



BAROMETER points to further solid demand for office space in Sydney CBD

October 2016

The DEXUS Office Demand Barometer continues to point to positive conditions over the next six months, indicating that the solid run in Sydney CBD office demand will continue for a while yet.

Office demand in the Sydney CBD is buoyant at more than twice the long-run average, with approximately 27,000sqm of space taken up in the September 2016 quarter and 120,000sqm over the past year (JLL Research).

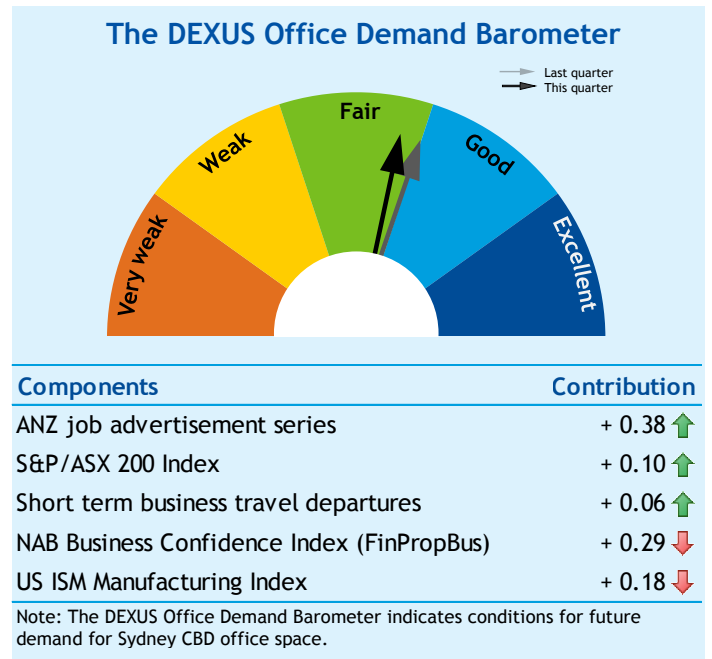
Analysis of new tenant deals within the DEXUS Sydney CBD Office portfolio has shown consistent demand from the Finance and Insurance, Business and Property Services, and IT sectors over the past 12 months. Space requirements have typically ranged from 200sqm to 1,000sqm, suggesting that small tenants are increasingly driving demand. Many of these displaced from buildings being withdrawn for the Sydney Metro rail project or residential development.

The DEXUS Office Demand Barometer registered +1.3% in the September 2016 quarter, down slightly from last quarter's reading of +1.5%.

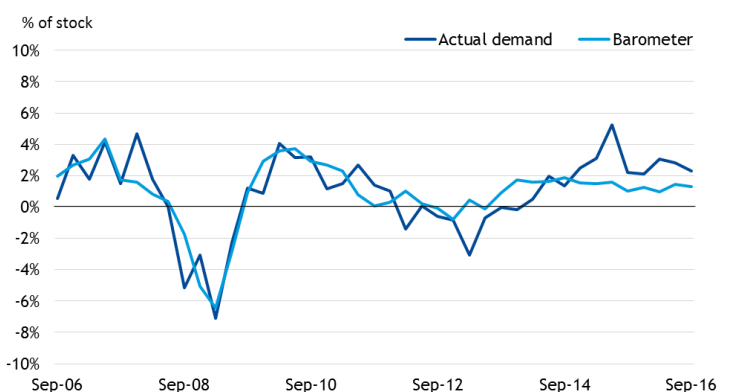
The main components behind the easing were a more moderate read on business confidence for the finance/business/property sectors, and a fall in the US ISM Manufacturing Index in September.

However, an improvement in the sharemarket, the level of overseas business departures and an increase in the number of job advertisements accounted for the positive Barometer reading.

The positive Barometer result suggests that office demand will continue to track above trend for the remainder of the year. This is consistent with DEXUS's forecast of net absorption averaging 66,000sqm per annum over the next three years. Given the constrained supply pipeline and more than 265,000sqm of stock earmarked for withdrawal, the Sydney office market is poised for a forecast reduction in vacancy rate towards 3.1% by FY19 resulting in a significant lift in rents.



Barometer versus actual demand



Source: DEXUS Research, JLL Research

DEXUS OFFICE DEMAND BAROMETER

About the Barometer

DEXUS's Office Demand Barometer is a specialised model that provides a leading indicator for conditions which determine the level of leasing demand for Sydney CBD office space as a percentage of occupied stock over the next six months.

The Barometer includes five variables which have been carefully selected based on their high correlation with Sydney CBD office demand.

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

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