



Sydney Impact Report

Office Market

Mid-year review

In comparison to the first half of 2014, the Sydney office market experienced a slower start to the year in the number of transactions recorded. The majority of foreign investors purchased in the Sydney CBD and North Sydney markets with the intention of converting office space to mix-use developments. As a result, the Sydney office vacancy rate and supply has tightened as net absorption outweighs the net supply. However, the upswing of commercial redevelopment is foreshadowed by the potential oversaturation of supply when new developments are completed in the coming years.

One of the notable sales in the June quarter was the sale of the **8 Central Avenue** located at the **Australian Technology Park** in Eveleigh. *Centuria Capital* acquired a 50% stake in an A Grade office tower in the campus style technology park for **\$110 million**. The 12 storey office tower comprise of 40,000 sqm NLA, a WALE of over 11 years, 750 car spaces, 4.5-star Green Star rating and a 5-star NABERS rating. Major tenants at the office tower include *Seven West Media*, *Pacific Magazines* and the NSW Government.

2015 June Quarter Update

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Sydney Office Market Highlights

In the first half of 2015, the Sydney metropolitan office market has recorded many major sales of office space to both domestic and foreign investors. As observed by Preston Rowe Paterson Research, the majority of foreign investors purchased properties in the Sydney CBD and North Sydney market. There is an observable trend that both foreign and local developers are purchasing established office buildings with the purpose of mixed-use conversions and redevelopment.

Sales

Most major sales activity in the June quarter had occurred in the Sydney CBD and Parramatta office markets. The majority of vendors were property funds selling assets to take advantage of the current economic environment and a number of purchasers were developers and listed funds.

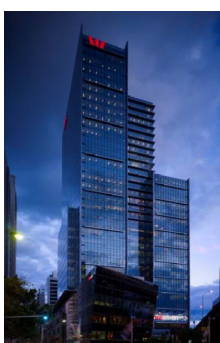


A significant office sale in the June quarter was the sale of **Liberty Place** located at **161 Castlereagh Street** in Sydney CBD. *LaSalle Investment Management* sold a 25% stake in the \$1 billion office and retail complex to Canadian investment group *Ivanhoe Cambridge* for **\$240 million**. The 43 storey property tenants include the *ANZ Bank* headquarters, law firm *Herbert Smith Freehills* and the *Boston Consulting Group*. The unlisted *GPT Wholesale Office Fund* has a 50% stake in the tower, and *ISPT* holds the other 25%. Liberty Place connects both 242 Pitt Street to 161

Castlereagh Street, it provides about 60,176 sqm of office space and 4,425 sqm of retail area. The sale illustrates that Australian commercial property are attractive to foreign investment funds among uncertainties in the global economy.

Leases

It is observed that the number of Sydney metropolitan office significant leasing activities has decreased in the June quarter, there were relatively limited leasing activity outside the Sydney CBD market. The observed average rent was about \$635 psm across the Sydney metropolitan office market on an average term of 7 years.

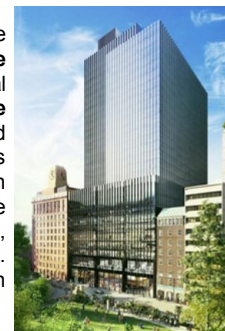


One of the significant leases signed in the June quarter was the lease renewal of the *Westpac* headquarters located at **275 Kent Street, Sydney CBD**. *Mirvac* and *Blackstone Real Estate Asia* secured the banking provider on a **\$900 psm net rent** across an area of about 58,400 sqm on a **12 year term**, reflecting an annual net rent of approximately \$52.56 million. The new deal will see *Westpac* to occupying space from ground floor to level 23 of the Premium Grade office tower. As part of the deal, *Mirvac* will refurbish the whole building. *Westpac's* existing lease over 32 levels of office space will expire in 2017.

Developments

There are a number of new developments in the Sydney that are scheduled to be completed in the 2016. There will be a new supply of approximately 305,559 sqm office space in Sydney in 2016.

One of the anticipated development is the **City One Wynyard**, also known as **One Carrington Street**. The commercial development is located at **301 George Street** in Sydney CBD. The project owned by *Sovereign Wynyard Centre Pty Ltd* has lodged the development application which details a mix-use development. It will include 60,000 sqm of office space over 29 levels, 7,000 sqm retail area and 170 car spaces. The project is estimated to be completed in 2017 or later.



Yield

As observed by Preston Rowe Paterson Research during the first half of 2015, the market yield in the Sydney metropolitan office market had shown to be approximately 7.2% average yield. The Sydney CBD office yields ranged from 3.3% to 8% to an average yield of approximately 6%. The North Sydney office market recorded an average yield of approximately 7.25% and Parramatta recorded an average yield of 7.3%.

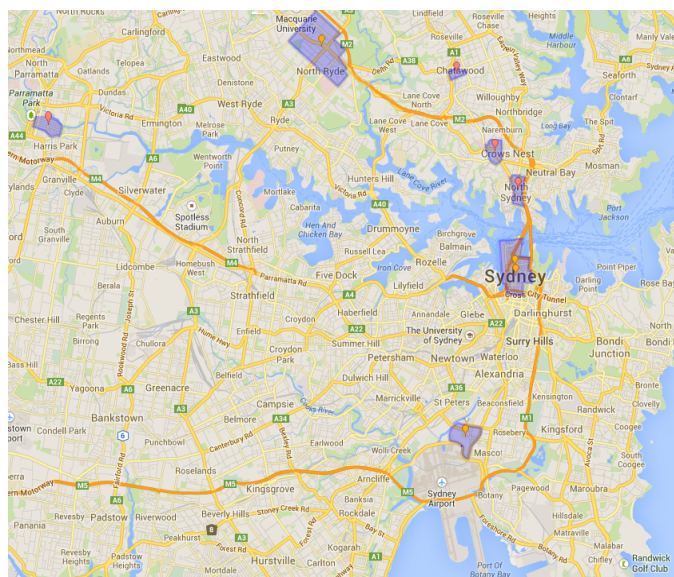


Image 1— Location map of major CBD in the Sydney metropolitan area—Source—Google Maps and Preston Rowe Paterson Research

Commercial Office Market

Sydney CBD

Investment Activity

The following table shows reported major sales transactions that occurred over six months to June 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
338-348 Pitt Street, Sydney NSW 2000	\$ 102,000,000	AMP Capital Wholesale Office Fund	Visionary Investment Group Pty Ltd	Jan-15	19,671	\$ 5,185.30	n/a
19-31 Pitt Street, Sydney NSW 2000	\$ 73,000,000	AXF Group	Wanda One Sydney Pty Ltd	Jan-15	5,518	\$ 13,229.43	n/a
35 Clarence Street, Sydney NSW 2000	\$ 137,000,000	Sunsuper Superannuation Fund	Challenger Life	Jan-15	15,422	\$ 8,883.41	6.85%
92 Pitt Street, Sydney NSW 2000	\$ 30,650,000	LaSalle Investment Management	EG Funds Management	Feb-15	4,621	\$ 6,643.58	8.02%
130-134 Elizabeth Street, Sydney NSW 2000	\$ 120,000,000	Cbus Property	Ecove Group Pty Ltd	Feb-15	9,839	\$ 12,196.36	VP
309 George Street, Sydney NSW 2000	\$ 112,300,000	Abacus Property Group and AM Alpha	HK Realway	Mar-15	9,044	\$ 12,417.07	6.00%
161 Castlereagh Street, Sydney NSW 2000	\$ 240,000,000*	LaSalle Investment Management	Ivanhoe Cambridge	Apr-15	64,400	\$ 3,726.71	5.60%
36 Carrington Street, Sydney NSW 2000	\$ 20,000,000	Adamovich family	Brookfield Office Properties	Apr-15	2,297	\$ 8,707.01	5.11%
143-145 York Street, Sydney NSW 2000	\$ 21,250,000	Tramdex Pty Ltd, Norman Chan Pty Ltd & Sisbro Pty Ltd	Sydney Hotel City Pty Ltd	Apr-15	2,655	\$ 8,003.77	3.30%
53-55 Liverpool Street, Sydney NSW 2000	\$ 19,100,000	a syndicate of 3 families	foreign syndicate	May-15	n/a	n/a	n/a
210 and 220 George Street, NSW 2000	\$ 100,000,000	Mirvac Capital Pty Ltd	Anton Capital	May-15	n/a	n/a	7.00%

Table 1 — Sydney CBD Sales Transactions

*25% stake acquired

VP = vacant possession

n/a = not currently available

The following table shows reported major leasing transactions that occurred over six months to June 2015. Leasing information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Rent psm	Rent pa	Lessee	Area sqm	Term	Date
9 Hunter Street, Sydney NSW 2000	\$ 665	\$ 627,760	Empired Ltd	944	5	Feb-15
60 Castlereagh Street, Sydney NSW 2000	\$ 540	\$ 1,890,000	University of Newcastle	3,500	n/a	Feb-15
338 Pitt Street, Sydney NSW 2000	\$ 550	\$ 550,000	Get Up!	1,000	5	Apr-15
1 Bligh Street, Sydney NSW 2000	\$ 1,000	\$ 1,150,000	Holman Fenwick Willan	1,150	7+3	Apr-15
275 Kent Street, Sydney NSW 2000	\$ 900	\$ 52,560,000	Westpac	58,400	12	May-15
201 Elizabeth Street, Sydney NSW 2000	\$ 800	\$ 1,440,000	Study Group	1,800	5	May-15
9 Castlereagh Street, Sydney NSW 2000	\$ 800	\$ 1,160,000	Compass Offices	1,450	10	Jun-15
60 Margaret Street, Sydney NSW 2000	\$ 685	\$ 998,045	Serco Australia	1,457	5	Jun-15
2 Park Street, Sydney NSW 2000	\$ 880	\$ 1,760,000	Twitter	2,000	n/a	Jun-15
201 Kent Street, Sydney NSW 2000	\$ 675	\$ 2,025,000	Credit Corp Group	3,000	5	Jun-15
255 Elizabeth Street, Sydney NSW 2000	\$ 650	\$ 15,600,000	Navitas	24,000	14	Jun-15
Tower 1 Hickson Road, Barangaroo NSW 2000	pre-commitment		Marsh & McLennon Companies	10,400	n/a	Jun-15
Tower 1 Hickson Road, Barangaroo NSW 2001	pre-commitment		Servcorp	23,000	n/a	Jun-15

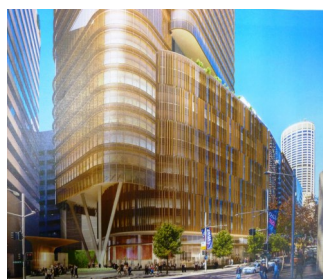
Table 2 —Sydney CBD Leasing Transactions
n/a = not currently available

Development Sites

The Property Council of Australia's (PCA) Office Market Report January 2015 have recorded a few office developments that are in various stages of the Sydney office pipeline.



The **333 George Street** mix-use development owned by *Charter Hall Core Plus Office Fund* is estimated to be completed in the 1st quarter of 2016. Construction of the A Grade office tower is underway and is projected to yield approximately 12,500 sqm across 14 levels of office space, 2,100 sqm of retail space across three ground levels and 20 car parking bays.



Mirvac's new development located close to Circular Quay at **190-200 George Street** is due for completion in the 1st quarter of 2016. The Premium Grade office tower features 38,676 sqm of office space across 35 levels, 476 sqm of retail area, 63 car spaces, 5-star NABERS Energy rating and 6-star Green Star rating. The property will be tenanted by accounting consultants *EY* across 28,300 sqm on a 10 year lease.

Supply by Grade (Stock)

Analysis of the PCA's Office Market Report January 2015 has revealed that there was an additional supply of 42,604 sqm of office space released in the six months to January. This was offset by the 33,064 sqm withdrawals, resulting in an increase of the total Sydney CBD office market space to 4,961,728 sqm.

The increase in additional office space is mainly attributed to the growth of A Grade and B Grade stock supply. Both grades contributed to about 21,431 sqm and 1,673 sqm respectively in the six months to January 2015. Premium Grade also supplied additional space of 19,500 sqm, however, it was outweighed by a 20,500 sqm withdrawal.

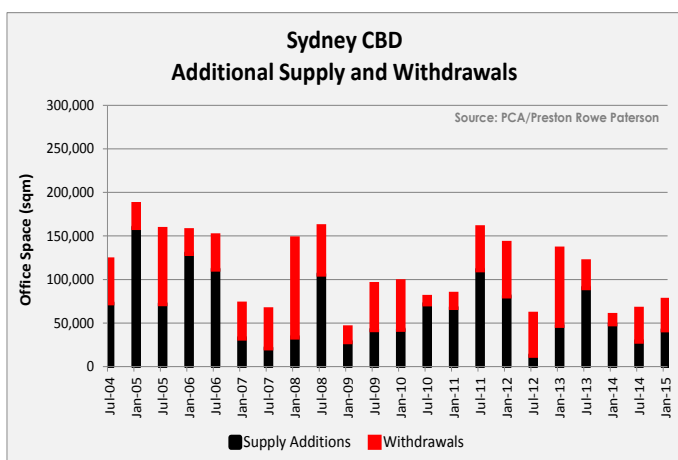


Chart 1 – Sydney CBD Office Additional Supply and Withdrawal– Source PCA

The Sydney CBD is dominated by A Grade office stock amounting to 1,835,294 sqm, followed by B Grade and Premium Grade at 1,576,404 sqm and 793,963 sqm respectively.

C Grade and D Grade stock did not receive any additional supply and recorded a withdrawal of 9,700 sqm and 2,864 sqm respectively. As at January 2015 the current stock levels of C and D Grade office are 563,308 sqm and 192,759 sqm respectively.

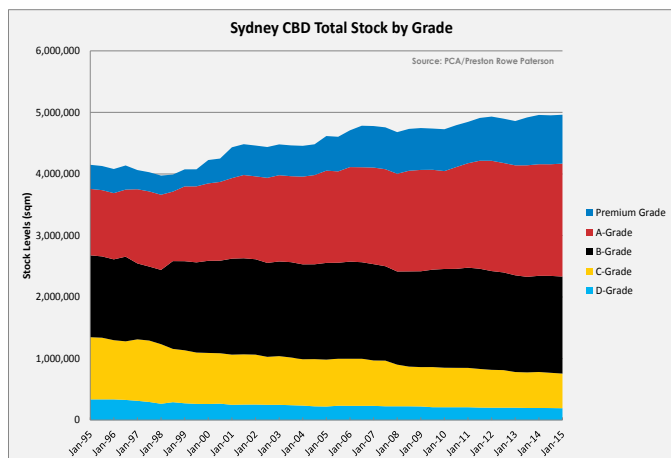


Chart 2 – Sydney CBD Total Stock by Grade – Source PCA

Vacancy Rates

The Sydney CBD office market vacancy has tightened in the six months to January 2015. The total office market vacancy had tightened to 7.4% of which around 7% were direct leases and 0.5% were sub-leases.

All grades of office stock recorded a decrease in vacancy. The A Grade stock experienced the largest fall in total vacancy of 1.5% to 8%. Premium Grade, D Grade, C Grade and B Grade reported tightening in vacancy rate to 7.20%, 7%, 6.60% and 7.30% respectively.

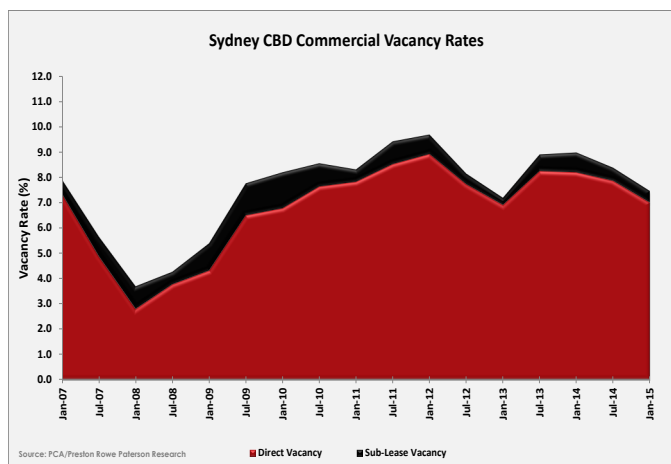


Chart 3 – Sydney CBD Vacancy Rates – Source PCA

North Sydney

Investment Activity

The following table shows reported major sales transactions that occurred over six months to June 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
168 Walker Street, North Sydney NSW 2060	\$ 157,500,000	Anton Capital	Aqualand Australia	Jan-15	5,000	\$ 31,500.00	5.00%
73 Miller Street, North Sydney NSW 2060	\$ 116,500,000	Investa Property Group	Fosun Group & Propertylink	Jan-15	14,672	\$ 7,940.29	7.80%
170 Pacific Highway, St Leonards NSW 2065	\$ 18,500,000	Southern Cross Austereo	private syndicate	Apr-15	4,464	\$ 4,144.27	8.70%
140 Arthur Street, North Sydney NSW 2060	\$ 58,000,000	Victorian Funds Management Corporation, Funds SA and Future Fund	HK Realway	Jun-15	8,300	\$ 6,987.95	7.50%

Table 3 — North Sydney Sales Transactions
n/a = not currently available

The following table shows reported major leasing transactions that occurred over six months to June 2015. Leasing information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Rent psm	Rent pa	Lesee	Area sqm	Term	Date
118 Walker Street, North Sydney NSW 2060	\$ 380	\$ 209,000	Anytime Fitness	550	10	Feb-15
35-51 Mitchell Road, McMahon's Point NSW 2060	\$ 480 - \$ 550	\$ 864,000 - \$ 990,000	BBC Worldwide Australia	1800	10	Jun-15

Table 4 — North Sydney Leasing Transactions

Development Sites

The Property Council of Australia's (PCA) Office Market Report January 2015 has been analysed to derive new commercial office building developments.



The **Norberry Terrace** development located at **177-199 Pacific Highway** is recorded to be in the construction phase of development and is due for completion in the 2nd quarter of 2016. The office development is planned for 39,383 sqm NLA of office space spanning over 31 levels on an average floor plate size of 1,570 sqm. The development will include 370sqm of retail space and 112 car spaces. The development owned by *Suntec Real Estate Investment Trust* is located within close proximity to the Greenwood Plaza and the North Sydney train station.

Supply by Grade (Stock)

As shown in the PCA's Office Market Report January 2015, the total North Sydney office stock experienced a decline of 17,317 sqm to 822,190 sqm. In the past 6 months there were no supply additions recorded and the decline of office space was due to stock withdrawal across the graded office stock. The lack of new commercial developments and property conversions into residential use may have contributed to the limited new supply of office space.

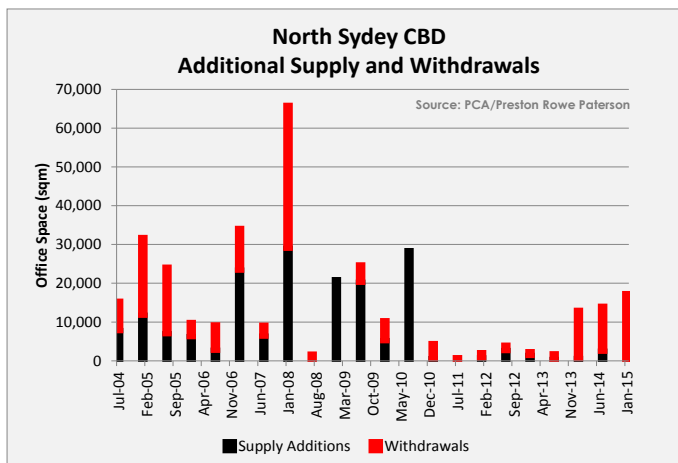


Chart 4 – North Sydney Office Additional Supply and Withdrawals – Source PCA

Vacancy Rates

The total North Sydney office market vacancy has decreased by 1.10% to 9.10% in January 2015. The direct vacancy rate assumed 8.5% and sub-lease vacancy was 0.6%.

Over the six months to January 2015, there has been no vacancy recorded for Premium Grade office stock. D Grade noted the largest increase in vacancy of 4.10% to 9.90%, followed by A Grade vacancy which grew to 5.90%. C Grade recorded the largest fall in vacancy rate by 4.30% to 10% and B Grade fell by 0.70% to 10.90%.

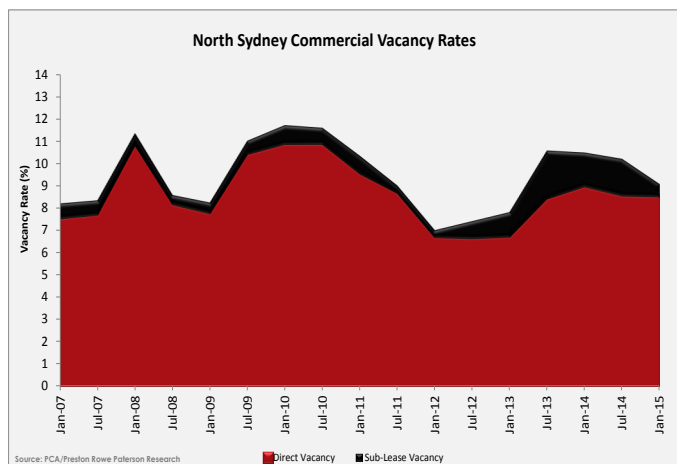


Chart 6 – North Sydney Office Vacancy Rates – Source PCA

The B Grade stock continues to dominate the North Sydney market amounting to 425,616 sqm in floor space. However, there was a withdrawal of 8,072 sqm in the six months to January 2015. Similarly, C Grade and D Grade stock also recorded stock withdrawal of 7,845 sqm and 1,400 sqm to 160,026 sqm and 13,752 sqm respectively.

Premium Grade and A Grade stock levels remained the same, amounting to 36,500 sqm and 186,296 sqm respectively.

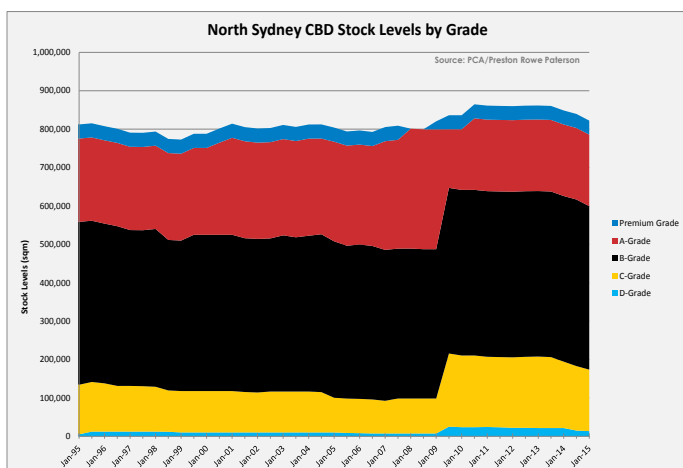


Chart 5 – North Sydney Total Stock Levels By Grade – Source PCA

Crows Nest/St Leonards

Investment Activity

The following table shows reported major sales transactions that occurred over six months to June 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
68 Chandos Street, St Leonards NSW 2065	\$ 5,200,000	Primecorp Investments	Chandos Pty Ltd	Feb-15	1,050	\$ 4,952	DEV
617-619 Pacific Highway, St Leonards NSW 2065	\$ 40,000,000	Legacy Property	Anson City Developments	Feb-15	2,206	\$ 18,132	DEV

Table 5 — Crows Nest/St Leonards Sales Transactions

Supply by Grade (Stock)

The PCA's Office Market Report January 2015 detailed that in the six months to January 2015 the Crows Nest/St Leonards office market recorded a withdrawal of 6,936 sqm to 348,369 sqm and there were recorded no additional supply. The stock withdrawals were attributed to the tightening of B and C Grade space.

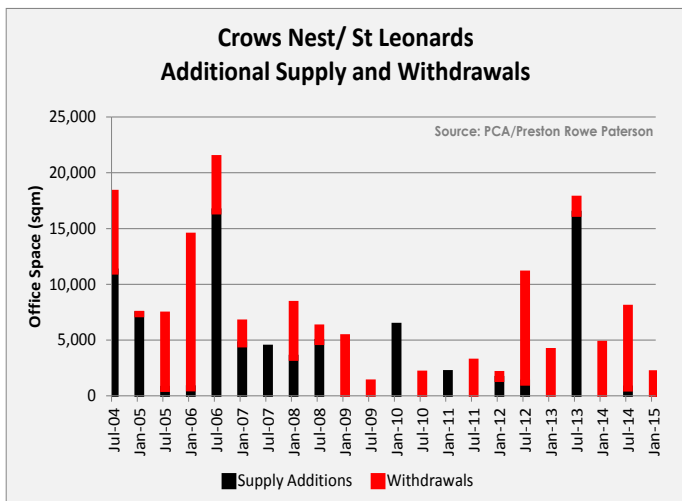


Chart 7 – Crows Nest/St Leonards Office Additional Supply and Withdrawals – Source PCA

The C Grade office stock levels recorded a decline of 4,423 sqm to 165,249 sqm in the six months to January 2015. Similarly the B Grade stock fell by 2,513 sqm to a stock level of 66,775 sqm.

A Grade and D Grade stock remain unchanged amounting to 102,699 sqm and 13,646 sqm respectively.

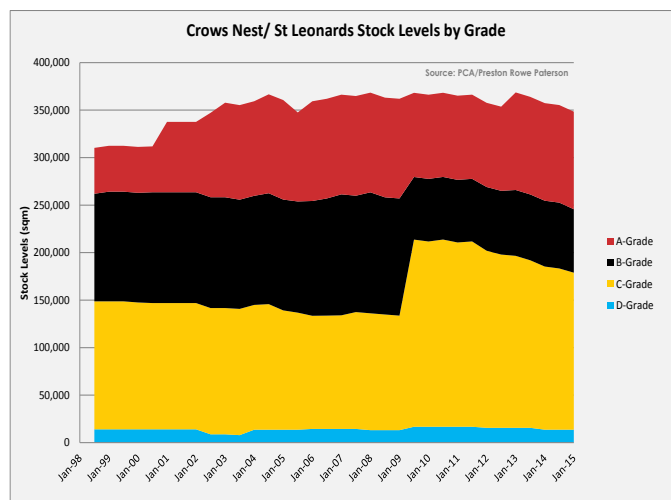


Chart 8 – Crows Nest/St Leonards Total Stock Levels by Grade – Source PCA

Total Vacancy

Total office market vacancy rate in Crows Nest/St Leonard's had decreased over the six months to January 2015 by -1.40% to 11.60%. Direct vacancy accounted for 11.53% and sub-lease vacancy at 0.02%.

A Grade vacancy fell by -4.7% to 11.1% and C Grade vacancy declined to 12.5%. B and D Grade recorded an increase in vacancy to 9.1% and 16.3% respectively.

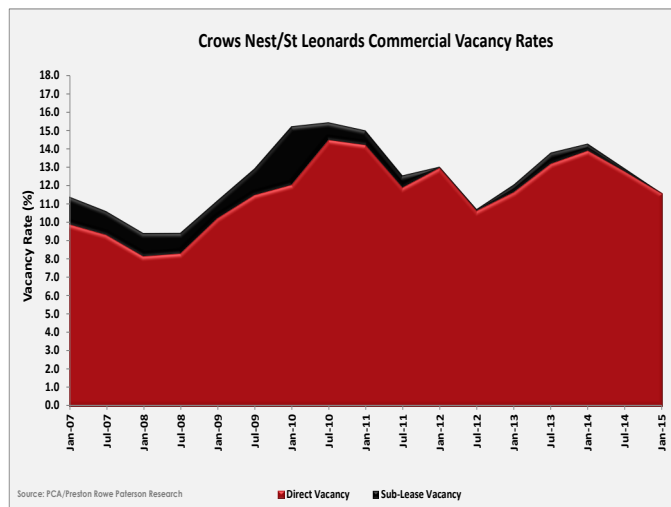


Chart 9 – Crows Nest/St Leonards Office Market Vacancy – Source PCA

Parramatta CBD

Investment Activity

The following table shows reported major sales transactions that occurred over six months to March 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
87 Marsden Street, Parramatta NSW 2150	\$ 33,200,000	Quintessential Equity	Hilti Group	Jan-15	6,659	\$ 4,955.70	8.00%
90 Phillip Street, Parramatta NSW 2150	\$ 16,750,000	Mevote Pty Ltd	local developer	Feb-15	2,944	\$ 5,689.54	5.00%
3 Horwood Place, Parramatta NSW 2150	\$ 25,400,000	MAB Funds Diversified Property	IOOF Holdings	Feb-15	5,015	\$ 5,064.81	8.50%**
25-27 Grose Street, Parramatta NSW 2150	\$ 5,940,000	SS Franks Services Pty Ltd	Saade Holdings Pty Ltd	Feb-15	1,880	\$ 3,159.57	5.98%**
157-169 Macquarie Street, Parramatta NSW 2150	\$ 16,250,000*	Parramatta City Council	Charter Hall Group	Feb-15	26,465	\$ 614.02	VP
80 George Street, Parramatta NSW 2150	\$ 38,700,000	Heathley Keystone Property Fund	GDI Property Group	Apr-15	8,120	\$ 4,766.01	8.50%
91 Phillip Street, Parramatta NSW 2150	\$ 30,000,000	Fortius Funds Management	Capital Property Funds	Jun-15	5,704	\$ 5,259.47	7.80%

Table 6 — Parramatta CBD Sales Transactions

*50% stake acquired

VP = vacant possession

**equated yield

n/a = not currently available

The following table shows reported major leasing transactions that occurred over six months to June 2015. Leasing information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Rent psm	Rent pa	Lessee	Area sqm	Term	Date
2-10 Wentworth Street, Parramatta NSW 2150	\$ 382	\$ 2,633,890	Department of Education & Training	6,895	n/a	Mar-15

Table 7 —Parramatta CBD Leasing Transactions

n/a = not currently available

Development Sites

The Property Council of Australia's (PCA) Office Market Report January 2015 has been analysed to derive new commercial office building developments.



A well anticipated development is the **Parramatta Square (Stage 3)** project located on **153 Macquarie Street**, it is currently in its early feasibility stage. The Parramatta City Council proposed that the third stage of development will include 25,000 sqm of NLA over a 17 storey office tower, feature a 7,000 sqm are of public facilities including a

civic building, community centre and library. The project is expected to be completed in 2017 or later.



Parramatta Square (stage 1) is reported to have started its construction phase and is planned be completed in 2016 or later. The development on **169 Macquarie Street** will provide 24,500 sqm of NLA over 14 office levels and 800 sqm of retail area. The average floor plate size is about 2,200 sqm and includes 108 car spaces. The Parramatta Square development site will provide commercial and residential space over 6 projects. It is located north

to the Sydney Water building and within close proximity to the Parramatta transport interchange and Westfield Parramatta shopping centre.

Supply by Grade (Stock)

The PCA Office Market Report January 2015 recorded that the total office stock in the Parramatta office market had decreased by 7,711 sqm to 680,317 sqm over the six months to January 2015. The decline was attributed to a withdrawal in B Grade and D Grade office space.

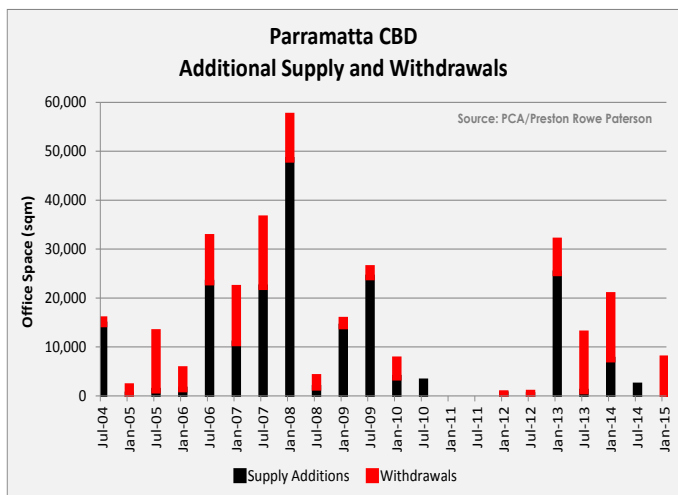


Chart 10 – Parramatta CBD Office Additional Supply and Withdrawals – Source PCA

The Parramatta CBD is dominated by the A Grade and B Grade office stock. A and C Grade remained unchanged in the six months to January 2015 at stock levels of 273,617 sqm and 104,972 sqm respectively.

B Grade stock recorded a fall of 1,003 sqm to 211,023 sqm and D Grade floor space tightened by 6,708 sqm to 70,705 sqm.

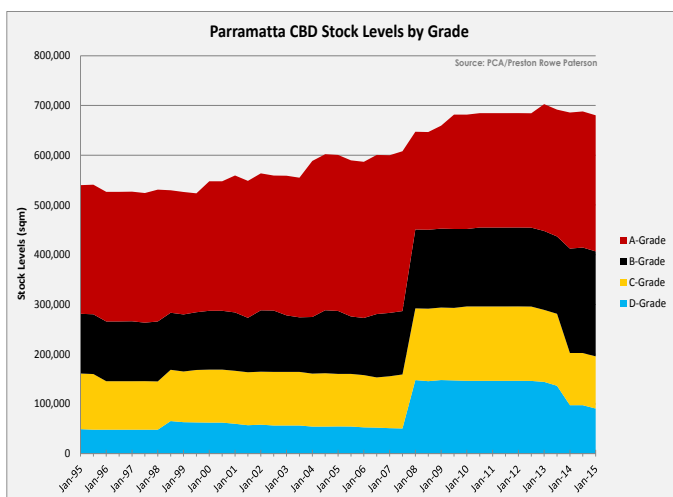


Chart 11 – Parramatta CBD Total Stock Levels by Grade – Source PCA

Vacancy Rates

The total vacancy in the Parramatta office market has decreased by 0.40% to 6.30% in the six months to January 2015. Direct vacancy assumed 6.2% and sub-lease vacancy was 0.2%.

The main contributor to the decrease in vacancy rate was the D Grade stock which fell by -3.50% to 2.70%. A Grade office recorded the lowest vacancy rate at 0.80%, followed by B Grade at 8.70% and C Grade at 18.80%.

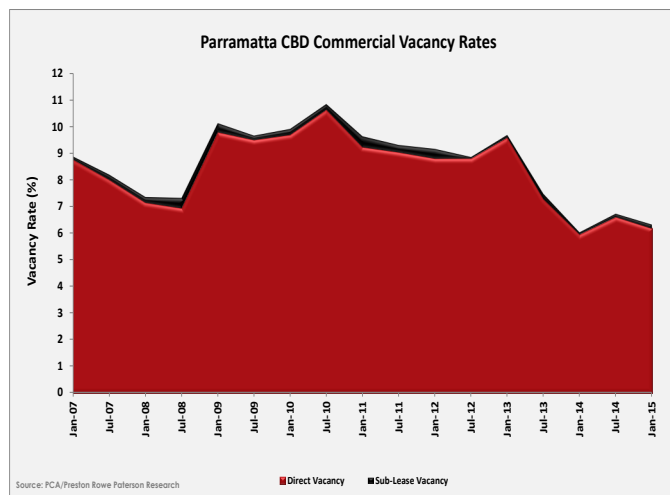


Chart 12 – Parramatta CBD Office Market Vacancy – Source PCA

Chatswood

Supply by Grade (Stock)

The PCA Office Market Report January 2015 noted that the total office stock in the Chatswood Office Market remained unchanged at 285,245 sqm over the six months to January 2015. There were no supply nor withdrawal from the Chatswood office market in the six month to January 2015.

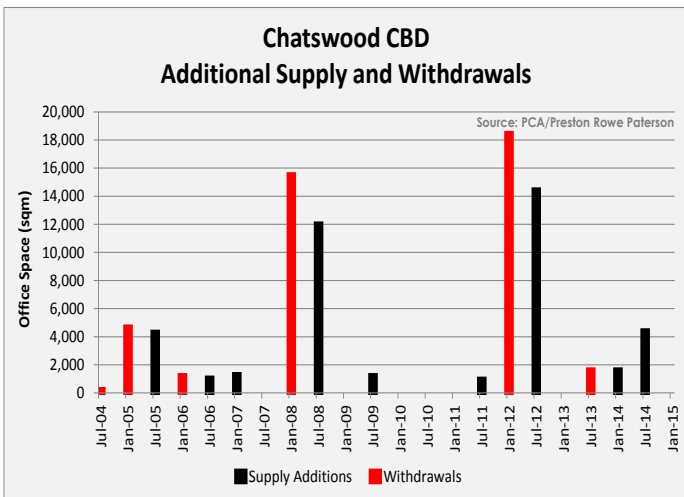


Chart 13 – Chatswood CBD Office Additional Supply and Withdrawals – Source PCA

Total Vacancy

The Chatswood office market recorded a decline of -2.70% to 8.20% in total vacancy in the six months to January 2015 with 7.90% attributed to direct vacancy and 0.30% in sub-lease vacancy.

Vacancy rates across all grades of office space has tightened in the six months to January. The largest decline was recorded in the A Grade, falling by -3.80% to 8.70%. B Grade and C Grade vacancy was 8.60% and 5.80% respectively. D Grade stock has no vacancies.

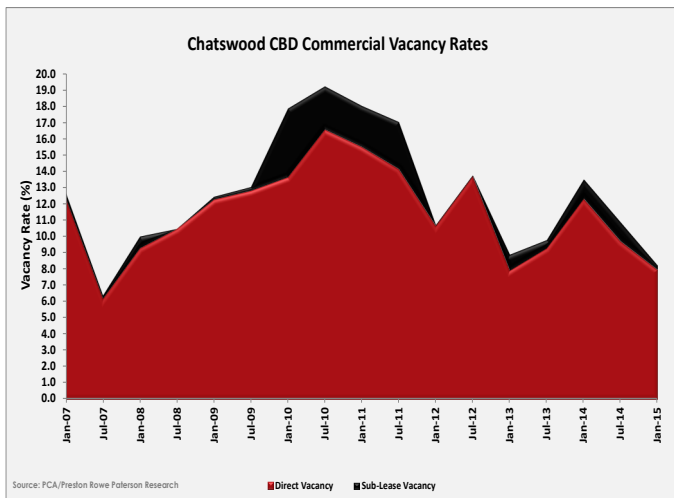


Chart 15 – Chatswood CBD Office Market Vacancy – Source PCA

A Grade office stock dominates the Chatswood market, taking up 157,412 sqm of floor space. Followed by B Grade assets amounting to 81,146 sqm and C Grade at 46,233 sqm. The availability of D Grade stock in Chatswood is close to none, accounting for just 454 sqm of the total market.

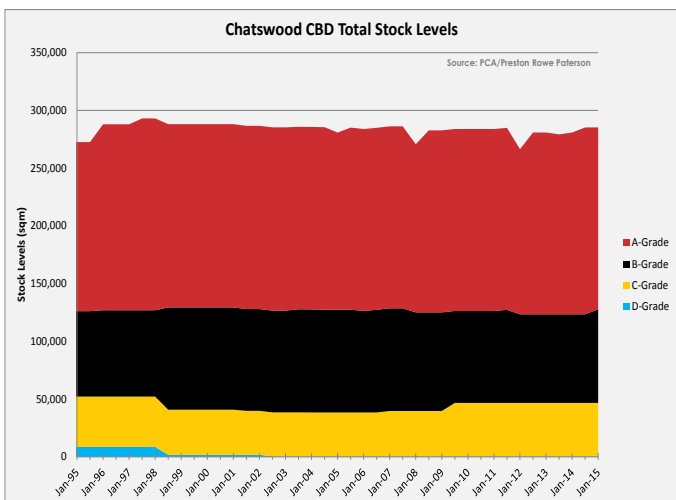


Chart 14 – Chatswood CBD Total Stock Levels by Grade – Source PCA

North Ryde/Macquarie Park

Investment Activity

The following table shows reported major sales transactions that occurred over six months to June 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
6-7 Eden Park Drive, Macquarie Park NSW 2113	\$ 81,800,000	Investa Commercial Property Fund	Altis Property Group	Mar-15	18131	\$ 4,511.61	8.00%

Table 8 — North Ryde/Macquarie Park Sales Transactions

Development Sites

The Property Council of Australia's (PCA) Office Market Report January 2015 has been analysed to derive new commercial office building developments.



The **Canon Building** development located at **1 Thomas Holt Drive** is due to be completed in the 3rd quarter of 2015. The development owned by *Canon* is currently construction phase. The office building comprise of 11,500 sqm NLA over 6 storeys with floor plate size of 1,840 sqm. The property is

located within close proximity to the Macquarie Park train station.

Supply by Grade (Stock)

The PCA Office Market Report January 2015 recorded that the total office stock in the North Ryde/Macquarie Park total office stock level decreased by 481 sqm to 866,480 sqm. The slight tightening of stock level was attributed to 481 sqm of A Grade space withdrawal.

The North Ryde/Macquarie Park office market is heavily populated by A Grade office stock. The A Grade stock level accounts for 615,716 sqm, followed by B Grade stock at 228,026 sqm.

C Grade stock levels was recorded at 20,017 sqm and D Grade stock was at 2,721 sqm.

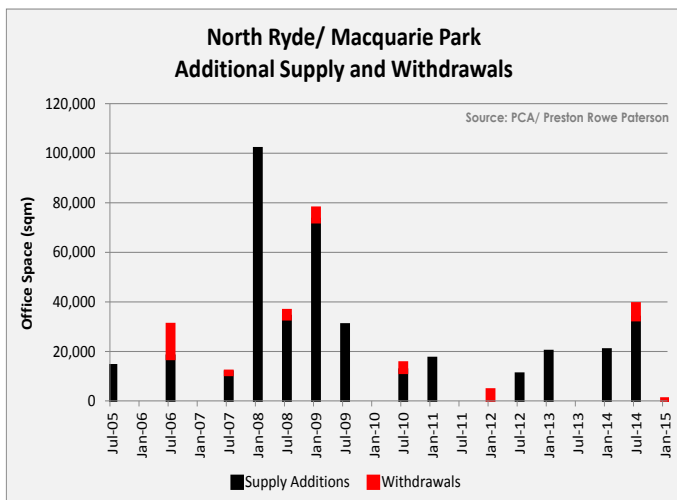


Chart 16 – North Ryde/ Macquarie Park Office Additional Supply and Withdrawals – Source PCA

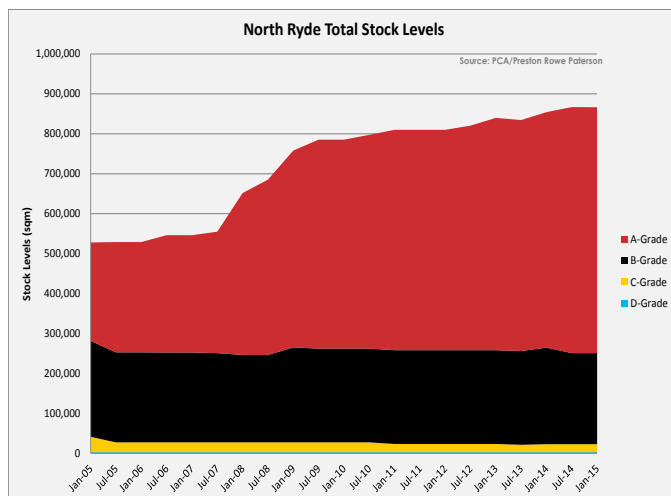


Chart 17 – North Ryde/ Macquarie Park Total Stock Levels by Grade – Source PCA

Vacancy Rates

The North Ryde/Macquarie Park market recorded an increase in total vacancy to 10% in the six months to January 2015, of which 7.9% was direct vacancy and 2.1% was sub-lease vacancy.

All office grades recorded a decrease in total vacancy rate. C Grade recorded the largest decline of -14.90% to 5.10%, A Grade fell by -1.2% to 8% in total vacancy and C Grade decreased by -0.3% to 15.70%. No vacancy results were recorded for D Grade office space.

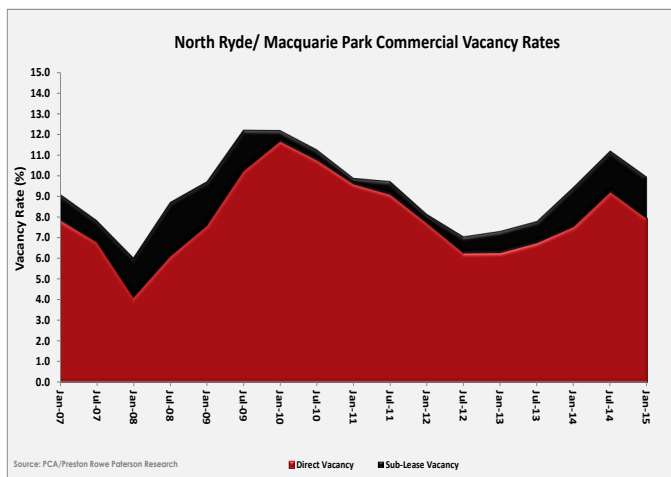


Chart 18 – North Ryde/ Macquarie Park Office Vacancy – Source PCA

NSW Suburban Business Hubs

Investment Activity

The following table shows reported major sales transactions that occurred over six months to June 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
6A Huntley Street, Alexandria NSW 2015	\$ 51,700,000	Trivest Woolstores Pty Ltd	CorVal	Feb-15	9,956	\$ 5,192.85	7.50%
149-163 Milton Street, Ashbury NSW 2193	\$ 31,000,000	UTC Building & Industrial Systems	Tepcorp Developments	Apr-15	6,397	\$ 4,846.02	n/a
85-89 North Terrace, Bankstown NSW 2200	\$ 45,000,000	The Banna Property Group	Ganhui Pty Ltf	Apr-15	8,173	\$ 5,505.93	n/a
2 Meredith Street, Bankstown NSW 2200	\$ 50,000,000	Fortius Funds Management	SC Capital Partners	May-15	4,935	\$ 10,131.71	10.00%
21-23 Solent Circuit, Baulkham Hills NSW 2153	\$ 38,900,000	Altis Property Partners	Investec Australia Property Fund	Mar-15	11,610	\$ 3,350.56	n/a
8 Central Avenue, Eveleigh NSW 2015	\$ 110,000,000*	UrbanGrowth NSW	Centuria Capital	Apr-15	36,451	\$ 3,017.75	n/a
28 Rodborough Road, Frenchs Forest NSW 2086	\$ 15,000,000	Thyra Custodians No 2 Pty Ltd	Contil Holdings Pty Ltd	Jan-15	6,854	\$ 2,188.50	10.28%
43 Bridge Street, Hurstville NSW 2220	\$ 37,000,000	Cromwell Property	East Quarter Pty Ltd	Feb-15	9,799	\$ 3,775.90	8.54%
359 Hume Highway, Liverpool NSW 2170	\$ 6,330,000	The Commissioner for Motor Transport	local developer	Jun-15	4,210	\$ 1,503.56	VP
15 Bourke Road, Mascot NSW 2020	\$ 35,000,000	Capital Corporation	CR Kennedy	Feb-15	8,832	\$ 3,962.86	n/a
50-52 Pirrama Road, Pyrmont NSW 2009	\$ 42,000,000	Abacus Property Group & Heitman	Marks Henderson	Jan-15	4,346	\$ 9,664.06	7.50%
65-67 Foveaux Street, Surry Hills NSW 2010	\$ 10,750,000	private investor	private investor	Jun-15	1,455	\$ 7,388.32	6.40%
117 Harrington Street, The Rocks NSW 2009	\$ 12,900,000	private investor	SITEX	Jan-15	1,416	\$ 9,110.17	7.00%
Lot 1, Pier 8/9, 23 Hickson Road, Walsh Bay NSW 2000	\$ 8,250,000	W Property	Sumner Capital	Jun-15	1,007	\$ 8,192.65	6.50%

Table 11 — NSW Suburban Office Sales Transactions

*50% stake acquired VP = vacant possession n/a = not currently available

Leasing Activity

The following table shows reported major leasing transactions that occurred over six months to June 2015. Leasing information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Rent psm	Rent pa	Lesee	Area sqm	Term	Date
55-57 Wentworth Avenue, Surry Hills NSW 2009	\$ 290	\$ 580,000	EF International	2,000	1	Mar-15
235 Pyrmont Street, Pyrmont NSW 2009	\$ 410	\$ 688,800	Parkview Constructions Pty Ltd	1,680	n/a	Apr-15
60 Union Street, Pyrmont NSW 2009	\$ 595	\$ 1,190,000	NSN Solutions	2,000	4	Apr-15
60 Union Street, Pyrmont NSW 2009	\$ 595	\$ 1,785,000	Echo Entertainment	3,000	4	Apr-15

Table 12 — NSW Suburban Office Leasing Transactions

n/a—not currently available

Economic Fundamentals

GDP

GDP figures for the June quarter 2015 are not available until the 2nd September 2015, however, over the March 2015 quarter revealed that the Australian economy recorded growth of 0.93% seasonally adjusted which reflected growth of 2.31% seasonally adjusted over the twelve months to March 2014.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Mining (+0.5%), Financial and insurance services (+0.5%), Information media and telecommunications (+0.3%) and Healthcare and social assistance (+0.3%). In trend terms, the largest detractor were the Professional, scientific and technical services (-0.4%) and Construction (-0.2%).

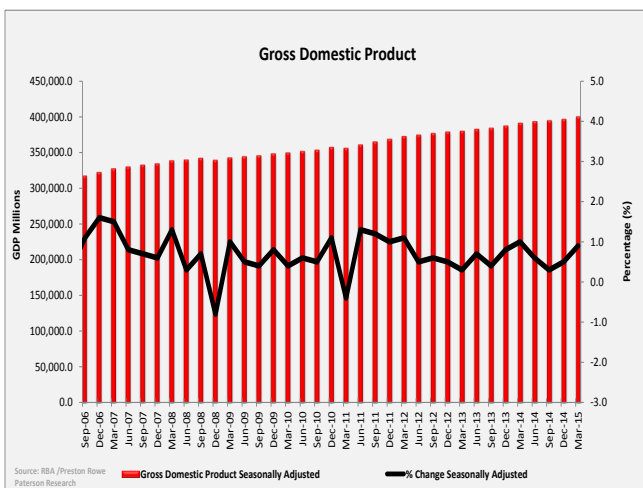


Chart 19 – Gross Domestic Product (GDP) – Source ABS

Labour force

Over the month to June 2015, the number of unemployed people increased by 12,791 from 743,358 in May to 756,149 in June which is a 1.72% increase. In comparison to June 2014, the number of unemployed people has increased by 10,451 which reflected an annual increase of 1.40%. The unemployment rate as at June 2015 is 6%.

The number of unemployed seeking full time employment recorded an increase over the month of June by 27,200 to 541,200 persons. The number of unemployed seeking part time employment recorded a decrease over the month by 14,500 to 214,900 persons.

New South Wales experienced a large absolute increase in seasonally adjusted employment by 11,300 persons to 3.704 million persons. The unemployment status in New South Wales over the June Quarter 2015 decrease by 0.1% to 5.8%.

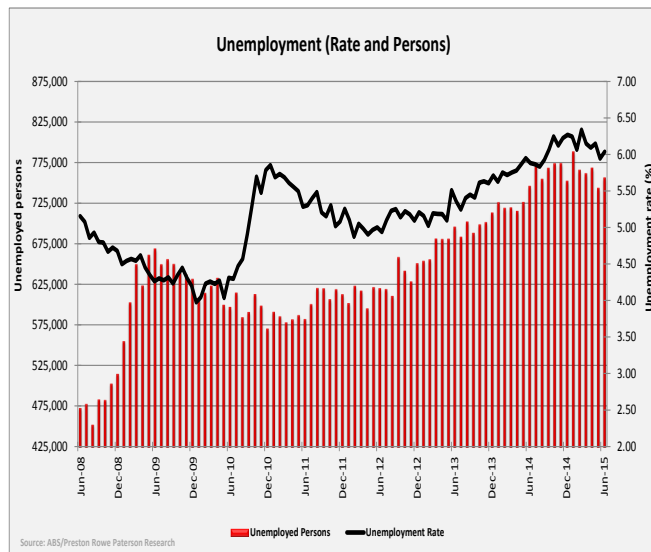


Chart 20 – Unemployment – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the June quarter 2015 has decreased by 25 basis points to 2%. The Reserve Bank of Australia's Media Release for June 2015, released 2nd June 2015 explained that;

"In Australia the available information suggests the economy has continued to grow, but at a rate somewhat below its long-term average. Household spending has improved, including a large rise in dwelling constructions, and exports are rising. But the key drag on private demand is weakness in business capital expenditure in both mining and non-mining sectors and this is likely to persist over the coming year...Low interest rates are acting to support borrowing and spending...Dwelling prices continue to rise strongly in Sydney, though trends have been more varied in a number of other cities...In other asset markets, prices for equities and commercial property have been supported by lower 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.

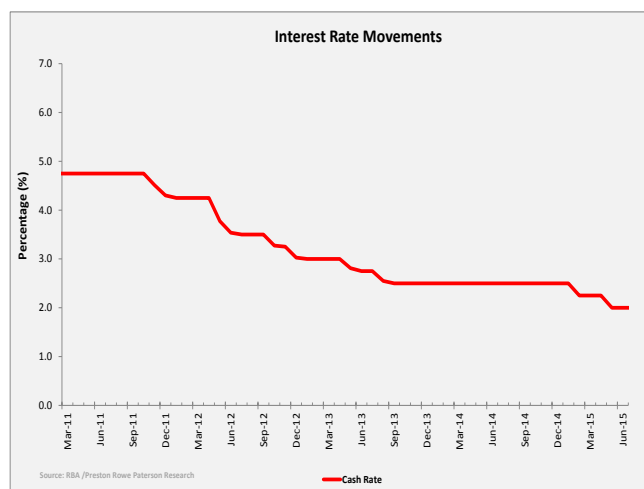


Chart 21 – Cash Rate – Source RBA

Bond Market

10 Year Bond & 90 Day Bill Rate

In the twelve months to June 2015, the monthly 10 Year Bond Rate has decreased by 72 basis points to 2.98%. Similarly, the monthly 90 Day Bill Rate fell by 55 basis points to 2.15%.

Over the June 2015 quarter, the 10 Year Government Bonds recorded a growth of 50 basis points from 2.48%. The 90 Day Bill Rate recorded a 15 basis points decrease over the quarter from 2.30%.

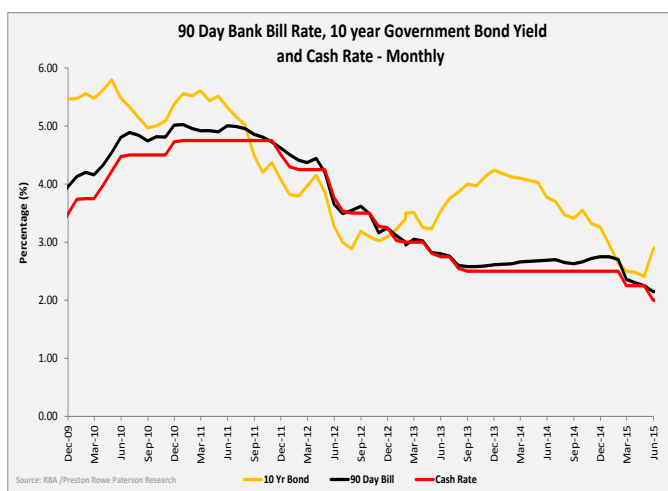


Chart 22 –90 Day Bill, 10 year bond and cash rate - MONTHLY – Source RBA

Analysis of the daily 10 Year Government Bonds has revealed an increase of 10 basis points over the month of June with the 10 year bond rate currently at 2.48%. 90 day bill rates experienced a remained stable in June at 2.30%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of 68 basis points.

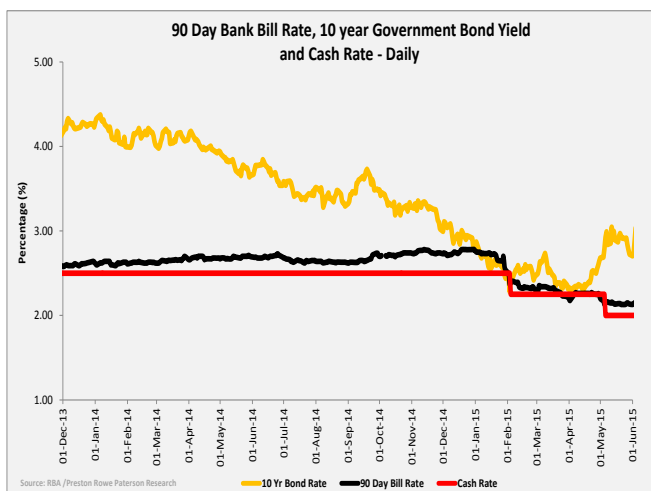


Chart 23 –90 Day Bill, 10 year bond and cash rate – DAILY – Source RBA

CPI

According to the Australian Bureau of Statistics (June 2015), the Australia's All Groups CPI increased by 0.7% over the June quarter from 106.8 to 107.5. The annual CPI change to June 2015 recorded a growth of 1.5%.

The most significant price rises over the June quarter were automotive fuel (+12.2%), medical and hospital services (+4.5%) and new dwelling purchases by owner-occupiers (+1.5%). The greatest price fall over the quarter was attributed to are domestic holiday travel and accommodation (-5.4%) and pharmaceutical products (-1.8%).

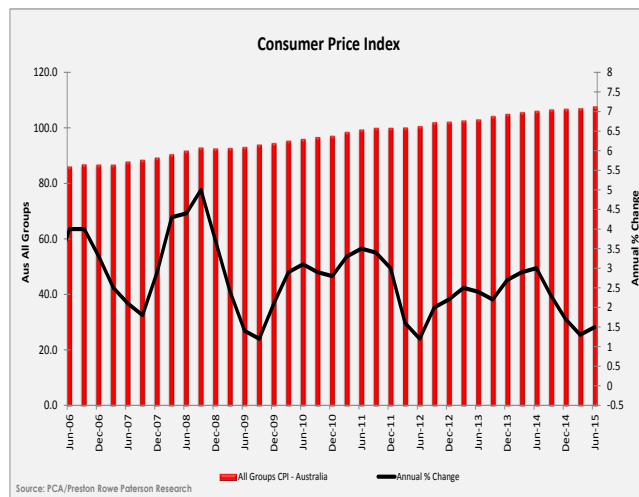


Chart 24– Consumer Price Index—Source—ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 6.9% in June from 102.4 index points in May to 95.3 index points in June. Over the quarter the index has decreased by -4.2 points. Over the twelve months to June 2015 the index recorded a 2.25% growth.

The Index is now below to its pre-budget level in May. Westpac's Senior Economist, Matthew Hassan commented, "Several factors are likely to have refocused attention...further falls in the share market...ongoing uncertainty in Europe; more signs of soft conditions in labour markets; and added nervousness about the outlook for house prices."

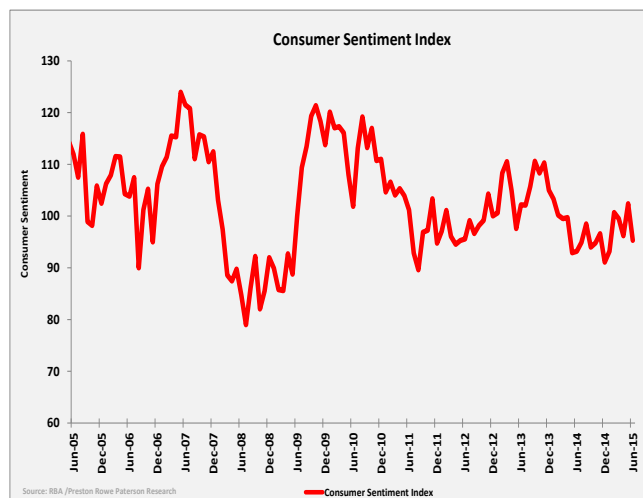


Chart 25 – Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey



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

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.

Within this report we analysed the sales, leases and developments over the past six months to the reported quarter in the various Sydney Office markets of; Sydney, North Sydney, Crows Nest/ St Leonards, Parramatta, Chatswood, North Ryde/ Macquarie Park & other NSW suburban business hubs.

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.



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