



**Preston
Rowe
Paterson**

®
International Property Consultants

Industrial Market Report

SYDNEY METROPOLITAN

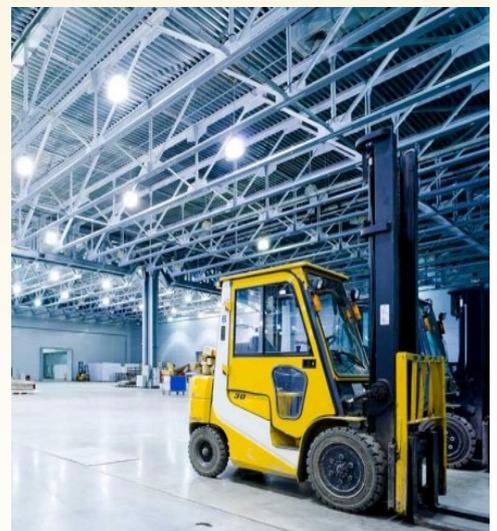
First Half 2017

HIGHLIGHTS

- ◆ Over the first half of 2017, Sydney's industrial market continues to experience strong demand amidst an environment of low supply and strong residential growth taking up existing industrial stock.
- ◆ Increasing land prices combined with a decline in quality industrial land prompts for a need the increase the construction of industrial space in order to cater for future demand.
- ◆ The incoming arrival of online retailer Amazon have further spurred further demand for industrial space in Sydney, as reports continue to circulate of the retailer scouting out for purpose built fulfilment centres of approximately 100,000 square metre in both Sydney and Melbourne.
- ◆ Strong conditions continue to drive up rents in industrial properties around Sydney, with low vacancy and tight supply the driving force of this growth.
- ◆ Historically, any major construction of infrastructure around the industrial areas in Outer-Sydney would result in higher growth rates of the surrounding industrial land values as it provides access to Sydney's metropolitan areas. Construction of Sydney's second airport at Badgerys Creek, as well as the recently announced allocation of \$1 billion of investments in roads as part of the Western Sydney Growth Roads Program will both provide important foundations.

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Industrial Property

North Shore Region

Preston Rowe Paterson Research classifies the North Shore region of Sydney's industrial market to include suburbs of:

Artarmon, Balgowlah, Belrose, Brookvale, Chatswood, Frenchs Forest, Hornsby, Lane Cove, Manly Vale, Mona Vale, Mount Ku-ring-gai, St Leonards, Turramurra, Warringah and Willoughby.

Building/Investment Sales

The following table displays reported investment sales transactions over \$5 million that occurred in the North Shore Region over the first half of 2017:

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
258-264 Pennant Hills Road, Thornleigh, NSW 2120	\$9,500,000	Mar-17	N/A	Pwg Holdings Pty Ltd	Bellevue Point Pty Ltd	1,510
11-13 Rodborough Road, Frenchs Forest, NSW 2086	\$6,800,000	Apr-17	6.07%	Undisclosed	Abacus Property Group	2,320

Table 1—North Shore Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

N/A = not currently available

Rentals

Preston Rowe Paterson recorded the following major leasing transactions in the North Shore industrial market over the first half of 2017:

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	DATE
76 Reserve Road, Artarmon, NSW 2064	\$300	\$76,500	255	Undisclosed	Fullcrum 3D	3	Feb-17
33-35 Alleyne Street, Chatswood, NSW 2067	\$175	\$252,000	1,440	P & O Investments	Powermove	3+3	Feb-17
76 Reserve Road, Artarmon, NSW 2064	\$298	\$65,858	221	DNP Pty Ltd	Fotenic Pty Ltd	3+3	Mar-17
7 Gibbes Street, Chatswood, NSW 2067	\$210	\$124,950	595	Undisclosed	Spatial Property Styling	3	Apr-17

Table 2—North Shore Industrial leases—Source Preston Rowe Paterson Research/CPM

North Western Region

Preston Rowe Paterson Research classifies the NSW North Western region of Sydney's industrial market to include suburbs of:

Baulkham Hills, Bella Vista, Castle Hill, Epping, Kings Park, Macquarie Park, Meadow Bank, North Rocks, North Ryde, Seven Hills and Thornleigh.

Building/Investment Sales

The following table displays reported investment sales transactions over \$5 million that occurred in the North Western Region over the first half of 2017:

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
7 Tollis Place, Seven Hills, NSW 2147	\$5,275,000	Feb-17	N/A	Pacreations Pty Ltd	7 Tollis Place Pty Ltd	2,990

Table 3—North Western Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

N/A = not currently available

Rentals

Preston Rowe Paterson recorded the following major leasing transactions in the North Western industrial market over the first half of 2017:

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	DATE
47 Epping Road, Macquarie Park, NSW 2113	\$231	\$95,865	415	PS1875 Property Holdings Pty Ltd	Ideal Bathroom Centre	3+3	Apr-17

Table 4—North Western Region Industrial leases—Source Preston Rowe Paterson Research/CPM

Central Western Region

Preston Rowe Paterson Research classifies the NSW North Western region of Sydney's industrial market to include suburbs of:

Auburn, Croydon, Ermington, Granville, Homebush, Lidcombe, Melrose Park, Parramatta, Regents Park, Rhodes, Rosehill, Rydalmere, Silverwater, Strathfield.

Building/Investment Sales

The following table displays reported investment sales transactions over \$5 million that occurred in the Central Western Region over the first half of 2017:

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
59-61 Derby Street, Silverwater, NSW 2128	\$5,500,000	Feb-17	N/A	Undisclosed	Undisclosed	2,400
3 George Young Street, Auburn, NSW 2144	\$10,300,000	Feb-17	6.50%	Private buyer	Primewest	5,000
8 George Young Street, Auburn, NSW 2144	\$6,660,000	Apr-17	N/A	F & J Zou	Undisclosed	3,338

Table 5—Central West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

N/A = not currently available

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Rentals

Preston Rowe Paterson recorded the following major leasing transactions in the Central Western industrial market over the first half of 2017:

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	DATE
10 Hill Road, Homebush, NSW 2140	\$155	\$120,125	775	Orlani Property Group	Lowa Lighting	3	Jan-17
9 Euston Street, Rydalmere, NSW 2116	\$117	\$107,523	919	Undisclosed	Vault Interiors	3	Mar-17
10 Hill Road, Homebush, NSW 2140	\$155	\$147,095	949	Orlani Property Group	Inskin Cosmetics	3	Apr-17
38-46 South Street, Rydalmere, NSW 2116	\$145	\$99,180	684	AMP Capital	Oliver Brown	5	Apr-17

Table 6—Central Western Region Industrial leases—Source Preston Rowe Paterson Research/CPM

Outer West Region

Preston Rowe Paterson Research classifies the Outer West region of Sydney's Industrial Market to include the suburbs of:

Arndell Park, Blacktown, Bonnyrigg, Eastern Creek, Erskine Park, Fairfield, Glendenning, Girraween, Greystanes, Holroyd, Huntingwood, Minchinbury, Penrith, Smithfield, St Marys, Wetherill Park and Yennora.

Building/Investment Sales

The following table displays reported investment sales transactions over \$5 million which occurred in the Outer West Region over the first half of 2017:

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
12 Donald Street, Guildford, NSW 2161	\$5,700,000	Jan-17	N/A	Undisclosed	Undisclosed	2,220
180 Reservoir Road, Blacktown, NSW 2148	\$7,500,000	Feb-17	N/A	Henafor Pty Ltd	Thakker Investment (Arndell Park)	212
29 Chifley Street, Smithfield, NSW 2164	\$5,210,000	Feb-17	N/A	Diversey Australia Pty Ltd	Finocchiaro	5,900
115-119 Cowpasture Road, Wetherill Park, NSW 2164	\$6,600,000	Feb-17	N/A	Laing Investments Pty Ltd	Bma Construction Pty Ltd and Habib	4,310
69 Sargents Road, Minchinbury, NSW 2770	\$161,000,000	Feb-17	7.98%	Lendlease	Logos	88,555
71 Tattersall Road, Kings Park, NSW 2148	\$9,850,000	Mar-17	N/A	Undisclosed	Undisclosed	1,250
129-141 Woodpark Road, Smithfield, NSW 2164	\$5,300,000	Mar-17	N/A	Undisclosed	Undisclosed	5,210
1 Davis Road, Wetherill Park, NSW 2164	\$7,765,000	Mar-17	N/A	Penn Morrall Holdings Pty Ltd	Penrite Holdings Pty Ltd	4,744
8 Blaxland Road, Blacktown, NSW 2148	\$5,900,000	Apr-17	N/A	SJC Investments Pty Ltd	Vendlein Pty Ltd	2,336

Table 7—Outer Western Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

Rentals

Preston Rowe Paterson recorded the following major leasing transactions in the Outer West industrial market over the six months to March 2017:

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	DATE
6 Wonderland Drive, Eastern Creek, NSW 2766	\$120	\$491,880	4,099	Titan Australia	Undisclosed	5	Feb-17
2/26 McIlwraith Street, Wetherill Park, NSW 2164	\$97	\$113,295	1,169	Simco Catering Equipment	Private investor	5	Feb-17
10 Vicars Place, Wetherill Park, NSW 2164	\$115	\$253,805	2,207	Aggressor Corporation	Private landlord	3	Feb-17
M4 Freeway, Eastern Creek, NSW 2766	\$120	\$2,200,000	18,000	CEVA Logistics	Calibre	4	Feb-17
74-94 Newtown Road, Wetherill Park, NSW 2164	\$125	\$198,000	1,584	360 Capital	ITW Australia	3	Feb-17
2 Muir Place, Wetherill Park, NSW 2164	\$115	\$119,140	1,036	Foxcom Australia	Private investor	4	Feb-17
16 Voyager Circuit, Glendenning, NSW 2761	\$120	\$113,880	949	Xero Manufacturing	SND Properties	3 yrs 2 months	Feb-17

Table 8—Outer Western Region Industrial leases—Source Preston Rowe Paterson Research/CPM

South Sydney Region

Preston Rowe Paterson Research classifies the South Sydney region of Sydney's Industrial Market to include the suburbs of:

Alexandria, Banksmeadow, Botany, Erskineville, Marrickville, Mascot, Matraville, Redfern, Rosebery, Tempe and Waterloo

Building/Investment Sales

The following table displays reported investment sales transactions over \$5 million which occurred in South Sydney over the first half of 2017:

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
12-18 Stokes Avenue, Alexandria, NSW 2015	\$9,200,000	May-17	N/A	Undisclosed	Undisclosed	3,359
30 Carrington Road, Marrickville, NSW 2204	\$6,750,000	Mar-17	N/A	Nikolopoulos, Nikolopolos & Nikolopoul	Bedrock Property Developments Pty Ltd	1,119 (land)
136 Cope Street, Waterloo, NSW 2017	\$7,250,000	Feb-17	N/A	Radama3 Pty Ltd	Transport for NSW	753 (land)

Table 9—South Sydney Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

Rentals

Preston Rowe Paterson recorded the following major leasing transactions in the South Sydney industrial market over the first half of 2017:

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	DATE
17 Chester Street, Camperdown, NSW 2050	\$300	\$60,000	200	Peter Fitz	Smart Plumbing Admin Services Pty Ltd	3	Jan-17
105-109 McEvoy Street, Alexandria, NSW 2015	\$780	\$62,400	80	McEvoy 105 Pty Ltd	Victoria Uriarte	4	Jan-17
57A Rhodes Street, Botany, NSW 2019	\$166	\$44,986	271	Qiumin Estate Pty Ltd	Prostruct Projects Pty Ltd	2	Feb-17
17-21 Bowden Street, Alexandria, NSW 2015	\$220	\$80,000	364	Eustone Properties Pty Ltd	Romero Ranoa Group Pty Ltd	4	Feb-17
125A Houston Road, Kingsford, NSW 2032	\$250	\$113,750	455	Alex Bowen Carpets	The Design Ark	5	Feb-17
4 Buckley Street, Marrickville, NSW 2204	\$210	\$46,801	223	Sa Zhang & Xi Zhuang	Simon Harsent	5	Feb-17
19 McCauley Street, Port Botany, NSW 2036	\$295	\$721,570	2,446	Landlord Lenga Custodians	Chinese Food City Australia	3	Feb-17
29 Australia Street, Camperdown, NSW 2050	\$365	\$179,945	493	Undisclosed	Catalogic Pty Ltd	5	Mar-17
1 Coggins Place, Mascot, NSW 2020	\$200	\$120,200	601	Redpence Pty Ltd	Zookal Pty Ltd	2	Apr-17

Table 10—South Sydney Region Leases—Source Preston Rowe Paterson Research/CPM

South West Region

Preston Rowe Paterson Research classifies the South West region of Sydney's Industrial market to include suburbs of:

Bankstown, Bexley, Campbelltown, Chipping Norton, Chullora, Enfield, Ingleburn, Kingsgrove, Lakemba, Liverpool, Milperra, Minto, Moorebank, Padstow, Peakhurst, Prestons, Punchbowl, Revesby, Riverwood, Smeaton Grange and Villawood.

Building/Investment Sales

The following table displays reported investment sales transactions over \$5 million which occurred over the first half of 2017:

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
32 South Street, Rydalmere, NSW 2116	\$8,250,000	Jan-17	N/A	Undisclosed	Undisclosed	3,034
60 Marple Avenue, Villawood, NSW 2163	\$20,000,000	Jan-17	8.50%	360 Capital Industrial Fund	Owner-occupier	8,615
36 Gow Street, Padstow, NSW 2211	\$30,000,000	Feb-17	N/A	Mirvac	Undisclosed	20,389

6 Clements Avenue, Bankstown, NSW 2200	\$5,225,000	Mar-17	N/A	Eurowood Machinery Pty Ltd	Profile Plaster & Metal Pty Ltd	2,737
13 Sheridan Close, Milperra, NSW 2214	\$5,700,000	Mar-17	N/A	SG Gaming Australia Property Pty Ltd	Harosenne Pty Ltd	5,098
60 Marple Avenue, Villawood, NSW 2163	\$20,000,000	Mar-17	N/A	The 360 Capital Industrial Fund	Undisclosed	8,615

Table 11—South West Sydney Building/Investment Sales—Source Preston Rowe Paterson Research/CPM

N/A = not currently available

Rentals

Preston Rowe Paterson did not record any major leasing transactions in the South West industrial market over the first half of 2017:

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	DATE
7 Watsford Road, Campbelltown, NSW 2560	\$129	\$137,859	1,070	Liason Pty Ltd	National Indoor Sports Pty Ltd	7	Feb-17
66-68 Jemma Road, Prestons, NSW 2170	\$110	\$309,320	2,812	Undisclosed	Gemini Accident Repair Centre	3	Apr-17
45 Davies Road, Padstow, NSW 2211	\$85	\$133,535	1,571	Kingsmede Pty Ltd	Ozstair Pty Ltd	6	May-17

Table 12—South West Sydney Region Industrial leases—Source Preston Rowe Paterson Research/CPM

Land Sales

The following table displays significant land sales across the Sydney Metropolitan area over the six months to June 2017:

ADDRESS	SALE PRICE	RATE /SQM	AREA (SQM)	VENDOR	PURCHASER	SALE DATE
22-24 South Street, Rydalmere, NSW 2116	\$8,250,000	\$1,337	6,169	Reg Snith Motors (NSW) Pty Ltd	Private Buyers	Jan-17
10-12 Pike Street, Rydalmere, NSW 2116	\$27,500,000	\$1,373	20,022	Undisclosed	Propertylink Group	Jan-17
24 Bernara Road, Prestons, NSW 2170	\$7,000,000	\$389	18,000	Undisclosed	Apex Investment	Feb-17
101 Derby Street, Silverwater, NSW 2128	\$7,000,000	\$2,096	3,340	Buckingham Investment Financial Services	Arese Holdings Pty Ltd	Feb-17
12 Burrows Road, St Peters, NSW 2044	\$20,054,000	\$2,478	8,093	Davis & Davis	Roads and Maritime Services	Feb-17
36 Huntingwood Drive, Huntingwood, NSW 2148	\$29,700,000	\$525	56,600	Beiersdorf	Charter Hall	Feb-17
Lot D/ 31 Bay Road, Taren Point, NSW 2229	\$24,300,000	\$764	31,800	Leda Business Enterprises Pty Ltd	Anglican Retirement Villages	May-17

Table 12—Industrial Land Sales in NSW—Source Preston Rowe Paterson Research/CPM

NAB Commercial Property Survey

Quarter 1 2017

According to National Australia Bank's Commercial Property Index, sentiment around the commercial property market increased by +6 to +27 index points. When we look at different sectors, the Office sector experienced a strong increase in sentiment, from +14 in Q4 2016, to +35 in Q1 2017. Looking at the industrial sector, confidence lifted from +5 in Q4 2016, to +14 in Q1 2017, showing modest improvements overall over the six months to June. When we look at confidence in the commercial property market, gains were recorded in Office, Industrial and CBD Hotels, though declined in Retail as household consumption declines further across most states and territories.

Expectations for capital growth within the next one to two years have lifted for the Industrial sector, with an expectation of 1% growth within the next year, and 1.5% within the next two years. Notably, Victoria and New South Wales both benefited from a strong Industrial capital growth in their states, with gains of 1.7% in the

following year and 2.4% within the next two years recorded for Victoria, and 2.4% in both years recorded in New South Wales. National office vacancy fell to 9.3% over Q1 2017, within Industrial vacancy falling to 5.7% and Office vacancy to 5.2%. Notably, Industrial vacancy increased in Queensland, to 8.5%, Western Australia to 7.9%, and decreased in New South Wales to 4.4% and Victoria to 4.8%. NAB forecasts vacancy rates to decline in both Office and Industrial market within the next one to two years.

Expectations of an increase in gross rents in the Industrial sector was led by New South Wales with an expected increase of 2.9% and 2.8% within the next one and two years, and Victoria, with an expected increase of 2.0% and 2.3% within the next one and two years. Supply conditions in Industrial, as with all other sectors, is considered broadly 'neutral', and is expected to remain unchanged in the next one to five years.



Figure 1— Expected Capital Values and Gross Rents, Industrial sector, NSW— Source— NAB

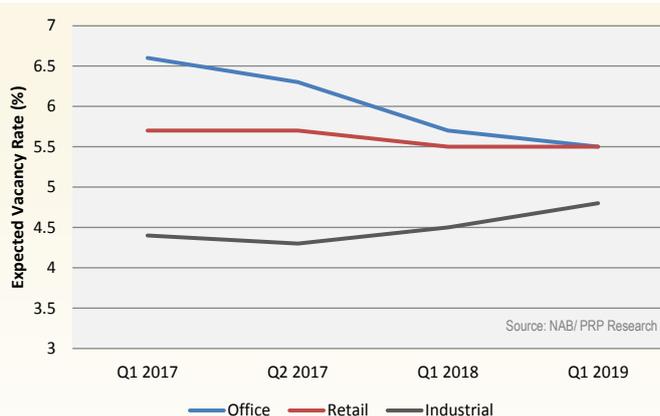


Figure 2— Expected Vacancy Rates in NSW Commercial Markets— Source— NAB

Economic Fundamentals

Consumer Price Index

The June quarter Consumer Price Index (CPI) figures will not be available until 27th July, hence March quarter figures will be used for the following analysis. CPI increased by 0.5% over the March quarter, following an increase of 0.5% in the December quarter 2016. The main contributor to this increase was the Housing group (+0.8% over the quarter), the Transport group (+1.5% over the quarter), the Health group (+2.0%), Education group (+3.1%) and the Alcohol and tobacco Group (+1.1%). In contrast, the main inhibitors to further increases in CPI were the Furnishing, household equipment & services group (-1.0%), Recreation & culture group (-0.7%), Clothing and footwear group (-1.4%), Communications group (-0.3%) and Food & alcoholic beverage group (-0.2%).

Over the year to March 2017, All Groups CPI increased across all eight capital cities in Australia, with Melbourne and Sydney recording the biggest yearly increase, of +2.5% and +2.4% respectively. In contrast, Darwin recorded the lowest increase, with an annual change of 0.5%. Over the March quarter, CPI increased in all capital cities, except for Darwin.

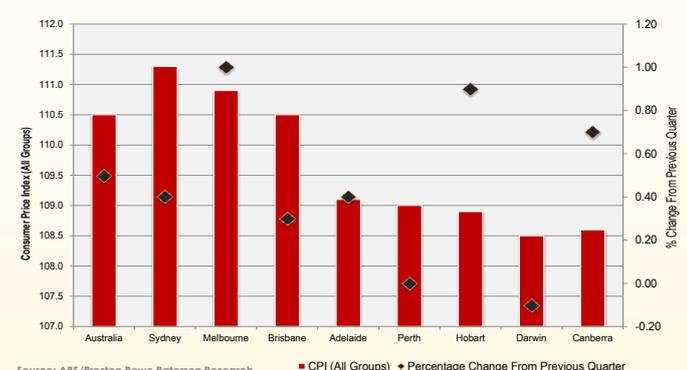


Chart 1—All Group CPI (Capital Cities) and Percentage Change from December 2016 to March 2017—Source—ABS

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— National Australia Bank

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 Survey

	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

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.

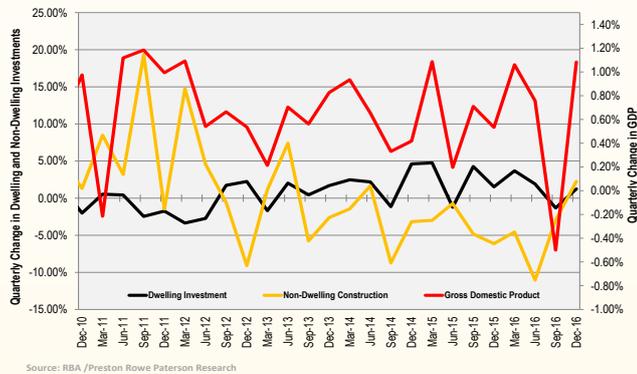


Chart 3—Percentage Change in Dwelling, Non-Dwelling Investments and GDP—Source: ABS

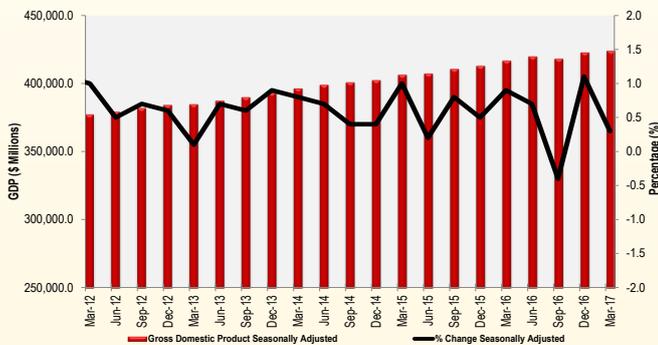
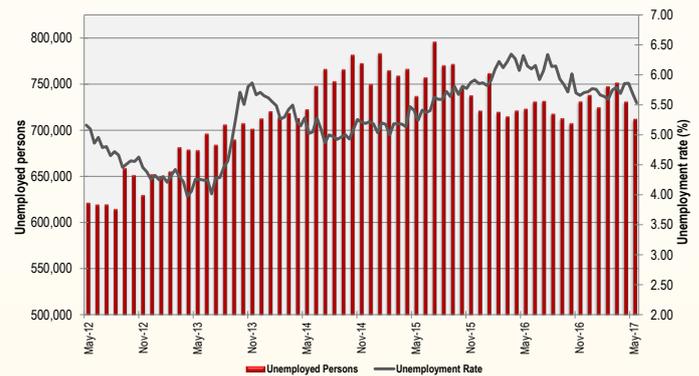


Chart 4—Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP—Source: ABS

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.



Source: ABS/Preston Rowe Paterson Research

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

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.

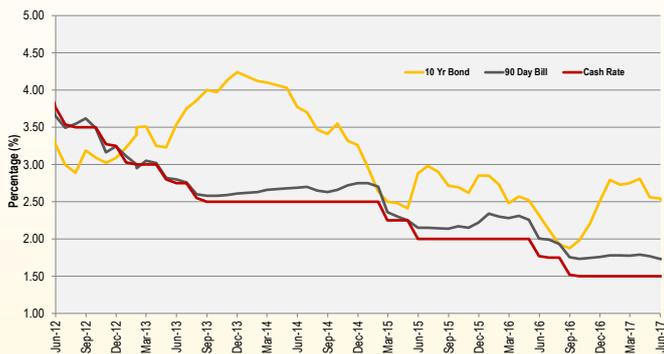


Chart 6— Monthly Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

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.

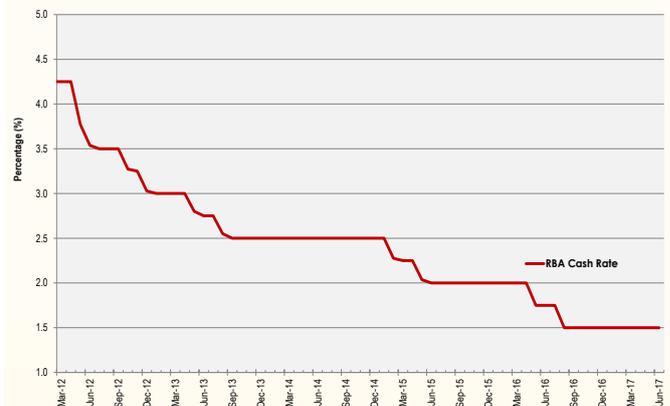


Chart 7— Reserve Bank of Australia Overnight Cash rate—Source: RBA

Exchange Rate

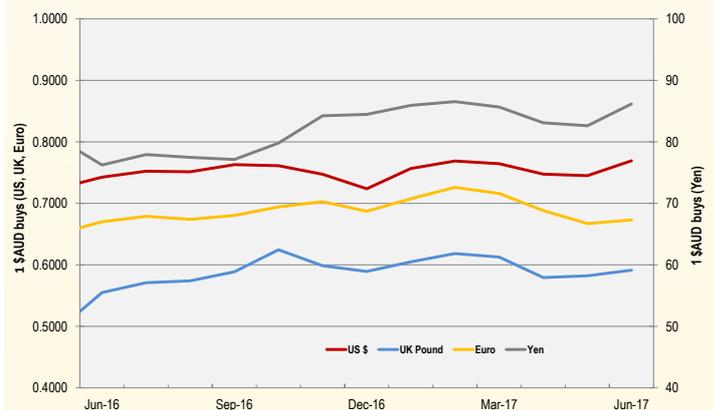


Chart 8— Movement in Exchange Rate over the year to March 2016— Source: RBA

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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- ◆ Japan
- ◆ Philippines
- ◆ Thailand

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Investment. Development. Asset. Corporate Real Estate. Mortgage.
Government. Insurance. Occupancy. Sustainability. Research.

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