



**Preston**  
*Rowe*  
Paterson

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International Property Consultants

# Property Market Report

## Queensland

### June Quarter 2018

#### HIGHLIGHTS

- The total office vacancy in Brisbane CBD fell by 1.5% to 14.6% over the six months to July 2018, the lowest four years, due to a shift of economical reliance from the mining industry to the service sector.
- The increasing net interstate migration level supports retail spending and turnover in Queensland that increased by 0.21% over the June quarter to \$5.304 billion.
- The Real Estate Institute of Australia reported that Brisbane's house median price declined over the quarter to March 2018 by -2.8% to \$515,000, aligned with the downward trend throughout Australia.

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## COMMERCIAL OFFICE MARKET

### Brisbane CBD

#### Supply by Grade (Stock)

Over the six months to July 2018, Brisbane’s office market experienced a stock withdrawal of 12,063 square metres from the demolition of four tired and underutilised office buildings along 360-380 Queen Street, including the Mineralogy House, the former headquarter of Clive Palmer’s Queensland Nickel Refinery. *Investa Commercial Property Fund (ICPF)* amalgamated the 4,334 square metre site for a new mixed-use development in a joint venture with *Charter Hall* that includes a 50,000 square metre office space with construction expected to commence on the first half of 2019.

No supply additions were recorded over the period, resulting in a net decreased stock of 0.18% to 25,163,960 square metres. Nonetheless, 51,900 square metre office space will come online on the second half of 2019 from the completed 300 George Street (44,700 sqm) and Blue Tower (7,200 sqm) followed by 80 Ann Street (72,540 sqm) due on 2020 and 360 Queen Street (50,000 sqm) mooted. The total 174,440 square metres completion over the long term will test the strength of Brisbane’s office market, whether it could absorb the upcoming supply.

#### Total Vacancy

The total vacancy in Brisbane CBD fell by 1.5% to 14.6% over the six months to July 2018, the lowest rate since July 2014. Vacancy within all office grades declined with D grade office experiencing the sharpest fall amongst the office grades by 3.6% to 9.5% as a result of the demolished 2,862 sqm from 360 Queen Street. Premium offices also recorded a steep decline of 2.5% to 9.5% over the same period while A, B and C Grades recorded slips of -1.1% (to 11.7%), -1.2% (to 20.8%) and -1.2% (to 15.3%) respectively.

The strengthening economy and population growth from interstate migration may continue to support the tightening vacancy of Brisbane’s office market over the short term until the two new developments come online at the end of 2019.

#### Development Sites

Project Name	Address	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
<b>300 George Street</b>	300 George Street, Brisbane City, QLD 4000	Construction	Shayher Group / Bao Jia Development	44,700	Q3 2019
<b>Blue Tower</b>	12 Creek Street, Brisbane City, QLD 4000	Construction	DEXUS Property Group	7,200	Q4 2019
<b>80 Ann Street</b>	80 Ann Street, Brisbane City, QLD 4000	DA Applied	Mirvac	72,540	2020+
<b>360 Queen Street</b>	360-380 Queen Street, Brisbane City, QLD 4000	DA Applied	Charter Hall / Investa Commercial Property Fund	50,000	Mooted

Table 1– Development Sites around Brisbane CBD– Source PCA / Preston Rowe Paterson Research

Brisbane CBD Additional Supply and Withdrawals

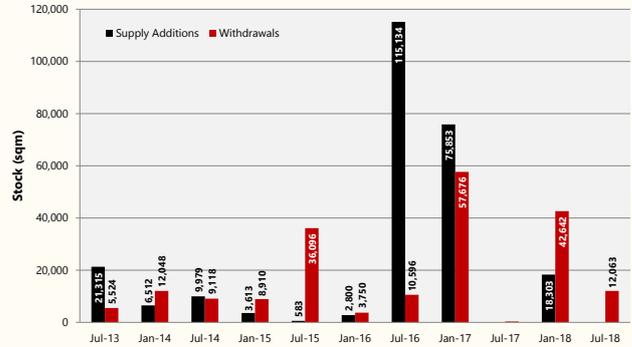


Chart 1 – Brisbane CBD Additional Supply and Withdrawals – Source PCA / PRP Research

Brisbane CBD Stock by Grade

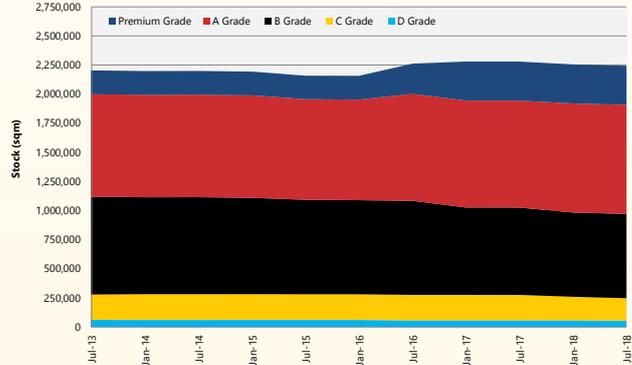


Chart 2 – Brisbane CBD Total Stock by Grade – Source PCA / PRP Research

Brisbane CBD Vacancy Rate

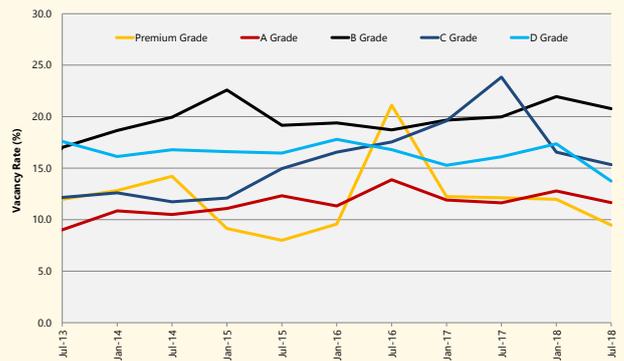


Chart 3 – Brisbane CBD Commercial Vacancy Rates – Source PCA / PRP Research

## Investment Activity

### 343 Albert Street, Brisbane, QLD 4000



On behalf of *Singapore's sovereign wealth fund GIC*, Charter Hall has purchased an office building in Brisbane City for **\$108 million**. The fund gave Charter Hall the go-ahead to purchase counter cyclical assets last year and this purchase is the second Brisbane office bought for the fund in the last 6 months, having dropped \$370 million on the Santos Headquarters in December. The deal suggests that fund analysts are convinced of Brisbane's investment potential. The city has enjoyed solid rental growth and dropping vacancies lately, whilst the yield spreads are relatively attractive compared to similar assets in Sydney and Melbourne; this property selling on a **6.75% yield**. The property contains tenants **Department of Human Services** and **Canstar** on renewed leases, amongst others, over its 20,000 sqm of floor area. The property has previously been approved for a 50,000 sqm premium office building. A joint venture between *Amalgamated Property Group* and *Morris Property Group* sold the building off-market at a **rate of \$5,400 psm lettable area**.

### 25 Green Square Close, Fortitude Valley QLD 4006

The *City of Brisbane* council has offloaded the last development site in Green Square Close for **\$15 million** to a private buyer. Situated adjacent to a 4-line railway, this site is used as a warehouse and yard space. The site was sold with council approval to build a 15-level office tower, containing 20,000 sqm of commercial space. The property sold on **rate of \$4,889 psm site area**. Fortitude Valley is located 2.1 km south west of Brisbane's CBD.

### 130 Commercial Road, Newstead, QLD 4006



A converted-warehouse office building has sold to fund manager *Primewest* for **\$20.35 million** at a **rate of \$4,781 psm lettable area**. The 4,256 sqm, four level building is divided into four tenancies, one of which is occupied by **Nova FM**. The building has all the features required from a millennial-age commercial tenant: brick, timber and steel construction, exposed building services and large open floor plates allowing a campus-like fitout. With the new owners receiving an annual net passing income of \$1,824,803, this sale generates a surprisingly high **yield of 8.97%**. Newstead is located 2.8 km north east of Brisbane's CBD.

## Leasing Activity

### 451 St Pauls Terrace, Fortitude Valley, QLD 4006



*Pro Leaders Academy* has signed a **three year** deal for a newly fitted office space in Brisbane for **\$153,000 gross per annum**. The first floor premises occupies a 360 sqm space, in close proximity to Fortitude Valley station. This transaction reflects a **rate of \$425 psm gross per annum**. Fortitude Valley is located 2.1 km north east of Brisbane's CBD.

## Gold Coast Office Market

### Supply by Grade (Stock)

Over the six months to July 2018, 2,744 sqm of B Grade office was added to the market from the full refurbishment of **Lakehouse Corporate Space** on 34 Glenferrie Drive, bringing total net stock to 469,561 sqm. Supply addition in the Gold Coast market will remain modest over the medium term with the completion of Kaybank Plaza on 33 Scarborough Street to add 2,832 sqm to the market at the end of the year. Additionally, a new development named The Base is mooted with an approved DA, when completed adds another 5,100 sqm to the Gold Coast office market.

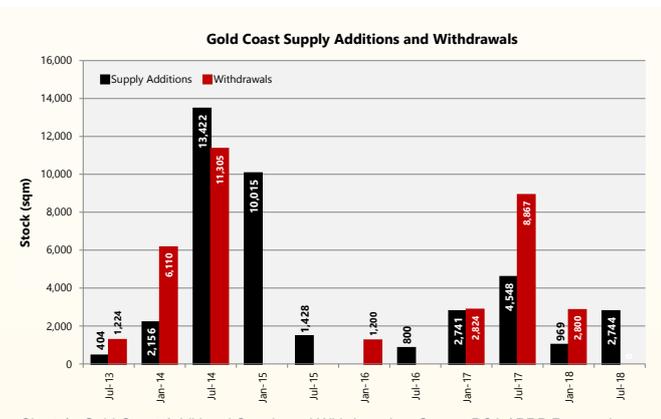


Chart 4– Gold Coast Additional Supply and Withdrawals – Source PCA / PRP Research

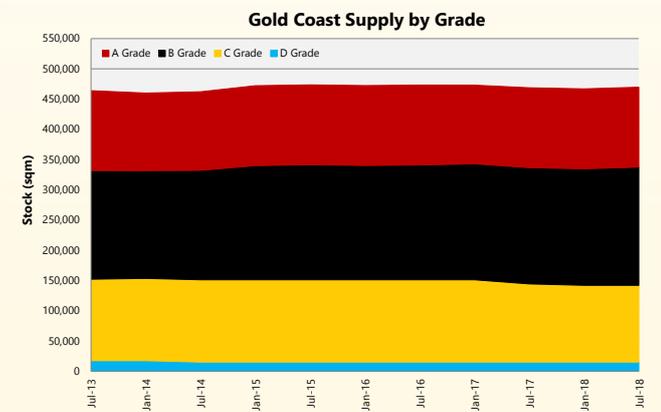


Chart 5– Gold Coast Total Stock by Grade – Source PCA / PRP Research

### Total Vacancy

The total vacancy in Gold Coast office market tightened over the six month to January 2018 with a record low of 10.6% since the oversupply in 2009. The vacancy improvement is largely attributed to the steady growth of A Grade offices with the lowest vacancy rate of 8.6% in ten years. The overall secondary office vacancy is also gradually tipping due to the ongoing demand.

With the steady population growth, infrastructure development along the major hubs of Gold Coast and high levels of construction across the Gold Coast region, vacancy rates may remain in record lows for the medium term.

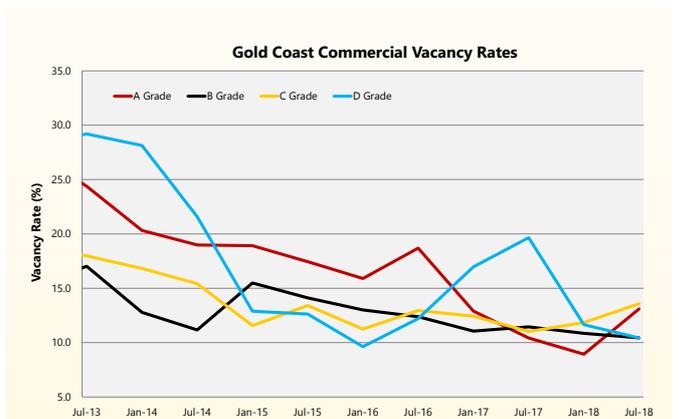


Chart 6– Gold Coast Commercial Vacancy Rates – Source PCA / PRP Research

### Development Sites

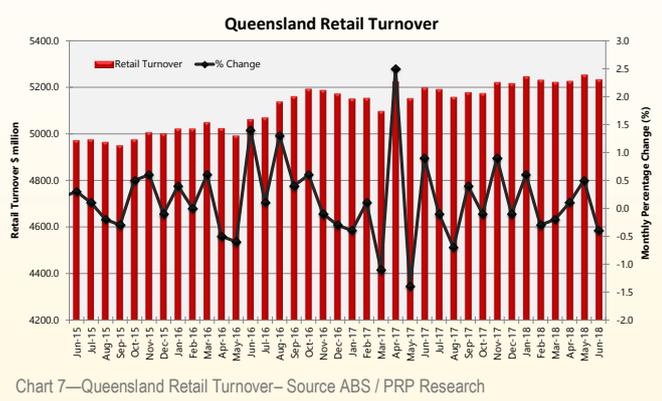
Project Name	Address	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
The Base	197 Robina Town Centre Drive, Robina, QLD 4000	DA Approved	Robina Land Corporation	5,100	Mooted

Table 2– Development Sites around Gold Coast– Source PCA / PRP Research

## RETAIL MARKET

### Retail Statistics

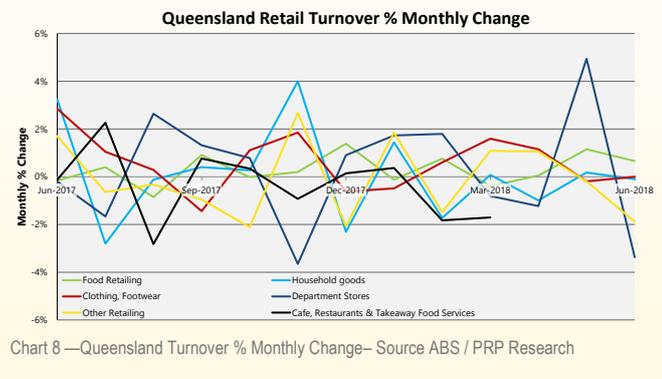
According to Retail Trade statistics from the Australian Bureau of Statistics, total seasonally adjusted turnover in Queensland over the month of June 2018 is \$5.304 billion. This figure indicates a quarterly increase of 0.21% and year-on-year increase of 0.67%.



Queensland economy continues to improve, transitioning from the reliance of mining investment to the service sector. The overall economy in Queensland is also supported by the increasing net interstate migration levels that assist in retail spending.

Retail turnover data indicates that the highest positive change over the quarter to June 2018 was in clothing, footwear and personal accessory, which was most likely driven by the positive consumer sentiment due to rising employment rate and the high tourist level during the quarter from the Commonwealth Games held in April. This trend is followed by Queensland’s most consistent retail turnover category, food retailing, which increased 4.18% over the quarter.

Shopping centres are the top performer for Queensland’s retail



Shopping centres are the top performer for Queensland’s retail property market with numerous investment activities. The largest investment made over the quarter was by *Invesco*, purchasing a 50% stake of the **Grand Plaza Shopping Centre** in Brisbane for \$215 million at near 6% yield. Anecdotal evidence also shows that neighbourhood shopping centres performed well over the quarter selling on tight yields across Queensland.

### Investment Activity

#### 7 Penong Street, Westlake, QLD 4074

The **Hub Westlake**, a neighbourhood shopping centre in Brisbane’s south west, has sold for **\$10.5 million**. It features an **IGA Supermarket** anchor tenancy in addition to 9 specialty stores including a **BWS Liquor** and **F45 Training**. It was purchased by fund managers *Real Asset Management* in an off-market deal with *A&P Property Holdings*. The 4,848 sqm site is zoned for a development of up to three storeys. It sold at a **rate of \$2,166 psm site area** and with an **initial annual return of 7.1%**. Westlake is located 15 km south west of Brisbane’s CBD.

#### 27-49 Browns Plains Road, Browns Plains, QLD 4118



A group of investors have sold their 50% interest in the **Grand Plaza Shopping Centre** in Brisbane to *Invesco* for **\$215 million**, at a **near 6% yield**. The centre houses 53,412 sqm of retail space including tenancies from **Woolworths, Coles, Aldi, Target, Big W**, four mini-majors and special tenancies. It has a parking capacity for some 2500 vehicles. It’s a deal which follows the trend of retail focused groups siding with large capital investment partners. Managers of the centre, *Vicinity*, will retain a 50% share in the asset. The purchase reflects a **rate of \$8,051 psm lettable area**. Browns Plains is positioned 24 km south of Brisbane’s CBD. (Adjusted to reflect 50% stake).

## Retail Investment Activity (continue)

### 51 McGinn Road, Ferny Grove, QLD 4055



A neighbourhood shopping centre in Brisbane's western suburbs, **The Ferny Grove Village shopping centre**, has changed hands for **\$16.2 million**. The 4,408 sqm property is anchored by a **Coles supermarket** and has 19 specialty tenants, including **Dominos** and **BWS**. The property, which generates a net annual income of \$1,245,194, was picked up by a WA-based syndicator *Kerching Capital* on a **net yield of 7.6%**. The deal reflects a **rate of \$3,721 psm lettable area**. Ferny Grove lies 11 km north west of Brisbane's CBD.

### 4 The Esplanade, Surfers Paradise, QLD 4217



Fresh from the purchase of an A-grade Sydney office tower for \$265 million, Macau casino figure *Loi Keong Kuong* has splashed **\$90 million** for the **Soul Boardwalk**, on the beachfront of Surfers Paradise. The shopping centre contains 7,012 of strata retail over three levels, returning a fully leased net income of \$7.1 million – giving this sale a **7.89% yield**. It contains national tenants such as **Roxy, Quicksilver, Hurricane's Grill** and **Ripley's Believe It or Not**. Macau-based investors are increasingly looking at Australian property to realise earnings growth. Gaming tourism to the 30.5 sq km country has taken a hit since the Chinese Government's crackdown on corruption and excessive gambling. Income producing development sites are the preferred targets for these investors. The sale returns a **rate of \$12,835 psm lettable area**.

### Cnr Compton & Kingston Roads, Underwood, QLD 4119

A large-format sub-regional shopping centre near Brisbane has sold for **\$31.25 million**. *Clarence Property* secured the site on a **7.85% yield**, citing preference towards high-yielding assets in growth regions, particularly south-east Queensland. The centre is on the corner of two arterial roads, next to a new Bunnings Warehouse. Tenants of **The Zone** include **OfficeWorks, Rebel Sport** and **Good Price Pharmacy**. It is based on a 2.85 hectare site, made of four buildings measuring 11,067 sqm. The sale generates a **rate of \$2,824 psm lettable area**. Underwood lies 19 km south east of Brisbane's CBD.

## INDUSTRIAL MARKET

### Investment Activity

#### 147 Archerfield Rd, Richlands, QLD 4077

A prime western corridor industrial facility was sold by *Vemeer Australia* for **\$15.4 million**. *Fife Capital* bought the facility with a lease-back of 5 years that returns a net rent of \$943,803.24 per annum. The property of 8,492 sqm building area includes a workshop, an adjoining warehouse and a large ground floor office. The sale returns a **rate of \$1,813.47 psm building area**. Richlands is 16km south west of Brisbane CBD.



## RESIDENTIAL MARKET

### Building Approvals

The Australian Bureau of Statistics indicated that the total number of residential building approvals across Brisbane increased by 3.21% over the month to June 2018 with approvals totalling to 2,805.

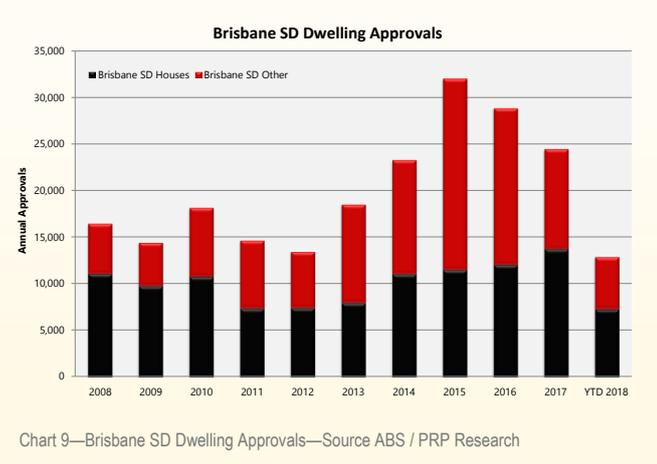


Chart 9—Brisbane SD Dwelling Approvals—Source ABS / PRP Research

## BRISBANE

### Market Affordability

As reported by the Real Estate Institute of Australia (REIA), the median house price in Brisbane decreased over the quarter to March 2018 by 2.8% to \$515,000; however, this figure reflects a yearly growth of 2.0%. The weakest area in Brisbane over the quarter is middle Brisbane, falling by 3.2% to \$605,000. The decline is a result of the tightened lending regulation and the uncertainty of falling house prices all over Australia. Albeit Brisbane's median price falling over the quarter, its annual growth is stronger than Sydney (-1.4%) but weaker than Melbourne's 7.4% annual growth to March 2018.

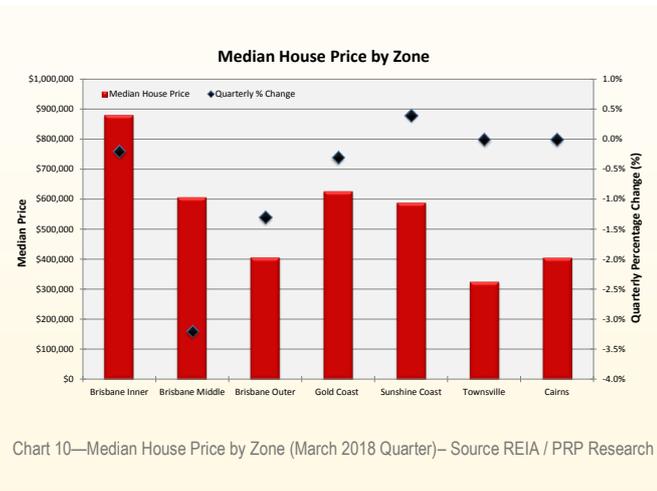


Chart 10—Median House Price by Zone (March 2018 Quarter)—Source REIA / PRP Research

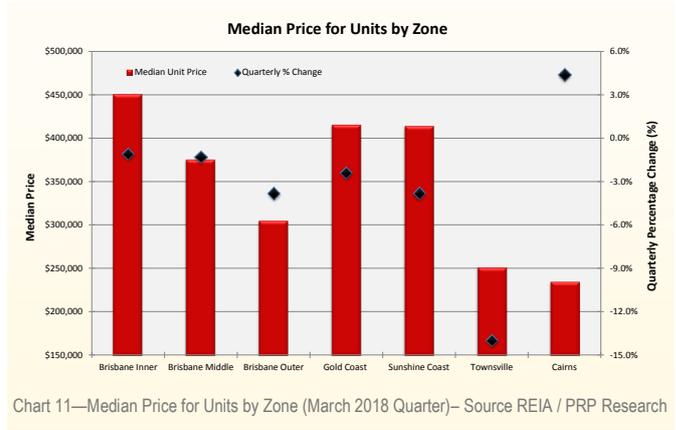


Chart 11—Median Price for Units by Zone (March 2018 Quarter)—Source REIA / PRP Research

### Rental Market

Overall, the Greater Queensland rental market remained resilient despite the market downturn. The Real Estate Institute of Queensland recorded that the vacancy rates in Greater Brisbane tightened by 0.5% to 2.2% vacancy as of June 2018. Nonetheless, speculation over whether Greater Brisbane has the capacity to absorb the upcoming surge of residential apartment continues with the March 2018 quarter proving to be relatively stable for rental movement.

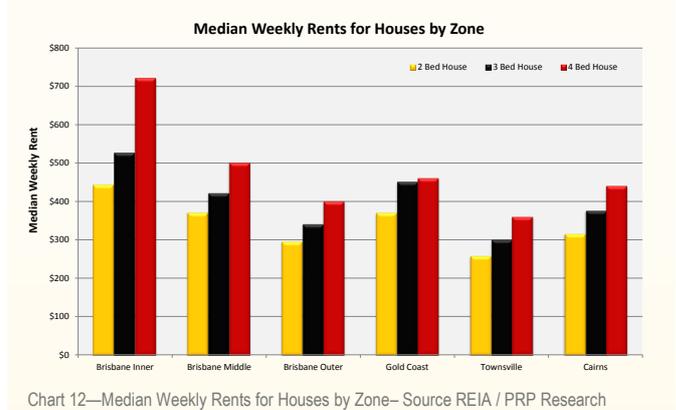


Chart 12—Median Weekly Rents for Houses by Zone—Source REIA / PRP Research

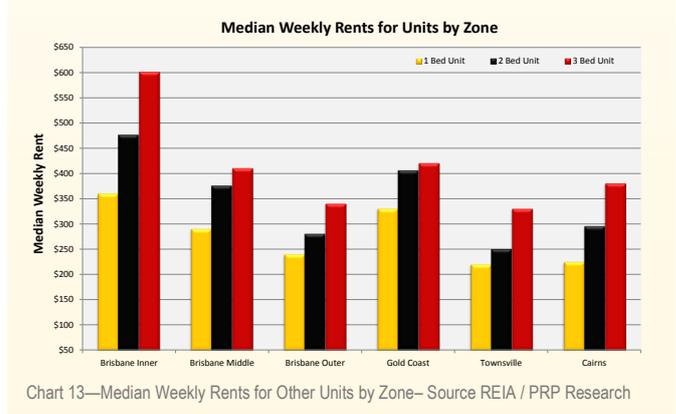


Chart 13—Median Weekly Rents for Other Units by Zone—Source REIA / PRP Research

## GOLD COAST

### Market Affordability

The Gold Coast median house price fell 0.3% (to \$625,000) over the quarter to March 2018 albeit showing a 2.5% year on year growth. However, units in Gold Coast is not as resilient as houses, falling by 2.4% over the same period (-3.7% over the year).

### Rental Market

The Gold Coast rental vacancy remains tight albeit increasing by 0.9% to 2.0% over the June 2018 quarter. Despite the Commonwealth Games period being over and the likelihood of homes used as short-term holiday rentals put into the rental market, rents in Gold Coast remained relatively steady. Median rents for houses of 2 and 3 bedrooms remained at \$370 and \$450 weekly whilst 4 bedroom houses experienced a slight tip of -1.1% to \$460 weekly. Units in Gold Coast's rental market performed slightly better than houses with its 1 and 3 bedroom units remained at \$330 and \$420 weekly but it's 2 bedroom units saw an incline of 1.3% (to \$405 weekly) over the quarter.

## RESIDENTIAL DEVELOPMENTS

### Investment Activity

**2178-2190 Moggill Road, Kenmore, QLD 4069**



Three rural sites on the suburban fringe of Brisbane have sold in one line to ASX-listed *Sunland Group* for **\$13.1 million**. The 3.26 hectare property sold with approval for 96 four bedroom townhouses, giving a **per townhouse site rate of \$136,458**. The sites sit amongst both low-density residential and rural uses in a key growth region for the Brisbane region. The sale generated a **land rate of \$402 psm site area**. Kenmore is located 10 km west of Brisbane's CBD.

## HOTEL & LEISURE MARKET

### Investment Activity

**345 Wickham Terrace, Spring Hill, QLD 4000**



*Facilimate Group* has paid **\$31 million** for the 4-star **Hotel Urban Brisbane**. The hotel offers 179 rooms and suites, a restaurant, bar, pool, gymnasium and corporate facilities. *Facilimate* will undertake a \$10 million renovation and re-positioning exercise that will see the hotel upgraded to 4.5 stars to attract more visitors. The 11-level hotel sold at a **rate of \$173,184 per room**. Spring Hill is located 1.4 km north of Brisbane's CBD.

**239 Wickham Terrace, Spring Hill, QLD 4000**



Brisbane's **Metro Tower Hotel Mill** has been sold by *Transmetro* for **less than \$10 million**. The 3.5-star hotel was purchased by Canberra based *Interstay Holdings* in a deal which will see the building rebrand to a Madison Hotel. The 41 room hotel has been under the management of *Transmetro* since 1994 and features private balconies and views over the city from a 'downtown' Brisbane location. This sale reflects a **rate of \$241,463 per room**. Spring Hill is located 1.4 km north of Brisbane's CBD.

## RURAL PROPERTY MARKET

### Investment Activity

#### Portland Downs, Isisford, QLD, 4727

A 99,990 square hectare prime grazing property in Central Queensland has been purchased by *North Australian Pastoral Company* for **\$23 million**. *Salentein*, a Dutch investment company with global interests in beef, grain and wine, sold the estate with 1500 heads of cattle plus calves and some plant, whilst the property features 38 equipped dams and has a double frontage to Barcoo River. The property is roughly equivalent to the size of the Sydney metropolitan area, east of Parramatta. The deal was done at a **rate of \$230 per square hectare**. Isisford is located in central Queensland, 1,160 km north west of Brisbane.

#### Maryborough, QLD 4650

A 623 hectare sugar cane plantation in Queensland's Fraser Coast has been purchased for **more than \$12 million**. The purchaser was a major macadamia nut grower and plans to convert the farm for that purpose, once the lease to the current occupier – a multinational sugar provider - expires in five years. Advice from selling agents indicated a **yield of approximately 1.8%**. This follows a trend of cane plantations being converted to higher yielding stocks such as avocados and nuts to maximise on increasing demand and a shortage of supply. The sale reflects a **rate of \$19,262 per square hectare**. Maryborough is located 255 km north of Brisbane, in the Fraser Coast region.

#### 1820 Comanche Road, Glenroy, QLD 4702

Listed Canberra based property trust *Rural Funds Group (RFG)* has outlaid **\$15.7 million** for a cattle grazing property near Rockhampton. **Comanche** is a freehold 7600 hectare 'breeding and backgrounding' farm with extensive cattle infrastructure, 9 km of frontage to the Fitzroy River, a 864 megalitre water allocation, an architecturally designed homestead, cottages and an airstrip with a hanger. *RFG* now own close to \$700 million in agricultural assets and purchased **Comanche** as part of a rural diversification play away from water-intensive rural assets due to climate change concerns. **Geoff and Dalrae Shaw** sold at auction, fetching a **rate of \$2,066 per square hectare**. Glenroy is positioned 83 km west of Rockhampton

#### 3872 Gatton Esk Road, Esk, QLD 4312

One of Brisbane Valley's largest cattle grazing properties has sold under the hammer for **\$10 million** to *The Richards*, the family behind major waste management business *JJ Richards & Sons*. The property contains 27 dams spread over the 2,340 hectares of land that is used primarily for cattle grazing, whilst there remains 800 hectares of cultivation land ideal for either fodder crops or expansion of grazing capabilities. The sale shows a **rate of \$4,274 per square hectare**. Esk is located approximately 60 km west of Brisbane's CBD.

## ECONOMIC FUNDAMENTAL

### Gross Domestic Product

Australian economic growth has picked up its growth pace, growing by a seasonally adjusted 1.0% in the quarter to March 2018 or year on year of 3.14%. This is a step up from the December 2017's 2.38% year on year. The economic growth was driven by the growth in exports, non-mining business investment and population demand. Consumption growth however, was more subdued. Private non-mining business investment increased 10% over the year to March 2018 led by building construction. The main contributor to this growth was non-residential construction activity led by work on commercial offices, consistent with the strong tenant demand and short supply in Sydney and Melbourne. The construction of hotels and age care facilities has also contributed to the overall growth.

The growth in household spending was modest at 0.3% with growth in goods consumption increasing over the year. Although the expenditure of the clothing, furnishing and recreational goods category were struggling over the previous quarter, it has improved and is now supporting the overall household spending. Nonetheless, household spending remains the source of uncertainty for the growth outlook. The prospect of continued low growth in household income remains a risk to the outlook for household consumption, especially with the high levels of household debt.

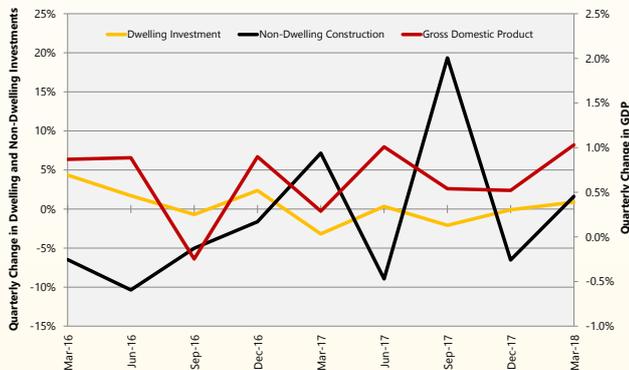


Chart 14— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

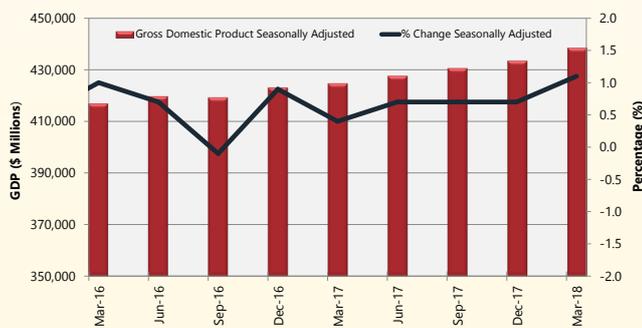


Chart 15— Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP— Source: ABS

### Consumer Price Index

Over the three months to June 2018, Australia's Consumer Price Index (CPI) increased by 0.4%, bringing the inflation rate to 2.1% over the last twelve months. Over the quarter, strong increases stemming from health sector (+1.9%), transport (+1.6%), alcohol & tobacco (+1.6%), and clothing & footwear (+1.3%) were offset by the declines in communication (-1.3%), recreation & culture (-0.4%) and food & non-alcohol beverages (-0.4%).

The CPI of all Australia's capital cities increased with Melbourne (+0.5%), Brisbane (+0.5%) and Adelaide (+0.5%) performing the best. While Perth is slacking behind, increasing by only 0.2% over the quarter, showing the slowest CPI growth amongst the all other capital cities in Australia.

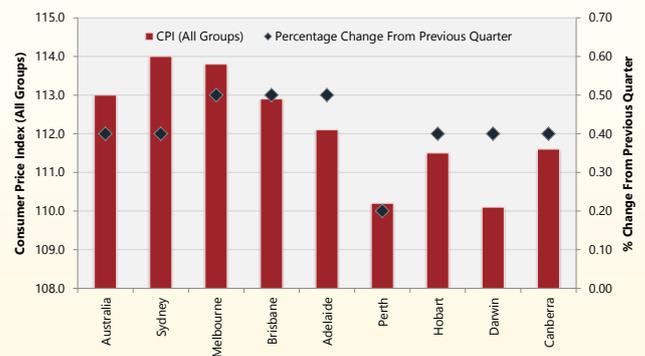


Chart 16— All Group CPI (Capital Cities) and Percentage Change — Source: ABS

### Business Sentiment

The Monthly Business Survey June 2018 released by National Australia Bank (NAB) reported that business confidence index declined by 1 point to +6 points. The index remains on the historical average with the highest confidence in the Mining and Construction industries while Recreation & personal services remain the lowest. Across the states, confidence is highest in Queensland and Western Australia, both at +12 index points followed by South Australia at +10 index points. On the other hand, confidence in NSW and Victoria continues to lag the other states at +5 and +4 respectively.

NAB's business conditions index rose modestly by 1 point, to +15 points with South Australia (+19 index points) and Tasmania (+18 index points) while Western Australia lagging behind the other states at +9 index points. Although the mining industry saw a sharp decline through the month, in trend terms condition, it remains the strongest.

## Consumer Sentiment

According to the Westpac-Melbourne Institute survey on consumer sentiment, the overall Consumer Sentiment Index increased from May's index of 101.8 to June's index of 102.1. The index is still above the long-term average of 101.5 points, albeit still below January's reading of 105.1, reflecting the market volatility having been partially offset by new concerns about longer term prospects for the domestic economy.

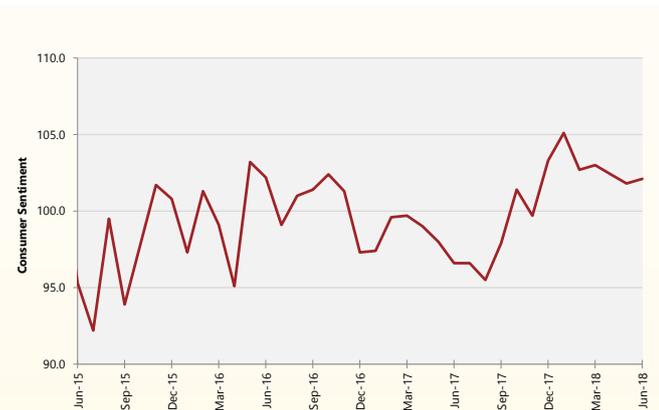


Chart 17—Consumer Sentiment Index —Source: Westpac Melbourne Institute Survey

	Jun 2018	May 2018	Jun 2017	Jun 2016
<b>Consumer Sentiment Index</b>	102.1	101.8	96.2	102.2
<b>Family finances vs. a year ago</b>	86.7	83.0	81.4	90.3
<b>Economic conditions next 12 mth</b>	101.5	104.5	91.3	97.9
<b>Time to buy a dwelling</b>	105.7	101.1	90.9	103.7

Table 3—Consumer Sentiment —Source: Westpac Melbourne Institute Survey

## Interest Rates

Although global economic expansion is continuing with a number of advanced economies growing at an above-trend rate and unemployment rates low, the board has kept the cash rate at record low of 1.50 per cent for the 21<sup>st</sup>-consecutive month. The board has several considerations concerning moving the cash rate including the slowing growth in China and the uncertainty in global outlook from the international trade policy in the United States.

The Bank's central forecast for the Australian economy remains unchanged. GDP growth is expected to average a bit above 3 per cent in 2018 and 2019.

One continuing source of uncertainty is the outlook for household consumption. Household income has been growing slowly and debt levels are high. Australia's terms of trade have increased over the past couple of years due to rises in some commodity prices. The Australian dollar remains within the range that it has been in over the past two years, correlating to the stagnant position of the cash rate.

Employment growth continues to be faster than growth in the working-age population but wage growth remains low. Over the past year, the CPI increased by 2.1 per cent, and in underlying terms, inflation was close to 2 per cent.

Sydney and Melbourne's housing market conditions have continued to ease and nationwide measure of rent inflation remains low. Housing credit growth has declined to an annual rate of 5.5 per cent, largely due to reduced demand by investors as the dynamics of the housing market have changed.

The low interest rate environment continues to support the Australian economy. The RBA Board believe that holding the stance of monetary policy unchanged would be consistent with sustainable growth in the economy and achieving the inflation target over time.



Chart 18— Movement of the Cash Rate — Source: RBA

## 10 Year Bond & 90 Day Bill Rate

Through the June 2018 quarter, the 10-year bond yield increased in the US by 11 basis points but marginally slipped by 2 basis points in Australia. The Australia-US 10 year bond spread widened by 13bps to -15bps.

A differing monetary policy stance in Australia to the US has already pushed US 10 year bond rate higher than Australian 10 year bond yield for the first time since 2008.

The Australian 90 Day Bank bill rates ceased climbing and eased back from their peak of 2.08% in April by 2bps to 2.06%. It then fell back below 2% on May, hitting a low of 1.90% before rebounding back to 1.96%. In June, the Australian 90 Day Bank Bill rate climbed back above 2%, closing at 2.07% at the end of the month.

From January to June, the 90 Day Bank bill swap rate had increased by 28 basis points and as at the end of June, Australia's bond yield stood at 2.07%, 35 basis points higher than twelve months prior.

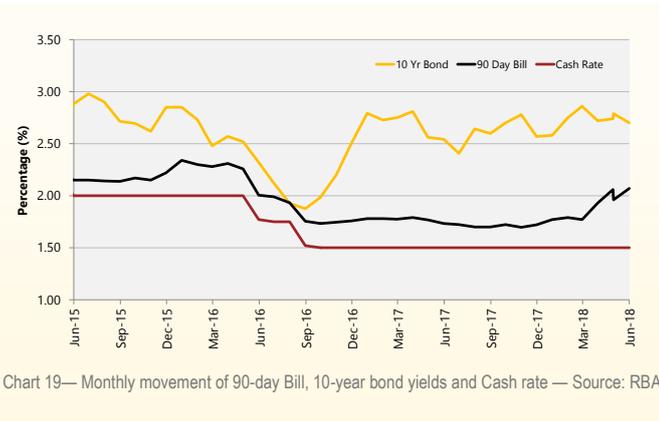


Chart 19— Monthly movement of 90-day Bill, 10-year bond yields and Cash rate — Source: RBA

## Unemployment

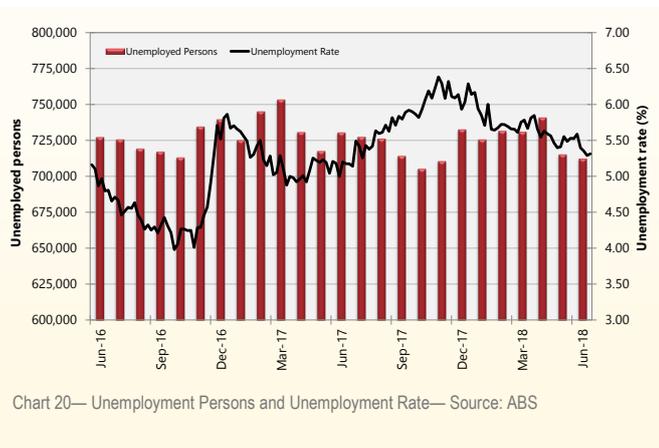


Chart 20— Unemployment Persons and Unemployment Rate— Source: ABS

Australia's employment growth had been a little above the average over the first six months of 2018, although slower than the rate in 2017. The seasonally adjusted unemployment rate in Australia remains unchanged at 5.4% over the month to June. This figure shows a slight decrease of 2 basis points over the quarter.

Over the month, the Australian employment participation rate increased by 2 basis points to 65.7 per cent. The employment to population ratio in Australia increased by 3 basis points over the month and 7 basis points over the year to 62.3 per cent.

	Unemployment Rate (%)		Participation Rate (%)			
	May	June	May	June		
Australia	5.4	5.4	—	65.5	65.7	▲
New South Wales	4.9	4.7	▼	64.8	65.1	▲
Victoria	5.1	5.6	▲	65.6	65.7	▲
Queensland	6.2	6.0	▼	65.7	65.8	▲
South Australia	5.6	5.4	▼	62.9	62.8	▼
Western Australia	6.3	6.1	▼	68.6	68.5	▼
Tasmania	6.6	5.9	▼	61.3	61.3	—
Northern Territory*	4.1	4.1	—	76.7	77.0	▲
Australian Capital Territory*	3.7	3.6	▼	70.9	70.7	▼

Table 4— Unemployment Rate and Participation Rate — Source: ABS  
\* Trend figures used for NT and ACT as seasonally adjusted data for both are not publicly

## Exchange Rate

Over the month to June 2018, the Australian Dollar depreciated against most major currencies, including the US Dollar (-2.3%), UK Pound (-0.8%), Euro (-2.0%) and Japanese Yen (-0.6%). As at the end of March, \$AUD1.00 equated to \$USD0.74, £0.56, €0.63, ¥81.82 and \$NZD1.09.

The Australian Dollar is down -3.91% against the green-back when compared to June 2017 figures. The Australian Dollar is affected by the escalating trade war tensions between the US and China adding to concerns over emerging markets. The unexpected strengthening of the US economy and the increased support for the US dollar was also playing a part in the Australian Dollar's weakness.

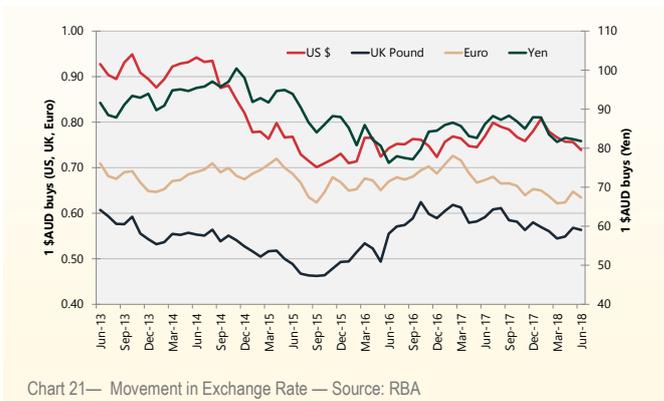


Chart 21— Movement in Exchange Rate — Source: RBA

## 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 all *locations* covered**

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

## **We have *your needs* covered**

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

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

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