

The background of the cover is a low-angle photograph of a modern skyscraper with a grid of windows, reaching towards a clear blue sky. Several palm trees are visible in the foreground and midground, their fronds partially obscuring the building. A large, semi-transparent blue geometric shape, resembling a stylized 'D' or a large arrow, is overlaid on the right side of the image. The 'dexus' logo is positioned in the upper right corner of this blue area.

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**Dexus  
Office  
Demand  
Barometer**

October 2018

# Sharemarket volatility unlikely to derail office demand

## October 2018

### Sharemarket volatility pulls Barometer lower

The Dexus Office Demand Barometer registered 1.4% in the September 2018 quarter, shifting mildly lower into 'fair' territory.

The Barometer was pulled down by weakness in the sharemarket and a pause in the growth of job advertisements.

While office markets are sometimes sensitive to sharemarket trends, last week's sell down is unlikely to be a significant threat to office demand in the Sydney CBD given the otherwise strong business conditions and employment growth in NSW.

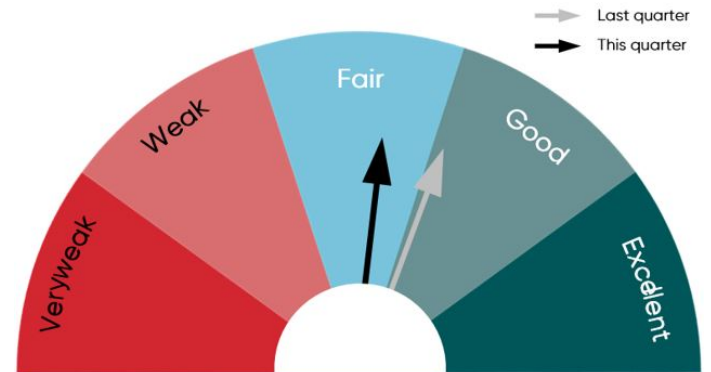
The Barometer points to the likelihood of positive office demand in the Sydney CBD over the next year.

### Take-up constrained by lack of space

Net take-up of office space over the past year was positive, with 9,000sqm absorbed in the twelve months to September 2018. This was well below the five year average of 57,700sqm.

Net take-up was constrained by a lack of available contiguous space. Vacancy has fallen to 4.7%, taking it to its lowest in eighteen years.

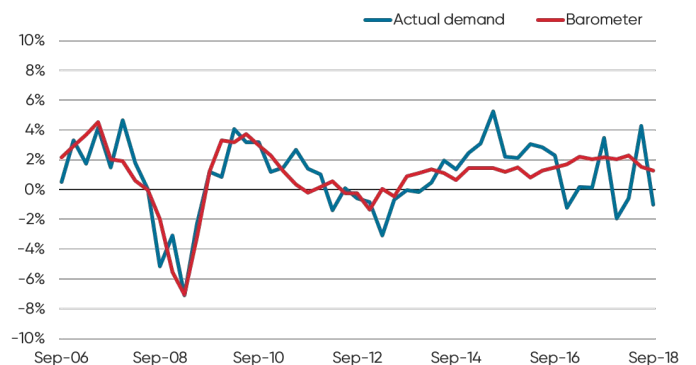
### Dexus Office Demand Barometer



Components	Contribution to change (pp*)
ANZ job advertisement series	0.03
S&P/ASX200 Index	-0.27
NAB Business Confidence Index	0.00
US ISM Manufacturing Index	-0.02

\*Percentage points

### Barometer vs actual office demand



Source: Dexus Research, JLL Research, Bloomberg

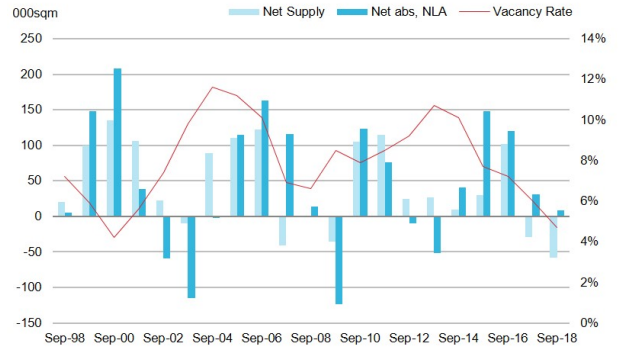


Market well placed for new supply

Considerable withdrawals have been made over the past two years, leading to negative net supply and potentially contributing to pent up demand as tenants make the most use of the limited available space in the market.

Positive demand appears likely to push vacancy lower over the next year. In the absence of an external shock, the market appears well-placed to handle the +620,000sqm of stock projected to be completed over the next five years.

Supply, absorption, and vacancy



Source: Dexus Research, JLL Research

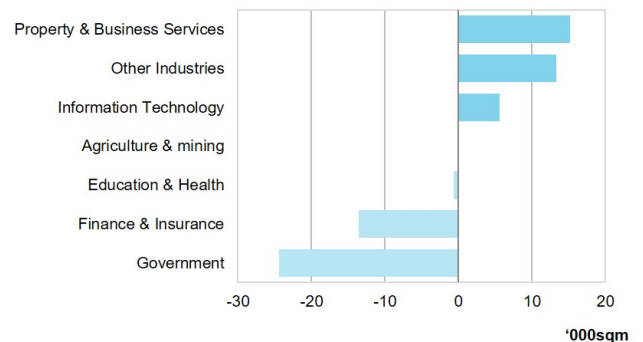
Professional services and technology driving demand

Demand has been led by the Property & Business Services and Information Technology (IT) industries. A significant proportion was also driven by other industries such as Utilities, Arts and Recreation, Wholesale and Retail.

Co-working operators have been particularly active in 2018, with WeWork responsible for approximately 24,000sqm of lease commitments.

Positive IT take-up will continue with firms such as Salesforce and Amazon representing significant leasing enquiry in the medium term.

Net take-up by industry (1 year)



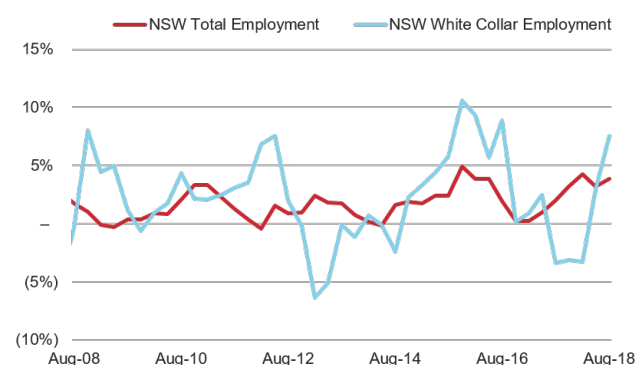
Source: Dexus Research, JLL Research

### White collar employment positive

The short-term outlook is supported by positive jobs growth in NSW with total employment rising by 3.9% in the past year. White collar employment was even stronger with almost 80,000 white collar jobs added over the year.

So far, the positive factors for office demand outweigh the negatives such as volatility in global sharemarkets, growing concerns about a trade war and a slowdown in the Australian housing market.

### White collar employment



Source: Dexus Research, Deloitte Access Economics

### 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 four 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
- NAB Business Confidence Index
- S&P/ASX 200 Index

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