



Brisbane CBD

Brisbane's Office Vacancy Crisis

Conditions have tightened across the market reducing total vacancy of prime stock to 1.4% and secondary stock to 2.8%. With the mining and resource boom the primary driver of the market, demand is strong and supply is restrained.

Brisbane's CBD office market has continued to perform exceptionally well. With the positive outlook of commodity prices, business investments have continued to expand contributing to Queensland's healthy Gross State Product (3.7%) that remained well above the rest of Australia (2.6%). Queensland has benefited from mass interstate and international migration and has maintained unemployment below the nation average rate of 4.9%.

The strength of Brisbane's white-collar employment growth has led to extraordinarily low vacancy rates. The resource boom and state infrastructure projects have created expansion opportunities for the engineering/resources and government sectors underpinning the strong tenant demand. The other major contributor to tenant demand, reflecting a large flow-on effect from the commodity boom, is the space requirements of the business and finance sectors. Unprecedented demand from these sectors has led to Brisbane's tightest leasing market on record.

The majority of net absorption over the last 6 months occurred in the premium market which has accordingly seen the greatest reduction in vacant space. Premium stock absorbed more than half its available space down

5.9 percentage points (52%) to 5.5%. As a result, strong tenant demand and limited supply additions have translated into gross face rental growth and large incentive reductions. It is not uncommon to hear about leased buildings offering no incentive.

Brisbane's market has been driven by strong demand creating an imbalance between net absorption and net supply. Vacant office space has become scarce inflicting strong competition among tenants to occupy space for future expansion. This in effect, has increased rents and pushed the overall CBD vacancy rate to its forth-consecutive record low of 2.3%.

While stock availability has tightened, investor demand has been extremely high. Strong rents, low vacancies and solid investment fundamentals has led to strong interest for both investment grade stock and buildings offering refurbishment and redevelopment opportunities. Brisbane's current and forecasted strong demand have pushed capital values to record highs, compensating investors paying low yields as they focus on their investments total returns.

A booming local economy and dramatic growth in white collar employment continues to fuel Brisbane's strong office demand which has increased developers confidence when considering speculative office developments. The completion of Brisbane Square offering 55,000m², and smaller refurbishments such 420 George Street, 179 North Quay, and McDonnell & East building is evidence of developers confidence.

Brisbane CBD Office Market Indicators – Spring 2006

Grade	Average Gross Face Rents (\$/m ² pa)		Average Incentive (%)	Average Outgoings (\$/m ² pa)	Average Capital Value (\$/m ²)		Average Yield (%)*	
	Low	High			Low	High	Low	High
Total								
Premium	550	630	0 – 5%	85	5,250	6,500	5.5%	6.5%
A Grade	500	575	0 – 10%	75	5,000	6,250	6%	7%
B Grade	415	495	0 – 10%	65	4,000	5,250	5.25%	7.25%

*Strong rental growth and refurbishment opportunities are seeing very low initial yields in B-Grade stock

*There have been no recent Premium Grade sales in Brisbane CBD. Therefore the capital value and yield ranges above are a reflection of what we expect to see if a Premium Grade building sold in Brisbane CBD under current market conditions.

Source: Colliers International Research

Forecast (6 months)

- Overall Performance: ↑
- Supply: ↑
- Tenant Demand: ↑
- Vacancy: ↓
- Incentives: ↓
- Effective Rents: ↑
- Capital Values: ↑
- Yields: ↓

Key Facts:

- Tightest leasing market on record
- Tenant demand outweighs office supply due to resources boom
- New record vacancy of 2.3%
- Large face rental growth and rapid reduction in incentives
- Strong capital growth and tightening yields
- Construction cycle well underway
- Conditions to remain tight until 2009 when bulk of supply enters market



324 Queen Street

Purchased by DB RREEF for
\$6,352/m² at an initial yield of
6.07%.

Economic Update

Global Economic Overview

Global economic activity remains strong overall, with global growth of 4.6% in 2005 forecast to continue at a similar level of 4.7% in 2006 according to the ANZ Economic Outlook for the September Quarter 2006. Elevated commodity prices and tightening labour markets, however, have caused inflation to lift internationally. CPI headline inflation across the G7 countries have risen to 2.7% in 2006, above the trend of 2.5%. Rising inflation is increasing the risk that interest rates will have to be raised beyond neutral in the current tightening cycle. ANZ predicts the September quarter of 2006 heralds a synchronous cycle of interest rate rises across the major developed economies.

Australian Economic Outlook

Developments in the global economy are being mirrored domestically, resulting in a pick-up in core inflation which is raising the prospect of a further rise in interest rates. Growth has picked up from a period of softening in 2005 but is unlikely to exceed 3-3.25% in 2006 with the economy now facing capacity constraints. According to the ABS, quarterly GDP growth has slipped marginally since June 2005, down to 0.6% growth for the December 2005 quarter and the March 2006 quarter. The Government has released an expansionary budget for 2006/07 with personal tax cuts and benefits payments to add 1.2% to household disposable income which is expected to drive consumer demand. Overall, though, the picture points to the fact that rate rises and tax cuts

aren't addressing capacity which is the real problem the economy is facing. The commodity boom has been the key impetus behind Australia's economic activity driving strong business investment, particularly in mining and related infrastructure, and providing a large increase in domestic income through high commodity prices and high terms of trade.

Inflationary Pressures Continue to Build

Higher prices for energy, heavy commodities and base metals have pushed up input costs for businesses. A sharp lift in output prices in the March quarter may indicate that cost pass-through is now taking place. The lift in core CPI inflation in the March quarter to 2.75% indicated that these rising costs are now being transferred into retail inflation. Inflation has lifted even more strongly over 3% during the June quarter of 2006 which has propelled a hike in interest rates.

Interest Rates Rise and Further Rise Pending

The Reserve Bank of Australia (RBA) responded to emerging inflationary pressures in early May by lifting the cash rate 25 basis points to 5.75%. After a surge in inflation during the June quarter, interest rates were lifted again by a further 25 basis points to 6.00% in August. If the current inflation pressure continues, predictions are for a further rate rise before the end of the year.

Australian Key Indicators

Gross Domestic Product - Trend					
Percentage Change in GDP					
Dec-04	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
0.5	0.7	0.8	0.7	0.6	0.6

Source: Australian Bureau of Statistics 2006

Interest Rates								
Oct-01	Dec-01	May-02	Jun-02	Nov-03	Dec-03	Mar-05	May-06	Aug-06
4.50%	4.25%	4.50%	4.75%	5.00%	5.25%	5.50%	5.75%	6.00%

Source: Reserve Bank of Australia 2006

Consumer Price Index								
All Groups Percentage Changes (from corresponding quarter of previous year)								
Brisbane	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06
	2.4	2.6	2.6	2.5	2.8	2.8	2.9	4.1

Source: Australian Bureau of Statistics 2006

Labour Force							
Australian Job Growth Figures 2006							
Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06
2,100	1,800	25,900	27,000	-3,200	56,000	52,000	50,700
Australian Unemployment Rate 2006							
Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06
5.1%	5.2%	5.2%	5.1%	5.1%	5.0%	4.9%	4.8%

Source: Australian Bureau of Statistics 2006



488 Queen Street

Constructed in 1985

Stencraft purchased the B-Grade building close to fully leased for \$21 million.

Queensland Continues to Grow

Queensland's positive rate of economic growth once again reflected on the labour force market. According to Access Economics, Brisbane's total employment levels rose 3.6% outpacing all other capital cities and territories. In correspondence to the OESR July report, population growth has been a key driver of Queensland's economic growth with an annual average growth rate of 2.2% over the past twenty years (double the nation's 1.1% average). Queensland reached 4 million persons in late 2005, nearly 20% of the national population.

Queensland's mild climate, lower living costs, competitive

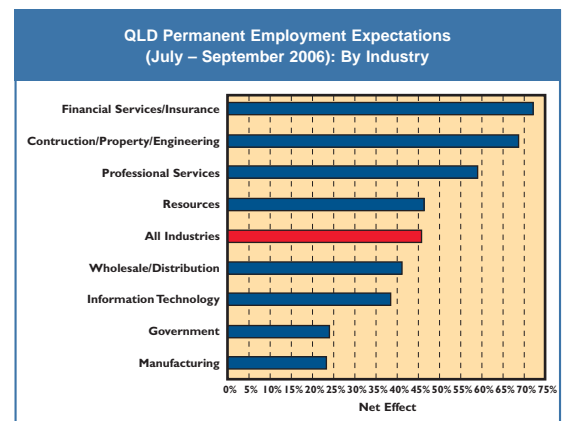
Sentiment High in Queensland

Employer optimism is positive in Queensland with record levels of employer sentiment. The Hudson report shows that sentiment is up 3.7 percentage points. Queensland's permanent employment expectations are illustrated by each sectors performance in the graph to the right. The professional, financial and insurances services, property and engineering sectors have all benefited from strong employer sentiment due to high levels of construction activity and population growth. The Hudson Report indicates employers will increase permanent employment levels over the coming quarter with the resource sector, professional, financial and insurance services all recording a net positive of 46.7%, 59.7% and 71.6% respectively. A net positive 69.2% of employers in the property industry indicated an increase in permanent employment levels over the coming quarter as a flow on effect from investments in the resource sector. Queensland's sentiment is up 10% on last quarter increasing almost 25% over 12 months.

Employment Trends

taxation environment and greater employment opportunities are just some of the factors leading to Queensland being the fastest growing state. Queensland has averaged a net annual inflow of 30,800 interstate migrants over the past 20 years with a preferable settlement within the state's south east corner.

Diverse industries have allowed Queensland to benefit from both the domestic and global market cycles. The 2006 August OESR review stated Queensland experienced its lowest monthly unemployment trend in the thirty years recorded, dropping 0.2 percentage points to 4.5%. This continues Queensland's two-year trend of falling below the current national unemployment rate of 4.9%.



Source: Hudson Report July – September 2006



123 Eagle Street

Juniper leased 478m² in 123 Eagle Street for \$580/m² with no incentive.

Leasing Demand and Absorption

Positive Company Profit Growth

Over the past 10 years Australia has continued to produce solid growth in annual profits. ABS data released in July 2006 reflects Australia's robust economy with national gross operating profits remaining above 3% since 1998. Positive company growth generates business expansion leading to white-collar employment growth which in turn triggers increased demand for office space. The graph to the right shows the correlation between net absorption and Australia's company profits. PCA data reveals net absorption declined from 52,165m² in January to 47,922m² in July corresponding with the decline in company profits.

Access Economics suggests that the low supply of office space may have already affected Brisbane's economy as businesses have steered away from the CBD due to the lack of available space.

White Collar Growth and Net Absorption

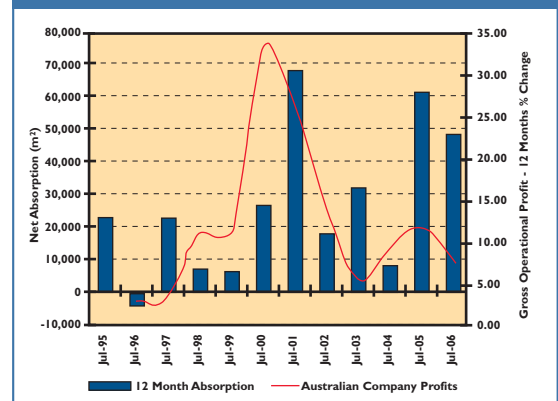
Since 2004 Queensland's unemployment rate has been lower than the rest of the nation and with the confidence of the current business sector, it is hard to see this slowing down. While Queensland may have already reached its peak growth, it is still expected to out-perform the national growth rate for this quarter. Access Economics data shows Brisbane CBD's healthy white-collar employment trend has continued at its recent 4% growth rate, outpacing Australia's total white-collar employment component which changed 3.3% for the quarter.

The overall business sector is expanding in all capacities from coal to retail shopping malls and office blocks. Queensland's high level of economic activity has driven jobs growth and kept the unemployment rate below the national average (4.9%). The combination of strong population growth and an increase in business investment continues to drive Queensland's healthy economy into the fourth quarter. A large increase in white-collar employment and a thriving local economy continues to tighten this already tight market.

High Level of Enquiries

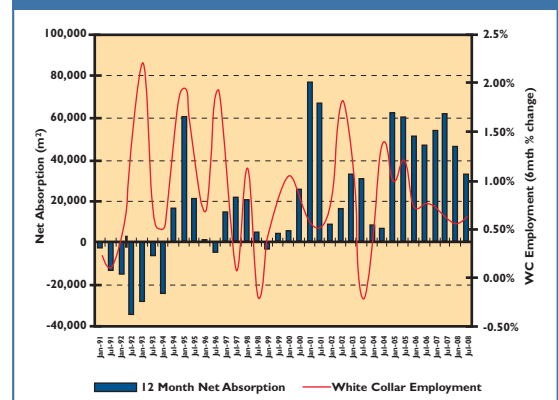
White-collar growth has fuelled a competitive tenant market amongst Brisbane's scarce office supply making it very difficult to secure contiguous space. High levels of office enquiry have been generated by the expansion of the State Government, mining, engineering and business sectors creating a tougher market for tenants requiring large amounts of space.

Brisbane CBD Net Absorption v Australian Company Profits



Source: PCA July 2006, ABS July 2006

Brisbane CBD Net Absorption v White Collar Employment



Source: Access Economics June 2006, PCA July 2006

Tenants wishing to expand or relocate into higher quality space are being challenged in the tight market conditions. It is becoming increasingly difficult to acquire substantial office space over 1,000m² without enquiring 2–3 years prior. For instance, the Australian Taxation Office earlier in July committed to occupying 10,000m² of office space in 140 Elizabeth Street where they will not occupy until the forecasted completion in the fourth quarter of 2008.



Brisbane Square

The 55,000m² building was fully precommitted to BCC and Suncorp prior to completion.

Limited Supply Levels to Pick Up

Brisbane's tight leasing market dropped 1.2 percentage points from the January quarter to record a historically low vacancy rate of 2.3%. According to the PCA data (illustrated in the graph to the right), 6 months to June net absorption was only 12,138m² compared to 35,784m² documented in the January quarter. What must be taken into consideration is the 11,631m² of supply withdrawn against a minimal 3,037m² of additional supply added to the market over the last 6 months in tight conditions.

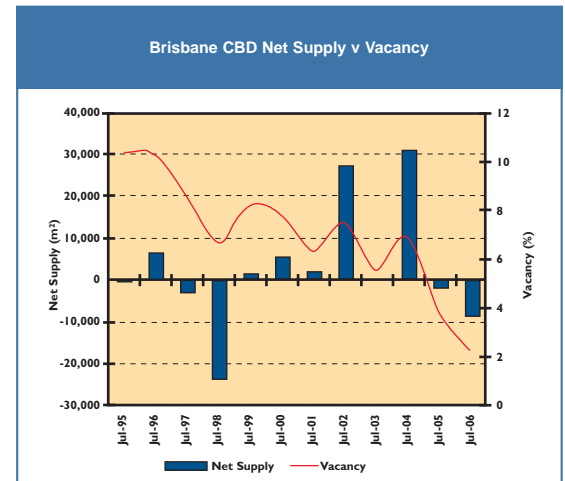
Brisbane's forecast CBD office supply is expected to see 26 buildings generate new office space over the next 4+ years as an effect of new construction or refurbishment. This additional space will provide a further 463,695m² to the CBD's existing 1,711,795m² of stock.

Brisbane Square, contributing 55,000m² of A – Grade net lettable area is Brisbane's only major completion for 2006. 420 George Street, 179 North Quay and McDonnell & East will contribute the extra 18,429m² in late 2006 through refurbishment. This additional stock of late 2006 relieves little tension within the market with 86% of the 73,429m² already pre-committed.

Brisbane's project pipeline for the next few years consists mainly of smaller developments such as 299 Adelaide Street (8,966m²), 140 Elizabeth Street (10,000m²), Central Plaza 3 (11,000m²) and 255 Adelaide Street (11,000m²). Larger scale developments are not expected to enter the market until 2009 (Transit Centre Stage 1, 35,000m²).

Developers Are Now Confident

Constrained supply and strong demand has created the lowest vacancy rate in Brisbane's history. High construction costs and minimal rental growth had previously discouraged many developers from major office developments. The constrained supply has seen significant rental growth to the point that the developers have progressively shifted their interest into office construction. The market is so tight that some developers are confident enough to push ahead with construction without signing pre-commitments. In drastic supply conditions one has to wonder why the number of refurbishments and new developments were not considered for earlier construction. The declining vacancy rates in conjunction with limited short to medium term supply has created some fear in the market that Brisbane's CBD is losing business growth to other business centre's due to lack of quality office space available.



Source: PCA July 2006

Vacancy

Brisbane CBD - Stock & Vacancy Grade

Grade	Stock (m ²)	Vacancy Rate
Total - All Grades	1,711,795	2.3%
Premium	140,015	5.8%
A Grade	109,515	0.7%
B Grade	528,300	0.2%
C Grade	528,300	3.3%
D Grade	839,798	1.6%
C Grade	839,708	2.9%
C Grade	164,741	8.8%
C Grade	172,049	9.7%
D Grade	38,941	5.7%
D Grade	40,591	16.5%

Source: PCA July 2006 Colliers International Research

PCA July 06 Figures
PCA July 05 Figures

Waterfront Place 1 Eagle Street

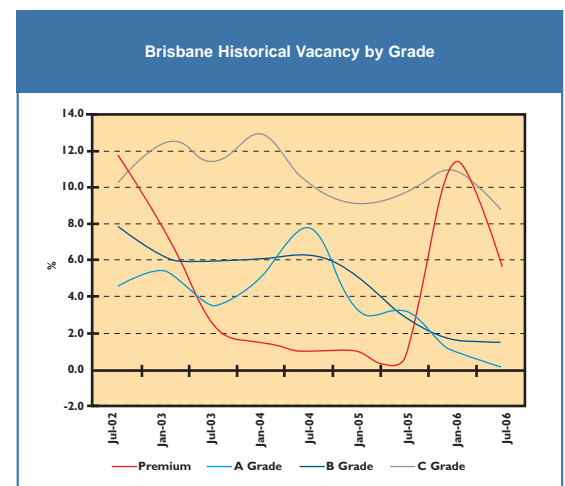
This premium grade building offers 59,295m² to Brisbane's market and is currently fully occupied.

Consecutive Low Vacancy Rate

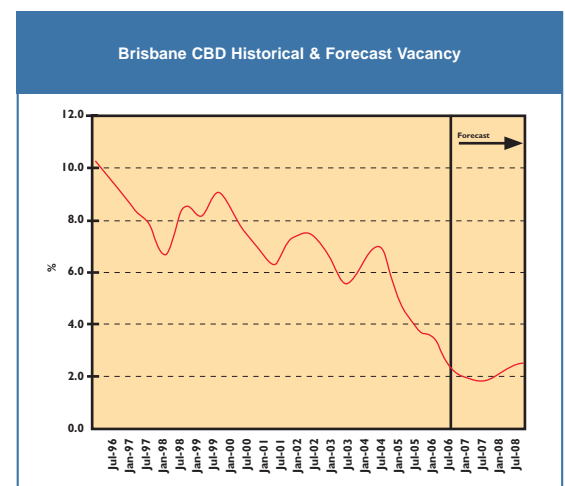
Brisbane's CBD office vacancy rate has reached its fourth-consecutive all-time low of 2.3%. According to the latest Property Council figures released in July 2006, Brisbane has the second lowest vacancy rate of any Australian capital city other than Canberra's office market which has a vacancy rate of 2.1%.

The graph to the right illustrates Brisbane's tight market conditions experienced across Premium, A, B and C-Grade stock. Continuing a trend that began in July 2004, all grades in the market posted vacancy rates below 10%, C-Grade had the highest vacancy rate at 8.8%.

Office vacancy rates in Brisbane CBD are the tightest ever witnessed. January 2006 recorded a record low at 3.5% vacancy, a further 6 months on and vacancy dropped 1.2 percentage points totalling only 39,354m² of vacant office space available. Brisbane is experiencing strong demand (across all grades) coupled with constrained supply and although white-collar employment growth has begun to ease, it is still extremely strong and predicted to continue. Business investments are booming and current tight conditions are facing a modest pipeline of new supply and expectations are that vacancy rates will remain below 5% until at least 2008. To put these results into perspective, A and B-Grade stock (combined together make up nearly 80% of Brisbane's CBD stock) sit at extremely low vacancy rates of 0.2% and 1.6% respectively. Premium grade office space has seen a dramatic decrease in its vacancy falling 5.6 percentage points from the 11.4% (January 2006) in only 6 months of activity. 12,138m² of net absorption outweighed the supply withdrawals from C and D-Grade stock that reduced Brisbane's supply by 11,631m² countering for large reductions in their stock.



Source: PCA July 2006



Source: PCA July 2006, Colliers international Research



545 Queen Street

The B-Grade building sold for \$28 million with a tight yield of 5.37%.

Face & Effective Rents Continue to Rise

Brisbane's CBD office market has experienced significant rental growth over the past few years. Gross face rents have continued to rise on a monthly basis and tight conditions have led effective rents to follow suit. In recent leasing activity, it is not unusual to see effective rents equate to face rents. Brisbane's prime effective

Landlords Taking Advantage

Landlords are taking full advantage of the exceptionally strong demand in such a tight market. Low levels of vacancy and high levels of demand have seen tenants unable to negotiate generous incentives previously offered by landlords to fill vacant space and keep current tenants. Over the past 12 months we have seen the gap between face and effective rents close as incentives continue to fall to between 0% - 10% across the board. Early 2006 recorded incentives for Premium stock between 0% - 10% and B Grade stock between 5% - 15%. Six months on and the majority of both Prime and B-Grade stock offer either no incentives or very minimal.

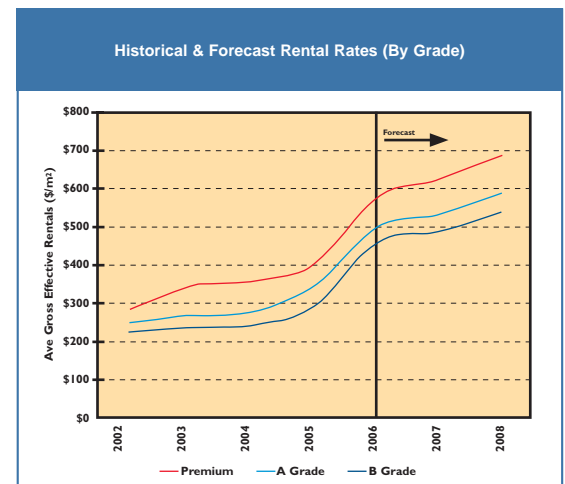
Yields and Capital Values at Record Lows

Brisbane is a thriving investment market with tight leasing conditions and solid market fundamentals set to continue. As developers have gained enough confidence to go ahead with construction there is fierce competition amongst investors to purchase these properties over the next few years.

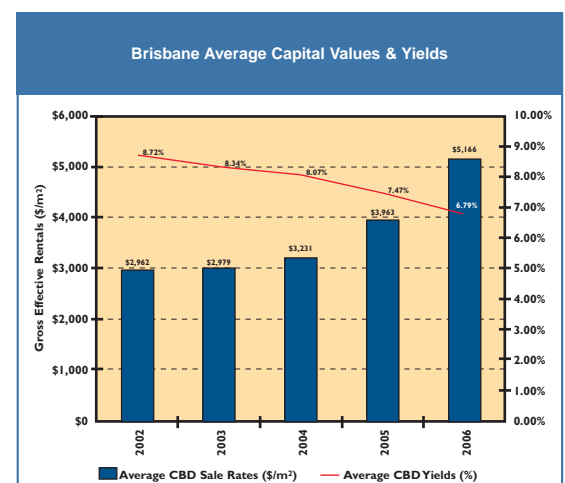
Yields have tightened across all grades and new record levels are continuing to be achieved as capital values continue to rise. Owners are fully leasing their buildings with strong tenant schedules and looking to on sell for top capital value. To give an idea of the competitive market, B-Grade stock values are looking at low yields of 5.25% to 7.25% with average capital values up around \$4,625m². With minimal stock available until 2009, investors are focusing on the total return by paying tighter yields and achieving high rents.

Key Market Indicators

rents grew another 9.8% in the June half year, over 20% higher than the 12 month period to June 2006. Premium office gross face rents are achieving between \$550/m² - \$630/m² and A-Grade space ranges between \$500/m² - \$575/m². The graph below illustrates the current market conditions that look set to continue with strong demand and constrained vacancy causing upward pressure on rents for the next two to three years.



Source: Colliers International Research 2006



Source: Colliers International Research 2006



140 Elizabeth St

Predicted for completion in 2008, the 10,000m² NLA building is fully leased to the ATO.

Leasing Market Activity

- China and India's demand for Australian resources are continuing to drive demand for office space in Brisbane's extremely tight market. On the completion of Brisbane Square, the CBD will experience 73,429m² of net lettable area injected on the market with an extensive 63,380m² pre-committed
- Market conditions are such that landlords are becoming less inclined to offer incentives to entice tenants to fill the buildings. The majority of both prime and secondary CBD buildings are experiencing incentive free or low incentive deals



Analysis of a Deal

Riparian Plaza - 71 Eagle Street, Brisbane

Tenant:	Charter Pacific
Start Date:	Sept 2006
Building Grade:	Premium
NLA m²:	550
Rent:	\$610
Incentive:	Nil

Comments: Charter Pacific leased half of the 19th floor in the recently constructed (late 2005) Riparian Plaza. This Premium Grade building is one of Brisbane's three Premium Grade buildings.

Recent Leasing Activity

Address	Grade	Area (m ²)	Start Date	Gross Face Rent \$/m ²	Term (yrs)	Incentive*	Tenant
Prime							
12 Creek Street	A Grade	1,006	Oct 2006	\$445	6	Low	Enertrade
71 Eagle Street	Premium	6,000	Late 2006	\$500	10	Low	KPMG
123 Eagle Street	Premium	358	Mid 2006	\$550	5	Low	Brain Berkley & Associates
123 Eagle Street	Premium	478	Mid 2006	\$580	4	Nil	Juniper
71 Eagle Street	Premium	583	Late 2006	\$550	4	Nil	Talent 2
71 Eagle Street	Premium	550	Sep 2006	\$610	-	Nil	Charter Pacific
10 Eagle Street	A Grade	1,870	Late 2006	\$520	10	Low	PKF
345 Queen Street	A Grade	1,086	Early 2007	\$490	10	Nil	Institute of Chartered Accountants
345 Queens Street	A Grade	2,193	Early 2007	\$465	10	Nil	Johnston Rorke
12 Creek Street	A Grade	570	Early 2006	\$495	6	Low	Ashe Morgan Winthrop
10 Eagle Street	A Grade	570	Mid 2006	\$460	5	Nil	Bell Potter securities
140 Elizabeth Street	A Grade	10,136	Oct 2008	\$512	15	Low	Australian Tax Office
74 Eagle Street	A Grade	8,000	Oct 2008	\$485	10	Nil	Q Super
Secondary							
410 Anne Street	B Grade	1,600	Oct 2006	\$460	5	Nil	Rio Tinto
140 Creek Street	B Grade	11,000	Oct 2006	\$420	7	Nil	Australian Tax Office
144 Edward Street	B Grade	3,076	Late 2006	\$450	5	Nil	Sinclair Knight Merz
229 Elizabeth Street	B Grade	5,250	2006	\$420	7	Nil	EDS
239 George Street	B Grade	2,628	Oct 2006	\$415	6	Nil	Departments of Main Roads
307 Queen Street	B Grade	1,592	June 2006	\$430	6	Low	Xstrata Technologies
10 Market Street	B Grade	247	Oct 2006	\$410	5	Nil	Protavia
95 North Quay	B Grade	235	July 2006	\$395	5	Low	City Super
95 North Quay	B Grade	1,292	Mid 2006	\$425	2	Low	SEQ Water
239 George Street	B Grade	875	Feb 2007	\$450	5	Low	Ex-John Holland tenancy
288 Edward Street	B Grade	1,376	Nov 2006	\$410	5	Low	Queensland Rail
10 Felix Street	C Grade	597	Oct 2006	\$400	4	Low	Work Directions Australia
138 Mary Street	C Grade	1,152	Late 2006	\$410	10	Low	SV Partners

* Incentive: Low - up to 12%, Medium - 13%-20%, High - 21%+

Brisbane CBD Office

SPRING 2006



316 Adelaide St

AMP Capital Investors purchased the building for \$35.5million with an IRR of 8.85%.

Sales & Investment Activity

- In early July APH and Anthony Morteon Group signed an unconditional contract to acquire 545 Queen Street. Joint venture partner's Watpac and Seymour Group brought the investment in August 2004 resulting in a \$10 million profit on settlement in January 2007. The owners are expected to outlay \$100 million dollars to redevelop the existing tower into a modern A-Grade 13,000m² commercial building with a 120 car parks. The potential for redevelopment resulted in a substantially low B-Grade yield of 5.3%, well below average low of 6.75% to date.
- Located at 316 Adelaide Street, the B Grade 13 level office and street level retail building sold for \$35.5 million early this year in August. The fully leased Flight Centre House was purchased by AMP Capital investors on a sale and lease back with vendors Flight Centre, whom occupy 70% of the building, committed until 2013 with a 3 year option.
- In Spring 2005 Kevin Seymour opted not to proceed with the sale of his office building at 260 Queen Street to Allco for around \$60 million. Earlier this year in February, the high B low A-Grade office building sold to GE Real Estate for \$71.6 million with an IRR of 8.72%. Westpac occupied 56% of the net lettable area with other tenants including Seymour Group and Kings Parking, however at the time of the of the sale substantial vacancy existed.
- Originally developed as the Brisbane head quarters for the Reserve Bank in 1972, 102 Adelaide Street was sold in a deal negotiated through Colliers International and CBRE agents in September 2006. The fully leased building comprising of two anchor tenants Office Works and Grant Thornton went unconditional for \$41.8 million. The building was purchased by a Brisbane private investor.



Analysis of a Deal

102 Adelaide Street, Brisbane

Sale Date: September 2006

Price: \$41.8 million

NLA (m²): 10,335

Price/m²: \$4,045

Initial Yield: 5.07%

Comments: A 13 level office building built in 1972 as the Brisbane Headquarters for the Reserve Bank. The building is fully leased with a number of upcoming rent reversion opportunities.

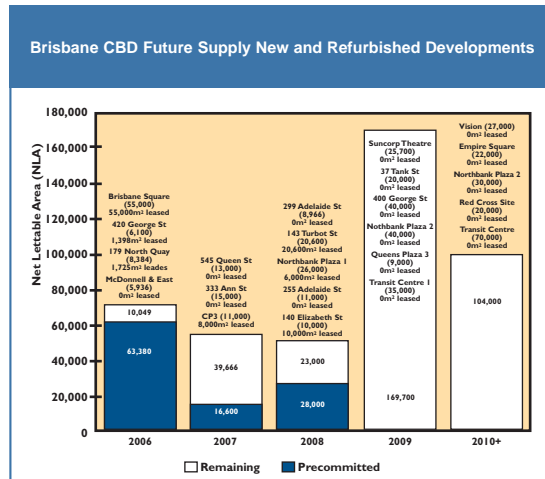
Recent Commercial Sales Activity

Address	Grade	Sale Date	Sale Price \$ million	Vendor	Purchaser	Capital Value \$/m ²	Initial Yield (%)*
102 Adelaide Street	B Grade	Sep 2006	\$41,800,000	Burcher Property Group	Private Investor	\$4,045	5.07%
316 Adelaide Street	B Grade	Aug 2006	\$35,000,000	Flight Centre	AMP Capital Investors	\$4,880	6.6%
545 Queens Street	B Grade	Aug 2006	\$28,000,000	Watpac / Kevin Seymour Group	APH Holdings / Anthony Moreton Group	\$4,489	5.37%
420 George Street	C Grade	Aug 2006	\$17,400,000	Charter & Hall	Ross Nielson Properties	\$2,701	VP
160 Ann Street	B Grade	May 2006	\$66,500,000	Precision Group	Investa Property Group	\$4,141	6.05%
243 Edwards Street	B Grade	Apr 2006	\$35,000,000	Private Investor	Albert Chung	\$5,477	7.17%
488 Queen Street	B Grade	Mar 2006	\$21,000,000	Shen Investments	Stencraft	\$4,792	6.5%
260 Queen Street	B Grade	Feb 2006	\$71,600,000	Kevin Seymour Group	GE Real Estate	\$5,222	5.87%

*VP: Sold with Vacant Possession

Source : Colliers International Research

Brisbane Future CBD Office Developments Refurbishments



Source: Colliers International Research

Brisbane CBD Office – Under Construction and Mooted Projects 2006 - 2010

Project Name/ Address	Total NLA (m ²)	Status	Estimated Completion	Developer	Tenancy Status/ Requirement
Brisbane Square George & Queen Streets	55,000	Under Construction	Late 2006	ABN Amro	100% pre-committed to BCC and Suncorp Metway
Piccadilly Centre 299 Adelaide Street	8,966	Under Construction	2007	Pidgeon/Cornerstone	Currently seeking pre-commitments
140 Elizabeth Street	10,000	Under Construction	2008	Queensland Investment Corporation	100% pre-commitment to Australian Taxation office
Central Plaza III 70 Eagle Street	11,000	DA Approved	2008	Queensland Investment Corporation	100% pre-commitment to Q Super
333 Ann Street	16,000	DA Lodged	2008	Devine	Subject to pre-commitments
Transit Centre stage I	35,000	DA Approved	2009	Ross Nielson Properties	Subject to pre-commitments
Northbank Plaza (2nd Tower) Ann Street	40,000	DA Lodged	2009	Indigo, Charter Hall & Trident Corporation?	Subject to pre-commitment
400 George Street	40,000	DA Lodged	2009	Leighton & Grosvenor	Subject to pre-commitment
Empire Square	22,000	DA Approved	2010	Metacap Developments	Subject to pre-commitments
Vision Mary & Margaret Streets	29,000	Pre-selling residential component. DA approved - construction to start soon.	2010	Austcorp	Subject to pre-commitment
Red Cross Site 480 Queen Street	20,000	DA Lodged	2010	APH	Subject to pre-commitment
Transit Centre stage 2	35,000	DA Approved	2010		

Source: Colliers International Research



Vision Mary & Margaret Street

With 27,000m² of NLA Austcorp have incorporated 440 apartments among the office and retail development estimated for 2010 completion

Outlook



Central Plaza 1, 345 Queen Street

241 Offices Worldwide

130 Americas

98 United States

18 Canada

14 Latin America

72 Europe, Middle East & Africa

39 Greater Asia

54 Countries on 6 Continents

Argentina	Macau
Australia	Mexico
Austria	N. Ireland
Baltic States	Netherlands
Belgium	New Zealand
Brazil	Norway
Bulgaria	Peru
Canada	Philippines
Caspian Region	Poland
Chile	Portugal
China	Romania
Colombia	Russia
Costa Rica	Serbia & Montenegro
Croatia	Singapore
Czech Republic	Slovakia
Denmark	South Africa
France	Sweden
Germany	Switzerland
Greece	Taiwan
Hong Kong	Turkey
Hungary	Ukraine
India	United Arab Emirates
Indonesia	United Kingdom
Ireland	United States
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The Brisbane CBD has maintained an exceptionally strong office market and the outlook for 2007 looks set to continue pace in tight leasing conditions and prosperous investment opportunities. Brisbane is experiencing its strongest commercial cycle in over a decade and is well into an upswing with construction activity underway for the short term and forecasted tenant demand is looking solid.

Brisbane's economy has a positive outlook as Queensland looks to continue its economic excellence. Further expansion of government and business services will generate Brisbane's white-collar employment growth. With China and India's demand for Australian commodities expected to hold strong until at least 2008 - 2009, Brisbane should see a high level of office demand which is likely to maintain strong net absorption over the next 2 - 3 years.

With a booming resource sector, positive company profits and strong white-collar employment growth, Queensland is set to continue outperforming the national average. Net absorption is predicted to stay positive although with the tight supply conditions it's likely to trend below recent highs. With demand in Brisbane's CBD expected to continue strongly based on projections of white-collar employment growth, Colliers International Research expects Brisbane's vacancy rate should drop below the current low of 2.3% over the next quarter and remain below 5% until at least 2008.

Brisbane's CBD has major office space requirements in the market place while demand is exceptionally strong and not ready to settle. This ongoing shortage of space is expected to underpin the surging face rents and continue to reduce incentives. With office demand set to continue outstripping supply, gross effective rents will rise and incentive free deals should be a common occurrence.

There is some relief for companies desperately wishing to expand or enter into the Brisbane CBD market. With several refurbishments and developments currently underway, Brisbane CBD is expected to see approximately 320,000m² of net lettable area introduced to the market over the next four years. The bulk of supply will not be released to the market until 2009 likely resulting in similar market conditions for 2007 and 2008 (low vacancy and strong tenant demand which coincides with rising rents).

On the investment sales front, Brisbane's office market is looking positive. Expectations for escalating rents are anticipated by most vendors in the historically unique conditions that are supporting the tightening of yields. Brisbane's CBD recorded significant transactions over the last 12 months worth in excesses of \$520 million. Further compression in the market is predicted with increased levels of interest and aggressive bids by investors anticipating additional rental growth leading to higher capital values in the CBD market.

The concerning matter with the substantial supply entering the market, is most stock is pre-committed. Whilst there is some backfill, most opportunities will have minimal effect on vacancy rates. With much of the new supply added by refurbishment, most existing tenants will have to vacate to other premises. There are now signs that fringe commercial office developments are economically viable for developers to position themselves. This has been backed with a measurable trend of tenants moving to the fringe in light of leasing a new building. Developers in the CBD have launched into refurbishment for the short term, taking advantage of the market with reduced levels of risk and scarce availability for new development in the CBD region.