



**Preston
Rowe
Paterson**

National Property Consultants

Property *Market* Report

South Australia

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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.

June Quarter 2013

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Economic Fundamentals

GDP

GDP figures for the June quarter are not available until the 4th September 2013 however PRP research over the March 2013 quarter revealed that the Australian economy recorded growth of 1.33% which brings annual growth to 3.03%.

In seasonally adjusted terms, the main contributors to expenditure on GDP were Net exports which increased by 1% and Final Consumption expenditure increasing by 0.4 percentage points. The main declines were total gross fixed capital formation and changes in inventories with declines of 0.7 percentage points and 0.4 percentage points respectively.

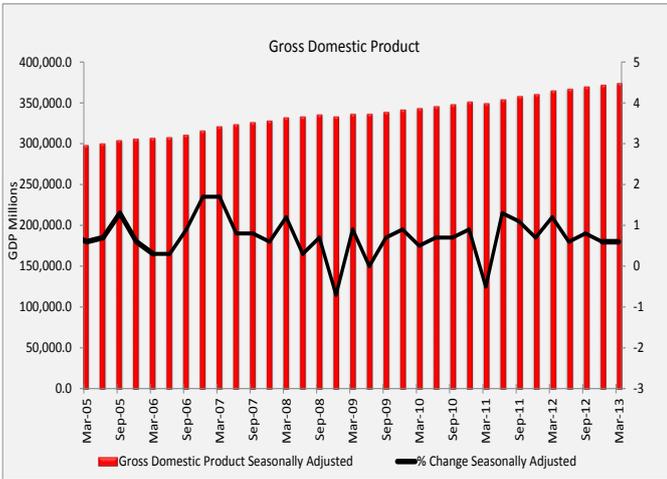


Chart 1 – Gross Domestic Product (GDP) – Source ABS

Labour force

Figures released by the Australian Bureau of Statistics revealed that the unemployment rate increased by 0.2 percentage points to 5.7% as at June 2013.

Employment over the month recorded growth of 0.089% which brings total employment to 11,668,533 persons. Unemployment over the month increased by 23,732 persons to 709,297, year on year comparison revealed an 11.88% increase in the number of unemployed persons.

The participation rate recorded a slight increase of 0.1 percentage points to 65.3% as at June 2013, with year on year comparison revealing a 0.1% increase.

Over the month of June 2013 aggregate number of hours worked increased by 8.82 million hours to a total of 1,638.6 million hours seasonally adjusted.



Chart 2 – Unemployment – Source ABS

Interest Rates

At the date of publishing, the official Cash Rate over the June quarter 2013 declined by 25 basis points to 2.75%. The decline took place in May and remained unchanged for the months of April and June. The Media Release from the RBA's Glenn Stevens for May 2013 provided the Board's reasoning for a reduction in the cash rate;

"The board has previously noted that the inflation outlook would afford scope to ease further, should that be necessary to support demand. At today's meeting the Board decided to use some of that scope. It judged that a further decline in the cash rate was appropriate to encourage sustainable growth in the economy, consistent with achieving the inflation target".

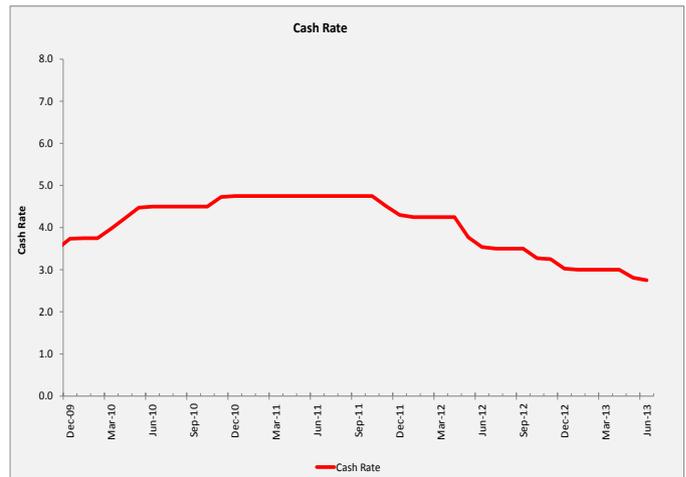


Chart 6 – Cash Rate – Source RBA

CPI

The Consumer Price Index (CPI) rose by 0.4% in the June quarter 2013 with the index now recording 102.8, reflecting annual growth of 2.4%. The most significant price rises this quarter were for medical and hospital services increasing by 3.4%, tobacco with a 3% increase and furniture increasing by 4.8%.

The most significant declines were experienced by domestic holiday travel and accommodation, decreasing by 4% and automotive fuel declining by 3.1%.

The Housing Group recorded growth of 0.6% over the quarter to June 2013. The sub-groups which contributed to this increase were new dwelling purchase by owner-occupiers (+0.9%) and rents (+1.1%). Over the twelve months to June, the housing group recorded a 5.3% increase, with main contributors being electricity (+17.2%), new dwelling purchase by owner-occupiers (+3.6%) and rents (3.4%).

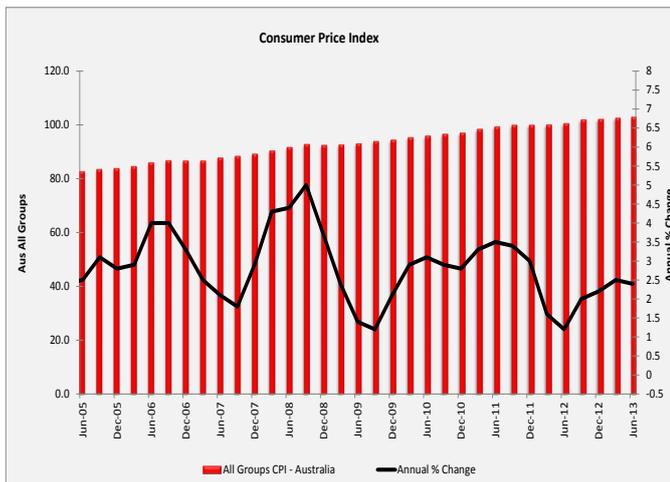


Chart 4- Consumer Price Index—Source—ABS

Consumer Sentiment

The Consumer Sentiment Index increased by 4.7% in June from 97.6 in May to 102.2 in June. Over the quarter this was the only increase in sentiment. From March 2013 to May 2013 the index fell by 11.7% from 110.5 to 97.6. In the twelve months to June 2013, the index has recorded growth of 7.25% increasing from 95.6 to 102.2.

With the index over the 100 level again this indicates that optimists outnumber pessimists despite consumer sentiment sitting 7.56% below its peak of 110.5 in March 2013.

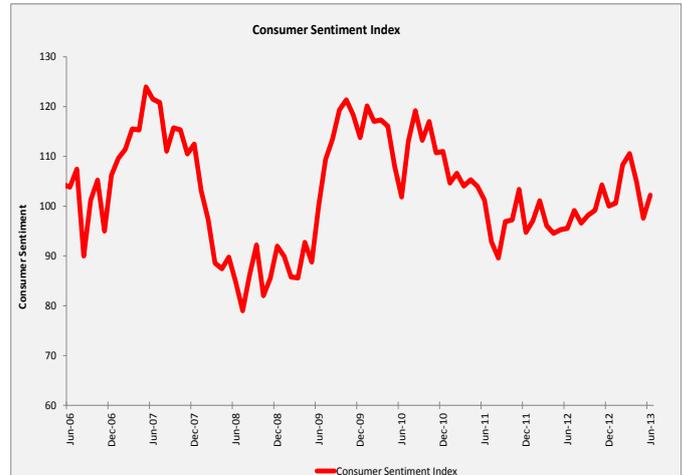


Chart 5 – Consumer Sentiment Index—Source—Westpac Melbourne Institute Survey

Commercial Office Market

Adelaide CBD

Investment Activity

PRP Research recorded few reported sales transactions that occurred in the Adelaide CBD Office Market during the three months to June 2013.

An undisclosed private investor has purchased a **1,350 sqm** office building at **227-235 Unley Road, Malvern in Adelaide** for a reported **\$5.05 million** on a reflective yield of 8.14%.

Leasing Activity

Westpac Banking Corporation has exercised an option to renew its lease of a **6,639 sqm** office building at **7 Laffer Drive, Bedford Park** for a 5 year term. Rental is reported at approximately **\$2.3 million per year**.

Property Council of Australia

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

Supply by Grade (Stock)

In the six months to January 2013 the Adelaide CBD office market recorded growth of 36,697 sqm which was due to a new development which was completed situated at 26 Franklin Street which comprised of 37,100 sqm. There were also partial refurbishments completed at numerous locations with total supply of 7,079 sqm being re-introduced into the market. The supply was however offset by withdrawals total 7,482 sqm which brought total supply to 36,697 sqm.

Premium Grade office stock remained unchanged over the six months to January 2013 with 41,700 sqm of supply. A Grade and B Grade stock recorded growth to bring supply levels to 482,452 sqm and 361,260 sqm respectively.

C Grade and D Grade experienced declines of 5,472 sqm and 930 sqm respectively.

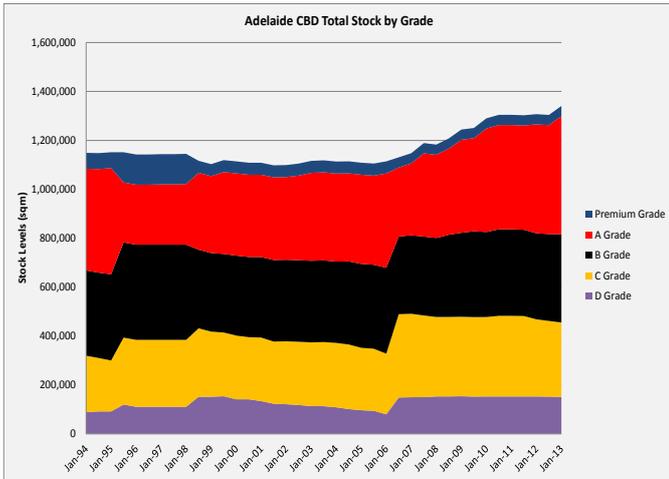


Chart 6 – Adelaide CBD Total Stock by Grade – Source ABS

Total Vacancy

The Adelaide CBD Office Market recorded an increase in total vacancy over the six months to January 2013 of 1.8%. Direct vacancy accounted for 0.3% increasing to 7.6%.

Sub-lease vacancy increased by 1.5 percentage points to 1.9%. The increase in direct vacancy and sub-lease vacancy reflects vacant stock levels of 102,555 sqm and 25,091 sqm respectively.

Over the six months to January 2013, Premium Grade office stock direct vacancy increased by 0.8 percentage points to 1,353 sqm. A grade office stock recorded a tightening of direct vacancy of 3,346 sqm (1%) however sub-lease vacancy experienced a 4% increase of 19,357 sqm.

B Grade recorded a 4.2% increase in direct vacancy and a 0.3% decline in sub-lease vacancy. C Grade and D Grade direct vacancy declined by 1.3% and 0.2% respectively and sub-lease vacancy decreased by 1% for C Grade and increased by 0.1% for D Grade.

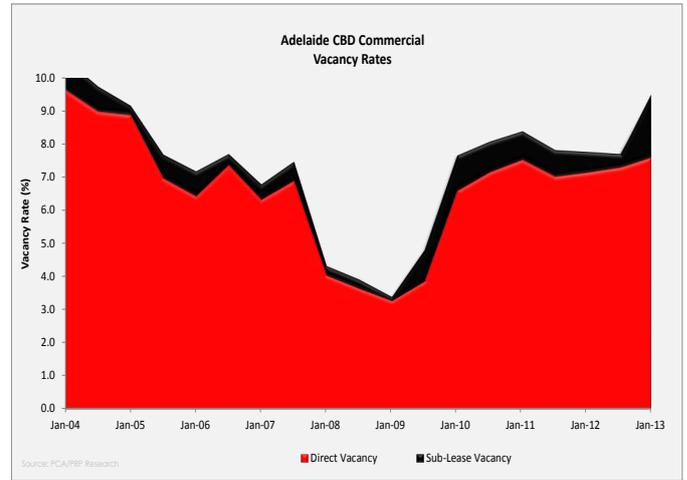


Chart 7—Adelaide CBD Commercial Vacancy Rates – Source ABS

Retail Market

Economic Statistics

According to the Australia Bureau of Statistics category 8501.0 Retail Trade (May 2013), the retail turnover figures recorded in South Australia produced varied results.

Total retail turnover for South Australia over the month of May increased by 0.57 percentage points to \$1459 million. This increase over the month reflected an annual decline of 0.29%.

Analysis of the various categories revealed a variety of increases and decreases over the month of May 2013, with the most significant growth attributed to Cafes, restaurants and takeaway food services which increased by 3.45% to a monthly turnover of \$177 million. This monthly growth reflected an annual increase of 9.39%. Food Retailing followed with an increase of 1.02% to monthly turnover of \$673.9 reflecting annual growth of 4.11%.

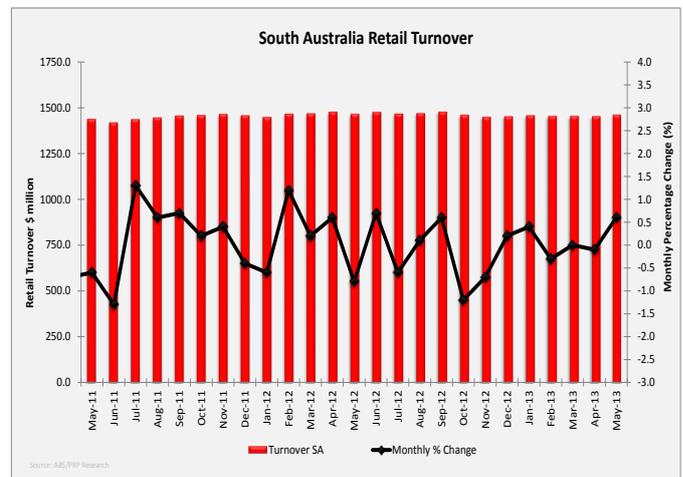


Chart 8 – South Australia Retail Turnover – Source ABS

Declines over the month were recorded by Household goods retailing, Clothing, footwear and accessory retailing and Department Stores, with the most marked decrease attributed to clothing, footwear and accessory retailing with 4.64% to a monthly turnover of \$78.1 million which reflects an annual decline of 22.44%. Household goods retailing followed a decrease of 0.73% to turnover of \$204 million. Department stores recorded a minor decline of 0.17% to monthly turnover of \$115.4 million reflecting a decline of 6.56% in the twelve months to May 2013.

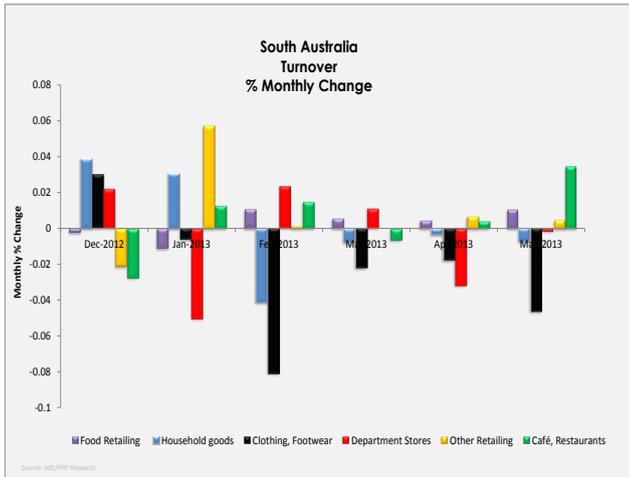


Chart 9—South Australia Turnover % Monthly Change— Source ABS

Industrial Market

Leasing Activity

PRP Research recorded relatively low leasing transactions that occurred in the Adelaide Industrial Market during the three months to March 2013. However,

Redset, a solar-power equipment distributor has leased **805 sqm** of industrial space at **Lot 2 Islington Court, Dudley Park** for a three year term at a reported **net annual rental of \$92,500**.

Residential Market

Economic Statistics

According to Australia Bureau Statistics category 8731.0 Building Approvals May 2013, the total number of house dwelling approvals in the Adelaide Statistical Division over the month have increased by 22.85% from 390 approvals to 500 approvals. There was an annual growth of 28.21% in house dwelling approvals.

Other dwelling approvals recorded significant growth over the month to May 2013 and annually, with growth of 163.78% over the month from 138 approvals to 335 approvals. Annual growth was recorded at 142.75%.

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Market Affordability

Over the March 2013 quarter, the Adelaide median house price decreased by 1.3%, to a median sale price of \$395,000. The Real Estate Institute of Australia (REIA) recorded a year on year growth of 3.4% for the Adelaide median house price. Over the quarter, there were 2 declines recorded which were in Mount Gambier and Inner Adelaide. Mount Gambier declined by 5.3% to median sale price of \$216,000 and Inner Adelaide declined by 0.9% to sale price of \$580,000. All other zones produced stagnant results with the greatest growth attributed to Outer Adelaide with 0.6% to \$320,000.

Year on year comparison revealed three zones decreased with Mount Gambier and Riverland the most significant with 9.1% and 7.1% to \$216,000 and \$162,500 respectively. Inner Adelaide also recorded annual decline of 3.3% to \$580,000. The most marked growth was experienced by Port Lincoln with 24.5% to \$320,000, followed by Outer Adelaide with 1.6% and Middle Adelaide with 1% to \$320,000 and \$430,000 respectively.

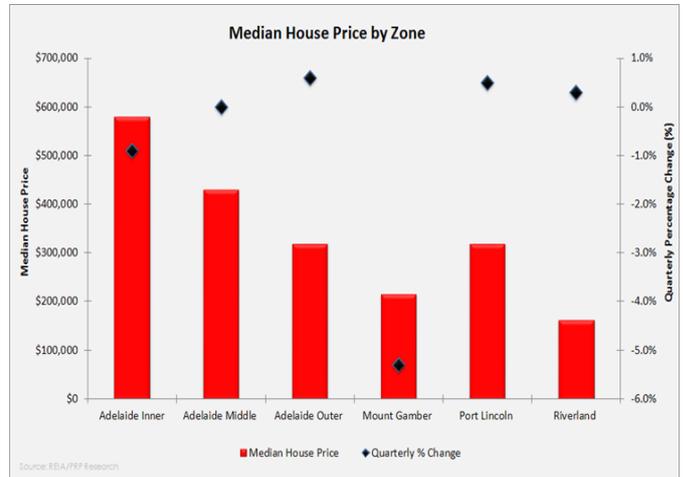


Chart 10—Median House Price by Zone— Source REIA

Other Dwelling median house prices in Adelaide experienced declines over the March quarter apart from Port Lincoln which increased by 14.7% to \$313,500. The most marked decline was attributed to Mount Gambier with 10.6% to \$143,000 followed by Inner Adelaide with 5% to \$335,000. Middle and Outer Adelaide also declined over the March quarter by 1.5% and 2.6% to median sale prices of \$300,000 and \$245,000 respectively.

Year on year analysis revealed similar results with the majority of zones decreasing over the twelve months to March 2013. Increases over the year were attributed to Inner Adelaide and Port Lincoln which increased by 2.3% and 10% respectively. Mount Gambier recorded the most significant decline of 17.3% followed by Middle Adelaide with 3.2% and Outer Adelaide with 2.8%.

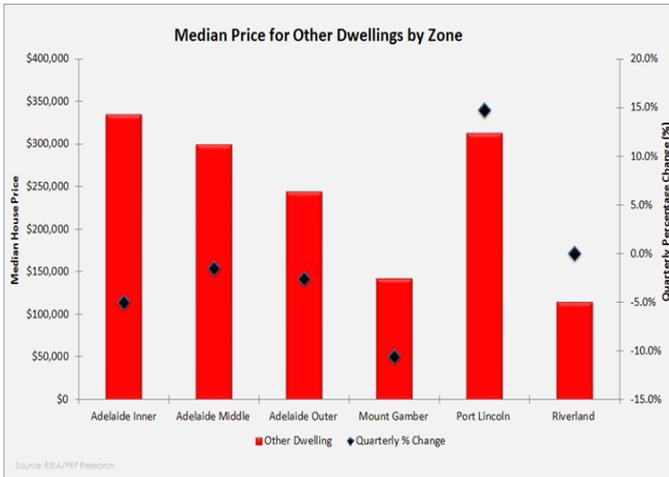


Chart 11—Median Price for Other Dwellings by Zone— Source REIA

Rental Market

The March quarter saw varied results with the majority of zones recording growth. Middle Adelaide 4 bedrooms and Port Lincoln 2 bedrooms recorded declines of 3.9% to \$427.5 per week and 8% to \$230 per week respectively. The most marked growth was attributed to Riverland 3 bedrooms; 13.5% to \$210 per week followed by Mount Gambier 2 bedrooms; 11.9% to \$235 per week and Inner Adelaide 4 bedrooms; 10% to \$550 per week.

Year on year analysis revealed similar results with only 2 zones recording declines, Mount Gambier 4 bedrooms declined by 6.3% to \$300 per week and Port Lincoln 2 bedrooms declined by 4.2% to \$230 per week. The majority of the remaining zones recorded increases with a few remaining unchanged. The most significant annual growth was recorded by Riverland 4 bedrooms and 3 bedrooms; 18.4% to \$270 per week and 13.5% to \$210 per week respectively followed by Mount Gambier 2 bedrooms with 11.9%.

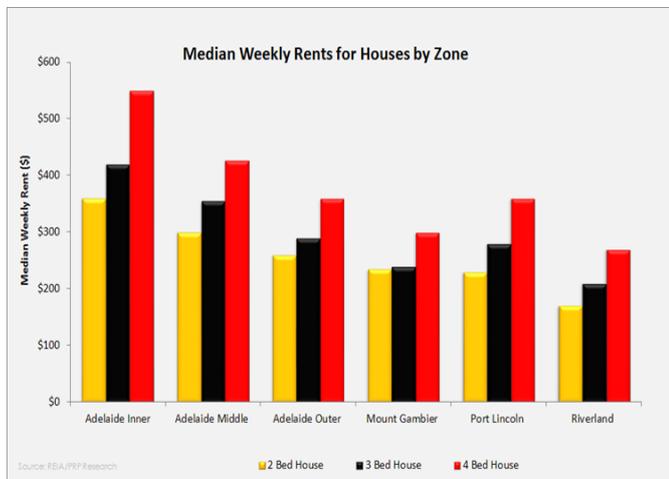


Chart 12—Median Weekly Rents for Houses by Zone— Source REIA

Other Dwelling rental rates over the March quarter in South Australia revealed diversified results with three zones recording declines. Riverland 2 bedrooms declined by 9.4% to \$145 per week followed by Port Lincoln 3 bedrooms by 4.8% to \$295 per week and Mount Gambier 1 bedrooms; 2.2% to \$112.50 per week.

The most significant growth over the three months to March 2013 was recorded by Riverland 1 bedrooms which increased by 31.9% to a median of \$155 per week which is now currently \$10 more expensive than a Riverland 2 bedroom unit. Outer Adelaide 1 bedroom recorded growth of 9.6% to \$200 per week followed by Port Lincoln 2 bedroom with 8.1% to \$200 per week.

Year on year comparison of the South Australia other dwelling rental market revealed similar results with the majority of zones recording growth. The most significant being Riverland 1 bedrooms which increased by 40.9% over the year, followed by Outer Adelaide 1 bedrooms with 11.1% and Middle Adelaide 1 bedrooms by 6.8% to \$235 per week.

The most significant decline year on year was attributed to Port Lincoln 3 bedrooms with 11.9% to \$295 per week, followed by Outer Adelaide 3 bedrooms by 4.8% to \$300 per week and Riverland 2 bedrooms by 3.3% to \$145 per week.

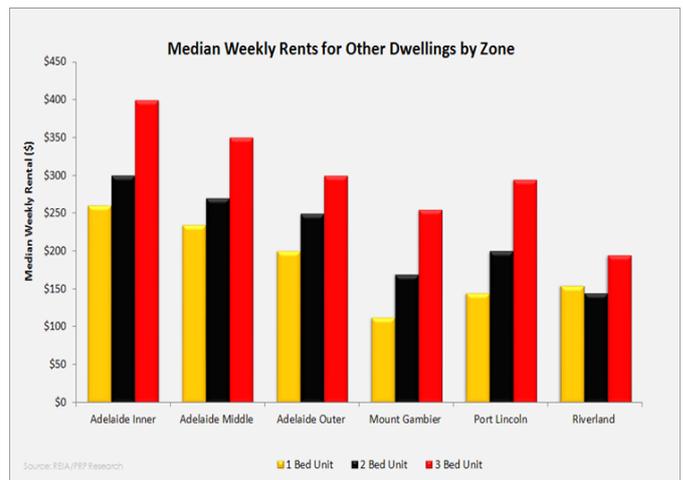


Chart 13—Median Weekly Rents for Other Dwellings by Zone— Source REIA

Our Research

At Preston Rowe Paterson, we pride ourselves on the research which we prepare in the market sectors within which we operate. These include Commercial, Retail, Industrial, Hotel & Leisure and Residential.

Our Corporate Property Services 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

Types of Real Property 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.

Types of Plant & Machinery 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

Our Clients 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
- Solicitors and barristers
- Stock brokers
- Trustee and Custodial companies

Our Service Area

We have all *locations* covered

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

Reasons for our Services

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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Melbourne

Adelaide

Brisbane

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Albury Wodonga

Ballarat

Bendigo

Cairns

Central Coast/Gosford

Geelong

Gold Coast

Gippsland

Mornington

Newcastle

Wagga Wagga

Relationship Offices

Canberra

Perth

Hobart

Darwin

Other regional areas