



Preston
Rowe
Paterson

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International Property Consultants

Property Market Report

Queensland

March Quarter 2017

HIGHLIGHTS

- Over the six months to January 2017, Brisbane's commercial office market experienced an addition of 75,853 sqm in office space. At the same time, there were 57,676 sqm of space withdrawn from Brisbane's market, ultimately bringing net addition to 18,177 sqm.
- Total vacancy in Brisbane CBD declined over the six months to January 2017 to 15.3%.
- Gold Coast's office market continue to be dominated by B-Grade offices, which further increased in stock over the six months to January 2017.
- According to Retail Trade statistics from the Australian Bureau of Statistics, total seasonally adjusted turnover in Queensland over the month of March amounted to \$5.082 billion. This figure indicates a month-on-month decline of -1.3%, when compared to February's turnover of \$5.147 billion.
- Building approvals statistics from the Australia Bureau of Statistics indicate that total number of dwelling units declined by -3.02% over the month of March 2017, to a total of 4,566 approvals.

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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 2017:



200 Creek Street, Spring Hill, QLD 4000

Sentinel Property Group has paid **\$38.7 million** to *Centuria* for an office tower. The 10-storey, A-grade building has 7,603 m² of net lettable area with three ground floor tenancies and 9 -levels of office accommodation. The sale reflects a **rate of \$5,090 psm**.

505 St Paul's Terrace, Brisbane, QLD 4000

The Korea Techers Pension fund has paid **\$200 million** for the A-grade **Green Square South Tower**. The 17,618 m² property occupies a 6,400 m² site and has 355 car spaces. The fully-leased, 5-level building has an 11-year WALE. The sale reflects a **yield of 6.3%** and a **rate of \$31,250 psm**.

5 King Street, Brisbane, QLD 4000

Impact Investment Group has paid **\$140 million** to *Lendlease* for the largest commercial timber building in the world by area. The project will be around 52 metres tall with 15,000 m² of space over 10 levels of the building. *Aurecon*, the lead engineer on the project, has agreed to lease 6,500 m² of space on a 10-year lease. The project will be completed late 2018.



126 Margaret Street, Brisbane, QLD 4000

Investec Property Office Fund 2 has sold a 14-storey office tower to *The Capital Property Fund* on behalf of an institutional investor for **\$34 million**. The B-grade commercial asset is fully-leased to **Queensland University of Technology and Wilson Parking**. The sale of the 5,569 m² building reflects a **rate of \$6,105 psm**.

Leasing Activity

Preston Rowe Paterson Research recorded limited leasing transactions that occurred in the Brisbane CBD office market during the three months to March 2017:

275 George Street & 69 Ann Street, Brisbane, QLD 4000

Telstra will occupy 30,000 m² of office space across two properties from landlords *Charter Hall* and *Keppel REIT*. The lease is for **12-years**. The George Street tower is jointly owned by *Charter Hall Prime Office Fund* and *Keppel REIT*. The Ann Street property is fully owned by the *Charter Hall* fund.

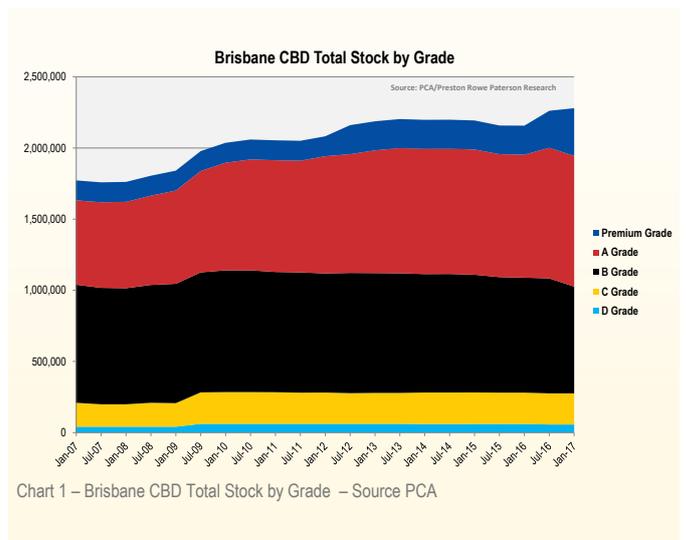
Level 9, 123 Eagle Street, Brisbane, QLD 4000

GPT Wholesale Office Fund has signed the *Australian Institute of Company Directors* in its recently refurbished **Riverside Centre**. The company signed a **7-year deal** to occupy 1,000 m² of office space on level 9. The building has a new lobby and food-court and landscaping for the plaza area.

Supply by Grade (Stock)

Over the six months to January 2017, Brisbane's commercial office market experienced an addition of 75, 853 sqm in office space. At the same time, there were 57,676 sqm of space withdrawn from Brisbane's market, ultimately bringing net addition to 18,177 sqm.

All additions in Brisbane's market were put into the city's Premium Grade stocks. Over the six months, stocks increased from 259,617 sqm to 335,470 sqm. On the other hand, all stock withdrawals occurred in the B Grade offices, in which stocks had declined from 807,908 sqm in July 2016 to 750,232 sqm in January 2017. A Grade, C Grade and D Grade office stocks remained unchanged over the period. A Grade stocks remained at 918,330 sqm, C Grade at 219,106 sqm and D Grade stocks at 56,917 sqm.



Total Vacancy

Total vacancy in Brisbane CBD declined over the six months to January 2017 to 15.3%. The change was largely attributed to the decline in sub-lease vacancy, which declined by -1.5% to 1.6%. Direct vacancy declined by -0.2% over the same period, to 13.7%,

Tightening of vacancy rates occurred in most graded offices, including Premium Grade, A Grade and D Grade offices. Premium Grade offices experienced the largest decline in vacancy, declining by -9.9% to 11.9%. A Grade and D Grade office vacancies declined by -2.0% and -1.5% respectively, down to 11.9% and 15.3%, respectively. On the other hand, B Grade and C Grade vacancies increased over the period. Vacancy of B Grade offices increased by 1.1% to 19.7%. Similarly, C Grade vacancies increased by 2.1% to 19.6%.

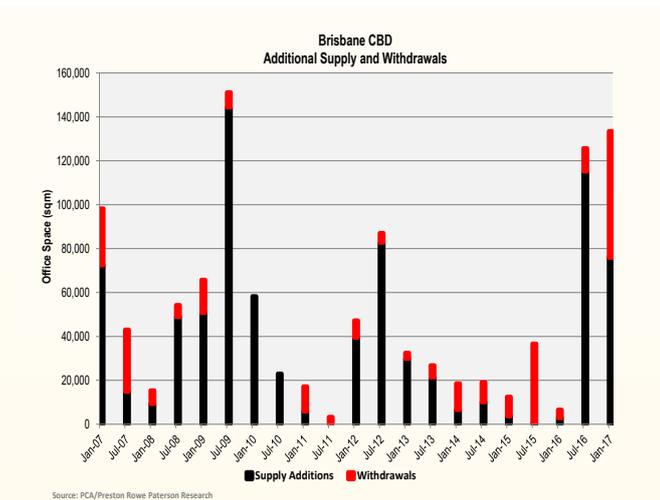


Chart 2 – Melbourne CBD Additional Supply and Withdrawals – Source PCA

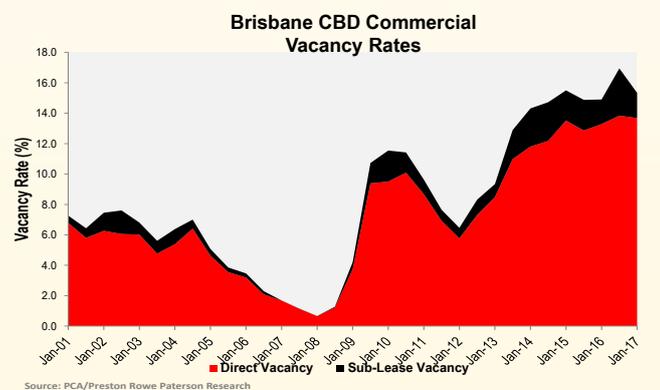


Chart 3 – Melbourne CBD Commercial Vacancy Rates – Source PCA

Gold Coast Office Market

Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in the Gold Coast office market during the three months to March 2017:

183 Varsity Parade, Varsity Lakes, QLD 4227

A fully-leased 3,153 m2 two-level office building has sold to *Investor Clarence Property* for **\$11.8 million**. The property is leased to *Care Flight Group, Cerebral Palsy Australia* and *Sykes*. The sale reflects a **rate of \$3,742 psm**. Varsity Lakes is located 11.7 km south of the Gold Coast CBD.



Supply by Grade (Stock)

Over the six months to January 2017, the Gold Coast experienced an increase in supply of 2,741 sqm in office space. However, there was a total withdrawal of 2,824 sqm in office space over the same period, bringing total office supply stocks down by 83 sqm to 472,967 sqm.

Gold Coast's office market continue to be dominated by B-Grade offices, which further increased in stock over the six months to January 2017. January's stock stands at 191,720 sqm, indicating that stocks had increased by 1,976 sqm over the period. No changes were recorded in C Grade and C Grade stocks, which remained at 136,004 sqm and 15,139 sqm respectively. A Grade stocks experienced a decline of -2,059 sqm over the same period, down to 130,104 sqm.

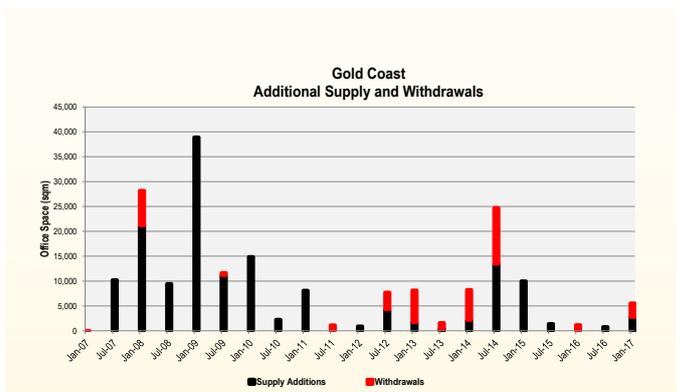


Chart 4– Gold Coast Additional Supply and Withdrawals – Source PCA

RETAIL MARKET Investment Activity

Preston Rowe Paterson Research recorded a number of retail transactions that occurred in the Brisbane metropolitan area during the March quarter of 2017:

239 Adelaide Street, Brisbane, QLD 4000

LaSalle Investment Management has acquired an underground retail centre from a syndicate of investors including *Marquette Properties*, *Ashe Morgan* and *Bricktop* for around **\$95 million**. **Post Office Square** has a net lettable area of 1,756 m² with 29 specialty tenants, six ATMs and a 316-bay car park. The sale reflects a **rate of \$54,100 psm**.

374 Peel Street, Tamworth, QLD 2340

Andrew Richardson has sold the **Centrepoint Tamworth Shopping Centre** to *Integren Property Group* for **\$38.5 million**. The centre was developed in 2008 and was sold on a **yield of 7.5%**. The 9,200 m² mall features the 400-seat *Capital Theatre*, *Forum 6 Cinemas*, an *Aldi* supermarket, *JB Hi-Fi* and 27 specialty shops. There are also 330 undercover car spaces. The sale reflects a **rate of \$4,185 psm**.

Redbank Plains Road, Redbank Plains, QLD 4301

Rockworth Capital Partners have bought a sub-regional shopping centre from *Alceon* and *Capital Transactions* for **\$160 million**. The 27,000 m² centre is 95% leased and is anchored by a *Woolworths*, *Daiso*, *Aldi*, *Target* and *Coles*. The previous owners recently completed a 20,000 m² expansion. The sale reflects a **rate of \$5,926 psm**. Redbank Plains is located around 32.8 km south-west of the Brisbane CBD.

Poinciana Avenue, Tewantin, QLD 4565

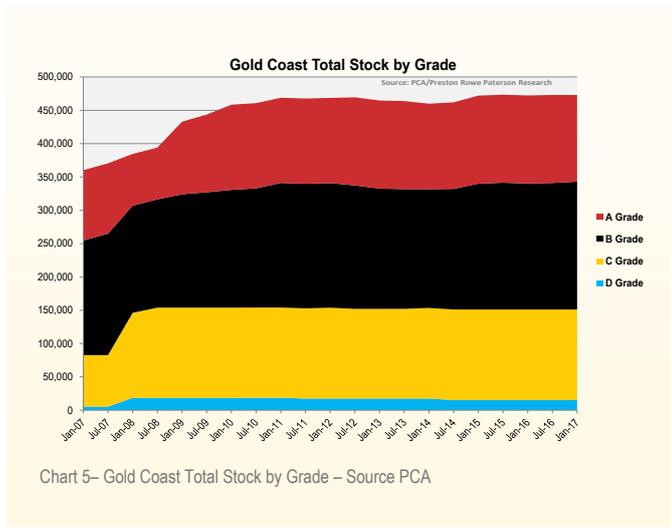
Stockwell Funds Management has sold the **Poinciana Place** shopping centre to a Melbourne-based investor for **\$17.3 million**. The shopping centre was sold on a



yield of 5.9%. The fully-leased 3,106 m² centre has a 2,400 m² *Woolworths* supermarket, 10 specialty tenancies and open and undercover parking. Tewantin is located about 37.7 km north of the Sunshine Coast CBD.

100 McLachlan Street, Fortitude Valley, QLD 4006

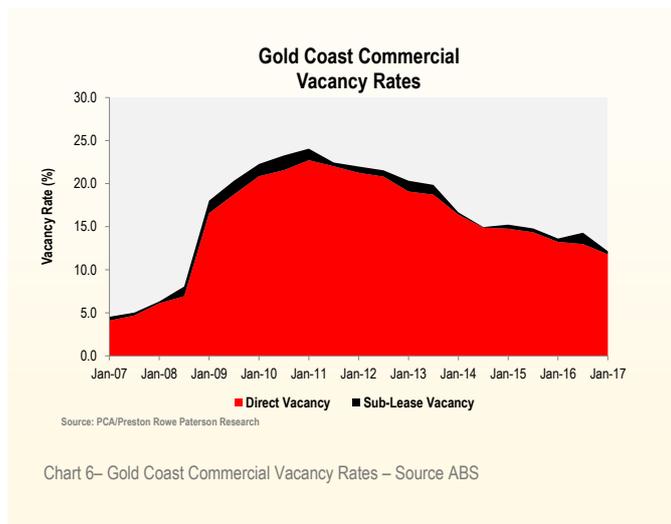
A private Singaporean investor has acquired the **M&A Lane Retail and Commercial Centre** for **\$30 million**. The 3,598 m² mixed-use retail and office building was sold by one of three private vendors. The site sold on a **passing yield of 6%** and a **rate of \$8,338 psm**. Fortitude Valley is located about 22 km north-east of Brisbane's CBD.



Total Vacancy

Total vacancy in the Gold Coast office market declined by –2.1% over the six months to January 2017. This was influenced by a decline of –1.2% in direct vacancy to 11.8%, and a decline of –1.0% in sub-lease vacancy to 0.4%.

A Grade offices experience the largest decline in vacancy over the period. Total vacancy in these office declined by –5.8% to 12.9%. B Grade and C Grade offices also experienced declines in their total vacancies. Vacancy of B Grade offices declined by –1.3% to 11.1%, whilst C Grade vacancy declined by –0.5% to 12.4%. In contrast, D Grade offices experienced an increase in total vacancy, of 4.8% to 17.0% over the six months to January 2017.



174 Pascoe Road, Ormeau, QLD 4208

A Gold Coast-based investor has sold the **Norfolk Village** to a Melbourne syndicate for **\$9.7 million**. The 1,481 m2 property has 16 retailers and returns a net annual rent of \$700,000. The sale of the 6,161 m2 site reflects a **7.2% net yield** and a **rate of \$1,574 psm**. Ormeau is located about 37.6 km north-west of the Gold Coast CBD.

685 Old Cleveland Road East, Wellington Point, QLD 4160

Private investors have exchanged the **Horizon @ Wellington Point Shopping Centre** for **\$18.125 million**. The 2,616 m2 fully-tenanted medical shopping centre was constructed in 2010 and is anchored by an **IGA Supermarket**. The 3-storey building brings in a net annual rental income of around \$1.27 million. Tenants include a doctor's surgery, dental services, a physiotherapist, a chiropractic centre, an optometrist, a chemist and a vitamin and healthcare supplier. The sale of the 6,099 m2 site reflects a **net yield of 7%** and a **rate of \$2,972 psm**. Wellington Point is located around 23.9 km east of the Brisbane CBD.

34-44 Brisbane Road, Ebbw Vale, QLD 4304

Private investors have exchanged a motor dealership leased to **Q Automotive Group** at auction for **\$9.8 million**. The 2,710 m2 net lettable area property occupies a 6,616 m site. The property is on a new 10-year lease with a five-plus-five year option until 2036. The sale reflects a **net yield of 6.85%** and a **rate of \$1,481 psm**. Ebbw Vale is located around 31.9 km south-west of the Brisbane CBD.

133 Oxley Station Road, Oxley, QLD 4075

Folkestone has sold **The Station at Oxley** shopping centre to **Savills Investment Management** on behalf of an offshore fund for **\$43.5 million**. The 7,100 m2 neighbourhood shopping centre is anchored by a **Woolworths** supermarket and a Queensland government office. There are also 16 specialty stores. The sale reflects a **yield of 6.6%** and a **rate of \$6,127 psm**. Oxley is located about 13.4 km south-west of the Brisbane CBD.

Bay Avenue & Deception Bay Road, Deception Bay, QLD 4508

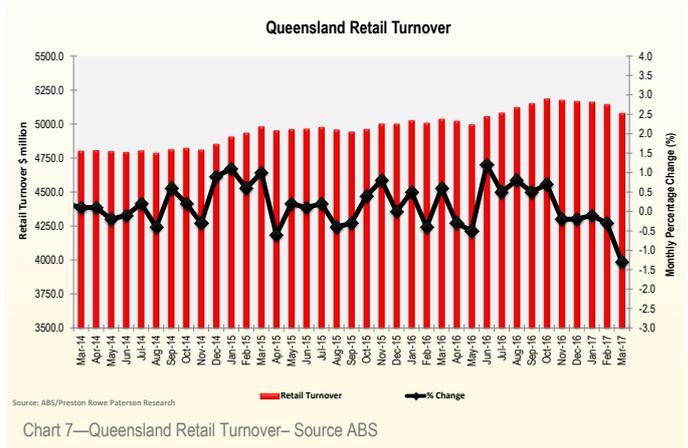
Mintus has acquired a shopping centre known as **Market Square Deception Bay** from **ARIO No.1 Trust** for **around \$40 million**. The **Woolworths**-anchored, 13,634 m2 centre has a **Dan Murphy's**, 50 specialty tenants and the **Deception Bay Tavern**. Parts of the site are undeveloped. The sale of the 6-hectare site reflects a **rate of \$667 psm**. Deception Bay is located about 36.6 km north of the Brisbane CBD.

236A-238A Taylor Street, Newtown, QLD 4350

A local businessman has bought the **Wyalla Plaza** for **around \$14 million** on a **net yield of 7%**. The 3,995 m2 fully-leased retail centre has 25 tenants including a service station and a medical centre. The 1.4-hectare site also has 172 car spaces. The sale reflects a **rate of \$1,000 psm**. Newtown is located about 124 km west of Brisbane's CBD.

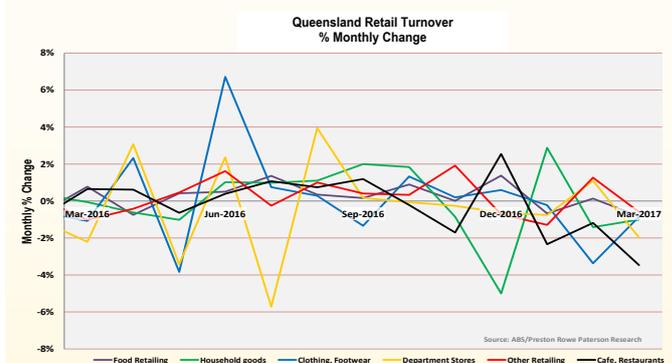
RETAIL STATISTICS

According to Retail Trade statistics from the Australian Bureau of Statistics, total seasonally adjusted turnover in Queensland over the month of March amounted to \$5.082 billion. This figure indicates a month-on-month decline of -1.3%, when compared to February's turnover of \$5.147 billion. However, when we compare this to March 2016's figure, annual turnover had increased by 0.86%.



Retail turnover data by different industry subgroups indicate a mainly negative results over the month to March 2017. There was a large decline in spending on Cafes & restaurants, which dropped by -3.46% over the month to \$694.2 million. Spending on Department stores and Household goods declined by a respective -1.97% and -1.01% over the month, down to \$298.3 million and \$855.5 million respectively. Clothing, Food retailing and Other retailing experienced smaller declines, of -0.85%, -0.82% and -0.59% respectively. Clothing turnover for the month amounted to \$338.6 million, whilst Food retailing and Other retailing amounted to \$2.171 billion and \$724.4 million respectively.

Over the year to March, Café & restaurants turnover declined by -3.10%. Department store spending and Household good spending resulted in a yearly decline of -2.55% and -0.34% in turnover, respectively. In contrast, Other retailing, Food retailing and Clothing benefited from positive growths of turnovers of 3.74%, 2.96% and 2.20%, respectively.



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 2017:

33 Park Road, Milton, QLD 4064



A 7,410 m² office building has been sold by a small syndicate of rural investors to *AMP Capital* for **around \$48 million**. The building is 95.8% leased with a 4.7-year WALE. The 4,310 m² site can be redeveloped into apartments. The property is leased by *ConocoPhillips, Nautilus Mineral Pacific, Best Practice Australia* and the *Commonwealth Bank of Australia*. The sale reflects a **rate of \$11,137 psm**.

47 Logistics Place, Larapinta, QLD 4110

LOGOS will build a \$20 million industrial facility after acquiring a 1.7-hectare site for **about \$5 million**. The site has existing development approval for an 8,000 m² industrial facility. The sale reflects a **rate of \$294 psm**. Larapinta is located about 22.7 km south-west 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 March 2017:

30 Bellrick Street, Acacia Ridge, QLD 4110

Rocket Logistics will occupy an 8,294 m² industrial estate within a *DEXUS Property Group* industrial precinct for **3-years**. The estate features four freestanding buildings with hardstand areas. The **net annual rent is around \$95 to \$100 psm**. Acacia Ridge is located around 14.6 km north-west of the Brisbane CBD.



RESIDENTIAL MARKET

Economic Statistics

Building approvals statistics from the Australia Bureau of Statistics indicate that total number of dwelling units declined by -3.02% over the month of March 2017, to a total of 4,566 approvals. When we compare this figure to March 2016 figure, total approvals had declined by -3.85%.

Total approvals for houses increased by 9.70% over the month to March, from February's figure of 2,144 to March's figure of 2,352. Over the year, however, total approval for the construction of houses declined by -6.33%. Total approvals for dwellings other than houses declined by -13.65% over the month to March, from February's figure of 2,564 to March's figure of 2,214. We recognise that over the year, total approvals had declined by -1.07%.

Total approvals for the three months to March stand at 13,133 buildings, of which 6,061 are approvals for houses and 7,072 being approvals for apartments and units.

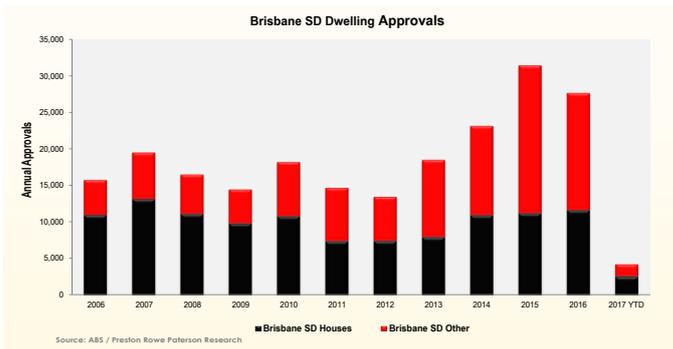


Chart 9—Brisbane SD Dwelling Approvals—Source ABS

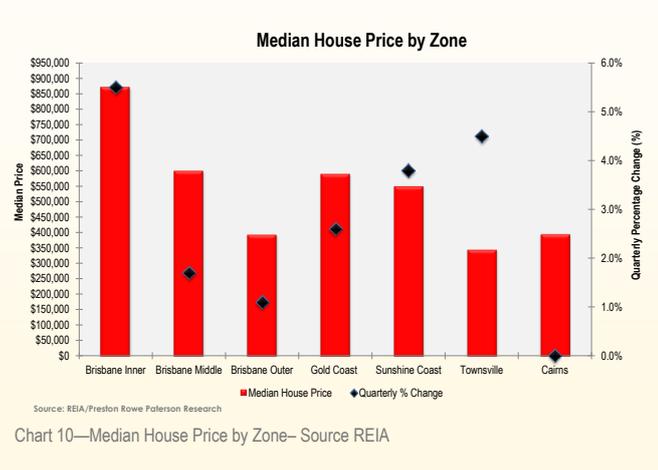
BRISBANE

Market Affordability

Median house price in Brisbane, as reported by the Real Estate Institute of Australia (REIA), indicates that prices had increased by 2.6% to \$513,000 over the quarter to December 2016. This price reflects a growth of 2.6% over the year. The strongest quarter growth in prices was recorded in Inner Brisbane, of which median house price had increased by 5.5% to \$870,500. There were 526 reported sales during the period, of which sale prices range from \$701,500 and \$1,211,000. Over the year, however, median house price had declined by -0.5%.

Middle Melbourne house prices had increased by 1.7% over the December quarter, with its median house price increasing to \$600,000. 2,864 properties were reported during this period, with sale prices ranging from \$495,000 to \$746,800. Over the year, prices were recorded to have an increase of 2.0%.

Outer Brisbane's houses experienced a quarterly increase of 1.1% in house prices, with its median house price increasing to \$393,500. There were 2,802 properties sold during the period, with prices ranging from \$325,000 and \$485,000. Annual change over the year resulted to an increase of 2.2%.



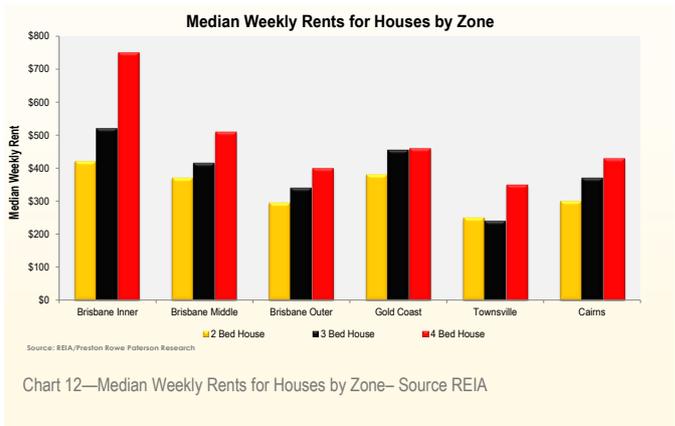
Brisbane's other dwellings all experienced declines in their median prices over the three months to December 2016. Overall, Brisbane experienced a -2.7% decline in their median dwelling price, down to \$399,000. Annual change was also recorded at -2.7%.

When we look at Inner Brisbane, a decline of -1.1% over the quarter was recorded, of which median house price declined to \$450,000. There were 872 properties sold during the period, with prices ranging from \$370,000 to \$560,000. Middle Brisbane experienced a -0.5% in their other dwelling prices, down to \$383,000 for the December quarter. There were 681 transactions recorded, with prices ranging from \$327,000 to \$460,000. Outer Brisbane recorded a -3.3% change in their dwellings prices over the quarter, with median price declining to \$295,000. There were 375 properties sold, with sale prices ranging from \$233,000 to \$380,000.

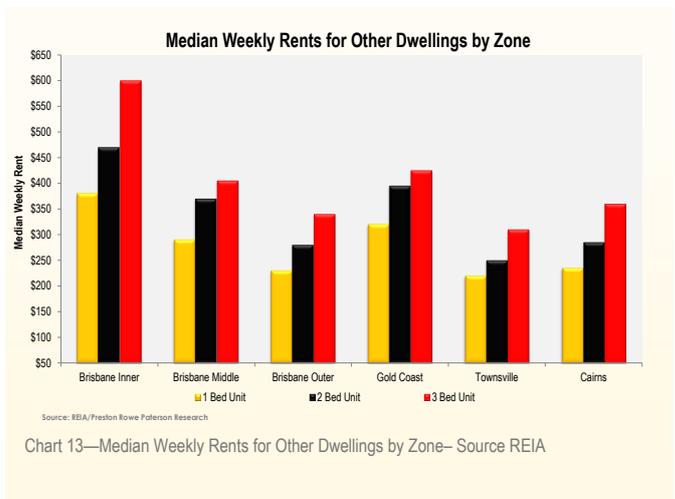


Rental Market

Brisbane city's rental market experienced varying changes in their median weekly rent. Inner Brisbane's 2 bedroom houses experienced a decline of -4.5% over the quarter, with median rent per week dropping to \$420. On the other hand, Inner Brisbane's 4 bedroom house rent increased by 7.1% over the same period, with median price per week increasing to \$750. Middle Brisbane's 4 bedroom houses experienced the highest growth in the region, at 2.0% to \$510 per week. When we look at Outer Brisbane, 2 bedroom houses experienced the strongest growth, with a rise of 3.5% in weekly rent to \$295.



Brisbane's other dwelling weekly rental prices have experienced different rental growths over the December quarter. Outer Brisbane's 1 bedroom dwellings experienced the largest increase of 4.5%, with weekly rental price increasing to \$230. In contrast, Middle Brisbane's weekly rental price for their 2 bedroom dwellings declined by -1.3%, down to \$370 per week. Notably, Middle Brisbane's 1 bedroom and 3 bedroom dwellings experienced similar declines, of -0.7% and -1.2% respectively. Their respective weekly rents declined down to \$290 and \$405 per week.



GOLD COAST



Market Affordability

Over the December quarter, house prices on the Gold Coast increased by 2.6%, with median price increasing to \$590,000. Over the year, median price had increased by 6.3%. There were 1,439 sales transacted over the quarter, with sale prices ranging from \$480,000 to \$752,500. When we look at other dwellings on the Gold Coast, median sale price increased by 1.0% to \$405,000 over the quarter, or 3.8% over the year. There were 1,503 sales that were recorded over the quarter, with sale prices ranging from \$320,000 to \$555,000.

Rental Market

The Gold Coast's 2 and 3 bedroom houses experienced quarterly increases of 4.1% and 1.1%, respectively, to \$380 and \$455 per week. 4 bedroom houses experienced no changes over the quarter, with median weekly rent remaining at \$460.

When we look at Other Dwellings on the Gold Coast, 2 bedroom and 3 bedroom dwellings experienced increases of 1.3% and 3.7%, respectively. Their respective weekly rent increased to \$395 and \$425. 1 bedroom dwellings' median rental price on the Gold Coast remained unchanged over the quarter at \$320 per week.

TOWNSVILLE



Market Affordability

Median house price in Townsville increased by 4.5% over the December quarter, to \$345,000. However, this price reflects a decline over the year of -2.8%. There were 437 sales reported by the REIA, of which prices range from \$280,000 to \$420,000. When we look at other dwellings in Townsville, median sale price remain unchanged over the quarter, at \$260,000. However, this price reflects a decline over the year of -14.9%. There were 73 transactions reported over the December quarter, of which sale prices range from \$199,000 to \$339,500.

Rental Market

Townsville's houses have experienced major changes in their weekly house rent. 3 bedroom houses in Townsville declined by -18.6% over the quarter, down to \$240 per week. 2 bedroom houses in Townsville experienced a less dramatic decline, of -2.0%, bringing weekly rental price down to \$250. 4 bedroom house rents remain unchanged over the December quarter, remaining at \$460 per week.

When we look at other dwellings in Townsville, 1 bedroom dwellings experienced a quarterly decline of -21.4%, down to \$220 per week. 3 bedroom dwellings experienced a decline of -0.6%, down to \$310 per week. 2 bedroom dwellings experienced no changes over the quarter, with weekly rent remaining at \$250.

CAIRNS



Market Affordability

Cairns' housing market remained stable over the December quarter, with median house price remaining unchanged at \$395,000. However, over the twelve months, this price reflect a decline of -2.5%. There were 394 transactions recorded by the REIA, with sale prices ranging from \$332,800 and \$475,800. When we look at other dwellings in Cairns, quarterly change was recorded at -6.1%, with median sale price declining to \$225,000. Over the year, prices had declined by -3.8%. There were 208 transactions recorded, with sale prices ranging from \$140,000 and \$330,500.

Rental Market

Cairns' house rental market experienced mediocre changes in their rental growth. 2 bedroom and 4 bedroom houses experienced no changes in their weekly rental, remaining at \$300 and \$430, per week, respectively. 3 bedroom houses experienced a 2.8% increase in weekly rent, increasing to \$370 per week for the December quarter.

When we look at other dwellings in Cairns, 1 and 3 bedroom dwellings experienced increases of 2.2% and 2.9%, respectively, in their weekly rental income. Their new respective weekly rent increased to \$235 and \$360. 2 bedroom dwellings in Cairns experienced a decline of -1.7% in their weekly rent, dropping to \$285 per week.

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 March 2017:

113-135 Moggill Road, Taringa, QLD 4068

Nick Pagent has purchased a *Mercedes Benz* dealership for **around \$34 million** on a **6.5% yield**. The 11,500 m2 site is leased to *Autosport* on a 10-year triple net lease. The property brings in \$2.21 million of net income as of December this year. There are 4% fixed annual reviews and two five-year options. The sale reflects a **rate of \$2,957 psm**. Taringa is located about 6.1 km south-west of the Brisbane CBD.



236 Parklands Boulevard, Meridan Plains, QLD 4551

Matchbox Property has sold an investment property anchored by a *7-Eleven* service station to a private investor for **\$5.45 million**. The 2-lot subdivision has 2,049 m2 site which is occupied by *7-Eleven* for a net annual rent of \$310,000 and a 1,775 m2 site which will likely be developed into a car wash. The sale reflects a **rate of \$1,425 psm**. Meridan Plains is located about 20.5 km south of the Sunshine Coast CBD.

HOTEL & LEISURE

Investment Activity

Preston Rowe Paterson Research recorded the following hotel/leisure property transactions that occurred in Queensland during the March quarter 2017:

85-87 The Esplanade & 68 Abbott Street, Cairns, QLD 4870

Ghassan Aboud has purchased a motel and office building for **around \$12 million**. **The Bellview Motel and Backpackers** was sold by the Meiklejohn family and the 3-level office building was sold by the Reghenzani and Rossi families. The 2,898 m2 site will be used to develop a \$100 million hotel with construction beginning at the end of 2017. The motel site has sold with DA approval for a 161-room, 3.5-star hotel.

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 2017:

715 Maria Creek, Eskdale, QLD 4312

The **Eskdale West** cattle property has been sold by Jim Gorman to *George Cattle Pty Ltd* for **\$9.8 million**. The 4,316-hectare property features a grand 1930s homestead, two sets of timber cattle yards and significant irrigation infrastructure. Eskdale is located about 125 km north-west of Brisbane's CBD.



123 Mahoneys Road, Bucca, QLD 4670

An Asia-based exporter has purchased a 124-hectare sugar cane farm that is currently leased to *Bundaberg Sugar* for **\$2 million**. The buyer has signed an



agreement with *Macadamia Farm Management* to plant and manage the new macadamia tree crop once the lease is finished. The property sold with a water entitlement of 530.6-megalitres. The sale reflects a **rate of \$16,129 per hectare**. Bucca is located around 27 km west of the Bundaberg CBD.

Economic Fundamentals

Consumer Price Index

Over the three months to March 2017, All groups Consumer Price Index (CPI) for Australia increased by 0.5% over the quarter to bring annual change to 2.1%, just above the Reserve Bank's two-to-three per cent inflation target. This annual increase is considerably higher when compared to the twelve-month change to December 2016, which rose 1.5% (the lowest annual increase in nineteen years). When looking at core inflation, which looks at changes in prices that reflect only the supply and demand conditions in the economy, prices changes remain relatively weak with a 0.4% rise in the weighted median over the three months to March to result in an annual change of 1.7%.

In the last year, Melbourne and Sydney recorded the largest increase in All Groups CPI, with a respective annual increase of +2.5% and +2.4%. In contrast, Darwin recorded the lowest increase, with an annual change of 0.5%. Over the March quarter, CPI increased in all capital cities, except for Darwin, when we look at the All groups level. Notably, the housing group (+0.8%) contributed the most to the quarterly rise, which increases in six out of eight capital cities. In conjunction with an increase in new dwelling purchases by owner-occupiers, increases in input costs and electricity prices all contributed to the rise prices in the housing group. The transport group (+1.5%), health group (+2.0%) and education group (+3.1%) all contributed positively to the quarterly movements in the All groups. Petrol price, fuelled by an increase in world oil prices, was the main driver of the transport group. Rises in medical & hospital services and pharmaceutical products caused by the resetting of the Medicare Benefits Scheme (MBS) (which increased the out-of-pocket expenses for patients) contributed the most to the increase in prices in the health group.

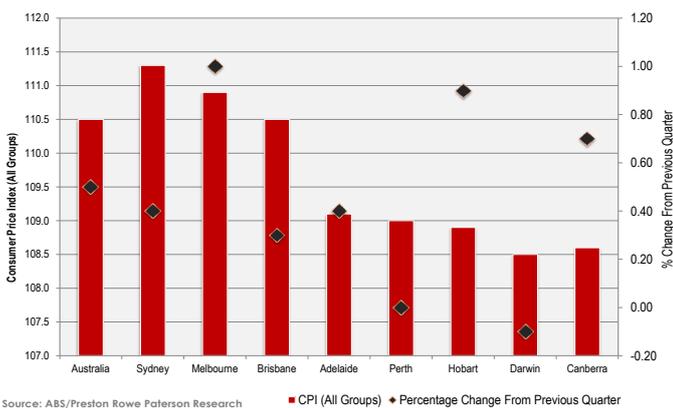


Chart 14—All Group CPI (Capital Cities) and Percentage Change from December 2016 to March 2017—Source—ABS

Business Sentiment

According to the NAB Quarterly Business Survey, confidence amongst Australian businesses increased in the first quarter of 2017. The business confidence indicator increased by +1, to +6, on a scale in which a reading above 0 indicates improving conditions. However, National Australia Bank did note that despite the solid results, there is no strong evidence that the increased confidence towards the global economic outlook is positively impacting business confidence. This may be due to the increased concerns around political events around the world. Business confidence were positive for all industries other than retail (-1) and manufacturing (-5). Construction (+8) and transport & utilities (+4) experienced strong levels of confidence, whilst mining (+10) and wholesale (+10) continue to see the strongest levels of growths amongst all industries.

Consumer Sentiment

According to the Westpac-Melbourne Institute Consumer Sentiment Index, overall sentiment in April declined by 0.7%, from March's index of 99.7 to April's 99.0. This decline is influenced by both domestic and international factors, including the domestic concerns over Australia's housing market, the action of major banks to increase their interest rates for some mortgage borrowers, disappointing labour market figures, declining iron ore prices over the last month, and the strengthening Australian dollar and its inevitable impact on exports. On the international front, the lack of progress shown by the Trump administration in delivering their growth policies have resulted in a frantic market, along with an increase in tensions in the Middle East. We note that consumers are less confident when compared to previous years when asked about the annual Budget, with the expectation that any negative shocks in this year's Budget will result in a significant decline in the Confidence Index.

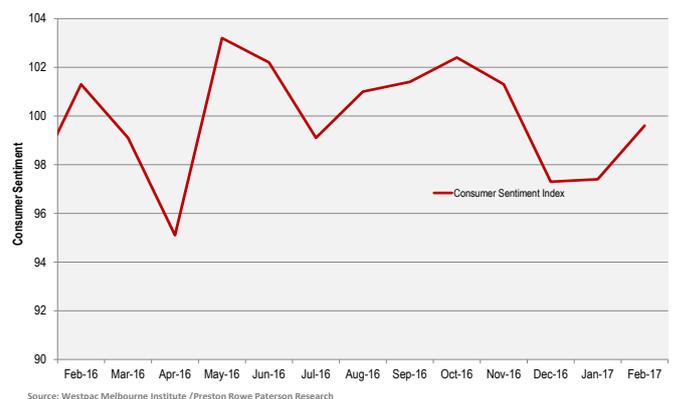


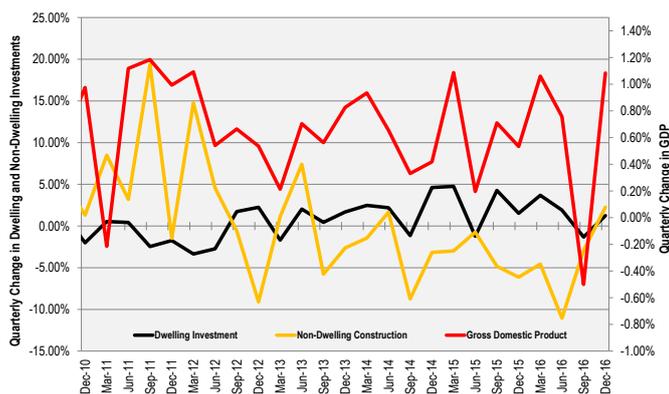
Chart 15—Consumer Sentiment Index, February 2016 to February 2017—Source—Westpac Melbourne Institute Survey

Gross Domestic Product

Over the December quarter, Gross Domestic Product increased by a seasonally adjusted 1.1%, and hence lifted Australia's economic growth over the year to 2.4%. This increase over the quarter meant that Australia have averted a technical recession after the contraction of 0.5% over the September quarter, though overall growth over the year was at a below long-term average of about 2.75%. Notably, the Australian Bureau of Statistics pointed to a rise in household spending and public investment as the two biggest contributors to the quarter's strong performance, with a respective growth of 0.5% and 0.3% over the quarter.

Out of twenty industries, improvements were recorded in fifteen, with the strongest growth stemming from Mining, Agriculture, Forestry and fishing and Professional scientific and technical services- with each industry recording 0.2% to GDP Growth. We note that Australia's Terms of trade increased by 9.1% over the three months through to December, with its improvement attributed to by strong price increase in coal and iron ore upon increased demand from foreign buyers. Furthermore, the rise in commodity prices has resulted in a 16.5% increase in Private non-financial corporation's gross operating surplus.

We also note that compensation of employees declined 0.5% in the quarter, this being the first decline since September quarter of 2012. These figures are supported by record low growth in the Wage Price Index, which was observed to be at 1.9% over the year to December. Furthermore, more households are digging into their savings, as the Household savings ratio stood at a seasonally adjusted 5.2% in December- down from September quarter's figure of 6.3%. Household spending over the December quarter increase to 1.2% (0.6% in September), whilst household gross disposable income increased by a low 0.2%.



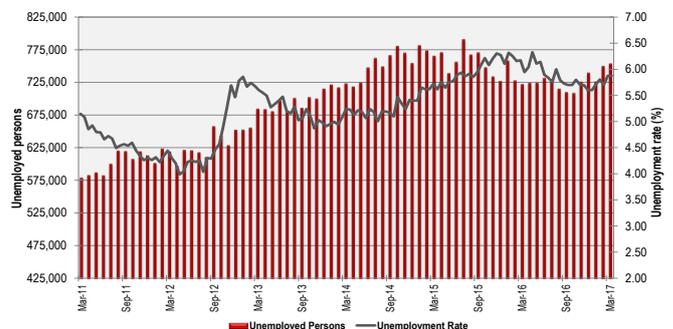
Source: RBA /Preston Rowe Paterson Research

Chart 16— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

Unemployment

National unemployment rate remained unchanged in March at 5.9%, even if the economy was boosted by the creation of 60,900 new jobs. The reason for this was that over the month, Australia's participation rate increased by 0.2% to 64.8%, which means that there was an increase in the proportion of people in employment or seeking employment when compared to the previous month. When we break down the numbers, there were 75,500 full time jobs filled up over the month, though this was offset by a decrease of 13,6000 part time positions. These figures provide a refreshing change from the frequent reports of Australia's underperforming full-time job market over the past twelve months, though analysts remain cautious since the unemployment rate remains precariously high. We also note that underemployment is still considerably high, with over one million people in Australia wanting more work but unable to obtain any.

When we look at the states and territories, most enjoyed an improvement in their unemployment rate. Queensland and New South Wales benefited from an addition of 28,800 and 23,300 jobs, respectively, over the month to March. Their respective unemployment rate declined to 6.3% (6.6% in Feb) and 5.1% (5.2% in Feb). Victoria, South Australia, Western Australia and Tasmania all experienced an increase in their unemployment rate. Victoria's unemployment rate increased by 0.1% to 6.1%, South Australia's increased from 6.6% to 7.0%, Western Australia's from 6.1% to 6.5% and Tasmania's from 5.8% to 6.0%.



Source: ABS/Preston Rowe Paterson Research

Chart 17— Unemployment Persons and Unemployment Rate, March 2011 to March 2017 — Source: ABS

	Unemployment Rate (%)		Participation Rate (%)		
	February	March	February	March	
Australia	5.9	5.9	64.6	64.8	▲
New South Wales	5.2	5.1	62.9	63.1	▲
Victoria	6.0	6.1	65.7	65.9	▲
Queensland	6.6	6.3	64.1	64.6	▲
South Australia	6.6	7.0	62.3	62.3	—
Western Australia	6.1	6.5	67.2	67.5	▲
Tasmania	5.8	6.0	59.5	59.9	—
Northern Territory*	3.5	3.5	78.1	78.5	▲
Australian Capital Territory*	3.7	3.7	70.1	70.1	—

Table 1— Unemployment Rate and Participation Rate, February vs. March 2017 — Source: ABS
* Trend figures used for NT and ACT as seasonally adjusted data for both are not publicly available

10 Year Bond & 90 Day Bill Rate

10 Year Australian government bond yields have been steadily increasing over the three months to March 2017. The average 10 Year yields in March stands at 2.81%, which indicates a 2 basis points increase from December's average of 2.79% and a 24 basis points increase from the March 2016's average of 2.57%. The 90-Day bank bill swap rate increased at a more modest rate, to 1.79% for the month of March. This figure indicates a rise of 1 basis point from the previous quarter, though indicates a yearly decline of 0.52%.

We note that over the past twelve months, central banks globally have utilised unconventional policies (i.e. buying programs and quantitative easing methods) in order to manipulate decreases in bond yields with the intention to stimulate both private and corporate investment. Inevitably, bond yields have declined to historical lows, though the effectiveness of these programs in their ability to influence economic growth have been questioned by the International Monetary Fund and the G20 through to 2017. Nevertheless, the US Election prompted Treasury bond rates to increase as market confidence spurred from the election of Donald Trump. Global economies, including Australia, have mirrored the upward movements of the US Bond markets ever since the US Election in November 2016, though we note that rate rises have slowed over the three months to March 2017.

Preston Rowe Paterson Research forecasts that volatility in Australia's bullish bond yields will continue throughout 2017. The latest figures from April indicated a sharp decline in Australian 10-Year bond yields, slumping to 2.59% - the lowest level since November's figures post-Trump election. We note that this was influenced by the decline in US 10-Year Treasury yields to 2.32%, which has decreased as declining oil prices prompted fears in inflation and economic growth prospect. Furthermore, the Trump administration have not been able to show any signs of fulfilling their infrastructure spending promises, which inevitably adds to the uncertainty of future growth prospects in the United States.



Chart 18— Monthly movement of 90-day Bill, 10-year bond yields and Cash rate, from March 2012 to March 2017— Source: RBA

Interest Rates

Interest rate was kept unchanged for the sixth meeting in a row in March, with the cash rate remaining at 1.5%. The Reserve Bank of Australia based its decision on the fact that the global economy has improved modestly over the few months in 2017, with expectations of above-trend growth in advanced economies even as uncertainty remains. The RBA emphasises the transition away from additional expansionary monetary policies from major economies around the world all whilst the world anticipates the decision stemming from the US Federal Reserve to increase its interest rate in the near future.

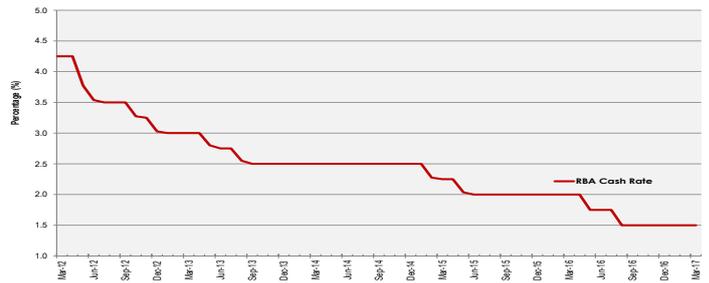


Chart 19— Movement of the Cash Rate from March 2012 to March 2017— Source: RBA

Exchange Rate

The Australian currency depreciated against most major currencies over the month to March. The Australian dollar slipped against the US Dollar, depreciating by 0.6% to buy \$USD0.7644. Furthermore, the Australian Dollar declined against the UK Pound, the Euro and the Japanese Yen, with \$AUD1 buying £0.6126 (-0.9% m-o-m), €0.7161 (-1.4% m-o-m) and ¥85.67 (-1.0% m-o-m) respectively. In contrast, the Australian dollar appreciated against the New Zealand Dollar, buying 2.4% more than the previous month at \$NZ1.095. When we look at changes over the quarter, the Australian Dollar fared better, appreciating 5.6% against the US Dollar, 4.0% against the UK Pound, 4.2% against the Euro, 1.4% against the Yen and 5.32% against the New Zealand Dollar. The Australian exchange rate in slipped in March after the Reserve Bank's decision to let interest rate remain unchanged amidst the build-up of risk that stems from the housing market. The Bank's stance of interest rate is a hard balancing act, as lifting rates would ideally cool down the housing market though this may detriment Australia's economic progression.

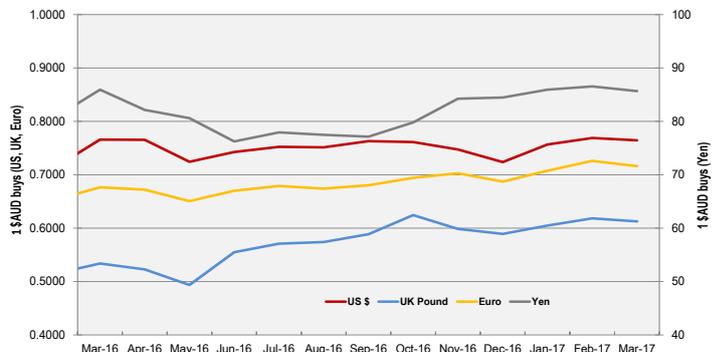


Chart 20— Movement in Exchange Rate over the year to March 2016— Source: RBA

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*

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- . 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
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- . Commercial and Residential non bank lenders
- . Co-operatives
- . Developers
- . Finance and mortgage brokers
- . Hotel owners and operators
- . Institutional investors
- . Insurance brokers and companies
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- . Listed and private companies corporations
- . Listed Property Trusts
- . Local, State and Federal Government Departments and Agencies
- . Mining companies
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- . 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
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- . Income and outgoings projections and analysis
- . Insurance valuations (replacement & reinstatement costs)
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