



## *Macquarie Park forum*

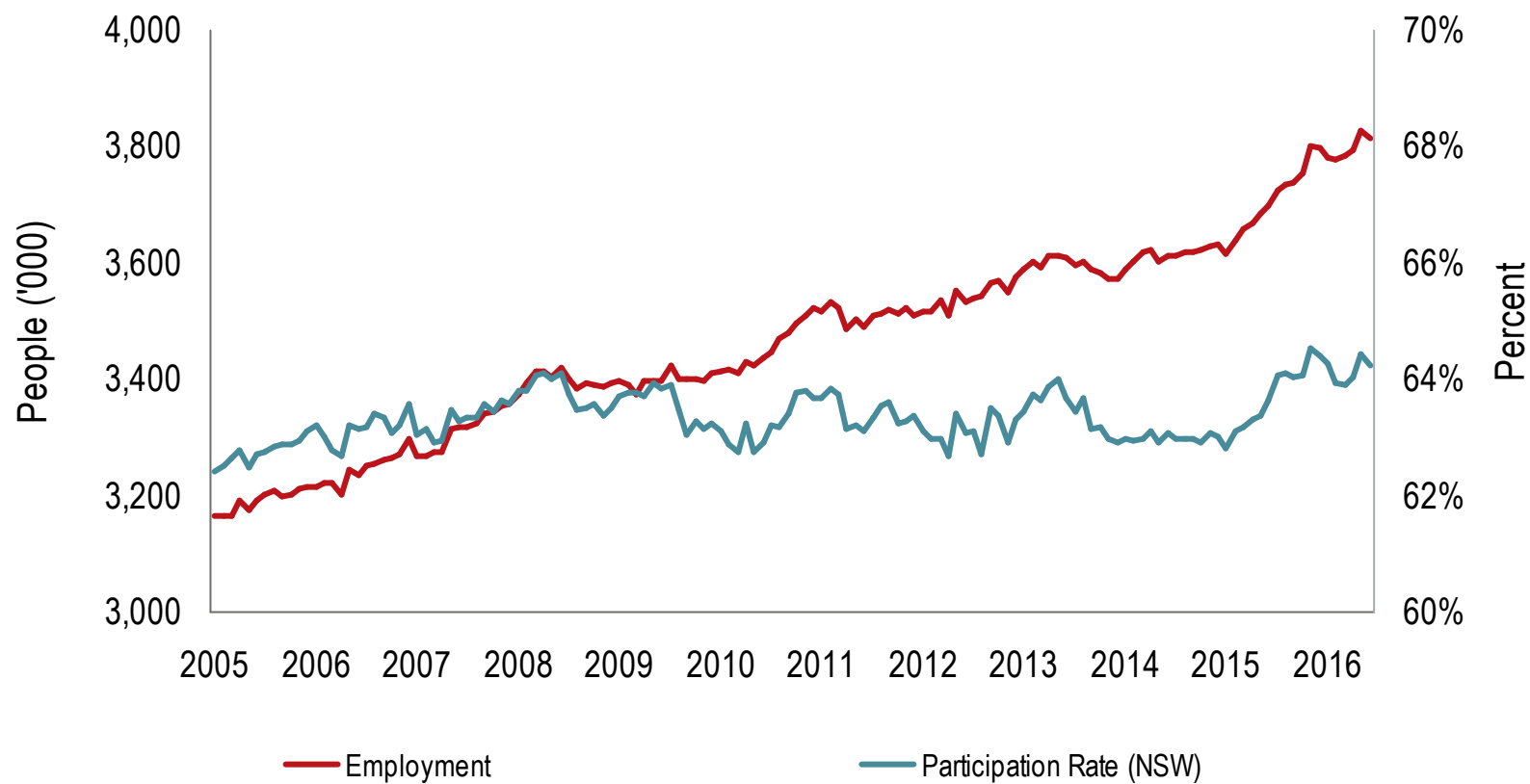
Assessing the long-term potential of Macquarie Park

# Assessing the long-term potential of Macquarie Park

- **Exposure to growth sectors of the economy**
  - Health, technology and education are growth sectors of the Australian economy
  - Macquarie Park is the Australian HQ for 12 of the world's largest companies
  - Exposure to S&P/ASX 100 listed companies
- **New infrastructure changes markets**
  - Sydney Metro improves the accessibility of Macquarie Park
  - North West corridor accounts for a high proportion of Sydney's population growth
  - Access to a higher proportion of Sydney's workforce
- **A more relevant investment destination**
  - The investable universe in Macquarie Park is pushing \$4 billion
  - Number of prime grade assets is comparable with Brisbane & Perth CBDs
  - Scale, depth and liquidity provide the ingredients for a longer-term re-rating

# NSW labour market has been very strong

NSW employment & participation rate (seasonally adjusted), 2005 to 2016



Source: JLL Research, ABS, Bureau of Labor Statistics



# Macquarie Park is the largest non-CBD office market

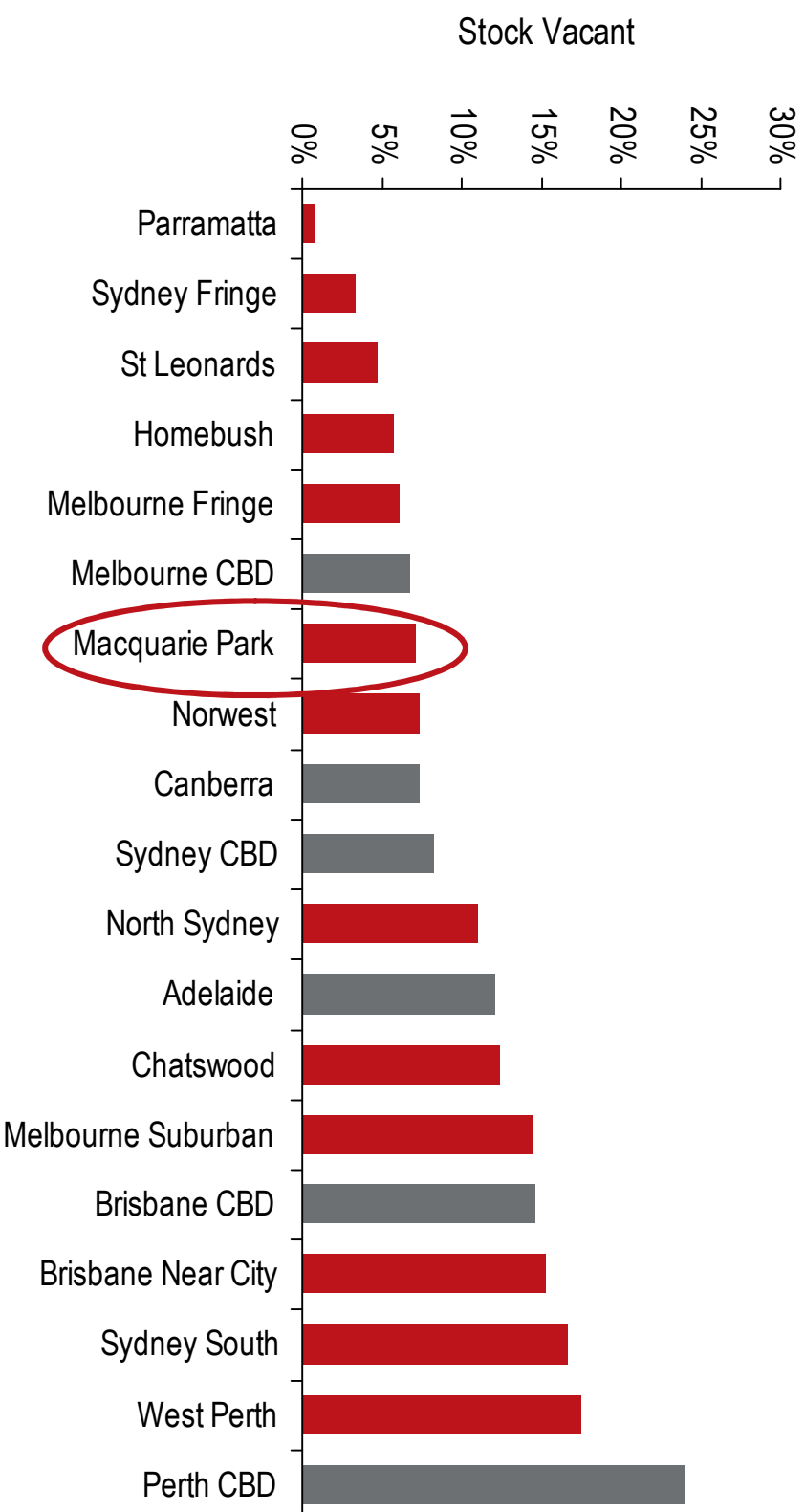
Metropolitan Sydney office markets

| Market                | Number of A Grade Assets | A Grade Stock | % of total A Grade |
|-----------------------|--------------------------|---------------|--------------------|
| Macquarie Park        | 40                       | 496,600       | 21.0               |
| Sydney Fringe         | 36                       | 363,900       | 15.4               |
| North Sydney          | 20                       | 327,400       | 13.9               |
| Parramatta            | 22                       | 296,500       | 12.6               |
| Olympic Park / Rhodes | 24                       | 279,200       | 11.8               |
| Norwest               | 19                       | 194,500       | 8.2                |
| Chatswood             | 8                        | 148,800       | 6.3                |
| Sydney South          | 12                       | 143,700       | 6.1                |
| St Leonards           | 10                       | 109,400       | 4.6                |
| Total                 | 191                      | 2,359,900     |                    |

Source: JLL Research

# NSW office markets are recording tighter vacancy

Australian office markets prime grade vacancy rate, 2Q16

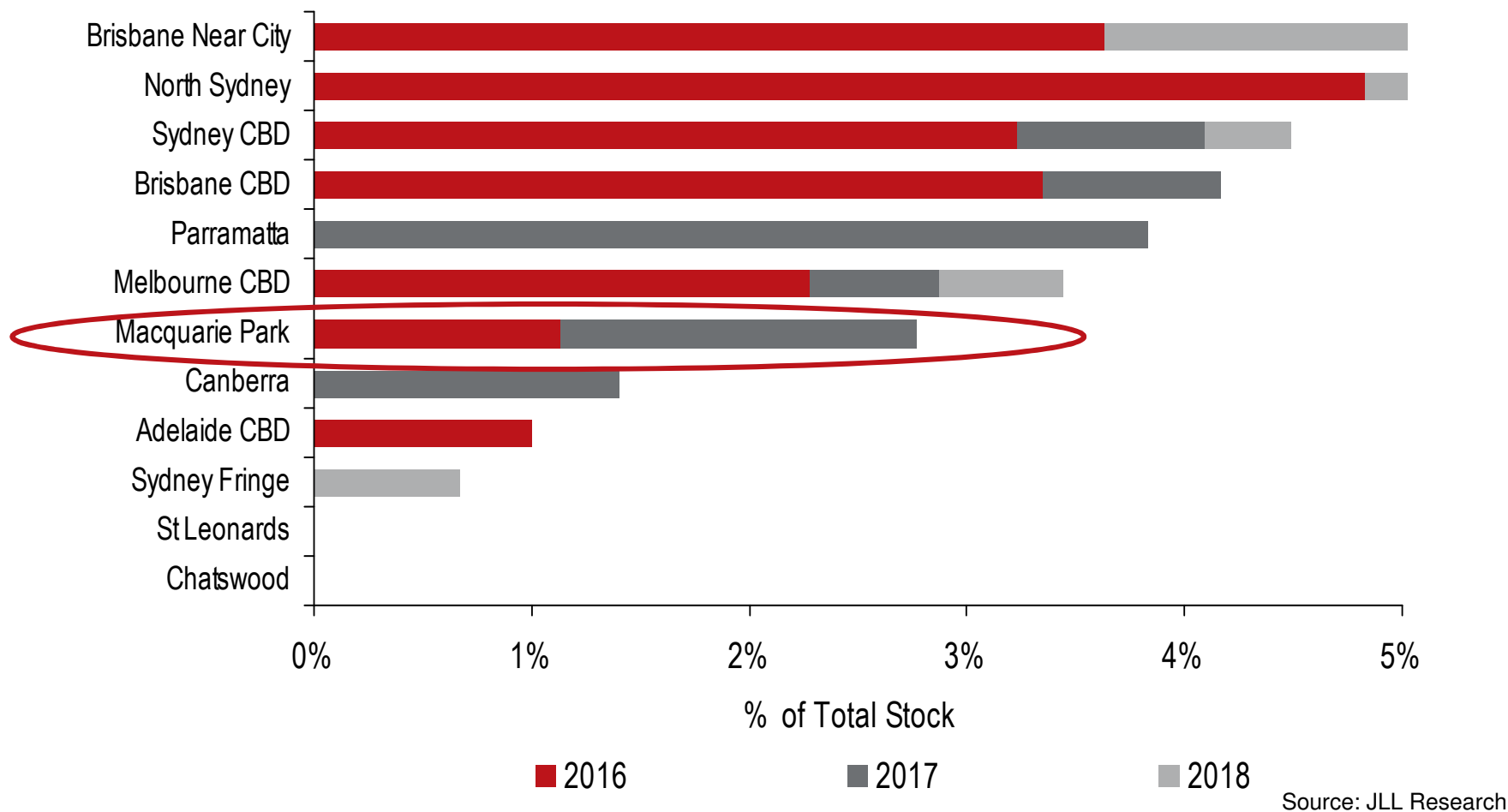


Source: JLL Research



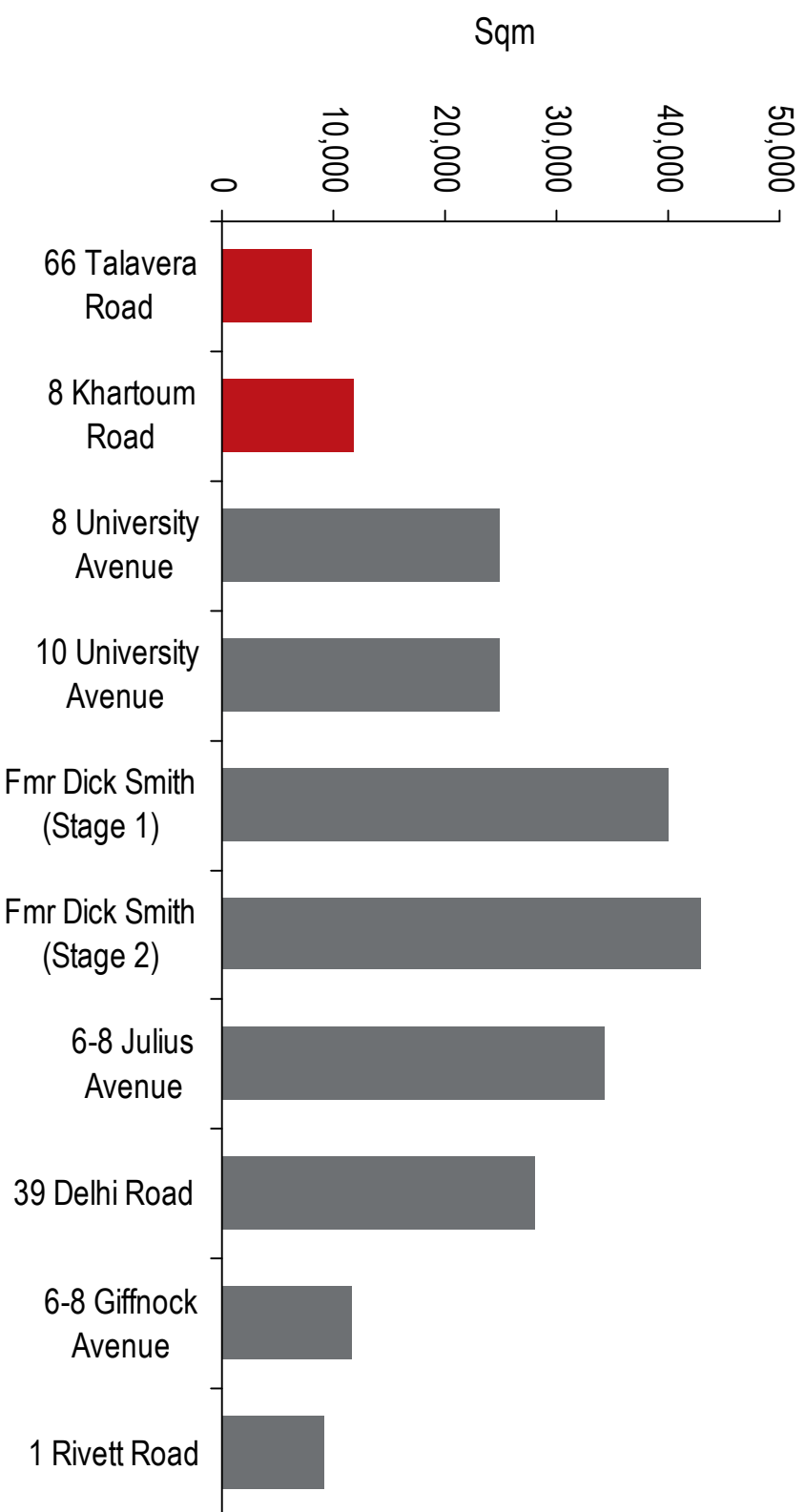
# Limited development activity

Office market development pipeline, 2016 to 2018



# A high level of pre-commitment

## Macquarie Park development pipeline



Source: JLL Research



# Exposure to the world's largest companies

Companies located in Macquarie Park and ranked in the global top 100 by market cap

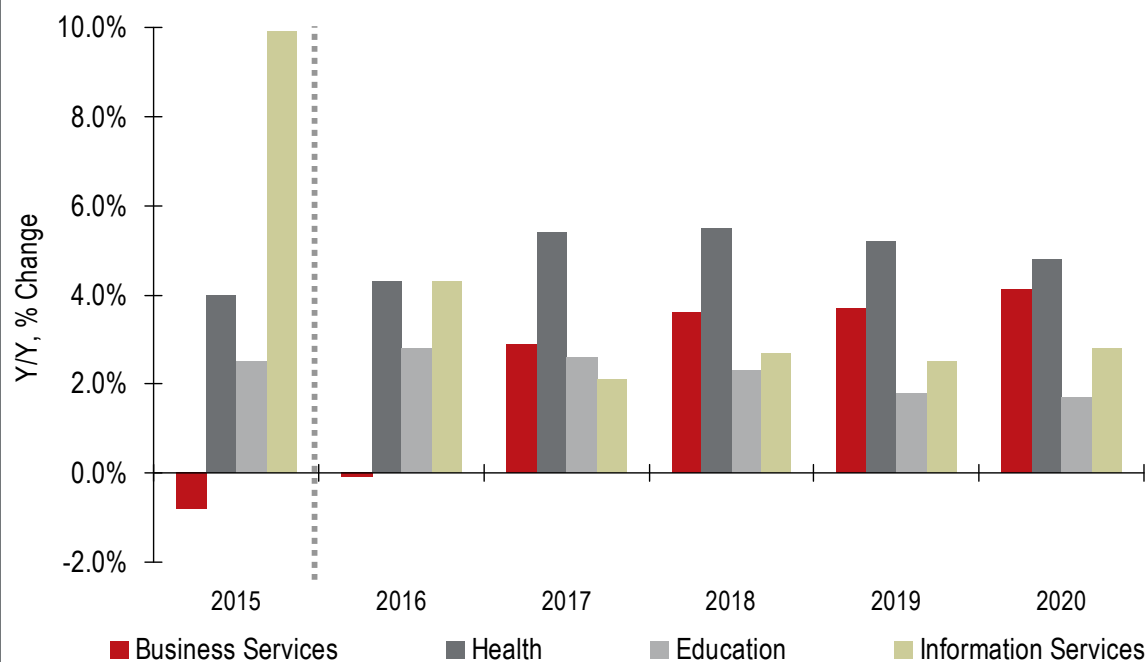


Source: JLL Research, PwC, ASX



# Exposed to growth sectors of the economy

Industry sector output, 2015 to 2020



| Sector               | Share of Output | % of Growth |
|----------------------|-----------------|-------------|
| Business Services    | 9.9             | 9.8         |
| Health               | 7.6             | 14.1        |
| Education            | 5.5             | 4.3         |
| Information Services | 3.5             | 3.6         |

Source: JLL Research, Deloitte Access Economics



# Connectivity of Macquarie Park will be enhanced

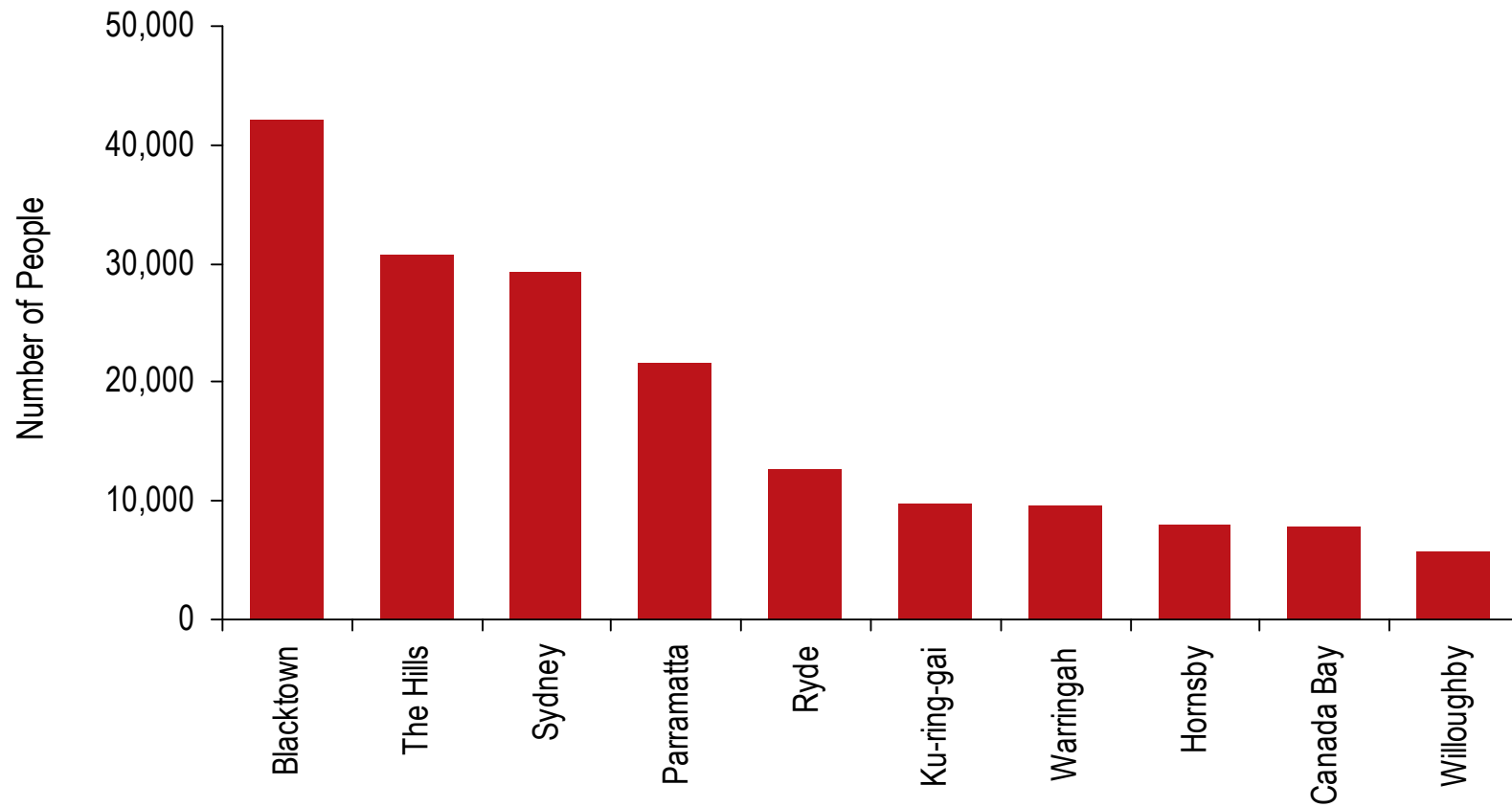
Sydney Metro, stage 1 and stage 2



Source: NSW Government

# Strong growth in the working age population

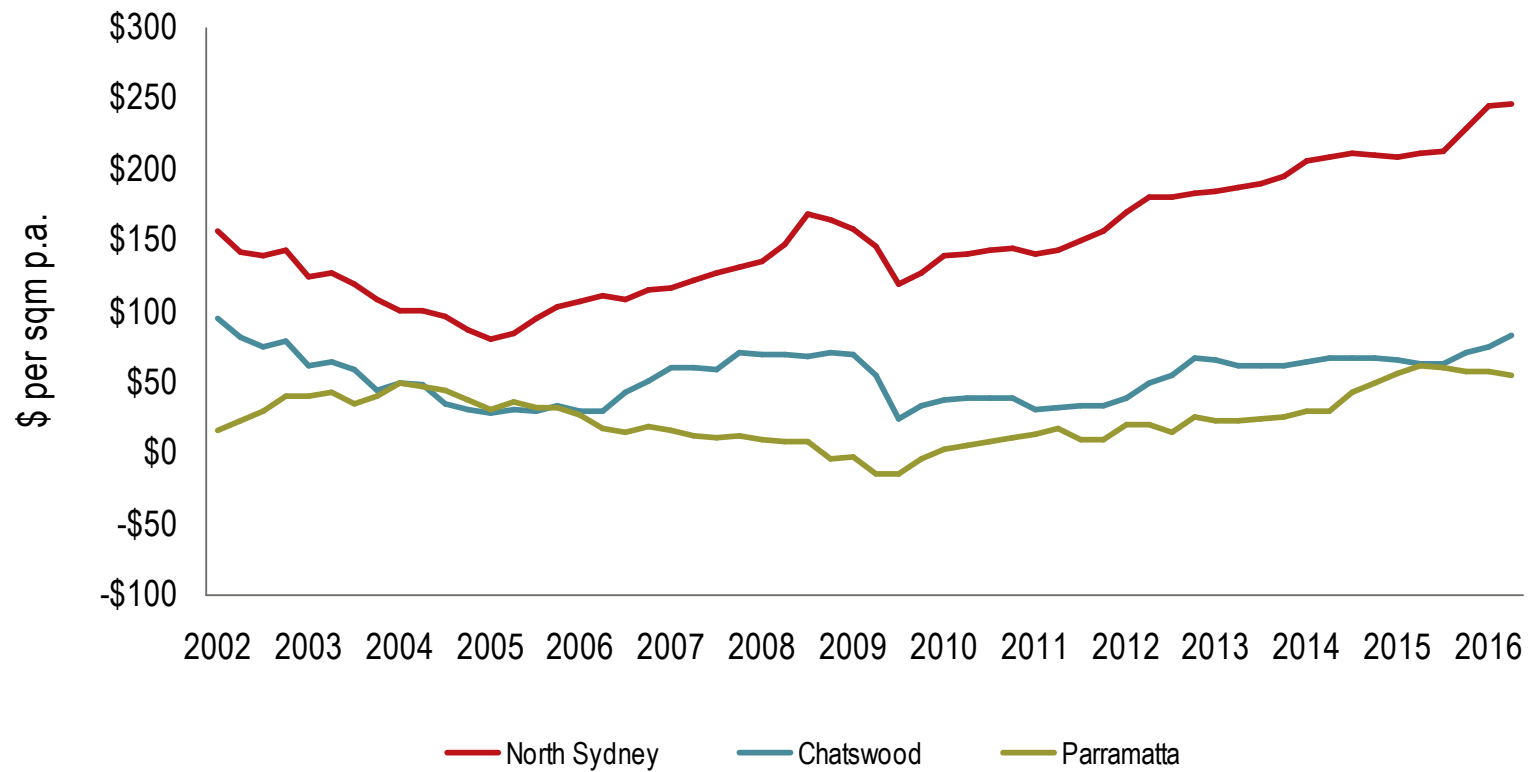
LGA working age population growth, 2016 to 2026



Source: NSW State Government, JLL Research

# Macquarie Park is becoming an affordable location

Macquarie Park spread to North Sydney, Chatswood & Parramatta PGE rent, 2000 to 2016



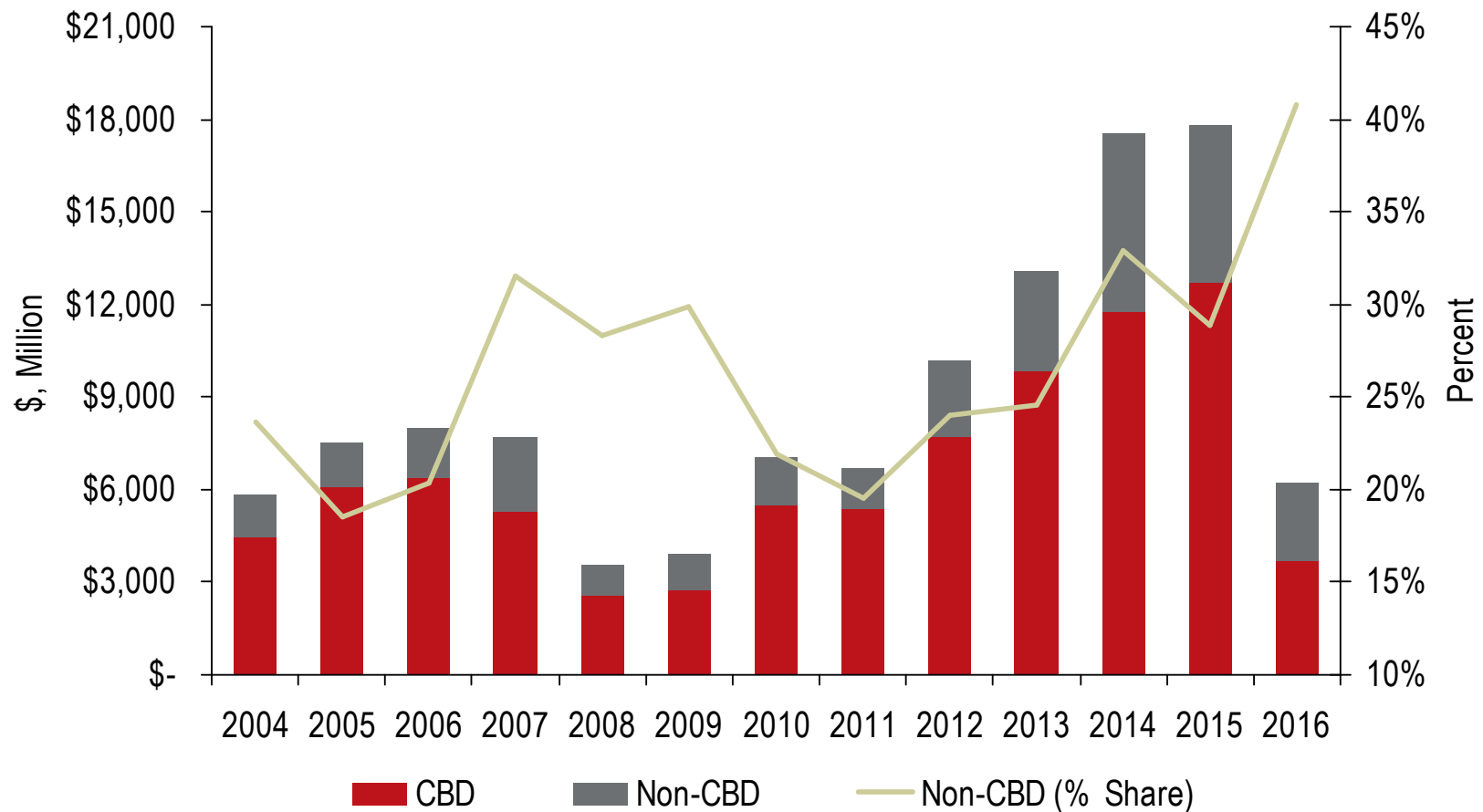
Source: JLL Research

# Capital has migrated to suburban office markets

- **Transaction volumes hit a record high in 2015**
  - Multiple capital sources are subscribers to the suburban investment thesis
  - Volumes were more than double 2007 levels
  - Approximately 40% of transactions (2016) were in non-CBD office markets
- **A deeper understanding of the investment thesis**
  - The occupier market is relatively sticky
  - New infrastructure projects will change suburban markets
  - Minimal supply-side risk across most suburban office markets
- **Investor demand for core assets will remain firm**
  - JLL estimates the investable universe is \$48.5 billion
  - Rental growth is an additional ingredient in the investment thesis
  - JLL listening post suggests new capital sources will emerge in 2016/17

# High levels of liquidity in non CBD office markets

Office market transaction volumes, 2000 to 2016\*



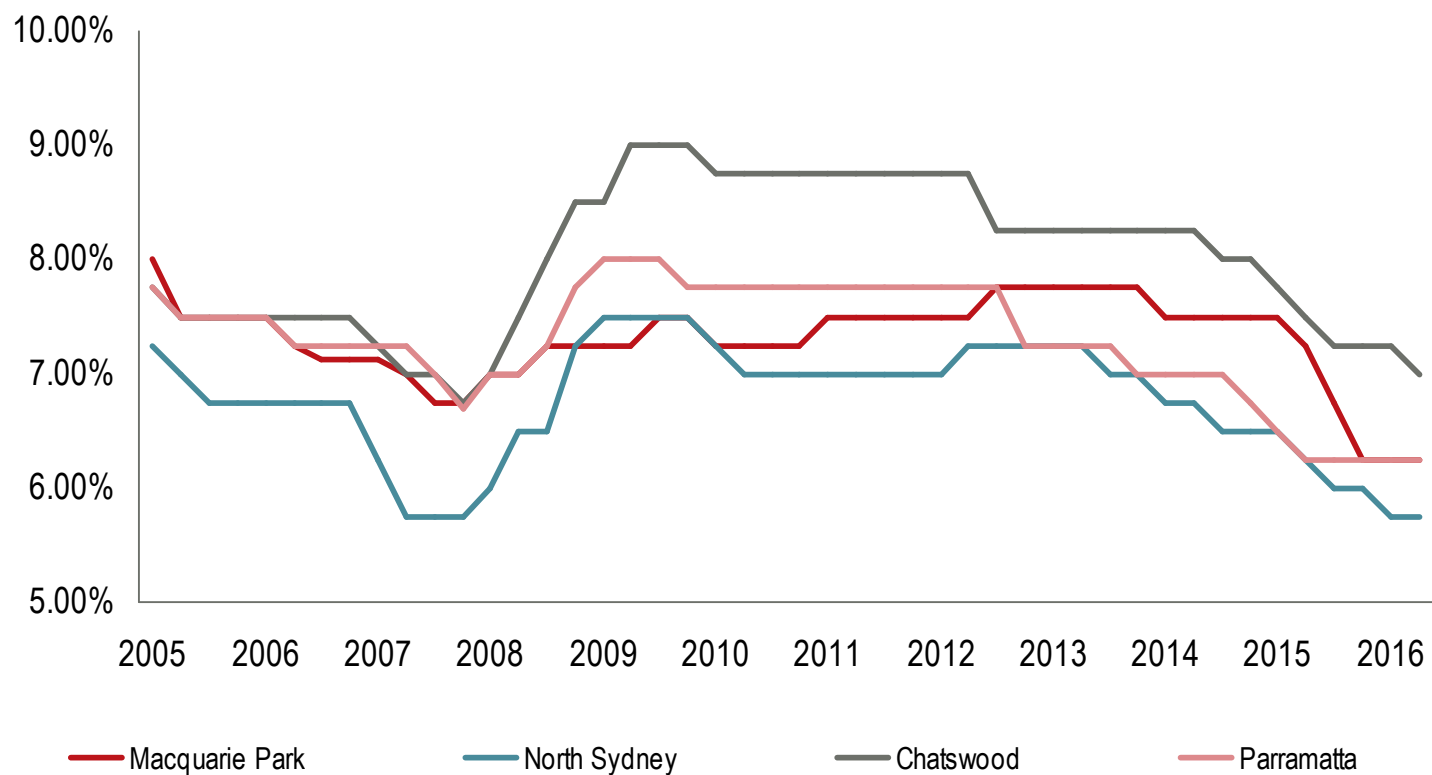
\* As at June 2016

Source: JLL Research



# Strong investor demand for core assets

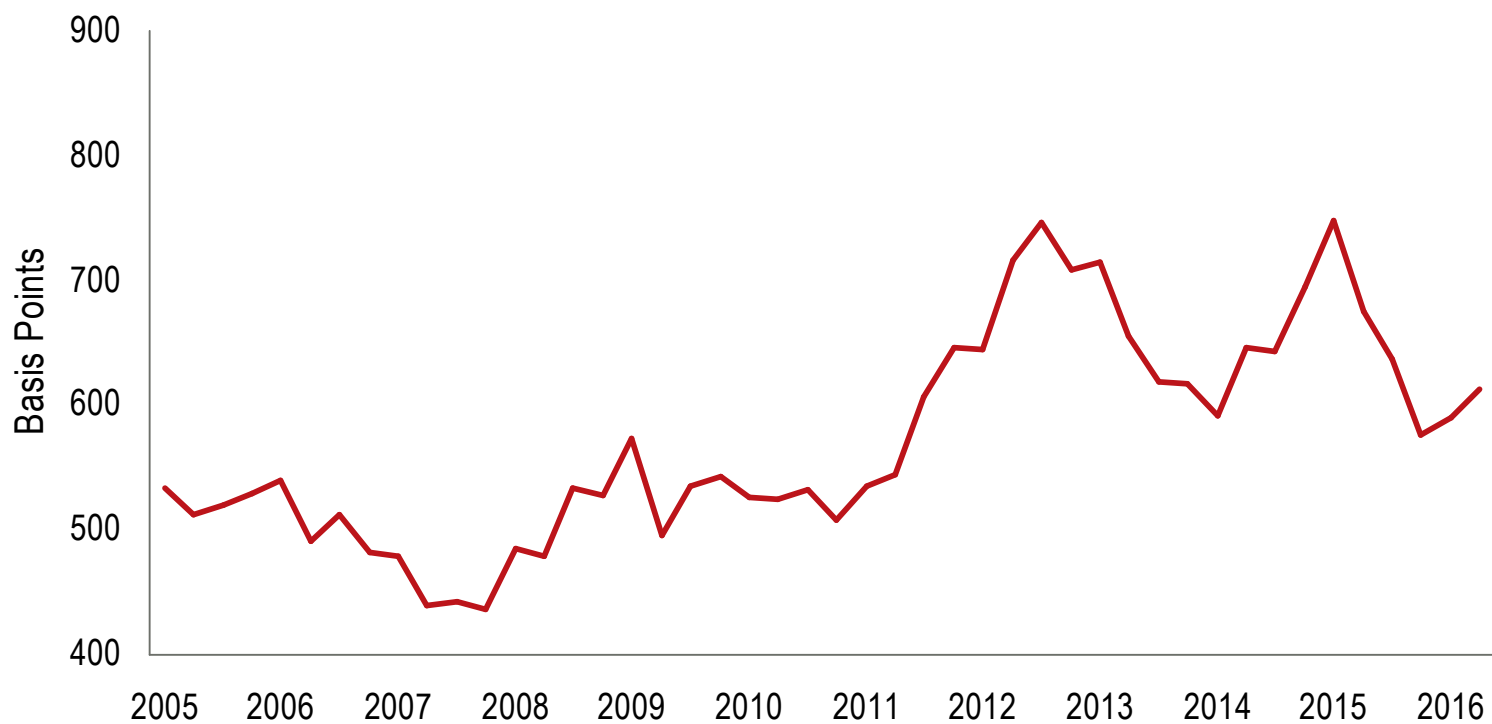
Sydney office markets prime equivalent yield (tighter end), 2005 to 2016



Source: JLL Research

# However, spreads remain very wide

Macquarie Park equivalent yield (mid-point) & real bond rate spread, 2005 to 2016

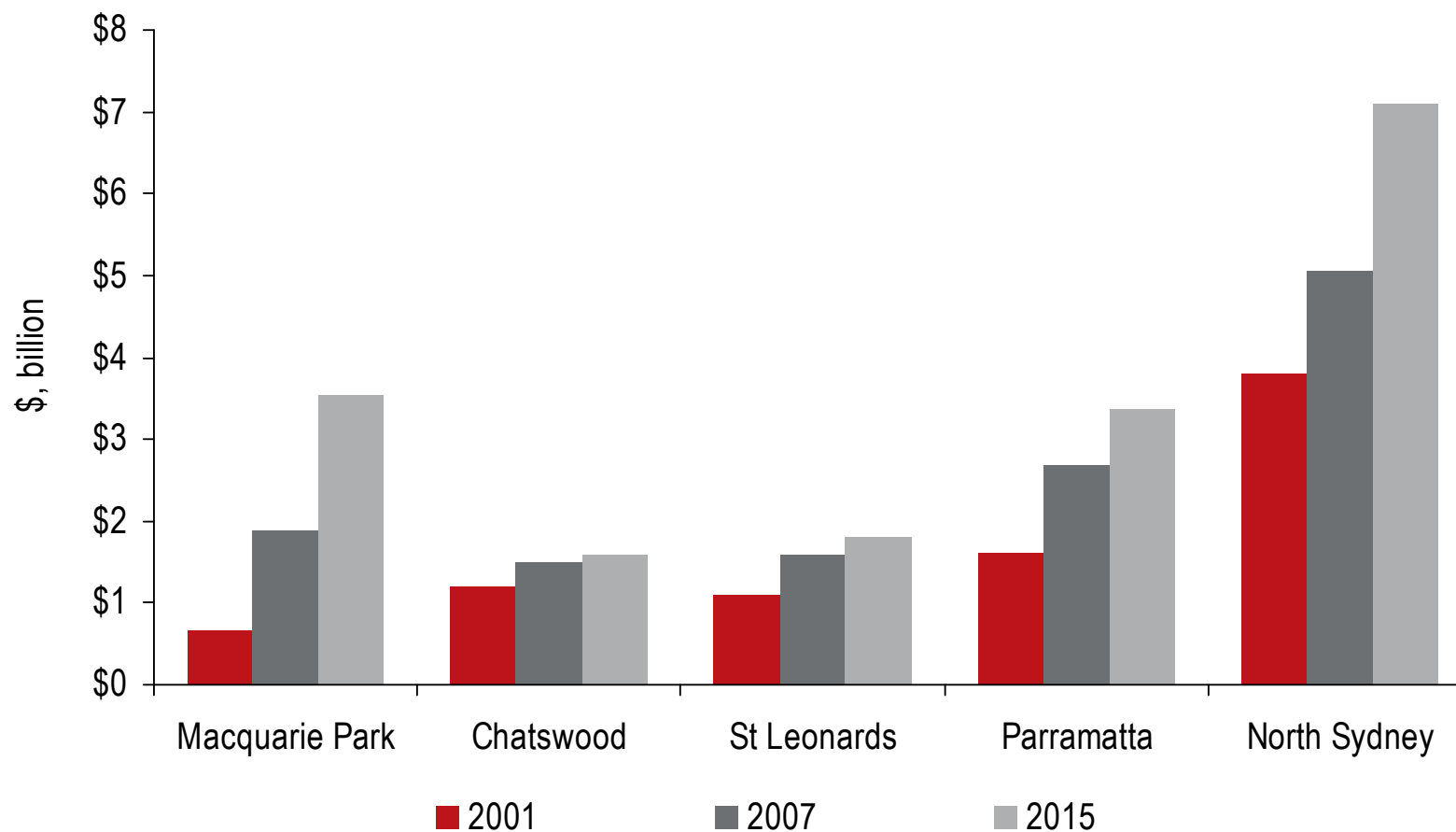


Source: JLL Research, RBA, Deloitte Access Economics



# A market growing in size and relevance

Office investable universe, 2001 to 2015



Source: JLL Research

# Assessing the relativities between markets

## MACQUARIE PARK: 78 Waterloo Road



**Date:** November 2015  
**Purchaser:** Mapletree  
**Vendor:** CorVal  
**Price:** \$106.0 million  
**Price per sqm:** \$7,272  
**Equivalent Yield:** 6.30%  
**IRR:** 7.30%  
**NLA:** 14,983 sqm

## MACQUARIE PARK: 12 Waterloo Road



**Date:** November 2015  
**Purchaser:** Lester Group  
**Vendor:** Centennial Property Group  
**Price:** \$14.56 million  
**Price per sqm:** \$3,744  
**Equivalent Yield:** 8.00%  
**IRR:** 8.97%  
**NLA:** 3,889 sqm

## SYDNEY: 151 Castlereagh Street



**Date:** March 2016  
**Purchaser:** Deutsche  
**Vendor:** 151 Property  
**Price:** \$120.0 million  
**Price per sqm:** \$9,344  
**Equivalent Yield:** 5.90%  
**IRR:** 7.20%  
**NLA:** 12,843 sqm

## SYDNEY: 210 & 220 George Street



**Date:** August 2016  
**Purchaser:** POLY Group  
**Vendor:** Anton Capital  
**Price:** \$160.0 million  
**Price per sqm:** \$11,086  
**Equivalent Yield:** 5.49%  
**NLA:** 13,552 sqm

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*Thank you*

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