



**Preston
Rowe
Paterson**

National Property Consultants

Property *Market* Report

Queensland

About This Report

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

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

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

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

September Quarter 2013

INSIDE THIS ISSUE:

Economic Fundamentals	2
Brisbane CBD Office Market	3
Gold Coast Office Market	4
Retail Market	5
RuralMarket	6
Industrial Market	6
Residential Market	6
Hotel and Leisure Market	8
About Preston Rowe Paterson	9
Contact Us	11



Phone: +61 2 9292 7400

Fax: +61 2 9292 7403

Address: Level 11, 80 Clarence Street Sydney NSW 2000

Email: mailroom@prpsydney.com.au

Follow us: Visit www.prpsydney.com.au to follow us

© Copyright Preston Rowe Paterson NSW Pty Limited

Economic Fundamentals

GDP

GDP figures for the September quarter are not available until 4th December 2013, however PRP research over the June 2013 quarter has revealed that the Australian economy recorded steady growth, with the quarter GDP growth at 0.6% seasonally adjusted which resulted in annual growth to June 2013 increasing by 2.6%. The main contributors to GDP over the June quarter were Financial and Insurance Services which increased by 2.1% reflecting a 0.2% contribution to the GDP growth and Construction which increased by 1.9% reflecting a 0.1% contribution to GDP growth.

The Terms of Trade over the quarter rose by a marginal 0.1% following a 3.1% increase in the March quarter. Over the twelve months to June 2013 the Terms of Trade has fallen 4.9% signalling that export prices are declining at a faster rate than import prices.

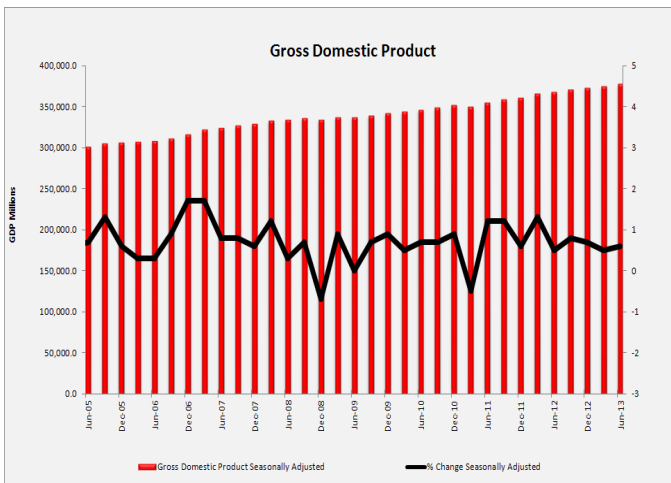


Chart 1 – Gross Domestic Product (GDP) – Source ABS

Labour force

The official employment figures released from the Australian Bureau of Statistics revealed that the unemployment rate decreased by 0.2 percentage points to 5.6% seasonally adjusted as at September 2013.

Employment over the month to September 2013 recorded an increase of 9,106 persons from 11,636,716 in August to 11,645,822 in September a percentage increase of 0.08%.

Full time employment over the month to September increased by 0.06 percentage points from 8,128,742 to 8,133,731 an increase of 4,989 persons. Part time employment recorded growth of 0.12% over the month to September to 3,512,091 persons. In comparison to September 2012, there was a 2.95% growth which is an increase of 100,691 persons.

The participation rate recorded a marginal decline of 0.1 percentage points to 64.9% as at September 2013, with year on year comparison revealing a 0.5 percentage point decline.

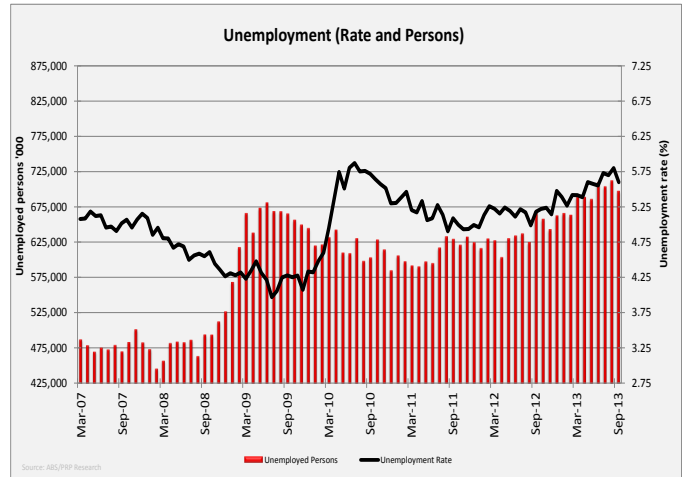


Chart 2 – Unemployment – Source ABS

Interest Rates

At the date of publishing, the official Cash Rate over the September quarter 2013 declined by 25 basis points to 2.50%. The decline took place in May and remained unchanged for the months of April and June. The Reserve Bank of Australia's Media Release for August 2013 explained that;

"In Australia, the economy has been growing a bit below trend over the past year. This is expected to continue in the near term as the economy adjusts to lower levels of mining investment. The unemployment rate has edged higher. Recent data confirm that inflation has been consistent with the medium-term target. With growth in labour costs moderating, this is expected to remain the case over the next one to two years, even with the effects of the recent depreciation of the exchange rate."

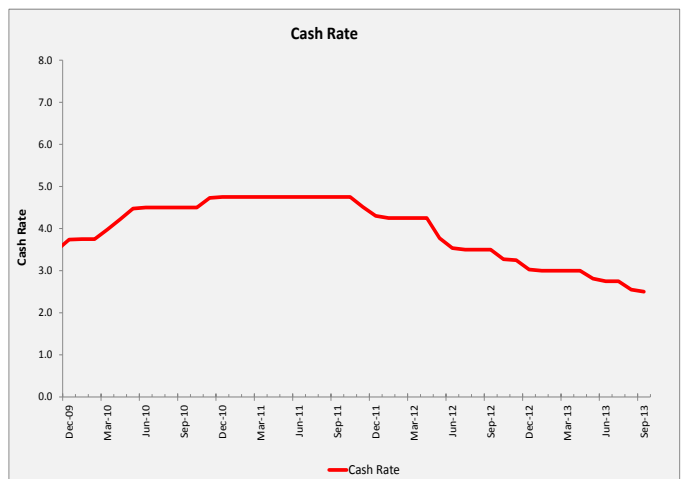


Chart 6 – Cash Rate – Source RBA

CPI

The Consumer Price Index (CPI) rose by 1.2% in the September quarter 2013 with the index now recording 104.0, reflecting an annual growth to September of 2.2%. The most significant price rises this quarter were for water and sewerage, property rates and charges and automotive fuel with increases of 9.7%, 7.9% and 7.6% respectively.

The most significant price decline over the September 2013 quarter was attributed to vegetables, which declined by 4.5%.

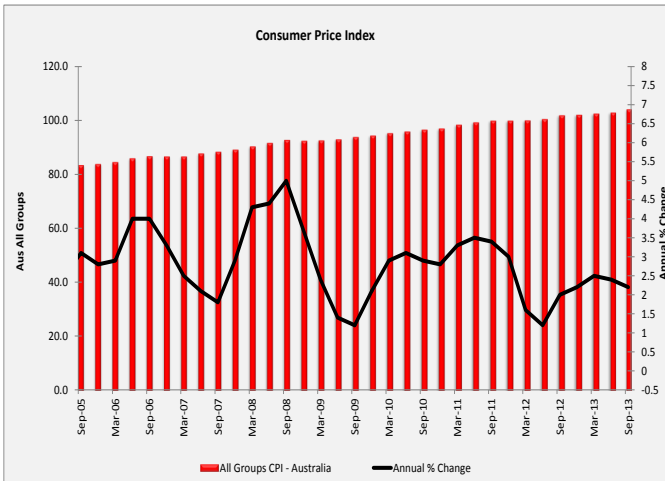


Chart 4- Consumer Price Index—Source—ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index increased by 4.7% in September from 105.7 in August to 110.6 in September. Over the quarter the index has increased by 8.4 points, an increase of 8.24%. Over the twelve months to September the Index increased by 12.4 Index points, reflecting a percentage increase of 12.64%.

The Index has now reached its highest level since December 2010, when it was recorded at 111 Index Points. Westpac's Chief Economist, Bill Evans, stated "Confidence is also high around the housing market. The sub-index tracking assessments of 'whether now is a good time to buy a dwelling' jumped 6.5% to its highest level since August 2009".

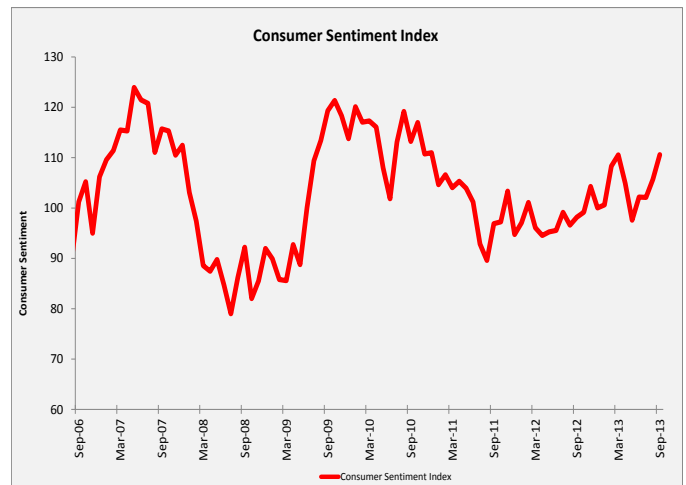


Chart 5 - Consumer Sentiment Index—Source—Westpac Melbourne Institute Survey

Commercial Office Market

Brisbane CBD

Investment Activity

PRP Research recorded a number of reported sales transactions that occurred in the Brisbane CBD Office Market during the three months to September 2013,

Anton Capital has purchased the **6,650 sqm** office building at **157 Ann Street in the Brisbane CBD** for **\$39 million**. The property was purchased from the City of Brisbane Investment Corporation on a passing **yield of 10.75%**.

A private investor has purchased an office complex at **29 Commercial Drive, Springfield in Brisbane** for a reported **\$3.2 million**.

A **5,459 sqm** office complex at **747 Lytton Road, Murarrie in Brisbane** has been purchased by a private investor for a reported **\$22.9 million**.

Leasing Activity

PRP Research recorded relatively low leasing transactions that occurred in the Brisbane CBD Office Market during the three months to September 2013.

Seymour Whyte, a construction services company has pre-committed to leasing **1,212 sqm** of space at **12 Electronics Street, Eight Mile Plains** at an **annual rental of \$500,000**, reflecting a rate **per sqm of \$412**.

Toyota Tsusho South Pacific has leased a **1,000 sqm** office space on **Melbourne Street in the Brisbane CBD** for a 10 year term at an approximate gross rent of **\$550 per sqm**.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2013 have been analysed to derive at the following findings:

Supply by Grade (Stock)

In the six months to July 2013, 21,315 sqm of office space entered the Brisbane CBD Office Market due to completion of a new development at 55 Elizabeth Street which accounted for 18,600 sqm of the new supply. A partial-refurbishment made up the remaining 2,715 sqm. However, withdrawals of 5,524 sqm resulted in a total Net Supply of 15,791 sqm.

The supply pipeline for the Brisbane CBD Office Market reveals no new supply expected for 2014, however in 2015+ there is 186,318 sqm of mooted new supply of which over 42% is new developments. There are 7 new developments expected in 2015+, of which 6 are DA Approved, with the remaining development in the DA Applied stage.

Market share of the Brisbane CBD Office Market is dominated by A Grade and B Grade office classes, with A Grade accounting for 40% of the market and B Grade accounting for 38%. C Grade follows with 10%, Premium Grade with 9% and D Grade with 3% of market share. Supply growth was recorded by A Grade and B Grade with 18,600 sqm and 2,715 sqm respectively. Supply withdrawal was experienced by A Grade and B Grade with 1,246 sqm and 4,278 sqm respectively. This is the first time the A Grade market has recorded a supply withdrawal since July 2005.

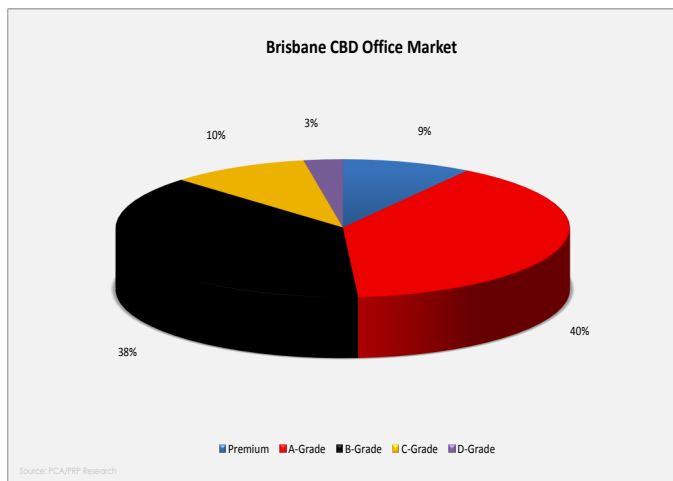


Chart 6 – Brisbane CBD Total Stock by Grade – Source PCA

Net Absorption/Vacancy Levels

Over the six months to July 2013, there was negative net absorption of -64,069 sqm recorded, bringing total net absorption for the twelve months to -61,663 sqm. The change in net absorption from January is linked to rising vacancy rates, which rose by 3.5% in six months to 12.8%.

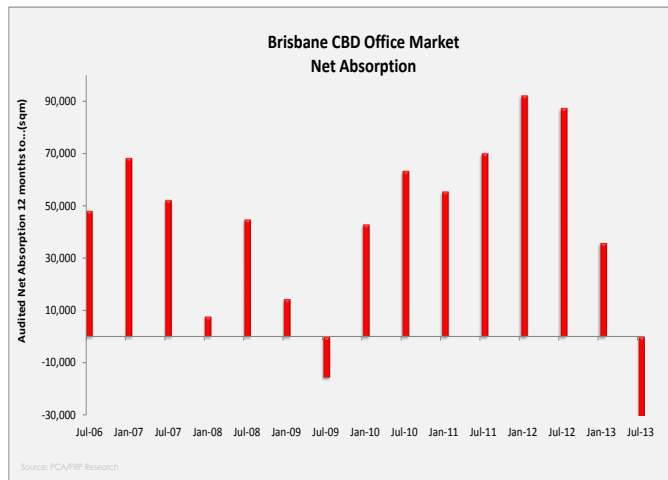


Chart 7 – Brisbane CBD Office Market Net Absorption – Source PCA

All Grades of Brisbane CBD Office space recorded increases in vacancy rates apart from D Grade which decreased by 1.8% to 17.6%. The greatest increase was recorded by B Grade which increased by 6.9% to 17% and is currently recording its highest level since data first became available by the PCA in January 1990.

Premium Grade, A Grade and C Grade Office space vacancy rates increased by 0.3%, 1.5% and 3.3% respectively to current vacancy levels of 12%, 8.8% and 12.2%.

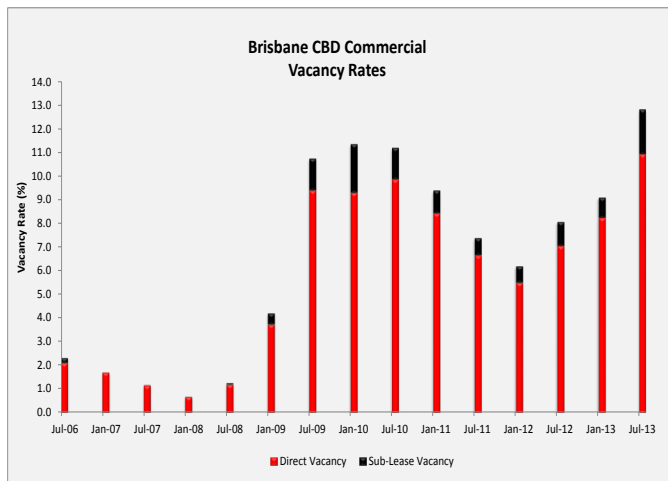


Chart 8 – Brisbane CBD Commercial Vacancy Rates – Source PCA

Gold Coast Office Market

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2013 have been analysed to derive at the following findings:

Supply by Grade (Stock)

In the six months to July 2013 there was 404 sqm of new supply that entered the Gold Coast Office Market, however was offset by withdrawals of 1,224 sqm resulting in Net Withdrawals of 820 sqm. The Gold Coast office market accounts for 463,844 sqm of space, with B Grade comprising 38.7% of the market share, followed by C Grade with 29%, A Grade with 28.5% and D Grade with 3.8%.

The supply pipeline for 2014 for the Gold Coast Office Market will see 15,624 sqm of supply enter the market due to refurbishments.

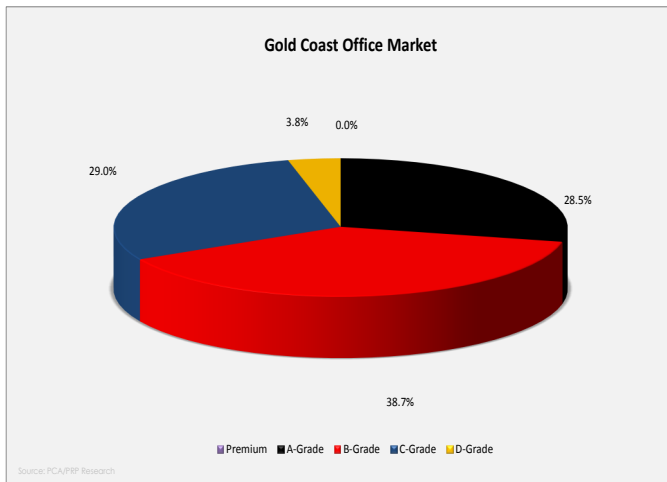


Chart 8 – Gold Coast Total Stock by Grade – Source PCA

Net Absorption/Vacancy Levels

In the six months to July 2013, 1,572 sqm of space was absorbed in the Gold Coast Office Market taking the total net absorption over the twelve months to 3,423 sqm. The positive net absorption is the result of a decline in total vacancy by 0.4% to 19.9%.

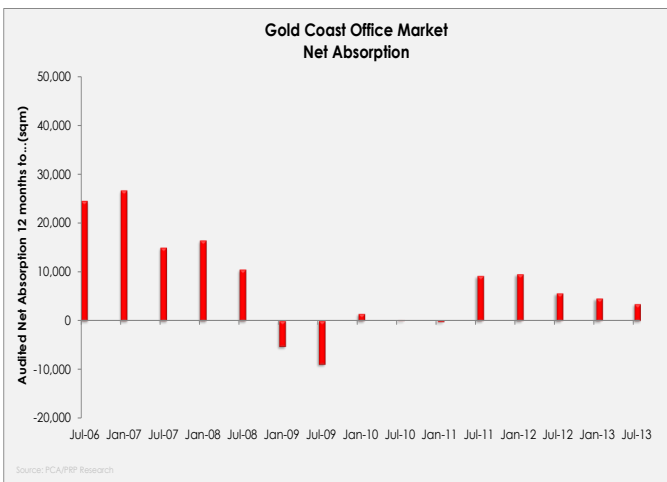


Chart 9 – Gold Coast Office Market Net Absorption—Source PCA

The greatest decline in vacancy rates was attributed to A Grade office space which decreased by 3.3% to 24.4%. C Grade office space also recorded a decline of 0.8% to 18% over the six months to July, whereas B Grade and D Grade experienced increases in vacancy levels of 1.7% and 0.9% to vacancy of 17% and 29.2% respectively.

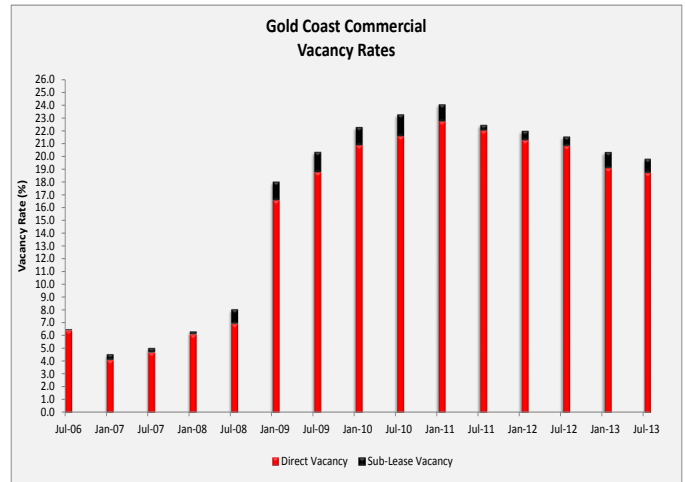


Chart 9– Gold Coast Commercial Vacancy Rates – Source ABS

Retail Market

Investment Activity

PRP Research recorded a number of retail transactions that occurred in Queensland during the September quarter 2013;

An entity believed to be associated with Altis Property Partners has purchased the Fortitude Valley Homemaker Centre at **650 Wickham Street, Fortitude Valley** for a reported **\$103 million**.

The **26,995 sqm** Logan MegaCentre located at **3525 Pacific Highway, Slacks Creek** has been purchased by the Blackstone Group from Mirvac for a reported **\$52 million**. Major tenants include Spotlight, Anaconda and Freedom.

Economic Statistics

According to the Australia Bureau of Statistics category 8501.0 Retail Trade (August 2013), the retail turnover figures recorded in Queensland produced varied results. Total retail turnover for Queensland over the month of August increased by 0.23% to \$4,600 million. Over the twelve months to August 2013, Queensland recorded growth of 3.6% in Total Retail Turnover.

Varied results were recorded in categories of retail trade, with Department Stores recording the most marked monthly growth of 7.7% to turnover of \$304.7 million. The most significant monthly decline was attributed to Household Goods Retailing by 1.7% to turnover of \$753 million.

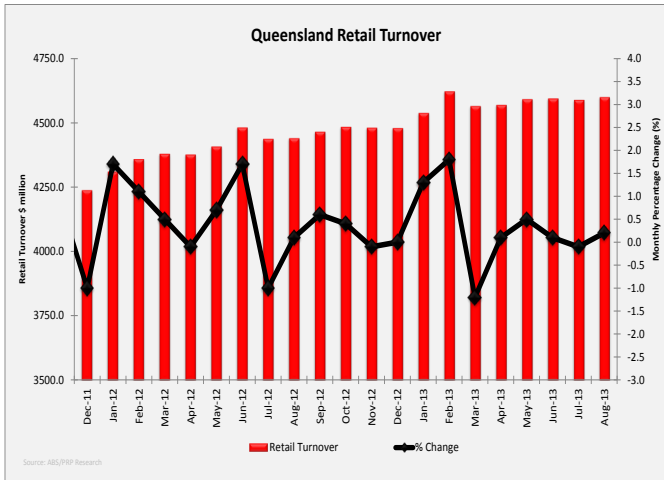


Chart 10—Queensland Retail Turnover— Source ABS

Over the month of August, varied results were experienced in the sub-categories of Retail Trade, with Other Recreational Goods Retailing and Department Stores Retailing recording the most marked growth of 12.37% and 7.74% to turnover of \$116.3 million and \$304.7 million respectively. The greatest declines over the month were attributed to Electrical and Electronic Goods Retailing and Pharmaceutical, Cosmetic and Toiletry Goods Retailing with 6.54% and 2.28% to monthly turnover of \$295.9 million and \$269.6 million respectively.

Year on year analysis of the sub-categories of Retail Trade revealed positive results with the majority of categories recording growth. The most marked growth was experienced by Other Recreational Goods Retailing and Takeaway Food Services with 25.87% and 21.8% to turnover of \$116.3 million and \$316.8 million respectively. The most significant declines over the year were recorded by Newspaper and Book Retailing and Pharmaceutical, Cosmetic and Toiletry Goods Retailing with declines of 12.65% and 8.14% to turnover of \$74.6 million and \$269.6 million respectively.

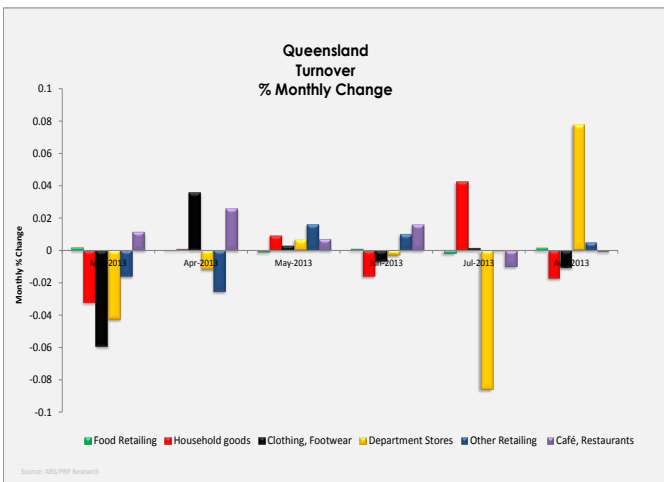


Chart 11—Queensland Turnover % Monthly Change— Source ABS

Rural Market

Investment Activity

PRP Research recorded few rural transactions that occurred in Queensland during the September quarter 2013;

S. Kidman and Co. Australia's largest land holder has purchased the **Rocky Bank Cattle Station in Roma, Western Queensland**. The **14,600 hectare** station was sold for **\$7.4 million** reflecting a rate per hectare of \$507. The property will be used as a stud breeding centre.

Industrial Market

Investment Activity

PRP Research recorded few sales transactions that occurred in the Brisbane Industrial Market, during the three months to September 2013;

Independent Timber Importers has purchased a **10 hectare** industrial site at **62 Creel Street, Bundamba** in Ipswich for **\$5.2 million**.

Leasing Activity

PRP Research recorded a number of leasing transactions that occurred in the Brisbane Industrial Market during the three months to September 2013.

Eastcoast Development Engineering has signed a 3 year lease for **3,600 sqm** of space at the **Rocklea Industrial Precinct in Rocklea** at an approximate **annual rental of \$330,000** reflecting a rate **per sqm of \$91**.

SRS Roads has taken out a 3 year lease with 3 year option for a warehouse facility at **115 Frederick Street, Northgate**. The facility comprises; a **2,000 sqm warehouse, 3,000 sqm hardstand area and 100 sqm office space**. The site has been leased at **\$144,000 per annum**.

Bayer Australia has leased a brand new office and warehouse space at **205 Queensport Road, Murrarie**. The **2,762 sqm** property has been leased for a 6 year term for a **net annual rental between \$370,000 & \$390,000**.

Japanese restaurant chain Sushi Sushi has leased a **1,650 sqm** office/warehouse facility at **16 Londor Close, Hemmant** for a 5 year term with a 5 year option. Sushi Sushi will pay approximately **\$115 per sqm**.

Residential Market

Economic Statistics

According to Australian Bureau of Statistics category 8731.0 Building Approvals August 2013, the total number of house dwelling approvals in the Brisbane Statistical Division over the month have declined by 5.74% from 767 approvals to 723 approvals. Despite the monthly decline, in comparison to the month of August 2012 there has been an increase of 11.57% in house dwelling approvals.

Non-house dwelling approvals recorded a decline of 26.79% over the month of August however compared to August 2012 there was a 25% increase.

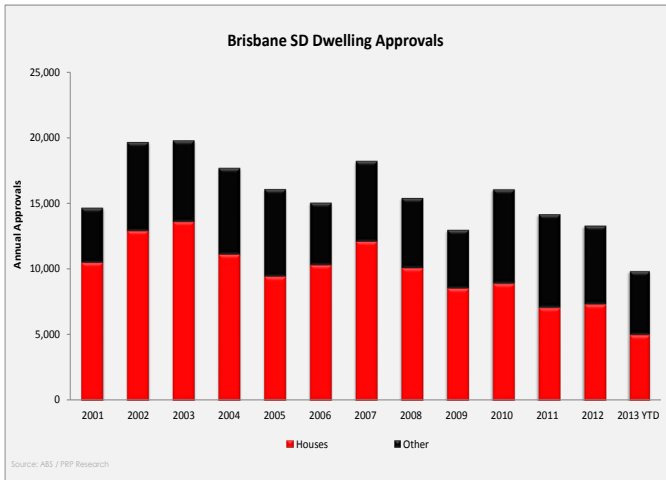


Chart 12—Brisbane SD Dwelling Approvals— Source ABS

QUEENSLAND

Market Affordability

Over the June 2013 quarter, the Brisbane median house price increased by 2.3% to \$445,000. According the Real Estate Institute of Australia (REIA) this reflects a year on year increase of 4.1%.

Over the three months to June, the majority of zones recorded declines in median sale price, with the most significant decrease attributed to the Gold Coast by 2.9% to \$466,000 followed by Cairns with a 2.6% decline to \$345,800 and the Sunshine Coast by 1.6% to \$438,000. Growth was recorded in Inner and Middle Brisbane and Townsville, increasing by 1.5%, 0.8% and 0.8% to median sale prices of \$685,000, \$490,000 and \$363,000 respectively.

In comparison to the June quarter 2012 all zones recorded growth apart from Outer Brisbane which declined by 0.1% and Townsville which declined by 0.6%. The most marked growth over the year was experienced by Middle Brisbane which increased by 3.5%, followed by Sunshine Coast and the Gold Coast, increasing by 2.8% and 2.4% respectively

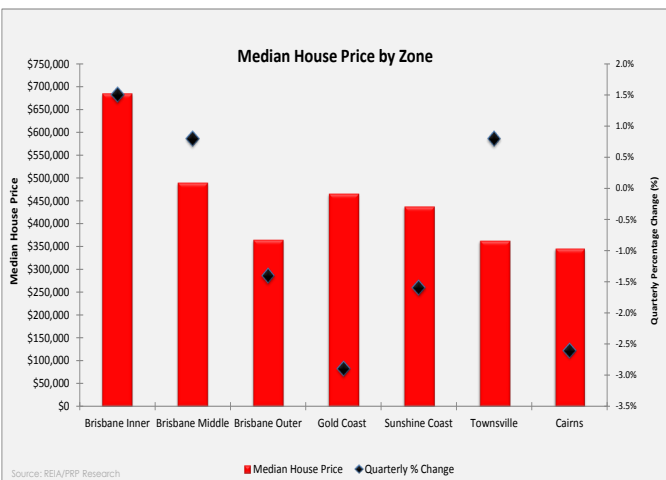


Chart 13—Median House Price by Zone— Source REIA

Other Dwelling median sale prices in Brisbane recorded negative results, with the only growth over the quarter recorded by Inner Brisbane, increasing by 0.7% to median sale price of \$430,000. The most marked declines were in Townsville, Cairns and the Sunshine Coast, declining by 11.2%, 10% and 7.2% respectively to median sale prices of \$270,000, \$180,000 and \$320,000 respectively.

Year on year analysis revealed similar results, with all zones recording declines in the twelve months to June. The most significant declines were recorded in Cairns, Townsville and Outer Brisbane, with decreases of 16.4%, 14.9% and 13.2% respectively. Outer Brisbane declined to a median sale price of \$275,000.

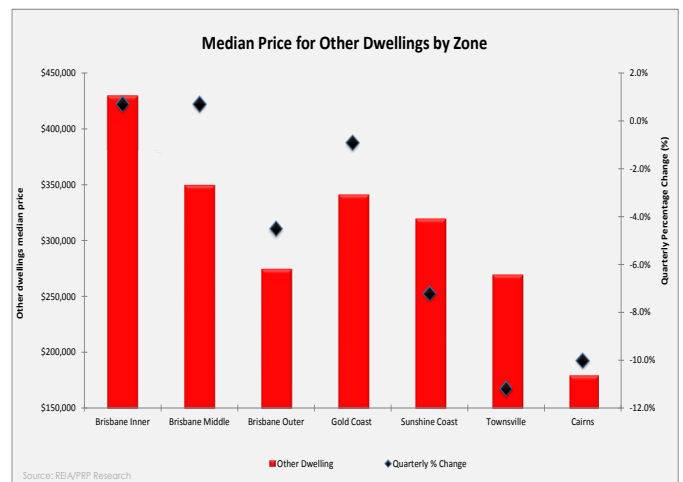


Chart 14—Median Price for Other Dwellings by Zone— Source REIA

Rental Market

The June quarter recorded varied results with the majority of zones decreasing or remaining unchanged. The most marked declines in median house rents over the quarter were in Townsville 2, 3 and 4 bedrooms which decreased by 3.2%, 2.9% and 2.4% respectively to median house rentals of \$300, \$340 and \$400 per week. This was followed by Gold Coast 2 bedrooms which declined by 2.9% to median weekly rental of \$330.

Growth over the quarter was recorded in Inner Brisbane 2 bedrooms by 2.4% to median weekly rental of \$430 and Outer Brisbane 2 bedrooms by 1.9% to \$270 per week. Year on year analysis revealed more positive results, with the majority of zones recording growth. The most significant annual growth was recorded by Inner Brisbane 3 bedrooms by 6.3% to median weekly rental of \$510. This was followed by Inner Brisbane 2 bedrooms and Outer Brisbane 2 and 3 bedrooms with increases of 4.9%, 3.8% and 3.2% respectively to median weekly rentals of \$430, \$270 and \$320.

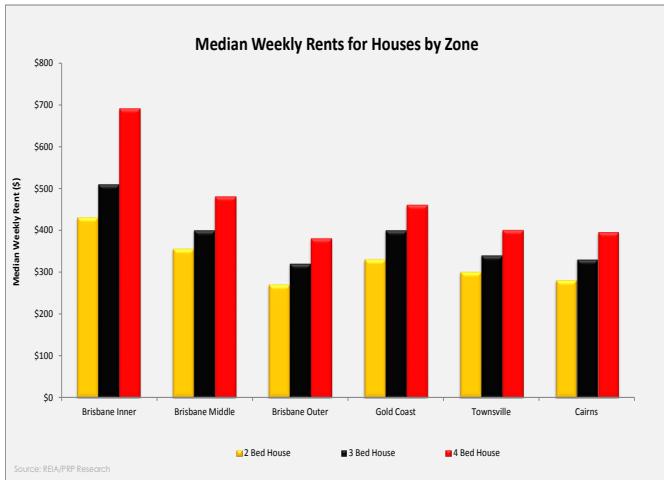


Chart 15—Median Weekly Rents for Houses by Zone— Source REIA

Hotels & Leisure Market

Investment Activity

PRP Research recorded few Hotel and Leisure transactions that occurred in Queensland during the September quarter 2013;

Abacus Property Group has purchased the **9,177 sqm** Summit Apartments at **15 Flame Tree Crescent, Airlie Beach** in the Whit-sundays for **\$9,700,000**.

Other Dwellings rental rates over the June quarter recorded predominantly negative results, with the most significant growth of 3.4% recorded by Inner Brisbane 3 bedrooms to median weekly rental of \$600. The most significant declines were in Townsville 1, 2 and 3 bedrooms, with decreases of 12%, 6.7% and 28.8% respectively to median weekly rentals of \$220, \$280 and \$285.

Year on year analysis revealed more positive results, with the only declines attributed to Townsville 1 and 3 bedrooms with decreases of 4.3% and 28.8%. The most significant growth over the year was experienced by Cairns 1 bedrooms by 8.1% to median weekly rental of \$200, followed by Outer Brisbane 3 bedrooms and Cairns 2 bedrooms with growth of 4.8% and 4% respectively to median rentals of \$330 and \$260 per week.

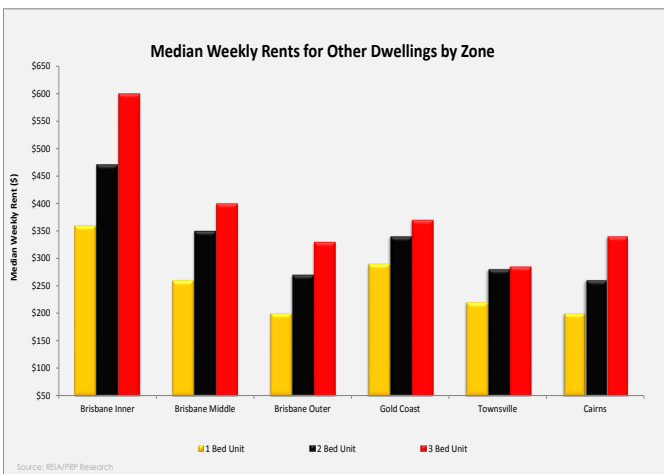


Chart 16—Median Weekly Rents for Other Dwellings by Zone— Source REIA

Our Research

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

We have property covered

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

We have all real estate types covered

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

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

We have all types of plant & machinery covered

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

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

We have all client profiles covered

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

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



We have all *locations* covered

From our central office location within the Sydney Central Business District we serve our clients' needs throughout the Sydney CBD, greater Sydney metropolitan area, throughout the state of New South Wales. For special purpose real estate asset classes, infrastructure, and plant & machinery we operate throughout Australia and globally either directly or through our relationship offices.

We have *your needs* covered

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

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

Sydney (Head Office)

Level 11, 80 Clarence Street
Sydney NSW 2000

PO BOX 4120, Sydney NSW 2001

P: 02 9292 7400

F: 02 9292 7403

E: mailroom@prpsydney.com.au

W: www.prpsydney.com.au

Preston Rowe Paterson NSW Pty Ltd

ACN: 61 003 139 188

The information provided within this publication should be regarded solely as a general guide. We believe that the information herein is accurate however no warranty of accuracy or reliability is given in relation to any information contained in this publication. Nor is any responsibility for any loss or damage whatsoever arising in any way for any representation, act or omission, whether expressed or implied (including responsibility to any person or entity by reason of negligence) accepted by Preston Rowe Paterson NSW Pty Ltd or any of its associated offices or any officer, agent or employee of Preston Rowe Paterson NSW Pty Limited.

Directors

Greg Preston
M: 0408 622 400
E: greg.preston@prpsydney.com.au

Greg Rowe
M: 0411 191 179
E: greg.rowe@prpsydney.com.au

Associate Directors

Ben Greenwood
M: 0448 656 103
E: ben.greenwood@prpsydney.com.au

Neal Smith
M: 0448 656 647
E: neal.smith@prpsydney.com.au

Rachel Cooper
M: 0448 757 134
E: rachel.cooper@prpsydney.com.au

Ben Toole
M: 0448 886 335
E: ben.toole@prpsydney.com.au

Capital City Offices

Adelaide

Brisbane

Melbourne

Sydney

Regional Offices

Albury Wodonga

Ballarat

Bendigo

Cairns

Central Coast/Gosford

Geelong

Gold Coast

Gippsland

Mornington

Newcastle

Wagga Wagga

Relationship Offices

Canberra

Darwin

Hobart

Perth

Other regional areas