



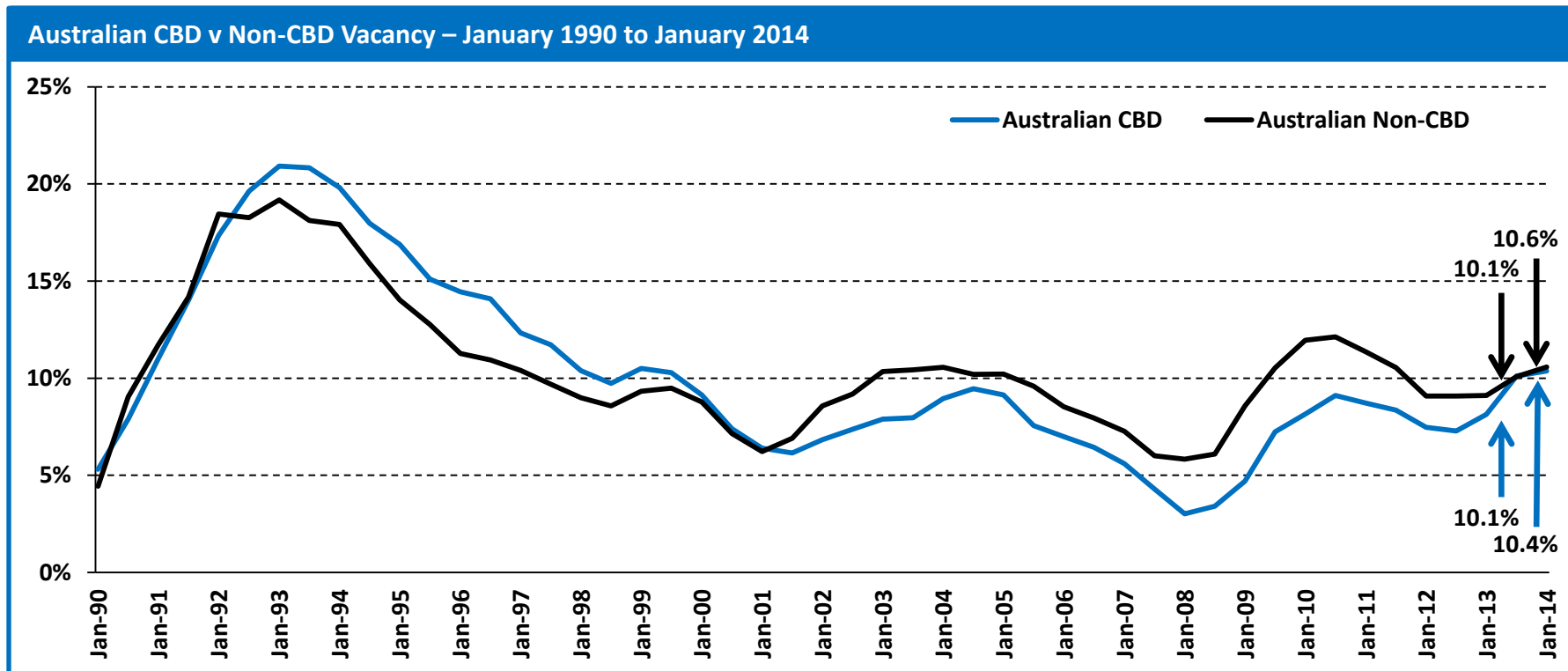
Office Market Report

January 2014



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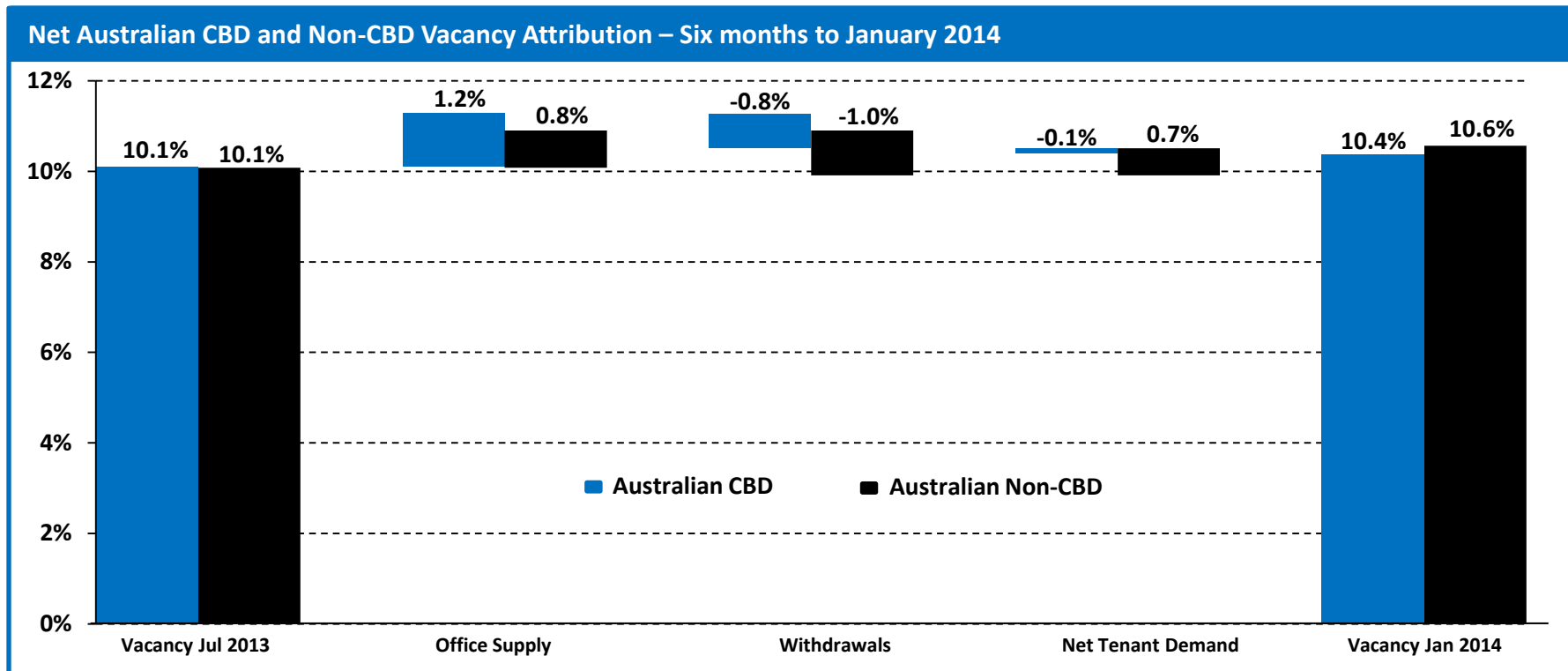
Vacancy rates up in both CBD and Non-CBD markets





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Increases in supply were the largest contributor to the rise in vacancy

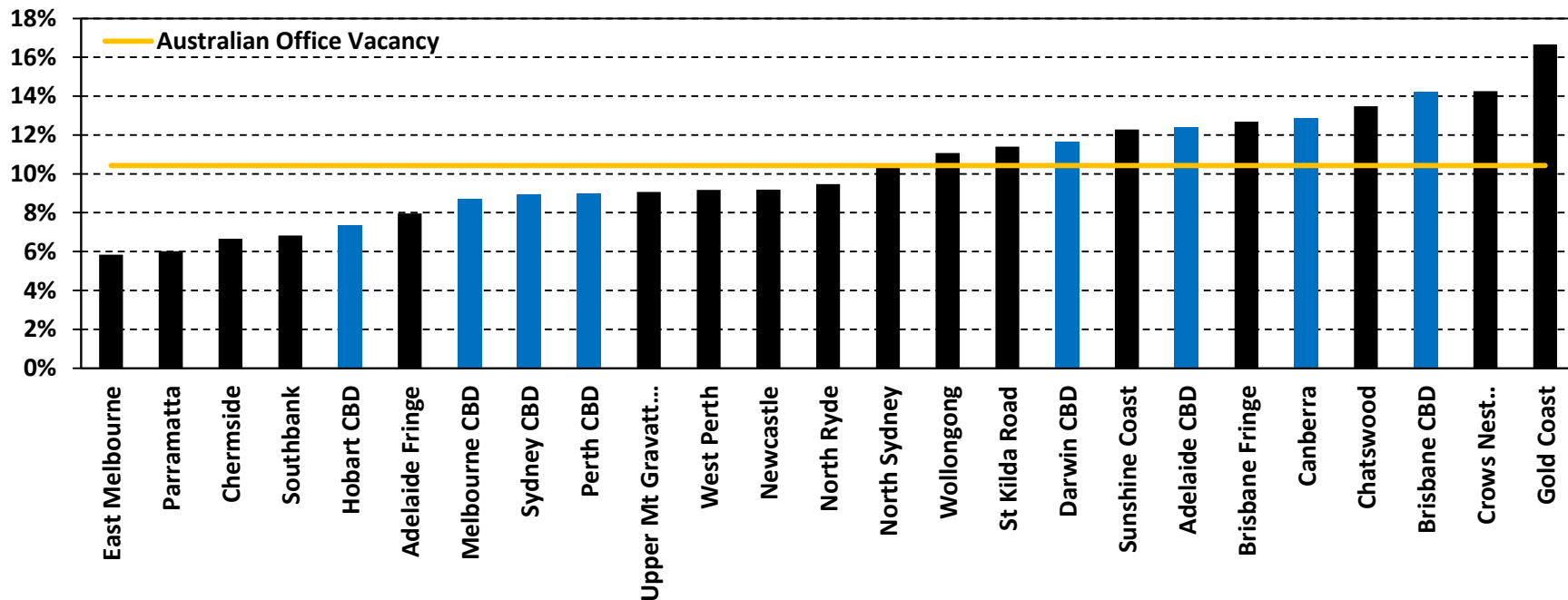




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Four of the eight CBD markets recorded a vacancy rate above 10 percent

CBD & Non-CBD Vacancy Rates – January 2014

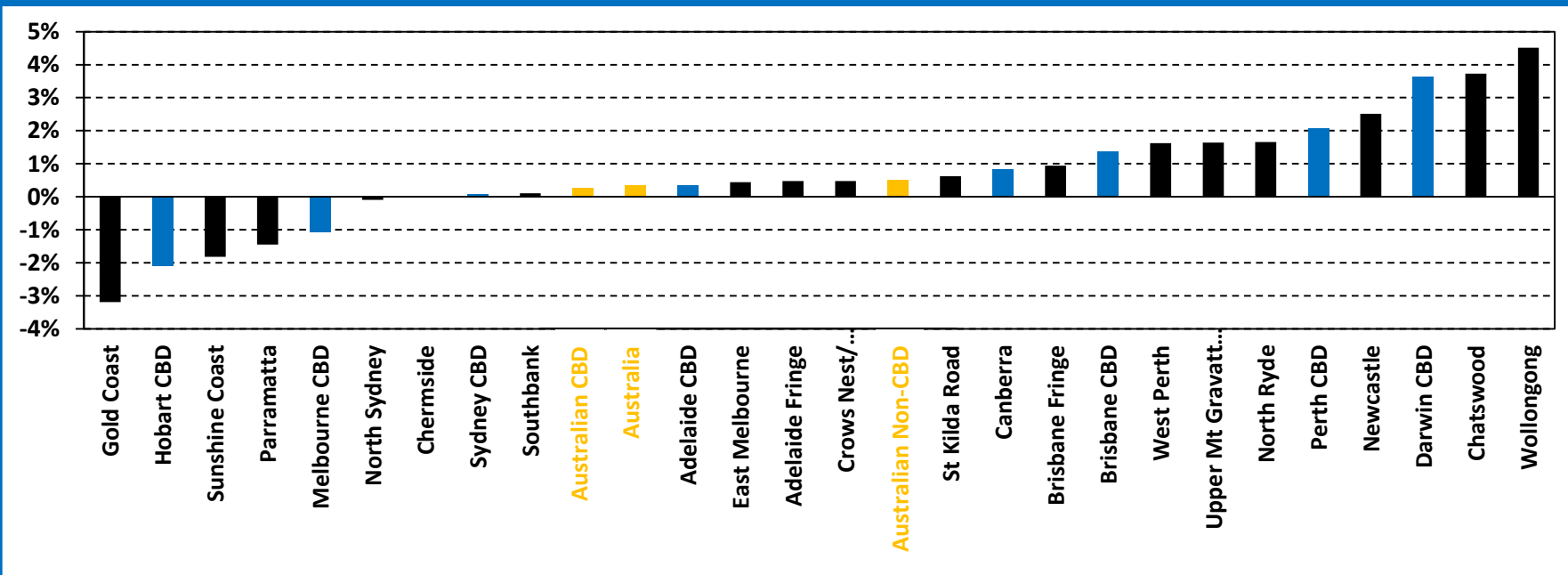




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Only six markets recorded a decline in vacancy

Vacancy Change – Six months to January 2014

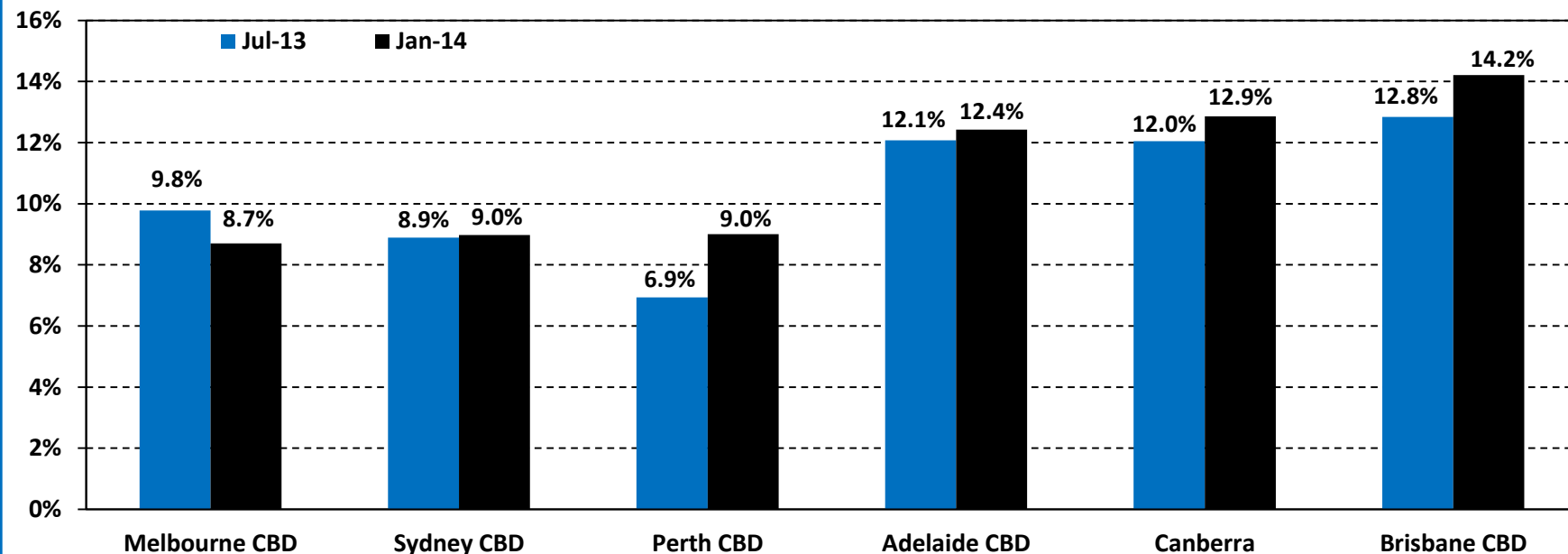




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Melbourne CBD recorded a decline in total vacancy

CBD Vacancy Change – Six months to January 2014

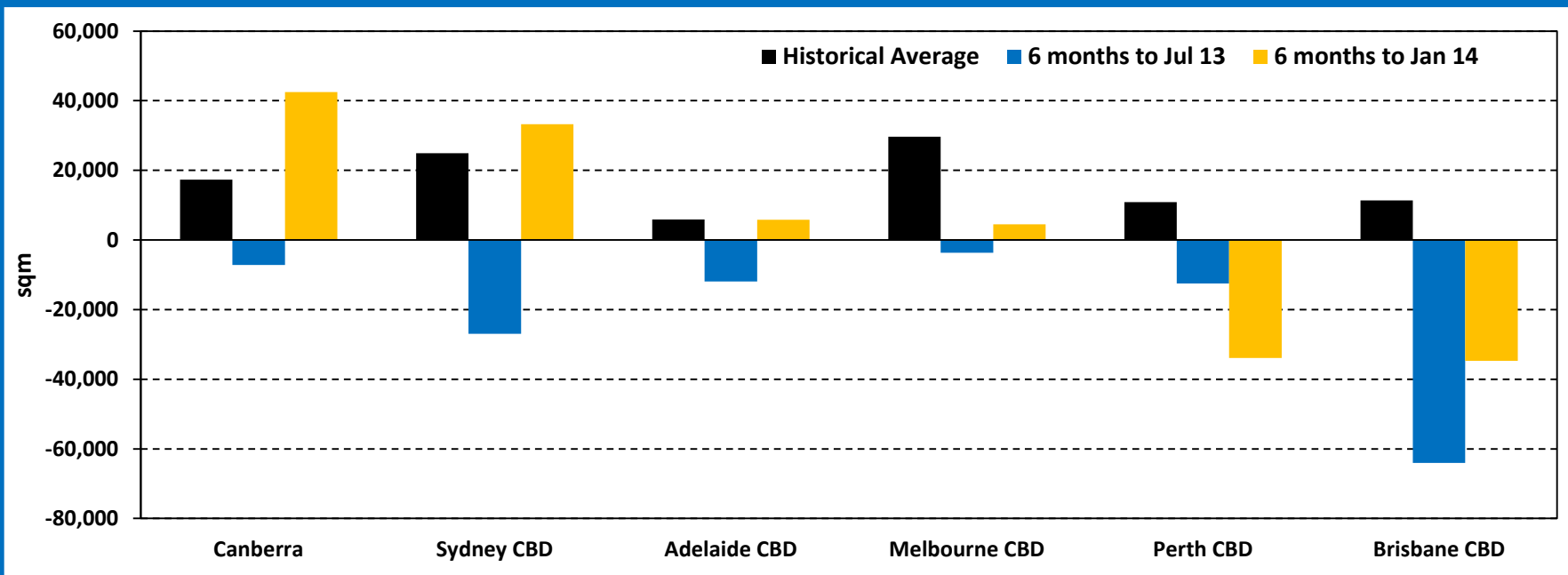




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Brisbane and Perth recorded negative demand in both halves, whilst other CBD markets turned in the 2nd half.

Net CBD Demand – Six months to July 2013 and January 2014

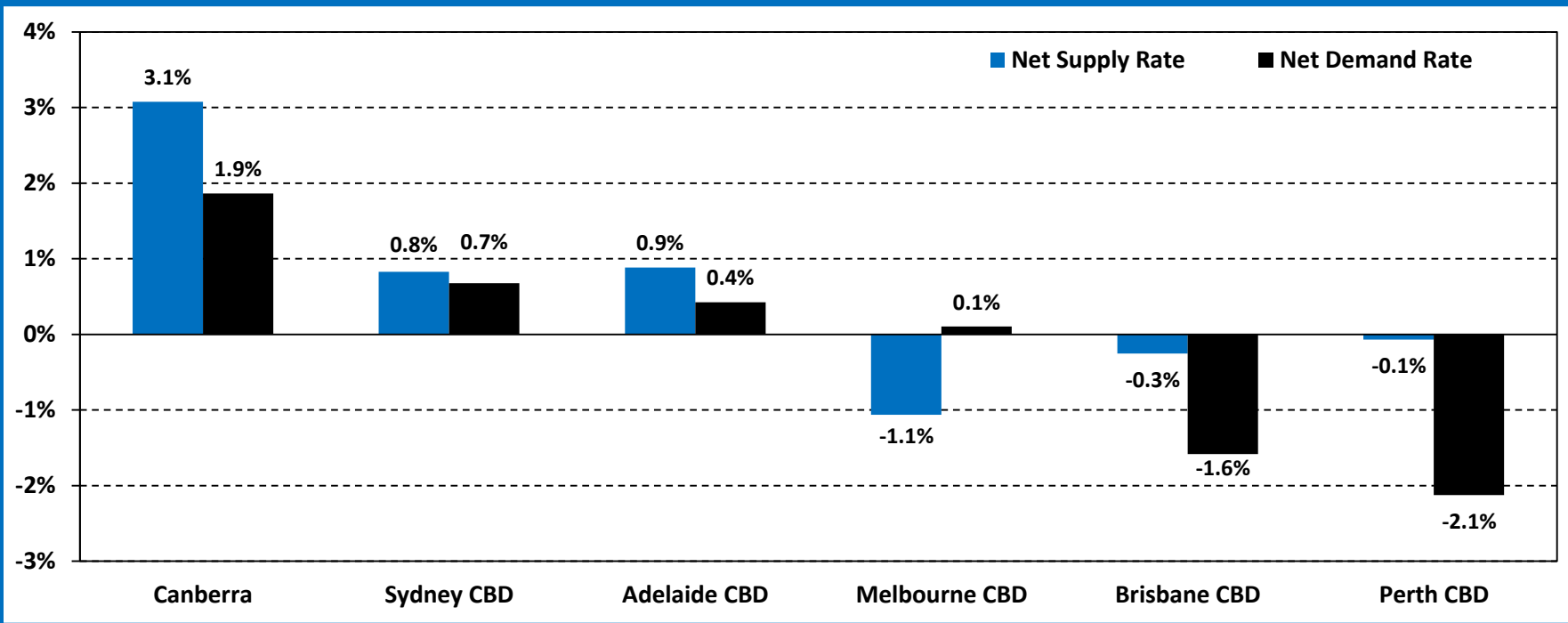




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Supply was the highest in Canberra, demand the weakest in Perth CBD

CBD Six Months to January 2014 Net Supply & Net Demand (% of stock)



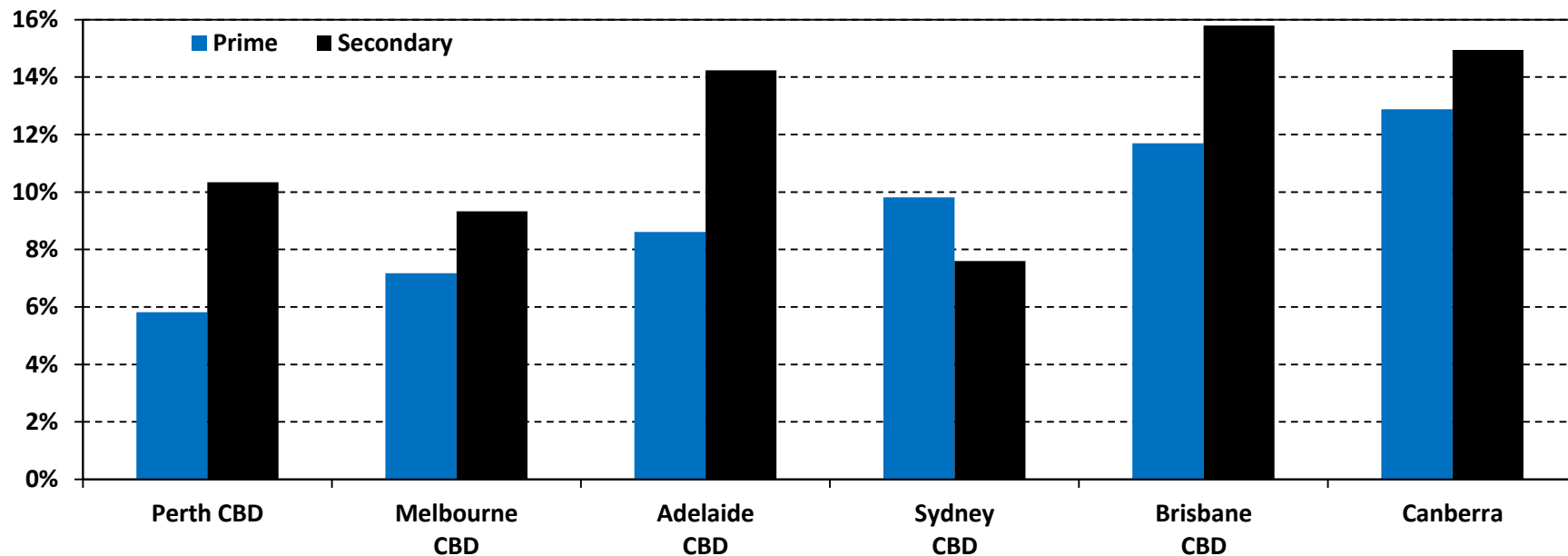
*Demand rate = Change in Occupied Stock / Previous Stock



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Sydney CBD is the only market where the prime vacancy rate is higher than the secondary vacancy rate

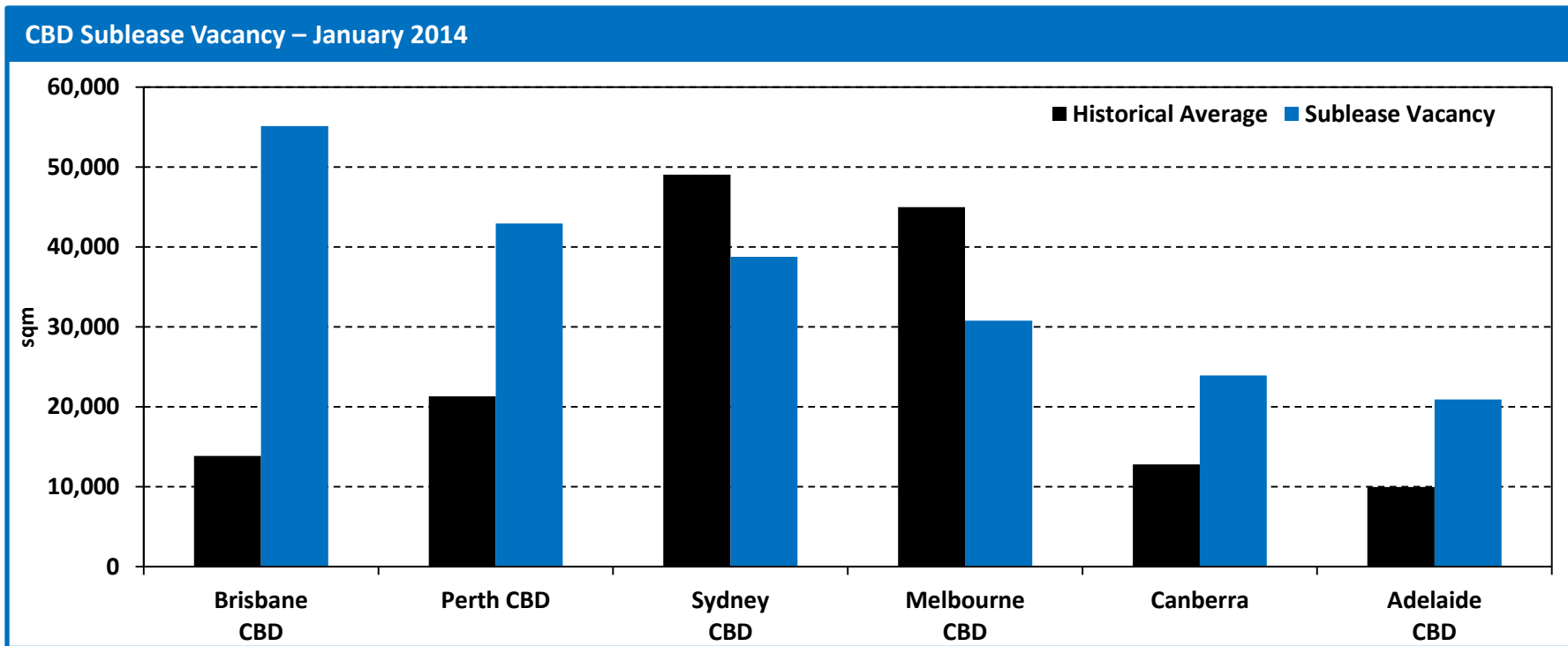
CBD Vacancy Rate – Prime vs Secondary – January 2014





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Brisbane CBD sublease vacancy is more than three times its historical average

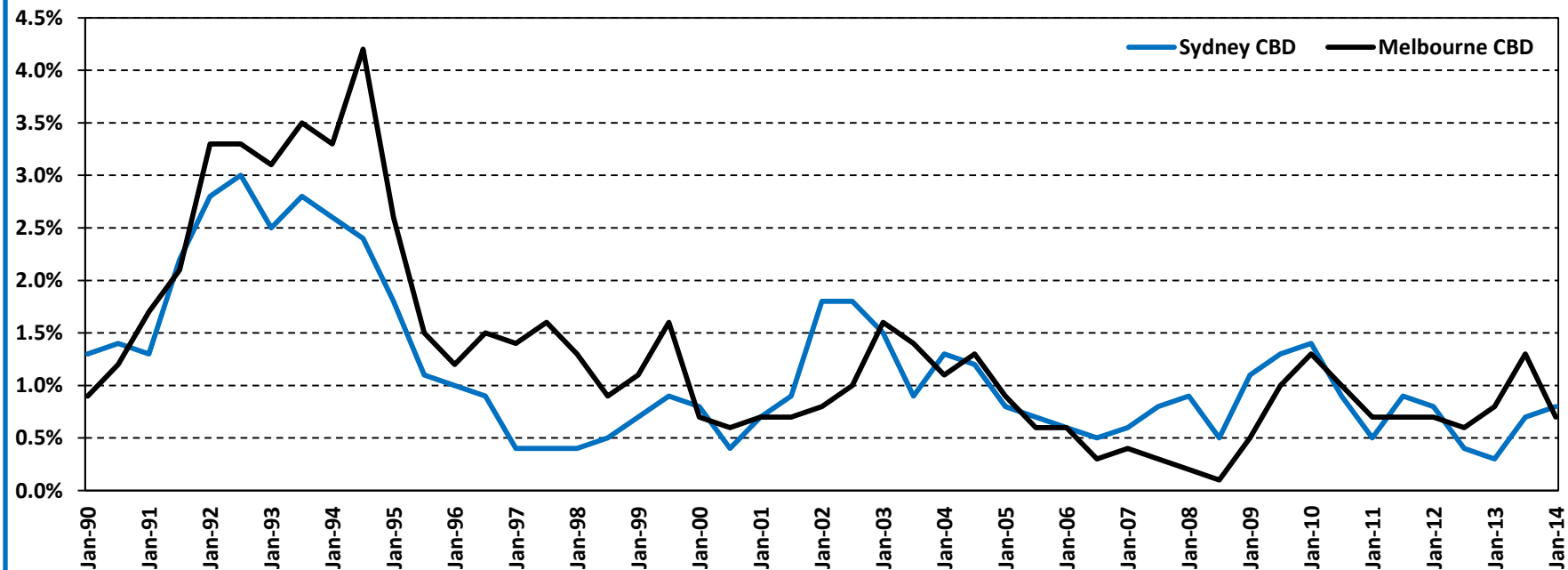




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Melbourne CBD recorded a significant drop in sublease vacancy

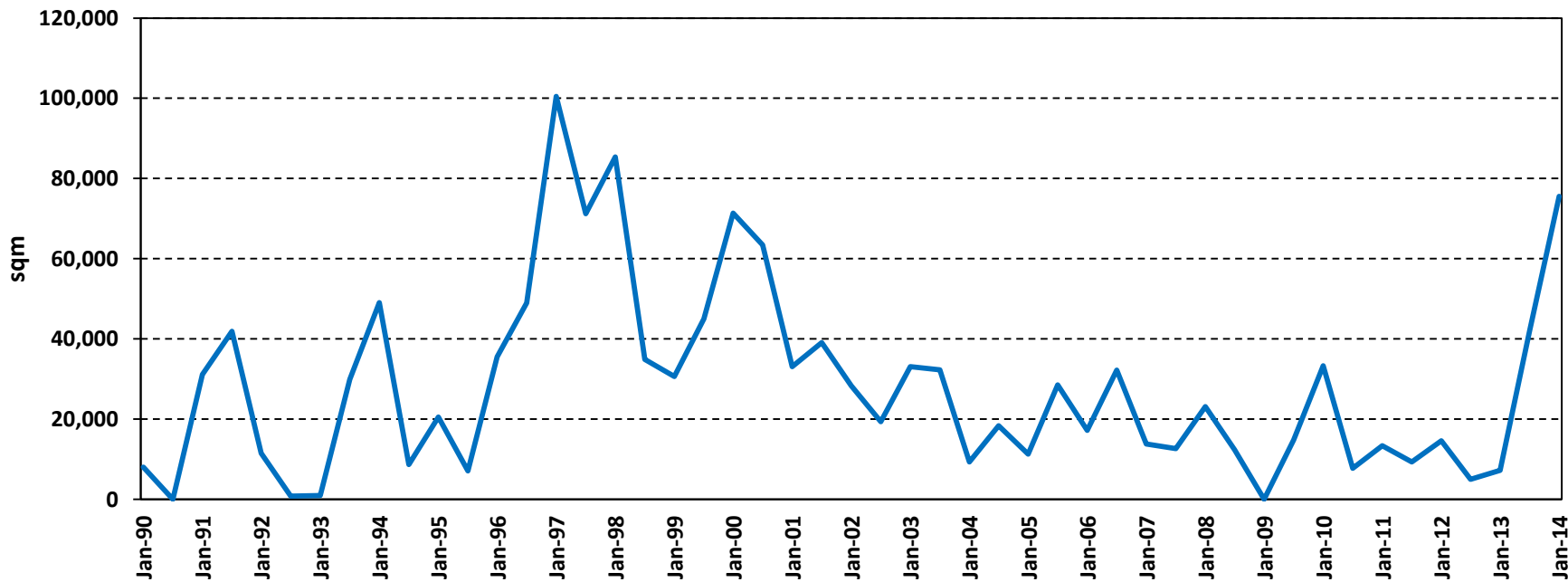
Sydney CBD v Melbourne CBD Historical Sublease Vacancy – January 1990 to January 2014





Office Market Report – January 2014

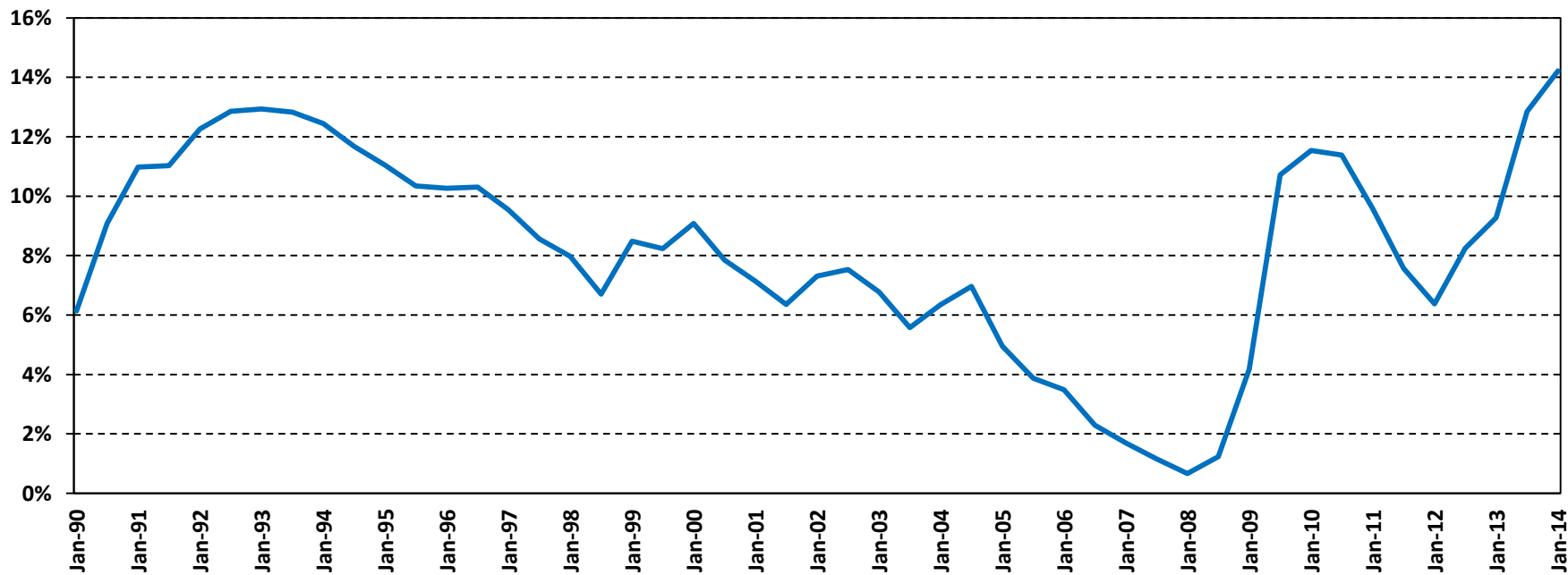
Melbourne CBD Historical Withdrawals – January 1990 to January 2014





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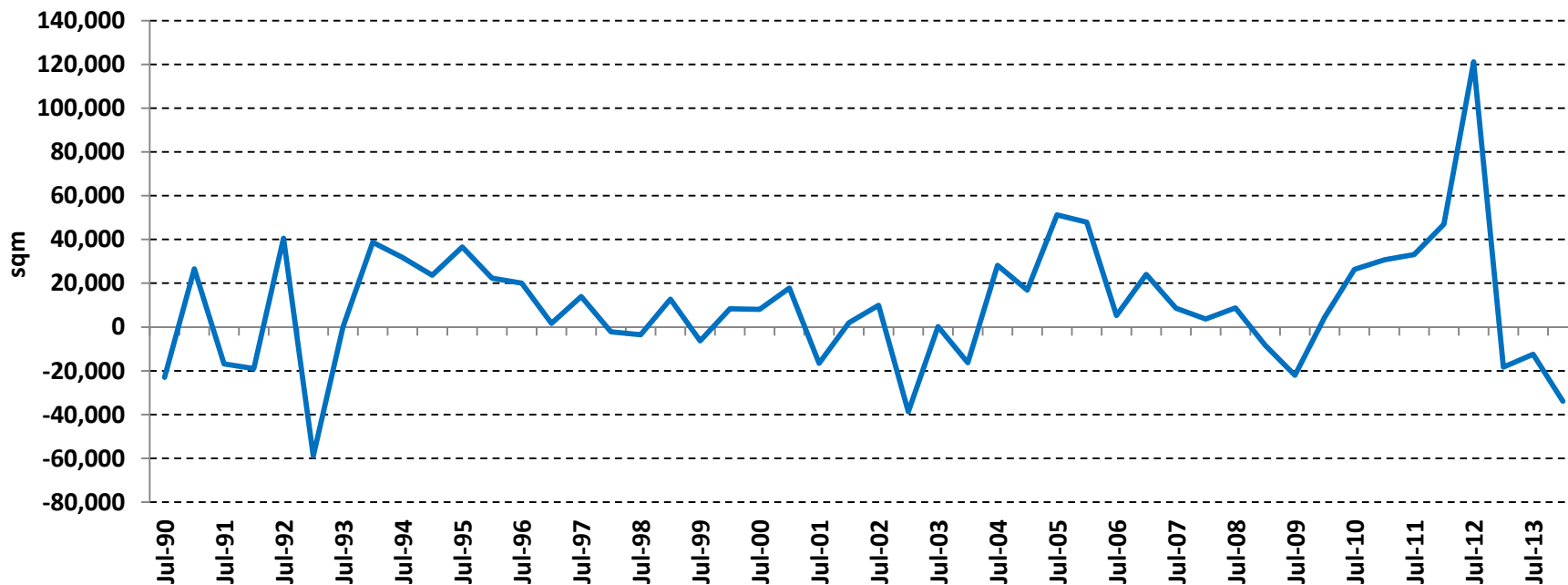
Brisbane CBD Historical Vacancy Rate – January 1990 to January 2014





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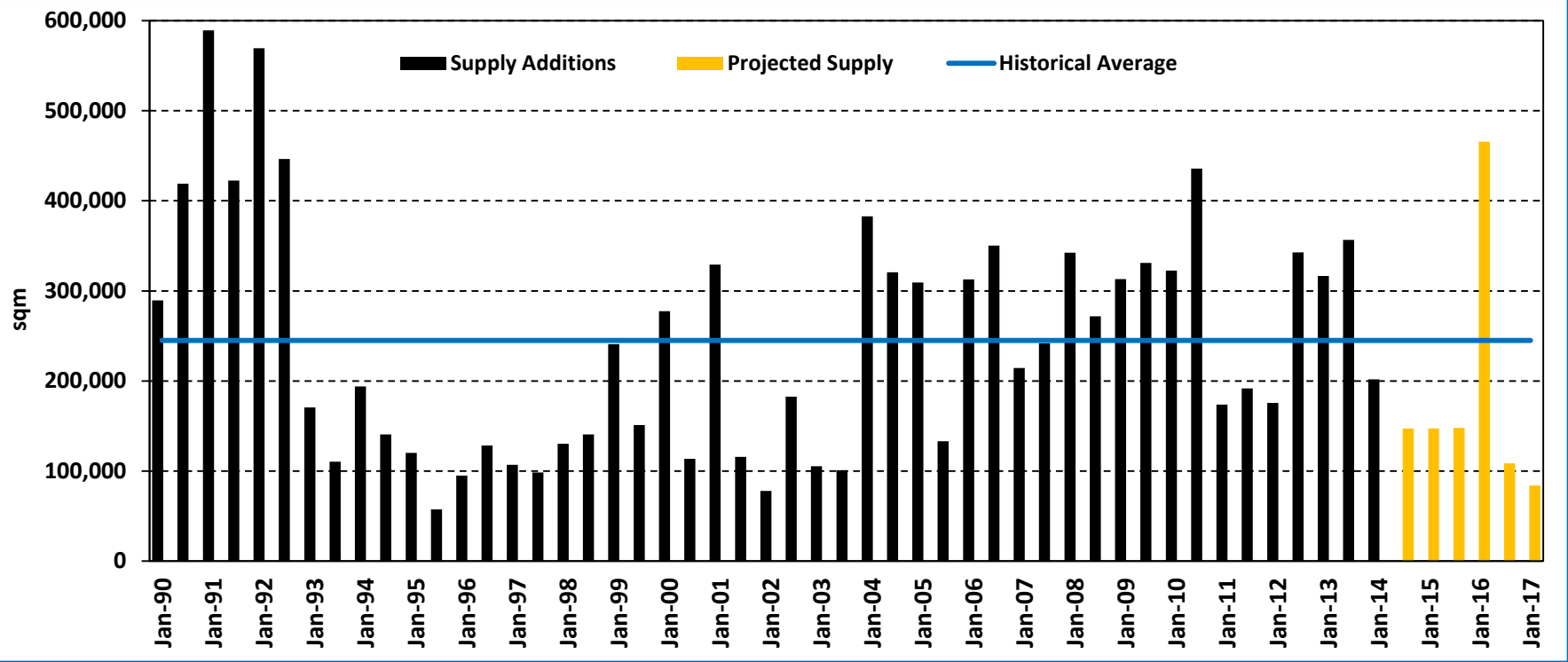
Perth CBD Six-Monthly Historical Demand – July 1990 to January 2014





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Australian CBD Six Monthly Gross Supply – January 1990 to January 2017

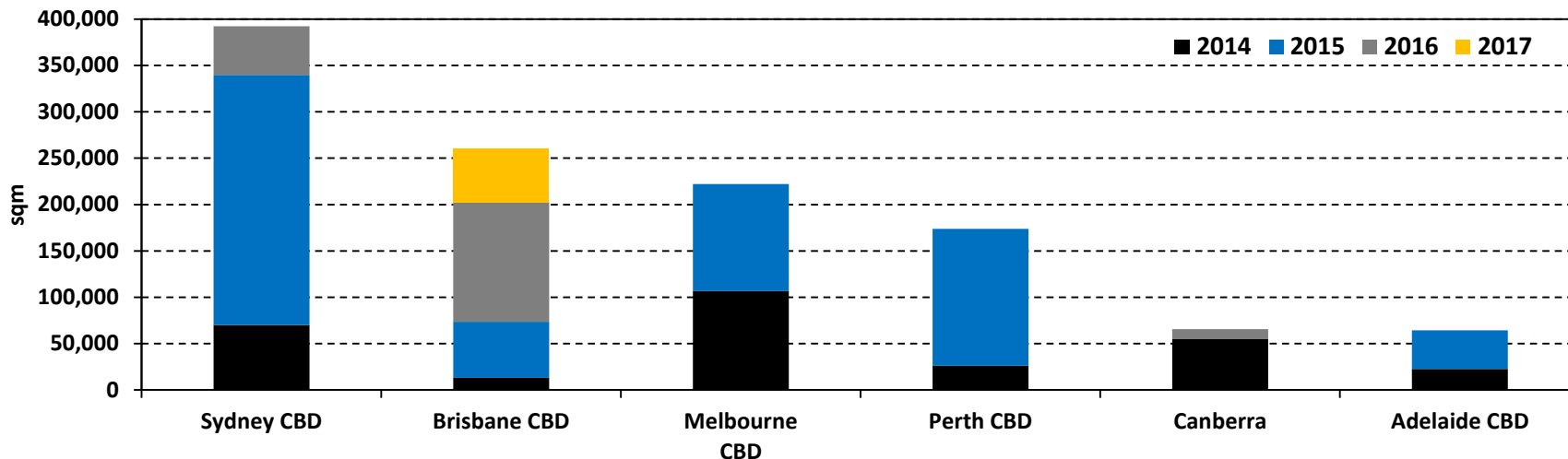




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The future supply in Brisbane CBD and Perth CBD are more than 10 percent of current stock

Future Supply of CBD markets – 2014 to 2017

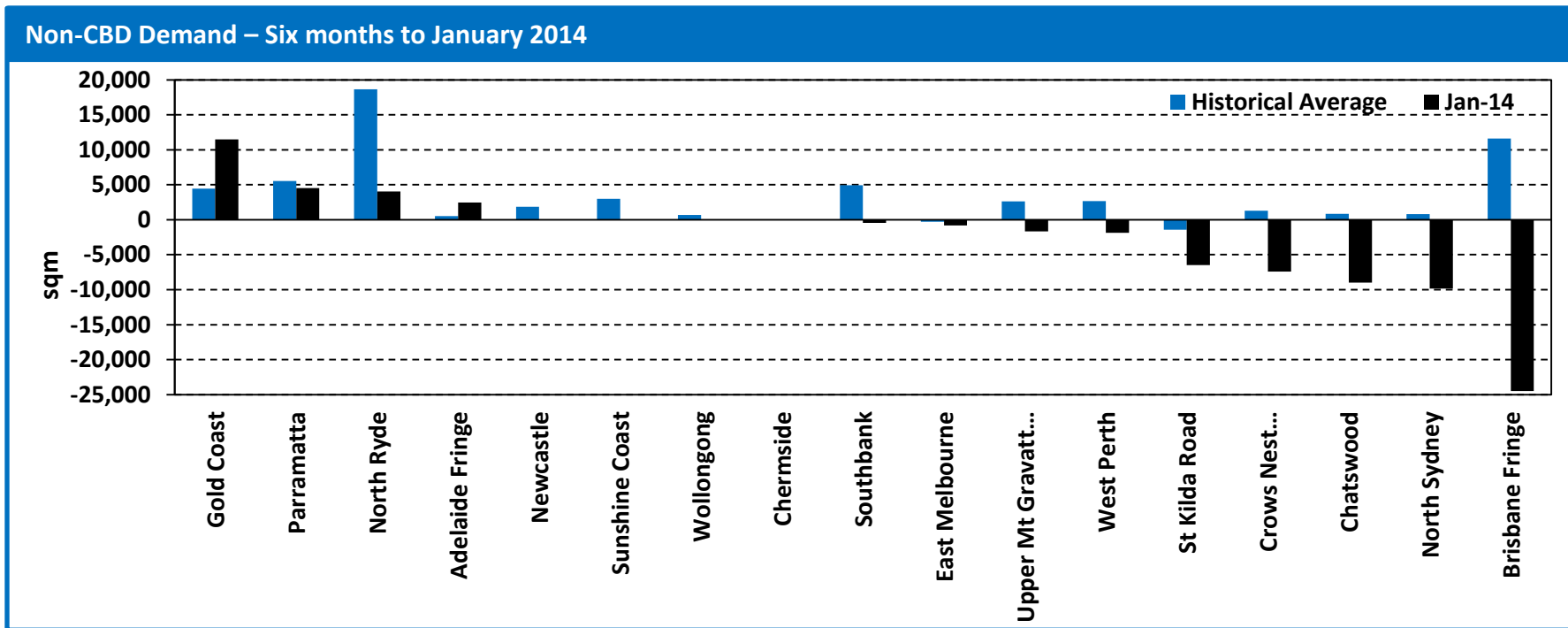


% of Current Stock	7.9%	11.9%	5.2%	10.9%	2.8%	4.7%
Pre-Commitment	48%	32%	54%	46%	37%	50%



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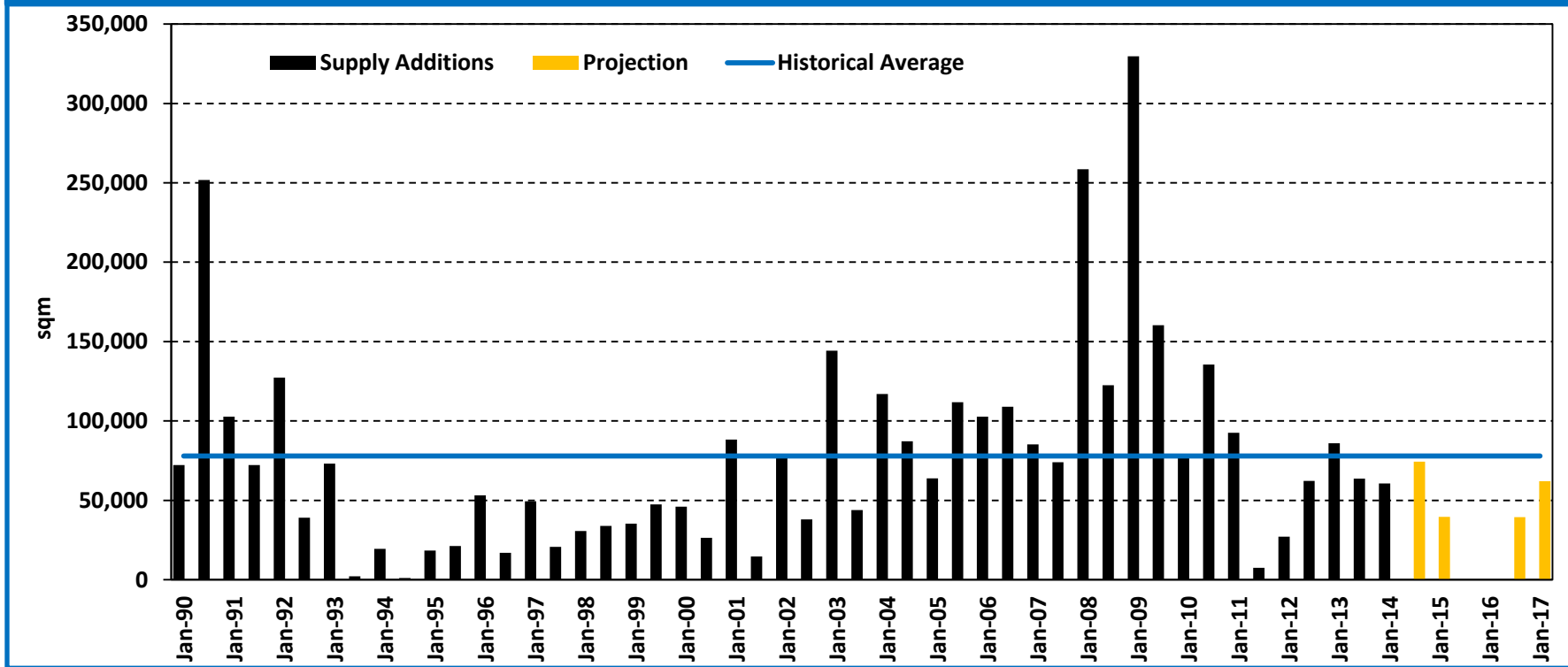
Three of the four worst performing Non-CBD markets by net absorption (sqm) are in NSW





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Australian Non-CBD Six Monthly Gross Supply – January 1990 to January 2017





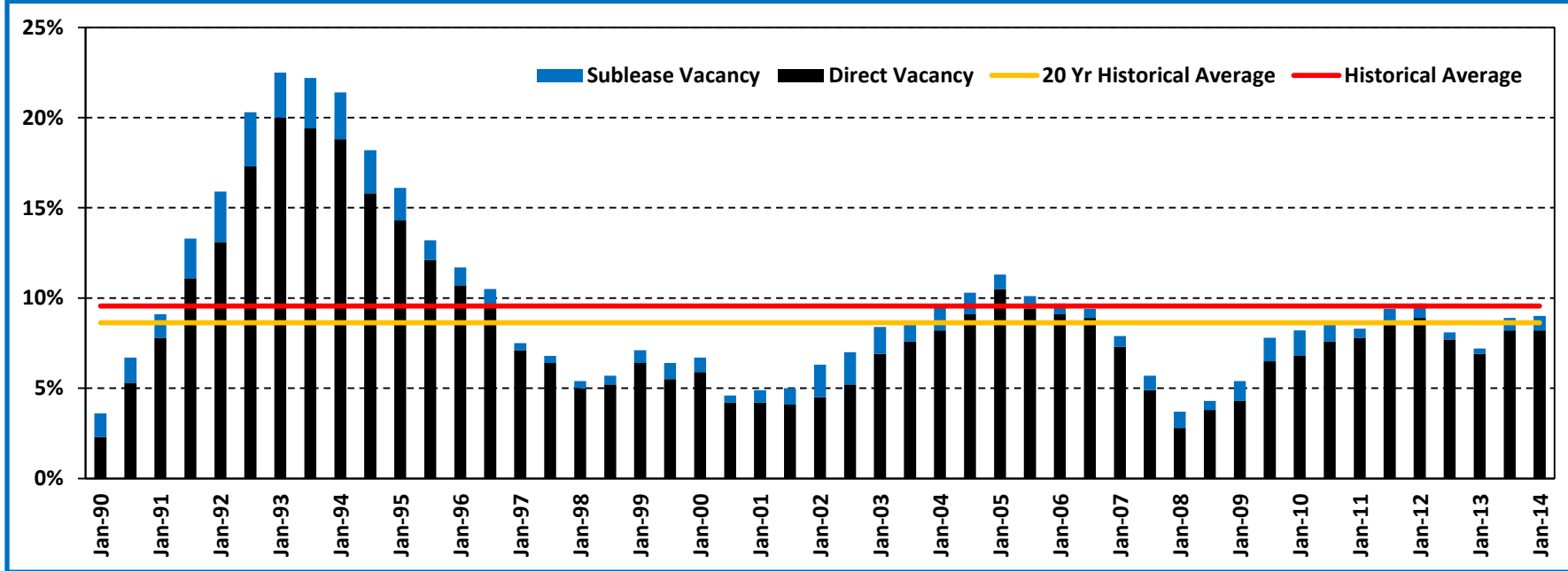
NSW Office Markets



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Vacancy rate is up but still below historical average

Sydney CBD – Direct v Sublease Vacancy Rates – January 1990 to January 2014

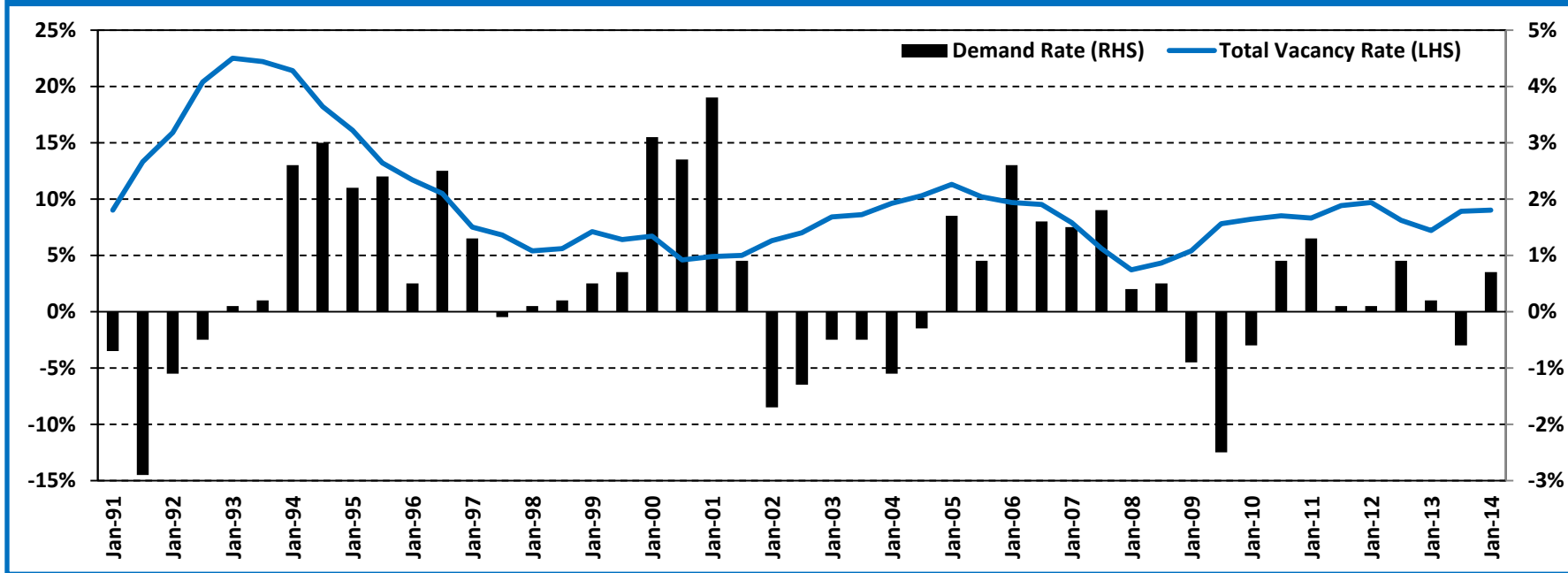




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Demand has returned to positive territory

Sydney CBD Demand v Vacancy – January 1991 to January 2014



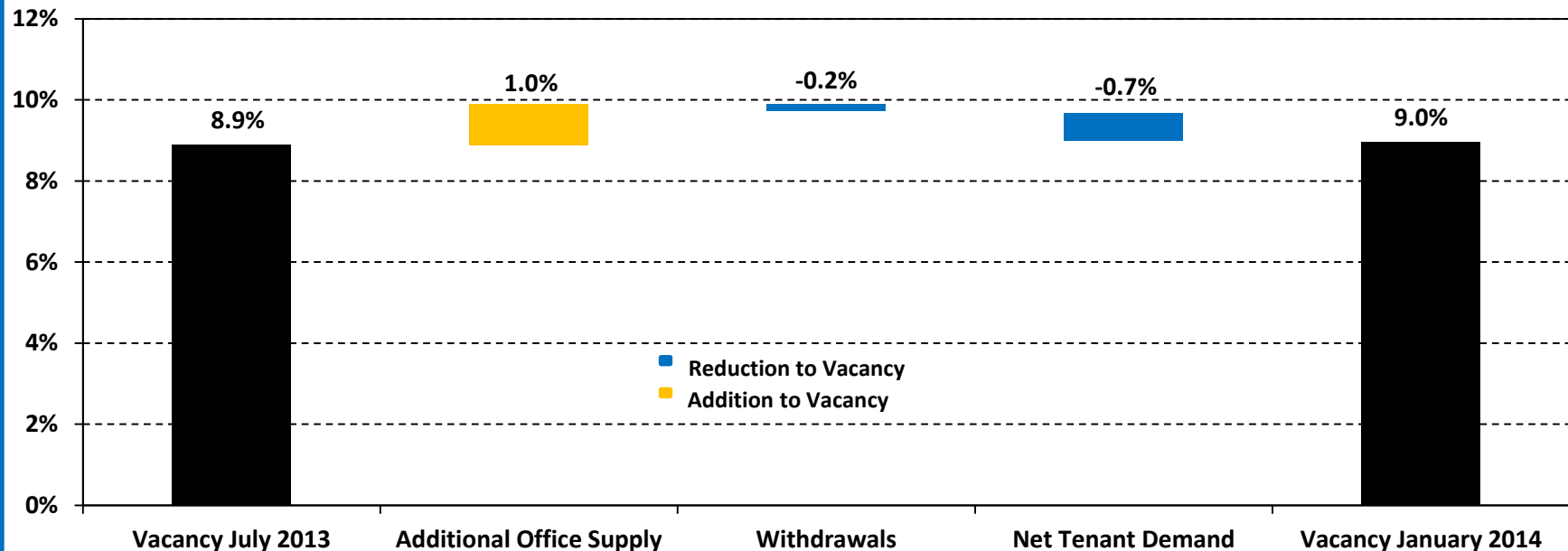
*Demand rate = Change in Occupied Stock / Previous Stock



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Additional supply was the largest contributor to vacancy

Net Sydney CBD Vacancy Attribution – Six months to January 2014

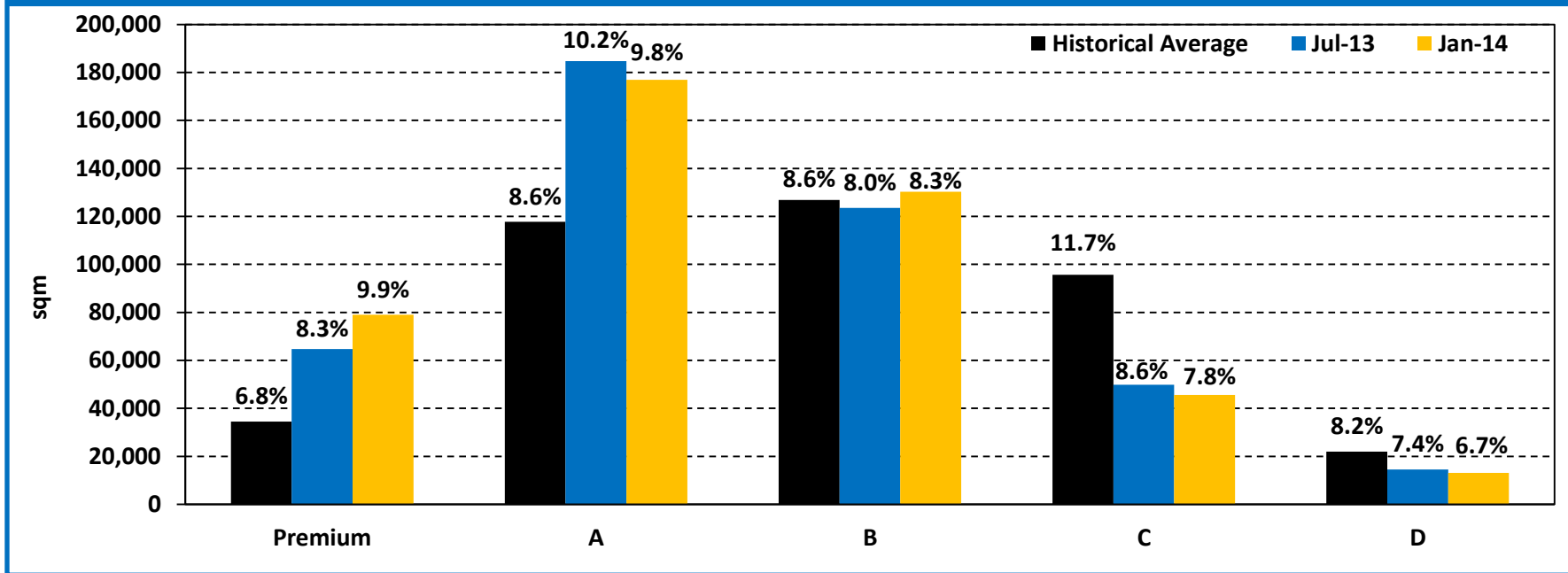




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Vacancy rates increased across Premium and B-Grade space

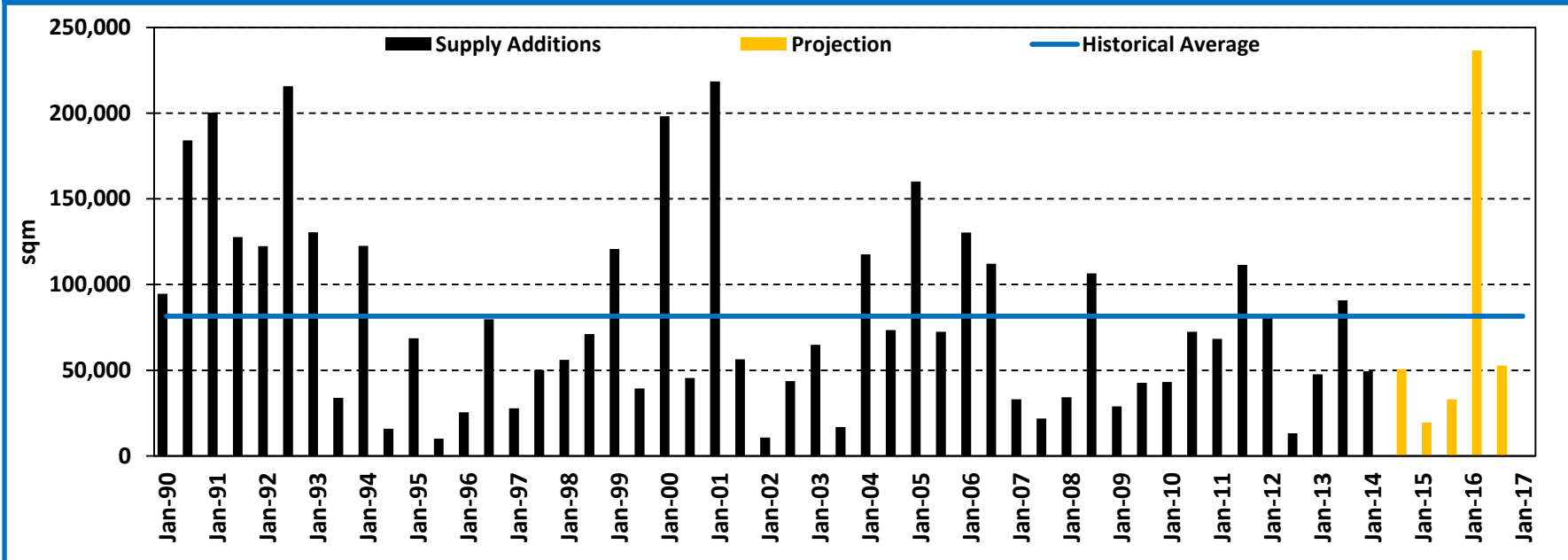
Sydney CBD Vacancy by Grade – July 2013 and January 2014





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Sydney CBD Six Monthly Gross Supply – January 1990 to January 2017



Major Projects

2015 Q4 - Barangaroo T2 - 87,500sqm

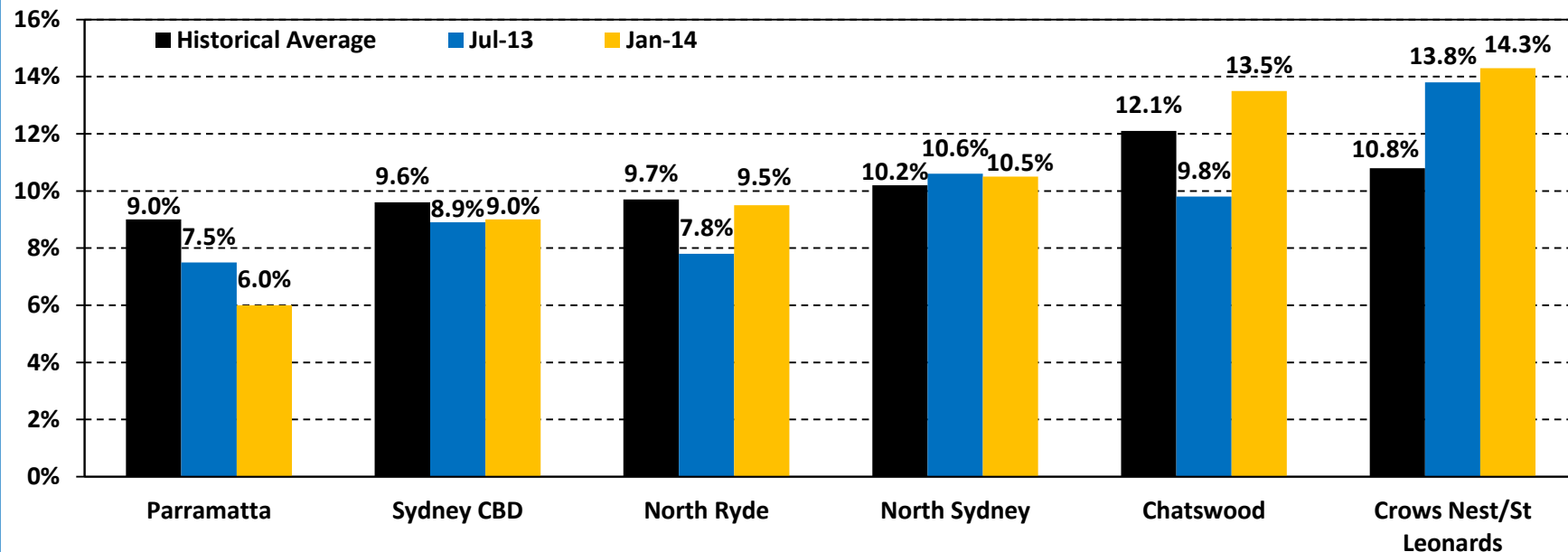
2015 Q4 - Barangaroo T3 - 78,000sqm



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Parramatta continues to record lower vacancy than Sydney CBD and other Non-CBD markets

Sydney Non-CBD Markets – Total Vacancy – July 2013 and January 2014

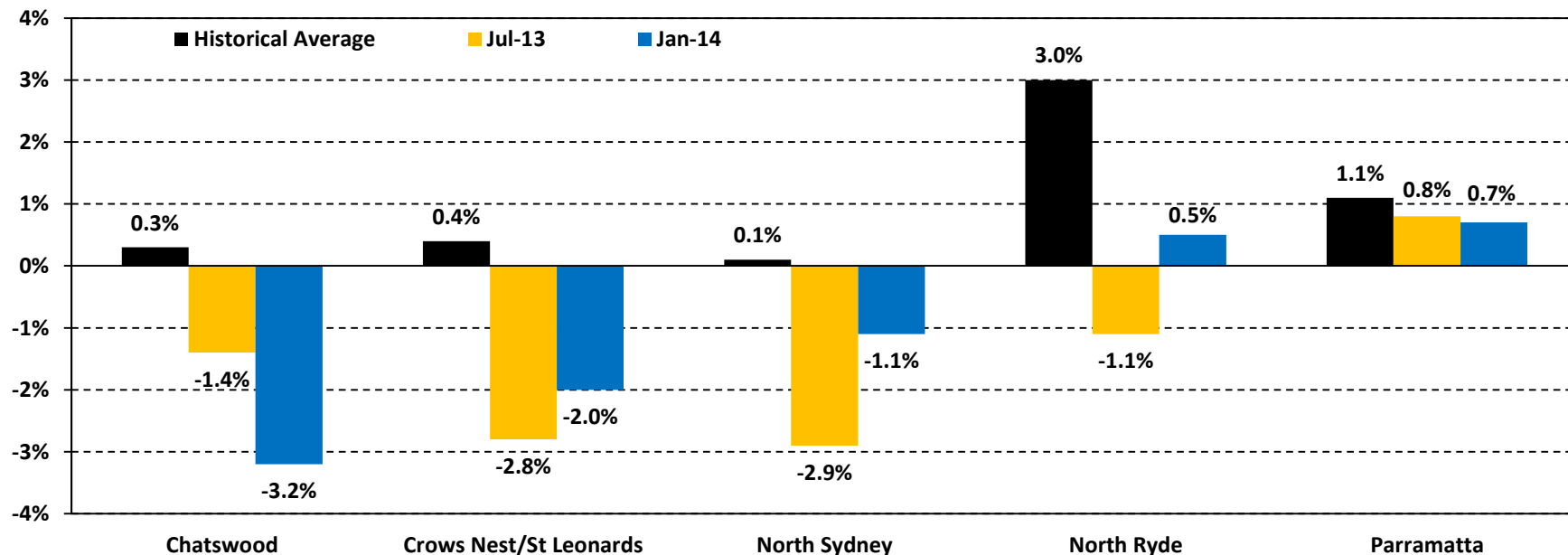




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Demand has been softest in the lower North Shore markets

Sydney Non-CBD Markets – Six Month Demand Rates – July 2013 and January 2014



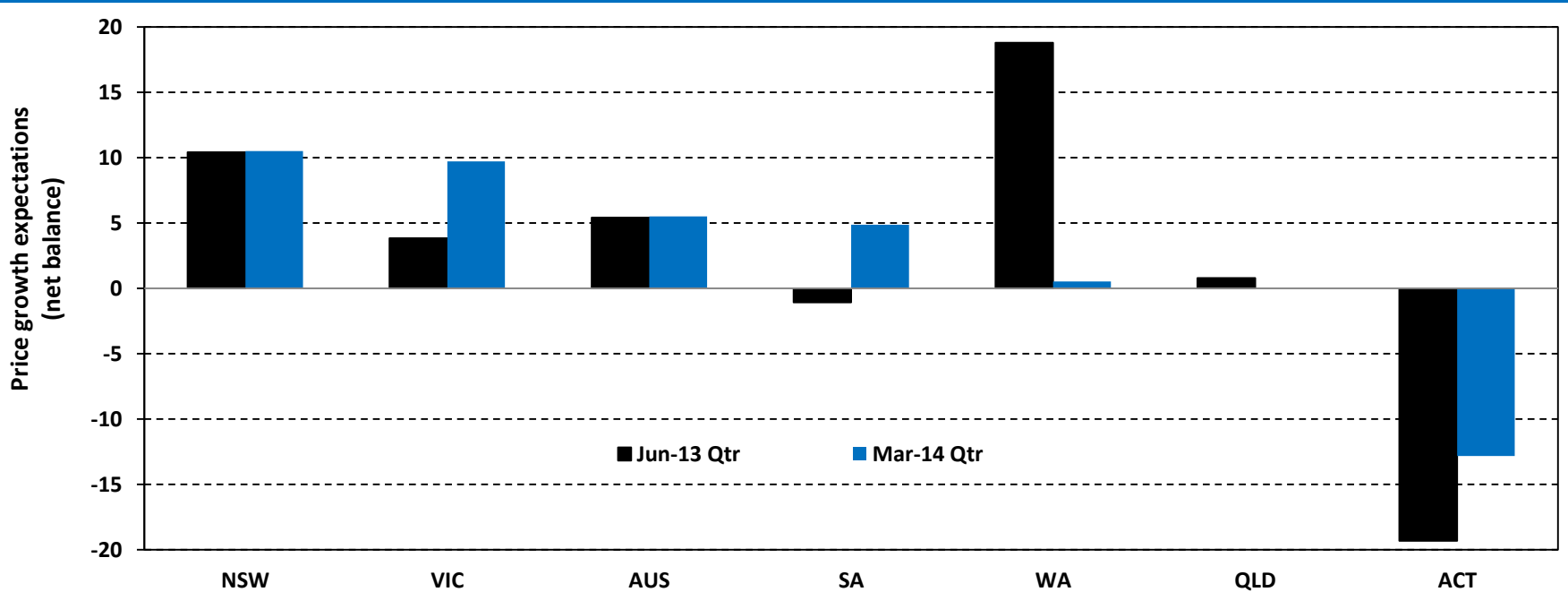
*Demand rate = Change in Occupied Stock / Previous Stock



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NSW has the highest sentiment in terms of capital growth over the next 12 months

Office Capital Twelve Month Growth Expectations Index





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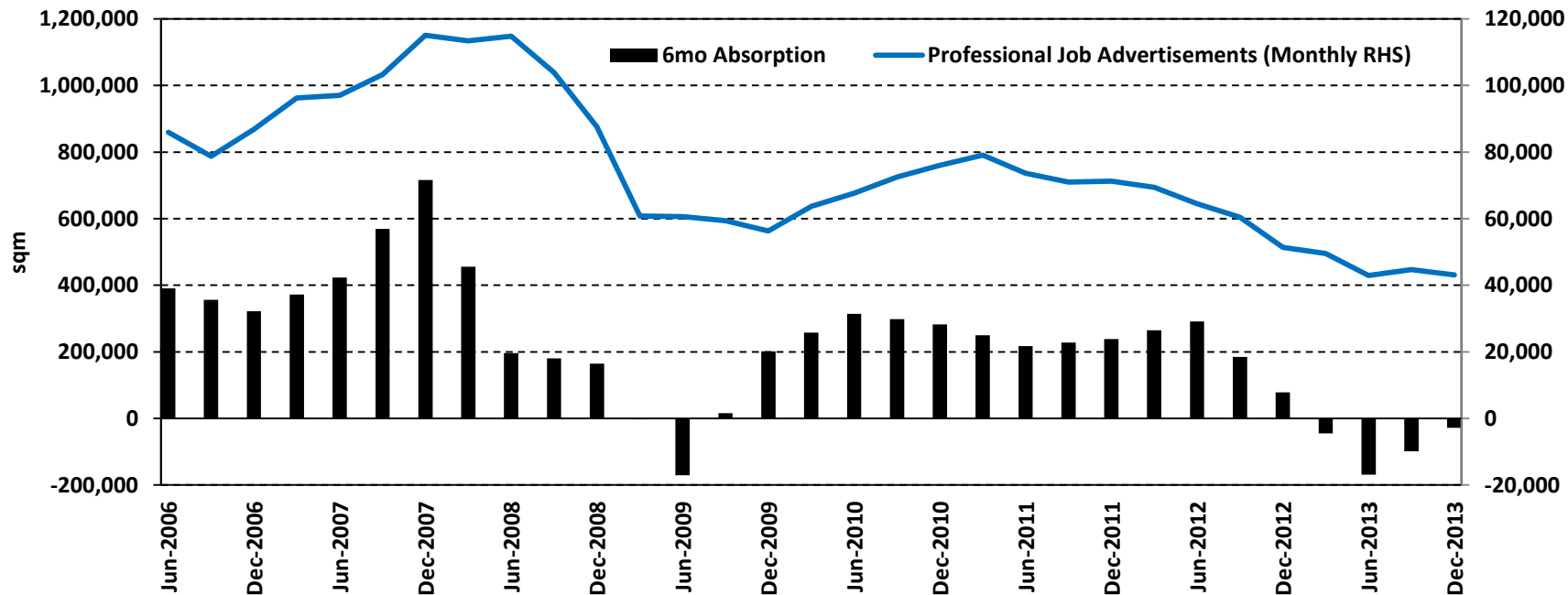
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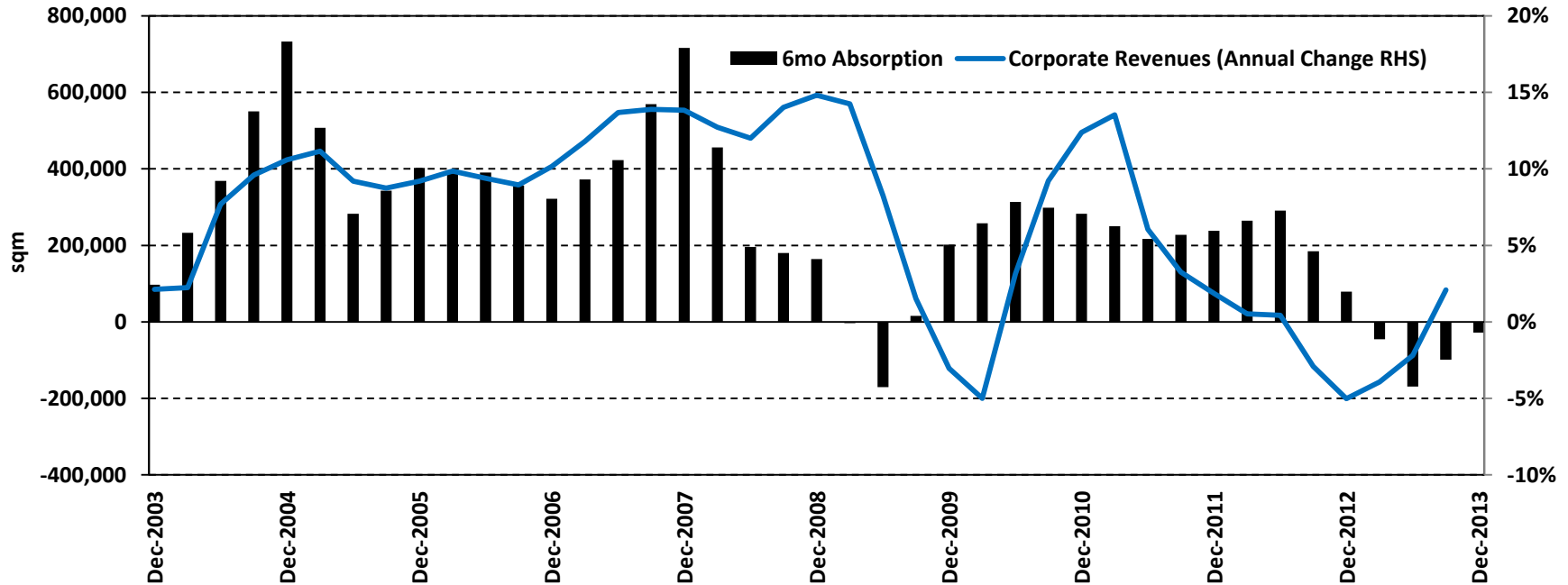
Six Monthly Net Absorption vs Professional Job Advertisements





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Six Monthly Net Absorption vs Corporate Revenues

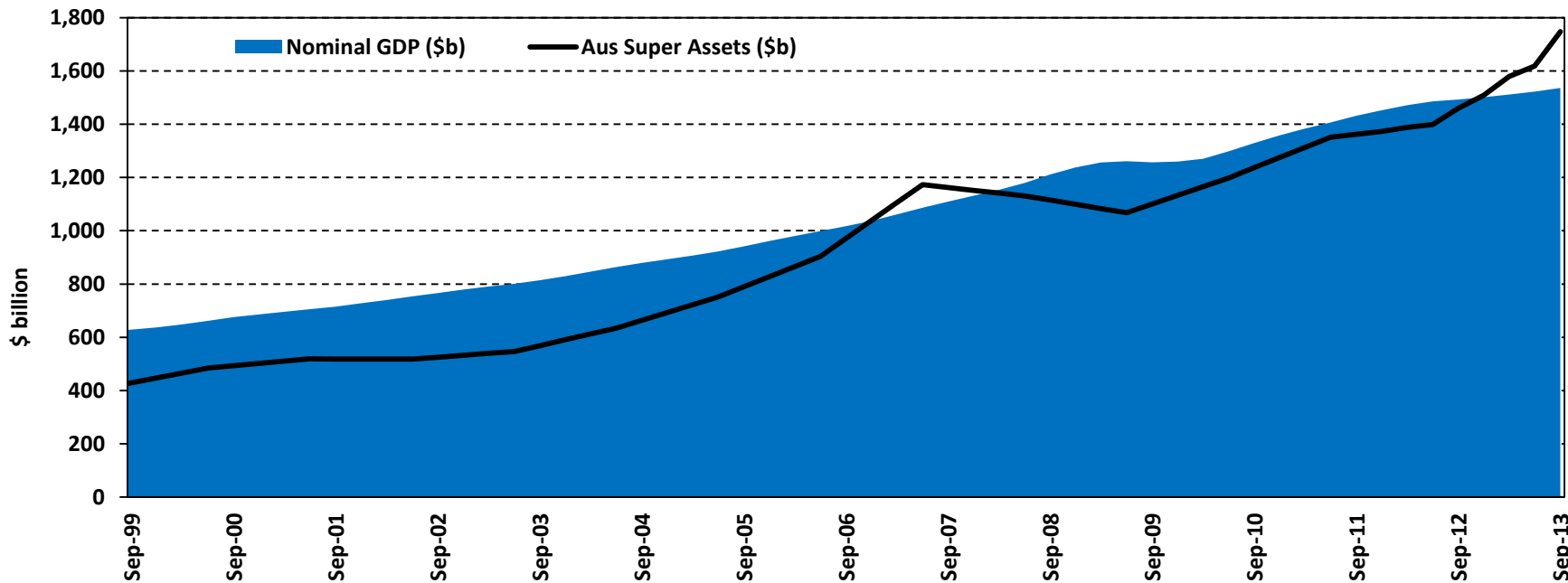


Source: Property Council / ABS / APRA / Charter Hall



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Australian GDP vs Super Fund Assets

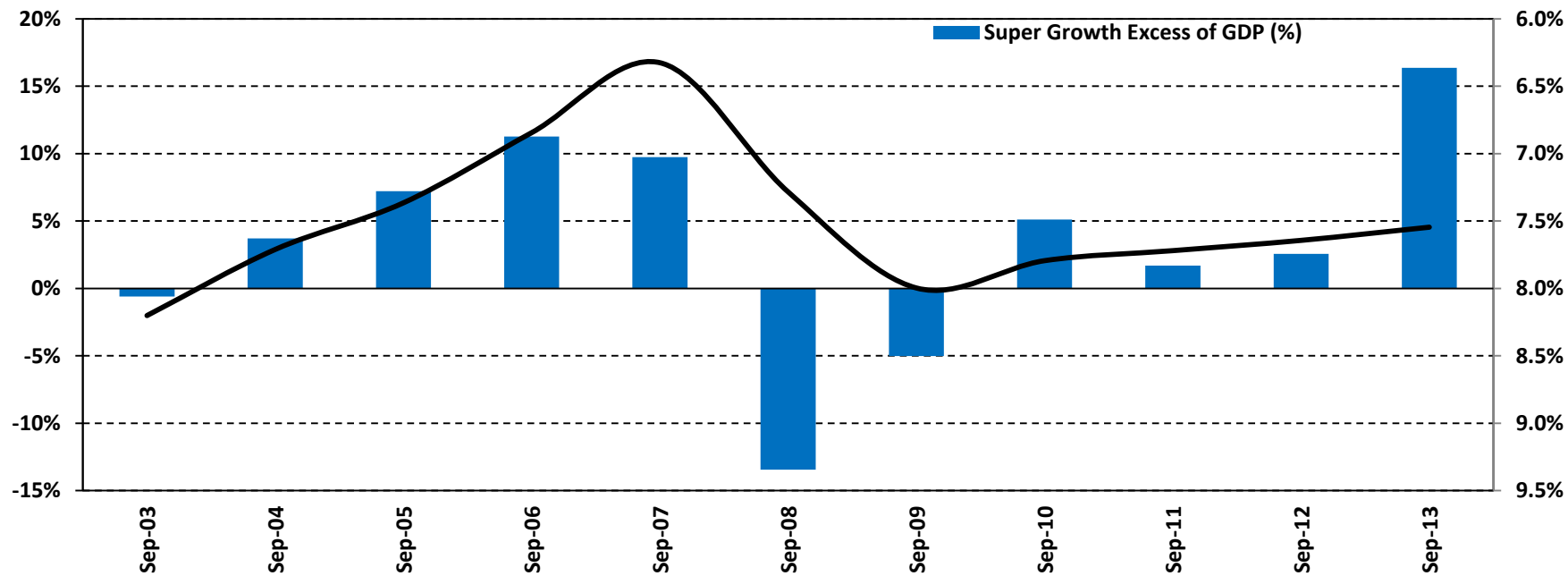


Source: ABS / APRA / Charter Hall



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Super Growth over GDP vs Prime Yields





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Total Returns to September 2013

	Sydney CBD %	Melbourne CBD %	Outperformance %
1 Year	8.4	9.9	1.5
3 Year	8.7	10.9	2.2
5 Year	4.6	7.3	2.7
10 Year	8.6	9.9	1.3
15 Year	8.3	10.0	1.7