RESEARCH

NORTH SHORE

OFFICE MARKET OVERVIEW MARCH 2018

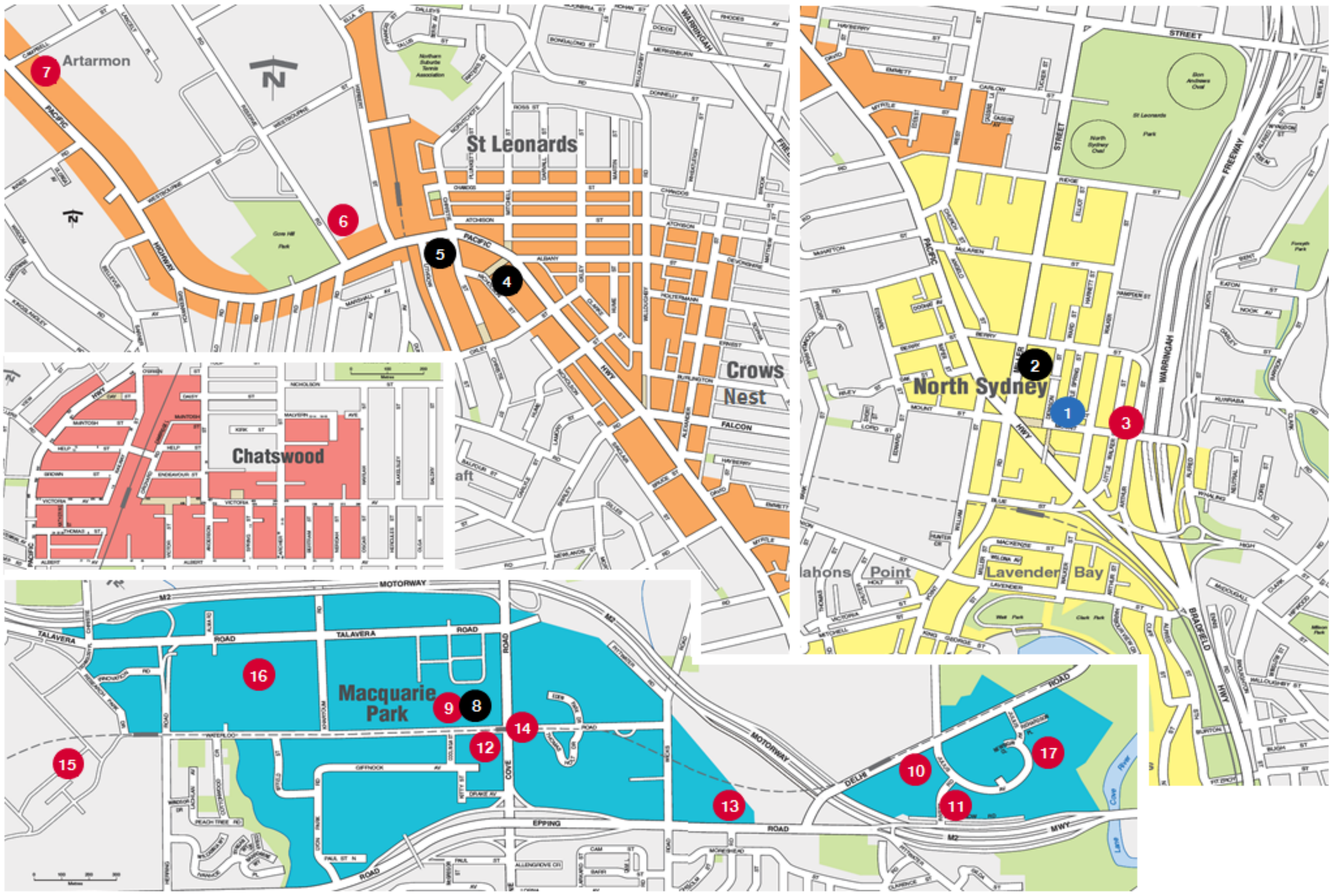
HIGHLIGHTS

With the majority of new supply over the next two years pre-committed, vacancy rates are forecast to remain low across both the North Shore and Macquarie Park precincts.

Strong demand for secondary stock in North Sydney saw effective rental growth in the secondary market of 16.9% YoY, partly fuelled by landlords dropping incentive levels from circa 24-25% to sub-20%.

The increased demand from multiple purchaser types has resulted in further yield compression across the North Sydney market over the past 12 month of circa 60bps.

MAJOR OFFICE SUPPLY



Source of Map: Knight Frank

North Sydney

1 — 100 Mount St - 40,600m² [NBN Co]
Dexus - Q1 2019 - 60% committed

2 — 1 Denison St - 65,021m² [Nine Entertainment]
Winten Property - H1 2020 - 24% committed

3 — 118 Mount St - 21,103m²
Zurich - H2 2020

Crows Nest/St Leonards

4 — 472-486 Pacific Hwy - 4,600m²
Mirvac - Q4 2019

5 — 88 Christie St (Fronting Pacific Hwy) - 17,000m²
JQZ - 2020+

6 — RNS Hospital site - 25,000 m²
NSW Government - 2020+

7 — Gore Hill Technology Park - up to 56,250m²
Lindsay Bennelong Development - Mooted

Macquarie Park/North Ryde

8 — 45-61 Waterloo Road - Bld C - 35,000m² [GPNSW]
John Holland - Q4 2019 - 70% committed

9 — 45-61 Waterloo Road Bld - A,B,D,E,F - 82,000m²
John Holland - Mooted

10 — 39 Delhi Rd - 30,000m²
Stockland - Mooted

11 — 1 Rivett Rd (Stage 2) - 11,380m²
Pathway Property - Mooted

12 — 396 Lane Cove Rd - 74,000m²
Frasers Property / Winten Property Group - Mooted

13 — 29-35 Epping Rd -14,500m²
Harvey Norman Holdings - Mooted

14 — 271 Lane Cove Rd - c.34,000m²
Mirvac - Mooted

15 — 8-10 University Ave - c.50,000m² *
Macquarie University - Early Feasibility

16 — 11-17 Khartoum Rd - 52,000m²
Stockland - Mooted

17 — Epicentre at Riverside, 6-8 Julius Ave - 34,194m²
ISPT - Mooted

Under Construction/Complete

DA Approved/Confirmed/Site Works

Mooted / Early Feasibility

NB. Dates are Knight Frank Research estimates
Office NLA quoted, Major tenant precommitment in [brackets]
* Two buildings 25,000 sq m each

KEY FINDINGS

Over 140,000 sq m of new office stock is currently under construction across North Sydney and Macquarie Park, expected to be complete by 2020.

Circa 27,000 sq m is expected to be permanently withdrawn over the next 18 months in North Sydney for residential conversion.

Prime and secondary markets in North Sydney recorded gross effective rental growth of 6.3% and 16.9% respectively over the past 12 months.

Macquarie Park recorded its lowest overall vacancy rate on record of 6%, down from 8.4%, 6 months prior.

MARCO MASCITELLI
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NORTH SYDNEY

Tenant relocation impacts absorption levels

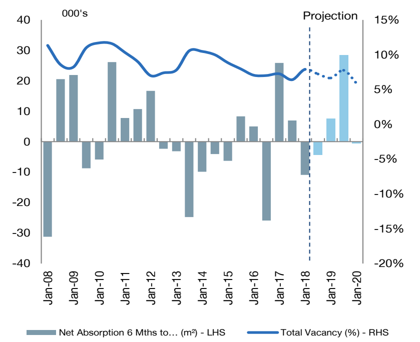
The record absorption levels seen in late 2016 and early 2017 driven primarily by the take up of 177 Pacific Highway have since eased with absorption over the last six months of 2017 recording negative 10,883 sq m and negative 3,898 sq m on an annual basis. The absorption rate had a temporary setback due to tenant movements within the market. In the prime market negative absorption of 5,043 sq m has been driven by two major tenant relocations, Arcadis vacating circa 3,755 sq m from 141 Walker Street, North Sydney into 580 George Street in Sydney CBD and Carnival Australia vacating circa 5,600 sq m at 60 Miller Street moving to 465 Victoria Avenue, Chatswood. The backfill space at 60 Miller Street has since been leased to Flight Centre who will occupy the space in March 2018 on an 8 year term.

The secondary market recorded negative absorption figures of 5,840 sq m over the last six months of 2017. These figures have been partly skewed due to 61 Lavender Street, Milsons Point remaining partially vacant as tenants such as Fetch TV and Winten Property Group have begun to vacate the building prior to residential construction beginning in April 2018.

Large tenant enquiry for North Sydney space

The pre-commitment market remains active with NBN Co agreeing to 20,000 sq m at 100 Mount Street and Laing O'Rourke taking 4,900 sq m. At 1 Denison Street, Nine Entertainment has committed to 15,500 sq m with a number of other tenants actively in negotiations for a further 20,000 sq m. Additionally, Allianz will be moving into 5,657, sq m at 101 Miller Street in mid 2018 along with Broadspectrum securing 3,000 sq m at 80 Pacific Highway from May 2018.

FIGURE 1
North Sydney Net Absorption & Vacancy
Per six month period (000's sq m, %)



Source: Knight Frank Research

TABLE 1
North Shore/North Ryde Office Market Indicators as at January 2018

Market	Grade	Total Stock (sq m)^	Vacancy Rate (%)^	Annual Net Absorption (sq m)^	Avg Net Face Rent ($/sq m)	Outgoings ($/sq m)	Average Incentive (%)*	Average Core Market Yield (%)
North Sydney	Prime	262,215	8.4	2,135	749	128	23.0	5.00 - 5.75
North Sydney	Secondary	561,767	7.7	-6,033	619	123	19.8	5.25 - 6.00
North Sydney	**Total Market**	**823,982**	**7.9**	**-3,898**	**660**	**124**	**20.8**	**5.00 - 6.00**
Crows Nest/St Leonards	Prime	102,699	15.7	-8,953	548	124	24.5	5.75 - 6.25
Crows Nest/St Leonards	Secondary	205,032	8.8	-41	513	102	24.7	6.00 - 7.00
Crows Nest/St Leonards	**Total Market**	**307,731**	**11.1**	**-8,994**	**525**	**110**	**24.6**	**5.75 - 7.00**
Chatswood	Prime	157,412	6.5	2,425	510	121	24.3	6.50 - 6.75
Chatswood	Secondary	121,507	7.2	-259	442	105	24.2	5.75 - 6.25
Chatswood	**Total Market**	**278,919**	**6.8**	**2,684**	**480**	**114**	**24.2**	**5.75 - 6.75**
Macquarie Park/North Ryde	Prime	644,824	4.0	11,219	383	95	24.0‡	6.00 - 6.50
Macquarie Park/North Ryde	Secondary	220,658	11.7	-10,569	330	95	25.0‡	6.75 - 7.00
Macquarie Park/North Ryde	**Total Market**	**865,482**	**6.0**	**650**	**369**	**95**	**24.3‡**	**6.00 - 7.00**

Source: Knight Frank Research/PCA * Incentives are on a Gross basis ‡ Incentives are on a Net basis ^ As at January 2018
Note. Average data is on a weighted basis. Yield ranges reflect the average lower and upper yields for a select basket of office assets in each market and grade
Grade: Prime includes modern and A-Grade stock whilst Secondary includes B, C and D quality Grade.

Tenant activity is expected to increase over the next 24 months with a number of large tenant enquiries in the market including Nokia (5,000 sq m), IBM (7,000 sq m) and Optus (60,000 sq m) all potentially seeking options in North Sydney and the wider lower North Shore markets.

Vacancy remains below historical average

Following a period of strong absorption levels in early 2017 the North Sydney overall vacancy rate has increased from its 16 year record low of 6.4% to 7.9% as at January 2018. Whilst vacancy has increased, it is still 90bps below the 10 year average of 8.8%. Tenant relocation and tenants contracting their work spaces have been the main drivers behind the rise in vacancy across both the prime and secondary markets.

In the prime market, tenant relocation has fuelled the rise in prime vacancy levels from 6% to 8.4% over H2 2017. Within the prime market, Premium-Grade vacancy has remained unchanged at 17.4%. However, A Grade vacancy increased by 280bps to 6.9% on the back of negative absorption over the past six months. Similar to prime, the secondary market saw an increase from 6.6% to 7.7% in the six months to January 2018. Overall with the level of current enquiry we expect vacancy to fall closer to 5.5-6% from mid 2018.

Strong development activity

A number of projects are currently under construction including two major developments to come online over the next two years; 100 Mount Street (41,600 sq m 60% pre-committed to NBN Co and Laing O'Rourke - Q1 2019) and 1 Denison Street (65,021 sq m 24% pre-committed to Nine Entertainment - H1 2020). Additionally, 118 Mount Street owned by Zurich Insurance has obtained development approval for circa 21,000 sq m of office space with potential completion by 2021. Upon completion the new supply will see a rise in backfill space within the North Sydney market whilst in turn attracting tenants from the shrinking neighbouring North Shore markets.

Owners continue to push rents

Over the past six months gross face rents in North Sydney continue to rise in conjunction with falling incentives, on the back of positive expectations from landlords. The supply drought in the Sydney CBD has hindered on North Sydney rents as tenants seek more affordable accomodation outside the CBD. Average prime gross face rents have increased by 3.8% over the past year to $877/sq m($749/ sq m net face) as at January 2018.

In addition, prime incentives declined further to circa 23% from 24.9% a year ago, resulting in gross effective rental growth of 6.3% YoY. In the secondary market, average gross face rents have risen by 7.2% YoY to $741/sq m ($619/ sq m net face) as at January 2018. The average secondary incentive level decreased from 24-25% in January 2017 to 19-20% in January 2018 boosting gross effective rents by 13.8% YoY. The limited stock available in the short term will likely underpin rental growth of circa 3.5-4.25% per annum.

Residential conversions driving withdrawals

Residential conversions have been the catalyst for the majority of office withdrawals across North Sydney over the last two years and this is set to continue. Major office withdrawals earmarked for residential conversion include Aqualand's 61 Lavender Street, Milsons Point (10,500 sq m) with construction commencing in April 2018 and 168 Walker Street, North Sydney (17,663 sq m) in late 2019 also being redeveloped.

Foreign capital drives investment activity

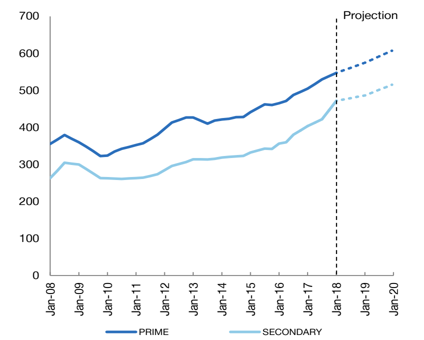
Investment activity in North Sydney remains robust, recording $834 million ($10 million+) of transactions for the 2017 calendar year, 38% above the 10 year average. Foreign investment continues to pour into the market accounting for 73% or $609 million of the total transactions.

The sale of 116 Miller Street purchased by Maville from Property Bank Australia and RG property in 2017 was the strongest pure investment sale for the year in North Sydney. The property was purchased for $133.88 million on a passing yield of 4.47% and a core market yield of 5.54% yield. Additionally the acquisition of 1 Pacific Highway by a Chinese purchaser, selling for $114.5 million reflecting a 5.0% core market yield and a rate of $14,983/sq m this sale reflects the tightest transaction on a yield basis, however, the property benefited from significant development potential. In the secondary market 75 Miller Street sold to an offshore Hong Kong buyer for $51.8 million from Property Bank Australia on a core market yield of 5.71%. This sale reflects the strength of the secondary market with assets now trading at close range to the prime market.

Yield spread compresses

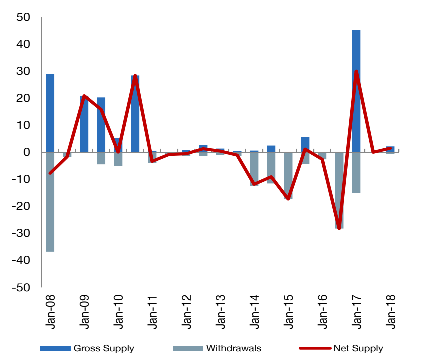
As at January 2018, prime assets in North Sydney are expected to trade at circa 5.00% to 5.50%. In the secondary market, a lack of stock in conjunction with increased demand from offshore groups and rising rents has seen secondary assets achieve firm core market yields of between 5.25% to 6.00%. This has taken the prime vs secondary yield spread to 22bps.

FIGURE 2
Average Net Effective Rents
Prime & Secondary, North Sydney ($/sq m)



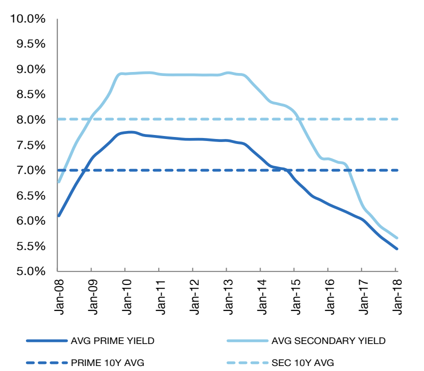
Source: Knight Frank Research/PCA

FIGURE 3
North Sydney Office Supply
Per six month period (000' sq m)



Source: Knight Frank Research

FIGURE 4
Average Core Market Yields
North Sydney



Source: Knight Frank Research

CROWS NEST/ST LEONARDS

Single tenant movements impact absorption and vacancy

The net absorption in the six months to January 2018 was negative 846 sq m, whilst annually total absorption has declined by 8,994 sq m. The catalyst for the negative absorption over the year has been due to STW Group vacating 11,221 sq m at 72 Christie Street, St Leonards and relocating into the Sydney CBD.

Whilst absorption figures remained negative, the withdrawals of office stock had the overall bearing impact on the declining overall vacancy rate dropping from 12.6% to 11.1% in the six months to January 2018. Split by grade, the prime vacancy rate has increased from 14.9% to 15.7%, while secondary vacancy has declined from 11.5% to 8.8% over the past six months.

The leasing market continues to improve with the majority of vacant space at 72 Christie Street being leased to MasterCard who will be consolidating their offices at 100 Arthur street, North Sydney and 34 James Craig Road, Rozelle and will occupy circa 7,200 sq m from Q3 2018. At 120 Pacific Highway will see 5,100 sq m of space come to market in late 2018 with its major tenant Clemenger BDO relocating to Piers 8 & 9 at Jones Bay Wharf.

Declining stock drives rents

Limited quality stock and declining vacancy has continued to push rental growth in the six months to January 2018. Average prime gross face rents have increased by 2.6% YoY to $672/ sq m ($548/sq m net face) as at January 2018.

Over the same period, average secondary gross face rents have increased by 6.2% to $616/sq m ($513/sq m net face). Prime and secondary incentives have compressed to around 24.5% and 24.7%, respectively, resulting in net effective rental growth of 6.7% for prime and 11.7% in the secondary market.

Supply deficit continues

The Crows Nest / St Leonards precinct continued to experience a supply deficit, which was due to stock withdrawn for residential conversion amidst limited new commercial development. Over the six months to January 2018, 8,111 sq m has been withdrawn, taking the yearly withdrawal figure to 9,636 sq m. This saw the overall office stock base in Crows Nest / St Leonards decline by 2.0% from 314,017 sq m last year to 307,731 sq m as at January 2018. Since January 2013, the total office stock has declined by 16.5%. Withdrawals of office buildings is anticipated to continue with a further 15,000 sq m of stock earmarked for withdrawal over the next two years.

Limited future supply

Looking ahead new office supply will remain minimal and stem from new mixed use projects. Projects earmarked for completion in the next two years which will encompass commercial components include 18-22 Atchison Street (2,362 sq m), 472-486 Pacific Highway (3,695 sq m), and 500 Pacific Highway (2,825 sq m). Additionally the proposed Gore Hill Technology Park (219-247 Pacific Highway –c46,000 sq m) remains mooted pending tenant pre-commitments.

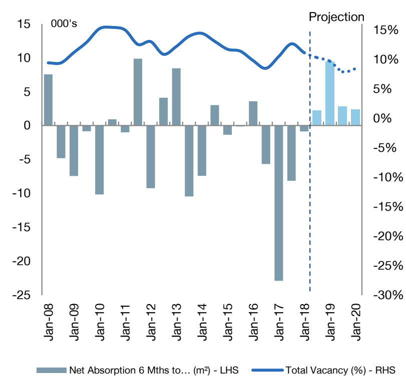
Developers lead buyer profile

Sales activity in St Leonards and Crows Nest recorded one of its strongest years on record with $353 million worth of transactions, up 77% from the $199 million sold in 2016. Following 2016 which saw 92% or $183 million of the buyer profile as developers, 2017 saw a stark contrast with 70% of transactions acquired by AREITs and Unlisted/ Syndicates.

Notable sales include 72 Christie Street sold for $76 million to Propium Capital and Anton Capital on a reported core market yield of 7.27% and a WALE of 0.6 years, this property was sold prior to MasterCard pre-committing to circa 7,200 sq m. Additionally 201 Pacific Highway was acquired by Centuria property for $171.6 million with a reported core market yield of c.6.40%, making it the largest office transaction on record in the market.

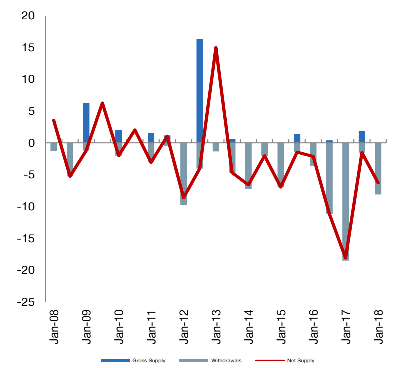
Over the 12 months to January 2018 core market yields for prime assets compressed by 79bps to average between 6.00%-6.75%. The secondary market experienced further yield compression of 63bps to average 6.25% to 7.00% tightening the yield spread between prime and secondary to 46bps.

FIGURE 5
Crows Nest/St Leonards Net Absorption & Vacancy
Per six month period (000's m², %)



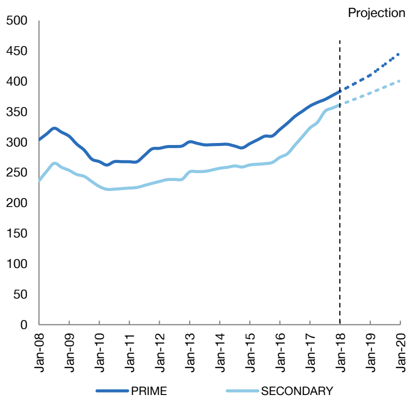
Source: Knight Frank Research/PCA

FIGURE 6
Crows Nest/ St Leonards Office Supply
Per six month period (000' sq m)



Source: Knight Frank Research/PCA

FIGURE 7
Average Net Effective Rents
Prime & Secondary, Crows Nest/St Leonards ($/m²)



Source: Knight Frank Research

CHATSWOOD

Stable tenant demand

Following a period of strong tenant demand in the first half of 2017 with net absorption of 2,403 sq m, absorption levels contracted to a record 281 sq m over the second half of 2017, in line with the historical average. On an annual basis 2,684 sq m was absorbed throughout 2017. By grade, the prime market saw 226 sq m absorbed while the secondary market recorded a modest 55 sq m over the six months to January 2018. The secondary market remained steady with the vacancy rate dropping slightly from 7.3% to 7.2% in the six months to January 2018.

The positive absorption has been reflected in the declining vacancy rate which is 6.8% down from 7.7% 12 months earlier and remaining well below the 10 year average of 11.3%. Major tenant activity including Carnival Australia relocating from 60 Miller Street in North Sydney to 465 Victoria Avenue, Chatswood has been the catalyst for the positive absorption and declining vacancy rate over the 12 months to January 2018.

Prime vacancy well below average

A number of smaller lease deals at 821 Pacific Highway (The Zenith) including Heworth leasing 486 sq m, Pharmacor (189 sq m), Innovation Aspect (241 sq m) and Shearwater Solutions (320 sq m) have kept the prime vacancy rate at 6.5% well below the 10 year average of 12.3%.

Furthermore with Huawei Technologies renewing over 5,000 sq m at 799 Pacific Highway the vacancy rate is expected to trend toward 5%.

Strong net effective rental growth

Whilst absorption has remained static, landlords continue to test the market by pushing rents due to the limited availability. In the 12 months to January 2018, average prime gross face rents in Chatswood have increased by 6.3% to $630/sq m ($510/sq m net face rent). In addition, average prime incentives decreased from 26.3% a year ago to 24.3% pushing net effective rental growth to 10.7% YoY.

In the secondary market, average gross face rents recorded an increase of 5.2% YoY to $547/sq m ($442/sq m net face). The tightening vacancy in the prime market, has allowed owners to drop average incentives from 27.3% 12 months ago to 24.2% gross as at January 2018, boosting effective rental growth to 12.0%.

Development remains subdued

The Chatswood office development market remains static with no new supply additions since 2014 whilst residential activity has been robust. The limited number of commercial development sites coupled with developers having a focus for residential development has been the key factor for the diminishing commercial office market.With no new supply added to the market, the total office stock remained at 278,919 sq m. Additionally, there are no new commercial developments currently DA approved or under construction as at January 2018 office supply is expected to remain static for the foreseeable future.

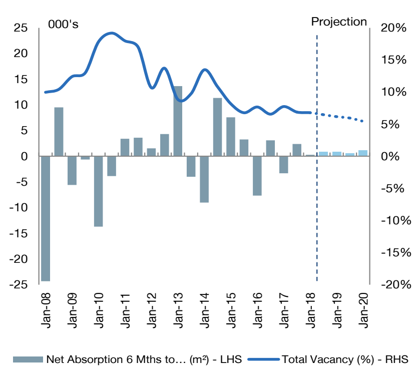
Secondary stock with development potential remains sought after

Following strong investment activity in 2016 which saw a record of $385 million transacted, led by the major sale of “The Zenith” towers at 821-843 Pacific Highway for $279 million. Sales volumes for the 2017 calendar year totalled $170 million, in line with the historical average.

The sale of 1-5 Railway Street in June 2017 was the standout transaction selling for a total of $115 million on a core market yield of 6.0% to Lotus Group and iProsperity Group. Additionally 815 Pacific Highway sold to an Asian offshore buyer for $54 million with the intention for a residential conversion, however, this short term position has changed with the building currently on the market for lease over the medium term.

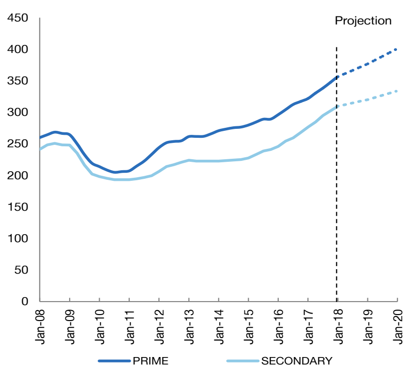
With limited market evidence due to the number of transactions over the past 12 months, prime assets in Chatswood are expected to trade on yields between 6%-7.00%, around 75bps lower than a year prior. The sale of 1-5 Railway Street highlighted the demand for secondary stock with development potential with assets trading on tighter yields than prime stock with a yield range between 5.75% to 6.50%.

FIGURE 8
Chatswood Net Absorption & Vacancy
Per six month period (000's m², %)



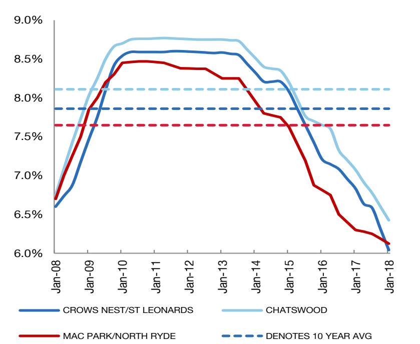
Source: Knight Frank Research/PCA

FIGURE 9
Average Net Effective Rents
Prime & Secondary, Chatswood ($/m²)



Source: Knight Frank Research

FIGURE 10
Average Prime Core Market Yields
Crows Nest/St Leonards, Chatswood and North Ryde/Macquarie



Source: Knight Frank Research

MACQUARIE PARK /NORTH RYDE

Tenant expansion and inbound demand fuels absorption

Macquarie Park recorded net absorption of 13,318 sq m over H2 2017. The strong absorption levels were driven by a combination of inbound demand and expansion. Notable tenant activity includes International SOS from 45 Clarence Street into 4 Drake Avenue (3,000 sq m), Olympus moving from 82 Waterloo Road into 97 Waterloo Road (1,402 sq m), Hill–Rom relocating from Auburn into 2-4 Lyon Park Road (1,250 sq m) and Wolters Kluwer (CCH) moving from 101 Waterloo Road into 66 Talavera Road (2,200 sq m).

Vacancy lowest level on record

The strong absorption levels have driven the overall vacancy rate in the precinct to its lowest level on record of 6.0% as at January 2018, down from 8.4% six months prior. By grade, the prime vacancy rate dropped to 4.0% down from 6.1% over the six months to January 2018, whilst the secondary market recorded a steeper decline to 11.7% down from 15.0%.

Strong demand drives rental growth

The declining vacancy and strong tenant demand over the past six months have fueled rental growth in both the prime and secondary markets. Average prime gross face rents have risen by 4.4% YoY to $478/sq m ($386/sq m net face), whilst average prime incentives have fallen from 25% to 24% over the year.

In the secondary market, average gross face rent increased by 2.4% YoY to $425/sq m ($330/sq m net face) and the average incentive decreased from 28% to circa 25% over the 12 months to January 2018. Incentive compression has boosted YoY net effective rental growth by 5.5% in the prime and 7.4% in secondary markets.

Residential conversions drive withdrawals

Office withdrawals continue to outweigh new additions to the market with total office stock now 865,482 sq m as at January 2018, down from 882,450 sq m 12 months prior. Withdrawals over the six months to January 2018 totaled 13,594 sq m stemming from 82 & 101 Waterloo Road (10,609 sq m – residential purposes) and 9 Waterloo Road (2,985 sq m- hotel conversion). These withdrawals have been driven by the redevelopment of the Macquarie Park Precinct via planning changes favoring residential redevelopment and new infrastructure projects which will improve connectivity to the precinct. Supply additions for the last six months of 2017 stemmed from the refurbishment of 97 Waterloo Road (8,146 sq m) which took net supply to negative 8,211sq m over the six month period.

Limited short term supply

Beyond 2018, the only development currently under construction is John Holland's Building C at 45-61 Waterloo Road, which will see 35,000 sq m added to the market in late 2019 with the NSW Government pre-committing to 25,000 sq m.

The remainder of the John Holland site is currently mooted pending pre-commitments, however, it has the capacity to add a further 82,000 sq m to the market across a further five buildings. Additionally, there is over 200,000 sq m of developments earmarked for potential progression including Macquarie University's Innovation Hub (50,000 sq m), Mirvac's 271 Lane cove Road (34,000 sq m), ISPT 6-8 Julius Avenue (34,000 sq m) and Stockland's 11-17 Khartoum Road (52,000 sq m). These projects are all pending development approval or tenant pre-commitments.

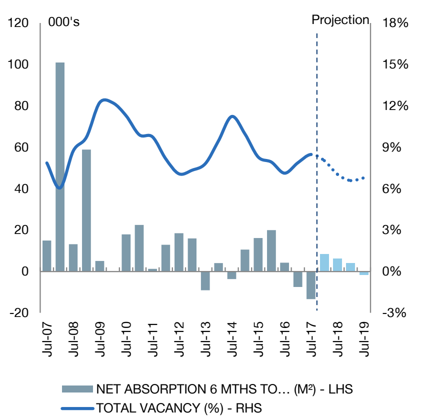
Diverse buyer pool

Transaction volumes in Macquarie Park/ North Ryde totalled $339 million over the 2017 calendar year. Purchaser types remained diverse over 2017 in comparison to previous years which have been dominated by offshore buyers accounting for over 50% in 2015 and 2016. In 2017, developers represented 35%, offshore buyers 25%, private investors 28% and unlisted/syndicates accounting for 12% of total sales.

Notable deals for 2017 include Goodman's sale of 8 Khartoum Road for $93.5 million to Ogen Nominees, the building was sold fully leased to Fuji Xerox on a 10 year term. Additionally 54 Waterloo Road was purchased by Goodman Group for $40.5 million whilst the site has two existing vacant buildings it was purchased for its future development potential.

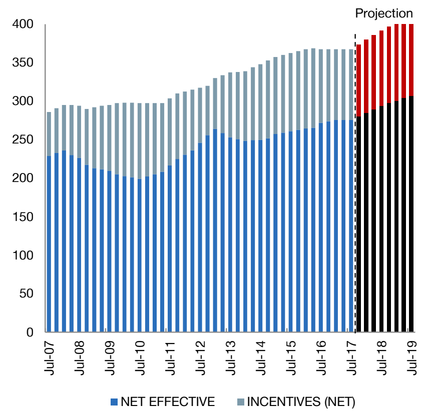
Prime assets as at January 2018 in Macquarie Park/ North Ryde are estimated to trade between 6.00%-6.25%, around 17bps lower than 12 months earlier. In the secondary market core market yields have compressed around 38bps over the past 12 months to average between 6.50% and 7.00%.

FIGURE 11
Macquarie Park/North Ryde Net Absorption & Vacancy
Per six month period (000's m², %)



Source: Knight Frank Research/PCA

FIGURE 12
A-Grade Net Rents & Incentives
Macquarie Park/North Ryde, Prime



Source: Knight Frank Research

RECENT TRANSACTIONS

TABLE 2

Recent Leasing Activity North Shore and North Ryde/Macquarie Park

Address	Region	Area (m²)	Face Rent Net ($/m²)	Term (yrs)	Lease Type	Tenant	Start Date
72 Christie Street	St Leonards	7,227	U/D	10	New	Mastercard	Sep-18
101 Miller Street	North Sydney	5,600	U/D	10	New	Allianz	Jul-18
80 Pacific Highway	North Sydney	3,017	U/D	10	New	Broadspectrum	May-18
146 Arthur Street	North Sydney	747	U/D	5	New	Ebiquity	Apr-18
821 Pacific Highway	Chatswood	315	565	5`	New	Green Capital	Apr-18
60 Miller Street	North Sydney	6,566	U/D	8	New	Flight Centre	Mar-18
60 Miller Street	North Sydney	1,172	U/D	7	New	Ardent Leisure	Feb-18
207 Pacific Highway	St Leonards	220	625	5	New	Harbour Spine Centre	Jan-18
821 Pacific highway	Chatswood	567	550	5	New	Sennheiser	Jan-18
201 Pacific Highway	St Leonards	600	570	3	New	Bench Platform	Oct-17
39 Delhi Road	Macquarie Park	1,200	350	5	New	Nick Scali	Oct-17
2-4 Lyon Park Road	Macquarie Park	1,225	350	5	New	Hill-Rom	Oct-17
123 Epping Road	Macquarie Park	517	350	5	New	Linear Healthcare	Sep-17
12 Waterloo Road	Macquarie Park	525	310	5	New	SunPharma	Sep-17

TABLE 3

Recent Sales Activity North Shore and North Ryde/Macquarie Park

Address	Region	Price ($ mil)	Core Market Yield (%)	NLA (m²)	$/m² NLA	WALE (Yrs)	Vendor	Purchaser	Sale Date
201 Pacific Highway	St Leonards	171.6	6.5	16,499	10,401	N/A	Abacus Property	Centuria	Dec-17
75 Miller Street	North Sydney	51.80	5.71	4,930	10,507	3.0	Property Bank	Offshore	Nov-17
56 Berry Street	North Sydney	62.0	5.48	5,175	11,981	6.0	Christie Corporate	Dexus	Oct-17
1 Pacific Highway	North Sydney	114.50	c. 5.0	7,642	14,983	2.7	AMP Capital«	Offshore Private	Sep-17
657 Pacific Highway	St Leonards	22.15	c. 6.1	3,534	6,268	2.8	Charter Hall	Private	Aug-17
8-22 West Street	North Sydney	59.00	5.5	6,023	9,796	2.5	Property Bank	Maville	Jul-17
165 Walker Street	North Sydney	55.90	6.0	5,244	10,659	3.2	Charter Hall	Private	Jul-17
15 Blue Street	North Sydney	169.00	C/C	16,114	10,488	4.5	Denwol	Aqualand	Jul-17
116 Miller Street	North Sydney	134.00	5.5	11,366	11,779	3.4	PBA/SCC/RGP	Maville	Jul-17
8 Khartoum Road	Macquarie Park	93.50	5.3*	10,686	8,750	10.0	Goodman	Ogen	Jun-17
1-5 Railway Street	Chatswood	115.00	6.0	18,248	6,302	3.4	Hume	Lotus/iProsperity	Jun-17
146 Arthur Street	North Sydney	78.00	6.0	8,195	9,518	2.2	General Nice	Aqualand	May-17
39-47 Albany Street^	Crows Nest	22.00	4.1*	3,286	6,695	4.5	Pindan	Sun Property	May-17
168 Willoughby Road	Crows Nest	16.25	5.0	1,712	9,492	1.5	Belmont	Private	May-17
88 Walker Street	North Sydney	19.25	N/A#	2,972	6,477	N/A#	Macly	Marpop	Mar-17
2 Elizabeth Plaza	North Sydney	81.00	6.6	7,610	10,368	4.3	Marprop	BlackRock	Mar-17

Source: Knight Frank Research n refers net g refers gross *Net passing yield C/C refers commercial-in-confidence N/A refers not applicable
^Purchased for residential redevelopment «On behalf of a Bahrain-based client
#Purchased with vacant possession. The site has a DA approved for a hotel redevelopment, but is expected to remain commercial.

Outlook

- Tenant demand in the North Shore and Macquarie Park market is expected to increase driven by large tenant enquires. The significant withdrawal of stock and limited supply pipeline over the next two years in the Sydney CBD will see more tenants relocate to the North Shore and Macquarie Park office markets opting for more affordable rents. Major tenants set to migrate to the North Shore markets include, US Embassy (5,000 sq m), Nine Entertainment (15,500 sq m), Allianz (5,600 sq m).

- New supply across the North Shore and Macquarie Park office markets over the next three years will stem from three developments currently under construction. North Sydney will see new supply deriving from 100 Mount Street (40,608 sq m – early 2019) and 1 Denison Street (65,021 sq m – H1 2020) and in Macquarie Park new supply will stem from 45-61 Waterloo Road (35,000 sq m – late 2019).

- Over the next 24 months, vacancy rates across the North Shore markets are anticipated to moderately decline amidst the limited new supply, known pre-commitments and tenant demand from tenants seeking more affordable rents outside of the Sydney CBD.

- Over the next two years, prime gross face rents across the North Shore and Macquarie Park market are forecast to rise between 4.0% to 4.25% pa, whilst effective rents will be boosted to circa 4.50% pa or above due to declining incentives. In the secondary markets, net face rents are expected to grow between 3.75% and 4.50% over the next two years following strong demand and limited stock in the prime market.

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

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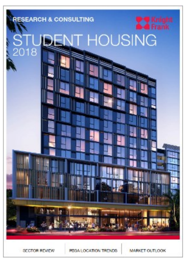
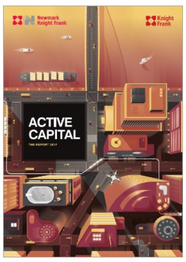


Student Housing 2018



Active Capital 2017

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