

Australia / Q3 2017

Market Overview

Perth CBD



Occupier demand being driven by centralisation. There has been a steady flow of tenants moving into the Perth CBD from suburban locations. Demand was relatively strong, with net absorption of 16,100 sqm during 3Q17.



One major project completed in the Perth CBD. Only 1,250 sqm completed over the last 12 months. A number of new office developments have development approval, or are proposed. However, it is likely that pre-commitment is required before construction begins.

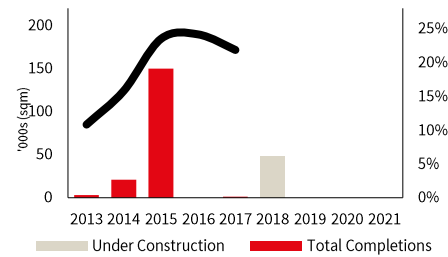


Investment activity increased during the September quarter. Three assets transacted during the quarter (sales >5.0 million) totalling AUD 445.9 million. While opportunities are limited, investment interest remains robust.



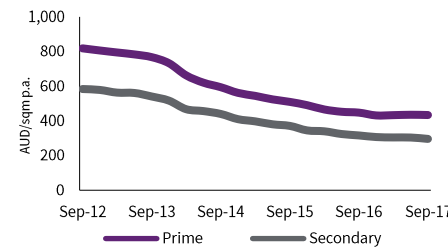
Vacancy is expected to show a gradual recovery. While vacancy has shown signs of stabilising, it is expected to remain elevated for the short-medium term. Leasing enquiry and activity is likely to remain driven by the opportunity for suburban tenants to centralise into the city. Vacancy may increase in 2018 as backfill space may enter the market when Woodside relocates.

Perth CBD Market Balance



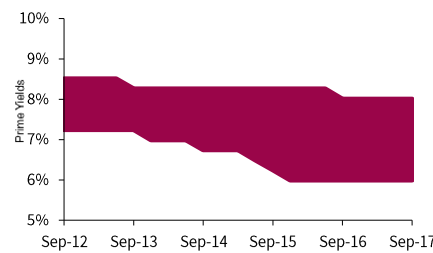
Source: JLL Research

Perth CBD Gross Effective Rents



Source: JLL Research

Perth CBD Prime Yields



Source: JLL Research

21.8%

Vacancy:

The Perth CBD vacancy rate is down by 0.9 pps from last quarter. The Perth CBD vacancy rate has fallen for four consecutive quarters, the first time since 3Q10-2Q11. Prime grade vacancy has decreased for six consecutive quarters; as larger leasing activity remains directed towards higher quality buildings.

51,400 sqm.

Net absorption:

Net absorption for the 12 months to September 2017 totalled 51,400 sqm. Multiple larger tenant moves within and into the CBD, outweighed any new vacancy that was added to the market.

48,500 sqm

Construction:

Just one major project is currently under construction in Perth CBD. The Capital Square office building (48,500 sqm) at t98 Mounts Bay Road. Woodside Petroleum has pre-committed to the building, intended as their new headquarters.

6.00%-8.00%

Yields:

Prime grade yields were unchanged at over the quarter, maintaining a midpoint of 7.00%.