



Preston
Rowe
Paterson

®
International Property Consultants

Property Market Report

Queensland

ABOUT THIS REPORT

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

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

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

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

September Quarter 2016

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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 2016:

643 Kessels Road, Upper Mount Gravatt, QLD 4122

Stockland has sold the **Garden Square** office complex to Quintessential Equity for **\$45.25 million**. **Garden Square** comprises two linked buildings with 7-levels of office space. The 12,623 m2 of net lettable area property sits on a 16,650 m2 site. The sale reflects a **rate of \$2,718 psm**. Upper Mount Gravatt is located about 10.6 km south of the Brisbane CBD.



308 Queen Street & 88 Creek Street, Brisbane, QLD 4000

Primewest has purchased the '**Chambers**' building and an adjoining 8-storey commercial building for **\$37.4 million**. Both buildings are A-grade and offer a total of 3,593 m2 of office space and 985 m2 of retail space. Together the properties bring in a total passing net income of \$2.7 million. If the buildings were fully-leased they could return about \$3.4 million. The properties also have a unique future potential to deliver a hotel or retail property. The **Chambers** property has recently undergone significant capital works. The sale reflects a **rate of \$8,170 psm**.

11 Breakfast Creek Road, Newstead, QLD 4006

Charter Hall's Prime Office Fund has acquired a development site from Tatts Group for **\$16.5 million**. The 3,254 m2 site will be developed into an A-grade, 14-storey commercial building with John Holland pre-committing to the new project for two floors. The site has existing approval for ground-floor shops, 188 car spaces and end of trip facilities. The sale reflects a **rate of \$5,071 psm**. Newstead is located about 2.8 km north-east of the Brisbane CBD.

40-52 McDougall Street, Milton, QLD 4604

Shayher Group has paid **\$98 million** to Investa Commercial Property Fund for a 1.5-hectare site. The site has DA approval for two residential buildings comprising 293-apartments. There are also approvals in place to add further floor space up to 20-storeys at the two existing office buildings. The 20,772 m2 of NLA, A-grade office park has an occupancy of 98%. The sale reflects a **rate of \$6,533 psm**. Milton is located about 2.1 km west of Brisbane's CBD.

831 Gympie Road, Chermside, QLD 4032

Blackstone and Morgan Stanley have sold an office building to a private syndicate for **\$18.25 million**. The A-grade, 6,515 m2 office block has a WALE of 1.6-years and is 86% occupied. The sale reflects a **rate of \$2,801 psm**. Chermside is located about 10.3 km south-west of the Brisbane CBD.



Leasing Activity

Preston Rowe Paterson Research recorded no significant leasing transactions that occurred in the Brisbane CBD office market during the three months to September 2016.

Development Sites

According to the July 2016 edition of Property Council of Australia (PCA)'s Office Market Report, one new development is due to be completed in late 2016:

The development site, located on **1 William Street**, is due to be completed by the third quarter of 2016 and will become the new home of the Queensland State Government. The site, owned 50% by Cbus Property and 50% by QLD State Government, will become Brisbane's largest commercial tower upon its completion. The tower comprises of **75,853 sqm** of net lettable area over 42 office levels. Its average floorplate size is 1970 sqm. There will be 1100 sqm of retail area in conjunction with a total of 318 carpark spaces.



1 William Street, located in the heart of Brisbane City, will become its largest commercial building upon completion.

Supply by Grade (Stock)

PCA's Office Market Report also revealed an increase of 104,538 sqm in office space in the Brisbane CBD office market. This was brought on by the 115,134 sqm of additional supply in conjunction with 10,596 sqm of withdrawals over the half year to July.

A and B Grade office stock dominate Brisbane CBD's office market, with a respective share of 40.6% and 35.7%. Premium and C Grade stocks assumed 11.5% and 9.7% respectively, whilst D Grade stocks were the least common, encompassing 2.5% of total stock.

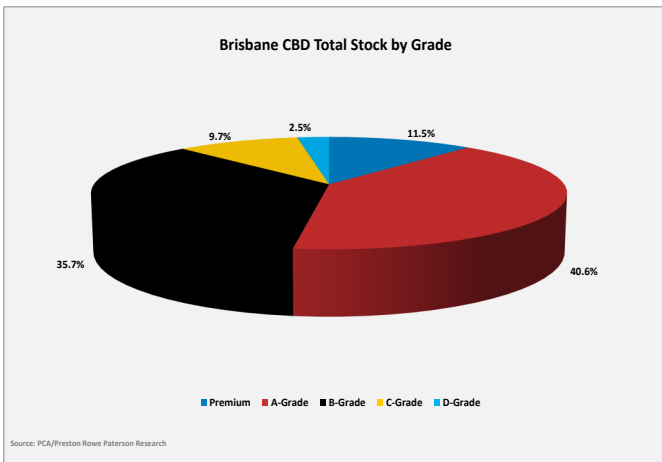


Chart 1 – Brisbane CBD Total Stock by Grade – Source PCA

Net Absorption

Brisbane CBD's office market experienced a positive absorption of 41,419 sqm in the twelve months to July 2016. Furthermore, The net absorption recorded in the six months to July was 42,742 sqm.

All office grades, except for C and D Grades, experienced positive changes to their occupied stock in the twelve months to July. Premium, A and B Grades increased by 9.2%, 4.4% and 0.2% respectively. C and D Grades however, reduced by 3.5% and 6.9% respectively.

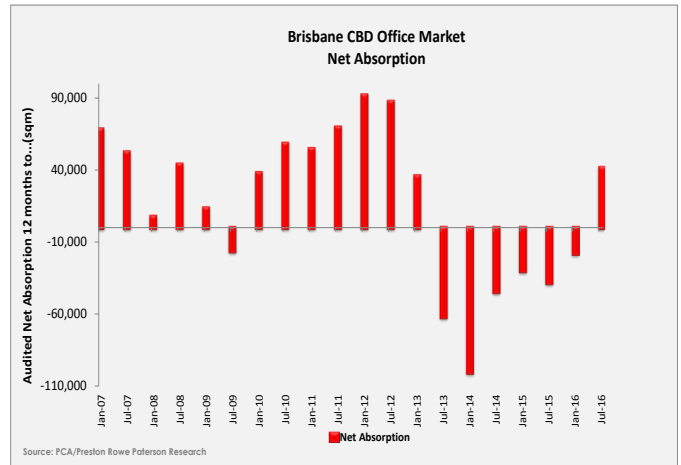


Chart 2 – Brisbane CBD Office Net Absorption – Source PCA

Total Vacancy

Total vacancy rate in the Brisbane CBD office market over the six months to July 2016 increased by 2% to 16.9%. Direct vacancy for the period was 13.8% and sub-lease vacancy was at 3.1%. Total vacant office space in Brisbane CBD market is reported at 383,238 sqm.

Vacancy rates had increased in all, but B and D Grade, office stocks. Premium, A and C Grades grew by 12.6%, 2.5% and 1.0% respectively to their new rates of 22.1%, 13.9% and 17.5%. B and D Grade had similar declines of 0.8% and 1.0% respectively, and now have vacancies of 18.6% and 16.8% respectively.

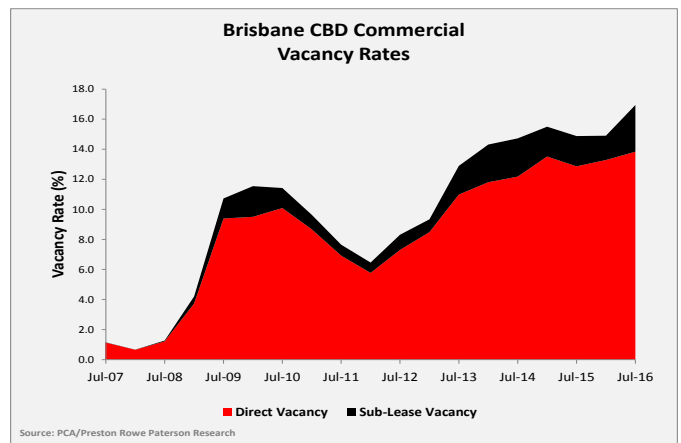


Chart 3 – Brisbane CBD Commercial Vacancy Rates – Source - PCA

Gold Coast Office Market



Supply by Grade (Stock)

The July 2016 PCA Office Market Report states that there has been an increase of 800 sqm in total office space on the Gold Coast, a result additional supplies and no withdrawals for the six months towards July 2016. Total office supplies as of July 2016 stands at 473,050 sqm.

Gold Coast's office market is dominated by B Grade office stocks, which accounts for 40.1% of total market stock. A and C Grade take up similar proportions of the market recording at 27.9% and 28.8% respectively. D Grade stocks assumed only 3.2% of total market share.

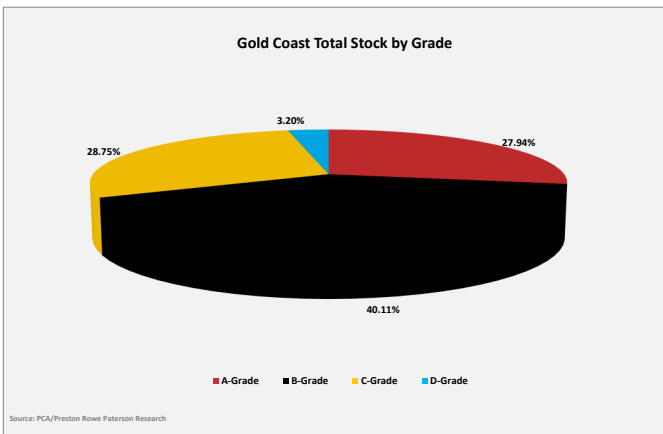


Chart 4 – Gold Coast Total Stock by Grade – Source PCA

Net Absorption

Gold Coast's office market has recorded positive net absorption of 2,014 sqm in the twelve months to July 2016. However, we note that the total market net absorption in the six months to January was reported to be negative, at -4,511 sqm.

The only change in absorption came from B Grade offices, which increased by an additional 800 sqm, and as at July 2016 take up 189,744 sqm of total office space. A, C and D Grade stocks did not change in their stock size, and as July take up 132,163 sqm, 136,004 sqm and 15,139 sqm respectively.

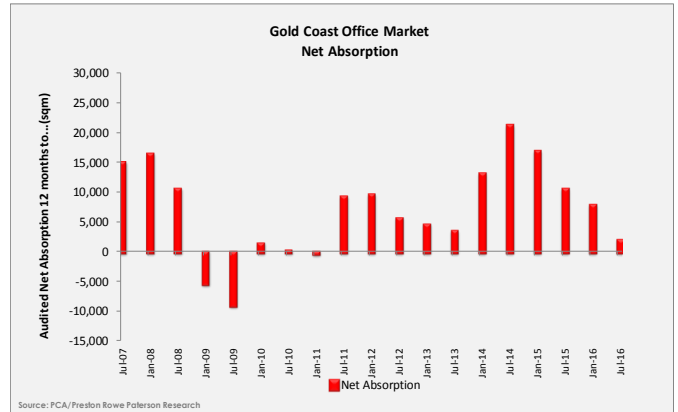


Chart 5 – Gold Coast Office Net Absorption – Source - PCA

Total Vacancy

As at July 2016, there is a reported increase in the total vacancy for Gold Coast's office market, which now stands at a rate of 14.3%. This figure is a combination of the 13.0% in direct vacancy and 1.3% in sub-lease vacancy. Total vacancy amount to 67,238 sqm.

Only B Grade office stocks experienced a tightening over the half year to July, decreasing by 1.7% to 12.4%. A, C and D Grades all increased in vacancy, by 2.8%, 1.7% and 2.6% respectively. Their respective vacancy rates stand at 18.7%, 12.9% and 12.2%.

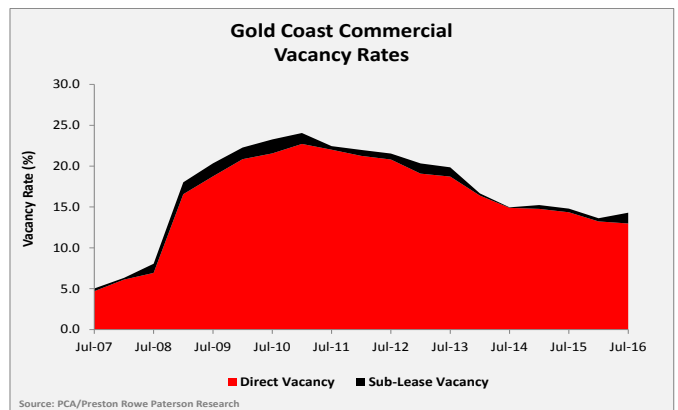


Chart 6– Gold Coast Commercial Vacancy Rates – Source ABS



RETAIL MARKET Investment Activity

Preston Rowe Paterson Research recorded a number of retail transactions that occurred in the Brisbane metropolitan area during the September quarter 2016:

166 Monier Road, Darra, QLD 4076

A Chinese investor has acquired the **Monier Village** from **Vicinity Centres** for **around \$24 million**. The 5,595 m2 centre sits on a 25,660 m2 site and has 286 car spaces. **Woolworths** and **Aldi** supermarkets anchor the centre, along with 14 specialty tenancies. The sale reflects a **yield of close to 5.5%** and a **rate of \$94 psm**. Darra is located about 16.4 km of the Brisbane CBD.

University Road & Macarthur Drive, Annandale, QLD 4814

Jim Williams has sold the **Annandale Central Shopping Centre** to **SCA Property Group** for **\$33.5 million**. The Coles-anchored neighbourhood shopping centre has 6,685 m2 of space with 19 specialty shops and a discount variety store. The sale reflects a **rate of \$5,011 psm**. Annandale is located about 8 km south-west of Townsville's CBD.

1 Kingsmore Boulevard, Reedy Creek, QLD 4227

RCSC Pty Ltd has sold the **Reedy Creek Village Shopping Centre** to an Asian investor for **\$20.5 million** on a **5.9% yield**. The **Woolworths**-anchored, 3,279 m2 of net lettable area centre has six specialty stores and 192 car spaces. The sale of the 12,200 m2 site reflects a **rate of \$1,680 psm**. Reedy Creek is located about 15.7 km south of Gold Coast's CBD.

Bestmann Road East, Sandstone Point, QLD 4511

Sandstone Village has been bought by **Kerching Capital** from **Properties and Pathways** for **\$10.4 million**. The 2,289 m2 centre is anchored by a **Supa IGA**. The sale reflects a **yield of 7%** and a **rate of \$4,543 psm**. Sandstone Point is located 68.9 km north of Brisbane's CBD.

Leasing Activity

Preston Rowe Paterson Research recorded a number of leasing transactions that occurred in Queensland's retail market during the three months to September 2016:

71 Redland Bay Road, Capalba, QLD 4157

Outdoor Furniture Outlet will open an 851 m2 showroom after agreeing to a deal with a private landlord. The showroom also comes with rear roller door access and parking. The **net annual rent is believed to be between \$225 to \$275 psm**. Capalba is located around 20.3 km south-east of the Brisbane CBD.

30 Scottsdale Drive, Robina, QLD 4226

Landlord **Clarence Property** has leased 1,000 m2 of retail space to **Spanos IGA** supermarket as the anchored tenant in its **Easy T Centre**. The lease is for **15-years** with trade beginning in November. The centre comprises 30 retail tenancies with some commercial space. Robina is located about 10.5 km south-west of the Gold Coast CBD.

RETAIL STATISTICS

According to the Australia Bureau of Statistics category 8501.0 Retail Trade (September 2016), modest retail turnover figures were brought through the month to September. Total turnover increased slightly by 0.53% to \$5,118.7 million. A year on year analysis indicates a larger change of 3.82% from last September.

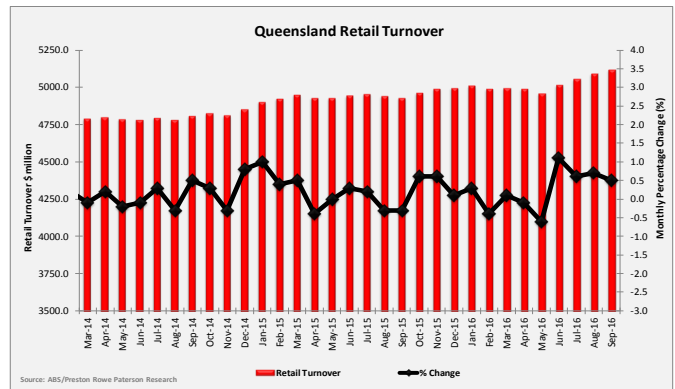


Chart 7—Queensland Retail Turnover— Source ABS

September's retail turnover revealed predominantly positive results throughout different industry subgroups. The largest monthly increase came from spending on household goods and Café & restaurants, which increased by 2.06% and 1.74% respectively. Their respective retail turnover for the month stand at \$889.9 million and \$743.9 million. Food retailing and Department store experienced more modest increases, of 0.13% and 0.16% respectively to their monthly turnovers of \$2,145.7 million and \$306.3 million. Clothing and Other retailing both experienced declines in their turnover figures over the month. Turnover in the Clothing sector declined by 1.22% to \$347.7 million over the month, and Other retailing declined by 0.39% to \$685.2 million.

Annual changes in turnover were all positive for the aforementioned subgroups. Clothing led the increase in turnover with 9.07%, followed by Household goods (6.93%), Café & restaurants (4.16%), Food retailing (3.10%), Department stores (0.92%) and Other (0.68%).

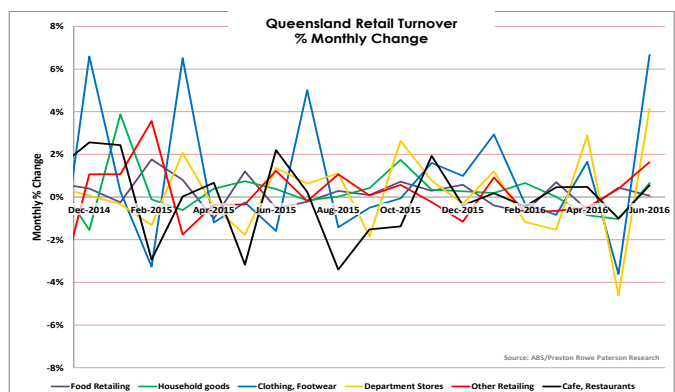


Chart 8—Queensland Turnover % Monthly Change— Source ABS

INDUSTRIAL MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following transactions that occurred in the Queensland's industrial market, during the three months to September 2016:

891 Ingham Road, Bohle, QLD 4818 *GDI Property Group* has sold an industrial facility to a Brisbane-based investment company for **\$8.1 million**. The 5.7-hectare site is on a 10-year with options lease to UGL. The property features a rail spur that facilitates the maintenance of rolling stock. The low site coverage allows for future redevelopment. The sale reflected a **yield of 8.95%** and a **rate of \$142.11 psm**. Bohle is located around 11.8 km west of Townsville's CBD.

Cnr Albert and Charlotte Streets, Brisbane, QLD 4000 *Festival Towers Retail*, a trust backed by offshore private equity and managed by *Marquette Properties*, has bought **Festival Towers** from *Citimark* for **\$22.7 million**. The 1,169 m² of lettable area property brings in a net passing income of \$1.352 million, reflecting a **yield of about 5.9%**. *Priceline Pharmacy*, *Grill'd*, *JHMY International*, *Spoon Deli Espresso*, *Sanchurro* and *Nandos* are lessees in the building. The sale reflects a **rate of \$19,418.31 psm**.

188 Algester Road, Calamvale, QLD 4116 The **Central Park Shopping Centre** has been purchased by Chinese investors for **\$16.96 million**. The 1,870 m² centre is anchored by an IGA supermarket and 20 retail specialties. The site included two adjoining properties which sold on a **passing yield of 6.7%**. The sale reflects a **rate of \$9,069.52 psm**. Calamvale is located around 19.8 km south of Brisbane's CBD.

175 Monterey Quays Drive, Helensvale, QLD 4212 A Brisbane-based investor has acquired the **Monterey Keys Shopping Village** for **\$9.85 million** on a **yield of 6.7%**. The 2,000 m² centre is anchored by an IGA supermarket and a *Jetts* gym. The sale of the 9,961 m² site reflects a **rate of \$988.86 psm**. Helensvale is located around 19.5 km north-west of Gold Coast's CBD.

85 Brandl Street, Eight Mile Plains, QLD 4113 *Harmony Property Syndication* has paid **\$7.23 million** to *Industria REIT* for a high-tech office and warehouse facility. The property is fully-leased to *Zimmer Blomet* and *Cook Medical* for a net passing annual income of \$541,543. The 1,627 m² facility features 1,249 m² of office space over two levels and a 165 m² high-clearance warehouse space on the ground floor. There are 35 car parks. The sale reflects a **yield of 7.49%** and a **rate of \$4,444 psm**. Eight Mile Plains is located around 15.2 km south-east of the Brisbane CBD.

85 Brandl Street, Eight Mile Plains, QLD 4113 A 1,544 m² of net lettable area building within the Brisbane Technology Part has been sold by *Industria REIT* for **\$7.23 million**. Two levels of office accommodation and a small secured warehouse component occupy the 1,892 m² site. The property has had recent leasing deals increasing its average lease expiry from 2.5-years to 4.6-years. There are also 35 open car parks. The sale reflects a **rate of \$3,821 psm**. Eight Mile Plains is located about 15.2 km south-east of the Brisbane CBD.

7 Chester & 14 Ella Streets, Newstead, QLD 4006 *Kokoda Property Group* has bought a development site, which has DA approval, from *Urban Construct* for **\$18 million**. The site will be developed into two 18-storey towers with 376 apartments. The sale reflects a **rate of \$47,872.34 per planned apartment**. Newstead is located about 2.8 km north-east of the Brisbane CBD.

Bryants & Beenleigh-Redland Bay Roads, Cornubia, QLD 4130 A private Asian investor has bought the Cornubia mall for **\$38.25 million** from *Woolworths*. The 5,309 m² mall and 1,393 m² medical and professional suite centre was purchased on a **6% yield**. The sale reflects a **rate of \$5,707.25 psm**. Cornubia is located about 31.7 km south-east of the Brisbane CBD.

34 Corporate Drive, Cannon Hill, QLD 4170 *Elanor Investors Group* has acquired a 4.5-star NABERS Energy Rated office and warehouse building for **\$20.4 million**. The 5,313 m² building was sold on a WALE of 4.73-years with tenants including *Kaelus*, *2GB Radio*, *Isuzu*, *WorkCover*, *Optus*, *NAB*, *GM Holden*, *Orica*, the State Government, *Compass* and *Honeywell*. The 5,313 m² site has 164 car parks and the potential to convert or expand the current building or redevelop. The sale reflects an **initial yield of 8.25%** and a **rate of \$384 psm**. Cannon Hill is located about 9.2 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 2016:

692 Curtin Avenue, Pinkenba, QLD 4008 *Greyhound Australia* has committed to leasing a 1.4-hectare industrial facility from landlord *Darveniza Group* for **5-years with options**. The lease for the 3.9-hectare site is a net annual rent of around \$400,000. The lease reflects a **rate of about \$28.57 psm**. Pinkenba is located about 12.3 km north of Brisbane's CBD.

Gardener Road, Rochedale, QLD 4123 *Super Amart* has agreed to lease a 42,000 m² warehouse and office in the **Rochedale Motorway Estate**. The property is being developed by *Brickworks* and *Goodman Group*. Rochedale is located around 18.7 km south-east of the Brisbane CBD.

40 River Road, Redbank, QLD 4301 *Eastwells Haulage* will lease a warehouse for an annual rent of \$90,000. The lease term for the 900 m² metal clade warehouse is **3-years with options**. The lease reflects a **rate of \$100 psm**. Redbank is located about 27.7 km south-west of the Brisbane CBD.

18 Brandl Street, Eight Mile Plains, QLD 4113 *Lumascape Lighting Industries* will lease a 1,740 m² property from a private landlord after agreeing to a **5-year lease**. The property has a 1,220 m² warehouse, 520 m² office and 25 car spaces. The **gross annual rent is \$233 psm**. Eight Mile Plains is located 15.2 km south-east of the Brisbane CBD.

RESIDENTIAL MARKET

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals (September 2016), total number of house dwelling approvals in the Brisbane Statistical Division over the month to September decreased by 2.75% from 1054 to 1025 approvals. September's figure reflects a year on year decline of 1.25%.

In contrast, total number of approvals for non-house dwellings increased by 25.31% over the month to September to 1,634. However, this figure reflects a year on year decline of 28.89% September 2015.

Total dwelling approvals for the three months to September are at 7,592. Total to date for the year stands at 22,435 approvals.

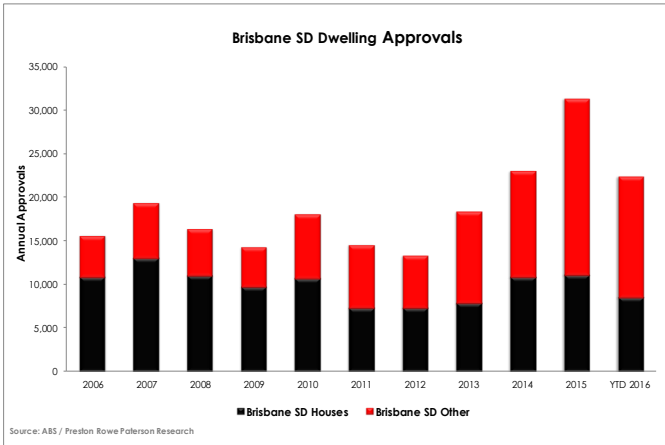


Chart 9—Brisbane SD Dwelling Approvals—Source ABS

BRISBANE

Market Affordability

Market affordability figures for the September quarter 2016 are not available from the Real Estate Institute of Australia (REIA), however, we have used figures from the June quarter for our analysis below.

According to the June report from REIA, Brisbane's median house price increased by 1.2% over the quarter to \$495,000. Inner and Middle Brisbane both experienced quarterly growths, of 4.9% and 1.4% respectively. Their median prices stand at \$870,000 and \$580,000. In contrast, Outer Brisbane prices declined by 2.1% down to \$380,000 for June quarter.

The year to June 2016 brought through a 3.6% annual increase in Brisbane median house prices. Inner Brisbane and Middle Brisbane experienced annual growths of 2.4% and 3.6% respectively. Outer Brisbane prices did not change from June last year.

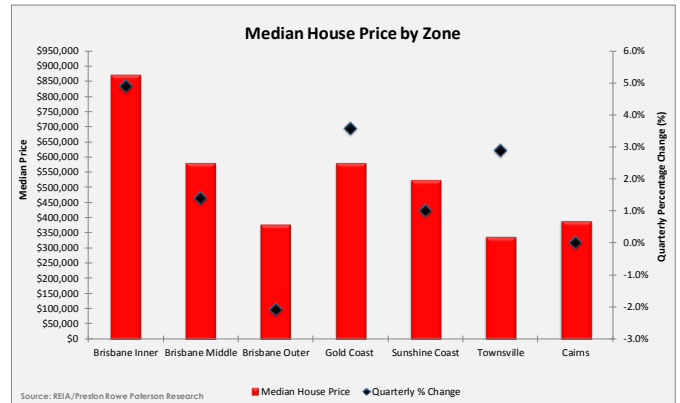


Chart 10—Median House Price by Zone—Source REIA

Brisbane's median price for Other dwellings did not change over the quarter and remain at \$400,000. Inner and Outer Brisbane experienced increases over the quarter, by 0.4% and 1.0% respectively to \$467,000 and \$295,000. Middle Brisbane experienced a decline of 1.2% over the quarter, with its median price declining to \$385,000.

Year on year analysis revealed declining growth in all Brisbane zones. Brisbane prices overall declined by 2.3%. Inner, Middle and Outer Brisbane declined by 4.5%, 3.8% and 10.6% respectively over the year.

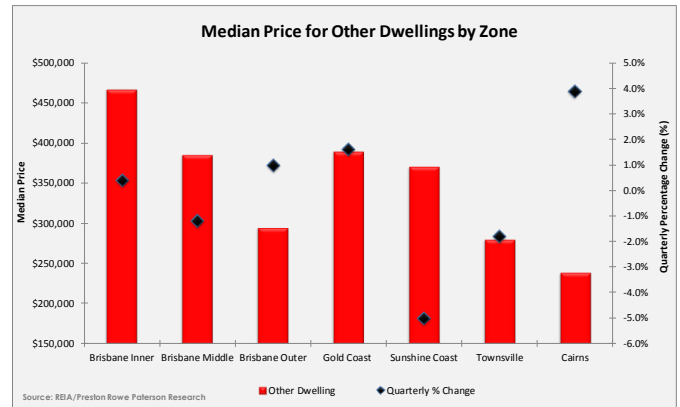


Chart 11—Median Price for Other Dwellings by Zone—Source REIA



Rental Market

The June Quarter brings on negative changes in median weekly house rents for all but houses in Outer Brisbane. Rents for Inner Brisbane's 2 and 3 bedroom declined by 4.4% and 6.5% respectively over the quarter, down to \$430 and \$500 per week. Its 4 bedroom rents stood out as they increased by 3.4% over the quarter to \$750 per week. Middle Brisbane's 2, 3 and 4 bedroom houses experienced declines of 1.3%, 2.4% and 3.8% respectively. Their median weekly rents as of June are at \$370, \$410 and \$500 respectively.

Outer Brisbane experienced a relatively more positive changes over the quarter. In actual fact, Outer Brisbane's 2 and 4 bedroom house rents did not change and remained at \$280 and \$400 respectively. 3 bedroom house rents in this area increased by 1.5% to \$340 per week.

Over the year, Inner Brisbane's 2 and 3 bedroom houses experienced declines of 4.4% and 2.0%. Inner Brisbane's 4 bedroom houses and Outer Brisbane's 3 bedroom houses experienced annual increases of 4.2% and 1.5% respectively.

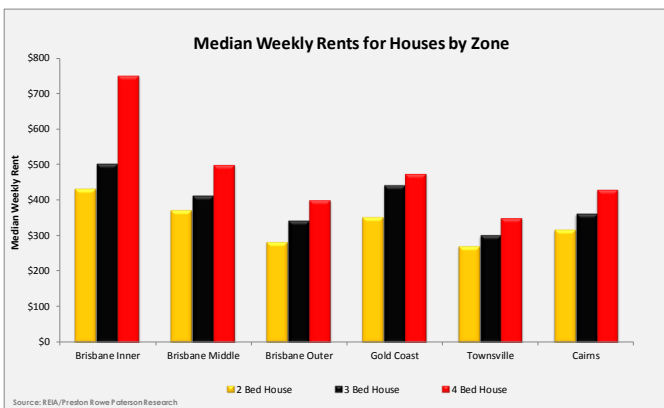


Chart 12—Median Weekly Rents for Houses by Zone— Source REIA

The June quarter brought on an overall negative change in growth for weekly rents of Other dwellings across all Brisbane zones.

Inner Brisbane's 1, 2, and 3 bedroom units experienced declines of 4.0%, 1.1% and 1.7% respectively. Their median rental prices declined to \$360, \$465 and \$590 respectively. Similarly, Middle Brisbane's 1, 2 and 3 bedroom units declined by 3.4%, 3.9% and 2.4%. Their respectively weekly rents for the June quarter are at \$280, \$365 and \$410 per week.

Outer Brisbane experienced relatively more uplifting results. Its 1 bedroom rental price increased by 2.3% over the quarter to \$225 per week. 2 and 3 bedroom units in the zone experience no change in their weekly rental price, remaining at \$280 and \$340 per week respectively.

A year on year analysis reveals an overall positive change in Other dwelling rents. Middle Brisbane's 3 bedroom units experienced the highest annual increase of 2.5%. The largest decline stemmed from 2 bedroom units in Inner Brisbane, in which weekly rents declined by 2.3% over the year. Inner Brisbane's 1 bedroom units experienced no changes in their rents, whilst the rest of the houses in aforementioned zoned had growths of under 2.5%.

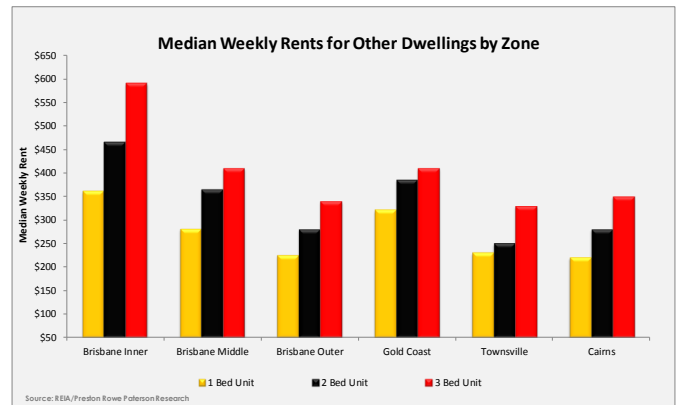


Chart 13—Median Weekly Rents for Other Dwellings by Zone— Source REIA

GOLD COAST

Market Affordability

Over the June quarter, the median house price in the Gold Coast increased by 3.6% to \$580,200. This figure reflect an annual increase of 8.4%. When we look at Other Dwellings, median price increased by 1.6% to \$390,000. This figure reflects a year on year increase of 5.1%.

Rental Market

Over the June quarter, median weekly rents for houses did not change for 2 and 3 bedroom houses, and remained at \$350 and \$440 per week respectively. 4 bedroom house rent increased by 1.1%, up to \$475 per week.

Over the quarter, weekly rents for other dwellings did not change. Gold Coast's 1, 2 and 3 bedroom units' weekly rents remained at \$320, \$385 and \$410 respectively.

TOWNSVILLE

Market Affordability

Over the June quarter, the median sales price for houses in Townsville increased by 2.9% to \$339,700. However, this price reflects a decline of 2.9% over the year. When we look at other dwellings in Townsville, sales figures reflect a decline of 1.8% over the quarter down to a median price of \$280,000. However, this figure reflects an annual increase of 3.7%.

Rental Market

Townsville's rental data revealed a predominantly negative market for both houses and other dwellings. Growth was recorded in Townsville's 2 bedroom housing rent over the quarter, increasing by 3.8% to \$270 per week. 3 and 4 bedroom houses both suffered declines in their weekly rent, of -3.2% and -5.4% respectively. Their respective rents stand at \$300 and \$350 per week.

Townsville's 1, 2 and 3 bedroom other dwellings all experienced declines in their weekly rents, by 8.0%, 5.7% and 5.7% respectively. Their rents as of June stand at \$230, \$250 and \$330 per week respectively.

CAIRNS

Market Affordability

No changes were recorded in Cairns' house sales price over the June quarter, as data indicates that its median price remains at \$390,000. However, this price reflects an annual change of -2.5% from June last year. Other dwellings in Cairns performed well over the quarter, with median price increasing by 3.9% to \$239,000. Over the year, prices had increased by 7.9%.

Rental Market

Mixed results were evident in Cairns' house rent data for the June quarter. Median rents for 2 bedroom houses increased by 5.0% to \$315 per week. 3 bedroom houses experienced no change in their weekly rent, remaining at \$360 per week. 4 bedroom houses in Cairns experienced a decline of 2.3% in their weekly rents, down to \$430 per week.

Other dwellings in Cairns experienced decline in their rental prices over the June quarter. 1, 2 and 3 bedroom other dwellings declined by 4.3%, 3.4% and 2.8% respectively. Their respective rental prices are at \$220, \$280 and \$350 per week.

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 2016:

240 Shute Harbour Road, Airlie Beach, QLD 4802

Well Smart Investment Holdings has acquired the 3.5-star **Club Crocodile Resort** from *Ocean Hotels* for **between \$8 million and \$9 million**. The 161-room hotel has a pool and a bar. The sale reflects a **rate of between \$49,689.44 and \$55,900.62 per room**. Airlie Beach is located around 148 km north of the Mackay CBD.



38 Abbott Street, Cairns City, QLD 4870

Lantern Hotel Group has sold the **Courthouse Hotel** for **\$6.25 million**. The pub has a restaurant, a sports bar and a beer garden.

209-217 Abbott Street, Cairns City, QLD 4870

Mulpha Australia has paid **\$40 million** for the 4-star **Rydg Esplanade Resort Cairns**. The 242-room hotel features a restaurant and bar, conference venues, a lagoon pool, gymnasium and tennis court. The sale reflects a **rate of \$165,289 per room**.





SPECIALIZED PROPERTY MARKET

Investment Activity

Preston Rowe Paterson Research recorded some sales transactions that occurred in the Brisbane Specialised Market during the three months to September 2016:

2 Investigator Drive, Robina, QLD 4226

Australian Unity Healthcare Property Trust has paid **\$30 million** to Robina Group for two medical properties on a **yield of 7.7%**. The 4,404 m², 3-level, fully-occupied building has 142 spaces for parking. The sale reflects a **rate of \$6,811.99 psm**. Robina is located about 9.5 km south-west of the Gold Coast CBD.

South Molle Island, Witsundays, QLD

China Capital Investment Group has bought the **South Molle Island** for **about \$25 million**. The sale included 12-hectares of developable beachfront land, a 15-hectare parcel in the middle of the island, as well as an existing 188-room resort and amenities. There is also the opportunity to construct a 1,300-room resort, subject to planning approval.

2 Halpine Drive, Mango Hill, QLD 4509

LEAD Childcare has paid **\$4.85 million** to private owners for a development site. The buyer has plans for a 200-plus placement childcare facility. Mango Hill is located about 32.8 km north of Brisbane's CBD.

126 River Hills Road, Eagleby, QLD 4207

A private buyer has purchased a 7-Eleven service station from APN Property Group for **\$4.85 million**. Eagleby is located about 36.8 km south-east of the Brisbane CBD.

502 Browns Plains Road, Marsden, QLD 4132

A Melbourne investor has acquired a **Freedom Service Station** site for **\$4.49 million**. The 7,181 m² property has a car wash investment opportunity. The sale reflects a **yield of close to 7%** and a **rate of \$625 psm**. Marsden is located about 29 km south of the Brisbane CBD.

105 Truro Street, Torquay, QLD 4655

Ingenia Communities Group has paid **around \$9.5 million** for the **Happy Wanderer Caravan Park**. The mixed-use park has 149 permanent and short-term sites. The sale reflects a **rate of about \$63,758 per site**. Torquay is located about 106 km south-east of the Bundaberg CBD.

Queensland Retirement Village Sales Wrap

Blue Care has purchased three retirement villages from Macquarie Group's Corporate and Asset Finance for around **\$80 million**. The **Carlyle** and **Argyle Gardens** retirement villages in Townsville, Mackay and Bundaberg feature a total of 1,142 retirement units. The sale reflects a **rate of \$70,053 per retirement unit**.

Cliveden Avenue, Corinda, QLD 4075

Aura Australia has bought 3-hectares of land from PresCare for **\$20 million**. The site will be used to construct a \$130 million retirement village known as **Kingsford Terrace**. Blue Sky Private Real Estate will develop the project, which is due to be complete in 2021. There are already 34-units on the site. The sale reflects a **rate of \$667 psm**. Corinda is located 12.3 km south-west of Brisbane's CBD.

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 2016:

Queensland Rural Sales Wrap

Rural Fund Group has bought 242,500-hectares of breeding and finishing properties in Northern Queensland for **\$42 million**. The properties include the 17,500-hectare cattle finishing property **Rewan** the buyer is currently entering into contracts to purchase two more breeding properties known as **Oakland Park** and **Mutton Hole**. These properties combined for 225,000-hectares. The fund has also paid \$8 million, as part of the transaction, for 10,900 breeding cattle. The sale reflects a **rate of \$173.20 per hectare**.



171 Yarra Road, Gogango, QLD 4702

A NSW couple has paid **\$3.75 million** for **Yarra**, a 2,176-hectare beef farm which has 20 paddocks for rotational grazing. The rural property can carry 600 head of stock and has a 348 mega-litre irrigation licence for watering 90-hectares of crops and improving pasture. The sale reflects a **rate of \$1,723.35 per hectare**. Gogango is located about 66 km south-west of Rockhampton's CBD.



671 Kents Road, MacAlister, QLD 4406

One Tree Agriculture has bought a 966-hectare cropping property from the Taylor family for **\$5.6 million**. The site has irrigation infrastructure, three cottages, shedding and 1,010 tonnes of silo storage. The sale reflects a **rate of \$5,797 per hectare**. Macalister is located about 234 km north-west of Brisbane's CBD.

ECONOMIC FUNDAMENTALS

GDP

GDP figures for the September quarter will not be available until the 7th of December, and hence we will use June's figure for the following analysis of growth in the Australian economy. A seasonally adjusted chain volume growth of 0.5% was recorded for the second quarter, and 3.3% for the twelve months to June. The quarterly figure signifies twenty-one consecutive quarters of growth for Australia, with our last recession occurring 25 years ago in 1991. In trend terms, annual growth stood at 3.1%, with the main sources of growth being Mining (0.8%), Financial and insurance services (0.5%), Public administration and safety (0.3%), Construction (0.2%) and Wholesale trade (0.2%) industries. In contrast, the largest detractor to growth was manufacturing (-0.2%).

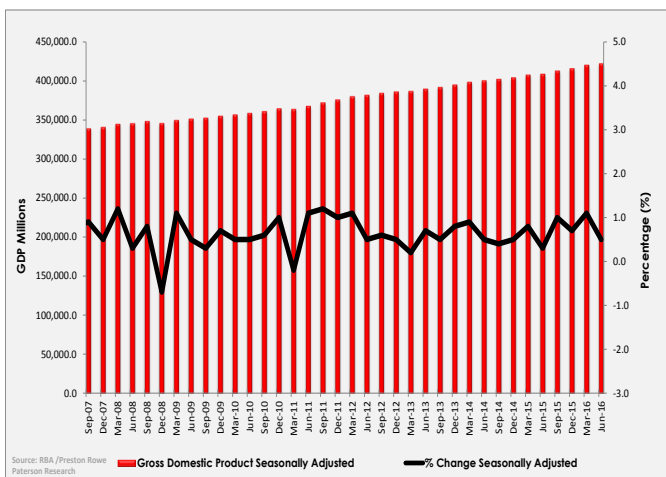


Chart 19 – Gross Domestic Product (GDP) – Source ABS

Interest Rate Movements

Following the Reserve Bank of Australia's monthly meeting, the Board kept interest rates unchanged at 1.50% for October 2016. This comes at the back of the RBA's decision to cut interest rates to historic lows in August, as a result of inflation declining to its lowest level since 1999, in conjunction with slower than average growth in the world economy. The decision to have rates unchanged for the second month in a row is backed by modest improvements in Australia's economy, with declines in the mining industry being offset by growths in residential construction, public demand and imports. Furthermore, the RBA reiterated that commodity prices had been rising over the past few months, coming off the reduction in demand from China from the previous few years.

The twelve months to October saw the interest rate dropping 50 basis points, whilst the 10-Year government bonds and 90-Day Bill rate reducing by 71 basis points and 44 basis points

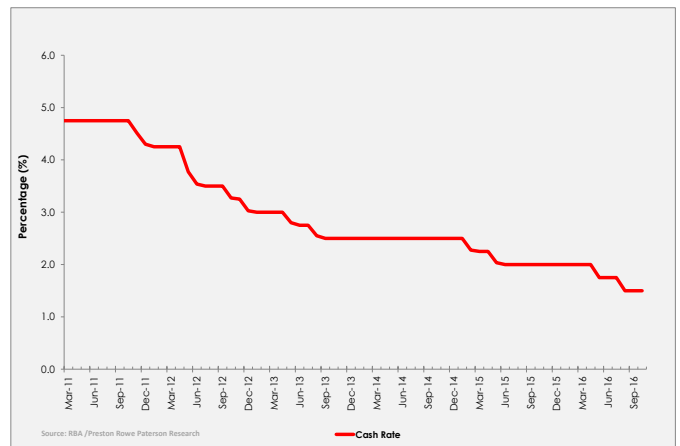


Chart 20 – Cash Rate – Source RBA

CPI

Figures from the Australian Bureau of Statistics indicate that headline inflation in the third quarter of 2016 grew by 0.7%, with year-on-year growth at 1.3%. These figures show strong improvements in inflation from the last quarter, which only increased by 0.4% over the quarter and 1.0% over the year to June. However, when we look at underlying inflation for September, which measure inflationary pressures from only the change in market forces, a quarterly rise of 0.35% and yearly change of 1.5% were recorded.

The largest contributors to the hike in prices stemmed from Fruit (19.5%), Vegetables (5.9%), Electricity (5.4%) and Property rates (4.0%). In contrast to this, Index figures for Fuel and Telecommunications both declined over the quarter, by -2.9% and -2.5% respectively.

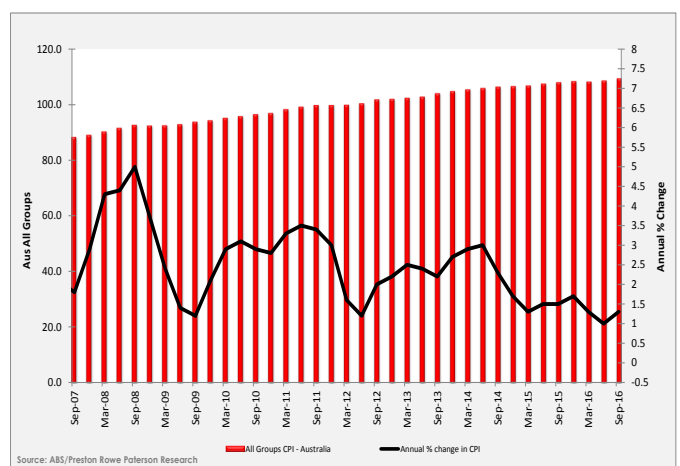


Chart 21 – Consumer Price Index—Source—ABS

10 Year Bond & 90 Day Bill Rate

Over the month to September, Australia's 10-Year Government Bonds rate increased by 11 basis points to 1.99%. This rate however, reflects a 0.14% (0.71%) decrease from three (twelve) months prior. The 90-Day Bill rate decreased by 0.02% over the month to 1.73%. This rate also reflects a decrease of 0.26% (0.44%) from the previous three (twelve) months. The monthly changes in the 10-Year bonds rate and the 90-Day bill rate reflect a yield spread of 2 basis points.

The 10-Year government bond rate reached an all-time low of 1.82% at the start of August, following drops in yields in the US and major European countries like Britain and Germany during that time. However, upward movements have been recorded ever since as the Australian bond market continue to mirror changes occurring in the US's bond market, reaching 34 basis points higher than its lowest, to a high 2.17% at one stage.

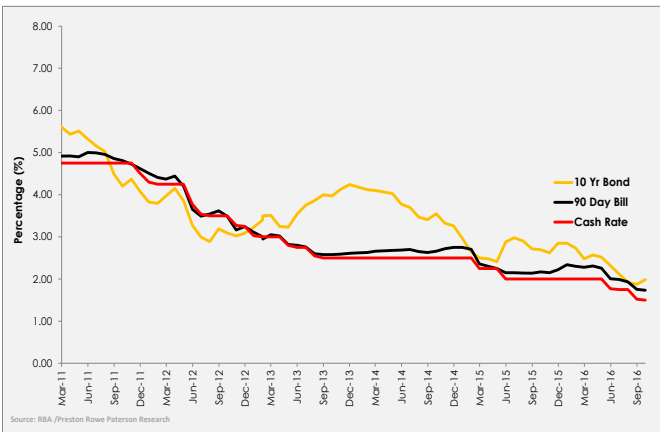


Chart 22 –90 Day Bill, 10 year bond and cash rate – MONTHLY – Source RBA

Consumer Sentiment

September of 2016 has seen positive gains in consumer sentiment, in which the Westpac Melbourne Institute of Consumer Sentiment increased by 0.4% to 101.4 over the month. However, when compared to three months prior, consumer sentiment had decreased by 0.8%, from June's index of 102.2.

Westpac's Chief Economist, Bill Evans, stated that the index has remained relatively stable over the six months to September, despite the many economic events occurring during that time. Notably, two interest rate cuts (May and August), the Federal Election and Federal Budget, as well as major political changes occurring offshore (Brexit and the US Elections) have all occurred during this time. However, considering these outside forces, we have not experienced any drastic changes in consumers sentiment.

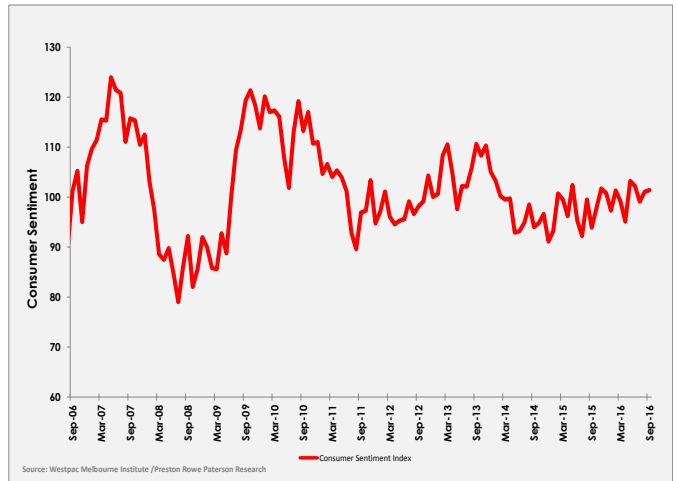


Chart 23– Consumer Sentiment Index – Source – Westpac—Melbourne Institute Survey

Labour force

Unemployment rate fell 0.1 percentage point to 5.6% in September, with total number of people with jobs falling by 9, 800 (seasonally adjusted) in the month. Furthermore, full time employment reduced by 53,000 persons, and notably, part-time employment increased by 43,200 persons. When we look seasonally adjusted figures for states and territories, New South Wales and Tasmania were the only states to record an increase in employment over the month.

Over the month of September, Victoria experienced a decline in seasonally adjusted employment by 12,766 persons to 3.057 million. The unemployment rate in Victoria remained unchanged at 5.7% for September. Furthermore, Victoria's participation rate experienced a slight increase of 0.1% from the previous month to reach 59.0%.

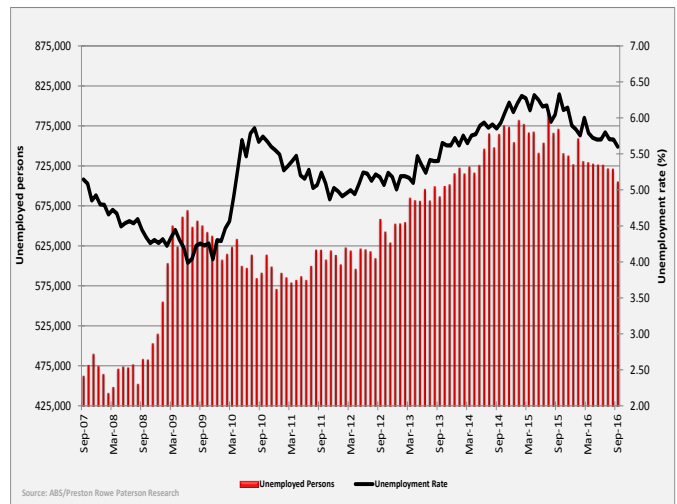


Chart 24 – Unemployment – Source ABS



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
- . <http://www.smh.com.au/content/dam/images/g/r/1/e/8/v/image.related.articleLeadwide.620x349.gr0i09.png/1472161911267.jpg>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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