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Positive outlook for Sydney's Macquarie Park office market

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A series of pending lease deals are expected to shift the balance in Sydney's Macquarie Park/North Ryde market and drive the office vacancy into single figures by mid year.

The latest Property Council of Australia figures show the area's vacancy rate dipped slightly in the six months to January - from 12.3% to 12.2%.

However, momentum is building according to a new market analysis from CB Richard Ellis which highlights that terms have been either agreed or in the final stages of negotiation on between 15,000sqm and 20,000sqm of vacant office space.

CBRE Director, Industrial and Office Parks, Simon van Grootel said the activity would drive a quick decrease in the area's vacancy rate, which was forecast to dip below 10% by mid year.

"Whilst this week's PCA figures do not reflect a big change in this market, the outlook is for a rapid improvement in the area's fundamentals," Mr van Grootel said.

"Unlike many of the other office markets, landlords in Macquarie Park are not facing the same competition from the sub-lease market with sub-lease vacancy having reached its lowest levels in five years. This is helping move the pendulum more quickly from the tenants' side to a more balanced position where excess supply, notably above 3,000sqm, has been dramatically reduced."

With no new uncommitted supply coming to the market for at least the next 12 to 18 months, Mr van Grootel said CBRE was anticipating opportunities for rental growth and decreased incentives for A-Grade space in mid to late 2010."

The CBRE analysis highlights a range of factors behind the increased tenant interest in the North Ryde/Macquarie Park, including the availability of new, environmentally sustainable office premises.

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With many corporates focused on buildings offering a NABERS Energy rating of at least 4.5 stars, Mr van Grootel said Macquarie Park offered attractive, cost competitive opportunities for companies seeking to consolidate into new corporate headquarters.

“Vacancies in the smaller B-Grade space market will still be very dependent upon the growth of SME’s which to date have lagged behind some of the larger corporates, which a reflection of business investment catching up with sentiment,” Mr van Grootel said.

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