

# Perth and Brisbane lead as office interest firms

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Office property is on the rebound, and the Perth and Brisbane CBD markets, in particular, recorded strong levels of inquiry and activity over the September quarter, according to the latest Jones Lang LaSalle statistics.

Demand for office space continues to grow – JLL recorded positive net absorption (the change in the amount of space occupied) of 94,700 square metres during the third quarter and 432,000 sq m over the past 12 months.

However, the national CBD office market vacancy rate held steady at 8.3 per cent.

“Business confidence was up sharply in the third quarter as global equity markets rebounded and fears of a double-dip recession in the United States receded,” JLL’s director of office market research, Andrew Ballantyne, said.

Most CBD office markets recorded positive net absorption over the quarter. Sydney reported 27,600 sq m of positive net absorption while Melbourne recorded 22,900 sq m.

But as a percentage of total stock, the net absorption in Brisbane (24,800 sq m) and Perth (20,200 sq m) was stronger.

“From a demand perspective, Perth was a stand-out performer in the third quarter,” Mr Ballantyne said. “The agreement between the government and large resource companies has removed the uncertainty surrounding the mining tax.

## Space race



SOURCE: JONES LANG LASALLE

Chevron and BHP Billiton took additional space in the September quarter and the recent jump in the share price of mid-cap mining firms is a positive for office demand from mining and mining-related sectors.”

In addition, vacancy in the Perth CBD fell by 0.5 percentage points to 7.9 per cent over the September quarter.

The Perth vacancy rate decline was replicated in Brisbane, where

total market vacancy dropped by 1.3 percentage points to 9.3 per cent.

“There were good levels of activity from public sector tenants in the Brisbane CBD,” Mr Ballantyne said.

While mining firms are yet to snap up new leases, he said inquiries from resource firms were rising and stronger activity was expected from the sector next year.

Meanwhile in Sydney’s CBD, vacancy increased to 8.1 per cent.

“There is unlikely to be rental tension in the Sydney market until prime-grade vacancy comes back below 7.5 per cent,” JLL’s head of leasing, Kevin George, said.

In Melbourne, tenant demand for prime space stayed strong and the prime-grade vacancy rate tightened to 4.3 per cent, while secondary grade moved out to 9.7 per cent.

JLL said Adelaide had been the “quiet achiever of the CBD office

markets”. Vacancy has dropped to 7.6 per cent from the cyclical peak in late 2009 of 8.2 per cent.

The principal of buyers agency Prosper Group, Alex Henderson, said that from a buyer’s perspective, there were plenty of wealthy individuals looking for office space under the \$20 million mark.

“But there’s very few good-quality properties that they’re willing to buy – they’re wanting to buy a property well located and attractive to tenants,” Mr Henderson said.

“If it’s on the fringe, they know it’s going to be vacant for a very long time.”

When it came to finding office space to lease out, Mr Henderson said there was “certainly more demand for office leasing space than a year ago”.

Mr George said there was 648,000 sq m of space now under construction and scheduled to be completed in 2011 and 2012 across CBD office markets.

“In late 2007, we forecast that completions would be 930,000 sq m. The 30 per cent difference is the legacy of the global financial crisis,” he said.

“Vacancy is low in most CBD office markets for this stage of the recovery. Demand continues to surprise on the upside and with limited supply coming on line in 2011 and 2012, a number of markets will be pushing up against supply-side constraints in the next 12 to 18 months.”