

PRESS RELEASE

SAVILLS PRIME FULL FLOOR AVAILABILITY REPORT – JULY 2009

Tenant demand remains subdued, but the majority of stock due to come on line is not for another six to 12 months.

The latest Savills Full Floor Availability report has confirmed the rising vacancy trend for prime CBD office space, with national availability at 11.7% - up from 10.3% 12 months prior.

Rather than surveying actual vacancy at a particular date, the Savills Full Floor Availability report takes into account looming new supply, pre-commitments for that new supply, and the subsequent back-fill required for vacated floors, to provide a complete representation of the current leasing market.

The July report highlights the continued easing of tenant demand and future supply pipeline, the growing prominence of the sub-lease market, and also the fact the majority of identified stock will not become available until 2010.

Prime Full Floor Availability (sq m %)

	Sydney	Melbourne	Brisbane	Perth	Adelaide	Total
July 2009	12.4%	9.6%	14.7%	12.6%	7.9%	11.7%
12 months prior	8.0%	8.5%	18.5%	10.8%	9.6%	10.3%

Sydney

Savills' Sydney Full Floor Availability currently reports 146 full floors available in the next six months, and a total of 273 floors available when taking into account new developments and refurbished buildings to be delivered in 2010 and 2011. The number of sub-lease floors available in the next six months is 33 floors.

Grant Jennings, Savills NSW Divisional Director Office Leasing, said: "The sub-lease market is providing quality, fitted-out opportunities at competitive rents, which in turn is creating strong market activity. The largest availability of sub-lease stock is approximately 5,700 sq m in Chifley Tower. However, we believe a number of the remaining sub-lease floors throughout the market will be withdrawn as business confidence returns."

In terms of future availability, refurbished and new stock is forecast to come back onto the Sydney market in late 2009 and 2010. Significant refurbished stock coming to the market includes 260 Elizabeth Street, 14,000 sq m in late 2009; 175 Pitt Street, 23,000 sq m in early 2010; 363 George Street, 10,000 sq m in mid-to-late 2010; and 39 Martin Place, 15,000 sq m in mid 2010. The only major new project to be delivered to the market will be 420 George Street which will provide approximately 37,000 sq m in mid 2010.

Melbourne

Savills' Melbourne Full Floor Availability currently reports a total of 133 floors becoming available, with just over a third of these (77 floors or 115,538 sq m) available over the next six months.

Nicholas Farley, Savills VIC Divisional Director Office Leasing, said: "There are still relatively few large contiguous spaces to be brought to market, such as 530 Collins Street, 222 Exhibition Street and 321 Exhibition Street. These require substantial refurbishment and/or building upgrades, which will further prolong their delivery to market.

"With relatively little oncoming supply over the next three years, and extremely competitive prime grade rentals on a national basis, the office market in Melbourne is expected to weather the global turmoil quite well," Farley notes.

Brisbane

Savills' Brisbane Full Floor Availability currently reports 128 floors, or 14.7% or 160,000 sq m of the CBD's existing and under construction prime floors, require tenants.

Despite solid pre-commitment of 68 prime floors in the buildings under construction, 128 floors remain available for commitment with about half of these in existing buildings. This is down on the 188 floors available in the peak of construction period early 2008.

Stuart Moody, Savills QLD Divisional Director of Office Leasing said: "While the report points to a wave of over-supply in prime office space, it could have been considerably worse if the credit crisis hadn't caused the deferring of a number of large projects.

"On the other side of the equation, the current economic climate has certainly caused demand for office space to ease and sub-lease to reappear as tenants try to reduce costs. At the current rate of take-up of office space, it is likely to be around five years before the market gets back to a balance between supply and demand, generally regarded as 5% to 6% vacancy," Moody concluded.

The majority of space available in Brisbane is in buildings under construction (128 floors, with 66 of these available). The major source of availability is 44 floors available in 111 Eagle St, with no reported pre-commitments. Floors also remain available in projects at 400 George St, Santos Place (completed), AM60, 171 Turbot (completed), and 123-133 Albert Street.

A large amount of sub-lease space is also becoming evident in Brisbane. According to Savills' Full Floor Availability report, 25,594 sq m of prime sub-lease space is available in Brisbane – a significant increase from 4,000sq m 12 months prior.

Perth

Savills' Perth Full Floor Availability shows that vacancy is stabilising in 2009, but is likely to increase slightly once the remaining vacancy within BHP Tower is accounted for in the Full Floor report.

Graham Postma, Savills WA Divisional Director of Office Leasing, said: "Availability is likely to remain below 5% throughout 2009, which is still very low by historical standards. Demand levels have certainly declined from their peak in mid-2008, as a direct result of the current economic climate and its influence on the resource sector which is clearly evidenced by limited number of larger deals concluded in the first half of 2009. Having said this, enquiry levels appear to be improving and there is certainly increased activity in the sub-500 sq m sector.

"We believe there is a strong possibility that activity levels will increase in the later part of 2009 and into 2010 as a number of significant resource projects secure approval to proceed.

"As a result of the increasing supply (including the significant increase in sub-lease availability) and the distinct downturn in demand, landlords have re-assessed asking rates. It is also important to note that approximately half of the full floors noted as available do not become vacant until 2010," Postma said.

Adelaide

Savills' Adelaide Full Floor Availability reports 39 floors, or 7.9% being 41,300 sq m of CBD prime floors, both existing and under construction, need tenants.

Peter Isaksson, Savills SA Divisional Director Office Leasing, said: "There is still strong activity and enquiry in Adelaide's prime CBD market, evidenced by SAPOL (SA Police) having announced their intention to relocate to Angas Street, the State Government renewing their Lease at 77 Grenfell Street with the Department of Road Transport relocating from Walkerville to the CBD."

The Savills Prime Full Floor Availability Report has been created to provide a graphical and statistical view of the leasing market. Savills believes this report provides a more accurate representation of high quality leasing options available to large tenants than standard vacancy surveys; which provide a snapshot of physically vacant space in the market at a given point in time. (Savills does not however believe that the PCA is wrong in its methodology, rather it is a different methodology.) This is due to the Savills Full Floor Availability Report taking into account developments under construction and actively seeking tenants and floors that are currently occupied but are, or are soon to be, actively being marketed due to pending tenant relocation or intentions to sublease, and tenants who have agreed terms on floors and are waiting complete documentation.

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