



Office Market Report

Subscription

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The Office Market Report subscription also includes the following:

- Strata Market Report*
- Office Market Insights*
- Consensus Forecasts Office

*exclusive to the *All Markets* and *Capital Cities* packages

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Strata Market Report

- Reporting on strata buildings in 15 Australian CBD and non-CBD markets, this report is presented in the same format as the Office Market Report and will shed some light on the growth and performance of strata office buildings since July 2004.



2019 STRATA MARKET REPORT

STATISTICAL SUMMARY

% Change in Occupied Stock: Twelve Months to January 2017


Market	Total Stock (sqm)	Direct Vacancy (sqm)	Sub-lease Vacancy (sqm)	Total Vacancy (sqm)	Direct Vacancy Factor (%)	Sub-lease Vacancy Factor (%)	Total Vacancy Factor (%)	Net Supply Additions 6 Mths to Jan 17 (sqm)	Net Supply Additions 12 Mths to Jan 17 (sqm)	Change in Occupied Stock 6 Mths to Jan 17 (sqm)	Change in Occupied Stock 12 Mths to Jan 17 (sqm)	Change in Vacancy 6 Mths to Jan 17 (sqm)	Change in Vacancy 12 Mths to Jan 17 (sqm)	Audited Net Absorption 6 Mths to Jan 17 (sqm)	Audited Net Absorption 12 Mths to Jan 17 (sqm)
Sydney CBD	469,436	20,130	580	20,710	4.3%	0.1%	4.4%	0	0	0.4%	0.2%	-1,905	891	1,905	861
Melbourne CBD	267,687	5,382	1,005	6,388	2.0%	0.4%	2.4%	0	0	0.8%	0.0%	-3,500	-5,844	2,174	1,646
Canberra	64,335	15,209	0	15,209	16.0%	0.0%	16.0%	0	0	-4.3%	-0.6%	-2,858	-400	2,858	-362
Brisbane CBD	61,660	19,892	250	20,142	13.3%	0.4%	13.7%	0	0	0.2%	0.3%	-181	-178	181	178
Perth CBD	92,522	25,243	2,331	27,574	27.3%	2.5%	29.8%	0	0	1.3%	2.0%	944	-1,254	844	1,254
Adelaide CBD	51,548	4,387	0	4,387	8.5%	0.0%	8.5%	0	0	12.5%	12.8%	1,026	-933	6,222	5,337
Australian CBD Strata	1,047,266	81,213	4,267	85,480	7.8%	0.4%	8.2%	0	0	1.4%	0.5%	8,242	7,414	13,164	4,382
Melbourne Non-CBD	112,800	1,011	0	1,011	0.9%	0.0%	0.9%	0	0	0.3%	1.4%	234	-1,551	234	1,551
Gold Coast	117,072	10,837	0	10,837	9.3%	0.0%	9.3%	0	0	5.5%	13.4%	-3,396	940	5,538	12,560
Lower North Shore	87,879	2,927	0	2,927	3.3%	0.0%	3.3%	0	-1,695	-0.1%	-2.5%	74	-1,036	-74	-2,164
North Sydney	76,252	2,199	0	2,199	2.9%	0.0%	2.9%	0	-2,232	0.8%	-2.2%	-412	-539	412	-1,693
Parramatta	65,252	979	70	1,049	1.6%	0.1%	1.6%	0	0	0.0%	-0.2%	3	130	3	-130
Brisbane Fringe	70,888	5,585	1,650	7,235	7.5%	2.3%	10.2%	0	0	6.1%	15.3%	235	585	3,645	8,479
Newcastle	34,665	2,877	457	3,334	9.6%	1.3%	9.6%	-1,314	-1,314	-16.2%	-15.2%	-788	-788	-6,074	-6,074
West Perth	47,035	5,770	70	5,840	12.3%	0.1%	12.4%	0	0	-1.5%	-0.1%	816	50	-516	-50
Adelaide Fringe	12,618	988	0	988	7.7%	0.0%	7.7%	0	0	4.3%	-2.3%	-482	277	482	-277
Australian Non-CBD Strata	624,860	33,251	2,247	35,498	5.3%	0.4%	5.7%	-1,314	-3,927	0.6%	-4.4%	-4,500	-7,198	3,651	-27,396
Australian Strata	1,672,126	114,464	6,514	120,978	6.8%	0.4%	7.2%	-1,314	-3,927	1.1%	2.1%	12,742	-15,112	16,815	-33,014

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Office Market Insights

- Reporting on the market's performance including analysis; key market indicators; supply and withdrawals affecting the market; stock conversions; and major market movers affecting demand.

2019 OFFICE MARKET INSIGHT
SYDNEY CBD



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HEADLINE COMMENTS

- The vacancy rate across the Sydney CBD market increased to 6.2 per cent in the six months to January 2017 up from 5.6 per cent in July 2016.
- Sydney CBD continues to have the lowest vacancy rate of all capital cities.
- Net supply totalled -2,316sqm with 126,010sqm of gross supply additions, and 128,326sqm of withdrawals over the six months to January 2017.
- Sydney CBD recorded -32,536sqm of net absorption; its lowest level in over seven years.
- Negative demand was heavily concentrated in the B and C Grade segment, while the market recorded demand at almost three times the historical average for Premium stock.
- NSW had five of the ten markets with the lowest vacancy rates across Australia.
- A total of 156,174sqm is projected to be brought online over the next two years, less than half the historical average for Sydney CBD.


VACANCY SYDNEY CBD, JANUARY 2017

Sub-locale	Vacancy rate Jan 17 (%)	Vacancy rate Jul 16 (%)	Vacancy rate Jan 16 (%)
City Core	4.1	5.4	8.7
Midtown	5.1	4.8	5.0
Southern	1.5	2.2	2.1
The Rocks	10.8	11.3	11.8
Wash Bay	34.8	29.5	13.4
Western	3.9	2.6	3.4
Total Market	6.2	5.6	6.3

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2019 OFFICE MARKET INSIGHT
SYDNEY CBD



SYDNEY OFFICE ANALYSIS

Sydney CBD continues to remain on top in terms of capital city vacancy, however a weak period of net demand has sparked cause for concern.

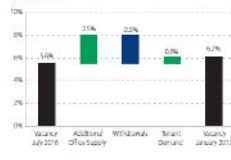
Overall vacancy has increased in the six months to January 2017 from 5.6 per cent to 6.2 per cent, despite 128,326sqm of withdrawals more than offsetting gross supply additions of 126,010sqm.

Vacancy was pushed up due to the market recording negative net demand. Sydney CBD recorded an overall net absorption figure of -32,536sqm the lowest in over seven years.

A total of 156,174sqm was withdrawn over the six months to January 2017, the largest amount of withdrawn space since January 1991. More than half of that space was withdrawn for refurbishment including the former Kudos space on York Street, and the Marsh and PWC space in the Darling Park towers. Of the 156,174sqm projected to come online over the next two years, 122,364sqm is currently under refurbishment.

A further 116,512sqm is projected to be withdrawn over the next two years. The last of the buildings will be withdrawn to make way for the metro line, equating to 65,917sqm. The remaining withdrawn space will be converted for hotel or residential use.

SYDNEY CBD VACANCY ATTRIBUTION, SIX MONTHS TO JANUARY 2017



With the completion of Tower 1, International Towers, Sydney the Landmark office precinct at Barangaroo is now complete, adding an additional 150,000sqm to the Wash Bay locale. In total over the last 18 months, an additional 270,000sqm was added to Wash Bay with vacancy currently sitting at 34.8 per cent. 333 George Street - which is fully committed - was also brought online. In the second half of 2016, for the third consecutive survey period, Sydney CBD recorded above average supply additions.

PROJECTED SYDNEY CBD WITHDRAWALS

Consensus Forecast Office

An economic property outlook overview and consensus from experts in the industry covering most markets tracked in the Office Market Report.



SYDNEY CBD

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In 2017, we can expect a return in the secondary grade market to continue as domestic and prime grade markets are yet to turn.

Lighter secondary stock will intensify due to Metro withdrawal in 2017, leading to rental growth in premium A&R grade with tenants forced to upgrade.

Leasing conditions continue to improve across the Sydney CBD office market, underpinned by diminishing supply and increased demand.

	Jan 17	Jan 18	Jan 19	Jan 17	Jan 18	Jan 19	Jan 17	Jan 18	Jan 19
Vacancy	6.7%	4.4%	3.0%	6.2%	3.8%	3.7%	6.7%	5.7%	3.7%
Rent - prime	\$1,074	\$1,049	\$1,074	\$1,025	\$1,027	\$1,174	\$1,097	\$1,152	\$1,209
Rent - secondary	\$745	\$776	\$807	\$823	\$890	\$960	\$700	\$845	\$888
Rental Growth - prime	7.1%	7.4%	7.4%	11.5%	7.0%	7.3%	8.1%	5.0%	4.6%
Rental Growth - secondary	12.0%	4.3%	4.0%	26.9%	7.9%	7.9%	9.6%	7.0%	5.1%
Incentives - prime	21%	21%	19%	20%	18%	17%	25%	21%	21%
Incentives - secondary	54%	20%	10%	18%	14%	13%	20%	11%	11%
Yields - prime	5.7%	5.5%	5.3%	4.8%	4.8%	5.1%	5.2%	4.9%	4.7%
Yields - secondary	6.3%	6.3%	6.2%	5.2%	5.2%	5.5%	6.0%	5.3%	5.3%

Note: Rents and rental growth are for the year to the date indicated, Jan 17 secondary numbers are from the Office Market Report

SYDNEY CBD 19



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