



**Preston  
Rowe  
Paterson**

®  
International Property Consultants

# Property Market Report

## Victoria

## March Quarter 2017

### HIGHLIGHTS

- January 2017's PCA Office Market Report indicate that there was an increase of 2.0% in office space over the six months to January 2017.
- Total vacancy for East Melbourne's office market increased by 0.7% to 2.2%, whereas vacancy in St Kilda Road's office market increased by 5.9% to 13.2% over the six months to January 2017.
- Retail turnover statistics from the Australian Bureau of Statistics indicate that total retail turnover for Victoria increased by 0.4% over the month of March.
- Building Approvals statistics from the Australian Bureau of Statistics indicate that total approvals over the month to March 2017 declined by -3.02%, from 4,708 approvals in February to 4,566 approvals in March.
- The Real Estate Institute of Australia (REIA)'s December Quarter report indicate that there was a quarterly increase of 5.0% in house prices in Melbourne, with median house prices increasing to \$770,000.

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## COMMERCIAL OFFICE MARKET

### Melbourne CBD

#### Investment Activity

Preston Rowe Paterson Research recorded the following reported sales transaction that occurred in the Melbourne CBD office market during the three months to March 2017:

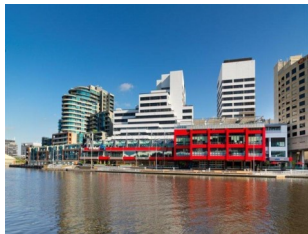
##### **102 Albert Road, South Melbourne, VIC 3205**

A Malaysian investor has acquired a 6-level office building from *Evergreen Nominees* for **\$24.4 million**. The 4,767 m<sup>2</sup> office sits on a 1,850 m<sup>2</sup> block and offers long-term, high-density redevelopment opportunity. The sale reflects a **rate of \$13,189 psm**. South Melbourne is located around 2.4 km south of Melbourne's CBD.



##### **18-38 Siddeley Street, Melbourne, VIC 3000**

A local private investor who is backed by Asian funding has acquired the **World Trade Centre** from *Abacus, KKR and Riverlee Group* for **\$267.5 million**. The 50,000 m<sup>2</sup> building sits on about 14,000 m<sup>2</sup> of land and is 99% occupied. The **yield of 7%** reflected the fact that the *Victoria Police*, who take up 43% of the space, are exiting in 2020. The sale reflects a **rate of about \$19,107 psm**.



##### **Cnr Bourke and Russell Streets, Melbourne, VIC 3000**

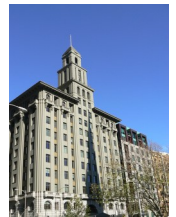
A Chinese investor has paid **\$33 million** on a **yield of around 4%** for a 1,500 m<sup>2</sup> mixed-use, fully-leased building constructed in 1923. *Union Hotel Nominees Pty Ltd* sold the 6-storey, freestanding art deco-style property known as Bourke House. The sale reflects a **rate of \$22,000 psm**.

#### Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred in the Melbourne CBD office market during the three months to March 2017:

##### **Collins and Russell Streets, Melbourne, VIC 3000**

*Accenture* will occupy two floors in the **T&G building** for **10-years**. The lessee will take up 8,000 m<sup>2</sup> from *Pembroke Real Estate*.



##### **665 Collins Street, Docklands, VIC 3008**

*ExxonMobil* will occupy 7,100 m<sup>2</sup> in a new \$230 million office tower that is being constructed by *Mirvac*. The lessee will take up three floors from 2018 in the A-grade building. Docklands is located 2 km west of the Melbourne CBD.

##### **15 William Street, Melbourne, VIC 3000**

*Deka* has leased more than 12,000 m<sup>2</sup> of office space after an industrial-style refurbishment and the introduction of end-of-trip facilities. *Commonwealth Bank* secured 7,200 m<sup>2</sup> of A-grade space on a **10-year** term and *IPG Media* has leased 2,060 m<sup>2</sup> of space for **8-years**. *Cognizant* will occupy 1,400 m<sup>2</sup> of space for **5-years**, while *Charles River* will lease a 500 m<sup>2</sup> office suite for **6-years**. The deals were struck on net rents in the low to mid \$400 psm range with incentives at around 30%. The new end-of-trip facilities provide 21 showers, 430 lockers, secure bicycle parking for 251 bikes, complementary towel service, drying cupboards, bike maintenance facilities and a bike accessory vending machine.



## Development Sites

According to the Property Council of Australia (PCA)'s Office Market Report January 2017, the following new developments are expected to be completed in Melbourne's CBD:

Project Name	Address	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
664 Collins Street	664 Collins Street, Docklands, VIC 3008	Construction	Mirvac Group	26000	Q3 2017
One Melbourne Quarter	699 Collins Street, Docklands, VIC 3008	Construction	APPF Commercial	26400	Q3 2018
Melbourne Quarter Tower	693 Collins Street, Docklands, VIC 3008	Site Works	Lendlease	54000	Mooted
5 Collins Square - Site 4E	737 Collins Street, Docklands, VIC 3008	DA Approved	Walker Corporation Pty Ltd	20000	Mooted
New Quay	396 Docklands Drive, Docklands, VIC 3008	DA Approved	MAB Corporation	8500	Mooted
80 Collins Street	80 Collins Street, Melbourne, VIC 3000	DA Approved	Queensland Investment Corporation (QIC)	40000	Q1 2019
271 Spring Street	271 Spring Street, Melbourne, VIC 3000	DA Approved	ISPT	21000	Q3 2019
Wesley Upper Lonsdale Development	130 Lonsdale Street, Melbourne, VIC 3000	DA Approved	Charter Hall	50000	Mooted
Enterprise House	555 Collins Street, Melbourne, VIC 3000	DA Applied	Harry Stamoulise	11280	Mooted
Rialto (DEV)	525 Collins Street, Melbourne, VIC 3000	Construction	Grollo Group; St. Martins Properties	6000	Q1 2017
The Olderfleet	477 Collins Street, Melbourne, VIC 3000	Construction	Mirvac Group	55000	Q1 2019
Collins Arch	447 Collins Street, Melbourne, VIC 3000	Construction	Cbus Property	49000	Q1 2019
405 Bourke Street	405 Bourke Street, Melbourne, VIC 3000	DA Approved	Brookfield Office Properties (Brookfield Multiplex)	61000	Mooted

Table 1 – Development Sites Melbourne CBD – Source PCA

### 664 Collins Street, Docklands, VIC 3008

Construction of Mirvac's new Docklands office building at 664 Collins Street have begun, of which the nine-level development will supply 26,000 square metres of office space upon its completion. The building has a floorplate size of 2,700 square metres, and will be anchored by accounting firm Pitcher Partners over 10,000sqm of office space. Expected date of completion is set at the third quarter of 2017.



### 271 Spring Street, Melbourne, VIC 3000

Plans for the construction of a commercial office building at 271 Spring Street have been DA Approved, which will further add an extra 21,000 square metres into Melbourne's supply of office space by 2019. The building, owned by ISPT, will contain 16 levels of office space, though to date, we do not have knowledge of the floorplate size.

### 525 Collins Street, Melbourne, VIC 3000

The **Rialto Regeneration Project**, located on 525 Collins Street, is still under construction and is now due to be completed during the first quarter of 2016. The PCA reports there will be 6000sqm net lettable area, and will contain new offices, retail, dining and health and wellbeing services.



## Supply by Grade (Stock)

January 2017's PCA Office Market Report indicate that there was an increase of 2.0% in office space over the six months to January. This equates to an increase of 88,238 sqm in space to bring Melbourne's office stock up to 4,526,062 sqm.

A Grade stocks contributed the most to this increase, with an addition of 93,768 sqm in space over the period to bring total stocks up to 2,239,962 sqm. C Grade stocks also increased, by 6,011 sqm to 547,955 sqm. In contrast, Premium Grade and B Grade stocks declined over the period, by –5,500 sqm and –6,041 sqm respectively. Their total supply stand at 746,387 sqm and 875,344 sqm respectively.

A Grade stocks still dominate Melbourne's office market, with 49.5% of total space. Premium Grade stocks follow, with 16.5%, followed by B Grade stocks (19.3%), C Grade stocks (12.1%) and D Grade stocks (2.6%).

From Chart 2, we note that supply addition through the six months to January outweigh withdrawals of office stock in Melbourne CBD. There was an addition of 136,368 sqm of space, offset by 48,130 sqm of withdrawals over the same period.

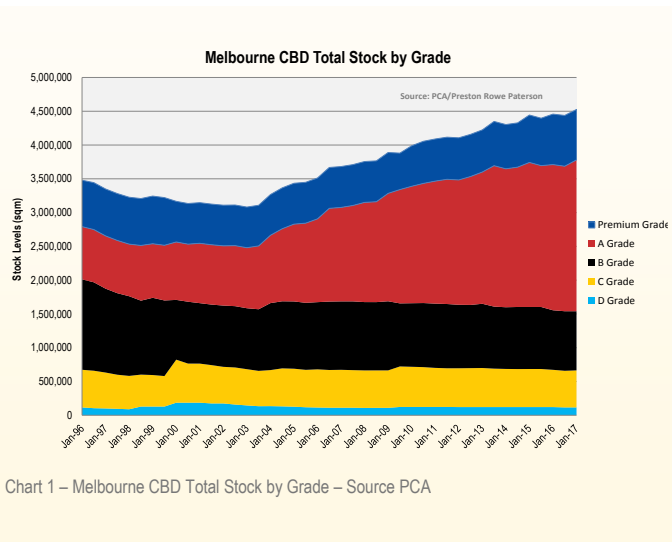


Chart 1 – Melbourne CBD Total Stock by Grade – Source PCA

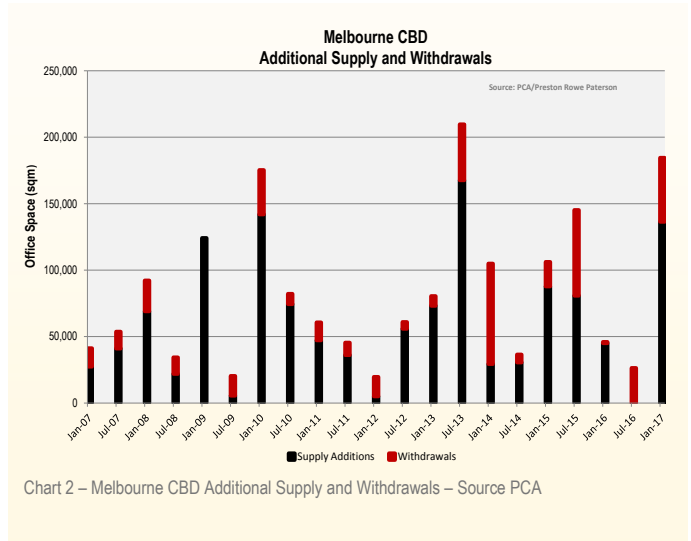


Chart 2 – Melbourne CBD Additional Supply and Withdrawals – Source PCA

## Total Vacancy

Total vacancy in Melbourne CBD declined over the six months to January 2017 to 6.4%, with total vacancy declining to 291,309 sqm in space. This change was largely attributed to the decrease in direct vacancy, from 6.4% and 6.0%, whilst sub-lease vacancy declined from 0.7% to 0.5%.

Tightening in vacancy rates occurred across all but A Grade offices, with Premium Grade and B Grade offices experiencing the steepest decline in total vacancy of –1.7% each. Their respective vacancy rates stand at 6.7% for Premium office and 5.8% for B Grade offices. C Grade offices experienced a decline of –0.8% down to 8.3%, whilst D Grade offices declined by –0.5% to 1.7%. On the other hand, A Grade offices experienced a 0.3% increase in total vacancy to 6.4%.

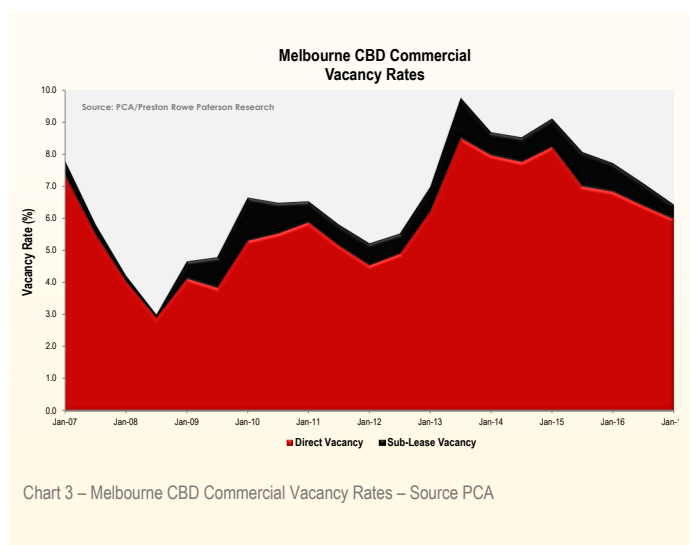


Chart 3 – Melbourne CBD Commercial Vacancy Rates – Source PCA

## East Melbourne CBD

### Investment Activity

Preston Rowe Paterson Research recorded a number of reported sales transactions that occurred in the East Melbourne office market during the three months to March 2017:

#### 175 Burnley Street, Richmond, VIC 3121

*Peregrine Projects* has acquired a 1,985 m2 office building for **\$10.75 million**. The buyer plans to redevelop the site that is currently leased by *ARL Ltd*. The sale reflects a **rate of \$5,416 psm**. Richmond is located 3.8 km east of Melbourne’s CBD.

#### 455 Auburn Road, Hawthorn, VIC 3123

*Family Doctor Group* has moved into a 1,952 m2 property after agreeing to a **20-year lease**. The new tenant negotiated the space in the older-style building for an **initial annual rent of \$300 psm**. Hawthorn is located about 7.8 km east of the Melbourne CBD.

### Supply by Grade (Stock)

There was a minor decline in the supply of office market stock in East Melbourne over the six months to January 2017. B Grade offices continue to dominate the market, with a total of 89,164 sqm (or 51.3%) of space, followed by A Grade with 54, 352sqm (33.3%), C Grade with 18,278 sqm (10.5%) and D Grade with 8,667 (5.0%). Over the half year, total supply declined by –2.0%. The withdrawal of 3,500 sqm in space was attributed to the decline in A Grade office stocks from 57, 852 sqm to 54, 352 sqm. Total stocks for East Melbourne stand at 170, 461 sqm.

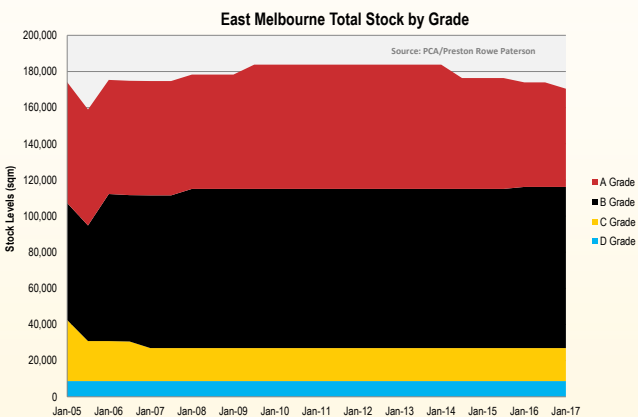


Chart 4 – East Melbourne Total Stock by Grade – Source PCA

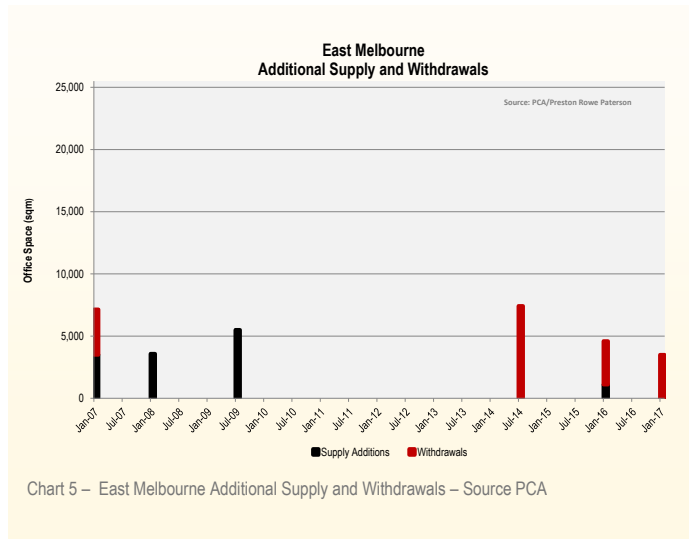


Chart 5 – East Melbourne Additional Supply and Withdrawals – Source PCA

### Total Vacancy

Total vacancy for East Melbourne’s office market increased by 0.7% to 2.2% over the half year to January 2017. This was all attributed to the change in direct vacancy, which increase to 2.2%, whilst sub-lease vacancy remain at 0.0%.

D Grade office increased by 2.3% to 2.3% over the half year, the largest movement out of all office grades. A Grade and B Grade stocks followed, with total vacancy increasing to 4.5% (+1.4%) and 1.3% (+0.6%) respectively. Total vacancy of C Grade stocks declined by –1.0% to 0.0% over the period.

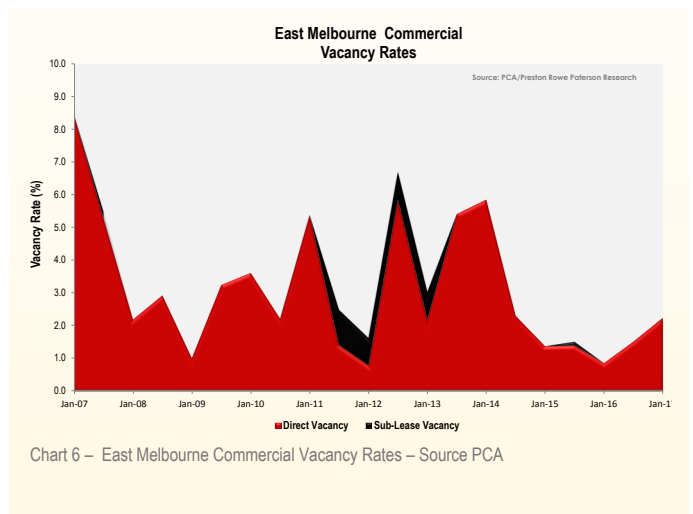


Chart 6 – East Melbourne Commercial Vacancy Rates – Source PCA

## Southbank

### Investment Activity

Preston Rowe Paterson Research recorded a number of reported sales transactions that occurred in the Southbank office market during the three months to March 2017:

#### Cecil, York, Northumberland & Market Streets, South Melbourne, VIC 3205

A 4,641 m2 site has been sold by *Aviation Consolidated Holdings* to GLG Group for **\$41 million**. The site occupies 10 separate titles. Only one of the commercial and retail properties is tenanted and delivers an income of around \$22,000 per month. The site is zoned commercial. The sale reflects a **rate of \$8,834 psm**. South Melbourne is located around 2.4 km south of the Melbourne CBD.

### Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred in the Southbank office market during the three months to March 2017:

#### 111 Coventry Street, South Melbourne, VIC 3205

*Huawei Technologies International* has agreed to lease a 1,295 m2 office for the next **3-years**. The lessor *Asia Pacific* leased out the property for a **gross annual rent of between \$450 and \$500 psm**. South Melbourne is located 2.4 km south of the Melbourne CBD.



#### 126 Trenerry Crescent, Abbotsford, VIC 3067

Landlord *Australian Education Union* has found a new tenant at its office property. *OMC International* will occupy 996 m2 of office space in the recently refurbished building for **10-years**. The property has a large outdoor deck and a roof solar farm with 320 solar panels. The lease is for a **net annual rent of \$355 psm**. Abbotsford is located around 4.5 km south-west of the Melbourne CBD.



#### 840 Dandenong Road, Caulfield, VIC 3162



*Stellar Concepts* will occupy a 1,200 m2 office at a **gross annual rent of \$340 psm**. The one-year lease was negotiated with landlord *Zagame Corporation*. Caulfield is located around 11.3 km south-east of the Melbourne CBD.

#### 112 Trenerry Crescent, Abbotsford, VIC 3067

*OMC International* has leased 996 m2 of office space for 10-years. The company will pay a **net annual rent of \$355 psm**. Abbotsford is located about 4.5 km south-west of the Melbourne CBD.



### Supply by Grade (Stock)

Over the six months to January 2017, an addition of 22,444 sqm of office space was added, though this is offset by the withdrawal of 25,299 sqm over the same period. Additions stemmed from B Grade office stocks, which had 3,571 sqm of space added to equate 103,989 sqm. A Grade and C Grade stocks experienced declines in their stocks down to 248, 263 sqm (-556 sqm) and 50, 403 sqm (-1,359 sqm) respectively. No change was recorded in D Grade stocks, which remained at 3,082 sqm.

Southbank's market continues to be dominated by A Grade stocks, with 61.6% of total office stocks. B Grade stocks covers 24.9% of total stocks, C Grade with 12.8% and D Grade with 0.8%.

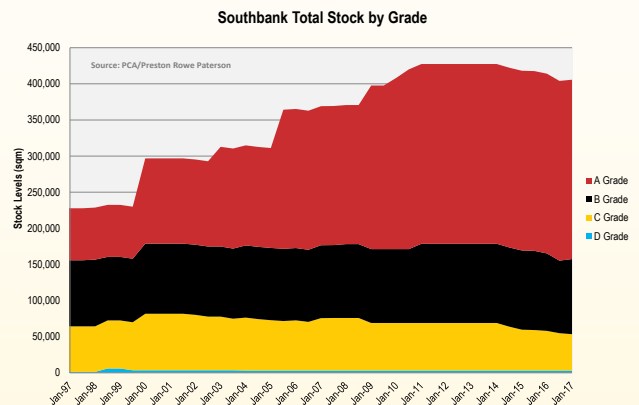


Chart 7 – Southbank Total Stock by Grade – Source PCA

## Total Vacancy

Total vacancy rates Southbank's office market declined to 4.1% over the six months to January 2017, with direct vacancy remaining unchanged at 4.0% and sub-lease vacancy declining by 0.5% to 0.1% for the period. The area of total vacancy amounts to 16, 583 sqm, which is a decline of 4,252 sqm of space from the previous period.

Notably, total vacancy rates for D Grade offices dropped to 0.0% over the six months, signifying a decline of 7.0%. A, B and C Grades offices also experienced declines in their vacancy rates, of -0.1%, -1.9% and -2.2% respectively.

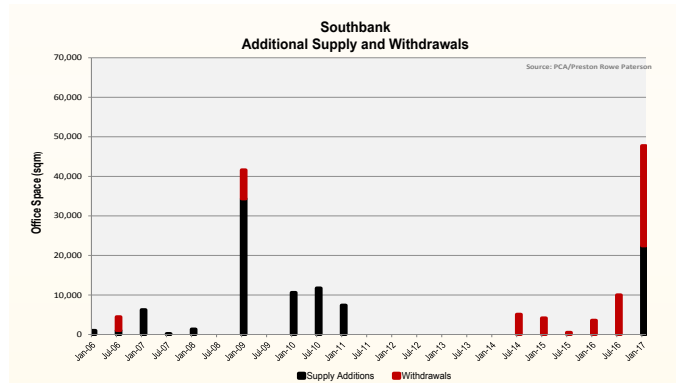


Chart 8 – Southbank Additional Supply and Withdrawals – Source PCA

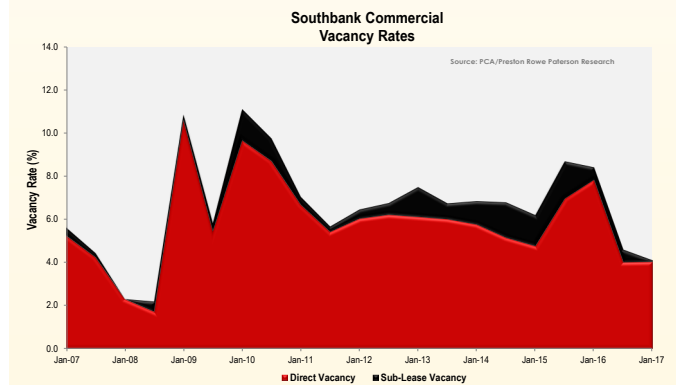


Chart 9 – Southbank Commercial Vacancy Rates – Source PCA

## St Kilda Road

### Investment Activity

Preston Rowe Paterson Research recorded no reported sales transactions over the three months to March 2017.

### Supply by Grade (Stock)

Analysis of the St Kilda Road's office market report revealed that there was 2,239 sqm of office space withdrawal along the St Kilda Road in the six months to January 2017. There was no reported additional space supply in the market in the same period. The total office stock in the St Kilda Road area is at 683, 936 sqm.

The St Kilda Road office market is largely populated by the A and B Grade stock, assuming up to 35.8% and 43.4% of total supply respectively. This is followed by C Grade at 20.0% and D Grade at 0.8%.

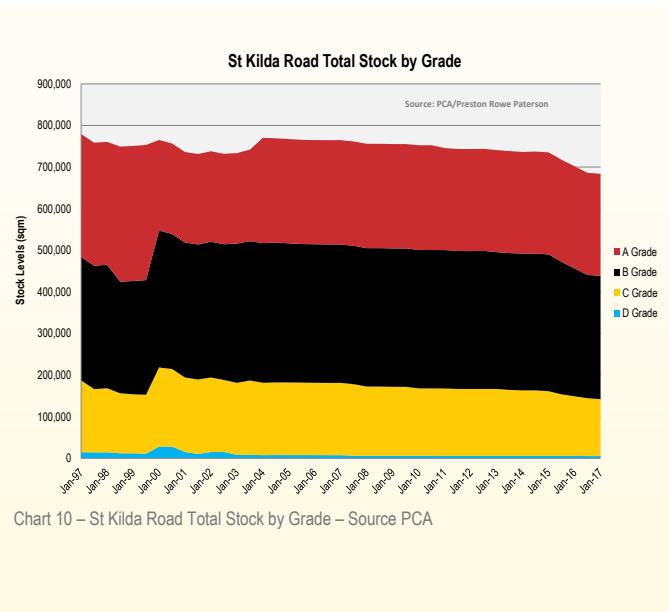


Chart 10 – St Kilda Road Total Stock by Grade – Source PCA

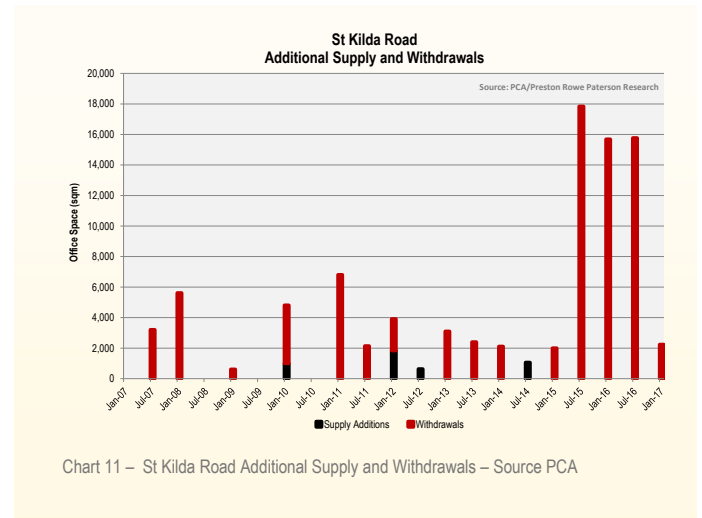


Chart 11 – St Kilda Road Additional Supply and Withdrawals – Source PCA

### Total Vacancy

Total vacancy rates in St Kilda Road's market increased by 5.9% to 13.2% over the six months to January 2017. A Grade, B Grade and C Grade offices all experienced increases in their vacancy rates over the period. A Grade office vacancy increased by 3.2% to 6.0%, B Grade vacancy increased by 4.0% to 17.1% and C Grade vacancy increased by 3.4% to 18.2%.

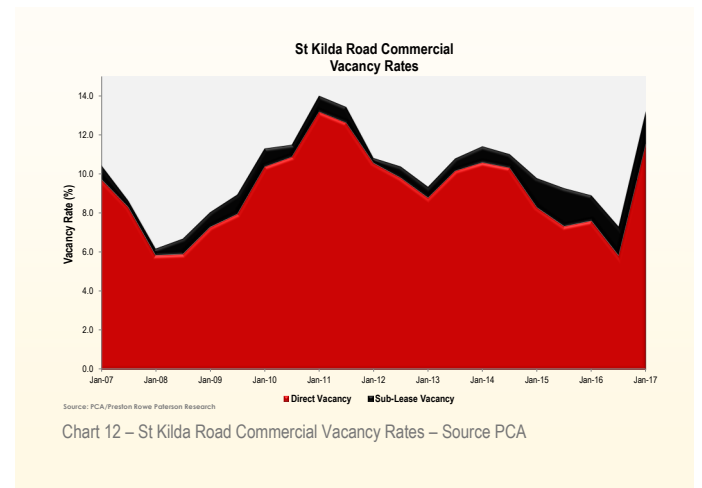


Chart 12 – St Kilda Road Commercial Vacancy Rates – Source PCA



## RETAIL MARKET

### Investment Activity

Preston Rowe Paterson Research recorded the following retail transactions that occurred in the Melbourne metropolitan area during the March quarter 2017:

#### 10 Geum Street, Hadfield, VIC 3046

Westrent Properties have paid **\$9.8 million** for a Woolworths supermarket on a 5,569 m2 corner block. The site was sold by a private investor on a **tight yield of 4%**. There are 3-years remaining on the lease. The sale reflects a **rate of \$1,760 psm**. Hadfield is located about 12.8 km north of Melbourne's CBD.

#### Convention Centre Place, South Wharf, VIC 3006

Vicinity Centres has bought out the remaining **25% stake** in the **DFO South Wharf** and **Homemaker Hub** from its joint owner **Plenary Group** for **\$141.25 million**. The buyer now has full control of the retail facility that comprises 166 specialty tenancies in the **DFO South Wharf**, while the homemaker centre has 21 tenancies. The complex also included the **South Wharf Promenade** food precinct with 19 operators. The centre has low occupancy costs of 10.2% and specialty store sales per square metre of \$9,200. The sale reflects a **passing yield of about 7%**. South Wharf is located about 2 km south-west of the Melbourne CBD.

#### 2-16 Selwyn Street, Elsternwick, VIC 3185

The ABC has sold its 6,155 m2 site to make way for a new supermarket for **around \$45 million**. The mixed-use site occupies six titles and features two-level offices, warehouses and a two-level car park. One part of the site, the former Elsternwick fire station is heritage listed. The sale reflects a **rate of \$7,311 psm**. Elsternwick is located about 9.3 km south-east of the Melbourne CBD.

#### 23-29 Bourke Street, Melbourne, VIC 3000

A private family has purchased a vacant possession, three-level 468 m2 property with heritage overlay for **over \$8 million** at auction. 'The Italian Society' restaurant was moved to the property in 1932 after opening in Australia in 1924. The sale of the 283 m2 site reflects a **rate of \$28,269 psm**.

## Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transaction that occurred in the Melbourne metropolitan areas during the three months to March 2017:

#### 570 Burke Road, Camberwell, VIC 3124

The *Woodfrog Bakery* will open a new store at a newly leased 841 m2 ground-floor retail property that also has first floor space. The deal with the private landlord was for a net annual rent of \$80,000 for **5-years**. The lease reflects a **rate of \$95 psm**. Camberwell is located around 10.6 km south-east of the Melbourne CBD.

## Retail Statistics

Retail turnover statistics from the Australian Bureau of Statistics indicate that total retail turnover for Victoria increased by 0.4% over the month of March. Seasonally adjusted turnover for March in Victoria stands at \$6,495.1 million, 2.84% higher than March 2016's figure.

From the major retail groups, Other retailing recorded the largest monthly increase of 2.31%, to bring turnover for March up to \$1,000.0 million. Similarly, Café, restaurants & takeaway food turnover increased by 1.97% over the month, to reach \$867.8 million for the month. In contrast, Clothing, footwear and personal accessory retailing declined by -1.25% over the month, down to a turnover of \$527.7 million. Department stores recorded a decline of -0.94% in their monthly turnover, down to \$379.4 million. Food retailing and household goods experienced small declines of -0.02% and 0.15%, respectively. Their respective monthly turnover stand at \$2,541.8 million and \$1,178.5 million.

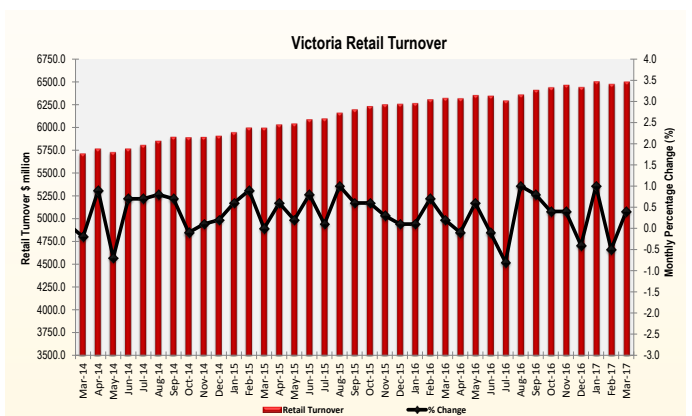


Chart 13 – Victoria Retail Turnover – Source ABS

Over the twelve months to March 2017, most major retail groups experienced positive year-on-year growth in retail turnover. Victoria's Café, restaurants and takeaway food services experienced an annual increase of 9.09% increase in turnover. Household goods retailing, Food retailing and Other retailing also experienced positive annual growths, of 2.19%, 2.20% and 4.43% respectively. In contrast, Department stores and Clothing & footwear experienced negative growth when compared to twelve months previously. Their decline rate stand at -2.79% for Department store turnover and -0.83% for Clothing & footwear turnover.

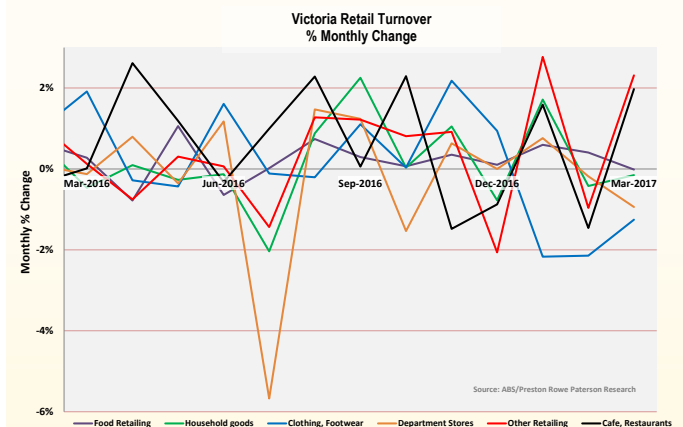


Chart 14 – Victoria Turnover % Monthly Change – Source ABS

## INDUSTRIAL MARKET

### Investment Activity

Preston Rowe Paterson Research recorded a number of sales transactions that occurred in the Melbourne industrial market, during the three months to March 2017:

#### 605-617 High Street, Preston, VIC 3072

Private owners have sold a 1,875 m2 industrial property to a local investor for **\$5.9 million**. The property is leased to *Nissan Australia* for 5-years with options at a net annual rent of \$318,000. The sale reflects a **net yield of 5.39%** and a **rate of \$3,147 psm**. Preston is located around 9.8 km north-east of Melbourne's CBD.

#### Australian Industrial Sales Wrap

*Deutsche Asset Management* has purchased two logistics facilities from *Propertylink* for **\$73.1 million**. The two refrigerated logistics warehouses are both leased to *Rand Refrigerated Logistics*. The 10,848 m2 facility is in Derrimut, in Melbourne's West. The other warehouse is 8,413 m2 and is in Parkinson, in Brisbane's south.

#### Evolution Drive, Dandenong South, VIC 3175

*Primewest* has acquired a 3,793 m2 warehouse and 301 m2 office for **\$5.625 million**. The complex is leased to *Metaltex Australia* until September 2021. The sale reflects a **rate of \$1,374 psm**. Dandenong South is located around 31.3 km south-east of the Melbourne CBD.

#### 752 Springvale Road, Mulgrave, VIC 3170

A private investor has bought an 8,590 m2 industrial property for **\$5.4 million**. The sale reflects a **6.4% yield** and a **rate of \$629 psm**. Mulgrave is located about 23 km south-east of Melbourne's CBD.

#### Western Ring Road, Laverton North, VIC 3026

An industrial complex has been sold by *Challenger* to *Cache Logistics Trust* for **\$22.5 million** on a **yield of around 7%**. The 36,250 m2 site is leased to *Spotlight* for 10-years commencing in July 2011 with two six-plus-six year renewal options. The 20,723 m2 of gross lettable area property has a ceiling height clearance of 9.3m, cross-dock features as well as 19 loading bays. The sale reflects a **rate of \$614 psm**. Laverton North is located about 14.6 km west of the Melbourne CBD.

**7-11 Northcorp Boulevard, Broadmeadows, VIC 3047**

A 6,050 m2 property on a 9,919 m2 site has been acquired by *Baron Rubber* for **\$6.05 million**. The property includes two buildings with the buyer occupying the 3,160 m2 building and leasing the neighbouring 2,890 m2 building on a new 3-year term. The sale reflects a **rate of \$610 psm**. Broadmeadows is located about 16.7 km north-west of the Melbourne CBD.



**Foxley Court, Derrimut, VIC 3030**

*Primewest* has bought a 23,000 m2 off the plan warehouse from *Frasers Property Australia* for **\$24 million**. The construction of the building will commence soon and will be completed by the end of the year. The property has 22,500 m2 of warehouse space, 500 m2 of office space and 67 car spaces. The property is located in the 310-hectare **West Park Industrial Estate** and includes a three-year lease backed by rental guarantee from *Frasers Property Australia*. The estate has tenants including *CEVA Logistics*, *Toll*, *Goodyear*, *Mitre 10* and *Australia Post*. The sale reflects a **rate of \$1,043 psm**. Derrimut is located about 19.4 km west of the Melbourne CBD.

**27-43 Toll Drive, Altona North, VIC 3025**

*LOGOS* has paid **\$27.3 million** for two adjoining building leased to *Toll Transport* and *Visa Global Logistics*. The facility was completed in 2016 and occupies a 9.7-hectare site. The facility at 27 Toll Drive is a purpose-built, state-of-the-art container park leased to *Visa Global* for 10-years. The building at 43 Toll Drive will be vacated by *Toll Transport*. There is a total of 21,720 m2 of industrial facilities. The sale reflects a **rate of \$281 psm**. Altona North is located 12.8 km south-west of Melbourne's CBD.



**Leasing Activity**

Preston Rowe Paterson Research recorded a number of leasing transactions that occurred in the Melbourne industrial market during the three months to March 2017:

**74-80 Fitzgerald Road, Laverton North, VIC 3026**

*Soper Industries* will occupy a 12,640 m2 warehouse for **5-years with options**. The property comprises 4 warehouses with full truck drive-around access. The **net annual rent is \$44 psm**. Laverton North is located around 14.6 km west of Melbourne's CBD.



**15 Paraweena Drive, Truganina, VIC 3043**



*Farmgard* has leased an office/warehouse to use as its new Australian headquarters for **3-years**. The gross annual rent for the 2,418 m2 facility is \$170,500. The brand-new property

features a 150 m2 office, a clear-span warehouse with a 10-metre internal spring height, 22 car parks and a 415 m2 rear yard. The lease reflects a **rate of \$71 psm**. Truganina is located about 23.5 km south-west of Melbourne's CBD.

**7 Raleigh Street, Spotswood, VIC 3015**

The City of Melbourne has agreed to lease a new warehouse from a private landlord for **6-months**. Part of the events department will occupy the 1,910 m2 property for a gross annual rent of around \$14,000 including outgoings. The lease reflects a **rate of about \$7 psm**. Spotswood is located about 10.5 km south-west of the Melbourne CBD.



### 90 Turner Street, Port Melbourne, VIC 3207

*Crema Constructions* will occupy a new industrial space close to their current offices to store building materials and construction equipment. The lessee will pay a gross annual rent of \$242,000 with no incentives for **3-years with options**. The property is owned by a private investor features an older style industrial building in a multiple building complex. The building has a high clearance section with a 10-tonne travelling gantry crane and a 2,100 m<sup>2</sup> hardstand area. Port Melbourne is located about 5 km south-west of Melbourne's CBD.



### 317 Abbots Road, Dandenong, VIC 3175

*Nelson Global Products Australia* will relocate its operations from Scoresby in order to expand its business in the truck industry. The company secured a **5-year lease with options** with landlord *Zaden* at a **net annual rent of \$70 psm**. The industrial facility has an internal area of 5,285 m<sup>2</sup>. Dandenong is located around 31.3 km south-east of the Melbourne CBD.

### 344 Lorimer Street, Port Melbourne, VIC 3207

*DEXUS Property* and *Charter Hall* has signed *Australia Fusion Corporation* to a lease for a 1,570 m<sup>2</sup> office and warehouse property. The company will pay a **gross annual rent of around \$220 psm** on a **5-year term with options**. Port Melbourne is located about 5 km south-west of Melbourne's CBD.



### 866 Cooper Street, Somerton, VIC 3062

*BKS Centre* has leased a 1,818 m<sup>2</sup> property for **5-years** at a **net annual rent of \$95 psm**. The property features a showroom and warehouse. Somerton is located about 19.9 km north of the Melbourne CBD.



### 23 Lionel Road, Mount Waverley, VIC 3149

*Kuga Australia* has agreed to lease a 1,742 m<sup>2</sup> warehouse for a net annual rent of \$160,000. The property occupies a 3,400 m<sup>2</sup> site. The lease reflects a **rate of \$47 psm**. Mount Waverley is located about 18.1 km south-west of the Melbourne CBD.



### Dandenong, VIC 3175

*Natural Flooring Concepts* has leased a 1,913 m<sup>2</sup> office/warehouse for **5-years with options**. The **net annual rent is \$80 psm**. The landlord is *Equaland*. Dandenong is located about 31.3 km north-west of Melbourne's CBD.

### 1 Newman Street, Preston, VIC 3072

*Vintage Garage* is paying a net annual rent of \$95,000 for a 1,300 m<sup>2</sup> warehouse. The retailer will occupy the 2,000 m<sup>2</sup> site for **5-years**. The property features multiple roller-door access, parking and a storage yard. The lease reflects a **rate of \$73 psm**. Preston is located about 9.8 km north-east of Melbourne's CBD.

### 2/8 Vulcan Drive, Truganina, VIC 3029

*Skyzer Technologies* will occupy a 4,011 m<sup>2</sup> office/warehouse from landlord *151 Property* on a **5-year lease**. The new facility has a high-clearance warehouse, 50-metre hardstand, three roller shutter doors, two recessed loading docks and 200 m<sup>2</sup> of office space. There are also 27 car spaces. The **annual rent is \$77 psm**.



## RESIDENTIAL MARKET

### Economic Statistics

Building Approvals statistics from the Australian Bureau of Statistics indicate that total approvals over the month to March 2017 declined by -3.02%, from 4,708 approvals in February to 4,566 approvals in March. Over the twelve months to March, approvals had dropped by -3.85%, from March 2016's total approval of 4,749.

When we look at building approvals for houses, we note that there was a month-on-month increase of 9.70% from to March's figure of 2,352. However, when we compare this to March 2016's figure, total approvals for the construction of houses had declined by -6.33%.

Building approvals for dwellings excluding houses had declined by -13.65% over the month to March 2017, with the figure currently standing at 2,214 approvals. Comparing this to twelve months prior, a decline of -1.07% was recorded when we compare this to March 2016's figure of 2,238.

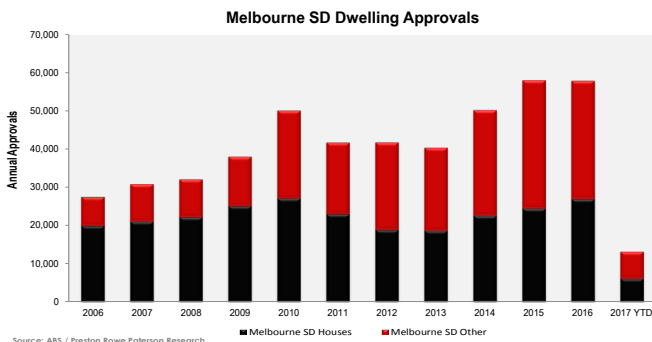


Chart 15 —Melbourne SD Dwelling Approvals—Source ABS

## MELBOURNE

### Market Affordability

The Real Estate Institute of Australia (REIA)'s December Quarter report indicate that there was a quarterly increase of 5.0% in house prices in Melbourne, with median house prices increasing to \$770,000. Annual change was recorded at 9.5% from the figures recorded in December 2016. Over the quarter, Outer Melbourne recorded the largest increase, with a rise of 5.8% in prices to bring median house prices in this region up to \$605,500. There were 5,732 transactions recorded over the period, with sale prices ranging from \$455,000 to \$768,000. The annual change for this zone was recorded at 10.6%.

Inner Melbourne's house prices recorded the next largest increase of 4.6% over the quarter, bringing their median house price up to \$1,405,000. There were 2,333 houses sold during this period, with sale prices ranging from \$1,047,000 to \$1,995,000. Over the year, annual increase in house prices in Inner Melbourne was recorded at 11.6%.

Middle Melbourne's house prices increased by 4.3% over the quarter, bringing median house price for the zone up to \$900,500. There were 4,062 transactions that were recorded over the period, with sale prices ranging from \$644,000 to \$1,274,000. Over the year, Middle Melbourne recorded an annual change in their median house price of 8.1%.

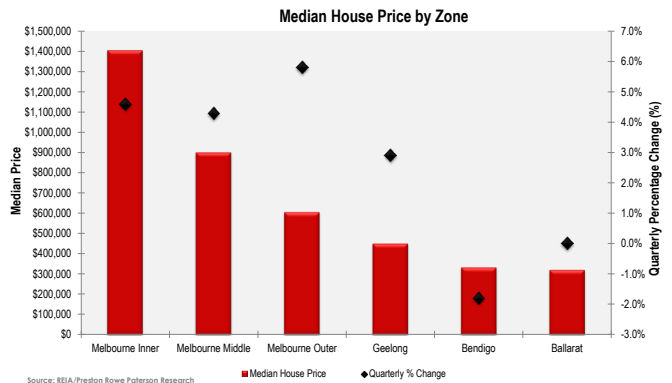


Chart 16 – Median House Price by Zone – Source REIA

When we look at other dwellings in Melbourne, quarterly change was recorded at 3.0% to bring median price up to \$563,500. Annual change, however, was recorded at a slightly higher 4.4%. Middle Melbourne recorded the largest increase over the quarter, with a 6.0% rise and bringing median price to \$623,000. There were 2,007 sales recorded over the period, with sale prices ranging from \$448,500 to \$826,500. Over the year, annual increase was recorded at 5.3% for prices of other dwellings in Middle Melbourne.

Outer Melbourne recorded the second largest rise, with a quarterly increase of 3.6%, to bring median price up to \$457,000. There were 1,076 sales reported over the period, with prices ranging from \$355,500 to \$591,500. Over the year, annual change was recorded at 7.9%.

Inner Melbourne experienced an lower than average increase of 2.4% over the December quarter, with the median price of other dwellings in this

Zone increasing to \$585,500. There were 2,598 transactions recorded in this zone, with sale prices ranging from \$431,500 to \$793,500. Over the year, an annual change of 3.5%.

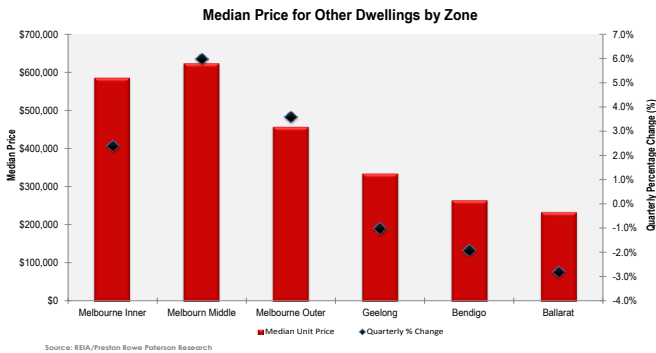


Chart 17 – Median Price for Other Dwellings by Zone – Source - REIA

### Rental Market

Over the December quarter, Melbourne houses recorded predominantly positive increases in their weekly rents. Houses in Middle Melbourne performed the strongest, with 2, 3 and 4 bedroom dwellings all recording positive rental growth. 2 bedroom house rents increased by 1.2% to a weekly rent of \$425. 3 and 4 bedroom houses all recorded similar growths, of 2.1% and 3.8% respectively, to bring their respective weekly rent up to \$480 and \$623.

Inner Melbourne experienced different changes in their weekly rent. 2 bedroom houses in this zone recorded no change in their weekly rent, remaining at \$550 per week. 3 and 4 bedroom houses experienced a respective increase of 2.9% and 7.0%, bringing their respective weekly rent up to \$720 and \$920.

Outer Melbourne experienced no change in their weekly rent. 2 bedroom house rent remained unchanged at \$320 per week, whilst 3 and 4 bedroom houses remained at \$350 and \$400 per week, respectively.

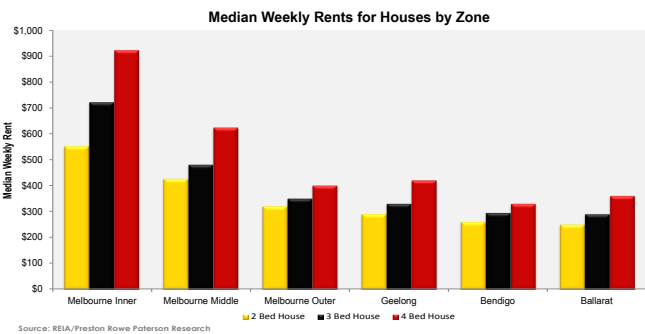


Chart 18— Median Weekly Rents for Houses by Zone – Source - REIA

Other dwellings in Melbourne experienced mixed changes in their rental growths. When we look at Inner Melbourne, quarterly change of 2.8% was recorded in median weekly rent of 1 bedroom dwellings, bringing it up to \$370. 2 and 3 bedroom dwellings recorded no change, with median rent per week remaining at \$500 and \$730, respectively.

Middle Melbourne experienced varied changes in their weekly rental income from other dwellings. 2 bedroom dwellings experienced a rise of 1.3%, to bring median weekly rent up to \$395. No change was recorded in 1 bedroom dwellings, with weekly rent remaining at \$300. In contrast, 3 bedroom dwellings recorded a decline of 1.0% in their weekly rent, dropping to \$495.

Outer Melbourne’s 1 and 2 bedroom dwellings recorded no changes in their median weekly rent, remaining at \$250 and \$320 per week, respectively. 3 bedroom dwellings recorded a decline of 1.4% over the quarter, with median weekly rent declining to \$360.

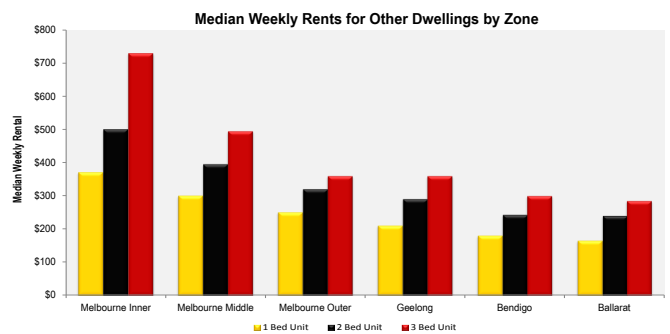


Chart 19 - Median Weekly Rents for Other Dwellings by Zone – Source - REIA

## **GEELONG**



### **Market Affordability**

Over the December quarter, the median house price in Geelong increased by 2.9% to \$450,000. This figure represents a 5.9% increase from the December quarter of 2016. When we look at the median price of other dwellings in Geelong, we note that there has been a decline of -1.0% over the quarter, bringing median price down to \$335,000. However, annual change remained stagnant over the year.

### **Rental Market**

Geelong's 2 and 4 bedroom houses experienced a 1.8% and 2.4% increase in their weekly rent, bringing median rent per week to \$290 and \$420, respectively. 3 bedroom houses in Geelong experienced no change in their weekly rent, remaining at \$330 per week through the December quarter. Other dwellings in Geelong performed strongly when it comes to rental growth, with 1, 2 and 3 bedroom dwellings experiencing a respective increase of 5.0%, 3.6% and 5.9%. Weekly rent for 1 bedroom dwellings increased to \$210, whilst 2 and 3 bedroom dwellings' rent increased to \$290 and \$360.

## **BENDIGO**



### **Market Affordability**

Bendigo's median house price declined by -1.8% over the December quarter, down to \$332,500. Other dwellings in Bendigo experienced a similar decline, of -1.9%, to bringing dwelling price down to \$265,000.

### **Rental Market**

Bendigo's 2 and 3 bedroom houses experienced an increase of 4.0% and 3.5% in their house rent. 2 bedroom house rent increased to \$260 per week, whilst 3 bedroom house rent increased to \$295. 4 bedroom house rent remained unchanged at \$330.

When we look at other dwellings in Bendigo, only 2 bedroom dwellings recorded a positive growth, of 1.3%, to bring weekly rent up to \$243. 1 bedroom and 3 bedroom house rents remained unchanged, at \$180 and \$300 per week, respectively.

## **BALLARAT**



### **Market Affordability**

Ballarat's median house price remained unchanged over the December quarter, at \$320,000. In contrast, a decline of -2.8% was recorded in other dwellings in this area, with median price declining to \$234,000.

### **Rental Market**

Ballarat's 2 and 4 bedroom houses both recorded a quarterly rental income increase of 2.9%, to bring their respective weekly rent up to \$250 and \$360. 3 bedroom weekly rent remained unchanged over the period, remaining at \$290.

When we look at other dwellings in Ballarat, 2 and 3 bedroom dwellings recorded positive growths of 2.1% and 3.6%, respectively. Their median weekly income increased to \$240 and \$285, respectively. Ballarat's 1 bedroom dwellings' weekly rent remained unchanged over the quarter, remaining at \$165.

## SPECIALIZED PROPERTY MARKET

### Investment Activity

Preston Rowe Paterson Research recorded the following specialized property transactions that occurred in Victoria during the March Quarter 2017:

#### 425-427 Canterbury Road, Vermont, VIC 3133

A childcare centre leased to *Goodstart Early Learning* has sold to a local private investor for **\$7 million**. The 827 m<sup>2</sup> purpose-built facility has 120 child places. The sale of the 2,494 m<sup>2</sup> property reflects a **5.48% yield** and a **rate of \$58,333 per placement**. Vermont is located about 21.1 km east of Melbourne's CBD.



#### 183-191 Caroline Springs Boulevard, Caroline Springs, VIC 3023

Intaj Khan has sold a vacant Caroline Springs school site to the *Australian International Academy* for **\$12 million**. The buyer of the 1.25-hectare site operates an Islamic school on the neighbouring site. The sale reflects a **rate of \$960 psm**. Caroline Springs is located around 23.3 km north-west of the Melbourne CBD.

## HOTEL & LEISURE

### Investment Activity

Preston Rowe Paterson Research recorded the following hotel/leisure property transactions that occurred in Victoria during the March Quarter 2017:

#### 433-439 Collins Street, Melbourne, VIC 3000

*Daisho* has paid **\$220 million** for the hotel component of *Cbus Property's* Collins Street development. The hotel will be 294 rooms across 15 levels. The \$1.25 billion mixed-use project includes two towers linked by a skybridge. There will also be 205-apartments and 49,000 m<sup>2</sup> of office space. The hotel will be operated as a **W Hotel**. The sale reflects a **rate of \$748,299 per room**.

#### Gheringhap & Myers Streets, Geelong, VIC 3220

*Kildair Hotels Group* has sold the **Mercure Hotel** to *Event Hospitality and Entertainment* for **around \$25 million**. The four-star hotel was constructed in 1971 and has 138 guest rooms. The property will be rebranded to be a **Rydes Hotel** after a major renovation which is expected to involve the redevelopment of the car parking. The hotel also features a casual brasserie restaurant, a lounge bar, an outdoor pool and a gym. The sale reflects a **rate of \$181,159 per room**.



#### 99 Tanti Avenue, Mornington, VIC 3931

Peter Gillon has sold the **Best Western** hotel to local owner-operators for **around \$9 million**. The 4-star, 53-room **Best Western Plus Brooklands of Mornington** has a restaurant, an indoor pool, a fitness centre, a cocktail lounge, as well as a business centre and meeting facilities. The sale reflects a **rate of \$169,811 psm**. Mornington is located around 53.6 km south-east of the Melbourne CBD.



#### 2 Convention Centre Place, Melbourne, VIC 3000

*Plenary Group* has sold the 13-level, 396-room **Hilton Melbourne South Wharf** to *UOL Group* for **\$230 million**. The 30,688 m<sup>2</sup> hotel will be rebranded as the **Pan Pacific Melbourne**. The chic hotel features a restaurant, bar and café, as well as meeting rooms, a spa and parking. The sale reflects a **rate of \$580,808 per room**.







### **85 Camberwell Road, Hawthorn, VIC 3123**

A 4.5-star luxury service apartment building has sold to an offshore developer for **\$15 million** on a **net yield of 4.7%**. The building has 18 apartments, retail shops and 22 car spaces. The 950 m2 corner site is fully leased for a net annual rent of \$705,356 to *Camberwell Serviced Apartments* and *Monolith International*. The sale reflects a **rate of \$15,789 psm**. Hawthorn is located around 7.8 km east of the Melbourne CBD.

## **REGIONAL MARKET**

Preston Rowe Paterson Research recorded the following significant sales transactions that occurred in regional Victoria during the three months to March 2017:

### **Penshurst, VIC 3289**

Michael Hintze has purchased a farming property known as **Cheviot Hills** for **over \$10 million**. The farm occupies around 1,951-hectares of space. **Cheviot Hills** features a renovated 4- bedroom bluestone homestead as well as a 3-bedroom cottage adjoining the homestead. The property has both cattle and sheep with a carrying capacity of approximately 30,000 Dry Sheep Equivalents. There is laneway system, fencing, stock water facilities, an eight-stand woolshed and extensive rural shedding. The sale reflects a **rate of more than \$5,126 per hectare**. Penshurst is located around 272 km west of Melbourne's CBD.

### **Diggers Rest-Coimadai Road, Toolern Vale, VIC 3337**

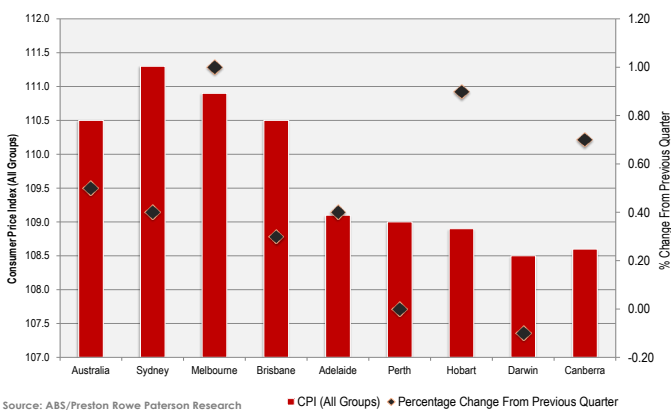
Sir Donald Trescowthick and his wife Norma have sold **Cornwall Park** to a local investor for between **\$3 million and \$4 million**. The 279-hectare land holding was a former thoroughbred stud farm. The property features a large homestead built in 1897 and significant original stud infrastructure including five residences, an office building, 90 horse boxes, eight stallion boxes, serving barn, round yards and machinery sheds. There is currently a month-to-month lease on the property for agistment purposes. Toolern Vale is located around 44.8 km north-west of Melbourne's CBD.

## 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 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.



Source: ABS/Preston Rowe Paterson Research

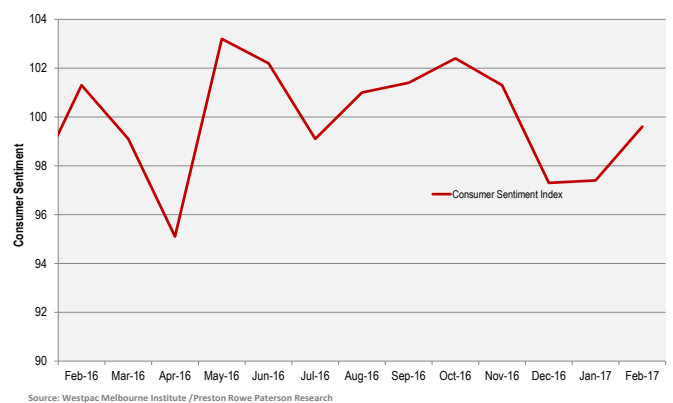
Chart 20—All Group CPI (Capital Cities) and Percentage Change from December 2016 to March 2017—Source—ABS

### 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.



Source: Westpac Melbourne Institute / Preston Rowe Paterson Research

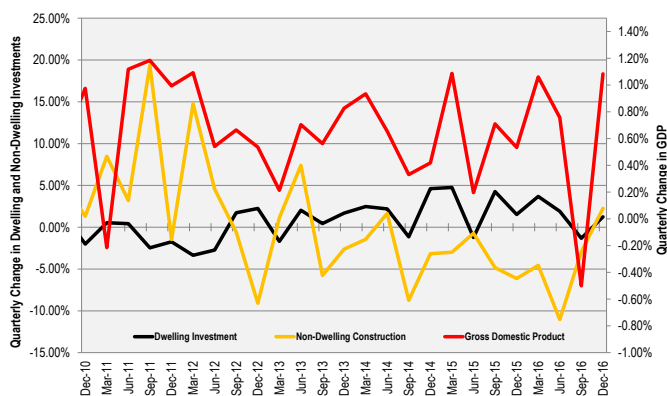
Chart 21—Consumer Sentiment Index, February 2016 to February 2017—Source—Westpac Melbourne Institute Survey

## 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%.



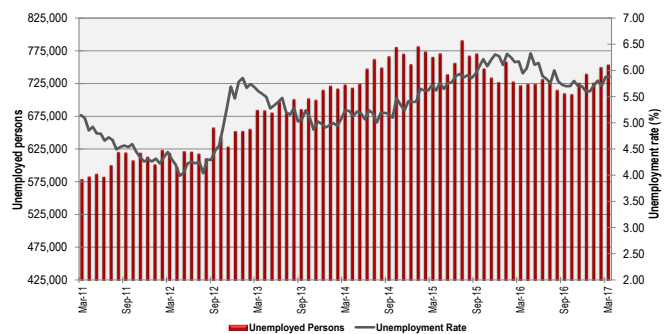
Source: RBA /Preston Rowe Paterson Research

Chart 22— 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%.



Source: ABS/Preston Rowe Paterson Research

Chart 23— 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 2— 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.

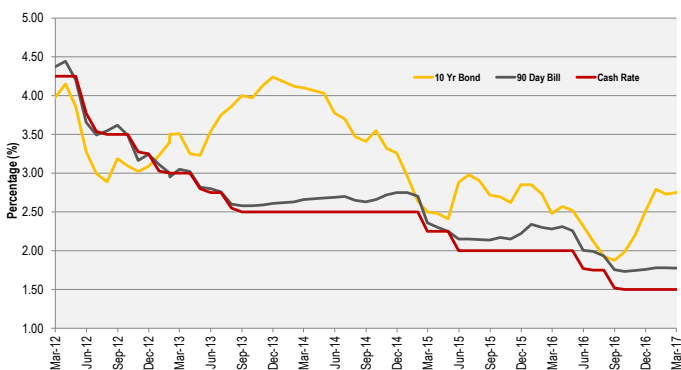


Chart 24— Monthly movement of 90-day Bill, 10-year bond yields and Cash rate, from March 2012 to March 2017— Source: RBA

### 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.

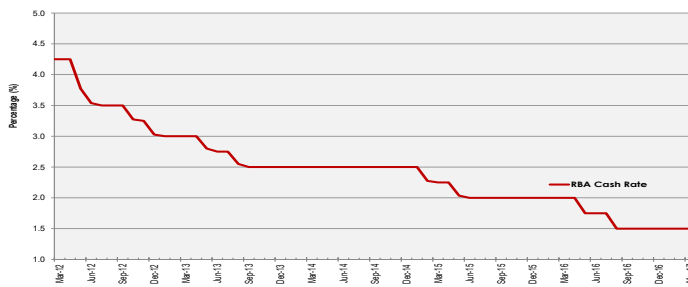


Chart 25— Movement of the Cash Rate from March 2012 to March 2017— Source: RBA

### 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.

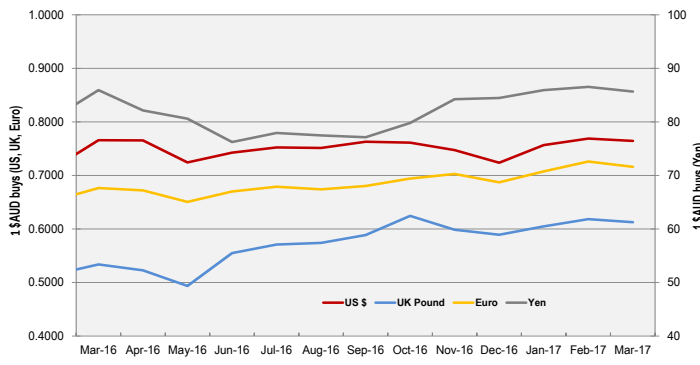


Chart 26— Movement in Exchange Rate over the year to March 2016— Source: RBA

## 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

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- ◆ Hong Kong
- ◆ Japan
- ◆ Philippines
- ◆ Thailand

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# We have *property* covered

Investment. Development. Asset. Corporate Real Estate. Mortgage.  
Government. Insurance. Occupancy. Sustainability. Research.

Preston Rowe Paterson offices throughout Australia and New Zealand

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