

Australia / Q4 2017

Market Overview

Melbourne CBD



Net absorption rebounded over 4Q17 to 29,375 sqm, after a subdued 3Q17 result (5,703 sqm). Remaining positive for the 15th consecutive quarter, the metric well surpassed the 10-year long term quarterly average (18,560 sqm).



There were no completions in the Melbourne CBD office market over 4Q17. Ten developments are currently under construction (410,900 sqm), the first is to complete in 1Q18.

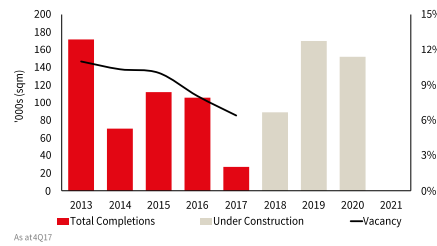


In the 12 months to 4Q17, AUD 2,347.3 million was exchanged in the Melbourne CBD office market across 18 assets. Trust Capital Advisor's selling of 850 Collins Street, 575 Bourke Street and 469 La Trobe Street for a total of AUD 447.5 million were the largest transactions of the quarter.



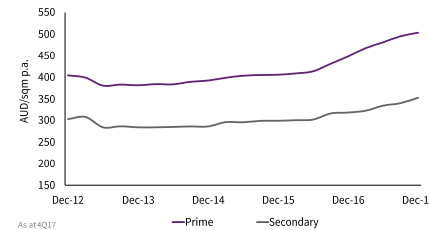
Robust gains in net effective rental growth continued across both prime and secondary grade markets. Prime gross effective rents surpassed the AUD 500 benchmark for the first time since JLL Research began tracking the market.

Melbourne CBD Market Balance



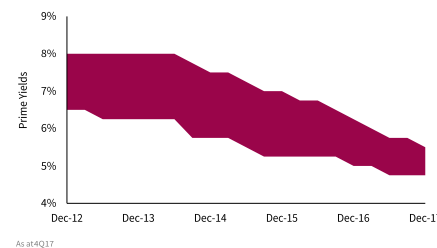
Source: JLL Research

Melbourne CBD Average Gross Effective Rents



Source: JLL Research

Melbourne CBD Prime Yield Range



Source: JLL Research

6.4%

Vacancy:

Demand for prime grade assets compressed vacancy rates over 4Q17. Prime vacancy declined by 0.9 (bps) to 6.0% and secondary vacancy tightened by 0.1 (bps) to 7.3%.

29,375 sqm

Net absorption:

Net absorption returned to strong positive levels over 4Q17. The 2017 calendar year recorded 91,100 sqm of positive net absorption.

410,900 sqm

Construction:

There were no new additions to supply over 4Q17, with all completions for 2017 taking place in 1H17. There is currently 410,900 sqm under construction in the CBD.

4.75%-5.50%

Yields:

Prime grade yields compressed 25 bps on the lower end over the quarter to range 4.75%-5.50%. The secondary yield range held constant to range 5.25%-6.25%.