



Preston
Rowe
Paterson

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

June Quarter 2016

INSIDE THIS ISSUE:

Brisbane CBD Office Market	2
Gold Coast Office Market	4
Retail Market	5
Industrial Market	6
Residential Market	7
Hotel & Leisure Market	9
Specialized Property Market	10
Regional Market	10
Economic Fundamentals	11
About Preston Rowe Paterson	13
Contact Us	15



Phone: +61 2 9292 7400

Fax: +61 2 9292 7404

Address: Level 14, 347 Kent Street Sydney NSW 2000

Email: research@prpsydne.com.au

Follow us: Visit www.prpsydne.com.au

© Copyright Preston Rowe Paterson NSW Pty Limited

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 June 2016:

208 Queen Street & 88 Creek Street, Brisbane, QLD 4000

Primewest has paid **around \$38 million** for a heritage building and commercial tower from *Unity Pacific*. The 4,578 m² properties include offices and dining and bar establishments including *The Gresham*. The sale reflects a **rate of \$8,300.57 psm**.

333 Adelaide Street, Brisbane, QLD 3000

Icon Constructions has agreed to a sale and leaseback agreement with *AWU* for 3-years for a 7,576 m² office building. *Icon* paid **\$16.6 million** for the B-grade building. Occupancy is at 60%. The sale reflects a **rate of \$2,191.13 psm**.

10 Browning Street, South Brisbane, QLD 4101

Forza Capital has purchased an 11,214 m² office building from *Armada Funds Management* for **\$65.5 million**. The 4-level, A-grade property is leased to multiple tenants including *Visionstream*. The building has a weighted average lease expiry of 5.2-years and a 380-bay car park. The site also has development potential for a 12-storey tower. The sale reflects a **rate of \$5,840.91 psm**. South Brisbane is located around 1 km south-east of Brisbane's CBD.



10 Browning Street, South Brisbane, has been sold for \$65.5 million to Forza Capital.

Leasing Activity

Preston Rowe Paterson Research recorded limited leasing transactions that occurred in the Brisbane CBD office market during the three months to June 2016:

140 Creek Street, Brisbane, QLD 4000

The Queensland government has agreed to a major lease with *Investa* for eight-floors. The *Department of Transport and Main Roads* and *Department of Public Works* will occupy 8,819 m² for **one-year**.



42-60 Albert Street, Brisbane, QLD 4000

The Queensland government's *Department of Public Works* has agreed to a \$45 million, **8-year** leasing deal in *DEXUS Wholesale Property Fund's AM60* office tower. The Queensland government now occupies the mezzanine, levels 2-11, levels 17-19 and part of level 16 in the building. The total space is 8,233 m² and the **rent is for between \$600 to \$700 psm with incentives in the early 30% range**.

Development Sites

According to the July 2016 edition of Property Council of Australia (PCA)'s Office Market Report, one new development is due to be completed in late 2016:

The development site, located on **1 William Street**, is due to be completed by the third quarter of 2016 and will become the new home of the Queensland State Government. The site, owned 50% by *Cbus Property* and 50% by *QLD State Government*, will become Brisbane's largest commercial tower upon its completion. The tower comprises of **75,853 sqm** of net lettable area over 42 office levels. Its average floorplate size is 1970 sqm. There will be 1100 sqm of retail area in conjunction with a total of 318 carpark spaces.



1 William Street, located in the heart of Brisbane City, will become its largest commercial building upon completion.



Supply by Grade (Stock)

PCA's Office Market Report also revealed an increase of 104,538 sqm in office space in the Brisbane CBD office market. This was brought on by the 115,134 sqm of additional supply in conjunction with 10,596 sqm of withdrawals over the half year to July.

A and B Grade office stock dominate Brisbane CBD's office market, with a respective share of 40.6% and 35.7%. Premium and C Grade stocks assumed 11.5% and 9.7% respectively, whilst D Grade stocks were the least common, encompassing 2.5% of total stock.

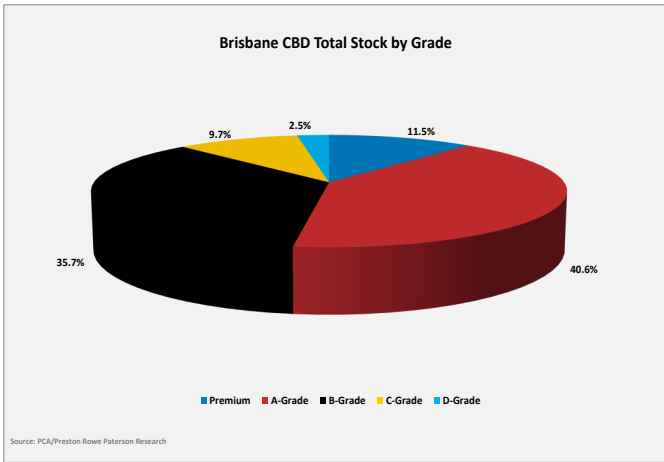


Chart 1 – Brisbane CBD Total Stock by Grade – Source PCA

Net Absorption

Brisbane CBD's office market experienced a positive absorption of 41,419 sqm in the twelve months to July 2016. Furthermore, The net absorption recorded in the six months to July was 42,742 sqm.

All office grades, except for C and D Grades, experienced positive changes to their occupied stock in the twelve months to July. Premium, A and B Grades increased by 9.2%, 4.4% and 0.2% respectively. C and D Grades however, reduced by 3.5% and 6.9% respectively.

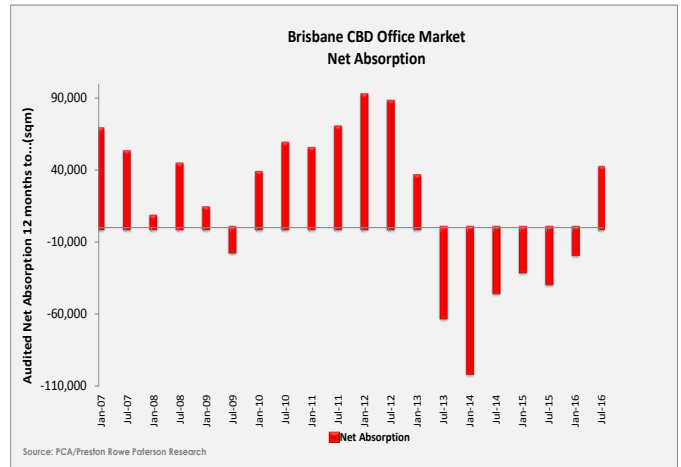


Chart 2 – Brisbane CBD Office Net Absorption – Source PCA

Total Vacancy

Total vacancy rate in the Brisbane CBD office market over the six months to July 2016 increased by 2% to 16.9%. Direct vacancy for the period was 13.8% and sub-lease vacancy was at 3.1%. Total vacant office space in Brisbane CBD market is reported at 383,238 sqm.

Vacancy rates had increased in all, but B and D Grade, office stocks. Premium, A and C Grades grew by 12.6%, 2.5% and 1.0% respectively to their new rates of 22.1%, 13.9% and 17.5%. B and D Grade had similar declines of 0.8% and 1.0% respectively, and now have vacancies of 18.6% and 16.8% respectively.

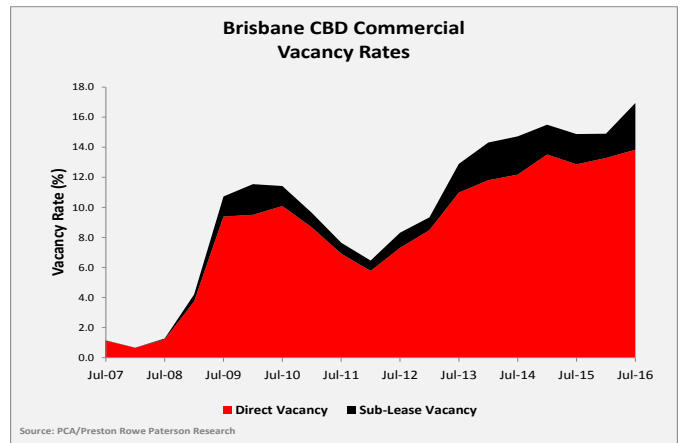


Chart 3 – Brisbane CBD Commercial Vacancy Rates – Source - PCA

Gold Coast Office Market



Supply by Grade (Stock)

The July 2016 PCA Office Market Report states that there has been an increase of 800 sqm in total office space on the Gold Coast, a result additional supplies and no withdrawals for the six months towards July 2016. Total office supplies as of July 2016 stands at 473,050 sqm.

Gold Coast's office market is dominated by B Grade office stocks, which accounts for 40.1% of total market stock. A and C Grade take up similar proportions of the market recording at 27.9% and 28.8% respectively. D Grade stocks assumed only 3.2% of total market share.

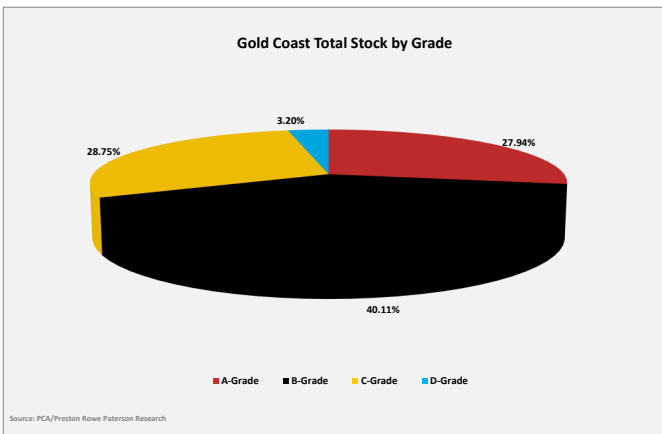


Chart 4 – Gold Coast Total Stock by Grade – Source PCA

Net Absorption

Gold Coast's office market has recorded positive net absorption of 2,014 sqm in the twelve months to July 2016. However, we note that the total market net absorption in the six months to January was reported to be negative, at -4,511 sqm.

The only change in absorption came from B Grade offices, which increased by an additional 800 sqm, and as at July 2016 take up 189,744 sqm of total office space. A, C and D Grade stocks did not change in their stock size, and as July take up 132,163 sqm, 136,004 sqm and 15,139 sqm respectively.

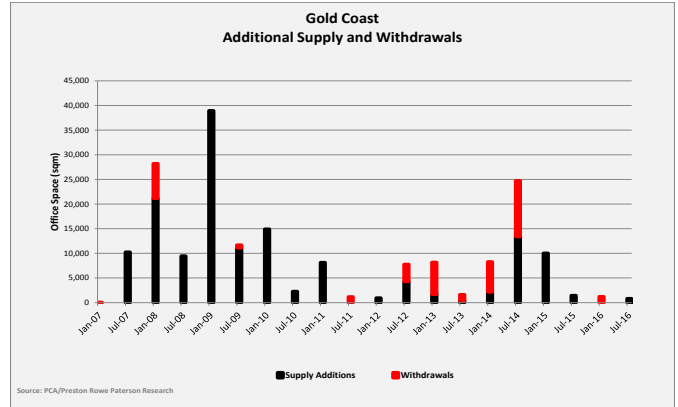


Chart 5 – Gold Coast Office Net Absorption – Source - PCA

Total Vacancy

As at July 2016, there is a reported increase in the total vacancy for Gold Coast's office market, which now stands at a rate of 14.3%. This figure is a combination of the 13.0% in direct vacancy and 1.3% in sub-lease vacancy. Total vacancy amount to 67,238 sqm.

Only B Grade office stocks experienced a tightening over the half year to July, decreasing by 1.7% to 12.4%. A, C and D Grades all increased in vacancy, by 2.8%, 1.7% and 2.6% respectively. Their respective vacancy rates stand at 18.7%, 12.9% and 12.2%.

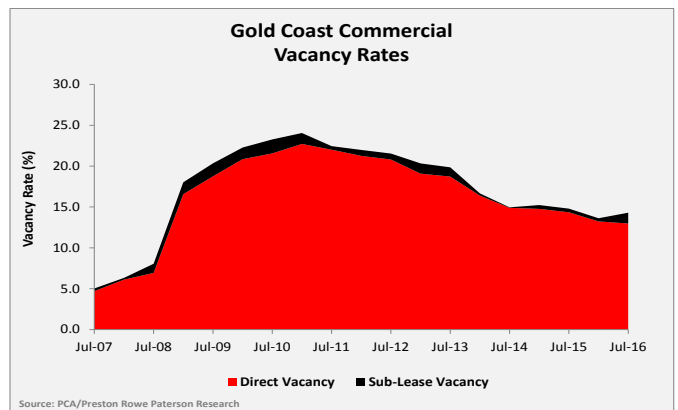


Chart 6– Gold Coast Commercial Vacancy Rates – Source ABS



RETAIL MARKET Investment Activity



Preston Rowe Paterson Research recorded a number of retail transactions that occurred in the Brisbane metropolitan area during the June quarter 2016:

274 Mulgrave Road, Cairns City, QLD 4870

Sentinel Property Group has acquired the **DFO Cairns** retail outlet for **\$39.5 million** on an **initial yield of 10.5%**. The property has about 25,000 m² of space and 1,500 car spaces. Outlets include *Trade Secret, Bonds, Ralph Lauren, Royal Doulton, Coles* and *Hungry Jack's*. The sale of the 8.15-hectare site reflects a **rate of \$484.66 psm**.



1424 Gympie Road, Aspley, QLD 4034

Home Furniture Bedding & Outdoor will lease a 1,781 m² showroom from a private landlord for its first Queensland store. The **lease is for between \$200 to \$250 net psm**. Aspley is located around 13.2 km north of the Brisbane CBD.

1 Airport Drive, Brisbane Airport, QLD 4008

The **Brisbane DFO** has been purchased by *Vicinity Centres* for **\$55 million**. The property was acquired under a sub-lease to the *Brisbane Airport Corporation*, which holds the head lease and owns the buildings. The 26,100 m² of gross lettable area, single-level shopping centre has around 150 tenancies. The sale reflects a **rate of \$2,107.28 psm**. Brisbane Airport is located about 15.4 km north-east of the Brisbane CBD.



RETAIL STATISTICS

According to the Australia Bureau of Statistics category 8501.0 Retail Trade (June 2016), positive results were evident throughout Queensland's retail turnover figures. The increase of 1.13% in turnover over the month of June brought the turnover figure to \$5014.5 million. In saying this, a year on year analysis from June 2015 indicates a slight increase of 0.02%.

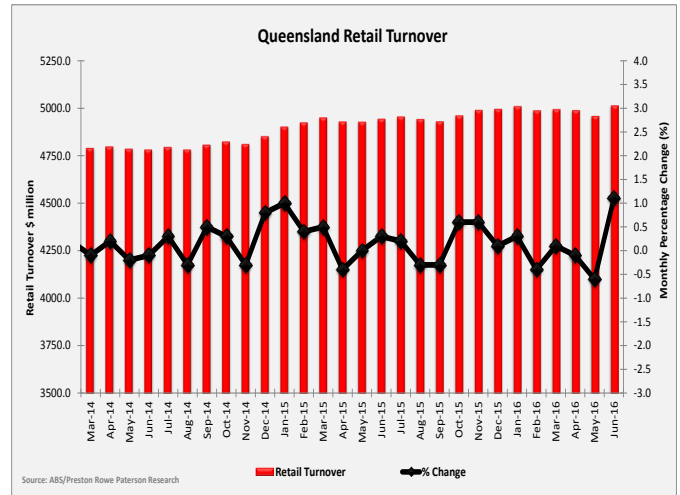


Chart 7—Queensland Retail Turnover— Source ABS

June's retail turnover data by industry subgroup revealed positive results. The highest growth in retail turnover was Clothing retailing, which increased by 6.66% over the month (12.31% on a year on year basis) to \$347.6 million. Department stores and Other retailing also increased over the month, by 4.13% and 1.64%, to \$315.0million and \$682.4 million respectively. Household goods, Café and Food retailing also experienced increases over the month, albeit less prominent, of 0.65%, 0.55% and 0.06% respectively. Their respective turnovers as at June 2016 are \$848.6 million, \$716.7 million and \$2104.1 million.

When we look at year on year changes, all subgroups, except for Café retailing, experienced increases in their turnover figures. Department retailing experienced the second highest yearly increase (behind Clothing) of 3.65%, followed by Household goods, Food, and Other retailing with growths of 2.27%, 1.26% and 1.22% respectively. Café retailing experienced a year on year decline in growth of 4.30%.



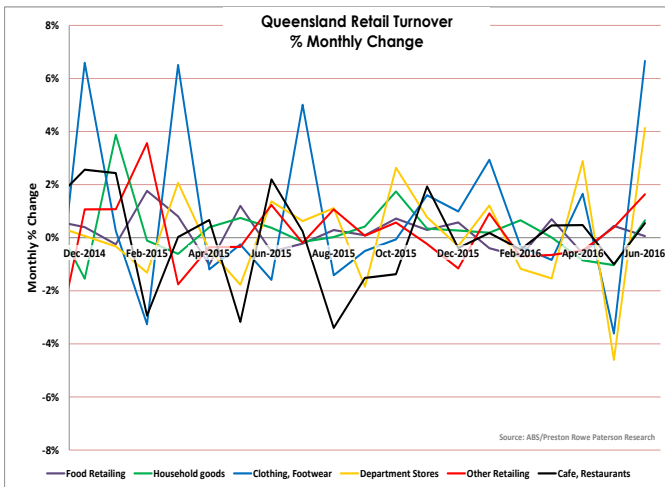


Chart 8 —Queensland Turnover % Monthly Change— Source ABS

INDUSTRIAL MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following transactions that occurred in the Brisbane industrial market, during the three months to June 2016:

2642-2666 Ipswich Road, Darra, QLD 4076

Fife Capital has acquired a fully-leased major industrial property from the *Fairfax* family for **\$29.5 million**. The two modern corporate industrial facilities are leased to *Ensign Services* and *Multispares Limited*. The property comprises 9,732 m2 and occupies a 23,463 m2 total site. The sale reflects a **rate of \$1,257.30 psm**. Darra is located around 16.4 km south-west of Brisbane's CBD.

37-39 Interlink Court, Paget, QLD 4740

Sentinel Property Group has bought a 4,671 m2 industrial facility on a 2.1-hectare site for **\$6.5 million**. The property is fully-leased to *Sandvik* until May 2020 with options. The property comprises a single-level office building, freestanding warehouses, a paint booth, wash bay and a small oil store. The sale reflects a **rate of \$309.52 psm**. Paget is located around 7 km south-west of the Mackay CBD.



26 Production Avenue, Molendinar, QLD 4214

A local family-owner investment entity has paid **\$6.45 million** for a vacant 6,696 m2 industrial facility. The new owner will do some minor works before looking for a new tenant. The sale reflects a **rate of \$963.26 psm**. Molendinar is located about 8.5 km north-west of the Gold Coast CBD.

36 Peterkin Street, Acacia Ridge, QLD 4110

Trilogy has bought a logistics and office complex for **\$18 million**. The 14,500 m2 distribution warehouse is currently leased to *Bluestar Global Logistics*. The sale reflects a **rate of \$1,241.38 psm**. Acacia Ridge is located 14.6 km south of Brisbane's CBD.

26 Production Avenue, Molendinar, QLD 4214

A private investor has bought a 6,696 m2 industrial facility for **\$6.45 million**. The property was sold as a vacant possession. The sale reflects a **rate of \$963.26 psm**. Molendinar is located around 8.5 km north-west of the Gold Coast CBD.



26-30 Access Avenue, Yatala, QLD 4207

A Gold Coast private investor has bought a fully-leased industrial facility for **\$4.4 million**. The 3,056 m2 building has two tenants and a weighted average lease expiry of four years. *Hispec Industrial* and *Rack'nStack Warehouse* are the two tenants on the 4,400 m2 site. The property also has 61 car spaces on the basement and ground levels. The sale reflects a **yield of 7.2%** and a **rate of \$1,000 psm**. Yatala is located around 38.4 km south-east of the Brisbane CBD.

Eagle Farm Road, Pinkenba, QLD 4008

Cadence Property Group has sold an industrial facility to the *Charter Hall Prime Industrial Fund* for **just below \$24 million**. The 5,222 m2 warehouse an office property occupies a 2.485-hectare site. The sale reflects a **rate of less than \$965.79 psm**. Pinkenba is located about 12.3 km north-east of Brisbane's CBD.

Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred in the Brisbane industrial market during the three months to June 2016:

37 Lear Jet Drive, Caboolture, QLD 4510

Majestic Caravans Australia has agreed to lease a 1,000 m2 factory in the **Corporate Park Estate**. The lease is **5-years** at a net annual rent of \$138,000. The lease for the 2,342 m2 site reflects a **rate of \$58.92 psm**. Caboolture is located about 48.8 km north of Brisbane's CBD.

9 Fortune Street, Geebung, QLD 4034

Kompan Playscape has signed a deal for a 2,400 m2 office and warehouse facility for **5-years with options**. *Kompan* will pay a gross rent of \$265,000 for a property with drive-through access via two driveways and hardstand. The lease of the 4,500 m2 site reflects a **rate of \$58.89 psm**. Geebung is located around 12.5 km north-east of the Brisbane's CBD.

RESIDENTIAL MARKET

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals (June 2016), total number of house dwelling approvals in the Brisbane Statistical Division over the month to June 2016 increased by 10.18% from 1031 to 1136 approvals. This also reflects a positive year on year change of 12.6% from June 2015.

In contrast to this, the total number of non-house dwelling approvals had decreased by 26.37% over the month to June, from 1062 to 782 approvals. This further adds to the dramatic decrease over the year, with a decline of 65.75% in approvals since June 2015.

Brisbane's total dwelling approvals for the June quarter had amounted to 7,296 approvals.

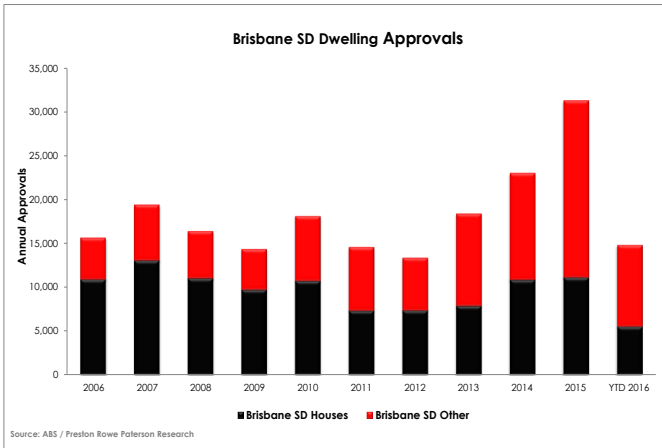


Chart 9—Brisbane SD Dwelling Approvals—Source ABS

BRISBANE

Market Affordability

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

According to the March report from REIA, Brisbane's median house price decreased by 4.0% over the quarter to \$480,000. This median price, however, reflects an annual growth of 1.1%. All Brisbane zones experienced declines, with Inner, Middle and Outer zones experiencing a decrease of 3.7%, 3.6% and 0.4% respectively. Their median prices for the March quarter stand at \$790,000, \$569,100 and \$381,000 respectively.

Over the year, Inner Brisbane experienced a decline of 6.9%. Middle and Outer Brisbane both experienced yearly growth from March 2015, of 5.1% and 1.5% respectively.

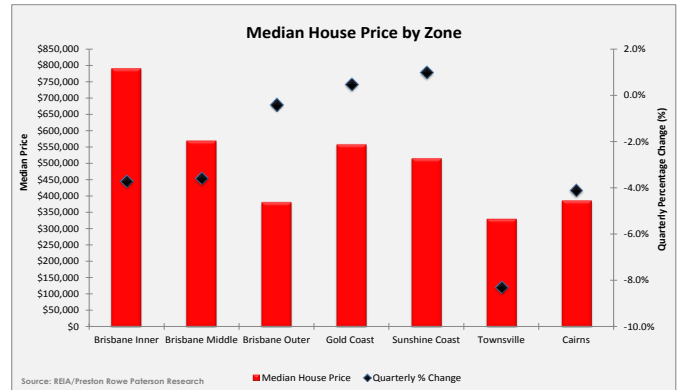


Chart 10—Median House Price by Zone—Source REIA

Brisbane's median price for other dwelling tightened over the March quarter, declining by 1.3% to a new median price of \$395,000. Inner Brisbane fared the best, with zero changes in median price, remaining at \$455,000 over the quarter. Middle and Outer Brisbane experienced declines of 0.7% and 6.3%, to their median prices of \$378,500 and \$285,000 respectively.

Year on year analysis revealed declining growth in all Brisbane zones. Outer Brisbane experienced the largest decline in their median prices for other dwellings, with a decrease of 8.9% over the year. Inner and Middle Brisbane experienced less dramatic declines of 3.2% over the year.

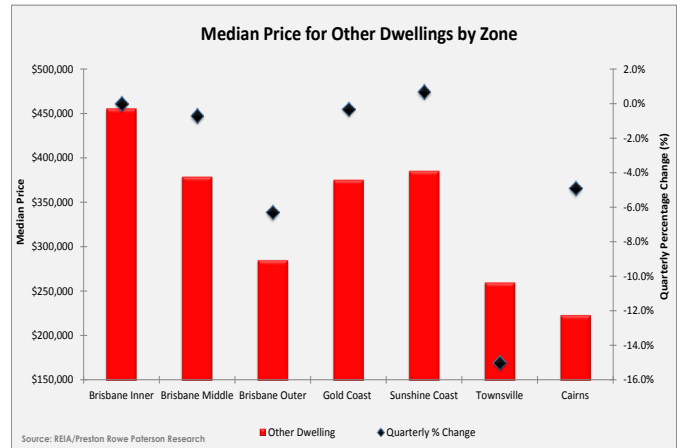


Chart 11—Median Price for Other Dwellings by Zone—Source REIA



Rental Market

The March quarter brings on growth in median weekly house rents in houses in all zones, except for houses in Outer Brisbane.

Inner Brisbane houses experienced growths, with 2, 3, 4 bedrooms houses experiencing quarterly growths of 1.1%, 1.9% and 4.3% respectively. Their respective median weekly rents stand at \$450, \$535 and \$725 respectively.

Middle Brisbane houses also experienced growth in their weekly rents. 2, 3, 4 bedrooms rents increased by 1.4%, 2.4% and 4.0% respectively. Their respective weekly rents as at March 2016 are \$375, \$420 and \$520.

Outer Brisbane experienced no growth over the quarter in weekly rents in any of their 2, 3 or 4 bedroom houses. The weekly rents for 2, 3 and 4 bedroom houses in this zone stand at \$280, \$335 and \$400 respectively.

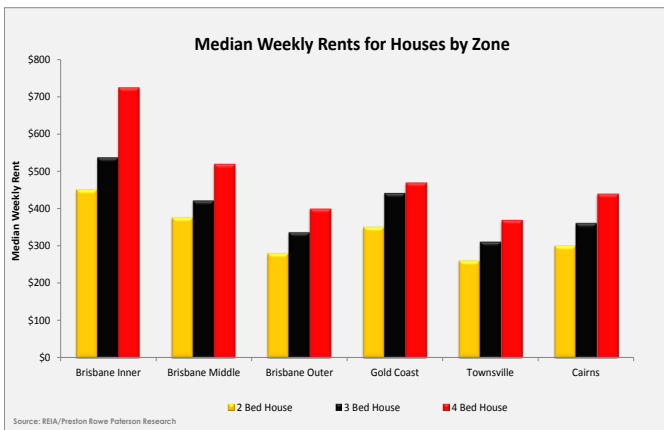


Chart 12—Median Weekly Rents for Houses by Zone— Source REIA

The March quarter brings on mixed changes in growth in weekly rents for Other dwellings in the Brisbane region. Zero growth was recorded for rents in Inner Brisbane's 3 bedroom and Outer Brisbane's 3 bedroom.

Over the same period, increases in weekly rents were recorded in most other dwelling across Brisbane. Growths were recorded in Inner Brisbane's 2 bedroom (1.4% to \$375), Middle Brisbane's 1 (5.5% to \$290), 2 (5.6% to \$380) and 3 (3.7% to \$420) bedrooms and Outer Brisbane's 2 bedroom (1.8% to \$280).

Decreases were recorded in weekly rents for Inner Brisbane's 2 bedroom and Outer Brisbane's 1 bedroom other dwelling weekly rents, of -2.1% and -2.2% respectively. Their new weekly rent prices stand at \$470 and \$220 respectively.



A year on year analysis sees a similar trend in each of the other dwellings in each Brisbane zones. Yearly growths were recorded for Inner Brisbane's 1 bedroom (1.4%), Middle Brisbane's 1 (3.6%), 2 (2.7%) and 3 (2.4%) dwellings, and Outer Brisbane's 3 bedroom (1.5%) dwellings. Zero changes were recorded in Inner Brisbane's 3 bedroom and Outer Brisbane's 2 bedroom dwellings. Declines were recorded in Inner Brisbane's 2 bedroom and Outer Brisbane's 1 bedrooms of 2.1% and 2.2%.

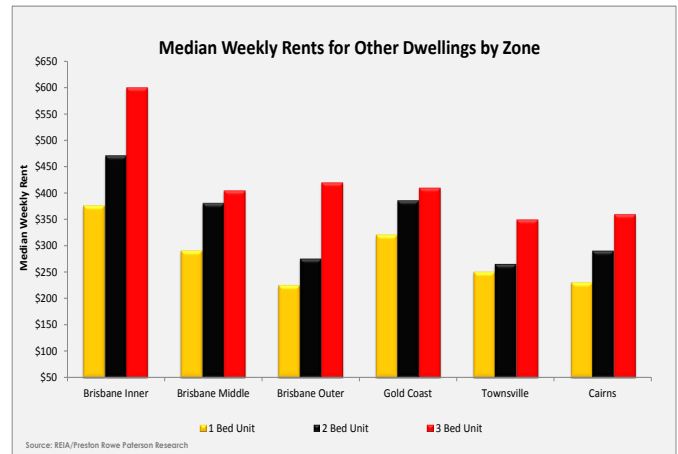


Chart 13—Median Weekly Rents for Other Dwellings by Zone— Source REIA

GOLD COAST

Market Affordability

Over the March quarter, the median house price in Gold Coast increased by 0.5% to \$557,500, reflecting an annual increase of 3.8%. However, the other dwelling sales price decreased by 0.3% in the quarter to \$375,000, and increased by 1.4% over the year.

Rental Market

Median house rents did not increase over the quarter for any of the 2, 3 or 4 bedroom houses. Their median weekly rents remain at \$350, \$440 and \$470 respectively.

During the quarter, the 1 and 2 bedroom other dwelling median weekly rents increased by 3.2% and 2.7% to \$320 and \$385 respectively. Median rent for 3 bedroom dwelling decrease by 1.2% over the quarter, to a current weekly price of \$410.

SUNSHINE COAST

Market Affordability

Median house price increased by 1.0% over the quarter and 4.0% over the year to a new price of \$515,000. The median price for other dwelling increase 0.7% over the quarter and 6.9% over the year to \$385,000.

TOWNSVILLE



Market Affordability

The median house sales price in Townsville decreased by 8.3% over the March quarter down to \$330,000, reflecting a 5.7% decline in annual change. Townsville's median sales price for other dwellings recorded quarterly decline of 15% to \$260,000. This reflects an annual decline of 10.2% from March 2015.

Rental Market

The Townsville rental market revealed mixed results over the March quarter. Growth in rents was recorded in 3 bedroom house at 1.6% to \$310. 2 bedroom house rent fell by -5.4% to \$265 and 4 bedroom house rent remain unchanged at \$360.

The Townsville other dwelling rental market improved in the September quarter. A decline was recorded in the median weekly price in 2 bedroom houses, which declined by 1.9% to \$260 per week. No change was recorded in the weekly price of 3 bedroom houses, remaining at \$310. 4 bedroom houses recorded weekly growth of 2.8% over the quarter to \$370 per week.

CAIRNS



Market Affordability

The March quarter brings through a decline in house prices for Cairns, a quarterly drop of 4.1% and annual decline of 1.8% to the median price of \$386,000. Other dwellings in Cairns also experienced a decline, 4.9% over the quarter and 1.8% over the year, to \$223,500.

Rental Market

The median house rents in Cairns showed mixed results in the March quarter. A decrease of 6.3% was recorded in median weekly rent for 2 bedroom houses, to the weekly price of \$300. 3 bedroom houses recorded no change, remaining at \$360 per week. 4 bedroom houses' rents increases by 2.3% to \$440 per week.

Other dwelling rents in Cairns recorded positive growth over the quarter. 1, 2 and 3 bedroom dwellings increased by 9.5%, 1.8% and 2.9% respectively over the quarter. Their new weekly rent price are \$230, \$290 and \$360 respectively.

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 June 2016:

Broadwater Avenue, Hope Island, QLD 4212

Tavgrow has purchased **The Hope Island Tavern** from the *Anthony Moreton Group* and *Pryde Group* for **\$10.2 million**. The 9,982 m² property has a development application in place for retail development on the spare land site on the property. The pub was recently improved to include a sports bar, a bistro and bar, a gaming room and a walk-in bottle-shop. The sale reflects a **rate of \$1,021.84 psm** and a **yield of 6.27%**. Hope Island is located around 21.1 km north-west of the Gold Coast CBD.

Cnr Surfers Paradise Boulevard and Hanlan Street, Surfers Paradise, QLD 4217

Challenger, on behalf of an offshore group, has purchased the **Hotel Grand Chancellor Surfers Paradise** from *Hotel Grand Central* for **\$80 million**. The 4.5-star hotel comprises 408-rooms, an international restaurant, an exercise room, a tennis court, an outdoor pool and a hot tub. The sale reflects a **rate of \$196,078 per room**.

7 Executive Drive, Burleigh Waters, QLD 4220

The Treetops Tavern has been acquired by a syndicate led by Peter Ashleford and backed by Nick Politis for **\$20 million**. The syndicate purchased the large format tavern from the *Thomas Hotel Group*. The property, which sits on a 7,000 m² site, has 45 gaming authorities, a liquor barn, a detached drive-through bottle shop, public and lounge bars and a bistro. The sale reflects a **rate of \$2,857.14 psm**. Burleigh Waters is located around 90.9 km south-west of the Brisbane CBD.

32 Anzac Avenue, Redcliffe, QLD 4020

A private investor has bought the **Redcliffe Tavern** for **\$15 million** on a **yield of 6%**. The 1,464 m² of lettable area hotel sits on a 2,498 m² site. There is grade-level and basement parking for 91 vehicles. The sale reflects a **rate of \$6,004.80 psm**. Redcliffe is located about 31.8 km north-east of Brisbane's CBD.

158 Ferney Avenue, Surfers Paradise, QLD 4217

Bensonlily has purchased a two-thirds stake in the **Surfers Parade Marriot Resort and Spa** for **\$70 million**. The share comprises 216 hotel rooms, 14 conference and event facilities, swimming pools, day spa, club lounge, a fitness centre and tennis courts. The sale reflects a **rate of \$324,074.01 per room**.

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 June 2016:

100 Nissen Street, Hervey Bay, QLD 4665

Torrisi has sold the **Fraser Shores Retirement Villages** to *BlueCare* for **between \$70 million and \$80 million**. The two retirement villages are named **Fraser Shores 1** and **Fraser Shores 2**. They house more than 600 people in 427 units. The sale reflects a **rate of between \$163,934.43 psm and \$187,353.63 psm**. Hervey Bay is located about 296 km north of Brisbane's CBD.

3 Camelia Avenue, Everton Hills, QLD 4053

A private investor has paid **\$3.5 million** for a 91-placement purpose-built childcare centre on a **yield of 5.5%**. The 2,190 m2 corner site has a 15-year lease to 2031 with options to 2051. The sale reflects a **rate of \$38,461.54 per placement**. Everton Hills is located about 11.6 km north-west of the Brisbane CBD.

65 Leichhardt Street, Bowen, QLD 4805

A childcare centre with 58 long day care places has been sold for **\$1.22 million** to a private investor. The property is on a 15-year lease to *Goodstart Early Learning* with options to 2032. The 1,715 m2 site has 16 car spaces. The sale reflected a **yield of 7%** and a **rate of \$21,034.48 per placement**. Bowen is located about 200 km south-west of the Townsville CBD.

181 Kruger Parade, Redbank Plains, QLD 4301

A private investor has paid **\$3.95 million** on a **yield of 7.58%** for a *Freedom Fuels* petrol station. The 3,257 m2 site is on a 15-year lease until 2029 for a net rent of \$299,509 per annum. The sale reflects a **rate of \$1,212.77 psm**. Redbank Plains is located around 30.6 km south-west of Brisbane's CBD.

2009 Sandgate Road, Virginia, QLD 4014

Metro Property Development has purchased a 2,843 m2 service station for **\$5.6 million**. The property sold on a **yield of 5.75%** and a **rate of \$1,969.75 psm**. Virginia is located around 12.9 km north-east of Brisbane's CBD.

Accommodation Park Sales Wrap

Ingenia Communities has paid **\$59.2 million** for four accommodation parks all held by separate private owners. Two of the parks are in NSW and one is a mixed-use park at Hervey Bay in Queensland. The fourth property is a 5.1-hectare mixed-use caravan park in Sydney with 10.4-hectares of adjoining vacant land. The adjoining land could be used for the development of 190 new manufactured homes.

Retirement Village Sales Wrap

Eureka has purchased three retirement villages from *Blue Care* for **\$6 million**. The three properties are the 44-unit **Margata Maiala Place** village in Brisbane, the 20-unit **Christine Court** village in Townsville and the 35-unit **Southport Pioneer Place** village on the Gold Coast.

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 June 2016:

Commercial

580 Ruthven Street, Toowoomba, QLD 4350

GDI Property Group has sold a commercial building to a private investor for **over \$10 million**. The 3-level, 4,306 m2 property is leased to *Ray White*, *Creevey Russell Lawyers* and the Queensland government. The building had a \$1 million refurbishment in 2014. The sale reflects a **rate of more than \$2,322.34 psm**.

Retail

115-119 Takalvan Street, Bundaberg, QLD 4670

Stockland has purchased the remaining **50% stake** in the shopping centre formerly known as **Sugarland Shoppingtown** for **\$61.5 million**. An *AMP Capital* client sold the stake in the 22,795 m2 subregional shopping centre. The property is anchored by *Woolworths*, *Big W* and *JB Hi-Fi* and has four mini majors and 64 specialty stores. *Stockland* now owns 100% in the centre and will rename it to **Stockland Bundaberg**. The sale reflects a rate of **\$2,697.96 psm**. Bundaberg is located around 355 km north of the Brisbane CBD.

81 Noosa Drive, Noosa Heads, QLD 4567

OzProp Holdings has purchased the **Noosa Junction Plaza** for **\$16 million**. The 5,090 m2 of gross lettable area modern neighbourhood shopping centre sits on a 7,904 m2 site and is anchored by a *SUPA IGA* supermarket and a *Target Country* store. Noosa Heads is located about 35.4 km north of the Sunshine Coast.

Specialised Property Market

239 Lakeside Drive, Fairfield Waters, QLD 4810

A private investor has acquired a 130-place, purpose-built childcare centre for **\$4.101 million**. The childcare centre sits on a 3,552 m2 site and sold on a **yield of 7%**. The sale reflects a **rate of \$31,546.15 per placement**. Fairfield Waters is located about 6.5 km south-west of the Townsville CBD.

Rural

Queensland Rural Sales Wrap

Macquarie Group's Paraway Pastoral has purchased two cattle stations from *Western Grazing Company* for **over \$135 million**. The properties are the **Rocklands Station** at **Camooweal** and the **Tanbar Station** in the **Cooper Creek Channels**. The deal includes a combined 1.7 million hectares of land and a carrying capacity of around 65,000 head of cattle. The sale reflects a **rate of \$79.41 psm**.

Economic Fundamentals

GDP

GDP figures for the June quarter 2016 are not available until the 7 September, however, over the March 2016 quarter revealed that the Australian economy recorded a seasonally adjusted quarterly growth of 1.1%, contributing to an annual seasonally adjusted growth of 3.1%.

In seasonally adjusted terms, year-on-year analysis to March quarter 2016 sees the main industry gross value added contributors to GDP being Mining (0.9%), Finance and insurance services (0.4%), Public administration and safety (0.3%), Construction (0.2%) and Retail trade (0.2%). On the other hand, manufacturing was the main contributor to a decline in growth, with a yearly decrease of 0.2%.

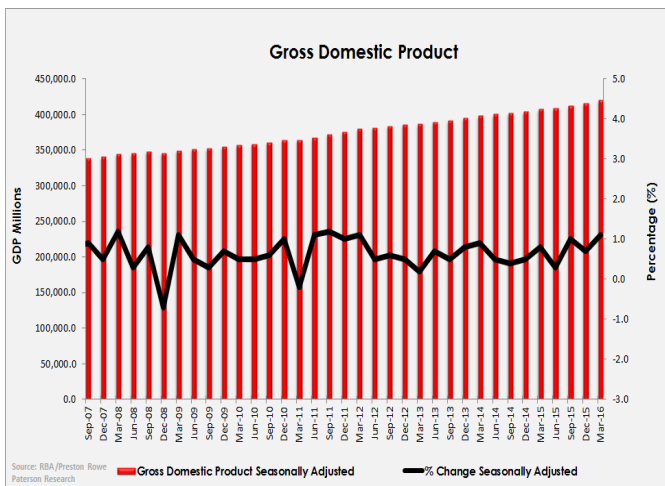


Chart 14 – Gross Domestic Product (GDP) – Source ABS

Interest Rate Movements

As at the date of publishing, the official Cash Rate over the June quarter 2016 has decreased by 25 basis points to 1.75%. The Reserve Bank of Australia's Media Release for June 2016, released on 7th June explained that:

"The global economy is continuing to grow, at a lower than average pace. Several advanced economies have recorded improved conditions over the past year, but conditions have become more difficult for a number of emerging market economies. China's growth rate moderated further in the first part of the year, though recent actions by Chinese policymakers are supporting the near-term outlook.

Commodity prices are above recent lows, but this follow very substantial declines over the past couple of years. Australia's terms of trade remain much lower than they had been in recent years... In Australia, recent data suggests overall growth is continuing, despite a very large decline in business investment. Other areas of domestic demand, as well as exports, have been expanding at a pace or above trend. Labour market indicators have been more mixed of late, but are consistent with continued expansion of employment in the near term."

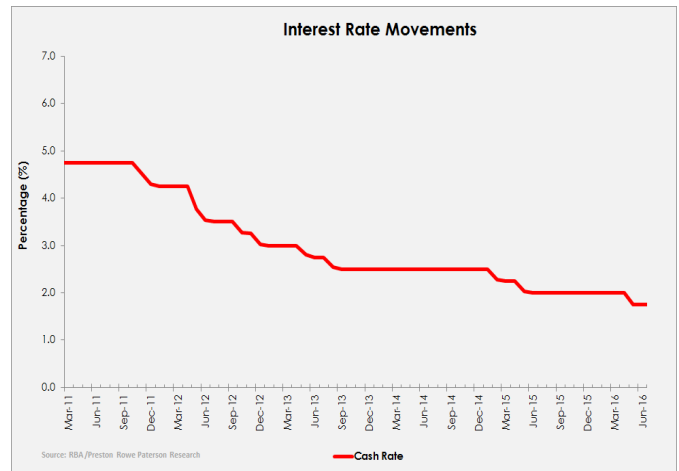


Chart 15 – Cash Rate – Source RBA

CPI

According to the Australian Bureau of Statistics (June 2016), Australia's All Groups CPI increased by 0.4% over the June quarter from 108.2 to 108.6. The annual CPI change to June 2016 recorded a growth of 1.0%, the weakest annual rise in CPI in seventeen years (since June quarter 1999).

The most significant price rises over the June quarter were Automotive fuel (+5.9%), Hospital services (+4.2%), Tobacco (+2.1%) and New dwelling purchases by owner-occupiers (+0.9%). The greatest price fall over the quarter stemmed from lower spending on Domestic holiday travels and accommodation (-3.7%), Motor vehicles (-1.3%), and Telecommunication equipment and services (-1.5%).

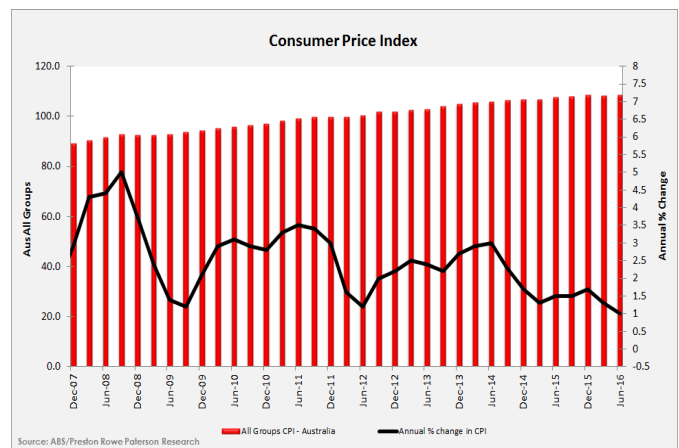


Chart 16 – Consumer Price Index—Source—ABS

10 Year Bond & 90 Day Bill Rate

Analysis of the daily 10 Year Government Bonds has revealed a 20 basis point decrease over the month of June to 2.12%. The 90 day bill rates had decreased by 2 basis points to the month end of 1.99%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of -11 basis points.

Over the June 2016 quarter, the 10 Year Government Bonds recorded a decrease of 45 basis points from 2.57%. The 90 Day Bill Rate recorded a decline of 32 basis points over the quarter from 2.31%.

In the twelve months to June 2016, the monthly 10 Year Bond Rate has increased by 86 basis points from 2.98%. Similarly, the monthly 90 Day Bill Rate rose by 16 basis points from 2.15%.

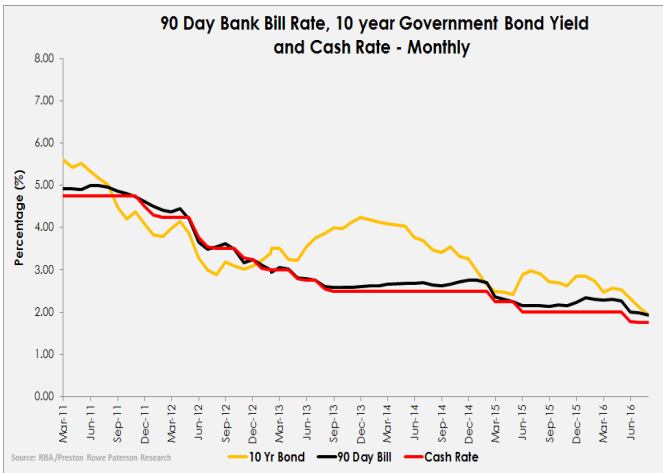


Chart 17 – 90 Day Bill, 10 year bond and cash rate – MONTHLY – Source RBA

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index dropped by 1% from 103.2 index points in May to 102.2 index points in June. Over the March quarter the index has decreased by 1.7 points and recorded 0.4% annual decline.

Westpac Senior Economist, Matthew Hassan, commented: "Coming after an 8.5% surge in May, the small decline in June most likely represents a consolidation at improved levels. Last month's surprise rate cut from the RBA was the main catalyst behind May's rally and although confidence has slipped back a touch in June this is a fairly common pattern following an interest rate driven bounce. At 102.2, the index is still in slightly 'positive' territory overall- recall that readings above 100 indicate optimists outnumber pessimists". (Westpac Melbourne Institute Survey, 15 June 2016).

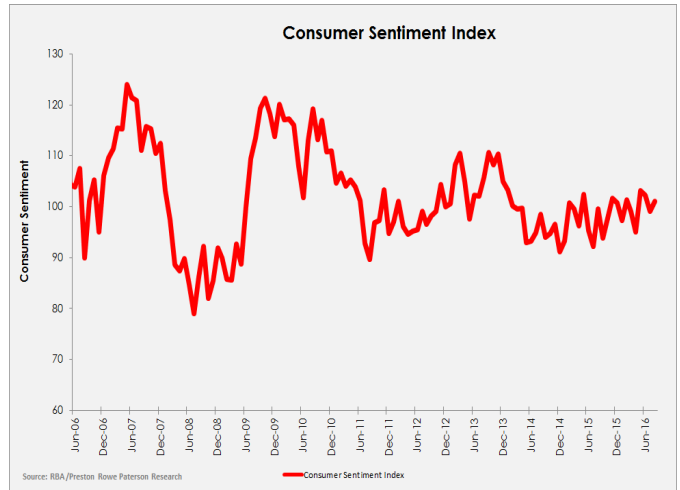


Chart 18 – Consumer Sentiment Index—Source—Westpac Melbourne Institute Survey

Labour force

Over the month to June 2016, the number of unemployed people has declined by 199 from 726,135 in May to 725,935 in June, indicative of a decline of 0.03%. In comparison to June 2015, the number of unemployed people had decreased by 27,431 reflecting an annual decline of 3.64%. As of June 2016, the unemployment rate remains unchanged from the previous month at 5.7%.

The number of unemployed seeking full time employment recorded a decrease in June by 9,200 to 496,700 persons. However, the number of unemployed seeking part time employment increased over the month by 19,000 to 237,500 persons.

Queensland experienced a large absolute decrease in seasonally adjusted employment by 15,500 persons to 2,360 million persons over the month of March. The unemployment status in Victoria over the quarter decreased by 0.3% to 6.2%.

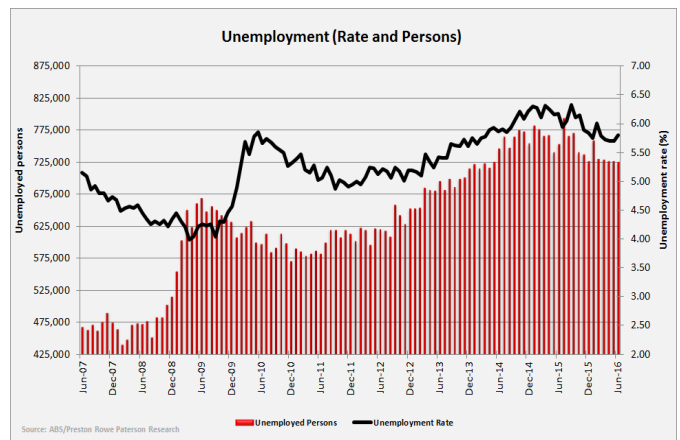


Chart 19 – Unemployment – Source ABS



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
- . <http://www.smh.com.au/content/dam/images/g/r/1/e/8/v/image.related.articleLeadwide.620x349.gr0i09.png/1472161911267.jpg>Income and outgoings projections and analysis
- . Insurance valuations (replacement & reinstatement costs)
- . Leasing vacant space within managed properties
- . Listed property trust & investment fund valuations & revaluations
- . Litigation support
- . Marketing & development strategies
- . Mortgage valuations
- . Property Management
- . Property syndicate valuations and re-valuations
- . Rating and taxing objections
- . Receivership, Insolvency and liquidation valuations and support/advice
- . Relocation advice, strategies and consultancy
- . Rental assessments and determinations
- . Sensitivity analysis
- . Strategic property planning

Sydney (Head Office)

Level 14, 347 Kent Street
Sydney NSW 2000

PO BOX 4120, Sydney NSW 2001

P: 02 9292 7400

F: 02 9292 7404

E: research@prpsydney.com.au

W: www.prpsydney.com.au

Follow us:



Directors

Gregory Preston

M: 0408 622 400

E: greg.preston@prpsydney.com.au

Gregory Rowe

M: 0411 191 179

E: greg.rowe@prpsydney.com.au

Associate Directors

Keiran Fleming

M: 0448 656 103

E: keiran.fleming@prpsydney.com.au

Michael Goran

M: 0448 757 134

E: michael.goran@prpsydney.com.au

Erika Minnaard

M: 0448 886 335

E: erika.minnaard@prpsydney.com.au

Neal Smith

M: 0448 656 647

E: neal.smith@prpsydney.com.au

Capital City Offices

Adelaide

Brisbane

Hobart

Melbourne

Perth

Sydney

Regional Offices

Albury Wodonga

Ballarat

Bendigo

Central Coast/Gosford

Geelong

Gippsland

Griffith

Horsham

Launceston

Mornington

Newcastle

Southport

Tamworth

Wagga Wagga

Warrnambool

Relationship Offices

Canberra

Darwin

Other regional areas

New Zealand Offices

Auckland (Head Office)

Dunedin

Greymouth

Tauranga

Wellington

Preston Rowe Paterson NSW Pty Ltd
ABN: 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.



We have *property* covered

Investment. Development. Asset. Corporate Real Estate. Mortgage.
Government. Insurance. Occupancy. Sustainability. Research.

Preston Rowe Paterson offices throughout Australia and New Zealand

www.prpdney.com.au

© Copyright Preston Rowe Paterson NSW Pty Limited