



Preston
Rowe
Paterson

®
International Property Consultants

Sydney Impact Report

Industrial Market

March Quarter 2017

HIGHLIGHTS

- Strong demand and diminishing supply of industrial space in Sydney have forced companies to look at facilities out west. Approximately 100,000 square metres of land per annum is expected to be relocated to outer Sydney in the next five years.
- An estimated 1550-250 hectares of land is required per year to meet the demand from Sydney's increasing population and to cater for the changes in infrastructure occurring in the near future.
- Recent urban regeneration projects include Green Square Town Centre, Mascot Central and East Village Zetland have all contributed to the relocation of companies out to western industrial areas.
- Preston Rowe Paterson notes the increased demand for storage and distribution centres as online retail increases its dominance in the retail market. Notably, Amazon has been actively looking for large warehouses and logistic properties to become their distribution centres, with reports that they have been searching around the Western Sydney region, though no confirmation of any deals has been made.

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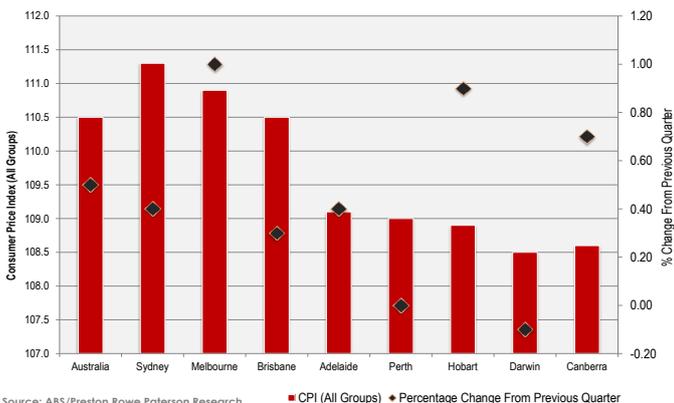
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Economic Fundamentals

Consumer Price Index

Over the three months to March 2017, All groups Consumer Price Index (CPI) for Australia increased by 0.5% over the quarter to bring annual change to 2.1%, just above the Reserve Bank's two-to-three per cent inflation target. This annual increase is considerably higher when compared to the twelve-month change to December 2016, which rose 1.5% (the lowest annual increase in nineteen years). When looking at core inflation, which looks at changes in prices that reflect only the supply and demand conditions in the economy, prices changes remain relatively weak with a 0.4% rise in the weighted median over the three months to March to result in an annual change of 1.7%.

In the last year, Melbourne and Sydney recorded the largest increase in All Groups CPI, with a respective annual increase of +2.5% and +2.4%. 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, when we look at the All groups level. Notably, the housing group (+0.8%) contributed the most to the quarterly rise, which increases in six out of eight capital cities. In conjunction with an increase in new dwelling purchases by owner-occupiers, increases in input costs and electricity prices all contributed to the rise prices in the housing group. The transport group (+1.5%), health group (+2.0%) and education group (+3.1%) all contributed positively to the quarterly movements in the All groups. Petrol price, fuelled by an increase in world oil prices, was the main driver of the transport group. Rises in medical & hospital services and pharmaceutical products caused by the resetting of the Medicare Benefits Scheme (MBS) (which increased the out-of-pocket expenses for patients) contributed the most to the increase in prices in the health group.



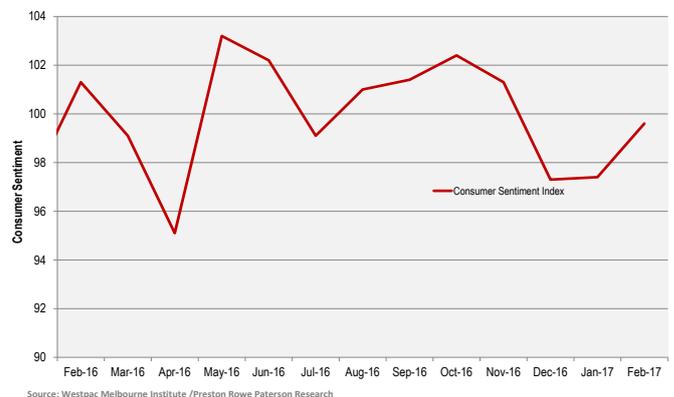
Source: ABS/Preston Rowe Paterson Research
 Chart 1—All Group CPI (Capital Cities) and Percentage Change from December 2016 to March 2017—Source—ABS

Business Sentiment

According to the NAB Quarterly Business Survey, confidence amongst Australian businesses increased in the first quarter of 2017. The business confidence indicator increased by +1, to +6, on a scale in which a reading above 0 indicates improving conditions. However, National Australia Bank did note that despite the solid results, there is no strong evidence that the increased confidence towards the global economic outlook is positively impacting business confidence. This may be due to the increased concerns around political events around the world. Business confidence were positive for all industries other than retail (-1) and manufacturing (-5). Construction (+8) and transport & utilities (+4) experienced strong levels of confidence, whilst mining (+10) and wholesale (+10) continue to see the strongest levels of growths amongst all industries.

Consumer Sentiment

According to the Westpac-Melbourne Institute Consumer Sentiment Index, overall sentiment in April declined by 0.7%, from March's index of 99.7 to April's 99.0. This decline is influenced by both domestic and international factors, including the domestic concerns over Australia's housing market, the action of major banks to increase their interest rates for some mortgage borrowers, disappointing labour market figures, declining iron ore prices over the last month, and the strengthening Australian dollar and its inevitable impact on exports. On the international front, the lack of progress shown by the Trump administration in delivering their growth policies have resulted in a frantic market, along with an increase in tensions in the Middle East. We note that consumers are less confident when compared to previous years when asked about the annual Budget, with the expectation that any negative shocks in this year's Budget will result in a significant decline in the Confidence Index.



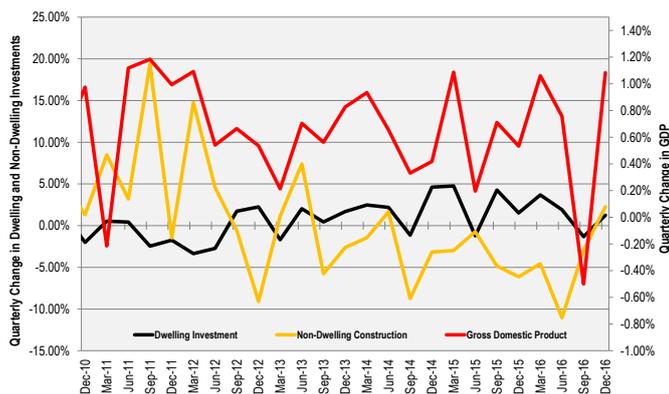
Source: Westpac Melbourne Institute /Preston Rowe Paterson Research
 Chart 2—Consumer Sentiment Index, February 2016 to February 2017—Source—Westpac Melbourne Institute Survey

Gross Domestic Product

Over the December quarter, Gross Domestic Product increased by a seasonally adjusted 1.1%, and hence lifted Australia's economic growth over the year to 2.4%. This increase over the quarter meant that Australia have averted a technical recession after the contraction of 0.5% over the September quarter, though overall growth over the year was at a below long-term average of about 2.75%. Notably, the Australian Bureau of Statistics pointed to a rise in household spending and public investment as the two biggest contributors to the quarter's strong performance, with a respective growth of 0.5% and 0.3% over the quarter.

Out of twenty industries, improvements were recorded in fifteen, with the strongest growth stemming from Mining, Agriculture, Forestry and fishing and Professional scientific and technical services- with each industry recording 0.2% to GDP Growth. We note that Australia's Terms of trade increased by 9.1% over the three months through to December, with its improvement attributed to by strong price increase in coal and iron ore upon increased demand from foreign buyers. Furthermore, the rise in commodity prices has resulted in a 16.5% increase in Private non-financial corporation's gross operating surplus.

We also note that compensation of employees declined 0.5% in the quarter, this being the first decline since September quarter of 2012. These figures are supported by record low growth in the Wage Price Index, which was observed to be at 1.9% over the year to December. Furthermore, more households are digging into their savings, as the Household savings ratio stood at a seasonally adjusted 5.2% in December- down from September quarter's figure of 6.3%. Household spending over the December quarter increase to 1.2% (0.6% in September), whilst household gross disposable income increased by a low 0.2%.



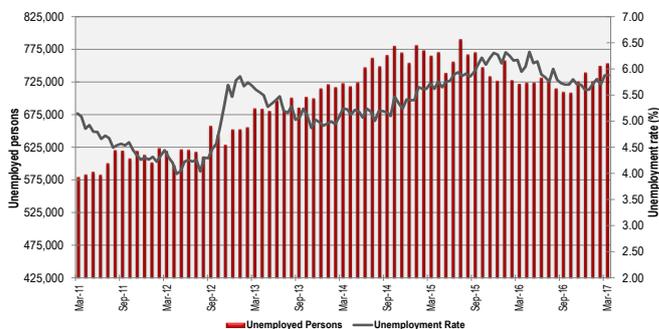
Source: RBA /Preston Rowe Paterson Research

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

Unemployment

National unemployment rate remained unchanged in March at 5.9%, even if the economy was boosted by the creation of 60,900 new jobs. The reason for this was that over the month, Australia's participation rate increased by 0.2% to 64.8%, which means that there was an increase in the proportion of people in employment or seeking employment when compared to the previous month. When we break down the numbers, there were 75,500 full time jobs filled up over the month, though this was offset by a decrease of 13,6000 part time positions. These figures provide a refreshing change from the frequent reports of Australia's underperforming full-time job market over the past twelve months, though analysts remain cautious since the unemployment rate remains precariously high. We also note that underemployment is still considerably high, with over one million people in Australia wanting more work but unable to obtain any.

When we look at the states and territories, most enjoyed an improvement in their unemployment rate. Queensland and New South Wales benefited from an addition of 28,800 and 23,300 jobs, respectively, over the month to March. Their respective unemployment rate declined to 6.3% (6.6% in Feb) and 5.1% (5.2% in Feb). Victoria, South Australia, Western Australia and Tasmania all experienced an increase in their unemployment rate. Victoria's unemployment rate increased by 0.1% to 6.1%, South Australia's increased from 6.6% to 7.0%, Western Australia's from 6.1% to 6.5% and Tasmania's from 5.8% to 6.0%.



Source: ABS/Preston Rowe Paterson Research

Chart 4— Unemployment Persons and Unemployment Rate, March 2011 to March 2017 — Source: ABS

	Unemployment Rate (%)		Participation Rate (%)		
	February	March	February	March	
Australia	5.9	5.9	64.6	64.8	▲
New South Wales	5.2	5.1	62.9	63.1	▲
Victoria	6.0	6.1	65.7	65.9	▲
Queensland	6.6	6.3	64.1	64.6	▲
South Australia	6.6	7.0	62.3	62.3	—
Western Australia	6.1	6.5	67.2	67.5	▲
Tasmania	5.8	6.0	59.5	59.9	—
Northern Territory*	3.5	3.5	78.1	78.5	▲
Australian Capital Territory*	3.7	3.7	70.1	70.1	—

Table 1— Unemployment Rate and Participation Rate, February vs. March 2017 — 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

10 Year Australian government bond yields have been steadily increasing over the three months to March 2017. The average 10 Year yields in March stands at 2.81%, which indicates a 2 basis points increase from December's average of 2.79% and a 24 basis points increase from the March 2016's average of 2.57%. The 90-Day bank bill swap rate increased at a more modest rate, to 1.79% for the month of March. This figure indicates a rise of 1 basis point from the previous quarter, though indicates a yearly decline of 0.52%.

We note that over the past twelve months, central banks globally have utilised unconventional policies (i.e. buying programs and quantitative easing methods) in order to manipulate decreases in bond yields with the intention to stimulate both private and corporate investment. Inevitably, bond yields have declined to historical lows, though the effectiveness of these programs in their ability to influence economic growth have been questioned by the International Monetary Fund and the G20 through to 2017. Nevertheless, the US Election prompted Treasury bond rates to increase as market confidence spurred from the election of Donald Trump. Global economies, including Australia, have mirrored the upward movements of the US Bond markets ever since the US Election in November 2016, though we note that rate rises have slowed over the three months to March 2017.

Preston Rowe Paterson Research forecasts that volatility in Australia's bullish bond yields will continue throughout 2017. The latest figures from April indicated a sharp decline in Australian 10-Year bond yields, slumping to 2.59% - the lowest level since November's figures post-Trump election. We note that this was influenced by the decline in US 10-Year Treasury yields to 2.32%, which has decreased as declining oil prices prompted fears in inflation and economic growth prospect. Furthermore, the Trump administration have not been able to show any signs of fulfilling their infrastructure spending promises, which inevitably adds to the uncertainty of future growth prospects in the United States.

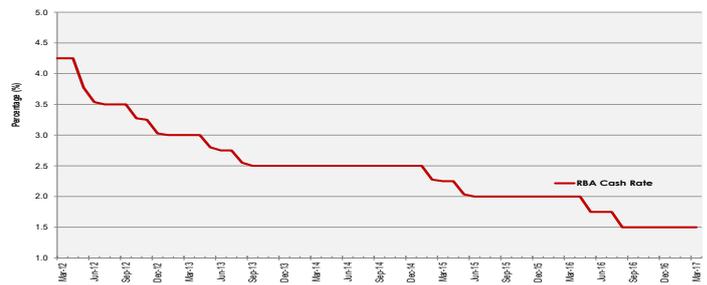


Source: RBA /Preston Rowe Paterson Research

Chart 5— Monthly movement of 90-day Bill, 10-year bond yields and Cash rate, from March 2012 to March 2017— Source: RBA

Interest Rates

Interest rate was kept unchanged for the sixth meeting in a row in March, with the cash rate remaining at 1.5%. The Reserve Bank of Australia based its decision on the fact that the global economy has improved modestly over the few months in 2017, with expectations of above-trend growth in advanced economies even as uncertainty remains. The RBA emphasises the transition away from additional expansionary monetary policies from major economies around the world all whilst the world anticipates the decision stemming from the US Federal Reserve to increase its interest rate in the near future.

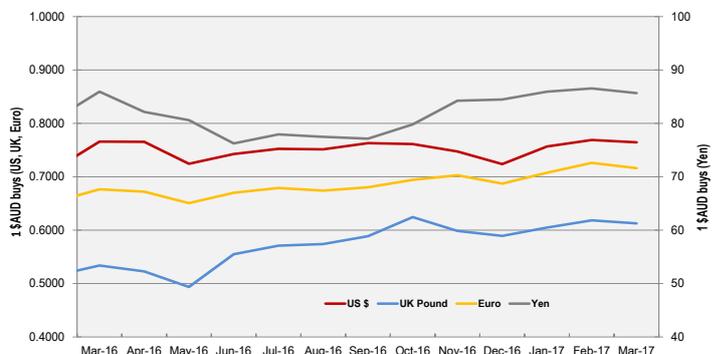


Source: RBA /Preston Rowe Paterson Research

Chart 6— Movement of the Cash Rate from March 2012 to March 2017— Source: RBA

Exchange Rate

The Australian currency depreciated against most major currencies over the month to March. The Australian dollar slipped against the US Dollar, depreciating by 0.6% to buy \$USD0.7644. Furthermore, the Australian Dollar declined against the UK Pound, the Euro and the Japanese Yen, with \$AUD1 buying £0.6126 (-0.9% m-o-m), €0.7161 (-1.4% m-o-m) and ¥85.67 (-1.0% m-o-m) respectively. In contrast, the Australian dollar appreciated against the New Zealand Dollar, buying 2.4% more than the previous month at \$NZ1.095. When we look at changes over the quarter, the Australian Dollar fared better, appreciating 5.6% against the US Dollar, 4.0% against the UK Pound, 4.2% against the Euro, 1.4% against the Yen and 5.32% against the New Zealand Dollar. The Australian exchange rate in slipped in March after the Reserve Bank's decision to let interest rate remain unchanged amidst the build-up of risk that stems from the housing market. The Bank's stance of interest rate is a hard balancing act, as lifting rates would ideally cool down the housing market though this may detriment Australia's economic progression.



Source: RBA /Preston Rowe Paterson Research

Chart 7— Movement in Exchange Rate over the year to March 2016— Source: RBA

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 over the six months to March 2017:

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
16 George Street, Hornsby, NSW 2077	\$5,700,000	Oct-16	N/A	Sixteen George Street Pty Limited	Folkestone Lyon Hornsby Pty Limited	506
12 Lanceley Place, Artarmon, NSW 2064	\$17,300,000	Dec-16	N/A	Suez Recycling & Recovery (NSW) Pty Ltd	The Trust Company (Australia) Limited	8,726
265 Condamine Street, Manly Vale, NSW 2093	\$6,200,000	Dec-16	N/A	Undisclosed	Undisclosed	1,533
77-79 Bassett Street, Mona Vale, NSW 2103	\$17,000,000	Dec-16	N/A	Deane	Harrington Mona Vale Pty Ltd	N/A

Table 1—North Shore 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 North Shore industrial market over the six months to March 2017.

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 over the six months to March 2017:

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
1 Celebration Drive, Bella Vista, NSW 2153	\$5,005,000	Oct-16	N/A	Relan Property Nominee Pty Ltd	Tham And Tan	7,901*
13A Stanton Road, Seven Hills, NSW 2147	\$7,875,000	Dec-16	N/A	Seven Hills Property Holdings Pty Ltd	Gialouris Investments Pty Ltd And Gialou	6,534
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 2—North Western Building/Investment Sales—Source Preston Rowe Paterson Research/CPM
N/A = not currently available
*: Land area

Rentals

Preston Rowe Paterson did not record any major leasing transactions in the North Western industrial market over the six months to March 2017.

Central West Region

Preston Rowe Paterson Research classifies the Central West Region of Sydney's Industrial Market to include the 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 which occurred over six months to March 2017:

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
10 George Young Street, Auburn, NSW 2144	\$5,830,000	Oct-16	N/A	Challa Investments Pty Ltd	Sky Grand Holding Pty Ltd	2,810
36-38 Boorea Street, Lidcombe, NSW 2141	\$6,985,000	Oct-16	N/A	Trilwin Pty Limited	KSH Investment Group Pty Ltd	4,219
262 Victoria Road, Rydalmere, NSW 2116	\$5,000,000	Oct-16	4.40%	Undisclosed	Undisclosed	2,842
272 Victoria Road, Rydalmere, NSW 2116	\$5,000,000	Oct-16	N/A	Yansen Pty Limited	Saric	3,364
1 Clyde Street, Silverwater, NSW 2128	\$11,350,000	Oct-16	N/A	CREI Industrial Nominees No 1 Pty Ltd	Undisclosed	5,201
1-15 Wentworth Road, Homebush, NSW 2140	\$40,000,000	Dec-16	N/A	Undisclosed	Undisclosed	9,812
2 Hill Road, Lidcombe, NSW 2141	\$11,000,000	Dec-16	N/A	Truck Wreckers Pty Limited and S. A. W.	Riveredge Investments Pty Limited	19,600
10-12 Pike Street, Rydalmere, NSW 2116	\$27,500,000	Feb-17	N/A	Propertylink Group	Owner-occupier	20,022
3 George Young Street, Auburn, NSW 2144	\$10,300,000	Feb-17	N/A	Undisclosed	Primewest	5,000

Table 3—Central West Building/Investment Sales—Source Preston Rowe Paterson Research/CPM
N/A = not currently available

Rentals

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

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	DATE
34-48 Cosgrove Road, Enfield, NSW 2136	\$130-\$140	\$1,755,000-\$1,890,000	13,500	Challenger	Undisclosed	10	Oct-16
2 Bachell Avenue, Lidcombe, NSW 2141	\$90	\$195,660	2,174	Jac & Jul	Undisclosed	10	Nov-16
5/95 Silverwater Road, Silverwater, NSW 2128	N/A	N/A	882	Private company	DZ Management	3	Dec-16

Table 4—Central West Building/Investment Rentals—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 over six months to March 2017:

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
2-8 Campbell Street, Arndell Park, NSW 2148	\$5,100,000	Oct-16	N/A	Chz Arndell Pty Limited	Lawrom Nominees (No2) Pty Ltd	5,507
15 Britton Street, Smithfield, NSW 2164	\$19,000,000	Oct-16	N/A	Britton Street Pty Ltd	The Trust Company (Australia) Limited	32,400
63 Britton Street, Smithfield, NSW 2164	\$10,750,000	Oct-16	N/A	Woodrose Pty Ltd	The Trust Company (Australia) Limited	25,300
3 Davis Road, Wetherill Park, NSW 2164	\$70,425,000	Oct-16	N/A	The Trust Company Limited	Gallop Australian Sub Tc Pty Ltd	25,215
31b Davis Road, Wetherill Park, NSW 2164	\$31,603,000	Oct-16	N/A	The Trust Company Limited	Gallop Australian Sub Tc Pty Ltd	12,000
34 Davis Road, Wetherill Park, NSW 2164	\$9,650,000	Oct-16	N/A	The Trust Company Limited	Gallop Australian Sub Tc Pty Ltd	20,200
33-35 Redfern Street, Wetherill Park, NSW 2164	\$7,000,000	Oct-16	N/A	Zoranda Holdings Pty Limited	Demasi Bros. Investments Pty Limited	6,967
205-231 Fairfield Road, Yennora, NSW 2161	\$46,600,000	Nov-16	7.39%	Lamiprint	Property Link Group	55,000
115-119 Cowpasture Road, Wetherill Park, NSW 2164	\$6,600,000	Nov-16	N/A	Undisclosed	Undisclosed	7,650
43 Newton Road, Wetherill Park, NSW 2164	\$16,668,000	Nov-16	N/A	Parin Super Warrant Pty Ltd	Faboot Pty Ltd	20,590
79-85 Cowpasture Road, Wetherill Park, NSW 2164	\$5,100,000	Nov-16	N/A	Ebonlite Pty Limited	Stoddart Gold Pty Ltd	4,015
61 Long Street, Smithfield, NSW 2164	\$5,700,000	Dec-16	N/A	Undisclosed	Undisclosed	8,909
20 Davis Road, Wetherill Park, NSW 2164	\$10,100,000	Dec-16	N/A	Suez Recycling & Recovery Pty Ltd	The Trust Company (Australia) Limited	4,504
201 Newton Road, Wetherill Park, NSW 2164	\$8,650,000	Dec-16	N/A	Suez Recycling & Recovery Pty Ltd	The Trust Company (Australia) Limited	2,987
Great Western Highway, Huntingwood, NSW 2148	\$29,715,000	Feb-17	N/A	Beiersdorf	Charter Hall Prime Industrial Fund	56,000

Table 5—Outer West 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 Outer West industrial market over the six months to March 2017:

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	DATE
Lot 3, Horsley Drive, Horsley Park, NSW 2175	\$111	\$932,580	8,378	Phoenix Transport	Frasers Property	10	Oct-16
Horsley Drive, Horsley Park, NSW 2175	\$115	\$673,325	5,855	Survitec	Frasers Property	12	Oct-16
122-124 Hassall Street, Wetherill Park, NSW 2164	\$122	\$168,360	1,380	PJ Sas Family Trust	Let's Play Games	5	Oct-16
141 Newton Road, Wetherill Park, NSW 2164	\$110	\$1,300,000	11,817	AUSREO	Trimix Pty Ltd	7	Nov-16

205-231 Fairfield Road, Yennora, NSW 2161	\$107	\$2,050,000	19,100	The Iconic	Lamiprint	7	Dec-16
7 Walker Place, Wetherill Park, NSW 2164	\$110	\$122,210	1,111	Saint-Gobain Solar Gard	A&V Mamone	5	Dec-16
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 6—Outer West Building/Investment Rentals—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 over six months to March 2017

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
13 Baker Street, Banksmeadow, NSW 2019	\$16,000,000	Nov-16	N/A	Alem Pty Limited	Leda Holdings Pty Ltd	9,371
176 O'riordan Street, Mascot, NSW 2020	\$11,500,000	Nov-16	2.88%	Jewel Properties (Aust) Pty Ltd	Holddon Custodians Pty Limited	2,794
192-200 Euston Road, Alexandria, NSW 2015	\$8,500,000	Dec-16	N/A	N/A	N/A	2,787
62-64 O'riordan Street, Alexandria, NSW 2015	\$14,500,000	Dec-16	N/A	Propertycorp Holdings Pty Limited	San Tiew Investment Australia Pty Ltd	6,209
34-38 Kent Road, Mascot, NSW 2020	\$16,324,000	Dec-16	N/A	Coppel, Gow, Mulholland and Mulholland	White	7,420

Table 7—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 six months to March 2017

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	DATE
24-26 Burrows Road, St Peters, NSW 2044	\$230	\$144,440	628	Undisclosed	The Henley Group Pty Ltd	5	Oct-16
22 Myrtle Street, Marrickville, NSW 2204	\$117	\$205,101	1,753	Undisclosed	ERTH Visual &	3	Oct-16

Table 8—South Sydney Building/Investment Rentals—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 six months to March 2017:

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
2-34 Davidson Street, Chullora, NSW 2190	\$35,000,000	Oct-16	N/A	Undisclosed	Abacus Property Group and Gaw	47,290
85 Roberts Road, Greenacre, NSW 2190	\$48,777,000	Oct-16	N/A	The Trust Company Limited	Gallop Australian Sub Tc Pty Ltd	62,600
36 Kookaburra Road, Prestons, NSW 2170	\$10,115,000	Oct-16	N/A	Mosca, Mosca and Mosca	Perpetual Corporate Trust Limited	20,200
93 Bonds Road, Punchbowl, NSW 2196	\$6,000,000	Oct-16	N/A	Mighty Clean Pty Limited	Bonds Projects Pty Ltd	10,100
137-139 Kingsgrove Road, Kingsgrove, NSW 2208	\$5,060,000	Nov-16	3.62%	Wenzhou Pty Limited	K And A Company Pty Ltd	3,320
52-60 Ashford Avenue, Milperra, NSW 2214	\$18,128,000	Nov-16	N/A	Lonsyd Properties Pty Ltd	Caleven Pty Ltd	17,800
60 Marple Avenue, Villawood, NSW 2163	\$20,000,000	Jan-17	N/A	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

Table 9—South West 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 six months to March 2017.

Sutherland Shire Region

Preston Rowe Paterson Research classifies the Sutherland Shire region of Sydney's Industrial market to include suburbs of: **Kirrawee, Kurnell, Sutherland and Taren Point**

No major sale transactions were recorded over the six months to March 2017 in the Sutherland Shire industrial market.

Rentals

Preston Rowe Paterson recorded the following leasing transaction in the Sutherland Shire industrial market over the six months to March 2017:

ADDRESS	RATE /SQM	RENT P.A	AREA (SQM)	LESSOR	LESSEE	TERM	DATE
140-142 Parraweena Road, Miranda, NSW 2228	\$82	280000	3	Displaywise Design & Production	Undisclosed	3	Nov-16

Table 10—Southern Shire Building/Investment Sales—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 March 2017:

ADDRESS	SALE PRICE	RATE /SQM	AREA (SQM)	VENDOR	PURCHASER	SALE DATE
15 Muir Road, Chullora, NSW 2190	\$65,000,000	\$428	151,900	SUEZ	Frasers Property	Oct-16
Hanson Wallgrove Quarry, Eastern Creek, NSW 2766	\$35,800,000	\$358	100,000	Heidelberg Cement	Frasers Property	Oct-16

Table 11—Industrial Land Sales in NSW—Source Preston Rowe Paterson Research/CPM

INVESTMENT YIELD ANALYSIS

\$5 million to \$20 million

Listed below are all the major reported investment transactions between \$5 million and \$20 million which have occurred over six months to March 2017 within New South Wales. From these sales, average yields have been analysed.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
262 Victoria Road, Rydalmere, NSW 2116	\$5,000,000	Oct-16	4.40%	Undisclosed	Undisclosed	2,842
174-178 Hartley Road, Smeaton Grange	\$5,100,000	Oct-16	7.50%	Alfred and Helen Marano	Lotus H Pty Ltd	7,524
62-64 O'Riordan Street, Alexandria	\$14,500,000	Oct-16	3.90%	Property Corp Holdings	Private Investor	3,938
176 O'Riordan Street, Mascot, NSW 2020	\$11,500,000	Nov-16	2.88%	Jewel Properties (Aust) Pty Ltd	Holddon Custodians Pty Limited	2,794
10-12 Fairford Road, Padstow, NSW 2211	\$16,000,000	Nov-16	8.13%	GNS Wholesale Stations	Undisclosed	14,609
Shell Coles Express/ 137-139 Kingsgrove Road, Kingsgrove, NSW 2208	\$5,060,000	Nov-16	3.62%	Undisclosed	Undisclosed	3,320
15-21 Britton Street, Smithfield	\$19,000,000	Nov-16	6.23%	Private Investor	Altis	12,223
63 Britton Street, Smithfield	\$10,750,000	Nov-16	10.59%	Private Investor	Altis	8,100
13-19 Baker Street, Banksmeadow	\$16,000,000	Nov-16	3.50%	Undisclosed	Leda Holdings	9,385

Table 12—\$5 million to \$20 million Sales—Source Preston Rowe Paterson Research/CPM

Yield Analysis

From the above table of investment sales, Preston Rowe Paterson Research observed that the average yield of industrial properties* sold between \$5 million and \$20 million is at 5.64% for the six months between October 2016 and July 2017. There has been a trend in which yields have been compressing over the past two years. This is attributed to by a tight market all around Sydney, which has seen land and capital surge, and as a result, has led to the compression of investment yields over time.

* Based on sales with available yield information

Source: CPM/Preston Rowe Paterson Research

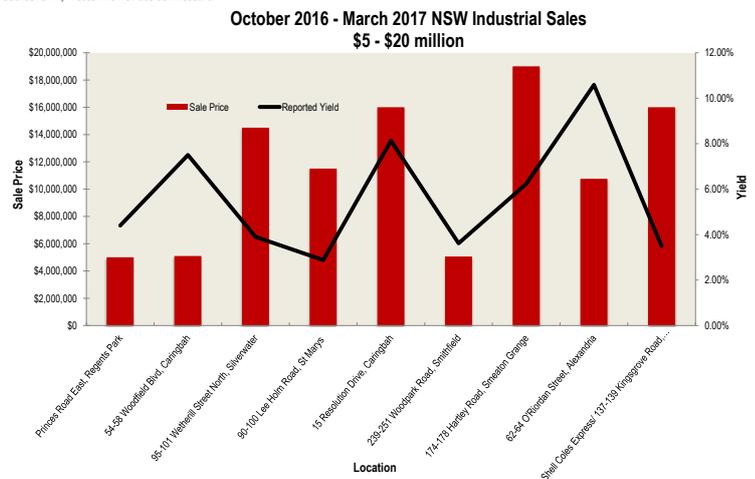


Chart 8 – October 2016– March 2017 NSW Industrial Sales \$5 million to \$20 million - Source - Preston Rowe Paterson Research/CPM

Sales Information

A Banksmeadow industrial site was sold in November 2016 for \$16 million. The site at **13-19 Baker Street** sits on 9,385 square metres of land, reflecting a rate of \$1,704 per square metre. Yield for the property stand at 3.5%. It is reported that the developer intends to pursue an industrial strata development. Banksmeadow is located approximately 11.3 kilometres south of the Sydney CBD.



\$20 million and Over

Listed below are all the major reported investment transactions over \$20 million that occurred over six months to March 2017 within New South Wales. From these sales, average yields have been analysed.

ADDRESS	SALE PRICE	SALE DATE	REPORTED YIELD	VENDOR	PURCHASER	AREA (SQM)
1 Clyde Street, Silverwater	\$11,350,000	Nov-16	7.20%	CREI Industrial Nominees No 1 Pty Ltd	Tennyson	5,201
205-231 Fairfield Road, Yennora, NSW 2161	\$46,600,000	Nov-16	7.39%	Lamiprint	Property Link Group	55,000
55 Kent Road, Mascot	\$30,000,000	Nov-16	5.06%	Undisclosed	Baywater Car Rental	7,321

Table 13—\$20 million and Over Sales—Source Preston Rowe Paterson Research/CPM

Yield Analysis

According to the displayed investment sales above, Preston Rowe Paterson Research have observed that the average yield of industrial properties* sold between October 2017 and March 2017 stand at 5.64%. This figure signifies a gradual compression in yields amongst sales of larger industrial assets. Interest in these larger industrial assets have increased, especially from institutional grade and private investors in the market.

* Based on sales with available yield information

Sales Information

A significant sales transaction occurred in South Sydney, with the sale of **17 O’Riordan Street** in Alexandria selling for \$112.9 million. The 6,012 sqm site was sold to Perpetual Corporate Trust Limited at a reported yield of 8.00%. The three-storey purpose built warehouse, commercial office and laboratory facility is currently fully leased to the Australian Red Cross Blood Services through to January 2031.

A property at **205-231 Fairfield Road**, Yennora, was sold for \$46.6 million to Propertylink. The 19,100 sqm site was previously owned by a private investor and was sold at a yield of 7.40%.

Source: CPM/Preston Rowe Paterson Research

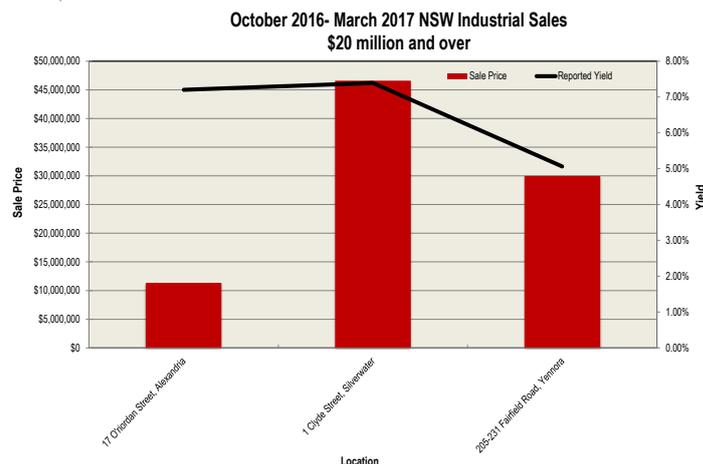


Chart 9 – October 2016– March 2017 NSW Industrial Sales \$20 million and over sales - Source Preston Rowe Paterson Research/CPM



17 O’Riordan Street, Alexandria, was sold for \$112.9 million at a reported yield of 8.00%.



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

About This Report

Preston Rowe Paterson prepare research reports covering the main markets within which we operate in each of our capital cities and major regional locations. This Industrial Market research report provides analysis and detail of economic factors which impact on the Industrial Market within the Sydney region.

Within this report we have analysed sales in the past six months to the reported quarter in the various Sydney Industrial regions of; North West, North Shore, Central West, Outer West, South Sydney, South West & Southern Shire. We have also conducted yield analysis on significant sales of \$5 million and over.

To compile the research report we have considered the most recently available statistics from known sources. Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them. Where possible we consider short term movement in the statistics by looking at daily published data in the financial press. Where this shows notable fluctuation, when compared to the formal published numbers we have commented accordingly.



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