



SEPTEMBER 2012
PERTH CBD
OFFICE

Market Overview
Knight Frank

HIGHLIGHTS

- The highest level of gross supply additions in 20 years were recorded in the twelve months to July 2012, with 170,444m² added to the Perth CBD market.
- Net absorption totalled 115,503m² in the six-months to July 2012, the highest level ever recorded by the Property Council of Australia (PCA) for the Perth CBD. This net absorption equalled that of Sydney, Melbourne and Brisbane combined for the same period.
- The PCA total vacancy rate increased to 4.2% for July 2012, up from 3.3% in January 2012.
- Knight Frank has calculated a vacancy of 4.4% based on the space actually available for lease as at June 2012, which includes space currently being refurbished. It is projected that this will decrease to 3.5% by the close of 2013.
- Five transactions for a consideration of \$276.8 million have taken place in the first half of this year. Prime core market yields now range from 7.25% to 8.75%.

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Grade	Total Stock (m ²) ^	Vacancy Rate (%) ^	Annual Net Absorption (m ²) ^	Annual Net Additions (m ²) ^	Average Net Face Rent (\$/m ²)	Average Incentive (%)	Average Core Market Yield (%)
Prime	923,103	3.1	130,661	119,290	740 – 860	5.0	7.25 – 8.75
Secondary	654,306	5.9	31,810	-3,655	590 – 640	5.0	8.50 – 9.50
Total	1,577,409	4.2	162,471	115,635			

Source: Knight Frank/PCA ^ as at July 2012

SUPPLY & DEVELOPMENT ACTIVITY

Gross supply additions in the Perth CBD for the twelve-month period to July 2012 totalled 170,444m², the highest level added since 1992 (190,257m²).

The Perth CBD saw two major additions to its skyline in the first half of 2012, with the completions of 43,000m² at Raine Square (300 Murray Street) and 76,000m² at Brookfield Place (125 St Georges Terrace).

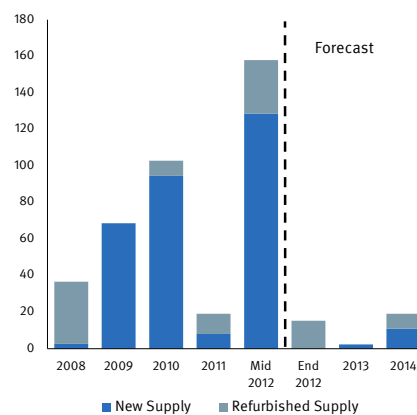
Both of these Premium-grade developments were fully pre-committed prior to completion. Bankwest have leased 100% of Raine Square and BHP 80% of Brookfield Place (with Price Waterhouse Coopers and Barrick Gold being the other major tenants).

507 Murray Street (2,700m²) and Fairlanes (181 Adelaide Terrace, 6,991m²) were the other new developments completed during this period. In addition, 29,235m² of refurbished office space has returned into the market, 14,546m² of this being the partial completion of refurbished space at 197 St Georges Terrace.

The PCA noted in its July 2012 Report that three buildings were withdrawn from supply since the start of the year – 5 Mill Street (7,177m²), 565 Hay Street (5,400m²) and 573 Hay Street (9,789m²). 5 Mill Street is potentially to be partially refurbished, though this building is currently occupied. As part of the Cathedral Precinct development, the Public Trustee building at 565 Hay Street will be fully refurbished for completion around

2014 and 573 Hay Street will be demolished in readiness for the new City of Perth Public Library.

Figure 1
Perth CBD Office Supply
New and refurbished stock ('000m²)



Source: Knight Frank/PCA

The second half of 2012 is anticipated to see 19,472m² of refurbished space completed, which includes 726 Hay Street (5,668m²) and 8,557m² at 197 St Georges Terrace.

1006 Hay Street is the only new development under construction at present, with the building (2,350m²) due for completion in 2013. The potential for some refurbished space at 5 Mill Street to re-enter the market during the year is also possible.

Development approvals have been granted for several buildings in the Perth CBD. Pre-commitment is being sought prior to

development commencing for potential new supply which includes 32 St Georges Terrace (14,895m²), 999 Hay Street (10,160m²), 950 Hay Street (11,219m²) and the Public Trustee Building at 565 Hay Street (8,140m²).

The Treasury Building is currently pre-committed to the WA State Government and is anticipated to be completed in 2015.

Backfill Space

From April this year, Bankwest have been relocating to Raine Square from 108 St Georges Terrace, bringing around 27,000m² of backfill space to the market. To date, around 60% of the backfill space has been committed, leaving some 11,000m² still available in the market.

WA State Government movements from the CBD include relocation from 197 St Georges Terrace to 140 William Street and suburban buildings. The Government is holding over in 197 St Georges Terrace until premises being refurbished are completed in mid-2013. Around 9,000m² of backfill space is available in 197 St Georges Terrace.

NEW SUPPLY ADDITIONS FOR THE PAST 12 MONTHS THE HIGHEST LEVEL SINCE 1992

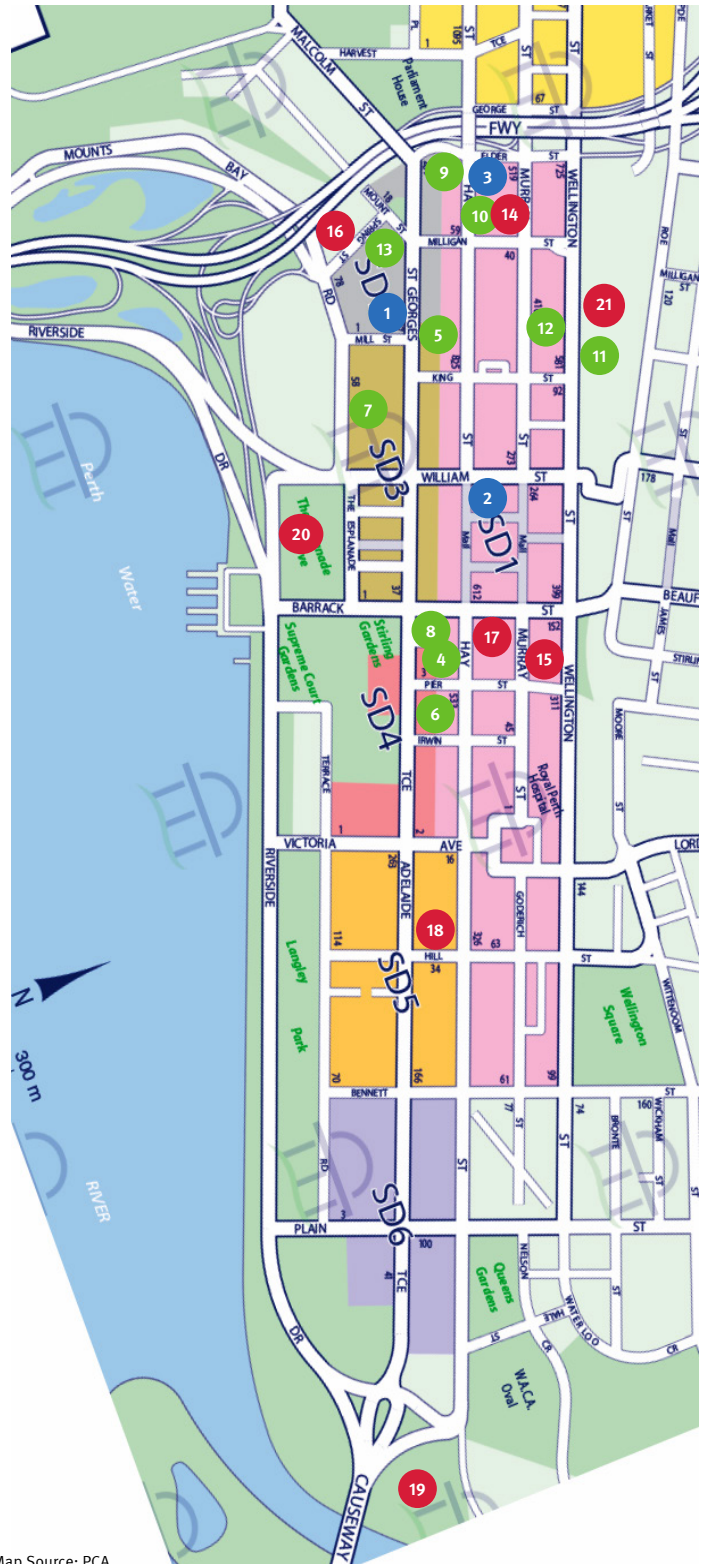


MAJOR OFFICE SUPPLY

- 1** 197 St Georges Terrace - 25,857m² # [AMEC Minproc]
GDI Property Group - Q1-Q4 2012 - 65% committed
- 2** 726 Hay Street - 5,668m² #
Private - Q3 2012 - 70% committed
- 3** 1006 Hay Street - 2,350m²
Private - Q4 2013 - 25% committed
- 4** Public Trustee Building - 8,140m² # [WA Gov't]
Perth Diocese - 2014 - DA Approved - 100% committed
- 5** 861 Hay Street - 10,947m² [Aurecon]
Perth Diocese - 2014 - DA Approved - 50% committed
- 6** 32 St Georges Tce - 14,895 m² #
Private - 2015 - DA Approved, seeking pre-commit
- 7** 123 St Georges Tce (City Square) - 28,758 m²
Brookfield - 2015, DA Approved, seeking pre-commit
- 8** Treasury Building - 30,196m² [WA Gov't]
Mirvac/Cbus consortium - 2015 - DA Approved 100% Committed
- 9** 999 Hay Street - 10,160m²
QUBE - 2015 - DA Approved, seeking pre-commit
- 10** 950 Hay St - 11,219 m² (old Melbourne Hotel site)
Oakesfield - 2015 - DA Approved, seeking pre-commit
- 11** Kings Square (Stage 1), Wellington St - 19,000m²
Leighton/Seven Ent. - 2015+ - DA Approved, seeking pre-commit
- 12** 374-396 Murray St - 28,000m²
Grocon - 2015+ - DA Approved, seeking pre-commit
- 13** 239 St Georges Tce (Bishops See no.2) - 46,000 m²
Brookfield/Hawaiian - 2015+ - DA Approved, seeking pre-commit
- 14** 47-59 Milligan Street - 21,000m²
Georgiou
- 15** 100 Murray Street - 4,000m² #
AWD Diversified - 2015 - DA Lodged, seeking pre-commit
- 16** Capital Square (old Emu Brewery site) - 38,000 m²
AAIG
- 17** 133-141 Murray Street (Cine Centre) - 4,200m²
Private owner
- 18** 339 Hay St (Grosvenor Hotel site) - 12,200 m²
Private owner
- 19** Waterbank, near The Causeway - 17,000m²
Lend Lease/EPRA
- 20** Elizabeth Quay, The Esplanade - 150,000m²
DA Lodged for site works
- 21** Perth City Link / Kings Square
Up to 240,000m² of commercial space

- Under Construction
- DA Approved / Confirmed / Site Works
- Mooted / Early Feasibility

NB. Dates are Knight Frank Research estimates
Major tenant precommitment in [brackets] next to NLA
Major refurbishment
Office NLA quoted



Map Source: PCA

SEPTEMBER 2012 PERTH CBD OFFICE

Market Overview

TENANT DEMAND & RENTS

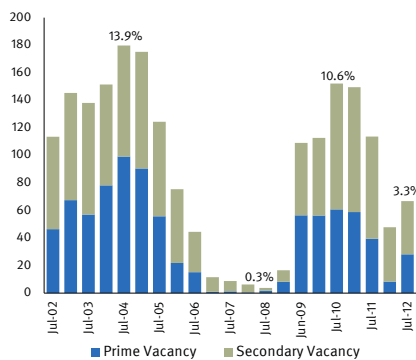
Property Council of Australia

The PCA's release of data for July 2012 saw the total vacancy rate for the Perth CBD increase to 4.2% (66,902m²), up from 3.3% (47,863m²) in January 2012. The total stock level for the Perth CBD increased 9.3% during this period to 1,577,409m².

Grade	July 2011	Jan 2012	July 2012
Premium	0.0	0.1	1.3
A Grade	6.6	1.4	4.0
Prime	4.9	1.0	3.1
B Grade	13.6	6.2	5.9
C Grade	7.2	6.3	6.1
D Grade	3.2	1.0	1.0
Secondary	11.3	6.1	5.9
Total	7.8	3.3	4.2

Source: PCA

Figure 2
Perth CBD Historical Vacancy
Prime and Secondary Grade ('000m²)



Source: PCA/Knight Frank

Prime-grade vacancy levels have increased to 3.1% as at July 2012, a 2.1% increase in six

months. Within this, the PCA recorded that premium buildings have seen an increase in vacancy over the 12 months to 1.3%. However, this only constitutes 4,192m² of office space – 2,472m² in Exchange Plaza and 1,720m² in Raine Square. Knight Frank has noted that in addition to this, Central Park has 2,215m² for lease as at July 2012.

The biggest impact on vacancy in the Prime-grade has been A-grade buildings where 15,202m² of sub-lease space was available, as at July 2012, in 108 St Georges Terrace. This space came onto the market due to the relocation of Bankwest to Raine Square. In addition, Bankwest have further subleased 12,000m² of the office space they had taken at Raine Square due to consolidation. The market, however, has absorbed most of this since being made available.

The total vacancy within the Secondary-grade has decreased marginally from January 2012 (39,485m²) to July 2012 (38,731m²). Absorption in C and D grade buildings has been impacted by the increase in available space in better quality or refurbished buildings over this period.

The PCA statistical divisions 2 & 3, west of Barrack Street, remain the areas with the lowest vacancy in the Perth CBD, at 3.7%. The northern stretch of the CBD (statistical division 1) has a vacancy of 4.8%, with the remainder (areas 4, 5 & 6) having a total vacancy of 5.4%.

Net Absorption

Net absorption in the six-month period to July 2012 totalled 115,503m² - the highest ever recorded by the PCA for the Perth CBD. To put this in perspective, net absorption for the Perth CBD equalled that approximately of Sydney, Melbourne and Brisbane combined for this period.

Prime-grade net absorption totalled 103,107m². The absorption of space in Brookfield Place and Raine Square was pre-committed to prior to construction and is recorded now upon completion. The Secondary-grade totalled 12,396m² of

positive absorption in the six months to July 2012.

The 10-year average net absorption for the Perth CBD now stands at 17,928m² per six-month period, up from 12,517m² as at January 2012.

As space tightens in the Perth market traditionally there is a tapering of net absorption. This is starting to be observed now and is anticipated to continue until new supply becomes available.

Grade	July 2011	Jan 2012	July 2012
Premium	0	300	4,192
A Grade	39,542	8,078	23,979
Prime	39,542	8,378	28,171
B Grade	57,853	25,367	25,932
C Grade	16,055	14,030	12,711
D Grade	288	88	88
Secondary	74,196	39,485	38,731
Total	113,738	47,863	66,902

Source: PCA

Anticipated Vacancy Levels

Because of record levels of net absorption and the counterbalancing of net additions in the Perth CBD, the PCA total vacancy level increased by only 0.9% from January to July 2012.

With expectations that net absorption will be significantly lower in the coming six months, it is anticipated that the vacancy rate will rise marginally to 4.4% by the close of 2012. The sub-lease space now available is expected to be absorbed over the next six to twelve months, with the total vacancy rate falling to 3.8% by mid next year and 3.0% by the close of 2013.

Knight Frank has calculated that space actually available to lease as at June 2012 (over the next six-months) is 4.4%. This figure does include space being refurbished and

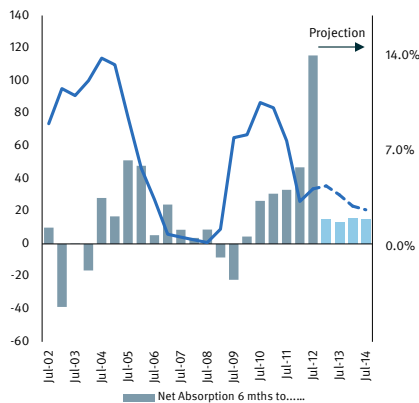


due for completion this year – 197 St Georges Terrace and 726 Hay Street.

It is anticipated that this figure will decrease to 4.0% by the close of the year as the available backfill space continues to be absorbed.

Space available to lease is anticipated to equate to a 3.5% vacancy by the end of 2013.

Figure 3
Net Absorption and Vacancy
Per six month period ('000m²)



Source: PCA/Knight Frank

Tenant Demand

The type of building (Prime vs. Secondary) and location remain the deciding features by tenants selecting space in the Perth CBD, with Prime-grade properties being highly desired. However, the reducing availability within this grade should see a flow-on to B-grade properties, particularly those with larger-size contiguous space.

The resources industry has continued to be the largest absorber of space in the Perth CBD over the last twelve months, particularly by Rio Tinto, BHP and Chevron. In addition to Brookfield Place, BHP has further taken in excess of 10,000m² of space in other buildings around the CBD.

Global firm Aurecon has announced its intention to take around 5,000m² at 861 Hay Street – approximately 50% of the proposed new building. This is the first major announcement regarding pre-commitment to a building in the new supply cycle.

National and international consulting and legal firms entering the Perth market for the first time have taken up space around the CBD in the last twelve months. Examples include Squire Sanders, Bain & Co and King & Wood Mallesons.

Rental Levels

The declining vacancy has seen increases in Prime net face rents of 6.3% over the past six months to an average of \$805/m² per annum. Secondary-grade net face rents have seen an 8.8% increase over the same period to now on average sit at \$616/m² per annum.

These increases are a reflection of the similar forces that were operating in 2007 – if the property is fitted-out and well located, the demand from tenants is high and a premium for rents is paid. The past twelve months has also seen some rental spikes for short-term leases, driven by project space requirements.

However, there is around a \$150/m² difference between Adelaide Terrace and St Georges Terrace, with the western end of the Perth CBD along St Georges Terrace commanding rents from around \$700/m² for Secondary-grade buildings.

Incentive levels have remained on average at 5.0% for Prime-grade buildings, with Secondary-grade buildings now on average at 5.0%. The biggest incentive for new tenants leasing space is for a fit-out to be in place, where the focus can be concentrated upon core business operations.

Address	Area (sq m)	Net Face Rental (\$/m ²)	Term (yrs)	Lease Type	Tenant	Start Date
QV1, 250 St Georges Terrace	6,119	875	10.0	New Lease	Freehills	April 2013
108 St Georges Terrace	1,724	742*	7.0*	New Lease	Apache Energy	Dec 2012
100 St Georges Terrace	1,770	950	4.0	New Lease	INPEX	July 2012
Exchange Plaza, 2 The Esplanade	373	860	5.0	New Lease	Tokyo Gas	July 2012
Central Park, 152 St Georges Terrace	1,543	800	5.0	New Lease	BHP	July 2012
197 St Georges Terrace	835	650	10.0	New Lease	Solomon Brothers	July 2012
108 St Georges Terrace	3,356	690	2.4*	Sub-lease	Rio Tinto	June 2012
15-17 William Street	1,228	685	5.6	New Lease	McDermott Australia	June 2012
251 St Georges Terrace	1,204	740	Undiscl.	New Lease	Momentum Engineering	June 2012
197 St Georges Terrace	1,671	650	5.0	New Lease	Clough	May 2012
218 St Georges Terrace	345	600	4.0	New Lease	BGC Enterprises	May 2012
16 St Georges Terrace	100	460	3.0	New Lease	Stratec	April 2012
225 St Georges Terrace	925	685	7.0	New Lease	Bendigo Bank	April 2012

Source: Knight Frank * average over space taken

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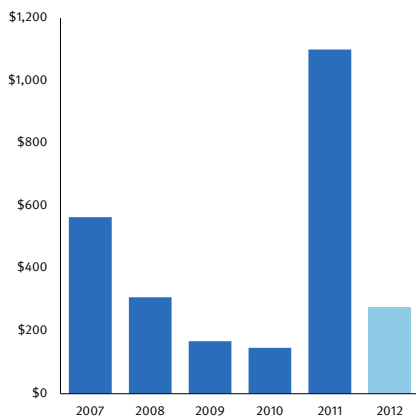
Market Overview

INVESTMENT ACTIVITY & YIELDS

The 2011 calendar year saw an exceptional level of sales activity in the Perth CBD market, both in terms of number and value, with eleven transactions totalling just under \$1.1 billion.

For the first half of 2012, there have been five major sales over \$10 million in the Perth CBD for a consideration of \$276.8 million.

Figure 4
Perth CBD Sales Activity
(\$million) Sales value >\$10 million



Source: Knight Frank 2012 refers CYTD

January 2012 saw the sale of 41 St Georges Terrace for \$16.45 million in an off-market transaction by a motivated vendor. The price paid for the building was considered below market value.

The Wyllie Group sold their 50% share in 225

St Georges Terrace to Charter Hall's Core Plus Office Fund for \$96.0 million in June. This gives Charter Hall full ownership of the building, the first half purchased in 2006 for \$61.5 million. The site is held on leasehold from the Perth Diocesan Trustees, expiring in 2085. BHP is the major tenant and currently leases just under 14,000m² of office space in the building.

Stockland Trust has continued its long-term strategy of selling down office and industrial assets with the sale of 255 & 267 St Georges Terrace to Primewest for \$26.7 million in July. This follows on from sales of its half-shares in 2 The Esplanade (\$157.7 million) and 108 St Georges Terrace (\$130.0 million) during 2011. Primewest purchased 251 St Georges Terrace in October 2011, a neighbouring property, with a development application now lodged to construct a 3,500m² office building on the excess land between these neighbouring properties.

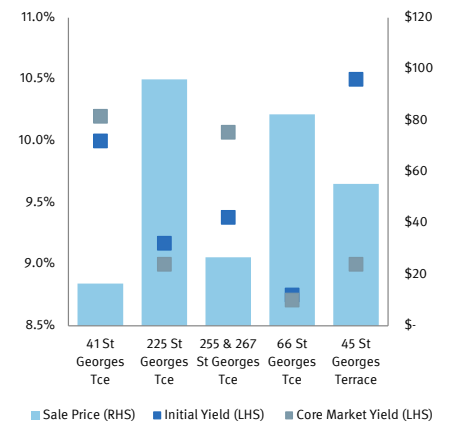
Off-shore financial company Credit Suisse has purchased 45 St Georges Terrace from the Stockland Trust for \$55.25 million. The building's major tenant is Worley Parsons who occupies around 55% of the office space, with lease expiry at the start of 2014.

Investa Office Fund has exchanged contracts on 66 St Georges Terrace, purchasing the 11,445m² office building from AMP Capital Investors for \$82.375 million. With a WALE

based on area of 1.7 years, the fund is looking to capitalise on the medium-term rental growth that is being achieved in the Perth CBD market.

Reports have mentioned that 1 Adelaide Terrace is under offer at present for a consideration of \$102.55 million, subject to financing.

Figure 5
Major 2012 Sales and Yields
(\$million) Sales value with initial and core mkt yield



Source: Knight Frank

Unlisted funds/syndicates again dominate the purchaser profile in the Perth CBD office market, being the purchaser type for three of the transactions to occur to date this year. While individual developers and private investors struggled to obtain financing in the

Table 5
Major Sales Activity Perth CBD

Address	Price (\$ mil)	Core Market Yield (%)	NLA (m ²)	\$/m ² NLA	Vendor	Purchaser	Sale Date
45 St Georges Terrace	55.25	9.00	10,017	5,545	Stockland	Credit Suisse	Aug 12
66 St Georges Terrace	82.375	8.71	11,445	7,197	AMP Capital	Investa Office Fund	Jul 12
255 & 267 St Georges Terrace	26.70 ^	10.07	4,131	6,463	Stockland Trust	Primewest	Jul 12
225 St Georges Terrace	96.0 *	9.00	21,221	9,048	Wyllie Group	Charter Hall (CPOF)	Jun 12
41 St Georges Terrace	16.45	10.20	2,901	5,671	Private Investor	Wakefield Properties	Jan 12

Source: Knight Frank *50% share ^Analysed in one-line

Core Market Yield: the percentage return/yield analysed when the assessed fully leased market income is divided by the adopted value/price which has been adjusted to account for property specific issues (i.e. rental revisions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc)



current market, syndicators are able to bring together a myriad of cashed-up smaller investors to secure larger properties available for sale.

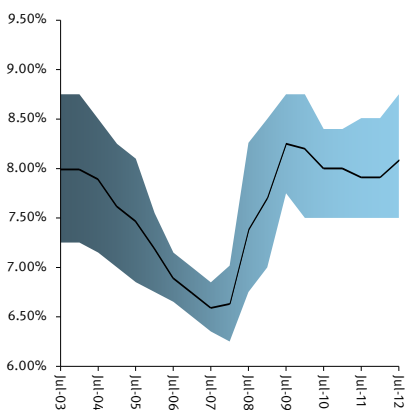
Figure 6
Perth CBD Purchaser/Vendor
(\$ million) Sales value >\$10 million - 2012 YTD



Source: Knight Frank

Core market yields have remained relatively stable over the past twelve months. Trophy assets are holding firm at the lower end of the yield range, the last transaction of this type being Exchange Plaza in December last year at a core market yield of 7.42%.

Figure 7
Perth CBD Prime Yields
Prime Core Market Yield Range



Source: Knight Frank

Development Sites

Vacant development sites in the Perth CBD are limited, with opportunities being on

improved land requiring redevelopment or refurbishment. Residential, hotel and office uses all vie for sites that become available.

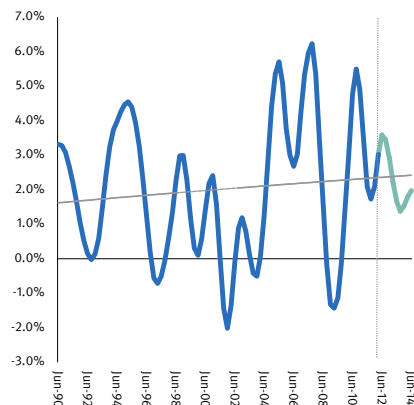
The Perth CBD has seen one development site sale, being at 609 Wellington Street for \$5.0 million. Situated opposite the Perth City Link development area, the 1,398m² site was purchased by a private investor in January 2012, at a rate of \$3,576/m².

Land values in the Perth CBD remain in the range of \$2,500/m² to \$3,500/m² in the eastern end of the city, and \$3,500/m² to \$7,500/m² within the core centre of the Perth CBD.

OUTLOOK

International economic news, from both Europe and the United States has been mixed over the last six months, and whilst economic news out of the United States appears to show some steadying factors, multiple European countries are still trying to counteract the cumulative effects of soft activity on the back of the austerity measures that they have had in recent times.

Figure 8
White Collar Employment
Perth CBD Annual Growth (%)
Source: Deloitte Access Economics



The Reserve Bank of Australia has noted that growth in the Chinese economy has moved to a pace that appears more sustainable.

Reports have noted that resources investment is expected to slow in the next two years, with companies in this sector moving from investment in construction to production.

Annual growth in white-collar employment, as forecasted by Deloitte Access Economics, is expected to moderate in the Perth CBD in the near term in line with the economic environment. However, the domestic economy continues to record low inflation, relatively low unemployment and reasonable growth, with anticipation that these factors will remain stable over the next twelve to eighteen months.

Capital shortages have inhibited new development in the Perth CBD and with only one major pre-commitment to a new building having been announced. The short- to medium-term will see some rental spikes for vacant space that becomes available.

In the meantime, rental increases in the Perth CBD will see moves by some tenants to relocate to suburban areas, pre-committing to new developments in nearby areas.

Sales are showing that purchasers are factoring in risk premiums which has seen yields soften marginally. It is anticipated that this will continue to be factored in in the short-term.

The WA State Government continues to drive major infrastructure development around the Perth CBD, which includes Elizabeth Quay, the Perth City Link and Waterbank in East Perth. Site works on all three sites have started, with development sites to be ready around 2014/15.

THE RESOURCE SECTOR IS MOVING FROM INVESTMENT IN CONSTRUCTION TO PRODUCTION



Americas

USA
Bermuda
Brazil
Canada
Caribbean
Chile

Australasia

Australia
New Zealand

Europe

UK
Belgium
Czech Republic
France
Germany
Hungary
Ireland
Italy
Monaco
Poland
Portugal
Romania
Russia
Spain
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