



**Office Market Report
January 2013**

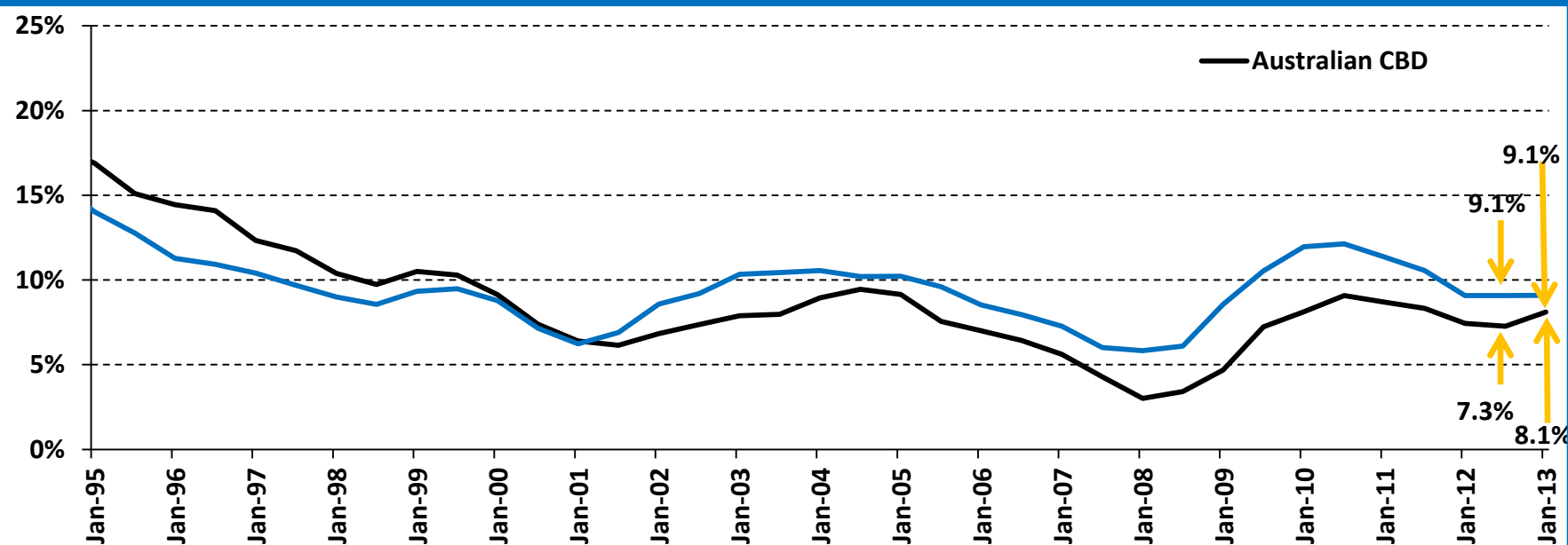
**Presented by Adrian Harrington
Head of Funds Management - Folkestone**



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CBD vacancy rate is up, Non CBD vacancy rate remains steady

Australian CBD v Non-CBD Vacancy: 1995-2013

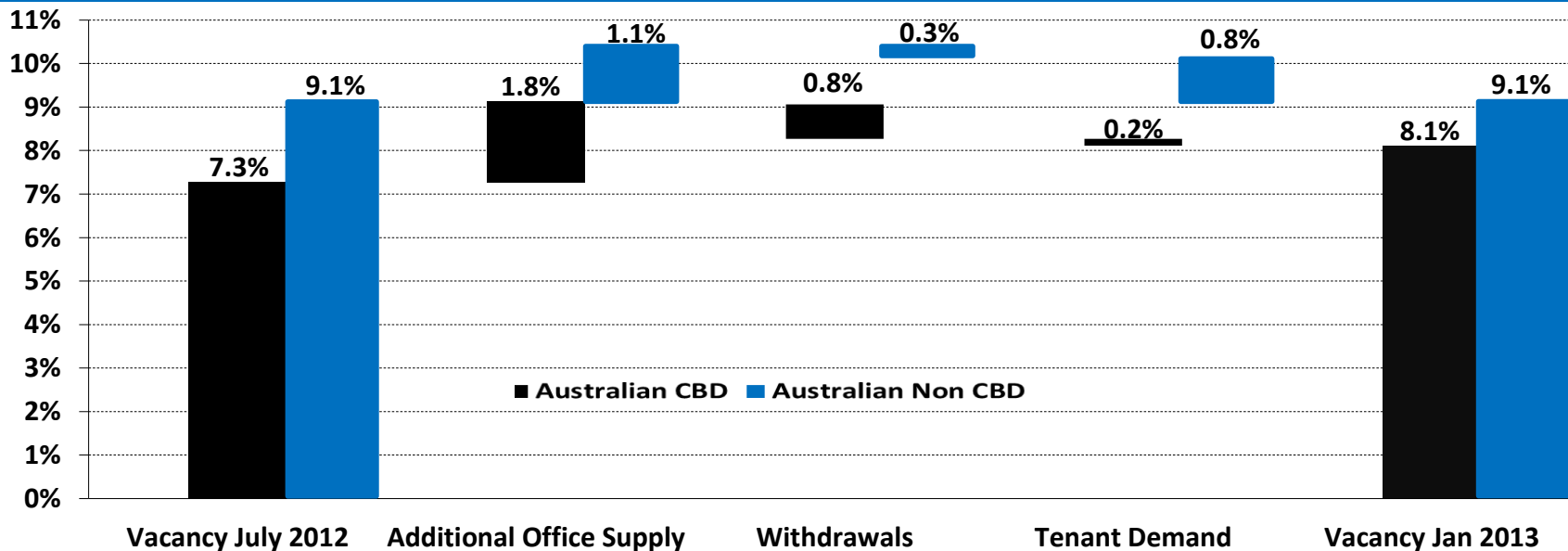




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Non CBD market demand was stronger than the CBD markets

Australian CBD and Non CBD Vacancy Attribution – Six months to January 2013

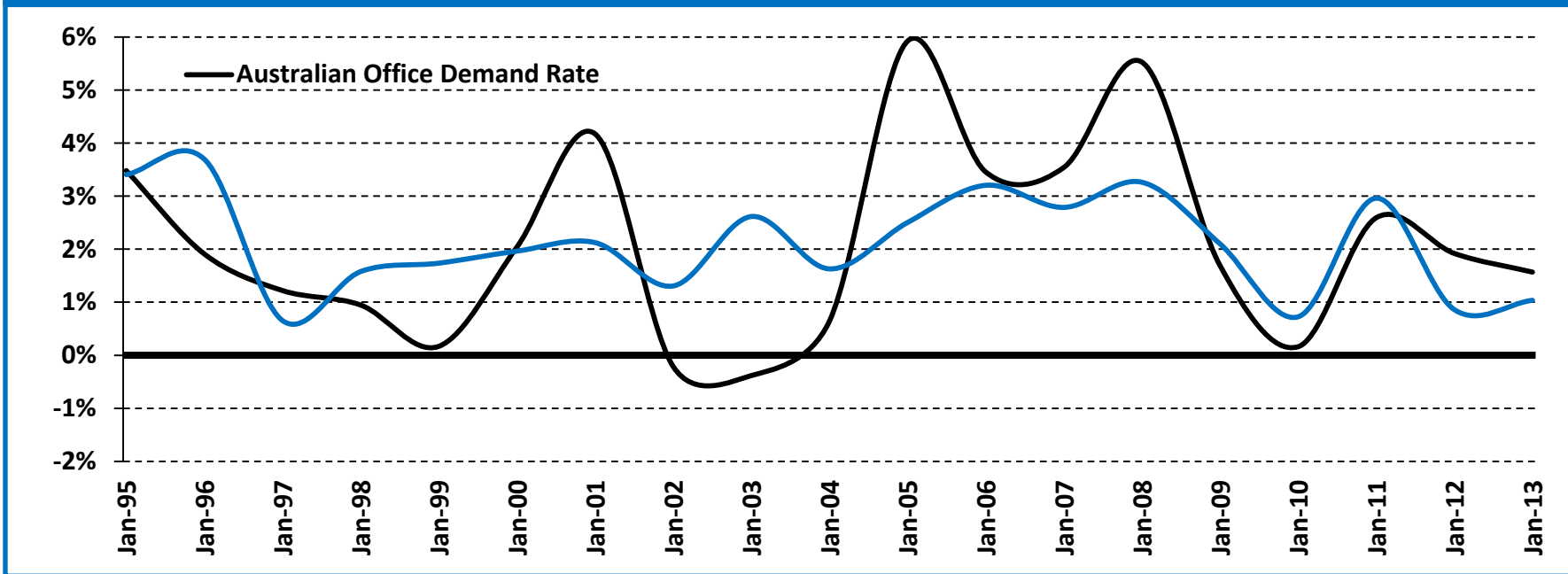




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Employment growth picked up slightly, demand still weak

Employment Growth v Australian Demand: 1995-2013

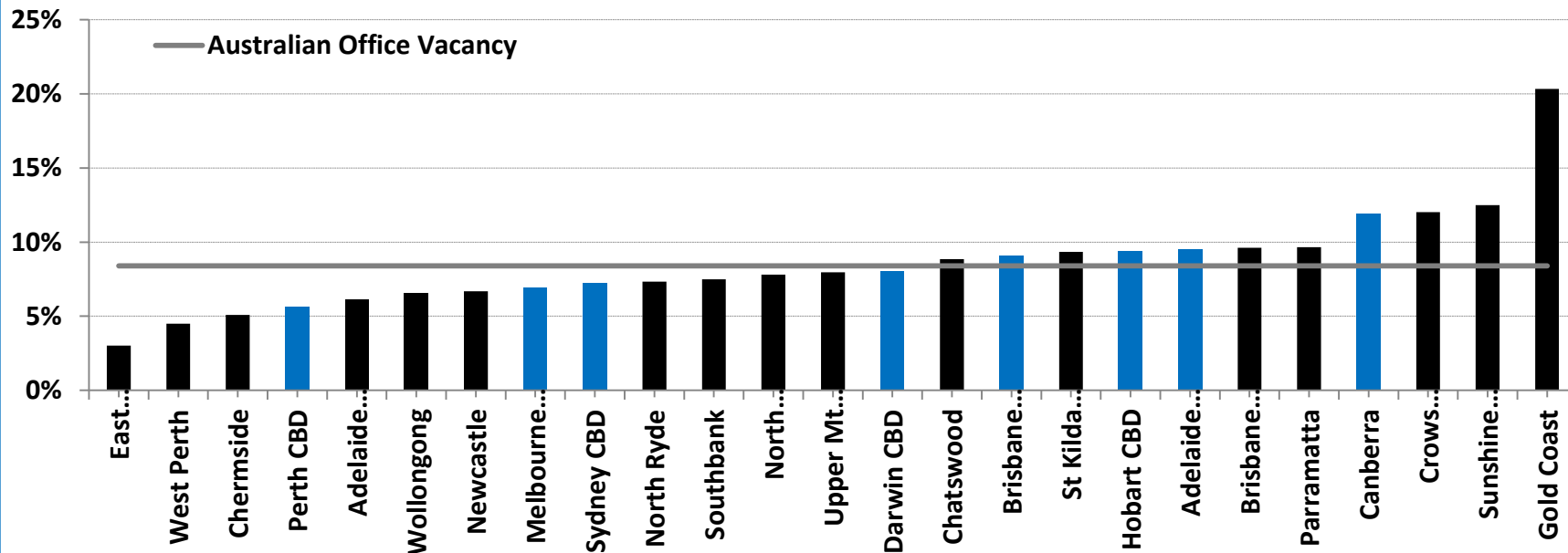




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Wide variation in vacancy rates across the markets

CBD & Non-CBD Vacancy Rates – January 2013

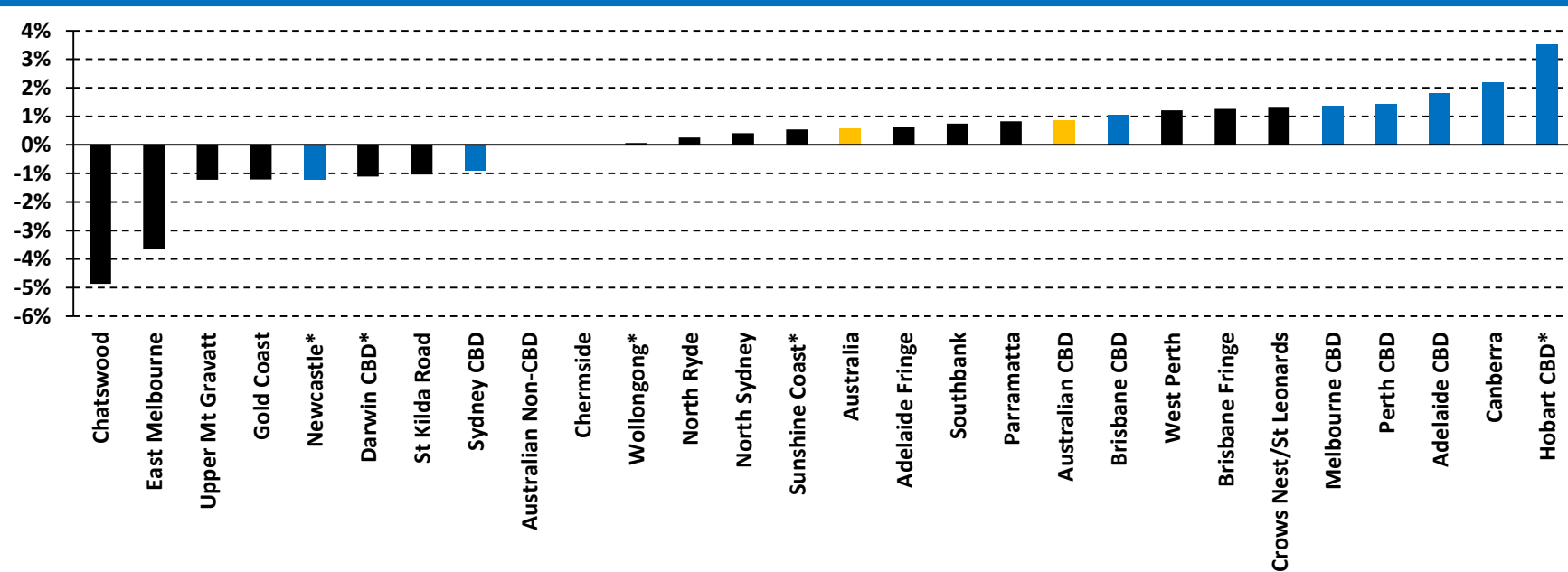




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2 out of 3 markets recorded increases in vacancy

Change in vacancy from July 2012

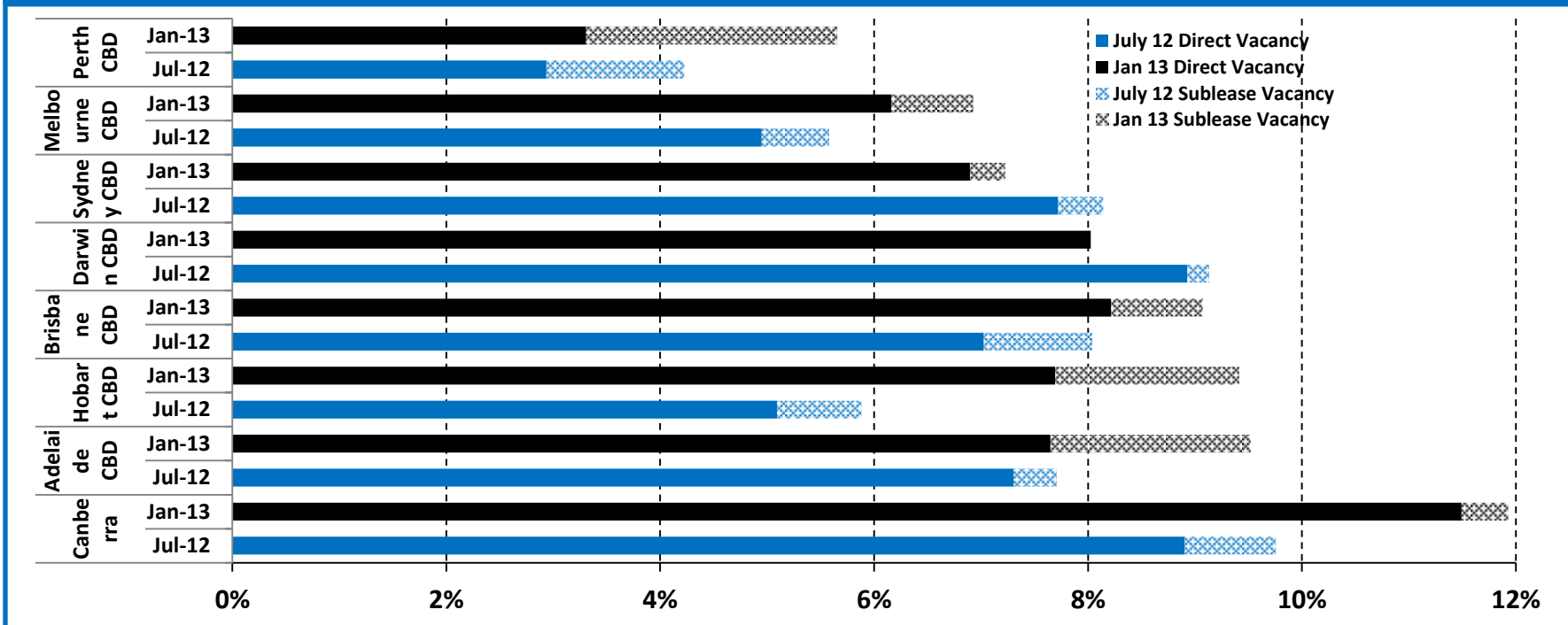




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Perth still has the lowest vacancy rate of the CBD markets

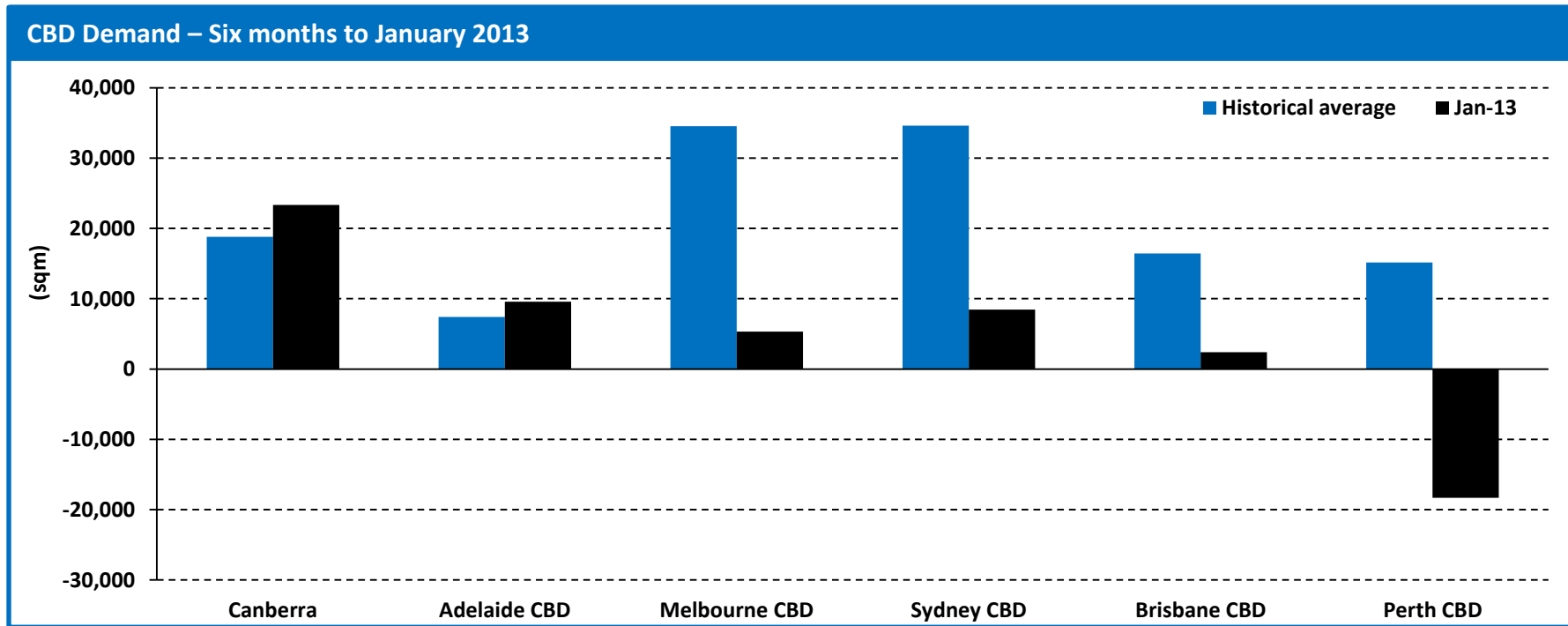
CBD Total Vacancy Rates – July 2012 and January 2013





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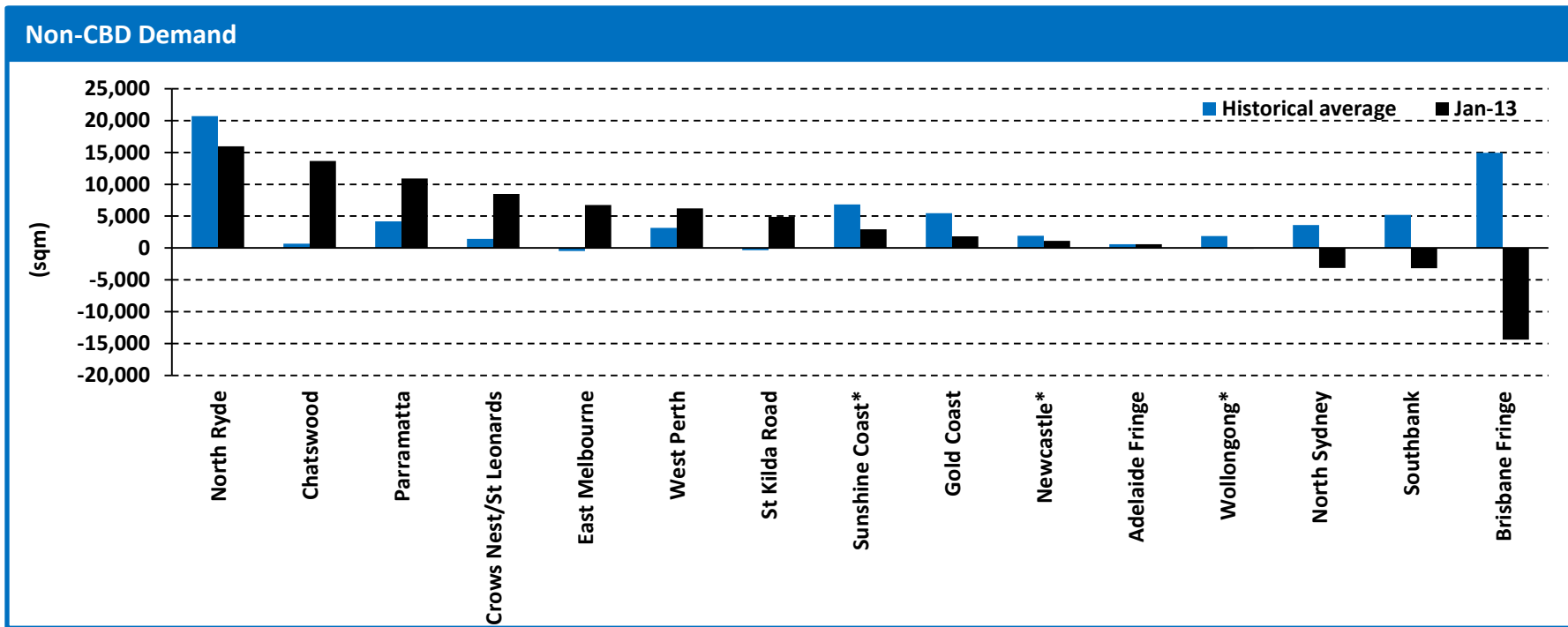
The majority of CBD markets had demand significantly below their historical average





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The top four Non-CBD markets by net absorption are in NSW



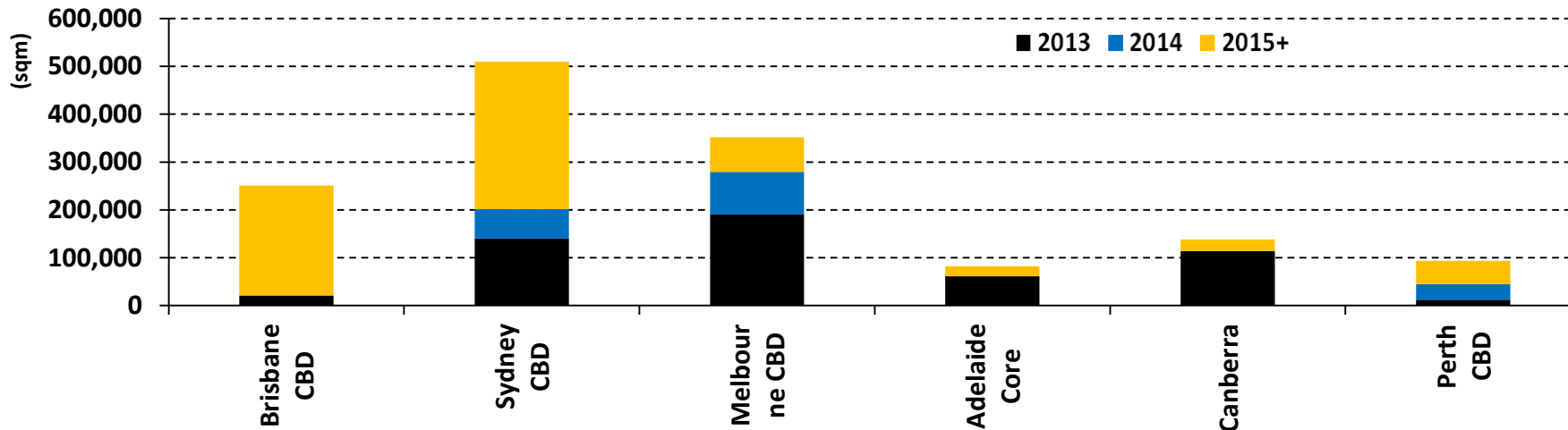
* market tracked annually



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Over half a million sqm of space is expect to be supplied to the Sydney CBD market in the short-medium term

Future Supply of CBD Markets (2012-2015+)



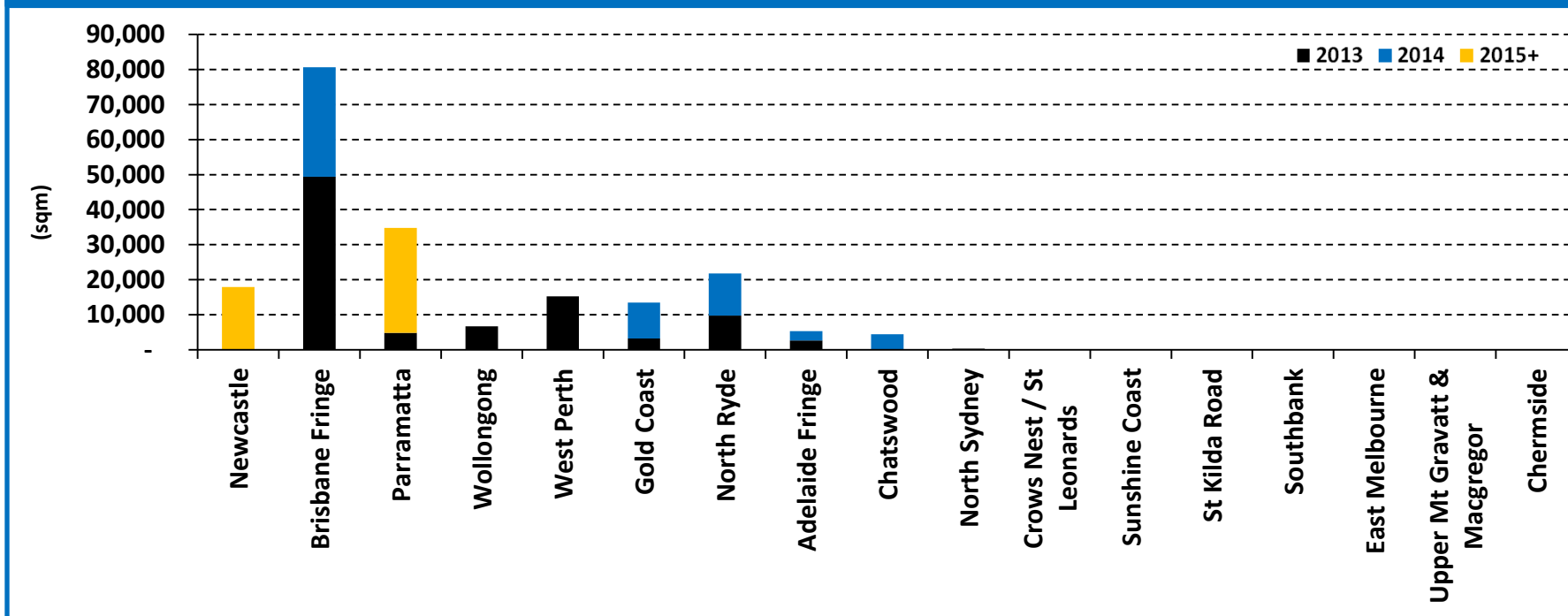
| | | | | | | |
|--------------------|--------|--------|-------|-------|-------|-------|
| % of current stock | 11.50% | 10.50% | 8.30% | 6.10% | 6.10% | 5.90% |
| Pre-Commitment | 39% | 39% | 63% | 47% | 62% | 46% |



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New supply remains low across most markets

Future Supply of Non CBD Markets (2012-2015+)





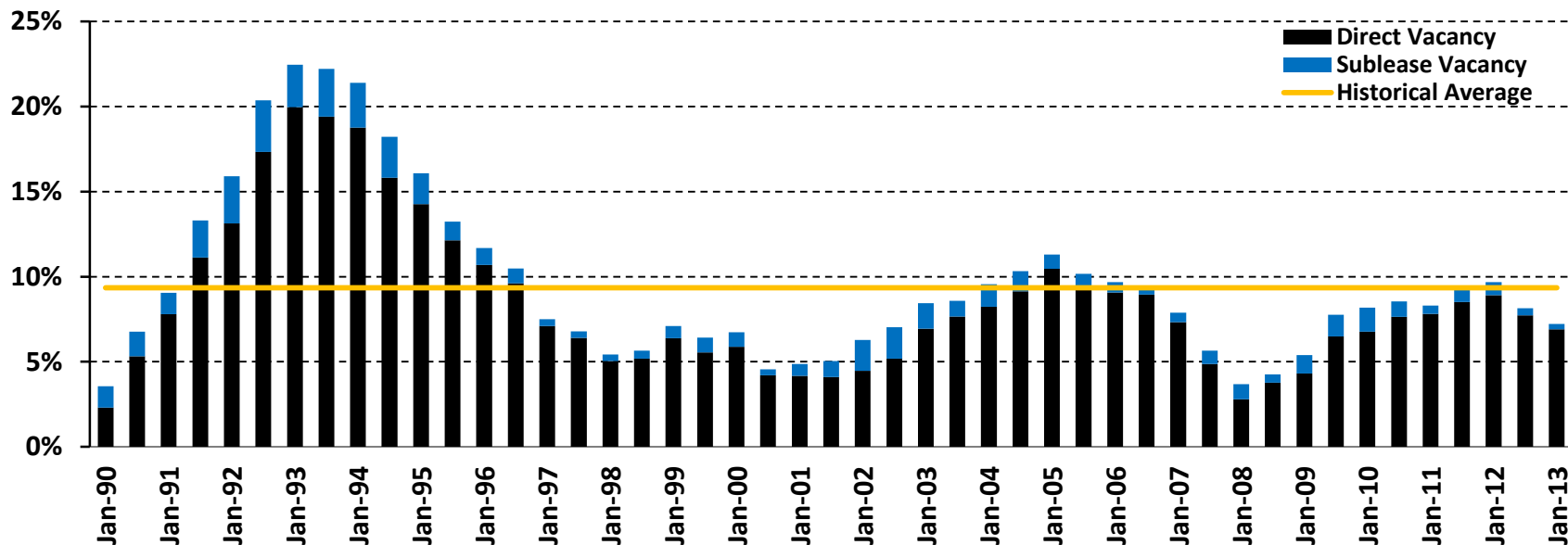
NSW Office Markets



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Sydney CBD vacancy rate has fallen in the last 12 months

Sydney CBD – Direct v Sublease Vacancy (January 1990-January 2013)

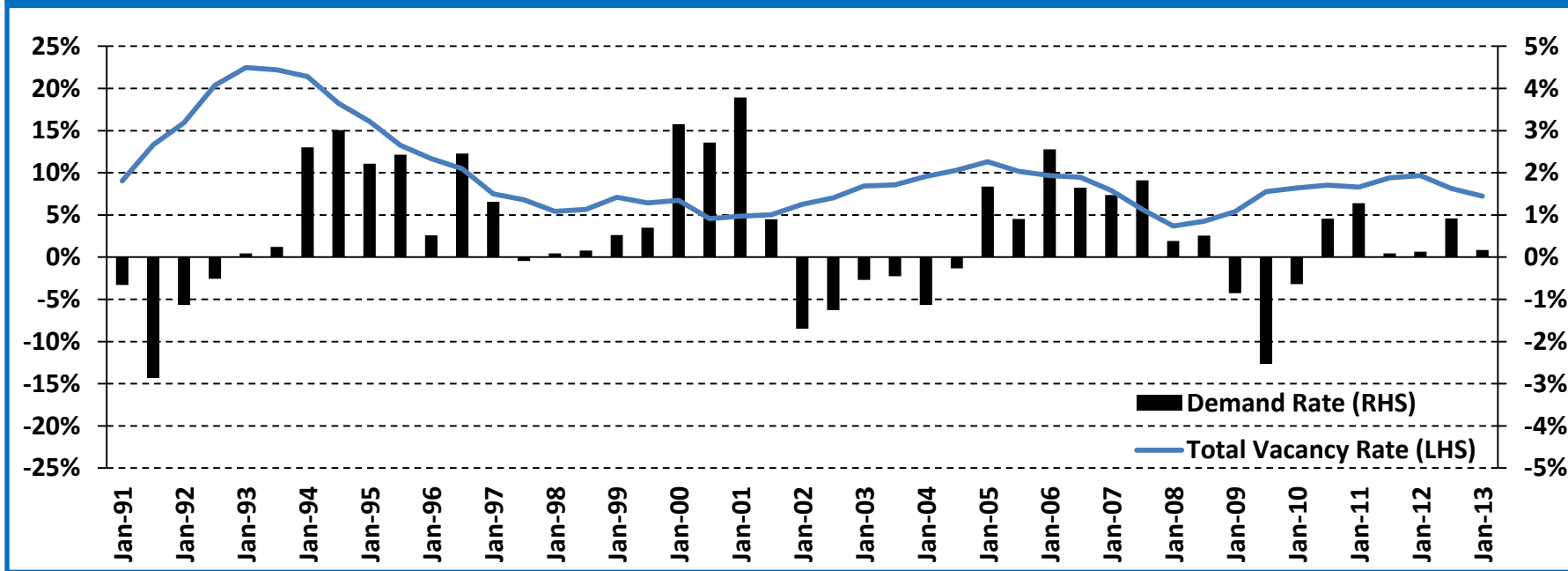




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Demand remains weak

Sydney CBD Demand v Vacancy (1991-2013)

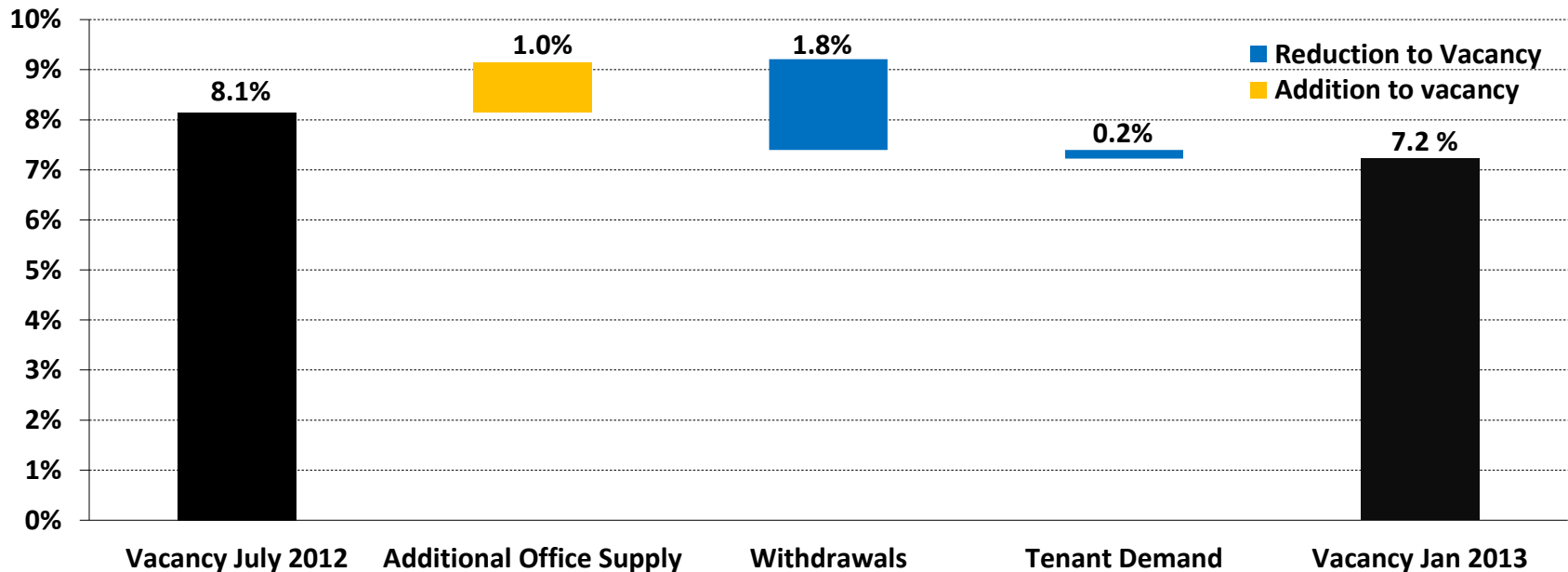




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Withdrawals were the main driver of the decline in the vacancy rate

Sydney CBD Vacancy Attribution – Six months to January 2013

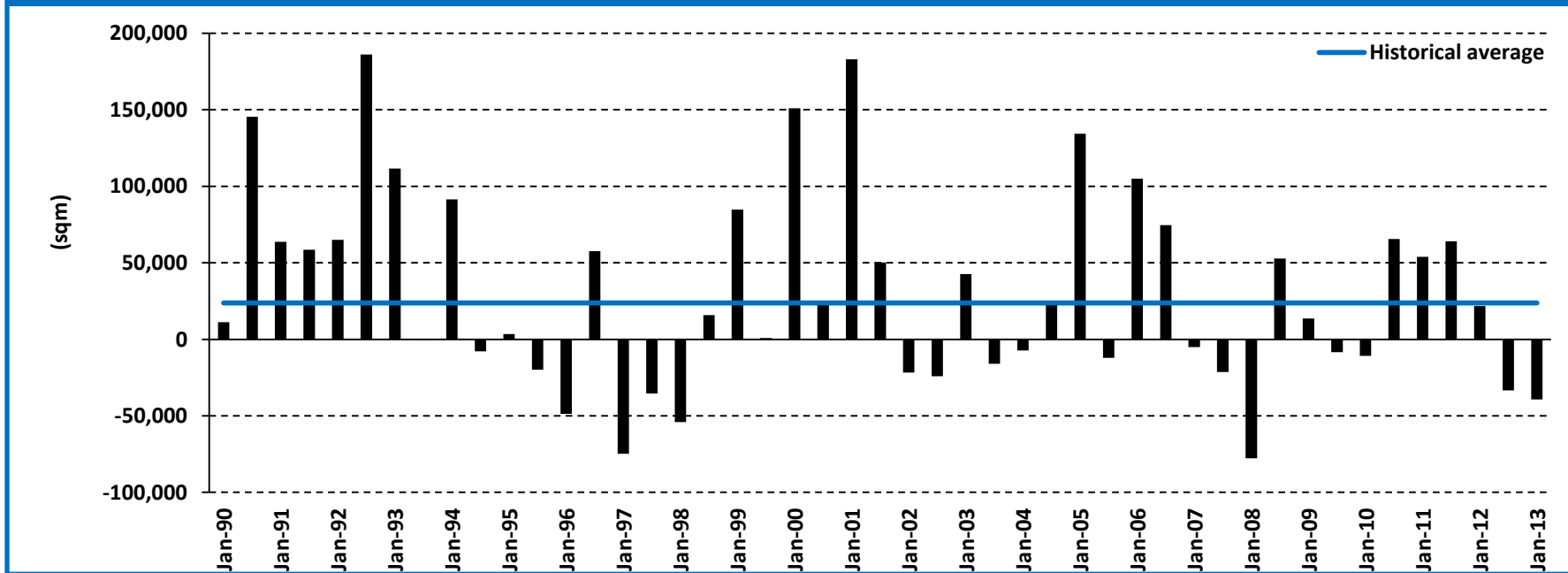




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Negative net supply was the key driver of Sydney's vacancy decrease over the last 12 months

Sydney Historical Net Supply

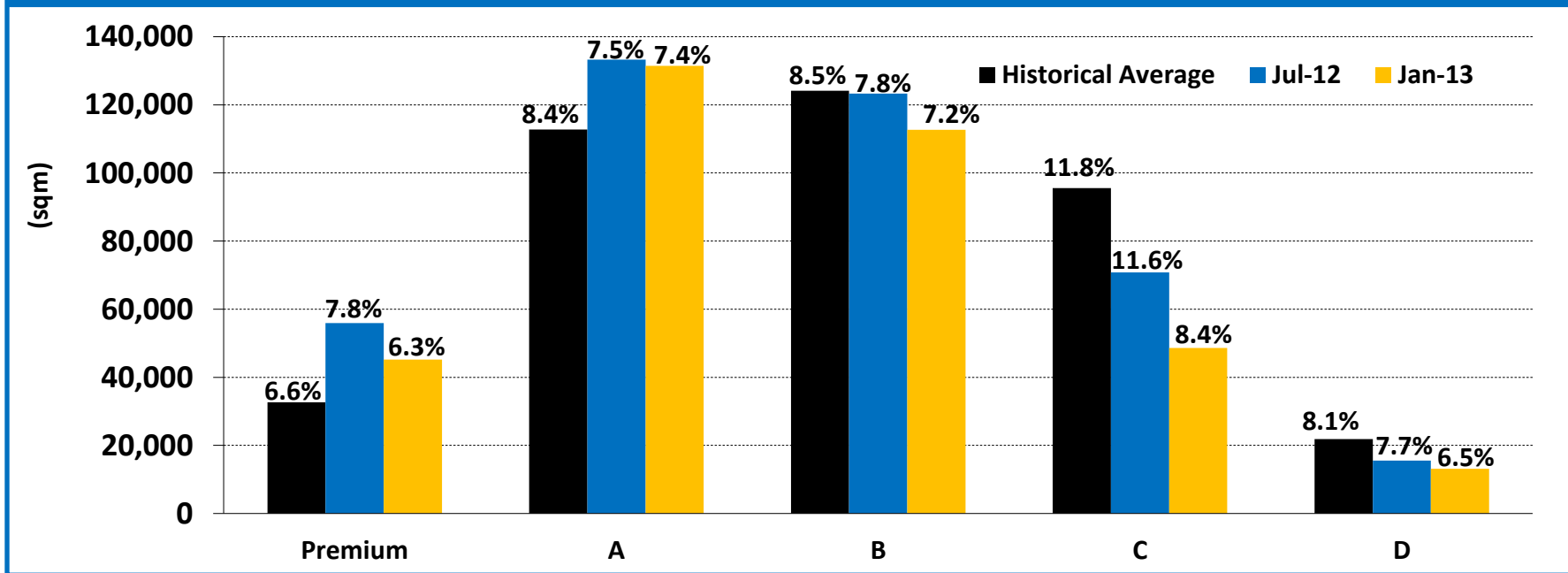




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All grades recorded a decline in the vacancy rate

Sydney CBD Vacancy by Grade – July 2012 and January 2013

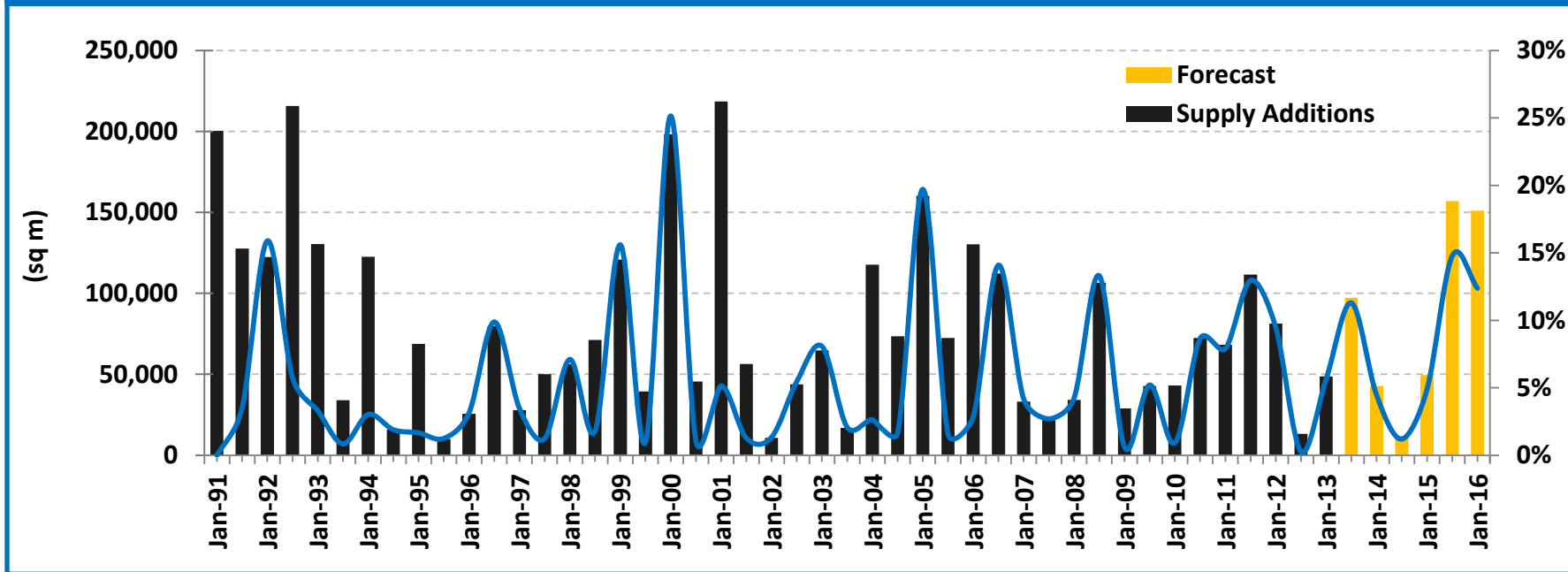




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Supply is an issue for the Sydney CBD market

Sydney CBD Supply (1991 – 2016)

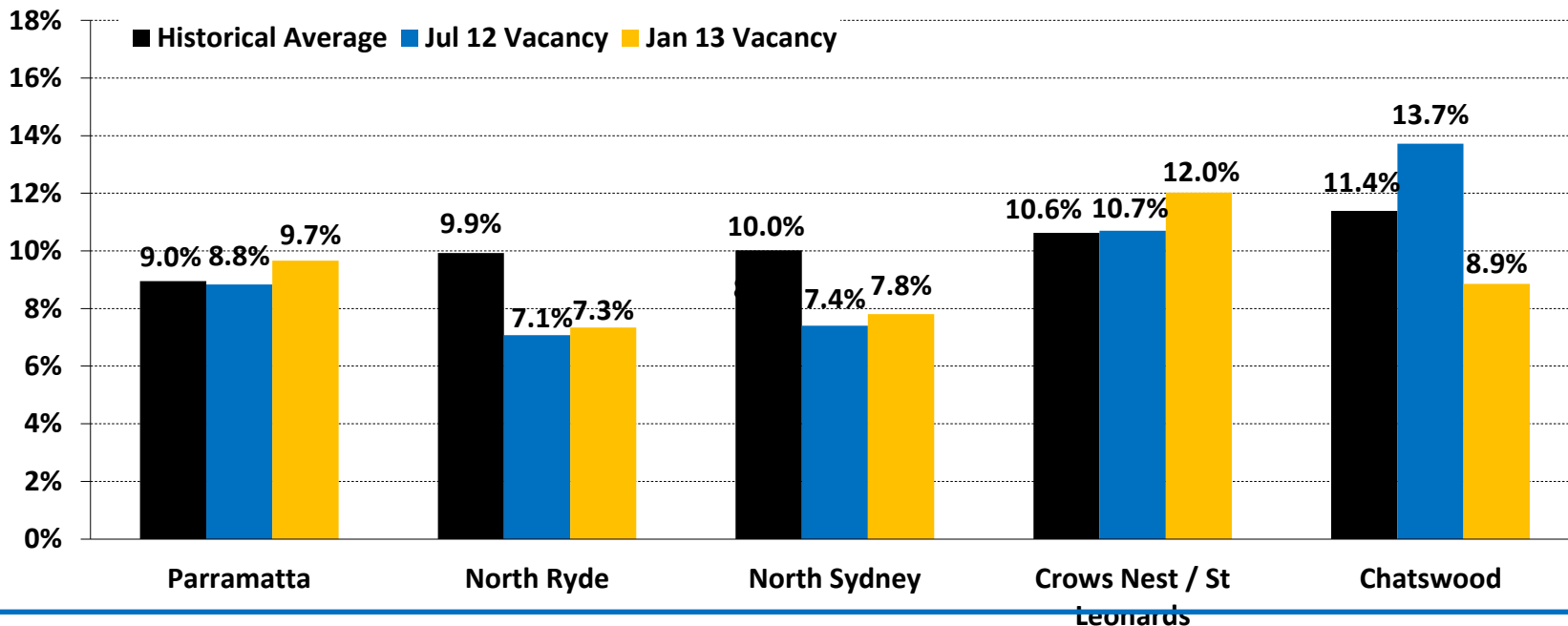




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Vacancy rates are up in all markets expect Chatswood

NSW Non CBD Markets – Total Vacancy (July 2012 and January 2013)

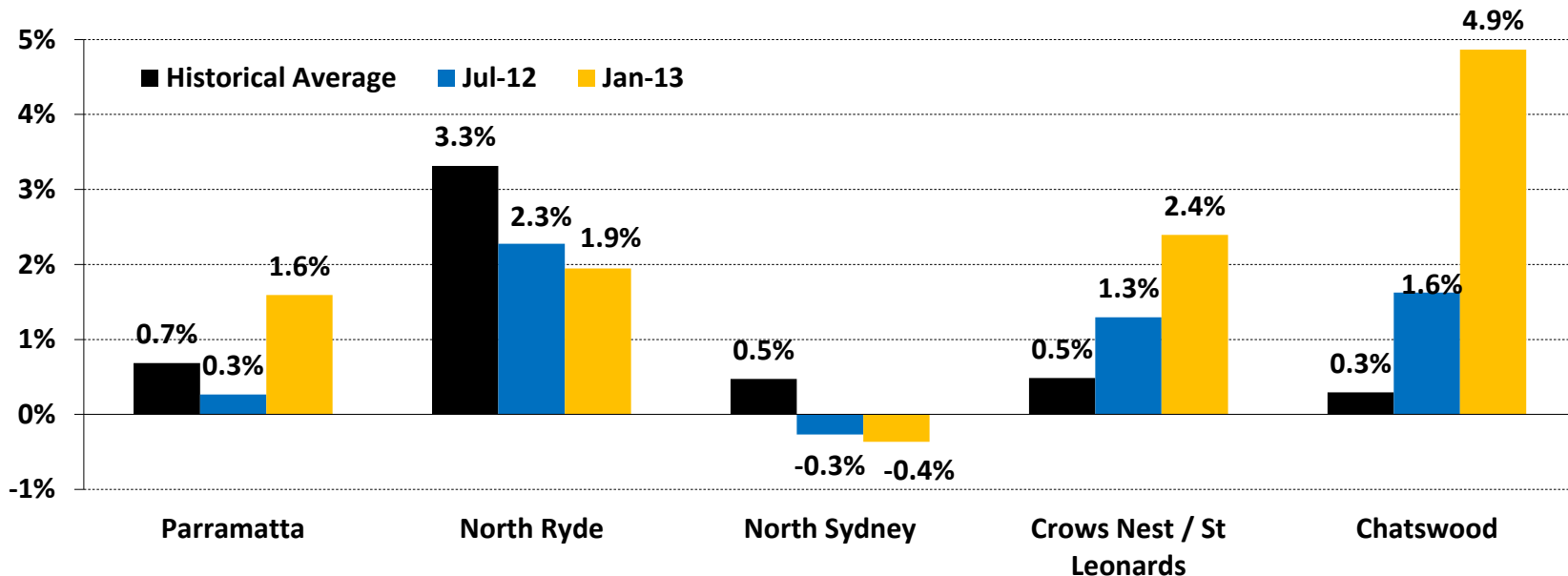




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Demand is strongest in Parramatta, Crows Nest/St Leonards and Chatswood

NSW Non CBD Markets – Demand Rates (July 2012 and January 2013)





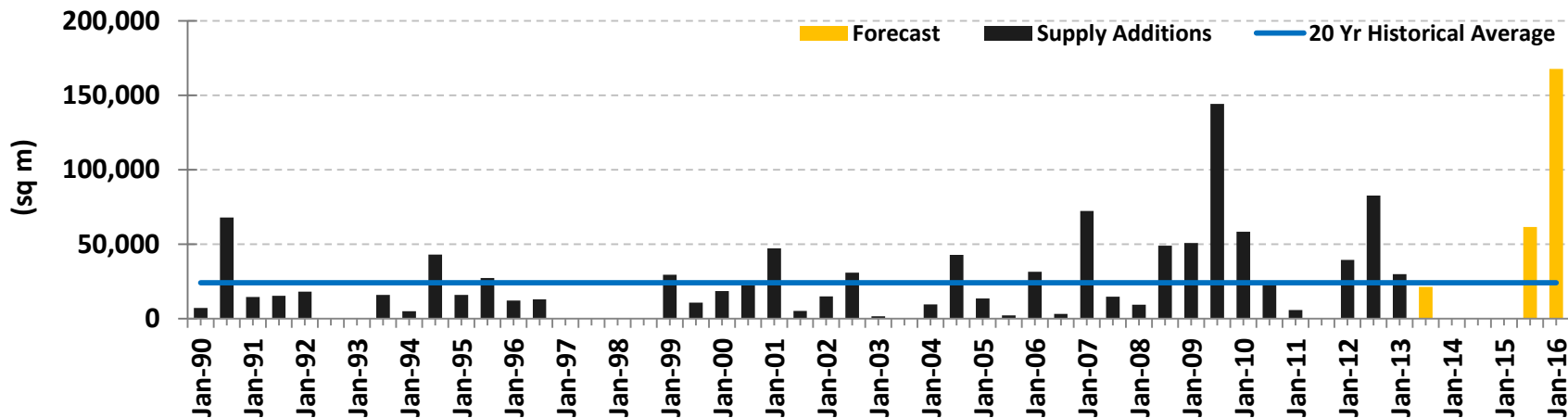
Other Markets



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There is only 21,000sqm of space forecast to enter the Brisbane CBD market over next two years

Brisbane CBD Gross Supply Forecast: 1990 – 2016



Major Projects:

2015 Q4 - 1 William St - 74,852sqm,

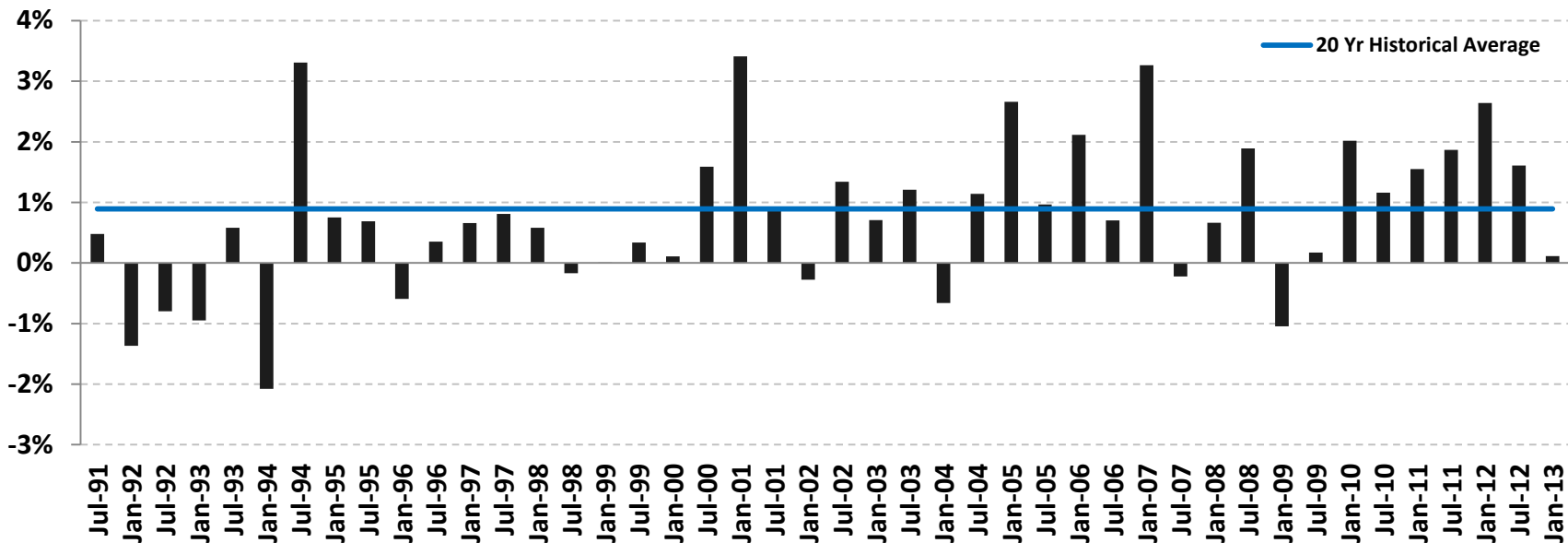
2015Q4 - 180 Brisbane St - 58,000sqm



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Tenant demand in the six months to January 2013 was significantly lower than the historic average

Brisbane CBD Historical 6 month Demand Rate: 1991 – 2013

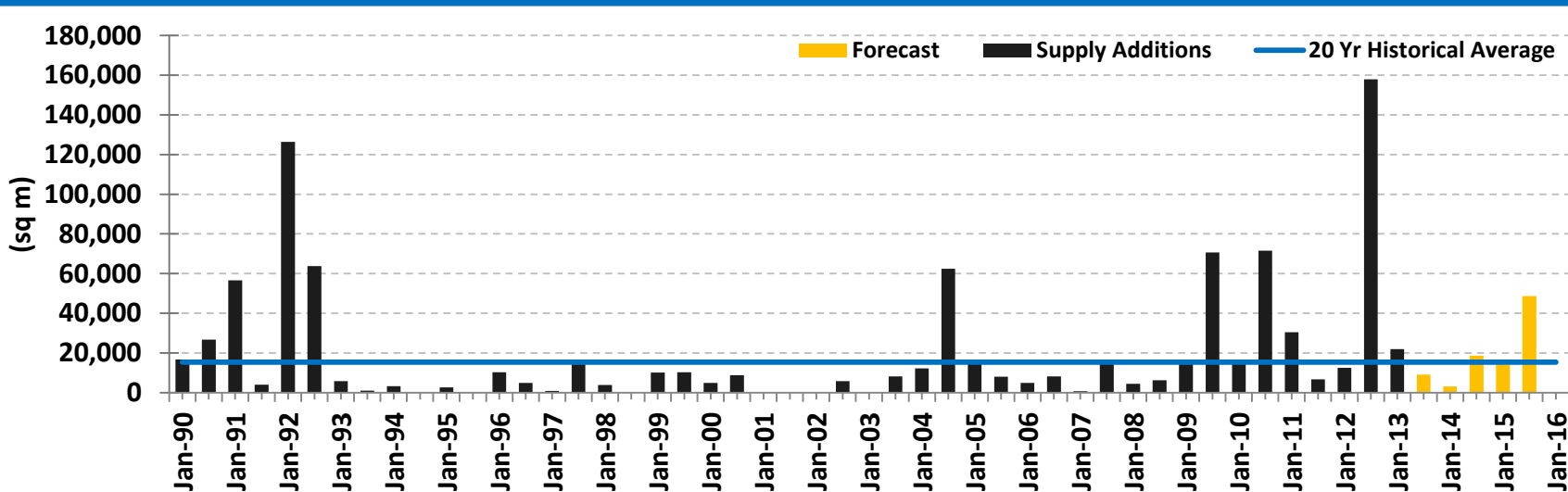




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Less than 20,000sqm of space is due to come online in Perth CBD for each of the next four survey periods

Perth CBD Gross Supply Forecast: 1990 – 2016



Major Projects

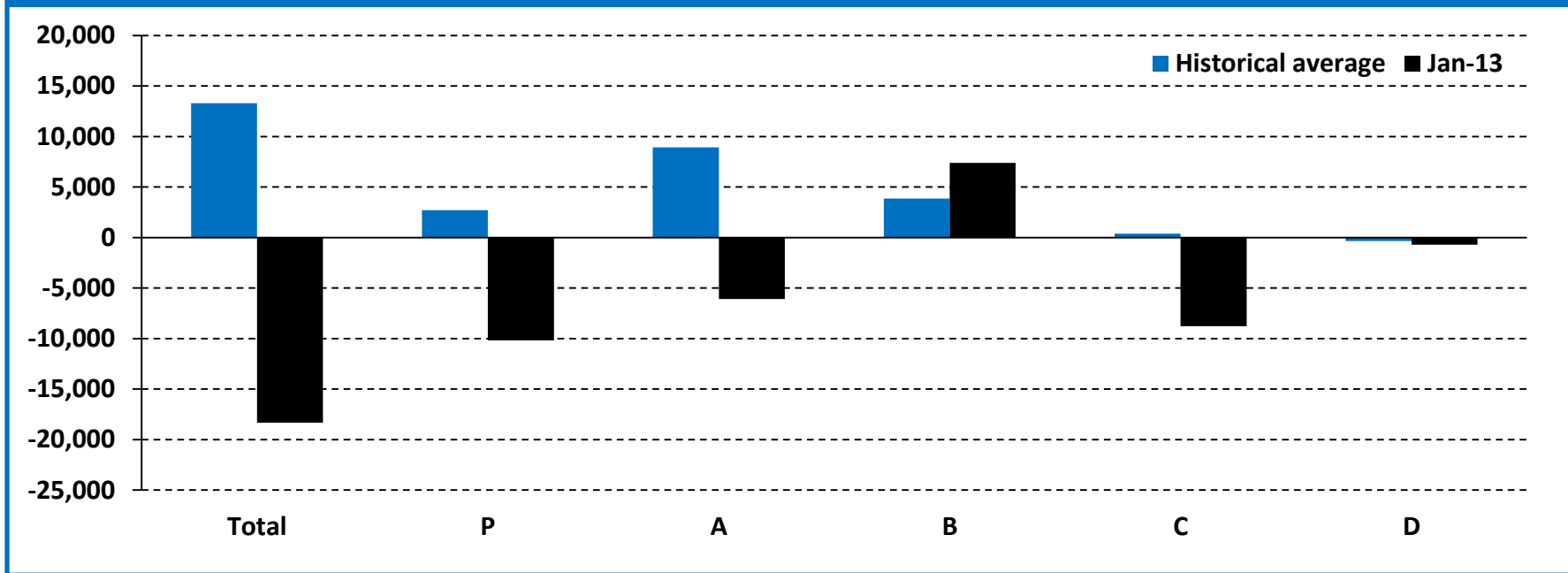
2015 Q2 - 28 Barrack St - 30,196sqm



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Negative net absorption in the 'prime' segment caused Perth vacancy to increase

Perth CBD Net Absorption by Grade – Six Months to January 2013

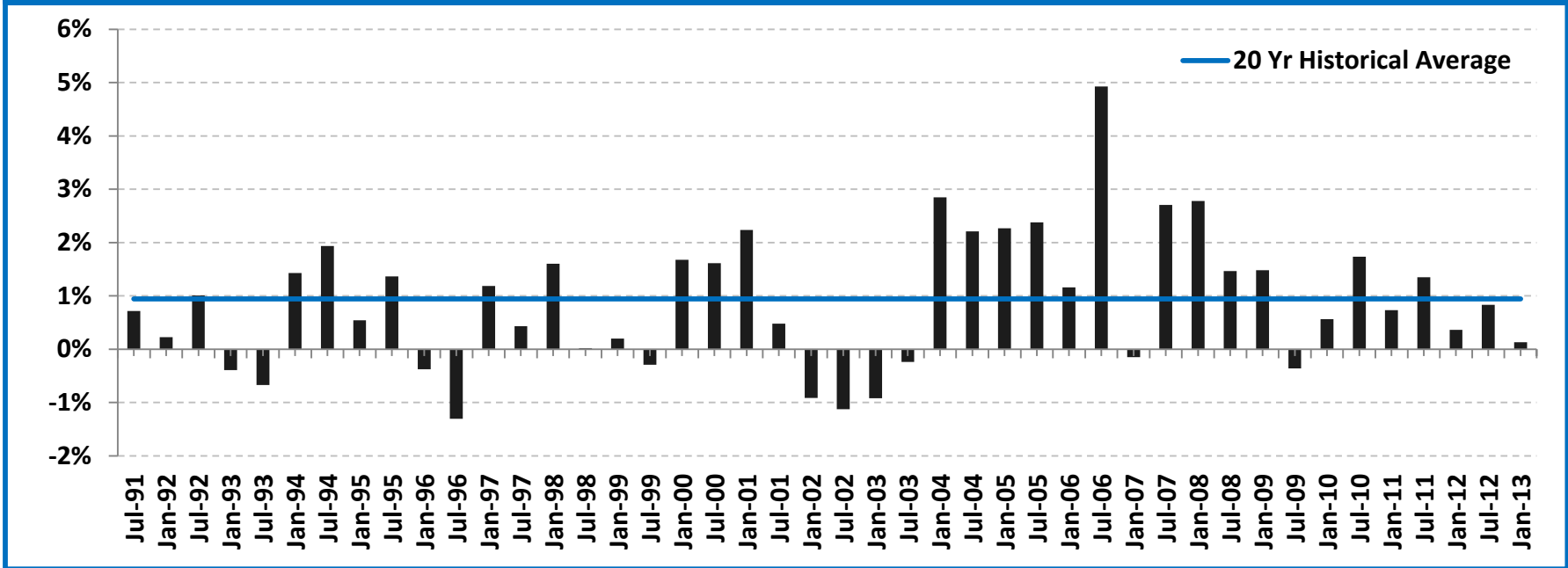




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Demand in Melbourne CBD was the lowest seen since July 2009

Melbourne CBD Historical 6 month Demand Rate: 1990 – 2016



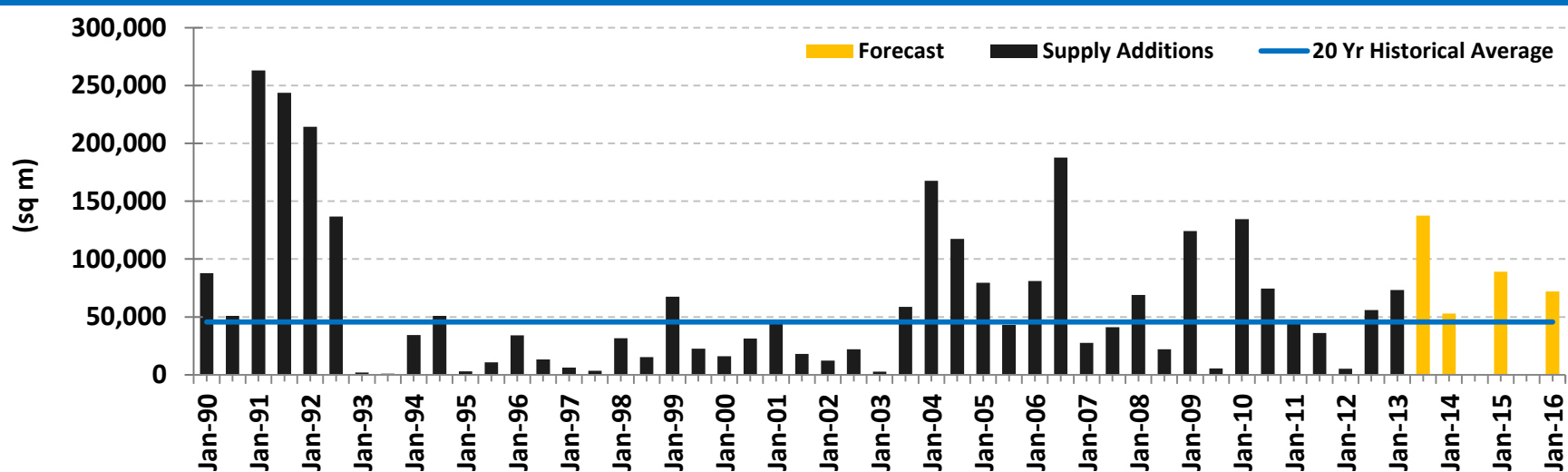
Demand Rate = Change in Occupied Stock / Previous Stock



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190,000sqm of space is due to enter the Melbourne market in the first six months of 2013

Melbourne CBD Gross Supply Forecast



Major Project

2013 Q2 - 700 Bourke St - 61,300sqm



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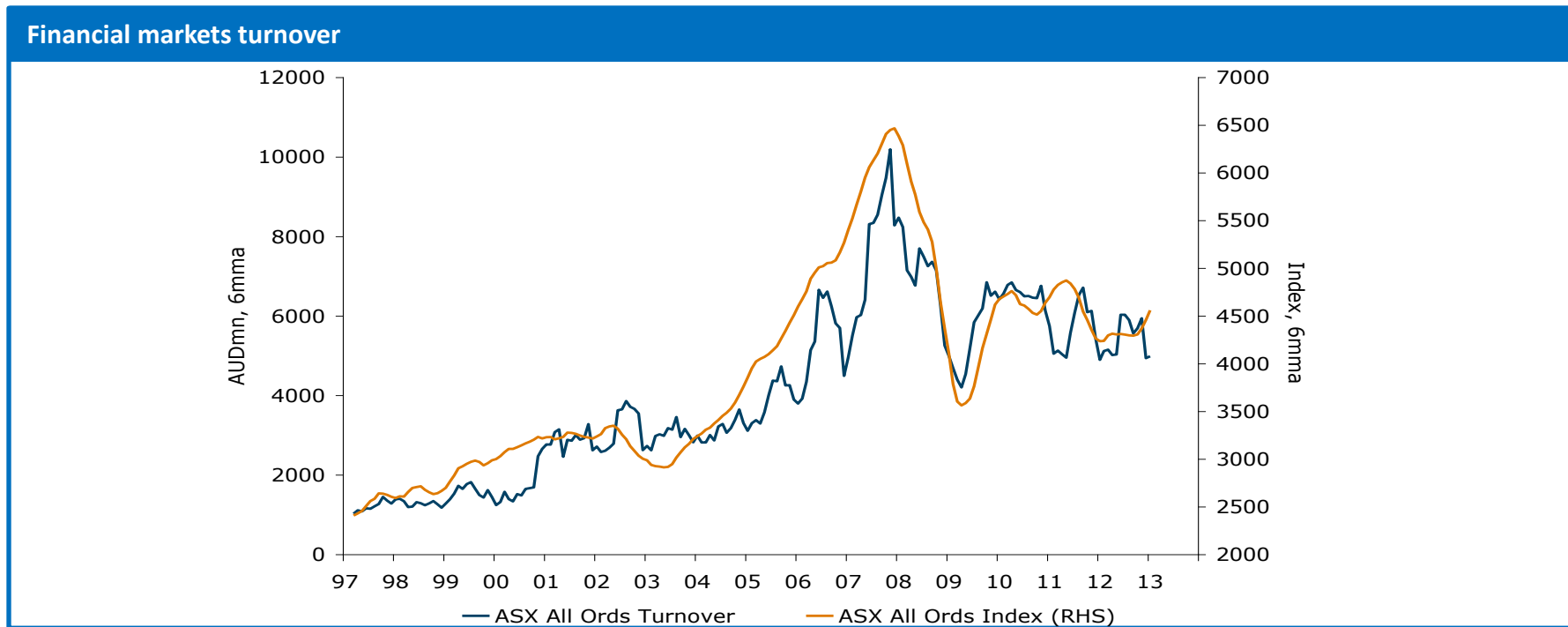


Panel Slides



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Financial markets turnover has been weakening since the GFC

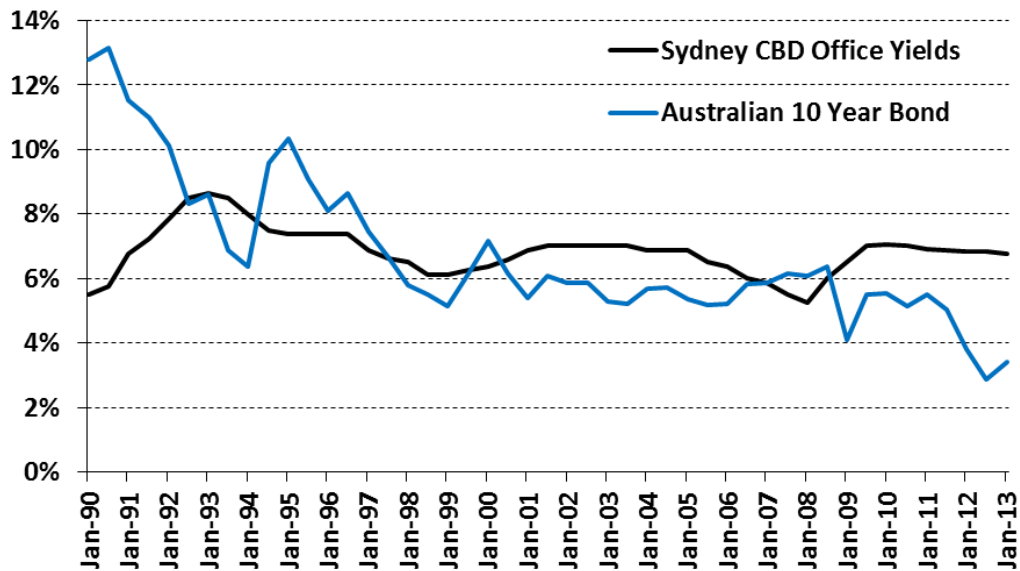




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Comment

Sydney CBD Office Yield v Australian Nominal 10 Year Bond (1990-2013)





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Foreign Investment Review Board approvals for real estate continue to increase

Foreign Investment Review Board Approvals (AUD bn, financial year)

