Trends in property markets

PRRES Conference Industry Day
25 January 2006

Kevin Stanley
Regional Director
CBRE Research, Australia & New Zealand
Top 5 trends

Sectors, cycles & structural shifts

The message
Top 5 Trends
<table>
<thead>
<tr>
<th>Trends</th>
<th>Implications</th>
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<tbody>
<tr>
<td>1. Weight of capital</td>
<td>Price increases</td>
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<td>Scarcity of stock</td>
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<td>Global industry</td>
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<td>2. Ageing of the population</td>
<td>Lower retail turnover</td>
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<td>Less workers</td>
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<td>Emphasis off big cities</td>
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<td>3. Green issues</td>
<td>Tenant choices</td>
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<td>More suburban bldgs</td>
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<td>4. Urban growth</td>
<td>Long term vision</td>
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<td>Transport &amp; access</td>
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<td>Infrastructure funding</td>
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<td>5. Fewer property companies</td>
<td>Behaviour distortions</td>
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</tbody>
</table>
Sectors, cycles & structural shifts
Office
Australian CBD office demand, supply & vacancy

'000's sq m

% total vacancy

Forecast

Source: Property Council of Australia & CBRE Research (January 2006)
Prime office rent growth 2006

Perth CBD
Brisbane CBD
Melbourne CBD
Auckland CBD
Sydney CBD
Canberra Total

% change during year

Source: CBRE Research (January 2006)
Australia & New Zealand unemployment rate

Unemployment rate %

Weighted average initial yield trend

CBD Prime Office

Source: CBRE Research
Includes weighted average of Brisbane, Sydney, Canberra, Melbourne, Adelaide, Perth and Auckland
Sydney metropolitan office stock

48.9%

North Sydney: 8.4%
North of Sydney/Crows Nest: 4.2%
Chatswood: 6.3%
Parramatta: 5.2%
Macquarie Park: 23.8%

Suburban

Total Office Stock: 9,423,700 square metres

Source: CBRE Research and Property Council of Australia (July 2005)
Key office sector trends

Improving fundamentals attracting investment

Significant difference in outlook across markets

Employment peaking; ageing population

Gap in new supply 2007-2008

Non-CBD office increasing share of space
Industrial
Melbourne industrial construction defies cycles

Source: ABS & CBRE Research (Jan 2006)
Infrastructure development a key influence

Source: CBRE Research (October 2005)

Note: includes transport projects that will influence development of industrial areas.
Growth in port trade, eastern seaboard

000's, containers (TEU's)

- Melbourne
- Brisbane
- Sydney

(%) 10 year average pa growth

Source: Port of Melbourne Corporation, Port of Brisbane Corporation, Sydney Ports Corporation
Sydney industrial returns, land & construction costs

Index 100 = Dec 95

- Pink: Construction costs
- Green: Land prices
- Orange: Capital return
- Blue: Income return

Source: CBRE Research, IPD & Rawlinsons
Melbourne industrial new stock ownership

Held by developer

Owner occupier

Strata

On-sold

Number of new projects above 7,500 sq m

Source: CBRE Research (Jan 2006)
Weighted average initial yield trend

**Initial yield %**

- Prime Industrial
- CBD Prime Office

Source: CBRE Research
Includes weighted average of Brisbane, Sydney, Canberra, Melbourne, Adelaide, Perth and Auckland
Supply chain efficiencies a long term influence

Land prices rising on “shortage” & competition

Land & investment market tightly controlled

Manufacturing offshoring may release more sites

Speculative development a possibility
Retail
Retail turnover on the slide

% change on previous year

Australia
New Zealand

Source: Access Economics & Statistics NZ (Nov '05)
Australian median house prices

$000's

Sydney
Melbourne
Brisbane
Adelaide
Perth

Source: REIA MarketFacts
(As at September 2005)
Melbourne retail new supply 1997 – 2005

'000s sq m

Source: CBRE Research (Jan 06)
Retail superstore
Homemaker Centre
Brand Direct
Factory Outlet
Big Box
Bulky Goods
Category Killer
Large Specialty
Mini-major
Village style retail
Sears Grand, freestanding department store

Artist’s impression

Location: West Jordan, Utah
Open: 11 October, 2003
Size: 19,500 sq m
Configuration: Over one level
Description: One-stop home & family centre
Merchandise: Milk, refrigerators, lawnmowers, fertilizer, clothes, laundry detergent, car servicing
Arena District, Columbus, Ohio; mixed use

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
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<tbody>
<tr>
<td>Area</td>
<td>38.4 hectares</td>
</tr>
<tr>
<td>Open</td>
<td>In stages, from 2003</td>
</tr>
<tr>
<td>Arena</td>
<td>63,500 sq m</td>
</tr>
<tr>
<td>Retail</td>
<td>18,500 sq m</td>
</tr>
<tr>
<td>Office</td>
<td>121,000 sq m</td>
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<tr>
<td>Residential</td>
<td>700 units</td>
</tr>
<tr>
<td>Parking</td>
<td>15,000 spaces</td>
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Weighted average initial yield trend

Source: CBRE Research
Includes weighted average of Brisbane, Sydney, Canberra, Melbourne, Adelaide, Perth and Auckland
The party’s over, for now…

Consumer spending to remain soft until 2007

Bulky Goods; retailers & rents under pressure

New urban forms changing nature of retail

Investors still keen to weigh into the sector
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