



Australia Commercial Property Market Outlook – 2006

John Sears
Manager – Forecasting Services

Australian Commercial Property Outlook

1. Valuation overview
2. Office market
3. Retail market
4. Industrial market
5. Market valuations
6. Conclusion

Jones Lang LaSalle PRP Indicator

Property Risk Premium Indicator

guide to relative value of property verse bonds

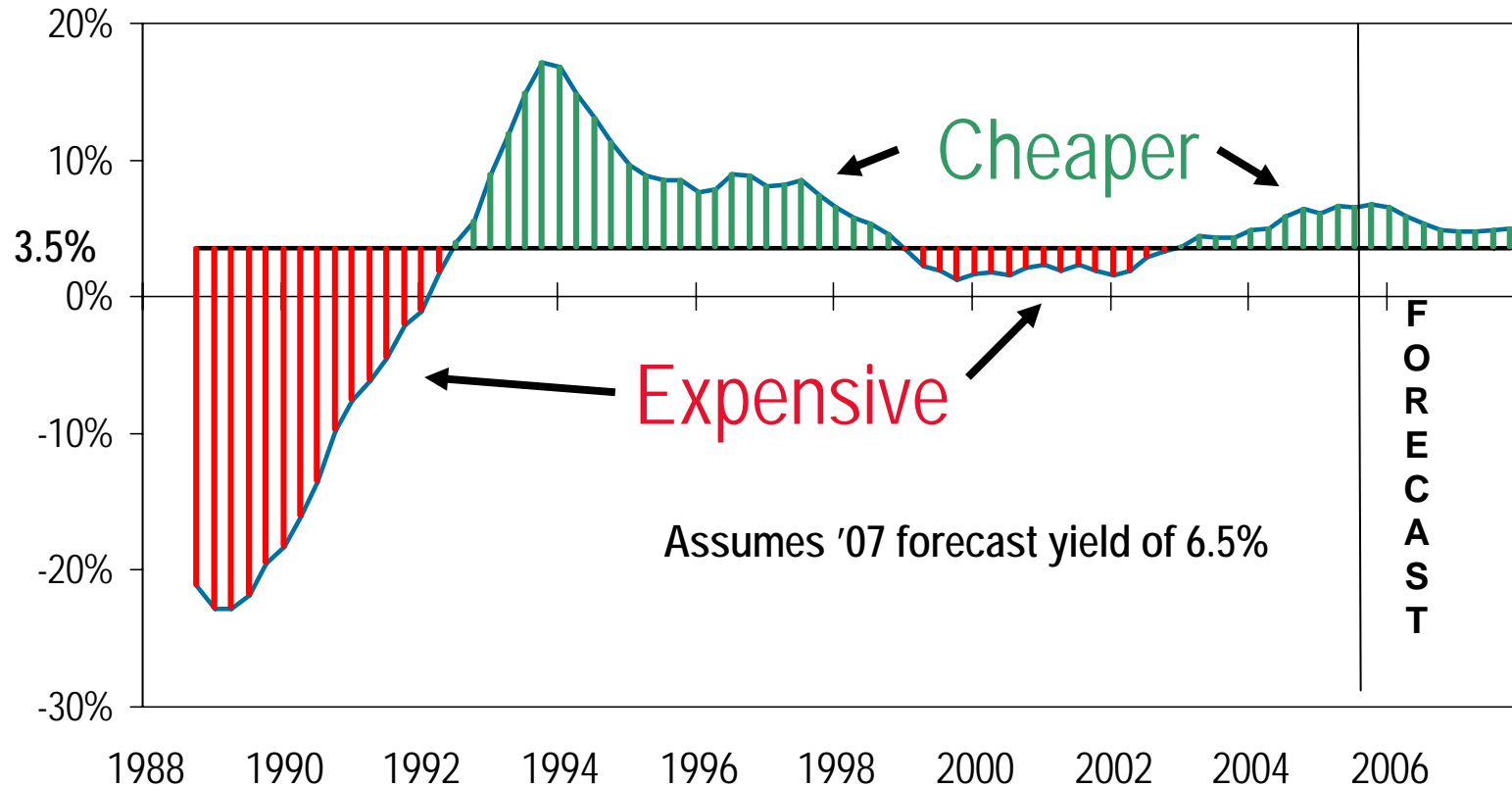
$$\text{PRP} = \text{Property Yield} + \text{Rent Growth} - \text{Bond Yield}$$

similar to IRR income capital gain risk free

PRP - Hurdle Rate = Good / Bad Value

Jones Lang LaSalle PRP Indicator

2007 PRP: $6.5\% + 4.2\% - 5.7\% - 3.5\% = 1.5\%$

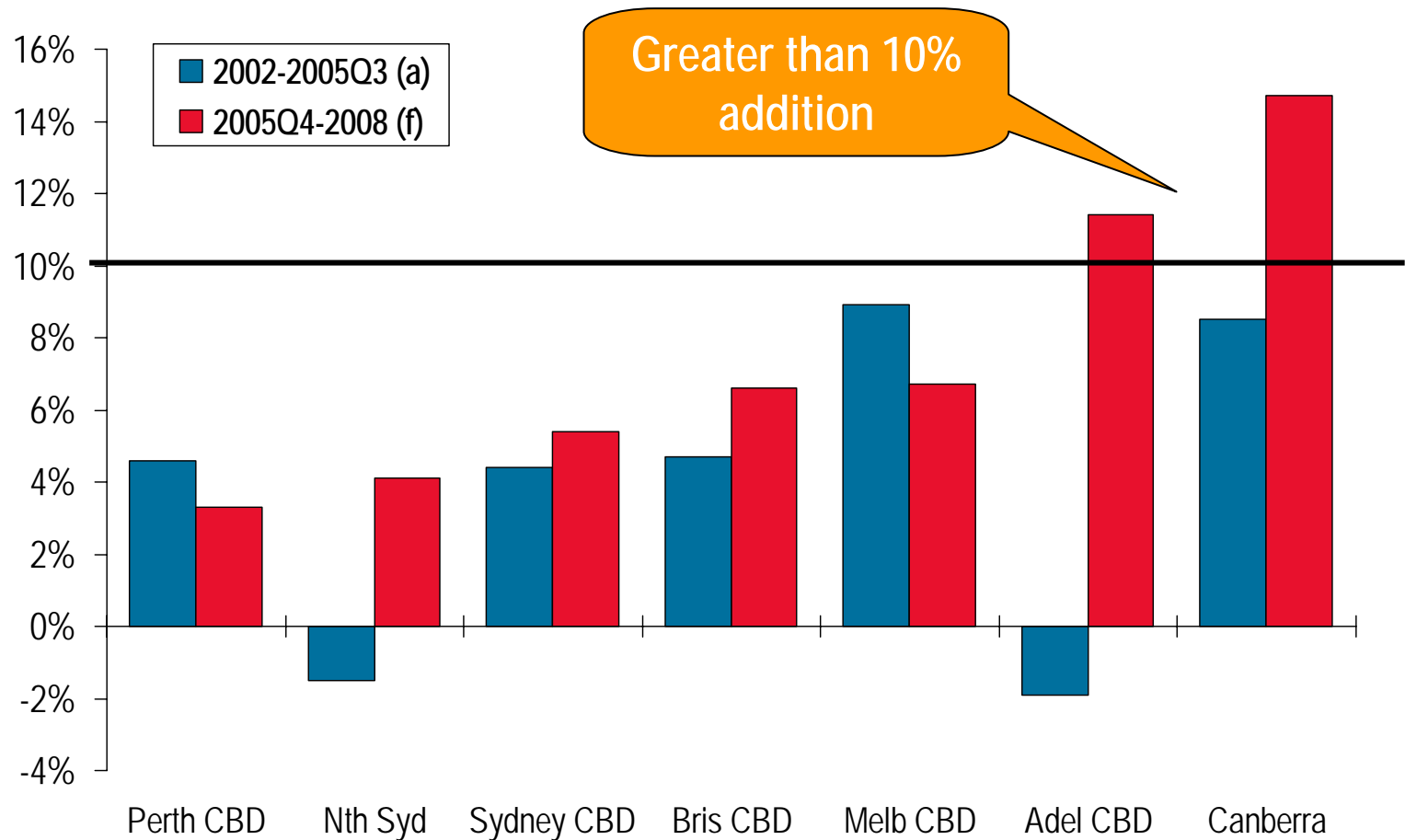


Sydney CBD Prime Office. Hurdle Rate = 3.5%

PRP = Yield + future rent growth – bond yield

Office Supply

Net increase in Stock as a % of total stock as at September 2005

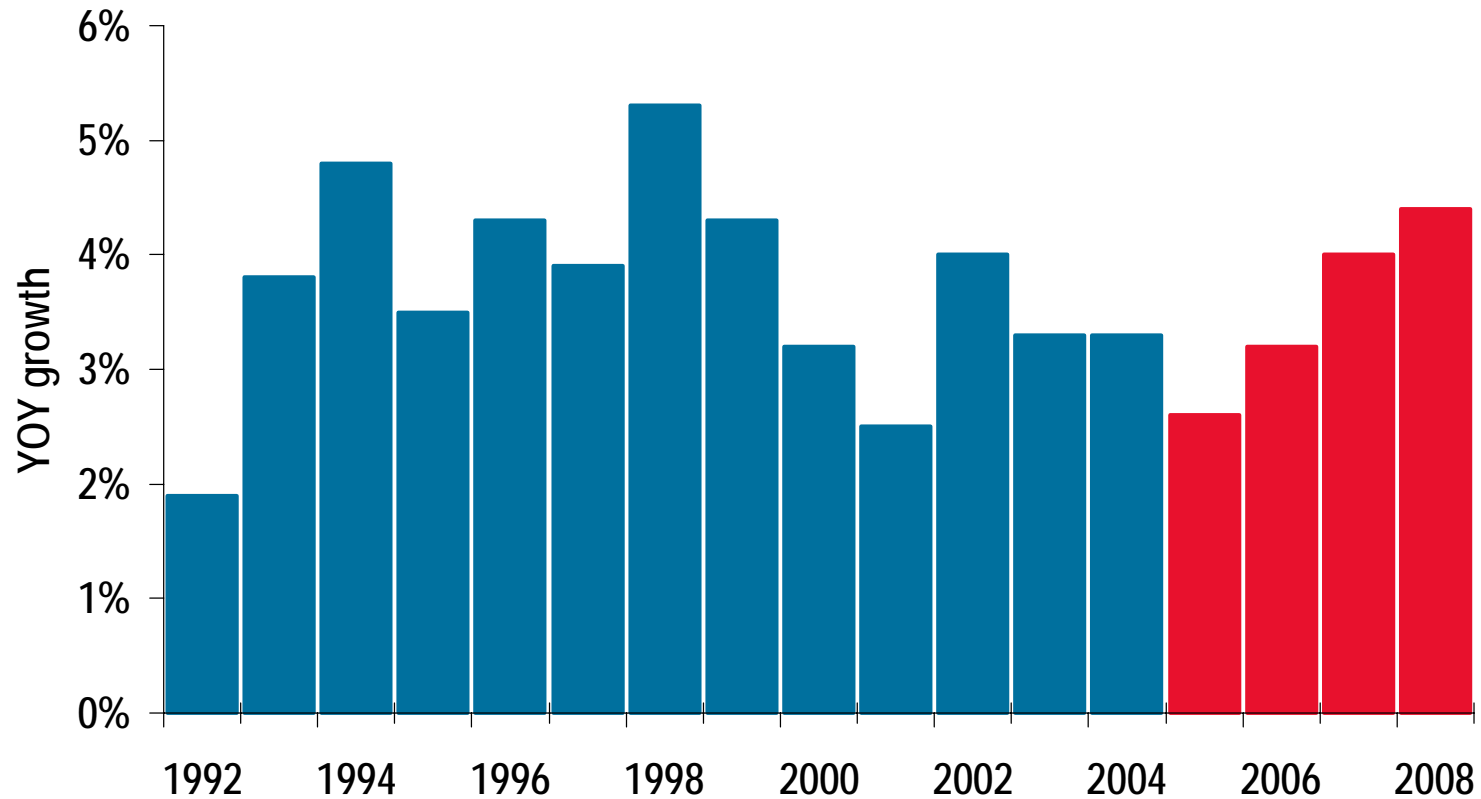


Source: Jones Lang LaSalle Research

Business conditions look favourable

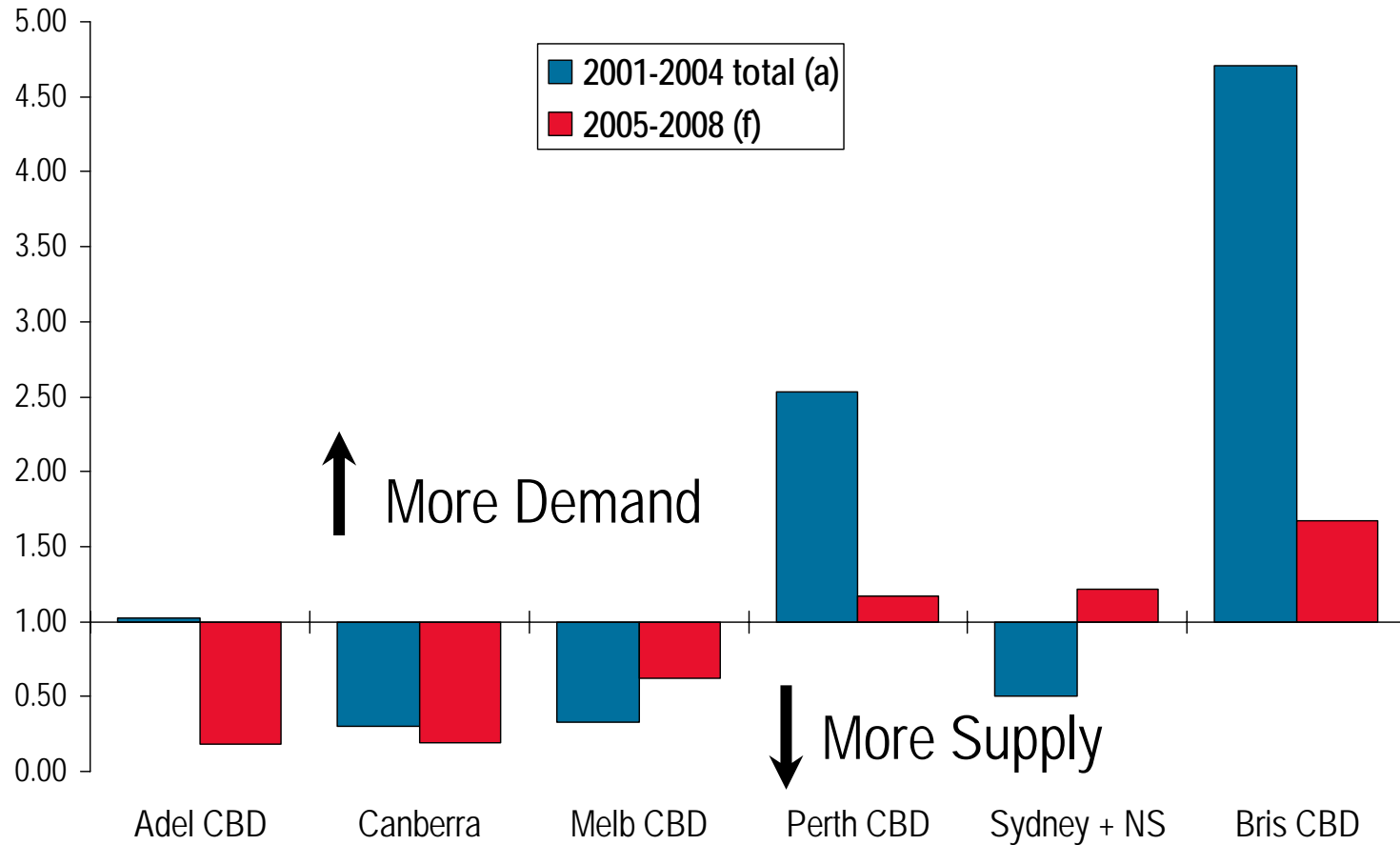
GDP – landing 'softer' than expected

GDP Growth



New employment floor space demand to available floor space

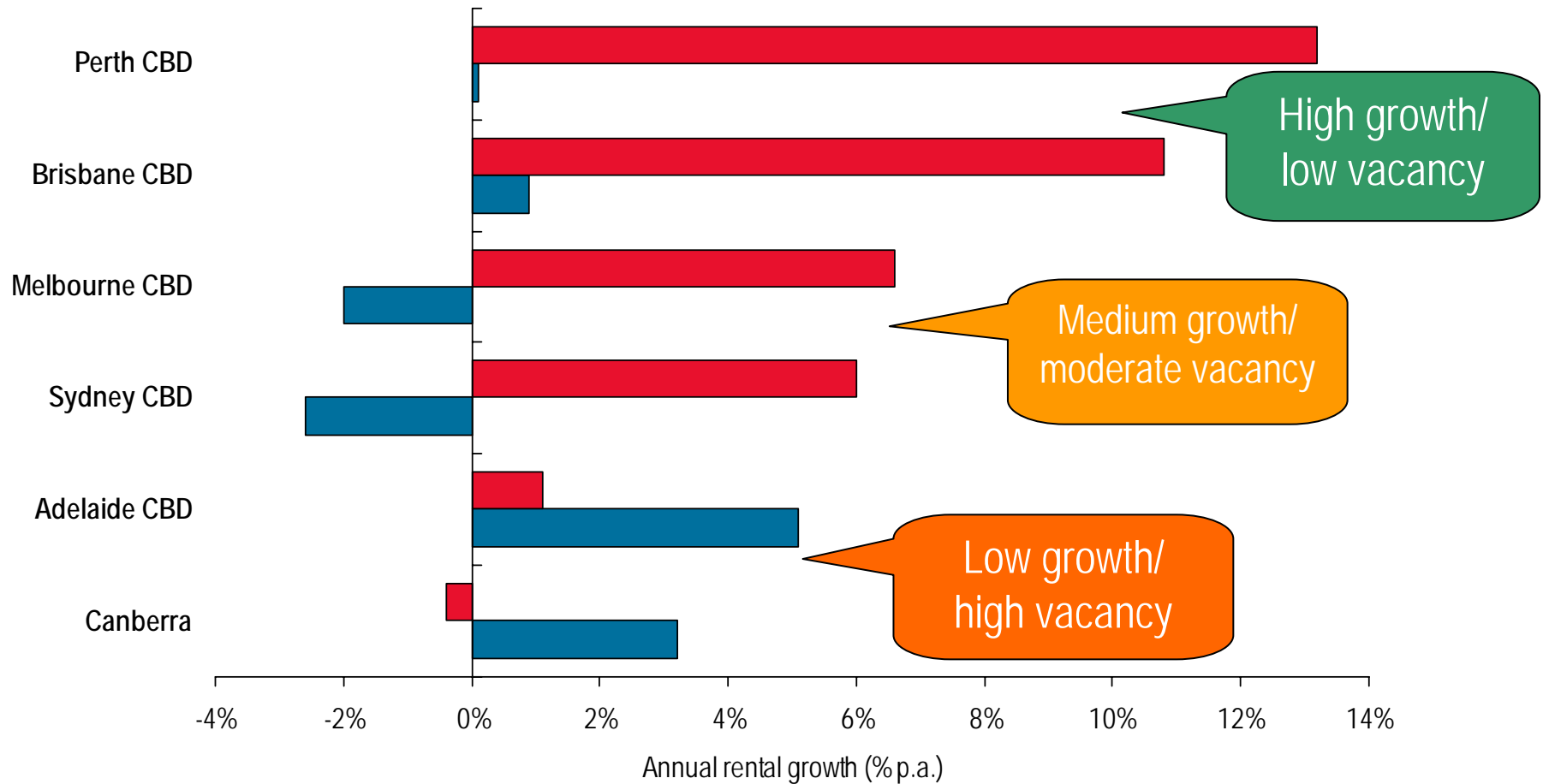
As at Sept 2005



Source: Econtech, Jones Lang LaSalle

Office rental growth – 3 speed growth

Prime gross effective rents

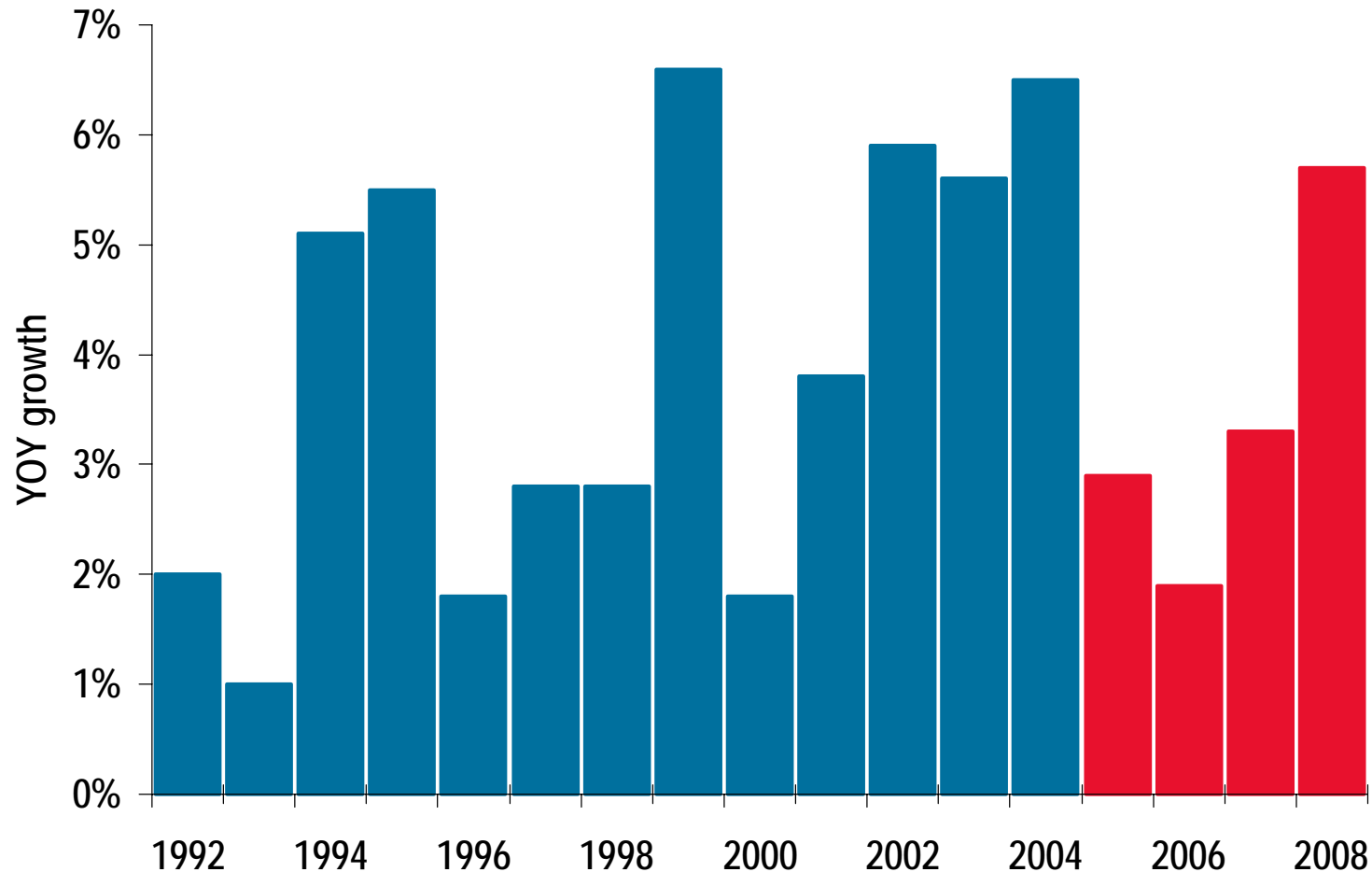


■ Annual average 4 years 2000-2004 ■ Annualised growth: 4 years: 2005-2008

Source: Jones Lang LaSalle Research

Resilient Retail

Retail sales – defying interest rates, oil prices, consumer sentiment and the experts!



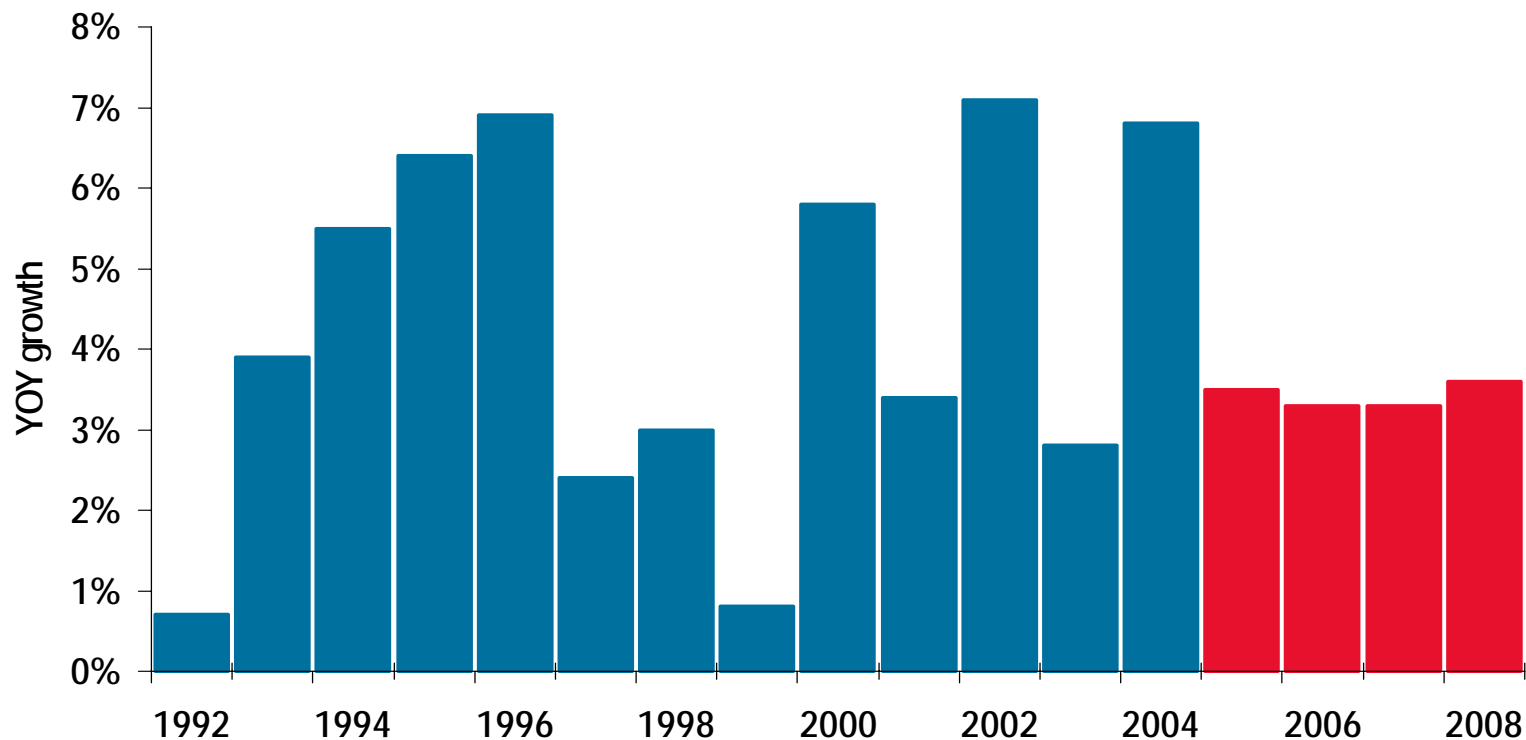
Resilient Retail

- Regional & sub-regional net face rent growth to average 2.5% - 4% over 2005 – 2009
- Differentiated by economic and population growth
- Driven by:
 - Continuing sales growth around 3% pa
 - Low vacancies
 - Growth through expansion (store numbers)

Transport & Storage

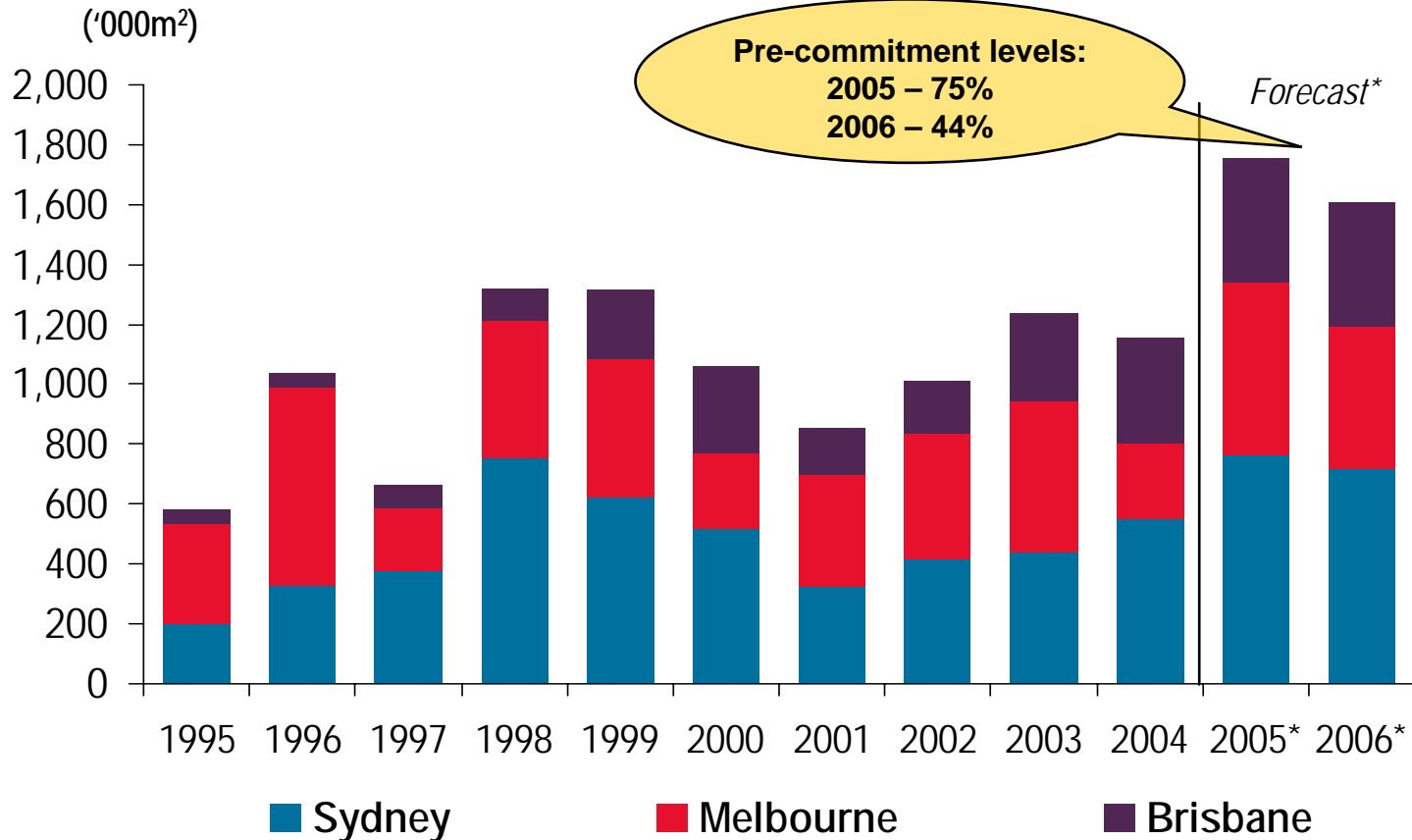
Down a gear but still trucking along

Australian Transport & Storage Sector Output



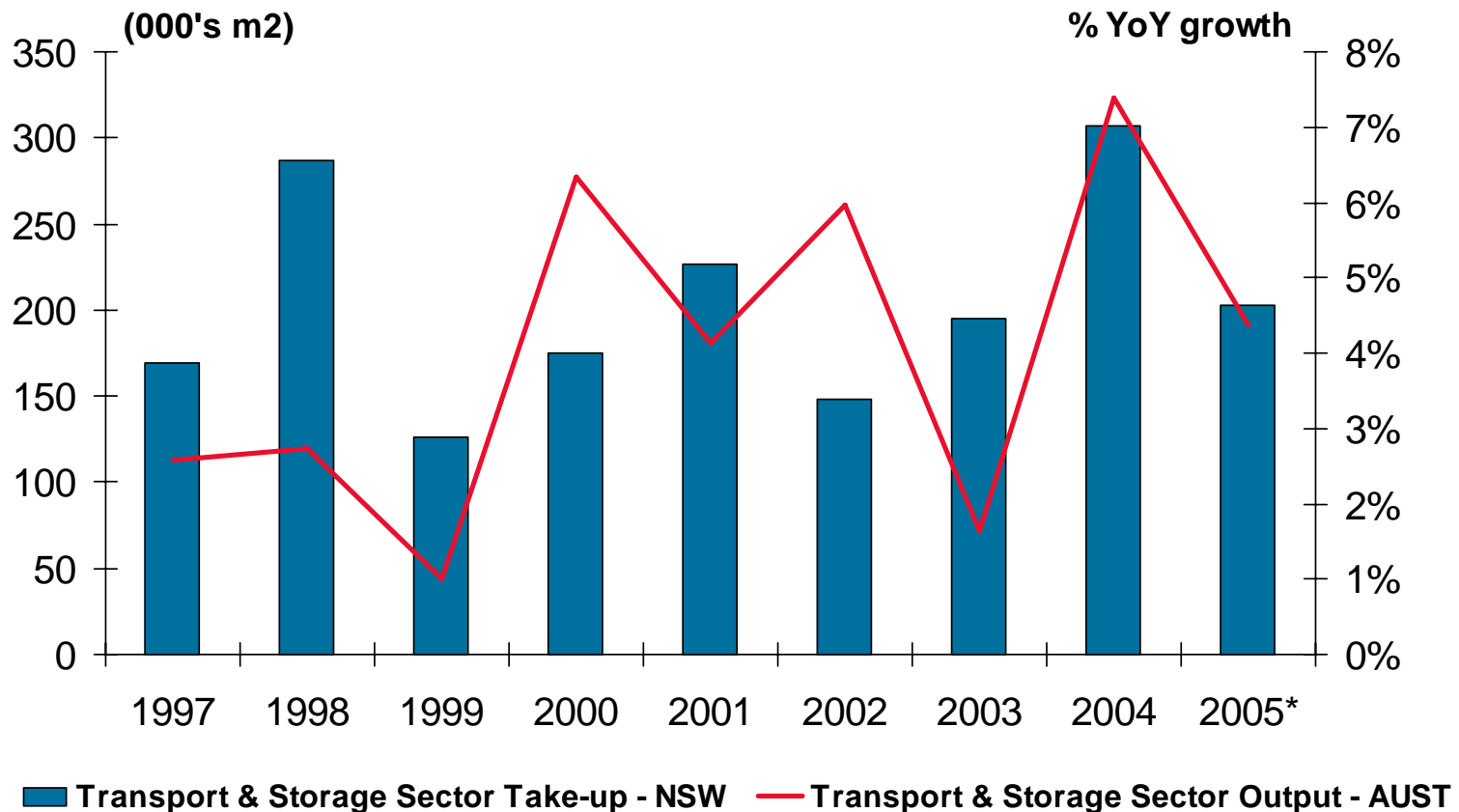
Industrial construction at record levels

New completions by capital city (000's m²)



*As at Q3/2005 and includes projects in planning/proposed stages

Warehousing driving demand



*As at Q3/2005.

PRP = Yield + Rent Growth – Bond Yield

Office	Current* PRP %	Hurdle PRP %	2007 PRP %	Above/Below Value %	Outlook
Sydney	6.6	3.5	5.0	1.5	✓
Melbourne	7.8	4.0	6.0	2.0	✓✓
Brisbane	14.0	4.0	6.1	2.1	✓✓
Adelaide	4.0	4.5	2.8	-1.7	✕✕
Perth	14.0	4.0	6.1	2.1	✓✓
Canberra	2.5	4.5	1.7	-2.8	✕✕✕

PRP = Yield + Rent Growth – Bond Yield

Retail Regional	Current PRP %	Required PRP %	2007 PRP %	Above/Below Value %	Outlook
Sydney	4.6	3.5	4.1	0.6	✓
Melbourne	4.7	3.5	4.1	0.7	✓
Brisbane	4.8	3.5	4.2	0.7	✓
Adelaide	5.2	4.0	3.7	-0.3	~
Perth	5.3	4.0	4.0	0	~
Canberra	5.1	4.0	4.0	0	~

PRP = Yield + Rent Growth – Bond Yield

Retail Sub Regional	Current PRP %	Required PRP %	2007 PRP %	Above/Below Value %	Outlook
Sydney	4.6	4.0	4.1	0.1	~
Melbourne	4.6	4.0	4.8	0.8	✓
Brisbane	5.9	4.0	4.5	0.5	✓
Adelaide	5.7	4.5	4.8	0.3	~
Perth	6.6	4.5	4.7	0.2	~

PRP = Yield + Rent Growth – Bond Yield

Industrial	Current PRP %	Required PRP %	2007 PRP %	Above/Below Value %	Outlook
Sydney South	4.9	3.5	4.7	1.2	✓
Sydney OCW	4.6	4.0	4.6	0.6	✓
Melbourne South East	4.2	4.0	4.8	0.8	✓
Melbourne North	5.3	4.0	5.0	1.0	✓
Brisbane Southern	7.7	4.5	5.7	1.2	✓

Australian Outlook Summary

- Most markets remain reasonable to good value
- Depends on rental outlook
 - 3 speed office market:
 - Top gear: Perth & Brisbane
 - Cruising: Sydney & Melbourne
 - Bottom gear: Adelaide & Canberra
 - Retail - coasting along
 - Industrial - shifting down a gear



JONES LANG
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