

# Greener buildings have fewer vacancies

Ainslie Chandler

Office buildings with higher energy efficiency ratings have less vacancies as occupiers increasingly demand sustainability credentials on their tenancies.

Properties with a four-star NABERS rating or higher have a 3 per cent vacancy rate, while those with a rating of less than two stars have 14 per cent vacancy, Colliers International analysis showed.

Colliers national research director Nerida Conisbee said the results were to be expected, given the strict rules that most government and corporate tenants now had regarding the office space they occupied.

"Given that there is a huge market segment with strict mandates, it is not surprising," she said.

Ms Conisbee said the gap between the performance of high- and low-rated NABERS assessed buildings was most prominent in Canberra, where the high level of government tenancy led to less vacancies in higher rated buildings.

The city's high vacancy rate had now peaked but she expected it to come down far more quickly in higher rated buildings. These buildings would also likely to achieve rental growth this year, while lower rated properties would experience falling or flat rents.

The interest in more sustainable property has been heightened by

## Green stars

National office vacancy by NABERS rating

Rating	Net lettable area (sqm)	Total vacancy (sqm)	Vacancy rate (%)	Number of buildings
Under ★★	993,568	141,660	14	70
★★ to ★★★	1,497,897	115,802	8	65
★★★ to ★★★★	2,046,803	107,739	5	82
★★★★+	1,195,036	36,709	3	50



SOURCE: COLLIER'S INTERNATIONAL

driving leasing in some buildings or the fact that they also tended to be newer and higher-grade assets.

Mr Smith said the government's mandatory disclosure laws had prompted widespread discussions about environmental efficiency. It was now another consideration tenants took into account when

**The return spread between rated and non-rated buildings is around**

ing stronger returns than low-rated or unrated assets, the inaugural Property Council of Australia/IPD Green Property Investment index found.

The index showed that buildings with a Green Star design or as-built rating had outperformed unrated assets during the two years to December 2010.

According to the index, offices with a NABERS energy rating of at least four stars offered stronger returns than those with 3½ stars or

# Farmers return to market

Matthew Cranston

The NSW Farmers Federation has purchased its first property asset after being out of the market for eight years.

The lobbying organisation, which represents more than 10,000 rural members, has purchased an office building in St Leonards on Sydney's north shore for \$12.2 million from local property identity Bill Phillips.

The sale reflects a yield of 8.5 per cent. "We have changed our investment strategy to diversify into property instead of just being in equities," said Matt Brand, chief executive of the NSW Farmers Federation.

"We have been out of the property market for eight years and now we are back in."

The NSW Farmers Federation has looked at more than 12 property assets in the past six months and is in negotiations to buy an industrial asset.

It is being advised by property advocates the Prosper Group.

"We think the timing of this purchase

is good but the decision to buy has come through the board's commitment to broadening our investment strategy," Mr Brand said.

The five-storey building has 2600 square metres of office space for rent and tenants are locked in for a weighted average lease expiry of five years. One tenant is a subsidiary of Primary Health Care.

The deal was negotiated by Hartigan Bolt directors Chris Hartigan and David Bolt.

"We think [NSW Farmers Federation] has bought well as this market is one which has started to recover," Mr Bolt said.

While the market is still weak in St Leonards, there has been some improvement. According to the latest Property Council of Australia figures, the vacancy rate in St Leonards dropped in the six months to December from 15.4 per cent to 14.7 per cent.

However, more than 50,000 square metres of office supply is expected during the next two years.