



**Preston
Rowe
Paterson**

®
International Property Consultants

Property Market Report Queensland

December Quarter 2017

HIGHLIGHTS

- ◆ Over the six months to December 2017, Brisbane CBD's office market had lost 24,300 square metres of office space, with space withdrawals recorded in B Grade and C Grade office markets and additions in office space in the A Grade office market.
- ◆ Seasonally adjusted retail turnover for Australia declined by 0.5% in December, following an increase of 1.3% in November and 0.2% in October.
- ◆ In the Greater Brisbane region, total number of dwellings approved for construction in December declined by 11.8% over the month to 1,957. Total approvals in the December quarter recorded a decline of 1.6% when compared to the September quarter.
- ◆ The Real Estate Institute of Australia's quarterly review of Australia's property market indicates that over the June quarter, overall house prices in Brisbane increased by 2.0% to a median price of \$515,300. Median sale price of other dwellings in Brisbane declined by -2.2% over the June quarter (-2.9% over the year) to \$400,000.
- ◆ Over the September quarter, overall house price in Brisbane increased by 0.4% to a median price of \$516,900. Median sale price of other dwellings in Brisbane increased by 0.2% over the September quarter to \$410,000.

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COMMERCIAL OFFICE MARKET

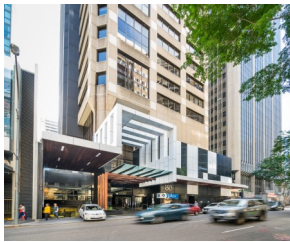
Brisbane CBD

Investment Activity

Preston Rowe Paterson Research recorded the following major sales transactions that occurred over the three months to December 2017:

150 Charlotte Street, Brisbane QLD 4000

Australian Unity Office Fund has paid **\$105.75 million** to *TrustCapital Advisors* for the A-grade office tower. The 11,011 m2 building is currently fully leased with a WALE of 5.7-years. The tower has a 4-star NABERS Energy rating and parking for some 102 vehicles and some 13 motorbikes. The sale reflects a **rate of \$9,604 psm lettable area**.



201 Leichhardt Street, Spring Hill, QLD 4000

Clarence Property's unlisted *Westlawn Property Trust* has acquired the 3,119 m2 office building for **\$14.272 million** on an **8% yield**. The property is currently fully leased to **Ticketek, ERM, Integral** and **Ipsos** with a WALE of 2.6-years. The sale reflects a **rate of \$4,576 psm lettable area**. Spring Hill is located approximately 1.4 km north of Brisbane CBD.



199 Grey Street, South Brisbane, QLD 4101

Amp Capital's-Wholesale Australian Property Fund has bought a 14-level, 11,000 m2 office tower for **\$92.6 million** from *Earl Larmar*. The A-grade office tower was constructed in c.2008 and has a WALE of 4.7 years. The property is leased to the **Queensland State Government, KBR, Hyder Consulting, Brown Consulting, UGL and the Queensland Health Department**. The sale reflects a **rate of \$8,418 psm lettable area**. South Brisbane is located 1 km south-east of Brisbane CBD.



150 Charlotte Street, Brisbane, QLD 4000

TrustCapital Advisors has off-loaded the 11,011 m2 tower to *Australian Unity* for **\$105.75 million**. The building is currently anchored by **Rio Tinto** and **Boeing Defence Australia**. The sale reflects a **rate of \$9,604 psm lettable area**.

147-163 Charlotte Street & 146-160 Mary Street, Brisbane, QLD 4000

AsheMorgan has acquired the two **Health and Forestry House buildings** from *Cromwell Property Group* for **\$66 million**. The two adjacent towers are connected via 'air bridges' on levels 13, 15 and 17. The towers are situated on a 3,500 m2 site and have a total floor space area of 26,650 m2 over 17-levels. The sale reflects a **rate of \$2,477 psm lettable area**.

32 Turbot Street, Brisbane, QLD 4000

GIC has paid **\$370 million** on a **5.7% yield** to *Permodalan Nasional Berhad (PNB)* for the **Santos Place** building. The 34,000 m2 building is currently fully leased with a WALE of 3.7-years. The 37-story building has parking for some 186 vehicles and has a 5.5-star NABERS Energy rating. The sale reflects a **rate of \$10,882 psm lettable area**.



433 Boundary Street, Spring Hill, QLD 4000

Alceon has sold an office building for **\$42 million** on a yield of 6.7% to Brisbane-based property fund manager *Cromwell Property Group*. The 5,992 sqm building is fully leased for twelve years, after a tenancy was secured with International Education Services. The building has a floorplate size of 2,000 sqm, secure basement parking for 118 vehicles and has a 4.5 NABERS Energy Rating. The sale reflects a **rate of \$7,009 psm of lettable area**.





Supply by Grade (Stock)

Over the six months to December 2017, Brisbane CBD's office market had lost 24,300 square metres of office space, with space withdrawals recorded in B Grade and C Grade office markets and additions in office space in the A Grade office market. Total office space in Brisbane CBD stands at 2,255,400 square metres, indicative of a decline of 1.1% when compared to twelve months prior. Premium Grade office stock in Brisbane remain unchanged over the last six months, with a total of 335,500 square metres of space, and taking up 14.9% of total office space in Brisbane CBD's office market. A Grade office stock recorded an increase of 2.0% over the period, which equates to an increase of 18,000 square metres of space. As at December, there is a total of 936,600 square metres of A Grade office space, taking up 41.5% of total stock. B Grade office stock in Brisbane CBD takes up 32.1% of total office stock with 723,500 square metres of office space. Over the six months to December, there was a decline of 26,700 square metres (or -3.6%) in B Grade office stock. Total C Grade stock declined by 15,900 square metres (or -7.3%), and as at December stands at 202,800 square metres. Total D Grade office stock remains unchanged over the six months to December, at 56,900 square metres and taking up 2.5% of total office stock in Brisbane CBD.

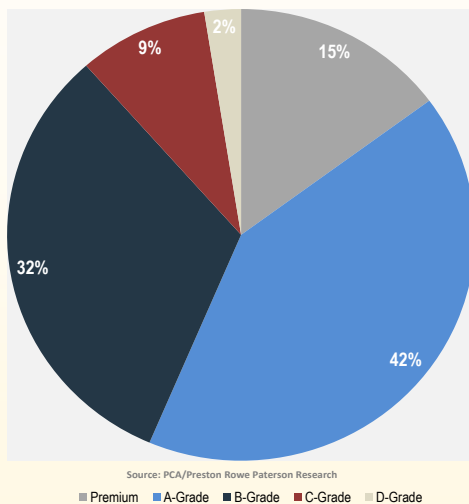


Chart 1– Brisbane CBD Office Stock by Grade —Source— PCA

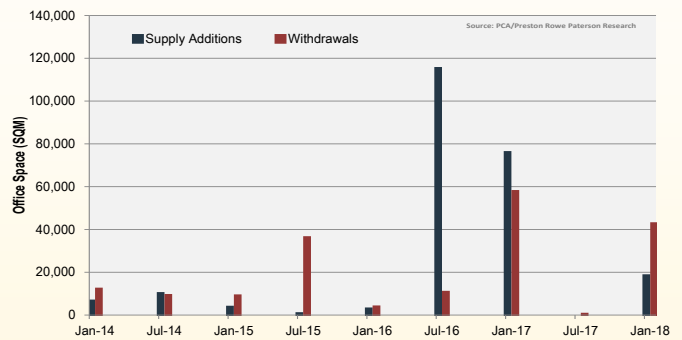


Chart 2– Brisbane CBD Supply and Withdrawals of office stock —Source— PCA

Net Absorption

Over the six months to December 2017, Brisbane CBD's office market experienced a decline of -31,364 square metres in net absorption, resulting in a decline of 1.6% in occupied stock over the period. Net absorption over twelve months stands at approximately -40,900 square metres, resulting in a decline of 2.1% in occupied stock over the period.

Brisbane CBD's Premium Grade office market experienced an increase of 518 square metres in net absorption over the six months to December, which resulted in an increase of 0.2% in occupied stock over the period. A Grade stock recorded a net absorption of approximately 1,900 square metres of space, which led to an increase of 0.2% of occupied stock. B Grade stock recorded a decline of 35,700 square metres of net absorption over the six months to December, which resulted in a decline of 5.9% in occupied stock over the period. C Grade office market recorded a net absorption of 2,600 square metres, which led to an increase of 1.6% in occupied stock over the period. D Grade stock recorded a decline of 715 square metres in net absorption over the six months to December, which resulted in a decline of 1.5% in occupied stock over the period.

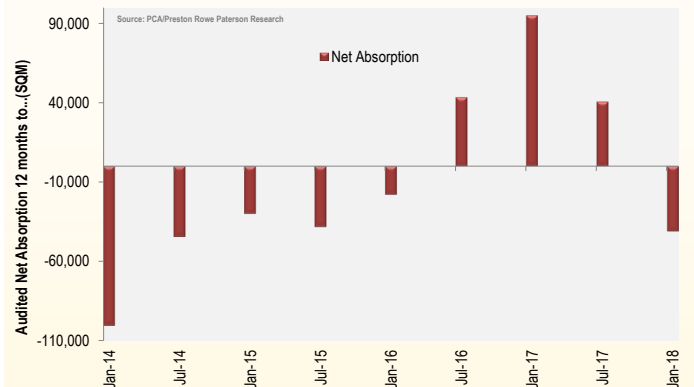


Chart 3– Brisbane CBD Net Absorption over the 12 months to... —Source— PCA

Gold Coast

Supply by Grade (Stock)

Over the six months to December 2017, Gold Coast's office market experienced a stock withdrawal of more than 1,800 square metres in office space, bringing total office stock down to 466,800 square metres. Over the six months to December, this figure signifies a decline of 0.4%, whilst over the twelve months, the Gold Coast office market recorded a decline of 1.3%. Total A Grade office stock remains unchanged over the six months to December at 132,160 square metres. Total A Grade office space takes up 28.3% of total space on the Gold Coast. B Grade office stock on the Gold Coast increased by 500 square metres (or 0.3%) over second half of 2017, to a total of 192,650 square metres. Over the year, this figure represents an increase of 0.5%. The Gold Coast office market is currently dominated by B Grade office stock, which takes up 41.3% of total office space. There was a decline of 2,330 square metres of C Grade office space over the six months to December, bringing total office stock down to 126,870 square metres. Over twelve months, C Grade office stock had declined by 6.7%. D Grade office stock on the Gold Coast remains unchanged over the period, remaining at 15,140 square metres. C Grade stock takes up 27.1%, whilst D Grade stock takes up 3.2% of total office stock on the Gold Coast.

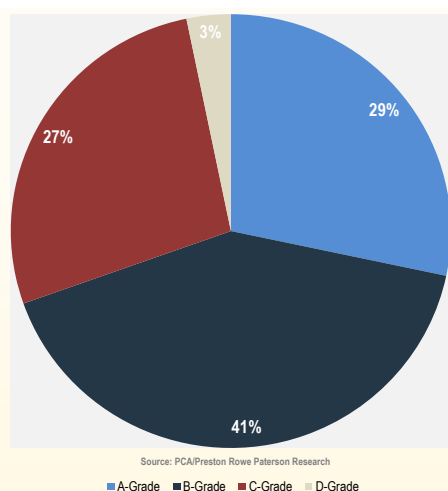


Chart 4— Gold Coast Office Stock by Grade —Source— PCA

Net Absorption

Gold Coast's office market recorded a total of 1,600 square metres of net absorption over the six months to December 2017, which led to an increase of 0.4% in occupied stock over the period. Over twelve months, net absorption was recorded at 1,800 square metres, which resulted in an increase of 0.4% over the year. A Grade office stock recorded 2,000 square metres of net absorption over the six months and 7,000 square metres over the twelve months to December 2017.

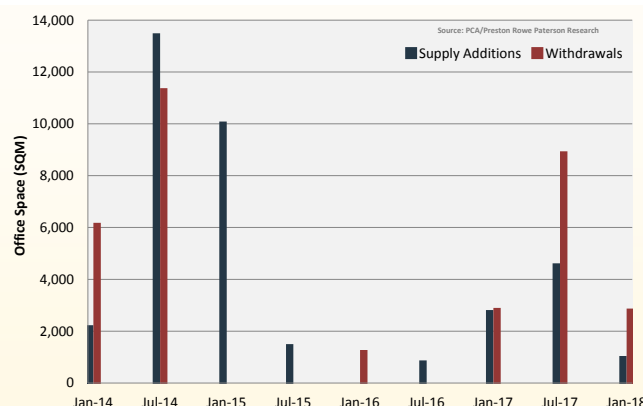


Chart 5— Gold Coast Supply and Withdrawals of office stock —Source— PCA

This led to an increase of 1.7% in occupied stock over the six months to December, and an increase of 6.2% in occupied stock over the twelve months. B Grade office market recorded an increase of 1,600 square metres of office stock, which led to an increase of 0.9% over the six months to December 2017. When we look at the twelve months to December 2017, a positive net absorption of 1,200 square metres was recorded, which led to an increase of 0.7% in occupied stock over the period.

The C Grade office market recorded a negative net absorption of -2,130 square metres over the six months to December, resulting in a decline of 2.7% in occupied stock over the period. Over the last twelve months, net absorption had declined by 7,250 square metres, which led to a decline of 6.1% in occupied stock over the period. D Grade office market recorded 1,210 square metres in net absorption over the six months to December and 810 square metres in absorption over the twelve months. Occupied stock had increased by 10.0% over the six months, and 6.4% over the twelve months to December 2017.

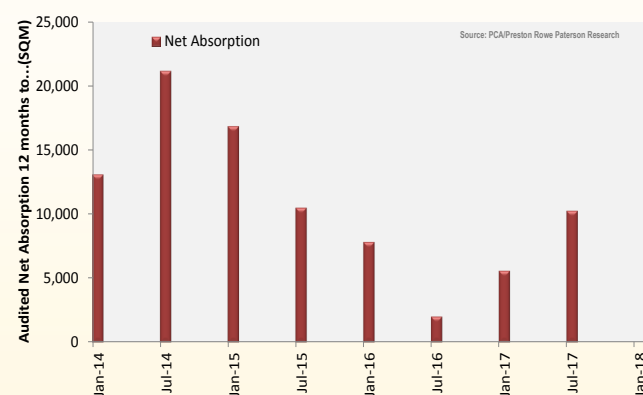


Chart 6— Gold Coast Net Absorption over the twelve months to ... —Source— PCA

RETAIL STATISTICS

Seasonally adjusted retail turnover for Australia declined by 0.5% in December, following an increase of 1.3% in November and 0.2% in October. During the December quarter, seasonally adjusted increases were recorded for Household goods retailing (+3.4%), Cafes, restaurants & takeaway food services (+1.6%), Clothing, footwear & personal accessory retailing (+2.1%) and Department stores (+2.3%). In contrast, declines were recorded in Food retailing (-1.2%) and Other retailing (-0.6%) over the period. Over the quarter, increases retail turnover were recorded in Victoria (+1.8%), New South Wales (+0.6%), South Australia (+2.4%), Queensland (+0.4%), Tasmania (+.5%) and the Australian Capital Territory (+0.7%). In contrast, Western Australia (-0.2%) and the Northern Territory (-0.1%) both recorded declines in turnover over the quarter.

Retail turnover in Queensland stands at \$5,221.4 million in December, which represents an increase of 0.04% over the month and 1.1% when compared to figures from twelve months prior. Over the month to December, increases in turnovers were recorded in Food retailing (+1.4%), Department stores (+0.6%) and Cafes, restaurants & food services (+0.5%). Total food retail turnover stands at 2,236.8 million, whilst Department store turnover stands at \$300.1 million and Café, restaurant & food services turnover stands at \$713.4 million. Household goods retailing (-1.8%), Clothing, footwear & personal accessories retailing (-0.2%) and Other retailing (-2.3%) recorded declines in turnovers over the month. Household goods retail turnover stands at \$915.1 million, whilst Clothing, footwear & personal accessories turnover stands at \$351.8 million and Other retail turnover stands at \$704.2 million.

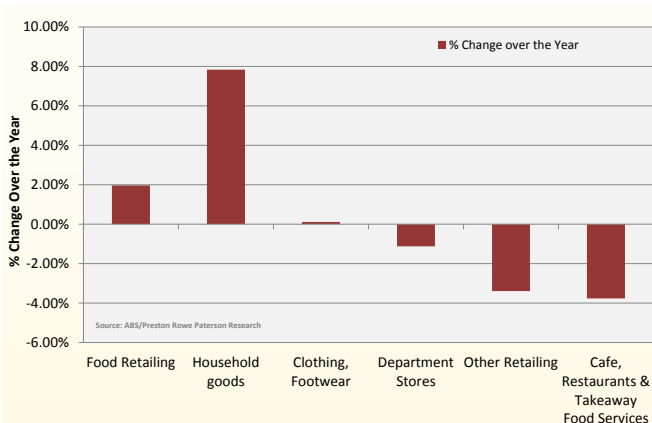
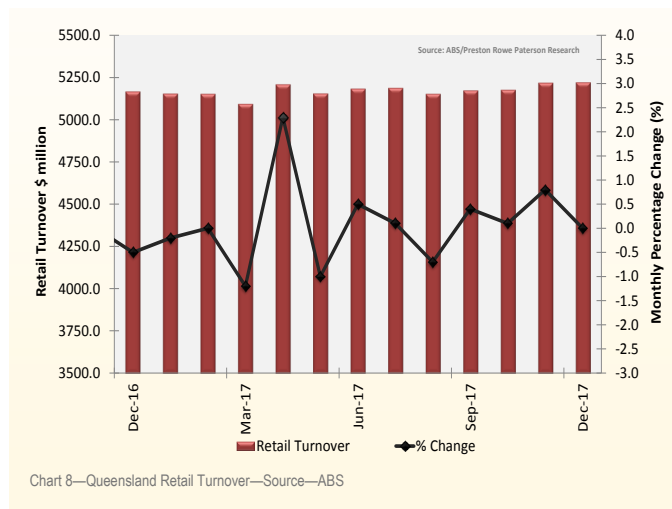


Chart 7—Retail turnover over the Year to September 2017—Source—ABS



Online Retail

The Australian & New Zealand Standard Industrial Classification (ANZSIC) defines 'retail trade' as "the purchase and on-selling, commission-based buying, and commission-based selling of goods, without significant information, to the general public".

National Australia Bank's latest release of the Online Retail Sales Index indicates that over the month to December, online sales contracted for both domestic and international sales. Domestic sales declined by 3.8% over the month (+6.6% over the month to November), whilst international sales also contracted, by 0.8% (+1.4% over the month to November). Over the last twelve months, online domestic sales increased by 11.0%, whilst international sales increased by 6.2%.

The index notes that over the last year, online spending was made by resident mainly in New South Wales, Victoria and Queensland. Residential in the Australian Capital Territory, Northern Territory, Western Australia and New South Wales spend more, on a per capita basis, than the national average, whilst residents in Tasmania, Queensland, Victoria and South Australia spent less than the average over the past year. Victoria recorded the largest growth in online sales over the past year, with 12.6%, whilst sales in the Northern Territory contracted by 4.2% over the same period.



RETAIL MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following significant retail transactions that occurred in the Queensland metropolitan areas during the three months to December 2017:

Samsonvale Road & Old North Road, Warner, QLD 4500

AMP Capital has acquired the **MarketPlace Warner Shopping Centre** for **\$78.35 million** on a **5.18% yield**. The 6.48 hectare site comprises an 11,477 m² Centre, a freestanding **Goodstart Early Learning Childcare Centre** and a future development site of 6,761 m². The centre is anchored by **Woolworths** and **Aldi** and has a further 37 specialty stores along with some 500 vehicle parking bays which are predominantly sheltered. The sale reflects a **rate of \$12,091,049 per hectare (improved)**. Warner is located approximately 22.8 km north-west of Brisbane CBD.

7 Walker Road, Edmonton, QLD 4869

Industry Superannuation Property Trust has sold the **Sugarworld Shopping Centre** for **\$24.75 million** on a **6.76% yield** to *Shopping Centre Australasia Property Group*. The 4,758 m² centre is anchored by **Coles Supermarket** and **Liquorland** which have a remaining 20-year lease, and there are some 12 specialty stores with a WALE of 10.91 years. The sale reflects a **rate of \$5,202 psm lettable area**. Edmonton is located 15 km south-west of Cairns CBD.

1 Ridgeview Drive, Peregrine Springs, QLD 4573

Alceon Group and *CPRAM* have sold the **Peregrine Springs Shopping Centre** for **\$41.5 million** on a **5.35% yield** to a private farming family. The 4,772 m² shopping centre is anchored by **Coles Supermarket** and has a further 14 specialty stores and a medical precinct with a WALE of 7.5 years. The sale reflects a **rate of \$8,697 psm lettable area**. Peregrine Springs is located approximately 131 km north of Brisbane CBD.

700 Albany Creek Road, Albany Creek, QLD 4035

Fortius Funds has paid **\$55.88 million** on a **6.96% yield** to *Charter Hall Retail REIT* for the **Albany Creek Square Shopping Centre**. The 10,073 m² centre is anchored by **Coles Supermarket** and has a further 36 specialty tenants. The neighbourhood centre was constructed in c.1984 and has capacity for some 568 vehicle parking spots on site. The sale reflects a **rate of \$5,548 psm lettable area**. Albany Creek is located approximately 16.4 km north-west of Brisbane CBD.

322 Moggill Road, Indooroopilly, QLD 4068

AMP Capital has paid **\$800 million** on a **4.25% yield** to *Commonwealth Superannuation Corporation* for a 50% stake in **Indooroopilly Shopping Centre**. The 116,447 m² super-regional shopping centre has major tenants including **Myer**, **David Jones**, **Coles Supermarket**, **Woolworths Supermarket**, **H&M** and **Uniqlo** with some 344 specialty retailers. Indooroopilly is located approximately 9.2 km south-west of Brisbane CBD.

1 Ross Street, Benowa, QLD 4217

Coles Property Group has sold **Benowa Village Shopping Centre** for **\$49.5 million** at an initial yield of 5.08% to a *private investor*. Construction of the centre was completed in 2016, with the 6,318 m² centre anchored by Coles, thirteen specialty stores, a McDonald's drive-through and a Coles Express petrol station. The sale of the centre reflects a **rate of \$7,835 psm of gross lettable area**.

119 Point Cartwright Drive, Buddina, QLD 4575

ISPT has acquired a half stake in **Kawana Shoppingworld** for \$186 million from *Mirvac*. The 38,415 m² shopping centre was acquired on a capitalisation rate of 5.5%. *Mirvac* is reported to retain its services of property management, leasing and development management for the centre. Currently, the centre is anchored by Big W, Woolworths, Coles, Aldi and a JB Hi-Fi, with more than 50% of leases due to expire past 2020. The sale reflects a **rate of \$9,683 psm of site area**.

Retail Sales Wrap

Charter Hall Retail REIT has sold two shopping centres- **Springfield Fair** in South-East Queensland and **Goonellabah** in Northern New South Wales- for **\$38 million** to Real Asset Management. The combined sale of the centres reflected a 10.1% premium to book value. The Springfield Fair shopping centre- anchored by Coles with a 4.2 year weighted average lease expiry- was sold for a reported **\$23 million**, whilst the Goonellabah shopping centre- anchored by Coles and Target with a 3.6 year weighted average lease expiry- went for **\$15 million**.

Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred during the three months to December 2017 in Queensland's Retail property market:

3878-3892 Pacific Highway, Loganholme, QLD 4129

Fernwood Fitness has relocated to the **Harvey Norman Centre** after having signed a **10-year** lease for a 1,035 m² retail space. The annual rent was not disclosed.

INDUSTRIAL MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following sales transactions that occurred in the Queensland metropolitan during the three months to December 2017:

"Secure Seven" Portfolio

Cope Sensitive Freight has sold its "Secure Seven" industrial portfolio for **\$31.5 million** on a **7.08% yield** to *Ascot Capital*. The seven properties which are located in each of the Australian States are; **21 Pipeclay Avenue, Thornton, Newcastle, NSW, 40 Fulton Drive, Derrimut, Melbourne, 1A Symonds Street, Royal Park, Adelaide, 15 Modal Crescent, Canning Vale, Perth, 16 Anictomatis Road, Berrimah, Darwin, 2-8 Ridley Close, Edmonton, Cairns, Queensland and 229 Kennedy Drive, Cambridge, Tasmania**. Collectively the properties have a total site area of 78,042 m2 and a total of 23,575 m2 of building area. The properties are all fully leased with a WALE of 12-years, and are returning an annual rent of \$2.2 million collectively.

5 Jalrock Place, Carole Park, QLD 4300

A private developer has bought the 3.2 hectare industrial development site for **\$5.8 million**. The developer has plans to develop the site into two logistics facilities. The sale reflects a **rate of \$1,812,500 per hectare**. Carole Park is located approximately 25 km south-west of Brisbane CBD.

1300 Lytton Road, Hemmant, QLD 4174

Firstrade Australia Group has paid **\$5.9 million** for the 1.8 hectare industrial site. The site comprises two warehouses, a showroom and an office space collectively totalling 4,376 m2. The sale reflects a **rate of \$1,348 psm lettable area**. Hemmant is located 16 km north-east of Brisbane CBD.



Queensland Industrial

Charter Hall Prime Industrial Fund has acquired multiple Queensland industrial sites in a **\$100 million** sale-and-leaseback deal with *Sime Darby*, the parent company of **Hastings Deering**. The properties are fully leased to **Hastings Deering** on 20-year triple net terms with fixed rent reviews and include two 10-year options.

21 Metroplex Avenue, Murarrie, QLD 4172

A private investor has paid **\$12 million** to *Harmony Property Syndication* for a 6,076 m2 industrial warehouse located within the **Metroplex on Gateway Estate**. The property is currently leased to **Toll Group** with the current lease expiring in 2022. The sale reflects a **rate of \$1,975 psm lettable area**. Murarrie is located approximately 10 km east of Brisbane CBD.



121 Evans Road, Salisbury, QLD 4107

A private Australian fund has paid **\$5.35 million** on a **7.8% yield** for a 3,931 m2 warehouse property. The property is currently fully leased to **Campion Education, ASNU, Alfa Test and Dealio Furniture** with a WALE of 2.58 years. The property is situated on a 6,279 m2 site and has container height roller door access for all units. The sale reflects a **rate of \$1,361 psm lettable area**. Salisbury is located approximately 11.2 km south-east of Brisbane.





38 Westgate Street, Wacol, QLD 4076

Realside has acquired the 9,368 m² industrial facility from *Kent Relocation Group* in a sale and lease back deal for **\$13.5 million** on a **capitalisation rate of 7.9%**. *Kent Relocation Group* has a remaining five-year weighted average lease expiry. The sale reflects a **rate of \$1,441 psm lettable area**. Wacol is located approximately 21.1 km south-west of Brisbane CBD.



920-928 Nudgee Road, Banyo, QLD 4014

Fife Capital has paid **\$36.775 million** to *Sentinel Property Group* for the industrial facility. The warehouse is situated on a 47,880 m² site and is fully leased to **BlueScope Distribution** until 2026. The 17,000 m² warehouse facility comprises a warehouse and office space and features high internal clearances and ample access for transport. The sale reflects a **rate of \$2,163 psm lettable area**. Banyo is located approximately 13.2 km north-east of Brisbane CBD.

Leasing Activity

Preston Rowe Paterson Research recorded the following leasing transactions that occurred during the three months to December 2017 in Queensland's Industrial property market:

12-16 Baylink Avenue, Deception Bay, QLD 4508

Active Minerals Australia will lease a 1,137 m² industrial warehouse for **5-years**. The warehouse has roller door access and *Active Minerals Australia* will **pay an annual rent of \$125,070 showing \$110 psm**.



81-83 Kabi Circuit, Deception Bay, QLD 4508

Ausreo has leased a 1,084m² industrial property which is situated on a 2,659 m² site for **5-years**. The site is currently under construction and net annual rents have not been disclosed, however rents in the area are approximately **\$100-\$200 psm**.



84 Sandalwood Lane, Forest Glen, QLD 4556

Country Chef Bakery Co. has agreed on terms to lease a 4,082 m² warehouse and office for **5-years** with options. The new location will be used as the companies head office and will **pay an annual rent of \$340,000 showing \$83 psm**.



19 Millenium Place, Tingalpa, QLD 4173

A private construction company has agreed to lease a 1,740 m² office/ warehouse for **3-years**. The tenant will **pay an annual rent of \$196,000 showing \$113 psm**.

17 Archimedes Place, Murarrie, QLD 4172

ACT Logistics has committed to lease a 3,952 m² A-grade industrial property for **5-years and 4 months** with options in order to consolidate two of their pre-existing facilities. The new tenant will **pay an annual rent of \$521,664 showing \$132 psm**.

RESIDENTIAL MARKET

Building Approvals

Across Australia, total dwellings approved declined by a seasonally adjusted 20.0% over the month to December. Approvals for the construction of private sector houses increased by 1.0%, whilst the estimate for approvals of for the construction other dwellings declined by 39.2%. Seasonally adjusted value of total building approved declined by 17.8% in December. Notably, the value of residential building fell by 25.4%, whilst the value of non-residential buildings fell 3.4%. In trend terms, dwelling approvals declined in December in the Australian Capital Territory (-35.0%), the Northern Territory (-12.9%), New South Wales (-5.6%), South Australia (-2.4%), Western Australia (-1.3%) and Queensland (-0.8%), however increased in Tasmania (+3.1%) and Victoria (+2.5%).

In the Greater Brisbane region, total number of dwellings approved for construction in December declined by 11.8% over the month to 1,957. Total approvals in the December quarter recorded a decline of 1.6% when compared to the September quarter, whilst total approvals for the 2017 calendar year had declined by 9.8% to 23,885 when compared to total figures for 2016. Total number of houses approved for construction in December declined by 25.4% to 1,014. Total approvals for the December quarter declined by 2.8% and total housing construction approvals for 2017 increased over the year by 15.6% to 13,478. Approvals for the construction of other dwellings increased by 9.7% over the month to December, to 943 approvals. Quarter on quarter analysis shows a minor increase of 0.2%, however total figures for the 2017 calendar year indicates a decline of 41.4% to 10,407 approvals.

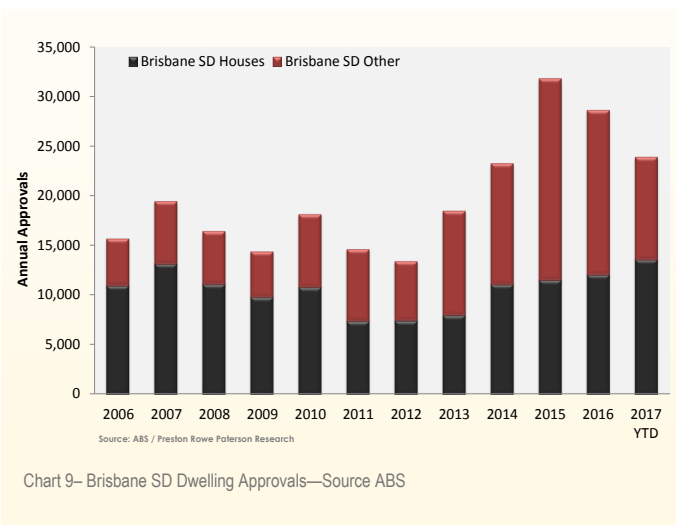


Chart 9— Brisbane SD Dwelling Approvals—Source ABS

Market Affordability

The Real Estate Institute of Australia's quarterly review of Australia's residential property market indicates that over the September quarter, overall house price in Brisbane increased by 0.4% to a median price of \$516,900. This figure represents an increase of 3.4% over the last twelve months. When we look at Inner Brisbane house prices, median price increased by 1.7% over the September quarter (+4.5% over the year) to \$900,000. There were 443 sales recorded, with sale prices ranging from \$720,000 and \$1,220,000. In Middle Brisbane, 2,598 sales were recorded with sale prices ranging from \$502,000 and \$765,000. Median house price in Middle Melbourne remained unchanged over the September quarter (+3.4% over the year) at \$610,000. Outer Brisbane recorded 2,585 sales over the period, with sale prices ranging from \$335,000 and \$496,500. Median house price in Outer Brisbane declined by -0.1% over the quarter (+2.6% over the year) to \$400,000.

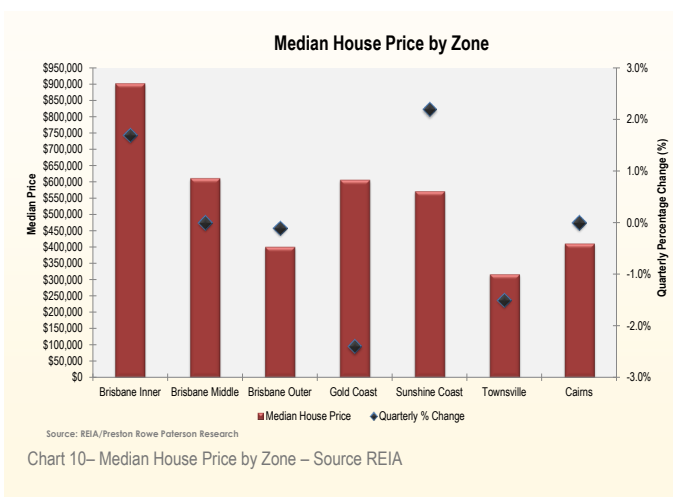


Chart 10— Median House Price by Zone – Source REIA

Median sale price of other dwellings in Brisbane increased by 0.2% over the September quarter (-1.9% over the year) to \$410,000. Inner Brisbane's median price had increased by 0.6% over the quarter (-2.6% over the year) to \$465,000. There were 1,010 sales recorded over the quarter, with sale prices ranging from \$380,000 and \$583,000. Middle Melbourne recorded 720 sales over the period, with sale prices ranging from \$319,000 and \$457,000. Median sale price in Middle Melbourne declined by -1.3% over the quarter (-5.7% over the year) to \$385,000. Outer Melbourne recorded 420 sales over the period, with median sale price in this region declining by -2.7% over the quarter (-7.6% over the year) to \$305,000. Sale prices over the period ranged from \$245,000 and \$402,000.

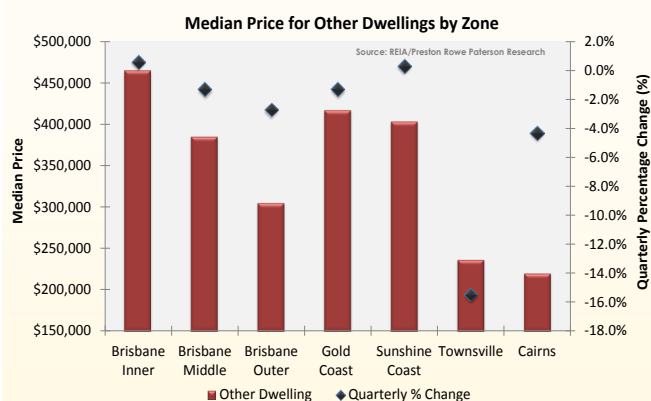


Chart 11 – Median Price for Other Dwellings by Zone – Source REIA

Rental Market

Over the September Quarter, Brisbane's housing rental market remained relatively unchanged. Median weekly rent for Inner Brisbane's 2 bedroom and 4 bedroom houses remained unchanged at \$430 and \$700, respectively. Median weekly rent for 3 bedroom houses declined by 3.8% to \$500. Middle Brisbane's 3 bedroom and 4 bedroom median house rent remained unchanged at \$410 and \$500, whilst median rent for 2 bedroom houses in the area increased by 5.6% to \$380. Outer Brisbane's 2, 3 and 4 bedroom house rents remained unchanged, at \$290, \$340 and \$400 respectively.

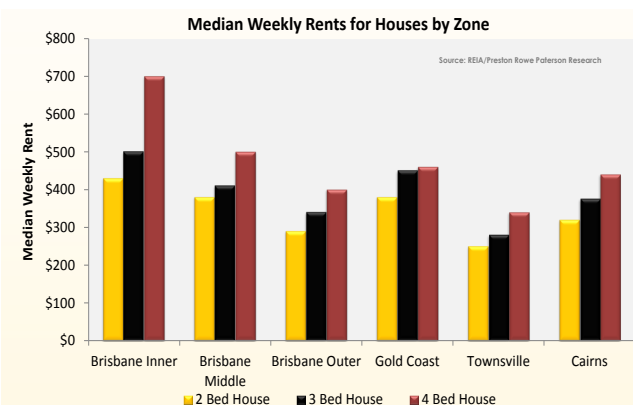


Chart 12–Median Weekly Rents for House by Zone – Source REIA

The rental market for other dwellings in Brisbane experienced varying changes over the September quarter 2017. Median weekly rent for Inner Brisbane's 1 and 2 bedroom dwellings declined by 1.3% and 2.1%, respectively, to \$370 and \$460. Median weekly rent for 3 bedroom dwellings in the area increased by 0.9% to \$585.

All dwellings in Middle Brisbane experienced increases in their median weekly rent. 1 bedroom rent increased to an average of \$298, whilst 2 bedroom and 3 bedroom dwellings' rents increased to \$370 and \$410, respectively. Median weekly rents for Outer Brisbane's 1 bedroom and 3 bedroom dwellings experienced an increase of 4.3% and 1.5%, respectively, to \$240 and \$340. Outer Brisbane's 2 bedroom dwellings' average rent remains unchanged at

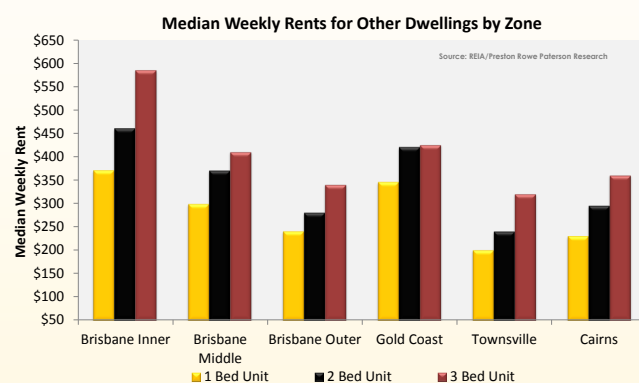


Chart 13–Median Weekly Rents for Other Dwellings by Zone – Source REIA

Gold Coast

Market Affordability

The median house price on the Gold Coast declined by 2.4% to \$605,000 over the September quarter. This price reflects an increase of 5.4% over the year. There were 1,229 sales over the quarter, with prices ranging from \$505,000 and \$785,000. Median sale price of other dwellings on the Gold Coast recorded a decline of 1.3% over the quarter (+1.7% over the year) to \$417,000. There were 1,755 sales recorded over the quarter, with sale prices ranging from \$326,000 and \$575,000.

Rental Market

The Gold Coast's house rental market remained unchanged over the September quarter. Median weekly rent for 2, 3 and 4 bedroom houses remained at \$380, \$450 and \$460 respectively. Median weekly rent for Gold Coast's other dwellings experienced various changes over the quarter. Median weekly rent for 1 bedroom and 2 bedroom other dwellings increased by 6.2% and 5.0%, respectively, to \$345 and \$420. Median rent for 3 bedroom dwellings remained unchanged at \$425 per week.



RESIDENTIAL DEVELOPMENT

Greater Springfield, QLD 4300

Stockland has paid **\$21 million** for a land holding in the Greater Springfield mega-city development area. The site comprises a 40 hectare site; made up of 30 hectares of DA approved land which can yield 400 detached homes as well as 10 hectares of conservation land. The sale reflects a **rate of \$525,000 per hectare**. Greater Springfield is located 29 km south-west of Brisbane CBD.

310 and 314 Albany Creek Road, Bridgeman Downs, QLD 4035

Ekko Point Properties has paid **\$9.1 million** to two private owners for a 3.14 hectare amalgamated residential site. *Ekko Point Properties* has gained development approval for 50 housing lots on the site. The sale reflects a **rate of \$182,000 per approved lot**. Bridgeman Downs is located approximately 15.2 km north-west of Brisbane CBD.



SPECIALIZED PROPERTY MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following specialised property transactions that occurred in Queensland during the December Quarter 2017:

Rosemary Street, Durack, QLD 4077

APN Convenience Retail REIT has paid **\$5.25 million** on a **6.78% yield** for the **Durack Service Centre**. The service station is leased to **7-Eleven** and **Durack Automotive** with a WALE of 11.9-years. The 5,929 m2 site has been refurbished in 2015 and has had new line infrastructure work and a new underground tank installed. The sale reflects a **rate of \$885 psm site area**. Durack is located approximately 16.7 km south-west of Brisbane CBD.

108 Freight Street, Lytton, QLD 4178

Lester Group has paid **\$11.15 million** on a **7.45% yield** for a 2,483 m2 cold storage and office facility which is situated on an 8,820 m2 site. The property is currently leased to **JAT Refrigerated Road Services** and comprises a freezer and coldroom facilities. The sale reflects a **rate of \$4,491 psm lettable area**. Lytton is located 17.3 km north-east of Brisbane CBD.



102 River Road, Gympie, QLD 4570

Viva Energy REIT has acquired the 1,831 m2 service station site for **\$5.04 million** on a **6.6% yield**. The 198 m2 service station was built five years ago and is leased to **Shell V Power/ Coles Express**. The sale reflects a **rate of \$25,455 psm lettable area**. Gympie is located approximately 174 km north-west of Brisbane CBD.

HOTELS & LEISURE MARKET

Investment Activity

Preston Rowe Paterson Research recorded the following Hotel and Leisure property transactions that occurred in New South Wales during the December Quarter 2017:

64 Andergrove Road, Mackay, QLD 4740

Redcape Hotel Group has paid **\$13 million** for **Andergrove Tavern**. The tavern comprises a function room, sports bar, bistro, kids play-room and has 45 gaming machine entitlements. Andergrove is located approximately 385 km south east of Townsville.



Economic Fundamentals

Consumer Price Index

Consumer Price Index (CPI) increased by 0.6% over the three months to September 2017, bringing annual change in inflation over the last twelve months to 1.8%. When we look at underlying inflation, a measure which removes the volatile components of inflation and is closely more monitored by the RBA, an increase of 0.4% was recorded over the quarter. Notably, this figure is the second weakest increase ever recorded and leaves the annual rate unchanged at 1.9%. Over the quarter, strong price increases stemming from the Housing group (+1.9%), Alcohol & tobacco group (+2.2%), Recreation & culture group (+1.3%) was offset by declines in Food & non-alcoholic beverages group (-0.9%), Communication group (-1.4%) and Clothing & footwear group (-0.9%).

When we look at the states and territories across the country, All Groups CPI increased across all eight capital cities. Over the year to September, Melbourne recorded the largest increase of 2.2%, followed by Canberra with 2.1% and Hobart with 2.0%. In contrast, Perth and Darwin recorded the lowest increase in inflation over the same period, of 0.8% and 0.6% respectively.

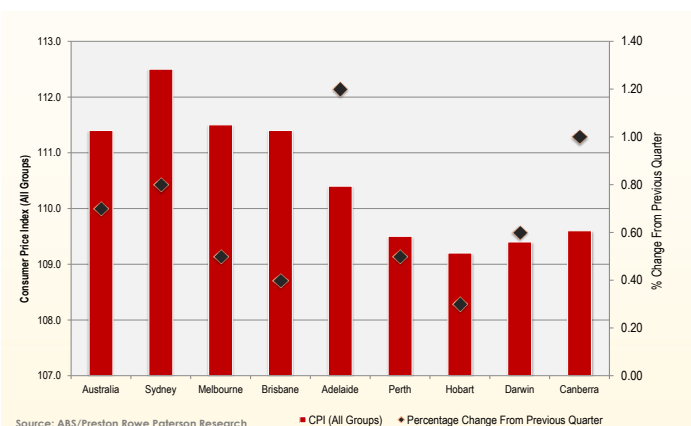


Chart 1—All Group CPI (Capital Cities) and Percentage Change—Source—ABS

Business Sentiment

According to the National Australia Bank (NAB) Monthly Business Survey, business confidence fell 3 points to +6 index points over the month to November. We note that there's been a downward trend in the series since half way through 2016, with firms reacting to the wage pressures as well as the uncertain outlook in demand. The NAB survey suggests that firms are more concerned about the outlook for their businesses, pressures on margins and wage costs on having an influence on business confidence. Nevertheless, confidence levels remain positive across all industries in Australia, with Construction, manufacturing &

transport the main driver behind the moderation in confidence levels. Confidence within the Mining sector has continued to strengthen over time, lifting to +23 index points, with Personal services recording the weakest confidence at +4 index points.

Consumer Sentiment

The Consumer Sentiment Index released by Westpac every month increased by 3.6% to 103.3 in December, from 99.7 in November. The strong results came right before the Christmas and New Year period and confirmed the strengthening of sentiment amongst consumers over the past few months. December quarter's average is 5% above the September quarter average, indicating that consumer sentiment and also just as likely, consumer spending, slumped to a low during the September quarter. Westpac indicates however, that despite the increase recorded during the December quarter, macroeconomic factors affecting Australia at the current stage- such as low savings rate amongst households, high debt levels and weak wage increase- have influenced consumers' capacity to increase spending despite the recorded increase in confidence.

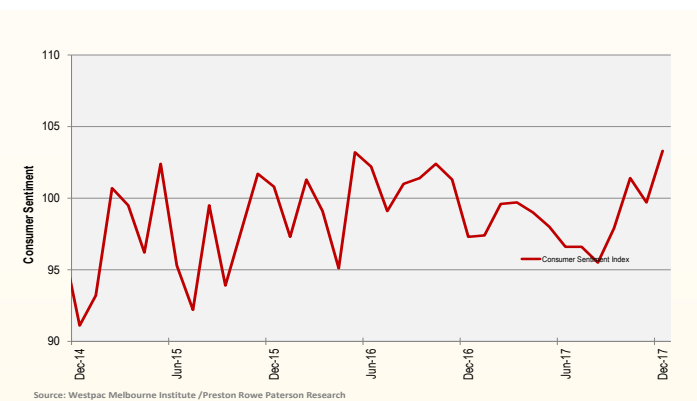


Chart 2—Consumer Sentiment Index—Source—Westpac Melbourne Institute Survey

	December 2016	November 2017	December 2017
Consumer Sentiment Index	97.3	99.7	103.3
Family finance vs. a year ago	102.5	105.4	107.3
Economic conditions next 12 months	91.6	96.2	101.1
Time to buy a dwelling	102.9	98.3	100.6

Table 1—Consumer Sentiment— December 2017 — Source— National Australia Bank

Gross Domestic Product

In the September Quarter 2017, the Australian economy increased by 0.6%, following an increase of 0.9% in the June Quarter. Over the year, Australia's Gross Domestic Product (GDP) increased a seasonally adjusted 2.8%. Over the quarter, the better than expected growth over the twelve months to September was supported by the negative data from the September quarter 2016 dropping out, taking annual growth figures close to average level. Furthermore, both the public and private sectors performed strongly. Households' final consumption expenditure increased by a seasonally adjusted 0.1%, driven by an increase in Insurance & financial services (1.3%), Rent & other dwelling services (0.6%) and Food (1.0%) and offset by declines in spending on Health (-1.0%), Hotels, cafes & restaurants (-0.9%) and Recreation & culture (-0.6%). Final consumption expenditure by governments increased by a seasonally adjusted 0.2%, with State & local government consumption growing by 0.4%, whilst National government consumption declining by 0.1%.

When we look at the production chain volume measure, growths were recorded in most sectors across Australia including: Mining (1.1%), Manufacturing (1.5%), Electricity, gas, water & waste services (1.9%) and Construction (0.6%). These gains were offset by contractions in the Agriculture, forestry & fishing (-4.1%) sector, Information, media & telecommunication (-1.3%) sector and the Rental, hiring & real estate (-1.6%) sector.

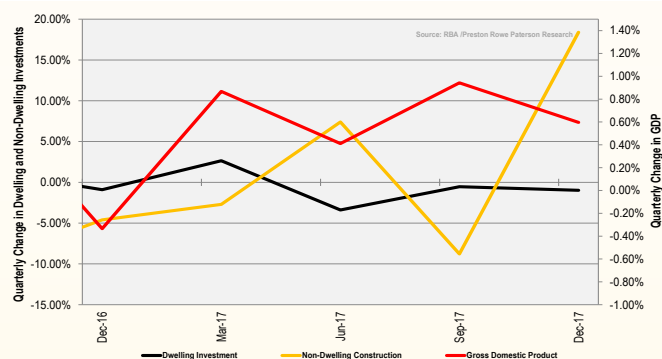


Chart 3— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

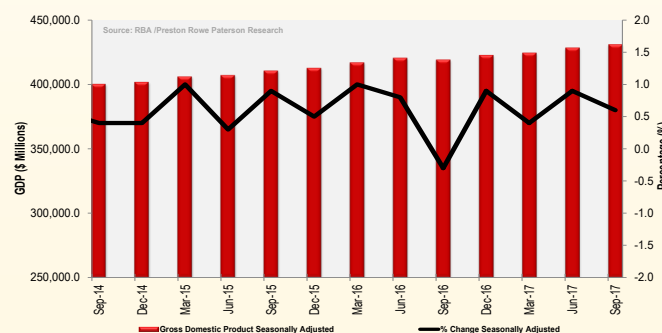


Chart 4— Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP— Source: ABS

Unemployment

Over the month to December 2017, seasonally adjusted unemployment rate increased by 0.1% to 5.5%, whilst the participation rate increased from 65.5% to 65.7%. 34,700 employed persons were added onto the market across Australia from November to December, of which 15,100 persons were in full-time positions and 19,500 in part-time roles. Over the twelve months to December 2017, a total of 303,400 persons had been employed in full-time roles, whilst part-time employment over the same period increased by 99,700. Notably, 2017 was the first full year which recorded employment increases every month since statistics began to be published in 1978. Furthermore, the employment to population ratio increased by 0.1% to 62% over the month and 1.0% over the year, whilst the participation rate increased to a seven year high of 65.7%.

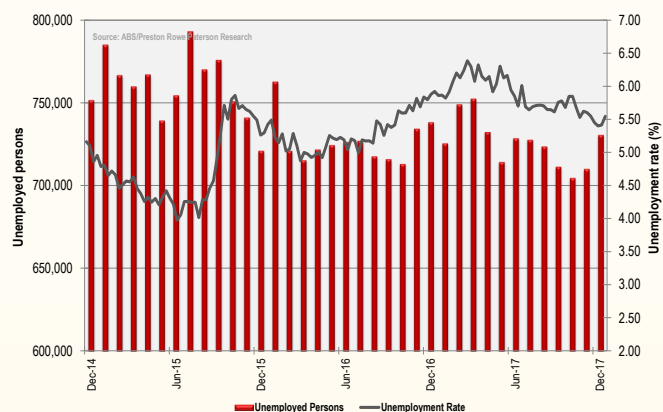


Chart 5— Unemployment Persons and Unemployment Rate— Source: ABS

	Unemployment Rate (%)		Participation Rate (%)	
	December 2017	September 2017	December 2017	September 2017
Australia	5.5	5.5	65.7	65.2
New South Wales	4.8	4.6	64.6	63.8
Victoria	6.1	6.0	66.4	66.3
Queensland	6.0	5.9	65.8	65.4
South Australia	5.9	5.8	62.1	62.0
Western Australia	5.7	5.7	68.5	68.2
Tasmania	6.1	5.7	61.3	61.1
Northern Territory*	4.9	4.1	76.1	73.2
Australian Capital Territory*	3.9	4.4	72.6	71.3

Table 2— Unemployment Rate and Participation Rate— Source: ABS

* Trend figures used for NT and ACT as seasonally adjusted data for both are not publicly available



10 Year Bond & 90 Day Bill Rate

Australian 10-year bond yields floated between 2.47% and 2.87% over the December quarter, peaking at the beginning of October and slumping to the lowest level at the end of November. Over the month of December, 10-year bond yields increased to a high of 2.58%, from November's 2.57%. Notably, bond yields finished off the year lower than when it started, with a twenty basis point different compared to the beginning of the year. Furthermore, the spread to US Treasury bond yields has declined over the past few months, even as Australian 10-year government bonds remained stable over the period.

In October, Australia experienced less favourable inflation figures, prompting bond yields to fall by 0.17% to 2.67%. Through November, bond yields rallied further, with weak wage inflation figures influencing yields to decline, by 0.17% to a low of 2.50% for the month. Bond yields increased over the month of December which reflected capital markets pricing for an interest rate increase by the fourth quarter of 2018.

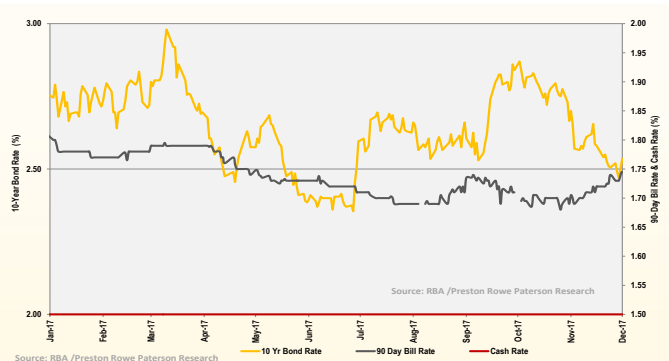


Chart 6— Daily Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

Interest Rates

The Reserve Bank of Australia has left interest rates unchanged at 1.50 per cent over the December quarter. This makes it the fifteenth consecutive meeting that the RBA has left rates unchanged, despite changes in economic conditions in both domestic and global economies. RBA Governor, Philip Lowe, have noted the above-trend growth figures in a number of advanced economies, though uncertainty still entails around the trajectory of future global economic growth. When we look at Australia's major trading partner in China, their economy have shown vast improvements from the increased spending in infrastructure and property construction, though the RBA noted the medium-term risk stemming from an increasingly high debt level. Consequently, the RBA expects Australia's terms of trade to decline in the near future, albeit remaining at a relatively high level.

Australia's economy is forecast to grow on average 3 per cent over the next few years, after recording on trend growth rate over the September quarter. Business conditions are expected to increase further into the new year, with positive outlooks stemming from non-mining business investments. In saying this, the RBA also noted the uncertain outlook for household consumption, with slow income growths combined with high debt levels. Inflation and wage growth remain low, as is the same for most developed countries, though the RBA has forecasted for inflation to increase gradually as the economy picks up pace.

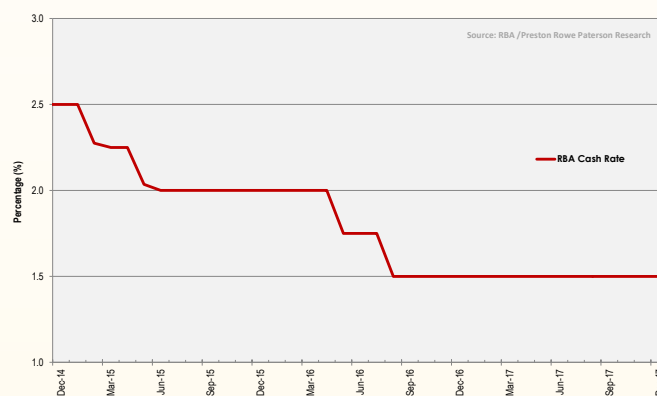


Chart 7— Reserve Bank of Australia Overnight Cash rate—Source: RBA

Exchange Rate

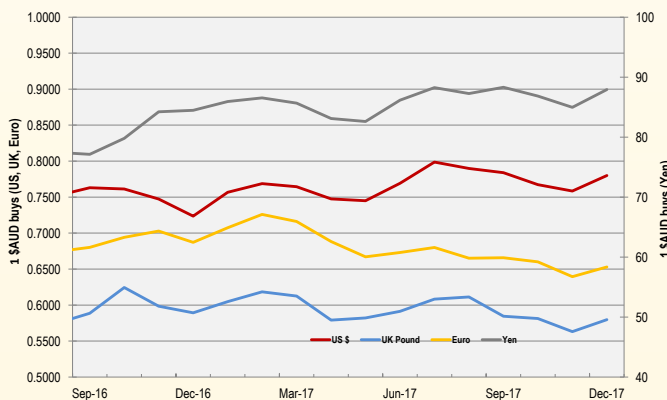


Chart 8— Movement in Exchange Rate—Source: RBA

Our Research

At Preston Rowe Paterson, we pride ourselves on the research which we prepare in the market sectors within which we operate. These include Commercial, Retail, Industrial, Hotel & Leisure and Residential property markets as well as infrastructure, capital and plant and machinery markets

We have *property* covered

- . Investment
- . Development
- . Asset
- . Corporate Real Estate
- . Mortgage
- . Government
- . Insurance
- . Occupancy
- . Sustainability
- . Research
- . Real Estate Investment Valuation
- . Real Estate Development Valuation
- . Property Consultancy and Advisory
- . Transaction Advisory
- . Property and Asset Management
- . Listed Fund, Property Trust, Super Fund and Syndicate Advisors
- . Plant & Machinery Valuation
- . General and Insurance Valuation
- . Economic and Property Market Research

We have all *real estate* types covered

We regularly provide valuation, property and asset management, consultancy and leasing services for all types of Real Estate including:

- . CBD and Metropolitan commercial office buildings
- . Retail shopping centres and shops
- . Industrial, office/warehouses and factories
- . Business parks
- . Hotels (accommodation) and resorts
- . Hotels (pubs), motels and caravan parks
- . Residential development projects
- . Residential dwellings (individual houses and apartments/units)
- . Rural properties
- . Special purpose properties such as: nursing homes; private hospitals, service stations, oil terminals and refineries, theatre complexes; etc.
- . Infrastructure

We have all types of *plant & machinery* covered

We regularly undertake valuations of all forms of plant, machinery, furniture, fittings and equipment including:

- . Mining & earth moving equipment/road plant
- . Office fit outs, equipment & furniture
- . Agricultural machinery & equipment
- . Heavy, light commercial & passenger vehicles
- . Industrial manufacturing equipment
- . Wineries and processing plants
- . Special purpose plant, machinery & equipment
- . Extractive industries, land fills and resource based enterprises
- . Hotel furniture, fittings & equipment

We have all *client profiles* covered

Preston Rowe Paterson acts for an array of clients with all types of real estate, plant, machinery and equipment interests such as:

- . Accountants
- . Banks, finance companies and lending institutions
- . Commercial and Residential non bank lenders
- . Co-operatives
- . Developers
- . Finance and mortgage brokers
- . Hotel owners and operators
- . Institutional investors
- . Insurance brokers and companies
- . Investment advisors
- . Lessors and lessees
- . Listed and private companies corporations
- . Listed Property Trusts
- . Local, State and Federal Government Departments and Agencies
- . Mining companies
- . Mortgage trusts
- . Overseas clients
- . Private investors
- . Property Syndication Managers
- . Rural landholders
- . Self managed super funds
- . Solicitors and barristers
- . Sovereign wealth funds
- . Stock brokers
- . Trustee and Custodial companies

We have *your needs* covered

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

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



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