

# Dexus office demand barometer

Leading indicators point to improving take-up in Sydney

May 2017

Demand for office space in the Sydney CBD, Australia's largest office market, is expected to strengthen further over the next few months.

The Dexus Office Demand Barometer registered +2.0% in the March 2017 quarter, up from last quarter's reading of +1.7%. This moves the barometer reading well into 'good' territory.

Factors pushing the Barometer higher were an improvement in the US economy, a solid uplift in ANZ job advertisements and a rise in business travel departures.

All of these indicators are signs of increasing activity in the finance and professional services industries.

Although the Barometer result was constrained by a mild fall in business confidence in the finance, property and business services sectors in the March 2017 quarter, there has subsequently been a strong lift in the broad measures of business conditions according to the NAB Monthly Business Survey for April 2017.

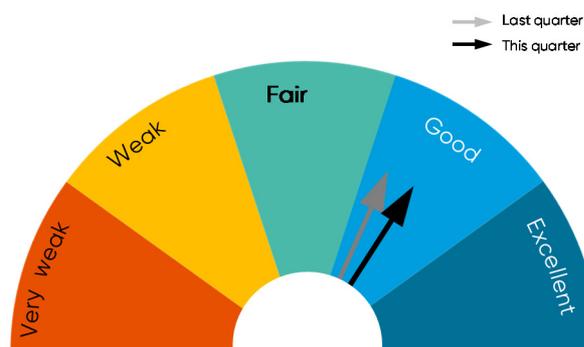
Sydney net absorption rebounded to be positive in the March 2017 quarter (+2,200sqm) and the Barometer implies another improvement next quarter.

Withdrawals of secondary stock have led to a contraction of the amount of available space in secondary buildings (now 6% of stock). Accordingly, rents for secondary space have risen strongly encouraging the absorption of prime space. Prime take up was more than 23,000sqm for the quarter.

Leasing enquires for the March 2017 quarter were predominantly from the finance & insurance, business & property services and IT sectors. There has also been increasing enquiry from recruitment and media/communications companies.

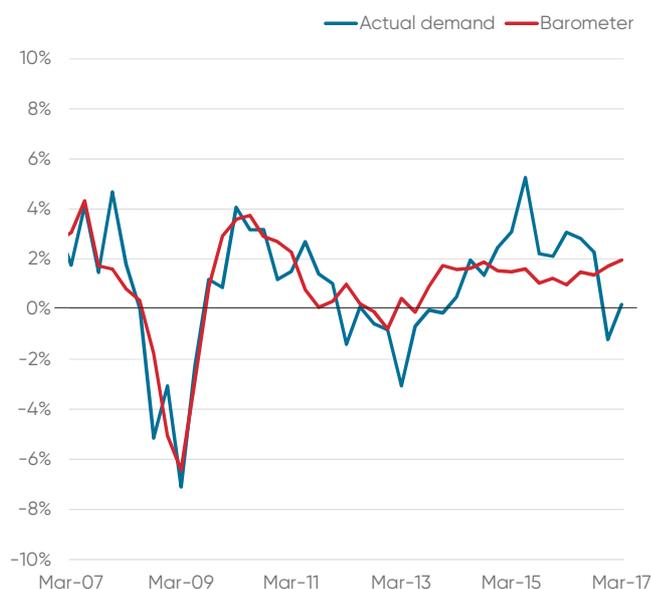
Dexus Research has tracked over 100,000sqm of leasing enquiries in the Sydney CBD over the past quarter. While lease sizes have ranged between 100sqm and 3,000sqm, the average lease size was 550sqm which indicates the strength of demand among small to medium enterprises.

## The Dexus Office Demand Barometer



Components	Contribution to change (ppts)
ANZ job advertisement series	0.17% ↑
S&P/ASX 200 Index	-0.02% ↓
Short term business travel departures	0.11% ↑
NAB Business Confidence Index (FinPropBus)	-0.22% ↓
US ISM Manufacturing Index	0.32% ↑

## Barometer versus actual demand



Dexus Research, JLL Research

## About the Barometer

Dexus's Office Demand Barometer is a specialised model that provides a leading indicator for conditions which determine the level of leasing demand for Sydney CBD over the subsequent six months. The Barometer is expressed as a percentage of occupied stock.

The Barometer includes five variables which have been carefully selected based on their high correlation with Sydney CBD office demand.

- ANZ job advertisement series
- US ISM Manufacturing Index
- Short term business travel departures
- NAB Business Confidence Index – finance/business/property sectors
- S&P/ASX 200 Index

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