Office

Australia | Q3 2017

Market Overview

Brisbane Fringe

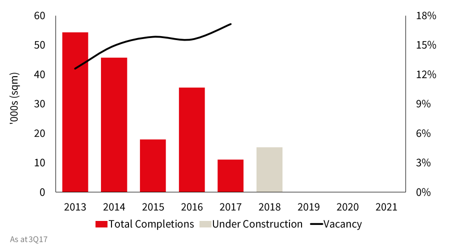
Demand for premium grade space continues to improve. Over the three months to September 2017, approximately 7,200 sqm of positive net absorption was recorded in the premium grade market, bringing the YTD total to -28,000 sqm.

No supply additions were recorded in 3Q17. Only two projects are currently under construction, scheduled to supply 33,900 sqm of office space to the Brisbane Fringe market. Furthermore, two buildings were withdrawn from stock this quarter, totalling 10,300 sqm.

Sales activity relatively improved in 3Q17. Sales volumes totalled AUD 284.2 million over the quarter, exceeding the 10-year rolling quarterly average. YTD sales volumes totalled AUD 717.5 million, surpassing the 2016 total.

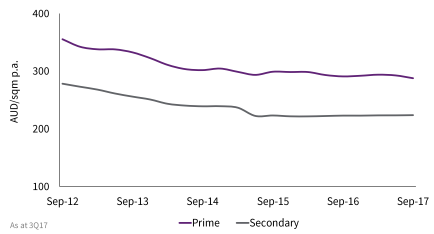
Incentives surge to an all-time high. Incentives have continued to increase reaching 38.5% (46 months' rent free over a 10-year lease). Landlords have preferred to increase incentives rather than reduce face rents in order to attract tenants. Looking forward, prime gross effective rents are projected to show signs of improvement over the remainder of 2017.

Brisbane Fringe Market Balance



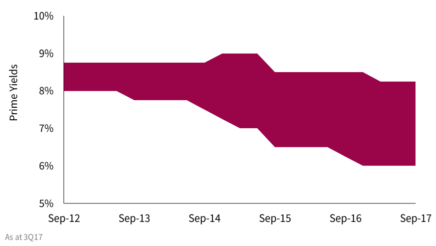
Source: JLL Research

Brisbane Fringe Gross Effective Rents



Source: JLL Research

Brisbane Fringe Prime Yields



Source: JLL Research

17.1%

Vacancy:

The Brisbane Fringe vacancy rate decreased by 0.5 percentage points over the quarter and now sits at 17.1%. The Toowong precinct had the lowest rate out of all Brisbane Fringe office precincts at 9.1%

-1,590 sqm.

Net absorption:

Net absorption for the quarter totalled negative 1,590 sqm. This is the third consecutive quarter that negative net absorption has been recorded bringing the year-to-date volume to -28,000 sqm.

47,700 sqm

Construction:

300 George Street is currently under construction and is scheduled to supply 47,700 sqm of A grade office space in 3Q19. There were no new supply additions over the September quarter.

6.00%-8.25%

Yields:

While investor demand remains robust, yields were stable across both prime and secondary assets over 3Q17. Prime yields remain at a range of 6.00%-8.25%, while secondary yields sit between 6.25% and 9.25%.