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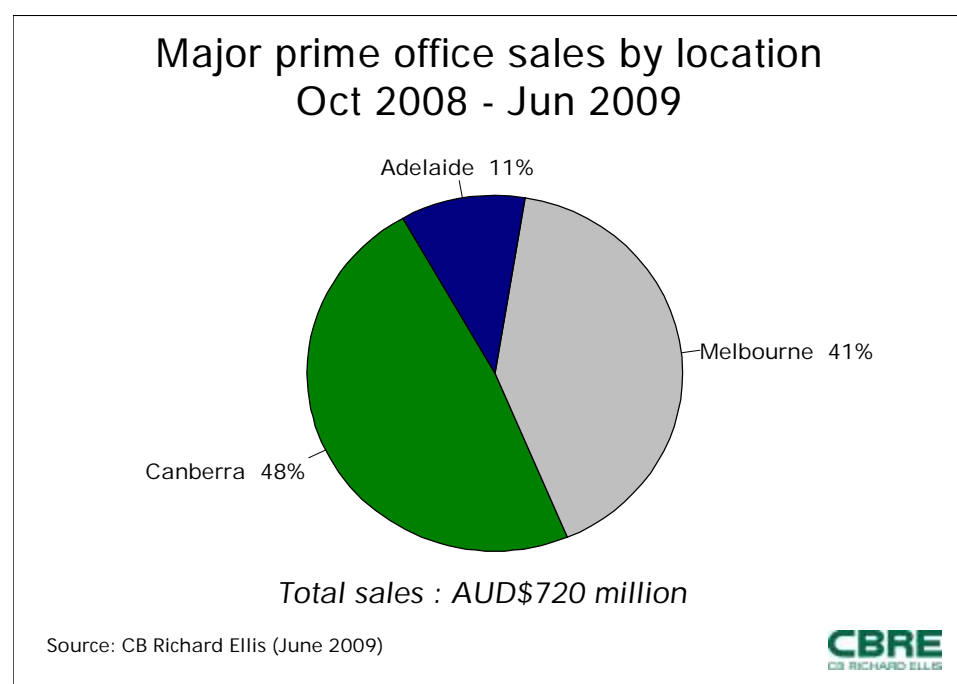
Prime office market pricing begins to take shape

Sydney, NSW (25 June 2009)

Canberra has emerged as the most active office investment market in the country according to new CBRE market analysis which reveals just six prime sales totaling \$720 million have occurred across Australia since October last year.

CBRE Executive Director, Research & Consulting, Kevin Stanley said the six deals provided the first real evidence of where prime CBD investment yields were tracking and key pricing trends in the office sector.

Of the \$720 million in sales, 48% have been in Canberra, where investors have been attracted by new buildings, long leases and the security of Government tenants. Melbourne represented 41% of the sales as genuine vendors emerged, while just 11% of the sales by volume were in Adelaide (just a single sale of the Grenfell Centre).



"Significantly, there have no sales in Sydney, Brisbane and Perth since October which might be considered "prime" in an institutional investment context," Mr Stanley said.

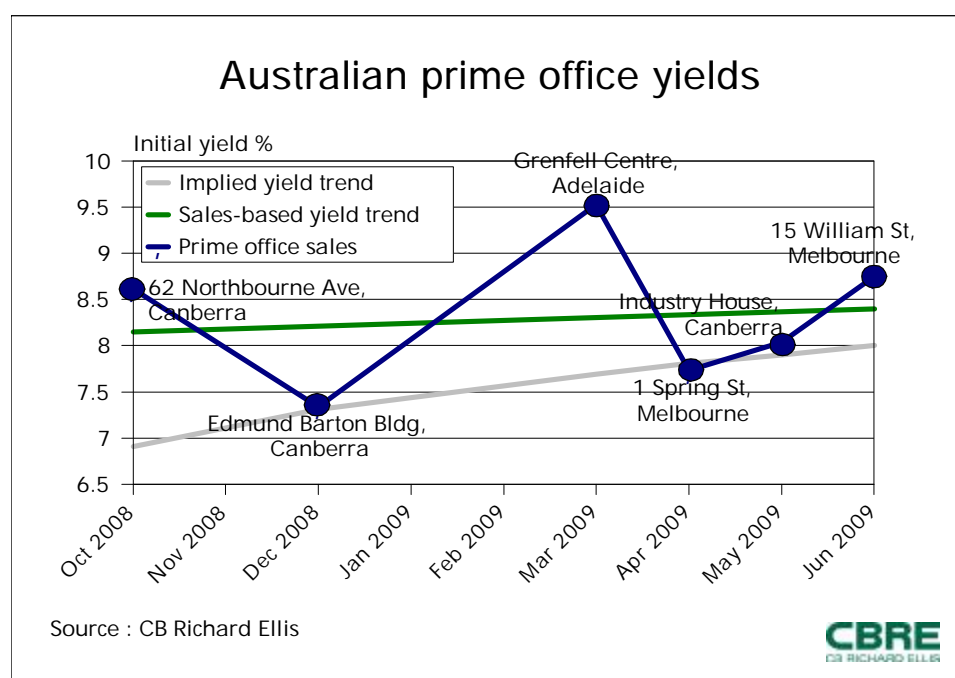
CBRE Regional Director, Institutional Investment Properties, Robert Sewell said the investment focus on Canberra was a factor of the long lease terms of 10 to 15 years which were available in that market on government-leased assets.

"The majority of the market activity in Canberra has been driven by European investors who are seeking blue chip, long term lease covenants," Mr Sewell said.

"Canberra has also been perceived to offer better pricing and the stock has been far more readily available, whereas the availability of prime Sydney investment property has been limited."

The CBRE analysis also highlights the movement in yields which has occurred, which has been over and above existing analyst estimates.

"Plotting the six prime sales on a chart and drawing a trend line through them suggest indicative yield is now about 8.40%, having softened from about 8.20% in October last year," Mr Stanley said.



This softening has been heavily influenced by the sale this month of 15 William Street in Melbourne at a reported yield of 8.75%.

"This level is significantly above analysts' attempts to estimate where yields have been at, since sales activity ground to a halt early in 2008," Mr Stanley said.

"The June quarter 2009 Australian weighted average Prime CBD office yield is close to 8.0%. This suggests the sales-driven yield is about 40 basis points "above and ahead" of the analysts call, or the implied yield which has been adopted given the lack of sales data."

Mr Stanley said this gap would inevitably close as analysts met the market and adjusted their pricing and valuation models to reflect the current market activity

"So far in this cycle, the adjustments made to implied yield have removed, on paper, 20% from prime office capital values," Mr Stanley said.

"This extra 40 basis point softening to meet the market could eventually take another 10% from capital values, on average, across the Australian prime office sector, as valuations flow through the market.

The six investment sales plotted by CBRE are the Edmund Barton Centre, Industry House and 62 Northbourne Avenue, all in Canberra; 15 William Street and 1 Spring Street in Melbourne; and the Grenfell Centre in Adelaide. All were sold to either European or private investors.

Mr Sewell said the transactions highlighted a clear shift in the market following a stagnant 2008, during which investment sales dipped by 60%. During that period an estimated AU\$30 billion of assets was theoretically available for purchase, however most vendors remained reluctant to deal at discounts to book value.

"Ironically, many of the investors who were researching the market weren't ready to buy at the time when the LPTs were willing to deal, which was from Q3 in 2008 to Q1 2009," Mr Sewell said.

"We've now reached an inflection point. Major sales are now occurring and at the same time stock levels are shrinking. It's our firm belief 2009 will be characterised by a significant reduction in the number of assets being offered to the market, particularly prime assets, due to the recent capital raisings which have been undertaken by many of the larger LPTs."

Mr Sewell said upcoming market opportunities were likely to be driven by several factors. Sales by distressed vendors were likely to occur as these owners were compelled to reduce debt ahead of loan expiries. Additionally, a select number of wholesale funds were expected to sell assets to meet redemptions or to fund capex programs.

At the top end of the market, for assets priced over \$100 million, Mr Sewell said the predominant target would continue to be offshore investors.

"We are also fielding interest from a number of local investors, predominantly large industry funds who were previously invested in wholesale property fund but who now wish to invest directly in prime office and retail assets," Mr Sewell said.

Cashed up private investors are meanwhile expected to drive activity in the sub \$100 million bracket, particularly for property with relatively secure income streams.

"We are seeing new investors entering the market and we anticipate the return of syndicates to purchase property in light of the recent softening in investment yields," Mr Sewell said.

"We are also seeing good interest flowing from Asia for well priced CBD assets."

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