Office

Australia | Q4 2017

Market Overview

Canberra

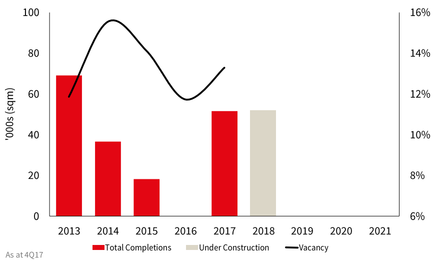
Year-to-date net absorption in Canberra totals -22,100 sqm. The leasing market in 2017 was predominantly characterised by Federal Government departments and agencies consolidating into existing office accommodation as well as withdrawal activity which totalled 41,600 sqm over the year.

One office building reached completion over 4Q17. The full refurbishment of ACT Public Trustee House at 4 Mont Street, Civic added 5353 sqm to the Canberra market this quarter. The Department of infrastructure and Regional Development occupied 2,016 sqm of pre-leased space.

Sales volumes in the Canberra office market for the 2017 calendar year totalled AUD 861.7 million. Seven buildings sold in 4Q17 for a total of AUD 287.9 million. Australian investors continue to dominate the investment landscape in Canberra.

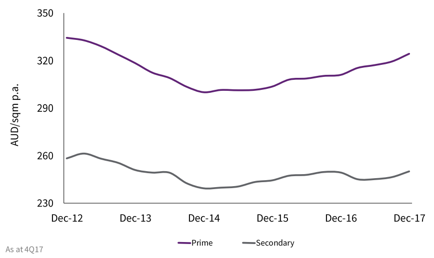
We expect that the on-going refurbishments of secondary stock will likely have a two-fold effect in Canberra over 2018. On the one hand, refurbished stock will command higher rents, however, there will likely be a slight dampening of rental growth in the prime market

Canberra Market Balance



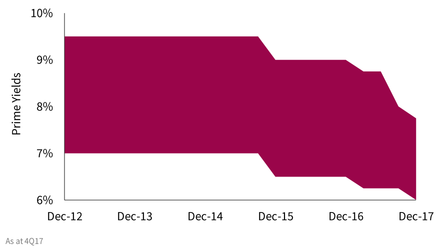
Source: JLL Research

Canberra Average Gross Effective Rents



Source: JLL Research

Canberra Prime Yield Range



Source: JLL Research

13.3%

Vacancy:

Overall vacancy decreased by 0.1 pps to 13.3% this quarter, despite negative net absorption. The headline vacancy rate is still 1.6 pps higher than the corresponding quarter in 2016.

-20,500 sqm.

Net absorption:

Contraction and consolidation of Federal Government departments contributed to the negative 20,539 sqm of net absorption recorded over 4Q17.

51,900 sqm

Construction:

There are five developments currently under construction. All five buildings are due to complete by the end of 2018 which will bring an addition 51,870 sqm of stock to the Canberra office market.

6.00%-7.75%

Yields:

Prime yields compressed by 25 bps on both ends over 4Q17 to range 6.00%-7.75%. Consequently, the prime midpoint yield compressed by 25 bps to 6.75%. The first midpoint yield compression in 2017.