RESEARCH

Knight Frank

AUSTRALIAN OFFICE

TOP SALES TRANSACTIONS CY2017

A REVIEW OF MAJOR OFFICE MARKET TRANSACTIONS AND TRENDS IN 2017

KEY FINDINGS

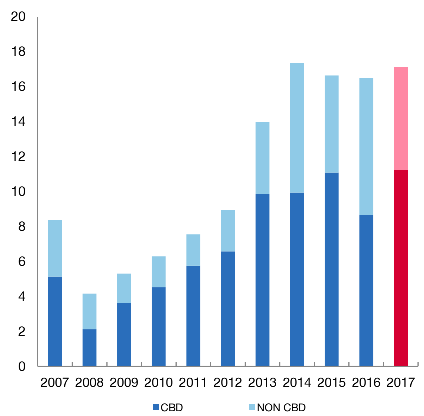
$17.09 billion of office assets transacted during 2017, CBD investment bounced back, accounting for 66% of sales.

Sydney retained its position as the **dominant market for investment, accounting for 47%** of all office transactions by value.

Melbourne accounted for 26% of Australian turnover in 2017 with record high CBD investment counterbalanced by lower non-CBD market activity.

The **high competition for assets** in the key cities of Sydney and Melbourne has continued to see investors **moving up the yield curve with Brisbane accounting for 17%** of total sales along with **Perth (4%)** and **Canberra (4%)** all attracting significant investment in 2017.

FIGURE 1
Australia CBD & Non-CBD Sales Volumes
$ billion total transaction value ($10million+)



Source: Knight Frank Research

NATIONAL TRENDS

Office investment activity in 2017 was 4% higher than 2016 levels, reversing the trend of the prior two years when falls were recorded. At $17.09 billion this was just behind the record high result of $17.35 billion in 2014 as 2017 saw more assets available for sale and increased values.

Office sales ($10 mill+) transacted during 2017 totalled $17.09 billion, which is 4% higher than 2016 and reflective of both increased asset prices and greater availability of stock for sale. Across the office investment landscape offshore investors remained the dominant purchasers in 2017, accounting for 43% of all sales. This was followed by unlisted funds/syndicates with 26% and AREITS slightly more active this year with 9% of purchases by value.

CBD Markets

Investment activity resurged within the CBD markets, recording $11.26 billion in sales across Australia—up by 30% on the supply-constrained transaction activity of 2016. Both Sydney CBD (up by 28% to $4.98 billion) and Melbourne CBD (up by 70% to $3.34 billion) led this resurgence and between them these two major Australian CBDs accounted for 74% of all CBD transactions. The Brisbane CBD cemented itself as the premier alternative CBD market with 13% of CBD sales in 2017 while the ACT also saw increased CBD activity, accounting for 4.5% of CBD transactions, on a par with Perth (4.5%).

Non-CBD Markets

After a break-out year in 2016, when $7.80 billion in transactions were recorded across non-CBD markets, almost outweighing activity in the CBD markets, 2017 saw a more normalised level of transactions with $5.84 billion recorded. This fall of 25% was due to a re-focus by core investors on CBD markets and limited large-scale, core, non-CBD stock remaining available to the market. The dominant non-CBD markets were Sydney with 52% of transactions followed by Brisbane at 23%, due to the Brisbane Fringe market having a record-breaking year. Melbourne accounted for 18% of the non-CBD transactions with the ACT at 4%.

Yields & Outlook

Due to the strong purchaser competition, 2017 continued to see contraction in yields with a further 20-30 basis point tightening across the board. Prime core assets in Sydney and Melbourne CBDs are now regularly transacting on sub-5% core market yields, with the appetite for these assets un-diminished.

The deep pool of investors for trophy assets will maintain the pressure on core yields. However tighter debt markets and increased cost of funds remain likely to emerge during 2018, although to date increases in bond yields have been un-sustained. The US begins 2018 with the Federal target rate 75bps higher than a year earlier and further unwinding of expansionary monetary policy is firmly on the radar for 2018. The recently announced change to the US corporate tax rate, reducing to 21%, has the potential to trigger repatriation of US funds/profits and also draw further investment allocation into the US market. This may accelerate both the official and market interest rate increases, which has the potential to flow through to global wholesale funding costs.

Demand for Australian office assets remains at particularly high levels at the start of 2018 with demonstrated rental growth in Sydney and Melbourne boosted by improving sentiment in the remaining cities. The stability of the economy and financial sector also encourages offshore investors to make Australian assets a key element of their portfolio. Three years ago the spread between prime yields in Sydney and Melbourne to the 10 year bond rate was 400bps, currently it is sitting in the region of 230bps, indicating the degree to which Australian property has been re-priced. Outside of financial market shocks Australian assets will maintain favour with investors in 2018, additionally the search for higher income returns will see continued diversification into non-core markets in 2018.

KEY GRAPHS

On a national basis offshore investors remained the dominant buyer type with 43% of total transactions in 2017. Unlisted funds & syndicates accounted for 26%, down slightly from 2016 while super funds recorded a three year high, with 6% of transactions.

Market focus has returned to the CBD markets, with Sydney, Melbourne, Brisbane and Canberra all recording higher CBD transactions in 2017 over 2016. After matching the CBD market in 2016, the non-CBD weighting reduced in 2017, accounting for 34% of market activity.

The resurgence of investor focus on the key core CBD markets of Sydney and Melbourne in 2017 is clear to see. Concurrently, however, investor interest has been broadening to encompass new markets with other CBDs (i.e. Brisbane, Adelaide) and non -CBD markets outside of Sydney and Melbourne also attracting greater activity.

FIGURE 2

Australian Office Turnover by Purchaser Type

$ billion total transaction value ($10million+)

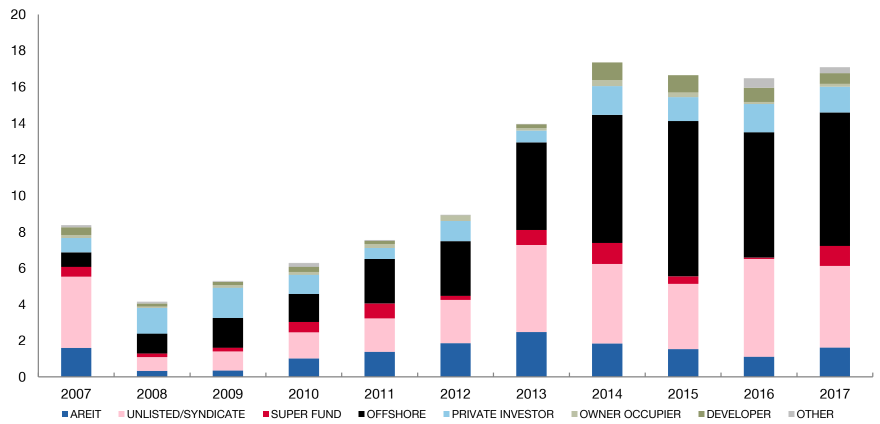


FIGURE 3

CBD versus Non-CBD Transactions 2017—by Purchaser Type & Location

$ billion total transaction value ($10million+)

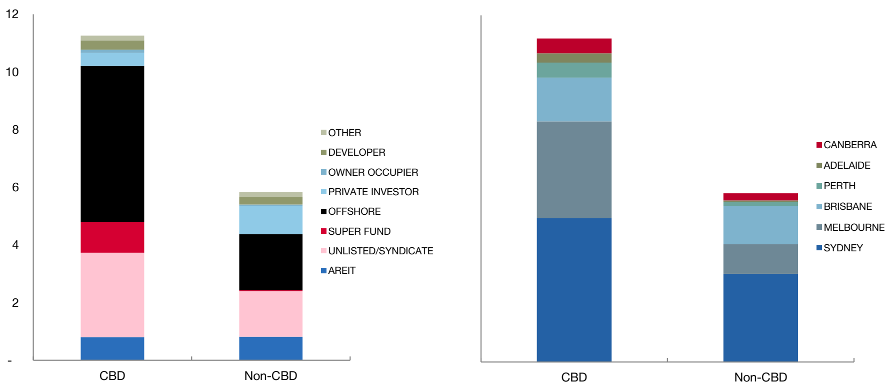
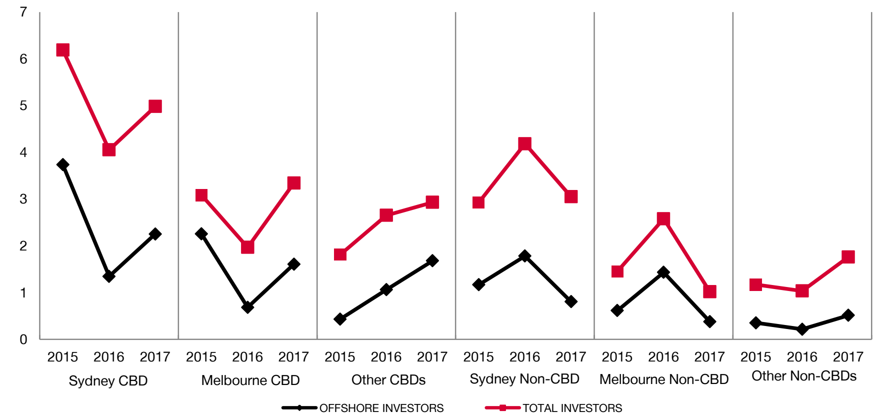


FIGURE 4

Transaction Volumes by sub-market 2015 - 2017

$ billion total transaction value ($10million+)



Source: Knight Frank Research

SYDNEY CBD

In line with Knight Frank's expectations, investment volumes in the Sydney CBD has picked up in 2017, following a dip in 2016. The total investment volume has surged by 28% YoY to reach $4.98 billion. The rise in transaction activity can be attributed to the increased number of core assets being put on the market in conjunction with solid investor demand, particularly from offshore buyers.

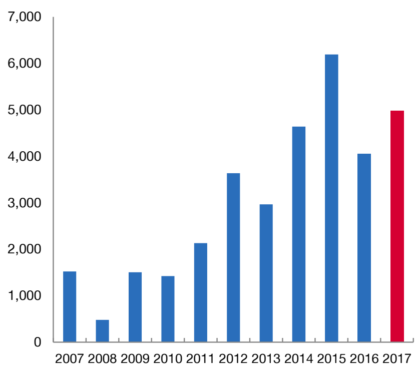
Foreign investors continue to expand their footprint aggressively in the Sydney CBD market with a total acquisition value of $1.98 billion in 2017, accounting for 40% of the total transaction volume. They were followed by unlisted trusts and syndicates, which purchased $1.20 billion (24% of total) over the year. Interestingly, offshore owners were even more active on the sell side with a total sale value of $2.47 billion, resulting in them being net sellers by $490 million. While Hong Kong and Singapore-based investors were the most prominent buyers, US and UK-based investors were more active in recycling capital out of CBD assets.

By number of transactions, there were 27 properties ($10m+) exchanged in 2017. Even though the number of assets sold has decreased from last year (33), the average deal size increased by 56% YoY to $184 million per transaction. This is reflective of both the increase in the number of prime assets being transacted as well as the rising value in the Sydney CBD. These trends are expected to continue over the next 12 months with volumes projected to continue to rise.

FIGURE 5

Sydney CBD Sales Volumes

$ million total transaction value ($10million+)



Source: Knight Frank Research

1. WYNYARD PLACE, 10 CARRINGTON STREET

Price: $898.20 million (49.9% interest)

Date: September 2017^

NLA: 74,800m²

Rate/m² of NLA: $24,064/m²

Yield: 4.75% core market# (4.75% initial*)

Vendor: Brookfield

Purchaser: AMP Capital Wholesale Office Fund (25.0%)/UniSuper (24.9%)

Comments: A fund-through transaction for completion in mid-2020, with NAB committing to 46% of office NLA for 12 years and 4-year rental guarantee over vacant areas.

2. MLC CENTRE, 19-29 MARTIN PLACE

Price: $722.50 million (50% interest)

Date: June 2017

NLA: 73,104m² (inc. 6,012m² of retail)

Rate/m² of NLA: $19,766/m²

Yield: 4.95% core market (4.31% initial)

Vendor: QIC Global Real Estate

Purchaser: Dexus Funds Management Ltd (25%)/Dexus Wholesale Property Fund (25%)

Comments: A 69 level A Grade office and retail building, constructed in 1978. The property was transacted with a WALE by income of 4.8 years.

3. TELSTRA HOUSE, 231 ELIZABETH STREET

Price: c.$340.00 million

Date: December 2017

NLA: 23,269m²

Rate/m² of NLA: c.$14,612/m²

Yield: c.5.20% initial (reported)

Vendor: Bright Ruby Resources

Purchaser: Charter Hall REIT

Comments: The property comprises 15 levels of office space and ground-floor retail area. The building is fully occupied by Telstra with the lease expiring in mid-2020.

4. 20 BRIDGE STREET

Price: $335.00 million

Date: May 2017

NLA: 18,449m²

Rate/m² of NLA: $18,158/m²

Yield: 4.73% core market (4.25% initial)

Vendor: Kumpulan Wang Persaraan (KWAP)

Purchaser: Early Light International Group

Comments: A 15 level A Grade office building located in the Sydney CBD Core. The property is anchored by the ASX (44%) with a WALE by income of 6.8 years.

5. 320 PITT STREET

Price: $275.00 million

Date: June 2017

NLA: 29,159m²

Rate/m² of NLA: $9,431/m²

Yield: 5.26% core market (6.27% initial)

Vendor: Propertylink Office Partnership II

Purchaser: ARA Australia/Straits Real Estate

Comments: An A Grade 32 level office building tower located in the Midtown precinct of the Sydney CBD with Telstra as the major tenant. The property was acquired with a WALE of 3.2 years.

6. SWIRE HOUSE, 10 SPRING STREET

Price: $270.05 million

Date: October 2017

NLA: 13,872m²

Rate/m² of NLA: $19,467/m²

Yield: 4.60% core market (3.80% initial)

Vendor: Centuria Property Funds

Purchaser: Lendlease (APPF Commercial)

Comments: A refurbished A Grade office building constructed in circa 1977. The property was sold fully leased with a WALE of 2.9 years.

^ For completion mid-2020 # Fund through transaction * Reflecting rental guarantee

7. 66 GOULBURN STREET

Price: $252.00 million (leasehold)

Date: August 2017

NLA: 22,889m²

Rate/m² of NLA: $11,009/m²

Yield: 6.10% core market (5.81% initial)

Vendor: GDI Property Group

Purchaser: Ascendas-Singbridge

Comments: A 24 level A Grade office building constructed above the Masonic Centre. Major tenants include GPNSW, Prudential Investment and William Buck.

8. 130 PITT STREET

Price: $229.00 million

Date: November 2017

NLA: 10,098m² (inc. 1,064m² of retail)

Rate/m² of NLA: $22,678/m²

Yield: 4.5% core market (3.7% initial)

Vendor: Investa Commercial Property Fund

Purchaser: PA Realty (Mitsubishi/CLSA)

Comments: A mixed use B Grade property with prime retail on the lower two floors and 13 floors of office space. The building was 96% occupied with a WALE of 2.1 years.

9. 1 CASTLEREAGH STREET

Price: $220.00 million (reported)

Date: December 2017

NLA: 11,432m²

Rate/m² of NLA: $19,244/m²

Yield: 4.60% core market (3.70% initial)

Vendor: Blackstone

Purchaser: Early Light International Group

Comments: The 22 level B Grade building, built in 1967, was purchased by a Hong Kong-based investor, who also acquired 20 Bridge Street earlier in the year.

10. 20 HUNTER STREET

Price: c$192.50 million

Date: October 2017

NLA: 9,852m²

Rate/m² of NLA: $19,540/m²

Yield: 4.80% core market (4.00% initial)

Vendor: TH Real Estate

Purchaser: K Wah International

Comments: A modern A Grade building, built in 1998, comprising 16 levels of office space. The property was sold with a WALE of 2.3 years.

Map Source: Knight Frank Research

MELBOURNE CBD

Investment sales in the Melbourne CBD remained strong in 2017, with sales volumes achieving the highest annual level on record. Office sales activity ($10mil+) in 2017 within the Melbourne CBD totalled $3.36 billion across 21 properties. The total sales volume in 2017 was $157 million above the record levels achieved in 2014 and 95% higher than the 10-year CBD sales volume average.

Cross border investment interest in the Melbourne CBD has been unprecedented in 2017. Offshore groups accounted for 52% of total sales by value, totalling $1.74 billion across eight transactions. This was more than double the volume achieved in 2016.

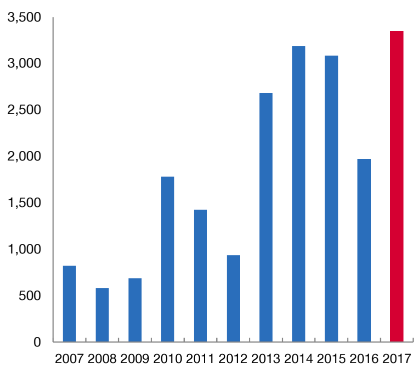
Offshore investment in 2017 was dominated by Asian-based groups, led by Singaporean investors however Chinese and US investors were also active.

Transaction levels were boosted by a number of major sales, with six transactions above $200 million recorded over 2017, the highest number on record for an individual year. Three of these sales were fund through transactions with the acquisition of a 50% stake in 477 Collins Street the largest recorded.

FIGURE 6

Melbourne CBD Sales Volumes

$ million total transaction value ($10million+)



Source: Knight Frank Research

1. OLDERFLEET BUILDING, 477 COLLINS STREET*

Price: $414.00 million (50% interest)

Date: July 2017

NLA: 58,048m²

Rate/m² of NLA: $14,264/m²

Yield: 4.80% initial

Vendor: Mirvac Group

Purchaser: Suntec REIT

Comments: The 40 level Premium Grade office building is currently under construction and due for completion in Q2 2020. Deloitte will be the anchor tenant, pre-committing to 22,000m² on a 12 year term.

2. 311 SPENCER STREET*

Price: $347.80 million (50% interest)

Date: July 2017

NLA: 65,648m²

Rate/m² of NLA: $10,396/²

Yield: 4.92% core market

Vendor: Australia Post

Purchaser: Keppel REIT

Comments: The 40 level office tower is currently under construction, due for completion in Q4 2019. Victoria Police will vacate their current premises at 637 Flinders Street to occupy the entire 65,000m² tower.

3. 447 COLLINS STREET*

Price: $300.00 million (50% interest)

Date: July 2017

NLA: 49,800m² (office only)

Rate/m² of NLA: $12,048/m²

Yield: Undisclosed

Vendor: Cbus Property

Purchaser: ISPT

Comments: Due for completion in Q4 2019, the twin-tower mixed-use development includes a 39-level Premium-grade office building. It has pre-commitments from major legal firms including King & Wood and HWL.

4. 800 COLLINS STREET

Price: $300 million (reported)

Date: November 2017

NLA: 28,619m²

Rate/m² of NLA: $10,483/m²

Yield: Undisclosed

Vendor: Australian Prime Property Fund Commercial / Savills Investment Management

Purchaser: Manulife Real Estate

Comments: The A Grade office building comprises ground floor retail and 10 upper levels of office space. The asset is fully leased to Myer and Latitude Financial Services.

5. THE WORLD TRADE CENTRE, 18-38 SIDDELEY STREET

Price: $267.50 million

Date: June 2017

NLA: 49,935m²

Rate/m² of NLA: $5,357/m²

Yield: 7.51% core market (6.78% initial)

Vendor: Abacus Property Group

Purchaser: Ouson Group

Comments: The asset comprises three interconnected A Grade office buildings on a 13,532m² site, with a 154 metre frontage to the Yarra River. It was sold with a WALE of 3.9 years and a vacancy rate of 1.8%.

6. 120 SPENCER STREET

Price: $250.00 million

Date: August 2017

NLA: 33,258m²

Rate/m² of NLA: $7,517/m²

Yield: 5.60% initial

Vendor: Anton Capital

Purchaser: CBRE Global Investors

Comments: The 23 level B Grade office tower situated opposite Southern Cross Station was acquired through CBRE Global Investors. Anton Capital purchased the asset for $165 million in April 2016.

* Fund through transaction

7. 555 LONSDALE STREET

Price: $200.00 million

Date: October 2017

NLA: 16,176m²

Rate/m² of NLA: $7,084/m²

Yield: Undisclosed

Vendor: QIC Global Real Estate

Purchaser: Deutsche Asset Management

Comments: Built in 1989, the asset is a 13 level A Grade office tower. The ground floor reception lobby was extensively refurbished in March 2014.

8. 628 BOURKE STREET

Price: $180.00 million

Date: June 2017

NLA: 24,515m²

Rate/m² of NLA: $7,342/m²

Yield: 6.00% initial

Vendor: M&G Real Estate

Purchaser: AFFIAA

Comments: The B Grade asset comprises an eight level podium to Bourke Street and a 16 level tower to Little Bourke Street.

9. 469 LA TROBE STREET

Price: $160.50 million

Date: October 2017

NLA: 19,864m²

Rate/m² of NLA: $8,080/m²

Yield: 5.25% initial

Vendor: Trust Capital Advisors

Purchaser: AMP

Comments: 17 level A Grade office tower located in the legal precinct of the CBD. Fully leased to a multiple legal firms and private tenants.

10. 850 COLLINS STREET

Price: $156.10 million

Date: October 2017

NLA: 17,337m²

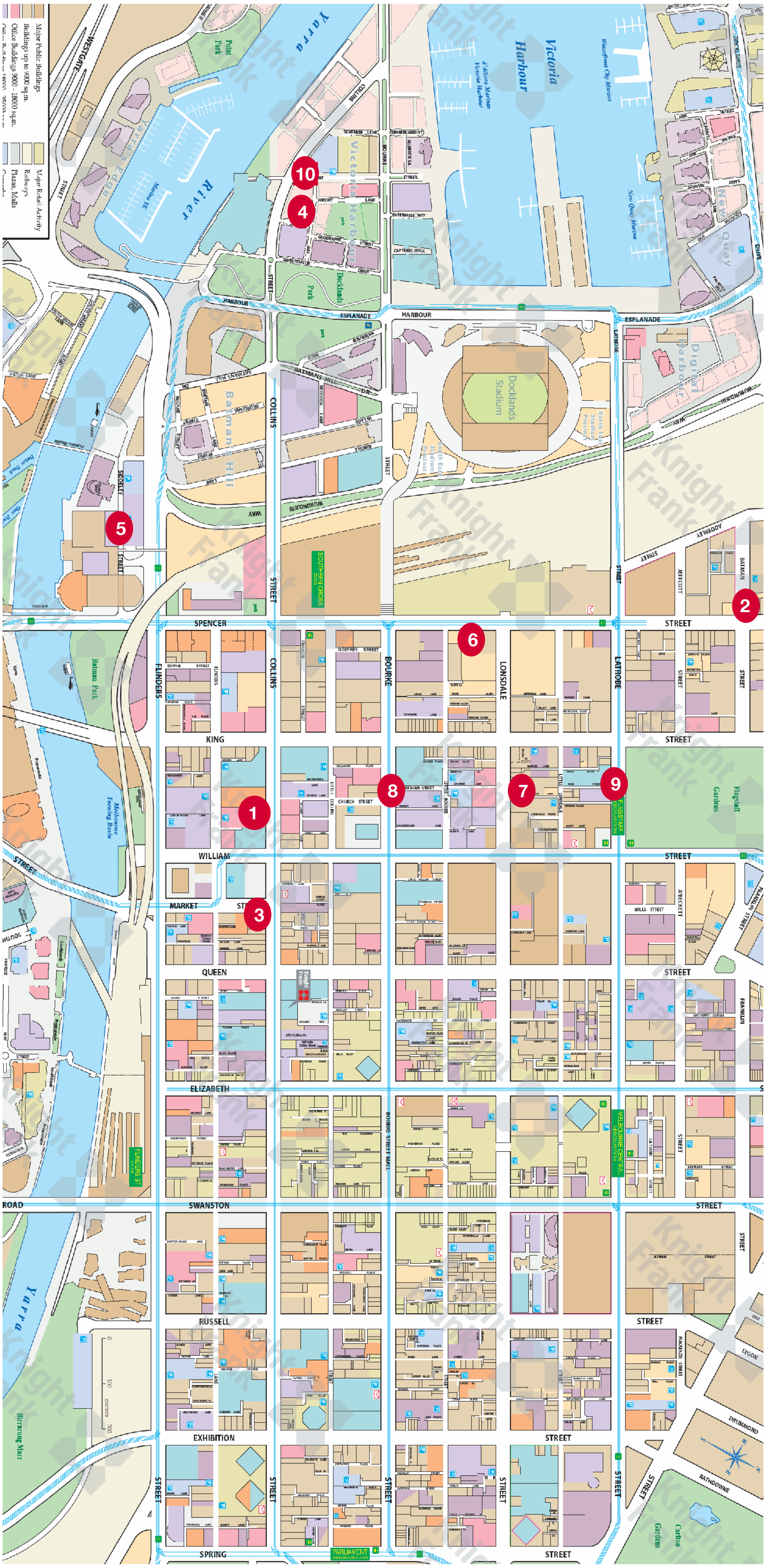
Rate/m² of NLA: $9,004/m²

Yield: 5.62% initial

Vendor: Trust Capital Advisors

Purchaser: CLSA

Comments: A nine level office building with upper and lower ground retail tenancies. Constructed in 2012 by Lendlease with a 3.5 star NABERS rating.



Map Source: Knight Frank Research

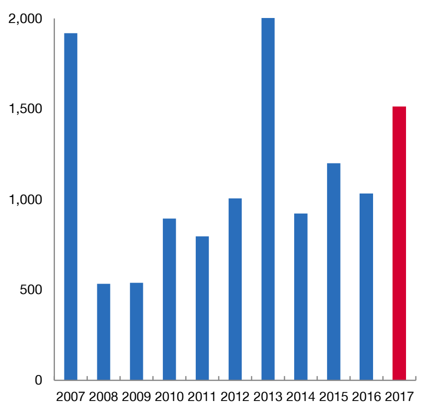
BRISBANE CBD

After a number of years of increasing investor interest in the Brisbane CBD, the combination of green shoots in the leasing market and greater availability of stock for sale has resulted in total transactions within the CBD of $1.51 billion ($10mil+) for 2017. This is 47% higher than the 2016 transaction turnover level and behind only the standout years of 2007 and 2013.

This high level of transaction activity has largely been driven by the continued penetration of offshore owners into the Brisbane CBD market. Accounting for 70% of turnover in 2017, offshore purchasers acquired $1.06 billion of assets in the CBD. This was also balanced by divestments of $737.4 million, creating greater confidence for offshore investors that the Brisbane CBD has sufficient liquidity to allow for timely disposals as well as maintaining a margin of 130-135 basis points over Sydney and Melbourne for prime yields.

Unlisted funds and syndicates accounted for $295.6 million in acquisitions during 2017, however due to $542.2 million in divestments, were net sellers across the calendar year. The other investor categories were relatively quiet in 2017, generally outbid by acquisitive offshore purchasers seeking a foothold in the Brisbane CBD market.

FIGURE 7
Brisbane CBD
$ million total transaction value ($10million+)



Source: Knight Frank Research

1. 32 TURBOT STREET

Price: $370.00 million

Date: December 2017

NLA: 34,699m²

Rate/m² of NLA: $10,663/m²

Yield: c.5.70% core market

Vendor: Permodalan Nasional Bhd

Purchaser: Charter Hall obo GIC

Comments: 37 level A Grade building which was completed in 2009. There are 31 levels of office space which have typical floors of 1,100m². Major tenant is Santos. Sold with a WALE of 4.0 years.

2. 400 GEORGE STREET

Price: $210.00 million (50% interest)

Date: July 2017

NLA: 43,493m²

Rate/m² of NLA: $9,656/m²

Yield: undisclosed

Vendor: Sth Australia Motor Accident Com.

Purchaser: Blackrock

Comments: 34 level office building constructed in 2009 with average floorplates of 1,614m²-1,621m². Podium food court and parking for 221 vehicles and 290 bicycles. Sold as part of a national portfolio.

3. 50 ANN STREET

Price: $144.62 million

Date: May 2017

NLA: 25,519m²

Rate/m² of NLA: $5,667/m²

Yield: 8.20% core market (7.01% initial)

Vendor: CIMB Capital Advisors (Aust Fund 1)

Purchaser: Propertylink/Goldman Sachs

Comments: 25 level building with the office and carparking component fully leased to the State Government of QLD. WALE of 3.6 years.

4. 120 EDWARD STREET

Price: $142.65 million

Date: May 2017

NLA: 15,271m²

Rate/m² of NLA: $9,341/m²

Yield: 5.78% core market (5.81% initial)

Vendor: Private Syndicate

Purchaser: Deutsche Asset Mgt

Comments: 22 level office building constructed in 2001 with floorplates of up to 967m². Centrally located in the CBD. Purchased by an offshore buyer with a WALE of 3.5 years.

5. 307 QUEEN STREET

Price: $142.15 million

Date: January 2017

NLA: 19,446m²

Rate/m² of NLA: $7,310/m²

Yield: 6.81% core market

Vendor: GDI Property Group

Purchaser: LaSalle Investment Mgt

Comments: 28 level building constructed in 1978 and leased to a wide variety of tenants. Sold with a WALE of 3.2 years. Well located value-add opportunity which has always been popular with occupiers.

6. 160 ANN STREET

Price: $119.50 million

Date: August 2017

NLA: 15,985m²

Rate/m² of NLA: $7,476/m²

Yield: 5.97% core market (5.80% initial)

Vendor: CorVal obo an unlisted fund

Purchaser: Keppel REIT

Comments: 22 level commercial tower completed in 1972 and extensively refurbished, most recently 2017. Major tenants are Central QLD Uni, QLD Health and Shine Lawyers. Sold with a WALE 9.4 yrs.

7. 150 CHARLOTTE ST

Price: $105.75 million

Date: October 2017

NLA: 11,011m²

Rate/m² of NLA: $9,604/m²

Yield: 6.21% core market (6.83% initial)

Vendor: CIMB Capital Advisors (Aust Fund 1)

Purchaser: Australian Unity Investment

Comments: Major tenants Boeing and DFAT. WALE of 5.6 years.

8. 545 QUEEN STREET

Price: $70.50 million

Date: May 2017

NLA: 13,422m²

Rate/m² of NLA: $5,253/m²

Yield: n/a

Vendor: GPT Wholesale Office Fund

Purchaser: Private Investors

Comments: Island site. Sold substantially vacant following Flight Centre's relocation to their new South Brisbane headquarters.

9. 147—163 CHARLOTTE ST & 146-160 MARY ST

Price: $65.00 million

Date: March 2017

NLA: 26,651m²

Rate/m² of NLA: $2,439/m²

Yield: VP

Vendor: Cromwell Group

Purchaser: Ashe Morgan Group

Comments: Settled in November upon full vacation by the State Govt. Owners have lodged plans to refurbish/expand.

10. 40 TANK STREET

Price: $56.10 million

Date: May 2017

NLA: 6,218m²

Rate/m² of NLA: $9,022/m²

Yield: 5.80% initial yield

Vendor: Blackstone/151 Property

Purchaser: Ariadne/Kevin Seymour

Comments: Building which has five levels of above ground parking (231 cars) and five levels of office space. WALE by income of 6.3 years influenced by carpark.

Map Source: Knight Frank Research

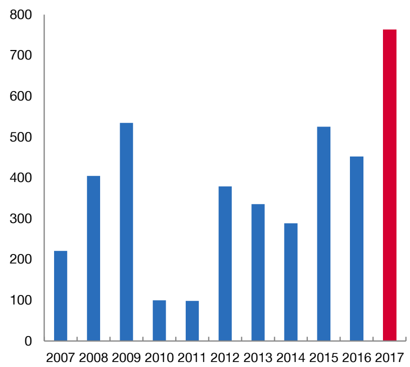
CANBERRA

The Canberra office market experienced solid growth in investment activity in 2017, underpinned by strong demand by both local and offshore investors and more attractive yields compared to Sydney and Melbourne. Total sale volume ($10mil+) reached $763.06 million in 2017, representing a 69% increase over 2016. Although there were the same number of properties (11 sales of $10m+) exchanged during 2017, compared to 2016 the average value has increased by 68% from $41 million to $69 million.

Contributing to the increase in the average sale value was the sale of 50 Marcus Clarke St for $321 million, which was the largest office transaction in the ACT for 2017. The property was purchased by South Korea-based Mirae Asset Global Investments from CIMB-Trust Capital Office Fund, on a core market yield of 5.69%. While transaction activity in 2016 concentrated primarily in the Civic precinct, 2017 saw investor interest cascading to non-CBD locations. Notable transactions in the suburbs included 44 Sydney Ave in Forrest which sold for $64.70 million and 2-6 Bowes St in Phillip, sold for $58.38 million.

Investor demand for value-add and opportunistic assets remained upbeat, highlighted by the sale of Anzac Park West (47 Constitution Ave, Reid) to EG Funds for $51.00 million and 63 Constitutional Ave to Amalgamated Property Group for $34.30 million. Both assets are subject to future redevelopment.

FIGURE 8
Canberra Sales Volumes
$ million total transaction value ($10million+)



Source: Knight Frank Research

1. 50 MARCUS CLARKE STREET, CIVIC

Price: $321.00 million

Date: March 2017

NLA: 40,201m²

Rate/m² of NLA: $7,985/m²

Yield: 5.69% core market (6.10% initial)

Vendor: CIMB-Trust Capital Office Fund

Purchaser: Mirae Asset Global Investments

Comments: A modern 12 level A Grade office building constructed in 2010 with 3 levels of basement parking for 424 cars. The property was sold with a WALE of 8.2 years.

2. 44 SYDNEY AVENUE, FORREST

Price: $64.70 million

Date: November 2017

NLA: 9,948m²

Rate/m² of NLA: $6,504/m²

Yield: 6.25% core market (6.26% initial)

Vendor: Quintessential Equity

Purchaser: Charter Hall Direct PFA Fund

Comments: A semi-modern, four level A Grade office building completed in 2003. The building is fully leased to four tenants, with a blended WALE of 7.7 years.

3. 2-6 BOWES STREET, PHILLIP

Price: $58.38 million

Date: February 2017

NLA: 12,377m²

Rate/m² of NLA: $4,717/m²

Yield: 6.39% core market (6.56% initial)

Vendor: Quintessential Equity

Purchaser: Altis Property Partners

Comments: The property comprises three interconnected office buildings which were completed in 1986. The building is predominantly leased to the ACT Government with a WALE of 13.5 years.

4. 82 NORTHBOURNE AVENUE, BRADDON

Price: $57.33 million

Date: January 2017

NLA: 6,978m²

Rate/m² of NLA: $8,215/m²

Yield: 6.06% core market (7.21% initial)

Vendor: Worthwest Pty Ltd

Purchaser: Challenger Life Company

Comments: A modern A Grade office building constructed in 2008. There are six levels of office and three basement levels of parking for 138 vehicles. The WALE was 7.5 years at the time of sale.

5. ANZAC PARK WEST, 47 CONSTITUTION AVENUE, REID

Price: $51.00 million

Date: December 2017

NLA: 15,600m²

Rate/m² of NLA: $3,269/m²

Yield: Undisclosed

Vendor: Government of Australia

Purchaser: EG Funds Management

Comments: Built in the 1960s, the building was sold with a 10 year lease to the Department of Defence with options to extend for another six years. The building must be demolished and rebuilt when the lease expires.

6. 11 MOORE STREET, CIVIC

Price: $44.00 million

Date: July 2017

NLA: 8,663m²

Rate/m² of NLA: $5,079/m²

Yield: 7.53% core market (7.92% initial)

Vendor: Willemsen Investment Corporation

Purchaser: Lederer Group

Comments: An eight level A Grade office building completed in 2005 with basement car parking for 62 vehicles over 2.5 levels. The property was sold with a WALE of 3.3 years.

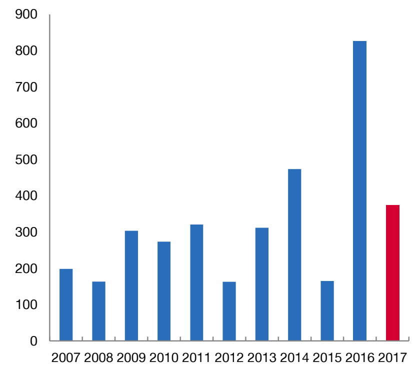
ADELAIDE

Major office investment sales in 2017 reflected the high level of investor interest in Adelaide. Transactions for CY2017 ($10mil+) recorded a total of $373.20 million, lower than the standout 2016 calendar year ($826.69 million), but still a historically strong result. Additionally 2018 will start strongly with 11 Waymouth Street under contract for $202.5 million and a further CBD asset under contract for c$100 million.

Adelaide has experienced increased activity from overseas and institutional investors focused within the CBD Core. The 2017 sales were headlined by the Credit Suisse purchase of 25 Grenfell Street for $125.10 million, and Singaporean group AEP Investment Management's purchase of 45 Pirie Street for $105.00 million. Sales activity remains concentrated within the CBD, securing all but two of the major sales. The Fringe market remains tightly held with only one significant transaction, an owner occupier, purchasing 142 Fullarton Road, Rose Park for $18.00 million.

In July 2017, the second one third reduction of Commercial Stamp Duty came into effect. Commercial Stamp Duty will be fully abolished in July 2018 further boosting Adelaide's appeal. Adelaide remains an attractive alternative investment destination for both domestic and offshore investors, with prime yields at 100-200 basis points above the Eastern Seaboard.

FIGURE 9
Adelaide Sales Volumes
$ million total transaction value ($10million+)



Source: Knight Frank Research

1. 25 GRENFELL STREET, CBD

Price: $125.10 million

Date: January 2017

NLA: 25,381m² (Office & Retail)

Rate/m² of NLA: $4,929/m²

Yield: 7.48% core market (6.67% initial)

Vendor: GDI Property Group

Purchaser: Credit Suisse

Comments: A 20 level, Premium Grade office tower and retail plaza sold with a WALE of 5.0 years. The Minister for Transport and Infrastructure (SA Govt), occupies 27% of the building's total NLA until 2024.

2. 45 PIRIE STREET, CBD

Price: $105.00 million

Date: August 2017

NLA: 19,854m²

Rate/m² of NLA: $5,145/m²

Yield: 7.77% core market (8.70% initial)

Vendor: Corval

Purchaser: AEP Investment Management

Comments: A 19 level A Grade office tower sold with a WALE of 4.0 years. The Minister for Transport and Infrastructure (SA Govt) occupies 76% of the building's total NLA until 2022.

3. 121 KING WILLIAM STREET, CBD

Price: $58.40 million^

Date: August 2017

NLA: 12,558m²

Rate/m² of NLA: $4,650/m²

Yield: Undisclosed

Vendor: SA Government (MAC)

Purchaser: Blackstone

Comments: A 12 level A Grade office tower sold with a WALE of 3.3 years. The major tenant is Ernst & Young which occupies 20% of the building's total NLA until 2023.

4. 99 GAWLER PLACE, CBD

Price: $34.60 million^

Date: August 2017

NLA: 11,158m²

Rate/m² of NLA: $3,101/m²

Yield: Undisclosed

Vendor: SA Government (MAC)

Purchaser: Blackstone

Comments: A 14 level B Grade office building sold with a WALE of 3.7 years. SA Govt Motor Accident Commission occupies 58% of the building's total NLA until 2021.

5. 2 SECOND AVENUE, MAWSON LAKES

Price: $32.10 million

Date: March 2017

NLA: 8,642m²

Rate/m² of NLA: $3,714/m²

Yield: 7.64% core market (7.64% initial)

Vendor: Renewal SA (SA Govt)

Purchaser: AMP Wholesale Property Fund

Comments: Modern building located in the Adelaide Technology Park, Mawson Lakes, 12km north of the CBD. The property sold fully leased to Codan Ltd until Dec 2030. Includes some technical/warehouse space.

6. 142 FULLARTON ROAD, ROSE PARK

Price: $18.00 million

Date: September 2017

NLA: 2,367m²

Rate/m² of NLA: $7,605/m²

Yield: 4.86% core market (1.65% initial)

Vendor: Harmony Rose Park Pty Ltd

Purchaser: I.R. McDonald Pty. Ltd.

Comments: A 2012 built A Grade office building located in the CBD Fringe. The property sold off-market part leased to General Corporation providing WALE of 1.6 years by income. Intended for owner occupation.

^ Sale price is portfolio weighted.

PERTH

Transactional office activity within Perth ramped up in 2017 indicating counter-cyclical purchasing has commenced and the appetite for assets with the right leasing profile is strong.

A total of $654.54 million office sales transacted in 2017 ($10mil+). While this represented a further recovery in transaction turnover of 9.5% against 2016 levels, turnover remains well below the peak activity of 2013 when $1,363.55 million in office assets were transacted.

Three of the significant transactions were purchased by offshore buyers, representing 44.5% of the total sales volume. These purchasers were GIC, Far East Organisation and Straits Trading Company.

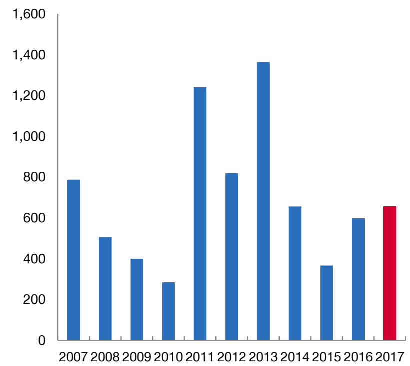
Westralia Square was the largest office market transaction of 2017 located at 141 St Georges Terrace, purchased by GDI Property Group for $216.25 million in August 2017. This was the third major Perth CBD office asset divested by the Insurance Commission of WA's (ICWA) over the past two years. Previous divestments, in 2016, were 219-221 St Georges Terrace ($193.60 million) and 167 St George's Terrace ($87 million).

The value proposition of the Perth office market, coupled with limited investment opportunities along the East Coast, will place Perth in a good position heading into 2018.

FIGURE 10

Perth Sales Volumes

$ million total transaction value ($10million+)



Source: Knight Frank Research

1. WESTRALIA SQUARE, 141 ST GEORGES TERRACE, CBD

Price: $216.25 million

Date: August 2017

NLA: 32,635²

Rate/m² of NLA: $6,626/m²

Yield: 7.49% core market

Vendor: Insurance Commission of WA

Purchaser: GDI Property Group

Comments: Westralia Square is an 18 level A Grade building within the core CBD office precinct. The building was sold with a WALE of 3.0 years with 93% occupancy although requires extensive refurbishment.

2. THE QUADRANT, 1 WILLIAM STREET, CBD

Price: $175.00 million

Date: August 2017

NLA: 23,450m²

Rate/m² of NLA: $7,463/m²

Yield: 6.90% core market

Vendor: CBA Officers' Super Corporation

Purchaser: Prime West / GIC

Comments: The Quadrant is a 24 level A Grade office tower sold with a WALE of 3.5 years. The building was sold with 62% occupancy, having undergone some refurbishment although more is still required.

3. 109 ST GEORGES TERRACE, CBD

Price: $71.77 million

Date: June 2017

NLA: 13,890m²

Rate/m² of NLA: $5,167/m²

Yield: 6.75% core market

Vendor: Charter Hall Core Plus Office Fund

Purchaser: Far East Organisation

Comments: A 20 level office tower sold with a WALE of 0.5 years. The major tenant, Westpac, relocated in Dec 2017. The purchaser will attempt to re-lease, although there is longer-term redevelopment/refurbishment planned.

4. 144 STIRLING STREET, NORTHBRIDGE

Price: $58.22 million

Date: June 2017

NLA: 11,042m²

Rate/m² of NLA: $5,271/m²

Yield: 7.60% core market

Vendor: Charter Hall Direct Trust

Purchaser: Centuria Metropolitan REIT

Comments: A four level, 11,042m² A Grade office building located in the Northbridge suburban market. The Hatch building sold with a WALE of 3.9 years and was fully occupied by Hatch and the Minister for Works.

5. 45 ST GEORGES TERRACE, CBD

Price: $54.20 million

Date: December 2017

NLA: 10,011m²

Rate/m² of NLA: $5,414/m²

Yield: 7.50% passing yield

Vendor: Credit Suisse

Purchaser: Straits Trading Company

Comments: An 11 level office tower sold with a WALE of 4.6 years. The 10,011m² older style building has been refurbished and had 80% occupancy at the time of sale.

6. IAG BUILDING, 42-46 COLIN STREET, WEST PERTH

Price: $33.55 million

Date: July 2017

NLA: 8,433m²

Rate/m² of NLA: $3,978/m²

Yield: 7.70% core market

Vendor: DEXUS / CPP Investment Board

Purchaser: Centuria Metropolitan REIT

Comments: The IAG Building is an A Grade five level, campus-style office building with floorplates of 1,807m². Located on a leasehold site in West Perth, the building sold fully leased with a WALE of 4.8 years.

SYDNEY NON-CBD

Investment volumes into the Sydney non-CBD office markets have moderated in 2017, following a stellar year of activity in 2016. The total investment volume has declined by 31% YoY to $3.05 billion. Activity has slowed down across all non-CBD markets with the exception of Parramatta, which saw transaction value double to $441 million. Much of this increase is attributed to the fund-through sale of 105 Phillip Street for $229 million.

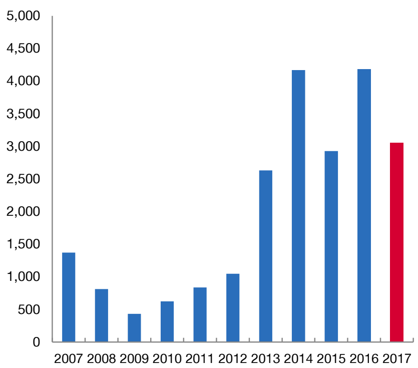
As expected, the non-CBD markets were dominated by local buyers, which acquired a total of $2.00 billion in 2017. This represents 65% of the total transaction value. Unlisted and syndicates were the largest buyers, among the local groups, with a total purchase value of $658 million. They are followed by AREITs, which are increasingly acquisitive in non-CBD markets. In total, they have purchased $531 million of suburban assets in 2017. Major groups that have made purchases this year include; Dexus, Charter Hall, Mirvac and Centuria.

While offshore buyers' interest remains strong, their volumes have moderated in 2017, with a total value of $1.06 billion, down 47% YoY. This decrease is partly due the lack of access to quality assets, many of which were traded off-market. China and Hong Kong were the largest sources of foreign capital, representing 65% of the total offshore investment.

FIGURE 11

Sydney Non-CBD Sales Volumes

$ million total transaction value ($10million+)



Source: Knight Frank Research

1. 100-130 HARRIS STREET, PYRMONT

Price: $327.50 million

Date: July 2017

NLA: 26,879m²

Rate/m² of NLA: $12,185/m²

Yield: 5.20% core market (5.30% initial)

Vendor: Citi 100 (Private Investor)

Purchaser: Dexus Property Group

Comments: A heritage A Grade office building located in the city fringe suburb of Pyrmont. The property, built in 1919, was extensively renovated in 2016 and leased predominantly to WeWork and the Domain Group with a WALE of 7.6 years.

2. 105 PHILLIP STREET, PARRAMATTA*

Price: $229.00 million

Date: April 2017«

NLA: c.25,264m²

Rate/m² of NLA: $9,064/m²

Yield: 5.30% core market (5.30% initial)

Vendor: Dexus Property Group

Purchaser: Charter Hall's Direct Office Fund (50%)/Prime Office Fund (50%)

Comments: An fund-through deal for an A Grade office tower, due for completion in April 2018. The 13 level building is fully pre-committed to the NSW Government (Department of Education) on a 12 year lease.

3. 15 BLUE STREET, NORTH SYDNEY

Price: $169.00 million

Date: February 2017

NLA: 16,144m²

Rate/m² of NLA: $10,263/m²

Yield: 6.8% core market (5.7% initial)

Vendor: Denwol

Purchaser: St Enoch Nominee (Aqualand)

Comments: A 16 level B Grade office building completed in 1976 and progressively refurbished in 1991, 2015 and 2016. The property is located above the North Sydney Railway Station with Sydney Harbour and CBD views. It was acquired with a 4.5 year WALE.

4. 116 MILLER ST & 173 PACIFIC HWY, NORTH SYDNEY

Price: $133.88 million

Date: July 2017

NLA: 11,366m²

Rate/m² of NLA: $11,779/m²

Yield: 5.60% core market (4.50% initial)

Vendor: Property Bank Australia/RG Property

Purchaser: Maville Group

Comments: Two B Grade office buildings located opposite the future Victoria Cross Metro Station and adjacent Northpoint retail centre. The property is 88% leased to nine tenants, including; Salmat, NAB and APP, with a WALE by income of 3.3 years.

5. GATEWAY 241, 241 O'RIORDAN STREET, MASCOT

Price: $128.40 million

Date: May 2017

NLA: 19,277m²

Rate/m² of NLA: $6,660/m²

Yield: 6.55% core market (6.89% initial)

Vendor: 151 Property (Blackstone)

Purchaser: Australian Property Opportunities Fund III (Fort Street Capital)

Comments: A 10 level A Grade office building constructed in 1992 with an extensive refurbishment in 2014. The property is located directly opposite Sydney Airport Domestic terminal and has a 5.5 year WALE.

* Fund through transaction   « Due for completion in April 2018

MELBOURNE NON-CBD

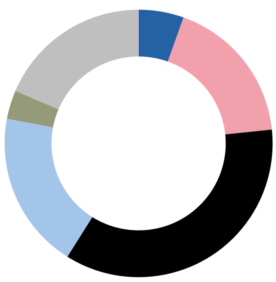
Office investment sales activity ($10mil+) in the Melbourne non-CBD market over 2017 totalled $1.02 billion across 25 properties. The volume of sales achieved in 2017 was below the $1.45 billion and $2.57 billion recorded in 2015 and 2016 respectively.

Non-CBD office investment was led by sales in the Suburban office market. Suburban office properties sold in 2017 accounted for 56% of all transactions by value, followed by St Kilda Road offices which accounted for 44%. Transaction volumes in the St Kilda Road precinct totalled $441 million, the highest annual total since 2014 ($789 million).

Within the suburban office market specifically, the City Fringe was the focal point of investment activity accounting for 42% of all suburban office transactions with $243 million spent.

Offshore investors led all purchaser types accounting for 37% of sales by value, spending $376 million. Volumes were supported by the acquisition of four assets in the St Kilda Road office market. The offshore investment across Melbourne's non-CBD office markets in 2017 was dominated by Asian-based groups, led by Singaporean and Chinese investors.

FIGURE 12
Melbourne non-CBD Office Sales
Purchaser Profile Sales $10million+



Source: Knight Frank Research

1. 417 ST KILDA ROAD

Price: $144.7 million

Date: July 2017

NLA: 20,135m²

Rate/m² of NLA: $7,186/m²

Yield: 6.10% initial

Vendor: Newmark Property Group

Purchaser: Mapletree Investments

Comments: The A Grade office building comprises 10 levels to the front and five levels to the rear. It is located in the central end of the St Kilda Road precinct.

2. 390 ST KILDA ROAD

Price: $97.85 million

Date: August 2017

NLA: 16,307m²

Rate/m² of NLA: $6,000/m²

Yield: 5.95% initial

Vendor: Australian Properties Opportunities Fund

Purchaser: Rockworth Capital Partners

Comments: The 23 level B Grade office building sold with a WALE of 3.1 years. It is the tallest office tower in the St Kilda Road precinct.

3. 312 ST KILDA ROAD

Price: $74.1 million

Date: November 2017

NLA: 9,854m²

Rate/m² of NLA: $7,524/m²

Yield: 5.07% initial

Vendor: Myer Family Investments

Purchaser: Tong Eng Group

Comments: The property is an eight level B Grade office building. It is located on a corner site in the northern end of the St Kilda Road precinct.

4. 420 ST KILDA ROAD

Price: $68.8 million

Date: July 2017

NLA: 10,458m²

Rate/m² of NLA: $6,582/m²

Yield: 5.72% core market

Vendor: CES Property

Purchaser: Vantage Property

Comments: The B Grade office building comprises 12 levels of office space and two levels of basement parking. Built in 1982, it was last refurbished in 1988. Vantage will be refurbishing the foyer of the building shortly.

5. 2 KENDALL STREET, WILLIAMS LANDING*

Price: $58.2 million

Date: June 2017

NLA: 12,919m²

Rate/m² of NLA: $4,507/m²

Yield: 6.50% initial

Vendor: Cedar Woods

Purchaser: Centuria Metropolitan REIT

Comments: Due for completion in Q4 2018, the 8 level A Grade office building will be Target's head office for an initial lease term of 10 years. It is being developed by Cedar Woods.

* Fund through transaction

BRISBANE NON-CBD

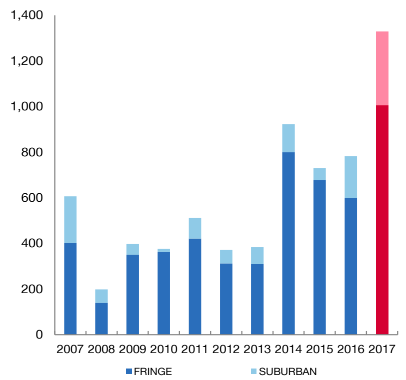
Brisbane non-CBD markets also recorded high transaction activity during 2017 with a total of $1.33 billion transacted. This is a significant 70% above the transaction levels of 2016 and the highest on record for the Brisbane non-CBD market.

In a similar vein to the CBD market, offshore buyers were a significant influence on the level of market activity. Accounting for 39% of transactions by value, offshore buyers were the strongest net purchasers of non-CBD assets with only $143.4 million in disposals during 2017. The largest acquisitions for offshore buyers were the Korean Teachers Fund purchase of 505 St Paul's Terrace, Fortitude Valley for $205 million and M&G's purchase of 520 Wickham St, Fortitude Valley for $119.15 million.

Unlisted funds and syndicates were also significant market participants, accounting for 39% of total purchasing activity with $512.95 million. However these investors were also responsible for divestments of $758.61 million, making them net sellers for the non-CBD market across 2017.

The Brisbane non-CBD market recorded record high transactions by value during 2017 as demand from the CBD spilled over into the Fringe. The availability of modern assets with good tenant covenants has seen greater investor acceptance of the Fringe market as a genuine alternative to the CBD.

FIGURE 13
Brisbane Non-CBD Sales Volumes
$ million total transaction value ($10million)



Source: Knight Frank Research

1. 505 ST PAULS TERRACE, FORTITUDE VALLEY

Price: $205.50 million

Date: January 2017

NLA: 17,618m²

Rate/m² of NLA: $11,664/m²

Yield: 5.34% core market (6.46% initial)

Vendor: ISPT

Purchaser: AXA IM obo Korean Teachers Fund

Comments: Four level large floorplate building (c4,500m²) constructed in 2007. Located in the Fringe suburb of Fortitude Valley. The office space is fully leased to the Brisbane City Council with a WALE of 10.5 years.

2. 5 KING STREET, BOWEN HILLS

Price: c$140.00 million

Date: January 2017

NLA: 15,000m²

Rate/m² of NLA: $9,333/m² est

Yield: 6.5% initial

Vendor: Lend Lease

Purchaser: Impact Investment Group

Comments: Completion of the fund through for the purchase was completed in early 2017. The vendor provided a guarantee on remaining vacant space. Impact has since agreed to a similar structured purchase of K5, which is under construction.

3. 520 WICKHAM STREET, FORTITUDE VALLEY

Price: $119.15 million

Date: August 2017

NLA: 14,672m²

Rate/m² of NLA: $8,121/m²

Yield: 6.18% core market

Vendor: AAFIA

Purchaser: M&G Real Estate (Core Asian Strategy Fund

Comments: Modern seven level office building, located in the Brisbane Fringe market suburb of Fortitude Valley, completed in 2010. Sold with a WALE of 5.9 years with major tenant CPB Contractors (Leightons). First purchase for M&G within the Brisbane market.

4. 1231-1241 SANDGATE ROAD, NUNDAH

Price: $106.25 million

Date: May 2017

NLA: 12,890m²

Rate/m² of NLA: $8,243/m²

Yield: 6.32% core market

Vendor: Growthpoint Property

Purchaser: Centuria Sandgate Road Fund

Comments: Modern suburban office building located c9km to the north east of the Brisbane CBD. Dominant tenant is Energex which took a 15 year lease from completion in 2012. Sold fully leased with a WALE of 9.7 years to a single asset fund.

5. 108 WICKHAM STREET, FORTITUDE VALLEY

Price: $106.20 million

Date: December 2017

NLA: 11,913m²

Rate/m² of NLA: $8,915/m²

Yield: 6.1% core market (6.55% initial)

Vendor: Centennial Property Group

Purchaser: Ascendas REIT

Comments: Six level office building constructed in 2008. Sold fully leased with major tenants ARUP and QLD Health. WALE of 6.5 years at the time of sale. The purchaser has also recently settled on the adjacent 100 Wickham St for $83.83 million and now controls the island site.

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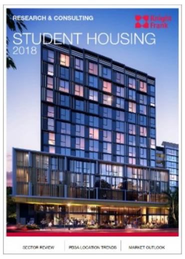
Melbourne CBD Strata Insight November 2017

Australian Residential Review Q4 2017



Student Housing 2018

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