



Preston  
*Rowe*  
Paterson

®  
National Property Consultants

# Property Market Report

## Victoria

### 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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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 2014

#### INSIDE THIS ISSUE:

Economic Fundamentals	2
Melbourne CBD Office Market	4
East Melbourne Office Market	6
Southbank Office Market	7
St Kilda Road Office Market	8
Retail Market	10
Industrial Market	11
Residential Market	12
Hotel/Leisure Market	14
Regional Market	14
About Preston Rowe Paterson	15
Contact Us	17



Phone: +61 2 9292 7400

Fax: +61 2 9292 7404

Address: Level 14, Kent Street Sydney NSW 2000

Email: [research@prpsydney.com.au](mailto:research@prpsydney.com.au)

Follow us: Visit [www.prpsydney.com.au](http://www.prpsydney.com.au) to follow us

© Copyright Preston Rowe Paterson Australasia Pty Limited

# Economic Fundamentals

## GDP

According to the Australian Bureau of Statistics, the Australian economy recorded a quarterly growth of 0.3% seasonally adjusted which reflect a growth of 2.7% seasonally adjusted over the twelve months to September 2014.

The main contributors to expenditure on GDP were Net exports which increase by 0.8% and Final consumption expenditure increased by 0.4%.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were the Mining services which increased by 9.5%, Accommodation and food services which increased by 8.6% and Financial and insurance services up by 6.1%.

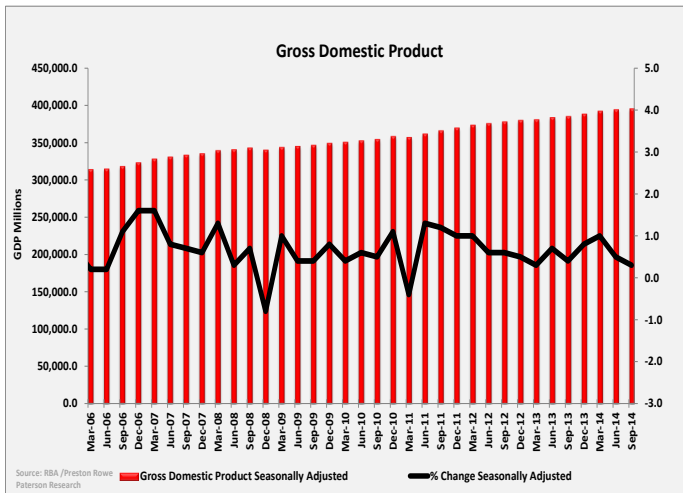


Chart 1 – Gross Domestic Product (GDP) – Source ABS

## Labour force

Over the month to September 2014, the number of unemployed people increased by 11,027 from 735,530 in August to 746,557 in September which is a 1.50% increase. In comparison to September 2013, the number of unemployed people has increased by 52,306 which reflected a percentage increase of 7.53%. The unemployment rate is 6.1%.

The number of employment over the month to September 2014 recorded a decrease of 29,700 persons from 11,622,200 in August to 11,592,500 in September. In comparison to September 2013, employment in Australia recorded growth of 126,130 reflecting a percentage increase of 1.1%.

New South Wales experienced a large absolute decrease in seasonally adjusted employment by 4,100 persons. The unemployment status in New South Wales over the September Quarter increase by 0.1% to 5.8%.

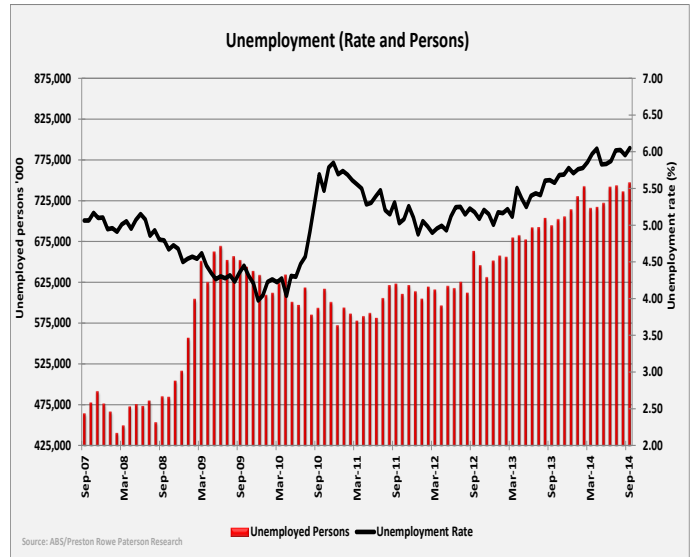


Chart 2 – Unemployment – Source ABS

## Interest Rates

As at the date of publishing, the official Cash Rate over the September quarter 2014 remained unchanged at 2.50%. The Reserve Bank of Australia's Media Release for October 2014, released 7th October 2014 explained that;

*"In Australia, most data are consistent with moderate growth in the economy. Resources sector investment spending is starting to decline significantly, while some other areas of private demand are seeing expansion, at varying rates. Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend for the next several quarters."*

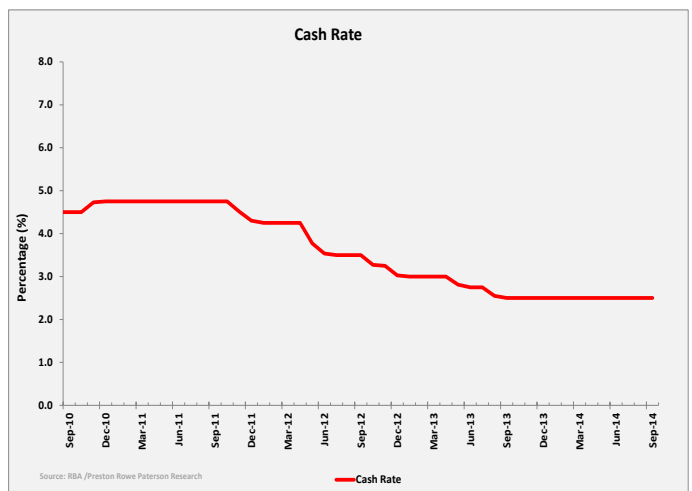


Chart 3 – Cash Rate—Source—RBA

## CPI

According to the Australian Bureau of Statistics (September 2014), the Australia's All Groups CPI increased by 0.5% over the September quarter from 105.9 to 106.4. The annual CPI change to September 2014 recorded a growth of 2.3%.

The most significant price rises over the September quarter were for fruit (+14.7%), property rates and changes (6.3%). The greatest price fall over the September quarter was attributed to electricity (-5.1%) and automotive fuel (-2.5%).

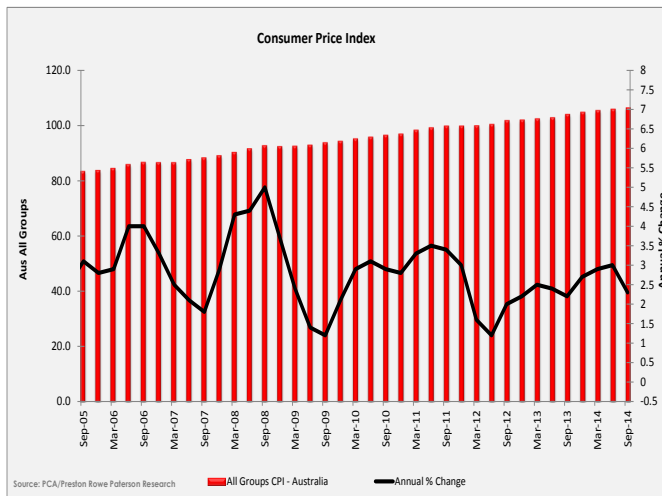


Chart 4- Consumer Price Index—Source—ABS

## Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 4.6% in September from 98.5 index points in August to 94 index points in September. Over the quarter the index has increased by 0.8 points. Over the twelve months to September the index declined by 16.6 index points, reflecting a decline of 15.01%.

The Index has fell below the June quarter's recovery and is expected to continue to do so. Westpac's Chief Economist, Bill Evans stated; "This is a surprising and disappointing result...From June to August the Index had lifted by 5.9% to find it only 1.3% below the pre-Budget level. The Index is now 5.8% below the pre-budget level and only 1.1% above the post-Budget print".

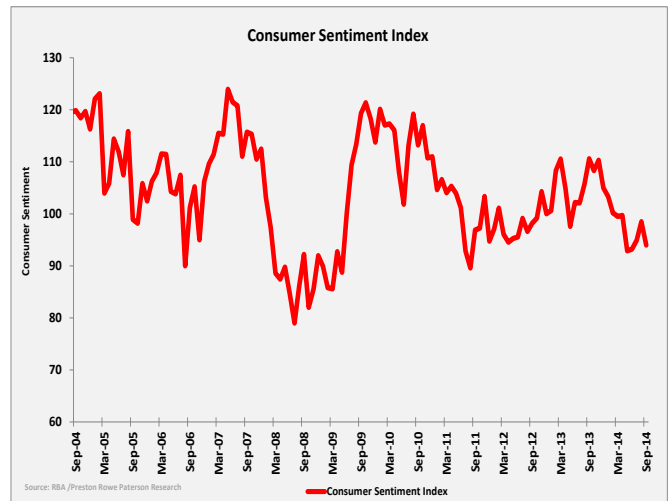


Chart 5 - Consumer Sentiment Index—Source—Westpac Melbourne



## Commercial Office Market

### Melbourne CBD



#### Investment Activity

Preston Rowe Paterson Research recorded a number of reported sales transactions that occurred in the Melbourne CBD Office Market during the three months to September 2014.

#### 321 Exhibition Street, Melbourne, VIC 3000

Invesco has purchased Cromwell Property Group's 321 Exhibition Street, Melbourne. The sale price of the A-grade building was a 9.4% premium to the building's most recent independent valuation, and it also represented an investment yield of under 7%. The 22 level tower comprises 30,0198 sqm of net lettable area over 18 upper levels, ground and lower ground, with a single level of basement car parking. There's a small retail component on the ground floor totalling 391 sqm. The property, entirely occupied by Origin Energy on a 10 year lease, underwent an extensive refurbishment in 2011 which brought the building a state of the art gas fired tri-generation plant and a 5.5 star Green Star rating.



#### 382 Elizabeth Street, Melbourne VIC 3000

A local developer has sold a 3 storey retail, office and residential mix building for \$7.68 million. The passing yield was 7.6% and the property is located opposite the Melbourne Central station, State Library of Victoria and next to RMIT University.

#### 13-21 Bedford Street, North Melbourne, VIC 3000

A 2,219 sqm office building in North Melbourne has sold for a record price of \$13.2 million to an offshore Chinese investor. The property sold for \$13.2 million reflecting a rate of approximately \$5,949 psm. The price was 32% more than the reserve set by the vendor. The building is currently 52% leased to 6 tenants. At the auction there were 11 expressions of interest with the top 3 buyers all based offshore.

#### 22 William Street, Melbourne, VIC 3000

A Melbourne investor has sold Swann House in Melbourne's CBD. The 7,000 sqm, 10 storey building with Greek revival detailing comprises 14 commercial strata lots and is currently 90% leased, reflecting a net rental income of \$1.33 million or \$1.46 million on a fully let basis. A Melbourne based Chinese group purchased the property for \$22.6 million displaying a rate of approximately \$3,229 psm.

#### 459 Little Collins Street, Melbourne, VIC 3000

A private investor has purchased a 16 level Melbourne CBD tower from The Uniting Church. The property sold for **\$45.5 million** on a **7.8% yield**. The tower comprises 10,000 sqm of space reflecting a **rate of approximately \$4,550 psm**.

#### 40 Market Street, Melbourne, VIC 3000

Melbourne central business district tower has been sold by DEXUS Property Group for around **\$105 million**, more than double what the group paid for the asset less than two years ago. The property was purchased by MTAA Super, led by Darren Steinberg on a **cap rate of around 6.25%**. No further details were released.

#### Leasing Activity

Preston Rowe Paterson Research recorded few notable leasing transactions that occurred in the Melbourne CBD Office Market during the three months to September 2014;

#### 90 Collins Street, Melbourne, VIC 3000

Family owned broker Whitbread Insurance have secured a 1,500 sqm office facility in the eastern end of Melbourne's CBD. The group will move into the Mirvac owned tower at 90 Collins Street for an initial term of 10 years, paying around \$450 psm. The lease is for a quite occupying the entire of level 5 and part of level 6 out of the 22 storey building.



#### Development Sites

According to the Property Council of Australia (PCA)'s Office Market Report July 2014, a new development is expected for completion early in the year of 2015 in Melbourne.



The **City West Police Complex** site at Docklands which will comprise of 29,400 sqm of office space and is situated at **313 Spencer Street**. The new development owned by CBUS Property in joint venture with Invesco will consist of 10 office levels with an average floor plate size of 2,000 sqm and 300 car spaces. The property is detailed to be an A grade office with Green Star 5 Star as-built rating and NABERS 4.5 Star energy rating.

### Supply by Grade (Stock)

The PCA Office Market Report July 2014 recorded that in the six months to July 2014, there was a new supply of 30,534 sqm of new supply which entered the Melbourne market which was offset by 5,894 sqm of withdrawals, resulting in a growth of 0.75% of the total Melbourne CBD Commercial Office market to 4,327,508 sqm.

A Grade office stock dominates the Melbourne CBD market accounting for 47.8% of total stock with 20,755 sqm of the supply additions. Followed by B Grade stock with 9,779 sqm of supply and 4,000 sqm of withdrawals reflecting 21.2% of total stock. C Grade office space accounted 1,894 sqm of withdrawal and comprises 13% of the total Melbourne CBD office market.

Premium Grade and D Grade office space did not record any supply additions or withdrawals in the six months to July 2014 therefore remained unchanged at 655,103 sqm and 121,152 sqm respectively.

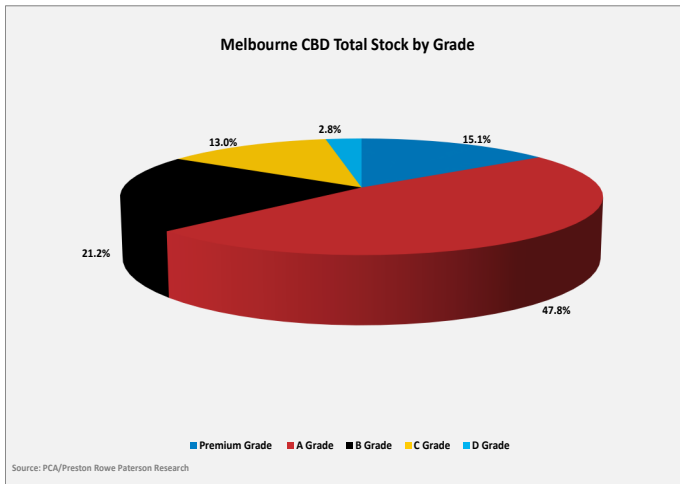


Chart 6 – Melbourne CBD Total Stock by Grade – Source PCA

### Net Absorption

The Melbourne CBD office market recorded a total net absorption of 33,803 sqm in the twelve months to September 2014. All grades of office space, with the exception of B and C Grade which increased in net absorption to 742 sqm and 8,741 sqm respectively, recorded a decrease in net absorption in the six months to July 2014. A Grade reflected the highest growth in net absorption at 14,331 sqm, followed by Premium Grade office at 5,577 sqm and D Grade recorded net absorptions of -100 sqm.

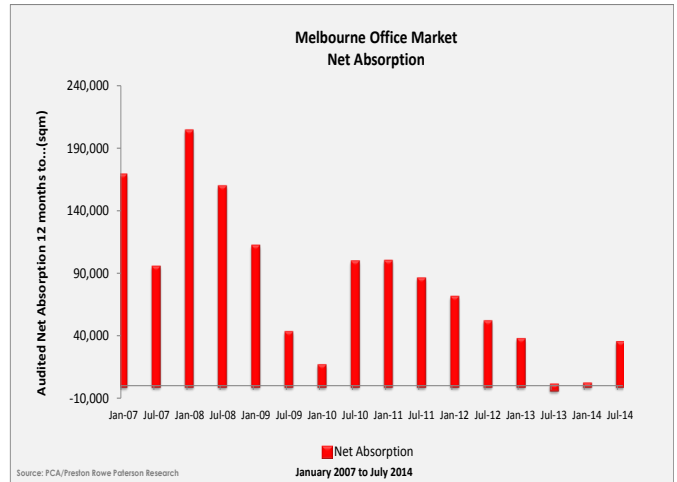


Chart 7 – Melbourne CBD Office Net Absorption - Source PCA

### Total Vacancy

In regard to vacancy, the Melbourne CBD office market recorded a decrease of 0.2% to 8.5% as at July 2014. Sub-lease vacancy accounted for 0.8% of the total and direct vacancy was 7.8%. The tightening in vacancy reflects an increase in vacant stock of 4,651 sqm, with 336,154 sqm attributed to direct vacancy and 33,067 sqm to sub-lease vacancy.

Premium Grade office space recorded 47,010 sqm of vacant stock reflecting a vacancy rate of 7.2%. A Grade total vacant stock had experienced an increase in vacancy at 113,465 sqm reflecting a rate of 6.6%.

B Grade office stock recorded the highest vacancy rate of 13.7% at 127,905 sqm of which the majority was direct vacancy, followed by C Grade's total vacancy rate of 9.7% at 54,662 sqm.

D Grade vacant stock recorded 3,565 sqm of vacancy which comprise of 2,993 sqm direct vacancy and 572 sqm of sub-lease vacancy.

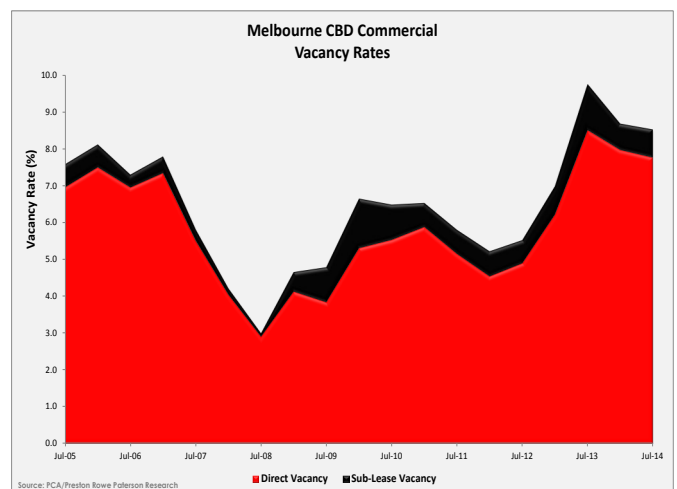


Chart 8 – Melbourne CBD Commercial Vacancy Rates – Source PCA

## East Melbourne CBD



### Supply by Grade (Stock)

The PCA's Office Market Report July 2014 noted that the total East Melbourne office market did not receive any additional supply in the six months to July 2014. Preston Rowe Paterson Research could not observe any additional office stock supply in the East Melbourne office market since January 2010, however, there was about 7,420 sqm of withdrawal in the six months to July 2014.

A Grade stock assumed 37.4% (68,772 sqm) of total office space in East Melbourne. B Grade stock was the most prominent at 47.9% (88,064 sqm), C Grade 9.9% (18,278 sqm) and D Grade assumed the least at 4.7% (8,667 sqm).

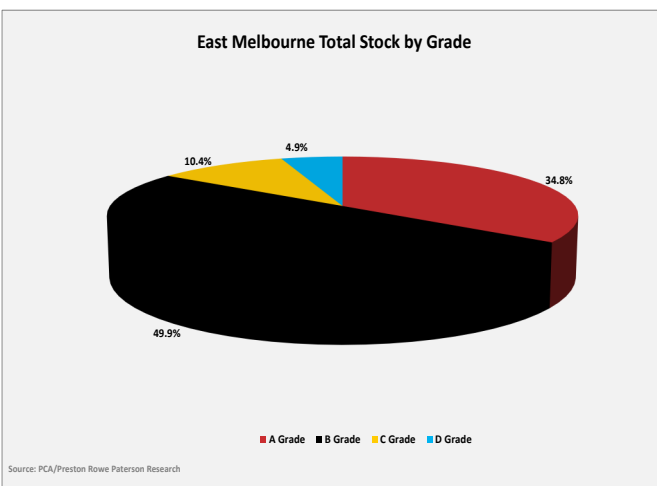


Chart 9 – East Melbourne Total Stock by Grade – Source PCA

### Net Absorption

The total East Melbourne office market recorded a negative absorption of 1,549 sqm in 12 months to July 2014. A Grade and B Grade office saw to a negative net absorption of 1,128 sqm and 217 sqm respectively in 6 months to July 2014. D Grade stock experienced a decrease in net absorption at 611 sqm and C Grade stock did not record any absorption.

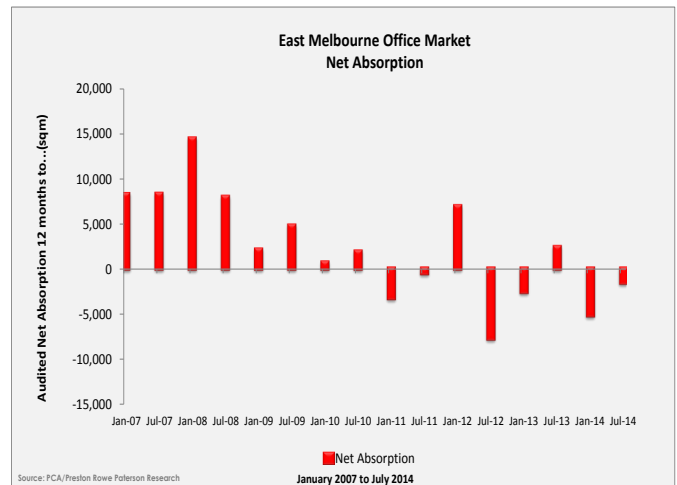


Chart 10 – East Melbourne Office Net Absorption – Source PCA

### Total Vacancy

According to PCA, as at July 2014 a 2.5% fall in total vacancy rate. East Melbourne's total office vacancy was 2.3% here were 4,039 sqm of total vacant space recorded in the past six months. All of which was attributed to direct vacancy.

A Grade office space recorded the largest decrease in vacancy as it fell by 8.9% to 2.6%. Followed by D Grade stock reporting a fall of 7% to 0.6% vacancy rate.

B Grade stock vacancy increased slightly by 0.2% to 2.7%. There were no recorded vacancies in C Grade office space since July 2007

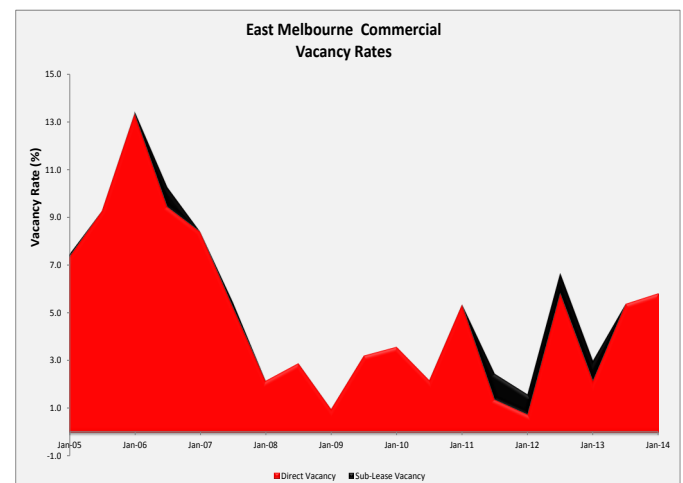


Chart 11 – East Melbourne Commercial Vacancy Rates – Source PCA

## Southbank

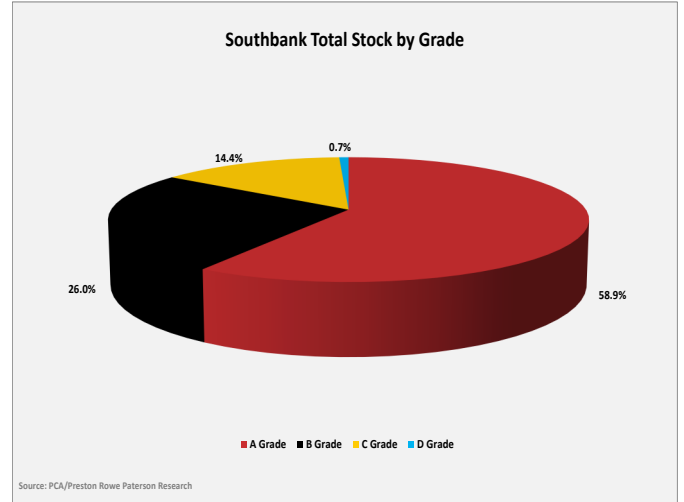


Chart 12 – Southbank Total Stock by Grade – Source PCA

## Leasing Activity

Preston Rowe Paterson Research recorded few notable leasing transactions that occurred in the Southbank Office Market during the three months to September 2014;

### 2 Riverside Quay, Southbank VIC 3006

**Price Waterhouse Cooper** (PwC) had secured a 17,200 sqm tenancy in a new **Mirvac** office tower in Melbourne. The 12 storey, A Grade office space is the Mirvac's Riverside Quay development. PwC signed a 12 year lease over 82% of net lettable area starting from January 2017.



## Net Absorption

Total market net absorption in the Southbank office market was recorded at -4,523 sqm over the six months to July 2014 whereas the 12 months net absorption amounted to -4,975 sqm. In the past 6 months, mixed results were recorded for market net absorption. A Grade and D Grade recorded a negative absorption of -5,229 sqm and -430 sqm respectively. B Grade and C Grade displayed 1,068 sqm and 68 sqm of net absorption.

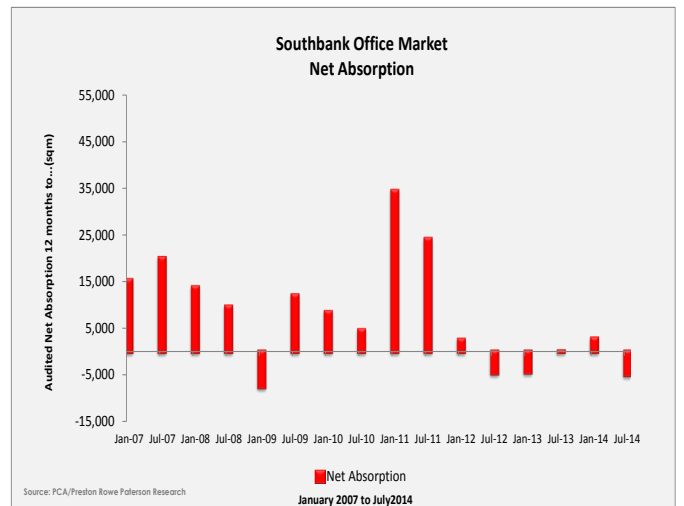


Chart 13 – Southbank Office Net Absorption – Source PCA

## Supply by Grade (Stock)

In the six months to July 2014, the PCA's Office Market Report July 2014 recorded that the total Southbank office market did not receive any additional supply. There was, however, approximately 5,103 sqm office space withdrawal from the market. The only grade recording a decrease in office space was C Grade. Other grades of office space supply remained unchanged in the six months to July 2014.

The office stock in Southbank is predominantly A Grade spaces at 248,819 sqm, followed by B Grade and C Grade stock at 109,656 sqm and 60,796 sqm respectively. There were only 3,082 sqm of D Grade office space in Southbank.

### Total Vacancy

The total office vacancy in Southbank had tightened by remained unchanged at 6.8% in the six months to July 2014. The direct vacancy assumed 5.1% and sublease vacancy was 1.6%.

Varied results were recorded across the four grades of office space. A Grade office recorded an increase of 2.1% to 4.9% vacancy. B Grade and C Grade office stocks both declined by 0.9% and 6.7% to total vacancy levels of 6.6% and 14.5 % respectively. For the first time since July 2011, D Grade vacancy rate increased to 14%.

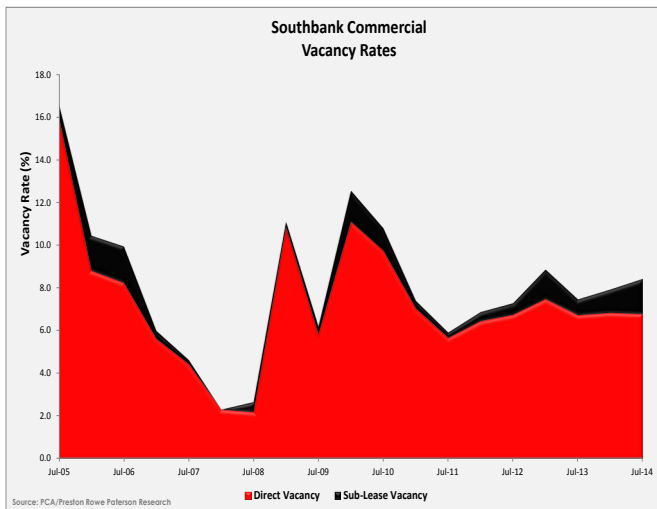


Chart 14 – Southbank Commercial Vacancy Rates – Source PCA

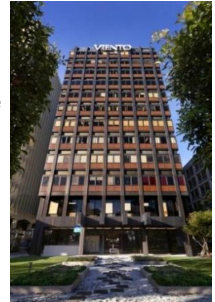
### **St Kilda Road**



### **Investment Activity**

Preston Rowe Paterson Research recorded a number of reported sales transactions that occurred in the Melbourne CBD Office Market during the three months to September 2014.

**11 Queens Road, Melbourne VIC 3004**  
**Vantage Point Investments** bought an 11-storey office building in the St Kilda Road office precinct for \$27 million on passing yield of 8.5%. The property consists of 8,806 sqm net lettable area and is 95% occupied. There are plans for refurbishment in the coming years.



### Supply by Grade (Stock)

According to the PCA Office Market Report July 2014, the St Kilda Road total office market recorded 1,058 sqm additional office space supply with no withdrawals in the six months to July 2014.

Total office stock in the St Kilda Road office market recorded a 0.14% growth to total office space of 737,476 sqm. A Grade office stock was the only category which recorded a growth at 0.43% to 245,325 sqm in the six months to July 2014. B Grade, C Grade and D Grade office space remained unchanged at 328,933 sqm, 157,594 sqm and 5,624 sqm respectively.



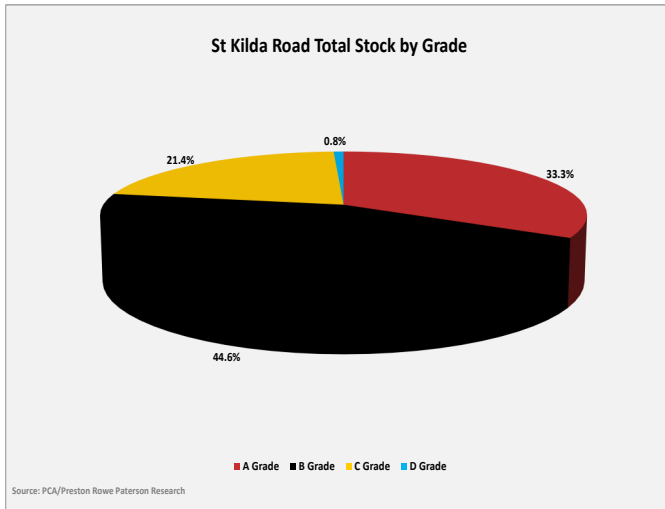


Chart 15 – St Kilda Road Total Stock by Grade – Source PCA

**Net Absorption**

Market net absorption in the St Kilda Road office market recorded a negative uptake of 2,546 sqm in the six months to July 2014.

Mixed results were produced in all grades of office market net absorption in the past 6 months.

A Grade absorbed the highest amount of floor space at 6,812 sqm, followed by C Grade at 1,643 sqm. Both B Grade and D Grade recorded negative absorption of 4,119 sqm and 410 sqm.

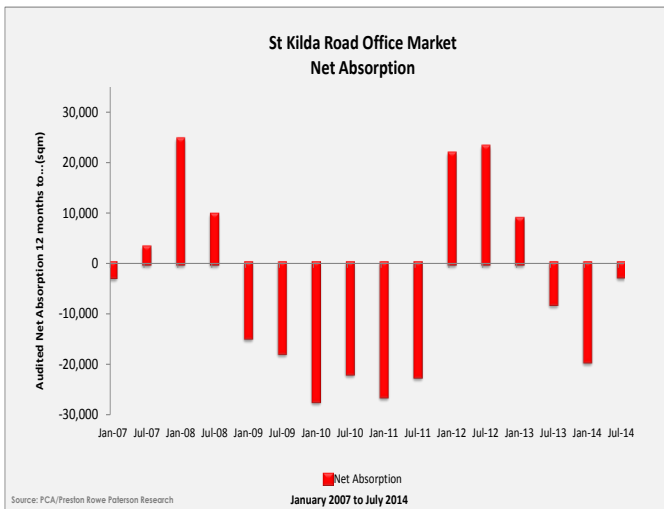


Chart 16 – St Kilda Road Office Net Absorption - PCA

**Total Vacancy**

The total vacancy in the St Kilda Road office market had tightened by 0.4% to 10.3% in the past six months to July 2014. The total vacancy comprises of 10.3% (81,142 sqm) direct vacancy and 0.7% (5,134 sqm) sublease vacancy.

Mixed results were observed in the office stock vacancies. A Grade office stock vacancy realised a tightening of 2.4% to 20,948 sqm. B Grade and D Grade office space recorded an increase in total vacancies at 11.9% and 7.3% respectively to 39,124 sqm and 410 sqm vacant space. C Grade office stock recorded 13.1% total vacancy at 20,660 sqm of vacant space.

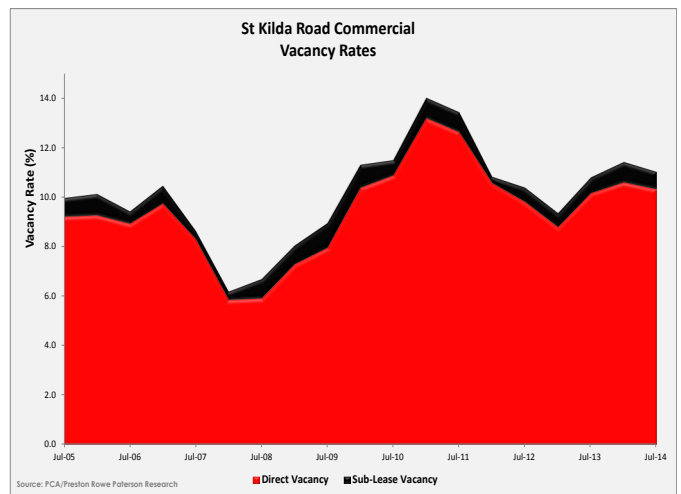


Chart 17 – St Kilda Road Commercial Vacancy Rates – Source PCA

## Retail Market

### Investment Activity

Preston Rowe Paterson Research recorded a number of retail transactions that occurred in Victoria during the September quarter 2014;

#### 559-569 Malvern Road, Toorak, VIC 3142

A Woolworths supermarket in Melbourne was sold for more than **\$12 million** at a **sharp yield below 3%**. The newly refurbished 1,610 m2 building sits on a 2,330 m2 site, reflecting a **building rate of \$7,453.42 psm**. The retail property in the Hawkesburn Village was offered for the first time in 30 years by a private investment company, it was sold with a secure lease to Woolworths. The property was sold with the remainder of the existing 20 year lease which commenced in October 1998, with 3 further 10 year options to Woolworths at \$390,000 pa.



#### 120 Bay Street, Port Melbourne, VIC 3207

The Goodlife Health Club in the Bianca Development in Port Melbourne has sold to a private investor for **\$8 million**. The investor acquired the property from another private investor in an off market transaction. The club tenant pays a net annual rent of \$687,000 for the 1,977 m2 first floor gym which also comprises 41 car parking spaces. The property sold on a **yield of 8.38%**. Port Melbourne is located 5km south-west of Melbourne's CBD.

### Economic Statistics

According to the Australian Bureau of Statistics category 8501.0 Retail Trade (September 2014), the retail turnover figures recorded in Victoria produced varied results. The total retail turnover in Victoria fell by 1.3% over the month of September 2014, with an annual retail turnover growth of 6.64% to turnover of \$5,890.1 million.

Over the month of September, mixed results were recorded across all retail industries, however, it was generally a positive turnover. Other retailing recorded the worst decline of 2.19% at \$806.8 million monthly turnover, followed by Clothing, footwear and personal accessory retailing declined by 1.84% at \$492.7 million.

The largest growth in retail turnover is the Household goods industry, rising by 5.20% to a monthly turnover of \$1,070.3 million. This was followed by Department stores, Cafes, restaurants and takeaway food services and Food retailing increasing by 2.65%, 2.25%, and 0.96% respectively to the monthly turnover of \$363 million, \$775.1 million and \$2,308.4 million respectively.



Chart 18 – Victoria Retail Turnover – Source ABS

Year on year analysis of the six retail industries revealed positive turnover results with all categories recording growth over the year except Clothing, footwear and personal accessories and Department stores which recorded a 7.86% and 2.27% fall respectively.

The most marked growth was in Cafes, restaurants and takeaway food services (17.59%), followed by Other retailing (8.39%), Food retailing (7.94) and Household goods (6.06%).

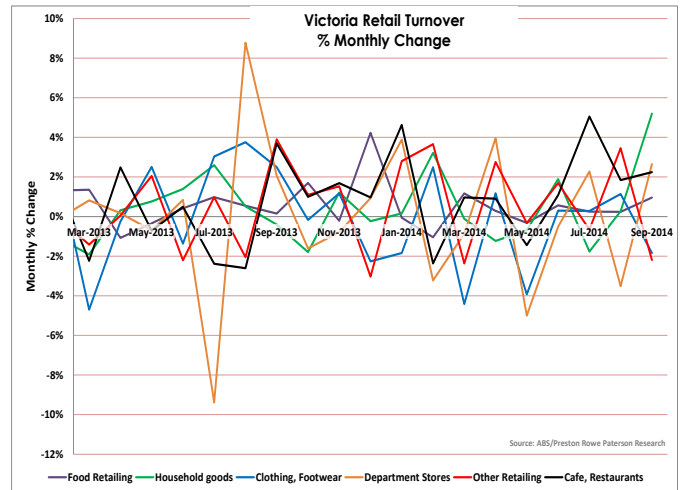


Chart 19 – Victoria Turnover % Monthly Change – Source ABS



## Industrial Market

### Investment Activity

Preston Rowe Paterson Research recorded a few number of sales transactions that occurred in the Melbourne Industrial Market, during the three months to September 2014;

#### 58-62 Calarco Drive, Derrimut VIC 3030

A syndicate bought the 10,243 sqm warehouse for over \$10 million on a yield of 8.3%. The property is fully leased to global groups **Carrier Transicold** and **ISS Facility Services** on long term leases.

#### 82 Taryn Drive, Epping VIC 3076 & 18-24 Ricketts Road, Mount Waverly VIC 3149

**Propertylink** had purchased two industrial sites in Victoria for \$23.54 million. There are plans to split the strata of the Mount Waverly 8,806 sqm site which consists of 50% office and 50% warehouse accommodation and has 82% occupancy. The Epping 10,500 sqm site is leased to tools manufacturer **Stanley Black & Decker**.

#### 69-75 Glenvale Crescent, Mulgrave VIC 3170

A private educational furniture company purchased an office warehouse and showroom complex for \$3.987 million. The property is 3,743 sqm on a 10,190 sqm of land and the new buyer will move in when the lease ends with the furniture supplier **LMI Concepts**.



The warehouse has a 7m clearance and the property has multiple access doors and a loading bay. The annual rent is \$300,000.

### Leasing Activity

Preston Rowe Paterson Research recorded a number of leasing transactions that occurred in the Melbourne Industrial Market during the three months to September 2014;

#### Lot 3, 170-174 Discovery Road, Dandenong South VIC 3175

Vacuum pump exporter **Emtivac Engineering** has signed to a 6 year lease to an annual rent of \$186,490 on the 4,395 sqm office and warehouse facility from **Sleigh Family Trust**. The site includes a 2,194 sqm warehouse with 5 on-grade roller doors, drive through capacity, provision for a crane and a two storey 248 sqm office with a 1,100 sqm yard. The property has not yet been completed.

#### 16 Melrose Drive, Tullamarine VIC 3043

US machinery group **Baileigh Industrial** have secured a 2,153 sqm warehouse on a 5 year lease at an annual rental of \$150,000 from a private investor linked with the **Port Phillip Estate Wineries**. The property is located near the Melbourne International Airport and features a high clearance warehouse backing to the Northern Ring Road.

#### Pound Road West Industrial Estate, Dandenong South VIC 3175

**DEXUS Property Group** leased the former L'Oreal distribution facility to **Reece Plumbing** on a \$2 million annual lease. The A Grade facility is 24,235 sqm is located in close proximity of the South Gippsland Freeway, Monash Freeway and Western Port Highway with access to Green Road and Eastlink.



#### 16-28 Transport Drive, Somerton VIC 3062

Logistics giant **Linfox** has signed for a 4-year lease renewal in Melbourne's northern industrial market. The annual rent is around \$1.54 million net plus GST for the 21,278 sqm logistics facility which is close to the Hume Highway.

#### 38-44 Bessemer Drive, Dandenong South VIC 3175

**Faiveley Transport** has moved from its Port Melbourne site to the **Dandenong Logis Eco-Industrial Park** for a 2,432 sqm site with an net annual rent of \$85 psm on a 5-year lease with options to extend. The industrial site includes a warehouse, two storey office and car parking. The property is close to the Eastlink Freeway.

#### 25 Darby Way, Dandenong South VIC 3175

Specialty tyre and wheel supplier **Trelleborg Wheel Systems Pty Ltd** has leased a new industrial facility for about \$80-\$90 psm initial rent on a 7 year term from a private investor. The property comprises of a 1,673 sqm of warehouse space, 277 sqm two storey office and four roller doors under canopy.

#### 71 East Derrimut Crescent, Derrimut VIC 3030

Road-sweeper and paver **RABS Group** has secured new premises four doors down from its current headquarters for an annual rental of \$122,000 plus GST and outgoings. The lease for the 1,530 sqm property will start in July on a 3 year term. The property is within a kilometre to all major freeways.

#### 31 Lakeside Avenue, Reservoir VIC 3073

**Railway Works** have secured new premises in Melbourne's north for an annual rent of \$84,000 for a 3 year term. The property is a two level building at 1,793 sqm, roller shutter doors, high ceilings and seven on-site car spaces.

#### 90-98 Woodlands Drive, Braeside, VIC 3195

**Zeev Kitchens**, a family owned kitchen business has leased a 5,500 m2 industrial site in Braeside, Melbourne. The company agreed to a **10 year lease** paying a net annual rent of \$215,000 reflecting a **rate \$39.09 psm**. The property is a 2,400 sqm, high clearance warehouse and a 400 m2 office as well as onsite parking. Braeside is located around 26km from Melbourne's CBD.

#### 59 Normanby Road, Notting Hill, VIC 3168

Event industry planner **Elite Systems Australia** has secured an industrial property on a **3 year term** with options to extend. Elite Systems will pay a net annual rent of \$180,000 for the 3,161 sqm facility. The building comprises an office and warehouse component situated on a 9,000 sqm site. The lease reflects an **annual rate of \$56.94 psm**. Notting Hill is located approximately 19km south-east from Melbourne's CBD.

## Residential Market

### Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals September 2014, the total number of house dwelling approvals in the Melbourne Statistical Division over the month has showed an decrease of 6.99% from 2,015 approvals in August to 1,876 approvals in September 2014. This has reflected growth of 17.84% when compared to house dwelling approvals in September 2014.

The total number of non-house dwelling approvals has decreased by 19.12% from 2,442 dwelling approvals in August to 1,975 dwelling approvals in September. Similarly the twelve months prior in September 2013 marked a decline of 22.15%.

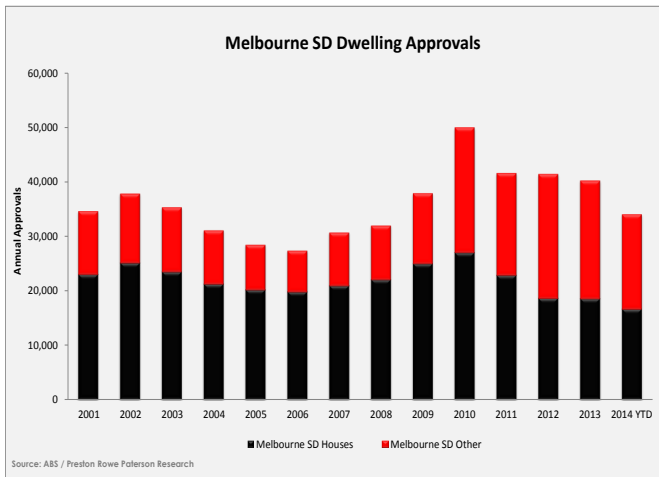


Chart 20 —Melbourne SD Dwelling Approvals—Source ABS

## MELBOURNE

### Market Affordability

According to the Real Estate Institute of Australia (REIA) the median house price in Melbourne grew by 3.3% to \$658,000 in the June quarter. All zones of Melbourne house prices recorded growth over the quarter with the most marked growth in Outer Melbourne with 2.3% to a median sale price of \$491,000. Middle Melbourne followed with 1.8% growth to a median sale price of \$720,000 and Inner Melbourne recorded growth of 1.3% to \$1,027,500. Geelong and Ballarat recorded growth over the quarter of 13.8% to \$292,500 sales price and 1.3% to 342,000 sales price respectively. Bendigo recorded a decrease of 0.4% to median sale price of \$410,000.

Over the twelve months to June 2014, the most marked growth in Victoria was experienced in Middle Melbourne at 15.8%, followed by Inner Melbourne, Outer Melbourne and Bendigo with growth of 12.1%, 10.4% and 7.9% respectively. Geelong and Ballarat experienced annual growth of 6.7% and 3.9% respectively.

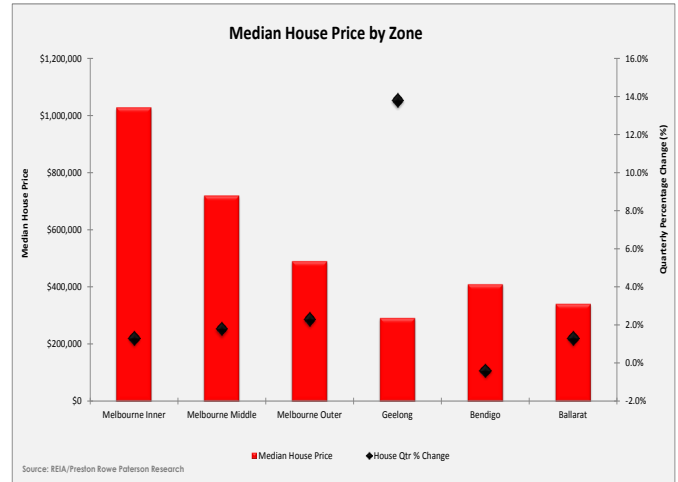


Chart 21 – Median House Price by Zone – Source REIA

Other Dwelling median sale prices revealed predominantly positive results over the June quarter, with the only declines attributed to Bendigo and Ballarat, with both zones declining by 6.5% and 8.5% to median sale prices of \$243,000 and \$228,500 respectively. Inner Melbourne experienced the most marked growth of 3.3% to median sale price of \$547,000. Middle and Outer Melbourne recorded quarterly growth of 3.1% and 1.2% to median sale prices of \$526,500 and \$392,000 respectively. Geelong median sales prices grew by 1.3% to \$320,000.

Year on year analysis of Victoria Other Dwellings revealed growth across all residential zones. Inner, Middle and Outer Melbourne zones experienced annual growth of 6%, 8.4% and 9.3% respectively. Geelong recorded annual growth of 2.7%, Bendigo increased by 2% and Ballarat sales grew by 6.2%.

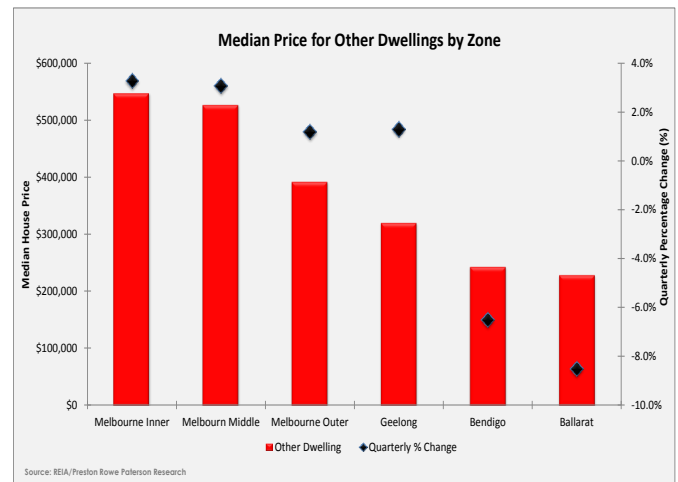


Chart 22 – Median Price for Other Dwellings by Zone – Source - REIA

## Rental Market

Over the June 2014 quarter, mixed results were recorded in the Victoria house rental market. The most marked growth was in Inner Melbourne 4 bedroom house increasing by 8.8% to median weekly rental of \$925. Inner Melbourne 2 bedroom and Middle Melbourne 3 bedroom house followed with growth to median weekly rental of \$543 (6.5%) and \$450 (2.3%) respectively. Outer Melbourne 2 bedroom house recorded a 1.7% to \$300 weekly median rent. The largest decline in rent were realised in Geelong's 4 bedroom house median rent of \$395 (-3.7%) and Ballarat 3 bedroom house median rent of \$273 (-2.5).

Year on year analysis of median house rents in Victoria revealed growth in all zones. Inner Melbourne 3 bedroom grew 38% to a weekly rent of \$675. Middle Melbourne 2 and 4 bedroom annual growth of 1.3% (\$395) and 4.5% (\$575) respectively.

Both Bendigo and Ballarat 4 bedroom houses recorded no quarterly or annual changes to June 2014, the median weekly rent were \$330 and \$350 respectively.

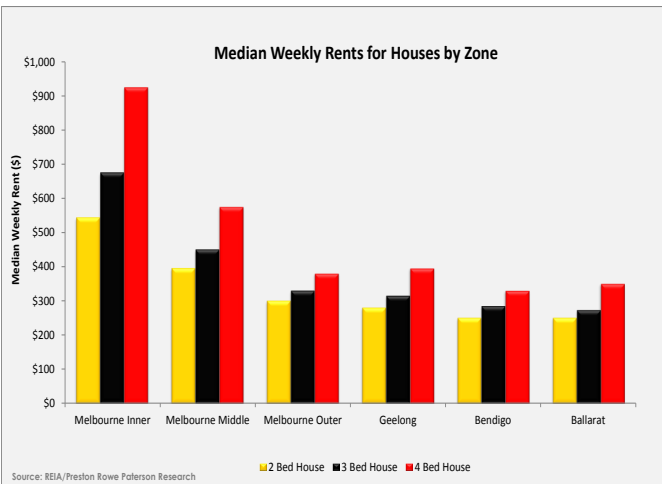


Chart 23— Median Weekly Rents for Houses by Zone – Source - REIA

Other Dwellings median weekly rentals recorded mixed results, with declines in Inner Melbourne, Geelong and Bendigo 3 bedroom other dwellings of -2.9%, -2.9% and -1% to median weekly rental of \$680, \$340 and \$285 respectively. Middle Melbourne 1 bedroom other dwellings recorded the most marked growth over the quarter of 7.7% to median rental of \$280, followed by Geelong 1 bedroom (5%) and Outer Melbourne 1 bedroom (4.5%) to median weekly rent of \$210 and \$230 respectively.

Year on year analysis recorded positive results with the only decline attributed to Ballarat 1 bedroom other dwellings at -3.1% to rental of \$155. The Inner Melbourne's 1 and 2 bedroom other dwellings remained unchanged at \$350 and \$480 median weekly rent respectively. Middle Melbourne 's 2 and 3 bedroom other dwellings noted an increase of 2.9% (\$360) and 1.1% (\$450), and Outer Melbourne's 2 and 3 bedroom other dwellings reported an increase in median weekly rent of 3.8% (300) and 3% (\$340).

The Bendigo 1 bedroom and Ballarat 3 bedroom other dwellings recorded no quarterly or annual changes to June 2014, the median weekly rent were \$165 and \$290 respectively.

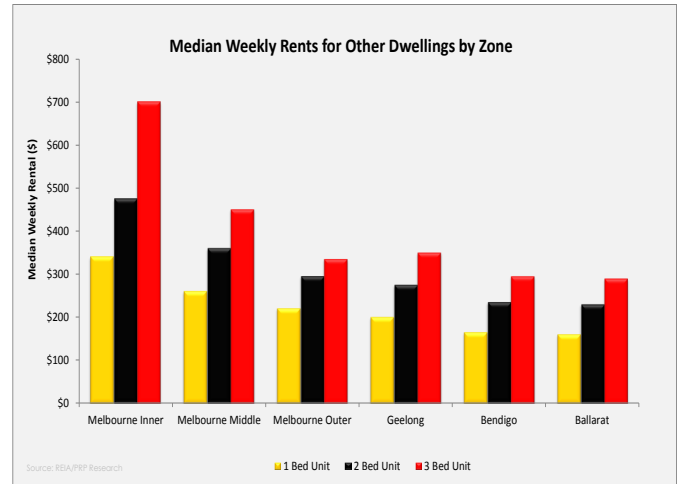


Chart 24 - Median Weekly Rents for Other Dwellings by Zone – Source - REIA

## Hotel & Leisure

### Investment Activity

Preston Rowe Paterson Research recorded a number of hotel/leisure transactions that occurred in Victoria during the September quarter 2014;

#### 131 King Street, Melbourne VIC 3000

An Asian investor had purchased the **Ibis Styles Kingsgate Hotel** for \$30 million from Kildair Hotels Group. The three star hotel features 171 rooms, a 90 seat restaurant, and a café/bar lounge.



#### 740 Mt Alexander Road, Moonee Ponds, VIC 3039

The **Junction Club** in Moonee Ponds has sold for **\$10.7 million** to a private investor. The three storey pub and gaming venue is currently leased to Harness Racing Victoria. The pub features a public bar, bistro, TAB gaming area, 80 gaming machines, office space and 29 car spaces.

#### Centre Dandenong Road, Dingley Village, VIC 3172

Unlisted property fund manager ISPT has bought the Kingswood Golf Course 53.4 ha site for approximately between **\$80 million and no more than \$100 million**. The site was up for sale after the merger of the Kingswood and Peninsula golf clubs in 2013. The site was sold without zoning approval for residential use however; it has the potential to be developed into a residential complex housing up to 1,000 homes. Tender documents show it could take more than 600 housing lots under a "conventional density" proposal and more than 1,000 dwellings under a 'higher density use, where about a third of the site would be set aside for medium density housing. Dingley Village is about 22km south-east from Melbourne's CBD.

### Leasing Activity

Preston Rowe Paterson Research recorded a number of leasing transactions that occurred in the Melbourne hotel/leisure Market during the three months to September 2014;

#### 1341 Dandenong Road, Chadstone VIC 3148

**JB Hi-Fi** had leased an extra 700 sqm at the Chadstone Shopping Centre in Melbourne in building 2 at a rate of around \$350 psm of office space. The retailer already occupies around 4000 sqm in the



## Regional Market

Preston Rowe Paterson Research recorded a few number of sales transactions that occurred in regional Victoria during the three months to September 2014;

### Retail

#### 641-659 Bellarine Highway, Leopold, VIC 3224

The CFSGAM Property Enhanced Retail Fund has paid **\$26 million** for the Gateway Plaza shopping centre at Leopold, just outside Geelong which is labelled as a growth area. The 7,000 sqm centre, which sold on an **initial capitalisation yield of 7.75%**, includes 18 speciality stores, a Coles and McDonalds plus land that might carry a discount department store. Leopold is located 11.3 km south-east of Geelong.



### Rural

#### 190 Scotchmans Road, Drysdale, VIC 3222

A Victorian investment syndicate has purchased the well-known Scotchmans Hill winery and vineyards on the Bellarine Peninsula, near Geelong. The syndicate paid **\$10.6 million** for the property which was recorded as one of the most significant sales of this year. The property includes 34 hectares of vineyards as well as wine-processing facilities, a cellar door, inventory and a dozen wine brands including Cornelius, Swan Bay and Henry Frost. The sale reflects a **rate of \$31.18 psm**.





## 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 & re-valuations
- 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](mailto:research@prpsydney.com.au)

W: [www.prpsydney.com.au](http://www.prpsydney.com.au)

Follow us:



**Preston Rowe Paterson Australasia Pty Ltd**

**ACN: 060 005 807**

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 Australasia Pty Ltd or any of its associated offices or any officer, agent or employee of Preston Rowe Paterson Australasia Pty Limited.

## Directors

**Greg Preston**

M: 0408 622 400

E: [greg.preston@prpsydney.com.au](mailto:greg.preston@prpsydney.com.au)

**Greg Rowe**

M: 0411 191 179

E: [greg.rowe@prpsydney.com.au](mailto:greg.rowe@prpsydney.com.au)

## Associate Directors

**Chad Green**

M: 0448 656 103

E: [chad.green@prpsydney.com.au](mailto:chad.green@prpsydney.com.au)

**Neal Smith**

M: 0448 656 647

E: [neal.smith@prpsydney.com.au](mailto:neal.smith@prpsydney.com.au)

**Michael Goran**

M: 0448 757 134

E: [michael.goran@prpsydney.com.au](mailto:michael.goran@prpsydney.com.au)

**Erika Minnaard**

M: 0448 886 335

E: [erika.minnaard@prpsydney.com.au](mailto:erika.minnaard@prpsydney.com.au)

## Capital City Offices

Adelaide

Brisbane

Hobart

Melbourne

Sydney

## Regional Offices

Albury Wodonga

Ballarat

Bendigo

Cairns

Central Coast/Gosford

Geelong

Gold Coast

Gippsland

Griffith

Horsham

Mornington

Newcastle

Wagga Wagga

Warrnambool

## Relationship Offices

Canberra

Darwin

Perth

Other regional areas