

MARKETBEATS

\$460

PRIME NET EFFECTIVE
RENTS (PER SQM P.A.)

9%

PRIME NET EFFECTIVE
RENT ANNUAL INCREASE

26%

PRIME NET
INCENTIVES

WHAT'S NEXT

HIGHLIGHTS

Many moving parts in play for 2021

Tenant representatives have been instrumental in negotiating many lease expiries to coincide with major supply in 2020 and 2021. Most tenants with 2020 expiries have now secured their future accommodation requirements, however there is a significant number of tenants with 2021 expiries yet to do so. The future of numerous backfill tranches is still unclear, leaving open the possibility of multiple tenant relocations.

Significant annual rent growth

Over the past year rent growth has been very strong in the Melbourne CBD. Landlords have prioritised net face rental growth now that net incentives are at their expected low of around 25%-26%, although incentives can differ on a building-by-building basis. On a net effective basis Premium grade rents grew 5% YoY to \$500 per sqm per annum, A-Grade grew 9% YoY to \$445 per sqm per annum, and B-Grade grew 18% YoY to \$390 per sqm per annum.

Landlords bet on Melbourne's office sector

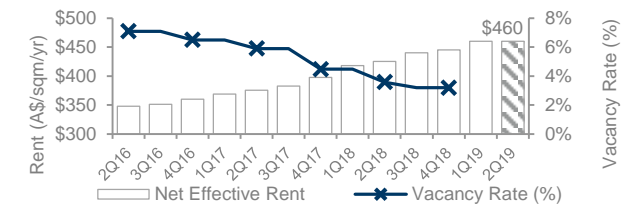
Multiple CBD sites have recently been purchased as future office development sites. Mirvac's 383 La Trobe Street, Dexus's 52 & 60 Collins Street, and Charter Hall's 555 Collins Street are among the acquisitions, and will cater for around 120,000 sqm of future office space. Indications are that significant rent growth will be required to make the developments feasible.

ECONOMIC INDICATORS

	Q4 18	Q1 19	12-Month Forecast
GDP Growth (National)*	2.8%	2.5%	▲
State Final Demand Growth (VIC)*	5.0%	4.6%	▼
Unemployment (VIC)†	4.2%	4.6%	■

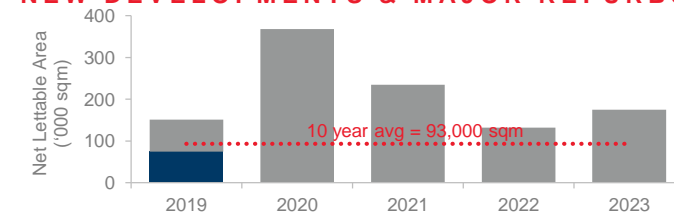
*Average annual growth rate, †Seasonally adjusted
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

PRIME NET EFFECTIVE RENT, OVERALL VACANCY (6 MONTHLY)



Source: Cushman & Wakefield Research; PCA

SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REFURBS



Source: Cushman & Wakefield Research; PCA

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SUBMARKET	INVENTORY* (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	NET EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	828,460	3.8%	148,000	500	347	307
A-Grade	2,247,598	2.7%	251,465	445	308	273
B-Grade	883,127	4.3%	0	390	270	239
MELBOURNE CBD TOTAL^	4,598,479	3.2%	399,465			

^All-Grades *As at 01/01/2019

AUD/USD = 0.6931; AUD/EUR = 0.6133 as at 20th June 2019

KEY LEASING TRANSACTIONS Q2 2019

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
525 Collins Street	Western Core	Public Transport Victoria	10,000	Direct (Relocation)
452 Flinders Street	Western Core	V/Line	5,972	Direct (Relocation)
655 Collins Street	Docklands	NBN	5,600	Sub Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	COMPLETION DATE
311 Spencer Street	Docklands	Victoria Police	65,500	Q1 2020
447 Collins Street	Western Core	King & Wood Mallesons	49,000	Q1 2020
80 Collins Street South Tower	Eastern Core	Macquarie Group	43,000	Q1 2020
477 Collins Street	Western Core	Deloitte	56,000	Q2 2020
Wesley Place, 130 Lonsdale Street	North Eastern	Vanguard, Telstra Super, Cbus Super, AFCA	55,000	Q2 2020
Two Melbourne Quarter, 697 Collins Street	Docklands	Energy Australia	50,000	Q3 2020
180 Flinders Street	Civic	John Holland	19,500	Q3 2020
405 Bourke Street	Western Core	NAB	61,500	Q1 2021

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