



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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

March Quarter 2014

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Economic Fundamentals

GDP

GDP figures for the March quarter are not available until the 4th June 2014 however PRP Research over the December 2013 quarter revealed that the Australian economy recorded growth of 0.8% seasonally adjusted which reflected growth of 2.8% seasonally adjusted over the twelve months to December 2013. The main contributors to expenditure on GDP were Net Exports which increased by 0.6%, final consumption expenditure, which increased by 0.5%. The main detractor to expenditure on GDP was private gross fixed capital formation, declining by 0.5 percentage points.

The terms of trade increased by 0.6% in seasonally adjusted terms over the December quarter. Over the twelve months to December, the terms of trade has declined by 1.2%. "The terms of trade represent the relationship between the prices of exports and imports. An increase/decrease in the terms of trade reflects export prices increasing/decreasing at a faster rate than import prices".

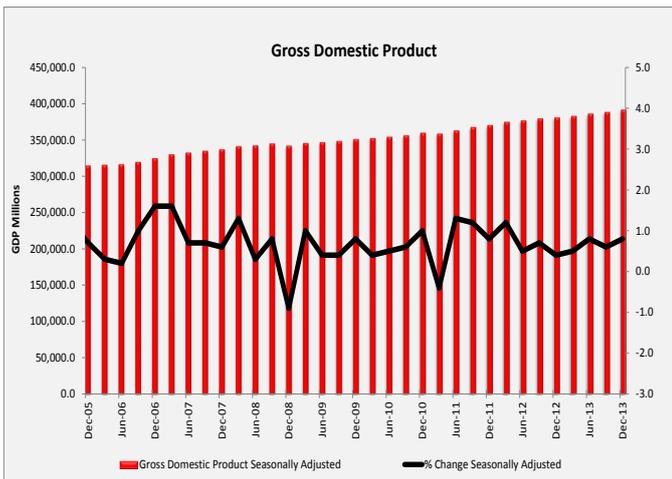


Chart 1 – Gross Domestic Product (GDP) – Source ABS

Labour force

The official employment figures released from the Australian Bureau of Statistics revealed that the unemployment rate declined by 0.3 percentage points to 5.8% seasonally adjusted as at March 2014. Employment over the month increased by 0.16% bringing the total employment to 11,553,200 seasonally adjusted.

Unemployment recorded a decline over the month by 29,900 persons to 713,200, a percentage change of 4.03%. The number of persons looking for full-time work declined by 16,700 to 509,800 and the number of persons looking for part-time work decreased 13,300 to 203,400.

The participation rate recorded a marginal decline of 0.2% to 64.9% as at March 2014, with year on year comparison revealing a 0.3 percentage point decline.

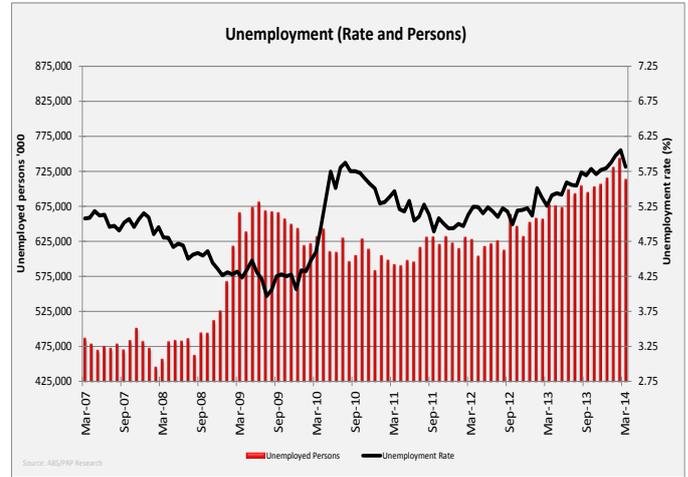


Chart 2 – Unemployment – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the March quarter 2014 remained unchanged at 2.50%. The Reserve Bank of Australia's Media Release for March 2014, released 1st April 2014 explained that;

"In Australia, the economy grew at a below trend pace in 2013. Recent information suggests slightly firmer consumer demand over the summer and foreshadows a solid expansion in housing construction. Some indicators of business conditions and confidence have improved from a year ago and exports are rising. But at the same time, resources sector investment spending is set to decline significantly and, at this stage, signs of improvement in investment intentions in other sectors are only tentative, as firms wait for more evidence of improved conditions before committing to expansion plans. Public spending is scheduled to be subdued".

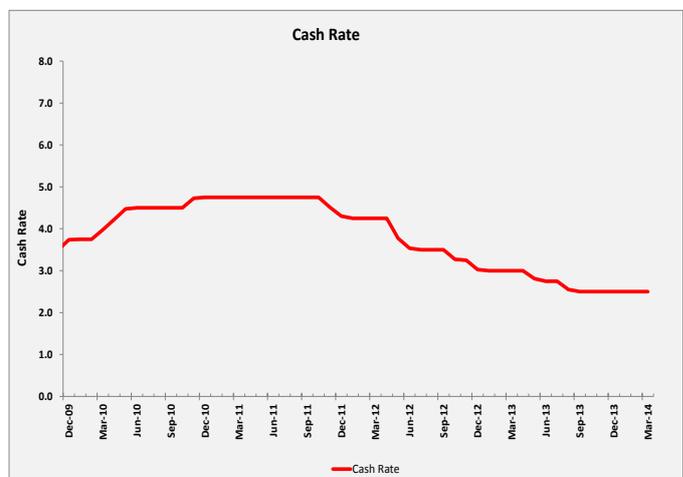


Chart 6 –Cash Rate – Source RBA

CPI

The Consumer Price Index (CPI) rose by 0.6% in the March quarter 2014 with the index now recording 105.4, reflecting an annual growth to March of 2.9%. The most significant price rises this quarter was for tobacco, pharmaceutical products and secondary education with increases of 6.7%, 6.1% and 6.0% respectively.

The most significant price decline over the March quarter was attributed to furniture, which declined by 4.3%.

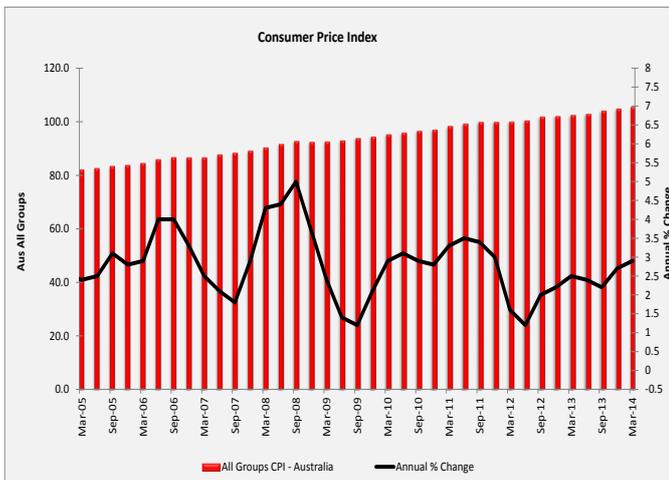


Chart 4- Consumer Price Index—Source—ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index declined by 0.7% in March from 100.2 index points in February to 99.5 index points in March. Over the quarter the index has declined by 5.5 points, a decline of 5.24%. Over the twelve months to March the index declined by 11 index points, reflecting a percentage decline of 9.99%.

The Index has now reached its lowest level since May 2013, when it was recorded at 97.6 index points. Westpac's Senior Economist, Matthew Hassan stated; "The index has now fallen 10.9% from its November peak of 110.3 and is at its lowest level since May last year. The initial declines in December-January looked to be mainly the unwinding of the election-related sentiment booster".

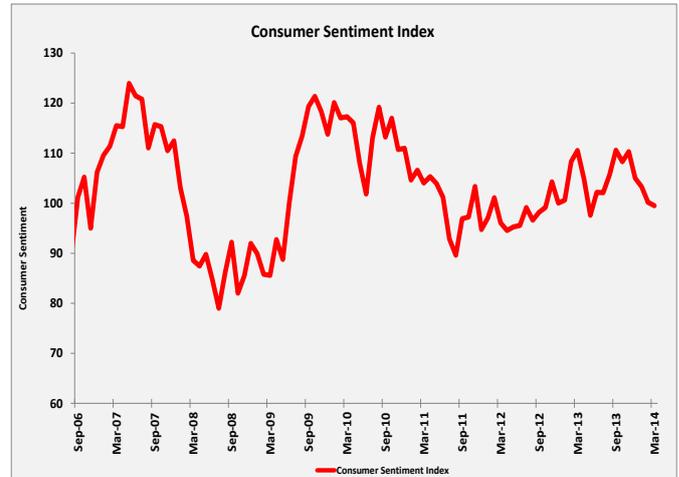


Chart 5 - Consumer Sentiment Index—Source—Westpac Melbourne Institute Survey

Commercial Office Market

Brisbane CBD

Investment Activity

PRP Research recorded a number of reported sales transactions that occurred in the Brisbane CBD Office Market during the three months to March 2014;

DEXUS Wholesale Property Fund has purchased the AM60 office tower at **60 Albert Street, Brisbane CBD** for **\$161.3 million**. The 23-storey, **21,000 sqm** office tower was purchased on a **yield of 9.1%** and has a WALE of 4.3 years.

Billionaire Lang Walker has purchased a site at **801 Ann Street in Brisbane's Fortitude Valley** for **\$22.2 million**. The deal includes a delayed settlement period which will give Walker the opportunity to analyse the market and make an appropriate decision on what kind of development he will choose for the site, whether it be two 350 apartment residential towers or a commercial development. No further details were released.

Leasing Activity

PRP Research recorded relatively low leasing transactions that occurred in the Brisbane CBD Office Market during the three months to March 2014;

Silver Rail Technologies has leased an entire office floor comprising **650 sqm** at **40 Creek Street, Brisbane CBD**. No further details were released.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply by Grade (Stock)

In the six months to January 2014, there was 6,512 sqm of new supply that entered the Brisbane CBD Office Market compared with 12,048 sqm of withdrawals which reflects a decline in total stock levels of 5,536 sqm in the Brisbane office market.

A Grade office space maintains the majority share of the Brisbane CBD office market with 40%, remaining unchanged over the six months to January. B Grade follows with 38% and the remaining grades of Premium, C & D Grade comprise of 9%, 10% and 3% respectively.

As at January 2014, there is an expected 13,092 sqm of supply expected to enter the Brisbane CBD Office Market later in the year. In 2015 there is an estimated 60,465 sqm of supply anticipated and in 2016+, an expected 187,062 sqm of supply is due for completion with 42.77% pre-committed.

There are a number of new developments which are currently mooted and will account for 221,077 sqm of supply upon completion. The most significant development, which will add 70,000 sqm of supply to the market is GPT Wholesale Office Fund's project at 151 Roma Street.

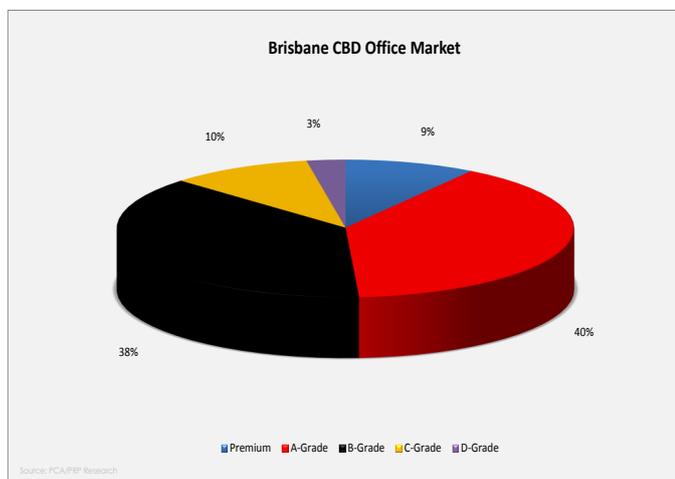


Chart 6 – Brisbane CBD Total Stock by Grade – Source PCA

Net Absorption/Vacancy Levels

Over the six months to January 2014, -34,698 sqm of stock was absorbed, reflecting net absorption of -98,767 sqm over the twelve months to January. All grades of office stock recorded negative net absorption in the six months to January apart from C Grade which experienced +2,526 sqm. The most marked negative net absorption was in B Grade with -20,549 sqm, followed by A Grade with -14,921 sqm and Premium and D Grade with -1,724 sqm and -30 sqm respectively.

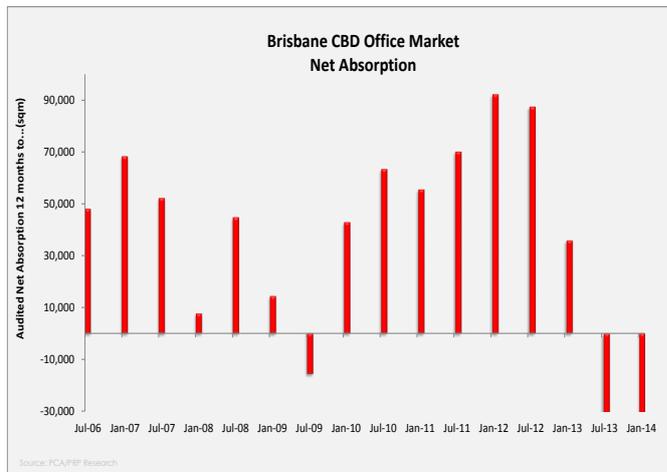


Chart 7 – Brisbane CBD Office Market Net Absorption – Source PCA

Total office market vacancy rates recorded an increase of 1.4% to 14.2% over the six months to January 2014. All grades of office space recorded increases in total vacancy over the six months to January apart from D Grade, which declined by 1.5% to 16.1%. Premium Grade increased by 0.8% to 12.8%. A Grade by 1.8% to 10.6% and B Grade and C Grade by 1.7% and 0.4% respectively to total vacancy levels of 18.7% and 12.6%.

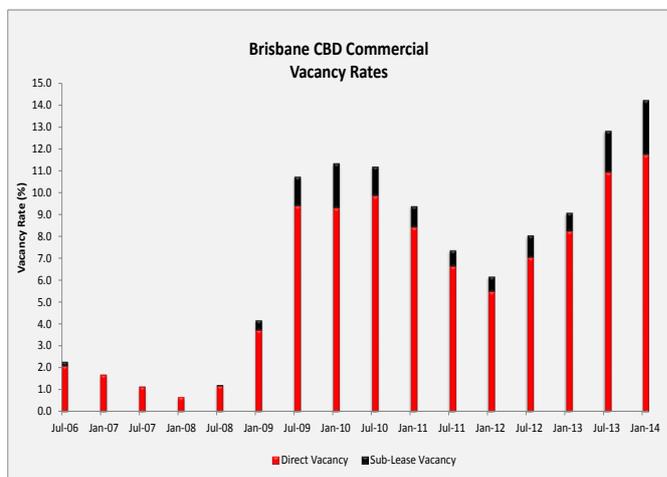


Chart 8 – Brisbane CBD Commercial Vacancy Rates – Source PCA

Gold Coast Office Market

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply by Grade (Stock)

Over the six months to January 2014, the Gold Coast Office Market recorded supply of 2,156 sqm and withdrawals of 6,110 sqm, resulting in a decline in total office stock of 3,954 sqm. B Grade office space continues to maintain the majority share of the market, remaining unchanged at 38.7%. C Grade increased slightly to 29.6%, followed by A Grade with 27.9% and D Grade with 3.8%. As at January 2014, there is an expected 18,472 sqm of supply expected to enter the Gold Coast Office Market later in the year.

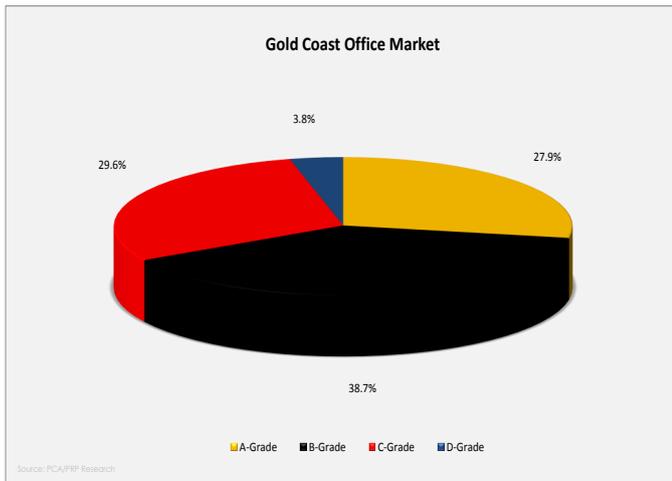


Chart 8 – Gold Coast Total Stock by Grade – Source PCA

Net Absorption/Vacancy Levels

Over the six months to January 2014, +11,505 sqm of stock was absorbed, reflecting net absorption of +13,077 sqm over the twelve months to January. All grades of office stock recorded positive net absorption in the six months to January, with the most marked absorption attributed to B Grade (+6,360 sqm). C Grade and A Grade followed with 2,671 sqm and 2,289 sqm respectively and D Grade recorded slight positive absorption of 185 sqm.

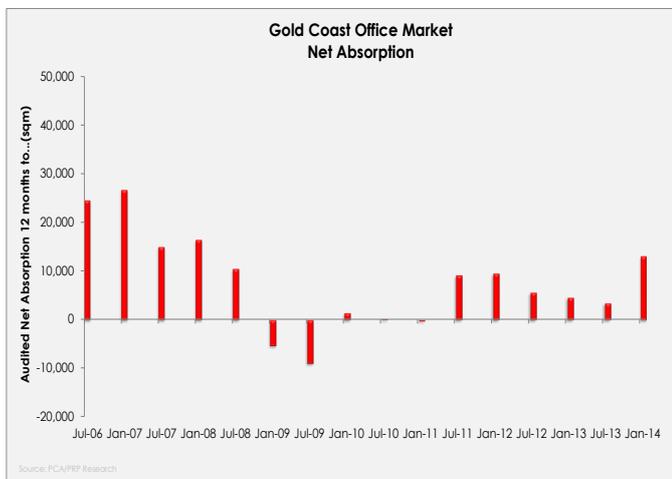


Chart 9 – Gold Coast Office Market Net Absorption—Source PCA

Total office market vacancy rates recorded a decline of 3.2% to 16.7% over the six months to January 2014. All grades of office space recorded declines in total vacancy over the six months to January. The most marked decline was in B Grade, declining by 4.2% to 12.8%, followed by A Grade, declining by 4% to 20.3%. C Grade experienced a decline of 1.2% to 16.8%, followed by D Grade with a 1.1% decline to 28.1%.

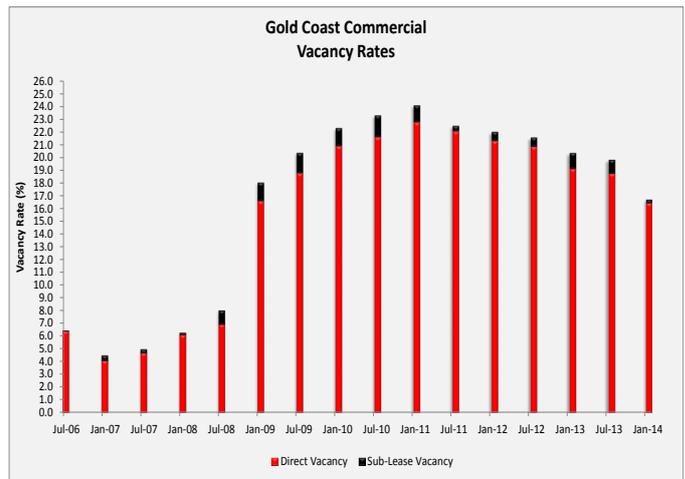


Chart 9– Gold Coast Commercial Vacancy Rates – Source ABS

Retail Market

Economic Statistics

According to the Australian Bureau of Statistics category 8501.0 Retail Trade (February 2014), the retail turnover figures in Queensland produced varied results. The total retail turnover in Queensland grew by 0.08% over the month of February 2014, with an annual total retail turnover growth of 3.2% seasonally adjusted, to turnover of \$4,770.8 million.

Over the month of February, declines were experienced in clothing, footwear and personal accessory retailing, department stores and cafes, restaurants and takeaway food services of 0.14%, 4.27% and 1.01% to monthly turnover of \$288.5 million, \$302.4 million and \$677.8 million respectively. The most marked monthly growth was recorded in Household goods retailing of 1.16% to monthly turnover of \$768.4 million. Growth over the month of February was also recorded in food retailing and other retailing of 0.47% and 0.92% to monthly turnover of \$2,022.5 million and \$711.2 million respectively.



Chart 10—Queensland Retail Turnover— Source ABS

Year on year analysis of the six categories revealed predominantly positive results with declines attributed to clothing, footwear and personal accessory retailing (-2.63%) and Department stores (-8.28%). All other categories experienced growth over the year, with cafes, restaurants and takeaway food services recording the most marked growth of 14.22%, followed by other retailing with 4.94%. Food Retailing and household goods retailing experienced annual growth of 3.02% and 0.75% respectively.

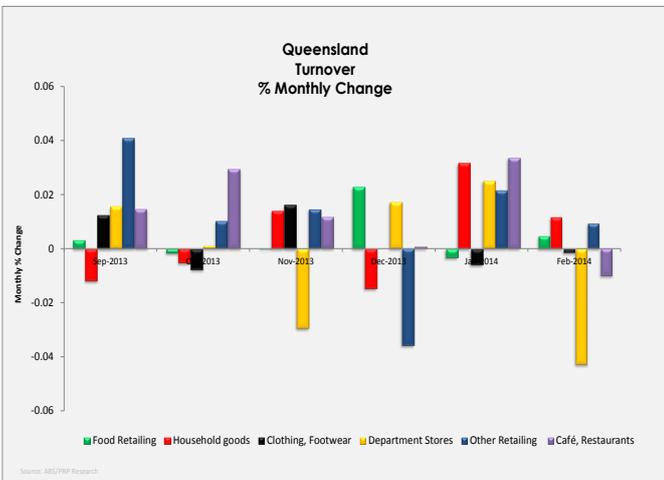


Chart 11—Queensland Turnover % Monthly Change— Source ABS

Analysis of retail sub-categories over the twelve months to February 2014 has revealed predominantly positive results. The most significant monthly decline in retail turnover was attributed to Department Stores retailing, declining by 4.27% to turnover of \$302.4 million. Newspaper and book retailing also recorded a decline over the month of 4.1% to turnover of \$67.9 million. The most marked growth in comparison to February 2013 was experienced in other recreational goods retailing, increasing by 31.54% to \$129.3 million, followed by cafes, restaurants and catering services (18.18%) to \$361.4 million.

Industrial Market

Investment Activity

PRP Research recorded few sales transactions that occurred in the Brisbane Industrial Market, during the three months to March 2014;

Propertylink has purchased two industrial properties in Queensland's south west Brisbane for a combined value of **\$62.5 million**. DEXUS Property Group sold the properties which were located in **Wacol & Archerfield** to the Sydney based property investment and management group.

ARB 4X4 Accessories has purchased industrial land in Brisbane for around **\$5 million**, with the intentions to build a purpose built 8,500 sqm warehouse on the **2.2 hectare site** pending development approval from the Moreton Bay Regional Council. The deal was struck at a **rate per sqm of \$220**.

The Investec Australia Property Fund has purchased the Garden City Office Park at **2404 Logan Road, Eight Mile Plains** for **\$20.95 million**. The **3,568 sqm** property was sold on a **yield of 8.25%** displaying a **rate per sqm of \$5,632**.

Leasing Activity

PRP Research recorded a number of leasing transactions that occurred in the Brisbane Industrial Market during the three months to March 2014;

Cement producer, Cement Australia has secured a new **3,003 sqm** warehouse space at **731 Curtin Avenue, Pinkenba, east Brisbane**. The group have agreed to a **net annual rent of \$570,000** on a **6 year lease**, reflecting **approximately \$189 per sqm**.

Residential Market

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals February 2014, the total number of house dwelling approvals in the Brisbane Statistical Division over the month has showed a decline of 3.47% from 691 approvals to 667 approvals in February 2014. In comparison to February 2013, growth of 26.57% was recorded. Over 2013, house dwelling approvals recorded a low level in comparison to other years, with 7,690 approvals.

The total number of non-house dwelling approvals has declined significantly over the month by 45.97% from 1,192 approvals in January, to 644 dwelling approvals in February. In comparison to twelve months prior in February 2013, an increase of 13.18% was recorded. Total non-house dwelling approvals over the year of 2013 recorded 10,465 approvals which reflected its highest level recorded.

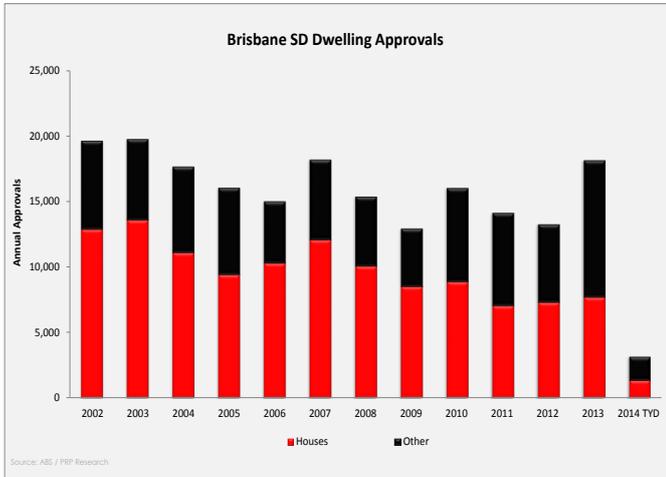


Chart 12—Brisbane SD Dwelling Approvals— Source ABS

QUEENSLAND

Market Affordability

Over the December quarter 2013, the Brisbane median house price increased by 5.2% to \$465,000 reflecting an annual increase of 5.7%. Over the three months to December, all Queensland zones recorded an increase in median sale prices, with Inner and Middle Brisbane experiencing the most marked growth of 5% and 3.7% to median sale prices of \$740,100 and \$513,400 respectively.

Year on year analysis revealed similar results with the only decline of 0.8% attributed to Townsville, with median sale price of \$357,000. The most marked annual growth was experienced in Middle and Inner Brisbane with 6.6% and 5% respectively. Sunshine Coast and Outer Brisbane followed with 4.5% and 4.2% respectively to median sale prices of \$456,000 and \$360,000.

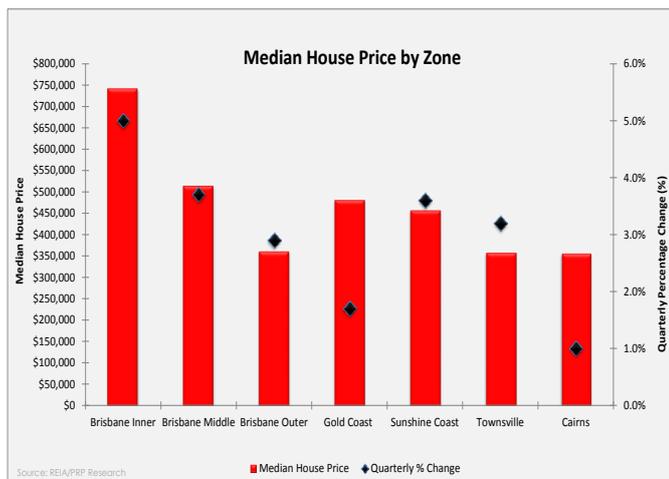


Chart 13—Median House Price by Zone— Source REIA

Other Dwelling median sale prices in Queensland recorded predominantly positive results, with the only declines over the quarter attributed to Outer Brisbane (-2.6%) to sale price of \$280,000 and Cairns (-14.7%) to median sale price of \$183,500. The most marked growth over the quarter was recorded by Townsville (7.7%) to median sale price of \$280,000, followed by Inner Brisbane (6.9%) and Sunshine Coast (6.3%) to median sale prices of \$480,000 and \$340,000 respectively.

Year on year analysis revealed predominantly negative results, with the only growth attributed to Inner Brisbane (+4.3%) and Middle Brisbane (+2.1%). The most marked decline was experienced by Cairns (-16.6%), followed by Townsville (-8.8%) and Outer Brisbane (-8.5%).

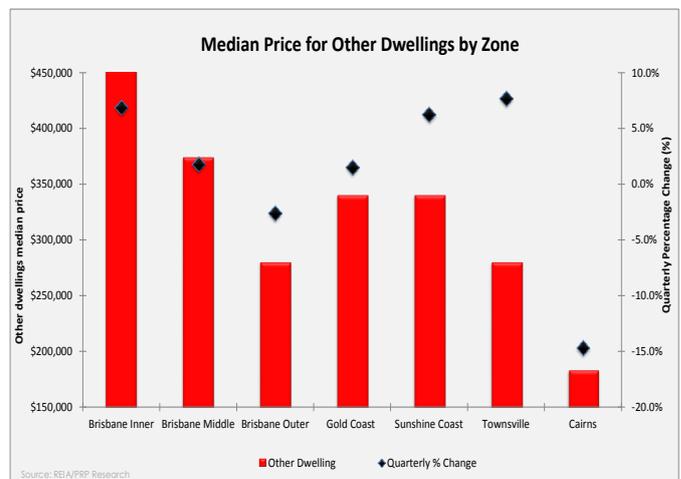


Chart 14—Median Price for Other Dwellings by Zone— Source REIA

Rental Market

Over the December 2013 quarter, Queensland house rentals recorded predominantly positive results, with the only declines attributed to Inner Brisbane 1 and 2 bedrooms of 1.1% and 1% to median weekly rentals of \$430 and \$520 respectively. The most marked quarterly growth was recorded by Cairns 4 bedrooms (5%) to \$420 per week, followed by Gold Coast 2 bedrooms (4.5%) to \$345 per week and Cairns 2 bedrooms (3.7%) to \$280 per week.

Year on year analysis revealed similar results, with the majority of zones recording growth. Declines were experienced in Inner and Middle Brisbane 2 bedrooms and Cairns 2 bedrooms of 2.3%, 1.4% and 3.4% respectively to median weekly rental of \$430, \$360 and \$280. The most marked growth over the year was recorded in Cairns 4 bedrooms of 7.7%, followed by Outer Brisbane 3 bedrooms (4.8%) to \$325 per week and Gold Coast 2 and 4 bedrooms with growth of 4.5% and 4.4% to median weekly rentals of \$345 and \$470 respectively.

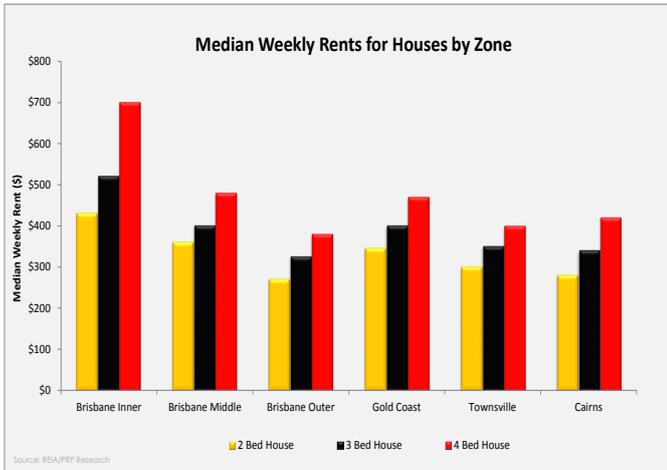


Chart 15—Median Weekly Rents for Houses by Zone— Source REIA

Other Dwellings rental rates over the December 2013 quarter revealed mixed results. The most marked declines were experienced in Townsville 3 bedrooms (-5.1%) to rental of \$370 per week, followed by Middle Brisbane (-3.7%) and Townsville 1 bedrooms (-3.5%) to rental of \$260 per week and \$220 per week respectively. The most significant quarterly growth was attributed to Gold Coast and Inner Brisbane 1 bedrooms, increasing by 3.4% and 2.9% to median weekly rentals of \$300 and \$260 respectively.

Year on year analysis revealed similar results, with the most marked annual declines attributed to Inner Brisbane 3 bedrooms (-4.8%) to \$600 per week, followed by Inner Brisbane 1 bedrooms (-2.7%) to \$360 per week. The most significant growth over the year was experienced by Cairns and Outer Brisbane 1 bedrooms with growth of 7.7% and 7.5% to median weekly rentals of \$210 and \$215 respectively.

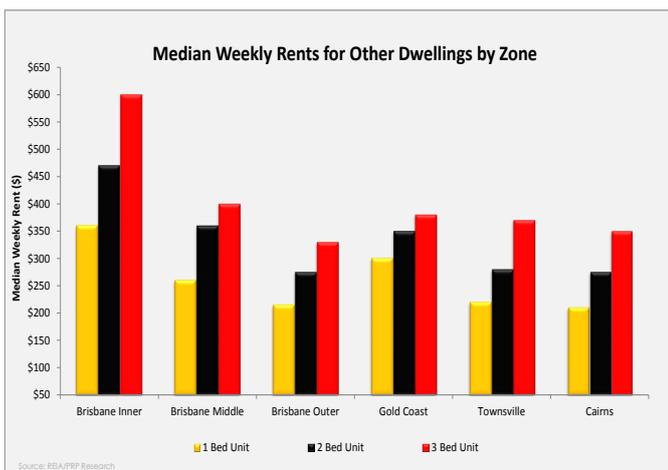


Chart 16—Median Weekly Rents for Other Dwellings by Zone— Source REIA

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

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