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Newcastle vacancy rate to drop amid forecasts of a looming shortage of A-grade space

Newcastle, NSW (19 February 2010)

A lack of new office construction has led to forecasts of a looming shortage of A-grade office space in the Newcastle CBD.

The latest Australian Office Market Report, released last week by the Property Council of Australia, showed the overall Newcastle CBD vacancy rate had increased to 14.5 percent. However, C and D grade space accounted for most of the strain as tenants upgraded into A Grade office space.

The report indicated that Newcastle could see a significant undersupply in A Grade office space in the future, with no new A Grade supply proposed and lead times of up to three years for large scale projects.

CBRE Newcastle Managing Director Angus Klem said the vacancy cycle had now peaked and the Newcastle vacancy rate was forecast to reduce in the short to medium term.

“No new supply is coming on stream and with economic conditions improving and tenant demand on the rise, we expect an immediate reduction in the vacancy rate,” Mr. Klem said.

“There is now limited A-grade and quality B-grade space available in the market of over 500 square metres. With the economic climate improving and no new supply coming on stream the last chance for tenants to get a reasonable deal is likely to be in the next six months.”

AMP Capital Investors Head of Opportunity Funds Dale Philips said the recent flight to quality had underpinned significant interest in the A Grade office space within 24 Honeysuckle Drive – one of the only new commercial buildings in the CBD capable of accommodating larger space users.

“The Newcastle market is seeing a huge demand for high quality A Grade office space, and we have already leased 3600 square meters in the Honeysuckle building, with 2300 square meters still available,” Mr Philips said.

“With very little new A Grade office space planned for this year onwards, this is an exceptional leasing opportunity for tenants who want to secure prime office space in one of Newcastle’s best office buildings.”

Completed in late 2008 by a Joint Venture comprising AMP Capital Investors, Tuscan Properties and Crone Partners, the Honeysuckle development is a high quality contemporary building combining commercial retail and open space, located in a prime position with spectacular views. The building is being leased through CB Richard Ellis and Raine & Horne Commercial with the remaining space available with a fit out for immediate occupation.

Mr. Klem said a growing list of major corporate tenants had committed to Newcastle’s Honeysuckle precinct, among them GHD, Hunter Water Corporation, NIB Health Funds, CBA Business Banking and PricewaterhouseCoopers.

In of the latest deals, QBE relocated its Newcastle headquarters to Honeysuckle in late 2009. The 1,004 square metre lease was negotiated by CBRE on behalf of the landlord, APN Property Group.

#### About CB Richard Ellis

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