



**Preston  
Rowe  
Paterson**

®  
International Property Consultants

# Property Market Report

## Victoria

### December Quarter 2017

#### HIGHLIGHTS

- ◆ Over the twelve months to December 2017, Melbourne CBD's office market had lost approximately 11,400 square metres of office space. Total office stock stands at 4,500,000 square metres, which indicates a decline of 0.8% over the six months and 0.3% over the twelve months to December 2017.
- ◆ East Melbourne's office market remained unchanged over the six months to December 2017, with a total stock of 177,500 square metres.
- ◆ Retail turnover figures released by for December indicate Victoria recorded a seasonally adjusted turnover of \$6,731.7 million. This figure indicates a decline of 0.8% over the month, following an increase of 2.0% over the month to November and an increase of 1.1% over the month to October.
- ◆ Seasonally adjusted estimate for the total number of dwellings approved for construction in Greater Melbourne declined by 48.4% over the month to December.
- ◆ Over the September quarter, median house price in Melbourne increased by 0.7% to \$817,000 whilst median price of other dwellings in Melbourne declined by 2.5% to \$441,500.

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## COMMERCIAL OFFICE MARKET

### Melbourne CBD

#### Supply by Grade (Stock)

Over the twelve months to December 2017, Melbourne CBD's office market had lost approximately 11,400 square metres of office space. Total office stock stands at 4,500,000 square metres, which indicates a decline of 0.8% over the six months and 0.3% over the twelve months to December 2017.

Premium Grade stock in Melbourne CBD increased by 1.2% over the six months to December 2017. Total Premium Grade stock stands at 760,400 square metres, an increase of 12,900 square metres when compared to twelve months prior. As at the end of 2017, Premium Grade stock takes up 16.8% of total office stock in the Melbourne CBD. A-Grade office buildings dominate the Melbourne CBD office market, and as at December 2017 take up 49.4% of total office stock. Over the half year to December, however, A Grade stock declined by -1.1% to 2,230,000 square metres. This figure signifies a decline of 7,700 square metres of space when compared to twelve months prior.

B Grade stock in Melbourne CBD takes up 19.5% of total office stock, with a total of 878,400 square metres of space as at December 2017. This figure represents an increase of 0.4% or 3,000 square metres over the twelve months to December. C Grade office stock takes up 11.7% of total office stock in Melbourne CBD, with 526,200 square metres of space. Over the six months to December, total C Grade stock declined by -4.3%, or 21,800 square metres of space. D Grade office stock takes up 2.6% of total office stock in Melbourne CBD, with 118,500 square metres of space. Over twelve months, total D Grade stock had increased by 1.8% or 2,000 square metres.

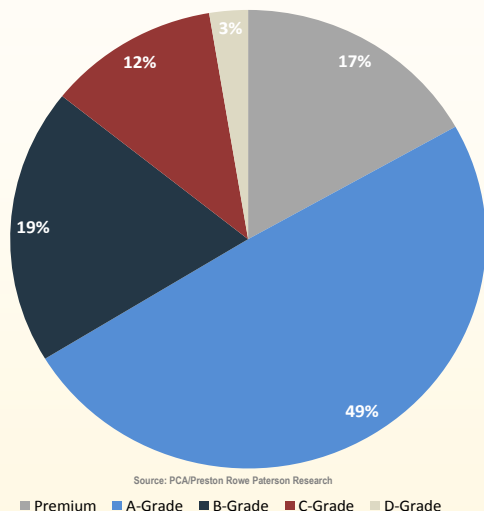
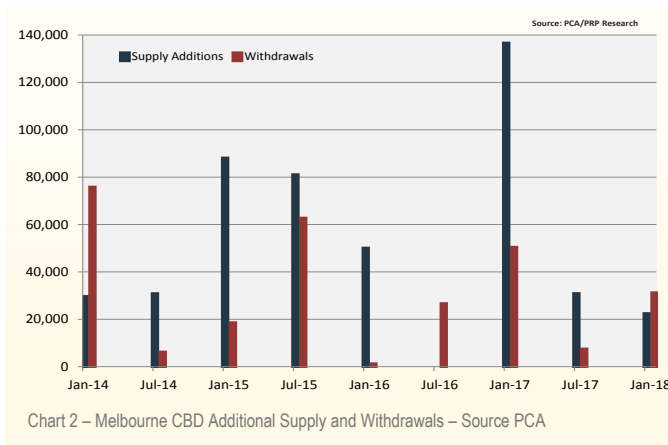


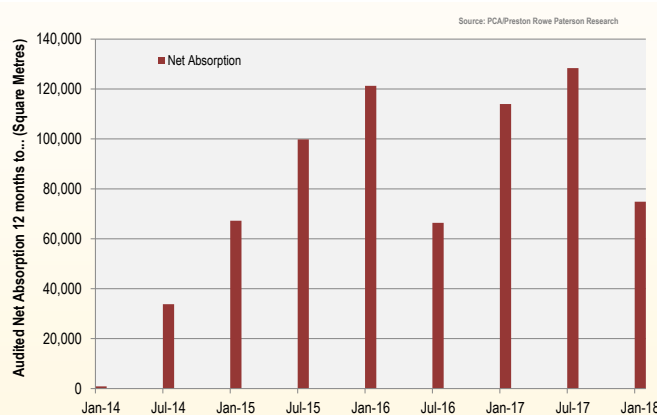
Chart 1 – Melbourne CBD Total Stock by Grade – Source PCA



#### Net Absorption

Over the six months to January 2018, Melbourne CBD's office market absorbed 51,400 square metres of net office space, resulting in a 1.2% increase in occupied stock. Over twelve months, Melbourne CBD's office market absorbed 74,800 square metres of net office space, which led to an increase of 1.8% in occupied stock over the period.

Premium Grade office spaces experienced a positive net absorption of 17,800 square metres over the twelve months to December, resulting in a 2.5% increase in occupied stock over the same period. A Grade office market absorbed 64,000 square metres of space over the same period, which led to an increase of 3.1% in occupied stock. B Grade office space experienced a decline of 8,500 square metres of office space, resulting in a decline of 1.0% in occupied stock over twelve months. C Grade buildings experienced a positive absorption of 167 square metres, which did not result in a change in occupied stock over the period. D Grade office market absorbed 1,300 square metres in space over the twelve months to December, which equated to an increase of 1.1% in occupied stock over the same period.



## Development Sites

According to the Property Council of Australia (PCA)'s Office Market Report January 2018, the following new developments are expected to be completed in Melbourne's CBD:

Project Name	Address	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
664 Collins Street	664 Collins Street	Construction	Mirvac Group (50%) / Morgan Stanley Real Estate (50%)	26,395	Q2 2018
One Melbourne Quarter	699 Collins Street	Construction	APPF Commercial	26,400	Q3 2018
Tower 5 - Collins Square	737 Collins Street (5CSQ)	Construction	Walker Corporation Pty Ltd	40,000	Q4 2018
ANZ	839 Collins Street	Construction	Invesco / Challenger	39,000	Q1 2019
271 Spring Street	271 Spring Street	Construction	ISPT	15,600	Q3 2019
Collins Arch	447 Collins Street	Construction	Cbus Property	49,000	Q4 2019
VIC Police Centre	311 Spencer Street	Construction	Cbus Property / Australia Post	65,000	Q1 2020
80 Collins Street South	80 Collins Street	Construction	Queensland Investment Corporation (QIC)	43,000	Q1 2020
Wesley Church Development	130 Lonsdale Street	Site Works	Charter Hall	55000	Q1 2020
The Olderfleet	477 Collins Street	Construction	Mirvac Group	50000	Q1 2020
405 Bourke Street	405 Bourke Street	Site Works	Brookfield Office Properties (Brookfield Multiplex)	66000	Q21 2020
Melbourne Quarter Tower	693 Collins Street	Site Works	Undisclosed	61,000	Mooted
396 Docklands Drive	396 Docklands Drive	DA Approved	MAB Corporation	8,880	Mooted

## Investment Activity

Preston Rowe Paterson Research recorded a number of reported sales transactions that occurred in the St Kilda Road office market during the three months to December 2017:

### 1 Bowen Crescent, Melbourne, VIC 3004

A private Sydney family has bought the seven-level office building for **\$14 million** on a 4% yield from *Malcom Freake*. The 3,700 m2 building is situated on a 642 m2 site and is currently fully leased to **Innovation Group**. The building has capacity for some 30 vehicles and has a 4-star NABERS Energy rating. The sale reflects a **rate of \$3,784 psm lettable area**.

### 469 La Trobe Street, Melbourne, VIC 3000

*TrustCapital Advisors* has sold a 19,864 m2 office tower for **\$160.55 million**. The 17-story tower has a 4-star NABERS Energy rating and also has a newly renovated lobby and End of Trip facilities. Tenants include **DST Global Solutions, Russell Kennedy** and **Downer**. The sale reflects a **rate of \$8,082 psm lettable area**.

### 360 Little Bourke Street, Melbourne, VIC 3000

*Roxy-Pacific* has outlaid **\$33 million** for the acquisition of **Melbourne House**. The 4,504 m2 building sits on a 937 m2 site and has two street frontages. The six-level building is leased to **Leo Cussen Centre of Law** and **Paddy Pallin** with short term leases remaining. The sale reflects a **rate of \$7,327 psm lettable area**.

### 333 Exhibition Street, Melbourne, VIC 3004

*Mara*, a Malaysian government agency, has sold a strata office property for **\$37.5 million** to local syndicator *Placer Property*. The 6-level property was sold as part of a larger building, which includes an international hotel and commercial car park. The office building has a total of 6,528 m2 of net lettable area, and is currently leased to Melbourne University as their educational space. The sale reflects a **rate of \$5,744 psm of lettable area**.

### 405 Bourke Street, Melbourne, VIC 3000

*National Australia Bank* has struck a **12-year lease** deal to occupy at least 43,000 m2 of office space inside the to-be-built skyscraper at 405 Bourke Street upon its completion. The lease is to be commenced in 2021, with NAB having the option to extend occupancy to 66,000 m2 if it required more space. Annual rent has not been disclosed.

## East Melbourne CBD

### Supply by Grade (Stock)

East Melbourne's office market remained unchanged over the six months to December 2017, with a total stock of 177,500 square metres. As at December 2017, A Grade office stock takes up 34.6% of total stock in East Melbourne's office market with a total of 61,400 square metres of office space. B Grade office stock in East Melbourne remained unchanged over the period, with a total of 89,164 square metres in stock. B Grade stock dominates East Melbourne's office market, with a share of 50.2% of total office stock. C Grade stock in East Melbourne takes up 10.3% of total stock with 18,278 square metres in total space. D Grade stock also remained unchanged with 8,667 square metres of total office stock, and taking up 4.9% of total office stock in East Melbourne.

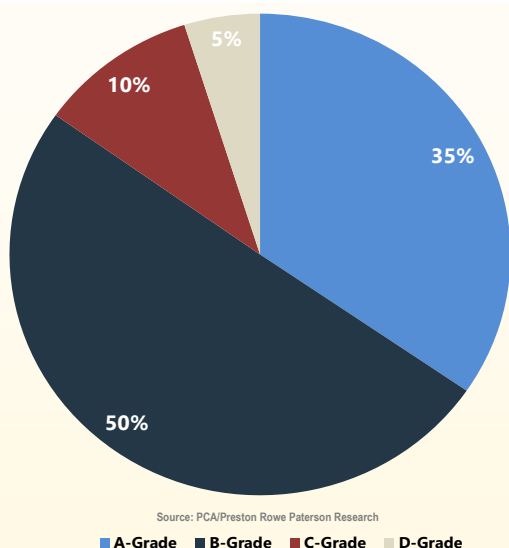


Chart 4 – East Melbourne Total Stock by Grade – Source PCA

### Net Absorption

Over the six months to December 2017, East Melbourne's office market absorbed 1,458 square metres of net office space, which resulted in an increase of 0.8% in occupied stock over the period. When we look at the twelve months to December 2017, Melbourne CBD's office market absorbed 6,394 square metres of space, leading to an increase of 3.8% in occupied stock over the period.

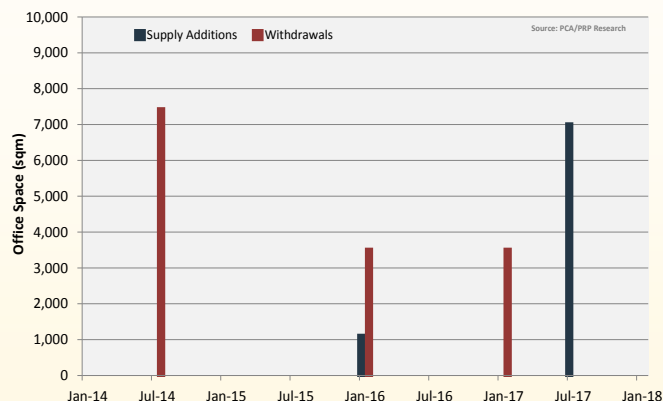


Chart 5 – East Melbourne Additional Supply and Withdrawals – Source PCA

1,500 square metres of A Grade office space was absorbed over the six months to December 2017, which equates to an increase of 2.6% in occupied stock. Over twelve months, A Grade office market recorded a net absorption of 7,700 square metres, which led to an increase of 14.9% of occupied stock over the period. B Grade office market in East Melbourne recorded a negative net absorption of -330 square metres, which resulted in a decline of 0.4% in occupied stock over the period. Over twelve months, net absorption declined by 580 square metres, which led to a decline of 0.7% in occupied stock over the same period. When we look at C Grade stock, a negative net absorption of -700 square metres was recorded over the period, which translated into a decline of 3.8% in occupied stock over the period. No changes were recorded over the six months to December. D Grade office stock recorded a negative net absorption of -50 square metres over the twelve months to December, which translates to a decline of 0.6% over the twelve months. Over the six months to December 2017, 263 square metres of D Grade space was absorbed, leading to an increase of 3.2% in occupied stock over the period.

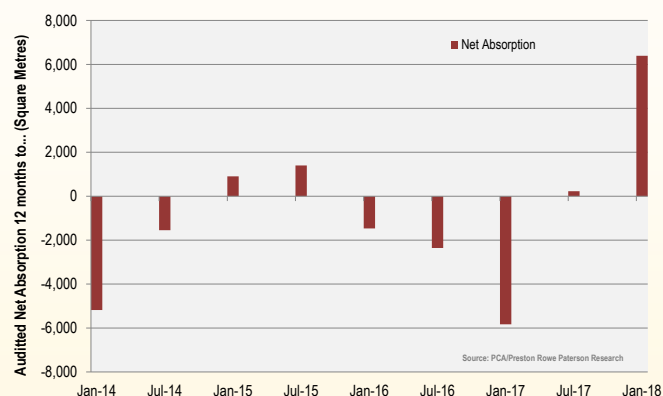
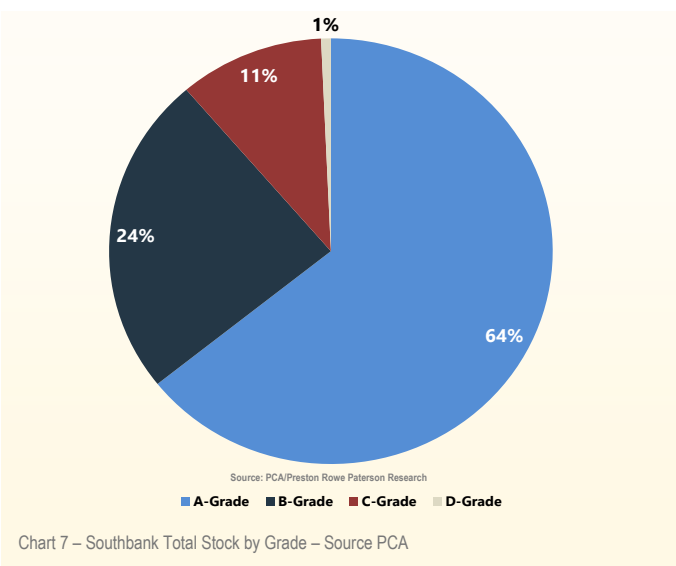


Chart 6 – East Melbourne Office Market Net Absorption over the twelve months to... – Source PCA

## Southbank

### Supply by Grade (Stock)

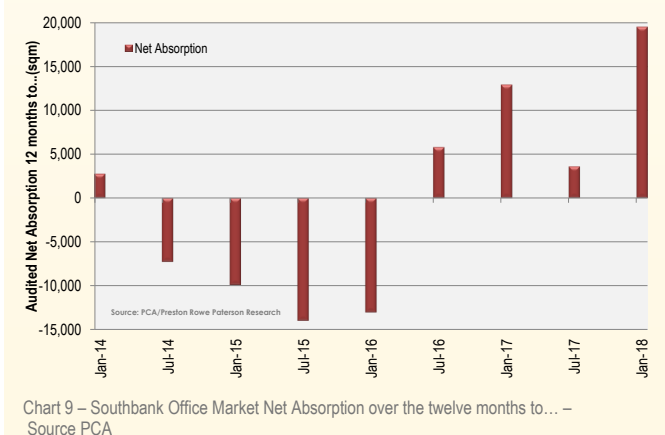
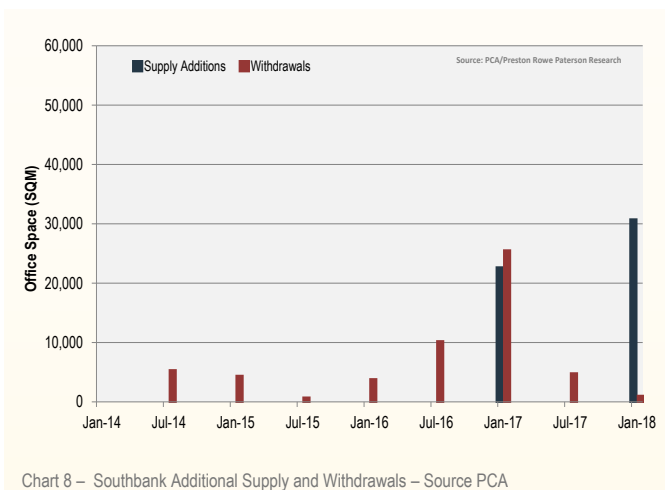
Total office stock in the Southbank office market increased by 33,300 square metres over the six months to December 2017. A Grade and D Grade office stocks remained unchanged over the period, at 248,263 square metres and 3,082 square metres, respectively. A Grade office stock takes up 61.9% of total stock and D Grade office stock takes up 0.8% of total office stock. There were 995 square metres of B Grade office stock withdrawn over the period, with total B Grade stock declining to 102,994 square metres. As at July 2017, total B Grade stock takes up 25.7% of total office space. Similarly, there were 3,600 square metres of C Grade office stock withdrawn over the six months to July 2017, resulting in total C Grade office stock declining to 46,803 square metres. Total C Grade office stock now takes up 11.7% of total office stock in the Southbank office market.



### Net Absorption

Southbank's office market experienced a net absorption of 20,900 square metres over the six months to December 2017, ultimately leading to an increase of 5.3% in occupied stock. Over the year, Southbank recorded a net absorption of 19,500 square metres, which led to an increase of 5.0% in occupied stock over the period.

A Grade office stock in Southbank experienced an increase of 25,800 square metres in net absorption over the twelve months to December 2017. This equates to an increase of 10.7% in occupied stock over the period. When we look at B Grade stock, an increase of 450 square metres of net absorption was recorded, which led to an increase of 0.5% in occupied B Grade stock. C Grade stock experienced negative net absorption of approximately -6,800 square metres over the twelve months to December 2017, which led to a decline of 13.5% in occupied stock over the same period. When we look at D Grade stock in Southbank's office market, no change in net absorption was recorded over the twelve months to December 2017.





## St Kilda Road

### Investment Activity

Preston Rowe Paterson Research recorded a number of reported sales transactions that occurred in the St Kilda Road office market during the three months to December 2017:

#### 324 St Kilda Road, Melbourne, VIC 3004

*Glorious Sun* has bought the eight-level building for **\$42 million** on a **5.8% yield** from *Lester Group*. The 7,102 m<sup>2</sup> building was constructed in c.1981 features a large foyer, basement parking for some 70 vehicles and refurbished end of trip facilities. The property is currently fully leased with a WALE of 5-years. The sale reflects a **rate of \$5,914 psm lettable area**.



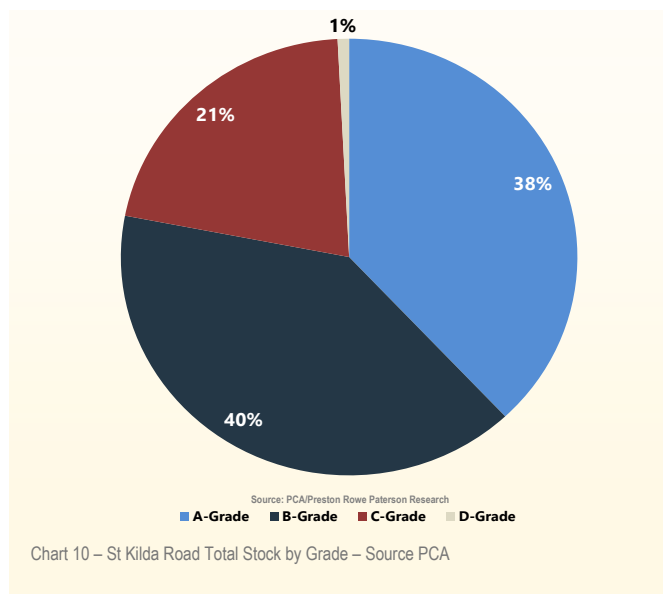
#### 312 St Kilda Road, Melbourne, VIC 3004

*Myer Family Investments* has sold a seven story office building for **\$77 million** on a **4.66% yield** to *Tong Eng Group*. The 10,000 m<sup>2</sup> building is situated on a 1,906 m<sup>2</sup> site and includes a car park facility for some 268 vehicles. The building is currently anchored by **Healthscope, Vestas and Manpower Services**. The sale reflects a **rate of \$7,700 psm lettable area**.



### Supply by Grade (Stock)

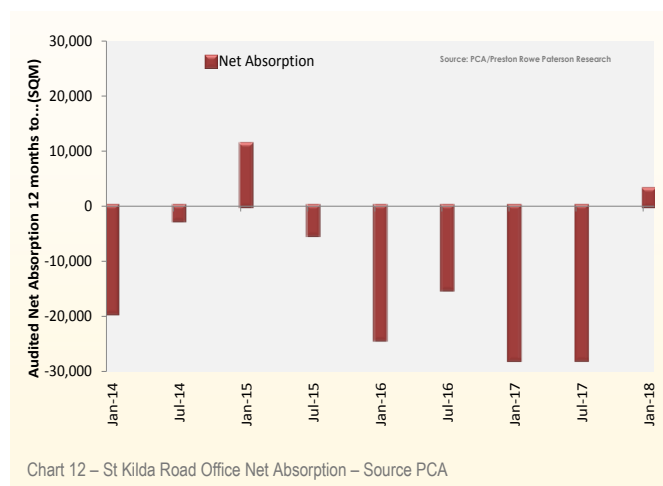
Total office stock in the St Kilda Road office market declined by close to 22,000 square metres over the six months to December 2017 and currently stands at 645,300 square metres. No changes were recorded in the A Grade, C Grade and D Grade office markets over the six months. A Grade stock, as at December 2017, takes up 36.8% of St Kilda's total office market with 245,300 square metres of space. C Grade stock takes up 20.5% of total office market, with 136,500 square metres. D Grade stock takes up 0.8% of total stock with 5,200 square metres of space. Over the period, B Grade stock in St Kilda experienced a decline of 22,000 square metres, down to 258,200 square metres. As at December 2017, B Grade stock takes up 42.0% of total office stock.



### Net Absorption

The St Kilda Road office market recorded a net absorption of 6,500 square metres over the six months to December 2017, which led to an increase of 1.1% over the period. Over the year, the office market recorded an increase of 3,052 square metres in net absorption, which led to an increase of 0.5% in occupied stock over the period.

A Grade office stock experienced an increase of 5,800 square metre of net absorption over the twelve months to December, leading to an increase of 2.5% in occupied stock over the period. B Grade office market recorded a negative net absorption of -5,300 square metres over twelve months, which led to a decline of -2.1% in occupied stock over the period. C Grade office market recorded 2,600 square metres of net absorption over the period, which led to an increase of 2.3% in occupied stock. D Grade office market did not record any net absorption over the period.



## RETAIL MARKET

### Investment Activity

Preston Rowe Paterson Research recorded the following retail transactions that occurred in the Melbourne metropolitan area during the December quarter 2017:

#### 101-111 Burgundy Street, Heidelberg, VIC 3084

A locally based syndicate has paid **\$14.39 million** on a **1.75% yield** for **Burgundy Plaza**. The centre is situated on a 2,520 m2 site and has some 31 vehicle parking. The sale reflects a **rate of \$5,710 psm site area**. Heidelberg is located approximately 12.7 km north-west of Melbourne CBD.



#### 120 Wilson Street, Horsham, VIC 3400

An off shore investor has paid **\$14.55 million** on a **7.8% yield** for the **Horsham Gateway Centre**. The 4,753 m2 centre is situated on a 1.2 hectare site and is anchored by **Target** and has a further 6 speciality discount shops. The sale reflects a **rate of \$3,061 psm lettable area**. Horsham is located approximately 300 km north-west of Melbourne CBD.

#### 143-151 Bridge Road, Richmond, VIC 3121

The *Bloom* family has sold a corner retail property for **\$14.11 million** on a **3.1% yield** to a private investor. The 1,134 m2 building is situated on a 720 m2 site and is currently fully leased until 2033.



Tenants include **ANZ, Suncorp, Sony Music Entertainment Australia** and **Bendon Lingerie**. The sale reflects a **rate of \$12,443 psm lettable area**. Richmond is located approximately 3.8 km east of Melbourne CBD.

#### Corner High Street and Separation Street, Northcote, VIC 3070

*Michael Bonadio* has paid **\$34 million** on a **3.5% yield** for **Northcote Central Shopping Centre**. The 6,657 m2 neighbourhood centre is anchored by **ALDI, Lincraft** and **The Reject Shop** and has a further 14 speciality shops. The centre also has a purpose built underground parking for some 220 vehicles. The sale reflects a **rate of \$5,107 psm lettable area**. Northcote is located approximately 6.5 km south-west of Melbourne CBD.



#### 1167-1193 High Street, Armadale, VIC 3143

*GLG Group* has acquired a strip of boutique retail shops for **\$25 million** on a **sub.4% yield** from *Anaria Investments*. The small strip of shops is fully leased and has a 2,400 m2 site area with some 80 meters of street frontage. The sale reflects a **rate of \$10,417 psm site area**. Armadale is located approximately 8.1 km south-east of Melbourne CBD.

## Retail Statistics

Retail turnover figures released by the Australian Bureau of Statistics (ABS) for December indicate Victoria recorded a seasonally adjusted turnover of \$6,731.7 million. This figure indicates a decline of 0.8% over the month, following an increase of 2.0% over the month to November and an increase of 1.1% over the month to October. Over the twelve months, total retail turnover in Victoria increased by 4.5%. Around Australia, New South Wales (-0.4%), Western Australia (-0.8%), Tasmania (-1.6%), the Australian Capital Territory (-1.5%), South Australia (-0.3%) and the Northern Territory (-0.7%) all recorded declines in December. Queensland's total retail turnover (0.0%) remained relatively unchanged.

Over the month to December, Clothing, footwear & personal accessory retailing was the only group to record an increase in turnover, increasing 0.5% to \$574.5 million. Turnover of household goods recorded the largest decline of -2.3% to \$1,214.4 million. Department store retail turnover recorded a decline of 1.7% over the month to \$392.8 million, Food retail turnover declined by 0.4% to \$2,581.4 million, Café, restaurants & takeaway food services turnover declined by -0.4% to \$894.3 million, and Other retailing declined by 0.4% to \$1,074.4 million.

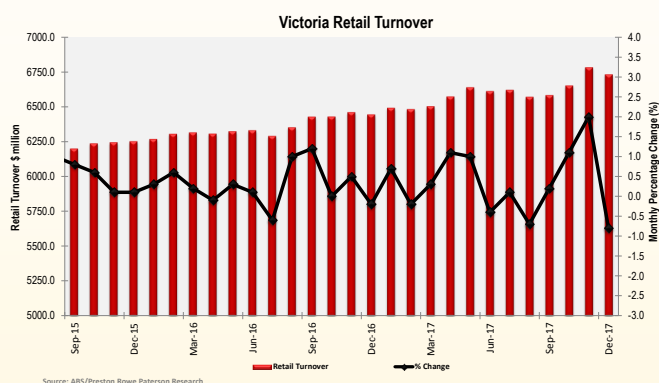


Chart 13 – Victoria Retail Turnover – Source ABS

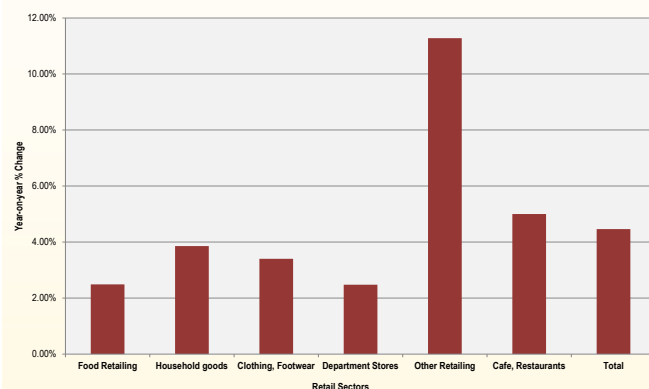


Chart 14 – Victoria Turnover % Yearly Change – Source ABS

## Online Retail

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

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

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

## INDUSTRIAL MARKET

### Investment Activity

Preston Rowe Paterson Research recorded a number of sales transactions that occurred in the Melbourne industrial market, during the three months to December 2017:

#### 260-270 Frankston Dandenong Road & 8-22 Quality Drive, Dandenong South, VIC 3175

*Nissan Australia* has sold an 11.4 hectare industrial site for **\$35 million** to a group of local investors. The site comprises two adjoining lots which make up the Melbourne headquarters for **Nissan Australia**. The first site at Frankston Dandenong Road is a 2.7 hectare allotment which was used as *Nissan's* head office. The second site at Quality Drive is an 8.7 hectare allotment which was used for *Nissan's* parts warehousing operations. The sale reflects a **rate of \$3,070,175 per hectare**. Dandenong South is located approximately 31.3 km south-east of Melbourne CBD.

#### 61 and 65 Gateway Boulevard, Epping, VIC 3076

Two private local investors have bought two industrial warehouses with a combined lettable area of 5,182 m<sup>2</sup> for **\$9.33 million**. Located in **Northpoint Enterprise Park**, the warehouses feature onsite parking, high internal clearances and a two level office area with amenities. The sale reflects a **rate of \$1,800 psm lettable area**. Epping is located 21.2 km north of Melbourne CBD.



#### 1/66-74 Micro Circuit, Dandenong South, VIC 3175

A group of private investors have sold a 3,990 m<sup>2</sup> warehouse facility for **\$7.2 million** on a **6.23% yield**. The warehouse comprises an internal office space, six roller shutter door access points and two 10-tonne gantry cranes. The sale reflects a **rate of \$1,805 psm lettable area**. Dandenong South is located 31.3 km south-east of Melbourne CBD.

#### Wellington Road, Mulgrave, VIC 3170

*Harry Stamoulis* has paid **\$90.75 million** on a **5.2% yield** to *Growthpoint Properties Australia* for the purpose built distribution centre. The 68,144 m<sup>2</sup> facility is situated on a 19 hectare site and is purpose built for **Woolworths Supermarket** which has tenure until 2071. The sale reflects a **rate of \$1,332 psm lettable area**. Mulgrave is located approximately 23 km south-east of Melbourne CBD.

#### 12 Wallace Avenue, Point Cook, VIC 3030

A private local investor has paid **\$5,701 million** for an industrial warehouse situated on a 4,053 m<sup>2</sup> site. The warehouse is split in to three components; a 2,020 m<sup>2</sup> high clearance warehouse, a 570 m<sup>2</sup> office on the first floor and a 560 m<sup>2</sup> showroom totalling 3,150 m<sup>2</sup> of lettable area. The sale reflects a **rate of \$1,810 psm lettable area**. Point Cook is located approximately 28 km south-west of Melbourne CBD.



### Leasing Activity

Preston Rowe Paterson Research recorded a number of leasing transactions that occurred in the Melbourne industrial market during the three months to December 2017:

#### 2-30 Saintry Drive, Truganina, VIC 3029

Landlord *Charter Hall* will lease its 14,055 m<sup>2</sup> industrial facility to *CEVA* for **2-years**. The tenant will **pay an annual rent of \$77.50 psm**.

#### 58 Sunmore Close, Moorabbin, VIC 3189

*Tuff Turf* will lease a 4,046 m<sup>2</sup> A-grade warehouse and office property for **5-years**. The property is within the Parkview Estate and the tenants will **pay an annual rent of \$100 psm**.



#### 1/22 Kalimna Drive, Mulgrave, VIC 3170

*Metro Movers* has agreed terms to lease a 1,553 m<sup>2</sup> warehouse for **3-years** with options. The tenant will **pay an annual rent of \$125,000 showing \$80.50 psm**.



#### 65-67 Sheehans Road, Heidelberg West, VIC 3081

*Able Living Group* will lease a 1,100 m<sup>2</sup> warehouse for **4-years**. The property is recently refurbished and the tenant will **pay an annual rent of \$82,500 showing \$75 psm**.



**107 William Angliss Drive, Laverton North, VIC 3026**

*Cubespace* has signed a **5-year** lease with options for a 4,116 m<sup>2</sup> warehouse along with a 4,000 m<sup>2</sup> yard. *Cubespace* will **pay an annual rent of \$300,000** for the high clearance property.



**36 Technology Drive,  
Sunshine West, VIC 3020**

*O'Brien Energy* will lease an office/warehouse for **4-years** with options. *O'Brien Energy* will lease the 2,100 m<sup>2</sup> warehouse, **paying \$152,000 annual rent showing \$73 psm.**



**Shiny Drive, Truganina, VIC 3029**

*Albi Imports* has committed to lease a 27,903 m<sup>2</sup> industrial warehouse for **7-years** in the new A-grade development which will be ready in late 2017. The warehouse will comprise two hardstand areas and two roller door access points. The tenant will **pay an annual rent of \$1.5 million showing \$54 psm.**

**110-112 National Drive, Dandenong, VIC 3805**

*Complete Truck Bodies* has agreed of terms to lease a 1,135 m<sup>2</sup> warehouse/ office facility in the **M2 Estate**. The tenant will lease the property for **5-years** and will **pay an annual rent of \$120,000 showing \$106 psm.**

**376 Darebin Road, Alphington, VIC 3078**

*MT Vending* has agreed on terms to lease a 1,010 m<sup>2</sup> ground floor industrial unit for **6-years** with options. The warehouse comprises roller door access and onsite parking. The tenant will **pay an annual rent of \$55,000 showing \$54 psm.**

**50-68 Westgate Drive, Altona North, VIC 3025**

*Marley Spoon* will lease a new production and storage facility for **5-years** from *GPT*. The 6,079 m<sup>2</sup> facility features high clearance roller door, recessed loading docks, a cool room and pallet racking. The tenant will **pay an annual rent of \$455,925 showing \$75 psm.**



**Truganina, VIC 3029**

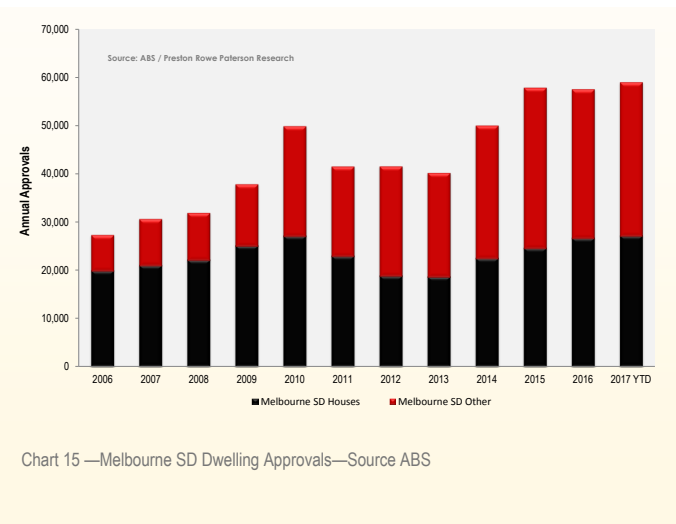
*Simplot Australia* has agreed terms to lease a 20,725 m<sup>2</sup> facility located in the **Dexus Industrial Estate** for **7-years**. *Dexus* has custom designed the facility for *Simplot*. The annual rent was not disclosed.

## RESIDENTIAL MARKET

### Building Approvals

Building approval statistics released by the Australian Bureau of Statistics (ABS) indicate that seasonally adjusted estimate for the total number of dwellings approved for construction in Greater Melbourne declined by 48.4% over the month to December. Total number of dwellings approved for construction stands at 4,562, which comprises of 1,796 approvals for the construction of houses and 2,766 approvals for the construction of apartments and other dwellings. Over the month, total approvals for the construction of houses declined by 29.2% to 1,796 approvals. However, when compared to twelve months prior, approval figures had increased by 1.0%. Total number of apartments and other dwellings approved for construction in the month of December had declined by 56.1% to 2,766. When we look at year on year changes, total approvals had declined by 25.7%.

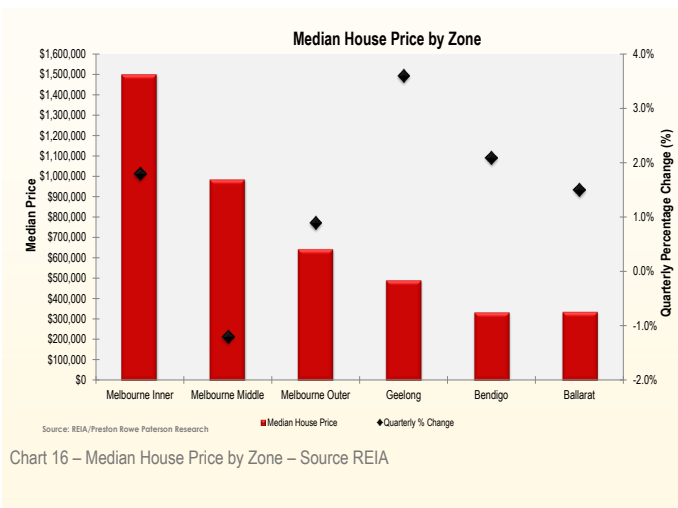
Across Australia, total dwellings approved declined by a seasonally adjusted 20.0% over the month to December. The seasonally adjusted estimate for private sector houses increased by 1.0%, whilst the estimate for other dwellings declined by 39.2%. Seasonally adjusted value of total building approved declined by 17.8% in December. Notably, the value of residential building fell by 25.4%, whilst the value of non-residential buildings fell 3.4%.



## MELBOURNE

### Market Affordability

The Real Estate Institute of Australia's quarterly review of Australia's residential market indicates that over the September quarter, median house price in Melbourne increased by 0.7% to \$817,000. This figure represents an annual increase of 12.7%. When we look at Inner Melbourne house prices, median price had increased by 1.8% over the September Quarter (+10.4% over the year) to \$1,500,500. There were 1,678 sales recorded, with sale prices ranging from \$1,138,000 and \$2,055,500. In Middle Melbourne, 3,120 sales were recorded with sale prices ranging from \$719,000 and \$1,368,000. Median house price in Middle Melbourne declined by 1.2% over the June quarter (+13.3% over the year) to \$985,500. Outer Melbourne recorded 5,196 sales over the period, with sale prices ranging from \$534,500 and \$828,000. Median house price in Outer Melbourne increased by 0.9% over the quarter (+14.4% over the year) to \$644,000.



Median sale price of other dwellings in Melbourne declined by 2.5% over the September quarter (+8.0% over the year) to \$441,500. Inner Melbourne's median price declined by 5.3% over the quarter (+3.7% over the year) to \$595,000. There were 2,565 sales recorded over the quarter, with sale prices ranging from \$441,000 and \$799,500. Middle Melbourne recorded 1,924 sales over the period, with sale prices ranging from \$487,500 and \$854,000. Median sale price in Middle Melbourne declined by 5.6% over the quarter (+7.8% over the year) to \$638,000. Outer Melbourne recorded 1,151 sales over the period, with median sale price in this region declining by -0.9% over the quarter (10.4% over the year) to \$482,500. Sale prices over the period ranged from \$402,000 and \$613,000.

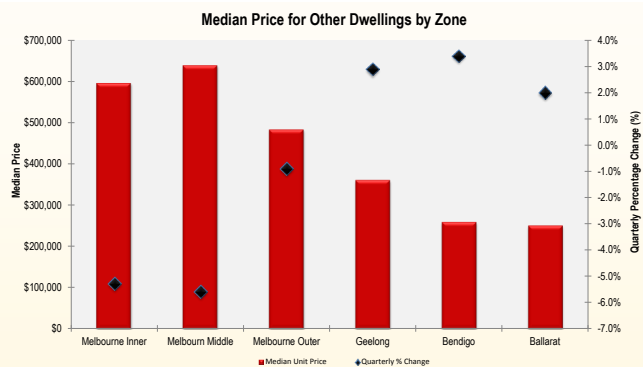


Chart 17 – Median Price for Other Dwellings by Zone – Source - REIA

## Rental Market

Over the September Quarter 2017, Melbourne's housing rental market remained relatively stable, with median weekly rent remaining unchanged for dwellings around the city. Median rent for Inner Melbourne's 2 bedroom and 4 bedroom houses, Middle Melbourne's 2 bedroom houses and Outer Melbourne's 2 bedroom houses remain unchanged over the quarter. Median rent for 2 bedroom house and 4 bedroom houses in Inner Melbourne remain at \$560 and \$950 per week, respectively, Middle Melbourne's 2 bedroom house rent remain at \$440 per week, whilst Outer Melbourne's 2 bedroom house rent remained at \$330 per week. Inner Melbourne's 3 bedroom's median rent declined by -2.4% over the quarter to \$730. Middle Melbourne's 3 bedroom and 4 bedroom median house rents each recorded an increase of 2.1%, to \$490 and \$633, respectively. Median rent for Outer Melbourne's 3 bedroom houses increased by 1.4% to \$365 per week.

The rental market for other dwellings in Melbourne varied across the different parts of the region. No change was recorded in Inner Melbourne's 1 bedroom dwelling, of which median weekly rent remained at \$390. 2 bedroom dwellings in Inner Melbourne experienced an increase of 1.9% in their median weekly rent to \$540, whilst 3 bedroom dwellings recorded a decline of 2.6% in median weekly rent, down to \$740. Middle Melbourne's rental market for other dwellings remains unchanged over the September quarter. Median rent for 1 bedroom dwellings remained at \$310, whilst rent for 2 bedroom and 3 bedroom dwellings remained at \$400 and \$510, respectively. Outer Melbourne's rental market for other dwellings performed strongly over the quarter. Median rent for 1 bedroom dwellings increased by 2.0% to \$260, whilst median rent for 2 bedroom and 3 bedroom dwellings increased by 3.1% and 1.4%, respectively, to \$330 and \$375.

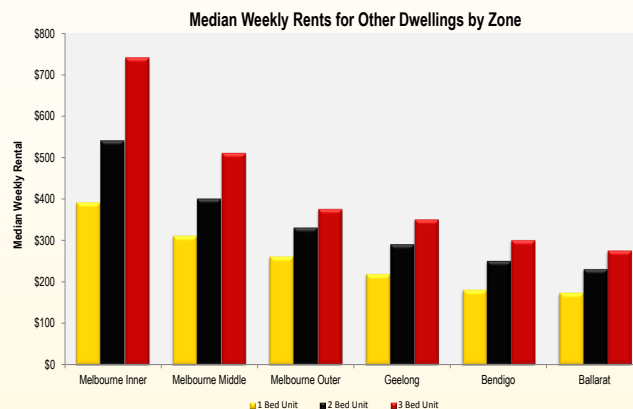


Chart 19 - Median Weekly Rents for Other Dwellings by Zone – Source - REIA

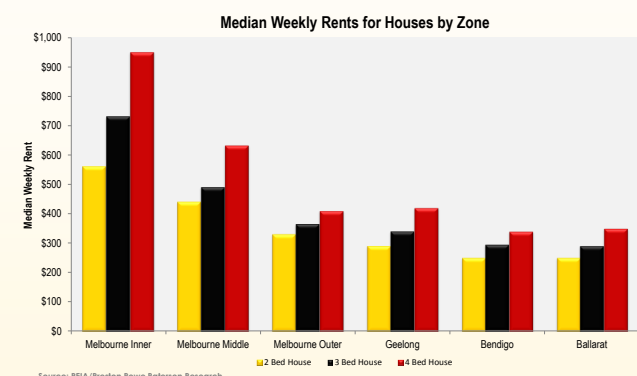


Chart 18— Median Weekly Rents for Houses by Zone – Source - REIA



## **GEELONG**



### **Market Affordability**

The median house price in Geelong recorded an increase of 3.6% to \$492,000 over the September quarter. This price reflects an annual increase of 12.5%. There were 2,807 sales over the quarter, with sale prices ranging from \$390,000 to \$640,000. Median sale price of other dwellings in Geelong increased by 2.9% over the quarter (+7.5% over the year), to \$360,000. There were 558 sales recorded over the quarter, with sale prices ranging from \$290,000 and \$495,000.

### **Rental Market**

Geelong's house rental market remained mainly unchanged over the September quarter, with median rent per week for 3 bedroom and 4 bedroom houses unchanged at \$340 and \$420 per week, respectively. 2 bedroom houses in Geelong recorded a decline of 1.7% in median weekly rent over the quarter, down to \$290 per week. The rental market for Geelong's other dwellings experienced various changes over the quarter. Median rent for Geelong's 1 bedroom dwellings increased by 3.8% to \$218, whilst median weekly rent for two bedroom dwellings remained unchanged at \$290. Geelong's 3 bedroom dwellings' median rent declined by -0.8% to \$350.

## **BENDIGO**



### **Market Affordability**

The median house price in Bendigo recorded an increase of 2.1% to \$334,500 over the September quarter. This price reflects a decline of -1.6% over the year. There were 1,189 sales recorded over the quarter, with prices ranging from \$265,000 and \$420,000. Median sale price of other dwellings in Bendigo recorded an increase of 3.4% over the quarter (-4.3% over the year) to \$258,500. There were 86 sales recorded over the quarter, with sale prices ranging from \$223,300 and \$297,800.

## **Rental Market**

Bendigo's house rental market experienced mainly positive changes in rental growths over the September quarter. Median weekly rent for 2 bedroom houses remained unchanged over the June quarter, remaining at \$250. Median weekly rent for 3 bedroom houses recorded an increase of 1.7% to \$295, whilst 4 bedroom houses recorded an increase of 1.5% in weekly median rent to \$340. Bendigo's other dwellings recorded various changes in rental growth. 1 bedroom dwellings' median rent recorded a decline of 2.7% to \$180 per week, whilst median rent for 2 and 3 bedroom dwellings increased by 4.2% and 2.4%, respectively, to \$250 and \$300.

## **BALLARAT**



### **Market Affordability**

The median house price in Ballarat recorded an increase of 1.5% to \$337,000 over the September quarter. This price reflects a growth of 5.6% over the year. There were 1,988 sales over the quarter, with prices ranging from \$270,000 to \$420,000. Median sale price of other dwellings in Ballarat increased by 2.0% over the quarter to \$250,000. This price reflects an annual growth of 3.1%. There were 301 sales recorded over the June quarter, with sale prices ranging from \$205,000 and \$299,000.

### **Rental Market**

Ballarat's house rental market experienced various changes over the September quarter. Median weekly rent for 2 bedroom homes increased by 4.2% to \$250, whilst rent for 3 bedroom homes remained unchanged at \$290 per week, and rent for 4 bedroom homes declined by 2.8% to \$350 per week. The rental market for other dwellings in Ballarat experienced a downturn over the quarter, with declines recorded in median weekly rent of 1, 2 and 3 bedroom dwellings. Median weekly rent for 1 bedroom dwellings declined by 3.9% to \$173, and median weekly rent for 2 and 3 bedroom dwellings declined by 4.2% and 5.2%, respectively, to \$230 and \$275.

## RESIDENTIAL DEVELOPMENTS

### Investment Activity

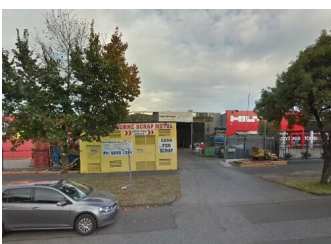
Preston Rowe Paterson Research recorded the following residential developments reported during the three months to December 2017:

#### Donnybrook, VIC 3064

*Wolfdene* and *Blueways Group* have partnered together to purchase a residential development site for **\$30 million**. The 52-hectare site can yield 600 homes through a combination of apartments and lots and can accommodate some 1,500 residents. The sale reflects a **rate of \$576,923 per hectare**. Donnybrook is located approximately 33.5 km north of Melbourne CBD.

#### 199-201 Normanby Road, Southbank, VIC 3006

*Capital Alliance* has paid **\$13.5 million** for the 1,220 m2 corner site.



The site has gained planning approval for a residential apartment tower which allows some 262 apartments and 164 vehicle parking. The sale reflects a **rate of \$51,527 per proposed apartment**. Southbank is located approximately 1 km south of Melbourne CBD.

#### 1160 Ballarto Road and 20, 60 & 80 Botanic Drive, Junction Village, VIC 3977

Private investors have paid **\$42 million** to *Wolfdene* for a residential development site. The 30-hectare site has approval for 311 residential lots. The sale reflects a **rate of \$135,048 per approved lot**. Junction Village is located approximately 49.5 km south-east of Melbourne CBD.

#### 440-448 Point Cook Road, Point Cook VIC 3030

*Sneydes Pty Limited* has sold a residential development site to *Zhong Cheng Ye Pty Limited* for **\$27 million**. The 14 hectare (140,000 m2) site does not have any approved development applications. The sale reflects a **rate of \$193 psm of site area**. Point Cook is located approximately 27.8 km south-west of Melbourne CBD.

#### 1-9 Allen Street, Oakleigh, VIC 3166

The *Department of Health and Human Services* has sold a vacant lot of land for **\$9.12 million** to a private developer. The 4,607 m2 site has not had any DA submissions. The sale reflects a **rate of \$1,980 psm site area**. Oakleigh is located 16.5 km south-west of Melbourne CBD.

#### 68 Buckhurst Street, South Melbourne, VIC 3205

*Little Lane Early Learning Centre* has paid **\$60 million** to *Botree Group* for the development site.

The one-hectare site has permit approval for a four tower project with a total of 1004 units. The sale reflects a **rate of \$59,761 per approved unit**. South Melbourne is located approximately 2.4 km south of Melbourne CBD.



#### 459-471 Church Street, Richmond, VIC 3121

*Salta Properties* has acquired a 5,276 m2 development site for **\$51 million**. The site has three street frontages and has mixed use development potential. The sale reflects a **rate of \$9,666 psm site area**. Richmond is located approximately 3.8 km east of Melbourne CBD.



#### Rix Road, Officer, VIC 3809

Developer *Nick Corcoris* has paid **\$20.25 million** to a private land owner for the vacant development site. The 12.24 hectare site is situated within an approved residential development precinct which will create a new housing hub. The sale reflects a **rate of \$1,654,412 per hectare**. Officer is located approximately 51 km south-east of Melbourne CBD.

#### 368- 374 Smith Street, Collingwood, VIC 3066

A private buyer has acquired a 1,200 m2 site in Collingwood from CK Morgan (a London-based clothing manufacturer) for a reported price of **\$7 million**. The buyer currently has plans to build a \$45 million development of 50 apartments. The sale reflects a **rate of \$5,833 psm of land area**. Collingwood is located 3 km north-east of Melbourne CBD.



## SPECIALISED PROPERTY MARKET

### Investment Activity

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

#### 374-378 Nepean Highway, Frankston, VIC 3199

A private investor has paid **\$5.6 million** on a **3.2% yield** for the medical property. The 3,405 m2 property is currently leased to **Psoriasis Eczema Clinic Australia** and **CPAP Australia**. The sale reflects a **rate of \$1,645 psm lettable area**. Frankston is located approximately 44 km south-east of Melbourne CBD.

#### Corner Hertford and Alfred Street, Sebastopol VIC 3356

A private farming family have acquired the 4,216 m2 service station for **\$5 million** on a **yield of 5.33%**. The service station is currently leased to **7-Eleven** which has a long lease. The sale reflects a **rate of \$1,186 psm site area**. Sebastopol is located approximately 117 km north-west of Melbourne CBD.

#### Childcare Centre Sales Wrap

An off shore investor has paid **\$10.5 million** on a **6.3% yield** for two off the plan childcare centres located in Pakenham and Cranbourne West in Victoria. The Pakenham centre at **75 Station Street** is a 791 m2 building situated on a 2,500 m2 site. The Cranbourne West centre at **84-90 Quarters Boulevard** is a 798 m2 building which is situated on a 2,724 m2 site. Both child care centres are leased to **Aspire Early Education** for a 10-year term with options.

#### 81-89 Bay Street, Brighton, VIC 3186

An off shore investor has paid more than **\$20 million** for the **Brighton International Reception Centre**. The 4,079 m2 site comprises a centre that has two main rooms-the Ballroom and the Georgian Room which can seat 50-550 people. The sale reflects a **rate more than \$4,903 psm site area**. Brighton is located 11.4 km south-east of Melbourne CBD.

#### 118 City Road, Southbank, VIC 3006

*Beulah International* has acquired a 6,061 m2 **BMW dealership site** for \$101.008 million from the *German car maker*. A partner-style deal was struck between the two parties, with BMW expected to maintain its presence on the site by securing a dealership of approximately 2,000 m2. Beulah International, a Malaysian-backed developer, has plans to transform the site into a multi-use complex comprising of apartments, hotels, and commercial spaces. The sale of the site reflects a **rate of \$16,665 psm site area**.



## HOTEL & LEISURE

### Investment Activity

Preston Rowe Paterson Research recorded the following hotel/leisure property transactions that occurred in Victoria during the December Quarter 2017:

#### 379 St Kilda Road, Melbourne, VIC 3004

*Mazen Tabet* has paid **\$55 million** to the *Bursztyn* family for the **Royce Hotel**. The 100-room, five-star hotel is situated on a 2164 m2 site and has a 1920's art deco façade. The hotel has been undergoing redevelopment since c.2000, as it was previously a showroom site for Rolls Royce. The sale includes an adjoining office building which is also on the site and reflects a **rate of \$550,000 per hotel room**.



#### Melbourne Portfolio

The *Schwartz* family have sold a two-asset portfolio to two separate investors for a combined value of **\$100 million**. The two assets include; **The Duke of Wellington** pub which sold to a private family on a **3.5% yield** and the **Adina Hotel** which sold to *Yong Quek* on a sub.4% yield. The **Duke of Wellington** pub is heritage listed and the **Adina Hotel** comprises 65 rooms.

## REGIONAL MARKET

### Investment Activity

Preston Rowe Paterson Research recorded the following significant sales transactions that occurred in regional Victoria during the three months to December 2017:

#### 44 Chesney Road, Benalla, VIC 3672

*David Blackmore* has paid **\$4.95 million** for **East Mount Ada**. The 609 hectare property is held over 22 titles and comprises a c.1969 homestead, tennis court, lake and jetty, 255 hectares of pasture, cattle yards and a 242 megalitre entitlement. The property has a carrying capacity for 6,000 dry sheep or 375 cow and calf units. The sale reflects a **rate of \$8,128 per hectare**. Benalla is located approximately 210 km north-east of Melbourne CBD.





#### 3732 Donald-Swan Hill Road, Goschen, VIC 3585

The *Jobling* family has sold **Roseochi** for **\$8.1 million** to a private Queensland family. The property constitutes eight contingent lots namely; **Roseochi** a 407.09 hectare farm, **Eric's** a 259 hectare farm, **Rees & Oppys Rees** a 258 hectare farm, **Bish's** a 258 hectare farm, **Farneys** a 259 hectare farm, **Farneys House & Kellys** a 253 hectare farm, **Teagues Hayshed** a 259 hectare farm and **Teagues Small & Curnows** a 2,724 hectare farm totalling 2,225 hectares. The rural property is predominantly used for growing crops such as: canola, lentils, peas, wheat, vetch, barely oats and hay. The property comprises a four bedroom home, multiple machinery sheds, 560 tonne grain storage, a 100 tonne fertiliser shed, three stand shearing shed and steel sheep yards. The sale reflects a **rate of \$3,640 per hectare**. Goschen is located approximately 341 km north-west of Melbourne CBD.



#### 205 Coriule Road, Curlewis, VIC 3222

A private local family has bought "**Scarborough House**" which is a 57.46 hectare rural property, for **\$4.5 million**. The property comprises a two-level homestead featuring four bedrooms, three bathrooms, a theatre room, formal lounge, study room, an in-ground pool and spa, lockup garage and lock up shed. The property is connected to local town water supplies and has both dam and rain water storage, which is used for the production of farming crops. The sale reflects a **rate of \$78,315 per hectare**. Curlewis is located approximately 91 km south-west of Melbourne CBD.



#### Yea, VIC 3717

*Vaughan Constructions* has paid about **\$7 million** for **Terangaville**, a 1,702 hectare rural property. The property comprises a c.1920's, six bedroom homestead, a manager's residence, multiple sheds, cattle yards, and a 407 megalitre water entitlement. The sale reflects a **rate of about \$4,113 per hectare**. Yea is located approximately 98 km north-east of Melbourne CBD.

## Economic Fundamentals

### Consumer Price Index

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

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

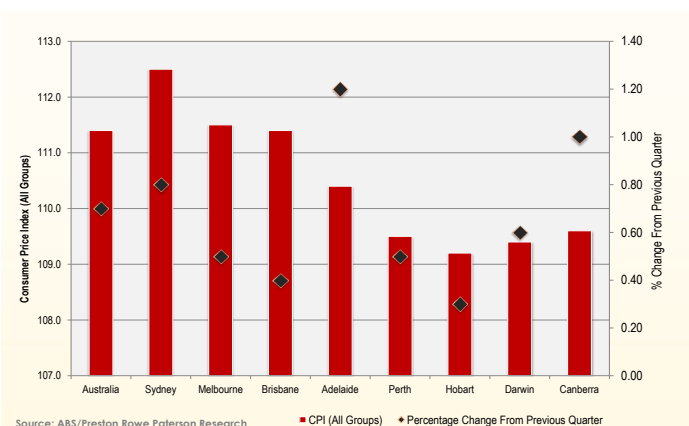


Chart 1—All Group CPI (Capital Cities) and Percentage Change—Source—ABS

### Business Sentiment

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

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

### Consumer Sentiment

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

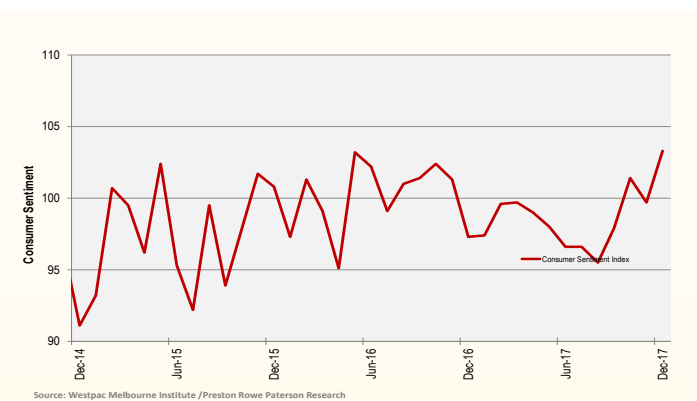


Chart 2—Consumer Sentiment Index—Source—Westpac Melbourne Institute Survey

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

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

## Gross Domestic Product

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

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

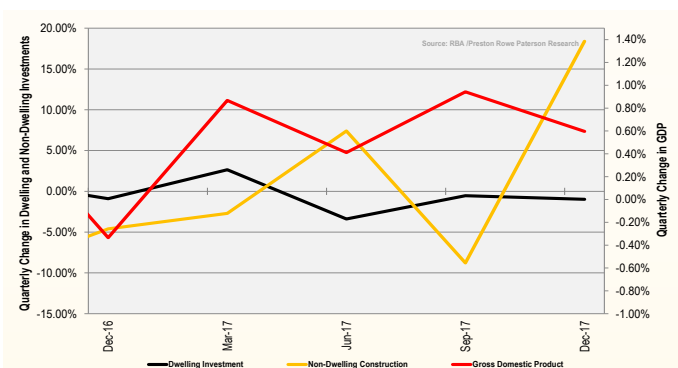


Chart 3— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

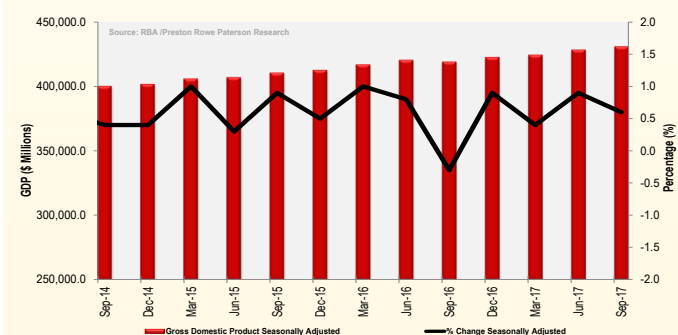


Chart 4— Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP— Source: ABS

## Unemployment

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

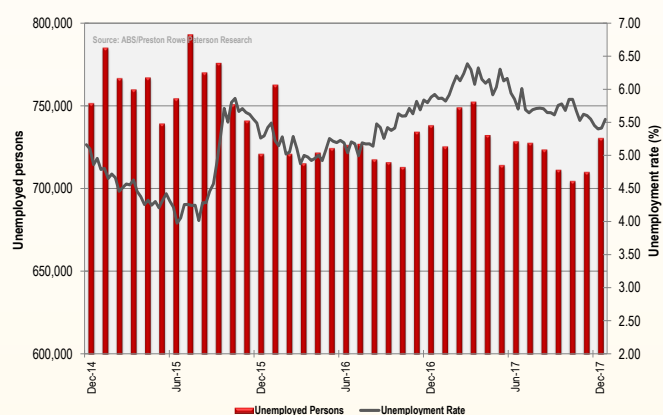


Chart 5— Unemployment Persons and Unemployment Rate— Source: ABS

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

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

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

## 10 Year Bond & 90 Day Bill Rate

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

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

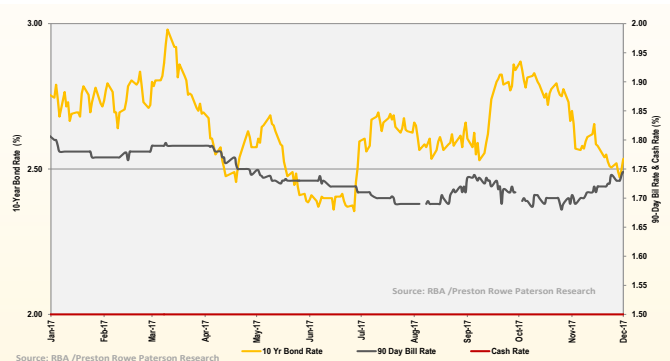


Chart 6— Daily Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

## Interest Rates

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

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

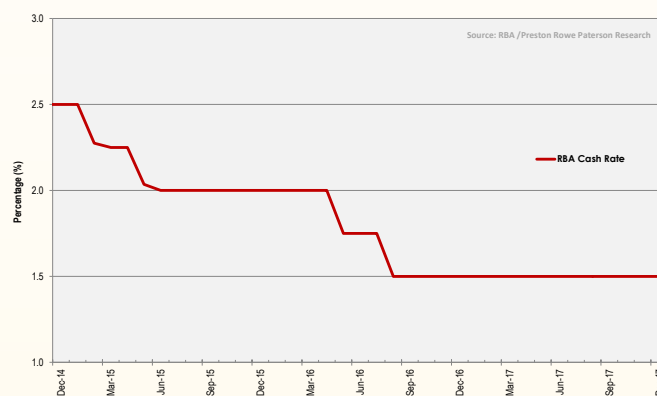


Chart 7— Reserve Bank of Australia Overnight Cash rate—Source: RBA

## Exchange Rate

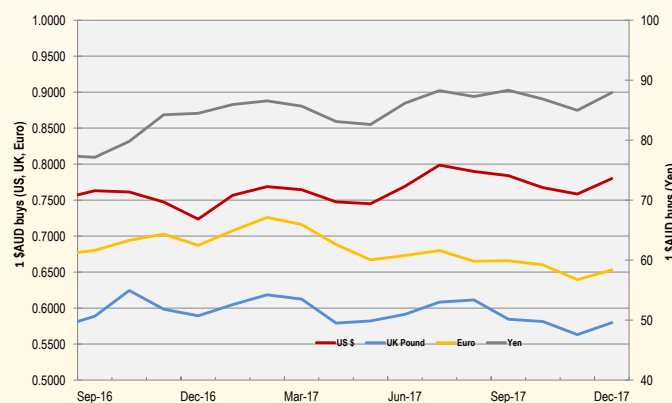


Chart 8— Movement in Exchange Rate—Source: RBA



## Our Research

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

## We have *property covered*

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

## We have all *real estate types covered*

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

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

## We have all types of *plant & machinery covered*

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

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

## We have all *client profiles covered*

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

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



## **We have 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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- ◆ Hong Kong
- ◆ Japan
- ◆ Philippines
- ◆ Thailand

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