Key Leasing Market Trends

- Occupier demand has strengthened. Over the year to July, the vacancy rate declined across all CBD office markets and net absorption strengthened in most markets.
- There has been strong demand from the Professional Services and IT industries.
- A strong national pipeline of infrastructure works and major projects has boosted white-collar employment and office space demand.
- Co-working providers have continued to expand their national presence and have accounted for a large share of demand for new office space in a number of Australian markets.

Key Investment Market Trends

- Investors are paying increased attention to tenant profile, looking to avoid / re-position assets heavily leased to tenants from industries susceptible to technology-induced disruption.
- Foreign investors have continued to increase their presence in the investment market due to the stable investment environment, the favourable spread between Australian property yields and government bonds, the value of the Australian dollar and more desirable lease terms in Australia than across the remainder of the Asia Pacific.
- Yields have continued to tighten, albeit at a slower rate than seen over previous years.

Key Indicators & 12-month Change by Market

Sources and Notes:
- Business Confidence (State) - NAB
- WCE (White Collar Employment Sectors) growth 2017 - m3property Research and BIS Oxford Economics
- Vacancy Rate - Property Council of Australia
- Rents, Incentives & Yields (as at June Qtr. 2018) - m3property Research
SYDNEY CBD

By Katherine Tambouras | Research Analyst | katherine.tambouras@m3property.com.au

SYDNEY CBD OFFICE BOOMING

• The Sydney CBD office market continued to outperform other markets over the first half of 2018 with strong rental growth, positive tenant demand, low vacancy rates, solid investment demand and further yield compression.

• According to the latest Property Council of Australia Office Market Report, positive net absorption levels at 9,489 square metres were recorded over the twelve-month period to July 2018. Specifically, prime stock recorded strong net absorption levels at 44,931 square metres whilst secondary stock recorded negative net absorption levels (~35,442 square metres).

• Vacancy rates have recorded a ten-year low at 4.6%, decreasing further from 6.0% over the twelve months to July 2018. This is predominantly due to continued positive net absorption and high levels of stock withdrawals. There is around 220,010 square metres due to be removed from the market over 2018 and 2019 for refurbishment and redevelopment.

• Completions over the first half of 2018 totaled 45,251 square metres. This is expected to be supplemented with 34,851 square metres of new gross supply over the second half of 2018, which will include the completion of 151 Clarence Street (20,795 square metres), the office component of Central Park, 100 Broadway (5,447 square metres) and 222 Clarence Street (1,829 square metres).

• Looking forward, the supply pipeline will increase significantly from a number of large redevelopment projects that will be undertaken over the next few years.

STRONG DEMAND RISING RENTS

• Leasing demand continues to be strong and as a result, gross face rents in the Sydney CBD have increased over the year to June 2018 at 4.7% for prime office space and 5.5% for secondary office space.

• According to m3property Research, prime gross face rents are ranging between $930 and $1,650 per square metre, and secondary gross face rents are ranging between $800 and $1,125 per square metre.

• Incentives have fallen in the Sydney CBD over the year to June 2018 to range from 17.0% to 21.0% for prime stock and from 10.0% to 16.0% for secondary.

• According to m3property Research, strong rental growth is projected for both grades over the next two years, due to forecast low vacancy and continued positive demand.
SOLID SALES GROWTH

- **Transaction activity** has continued to be solid over 2018 with approximately $2.9 billion of sales recorded over the first seven months of 2018 and a number of buildings currently on the market.
- Unlisted trusts (30.7%) and foreign investors (22.6%) accounted for the majority of sales activity over the year to June quarter 2018, with sales reaching $6.18 billion.
- Larger sales recorded over 2018 were 275 Kent Street for circa $860 million, 231 Elizabeth Street for $342 million and 1 York Street for $205 million.

YIELDS TIGHTEN FURTHER

- Yields across prime and secondary offices continued to tighten over the year to June 2018 driven by improving market fundamentals and strong investor demand.
- **Prime yields** tightened by 38 basis points over the 12 months to June 2018, to range between 4.38% and 5.00%. Over the same time frame, **secondary yields** tightened by around 50 basis points to range from 4.75% to 5.75%.

THE OUTLOOK IS POSITIVE

- According to m3property Research, **vacancy rates** are expected to decrease further over the next two years. Positive demand should result in pre-lease activity rising over the next few years, driving new development completions in 2020 and 2021. Forecast development activity in this period is expected to result in an increase in vacancy over those years.
- **Net absorption** is forecast to be moderate over the next few years, in part due to the lack of available contiguous space. This is likely to pressure some tenants to consider fringe and suburban markets for larger and back office space requirements.
- **Prime gross face rents** are forecast to increase around 5.7% over the next 12 months. Secondary space is expected to see similar growth over the year. **Incentive** levels are also likely to reduce across both grades over the same period.
- According to m3property Research, yields are expected to remain low due to strong rental growth. This should drive continued **investment demand** in the Sydney market. However the rate of firming has already slowed and this is expected to continue to be the case over the short-term with the 10-year bond rate rising.
RECORD LOW VACANCY

• The Melbourne CBD market has witnessed a record low vacancy rate of 3.6% as at July 2018 dropping from 5.9% in July 2017. Prime grade vacancy fell to 3.3% in July 2018 from 5.4% in July 2017. Secondary grade vacancy was recorded at 4.1% in July 2018 dropping from 6.9% in July 2017.

• According to the Property Council of Australia Office Market Report, a strong positive net absorption of 122,144 square metres was recorded over the last 12 months, above the 10-year average of 72,000 square metres. Approximately 59,000 square metres of new and refurbished supply was added to the market over the last six months.

• According to m3property Research, the vacancy rate is forecast to remain stable until the end of 2019 before it peaks during 2020 when the vacancy rate peaks at 5.2%. Over the period of 2018–2021 approximately 537,000 square metres of new supply is expected to come online with approximately 377,000 square metres (70%) being pre-committed.

NET EFFECTIVE RENTS CONTINUE TO RISE

• According to m3property Research, a combination of strong tenant demand, low vacancy rate and limited new supply resulted in prime net effective rents growing by 16% over the 12 months to June 2018. Incentives witnessed minimal movement over this period and they are expected to decline over the next 12 months before starting to increase again.

• Strong prime effective rental growth is anticipated over the balance of 2018 and 2019 before starting to slow down in 2020.
STRONG SALES ACTIVITY

- **Investor activity** in the Melbourne CBD remained strong and has achieved a record level in the calendar year 2017 with approximately $5.1 billion worth of office stock traded. Over the first half of this year, transactional activity remained strong with a total of $1.67 billion being sold.

- Significant transactions to occur include the sales of Two Melbourne Quarter, which sold for $550 million to Australian Prime Property Fund and First State Super; 699 Bourke Street (50%) which sold to Morgan Stanley for $102 million; and 160 Harbour Esplanade which sold to Victorian Government for $100 million.

YIELDS CONTINUE TO TIGHTEN

- Prime **yields** tightened by 50 basis points over the last 12 months to range between 4.75% and 5.50%. Over the same period, secondary yields compressed 88 basis points to range between 5.25% and 6.00%.

- Yields within the Melbourne CBD office market have reached historically low levels. The current spread between Melbourne’s CBD prime office yields and government bonds is approximately 2.6 percentage points, which is considered wide when compared to the 20-year average of around 1.8 percentage points.

OUTLOOK IS POSITIVE

- According to m3property Research, **vacancy** is forecast to decline over the next 18 months before it peaks by the end of 2020 at 5.2% which is lower than the historic 10-year average of 6.4%.

- A total of 537,000 square metres of new development is expected to be completed between now and 2021, with approximately 70% already pre-committed.

- We expect **net face rents** to continue to increase over the next 18 months before the growth rate starts to decline during 2020 and 2021.

- **Incentives** are expected to increase during 2019–2020 on the back of new supply coming online.

- **Investment demand** is expected to remain strong over the short term. We believe that high demand and limited stock available for investment will continue to drive yield compression.
BRISBANE CBD

By Casey Robinson | Research Director | casey.robinson@m3property.com.au

BRISBANE AT START OF SUPPLY UPSWING

- According to the Property Council of Australia Office Market Report, whilst net absorption was negative over the year to June (-6,124 square metres), it was positive over the six-month period from January to July (21,739 square metres). Net absorption was strongest in Premium-grade buildings over the first half of 2018.

- Positive net absorption helped the vacancy rate decline from 16.1% in January to 14.6% in July. Vacancy is now the lowest it has been since January 2014. The prime vacancy rate is now 11.1% while the secondary vacancy rate is 19.3%. The decline in the secondary vacancy rate during the first half of the year was boosted by the withdrawal of 12,063 square metres of space at the 360-380 Queen Street site.

- There was no new supply added to the market over the first half of 2018, with the most recent supply completed being 300 Ann Street during 2017.

- However, the CBD is at the start of a supply upswing with a number of projects in planning or under construction. Notably, 300 George Street is well underway, with construction anticipated for the second half of 2019. The project is yet to receive a pre-commitment.

- Also, Mirvac has now secured Suncorp as a major tenant for 80 Ann Street. 80 Ann Street is mooted for completion in 2022.

LEASING MARKET STRENGTHENS

- Alongside a strengthening in occupier demand, rents grew over the 12-months to June 2018. Incentives were stable over this period, and whilst they are considered to have peaked, their decline will be gradual.

- According to m3property Research, Premium-grade gross face rents are currently typically ranging between $785 and $875 per square metre, with incentives averaging 35% and A-grade gross face rents are typically ranging between $625 and $750 per square metre with incentives also averaging 35%.

- Conditions in the secondary market remain difficult. B-grade face rents are typically ranging between $525 and $650 per square metre with an average incentive of 39%. Secondary space that has been refurbished is generally being successfully leased. Un-refurbished secondary quality space continues to face difficult conditions and higher vacancy. Because of this, larger incentives for this type of stock are common.
FOREIGN INVESTORS INCREASE PRESENCE

• There has been circa-$868 million of sales in the Brisbane CBD to date this year. Based on the first half of the year, sales activity is on track to reach around the same level as last year’s total of $1.5 billion.

• Foreign investors have been extremely active, as both vendors and purchasers, during the year to date. Foreign investors who have made acquisitions during 2018 to date include Firmus Capital, JP Morgan, Hines, Rockworth Partners and GIC.

• The largest sale of 2018 to date has been 53 Albert Street, currently under contract for $250 million to JP Morgan from Challenger Life.

NARROWING OF YIELD SPREAD

• Yields tightened further over the year to June 2018. The spread between prime and secondary yields has narrowed during recent months. During the June quarter 2018, Premium-grade yields ranged between 5.00% and 6.00%; A-grade yields ranged between 5.50% and 6.50%; and B-grade yields ranged between 6.50% and 7.50%.

THE OUTLOOK IS POSITIVE

• According to m3property Research, vacancy is forecast to decline to be circa-12.0% by the end of 2020. This decline will be the result of the withdrawal of some stock (including the Transit Centre for the Brisbane Live project) and the continued strengthening in tenant demand.

• There are some major tenant moves which will also contribute positively to net absorption and declining vacancy. For example, WeWork is expected to absorb circa-11,000 square metres of space and Allianz will be relocating to circa-5,800 square metres of additional CBD space, both over the coming year.

• The vacancy outlook has the potential to change considerably if other projects in the supply pipeline proceed to construction in the near future.

• We expect growth in effective rents to accelerate over 2019 / 2020 – a result of both increasing face rents and declining incentives. Over the next decade, prime rents are forecast to grow at a compound annual rate of 3.4%.

• Investment demand is expected to remain strong over the near-term. Yields are now thought to have reached their bottom, where they are likely to stay over the remainder of 2018 and into 2019.
**Adeela CBD**  
*By Zoe Haskett | Research Manager | zoe.haskett@m3property.com.au*

**Net Absorption, Vacancy & Supply**

- According to the Property Council of Australia Office Market Report, Adelaide recorded the third strongest net absorption (19,811 square metres) out of all monitored CBD office markets over the 12 months to July 2018, including 10,115 square metres over the first half of 2018. Net absorption was strongest for B-grade buildings over the first half of 2018.

- The headline vacancy rate for the Adelaide CBD remains elevated but recorded a further fall, declining by 0.7 percentage points from 15.4% in January 2018 to 14.7% in July 2018. Steady stock levels combined with above long-term average positive net absorption, placed continued downward pressure on vacancy over the six-month period. Vacancy rates for prime-grade stock over the 12 months to July 2018 increased from 13.8% to 14.0%, whilst vacancy rates for secondary stock decreased from 17.8% to 15.1% over the same period.

- Adelaide is at the bottom of the supply cycle, with the next stage of growth anticipated to begin in the second half of 2019 with the completion of Charter Hall’s GPO Tower (24,500 square metres). The building is over 90% pre-committed to by the Attorney Generals Department and BHP.

**Leasing Market Strengthens**

- The majority of tenant enquiry is coming from tenants requiring circa-500 square metres. Whilst a number of businesses are moving into the expansion phase, increased work space efficiency has, and is continuing to result in a healthy portion of renewals signing on for a reduced amount of space.

- Whilst leasing demand has strengthened, there continues to be a state of oversupply in the market. As a result, there are still likely to be many opportunities for small- to medium-sized tenants entering the leasing market as well as for existing tenants whose leases are close to expiry. This has resulted in face rents remaining stable over the 12 months to June 2018.

- According to m3property Research, net face rents as at June 2018 ranged from $370 to $435 per square metre for prime assets and $230 to $355 per square metre for secondary stock.

- Incentives remain at elevated levels, with owners largely trying to maintain face rental levels in negotiations. Incentives for prime and secondary grade stock currently range from 30% to 40% and 25% to 40% respectively.
FOREIGN INVESTORS INCREASE PRESENCE

• Strong investment demand and high sale volumes continued over the 12 months to June 2018, with circa-$587 million worth of major transactions occurring, up from circa-$501 million over the previous period, and well above long-term averages.

• Foreign investors have accounted for the majority of sales (in terms of value) by purchaser type. Purchases by unlisted funds have also accounted for a healthy portion of transactions over the period.

• The largest sale of 2018 to date has been ANZ House (11 Waymouth Street) for $202.5 million (acquired by Mapletree Logistics from Dexus Office Partnership).

• The third and final cut to fully abolish stamp duty on commercial property transactions was effective from 1 July 2018. This is expected to further strengthen interest from interstate and foreign investors, developers, and syndicates etcetera who have traditionally looked elsewhere for opportunities.

GREATER RETURNS ON OFFER

• There continues to be a significant yield spread between Adelaide’s office market yields and other eastern seaboard yields, making the greater returns on investment more attractive.

• Market yields as at June 2018 ranged between 6.00% and 7.00% for prime stock and 7.50% and 9.00% for secondary assets.

THE OUTLOOK IS POSITIVE

• According to m3property Research, vacancy is forecast to decline over the next year and remain relatively unchanged over the financial year ending 2020 due to tenant moves into GPO Tower in late 2019 and the subsequent influx of backfill space. Vacancy is then expected to continue its downward trend thereafter, albeit at a steady pace.

• A total of 31,100 square metres of new supply is expected to be completed between now and the end of 2019. Beyond this, major developments are unlikely to go ahead unless significant pre-commitment is achieved.

• We expect net face rents to increase at circa-CPI over the forecast period and for incentives to start to peel back in the second half of 2019.

• Yields are forecast to have reached the bottom of the current cycle and are expected to remain unchanged over at least the next 12 to 24 months.
PERTH CBD

By Jennifer Williams | National Director - Research | jennifer.williams@m3property.com.au

FUNDAMENTALS IMPROVING

- Perth CBD is expected to have reached the nadir of the current cycle and is starting to show signs of improvement.
- There was no new supply added to the market over the first half of 2018, however, Capital Square, which is Woodside Petroleum’s new headquarters is due to be completed in the second half of the year.
- Other than refurbishments, such as 240 St George’s Terrace, which will be refurbished on the vacation of Woodside, the CBD supply pipeline is dependent on pre-commitments. This means many projects have reached DA approval stage and stopped, with some expiring prior to the project commencing.
- Tenant demand has improved in the Perth CBD on the back of growth in employment in the white collar sectors. According to the Property Council of Australia, net absorption reached 30,759 square metres and is forecast to remain positive over the five-year outlook as the economy continues to strengthen.
- This is set to result in vacancy continuing to fall over the five-year outlook. Vacancy has already fallen to 19.4% as at July 2018 from a peak of 22.5% in January 2017. This was due to low supply and strengthening demand over the 18 months. Currently secondary vacancy, at 28.9%, is more than double prime (13.2%).

THE NEXT RENT MOVE IS LIKELY TO BE UP

- Due to vacancy remaining high, but offset by the strengthening of occupier demand, prime face rents have now been stable for the past nine months. It is forecast that the next rent move is upwards for prime stock in Perth, although that move could still be a year away given negotiation power remains in the hands of tenants with vacancy still at 19.4%.
- Conditions in the secondary market of Perth CBD remain fraught. While it appears that this market may have also stabilised with two consecutive quarters of unchanged rents this is more difficult to ascertain. The advantage secondary stock has is the large gap between it and prime rents. However, with rents being a lower cost than attracting a high quality workforce many firms are likely to look at this as an opportunity to move into discounted prime space.
- Incentives have also been recorded as stable over the past six months and while they also may have peaked, their decline is expected to be gradual until the available space reduces.
SALES ACTIVITY REMAINS LOW

- Sales activity in the Perth CBD over the first seven months of 2018 has totaled just $212 million. There are a number of buildings on the market including 50% of Exchange Tower, 8 St Georges Terrace and 246 Adelaide Terrace, but matching expectations of owners and potential buyers is taking time.

- Looking over the year to the June quarter 2018, sales reached $1.02 billion, largely due to a strong third quarter of 2017. Over this period, foreign investors (particularly from Singapore and China) were the most active purchaser group, accounting for 36.5% of sales.

- The largest sale of 2018 to date has been Workzone West at 202 Pier Street which transacted for $125.25 million. The property was acquired by Elanor Investors Group from Charter Hall Direct Workzone Trust.

YIELDS STABILISING

- Despite investment yields having tightened over the year to June 2018, they have recently shown signs of stabilisation.

- For secondary stock this is likely to continue over the short-term outlook while prime stock may see a further slight tightening on the back of improved fundamentals being offset by rising bond yields.

FIVE YEAR OUTLOOK POSITIVE

- With vacancy starting to fall due to strengthening demand and low supply, the Perth market is expected to have reached the bottom of the current property cycle and should see a slow return to growth over the next few years.

- Vacancy is forecast to decrease for the next five years, however, it has the potential to change depending on timing of new projects gaining commitments and where the committing tenants are currently located. Chevron’s commitment to new headquarters at Elizabeth Quay, including more than 52,000 square metres of office space, is likely to see vacancy increase again in 2023, due partly to backfill space in QV1.

- We expect growth in effective rents to occur over the next five years due to both increasing face rents and declining incentives. The compound annual net face growth rate is expected to be 3.3% over this period.

- Prime yields are expected to see a further slight tightening, whereas secondary yields are expected to be stable over the next few years.
## SIGNIFICANT CBD OFFICE SALES

<table>
<thead>
<tr>
<th>Address</th>
<th>Qtr.</th>
<th>Price</th>
<th>NLA Rate/m²</th>
<th>Market Yield</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>117 Clarence Street, Sydney NSW</td>
<td>Q2 2018</td>
<td>$153,000,000</td>
<td>$12,222</td>
<td>5.22%</td>
<td>Investa ICPF</td>
</tr>
<tr>
<td>10 Barrack Street, Sydney NSW</td>
<td>Q1 2018</td>
<td>$137,200,000</td>
<td>$14,381</td>
<td>5.12%</td>
<td>AEW Capital Management</td>
</tr>
<tr>
<td>231 Elizabeth Street, Sydney, NSW</td>
<td>Q1 2018</td>
<td>$342,000,000</td>
<td>$14,694</td>
<td>4.79%</td>
<td>Charter Hall Group</td>
</tr>
<tr>
<td>299 Elizabeth Street, Sydney, NSW</td>
<td>Q4 2017</td>
<td>$90,800,000</td>
<td>$15,199</td>
<td>4.19%</td>
<td>AMA Holdings Pty Ltd</td>
</tr>
<tr>
<td>9 Hunter Street, Sydney, NSW</td>
<td>Q4 2017</td>
<td>$195,251,758</td>
<td>$12,558</td>
<td>5.85%</td>
<td>Ashe Morgan Investments Pty Ltd</td>
</tr>
<tr>
<td>10 Spring Street, Sydney, NSW</td>
<td>Q4 2017</td>
<td>$270,050,000</td>
<td>$19,469</td>
<td>4.07%</td>
<td>AWPF Commercial (LendLease)</td>
</tr>
<tr>
<td>130 Pitt Street, Sydney, NSW</td>
<td>Q4 2017</td>
<td>$229,000,000</td>
<td>$21,021</td>
<td>4.11%</td>
<td>CLSA &amp; Mitsubishi Bank Japan</td>
</tr>
<tr>
<td>1 Castlereagh Street, Sydney, NSW</td>
<td>Q4 2017</td>
<td>$218,000,000</td>
<td>$19,069</td>
<td>4.49%</td>
<td>Early Light International Group</td>
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<tr>
<td>160 Sussex Street, Sydney, NSW</td>
<td>Q4 2017</td>
<td>$94,520,000</td>
<td>$11,430</td>
<td>5.51%</td>
<td>Acer Capital</td>
</tr>
</tbody>
</table>

### Melbourne

<table>
<thead>
<tr>
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<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>277 William Street, Melbourne, VIC</td>
<td>Q3 2018</td>
<td>$93,880,000</td>
<td>$7,769</td>
<td>5.01%</td>
<td>KHI Holding Group</td>
</tr>
<tr>
<td>601 Bourke Street, Melbourne VIC</td>
<td>Q3 2018</td>
<td>$70,250,000</td>
<td>$8,650</td>
<td>5.17%</td>
<td>Gemstone Hill</td>
</tr>
<tr>
<td>160 Harbour Esplanade, Docklands, VIC</td>
<td>Q2 2018</td>
<td>$100,000,000</td>
<td>$11,577</td>
<td>5.07%</td>
<td>Victorian Government</td>
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<tr>
<td>470 Bourke Street, Melbourne, VIC</td>
<td>Q2 2018</td>
<td>$35,080,000</td>
<td>$10,506</td>
<td>4.31%</td>
<td>Private Owner Occupier</td>
</tr>
<tr>
<td>50 Franklin Street, Melbourne, VIC</td>
<td>Q4 2017</td>
<td>$90,150,000</td>
<td>$8,026</td>
<td>5.54%</td>
<td>Offshore Private Investor</td>
</tr>
<tr>
<td>360 Little Bourke Street, Melbourne, VIC</td>
<td>Q4 2017</td>
<td>$33,020,000</td>
<td>$7,199</td>
<td>4.98%</td>
<td>Roxy-Pacific Holdings</td>
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</table>

### Brisbane

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>100 Edward Street, Brisbane, QLD</td>
<td>Q2 2018</td>
<td>$61,350,000</td>
<td>$8,533</td>
<td>5.70%</td>
<td>Rockworth Capital Partners</td>
</tr>
<tr>
<td>40 Tank Street, Brisbane, QLD</td>
<td>Q2 2018</td>
<td>$93,000,000</td>
<td>$15,747</td>
<td>5.75%</td>
<td>Charter Hall</td>
</tr>
<tr>
<td>127 Creek Street, Brisbane, QLD</td>
<td>Q2 2018</td>
<td>$129,128,000</td>
<td>$7,055</td>
<td>6.57%</td>
<td>Firmus Capital</td>
</tr>
<tr>
<td>414 George Street, Brisbane, QLD</td>
<td>Q2 2018</td>
<td>$38,350,000</td>
<td>$7,907</td>
<td>6.41%</td>
<td>Fife Capital</td>
</tr>
<tr>
<td>32 Turbot Street, Brisbane, QLD</td>
<td>Q4 2017</td>
<td>$348,532,916</td>
<td>$10,130</td>
<td>5.84%</td>
<td>GIC</td>
</tr>
<tr>
<td>150 Charlotte Street, Brisbane, QLD</td>
<td>Q4 2017</td>
<td>$105,750,000</td>
<td>$9,604</td>
<td>6.21%</td>
<td>Australian Unity Investment RE</td>
</tr>
</tbody>
</table>

### Adelaide

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>80 Grenfell Street, Adelaide, SA</td>
<td>Q2 2018</td>
<td>$184,600,000</td>
<td>$7,864</td>
<td>6.10%</td>
<td>Centuria Capital Group and the Lederer Group*</td>
</tr>
<tr>
<td>60 Light Square, Adelaide, SA</td>
<td>Q2 2018</td>
<td>$35,000,000</td>
<td>$3,743</td>
<td>N/A</td>
<td>Harmony Property Syndication</td>
</tr>
<tr>
<td>27-39 Currie Street, Adelaide, SA</td>
<td>Q2 2018</td>
<td>$26,000,000</td>
<td>$2,129</td>
<td>8.34%</td>
<td>Kerth Investments Pty Ltd</td>
</tr>
<tr>
<td>11 Waymouth Street, Adelaide, SA</td>
<td>Q1 2018</td>
<td>$202,500,000</td>
<td>$6,537</td>
<td>6.24%</td>
<td>Mapletree</td>
</tr>
</tbody>
</table>

### Perth

<table>
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<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>45 St Georges Terrace, WA</td>
<td>Q4 2017</td>
<td>$53,569,000</td>
<td>$9,905</td>
<td>8.46%</td>
<td>One CCW Pty Ltd</td>
</tr>
</tbody>
</table>

Note: *Centuria Capital Group and the Lederer Group jointly acquired the asset at 50% share each.*
OUTLOOK
NATIONAL CBD OFFICE

The Australian CBD office markets are at varying places within the property cycle. Over the three-year outlook from 2018 to 2020, net absorption is expected to remain positive, with the largest annual average expected in the Melbourne CBD. The Melbourne CBD, despite the strong take-up, is expected to see vacancy rise on the back of a large increase in supply.

Sydney CBD is expected to see vacancy rise in 2020 while the remaining markets are expected to see low to moderate supply over the period, resulting in falling vacancy over the three years. The Brisbane CBD is at the start of a supply upswing, with a number of new projects underway or mooted for development.

Prime face rents are forecast to rise for the listed CBD markets over the period from June 2018 to June 2021. Solid, or improving, market fundamentals are set to drive the rental growth.

Investment yields are set to be stable or rise slightly in most CBDs over the three year outlook. Perth is the main exception with a further slight fall expected over the period. Foreign investors are expected to continue to have a notable presence in the Australian office market.

<table>
<thead>
<tr>
<th>3-Year Outlook</th>
<th>Sydney CBD</th>
<th>Melbourne CBD</th>
<th>Brisbane CBD</th>
<th>Adelaide CBD</th>
<th>Perth CBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. Net Absorption p.a. ^</td>
<td>27,090m²</td>
<td>110,394m²</td>
<td>22,537m²</td>
<td>11,733m²</td>
<td>22,821m²</td>
</tr>
<tr>
<td>Vacancy Rate ^</td>
<td>↓ 2.3%</td>
<td>↑ 5.2%</td>
<td>↓ 12.1%</td>
<td>↓ 13.3%</td>
<td>↓ 16.5%</td>
</tr>
<tr>
<td>Avg. Prime Face Rental Growth p.a. *</td>
<td>4.2% gross</td>
<td>5.0% net</td>
<td>1.2% gross</td>
<td>2.5% gross</td>
<td>1.5% net</td>
</tr>
<tr>
<td>Prime Incentives *</td>
<td>↑ 23%</td>
<td>↑ 32%</td>
<td>↓ 28%</td>
<td>↓ 25%</td>
<td>↓ 36%</td>
</tr>
<tr>
<td>Prime Yields *</td>
<td>↔ 4.88%</td>
<td>↑ 5.13%</td>
<td>↑ 5.88%</td>
<td>↔ 6.63%</td>
<td>↓ 6.69%</td>
</tr>
</tbody>
</table>

^ 2018-2020 * Year to June 2019 to year to June 2021

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