



Sydney *Impact* Report

Office Market

Change is coming to Sydney

The Sydney office commercial market had seen to a number of sales and leasing transactions prior to the year end 2014. The market seems to be making a recovery due to the lowered Australian dollar and the renewed foreign investor interest in the Australian commercial market. Many investors and developers have been buying into the Australian market with the intention of future conversions of the commercial buildings with park or harbour views.

One of the most eye-catching sale in the December quarter was the sale of the 175 Liverpool Street located at Hyde Park. Singaporean sovereign wealth fund Government Investment Corporation Real Estate (GIC Real Estate) had sold the property for \$390 million to Shimao Property Holdings. The newly refurbished A-grade office tower has a 46,583 sqm NLA across 28 levels and is tenanted by Telstra, state and federal government tenants. The office tower has Hyde Park views and it is understood that Shimao Property Holdings will hold the property as an investment for about a decade before undertaking a development.

2015 March Quarter Update

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Sydney Office Market Highlights

Over the past six months to March 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. Both foreign and local developers were buying established office buildings with the purpose of potential mixed-use conversions and redevelopment, as well as taking advantage of the historically low interest rate. Many major sales and leasing transactions were concentrated in the Sydney CBD office market. However, the limited supply of quality and large format office stock in the Sydney CBD are increasing interests in the Parramatta and other business districts' office market.

Sales

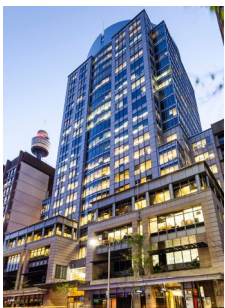
Most major sales activity in the March quarter 2015 had occurred in the Sydney CBD, North Sydney and Parramatta office markets. The majority of vendors were property funds selling off property portfolios and a number of purchasers were developers and listed funds.



A significant office sale in the March quarter was the sale of the **168 Walker Street** in North Sydney. *Anton Capital* sold the office tower was sold to *Aqualand Australia*, a Chinese-backed developer, for **\$157.5 million**. The sale demonstrated the appetite of developers in the low interest rate market as Anton Capital purchased the tower from *Commonwealth Bank Group Super* for \$84 million in December 2013, selling a year after at almost double the price. The commercial property is earmarked for a residential conversion due to its harbour views. The potential redevelopment of the 5,000 sqm site could yield 450 apartments.

Leases

It is observed that the number of Sydney metropolitan office significant leasing activities has decreased in the March quarter, particularly outside the Sydney CBD market. The observed average rent was about \$467 psm across the Sydney metropolitan office market on an average term of 5.75 years.



One of the significant leases signed in the March quarter was the leasing of **60 Castlereagh Street** to the *University of Newcastle*. DEXUS Property Group secured the tertiary education provider on a \$540 psm net rent across an area of about 3,500 sqm, reflecting an annual net rent of approximately \$1.89 million. There is a direct stair access to level 1 in which the university will occupy. The A Grade office tower is located within walking distance to Hyde Park and the Pitt Street retail hub.

Developments

There are a number of new developments in the Sydney CBD that are scheduled to be completed in the 3rd quarter of 2015. There will be a new supply of approximately 141,900 sqm office space in the Sydney CBD by the end of 2015.

One of the anticipated development due for completion in the 3rd quarter of 2015 is the **International Towers Sydney, Tower 2**. The tower is located on **Hickson Road and Shelley Street** in Sydney city's Barangaroo district. The building is projected to provide 87,500 sqm NLA across 41 office levels on an average floorplate size of 2,300 sqm. The commercial tower will include 167 car spaces and approximately 2,350 sqm of retail space.



Yield

As observed by Preston Rowe Paterson Research over six months to March 2015, the market yield in the Sydney metropolitan office market had shown to be approximately 6.97% average yield. The Sydney CBD office yields ranged from 4% to 8% to an average yield of approximately 6.47%. The North Sydney office market recorded an average yield of approximately 6.71% and Parramatta recorded an average yield of 7.60%.

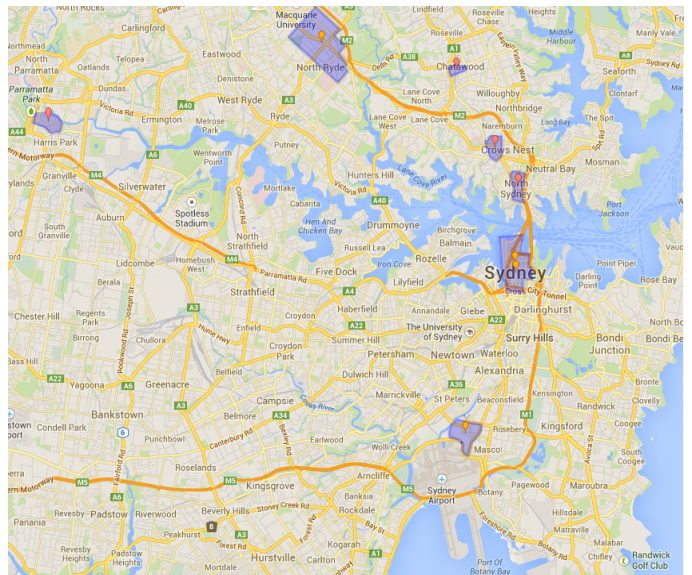


Image 1— Location map of major CBD in the Sydney metropolitan area—Source—Google Maps and Preston Rowe Paterson Research

Commercial Office Market

Sydney CBD

Investment Activity

The following table shows reported major sales transactions that occurred over six months to 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
484 Kent Street, Sydney NSW 2000	\$ 7,300,000	undisclosed	private investor	Oct-14	1,010	\$ 7,227.72	n/a
75 Elizabeth Street, Sydney NSW 2000	\$ 64,000,000	The Uniting Church (NSW) Trust Association Ltd	Kingold (Elizabeth Street) Landowner Pty	Oct-14	6,349	\$ 10,266.28	6.50%
192 Pitt Street, Sydney NSW 2000	\$ 32,800,000	The Hour Glass Limited	Lee Tai Enterprises (Australia) Pty Ltd	Oct-14	659	\$ 49,772.38	n/a
50 Carrington Street, Sydney NSW 2000	\$ 88,000,000	DEXUS Property Group	Brookfield Office Properties	Nov-14	11,277	\$ 7,803.49	7.30%
208 Clarence Street, Sydney NSW 2000	\$ 8,530,000	Paramount Pictures Australia	Well Smart Investmet Group	Nov-14	1,306	\$ 6,531.39	VP
169-183 Liverpool Street, Sydney NSW 2000	\$ 390,000,000	GIC Real Estate	Shimao Property Holdings Ltd	Nov-14	46,583	\$ 8,372.15	n/a
2 Elizabeth Plaza, North Sydney NSW 2060	\$ 45,000,000	Altis Property Partners	Marprop	Nov-14	8,000	\$ 5,625.00	8.00%
695-699 George Street, Sydney NSW 2000	\$ 40,000,000	undisclosed	private investor	Nov-14	3,374	\$ 11,855.36	4.88%*
46-54 Pitt Street, Sydney NSW 2000	\$ 91,842,000	Hyde Park Management Limited	CIMB-Trust Capital	Nov-14	9,897	\$ 9,497.83	7.00%
311-317 Sussex Street, Sydney NSW 2000	\$ 18,000,000	Peter and Vicki Kazacos	Guansheng Australia Pty Ltd	Nov-14	2,160	\$ 8,333.33	n/a
233 Castlereagh Street, Sydney NSW 2000	\$ 156,000,000	GDI Property Group	Visionary Investment Group Pty Ltd	Nov-14	19,892	\$ 7,842.35	6.12%*
1 Alfred Street, Sydney NSW 2000	\$ 425,000,000	Valad and V-Plus Fund	Wanda One Sydney Pty Ltd	Dec-14	23,515	\$ 18,073.57	4.00%
338-348 Pitt Street, Sydney NSW 2000	\$ 102,000,000	AMP Capital Wholesale Office Fund	Visionary Investment Group Pty Ltd	Jan-15	18,473	\$ 5,521.57	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	Feb-15	9,839	\$ 12,196.36	n/a
309 George Street, Sydney NSW 2000	\$ 112,300,000	Abacus Property Group and AM Aplha	HK Realway	Mar-15	9,044	\$ 12,417.07	6.00%

Table 1 — Sydney CBD Sales Transactions

VP = vacant possession

*equated yield

n/a = not currently available

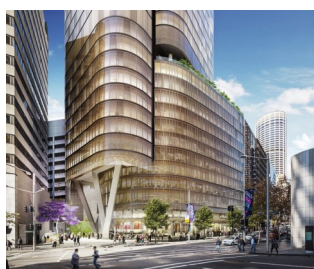
The following table shows reported major leasing transactions that occurred over six months to March 2015. Leasing information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Rent psm	Rent pa	Lesee	Area sqm	Term	Date
10 Bridge Street, Sydney NSW 2000	\$ 735	\$ 81,585	Media and Capital Partners	111	2	Oct-14
189 Kent Street, Sydney NSW 2000	\$ 486	\$ 121,589	Australian China Theme Park	250	3	Oct-14
19 Martin Place, Sydney NSW 2000	n/a	n/a	Sparke Helmore	5,000	5	Oct-14
75 Castlereagh Street, Sydney NSW 2000	\$ 515	\$ 248,075	Access Programs Australia	482	7	Nov-14
59 Goulburn Street, Sydney NSW 2000	\$ 450	\$ 292,500	IronFX Global	650	5	Nov-14
Darling Park Tower 3, 201 Sussex Street, Sydney NSW 2000	n/a	n/a	Rabobank	9,000	10	Nov-14
151 Castlereagh Street, Sydney NSW 2000	\$ 750	\$ 540,000	Pearson Australia Group	720	5	Nov-14
233 Castlereagh Street, Sydney NSW 2000	\$ 55.56	\$ 100,008	FEA	1,800	n/a	Nov-14
201 Elizabeth Street, Sydney NSW 2000	n/a	n/a	Campaign Monitor	3,456	5	Nov-14
8 Windmill Street, Walsh Bay NSW 2000	\$ 664	\$ 495,000	Starcom Mediavest Group	746	5	Dec-14
20 Hunter Street, Sydney NSW 2000	\$ 702	\$ 339,768	One Investment Group	484	n/a	Dec-14
Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000	n/a	n/a	IAG	33,000	12	Dec-14
5 Martin Place, Sydney NSW 2000	Pre-commitment		Challenger Limited	9,127	n/a	Dec-14
123 Pitt Street, Sydney NSW 2000	\$ 20.50	\$ 205,000	EDG Property Group	10,000	3	Dec-14
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

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.



190-200 George Street development is owned by Mirvac Group and is estimated to be completed in the 1st quarter of 2016. Construction of the office tower is underway and is projected to yield approximately 38,676 sqm across 35 levels of office space, 476sqm of retail space and 63 car parking bays.



The **Money Box Building** located at **5 Martin Place** in Sydney CBD. The development of the iconic building will provide 33,000 sqm of net lettable office space over 19 levels. The average floor plate size is recorded to be about 2,400 sqm. The development project is owned by Colonial First State (Commonwealth Property Office Fund) & Cbus Property Pty Ltd. It is expected to be completed in the 2nd quarter 2015.

Supply by Grade (Stock)

Analysis of the PCA's Office Market Report January 2015 has revealed that there was a new supply of 42,604 sqm of office space in the total Sydney CBD market. 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 came mostly from A Grade and B Grade stock. 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.

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.

Both the A Grade and B Grade office stock continue to dominate the total Sydney office market at a share of 37% and 31.80% respectively. Premium Grade is at 16% whilst C Grade and D Grade measure up to 11.40% and 3.90% of the market share.

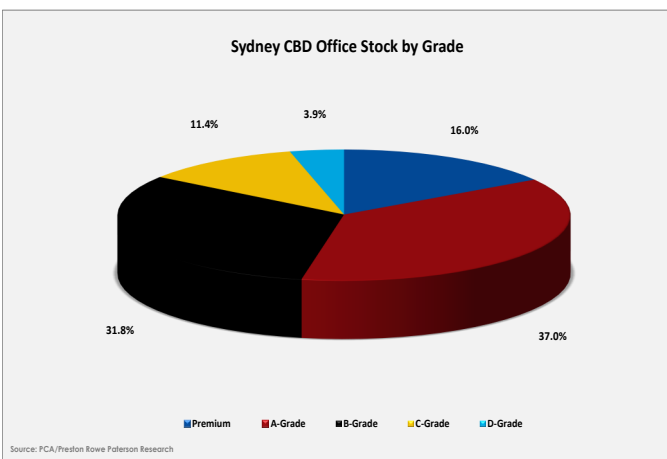


Chart 1 – Sydney CBD Total Stock by Grade – Source PCA

Net Absorption

The Sydney CBD office market has absorbed 78,262 sqm of space in the twelve months to January 2015. The total market net absorption in the six months to January was 54,279 sqm.

Positive net absorption was observed in most office stock grades except for C and D Grade in the six months to January 2015. C Grade recorded a -6,336 sqm of absorption and D grade followed at -856 sqm.

A Grade stock absorbed the largest quantity of office space at 47,822 sqm, followed by B Grade at 6,146 sqm and Premium Grade at 7,503 sqm.

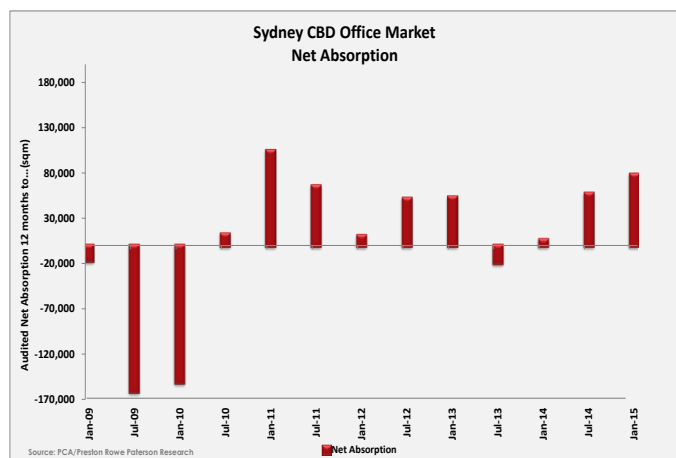


Chart 2 – Sydney CBD Office Net Absorption – Source PCA

Vacancy Rates

The Sydney CBD office market vacancy has tightened in the six months to January 2015. The total office market vacancy had tightened by 1% to 369,620 sqm.

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%. Followed by Premium Grade, D Grade, C Grade and B Grade to the vacancy rate of 7.20%, 7%, 6.60% and 7.30% respectively.

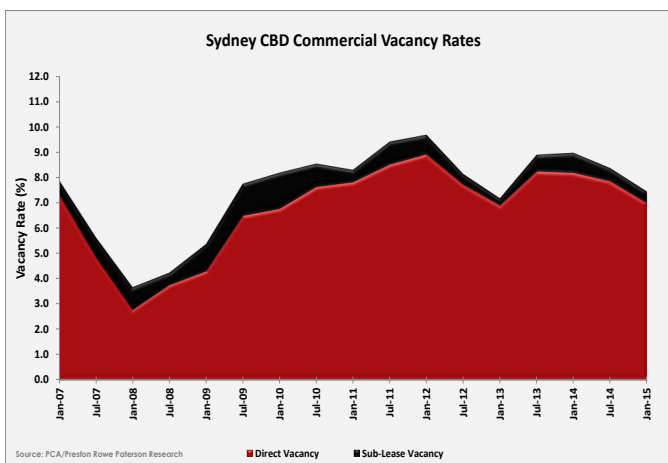


Chart 3 – Sydney CBD Vacancy Rates – Source PCA

North Sydney

Investment Activity

The following table shows reported major sales transactions that occurred over six months to 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	BLGA sqm	Rate psm	Yield
221 Miller Street, North Sydney NSW 2060	\$ 40,000,000	all 54 strata owners	foreign developer	Oct-14	6,888 [^]	\$ 5,807.20	n/a
101 Miller Street, North Sydney NSW 2060	\$ 300,000,000	Eureka Funds Management	TIAA Henderson Real Estate	Oct-14	37,549	\$ 7,989.56	6.50%
51 Mount Street, North Sydney NSW 2060	\$ 9,800,000	undisclosed	undisclosed	Oct-14	540	\$ 18,148.15	6.23%
132-138 Arthur Street, North Sydney NSW 2060	\$ 37,000,000	Valad Property Group	Centennial Property Group	Nov-14	7,829	\$ 4,726.02	n/a
2 Elizabeth Plaze, North Sydney NSW 2060	\$ 45,000,000	The Trust Company	Elizabeth Plaza Pty Ltd	Nov-14	7,713	\$ 6,482.56	8.00%
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%

Table 3 — North Sydney Sales Transactions
[^]estimate NLA n/a = not currently available

The following table shows reported major leasing transactions that occurred over six months to March 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
165 Walker Street, North Sydney NSW 2060	\$ 480	\$ 1,152,000	Sony Australia	2400	7	Oct-14
118 Walker Street, North Sydney NSW 2060	\$ 380	\$ 209,000	Anytime Fitness	550	10	Feb-15

Table 4 — North Sydney Leasing Transactions

Development Sites

The Property Council of Australia's (PCA) Office Market Report July 2014 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. The lack of new commercial developments may have contributed to the limited new supply of office space.

The B Grade market dominates the North Sydney office market with 49.40% market share. Followed by A Grade and C Grade stock taking 21.60% and 18.60% of market share respectively. D Grade office only takes up 1.60% of the market.

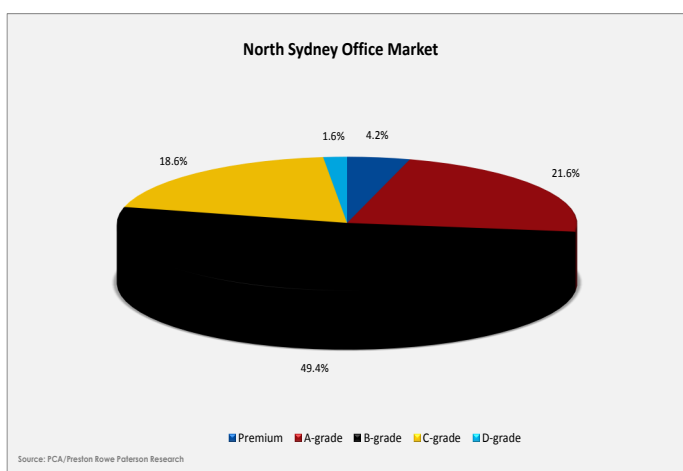


Chart 4 – North Sydney Total Stock Levels By Grade – Source PCA

Net Absorption

The North Sydney net absorption rate has tightened in comparison to the July 2014 results, however the recorded stock absorption remains negative at -12,033 sqm as at January 2015. The only positive absorption was recorded in the C Grade office stock where 210 sqm was absorbed in the six months to January 2015.

B Grade stock recorded the largest negative absorption at -4,074 sqm in the six months to January 2015, followed by D Grade (-1,886 sqm) and A Grade (-518 sqm). D Grade recorded no absorption of office stock.

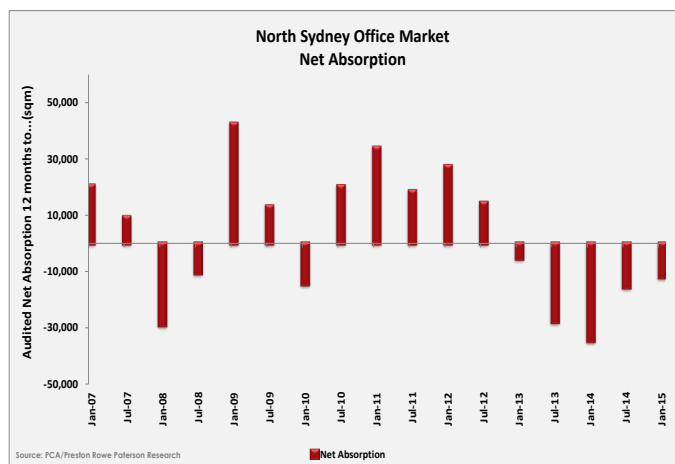


Chart 5 – North Sydney Office Net Absorption – Source PCA

Vacancy Rates

The total North Sydney office market vacancy has decreased by 1.10.% to 9.10% in January 2015. A year on year analysis have shown that the total vacancy have decreased by 14,382 sqm to 74,555 sqm.

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%.

In comparison to January 2014 results, a general decrease in vacancy rate was observed in January 2015. Similar to the half-yearly results, the C Grade office vacancy recorded the largest fall of -4.80%. The only annual increase in the North Sydney office vacancy rate was A Grade which grew by 0.10%.

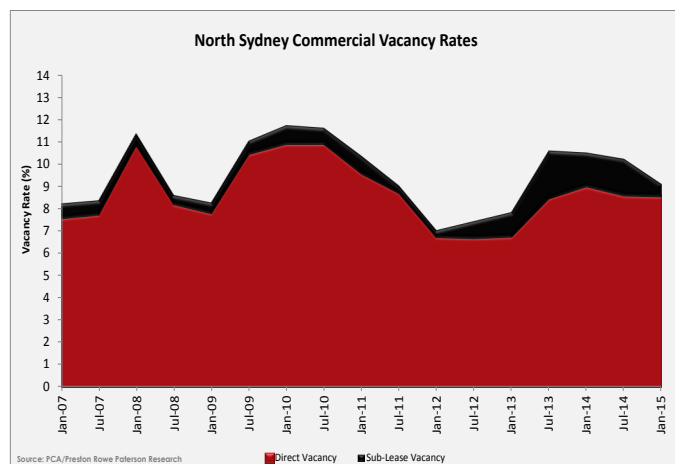


Chart 6 – North Sydney Office Vacancy Rates – Source PCA

Crows Nest/St Leonards

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	BLGA sqm	Rate psm	Yield
617-621 Pacific Highway, St Leonards NSW 2065	\$ 40,000,000	Legacy Property	Anson City Developments	Oct-14	2,206	\$ 18,132	DEV
68 Chandos Street, St Leonards NSW 2065	\$ 5,200,000	Primecorp Investments	Chandos Pty Ltd	Feb-15	1,050	\$ 4,952	DEV

Table 5 — Crows Nest/St Leonards Sales Transactions
DEV = Development site.

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 decrease of 6,936 sqm to 348,369 sqm which was reflected in the stock withdrawals as there were no additional supply. The stock withdrawals were attributed to the tightening of B and C Grade space.

C Grade stock dominates the Crows Nest/St Leonards market with a market share of 47.40%. The A and B Grade office stock market share is divided into 29.50% and 19.20% respectively. The D Grade stock which supplies 3.90% of the office market space.

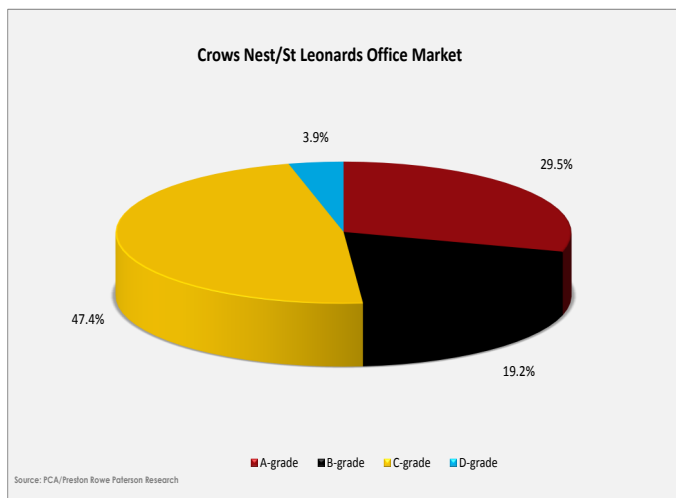


Chart 7 – Crows Nest/St Leonards Total Stock Levels by Grade – Source PCA

Net Absorption

The total market net absorption in the Crows Nest/St Leonards market has recorded a negative result of -1,336 sqm in the six months to January 2015. However, in comparison to the 12 months to January 2015, the net absorption of office space was 1,3691 sqm.

B Grade stock recorded the largest fall in net absorption at -3,025 sqm in the six months to January, followed by C Grade at -2,906 sqm and D Grade at -262 sqm. A Grade recorded the only market net absorption of 4,857 sqm.

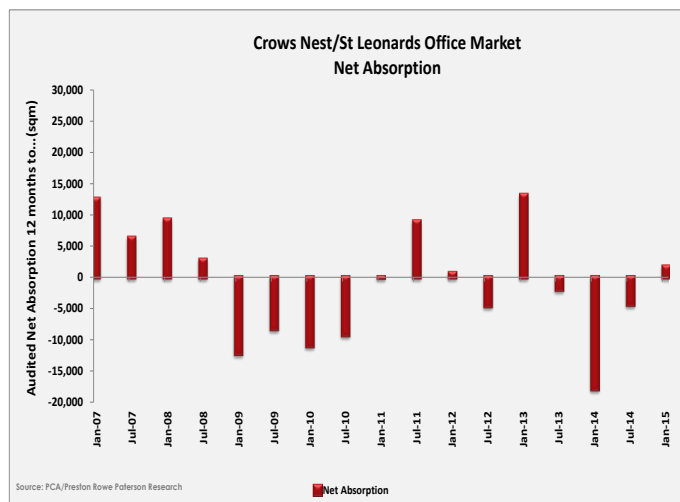


Chart 8 – Crows Nest/St Leonards Office Net Absorption – Source PCA

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%.

Varied results were recorded across the four grades of office space, with A Grade and C Grade decreased by -4.70% and -0.60% respectively to total vacancy levels of 11.10% and 12.50%. B Grade stock's total vacancy increased to 9.10% and D Grade vacancy grew to 16.30%

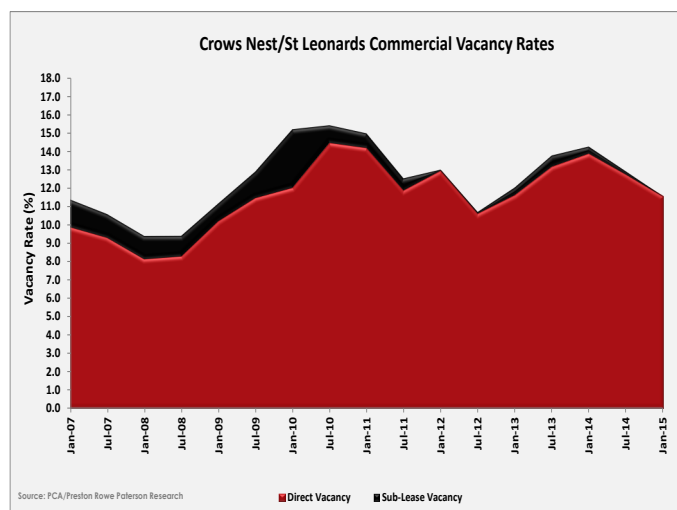


Chart 9 – Crows Nest/St Leonards Office Market Vacancy – Source PCA

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	BLGA sqm	Rate psm	Yield
153 Macquarie Street, Parramatta NSW 2150	\$ 19,500,000	Australia Post westiawn Property	Parramatta City Council	Oct-14	659	\$ 29,590.29	DEV
110 George Street, Parramatta NSW 2150	\$ 83,000,000	Trust & PFA Diversified Property Trust	Longbow Holdings	Oct-14	20,841	\$ 3,982.53	8.50%
94 Phillip Street, Parramatta NSW 2150	\$ 9,300,000	Susan & Morris Nuta	Academy Parramatta Pty Ltd	Oct-14	1,793	\$ 5,186.84	n/a
2-10 Wentworth Street, Parramatta NSW 2150	\$ 45,000,000	Charter Hall Group's Direct Office Fund	Centuria 2 Wentworth Street Fund	Nov-14	10,943	\$ 4,112.22	8.00%
4 George Street & 160 Marsden Street, Parramatta NSW 2150	\$ 170,100,000	Parramatta City Council	Eureka Funds Management	Dec-14	21,587	\$ 7,879.74	7.00%
157-169 Macquarie Street, Parramatta NSW 2150	\$ 16,250,000	Leighton Properties	Charter Hall Group	Dec-14	5,000	\$ 3,250.00	DEV
12-14 Wentworth Street, Parramatta NSW 2150	\$ 5,300,000	Independent Education Union	undisclosed	Dec-14	1,206	\$ 4,394.69	VP
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 MAB Funds	local developer	Feb-15	2,944	\$ 5,689.54	5.00%
3 Horwood Place, Parramatta NSW 2150	\$ 25,400,000	Diversified Property Trust	IOOF	Feb-15	5,015	\$ 5,064.81	8.50%*
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%*

Table 6 — Parramatta CBD Sales Transactions

VP = vacant possession DEV = development site *equated yield n/a = not currently available

The following table shows reported major leasing transactions that occurred over six months to March 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
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.

The Parramatta CBD is dominated by the A Grade and B Grade office stock. Both grades of office space respectively takes up 40.20% and 31% of the total market share. C Grade stock took up 15.40% of market share and D Grade amounts to 13.30%.

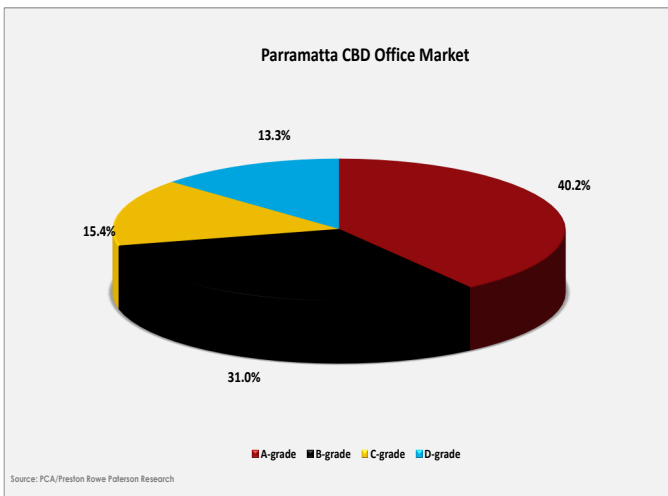


Chart 10 – Parramatta CBD Total Stock Levels by Grade – Source PCA

Net Absorption

The total market net absorption in the Parramatta office market was recorded -4,450 sqm over the six months to January 2015, -7,236 sqm over 12 months. This the first time since July 2010 that the Parramatta net absorption was a negative.

All grades, except for the B Grade stock, recorded a negative absorption in the six months to January 2015. The largest fall in absorption was D Grade where it declined by -3,078 sqm, followed by A Grade at -1,641 sqm and C Grade at -492 sqm. B Grade recorded a positive absorption of 761 sqm.

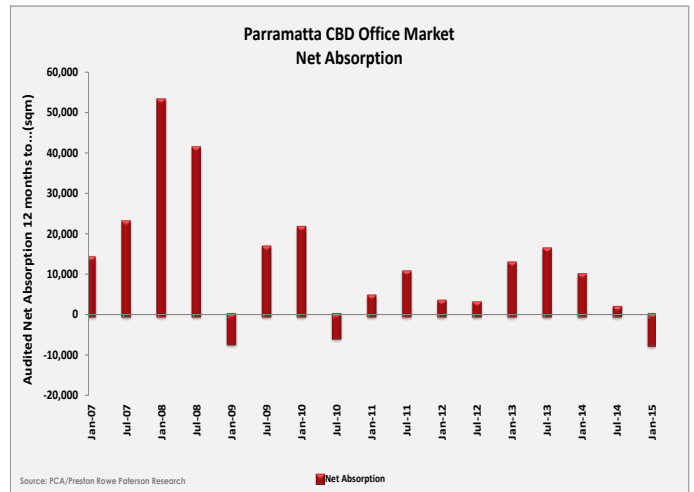


Chart 11 – Parramatta CBD Office Net Absorption – Source PCA

Vacancy Rates

The total vacancy in the Parramatta office market has decreased by 0.40% to 6.30% in the past 6 months to January 2015. The amount of vacant office space is 42,926 sqm.

The main contributor to the decrease in vacancy is the D Grade stock which fell by -3.50% to 2.70% in 6 months to January 2014. A Grade office recorded the lowest vacancy rate at 0.80%, followed by B Grade at 8.70% and C Grade at 18.80%.

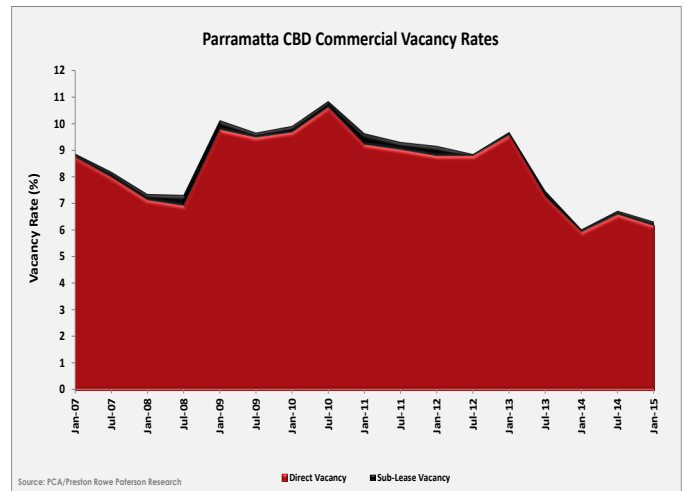


Chart 12 – Parramatta CBD Office Market Vacancy – Source PCA

Chatswood

Investment Activity

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

Address	Sale Price	Vendor	Purchaser	Sale Date	BLGA sqm	Rate psm	Yield
280 Pacific Highway, Lindfield NSW 2070	\$ 12,000,000	Hamak Pty Ltd	NGP Investments (no.2) Pty Ltd & Lindfield Property Nominee Pty	Nov-14	1,913	\$ 6,272.87	8.02%
815 Pacific Highway, Chatswood NSW 2067	\$ 29,000,000	Kingsmede Properties Pty Ltd	Linfied Developments Pty Ltd	Dec-14	7,116	\$ 4,075.32	n/a

Table 8 — Chatswood Sales Transactions

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 months to January 2015.

A Grade stock dominates the Chatswood market taking up 55.20% of market share. B & C Grade shares 28.40% and 16.20% respectively of the market share. D Grade stock take up only 0.20%.

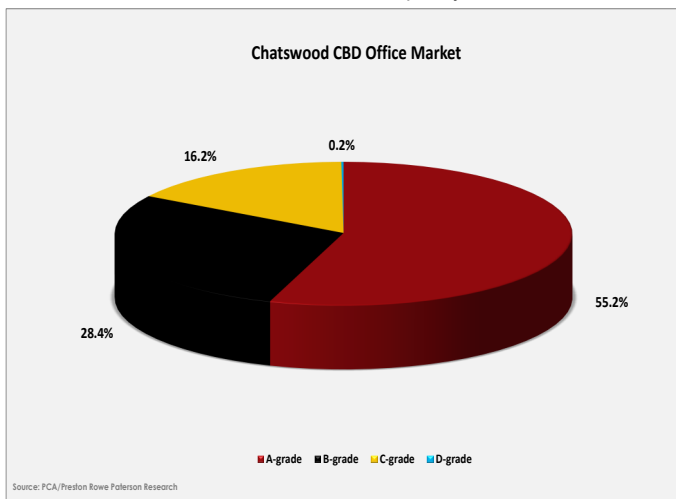


Chart 13 – Chatswood CBD Total Stock Levels by Grade– Source PCA

Net Absorption

In the six months to January 2015, the Chatswood office market recorded a positive net absorption of 7,574 sqm. Market net absorption in the twelve months to January 2015 was 18,918 sqm. The strong uptake in market absorption may be a sign of growth in the Chatswood market.

All grades of office stock produces positive net absorption results in the six months to January 2015. A Grade absorbed the highest amount of floor space at 5,964 sqm, followed by C Grade at 1,030 sqm and B Grade at 580 sqm.

There has been no recorded stock absorption for D Grade since July 2012.

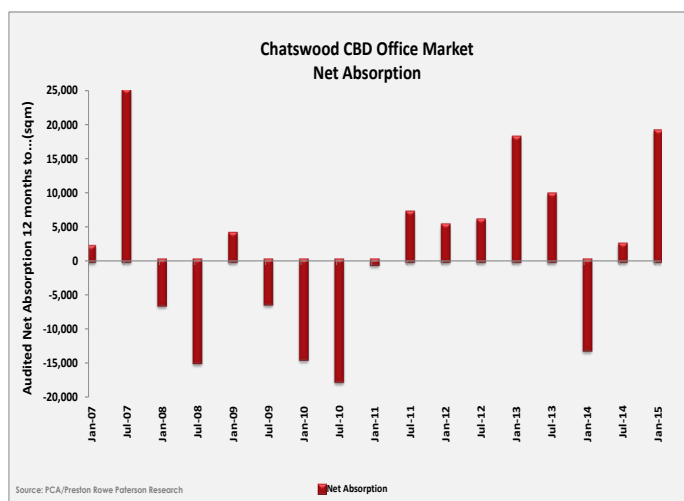


Chart 14 – Chatswood CBD Office Net Absorption – Source PCA

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 total vacant space amounting to 23,336 sqm.

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.

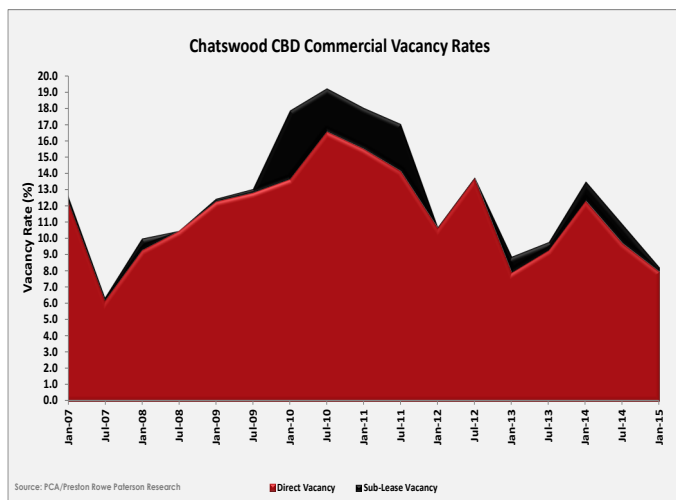


Chart 15 – Chatswood CBD Office Market Vacancy – Source PCA

North Ryde/Macquarie Park

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	BLGA 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%
19-27 Devlin Street, Ryde NSW 2112	\$ 7,300,000	Devlin Street Ryde Pty Ltd	Go Up Pty Ltd	Nov-14	1214	\$ 6,013.18	8.10%

Table 9 — North Ryde/Macquarie Park Sales Transactions

Leasing Activity

The following table shows reported major leasing transactions that occurred over six months to March 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
5 Talavera Road, Macquarie Park NSW 2113	\$ 354	\$ 338,424	Terumo Australia Pty Ltd	956	7	Nov-14

Table 10 — North Ryde/Macquarie Park Leasing Transactions

Development Sites

The Property Council of Australia's (PCA) Office Market Report July 2014 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 2016. The development owned by Canon is currently in 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.



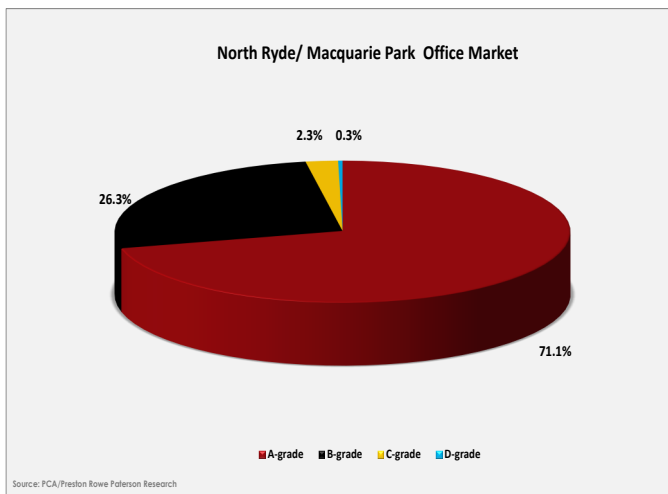
52-54 Waterloo Road (DEV) at North Ryde is currently in the construction phase and is planned to be completed in the 3rd quarter of 2016. The development owned by Novartis Pharmaceuticals Australia will provide 10,000 sqm of NLA. The development site is located within

close proximity to both the Macquarie Park and Macquarie University train station, and the Macquarie Centre shopping centre.

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 assumes 71.10% of the total market share. B Grade stock measured to 26.30%, C Grade at 2.30% and D Grade assuming 0.30% of the total market share.



Source: PCA/Preston Rowe Paterson Research

Chart 16 – North Ryde/ Macquarie Park Total Stock Levels by Grade – Source PCA

Net Absorption

The North Ryde/ Macquarie Park office market reflected a 10,565 sqm net absorption in the six months to January 2015. The net absorption over the twelve months to January 2015 was 6,882 sqm.

All office grades recorded positive office space absorption in the six months to January 2015. A Grade office stock reported a 6,853 sqm net absorption, B Grade absorbed 727 sqm and C Grade amounted to 2,985 sqm of absorption. D Grade stock remained unchanged with no recorded absorberency.

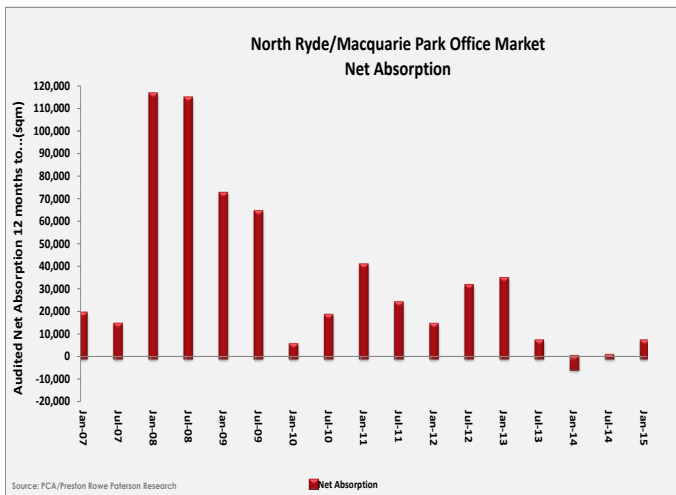


Chart 17 – North Ryde/ Macquarie Park Office Net Absorption – Source PCA

Vacancy Rates

The North Ryde/Macquarie Park market recorded an increase in total vacancy in the six months to January 2015 at 10% to 86,291 sqm.

All office grades recorded a decrease in total vacancy rate in the six months to January 2015. C Grade recorded the largest decline of -14.90% to 5.10%, A Grade noted 8% in total vacancy and C Grade total vacancy declined to 15.70%.

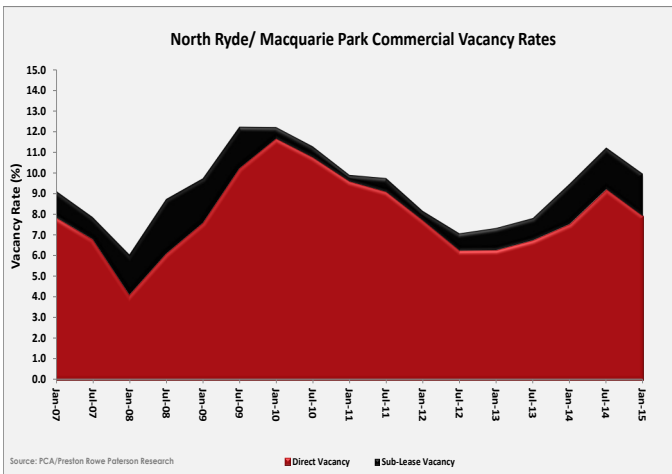


Chart 18 – North Ryde/ Macquarie Park Office Vacancy – Source PCA



NSW Suburban Business Hubs

Investment Activity

The following table shows reported major sales transactions that occurred over six months to 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	BLGA	sqr	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%
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
12 Langston Place, Epping NSW 2747	\$ 85,000,000	undisclosed	Cbus Property	Oct-14	8,787	\$	9,673.38	4.24%
37-41 Oxford Street, Epping NSW 2747	\$ 110,000,000	Goodman	China Poly Group	Dec-14	8,314	\$	13,230.70	n/a
12-22 Woniora Road, Hurstville NSW 2220	\$ 47,000,000	undisclosed	360 Capital Group	Oct-14	13,531	\$	3,473.51	n/a
43 Bridge Street, Hurstville NSW 2220	\$ 37,000,000	Cromwell	EastQuarter	Jan-15	9,799	\$	3,775.90	8.65%
15 Bourke Road, Mascot NSW 2020	\$ 35,000,000	Capital Corporation	CR Kennedy	Feb-15	8,832	\$	3,962.86	n/a
55 Pyrmont Bridge Road, Pyrmont NSW 2009	\$ 80,000,000	National Australia Bank	Blackwall Property Funds	Oct-14	15,000	\$	5,333.33	n/a
19-21 Harris Street, Pyrmont NSW 2009	\$ 70,000,000	Lend Lease Core Plus Fund	LaSalle Investment Management	Nov-14	12,000	\$	5,833.33	n/a
63-79 Miller Street, Pyrmont NSW 2009	\$ 20,000,000	Aveo Group	EG Funds Management	Dec-14	4,869	\$	4,107.62	8.80%
50-52 Pirrama Road, Pyrmont NSW 2009	\$ 42,000,000	Abacus Property Group & Heitman	Marks Henderson	Jan-15	4,346	\$	9,203.87	7.50%
19 Foster Street, Surry Hills NSW 2010	\$ 22,123,000	W Property	Security Capital	Dec-14	3,249	\$	6,809.17	7.20%

Table 11 — NSW Suburban Office Sales Transactions
n/a = not currently available

Leasing Activity

The following table shows reported major leasing transactions that occurred over six months to March 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
55-57 Wentworth Avenue, Surry Hills NSW 2009	\$ 290	\$ 580,000	EF International	2,000	1	Mar-15

Table 12 — NSW Suburban Office Leasing Transactions

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%).

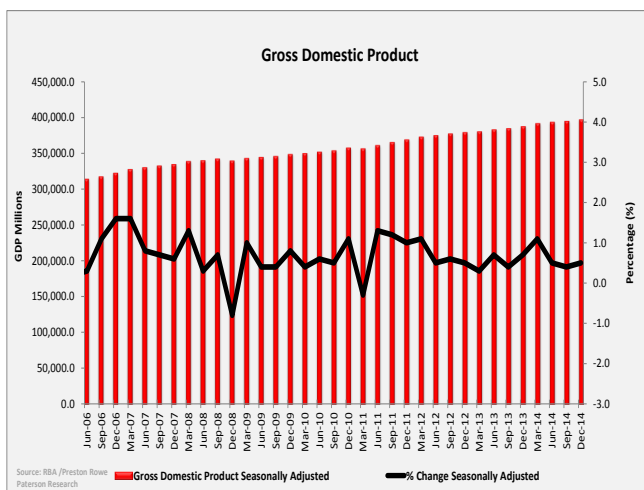


Chart 19 – Gross Domestic Product (GDP) – Source ABS

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%.

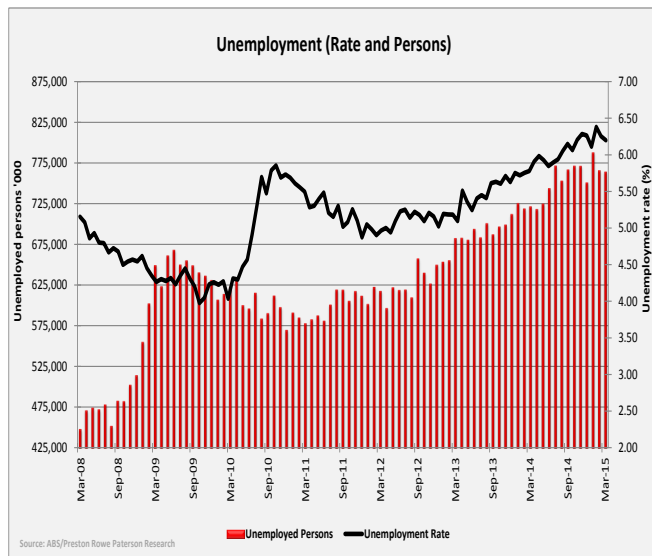


Chart 20 – Unemployment – Source ABS

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.

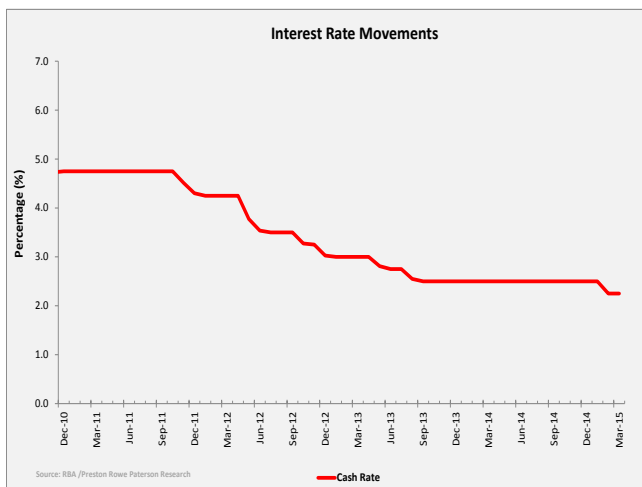


Chart 21 – Cash Rate – Source RBA

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%.

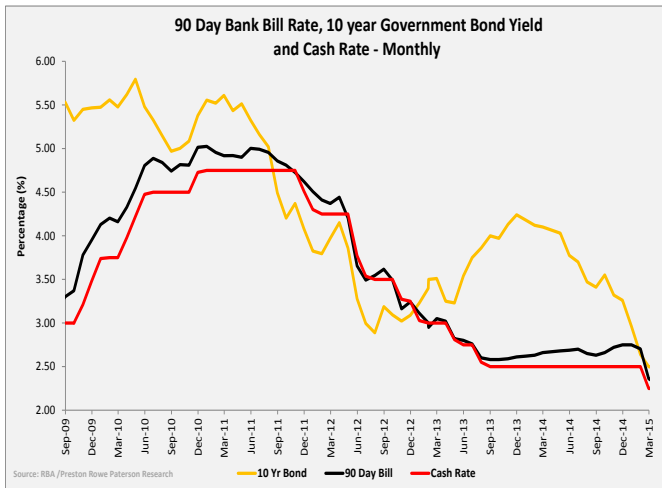


Chart 22 –90 Day Bill, 10 year bond and cash rate - MONTHLY – Source RBA

Analysis of the daily 10 Year Government Bonds has revealed an increase of 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.

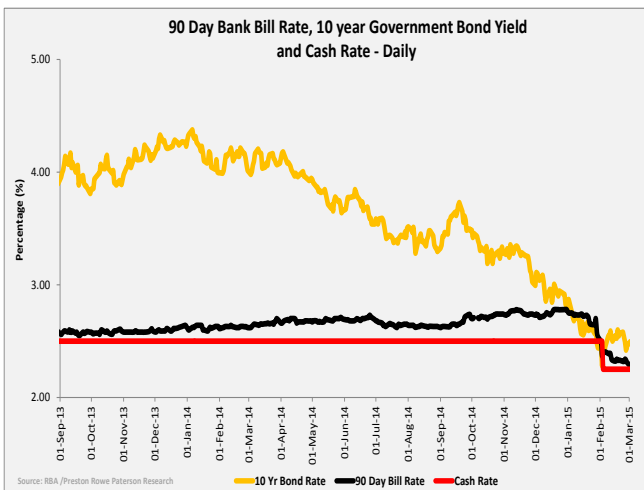


Chart 23 –90 Day Bill, 10 year bond and cash rate – DAILY – Source RBA

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%).

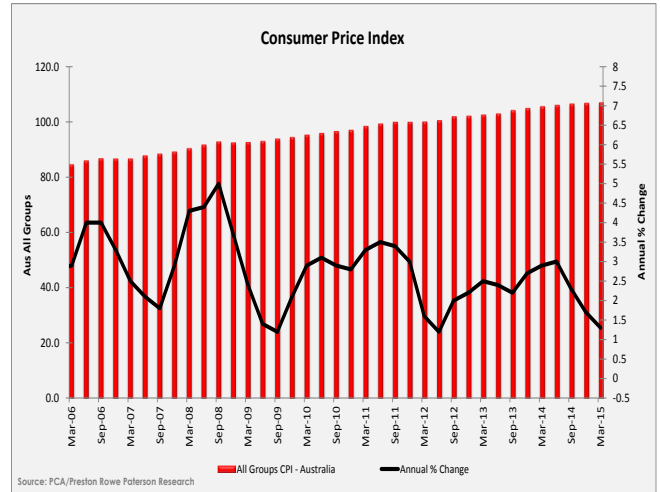


Chart 24– Consumer Price Index—Source—ABS

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."

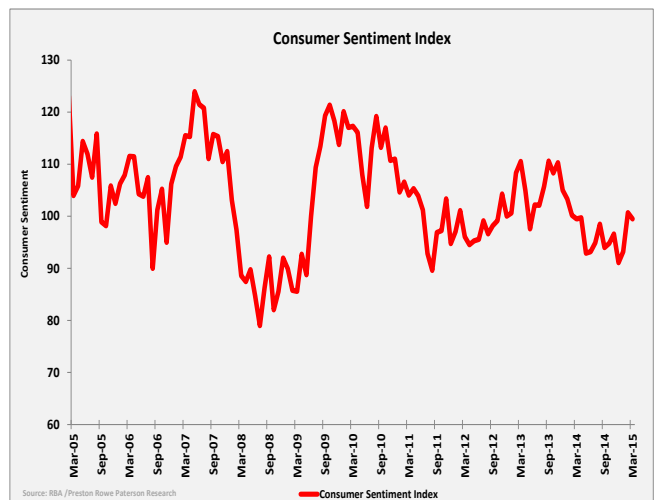


Chart 25 – Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey



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
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- 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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