



**Preston
Rowe
Paterson**

National Property Consultants

Property *Market* Report

South Australia

March quarter 2013

INSIDE THIS ISSUE:

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

Economic Fundamentals	2
Adelaide Office Market	3
Retail Market	5
Residential Market	6
Hotel/Leisure Market	8
About Preston Rowe Paterson	9
Contact Us	11



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Economic Fundamentals

GDP

GDP figures for the March quarter are not available until 5th June 2013, however PRP research over the December 2012 quarter has revealed that the Australian economy recorded steady growth, with the quarter GDP growth at 0.6%, taking annual growth to 3.10%. In seasonally adjusted terms, the main contributors to expenditure on GDP were Total public gross fixed capital formation increasing by 1.10% over the quarter to December 2012 and Net exports increasing by 0.6 percentage points.

The Terms of Trade during the December quarter 2012 recorded a decline by 2.70% seasonally adjusted, reflecting export prices are declining at a faster rate than import prices.

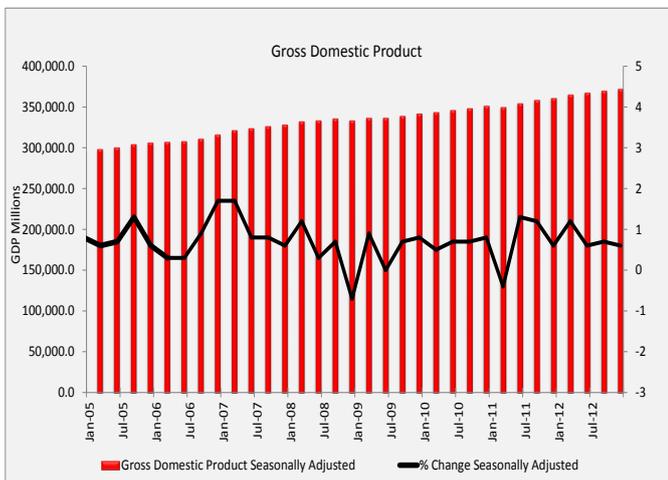


Chart 1 – Gross Domestic Product (GDP) – Source ABS

Labour force

The official employment figures released from the Australian Bureau of Statistics revealed that the unemployment rate increased by 0.2 percentage points to 5.6% seasonally adjusted as at March 2013. Employment over the month increased bringing the total employment to 11,599,900 seasonally adjusted.

Unemployment also increased over the month by 3,300 persons to 672,000, a percentage change of 3.3%. The number of persons looking for full-time work increased 30,900 to 501,900 and the number of persons looking for part-time work decreased 5,000 to 185,000. Year on year analysis reveals the number of unemployed persons has increased by 8.8%. The participation rate held steady remaining unchanged over the month at 65.1% in March 2013 with year on year results recording a 0.2% decline.

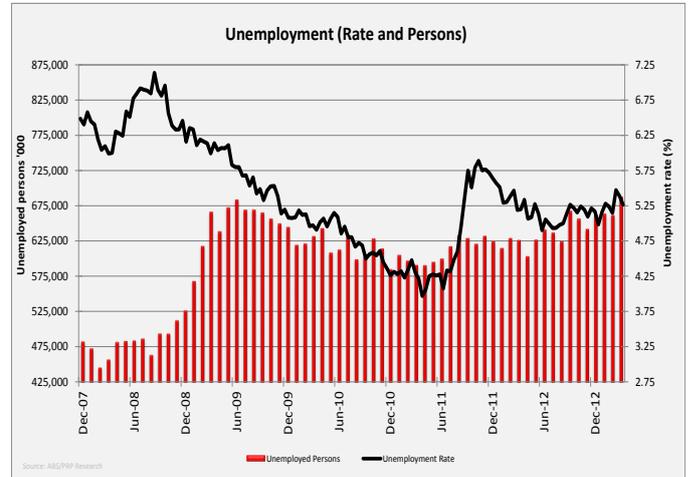


Chart 2 – Unemployment – Source ABS

Interest Rates

The official Cash Rate for the March quarter 2012 saw it remain unchanged at 3.0%. The RBA released a statement saying “taking into account the flow of recent information and noting that there had been a substantial easing of policy as a result of previous decisions, the Board judged that it was prudent to leave the cash rate unchanged”.

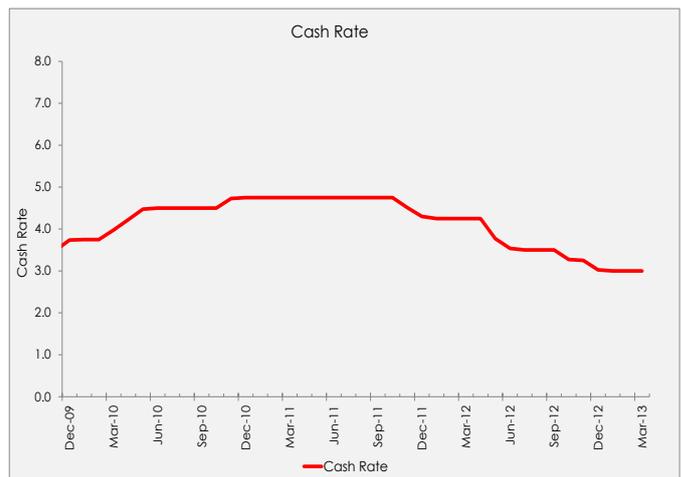


Chart 3 – Cash Rate—Source RBA

CPI

The Consumer Price Index (CPI) rose by 0.4% in the March quarter 2013 with the index now recording 102.4, taking the annual pace to 2.5% for the year. The most significant price rises this quarter were for new dwelling purchase by owner-occupiers with a 1.7% increase, pharmaceutical products 7.6% tertiary education 6.5% and tobacco 3.7%. International holiday travel and accommodation, furniture and fruit recorded the greatest declines with 5.2%, furniture 6.8% and fruit 7.0% respectively.

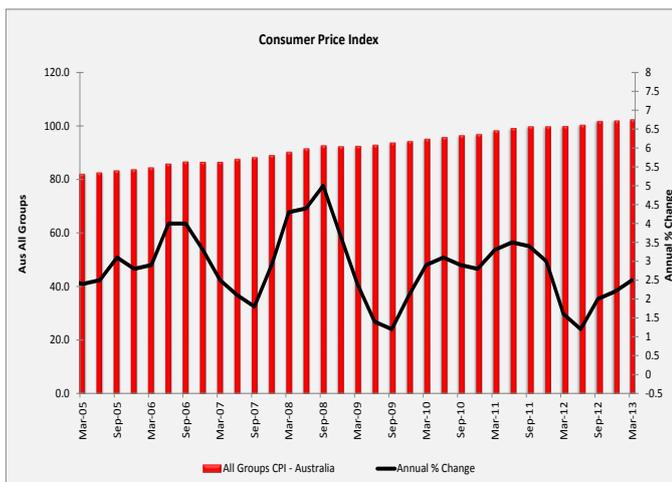


Chart 4 – Consumer Price Index – Source RBA

Consumer Sentiment

Consumer sentiment increased over the March 2013 quarter, with the Westpac-Melbourne Institute Index recording a 2.0% increase over the month. The index increased from 108.3 in February November 2013 to 110.5 in March 2013.

According to the Media Release by Westpac dated 13th March 2013, Westpac's Chief Economist Bill Evans stated "This is a strong result. It follows the 7.7% jump in the Index which printed in February and marks the fifth consecutive month the Index has registered above 100. That follows a period of 16 months when the Index was below 100 on 14 of those 16 months".

The index is currently recording its highest level since December 2010 and is up by 15.1% in the twelve months to March 2013.

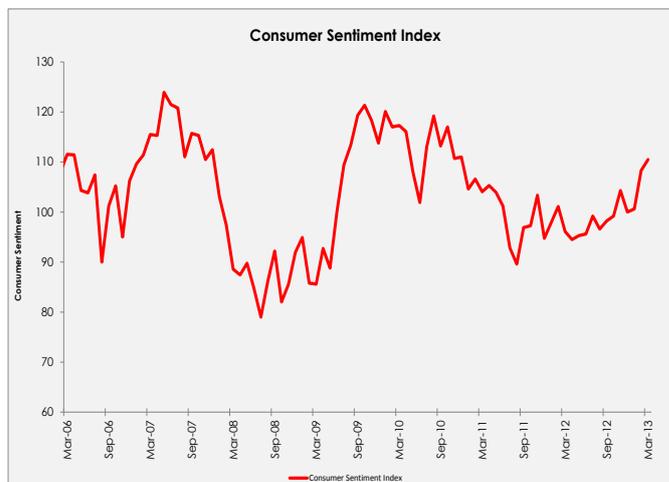


Chart 5—Consumer Sentiment Index—Source Westpac Melbourne Institute

Commercial Office Market

Adelaide CBD

Investment Activity

PRP Research recorded a number of reported sales transactions that occurred in the Adelaide CBD Office Market during the three months to March 2013 with the total reported value over \$136.40 million.

An office building has sold for **\$43.1 million** from Cromwell Property Group. The property has a floor area of **13,196 sqm** which reflects a rate per sqm of **\$3,266**.

Leasing Activity

Medical Insurance Group Australia has leased **1,300 sqm** of space at **70 Franklin Street**. The office space has been leased for a 10 year term at a rental of **\$400 psm**

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

In the six months to January 2013, there was 44,179 sqm of new supply which entered the Adelaide CBD Office Market. Recently completed developments include; 26 Franklin Street which accounted for 37,100 sqm. The six months to January 2013 also saw supply re-enter the market with refurbishments of properties situated at 205-211 Victoria Square and 100 Weymouth Street accounting for 2,940 sqm and 3,045 sqm respectively.

Withdrawn supply over the period accounted for 7,482 sqm resulting in a Net Supply of 36,697 sqm. Withdrawals were recorded in B Grade, C Grade and D Grade of 1,080 sqm, 5,472 sqm and 930 sqm respectively to derive at supply totals of 361,260 sqm, 304,134 sqm and 151,234 sqm. Supply additions over the six months to January 2013 were experienced in A Grade and B Grade of 37,100 sqm and 7,079 sqm respectively bringing total office space for A Grade to 482,452 sqm.

A Grade Office space continues to hold a majority of the Adelaide CBD Office market, with a 36% share, followed by B Grade office space with 26.9% of total market share, C Grade office space accounts for 22.7%, and D Grade and Premium Grade accounting for 11.3% and 3.1% of existing office stock in the Adelaide market respectively.

The second half of the year foresees an estimated 35,000 sqm of office space enter the market, with a new development at 80 Grenfell Street accounting for 22,000 sqm, along with refurbishments totalling 15,996 sqm. The supply pipeline for the Adelaide CBD Office Market will see an estimated 21,000 sqm enter the market in 2015+ with 50 Flinders Street which is currently DA Applied, there is a further 28,900 sqm of mooted supply with one development DA Approved, one DA Applied and the third in Early Feasibility Stage.

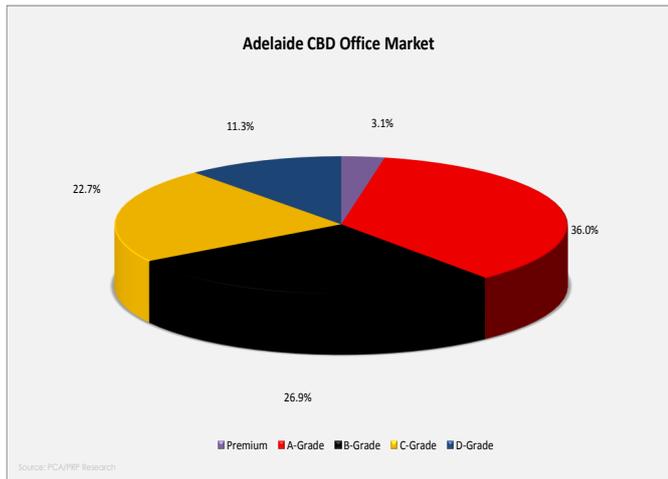


Chart 6 – Adelaide CBD Office Market – Source PCA

Net Absorption/Vacancy Levels:

Latest figures from the Property Council of Australia's (PCA) Office Market Report January 2013 have shown an increase in the Vacancy Rate for the Adelaide CBD.

Total Market Vacancy Rates for the Adelaide CBD increased by 1.8% over the six months to January 2013 from 7.7% to 9.5% reaching the highest level since July 2004.

All grades recorded increases in vacancy rates over six months apart from C Grade office space which declined by 1.0% to 11.1%.

Rising vacancy rates can be attributed to the large amount of supply that entered the Adelaide CBD Office Market, despite a positive Net Absorption over the period of 9,557 sqm and Total Net Absorption over 12 months of 7,491 sqm.

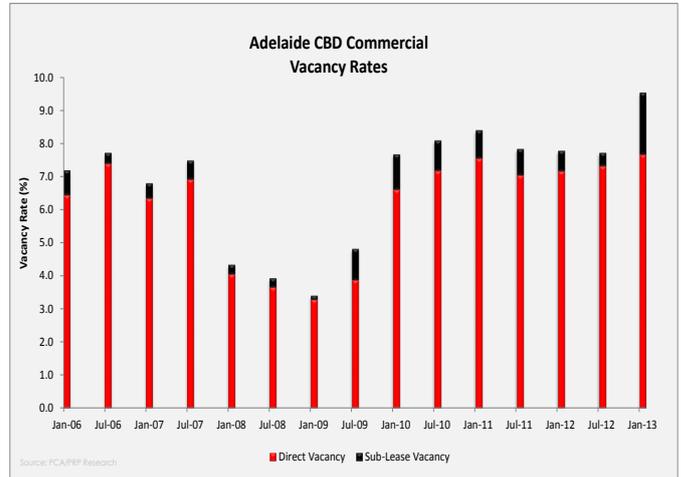


Chart 7 – Adelaide CBD Commercial Vacancy Rates – Source PCA

The most significant increase in Vacancy rates was attributed to B Grade office space which increased by 4.0% to 10.8% and recording its highest level since July 2000. A Grade office space followed with an increase of 3.1% to 6.4% and recording positive Net Absorption of 21,089 sqm over six months, and positive Net Absorption of 31,060 over the year. D Grade office space recorded an increase of a mere 0.1% to 15.1%.

A Grade office space dominated take up in the six months to January 2013 with 21,089 sqm absorbed, reaching a total of 31,060 sqm over a 12 month period. All other Grades experienced negative Net Absorption over the period with B Grade recording negative 8,612 sqm, followed by C Grade, D Grade and Premium Grade with -1,714 sqm, -867 sqm and -339 sqm respectively.

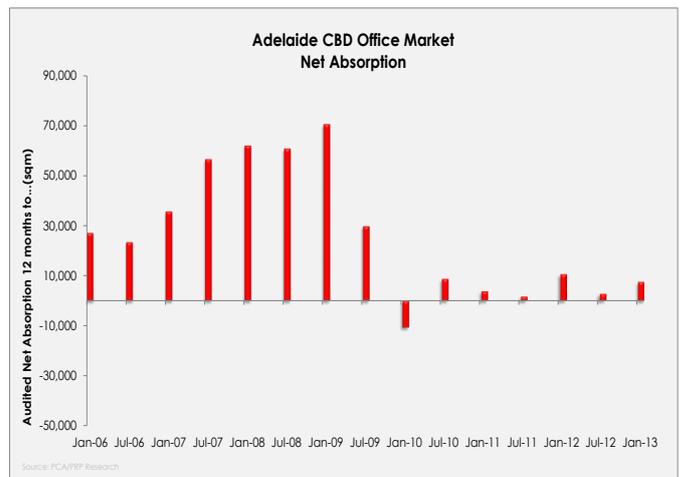


Chart 8 – Adelaide CBD Office Market Net Absorption – Source PCA

Retail Market

Investment Activity

PRP Research recorded relatively low retail transactions over \$5 million that occurred in South Australia during the March quarter 2013.

An undisclosed private investor has purchased Paralowie Shopping Centre located at **3-7 Liberator Drive, Paralowie** for a reported **\$8.1 million**. The retail neighbourhood shopping centre spans across 15,360 sqm purchased from vendors Metro Property Syndicate.



Paralowie Shopping Centre sold for reported \$8.1 million – Photograph – Commercialview.com.au

Economic Statistics

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

South Australia Total All Industry Retail Turnover declined by 0.37% over the month of January, bringing the total decline over the twelve months to February 2013 to 0.96% with a retail turnover of \$1449.7 million.

Mixed results were seen across all retail turnover categories in the state of South Australia over the month of January 2013. Department Stores, Newspaper and Book Retailing and Pharmaceutical, Cosmetic & Toiletry Goods retailing recorded the highest growth over the month increasing by 3.05%, 3.26% and 4.54% to total retail turnover of \$118.3 million, \$22.2 million and \$105.9 million respectively.

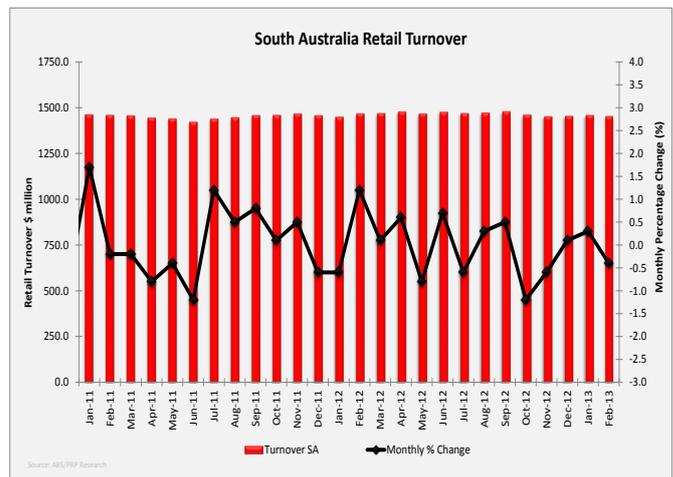


Chart 9 – South Australia Retail Turnover – Source ABS

The marginal increases in retail turnover were overshadowed by sub-categories; Furniture, Floor covering, Houseware & Textile goods Retailing; Clothing Retailing; Other Retailing n.e.c and Clothing, Footwear & Other Personal Accessory Retailing which recorded declines in turnover by 6.95%, 7.94%, 8.2%, and 7.63% with a retail turnover now at \$56.2 million, \$42.9 million, \$58.2 and \$86 million respectively for the month of February 2013.

The annual year to February 2013 recorded varied results in the retail turnover figures across the various sub-categories. Clothing Retailing, Hardware, building and Garden

Supplies retailing and Electrical and Electronic Goods retailing recorded some of the most significant declines of 32.76%, 21.85% and 15.78% with the retail turnover recorded at \$42.9 million, \$58.3 million and \$92.9 million respectively.

The most significant growth was recorded by Cafes, Restaurants and Catering services, Other Recreational Goods retailing and Newspaper and Book Retailing with annual increases of 18.32%, 17.84% and 12.12% with retail turnover for the year recorded at \$101.4 million, \$21.8 million and \$22.2 million respectively.



Adelaide's recently completed Rundle Place shopping centre – Photograph - 7news

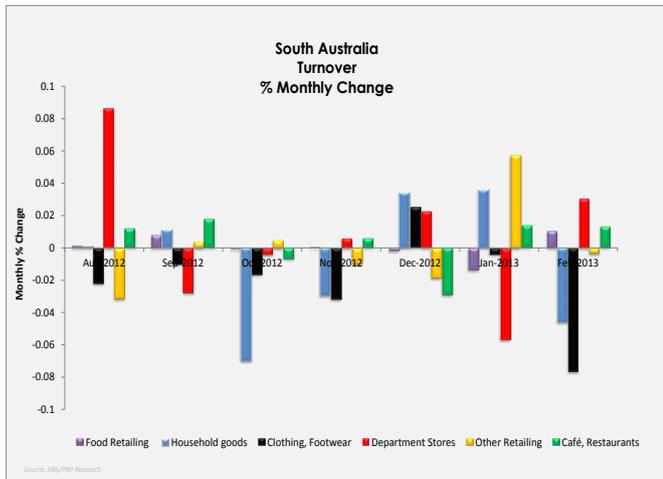


Chart 10 – South Australia Turnover % Monthly Change – Source PCA



Adelaide Housing – Photograph – newslimited.com

Residential Market

Economic Statistics

According to Australia Bureau Statistics category 8731.0 Building Approvals February 2013, the total number of house dwelling approvals in the Adelaide Statistical Division over the month have increased by 59.2% from 277 approvals to 441 approvals. There was an annual growth of 6.5% in house dwelling approvals.

Whilst fluctuating results were experienced throughout 2012 with peak of approvals recorded in March 2012 with 478 dwelling approvals and the trough of approvals recorded in April 2012 with 243 approvals.

The total number of non-house dwelling approvals has increased by a very significant 122.7% from 132 approvals to 294 approvals over the month of February 2013. Analysis of twelve months prior reveals momentous growth of 90.9% in non-house dwelling approvals.

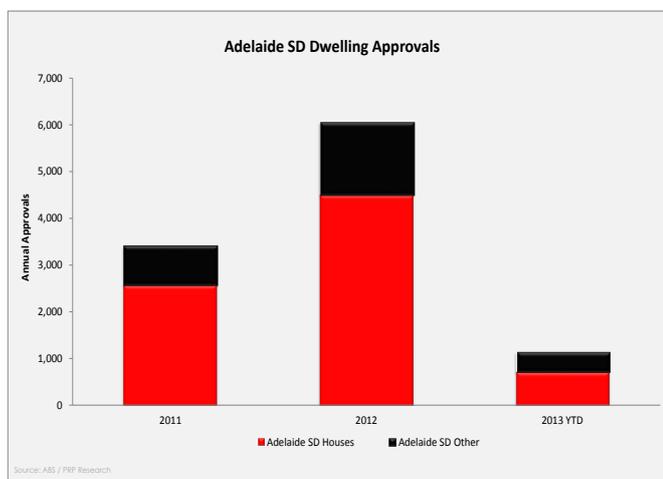


Chart 11 – Adelaide SD Dwelling Approvals – Source ABS

ADELAIDE

Market Affordability

Over the December 2012 quarter, the Adelaide median house price increased by 2.4%, to a median sale price of \$398,500. The Real Estate institute of Australia (REIA) recorded a year on year growth of 2.2% for the Adelaide median house price. Over the quarter, the only decline was recorded in Mount Gambier with a decrease of 12.3% to a median house price of \$225,000.

Quarterly growth was experienced in all zones apart from Inner Adelaide which remained unchanged. Port Lincoln recorded the greatest growth with 22.1% over the quarter to a median house price of \$318,500. Other increases for Middle Adelaide, Outer Adelaide, and Riverland were 1.2%, 0.2% and 1.9% to median sale prices of \$430,000, \$315,500 and \$162,000 respectively.

In comparison to 12 months prior the majority of zones experienced a decline in the median house price excluding Port Lincoln and Middle Adelaide which increased year on year by 8.0% and 1.2% respectively. The largest decline was evident in the Riverland declining by 23.8%. Followed by, Mount Gambier, Inner, and Outer Adelaide with decreases of 8.2%, 1.7% and 1.4% respectively.



Chart 12 – Median House Price by Zone – Source REIA

All Other dwelling median house prices in Adelaide experienced growth over the quarter, with the greatest increase attributed to Mount Gambier with 31.3% to a median sale price of \$157,500. Followed by; Port Lincoln, Inner, Middle and Outer Adelaide with increases of 15.8%, 7.7%, 1.6% and 1.2% to median sale prices of \$273,300, \$350,000, \$300,000 and \$250,000.

Year on year results for median other dwelling prices experienced declines in all zones excluding Port Lincoln which increased by 17.5 percentage points and Inner Adelaide which recorded growth of 4.0 percentage points. All zones other dwellings in South Australia experienced decline over the 12 months to September 2012, the greatest decline was attributed to Outer Adelaide with 4.9% followed by Middle Adelaide and Mount Gambier, with year on year percentage decline of 3.5% and 0.40% respectively.

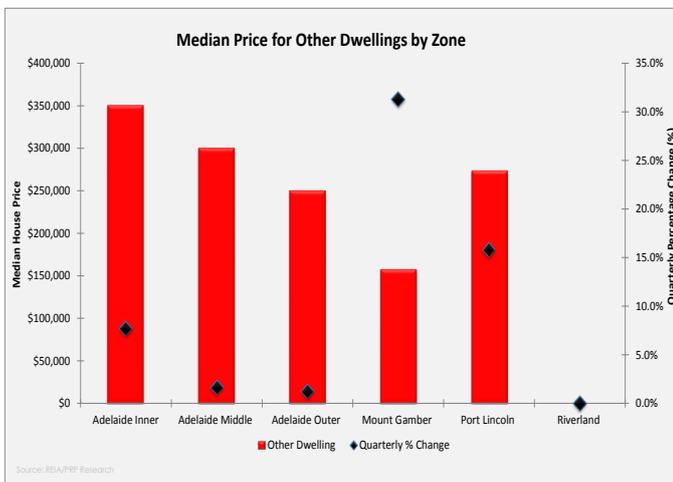


Chart 13 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

The December quarter saw stagnated results with the majority of zones remaining unchanged in terms of the median house rent per week. The Riverland four bedrooms and Outer Adelaide four bedrooms experienced the greatest declines of 6.5% and 4.1% to median weekly house rental of \$250 and \$350 respectively. Followed by, Riverland and Port Lincoln three bedrooms and Mount Gambier four bedrooms with declines of 2.6%, 1.9% and 1.7% to weekly median house rental of \$185, \$265 and \$295.

The most marked increase over the December quarter of 2012 was in the median house rental price in Port Lincoln two bedrooms and Mount Gambier two bedrooms increasing by 13.6% and 10.5% to the rental of \$250 and \$210 per week.

Varied results were seen in the South Australia rental market over the 12 months to December 2012 with fluctuating results across all zones. Growth was recorded in Port Lincoln two bedrooms, Mount Gambier two and three bedrooms of 28.2%, 7.7%, 3.4% to \$250, \$210 and \$230 respectively. Middle Adelaide and Inner Adelaide two, three and four bedrooms also increased with growth of 3.4%, 1.4%, 5.3%, 2.9%, 1.3% and 1.0% to median weekly rental of \$300, \$350, \$445, \$350, \$400 and \$500 respectively.

The most significant year on year decline in median house rent was recorded in Riverland four bedrooms decreasing by 9.1% to the rental of \$250 per week. Followed by; Port Lincoln three and four bedrooms and Riverland three bedrooms with percentage decreases of 2.8%, 1.9% and 2.6% with median house rent now \$350, \$265 and \$185 respectively.

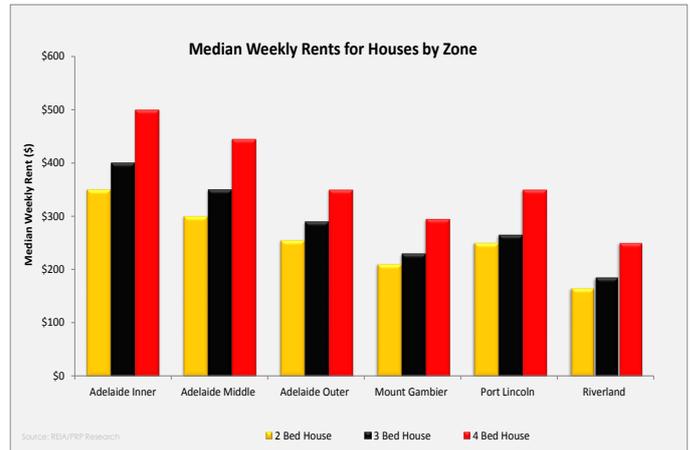


Chart 14 – Median Weekly Rents for Houses by Zone – Source REIA

Other dwellings rental rates over the September quarter in South Australia saw diversified results with the most significant declines experienced Port Lincoln one and two bedrooms by 7.9% and 7.5% respectively with the median rental of \$145 and \$185 per week.

The most significant growth in other dwelling median rents was in Port Lincoln three bedrooms increasing by 6.9% to the median rental per week of \$310.

Followed by, rental growth in Riverland two bedroom and Outer Adelaide one & Inner Adelaide one bedrooms by 3.2%, 1.4% and 1.0% to a rental of \$160, \$182.50 and \$252.50 per week respectively.

Year on year saw diversified rental change in South Australia other dwelling median rents with Outer Adelaide two & three bedrooms, Inner Adelaide three bedrooms, and Middle Adelaide one bedroom remaining unchanged at \$250, \$300, \$380 and \$220 per week respectively.

Increases in other dwelling rents over the year were seen in Port Lincoln one, two and three bedrooms, Riverland one and two bedrooms by 31.8%, 5.7%, 10.7%, 6.8% and 18.5% with the median rent per week of \$145, \$185, \$310, \$117.5 and \$160 respectively.

Inner Adelaide one and two bedrooms, Middle Adelaide two and three bedrooms and Mount Gambier one bedrooms also recorded positive rental growth by 5.2%, 3.5%, 3.8%, 1.4% and 4.5% with the median rental now \$252.5, \$295, \$270, \$350 and \$115 per week respectively.

In contrast the most significant percentage decline over the annual year to December 2012 was experienced in Outer Adelaide one bedroom and Mount Gambier two bedrooms by 8.8% and 5.9% declining to a rental of \$182.5 and \$160 per week respectively. Followed by; Mount Gambier three bedrooms by 2.0% to a median weekly rental of \$250.

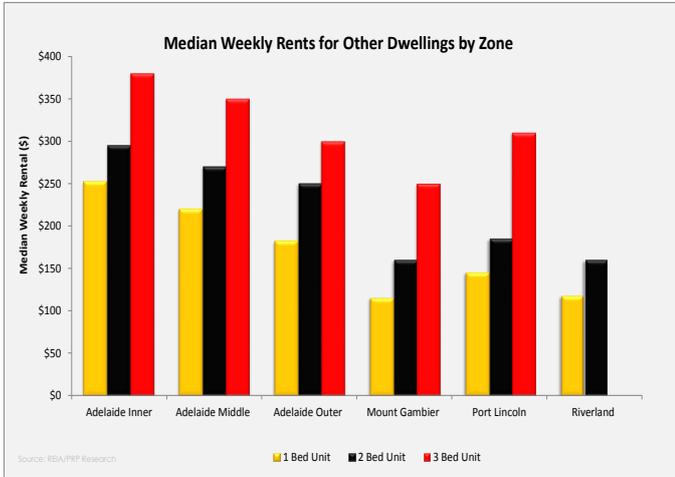


Chart 15 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

Hotel & Leisure Market

Investment Activity

PRP Research recorded a relatively low number of sales transactions that occurred in the Adelaide Hotel & Leisure Market during the three months to March 2013. However, a notable sale was;

An undisclosed investor has purchased the Seaford Hotel on the corner of **Commercial Road and Griffiths Drive, Seaford** for **\$10 million**.



Seaford Hotel sold for a reported \$10 million – Photograph – Google Earth

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 & re-valuations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
- Property syndicate valuations and re-valuations
- Rating and taxing objections
- Receivership, Insolvency and liquidation valuations and support/advice
- Relocation advice, strategies and consultancy
- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning

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Ballarat

Bendigo

Cairns

Central Coast/Gosford

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Darwin

Other regional areas