RESEARCH

AUSTRALIAN CBD & NON CBD OFFICE

TOP SALES TRANSACTIONS 2014

Key Facts

$28 billion of office assets transacted over the past two years, of which $18.8 billion was in CBD markets

Unsurprisingly, **eight of the top 10 office sales in 2014 were located in CBDs**

Offshore investors were the largest purchaser type in 2014, accounting for 38% of the total sales volume

$608.1 million paid for the CBW complex was 2014's largest sale and the **largest ever for the Melbourne CBD**

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The Australian office investment market has experienced favourable conditions over the past two years with demand from both domestic and offshore investors steadily increasing; there are no signs of this demand abating.

The record high of $14.1 billion achieved in 2013 will certainly be surpassed in 2014. The value of office sales ($10 mill+) is currently sitting just $100 million shy of this at $13.99 billion with more than $1.5 billion of deals in final negotiations or due diligence. This increasing activity comes as the market has shown steadily broadening demand for properties beyond core assets, particularly from off-shore buyers.

The improving investment market conditions, and associated tightening in yields, have been driven by concurrent upswings in demand from AREITs, offshore funds and domestic wholesale and super funds. Steady supply additions, with substantial long-term tenant commitments, have ensured that sufficient stock of modern office assets have been available to core investors. However, over the past two years, the investment market has transformed from one where only core assets were likely to attract investors, to a situation where competitive bids and a deeper buyer pool can be expected across the whole gamut of asset types – from core to secondary/value-add or suburban.

Core prime market yields have tightened by around 100 basis points across the cycle to date. With interest rates expected to stay "lower for longer", coupled with a 20%+ depreciation in the currency over the past 18 months, downward pressure on both prime and secondary yields will continue into 2015. This is particularly the case in Sydney and Melbourne, where sub 6% prime core market yields have been achieved over the past six months.

A resurgent residential development market is reducing the pool of future commercial development sites and also triggering the recycling or redevelopment of obsolescent secondary stock. Due to the relatively softer leasing market conditions for existing secondary accommodation there is a growing trend to purchase older commercial buildings for conversion to residential accommodation, or to be demolished for residential development. This significant wave of demolition and recycling of properties is unheralded.

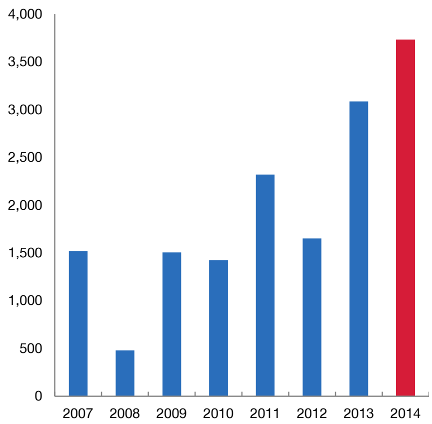
SYDNEY CBD

The weight of capital moving into commercial property has maintained its momentum in 2014 with high levels of capital inflow continuing to result in heightened transaction volumes and firming yields. Office sales ($10m+) currently amount to a record high of $3.76 billion, however the final volume may potentially be materially higher given several large deals amounting to approximately $1.0 billion currently in final negotiations or due diligence. Such assets reportedly include 1 Alfred St, 161 Castlereagh St (25% share), 338 Pitt St, 35 Clarence St and 60 Carrington St.

Offshore investors have accounted for 54%, or $2.02 billion, of the total sales volume. Offshore demand has been particularly strong for buildings with re-development/change of use potential, with these types of assets amounting to $972 million of the offshore acquisitions. Local Funds, both listed and unlisted, have also been active in the market, however portfolio re-balancing and capital management initiatives have resulted in local groups being net sellers over both of the past two calendar years.

In the year's largest two transactions, 52 Martin Place ($555 million acquired by REST Industry Super) and 275 Kent St ($435 million, 50% share acquired by Blackstone), the market has confirmed buyer interest at sub 6% core market yields. It is expected that 161 Castlereagh St will reflect a core market yield of between 5.50% and 5.75%.

FIGURE 1
Sydney CBD Sales Volumes
$ million total transaction value ($10mil+)



Source: Knight Frank

1. 52 MARTIN PLACE

Price: $555.00 million

Date: June 2014

NLA: 39,138m²

Rate/m^2 of NLA: $14,181/m²

Yield: 5.65%* core market (5.50% initial)

Vendor: QIC Global Real Estate

Purchaser: REST Industry Super

Comments: 39 level A-grade building with ground floor retail built in 1985. 71.6% of the NLA is occupied by GPNSW (State Gov.) with 32.6% under a long term lease expiring December 2110 and 39% expiring Sept 2025.

2. WESTPAC PLACE, 275 KENT ST

Price: $435.00 million (50% share)

Date: April 2014

NLA: 77,125m²

Rate/m^2 of NLA: $11,280/m²

Yield: 5.96%# core market (6.65% initial)

Vendor: Mirvac

Purchaser: Blackstone

Comments: Two connected prime office towers with common foyer, two levels of retail and basement parking. The sale reduced Mirvac's single asset risk, from 18.3% of their office portfolio to 10.1% (by book value).

3. 175 LIVERPOOL ST

Price: $392.70 million

Date: November 2014

NLA: 47,859m²

Rate/m^2 of NLA: $8,205/m²

Yield: 7.0% core market (c.7.0% initial)

Vendor: GIC

Purchaser: Shimao Property

Comments: Building comprises ground floor retail and 28 upper office levels progressively refurbished over the past 24 months. Building has 60 metre street frontage to Hyde Park and sold with residential conversion potential.

4. 133 CASTLEREAGH ST & 222 PITT ST

Price: $194.25 million (50% share)

Date: February 2014

NLA: 47,187m² (incl. 5,098m² retail)

Rate/m^2 of NLA: $8,233/m²

Yield: 7.4% core market (7.1% initial)

Vendor: Stockland

Purchaser: Investa Office Fund (IOF)

Comments: Asset comprises a major A-grade office tower (69% NLA), B-grade office building (20%) and two level retail mall (11%). Sold 93% occupied reflecting a 5.3 year WALE, with price in-line with Dec 2013 book value.

5. 201 KENT ST

Price: $173.00 million (50% share)

Date: June 2014

NLA: 39,931m²

Rate/m^2 of NLA: $8,665/m²

Yield: 7.0% core market (6.8% initial)

Vendor: DEXUS/CPPIB

Purchaser: Investa (ICPF)

Comments: A 35 level A-grade office tower and historic five level warehouse restored to provide boutique office accommodation. Acquired via pre-emptive right activated upon DEXUS taking over CPA.

6. 233 CASTLEREAGH ST

Price: $156.00 million

Date: November 2014

NLA: 19,943m²

Rate/m^2 of NLA: $7,822/m²

Yield: N/A

Vendor: GDI Property Group

Purchaser: Visionary Investment Group

Comments: 25 level B grade asset with frontages to both Castlereagh and Pitt Streets. Sold with circa 2.1 year WALE. Sale price reflected a 21% premium to June 2014 book value given residential conversion potential.

* excluding the present value of abnormally long WALE reflects a normalized yield of 5.9%
# Risk adjusted yield, which captures major tenant Westpac's partial exit option in 2016 and lease expiry in 2018. On a non-risk adjusted basis, core yield measures 6.55%.

7. 570 GEORGE ST

Price: $151.80 million

Date: March 2014

NLA: 19,247m²

Rate/m² of NLA: $7,887/m²

Yield: N/A

Vendor: Ausgrid

Purchaser: Far East Organization

Comments: 26-storey B-grade asset built in 1968. The asset sold with a two year leaseback to Ausgrid and medium term intention for residential conversion.

8. 66 GOULBURN ST

Price: $136.00 million

Date: July 2014

NLA: 23,298m²

Rate/m² of NLA: $5,838/m²

Yield: 7.7% core market (6.4% initial)

Vendor: Charter Hall (PFA)/Australand

Purchaser: GDI Property Group

Comments: 24 level office tower with central core and column free floors. Value add opportunity that sold off market with 75.5% occupancy and WALE of 1.9 years.

9. 6-10 O'CONNELL ST

Price: $134.95 million

Date: June 2014

NLA: 16,317m²

Rate/m² of NLA: $8,271/m²

Yield: 7.5% core market (6.9% initial)

Vendor: Blackrock Property

Purchaser: Investa (IOF)

Comments: A 30 level B-grade office building completed in 1970. Multi-tenanted profile (45 tenants) with a 2.2 year WALE and historically good retention.

10. 10 SHELLEY ST ^

Price: $130.60 million (50% share)

Date: May 2014

NLA: 28,697m²

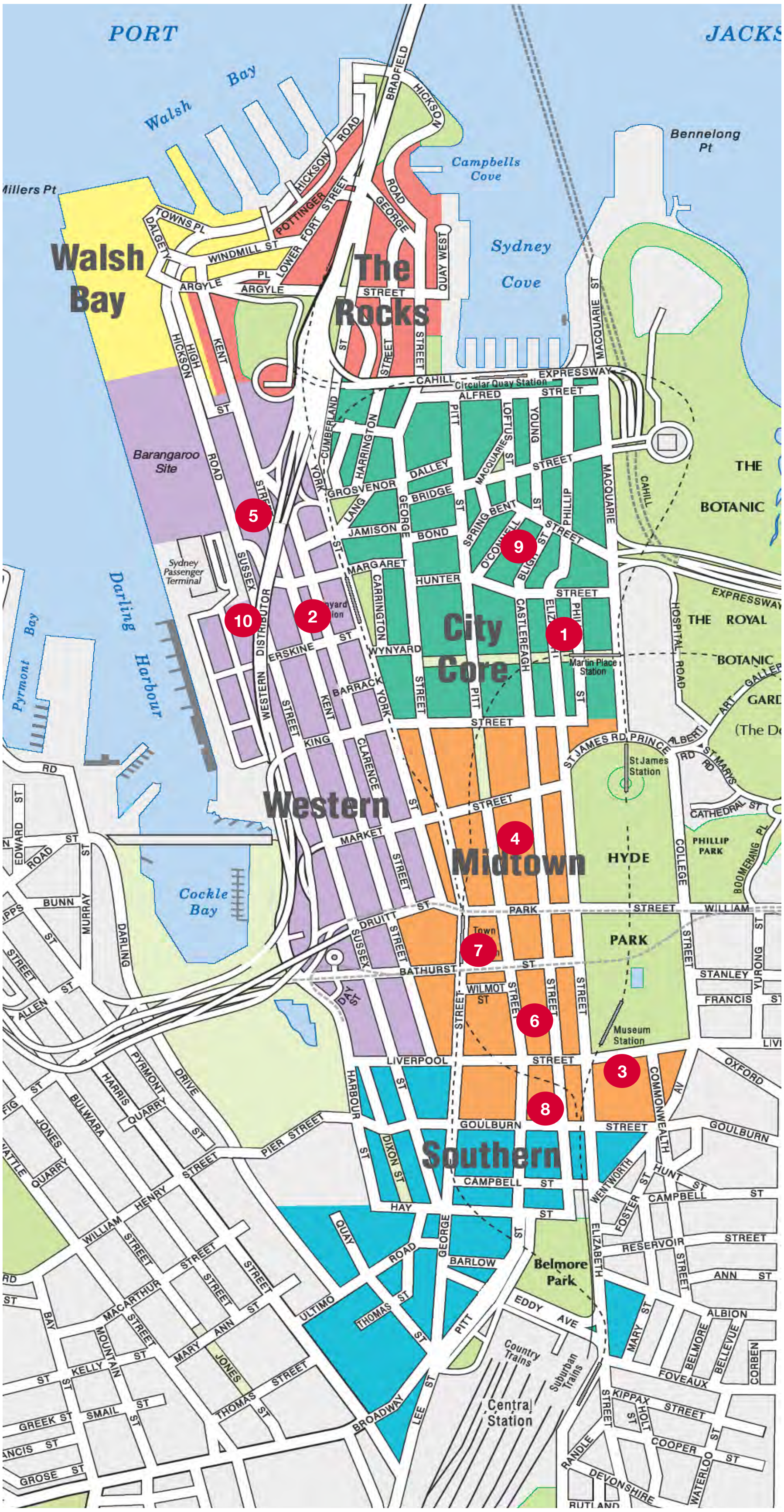
Rate/m² of NLA: $9,102/m²

Yield: 6.3% core market (9.4% initial)

Vendor: DEXUS/CPPIB ^

Purchaser: Brookfield

Comments: Acquired under pre-emptive rights exercised at a required 20% above book value. Accordingly, not considered reflective of typical 'stand alone' value.



Map Source: Knight Frank

^ As part of the DEXUS takeover of CPA, GPT (GWOF) exercised a call option to buy CPA's 50% share in 10 Shelley St, but the asset's co-owner Brookfield, exercised its pre-emptive right to purchase that interest.

MELBOURNE CBD

Following a subdued first quarter, investment activity surged in the remaining three quarters of 2014, boosted by a number of major sales with 10 transactions above $100 million recorded between April and October.

Office investment sales activity ($10m+) in 2014 within the Melbourne CBD currently totals $2.69 billion across 27 properties. This volume of sales has exceeded all previous years— setting a record high annual result for the Melbourne CBD office market.

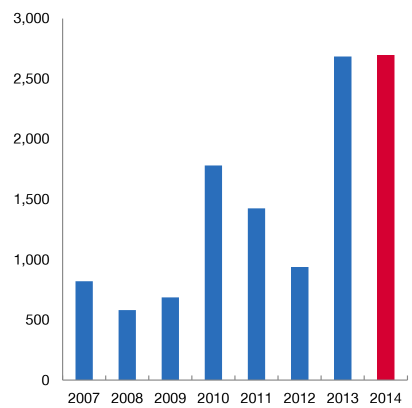
Unlisted funds and syndicates were the most prominent purchaser type, accounting for 41% of office sales by value, followed by offshore groups which accounted for 39% of all sales.

In previous years, offshore investment has been led by Asian-based investors, however in 2014 to date, North American -based investors accounted for 53% of cross-border investment into the Melbourne CBD office market. European investors were also active, accounting for 16% of cross-border investment. In fact, Melbourne attracted the fifth highest level of cross-border office investment in 2014 to date globally, behind only London, Paris, Sydney and Tokyo.

FIGURE 2

Melbourne CBD Sales Volumes

$ million total transaction value ($10mil+)



Source: Knight Frank

1. CBW: 181 WILLIAM ST & 550 BOURKE ST

Price: $608.10 million

Date: September 2014

NLA: 81,453m²

Rate/m^2 of NLA: $7,466/m²

Yield: 6.50% core market (6.00% initial)

Vendor: Cbus Property

Purchaser: GPT Group (GPT & GWOF)

Comments: Built in 2009, the CBW complex comprises two A-grade office buildings and a retail component, sold with a WALE of 5.2 years. The transaction represents the Melbourne CBDs largest sale on record.

2. 700 BOURKE ST

Price: $433.50 million

Date: September 2014

NLA: 63,000m²

Rate/m^2 of NLA: $6,881/m²

Yield: 5.75% core market (5.75% initial)

Vendor: Cbus Property

Purchaser: AMP Capital Wholesale Office Fund (AWOF)

Comments: 14-storey, Docklands located A-grade office building is close to 99% leased to NAB on a 15-year term and was sold with a WALE of 13.6 years.

3. 750 COLLINS ST^

Price: $249.50 million

Date: May 2014

NLA: 36,734m² (office component)

Rate/m^2 of NLA: $6,792/m²

Yield: 7.5% (reported)

Vendor: DEXUS/CPPIB ^

Purchaser: GPT Wholesale Office Fund (GWOF)

Comments: Completed in 2007, the AXA HQ building also includes a further 4,000m^2 of retail space and a large car parking component.

4. 321 EXHIBITION ST

Price: $208.00 million

Date: July 2014

NLA: 30,200m²

Rate/m^2 of NLA: $6,887/m²

Yield: 6.75% core market (6.75% initial)

Vendor: Cromwell Diversified Property Trust

Purchaser: Invesco

Comments: The 20-storey A-grade office building was substantially refurbished in 2011 and is fully leased to Origin Energy until November 2021.

5. 818 BOURKE ST

Price: $152.50 million

Date: October 2014

NLA: 21,900m²

Rate/m^2 of NLA: $6,963/m²

Yield: 7.00% initial

Vendor: GPT Group (GPT)

Purchaser: Hines Global REIT 1

Comments: Built in 2007, the eight-level A-grade office building has ground-floor retail and two levels of above-ground parking. The building is 98% leased to three office tenants: AMP, Ericsson Australia and Infosys. several

6. 350 QUEEN ST

Price: c. $130 million

Date: October 2014

NLA: 22,411m²

Rate/m^2 of NLA: c. $5,801/m²

Yield: n/a

Vendor: K T S Holdings Sdn Bhd

Purchaser: Undisclosed Chinese investor

Comments: The octagonal 21-storey B-grade building known as KTS House, was sold in an off-market transaction. Considerable scope for redevelopment remains at the 7,295m^2 site with two further towers originally planned.

7. 628 BOURKE ST

Price: $129.60 million

Date: May 2014

NLA: 24,226m²

Rate/m² of NLA: $5,350/m²

Yield: 7.10% core market (7.10% initial)

Vendor: Investa Office Fund (IOF)

Purchaser: M&G Real Estate

Comments: The sale reflected a 12% premium to book value. QBE House was fully leased to a range of tenants and sold with a WALE of 6.9 years.

8. 18-38 SIDDELEY ST

Price: $112.40 million (70% share)

Date: August 2014

NLA: 52,301m²

Rate/m² of NLA: $3,226/m²

Yield: 9.30% initial

Vendor: Asset1

Purchaser: KKR/Abacus Property Group

Comments: Towers 2, 3 and 4 of the World Trade Centre sold with a WALE of 6 years with more than 50% of the office leased to the Victorian State Government.

9. 40 MARKET ST

Price: $105.00 million

Date: September 2014

NLA: 12,011m²

Rate/m² of NLA: $8,742/m²

Yield: 6.25% initial

Vendor: DEXUS (DXS)

Purchaser: MTAA Superannuation

Comments: Following a commitment to refurbish the nine-storey building and its core facilities, the building's sole tenant, Powercor, agreed to new a 15-year lease.

10. 655 COLLINS ST^

Price: $102.00 million

Date: May 2014

NLA: 16,966m²

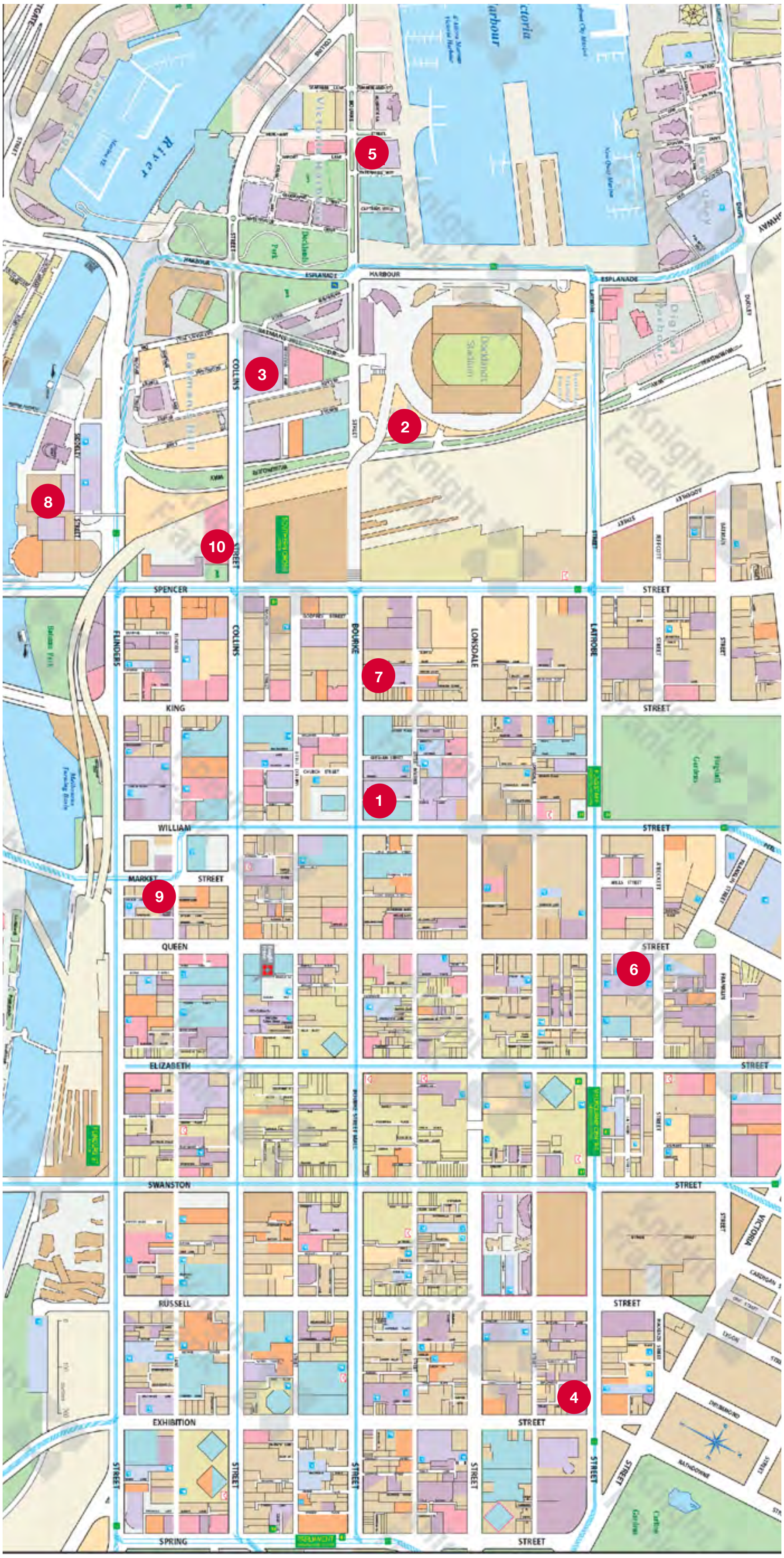
Rate/m² of NLA: $6,024/m²

Yield: 7.00% (reported)

Vendor: DEXUS/CPPIB ^

Purchaser: GPT Wholesale Office Fund (GWOF)

Comments: Media House, headquarters of Fairfax Media and The Age was completed in November 2009.



Map Source: Knight Frank

^ As part of the DEXUS takeover of CPA, DEXUS entered into an MOU with GPT (GWOF), to acquire, on market terms, three CPA assets —750 Collins, 655 Collins & 50% of 2 Southbank Blvd (see page 13)

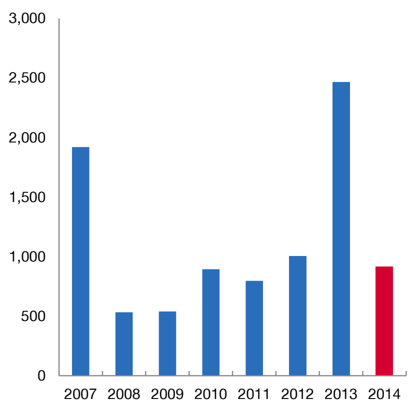
BRISBANE CBD

Despite the sustained high demand for core assets across Australia, the Brisbane CBD has seen relatively few sales during 2014, particularly in contrast to Sydney and Melbourne. While purchaser appetite remains high, core opportunities have been few and far between over the past year. Total transaction activity, for assets in excess of $10 million, amounted to $916.94 million, less than half of the total recorded for 2013. This total of ten sales has been boosted late in the year with four of these major sales being recorded in December and may remain subject to confirmation.

The largest sale is expected to be the purchase of 53 Albert St by Challenger Life. The building was constructed in 2009 and recently re-signed the State Government to the whole of the office space, boosting the WALE to 7.0 years. Outside of this sale the tightest yield, and indicative of the universal demand for core assets, was 70 Eagle Street which was purchased by US based Pembroke Real Estate for a core market yield of 6.34%.

As residential development demand builds across Brisbane the trend towards greater purchasing of development sites or buildings ripe for conversion or redevelopment has also been in evidence with transactions such as 363 Adelaide St, 240 Margaret St and 171 George St.

FIGURE 3
Brisbane CBD Sales Volumes
$ million total transaction value ($10mil+)



Source: Knight Frank

1. 53 ALBERT ST

Price: c. $240.00 million tbc

Date: December 2014

NLA: 20,166m²

Rate/m² of NLA: $11,405/m²

Yield: Reported c 7.0%

Vendor: Hatham Holdings

Purchaser: Challenger Life

Comments: Reported sale late 2014. Building is fully leased to the State Government until 2022. The building has nine levels of parking space (c580 cars) and 13 levels of office space which was constructed in 2009.

2. 60 ALBERT ST

Price: $161.30 million

Date: January 2014

NLA: 21,263m²

Rate/m² of NLA: $7,586/m²

Yield: 8.16% core market (9.27% initial)

Vendor: La Salle Investment Management

Purchaser: DEXUS Wholesale Property Fund

Comments: Modern building constructed in 2009 and parking for 120 vehicles. Sold fully leased with a WALE of 4.6 years, however much of the building is currently available for sub-lease.

3. 50 ANN ST

Price: $128.94 million

Date: August 2014

NLA: 25,382m²

Rate/m² of NLA: $5,080/m²

Yield: 8.67% core market (7.14% initial)

Vendor: Private Investor

Purchaser: CIMB

Comments: 25 level B grade building which underwent major refurbishment in 1994. Sold fully leased (parking and office areas) to the State Government until 2020 (WALE of 6.6 years). Potential for the tenant to relocate.

4. 70 EAGLE ST (CENTRAL PLAZA III)

Price: $122.70 million

Date: April 2014

NLA: 11,476m²

Rate/m² of NLA: $10,692/m²

Yield: 6.34% core market (6.27% initial)

Vendor: APPF Commercial & ADIA

Purchaser: Pembroke Real Estate

Comments: Modern office building completed in 2009 and fully leased to QSuper and QIC. Parking for 63 cars via shared access with Central Plaza II. Sold with a WALE of 8.4 years. Strong competition from purchasers.

5. 60 EDWARD ST

Price: **c.** $60.00 million

Date: December 2014

NLA: 10,638m²

Rate/m² of NLA: $5,640/m²

Yield: 7.93% core market (6.17% initial)

Vendor: AMP Capital

Purchaser: RACQ

Comments: Sixteen level building constructed in 1987, basement parking for 110 cars. Purchaser intends to occupy five floors in the building (c4,000m²) which was sold with some impending vacancy.

6. 363 ADELAIDE ST

Price: $50 million tbc

Date: December 2014

NLA: 14,968m²

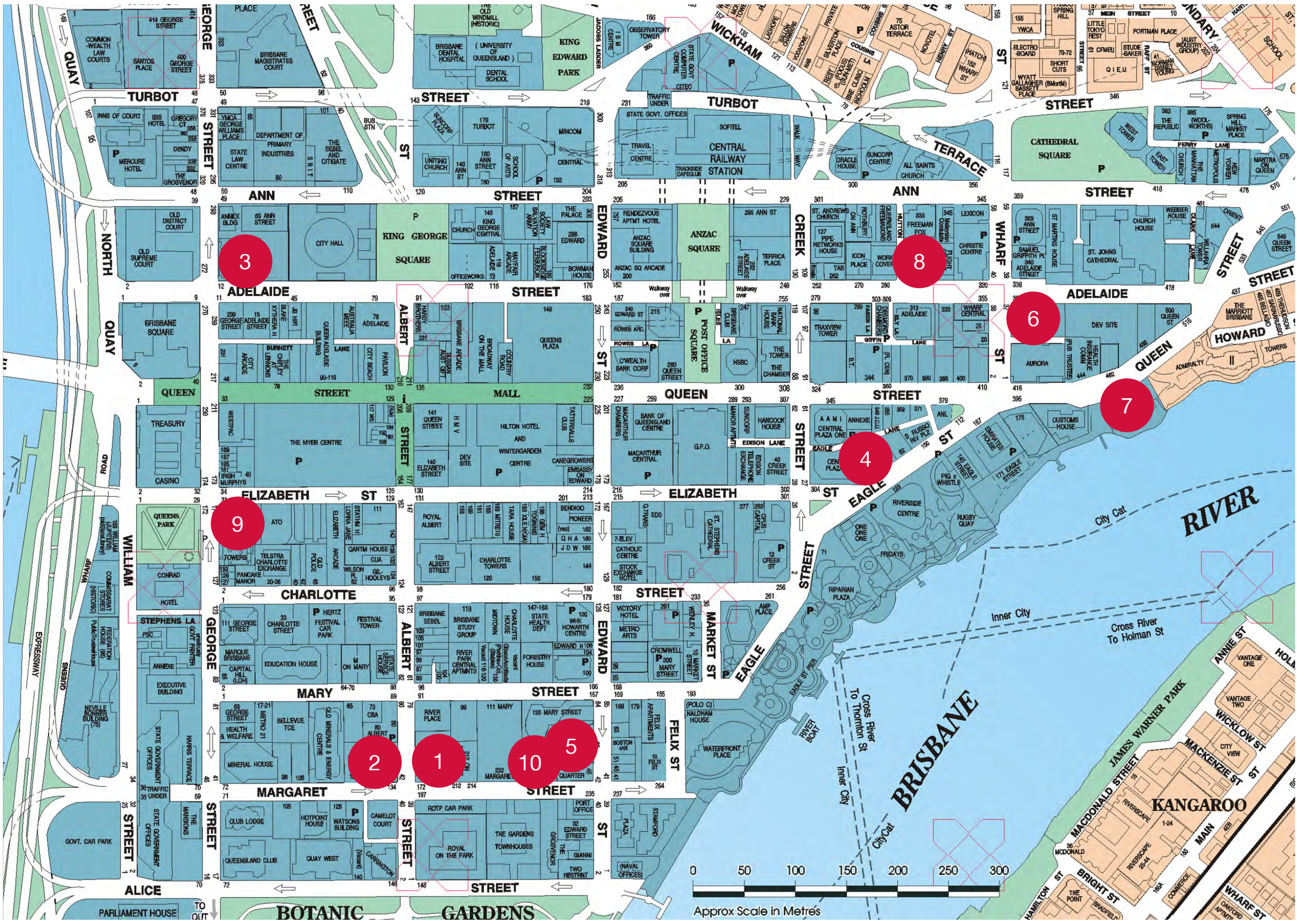
Rate/m² of NLA: $3,340/m²

Yield: VP

Vendor: Investa Property Group

Purchaser: Valparaiso Capital

Comments: Reported sale late 2014. The building was fully leased to Boeing which expired late 2014 and had been extensively marketed by Investa as either a refurbishment or change of use project.



Map Source: Knight Frank

7. 443 QUEEN ST

Price: $49.00 million

Date: July 2014

NLA: 5,500m²

Rate/m² of NLA: $8,909/m²

Yield: 6.25% initial

Vendor: Private Investor

Purchaser: Cbus Property

Comments: Five level office building with significant frontage to the Brisbane River. Sold with a WALE of 1.9 years with Hatch the major tenant over 4,100m². Purchased for likely residential redevelopment.

8. 300 ADELAIDE ST

Price: $47.50 million

Date: December 2014

NLA: 13,134m²

Rate/m² of NLA: $3,807/m²

Yield: 8.92% core market (7.99% initial)

Vendor: Charter Hall Direct Property Fund

Purchaser: PH Capital

Comments: B grade office building constructed in 1975 and last refurbished in 2009. Basement parking for 36 cars. Typical floors of 651m². Sold with circa 35% vacancy.

9. 171 GEORGE ST

Price: $35.00 million

Date: July 2014

NLA: 8,700m²

Rate/m² of NLA: $4,023/m²

Yield: VP

Vendor: Private Investor

Purchaser: Toga Far East Hotels

Comments: Heritage style building which was sold substantially vacant. Purchased for conversion into a hotel with an additional four levels to be constructed above the existing roof line.

10. 240 MARGARET ST

Price: $30.00 million

Date: July 2014

NLA: 3,525m² (Site of 1,715m²)

Rate/m² of NLA: $8,511/m²

Yield: VP

Vendor: Queensland Water Corporation

Purchaser: Aspial Corporation

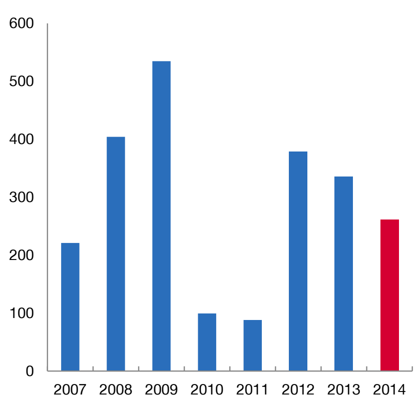
Comments: Site with an existing office building of six levels with basement parking for four cars. Sold with VP and expected to be a residential development although sold without any approvals.

CANBERRA

Investment activity in Canberra continues to ease with sale volumes trending downwards from the most recent peak in 2012. Despite this, there remains considerable capital in the market, underpinned by offshore and unlisted funds. The bulk of sales activity remains concentrated around Civic and Capital Hill, while investors have began to show a degree of selectiveness between asset grades and leasing profiles. Over CY 2014, office sales volumes ($10m+) totalled $261.4 million, down 22% from the $335.5 million recorded during 2013. This modest slowdown largely reflects the 'cherry picking' nature of investors, coupled with the relatively limited offering of prime grade assets. At the same time, investors appear to have no urgency and are willing to bide their time for either a prime, long WALE asset or until the market fundamentals become clearer.

The majority of buying demand is focussed on prime assets with relatively long WALEs of circa 7 to 8 years as a minimum. Assets without such income security are being materially discounted with increasing evidence of a disparity in yields. With leasing demand for secondary stock remaining soft, a considerable risk premium continues to be required by investors for such assets. Market activity over the past year was dominated by sub $40 million sales, while the largest transaction was the $45.01 million acquisition of NewActon East, reflecting a core market yield of 7.53%.

FIGURE 4
Canberra Sales Volumes
$ million total transaction value ($10mil+)



Source: Knight Frank

1. NEWACTON EAST, CIVIC

Price: $45.01 million

Date: August 2014

NLA: 7,498m²~

Rate/m² of NLA: $6,003m²

Yield: 7.53% core market

Vendor: Acton Developments

Purchaser: Placer Property*

Comments: 8 storey A-grade mixed use building. The office component is anchored by the Australian Competition and Consumer Commission. The property has a weighted average lease expiry (WALE) of 10.1 years.

2. 14 CHILDERS ST, CIVIC

Price: $38.05 million (50% share)#

Date: March 2014

NLA: 15,034m²

Rate/m² of NLA: $5,062/m²

Yield: 8.08% core market

Vendor: Amalgamated Property Group

Purchaser: Morris Property Group

Comments: 6 storey A-grade building completed in 2011, incorporating ground floor retail, upper level office and 240 basement car spaces. Comprises 16 tenants including BAE Systems. WALE of 5.4 years.

3. 38 SYDNEY AVE, FORREST

Price: $35.50 million

Date: April 2014

NLA: 9,099m²

Rate/m² of NLA: $3,902/m²

Yield: n/a

Vendor: Mirvac

Purchaser: Blackstone Group

Comments: 4 storey A-grade office building purpose built for the Commonwealth Government in 1997. Leased to the Department of Communications. The property has a WALE of 3.9 years.

4. 44 SYDNEY AVENUE, FORREST

Price: $32.00 million

Date: December 2014^

NLA: 9,977m²

Rate/m² of NLA: $3,207/m²

Yield: 11.80% fully let initial

Vendor: 360 Capital Canberra Trust

Purchaser: Quintessential Equities^

Comments: 4 level stand alone A-grade office building including 216 car spaces (202 at -grade). Department of Foreign Affairs and Trade (DFAT) occupy 34% of the building and 35% was vacant at the time of sale.

5. 1212 KIRKPATRICK ST, WESTON CREEK

Price: $30.50 million

Date: July 2014

NLA: 9,286m²

Rate/m² of NLA: $3,285/m²

Yield: 10.08% core market

Vendor: Centuria*

Purchaser: Private Investor

Comments: A purpose built complex of 5 commercial style buildings that provide education services to the Department of Defence. Located in a semi-rural location approximately 11km from the Canberra CBD.

6. 186 REED ST, GREENWAY

Price: $25.81 million

Date: May 2014

NLA: 5,403m²

Rate/m² of NLA: $4,776/m²

Yield: 7.75% core market

Vendor: Long Service Leave Authority (ACT Gov't)

Purchaser: Investec (IAPF)

Comments: 4 storey office building known as the Manning Clarke Offices. Built in 1991 and wholly leased to the Department of Human Services, the building recently underwent refurbishment. WALE of 8.9 years.

7. 14 MOORE ST

Price: $23.00 million

Date: Feb 2014

NLA: 11,122m²

Rate/m² of NLA: $2,068/m²

Yield: 10.61% core market

Vendor: DEXUS

Purchaser: Quintessential Equities

Comments: 14 storey B-grade office tower including ground floor foyer and café, 13 levels of office accommodation and basement car parking for 70 vehicles.

8. 10 MOORE ST

Price: $18.00 million

Date: May 2014

NLA: 6,703m²

Rate/m² of NLA: $2,685/m²

Yield: 9.76% core market

Vendor: AMP Capital Investors

Purchaser: Quintessential Equities

Comments: 6 storey B-grade office complex including 41 car parks (basement and at-grade). The property has a WALE of 2.9 years.

9. 26 BRISBANE AVE

Price: $13.50 million

Date: Feb 2014

NLA: 2,797m²

Rate/m² of NLA: $4,826/m²

Yield: 7.63% core market

Vendor: Private Investor

Purchaser: Hadley Green

Comments: 4 level office building incorporating 82 basement car parks. Leased to the Defence Housing Authority. The property has a WALE of 8.1 years.

10. 217 NORTHBOURNE AVE

Price: $11.45 million

Date: December 2014

NLA: 2,707m²

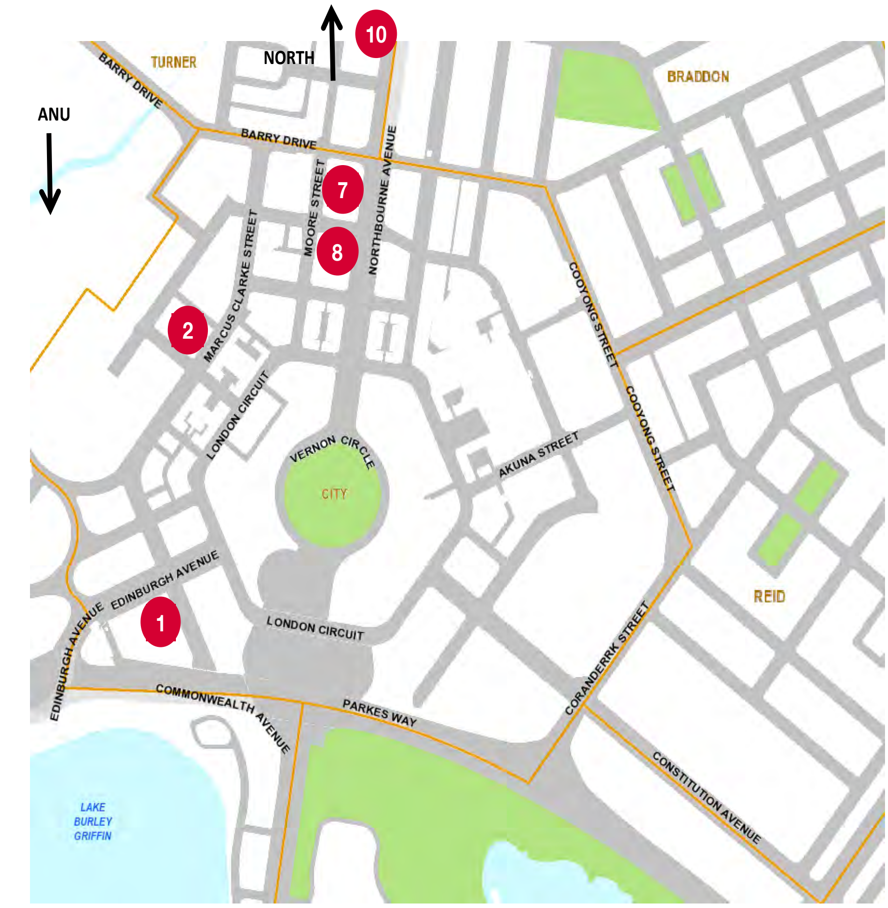
Rate/m² of NLA: $4,230/m²

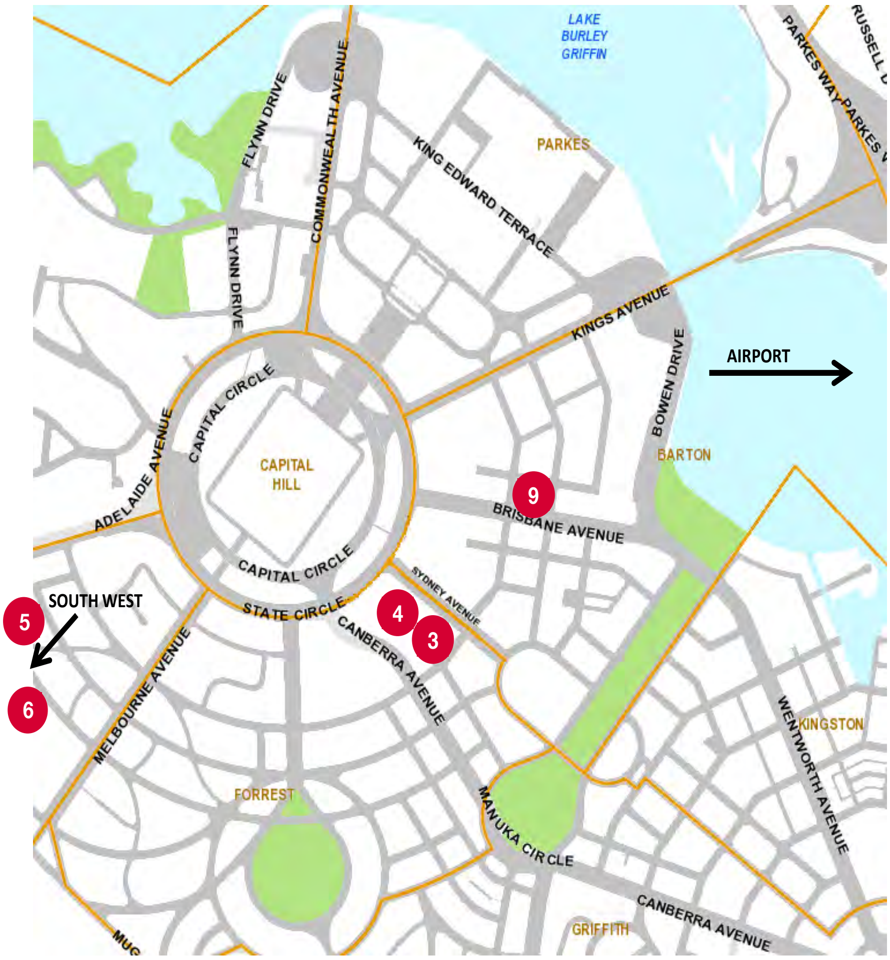
Yield: n/a

Vendor: Magpie Prop. Developments

Purchaser: 217 NBA Pty Ltd

Comments: Large site area of 5,046m². Purchased with the intention for residential conversion with a DA already lodged.





~ includes 674m² of retail space
# 50% share

* single asset unlisted fund
^ subject to capital raising and settlement expected in early 2015

ADELAIDE

Calendar year office sales ($10 mill+) in the Adelaide office market picked up in 2014, recording a total of $515.23 million, a figure well above the $311.8 million achieved last year. This figure was enhanced by the portfolio sale by SachsenFonds for $175.2 million, Adelaide's largest ever office sale.

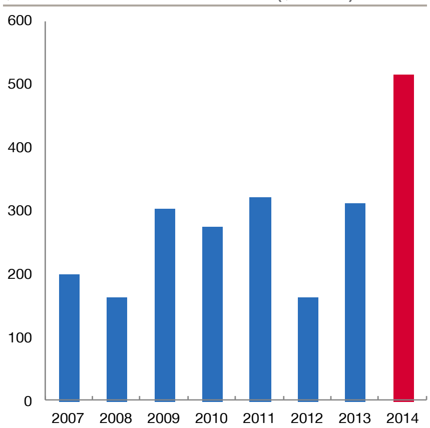
The transactions for 2014 indicate that, whilst supply of quality investment stock remains tight, there has been a noticeable increase in demand from interstate institutions and offshore investors seeking to invest capital in property. Institutions nationally are seeking to invest capital in Adelaide's office market as investment opportunities in other interstate markets are being exhausted and buyers are being priced out.

With further investment activity from interstate and South East Asian pension funds in the Australian market, there is a strong argument to suggest that some of these groups will start looking at more provincial or non-core city office markets in 2015, such as Adelaide. The demand will be driven by the shift of money from lower yielding investments in major capital cities, to chase high yielding investments. Weight of money is driving investment interest in Adelaide, rather than improvements in the office market fundamentals, where occupier demand is most prominent for prime assets.

FIGURE 5

Adelaide Sales Volumes

$ million total transaction value ($10mil+)



Source: Knight Frank

1. SACHSENFONDS PORTFOLIO ~

Price: $175.20 million

Date: October 2014

NLA: 35,181m²

Rate/m^2 of NLA: $4,980/m²

Yield: 8.37% core market (8.69% initial)

Vendor: SachsenFonds

Purchaser: APPF Commercial (Lend Lease)

Comments: The portfolio comprises three A-Grade office buildings, Santos headquarters at 60 Flinders Street, IAG Building at 80 Flinders Street, 60 Light Square (occupied by People's Choice Credit Union) and an eight level, 700 bay car park complex.

2. 91 KING WILLIAM ST ^

Price: $74.00 million (50% share)

Date: November 2014

NLA: 31,399m²

Rate/m^2 of NLA: $4,714/m²

Yield: 7.90% core market (8.28% initial)

Vendor: Arena Investment Management Ltd

Purchaser: Abacus Funds Management Ltd

Comments: The 31 level Premium Grade office tower sold with a WALE of 4.0 years. The major tenant being the Minister for Infrastructure, occupying 31.6%. The sale of Arena's 50% share was to the joint owner Abacus, who now holds a 100% share.

3. 151 PIRIE ST

Price: $72.00 million

Date: September 2014

NLA: 12,571m²

Rate/m^2 of NLA: $5,727/m²

Yield: 7.32% core market (7.06% initial)

Vendor: Real I.S. (German Based Fund Manager)

Purchaser: Padman Health Care Pty Ltd

Comments: The 9 level A-Grade office tower sold with a WALE of 5.7 years. The major tenant, KPMG occupies 37.8% of the building's total NLA, until May 2026. The building has a 5.5 star NABERS rating. The building was 100% leased.

4. 22-28 KING WILLIAM ST

Price: $41.80 million

Date: June 2014

NLA: 9,640m²

Rate/m^2 of NLA: $4,350/m²

Yield: 8.22% core market (8.58% initial)

Vendor: Quintessential Equities

Purchaser: Southern Cross Equity Group

Comments: The 14 level A-Grade office tower sold with a WALE of 7.2 years. The major tenant, National Australia Bank occupies 64% of the building's total NLA, until March 2024. The building has a 4 Star NABERS rating. The building had a vacancy rate of 10.7%.

5. 81 FLINDERS ST *

Price: c. $40.00 million

Date: December 2014

NLA: 9,834m²

Rate/m^2 of NLA: Confidential

Yield: Confidential

Vendor: Norelco Holdings (Aust) Pty

Purchaser: Local Syndicate

Comments: The 14 level A-Grade office tower sold with a WALE of 4.6 years. The major tenant, Finlaysons occupies 32% of the building's total NLA, until March 2024. The building has a 4 Star NABERS rating. The building had a vacancy rate of 19.6%.

6. 60 WAKEFIELD ST & 21 DIVETT PL *

Price: c. $35-40 million

Date: November 2014

NLA: 12,660m²

Rate/m² of NLA: Confidential

Yield: 7.50-8.00% core market

Vendor: SA Government

Purchaser: Local Syndicate

Comments: 60 Wakefield St, 6 level B-Grade office tower and 21 Divett Pl, 10 level C-Grade office tower sold subject to a leaseback to the SA Government for 12 years. The building sold 100% leased.

7. 196 O G RD,

Price: $30.00 million

Date: October 2014

NLA: 6,288m²

Rate/m² of NLA: $4,771/m²

Yield: 8.50% core market (8.50% initial)

Vendor: Commercial and General

Purchaser: Private Investor

Comments: The 2 level purpose built "back office" data processing facility sold with a WALE of 11.0 years. The property is 100% leased to Hewlett Packard Pty Ltd.

8. 100 PIRIE ST

Price: $28.63 million

Date: August 2014

NLA: 9,022m²

Rate/m² of NLA: $3,171/m²

Yield: 9.44% core market (7.15% initial)

Vendor: Melis Developments

Purchaser: Private Investor

Comments: The 10 level A-Grade office tower sold with a WALE of 2.0 years. The major tenant, the SA Government occupies 55% of the building's total NLA.

9. 44 WAYMOUTH ST

Price: $14.10 million

Date: February 2014

NLA: 7,220m²

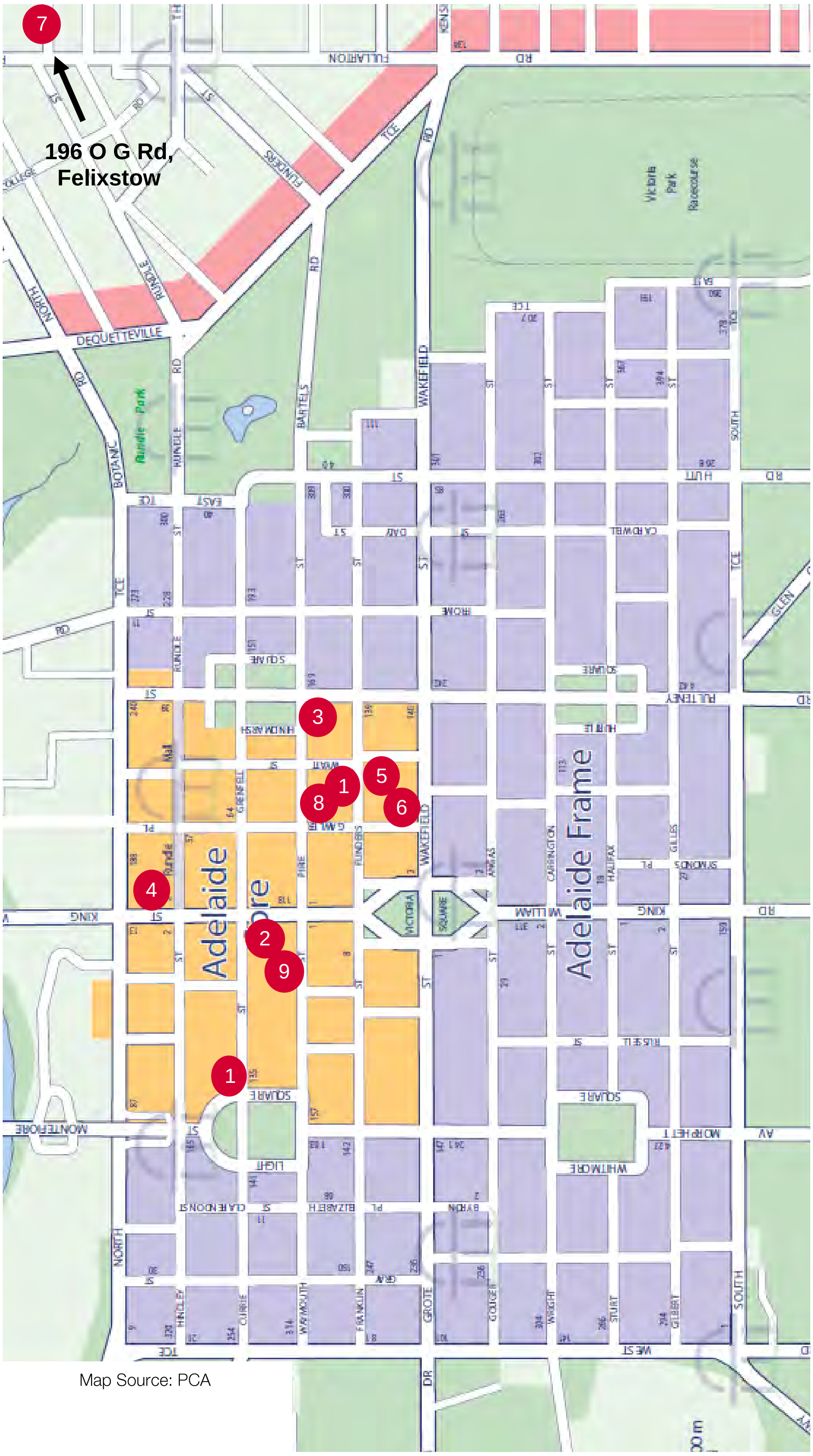
Rate/m² of NLA: $1,953/m²

Yield: 10.42% core market (5.28% initial)

Vendor: Indigenous Business Australia

Purchaser: Local Private Developer

Comments: The 13 level B-Grade office tower sold with a WALE of 0.6 years. The major tenant, SA Health occupies 41% of the building's total NLA.



Map Source: PCA

Note. Sales include transactions that occurred in the Core, Frame, Fringe and suburban markets.

~ portfolio included 60 Flinders St, 80 Flinders St, Flinders Link carpark & 60 Light Square
# Sale 7 was in a suburban location (Felixstow), hence not on map - Felixstow is 6kms north east of the CBD.
^ Off Market Transaction

PERTH CBD

1. 250 ST GEORGES TCE

Price: $388.50 million (50% share)

Date: June 2014

NLA: 65,316m²

Rate/m² of NLA: $11,896/m²

Yield: 7.30% core market (7.40% initial)

Vendor: Investa Nominees Pty Ltd

Purchaser: Investa Commercial Property Fund

Comments: QV1- 42 level premium office tower adjoined by retail plaza and 5½ level car parking station. The asset sold with nil vacancy and 7.7 year WALE.

2. 256 ADELAIDE TCE

Price: $91.00 million

Date: April 2014

NLA: 17,727m²

Rate/m² of NLA: $5,133/m²

Yield: 8.60% core market (11.0% initial)

Vendor: Aspen Septimus Roe Pty Ltd

Purchaser: Far East Organisation

Comments: 19 level secondary grade office building which has been progressively refurbished. The asset immediately requires a capex of $10 mil.

3. 130 STIRLING ST, NB^

Price: $90.00 million

Date: February 2014

NLA: 12,348m²

Rate/m² of NLA: $7,289/m²

Yield: 8.20% core market (7.90% initial)

Vendor: Charter Hall (CHIF7)

Purchaser: Hiap Hoe (Singapore)

Comments: Modern seven level office complex completed in 2009. The asset was sold with 2.32% vacancy and WALE of 5.6 years.

4. 220 ST GEORGES TCE

Price: $35.00 million

Date: October 2014

NLA: 9,198m²

Rate/m² of NLA: $3,805/m²

Yield: 8.02% core market (4.83% initial)

Vendor: A. Caratti & Gucce Holdings

Purchaser: N. Giorgetta

Comments: 10 level secondary grade offices constructed in 1984 with a typical floor plate of approx. 1,000m². The building is currently being refurbished.

5. 16 PARLIAMENT PL, WP*

Price: $22.60 million

Date: October 2014

NLA: 2,989m²

Rate/m² of NLA: $7,561/m²

Yield: 7.50% core market (8.28% initial)

Vendor: Primewest

Purchaser: Private Investor

Comments: 25 year old, four level office development which was refurbished and extended in 2002. The asset was sold with nil vacancy and WALE of 5.6 years.

6. 100 JAMES ST, NB^

Price: $17.71 million

Date: October 2014

NLA: 5,111m²

Rate/m² of NLA: $3,465m²

Yield: N/A

Vendor: Commonwealth Bank of Aust.

Purchaser: SKS Murray Street Pty Ltd

Comments: Purchased by Malaysian investor for redevelopment purposes. Proposed 17 level hotel with 204 rooms, dining, guest facilities and 18 car bays.

Map Source: PCA Note: Sales include transactions that occurred in the CBD, Fringe and West Perth markets.

* West Perth adjoins the western end of the Perth CBD WP West Perth NB Northbridge ^ Fringe Sale

NON—CBD MAJOR NATIONAL SALES

Australian non-CBD office sales volumes ($10m+) have hit a record high of $5.43 billion in 2014, and the final figure is expected to be higher with a handful of pending deals in final negotiations or due diligence. The current volume by value are 29% higher than the 2013 total of $4.11 billion and 65% higher than the 2007 market peak. Transaction activity by value and by number have steadily been increasing since 2011 (see Figure 6).

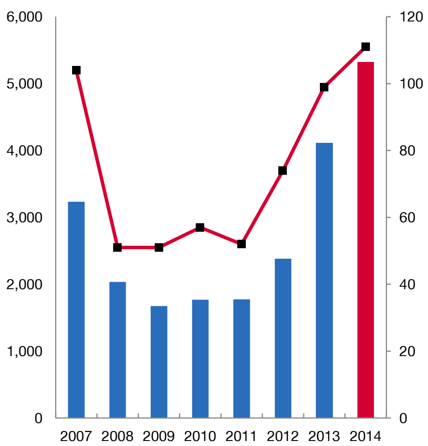
However, although the 2014 volumes by value are significantly higher than the 2007 level, the 112 sales transacted is only marginally higher than the 2007 number of 104. The contributing factor to this is the recent pick-up in activity in the $50 million plus and indeed the $100 million plus price brackets (see Figure 7). The $5.91 billion in $50 mill+ sales over the past two years is only marginally below the total level recorded for the preceding six years. By number, the 35 sales transacted in 2014 (50 mill+) is well above the average of 12 recorded in the prior seven years.

After being small players in the non CBD markets between 2007 and 2012, offshore investors have now been the predominant purchaser type for the past two years, accounting for 43% of the total sales volume in 2013 and 33%, or $1.76, billion in 2014.

FIGURE 6

Australian Non-CBD Sales Volumes

$ mill by value and by number (RHS) - $10mil+



Source: Knight Frank

1. 101 MILLER ST & GREENWOOD PLAZA, NORTH SYDNEY

Price: c. $305.00 million (50% share)

Date: October 2014

NLA: 46,220m² (incl. 8,748m² retail)

Rate/m² of NLA: c. $13,198/m²

Yield: c. 6.3% core market (6.2% initial)

Vendor: Eureka Core Property Fund 3

Purchaser: TIAA Henderson Real Estate

Comments: Premium grade office building, with direct access to the train station, and Greenwood Plaza, a three level retail centre at the base of the building with over 100 retail and service outlets. Asset will continue to be operated by co-owner Mirvac.

2. NSW POLICE HQ, 1 CHARLES ST, PARRAMATTA

Price: $241.10 million

Date: June 2014

NLA: 31,954m²

Rate/m² of NLA: $7,545/m²

Yield: 6.6%* core market (7.6% initial)

Vendor: AustralianSuper

Purchaser: Growthpoint Properties Australia

Comments: Largest Parramatta sale on record, asset consists of twin office towers of 9 and 13 levels purpose built for the NSW Police in 2003. Asset is fully leased until May 2024 plus a five year option with fixed 3.5% rental increases.

3. SOUTHPOINT, SOUTH BRISBANE

Price: $200.62 million

Date: April 2014

NLA: 28,218m²

Rate/m² of NLA: $7,088/m²

Yield: 7.54% core market

Vendor: Anthony John Group

Purchaser: Union Investment Real Estate (Unilmmo:Europa)

Comments: Pre-sale and fund through of the building which has the office space fully committed to Flight Centre (10 years) and Woolworths (20 years) committed to 30% of the retail space, with the remainder having a rental guarantee. WALE of 10 years.

4. 2 SOUTHBANK BLVD, SOUTHBANK, MELBOURNE ^

Price: $196.70 million (50% share)

Date: May 2014

NLA: 53,669m²

Rate/m² of NLA: $7,330/m²

Yield: 7.3% (reported cap rate)

Vendor: DEXUS/CPPIB ^

Purchaser: GPT Wholesale Office Fund (GWOF)

Comments: Completed in 2005, the 37-level A-grade office was sold with a WALE of 3.1 years. Co-owner Australand did have a pre-emptive right to purchase the CPA stake in Freshwater Place but elected not to exercise it.

5. 160 MARSDEN ST & 4 GEORGE ST, PARRAMATTA

Price: $170.10 million ($157.2m for 160 Marsden St & $12.9m for 4 George St)

Date: November 2014

NLA: 21,587m²

Rate/m² of NLA: $7,880/m²

Yield: Confidential

Vendor: Government Property NSW

Purchaser: Eureka

Comments: Modern, highly specified asset built in 2007 accommodating NSW Department of Attorney General and Justice. Competitively sought by both local and offshore funds. Fully leased to the Government on a 15 year WALE with two 5 year options.

* assuming income over special area rental areas continues in perpetuity, core market yield reflects closer to 7.0%
^ As part of the DEXUS takeover of CPA, DEXUS entered into an MOU with GPT (GWOF), to acquire, on market terms, three CPA assets —including 50% of 2 Southbank Blvd

Offshore demand has been particularly strong for buildings with re-development/change of use potential, however the prime yield firming that has occurred in the CBD over the past two years has also led to many global European, US and Asian funds actively chasing core assets with secure, long term income in non-core markets.

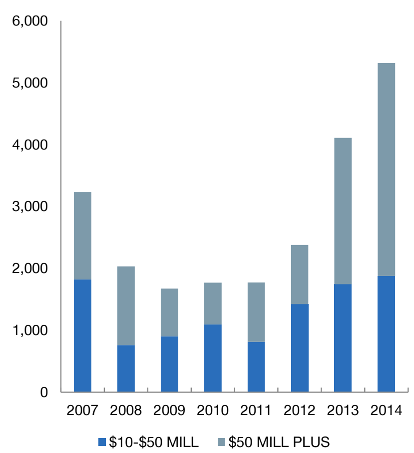
Unlisted wholesale funds and syndicates have also been active in the market over the past two years, accounting for 36% of sales in 2013 and 29% in 2014. Whilst AREITs remain tentative buyers, the trend towards specific suburban funds, such as the GPT Metropolitan Fund, is likely to see AREIT/Wholesale fund activity pick up in 2015. Notwithstanding this, portfolio re-balancing and capital management initiatives have resulted in domestic groups being net sellers in 2014.

The top non-CBD office sale for 2014 was TIAA Henderson's 50% acquisition of 101 Miller Street and the Greenwood Plaza in North Sydney for circa $305 million, which is a rarely classified non-CBD "Premium" grade asset. Six of the top 10 non-CBD sales were relative new builds with long WALEs of between seven and 20 years, highlighting the demand that exists for this type of product, whether it is CBD or non-CBD.

FIGURE 7

Australian Non-CBD Sales Volumes

$ mill by value brackets ($10mil+)



Source: Knight Frank

6. 2 RIVERSIDE QUAY, SOUTHBANK, MELBOURNE

Price: $106 million (50% share)

Date: December 2014

NLA: 21,000m²

Rate/m² of NLA: $10,095/m²

Yield: 6.12% (reported cap rate)

Vendor: Mirvac (MGR)

Purchaser: ISPT

Comments: Located in the Southbank precinct, the 21-level office development under construction is 82% pre-leased to PwC for 12 years and is scheduled for completion in 2017. ISPT will fund 50% of the total development costs throughout the construction period.

7. 29-57 CHRISTIE ST, ST LEONARDS

Price: $96.40 million

Date: May 2014

NLA: 18,081m²

Rate/m² of NLA: $5,331/m²

Yield: 8.7% core market (9.0% initial)

Vendor: Charter Hall Office Trust

Purchaser: APIL/Wingate Group

Comments: Fully leased, seven level office building and a three level mixed use building incorporating a child care facility and a gymnasium. Located on a 7,636m² parcel of land with an additional 11,050m² of NLA possible under the permitted floor space ratio.

8. 60 BROUGHAM ST, GEELONG

Price: $95.80 million

Date: October 2014

NLA: 15,386m²

Rate/m² of NLA: $6,226/m²

Yield: 7.50% initial

Vendor: Laidlaw family

Purchaser: Impact Investment Group

Comments: The seven-level office building, completed in 2009 was purpose built for the TAC. The 20-year TAC lease expires in 2029 with a five-year option to extend and is subject to fixed annual rental increases of 3.5%.

9. 484 ST KILDA RD, MELBOURNE

Price: $94.00 million

Date: July 2014

NLA: 20,376m²

Rate/m² of NLA: $4,613/m²

Yield: 7.40% core market (7.65% initial)

Vendor: Abacus Funds Management

Purchaser: UBS Grocon Real Estate

Comments: 16-level A-grade office building with ground floor retail and two levels of basement parking. The building offered triple frontage totalling 196m to St Kilda Road, Queens Lane and Louise Street; it was 98% leased and sold with a WALE of 3.6 years.

10. 144 MONTAGUE RD, SOUTH BRISBANE

Price: $92.70 million

Date: December 2014

NLA: 14,742m²

Rate/m² of NLA: $6,288/m²

Yield: 8.53% core market (9.10% initial)

Vendor: Hines Global REIT 1

Purchaser: Mapletree

Comments: Modern office building completed in 2009 and fully leased to Ausenco although they have since sub-leased some space. This was one of Hines Global's first Australian purchases and they are now recycling capital. WALE of 7.0 years.

KEY HIGHLIGHTS

Australian office sales volumes ($10m+) have been super-charged over the past two calendar years, with $28 billion worth of assets transacted. The record high of $14.1 billion achieved in 2013 is almost certainly going to be surpassed in 2014. The value of sales is currently sitting just $100 million shy of this at $13.99 billion with more than $1.5 billion of deals in final negotiations or due diligence. To put the past two years sales activity into perspective, volumes have been around 70% higher than what was achieved in the market peak in 2007 (see Figure 8). By number, there were 206 buildings transacted in 2014 and 203 in 2013 compared to 189 recorded in 2007.

Although the CBD transaction volumes were the major contributor to the strong results in both 2013 and 2014, there has been a steady increase in transaction activity in the non-CBD markets over the past few years. It should also be noted that the total CBD activity by value in 2014 actually fell by 14% compared to 2013 levels, whereas the non-CBD volumes rose by 29% (see Figure 9).

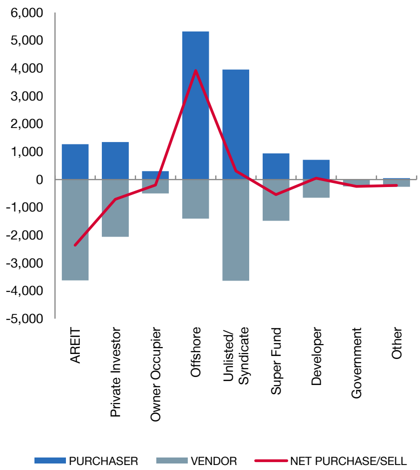
Unsurprisingly, eight of the top 10 office sales in 2014 were located in the CBD, with the two largest non-CBD sales being the 50% interest in 101 Miller Street (and the Greenwood Plaza) in North Sydney bought for circa $305 million and 1 Charles Street in Parramatta acquired for $241.1 million.

The highest price tag for 2014 was the $608.1 million paid jointly by the listed GPT Group and their unlisted vehicle (GWOF) for the CBW complex, which was the Melbourne CBD's largest sale on record. The next three largest sales all traded at sub 6% core market yields, confirming what was previously only a notional benchmark yield. These included, 52 Martin Place, Sydney ($555 million acquired by REST Industry Super), 275 Kent Street, Sydney ($435 million, 50% share acquired by Blackstone), and 700 Bourke Street, Melbourne ($433.5 million acquired by AMP's Wholesale Office Fund).

Offshore investors have clearly been the largest purchaser type, accounting for 38%, or $5.33 billion of the total sales volume. Offshore demand has broadened from the traditional core assets in the CBD and Fringe to now include suburban assets, value add assets and buildings with immediate or longer term re-development/change of use potential. As Figure 10 shows very clearly, Offshore investors were the only net buyer in 2014, with net purchases of almost $4 billion. Portfolio rebalancing by the local funds, partial or full sell downs of new builds by developers and select divestments by private groups capturing the strong investment demand, all driving this result.

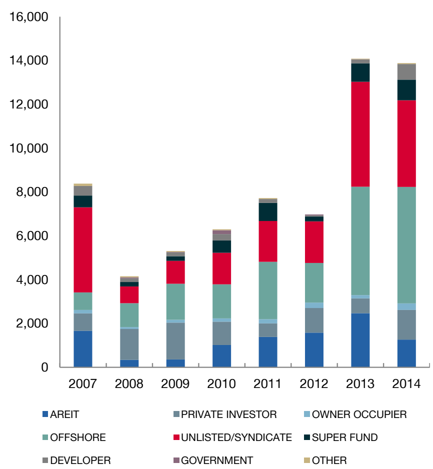
Interestingly, the buyer motivation/focus was dominated by core plus/value add opportunities with 113 of the 206 sales (55%) followed by opportunistic/development purchases (52 sales), whilst only 33 deals were classified as "core", albeit limited by lack of opportunity rather than investor appetite per se.

FIGURE 10
Australian Office Purchaser/Vendor
$ mil net position by buyer type 2014—$10mil+



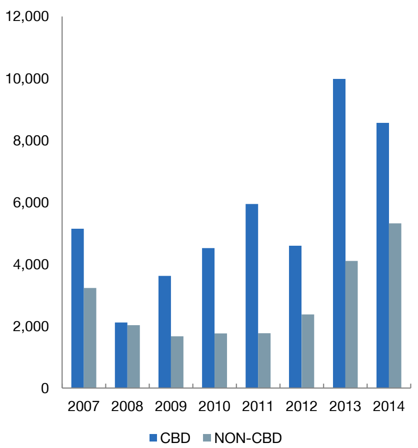
Source: Knight Frank
NB. Includes CBD and Non-CBD office sales

FIGURE 8
Australian Office Sales Volumes
$ mil total transaction value ($10mil+)



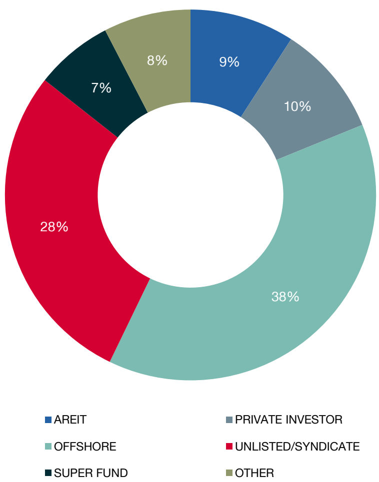
Source: Knight Frank
NB. Includes CBD and Non-CBD office sales

FIGURE 9
Australian Office Sales Volumes
$ mil Breakdown by CBD & Non-CBD ($10mil+)



Source: Knight Frank
NB. Includes CBD and Non-CBD office sales

FIGURE 11
Australian Office Sales 2014
Breakdown by purchaser type ($10mil+)



Source: Knight Frank
NB. Includes CBD and Non-CBD office sales

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