



Preston
Rowe
Paterson

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International Property Consultants

Property Market Report

Queensland

ABOUT THIS REPORT

Preston Rowe Paterson prepare standard research reports covering the main markets within which we operate in each of our capital cities and major regional locations.

The markets covered in this research report include the commercial office market, industrial market, retail market, hotel and leisure market and residential market as well as economic factors impacting on the real estate markets within we operate.

We regularly undertake valuations of commercial, retail, industrial, hotel and leisure, residential and special purpose properties for many varied reasons, as set out later herein. We also provide property management services, asset and facilities management services for commercial, retail, industrial property as well as plant and machinery valuation.

To compile the research report we have considered the most recently available statistics from known sources. Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them. Where possible we consider short term movement in the statistics by looking at daily published data in the financial press. Where this shows notable fluctuation, when compared to the formal published numbers we have commented accordingly.

September Quarter 2015

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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 September 2015.

215 Adelaide Street, Brisbane QLD 4000

US-based funds group *Primerica* has sold the office tower on the edge of **Post Office Square** to *Challenger Life* for **\$224 million**. The sale reflected a **yield of about 6.9%**. The office tower comprises of 29,110 sqm of net lettable area, including prime retail, and generates a fully leased income of about \$16.9 million.

1 King Street, Fortitude Valley, QLD 4006

Impact Investment has purchased *Lend Lease's K1* office tower for **\$130 million**. The 16,600 sqm building has a 15-year head lease to *Lend Lease* over the entire ground floor retail and a 12-year lease for their Queensland headquarters. The forecast average lease expiry is 8.8 years. The sale reflects a rate of \$7,831.33 psm. Fortitude Valley is located about 2.1 km south-west of the Brisbane CBD.

527 Gregory Terrace, Bowen Hills, QLD 4006

Cromwell Property Group has sold its **Terrace Office Park** to *Kingsford Development* for **more than \$30 million**. The 7,000 sqm building is leased to the *Royal Flying Doctor* and has a weighted average lease expiry of just two years. The purchaser has the opportunity to develop the site into more than 521 apartments. The sale reflects a rate of around \$57,581.55 per proposed apartment. Bowen Hills is located about 3.5 km north-east of the Brisbane CBD.



545 Queen Street, Brisbane, QLD 4000

A foreign investor has purchased a 13,100 sqm A-grade office tower for **\$85 million**. The building has a WALE of 2.4 years and is fully leased to six tenants. The sale reflects a rate of \$6,488.55 psm.

130 Commercial Road, Newstead, QLD 4006

A private investor paid **\$16.75 million** for a former woolstore converted into offices from *Engage Capital*, on a net **passing yield of 7.34%**. The office has a net lettable area of 4,026 sqm and has 42 on-site carparks. The anchor tenant is radio station Nova FM. The sale reflects a rate of \$4,160.45 psm. Newstead is located 2.8 km north-east of the Brisbane CBD.

153 Stanley Street, South Brisbane, QLD 4101

AMP Capital's Wholesale Australian Fund purchased an office building from *LaSalle* for **\$26.3 million**, on a **yield in the low 6% range**. The previous owners of the 1,990 sqm **Stanley Street House** *Lasalle* recently brought in *WPP* to lease the remaining space made vacant by *Lendlease's Abigroup*. The lease deal was for \$600 psm. The sale reflects a rate of \$13,216.10 psm. South Brisbane is located around 1 km south-east of Brisbane's CBD.

99 Melbourne Street, South Brisbane, QLD 4101

Credit Suisse Asset Management acquired a five-level office building from *Primewest Management* for **between \$38 and \$40 million**, on a **yield of around 7.75%**. The 6,200 sqm building includes tenants *Stockland* and *Sibelco Group*.



100 Wickham Street, Fortitude Valley, QLD 4006

A private investor has bought a 16-level office tower for **\$50 million** from *Fortius Funds Management*. The government tenanted building underwent a \$9 million refurbishment in 2009 and other tenants include *AAPT*, *Melbourne IT*, *ThyssenKrupp* and *Avant Mutual*. The 13,000 sqm tower has a weighted average lease expiry of 2 years. The sale reflects a rate of \$3,846.15 psm. Fortitude Valley is located about 2.1 km south-west of the Brisbane CBD.

Leasing Activity

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

192 Ann Central, Brisbane, QLD 4000

Slater and Gordon has leased 3,300 sqm of office space for **more than \$580 psm per annum**. The deal is for **10-years** and the company will take signage rights and the mezzanine level of the office tower.

44 Musk Avenue, Kelvin Grove, QLD 4059

RSL Care has signed a deal to lease space with healthcare group *Generation Healthcare REIT* on a **5-year deal**. RSL will lease 3,358 sqm of space for close to \$8 million or around **\$470 psm per year**. Kelvin Grove is located around 2.8 km north-west of the Brisbane CBD.

153 Stanley Street, South Brisbane, QLD 4101

International marketing firm WPP will lease the entire 1,990 sqm building in *LaSalle's Stanley Street House* on an **8-year term**. The rent is believed to be **around \$600 psm** and incentives are about 30%.



369 Ann Street, Brisbane, QLD 4000

Sage Institute has secured an office space on a **7-year deal**. The company will lease 1,400 sqm of space at **\$500 psm gross per annum**.

Development Sites

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

A new 34 storey office building is being built on **180 Ann Street, Brisbane**. The new office tower '180 Brisbane', owned by Daisho Corporation, is expected to be completed in the 4th quarter of 2015. It will comprise of 57,465 sqm NLA of A-Grade office space over the 32 floors on an average floorplate size of 2,000 sqm, 700 sqm of podium retail space and 218 car spaces in the basement car park. The office tower will achieve a 6-star Green Star rating.



Another new development is **480 Queen Street** project located at the Brisbane CBD. The project is owned by *DEXUS Property Group* and is expected to be completed in the 1st quarter of 2016. The Premium-Grade office tower comprise of 56,855 sqm of office space across 31 levels on an average floorplate size of 1,150 sqm, 1,300 sqm of retail space on the lower floors, 271 underground car parking and end-of-trip facilities. The office tower is expected to achieve a 6-star Green Star rating and 5-star NABERS Energy rating.



Supply by Grade (Stock)

According to the Property Council of Australia (PCA) Office Market Report July 2015, the Brisbane CBD office market recorded a tightening of -35,513 sqm to the total office stock levels of 2,158,290 sqm.

The Brisbane CBD office market was dominated with A Grade stock which accounts for 40% of the total stock, followed by B Grade stock at 37.6%, C and Premium Grade stock at 10.2% and 9.3% respectively. D Grade office stock amount remain unchanged assuming 2.8%.

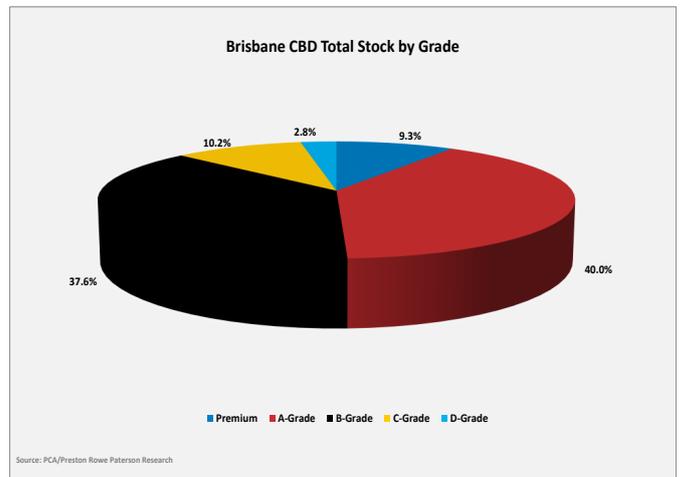


Chart 1 – Brisbane CBD Total Stock by Grade – Source PCA

Net Absorption

The Brisbane CBD office market reflected a negative net absorption of -40,712 sqm in the 12 months to July 2015. The net absorption over the six months to July was -19,160 sqm.

Only B and D Grade stock revealed a positive net absorption in the six months to July. The largest negative absorption was recorded in the A Grade office stock (-24,686 sqm). C and Premium Grade stock reported a negative absorption of -,7515 sqm and -2,834 sqm respectively.

Gold Coast Office Market



Supply by Grade (Stock)

According to the PCA's Office Market Report July 2015, the Gold Coast total office space reveals a 0.3% supply growth, bringing the total office floor space in Brisbane to 473,450 sqm.

The Gold Coast market is predominated by B Grade office stock which assumes 40.16% of the total market share. A Grade sums up to 27.91% and C Grade amounts to 28.73% of the market. D Grade stock level remained at 3.2%.

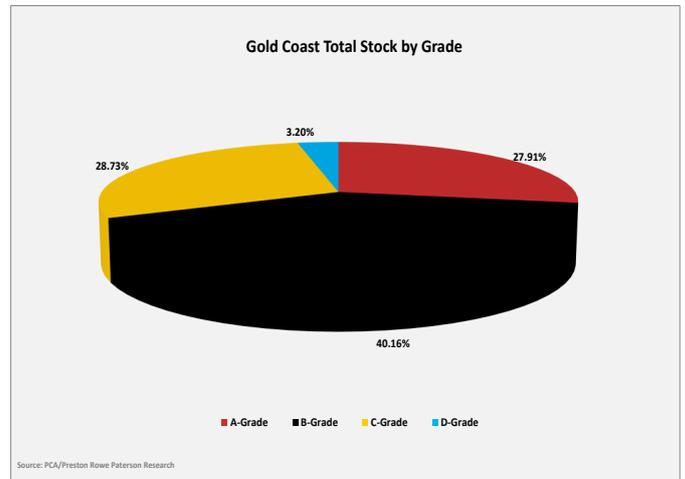


Chart 4 – Gold Coast Total Stock by Grade – Source PCA

Net Absorption

The Gold Coast office market has recorded positive net absorption of 10,491 sqm in the 12 months to July 2015. The total market net absorption in the six months to July was 3,291 sqm.

Positive absorption level was recorded across all office grades except in C Grade which reported an absorption of -2,516 sqm in the six months to July. B Grade office absorbed the most at 3,821 sqm, followed by A Grade at 1,947 sqm and D Grade at just 39 sqm.

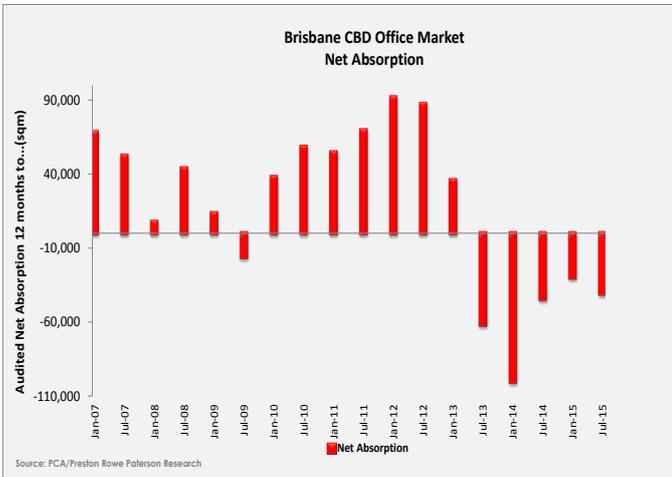


Chart 2 – Brisbane CBD Office Net Absorption – Source PCA

Total Vacancy

The total vacancy rate in the Brisbane CBD office market over the six months to July 2015 has tightened by -0.5% to 15% (323,656 sqm).

B Grade recorded the largest fall in vacancy of -3.4% to 19.2% and D Grade noted a small decrease of -0.1% in vacancy to 16.5%. C Grade recorded an increase of 2.9% in vacancy to 15%, followed by A Grade vacancy at 12.3% (+1.2%) and Premium Grade vacancy at 9.3% (+0.1%).

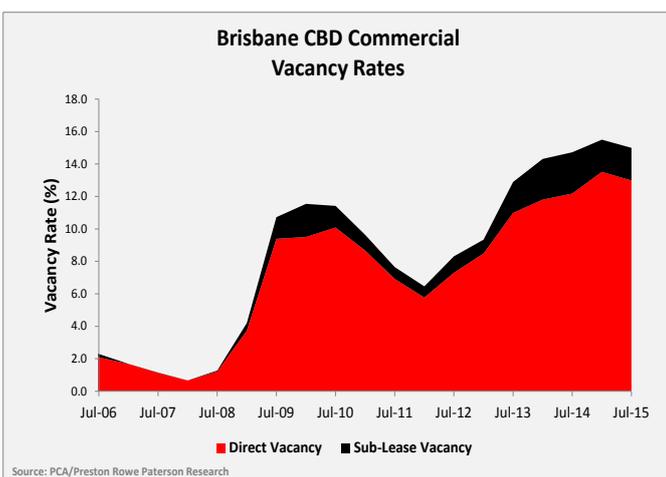


Chart 3 – Brisbane CBD Commercial Vacancy Rates – Source - PCA

RETAIL MARKET

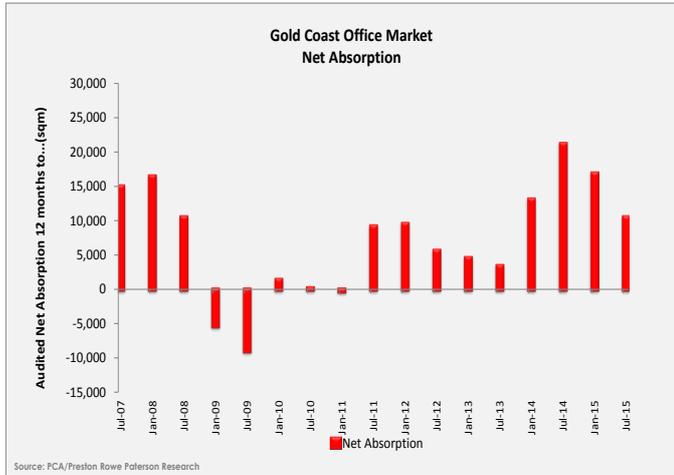


Chart 5 – Gold Coast Office Net Absorption – Source - PCA

Total Vacancy

The Gold Coast office market has recorded a –0.4% decrease in total vacancy to 14.8% in the six months to July 2015. The total vacancy in the market amounts to 70,052 sqm.

Vacancy rates have tightened across all office grades except for C Grade, which increased by 1.8% to 13.4% vacancy rate. The largest fall in vacancy was recorded in A Grade office of –1.5% to 17.4% vacancy, followed by B Grade vacancy which fell by –1.4% to 17.4% and D Grade vacancy which decreased by –0.3% to 12.6%.

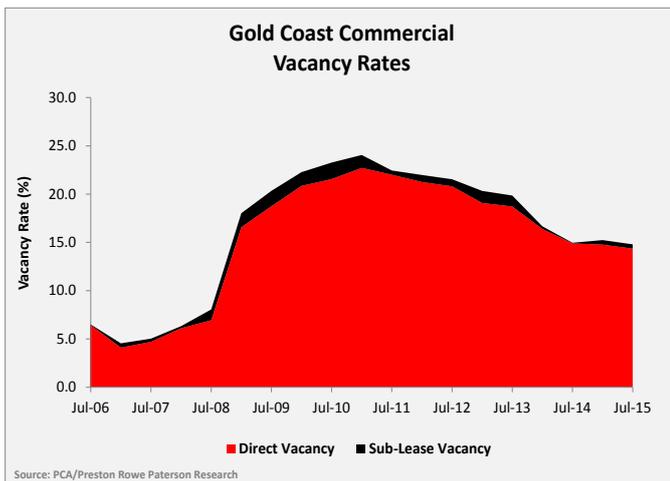


Chart 6– Gold Coast Commercial Vacancy Rates – Source ABS



Investment Activity

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

12 - 20 Ocean Street, Maroochydore, QLD 4558

LaSalle Investment Management has bought the **Big Top Mark Fresh** shopping centre from Reed Property Group for **around \$85 million**. The property comprises five adjoining properties on a 33,277 sqm site. The centre is anchored by a **Woolworths** and 43 speciality shops. The sale reflects a rate of \$2,554.32 psm. Maroochydore is located around 111 km north of Brisbane's CBD.

Cnr Old Northern Road & Albany Forest Road, Albany Creek, QLD 4035

A private investor has paid **\$26.1 million** for the **Woolworths Marketplace Albany Creek** from Paul Darrouzet, a Queensland coal entrepreneur. The 6,190 sqm centre, which is anchored by a **Woolworths Supermarket** and 20 speciality stores, sold on a **passing yield of 6.25%**. The sale reflects a rate of \$4,216.49 psm. Albany Creek is located around 16.4 km north-west of the Brisbane CBD.

543 Lutwyche Road, Lutwyche, QLD 4030

Zenonos Group and Abacus Property Group have acquired the four-level neighbourhood **Lutwyche City** shopping centre from Federation Centres for **\$65 million**. The 18,929 sqm centre is anchored by **Coles** and **Aldi** and the sale reflects a rate of \$3,433.90 psm. Lutwyche is located around 5.9 km north of the Brisbane CBD.



153 Elizabeth Street, Brisbane, QLD 4000

A private investor has purchased a 976 sqm of net lettable area retail building for **\$9.3 million**, reflecting a **4.95% yield**. The 416 m2 site has future development potential. The sale reflects a rate of \$22,355.75 psm.

135 Boat Harbour Drive, Hervey Bay, QLD 4655

A private investor has bought the **Bay Central Shopping Centre** from *CRI Bay Central Project*, a subsidiary of *Hostplus*, for **\$17.5 million**. The shopping centre sits on a 2.69-hectare site and includes a three-building complex totalling 6,452 sqm of net lettable area as well as 270 car spaces. The shopping centre is anchored by *ANZ, Bank of Queensland, Westpac, NAB, Suncorp* and *Commonwealth Bank*. Together they provide 50% of the gross rental income for the property. The sale reflects a rate of \$650.60 psm. Hervey Bay is located around 296 km north of the Brisbane CBD.

39 Southgate Avenue, Cannon Hill, QLD 4170

A private Brisbane investor has bought the **Southgate Shopping Centre** from a private interstate owner for **\$7.15 million**. The 1,682 sqm property sold on a **passing yield of 6.51%** and brings in a net annual rental income of \$669,968. Major tenants include *IGA, Coffee Club* and *Brumbies*. The sale reflects a rate of \$4,250.90 psm. Cannon Hill is located 9.2 km east of the Brisbane CBD.

59 – 69 Grevillea Street, Biloela, QLD 4715

A private NSW investor has paid **\$8.135 million** on a **net yield of 7.55%** for a freestanding *Supa IGA*. The 2,000 sqm supermarket sits on a 3,780 sqm corner site and returns a net annual rent of \$614,420. The sale reflects a rate of \$2,152.10 psm. Biloela is located about 513 km north-west of the Brisbane CBD.

200 Grand Avenue, Forest Lake, QLD 4078

A fully-leased, 2-level retail building has been acquired by *LaSalle Australia Core Plus Fund* for **\$11 million**. The net lettable area of the centre is 2,177 sqm and it occupies a 5,971 sqm site. The building currently has 25 tenants. The sale reflects a rate of \$1,842.24 psm. Forest Lake is located 21.5 km south-west of the Brisbane CBD.



Dawson Highway, Calliope, QLD 4680

Private investors have paid **\$18 million** for the **Calliope Central Shopping Centre** from *Engage Capital* and *Evans Long*, on a **yield of 8.5%**. The 2,193 sqm centre is anchored by a *Supa IGA* supermarket and 12 specialty stores. Further development will allow the *IGA* to become a full-line supermarket on a brand new 20-year lease to *Drakes Supa IGA*. A fully leased net income of \$1.54 million is projected from the redevelopment. The sale reflects a rate of \$8,207.95 psm. Calliope is located about 507 km north-west of the Brisbane CBD.

548 Ipswich Road, Annerley, QLD 4103

Bueno Property has purchased the corner block retail property from *Monachwell* for **\$5.26 million** at an **initial yield of 6.75%**. The property sits on a 2,307 sqm site and provides about 668sqm of net lettable space. It is fully leased with a majority of income coming from medical tenants with over 20 years trading history. The property provides an estimate net income of \$355,073 pa and has a WALE of 6.6 years. Annerley is located 4 km south of the Brisbane CBD.

2 Bell Place, Mudgeeraba QLD 4213

The **Bell Central Shopping Centre** was purchased by *Clarence Property* for **\$13.5 million**. The neighbourhood shopping centre is anchored by a *Coles* supermarket over 2,200 sqm and consists of 15 specialty stores including *Commonwealth Bank, BWS* and *Mortgage Choice*. The centre has a total net lettable area of 3,682 sqm with 200 onsite car spaces. The centre is partially leased and could project a fully leased income of about \$1,135,814 pa to reflect an estimated yield (fully leased) of 8.41%. Mudgeeraba is located about 10 km south-west of the Gold Coast CBD or 80 km south of the Brisbane CBD.



RETAIL STATISTICS

According to the Australia Bureau of Statistics category 8501.0 Retail Trade (September 2015), the retail turnover figures recorded in Queensland produced negative results. The total retail turnover for Queensland over the month of September fell by -0.25% to \$4,923.4 million. However, this monthly result reflected an annual growth of 2.49%.



Chart 7—Queensland Retail Turnover— Source ABS

The retail turnover for the month of September 2015 was predominantly negative over the retail industries except for Food retailing and Household goods retailing. The two industries recorded a growth of 0.3% and 0.25% to \$2,081.1 million and \$829 million monthly turnover respectively.

The largest decrease in monthly retail turnover was Department stores which fell by -2.27% in September and recorded a \$300.9 million turnover. Café, restaurants and takeaway services declined by -1.24% to \$717.1 million monthly turnover. Clothing, footwear and personal accessories retailing and Other retailing saw to a marginal decrease of -0.47% and -0.49% to monthly turnover of \$318.8 million and \$676.5 million respectively.

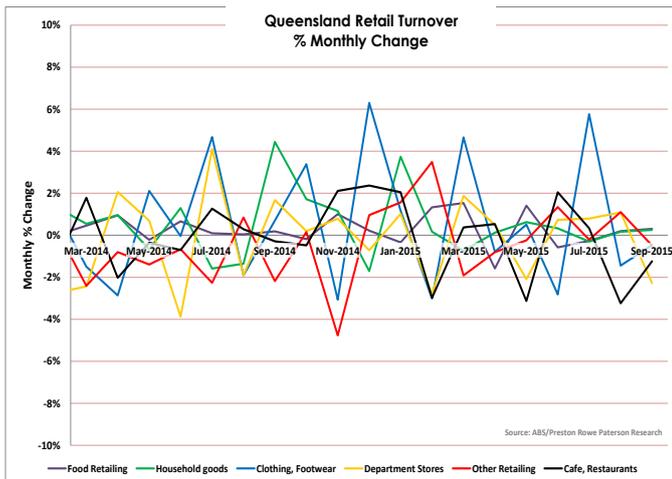


Chart 8 —Queensland Turnover % Monthly Change— Source ABS

INDUSTRIAL MARKET

Investment Activity

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

Wembley Road, Berrinba, QLD 4117

GPT Group has acquired a 21 ha industrial site from Logan Council for **\$23.2 million**. The site, which is zoned for industrial and commercial development, is a two-parcel package that has the opportunity to be developed into an 85,000 sqm industrial facility. The sale reflects a rate of \$110.48 psm. Berrinba is located 24 km south-east of Brisbane's CBD.

14 Ashover Road, Rocklea, QLD 4106

Tutt Bryant Group has sold an industrial centre to a Melbourne investor group for **\$6.25 million**, on a **yield of 8.4%**. The property will be leased-back to Tutt Bryant and the company will keep the office, warehouse, distribution centre and a sales and display yard on the property. The sale of the 19,490 sqm block reflects a rate of \$320.68 psm. The office and industrial centre takes up 3203 m2 of space on the site. Rocklea is located around 9 km south-west of Brisbane's CBD.



85 Prosperity Place, Geebung, QLD 4304

A local owner-occupier has bought a vacant industrial property from Centuria Property Funds for **\$6.6 million**. The 11,810 sqm property was recently refurbished and contains a modern warehouse and office. The sale reflects a rate of \$558.85 psm. Geebung is located around 12.5 km north-east of the Brisbane CBD.

965 Gympie Road, Petrie QLD 4502

Building materials company Orora has sold its former carton box mill site to the Moreton Bay Regional Council for **\$50.5 million**. The plant is being decommissioned and the 200 ha site will be developed into a new university and community precinct. The sale reflects a rate of \$252,500 per hectare. Petrie is located 24 km north of Brisbane's CBD.

64 Axis Place, Larapinta, QLD 4110

Harmony Property Syndication has purchased an industrial facility for **\$6.87 million on a yield of 7.7%**. The property was purpose-built in 2009 for the lessee, Linde Material Handling, with the lease expiring in 2019. Larapinta is located 22 km south-west of the Brisbane CBD.

South Pine Road, Brendale, QLD 4500

Altis Property Partners has acquired a 50,000 sqm, which includes a 13,000 sqm warehouse, for **\$16.2 million**. The company is planning to build a \$50 million home and trade retail precinct on the site. The warehouse is currently leased to The Crest Company for 10 years at a rental of \$850,000 a year. The sale reflects a rate of \$324 psm. Brendale is located about 19.4 km north-west of the Brisbane CBD.

85 Radius Drive, Larapinta, QLD 4110

Investec Australia Property Fund has acquired a 10,088 sqm industrial asset for **\$18.15 million on an initial yield of 7.8%**. The recently built warehouse and office is leased to Coil Steels until 2021 with annual CPI rental increases. The sale reflects a rate of \$1,799.20 psm.

33 Queensport Road South, Muarrie, QLD 4172

GM Property Group has purchased an industrial property from Wright Property Group for **\$9.1 million**. The five buildings of 12,270 sqm sit on a 32,560 sqm site. The sale reflects a rate of \$279.50 psm. Muarrie is located around 10 km east of the Brisbane CBD.

Leasing Activity

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

28 Magnesium Drive, Crestmead, QLD 4132

Brisbane Cullet has agreed to lease an industrial facility on a 1.5 hectare site for **6-years**. The property comprises a 4,039 sqm warehouse and a 5,000 sqm hardstand. Brisbane Cullet will pay a net annual rent of \$410,000, reflecting a **rate of \$27.35 psm**. Crestmead is located 29.7 km south-east of Brisbane's CBD.



RESIDENTIAL MARKET

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals September 2015, the total number of house dwelling approvals in the Brisbane Statistical Division over the month to September 2015 has increased by 13.27% from 912 approvals to 1,033 approvals. In comparison to June 2014, a growth of 16.18% was recorded.

The total number of non-house dwelling approvals had grown by 155.7% over the month from 865 approvals in August, to 2,212 dwelling approvals in September. In comparison to twelve months prior, non-house building approvals increased significantly by 154.25%.

The year to date 2015, the Brisbane total dwelling approvals amounted to 22,529 approvals.

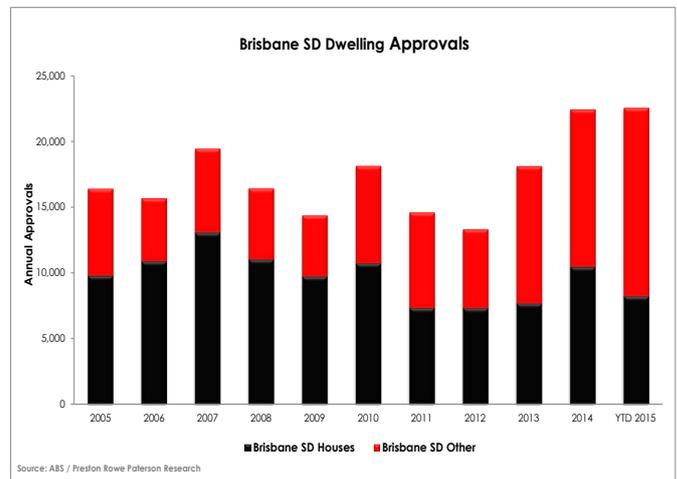


Chart 9—Brisbane SD Dwelling Approvals—Source ABS

BRISBANE

Market Affordability

According to Real Estate Institute of Australia (REIA) June quarter, the Brisbane median house price increased by 0.8% to \$479,000, reflecting an annual growth of 1.9%.

The Brisbane zones recorded mixed quarterly results. Inner Brisbane recorded a decrease in median sales house price by -3.8% to \$770,000. Middle Brisbane prices increased by 3.5% to \$557,000 and Outer Brisbane remain unchanged at \$375,000.

In comparison to June 2014, positive results were recorded in Middle and Outer Brisbane median sales prices of houses by 5.1% and 4.2% respectively. Inner Brisbane prices recorded a -3.8% annual decline.

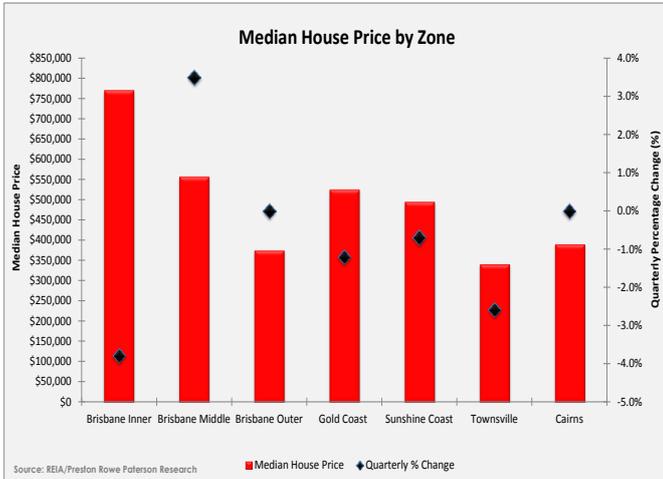


Chart 10—Median House Price by Zone— Source REIA

The Brisbane median other dwellings median sales price decreased by -0.8% to \$390,000 in the June quarter. Inner Brisbane other dwelling sales price increased by 0.2% to \$460,000. Middle and Outer Brisbane other dwelling sales prices fell by -3.4% and -2.6% to \$365,000 and \$277,500 respectively.

A year on year comparison has revealed positive growth in Inner Brisbane by 2.2% . Middle and Outer Brisbane median sales prices decreased over the year by -1.4% and -5.9% respectively.

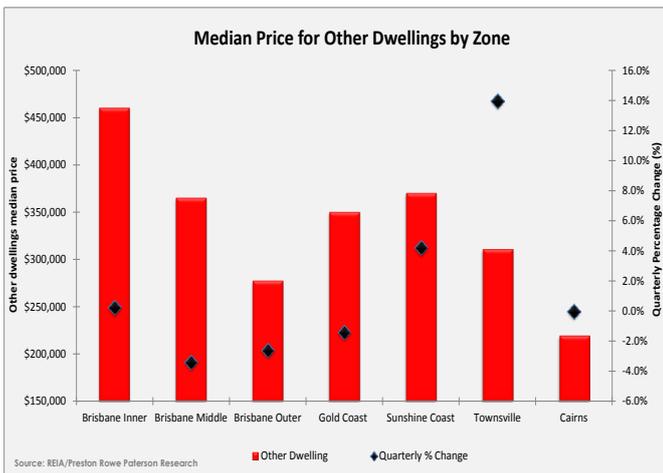


Chart 11—Median Price for Other Dwellings by Zone— Source REIA

Rental Market

Over the June quarter, mixed results were recorded in the Brisbane house rental market. There were no recorded changes to weekly rents in Middle Brisbane 2 & 3 bedroom (\$370 and \$500) and Outer Brisbane 2 bedroom (\$280) houses.

The highest rental growth was reported in Inner Brisbane 4 bedroom house (\$720), followed by Inner Brisbane 2 bedroom (\$450) and Outer Brisbane 3 & 4 bedroom (\$335 and \$400). Inner & Middle Brisbane 3 bedroom house rent tightened by -2.9% and -2.4% to \$510 and \$410 respectively.

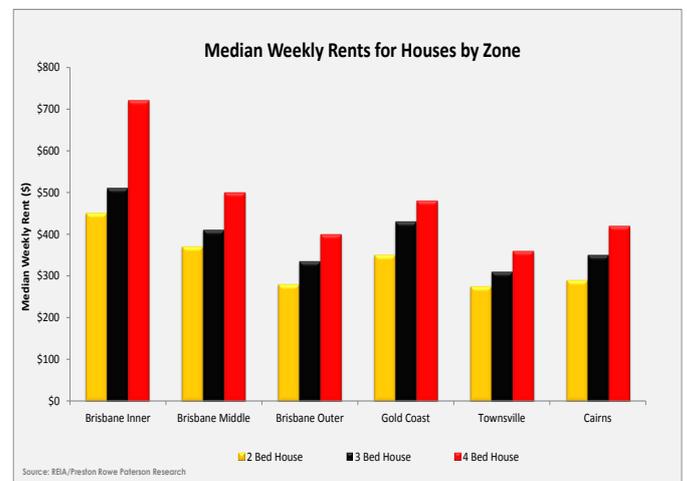


Chart 12—Median Weekly Rents for Houses by Zone— Source REIA

Other dwelling median weekly rents was predominantly negative across all zones. The only increase in median weekly rent was recorded in the Outer Brisbane 3 bedroom other dwelling which grew by 0.3% to \$336.

The largest decrease in median weekly rent was recorded in Inner Brisbane 1 bedroom and Middle Brisbane 2 bedroom where both rents fell by -2.7% to \$360. Followed by Middle Brisbane 3 bedroom and Outer Brisbane 1 bedroom other dwelling rent decreasing by -2.4% and -2.2% to \$400 and \$220 respectively.

A year on year analysis revealed mixed results in the June quarter. The largest annual growth of median weekly rental was recorded in the Middle Brisbane 1 bedroom and Outer Brisbane 2 bedroom where both rents grew by 1.9% to \$275. The only annual rental decline was reported in the Inner Brisbane 2 and 3 bedroom other dwelling by -0.8% (\$476) and -1.6% (\$600).

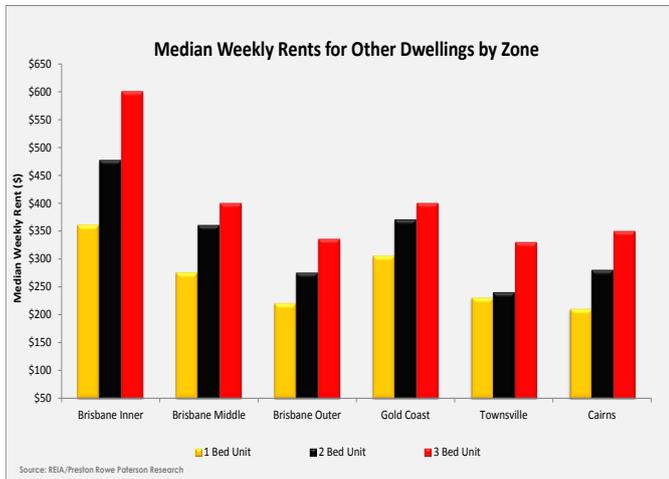


Chart 13—Median Weekly Rents for Other Dwellings by Zone— Source REIA

GOLD COAST

Market Affordability

Over the June quarter, the median house price in Gold Coast decreased by -1.2% to \$525,000, however, reflecting an annual increase of 1.9%. Similarly other dwelling sales price fell by -1.4% to \$350,000.

Rental Market

The median house rents increased in the quarter. The 2 bedroom rent grew by 2.9% to \$350, 3 bedroom by 2.4% to \$430 and 3 bedroom by 2.1% to \$480.

Similarly positive results was recorded in other dwelling rents. 1 bedroom rent increased by 1.7% to \$305, 2 bedroom by 1.4% to \$370 and 3 bedroom by 1.3% to \$400.

SUNSHINE COAST

Market Affordability

The Sunshine Coast median house sales price tightened in the June quarter by -0.7% to \$495,000, reflecting a 4.2% annual increase. Other dwelling median sales price in Sunshine Coast increased by 4.2% to \$370,000, revealing a 5.7% annual growth.

TOWNSVILLE

Market Affordability

The median house sales price in Townsville has fallen by -2.6% over the June quarter to \$341,000, reflecting a -5.3% annual decline. Alternatively, the Townsville median sales price for other dwellings increased by 14% to \$310,800, a 15.1% annual growth.

Rental Market

The Townsville rental market did not perform well in the June quarter 2015. There were no quarterly or annual rental growth for house and other dwellings.

The largest fall in house rents was recorded in 3 bedroom house by -6.1% to \$310. 2 & 4 bedroom house rent fell by -5.2% and -5.3% to \$275 and \$360 respectively.

The smallest decrease in other dwelling median rents was reported in 1 bedroom other dwelling which fell by -2.1% to \$230. 2 & 3 bedroom other dwelling rents decline by -12.7% and -13.2% to \$240 and \$330 respectively.

CAIRNS

Market Affordability

Over the June quarter, the median house price in Cairns remain unchanged at \$390,000, reflecting an annual increase of 5.1%. Similarly other dwelling sales price was \$219,500, reporting an annual decline of -1.1%.

Rental Market

The Cairns rental market did not perform well in the June quarter 2015. The median house rents decreased across all categories. The 1 bedroom rent tightened by -3.3% to \$290, 2 bedroom by -2.8% to \$350 and 3 bedroom by -2.3% to \$420.

Other dwelling rents also decreased in the quarter. The median other dwelling rent for 1 bedroom fell by -4.5% to \$210, 2 bedroom by -1.8% to \$280 and 3 bedroom by -5.4% to \$350.

HOTEL & LEISURE MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in the Queensland Hotel & Leisure Market, during the three months to September 2015;

6 Orchid Avenue, Surfers Paradise, QLD 4217

A private Chinese-Australian family has paid **more than \$50 million** for the **Hilton Surfers Paradise Hotel** from *Brookfield Multiplex*. The hotel features 169 rooms, pool, spa and sauna areas, restaurants and bars. The sale reflects a rate of \$295,857.99 per room. Surfers Paradise is located about 78 km south-east of Brisbane's CBD.



43 Esplanade, Cairns City, QLD 4870

Ascot Capital Group and *Facilimate* have purchased the **Pacific Hotel Cairns** from the Kamsler family for **around \$25 million**. The 4.5 star, 176-room hotel occupies a 3,570 sqm site, reflecting a rate of \$142,045.45 per room. The hotel also has a restaurant and bar, outdoor rooftop pool and 7 meeting rooms. Cairns is located about 1,388 km north-west of Brisbane.



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 September 2015;

Industrial

92-94 Ishmael Road, Earlville, QLD 4870

A self-storage facility was purchased by *National Storage REIT* for **around \$9.9 million**. The facility has 550 units over 5,200 sqm of space. The sale reflects a rate of \$1,903.85 psm. Earlville is located about 5 km south-east of Cairns, which is located approximately 1,388 km north of Brisbane.



318 – 320 Anzac Avenue, Toowoomba, QLD 4350

DHA Rural Sales will pay a net annual rent of \$157,000 for a refurbished warehouse complex on a **5-year** deal. The 1,192 sqm property has a 724 sqm warehouse and showroom, an 85 sqm office and a rear shed with five roller doors. The lease reflects a **rate of \$131.70 psm**. Toowoomba is located 124 km west of the Brisbane CBD.

Specialized Property

Queensland Private Hospital Sales

Health Asset Management has bought two private hospitals in regional Queensland for a **total of \$16.9 million**. The **Gympie Private Hospital** was acquired on a sale-and-lease-back agreement from *Pulse Health* for **\$6.3 million**, on an **initial yield of 8.29%**. The property has a total of 40 beds and *Pulse Health* is leasing the property for 15 years on a triple net lease. They also acquired the **North Mackay Private Hospital** from private investors for **\$10.6 million**, on an **initial yield of 8.1%**. This specialist rehabilitation facility has 34 beds and is leased by *Pulse Health* on a triple net lease for 11.1 years.

Rural

Westmar, QLD 4422

A subsidiary of the *Fucheng Group* has acquired the 31,000 hectare cattle-fattening property **'Woodland'** from *M.P. Evans Group* for **\$28 million**. The sale is for the land only and does not include the cattle, and plant and equipment. The farming program is a rotation of grain, legume and forage under minimum-till conditions. The sale reflects a rate of \$903.23 per hectare. Westmar is located 375 km west of the Brisbane CBD.



Economic Fundamentals

GDP

GDP figures for the September quarter 2015 are not available until the 2nd December 2015, however, over the June 2015 quarter revealed that the Australian economy recorded growth of 0.2% seasonally adjusted which reflected growth of 2% seasonally adjusted over the twelve months to June 2015.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Financial and insurance services (+0.6%), Information media and telecommunications (+0.3%) and Healthcare and social assistance (+0.3%). In trend terms, the largest detractor were the Professional, scientific and technical services (-0.1%) and Construction (-0.2%).

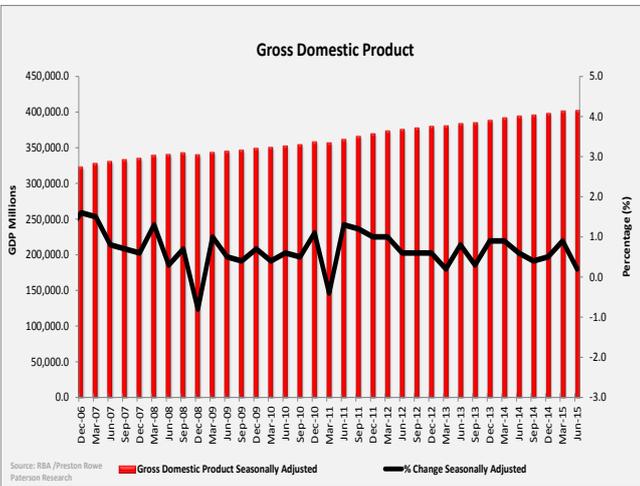


Chart 14 – Gross Domestic Product (GDP) – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the September quarter 2015 has remain steady at 2%. The Reserve Bank of Australia's Media Release for September 2015, released 1st September 2015 explained that;

"The global economy is expanding in a moderate pace, with some further softening in conditions in China and east Asia of late, but stronger US growth. Key commodity prices are much lower than a year ago, in part reflecting increased supply, including Australia. Australia's terms of trade are falling...In Australia the available information suggests moderate expansion in the economy continues. While growth has been somewhat below long-term averages for some time, it has been accompanied with somewhat stronger growth of employment and steady rate of unemployment over the past year. Overall the economy is likely to be operating with a degree of spare capacity for some time yet, with domestic inflationary pressures contained. Inflation is thus forecast to remain consistent with the target over the next one to two years, even with a lower exchange rate."

The media release also stated that inflation is as expected to be consistent.

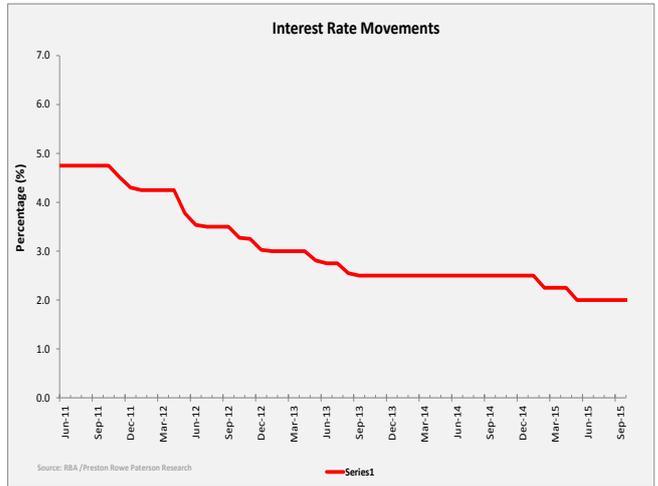


Chart 15 –Cash Rate – Source RBA

CPI

According to the Australian Bureau of Statistics (September 2015), the Australia's All Groups CPI increased by 0.5% over the September quarter from 107.5 to 108. The annual CPI change to September 2015 recorded a growth of 1.5%.

The most significant price rises over the September quarter were International holiday travel and accommodation (+4.6%), Fruit (+8.2%) and Property rates and charges (+4.6%). The greatest price fall over the quarter was attributed to are Vegetables (-5.9%), Telecommunication equipment and services (-2%) and Automotive fuel (-1.7%).

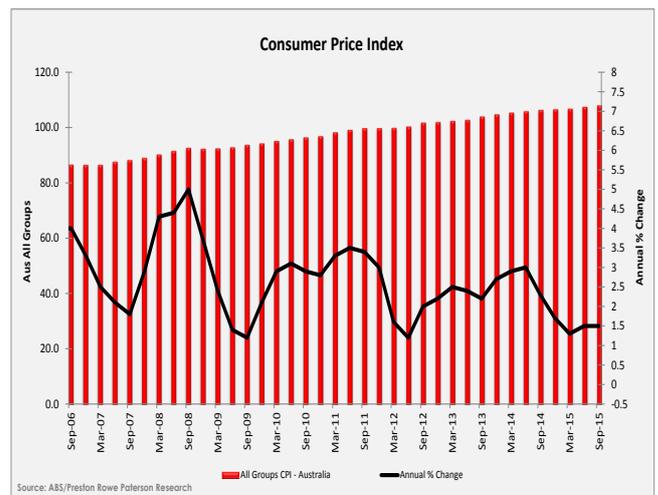


Chart 16– Consumer Price Index—Source—ABS

10 Year Bond & 90 Day Bill Rate

Over the September 2015 quarter, the 10 Year Government Bonds recorded a decline of 29 basis points from 2.7%. The 90 Day Bill Rate recorded a 2 basis points growth over the quarter from 2.17%.

In the twelve months to September 2015, the monthly 10 Year Bond Rate has decreased by 86 basis points from 3.55%. Similarly, the monthly 90 Day Bill Rate fell by 49 basis points from 2.66%.

Analysis of the daily 10 Year Government Bonds has revealed a decrease of 2 basis points over the month of September ending to 2.61%. The 90 day bill rates had increased by 3 basis points to the month end of 2.19%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of

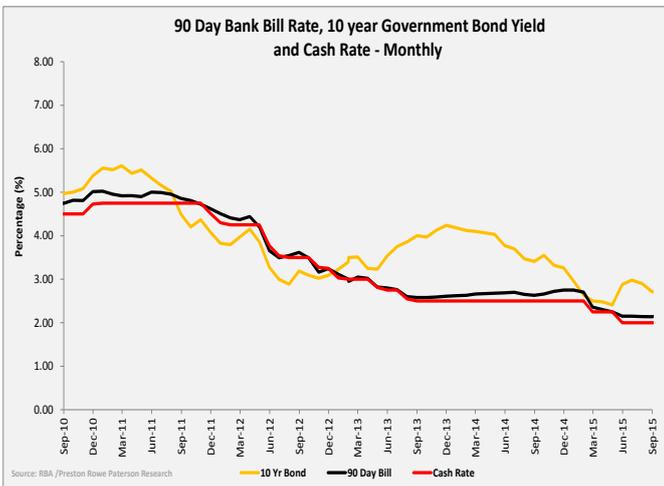


Chart 17 –90 Day Bill, 10 year bond and cash rate – MONTHLY – Source RBA

Labour force

Over the month to September 2015, the number of unemployed people has declined by 8,139 from 780,677 in August to 772,538 in September, reflecting a –1% decrease. In comparison to September 2014, the number of unemployed people had increased by 7,650 reflecting an annual increase of 1%. The unemployment rate was 6.2% as at September 2015.

The number of unemployed seeking full time employment recorded a decrease in September by 6,200 to 556,100 persons. The number of unemployed seeking part time employment recorded a decrease over the month by 2,200 to 216,500 persons.

Queensland experienced an absolute increase in seasonally adjusted employment by 4,600 persons to 2.35 million persons. The unemployment status in Queensland over the September Quarter 2015 decrease by 0.2% to 6.3%.

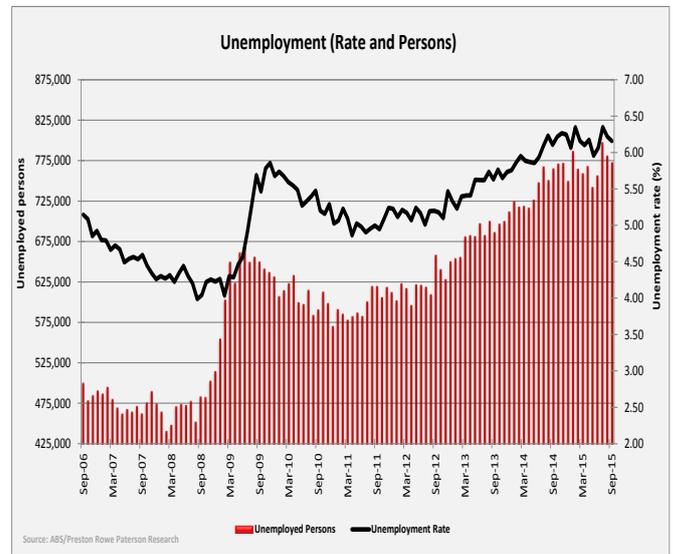


Chart 18 – Unemployment – Source ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 5.6% from 99.5 index points in August to 93.9 index points in September. Over the quarter the index has decreased by –1.4 points and recorded a –0.11% annual decline.

Westpac's Economist, Bill Evans commented; "This solid fall comes as no surprise...violent gyrations in both Australian and overseas equity markets, poor economic data from China, disappointing report on Australia's growth rate and weakness in the Australian dollar were likely to have unnerved households."

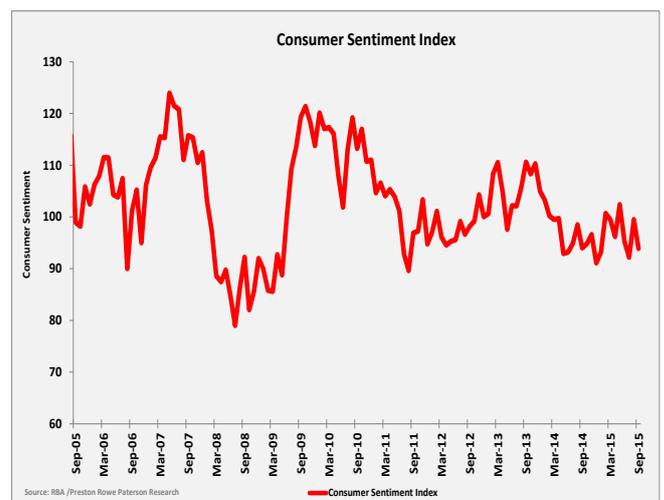


Chart 19 – Consumer Sentiment Index—Source—Westpac Melbourne Institute Survey

Our Research

At Preston Rowe Paterson, we pride ourselves on the research which we prepare in the market sectors within which we operate. These include Commercial, Retail, Industrial, Hotel & Leisure and Residential property markets as well as infrastructure, capital and plant and machinery markets

We have property covered

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

We have all real estate types covered

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

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

We have all types of plant & machinery covered

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

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

We have all client profiles covered

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

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



We have all *locations* covered

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

We have your *needs* covered

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

- . Acquisitions & Disposals
- . Alternative use & highest and best use analysis
- . Asset Management
- . Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
- . Compulsory acquisition and resumption
- . Corporate merger & acquisition real estate due diligence
- . Due Diligence management for acquisitions and sales
- . Facilities management
- . Feasibility studies
- . Funds management advice & portfolio analysis
- . Income and outgoings projections and analysis
- . Insurance valuations (replacement & reinstatement costs)
- . Leasing vacant space within managed properties
- . Listed property trust & investment fund valuations & 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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