

Australia / Q3 2017

Market Overview

Canberra



Year-to-date net absorption in Canberra totals -1,600 sqm. A lack of leasing momentum characterises the market. Net absorption has been fluctuating from tenant consolidations and contractions over 2017.



Two office buildings reached completion over 3Q17. TOP Greenway (30,707 sqm) was the first new addition to stock (>25,000 sqm) outside the Civic and Barton precinct since 3Q13. The refurbishment of 17 Moore Street (6,259 sqm), Civic also completed during 3Q17.

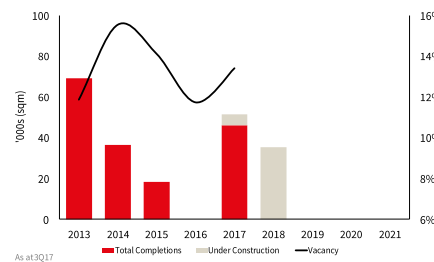


Investment activity was concentrated in the secondary market over 3Q17. Four second-grade buildings were sold for a total of AUD 54.8 million. Local private investors were particularly active during the quarter.



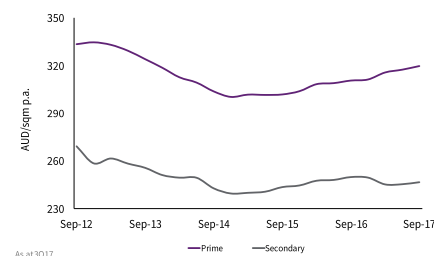
JLL Research forecasts prime-grade rents to increase modestly. This is despite a rise in vacancy, by the end of 2017. Yield compression is likely to be modest over the next six to 12 months. However, this is contingent on upcoming sales evidence.

Canberra Market Balance



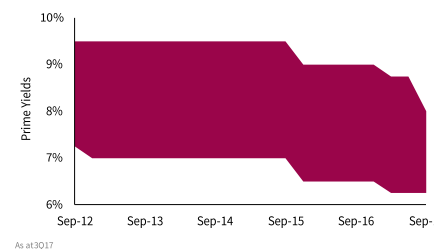
Source: JLL Research

Canberra Average Gross Effective Rents



Source: JLL Research

Canberra Prime Yield Range



Source: JLL Research

-3,300 sqm.

Net absorption:

Relocations and consolidations by the public-sector at the Federal level produced negative net absorption of -3,300 sqm. The Department of Social Services' move into pre-leased space at TOP Greenway – Athllon Drive (30,707 sqm) contributed -2,300 sqm to net absorption.

13.4%

Vacancy:

Overall vacancy increased by 1.6 pps to 13.4% while in contrast, the prime vacancy rate (5.8%) declined by 0.2 pps over 3Q17.

40,700 sqm

Construction:

There are three developments currently under construction. One of these is a full refurbishment of a building in the Civic precinct and is scheduled to be completed in 4Q17.

6.25%-8.00%

Yields:

The sale of the office buildings at 82 Northbourne Avenue, Braddon, and 2-6 Bowes Street, Phillip, contributed to the prime yield range compressing by 75 bps at the lower end over 3Q17.