



**Preston
Rowe
Paterson**

National Property Consultants

Sydney Impact Report

Retail Market

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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**

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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%.

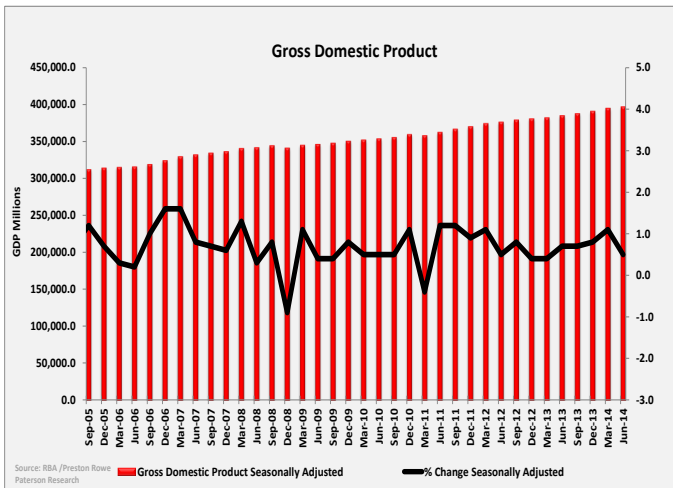


Chart 1 – Gross Domestic Product (GDP) – Source ABS

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%.

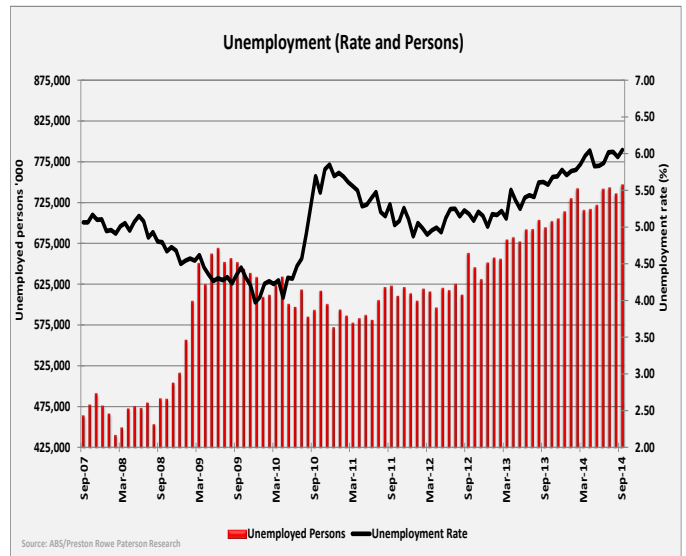


Chart 2 – Unemployment – Source ABS

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.

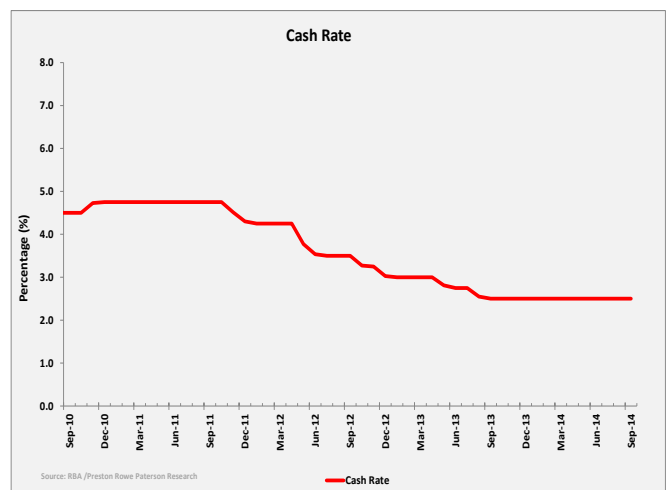


Chart 3 – Cash Rate – Source RBA

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.

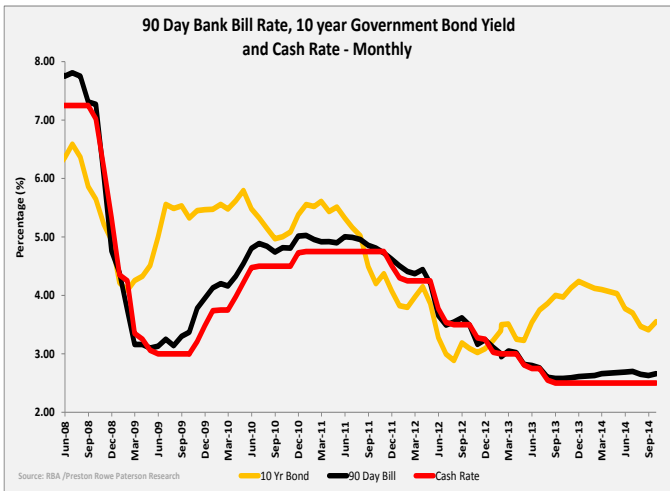


Chart 4 –90 Day Bill, 10 year bond and cash rate - MONTHLY – Source RBA

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.

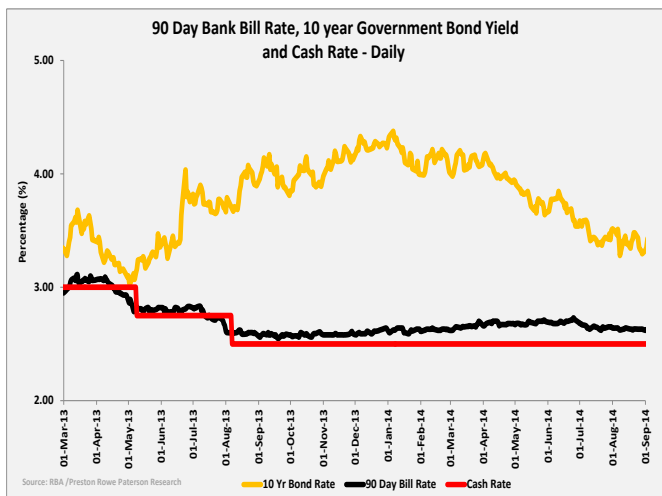


Chart 5 –90 Day Bill, 10 year bond and cash rate – DAILY – Source RBA

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%).

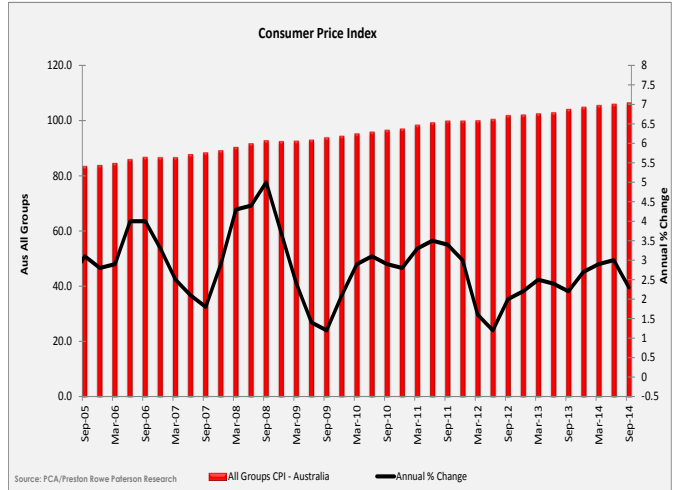


Chart 6 – Consumer Price Index—Source—ABS

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".

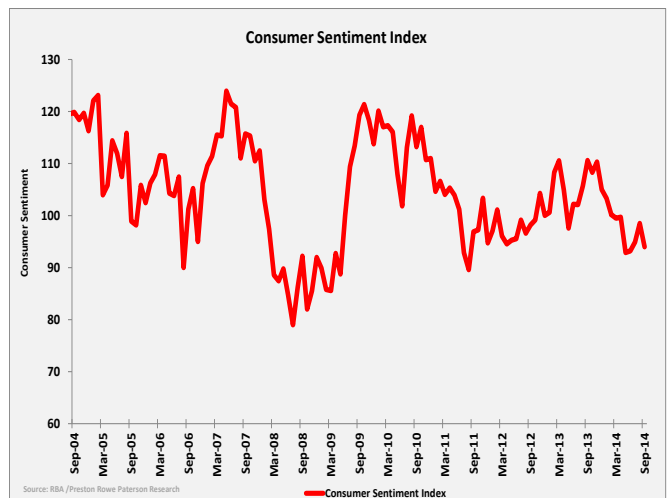


Chart 7 – Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey

Retail Statistics



The September retail turnover results had been surprisingly positive, hinting a recovery in consumer confidence.

According to the Australian Bureau of Statistics category 8501.0 Retail Trade (September 2014), the retail turnover figures recorded in New South Wales produced strong results. The total retail turnover in New South Wales increased by 1.73% over the month of September 2014 at \$7,521.3 million. The seasonally adjusted annual total retail turnover growth to September 2014 was 9.50%.

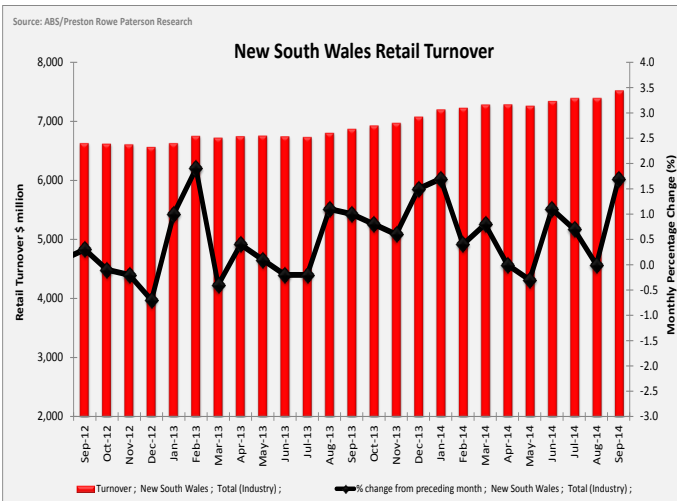


Chart 8 – New South Wales Retail Turnover – Source ABS

Over the month of September, nearly all aspects of retail showed positive results except for food retailing which fell by 0.25% to \$2,884.7 million turnover. Household goods retailing and café, restaurants and takeaway food services had realised the highest turnover in September at a growth of 5.14% (\$1287.2 million) and 4.27% (\$1,112 million) respectively.

The other retailing, department stores and clothing, footwear and personal accessory retailing recorded a moderate growth of 1.97%, 0.46% and 0.45% respectively to the monthly turnover of \$1,112.7 million, \$482 million and \$642.6 million.

A year on year analysis of the all retail categories revealed positive results with the only decline attributed to department stores retailing falling by -4.76%. The strongest growth was recorded in the café, restaurants and takeaway food services (21.13%), household goods retailing (19.84%) and other retailing (11.80%).

As observed in the following graph, the NSW retail turnover is heavily affected by seasonal demands. This is particularly noted in departments store retailers. The year to date outperformer was surprisingly the household goods retailing, followed by other retailing and cafes, restaurants and takeaway food services. This could translate to a stronger market for the small to medium sized retail spaces. With the Christmas and holiday season around the corner, we may observe stronger local retail spending and demand since the Australian dollar had fallen steadily against the US dollar.

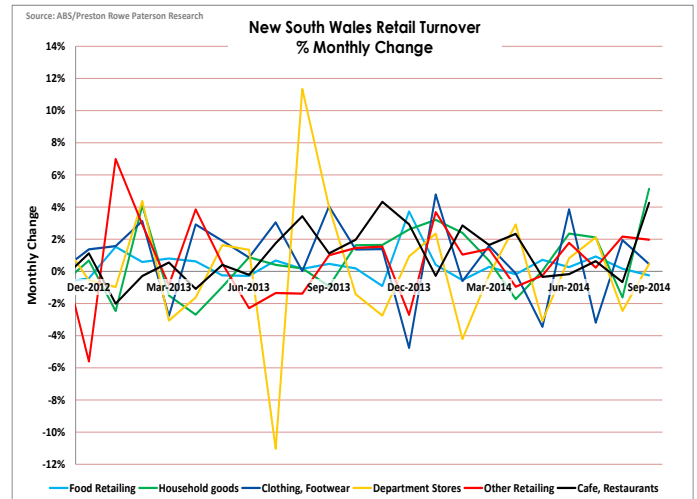


Chart 9 – New South Wales Turnover % Monthly Change – Source ABS

Online Shopping

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".

According to the NAB Online Retail Sales Index Monthly Update—September 2014, online retail sales increased by 1.1% over the month. Over the twelve months to August, Australia's online retail spending totalled \$15.9 billion which is equivalent to 6.7% of the total retail sector excluding cafes, restaurants and takeaway food services.

Annual growth to September 2014 was realized on online trading of home-ware and appliances (35.8%), electronic games and toys (35.1%), groceries and liquor (12.1%), fashion (6.6%) and department stores (11.3%).

Growth in online retailing is gradually slowing in comparison to the sales level recorded in the past few years. The annual sales index ending at September 2011 showed a growth of 28.4%, more than two times higher than the current rate of 12.8%. Despite the slowing growth, online sales continues to takeover traditional brick and mortar retail. Retail property vacancies and lease incentives may decrease slightly as a result of the gradual declining trend in online retail sales growth.



Retail Market

Analysis of the Property Council of Australia's (PCA) Shopping Centre Directory has revealed the following definitions of the seven 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.

Investment Activity

Preston Rowe Paterson Research recorded a number of retail sales transactions that occurred in New South Wales over 6 months to September 2014.

Centre	Address	Sale Price	Sale Date	Reported Yield	Vendor	Purchaser	GLAR (sqm)	Type
Campsie Centre	14-28 Amy Street, Campsie NSW 2194	\$67,000,000	Apr-14	9.00%	Vinta Properties	private investor	13,041	Sub-regional
Sturt Mall	135 Baylis Street, Wagga Wagga NSW 2650	\$61,200,000	Apr-14	7.00%	NSW Local Government Superannuation Board	DEXUS Wholesale Property Fund	14,621	Sub-regional
Greenfield Shopping Village	Cnr Mimosa & Greenfield Roads, Greenfield Park NSW 2176	\$12,375,000	Apr-14	9.59%	private investor	Banna Investments	3,528	Neighbourhood
Ballina Fair Shopping Centre	Cnr Fox & Kerr Streets, Ballina NSW 2478	\$60,000,000	Jun-14	7.50%	Colonial First State Property	George Raptis	12,575	Sub-regional
Deepwater Plaza	Cnr Railway & Charlton Streets, Woy Woy NSW 2256	\$95,000,000	Jun-14	6.96%	Schwartz family	DEXUS Wholesale Property Fund	17,607	Sub-regional
Riverside Plaza	131 Monaro Street, Queanbeyan NSW 2620	\$62,500,000	Jun-14	8.00%	AMP Capital	Colonial First State Retail Property Trust Group	17,690	Sub-regional
Lidcombe Power Centre	92 Parramatta Road, Lidcombe NSW 2141	\$52,000,000	Jun-14	undisclosed	SPG Investments Pty Ltd	APN Property Group and Newmark Capital	32,525	Bulky Goods
Bathurst City Centre	210 Howick Street, Bathurst NSW 2795	\$62,600,000	Jul-14	7.75%	Oracle	CFS Retail Property Trust	12,241	Sub-regional
Wingham Plaza	Cnr Primrose & Isabella Streets, Wingham NSW 2429	\$10,800,000	Jul-14	9.00%	private investor	private investor	3,185	Neighbourhood
Windsor Riverview Shopping Centre	227 George Street, Windsor NSW 2756	\$50,000,000	Jul-14	7.10%	Walker family	Fort Street Real Estate Capital	7,923	Neighbourhood
Bunnings Coffs Harbour	North Boambee Valley, NSW 2450	\$7,300,000	Jul-14	undisclosed	BWP Trust	local investor	8,657	Bulky Goods

Table 1—Retail Centre Sales Transactions

Sales Information

Preston Rowe Paterson Research recorded many major retail transactions over 6 months to September 2014. Notable sales transactions over the quarter included;

CFS Retail Property Trust had purchased the **Bathurst City Centre** at **210 Howick Street, Bathurst** from the Oracle for **\$62.6 million** on a **yield of 7.75%**. The 12,241 sqm sub-regional centre is anchored by Woolworths, 3 mini-major tenants Best & Less, The Reject Shop and Dick Smith, 38 specialty retail shops and has over 600 car spaces.

Lidcombe Power Centre at **92 Parramatta Road, Lidcombe** was via joint venture by APN Property Group and Newmark Capital for **\$52 million**. The bulky goods centre is one of the largest bulky goods centres in Lidcombe stretching over 32,525 sqm of GLA with anchor tenants such as Anaconda and Spotlight. There are plans to redevelop the centre into a sub-regional shopping centre.



Bathurst City Centre, Bathurst — scottcarver.com.au

Leasing Activity

Preston Rowe Paterson Research recorded a number of retail leasing transactions that occurred in New South Wales over 6 months to September 2014.

Centre	ADDRESS	RATE/SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	LEASE DATE
Riverina Plaza	15-27 Berry Street, Wagga Wagga NSW 2650	\$72.20	\$100,000 Gross	1,385	local private family	Lincraft	8	Sep-14

Table 2 – Retail Centre Leasing Transactions

Leasing Information

Preston Rowe Paterson Research recorded only one significant leasing activity in 6 months to September 2014. The **Riverina Plaza** had leased out **1,385 sqm** to a home-ware and crafts retailer by Lincraft. The bulky goods retail centre had leased the area on a **8 year term** at a **gross annual rental of \$100,000** reflecting a rate of **\$72.20 psm**. The tenancy is located next to Aldi supermarket and will open for business in early November 2014. The Riverina Plaza is located directly opposite the Wagga Wagga Marketplace sub-regional shopping centre.



Development Activity

Preston Rowe Paterson Research recorded a number of retail developments that are in construction in New South Wales over 6 months to September 2014.

Centre	Address	Type	Area (sqm)	Extension (sqm)	Completion
Bunnings - Sydney Business Park	920 Richmond Road, Marsden Park NSW 2765	Bulky Goods	11,173		Q1 2015
IKEA - Sydney Business Park	920 Richmond Road, Marsden Park NSW 2765	Bulky Goods	28,084		Q2 2015
Stockland Wetherill Park Shopping Centre	561-583 Polding Street, Wetherill Park NSW 2164	Regional	52,250	11,955	Q1 2015
ALDI Fletcher	Cnr Minmi Road and Britannia Boulevard, Fletcher NSW 2287	Freestanding	1,320		2015

Table 3 - Retail Developments

Development Information

One of the highlights in retail development over the next 6 months to September 2014 is the development of the **Bunnings Warehouse** and **IKEA** in the **Sydney Business Park**. The bulky goods retailers are planned to open in early-mid 2015 in the new Sydney Business Park at Marsden Park. The \$34 million Bunnings Warehouse will have a total area of over 11,173 sqm and providing parking for 310 cars. Its neighbour, IKEA will be the second largest store spanning over 28,000 sqm which includes a 450 seat restaurant and 850 car spaces.

Another well anticipated retail redevelopment is the **Stockland Wetherill Park Shopping Centre in Wetherill**. The \$222 million redevelopment is due to complete in early 2015. The 52,250 sqm redevelopment will have a 11,955 sqm extension, making it one of the largest shopping centres in the country. The shopping centre will comprise of 2 supermarkets, Big W, Target, 6 mini-major tenants, a 12-screen Hoyts Cinema and dining precinct, a gym, 200 speciality stores and 2,700 multi-level car park.



Stockland Wetherill Shopping Centre - Artist Impression of Post Development—
www.stockland.com.au

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
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- 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
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- 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:

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- Listed Property Trusts
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- Private investors
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- Sovereign wealth funds
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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:

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- Litigation support
- Marketing & development strategies
- Mortgage valuations
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- Property syndicate valuations and re-valuations
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- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning



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