

# Dexus Office Demand Barometer

Conditions for office demand remain resilient in the face of global uncertainty

April 2018

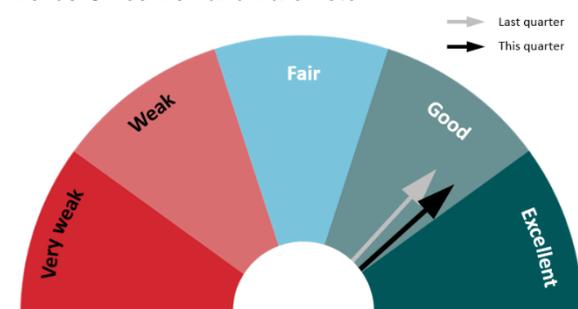
## Barometer remains firmly positive

The Dexus Office Demand Barometer registered 2.4% in the March 2018 quarter, remaining in 'good' territory despite uncertain global conditions, talk of trade wars and volatility in the share market.

A solid uplift in job advertisements kept the barometer elevated. Total advertisements are 12.8% higher than a year ago, suggesting strong hiring levels will persist in the months ahead.

A significant proportion of job listings were for white collar employment, which bodes well for office demand.

Dexus Office Demand Barometer



Components	Contribution to change (pp*)
ANZ job advertisement series	0.27 ↑
S&P/ASX 200 Index	-0.08 ↓
NAB Business Confidence Index (FinPropBus)	-0.12 ↓
US ISM Manufacturing Index	-0.12 ↓

\*Percentage points

## Take-up improves slightly

Take-up improved mildly over the last quarter. Net absorption was negative 7,000 square metres for the three months to March 2018.

Actual take-up was more subdued than business confidence would indicate due to a shortage of space available for lease.

In addition, significant relocations were a key driver of take-up, the most notable being RailCorp's 14,398 square metre move from Sydney Central.

Barometer vs actual office demand



Source: Dexus Research, JLL Research

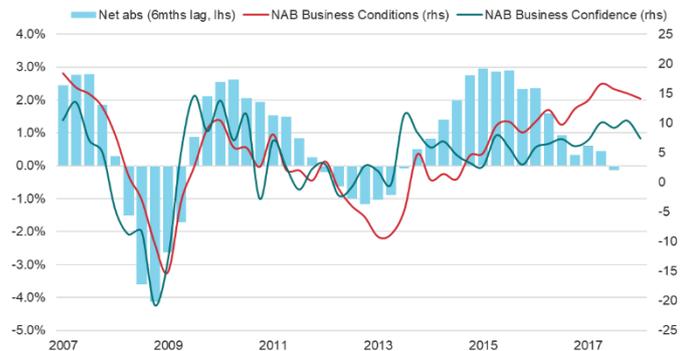
## Leasing demand still strong

Leasing enquiries, which are typically subdued for the December to March period, have been stronger than normal.

Business conditions are strong but have tapered off from record highs over the past quarter due to the resurgence of volatility in global markets.

Demand for office space from technology, finance and insurance sector related companies remains strong.

Business conditions vs office demand



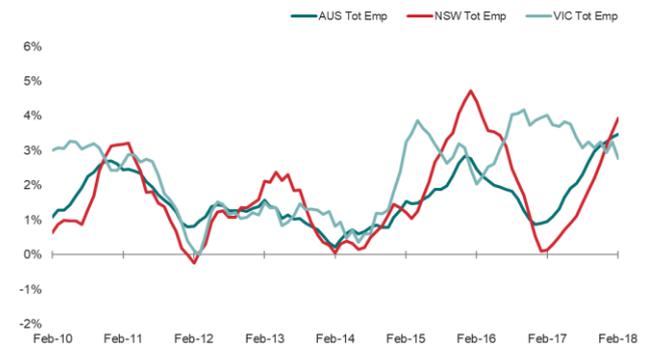
Source: Dexus Research, JLL Research

## Labour market continues to strengthen

Jobs growth in NSW is strong at 3.9%p.a. with a large proportion being growth in full time jobs.

Growth in NSW is supported by an unprecedented level of infrastructure investment with \$81.5 billion to be spent on transport and infrastructure over the next four years.

Total employment by state rolling % per annum\*



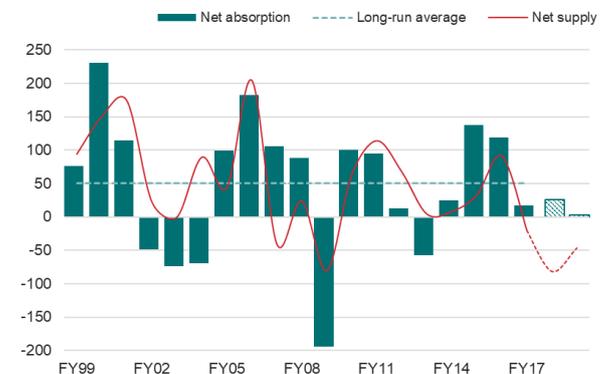
Source: NAB, ABS

## Take-up will continue to be constrained by lack of supply

We retain our view that take-up will be constrained in the next year or two by a lack of available space.

The availability of vacant space is at 5.5%, as low as it has been for 17 years. The lack of space combined with rising rents will result in companies trying to squeeze into existing space.

Annual net absorption by grade ('000sqm)



Source: Dexus Research, JLL Research

## About the Barometer

Dexus's Office Demand Barometer is a specialised model providing a leading indicator for conditions which determine the level of leasing demand for Sydney CBD over the next six months. The Barometer is expressed as a percentage of occupied stock. The Barometer includes five variables which have been carefully selected based on their high correlation with Sydney CBD office demand, including:

- ANZ job advertisement series
- US ISM Manufacturing Index
- Short term business travel departures
- NAB Business Confidence Index – finance/business/property sectors
- S&P/ASX 200 Index

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