



**Preston
Rowe
Paterson**

®
International Property Consultants

Sydney *Impact* Report

Industrial Market

About This Report

Preston Rowe Paterson prepare research reports covering the main markets within which we operate in each of our capital cities and major regional locations. This Industrial Market research report provides analysis and detail of economic factors which impact on the Industrial Market within the Sydney region.

Within this report we have analysed sales in the past six months to the reported quarter in the various Sydney Industrial regions of; North West, North Shore, Central West, Outer West, South Sydney, South West & Southern Shire. We have also conducted yield analysis on significant sales of \$5 million and over.

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

2015 March Quarter Update

INSIDE THIS ISSUE:

Economic Fundamentals	2
Industrial Market—Economic Statistics	4
North Shore Region	5
North West Region	6
Central West Region	7
Outer West Region	8
South Sydney Region	10
South West Region	11
Southern Shire Region	13
Land Sales	13
Investment Yield Analysis	14
About Preston Rowe Paterson	16
Contact Us	18



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Economic Fundamentals

GDP

GDP figures for the March quarter 2015 are not available until the 3rd June 2015 however Preston Rowe Paterson Research over the December 2014 quarter revealed that the Australian economy recorded growth of 0.55% seasonally adjusted which reflected growth of 2.47% seasonally adjusted over the twelve months to December 2013.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Mining (+0.5%), Financial and insurance services (+0.5%) and Healthcare and social assistance (+0.3%). In trend terms, the largest detractor was the Professional, scientific and technical services (-0.5%).

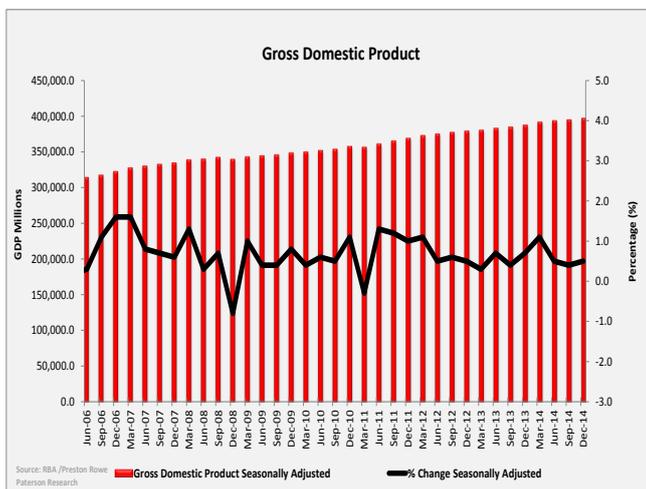


Chart 1 – Gross Domestic Product (GDP) – Source ABS

Labour force

Over the month to March 2015, the number of unemployed people decreased by 1,530 from 766,038 in February to 759,156 in March which is a 0.20% decrease. In comparison to March 2014, the number of unemployed people has increased by 42,327 which reflected an annual increase of 5.90%. The unemployment rate as at March 2015 is 6.2%.

The number of unemployed seeking full time employment recorded an increase over the month of March by 700 to 546,800 persons, reflecting a growth of 0.13%. The number of unemployed seeking part time employment recorded a decrease over the month by 2,200 to 217,700 persons, reflecting a decrease of 1.05%.

New South Wales experienced a large absolute increase in seasonally adjusted employment by 26,000 persons to 3.661 million persons. The unemployment status in New South Wales over the March Quarter 2015 decrease by 0.3% to 6%.

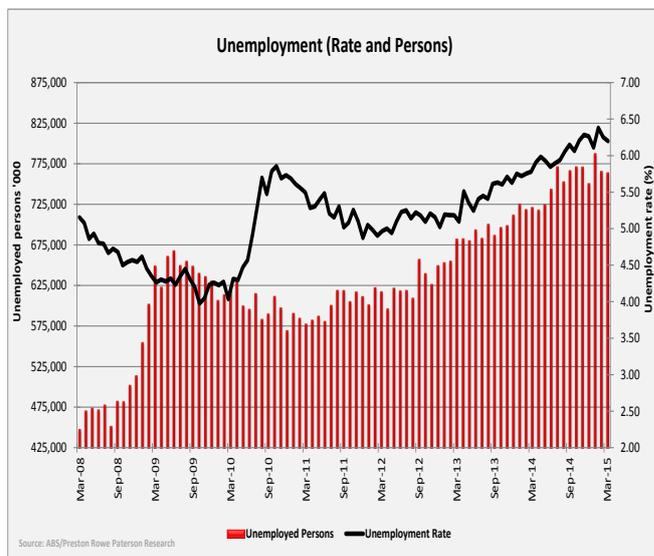


Chart 2 – Unemployment – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the March quarter 2015 has decreased by 25 basis points to 2.25%. The Reserve Bank of Australia's Media Release for March 2014, released 3rd March 2014 explained that;

"In Australia the available information suggests that growth is continuing at a below-trend pace, with domestic demand growth overall quite weak. The economy is likely to be operating with a degree of spare capacity for quite some time yet...Credit is recording moderate growth overall, with stronger growth in lending to investors in housing assets...In other asset markets, prices for equities and commercial property have risen, in part as a result of declining long-term interest rates."

The media release also stated that inflation is as expected to be consistent with its 2%-3% target over the next two years, even with a lower interest rate. This is the first interest rate movement since September 2013.

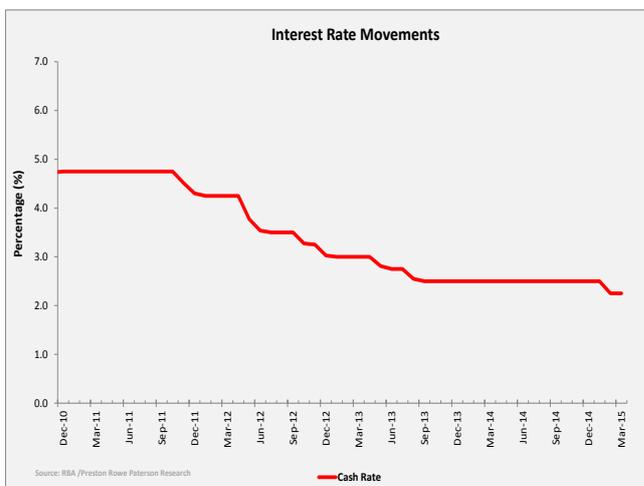


Chart 3 – Cash Rate – Source RBA

Bond Market

10 Year Bond & 90 Day Bill Rate

In the twelve months to March 2015, the monthly 10 Year Bond Rate has decreased by 162 basis points to 2.48%. Similarly, the monthly 90 Day Bill Rate fell by 36 basis points to 2.30%.

Over the March 2015 quarter, the 10 Year Government Bonds recorded a decline of 48 basis points from 2.96%. The 90 Day Bill Rate recorded a 45 basis points decrease over the March quarter from 2.75%.

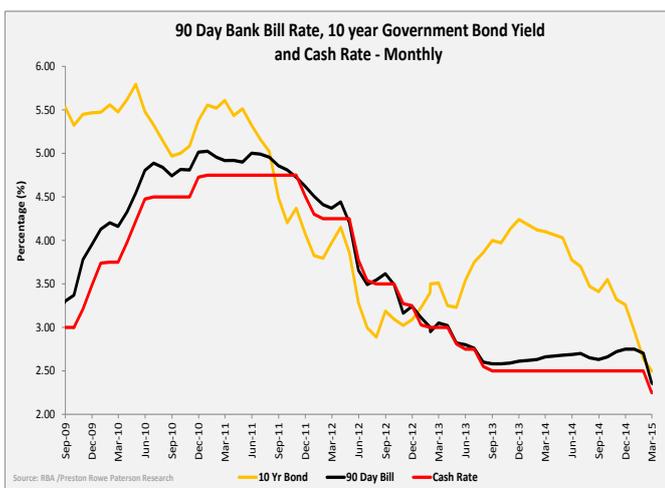


Chart 4 – 90 Day Bill, 10 year bond and cash rate - MONTHLY – Source RBA

Analysis of the daily 10 Year Government Bonds has revealed an increase of 2 basis points over the month of March 2015 with the 10 year bond rate currently at 2.48%. 90 day bill rates experienced a 6 basis point decrease in March to 2.30%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of 13 basis points.

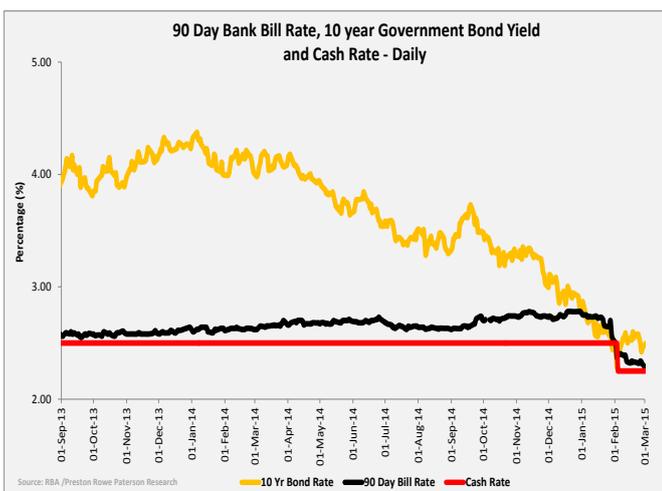


Chart 5 – 90 Day Bill, 10 year bond and cash rate – DAILY – Source RBA

CPI

According to the Australian Bureau of Statistics (March 2015), the Australia's All Groups CPI increased by 0.2% over the March quarter from 106.6 to 106.8. The annual CPI change to March 2015 grew by 1.3%.

The most significant price rises over the March quarter were Domestic holiday travel & accommodation (+3.5%), Tertiary education (+5.7%) and Medical & hospital services (+2.2%). The greatest price fall over the March quarter were Automotive fuel (-12.2%) and Fruit (-8%).

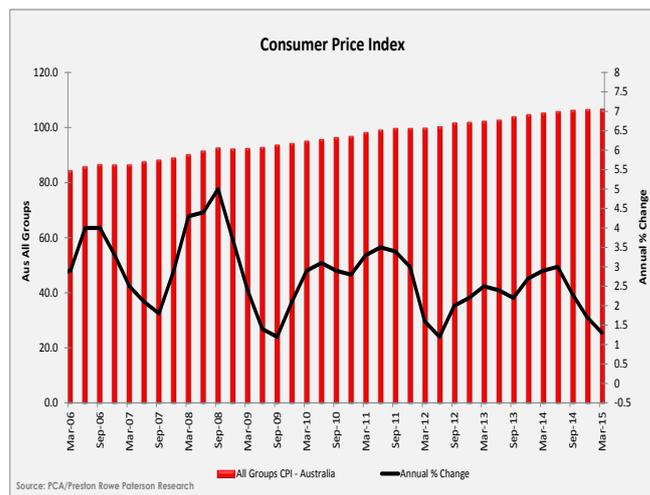


Chart 6 – Consumer Price Index—Source—ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 1.2% in March from 100.7 index points in February to 99.5 index points in March. Over the quarter the index has increased by 8.4 points, a 9.22% growth. Over the twelve months to March 2015 the index recorded no annual change.

The Index is returning to its pre-budget level in May 2014. Westpac's Senior Economist, Matthew Hassan commented; "The overall message seems to be that while consumers remain very concerned about the outlook for the economy and job security, they are less concerned than they were in December and acknowledge the more positive situation around interest rates."

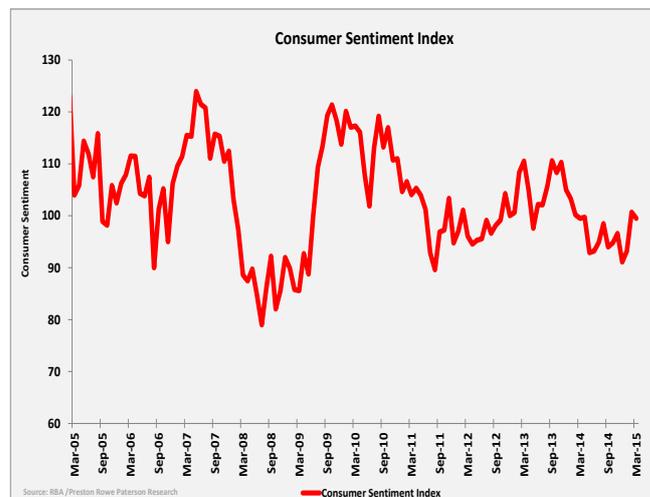


Chart 7 – Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey



Industrial Market—Economic Statistics

Data and information from the National Australia Bank Quarterly Australian Commercial Property Survey: Q1 2015 has been analysed to derive at the following findings; industrial property capital values recorded a 0.60% growth in the March quarter 2015. Capital values are expected to grow in 1 & 2 years time of 1.90% and 2.80% respectively.

Industrial market rents tightened by 0.2% over the March quarter. However, the industrial rents are forecasted to improve in next 2 years by 1% and 1.50% respectively. Leasing incentives has increased in the March quarter correlation to the rising vacancy rate. Industrial vacancy increased by 0.50% to 6.40% in the past quarter.

Supply conditions in the NSW industrial property market were considered balanced, forecasting a slight undersupply of industrial space in the next 3 years. The expectation of industrial undersupply may be attributed to the acquisition of CBD and city fringe industrial properties that are redeveloped into residential or mixed-use developments.

Over the March quarter 2015, the NAB Industrial Property Index is +1 which was an increase of 1 index points since the December quarter 2014 index points. Over the next year, the industrial property index is expected to rise to +24 points and in 2 years to +44 points. The index showed that property professionals are expecting the NSW industrial conditions to deliver 'higher capital returns and stronger rent' in the next few years.

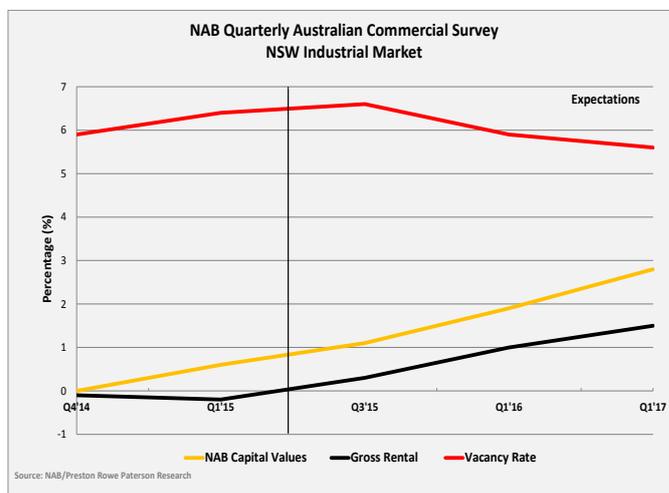


Chart 4 – NSW Industrial Market Expectations - Source NAB

Industrial Property Market

North Shore Region

Preston Rowe Paterson Research classifies the North Shore region of Sydney's industrial market to include suburbs of: **Artarmon, Balgowlah, Belrose, Brookvale, Chatswood, Frenchs Forest, Hornsby, Lane Cove, Manly Vale, Mona Vale, Mount Ku-ring-gai, St Leonards, Turramurra, Warringah and Willoughby**

Building/Investment Sales

The North Shore market had been relatively stable in investment sales where there has been a few significant sales greater than \$5 million in the region over six months to March 2015. Many industrial sales in the North Shore region had been earmarked for residential conversion.

The one of the most significant sales transaction in the North Shore region over six months to March was the sale of **St Leonards Corporate Centre** located at **39 Herbert Street, Artarmon**. The 35,530 sqm office/warehouse complex sits on a 37,160 sqm site with 400 parking spaces was sold for **\$150 million** on a yield of 9.20%. The building is leased to corporate tenants *Australian Post, SBS, Stryker, CISCO* and *SKM* with a WALE of 9 years. There is residential development potential on the property should the site be rezoned for mixed-use/high density

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
39 Herbert Street, Artarmon NSW 2064	\$ 150,000,000	Oct-14	9.20%	Altis Porperty Partners	Mirvac Group	35,530
290 Bobbin Head Road, North Turramurra NSW 2074	\$ 5,800,000	Oct-14	7.77%	undisclosed	undisclosed	1,024
567-573 Pacific Highway, St Leonards NSW 2065	\$ 8,330,000	Nov-14	N/A	Imperial Apartments Pty Ltd and Aceb	St Leonards Real Estate Development Pty Ltd	1,004
7-15 Gundah Road, Mount Kuring-Gai NSW 2080	\$ 55,000,000	Dec-14	8.40%	undisclosed	Propertylink	41,880
2 Lincoln Street, Lane Cove NSW 2066	\$ 16,875,000	Mar-15	9.70%	Centuria Property Fund	private investor	9,438

Table 1—North Shore Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

Rentals

The following table displays reported leasing transactions which occurred over six months to March 2015.

The most significant rental transaction in the North Shore region over six months to March was **Unit 8 at 25 Frenchs Forest Road, Frenchs Forest**. The property was leased by *Greenwood Prep 10 Pty Ltd*. The office/warehouse unit is rented out at a gross rent of \$337,329 per year on a 10 year term. The lease is apart of the *Greenwood Early Education Centres* new business franchise in the Frenchs Forest area. The childcare centre is due to open in 2015.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	Date
Unit 8/25 Frenchs Forest Road, Frenchs Forest NSW 2086	\$222	\$337,329 Gross	1,520	LIF Pty Ltd	Greenwood Prep 10	10	Oct-14
62 Hotham Parade, Atarmon NSW 2064	\$150	\$165,000 Net	1,100	Jim Dimetiou	Displays 2 Go	5 + 5	Nov-14

Table 2—North Shore Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

North Western Region

Preston Rowe Paterson Research classifies the NSW North Western region of Sydney's industrial market to include suburbs of: **Baulkham Hills, Bella Vista, Castle Hill, Epping, Kings Park, Macquarie Park, Meadow Bank, North Rocks, North Ryde, Seven Hills and Thornleigh.**

Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to March 2015.

The only significant sale recorded by Preston Rowe Paterson Research is the sale of the mixed-use building located at **45 Epping Road, North Ryde**. *Tanabo Pty Ltd* sold the property in vacant possession to *Total Forms Pty Ltd* for **\$4.95 million**. The property has a ground floor showroom with low clearance warehouse area, and a first floor office area consisting of 2 boardrooms, training room and open plan office space. The 1,799 sqm property sits on a 4,060 sqm site with strong development opportunity.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
45 Epping Road, North Ryde NSW 2113	\$ 4,950,000	Oct-14	VP	Tanabo Pty Ltd	Total Forms Pty Ltd	1,799

Table 3—North West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

Rentals

The following table displays reported leasing transactions which occurred over six months to March 2014.

The most significant rental transaction in the North West region six months to March was the 8,800 sqm office/warehouse located at **11-13 Gibbon Road, Winston Hills**. The property is leased to *Toshiba International Corporation* on a 15 year lease at a gross annual rent of approximately \$1.575 million.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	Date
217 North Rocks Road, North Rocks NSW 2151	\$70	\$93,170 Net	1,331	Ej Fairburn	Marydias Pty Ltd	3	Nov-14
11-13 Gibbon Road, Winston Hills NSW 2153	\$175	\$1,540,000 Gross	8,800	Australand	Toshiba International Corporation	15	Dec-14
3/25 Loyalty Road, North Rocks NSW 2151	\$75	\$81,900 Net	1,092	Decorator Centre	Gragame Cook Plumbing Supplies Sales	2 + 2	Jan-15
11 Columbia Way, Baulkham Hills 2153	\$115	\$207,160	1,433	Capital Corporation	MSA Safety	5	Feb-15

Table 4—North West Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

Central West Region

Preston Rowe Paterson Research classifies the Central West Region of Sydney's Industrial Market to include the suburbs of: **Auburn, Croydon, Ermington, Granville, Homebush, Lidcombe, Melrose Park, Parramatta, Regents Park, Rhodes, Rosehill, Rydalmere, Silverwater, Strathfield**

Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to March 2015.

The Central West region has been relatively stable in the sales of large industrial spaces where many sales have development proposals or rezoned for mixed-use residential developments. The trend seems to highlight that industrial sites within close proximity to CBDs are bought with the intention for residential conversion purposes.

The most significant sales transaction in the Central West region over six months to March was the sale of *Brookfield Asset Management's* industrial facility located at **5 Devon Street, Rosehill**. Brookfield sold the property in two sections, a *James Hardie Australia* manufacturing facility and a *Forsters Australia* warehouse. The 60,000 sqm Forsters distribution facility was sold to *Charter Hall's* Core Plus Industrial Fund for **\$51 million**. Forsters lease expires in 2017 and has a fixed 3.5% annual rent increase. The second site, leased by James Hardie until 2016, was sold to building materials company *James Hardie* for approximately **\$40 million**. The sale included several industrial buildings comprising of 54,300 sqm.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
13 Ferndell Street, South Granville NSW 2142	\$16,118,000	Nov-14	9.89%	Sentinel Granville Industrial Pty Ltd	Australian Executor Trustees Ltd	15,283
5 Devon Street, Rosehill NSW 2142	\$51,000,000	Dec-14	undisclosed	Brookfield Asset Management	Charter Hall	60,000
5 Devon Street, Rosehill NSW 2142	\$40,000,000	Dec-14	undisclosed	Brookfield Asset Management	James Hardie	54,300

Table 5—Central West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

Rentals

The following table displays reported leasing transactions which occurred over six months to March 2014.

The most significant rental transaction in the Central West region over six months to March was *Quantum Services and Logistics* lease in the **Slough Business Park** located at **Unit 11/ 2 Slough Avenue, Silverwater**. The business leased a 1,573 sqm warehouse at a rate of \$120 psm on a 2 year term.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	Date
11/2 Slough Avenue, Silverwater NSW 2128	\$120	\$188,760 Net	1,573	Goodman	Quantum Services and Logistics	2	Oct-14
26-32 Cosgrove Road, Enfield NSW 2136	\$105	\$175,770 Net	1,674	undisclosed	Parcel Freight Logistics	4	Mar-15

Table 6—Central West Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

Outer West Region

Preston Rowe Paterson Research classifies the Outer West region of Sydney's Industrial Market to include the suburbs of: **Arndell Park, Blacktown, Bonnyrigg, Eastern Creek, Erskine Park, Fairfield, Glendenning, Girraween, Greystanes, Holroyd, Huntingwood, Penrith, Smithfield, St Marys, Wetherill Park and Yennora.**

Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to March 2015.

The Outer West industrial region has remained an attractive place for investors who invests in large warehouses, logistics facilities and estates. It is observed that many institutional investors are buying the properties with the intention to redevelop into an industrial facilities. In the past 6 months to March, some listed companies have been offloading their industrial portfolio to take advantage of the active environment, which is not limited to the Outer West industrial region.

The most significant sales transaction in the Outer West region over six months to March was a **39 Britton Street, Smithfield**. The 13,390 sqm warehouse was sold to *Mirvac* for **\$20.5 million**. The high clearance facility sits on a 2.5 ha site and is lease to snack food manufacturer *Snack Brands*.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
29 Yennora Avenue, Yennora NSW 2161	\$ 5,650,000	Oct-14	VP	NWEC	Tyrone Place Properties Pty Ltd	6,762
8 Brabham Drive, Huntingwood NSW 2148	\$ 20,100,000	Oct-14	7.10%	The Trust Company (Australia) Ltd	Mirvac Commercial Sub Spy Pty Ltd	6,048
39 Britton Street, Smithfield NSW 2164	\$ 20,500,000	Oct-14	7.13%	The Trust Company (Australia) Ltd	Mirvac Commercial Sub Spy Pty Ltd	13,390
164-166 Newton Road, Wetherill Park NSW 2164	\$ 14,900,000	Oct-14	8.63%	The Trust Company (Australia) Ltd	Mitsa Pty Ltd	17,534
137 Gilba Road, Girraween NSW 2145	\$ 7,950,000	Nov-14	owner occupy	MSA Safety	private owner-occupier	8,215
492-494 Victoria Street, Wetherill Park NSW 2164	\$ 10,250,000	Nov-14	undisclosed	Simonson Properties Pty Ltd	Victoria Street Syndicate Pty Ltd	6,825
13-15 Penelope Crescent Arndell Park NSW	\$ 6,250,000	Nov-14	VP	Arndello Pty Ltd	A&V Borg Holdings Pty Ltd	4,229
165 Newton Road, Wetherill Park NSW 2164	\$ 18,500,000	Dec-14	7.86%	Wetherill Park Holdings Pty Ltd	Investec Australia Property Fund	12,529
375-381 Victoria Street, Wetherill Park NSW 2164	\$ 6,800,000	Feb-15	undisclosed	GHJC	private investor	5,472

Table 7—Outer West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM



Rentals

The observed Outer West industrial rent ranges from \$75-\$115 psm for both primary and secondary assets. The leasing market had remained strong over the past 6 months with growing interests for large industrial spaces in Eastern Creek.

The most significant rental transaction in the Outer West region over six months to March 2015 was a 5,391 sqm modern logistics facility property located at **11 Huntingwood Drive, Huntingwood**. The industrial facility owned by *Charter Hall's Core Plus Industrial Fund* is leased by *Just Group* on a 5 year term at a **net rental of \$115 psm**, reflecting **\$619,850 p.a.** The complex forms part of a larger logistics estate including the adjoining 15 Huntingwood Drive.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	Date
Eucalyptus Drive, Eastern Creek NSW 2766	\$115	\$1,831,375 Net	15,925	Australian Property Group	Freight & Distribution Management System	7	Nov-14
21 Cox Place, Glendenning NSW 2761	\$106	\$2,904,400 Net	27,400	GNS Ceramics Pty Ltd	Onsite Rentals	6	Feb-15
29A Davis Road, Wetherill Park NSW 2164	\$75	\$7,368,000 Net	9,824	Lend Lease Group	A&J Packaging	12	Feb-15
Unit C/21-25 Interchange Drive, Eastern Creek NSW 2766	\$113	\$836,200 Net	7,400	undisclosed	Frucor	7	Feb-15
Unit A&B/21-25 Interchange Drive, Eastern Creek NSW 2766	\$100	\$1,480,000 Net	14,800	undisclosed	Provet	15	Feb-15
EC4 Kangaroo Avenue, Eastern Creek NSW 2766	\$100	\$1,340,000 Net	13,400	undisclosed	Fisher & Paykel	10	Feb-15
EC4 Kangaroo Avenue, Eastern Creek NSW 2766	\$98	\$4,037,600 Net	41,200	undisclosed	Techtronic Industries (Ryobi)	7	Feb-15
Cnr Lockwood Road and Templar Road, Erskine Park NSW 2759	\$105	\$1,606,500 Net	15,300	undisclosed	Pelikan Artline	10	Feb-15
11 Huntingwood Drive, Huntingwood NSW 2148	\$115	\$619,850 Net	5,390	Charter Hall Core Industrial Fund	Just Group	5	Feb-15

Table 8 —Outer West Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

South Sydney Region

Preston Rowe Paterson Research classifies the South Sydney region of Sydney's Industrial Market to include the suburbs of: **Alexandria, Banksmeadow, Botany, Erskineville, Marrickville, Mascot, Matraville, Redfern, Rosebery, Tempe and Waterloo**

Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to March 2015.

The South Sydney industrial region been relatively active with a few significant sales located in the Botany suburb. It is noted that many institutional investors are buying into the region with the purpose of redeveloping the industrial property into mixed-use residential towers to take advantage of the trend of inner city living. Both foreign and local investors have expressed particular interests in the South Sydney region in the past year.

The most significant sale in the South Sydney region over 6 months to March was the an industrial estate **Lakes Business Park** located at **2-13 Lord Street, Botany**. The business park was sold to **DEXUS** for \$153.5 million and comprise of 43,000 sqm of office and warehouse space. The industrial park is leased to over 50 tenants at 95.9% occupancy and has a WALE of 6.2 years, major tenants include *Telstra, Sunbeam, Mazda* and *Bosch*.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
256-280 Street, Mascot NSW 2020	\$ 37,000,000	Oct-14	7.09%	Chapel Street Pty Ltd	Jkn Coward Pty Ltd	10,683
2-13 Lord Street, Botany NSW 2019	\$ 153,500,000	Dec-14	undisclosed	Mitchell family	DEXUS Property Group	43,000
750 Princes Highway, Tempe NSW 2044	\$ 21,550,000	Dec-14	4.52%	The Trust Company Ltd	Bunnings Properties Pty Ltd	13,177
Botany NSW 2019	\$ 20,300,000	Feb-15	undisclosed	undisclosed	Stockland	9,550
15 Bourke Road, Mascot NSW 2020	\$ 35,000,000	Feb-15	undisclosed	Capital Corporation	C.R. Kennedy	8,874
Simblist Road, Port Botany NSW 2036	\$ 44,000,000	Mar-15	11.00%	undisclosed	Altis Property Partners	40,000

Table 9 —South Sydney Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

Rentals

The following table displays reported leasing transactions which occurred over six months to March 2015.

The rental market of significant leases remained relatively stable in the South region due to the limited supply. The observed rental rates ranged from \$122-\$146 psm. However, due to a large number of residential conversions, it is forecasted that the industrial rent in the region is expected to rise because of the tightening of industrial supply.

The most significant rental transaction in the South Sydney region over six months to March is located at **166 Rothschild Avenue, Rosebery**. *CSR Building Products* has leased the 1,562 sqm warehouse on a **net rent of \$146 psm**, reflecting \$228,052 p.a.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	Date
38 Sir Joseph Banks Street, Botany NSW 2019	\$124	\$105,400 Gross	850	Farburn Holdings Pty Ltd	K & W Signs Pty Ltd	3	Nov-14
12 Rich Street, Marrickville NSW 2036	\$122	\$95,160 Gross	780	Eady & Witts	Kidstuff Pty Ltd	3	Nov-14
116 Rothschild Avenue, Rosebery NSW 2020	\$146	\$228,052 Net	1,562	Mentmore 60	CSR Building Products	3	Feb-15

Table 10 —South Sydney Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

South West Region

Preston Rowe Paterson Research classifies the South West region of Sydney's Industrial market to include suburbs of: **Bankstown, Bexley, Campbelltown, Chipping Norton, Chullora, Enfield, Ingleburn, Kingsgrove, Lakemba, Liverpool, Milperra, Minto, Moorebank, Padstow, Peakhurst, Prestons, Punchbowl, Revesby, Riverwood, Smeaton Grange and Villawood**

Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to March 2015.

Compared to other industrial regions, the South West has been most active in the six months to March 2015. Transport and logistics in the South West were one of the factors which many purchasers desired, in particular the potential growth is forecasted for the area when the second Sydney airport and its connecting arterial roads are completed.

The most significant transaction in the South West region over 6 months to March was the sale of bedsheet franchising company *Joyce Corporation's* industrial site located at **5-9 Bridges Road, Moorebank**. Joyce Corporation sold the property to a private developer for **\$25 million**. The 20,000 sqm industrial property is leased to the *Joyce Foam* business which will run until November 2015 with two 5 year options. The site area of the property is approximately 41,840 sqm.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
29 Hoskins Avenue, Bankstown NSW 2200	\$ 4,750,000	Oct-14	VP	Ke	KNJ Pty Ltd	3,473
44 Biloela Street, Villawood NSW 2163	\$ 19,500,000	Oct-14	8.60%	Realgrace Pty Ltd	The Trust Company (Australia) Ltd	15,845
37-41 Jedda Road, Prestons NSW 2170	\$ 9,750,000	Nov-14	undisclosed	Shaye Investments Pty Ltd	Swire Cold Storage Ltd	11,538
20 Williamson Road, Ingleburn NSW 2565	\$ 13,200,000	Dec-14	8.60%	Manora	Lester Property Investments	11,283
318 Horsley Road, Milperra NSW 2214	\$ 12,100,000	Dec-14	owner-occupier	undisclosed	private investor	33,400
5 Inglis Road, Ingleburn NSW 2565	\$ 22,350,000	Dec-14	7.53%	Hillharo Lrba Pty Ltd, Zelene Bloom Pty	The Trust Company (Australia) Ltd	20,200
67-73 Gow Street, Padstow NSW 2211	\$ 12,500,000	Feb-15	VP	undisclosed	undisclosed	15,771
5-7 Garema Circuit, Kingsgrove NSW 2208	\$ 5,800,000	Mar-15	undisclosed	undisclosed	Markcross Pty Ltd	3,765
5-9 Bridges Road, Moorebank NSW 2170	\$ 25,000,000	Mar-15	undisclosed	Joyce Corporation	private developer	41,840

Table 11 —South West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

Rentals

The following table displays reported leasing transactions which occurred over six months to March 2015.

Tenant demand for larger industrial warehouse and facilities had been one of the driving forces behind the development and sales in the South West region. The observed rental rates were lower than elsewhere in Sydney ranging between \$37-\$139 psm.

The most significant rental transaction in the South West region over six months to March was a 9,334 sqm warehouse leased to *Mainfreight* at a rate of \$139 psm, reflecting an annual net rent of \$6,334,369. Mainfreight will lease the site on a 15 year term.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	Date
15 Kerr Road, Ingleburn NSW 2565	\$80	\$118,720 Gross	1,484	Calane Pty Ltd	Motyaj Pty Ltd	2 + 2	Oct-14
1/11 Shaw Road, Ingleburn NSW 2565	\$102	\$108,000 Gross	1,060	undisclosed	DDK Commercial Interiors	3	Nov-14
92 Gow Street, Padstow NSW 2211	\$37	\$350,000 Gross	9,344	SB Investments Australia	Linfox Australia	3	Nov-14
25 Helles Avenue, Moorebank NSW 2170	undisclosed	undisclosed	3,368	Thinking Works by Thinking Ergonomix	Dick Smith	4	Nov-14
8 Austool Place, Ingleburn NSW 2565	\$119	\$309,995.00	2,605	undisclosed	Roadworx	6	Feb-15
6B Phiney Place, Ingleburn NSW 2565	\$121	\$237,765 Gross	1,965	undisclosed	True Food International	5	Mar-15
20C/361 Milperra Road, Bankstown NSW 2200	\$50	\$329,250 Net	6,585	Bankstown Airport Limited	Taren Point Auto Traders	3	Feb-15
F52/62 361 Milperra Road, Bankstown NSW 2200	\$96	\$361,632 Gross	3,767	Bankstown Airport Limited	Hopper Transport	5	Nov-14
Cnr Pembrok Road and Rose Payten Drive, Minto NSW 2566	\$110	\$880,000 Net	8,000	undisclosed	Quantium Solutions	5	Feb-15
35 Bryant Street, Padstow NSW 2211	\$103	\$1,848,747 Gross	17,949	Nicker Miles Holding	A.H. Beard	10	Nov-14
30-50 Yarrowa Street, Prestons NSW 2170	\$139	\$6,334,369 Net	9,334	undisclosed	Mainfreight	15	Feb-15

Table 12—South West Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

Southern Shire Region

Preston Rowe Paterson Research classifies the Southern Shire region of Sydney's Industrial market to include suburbs of: **Kirrawee, Kurnell, Sutherland and Taren Point**

The Southern Shire industrial market is a very small market and in the past six months that there had been limited significant sales and leases in the region over six months to March 2014.

The only recorded significant transaction was the sale of **36 Bay Road, Taren Point**. Office/warehouse property was sold for **\$6.5 million** in vacant possession. The 3,650 sqm industrial facility was purpose built for *Shimano Fishing* in 2006, comprising of two levels of A grade office and showroom area, 12m internal warehouse clearance with 30 car spaces and an electric gate on a 4,059 sqm site. The lease to Shimano expires in April 2015. The property has the potential to be split into two units.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
36 Bay Road, Taren Point NSW 2229	\$6,500,000	Jan-15	VP	undisclosed	Cacale Pty Ltd	3,650

Table 13—Southern Shire Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

Land Sales

Significant industrial land sales in the past 6 months to March was centred in the North West and Outer West of the Sydney industrial regions. The following table displays reported significant sales transactions which occurred over six months to March 2015.

The most significant land sales in Sydney over six months to March was the sale of a 50 ha land parcel located at **Mamre Road, Erskine Park** in the Outer West industrial region. *Altis Property Partners* bought the industrial site for **\$80 million**, reflecting a rate of \$160 per sqm.

ADDRESS	SALE PRICE	RATE /SQM	AREA (SQM)	VENDOR	PURCHASER	SALE DATE
Mamre Road, Erskine Park NSW 2759	\$80,000,000	\$160	500,000	private investor	Altis Property Partners	Dec-14
Warwick Farm NSW 2170	\$17,200,000	\$150	115,000	Australian Turf Club	Stockland	Feb-15

Table 15—Industrial Land Sales in NSW—Source Preston Rowe Paterson Research/CPM

There was higher demand for industrial land in the Outer West and the North West region of Sydney due to a lack of large industrial development sites in other industrial regions. Likewise, the NSW government had marked the Outer and North West regions as future growth areas. Throughout 2014, it is observed that many industrial sites that were purchased in South Sydney and Central West regions have DA approvals or are purchased with the purpose to redevelop the site into a mixed-use/residential development.

There were many major tenants that leased larger industrial facilities and estates in the 6 months to March 2015, particularly in the Outer West region which is closely located to major distribution routes. There was relatively high competition for large parcels of land between institutional developers had driven up the demand for large development sites in the Outer and South West regions. Upcoming development of infrastructure in the area was an added incentive to both local and foreign developers.

Investment Yield Analysis

\$5 million to \$20 million

Listed below are all the major reported investment transactions between \$5 million and \$20 million which have occurred over six months to March 2015 within New South Wales. From these sales, average yields have been analysed.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
290 Bobbin Head Road, North Turramurra	\$ 5,800,000	Oct-14	7.77%	undisclosed	undisclosed	1,024
2 Lincoln Street, Lane Cove	\$ 16,875,000	Mar-15	9.70%	Centuria Property Fund	private investor	9,438
13 Ferndell Street, South Granville	\$ 16,118,000	Nov-14	9.89%	Sentinel Granville Industrial Pty Ltd	Australian Executor Trustees Ltd	15,283
44 Biloela Street, Villawood	\$ 19,500,000	Oct-14	8.60%	Realgrace Pty Ltd	The Trust Company (Australia) Ltd	15,845
20 Williamson Road, Ingleburn	\$ 13,200,000	Dec-14	8.60%	Manora	Lester Property Investments	25,860
165 Newton Road, Wetherill Park	\$ 18,500,000	Dec-14	7.86%	Wetherill Park Holdings Pty Ltd	Investec Australia Property Fund	12,529
164-166 Newton Road, Wetherill Park	\$ 14,900,000	Oct-14	8.63%	The Trust Company (Australia) Ltd	Mitsa Pty Ltd	17,534

Table 15—\$5 million to \$20 million Sales—Source Preston Rowe Paterson Research/CPM

Yield Analysis

According to the displayed investment sales above, Preston Rowe Paterson Research had observed the average yield of industrial property at approximately 7.97%. Observed yields ranged from 2.69% for a 24,380 sqm cold storage building in Prestons to 9.89% for a 15,283 sqm office/warehouse in South Granville.

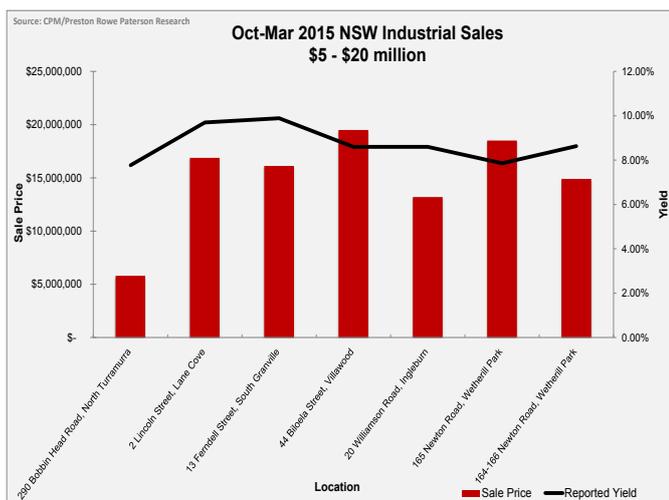


Chart 9 – Jan-Jun 2014 NSW Industrial Sales \$5 million to \$20 million - Source - Preston Rowe Paterson Research/CPM

Sales Information:

Preston Rowe Paterson Research had observed that there were many significant transactions recorded with several companies purchasing more than one property over six months to March 2015.

The largest sales transaction that was recorded below \$20 million in the March quarter was the sale of a multi-tenanted office/warehouse property located at **2 Lincoln Street, Lane Cove**. **Centuria Property Fund** sold the property to a private investor for **\$16.875 million**. The industrial property features a 3,870 sqm multi-levelled office building, 5,568 sqm of warehouse area, 101 onsite car spaces and elevator service. It is 94% leased with a WALE of 3.6 years and an estimated fully leased net income of \$1,811,146 pa.





\$20 million and Over

Listed below are all the major reported investment transactions over \$20 million that occurred over six months to December 2014 within New South Wales. From these sales, average yields have been analysed.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
39 Herbert Street, Artarmon	\$ 150,000,000	Oct-14	9.20%	Altis Porperty Partners	Mirvac Group	35,530
7-15 Gundah Road, Mount Kuring-Gai	\$ 55,000,000	Dec-14	8.40%	undisclosed	Propertylink	41,880
8 Brabham Drive, Huntingwood	\$ 20,100,000	Oct-14	7.10%	The Trust Company (Australia) Ltd	Mirvac Commercial Sub Spy Pty Ltd	6,048
39 Britton Street, Smithfield	\$ 20,500,000	Oct-14	7.13%	The Trust Company (Australia) Ltd	Mirvac Commercial Sub Spy Pty Ltd	13,390
750 Princes Highway, Tempe	\$ 21,550,000	Dec-14	4.52%	The Trust Company Ltd	Bunnings Properties Pty Ltd	13,177
Simblist Road, Port Botany	\$ 44,000,000	Mar-15	11.00%	undisclosed	Altis Property Partners	40,000
256-280 Street, Mascot	\$ 37,000,000	Oct-14	7.09%	Chapel Street Pty Ltd	Jkn Coward Pty Ltd	10,683
5 Inglis Road, Ingleburn	\$ 22,350,000	Dec-14	7.53%	Hillharo Lrba Pty Ltd, Zelene Bloom Pty	The Trust Company (Australia) Ltd	20,200

Table 15—\$5 million to \$20 million Sales—Source Preston Rowe Paterson Research/CPM

Yield Analysis

According to the displayed investment sales above, Preston Rowe Paterson Research had observed the average yield of industrial property at approximately 7.75%. Observed yields ranged from 4.52% for a 13,177 sqm industrial site in Tempe to 11% for a 4,000 sqm industrial facility in Port Botany.

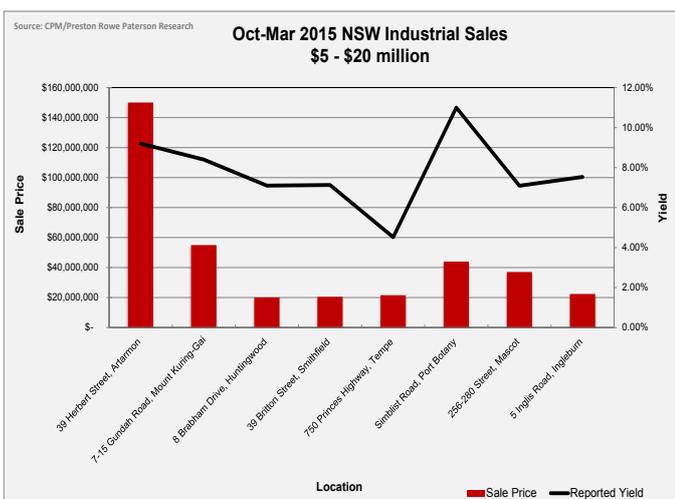


Chart 9 – Jul-Dec 2014 NSW Industrial Sales \$5 million to \$20 million—Source Preston Rowe Paterson Research/CPM

Sales Information:

Many of the significant sales in the over \$20 million price range observed to be located at the South West industrial region.

The one of largest transaction recorded in the March quarter was the purchase of the logistics facility located at **Simblist Road, Port Botany**. *Altis Property Partners* purchased the facility for **\$44 million**. The property is located adjacent to the Port Botany container shipping terminals and the Sydney International Airport. *Altis* has acquired the ground lease from *NSW Ports*. The property features GLA 40,000 sqm of high clearance warehouse, fully serviced office space, 1.7 Ha of hardstand on a 9.8 Ha site and security gatehouse access. The industrial site is the largest logistics facility at the major NSW container port. The property is currently tenanted by *Australian Container Freight Services*.





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 including airports and port facilities

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 or 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 & 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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