



**Preston
Rowe
Paterson**

National Property Consultants

Property Market Report

South Australia

March Quarter 2014

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

INSIDE THIS ISSUE:

Economic Fundamentals	2
Adelaide Office Market	3
Retail Market	4
Industrial Market	5
Residential Market	5
About Preston Rowe Paterson	8
Contact Us	10



Phone: +61 2 9292 7400

Fax: +61 2 9292 7403

Address: Level 11, 80 Clarence Street Sydney NSW 2000

Email: mailroom@prpsydney.com.au

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

© Copyright Preston Rowe Paterson NSW Pty Limited

Economic Fundamentals

GDP

GDP figures for the March quarter are not available until the 4th June 2014 however PRP Research over the December 2013 quarter revealed that the Australian economy recorded growth of 0.8% seasonally adjusted which reflected growth of 2.8% seasonally adjusted over the twelve months to December 2013. The main contributors to expenditure on GDP were Net Exports which increased by 0.6%, final consumption expenditure, which increased by 0.5%. The main detractor to expenditure on GDP was private gross fixed capital formation, declining by 0.5 percentage points.

The terms of trade increased by 0.6% in seasonally adjusted terms over the December quarter. Over the twelve months to December, the terms of trade has declined by 1.2%. "The terms of trade represent the relationship between the prices of exports and imports. An increase/decrease in the terms of trade reflects export prices increasing/decreasing at a faster rate than import prices".

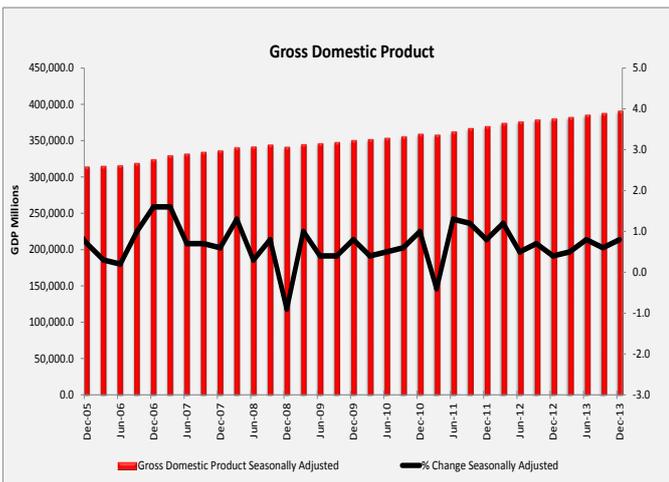


Chart 1 – Gross Domestic Product (GDP) – Source ABS

Labour force

The official employment figures released from the Australian Bureau of Statistics revealed that the unemployment rate declined by 0.3 percentage points to 5.8% seasonally adjusted as at March 2014. Employment over the month increased by 0.16% bringing the total employment to 11,553,200 seasonally adjusted.

Unemployment recorded a decline over the month by 29,900 persons to 713,200, a percentage change of 4.03%. The number of persons looking for full-time work declined by 16,700 to 509,800 and the number of persons looking for part-time work decreased 13,300 to 203,400.

The participation rate recorded a marginal decline of 0.2% to 64.9% as at March 2014, with year on year comparison revealing a 0.3 percentage point decline.

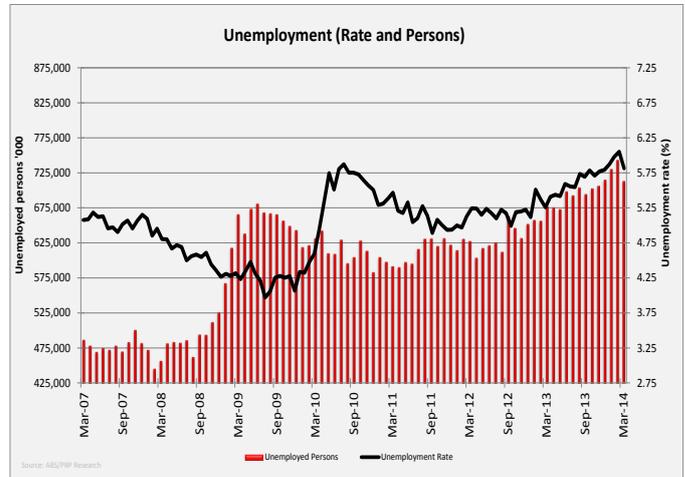


Chart 2 – Unemployment – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the March quarter 2014 remained unchanged at 2.50%. The Reserve Bank of Australia's Media Release for March 2014, released 1st April 2014 explained that;

"In Australia, the economy grew at a below trend pace in 2013. Recent information suggests slightly firmer consumer demand over the summer and foreshadows a solid expansion in housing construction. Some indicators of business conditions and confidence have improved from a year ago and exports are rising. But at the same time, resources sector investment spending is set to decline significantly and, at this stage, signs of improvement in investment intentions in other sectors are only tentative, as firms wait for more evidence of improved conditions before committing to expansion plans. Public spending is scheduled to be subdued".

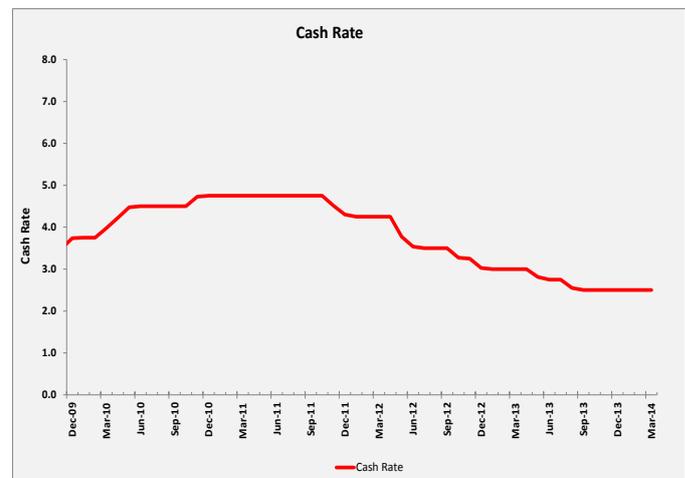


Chart 3 – Cash Rate—Source RBA

CPI

The Consumer Price Index (CPI) rose by 0.6% in the March quarter 2014 with the index now recording 105.4, reflecting an annual growth to March of 2.9%. The most significant price rises this quarter was for tobacco, pharmaceutical products and secondary education with increases of 6.7%, 6.1% and 6.0% respectively.

The most significant price decline over the March quarter was attributed to furniture, which declined by 4.3%.

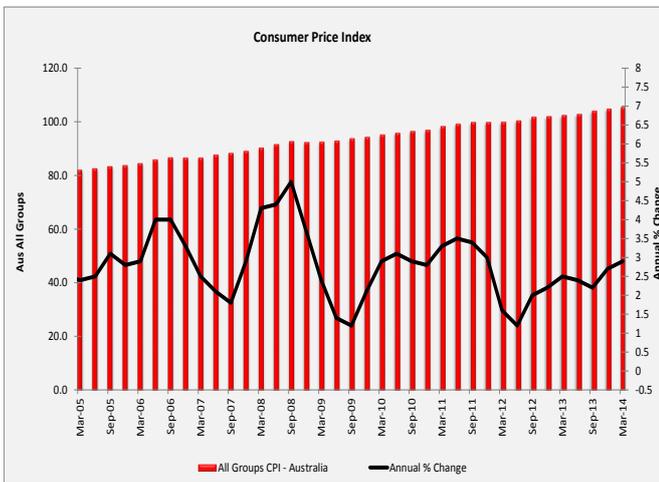


Chart 4 – Consumer Price Index – Source RBA

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index declined by 0.7% in March from 100.2 index points in February to 99.5 index points in March. Over the quarter the index has declined by 5.5 points, a decline of 5.24%. Over the twelve months to March the index declined by 11 index points, reflecting a percentage decline of 9.99%.

The Index has now reached its lowest level since May 2013, when it was recorded at 97.6 index points. Westpac's Senior Economist, Matthew Hassan stated; "The index has now fallen 10.9% from its November peak of 110.3 and is at its lowest level since May last year. The initial declines in December-January looked to be mainly the unwinding of the election-related sentiment boost".

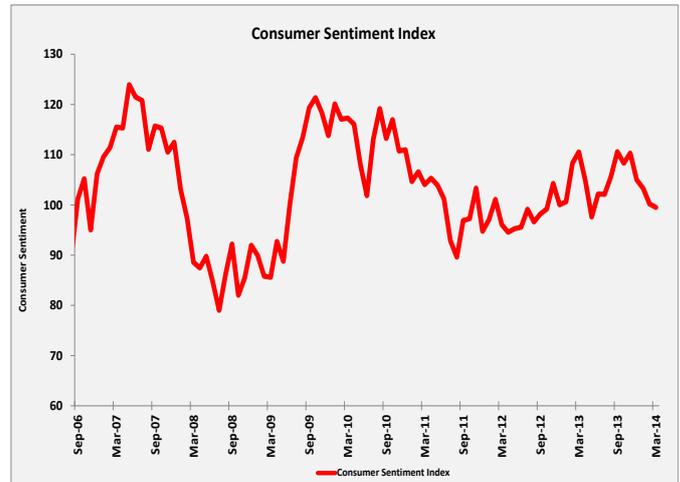


Chart 5—Consumer Sentiment Index—Source Westpac Melbourne Institute

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 March 2014;

Dimitri Aretzis, a local developer has purchased a **7,220 sqm** office tower at **44 Weymouth Street, Adelaide** for **\$14.1 million**. The 13 storey tower is partially leased to tenants SA Health, IBA and internet service provider Sptcom displaying a **rate per sqm of approximately \$1,953**.

Charter Hall's Wholesale Core Plus Office Fund has taken over a **\$30 million** half stake in the Adelaide ATO Building from Aspen Group. The **37,000 sqm** ATO building is anchored by the Australian Tax Office on a 17 year lease.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply

In the six months to January 2014, there was 30,566 sqm of new supply that entered the Adelaide CBD Office Market compared with 18,468 sqm of withdrawals which reflects an increase in total stock levels of 12,098 sqm in the Adelaide office market.

A Grade office space maintains the majority share of the Adelaide CBD office market with 38.3%, reflecting a 0.8% increase compared to July 2013. B Grade follows with 26.7% and the remaining grades of Premium, C & D Grade comprise of 3%, 21% and 11% respectively.

As at January 2014, there is an expected 22,769 sqm of supply expected to enter the Adelaide CBD Office Market later in the year. In 2015 there is an estimated 20,470 sqm of supply anticipated with 74.74% having been pre-committed.

There are 2 new developments which are currently mooted and will account for 22,000 sqm of the supply upon completion. The developments are located at 186-190 North Terrace which is in the DA Approved stage and will account for 5,000 sqm of the supply, and 200 North Terrace is in the early feasibility stage and consists of 20,000 sqm.

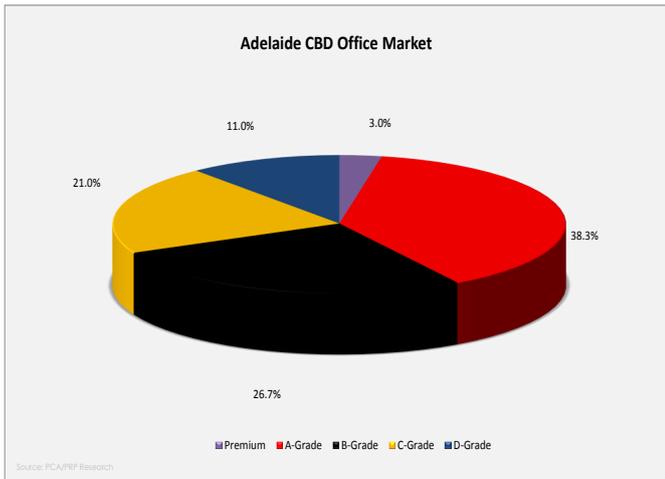


Chart 6 – Adelaide CBD Office Market – Source PCA

Net Absorption/Vacancy Levels:

Over the six months to January 2014, +5,818 sqm of stock was absorbed, reflecting net absorption of –6,138 sqm over the twelve months to January. Mixed results were recorded over the six months to January 2014, with Premium, B and C Grade recording negative net absorption of –784 sqm, -4,686 sqm and –7,681 sqm respectively. A Grade and D Grade recorded positive absorption of +17,744 sqm and +1,225 sqm respectively.

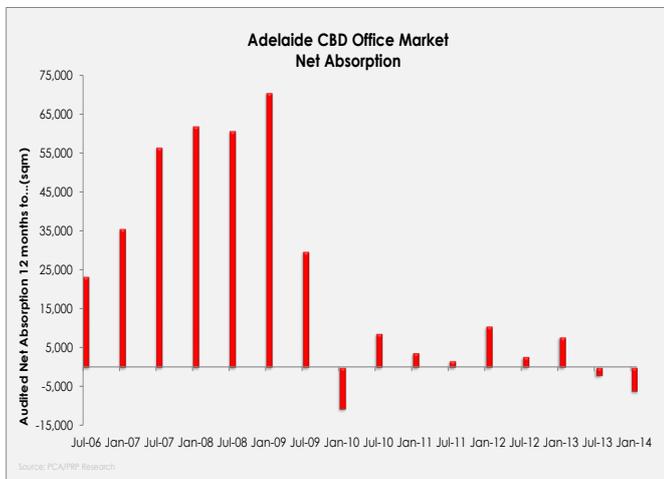


Chart 7 – Adelaide CBD Office Market Net Absorption – Source PCA

Total office market vacancy rates recorded an increase of 0.3% to 12.4% over the six months to January 2014. Vacancy rates were split between increases and decreases across the grades of office stock. Premium Grade, A Grade and B Grade recorded increases in total vacancy of 1.9%, 1.1% and 0.4% respectively to total vacancy levels of 6.3% 11% and 14%. C Grade and D Grade recorded declines over the six months to January of 0.4% and 0.8% respectively to total vacancy levels of 11.5% and 17.2%.

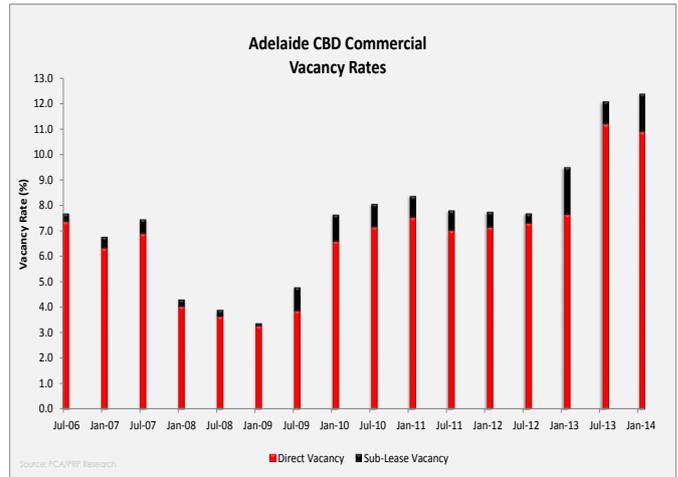


Chart 8 – Adelaide CBD Commercial Vacancy Rates – Source PCA

Retail Market

Economic Statistics

According to the Australian Bureau of Statistics category 8501.0 Retail Trade (February 2014), the retail turnover figures recorded in South Australia produced varied results. The total retail turnover in South Australia grew by 0.01% over the month of February 2014, with an annual total retail turnover growth of 4.67% seasonally adjusted, to retail turnover of \$1,520.6 million.

Over the month of February, declines were experienced in Household goods retailing, clothing footwear and personal accessory retailing and department stores retailing of 0.90%, 8.48% and 9.25% to monthly turnover of \$219.3 million, \$89.6 million and \$110.8 million respectively. The most marked growth was recorded in other retailing of 4.01% to monthly turnover of \$204.7 million, followed by cafes, restaurants and takeaway food services (3.87%) and food retailing (0.94%) to turnover of \$195.9 million and \$700.3 million respectively.

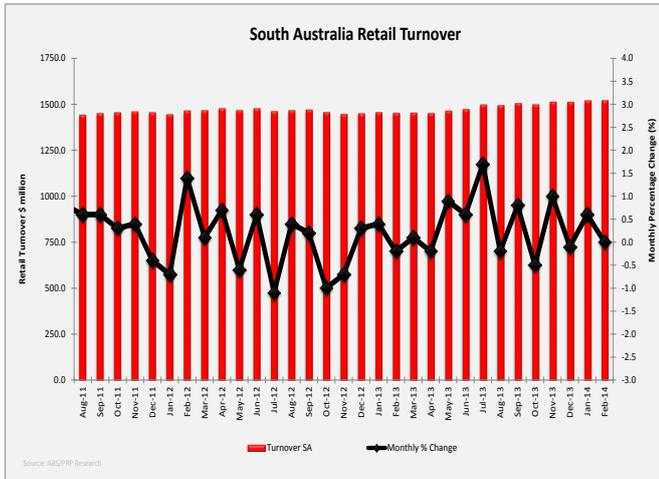


Chart 9 – South Australia Retail Turnover – Source ABS

Year on year analysis of the six categories revealed predominantly positive results with declines attributed to Department stores retailing (-6.73%) and Other Retailing (-1.87%). All other categories experienced growth over the year, with cafes, restaurants and takeaway food services recording the most marked growth of 14.63%, followed by food retailing, household goods retailing and clothing, footwear and personal accessory retailing with 6.15%, 5.28% and 3.70% respectively.

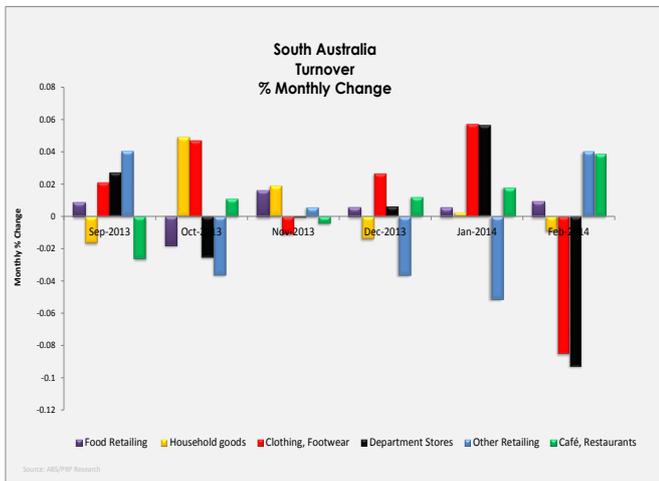


Chart 10 – South Australia Turnover % Monthly Change – Source PCA

Analysis of retail sub-categories over the twelve months to February 2014 has revealed predominantly positive results. The most significant monthly decline in retail turnover was attributed to other specialised food retailing, declining by 14.3% to turnover of \$48.8 million. The most marked annual decline was in footwear and personal accessory retailing, declining by 13.86% to turnover of \$37.3 million. The most marked growth in comparison to February 2013 was experienced in takeaway food services, increasing by 33.04% to \$91 million, followed by clothing retailing (21.58%) to \$52.4 million.

Industrial Market

Leasing Activity

PRP Research recorded few leasing transactions that occurred in the South Australia Industrial Market during the three months to March 2014;

Mining contractor Halliburton has leased **9,600 sqm** of warehouse space at **3-9 Birralee Road, Regency Park**. Halliburton will pay around **\$1.05 million per year**, for the 2.3 hectare site on a **10 year lease**. This displays a rate per sqm of approximately **\$46**.

Residential Market

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals February 2014, the total number of house dwelling approvals in the Sydney Statistical Division over the month has showed an increase of 24.42% from 430 approvals in January to 535 approvals in February. This has reflected growth of 21.04% when compared to house dwelling approvals in February 2013. Over 2013, house dwelling approvals recorded their highest level since 2011, with 5,242 approvals.

The total number of non-house dwelling approvals has declined by 47.58% from 248 dwelling approvals in January to 130 dwelling approvals in February. In comparison to twelve months prior to February 2013, a decline of 56.23% was recorded. Total non-house dwelling approvals over the year of 2013 recorded 2,649 dwelling approvals, which despite declines reflected the highest number of approvals recorded since 2011.

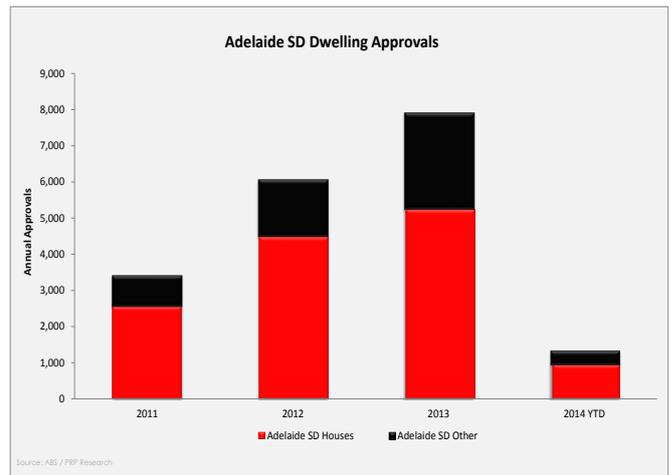


Chart 11 – Adelaide SD Dwelling Approvals – Source ABS

ADELAIDE

Market Affordability

According to the Real Estate Institute of Australia (REIA) the Adelaide median house price over the December quarter 2013 increased by 2.5% to a median sale price of \$410,000. Over the twelve months to December, growth of 2.5% was also recorded. All zones of South Australian house prices recorded growth over the quarter apart from Outer Adelaide, which remained unchanged at \$320,000. The most marked growth over the quarter was experienced in Inner Adelaide (7.9%) to median sale price of \$647,500, followed by Mount Gambier (4.3%) to \$245,000.

Year on year analysis revealed positive results, with all zones recording growth. The most significant growth was attributed to Riverland (18.8%) to \$192,500, followed by Inner Adelaide (7.9%) to \$647,500 and Mount Gambier (4.3%) to median sale price of \$245,000.

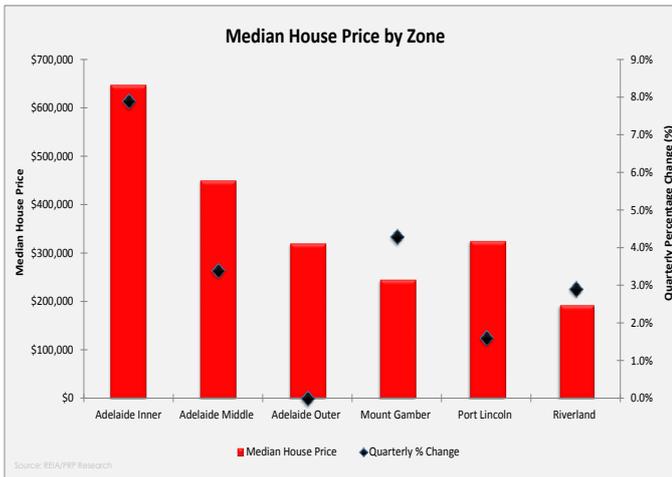


Chart 12 – Median House Price by Zone – Source REIA

Other Dwelling median sale prices in South Australia recorded mixed results over the quarter, with the majority of zones experiencing declines. Port Lincoln recorded the most significant decline of 18.9% to median sale price of \$208,500, followed by Outer and Inner Adelaide, with declines of 3.9% and 0.5% to median sale prices of \$245,000 and \$337,300 respectively. The most marked quarterly growth was recorded in Mount Gambier (8.1%) to median sale price of \$193,500, followed by Middle Adelaide (1.6%) to \$310,000.

Year on year analysis revealed mixed results, with the most marked decline attributed to Port Lincoln (-23.7%), followed by Inner (-4.3%) and Outer Adelaide (-2.6%). The most marked growth over the year was experienced by Mount Gambier, increasing by 20.9%, followed by Middle Adelaide with 1.8%.

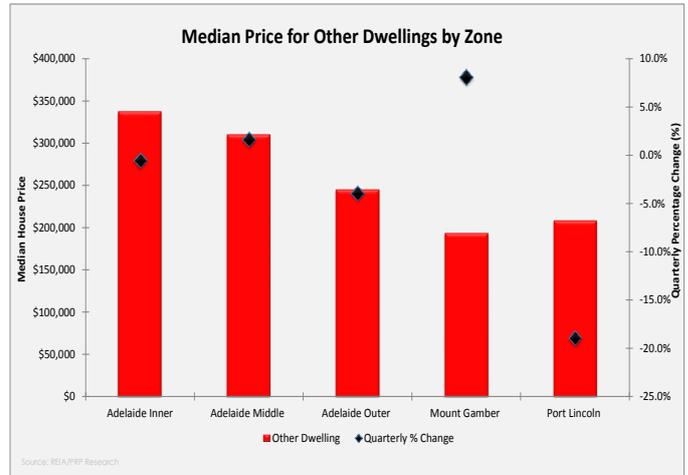


Chart 13 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

The December quarter revealed varied results in South Australia house rentals. The only recorded quarterly decline was in Port Lincoln 4 bedrooms, declining by 1.4% to median weekly rental of \$345. The most significant growth was experienced in Riverland 4 bedrooms (23.9%) to median rental of \$285, followed by Mount Gambier, Riverland and Port Lincoln 2 bedrooms, with quarterly growth of 4.4%, 4.2% and 4% to median weekly rentals of \$235, \$185 and \$260 respectively.

Year on year analysis revealed predominantly positive results, with the only declines attributed to Middle Adelaide and Port Lincoln 4 bedrooms, declining by 5.6% to \$420 per week and 1.4% to \$345 per week respectively. The most marked growth over the twelve months to December was experienced in Riverland 2, 3 and 4 bedrooms, with growth of 12.1%, 8.1% and 14% to median weekly rentals of \$185, \$200 and \$285 respectively. Mount Gambier 2 bedrooms recorded annual growth of 11.9% to median weekly rental of \$235.

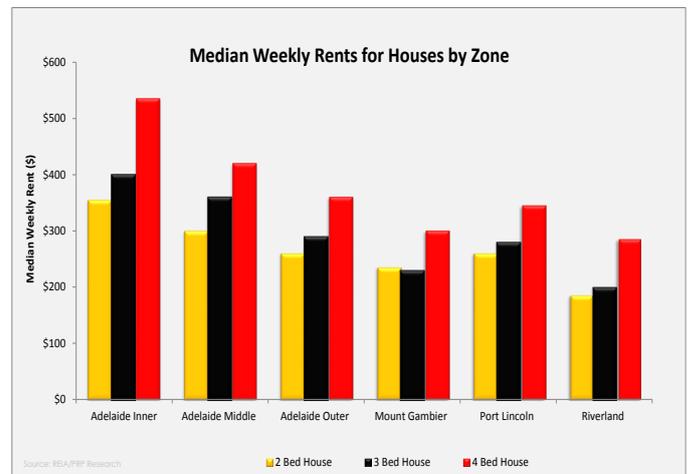


Chart 14 – Median Weekly Rents for Houses by Zone – Source REIA

Over the December 2013 quarter, South Australian Other Dwellings rentals revealed varied results, with declines experienced in Port Lincoln 1, 2 and 3 bedrooms of 1.7%, 2.5% and 3.3% to median weekly rental of \$147.50, \$195 and \$290. Middle Adelaide 1 bedrooms and Mount Gambier 3 bedrooms also experienced declines of 4.3% and 8.9% to median weekly rental of \$220 and \$255 respectively. Outer Adelaide 1 bedrooms and Riverland 1 and 2 bedrooms recorded the most marked growth of 14.3%, 12.3% and 17.2% to median weekly rentals of \$200, \$160 and \$170 respectively.

Year on year analysis revealed similar results, with the majority of zones recording growth. Outer Adelaide and Port Lincoln 3 bedrooms were the only zones to experience declines of 2.5% and 6.5% to median weekly rentals of \$292.50 and \$290 respectively. The most marked growth over the year was attributed to Riverland 1 bedrooms (36.2%), to median weekly rental of \$160. Outer Adelaide 1 bedrooms, Inner Adelaide 3 bedroom and Riverland 2 bedrooms followed with growth of 9.6%, 7.9% and 6.3% respectively.

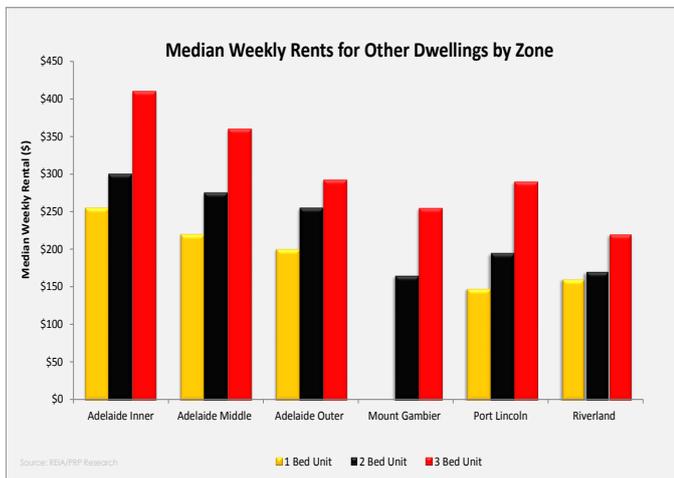


Chart 15 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

Our Research

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

We have *property* covered

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

We have all *real estate* types covered

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

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

We have all types of *plant & machinery* covered

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

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

We have all *client profiles* covered

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

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

We have all *locations* covered

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

We have *your needs* covered

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

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

Sydney (Head Office)

Level 11, 80 Clarence Street
Sydney NSW 2000

PO BOX 4120, Sydney NSW 2001

P: 02 9292 7400

F: 02 9292 7403

E: mailroom@prpsydney.com.au

W: www.prpsydney.com.au

Follow us:



Preston Rowe Paterson NSW Pty Ltd

ACN: 61 003 139 188

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

Directors

Greg Preston

M: 0408 622 400

E: greg.preston@prpsydney.com.au

Greg Rowe

M: 0411 191 179

E: greg.rowe@prpsydney.com.au

Associate Directors

Ben Greenwood

M: 0448 656 103

E: ben.greenwood@prpsydney.com.au

Neal Smith

M: 0448 656 647

E: neal.smith@prpsydney.com.au

Michael Goran

M: 0448 757 134

E: michael.goran@prpsydney.com.au

Ben Toole

M: 0448 886 335

E: ben.toole@prpsydney.com.au

Capital City Offices

Adelaide

Brisbane

Melbourne

Sydney

Regional Offices

Albury Wodonga

Ballarat

Bendigo

Cairns

Central Coast/Gosford

Geelong

Gold Coast

Gippsland

Mornington

Newcastle

Wagga Wagga

Relationship Offices

Canberra

Darwin

Hobart

Perth

Other regional areas