



VIC OFFICE MARKET REPORT LUNCH

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Office market report launch

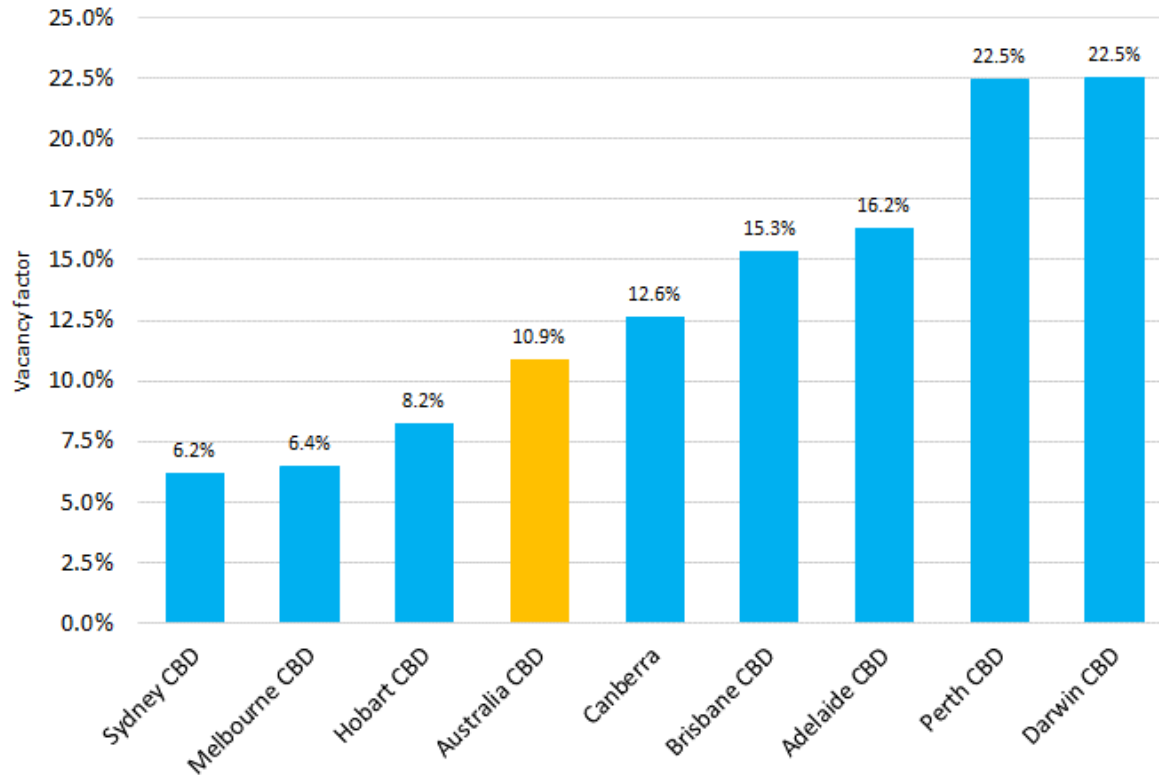
Melbourne

2 February 2017



CBD vacancy, January 2017

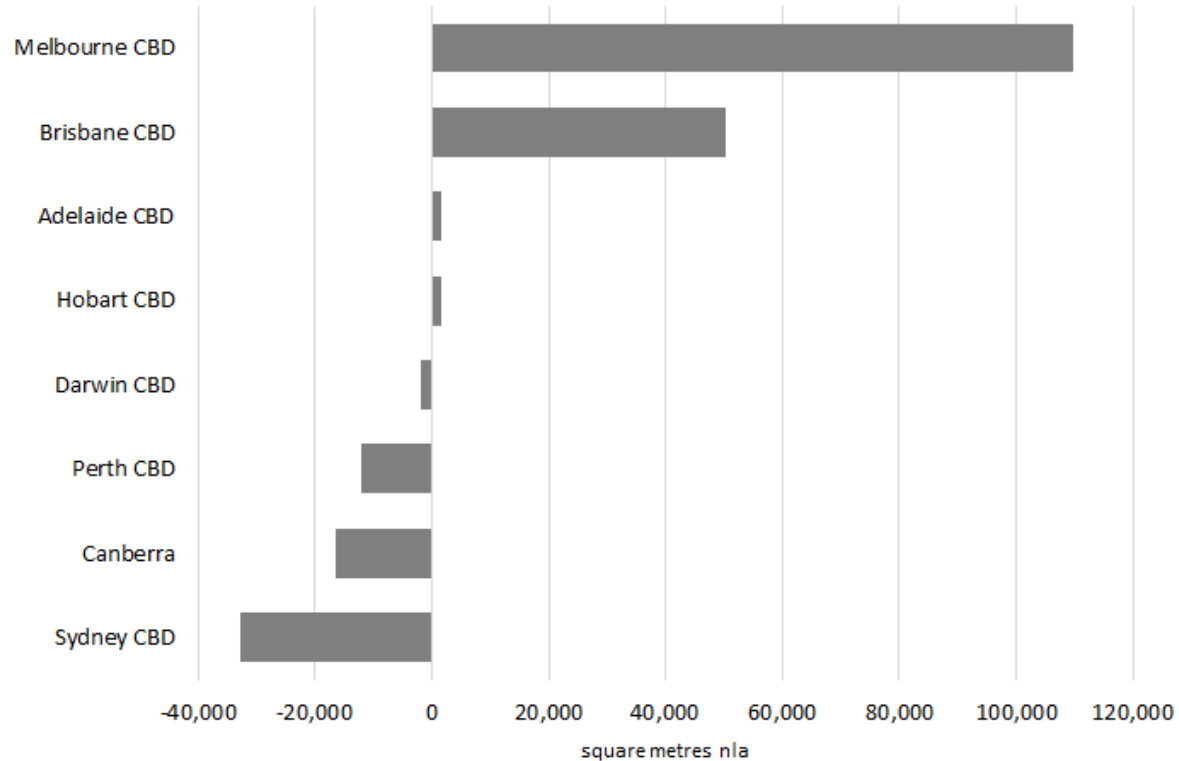
The diverging national economic performance is clearly illustrated in CBD office vacancy



Source: Property Council of Australia Jan 2017

CBD net absorption, 6 months to January 2017

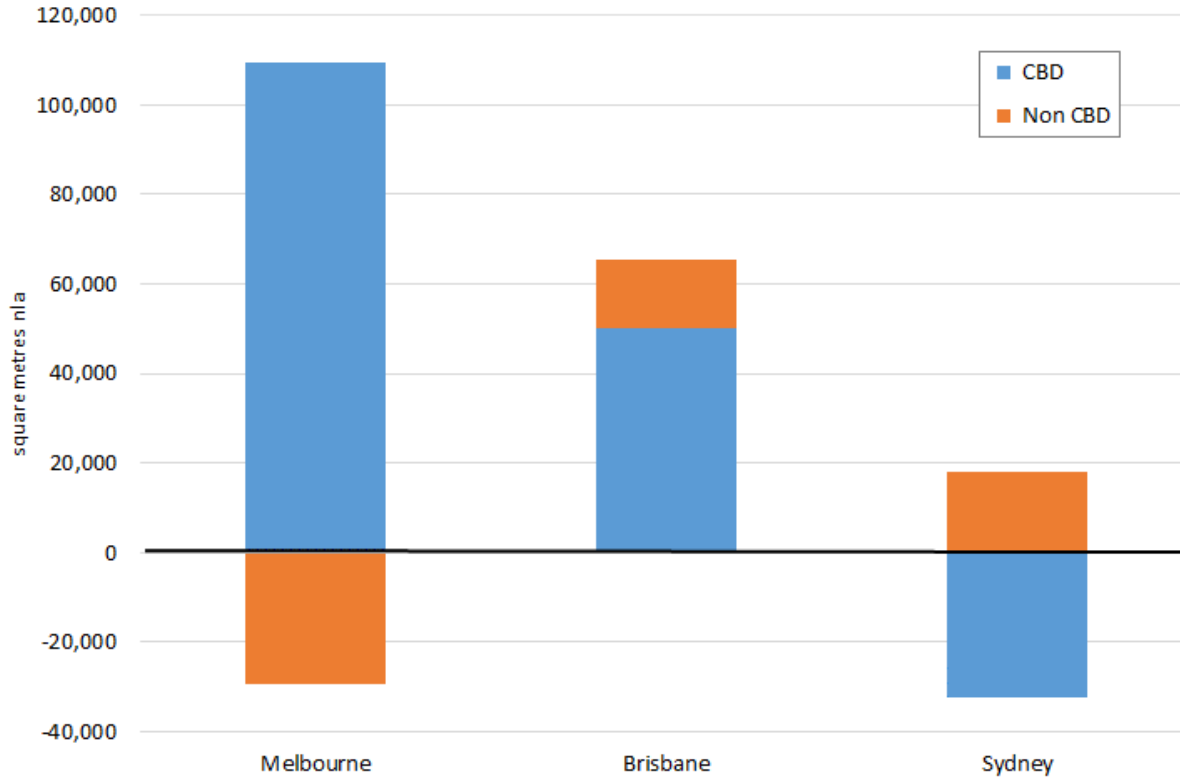
The increase in occupied office space in the Melbourne CBD over the last 6 months drove the national CBD result



Source: Property Council of Australia Jan 2017

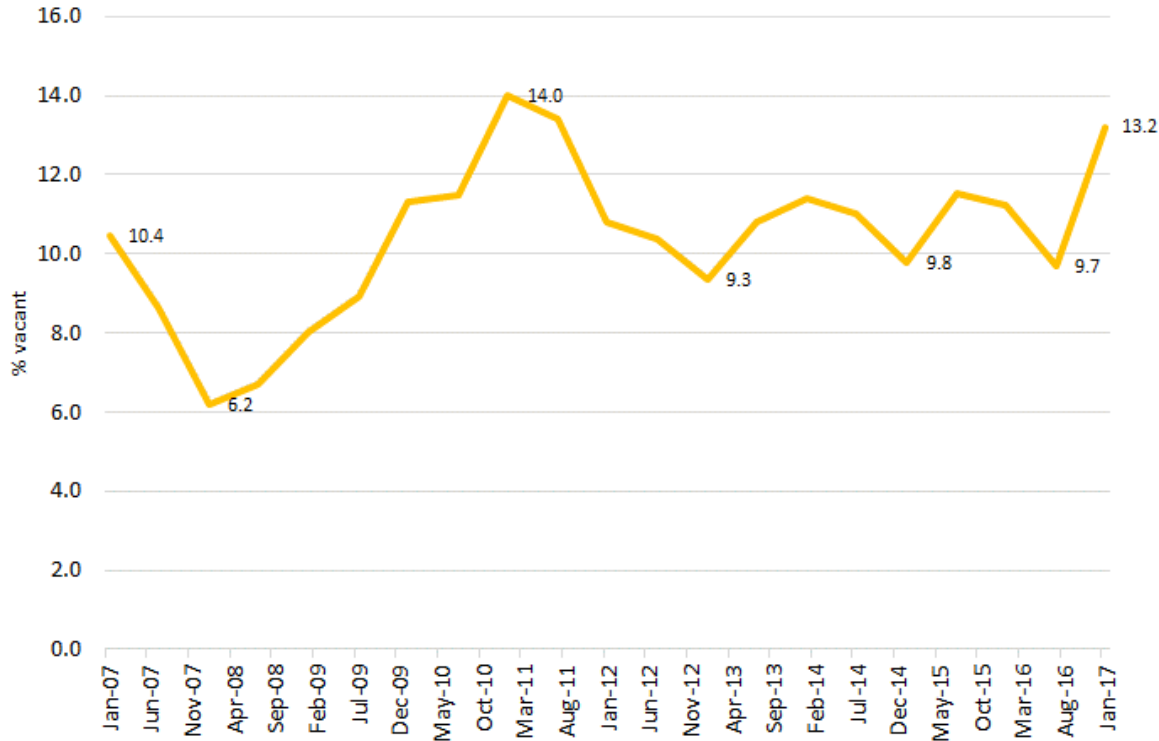
CBD & Non CBD net absorption, 6 months to January 2017

Melbourne is the only major city where occupied Non CBD office space is still contracting



Source: Property Council of Australia Jan 2017

St Kilda Road results, Jan 2017

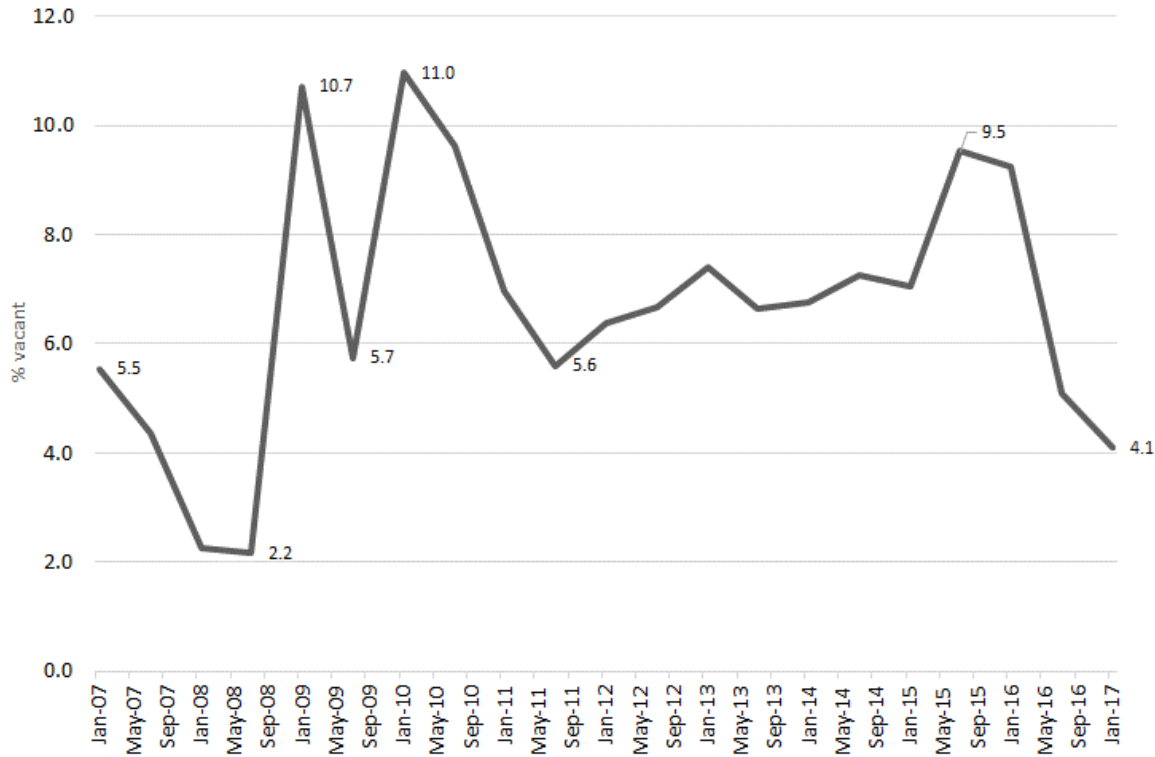


A 26,200 sq m contraction in occupied office space caused a spike in total vacancy to 13.2%.

Only 2,200 sq m of space withdrawn from the market hasn't been enough to counter the impact of tenant relocations.

Source: Property Council of Australia Jan 2017

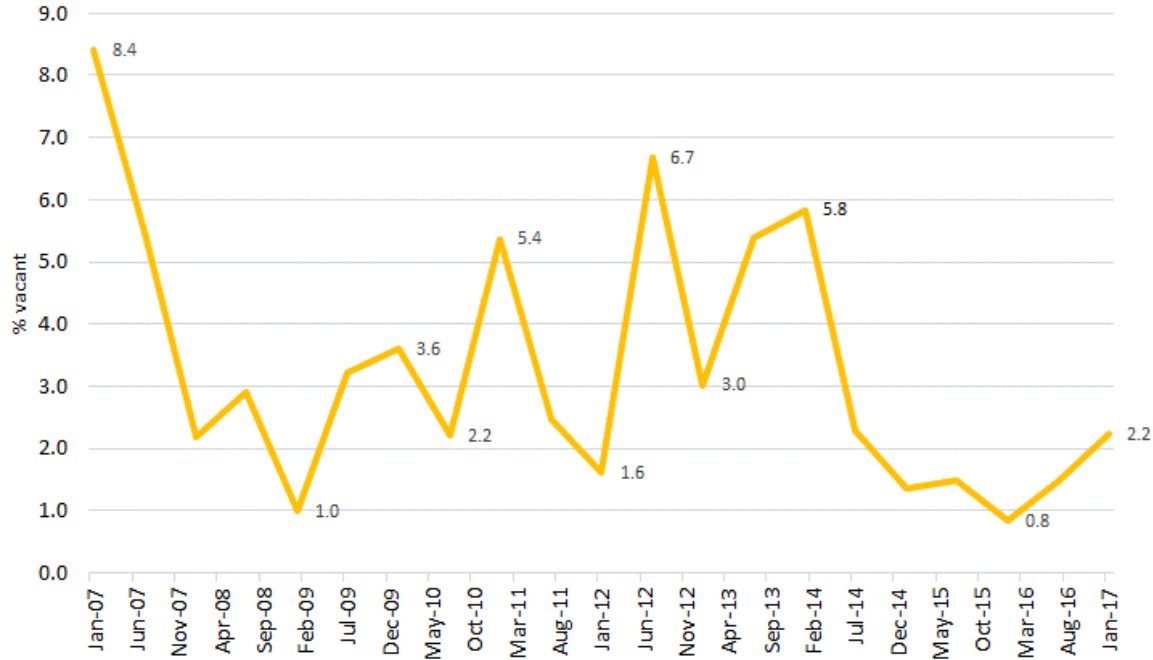
Southbank results, Jan 2017



Southbank vacancy has reached a post-GFC low of 4.1%.

High levels of pre-commitment to new stock, matched by withdrawal of secondary stock has accelerated the drop in total vacancy.

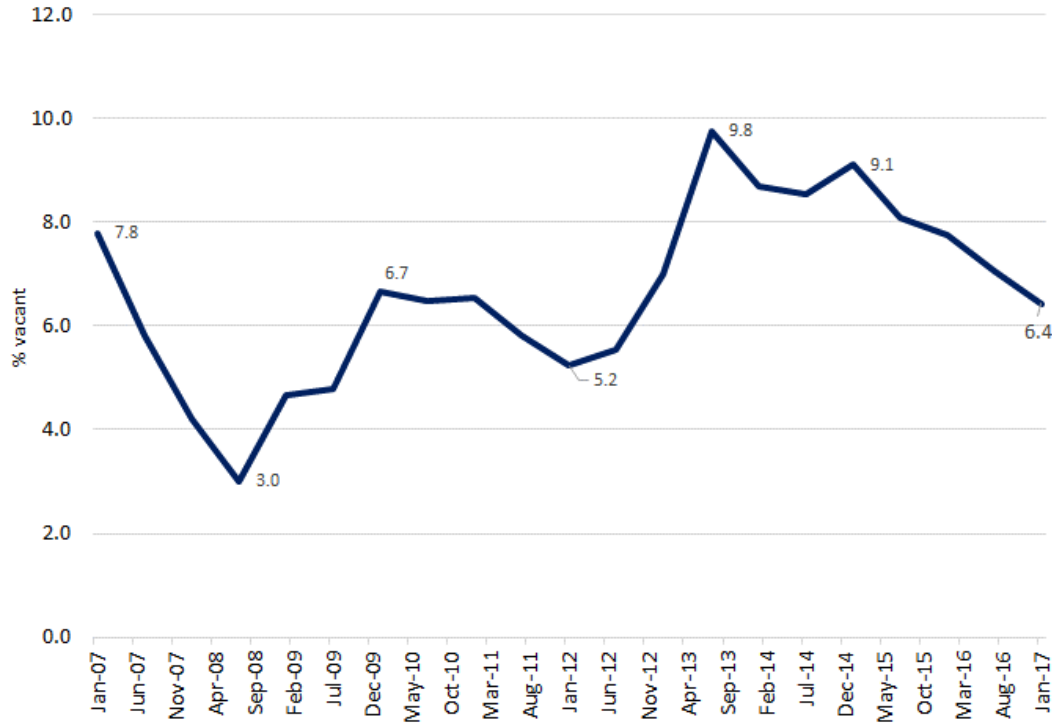
East Melbourne results, Jan 2017



Like St Kilda Road, the withdrawal of 3,500 sq m of office space was not enough to cover the decrease in occupied stock, as tenants relocated during the survey period.

Despite this, East Melbourne has the lowest vacancy rate of the 25 markets monitored nationally in the OMR.

Melbourne CBD total vacancy results, Jan 2017

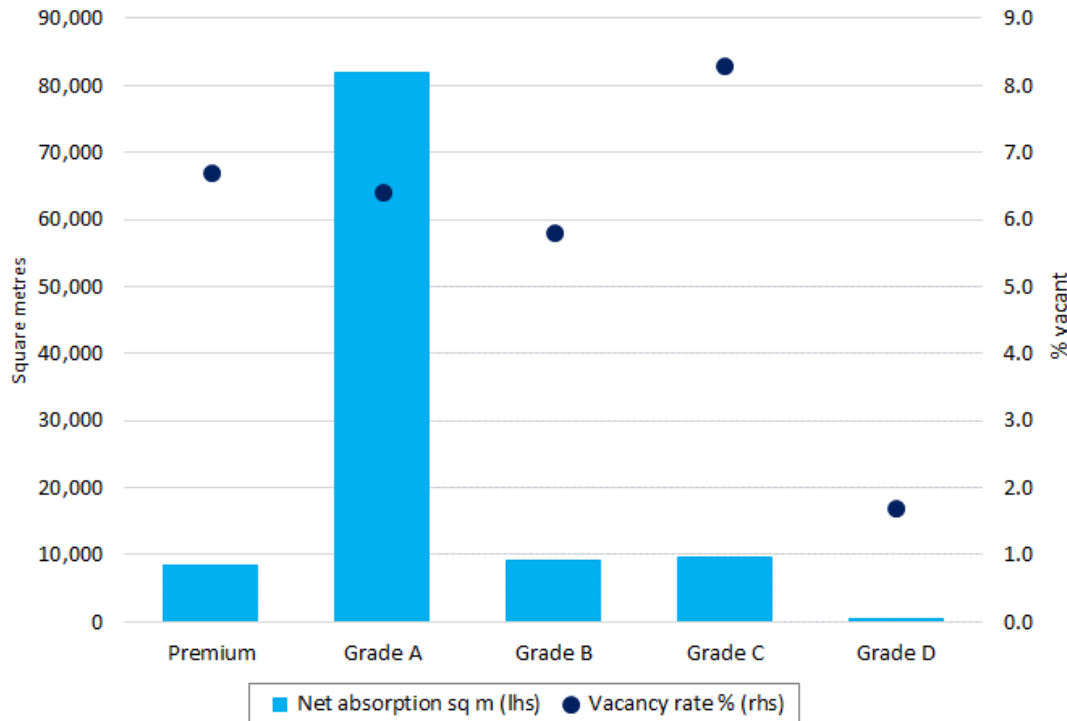


The increase in occupied stock over the period was about 21,000 square metres above the net office supply.

The 6 monthly net absorption result represents a cyclical high; the largest since the first half of 2006.

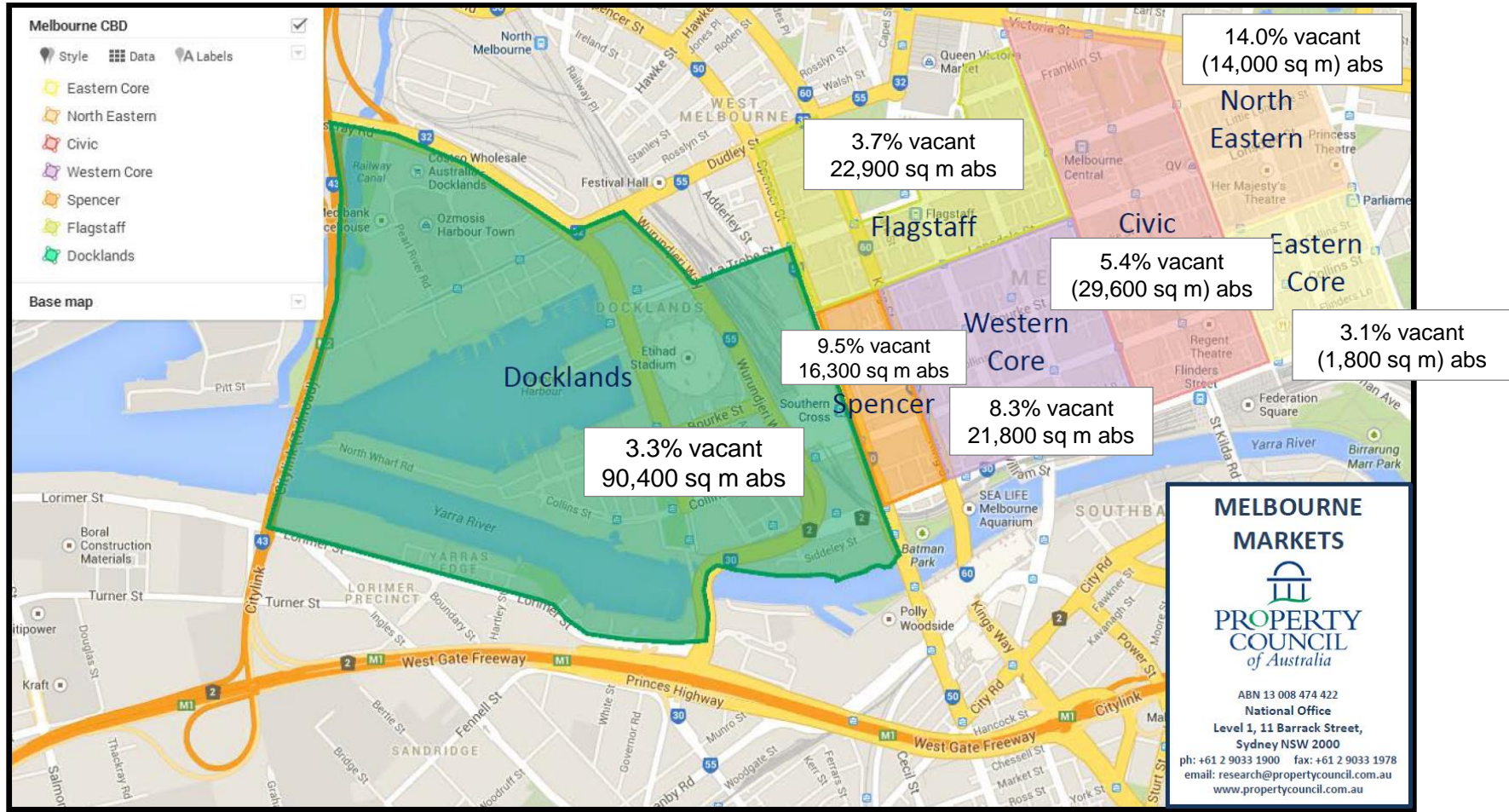
So how low can vacancy go?

Melbourne CBD results by quality grade, Jan 2017



Positive net absorption was recorded across all quality grades in the survey period, with a clear “flight to quality”.

Melbourne CBD results by precinct, Jan 2017



**MELBOURNE
MARKETS**



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In summary...

- ◆ Consistent with the economy, national office market performance continues to diverge
- ◆ Melbourne's performance the strongest in this cycle; a reflection of nation-leading labour force growth
- ◆ The CBD dominating growth in occupied stock in a metropolitan context
- ◆ High levels of pre-commitment and leasing during construction continues Docklands growth and keeps total CBD vacancy falling
- ◆ A short lull in construction completions may help push the market further in 2017