



FEBRUARY 2011

AUSTRALIAN CBD OFFICE

Annual Sales Transactions Report

Knight Frank

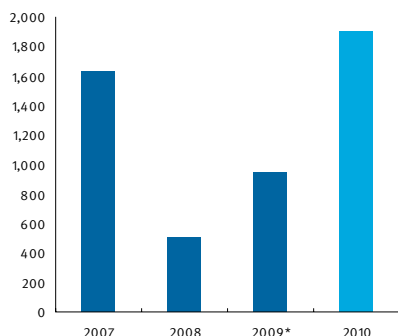
HIGHLIGHTS

- Commercial sales activity across Australia's major CBDs has recovered with \$4.8billion of sales \$10million+ transacting during 2010 (plus circa \$500 mill+ of properties under negotiation or in due diligence), largely due to the upsurge in transaction value within Sydney and Melbourne. While not yet back to the \$5.9billion recorded in 2007, this does indicate that market transaction activity has returned to more normal levels.
- Strong overseas interest in the first half of the year has been replaced more recently by a return of Australian funds, initially the larger wholesale and super funds such as GWOFF or Sunsuper and now broadening to encompass REITs such as CPA.
- The market remains highly stratified with activity at the prime end of the market putting some downward pressure on yields. There is little activity in the middle tier of the market and while there is continued private and smaller investor activity at the lower end, yields for these properties remain subjective to perceived risk.

SYDNEY CBD

A noticeable increase in investor interest from late 2009, continued throughout 2010 with \$1.9 billion worth of transactions transpiring in the 2010 calendar year. The increase in investor appetite from off-shore groups in 2009 and H1 2010 was followed up by the return of the domestic players (including super funds, unlisted funds and private equity funds), culminating in six sales transacting in July/August alone, with a total value of \$537 million. In addition, there were four major assets which sold in late December (totalling \$430 mill), which was a good litmus test for the market and purchaser profile.

Graph 1
Sydney CBD Transactions \$10million+
\$ million total transaction value



Source Knight Frank *(ex Aurora)

The market remains distinctly tiered between asset grades (prime v. secondary), location (CBD v. suburban), and cash flow profile (passive long term WALEs v. active shorter WALEs). The market is also complicated by differences in purchaser profiles, with offshore purchasers dominating the market for "prime" assets, although not active for "secondary" stock, which may continue to contribute to some inconsistency in yields in the short term. As greater competitive pressures emerge in the market as liquidity improves, debt refinancing margins narrow and domestic funds return to acquisition mode, quality assets will continue to have a firming bias in 2011. However, some secondary and suburban asset yields have the potential to remain soft as purchasers price in the relevant risk.

1. 163 Castlereagh Street

Price: \$378.0 million (50% interest)
Date: April 2010
NLA: 57,700m² (Completion mid 2013)
Yield: 6.74% core market
\$/m²: 13,103/m²

Vendor: Grocon

Purchaser: GPT (GWOF) *

Comment: Purchased pre-completion based upon a cost of \$333 mill (50%) and an on completion value of \$378 mill (50%) reflecting stamp duty savings and future coupon payments. **Anchored by major tenants ANZ and Freehills.**

2. 310-320 Pitt Street

Price: \$191.75 million
Date: December 2010 (finalised Jan 2011)
NLA: 29,159m²
Yield: 7.30% core market (7.60% initial)
\$/m²: 6,576/m²

Vendor: Investa (IPG & IDOF)

Purchaser: AIMS (MacarthurCook)

Comment: A-grade office tower located in the Mid-Town precinct - fully occupied by Telstra Corp. with three 10 year leases which commenced in June 2010. **The buyer AIMS Financial Group bought on behalf of US property fund manager RMR.**

3. 4 & 14 Martin Place ^

Price: \$153.50 million (in one line)
Date: December 2010 (finalised Jan 2011)
NLA: 19,537m²
Yield: 7.50% core market (6.90% initial)^
\$/m²: 7,857/m²

Vendor: Private Investors

Purchaser of 4 MP: Kirsh Group

Purchaser of 14 MP: Abacus/Kirsh Group

Comment: Two adjoining B-grade office buildings fronting Martin Place with combined NLA of 19,537m². **Predominately comprise smaller office suites with strong retail component(26% of passing income).**

4. 77 King Street

Price: \$120.0 million #
Date: July 2010 (settlement late 2010)
NLA: 13,680m²
Yield: 6.60% initial (with income support)
\$/m²: 8,772/m²

Vendor: Kingvest P/L (Private Investor)

Purchaser: K-REIT (Asian)

Comment: The property was retrofitted in 2008 and had a relatively high vacancy at the time of sale (23%), with the initial passing yield subject to income support. **Asian buyer with several of the under-bidders also being off-shore parties.**

5. 55 Hunter Street

Price: \$106.1 million
Date: February 2010
NLA: 13,666m²
Yield: 7.26% core market (7.10% initial)
\$/m²: 7,764/m²

Vendor: ISPT

Purchaser: City Freeholds

Comment: Sold off-market to a previously adjoining owner, who had a property compulsory acquired by the NSW Government as part of the now shelved Sydney Metro rail system. **Prime corner location with high exposure.**

6. 233 Castlereagh Street

Price: \$103.5 million #
Date: July 2010
NLA: 19,898m²
Yield: 9.80% initial (with income support)
\$/m²: 5,207/m²

Vendor: Orchard

Purchaser: GDI Property Group

Comment: The asset was extensively refurbished in 2004/05 and was sold with a WALE of 3.1 years and low vacancy of 4%. **The relatively short WALE is somewhat offset by the high initial yield (partially supported by rental guarantees).**

includes income support/rental guarantees *LaSalle also purchased 25% share taking on development risk with Grocon.

^The sale is analysed in one-line (reported apportionment is \$95 mill for 14 Martin Place & \$58.5 mill for 4 Martin Place).



7. 35 Clarence Street

Price: \$99.25 million Date: July 2010
 NLA: 15,224m²
 Yield: 7.70% core market (8.20% initial)
 \$/m²: 6,519/m²
 Vendor: Orchard
 Purchaser: AMP/Sunsuper
 Comment: The building had a short WALE with circa 60% of NLA due to expire within 12 months, including Trust Company which signed a lease at 20 Bond Street. One of many super funds that have re-emerged with acquisition mandates.

8. 55 Clarence Street

Price: \$83.00 million
 Date: Dec 2010 (finalised January 2011)
 NLA: 14,958m²
 Yield: 8.40% core market
 \$/m²: 5,549/m²
 Vendor: Allianz
 Purchaser: Eureka
 Comment: B-grade asset located in the Western precinct close to the Barangaroo redevelopment site, sold with a low vacancy and diversified tenancy and expiry profile.

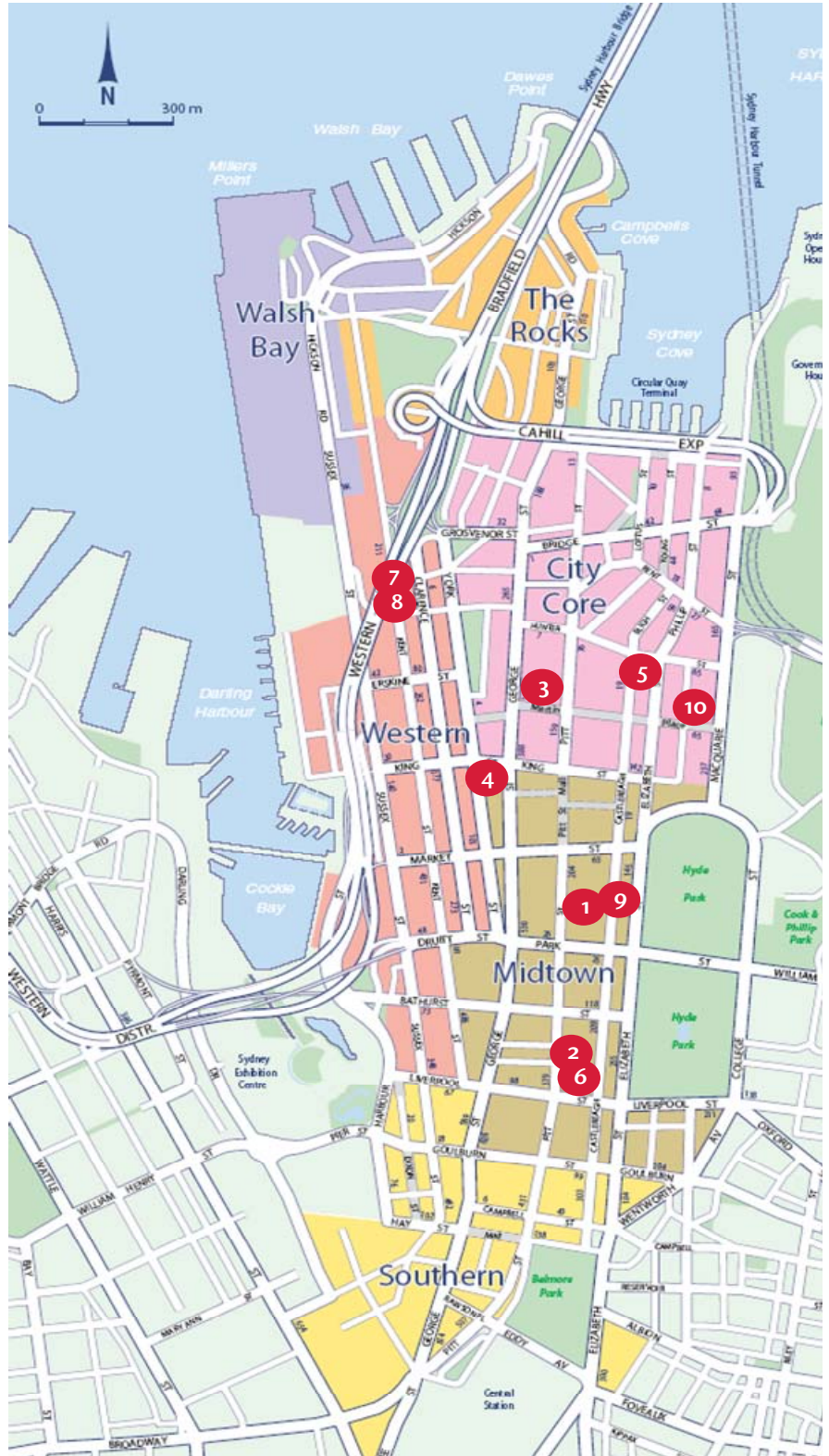
9. 179 Elizabeth Street

Price: \$95.0 million Date: July 2010
 NLA: 14,927m²
 Yield: 7.50% core market (7.0% initial)
 \$/m²: 6,364/m²
 Vendor: GPT
 Purchaser: LaSalle (LIM)
 Comment: Office building with expansive Hyde Park and Sydney Harbour views from the upper floors. Tenancy profile is multiple smaller tenants. The lower passing initial yield was impacted by the vacancy at the time of sale of circa 4%.

10. 60 Martin Place

Price: \$95.0 million (50%) Date: Feb 2010
 NLA: 27,855m²
 Yield: 7.10% core market (8.6% initial)
 \$/m²: 6,821/m²
 Vendor: Martin Place Property Trust
 Purchaser: Private Investor
 Comment: Prime location well positioned for a major refurb and market repositioning if Westpac vacate upon expiry, which is now 2015 following an extension and alignment of the previous lease terms.

SYDNEY CBD MAP

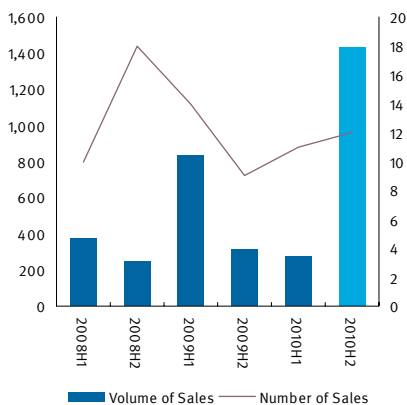


Source of Map: PCA

MELBOURNE CBD

Whilst private investors remain dominant with the largest quantum of sales, listed domestic funds and overseas investors have pushed total sales value to levels not seen since pre 2008. The Melbourne CBD office market is attracting a broad range of buyer who is seeking to capitalise on one of the nation's strongest performing commercial markets.

Graph 2
Melbourne CBD Transactions \$10million+
\$ million total transaction value



Source Knight Frank

THERE IS STRONG DEMAND FROM A BROADENING INVESTOR POOL

With approximately \$ 1.4 billion in CBD sales concluded, which includes 330 Collins Street (plus a number of buildings reportedly under due diligence), total sales volume for H2 2010 was almost three times the value recorded for the preceding twelve months. In addition to the CBD sales, two major sales occurred in the St Kilda Road precinct totalling \$70 million, with the most recent sale being 564 St Kilda Road, sold by Aspen for \$33.3 million on a passing yield of 8.70%, with 57% of the asset leased to L'Oreal for another 8.5 years.

1. Grocon Office Portfolio (Victorian Assets)

Price: \$581.4 million (excl purchase fees)
Date: November 2010
NLA: 165,132 (includes retail & car-park)
Yield: 7.6% (weighted avg cap rate)
\$/m²: circa 5,150/m²

Vendor: Grocon

Purchaser: Colonial (CPA)

Comment: Three prime Melbourne assets involved in the transaction. QV building (\$269.8mill), Media House Docklands (\$91.6mill) & (AXA Headquarters (\$220mill).Wale is 8.4 yrs. **Bought at a 3% discount to independent valuation. Deal forms strategic office sector alliance partnership.**

2. 717 Bourke Street

Price: \$240million (reportedly)
Date: October 2010
NLA: 43,838m²
Yield: 7.5% core market
\$/m²: 5,475/m²

Vendor: Melbourne Civic City (JV)

Purchaser: REST

Comment: Failed joint venture partners Babcock & Brown, Global Campus Management and Metier III meant this was a distressed sale. **Channel Nine/BP are the major tenant commitments.**

3. 485 La Trobe Street

Price: \$140.1 million
Date: July 2010
NLA: 33,814m²
Yield: 8.14% core market
\$/m²: 4,143/m²

Vendor: Investa

Purchaser: CLSA (Hong Kong Based)

Comment: Building offers a fringe CBD location next to the city's legal precinct. Underwent a refurbishment which achieved a 4 star green star rating and a 4.5 star NABERS energy rating. **Incorporates two towers - WALE of 6.2 yrs.**

4. South Wharf *

Price: \$115.65 million
Date: November 2010
NLA: 20,736m²
Yield: 7.75% (reported initial)
\$/m²: 5,577/ m²

Vendor: Austexx

Purchaser: Deka Immobilien

Comment: Office tower sits above the troubled DFO South Wharf. Deal was completed after lengthy DD period. WALE of 8.7 yrs fits offshore buyer criteria. **German pension fund's second recent acquisition in the Melbourne market.**

5. 737 Bourke Street

Price: \$113 million
Date: November 2010
NLA: 18,829 m²
Yield: 7.14% core market yield
\$/m²: 5,969/ m²

Vendor: Equiset

Purchaser: RREEF

Comment: Modern 11 level A-Grade office building with large floor plates (2,000m²). Sold fully leased except for a small retail area under guarantee. **National Foods occupy 70% of the building. WALE 9.7 yrs.**

6. 330 Collins Street

Price: \$107 million
Date: Dec 2010 (finalised Jan 2011)
NLA: 18,337m²
Yield: 8.0% (reported initial)
\$/m²: 5,835/ m²

Vendor: Challenger Hybrid Property Fund

Purchaser: AMP/Sun Super (reportedly)

Comment: Was under DD in late 2010 and confirmed recently, the sale gave the super fund its second (35 Clarence Street, Sydney) major acquisition on the eastern sea board in six months. **Prime Collins St location with NAB the major tenant.**

* Comparable sale, albeit located just on the fringe of the CBD # 1a AXA HQ, 1b Media House & 1c QV building (see map).



MELBOURNE CBD MAP

7. 570 Bourke Street

Price: \$76.5 million (50%)
 Date: September 2010
 NLA: 35,144 m²
 Yield: 8.78% initial
 \$/m²: 4,350/m²
 Vendor: Perron Group
 Purchaser: Charter Hall (CPOF)
 Comment: 50% Acquisition makes the asset wholly owned. Charter Hall had last right of refusal. WALE of 4.18 yrs. **Major upgrade to building services planned.**

8. 1 Spring Street

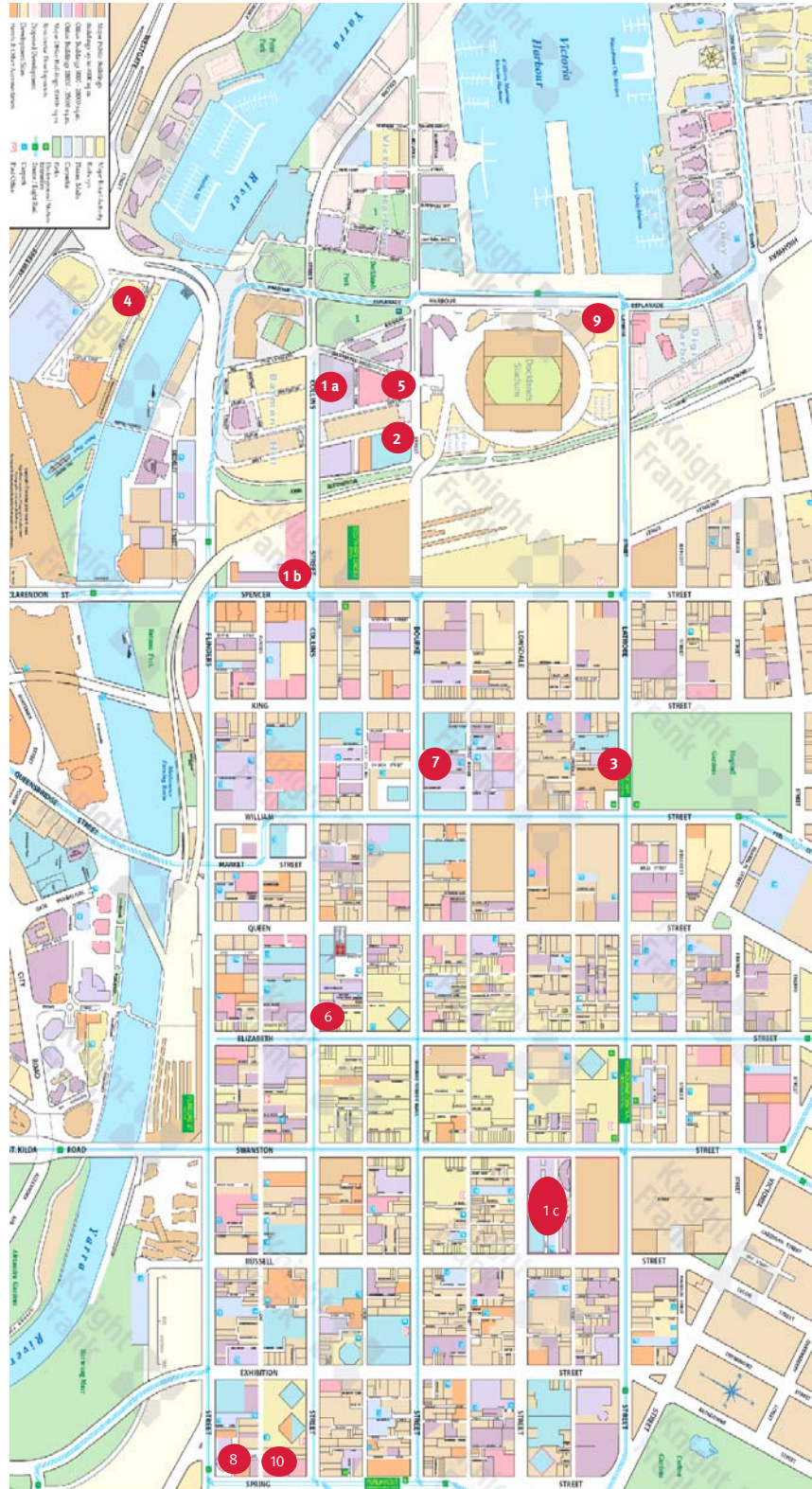
Price: \$67.0 million (50%)
 Date: February 2010
 NLA: 31,721 m²
 Yield: 7.5% core market
 \$/m²: 4,224/m²
 Vendor: Allco (In receivership)
 Purchaser: Daniel Besen (Private Investor)
 Comment: A-Grade office tower sold to private investor with strong potential for a residential conversion. **Luxury apartments in this area attract upwards of \$15,000/m².**

9. 160 Harbour Esplanade

Price: \$54.2 million
 Date: July 2010
 NLA: 7,980 m²
 Yield: 7.64% initial
 \$/m²: 6,792/m²
 Vendor: Trafalgar Corporate
 Purchaser: Local Private Investor
 Comment: Purchaser rumoured to be NRMA. Constructed in 2001 and fully leased to Seven Television Network until in 2025. **Irregular floor plates of around 2,600 m².**

10. 35 Spring Street

Price: \$45.5 million
 Date: August 2010
 NLA: 12,984 m²
 Yield: 9.1% initial
 \$/m²: 3,466/m²
 Vendor: OFM Direct Property Trust
 Purchaser: Cbus
 Comment: Fully leased to State Government Department until 2015 with no option. Short term lease for above market rents. **Potential residential conversion.**



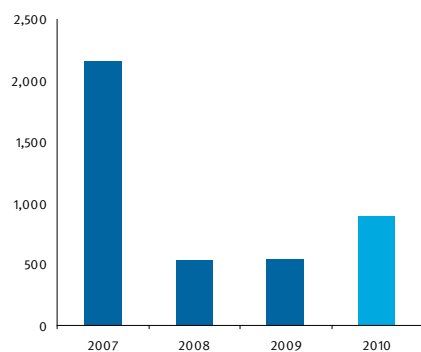
Source of Map: Knight Frank

NB. Grocon portfolio sale - 1a - AXA Headquarters 1b - Media House 1c - QV Building

BRISBANE CBD

Transaction activity within the Brisbane CBD has been highly stratified during 2010 with sales either over \$150 million, under \$35 million or development sites. The top tier sales activity has rejuvenated confidence to the institutional market with prime, long WALE new assets being well accepted by the market. The purchasers for these assets were originally dominated by overseas funds (ie K-REIT, PNB) but have now broadened to include Charter Hall, Telstra Super and potentially the Future Fund (who have 50% of Waterfront Place in DD). These purchasers remain focussed on both the asset quality and the initial yield with most of the larger sales to date including an element of income support, ensuring passing yields above 7.5%.

Graph 3
Brisbane CBD Transactions \$10million+
\$ million total transaction value



Source Knight Frank

Private Investors have remained part of the lower tier of the market and have been joined by a return of syndicates like GDI Syndicates and more eclectic purchasers such as the Canberra Raiders Leagues Club. Interest in CBD site sales has been piqued by tenant relocation opportunities in 2013 and beyond, along with increasing residential development interest. Two sites with large commercial components are included in this list, additionally sites such as 127 Charlotte St and 107 Margaret St were purchased for purely residential development for \$10 million and \$12 million respectively.

1. Brisbane Square

Price: \$300 - 330 million (approx)

Date: November 2010

NLA: 58,175m²

Yield: undisclosed

\$/m²: 5,156/m² (based on \$300m)

Vendor: Westcheme Management

Purchaser: Charter Hall(CPOF) & Telstra Super

Comment: Building completed in 2006. Fully leased to Suncorp (23,000m²) and BCC (33,000m²). WALE of 10.9yrs. Purchased via the holding company.

Passing income 30% below market, income support \$18m. Difficult to analyse.

2. 32 Turbot Street

Price: \$287 million

Date: August 2010

NLA: 34,414m²

Yield: 7.51% core market

\$/m²: 8,340/m²

Vendor: Ross Neilson Property Group

Purchaser: PNB (Malaysian Institution)

Comment: Modern 36 Level A grade building completed August 2009. 6 Green Star. Major tenants are Santos (10,105m²) & Aurecon (11,000m²). WALE 7.5yrs. **Initial overseas purchase for PNB. First CBD transaction over \$250 million since 2007.**

3. 275 George Street

Price: \$166 million (50% interest)

Date: January 2010

NLA: 41,478m²

Yield: 7.0% core market (7.7% initial with income support)

\$/m²: 7,954/m²

Vendor: Charter Hall (Core Plus No 4)

Purchaser: K-REIT

Comment: Modern A grade building completed in April 2009. Sold fully leased with the main tenants Queensland Gas (10,408m²) and Telstra (28,654m²). WALE 9.4yrs. **Sale to overseas fund included income support for 2 years.**

4. Vision site (131 Mary St)

Price: \$40 million reported

Date: July 2010 contract

NLA: 5,479m² Site

Yield: n/a

\$/m²: 7,300/m²

Vendor: Receivers & Managers

Purchaser: Billbergia Group

Comment: Reported purchase of a large CBD development site, excavated to 8 levels below ground. Previous mixed use scheme likely to be altered, but commercial component of 30,000m²+ remains likely. **Seeking JV partner.**

5. 10 Market Street

Price: \$34.25 million

Date: February 2010

NLA: 6,851m²

Yield: 8.75% core market (10.06% initial)

\$/m²: 4,999/m²

Vendor: Heathley Investment Management

Purchaser: GDI Syndicate

Comment: Building of 15 levels well located within the financial district and with view corridors to the Brisbane River. Occupied by approx 30 smaller tenants. WALE 3.2yrs. **Purchased by a syndicator with long term plans to refurbish & strata.**

6. 10 Felix Street

Price: \$25.1 million

Date: August 2010

NLA: 4,662m²

Yield: 8.35% initial

\$/m²: 5,384/m²

Vendor: Seymour Group

Purchaser: Canberra Raiders Leagues Club

Comment: 10 level building with basement parking for 49 vehicles. Constructed 1985, but well located close to the Brisbane River. Number of smaller tenants with a WALE of 4.1yrs. **Previous sale was \$23m in January 2009.**



BRISBANE CBD MAP

7. 55 Elizabeth Street

Price: \$24 million (approx)
 Date: November 2010 (settles mid 2011)
 NLA: 1,989m² Site
 Yield: n/a
 \$/m²: \$12,066/m² approx
 Vendor: Metacap Pty Ltd
 Purchaser: Grocon Developments
 Comment: Development site formerly known as the Empire Tower. Previous mixed use development not likely to be adopted by new owner. Potential commercial 26,000m².

8. 46 Charlotte Street

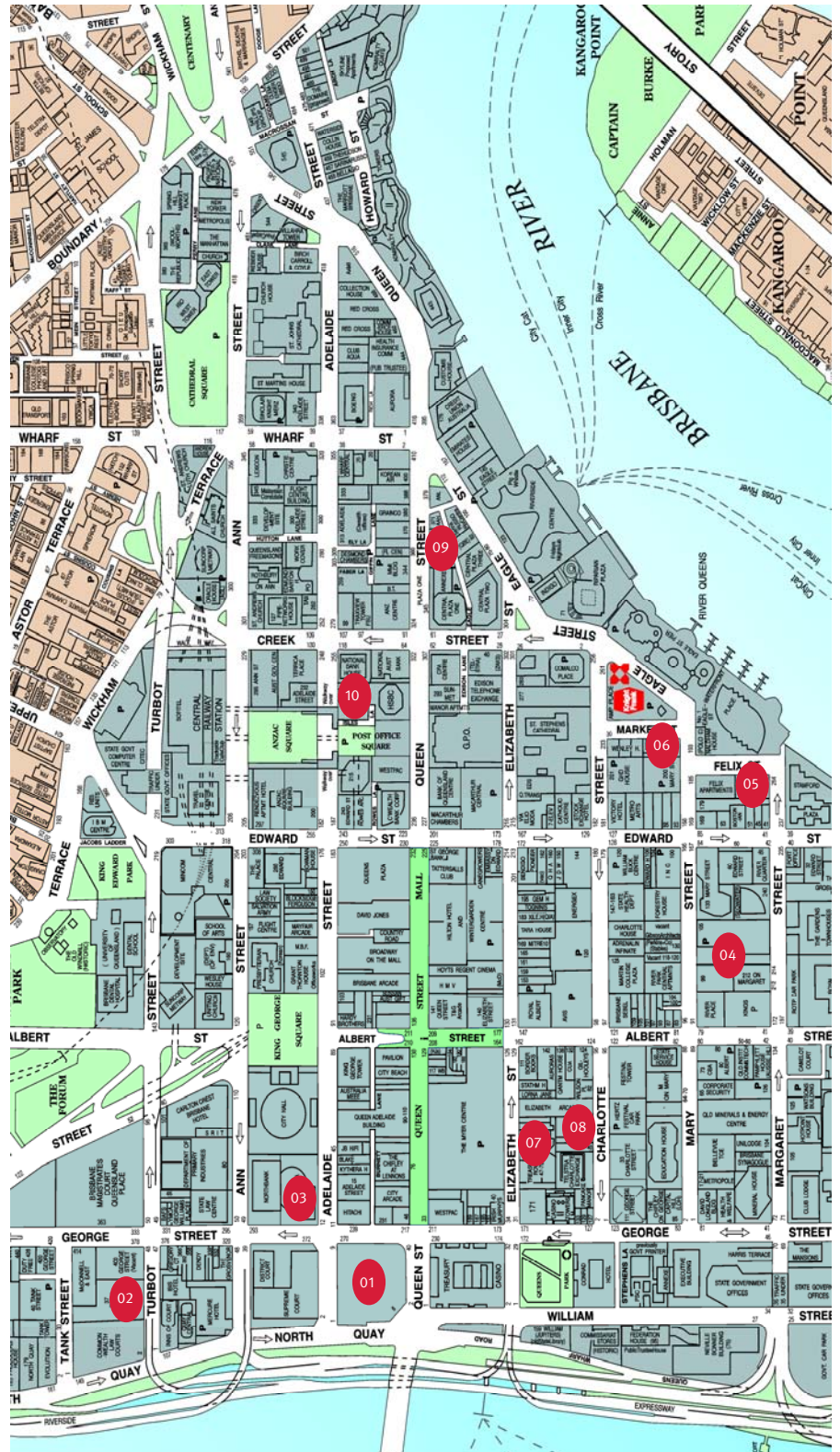
Price: \$16.45 million
 Date: August 2010
 NLA: 4,264m²
 Yield: 8.54% initial
 \$/m²: 3,858/m²
 Vendor: Private Investor Syndicate
 Purchaser: Private Investor
 Comment: 8 level B grade building which is fully occupied by the QLD Police Service as the Brisbane Central Police Station. Lease expires December 2013 with a 5 year option.

9. 359 Queen Street

Price: \$9.2 million
 Date: April 2010
 NLA: 2,483
 Yield: undisclosed
 \$/m²: 3,705/m²
 Vendor: Tai Xing Investments
 Purchaser: Private Investor
 Comment: Older style 7 level commercial building well located on Queen Street. Income supported by strong ground floor retail rental.

10. 247 Adelaide Street

Price: \$8.15 million
 Date: December 2010
 NLA: 3,061m²
 Yield: 8.80% initial (no income support)
 \$/m²: \$2,662/m²
 Vendor: Brisbane CBD Prop Syndicate (APGF)
 Purchaser: Private Investor
 Comment: Smaller commercial building of 7 levels. Major tenant is Qantas which occupies the whole ground level. Property requires refurbishment.

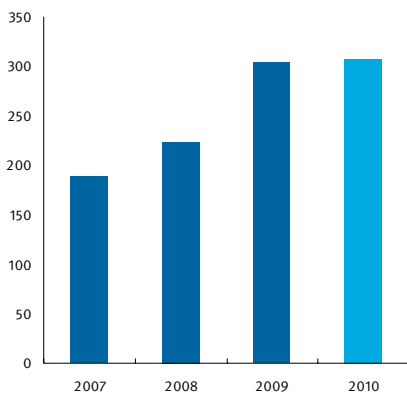


Source of Map: Knight Frank

ADELAIDE CBD/FRINGE

Major investment sales became slightly less prevalent in Adelaide during 2010 as stock became more tightly held as a result of the previous institutional sell down which occurred in 2008/09. Over the last 24 months ownership of larger assets has transferred from institutional to private hands and thus sales turnover has slowed.

Graph 4
Adelaide CBD Transactions \$10million+
\$ million total transaction value



Source Knight Frank

Sources of debt funding have now largely been restricted to the four major banks where loan to value ratios have reduced and the retail cost of funds has increased. This led to borrowers recalibrating their investment criteria, now demanding higher passing initial yields and more flexible terms of sale.

Prime core market yields for A-grade buildings have settled in a range of 7.5%-8.5%, and average secondary yields at between 8.5%-10.0% with private syndicates becoming prevalent as purchasers who can substitute a proportion of debt funding with capital raising from retail investors. This structuring is a major reason why these transactions are taking longer to settle.

The high \$AUD is stifling off-shore private investor activity even though they are keen to gain exposure to our property market as a result of strong general economic fundamentals.

1. 121 King William Street

Price: \$75 million
Date: September 2010
NLA: 12,409m²
Yield: 7.49% core market (7.07% initial)
\$/m²: 5,978/m²

Vendor: Saschen Fonds (German Fund)
Purchaser: Motor Accident Commission
Comment: The major tenant is Ernst and Young (approx. 27% of NLA), who also has naming rights. The building has been designed to achieve a 5 Star Green Building rating and 5 Star NABERS energy rating. There is understood to be rental guarantees over vacant space included in the transaction. **The property is located on a prominent corner site and sold previously in early 2008 for \$84.9 million.**

2. Riverside Building, North Terrace

Price: \$66.8 million
Date: May 2010
NLA: 22,919m²
Yield: 8.92% core market (8.97% initial)
\$/m²: 2,915/m²

Vendor: ISPT
Purchaser: Atlantic Australien 2 (German Fund)
Comment: The State government occupies approx. 91% of the NLA at \$336/m² gross, which is considered at the low end of market parameters, however there is no market review until 2020. A leasehold interest secured by a long term lease over government land. **A modern building located on the northern fringe of the Core.**

3. Worldpark:01 - Building A 31-33 Richmond Rd, Keswick

Price: \$46.497 million
Date: December 2010
NLA: 11,832m²
Yield: 9.00% initial
\$/m²: 3,930/m²

Vendor: Axiom
Purchaser: Growthpoint (South African)
Comment: The property is a brand new A-grade office building completed in late 2010 and is the first stage in a three stage master planned office park in the Fringe suburb of Keswick. The asset (NLA of 11,832m²) is fully leased to the S.A. Government and ASX listed company Coffey International (WALE of over 12 years). **The yield reflects the softer fringe location as compared with a building of this size in the CBD.**

4. 1 King William Street

Price: \$38.64 million
Date: May 2010
NLA: 20,567m²
Yield: 11.1% core market (10.01% initial)
\$/m²: 1,879/m²

Vendor: Record Funds Management
Purchaser: Anvil Capital
Comment: The property comprises a 19 level office tower which under went significant refurbishment in 1986/87. Adjacent to the main site is a multi-level car park providing 166 parks. The building requires a reasonable amount of capital expenditure and refurbishment. **The majority of the property is leased to Origin Energy (68% NLA) whom are on a below market rent.**



5. 45 Grenfell Street

Price: \$29 million Date: June 2010
 NLA: 12,975m²
 Yield: 10.90% core market (9.17% initial)
 \$/m²: 2,235/m²
 Vendor: Century Funds Management
 Purchaser: Private Syndicate
 Comment: A 20-level office tower with major tenants BHP and Vero occupying approx. 41% & 24% of the NLA respectively. **The core market yield of 10.90% reflects the potential for positive rental reversions due to below market passing rentals.**

6. 226 Greenhill Rd, Eastwood

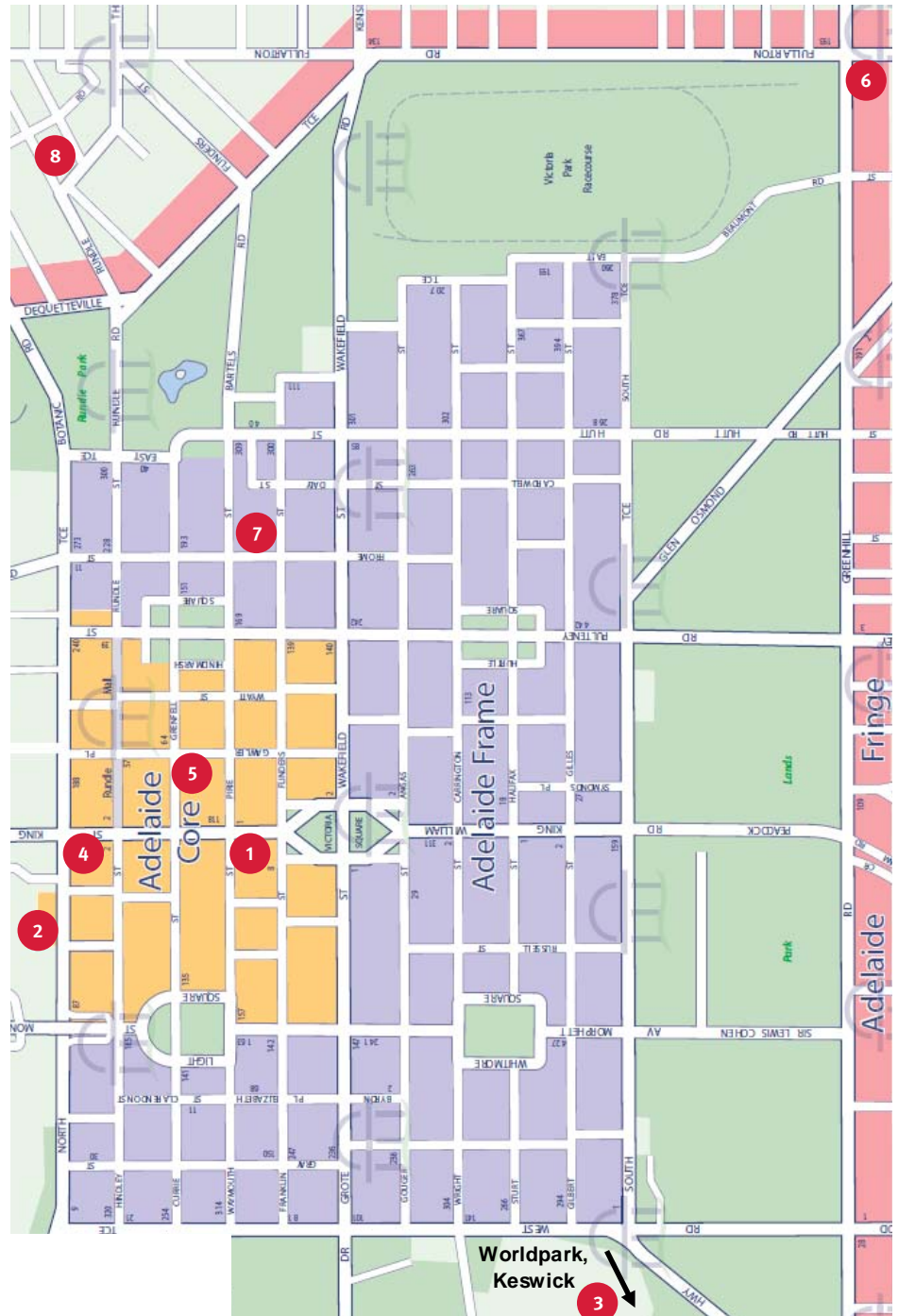
Price: \$22.65 million Date: Nov 2010
 NLA: 5,333m²
 Yield: 8.64% initial
 \$/m²: 4,247/m²
 Vendor: Becton
 Purchaser: Local Private Investor
 Comment: There was strong interest from local and national investors and syndicates, with the sale representing the highest value Fringe office sale in more than 20 years. **AGL occupies approx. 75% of the building.**

7. 148 Frome Street

Price: \$17.6 million Date: Feb 2010
 NLA: 4,660m²
 Yield: 8.87% core market
 \$/m²: 3,776/m²
 Vendor: ISPT
 Purchaser: Local Government Association
 Comment: Formerly HP House, the passing yield of only 4% reflected the 2,083m² of vacant space at the time of sale. **Despite some existing leases this building was purchased for owner occupation.**

8. 66 Rundle St, Kent Town

Price: \$11.5 million Date: April 2010
 NLA: 2,650m²
 Yield: 7.43% initial
 \$/m²: 3,777/m²
 Vendor: Local Private Investor
 Purchaser: Local Private Investor
 Comment: A new office building comprising 5 levels, being offices over Levels 1 and 2, a café on ground floor and secure parking below with 104 parks. **The major tenant Tonkin Consulting occupies approximately 70% of the building on a 10 year lease.**



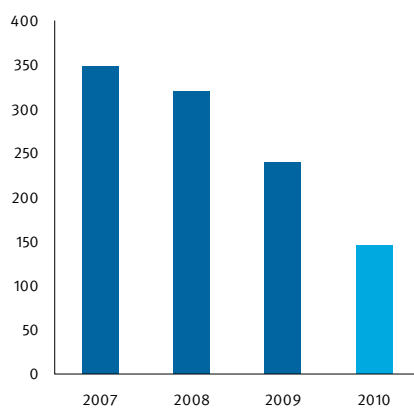
Source of Map: PCA

NB. Sales in this document include transactions that occurred in the Core, Frame, Fringe and suburban markets.

PERTH

Transaction activity within the Perth CBD has been minimal, with four major sales completing over the 2010 calendar year for a total value over \$145 million. Of the four transactions, three were development sites and had an element of distress, being the May Holman Centre (32 Georges Tce) and the vacant land sites at 123 St Georges Terrace and 98 Mounts Bay Road.

Graph 5
Perth CBD Transactions \$10million+
\$ million total transaction value



Source: Knight Frank

Outside the CBD, two major office sales occurred in Subiaco with 502 Hay Street (\$67 million) and 516 Hay Street (\$29 million) selling. February 2010 also saw the sale of 2 Bagot Road, Subiaco, for \$8.5 million. Apart from a 2,308m² development site at 789 Wellington Street - which sold for \$7.55 million in June - there were no major office transactions in West Perth for 2010. However, 543-619 Murray Street is under contract (\$22 million, February 2011) and 1-5 Havelock Street is in due diligence (\$30 million).

Overall the market has been challenging due to the low availability of finance, although high net worth individuals, syndicates and overseas buyers have gone against this trend and been the largest group of investors in Perth property this year. Institutional investors did not acquire any Perth office assets in 2010.

Demand has been for properties with high returns and attractive yields. The trend is

1. 502 Hay Street, Subiaco *

Price: \$67.0 million
Date: September 2010
NLA: 10,894m²
Yield: 7.8% core market
\$/m²: 6,152/m²

Vendor: Pakwest Pty Ltd
Purchaser: Private Investor
Comment: An A-Grade suburban office and retail development which is well located on Hay Street. Major tenant is iiNet, with a WALE of 7.2 years. **Investment purchase by international buyer.**

2. 98 Mounts Bay Rd, Perth

Price: \$54.45 million
Date: August 2010
NLA: Vacant Land area of 18,017m²
Yield: N/A
\$/m²: 2,750/m² (on land area)

Vendor: Turnstone Nominees Pty Ltd
Purchaser: AAG Pty Ltd
Comment: This 1.8ha vacant land site fronts Mounts Bay Road and is bordered by the Mitchell Freeway to the west. Proposals for the site include a 5-star hotel, premium office space and/or residential apartments. **Development site.**

3. 517 Hay Street, Perth

Price: \$38.0 million
Date: June 2010
NLA: 4,841m²
Yield: 8.9% core market
\$/m²: 2,479/m²

Vendor: Private Investor
Purchaser: Private Investor
Comment: Centrally located in the Perth CBD, the Kings Complex comprises a dated building with office and hotel accommodation. Also included in the sale was a public carpark with 374 bays leased to Wilson Parking. **Investment sale.**

4. 32 St Georges Tce, Perth

Price: \$30.0 million
Date: June 2010
NLA: 8,806m²
Yield: Vacant Possession
\$/m²: 3,407/m²

Vendor: Investec
Purchaser: Private Investor
Comment: A receivership sale, this building was sold with vacant possession and has a site area of 2,557m². Original proposal was for a major refurbishment of the office building. **Development site.**

5. 516 Hay Street, Subiaco*

Price: \$29.0 million
Date: October 2010
NLA: 5,871m²
Yield: 9.55% core market
\$/m²: 4,940/m²

Vendor: National Mutual Life Nominees
Purchaser: Private Investor
Comment: A modern 4 level building on a well-located corner in Subiaco. No vacancy within the building, the major tenant being CSC Australia. Purchased with a WALE is 2.7 years. **Investment sale**

6. 123 St Georges Tce, Perth

Price: \$23.0 million
Date: October 2010
NLA: Vacant Land area of 3,400m²
Yield: N/A
\$/m²: \$6,765/m² (on land area)

Vendor: The Griffin Group
Purchaser: Brookfield
Comment: This vacant site fronts Mounts Bay Road and adjoins Brookfield's "City Square" development on St Georges Terrace. The property has development approval for a 14 level office tower. **Development site.**



showing that purchasers in Perth are opportunistic and looking for value-add properties. This is reflected in the number of development sites sold in the Perth CBD and West Perth. Large and well-located development sites suitable for office and apartment redevelopment have sold this year and will continue to attract buyers in the market.

PURCHASERS ARE LOOKING FOR HIGH RETURNS AND ATTRACTIVE YIELDS

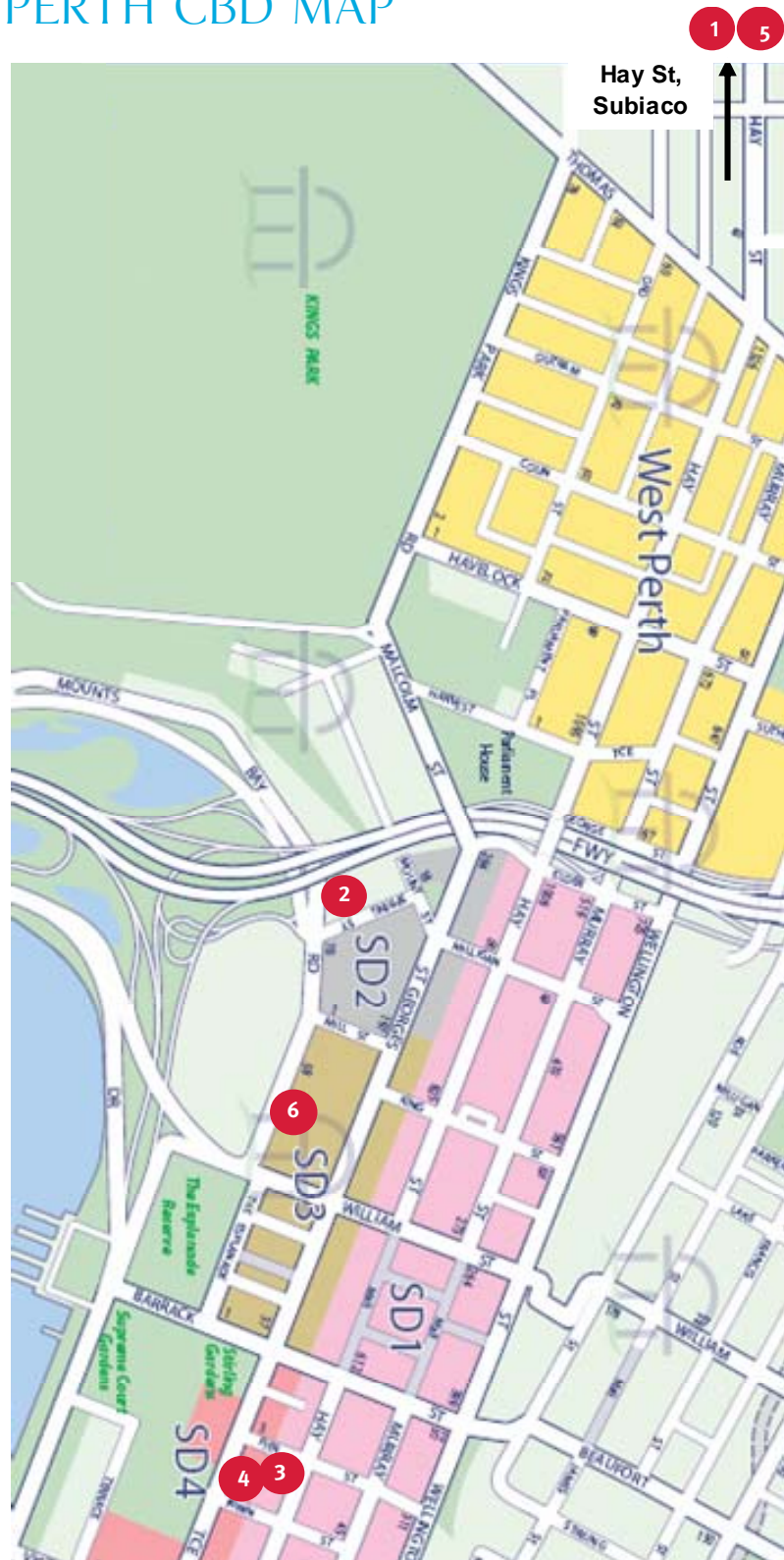
With the strengthening local and international economies, the demand for resources in Western Australia is set to continue. The first half of 2010 saw a strong net take-up of 36,555m² in the Perth CBD and in the period to December this has continued, particularly by resource companies in prime-grade assets. Selected major deals completed this year in the Perth CBD include:

- ♦ QV1 – Chevron 24,000m²
- ♦ 256 St Georges Tce – Chevron, 12,500m²
- ♦ Hyatt Centre – FMG 12,000m²
- ♦ 226 Adelaide Tce – ENI 4,600m²
- ♦ 226 Adelaide Tce – DEEWR 4,336m²
- ♦ 1060 Hay St – IBM 3,874m²

The 2010 calendar year has seen yields remaining fairly stable with no compression. The high Australian dollar over the year has seen some overseas investors take advantage of the market by selling property and repatriating funds.

Commercial transaction activity is expected to increase next year with purchaser confidence boosted by reducing vacancy levels and improved prospects of rental growth across the market. Continued project commissioning within the resources sector and the associated take-up of large tranches of office space will continue to rejuvenate the market, particularly for prime assets. Purchasers, however, remain yield conscious so low yielding properties (below circa 7.5%) will be difficult to transact.

PERTH CBD MAP



Source of Map: PCA



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
The Netherlands
Ukraine

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia

Cambodia
China
Hong Kong
India
Indonesia
Macau
Malaysia
Singapore
South Korea
Thailand
Vietnam

The Gulf

Bahrain
Abu Dhabi, UAE

Knight Frank Research

Matt Whitby

National Director – Research
+61 2 9036 6616
Matt.whitby@au.knightfrank.com

Jennelle Wilson

Associate Director – Research QLD
+61 7 3246 8830
Jennelle.wilson@au.knightfrank.com

Nick Hoskins

Research Manager - NSW
+61 3 9036 6766
Nick.Hoskins@au.knightfrank.com

Justin Mahnig

Research Manager - VIC
+61 3 9604 4713
Justin.mahnig@au.knightfrank.com

Matthew Mason

Research Analyst –SA
+61 8 8233 5232
Matthew.mason@au.knightfrank.com

Alison Smith

Research Analyst - WA
+61 8 9225 2434
Alison.smith@au.knightfrank.com

Capital Transactions - Asia Pacific SINGAPORE

Marc Giuffrida

Managing Director – Capital Trans AP
+65 6228 7396
Marc.Giuffrida@sg.knightfrank.com

Knight Frank Key Contacts SYDNEY

Stephen Ellis

Executive Chairman
+61 2 9036 6611
Stephen.Ellis@au.knightfrank.com

James Parry

National Director Capital Transactions
+61 2 9036 6758
James.Parry@au.knightfrank.com

MELBOURNE

Paul Burns

Managing Director – VIC
+61 3 9604 4610
Paul.Burns@au.knightfrank.com

Paul Henley

National Director Commercial
+61 3 9604 4760
Paul.Henley@au.knightfrank.com

BRISBANE

David Fowler

National Director Institutional Sales
+61 7 3246 8823
David.Fowler@au.knightfrank.com

PERTH

John Corbett

Director Investment Sales
+61 8 9225 2561
John.Corbett@au.knightfrank.com

SOUTH AUSTRALIA

Tony Ricketts

Director Investment Sales
+61 8 8233 5259
Tony.Ricketts@au.knightfrank.com

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, financial and corporate institutions. All recognise the need for the provision of expert independent advice customised to their specific needs.

Knight Frank Research reports are also available at www.knightfrank.com.

© Knight Frank 2010

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not permitted without prior consent of, and proper reference to Knight Frank Research.