Preston Rowe Paterson
®
International Property Consultants

Sydney *Impact* Report

Retail Market

March Quarter 2017

HIGHLIGHTS

- In Australia, retail turnover increased by a seasonally adjusted 0.2% over the month of November, which is a modest decline from October's rise of 0.5% and September's rise of 0.6%. New South Wales experience the largest increase of 0.5%, followed by Victoria's 0.4%.
- The NAB Online Retail Sales Index increased by 1.1% over the month of November, a significant increase from the previous month's rise of 0.5%.
- There is a high investor demand in Sydney not seen anywhere else in Australia, with the strong retail sector supported by New South Wale's strong economy, favourable exchange rate and succeeding boom in the tourism sector and strong state-wide housing market.
- Compression of yields in retail properties have been apparent with the transactions that have occurred in the past year. Strong investor demand have also driven rental growth, as Sydney experience an increase in population growth in the next few years and improving infrastructure developments.

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Retail Statistics

Over the month to February, retail turnover declined by –0.1%, on a seasonally adjusted basis, indicating weakness in an industry that has undergone losses through a number of retailers ending up in administration. This figure follows strong rise of 0.4% in January and a decline of –0.1% in December 2016. The drag stems from the clothing, footwear and personal accessory segment, which experienced a decline of –2.5% over the month. This result is of no surprise as sales have slumped amongst mid-market brands like Oroton, as well as the collapse of David Lawrence, Herringbone and Marcs. In seasonally adjusted terms, Western Australia (-0.7%), Victoria (-0.3%), Queensland (-0.2%) Queensland (-0.2%), Tasmania (-0.5%) and the Australian Capital Territory (-0.5%) all experienced declines over the month. In contrast, New South Wales (0.4%), the Northern Territory (0.4%) and South Australia (0.1%) experienced increases in turnover.

Total turnover for New South Wales for the month of February was at a seasonally adjusted $8.298 billion. This figure reflects a month-on-month increase of 0.41% and a year-on-year increase of 3.28%. Over the month, Newspapers and books retailing experienced the largest decline in turnover of –4.23%. Clothing, footwear and personal accessory retailing experienced a decline of –1.88%, Furniture, houseware and textile goods declined by –1.82%, whilst Other recreational goods retailing turnover declined by –1.63%. In contrast, Café, restaurant and catering services experienced an increase of 2.84% over the month in their turnover. Department stores experienced an increase of 1.77% in turnover, whilst Electrical goods and Pharmaceutical retailing had their turnover increase by 1.57% and 1.41% respectively. Over the year, Takeaway food services experienced the largest increase of 11.75%, whilst Other recreational goods retailing turnover declined by –5.87% over the same period.

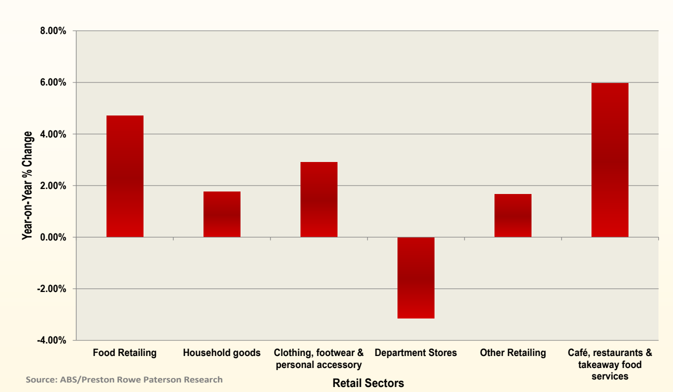

Chart 1—Year on Year % change to November 2016 of retail subgroups—Source—ABS

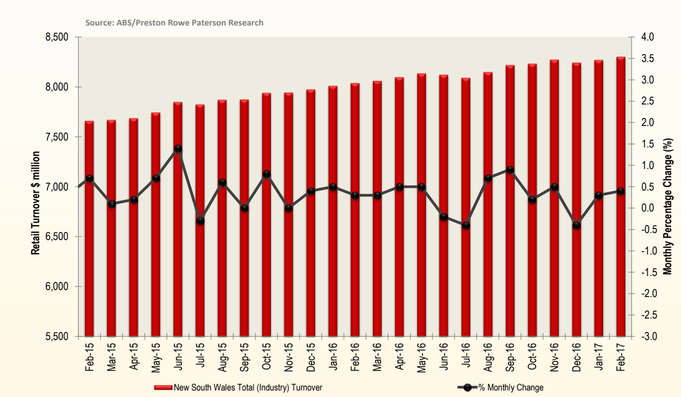

Chart 2—New South Wales Retail Turnover—Source—ABS

Online Retail

The Australian & New Zealand Standard Industrial Classification (ANZSIC) defines 'retail trade' as "the purchase and on-selling, commission-based buying, and commission-based selling of goods, without significant information, to the general public".

The NAB Online Retail Sales Index slowed to 0.2% over the month to February, a decline from January's 0.3%. National Australia Bank indicates that $22 billion were spent over the last twelve months to February 2017, which is equivalent to approximately 7.2% of spending at traditional retailers (January 2016, ABS). There were improvements recorded in Food catering online retailing (28.6% year-on-year to February vs. 25.8% year-on-year to December), Personal & recreational goods (17.5% vs. 15%), Media (17% vs. 14%) and Department stores (9.6% vs. 7.3%). On the other hand, declines were recorded in online sales in Homeware & appliances (18.4% vs. 22.1%), Fashion (9.2% vs. 12.6%), Groceries & liquor (1.3% vs. 5.1%), Daily deals (-1.8% vs. 3.4%) and Games & toys (1.3% vs. 4.5%).

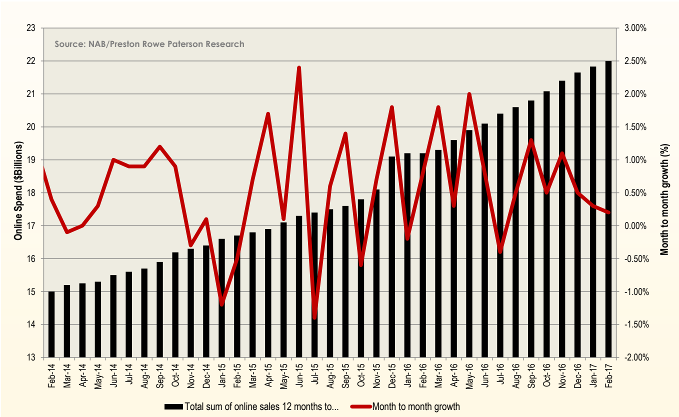

Chart 3—NAB Online Retail Sales Index—Source—NAB

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RETAIL MARKET

Analysis of the Property Council of Australia's (PCA) Shopping Centre Directory has revealed the following definitions of the eight core classifications of shopping centres;

1. **City Centre**—Retail premises within an arcade or mall development with a total gross lettable area **exceeds 1,000 sqm**.
2. **Super Regional Centre**—A major shopping centre which typically includes two full line department stores, two supermarkets, one or more full line discount department stores and approximately 250 specialty shops. Total gross lettable area **exceeds 85,000 sqm**.
3. **Major Regional Centre**—A major shopping centre with at least one full line department store, one or more full line discount department stores, a supermarket and approximately 150 specialty shops. Total gross lettable area ranges **between 50,000 & 85,000 sqm**.
4. **Regional Centre**—A shopping centre with one full line department store, a full line discount departments store, supermarket and approximately 100 specialty shops. Total gross lettable area ranges **between 30,000 & 50,000 sqm**.
5. **Sub-Regional Centre**—A medium sized shopping centre with at least one full discount department store, major supermarket and approximately 40 specialty shops. Total gross lettable area ranges **between 10,000 & 30,000 sqm**.
6. **Neighbourhood Centre**—A local shopping centre comprising a supermarket and approximately 35 specialty shops. Total gross lettable area is **less than 10,000 sqm**.
7. **Outlet Centre**— A medium to large sized shopping centre which does not normally include a department store, discount department store or supermarket. Comprises of specialty shops often selling stock at discounted prices including samples, seconds ad discontinued lines.
8. **Bulky Goods Centre**— A medium to large sized shopping centre dominated by bulky goods retailers (furniture, white goods and other home wares), occupying large areas to display merchandise. Typically contain a small number of specialty shops. Total gross net lettable area retail is generally **greater than 5,000 sqm**.

Investment Activity

Preston Rowe Paterson Research recorded a number of significant retail sales in New South Wales over six months to March 2017.

Centre	Address	Sale Price	Sale Date	Reported Yield	Vendor	Purchaser	GLAR (sqm)	$/sqm	Type
282 Victoria Avenue, Chatswood NSW 2067	282 Victoria Avenue, Chatswood NSW 2067	$ 37,000,000	Oct-16	6.22%	Nirad Pty Ltd	Ut 282 Victoria Pty Ltd	5,572	$ 6,640.00	Neighbourhood
Kogarah Town Centre	1/9 Railway Parade, Kogarah NSW 2217	$ 47,500,000.00	Oct-16	6.95%	Stonebridge Property Group	Private Investor	6,484	$ 7,326.00	Neighbourhood
Menai Central	5/21 Carter Road, Menai NSW 2234	$ 43,300,000	Oct-16	7.23%	Sentinel Property Group	Wingdom Group	10,165	$ 4,260.00	Enclosed Retail Centre
Goulburn Central Shopping Centre	217 Auburn Street, Goulburn, NSW 2580	$ 16,700,000.00	Dec-16	8.80%	Private developer	Private developer	5,720	$ 2,920.00	Neighbourhood
Broadway Plaza	1 Broadway, Punchbowl NSW 2196	$ 41,200,000.00	Dec-16	7.34%	PPB Advisory	RAM	8,455	$ 4,873.00	Neighbourhood
Big W Centre Cessnock	10 Darwin Street, Cessnock, NSW 2325	$ 13,200,000.00	Dec-16	7.60%	Private owner	Private investor	8,002	$ 695.00	Enclosed Retail Centre
Bathurst Supa Centre	230 Sydney Road, Kelso, NSW 2795	$ 14,670,000.00	Feb-17	7.40%	Crowe Horwath	Properties and Pathways	7,487	$ 1,959.00	Super Regional
Maryland Shopping Centre	144 Maryland Drive, Maryland, NSW 2287	$ 7,500,000.00	Mar-17	4.40%	PPB Advisory	Newcastle-based syndicate	4,985	$ 540.00	Neighbourhood
Symond Arcade	12-14 Churchill Avenue, Strathfield, NSW 2135	$ 30,000,000.00	Mar-17	3.00%	Private owner	Private buyer	645	$ 46,512.00	Neighbourhood

Table 1—Retail Centre Sales Transactions - Source - Preston Rowe Paterson Research

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Centre	Address	Sale Price	Sale Date	Reported Yield	Vendor	Purchaser	GLAR (sqm)	$/sqm
Bathurst Supacentre	230-240 Sydney Road, Kelso NSW 2795	$ 14,670,000	Nov-16	7.43%	Private syndicate	Private investor	6,565	$ 2,235.00
Super AMART Auburn	311-331 Parramatta Rd, Auburn NSW 2144	$ 28,250,000	Dec-16	6.27%	Elanor Funds Management Limited	Smith Property Group Pty Ltd	10,805	$ 2,615.00
Bunnings Bathurst	21 Great Western Highway, Bathurst NSW 2795	$ 25,500,000	Dec-16	5.35%	Bunnings Group	Private investor	14,272	$ 1,787.00

Table 2—Large Format Retail Property Sales Transactions - Source - Preston Rowe Paterson Research
N/A = not currently available

Sales Information

Preston Rowe Paterson Research recorded many major retail transactions in the six months to March 2017. Notable sales transactions over the six months include:

Broadway Plaza, Punchbowl, NSW 2196

Located 17 kilometres south of Sydney CBD, Punchbowl's Broadway Plaza provides the suburb with a modern neighbour centre which comprises of a Woolworths Supermarket, 27 specialty stores and 3 mini majors. It is well situated in a high density catchment area and provides investors with appeal development potential. This centre is a part of a mix used development and benefits from a rate 20 year lease to Woolworths. The property was acquired by Real Asset Management Group from PPB Advisory in December 2016 at a sale price of $41,200,000 with a passing yield of 7.34%. The neighbourhood centre has a 8,455 square metres of net lettable area, and a reported fully leased net income of $3,312,034 per annum.

The Broadway Plaza in Punchbowl has been acquired by Real Asset Management Group from creditors PPB Advisory for $41.2 million. The neighbourhood centre benefits from its close proximity to high-density catchment areas and appeals to investors because of the high development potential of the area.

Symond Arcade, Strathfield, NSW 2135

The Symond Arcade, located at 12-14 Churchill Avenue, Strathfield, was sold in March 2017 for a reported price of over $30 million. Over 645 square metres of net lettable area, this retail centre contains 12 ground-floor retail shops, as well as 14 offices on the upper level. Whilst the buyer of this property is undisclosed, reports have come out that the centre was acquired by either one of its neighbours. The property was last sold in 1994, to the Freyer family for $1.9 million. The 2017 sale reflects a rate of $46, 512 per square metre and ultimately reflected a yield of 3.00%.

Maryland Shopping Centre, Maryland, NSW 2287

A Newcastle-based syndicate has purchased Maryland Shopping Centre, located at 144 Maryland Drive, for the price of $7.5 million. PPB Advisory acted as receivers of the 1.39 hectare site, after its previous owners Billcotta Pty Ltd went into receivership, and sold the property on a sharp yield of 4.4% and a sale rate of $540 per square metre. It is reported that the new owners plan to spend at least $3 million towards improvements in the short to medium term in order to create a new shopping villafe and attract the right mix of tenants to the centre. The site currently contains 1 mini-major, 6 specialties on a total GLAR of approximately 4,985 square metres on a single level retail space, as well as 180 car spaces.

Development Activity

Preston Rowe Paterson Research recorded a number of retail developments that are in various stages of construction in New South Wales over six months to March 2017:

Centre	Address	Type	New (sqm)	Extension (sqm)	Refurbish (sqm)	Completion
Coles East Leppington	Leppington NSW 2179	Freestanding	5,440			2017
Emerton Village Shopping Centre	Jersey Road & Popondetta Road, Emerton NSW 2770	Neighbourhood		7,500		2017
Glenrose Shopping Centre (Stage 2)	56-58 Glen Street, Belrose NSW 2085	Neighbourhood		10,243		2017
Narellan Town Centre	326 Camden Valley Way, Narellan NSW 2567	Regional		36,000		2017
Macurthur Square Shopping Centre	200 Gilchrist Drive, Campbelltown NSW 2560	Major Regional		16,000		2018
Glemore Park Town Centre	1-11 Town Terrace, Glenmore Park, NSW 2745	Sub-Regional		8,700		2018
Stockland Green Hills Shopping Centre	1 Molly Morgan Drive, East Maitland NSW 2323	Sub Regional		37,000		2018
Stockland Glendale Shopping Centre	387 Lake Road, Glendale NSW 2285	Sub Regional		7,680		2019
Woolworths Prestons	Prestons, NSW 2170	Neighbourhood	6,100			2019
Bonnyrigg Shopping Village	Edensor Park, NSW 2176	Neighbourhood	13,000			2019
Crown Casino Retail	Barangaroo, NSW 2000	Mixed Use	6,700			2019
Woolworths Kellyville	Kellyville, NSW 2155	Neighbourhood	6,265			2019
Castle Towers Shopping Centre	6-14 Old Castle Hill Road, Castle Hill NSW 2154	Super Regional		80,000	113,457	2020
Woolworths Kirrawee	Kirrawee, NSW 2232	Freestanding	5,400			2020
Coles Schofields	Schofields, NSW 2762	Neighbourhood		4,200		2021
Sydney Fishmarkets	Bank Street & Pyrmont Bridge Road, Sydney NSW 2009	Mixed Use	15,500			2021

Table 3 - Retail Developments - Source - BCI/Preston Rowe Paterson Research

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Development Information

The observable retail developments that are due for completion in 2016 and beyond in the Sydney metropolitan area are predominantly retail extension projects.

Stockland Green Hills Shopping Centre

Stockland Green Hills Shopping Centre is currently undergoing redevelopment valued at more than $412 million, which will see the doubling of its space from approximately 33,000 square metres to approximately 74,000 square metres. The first stage of the new centre was unveiled in April last year, with the opening of 12 specialty stores as well as Best&Less and The Reject Shop. Stockland reports that upon completion, the centre will house a David Jones department store, Coles and Woolworths Supermarkets, 12 mini-majors including Harris Scarfe, Best & Less, JB Hi-Fi and more than 210 specialty and kiosk retailers. Furthermore, 1,500 car parking bays will be added, to bring the total number of spaces to more than 3,100 upon completion. The redevelopment will also provide the centre with new dining and entertainment precinct, which will become the biggest with the most variety in the region. The redevelopment is due to be completed by mid-2018.


Stockland Green Hills Shopping Centre

Glenrose Village Shopping Centre

Glenrose Village Shopping Centre, located in Sydney's northern beaches suburb of Belrose, reopened in mid-June after the completion of the first stage of redevelopment. The $60 million project resulted in the opening of supermarket chain Woolworths and two dozen specialty stores opening after the completion of the first stage. The second stage of redevelopment, expected to be completed in April this year, will result in the opening of an Aldi, a large fruit grocer and further four specialty stores. Alongside many former tenants returning to the centre, it will also host a new selection of new restaurants, cafes and alfresco dining area as well as 520 car park spaces.

Glenrose Village Shopping Centre

Castle Towers Shopping Centre

Castle Towers Shopping Centre will under go a redevelopment of its existing 193,457 sqm centre to add on an extra 80,000 sqm in retail space. The aim of this redevelopment is to provide shoppers with an immersive experience through its community embracing space. The re-development aim to deliver improved shoppers' shopping and dining experience, as well as car park facilities. The $900 million expansion plan will aim to improve access and circulation through the parking area by introducing new entry and exit points.


Castle Towers Shopping Centre

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Economic Fundamentals

Consumer Price Index

Over the three months to March 2017, All groups Consumer Price Index (CPI) for Australia increased by 0.5% over the quarter to bring annual change to 2.1%, just above the Reserve Bank's two-to-three per cent inflation target. This annual increase is considerably higher when compared to the twelve-month change to December 2016, which rose 1.5% (the lowest annual increase in nineteen years). When looking at core inflation, which is looks at changes in prices that reflect only the supply and demand conditions in the economy, prices changes remain relatively weak with a 0.4% rise in the weighted median over the three months to March to result in an annual change of 1.7%.

In the last year, Melbourne and Sydney recorded the largest increase in All Groups CPI, with a respective annual increase of +2.5% and +2.4%. In contrast, Darwin recorded the lowest increase, with an annual change of 0.5%. Over the March quarter, CPI increased in all capital cities, except for Darwin, when we look at the All groups level. Notably, the housing group (+0.8%) contributed the most to the quarterly rise, which increases in six out of eight capital cities. In conjunction with an increase in new dwelling purchases by owner-occupiers, increases in input costs and electricity prices all contributed to the rise prices in the housing group. The transport group (+1.5%), health group (+2.0%) and education group (+3.1%) all contributed positively to the quarterly movements in the All groups. Petrol price, fuelled by an increase in world oil prices, was the main driver of the transport group. Rises in medical & hospital services and pharmaceutical products caused by the resetting of the Medicare Benefits Scheme (MBS) (which increased the out-of-pocket expenses for patients) contributed the most to the increase in prices in the health group.

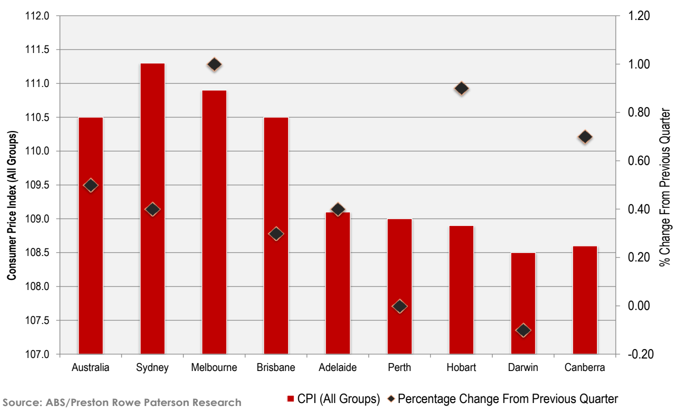

Chart 1—All Group CPI (Capital Cities) and Percentage Change from December 2016 to March 2017—Source—ABS

Business Sentiment

According to the NAB Quarterly Business Survey, confidence amongst Australian businesses increased in the first quarter of 2017. The business confidence indicator increased by +1, to +6, on a scale in which a reading above 0 indicates improving conditions. However, National Australia Bank did note that despite the solid results, there is no strong evidence that the increased confidence towards the global economic outlook is positively impacting business confidence. This may be due to the increased concerns around political events around the world. Business confidence were positive for all industries other than retail (-1) and manufacturing (-5). Construction (+8) and transport & utilities (+4) experienced strong levels of confidence, whilst mining (+10) and wholesale (+10) continue to see the strongest levels of growths amongst all industries.

Consumer Sentiment

According to the Westpac-Melbourne Institute Consumer Sentiment Index, overall sentiment in April declined by 0.7%, from March's index of 99.7 to April's 99.0. This decline is influenced by both domestic and international factors, including the domestic concerns over Australia's housing market, the action of major banks to increase their interest rates for some mortgage borrowers, disappointing labour market figures, declining iron ore prices over the last month, and the strengthening Australian dollar and its inevitable impact on exports. On the international front, the lack of progress shown by the Trump administration in delivering their growth policies have resulted in a frantic market, along with an increase in tensions in the Middle East. We note that consumers are less confident when compared to previous years when asked about the annual Budget, with the expectation that any negative shocks in this year's Budget will result in a significant decline in the Confidence Index.

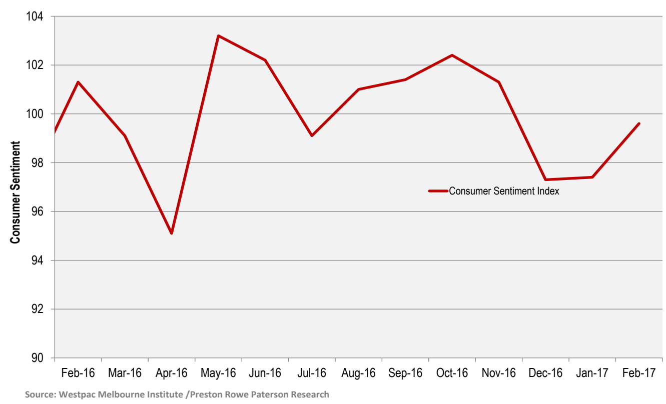

Chart 2—Consumer Sentiment Index, February 2016 to February 2017—Source—Westpac Melbourne Institute Survey

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Gross Domestic Product

Over the December quarter, Gross Domestic Product increased by a seasonally adjusted 1.1%, and hence lifted Australia's economic growth over the year to 2.4%. This increase over the quarter meant that Australia have averted a technical recession after the contraction of 0.5% over the September quarter, though overall growth over the year was at a below long-term average of about 2.75%. Notably, the Australian Bureau of Statistics pointed to a rise in household spending and public investment as the two biggest contributors to the quarter's strong performance, with a respective growth of 0.5% and 0.3% over the quarter.

Out of twenty industries, improvements were recorded in fifteen, with the strongest growth stemming from Mining, Agriculture, Forestry and fishing and Professional scientific and technical services- with each industry recording 0.2% to GDP Growth. We note that Australia's Terms of trade increased by 9.1% over the three months through to December, with its improvement attributed to by strong price increase in coal and iron ore upon increased demand from foreign buyers. Furthermore, the rise in commodity prices has resulted in a 16.5% increase in Private non-financial corporation's gross operating surplus.

We also note that compensation of employees declined 0.5% in the quarter, this being the first decline since September quarter of 2012. These figures are supported by record low growth in the Wage Price Index, which was observed to be at 1.9% over the year to December. Furthermore, more households are digging into their savings, as the Household savings ratio stood at a seasonally adjusted 5.2% in December- down from September quarter's figure of 6.3%. Household spending over the December quarter increase to 1.2% (0.6% in September), whilst household gross disposable income increased by a low 0.2%.

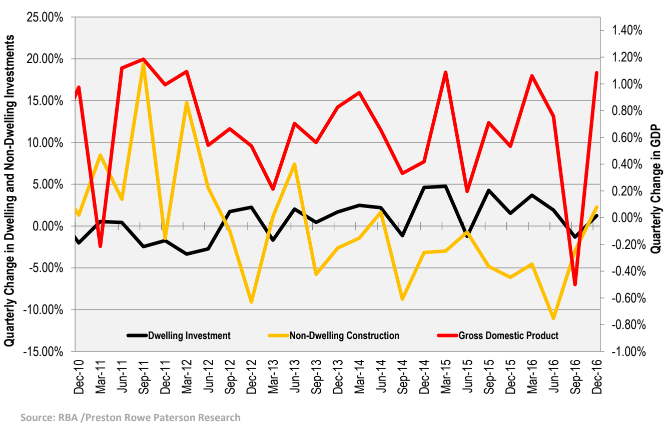

Chart 3— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

Unemployment

National unemployment rate remained unchanged in March at 5.9%, even if the economy was boosted by the creation of 60,900 new jobs. The reason for this was that over the month, Australia's participation rate increased by 0.2% to 64.8%, which means that there was an increase in the proportion of people in employment or seeking employment when compared to the previous month. When we break down the numbers, there were 75,500 full time jobs filled up over the month, though this was offset by a decrease of 13,6000 part time positions. These figures provide a refreshing change from the frequent reports of Australia's underperforming full-time job market over the past twelve months, though analysts remain cautious since the unemployment rate remains precariously high. We also note that underemployment is still considerably high, with over one million people in Australia wanting more work but unable to obtain any.

When we look at the states and territories, most enjoyed an improvement in their unemployment rate. Queensland and New South Wales benefited from an addition of 28,800 and 23,300 jobs, respectively, over the month to March. Their respective unemployment rate declined to 6.3% (6.6% in Feb) and 5.1% (5.2% in Feb). Victoria, South Australia, Western Australia and Tasmania all experienced an increase in their unemployment rate. Victoria's unemployment rate increased by 0.1% to 6.1%, South Australia's increased from 6.6% to 7.0%, Western Australia's from 6.1% to 6.5% and Tasmania's from 5.8% to 6.0%.

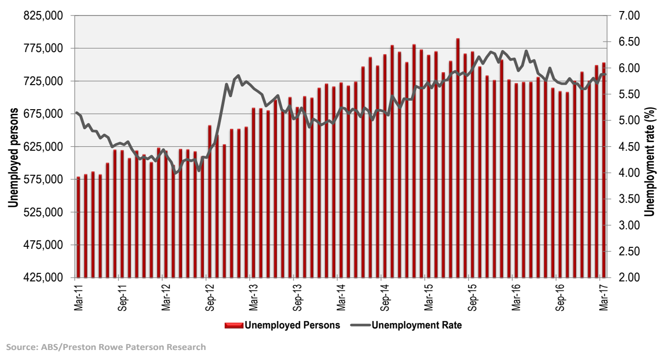

Chart 4— Unemployment Persons and Unemployment Rate, March 2011 to March 2017 — Source: ABS

	Unemployment Rate (%)			Participation Rate (%)		
	February	March		February	March	
Australia	5.9	5.9	—	64.6	64.8	▲
New South Wales	5.2	5.1	▼	62.9	63.1	▲
Victoria	6.0	6.1	▲	65.7	65.9	▲
Queensland	6.6	6.3	▼	64.1	64.6	▲
South Australia	6.6	7.0	▲	62.3	62.3	—
Western Australia	6.1	6.5	▲	67.2	67.5	▲
Tasmania	5.8	6.0	▲	59.5	59.9	—
Northern Territory*	3.5	3.5	—	78.1	78.5	▲
Australian Capital Territory*	3.7	3.7	—	70.1	70.1	—

Table 1— Unemployment Rate and Participation Rate, February vs. March 2017 — Source: ABS
* Trend figures used for NT and ACT as seasonally adjusted data for both are not publicly available

10 Year Bond & 90 Day Bill Rate

10 Year Australian government bond yields have been steadily increasing over the three months to March 2017. The average 10 Year yields in March stands at 2.81%, which indicates a 2 basis points increase from December's average of 2.79% and a 24 basis points increase from the March 2016's average of 2.57%. The 90-Day bank bill swap rate increased at a more modest rate, to 1.79% for the month of March. This figure indicates a rise of 1 basis point from the previous quarter, though indicates a yearly decline of 0.52%.

We note that over the past twelve months, central banks globally have utilised unconventional policies (i.e. buying programs and quantitative easing methods) in order to manipulate decreases in bond yields with the intention to stimulate both private and corporate investment. Inevitably, bond yields have declined to historical lows, though the effectiveness of these programs in their ability to influence economic growth have been questioned by the International Monetary Fund and the G20 through to 2017. Nevertheless, the US Election prompted Treasury bond rates to increase as market confidence spurred from the election of Donald Trump. Global economies, including Australia, have mirrored the upward movements of the US Bond markets ever since the US Election in November 2016, though we note that rate rises have slowed over the three months to March 2017.

Preston Rowe Paterson Research forecasts that volatility in Australia's bullish bond yields will continue throughout 2017. The latest figures from April indicated a sharp decline in Australian 10-Year bond yields, slumping to 2.59% - the lowest level since November's figures post-Trump election. We note that this was influenced by the decline in US 10-Year Treasury yields to 2.32%, which has decreased as declining oil prices prompted fears in inflation and economic growth prospect. Furthermore, the Trump administration have not been able to show any signs of fulfilling their infrastructure spending promises, which inevitably adds to the uncertainty of future growth prospects in the United States.

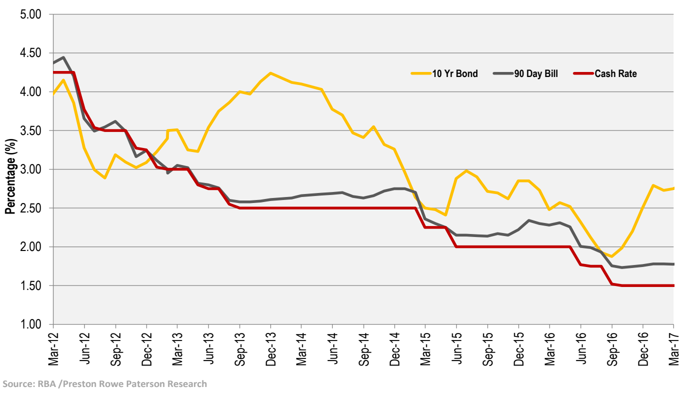

Chart 5— Monthly movement of 90-day Bill, 10-year bond yields and Cash rate, from March 2012 to March 2017— Source: RBA

Interest Rates

Interest rate was kept unchanged for the sixth meeting in a row in March, with the cash rate remaining at 1.5%. The Reserve Bank of Australia based its decision on the fact that the global economy has improved modestly over the few months in 2017, with expectations of above-trend growth in advanced economies even as uncertainty remains. The RBA emphasises the transition away from additional expansionary monetary policies from major economies around the world all whilst the world anticipates the decision stemming from the US Federal Reserve to increase its interest rate in the near future.

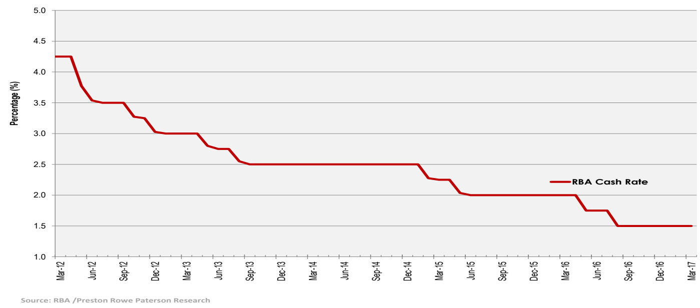

Chart 6— Movement of the Cash Rate from March 2012 to March 2017— Source: RBA

Exchange Rate

The Australian currency depreciated against most major currencies over the month to March. The Australian dollar slipped against the US Dollar, depreciating by 0.6% to buy $USD0.7644. Furthermore, the Australian Dollar declined against the UK Pound, the Euro and the Japanese Yen, with $AUD1 buying £0.6126 (-0.9% m-o-m), €0.7161 (-1.4% m-o-m) and ¥85.67 (-1.0% m-o-m) respectively. In contrast, the Australian dollar appreciated against the New Zealand Dollar, buying 2.4% more than the previous month at $NZ1.095. When we look at changes over the quarter, the Australian Dollar fared better, appreciating 5.6% against the US Dollar, 4.0% against the UK Pound, 4.2% against the Euro, 1.4% against the Yen and 5.32% against the New Zealand Dollar. The Australian exchange rate in slipped in March after the Reserve Bank's decision to let interest rate remain unchanged amidst the build-up of risk that stems from the housing market. The Bank's stance of interest rate is a hard balancing act, as lifting rates would ideally cool down the housing market though this may detriment Australia's economic progression.

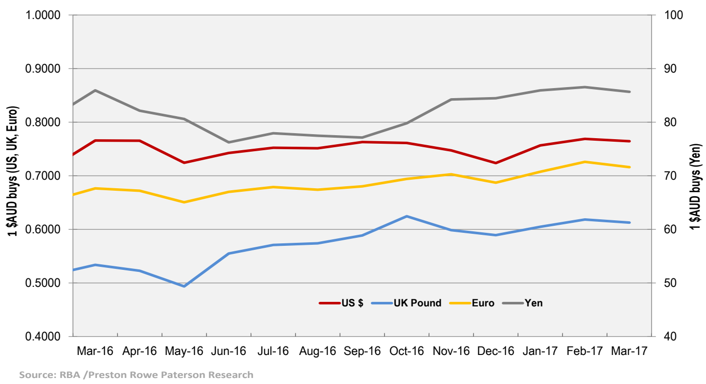

Chart 7— Movement in Exchange Rate over the year to March 2016— Source: RBA

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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

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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 & 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 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 various NSW locations of retail property categorized as; city centre, super-regional centre, major regional centre, regional centre, sub-regional centre and neighbourhood centre.

To compile the research report we have considered the most recently available statistics from known sources. Given the manner in which statistics are complied 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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