



**Preston
Rowe
Paterson**

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International Property Consultants

Property Market Report

South Australia and Tasmania

March Quarter 2017

HIGHLIGHTS

- Total stocks in the Adelaide CBD as at January stand at 1,420,822 sqm, indicating an increase of 15,157 square metres over the six months to January 2017. Hobart's office stocks declined by 959 square metres, bringing total office space down to 354,854 square metres.
- South Australia's total retail turnover declined by 0.14% over the month, to \$1.682 billion. Tasmania's total turnover declined by -0.22%, down to \$506.3 million.
- Total dwelling approvals in the Greater Adelaide region increased by 4.02% over March, to 647 approvals. Total approvals in the Hobart area increased by 44.0% over the same period, to a total of 108 dwellings over the month.
- Median sale prices for houses in Adelaide increased by 1.1% over the December quarter, to \$444,800. Similarly, Hobart's median sale price increased by 11.7% over the same period, to \$430,000.

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COMMERCIAL OFFICE MARKET

Adelaide CBD

Supply by Grade (Stock)

January 2017's Office Market Report released by the Property Council of Australia revealed that Adelaide's total office space increased by 15,157 sqm over the six months to January. There was 18,771 sqm of additional space introduced in conjunction with 3,614 sqm withdrawals over the period. Total stocks as at January stand at 1,420,822 sqm.

Adelaide CBD's office market is predominantly filled with A Grade and B Grade offices. A Grade offices take up 38.9% of total stocks in Adelaide, followed by B Grade offices, which take up 27.5%. C Grade offices take up 20.8% of all office space. There is a declining trend in the number of D Grade offices available, in which they take up only 9.9% of all office stocks. Over the year, total stocks had grown 2.5%, with the largest individual stock increase stemming from A Grade offices, which increased by 21,178 sqm. In contrast, D Grade office spaces declined by -5,667 sqm over the year.

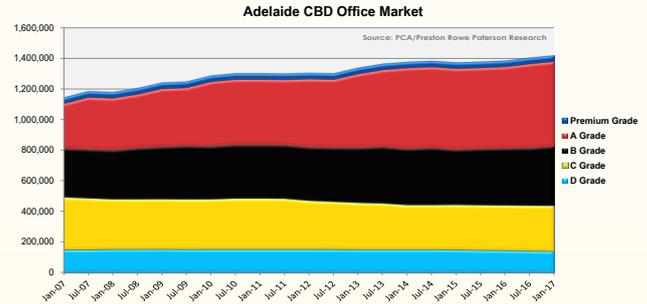


Chart 1 – Adelaide CBD Total Stock by Grade – Source PCA

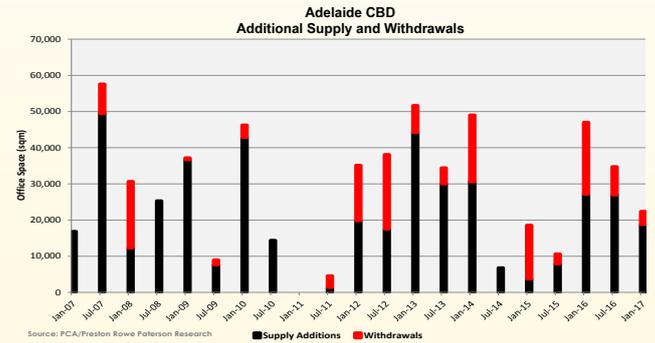


Chart 2 – Adelaide CBD Additional Supply and Withdrawals – Source PCA

Development Sites

January's edition of the PCA's Office Market Report have reported the following development sites in Adelaide's CBD:

Project Name	Address	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
113-115 King William Street	113-115 King William Street	Complete	115 King William Street Pty Ltd	5,799	Q4 2016
City Central Tower 7	12-26 Franklin Street	DA Applied	Charter Hall / Telstra Super Fund	24,000	2019+
City Central Tower 4	141 King William Street	DA Applied	Charter Hall / Telstra Super Fund	12,500	Mooted

Table 1 – Development Sites in Adelaide CBD— Source PCA

Total Vacancy

Adelaide CBD's office vacancy rates had increased over the six months, with total vacancy increasing from 15.8% to 16.2%. This increase is attributed to the increase of direct vacancy, of which it increased from 14.7% to 15.1%. Sub-lease vacancy remained unchanged at 1.1%.

Over the six month period, A Grade offices experienced the only decline in vacancy rates, declining by -0.5% to 15.4%. Premium Grade offices remained unchanged at 8.3%. B Grade, C Grade and D Grade offices all experienced increases in their vacancy rates. B Grade increased by 1.4% to 15.6%, C Grade increased by 1.3% to 18.1% and D Grade offices increased by 0.2% to 20.2%.

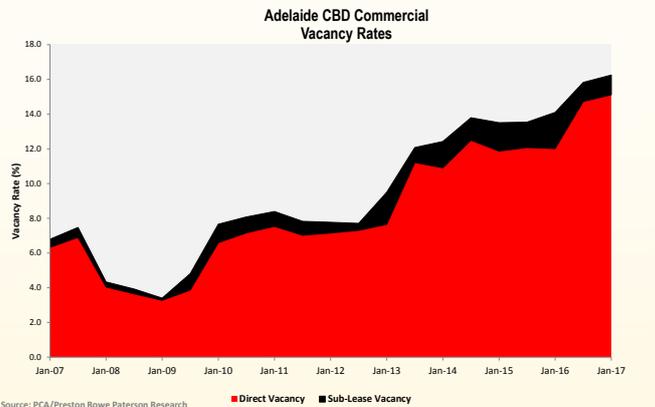


Chart 3 – Adelaide CBD Commercial Vacancy Rates – Source PCA

RETAIL MARKET

Retail Statistics

Retail Trade figures from the Australian Bureau of Statistics indicate that total retail turnover figures in South Australia for the month of March stand at \$1.682 billion, a decline of 0.14% from the previous month. This figure indicates a year on year increase of 3.46%, from March 2016's turnover of \$1.625 billion.

Over the month, South Australia recorded various results in their turnovers for their different retail subgroups. Household goods, Department stores and Other retailing all recorded negative growths over the month. Household goods retailing declined

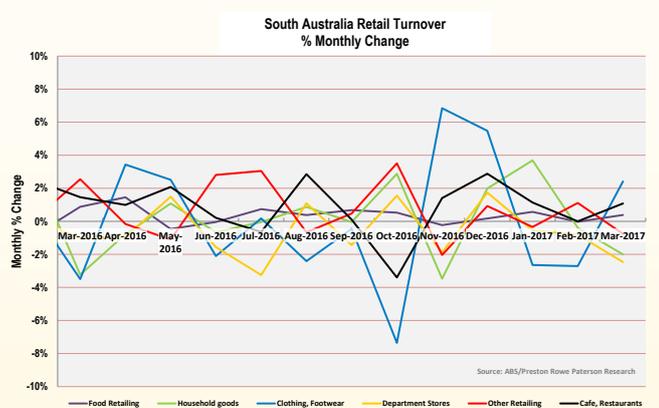


Chart 5 – South Australia Turnover % Monthly Change – Source PCA

INDUSTRIAL MARKET

Investment Activity

Preston Rowe Paterson Research recorded no significant sales transactions that occurred in the Adelaide industrial market during the three months to March 2017.

Leasing Activity

Preston Rowe Paterson Research recorded a number of leasing transactions that occurred in the Adelaide industrial market during the three months to March 2017.

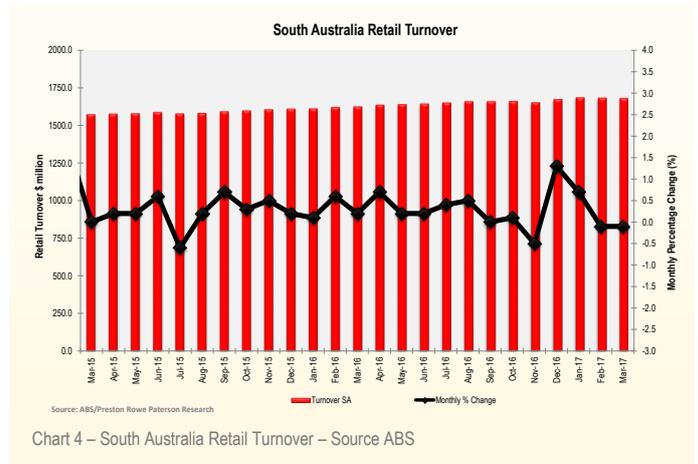


Chart 4 – South Australia Retail Turnover – Source ABS

by –2.00% to \$249.8 million, whilst Department stores retailing declined by –2.46% to a turnover of \$107.0 million and Other retailing declined by –0.76% to a turnover of \$262.4 million.

On the other hand, Food retailing, Café & restaurants and Clothing & footwear experienced positive growths in their turnover for the month. Food retailing turnover increased by 0.39% over the month, to \$755.0 million. Café & restaurant turnover increased by 1.08%, to \$197.2 million, whilst Clothing & footwear turnover increased by 2.42% to \$110.2 million.

Over the year, Department store turnover declined by –6.96%. In contrast, Café & restaurant turnover increased by 8.89% over the year, followed by Other retailing with yearly growth of 6.84%, and Food retailing with a growth of 4.21%.

REGIONAL MARKET

Investment Activity

Preston Rowe Paterson Research recorded no significant sales transactions that occurred in the Adelaide regional market during the three months to March 2017.

Leasing Activity

Preston Rowe Paterson Research recorded a number of leasing transactions that occurred in the Adelaide regional market during the three months to March 2017.

RESIDENTIAL MARKET

Economic Statistics

According to statistics released by the Australian Bureau of Statistics, total number of dwellings approved for construction in the Greater Adelaide increased by 4.02% over the month of March, to 647 approvals. This figure shows that over the twelve months, approval figures had declined by -41.82% (from March 2016's figure of 1,112).

When we look at the total number of building approvals for houses, we note that month-on-month change to March was recorded at 33.33%, from February's 351 approvals to March's 468 approvals. March's figure represents a decline of -14.29% over the year.

Total number of dwellings, excluding houses, approved for construction declined by -33.95% over the month to March, down to 179 approvals. Furthermore, this figure represents a decline of -68.37% over twelve months.

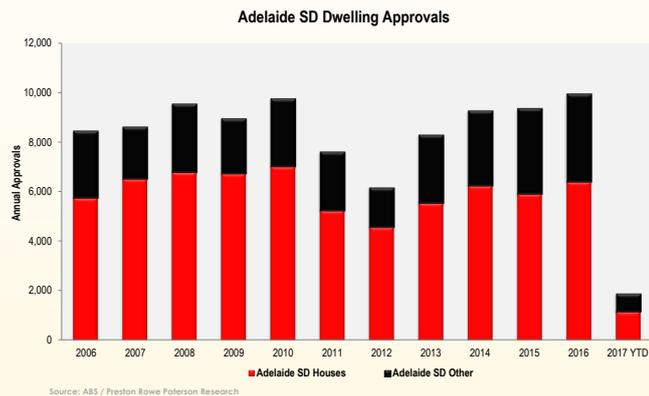


Chart 6 – Adelaide SD Dwelling Approvals – Source ABS

ADELAIDE

Market Affordability

Figures released by the Real Estate Institute of Australia (REIA) for the December Quarter of 2016 indicates that median sale price for houses in Adelaide increased by 1.1% over the quarter, to \$444,800. This figure indicates an annual change of 3.4%. Inner Adelaide's housing market performed the strongest, with an increase of 2.1% over the December quarter. Prices increased to \$730,000, reflecting an annual change of 7.4%. There were 691 recorded sales over the period, with sale prices ranging from \$591,000 to \$975,000.

Outer Adelaide performed second best, with a quarterly increase of 1.2% in median house prices. The median of \$347,000 reflect an annual change of 3.6%. There were 2,136 house sales over the period, with prices ranging from \$285,000 to \$420,000.

Middle Adelaide's median house price remained unchanged over the quarter at \$505,000. This price reflects a change of 2.6% over the year. There were 1,948 transactions over the quarter, with sale prices ranging from \$427,000 to \$625,000.

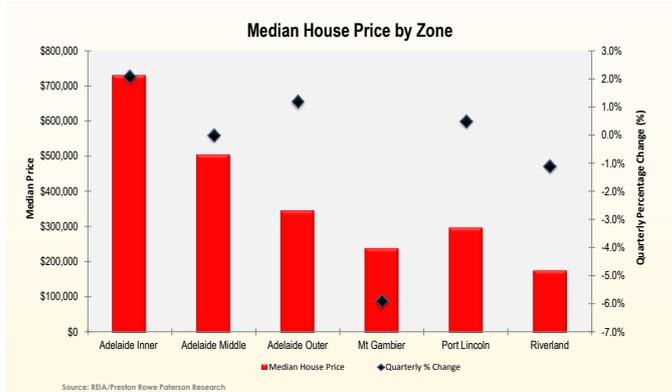


Chart 7 – Median House Price by Zone – Source REIA

Median price for other dwellings in Adelaide declined by -1.3% over the quarter, to \$330,000. This price, however, reflects an increase of 2.5% over the year. Inner Adelaide recorded the smallest decline, of -0.8% over the quarter. Median price fell to \$364,400 – reflecting a decline of -0.8% over the year. There were 417 transactions made over the quarter, with sale prices ranging from \$306,300 and \$456,800.

Middle Adelaide experienced a decline of -1.4% in median prices for their other dwellings. Its current median price of \$340,000 reflect an annual increase of 1.0%. There were 523 sold properties recorded by the REIA, of which sale prices of these properties ranged from \$280,000 and \$410,000.

Outer Adelaide benefited from a quarterly increase of 1.5% in their other dwellings' median sale price. Its current median price stand at \$262,500, which represents a change of 4.2% over the year. There were 220 sales recorded by the REIA, of which sale prices of these properties ranged from \$220,000 and \$297,000.



Chart 8 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

Adelaide’s rental market performed inconsistently over the December quarter, with Inner Adelaide’s 4 bedroom house rents performing strongly with a quarterly rental growth of 11.8%, whilst Outer Adelaide’s 2 bedroom house rents declining by –1.9% over the same period.

Inner Adelaide’s 2 and 4 bedroom houses benefited from a quarterly increase in median weekly price, of 2.6% and 11.8% respectively. Their respective weekly rent stand at \$390 and \$592.5. In contrast, 3 bedroom houses in Inner Adelaide experienced a decline of –1.1% in weekly rent, down to \$430 per week.

Middle Adelaide’s 2 and 4 bedroom house rents remained unchanged over the quarter, at a respective \$310 and \$450 per week. 3 bedroom houses in Middle Adelaide, on the other hand, benefited from an growth of 1.4% in rental income, increasing to \$375 per week.

Outer Adelaide’s 2 bedroom houses experienced a decline of –1.9% in weekly house rent, down to \$265. 3 bedroom houses experienced no change, with weekly rent remaining at \$300, whilst 4 bedroom houses rents increased by 2.8% to \$370.

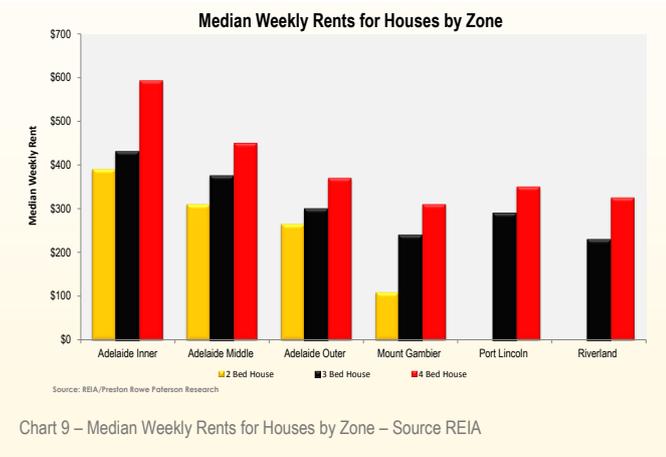


Chart 9 – Median Weekly Rents for Houses by Zone – Source REIA

Inner Adelaide’s 3 and 4 bedroom Other dwellings’ rents declined over the quarter, by –0.8% and –1.2% respectively. Their weekly rent declined to \$307.5 and \$400, respectively. 2 bedroom rents increased by 3.8% over the same period to \$270.

Middle Adelaide’s 2, 3 and 4 bedroom dwellings experienced an increase of 2.1%, 1.8% and 1.4% respectively. Their respective weekly rent increased to \$240, \$285 and \$370.

When we look at Outer Adelaide’s other dwellings, 2, 3 and 4 bedroom dwellings all benefited from a quarterly increase in weekly rent of 3.7%, 1.9% and 3.3% respectively. Their rents increased to \$210, \$265 and \$310 per week, respectively.

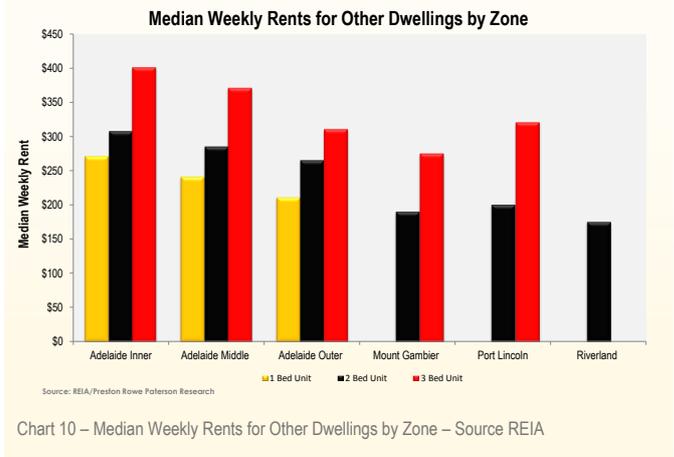


Chart 10 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

RIVERLAND



Market Affordability

Median house price in the Riverland region declined by –1.1% over the quarter, down to \$177,000. This price reflects a decline of –14.8% over the year. There were 48 transactions recorded over the quarter, with sale prices ranging from \$142,500 and \$279,000. No data is available for the sale of other dwellings in Riverland.

Rental Market

Riverland’s 3 bedroom houses did not experience any change in their weekly rent over the December quarter, remaining at \$230 per week. 4 bedroom houses in Riverland experienced an increase of 20.4% in their weekly rent. Its median weekly rent is now at \$325. No data is available for 2 bedroom houses in Riverland.

Riverland’s 3 bedroom other dwellings’ weekly rent did not change over the December quarter, remaining at \$175 per week. No data is available for 2 bedroom and 4 bedroom other dwellings in Riverland.



PORT LINCOLN



Market Affordability

Port Lincoln's house prices recorded an increase of 0.5% over the December Quarter, increasing to \$298,500. This price reflects an annual change of 5.5%. There were 38 sales recorded, with prices ranging from \$241,900 and \$356,600. No data is available for the sale other dwellings in Port Lincoln.

Rental Market

House rents in Port Lincoln recorded varying changes over the December quarter. 3 bedroom houses recorded an increase of 15.8% over the quarter, bringing weekly rent to \$290. No change was recorded for 4 bedroom house rent, with weekly rent remaining at \$350. No data was available for 2 bedroom houses in Port Lincoln.

Weekly rent for Port Lincoln's 3 bedroom other dwelling declined by -4.8% over the December quarter. Weekly rent declined to \$200. In contrast, 4 bedroom dwellings benefited from an increase of 6.7% in their weekly rent, increasing to \$320. No data was available for 2 bedroom dwellings in Port Lincoln.

MOUNT GAMBIER



Market Affordability

Median house price in Mount Gambier declined by -5.9% over the December quarter, down to \$240,000. This price reflects a decline of -2.3% over the year. There were 105 recorded sales, of which sale prices range from \$190,500 to \$319,500. When we look at other dwellings in Mount Gambier, a -2.6% decline was recorded in median prices. Median price dropped to \$198,300. 20 sales were recorded by the REIA, with sale prices ranging from \$152,800 and \$249,000.

Rental Market

Mount Gambier experienced notable declines in their weekly house rent over the December quarter. 2 bedroom houses experienced a drop of -19.3% in their weekly rent, down to \$109. 3 and 4 bedroom houses in Mount Gambier experienced a decline of -4.0% and -6.8% respectively, down to \$240 and \$310.

When we look at other dwellings' rents, 3 and 4 bedroom dwellings experienced a quarterly increase of 8.6% and 1.7% respectively. Their respective weekly rents for the December quarter increased to \$190 and \$274.5. No data was available for 2 bedroom dwellings in Mount Gambier.

COMMERCIAL OFFICE MARKET

Hobart CBD

Supply by Grade (Stock)

January 2017's Office Market Report from the PCA indicate that the Hobart's total office space declined slightly, by 959 square metres or -0.27% over the six months to January 2017. There was 2,943 square metres of space additions over the period, in conjunction with 1,595 square metres of withdrawals. Total stocks in Hobart's office market stand at 354,854 square metres.

Hobart CBD's office market is dominated by A Grade buildings, which take up 53.4% of total stocks. This is followed by B Grade and C Grade office stocks, which take up a respective 19.4% and 18.2%. D Grade office stocks take up 9.1% of all office stocks, though from looking at the data, this figure looks to decline over the years to come. A Grade and B Grade buildings increased by 0.5% each over the six months to January 2017, whilst C Grade stocks remained unchanged and D Grade stocks declining by -6.7% over the half year.

Total Vacancy

Total vacancy of office buildings in Hobart increased by one percentage point over the six months to January 2017, from 8.1% to 8.2%. There was a notably drop in sub-lease vacancy over the period, from July 2016's 1.0% to January's 0.4%. In contrast, direct vacancy increased over the period, from 7.1% to 7.7%.

Over the six month to January 2017, vacancy in A Grade buildings declined by -0.3% to 5.7%. C Grade and D Grade buildings performed similarly well, with vacancy declining by -1.5% and -3.6%, respectively. Their respective vacancy rates stand at 11.0% and 6.0%. In contrast, B Grade buildings experienced an increase in vacancy rate of 3.9%, lifting the total rate up to 13.3%.

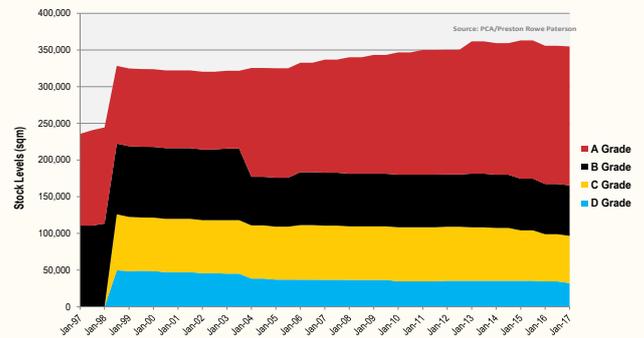


Chart 11 – Hobart CBD Total Stock by Grade – Source PCA

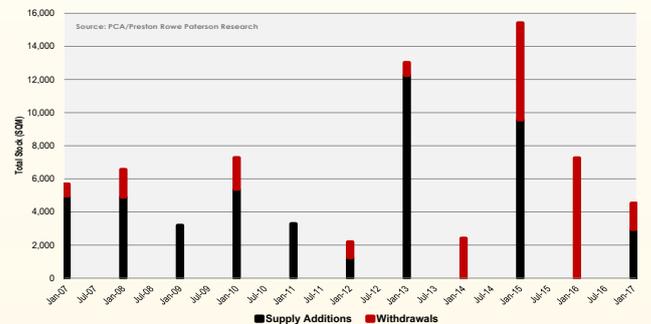


Chart 12 – Hobart CBD Additional Supply and Withdrawals – Source PCA

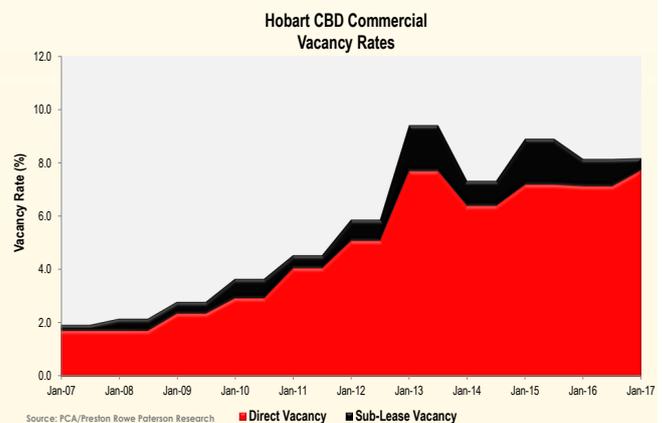


Chart 13 – Hobart CBD Commercial Vacancy Rates – Source PCA

RETAIL MARKET

Retail Statistics

Retail statistics from the Australian Bureau of Statistics indicate that Tasmania's total turnover for the month of March stands at \$506.3 million. This figure indicates a decline of -0.22% over the month, from February's revised figure of \$507.4 million. Over the year to March 2017, retail turnover had increased by 1.71%.

Over the month, Tasmania's different retail subgroups recorded varying results in their turnover. Household goods and Clothing & footwear both recorded a decline in their monthly turnover, of -3.02% and -4.23% respectively. Household goods turnover declined to \$99.6 million, whilst Clothing & footwear turnover declined to \$27.2 million. Over the year, turnover of household goods increased by 1.94%, whilst clothing & footwear turnover declined by -13.92% .

On the other hand, Food retailing and Café & restaurants recorded monthly increases in turnovers of 0.69% and 0.75%, respectively. Food retailing turnover increased to \$220.1 million, whilst Café & restaurant turnovers increased to \$53.9 million. Over the year to March 2017, food retailing turnover had increased by 6.38%, whilst Café & restaurant turnover increased by 7.16%.

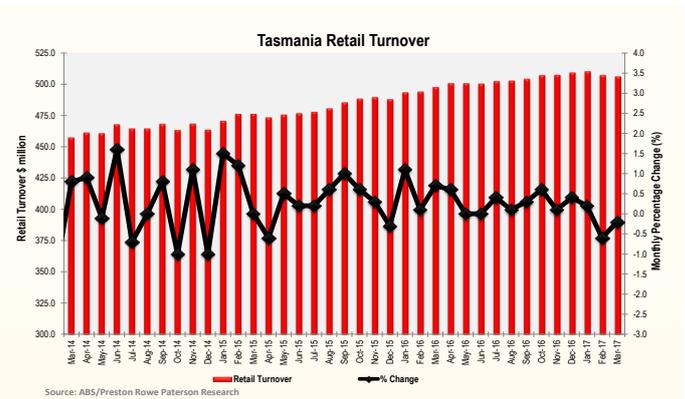


Chart 14 – Tasmania Retail Turnover – Source ABS

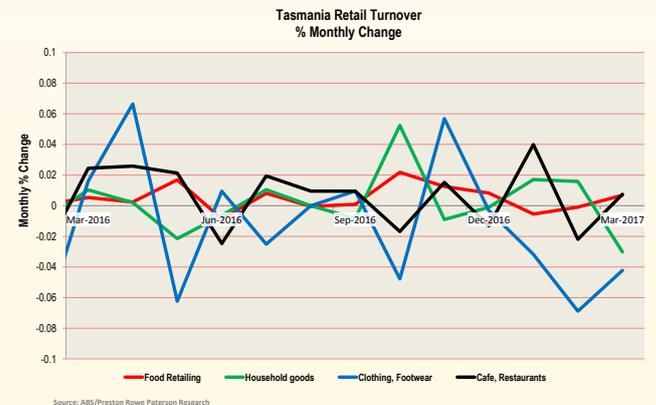


Chart 15 – Tasmania Turnover % Monthly Change – Source PCA

RESIDENTIAL MARKET

Economic Statistics

Dwelling Approvals statistics released by the Australia Bureau of Statistics indicate that total number of dwelling units increased by 44.0% over the month, from February's figure of 75, to March's total approval of 108 dwellings. March's figure indicates that over the year, total approval has increased by 54.3%.

When we look at the total approval for houses, month-on-month data indicates that total approvals had increased by 30.6%, from February's figure of 49 to March's figure of 64. Over the year however, total approvals were down by -1.5%, from March 2016's figure of 65 approvals.

Approvals for dwellings other than houses increased dramatically over the month of March. A 69.2% month-on-month increase was recorded, from February's figure of 26 to March's figure of 44. When we look at year-on-year increase, an increase of 780.0% was recorded, from March 2016's total apartment approval of 5.

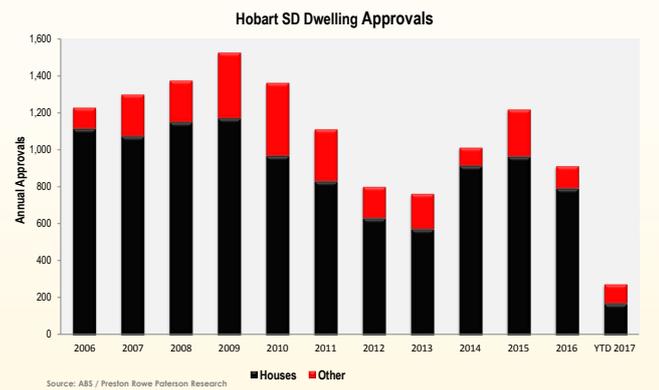


Chart 16 – Hobart SD Dwelling Approvals – Source ABS

HOBART

Market Affordability

Figures released by the Real Estate Institute of Australia (REIA) for the December Quarter 2016 indicates that median house price in Hobart increased by 11.7% over the quarter, to \$430,000. This figure indicates that prices had increased by 9.7% over the year. Middle Hobart recorded the highest quarterly change of 8.7%. Median price in this zone increased to \$375,000, which represents an annual increase of 10.3%. There were 299 sales recorded by the REIA, with sale prices ranging from \$290,000 and \$485,000.

Inner Hobart house prices increased by 3.3% over the quarter. Median price increased to \$600,000, which indicates that over the year, prices had appreciated by 14.3%. There were 157 sales recorded over the quarter, with sale prices ranging from \$481,000 and \$750,000.

Outer Hobart's house prices increased by 1.7% over the quarter. Median house price increased to \$383,100, though this price reflects a decline of -1.8% over the year. There were 136 properties sold over the quarter, with sale prices ranging from \$311,800 and \$490,500.

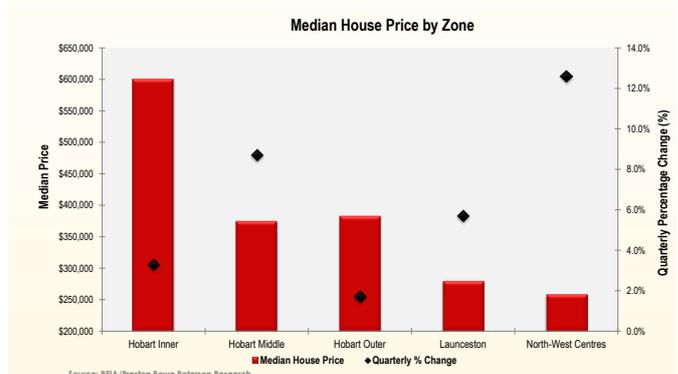


Chart 17 – Median House Price by Zone – Source REIA

Hobart's other dwellings experienced a quarterly increase of 6.0%. Median price increased to \$285,000, indicative of an annual change of 2.2%. Middle Hobart recorded the largest quarterly increase of 9.1% in price over the quarter. Median price increased to \$240,500, representing an increase of 5.2% over the year. There were 75 properties sold through the period, with prices ranging from \$194,300 and \$316,300.

Outer Adelaide recorded an increase of 7.7% in their other dwellings prices. Median price increased to \$292,500, which represents an annual change of 1.6%. There were 49 properties sold, with prices ranging from \$242,900 to \$356,500.

Inner Hobart's other dwellings recorded an increase of 6.0% in prices. Median price increased to \$285,000, indicating an annual change of 2.2%. There were 181 properties sold, with sale prices ranging from \$223,000 to \$360,000.



Chart 18 – Median Price for Other Dwellings by Zone – Source REIA



Rental Market

Hobart's house rental market performed strongly overall, with high rental growth stemming from Inner Hobart as well as Outer Hobart. Notably, 3 bedroom houses in Inner Hobart experienced an increase of 7.5% in weekly rent to \$430 per week. Similarly, 2 bedroom houses in Outer Hobart benefited from an increase of 9.5% in weekly rent to \$310. Middle Hobart's 2, 3 and 4 bedroom houses experienced increases of 2.5%, 1.6% and 5.0%, respectively. Their respective weekly rents increased to \$287, \$325 and \$420. Inner Hobart's 2 bedroom houses and Outer Hobart's 4 bedroom houses experienced no change in their median rent per week, remaining at \$380 and \$430 respectively.

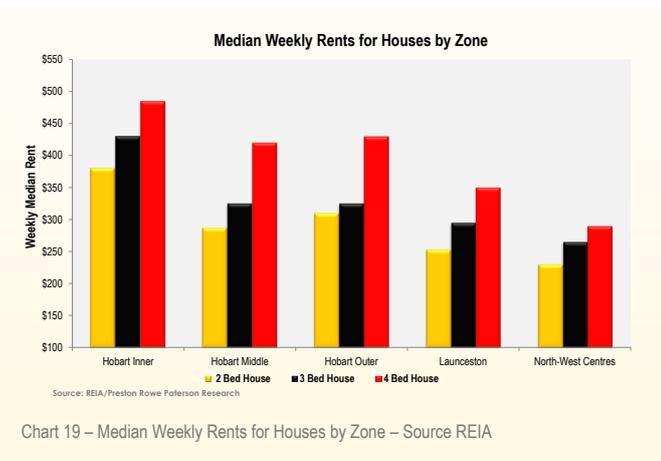


Chart 19 – Median Weekly Rents for Houses by Zone – Source REIA

Other dwellings in Hobart experienced a more mediocre change in their weekly rental growth. Inner Hobart's 2 and 3 bedroom dwellings experienced a rental growth of 2.5% and 0.4% respectively, to \$328 and \$450. Middle Hobart's 1 and 2 bedroom dwellings experienced an increase of 6.4% and 2.3% respectively, to \$200 and \$266. Outer Hobart's 1 and 2 bedroom dwellings 1 and 2 bedroom dwellings' weekly rent increased by 2.0% and 3.4% respectively, to \$153 and \$300. 1 bedroom dwellings in Inner Hobart experienced no change over the quarter, with their weekly rent remaining at \$230. Middle Hobart's 3 bedroom dwellings and Outer Hobart's 3 bedroom dwellings experienced a decline of -3.1% and -2.8%, in weekly rent, respectively, reducing down to \$310 and \$350.

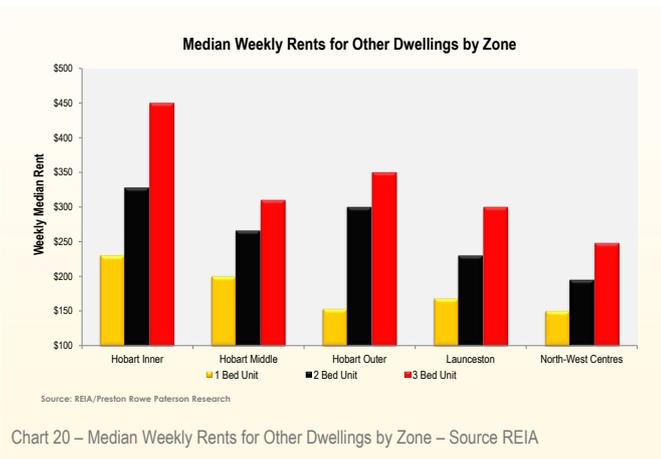


Chart 20 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

LAUNCESTON

Market Affordability

Median house price in Launceston increased by 5.7% over the December quarter, to \$280,000. This price reflects a change of -3.4% over the year. 243 sales were recorded by the REIA, with sale prices of properties in this zone ranging from \$223,500 and \$325,000. When we look at other dwellings in Launceston, a quarterly increase of 4.1% was recorded, with median price increasing to \$209,500. This price, however, indicates a decrease of -4.8% over the year. There were 57 properties sold during the quarter, with prices of these properties ranging from \$202,000 and \$325,000.

Rental Market

Launceston's 3 and 4 bedroom houses experienced an increase of 1.7% and 2.9% in their rental growth over the December quarter, respectively. 3 bedroom house rent now stands at \$295, whilst 4 bedroom house rent increased to \$350. 2 bedroom house rent declined by -6.3%, with weekly rent declining to \$253.

1 bedroom other dwellings in Launceston experienced a decline of -10.2%. House rent for 2 bedroom houses remained unchanged at \$230, whilst 3 bedroom house rent increased by 3.4% to \$300 per week.

NORTH-WEST CENTRES

Market Affordability

Median house price in the North-West Centres increased by 12.6%, to \$259,000. Over the year however, this price indicates a decline of -0.4%. There were 161 properties sold over the period, with prices ranging from \$202,000 to \$325,000. Other dwellings in Tasmania performed well, with an increase of 4.1% in median price to \$205,000. This price also indicates an annual increase of 4.1%. There were 22 properties sold over the quarter, with sale prices ranging from \$160,000 to \$263,000.

Rental Market

House rents in the North-West Centres experienced various changes over the December quarter. 2 and 4 bedroom house rents declined by -2.1% and -12.1% respectively, down to \$230 and \$290. 3 bedroom house rents increased by 1.9%, increasing to \$265.

Other dwellings in the North-West Centres experienced declines in their median weekly rents. 1, 2 and 3 bedroom dwellings experienced declines of -9.1%, -2.5% and -8.1% respectively. 1 bedroom rent now stands at \$150, whilst 2 and 3 bedroom house rents declined to \$195 and \$248 respectively.

Economic Fundamentals

Consumer Price Index

Over the three months to March 2017, All groups Consumer Price Index (CPI) for Australia increased by 0.5% over the quarter to bring annual change to 2.1%, just above the Reserve Bank's two-to-three per cent inflation target. This annual increase is considerably higher when compared to the twelve-month change to December 2016, which rose 1.5% (the lowest annual increase in nineteen years). When looking at core inflation, which looks at changes in prices that reflect only the supply and demand conditions in the economy, prices changes remain relatively weak with a 0.4% rise in the weighted median over the three months to March to result in an annual change of 1.7%.

In the last year, Melbourne and Sydney recorded the largest increase in All Groups CPI, with a respective annual increase of +2.5% and +2.4%. In contrast, Darwin recorded the lowest increase, with an annual change of 0.5%. Over the March quarter, CPI increased in all capital cities, except for Darwin, when we look at the All groups level. Notably, the housing group (+0.8%) contributed the most to the quarterly rise, which increases in six out of eight capital cities. In conjunction with an increase in new dwelling purchases by owner-occupiers, increases in input costs and electricity prices all contributed to the rise prices in the housing group. The transport group (+1.5%), health group (+2.0%) and education group (+3.1%) all contributed positively to the quarterly movements in the All groups. Petrol price, fuelled by an increase in world oil prices, was the main driver of the transport group. Rises in medical & hospital services and pharmaceutical products caused by the resetting of the Medicare Benefits Scheme (MBS) (which increased the out-of-pocket expenses for patients) contributed the most to the increase in prices in the health group.

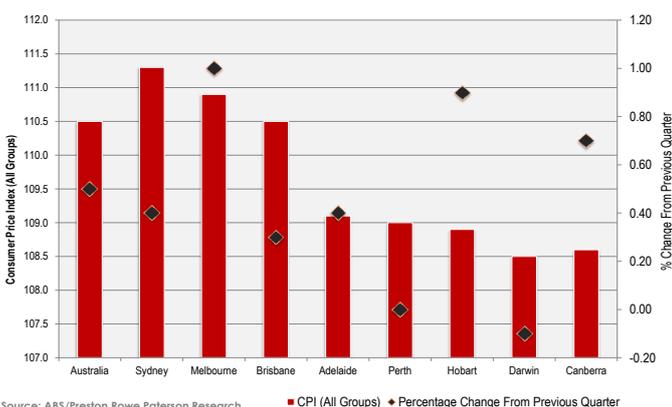


Chart 21—All Group CPI (Capital Cities) and Percentage Change from December 2016 to March 2017—Source—

Business Sentiment

According to the NAB Quarterly Business Survey, confidence amongst Australian businesses increased in the first quarter of 2017. The business confidence indicator increased by +1, to +6, on a scale in which a reading above 0 indicates improving conditions. However, National Australia Bank did note that despite the solid results, there is no strong evidence that the increased confidence towards the global economic outlook is positively impacting business confidence. This may be due to the increased concerns around political events around the world. Business confidence were positive for all industries other than retail (-1) and manufacturing (-5). Construction (+8) and transport & utilities (+4) experienced strong levels of confidence, whilst mining (+10) and wholesale (+10) continue to see the strongest levels of growths amongst all industries.

Consumer Sentiment

According to the Westpac-Melbourne Institute Consumer Sentiment Index, overall sentiment in April declined by 0.7%, from March's index of 99.7 to April's 99.0. This decline is influenced by both domestic and international factors, including the domestic concerns over Australia's housing market, the action of major banks to increase their interest rates for some mortgage borrowers, disappointing labour market figures, declining iron ore prices over the last month, and the strengthening Australian dollar and its inevitable impact on exports. On the international front, the lack of progress shown by the Trump administration in delivering their growth policies have resulted in a frantic market, along with an increase in tensions in the Middle East. We note that consumers are less confident when compared to previous years when asked about the annual Budget, with the expectation that any negative shocks in this year's Budget will result in a significant decline in the Confidence Index.

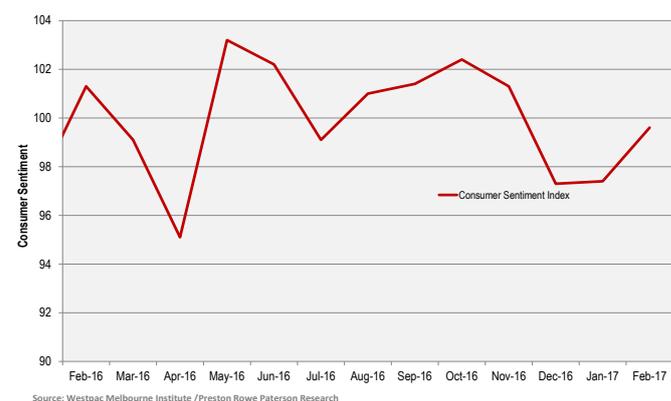


Chart 22—Consumer Sentiment Index, February 2016 to February 2017—Source—Westpac Melbourne Institute Survey

Gross Domestic Product

Over the December quarter, Gross Domestic Product increased by a seasonally adjusted 1.1%, and hence lifted Australia's economic growth over the year to 2.4%. This increase over the quarter meant that Australia have averted a technical recession after the contraction of 0.5% over the September quarter, though overall growth over the year was at a below long-term average of about 2.75%. Notably, the Australian Bureau of Statistics pointed to a rise in household spending and public investment as the two biggest contributors to the quarter's strong performance, with a respective growth of 0.5% and 0.3% over the quarter.

Out of twenty industries, improvements were recorded in fifteen, with the strongest growth stemming from Mining, Agriculture, Forestry and fishing and Professional scientific and technical services- with each industry recording 0.2% to GDP Growth. We note that Australia's Terms of trade increased by 9.1% over the three months through to December, with its improvement attributed to by strong price increase in coal and iron ore upon increased demand from foreign buyers. Furthermore, the rise in commodity prices has resulted in a 16.5% increase in Private non-financial corporation's gross operating surplus.

We also note that compensation of employees declined 0.5% in the quarter, this being the first decline since September quarter of 2012. These figures are supported by record low growth in the Wage Price Index, which was observed to be at 1.9% over the year to December. Furthermore, more households are digging into their savings, as the Household savings ratio stood at a seasonally adjusted 5.2% in December- down from September quarter's figure of 6.3%. Household spending over the December quarter increase to 1.2% (0.6% in September), whilst household gross disposable income increased by a low 0.2%.

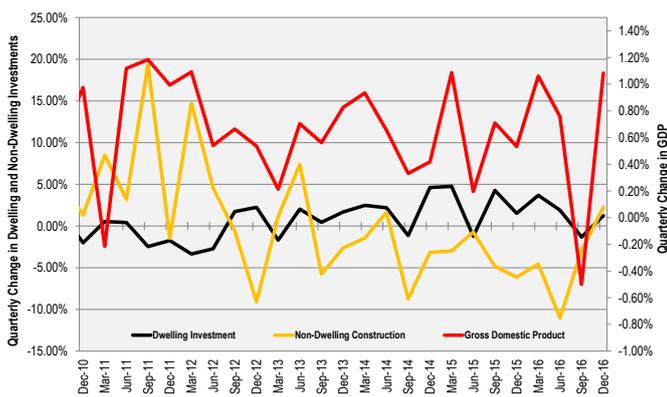


Chart 23— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

Unemployment

National unemployment rate remained unchanged in March at 5.9%, even if the economy was boosted by the creation of 60,900 new jobs. The reason for this was that over the month, Australia's participation rate increased by 0.2% to 64.8%, which means that there was an increase in the proportion of people in employment or seeking employment when compared to the previous month. When we break down the numbers, there were 75,500 full time jobs filled up over the month, though this was offset by a decrease of 13,6000 part time positions. These figures provide a refreshing change from the frequent reports of Australia's underperforming full-time job market over the past twelve months, though analysts remain cautious since the unemployment rate remains precariously high. We also note that underemployment is still considerably high, with over one million people in Australia wanting more work but unable to obtain any.

When we look at the states and territories, most enjoyed an improvement in their unemployment rate. Queensland and New South Wales benefited from an addition of 28,800 and 23,300 jobs, respectively, over the month to March. Their respective unemployment rate declined to 6.3% (6.6% in Feb) and 5.1% (5.2% in Feb). Victoria, South Australia, Western Australia and Tasmania all experienced an increase in their unemployment rate. Victoria's unemployment rate increased by 0.1% to 6.1%, South Australia's increased from 6.6% to 7.0%, Western Australia's from 6.1% to 6.5% and Tasmania's from 5.8% to 6.0%.

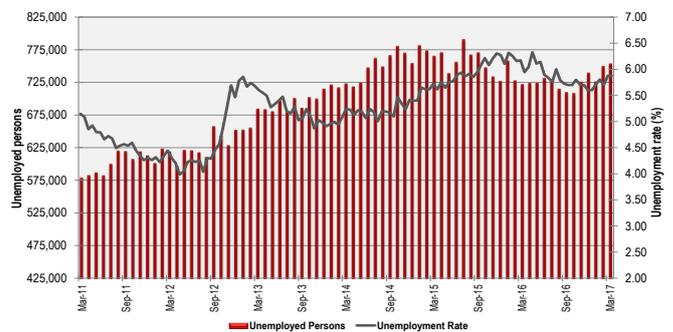


Chart 24— Unemployment Persons and Unemployment Rate, March 2011 to March 2017 — Source: ABS

	Unemployment Rate (%)		Participation Rate (%)		
	February	March	February	March	
Australia	5.9	5.9	64.6	64.8	▲
New South Wales	5.2	5.1	62.9	63.1	▲
Victoria	6.0	6.1	65.7	65.9	▲
Queensland	6.6	6.3	64.1	64.6	▲
South Australia	6.6	7.0	62.3	62.3	—
Western Australia	6.1	6.5	67.2	67.5	▲
Tasmania	5.8	6.0	59.5	59.9	—
Northern Territory*	3.5	3.5	78.1	78.5	▲
Australian Capital Territory*	3.7	3.7	70.1	70.1	—

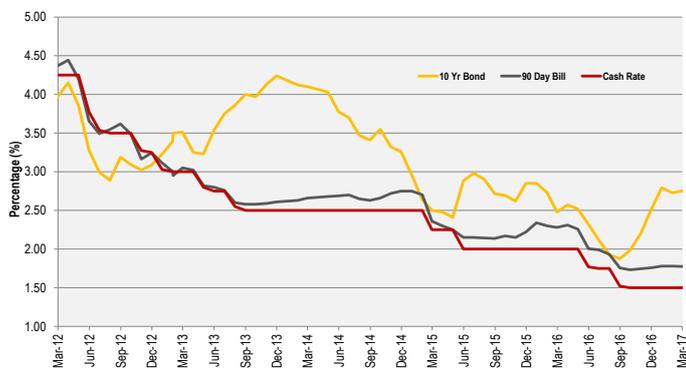
Table 3— Unemployment Rate and Participation Rate, February vs. March 2017 — Source: ABS

10 Year Bond & 90 Day Bill Rate

10 Year Australian government bond yields have been steadily increasing over the three months to March 2017. The average 10 Year yields in March stands at 2.81%, which indicates a 2 basis points increase from December's average of 2.79% and a 24 basis points increase from the March 2016's average of 2.57%. The 90-Day bank bill swap rate increased at a more modest rate, to 1.79% for the month of March. This figure indicates a rise of 1 basis point from the previous quarter, though indicates a yearly decline of 0.52%.

We note that over the past twelve months, central banks globally have utilised unconventional policies (i.e. buying programs and quantitative easing methods) in order to manipulate decreases in bond yields with the intention to stimulate both private and corporate investment. Inevitably, bond yields have declined to historical lows, though the effectiveness of these programs in their ability to influence economic growth have been questioned by the International Monetary Fund and the G20 through to 2017. Nevertheless, the US Election prompted Treasury bond rates to increase as market confidence spurred from the election of Donald Trump. Global economies, including Australia, have mirrored the upward movements of the US Bond markets ever since the US Election in November 2016, though we note that rate rises have slowed over the three months to March 2017.

Preston Rowe Paterson Research forecasts that volatility in Australia's bullish bond yields will continue throughout 2017. The latest figures from April indicated a sharp decline in Australian 10-Year bond yields, slumping to 2.59% - the lowest level since November's figures post-Trump election. We note that this was influenced by the decline in US 10-Year Treasury yields to 2.32%, which has decreased as declining oil prices prompted fears in inflation and economic growth prospect. Furthermore, the Trump administration have not been able to show any signs of fulfilling their infrastructure spending promises, which inevitably adds to the uncertainty of future growth prospects in the United States.

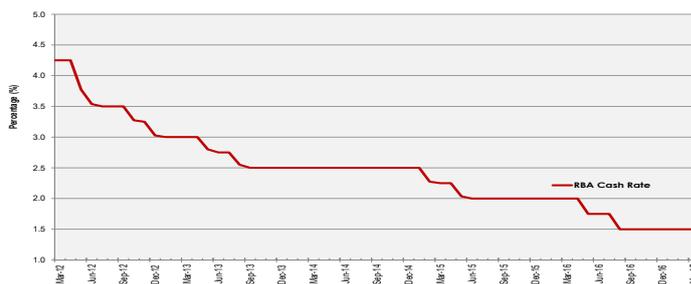


Source: RBA /Preston Rowe Paterson Research

Chart 25— Monthly movement of 90-day Bill, 10-year bond yields and Cash rate, from March 2012 to March

Interest Rates

Interest rate was kept unchanged for the sixth meeting in a row in March, with the cash rate remaining at 1.5%. The Reserve Bank of Australia based its decision on the fact that the global economy has improved modestly over the few months in 2017, with expectations of above-trend growth in advanced economies even as uncertainty remains. The RBA emphasises the transition away from additional expansionary monetary policies from major economies around the world all whilst the world anticipates the decision stemming from the US Federal Reserve to increase its interest rate in the near future.

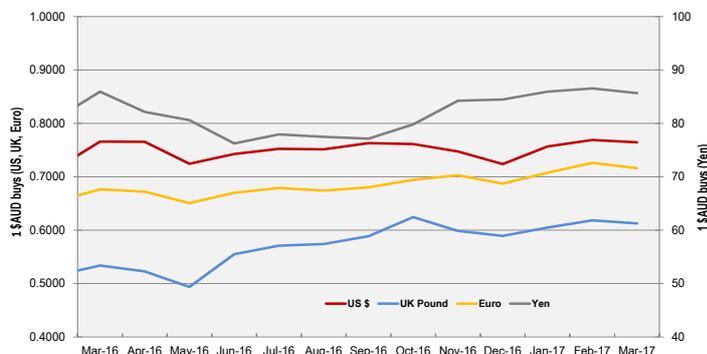


Source: RBA /Preston Rowe Paterson Research

Chart 26— Movement of the Cash Rate from March 2012 to March 2017— Source: RBA

Exchange Rate

The Australian currency depreciated against most major currencies over the month to March. The Australian dollar slipped against the US Dollar, depreciating by 0.6% to buy \$USD0.7644. Furthermore, the Australian Dollar declined against the UK Pound, the Euro and the Japanese Yen, with \$AUD1 buying £0.6126 (-0.9% m-o-m), €0.7161 (-1.4% m-o-m) and ¥85.67 (-1.0% m-o-m) respectively. In contrast, the Australian dollar appreciated against the New Zealand Dollar, buying 2.4% more than the previous month at \$NZ1.095. When we look at changes over the quarter, the Australian Dollar fared better, appreciating 5.6% against the US Dollar, 4.0% against the UK Pound, 4.2% against the Euro, 1.4% against the Yen and 5.32% against the New Zealand Dollar. The Australian exchange rate in slipped in March after the Reserve Bank's decision to let interest rate remain unchanged amidst the build-up of risk that stems from the housing market. The Bank's stance of interest rate is a hard balancing act, as lifting rates would ideally cool down the



Source: RBA /Preston Rowe Paterson Research

Chart 27— 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
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- . 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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