Australia | Q3 2017

Market Overview

Brisbane CBD

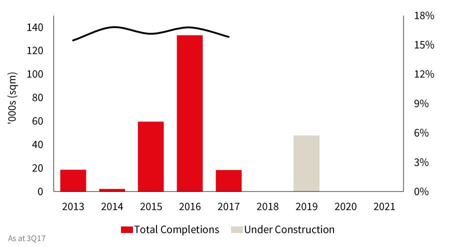
Demand for premium grade space continues to improve. Over the three months to September 2017, approximately 7,200 sqm of positive net absorption was recorded in the premium grade market bringing the YTD total to 23,800 sqm.

No supply additions were recorded in 3Q17. Only one project is currently under construction and only two projects totalling 61,000 sqm have plans approved. Forestry House (14,000 sqm) was withdrawn this quarter with, the Queensland government vacating the building upon its lease expiry.

Investment activity is relatively subdued in 3Q17. One major transaction (≥ AUD 5.0 million) was recorded this quarter. Corval partners divested 160 Ann Street to Singapore based Alpha Investment Partners for AUD 119.5 million.

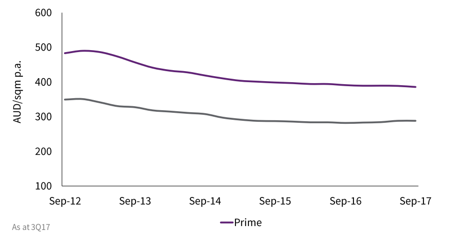
Subdued leasing demand expected to persist. Limited change in vacancy is forecast over the short term. However, JLL Research anticipates a recovery for the QLD economy over the coming years. Recovery is projected to be driven by a broad range of sectors such as tourism, education and professional services.

Brisbane CBD Market Balance



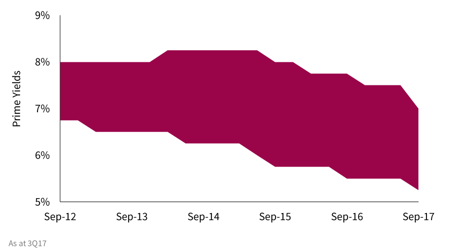
Source: JLL Research

Brisbane CBD Gross Effective Rents



Source: JLL Research

Brisbane CBD Prime Yields



Source: JLL Research

15.8%

Vacancy:

The Brisbane CBD vacancy rate has risen by 0.3 percentage points (pps) in 3Q17 but is down 0.5 pps from the y-o-y rate (16.3) . The Midtown precinct had the lowest rate out of all Brisbane CBD office precincts at 8.3%

-18,400 sqm.

Net absorption:

Net absorption for the quarter totalled negative 18,400 sqm. The negative result can be largely attributed to the Queensland Government consolidating its tenancy from Forestry House (14,000 sqm) into building it already leases across Brisbane.

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 completed over the quarter.

5.25%-7.50%

Yields:

Prime yields tightened at the upper-end of the range over the quarter, now ranging 5.25%-7.50%. Robust investor demand has applied downward pressure on yields for prime grade assets. Yield compression was also recorded across the secondary market, sharpening by 50 bps to range 6.00%-9.00%.