

Adelaide CBD



Improving demand from small tenants lifting secondary net absorption. Over the three months to September 2017, approximately 4,100 sqm of positive net absorption was recorded, driven by positive net absorption in the secondary grade (5,900 sqm).



The next wave of supply expected in late 2019. There are currently three projects under construction with the largest, Stage 1 of Charter Hall's Precinct GPO (24,000 sqm), expected to complete in 4Q19.

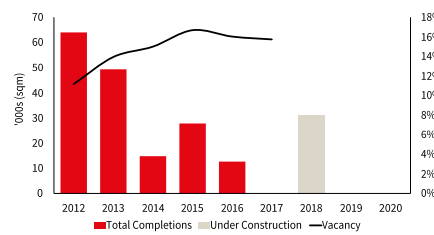


Investment activity is remains positive. After a quiet first half of the year in the capital markets space in which only two major transactions (>AUD 5.0 million) were recorded, sales activity rebounded in 3Q17 with seven quarterly transactions totalling AUD 258.7 million.



There is an increasing sense of optimism that business conditions and leasing activity is slowly turning the corner. JLL expects that net absorption will continue to track downwards over the short term, decreasing overall vacancy levels.

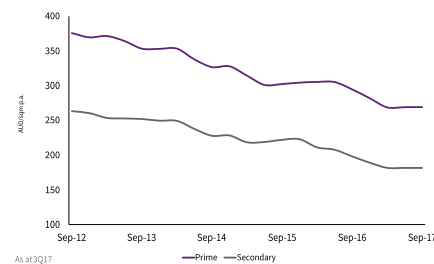
Adelaide CBD Market Balance



As at 3Q17

Source: JLL Research

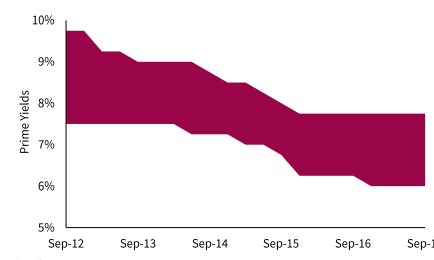
Adelaide CBD Gross Effective Rents



As at 3Q17

Source: JLL Research

Adelaide CBD Prime Yields



As at 3Q17

Source: JLL Research

15.7%

Vacancy:

The Adelaide CBD vacancy rate decreased by 0.3 percentage points (pps) in 3Q17 and is now the lowest recorded vacancy level since 2Q15. Prime vacancy is currently 11.8%. Secondary vacancy is currently 18.0%.

4,100 sqm.

Net absorption:

Net absorption in 3Q17 was 4,100 sqm. This marks consecutive quarters of positive net absorption after a period of low occupier demand. Activity from smaller occupiers (<=1,000 sqm) has been the major catalyst for the positive absorption figure.

31,200 sqm

Construction:

There were no new supply additions completed over the quarter. There are currently three developments under construction with only 1,500 sqm expected to complete in the next 12 months.

6.00%-7.75%

Yields:

Prime yields have been steady at 6.00%-7.75% for over a year now. Investment activity is positive and is likely to result in further compression in this investment cycle.