

P R E S S R E L E A S E

CB Richard Ellis Pty Ltd
ABN 57 057 373 574

Level 26, 363 George Street
Sydney NSW 2000
DX 10262

T 61 2 9333 3333

F 61 2 9333 3330

www.cbre.com.au

FOR IMMEDIATE RELEASE — 29 June 2010

For further information:

Frances Kearey

Marketing & Communications

Coordinator

61 2 9333 3585

61 411 967 287

Melbourne suburban office market returning to rental growth

Melbourne, VIC (29 June 2010)

Rental growth has returned to Melbourne's suburban office markets, with a new CB Richard Ellis report indicating that limited new construction and renewed tenant demand are underpinning stronger growth prospects.

CBRE's latest MarketView report shows that suburban office vacancy levels are below what may have been envisaged 12 months ago, aided by a lack of speculative development and improving forecasts for white collar employment.

CBRE Associate Director, Global Research & Consulting, Glenn Lampard said the overall suburban vacancy rate was 8.1% and trending downward. Rentals were meanwhile climbing in most sub markets, with CBRE recording an overall increase of 1.0 per cent in prime net face rents in the first quarter 2010 to an indicative level of \$232/sqm with little change to incentive levels during the period.

"The Inner East continues to be the strongest suburban office market with a 4.8% rental increase over the quarter while the Outer East registered a decline of 1.2% during the same period," Mr Lampard said.

"The Outer East is still affected by an over supply of speculative developments that occurred during 2008 and early 2009. However, in other submarkets the cycle may be turning faster than expected."

CBRE Senior Associate Director, Offices Services, Richard Height said he expected the Inner East would experience a shortage of office space in excess of 1,000 square metres over the coming year as no new supply was scheduled for completion during 2010.

"The knock on effect of the shortage is expected to place upward pressure on rents and a downward pressure on incentives, due to a lack of options for tenants looking to relocate," Mr Height said.

The Banco Group of Companies' 6,000 square metre Kew development at 115 Cotham Road is now fully committed, Mr Height said, with Amgen leasing 1,500 square metres and an undisclosed tenant leasing 4,500 square metres. Amgen is a leading human therapeutics company with over 25 years experience in the biotechnology industry.

"The larger of these two deals is significant in that the rental struck was a strong \$330 a square metre with an incentive of 12.5%, which is significantly lower than the minimum 20% associated with recent deals in the adjoining fringe markets," Mr Height said.

Current tenant enquiries in the Inner East include Fleet Partners (2,500 square metres), Transfield (1,500 square metres) and CPM (1,100 square metres)

Increased tenant enquiries are also beginning to benefit the Outer East where the vacancy reduced from 13% to 10% over the year to January 2010.

Mr Height said the decreasing vacancy rate could be attributed to the lack of new developments underway and the increased lease up time on space in the outer east.

"There has been a run on B and C grade stock that was expected to be vacant for an extended period but which is now leasing due to the increased level of enquiry and no new projects being developed," Mr Height said.

Major leases in the Outer East include Jemena (4,400 square metres at 351 Burwood Highway, Burwood East) and Super Concepts (1,200 square metres at 293 Springvale Road, Glen Waverley).

On the investment front, CBRE's MarketView report shows that suburban yields softened in the wake of the Global Financial Crisis by at least 180 basis points – and in the case of the South East by as much as 260 basis points.

However, Mr Lampard said the appetite for commercial property assets was returning given the perceived value resulting from the recent compression in yields.

The recent sale of 990 Toorak Rd, Camberwell through CBRE's Senior Associate Justin Clarkson for \$10.14 million on a yield of 8.45% and 465 Auburn Road, Hawthorn on a yield of 7.95%, indicated the stability of the Inner East market.

About CB Richard Ellis

CB Richard Ellis Group, Inc. (NYSE:CBG), a *Fortune* 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services firm (in terms of 2009 revenue). The Company has approximately 29,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 300 offices (excluding affiliates) worldwide. CB Richard Ellis offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. CB Richard Ellis has been named a *BusinessWeek* 50 "best in class" company for three years in a row. Please visit our Web site at www.cbre.com.au