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Increase in office vacancies

Hobart office vacancy levels have increased in the year to January 2009 but still remained at a low level, according to figures released by the Tasmanian Division of the Property Council of Australia.

Richard Carhart of Brothers and Newton Independent Valuers and Property Consultants said the results of commercial market analysis of capital central business districts and regional precincts to January 2009 showed that Hobart's total vacancy level across all grades of offices has increased from 2.2% to 2.8%, or 9,638 square metres (sq m).

"Over the past year an additional 3,200sq m of office accommodation became available, which exceeded the net absorption rate of 966sq m over the year", Mr Carhart said.

The Property Council's *Office Market Report* research shows while all grades of space recorded vacancy rates below 4%, only the A Grade office category experienced an increase in vacancy over the survey period.

A Grade office accommodation accounts for 162,008sq m, or some 47% of the total office accommodation stock in Hobart.

A Grade office vacancies have seen a significant increase in the vacancy rate from 1.3% in 2008 to 3.5% in January 2009.

"Clearly this is of some concern due to the level of current and projected investment in new A Grade office buildings and the future supply of office accommodation within the CBD, however this should be kept in context as Hobart's vacancy rate remains well below the average rate of 5% across Australia's CBD office market."

At present a total of approximately 12,000sq m is due to enter the Hobart office market in 2009, with a further 1,800sq m in 2010.

The Voice of Leadership

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Tasmania Executive Director of the Property Council Mary Massina said given this trend, it was important that the biggest player in Hobart's office accommodation market, the State Government, doesn't adversely effect property investment through poorly thought-out decisions.

Ms Massina said the Property Council has been calling on the State Government to commit to a metropolitan plan for greater Hobart, and the *Office Market Report* had reinforced the need for this.

"The development of a metropolitan plan for greater Hobart would mean that developers can have clarity and consistency when looking at potential developments," Ms Massina said.

"It would also mean that the peaks and troughs of the market could be smoothed out, ensuring a more consistent market place."

Key market indicators, Hobart (aggregate)

Grade	Vacancy, Jan 09 (%)	Vacancy, Jan 08 (%)	Net absorption, 12 months to Jan 09 (sq m)	Net absorption, 12 months to Jan 08 (sq m)
A	3.5	1.3	-381	4,431
B	3.0	3.2	119	-1,329
C	1.9	3.4	1,126	-1,001
D	1.2	1.5	102	271
Total	2.8	2.2	966	2,372

Definitions of each Grade of Office Accommodation

A Grade

- High quality space including good views, outlook and natural light
- Good quality lobby and lift finishes
- Good access
- Good quality of lift ride
- High quality presentation and maintenance

B Grade

- Quality space with a good standard of finish and maintenance
- Air conditioned
- Moderate lift ride

C Grade

- Average quality space

D Grade

- Inferior quality space

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