



Preston
Rowe
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International Property Consultants

Property Market Report Queensland

September Quarter 2017

HIGHLIGHTS

- ◆ Total vacancy rate for office vacancy space in Brisbane CBD increased by 0.4% over the six months to July 2017. Over the six months to July 2017, Brisbane CBD's office market experienced a decline of -8,299 square metres in net absorption, which led to a decline of -0.4% in occupied stock over the same period.
- ◆ Total retail turnover in Australia remained unchanged over the month to September, following a decline of 0.5% over the month to August, and a decline of 0.3% over the month to July.
- ◆ In the Greater Brisbane region, total number of dwellings approved for construction in September stands at 1,813. This figure indicates a decline of -27.0% when compared to the previous month, and a decline of -9.8% when compared to twelve months prior.
- ◆ The Real Estate Institute of Australia's quarterly review of Australia's property market indicates that over the June quarter, overall house prices in Brisbane increased by 2.0% to a median price of \$515,300. Median sale price of other dwellings in Brisbane declined by -2.2% over the June quarter (-2.9% over the year) to \$400,000.

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COMMERCIAL OFFICE MARKET

Brisbane CBD

Investment Activity

Preston Rowe Paterson Research recorded the following major sales transactions that occurred over the three months to September 2017:

120 Edward Street, Brisbane, QLD 4000

Deutsche Asset and Wealth Management have paid **\$142.65 million** for the commercial A-grade building on an initial **net yield of 5.91%**. The building has back up power sources and also features a renovated ground floor lobby with an onsite café and licenced bar.



Wickham Street, Fortitude Valley, QLD 4006

M&G Investments has acquired an office tower for **\$119.1 million**. The A-grade office building was built in 2010 and features seven levels. The building is currently anchored by construction company CIMIC. Fortitude Valley is located approximately 2.1 km south-west of Brisbane CBD.

165 Moggill Road, Taringa, QLD 4068

TG Development a subsidiary of *Edition Development* has bought the 3,478 m2 office building for **\$18 million** from a private vendor. The building is currently leased to **Finance Administrators** who lease majority of the building. The property includes some 188 parking bays and is situated within a close vicinity to public transport. The sale reflects a **rate of \$5,176 psm lettable area**. Taringa is located approximately 5.6 km south-west of Brisbane's CBD.

12 Commercial Road, Newstead, QLD 4006

Cambooya Properties, the investment arm of the *Fairfax* family has sold the 2,199 m2 site comprising a five-level office building for **\$47 million** to *Ralf Sarich*. The building is fully leased with commercial tenants and ground floor retail tenants with a WALE of 13 years. The sale reflects a **rate of \$21,374 psm site area**. Newstead is located approximately 2.8 km north-east of Brisbane CBD.



100 Wickham Street, Fortitude Valley, QLD 4006

Ascends REIT has paid **\$83.83 million** on an **8% yield** for the 16-level property. The 1,900 m2 site comprises a 13,000 m2 office which is currently fully leased to the **State Government, AAPT (TPG)** and **WebCentral** with a WALE of 4.8 years. The building has a newly refurbished foyer and capacity for some 96 vehicles. The sale reflects a **rate of \$6,449 psm lettable area**. Fortitude Valley is located 2.1 km south-west of Brisbane CBD.



Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred in the Brisbane CBD office market over the three months to September 2017:

123 Eagle Street, Brisbane, QLD 4000

Deloitte will remain in the **Riverside Centre** after agreeing to renew the lease of 6,000 m2 for another **12-years + 4-year** option until November 2028 from landlord *GPT*. Within the new contract, *Deloitte* will be given signage rights and thus, has plans for a roof top logo. The building features a recently renovated foyer, lifts, food-court areas and food-court. The tower also has a 4.5-Star NABERS Energy rating and 3.5-star NABERS Water rating.



Supply by Grade (Stock)

Over the six months to July 2017, Brisbane CBD's commercial office experienced minimal changes with all but C Grade stocks remaining unchanged. Premium Grade stock takes up 14.7% of Brisbane's total office market with 335,470 square metres of occupied space. Over twelve months, Brisbane recorded a 30% increase in Premium Grade stocks. A Grade stock takes up 40.3% of total office space, with 918,330 square metres of space. No change was recorded over the year to July 2017. B Grade stock takes up 33% of total stock with 750,232 square metres of space. Over the year, B Grade stock had declined by 7.1%. C Grade stock experienced a decline of -0.2% over the six months to July. There is currently 218,776 square metres of C Grade stock, which approximates to 9.6% of total stock. There's currently 56,917 square metres of B Grade stock in the Brisbane CBD's office market, which approximates to 2.5% of total stock. No change was recorded over the year. Overall, no supply was added onto Brisbane CBD's office market, though 330 square metres was withdrawn over the period.

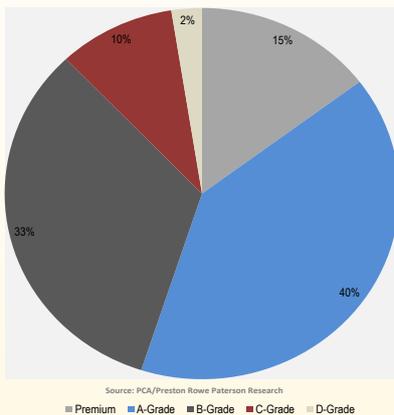


Chart 1– Brisbane CBD Office Stock by Grade —Source— PCA

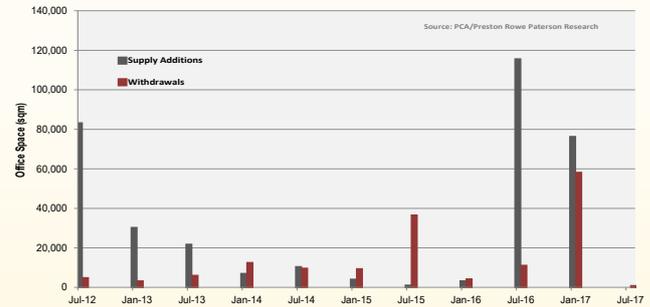


Chart 2– Brisbane CBD Supply and Withdrawals of office stock —Source— PCA

Net Absorption

Over the six months to July 2017, Brisbane CBD's office market experienced a decline of -8,299 square metres in net absorption, which led to a decline of -0.4% in occupied stock over the same period. When we look at the twelve months to July 2017, Brisbane CBD's office market absorbed 41,749 square metres of net office space, which led to an increase of 2.2% in occupied stock over the period.

When we look at Premium Grade offices in Brisbane CBD, the twelve months to July 2017 resulted in 91,172 square metres of net absorption. Furthermore, the Premium Grade office market experienced an increase of 44.5% in occupied stock over the same period. There were 20,616 square metres of A Grade space absorbed over the period, and a 2.6% change in occupied stock over the twelve months to July 2017. There was a decline of -56,286 square metres in net absorption of B Grade office space over the twelve months to July, and a decline of -0.4% in occupied B Grade stocks. C Grade stock experienced a negative net absorption of -14,045 square metres over the twelve months, which led to a decline of -7.8% in occupied stock. D Grade stock experienced an increase of 392 square metres in net absorption, which led to an increase of 0.8% in occupied stock over the twelve months to July 2017.

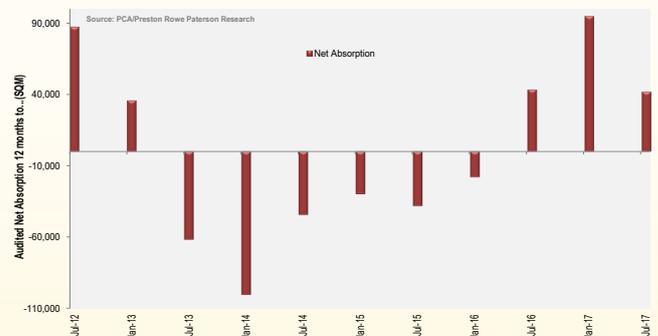


Chart 3– Brisbane CBD Net Absorption over the 12 months to... —Source— PCA

Gold Coast

Investment Activity

Preston Rowe Paterson Research recorded the following major sales transactions that occurred over the three months to September 2017:

Corner of Bundall Street and Slatyer Avenue, Bundall, QLD 4217

Cromwell Property Group has sold **Bundall Corporate Centre** for **\$89 million** to *CorVal Partners*. The centre currently has two A-Grade office towers, 15,500 m2 of surrounding land and a gymnasium. There has been DA proposal for a \$1 billion retail and residential development which includes three residential towers, a dining precinct and a shopping centre. Bundall is located 2.6 km north-west of the Gold Coast CBD.

Supply by Grade (Stock)

Over the six months to July 2017, The Gold Coast office market experienced a decline of approximately 1% of total office stock. Total stock stands at 468,648 square metres in July 2017, which signifies a decline of -4,319 square metres. Over the period, A Grade and B Grade stocks experienced increases. A Grade stock increased by 1.6% to 132,163 square metres over six months, and now takes up 28.2% of total stock. B Grade stock experienced an increase of 0.2% over the period to a total of 192,142 square metres. Gold Coast's office market remains dominated by B Grade stock, which takes up 41% of total office space. In contrast, C Grade stock experienced a decline of -5.0% of total stock down to 129,204 square metres. C Grade stock now takes up 27.6% of total stock in the Gold Coast's office market. D Grade stock remains unchanged at 15,139 square metres, and currently takes up 3.2% of total office stock.

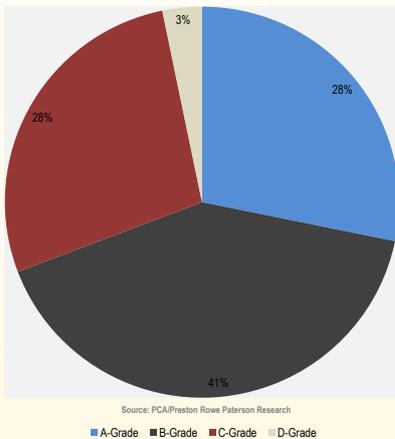


Chart 4— Gold Coast Office Stock by Grade —Source— PCA

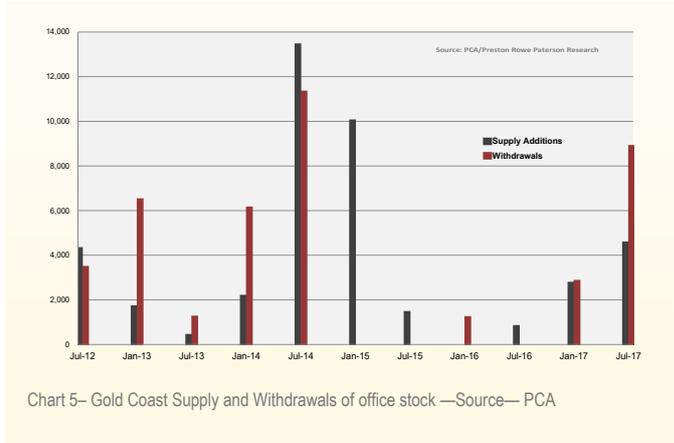


Chart 5— Gold Coast Supply and Withdrawals of office stock —Source— PCA

Net Absorption

Over the six months to July 2017, Gold Coast's office market absorbed 164 square metres of net office space, which led to no change in occupied stock over the period. When we look at the twelve months to July 2017, Gold Coast's office market absorbed 10,252 square metres of net office space, which led to an increase of 2.5% in occupied stock over the period.

There were 10,913 square metres of A Grade space absorbed over the period, and a 4.5% change in occupied stock over the twelve months to July 2017. There were 3,895 square metres in net absorption of B Grade office space over the twelve months to July, which led to an increase of 2.3% in occupied B Grade stocks. C Grade stock experienced a negative net absorption of -3,429 square metres over the twelve months, which led to a decline of -2.9% in occupied stock over the period. Similarly, D Grade stock experienced a negative net absorption of -1,127 square metres in space, which contributed to a -8.5% in occupied stock over the twelve months to July 2017.

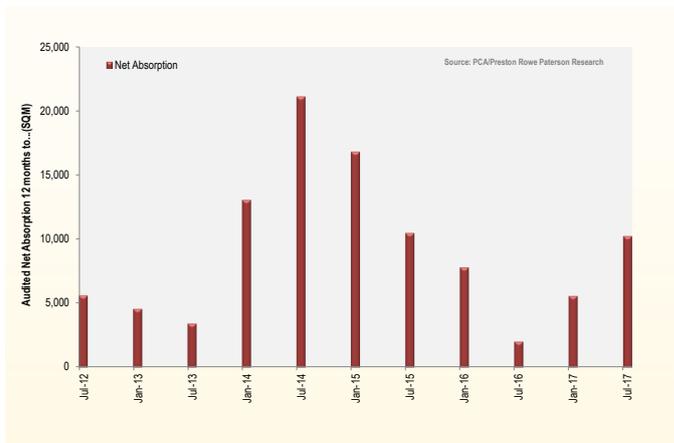


Chart 6— Gold Coast Net Absorption over the twelve months to ... —Source— PCA

RETAIL STATISTICS

Total retail turnover in Australia remained unchanged over the month to September, following a decline of 0.5% over the month to August, and a decline of 0.3% over the month to July. Seasonally adjusted figures for the September quarter increased by 0.1%, following an increase of 1.5% in the June quarter and an increase of 0.2% during the March quarter. Increases over the quarter were recorded for Food retailing (+0.9%), Clothing, footwear and personal accessory retailing (+0.7%) and Other retailing (0.4%). In contrast, Household goods retailing (-1.6%), Cafes, restaurants & takeaway food services (-0.7%) and Department stores (-1.4%) all experienced declines over the September quarter. Notably, the Implicit Price Indicator for Australian turnover declined by a seasonally adjusted 0.4% during the September quarter. When we take a look around the country, New South Wales (+0.2%), Queensland (+0.3%), South Australia (+0.7%), Tasmania (+0.6%) and the Australian Capital Territory (+0.1%) all recorded increases in retail turnover over the month to September. In contrast, Western Australia (-1.3%) and the Northern Territory (-1.7%) both recorded declines in retail turnovers, whilst Victoria recorded no change over the period.

Seasonally adjusted retail turnover for Queensland stands at \$5,168.4 million in the September Quarter 2017. This figure represents a 0.3% increase over the month, and a 0.2% increase when compared to twelve months prior. Over the month to September, increases were recorded for turnovers of Food retailing (+0.6%), Household goods retailing (+0.7%), Department stores (+1.5%) and Café, restaurant and takeaway food services (+0.6%). In contrast, Clothing, footwear & personal accessory retailing (-1.4%) and Other retailing (-1.3%) recorded declines in their monthly turnover figures.

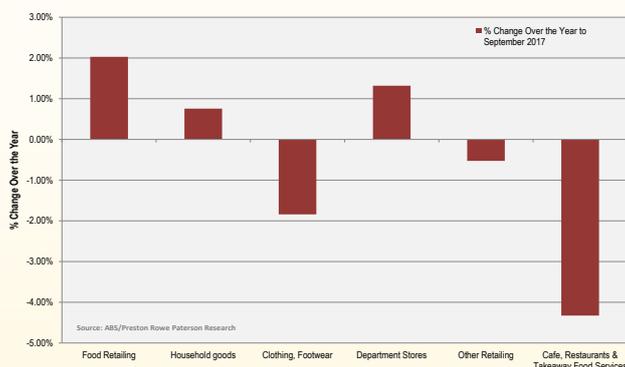


Chart 7—Retail turnover over the Year to September 2017—Source—ABS

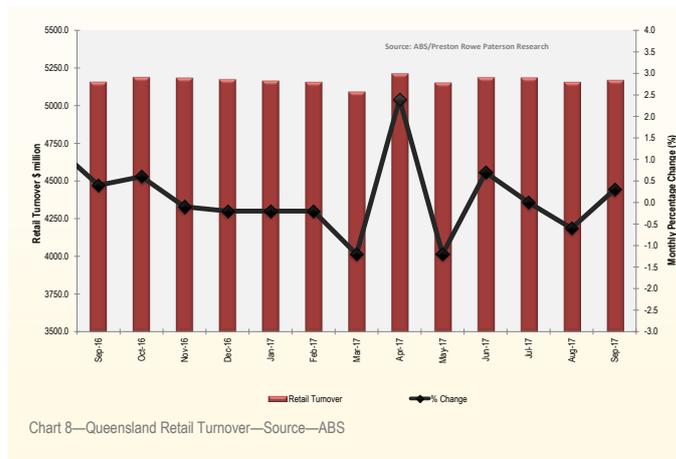


Chart 8—Queensland Retail Turnover—Source—ABS

Online Retail

The Australian & New Zealand Standard Industrial Classification (ANZSIC) defines 'retail trade' as "the purchase and on-selling, commission-based buying, and commission-based selling of goods, without significant information, to the general public".

National Australia Bank's latest release of the Online Retail Sales Index indicates that over the month to August, online sales increased by a seasonally adjusted 1.7%, which the bank has stated to be 'beyond the usual' seasonal pattern for August. Furthermore, when looking at year-on-year changes, a strong 10.3% growth was recorded when compared to online sales from last year. National Australia Bank estimated consumers have spent approximately \$23.28 billion over the twelve months to August 2017- a figure that is equivalent to 7.5% of the spending in traditional retailers (as measured by the Australian Bureau of Statistics in the twelve months to July 2017).

Over the year to August 2017, Games & toys (+21.7% year-on-year), Food catering (+18%), Daily deals (+12.8%) and Grocery & liquor (+9.3%) all experienced strong growths. A slow-down, albeit still strong growths, were recorded for Homeware & appliances (+11.7% year-on-year), Personal & recreational (+1.4%) and Fashion (+0.6%).



RETAIL MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following significant retail transactions that occurred in the Queensland metropolitan areas during the three months to September 2017:

37 Pitcairn Way, Pacific Pines QLD 4211

A local private investor has purchased the 1,678 m2 **Pinnacle Pines Retail Centre** for **\$19.7 million** on a **yield of 5.47%**. The property is anchored by a free standing **McDonalds** and **7-Eleven** service station. The site also features 4 other buildings which have a further 8 tenancies, some of which are **Baskin Robbins, Subway, Noodle Box, Zarraffas Coffee, Crazy Fish-Sushi**, a medical centre, dentist and veterinary clinic. The sale reflects a **rate of \$11,740 psm lettable area**. Pacific Pines is located 16.6 km north-west of the Gold Coast CBD.



139 Brisbane Street, Beaudesert, QLD 4285

MPG Funds Management has bought the **Beaudesert Central** shopping centre for **\$16.85 million** on an initial **yield of 6.5%**. The 1.4 hectare site features 185 car spaces and is anchored by **Woolworths**. The sale reflects a **rate of \$1,204 psm of lettable area**. Beaudesert is located 64.5 km south of Brisbane CBD.



2 Norris Street, Pacific Pines, QLD 4211

Wesfarmers have sold a free-standing 1.02 hectare **Coles** supermarket to an offshore investor for **\$30.025 million** on a **4.6% yield**. The property has a floor area of 3,717 m2 and 194 parking spaces. **Coles** has a 15-year net lease with a further 4 x 10-year options until 2072. The sale reflects a **rate of \$8,078 psm lettable area**. Pacific Pines is located approximately 16.6 km north-west of the Gold Coast.

194 Eastern Service Road, Burpengary, QLD 4505

Apollo Tourism & Leisure has purchased the two hectare site on a sale and lease back deal from *Kratzmann Caravans* for **\$10.33 million** on a **7% yield**. The property features a 4,982 m2 building and onsite parking. The sale reflects a **rate of \$2,074 psm lettable area**. Burpengary is located 39.2 km north of the Brisbane CBD.

2 Ibis Boulevard, Eli Waters, QLD 4655

Chin Yuan International Enterprise Pty Ltd has acquired the **Eli Waters Shopping Centre** for **\$33.2 million** on a **6.6% yield** from *Greg Karedis*. The 6,338m2 centre is anchored by **Woolworths Supermarket** and has 23 specialty shops as well as ample parking for some 324 cars. The sale reflects a **rate of \$5,238 psm lettable area**. Eli Waters is located approximately 285 km north of Brisbane's CBD.

41-45 Oaks Street, Andergrove, QLD 4740

A free standing **Woolworths Supermarket** has been acquired for **\$18.75 million** on a **5.8% yield**. The 11,800 m2 site comprises 3,700 m2 building with some 164 vehicle parking bays. The purpose built site is currently leased to **Woolworths Limited** until 2032 with options to renew. The sale reflects a **rate of \$5,068 psm lettable area**. Andergrove is located approximately 385 km south-east of Townsville CBD.

20 Anzac Avenue, Redcliffe, QLD 4020

Elanor Investors Group has bought the 1,356 hectare, **Bluewater Square Shopping Centre** for **\$55 million** on a **7% yield** from *Alceon*. The property comprises a 10,000 m2 centre which was constructed in 2008. The centre is anchored by **Woolworths, Healthworks Gym**, and **Terry White Chemist** along with some 30 retailers. The centre also has an upper level comprising office units tenanted by **Redcliff Electoral Office**, a medical practice and three law firms. The sale reflects a **rate of \$5,500 psm lettable area**. Redcliffe is located approximately 32.3 km north-east of Brisbane CBD.



St Francis Drive, Moranbah, QLD 4744

Elanor Retail Property Fund has acquired the **Moranbah Fair Mall** for **\$25 million** on a **7.75% yield** from **Charter Hall Retail REIT**. The 7,074 m2 centre is anchored by **Coles Supermarket, Target Country** and has a further 16 specialty retailers. The sale reflects a **rate of \$3,534 psm lettable area**. Moranbah is located 436 km south-east of Townsville CBD.



INDUSTRIAL MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in the Queensland metropolitan during the three months to September 2017:

185 Queensport Road, Murarrie, QLD 4172

A private investor has bought a 4,400 m2 warehouse property for **\$6.25 million**. The property features a 1,560 m2 office space which is spread over two levels and 8 high roller doors with two additional roller doors to ensure warehouse ventilation. The sale reflects a **rate of \$1,421 psm of land**. Murarrie is located 10 km east of Brisbane's CBD.



7 Breene Place, Morningside, QLD 4170

A private investment group has acquired the purpose built facility for **\$9.1 million** on an initial **yield of 8.5%**. The 9,331 m2 site features a 4,548 m2 building and has an industrial office fit out. The sale reflects a **rate of \$2,001 psm lettable area**. Morningside is located approximately 8.5 km north-east of Brisbane's CBD.

84 Lahrs Road, Ormeau, QLD 4208

OzProp has paid **\$22 million** on an **8.1% yield** to *Tony and Christina Quinn* for the 2.12 hectare site. The site comprises a 7,485 m2 cold-storage logistics warehouse which is currently leased to **Scott Refrigerated Freightways**, a subsidiary of **Automotive Holdings Group** for 7-years with options. The sale reflects a **rate of \$2,939 psm of lettable area**. Ormeau is located approximately 40 km north-west of the Gold Coast.



48 Bell-Are Avenue, Northgate, QLD 4013



Clarence Property has paid **\$8.475 million** for a 7,295 m2 warehouse. The property is currently leased to **Provet** for four years with options. The sale reflects a **rate of \$1,162 psm site area**. Northgate is located 12.8 km north-east of Brisbane CBD.

Hemmant, QLD 4174

First Trade Australia Group has paid **\$5.9 million** for a 1.8 hectare site (18,000 m2). The site comprises a warehouse, an office and a showroom. The sale reflects a **rate of \$328 psm site area**. Hemmant is located approximately 16 km north-east of Brisbane CBD.

Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred during the three months to September 2017 in Queensland's Industrial property market:

17 Armada Place, Banyo, QLD 4014

All Trades Queensland has agreed to lease a 1,130 m2 industrial property for **5-years** with options from landlord *JMCP Group*. The **annual rent for the property is \$145 psm**. Banyo is located approximately 13.2 km north-east of Brisbane's CBD.



14 Business Drive, Narangba, QLD 4504

Hiltec Glazing has committed to lease a 5,794 m2 office-warehouse for **5-years**. The property features roller doors and a loading bay with easy access. Narangba is located 104 km north of Brisbane's CBD.

Brisbane Airport, QLD 4008

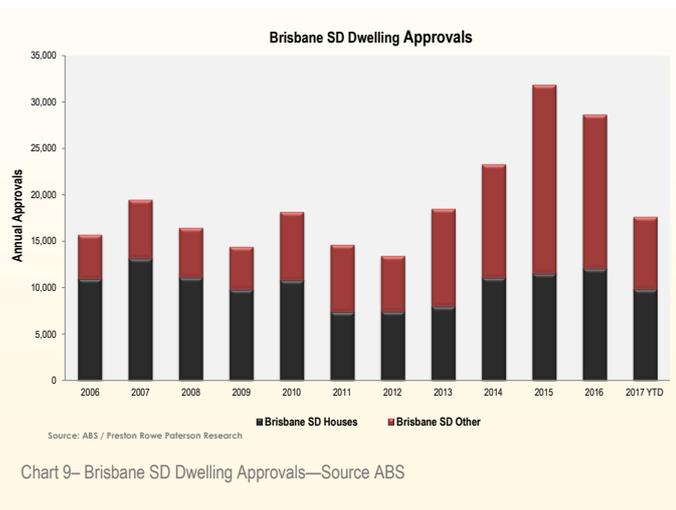
Miele Australia has agreed on terms to lease a 7,065 m2 warehouse space for **10-years** in order to consolidate from two current sites. *Miele Australia* will pay a **rent of about \$130-\$135 psm**. Brisbane Airport is located approximately 15.4km north-east of Brisbane's CBD.

RESIDENTIAL MARKET

Building Approvals

Building approval statistics released by the Australian Bureau of Statistics (ABS) indicate that seasonally adjusted estimates for the number of dwellings approved for construction in Australia increased by 1.5% in September- the second consecutive increase over the month. When we look at approval for the construction of houses, a seasonally adjusted increase of 0.6% was recorded over the month, whilst approval for the construction of dwellings excluding houses increased by a seasonally adjusted 2.6%.

In the Greater Brisbane region, total number of dwellings approved for construction in September stands at 1,813. This figure indicates a decline of -27.0% when compared to the previous month, and a decline of -9.8% when compared to twelve months prior. When we look at approvals for the construction of houses in September, a decline of -5.7% was recorded over the month, bringing the figure down to 1,289. In saying this, September 2017's figure signifies an increase of 15.6% when compared to twelve months prior. Total number of approvals for dwellings other than houses in September was at 524. This figure indicates a decline of -53.1% when compared to the previous month, and a decline of -41.4% when compared to twelve months prior. Total building approvals in the first nine months of 2017 amounts to 17,614, of which 9,766 are for the construction of houses and 7,848 are for the construction of dwellings excluding



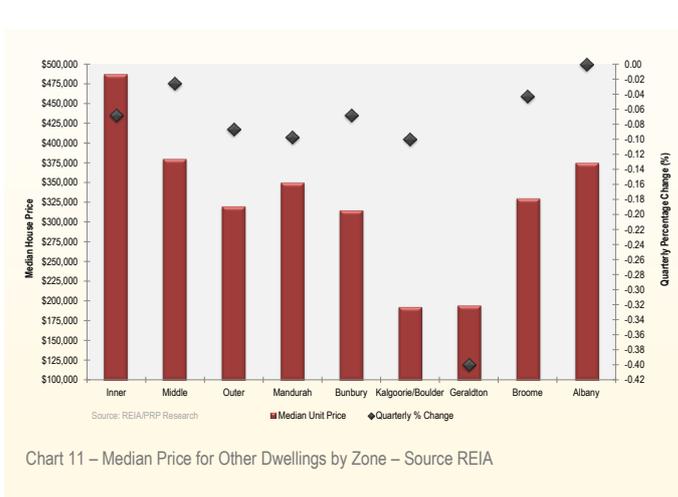
Market Affordability

The Real Estate Institute of Australia's quarterly review of Australia's property market indicates that over the June quarter, overall house prices in Brisbane increased by 2.0% to a median price of \$515,300. This figure represents an annual increase of 3.1%. When we look at

Inner Brisbane house prices, median price increased by 2.8% over the June quarter (-2.3% over the year) to \$860,000. There were 470 sales recorded, with sale prices ranging from \$695,000 and \$1,175,000. In Middle Brisbane, 2,603 sales were recorded with sale prices ranging from \$502,400 and \$750,000. Median house price in Middle Brisbane increased by 0.8% over the June quarter (+3.4% over the year) to \$610,000. Outer Brisbane recorded 2,555 sales over the period, with sale prices ranging from \$329,900 and \$487,000. Median house price in Outer Brisbane increased by 2.3% over the quarter (+3.9% over the year) to \$400,000.



Median sale price of other dwellings in Brisbane declined by -2.2% over the June quarter (-2.9% over the year) to \$400,000. Inner Brisbane's median price had increased by 0.1% over the quarter (+2.3% over the year) to \$460,500. There were 984 sales recorded over the quarter, with sale prices ranging from \$376,000 and \$575,800. Middle Brisbane recorded 769 sales over the period, with sale prices ranging from \$320,000 and \$460,000. Median sale price in Middle Brisbane declined by -1.5% over the quarter (-8.3% over the year) to \$385,000. Outer Brisbane recorded 455 sales over the period, with median sale price in this region declining by -1.1% over the quarter (-2.8% over the year) to \$299,500. Sale prices over the period ranged from \$232,000 and \$383,000.



Rental Market

Over the June Quarter, Brisbane’s housing rental market experienced mostly declines in median weekly rents. Inner Brisbane’s 2 and 3 bedroom houses, as well as Middle Brisbane’s 2 and 4 bedroom houses experienced declines in their median weekly rents over the period. Median weekly rent for 2 bedroom houses in Inner Brisbane declined by -4.4% over the quarter to \$430, whilst 3 bedroom rents in the area declined by -2.8% to \$520. Furthermore, median weekly rent for Middle Brisbane’s 2 bedroom houses declined by -2.7% to \$360, whilst 4 bedroom rent declined by -3.8% to \$500. Median weekly rent remained unchanged for Inner Brisbane’s 4 bedroom houses (\$700), Middle Brisbane’s 3 bedroom houses (\$410), and Outer Brisbane’s 2 bedroom (\$290), 3 bedroom (\$340) and 4 bedroom (\$400) houses.

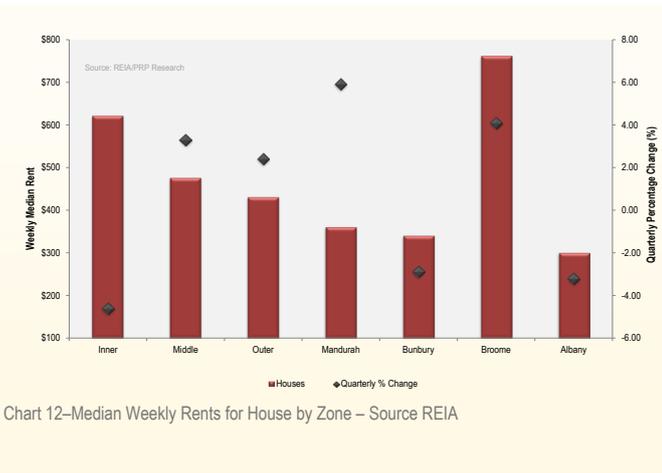


Chart 12—Median Weekly Rents for House by Zone – Source REIA

The rental market for other dwellings in Brisbane continues to decline over the June Quarter 2017. Median weekly rent for Inner Brisbane’s 3 bedroom dwellings declined by -3.3% to \$580. Middle Brisbane’s 1 bedroom, 2 bedroom and 3 bedroom dwellings experienced declines of -1.7%, -3.9% and -3.6%, respectively, to median weekly rents of \$290, \$365 and \$405. Furthermore, median weekly rent for Outer Brisbane’s 1 bedroom dwellings declined by -2.1% to \$230, whilst rent for 3 bedroom dwellings declined by -1.5% to \$335. Median weekly rent remained steady for Inner Brisbane’s 2 bedroom dwellings at \$470, and Outer Brisbane’s 2 bedroom dwellings at \$280.

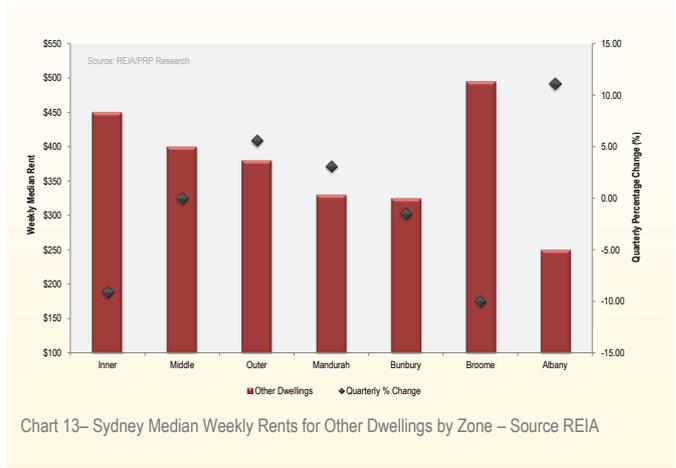


Chart 13— Sydney Median Weekly Rents for Other Dwellings by Zone – Source REIA

Gold Coast

Market Affordability

The median house price on the Gold Coast recorded an increase of 2.1% to \$620,000 over the June quarter. This price reflects an increase of 7.8% over the year. There were 1,264 sales over the quarter, with prices ranging from \$505,000 and \$810,000. Median sale price of other dwellings on the Gold Coast recorded a decline of -2.4% over the quarter (+1.4% over the year) to \$410,000. There were 1,710 sales recorded over the quarter, with sale prices ranging from \$322,000 and \$565,000.

Rental Market

The Gold Coast’s house rental market experienced various changes in rental growths over the June quarter. Median weekly rent for 2 bedroom houses increased by 5.6% over the quarter to \$380, whilst median rent for 3 bedroom and 4 bedroom houses remained unchanged at \$450 and \$460 respectively. The Gold Coast’s other dwellings experienced notably declines in median weekly rent for 1 bedroom and 3 bedroom dwellings. Median weekly rent for 1 bedroom dwellings declined by -1.5% to \$325, whilst rent for 3 bedroom dwellings declined by -1.5% to \$335. Median weekly rent for 2 bedroom dwellings remained unchanged at \$400.



RESIDENTIAL DEVELOPMENT

2-44 Marina Quays Boulevard, Hope Island, QLD 4212

Stockland has purchased the 3.3 hectare development site for **\$13.5 million** from Fish Developments. Stockland plans to develop the site into an \$80 million waterfront medium density development project. The sale reflects a **rate of \$4,090,909 per hectare**. Hope Island is located 21.1 km north-west of the Gold Coast CBD.

Chevron Island, QLD 4217

Bensons Property Group will commence the construction of the **\$230 million** project; comprising a residential tower of 40-levels. The 210 apartment tower has DA approval and will be available for off-the-plan purchase at the start of 2018. Chevron Island is located approximately 4 km north-east of the Gold Coast CBD.

Ashmore Street, Everton Park, QLD 4053

Mirvac has acquired a 6-hectare site for **\$13.25 million** with plans for residential development. The site will feature 139 lots; including 85- 3 and 4 bedroom townhouses and 54 individual houses which will all have double garages. There will also be a purpose build recreation centre and pool. The sale reflects a **rate of \$95,324 per lot**. Everton Park is located 8.6 km north-west of Brisbane CBD.

242 Englefield Road, Darra, QLD 4076

Huon Property Group, which is a member of RunningStream Group, has purchased the development site for **\$20 million**. The 7-hectare site is zoned low-medium density, and will be developed into a house-and-land community. The sale reflects a **rate of \$2,857,143 per hectare of land**. Darra is located approximately 16.4 km south-west of Brisbane CBD.



7006 Augusta Parkway, Augustine Heights, QLD 4300

JLF Corporation Pty Ltd has bought the six hectare site for **\$8.789 million** from Springfield Land Corporation. The new owner plans to develop a 97 lot community with lot sizes ranging between 300 m2- 645 m2. The sale reflects a **rate of \$90,608 per proposed lot**. August-tine Heights is located 31.5 km south-west of Brisbane CBD.

SPECIALIZED PROPERTY MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following specialised property transactions that occurred in Queensland during the September Quarter 2017:

332-342 Old Cleveland Road, Coorparoo, QLD 4151

Heathley's Direct Medical Fund No.2 has acquired the Medical centre for just over **\$18 million** on a **6.25% yield**. The centre is currently leased to **Terry White Pharmacy, Primary Healthcare's QML, Coorparoo Clinic** and **Sonic Healthcare subsidiary QLD X-Ray**. There is a WALE of 7-years. Coorparoo is located 5.8 km south-east of Brisbane CBD.

1754 Gympie Road, Carseldine, QLD 4034

The Camino family have off loaded **Caltex Carseldine** for **\$18.2 million** on a **6.1% yield** to Caltex. The 16,600 m2 site comprises a 1,931 m2, 12 pump fuel station along with five other retail tenancies onsite. The purchase is also inclusive of the Star- Mart Business by Caltex which is currently the anchor tenant on site. The sale reflects a **rate of 1,097 psm site area**. Carseldine is located approximately 16.9 km north of Brisbane CBD.

HOTELS & LEISURE MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following Hotel and Leisure property transactions that occurred in New South Wales during the September Quarter 2017:

122-130 Marine Parade, Nobbys Beach, QLD 4218

A Melbourne Based investor has purchased **Nobby's Outlook Resort** for **\$23.75 million**. The 7,284 m2 site comprises 46 rooms over 2 levels and features two swimming pools. The sale reflects a **rate of \$3,261 psm site area**. Nobby's Beach is located 9.8 km south-east of the Gold Coast CBD.

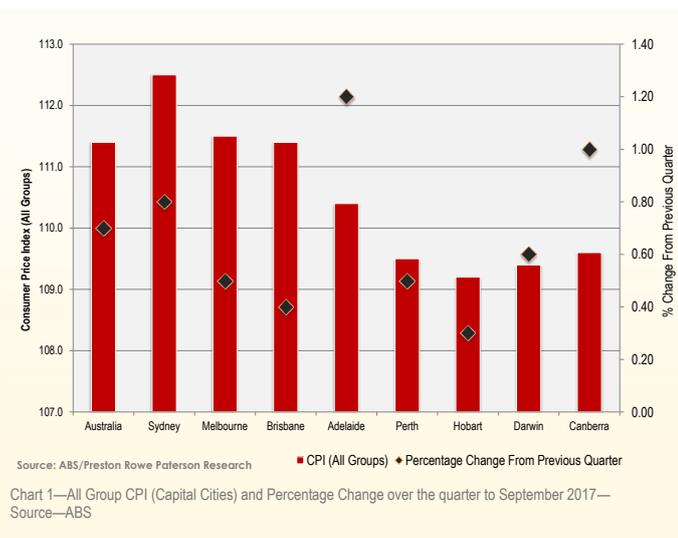


Economic Fundamentals

Consumer Price Index

Consumer Price Index (CPI) increased by 0.6% over the three months to September 2017, bringing the inflation rate over the last twelve months to 1.8%. When we look at underlying inflation, which removes the volatile components of inflation and is closely more monitored by the Reserve Bank of Australia, an increase of 0.4% was recorded for the quarter- the second weakest increase ever recorded- leaving the annual rate unchanged at 1.9%. Over the quarter, strong increases stemming from the Housing group (+1.9%), Alcohol & tobacco group (+2.2%), Recreation & culture group (+1.3%) was offset by declines in Food & non-alcoholic beverages group (-0.9%), Communication group (-1.4%) and Clothing & footwear group (-0.9%).

When we look at the states and territories around Australia, All Groups CPI increased across all eight capital cities. Melbourne recorded the largest increase of 2.2%, followed by Canberra with 2.1% and Hobart with 2.0%. In contrast, Perth and Darwin recorded the lowest increase in inflation over the year to September 2017, of 0.8% and 0.6% respectively.



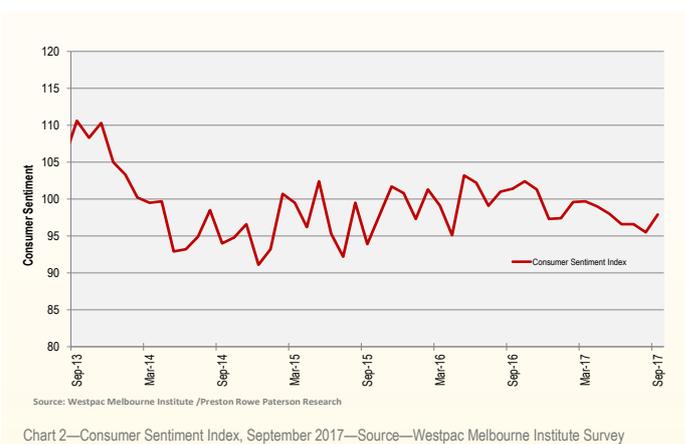
Business Sentiment

According to the National Australia Bank Business performance indicators, business conditions remain unchanged whilst business confidence performed strongly over the month to September, following declines recorded in the previous months. On the one hand, business conditions remained at +14 index points, which the National Australia Bank reports to be just below the peaks experienced prior to the GFC. The business confidence index, on the other, experienced a lift of 2 points over the month, bringing it to +7 index points and back to above long-run average.

Consumer Sentiment

The Westpac Melbourne Institute Index of Consumer Sentiment indicates an increase of 2.5% over the month to September, from 95.5 in August to 97.9 in September 2017. A reading below 100 indicates that the number of pessimists outweigh optimists in their outlook on the economy, which means that September is the tenth consecutive month in which the pessimism persists. Westpac notes the main factors influencing sentiment around the economy comes down to consumers' concerns around interest rates, pressures on family finances, rising energy prices and the housing affordability crisis. When combined, these factors outweigh the positivity stemming from an improved outlook in the job market, especially when the strengthening labour market is not leading to strong wages growth.

Family finance when compared to twelve months ago still indicates a strong area of concern, dropping to an index of 82.9. When looking at survey respondents' sentiment on the economic conditions in the next twelve months, the sub-index increased by 2.7% to 95.8, whilst the economic conditions in the next five years sub-index increased by 5.1%. Westpac reflected on the recent improvement in Australia's national accounts, as the economy showed a solid 0.8% increase in GDP over the June quarter, however noted the mediocre growth over the year may have influenced consumers to have more 'lukewarm' sentiments on future economic outlook.



	September 2017	June 2017	September 2016
Consumer Sentiment Index	97.9	96.2	101.4
Family finance vs. a year ago	82.9	81.4	89.5
Economic conditions next 12 months	95.8	91.3	90.8
Time to buy a dwelling	95.2	90.9	109.3

Table 2—Consumer Sentiment— September 2017 — Source— National Australia Bank

Gross Domestic Product

Over the three months to the June Quarter 2017, Australia's Gross Domestic Product (GDP) increased by a seasonally adjusted 0.8%. Over the twelve months to June 2017, GDP increased by 1.8%. June quarter figures were considerably higher than the 0.3% growth recorded during the first quarter of the 2017 calendar year. Over the June quarter, domestic consumption contributed 0.4% to GDP growth. This was driven by a lift of 0.7% in household consumption expenditure, which was influenced by the increase in spending on food (1.5%), insurance & other financial services (1.3%) and rent & other dwelling services (0.5%). Over the year, Household consumption expenditure increased by a seasonally adjusted 2.6%.

The Australian Bureau of Statistics noted that household savings ratio in the June quarter 2017 is at 4.6%, a considerable fall from March Quarter 2017's ratio of 5.3%. Furthermore, gross disposable income over the past five quarters has increased on an average of 0.5%, which is noted to be consistently lower than the growth observed in household consumption expenditure.

Dwelling investment over the second quarter 2017 increased by a modest 0.2%, after the steep decline of 3.7% during the March quarter. Dwelling investment in New South Wales and Victoria continue to increase at elevated levels, whilst investment in Queensland has plateaued. Meanwhile, investment in Western Australia has declined significantly.

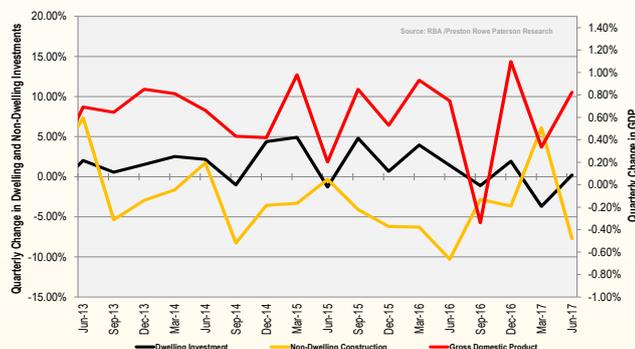


Chart 3—Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS



Chart 4—Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP— Source: ABS

Unemployment

In September 2017, Australia's seasonally adjusted unemployment rate declined by 0.1% to 5.5%— the lowest level of unemployment since March 2013. From August to September, seasonally adjusted employment increased by 19,800 persons, which comprises of 6,100 persons in full-time employment and 13,700 persons in part-time employment. In total over the last twelve months, full time employment has increased by 315,900 persons, whilst part time employment has increased by 55,600 persons. Over the month, the nation's participation rate increased slightly to 65.2%.

When we take a look around Australia, New South Wales experienced the largest increase in employment (21,100 persons), followed by Victoria (8,900 persons) and Western Australia (8,300 persons). New South Wales and Tasmania both recorded strong declines in seasonally adjusted unemployment, both down by 0.3%, followed by Western Australia which was down by 0.2%. In contrast, Queensland's unemployment rate increased by 0.2% over the month. When we look at the participation rates around the country, Western Australian recorded the largest increase in participation of 0.2%, whilst Queensland and South Australia experienced the largest declines of 0.1% over the month.

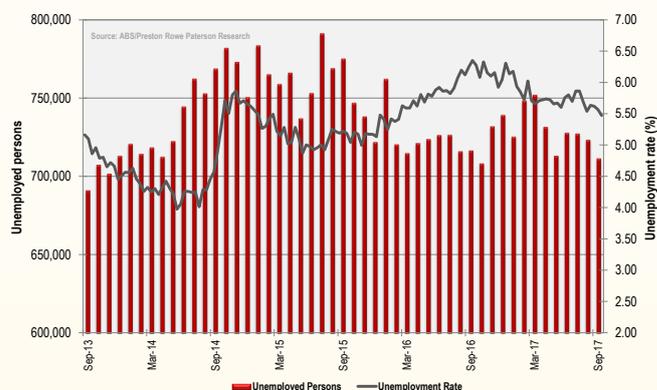


Chart 5—Unemployment Persons and Unemployment Rate, September 2013 to September 2017 — Source: ABS

	Unemployment Rate (%)		Participation Rate (%)	
	September 2017	June 2017	September 2017	June 2017
Australia	5.5	5.6	65.2	65.0
New South Wales	4.6	4.8	63.8	63.5
Victoria	6.0	5.9	66.3	66.1
Queensland	5.9	6.4	65.4	65.0
South Australia	5.8	6.5	62.0	62.4
Western Australia	5.7	5.6	68.2	68.0
Tasmania	5.7	5.6	61.1	61.2
Northern Territory*	4.1	3.5	73.2	74.8
Australian Capital Territory*	4.4	4.3	71.3	70.6

Table 3— Unemployment Rate and Participation Rate, September vs. June 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

Ten year Australian government bond yields floated between 2.50% and 2.85% during the September quarter, peaking at 2.86% towards the end of September and bottoming to a low of 2.53% at the beginning of August. Through July, bond yields increased by 21 basis points to a high of 2.65%, with different geopolitical factors influencing global bond yields throughout the month. The European Central Bank held their official interest rate steady which reflect steady bond yields globally during the first half of the month, whilst inflation data from the US market resulted in a short spur of declining bond yields. Nevertheless, unexpected strong employment data from Australia pushed bond yields up at the short end, reflecting the increased probability of an interest rate increase in the near future. Australian ten year bond yields increased more than the US ten year yields over the month, resulting in the widening of the US-Australia bond spread by 12 basis points to 35 basis points.

Over the month of August, yields declined in most advanced economies around the world, however Australia did not follow trend. Increases were recorded at the beginning and the end of the month, bringing Australian bond yields up by 3 basis points to 2.71% when compared to July's peak. Over the month, geopolitical events, notably tension between North Korea and the U.S., led to an increase in demand for safe-haven bonds, which resulted in the decline of global bond yields.

Through September, the ten year bond yield increased by 16 basis points, to 2.86%, reflecting increases in bond yields in all advanced economy markets globally. As usual, increases in Australian bond yields lagged behind their US counterparts' increase, with the spread between the Australian and US yields tightening by 5 basis points to 54 basis points.



Chart 6— Daily Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

Interest Rates

Interest rates were left on hold throughout the September quarter, with the rate remaining at 1.50% since August 2016. The statement released by Reserve Bank of Australia's (RBA) Governor, Philip Lowe, points to an improvement in the global economy, with strong labour market figures and above-trend economic growth expected for several advanced economies. When we look at the Chinese economy, strong economic growth is supported by the increase in spending on infrastructure and property construction, though the country's high level of debt continues to be of a medium-term risk. Being Australia's largest trading partner, the strong growth in China will continue to support Australia's relatively high level of terms of trade.



Chart 7— Reserve Bank of Australia Overnight Cash rate—Source: RBA

Exchange Rate

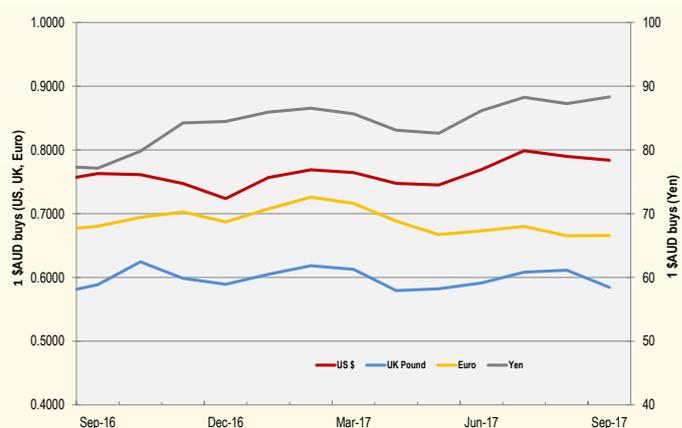


Chart 8— Movement in Exchange Rate over the year to September 2017— Source: RBA



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

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

We have all *real estate* types covered

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

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

We have all types of *plant & machinery* covered

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

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

We have all *client profiles* covered

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

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



We have all *locations* covered

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

We have *your needs* covered

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

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



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- ◆ Philippines
- ◆ Thailand

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