



**Preston**  
*Rowe*  
Paterson

®  
International Property Consultants

# Sydney Impact Report

## Office Market

### REDUCTION IN QUALITY STOCK

In 2015, there were \$4.4 billion worth of sales transactions in the Sydney commercial office market of which \$2.38 billion were recorded in the Sydney CBD. Both local and foreign investors were attracted to the Sydney CBD market, recording over a third of the total transactions that occurred in 2015. Nonetheless the overall Sydney markets remained active towards the end of the year whilst quality stock continue to reduce.

In addition, the impact of *Transport for NSW* acquisition of office space in the Sydney CBD and North Sydney for infrastructure purposes will further diminish existing supply. It is anticipated that this will put further pressure on rent levels as displaced tenants compete for the existing stock. The Sydney commercial yields remained relatively low in 2015, recording an average of 6.5%.

Throughout the year, many investors were buying with the intention of converting office space to mixed-use residential developments, particularly in the Sydney CBD fringe and Parramatta commercial markets.

### December quarter 2015

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## SYDNEY OFFICE MARKET HIGHLIGHTS

The Sydney office market performance was relatively strong during the December quarter where quarterly sales transactions amounted to about \$2.4 billion. The results revealed that there was a steady increase in interests for suburban offices. Many developers purchased established office buildings for mixed-use residential conversions which was particularly notable in the Parramatta and suburban markets. As a result, the overall Sydney office market vacancy and supply has tightened.

### Sales

The December quarter revealed that many significant sales occurred in the Sydney CBD market. Some sales in the quarter were earmarked for residential conversion and mixed use redevelopment; this was particularly in notable Parramatta and other suburban business areas.

A significant office sale in the quarter was the sale of **179 Elizabeth Street**, located opposite Hyde Park in the Sydney CBD. *LaSalle Investment Management* sold the A Grade office building which was held in the *LaSalle Asia Opportunity Fund III to Markham Property* for **\$148 million**. The sale reflected a **7% yield**. The property is 83% leased with long leases and displays a WALE of 4 years with annual fixed reviews of approximately 4%. The property has 15,000 sqm of net lettable space and parking for 107 cars.



### Leases

The number of Sydney metropolitan office significant leasing activities decreased in the December quarter particularly in the North Ryde/Macquarie Park market. The observed average rent was about \$531 psm across the Sydney metropolitan office market on an average term of 5.5 years.

One of the significant leases signed in the quarter was the relocation of energy provider *AGL Energy* headquarters from North Sydney to the new development located at **200 George Street, Sydney CBD**. *AGL* agreed to pre-lease 3,500 sqm office space on an estimated **rate of \$1,100 psm on a 10 year term**, the lease will start in mid-2016. This reflects an annual net rent of \$3.85 million. The *AMP Capital* and *Mirvac's* development is scheduled for completion in the first quarter of 2016.



## Developments

There's a number of new developments in Sydney that are scheduled to be completed in the 2016. It is forecasted that a new supply of approximately 129,176 sqm office space will be released in 2016.

A well anticipated development is the **Parramatta Square (stage 1)**. It is reported to have started its construction phase and is planned to be completed in the 4th quarter of 2016. The development on **169 Macquarie Street** will provide 24,500 sqm of NLA over 14 office levels and 800 sqm of retail area. The average floor plate size is about 2,200 sqm and includes 108 car spaces. The Parramatta Square development site will provide commercial and residential space over 6 projects. It is located north to the Sydney Water building and within close proximity to the Parramatta transport interchange and Westfield Parramatta shopping centre.



## Yield

As observed by Preston Rowe Paterson Research during the six months to December, the average yield in the Sydney metropolitan office market had shown to be approximately 6.6%. The Sydney CBD office yields ranged from 6.07% to 9.5% to an average yield of approximately 6.75%. The Crows Nest/St Leonards office market recorded an average yield of approximately 7.83% and Parramatta recorded an average yield of 7.05%.

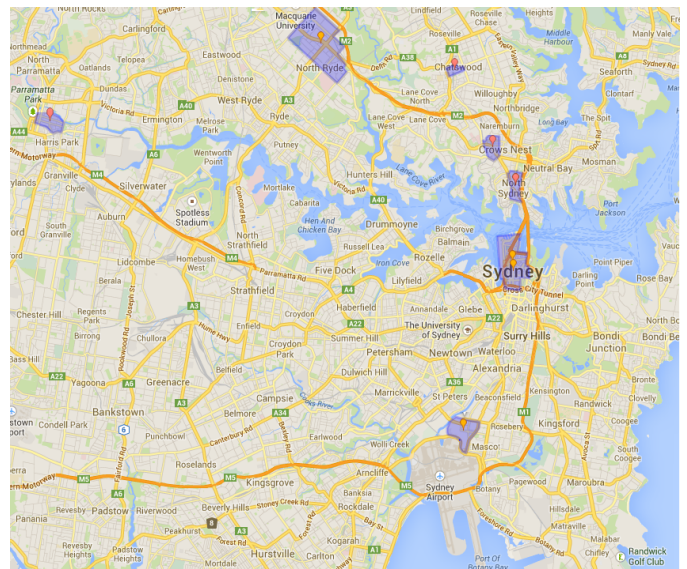


Image 1— Location map of major CBD in the Sydney metropolitan area—Source—Google Maps and Preston Rowe Paterson Research

## COMMERCIAL OFFICE MARKET

### Sydney CBD

#### Investment Activity

The following table shows reported major sales transactions that occurred over six months to December 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
4-6 Bligh Street, Sydney NSW 2000	\$ 68,000,000	Cromwell Property Group	Real Estate Capital Asia Partners IV	Jul-15	9,964	\$ 6,824.57	7.50%
93 York Street, Sydney NSW 2000	\$ 11,250,000	R K Szeto Corporation	Fullyvast Group	Jul-15	2,497	\$ 4,505.41	n/a
153-159 Clarence Street, Sydney NSW 2000	\$ 140,000,000	St Hilliers Property	Union Investment Real Estate	Jul-15	11,972	\$ 11,693.95	6.07%
160 Sussex Street, Sydney NSW 2000	\$ 60,000,000	JP Morgan Asset Management	Burcher Property Group	Oct-15	8,275	\$ 7,250.76	7.00%
1-3 Munn Street, Millers Point NSW 2000	\$ 40,000,000	Primary Health Care	private developer	Nov-15	3,843	\$ 10,408.53	n/a
204 Clarence Street, Sydney NSW 2000	\$ 15,500,000	Greenpath	foreign investor	Nov-15	2,242	\$ 6,913.47	n/a
432 Kent Street, Sydney NSW 2000	\$ 13,800,000	KSO	foreign investor	Nov-15	1,339	\$ 10,306.20	n/a
117 Clarence Street, Sydney NSW 2000	\$ 81,000,000	Altis Property Partners	Roxy Pacific Holdings	Dec-15	12,546	\$ 6,456.24	6.20%
175 Castlereagh Street, Sydney NSW 2000	\$ 98,000,000	Centuria Property Fund	Transport for NSW	Dec-15	11,848	\$ 8,271.44	n/a
International Tower 1, Hickson Road, Barangaroo NSW 2000	\$ 350,000,000*	Lend Lease	foreign investor	Dec-15	n/a	n/a	n/a
179 Elizabeth Street, Sydney NSW 2000	\$ 148,800,000	LaSalle Asia Opportunity Fund III	Markham	Dec-15	15,000	\$ 9,920.00	7.00%

Table 1 — Sydney CBD Sales Transactions  
 \*25% stake acquired n/a = not currently available

## Leasing Activity

The following table shows reported major leasing transactions that occurred over six months to December 2015. Leasing information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Rent psm	Rent pa	Lesee	Area sqm	Term	Date
345 George Street, Sydney NSW 2000	\$ 632	\$ 4,251,464	Employers Mutual	6,727	8	Jul-15
201 Kent Street, Sydney NSW 2000	\$ 685	\$ 1,192,585	Aussie Commerce Group	1,741	5	Jul-15
201 Kent Street, Sydney NSW 2000	\$ 685	\$ 1,192,585	Deals Sydney	1,741	n/a	Jul-15
201 Kent Street, Sydney NSW 2000	\$ 784	\$ 1,038,800	Crown Sydney Property	1,325	n/a	Jul-15
201 Kent Street, Sydney NSW 2000	\$ 484	\$ 1,463,132	Credit Corp Group	3,023	5	Jul-15
255-269 Elizabeth Street, Sydney NSW 2000	\$ 650	\$ 1,560,000	Davies Collison Cave	2,400	n/a	Jul-15
127 Liverpool Street, Sydney NSW 2000	\$ 460	\$ 1,196,920	Group Colleges Australia	2,602	5	Aug-15
66-68 Goulburn Street, Sydney NSW 2000	\$ 575	\$ 862,500	Copyright Agency	1,500	n/a	Aug-15
55 Hunter Street, Sydney NSW 2000	\$ 630	\$ 630,000	Ultimate Office Solutions	1,000	7	Sep-15
255 George Street, Sydney NSW 2000	n/a	n/a	Aussie Home Loan	3,000	10	Sep-15
9-11 South Street, Sydney NSW 2000	\$ 150	\$ 173,100	Allworth Homes	1,154	5	Oct-15
201 Sussex Street, Sydney NSW 2000	\$ 795	\$ 1,202,040	Salesforce	1,512	5	Oct-15
11-17 York Street, Sydney NSW 2000	n/a	n/a	Bridge Business College	5,000	10	Oct-15
1 Martin Place, Sydney NSW 2000	\$ 800	\$ 3,600,000	Expedia	4,500	n/a	Nov-15
130 Pitt Street, Sydney NSW 2000	\$ 800	\$ 1,231,200	Sensis	1,539	1.6	Nov-15
570 Bourke Street, Sydney NSW 2000	\$ 410	\$ 5,740,000	Department of Social Services	14,000	n/a	Nov-15
338 Pitt Street, Sydney NSW 2000	\$ 500	\$ 500,000	SportsBet	1,000	n/a	Nov-15
2 Park Street, Sydney NSW 2000	n/a	n/a	Amazon	9,230	7	Dec-15
200 George Street, Sydney NSW 2000	\$ 1100*	\$ 3,850,000*	AGL Energy	3,500	10*	Dec-15

Table 2 — Sydney CBD Leasing Transactions  
n/a = not currently available \*pre-lease

## Development Sites

The Property Council of Australia's (PCA) Office Market Report July 2015 have recorded a few office developments that are in various stages of the Sydney office pipeline.

The **333 George Street** mix-use development owned by *Charter Hall Core Plus Office Fund* is estimated to be completed towards the end of the 1st quarter of 2016. Construction of the A Grade office tower is underway and is projected to yield approximately 12,500 sqm across 14 levels of office space, 2,100 sqm of retail space across three ground levels and 20 car parking bays.



Mirvac's new development located close to Circular Quay at **190-200 George Street** is due for completion in the 1st quarter of 2016. The Premium Grade office tower features 38,676 sqm of office space across 35 levels, 476 sqm of retail area, 63 car spaces, 5-star NABERS Energy rating and 6-star Green Star rating. The property will be tenanted by accounting consultants EY across 28,300 sqm on a 10 year lease.



## Supply by Grade (Stock)

Analysis of the PCA's Office Market Report July 2015 has revealed that there was an additional supply of 23,633 sqm of office space released in the six months to July. This was offset by the 21,170 sqm withdrawals, resulting in an increase of the total Sydney CBD office market space to 4,964,191 sqm.

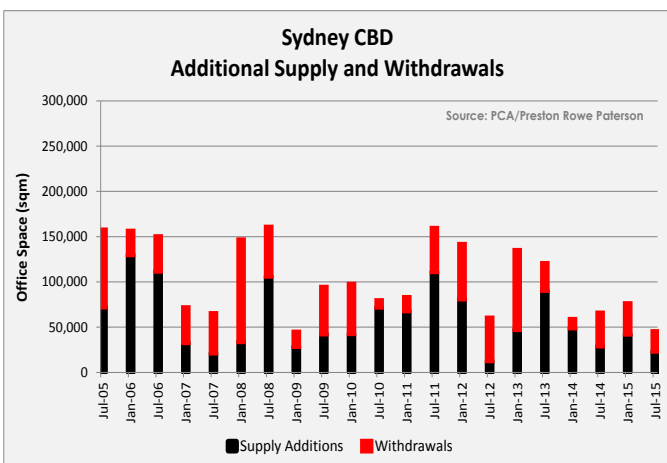


Chart 1 – Sydney CBD Office Additional Supply and Withdrawals – Source PCA

The increase in additional office space is attributed to the growth of Premium and A Grade stock supply. Both grades contributed about 2,663 sqm and 8,133 sqm respectively of additional office space in the six months to July 2015. Withdrawals were noted in the C and D Grade stock of approximately 4,242 sqm and 4,091 sqm respectively.

The Sydney CBD office market continues to be dominated by the A and B Grade stock, amounting to 1,843,427 sqm and 1,576,404 sqm respectively. Premium Grade stock takes up 796,626 sqm whilst C and D Grade office space sums up to 559,066 sqm and 188,668 sqm respectively.

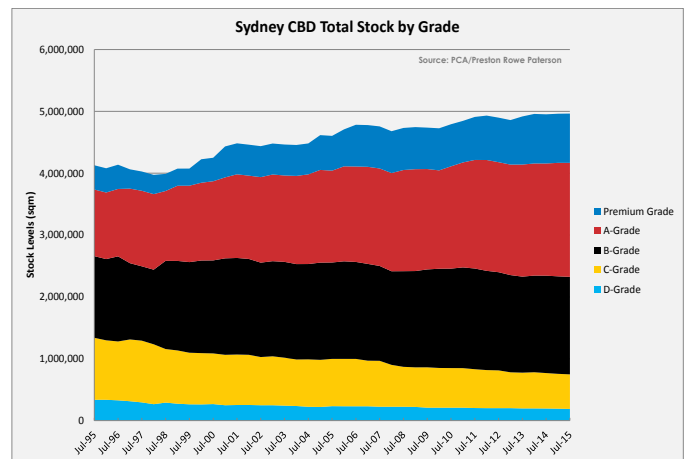


Chart 2 – Sydney CBD Total Stock by Grade – Source PCA

## Vacancy Rates

The Sydney CBD office market vacancy has tightened in the six months to July 2015. The total office market vacancy declined to 6.3%, of which 5.9% was direct vacancy and 0.4% was sublease vacancy.

All grades of office stock recorded a decrease in vacancy except for C Grade which increased by 0.2% to 6.9% vacancy. Premium Grade stock recorded the largest decrease in vacancy of -1.9% to 5.2%. Followed by A, B and D Grade vacancy reported to 6.7%, 6.2% and 5.5% respectively.

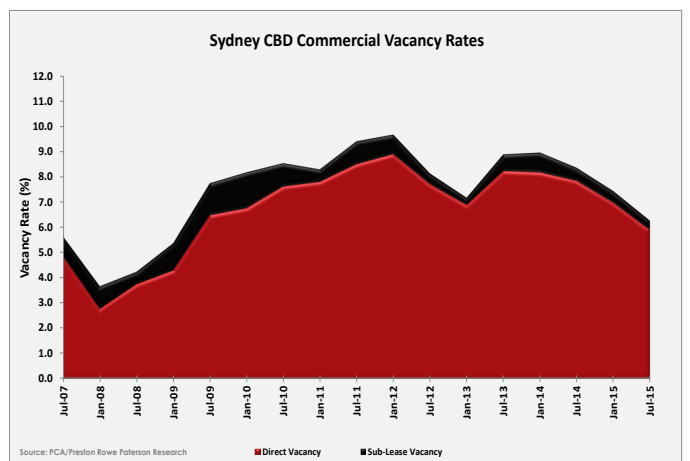


Chart 3 – Sydney CBD Vacancy Rates – Source PCA

## North Sydney

### Investment Activity

The following table shows reported major sales transactions that occurred over six months to December 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
20 Berry Street, North Sydney 2060	\$ 60,000,000	Velment	YUHU Group	Jul-15	9,723	\$ 6,170.93	7.25%
33 Berry Street, North Sydney NSW 2060	\$ 90,000,000	Horaco Property	Australian Catholic University	Sep-15	13,000	\$ 6,923.08	n/a

Table 3 — North Sydney Sales Transactions  
n/a = not currently available

### Leasing Activity

The following table shows reported major leasing transactions that occurred over six months to December 2015. Leasing information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Rent psm	Rent pa	Lesee	Area sqm	Term	Date
16-40 Mount Street, North Sydney NSW 2060	\$ 750	\$ 1,694,250	Gartner	2259	10	Jul-15
124-126 Walker Street, North Sydney NSW 2060	\$ 550	\$ 678,700	3P Learning	1234	n/a	Jul-15
90 Arthur Street, North Sydney NSW 2060	\$ 495	\$ 403,920	ACN Pacific	816	5	Jul-15
177 Pacific Highway, North Sydney NSW 2060	\$ 700	\$ 4,810,400	Jacobs	6872	n/a	Dec-15

Table 4 — North Sydney Leasing Transactions  
n/a = not currently available

## Development Sites

The Property Council of Australia's (PCA) Office Market Report July 2015 has been analysed to derive new commercial office building developments.

The **Norberry Terrace** development located at **177-199 Pacific Highway** is recorded to be in the construction phase of development and is due for completion in the 2nd quarter of 2016. The office development is planned for 39,383 sqm NLA of office space spanning over 31 levels on an average floor plate size of 1,570 sqm. The development will include 370sqm of retail space and 112 car spaces. The development owned by *Suntec Real Estate Investment Trust* is located within close proximity to the Greenwood Plaza and the North Sydney train station.



## Supply by Grade (Stock)

As shown in the PCA's Office Market Report July 2015, the total North Sydney office stock recorded 5,600 sqm of additional supply offset by 4,439 sqm of withdrawals, bringing the total office market stock to 823,351 sqm. Additional supply was attributed to the increase in B Grade stock. Office space withdrawals were noted in C Grade and D Grade stocks of 3,069 sqm and 820 sqm respectively.

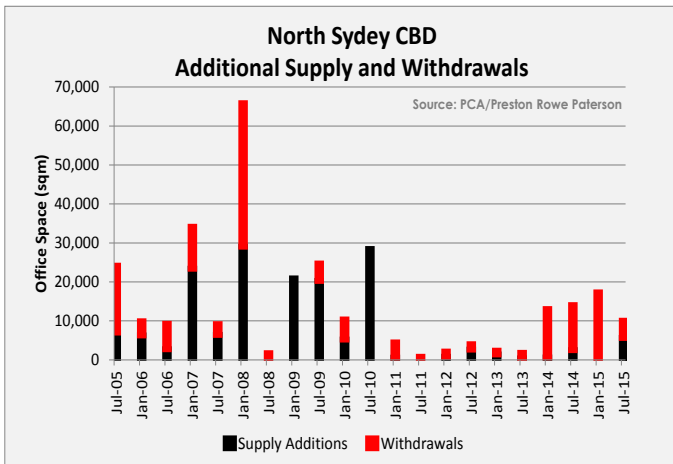


Chart 4 – North Sydney Office Additional Supply and Withdrawals – Source PCA

The B Grade stock dominates the North Sydney market amounting to 430,666 sqm. Premium and A Grade stock levels remain unchanged at 36,500 sqm and 186,296 sqm respectively. C Grade stock accounted for 156,957 sqm and D Grade space summed to 12,932 sqm.

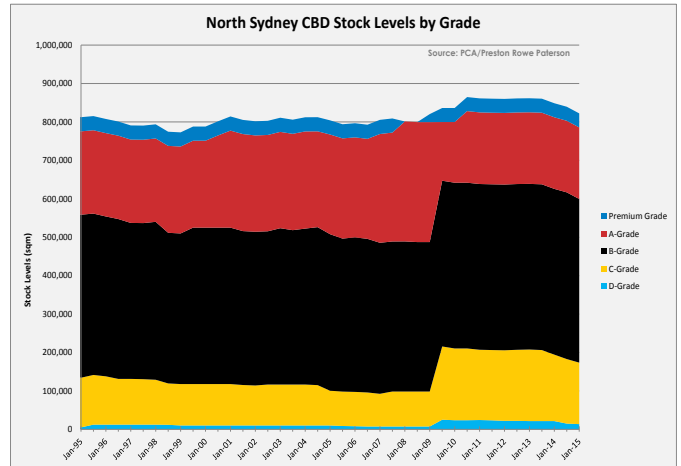


Chart 5 – North Sydney Total Stock Levels By Grade – Source PCA

## Vacancy Rates

The total North Sydney office market vacancy has tightened by 0.9% to 8% in July 2015. Direct vacancy rate assumed 7.5% and sub-lease vacancy was 0.5%.

Over the six months to July 2015, there has been Premium Grade office recorded 1.3% vacancy. D Grade noted the largest decrease in vacancy of -4.10% to 5.8%. A, B and C grade office vacancy declined by -1.3%, -0.9% and -0.8% to the vacancy rate of 3.7%, 10% and 9.2% respectively.

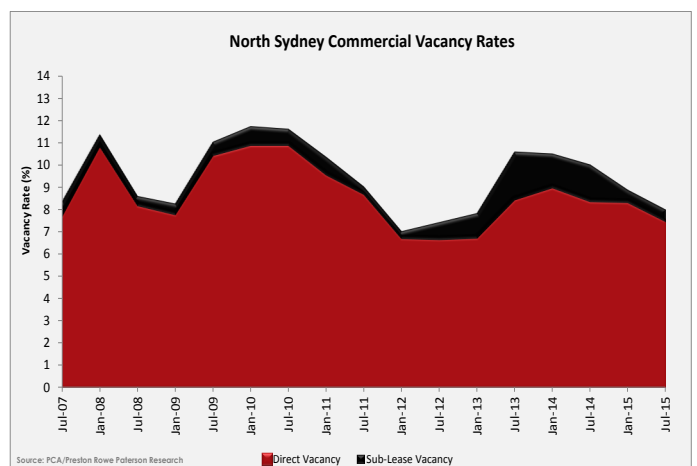


Chart 6 – North Sydney Office Vacancy Rates – Source PCA

## Crows Nest/ St Leonards

### Investment Activity

The following table shows reported major sales transactions that occurred over six months to December 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
407 Pacific Highway, Artarmon NSW 2064	\$ 16,100,000	Denison Funds Management	Jadan Property Group	Aug-15	5,991	\$ 2,687.36	9.75%
207 Pacific Highway, St Leonard NSW 2065	\$ 170,000,000	Primewest and Valad Property Group	Altis Property Partners	Aug-15	19,864	\$ 8,558.20	8.50%
504 Pacific Highway, St Leonards NSW 2065	\$ 150,000,000	Charter Hall	New Hope Real Estate Development & VIC Investment Management Group	Aug-15	11,080	\$ 13,537.91	n/a
203 Pacific Highway, St Leonards NSW 2065	\$ 86,000,000	Challenger Life Company	Centuria Property Funds	Oct-15	11,764	\$ 7,310.44	n/a
38 Pacific Highway, St Leonards NSW 2065	\$ 21,000,000	undisclosed	Edsgear	Nov-15	1,600	\$ 13,125.00	5.24%

Table 5 — Crows Nest/St Leonards Sales Transactions  
n/a = not currently available

### Leasing Activity

The following table shows reported major leasing transactions that occurred over six months to December 2015. Leasing information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Rent psm	Rent pa	Lessee	Area sqm	Term	Date
16-40 Mount Street, North Sydney NSW 2060	\$ 750	\$ 1,694,250	Gartner	2259	10	Jul-15
124-126 Walker Street, North Sydney NSW 2060	\$ 550	\$ 678,700	3P Learning	1234	n/a	Jul-15
90 Arthur Street, North Sydney NSW 2060	\$ 495	\$ 403,920	ACN Pacific	816	5	Jul-15
177 Pacific Highway, North Sydney NSW 2060	\$ 700	\$ 4,810,400	Jacobs	6872	n/a	Dec-15

Table 6 — Crows Nest/ St Leonards Leasing Transactions  
n/a = not currently available



## Supply by Grade (Stock)

The PCA's Office Market Report July 2015 detailed that in the Crows Nest/St Leonards office market recorded a withdrawal of 1,435 sqm, this bring the total market stock levels to 346,934 sqm. No additional office space supply were recorded.

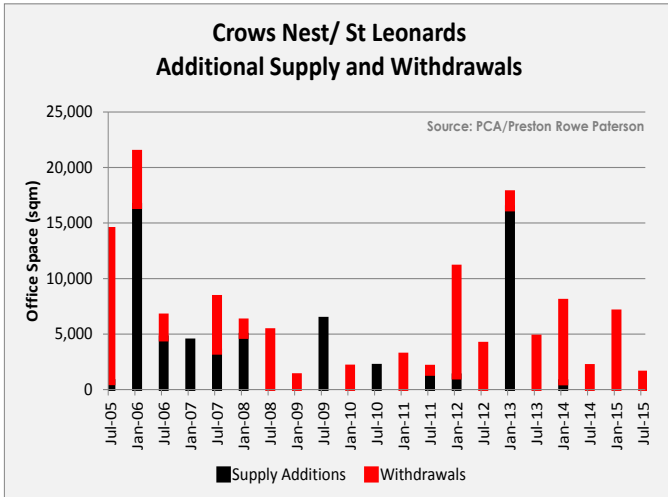


Chart 7 – Crows Nest/St Leonards Office Additional Supply and Withdrawals – Source PCA

The recorded stock withdrawal occurred in the C Grade stock which dominates the Crows Nest/St Leonards market. C Grade office space takes up 163,814 sqm. The A, B and D Grade stock levels remain unchanged in the six months to July amounting to approximately 102,699 sqm, 66,775 sqm and 13,646 sqm respectively.

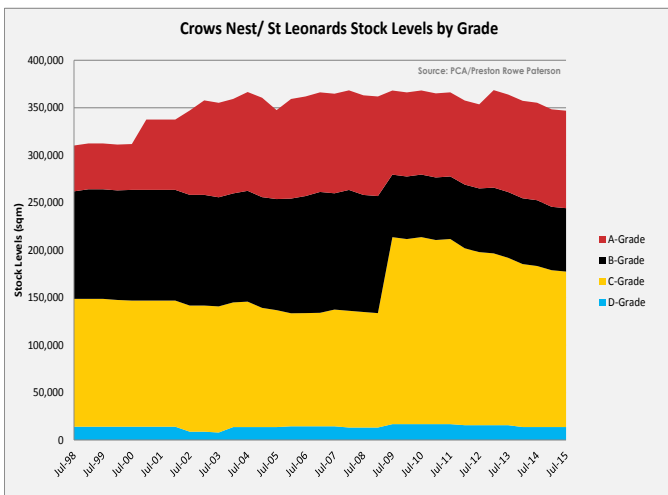


Chart 8 – Crows Nest/St Leonards Total Stock Levels by Grade – Source PCA

## Total Vacancy

Total office market vacancy rate in Crows Nest/St Leonards had decreased over the six months to July 2015 by  $-0.3\%$  to  $11.2\%$ . Direct vacancy accounted for  $9.5\%$  and sub-lease vacancy at  $1.7\%$ .

D Grade vacancy fell by  $-4.1\%$  to  $12.2\%$ , C Grade vacancy declined to  $-1.1\%$  to  $11.3\%$  and A Grade vacancy declined by  $-0.1\%$  to  $11\%$ . B Grade recorded an increase in vacancy to  $2.1\%$  and  $11.2\%$  respectively.

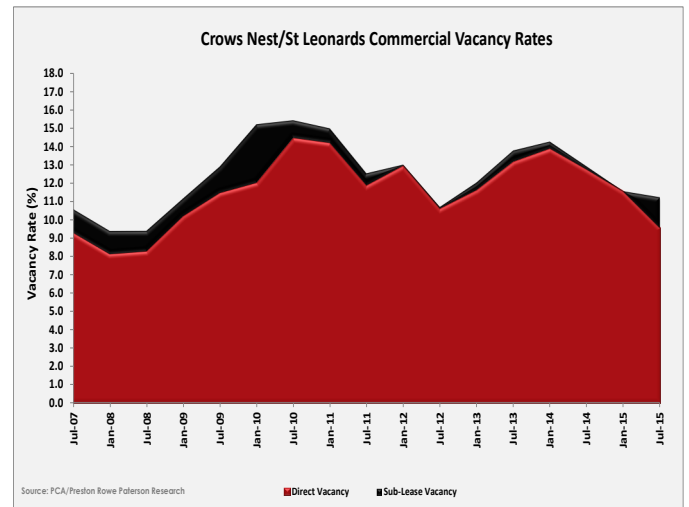


Chart 9 – Crows Nest/St Leonards Office Market Vacancy – Source PCA

## Parramatta CBD

### Investment Activity

The following table shows reported major sales transactions that occurred over six months to December 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
460 Church Street, Parramatta NSW 2150	\$ 24,000,000	undisclosed	Dyldam Developments	Sep-15	7,500	\$ 3,200.00	n/a
83, 63 & 57 Church Street and 44 Early Street, Parramatta NSW 2150	\$ 150,000,000	Heartland Group	Dyldam Developments	Sep-15	143,000	\$ 1,048.95	n/a
9 George Street, Parramatta NSW 2150	\$ 30,000,000	Hyperion Property Syndicates	Hadley Green	Sep-15	5,414	\$ 5,541.19	7.80%
93 George Street, Parramatta, NSW 2150	\$ 37,300,000	Marprop	Rathdrum Properties	Nov-15	7,127	\$ 5,233.62	8.00%
17-21 Macquarie Street, Parramatta NSW 2150	\$ 18,700,000	undisclosed	Lederer Group	Nov-15	4,717	\$ 3,964.38	5.30%

Table 7 — Parramatta CBD Sales Transactions  
n/a = not currently available

### Leasing Activity

The following table shows reported major leasing transactions that occurred over six months to December 2015. Leasing information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Rent psm	Rent pa	Lesee	Area sqm	Term	Date
40 Bridge Road, Rydalmere NSW 2116	\$ 85	\$ 54,740	Western Institute of Technology	644	1	Jul-15
20 Smith Street, Parramatta NSW 2150	\$ 490	\$ 439,530	Injury Treatment	897	5	Sep-15
56 Station Street, Parramatta NSW 2150	\$380 - \$400	\$419,140 - \$441,200	Infosys	1,103	3	Dec-15
2-8 South Street, Rydalmere NSW 2116	\$ 135	\$ 897,210	Sapphire Group	6,646	5	Dec-15

Table 8 — Parramatta CBD Leasing Transactions

## Development Sites

The Property Council of Australia's (PCA) Office Market Report July 2015 has been analysed to derive new commercial office building developments.

A well anticipated development is the **Parramatta Square (Stage 3)** project located on **153 Macquarie Street**, it is currently in its early feasibility stage. The Parramatta City Council proposed that the third stage of development will include 25,000 sqm of NLA over a 17 storey office tower, feature a 7,000 sqm are of public facilities including a civic building, community centre and library. The project is expected to be completed in 2017 or later.



## Supply by Grade (Stock)

The PCA Office Market Report July 2015 recorded an additional supply of 10,933 sqm offset by 1,177 sqm of stock withdrawal in the Parramatta office market. The additional stock supply and withdrawals were attributed to the changes in B and D Grade stock.

B Grade stock recorded an additional supply of 9,785 sqm and space withdrawal of 833 sqm. Similarly, D Grade stock recorded 1,148 sqm of new supply and 344s sqm of withdrawal.

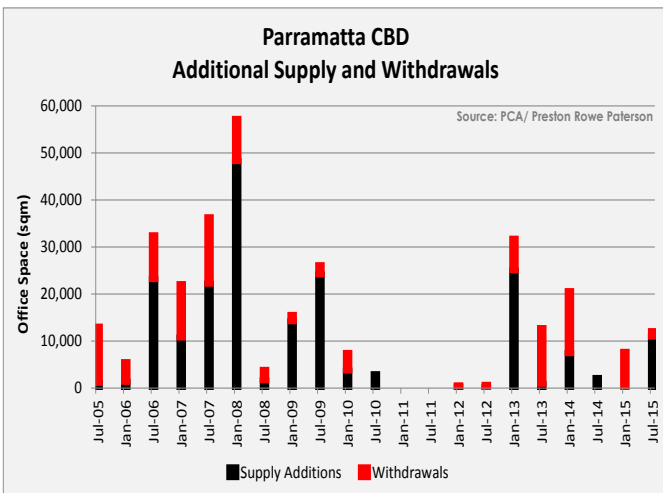


Chart 10 – Parramatta CBD Office Additional Supply and Withdrawals – Source PCA

The Parramatta office market is dominated by A and B Grade stock. A and C Grade stock levels remain unchanged accounting for 273,617 sqm and 104,972 sqm respectively. B Grade stock takes up 219,975 sqm and D Grade assumed 91,509 sqm of office space.

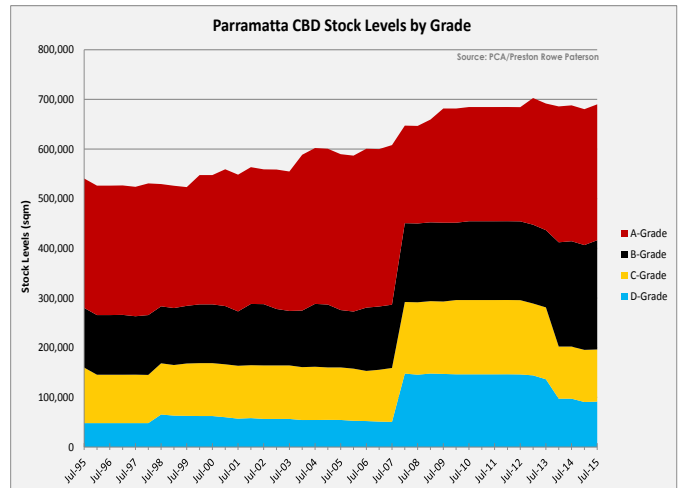


Chart 11 – Parramatta CBD Total Stock Levels by Grade – Source PCA

## Vacancy Rates

The total vacancy in the Parramatta office market has increased by 1.1% to 7.4% in the six months to July 2015. Direct vacancy assumed 7.4% and sub-lease vacancy was 0.1%.

All office stock grades recorded growth in vacancy rates in the six months to July, except for C Grade which tightened by -1.7% to 17.1%. B Grade vacancy increased by 2.3% to 11%, A Grade vacancy grew by 1.6% to 2.4% and D Grade vacancy recorded a small increase of 0.2% to 2.9%.

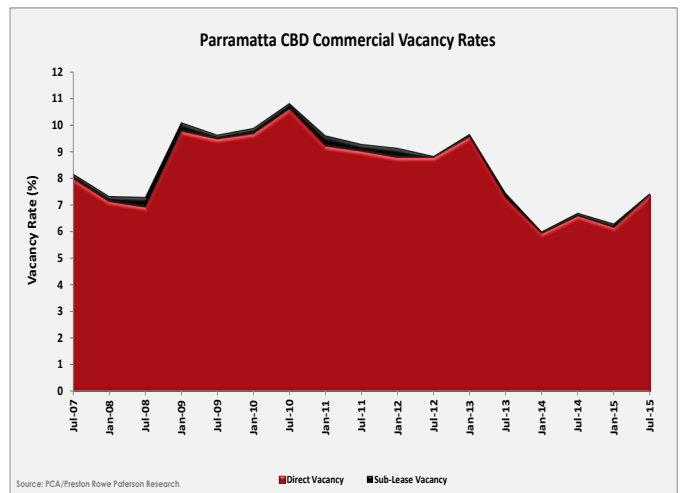


Chart 12 – Parramatta CBD Office Market Vacancy – Source PCA

## Chatswood

### Supply by Grade (Stock)

The PCA Office Market Report July 2015 has revealed that there was a supply withdrawal of 780sqm in the Chatswood office market. The withdrawal is attributed to the tightening of C Grade stock. No additional stock supply was recorded in the six months to July 2015.

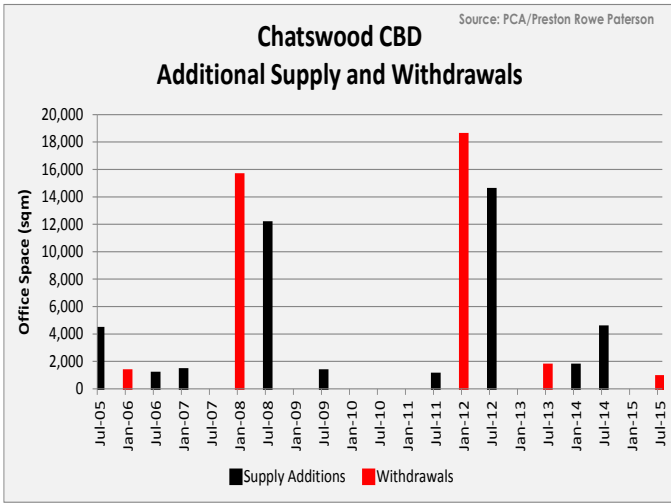


Chart 13 – Chatswood CBD Office Additional Supply and Withdrawals – Source PCA

All stock levels remain unchanged in the six months to July, except for C Grade which now assumes 45,453 sqm. A Grade office stock dominates the Chatswood market accounting for 157,412 sqm, B Grade takes up 81,146 sqm and D Grade totals to 454 sqm.

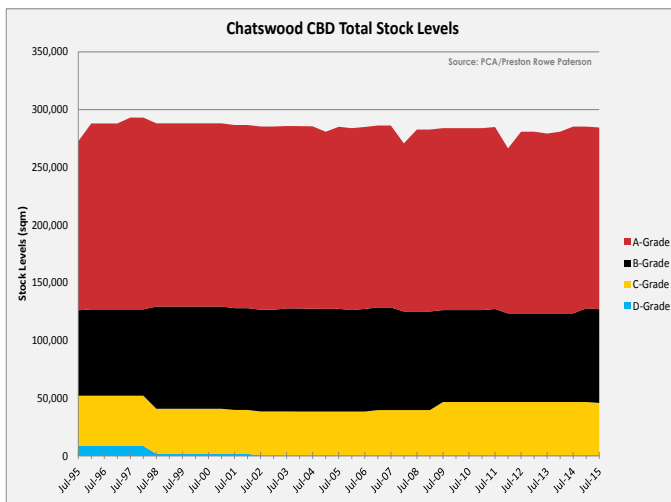


Chart 14 – Chatswood CBD Total Stock Levels by Grade – Source PCA

### Total Vacancy

The Chatswood office market recorded a decline in total office vacancy rate of -1.4% to 6.8% in the six months to July 2015. Direct vacancy assumed 6.4% and sub-lease vacancy was 0.4%.

D Grade stock recorded the largest vacancy increase to 39.2%. A Grade vacancy decreased by -1.8% to 69%, B Grade vacancy fell by -0.8% to 7.7% and C Grade vacancy tightened by -1.6% to 4.2%.

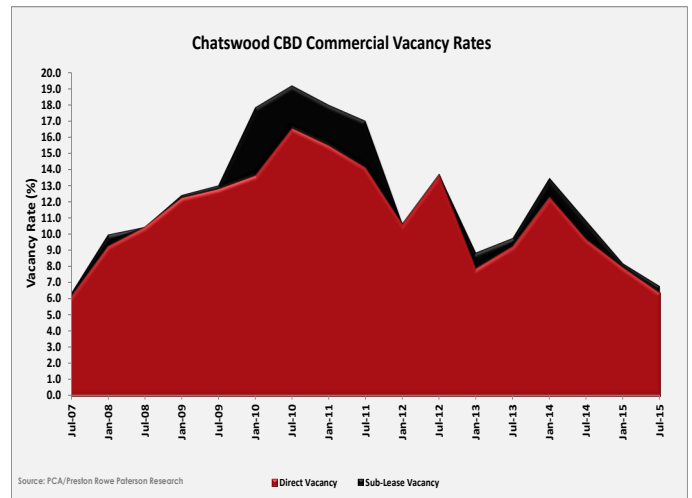


Chart 15 – Chatswood CBD Office Market Vacancy – Source PCA

## North Ryde/ Macquarie Park

### Investment Activity

The following table shows reported major sales transactions that occurred over six months to December 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
12 Waterloo Road, Macquarie Park NSW 2113	\$ 14,560,000	Twelve Waterloo Macquarie Park	Lester Group	Nov-15	3887	\$ 3,745.82	n/a
78 Waterloo Road, Macquarie Park NSW 2113	\$ 106,000,000	Corval	Mapletree Investments	Nov-15	14672	\$ 7,224.65	6.30%
80 Waterloo Road and 16 Byfield Street, Macquarie Park NSW 2113	\$ 101,000,000	Centuria Property Funds	local developer	Dec-15	n/a	n/a	n/a

Table 9 — North Ryde/Macquarie Park Sales Transactions  
n/a = not currently available

### Development Sites

The Property Council of Australia's (PCA) Office Market Report July 2015 has been analysed to derive new commercial office building developments.

The **Canon Building** development located at **1 Thomas Holt Drive** is to be completed in the 3rd quarter of 2015. The development owned by Canon is currently construction phase. The office building comprise of 11,500 sqm NLA over 6 storeys with floor plate size of 1,840 sqm. The property is located within close proximity to the Macquarie Park train station.



**52-54 Waterloo Road** at North Ryde is currently in the construction phase and to be completed in the 3rd quarter of 2015. The development owned by **Novartis Pharmaceuticals Australia** will provide 10,000 sqm NLA. The site is located within close proximity to both the Macquarie Park and Macquarie University train station, and the Macquarie Centre shopping centre.



### Supply by Grade (Stock)

The PCA Office Market Report July 2015 the North Ryde/ Macquarie Park market recorded an additional supply of 9,714 sqm which was offset by 7,899 sqm of withdrawals. The total office stock level is 868,295 sqm.

The additional supply is attributed to the increase in B Grade stock which was offset by 4,799 sqm of withdrawal. Further office space withdrawal was recorded in the C Grade stock where 3,100 sqm was removed.

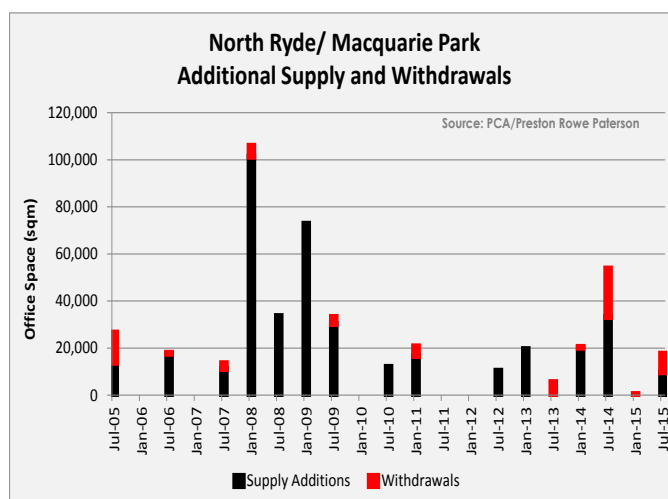


Chart 18— North Ryde/ Macquarie Park Office Additional Supply and Withdrawals – Source PCA

The North Ryde/Macquarie Park office market is heavily populated by A Grade office stock. The A Grade stock level accounts for 615,716 sqm, followed by B Grade stock at 232,941 sqm. C Grade stock levels tightened to 16,917 sqm and D Grade remain unchanged assuming 2,721 sqm.

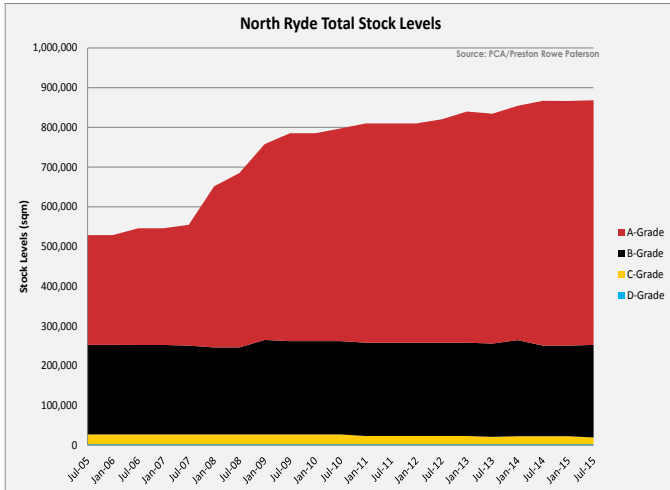


Chart 17 – North Ryde/ Macquarie Park Total Stock Levels by Grade – Source PCA

## Vacancy Rates

The North Ryde/Macquarie Park market recorded a decrease in total vacancy rate of -1.5% to 8.4% in the six months to July 2015, of which 6.9% was direct vacancy and 1.5% was sub-lease vacancy.

C Grade stock recorded an 8.4% increase in vacancy to 13.5 in the six months to July. Whilst A and B Grade vacancy reported a decline of -2.3% and -0.5% to 5.7% and 15.2% respectively. No vacancy results were recorded for D Grade office space.

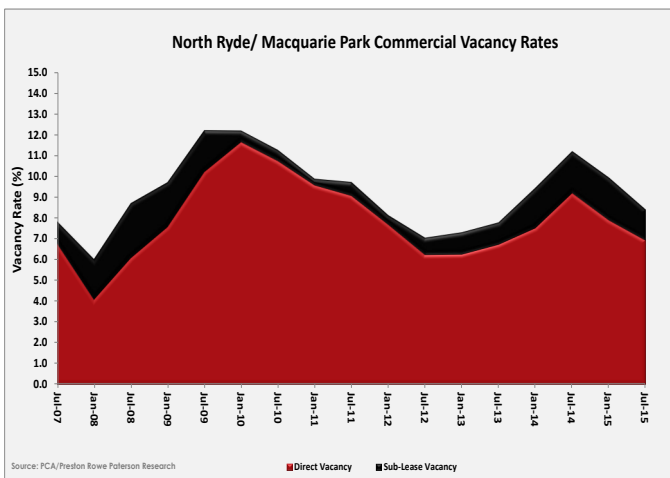


Chart 18 – North Ryde/ Macquarie Park Office Vacancy – Source PCA

## Sydney Suburban Business Hubs

### Investment Activity

The following table shows reported major sales transactions that occurred over six months to December 2015. Transaction information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Sale Price	Vendor	Purchaser	Sale Date	NLA sqm	Rate psm	Yield
567 Smollett Street, Albury NSW 2640	\$ 64,800,000	Multiplex	FG Asset Management	Oct-15	10,807	\$ 5,996.11	7.00%
223-237 Liverpool Road, Ashfield NSW 2131	\$ 35,000,000	CC Nominees	GDI Property Group	Sep-15	9,694	\$ 3,610.48	7.50%
22 Main Street, Blacktown NSW 2148	\$ 17,150,000	Government Property NSW	Blacktown City Council	Dec-15	1,174	\$ 14,608.18	n/a
36 George Street, Burwood NSW 2134	\$ 95,000,000	DEXUS Property Group	Holdmark Property Group	Sep-15	14,172	\$ 6,703.36	5.47%
16-18 Bridge Street, Epping NSW 2121	\$ 18,650,000	Peak Equities	not for profit age care provider	Oct-15	3,177	\$ 5,870.32	n/a
166 Epping Road, Lane Cove NSW 2066	\$ 27,800,000	Quintessential Equity	Epic Doncaster	Dec-15	7,129	\$ 3,899.57	9.00%
1 City View Road, Pennant Hills NSW 2120	\$ 40,000,000	CorVal	Pitt Street Real Estate Partners	Sep-15	8,484	\$ 4,714.76	8.50%
64-76 Kippax Street, Surry Hills NSW 2010	\$ 31,500,000	undisclosed	private investor	Sep-15	5,467	\$ 5,761.84	4.25%
110 Goulburn Street, Surry Hills NSW 2010	\$ 150,000,000	Kinder Investments Pty Ltd	Commerz Real AG	Oct-15	14,188	\$ 10,572.31	n/a
1-3 Smail Street, Ultimo NSW 2007	\$ 55,000,000	Anton Capital	Mirvac	Nov-15	n/a	n/a	6.30%

Table 10 — NSW Suburban Office Sales Transactions  
n/a = not currently available

### Leasing Activity

The following table shows reported major leasing transactions that occurred over six months to December 2015. Leasing information were gathered from various sources including The Australian Financial Review, The Australian and Commercial Property Monitors.

Address	Rent psm	Rent pa	Lesee	Area sqm	Term	Date
1 Figtree Drive, Homebush Bay NSW 2144	\$ 433	\$ 810,576	Energizer	1,872	n/a	Jul-15
100 Harris Street, Pyrmont NSW 2009	\$ 685	\$ 2,740,000	Domain Group	4,000	7	Jul-15
9/9-11 South Street, Rydalmere NSW 2116	\$ 150	\$ 173,100	Allworth Homes	1,154	5	Oct-15
32 Slough Avenue, Silverwater NSW 2128	\$ 125	\$ 120,625	Bentley Safes	965	3	Oct-15
482 Riley Street, Surry Hills NSW 2010	\$ 500	\$ 400,000	Ideal Space	800	6	Dec-15

Table 11 — NSW Suburban Office Leasing Transactions  
n/a—not currently available

## ECONOMIC FUNDAMENTALS

### GDP

GDP figures for the December quarter 2015 are not available until the 2nd March 2016, however, over the September 2015 quarter revealed that the Australian economy recorded growth of 0.9% seasonally adjusted which reflected growth of 2.5% seasonally adjusted over the twelve months to September 2015.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Financial and insurance services (+0.5%), Healthcare (+0.3%) and Mining (+0.3%). In trend terms, the largest detractor was Manufacturing (-0.1%).

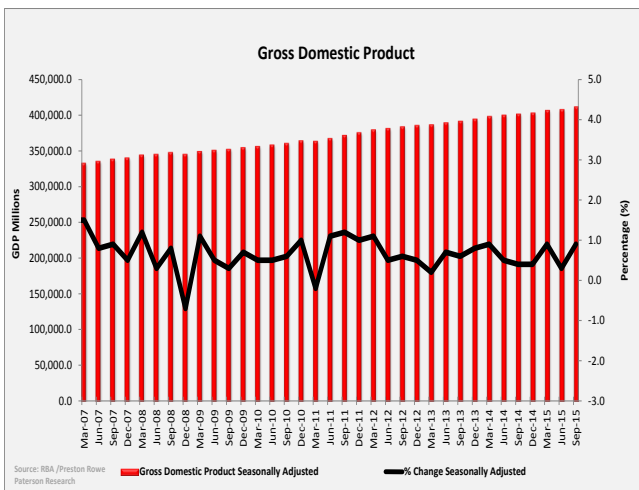


Chart 19 – Gross Domestic Product (GDP) – Source ABS

### Interest Rates

As at the date of publishing, the official Cash Rate over the December quarter 2015 has remain steady at 2%. The Reserve Bank of Australia's Media Release for December 2015, released 1st December 2015 explained that;

*"The global economy is expanding in a moderate pace, with some further softening in conditions in Asia region, continuing growth in US and a recovery in Europe. Key commodity prices are much lower than a year ago, reflecting increased supply, including Australia, as well as weaker demand. Australia's terms of trade are falling...In Australia the available information suggests moderate expansion in the economy continues in the face of a large decline in capital spending in the mining sector. While GDP growth has been somewhat below long-term averages for some time, business surveys suggests a gradual improvement in conditions in non-mining sectors over the part year. This has been accompanied by stronger growth in employment and a steady rate of unemployment... Inflation is forecast to be consistent with the target over the next one or two years."*

The media release also stated that inflation is as expected to be consistent.

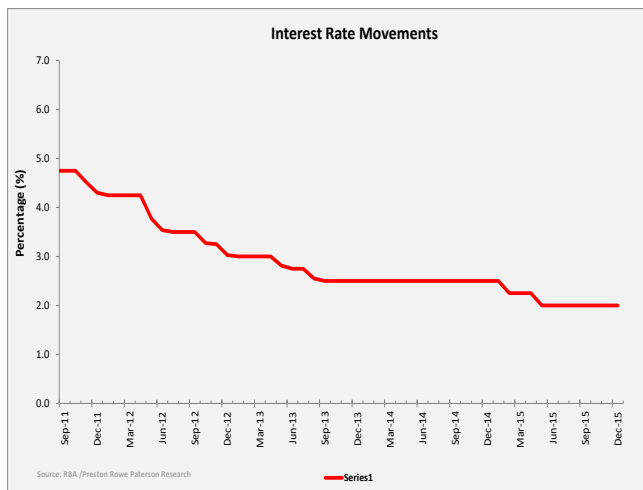


Chart 20 – Cash Rate – Source RBA

### CPI

According to the Australian Bureau of Statistics (December 2015), the Australia's All Groups CPI increased by 0.4% over the December quarter from 108 to 108.4. The annual CPI change to December 2015 recorded a growth of 1.7%.

The most significant price rises over the December quarter were Tobacco (+7.4), Domestic holiday travel and accommodation (+5.9%) and International holiday travel and accommodation (+2.4%). The greatest price fall over the quarter was attributed to are Automotive fuel (-5.7%), Telecommunication equipment and services (-2.4%) and Fruit (-2.6%).

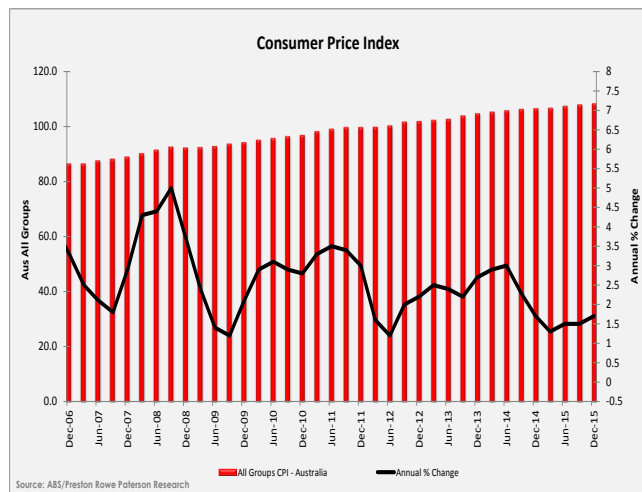


Chart 21 – Consumer Price Index – Source ABS



### 10 Year Bond & 90 Day Bill Rate

Analysis of the daily 10 Year Government Bonds has revealed no changes to the rate over the month of December at 2.85%. The 90 day bill rates had increased by 12 basis points to the month end of 2.34%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of 17 basis points.

Over the December 2015 quarter, the 10 Year Government Bonds recorded an increase of 16 basis points from 2.7%. The 90 Day Bill Rate recorded a 17 basis points growth over the quarter from 2.34%.

In the twelve months to December 2015, the monthly 10 Year Bond Rate has decreased by 11 basis points from 2.96%. Similarly, the monthly 90 Day Bill Rate fell by 41 basis points from 2.75%.

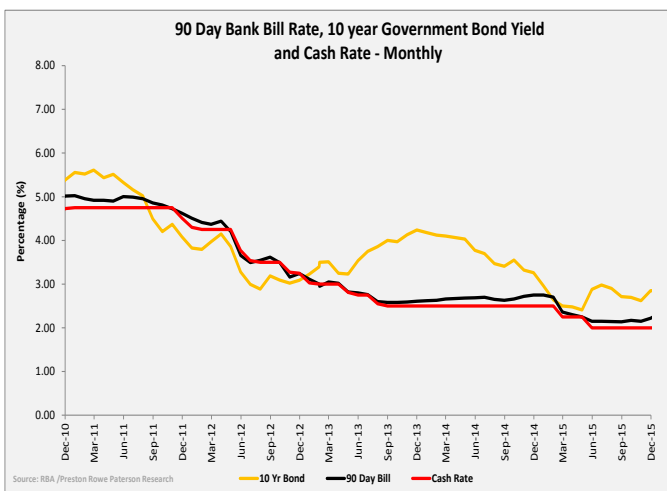


Chart 22 –90 Day Bill, 10 year bond and cash rate - MONTHLY – Source RBA

### Labour force

Over the month to December 2015, the number of unemployed people has declined by 10,900 from 738,400 in November to 727,500 in December, reflecting a –0.1% decrease. In comparison to December 2014, the number of unemployed people had decreased by 27,300 reflecting an annual decline of –3.6%. The unemployment rate was 5.8% as at December 2015.

The number of unemployed seeking full time employment recorded a decrease in December by 2,600 to 515,000 persons. The number of unemployed seeking part time employment also decreased over the month by 8,400 to 212,500 persons.

New South Wales experienced a large absolute decrease in seasonally adjusted employment by –5,330 persons to 3.801 million persons over the month of December. The unemployment status in New South Wales over the quarter decrease by 0.6% to 5.2%.

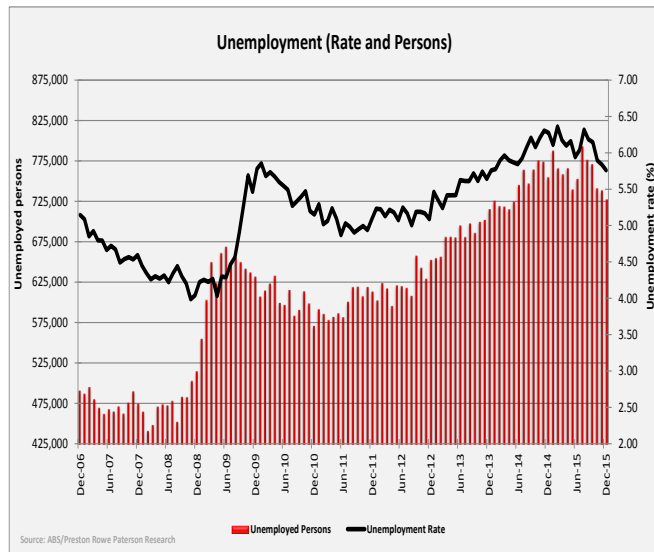


Chart 24- Unemployment—Source—ABS

### Consumer Sentiment

The Westpac Melbourne Institute of Consumer Sentiment Index fell by 0.8% from 101.7 index points in November to 100.8 index points in December. Over the December quarter the index has increased by 6.9 points and recorded a 10.65% annual growth.

Westpac's Economist, Bill Evans commented; "The Index has held on to most of the gains from (November's) 4% lift and is 10.7% above its levels this time last year...The most important (sentiment) change was around 'budget and taxation' with the proportion of respondents assessed as considerably less favourable. Presumably speculation around tax changes, particularly with respect to the GST...Confidence around the housing market continues to deteriorate...housing-related sentiment continues to show sharper falls and considerably weaker reads in NSW and VIC."

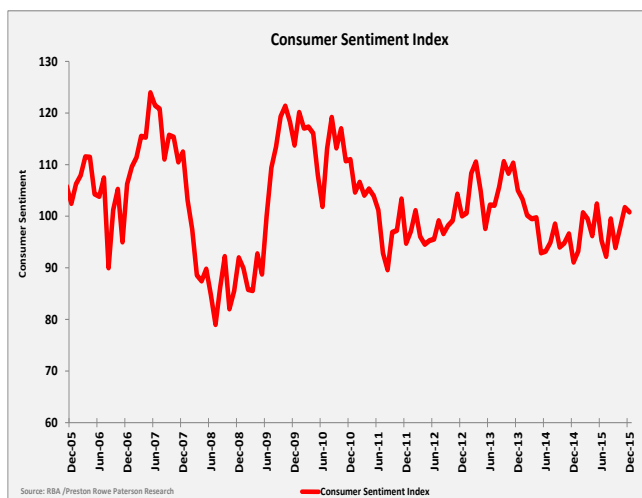


Chart 25 – Consumer Sentiment Index – Source – Westpac—Melbourne Institute Survey



## Our Research

At Preston Rowe Paterson, we pride ourselves on the research which we prepare in the market sectors within which we operate. These include Commercial, Retail, Industrial, Hotel & Leisure and Residential property markets as well as infrastructure, capital and plant and machinery markets

## We have property covered

- Investment
- Development
- Asset
- Corporate Real Estate
- Mortgage
- Government
- Insurance
- Occupancy
- Sustainability
- Research
- Real Estate Investment Valuation
- Real Estate Development Valuation
- Property Consultancy and Advisory
- Transaction Advisory
- Property and Asset Management
- Listed Fund, Property Trust, Super Fund and Syndicate Advisors
- Plant & Machinery Valuation
- General and Insurance Valuation
- Economic and Property Market Research

## We have all real estate types covered

We regularly provide valuation, property and asset management, consultancy and leasing services for all types of Real Estate including:

- CBD and Metropolitan commercial office buildings
- Retail shopping centres and shops
- Industrial, office/warehouses and factories
- Business parks
- Hotels (accommodation) and resorts
- Hotels (pubs), motels and caravan parks
- Residential development projects
- Residential dwellings (individual houses and apartments/units)
- Rural properties
- Special purpose properties such as: nursing homes; private hospitals, service stations, oil terminals and refineries, theatre complexes; etc.
- Infrastructure

## We have all types of plant & machinery covered

We regularly undertake valuations of all forms of plant, machinery, furniture, fittings and equipment including:

- Mining & earth moving equipment/road plant
- Office fit outs, equipment & furniture
- Agricultural machinery & equipment
- Heavy, light commercial & passenger vehicles
- Industrial manufacturing equipment
- Wineries and processing plants
- Special purpose plant, machinery & equipment
- Extractive industries, land fills and resource based enterprises
- Hotel furniture, fittings & equipment

## We have all client profiles covered

Preston Rowe Paterson acts for an array of clients with all types of real estate, plant, machinery and equipment interests such as:

- Accountants
- Banks, finance companies and lending institutions
- Commercial and Residential non bank lenders
- Co-operatives
- Developers
- Finance and mortgage brokers
- Hotel owners and operators
- Institutional investors
- Insurance brokers and companies
- Investment advisors
- Lessors and lessees
- Listed and private companies corporations
- Listed Property Trusts
- Local, State and Federal Government Departments and Agencies
- Mining companies
- Mortgage trusts
- Overseas clients
- Private investors
- Property Syndication Managers
- Rural landholders
- Self managed super funds
- Solicitors and barristers
- Sovereign wealth funds
- Stock brokers
- Trustee and Custodial companies



## **We have all *locations* covered**

From our central office location within the Sydney Central Business District we serve our clients' needs throughout the Sydney CBD, greater Sydney metropolitan area, throughout the state of New South Wales. For special purpose real estate asset classes, infrastructure, and plant & machinery we operate throughout Australia and globally either directly or through our relationship offices.

## **We have *your needs* covered**

Our clients seek our property (real estate, infrastructure, plant and machinery) services for a multitude of reasons including:

- Acquisitions & Disposals
- Alternative use & highest and best use analysis
- Asset Management
- Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
- Compulsory acquisition and resumption
- Corporate merger & acquisition real estate due diligence
- Due Diligence management for acquisitions and sales
- Facilities management
- Feasibility studies
- Funds management advice & portfolio analysis
- Income and outgoings projections and analysis
- Insurance valuations (replacement & reinstatement costs)
- Leasing vacant space within managed properties
- Listed property trust & investment fund valuations & revaluations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
- Property syndicate valuations and re-valuations
- Rating and taxing objections
- Receivership, Insolvency and liquidation valuations and support/advice
- Relocation advice, strategies and consultancy
- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning

## **About This Report**

Preston Rowe Paterson prepare standard research reports covering the main markets within which we operate in each of our capital cities and major regional locations.

Within this report we analysed the sales, leases and developments over the past six months to the reported quarter in the various Sydney Office markets of; Sydney, North Sydney, Crows Nest/ St Leonards, Parramatta, Chatswood, North Ryde/ Macquarie Park & other NSW suburban business hubs.

To compile the research report we have considered the most recently available statistics from known sources. Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them. Where possible we consider short term movement in the statistics by looking at daily published data in the financial press. Where this shows notable fluctuation, when compared to the formal published numbers we have commented accordingly.



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Bendigo

Central Coast/Gosford

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Hamilton & Morrinsville

Tauranga

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