

Australia / Q3 2017

Market Overview

Melbourne Fringe



Demand for prime grade assets remains robust. Vacancy across prime grade assets declined by 22,600 sqm. The Yarra precinct dominated all net absorption activity, attracting businesses looking to expand and relocate.



Withdrawals contributed to changes in the Fringe stocklist. A net total of 10,700 sqm was withdrawn from the market in 3Q17. Withdrawals included the Victoria Police complex at 412 St Kilda Road (16,200 sqm), which will be converted to residential use.

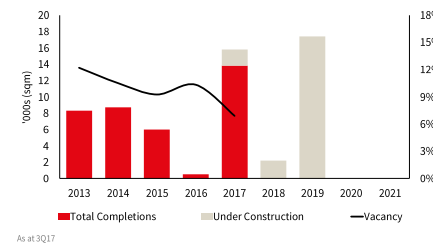


Two sales (≥AUD 5.0 million) were recorded in 3Q17. Totalling AUD 166.9 million, the transactions delivered the strongest sales quarter year to date. Both transactions took place on St Kilda Road.



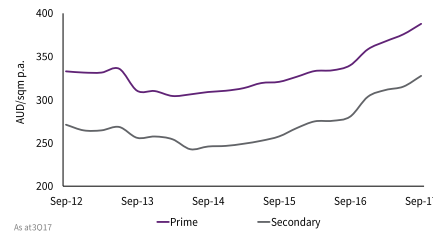
Rental growth maintained. Prime and secondary markets have maintained their rental growth over 3Q17, recording 3.0% and 2.1% q-o-q changes respectively. Outgoings for prime assets have moderated remaining consistent at AUD 107 per sqm p.a. for the second consecutive quarter.

Melbourne Fringe Market Balance



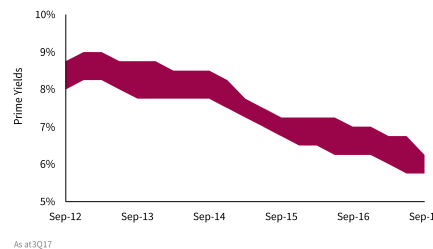
Source: JLL Research

Melbourne Fringe Gross Effective Rents



Source: JLL Research

Melbourne Fringe Prime Yields



Source: JLL Research

6.9%

Vacancy:

Headline vacancy fell by 2.1% over the current quarter, the strongest movement in the market since 2Q09. While the current rate (6.9%) has not yet reached the 10-year low (5.3% in 3Q08), vacancy for the Fringe has consecutively compressed over five quarters.

22,600 sqm

Net absorption:

Net absorption reached a seven year high over 3Q17. The Yarra precinct totalled positive 22,600 sqm of net absorption this quarter. Due to strong positive net absorption in 1H17, the Fringe market is expected to deliver its first positive calendar year since 2014.

9,800 sqm

Construction:

Two completions were recorded over 3Q17 in the Fringe as 9,800 sqm was delivered to market. The supply pipeline in the Fringe market remains robust as a further five projects are under construction and projected for completion by 2Q19.

5.50%-6.25%

Yields:

Prime and secondary grade yield ranges aligned on the upper end for the second consecutive quarter. Both prime and secondary yield spreads sharpened by 25 bps on the tighter end over 3Q17.