



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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

March Quarter 2015

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Phone: +61 2 9292 7400

Fax: +61 2 9292 7404

Address: Level 14, 347 Kent Street Sydney NSW 2000

Email: research@prpsydne.com.au

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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 March 2015.

363 Adelaide Street, Brisbane QLD 4000

The former *Boeing Defence Australia* headquarters was sold by *Investa* to US private equity group *Valparaiso Capital Partners* for about **\$50 million**. In 2014, Boeing decided not to renew its lease leaving the building empty in a market where vacancy is now at 15.6%. Valparaiso will likely convert the office building into expensive student accommodation with up to 1000 beds. The sale price achieved ranged between \$3,200 to \$3,300 psm.



300 Adelaide Street, Brisbane QLD 4000

Lei Shing Hong, one of the biggest distributors of *Porche* and *Mercedes Benz* throughout Asia, has purchased an ageing A-grade office tower for **\$50 million**. The 13,140 sqm tower is approximately one quarter vacant and has a rate of around \$3,805.19 psm. There are 21 tenants in the building, including *Caterpillar Australia*, *Cisco Systems* and *Slater and Gordon*.

1 Eagle Street, Brisbane QLD 4000

Dexus Property Group has paid **\$630 million** for the **Waterfront Place** and the adjoining **Eagle Street Pier** office buildings from the *Future Fund* and *Stockland*. Both assets were sold on a **tight overall yield of between 6.24-7%**. The landmark 40-storey office tower features about 60,000 sqm of office space with large column-free floorplates of 1,800 sqm, 24-hour concierge, end-of-trip facilities with 206 bays-cycle storage and 500 car spaces. The property has also achieved a 4.5-star NABERS Energy rating and a 4-star NABERS Water rating.



Leasing Activity

Preston Rowe Paterson Research recorded some leasing transactions that occurred in the Brisbane CBD Office Market during the three months to March 2015.

143 Turbot Street, Brisbane, QLD 4000

A deal has been struck between education company *Pragmatic Training* and a private landlord for two floors of office space to accommodate its growing vocational training business. Pragmatic Training will pay a gross annual rent of **\$520 psm** for the 1,406 sqm space. Increased government funding and subsidies has seen the company continue to grow from its first school in Melbourne. The lease is on a **7-year deal**.



480 Queen Street, Brisbane, QLD 4000

Law firm *DLA Piper* has committed to pre-leased office space in Brisbane's newest office tower from *Dexus Property Group* and *Dexus Wholesale Property Fund*. The law firm will take up 2,800 sqm of space on a single floor. Other tenants that have recently signed up are *BHP Billiton*, *Herbet Smith Freehills*, *PwC*, *Allens*, *HWL Ebsworth* and *The Executive Centre*.

110 Eagle Street, Brisbane, QLD 4000

Melbourne-based educational provider *Impact English College* has agreed to lease an office tower in Brisbane's Golden Triangle district on a **7-year lease**. The property will house English language classrooms and was marketed at the gross rent of between **\$500-\$550 psm**. The space will be getting a new fit out, will have 14 classrooms across 1,240 sqm with natural light and views, offices for the administrative and academic departments, a library and study area, a student lounge, and a multipurpose room.

Development Sites

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

The former **HMV Centre** owned by *ISPT* located on **155 Queen Street** in the Brisbane CBD has obtained development approval. The average floorplate size is about 705 sqm. The office and retail building redevelopment will feature 2,119 sqm NLA of office space over the 3 upper floors. The property will also include 2,100 sqm of designed flagship retail space over 3 lower floors and an accessible green roof. The project is due for completion in the 4th quarter of 2015.





Supply by Grade (Stock)

According to the Property Council of Australia (PCA) Office Market Report January 2015, the Brisbane CBD office market recorded a tightening of -5,297 sqm to the total office stock levels of 2,193,803 sqm. The 3,613 sqm of supply additions to the Brisbane CBD market was offset by 8,910 sqm of withdrawals. The stock withdrawals was attributed to the tightening of B Grade space.

The Brisbane CBD is largely populated by A Grade stock which take up about 40% of the total office market share, followed by B Grade at 37.6%. Premium Grade office stock totalled to 9.3% of the office market, C Grade at 10.1% and D Grade at 2.8%.

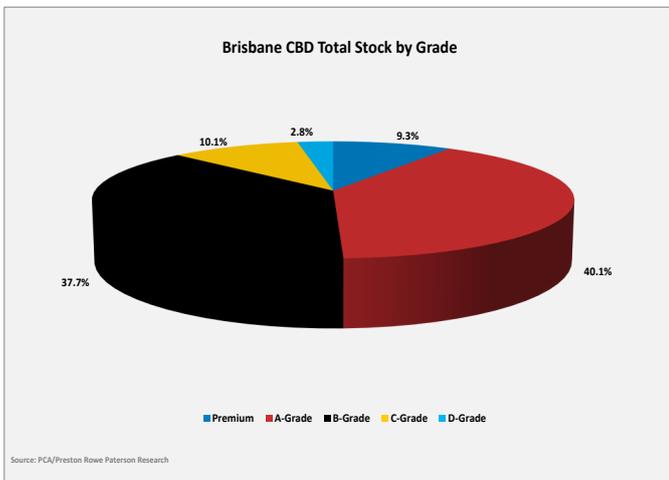


Chart 1 – Brisbane CBD Total Stock by Grade – Source PCA

Net Absorption

The Brisbane CBD net absorption rate has tightened in comparison to the July 2014 results, however the stock absorption remains in the negative at -33,140 sqm in the twelve months to January 2015.

The largest negative office stock absorption was recorded in A and B Grade stock at -5,161 sqm and -28,887 sqm in the six months to January 2015. C Grade recorded a -792 sqm net absorption. Positive market net absorption was measured in the Premium and the D Grade offices at 10,354 sqm and 497 sqm respectively.

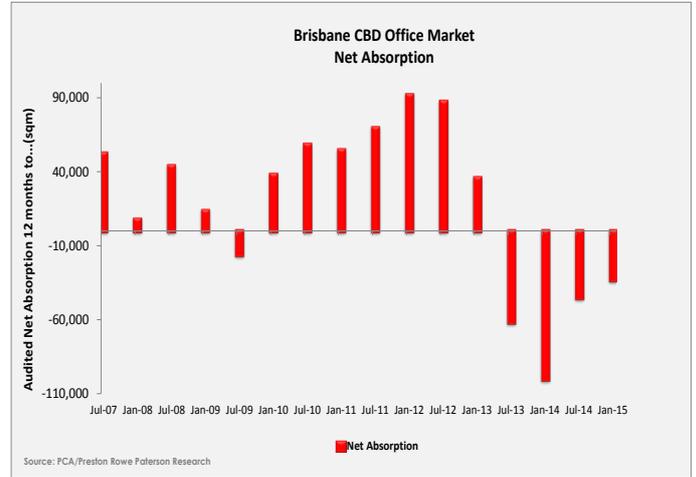


Chart 2 – Brisbane CBD Office Net Absorption – Source PCA

Total Vacancy

The total vacancy rate in the Brisbane CBD office market over the six months to January 2015 has increased by 0.9% to 15.6% at 26,806 sqm.

Over the six months to January 2015, office vacancy rate grew in the A Grade, B Grade and C Grade office stocks to the rates of 11.1%, 23% and 12.1% respectively. The most significant fall in vacancy was recorded in the Premium Grade stock at -5.1% which was followed by D Grade vacancy at -0.2%.

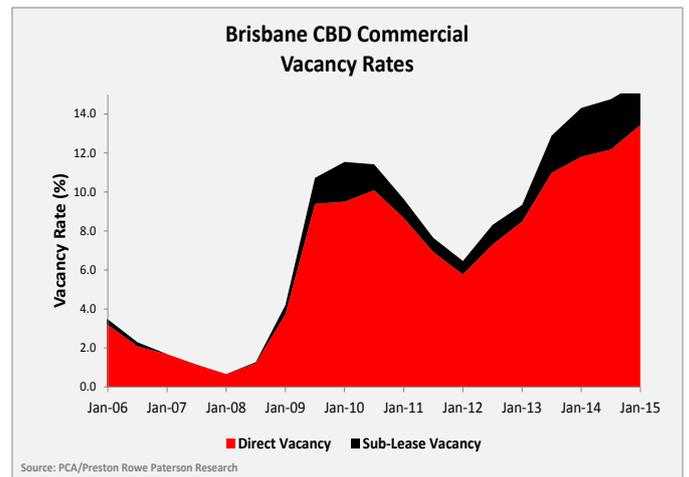


Chart 3 – Brisbane CBD Commercial Vacancy Rates – Source - PCA



Gold Coast Office Market



Investment Activity

Preston Rowe Paterson Research recorded limited sales transactions that occurred in the Gold Coast CBD Office Market during the three months to March 2015.

9 Trickett Street, Surfers Paradise, QLD 4217

A private investor has purchased part of the **Surfers International Complex** on Trickett Street for **\$5.15 million**. *Surfers Offices Pty Ltd* sold the office tower on a **yield of 10%** under a sale and leaseback agreement. The tower which comprise of 2,749.6 sqm net lettable area and is leased by *DBI Design* for 1 year with a 5 year option.



Supply by Grade (Stock)

According to the PCA's Office Market Report January 2015, the Gold Coast total office space reported a supply addition of 10,015 sqm and no withdrawals. There was 472,022 sqm of total office space as at January 2015.

A Grade and B Grade stock experienced a growth of 1.7% and 4.32% to market share of 28% and 40% respectively. C and D Grade stock levels remained unchanged at 28.8% and 3.2% respectively.

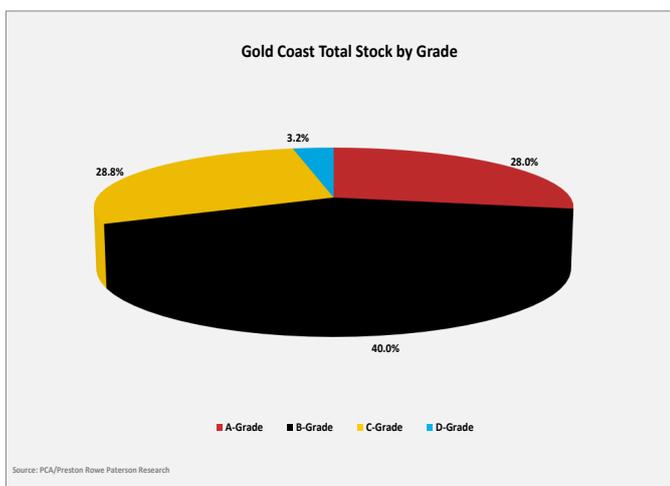


Chart 4 – Gold Coast Total Stock by Grade – Source PCA

Net Absorption

The Gold Coast office market net absorption was recorded at 7,200 sqm over six months to January 2015 and 16,835 sqm over the twelve months to January 2015.

C Grade reported the highest net absorption of 5,238 sqm in the six months to January 2015. Followed by A and D Grade at 1,873 sqm and 1,316 sqm of net absorption respectively. B Grade stock was the only category to record a negative absorption rate of -1,227 sqm.

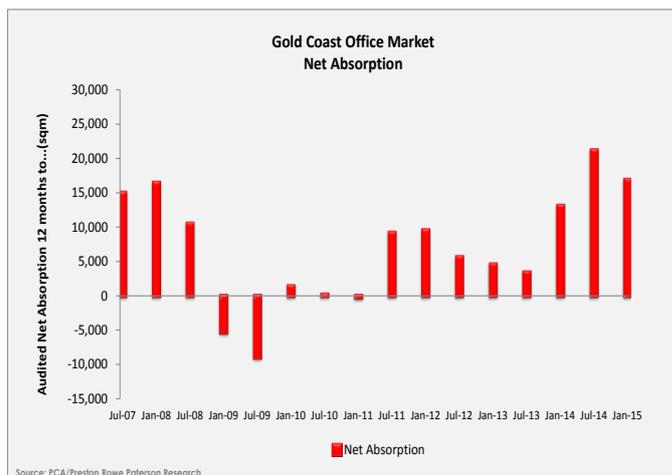


Chart 5 – Gold Coast Office Net Absorption – Source - PCA

Total Vacancy

The Gold Coast office market has recorded a 0.2% increase in total vacancy to 15.2% at 71,915 sqm as at January 2015. This is the first recorded vacancy rate growth since January 2011.

The Gold Coast office market total vacancy has decreased across all grades of office space except for B Grade vacancy which increased to 15.5%. The largest fall in vacancy rate was D Grade stock, falling by -8.7% to 12.9%. A Grade vacancy was at 18.9% and C Grade vacancy at 11.6%.

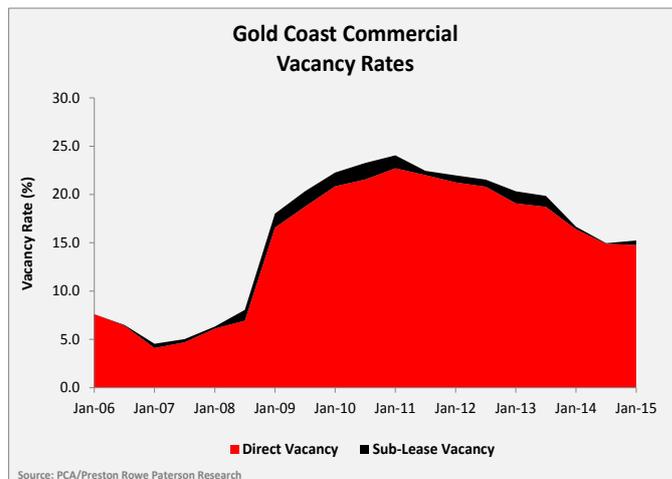


Chart 6 – Gold Coast Commercial Vacancy Rates – Source ABS



Retail Market



Investment Activity

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

32-40 William Street, Beaudesert, QLD 4285

Centuria has sold the **Beaudesert Fair Shopping Centre** in Queensland to a private investor. The investor paid **\$18.5 million** for the neighbourhood centre which is anchored by a *Coles* supermarket and *Target Country* and has 12 specialty stores. Beaudesert is located 65 km from Brisbane's CBD and 72 km from the Gold Coast.

3 Montpelier Road, Newstead QLD 4006

A landmark showroom was purchased by a private investor for **\$13.5 million**. Located directly opposite **The Valley Homemaker** centre, the two level building has a ground floor showroom and upstairs office areas totalling 3,393 sqm on the 5,141 sqm site, and has 35 on site car parking. The property is leased to *Elevation Architects* and *Dune Outdoors Luxuries*. Newstead is located about 3km north of Brisbane's CBD.

25 Sunderland Drive, Banksia Beach, Qld 4507

A Brisbane-based investor has purchased the **Bribie Harbour Shopping Village** for **\$13.15 million**. The 1.7 ha site has 4,500 sqm of retail space anchored by a *Woolworth's* supermarket, leased until 2023 with further options. The sale reflects a rate of \$773.53 psm and the **passing yield was 8.7%**. The shopping centre also includes 16 specialty stores and parking for 316 cars. Banksia Beach is located around 72 km north-west of the Brisbane CBD.



33 Hollywell Road, Biggera Waters, QLD 4216

Intrasia Oxley RE has purchased a 6,980 sqm **Biggera Waters Shopping Centre** for **\$23.05 million**. The site, which has potential for additional high-density development, was sold on a **yield of 8.36%** and the sale reflects a rate of \$3,302 psm. The centre is anchored by *Drakes Super IGA* and has 34 specialty stores and 5 offices.

Birkdale Road, Birkdale, QLD 4159

Fort Street Real Estate Capital's second *Australian Property Opportunities Fund* has bought a shopping centre from a private investor for **26.4 million**. The **Birkdale Fair Shopping Centre** takes up a **20,990 sqm** site, reflecting a rate of \$1095.76 psm. The shopping centre is anchored by *Woolworths* supermarket and 19 specialty stores with a total of 5,390 sqm GLA. National tenants include *Foodworks*, *Fitness First*, *Cellarbrations* and *Optus*. Birkdale is located 19 km south-east of Brisbane's CBD.

Economic Statistics

According to the Australia Bureau of Statistics category 8501.0 Retail Trade (March 2015), the retail turnover figures recorded in Queensland produced varied results. The total retail turnover for Queensland over the month of March grew by 0.72% to \$4,931.5 million. This increase over the month reflected an annual growth of 3.49%.

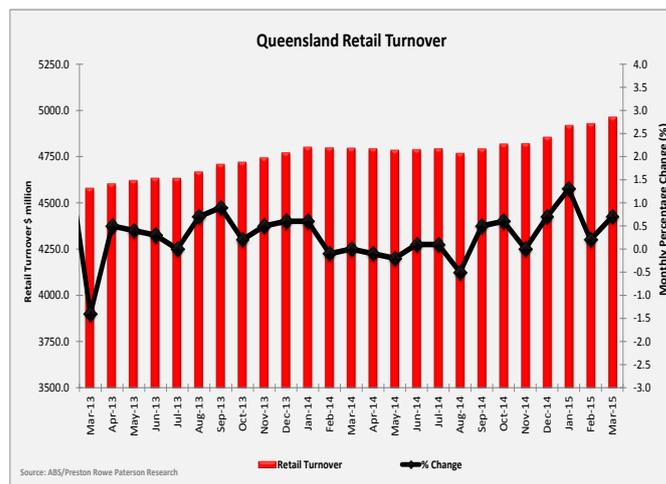


Chart 7—Queensland Retail Turnover— Source ABS

The retail turnover for the month of March 2014 was predominantly positive over the retail industries except for Household goods retailing and Other retailing. The two industries recorded a decline of -0.82% and -2.16% to \$819.5 million and \$671.2 million monthly turnover respectively.

The highest monthly retail growth was in the Clothing, footwear and personal accessories sector which grew by 4.89% in March and recorded a \$317.7 million turnover. Department store and Food retailing grew by 1.9% and 1.48% to \$305.8 million and \$2,091.9 million monthly turnover respectively. Café, restaurants and takeaway services saw to a marginal increase of 0.77% to \$757.6 million.

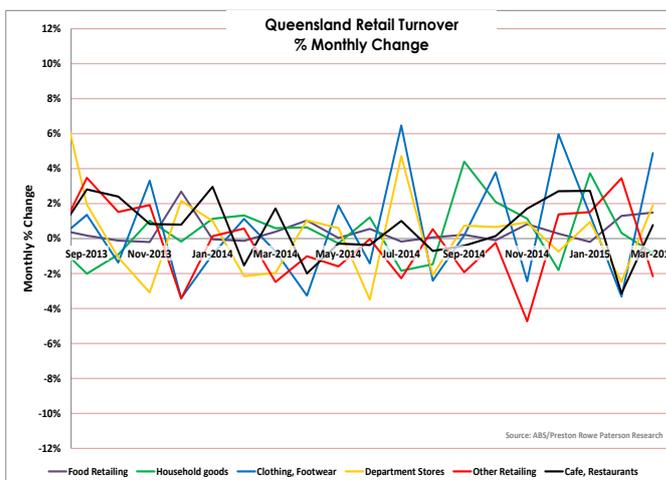


Chart 8—Queensland Turnover % Monthly Change— Source ABS



Industrial Market

Investment Activity

Preston Rowe Paterson Research recorded the following transactions that occurred in the Brisbane Industrial Market, during the three months to March 2015;

23 Lear Jet Drive, Caboolture, QLD 4510

An industrial site within the **Corporate Park Industrial Estate** has been sold to a private investor for **\$3.57 million**. The 8,500 sqm of property accommodates a 3,289 sqm tilt panel warehouse. The property has a number of unique tenants including a helicopter company benefiting from the direct airfield access. Caboolture is approximately 44 km north of the Brisbane CBD.

61 Links Avenue North, Eagle Farm, QLD 4009

S Control Pty Ltd has sold a vacant office/warehouse complex to a private investor for \$2 million. The property has a gross lettable area of 1,620 sqm on a 3,200 sqm site. The buyer intends to renovate the property and lease it out.

11 & 19 Guardhouse Road, Banyo QLD 4014

A private investor has offloaded two industrial sites for a total of **\$3.8 million**. The one hectare property at 11 Guardhouse Road was sold to a local developer whilst the 5,423 sqm block at 19 Guardhouse Road was sold to a pharmaceutical group which has plans to build a 2,500 sqm warehouse and office. Banyo is located about 13 km north of the Brisbane CBD.

45-53 Shettleston Street, Rocklea QLD 4106

A freestanding transport facility was sold to a local owner-occupier for a reduced price of **\$3.15 million**. The industrial building has a total undercover area of 4,049 sqm which comprise of 3,129 sqm of warehouse area, 428 sqm office space across two levels and 440sqm awning. The property can be accessed via three driveways and is located close to the Ipswich Highway. Rocklea is located about 12km south 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 March 2015;

21 Kingtel Place, Geebung, QLD 4034

National security fencing contractor *Fencewright* has leased a refurbished industrial facility as its new headquarters in Brisbane's north. The property, which sits on a 2,000 sqm hardstand site, includes a refurbished warehouse and office space of 1,150 sqm. The company signed a **3 year lease** with option at a gross rental of around \$130,000 p.a. reflecting a rate of office and warehouse space of **\$113.04 psm**. Geebung is located around 15 km north-east of the CBD.

56 Main Beach Road, Pinkenba, QLD 4008

Logistics company *CEVA* has agreed to a **10-year lease** with *Australand* for between \$1.3 million and \$1.5 million a year. The development site is 30,000 sqm and CEVA plan on building a new 8,000 sqm facility, comprising a warehouse and office on the site. The lease reflects a rate of **\$43.33 to \$50 psm**. Pinkenba is located 7km south of Brisbane Airport and around 12 km north-west of the Brisbane CBD.

180 Holt Street, Pinkenba, QLD 4008

Charter Hall has leased a soon-to-be-empty warehouse to listed car dealer *AP Eagers* on an \$18 million lease deal.



AP Eagers will occupy 8,200 sqm of space on an annual rent of \$1.3 million per year. This reflects a rate of **\$158.54 psm**. Charter Hall purchased the facility in 2013 knowing that the existing tenant, *Toll Holdings'* subsidiary *NQX*, was moving out and had committed elsewhere.

Specialised Properties Market

Investment Activity

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

Warrego Highway, Bundamba QLD 4304

Synergy Property Partners has purchased an industrial site within the **Cit SWITCH Industrial Park** for **\$15 million**. The 1.5 ha site has a development approval for a *Cit SWITCH Travel Centre*, *Puma Energy* fuel station and an *Oporto*



restaurant. A further four retail tenancies will be available, ranging from 50 to 140 sqm. The business park houses national tenants including *Masters*, *OneSteel*, *The Reject Shop* and *Caltex*. Construction is planned to commence in April 2015 and finish in December 2015. Bundamba is located about 6km west of the city of Ipswich or 35km south-west of the Brisbane CBD.

2 Koplick Rd, Chambers Flat, QLD 4133

The Chambers Pines Lifestyle Resort has been bought by modular home park owner *Ingenia* for **\$17.6 million**. The park has 52 permanent homes and 154 park-owned rental homes. There is a potential to develop another 200 modular homes on site. The sale reflects an **8% yield**. Chambers Flat is located around 43.9 km south-east of the Brisbane CBD. The sale reflects a rate of **\$85,436.90 per modular home**.



Residential Market

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals March 2015, the total number of house dwelling approvals in the Brisbane Statistical Division over the month to March 2015 has increased by 8.52% from 857 approvals to 930 approvals. In comparison to March 2014 a growth of 19.85% was recorded.

The total number of non-house dwelling approvals has grown by 40.58% over the month from 1,269 approvals in February, to 1,784 dwelling approvals in March. In comparison to twelve months prior, non-house building approvals increased significantly by 159.3%.

The year to date 2015, Brisbane total dwelling approvals, recorded 7,249 approvals.

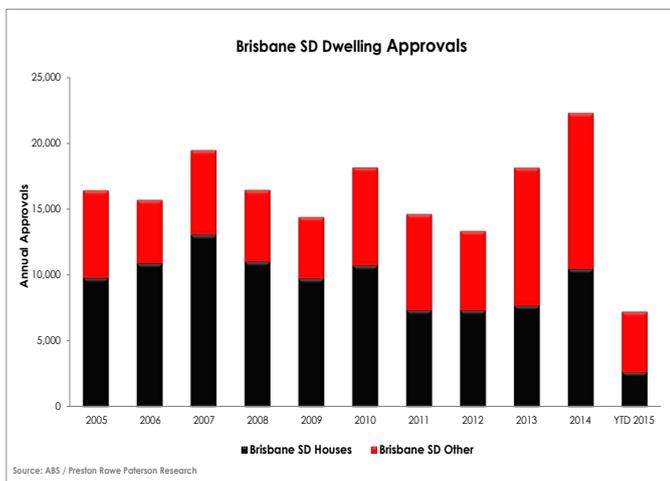


Chart 9—Brisbane SD Dwelling Approvals—Source ABS

QUEENSLAND

Market Affordability

According to Real Estate Institute of Australia (REIA), over the December 2014 quarter, the Brisbane median house price grew by 3.5% to \$482,000. This reflects an annual increase of 3.8%.

The Brisbane zones has recorded quarterly growth in the median house sales prices. Inner Brisbane recorded the highest quarterly growth of 6% to a median sales price of \$801,000, followed by Outer Brisbane median sales price of \$370,000 (3.4%) and Middle Brisbane which remained unchanged at \$540,000.

Gold Coast houses has reported a median sales price of \$520,000 (5.1%), likewise Townsville and Cairns house prices increased to \$352,500 and \$390,000 respectively. The Sunshine Coast house prices grew by 1.6% to \$485,000.

In comparison to the December 2013, positive results were recorded all cities except for Townsville which fell by -2.1%. Inner Brisbane and the Gold Coast houses recorded the highest annual growth in median prices of 9% and 8.3%.

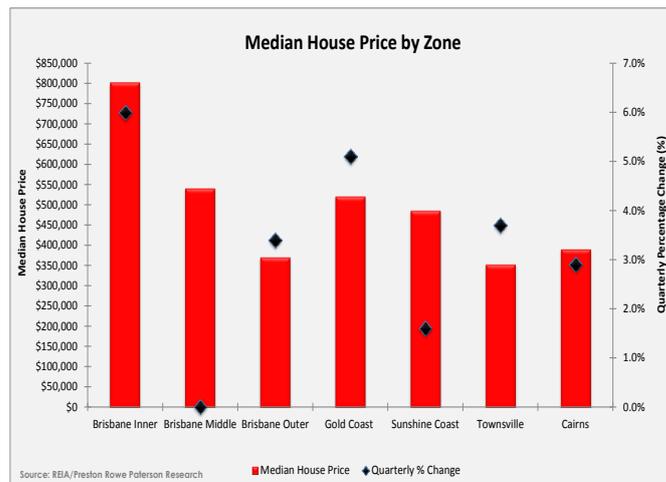


Chart 10—Median House Price by Zone— Source REIA

The Brisbane median other dwellings sales price has remain unchanged at a median price of \$385,000. The Brisbane zones recorded a median sales price decrease in the Inner (-1.1%) and Outer (-1.8%) areas to \$445,000 and \$275,000 respectively. A quarterly growth of 2.8% in median sales price was recorded in Middle Brisbane at \$372,500.

The most significant growth in other dwelling median sales price was recorded in Townsville of 15.2% to \$290,000 followed by Gold Coast 2.9% increase to \$350,000. Cairns recorded a -1% quarterly decline to median sales price of \$208,000 and Sunshine Coast remains unchanged at \$350,000.

A year on year comparison has revealed positive growth across all zones except Outer Brisbane which fell by -1.8%. The highest annual growth was reported in Cairns, Sunshine Coast and Townsville which increased by 6.9%, 2.9% and 2.7% respectively.

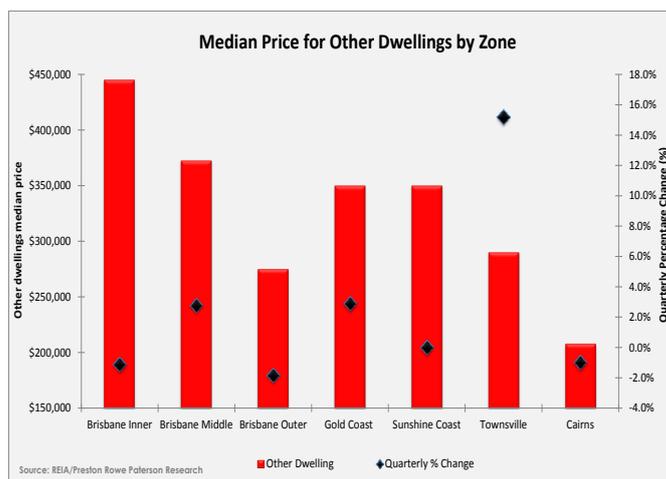


Chart 11—Median Price for Other Dwellings by Zone— Source REIA



Rental Market

The December quarter recorded a positive house rental growth across all zones with some rents remain unchanged. The highest growth in Brisbane was recorded in Inner Brisbane 3 and 4 bedroom house median rents rising by 4% and 5.1% respectively to \$520 and \$720. Middle Brisbane rents remained stable with the exception of 4 bedroom house which increased by 1% to \$495. Gold Coast recorded the highest overall quarterly rental growth of 6.1% for 2 bedroom house at \$350.

Year on year analysis revealed positive results all cities except for Townsville. Townsville median weekly rent fell by -1.7%, -7.1% and -5% to \$295 for 2 bedroom house, \$325 for 3 bedroom house and \$380 for 4 bedroom house respectively. The highest annual rental growth was reported in the Cairns 2 bedroom house which increased by 7.1% to \$300, followed by Gold Coast 3 bedroom rising at 6.3% (\$425) and Outer Brisbane 4 bedroom grew by 3.9% (\$395).

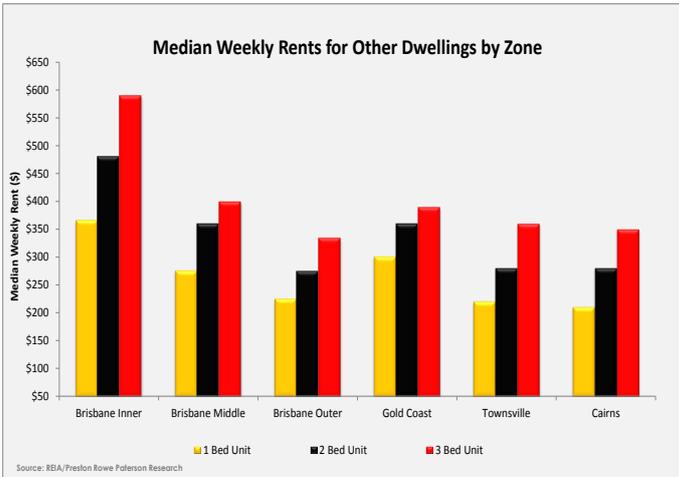


Chart 13—Median Weekly Rents for Other Dwellings by Zone— Source REIA

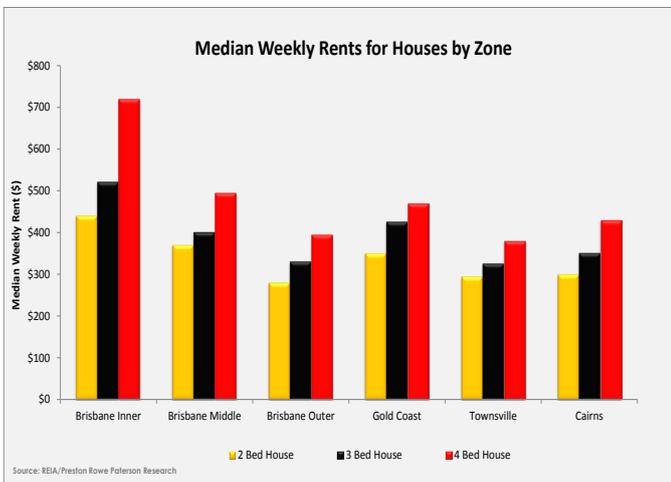


Chart 12—Median Weekly Rents for Houses by Zone— Source REIA

Mixed results were produced on other dwelling rents across all zones in the December quarter. Median weekly rents in Brisbane were relatively stable with growth recorded only in Outer Brisbane 1, 2 & 3 bedroom dwellings increasing by 2.3%, 1.9% and 1.5% respectively to weekly rent of \$225, \$275 and \$335. Inner Brisbane reported a decrease of -1.4% and -1.7% in 1 & 3 bedroom dwellings to weekly rents of \$365 and \$590. Other Brisbane zones median weekly rent remain unchanged.

The highest growth and largest decrease in rents was realised in Townsville. The Townsville 2 bedroom rent increased by 5.7% to \$280, whilst the 1 bedroom rent decreased by -12% to \$220.

A year on year analysis has also revealed a mixed result in the December quarter 2014. The largest annual growth of median weekly rental was recorded in the Middle Brisbane 1 bedroom other dwellings at a growth of 5.8% to \$275. Followed by Outer Brisbane 1 bedroom and Gold Coast 2 bedroom rental growth of 4.7% and 2.9% to a median rent of \$225 and \$360.

Inner Brisbane and Townsville 3 bedroom median rent recorded an annual decrease of -1.7% and -2.7% respectively to the rent of \$590 and \$360.



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 March 2015;

366 Shute Harbour Road, Airlie Beach, QLD 4802

Hotel Property Investments has purchased the Airlie Beach watering hole **Magnums Tavern** for **\$17.5 million**. The property which is leased to *ALH Group* sold reflecting a **yield of 8%**. The pub comprises six bars, five pool tables, 40 gaming machines and the largest beer garden in the region. Airlie Beach is located about 151km north of Mackay or 1,123km north of Brisbane.

45 Railway Street, Mudgeeraba, QLD 4213

Hotel Property Investments has purchased **The Wallaby Hotel** in Mudgeeraba on the Gold Coast. The company paid **\$9.5 million** for the property at a **yield of 7.85%**. The property is leased to *Coles Group* and has fixed annual rent increases of 3%. The 3-star hotel features a restaurant, bar and lounge and 10 accommodation rooms. The sale price reflects a rate of about **\$950,000 per room**. Mudgeeraba is located about 12km south-west of the Gold Coast or 80km south-east of Brisbane's CBD.



11 Ivory Lane, Brisbane QLD 4000

A Singaporean investor has purchased the **Adina Apartment Hotel** for **\$50 million** from *Toga Far East Hotels*. The 4-star serviced apartment comprise of 162 apartments on a 3,000 sqm site, restaurant, gym facilities and an outdoor pool. The sale reflects a sales rate of about **\$308,642 per room**.

133 Grey Street, Southbank QLD 4101

Canberra-based *Doma Group* has acquired a Queensland government owned development site for about **\$17 million**. The land was held by the *Queensland Rail* as surplus land. *Doma* intends to build a 160-room luxury hotel on the 1,600 sqm site. Southbank is located directly across the Brisbane river of the Brisbane CBD.

Port Hinchinbrook, Cardwell QLD 4845

FTI Consulting has sold the **Port Hinchinbrook** assets in a liquidation sale to a private consortium of investors for approximately **\$5 to \$6 million**. The sale include the **Port Hinchinbrook Resort** and commercial units which were close in 2011 as a result of the damage caused by Cyclone Yasi. The new owners plan to seek development approvals to redevelop the area. Cardwell is located about 165km north-west of Townsville and approximately 1,497km north-west of Brisbane.



The Whitsundays QLD 4741

Vaughan Bullivant's 4.5-star **Daydream Island Resort and Spa** has been sold to *China Capital Investment Group* for approximately **\$30 million**.

The resort was sold in vacant possession under the condition that *China Capital*



will continue to operate the existing resort and complete a refurbishment. The resort features 296 rooms and suites across three levels, lagoon pools, spa, man-made living coral reef lagoon, wedding chapel, kids club and open air cinema screen. The sale reflects a rate of **\$101,351.35 per room**. The Whitsundays is located about 1,110km north-west of Brisbane.

295 Boat Harbour Drive, Scarness, QLD 4655

The **Australiana Top Tourist Park** has been sold for **\$6.3 million** to *Aspen Parks Property Fund*. The sale of the 2.35 ha site reflects a **10% yield**. The 4.5-star accommodation park comprise of 107 sites with a mix of two thirds short-stay caravan sites and cabins, and one third permanent residents, heated outdoor pool, games room and BBQ area. The sale reflects a rate of **\$58,878.50 per site**. Scarness is located around 292 km north of the Brisbane CBD.

122 Ferny Avenue, Surfers Paradise QLD 4217

The Zagame and Pellicano families' **Paradise Resort** has been sold for more than **\$70 million** to Sydney-based *Ralan Group*. The site has planning approval for more than 1,500 apartments and occupies an entire city block with a site area of 2.5 ha. The resort features 358 rooms, an ice-skating rink, waterpark, kids club, lagoon pool and spa, gym, bistro, café and bar. This sale reflects a rate of **\$195,530.73 per room**.



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 March 2015;

Commercial

Cnr Captain Cook Highway & Airport Avenue, Cairns, QLD 4870

A private investor from Melbourne has acquired the **Australian Federal Police Building for \$13.1 million at an auction**. The building also houses the Commonwealth government *Border Protection*. The Australian government will lease the property for 15 years, **yielding 6.5%** at a rent of \$850,000 a year. Cairns is located around 350km north-west of Townsville.



Rural

Hollymount & Mount Driven, St George QLD 4487

Hailiang Group, one of China's top 500 companies, has purchased about 50,000 ha of cattle and cropping land east of St George in southern Queensland for more than **\$41.5 million**. The 35,000 ha **Hollymount** station owned by *Traikant* is to be bought for about \$31.5 million, while the neighbouring 15,000 ha station **Mount Driven**, is to be purchased for more than \$10 million. The rural property has approximately 6,900 ha under cultivation, plus 4,800 ha of previously farmed and 5,800 ha of further development land. The current farming program rotates between grain, legumes and forage. The existing livestock strategy is to run a 4,000-5,000 breeding cattle on the grazing country. The property has 75 paddocks connected to 4 yards via laneways. The sale reflects a rate of **\$830 per ha**. St George is located about 387km south-east of Toowoomba, Queensland and 382.16km west of Brisbane.



Economic Fundamentals

GDP

GDP figures for the March quarter 2015 are not available until the 3rd June 2015, however, over the December 2014 quarter revealed that the Australian economy recorded growth of 0.55% seasonally adjusted which reflected growth of 2.47% seasonally adjusted over the twelve months to December 2013.

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

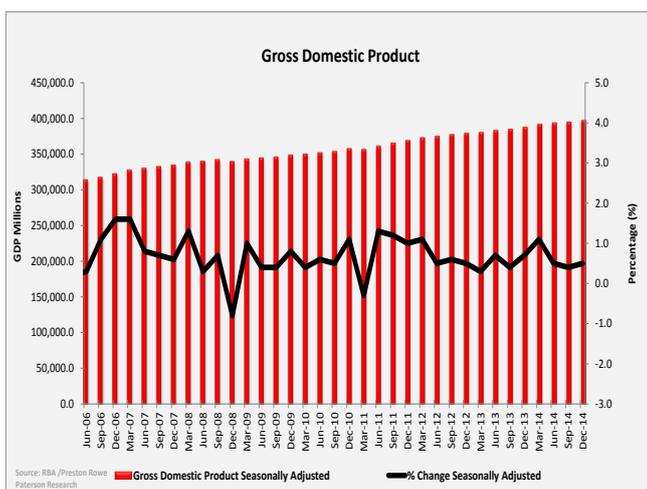


Chart 14 – Gross Domestic Product (GDP) – Source ABS

Labour force

Over the month to March 2015, the number of unemployed people decreased by 1,530 from 766,038 in February to 759,156 in March which is a 0.20% decrease. In comparison to March 2014, the number of unemployed people has increased by 42,327 which reflected an annual increase of 5.90%. The unemployment rate as at March 2015 is 6.2%.

The number of unemployed seeking full time employment recorded an increase over the month of March by 700 to 546,800 persons, reflecting a growth of 0.13%. The number of unemployed seeking part time employment recorded a decrease over the month by 2,200 to 217,700 persons, reflecting a decrease of 1.05%.

Queensland experienced a large absolute increase in seasonally adjusted employment by 18,700 persons to 2,325.7 million persons. The unemployment status in Queensland over the March Quarter increased by 0.5% to 6.6%.

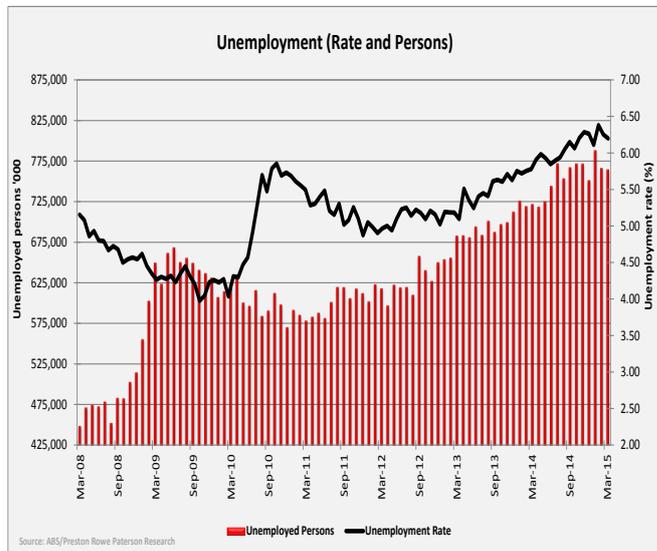


Chart 15 – Unemployment – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the March quarter 2015 has decreased by 25 basis points to 2.25%. The Reserve Bank of Australia's Media Release for March 2014, released 3rd March 2014 explained that;

"In Australia the available information suggests that growth is continuing at a below-trend pace, with domestic demand growth overall quite weak. As a result, the unemployment rate has gradually moved higher over the past year. The economy is likely to be operating with a degree of spare capacity for quite some time yet...Credit is recording moderate growth overall, with stronger growth in lending to investors in housing assets...The Bank is working with other regulators to assess and contain risks that may arise from the housing market. In other asset markets, prices for equities and commercial property have risen, in part as a result of declining long-term interest rates."

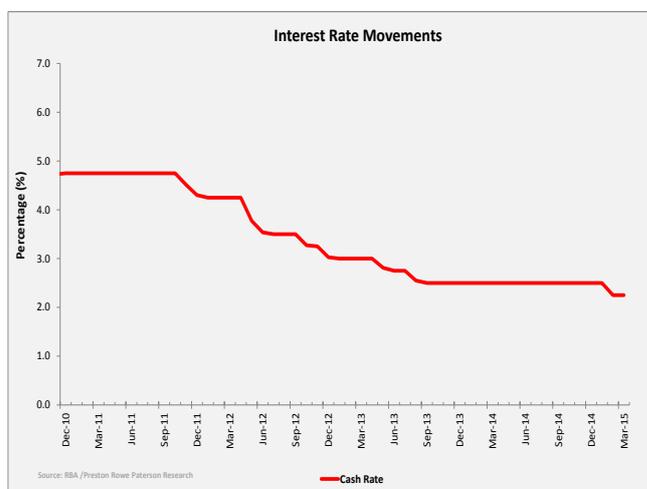


Chart 16 – Cash Rate – Source RBA

CPI

According to the Australian Bureau of Statistics (March 2015), the Australia's All Groups CPI increased by 0.2% over the March quarter from 106.6 to 106.8. The annual CPI change to March 2015 recorded a growth of 1.3%.

The most significant price rises over the March quarter were for Domestic holiday travel and accommodation (+3.5%), Tertiary education (+5.7%) and Medical and hospital services (+2.2%). The greatest price fall over the March quarter was attributed to Automotive fuel (-12.2%) and Fruit (-8%).

The Housing Group increased by 0.8% over the March quarter. The main contributors to the price rise were in new dwelling purchase by Owner-occupiers and Electricity recording a growth of 0.9% and 1.9% respectively. Over the twelve months to March 2015, the housing group recorded growth of 2.7% which was backed by the 4.8% annual growth in new dwelling purchases by Owner-occupiers and a 2.1% rise in Rents.

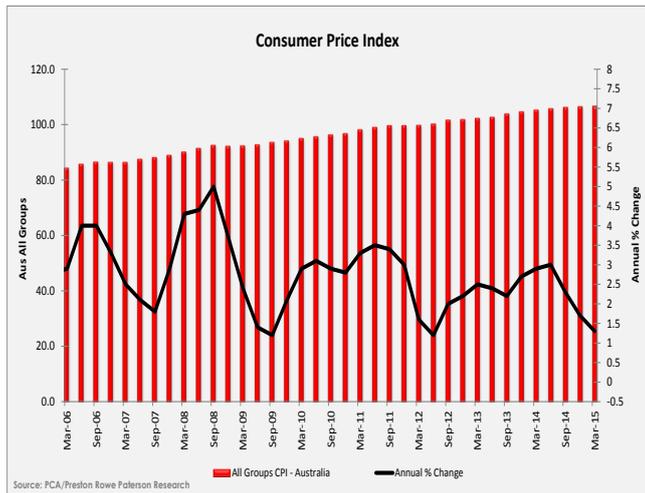


Chart 17— Consumer Price Index—Source—ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 1.2% in March from 100.7 index points in February to 99.5 index points in March. Over the quarter the index has increased by 8.4 points, a 9.22% growth. Over the twelve months to March 2015 the index recorded no annual change.

The Index is returning to its pre-budget level in May 2014. Westpac's Senior Economist, Matthew Hassan commented; "*Some softening in sentiment was always likely in March given the big lift (in February) following the RBA's surprise 25bp rate cut... The overall message seems to be that while consumers remain very concerned about the outlook for the economy and job security, they are less concerned than they were in December and acknowledge the more positive situation around interest rates.*"

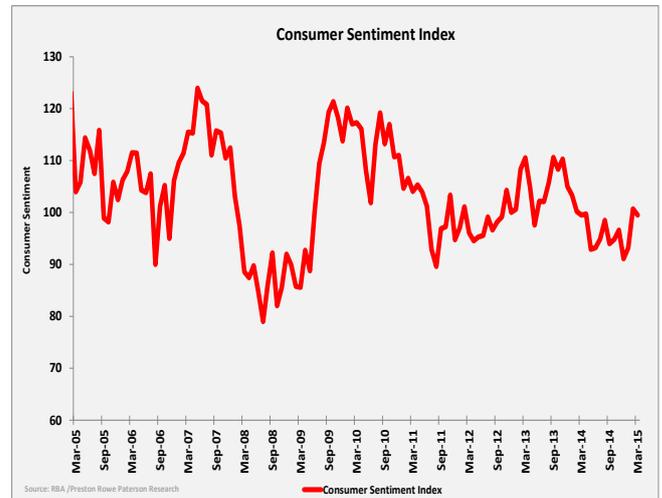


Chart 18 – Consumer Sentiment Index—Source—Westpac Melbourne Institute Survey



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 & re-valuations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
- Property syndicate valuations and re-valuations
- Rating and taxing objections
- Receivership, Insolvency and liquidation valuations and support/advice
- Relocation advice, strategies and consultancy
- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning



Sydney (Head Office)

Level 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

Elizabeth Duncan

M: 0448 656 103

E: elizabeth.duncan@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

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