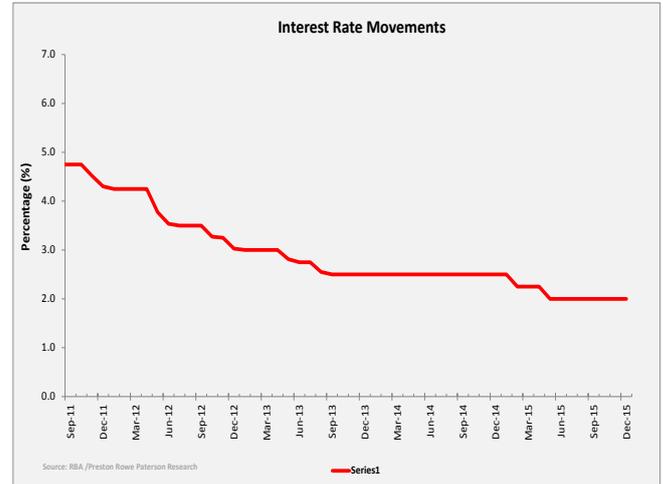


Chart 15 –Cash Rate – Source RBA

CPI

According to the Australian Bureau of Statistics (December 2015), the Australia's All Groups CPI increased by 0.4% over the December quarter from 108 to 108.4. The annual CPI change to December 2015 recorded a growth of 1.7%.

The most significant price rises over the December quarter were Tobacco (+7.4), Domestic holiday travel and accommodation (+5.9%) and International holiday travel and accommodation (+2.4%). The greatest price fall over the quarter was attributed to are Automotive fuel (-5.7%), Telecommunication equipment and services (-2.4%) and Fruit (-2.6%).

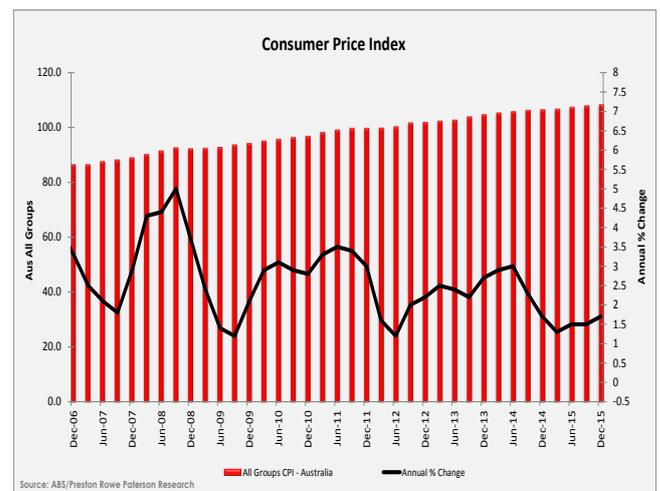


Chart 16– Consumer Price Index—Source—ABS

10 Year Bond & 90 Day Bill Rate

Analysis of the daily 10 Year Government Bonds has revealed no changes to the rate over the month of December at 2.85%. The 90 day bill rates had increased by 12 basis points to the month end of 2.34%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of 17 basis points.

Over the December 2015 quarter, the 10 Year Government Bonds recorded an increase of 16 basis points from 2.7%. The 90 Day Bill Rate recorded a 17 basis points growth over the quarter from 2.34%.

In the twelve months to December 2015, the monthly 10 Year Bond Rate has decreased by 11 basis points from 2.96%. Similarly, the monthly 90 Day Bill Rate fell by 41 basis points from 2.75%.

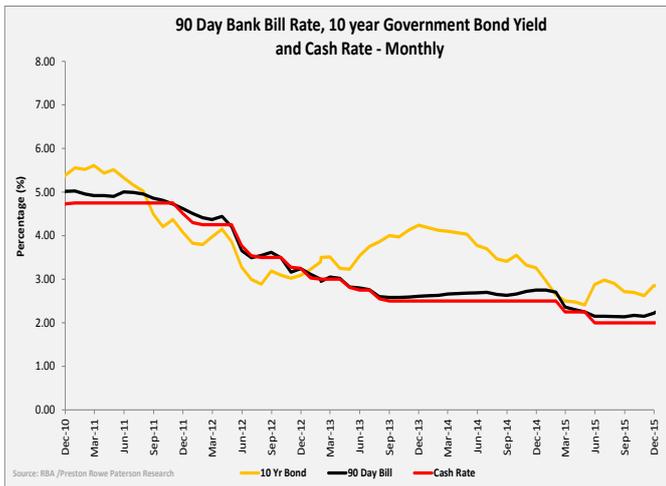


Chart 17 –90 Day Bill, 10 year bond and cash rate – MONTHLY – Source RBA

Labour force

Over the month to December 2015, the number of unemployed people has declined by 10,900 from 738,400 in November to 727,500 in December, reflecting a -0.1% decrease. In comparison to December 2014, the number of unemployed people had decreased by 27,300 reflecting an annual decline of -3.6%. The unemployment rate was 5.8% as at December 2015.

The number of unemployed seeking full time employment recorded a decrease in December by 2,600 to 515,000 persons. The number of unemployed seeking part time employment also decreased over the month by 8,400 to 212,500 persons.

Queensland experienced a large absolute increase in seasonally adjusted employment by 6,700 persons to 2.378 million persons over the month of December. The unemployment status in Queensland over the quarter decrease by -0.4% to 5.8%.

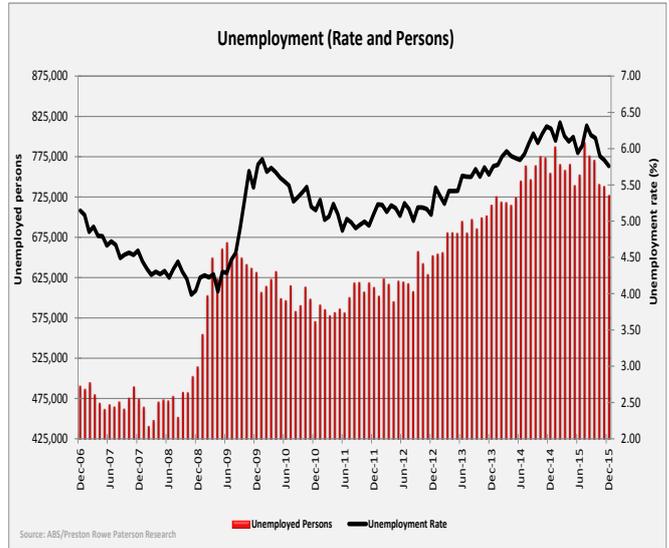


Chart 18 – Unemployment – Source ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 0.8% from 101.7 index points in November to 100.8 index points in December. Over the December quarter the index has increased by 6.9 points and recorded a 10.65% annual growth.

Westpac's Economist, Bill Evans commented; " The Index has held on to most of the gains from (November's) 4% lift and is 10.7% above its levels this time last year...The most important (sentiment) change was around 'budget and taxation' with the proportion of respondents assessed as considerably less favourable. Presumably speculation around tax changes, particularly with respect to the GST...Confidence around the housing market continues to deteriorate...housing-related sentiment continues to show sharper falls and considerably weaker reads in NSW and VIC."

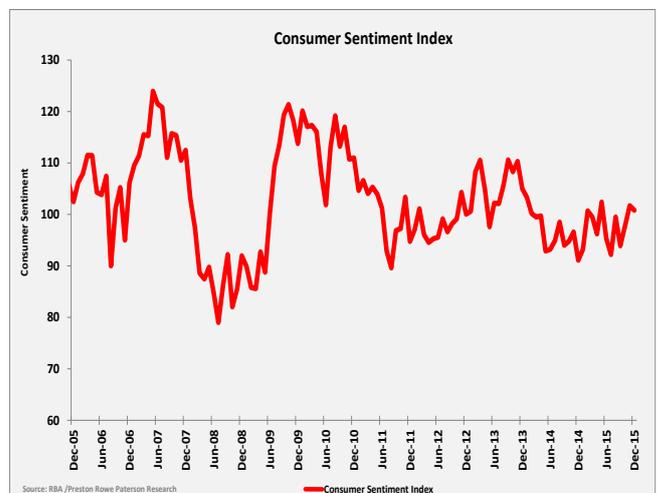


Chart 19 – Consumer Sentiment Index—Source—Westpac Melbourne Institute Survey

Our Research

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

We have property covered

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

We have all real estate types covered

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

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

We have all types of plant & machinery covered

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

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

We have all client profiles covered

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

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

We have all *locations* covered

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

We have your *needs* covered

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

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



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