



Preston
Rowe
Paterson

®
International Property Consultants

Sydney Impact Report

Industrial Market

Industrial Market Picking Up Pace into 2017

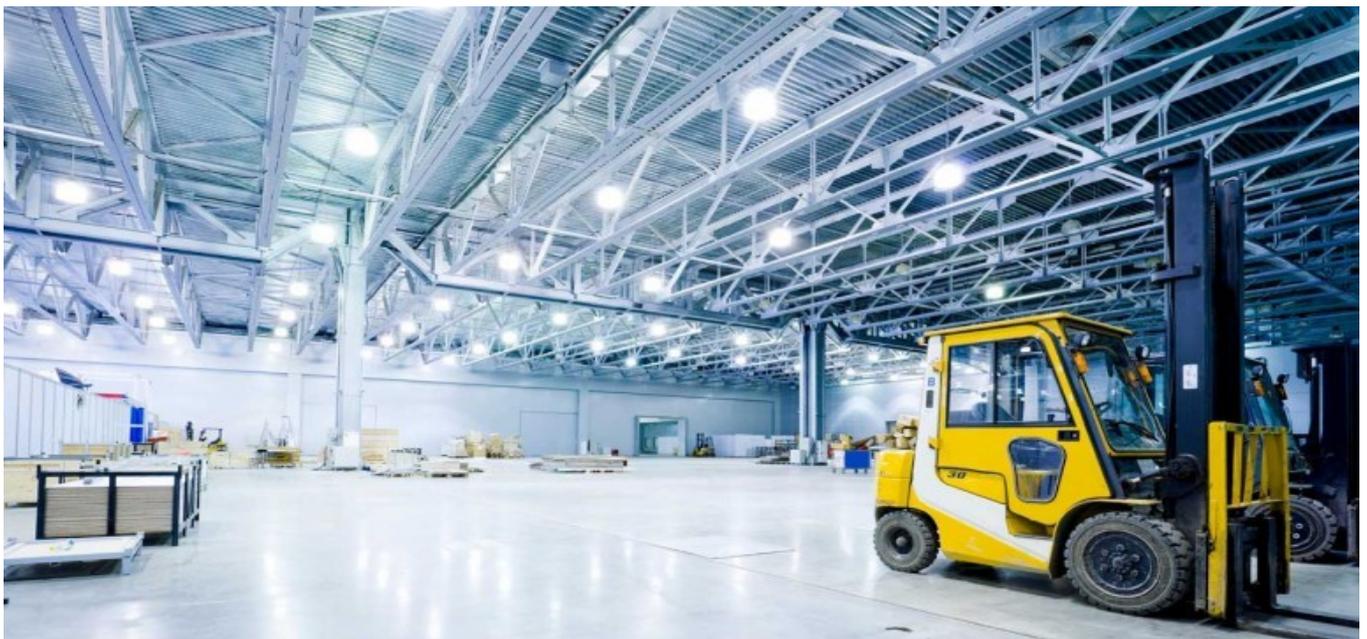
Sydney's industrial property market is reaping in the benefits from the high demand environment that is predominantly driven by its strengthening housing, commercial and retail markets. Furthermore, we highlight that redevelopment and connection of Sydney's arterial roads as part of the WestConnex and NorthConnex projects have spurred infrastructure investments around these hotspots, which ultimately have driven growth in the industrial property market around Sydney metropolitan. During the six months to December 2016, there was strong demand for investments in Outer Sydney, with close to \$255 million worth of reported sales. Preston Rowe Paterson Research indicates that over the six months through to end of December 2016, the Sydney metropolitan area have brought through approximately \$721 million of transactions, with sales in Outer Sydney encompassing one third of this amount.

With expectations of above trend growth for New South Wales's economy, Sydney's industrial property market is expected to reap in the strong demand from the growth in e-commerce and retail trade sectors. Furthermore, as international retail competitors, i.e. the likes of Costco, Kaufland and Amazon Fresh, begin to infiltrate into Australia's retail sector, higher demand for modern warehouses is inevitable and will ultimately require new developments at the back of this. However, we do note that land supply will be restricted due to the nature of Sydney's landscape, which will mean that land values will also rise across all of Sydney's industrial property markets in the near future.

December Quarter 2016

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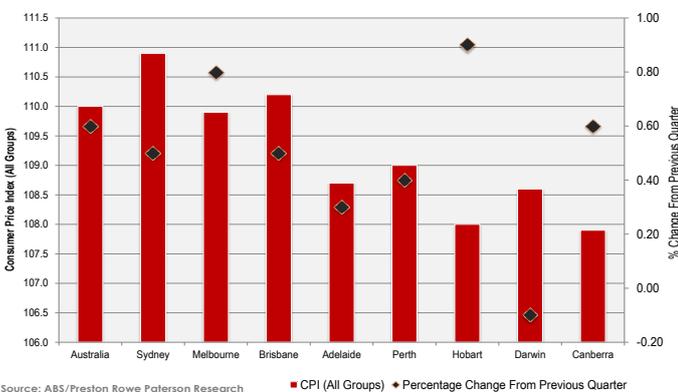
Economic Fundamentals

Consumer Price Index

All Groups CPI numbers for the December quarter indicate that inflation rate had increased by 0.5% over the quarter, bringing price growth to 1.5% over the year. Core inflation (inflation with volatile items stripped out) increased 0.4% over the quarter to bring annual growth to 1.6%. The yearly increase to December is still larger than the yearly increase recorded in September (1.3%), though figures were still lower than economists' expectations for a 0.7% rise. Notably, the 1.5% increase over the calendar year is the lowest in nineteen years, with the last time being back in 1997 when inflation fell backwards by 0.2%.

The main contributors to the quarterly increase stemmed from Alcohol & tobacco group (+2.8%), Transport group (+1.7%), Food & non-alcoholic beverages group (+0.6%) and Recreation & culture group (+0.6%). On the other hand the largest decline in prices stemmed from the Communications group (-0.8%), Furnishing, household equipment & services group (-0.8%), Health group (-0.6%) and Clothing & footwear group (-0.5%).

Australia's Housing group increased by 0.3% over the quarter, with the main contributors to this rise stemming from purchases of New dwellings by owner-occupiers (+0.5%) and maintenance & repair of dwellings (+1.0%). The ABS did note that the increase in purchases of new dwellings by owner-occupiers is driven by rises in input costs. Over the calendar year, the Housing group experienced an increase of 1.9%, with the main contributor again being purchases of new dwellings by owner-occupiers (+0.5%).



Source: ABS/Preston Rowe Paterson Research

Chart 2—All Group CPI (Capital Cities) and Percentage Change from September 2016 to December 2016—Source—ABS

Business Sentiment

Business conditions declined over the month to November, as the National Bank of Australia reports further declines in business conditions that is mainly driven by profitability and trading conditions in sales and subdued levels of employment in Australia. For the month of November, business conditions index declined by 2 points to +5 index points, ultimately declining to long run average levels for the first time since April 2015. In saying this, business confidence has increased over the month, remaining steady through the year. Business confidence in response to global political events, i.e. Brexit and the US Presidential elections were relatively flat, though when combined with weakening business conditions makes confidence a more difficult measure to accurately calculate.

Consumer Sentiment

Consumer sentiment, as measured by the Westpac Melbourne Institute Index, dropped in December amidst concerns circling the economy, interest rates and the labour market. The index stands at 97.3- a decline of 3.5% from November's index of 101.30- and indicates that pessimists now outnumber optimists (with 100 being the cut-off point). The index stands at its lowest level in six months, just higher than April's index of 95.1, with the Australian economic condition, budget and taxation, geopolitical conditions, employment, politics and interest rates the main issues influencing respondents' attitudes and decisions. It is noted that since September, respondents were less optimistic in their assessment of Australia's economic conditions, employment and interest rates, and unchanged in their assessments of taxation and the budget, international conditions and politics.

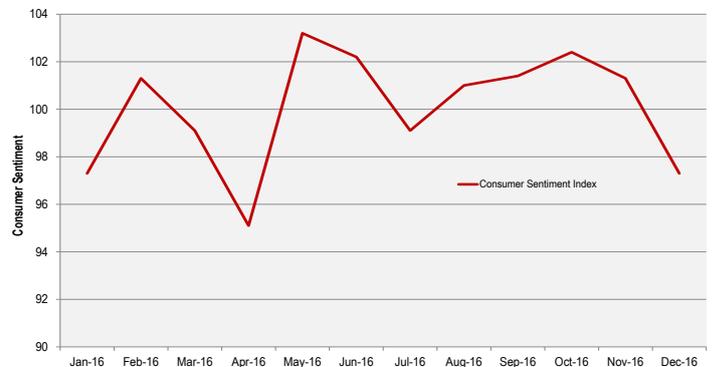


Chart 5—Consumer Sentiment Index, 2016 Overview—Source—Westpac Melbourne Institute Survey

Gross Domestic Product

Through the September quarter*, seasonally adjusted GDP declined by 0.5%, a figure that is well below what many economists have forecasted prior. This is the first quarterly contraction in twenty-one consecutive quarter (the last contraction was in March 2001, during which the economy shrunk by 0.2%). Following this contraction, yearly growth was dragged to a below expectation figure of 1.8%.

The September quarter also brought through a decline of 1.4% in dwelling investment, of which the fall was mainly influenced by New and Used Dwelling (-1.6%) and Alterations and additions (-1.0%). The ABS reported that poor weather partly influenced the decline. Nevertheless, annual growth stood at 7.2% and Private sector residential building approvals up 9.4% from September quarter 2015 (\$20.4billion in original current price term for this quarter). Mining Investment fell 10.6% for the quarter, marking the twelve consecutive quarterly declines in Australia. Non-mining investment increased by 4.8%, which has been contributing to the positive increase set since the March quarter of 2014. As noted by the ABS, Mining investment contributed 9.4% to GDP during its peak in December of 2012, and now has fallen to 3.4%. Non-mining investment contribution in December 2012 was 7.5%, and has risen ever since to the current quarter's contribution of 9.0%.

When we look at expenditure measures, Household final consumption expenditure increased by 0.4% (Seasonally adjusted terms) over the quarter, and 2.5% over the year. The ABS reported that this rise is attributed to an increase in spending in Hotels, cafes and restaurants (2.2%) and Insurance and other financial services (1.3%). Over the period, Gross fixed capital formation declined by 2.7%, Exports of goods and services increased by 0.3%, and Imports increased by 1.3% (all in seasonally adjusted terms).

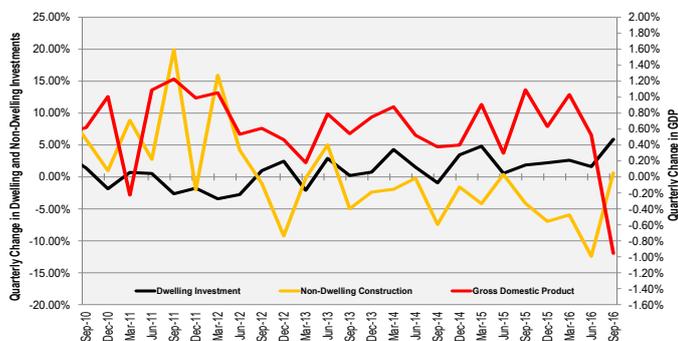
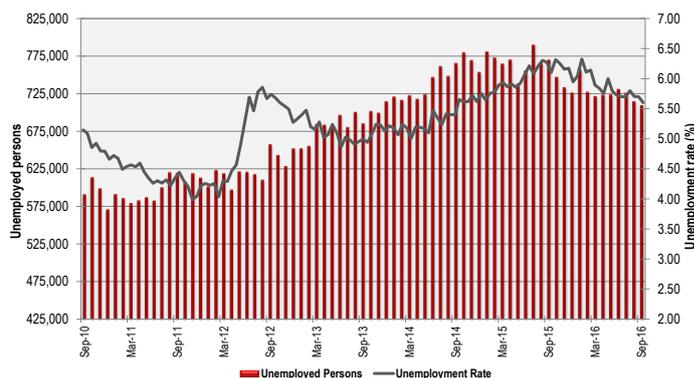


Chart 17— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

Unemployment

Australia's unemployment rate in December increased by 0.1% to 5.8%, with the rise influenced by the participation rate increasing to 64.7%. There was a 13,500 increase in seasonally adjusted employment over the month to December 2016, with full-time employment increasing by 9,300 persons and part-time employment increasing by 4,200 persons. Nation-wide analysis sees the largest increase in employment in Victoria, which was up 13,600 persons, and the largest slump deriving from the state of Queensland, which was down 13,700 jobs over the month. Western Australia was the other state to experience a decrease in employment in December, down by 7,900 persons. Unemployment increased the most in New South Wales (up 0.3%) and Queensland (up 0.2%). Western Australia and South Australia experienced a decrease in unemployment rate, of 0.3% and 0.2% respectively.



Source: ABS/Preston Rowe Paterson Research

Chart 19— Unemployment Persons and Unemployment Rate, September 2010 to September 2016 — Source: ABS

| | Unemployment Rate (%) | | Participation Rate (%) | |
|-------------------------------|-----------------------|----------|------------------------|----------|
| | November | December | November | December |
| Australia | 5.7 | 5.8 | 64.6 | 64.7 |
| New South Wales | 4.9 | 5.2 | 63.4 | 63.5 |
| Victoria | 6.0 | 6.0 | 65.7 | 65.9 |
| Queensland | 6.0 | 6.2 | 64.4 | 64.1 |
| South Australia | 7.0 | 6.8 | 62.3 | 62.1 |
| Western Australia | 6.9 | 6.6 | 67.9 | 67.3 |
| Tasmania | 6.3 | 6.4 | 59.8 | 59.8 |
| Northern Territory* | 3.6 | 3.6 | 75.9 | 77.3 |
| Australian Capital Territory* | 3.7 | 3.7 | 70.4 | 70.5 |

Table 2— Unemployment Rate and Participation Rate, November vs. December 2016 — Source: ABS
* Trend figures used for NT and ACT as seasonally adjusted data both either are not publicly available

10 Year Bond & 90 Day Bill Rate

Ten-year Australian government bond yields finished the calendar year at 2.79% for December, after a tumultuous year in the global bond market. This rate reflects a 0.29% increase from November, 0.81% increase from three months prior and a decline of 0.06% over the year from December 2015. The ninety-day bank bill swap rate increased modestly by 0.02% over the month to 1.78%. This rate reflects an increase of 0.05% from three months prior and a decline of 0.56% from the previous year. After reaching an all-time low of 1.82% at the start of August, Australian bond yields have followed the path of the US Treasury yields as they increase sharply after the US Presidential election.

Other major economies around the world have experienced similar increases in their sovereign bonds, though not to the extent of changes that have taken place in the US Bond market. The Reserve Bank did note that even though changes in Treasury yields were large, they were not as large as previously recorded movements in recent decades and are still at a historical low. Furthermore, a rate increase from the US Federal Reserve in December helped the yields to increase to 2.87% in mid-December, before slowly settling down to 2.76% towards month-end. As a result of the increase in yields, global and domestic borrowing costs have followed suit, with Australian banks raising home loan rates by as much as 0.60% since the US election.

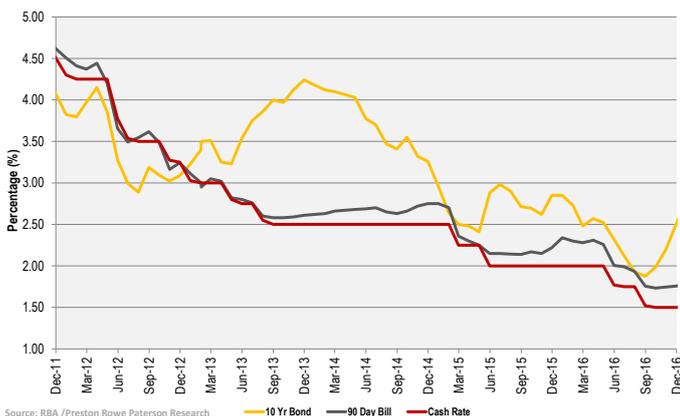


Chart 7— Movement of 90-day Bill, 10-year bond yields and Cash rate from December 2011 to Dec 2016— MONTHLY— Source: RBA

Interest Rates

The Reserve Bank kept interest rates unchanged for December at 1.50%, after it dropped rates to historically low level in August. The decision to keep the cash rate on hold was influenced mainly by positive global growth from advanced economies as well as Australia's main Asian trading partners, improvements in labour market conditions domestically and internationally, improvement in Australia's terms of trade as influenced by rising commodity prices and a well-functioning financial market. The bank did note that the Australian economy is still in a transitional phase from the gains made from the mining investment boom but highlight the expectation of an increase in commodity exports towards 2017. Inflation remains below the Reserve Bank's target of 2-3%, with the bank indicating that it will be some time until inflation increases dramatically, as labour costs remain subdued. The Bank also targeted Australia's labour force, noting growing trend of part time employment and a slow-down in overall employment growth.

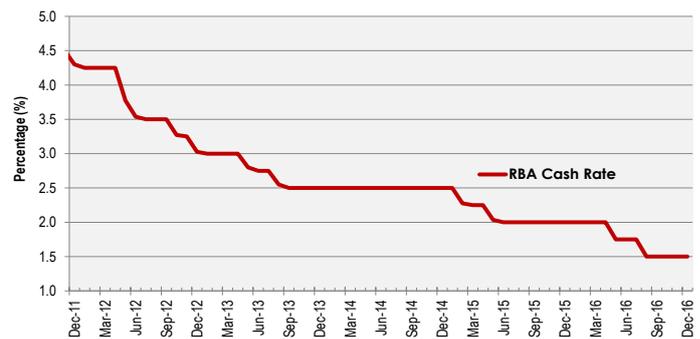


Chart 8— Movement of the Cash Rate from December 2011 to Present— Source: RBA

Exchange Rate

According to figures collated from the RBA, the Australian Dollar depreciated against most major currencies over the month of December, except for the Japanese Yen. Notably, there was a depreciation in the Australian Dollar of 3.2% over the month against the US Greenback, with \$AUD1 buying \$USD0.75 in November, and dropping to \$USD0.72 in December. December's figure also signifies a depreciation of 5.2% from September, when the exchange rate was at \$USD0.76. The Dollar also depreciated against the British Pound, declining 1.6% over the month from £0.60 in November to £0.59 in December. There was a depreciation of 2.2% over the month against the Euro, declining from €0.70 in November to €0.69 in December. In contrast, the Australian Dollar performed better against the Japanese Yen, appreciating a slight 0.3% from ¥84.23 in November to ¥84.47 in December.



INDUSTRIAL PROPERTY

North Shore Region

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

Building/Investment Sales

The following table displays reported investment sales transactions over \$5 million which occurred over six months to December 2016.

| ADDRESS | SALE PRICE | SALE DATE | REPORTED YIELD | VENDOR | PURCHASER | AREA (SQM) |
|---|-------------|-----------|----------------|-------------|------------------------|------------|
| 148-152 & 1-3 Pacific Highway & James Street, Hornsby, NSW 2077 | \$7,600,000 | Sep-16 | N/A | Undisclosed | Undisclosed | 2,363 |
| 29-33 King Road, Hornsby, NSW 2077 | \$8,600,000 | Jul-16 | N/A | Undisclosed | Private owner-occupier | 4,697 |

Table 1—North Shore Building/Investment Sales—Source Preston Rowe Paterson Research/CPM
N/A = not currently available

Rentals

Preston Rowe Paterson did not record any major leasing transactions in the North Shore industrial market over the six months to December 2016.

North Western Region

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

Building/Investment Sales

Preston Rowe Paterson did not record any significant transactions over \$5 million in the North Western industrial market over six months to December 2016.

Rentals

Preston Rowe Paterson did not record any major leasing transactions in the North Western industrial market over the six months to December 2016.

Central West Region

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

Building/Investment Sales

The following table displays reported investment sales transactions over \$5 million which occurred over six months to December 2016.

| ADDRESS | SALE PRICE | SALE DATE | REPORTED YIELD | VENDOR | PURCHASER | AREA (SQM) |
|--|--------------|-----------|----------------|---------------------------------------|----------------------------|------------|
| 79-99 St Hilliers Road, Auburn, NSW 2144 | \$65,000,000 | Aug-16 | N/A | Dexus Property Group | China Lesso Group Holdings | 25,200 |
| 95-101 Wetherill Street North, Silverwater, NSW 2128 | \$7,813,000 | Oct-16 | N/A | Undisclosed | Silverwater Partnership | 6,600 |
| 1 Clyde Street, Silverwater, NSW 2128 | \$11,350,000 | Nov-16 | 7.20% | CREI Industrial Nominees No 1 Pty Ltd | Tennyson | 5,201 |
| 36-38 Boorea Street, Lidcombe, NSW 2141 | \$6,350,000 | Nov-16 | N/A | Trilwin | KSH Investments | 4,219 |
| 457-463 Victoria Street, Wetherill Park, NSW 2164 | \$10,300,000 | Nov-16 | N/A | FD Properties | Private developer | 35,000 |
| 10 George Young Street, Auburn, NSW 2144 | \$5,830,000 | Nov-16 | N/A | Swetha Marble & Granite P/L | Undisclosed | 2,810 |

Table 2—Central West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM
N/A = not currently available

Rentals

Preston Rowe Paterson did not record any major leasing transactions in the Central West industrial market over the six months to December 2016.

| ADDRESS | RATE /SQM | RENT P.A | AREA (SQM) | LESSOR | LESSEE | TERM | DATE |
|---|-----------|-------------|------------|------------------|---------------------------------|--------------|--------|
| 106 Derby Street, Silverwater, NSW 2128 | \$110 | \$281,600 | 2,560 | The Bright Group | PTC | 5 | Sep-16 |
| Lot 3, Horsley Drive, Horsley Park, NSW 2175 | \$111 | \$932,580 | 8,378 | Frasers Property | Phoenix Transport | 10 | Oct-16 |
| Horsley Drive, Horsley Park, NSW 2175 | \$115 | \$673,325 | 5,855 | Frasers Property | Survitec | 12 | Oct-16 |
| 122-124 Hasall Street, Wetherill Park, NSW 2164 | \$122 | \$168,380 | 1,380 | Private investor | Let's Play Games | 5 | Oct-16 |
| 141 Newton Road, Wetherill Park, NSW 2164 | \$57 | \$1,300,000 | 23,000 | Landord Trimix | AUSREO | 7 | Nov-16 |
| 2 Bachel Avenue, Lidcombe, NSW 2141 | \$90 | \$195,660 | 2,174 | Private investor | Jac & Jul | 10 | Nov-16 |
| 140-142 Parraweena Road, Miranda, NSW 2228 | \$82 | \$280,000 | 3,400 | Private investor | Displaywise Design & Production | 3 | Nov-16 |
| 7 Walker Place, Wetherill Park, NSW 2164 | \$110 | \$122,210 | 1,111 | A&V Mamone | Saint-Gobain Solar Guard | 5 (+options) | Dec-16 |

Table 3—Central West Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

Outer West Region

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

Building/Investment Sales

The following table displays reported investment sales transactions over \$5 million which occurred over six months to December 2016.

| ADDRESS | SALE PRICE | SALE DATE | REPORTED YIELD | VENDOR | PURCHASER | AREA (SQM) |
|--|--------------|-----------|----------------|---|--------------------------------------|------------|
| 6A Wonderland Drive, Eastern Creek, NSW 2766 | \$8,600,000 | Aug-16 | N/A | Wallgrove Investments | Distribution company | 4,663 |
| 7 Steel Street, Blacktown, NSW 2148 | \$16,050,000 | Sep-16 | 6.50% | Bidvest Group | Western Chill | 9,180 |
| 91 Kurrajon Avenue, Mount Druitt, NSW 2770 | \$15,500,000 | Oct-16 | N/A | Fred's Holdings Pty Ltd | Leda Holdings | 16,179 |
| 239- 251 Woodpark Road, Smithfield, NSW 2164 | \$7,300,000 | Oct-16 | N/A | Undisclosed | Foreign investor | 5,169 |
| 1 Huntingwood Drive, Huntingwood, NSW 2148 | \$31,500,000 | Oct-16 | N/A | Sharp | GPT | 21,376 |
| 1 Burilda Close, Wetherill Park, NSW 2164 | \$58,200,000 | Nov-16 | 6.06% | Australand Property Holdings P/L | Frasers Logistics & Industrial Trust | 18,848 |
| 35 Huntingwood Drive, Huntingwood, NSW 2148 | \$31,000,000 | Nov-16 | N/A | AWPT4 Huntingwood P/L (Frasers Australia) | Airtrunk Pty Ltd | 63,740 |
| 15-21 Britton Street, Smithfield, NSW 2164 | \$19,000,000 | Nov-16 | 6.23% | Private Investor | Altis | 12,223 |
| 63 Britton Street, Smithfield, NSW 2164 | \$10,750,000 | Nov-16 | 10.59% | Private Investor | Altis | 8,100 |
| 205-231 Fairfield Road, Yennora, NSW 2161 | \$46,600,000 | Dec-16 | 7.40% | Private Investor | Propertylink | 19,100 |

Table 4—Outer West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM
N/A = not currently available

Rentals

Preston Rowe Paterson did not record any major leasing transactions in the Outer West industrial market over the six months to December 2016.

| ADDRESS | RATE /SQM | RENT P.A | AREA (SQM) | LESSOR | LESSEE | TERM | DATE |
|--|-----------|-------------|------------|---------------------|------------------|------|--------|
| 122-124 Hassall Street, Wetherill Park, NSW 2164 | \$122 | \$168,360 | 1,380 | PJ Sas Family Trust | Let's Play Games | 5 | Oct-16 |
| 141 Newton Road, Wetherill Park, NSW 2164 | \$110 | \$1,300,000 | 11,817 | Trimix Pty Ltd | AUSREO | 7 | Nov-16 |

Table 5—Outer West Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

South Sydney Region

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

Building/Investment Sales

The following table displays reported investment sales transactions over \$5 million which occurred over six months to December 2016.

| ADDRESS | SALE PRICE | SALE DATE | REPORTED YIELD | VENDOR | PURCHASER | AREA (SQM) |
|--|---------------|-----------|----------------|---------------------------|-----------------------------------|------------|
| 17 O'riordan Street, Alexandria NSW 2015 | \$112,900,000 | Jul-16 | 5.30% | 17 O'riordan Street P/L | Perpetual Corporate Trust Limited | 11,907 |
| 45 Green Street, Banksmeadow, NSW 2019 | \$12,600,000 | Sep-16 | N/A | Danisco Australia Pty Ltd | Jewel Properties (Aust) Pty Ltd | 4,266 |
| 12 Mandible Street, NSW 2015 | \$20,130,000 | Sep-16 | N/A | Neilson | Dangrove Place Limited | 5,002 |
| 50-54 McCauley Street, Alexandria, NSW 2015 | \$5,300,000 | Oct-16 | N/A | May Enterprises P/L | Private Investor | 1,886 |
| 11 Burrows Road, St Peters, NSW 2044 | \$6,050,000 | Oct-16 | N/A | Undisclosed | Undisclosed | N/A |
| 62-64 O'riordan Street, Alexandria, NSW 2015 | \$14,500,000 | Oct-16 | 3.90% | Property Corp Holdings | Private Investor | 3,938 |
| 55 Kent Road, Mascot, NSW 2020 | \$30,000,000 | Nov-16 | 5.06% | Undisclosed | Bayswater Car Rental | 7,321 |
| 13-19 Baker Street, Banksmeadow, NSW 2019 | \$16,000,000 | Nov-16 | 3.50% | Undisclosed | Leda Holdings | 9,385 |

Table 6 —South Sydney Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

Rentals

Preston Rowe Paterson did not record any major leasing transactions in the South Sydney industrial market over the six months to December 2016.

| ADDRESS | RATE /SQM | RENT P.A | AREA (SQM) | LESSOR | LESSEE | TERM | DATE |
|--|-----------|-----------|------------|-------------|--------------------------|------|--------|
| 80 Cope Street, Waterloo, NSW 2017 | \$99 | \$100,287 | 1,013 | Undisclosed | Bravofoods | 5 | Sep-16 |
| 24-26 Burrows Road, St Peters, NSW 2044 | \$230 | \$144,440 | 628 | Undisclosed | The Henley Group Pty Ltd | 5 | Oct-16 |
| 22 Myrtle Street, Marrickville, NSW 2204 | \$117 | \$205,101 | 1,753 | Undisclosed | ERTH Visual & | 3 | Oct-16 |

Table 7 —South Sydney Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

South West Region

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

Building/Investment Sales

The following table displays reported investment sales transactions over \$5 million which occurred over six months to December 2016.

| ADDRESS | SALE PRICE | SALE DATE | REPORTED YIELD | VENDOR | PURCHASER | AREA (SQM) |
|--|--------------|-----------|----------------|-------------------------|----------------------------|------------|
| 15 Muirs Road, Chullora, NSW 2190 | \$55,000,000 | Oct-16 | N/A | Undisclosed | Frasers Property Australia | 151,900 |
| 174-178 Hartley Road, Smeaton Grange, NSW 2567 | \$5,100,000 | Oct-16 | 7.50% | Alfred and Helen Marano | Lotus H Pty Ltd | 7,524 |
| 2-34 Davidson Street, Greenacre, NSW 2190 | \$35,000,000 | Oct-16 | N/A | AMP Capital | Abacus/ GAW | 18,114 |
| 10-12 Fairford Road, Padstow, NSW 2211 | \$16,000,000 | Nov-16 | 8.13% | GNS Wholesale Stations | Undisclosed | 14,609 |
| Shell Coles Express/ 137-139 Kingsgrove Road, Kingsgrove, NSW 2208 | \$5,060,000 | Nov-16 | 3.62% | Undisclosed | Undisclosed | 3,320 |

Table 8—South West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM
N/A = not currently available

Rentals

Preston Rowe Paterson did not record any major leasing transactions in the South West industrial market over the six months to December 2016.

| ADDRESS | RATE /SQM | RENT P.A | AREA (SQM) | LESSOR | LESSEE | TERM | DATE |
|--|-----------|-----------|------------|----------------------------|--------------------------------------|------|--------|
| 1 Stonny Batter Road, Minto, NSW 2566 | \$100 | \$15,800 | 158 | Bluetrail Management Trust | Liberty Building Contractors Pty Ltd | 3 | Aug-16 |
| 40 Marigold Street, Revesby NSW 2212 | \$110 | \$475,530 | 4,323 | Private Investor | Verosol Australia | 5 | Aug-16 |
| 172-178 Milperra Road, Revesby, NSW 2212 | \$230 | \$23,000 | 100 | Katalinic Superfund | Baco Group | 2 | Sep-16 |
| 202-214 Milperra Road, Revesby, NSW 2212 | \$35 | \$87,045 | 2,487 | Luzon | Apex Transport | 3 | Sep-16 |
| 152 Miller Road, Chester Hill, NSW 2162 (Abbott Industrial Estate) | \$93 | \$494,202 | 5,314 | Goodman Group | 85 Degrees Coffee Australia | 7 | Sep-16 |
| 29 Cottam Avenue, Bankstown, NSW 2200 | \$118 | \$82,600 | 700 | Phatphutam | KAS Smash Repairs | 3 | Oct-16 |

Table 9—South West Building/Investment Rentals—Source Preston Rowe Paterson Research/CPM

Sutherland Shire Region

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

There were limited transactions that occurred during the six months to December 2016 in the Sutherland Shire industrial market. The two significant sales over \$5 million are listed below:

| ADDRESS | SALE PRICE | SALE DATE | REPORTED YIELD | VENDOR | PURCHASER | AREA (SQM) |
|--|--------------|-----------|----------------|---------------------------|---------------------------|------------|
| 54-58 Woodfield Boulevard, Caringbah, NSW 2229 | \$5,100,000 | Jul-16 | 6.37% | Undisclosed | Private investor | 1,738 |
| 1 Clerke Place, Kurnell, NSW 2231 | \$15,150,000 | Aug-16 | N/A | Highdry Australia Pty Ltd | The Trust Company Limited | 5,597 |

Table 10—Southern Shire Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

Rentals

Preston Rowe Paterson did not record any major leasing transactions in the Sutherland Shire industrial market over the six months to December 2016.

Land Sales

Significant land sales across the Sydney Metropolitan area during in the six months to December 2016 are recorded below.

| ADDRESS | SALE PRICE | RATE /SQM | AREA (SQM) | VENDOR | PURCHASER | SALE DATE |
|--|--------------|-----------|------------|-------------------|------------------|-----------|
| Marsden Park | \$40,000,000 | \$190 | 210,000 | Private owner | Logos | Sep-16 |
| 15 Muir Road, Chullora, NSW 2190 | \$65,000,000 | \$428 | 151,900 | SUEZ | Frasers Property | Oct-16 |
| Hanson Wallgrove Quarry, Eastern Creek, NSW 2766 | \$35,800,000 | \$358 | 100,000 | Heidelberg Cement | Frasers Property | Oct-16 |

Table 11—Industrial Land Sales in NSW—Source Preston Rowe Paterson Research/CPM

INVESTMENT YIELD ANALYSIS

\$5 million to \$20 million

Listed below are all the major reported investment transactions between \$5 million and \$20 million which have occurred over six months to September 2016 within New South Wales. From these sales, average yields have been analysed.

| ADDRESS | SALE PRICE | SALE DATE | REPORTED YIELD | VENDOR | PURCHASER | AREA (SQM) |
|--|--------------|-----------|----------------|-------------------------|------------------------------|------------|
| Princes Road East, Regents Park | \$12,500,000 | Jul-16 | 7.67% | Private Investor | Benlee Property Trust No. 11 | 10,459 |
| 54-58 Woodfield Blvd, Caringbah | \$5,100,000 | Jul-16 | 6.37% | N/A | Private investor | 1,738 |
| 95-101 Wetherill Street North, Silverwater | \$7,813,000 | Aug-16 | 7.13% | N/A | Private investor | 4,116 |
| 90-100 Lee Holm Road, St Marys | \$8,325,000 | Aug-16 | 8.00% | N/A | N/A | 10,620 |
| 15 Resolution Drive, Caringbah | \$3,700,000 | Aug-16 | 5.51% | N/A | N/A | 1,894 |
| 239-251 Woodpark Road, Smithfield | \$7,300,000 | Sep-16 | 7.67% | Mustera Property Group | Offshore investor | 5,169 |
| 174-178 Hartley Road, Smeaton Grange | \$5,100,000 | Oct-16 | 7.50% | Alfred and Helen Marano | Lotus H Pty Ltd | 7,524 |
| Shell Coles Express/ 137-139 Kingsgrove Road, Kingsgrove | \$5,060,000 | Nov-16 | 3.62% | Undisclosed | Undisclosed | 3,320 |
| 15-21 Britton Street, Smithfield | \$19,000,000 | Nov-16 | 6.23% | Private Investor | Altis | 12,223 |
| 63 Britton Street, Smithfield | \$10,750,000 | Nov-16 | 10.59% | Private Investor | Altis | 8,100 |
| 10-12 Fairford Road, Padstow | \$16,000,000 | Nov-16 | 8.13% | GNS Wholesale Stations | Undisclosed | 14,609 |
| 62-64 O'Riordan Street, Alexandria | \$14,500,000 | Oct-16 | 3.90% | PropertyCorp Holdings | Private Investor | 3,938 |
| 13-19 Baker Street, Banksmeadow | \$16,000,000 | Nov-16 | 3.50% | Undisclosed | Leda Holdings | 9,385 |

Table 12—\$5 million to \$20 million Sales—Source Preston Rowe Paterson Research/CPM

Yield Analysis

From the above table of investment sales, Preston Rowe Paterson Research observed that the average yield of an industrial property sold between \$5 million and \$20 million is approximately 6.60% for the periods between July and December 2016. Yields for July to December 2015 was approximately 7.06%, evidencing an environment of declining yields in Sydney's industrial market.

Sales Information

One of the larger sale transactions under \$20 million was the sale of **15-21 Britton Street in Smithfield**, which was purchased by Altis from a private investor for \$19 million. The sale fetched a yield of 6.23%, and comprises a total of 12,223 sqm of industrial space.

Another property, at **10-12 Fairford Road in Padstow**, was sold by GNS Wholesale Stations to an undisclosed buyer for \$16 million. The sale was reported to occur in November 2016, and fetched a yield of 8.13% for a 14,609 sqm site.

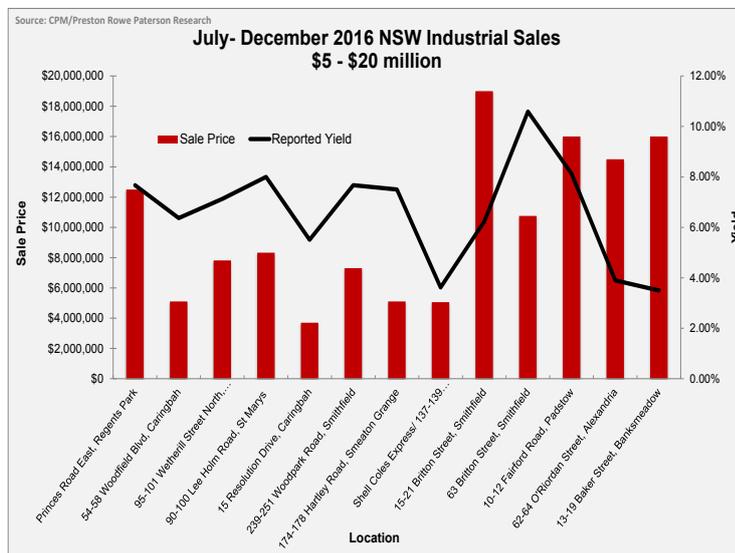


Chart 9 – Apr-Sep 2016 NSW Industrial Sales \$5 million to \$20 million - Source - Preston Rowe Paterson Research/CPM

\$20 million and Over

Listed below are all the major reported investment transactions over \$20 million that occurred over six months to March 2016 within New South Wales. From these sales, average yields have been analysed.

| ADDRESS | SALE PRICE | SALE DATE | REPORTED YIELD | VENDOR | PURCHASER | AREA (SQM) |
|---------------------------------|---------------|-----------|----------------|---------------------------------------|-----------------------------------|------------|
| 17 O'riordan Street, Alexandria | \$112,900,000 | Jul-16 | 8.00% | 17 O'riordan Street Pty Ltd | Perpetual Corporate Trust Limited | 6,012 |
| 1 Clyde Street, Silverwater | \$11,350,000 | Nov-16 | 7.20% | CREI Industrial Nominees No 1 Pty Ltd | Tennyson | 5,201 |
| 205-231 Fairfield Road, Yennora | \$46,600,000 | Dec-16 | 7.40% | Private Investor | Propertylink | 19,100 |
| 55 Kent Road, Mascot | \$30,000,000 | Nov-16 | 5.06% | Undisclosed | Bayswater Car Rental | 7,321 |

Table 13—\$20 million and Over Sales—Source Preston Rowe Paterson Research/CPM

Yield Analysis

According to the displayed investment sales above, Preston Rowe Paterson Research have observed that the average yield of industrial property was approximately 6.92% for properties sold between July and December 2016. When we compare this to the periods between July and December 2015, we note that yields have compressed considerably from 8.12%.

Sales Information

A significant sales transaction occurred in South Sydney, with the sale of 17 O'riordan Street in Alexandria selling for \$112.9 million. The 6,012 sqm site was sold to Perpetual Corporate Trust Limited at a reported yield of 8.00%. The three-storey purpose built warehouse, commercial office and laboratory facility is currently fully leased to the Australian Red Cross Blood Services through to January 2031.

A property at 205-231 Fairfield Road, Yennora, was sold for \$46.6 million to Propertylink. The 19,100 sqm site was previously owned by a private investor and was sold at a yield of 7.40%.

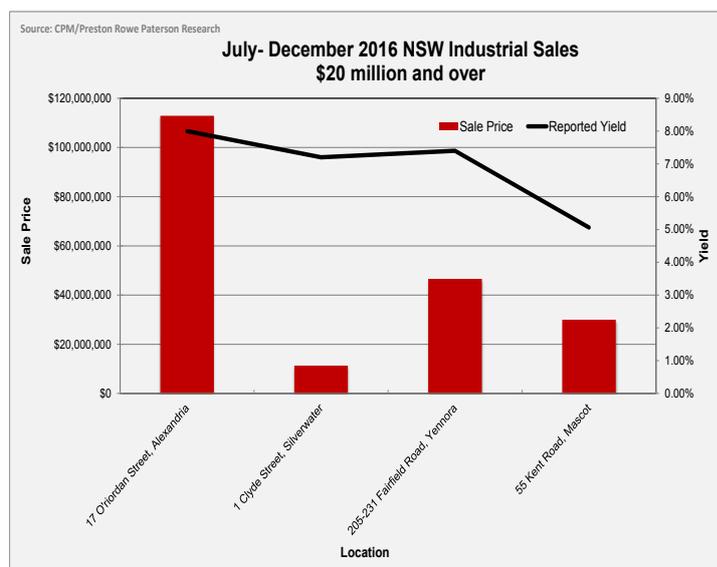


Chart 10 – Apr-Sep 2016 NSW Industrial Sales \$20 million and over sales - Source Preston Rowe Paterson Research/CPM



Our Research

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

We have *property* covered

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

We have all *real estate* types covered

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

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

We have all types of *plant & machinery* covered

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

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

We have all *client profiles* covered

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

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



We have all *locations* covered

From our capital city and regional office locations we serve our client's needs throughout Australia. Globally, we operate directly or via our relationship offices for special purpose real estate asset classes, infrastructure and plant & machinery.

We have *your needs* covered

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

- . Acquisitions & Disposals
- . Alternative use & highest and best use analysis
- . Asset Management
- . Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
- . Compulsory acquisition and resumption
- . Corporate merger & acquisition real estate due diligence
- . Due Diligence management for acquisitions and sales
- . Facilities management
- . Feasibility studies
- . Funds management advice & portfolio analysis
- . Income and outgoings projections and analysis
- . Insurance valuations (replacement & reinstatement costs)
- . Leasing vacant space within managed properties
- . Listed property trust & investment fund valuations & revaluations
- . Litigation support
- . Marketing & development strategies
- . Mortgage valuations
- . Property Management
- . 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 research reports covering the main markets within which we operate in each of our capital cities and major regional locations. This Industrial Market research report provides analysis and detail of economic factors which impact on the Industrial Market within the Sydney region.

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

To compile the research report we have considered the most recently available statistics from known sources. Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them. Where possible we consider short term movement in the statistics by looking at daily published data in the financial press. Where this shows notable fluctuation, when compared to the formal published numbers we have commented accordingly.



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