



Preston
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International Property Consultants

Retail Market Report

Australia

First Half 2017

HIGHLIGHTS

- ◆ The percentage change over the year to June 2017 in annual turnover was highest for Western Australia, which recorded an increase of 7.9%, followed by Queensland, which recorded an increase of 5.0%.
- ◆ When we look at online sales over the year to June 2017, a seasonally adjusted growth of 7.6% was recorded, slightly lower than year-on-year growth of 8.2% recorded in May.
- ◆ Total turnover over the year to June 2017 in New South Wales stands at \$99,291 million, which indicates a decline of -4.2% when compared to total turnover over the year to June 2016. In Victoria, total turnover stands at \$77,702 million, which indicates a decline of -4.2% when compared to total turnover to June 2017.
- ◆ During the June 2017 quarter, Queensland experienced strong year-on-year growth in Household goods retailing, which increased by 7.2% to \$342 million.
- ◆ In Western Australia, Household goods retailing turnover, Clothing, footwear and personal accessory turnover, Department store turnover and Other retailing turnover all experienced declines in the June 2017 quarter when compared to June quarter 2016 figures.

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AUSTRALIA

Retail Industry

Australia's retail industry will experienced some dramatic changes over 2017, notably from the influx of international retailers and the expansion of technology into the industry creating drastic changes to the relatively small and stable domestic market. Globally, economics growth is currently slowly getting back on track, notably influenced by the rapid growth in Asia. This usually has a flow on effect on the Australian economy due to our strategic trading partnerships, and hence, will have a positive flow on effect on exports and growth in international tourism.

Consumer sentiment in Australia have been declining over the first half of 2017 from financial risks, though the nation's declining unemployment levels and increasing perceived wealth from housing have contributed to the steady growth in retail spending. Total Australian retail turnover increased by 0.3% over the month to June 2017, following an increase of 0.6% in May, and 0.4% in April. In the June quarter 2017, seasonally adjusted figures increased in volume terms in Victoria (2.0%), New South Wales (1.5%), Queensland (1.0%), South Australia (1.7%), Western Australia (0.7%), Tasmania (2.3%), The Australian Capital Territory (1.8%) and the Northern Territory (1.1%).

Figure 1 indicates the percentage change over the year to June 2017 in annual turnover was highest for Western Australia, which recorded an increase of 7.9%, followed by Queensland, which recorded an increase of 5.0%. South Australia and the Australian Capital Territory recorded the lowest increases, of 3.9% and 2.8% respectively. Spending on Household goods and Cafes, restaurants and takeaway food services experienced a strong growth in turnover, when we compare June 2017 to June 2016 figures. Household goods retailing experienced a 5.54% increase, whilst Cafes, restaurants and takeaway food services experienced a 5.51% increase from June 2016. Food retailing recorded a change of 3.7%, whilst Other retailing and Clothing, footwear and personal accessory recorded increases of 3.0% and 1.7% respectively. Department store turnover have not had a favourable year, with a -1.4% decline in turnover in June 2017 when compared to June 2016 figures.

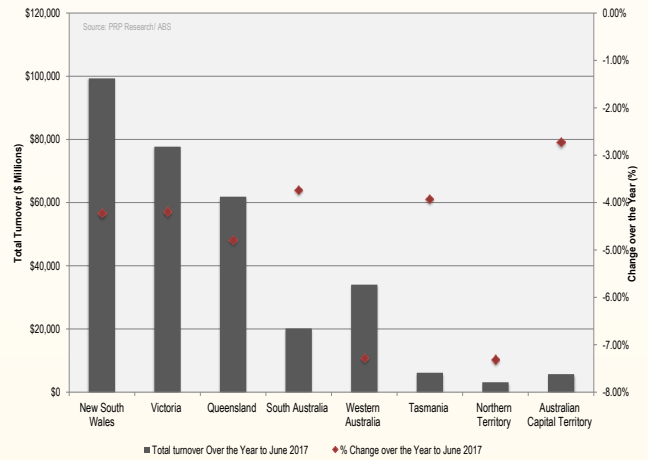


Figure 1: Total Seasonally Adjusted Turnover over the Year to June 2017 and % Percentage change over the Year to June 2017— Source: ABS

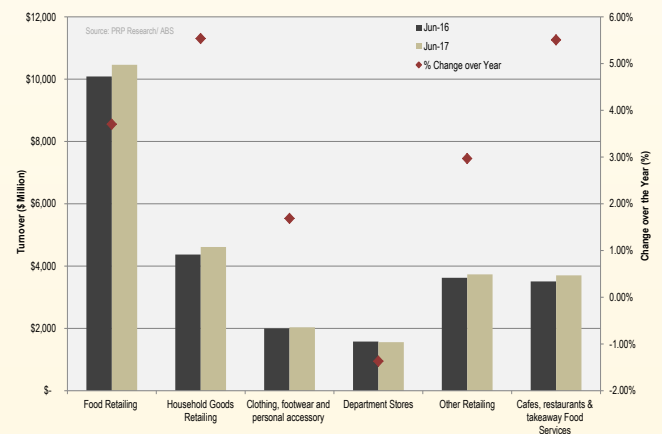


Figure 2: Turnover during the June quarter 2017 vs. June quarter 2016 and % change over the year to June quarter 2017— Source: ABS

When we look at online sales over the year to June 2017, a seasonally adjusted growth of 7.6% was recorded, slightly lower than year-on-year growth of 8.2% recorded in May. The National Australia Bank Online Retail Sales Index indicates a much slower growth, especially when compared to year-on-year figures in June 2011, which recorded a growth of 34%. The index indicates that Media recorded the fastest annual online sales growth at 16.7%. The online sale of media experienced a generally less volatile changes than most other categories, which in turn have contributed to consistent growth and keeping it in its high spending share spot. Notably, Fashion recorded a negative year-on-year growth, for the first time in the series history. However, NAB did note that the categories could quite possibly be impacted by recent trends in payment methods that mask purchase category identifiers, and the figure recorded should be used with caution.

NEW SOUTH WALES

Overview

The Australian Bureau of Statistics (ABS) Retail Trade Figures released for June 2017 indicate total turnover over the year to June 2017 in New South Wales stands at \$99,291 million. This figure indicates a decline of -4.2%, when compared to total turnover over the year to 2016. When we look at the different retail groups, Cafés, restaurants and takeaway food services experienced the strongest growth when compared to June 2016 figures, increasing by 7.7%. Total turnover for Cafes, restaurants and takeaway foods for June 2017 stands at \$1,291 million. Household goods retailing increased by 6.1% in June 2017, to \$1,475 million. Food retailing and Clothing, footwear and personal accessories also experienced increases, of 5.1% and 3.7% respectively. Food retailing turnover stands at \$3,240 million, whilst Clothing, footwear and personal accessories turnover stands at \$780 million. Department stores retailing experienced a decline when June 2017 figures are compared to June 2016 figures. Turnover in this group declined by -0.5%, to \$511 million during the June quarter 2017.

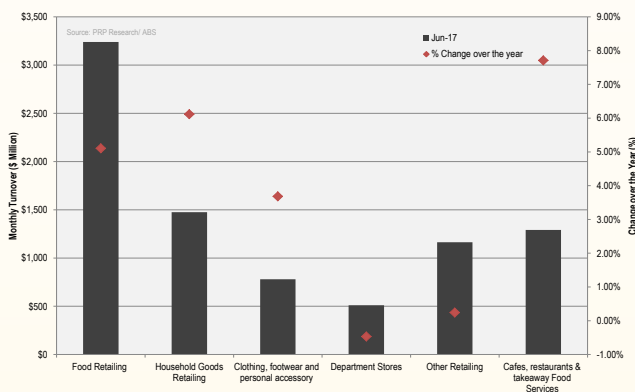
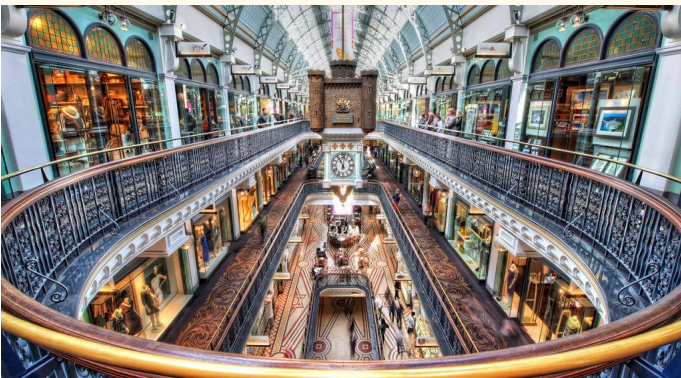


Figure 3: Turnover during the June Quarter 2017 in New South Wales & corresponding % Change over the Year— Source: ABS



Investment Activity

Preston Rowe Paterson Research recorded the following significant retail transactions that occurred in New South Wales during the first half of 2017:

230 Sydney Road, Kelso, NSW 2795

Properties and Pathways have acquired the **Bathurst Supa Centre** from *Crowe Horwath* for **\$14.67 million**, on a **yield of 7.4%**. The 7,487 m² large format retail centre is anchored by *Fantastic Furniture*, *BCF*, *Petbarn* and *Homemakers Furniture*. Kelso is located about 195 km north-west of the Sydney CBD.

10 Darwin Street, Cessnock, NSW 2325

A Melbourne vendor has sold a *Big W*-anchored retail centre to a Sydney-based private investor for **\$13.2 million**. The 8,009 m² centre is 89% leased and occupies a 1.9-hectare site. The sale reflects a **passing yield of 7.6%** and a **rate of \$695 psm**. Cessnock is located about 151 km north of the Sydney CBD.

Shop 12, 1 Macquarie Street, Circular Quay, NSW 2000

A local family investor has purchased a retail strata unit leased to *French Connection UK (FCUK)* for **\$10.2 million**. The 131 m² shop sold in an off-market deal on a **net yield of 3.15%**. The sale reflects a **rate of \$77,863 psm**.

Roselands Drive, Roselands, NSW 2196

Revelop has paid **\$13 million** to *Charter Hall Retail REIT* for the freestanding **Woolworths Rosehill**. The 4,012 m² site has a 2,440 m² supermarket and *BWS* liquor store as well as 99 on-grade car spaces. The sale reflects a **5.3% net yield** and a **rate of \$3,240 psm**. Roselands is located about 15.2 km south-west of the Sydney CBD.

82-84 Dixon Street, Haymarket, NSW 2000

A 3-level commercial building on a 342 m² site has sold at auction for **\$19.9 million**. The ground-floor of the 983 m² of lettable area property is leased to *Hingara Chinese Restaurant*, while the upper retail levels are leased to *Live Crafts Centre*. The site is zoned B8 Metropolitan Centre. The sale reflects a **rate of \$58,187 psm**.

144 Maryland Drive, Maryland, NSW 2287

A Newcastle-based syndicate has purchased the 4,985 m² **The Neighbourhood Centre** from *PPB Advisory* for **\$7.5 million** on a **sharp initial yield of 4.4%**. The centre has 1 mini-major, 6 specialty tenants, one ATM and 4 vacancies. There are also 180 car spaces on the 1.39-hectare. The sale reflects a **rate of \$540 psm**. Maryland is located around 14.4 km north-west of Newcastle's CBD.

12-14 Churchill Avenue, Strathfield, NSW 2135

A private buyer has acquired the **Symond Arcade** at auction for just **above \$30 million**. The property has 12 ground-floor retail shops and 14 offices on the upper level. The sale of the 645 m2 site reflects a **rate of over \$46,512 psm**. Strathfield is located around 12.2 km west of the Sydney CBD.



4-12 Garfield Street, Five Dock, NSW 2046

A private investor has purchased a *Coles* strata-titled supermarket for **\$19.66 million** at a **net yield of 4.89%**. The 3,333 m2 *Coles*-anchored stratum supermarket features a restaurant and secure basement parking for 163 vehicles. The sale reflects a **rate of \$5,899 psm**. Five Dock is located around 9.2 km west of Sydney's CBD.

72-78 Brook Street, Muswellbrook, NSW 2333

A subregional shopping centre anchored by *Woolworths Supermarket* and *Big W* has sold for **\$34.25 million**. A private vendor sold the **Muswellbrook Marketplace** shopping centre to Muswellbrook Shire Council. The Council's Future Fund will use both debt and equity to acquire the property in order to rejuvenate the town centre's current decline. The property features 3 mini major tenants, 28 specialties, 1 kiosk, 1 ATM, undercroft car parking for 426 vehicles and a *Woolworths* Petrol pad site. The 12,838 m2 shopping centre occupies a 16,508 m2 site and brings in a fully leased net income of \$2,985,306 per annum. The sale reflects a **net yield of 8.72%** and a **rate of \$2,075 psm**. Muswellbrook is located around 231 km north of Sydney's CBD.



2 Town Centre Circuit, Salamander Bay, NSW 2317

The Salamander Bay Centre has been bought by *Charter Hall Retail REIT* for **\$174.5 million**. The 24,000 m2 mall has been purchased on a **6% cap rate**. The circa 1986 centre has been anchored by *Coles*, *Woolworths*, *Kmart*, *Aldi* and *Target Country* as well as over 55 specialty stores. The sale reflects a **rate of \$7,271 psm**. Salamander Bay is located 45 km north-east of the Newcastle CBD.

New South Wales Large Format Retail Sales Wrap

Aventus Property Group has paid **\$436 million** for two Sydney facilities controlled by *LaSalle Investment Management*. The properties include

Home Hub Castle Hill and **Home Hub Marsden Park**. The average capitalisation rate for the portfolio of **5.6%**.

NSW Retail Sales Wrap

Sentinel Property Group has sold 3 neighbourhood shopping centres for a total of **\$44.5 million** to *Real Asset Management*. The properties that were sold include the 4,205 m2 **Rutherford Shopping Centre** on a **yield of 6.89%**, the 3,841 m2 **Tanilba Bay Shopping Centre** on a **yield of 7.17%** and the 5,560 m2 **Gunnedah Shopping Centre** on a **yield of 7.71%**. All three of the shopping centres are *Coles* anchored.

Corner Sturgeon and Glenelg Street, Raymond Terrace, NSW 2324

Vicinity Centres has sold the 7,258 m2 **Terrace Central** for **\$33.5 million** to *Panthera Property Group* and is to settle in November. The neighbourhood shopping centre is anchored by *Woolworths*. The sale reflects a **rate of \$4,616 psm**. Raymond Terrace is located 24.5 km north of Newcastle's CBD.

82 Cope Street, Waterloo, NSW 2017

Australian Technology and Innovation College has leased the 1,680 m2 commercial building on a **2-year** lease from *Suncom Property*. *Australian technology and Innovation College* will pay a **gross annual rent of \$115 sqm**. Waterloo is located 3.3 km south of Sydney CBD.

Leasing Activity

Preston Rowe Paterson Research recorded the following significant leasing transaction that occurred in New South Wales during the first half of 2017:

110-116 Bourke Road, Alexandria, NSW 2015

Castlery Furniture has found a 1,158 m2 showroom that it will lease for **18-month initial lease**. The company will pay **\$470 psm** for the renovated ground floor space that has polished concrete floors, floor-to-ceiling glass and LED lighting. Alexandria is located about 3.9 km south of the Sydney CBD.



Investment Activity

Preston Rowe Paterson Research recorded the following transactions in New South Wales over the first six months of 2017:

Centre	Address	Sale Price	Sale Date	Reported Yield	Vendor	Purchaser	GLAR (sqm)	\$/sqm	Type
Marketfair Campbelltown Mall	4 Tindall Street, Campbelltown NSW 2560	\$ 48,250,000.00	Aug-16	6.50%	Private owner	APOF II	9,094	\$2,098.00	Enclosed Retail Centre
David Jones	77 Market Street, Sydney NSW 2000	\$ 360,000,000.00	Aug-16	4.50%	Woolworths Holdings	Scentre Group/Cbus Fund	9,427	\$32,030.00	Enclosed Retail Centre
Campbelltown Mall	271 Queen Street, Campbelltown NSW 2560	\$ 197,000,000.00	Sep-16	6.00%	Perron Investments	Charter Hall Group	42,200	\$4,668.00	Enclosed Retail Centre
37 Epping Road, Macquarie Park NSW 2113	37 Epping Road, Macquarie Park NSW 2113	\$ 34,000,000.00	Sep-16	7-8.00%	Abacus Property Groups	CorVal	8,010	\$4,245.00	Bulky Goods Centre
Edgecliff Centre	Edgecliff NSW 2027	\$ 138,750,000.00	Sep-16	3.72%	Private owner	Longhurst Group	10,845	\$12,794.00	Sub-regional centre
37 Epping Road, Macquarie Park NSW 2113	37 Epping Road, Macquarie Park NSW 2113	\$ 34,000,000.00	Sep-16	7-8.00%	Abacus Property Groups	CorVal	8,010	\$4,245.00	Bulky Goods Centre
Kogarah Town Centre	1/9 Railway Parade, Kogarah NSW 2217	\$ 47,500,000.00	Oct-16	6.95%	Stonebridge Property Group	Private Investor	6,484	\$7,326.00	Neighbourhood
Menai Central	5/21 Carter Road, Menai NSW 2234	\$ 43,300,000	Oct-16	7.23%	Sentinel Property Group	Wingdom Group	10,165	\$4,260.00	Enclosed Retail Centre
Bathurst Supa Centre	Bathurst Supa Centre, Kelso, NSW 2795	\$ 14,500,000.00	Nov-16	7.51%	Private syndicate	Private investor	6,565	\$2,209.00	Large Format Retail
Super AMART Auburn	315 Parramatta Road, Auburn, NSW 2144	\$ 28,250,000.00	Dec-16	N/A	N/A	N/A	10,805	\$2,615.00	Large Format Retail
Bunnings Bathurst	21 Great Western Highway, Bathurst, NSW 2795	\$ 25,500,000.00	Dec-16	5.35%	Bunnings Group	Private investor	14,272	\$1,787.00	Large Format Retail
Bathurst Supa Centre	230 Sydney Road, Kelso, NSW 2795	\$ 14,670,000.00	Feb-17	7.40%	Crowe Horwarth	Properties and Pathways	7,487	\$1,959.00	Neighbourhood
Maryland Shopping Centre	144 Maryland Drive, Maryland, NSW 2287	\$ 7,500,000.00	Mar-17	4.40%	PPB Advisory	Newcastle-based Syndicate	4,985	\$540.00	Neighbourhood
Symond Arcade	12-14 Churchill Avenue, Strathfield, NSW 2135	\$ 30,000,000.00	Mar-17	3.00%	Private owner	Private buyer	645	\$46,512.00	Neighbourhood
Muswellbrook Marketplace	72-78 Brook Street, Muswellbrook, NSW 2333	\$ 34,250,000.00	May-17	8.72%	Private owner	Muswellbrook Shire Council	12,838	\$2,075.00	Sub-regional
Salamander Bay Centre	2 Town Centre Circuit, Salamander Bay, NSW 2317	\$ 174,500,000.00	May-17	6.00%	Private owner	Charter Hall Retail REIT	24,000	\$7,271.00	Sub-regional
NSW Large Format Retail Sales Wrap (Home Hub Castle Hill & Home Hub Marsden Park)	16-18 Victoria Avenue & Showground Road, Castle Hill, NSW 2154; 9 Hollinsworth Road, Marsden Park, NSW 2765	\$ 436,000,000.00	May-17	5.60%	LaSalle Investment Management	Aventus Property Group	N/A	N/A	Large Format Retail

Table 1—Retail Centre Sale Transactions in New South Wales —Source: Preston Rowe Paterson Research

VICTORIA

Overview

According to the ABS Retail Trade statistics, total turnover in Victoria over the year to June 2017 stands at \$77,702 million. This figure indicates a decline of -4.2% when compared to total turnover to June 2016. During the June 2017 quarter, strong growths were recorded for Household goods retail turnover and Other retail turnover, which increased by 7.0% and 7.1%, respectively, when compared to June 2016 figures. Household goods retailing turnover stands at \$1,223 million, whilst Other retailing turnover stands at \$1,023 million in the June 2017 quarter. Cafes, restaurants and takeaway foods services experienced an increase of 5.5%, to \$869 million, whilst Food retailing turnover increased by 2.7% to \$2,547 million, whilst Clothing, footwear and personal accessory turnover increased by 3.9% to \$558 million. Department stores turnover experienced a decline of -1.1%, when compared to June 2016 figures, with turnover at \$390 million for the June Quarter 2017.

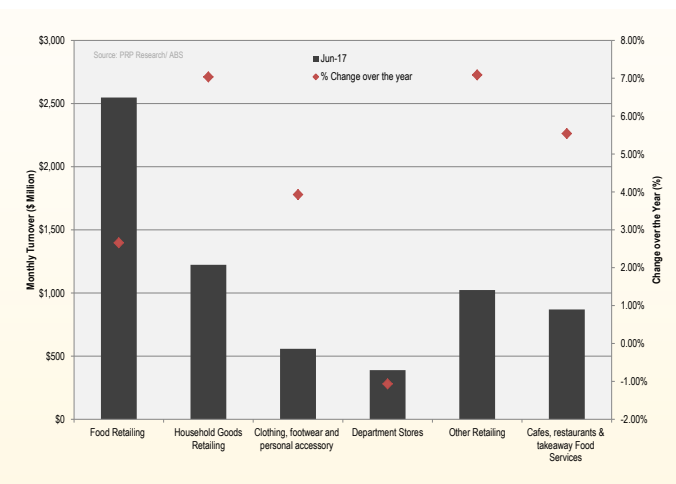


Figure 4: Turnover during the June Quarter 2017 in Victoria & corresponding % Change over the Year— Source: ABS



Investment Activity

Preston Rowe Paterson Research recorded the following significant retail transactions that occurred in Victoria during the first half of 2017:

10 Geum Street, Hadfield, VIC 3046

Westrent Properties have paid **\$9.8 million** for a *Woolworths* supermarket on a 5,569 m² corner block. The site was sold by a private investor on a **tight yield of 4%**. There are 3-years remaining on the lease. The sale reflects a **rate of \$1,760 psm**. Hadfield is located about 12.8 km north of Melbourne's CBD.

Convention Centre Place, South Wharf, VIC 3006

Vicinity Centres has bought out the remaining **25% stake** in the **DFO South Wharf** and **Homemaker Hub** from its joint owner *Plenary Group* for **\$141.25 million**. The buyer now has full control of the retail facility that comprises 166 specialty tenancies in the **DFO South Wharf**, while the homemaker centre has 21 tenancies. The complex also included the **South Wharf Promenade** food precinct with 19 operators. The centre has low occupancy costs of 10.2% and specialty store sales per square metre of \$9,200. The sale reflects a **passing yield of about 7%**. South Wharf is located about 2 km south-west of the Melbourne CBD.



Selwyn Street, Elsternwick, VIC 3185

The *ABC* has sold its 6,155 m² site to make way for a new supermarket for **around \$45 million**. The mixed-use site occupies six titles and features two-level offices, warehouses and a two-level car park. One part of the site, the former Elsternwick fire station is heritage listed. The sale reflects a **rate of \$7,311 psm**. Elsternwick is located about 9.3 km south-east of the Melbourne CBD.

Cnr Cardinia Road & Princes Highway, Officer, VIC 3809

The **Arena Shopping Centre** has been bought by an investor from Shenzhen for **\$48 million** on an **initial yield of 5.38%**. The centre occupies a 29,730 m² site and is anchored by a 4,100 m² *Woolworths* and *BWS* on a 20-year lease. There are also 25 specialty retailers and a freestanding *McDonald's* and *Caltex* service station. The sale of the 8,167 m² property reflects a **rate of \$1,615 psm**. Officer is located around 51.5 km south-east of Melbourne's CBD.

263 High Street, Bendigo, VIC 3550

Guiseppa Scaturchio has sold an 8,626 m2 bulky-goods store for **\$14.46 million** on a **yield of 6%**. The property is on a renewed 5-year lease to *Bunnings*, plus further options through to 2041. The building features a main warehouse, timber yard and nursery and occupies a 31,453 m2 site, which includes adjoining surplus land. There are also 227 on-site car spaces. The sale reflects a **rate of \$460 psm**.

11 High Street, Hastings, VIC 3915

Henkell Brothers Investment Managers has bought the **Hastings Central Shopping Centre** for **\$32.1 million** on a **6.2% yield**. The centre is anchored by *Kmart* with 4-years remaining on the lease and an *Aldi* supermarket. There are also 13 specialty shops in the 8,015 m2 centre. The sale reflects a **rate of \$4,005 psm**. Hastings is located about 61.7 km south-east of the Melbourne CBD.

Cnr Cardinia Road & Princes Highway, Officer, VIC 3809

The **Arena Shopping Centre** has been bought by an investor from Shenzhen for **\$48 million** on an **initial yield of 5.38%**. The centre occupies a 29,730 m2 site and is anchored by a 4,100 m2 *Woolworths* and *BWS* on a 20-year lease. There are also 25 specialty retailers and a freestanding *McDonald's* and *Caltex* service station. The sale of the 8,167 m2 property reflects a **rate of \$1,615 psm**. Officer is located around 51.5 km south-east of Melbourne's CBD.

Sydney Road, Brunswick, VIC 3056

A Chinese investor has paid **\$13.5 million** for a new *Woolworths* supermarket off-the-plan on a **yield of 4.8%**. The small-format supermarket is part of an 86 apartment development with seven upper levels. The 1,000 m2 store is on a 12-year lease. The sale reflects a **rate of \$13,500 psm**. Brunswick is located about 5.3 km north of the Melbourne CBD.



Baxter-Tooradin Road, Baxter, VIC 3911

A local investor has acquired the **Baxter Central Shopping Centre** for **nearly \$17 million** on a **5.6% yield**. The *Woolworths*-anchored neighbourhood shopping centre includes a *BWS* liquor store and six specialty shops. The sale of the 4,218 m2 property reflects a **rate of \$4,030 psm**. Baxter is located around 60.4 km south-east of the Melbourne CBD.

241 Bay Road, Cheltenham, VIC 3192

ICD and *Wingate* have sold a 5,225 m2 gymnasium on a 9,057 m2 site for **\$17.55 million**. The property is leased to *Fitness First* for 8-years. The sale reflects a **rate of \$1,938 psm**. Cheltenham is located around 20.5 km south-east of Melbourne's CBD.

51-57 Elgin Boulevard, Wodonga, VIC 3690

Vicinity Centres has sold the 17,565 m2 **Wodonga Plaza** for **\$43.5 million** to *M/Group* and is set to settle this month. The plaza is anchored by *Coles* and *Target* and *Woolworths*. The sale reflects a **rate of \$2,477 psm**. Wodonga is located approximately 305 km North-east of Melbourne CBD.

Leasing Activity

Preston Rowe Paterson Research recorded the following significant leasing transaction that occurred in Victoria during the first half of 2017:

570 Burke Road, Camberwell, VIC 3124

The *Woodfrog Bakery* will open a new store at a newly leased 841 m2 ground-floor retail property that also has first floor space. The deal with the private landlord was for a net annual rent of \$80,000 for **5-years**. The lease reflects a **rate of \$95 psm**. Camberwell is located around 10.6 km south-east of the Melbourne CBD.



Unit 8, 44 Victor Crescent, Narre Warren, VIC 3805

Oz Design Furniture has leased 1,000 m2 of showroom space within the **Fountain Gate Super Centre**. The property was leased for **6-years with options** at an **annual gross rent in the low \$200s psm**. The landlord is a private investor. Narre Warren is located around 41.2 km south-east of the Melbourne CBD.



Investment Activity

Preston Rowe Paterson Research recorded the following transactions in Victoria over the first six months of 2017:

Centre	Address	Sale Price	Sale Date	Reported Yield	Vendor	Purchaser	GLAR (sqm)	\$/sqm	Type
Sunbury Showrooms	85 Vineyard Road, Sunbury, VIC 3429	\$14,880,000	Jan-17	6.52%	H. Troon	Foreign Investor	5,554	\$2,679	Large Format
DFO South Wharf & Homemaker Hub (25%)	20 Convention Centre Place, South Wharf, VIC 3006	\$141,250,000	Feb-17	5.25%	Plenary Group	Vicinity	28,653	\$19,719	Others
Arena Shopping Centre	Princes Highway & Cardinia Road, VIC 3809	\$48,100,000	Apr-17	5.38%	Undisclosed	Foreign Investor	8,144	\$5,906	Neighbourhood
Metro Woolworths	808-818 Sydney Road, Brunswick, VIC	\$13,500,000	Apr-17	4.81%	Pace Development Group	Foreign Investor	1,639	\$8,237	Shops
Woolworths Supermarket	12 Belle Vue Avenue, Highton, VIC 3216	\$12,430,000	Apr-17	4.68%	Private vendor	Private investor	6,854	\$1,814	Feestanding
Centuria City Walk Shopping Centre	285-287 Springvale Rd, Glen Waverley, VIC 3150	\$45,000,000	May-17	N/A	Private vendor	iProsperity Group	8,352	\$5,388	Neighbourhood
Baxter Central Shopping Centre	Baxter Tooradin Road, Baxter, VIC 3911	\$16,600,000	May-17	5.60%	Private vendor	Private investor	4,218	\$3,936	Neighbourhood
Wodonga Plaza	51-57 Elgin Blvd, Wodonga, VIC 3690	\$43,500,000	Jun-17	N/A	Vicinity Centres	Private investor	17,503	\$2,485	Sub Regional

Table 2—Retail Centre Sale Transactions in Victoria —Source: Preston Rowe Paterson Research

QUEENSLAND

Overview

ABS Retail Trade Figures indicate that total turnover over the year to June 2017 in Queensland stands at \$61,865 million, a -4.8% decline year when compared to total turnover over the year to 2016. During the June 2017 quarter, Queensland experienced strong year-on-year growth in Household goods retailing, which increased by 7.2% to \$342 million. Food retailing turnover and Other retailing turnover increased by 3.9% and 2.9%, respectively. Turnover for Food retailing in the June quarter 2017 stands at \$2,195 million, whilst Other retailing turnover stands at \$729 million. On the other hand, Clothing, footwear and personal accessory turnover declined by -1.8% over the year to June quarter 2017, whilst Department store turnover declined by -2.7% and Cafes, restaurants and takeaway food services turnover declined by -2.1%. Clothing, footwear and personal accessory turnover stands at \$342 million, Department store turnover stands at \$303 million, whilst Café, restaurants and takeaway food services turnover stands at \$706 million.

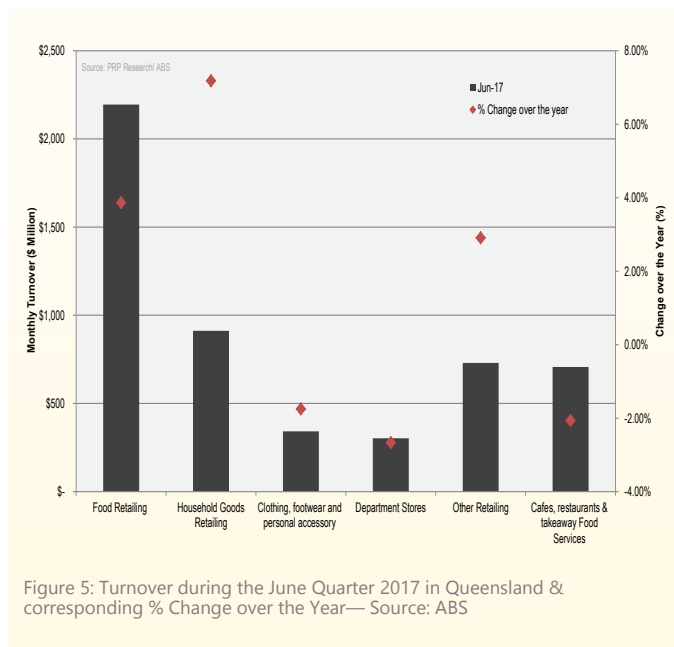


Figure 5: Turnover during the June Quarter 2017 in Queensland & corresponding % Change over the Year— Source: ABS

Investment Activity

Preston Rowe Paterson Research recorded the following significant retail transactions that occurred in Queensland during the first half of 2017:

239 Adelaide Street, Brisbane, QLD 4000

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

374 Peel Street, Tamworth, QLD 2340

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

Redbank Plains Road, Redbank Plains, QLD 4301

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

Poinciana Avenue, Tewantin, QLD 4565

Stockwell Funds Management has sold the **Poinciana Place** shopping centre to a Melbourne-based investor for **\$17.3 million**. The shopping centre was sold on a **yield of 5.9%**. The fully-leased 3,106 m² centre has a 2,400 m² *Woolworths* supermarket, 10 specialty tenancies and open and undercover parking. Tewantin is located about 37.7 km north of the Sunshine Coast CBD.

100 McLachlan Street, Fortitude Valley, QLD 4006

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

174 Pascoe Road, Ormeau, QLD 4208

A Gold Coast-based investor has sold the **Norfolk Village** to a Melbourne syndicate for **\$9.7 million**. The 1,481 m² property has 16 retailers and returns a net annual rent of \$700,000. The sale of the

6,161 m² site reflects a **7.2% net yield** and a **rate of \$1,574 psm**. Ormeau is located about 37.6 km north-west of the Gold Coast CBD.

685 Old Cleveland Road East, Wellington Point, QLD 4160

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

34-44 Brisbane Road, Ebbw Vale, QLD 4304

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

133 Oxley Station Road, Oxley, QLD 4075

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

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

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

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

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

40-42 Stuart Drive & 18 Village Drive, Idalia, QLD 4811

The **Precinct** has been acquired by a Victorian property syndicator from *Griffin Group* for **\$22 million**. The single-storey retail centre sits on a 1.4-hectare site and has 34 food stores and restaurants. The WALE is 3.64 years and it has a **potential net yield of 8.4%**. The sale reflects a **rate of \$1,571 psm**. Idalia is located around 5.2 km south of the Townsville CBD.

73 Wellington Road, East Brisbane, QLD 4169

Total Tools will occupy a 1,750 m² retail warehouse from a private landlord. The leasing deal is for **10-years**. East Brisbane is located around 3.7 km south-east of the Brisbane CBD.

3 Swan Lane, Mudgeeraba, QLD 4213

SCA Property Group has acquired the **Mudgeeraba Market** shopping centre from private owners including the *David Dood Family Trust* for **\$35.8 million**. The 5,047 m² neighbourhood shopping centre was purchased together with the adjoining 1,045 m² **Franklin Square** on a **blended yield of 6.1%**. The 1933-built mall is anchored by a *Woolworths* supermarket and has 26 specialty shops. The sale reflects a **rate of \$5,877 psm**. Mudgeeraba is located around 14 km south of the Gold Coast CBD.

165/179 Archibald Street, Paget, QLD 4740

Charter Hall Long WALE REIT has purchased a *Bunnings Warehouse* from the unlisted *Charter Hall Bunnings Partnership Fund 2* for **\$28.5 million** on a **cap rate of 6%**. The recently built property occupies 2.96 -hectares of lands and is leased to *Bunnings* on a 12-year net lease with 9.4-years remaining at the time of settlement. The lease also features 3% fixed annual rent increases. The sale reflects a **rate of \$963 psm**. Paget is located about 7 km south-west of the Mackay CBD.

403 Redbank Plains Road, Redbank Plains, QLD 4301

Rockworth Capital Partners have paid **\$160 million** to *Alceon* and *Capital Transactions* for a brand-new subregional shopping centre. The 26,945 m² of gross leasable area property was sold on a **core capitalisation rate of 6.25%**. The **Town Square Redbank Plains** shopping centre features *Woolworths*, *Coles* and *Aldi* supermarkets, a *Target DDS*, together with two drive-through tenancies, a large-format tenant precinct, specialty tenancies and at grade and basement car parking for over 1,200 cars. The sale reflects a **rate of \$5,938 psm**. Redbank Plains is located around 33 km south-west of Brisbane's CBD.

6 Highfields Road, Highfields, QLD 4352

Charter Hall Retail REIT has purchased the *Woolworths*-anchored **Highfields Village Centre** for **\$41 million**. The centre has a gross lettable area of 6,366 m² and occupies a 3.9-hectare site. The sale reflects a **capitalisation rate of 6%** and a **rate of \$1,051 psm**.

953-965 Wynnum Road, Cannon Hill, QLD 4170

Jane Darveniza has acquired the *Night Owl*-anchored **Urban Village** for **\$9.125 million**. The retail centre has 10 convenience, food and beverage and service-based tenants. The sale of the 3,282 m² corner site reflects a **yield of 5.96%** and a **rate of \$2,780 psm**. Cannon Hill is located around 9.2 km east of the Brisbane CBD.

Dawson Hwy & Philip St, West Gladstone, QLD 4680

Elanor Retail Property Fund has bought *Gladstone Square* from *Charter Hall* for **\$31million** on a **7.25% yield**. The shopping centre is almost 7,000 m² and has a 20-year lease to *Woolworths* as an anchored tenant. The sale reflects a **rate of \$4,429 psm**. West Gladstone is located approximately 533 km north of Brisbane CBD.

1 Mudgeeraba Road, Worongary, Qld 4213

SCA Property Group has bought the 6,900 m² **Worongary Town Centre** for **\$46.3 million** on a **6% yield**. The town centre is anchored by *Coles Supermarket* and has a *Caltex* service station. The sale reflects a **rate of \$6,710 psm**. Worongary is located 13.8 km south-west of the Gold Coast.

Corner horizon Drive and Riverhills Road, Middle Park, QLD 4074

A private investor has bought **Park Village Shopping Centre** for **\$35.2 million** on a **6.47% yield**. The 6,421 m² centre has been on the market for nine months. The centre, which was refurbished in 2012, is *Coles* anchored and has 36 retailing tenancies. The sale reflects a **rate of \$5,482 psm**. Middle Park is located 16.5 km south-west of Brisbane CBD.

240 Queen Street, Brisbane, QLD 4000

Christie Offices has a **10-year** lease of the 3,501 m² office space across three levels, with a **gross annual rent of \$700 sqm**.

Leasing Activity

Preston Rowe Paterson Research recorded the following significant leasing transaction that occurred in Queensland during the first half of 2017:

148 Logan Road, Woolloongabba, QLD 4102

Woolworths will occupy a new full-line store after agreeing to a leasing deal with *Pellicano Group*. *Woolworths* will occupy a 3,600 m² store within the \$600 million **South City Square** development. The rent is estimated to be at least \$20 million for the entirety of the **15-year lease**. Woolloongabba is located around 2.5 km south of Brisbane's CBD.

414 Brisbane Road, Booval, QLD 4304

Early Settler has leased a 1,160 m2 showroom at the **Harvey Norman Centre** for **5-years with options**. The **annual rent is between \$200 and \$250 psm**. Booval is located around 3.6 km north-east of the Ipswich CBD.

103-141 Duckworth Street, Garbutt, QLD 4814

Early Settler will move into a new showroom at an **annual rent of between \$200 and \$250 psm**. The lease for the 1,076 m2 showroom is for **5-years with options**. Garbutt is located about 6 km south-west of Townsville's CBD.

414 Yaamba Road, Rockhampton, QLD 4700

An 860 m2 showroom at the **Red Hill Homemaker** will be occupied by *Early Settler* for the next **5-years with option**. The lessee will pay an **annual rent of between \$200 and \$250 psm**.

142 Redland Bay Road, Capalaba, QLD 4157

National Tiles will lease 864 m2 on a **7-year** lease term property which includes parking, loading area two crossovers. Capalaba is located 20.3 kms south-east of Brisbane CBD.

Investment Activity

Preston Rowe Paterson Research recorded the following transactions in Queensland over the first six months of 2017:

Centre	Address	Sale Price	Sale Date	Reported Yield	Vendor	Purchaser	GLAR (sqm)	\$/sqm	Type
Town Square Redbank Plains Shopping Centre	357/403 Redbank Plains Rd, Redbank Plains, QLD 4301	\$160,000,000	Jan-17	6.02%	Private vendor	Rockworth Capital Partners	26,800	\$5,970	Sub Regional
The Station Oxley	133 Oxley Station Rd, Oxley, QLD 4075	\$43,500,000	Feb-17	6.32%	Folkestone	Private investment fund	7,093	\$6,133	Neighbourhood
Walkerston Village Shopping Centre	8 Creek Street, Walkerston, QLD 4751	\$11,600,000	Apr-17	7.35%	Private vendor	I-REIT	3,265	\$3,553	Neighbourhood
Mudgeeraba Market Shopping Centre	3 Swan Ln, Mudgeeraba, QLD 4213	\$35,800,000	May-17	6.08%	Local private owners	SCA Property Group	6,092	\$5,877	Neighbourhood
Highpoint Plaza	240 Waterworks Rd, Ashgrove, QLD 4060	\$33,500,000	May-17	7.38%	Private vendor	Aviator Plaza	4,498	\$7,448	Other
Beaudesert Central	125 Brisbane St, Beaudesert, QLD 4285	\$16,850,000	May-17	6.47%	Private vendor	MPG Funds	4,453	\$3,784	Neighbourhood
Worongary Town Centre	LOT 342 Mudgeeraba Rd, Mudgeeraba, QLD 4213	\$46,300,000	Jun-17	6.01%	Private vendor	SCA Property Group	6,906	\$6,704	Neighbourhood
Highfields Village Shopping Centre	Highfields Rd & Lauder Drive, Highfields, QLD 4352	\$41,000,000	Jun-17	6.00%	Private vendor	Charter Hall Retail REIT	6,366	\$6,441	Neighbourhood
Park Village Shopping Centre	Horizon Dr & Riverhills Road, Middle Park, QLD 4074	\$35,200,000	Jun-17	6.25%	Private vendor	Local private investor	6,421	\$5,482	Neighbourhood

Table 3—Retail Centre Sale Transactions in Queensland— Source: Preston Rowe Paterson Research

WESTERN AUSTRALIA

Overview

ABS Retail Trade Figures indicate that total turnover over the year to June 2017 is at \$34,025 million, which represents a decline of -7.3% when compared with total turnover over the year to June 2016. Household goods retailing turnover, Clothing, footwear and personal accessory turnover, Department store turnover and Other retailing turnover all experienced declines in the June 2017 quarter when compared to June quarter 2016 figures. Household goods retailing declined by -5.2% to \$501 million, Clothing, footwear and personal accessory declined by -5.5% to \$161 million, Department store turnover declined by -1.73% to \$171 million, and Other retailing turnover declined by -0.3% to \$382 million. In contrast, Food retailing experienced an increase of 2.1% to \$1,170 million, whilst Café, restaurants and takeaway food services turnover increased strongly by 9.6% to \$464 million during the June quarter 2017.

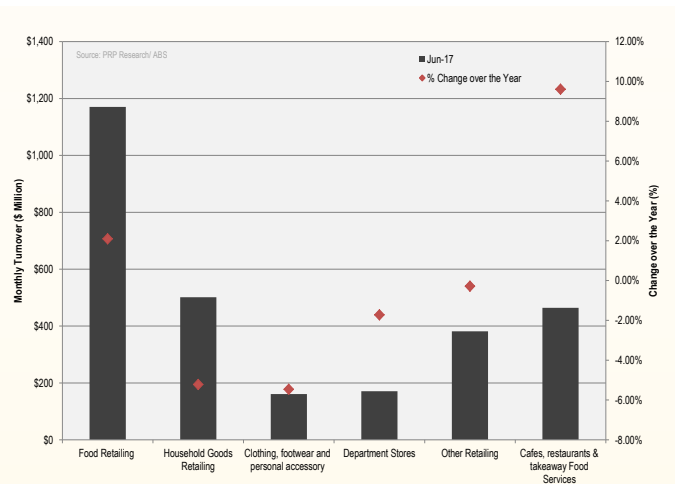


Figure 6: Turnover during the June Quarter 2017 in Western Australia & corresponding % Change over the Year— Source: ABS



Investment Activity

Preston Rowe Paterson Research recorded the following significant retail transactions that occurred in Western Australia during the first half of 2017:

592-612 Hay Street & 2 Bishop Street, Jolimont, WA 6014

Bunnings Warehouse has paid **\$13 million** for a 9,984 m² development site. The commercial/residential zoned site will be built into a warehouse format store. The sale reflects a **rate of \$1,302 psm**. Jolimont is located about 5.3 km west of Perth's CBD.

592-612 Hay Street & 2 Bishop Street, Jolimont, WA 6014

Bunnings Warehouse has paid **\$13 million** for a 9,984 m² development site. The commercial/residential zoned site will be built into a warehouse format store. The sale reflects a **rate of \$1,302 psm**. Jolimont is located about 5.3 km west of Perth's CBD.

Leasing Activity

Preston Rowe Paterson Research recorded the following significant leasing transaction that occurred in Western Australia during the first half of 2017:

1429 Albany Highway, Cannington, WA 6107

Victory Motorcycles agreed to lease a 1,700 m² retail showroom from a private landlord. The **5-year deal** was signed at a **net annual rent of \$245 psm**. Cannington is located around 11 km south-east of the Perth CBD.

67-69 Victoria Street, Midland, WA 6056

Tent World has leased 1,100 m² retail space for **5-years**. The camping store will pay a **net annual rent of \$135 psm**. Midland is located around 16.9 km south-west of the Perth CBD.

381 Scarborough Beach Road, Osborne Park, WA 6017

Plush will occupy a 930 m² showroom after parent company *Fantastic Holdings* secured a **5-year lease** for the property. The **net annual rent is \$270 psm**. Osborne Park is located around 7.7 km north-west of Perth's CBD.

401 Scarborough Beach Road, Innaloo, WA 6018

Amart All Sports has committed to leasing a 1,925 m² large-format retail centre for **10-years**. The **net annual rent of \$225 psm** will be paid to a private landlord. Innaloo is located about 10.4 km north-west of the Perth CBD.

Investment Activity

Preston Rowe Paterson Research recorded the following transactions in Western Australia over the first six months of 2017:

Centre	Address	Sale Price	Sale Date	Reported Yield	Vendor	Purchaser	GLAR (sqm)	\$/sqm	Type
Joondalup Gate	21 Joondalup Dr, Edgewater, WA 6027	\$57,800,000	Jan-17	7.87%	Joondalup Gate Pty Ltd	APIL	24,533	\$2,356	Large Format
Albany Brooks Garden Shopping Centre	Brooks Garden Blvd & Chester Pass, Albany, WA 6330	\$20,200,000	Jan-17	8.29%	Private vendor	M/Group	10,068	\$2,006	Neighbourhood
1215 Hay St, West Perth	1215 Hay St, West Perth, WA 6005	\$5,310,000	Mar-17	N/A	Private vendor	Private investor	1,220	\$4,352	Freestanding
592-612 Hay St (2 Bishop St), Jolimont	92-612 Hay Street and 2 Bishop Street, Jolimont, WA 6014	\$13,000,000	Apr-17	N/A	City of Subiaco	Bunnings Warehouse	N/A	N/A	Other
185 William St, Northbridge	185 William St, Northbridge, WA 6003	\$5,200,000	Apr-17	5.20%	Private vendor	Private investor	500	\$10,400	Shops
147 Great Eastern Hwy, Midland	147 Great Eastern Highway, Midland, WA 6056	\$5,300,000	May-17	N/A	Private vendor	Private investor	2,205	\$2,404	Large Format Retail

Table 4—Retail Centre Sale Transactions in Western Australia— Source: Preston Rowe Paterson Research

SOUTH AUSTRALIA

Overview

Total turnover over the year to June 2017 stands at \$20,155 million. This figure indicates a decline of -3.7% when compared to total turnover over the year to June 2016. Strong growths were recorded in Household goods retailing turnover and Cafes, restaurants and takeaway food services turnover, which experienced increases of 9.9% and 11.6%, respectively, when compared to June 2016 quarter figures. Household goods retailing turnover increased to \$264 million and Cafes, restaurants and takeaway food services turnover increased to \$208 million over the June 2017 quarter. Other retailing turnover increased by 3.8% to \$268 million, whilst Food retailing turnover increased by 2.7% to \$752 million and Clothing, footwear and personal accessory increased by 1.0% to \$112 million. Department store turnover declined by -2.5% to \$111 million over the year to June 2017 quarter.

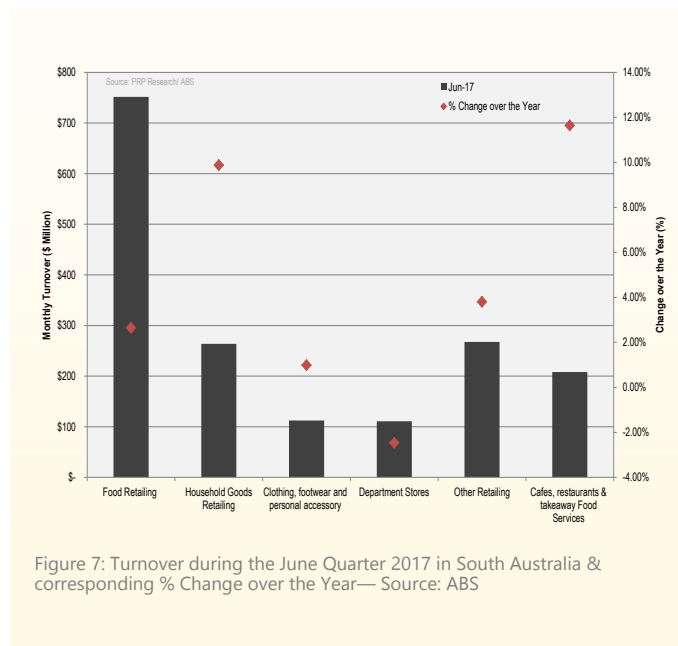


Figure 7: Turnover during the June Quarter 2017 in South Australia & corresponding % Change over the Year— Source: ABS

Investment Activity

Preston Rowe Paterson Research recorded the following transactions in South Australia over the first six months of 2017:

Centre	Address	Sale Price	Sale Date	Reported Yield	Vendor	Purchaser	GLAR (sqm)	\$/sqm	Type
12-18 David Witton Dr, Noarlunga Centre	12-18 David Witton Drive, Noarlunga Centre, SA 5168	\$17,500,000	Feb-17	8.16%	Undisclosed	Undisclosed	7,454	\$2,348	Large Format
Big W & Woolworths, Gawler	Noarlunga Centre SA 5168	\$32,050,000	Jun-17	6.80%	Gawler Property Holdings	Harmony Property Syndication	10,920	\$2,935	Neighbourhood

Table 5—Retail Centre Sale Transactions in South Australia— Source: Preston Rowe Paterson Research

TASMANIA

Overview

ABS Retail Trade Figures indicate that total turnover over the year to June 2017 in Tasmania stands at \$6,124 million. This figure indicates a decline of -3.9% when compared to yearly turnover to June 2016. Café, restaurant and takeaway food services turnover experienced strong growths during the June quarter 2017, with an increase of 12.2% when compared to June 2016 figures. Total Café, restaurant and takeaway food services turnover stands at \$58 million. Household goods retailing turnover and food retailing turnover also experienced strong growths, of 9.0% and 7.2%, respectively. Household goods retailing turnover stands at \$103 million during the June quarter 2017, whilst Food retailing turnover stands at \$224 million. Clothing, footwear and personal accessory turnover declined by -6.9% when compared to June 2016 figures, standing at \$30 million.

NORTHERN TERRITORY

OVERVIEW

ABS Retail Trade Figures indicate that total turnover over the year to June quarter 2017 in the Northern Territory stands at \$3,125 million. This figure indicates a decline of 7.3% when compared to yearly turnover figures to June 2016. During the June quarter 2017, Food retailing and Household goods retailing increased by 4.1% and 3.1%, when compared to June 2016 figures. Food retailing turnover stands at \$127 million, whilst Household goods retailing turnover stands at \$41 million. On the other hand, Clothing, footwear and personal accessory turnover declined by -0.7%, to \$14 million, whilst Cafes, restaurants and takeaway food services turnover declined by -0.3% to \$38 million.

AUSTRALIAN CAPITAL TERRITORY

OVERVIEW

Total turnover over the year to June quarter 2017 in the Australian Capital Territory stands at \$5,679 million, which represents a decline of -2.7% when compared to yearly turnover to June quarter 2016. During the June quarter 2017, Household goods retailing turnover and Other retailing turnover experienced strong increases when compared to June quarter 2016. Household goods retailing turnover increased by 11.5% to \$93 million, whilst Other retailing turnover increased by 16.4% to \$51 million. Clothing, footwear and personal accessory turnover increased by 4.2% to \$35 million, whilst Food retailing turnover increased by 2.5% to \$205 million, and Café, restaurants and takeaway food services turnover increased by 2.3% to \$66 million. In contrast, Department store turnover experienced a decline of -3.1% when compared to June 2016 figures, and now stands at \$31 million.

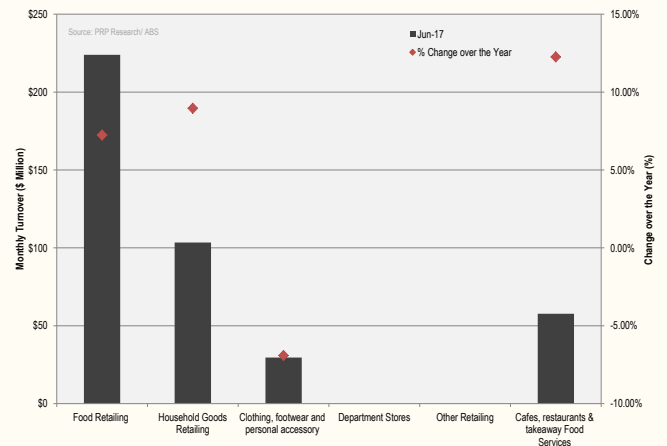


Figure 8: Turnover during the June Quarter 2017 in Tasmania & corresponding % Change over the Year— Source: ABS

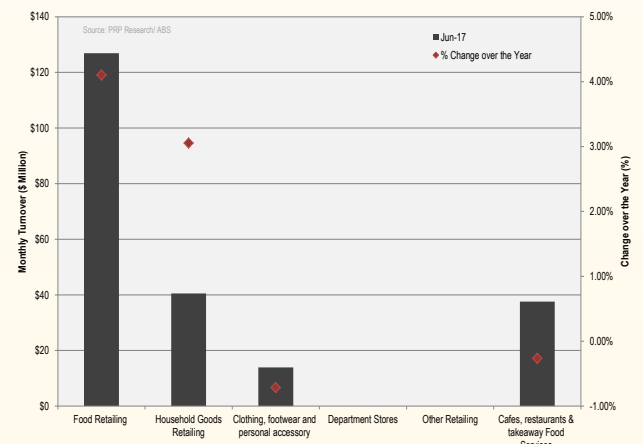


Figure 9: Turnover during the June Quarter 2017 in the Northern Territory & corresponding % Change over the Year— Source: ABS

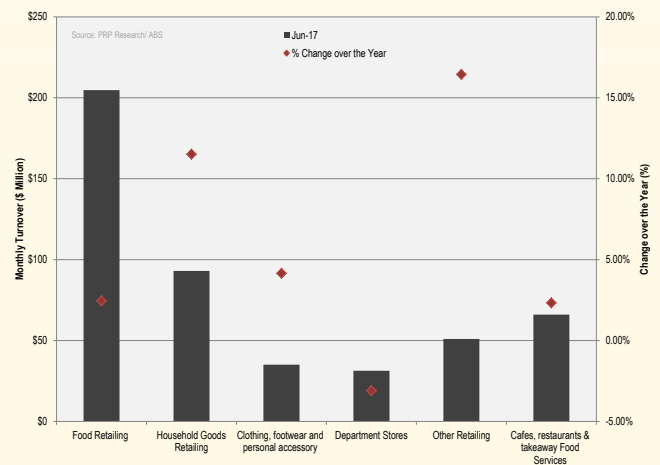


Figure 10: Turnover during the June Quarter 2017 in the Australian Capital Territory & corresponding % Change over the Year— Source: ABS

Economic Fundamentals

Consumer Price Index

Australia's consumer price index (CPI) increased by 0.2% in the June quarter, with the All groups weighted average Index number for the eight capital cities increase to 110.7. Over the year, Australia's CPI recorded an increase of 1.9%. All capital cities experienced increases in their CPI over the year, with Hobart bringing on the largest increase with 2.3%. Sydney and Melbourne both recorded 2.2%, Canberra recorded 2.1%, whilst other cities experienced increases which ranged between 0.5% and 1.8%.

When we look at Sydney, the main contributors to the rise in the capital city during the June quarter include Medical & hospital services (+3.9%), New dwelling purchase by owner-occupiers (+0.9%), and vegetables (+4.6%). The increase is offset by declines in domestic holiday travel & accommodation (-5.6%), Automotive fuel (-2.4%) and Fruit (-4.3%).

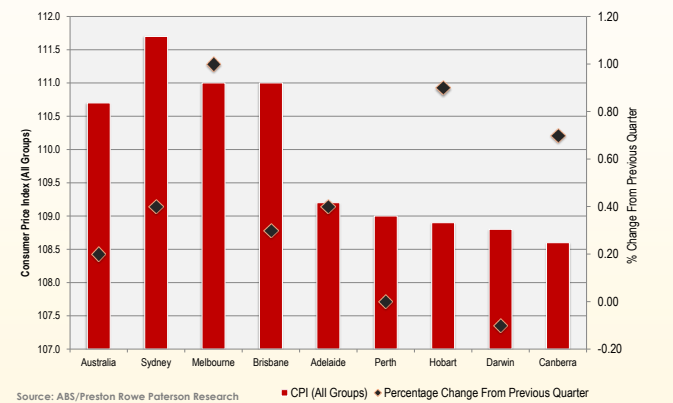


Chart 1—All Group CPI (Capital Cities) and Percentage Change over the quarter to June 2017—Source—ABS

Business Sentiment

Both business conditions and business confidence declined over the month of May. Figures released by National Australia Bank indicate that business conditions dropped by 1 point, to +12 index points, whilst business confidence index fell by 6 points to +7 index points. In stating this, both indices remain slightly above their long-run average index (+5 for business conditions, +6 for business confidence), with leading indicators for both business condition and business confidence remaining relatively strong. NAB's chief economist, Alan Oster, noted that a disconnect is present when we look at evidence of solid business activity in conjunction with data that indicates a slowdown in consumer spending. With weak household data and wage growth remaining at record low, and a strong business sector, Mr Oster have noted how this 'disparity resolves itself will be critical to the outlook for growth'.

	Net Balance		
	March 2017	April 2017	May 2017
Business confidence	7	13	7
Business conditions	14	13	12

Table 1—Monthly Net Balance of Business confidence index and Business conditions index — Source—National Australia Bank

Consumer Sentiment

According to the Westpac Melbourne Institute Index of Consumer Sentiment, consumers over the month of June are feeling the most pessimistic since the Reserve Bank's 2016 rate cuts. The index fell 1.8% from 98.0 in May to 96.2 in June, with a reading below 100 indicating that the number of pessimists outweigh optimists in their outlook of the economy. The main contributor to the results stems from the March quarter GDP figures, which produced relatively weak results. Annual growth had declined to 1.7%, the slowest increase since the GFC prompting consumers' pessimistic responses during the June survey.

Job security remains a topic on most consumers' mind, with the Westpac Melbourne Institute Unemployment Expectations Index increasing from 135.5 to 140.3, with a lower number indicating that fewer consumers expect unemployment to rise over the next twelve months. In saying this, job figures have come out positive, with unemployment expectations showing a positive improvement, as average index figures for 2015 and 2016 were both at 144 points.

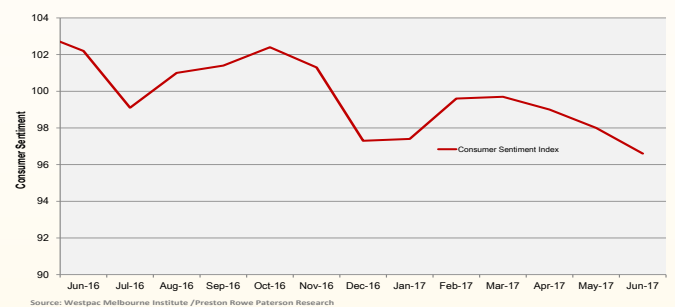


Chart 2—Consumer Sentiment Index, February 2016 to February 2017—Source—Westpac Melbourne Institute

	June 2016	May 2017	June 2017
Consumer Sentiment Index	102.2	98	111.3
Family finance vs. a year ago	90.3	82.6	81.4
Economic conditions next 12 months	97.9	95.9	91.3
Time to buy a dwelling	103.7	90.0	90.9

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

Gross Domestic Product

Over the first quarter of 2017, Australia's gross domestic product (GDP) increased by a seasonally adjusted 0.3% - a relatively weak figure when compared to December 2016 quarterly increase of 1.1%. Over the twelve months to March 2017, Australia's economy grew by 1.7%, relatively weaker than the 2.4% yearly increase in the fourth quarter 2016. Many economists had anticipated weaker growth over March quarter, after current account figures had indicated a dramatic slowdown in exports over the three months. However, the quarter's growth now means that Australia has experienced 103 quarters without a technical recession (defined as two consecutive quarters of negative growths).

We note that export of goods and services declined by a seasonally adjusted 1.6% over the quarter. The main influence was a decline in the export of mineral ores and coal, which contributed to a 2.6% decline in the export of goods. The export of services partially offset this decline by increasing by 2.5% over the quarter, though was not enough to stimulate an overall positive growth after the previous six quarters of growth. Moreover, terms of trade increased by 6.6% over the quarter, a decline from the 9.6% increase from last quarter.

Dwelling investments declined by 4.4% over the March quarter, though over the twelve months, dwelling investment has declined by 2.5%. Victoria was the only state to experience an increase in dwelling investment over the quarter, though at a national level, dwelling investment remains high.

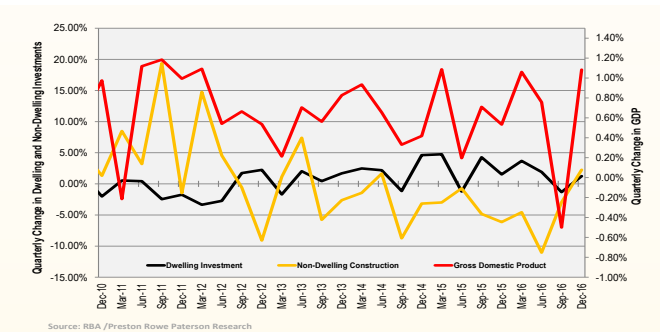


Chart 3— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

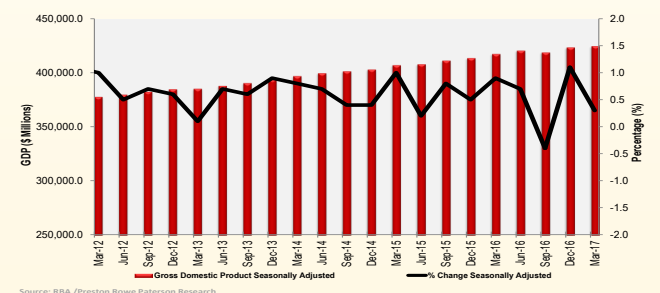
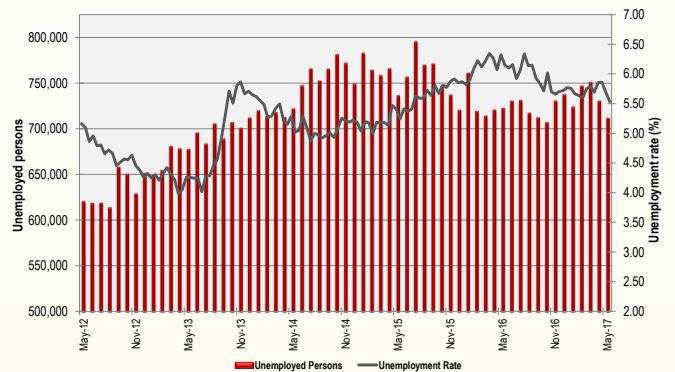


Chart 4— Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP— Source: ABS

Unemployment

Over the month to May 2017, seasonally adjusted unemployment rate declined to 5.5%, the lowest level since February 2013. There were 52,100 new persons in full time employment, though the number of persons starting part-time roles declined by 10,100- bringing the net total number of employed persons to 42,000 over the month. Over the same period, the participation rate declined to 64.9% (-0.1%), underemployment rate declined to 8.8% (-0.1%) and the underutilisation rate declined to 14.4% (-0.4%).

New South Wales experienced the largest month-on-month increase in employment with 32,600 persons. Victoria and Queensland experienced the next largest increases, with 6,900 persons and 5,500 persons respectively. When we look at the unemployment rate around the country, South Australia and Western Australia experienced the largest decline, both by -0.4%. Tasmania experienced an increase of 0.2%, whilst New South Wales increased by 0.1%. Tasmania experienced an increase of 0.8% in their participation rate, whilst Western Australia experienced a decline of 0.1% in theirs.



Source: ABS/Preston Rowe Paterson Research

Chart 5— Unemployment Persons and Unemployment Rate, March 2011 to March 2017 — Source: ABS

	Unemployment Rate (%)		Participation Rate (%)		
	April	May	April	May	
Australia	5.7	5.5	64.9	64.9	—
New South Wales	4.7	4.8	65.3	65.2	▼
Victoria	6.1	6.0	66.0	65.5	▼
Queensland	6.3	6.1	69.0	68.1	▼
South Australia	7.3	6.9	65.0	64.8	▼
Western Australia	5.9	5.5	68.8	67.5	▼
Tasmania	5.9	6.1	59.5	59.9	▲
Northern Territory*	3.3	3.2	74.3	65.6	▼
Australian Capital Territory*	3.6	3.5	67.8	66.1	▼

Table 3— Unemployment Rate and Participation Rate, February vs. March 2017 — Source: ABS

10 Year Bond & 90 Day Bill Rate

10-year government bond yield in Australia declined by 0.14% to 2.41% over the month to June 2017. Over three months, the 10-year bond yields declined by 0.40%, though when compared to June 2016, yields had increased by 0.29%. Australia's 90-day bill rate declined by 0.01% over the month, to 1.72%. This figure signifies a 0.07% decline over the quarter and a 0.27% decline over the year. Historically, Australian government yields are usually higher than that of the US government yields. However, the differential between Australian and US 10-year government bonds have narrowed to just 16 basis points at the end of June as global investors price in more monetary tightening by the Federal Reserve. We note that Australian 10-year bond yields, being influenced by the global increase in yields, had increased by 53 basis points since August last year, during which yields dropped to a historical low of 1.88%. Preston Rowe Paterson notes that long term bond yields have been declining gradually since the 1980's, and we consider the sharp increase in late December 2016 and the current elevated bond yields a normalisation of 10-year government bonds after it dropped to a record low in August 2016.

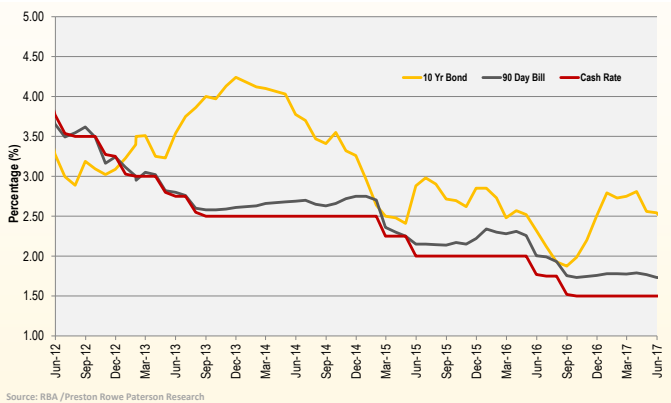
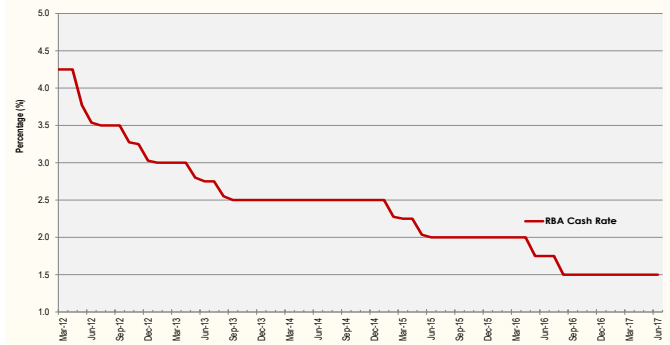


Chart 6— Monthly Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

Interest Rates

The Board of the Reserve Bank left rates unchanged at 1.5% for the tenth consecutive month at their June meeting. The main concerns brought up at the board meeting included concerns surrounding Australia's low wage growth and the imbalance between the housing markets around various parts of Australia. Ultimately, the Reserve Bank strives to achieve financial stability by pursuing an inflation target of two to three percent over the medium term. As the nation transitions through the mining boom investment phase, interest rates were cut to its lowest historical levels in order to support economic growth within the country. Reserve Bank board members noted the importance of a prudent regulatory body in promoting financial stability, and noted the need for a strong relationship built between the Bank and banking regulators, especially Australia Prudential Regulatory Authority (APRA).

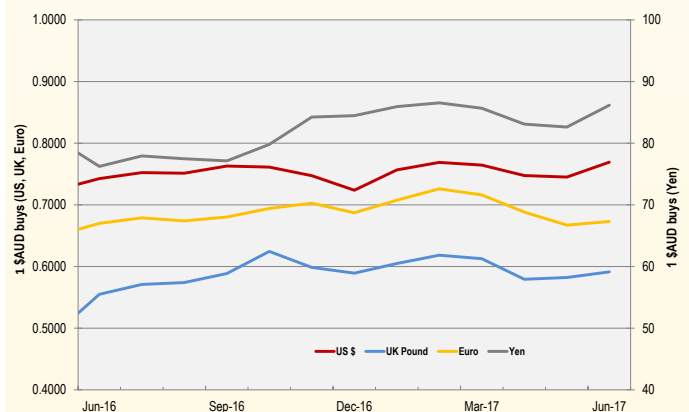
The Board's decision to keep interest rates unchanged stemmed from upbeat messages from world economic growth, in conjunction with the prospect of world-wide increase of wages and prices as the labour markets in many countries begin to improve. It was also noted that headline inflation in many countries have increased over the past twelve months, though core inflation remain relatively low. In the domestic economy, improvements in business conditions and business investments, in the parts of the economy that was not directly affected by the slowdown in mining investments contributed to the Board's interest rate decisions. Slow wage growth continue to highlighted, with members pointing out the low increase in income and high levels of household debts as being the main inhibitors to household consumption.



Source: RBA /Preston Rowe Paterson Research

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

Exchange Rate



Source: RBA /Preston Rowe Paterson Research

Chart 8— Movement in Exchange Rate over the year to March 2016— Source: RBA

Our Research

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

We have *property* covered

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

We have all *real estate* types covered

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

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

We have all types of *plant & machinery* covered

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

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

We have all *client profiles* covered

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

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



We have all *locations* covered

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

We have *your needs* covered

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

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

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- ◆ Philippines
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