

North Sydney



Occupier demand conditions remain strong. Demand was strong this quarter, with net absorption positive 8,900 sqm. Demand was concentrated in the sub 1,000 sqm tenant market, with major tenants ($\geq 1,000$ sqm) contributing to only 15% of total net absorption.



There were no additions to supply in 3Q17. There are currently three projects under construction totalling 45,000 sqm. No projects expected to complete until early 2018.

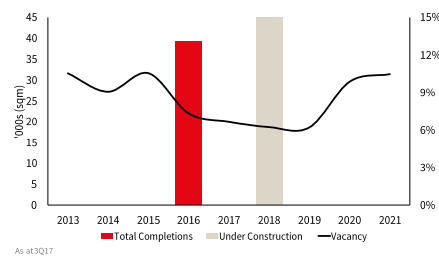


Investment enquiry and sentiment remains strong. Five assets transacted during the quarter (≥ 5.0 million) totalling AUD 537.5 million. The highest transaction recorded was 15 Blue Street for AUD 169.0 million.



The 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.

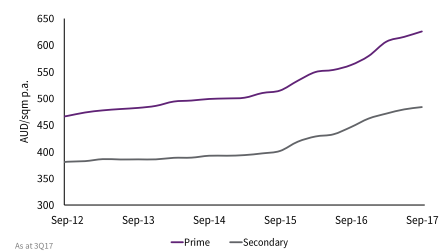
Sydney CBD Market Balance



As at 3Q17

Source: JLL Research

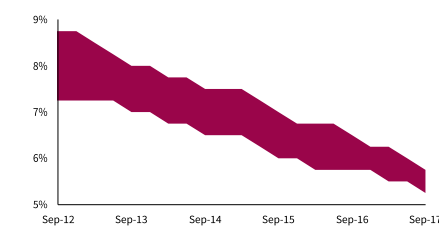
Sydney CBD Gross Effective Rents



As at 3Q17

Source: JLL Research

Sydney CBD Prime Yields



As at 3Q17

Source: JLL Research

7.5%

Vacancy:

The North Sydney vacancy rate is down by 1.1 pps from last quarter. Prime vacancy was higher than secondary grade vacancy this quarter, 8.3% and 6.8% respectively.

8,900 sqm.

Net absorption:

Net absorption for the quarter totalled approximately 8,850 sqm, the first positive quarter recorded this year. There is a relatively even split between prime and secondary grade net absorption; 4,000 sqm and 4,850 sqm respectively.

45,000 sqm

Construction:

There is approximately 46,400 sqm under construction or with plans approved. 100 Mount Street is the largest project under construction and is set to deliver 40,600 sqm into the market.

5.25%-5.75%

Yields:

Prime grade yields compressed 25 bps at both ends of the range over the quarter to record lows, with a midpoint of 5.50%.