

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 — October 2007

For further information:
Kathryn House
Communications Manager
61 2 9333 3585
61 402 465 440

Development boom for Brisbane's emerging Near City precinct

Brisbane, QLD (October 2007)

Strong tenant demand in Brisbane has led developers to propose a staggering 66 new office projects in the city's emerging Near City precinct.

At a Market Outlook presentation in Brisbane today, CB Richard Ellis' regional director of research Kevin Stanley said cheaper rents and a lack of new supply in the CBD had pushed the pipeline of Near City development to a record 640,000 square metres, including stock proposed for the emerging Kelvin Grove and Herston precincts.

If all were to proceed, this would represent a 75 per cent increase on current stock – an increase which could potentially drive the Near City office vacancy rate above 20 per cent.

With some 200,000 square metres of new construction is already locked in for completion next year. CBRE is predicting that the Near City vacancy rate will climb to 8.7 per cent by the end of 2008.

But Mr Stanley is not forecasting a boom-bust cycle was for either the Brisbane CBD or the Near City precinct.

"We think common sense will prevail and a more moderate cycle is likely to appear towards the end of the decade, which will still see the Near City vacancy increase, but to just into double digits," Mr Stanley said.

"Either way, vacancy will rise and rent growth will ease from 2008 to 2010. The lowest point in the vacancy cycle has already passed and this should be a consideration in commencing any new buildings, as well as adjusting rent growth and total return prospects through a longer term forecast," Mr Stanley continued.

Brisbane's suburban office market is also gaining momentum, with potential new supply of 270,000 square metres. If all of those developments were to proceed, this would almost double the amount of office stock in the suburbs.

Mr Stanley said CBRE had identified Brisbane's CBD-airport corridor, Springfield, and the land along the South East Freeway as the city's three key suburban office precincts.

However, he warned attendees at today's Market Outlook presentation that CBRE's monitoring of suburban office developments in Sydney in the past six years had highlighted some key lessons for developers.

A suburb needed to have critical mass – in the case of Sydney at least 150,000 square metres of office space – to create not just a market but a "small economic community".

Proximity or access to an economic driver such as the CBD or the airport was critical, as was access to quality transport – preferably public and private.

"Finally, the more densely developed the properties are, the greater chance of supporting higher returns over the long term," Mr Stanley said.

"Given this, we think there are three key clusters which qualify from all the stock currently proposed in suburban Brisbane. The first, naturally, in the CBD-Airport corridor, including the airport; the second along the South East Freeway, and the third in Springfield," Mr Stanley continued.

However, with so much new stock proposed, CBRE Milton Managing Director Flint Davidson advised attendees at today's presentation that any new office projects would need a point of difference.

Mr Davidson said infrastructure and amenity would be key to successful projects in the future as would a focus on environmentally sustainable workplaces. There was also a window of opportunity for developers to target smaller space users.

"Our research shows there is a shortage of boutique developments catering for the sub 500 square metre occupiers," Mr Davidson said.

Opportunities were also emerging in area's west of the Gateway Bridge, such as Cannon Hill and Murrarie. While these areas still included a significant proportion of warehousing, Mr Davidson said potential of that market was not dissimilar to that of Sydney's North Ryde, which had evolved into one of the city's key suburban office precincts in the past 15 years.

"This is already happening in Metroplex and Southgate Corporate Park and with the CSIRO placing its 6ha site adjoining Southgate Corporate Park on the market in a couple of weeks, this area is set to become Brisbane's pre-eminent office location," Mr Davidson said.

About CB Richard Ellis

CB Richard Ellis Group, Inc. (NYSE:CBG), an S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services firm (in terms of 2006 revenue). With over 24,000 employees, the Company serves real estate owners, investors and occupiers through more than 300 offices worldwide (excluding affiliate and partner offices). 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. In 2007, CB Richard Ellis was named one of the 50 "best in class" companies by *BusinessWeek*, and one of the 100 fastest growing companies by *Fortune*. Please visit our Web site at www.cbre.com