

Australia / Q4 2017

## Market Overview

### Perth CBD



**Occupier demand remains driven by upgrades and centralisation.** There has been a steady flow of tenants moving into the Perth CBD from suburban locations, as well as upgrading from within. Centralisation is now a more affordable option, with generous incentives on offer.



**The supply pipeline for the Perth CBD is minimal.** Only 1,250 sqm completed over 2017. A number of new office developments are proposed or have development approval. However, it is likely that pre-commitment is required before construction begins.

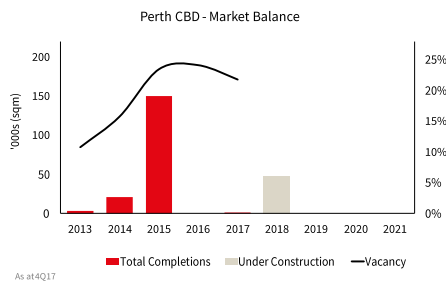


**Four CBD office buildings transacted in 2017.** While there were no transactions ( $\geq$ AUD 5.0 million) over 4Q17, four sales were recorded over the year, totalling AUD 515.9 million. While opportunities are limited, investment interest remains robust.



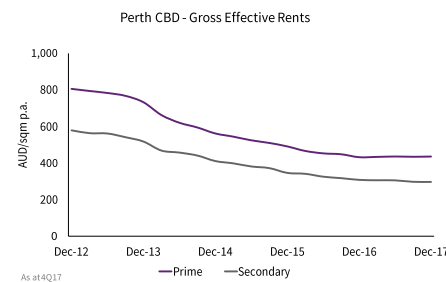
**Vacancy is anticipated to recover slowly.** While vacancy was stable over the quarter, it is expected to remain elevated for the short-medium term. Vacancy may increase in 2018 as backfill space may enter the market when Woodside relocates to its new headquarters.

#### Perth CBD Market Balance



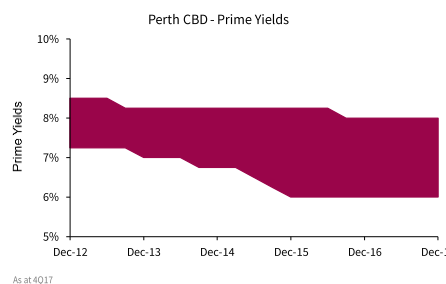
Source: JLL Research

#### Perth CBD Gross Effective Rents



Source: JLL Research

#### Perth CBD Prime Yields



Source: JLL Research

## 21.8%

#### Vacancy:

The Perth CBD vacancy rate remained stable over the December quarter. Over the 12 months to December 2017 the vacancy rate decreased by 2.3 percentage points. Prime grade vacancy has decreased over the year; as larger leasing activity remains directed towards higher quality buildings.

## 41,800 sqm.

#### Net absorption:

Net absorption for the 12 months to December 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%.