

Market Overview 3rd Quarter NSW

Page 1

Initial figures for office property transactions in NSW indicate a decline of 39% to \$420 million. Retail transactions figures also suggest a decline of 13% to \$840 million. The number of industrial property transactions continues the downward trend with an estimate decline of 48% to \$340 million over the quarter.

Office Transactions

In the March quarter 193 commercial office property transactions were recorded. The total value of these transactions totalled \$420 million a reduction of 39% from the previous quarter. The average value of an office sale during this period declined from the December quarter to the March quarter from \$2.23 million to \$2.18 million.

North Shore has continued to have sluggish demand while only modest movement was detected in prime net face rents. Indicative prime yields have tightened modestly over the last six months with North Sydney enjoying the lowest followed by Crows Nest/ St Leonards and Chatswood. Parramatta total vacancy now stands at 9.0% in January 2005 increasing from 5.8% twelve months earlier. The increased vacancy rate is driven by large pockets of vacant space in B Grade and "C Grade" buildings. Prime gross face rents increased slightly over the last twelve months currently averaging \$360/sq m for prime buildings with incentives averaging 14.5%. In the quarter to March 2005, Macquarie Park and Suburban Office experienced growth in Net Face Rents currently averaging \$254/sq m and \$250/sqm respectively. New supply in Suburban Office alone (excluding Macquarie Park, Parramatta and North Shore), is forecast to provide 1,500,200 sq m of new office space across 110 projects over the next five years.

Office Property Transactions NSW				
Year	No of Sales	Change %	Value \$ millions	Change %
1993/94	1,894	11%	\$3,140	
1994/95	2,105	11%	\$2,810	-11%
1995/96	1,834	-13%	\$2,320	-17%
1996/97	2,236	22%	\$3,590	55%
1997/98	2,603	16%	\$3,840	7%
1998/99	1,778	-32%	\$3,760	-2%
1999/00	2,565	44%	\$5,470	45%
2000/01	1,843	-28%	\$4,090	-25%
2001/02	2,160	17%	\$5,630	38%
2002/03	1,667	-23%	\$4,340	-23%
2003/04E	1,678	2%	\$6,540	52%
Jun Q 04E	629		\$2,590	
Sep Q 04E	272	-57%	\$1,010	-61%
Dec Q 04E	318	17%	\$710	-30%
Mar Q 05E	193	-39%	\$420	-41%

Office Market: Key Indicators – Sydney

NSW white collar employment has shown strong signs of recovery in the Sydney CBD and North Shore markets despite continuing to lag their national counterparts. Sydney CBD has witnessed signs of office demand turnaround into the first quarter of 2005 despite the sustained lack of rental growth. Investors remain keen to purchase in the CBD although vacancy is now recorded at 11.2%.

Sydney Office Key Indicators			
Market/Submarket/Precinc	March Quarter		
	Av. Prime Net Face Rent (\$/sqn)	Av. Prime Yield (%)	Av. Prime Capital Value (\$/sqm)
Sydney CBD Total	563*	6.58*	8,625*
North Shore			
North Sydney	388	7.72	6,115
Crows Nest/St Leonards	343	7.94	4,875
Chatswood	333	8.01	5,035
North Shore Total	366*	7.83*	5590*
Parramatta Total	284	8.64	3,290
Macquarie Park Total	254	8.21	3,095
Suburban			
North	258	9.64	3,000
Central West	251	8.72	2,885
City Fringe	275	8.63	3,190
South	248	9.17	2,705
South West	165	10.15	1,630
West	205	10.04	2,045
Suburban Total	250*	8.93*	2,835*
Total	423*	7.56*	6,130*

Retail Transactions

During the March quarter the volume of sales of Retail properties in NSW fell by 13% to 341 transactions. The total value of Retail sales in NSW declined by 1% to \$840 million over the quarter.

Retail Property Transactions NSW

Year	No of Sales	Change %	Value \$ millions	Change {%}
1993/94	1,076		\$1,470	
1994/95	1,443	34%	\$1,540	5%
1995/96	1,336	-7%	\$1,250	-19%
1996/97	1,317	-1%	\$1,540	23%
1997/98	1,750	33%	\$1,550	1%
1998/99	1,614	-8%	\$2,230	44%
1999/00	1,865	16%	\$2,720	22%
2000/01	1,740	-7%	\$2,320	-15%
2001/02	3,154	81%	\$3,190	38%
2002/03	3,133	-1%	\$3,890	22%
2003/04E	2,752	-12%	\$4,260	10%
Jun Q 04E	899		\$1,610	
Sep Q 04E	356	-60%	\$1,130	-30%
Dec Q 04E	393	10%	\$850	-25%
Mar Q 05E	341	-13%	\$840	-1%

Retail Market: Key Indicators-Sydney

NSW retail turnover growth is forecast rise by 2.5% in 2005 (Access Economics) despite retail sales figures lagging the nation for several past years. With the recent increase in interest rates to 5.5%, in March 2005, consumers look to ease spending fearing further rate hikes. Investment in retail property has been slow for the first three months of 2005 despite net face rents increasing for the CBD Super Prime, Strips, Sub-regional and Neighbourhood centres.

Bulky Goods have once again proved to show no real signs at this stage of slowing. The recent boom in housing prices introduced the attractive option to build new dwellings and consequently lifting the sale of household goods. Over the past twelve months indicative yields have fallen 55 basis points to 7.33% while net face rents over the same period have increased 14.7% currently averaging \$336/sq m (with average incentives at 5%).

Sydney Retail Key Indicators - March Quarter

	Average Net Face Rents \$/sqm	Indicate Yields (%)
Sydney CBD		
Super Prime	5,360	5.60
Prime	2,435	6.45
Shopping Centres		
Regional	1,412	5.95
Sub-Regional	707	6.79
Neighbourhood	616	7.60
Bulky Goods		
Bulky Goods	336	7.33
Strips		
Strips	1,325	5.38



Checkout our new Property Alert
www.coldwellbankercommercial.com.au

Industrial Transactions

Over the three month period the number of industrial property transactions in NSW dropped 48% to 396 transactions. Industrial properties experienced the highest decline of 55% to \$340 million in total value of sales when compared to the other property classes in NSW.

Year	No of Sales	Change %	Value \$ millions	Change {%}
1993/94	2,369		\$1,680	
1994/95	2,941	24%	\$1,830	9%
1995/96	2,692	-8%	\$2,260	23%
1996/97	2,856	6%	\$2,320	3%
1997/98	3,471	22%	\$3,250	40%
1998/99	2,969	-14%	\$2,870	-12%
1999/00	3,799	28%	\$2,880	0%
2000/01	3,066	-19%	\$2,910	1%
2001/02	3,796	24%	\$4,050	39%
2002/03	3,975	5%	\$4,900	21%
2003/04E	4,598	16%	\$6,680	36%
Jun Q04E	1,508		\$2,260	
Sep Q04E	663	-56%	\$560	-75%
Dec Q04E	755	14%	\$750	34%
Dec Q04E	396	-48%	\$340	-55%

Industrial Key Indicators

Industrial production growth was estimated at 1.9% in 2004, according to Access Economics and is likely to reach 2.7% by the end of 2005. The strong \$A may see greater import penetration while the housing sector may limit opportunities. Asian demand still remains strong, providing NSW with a firm base.

Entering the first quarter of 2005, Net Face Rents have remained steady currently averaging \$65-\$160/sq m for industrial stock in metropolitan Sydney. Indicative yields have continued their downward spiral falling to an indicative 8.33% (trending between 7.00%-10.50%).

Lack of quality industrial stock can be attributed to the continued tightening of yields in addition to prime properties with excellent tenant commitment, strong development potential and good access to roads, railways and ports.

Sales of \$179.43 million were recorded in 17 transactions for the first quarter in 2005 (over \$1 mill.). The typical purchaser types were Owner Occupiers with 29.6% followed by Developers (25.4%) and Listed Property Trusts (23.3%) across the broad industrial market.

Geographic Sector	Av. Net Face Rent (\$/sqm)	Indicate Yield (%)	Av. Capital Yield (\$/sqm)
North	100-150	8.00-10.50	1,385
South	100-160	7.50-8.25	1,675
Central West	90-135	8.00-9.00	1,265
South West	65-110	8.25-9.25	1,000
Outer West	70-115	8.00-9.50	1,065
Total/Average	65-160	7.00-10.50	1,190

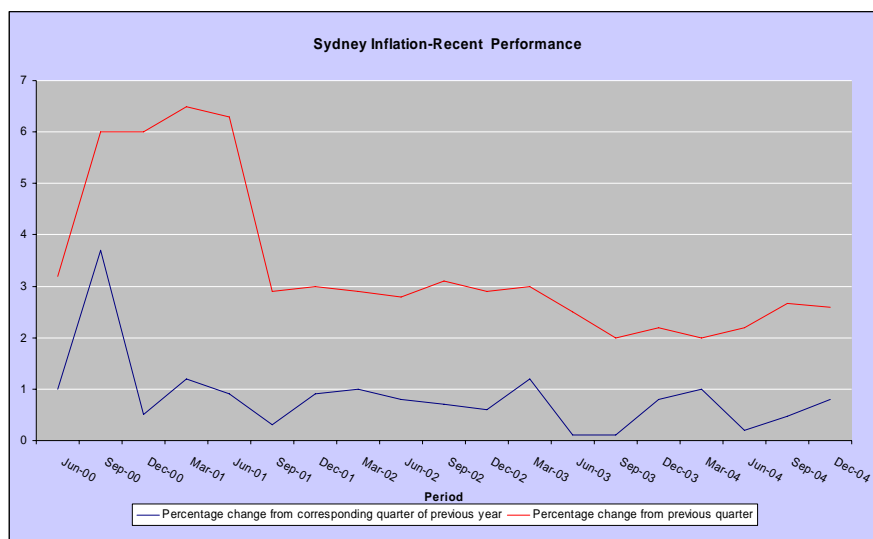


Consumer Price Index

According to the Australian Bureau of Statistics, the Consumer Price Index (CPI) rose 0.70% in the March quarter compared with 0.80% in the December quarter 2004. In Sydney the CPI rose marginally in the March quarter by 0.60%. The annual rate of inflation was 2.20% over the year to March 2005. The Consumer Price Index measures movements in the price of a fixed basket of consumer goods and services which includes: food; alcohol and tobacco; clothing and footwear; housing; household furnishings; supplies and services; health; transportation; communication; recreation; and education. The CPI 'basket' includes items representative of all consumer goods and services and is an important economic indicator as it provides a general measure of changes in prices of consumer goods and services. Changes in the cost of home purchase will be picked up in the CPI but these may be offset by changes in the price of other goods. Contributing most to the overall increase this quarter were rises in pharmaceuticals (+16.8%), house purchase (+1.4%), domestic holiday travel and accommodation (+4.2%), secondary education (+7.0%), tobacco (+2.2%), tertiary education (+5.3%), vegetables (+4.3%), preschool and primary education (+6.4%), snacks and confectionery (+2.8%) and take away and fast foods (+1.1%). Partially offsetting these increases were falls in automotive fuel (-2.7%), motor vehicles (-1.4%), furniture (-2.5%), audio, visual and computing equipment (-6.4%) and fruit (-3.5%).

Contributing most to the annual increase were rises in house purchase (+5.5%), automotive fuel (+9.0%), hospital and medical services (+5.8%), domestic holiday travel and accommodation (+6.8%), beer (+4.9%), rents (+2.1%), tobacco (+3.9%), and take away and fast foods (+2.8%). Partially offsetting these increases were falls in vegetables (-13.2%), audio, visual and computing equipment (-14.9%), motor vehicles (-1.6%), women's outerwear (-4.8%) and furniture (-1.8%).

Commercial Property Transactions NSW				
Year	No of Sales	Change %	Value \$ millions	Change %
1993/94	5,339		\$6,290	
1994/95	6,489	22%	\$6,180	-2%
1995/96	5,862	-10%	\$5,830	-6%
1996/97	6,409	9%	\$7,450	28%
1997/98	7,824	22%	\$8,640	16%
1998/99	6,360	-19%	\$8,860	3%
1999/00	8,229	29%	\$11,070	25%
2000/01	6,648	-19%	\$9,320	-16%
2001/02	9,110	37%	\$12,870	38%
2002/03	8,787	-4%	\$13,100	2%
2003/04E	9,028	3%	\$17,480	33%
Jun Q 04E	3,036		\$6,460	
Sep Q 04E	1,291	-57%	\$2,700	-58%
Dec Q 04E	1,466	14%	\$2,310	-14%
Mar Q 05E	930	-37%	\$1,600	-31%



Disclaimer: This publication is based on information available at the time of writing, but facts and opinions may change without notice on the basis of changing market conditions. Coldwell Banker NSW and it's employees disclaim any liability in relation to the accuracy, currency or completeness of the information, any errors in or omissions from the information, any opinions or recommendations expressed, as well as the use, reliance upon or interpretation of the information. Warranties of any kind are excluded. Coldwell Banker NSW shall not be liable for any losses or damages in connection with this publication, including those arising from any person acting or deciding not to act of the information contained in this publication. The information in this publication is of a general nature only and it's preparation does not take into account the individual circumstances, objectives, financial situation or needs of the reader. No investment decision should be made based solely on it's contents as it is not a substitute for independent professional advice. The reader is advised to exercise care and consult with their own independent financial and /or investment advisor before making any investment decision.