



**Preston
Rowe
Paterson**

National Property Consultants

Property Market Report

New South Wales

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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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

March Quarter 2014

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Economic Fundamentals

GDP

GDP figures for the March quarter are not available until the 4th June 2014 however PRP Research over the December 2013 quarter revealed that the Australian economy recorded growth of 0.8% seasonally adjusted which reflected growth of 2.8% seasonally adjusted over the twelve months to December 2013. The main contributors to expenditure on GDP were Net Exports which increased by 0.6%, final consumption expenditure, which increased by 0.5%. The main detractor to expenditure on GDP was private gross fixed capital formation, declining by 0.5 percentage points.

The terms of trade increased by 0.6% in seasonally adjusted terms over the December quarter. Over the twelve months to December, the terms of trade has declined by 1.2%. "The terms of trade represent the relationship between the prices of exports and imports. An increase/decrease in the terms of trade reflects export prices increasing/decreasing at a faster rate than import prices".

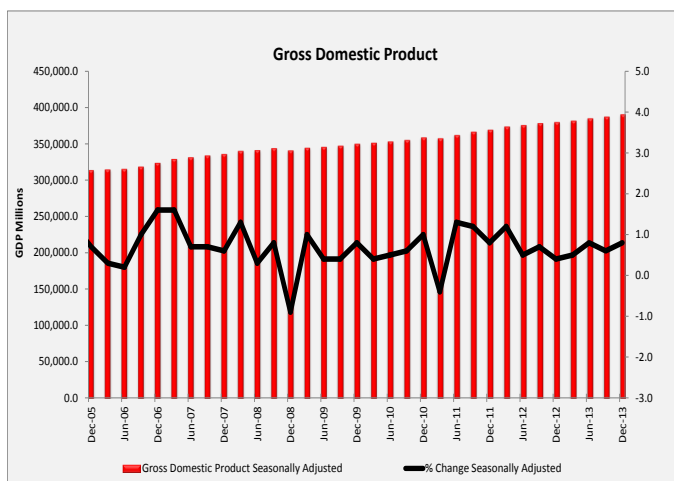


Chart 1 – Gross Domestic Product (GDP) – Source ABS

Labour force

The official employment figures released from the Australian Bureau of Statistics revealed that the unemployment rate declined by 0.3 percentage points to 5.8% seasonally adjusted as at March 2014. Employment over the month increased by 0.16% bringing the total employment to 11,553,200 seasonally adjusted.

Unemployment recorded a decline over the month by 29,900 persons to 713,200, a percentage change of 4.03%. The number of persons looking for full-time work declined by 16,700 to 509,800 and the number of persons looking for part-time work decreased 13,300 to 203,400.

The participation rate recorded a marginal decline of 0.2% to 64.9% as at March 2014, with year on year comparison revealing a 0.3 percentage point decline.

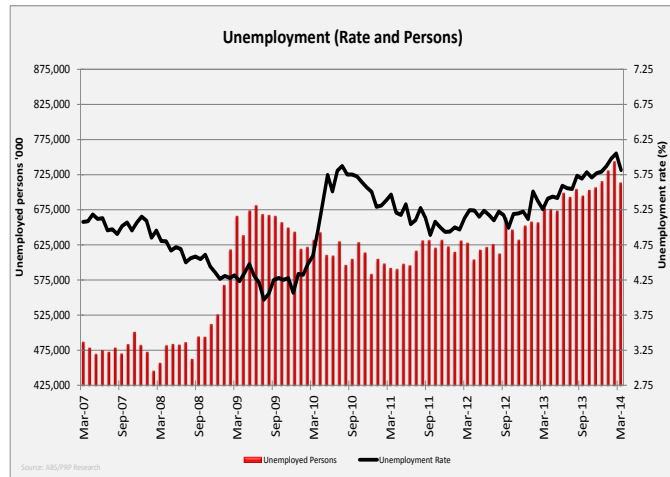


Chart 2 – Unemployment – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the March quarter 2014 remained unchanged at 2.50%. The Reserve Bank of Australia's Media Release for March 2014, released 1st April 2014 explained that;

"In Australia, the economy grew at a below trend pace in 2013. Recent information suggests slightly firmer consumer demand over the summer and foreshadows a solid expansion in housing construction. Some indicators of business conditions and confidence have improved from a year ago and exports are rising. But at the same time, resources sector investment spending is set to decline significantly and, at this stage, signs of improvement in investment intentions in other sectors are only tentative, as firms wait for more evidence of improved conditions before committing to expansion plans. Public spending is scheduled to be subdued".

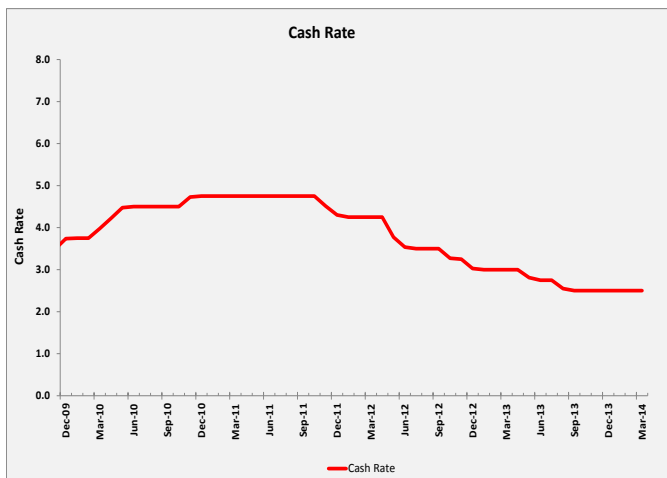


Chart 3 – Cash Rate – Source RBA

CPI

The Consumer Price Index (CPI) rose by 0.6% in the March quarter 2014 with the index now recording 105.4, reflecting an annual growth to March of 2.9%. The most significant price rises this quarter was for tobacco, pharmaceutical products and secondary education with increases of 6.7%, 6.1% and 6.0% respectively.

The most significant price decline over the March quarter was attributed to furniture, which declined by 4.3%.

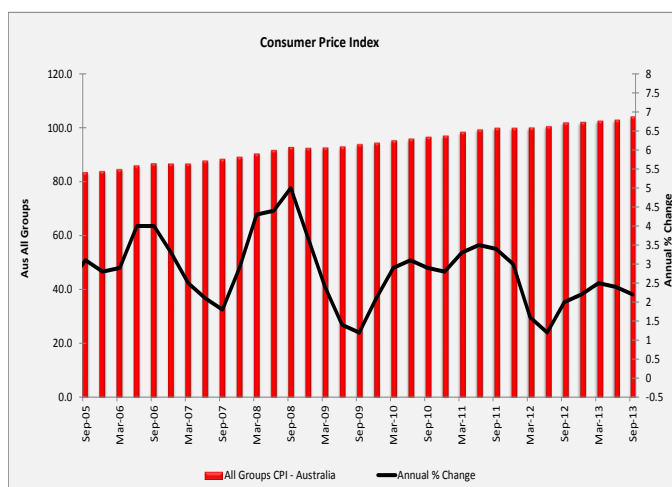


Chart 4- Consumer Price Index—Source—ABS

Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index declined by 0.7% in March from 100.2 index points in February to 99.5 index points in March. Over the quarter the index has declined by 5.5 points, a decline of 5.24%. Over the twelve months to March the index declined by 11 index points, reflecting a percentage decline of 9.99%.

The Index has now reached its lowest level since May 2013, when it was recorded at 97.6 index points. Westpac's Senior Economist, Matthew Hassan stated; "The index has now fallen 10.9% from its November peak of 110.3 and is at its lowest level since May last year. The initial declines in December-January looked to be mainly the unwinding of the election-related sentiment boost".

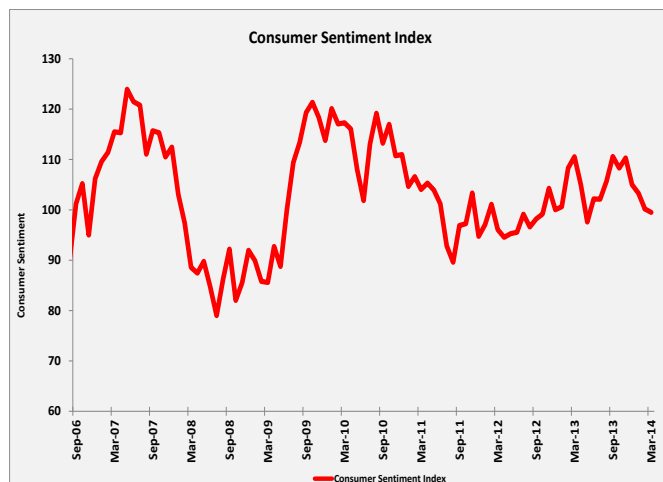


Chart 5- Consumer Sentiment Index – Source - Westpac—Melbourne Institute Survey

Commercial Office Market

Sydney CBD

Investment Activity

PRP Research recorded a number of reported sales transactions that occurred in the Sydney CBD Office Market during the three months to March 2014.

Investa Commercial Property Fund has finalised its purchase of a **\$130 million**, half stake in the **135 King Street Tower in Sydney**. The stake in the **31,030 sqm** building was acquired on a **7% yield** after co-owner Stockland nominated ICPF as the buyer in December. The sale displays a **rate per sqm of approximately \$4,189**.

Leasing Activity

PRP Research recorded several notable leasing transactions that occurred in the Sydney CBD Office Market during the three months to March 2014;

Investment services giant Perpetual Limited has agreed to a new lease at its Australian headquarters at **Angel Place, 123 Pitt Street, Sydney CBD**. Perpetual have signed an **11 year lease** to occupy more than **10,000 sqm**, more than one and a half levels until 2025. No further details were released.

The office of the Commonwealth Director of Public Prosecutions will relocate to **175 Liverpool Street, Sydney**. The department has secured **3,170 sqm** of office space over 2 levels over a **10 year lease**. The rent is believed to display a **rate per sqm of around \$750**.

Development Sites

In 2014 there is one new development expected to be completed, which is located at 180 Thomas Street comprising 13,941 sqm of NLA and owned by TransGrid. Other projects which are experiencing refurbishment works in the first half of 2014 include 35-75 Harrington Street, 153-159 Clarence Street and 2 Market Street and are expected to add 18,050 sqm collectively.

In 2015 there are a number of new developments expected for completion, most notably the International Towers T2 & T3 at Barangaroo. They are anticipated to add 87,500 sqm and 78,000 sqm respectively. In 2016+ there are 2 new developments due for completion including Mirvac's project at 190-200 George Street which will inject 38,676 sqm of new supply into the Sydney CBD Office Market. Charter Hall's (Core Plus Office Fund) development at 333 George Street is currently in the DA Approved stage and is anticipated to add 13,991 sqm of new supply upon completion.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply by Grade (Stock)

In the six months to January 2014, there was 49,510 sqm of new supply which entered the Sydney CBD office market however was offset by 8,748 sqm of withdrawals, resulting in a net supply of 40,762 sqm which brings the total Sydney CBD Commercial Office Market to 4,958,706 sqm. New supply accounted for 19,329 sqm and was due to the completion of 8-12 Chifley Square.

A Grade office space maintains the majority of the Sydney CBD office market with 36.6%, despite a decline of 0.3% compared to July 2013. B Grade follows with 31.5% and the remaining grades of Premium, C & D Grade comprise of 16.2%, 11.8% and 4% respectively.

As at January 2014, there is an expected 70,093 sqm of supply expected to enter the Sydney CBD Office Market later in the year. In 2015 there is an estimated 269,500 sqm of supply expected with 49.12% pre-committed. In 2016+ there is a further 52,667 sqm of new supply anticipated, with 53.32% having been pre-committed.

There are 3 new developments which are currently mooted and will account for 125,400 sqm of the supply. All 3 developments have been DA Approved and are located at 33 Bligh Street, 36 York Street and the International Towers—T3 at Bounded by Hickson Road & Shelley Street.

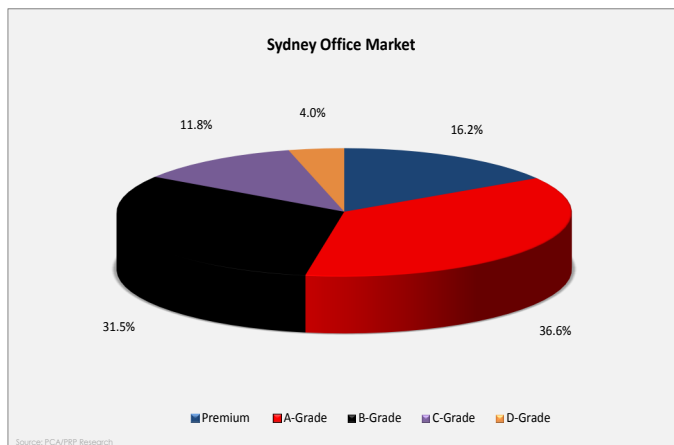


Chart 6 – Sydney CBD Total Stock by Grade – Source PCA

Occupation Levels

In regard to occupied stock levels, the Sydney CBD Office Market recorded a 0.1% growth in the twelve months to January 2014.

Mixed results were recorded over the twelve months to January 2014, with Premium Grade and C Grade recording growth in occupied stock levels of 6.7% and 1.5% respectively. A Grade, B Grade and D Grade recorded declines of -1.2%, -1.6% and -2.3% respectively.

Net Absorption & Vacancy Levels

Latest figures from the Property Council of Australia's (PCA) Office Market Report January 2014 have shown a slight increase in the Vacancy factor for the Sydney CBD commercial office market.

Total vacancy for the Sydney CBD commercial office market increased marginally from 8.9% in July 2013 to 9.0% in January 2014. Premium Grade recorded an increase in total vacancy of 1.6% to 9.9%, along with B Grade, increasing by 0.3% to 8.3%. A Grade, C Grade and D Grade all recorded declines in the six months to January 2014 of 0.4% to 9.8%, 0.8% to 7.8% and 0.7% to 6.7% respectively.

The entire Sydney CBD Office market recorded six monthly net absorption of 33,289 sqm, reflecting net absorption of 6,305 sqm in the twelve months to January 2014. All grades of office space recorded increases in the six months to January 2014, with the most marked growth attributed to C Grade with 10,873 sqm followed by Premium and A Grade office space with 8,851 sqm and 8,788 sqm respectively.

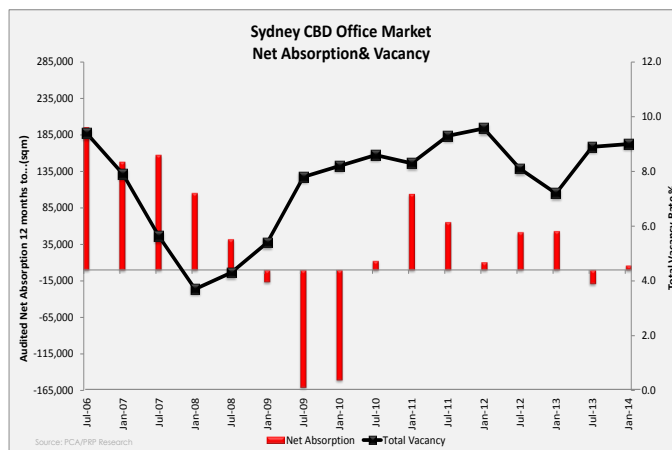


Chart 7 – Sydney CBD Net Absorption & Vacancy – Source PCA

North Sydney

Investment Activity

PRP Research recorded few major sales transactions that occurred in the North Sydney office market during the three months to March 2014;

Developer Bridgehill has purchased the Kimberley Clark office building at **52 Alfred Street, Milsons Point**. The existing Kimberley Clark building is around **10,000 sqm** of building area displaying a **rate per sqm of \$8,000**.

Property Bank Australia, a property syndication company has bought a multi tenanted office building at **71 Longueville Road, Lane Cove** in Sydney's north. The company paid **\$13 million** for the **4,077 sqm** commercial building. The sale displays a **rate per sqm of \$3,189**.

An aging commercial asset at 144 Pacific Highway, North Sydney has been purchased by a residential developer for \$45 million. The developer plans to develop the 24-storey medium-rise commercial building. No further details were released.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply & Occupation

Over the six months to January 2014, the North Sydney Office Market total stock has declined by 11,856 sqm from 860,461 sqm to 848,605 sqm. The C Grade office stock market experienced supply additions of 582 sqm and supply withdrawals of 12,438 sqm. All other grades of office stock remained unchanged.

Over the six months to January 2014, occupied stock levels increased in all grades apart from C Grade which declined by 1.1% to 20.4%. The most marked growth in stock levels was in B Grade, increasing by 0.7%, followed by A Grade (0.4%) and Premium and D Grade with 0.1% each.

Analysis of the PCA January 2014 office market report has revealed that B Grade office stock still maintains a majority share with 50.8%, followed by A Grade with 22%, C Grade with 20.4%, Premium Grade with 4.3% and D Grade with 2.6%.

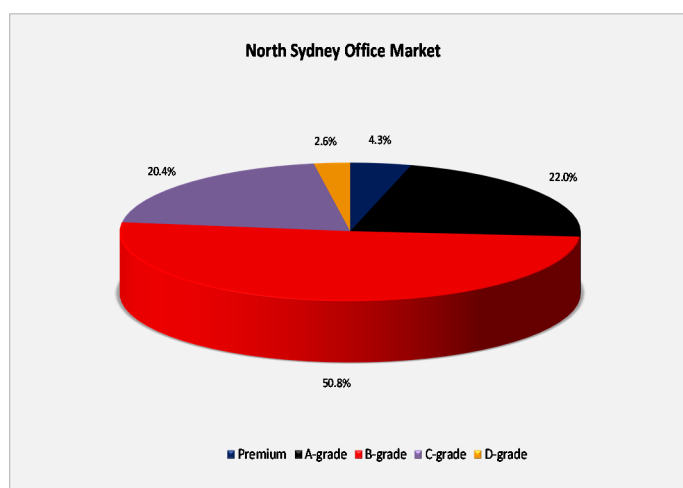


Chart 8 – North Sydney CBD Stock Levels By Grade – Source PCA

Vacancy Rates

In the six months to January 2014, the North Sydney office market total vacancy has declined by 0.1% to 10.5%. Premium Grade remained unchanged at 1.6% in the six months to January. B Grade was the only grade of office stock to experience an increase, increasing by 2.5% to 11.5%. All other grades experienced declines, with the most significant in the D grade market (7.5%) to 10.4% vacancy. C Grade followed with a decline of 3.4% to 14.8% and A Grade declined by 1.8% to 5.7%.

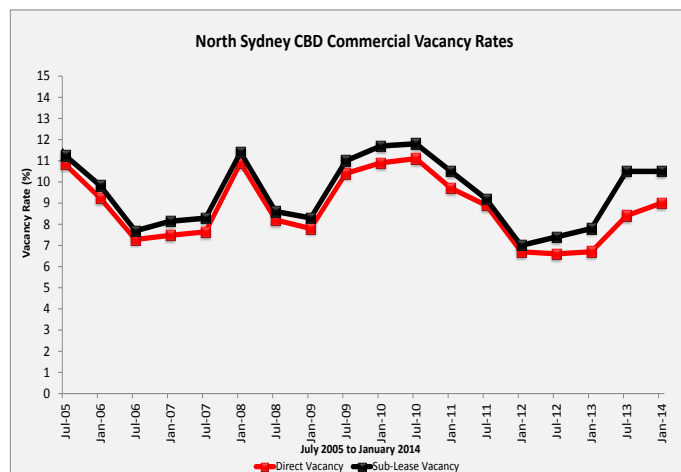


Chart 9 – North Sydney CBD Commercial Vacancy Rates – Source PCA

Net Absorption

The North Sydney office market recorded net absorption of –9,847 sqm over the six months to January 2014. This reflected a decline of –34,620 sqm since January 2013. Over the twelve months to January 2014 all grades of office space contributed to the negative net absorption apart from Premium Grade which remained unchanged and D Grade which recorded positive absorption of 1,588 sqm. C Grade experienced the most marked negative net absorption with –19,483 sqm, followed by B Grade with –15,909 sqm and A Grade with –816 sqm.

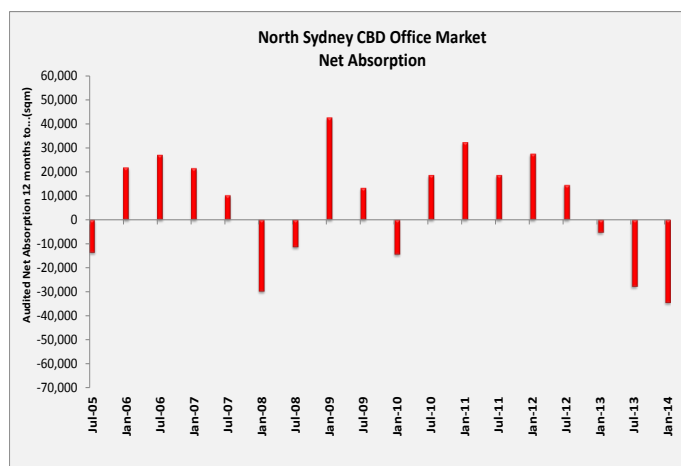


Chart 10 – North Sydney CBD Office Market Net Absorption – Source PCA

Crow's Nest/St Leonards

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply & Occupation

Over the six months to January 2014, the Crow's Nest & St Leonards office market total stock declined by 6,595 sqm from 363,928 sqm. The stock withdrawal was attributed to C and D Grade. C Grade recorded a withdrawal of 4,368 sqm and D Grade recorded a withdrawal of 2,607 sqm which was offset by a supply addition of 650 sqm. The majority of the Crow's Nest/St Leonards office market comprises of C Grade with a 48.1%, followed by A Grade with 28.7%, B Grade with 19.4% and D Grade with 3.8%.

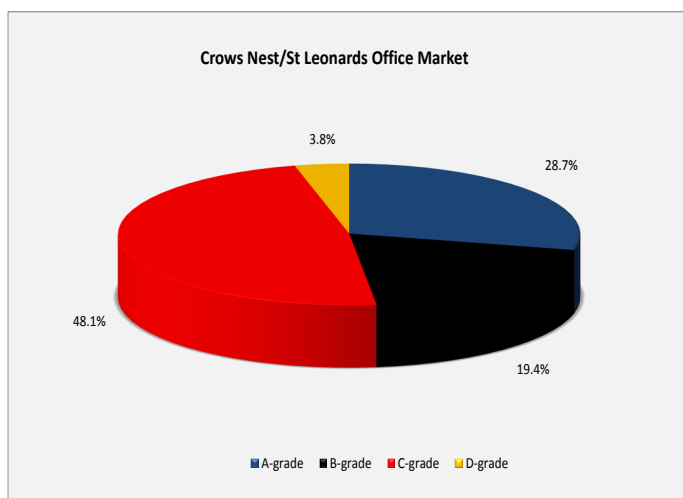


Chart 11 – Crow's Nest/St Leonards Stock Levels by Grade – Source PCA

Total Vacancy

Total office market vacancy in Crow's Nest/St Leonards increased over the six months to January 2014 by 0.5% from 13.8% to 14.3%. Varied results were recorded across the four grades of office space, with A Grade and C Grade increasing by 2.2% and 1% respectively to total vacancy levels of 16.6% and 15.5%. B Grade and D Grade recorded declines of 1.7% and 6.5% respectively to total vacancy levels of 8% and 12.9%.

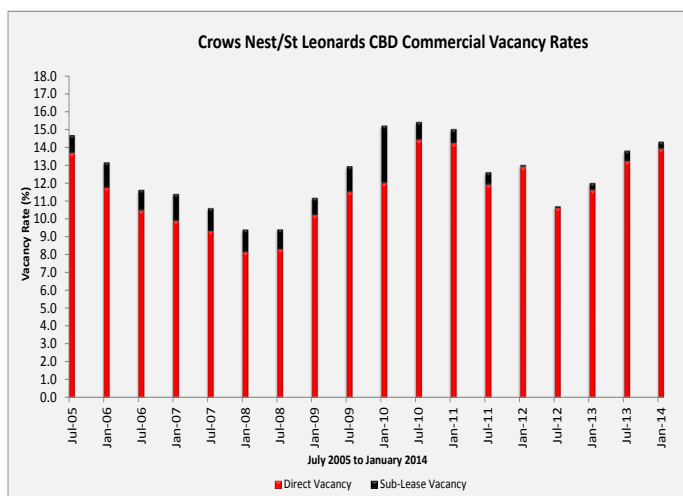


Chart 12 – Crow's Nest CBD Commercial Vacancy Rates – Source PCA

Net Absorption

Total market net absorption in Crow's Nest/St Leonards for the six months to January 2014 recorded –7,405 sqm, reflecting negative net absorption of –17,841 sqm over the twelve months to January. Negative net absorption was experienced in all grades of office stock apart from B Grade which recorded +1,147 sqm. The most marked negative absorption was in C Grade with –5,553 sqm, followed by A Grade with –2,305 sqm and D Grade with –694.

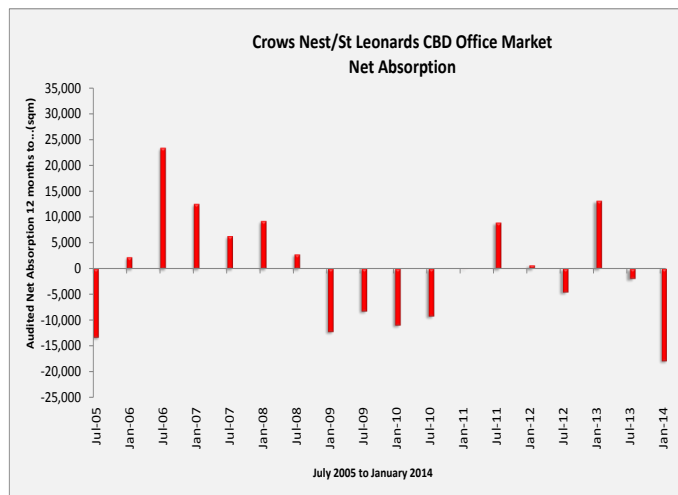


Chart 13 – Crow's Nest CBD Office Market Net Absorption – Source PCA

Parramatta

Investment Activity

PRP Research recorded few major sales transactions over \$5 million that occurred during the three months to March 2014;

Sydney property investment firm Marprop has purchased a **7,127 sqm** office tower at **93 George Street, Parramatta** for **\$28.75 million**. The building includes a 155 bay car park and is fully leased with a **yield above 9%**.

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply & Occupation

The Parramatta CBD office market total stock recorded a decline of 5,825 sqm from 691,703 sqm to 685,878 sqm in the six months to January 2014. A Grade was the only class to remain unchanged. B Grade recorded supply additions of 7,100 sqm, however was offset by withdrawals of 11,237 sqm.

C Grade recorded supply additions of 308 sqm and D Grade experienced supply withdrawals of 1,996 sqm. A Grade office space continues to maintain the majority share of the office market with 39.9% share. B Grade follows with 30.6%, C Grade with 15.3% and D Grade with 14.2%.

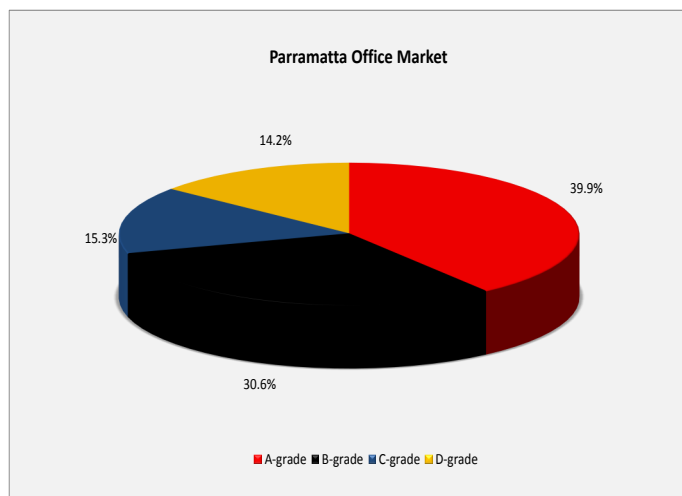


Chart 14 – Parramatta CBD Stock Levels by Grade – Source PCA

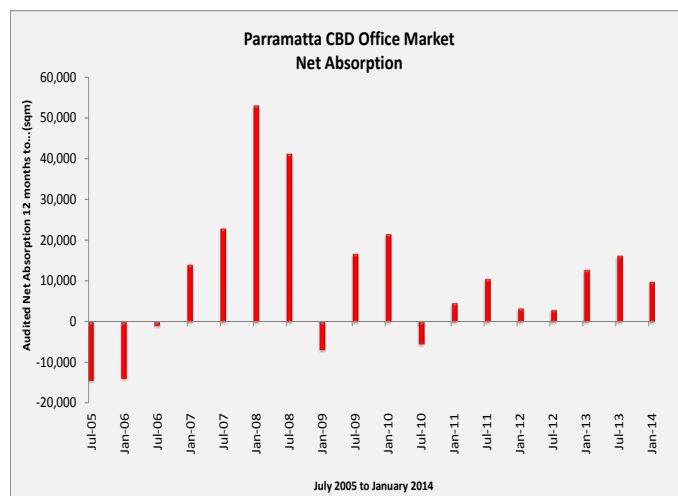


Chart 16 – Parramatta CBD Office Market Net Absorption – Source PCA

Vacancy Rates

Vacancy rates for the Parramatta CBD office market have tightened from 7.5% to 6%, a decline of 1.5% over the six months to January 2014. Varied results were experienced across the Parramatta office market, with A and D Grade recording declines of 1.9% and 2.4% respectively to vacancy rates of 0.5% and 6.6%. B Grade and C Grade recorded increases in vacancy of 1.2% and 1.6% respectively to vacancy levels of 6.5% and 18.8%.

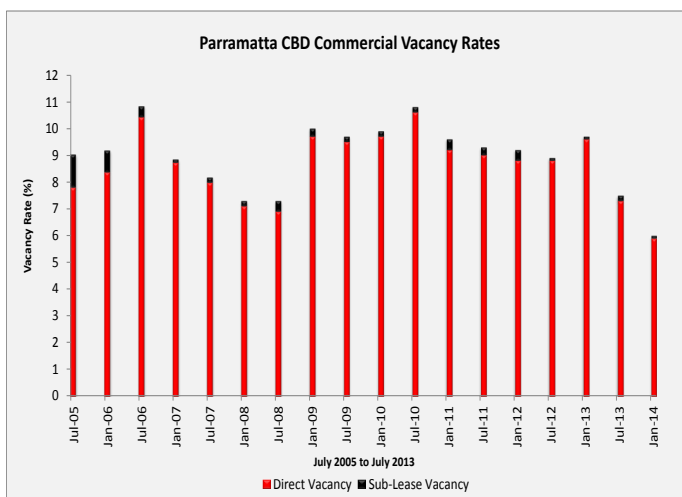


Chart 15 – Parramatta CBD Commercial Vacancy Rates – Source PCA

Net Absorption

Total market net absorption in the Parramatta office market was recorded at 4,523 sqm over the six months to January 2014, which reflects total absorption of 9,804 sqm over the twelve months to January. A Grade and B Grade office space recorded positive net absorption over the six month period of 23,364 sqm and 49,000 sqm respectively. C Grade and D Grade reported negative net absorption of – 34,584 sqm and –33,257 sqm respectively.

Chatswood

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply & Occupation

The Chatswood Office Market total stock recorded in the six months to January 2014 increased by 1,617 sqm to 280,845 sqm. The entirety of the new supply was attributed to A Grade stock. All other grades of office space remained unchanged over the six months to January 2014. Occupation levels recorded similar results to January 2013, where A Grade retains the majority share of the office market with 56%, followed by B grade with 27.3%, C Grade with 16.5% and D Grade with 0.2%.

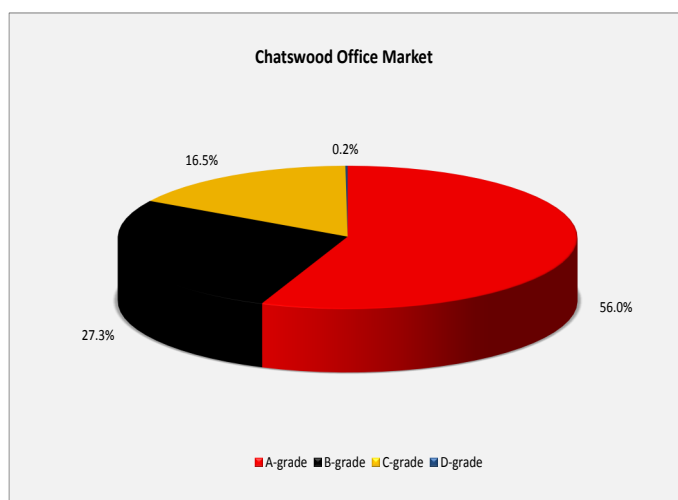


Chart 17 – Chatswood CBD Total Stock Levels – Source PCA

Vacancy Rates

The Chatswood Office Market total vacancy rates have increased by 3.7% from 9.8% to 13.5%. Mixed results were recorded across the office grades, with A Grade and C Grade recording increases of 6.3% and 3.3% respectively to total vacancy levels of 15.6% and 9.4%. B Grade recorded a decline of 1.3% to 11.7% and D Grade remained unchanged.

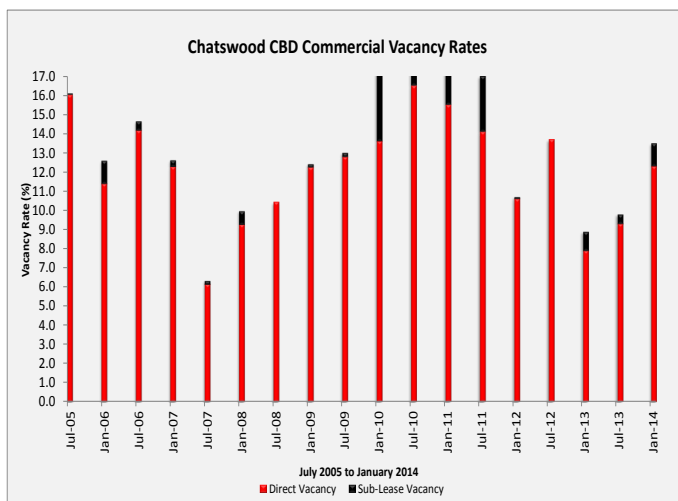


Chart 18 – Chatswood CBD Commercial Vacancy Rates – Source PCA

Net Absorption

Market Net Absorption in the Chatswood CBD office market reflected –9,007 sqm in the six months to January 2014. This negative net absorption resulted in net absorption over the twelve months to January of –12,989 sqm. There were varied results across the grades of office stock in relation to net absorption, with A Grade and C Grade recording negative absorption of –8,482 sqm and –1,506 sqm respectively. B Grade experienced positive absorption of +981 sqm and D Grade remained unchanged at 0 sqm.

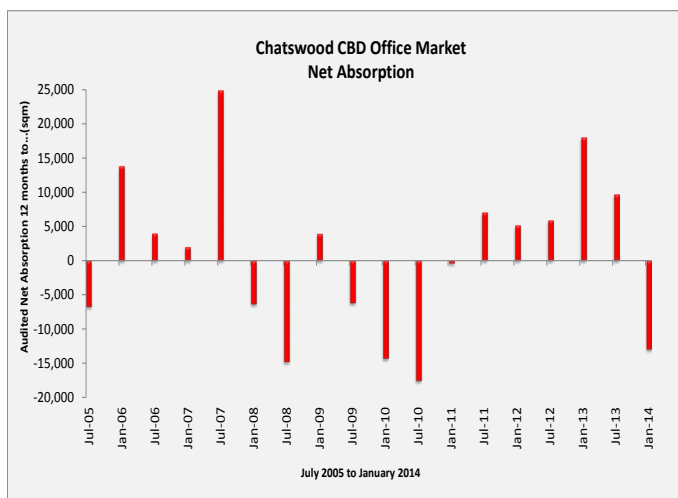


Chart 19 – Chatswood CBD Office Market Net Absorption – Source PCA

North Ryde/Macquarie Park

Property Council of Australia

The latest statistics from the Property Council of Australia's (PCA) Office Market Report January 2014 have been analysed to derive at the following findings:

Supply & Occupation

The North Ryde office market total stock recorded an increase of 19,806 sqm of stock in the six months to January 2014 to 854,251 sqm. All zones apart from D Grade (unchanged) contributed to the supply increase. A Grade supply accounted for 11,294 sqm, followed by B Grade with 7,330 sqm, however was offset by withdrawals of 350 sqm. C Grade accounted for 1,532 sqm of the total supply addition. A Grade stock still accounts for the majority of the total stock with 69% of the market share, followed by B Grade with 28.3%, C Grade with 2.3% and D Grade with 0.3%.

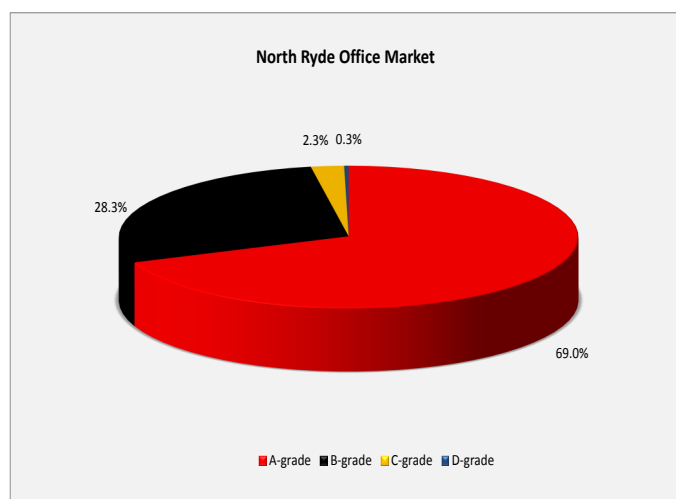


Chart 20 – North Ryde Office Market – Source PCA

Vacancy Rates

Vacancy rates in the North Ryde commercial office market experienced an increase of 1.7% to 9.5% in total vacancy over the six months to January 2014. Varied results were recorded across all grades of office stock in regard to vacancy, with A Grade recording an increase of 2.9% to 8.1%. B Grade and C Grade recorded declines of 0.7% and 9.8% respectively to total vacancy of 12.1% and 19.1%. D Grade remained unchanged with no recorded vacancy.

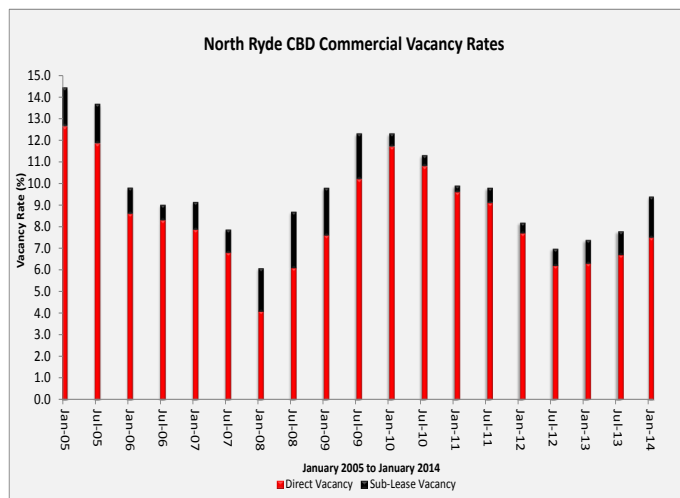


Chart 21 – North Ryde CBD Commercial Vacancy Rates – Source PCA

Net Absorption

Market Net Absorption in the North Ryde commercial office market recorded +4,508 sqm in the six months to January 2014. Over the twelve months to January 2014 net absorption was recorded at – 5,020 sqm. Varied results were experienced across all grades of office stock, with D Grade remaining unchanged with no absorption. A Grade recorded negative absorptions of –6,770 sqm. B Grade and C Grade recorded positive absorption of +7,775 sqm and +3,053 sqm respectively.

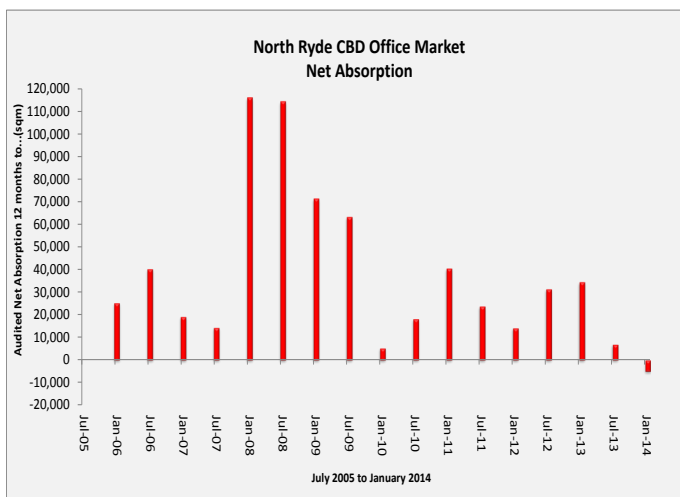


Chart 22 – North Ryde CBD Office Market Net Absorption – Source PCA

Retail Market

Investment Activity

PRP Research recorded a low number of retail transactions that occurred in New South Wales during the March quarter 2014;

Australian Property has sold **'The Ponds' Shopping Centre development in Western Sydney** to Superannuation backed giant ISPT for **\$39.7 million**. The sale of the **7,000 sqm** site reflects a **yield of 7.75%** on forecast net income for the first year. The centre will be anchored by Woolworths who have committed to an initial 20 year lease.

West Australian property syndicator Primewest has paid **\$22.2 million** for a neighbourhood shopping centre at **72 Main Road, Edgeworth** in Newcastle. The sale of the **7,298 sqm** centre was sold on a passing **yield of 8%** and displays a **rate per sqm of approximately \$3,042**.

Leasing Activity

PRP Research recorded a relatively low number of retail leasing transactions that occurred over the three months to March 2014, however;

Early Settler, a furniture retail company have leased **1,307 sqm** of retail space in the Hunter Supa Centre at **343 New England Highway, Rutherford** in NSW's Lower Hunter Region. The centre is approximately 40 km north-west of Newcastle and 160 km from Sydney. The lease displays a **gross rental of \$200,000 per year** on a **5 year term with a 5 year option** at a **rate per sqm of approximately \$153**.

Economic Statistics

According to the Australian Bureau of Statistics category 8501.0 Retail Trade (Feb 2014), the retail turnover figures recorded in New South Wales produced varied results. The total retail turnover in New South Wales grew by 0.1% over the month of February 2014, with an annual total retail turnover growth of 6.7% seasonally adjusted.

Over the month of February, declines were experienced in food retailing, clothing, footwear and personal accessory retailing and department stores of 0.89%, 0.44% and 4.28% to monthly turnover of \$2,815.2 million, \$605.5 million and \$481.2 million respectively. The most marked monthly growth was recorded in cafes, restaurants and takeaway food services of 2.66% to monthly turnover of \$1,006.8 million, followed by household goods retailing (2.39%) to turnover of \$1,139.1 million. Growth over the month of November was also recorded in other retailing, increasing by 0.49% to turnover of \$1,024.6 million.

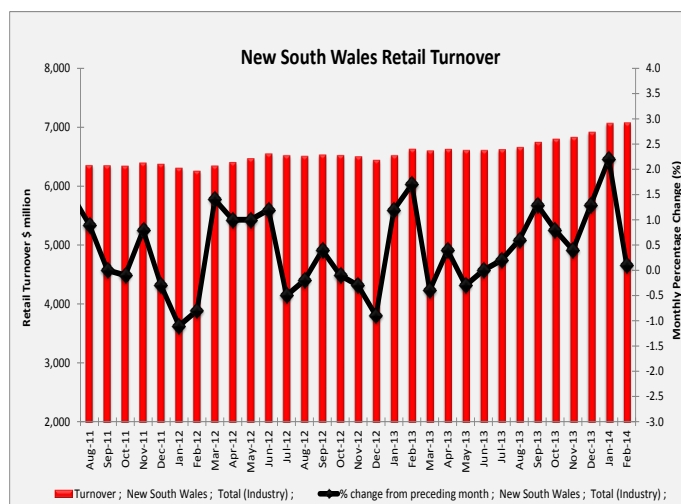


Chart 23 –New South Wales Retail Turnover – Source ABS

Year on year analysis of the six categories revealed predominantly positive results with the only decline attributed to Department Stores retailing (-3.88%). All other categories experienced growth over the year, with cafes, restaurants and takeaway food services recording the most marked growth of 19.17%, followed by clothing, footwear and personal accessory retailing and household goods retailing, with 11.47% and 5.74% respectively.

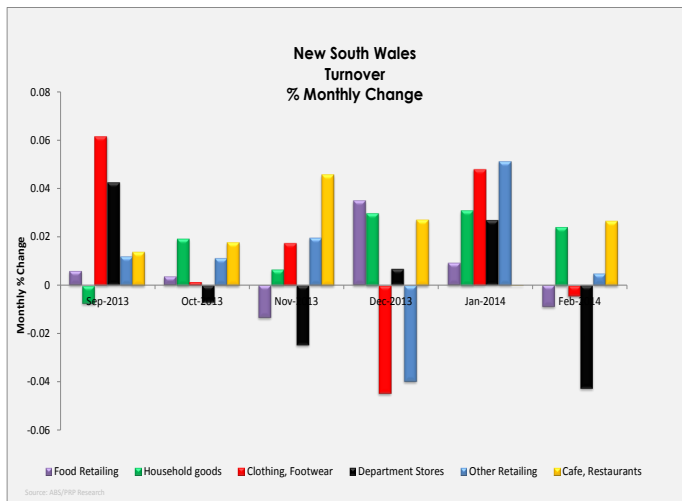


Chart 24 –NSW Turnover % Monthly Change – Source ABS

Industrial Market

Investment Activity

PRP Research recorded a number of sales transactions that occurred in the Sydney and Metropolitan Industrial Market, during the three months to March 2014;

Tipalea Partners has purchased a six-unit industrial site on **Beauchamp Road, Port Botany** for **\$11.8 million**. The **6,600 sqm** site was purchased on a **yield of 8.1%** and is fully leased with expiries ranging from 2014-2018. Botany is located approximately 10 km south of the Sydney CBD.

NSW based Chinese Developer JQZ has purchased an industrial development site at **904 Bourke Street, Waterloo** for **\$46.8 million** from a private investor. The site spans over **14,600 sqm** of land and is one of the few remaining larger development opportunities in South Sydney. The sale displays a **rate per sqm of \$3,205**.

A private investor has purchased an industrial facility at **184 Milperra Road, Revesby in Sydney's South**. The **24,086 sqm** industrial facility was sold for **\$13.95 million** on a **yield of 8.36%**.

A private investor has purchased an adjoining office warehouse facility at **30-34 Ricketty Street, Mascot** for **\$5.1 million**. The property has a total building area of **2,405 sqm** spanning across two lots displaying a **rate per sqm of approximately \$2,121**.

An industrial property at **1-3 Ricketty Street, Mascot**, in Sydney's south-east has been purchased by a private developer for **\$14.5 million**. Part of the property is leased to Qantas and Jetstar on short term leases. No further details were released.

Leasing Activity

PRP Research recorded a number of leasing transactions that occurred in the Sydney and Metropolitan Industrial Market during the three months to March 2014;

Australian Ports NSW Logistics has secured a new office and warehouse facility at **62 Marigold Street, Revesby** in Sydney's south west. The property which is owned by Terahill Pty Ltd comprises a **4,613 sqm** building with five shutter doors and a two level office. Australian Ports will pay a **net rental of \$405,944 p.a.** at a **rate per sqm of \$88** on a **5 year lease with a 5 year option**.

Salmat Mediaforce, a leading letter box advertising service will be moving into a purpose built facility at **38-46 Bernera Road, Prestons** in Sydney's south west from their current facility in Moorebank. The group has agreed to a **10 year lease** of the **8,000 sqm** site, with a **rate per sqm suggested to be between \$125 and \$130**.

Specialist formwork company International Formwork has leased a **1,189 sqm**, high clearance warehouse at **81-85 Roberts Road, Chuliora**. The property which is located in an established industrial precinct has access to major arterial roads including the M4 and the M5 Motorways. The lease displays a **rate per sqm of \$100** for a **3 year term**.

Medical and sports brace manufacturer DJO Global has leased two units at the Allambie Grove industrial estate at **25 Frenchs Forest Road, Frenchs Forest**. The units are **2,634 sqm** and have been leased for **3 years** on a **gross rental of \$554,246** displaying a **rate per sqm of approximately \$210**.

Residential Market

Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals February 2014, the total number of house dwelling approvals in the Sydney Statistical Division over the month has showed an increase of 23.68% from 870 approvals in January to 1,076 approvals in February 2014. This has reflected growth of 21.72% when compared to house dwelling approvals in February 2013. Over 2013, house dwelling approvals recorded their highest level since 2002, with 10,929 approvals.

The total number of non-house dwelling approvals has declined by 16.48% from 1,936 dwelling approvals in January to 1,617 dwelling approvals in February. In comparison to twelve months prior to February 2013, a significant growth of 62.19% was recorded. Total non-house dwelling approvals over the year of 2013 recorded 24,529 dwelling approvals which reflected the highest number of approvals recorded since 2002.

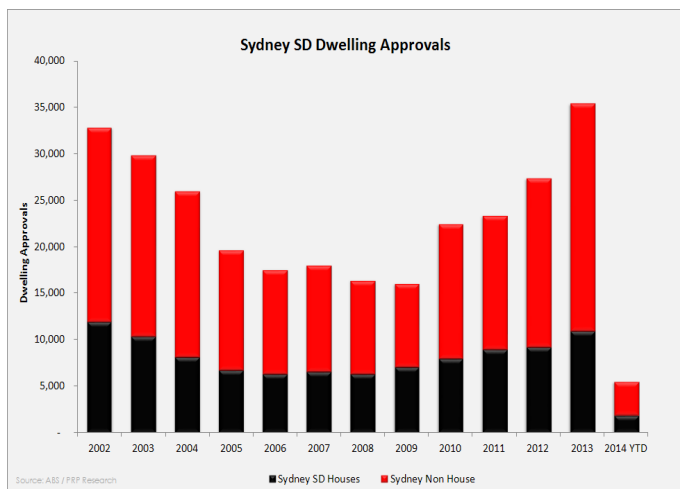


Chart 25 – Sydney SD Dwelling Approvals—Source ABS

SYDNEY

Market Affordability

Over the December quarter 2013 according to the Real Estate Institute of Australia the Sydney Median House price increased by 6% to \$763,200, and 15.1% compared to December 2012. The Sydney median house price over the quarter recorded positive results in all zones of Inner, Middle and Outer Sydney of 5.7%, 9.8% and 7.2% to median sale prices of \$1,300,000, \$900,000 and \$552,000 respectively.

All zones recorded increases in the median house price over the twelve months to December 2013, with the most marked growth in Inner Sydney of 19.8%, followed by Middle Sydney and Outer Sydney with 16.7% and 15% respectively.

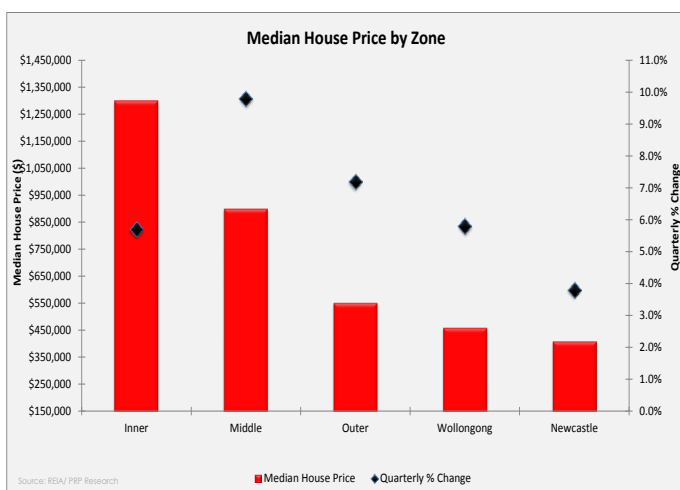


Chart 26 – Median House Price by Zone – Source REIA

Other dwelling median house prices also recorded positive results with all zones increasing over the December quarter. Outer Sydney recorded the largest increase of 7.1% to median sale price of \$468,000.

Inner and Middle Sydney recorded growth of 1.5% and 1.9% respectively to median sale prices of \$670,000 and \$535,000. Year on year comparison saw similar results with all zones of inner, middle and outer Sydney recording growth of 9.9%, 7% and 11.4% respectively.

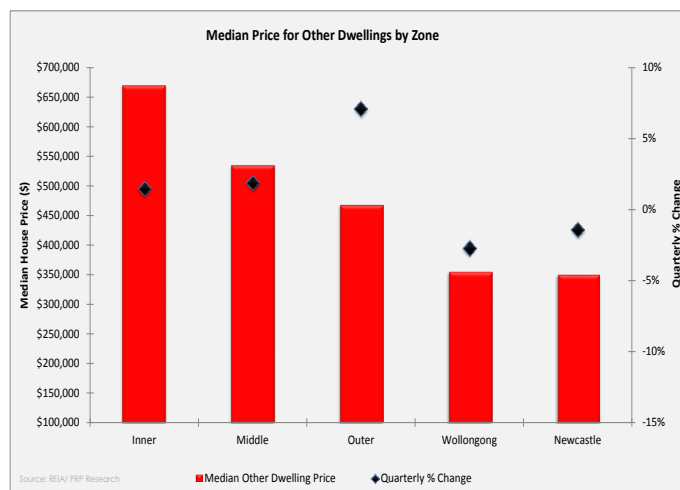


Chart 27 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

Over the December quarter, positive results were recorded in all zones of Sydney house rents. The most marked growth was in Middle Sydney 3 bedrooms and Inner Sydney 2 bedrooms, with growth of 3.8% and 3.2% to median weekly rental of \$550 and \$640 respectively. Outer Sydney 2 bedrooms and Inner Sydney 3 bedrooms also increased by 3% and 0.6% respectively to median weekly rental of \$340 and \$795. All other zones Sydney zones remained unchanged over the quarter.

Over the twelve months to December 2013, all Sydney zones recorded growth, with Inner and Middle Sydney 3 bedrooms increasing by 6% and 5.8% respectively. Inner and Outer Sydney 2 bedrooms followed with annual growth of 4.1% and 3% respectively. Middle Sydney 2 bedrooms increased by 2.4% over the year and Outer Sydney 3 bedrooms recorded annual growth of 2.6%.

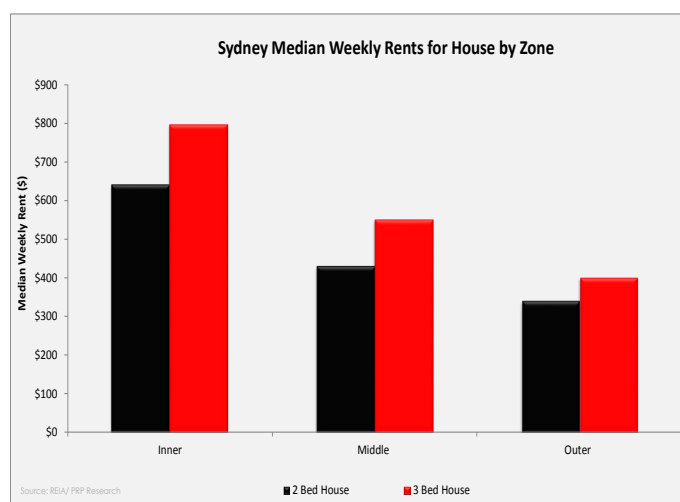


Chart 28 – Sydney Median Weekly Rents for House by Zone – Source REIA

The December 2013 quarter revealed positive results across all zones, with all zones recording growth apart from Middle and Outer Sydney 2 bedrooms, which remained unchanged at \$450 and \$390 per week respectively. The most marked quarterly growth was in Outer and Middle Sydney 1 bedrooms with growth of 10% and 3.7% to median weekly rental of \$330 and \$420 respectively.

Over the twelve months to December 2013, all Sydney Other Dwelling zones recorded increases in median weekly rentals. The most marked growth was in Outer Sydney and Middle Sydney 1 bedrooms with growth of 6.5% and 5% respectively. Middle Sydney 2 bedrooms followed with growth of 4.7%, and Inner Sydney 1 and 2 bedrooms recorded annual growth of 4.3% and 4.2% to median weekly rentals of \$490 and \$620 respectively.

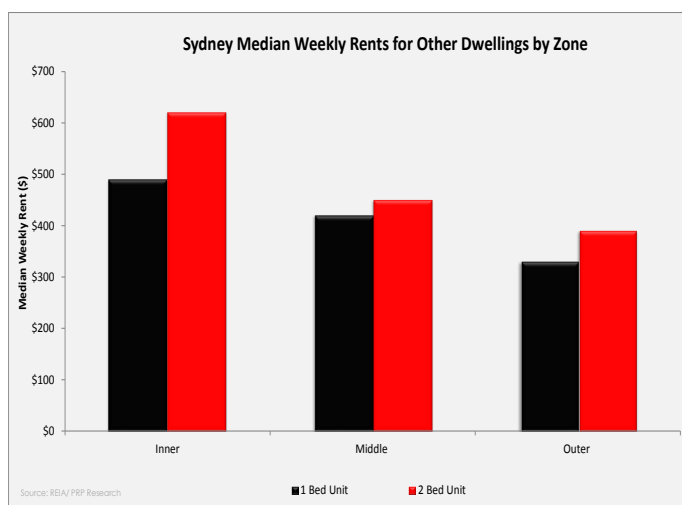


Chart 29 – Sydney Median Weekly Rents for House by Zone – Source REIA

NEWCASTLE

Market Affordability

Over the December quarter 2013, the median house price in Newcastle increased by 3.8% to \$410,000, reflecting an annual growth of 8.2%. Other dwelling sales in the Newcastle region declined by 2.7% over the quarter to \$350,000, however recorded a 7.7% annual growth.

Rental Market

Two bedroom house rents in the Newcastle region recorded growth over the December quarter and through the year of 2.9% to median weekly rental of \$320. Three bedroom house rents remained unchanged over the quarter and over the year at \$400 per week.

Quarterly results for Other Dwelling rentals in the Newcastle region recorded an increase of 2% for one bedrooms to \$250 per week and an increase of 0.7% for three bedrooms to \$350 per week. Over the twelve months to December 2013, 1 bedroom other dwellings remained unchanged and 2 bedrooms recorded growth of 1.3%.

WOLLONGONG

Market Affordability

Median house prices in Wollongong recorded positive results, with quarterly and annual growth of 5.8% to \$460,100. Median Other Dwelling prices in Wollongong recorded a quarterly decline of 2.7% to \$355,000. This quarterly decline reflected an annual decline of 3.8%.

Rental Market

Median house rents in Wollongong for 2 bedrooms recorded growth over the quarter of 2.1% to median weekly rental of \$358. Wollongong 3 bedrooms remained unchanged at \$400 per week. Over the twelve months to December 2013 Wollongong 2 and 3 bedrooms recorded growth of 2.1% and 5.3% respectively.

Wollongong Other Dwellings rentals over the December quarter recorded poor results with declines in 1 and 2 bedrooms of 8.3% and 3.1% to median weekly rentals of \$220 and \$310 respectively. Over the twelve months to December, positive results were experienced with growth in 1 and 2 bedrooms of 4.8% and 3.3% respectively.

Hotels & Leisure Market

Investment Activity

PRP Research recorded few Hotel and Leisure transactions that occurred in New South Wales during the March quarter 2014;

Iris Capital has purchased the **Palms Hotel Bankstown** in Sydney's south-west at **167 Hume Highway, Chullora** for **\$22.5 million**. This is the eight property in Iris's hotel portfolio, which includes Kings Cross bar Goldfish and eastern Sydney pub the Clovelly Hotel. The Palms Hotel comprises **33 motel rooms, a sports bar, a bistro, a function room and 25 gaming machines**.

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 central office location within the Sydney Central Business District we serve our clients' needs throughout the Sydney CBD, greater Sydney metropolitan area, throughout the state of New South Wales. For special purpose real estate asset classes, infrastructure, and plant & machinery we operate throughout Australia and globally either directly or through our relationship offices.

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



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Darwin

Hobart

Perth

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