



GOLD COAST OFFICE OVERVIEW **JANUARY 2014**

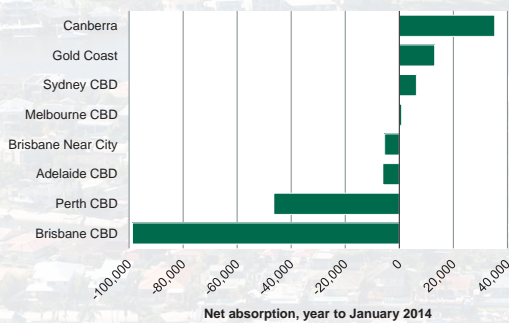
CBRE



Gold Coast OVERVIEW

- Gold Coast office stock at January 2014 totalled 459,890 sqm, down by almost 4,000 sqm on the mid-year stock level. Around 2,000 sqm of refurbished space was returned to the market in Southport and Bundall, although this was offset by minor withdrawals in Bundall and Varsity Lakes.
- The short term supply pipeline remains limited. The only new development underway at present is in Surfers Paradise, where a 2,335 sqm, six-storey building at 25-29 Elkhorn Avenue is nearing completion although there is only a net gain of around 1,300 sqm due to this being an expansion of an existing building.
- The improved levels of local business confidence noted in the first half of 2013 appear to have strengthened in the second half of the year, with a consequent rise in occupier demand. The Gold Coast office market recorded positive net absorption of 13,100 sqm during 2013, including 11,500 sqm of positive take-up over the second half of the year.
- Annual net take-up, in fact, was the second highest of all major monitored office markets nationally, behind just Canberra, and contrasted with a year of record negative take-up in the Brisbane market. The Gold Coast has now also recorded three consecutive years of positive net absorption, with 27,200 sqm of net take-up in the period.

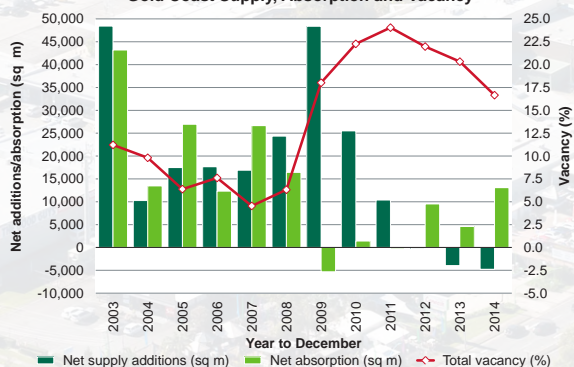
Annual Net Absorption, Major Markets



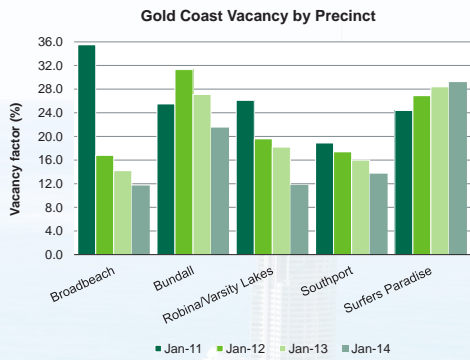
Source: Property Council of Australia, January 2014

- The combination of positive net absorption and a reduction in total stock levels has seen an acceleration of the tightening trend in vacancy that has been evident since the start of 2011. Total market vacancy at January 2014 sat at 16.7%, down from 19.9% mid-year and at its lowest point since the start of 2009. Performance does still vary by precinct, however, with Robina-Varsity Lakes and Southport showing the strongest profiles.
- Prime (Grade-A) vacancy was at 20.3% down from 27.7% at the start of 2013, while secondary grade vacancy had eased to 15.2%.

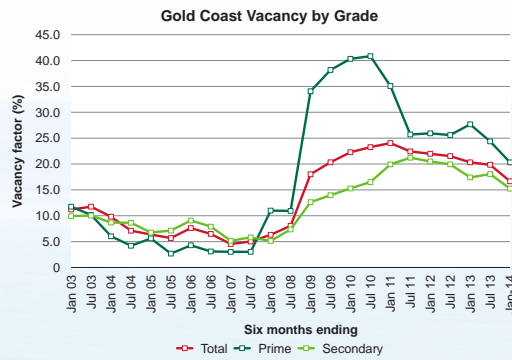
Gold Coast Supply, Absorption and Vacancy



Source: Property Council of Australia, January 2014



Source: Property Council of Australia, January 2014



Source: Property Council of Australia, January 2014

- CBRE anticipates that business confidence will continue to strengthen in 2014 and that we will see further reductions in vacancy on the back of limited new supply and positive take-up. Looking further ahead, there is likely to be challenges for users of 800 sqm plus, with only a handful of options currently existing and no significant new supply on the short term horizon. It is interesting to note that 2013 recorded more than eight leasing deals in excess of 1,000 sqm each, soaking up many of the options that were available.
- Significant transactions negotiated during the second half of 2013 included:
 - QLD Police securing 1,300 sqm at 154 Varsity Parade, Varsity Lakes;
 - SSKB acquiring a 1,200 sqm standalone building, 10 Frigo Court, Bundall;
 - Sykes call centre operations securing 1,800 sqm at 183 Varsity Parade, Varsity Lakes; and
 - Gold Coast City Council acquiring 8 Karp Court for their own purposes, removing 3,200sqm of vacancy out of the Bundall market.
- Rental rates continue to vary widely across precincts and are driven by supply levels. The likes of Broadbeach and CBD Robina are achieving higher rents due to their lower vacancy rates whereas the softer markets of Bundall, Surfers Paradise and Varsity Lakes remain more price competitive.
- Broadly, however, rents for established grade-A stock are in the \$330/sqm to \$390/sqm range (net face). Secondary stock remains steady achieving \$200/sqm to \$300/sqm (gross face) with incentives steady at 15% to 20% across precincts, depending on length of lease term.
- The Gold Coast light rail is expected to be running by mid-2014. We anticipate increased take-up in Southport, Surfers Paradise and Broadbeach now that major construction works (which have caused great disruption) have been completed, enabling much greater ease of access to these locations.
- Changes to town planning legislation in Southport, following this suburb being designated a Principal Development Area, has seen the relaxation of planning rules around permitted uses which has seen an influx of education users looking to establish in the precinct. We expect this will continue throughout 2014 and with majority of enquiry from new businesses to the Gold Coast, this will further assist with take-up in the Southport precinct.
- The table below provides a summary of the state of the Gold Coast office market as at January 2014.

GRADE/MARKET	STOCK (SQ M)	VACANT (SQ M)	VACANCY (%)	VACANCY (%)	NET ABSORPTION (SQ M)	NET ABSORPTION (SQ M)
	Jan-14	Jan-14	Jan-14	Jan-13	(Six Months)	(Twelve Months)
Broadbeach	29,141	3,414	11.7%	14.2%	501	730
Bundall	77,139	16,614	21.5%	27.1%	-478	943
Robina/Varsity Lakes	133,862	15,839	11.8%	18.2%	9,607	7,261
Southport	150,620	20,594	13.7%	16.0%	3,184	4,673
Surfers Paradise	69,128	20,157	29.2%	28.4%	-1,309	-530
Grade A	128,301	26,067	20.3%	27.7%	2,289	6,640
Grade B	178,152	22,773	12.8%	15.3%	6,360	2,578
Grade C	136,004	22,874	16.8%	18.8%	2,671	3,826
Grade D	17,433	4,904	28.1%	28.3%	185	33
Total Gold Coast	459,890	76,618	16.7%	20.3%	11,505	13,077





Precinct SNAPSHOTS

- **SOUTHPORT** remains the largest office market precinct on the Gold Coast, with 150,620 sqm of stock, although stock levels have increased only slightly since the start of 2010. Vacancy at January 2014 sat at 13.7%, with positive net absorption of 4,673 sqm over the past year. Vacancy levels in Southport have been trending down gradually since peaking at over 22% in mid-2010, driven largely by the steady but gradual absorption of tenanted and owner-occupied space at Southport Central. Over the past decade, activity in Southport has generated almost 50,000 sqm of net take-up, with nine of those years recording positive results.
- **ROBINA/VARSITY LAKES** has seen a significant tightening in vacancy, down from 20% in July 2013 to 11.8% in January 2014. Positive take-up of 7,261 sqm occurred over calendar year 2013, by far the strongest of the Gold Coast office market precincts in terms of take-up. The split in vacancy between the Robina and Varsity Lakes components of the precinct has closed with some larger areas of vacancy occupied in Varsity Lakes. The Robina sub-locale, however, still supports the tighter vacancy, estimated at sub-8%, with vacancy in Varsity Lakes estimated at around 10%. After growing substantially from 2003 to 2010 (more than doubling in size), net supply additions over the past four years have totalled just 3,500 sqm, with the current stock at 133,862 sqm. It is still expected, however, that in the medium-term, the precinct will take-over from Southport as the largest Gold Coast office precinct.
- **SURFERS PARADISE** continues to record the highest vacancy rate of all of the Gold Coast's office market precincts, and at 29.2%, vacancy is now at its highest point on record. Stock levels have been stable since the start of 2008, although the precinct does support the only major office development currently underway on the Gold Coast, a 2,335 sqm addition nearing completion at 25-29 Elkhorn Avenue. The market, along with Southport and Broadbeach, should, begin to show some improvement now that the construction phase of the Gold Coast Light rail project is complete. Currently there is over 2,000 sqm of negotiations underway in the precinct which should be recognised in the June 2014 reporting period.



- **BUNDALL** is a precinct undergoing transition, with stock levels declining as some supply is withdrawn for owner-occupation (by Gold Coast City Council), refurbishment or for redevelopment into other uses. Stock levels sat at 77,139 sqm at January 2014 with the vacancy rate of 21.5% the second highest of the Gold Coast's office market precincts. The market, however, did record positive net absorption of just less than 1,000 sqm during 2013, the first year of positive take-up since 2007.
- **BROADBEACH**, with 29,141 sqm of stock, is the smallest of the Gold Coast office market precincts. Vacancy at January 2014 sat at 11.7%, down from the rate of 14.2% recorded at the start of the year. This vacancy compares with the spike to 35.5% at January 2011, coinciding with the completion of the Oracle development. Since that time, almost 7,000 sqm of net take-up has been generated.

For further information, please contact:

TANIA MOORE
MANAGING DIRECTOR
61 7 5581 2000 | 61 439 034 025
tania.moore@cbre.com.au

CBRE (C) Pty Ltd
Level 3 Oracle East Tower
6 Charles Avenue
Broadbeach QLD 4218

Disclaimer: CBRE Limited confirms that information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt their accuracy, we have not verified them and make no guarantee, warranty or representation about them. It is your responsibility to confirm independently their accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.



CBRE