

Current State of the Commercial Property Market



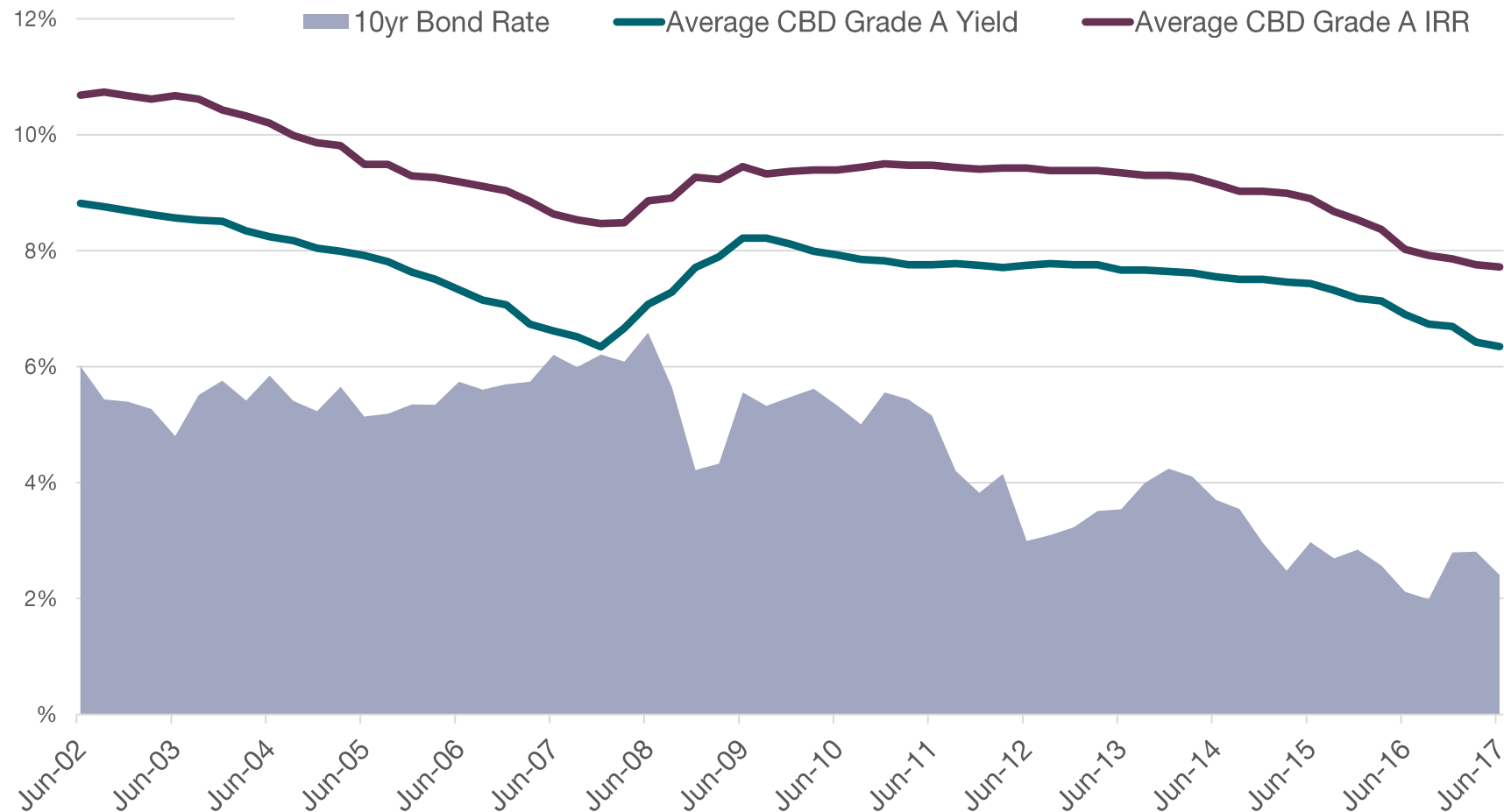
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August 2017

Current State of the Market

- Newspapers/Media
- The Property Clock
- Cap rates sub 5% in the CBD
- Competitive Buyer Profile - Domestic + Offshore
- 'Rental Reversion' - the Upside Story
- Booming Residential Market
- Flow on Effect to Suburban Markets

Grade A - Yield and IRR Spread to Bond



20 Bridge Street, SYDNEY

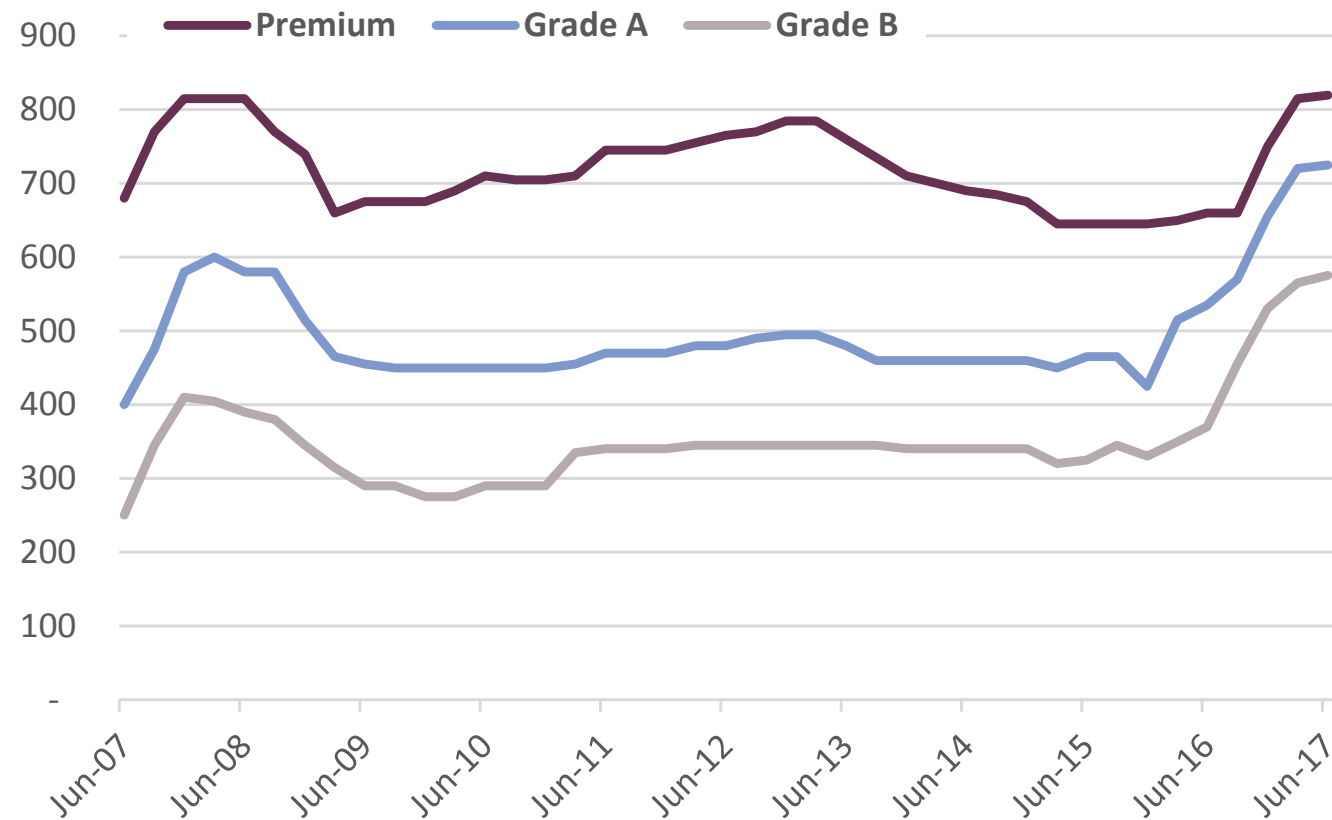


Vendor	Investa (on behalf of KWAP)
Purchaser	Offshore UHNW
Direction of Capital	Hong Kong > Australia
Interest	100%
Sale Price	\$335m
Sale Date	April 2017
Site Area	1,849sq m
Net Lettable Area	20,347sq m
WALE	7.42 years
Passing Yield	4.35%
Value \$ per sq m	\$16,460
Occupancy	97%
Car Parking	34 bays

Sydney Net Effective Rent Growth (Average \$/sqm)

Leasing reversion

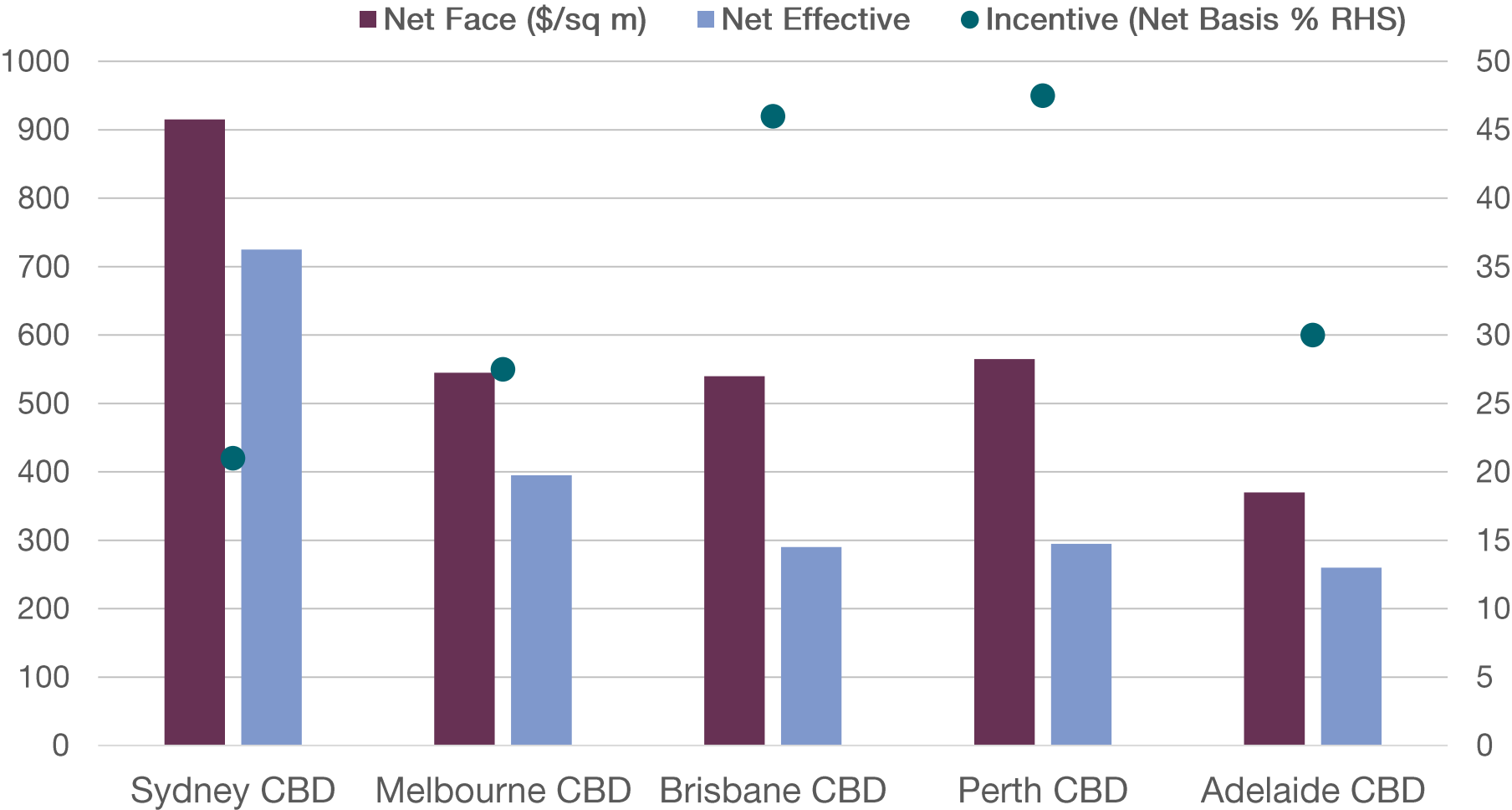
- Stronger Gross Face Rents
- Lower Incentives
- Stronger Net Effective Rents



Net Face and Effective Rents by CBD

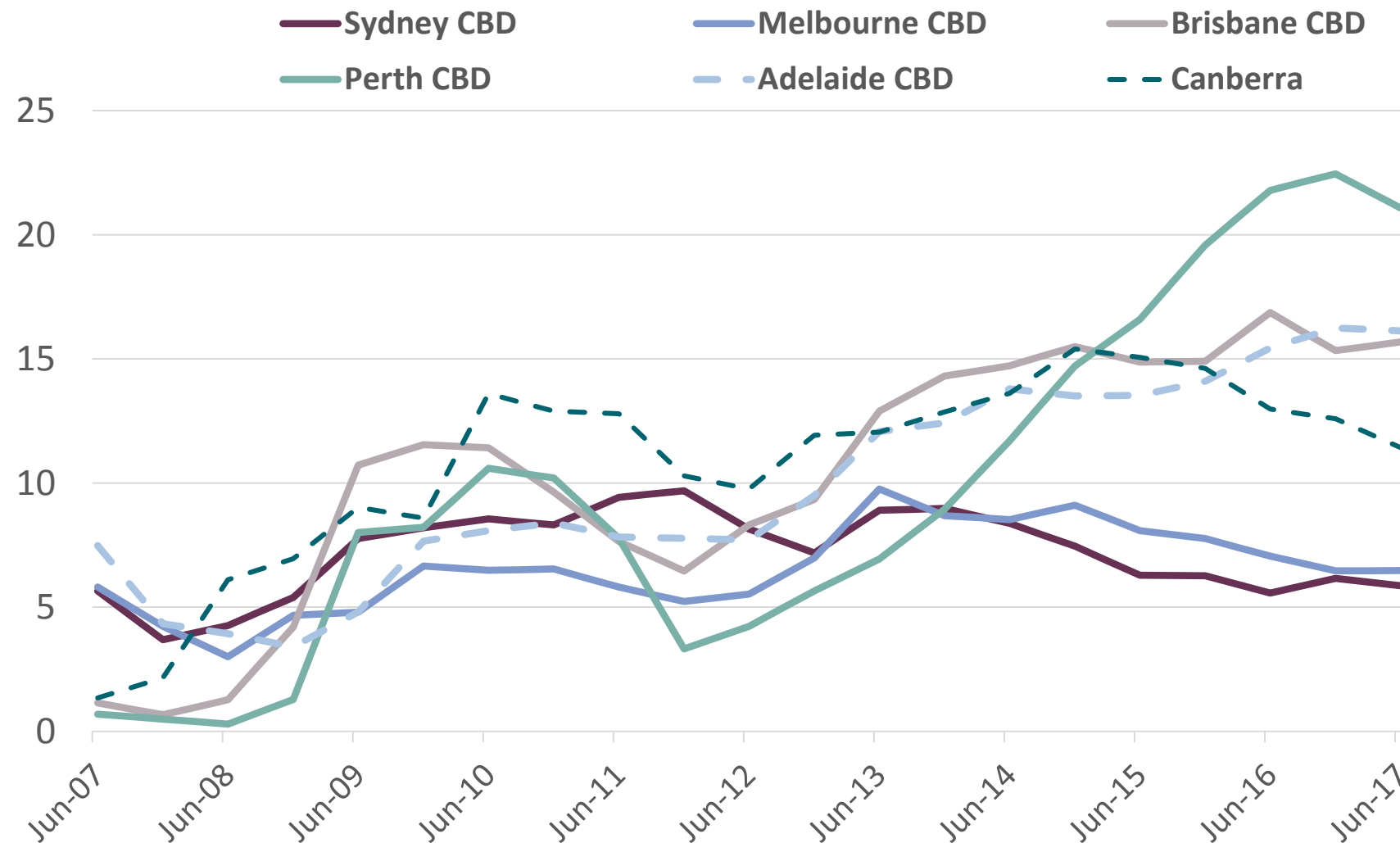
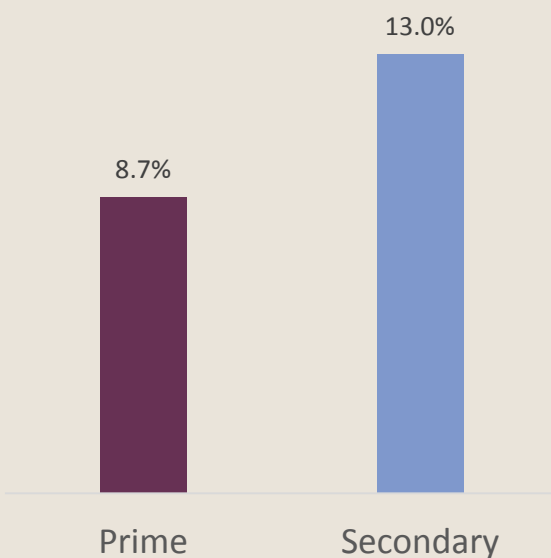


	NE Rent
Sydney CBD	725 (35.5%)
Melbourne CBD	395 (3.9%)
Brisbane CBD	290 (11.5%)
Perth CBD	295 (-)
Adelaide CBD	260 (-8.8%)
Canberra Civic	280 (1.8%)

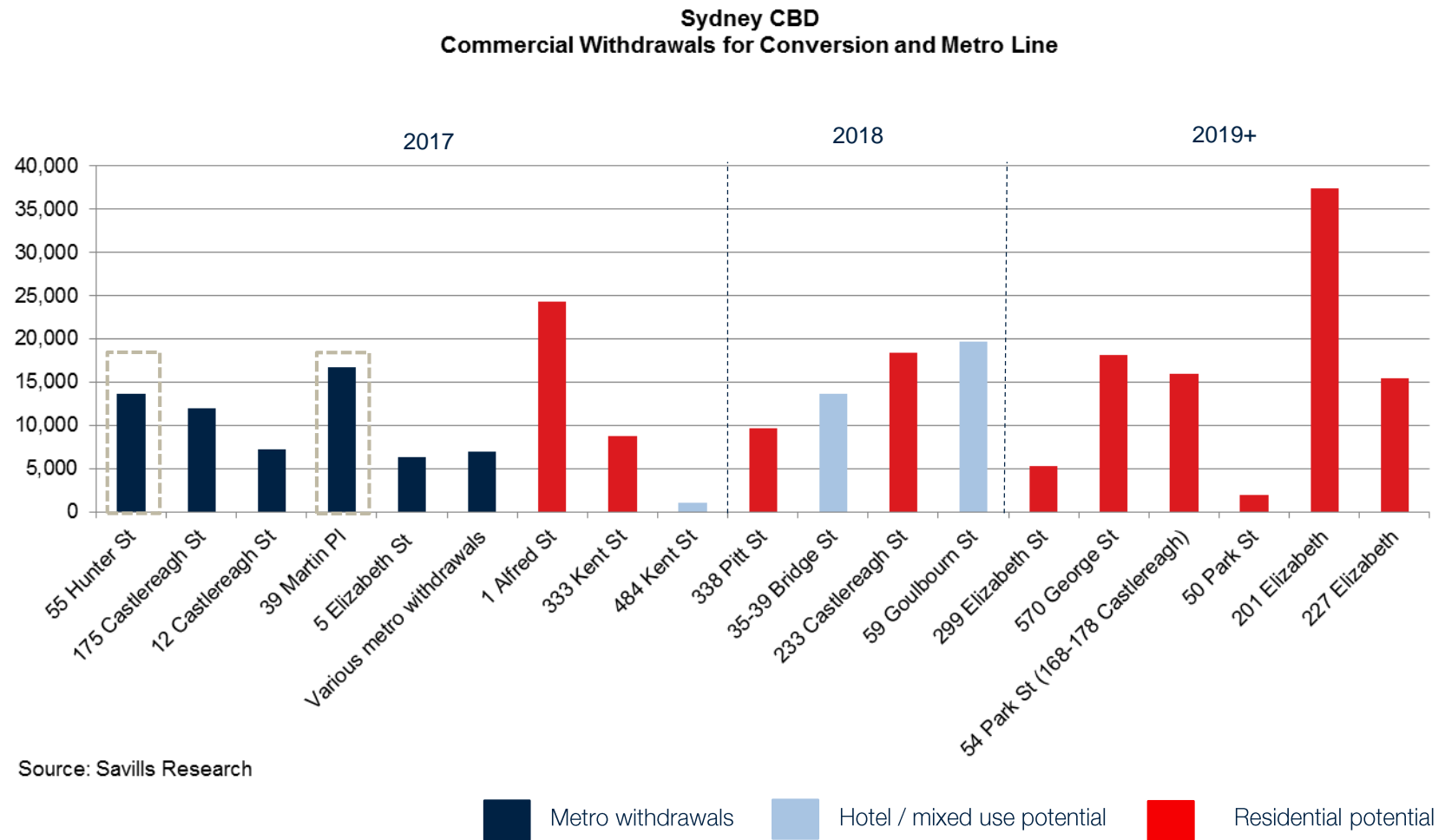


Vacancy Rates by CBD

Vacancy rates are materially lower across Sydney and Melbourne, especially in secondary stock outside of Sydney.

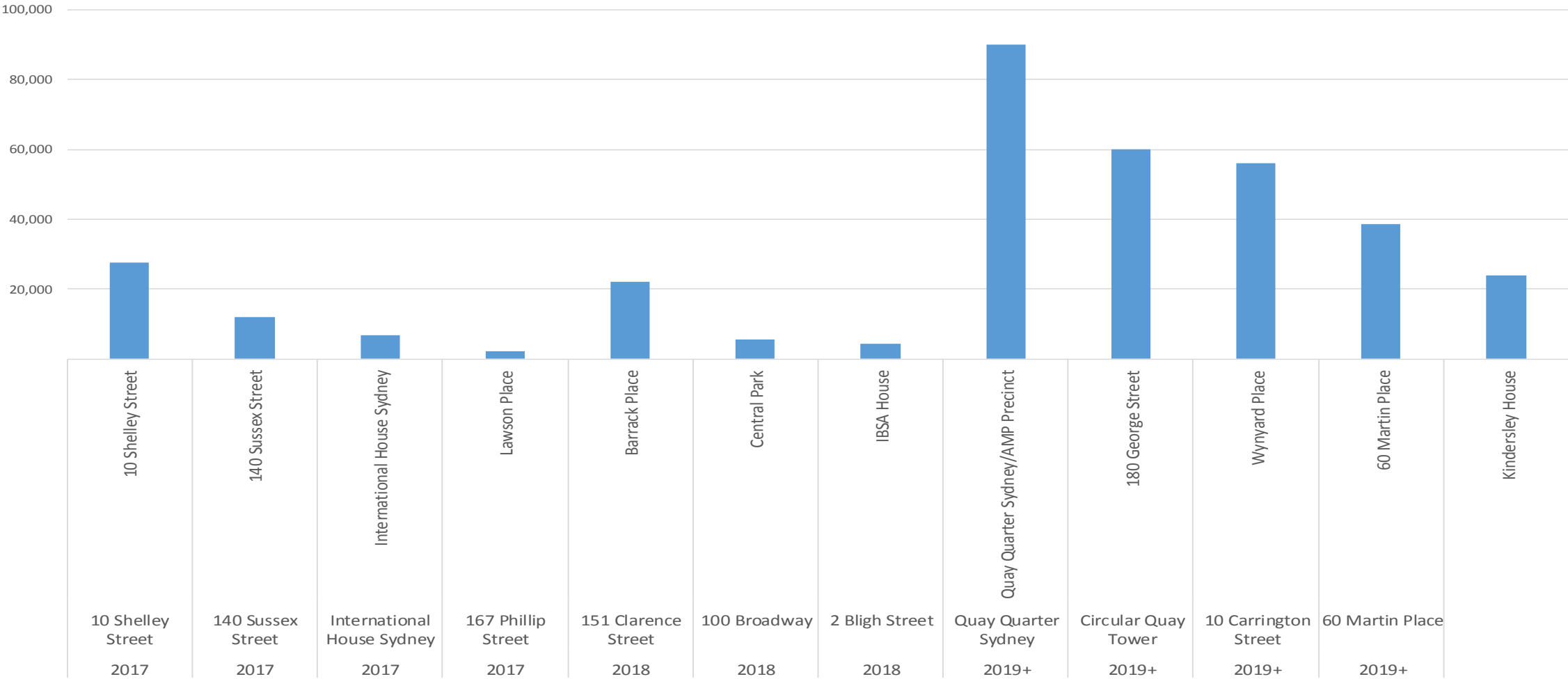


Sydney CBD Withdrawals



A Grade – 60,600 sq m
Secondary – 191,800 sq m

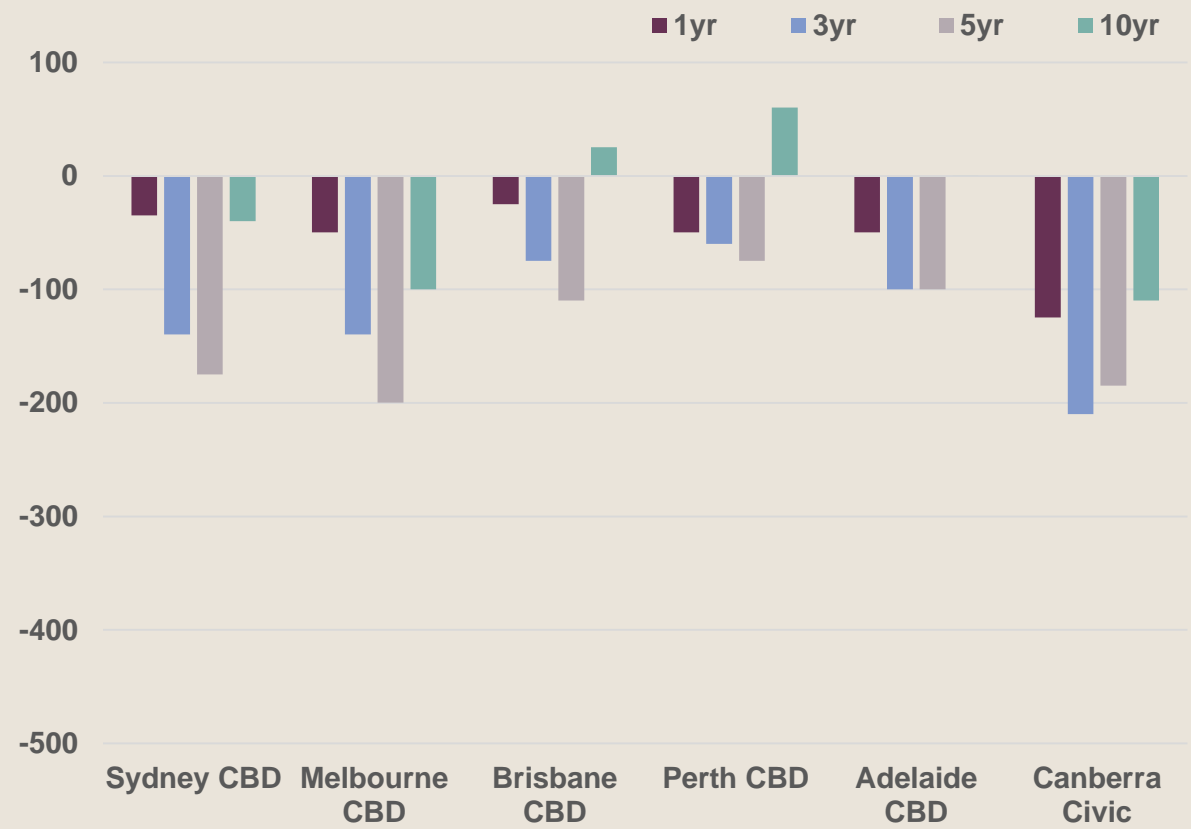
Sydney CBD Future Gross Supply



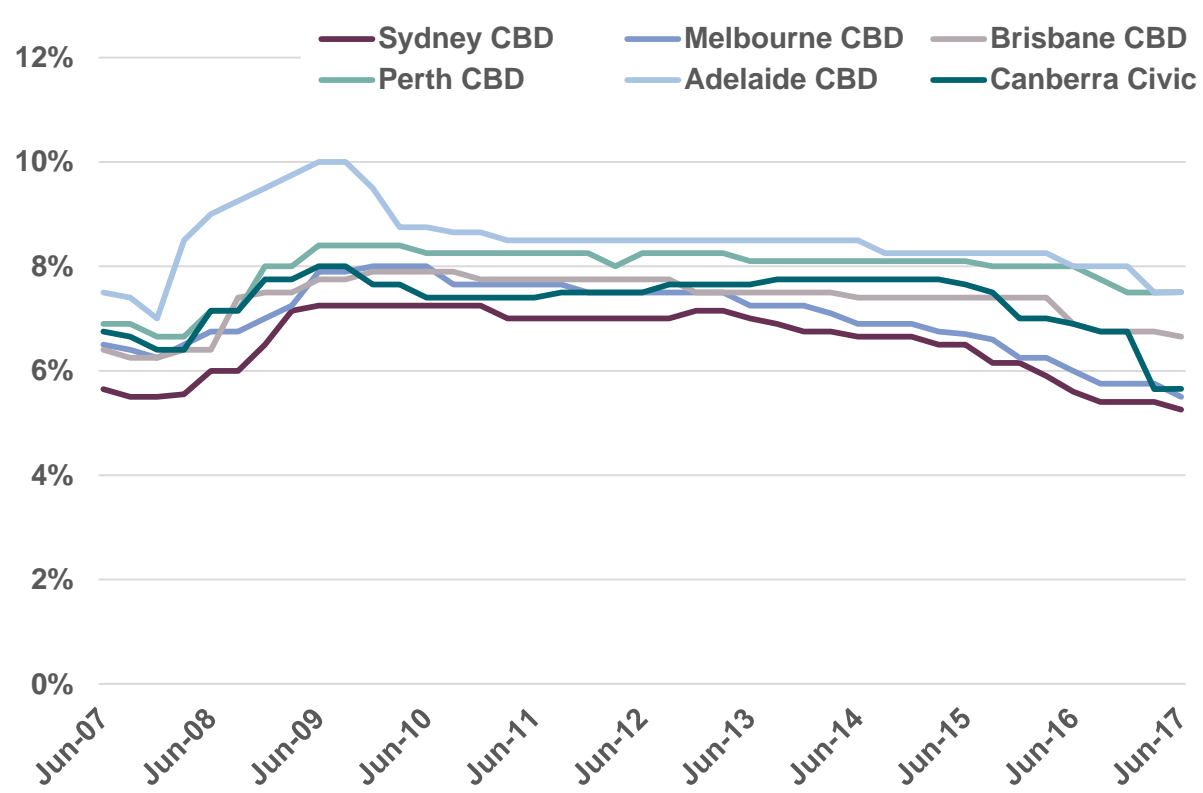
A Grade Market Yield (Average)



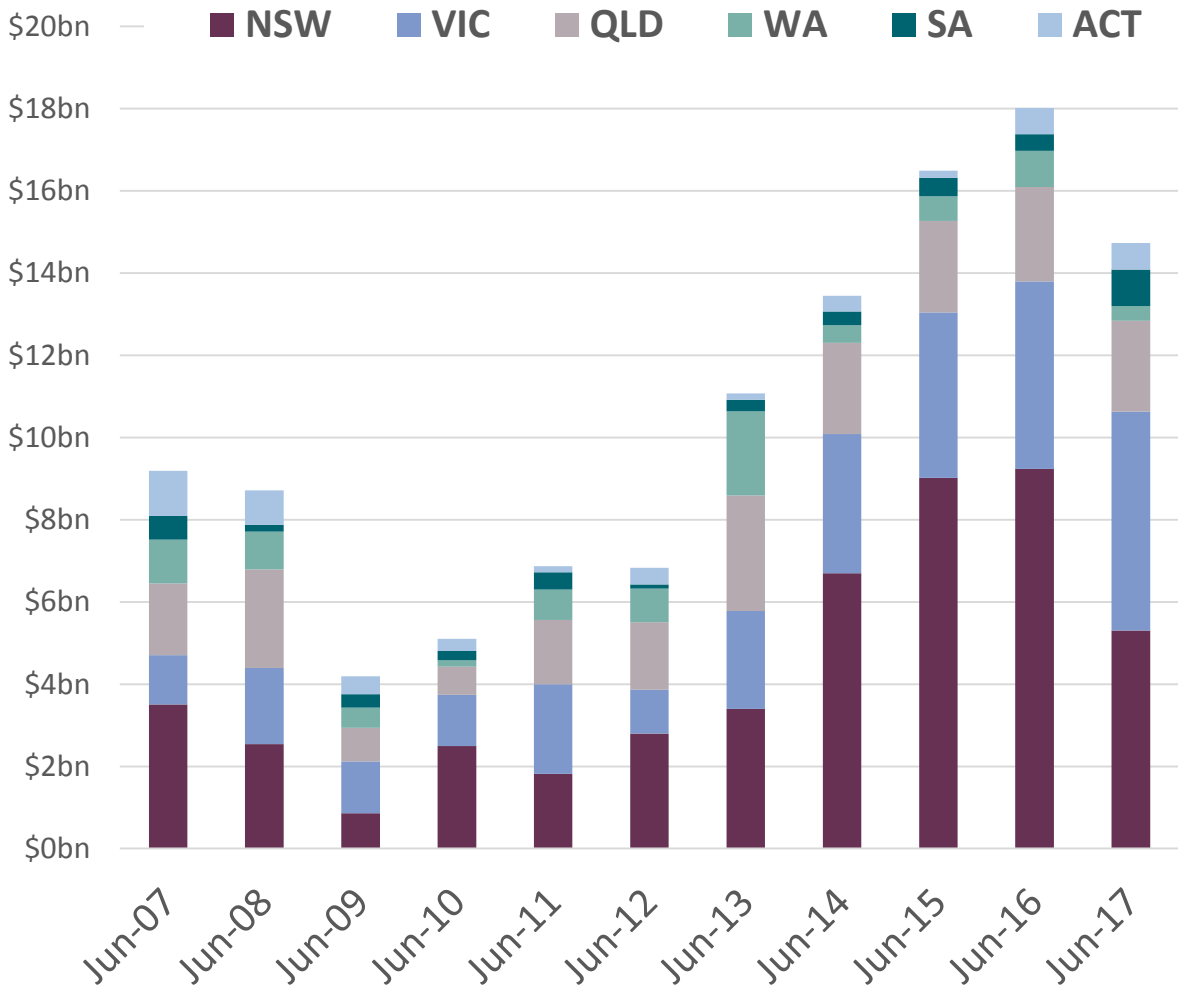
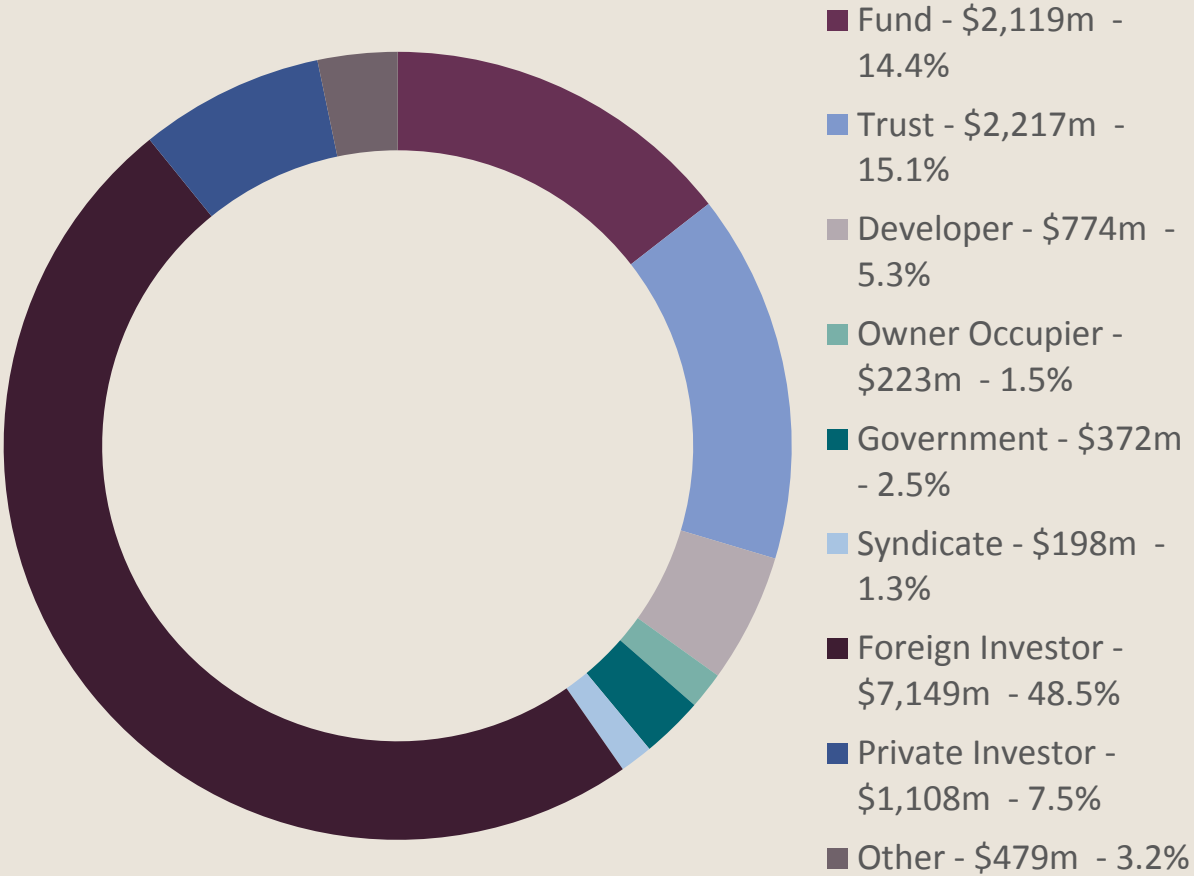
Change in A Grade Market Yield (bps)



A Grade Market Yield (Average)



Major Sales Activity by State & Purchaser



Sydney's Future

- Within half a sqm KM there is \$5.7B of development forecast
- 350+ Residential Units
- 430 Hotel Rooms
- 200,000 sqm of Commercial Office



2016 PFA Savills Outlook

- Demand to remain high – further yield compression ✓
- Stock tighten ✗
- Continue to see foreign investment
 - Partnerships ✓
 - Unlisted/wholesale funds ✓
- Groups will continue to re-weight their portfolio's ✓

2017 PFA Savills Outlook

- The Property Clock – we could be in daylight savings
- Similar levels of stock maybe slightly less
- Sydney CBD core to remain strong potentially tighten to low 4%
- Foreign investment to remain strong and make up at least 40% of transaction volume

Thank You

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