



Preston
Rowe
Paterson

®
International Property Consultants

Property Market Report

Tasmania

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.

The markets covered in this research report include the commercial office market, industrial market, retail market, hotel and leisure market and residential market as well as economic factors impacting on the real estate markets within we operate.

We regularly undertake valuations of commercial, retail, industrial, hotel and leisure, residential and special purpose properties for many varied reasons, as set out later herein. We also provide property management services, asset and facilities management services for commercial, retail, industrial property as well as plant and machinery valuation.

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

December quarter 2015

INSIDE THIS ISSUE:

Hobart Office Market	2
Retail Market	3
Residential Market	4
Regional Market	6
Economic Fundamentals	7
About Preston Rowe Paterson	9
Contact Us	11



Phone: +61 2 9292 7400

Fax: +61 2 9292 7404

Address: Level 14, 347 Kent Street Sydney NSW 2000

Email: research@prpsydneym.com.au

Follow us: Visit www.prpsydneym.com.au

© Copyright Preston Rowe Paterson NSW Pty Limited

COMMERCIAL OFFICE MARKET

Hobart CBD



Development Sites

The Property Council of Australia's (PCA) Office Market Report July 2015 have recorded the following office developments in the Hobart CBD office pipeline.

The development of **Montpelier Project** located at **2 Montpelier Retreat, Battery Point** within the Salamanca business precinct had had its DA approved. The mix-use development will include 2,000 sqm of office space over a single level and 6,000 sqm of retail space.



The average floorplate size is approximately 2,000 sqm. The development comprise of a set of 5 buildings providing apartments and serviced apartments, wellness centre, public open space, underground car park with 430 car spaces (360 are public car spaces). The project is expected to be completed in the 2nd quarter of 2017.

Supply by Grade (Stock)

According to the PCA Office Market Report July 2015, the Hobart CBD total stock level had remained stable surmising to 363,082 sqm. In the six months to July, there were no recorded additional supply and withdrawals in the Hobart CBD market.

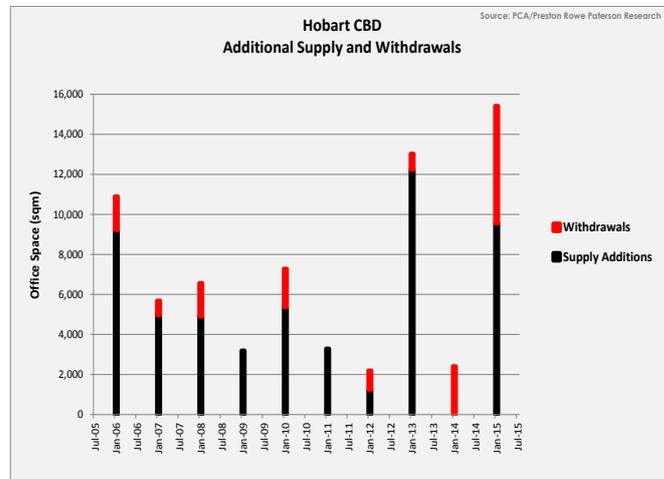


Chart 1 – Hobart CBD Office Additional Supply & Withdrawals – Source PCA

The Hobart CBD office market was dominated by A Grade stock which totals to about 188,420 sqm. The B and C Grade stock levels were similar, accounting for 70,526 sqm and 68,755 sqm respectively. D Grade stock level totalled to 35,381 sqm.

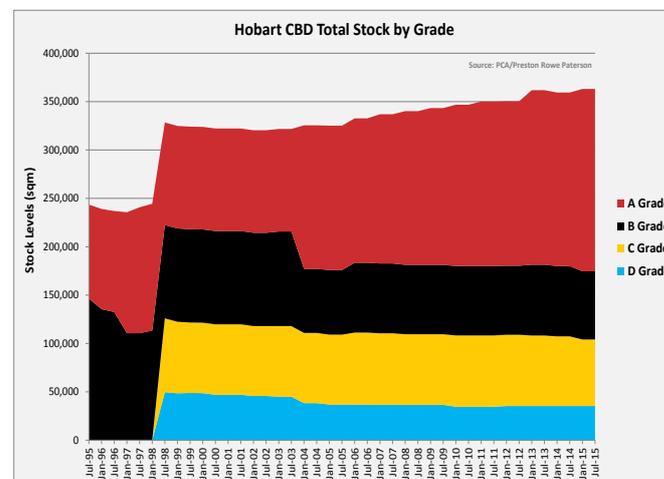


Chart 2 – Hobart CBD Total Stock by Grade – Source PCA

Total Vacancy

The Hobart CBD office market total vacancy rate remain unchanged in the six months to July 2015. The total office vacancy in Hobart was recorded at 8.9%, of which 7.2% was direct vacancy and 1.7% was sub-lease vacancy.

On a year on year analysis, the Hobart CBD A Grade vacancy rate increased by 2.6% to 5.7%. Similarly the C Grade and D Grade vacancy rates both grew by 2% to 13% and 10.5% respectively. The only recorded tightening in vacancy was in the B Grade office stock which fell by 1.9% to 12.7%.

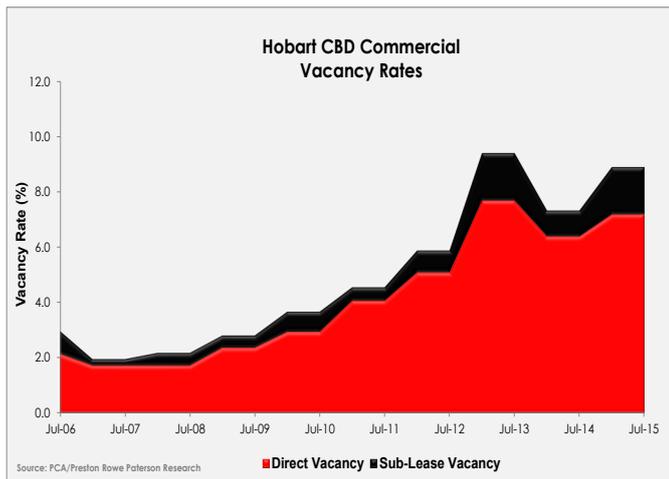


Chart 3 – Hobart CBD Commercial Vacancy Rates – Source PCA

RETAIL MARKET



Investment Activity

Preston Rowe Paterson Research has recorded the following major sales transactions that occurred in the Tasmania retail market during the three months to December 2015;

350 Main Road, Glenorchy, TAS 7010

Elanor Investors Group has bought the regional shopping centre **Glenorchy Plaza** for **\$18.5 million** on a **fully leased yield of 8.2%**. The company purchased the 11,920 sqm, two-level complex from a private syndicator. The property is anchored by a 6,874 sqm Big W, leased to June 2025 with four 5 year options. It is also tenanted by 14 speciality retailers. The sale reflected a rate of \$1,552 psm. Glenorchy is located around 7.1 km north-west of the Hobart CBD.



74-78 Elizabeth Street, Hobart TAS 7000

The well-maintained, freestanding building was sold for **\$5.8 million**. The three storey building has an area of 2,473 sqm with two street frontages to Elizabeth and Criterion Streets. The site area is about 870 sqm. The building is fully leased with national tenants including *Sheridan*, *Ella Bache*, *Ishka* and *AAF Gym*. It is located within the retail core of Hobart CBD, metres to the **Elizabeth Street Mall** and the new *Myer* and *Crowne Plaza Hotel* development. The sale reflected a rate of \$2,345.33 psm.

Economic Statistics

According to the Australian Bureau of Statistics category Retail Trade (December 2015), the retail turnover figures recorded in Tasmania produced negative results. The Tasmanian total industry retail turnover decreased by -0.6% over the month of December resulting in total turnover for the month of \$484.6 million. However, this is a 5% increase when compared to December 2014 monthly turnover results.

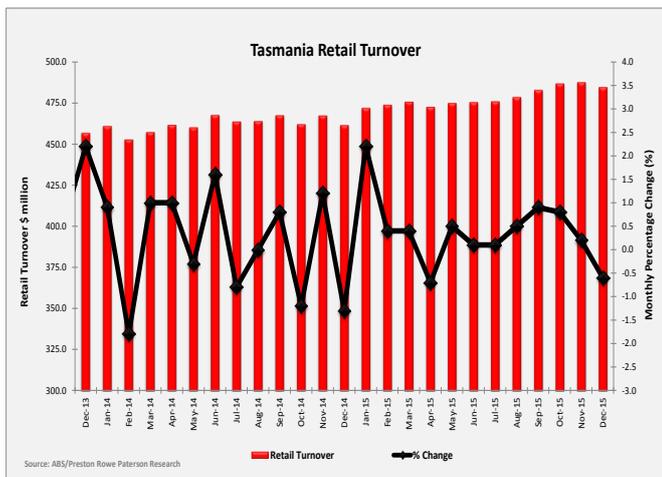


Chart 4 – Tasmania Retail Turnover – Source ABS

The Tasmanian retail market reflected mixed results across industries over the month of December. The largest monthly increase was Café, restaurants and takeaway service, which grew by 4.7% to a monthly turnover of \$49.1 million. Food retailing recorded a meagre increase of 0.05% to a monthly turnover of \$205 million. The clothing, footwear and accessory retailing and Household goods retailing monthly turnover decreased by -1.5 % and -1.2% to \$31.9 million and \$96.1 million respectively.

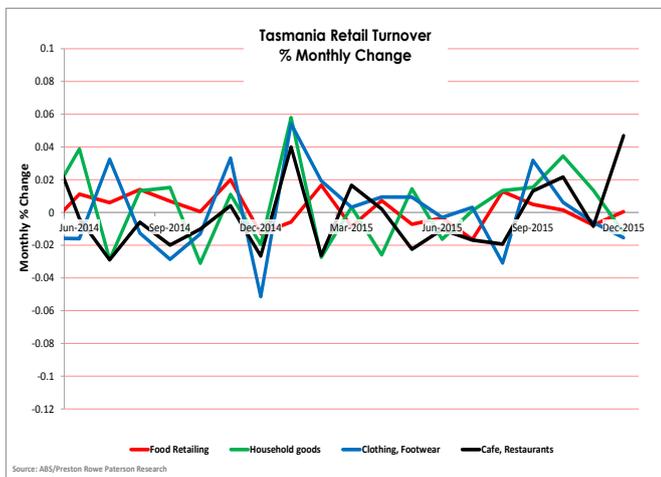


Chart 5 – Tasmania Turnover % Monthly Change – Source PCA

Year on year analysis revealed growth in Tasmanian retail. Clothing, footwear and accessory retailing recorded the largest annual growth of 8.1%, followed by Household goods retail increasing by 7%. Café, restaurants and takeaway services showed a 3.4% annual increase and Food retailing recorded a -0.6% decline.

RESIDENTIAL MARKET

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals December 2015, the total number of house dwelling approvals in the Hobart Statistical Division over the month has increased by 27% from 51 approvals to 65 approvals. In comparison to December 2014, dwelling approvals realised a decline of -29%. The monthly total number of non-house dwelling approvals fell from 29 approvals to 8 approvals in December. In comparison to December 2014 this reflected a decrease of -26%.

The Hobart dwellings market has recorded a total number of 1207 dwelling approvals in 2015.

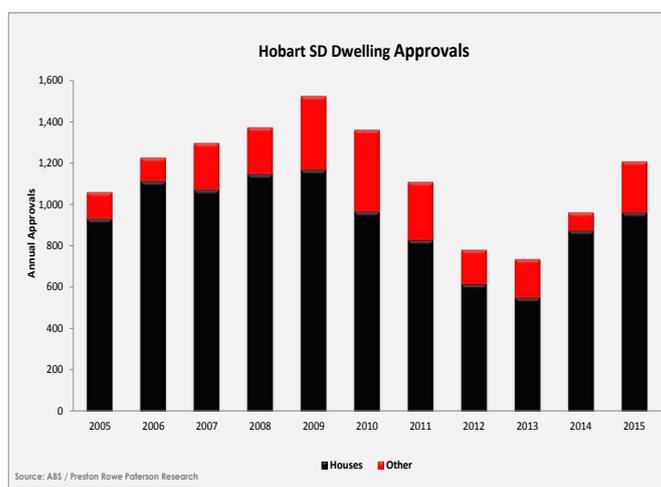


Chart 6 – Hobart SD Dwelling Approvals – Source ABS

Hobart

Market Affordability

According to the Real Estate Institute of Australia (REIA) September quarter 2015, the Hobart median house price has decreased by -5.2% over the quarter to \$357,000. A decline of -0.8% was recorded over the twelve months to September. The overall Hobart market shown growth in median sales price.

The highest quarterly growth in median house sales prices was Inner Hobart houses recording at 6.1% to a median price of \$520,000, followed by Middle Hobart at 0.9% to \$322,800. Outer Hobart median sales price fell by -2.2% to \$350,800.

Similarly the year on year analysis revealed mixed results on Hobart house sales price. Outer Hobart recorded an annual decline of -2.6%, Inner & Middle Hobart recorded an annual growth of 5.5% and 4.7% respectively.

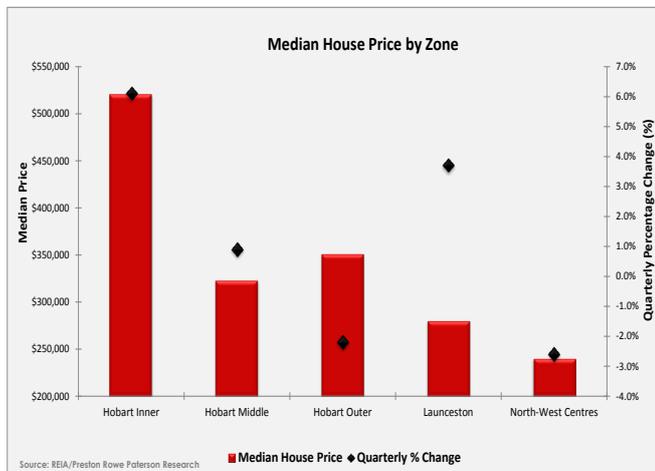


Chart 7 – Median House Price by Zone – Source REIA

The other dwellings median sales prices in Hobart increased in the September quarter by 6.2% to \$289,000. Inner Hobart other dwelling median sales price grew by 12.2% to \$335,000 and Middle Hobart other dwelling increased by 7.9%. Outer Hobart other dwelling median sales price decreased by -9.2% to \$271,500.

Year on year analysis revealed positive results recorded as at September 2015. Annual growth in median sales price was recorded in Inner, Middle & Outer Hobart other dwellings by 10.7%, 0.8% and 4.4% respectively.

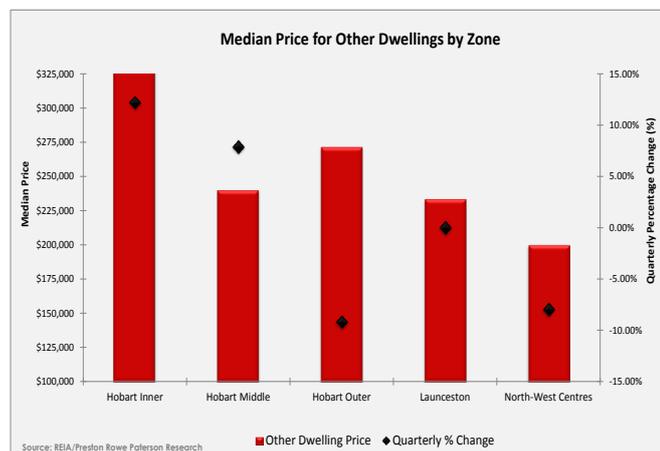


Chart 8 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

The September quarter revealed negative results in Hobart house rents. The only recorded quarterly increase in rent was Inner & Middle Hobart 2 bedroom house which grew by 7.5% and 9.6% to \$360 and \$285 respectively.

The largest quarterly decline in median weekly rent was Outer Hobart 3 bedroom tightening by -7.7% (\$300), followed by Middle Hobart 3 & 4 bedroom and Outer Hobart 2 bedroom rents declining by -3.2% (\$300), -5% (\$380) and -4.9% (\$290) respectively.

Year on year analysis also revealed decreases in Hobart median house rents. The largest annual decline was recorded in the Inner Hobart 4 bedroom house at -7.8% to \$450 median weekly rent. Outer Hobart 2 bedroom house rent recorded the highest annual growth at 7.4%.

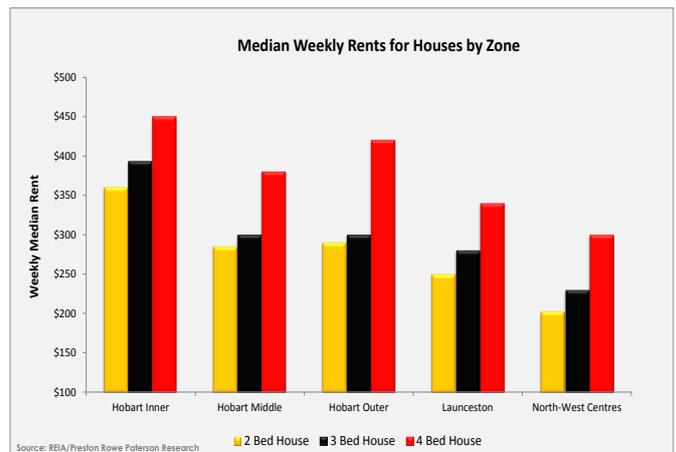


Chart 9 – Median Weekly Rents for Houses by Zone – Source REIA

Mixed quarterly results were recorded for the Hobart other dwelling median weekly rents. The largest quarterly growth in median weekly rent was Outer Hobart 3 bedroom which increased by 9.2% to \$355. Followed by Inner 1 bedroom and Middle 2 bedroom other dwelling rents increasing by 2.4% and 2% to \$210 and \$250 respectively.

Middle Hobart 1 bedroom recorded the largest median weekly rent decrease of -11.6% to \$175. Rents in Inner & Outer Hobart 2 bedroom both fell by -1.7% to \$295 and \$285 respectively.

Outer Hobart 1 bedroom rents remain unchanged to median weekly rent of \$175.

The year on year analysis of Hobart other dwellings rentals has revealed positive results. The highest annual growth was recorded in Outer Hobart 3 bedroom other dwellings at 26.8% and the largest annual decrease in rent was Inner Hobart 1 bedroom other dwellings at -8.7%.

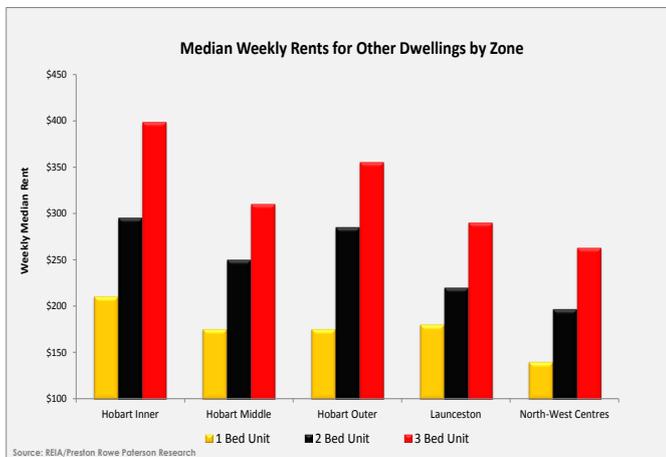


Chart 10 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

Launceston

Market Affordability

The Launceston median house price increased by 3.7% to \$280,000 over the September quarter, reflecting an annual growth of 5.7%. Other dwellings median sales price increased by 21% to \$233,500, reflecting a 3.8% annual growth.

Rental Market

The Launceston rental market revealed mixed results. House median weekly rents grew in 2 bedroom house by 2.9% to \$250, and fell in 3 & 4 bedroom house by -3.4% and -10.5% to \$280 and \$340 respectively.

The other dwelling median rents increased in 1 & 2 bedroom other dwellings by 5.9% and 2.3% to \$215 and \$220 respectively. 3 bedroom other dwelling median weekly rent decreased by -6.5% to \$290.

North-West Centres

Market Affordability

The North-West Centres median house price fell by -2.6% to \$240,000 over the September quarter. Other dwellings median sales price decreased by -8% to \$200,000, and -7% in the year to September 2015.

Rental Market

The median house rents in North-West Centres has tightened in the quarter. 3 bedroom house rents recorded the largest fall of -13.2% to \$230. 2 bedroom rents decreased by -7.7% to \$203 and 4 bedroom rents declined by -1% to \$300.

North-West Centres other dwelling 1 bedroom median rents decreased by -26.3% to \$140. 3 bedroom rents fell by -7.7% to \$263 and 2 bedroom rents declined by -1.5% to \$197.

REGIONAL MARKET

Preston Rowe Paterson Research recorded the following significant sales transactions that occurred in the Regional Market, during the three months to December 2015;

Office

**6-18 George Street,
Launceston TAS 7250**

The Courtyard commercial complex was sold to a private investor for **\$2.7 million**. The 1,783 sqm property is fully tenanted with three tenants and has a courtyard-styled car parking. Launceston is located about 198 km north of Hobart.



ECONOMIC FUNDAMENTALS

GDP

GDP figures for the December quarter 2015 are not available until the 2nd March 2016, however, over the September 2015 quarter revealed that the Australian economy recorded growth of 0.9% seasonally adjusted which reflected growth of 2.5% seasonally adjusted over the twelve months to September 2015.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Financial and insurance services (+0.5%), Healthcare (+0.3%) and Mining (+0.3%). In trend terms, the largest detractor was Manufacturing (-0.1%).

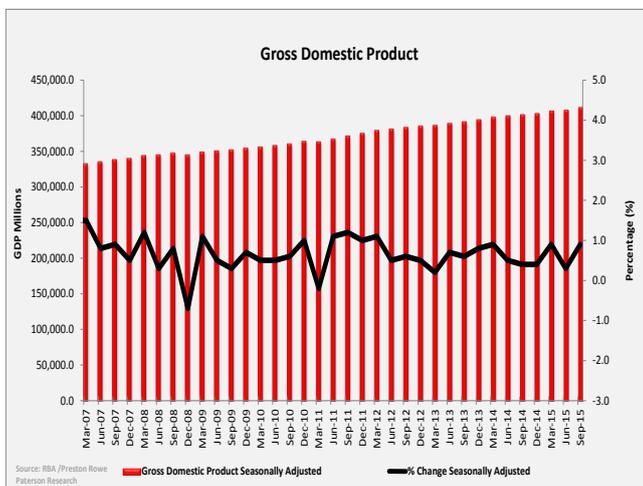


Chart 11 – Gross Domestic Product (GDP) – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the December quarter 2015 has remain steady at 2%. The Reserve Bank of Australia's Media Release for December 2015, released 1st December 2015 explained that;

"The global economy is expanding in a moderate pace, with some further softening in conditions in Asia region, continuing growth in US and a recovery in Europe. Key commodity prices are much lower than a year ago, reflecting increased supply, including Australia, as well as weaker demand. Australia's terms of trade are falling...In Australia the available information suggests moderate expansion in the economy continues in the face of a large decline in capital spending in the mining sector. While GDP growth has been somewhat below long-term averages for some time, business surveys suggests a gradual improvement in conditions in non-mining sectors over the part year. This has been accompanied by stronger growth in employment and a steady rate of unemployment... Inflation is forecast to be consistent with the target over the next one or two years."

The media release also stated that inflation is as expected to be consistent.

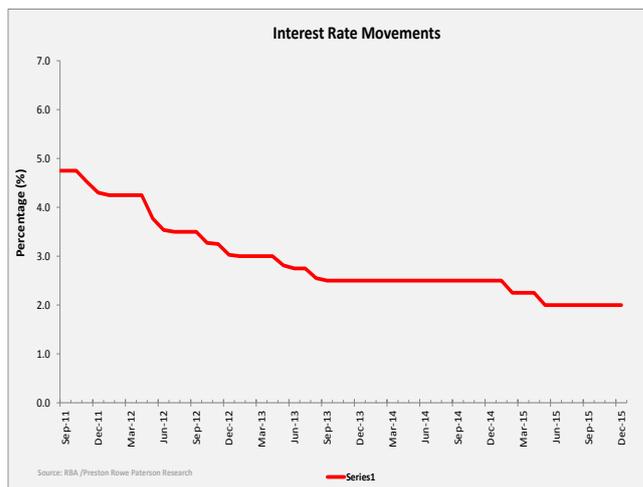


Chart 13 – Cash Rate—Source RBA

CPI

According to the Australian Bureau of Statistics (December 2015), the Australia's All Groups CPI increased by 0.4% over the December quarter from 108 to 108.4. The annual CPI change to December 2015 recorded a growth of 1.7%.

The most significant price rises over the December quarter were Tobacco (+7.4), Domestic holiday travel and accommodation (+5.9%) and International holiday travel and accommodation (+2.4%). The greatest price fall over the quarter was attributed to are Automotive fuel (-5.7%), Telecommunication equipment and services (-2.4%) and Fruit (-2.6%).

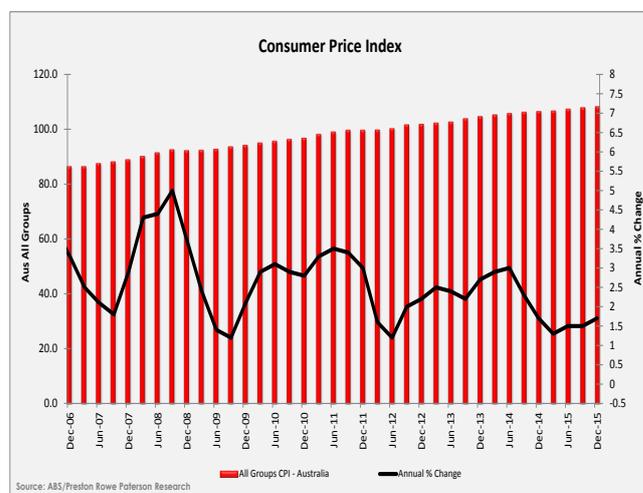


Chart 14 – Consumer Price Index – Source RBA

10 Year Bond & 90 Day Bill Rate

Analysis of the daily 10 Year Government Bonds has revealed no changes to the rate over the month of December at 2.85%. The 90 day bill rates had increased by 12 basis points to the month end of 2.34%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of 17 basis points.

Over the December 2015 quarter, the 10 Year Government Bonds recorded an increase of 16 basis points from 2.7%. The 90 Day Bill Rate recorded a 17 basis points growth over the quarter from 2.34%.

In the twelve months to December 2015, the monthly 10 Year Bond Rate has decreased by 11 basis points from 2.96%. Similarly, the monthly 90 Day Bill Rate fell by 41 basis points from 2.75%.

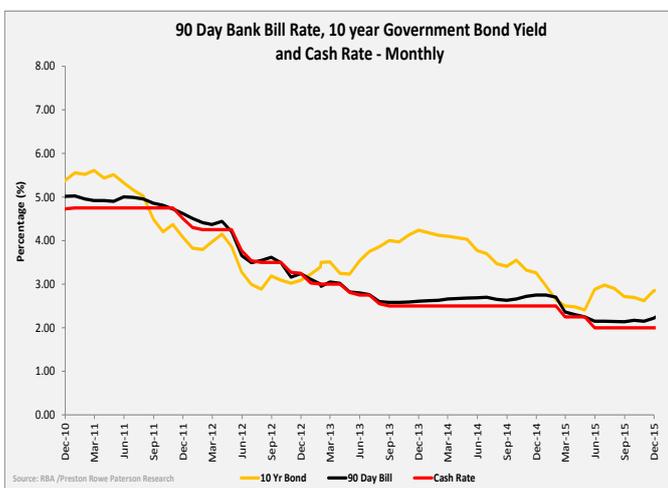


Chart 15– 90 Day Bill, 10 year bond and cash rate – MONTHLY – Source RBA

Labour force

Over the month to December 2015, the number of unemployed people has declined by 10,900 from 738,400 in November to 727,500 in December, reflecting a –0.1% decrease. In comparison to December 2014, the number of unemployed people had decreased by 27,300 reflecting an annual decline of –3.6%. The unemployment rate was 5.8% as at December 2015.

The number of unemployed seeking full time employment recorded a decrease in December by 2,600 to 515,000 persons. The number of unemployed seeking part time employment also decreased over the month by 8,400 to 212,500 persons.

Tasmania experienced a large absolute decrease in seasonally adjusted employment by 3,790 persons to 237,500 persons over the month of December. The unemployment status in Tasmania over the quarter increased by 0.8% to 6.8%.

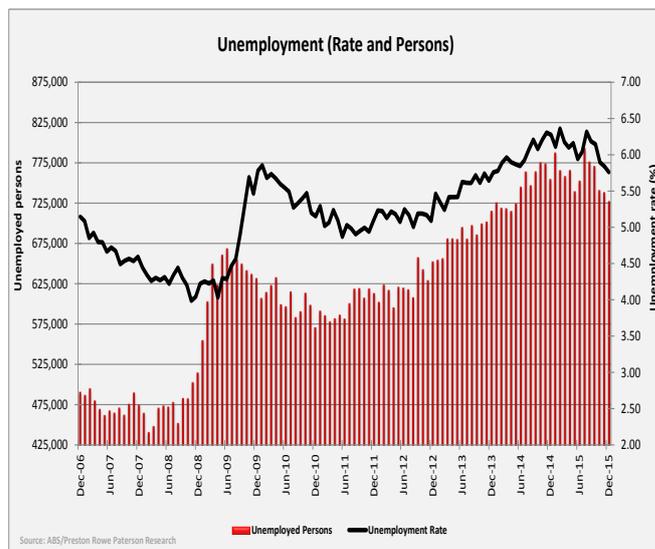


Chart 12 – Unemployment – Source ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 0.8% from 101.7 index points in November to 100.8 index points in December. Over the December quarter the index has increased by 6.9 points and recorded a 10.65% annual growth.

Westpac's Economist, Bill Evans commented; "The Index has held on to most of the gains from (November's) 4% lift and is 10.7% above its levels this time last year...The most important (sentiment) change was around 'budget and taxation' with the proportion of respondents assessed as considerably less favourable. Presumably speculation around tax changes, particularly with respect to the GST...Confidence around the housing market continues to deteriorate...housing-related sentiment continues to show sharper falls and considerably weaker reads in NSW and VIC."

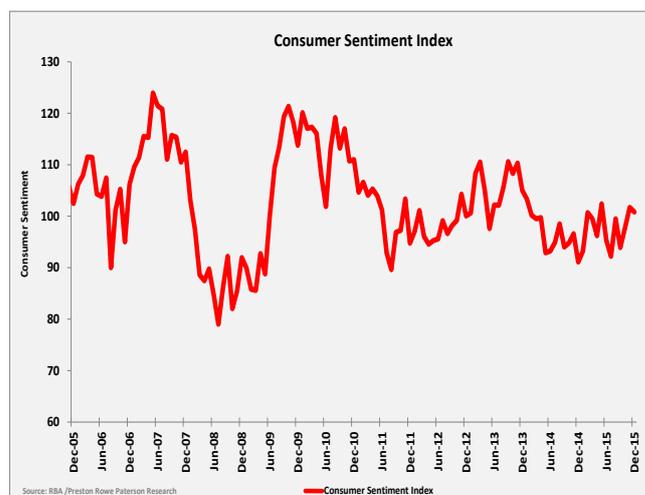


Chart 16 – Consumer Sentiment Index—Source Westpac Melbourne Institute

Our Research

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

We have property covered

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

We have all real estate types covered

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

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

We have all types of plant & machinery covered

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

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

We have all client profiles covered

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

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

We have all *locations* covered

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

We have your *needs* covered

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

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

Sydney (Head Office)

Level 14, 347 Kent 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:



Directors

Gregory Preston

M: 0408 622 400

E: greg.preston@prpsydney.com.au

Gregory Rowe

M: 0411 191 179

E: greg.rowe@prpsydney.com.au

Associate Directors

Keiran Fleming

M: 0448 656 103

E: keiran.fleming@prpsydney.com.au

Michael Goran

M: 0448 757 134

E: michael.goran@prpsydney.com.au

Erika Minnaard

M: 0448 886 335

E: erika.minnaard@prpsydney.com.au

Neal Smith

M: 0448 656 647

E: neal.smith@prpsydney.com.au

Capital City Offices

Adelaide

Brisbane

Hobart

Melbourne

Sydney

Regional Offices

Albury Wodonga

Ballarat

Bendigo

Central Coast/Gosford

Geelong

Gold Coast

Gippsland

Griffith

Horsham

Mornington

Newcastle

Tamworth

Wagga Wagga

Warrnambool

Relationship Offices

Canberra

Darwin

Perth

Other regional areas

New Zealand Offices

Auckland (Head Office)

Dunedin

Greymouth

Hamilton & Morrinsville

Tauranga

Wellington

Preston Rowe Paterson NSW Pty Ltd
ABN: 61 003 139 188

The information provided within this publication should be regarded solely as a general guide. We believe that the information herein is accurate however no warranty of accuracy or reliability is given in relation to any information contained in this publication. Nor is any responsibility for any loss or damage whatsoever arising in any way for any representation, act or omission, whether expressed or implied (including responsibility to any person or entity by reason of negligence) accepted by Preston Rowe Paterson NSW Pty Ltd or any of its associated offices or any officer, agent or employee of Preston Rowe Paterson NSW Pty Limited.