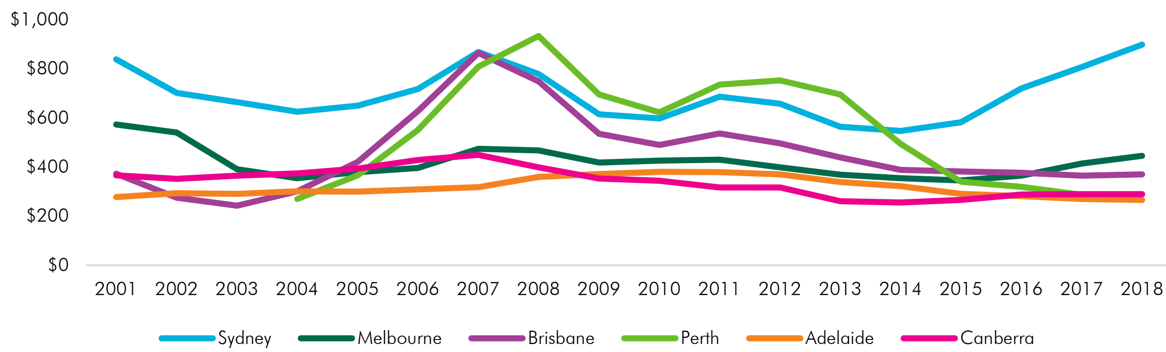
Australia Office, Q3 2018

Incentives decline more rapidly as vacancy tightens in Sydney

National CBD WCE Jun-18	National CBD Net Absorption H118	National CBD Net Supply H118	National CBD Vacancy Jun-18	National CBD Prime Yield Q318
1.7% p.a.	102,216sqm	-35,842sqm	9.0%	5.30%

* Arrows indicate change from previous period

Figure 1: Prime CBD Net Effective Rents in real terms (indexed to December 2017)



Source: CBRE Research Q3 2018

KEY POINTS

- All major CBD markets witnessed prime net effective rental growth over Q318, except for Perth which remained stable.
- Sydney, Melbourne and Adelaide all witnessed strong prime net effective rental growth in the order of 3% over the quarter with Brisbane and Canberra showing more subdued growth.
- Sydney's growth was fuelled more noticeably by a sharper decline in incentives over the quarter as opposed to face rental growth. In the case of Melbourne and Adelaide, prime net face rents grew strongly whilst incentives remained fairly stable. Secondary effective rents in Perth continued to decline q-o-q.
- It was another strong quarter for Australian office property transactions in Q318 with 54 sales totalling $4.5b. New South Wales accounted for over 50% of the sales activity in terms of value. Brisbane saw the second highest level of sales transaction value this quarter (following Sydney) at $1.2b over 7 sales. Yields remained generally stable over the quarter.

SYDNEY INCENTIVES FALL AS VACANCY APPROACHES RECORD LOWS

Sydney CBD witnessed another quarter of strong effective rental growth in Q3 2018 with prime effective rents growing by 3.2% and secondary at 3.9% (Figure 1). This quarter, however, saw effective rental growth driven more significantly by falling incentives as opposed to rising face rents. In the prime grade market, indicative net face rents grew just 0.5% to $1,176/sqm whilst incentives declined by 170 basis points to an average of 20%. The secondary grade market also saw a fall in incentives of 90 basis points to an average of 19%, with face rents continuing to grow by 2.4% over the quarter to an indicative $822/sqm.

Circa 66,000sqm of office space is slated for withdrawal over H2 2018 in Sydney CBD which will contribute to declining vacancy. We forecast vacancy will reach 3.3% by the end of 2018, breaching the historical record low of 3.6% recorded by the PCA in January 1990. The last two years have been punctuated by low supply nationally.

The release of the Property Council of Australia Office Market Report in July 2018 revealed that Melbourne now has the tightest vacancy of all CBD office markets in the country, falling from 4.6% to 3.5% over H1 2018. Rents in Melbourne CBD continued trending upwards in Q3 2018, with prime net face rents up 2.8% over the quarter (7.8% y-o-y) to $610/sqm. Incentives were steady over the quarter at 27.5%, representing a decline of 150bps y-o-y. Tightening vacancy has also bolstered the secondary market, which saw face rents up 5.8% over the quarter and 13.7% over the year to average $430/sqm. Secondary incentives average 28.5%, also remaining stable over the quarter.

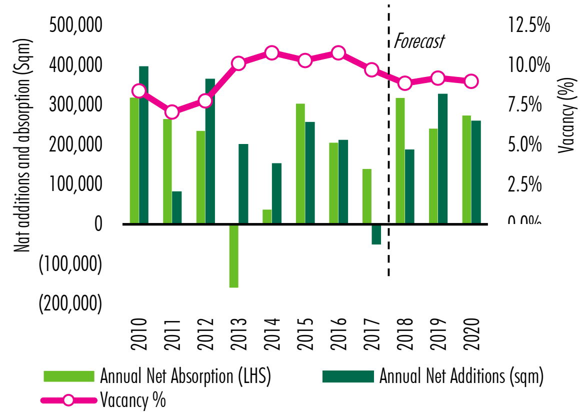
Brisbane saw prime grade net face rents grow by 1% again this quarter but average incentives remain high and static at 35%. Adelaide was also added to the list of CBD markets which experienced some face rental growth in Q318. Prime net face rents grew by 1.2% with incentives continuing to average around 35%. Perth held steady over the quarter.

Overall, the Australian CBD office market has been impacted by contractions in stock in Sydney, Canberra and Brisbane due to withdrawals over the course of 2018. However, Melbourne once all developments have been completed, will see 88,500sqm of new supply. In Perth the new Woodside building is very near completion, adding a further 48,500sqm.

Low national CBD net additions in conjunction with strong absorption (driven largely by Melbourne) will contribute to the declining vacancy profile which is expected to reach its cyclical low of circa 8.1% by mid-2019.

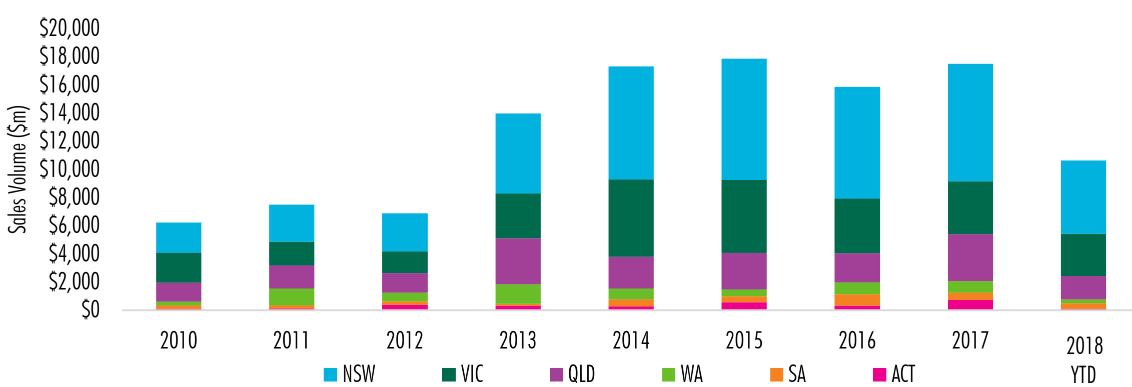
It was another strong quarter for Australian office property transactions in Q318 with 54 sales totalling $4.5b. New South Wales accounted for over 50% of the sales activity in terms of value with the sale of Westpac Place, 275 Kent Street, Sydney for $875m (50%); 60 Carrington for $282m, Eclipse Tower in Parramatta for $278m, and 275 George Street for $240m. While Sydney and Melbourne continued to see the bulk of sales volume by number of transactions at 20 and 19 sales respectively over the quarter, Brisbane saw the second highest level of sales transaction value this quarter (following Sydney) at $1.2b over 7 sales including the sales of 62-80 Ann Street for $418m (50%) and 53 Albert Street for $252m. Yields generally remained steady over the quarter.

Figure 2: National CBD Net Additions, Absorption and Vacancy Rate



Source: CBRE Research Q3 2018

Figure 3: National Office Transactions by State ($m)



Source: CBRE Research Q3 2018

Market Indicators – Q3 2018 Change

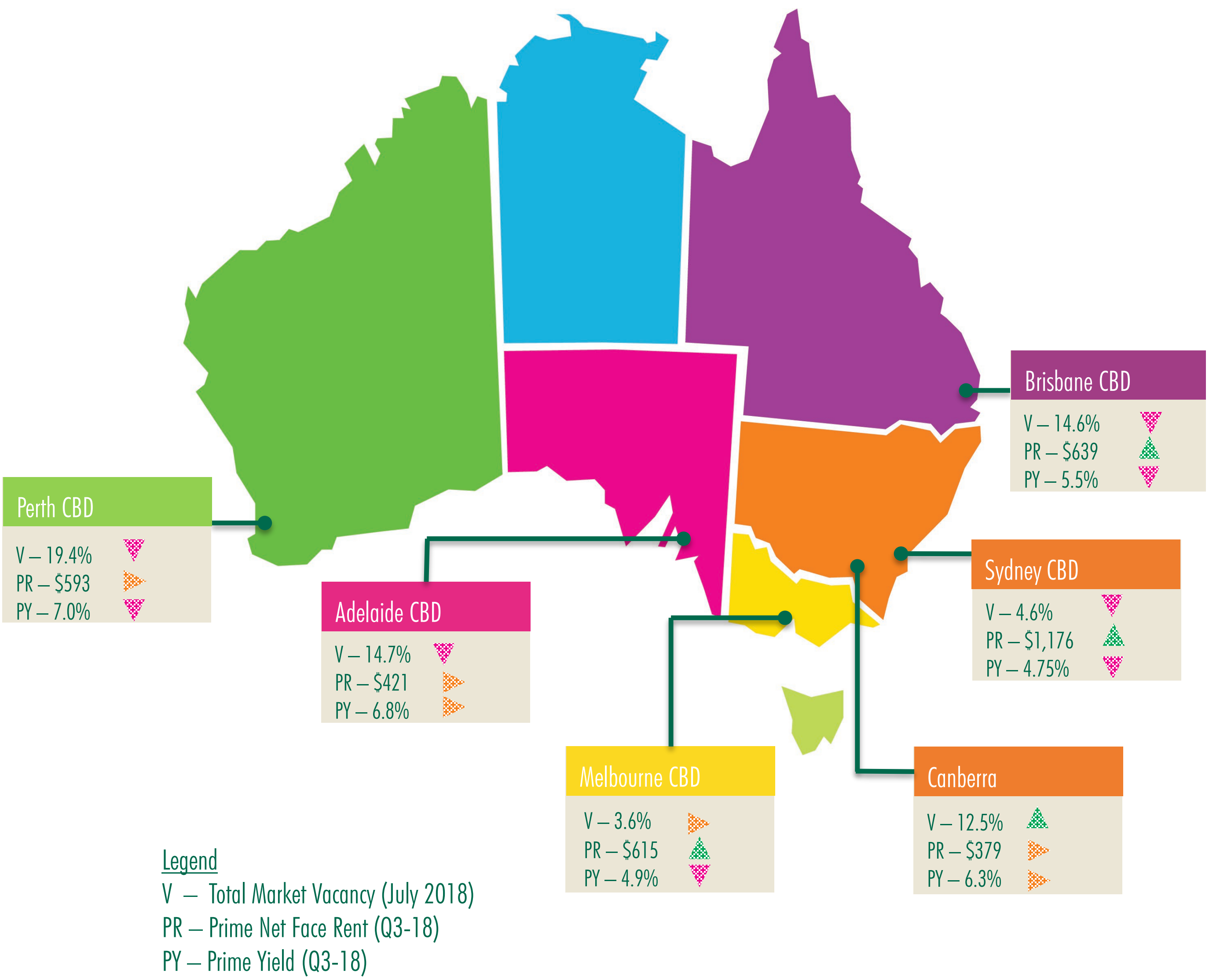
Market	Market Highlights	Demand	Vacancy	Rent
Sydney CBD	• Upwards growth in prime rents continued, driven by tight supply and declining incentives. • Prime net effective rents up 3.2% q-o-q whilst vacancy tightened.	►	▼	▲
North Sydney	• Increasing demand with spill over effect from Sydney Metro rail project with some tenant migration occurring in a flight to quality as secondary grade CBD rents rise further. • Secondary grade rents grew nominally at 0.8% likely due to increased interest by smaller tenants as preferred locations for its close proximity to CBD.	▲	▼	►
St Leonards	• Withdrawal activities for residential conversion leading to active enquiries from smaller tenants / emerging businesses. • Prime net face rents and incentives remained stable q-o-q whilst secondary net face rents grew by 2.2%	►	▼	►
Chatswood	• Supply contraction continues as area becomes increasingly residential. • Notable interest from industrial tenants seeking to split up their headquarters and warehouse function.	►	▲	►
Macquarie Park	• Underpinned by strong employment growth and limited new supply, vacancy is anticipated to fall further as vacant space is absorbed. • Incentives compressed further due to tight vacancy resulting in net effective rents growing by 3.9% and 5.2% for prime and secondary grades respectively.	▲	▼	▲
Parramatta	• Despite a large amount of incoming supply, vacancy continues to remain tight as nearly all new supply has been pre-committed. • In lieu of the tight supply conditions, incentives have declined slightly this quarter with net effective rents growing by approximately 1%.	▲	▼	▲
Melbourne CBD	• Vacancy has fallen to its lowest level since 2008, contracting off the back of strong population (and white collar employment) growth and limited new supply. • Rental growth, which has been strong as a result of declining vacancy, is forecast to slow over 2019-20 in line with the boost in office stock.	▲	▼	▲
Southbank	• Vacancy increased over the first half of 2018 as 12,000sqm of refurbished space at Freshwater Place was delivered to the market. Vacancy is forecast to decline over H2, however, as this space is absorbed. • Prime effective rents grew 7.6% y-o-y, with face rents at $535/sqm and incentives at 24%.	▲	▲	▲
St Kilda Rd	• Withdrawal of office stock combined with strong demand has resulted in a drop in vacancy • Tighter vacancy contributed to strong effective rent growth, up 18.2% y-o-y for prime, bringing prime net face rents to $400/sqm and incentives to 19%.	▲	►	▲
Brisbane CBD	• 2018 has been underpinned by a thin supply pipeline and improving occupier demand. Upcoming lease requirements for a number of major tenants are making commercial developments viable once more, with a number of proposed projects announced in a bid to secure pre-commitments. • The yield compression cycle appears to be coming to an end, however the wide spread to Sydney and Melbourne yields is being maintained, with Brisbane presenting a solid counter-cyclical value proposition.	▲	▼	▲
Brisbane Near City	• Supply pipeline remains contained, with new development still reliant on tenant pre-commitments. With a shift back towards commercial developments proposed for beyond 2019, major tenants will continue to be attracted back to the CBD. • Rental growth opportunities remain capped by competition generated as a result of the elevated vacancy profile in the CBD and a rise in sublease availability this year.	►	►	►
Adelaide CBD	• Vacancy remains elevated across all grades but is trending downwards, a result of increased demand for premium space and substantial WCE growth. • Elevated vacancy continues to encourage flight to quality, placing upward pressure on prime rents (up 1.2% q-o-q).	▲	▼	▲
Perth CBD	• Market continues to move into recovery with vacancy falling and rents stabilising at floor. • Strong result for Woodside backfill space with circa 70% already committed. • Still seeing positive absorption from flight-to-centre, however this is beginning to slow.	▲	▼	►
West Perth	• Vacancy slowly edging downwards as flight-to-centre begins to slow. • Face rents showing signs of stabilising. • Activity in resource sector may stimulate new West Perth deals from junior minors.	►	▼	►
Canberra	• Canberra has a large spread between prime and secondary vacancy rates as government occupiers have a strong preference for prime grade stock with high sustainability scores. Currently, prime vacancy is at a five-year low, whilst secondary vacancy is at a five year high.	▲	▼	►

*Arrows indicate change from prior quarter

Table 1: Economic Indicators, Q3 2018

State	State Final Demand ($b) Jun-18 quarter	Y-o-Y growth (%)	CBD White Collar Employment Jun-18 quarter	Y-o-Y growth (%)	Unemployment rate Sep-18
New South Wales	$145.4	3.5%	314,709	4.2%	↓ 4.4%
Victoria	$114.8	5.2%	304,225	3.8%	↓ 4.5%
Queensland	$85.4	3.4%	123,908	0.7%	↓ 6.0%
Western Australia	$50.9	0.8%	116,816	1.5%	↓ 6.0%
South Australia	$28.3	3.7%	82,957	2.5%	↓ 5.5%
Australian Capital Territory	$12.3	5.8%	54,397	1.1%	↓ 3.5%

Australia CBD Office Key Market Indicators & Forecast Direction – Q3 2018



*Arrows indicate 2018 calendar year forecast

Sydney Office Markets

STEADY GROWTH CONTINUES

The New South Wales economy continues to grow at a healthy pace with State Final Demand (SFD) growing 3.5% in the 12 months to June 2018. White collar employment growth over the same period for Sydney CBD was 4.2%, well-above its long-term average of 1.2%. In addition, the unemployment rate continues to fall, recording 4.4% in September 2018.

VACANCY TIGHTENS ACROSS MAJORITY OF NSW OFFICE MARKETS

The latest PCA Office Market Report in July 2018 revealed that vacancy in the Sydney CBD, as well as in the majority of suburban office markets in NSW, had declined over the first half of 2018. Sydney CBD vacancy fell to 4.6% whilst North Sydney showed the strongest decline (7.9% to 6.3%). Macquarie Park fell from 6% to 5.4% and Parramatta retains the lowest vacancy rate amongst the major metro markets at just 3.2%.

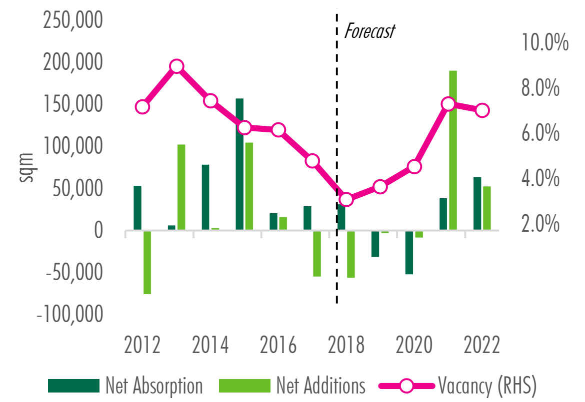
Limited new supply in conjunction with high levels of withdrawals in the CBD have contributed to the declining vacancy profile. As a result, incentives across all markets have declined over the quarter with Sydney CBD seeing prime and secondary incentives decline by 170 and 90 bps respectively. As rents have become increasingly expensive in the CBD, some tenants have migrated to the North Shore and Parramatta markets.

STRONGEST INVESTMENT GROWTH

NSW's office investment market marks another strong quarter with the second highest total sales volume recorded in the past 10 years. Sales totalled $2.7b in Q318, taking the annual total to $6.2b. Domestic demand remains the driver in the investment market with offshore investors contributing ~21% or $567m of total volume.

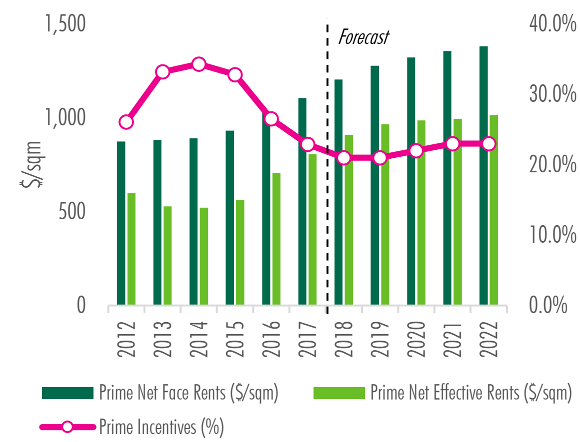
Sydney CBD yields remained stable q-o-q; however, they are expected to compress further by year-end due to the tight market conditions and strong investor demand.

Figure 4: Net Supply, Absorption and Vacancy, Sydney CBD



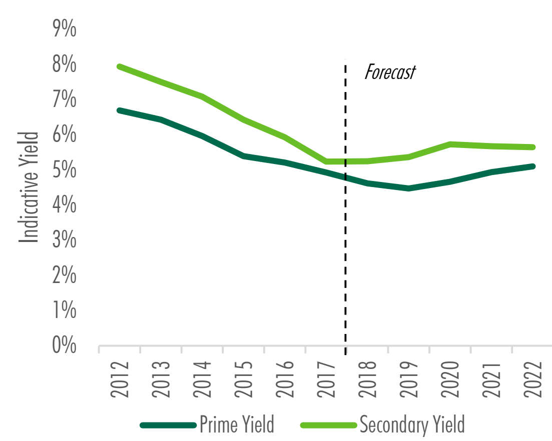
Source: CBRE Research, Q3 2018

Figure 5: Prime Net Rents & Incentives, Sydney CBD



Source: CBRE Research, Q3 2018

Figure 6: Prime Yields, Sydney Cross Market Comparison



Source: CBRE Research, Q3 2018

Melbourne Office Markets

VACANCY FALLING AS DEMAND HEATS UP

Victoria continues to out-perform, with SFD up 5.3% y-o-y to June, and unemployment down to 4.5% at September – the lowest level recorded since 2011. Supporting this, white collar employment growth continues to be strong at 3.8% in the year to June 2018, particularly amongst the Professional Scientific and Technical services sector.

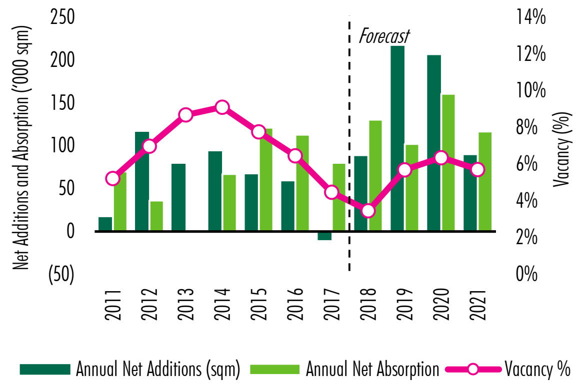
A growing workforce, combined with modest office stock growth over the last 12 months saw vacancy drop to 3.6% in July 2018, down from 5.9% y-o-y. Vacancy is forecast to pick up over the next two years with the delivery of over 500,000sqm of new office stock. Helping to contain the rise in vacancy over this time, pre-commitment levels have been strong, with a number of tenants expanding or relocating from markets outside the CBD. Vacancy is forecast to peak in 2020, at 8.7%.

Three new buildings are being completed in 2018 – 664 Collins Street (26,000sqm), One Melbourne Quarter (22,500sqm), and Melbourne Quarter Tower Five (40,000sqm). These buildings are fully pre-committed, while the remaining stock to be completed over 2019-20 is 70% committed. The majority of new stock over 2018-20 will be located in the CBD's Western and Docklands precincts.

Falling vacancy continues to drive effective rent growth, with prime rents up 4.3% over the quarter (11.5% y-o-y), and secondary up 5.6% (15.0% y-o-y). As at September 2018, prime face rents averaged $615/sqm with incentives at 28%, and secondary face rents averaged $430/sqm, incentives 29%. Rental growth is forecast to slow over the next 12 months with the delivery of new stock acting as a pressure release valve.

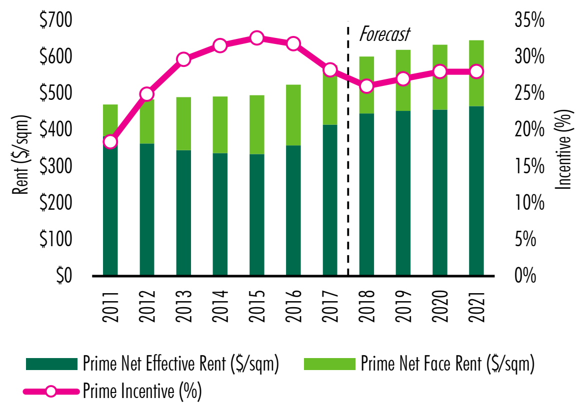
Yields are approaching the bottom of the cycle with compression slowing. Low vacancy and a hot investor market has driven a convergence in prime and secondary yields, with prime down 15bps y-o-y in contrast to secondary, down 40bps.

Figure 7: Net Supply, Absorption and Vacancy, Melbourne CBD



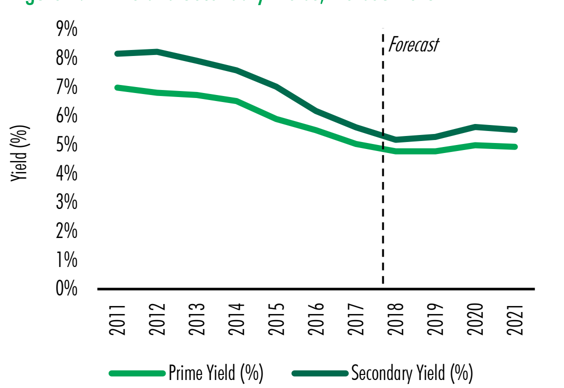
Source: CBRE Research, Q3 2018

Figure 8: Prime Net Rents and Incentives, Melbourne CBD



Source: CBRE Research, Q3 2018

Figure 9: Prime and Secondary Yields, Melbourne CBD



Source: CBRE Research, Q3 2018

As at September 2018, prime yields averaged 4.9%, secondary 5.3%. Despite strong demand, opportunities for investment have been scarce, limiting sales volumes over the last 12 months.

Brisbane Office Markets

POPULATION GAINS CONTINUING

State Final Demand growth in Queensland remains solid at 3.4% on an annual basis in Q218. Quarterly performance was flatter, however, with dwelling construction starting to drag on growth.

The resurgence of net interstate migration to Queensland is continuing. Over the year ending March 2018, Queensland recorded a net interstate migration gain of 24,000. This was the strongest annual gain since 2007. The state is now firmly ahead of Victoria in terms of net interstate movement after slipping behind for four years.

SOME RENTAL GROWTH EMERGING

Two speculative developments are on track to complete in the latter half of 2019; Shayer Group's 47,000sqm build at 300 George Street and the 6,600 sqm 'The Annex' at 12 Creek Street. Neither have confirmed a major pre-commitment at this stage. On the back of its selection as the new headquarters for Suncorp, Mirvac's 80 Ann Street (~60,000sqm) is expected to complete by mid-2022. Suncorp will occupy 39,600sqm.

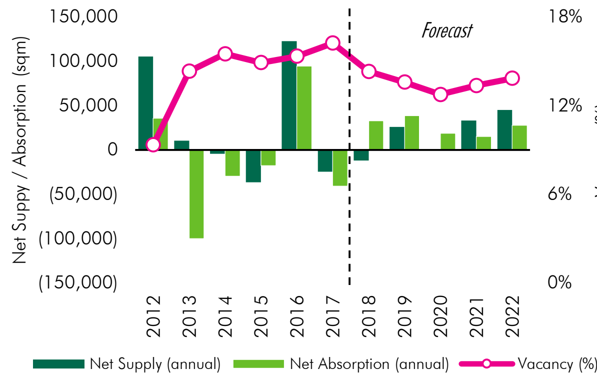
CBD vacancy is beginning to drop, sitting at 14.6% at July. While face rental growth is emerging, rises remain modest (0.8% q-o-q and 1.8% YTD). Prime net face rents averaged $639/sqm at Q318. Incentives still average 35%, meaning effective rental growth is mirroring face rental increases.

The combination of a thin supply pipeline and improved tenant demand suggests vacancy will ease further to ~14% by the end the year and to ~13% by mid-2019 ahead of the next additions. Further face rental growth (2.5% over the next 12-months) and a slight reduction in incentives should support net effective rental growth of 3.2% over the period.

FIRM YIELDS MAINTAINED

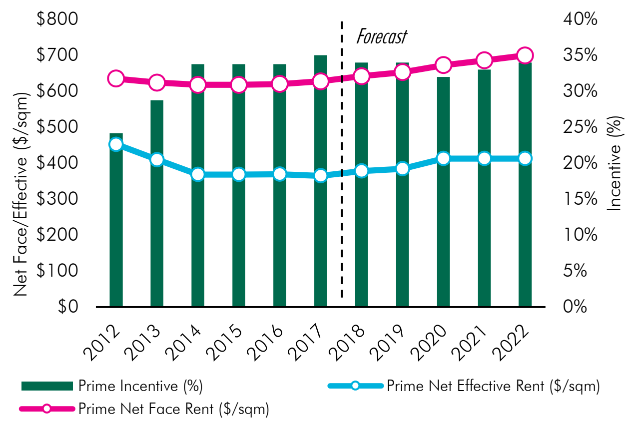
Brisbane remains firmly on the radar for investors seeking higher yields. While the state offers comparatively attractive yields compared to southern capitals, total return capital has also retained interest in the city.

Figure 10: Net Supply, Absorption and Vacancy, Brisbane CBD



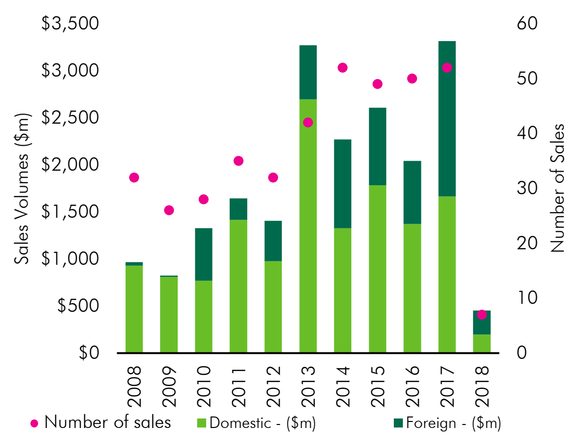
Source: CBRE Research, Q3 2018

Figure 11: Prime Incentives, Net Effective & Net Face Rent, Brisbane CBD



Source: CBRE Research, Q3 2018

Figure 12: Brisbane Metropolitan Investment Volume



Source: CBRE Research, Q3 2018

Prime CBD yields have compressed to 5.5% in 2018. Yields are down almost 60 bps over the past year. Firming pressures, however, appear to have abated with current rates expected to be maintained in the short term.

Perth Office Markets

PERTH A MARKET IN RECOVERY

Renewed activity in the resource sector has had a direct positive impact on the Perth office market, with signs the market is in recovery increasingly evident. Tenants continue to take advantage of the favorable terms on offer in the CBD, creating a mass flight-to-centre and flight-to-quality. This is aiding the CBD in its return to growth, with vacancy now 19.4% and falling, and both prime and secondary rents believed to be at their floor.

The top end of the market has seen no change in face rents for 18 months, with Premium and A-Grade rents in Q3 at $660/sqm and $520/sqm respectively. The third quarter did see B-Grade rents fall to $410/sqm. Incentives are at their forecast peak, with Premium incentives at 50%, while all other grades are slightly higher at 52.5%.

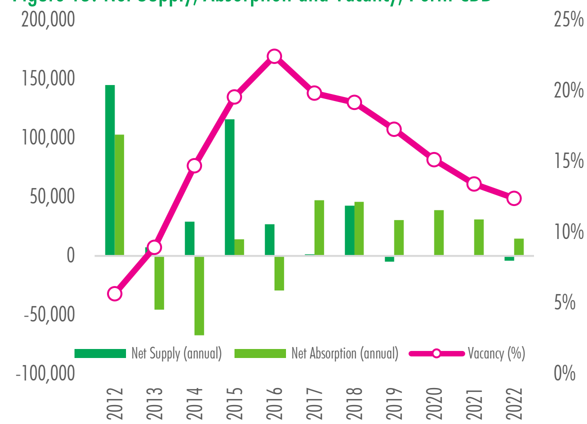
POSITIVE RESULT FOR WOODSIDE BACKFILL

As Woodside moves into its new headquarters over the latter part of 2018, it leaves their current premises – 240 St Georges Terrace – completely vacant. There was significant concern surrounding the impact this could have on the market's recovery; however, the asset is reportedly over 70% committed months from vacation, and it is widely believed the asset will be fully occupied by the time Woodside relocates.

FOREIGN CAPITAL DOMINATING INVESTMENT

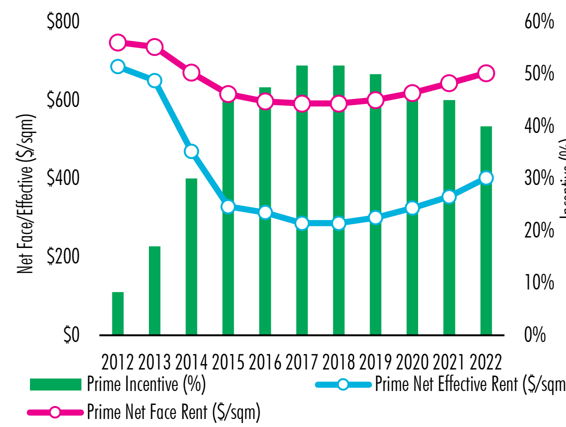
As investors continue to secure investments at the perceived bottom of Perth's office market cycle, demand for assets has ensured that pricing is sharp. The first three quarters of 2018 saw six office transactions ($5m+), four of which went to offshore capital – predominantly from South East Asia. This emerging trend is testament to the increasing levels of confidence being felt in the future prospects of the market. It is anticipated that a large volume of assets will transact before year-end, with total sales volume of up to $1 billion possible.

Figure 13: Net Supply, Absorption and Vacancy, Perth CBD



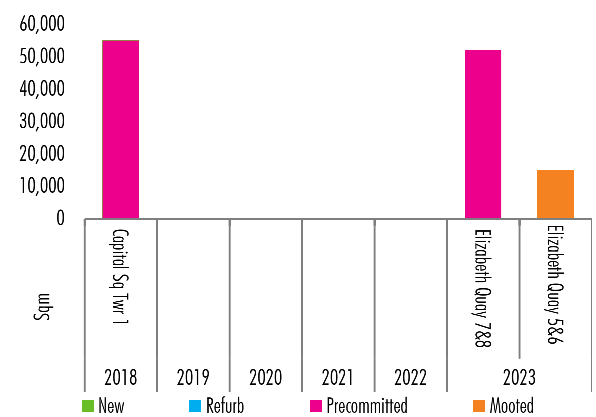
Source: CBRE Research, Q3 2018

Figure 14: Net Face and Effective Rents, Perth CBD



Source: CBRE Research, Q3 2018

Figure 15: CBD Supply Pipeline, Perth CBD



Source: CBRE Research, Q3 2018

This ongoing strong demand is ensuring that yields remain sharp; prime yields as at Q318 were averaging 6.96%, while secondary were averaging 8.20%.

Adelaide Office Markets

WHITE COLLAR GROWTH DRIVING DEMAND

In the 12 months to June 2018 State Final Demand grew 3.7% in South Australia. Just over 2,000 new white collar jobs were created in the Adelaide CBD in the year to June, a rise of 2.5%. The Public Administration and Safety sector added over 700 jobs in this period alone due to the increased presence of the defence industry in South Australia. The Professional, Scientific and Technical services sector is forecast to be the largest contributor to employment over the next few years, followed by Healthcare and Social Assistance. Net absorption in H1 2018 was 10,115 sqm, the strongest 6-month absorption since 2009.

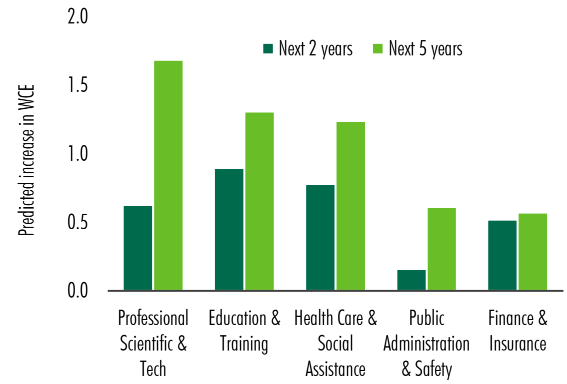
DEMAND STRENGTHENED FOR PREMIUM SPACE

The latest June vacancy of 14.7% represents a y-o-y decline of 1.4ppt. Demand for top-end space has increased, leading to lower vacancy rates in premium space, with total premium vacancy down 7.4ppt y-o-y. Net face rents for prime space in the Adelaide CBD have risen 0.5% y-o-y and 1.2% q-o-q, with a large amount of demand for premium space presenting itself in the second half of 2018. Secondary rents increased 1.6% q-o-q. Secondary vacancy is forecast to remain steady for the rest of the year, whilst prime vacancy is expected to decline, leading to an expected reduction in total CBD vacancy by the end of the year. Suburban rents averaged $290/sqm with 28% incentives, whilst Frame rents were $355/sqm with 36% incentives.

Continued demand for office assets has been supported by offshore and Eastern Seaboard based investors attracted to Adelaide's comparatively higher yields. Prime CBD yields currently average 6.8%, with secondary at 8.8%.

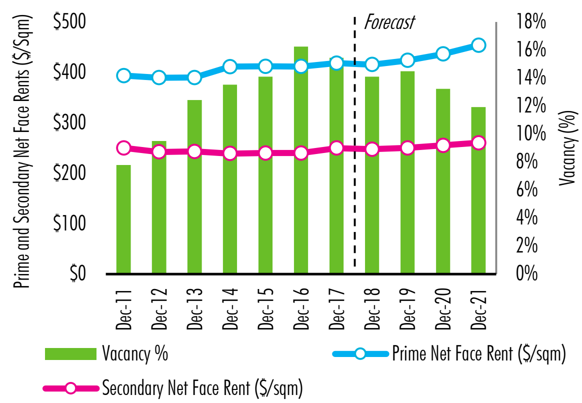
So far in 2018 over $410m worth of office assets have transacted in Adelaide. The largest Q3 deal was the sale of 60 Flinders St, sold by APPF to Nikos Property Group for $100 million.

Figure 16: Top 5 WCE Growth Industries, Adelaide CBD



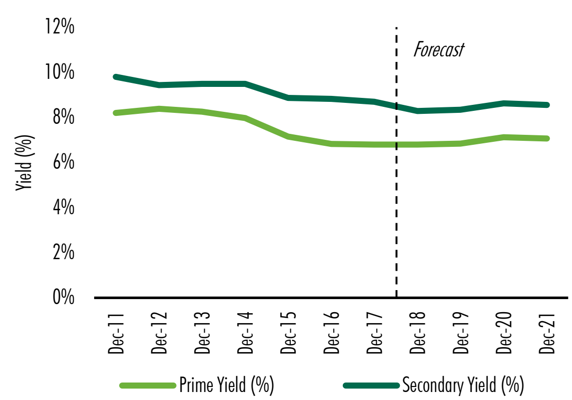
Source: Deloitte Access Economics, CBRE Research, March 2018

Figure 17: Net Face Rents and Vacancy, Adelaide CBD



Source: CBRE Research, Q3 2018

Figure 18: Prime and Secondary Yields, Adelaide CBD



Source: CBRE Research, Q3 2018

Canberra Office Markets

ECONOMIC GROWTH STRENGTHENS

Canberra's economy recorded the strongest growth in State Final Demand in the country in the 12 months to June 2018 at 5.8%, up from 3.1% in the previous quarter. In line with the nature of Canberra's market, the growth was driven mainly by public consumption of 3.4%, of which, national government consumption was the main contributor, comprising 2.0%. Investment into defence has contributed to higher growth, with The Department of Defence recently commencing a new lease at 25 National Circuit in Forrest. Private investment contributed 0.8%, supported by the increase in non-dwelling construction activity.

CO-LOCATION A KEY DRIVER

Cost-cutting measures continue to impact with government tenants contracting in terms of space requirements. The looming election in early 2019 may also lead to some potential relocations and co-location of various government departments if a change in leadership results.

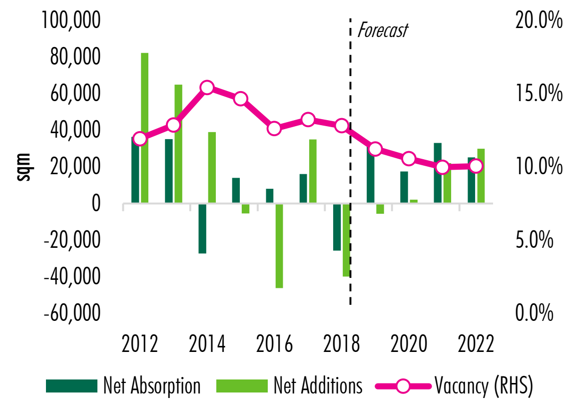
VACANCY PROFILE TIGHTENING

With government tenants mainly occupying prime office buildings, the vacancy spread between prime and secondary buildings continues to increase. Total vacancy recorded by the PCA as at July 2018 was 12.5% (down from 13.2% in Jan-18) with prime at 8.5% and secondary at 16.2%. The spread is anticipated to remain until the next supply cycle in 2020. Net absorption in the first half of the year was negative 25,755sqm due to a significant level of withdrawals. Prime net face rents increased slightly over the quarter to now sit at $379/sqm, but growth is anticipated to be slower going forward. Currently, incentives average 20%. Investment activity was limited over the quarter with no change to yields. Prime yields currently sit at 6.3%.

UPCOMING NEW SUPPLY IN CBD

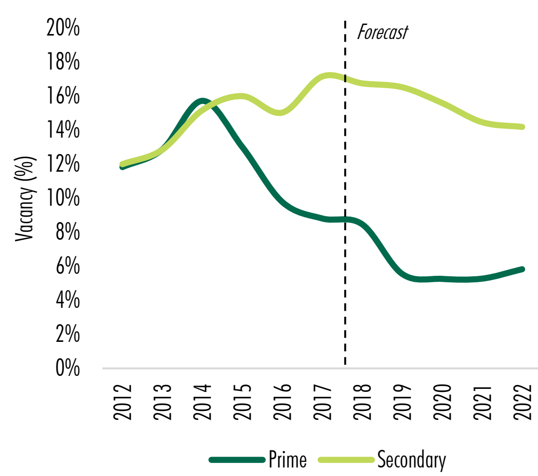
Two significant new developments are now under construction in Canberra's city centre:

Figure 19: Net Supply, Absorption and Vacancy, Canberra



Source: CBRE Research, Q3 2018

Figure 20: Vacancy Rate Forecast, Canberra



Source: CBRE Research, Q3 2018

Civic Quarter, located at 68 Northbourne Avenue is a speculative development, due for completion in late 2019, with a proposed NLA of 15,945sqm. There are no pre-commitments as yet.

Constitution Place will comprise two office buildings, due for completion in 2020. Building 1, circa 20,000sqm, is pre-committed to the ACT government and Building 2 (11,500sqm) will be multi-tenanted and is fully pre-committed to private sector tenants. The development will also include an Adina Grande hotel (130 rooms) and some retail.

Table 2: Major Market Forecasts, Q3 2018

Sydney CBD	Dec-16	Dec-17	Dec-18f	Dec-19f	Dec-20f
Net Additions	16,000	-55,000	-56,000	-3,000	-8,000
Net Absorption	21,000	29,000	22,000	-25,000	-56,000
Vacancy	6.2%	4.8%	3.3%	3.7%	4.7%
Prime NFR	$1,030	$1,105	$1,205	$1,275	$1,320
Prime NER	$705	$805	$920	$975	$995
Prime Yield	5.20%	4.90%	4.60%	4.50%	4.70%

Melbourne CBD	Dec-16	Dec-17	Dec-18f	Dec-19f	Dec-20f
Net Additions	59,000	-10,000	89,000	217,000	182,000
Net Absorption	113,000	80,000	119,000	103,000	34,000
Vacancy	6.5%	4.5%	3.7%	5.9%	8.7%
Prime NFR	$525	$575	$615	$635	$645
Prime NER	$360	$415	$455	$460	$460
Prime Yield	5.50%	5.00%	4.80%	4.70%	4.80%

Brisbane CBD	Dec-16	Dec-17	Dec-18f	Dec-19f	Dec-20f
Net Additions	123,000	-25,000	-12,000	26,000	0
Net Absorption	95,000	-37,000	39,000	38,000	20,000
Vacancy	15.3%	16.1%	13.9%	13.2%	12.3%
Prime NFR	$620	$630	$640	$655	$670
Prime NER	$370	$365	$380	$385	$415
Prime Yield	6.40%	5.80%	5.30%	5.20%	5.60%

Perth CBD	Dec-16	Dec-17	Dec-18f	Dec-19f	Dec-20f
Net Additions	27,000	1,000	43,000	-5,000	0
Net Absorption	-29,000	47,000	46,000	31,000	40,000
Vacancy	22.5%	19.8%	19.2%	17.2%	15.1%
Prime NFR	$595	$590	$595	$600	$615
Prime NER	$315	$285	$295	$320	$340
Prime Yield	7.20%	7.00%	6.60%	6.50%	6.60%

Adelaide CBD	Dec-16	Dec-17	Dec-18f	Dec-19f	Dec-20f
Net Additions	34,000	3,000	0	21,000	0
Net Absorption	-1,000	14,000	16,000	12,000	18,000
Vacancy	16.2%	15.4%	14.3%	14.7%	13.4%
Prime NFR	$410	$415	$420	$430	$440
Prime NER	$275	$270	$270	$280	$290
Prime Yield	6.90%	6.90%	6.80%	6.50%	6.80%

Canberra	Dec-16	Dec-17	Dec-18f	Dec-19f	Dec-20f
Net Additions	-46,000	35,000	-40,000	-5,500	2,000
Net Absorption	8,000	16,000	-26,000	32,000	17,500
Vacancy	12.6%	13.2%	12.8%	11.2%	10.6%
Prime NFR	$370	$380	$380	$395	$405
Prime NER	$285	$290	$295	$305	$315
Prime Yield	6.50%	6.30%	6.30%	6.00%	6.30%

Source: CBRE Research, Q3 2018 f: forecast, NER: net effective rent, NFR: net face rent

Table 3: Major Office Sales, Australia, Q3 2018

Address	Market	Sale Date	Sale Price ($m)	Purchaser	Vendor	Proportion Sold*
Westpac Place 275 Kent Street	Sydney CBD	Jul-18	$875	ISPT & Mirvac	Blackstone	50%
62-80 Ann Street	Brisbane CBD	Jul-18	$418	MG Real Estate	Mirvac	50%
Eclipse Tower	Parramatta	Aug-18	$278	GPT	REST Industry Super	100%
53 Albert Street	Brisbane CBD	Jul-18	$252	JP Morgan Asset Management	Challenger Financial Services	100%
275 George Street	Sydney CBD	Aug-18	$240	Daibiru	John Holland Group	100%
K1, 1 King Street	Brisbane Near City	Aug-18	$170	Abacus/Heitman LLC	Impact Investment Group (IIG)	100%
60 Collins Street	Melbourne CBD	Sep-18	$160	DEXUS Property Group	Reserve Bank of Australia	100%
60 Carrington Street	Sydney CBD	Aug-18	$141	AMP Capital	Brookfield Property Partners	50%
19 Harris Street	Sydney CBD	Aug-18	$140	AEW Capital	UBS, Grocon, Kuhne Holding AG	100%
Carrington House	Sydney CBD	Aug-18	$109	AMP Capital	Brookfield Property Partners	50%

Source: CBRE Research, Q3 2018 *Sale price represents price paid for share

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