Preston Rowe Paterson
International Property Consultants

Property *Market* Report
Victoria

June Quarter 2018

HIGHLIGHTS

- The Property Council of Australia recorded a 10-year low vacancy of 3.2% for Melbourne CBD as employment growth continues to fuel tenant demand for commercial properties.
- Retail turnover statistics from the Australian Bureau of Statistics recorded an increase in total retail turnover for Victoria of 1.14% over the month to June 2018 from 0.23% on March 2018.
- The number of building approvals in Greater Melbourne fell by -3.64% over the year to 3,828 approvals, aligned with the softening residential market as an effect of the tight lending regulation.
- House and unit prices in Melbourne recorded increases over the quarter but year on year growth in March 2018 (+7.4% and +4.7%) recorded lower gains compared to yearly growth in December 2017 (+9.3% and 6.5%), indicating an easing market.

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COMMERCIAL OFFICE MARKET

Melbourne CBD

Supply by Grade (Stock)

Melbourne CBD's net office stock increased over the six months to June 2018 by 5.7% to 4,541,855 square metres. Majority of the addition stock are of new A Grade offices that make up approximately 78% (46,814 sqm) of the supply addition including the recently completed new 664 Collins Street office tower, whereas withdrawals are predominantly of A and B Grade offices withdrawn for partial refurbishments. The rest of 2018 will see 68,050 square metre supply addition from the completion of One Melbourne Quarter and 5 Collins Square, both of which are pre-committed.

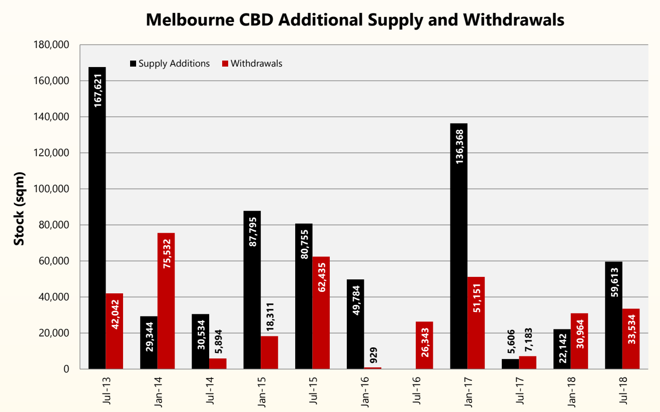

Chart 1 – Melbourne CBD Additional Supply and Withdrawals – Source PCA / PRP Research

Total Vacancy

The sustained tenant demand fuelled by employment growth in Melbourne resulted to a 10-year low vacancy of 3.2%. Even with the net supply addition during the six-month period (26,079sqm), the Melbourne CBD office market remains undersupplied with vacancy tightening by 0.8%.

The lack of supply available in the market and strong population and jobs growth in Melbourne has supported rental growth whilst incentives continue moderately decline. Noting that most of upcoming stocks are already pre-committed, the lack of options may drive prospective tenants to city fringe areas while vacancy rate in Melbourne CBD remain at record low and rental price grows further up.

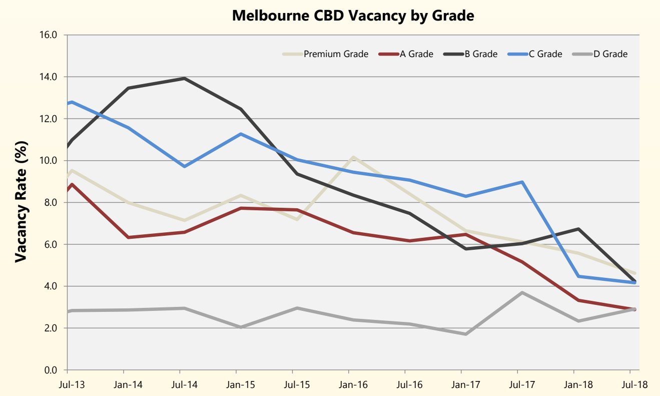

Chart 2 – Melbourne CBD Commercial Vacancy Rates – Source PCA / PRP Research

Development Sites

Project Name	Address	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
80 Collins Street South	80 Collins Street, Melbourne, VIC 3000	Construction	Queensland Investment Corporation (QIC)	43,000	2020+
271 Spring Street	271 Spring Street, Melbourne, VIC 3004	Construction	ISPT	15,600	Q3 2019
Wesley Church Development	130 Lonsdale Street, Melbourne, VIC 3000	Construction	Charter Hall	55,000	2020+
Collins Arch	447 Collins Street, Melbourne, VIC 3000	Construction	Cbus Property	49,000	Q4 2019
The Olderfleet	477 Collins Street, Melbourne, VIC 3000	Construction	Mirvac Group	50,000	2020+
405 Bourke Street	405 Bourke Street, Melbourne, VIC 3000	Construction	Brookfield Office Properties (Brookfield Multiplex)	66,000	2020+
Melbourne Square	276 Flinders Street, Melbourne, VIC 3000	Construction	Fivex Group	4,600	Q1 2019
One Melbourne Quarter	699 Collins Street, Docklands, VIC 3008	Construction	APPF Commercial	26,400	Q3 2018
5 Collins Square	737 Collins Street, Docklands, VIC 3008	Construction	Walker Corporation Pty Ltd	41,650	Q4 2018
ANZ	839 Collins Street, Docklands, VIC 3008	Construction	Invesco/Challenger	39,000	Q1 2019
VIC Police Centre	311 Spencer Street, Docklands, VIC 3008	Construction	Cbus Property/Australia Post	65,000	2020+
Two Melbourne Quarter	697 Collins Street, Docklands, VIC 3008	Construction	First State Super/APPF Commercial	49,000	2020+
Melbourne Quarter Tower	693 Collins Street, Docklands, VIC 3008	DA Approved		61,000	Mooted
396 Docklands Drive	396 Docklands Drive, Docklands, VIC 3008	DA Approved	MAB Corporation	8,880	Mooted

Table 1 – Development Sites Melbourne CBD – Source PCA / PRP Research

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Investment Activity

220 Bourke Street, Melbourne, VIC 3000
A corner building in the heart of the CBD has sold after 661 bids for **$15.205 million**. The five-storey building is set on 201 sqm of prime retail land, positioned metres from Bourke Street Mall. It has a laneway frontage which leads to Little Bourke St's Chinatown precinct. The building, which has a rooftop terrace in addition to the 1,170 sqm floor space, receives income from multiple tenancies amounting to $453,950 net per annum, anchored by **Cotton On Body**. *Spiros Alysandratos* purchased the building on a **3.06% net yield**, whilst the price paid reflects a **rate of $12,996 psm lettable area**.

699 Bourke Street, Melbourne, VIC 3000
Morgan Stanley has joined Mirvac as joint owners of an A-grade office tower built above Southern Cross Station, acquiring a 50% stake in the building for **$102 million** from global fund manager *TH Real Estate*. The building features a 5-star NABERS rating, 19,303 sqm NLA, 86 parking bays and is fully let to **AGL** with a WALE of 7.8 years. *Morgan Stanley* will add the property to its Prime Asia fund, which holds over $1 billion in equity in the Asia-Pacific region. This sale reflects a **gross yield of 5.94%**, whilst generating a **rate of $10,568 psm lettable area** (adjusted to reflect 50% interest).

470 Bourke Street, Melbourne VIC 3000
Long-term owner occupier, *The Law Institute of Victoria*, has sold their 9-level office tower for **more than $30 million** to a private investor. The building fronts both Bourke and Little Bourke Street in an area popular with law firms. It contains 3,339 sqm of office floor space which appears slightly dated. The *LIV* purchased the building in 1978 for $1.5 million. This purchase was struck at a **rate of $8,985 psm lettable area**.

600 Lonsdale Street, Melbourne, VIC 3000
A c.1920s warehouse, converted into 34 strata offices in 1984, has traded for **$48 million**. All lots, bar one, were individually acquired by Toorak-based developers, *The Zhangs* and planned changes to strata laws in Victoria to mirror NSW's 75% majority development rule are expected soon which would allow *The Zhangs* to acquire the remaining lot and carry out the intended hotel development. The 1,924 sqm site last traded for $1.1 million in 1984. The sale reflects a **rate of $24,948 psm site area**.

601 Bourke Street, Melbourne, VIC 3000
An 11-level B-grade office building has sold for more than **$70 million** to an Asian-based investor. The property went to market in April with around 20% vacancy and price expectations of about $60 million, however it appears new tenants has significantly boosted the buildings value. The 1970s built building occupies a prominent position on the corner of Bourke and King Street. It is believed the property sold with a **passing yield below 5%**. The sale reflects a **rate of $8,620 per sqm lettable area**.

160 Harbour Esplanade, Docklands, VIC 3008
The headquarters of **Seven Network**, on the waterfront of the bustling Docklands precinct, has been purchased by *Development Victoria* for about **$100 million**. The government body recently announced a $225 million funding agreement with the AFL to redevelop Docklands Stadium and this purchase plays a strategic role in that financing that deal. The property offers 8,237 sqm of floor area fully leased to **Seven Network** on a WALE of approximately seven years. This generates almost $5.3 million per year in income, giving this sale a **yield of around 5.3%.** The Docklands office market boasts a vacancy rate of 1.2%, representing the lowest of any precinct in Melbourne's CBD. The sale gives a **rate of $12,140 psm lettable area**. Docklands lies 2 km west of Melbourne's CBD.

Level 2, 55 Exhibition Street, Melbourne, VIC 3000
Local investors have traded a whole floor strata unit in Melbourne's CBD for **$3 million**. The 245 sqm unit, tenanted by hair-loss specialists **Ashley and Martin**, sold on a **sharp yield of 2.36%.** The property is a 1920's built seven-level commercial building located in the eastern end of Melbourne's CBD, last refurbished in 1988. The price represents a rate of $12,245 psm lettable area.

Leasing Activity

Levels 3 & 5, 136 Exhibition Street, Melbourne, VIC 3000
Following the departure of Australia Post, landlords *Developments (Exhibition)* have let two floors of office space for **approximately $470 psm per annum**. The third floor will be occupied by *AECOM Australia* for the next **five years**, whilst level five will be home to *PLP Building Surveyors* for **six years**. Both floors span 617 sqm of column -free commercial space with workstations included, whilst the building's common facilities have recently been updated. The deals each total **approximately $290,000 per annum net.**

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East Melbourne

Supply by Grade (Stock)

East Melbourne's office market stock remained unchanged over the six months to July 2018. The East Melbourne office market is predominantly of A Grade (61,352 sqm or 34.6%) and B Grade offices (89,164 sqm or 50.2%). Whereas C and D Grade offices only accounts for 10.3% (18,278 sqm) and 4.9% (8,667 sqm) of the total stock (177,461 sqm).

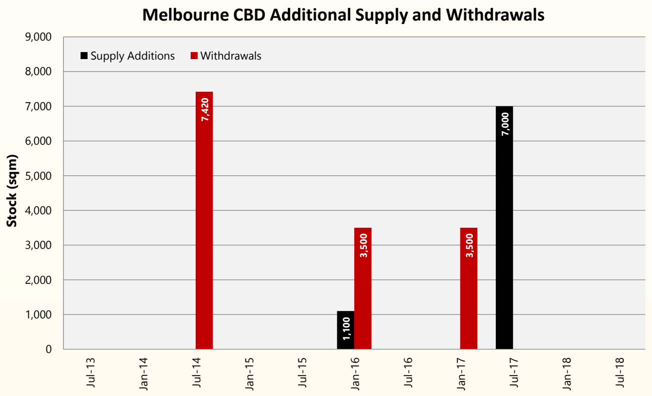

Chart 3 – East Melbourne Additional Supply and Withdrawals – Source PCA / PRP Research

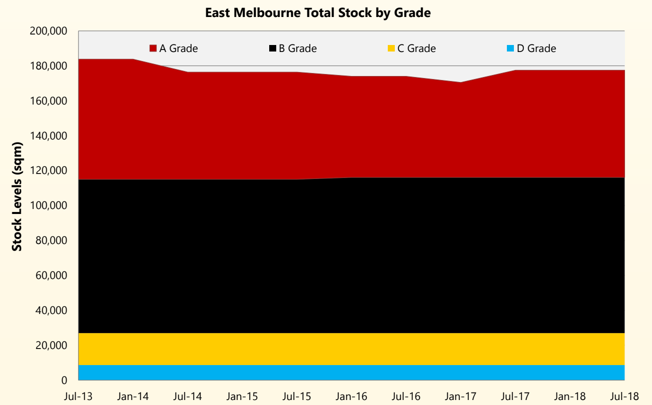

Chart 4 – East Melbourne Total Stock by Grade – Source PCA / PRP Research

Total Vacancy

Vacancy in East Melbourne bounced back up by 0.6% to 3.1% - albeit remaining at considerably low levels - over the half year to July 2018, following vacancy of 2.5% on January 2018 and 3.3% on July 2017. The increase in vacancy is attributed from B and C Grade offices, which increased by 1.1% and 2.2% to 3.0% and 6.0% respectively whilst A Grade vacancy remained at 2.8% over the period and D Grade fell to record low of 0.0% from 2.9% over the period.

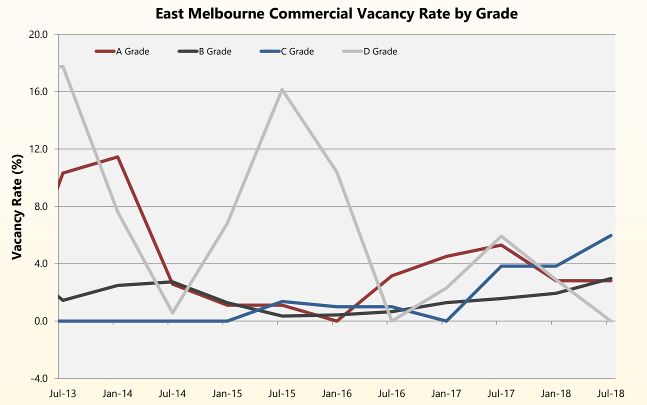

Chart 5 – East Melbourne Commercial Vacancy Rates – Source PCA / PRP Research

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Southbank

Supply by Grade (Stock)

Over the six months to July 2018, a total decreased net stock of 12,541 sqm was recorded with 24,731 sqm withdrawals offset by 19,400 sqm additional stock. The withdrawal in Southbank is mostly of Exxon Corporation's old headquarter on 12 Riverside Quay withdrawn for full refurbishment.

Stock movements seen within the six months period are all of A and C Grade offices. While B and D Grade office remained unchanged at 106,103 sqm and 3,082 sqm respectively, A Grade office increased by 19,400 sqm offset by 23,767 sqm withdrawals to a net stock of 267,706 sqm and C Grade office decreased by 964 sqm to 45,039 sqm of net stock.

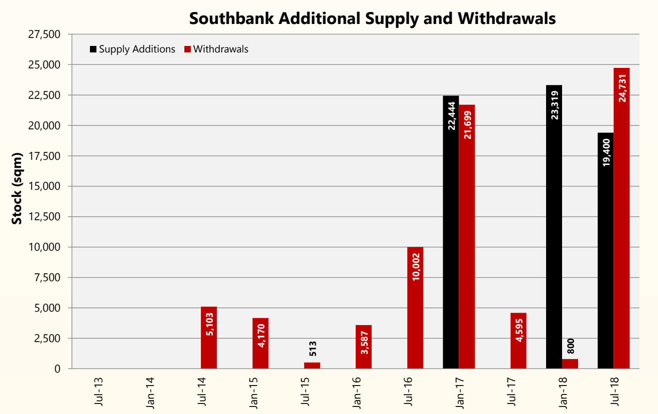

Chart 6 – Southbank Additional Supply and Withdrawals – Source PCA / PRP Research

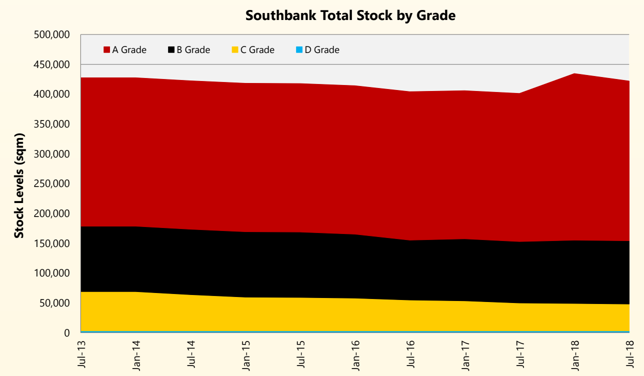

Chart 7 – Southbank Total Stock by Grade – Source PCA / PRP Research

Total Vacancy

Southbank's office vacancy increased by 2.6% to 6.1% over the six months to July 2018, albeit remaining below the ten-year average of 7.05%. The significant increase in vacancy is explained by Freshwater Place, which although mostly pre-committed, was still not in actual occupancy when the data was recorded. Remaining available stock in the Freshwater Place is only a whole floor expected to be absorbed rather quickly as Southbank remains a popular option for tenants looking for an office closer to the CBD but without the premium rental price.

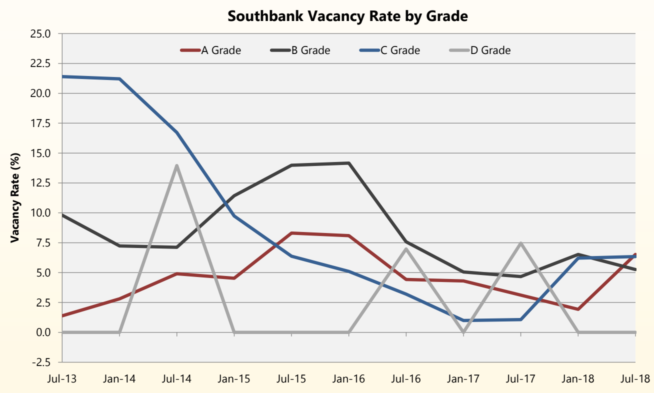

Chart 8 – Southbank Commercial Vacancy Rates – Source PCA / PRP Research

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St Kilda Road

Supply by Grade (Stock)

Over the last decade, the St Kilda Road office market shrunk by more than 100,000 square metres, characterised predominantly by permanent withdrawals for high-end residential conversions. The six months to July 2018 marks the first semi-annual period of net addition in St Kilda Road after seven consecutive half yearly periods of withdrawals as 9,346 square metres of B Grade stock returns to the market. There was no withdrawal recorded over the period, totalling to 654,648 square metre stock in St Kilda Road as at July 2018.

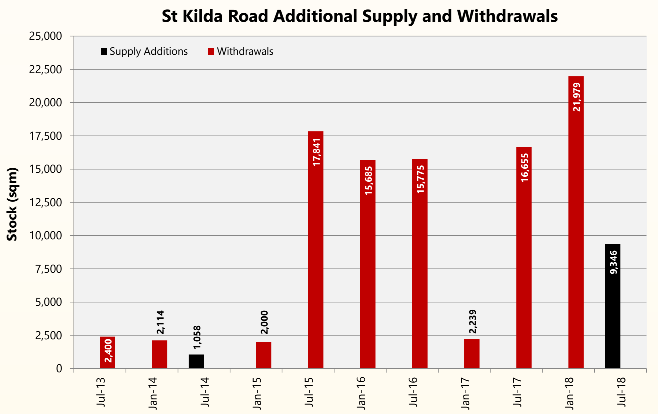

Chart 9 – St Kilda Road Additional Supply and Withdrawals – Source PCA / PRP Research

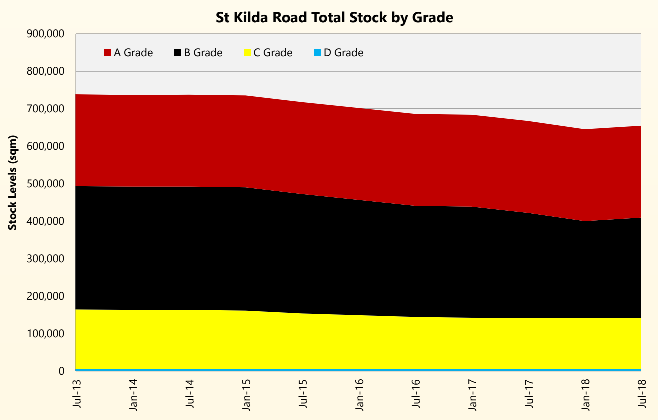

Chart 10 – St Kilda Road Total Stock by Grade – Source PCA / PRP Research

Total Vacancy

The St Kilda Road office vacancy slightly increased to 7.4% from 7.2% over the quarter. Despite the 0.2% increase in vacancy due to the 9,346 sqm addition of B Grade stock, St Kilda Road's office vacancy is still well below its 10-year average of 10.3%. The strong tenant demand coupled with the withdrawal of stock over the last decade has contributed to the vacancy tightening over the last few years in St Kilda Road. Additionally, whilst Melbourne CBD vacancies remain at record low levels, prospective tenants may start to consider city fringe locations such as St Kilda Road. Thus, the continued tenant demand and limited new incoming supply over the short term may lead to further decline in vacancy rates and gradual rental growth in St Kilda Road.

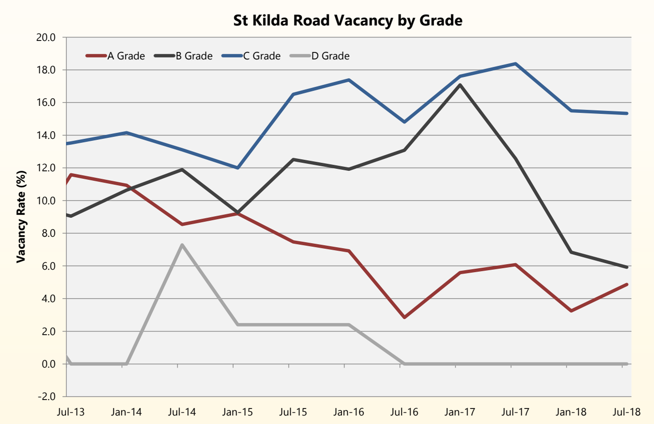

Chart 11 – St Kilda Road Commercial Vacancy Rates – Source PCA / PRP Research

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RETAIL MARKET

Retail Statistics

Retail turnover statistics from the Australian Bureau of Statistics indicate that the total retail turnover for Victoria increased by 1.14% over the month to June 2018. The seasonally adjusted turnover for March in Victoria is $6.975 billion, representing a 5.70% increase over the year. The strong tourism market, employment and population growth are the main contributors to Victoria's retail turnover. All of the major retail groups experienced positive year-on-year growth with Clothing, footwear and personal accessory leading with +8.63% turnover followed by Other retailing at +8.29% and Cafes and restaurants at +7.04%. Household goods and department stores saw the least year on year change at 3.73% and 2.03% respectively, as an effect of the declining sentiment in the residential market.

The overall retail property market in Victoria continues to perform well with large transaction volume and leasing activity. Private investors continue to look for value-add retail asset opportunities whilst increases from foreign investment, the tourism market, and employment and population growth continue to support the retail market. Demand from high profile tenants continues this quarter with *Longines* securing a ground floor retail space on 256 Collins Street to open its Australian flagship store at a rate of $2,622 psm lettable area per annum on a 10-year lease.

Chart 12 – Victoria Retail Turnover – Source ABS / PRP Research

Chart 13 – Victoria Turnover % Monthly Change – Source ABS / PRP Research

Investment Activity

24-26 Robertson Drive, Mornington, VIC 3931

A double-fronted strip retail supermarket has sold for **$1.375 million** on a **low net yield of 4.4%**. The supermarket and liquor store, operating as a **Foodworks**, has been in operation for over 40 years. The 400 sqm single storey shop is positioned amongst a handful of retailers in a quiet residential area. The sale reflects a **rate of $3,438 psm lettable area**. Mornington is located 53.6 km south east of Melbourne's CBD.

157 Carlisle Street, Balaclava, VIC 3183

A corner retail shop with five residential apartments above has sold for **$5 million** after 40 years of continuous ownership. The three-level mixed use site has been redeveloped, resulting in a new 10-year lease on the retail suite, which has been in operation since 1998, and fully leased modern apartments on year on year leases, generating a **4.4% yield** on the sale. The price paid gives a **rate of $9,416 psm lettable area**. Balaclava is located 7 km south east of Melbourne's CBD.

580 Springvale Road, Wheelers Hill, VIC 3150

Vicinity and their partner, believed to be *Telstra Super*, have, offloaded the **Brandon Park Shopping Centre** for **$135 million** to property syndicate *Newmark Capital*, as part of a wider sell-off of non-core assets. The centre is 98.6% occupied with a 3.3 year WALE (GLA) and includes 23,122 sqm of retail space and parking for some 1,432 vehicles. *Newmark Capital* has been increasingly busy in Melbourne's south-eastern markets, picking up key assets as the Jam Factory development in South Yarra, a $1.2 billion entertainment and retail precinct, amongst others. The sale reflects a **yield of 7.11%** and a **rate of $5,839 psm lettable area**. Wheelers Hill is 24.5 km south east of Melbourne's CBD.

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Cnr Aitken and Grand Boulevards, Cragieburn, VIC 3064

Stockland have sold the **Highlands Shopping Centre** to investor *Laura Wong* for **$43 million**. The neighbourhood centre is anchored by a **Woolworths supermarket** with a lease expiry in 2032. It is further underwritten by national tenants such as **Woolworths Petrol, Subway, Australia Post, Nandos** and **The Reject Shop**. The centre comes fully leased at $2,344,000 per annum net income. It rests on a 3.282 hectare land parcel with 7,396 sqm floor area and on-grade parking for some 352 vehicles. The appetite of retail investors for neighbourhood centres is strong due to their perceived insulation from the growing e-commerce sector, surrounding population growth and substantial underlying land value. This is reflected in the **5.4% yield**. It sold at a **rate of $5,814 psm lettable area**. Cragieburn is located 24.5 km north of Melbourne's CBD.

72-74 Bourke Street, Melbourne, VIC 3000

A consortium of investors including chef *Guy Grossi* have sold the real estate behind world famous **Bottega Restaurant** for **$7.25 million**, well in excess of the $5 million plus that was expected for the property. The restaurant sold with a 5+5+5 year lease in place back to the restaurant operator, **Denis Lucey**, giving the property a **sharp yield of 2.92%**. Agents said there were more than 15 formal offers lodged to the vendor with the 254 sqm east-end property eventually selling to a local investor, despite keen interest from Asian markets. The sale reflects a rate of **$28,543 psm lettable area**, whilst it is noted there is development potential in this two storey CBD building.

157 Carlisle Street, Balaclava, VIC 3183

A corner retail shop with five residential apartments above has sold for **$5 million** after 40 years of continuous ownership. The three-level mixed use site has been redeveloped, resulting in a new 10-year lease on the retail suite, which has been in operation since 1998, and fully leased modern apartments on year on year leases, generating a **4.4% yield** on the sale. The price paid gives a **rate of $9,416 psm lettable area**. Balaclava is located 7 km south east of Melbourne's CBD.

3 & 3a Shannon Street Mall, Frankston, VIC 3199

A rare retail asset has gone to a local investor for **$5 million**. The sale included two freehold, adjoining retail units in Frankston's **Bayside Shopping Centre**. One of the units is subject to a lease to **Bank of Melbourne**, whilst the other unit remains unoccupied, meaning the **initial yield struck was 3.3%**, however according to selling agents, a **fully let yield would boost this to 6.6%**. The shopping centre boasts a 99% occupancy rate and 12 million annual consumers. As a rate, this premises shows $7,924 psm lettable area.

600 Main Street, Mordialloc, VIC 3195

Woolworths has made a surprise move to acquire **Mordialloc Plaza**, a shopping centre anchored by one of its own supermarkets, in addition to 11 specialty tenancies. Singaporean investors, *the Chen Family*, agreed on a price of **$41 million** with the grocery company, at a **yield of just 4.4%**. The move goes against the grain of *Woolworths'* typical strategy of selling tenanted assets to feed money into its core business. The centre rests on a 6,874 sqm site with 4,526 sqm of floor area and 120 on-grade parking spaces, whilst there is potential for a future development. The sale gives a **rate of $9,058 psm lettable area**. Mordialloc lies 24 km south east of Melbourne's CBD.

241 Main Street, Mornington, VIC 3931

Sales activity on Victoria's Mornington Peninsula is showing definite signs of a market upturn, following the sale of the **Mornington Village Shopping Centre** to a syndicate of Chinese investors for **nearly $40 million**, reflecting a sharp **5.26% net yield**. Underwriting the value of this asset are leases to **Woolworths**, **Aldi**, **The Reject Shop**, **Telstra** and **BWS** plus 12 further specialty tenants as well as future expansion prospects driven by population/catchment growth. The sale shows a **rate of $5,023 psm lettable area**. Mornington is positioned 53.6 km south east of Melbourne's CBD.

621-659 Bellarine Highway, Leopold, VIC 3224

Vicinity Enhanced Retail Fund has made way with their **Gateway Plaza shopping centre**, selling the asset to *Charter Hall Retail REIT* for **$117 million**. The sub-regional centre occupies an 8.59 hectare site in a semi-rural area of the Bellarine Peninsula and features a handful of prime anchor tenants such as a full-line **Bunnings, Coles, Aldi** and **Kmart**. Fully leased, the asset will generate approximately $7.65 million net per annum, giving this sale a **fully let yield of 6.5%.** The population of the catchment area is expected to more than double to reach 165,000 people by 2026. The centre sold on a **rate of $3,491 psm lettable area**. Leopold is located 7 km east of Geelong, and 86 km south west of Melbourne's CBD.

671-677 Point Nepean Road, McCrae, VIC 3938

A group of three popular café/restaurants have been sold as a tenanted investment to a local investor. The properties fetched **$6.02 million** for vendors the *Alesci Family*. Each tenant signed a new five year lease prior to the sale, returning an **initial 3.6% annual yield**. The property sits in an iconic position on the Mornington Peninsula, directly opposite McCrae Beach, whilst there are 28 car spaces on title; a major boost to the property considering the popularity of the area. The price equates to a **rate of $6,508 psm** for the 925 sqm of floor area across the shops. McCrae is located 73 km south-east of Melbourne's CBD.

10-20 Geum Street, Hadfield, VIC 3046

A local investor has picked up a standalone **Woolworths and BWS** premises for **$11.75 million**. *Emmanuel Zahra* made a tidy return on the sale, having purchased for $9.75 million in 2016. The 2,101 sqm supermarket has occupied the site since 1979 and has options to 2039, the lease currently generating $418,000 per annum. The property's sale shows a sharp **yield of 3.57%**, reflecting investor demand for food-based retail. It sold at a **rate of $5,592 psm lettable area**. Hadfield is located 13 km north of Melbourne's CBD.

Leasing Activity

1297-1299 Sydney Road, Fawkner, VIC 3060

A site previously used as a car sales yard has been secured by *Krispy Kreme* for **10 years** on a net ground lease generating **$115,000 per annum.** The donut retailer will construct their second concept drive-through store on the site, in addition to outdoor dining space, customer parking and offices. The 1,823 sqm corner site lies adjacent to a KFC drive-through on a main arterial road. The lease was carried out for **$64 psm site area**. Fawkner is situated 12 km north of Melbourne's CBD.

40 Market Street, Melbourne, VIC 3000

A ground floor retail shop in Melbourne's CBD, just south of Collins Street, has been secured for the next **5 years** by *Simpsons Burgers* for a **gross rent of $80,000 per annum**. The shop has 100 square metres of space in addition to an outdoor dining area. This lease represents a **rate of $800 psm gross p.a.**

10 Howey Place, Melbourne, VIC 3000

A 22 sqm retail unit has been secured for **five years** with options for **$2,300 psm per annum**. The unit is located in an enviable position, set in an arcade walkway between the popular Collins and Little Collins Streets. *Princes Pies*, an ethical food retailer, secured the miniature shop and plan to rotate a number of locally renowned chefs through monthly. The total annual rent equates to **$50,600 per annum**.

98 Bourke Street, Melbourne, VIC 3000

A freestanding CBD retail building has been leased to restaurant *Bangkok Terrace* to open their second Melbourne venue. A **five year** lease with options was agreed upon for a **gross annual rental of $200,000**. The property is three levels tall and has 90 sqm floor plates. Available to the new tenants are full kitchen services and a liquor license. The lease generates an **approximate rate of $740 psm lettable area**.

256 Collins Street, Melbourne, VIC 3000

A ground floor retail shop has been let to Swiss watch manufacturer *Longines* for its flagship Australian store. The company chose the site after approval was granted in February to update the older façade. The deal will see owners, *The Li Family*, receive **$750,000 per annum** (net or gross was not disclosed) upon completion of the renovations in October, for the next **ten years**. The property has 148 sqm of ground floor area and a 138 sqm basement located in a prime retail location, amongst high-end, European retail brands. Off total floor area, this lease returns a **rate of $2,622 psm lettable area per annum.**

INDUSTRIAL MARKET

Investment Activity

442-540 Dohertys Road, Truganina, VIC 3029

A 61.19-hectare vacant land site in Melbourne's outer-west has been acquired by *Charter Hall* for **$55.35 million**. The mammoth corner site is regularly shaped and mostly level in topography, making it prime for a large-scale industrial development. The property will be held in the Charter Hall Prime Industrial Fund, which currently manages $2.8 billion worth of assets. *Singaporean investors* offloaded the site at a **rate of $90 psm site area**. Truganina is located 23.5 km west of Melbourne's CBD.

169 Australis Drive, Derrimut, VIC 3030

Singaporean REIT *Ascendas* has paid **$34 million** to *Abacus Property Group* for a warehouse facility in an industrial estate west of Melbourne. The modern, high clearance warehouse space measures a total area of 31,048 sqm and includes 12 recessed loading docks, internal clearance of 13 metres and parking for some 220 vehicles. It is fully leased to three tenants, generating $2.328 million net annual income and a WALE of three years. The sale was done on a **return of 6.84%** and at a **rate of $1,095 psm lettable area**. Derrimut is positioned 19.4 km west of Melbourne's CBD.

36-42 Hydrive Close, Dandenong South, VIC 3175

Industrial logistics provider *LOGOS* has sold an office and warehouse building in the highly popular Dandenong South region for **$19.45 million** to *Investec*. The property features modern office space, high-bay warehousing and high-clearance roller shutters with loading awnings, spread over approximately 1.36 square hectares gross building area. The site is positioned at the end of an industrial cul de sac, a few turns from major roads and highways. The sale was done on an **initial 6.3% yield** and shows a **rate of $1,430 psm gross building area**. Dandenong South is located 31.3 km south east of Melbourne's CBD.

97-107 Canterbury Road, Kilsyth, VIC 3137

A tenanted showroom and warehouse has sold for **$5.1 million**. Investors traded the building on a **7.16% yield** (based on May 2017 rent), with 4 years remaining on a lease to national operators **EzyTrail Campers**, who've occupied the site for over ten years. The 5,150 sqm property was recently refurbished and has good exposure to a main road. The sale shows a **rate of $990 psm lettable area**. Kilsyth is located in Melbourne's east, 32 km east of the CBD.

Leasing Activity

13 Crompton Way, Dandenong, VIC 3175

Atomik Motorsport will locate to a new distribution centre in a newly inked **three year** deal worth **$122,670 net per annum**. The building comprises a new high clearance, clear span warehouse of 1,180 sqm and two floors of modern office space, totalling 183 sqm. The site is close to major arterial roads and offers ample on-grade parking. The lease was agreed at a **net rate of $90 psm lettable area p.a.** Dandenong is positioned 30 km south east of Melbourne's CBD.

33-49 Glenbarry Road, Campbellfield, VIC 3061

A 2.833 hectare site in Melbourne's north has leased to piping specialist *Enviropipes* for **seven years** plus options at a **net rental of $500,000 per annum**. The site, previously occupied by Ford's high performance vehicle branch, features 4,404 sqm of office, warehouse and workshop area, giving a **rate of $114 psm lettable area p.a**. Campbellfield is positioned 15.3 km north of Melbourne's CBD.

7 Kerr Street, Preston, VIC 3072

A concrete tilt-up warehouse has leased for **$47,736 net per annum** in a **five year** deal with options. Photography and audio-visual equipment supplier *Offshoot Rentals* will occupy the premises, which comes with 7.5m internal clearance, one roller shutter door and no office space. A one month free incentive was taken up, whilst the rental amount will increase by 4% per annum. The lease shows a **net rate of $117 psm lettable area p.a**. Preston lies 9.9 km north east of Melbourne's CBD.

24 Stanley Drive, Somerton, VIC 3062

Centuria Industrial REIT has struck a deal with caravan manufacturer *Regent RV* for the latter to occupy 14,251 sqm of warehouse and office space in Melbourne's northern suburbs. The **five year** deal was concluded at a **net amount of $1.14 million per annum**. It will see *Regent RV* occupy 60% of the building's total area. Comments from the leasing agent at CBRE revealed the landlord experienced no down-time in bringing in a new tenant, a sign of the strength in North Melbourne's industrial marketplace, where vacancies are down to 1%. The lease generates a **net rate of $80 psm lettable area per annum**

59-65 Wedgewood Road, Hallam, VIC 3803

An industrial corner site has been let to manufacturer *Zip Industries* for **five years** at a **gross annual rent of $136,202**, reflecting a **rate of $82 psm lettable area**. The site, owned by a private landlord, has 861 sqm of office space set over two levels and an 800 sqm high-bay warehouse with a roller shutter door. Hallam is located 38.7 km south-east of Melbourne's CBD.

93-103 Pacific Drive, Keysborough, VIC 3173

HIS Global Alliance have found a prime grade warehouse and office facility in an industrial estate, securing the property for **five years** on a **net annual rental of $90 psm lettable area**. The property has 500 sqm of office space and 8,245 sqm of high clearance warehouse space serviced by wrap-around driveways, rear hardstand, recessed loading docks and multiple on-grade roller shutters. The facility was developed by *Fraser's Property* as part of 'The Key' estate. Total **annual net rent equates to $787,050 per annum**. Keysborough lies 26.2 km south-east of Melbourne's CBD.

1507 Centre Road, Clayton, VIC 3168

Air conditioning provider *Polyaire* will occupy a 4,589 sqm warehouse/showroom facility for the next **five years**. The property features office space, ample hardstand space with three roller shutter doors into the warehouse, 8m minimum clearance and a corner frontage offering good exposure. The deal was agreed at a **net annual rent of $350,000 per annum**, giving the lease a **rate of $76 psm lettable area per annum**. Clayton lies 20.6 km south-east of Melbourne's CBD.

99 Cook Street, Port Melbourne, VIC 3207

Nu Group Rail Solutions, a rail focussed technology and logistics company, have agreed terms on a new **three year** deal with options for a clearspan, high-clearance warehouse plus office for a **net annual rent of $200,000**. The property is on a corner lot, with exposure to Westgate Freeway. It contains 1,230 sqm of building area, giving this deal a **rate of $163 psm building area per annum**. Port Melbourne lies 5 km south west of Melbourne's CBD.

RESIDENTIAL MARKET

Building Approvals

The Australian Bureau of Statics reported that the building approvals over the month to June 2018 totalled to 2,628 (-12.93%) houses and 1,200 (-23.00%) units in Greater Melbourne. These figures indicate a decline of -3.64% as compared to approvals a year earlier. The decline in approvals over the year to June 2018 is aligned with the declining residential market sentiment where growth in house and unit prices has started to ease.

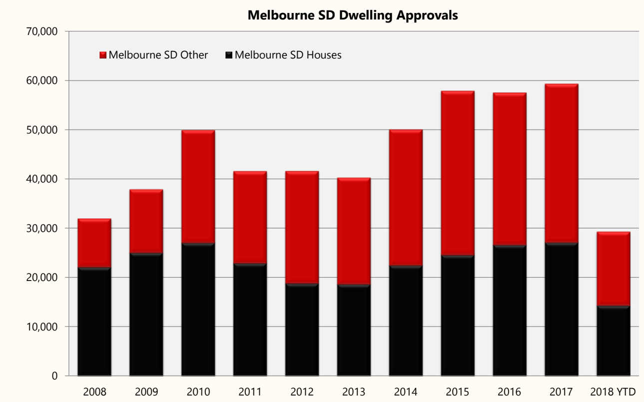

Chart 14 —Melbourne SD Dwelling Approvals—Source ABS / PRP Research

Market Affordability

The Real Estate Institute of Australia (REIA)'s March Quarter 2018 reported an increase in both median house and unit price in Melbourne by 4.4% and 2.4% to $855,000 and $607,000 respectively. These figures however, shows only +7.4% and +4.7% growths whilst yearly growth to December 2017 recorded 9.3% and 6.5%. The decline in year on year changes indicate that the market is gradually easing as tight restrictions on lending continues to pressurise buyers and confidence falter.

Over the same period, middle areas of Melbourne saw the largest increase (+4.3%) in median price to $1,034,000 whilst inner and middle Melbourne saw modest increases of 2.1% and 2.0% to $1,545,000 and $678,500 respectively. On another note, for unit dwellings, Outer Melbourne performed best with a quarterly increase of 2.3% to $518,000 followed by middle Melbourne (+1.6% to $674,000) and inner Melbourne (+0.3% to $600,500).

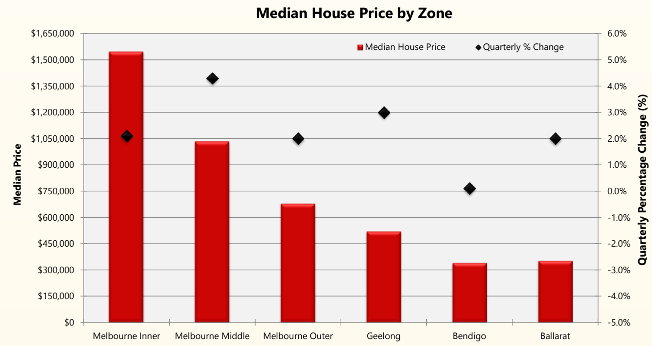

Chart 15 – Median House Price by Zone – Source REIA / PRP Research

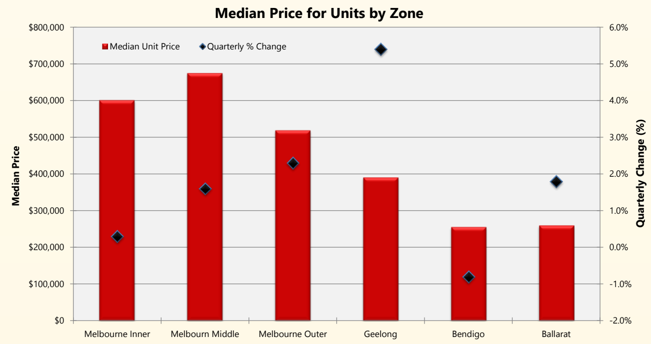

Chart 16 – Median Price for Units by Zone – Source - REIA / PRP Research

Rental Market

Melbourne houses recorded a predominantly positive quarterly rental price growth. Houses in inner areas of Melbourne performed strongest with 2 and 3 bedroom houses recording 3.5% and 4.0% increase to median weekly rental price of $590 and $780 albeit rental for 4 bedroom houses declined by 0.5% to $950 weekly. Outer Melbourne areas performed second best amongst Melbourne's zones over the period with 2 and 4 bedroom house median weekly rentals increasing by 3.0% and 1.2% to $340 and $420 whilst median rental price for 3 bedroom houses in the area remained unchanged at $370 weekly. In contrast to this, 2, 3 and 4 bedroom median rents in middle Melbourne remained unchanged at $450, $500 and $650 weekly.

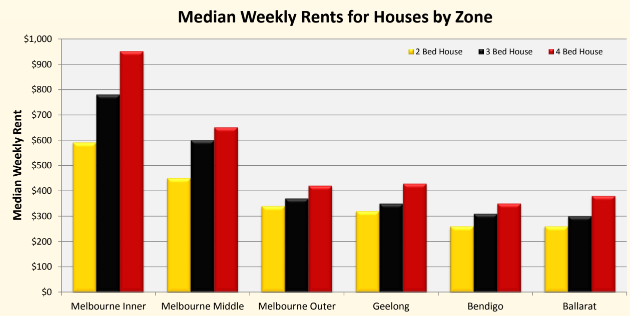

Chart 17— Median Weekly Rents for Houses by Zone – Source - REIA / PRP Research

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Rents for unit dwellings in Melbourne shows similar trends to houses where quarterly rental growth was predominantly positive. Inner Melbourne median rent recorded slight increases for its 1 and 2 bedroom units by 1.3% and 2.8% to $400 and $550 weekly whereas median rent for 3 bedroom units in the area remained at $780 weekly. Middle Melbourne however saw the largest increase in rent for its 3 bedroom units, up by 2.9% to $525 per week, followed by 2 bedroom units increasing by 2.4% to $420 whilst 1 bedroom units in middle Melbourne saw a decline to $300 weekly from the $320 recorded in December 2017. Overall, outer Melbourne performed best with its 1 and 2 bedroom unit rents increasing by 3.8% and 3.0% over the period to $270 and $340 weekly while its 3 bedroom unit rents remained unchanged at $380 weekly.

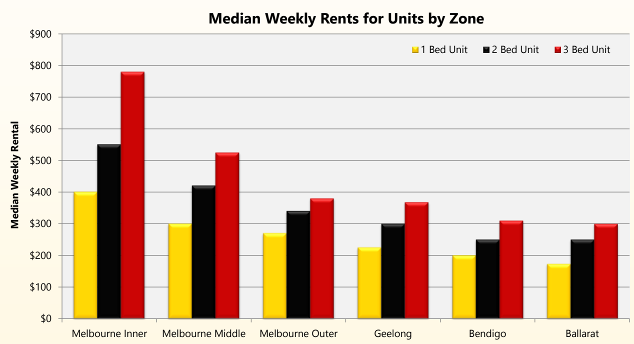

Chart 18 - Median Weekly Rents for Units by Zone – Source - REIA / PRP Research

BENDIGO

Market Affordability

House sales in Bendigo remained steady over the quarter with median price increasing by only 0.1% to $340,000 whilst unit median price in the area fell by 0.8% to $255,000.

Rental Market

The median rents for 2 and 4 bedroom houses in Bendigo remained at $260 and $350 weekly whilst 3 bedroom houses saw an increase of 3.3% over the quarter to $310 weekly. Units in Bendigo performed better than houses in the rental market. 1 bedroom units median rental price jumped 25.8% over the quarter to $200 weekly while 2 and 3 bedroom units saw modest increases of 2.0% and 3.3% to $200 to $310 weekly.

GEELONG

Market Affordability

Over the March 2018 quarter, the median house price in Geelong increased by 3.0% to $520,000. This figure represents a 13.0% increase over the year. While the yearly growth in Melbourne has started to decline, the yearly growth in Geelong remains resilient, up from 12.0% over the December 2017 quarter to 13.0% over the March 2018 quarter. Similarly, the median price of unit dwellings in Geelong depict a robust rise of 5.4% over the quarter, bringing median price up to $390,000, reflecting a strong yearly growth of 14.7%. This indicates rising demand for properties in Geelong whilst supply remains short. Additionally, migration levels in Geelong are increasing with investors increasingly starting to look at Geelong as an investment option.

Rental Market

Unlike its capital market, Geelong's rental market has started to ease. This aligns to the overall slowing residential market in Australia. Geelong's houses experienced varied changes over the quarter. The median rental price for 2 bedroom houses in Geelong increased by 3.2% over the quarter to $320 weekly whilst the previous quarter saw a stronger 6.9% growth. 3 bedroom houses on the other hand, saw no change in median rental price remaining at $350 weekly following a modest rise of 2.9% over the previous quarter. Amongst the median house prices in Geelong, 4 bedroom houses performed worst, declining by -0.5% over the quarter to $428 weekly. Unit dwelling in Geelong, although weakening, saw modest growth for its 1 and 3 bedroom units by 4.7% and 0.8% to $225 and $300 while its 2 bedroom median price remain unchanged at $300 weekly.

BALLARAT

Market Affordability

Both house and units in Ballarat saw increases in median price over the quarter by 2.0% and 1.8% respectively bringing median house and rental prices up to $352,600 and $259,500.

Rental Market

Ballarat's median rents for houses saw varied increases for all 2, 3 and 4 bedrooms by 4.0%, 1.7% and 2.7% to $260, $300, $380 weekly, however, units in the area did not perform as well as houses with 1 bedroom unit median rents declining by 1.1% to $174 weekly whilst 2 and 3 bedroom unit rents remained unchanged at $250 and $300 weekly.

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LUXURY RESIDENTIAL INVESTMENT ACTIVITY

3808 Point Nepean Road, Portsea, VIC 3944

High net worth individuals have exchanged a clifftop, waterfront villa on a tightly held, prime strip of real estate for **$13.5 million**. *Jonathan Munz*, having purchased the property in 2016 for $10.7 million, sold the house to *Russell Knowles* with a lengthy 12 month settlement period. **Rovina** is a c.1960's, five bedroom Mediterranean villa style dwelling featuring a cluster of living areas set around a central courtyard, leading to a sprawled clifftop balcony that overlooks Weerona Bay on a 1,996 sqm north facing allotment. The sale reflects a **land rate of $6,764 psm**. Portsea is positioned 95 km south of Melbourne's CBD.

12 Kenley Court, Toorak, VIC 3142

A Chinese buyer has picked up a four bedroom home in "one of Toorak's best streets" for **$9.2 million**. The sale, approved this week by the FIRB, set a **record land rate for the suburb of $12,169 psm**, indicating no slow-down in Melbourne's prestige housing market. Chinese buyers have a presence at the top of the market, with the ability to offer more than the majority of local buyers. Agent David Morrel said Toorak "twelve months ago I was paying $6500 to $7000 per metre in Toorak". The suburb is located 6.3 km south east of Melbourne's CBD.

RURAL PROPERTY MARKET

270-720 Walkerville Road, Tarwin Lower, VIC 3956

Two adjoining rural estates in the South Gippsland region have been sold by the *Rawson Family*, (i.e. the family of the co-founder of Burgess Rawson) for **about $20 million**. Together the sites measure 1,252 square hectares of cattle grazing land, including direct coastal frontage of over 1 km, giving the purchasers, a Melbourne-based couple, an opportunity to develop the site into a resort or eco-tourism style retreat. According to agents Elders Real Estate, the "price achieved would also be a record in South Gippsland". The Rawson family sold out of the company in 2010. This sale reflects an **approximate rate of $15,974 per square hectare.** Tarwin Lower is located 175 km south east of Melbourne's CBD.

RESIDENTIAL DEVELOPMENTS

254-258 Burwood Highway, Burwood, VIC 3125

A Chinese developer has picked up a pre-approved development site for **$6.5 million**. The new owner intents to take advantage of the site's location, opposite Deakin University (26,000 students), by constructing student accommodation. The lot sold with approval for 66 residential apartments on a site area of 2,122 m2. This shows **a rate of $98,485 per apartment site** and **$3,063 psm site area**. Burwood is located 14 km east of Melbourne CBD.

39 Willowbank Road, Gisborne, VIC 3437

Growing demand for housing in regional Victoria has spurred *ID Land* to pick up a 75.67 hectare site in the Macedon Ranges for **$61.1 million**. The site is on the Calder Freeway, which links Bendigo to the Victorian Capital. It will accommodate 250 houses, a primary school and open space. The developer referenced a resilient Melbourne housing market and net immigration gains as positive indications that demand for housing in these regions will remain upbeat. The sale was done at a **rate of $244,400 per home site**. Gisborne lies 59.1 km north west of Melbourne's CBD.

500 Old Hume Highway, Beveridge, VIC 3753

Melbourne based developer *Zeng Xiong Lin* has outlaid **about $200 million** for a 600 hectare rural site slated for future housing development. The property known as **Deloraine** is not currently zoned for a development, but is included within Melbourne's urban growth boundary and could hold 6,000 new dwellings upon rezoning. The region has seen properties of a similar class increase in values by up to 40% due to critical land shortages. Mirvac and Stockland own adjacent properties. The farm was sold by the *Laffan family* who purchased the property for £82,000 in 1964. The sale shows a **rate of $33,333 per lot site** and **$333,000 per square hectare**. Beveridge is located 43 km north of Melbourne's CBD.

55 Claremont Street, South Yarra, VIC 3141

Melbourne developer *Michael Yates* has sold his approved development site for **$8.6 million** prior to a third scheduled auction of the site, having postponed two earlier attempts to sell. The sale reflects a high level of confidence in the Forrest Hill precinct when considering the prior sale attempts. The undisclosed buyer intends to develop the 431 sqm site as a boutique build-to-rent development, featuring 37 apartments over 15 stories. The purchase was done on a **land rate of $19,954 psm**, and a **per apartment site rate of $232,432**. South Yarra lies 4.7 km south east of Melbourne's CBD.

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SPECIALIZED PROPERTY MARKET

32 Flinders Street, Melbourne, VIC 3000

Dexus has sold a 546-space car park in Melbourne's CBD for **$87.1 million**. The property comes with development approval for a residential development comprising 47-levels on Flinders Street and 14-levels on Flinders Lane. However the purchaser *GPT Group* own a 50% stake in the adjoining 40-level commercial building, which could see development plans altered. The carpark, which occupies 2,087 sqm of land, is fully leased to **Wilson Parking** and **EY** for $2,072,000 per annum net. The sale shows rates of **$159,524 per bay** and **$41,735 psm site area**.

1066 Centre Road, Oakleigh, VIC 3167

A brand new childcare centre has sold with a strong new lease in place for **$9.5 million**. The purpose built facility will cater for 139 kids over a large, 3,291 sqm corner allotment. The property is leased to national operator **Early Learning Centre** for 15 years plus two 5 year options, running until a maximum 2042. It currently generates $600,480 p.a. net, with 3% fixed annual rent increases. The sale, at **$68,345 per placement**, reflects the biggest childcare sale in Victoria this year. The real estate income returns a **yield of 6.32%** for the private purchaser. Oakleigh is positioned 16.5 km south east of Melbourne's CBD.

720 High Street, Kew East, VIC 3102

A local investor has paid **$6.5 million** for a fully refurbished childcare centre in Melbourne's east. The property sold with a 20 year lease in place to national operator **Guardian Early Learning**, generating $339,682 net annual income, plus two 10 year option periods. It appears the purchaser has made a fairly prudent investment considering the initial 20-year lease term and the **years-purchase generated of 19.14 (5.23% net yield)**. The centre is currently approved for 68 places and plans are underway to increase that to 77 places which would trigger a corresponding increase in rent. The sale reflects a **rate of $95,588 per placement**. Kew East is located 8.9 km north east of Melbourne's CBD.

1036 Glen Huntly Road, Caulfield South, VIC 3162

A site approved for a 128-placement childcare centre has sold for **$4.275 million**. In an off-market deal, *Stellar Development Group* acquired the 1,329 sqm site on a **per placement site rate of $33,398**, whilst the size of the land generates a **rate of $3,217 psm site area**. Caulfield South is located approximately 13 km south of Melbourne's CBD.

HOTEL & LEISURE MARKET

4327 Anzac Parade, Wodonga, VIC 3690

A wealthy local investor has purchased the **Blazing Stump Hotel** on the outskirts of Albury for **$6 million**. The hotel will retain current management in a lease-back deal which generates a **yield of 6.76%**. The recently refurbished hotel is set over a 5,708 m2 site area and features a range of outdoor and alfresco dining areas, TAB facilities, a drive-through bottle shop, surplus on-grade parking, a crèche area and 25 EGMs. Given a floor area of 1,780m2, this sale shows a **rate of $3,371 psm lettable area**. Wodonga is located 305 km north east of Melbourne CBD.

PROPERTY FUNDS & CAPITAL RAISINGS

QIC pays $1bn for half-stakes in two Pacific malls

Global fund manager *QIC* has taken a near **$1bn position** in prime retail assets by acquiring half stakes in two of *Pacific Corporation's* shopping centre assets in Melbourne's suburbs. Interests in **Pacific Werribee** and **Pacific Epping** were reported to have been dealt on a **yield below 4.5%,** reflecting investor confidence in prime retail shopping centres. The deal was done off-market and has been settled on title of the properties. Flagship shopping centres are being hotly contested amongst institutional investors looking to safeguard their retail returns through a wider, more dynamic leasing capability. Pacific Werribee and Pacific Epping are ranked 27th and 52nd respectively amongst the list of Australia's largest shopping centres.

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ECONOMIC FUNDAMENTAL

Gross Domestic Product

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

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

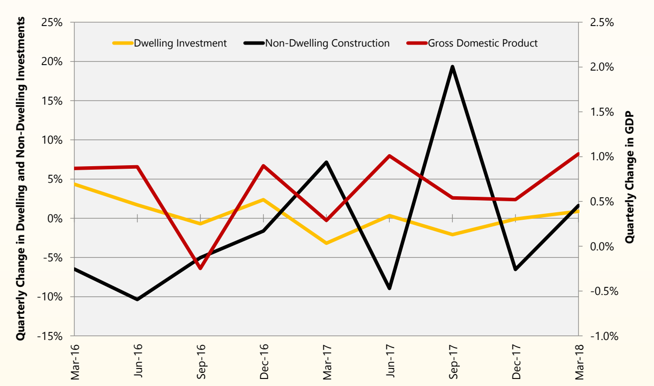

Chart 19— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

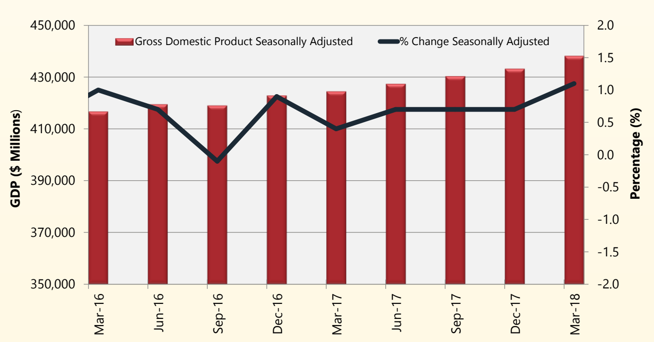

Chart 20— Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP— Source: ABS

Consumer Price Index

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

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

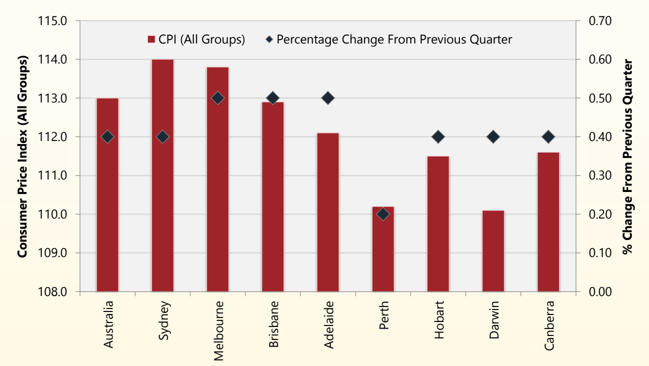

Chart 21—All Group CPI (Capital Cities) and Percentage Change — Source—ABS

Business Sentiment

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

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

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Consumer Sentiment

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

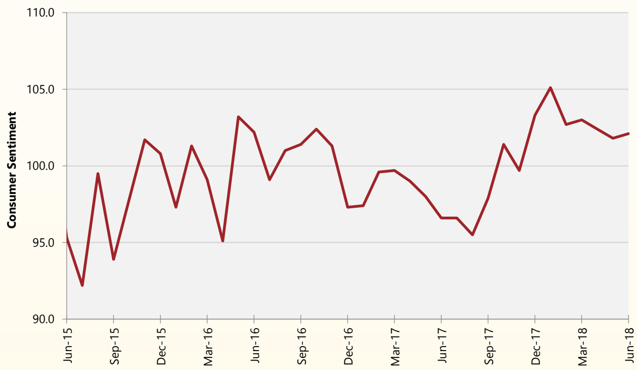

Chart 22—Consumer Sentiment Index —Source—Westpac Melbourne Institute Survey

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

Table 2—Consumer Sentiment —Source—Westpac Melbourne Institute Survey

Interest Rates

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

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

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

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

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

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

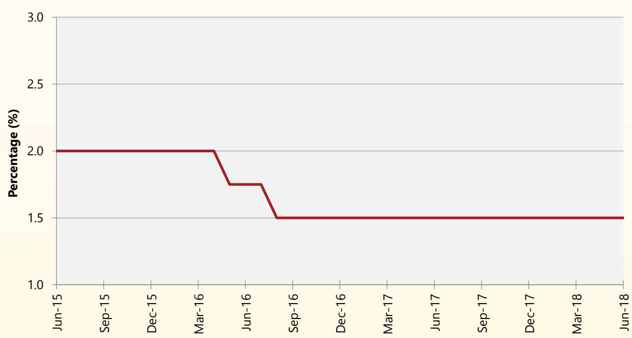

Chart 23— Movement of the Cash Rate — Source: RBA

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10 Year Bond & 90 Day Bill Rate

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

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

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

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

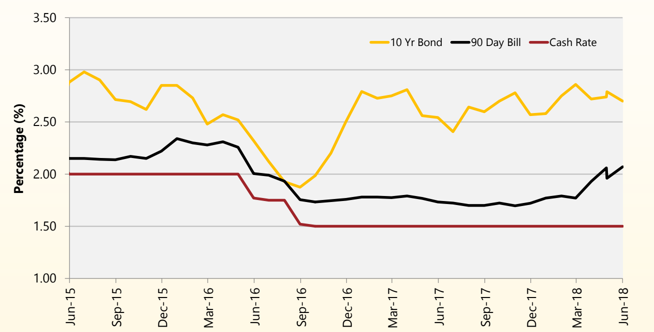

Chart 24— Monthly movement of 90-day Bill, 10-year bond yields and Cash rate — Source: RBA

Unemployment

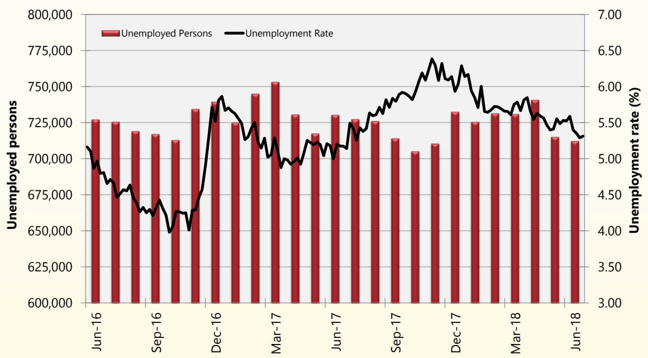

Chart 25— Unemployment Persons and Unemployment Rate— Source: ABS

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

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

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

Table 3— Unemployment Rate and Participation Rate — Source: ABS
* Trend figures used for NT and ACT as seasonally adjusted data for both are not publicly

Exchange Rate

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

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

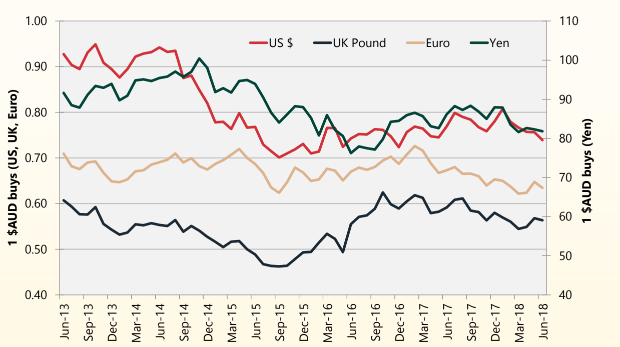

Chart 26— Movement in Exchange Rate — Source: RBA

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