

Sydney Impact Report

Industrial Market

About This Report

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

Within this report we have analysed sales in the past six months to the reported quarter in the various Sydney Industrial regions of; North West, North Shore, Central West, Outer West, South Sydney, South West & Southern Shire. We have also conducted yield analysis on significant sales \$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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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.

2014 September Quarter Update

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Economic Fundamentals

GDP

GDP figures for the September quarter are not available until the 3rd December 2014 however Preston Rowe Paterson Research over the June 2014 quarter revealed that the Australian economy recorded growth of 0.7% seasonally adjusted which reflected growth of 3.2% seasonally adjusted over the twelve months to June 2013.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Manufacturing which increased by 2.1%, Construction which increased by 1.4% and Accommodation and food services up by 4.5%. Each of these industries accounted for 0.1% of the total increase in GDP.

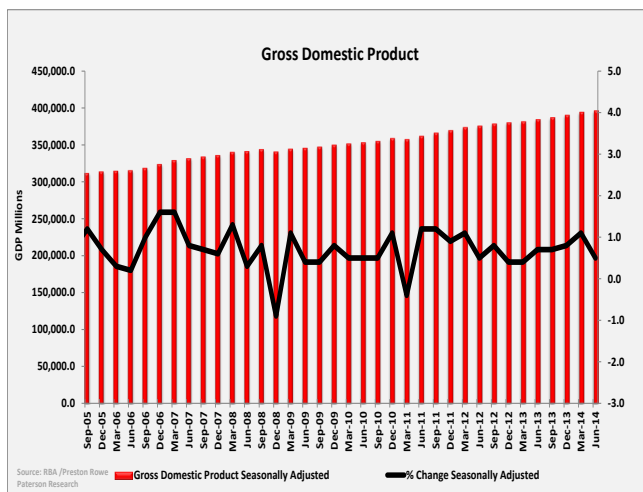


Chart 1 – Gross Domestic Product (GDP) – Source ABS

Labour force

Over the month to September 2014, the number of unemployed people increased by 11,027 from 735,530 in August to 746,557 in September which is a 1.50% increase. In comparison to September 2013, the number of unemployed people has increased by 52,306 which reflected a percentage increase of 7.53%. The unemployment rate is 6.1%.

The number of employment over the month to September 2014 recorded a decrease of 29,700 persons from 11,622,200 in August to 11,592,500 in September. In comparison to September 2013, employment in Australia recorded growth of 126,130 reflecting a percentage increase of 1.1%.

New South Wales experienced a large absolute decrease in seasonally adjusted employment by 4,100 persons. The unemployment status in New South Wales over the September Quarter increase by 0.1% to 5.8%.

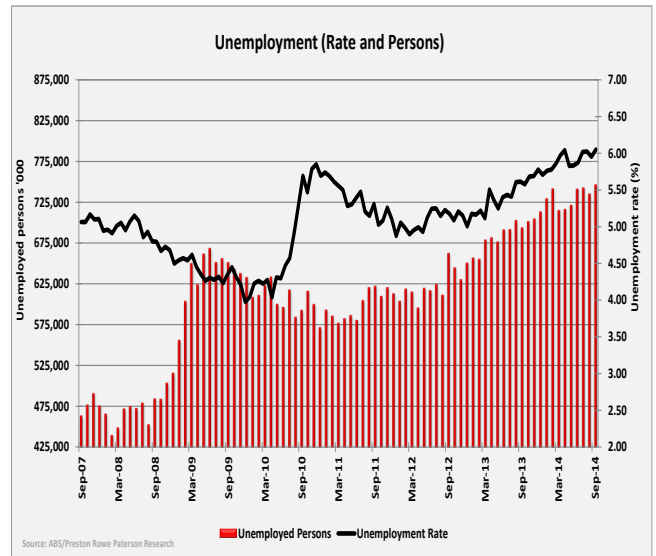


Chart 2 – Unemployment – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the September quarter 2014 remained unchanged at 2.50%. The Reserve Bank of Australia's Media Release for October 2014, released 7th October 2014 explained that;

"In Australia, most data are consistent with moderate growth in the economy. Resources sector investment spending is starting to decline significantly, while some other areas of private demand are seeing expansion, at varying rates. Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend for the next several quarters."

The media release also stated that inflation is expected to be consistent with its 2%-3% target over the next two years. The cash rate has remained unchanged since September 2013.

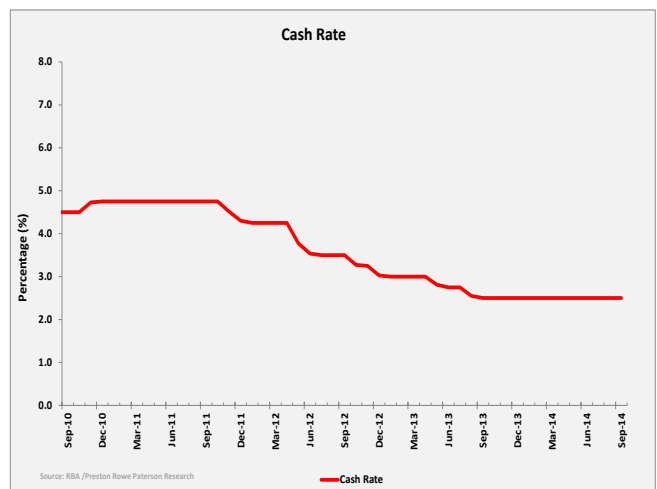


Chart 3 – Cash Rate – Source RBA

Bond Market

10 Year Bond & 90 Day Bill Rate

In the twelve months to September 2014, the 10 Year Bond Rate has decreased by 45 basis points to 3.55%. Conversely, the 90 Day Bill Rate has increased by 8 basis points from 2.58% to 2.66%.

Over the September 2014 quarter, 10 Year Government Bonds recorded a decline of 15 basis points from 3.70%. The 90 Day Bill Rate recorded a steady decrease over the September quarter by 4 basis points. Year on year analysis has revealed that the 90 Day Bill Rate has increased by 8 basis points since September 2013.

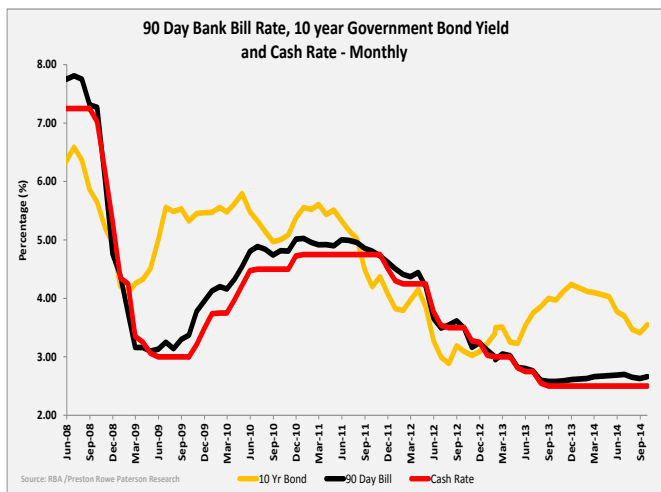


Chart 4 –90 Day Bill, 10 year bond and cash rate - MONTHLY – Source RBA

Analysis of 10 Year Government Bonds has revealed an increase of 16 basis points over the month of September 2014 with the 10 year bond rate currently at 3.48%. 90 day bill rates experienced a 9 basis point growth over the month of September to 2.71%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of 56 basis points.

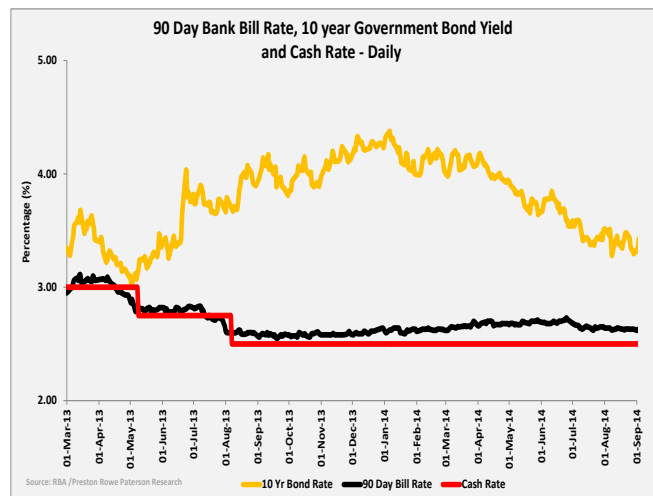


Chart 5 –90 Day Bill, 10 year bond and cash rate – DAILY – Source RBA

CPI

According to the Australian Bureau of Statistics (September 2014), the Australia's All Groups CPI increased by 0.5% over the September quarter from 105.9 to 106.4. The annual CPI change to September 2014 recorded a growth of 2.3%.

The most significant price rises over the September quarter were for fruit (+14.7%), property rates and changes (6.3%). The greatest price fall over the September quarter was attributed to electricity (-5.1%) and automotive fuel (-2.5%).

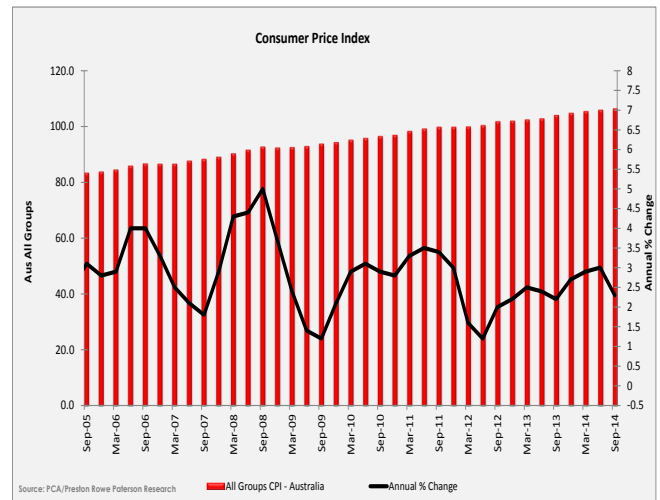


Chart 6– Consumer Price Index—Source—ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 4.6% in September from 98.5 index points in August to 94 index points in September. Over the quarter the index has increased by 0.8 points. Over the twelve months to September the index declined by 16.6 index points, reflecting a decline of 15.01%.

The Index has fell below the June quarter's recovery and is expected to continue to do so. Westpac's Chief Economist, Bill Evans stated; "This is a surprising and disappointing result...From June to August the Index had lifted by 5.9% to find it only 1.3% below the pre-Budget level. The Index is now 5.8% below the pre-budget level and only 1.1% above the post-Budget print".

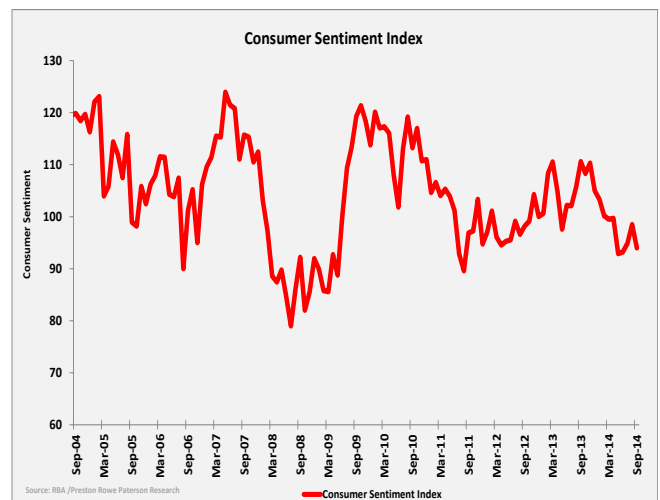


Chart 7– Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey



Industrial Market—Economic Statistics

Data and information from the National Australia Bank Quarterly Australian Commercial Property Survey: Q3 2014 has been analysed to derive at the following findings; capital values is expected to increased by 1.4% for industrial property in the September quarter of 2014, and is expected to grow further in 1 & 2 years time of 2.7% and 3.8% respectively.

Industrial market rents grew 0.7% over the September quarter of 2014. Over the next 2 years industrial rents are expected to improve by 1.6% and 1.9%. Leasing incentive are expected to be higher as well as vacancy rates over the September and December quarter 2014.

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

Over the September quarter 2014, the NAB Industrial Property Index is -1 which was an increase of 7 index points since June quarter 2014 index points. Over the next year, the industrial property index is expected to rise to +32 points and in 2 years to +41 points. The index showed that property professionals are expecting the NSW industrial conditions to 'strong and most optimistic in next 1-2 years'.

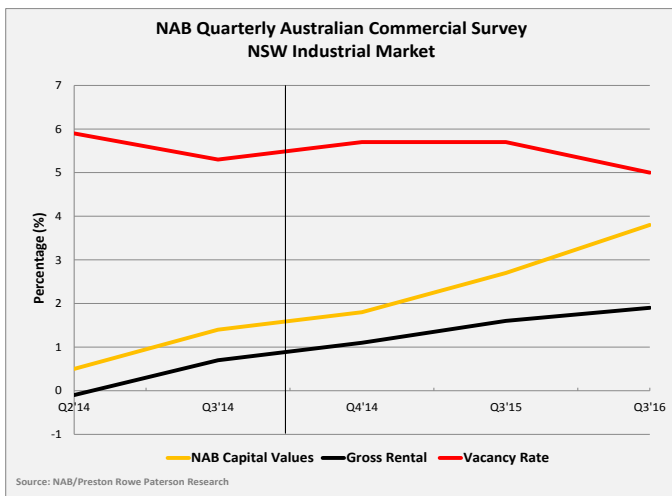


Chart 4 – NSW Industrial Market Expectations - Source NAB

Industrial Property Market

North Shore Region

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

Building/Investment Sales

The North Shore market had been relative stable in investment sales where there has been no of significant sales greater than \$5 million, in the region over six months to September 2014. The small purchases in the North Shore were made by owner occupiers and private investors.

The most significant sales transaction in the North Shore region over six months to September was a 450 sqm industrial warehouse at **22 Winbourne Road, Brookvale**. The warehouse sits on a 778 sqm site with 7 parking spaces on the front hardstand was sold for **\$1.35 million**. The building is leased to a tenant operates that an industrial retail business on a net rental of \$82,500 per annum plus GST. The lease is over 15 years and has agreed to a new 5+5 year lease starting from the sale date.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
5 Chard Road, Brookvale NSW 2100	\$1,125,000	Apr-14	undisclosed	Kebeki Pty Ltd	Grigull Custodian Pty Ltd	1,155
22 Winbourne Road, Brookvale NSW 2100	\$1,350,000	Apr-14	6.11%	Ashleigh Maddison Holdings Pty Limited	Lifestyle 21 Pty Ltd	450
376-380 Eastern Valley Way, Chatswood NSW 2067	\$1,293,000	May-14	undisclosed	Down, Massey and Massey	Smith Property One Pty Ltd	470

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

Rentals

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

There was a higher demand for sites less than 5,000 sqm in the North Shore region, particularly in the Frenchs Forest and Ku-ring-gai area. A Lack of supply for large spaces might have raised the rental price and driven some tenants to the West for cheaper rents.

The most significant rental transaction in the North Shore region over six months to September was **Unit 7 at 25 Frenchs Forest Road, Frenchs Forest**. The property was leased by NDC Automation which outgrew its unit in Chatswood. The office/warehouse unit is rented out at a gross rent of \$379,000 per year on a 5 year term.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
95 Reserve Rd, Artarmon NSW 2064	\$94	\$174,370 Gross	1,855	Health Administration Corporation	Dragon Plasterboard Supplies Pty Ltd	3	Apr-14
1-7 Short St, Chatswood NSW 2067	\$188	\$60,160 Net	320	Classi Handbags Pty Ltd Superannuation	S & B Gourmet Foods Pty Ltd	3 + 3	Apr-14
6/7 Jubilee Street, Warriewood NSW 2102	\$150	\$162,450 Net	1,083	Australia Post	Fernco Australia	3 +3	Apr-14
Unit B Gateway Estate, 7-15 Gundah Road, Mount Kuring-gai NSW 2080	\$120	\$240,000 Net	2,000	Industrial Parks of Auastralia Pty Ltd	HB Commerce	2	Jun-14
Unit 7/25 Frenchs Forest Road, Frenchs Forest NSW 2086	\$222	\$379,000 gross	1,706	LIF Pty Ltd	NDC Automation	5	Aug-14

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

North Western Region

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

Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to September 2014.

The demand for industrial space in the North West is likely to grow as it was cited as a 'growth area' by the government in the infrastructure plans of the NSW Budget 2014-15. A new 32,000 sqm cold storage facility by Swire Cold Storage will be built alongside IKEA, Bunnings, Masters, Costco, McDonalds and Shell service station. Upgrades to the Richmond Road stretching from Blacktown to Hawkesbury is another positive factor for investors to consider in acquiring long term investments.

The most significant sale recorded by Preston Rowe Paterson Research is the sale of the CSIRO complex at **11 Julius Avenue, North Ryde.** The Chinese development group Aqualand has paid **\$170 million** for the 6.5 ha site and plans to develop residential units on the site after the lease to CSIRO ends in 2021.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
3 Chilvers Road, Thornleigh NSW 2120	\$1,007,000	Apr-14	undisclosed	Potter and Potter	Cetin	480
920 Richmond Road, Marsden Park NSW 2765	\$20,000,000	Jul-14	undisclosed	Sydney Busines Park Pty Ltd	Swire Cold Storage Ltd	70,000
11 Julius Avenue, North Ryde NSW 2113	\$170,000,000	Sep-14	undisclosed	Cescade Pty Ltd	Aqualand Projects Pty Ltd	65,000

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

Rentals

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

The observed rental market in the North West region has highest overall rental averaging between \$110 to \$270 psm in the past six months to September. There has been few significant leases signed to industrial properties over 1,000 sqm. In the September quarter 2014, Preston Rowe Paterson Research have observed that the Seven Hills area had experienced a more active leasing market than the relatively more sought after Macquarie Park.

The most significant rental transaction in the North West region six months to September was a **1,272 sqm** office building at **4 Talavera Road, Macquarie Park.** The all three levels were leased by Maquet Australia on an 8 year tem at an **annual net rental of 343,440.**

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
4 Talavera Road, Macquarie Park NSW 2113	\$270	\$343,440 Net	1,272	private investor	Maquet Australia	8	Apr-14
Unit 19/ 167 Prospect Highway, Seven Hills NSW 2147	\$110	\$244,340 Net	2,215	private investor	Flowserve	20	Jun-14
Unit 2/17 Stanton Road, Seven Hills NSW 2147	\$115	\$207,575	1,805	undisclosed	Asa Abloy Entrance System Australia	3	Aug-14

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

Central West Region

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

Building/Investment Sales

The following table displays reported building/investment sales transactions over \$1 million which occurred over six months to September 2014.

The Central West region has been relatively active in the sales of large industrial spaces, however, many significant sales over \$5 million have development proposals or re-zoned for mixed-use residential developments. The trend seems to highlight that the closer an industrial site is to a CBD, the higher the chances of developers buying with the intention for a residential redevelopment.

The most significant sales transaction in the Central West region over six months to September was a 14 ha warehouse complex at **44 Wharf Road, Melrose Park**. The industrial site was sold for **\$95 million** was sold to listed developer Payce Consolidated. Payce has entered into a joint venture with the Japanese group Sekisui House to redevelop both 44 Wharf road and 44A Wharf Road (2 ha site) for residential purposes.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
42 Birnie Avenue, Lidcombe NSW 2141	\$12,200,000	Apr-14	VP	TH & TH Chung	private investor	8,070
9 Antoine Street, Rydalmere NSW 2116	\$1,000,000	May-14	undisclosed	Joshella Investments Pty Ltd and Ranal P	Telese and Telese	378
138 Silverwater Road, Silverwater NSW 2128	\$2,640,000	Jun-14	undisclosed	Regfran Holdings Pty Ltd	Tucker Holdings	1,900
29 Antione Street, Rydalmere NSW 2116	\$1,511,000	Jun-14	undisclosed	Metropolitan Packaging Pty Limited	Geofin Consulting Services Pty Ltd	860
100 Elliot Street, Balmain NSW 2041	\$58,000,000	Aug-14	undisclosed	Peakhurst Properties Pty Ltd	Toga Group	12,375
44 Wharf Road, Melrose Park NSW 2114	\$95,000,000	Aug-14	undisclosed	R & C Assets Pty Ltd	Payce Consolidated	140,000
44a Wharf Road, Melrose Park NSW 2114	\$23,500,000	Sep-14	undisclosed	R & C Assets Pty Ltd	Sekisui House	20,000

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

Rentals

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

The rental market in the Central West region has remained somewhat stable in the past six months to September. The observed market rents for Central West industrial region ranges from \$25 to \$117 psm.

The most significant rental transaction in the Central West region over six months to September was a **11,962 sqm** warehouse complex at **Building D 11 Shirley Street, Rosehill**. The property was leased by The Winning Group at a **net rental of \$117 psm**, reflecting **\$1,399,554 p.a.**

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
Unit 4/ 35 Carter Street, Homebush NSW 2127	\$110	\$196,240 Net	1,784	undisclosed	R & D Sport	5	Apr-14
Building D 11 Shirley Street, Rosehill NSW 2142	\$117	\$1,399,554 Net	11,962	undisclosed	The Winning Group	undisclosed	Apr-14
64-68 Cosgrove Road, Strathfield NSW 2135	\$25	\$240,625 Net	9,625	undisclosed	Canterbury Timbers and Building Supplies	7 + 5	May-14
90 Wetherill Street, Silverwater NSW 2128	\$111	\$300,000 Net	2,703	private investor	Kazoo Pet Co.	undisclosed	Sep-14

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

Outer West Region

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

Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to September 2014.

Preston Rowe Paterson Research had observed that significant investment of improved industrial asset activity in the Outer West region had remained rather passive over six months to September. This was especially noted in the few transactions recorded in the September quarter.

The most significant sales transaction in the Outer West region over six months to September was a **26,450 sqm** warehouse complex at **30-32 Bessemer Street, Blacktown**. The distribution facility was sold to Aviva Investor, an acting agent for Prime Super, for **\$16.625 million on 8.57% yield**.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
24-32 Forge Street, Blacktown NSW 2148	\$6,690,000	Apr-14	VP	Aaxis Pacific Pty Ltd	Hardware & General Pty Ltd	6,713
405-407 Victoria Street, Wetherill Park NSW 2164	\$12,750,000	Apr-14	9.28%	Sumy (Tesrol)	Altis Property Partners	12,323
30-32 Bessemer Street, Blacktown NSW 2148	\$16,625,000	Jun-14	8.57%	Dexus Property Group	Prime Super	14,652

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

Rentals

The observed Outer West industrial rent ranges from \$90-\$121.50 psm for both primary and secondary assets. The leasing market had remained strong over the past 6 months with growing interests for large industrial spaces in Wetherill Park.

The most significant rental transaction in the Outer West region over six months to September 2014 was a 10,274 sqm high clearance warehouse complex at **2 Davis Road, Wetherill Park**. The industrial property was leased by Freight Specialist on a 5 year term at a **gross rental of 121.50 per sqm**, reflecting **\$1,248,291 p.a.** The 5,998 sqm warehouse is located near the M4 Motorway and close to the Davis Road extension to Greystanes.

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
2 Glendenning Road, Glendenning NSW 2761	\$110	\$484,000 Net	4,400	GroMarket Logistics	Good Living Global	15 month	Apr-14
21 Tarlington Place, Smithfield NSW 2164	\$105	\$252,000 Goss	2,400	undisclosed	Kitchenware Direct	undisclosed	May-14
2B Bessemer Street, Blacktown NSW 2148	\$90	\$174330 Gross	1,937	undisclosed	Holyoake Industries	5	Jul-14
Unit 2/429-431 Victoria Street, Wetherill Park NSW 2164	\$113	\$202,496	1,792	undisclosed	A. Noble & Sons Ltd	5 + 3	Aug-14
Unit 1/511 Victoria Street, Wetherill Park NSW 2164	\$107	\$353100 Gross	3,300	Maralex Pty Ltd	Futsal Institute	5	Aug-14
2 Davis Road, Wetherill Park NSW 2164	\$121.50	\$1,248,291 Gross	10,274	undisclosed	Freight Specialist	5	Sep-14

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

South Sydney Region

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

Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to September 2014.

The supply of large industrial sites are becoming a rarity as many developers are buying in the South Sydney industrial region with the purpose of redeveloping or converting the older styled industrial buildings to designer residential apartments. Although it is within close proximity to Port Botany, the South Sydney industrial demand seems to be losing out to the relatively inexpensive Western regions and its larger industrial space.

The most significant sale in the South Sydney region over 6 months to September was a 9.3 ha distribution facility at **2-28 McPherson Street, Banksmeadow**. The industrial property sold to the Goodman Group for **\$33.1 million** was one of the largest parcel of South Sydney industrial land sold in nearly 2 years. The property is approved for subdivision into 6 super lots for industrial and office uses.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
55 Marrickville Road, Marrickville NSW 2204	\$3,300,000	May-14	undisclosed	Barry Aboud Nominees Pty Ltd	Belnick Super Property Pty Ltd	1,924
50-86 Dunning Avenue, Rosebery NSW 2018	\$18,000,000	Jun-14	undisclosed	Trident Real Estate Capital	Chinese developer	5,000
890-898 Bourke Street, Waterloo NSW 2017	\$24,500,000	Jun-14	undisclosed	The Proprietors of SP 36360	undisclosed	5,290
104 Vanessa Street, Kingsgrove NSW 2208	\$12,625,000	Jun-14	9.06%	Dexus Wholesale Property Fund	Prime Super	7,121
2-28 McPherson Street, Banksmeadow NSW 2019	\$33,100,000	Jul-14	undisclosed	Orica	Goodman Group	93,000
712 Botany Road, Mascot NSW 2020	\$5,000,000	Aug-14	undisclosed	undisclosed	John Starr Pty Ltd	1,104

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

Rentals

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

The rental market of significant leases remained relatively stable in the South region due to the limited supply. The observed rental rates ranged from \$140-\$150 psm.

The most significant rental transaction in the South Sydney region over six months to September was an industrial property at **42 McCauley Street, Matraville**. The property was leased by Australian Food Export Corp on a 3 year term at a **net rental of \$150per sqm**, reflecting **\$147,750 p.a.**

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
38 McCauley Street, Matraville NSW 2036	\$140.00	\$126,140 Net	901	Yavuz	Me Group Pty Ltd	3	Apr-14
42 McCauley Street, Matraville NSW 2036	\$150.00	\$147,750 Net	985	Yavuz	Australian Food Export Corp	3	Jun-14

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

South West Region

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

Building/Investment Sales

The following table displays reported building/investment sales transactions over \$5 million which occurred over six months to September 2014.

In the past 6 months to September, there has been an ongoing growth and interests in industrial investments in the South West region because of the future expansion of satellite city Campbelltown. The news of widespread upgrades to the surrounding infrastructures, M9 and the Camden Valley Way, were an extra incentive for many investors to choose the South West region.

The most significant transaction in the South West region over 6 months to September was a **7,606 sqm** office/warehouse facility at **50 Airds Road, Minto**. The property was sold to for **\$21.6 million** on a **yield of 9.50%**. The property is located in the Minto industrial area, within close proximity to the M5 Motorway and the Macarthur Intermodal Shipping Terminal is located behind the property.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
42 Airds Road, Minto NSW 2566	\$12,600,000	May-14	7.66%	Hyperion Property Syndicates Ltd	The Trust Company (Australia) Ltd	10,766
10-12 Avalli Road, Prestons NSW 2170	\$5,585,000	Jun-14	undisclosed	JLAB Investments	private investor	8,000
67-77 Airds Road, Minto NSW 2566	\$5,600,000	Jun-14	undisclosed	Sjml Pty Ltd	Impreglon Australia	5,799
43-49 Stennett Road, Ingleburn NSW 2565	\$72,500,000	Jun-14	undisclosed	Maremma Pty Ltd	undisclosed	112,800
50 Airds Road, Minto NSW 2566	\$21,600,000	Aug-14	9.50%	Mitsa Pty Ltd	Propertylink	23,063
33 Bryant Street, Padstow NSW 2211	\$14,000,000	Sep-14	undisclosed	Lincoln Electric Company	Nicker Miles Holding	61,100

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

Rentals

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

Tenants demand for larger industrial warehouse and facilities had been one of the driving forces behind the development and sales in the South West region. Another reason was that the observed rental rates were lower than elsewhere ranging between \$45-\$131.43 psm.

The most significant rental transaction in the South West region over six months to September was a 4,500 sqm office/warehouse at **24 Wendlebury Road, Chipping Norton**. The property was leased by ISS at a **net rental of \$45 per sqm**, reflecting **\$202,500 p.a.**

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
24 Wendlebury Road, Chipping Norton NSW 2170	\$45.00	\$202,500	4,500	Finochiarro	ISS	4	Jul-14
Unit 11/350 Edgar Street, Condell Park NSW 2200	\$131.43	\$13,452.89	1,023	undisclosed	Protector Glass Industries	4	Jul-14

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

Southern Shire Region

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

The Southern Shire industrial market has been sluggish in the past six months that there had been no record of significant sales or leases in the region over six months to September 2014.

Land Sales

Significant industrial land sales in the past 6 months to September was centred in the North West and Outer West of the Sydney industrial regions.

The following table displays reported significant sales transactions which occurred over six months to September 2014.

There was a high demand for industrial land in the Outer West and the North West region of Sydney due to the lack of large industrial development sites in South Sydney and Central West industrial regions. The NSW government had earmarked the two regions as a major growth area. Many industrial properties that were purchased in South Sydney and Central West regions had DA approvals or plans to redevelop the site into a residential apartment.

There were many major tenants that leased larger industrial facilities and estates in the 6 months to September, particularly in the Outer West region which is closely located to major distribution routes. There was relatively high competition for large parcels of land between institutional developers had driven up the demand for large development sites in the Outer and South West regions. However, the North West region is becoming rather popular for developers due to the constructions of the Sydney Business Park at Marsden Park. Improvements and upcoming development for infrastructure were a major factor in attracting investors to the regions.

ADDRESS	SALE PRICE	RATE /SQM	AREA (SQM)	VENDOR	PURCHASER	SALE DATE
920 Richmond Road, Marsden Park NSW 2765	\$20,000,000	\$286	70,000	Sydney Busines Park Pty Ltd	Swire Cold Storage Ltd	Jul-14
52-74 Quarry Road, Erskine Park NSW 2759	\$5,450,000	\$277	19,700	Tap li Erskine Park Pty Ltd	The Trust Company (Australia) Ltd	Aug-14

Table 15—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 2014 within New South Wales. From these sales, average yields have been analysed.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
405-407 Victoria Street, Wetherill Park	\$12,750,000	Apr-14	9.28%	Sumy (Tesrol)	Altis Property Partners	12,323
42 Airds Road, Minto	\$12,600,000	May-14	7.66%	Hyperion Property Syndicates Ltd	The Trust Company (Australia) Ltd	10,766
30-32 Bessemer Street, Blacktown	\$16,625,000	Jun-14	8.57%	Dexus Property Group	Prime Super	14,652
104 Vanessa Street, Kingsgrove	\$12,625,000	Jun-14	9.06%	Dexus Wholesale Property Fund	Prime Super	7,121

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

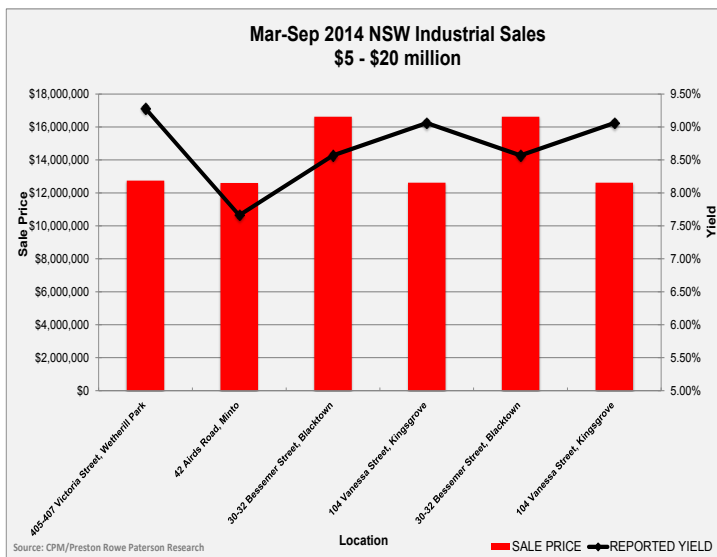


Chart 9 – Jan-Jun 2014 NSW Industrial Sales \$5 million to \$20 million—
Source Preston Rowe Paterson Research/CPM

Yield Analysis

According to the displayed investment sales above, Preston Rowe Paterson Research had observed the average yield of industrial property at approximately 8.70%. Observed yields ranged from 7.66% for an 10,766 sqm office/warehouse property in Minto to 9.28% for a 12,323 sqm office/warehouse property in Wetherill Park.

Sales Information:

Preston Rowe Paterson Research had observed that there were many significant industrial transactions recorded with several companies purchasing more than one property over six months to September 2014.

The largest transaction recorded was the purchase of an industrial facility at **30-32 Bessemer Street, Blacktown** which was purchased by Prime Super through fund manager Aviva Investor for a reported **\$16.625 million**. The 14,652 sqm industrial distribution centre was bought on an initial yield of 8.57% and has a 6.27 year WALE.

Another significant transaction was the office/warehouse at **104 Vanessa Street, Kingsgrove**, which was bought in conjunction with the Blacktown sale. The 7,121 sqm property was purchased for **\$12.625 million** on an initial yield of 9.06% and a 2.58 year WALE.

\$20 million and Over

There were many investment transactions over \$20 million that occurred over six months to September 2014 within New South Wales. However, there was only one sales which also recorded a yield rate, thus a sales analysis is not reliable based on the single industrial sale.

The industrial warehouse investment at **50 Airds Road, Minto** was purchased by fund manager Propertylink for **\$21.6 million**. The 23,063 sqm warehouse was sold on a yield of 9.17%. It has 3 tenants that includes multinational and ASX listed companies with main tenant lease expiring in 2020.

Our Research

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

We have *property covered*

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

We have all *real estate types covered*

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

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

We have all types of *plant & machinery covered*

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

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

We have all *client profiles covered*

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

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



We have all *locations* covered

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

We have your *needs* covered

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

- Acquisitions & Disposals
- Alternative use & highest and best use analysis
- Asset Management
- Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
- Compulsory acquisition and resumption
- Corporate merger & acquisition real estate due diligence
- Due Diligence management for acquisitions and sales
- Facilities management
- Feasibility studies
- Funds management advice & portfolio analysis
- Income and outgoings projections and analysis
- Insurance valuations (replacement & reinstatement costs)
- Leasing vacant space within managed properties
- Listed property trust & investment fund valuations & re-valuations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
- Property syndicate valuations and re-valuations
- Rating and taxing objections
- Receivership, Insolvency and liquidation valuations and support/advice
- Relocation advice, strategies and consultancy
- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning

Sydney (Head Office)

Level 11, 80 Clarence Street
Sydney NSW 2000

PO BOX 4120, Sydney NSW 2001

P: 02 9292 7400

F: 02 9292 7404

E: research@prpsydney.com.au

W: www.prpsydney.com.au

Follow us:



Preston Rowe Paterson Australasia Pty Ltd

ACN: 060 005 807

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Directors

Greg Preston

M: 0408 622 400

E: greg.preston@prpsydney.com.au

Greg Rowe

M: 0411 191 179

E: greg.rowe@prpsydney.com.au

Associate Directors

Chad Green

M: 0448 656 103

E: chad.green@prpsydney.com.au

Neal Smith

M: 0448 656 647

E: neal.smith@prpsydney.com.au

Michael Goran

M: 0448 757 134

E: michael.goran@prpsydney.com.au

Erika Griffin

M: 0448 886 335

E: erika.griffin@prpsydney.com.au

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