Preston Rowe Paterson

International Property Consultants

Office Market Report

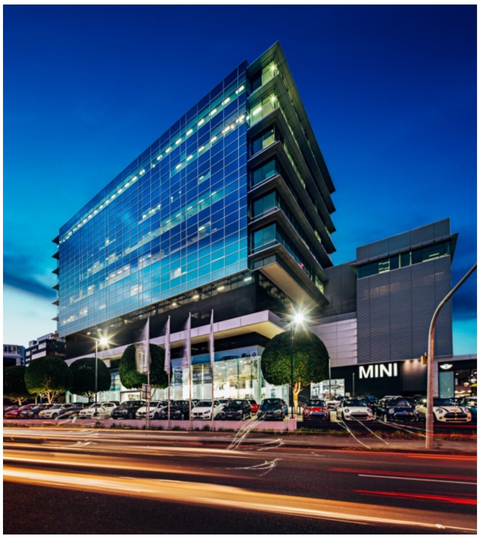
Australian CBD

First Half 2017

HIGHLIGHTS

- Over the last five years, Australia's total office stock increased by 4.8% to over twenty five million square metres.
- Sydney CBD's office supply increased by approximately 6,500 square metres to just over five million square metres. Total vacancy in the Sydney CBD declined by 0.3% to 5.9% over the six months to July 2017- the second lowest recorded since January 2009.
- Melbourne CBD's office market increased by close to 24,000 square metres to four and a half million square metres. Total vacancy of Melbourne CBD's office market remains unchanged at 6.5%.
- Canberra's vacancy rate continue to show a strong indication of a strengthening office market in Canberra, declining by -1.2% over the six months to July 2017 to 11.4%. Total vacancy rate in Brisbane CBD increased by 0.4% over the six months to July 2017 to 15.7%.
- Adelaide's total office stock increased by 0.3% over the six months to July 2017 to close to one and a half million square metres. This figure indicates an increase of 1.3% over the year.

INSIDE THIS ISSUE:



Phone: +61 2 9292 7400

Fax: +61 2 9292 7404

Address: Level 14, 347 Kent Street Sydney NSW 2000

Email: research@prpsydney.com.au

Follow us: Visit www.prpsydney.com.au

© Copyright Preston Rowe Paterson NSW Pty Limited

Commercial Office Report

AUSTRALIA

OFFICE STOCK

Australia's commercial office market has experienced dramatic changes over the past few years, with strong interests from both domestic and foreign investors prompting the construction of new office spaces around the country. We note that 73% of total office stock in Australia resides in the nation's easterly capital cities of Sydney, Melbourne and Brisbane, with the remaining stock spread across the rest of the country's central business districts. Over the last five years, Australia's total office stock increased by 4.8% to over 25.3 million square metres. The majority of this change stems from the increase in office stock in Australia's central business districts (CBD), which increased by 6.8% to 18 million square metres. Over the same period, non-CBD office stock increased by less than 0.2% to 7.3 million square metres.

Over the past five years, Melbourne and Adelaide recorded the largest increases in office space. Melbourne's total office space increased by 9.4% to 4.6 million square metres, whilst Adelaide's total office stock increased by 9.2% to 1.4 million square metres. Brisbane and Canberra follows, with respective increases of 5.5% and 6.1%, up to 2.3 million square metres and 2.3 million square metres respectively. Over the same period, Sydney's total office stock increased by 3.9% to 5.1 million square metres. Darwin and Hobart experienced slower increases of 2.1% and 1.3%, respectively, to bring their total stocks up to 215.9 thousand and 354.9 thousand square metres, respectively.

	Australian CBD	Australian Non-CBD	Total Australian Offices
Total Stock (SQM)	18,018,735	7,263,416	25,282,151
Total Vacancy (SQM)	1,897,950	690,892	2,588,842
Total Vacancy Rate (%)	10.5	9.5	10.2
Supply Additions	132,819	26,054	158,873
Withdrawals	101,312	68,830	170,142
Net Absorption 12 months (SQM)	188,097	-1,896	186,201

Table 1— Australia office market figures for July 2017 — Source: PCA

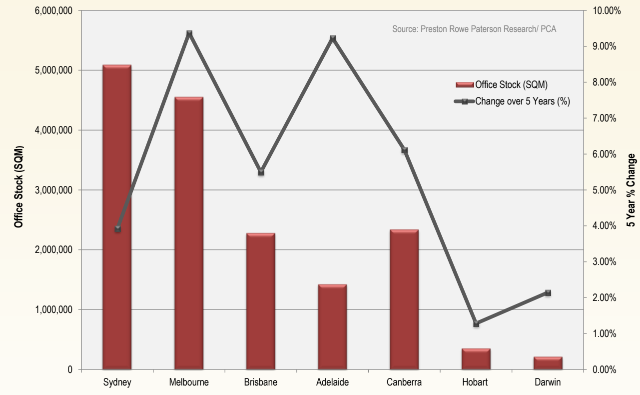


Chart 2— Office Stocks in Australia's Capital Cities as at July 2017— Source: PCA

VACANCY RATES

Total vacancy rate in Australia declined by 0.3% over the six months to July 2017, to 10.2%. Australian CBD's total vacancy declined over the same period, by 0.4% to 10.5%, whilst vacancy rate in Australia's non-CBD declined by 0.2% to 9.5%. The total vacancy factor for Australia as at July 2017 is still relatively high when we compare to July 2012's vacancy factor of 7.8%, and July 2007's vacancy factor of 4.8%. In saying this, a significant slowdown in future office supply will imply that vacancy rate is expected to decline in some centres around Australia. Figures from the Property Council of Australia indicates that close to three quarters of new CBD office supply entering Australia's market in the next two and three years will be positioned in Sydney and Melbourne. A large disparity is noted between non-mining and mining states, with vacancies in Sydney CBD (5.9%) and Melbourne CBD (6.5%) the lowest across Australia, whilst Perth CBD (21.1%) and Brisbane CBD (15.7%) continue to experience historically high vacancies.

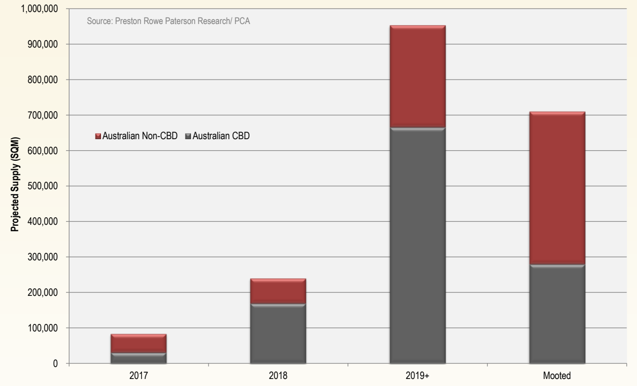


Chart 3— Future supply of office stocks, Australian CBD vs. Non-CBD— Source: PCA

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

SYDNEY

OFFICE STOCKS

The July 2017 Office Market Report indicates that there has been an addition of approximately 83.5 thousand square metres of office space into Sydney CBD's office market. This is however offset by nearly 76 thousand square metres of space withdrawals over the same period. In total, Sydney CBD's office supply increased by approximately 6,500 square metres to 5.1 million square metres. All supply additions to Sydney's office market stemmed from the construction of Premium Grade and A Grade spaces, which added 5,135 square metres and 55,353 square metres, respectively, onto the city's office market. Total Premium office space increased to 1.1 million square metres, whilst total A Grade office space increased to 1.9 million square metres. Office space were withdrawn from B Grade, C Grade and D Grade office stocks, which declined by -23,214 square metres, -29,367 square metres and -1,490 square metres, respectively. As at July 2017, total B grade office stock stands at 1.4 million square metres, C Grade office stock stands close to 500 thousand square metres and D Grade stock stands at 184 thousand square metres.

The capital city is expected to go through a period of historical low supply until the next tranche of supply comes through between 2018 and 2019. A combination of refurbishments and new developments to be completed by 2019 will bring in a further 410,630 square metres of office space in to Sydney's tight office market. Notably developments include Wynyard Place, which is expected to add 56 thousand square metres into Sydney CBD's office stock upon completion in 2019+; Barrack Place, which will add 22 thousand square metres in space upon completion in 2018; and Quay Quarter Sydney/ AMP Precinct, which will add 90 thousand square metres of office space upon completion in 2019+. The additions of these in combination with other office towers into Sydney CBD's landscape will provide more options for office tenants across the capital city, with strong competition is expected amongst landlords to secure tenants as supply increases over the next two years.

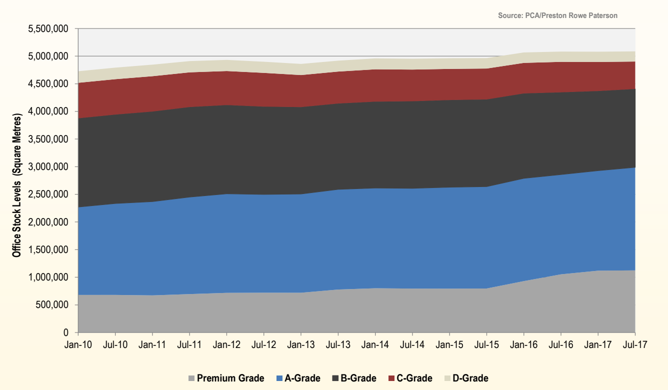


Chart 4– Sydney CBD Office Stock by Grade —Source— PCA

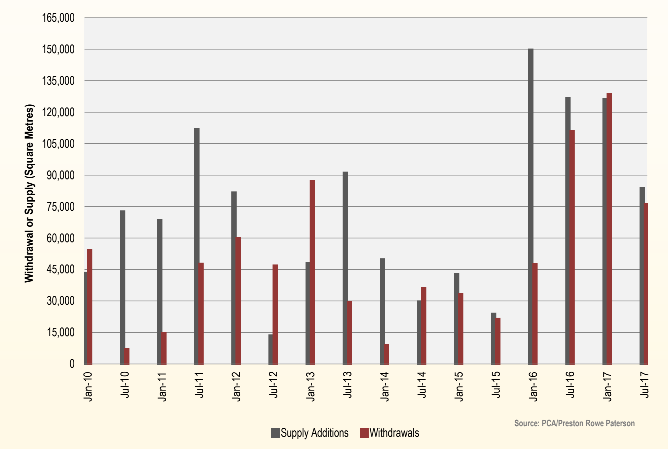


Chart 5– Sydney CBD Supply and Withdrawals of office stock —Source— PCA

VACANCY RATES

Total office vacancy in Sydney CBD declined by 0.3% to 5.9% over the six months to July 2017- the second lowest recorded since January 2009. All this change was attributed by a decline in sub-lease vacancy, which fell to 0.3%, whilst direct vacancy remained unchanged at 5.4%. Premium Grade and A Grade office vacancy declined by -3.0% and -0.5%, respectively, to 9.5% and 3.6%. B Grade, C Grade and D Grade vacancies all experienced increases in their vacancy rates. B Grade vacancy increased by 1.8% to 5.8%, C Grade vacancy increased by 0.3% to 6.9%, whilst D Grade vacancy increased by 0.9% to 3.8%.

Withdrawal of office space, notably for the Metro rail project and residential conversions, combined with strong demand by tenants are the major contributors to a reduction in Sydney's vacancy rate. Jane Fitzgerald, Property Council NSW executive director, notes that strong demand for upper grade spaces have contributed to declines in both Premium and A Grade vacancy rates.

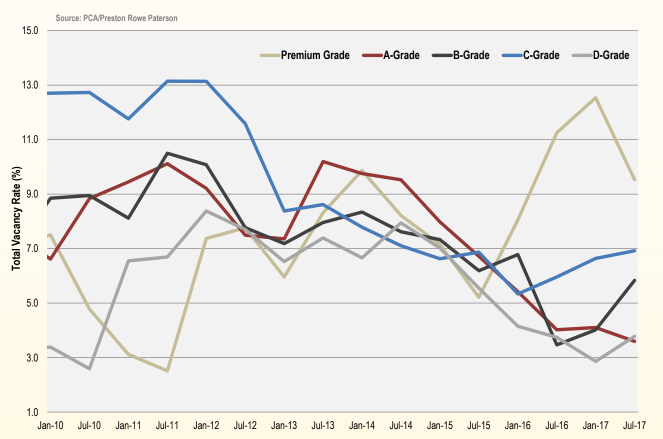


Chart 6– Sydney CBD Office Vacancy Rate —Source— PCA

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

INVESTMENT ACTIVITY

Preston Rowe Paterson Research recorded the following major sales transactions that occurred during the first half of 2017:

183-185 Clarence Street, Sydney, NSW 2000

Built has purchased a 99-year leasehold to a 3,600 m2 office building for **$22.75 million**. The 1,000 m2 site was sold by *Vietnamese Vingroup*. The new owners plan to refurbish to create up to 8,000 m2 of office and retail with up to seven additional levels on the current buildings. The sale reflects a **rate of $22,750 psm**.

296 and Lot 1, 300 George Street, Sydney, NSW 2000

A Hong Kong investor has sold a three-level commercial property to another Asian investor for **$9 million**. The 423.3 m2 property occupies an 82.2 m2 site and is home to *Lee's Malaysian* restaurant. The restaurant brings in a gross annual rent of $197,389 but the rest of the property is vacant. If the property was fully leased, it could return about $607,389 in gross annual rent. The sale reflects a **rate of $21,262 psm.**

20 Bridge Street, Sydney, NSW 2000

Kumpulan Wang Persaraan has sold a 13-level office tower to a Hong Kong buyer for **between $330 and $350 million.** The property known as **Exchange Centre** is an A-grade office complex with 20,347 m2 of net lettable area. *ASX Group* occupies over 45% of the building with 11 years left on their lease. The WALE of the building is around 7-years. The property could be redeveloped with a higher height potential.

275 George Street, Sydney, NSW 2000

John Holland has bought a 14-storey, 7,357 m2 office building from *QIC Global Real Estate* for **over $82 million**. The B-grade building, formerly known as the **ANZ Bank Building**, was constructed in 1966 and was last refurbished in 2003. The buyer plans to demolish the office tower and construct a new 15-storey building of around 8,023 m2. The sale reflects a **rate of $11,146 psm**.

320 Pitt Street, Sydney, NSW 2000

ARA Asset Management has bought a 21,159 m2 office tower from *Propertylink Office Partnership II* for **$280 million**. The property is leased to *Telstra* until 2020 and has sold on an **initial yield of 6.26%.** The sale reflects a **rate of $13,233 psm**.

LEASING ACTIVITY

Preston Rowe Paterson Research revealed the following leasing transaction that occurred over the first half of 2017:

126 Phillip Street, Sydney, NSW 2000

Allens Linklaters has resigned to lease office space for **7.5-years**. The company will occupy 8,424 m2 of space for an undisclosed amount.

Lvl 10/111 Elizabeth Street, Sydney, NSW 2000

16 Wardell Chambers has moved from their 39 Martin Place offices to a newly lease 753 m2 B-grade office after being displaced by the Sydney Metro construction. The chambers agreed to a **7-year lease** at a **gross annual rent of $845 psm**.

Level 19, 66 Goulburn Street, Sydney, NSW 2000

National Disability Services Limited has agreed to a **5-year lease** for a whole-floor 937 m2 office. *GDI Property Group* is the landlord and the net annual rent is **$665 psm** for the A-grade space.

1 Farrer Place, Sydney, NSW 2000

Savills Australia has secured 2,200 m2 of premium-grade office space at **Governor Phillip Tower** for **9-years**. The company will occupy all of Level 25 and part of Level 24 and pay a **net annual rent of between about $1,200 to $1,600 psm**.

223 Liverpool Street, Sydney, NSW 2000

Hub Australia will take over almost all the floors in a commercial building. The company will occupy 4,200 m2 of the building which includes four of the five floors.

140 Elizabeth Street, Sydney, NSW 2000

A circa 1990 office building on a 1,047 m2 site has found a new tenant. The *Australian Academy of Commerce & Cambridge* will occupy 2,900 m2 of space in the B-grade, 10-level building from the *Salvation Army (NSW) Property Trust* on a **5-year lease**. The lease is for levels 5 to 10 and four parking spaces. The **gross annual rent is approximately $535 psm with a small incentive**. There are also four parking spaces.

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

DEVELOPMENT SITES

July's edition of the PCA's Office Market Report have reported that seven new developments in the Sydney CBD will be completed within the next three years. Collectively, these new developments will further add just over 240,000 square metres of new office space by the end of 2019. The following provides further details of these projects, including that of Darling Square, which was recently completed in the second half of 2017:

Project Name	Address	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
Darling Square	2 Hay Street, Haymarket, NSW 2000	Complete	APPF Commercial / First State Super	26,000	Q2 2017
International House Sydney	International House Sydney, Barangaroo, Sydney 2000	Construction	Lendlease	6,729	Q3 2017
Central Park	100 Broadway, Chippendale, NSW 2008	Construction	Frasers Property Group / Seksui House Australia	5,447	Q2 2018
Barrack Place	151 Clarence Street, Sydney, NSW 2000	Construction	Investa Office Fund	22,000	Q3 2018
Wynyard Place	10 Carrington Street, Sydney, NSW 2000	Site Works	Soveriegn Wynyard Centre Pty Ltd	56,000	Q1 2019
60 Martin Place	60 Martin Place, Sydney, NSW 2000	Site Works	Investa Property Trust/Martin Place Wholesale Syndicate	38,600	Q3 2019
Quay Quarter Sydney/AMP Precinct	(QQS) 2-10, 20 Loftus & 5-17 Young Streets	DA Approved	AMP Capital Investors (AMP Wholesale Office Fund)	90,000	Q3 2019
Kindersley House	33 Bligh Street, Sydney, NSW 2000	DA Approved	Investa + Ausgrid	24,000	Mooted

Table 1 – Development Sites around Sydney CBD – Source PCA

Central Park

Located at 100 Broadway, this mix-used commercial building will provide the Southern part of Sydney's CBD with 5,447 square metres of NLA and 3,000 square metre of retail area upon its completion in 2018. The 18-level building has an average floorplate size of 3,500 square metres and a total of 235 car spaces, with reports that it will be one of Australia's most advanced sustainable mixed-use developments. The building is located close to the University of Technology, and has multiple access points to Central Railway Station as well as the proposed George Street light rail.

Wynyard Place

The 27-level Premium Grade commercial building, located at 10 Carrington Street, is currently under site works and is expected to be completed by the second quarter of 2019. The building will contain 56,000 square metres of commercial space and 5,900 square metres of prime retail space that will have access to a major transport hall. The building will have an average floorplate size of 2,888 square metres and will contain 170 carpark spaces in total upon completion. National Australia Bank will be the anchor tenant, which will see them occupy 31,000 square metres of space from level 1 to level 9, and is due to move into the building mid-2020 under a twelve-year lease agreement.

60 Martin Place

Development has begun at 60 Martin Place, which will upon its completion, add 38,600 square metres of office space across 33 levels into Sydney's office market. The building will boast a flexible floorplate which ranges from 1,200 to 1,500 square metres, along with panoramic views of the Opera House, Botanical Gardens and Sydney Harbour. Lendlease Building has been appointed to construct the building, owned by Investa and Gwynvill Group, with construction expected to be completed by the third quarter of 2019. There will also be an extra 1,700 square metres of retail space, and 69 available car spaces available.

© Copyright Preston Rowe Paterson NSW Pty Limited

MELBOURNE

OFFICE STOCK

July 2017's PCA Office Market Report indicates that Melbourne CBD's office market increased by close to 24 thousand square metres over the six months to July. Total supply stands at 4.5 million square metres, which indicates that the office market had increased by 0.5% over six months and 2.5% over the last year.

Premium Grade stock in Melbourne CBD stands at 751,400 square metres as at July 2017, which approximates to 16.5% of total office stocks. Over the six months to July, Premium Grade stock had increased by 3,900 square metres, or 0.5%, though had declined by -0.5% when we compare to total stock from twelve months prior. There exists close to 2.3 million square metres of A Grade stock in Melbourne CBD. Over six months, total A Grade stock had increased by 17.8 thousand square metres, or 0.8%. Over the twelve months to July 2017, total A Grade stock had increased by 5.2%. Currently, A Grade stock dominates Melbourne CBD's total office market with a share of 49.6% of total stock.

B Grade stock takes up 19.2% of Melbourne CBD's total office stock, with 875 thousand square metres of office space. No change in office stock was recorded over the half year, though total B Grade stock had declined by -0.7% over the twelve months to July 2017. C Grade stock takes up 12.1% of total office stock, with 550 thousand square metres of office space. This figure indicates an increase of 0.3% over six months, and 1.4% over twelve months. D Grade stock remain unchanged over the year with 116 thousand square metres of stock, or 2.6% of total Melbourne CBD office stock as at July 2017.

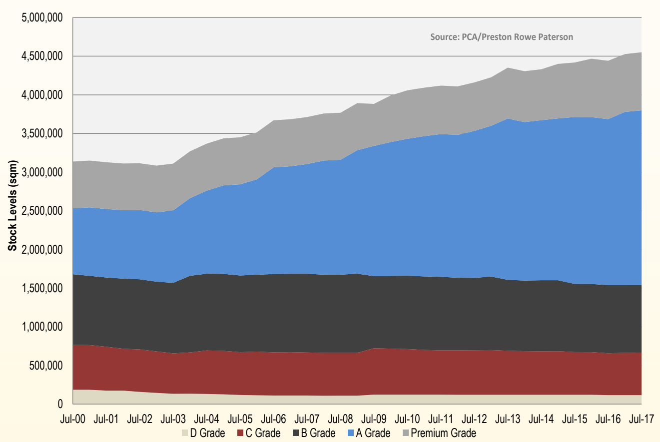


Chart 7– Melbourne CBD Office Stock by Grade —Source— PCA

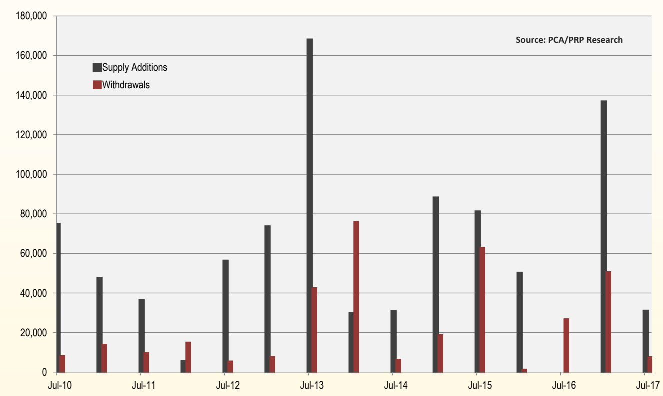


Chart 8– Melbourne CBD Supply and Withdrawals of office stock —Source— PCA

VACANCY RATES

Over the six months to July 2017, total vacancy of Melbourne CBD's office market remains unchanged at 6.5%. Direct vacancy in Melbourne CBD increased by 0.1% to 6.1%, whilst Sub-lease vacancy declined by -0.1% to 0.4%. Premium Grade and A Grade buildings experienced declines in their vacancy rates, of -0.5% and -0.4% respectively. Both Premium Grade and A Grade vacancy rate stand at 6.1% as at July 2017. B Grade, C Grade and D Grade vacancies increased over the six months to July. Office vacancy for B Grade offices increased by 0.8% to 6.6%, whilst C Grade and D Grade office vacancies increased by 0.7% and 2.1% respectively, to 9.0% and 3.2%.

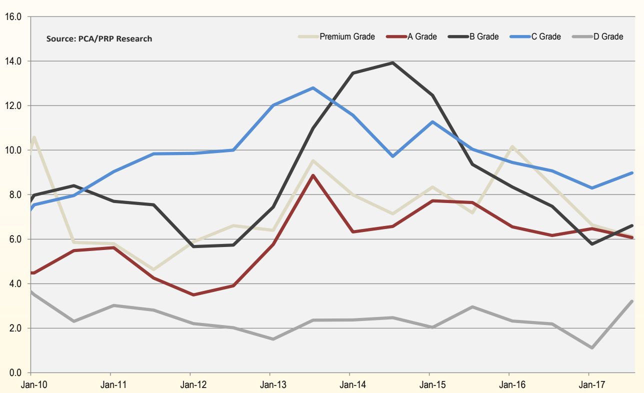


Chart 9– Melbourne CBD Office Vacancy Rate —Source— PCA

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

INVESTMENT ACTIVITY

Preston Rowe Paterson Research recorded the following major sales transactions that occurred over the first half of 2017:

102 Albert Road, South Melbourne, VIC 3205

A Malaysian investor has acquired a 6-level office building from *Evergreen Nominees* for **$24.4 million**. The 4,767 m2 office sits on a 1,850 m2 block and offers long-term, high-density redevelopment opportunity. The sale reflects a **rate of $13,189 psm**. South Melbourne is located around 2.4 km south of Melbourne's CBD.

18-38 Siddeley Street, Melbourne, VIC 3000

A local private invest who is backed by Asian funding has acquired the **World Trade Centre** from *Abacus*, *KKR* and *Riverlee Group* for **$267.5 million**. The 50,000 m2 building sits on about 14,000 m2 of land and is 99% occupied. The **yield of 7%** reflected the fact that the *Victoria Police*, who take up 43% of the space, are exiting in 2020. The sale reflects a **rate of about $19,107 psm**.

Cnr Bourke and Russell Streets, Melbourne, VIC 3000

A Chinese investor has paid **$33 million** on a **yield of around 4%** for a 1,500 m2 mixed-use, fully-leased building constructed in 1923. *Uniorn Hotel Nominees Pty Ltd* sold the 6-storey, freestanding art deco -style property known as Bourke House. The sale reflects a **rate of $22,000 psm**.

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

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

247 Collins Street, Melbourne, VIC 3000

Newspaper House has been acquired by *Oriental Holdings* from *Lian Beng* for **$35 million.** The 7-storey office property was built in 1884 and has recently been given a facelift with a new façade and a mural. The 100% leased property was sold on a **yield of 4.2%** and has a WALE of 7.5 years. The sale of the 2,014 m2 property reflects a **rate of $17,378 psm**.

31 Market Street, South Melbourne, VIC 3205

A local buyer has purchased a 2,565 m2 of lettable area office building for **$19.4 million**. The four-level building features basement and ground floor parking for 41 vehicles and boutique style office accommodation. The internal foyers and office space within the fully-let building has recently been refurbished. The sale reflects a **yield of 5.4%** and a **rate of $7,563 psm**. South Melbourne is located about 2 km south of the Melbourne CBD.

10-16 Dorcas Street, Melbourne, VIC 3000

Crescent Wealth has sold the 8 level, 7,608 m2 office building to a private investor for **$37 million** on a **yield of 6.5%.** The building has a 4 star NABERS Energy rating and is currently leased to *Dimension Data*. The building has redevelopment potential. The sale reflects a **rate of $4,863 psm.**

LEASING ACTIVITY

Preston Rowe Paterson Research revealed the following leasing transaction that occurred over the first half of 2017:

Collins and Russell Streets, Melbourne, VIC 3000

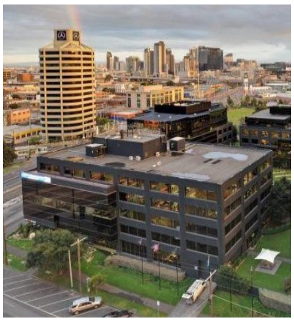
Accenture will occupy two floors in the **T&G** building for **10-years**. The lessee will take up 8,000 m2 from *Pembroke Real Estate*.

15 William Street, Melbourne, VIC 3000

Deka has leased more than 12,000 m2 of office space after an industrial-style refurbishment and the introduction of end-of-trip facilities. *Commonwealth Bank* secured 7,200 m2 of A-grade space on a **10-year** term and *IPG Media* has leased 2,060 m2 of space for **8-years**. *Cognizant* will occupy 1,400 m2 of space for **5-years**, while *Charles River* will lease a 500 m2 office suite for **6-years**. The deals were struck on net rents in the low to mid $400 psm range with incentives at around 30%. The new end-of-trip facilities provide 21 showers, 430 lockers, secure bicycle parking for 251 bikes, complementary towel service, drying cupboards, bike maintenance facilities and a bike accessory vending machine.

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

111 Coventry Street, South Melbourne, VIC 3205



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

150 Lonsdale Street, Melbourne, VIC 3000

The *Australian Institute of Superannuation Trustees* will occupy the whole 23rd floor of a commercial building. The floor has recently been refurbished with exposed surfaces, polished concrete flooring and upgrade lobby and bathrooms. The company has agreed to a **10-year lease** for 1,126 m2 of space. They will pay a net annual rent of **$420 psm**.

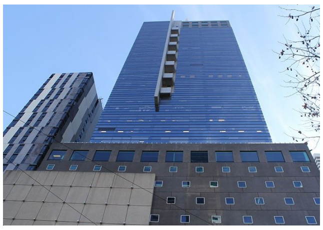
486 Albert Road, Melbourne, VIC 3000

Catholic Archdiocese of Melbourne has found a new tenant at level one at **The St Patrick's Centre**, formally the **VECCI** building. *St Vincent's Hospital* will occupy the space for **5-years** at a **net annual rent of about $350 to $370 psm**.

555 Bourke Street, Melbourne, VIC 3000

Clear Edge Offices will pay a **net annual rent of about $450 psm** for ground and first floor offices. The 1,212.8 m2 of space will be leased for **7-years.**

300 La Trobe, Street, Melbourne, VIC 3000



Olex Australia has leased a subdivided 15th floor for **4-years**. The **gross annual rent is $450 psm**. The total area is 1,053 m2.

18 Oliver Lane, Melbourne, VIC 3000

SJB has moved to an 860 m2 office over two fully self-contained floors in a heritage building. The company will pay a **gross annual rent of $600 psm** to landlord *Marks Henderson*. The lease is for **6-years**.

150 Lonsdale Street, Melbourne, VIC 3000

Johnstaff Projects has signed a deal to lease level 26 in a commercial office building owned by *Charter Hall* for **6-years.** The lessee will pay a **net annual rent of $425 psm** for the 865 m2 of office space. The building has recently been refurbished with new lifts and end-of-trip facilities.

484 St Kilda Road, Melbourne, VIC 3000

Bayside Group will move from its previous office space that is undergoing redevelopment to occupy a 1,342 m2. The company will lease for **10-years** at a **net annual rent of around $330 to $400 psm**.

Table 2— Development Sites around Melbourne CBD – Source PCA

© Copyright Preston Rowe Paterson NSW Pty Limited

DEVELOPMENT SITES

July's edition of the PCA's Office Market Report outlines the following developments to be completed within the next three years in Melbourne CBD. Collectively, these new developments will further add close to 500,000 square metres of new office space by the end of 2019. Further details of these developments are outlined in the table below:

Project Name	Address	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
Rialto	525 Collins Street	Construction	Undisclosed	3,589	Q3 2017
664 Collins Street	664 Collins Street	Construction	Mirvac Group	26,000	Q2 2018
One Melbourne Quarter	699 Collins Street	Construction	APPF Commercial	26,400	Q3 2018
Tower 5 - Collins Square	737 Collins Street	Construction	Walker Corporation Pty Ltd	40,000	Q4 2018
80 Collins Street South	80 Collins Street	Construction	Queensland Investment Corporation (QIC)	43,000	Q1 2019
Wesley Church Development	130 Lonsdale Street	DA Approved	Charter Hall	50,000	Q1 2019
The Olderfleet	477 Collins Street	Construction	Mirvac Group	50,000	Q1 2019
405 Bourke Street	405 Bourke Street	DA Approved	Brookfield Office Properties (Brookfield Multiplex)	66,000	Q1 2019
271 Spring Street	271 Spring Street	Site Works	ISPT	15,600	Q3 2019
VIC Police Centre	311 Spencer Street	Construction	Cbus Property / Australia Post	65,000	Q4 2019+
Collins Arch	447 Collins Street	Construction	Cbus Property	49,000	Q4 2019+
396 Docklands Drive	396 Docklands Drive	DA Approved	MAB Corporation	8,880	Mooted
Melbourne Quarter Tower	693 Collins Street	Site Works	Undisclosed	54,000	Mooted

Table 2– Development Sites around Melbourne CBD – Source PCA

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

CANBERRA

OFFICE STOCK

Over the six months to July 2017, Canberra experienced a decline in total office stocks, by -0.2% down to 2.3 million square metres. C Grade and D Grade stocks in Canberra experienced declines in total stocks over the period, with C Grade stock declining by -0.6% to 657 thousand square metres, whilst D Grade stocks declined by -5.62% to 84.5 thousand square metres. In contrast, B Grade buildings experienced a 1.0% increase in total stock to 519 thousand square metres. A Grade stock remains unchanged at 1.1 million square metres. Canberra's office market continues to be dominated by A Grade buildings, with 46.1% of total stock. B Grade and C Grade office stocks follows, with a respective share of 22.2% and 28.1%. D Grade stock takes up 3.6% of Canberra's total office stock.

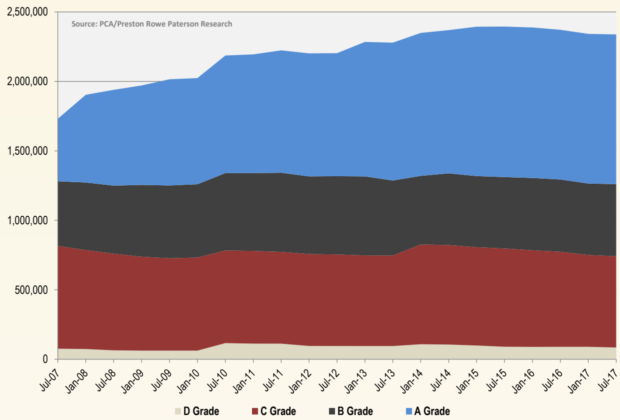


Chart 10— Canberra Office Stock by Grade — Source: PCA

VACANCY RATES

Canberra's vacancy rate continue to show a strong indication of a strengthening office market in Canberra, declining by -1.2% over the six months to July 2017 to 11.4%. This follows a decline of 0.4% to 12.6% over the six months to 2017. Australia's capital city recorded the second largest decline across all capital cities- just behind. A Grade, C Grade and D Grade offices experienced declines in their vacancies over the six months. A Grade office vacancy declined by -0.4% to 9.4%, C Grade office vacancy declined by -3.5% to 15.3% whilst D Grade office vacancy declined by -0.2% to 22.9%. B Grade vacancy increased by 0.2% to 8.9%- influenced by new supply additions over the period. Despite the slight movements in older C Grade and D Grade office stocks in Canberra, the large disparity continue to exist between new and old office stocks. The PCA states that despite the fact that there's new supply entering Canberra's office market within the coming eighteen months, supply for newer office spaces that potential tenants are looking for will not enter the marketing until 2019 or later. This creates a strong desire for future revitalisation work on older stocks to keep up with supply over the long term.

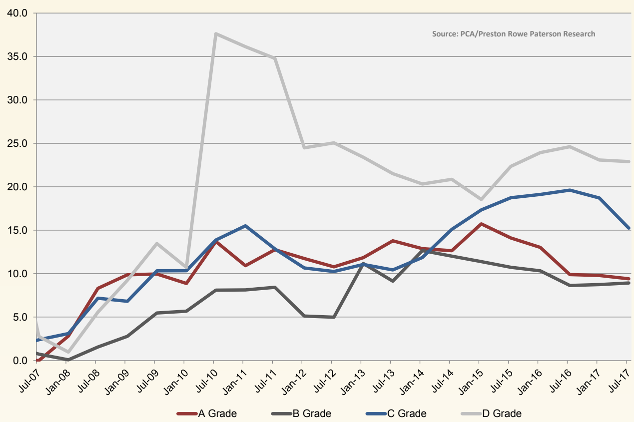


Chart 11— Canberra Vacancy Rates— Source: PCA

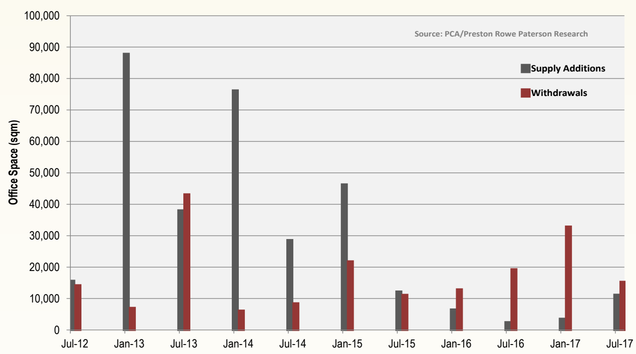


Chart 12— Melbourne CBD Supply and Withdrawals of Office Stock— Source: PCA

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

INVESTMENT ACTIVITY

Preston Rowe Paterson Research recorded the following major sales transactions that occurred during the first half of 2017:

50 Marcus Clarke Street, Canberra, ACT 2600

Mirae Asset Global Investments has bought an office complex from *TrustCapital* for around **$321 million** on a **6.1% yield**. The premium-grade property was constructed in 2011 and is leased to the *Department of Education*, *Employment* and *Workplace Relations* with around 8-years remaining. The 40,201 m2 of net lettable area asset occupies a 4,801 m2 site and features 424 basement car spaces, 22 motorcycle spaces, 185 bicycle spaces and 735 m2 of storage. The sale reflects a **rate of $66,861 psm**.

2-6 Bowes Street, Philip, ACT 2606

Quintessential Equity has sold the 12,377 m2 6 level office building, known as **Penrhyn House,** to *Atlis Property Partners* for **$58.4 million** on a **yield of 6.58%.** *Quintessential* refurbished the building for $10 million upgrading the elevators, air-conditioning and frontage. The major tenant is *ACT Health*. The sale reflects a **rate of $4,718 psm.** Philip is located about 10.6 km south of Canberra CBD.

LEASING ACTIVITY

Preston Rowe Paterson Research revealed the following leasing transaction that occurred over the first half of 2017:

7-11 Barry Drive, Turner, ACT 2612

Australian National University has agreed to lease 1,805 m2 of office space for **3-years**. The **gross annual rent for the space is $380 psm**. Turner is located about 2 km north of the Canberra CBD.

165 Canberra Avenue, Fyshwick, ACT 2606

Seeing Machines leased the 3,217 m2 office building on a **10-year** lease for around **$275 m2 gross annual rent** from landlord *Hyperion Property Group*. Fyshwick is located about 8.9 km south-east of Canberra's CBD.

DEVELOPMENT SITES

According to the Property Council of Australia (PCA)'s Office Market Report July 2017, the following new developments are expected to be completed in and around Australia's capital city of Canberra:

Project Name	Address	Stage of Development	Owner	Net Lettable Area (NLA)	Completion Date
ACT Government Offices	Block 35 Section 100	DA Approved	ACT Government	20,000	Q4 2019
Myuna Complex	68-72 Northbourne Avenue	DA Applied	Amalgamated Property Group	15,500	Mooted
Section 96	Section 96	DA Applied	QIC	37,000	Mooted
Constitution Square / Constitution Place	Cnr Constitution Avenue & Anzac Parade	DA Applied	Capital Airport Group	32,000	Mooted
Pharmacy House	44 Thesiger Court	Construction	Pharmacy Guild of Australia	1,000	Q1 2018
Block 22 Section 112 Symonston	2 Faulding Street	Construction	Evri Group	1,600	Q3 2017

Table 3— Development Sites around Canberra – Source PCA

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

BRISBANE

OFFICE STOCK

Total office stock in Brisbane CBD's office market experienced little changes over the six months to July 2017, remaining at 2.3 million square metres. This figure indicates a decline of 0.8% over the year. All but C Grade stocks in Brisbane remained unchanged over the period, with C Grade stock declining by 0.2% to 219 thousand square metres. Premium Grade stocks stand at 14.7% of total stocks, or with 335 thousand square metres of space. A Grade stock dominates Brisbane's office market, with 40.3% of total space, or 918 thousand square metres of space. C Grade buildings take up 32.9% of total office space with 750.2 thousand square metres of space. B Grade stock takes up 9.6% of total space, with 218.8 thousand square metres, whilst D Grade stock take up 2.5% of total stock with 56.9 thousand square metres of space.

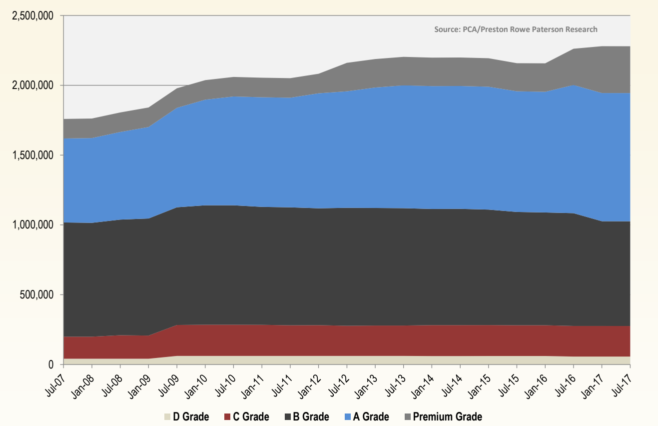


Chart 13— Brisbane CBD Office Stock by Grade — Source: PCA

VACANCY RATES

Total vacancy rate in Brisbane CBD increased by 0.4% over the six months to July 2017 to 15.7%. This increase is attributed to by an increase in direct vacancy, which increased by 0.5% to 14.2%, whilst sub-lease vacancy decreased by -0.1% to 1.5%. Premium and A Grade office vacancy declined over the period. Premium Grade office vacancy declined by -0.5% to 11.8%, whilst A Grade vacancy declined by -0.3% to 11.6%. In contrast, B Grade, C Grade and D Grade office vacancies all increased. B Grade office vacancy increased by 0.3% to 20.0%, C Grade office vacancy increased by 4.2% to 23.8%, and D Grade office vacancy increased by 0.8% to 16.1%.

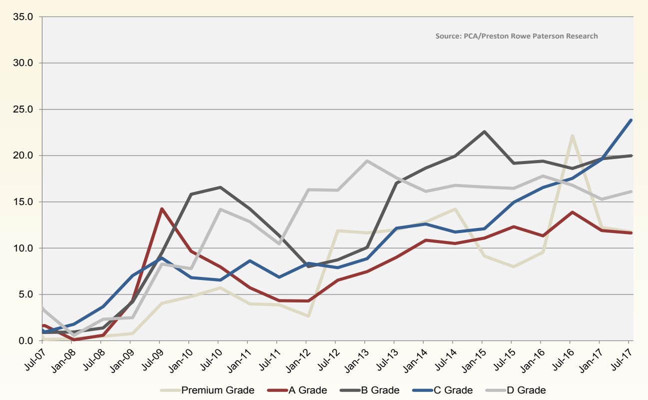


Chart 14— Brisbane CBD Vacancy Rates— Source: PCA

DEVELOPMENT SITES

According to the Property Council of Australia (PCA)'s Office Market Report July2017, the following new developments are expected to be completed in Brisbane CBD by 2019:

Project Name	Address	Stage of Development	Owner	Net Lettable Area (NLA)	Completion Date
300 George Street	300 George Street	DA Approved	Shayher Group/Bao Jia Development	58,209	Q2 2019

Table 4– Development Sites around Brisbane CBD – Source PCA

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

INVESTMENT ACTIVITY

Preston Rowe Paterson Research recorded the following major sales transactions that occurred over the first half of 2017:

505 St Paul's Terrace, Brisbane, QLD 4000

The Korea Techers Pension fund has paid **$200 million** for the A-grade **Green Square South Tower**. The 17,618 m2 property occupies a 6,400 m2 site and has 355 car spaces. The fully-leased, 5-level building has an 11-year WALE. The sale reflects a **yield of 6.3%** and a **rate of $31,250 psm**.

200 Creek Street, Spring Hill, QLD 4000

Sentinel Property Group has paid **$38.7 million** to *Centuria* for an office tower. The 10-storey, A-grade building has 7,603 m2 of net lettable area with three ground floor tenancies and 9-levels of office accommodation. The sale reflects a **rate of $5,090 psm**.

5 King Street, Brisbane, QLD 4000

Impact Investment Group has paid **$140 million** to *Lendlease* for the largest commercial timber building in the world by area. The project will be around 52 metres tall with 15,000 m2 of space over 10 levels of the building. *Aurecon*, the lead engineer on the project, has agreed to lease 6,500 m2 of space on a 10-year lease. The project will be completed late 2018.

126 Margaret Street, Brisbane, QLD 4000

Investec Property Office Fund 2 has sold a 14-storey office tower to *The Capital Property Fund* on behalf of an institutional investor for **$34 million**. The B-grade commercial asset is fully-leased to **Queensland University of Technology** and **Wilson Parking**. The sale of the 5,569 m2 building reflects a **rate of $6,105 psm**.

40 Tank Street, Brisbane, QLD 4000

Ariadne Australia and an entity associated with *Ariadne's* deputy chairman Kevin Seymour has acquired an office building from *151 Property Group* for **$56.1 million**. The property is an 11-storey commercial tower with 5-levels of parking, ground-floor foyer, retail spaces and five upper levels of office accommodation. Four of the five upper levels are leased to the Queensland Government. It is 81% occupied and has a WALE of 7-years. There was recently a refurbishment completed to the lobby, façade and ground floor cafes. The 5-storey car park is leased to *Ariadne* until 2024.

50 Ann Street, Brisbane, QLD 4000

Propertylink has acquired an office building for **$145 million** on a **core market yield of 8.18%**. The property is fully-leased to the Queensland state government with 3.5-years left on their lease. The sale of the 25,519 m2 of lettable area property reflects a **rate of $5,682 psm**.

366, 370 & 380 Queen Street, Brisbane, QLD 4000

Charter Hall and *Investa* have purchased three commercial buildings from Clive Palmer for **$53.75 million**. The three properties have a net lettable area of 9,400 m2 on a total site area of 2,147 m2. The joint venture buyers have a proposal that comprises a commercial office tower of 45,000 m2 of space. The tower has basement car parking, a podium-level with gym and childcare centre. There are also end-of-trip facilities, retail accommodation and office accommodation over 40 levels. The proposed building will aim to have 5-star design and energy efficiency ratings. The sale reflects a **rate of $5,718 per current net lettable area.**

LEASING ACTIVITY

Preston Rowe Paterson Research revealed the following leasing transaction that occurred over the first half of 2017:

275 George Street & 69 Ann Street, Brisbane, QLD 4000

Telstra will occupy 30,000 m2 of office space across two properties from landlords *Charter Hall* and *Keppel REIT*. The lease is for **12-years**. The George Street tower is jointly owned by *Charter Hall Prime Office Fund* and *Keppel REIT*. The Ann Street property is fully owned by the *Charter Hall* fund.

316 Adelaide Street, Brisbane, QLD 4000

Times Education Group Australia has agreed to a **7-year lease** at a **gross annual rent of around $525 to $550 psm**. The 2,500 m2 of recently renovated office space is over 5 floors.

© Copyright Preston Rowe Paterson NSW Pty Limited

ADELAIDE

OFFICE STOCK

Adelaide's total office stock increased by 0.3% over the six months to July 2017 to 1.4 million square metres. This figure indicates an increase of 1.3% over the year. The majority of the increase over the six months is attributed to by an increase in B Grade stock, which increased by 1.1% to 394.3 thousand square metres. C Grade stock experienced a decline of -0.2%, down to 295,157 square metres. Premium Grade, A Grade and D Grade stocks remains unchanged. Currently, there's 41.7 thousand square metres of Premium Grade space, 553.2 thousand square metres of A Grade space and 140.1 thousand square metres of D Grade space. Adelaide's office market remains dominated by A Grade offices, which takes up 39% of total office stock. B Grade and C Grade stock take up 28% and 21% of total stock, respectively. D Grade stock takes up 10%, whilst Premium Grade stocks in Adelaide's office market take up 3% of total stock.

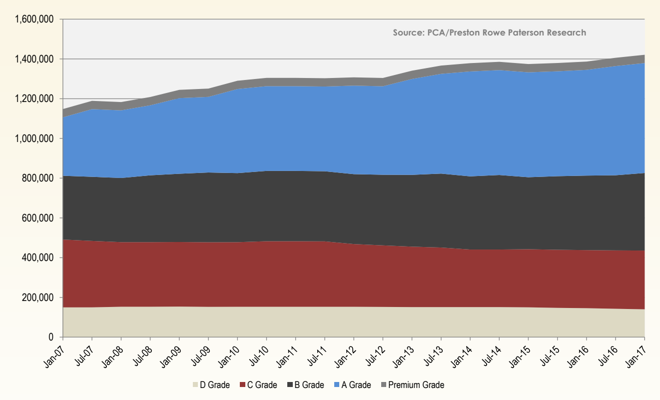


Chart 15— Adelaide CBD Office Stock by Grade — Source: PCA

VACANCY RATES

Adelaide's vacancy rate decreased by 0.1% over the six months to July 2017 to 16.1%. This decline was attributed to by a decline in sub -lease vacancy, which decreased by -0.5% to 0.7%. Direct vacancy, on the other hand, increased by 0.4% to 15.5%. Over the six month period, A Grade and D Grade offices experienced declines in vacancy. A Grade office vacancy declined by -1.3% to 14.1%, whilst D Grade vacancy declined by -0.6% to 19.5%. Premium Grade vacancy increased by 1.95 to 10.2%, and is attributed by a decline in 789 square metres of net absorption. B Grade vacancy increased by 1.1% to 16.7%, with the increase attributed to 6,927 square metres of space additions and -951 square metres of net absorption. C Grade vacancy increased by 0.3% to 18.4% and is influenced by a net absorption of -1,397 square metres over the six months. According to data from the Property Council of Australia, all grades of office space currently have double digit vacancy, the first time since January 2015, however, the decline over the six months to July is indicative of the positive demand for space, and withdrawals slightly outstripping supply.

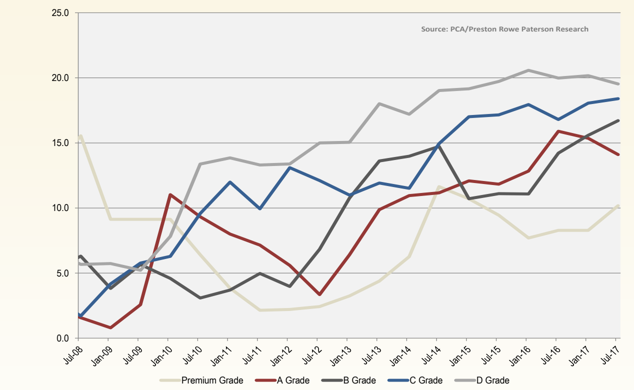


Chart 16— Adelaide CBD Vacancy Rates— Source: PCA

DEVELOPMENT SITES

According to the Property Council of Australia (PCA)'s Office Market Report July 2017, the following new developments are expected to be completed in Adelaide by 2019:

Project Name	Address	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
113-115 King William Street	113-115 King William Street	Complete	115 King William Street Pty Ltd	5,799	Q4 2016
City Central Tower 7	12-26 Franklin Street	DA Applied	Charter Hall / Telstra Super Fund	24,000	2019+
City Central Tower 4	141 King William Street	DA Applied	Charter Hall / Telstra Super Fund	12,500	Mooted

Table 5— Development Sites around Adelaide CBD – Source PCA

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

PERTH

OFFICE STOCKS

Total office stock in Perth increased by 0.1% over the six months to July 2017, to 1.8 million square metres. A Grade stock in Perth experienced the largest increase at 0.2%, with total A Grade stock increasing to 726.3 thousand square metres. B Grade stock in Perth experienced an increase of 0.1%, up to 478.2 thousand square metres. In contrast, D Grade stock over the same period experienced a decline of -4.9%, to the current total of 7,722 square metres. Premium Grade and C Grade stocks remain unchanged, at 356.3 thousand square metres and 200.4 thousand square metres respectively. Currently, Perth's office market is dominated by A Grade office buildings, which take up 41% of total office stock. B Grade buildings take up 27%, whilst Premium Grade buildings take up 20%. There's a small portion of C Grade and D Grade stocks, which take up 11% and 0.4% of total office stocks respectively. Over the six months to July 2017, Perth's office market experienced an addition of 2,452 square metres of office space, though this was offset by 1,264 square metres of space withdrawal. According to the Property council of Australia, Perth's office market results suggest that the city has reached the bottom of the economic cycle and the property industry in Western Australia is set to grow in sync with the strong creation of jobs over the coming years.

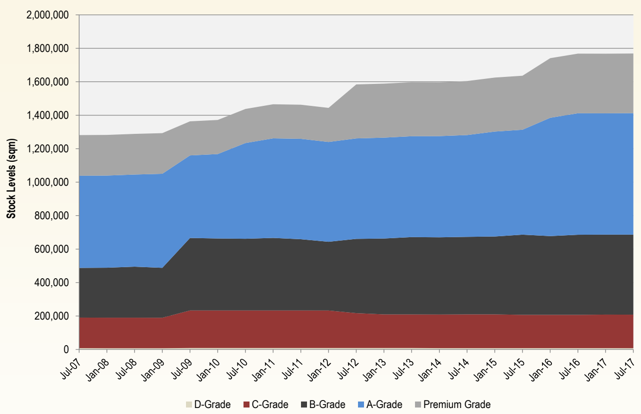


Chart 17— Perth CBD Office Stock by Grade — Source: PCA

VACANCY RATES

Total office vacancy in Perth experienced a decline of -1.4% over the six months to July 2017, down to 21.1%. Direct vacancy declined by 0.3% to 18.9%, whilst sub-lease vacancy experienced a strong decline of -1.6% down to 2.2%. When we look at the different graded buildings in Perth, Premium Grade and D Grade office stocks experienced strong declines in vacancy rates. Premium Grade vacancy declined by -4.4% to 11.7%, whilst D Grade vacancy declined by -5.8% to 31.6%. A Grade and C Grade buildings experienced much more modest declines of -1.2% and -1.0% respectively, to 19.4% and 20.3%. The results here indicate that Perth's vacancy rate had peaked at its highest, and is starting to decline, though currently still has the highest vacancy rate of any capital city and much higher than the national average of 10.2%. Preston Rowe Paterson research expects vacancy rate in Perth's office market to gradually decline in the future. We also note a trend in tenants upgrading from lower grade to higher grade buildings, a result of improved business confidence and conditions as well as attractive rents.

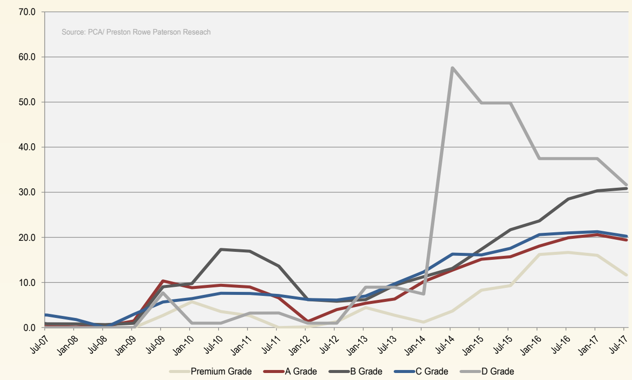


Chart 18— Perth CBD Vacancy Rates— Source: PCA

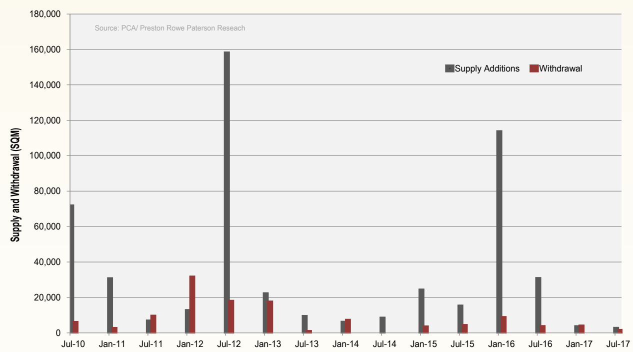


Chart 19— Perth CBD Supply and Withdrawals of Office Stock— Source: PCA

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

INVESTMENT ACTIVITY

Preston Rowe Paterson Research revealed no major sale transactions had occurred over the first half of 2017 in Perth's office market.

LEASING ACTIVITY

Preston Rowe Paterson Research revealed the following leasing transaction that occurred over the first half of 2017:

1100 Hay Street, West Perth, WA 6005

MSP Engineering has subleased levels three and four of an office building to use as its head office. The **2-year** deal for 2,568 m2 of space was struck at a **gross annual rent of $340 psm**. West Perth is located around 2 km west of Perth.

100 St Georges Terrace, Perth, WA 6000

INPEX Corporation has signed a **10-year lease** for 13,000 m2 in a 19-floor, 31,394 m2 building that was constructed in 2009. The **net rent is in the $500s psm** and **incentives are in the low to mid 40s** of the net rent over the term of the leases.

1100 Hay Street, West Perth, WA 6005

100 St Georges Terrace, Perth, WA 6000

DEVELOPMENT SITES

According to the Property Council of Australia (PCA)'s Office Market Report July 2017, the following new developments are currently underway and/or mooted for construction in Perth:

Project Name	Address	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
950 The Melbourne	950 Hay Street	DA Approved	Oakesfield Pty Ltd	10,000	Mooted
480 Hay Street	480 Hay Street	DA Approved	FES Ministerial Body	34,000	Mooted
Bishops See - Tower 2	239 St Georges Terrace	DA Approved	Australian City Properties (Hawaiian) / Brookfield Multiplex	46,000	Mooted
Capital Square	98 Mounts Bay Road	Construction	AAIG	48,484	Q4 2018

Table 6— Development Sites around Perth CBD – Source PCA

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

HOBART

OFFICE STOCK

Hobart's office market remains dominated by A Grade stocks, which take up approximately 53% of total office stock with 189.4 thousand square metres in stock. A Grade stock remains unchanged over the six months to July 2017, though has increased by 0.5% over the last twelve months. B Grade stock in Hobart takes up 19% of total office stock in Hobart, with 68.8 thousand square metres of space. Over the half year, no change in stock was recorded, though had increased by 0.5% over the year. C Grade stock in Hobart takes up 18% of total office stock, with 64,389 square metres of space. No change in C Grade stock had been recorded since July 2015. D Grade stock takes up the remaining 9% of total office space in Hobart, with 32.2 thousand square metres of space. No change in space was recorded over the six months to July 2017, though over the year, D Grade stock had declined by 9%. Over the six months to July 2017, no new supply addition was added onto Hobart's office market, and no space was withdrawn over the same period. According to the Property Council of Australia, 39.5 thousand square metres of stock is expected to enter Hobart's office market by the end of 2019.

VACANCY RATES

Hobart's vacancy rate remains unchanged over the six months to July 2017 at 8.2%. Direct vacancy for July 2017 stands at 7.7%, whilst sub-lease vacancy stands at 0.4%. All office vacancies remain unchanged over the six months, with B Grade and C Grade remaining at 13.3% and 11.0% respectively. A Grade and D Grade vacancies also remains unchanged at significantly lower vacancies of 5.7% and 6.0% respectively.

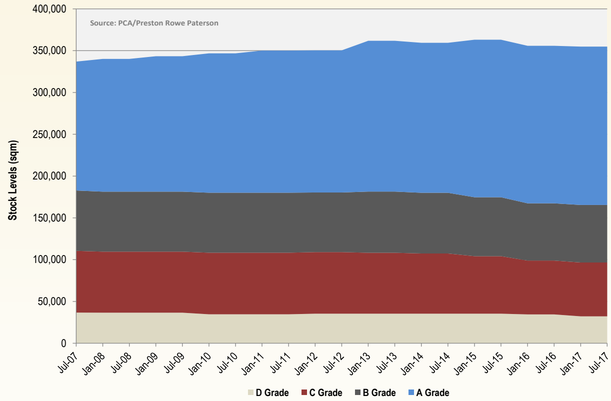


Chart 20— Hobart CBD Office Stock by Grade — Source: PCA

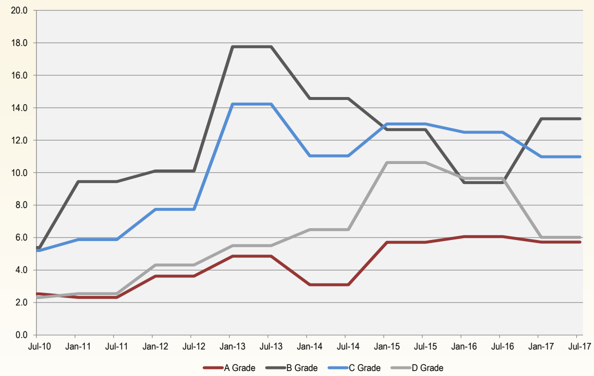


Chart 21— Hobart CBD Vacancy Rates— Source: PCA

DEVELOPMENT SITES

According to the Property Council of Australia (PCA)'s Office Market Report July 2017, the following new developments are expected to be completed in Hobart by 2019:

Project Name	Address	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
	48 Elizabeth Street	DA Approved		1790	Mooted
36 Argyle Street	36 Argyle Street	DA Approved	Raadas Property	3015	Q4 2017
	Parliament Square	Construction	Citta Property Group	16275	Q4 2017
145-167 Liverpool Street & 104-110 Murray Street	145-167 Liverpool Street & 104-110 Murray Street	DA Approved	Riverlea Australia Pty Ltd	18420	Mooted

Table 7— Development Sites around Hobart CBD— Source PCA

© Copyright Preston Rowe Paterson NSW Pty Limited

DARWIN

OFFICE STOCK

Darwin's strong dependence on the government sector, mining and mining support sectors makes this city highly prone to economic volatility, especially during strong economic downturns. Currently, the economy is adjusting to the conclusion of the Ichthys Liquid LNG project's investment phase, and adapting to the start of the production phase. This has resulted in a contraction in its economy and strong outflow of local population, which in turn, have been detrimental to the local property markets. Darwin's total office stock for July 2017 is currently the lowest in the country, with a total of 215.8 thousand square metres in space. 63% of this space is A Grade buildings, with a total stock of 136 thousand square metres. B Grade stock takes up 29.5% of total stock, with 63.6 thousand square metres of space, whilst C Grade stock takes up the remaining 7.5% with 16.2 thousand square metres.

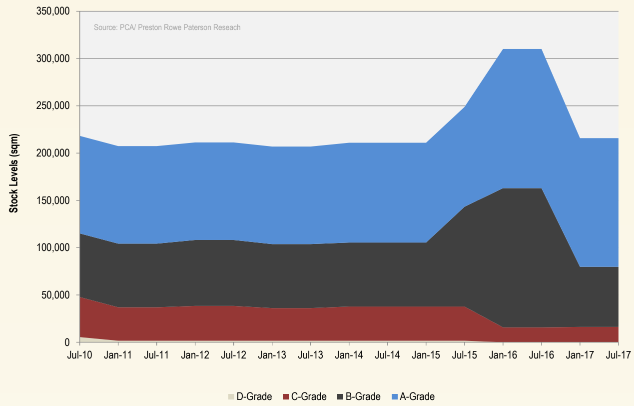


Chart 22— Darwin Office Stock by Grade — Source: PCA

VACANCY RATES

Darwin's total vacancy rate stands at 22.5% and is entirely influenced by the city's direct office vacancy. The city's office vacancy rate remains the highest in the country, after increasing by 1.7% over the previous twelve months. When we look at the different office buildings around Darwin, A Grade buildings have the lowest vacancy with 15.6%. B Grade vacancy stands at 30.4%, whilst C Grade vacancy stands at 49.3%. Preston Rowe Paterson notes that vacancy rates in Darwin are sensitive to the relocation of different government departments, and hence no clear indication of how the consolidation of Northern Territory Government's Health Department will impact overall office vacancy.

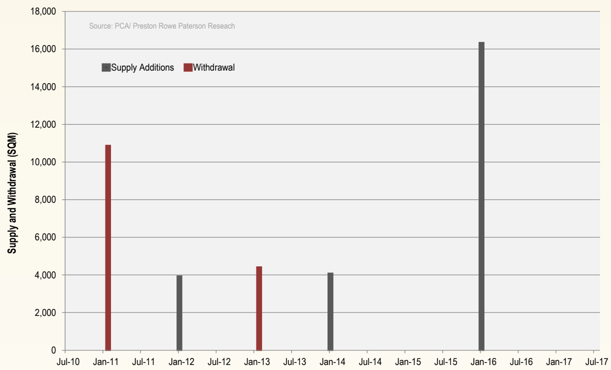


Chart 23— Darwin Supply and Withdrawals— Source: PCA

INVESTMENT ACTIVITY

Preston Rowe Paterson Research indicates that no major sales transactions occurred over the first half of 2017 in Darwin's office market.

LEASING ACTIVITY

Preston Rowe Paterson Research revealed no major leasing transactions occurred over the first half of 2017 in Darwin's office market.

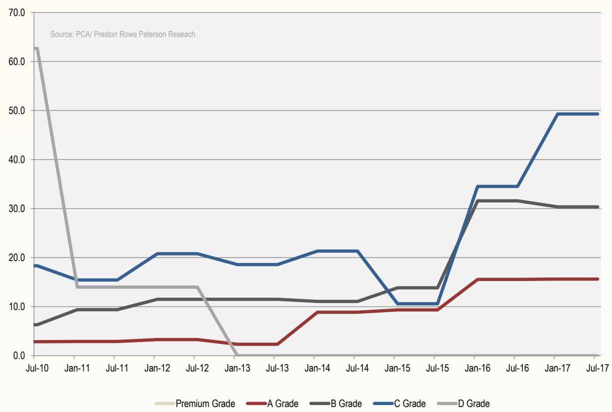


Chart 24— Darwin Vacancy Rates— Source: PCA

© Copyright Preston Rowe Paterson NSW Pty Limited

Economic Fundamentals

Consumer Price Index

Australia's consumer price index (CPI) increased by 0.2% in the June quarter, with the All groups weighted average Index number for the eight capital cities increase to 110.7. Over the year, Australia's CPI recorded an increase of 1.9%. All capital cities experienced increases in their CPI over the year, with Hobart bringing on the largest increase with 2.3%. Sydney and Melbourne both recorded 2.2%, Canberra recorded 2.1%, whilst other cities experienced increases which ranged between 0.5% and 1.8%.

When we look at Sydney, the main contributors to the rise in the capital city during the June quarter include Medical & hospital services (+3.9%), New dwelling purchase by owner-occupiers (+0.9%), and vegetables (+4.6%). The increase is offset by declines in domestic holiday travel & accommodation (-5.6%), Automotive fuel (-2.4%) and Fruit (-4.3%).

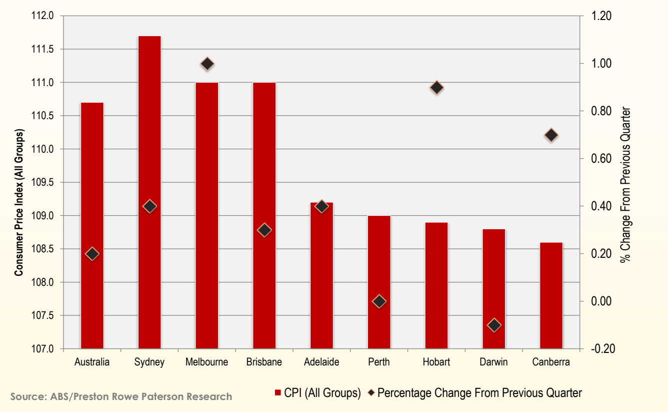


Chart 1—All Group CPI (Capital Cities) and Percentage Change over the quarter to June 2017—Source—ABS

Business Sentiment

Both business conditions and business confidence declined over the month of May. Figures released by National Australia Bank indicate that business conditions dropped by 1 point, to +12 index points, whilst business confidence index fell by 6 points to +7 index points. In stating this, both indices remain slightly above their long-run average index (+5 for business conditions, +6 for business confidence), with leading indicators for both business condition and business confidence remaining relatively strong. NAB's chief economist, Alan Oster, noted that a disconnect is present when we look at evidence of solid business activity in conjunction with data that indicates a slowdown in consumer spending. With weak household data and wage growth remaining at record low, and a strong business sector, Mr Oster have noted how this 'disparity resolves itself will be critical to the outlook for growth'.

	Net Balance		
	March 2017	April 2017	May 2017
Business confidence	7	13	7
Business conditions	14	13	12

Table 1— Monthly Net Balance of Business confidence index and Business conditions index — Source—

Consumer Sentiment

According to the Westpac Melbourne Institute Index of Consumer Sentiment, consumers over the month of June are feeling the most pessimistic since the Reserve Bank's 2016 rate cuts. The index fell 1.8% from 98.0 in May to 96.2 in June, with a reading below 100 indicating that the number of pessimists outweigh optimists in their outlook of the economy. The main contributor to the results stems from the March quarter GDP figures, which produced relatively weak results. Annual growth had declined to 1.7%, the slowest increase since the GFC prompting consumers' pessimistic responses during the June survey.

Job security remains a topic on most consumers' mind, with the Westpac Melbourne Institute Unemployment Expectations Index increasing from 135.5 to 140.3, with a lower number indicating that fewer consumers expect unemployment to rise over the next twelve months. In saying this, job figures have come out positive, with unemployment expectations showing a positive improvement, as average index figures for 2015 and 2016 were both at 144 points.

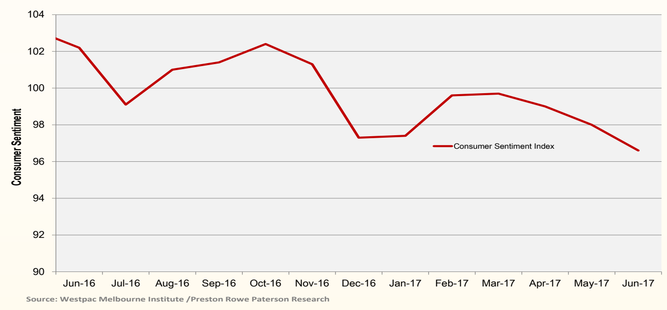


Chart 2—Consumer Sentiment Index, February 2016 to February 2017—Source—Westpac Melbourne Institute

	June 2016	May 2017	June 2017
Consumer Sentiment Index	102.2	98	111.3
Family finance vs. a year ago	90.3	82.6	81.4
Economic conditions next 12 months	97.9	95.9	91.3
Time to buy a dwelling	103.7	90.0	90.9

Table 2— Consumer Sentiment– June 2017 — Source— National Australia Bank

© Copyright Preston Rowe Paterson NSW Pty Limited

Gross Domestic Product

Over the first quarter of 2017, Australia's gross domestic product (GDP) increased by a seasonally adjusted 0.3%- a relatively weak figure when compared to December 2016 quarterly increase of 1.1%. Over the twelve months to March 2017, Australia's economy grew by 1.7%, relatively weaker than the 2.4% yearly increase in the fourth quarter 2016. Many economists had anticipated weaker growth over March quarter, after current account figures had indicated a dramatic slowdown in exports over the three months. However, the quarter's growth now means that Australia has experienced 103 quarters without a technical recession (defined as two consecutive quarters of negative growths).

We note that export of goods and services declined by a seasonally adjusted 1.6% over the quarter. The main influence was a decline in the export of mineral ores and coal, which contributed to a 2.6% decline in the export of goods. The export of services partially offset this decline by increasing by 2.5% over the quarter, though was not enough to stimulate an overall positive growth after the previous six quarters of growth. Moreover, terms of trade increased by 6.6% over the quarter, a decline from the 9.6% increase from last quarter.

Dwelling investments declined by 4.4% over the March quarter, though over the twelve months, dwelling investment has declined by 2.5%. Victoria was the only state to experience an increase in dwelling investment over the quarter, though at a national level, dwelling investment remains high.

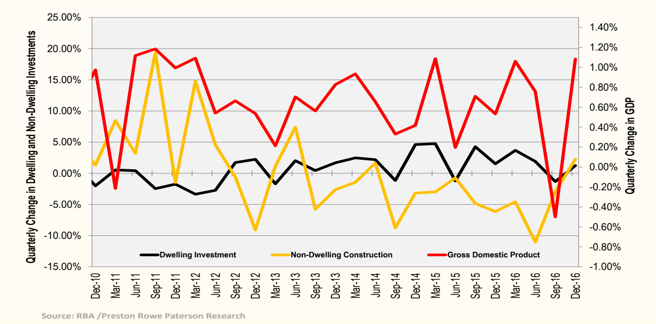


Chart 3— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

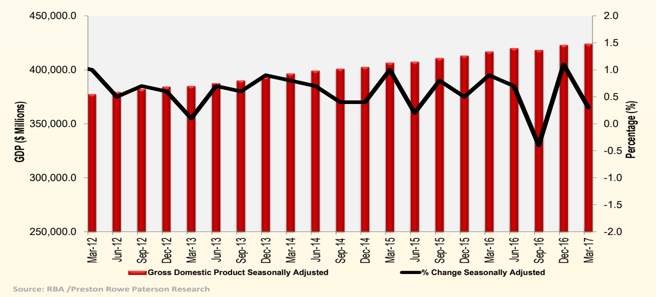


Chart 4— Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP— Source: ABS

Unemployment

Over the month to May 2017, seasonally adjusted unemployment rate declined to 5.5%, the lowest level since February 2013. There were 52,100 new persons in full time employment, though the number of persons starting part-time roles declined by 10,100- bringing the net total number of employed persons to 42,000 over the month. Over the same period, the participation rate declined to 64.9% (-0.1%), underemployment rate declined to 8.8% (-0.1%) and the underutilisation rate declined to 14.4% (-0.4%).

New South Wales experienced the largest month-on-month increase in employment with 32,600 persons. Victoria and Queensland experienced the next largest increases, with 6,900 persons and 5,500 persons respectively. When we look at the unemployment rate around the country, South Australia and Western Australia experienced the largest decline, both by -0.4%. Tasmania experienced an increase of 0.2%, whilst New South Wales increased by 0.1%. Tasmania experienced an increase of 0.8% in their participation rate, whilst Western Australia experienced a decline of 0.1% in theirs.

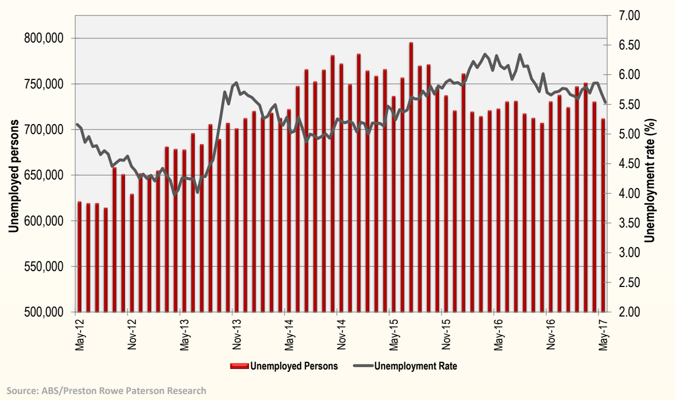


Chart 5— Unemployment Persons and Unemployment Rate, March 2011 to March 2017 — Source: ABS

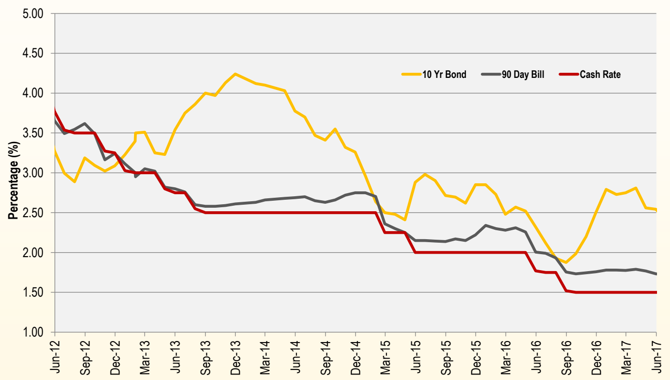
	Unemployment Rate (%)			Participation Rate (%)		
	April	May		April	May	
Australia	5.7	5.5	▼	64.9	64.9	—
New South Wales	4.7	4.8	▲	65.3	65.2	▼
Victoria	6.1	6.0	▼	66.0	65.5	▼
Queensland	6.3	6.1	▼	69.0	68.1	▼
South Australia	7.3	6.9	▼	65.0	64.8	▼
Western Australia	5.9	5.5	▼	68.8	67.5	▼
Tasmania	5.9	6.1	▲	59.5	59.9	▲
Northern Territory*	3.3	3.2	▼	74.3	65.6	▼
Australian Capital Territory*	3.6	3.5	▼	67.8	66.1	▼

Table 3— Unemployment Rate and Participation Rate, February vs. March 2017 — Source: ABS

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

10 Year Bond & 90 Day Bill Rate

10-year government bond yield in Australia declined by 0.14% to 2.41% over the month to June 2017. Over three months, the 10-year bond yields declined by 0.40%, though when compared to June 2016, yields had increased by 0.29%. Australia's 90-day bill rate declined by 0.01% over the month, to 1.72%. This figure signifies a 0.07% decline over the quarter and a 0.27% decline over the year. Historically, Australian government yields are usually higher than that of the US government yields. However, the differential between Australian and US 10-year government bonds have narrowed to just 16 basis points at the end of June as global investors price in more monetary tightening by the Federal Reserve. We note that Australian 10-year bond yields, being influenced by the global increase in yields, had increased by 53 basis points since August last year, during which yields dropped to a historical low of 1.88%. Preston Rowe Paterson notes that long term bond yields have been declining gradually since the 1980's, and we consider the sharp increase in late December 2016 and the current elevated bond yields a normalisation of 10-year government bonds after it dropped to a record low in August 2016.



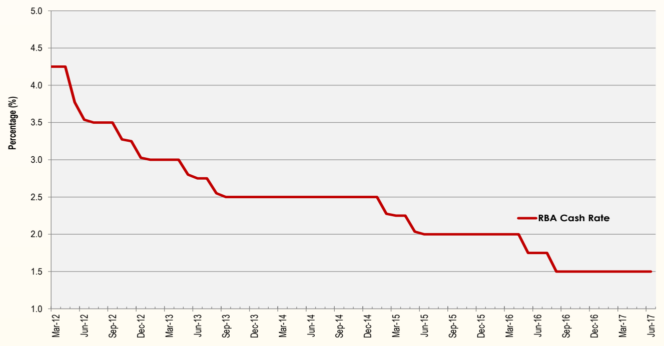
Source: RBA /Preston Rowe Paterson Research

Chart 6— Monthly Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

Interest Rates

The Board of the Reserve Bank left rates unchanged at 1.5% for the tenth consecutive month at their June meeting. The main concerns brought up at the board meeting included concerns surrounding Australia's low wage growth and the imbalance between the housing markets around various parts of Australia. Ultimately, the Reserve Bank strives to achieve financial stability by pursuing an inflation target of two to three percent over the medium term. As the nation transitions through the mining boom investment phase, interest rates were cut to its lowest historical levels in order to support economic growth within the country. Reserve Bank board members noted the importance of a prudent regulatory body in promoting financial stability, and noted the need for a strong relationship built between the Bank and banking regulators, especially Australia Prudential Regulatory Authority (APRA).

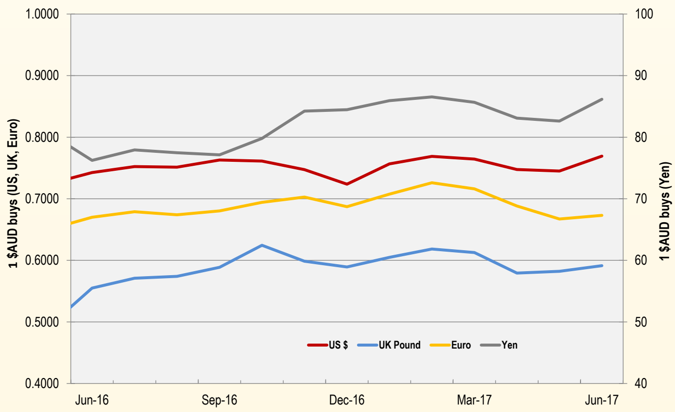
The Board's decision to keep interest rates unchanged stemmed from upbeat messages from world economic growth, in conjunction with the prospect of world-wide increase of wages and prices as the labour markets in many countries begin to improve. It was also noted that headline inflation in many countries have increased over the past twelve months, though core inflation remain relatively low. In the domestic economy, improvements in business conditions and business investments, in the parts of the economy that was not directly affected by the slowdown in mining investments contributed to the Board's interest rate decisions. Slow wage growth continue to highlighted, with members pointing out the low increase in income and high levels of household debts as being the main inhibitors to household consumption.



Source: RBA /Preston Rowe Paterson Research

Chart 7— Reserve Bank of Australia Overnight Cash rate—Source: RBA

Exchange Rate



Source: RBA /Preston Rowe Paterson Research

Chart 8— Movement in Exchange Rate over the year to March 2016— Source: RBA

© Copyright Preston Rowe Paterson NSW Pty Limited

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

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

We have all *locations* covered

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

We have *your needs* covered

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

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

Phone: +61 2 9292 7400
Fax: +61 2 9292 7404
Address: Level 14, 347 Kent Street Sydney NSW 2000
Email: research@prpsydney.com.au
Follow us: Visit www.prpsydney.com.au
© Copyright Preston Rowe Paterson NSW Pty Limited

Preston Rowe Paterson

International Property Consultants

Head Office (Sydney)

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

National Directors

Gregory Preston
M: 0408 622 400
E: greg.preston@prpsydney.com.au

Gregory Rowe
M: 0411 191 179
E: greg.rowe@prpsydney.com.au

Neal Ellis
M: 0417 053 116
E: neal.ellis@prp.com.au

Damian Kininmonth
M: 0417 059 836
E: damian.kininmonth@prp.com.au

Greg Sugars
M: 0435 911 465
E: greg.sugars@prp.com.au

www.prp.com.au

Capital City Offices

Adelaide
Rob Simmons
M: 0418 857 555
E: adelaide@prp.com.au

Brisbane
Troy Chaplin
M: 0419 029 045
E: troy.chaplin@prpqueensland.com.au

Hobart
Damien Taplin
M: 0418 513 003
E: damien.taplin@prp.com.au
Shelley Taplin
M: 0413 309 895
E: shelley.taplin@prp.com.au

Melbourne
Neal Ellis
M: 0417 053 116
E: neal.ellis@prp.com.au
Damian Kininmonth
M: 0417 059 836
E: damian.kininmonth@prp.com.au

Perth
Cameron Sharp
M: 0438 069 103
E: cameron.sharp@prp.com.au

Sydney
Gregory Preston
M: 0408 622 400
E: greg.preston@prpsydney.com.au
Gregory Rowe
M: 0411 191 179
E: greg.rowe@prpsydney.com.au

Affiliate offices in Canberra, Darwin and other regional areas.

Regional Offices

Albury Wodonga
Michael Redfern
M: 0428 235 588
E: michael.redfern@prp.com.au

Ballarat
Darren Evans
M: 0417 380 324
E: darren.evans@prp.com.au
Peter Murphy
M: 0402 058 775
E: peter.murphy@prp.com.au

Bendigo
Damien Jerinic
M: 0409 820 623
E: damien.jerinic@prp.com.au

Central Coast/Gosford
Colin Pugsley
M: 0435 376 630
E: colin.pugsley@prp.com.au

Dubbo
James Skuthorp
M: 0409 466 779
E: james.skuthorp@prp.com.au
Tom Needham
M: 0412 740 093
E: tom.needham@prpsydney.com.au

Geelong
Gareth Kent
M: 0413 407 820
E: gareth.kent@prp.com.au
Stuart Mcdonald
M: 0405 266 783
E: stuart.mcdonald@prp.com.au

Gippsland
Tim Barlow
M: 0400 724 444
E: tim.barlow@prp.com.au
Alexandra Ellis
M: 0407 724 444
E: alex.ellis@prp.com.au

Griffith
Dan Hogg
M: 0408 585 119
E: daniel.hogg@prp.com.au

Horsham
Ben Sawyer
M: 0429 826 541
E: ben.sawyer@prp.com.au

Launceston
Damien Taplin
M: 0418 513 003
E: damien.taplin@prp.com.au

Mornington
Neal Ellis
M: 0417 053 116
E: neal.ellis@prp.com.au
Damian Kininmonth
M: 0417 059 836
E: damian.kininmonth@prp.com.au

Mount Gambier
Stuart McDonald
M: 0405 2660783
E: stuart.mcdonald@prp.com.au

Newcastle
Robert Dupont
M: 0418 681 874
E: bob.dupont@prp.com.au
David Rich
M: 0413 052 166
E: david.rich@prpncle.com.au

Southport
Ian Hawley
M: 0458 700 272
E: ian.hawley@prpqueensland.com.au
Troy Chaplin
M: 0419 029 045
E: troy.chaplin@prpqueensland.com.au

Swan Hill
Ian Boyd-Law
M: 0418 5980232
E: ian.boyd-law@prp.com.au

Tamworth
Bruce Sharrock
M: 0429 465 012
E: bruce.sharrock@prp.com.au
Matt Spencer
M: 0447 227 002
E: matt.spencer@prp.com.au

Wagga Wagga
Dan Hogg
M: 0408 585 119
E: daniel.hogg@prp.com.au

Warrnambool
Stuart McDonald
M: 0405 266 783
E: stuart.mcdonald@prp.com.au

New Zealand Offices

Head Office (Auckland)
Greg Sugars
M: +64 (0) 27 777 9010
E: greg.sugars@prpnz.nz
Mitchell Stubbs
M: +64 (0) 27 774 34100
E: mitchell.stubbs@prpnz.nz

Dunedin
James Stowell
M: +64 (0) 17 807 3866
E: james.stowell@prpnz.nz

Greymouth
Mark Bollard
M: +64 (0) 27 694 7041
E: mark.bollard@prpnz.nz

Tauranga
Alex Haden
M: +64 (0) 21 833 118
E: alex.haden@prpnz.nz

www.prpnz.nz

Asian Offices

Associated office networks throughout:

- China
- Hong Kong
- Japan
- Philippines
- Thailand

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.

© Copyright Preston Rowe Paterson NSW Pty Limited