

Australia / Q3 2017

Market Overview

Sydney CBD



Occupier demand conditions remain strong. Demand for office space was dominated by finance and insurance services, contributing 67% to gross take-up. Demand was strong, with net absorption totalling 41,400 sqm.



Supply additions were mild in 3Q17. Only one project completed, adding 27,100 sqm to stock. This quarter follows a strong supply cycle, due to high construction activity over 2015-16. The development of Darling Square was the sole project to be delivered to the market.

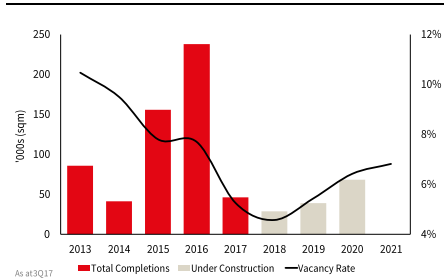


Investment enquiry and sentiment remains strong. Five assets transacted during the quarter (\geq AUD 5.0 million) totalling AUD 1.65 billion. Strong transactions, for core products, show persistent investment demand.



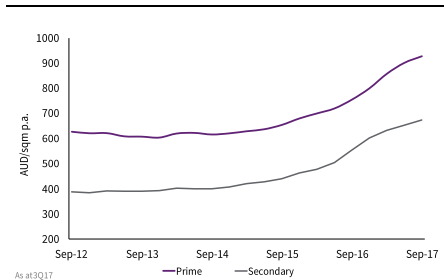
Short-term outlook for demand is positive. Vacancy is expected to continue to trend down in 2017, supported by steady occupier demand and no further supply additions. With tightening space conditions, rents are expected to continue to increase over the next six to 12 months.

Sydney CBD Market Balance



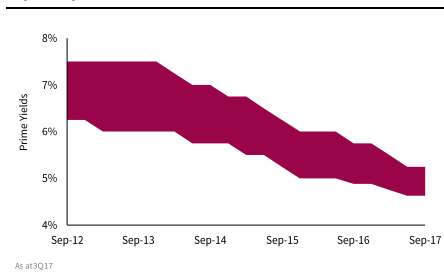
Source: JLL Research

Sydney CBD Gross Effective Rents



Source: JLL Research

Sydney CBD Prime Yields



Source: JLL Research

6.0%

Vacancy:

The Sydney CBD vacancy rate is down by 0.4 pps from last quarter. The Midtown and South precincts had the lowest rate out of all Sydney CBD office precincts at 4.2% and 3.9% respectively.

41,400 sqm.

Net absorption:

Net absorption for the quarter totalled approximately 41,400 sqm – the highest quarterly net absorption in three years. Prime grade net absorption recorded positive 42,200 sqm for the Sydney CBD.

285,500 sqm

Construction:

There is approximately 284,480 sqm under construction or with plans approved. Wynyard Place is the largest project under construction and is set to deliver 68,300 sqm into the market.

4.63%-5.25%

Yields:

Prime grade yields were unchanged at their record lows over the quarter, maintaining a midpoint of 4.94%.