



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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

September quarter 2015

INSIDE THIS ISSUE:

Hobart Office Market	2
Retail Market	3
Industrial Market	4
Residential Market	5
Hotel & Leisure Market	7
Regional Market	7
Economic Fundamentals	8
About Preston Rowe Paterson	10
Contact Us	12



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.

Parliament Square

development, located in the **Salamanca precinct**, is currently in the construction phase. The landmark redevelopment owned by *Citta Property Group* will comprise of 20,709 sqm of office space and 1,200 sqm of retail area over 8 storeys on an average floorplate size of 1,941 sqm. It will include 155 car spaces. The site includes the former **St Mary's Hospital**, the **Red Brick Building**, 34 West Davey Street, the former **Government Printing Office** building and the former **PABX** building. The development will feature an amphitheatre, open public space, restored heritage buildings, 5-star green office building, shops and cafes. The development is expected to be completed by 2017.



Supply by Grade (Stock)

According to the PCA Office Market Report July 2015, the Hobart CBD total stock level remained at 363,082 sqm.

The Hobart CBD office market was dominated by A Grade stock, taking up to 51.9% of total stock. The B and C Grade stock levels were similar, accounting for 19.4% and 18.9% respectively. D Grade stock level totalled to 9.7% of the total market stock.

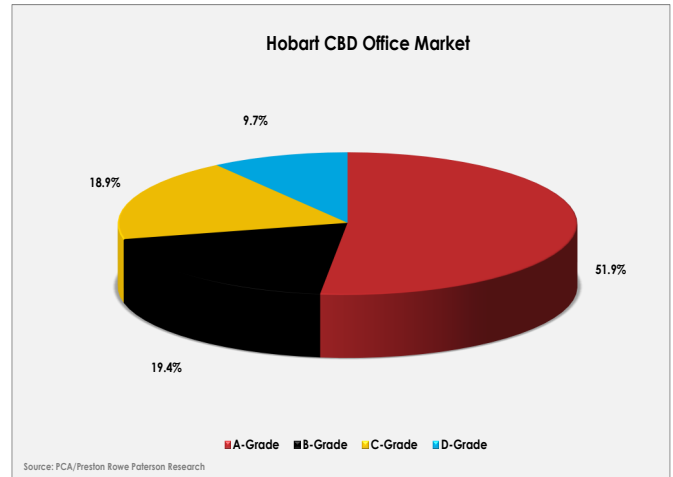


Chart 1 – Hobart CBD Total Stock by Grade– Source PCA

Net Absorption

The Hobart CBD office market has recorded a negative net absorption in the twelve months to July 2015 of –2,303 sqm. There was no recorded absorption across all stock levels in the six months to July.

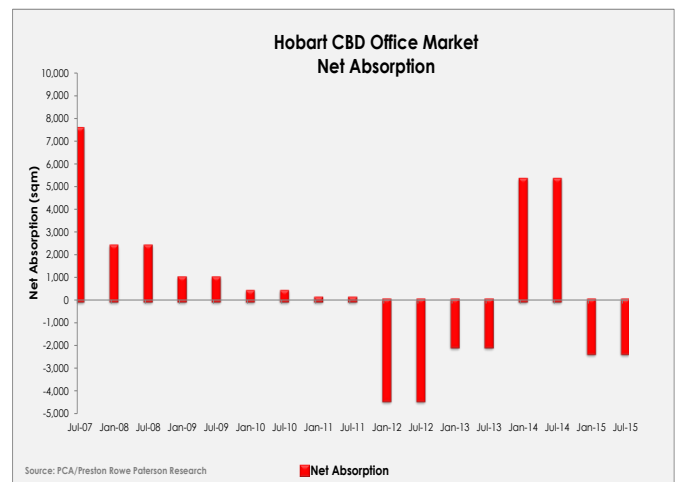


Chart 2 – Hobart CBD Office Net Absorption – Source PCA

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%.

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%.

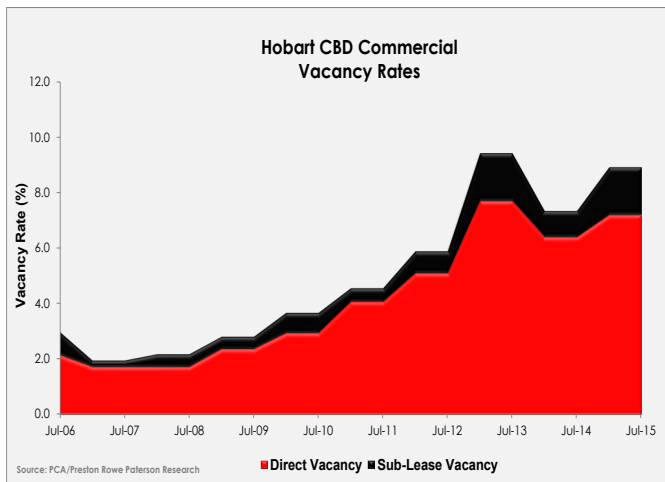


Chart 3 – Hobart CBD Commercial Vacancy Rates – Source PCA

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 September 2015;

1-15 St John Street, Launceston TAS 7250

The bulky goods retail centre was sold for **\$9.751 million**. The fully leased centre, tenanted by Super Cheap Auto, Rabobank, Beacon Lighting and Ray's Outdoors with a WALE of 7 years. The estimated net income is \$847,629 pa, reflecting a **passing yield of 8.7%**. The property has 59 onsite parking. Launceston is located approximately 198 km north of the Hobart CBD.

29 Channel Highway, Kingston TAS 7050

Challenger Life has bought the largest sub-regional centre in Tasmania, **Channel Court** shopping centre, from the Bekakis family for **\$76 million**. The recently developed centre has a gross lettable area of 24,200 sqm. The centre is anchored by a Woolworths supermarket and Big W, tenants includes 3 mini-majors, 83 specialty retail and kiosks. The centre could also accommodate an extra 14,500 sqm of retail area. Kingston is located about 14 km south of the Hobart CBD.



8 Bathurst Street, George Town TAS 7253

A private investor has purchased the freestanding Woolworths's supermarket for **\$4.95 million**. Woolworths occupies the 1,978 sqm supermarket on a 20+10 year lease to 2042. The supermarket will provide an annual income of about \$336,682, reflecting a **passing yield of 6.8%**. George Town is located about 50 km north of Launceston.



Economic Statistics

According to the Australian Bureau of Statistics category Retail Trade (September 2015), the retail turnover figures recorded in Tasmania produced positive results. The Tasmanian total industry retail turnover increased by 0.9% over the month of September resulting in total turnover for the month of \$482.3 million. This is a 3.2% increase when compared to September 2014.

The Tasmanian retail market reflected positive results across industries over the month of September. The largest monthly increase was Clothing, footwear and accessory retailing which grew by 3.2% to a monthly turnover of \$32.4 million. Household goods retailing increased by 1.3% to a monthly turnover of \$92.4 million. Café, restaurants and takeaway service, and Food retailing grew by 0.7% and 0.5% to a monthly turnover of \$45.9 million and \$206.3 million respectively.

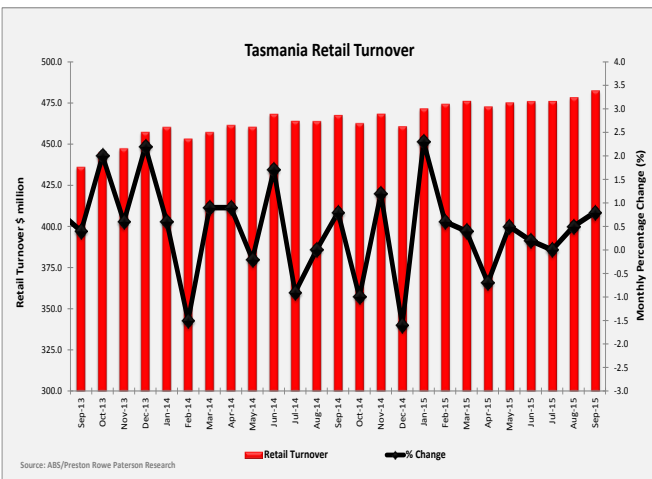


Chart 4 – Tasmania Retail Turnover – Source ABS

Year on year analysis revealed mixed results for Tasmanian retail. Café, restaurants and takeaway service recorded the largest decline of -5.7%. Household goods retail fell by -1.2% whilst Clothing, footwear and accessory and Food retailing both reported an annual growth of 5.9% and 0.6% respectively.

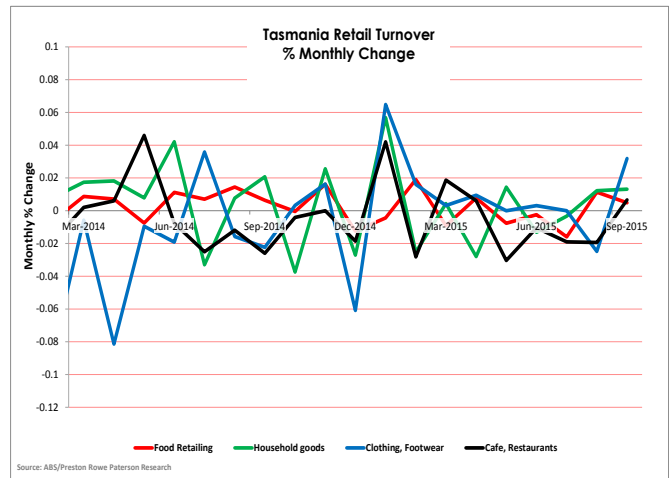


Chart 5 – Tasmania Turnover % Monthly Change – Source PCA

INDUSTRIAL MARKET

Preston Rowe Paterson Research has recorded limited significant sales transaction that occurred in the Tasmanian Industrial Market, during the three months to September 2015;

286-288 Argyle Street, North Hobart TAS 7000

A warehouse has been sold in vacant possession for **\$1 million**. The property features 160 sqm showroom space and 640 sqm of warehouse area with a clearance height of 8 metres. North Hobart is located directly north of the Hobart CBD.



RESIDENTIAL MARKET

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals September 2015, the total number of house dwelling approvals in the Hobart Statistical Division over the month has decreased by -19% from 81 approvals to 66 approvals. In comparison to September 2014, dwelling approvals realised a growth of 10%. The monthly total number of non-house dwelling approvals increased from 9 approvals to 54 approvals. In comparison to September 2014 this reflected a decrease of 575%.

The Hobart dwellings market has recorded a total number of 971 dwelling approvals in the year to date 2015.

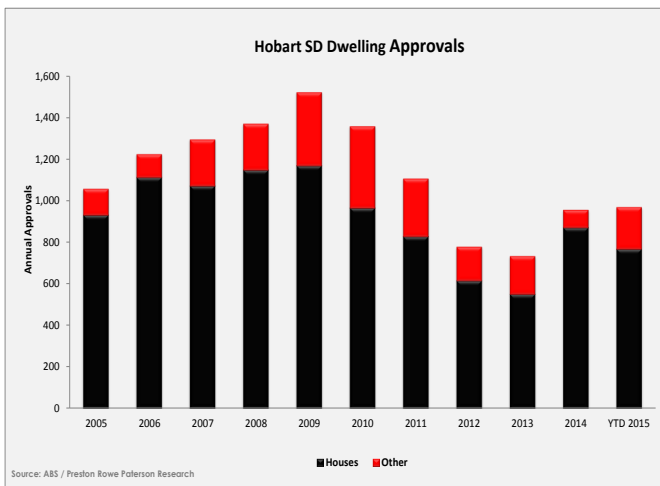


Chart 6 – Hobart SD Dwelling Approvals – Source ABS

Hobart

Market Affordability

According to the Real Estate Institute of Australia (REIA) June quarter 2015, the Hobart median house price has decreased by -1.6% over the quarter to \$376,500. A decline of -0.9% was recorded over the twelve months to June. The overall Hobart market shown a decline in median sales price.

The largest quarterly decline in median house sales prices was Inner Hobart houses recording -10.6% to a median price of \$490,000, followed by Middle Hobart at -3% to \$320,000. Outer Hobart median sales price increased by 2.7% to \$358,500.

Year on year analysis revealed mostly mixed results on Hobart house sales price. Outer Hobart recorded an annual growth of 1.3% and Middle Hobart recorded an annual decline of -3% whereas Inner Hobart prices remain unchanged.

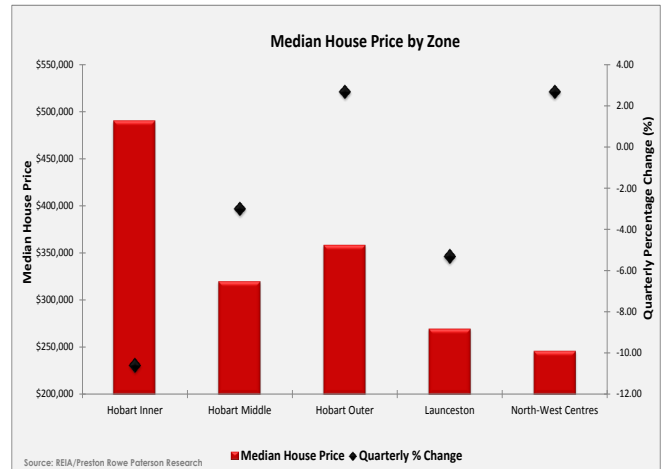


Chart 7 – Median House Price by Zone – Source REIA

The other dwellings median sales prices in Hobart decreased in the June quarter by -1.9% to \$272,300. Median sales price growth was recorded only in Outer Hobart of 12% to \$299,000. Inner and Outer Hobart recorded a quarterly decline of -3.7% and -11% to \$298,500 and \$222,500 respectively.

Year on year analysis revealed similar results recorded as at June 2015. Tightening of other dwelling median sales price were recorded in Inner & Middle Hobart by -3.7% and -7.7% respectively. Outer Hobart recorded an annual growth of 12%.

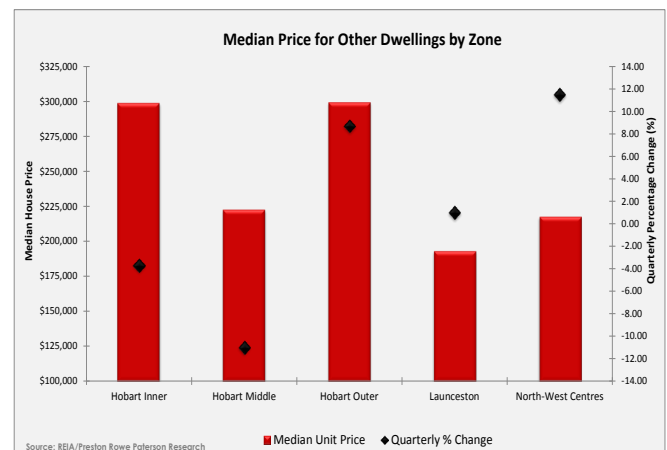


Chart 8 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

The June quarter revealed negative results in Hobart house rents. The only recorded quarterly increase in rent was Outer Hobart 4 bedroom house which grew by 0.7% to \$423.

The largest quarterly decline in median weekly rent was Inner Hobart 4 bedroom tightening by -17.1% (\$460), followed by Middle Hobart 2 bedroom, Inner 2 & 3 bedroom rents declining by -10.3% (\$260), -4.3% (\$335) and -4.8% (\$400) respectively.

Year on year analysis also revealed growth in Hobart median house rents. The highest annual growth was recorded in the Outer Hobart 2 bedroom house of 10.9% to \$305 median weekly rent. Inner Hobart 2 bedroom house rent recorded the largest annual decline of -9.5% to \$335.

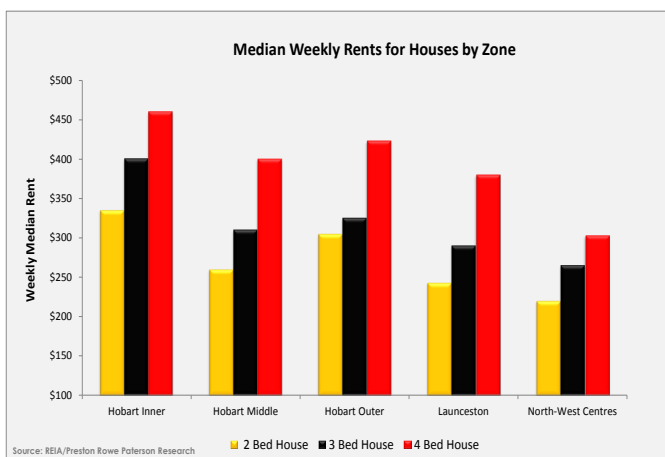


Chart 9 – Median Weekly Rents for Houses by Zone – Source REIA

Mixed quarterly results were recorded for the Hobart other dwelling median weekly rents. The largest quarterly growth in median weekly rent was Middle Hobart 1 bedroom which increased by 16.5% to \$198. Followed by Inner & Outer 3 bedroom other dwelling rents increasing by 3.6% and 1.7% respectively.

Middle Hobart 3 bedroom recorded the largest median weekly rent decrease of -6.2% to \$605. Rents also fell in Inner Hobart 3 bedroom by -2.5% (\$395), Middle Hobart 2 bedroom by -2% (\$245) and Outer Hobart 3 bedroom by -1.5% (\$325).

Inner Hobart 1 bedroom rents remain unchanged to median weekly rent of \$205.

The year on year analysis of Hobart other dwellings rentals has revealed positive results. The highest annual growth was recorded in Middle Hobart 1 bedroom other dwellings at 17.9% and the largest annual decrease in rent was Inner Hobart 1 bedroom other dwellings at -6.8%.

The REIA did not record the June quarter results for Outer Hobart bedroom other dwelling median weekly rent.

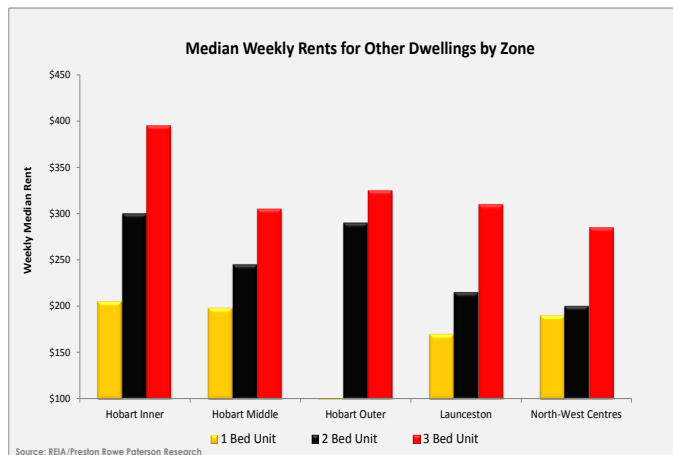


Chart 10 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

Launceston

Market Affordability

The Launceston median house price decreased by -5.3% to \$270,000 over the June quarter. However, it reflects an annual growth of 2.5%. Other dwellings median sales price increased by 1% to \$193,000, reflecting a -11.1% annual decline in sales price.

Rental Market

The Launceston rental market revealed mixed results. House median weekly rents fell in 2 bedroom house by -11% to \$243, increased in 4 bedroom by 5.6% to \$380 and 3 bedroom rents unchanged at \$290.

Similarly the Launceston other dwelling median rents fell in 2 bedroom other dwellings by -5.7% to \$215, increased in 3 bedroom by 5.1% to \$310 and 1 bedroom rents unchanged at \$170.

North-West Centres

Market Affordability

The North-West Centres median house price grew by 2.7% to \$246,500 over the June quarter, reflecting a 3.1% annual growth. Other dwellings median sales price grew by 11.5% to \$217,500, and 6.9% in the year to June 2015.

Rental Market

The median house rents in North-West Centres has increased in the quarter. 3 & 4 bedroom house rent grew by 1.9% and 1% to \$265 and \$303 respectively. 2 bedroom house rent fell by -6.4% to \$220.

North-West Centres other dwelling 1 bedroom median rents increased by 22.6% to \$190. 3 bedroom rents grew by 1.8% to \$285 and 2 bedroom rents fell by -4.8% to \$200.

HOTEL & LEISURE MARKET

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

3 Oxleys Road, Kettering TAS 7155

The Cove Kettering modern rental accommodation was sold for **\$1.45 million**. The cove features 3 rental suites on the ground level and a 4 bedroom managers residence on the first floor. The property is fully self sufficient with 126,000 litres of water storage and its own sewerage treatment plant. The sale reflects a rate of about \$483,333 per rental room. Kettering is located 37 km south of the Hobart CBD.



REGIONAL MARKET

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

Industrial

10-12 Middle Road, Devonport TAS 7310

An industrial facility was sold to a local investor for **\$2.101 million**. The 2,968 sqm warehouse facility sits on a 4,700 sqm site. It is tenanted by Joinery Products on a 10+5+5 year lease to August 2033, providing with an annual rent of approximately \$209,196. The sale reflects a **passing yield of 9.95%**. Devonport is located approximately 277 km north-west of Hobart.



Rural

643 Glen Esk Road, Conara, TAS 7211

A 2,654-hectare cropping and grazing property has been sold by Michael and Susie Warner to Cargill for **\$20 million**. The previous owners of the property known as **Vaucluse** ran about 14,000 merino sheep and 400 angus cattle, as well as growing potatoes, poppies, grass seeds, canola cereal. A restored eight-bedroom Georgian mansion from the 1830s was also included in the sale. The sale reflects a rate of \$7,535.80 per hectare. Conara is located about 140 km north of the Hobart CBD.



ECONOMIC FUNDAMENTALS

GDP

GDP figures for the September quarter 2015 are not available until the 2nd December 2015, however, over the June 2015 quarter revealed that the Australian economy recorded growth of 0.2% seasonally adjusted which reflected growth of 2% seasonally adjusted over the twelve months to June 2015.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Financial and insurance services (+0.6%), Information media and telecommunications (+0.3%) and Healthcare and social assistance (+0.3%). In trend terms, the largest detractor were the Professional, scientific and technical services (-0.1%) and Construction (-0.2%).

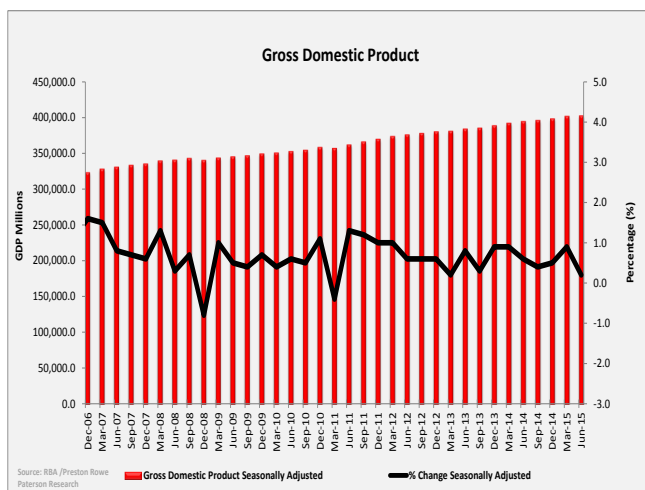


Chart 11 – Gross Domestic Product (GDP) – Source ABS

Interest Rates

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

"The global economy is expanding in a moderate pace, with some further softening in conditions in China and east Asia of late, but stronger US growth. Key commodity prices are much lower than a year ago, in part reflecting increased supply, including Australia. Australia's terms of trade are falling...In Australia the available information suggests moderate expansion in the economy continues. While growth has been somewhat below long-term averages for some time, it has been accompanied with somewhat stronger growth of employment and steady rate of unemployment over the past year. Overall the economy is likely to be operating with a degree of spare capacity for some time yet, with domestic inflationary pressures contained. Inflation is thus forecast to remain consistent with the target over the next one to two years, even with a lower exchange rate."

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

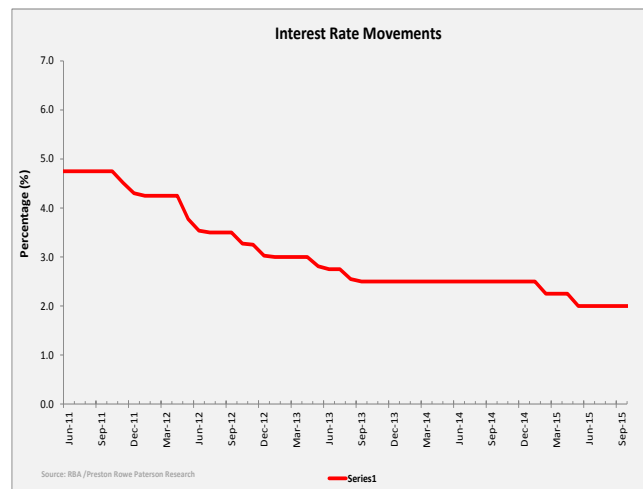


Chart 13 – Cash Rate—Source RBA

CPI

According to the Australian Bureau of Statistics (September 2015), the Australia's All Groups CPI increased by 0.5% over the September quarter from 107.5 to 108. The annual CPI change to September 2015 recorded a growth of 1.5%.

The most significant price rises over the September quarter were International holiday travel and accommodation (+4.6%), Fruit (+8.2%) and Property rates and charges (+4.6%). The greatest price fall over the quarter was attributed to are Vegetables (-5.9%), Telecommunication equipment and services (-2%) and Automotive fuel (-1.7%).

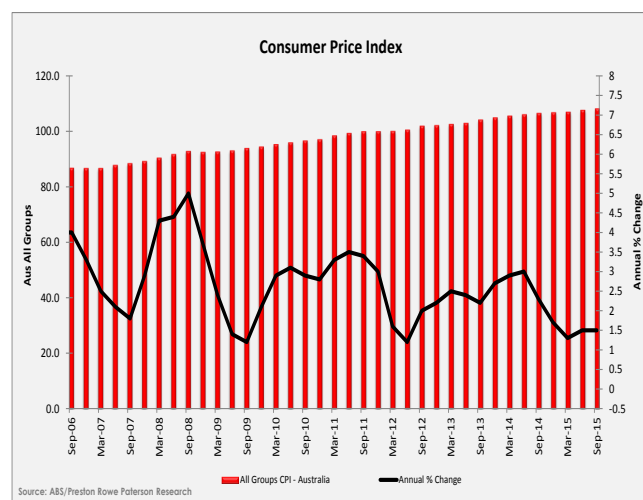


Chart 14 – Consumer Price Index – Source RBA

10 Year Bond & 90 Day Bill Rate

Over the September 2015 quarter, the 10 Year Government Bonds recorded a decline of 29 basis points from 2.7%. The 90 Day Bill Rate recorded a 2 basis points growth over the quarter from 2.17%.

In the twelve months to September 2015, the monthly 10 Year Bond Rate has decreased by 86 basis points from 3.55%. Similarly, the monthly 90 Day Bill Rate fell by 49 basis points from 2.66%.

Analysis of the daily 10 Year Government Bonds has revealed a decrease of 2 basis points over the month of September ending to 2.61%. The 90 day bill rates had increased by 3 basis points to the month end of 2.19%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of 23 basis points.

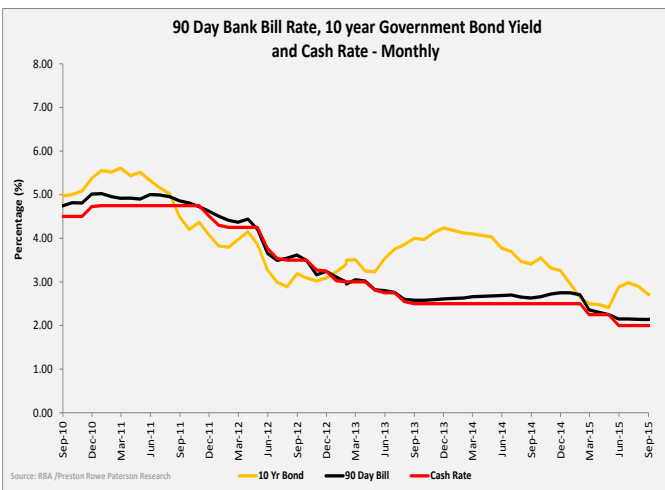


Chart 15- 90 Day Bill, 10 year bond and cash rate – MONTHLY – Source RBA

Labour force

Over the month to September 2015, the number of unemployed people has declined by 8,139 from 780,677 in August to 772,538 in September, reflecting a -1% decrease. In comparison to September 2014, the number of unemployed people had increased by 7,650 reflecting an annual increase of 1%. The unemployment rate was 6.2% as at September 2015.

The number of unemployed seeking full time employment recorded a decrease in September by 6,200 to 556,100 persons. The number of unemployed seeking part time employment recorded a decrease over the month by 2,200 to 216,500 persons.

Tasmania experienced an absolute increase in seasonally adjusted employment by 1,671 persons to 241.95 thousand persons. The unemployment status in Tasmania decrease by 0.4% to 6% over the September Quarter 2015.

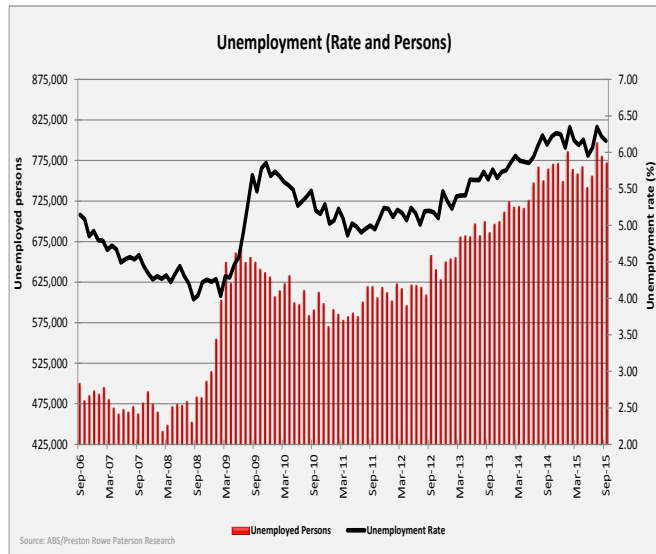


Chart 12 – Unemployment – Source ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 5.6% from 99.5 index points in August to 93.9 index points in September. Over the quarter the index has fallen by -1.4 points and recorded a -0.11% annual decline.

Westpac's Economist, Bill Evans commented; "This solid fall comes as no surprise...violent gyrations in both Australian and overseas equity markets, poor economic data from China, disappointing report on Australia's growth rate and weakness in the Australian dollar were likely to have unnerved households."

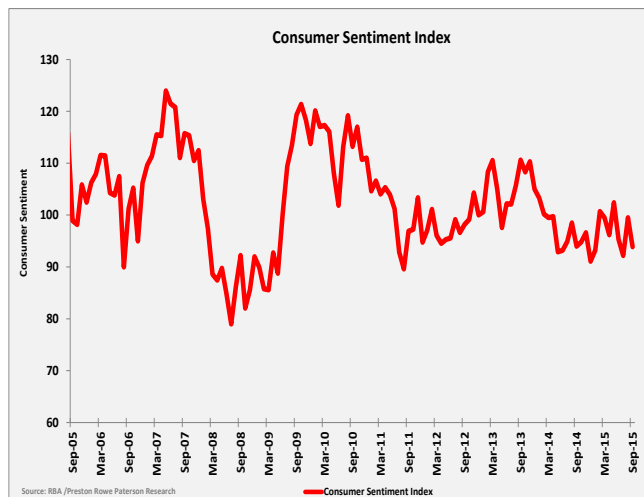


Chart 16 – Consumer Sentiment Index—Source Westpac Melbourne Institute

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

Elizabeth Duncan

M: 0448 656 103

E: elizabeth.duncan@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

Dunedin

Greymouth

Hamilton & Morrinsville

New Plymouth

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.