

# MARKETBEAT

**\$465**

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

**6%**

PRIME NET EFFECTIVE  
RENT ANNUAL INCREASE

**27%**

PRIME NET  
INCENTIVES

## WHAT'S NEXT

## HIGHLIGHTS

### Landlords continue to push face rents

Melbourne CBD Prime net face rents continued to climb amid landlord favourable conditions. In the year to September 2019, 5.5% annual growth pushed Prime net face rents to \$635 per sqm per annum. In addition, B-Grade net face rents continued to climb, up 13% annually to \$535 per sqm. Net incentives in both Prime and B-Grade have bottomed out and have since increased slightly, to 27% and 28% respectively.

### Prime vacancy the lowest since H2 2001

Very tight vacancy rates persisted in the Melbourne CBD in H1 2019. The Prime grade vacancy rate hit 2.2%, the lowest since H2 2001 (17.5 years), while overall vacancy increased marginally from 3.2% to 3.3%. With significant supply imminent, Cushman & Wakefield anticipates vacancy to trend upward over the next two years, however very strong precommitment levels are likely to ensure that vacancy will not blow out.

### Tight conditions hindering tenant flexibility

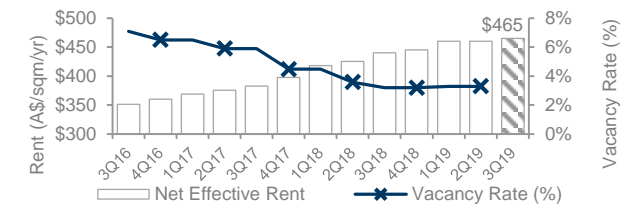
Recent conditions have been characterised by strong employment growth, pent up demand, and ultra tight vacancy - leaving very little expansion flexibility for tenants. Available space has typically been snapped up by occupiers from the same building while broader market demand has been industry-driven with the Energy, Government and IT sectors active. The tight conditions have proved favourable for coworkers who have continued to absorb space and benefit from high occupancy rates.

## ECONOMIC INDICATORS

	Q1 19	Q2 19	12-Month Forecast
GDP Growth (National)*	2.4%	2.0%	▲
State Final Demand Growth (VIC)*	4.3%	3.5%	▼
Unemployment (VIC)†	4.6%	4.8%	■

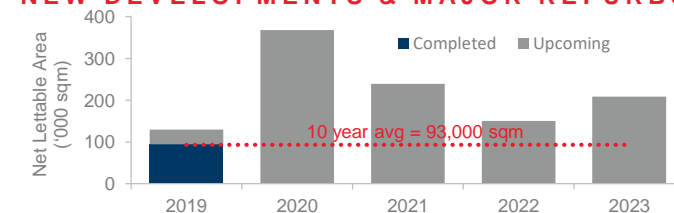
\*Average annual growth rate, †Seasonally adjusted  
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

## PRIME NET EFFECTIVE RENT, OVERALL VACANCY (6 MONTHLY)



Source: Cushman & Wakefield Research; PCA

## SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REFURBS



Source: Cushman & Wakefield Research; PCA

## Tony Crabb

National Director, Research  
Level 9, 385 Bourke Street  
Melbourne, VIC 3000 | Australia  
Tel: +61 (0)422 221 604  
tony.crabb@cushwake.com

DATA  
INTO  
ACTION

A Cushman & Wakefield  
Research Publication

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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	798,107	4.1%	203,000	505	343	313
A-Grade	2,293,236	1.5%	262,000	450	306	279
B-Grade	898,688	7.2%	0	385	262	239
<b>MELBOURNE CBD TOTAL^</b>	<b>4,614,349</b>	<b>3.3%</b>	<b>465,000</b>			

^All-Grades \*As at 01/07/2019

AUD/USD = 0.6755; AUD/EUR = 0.6175 as at 26<sup>th</sup> September 2019

## KEY LEASING TRANSACTIONS Q3 2019

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
130 Lonsdale Street	North Eastern	AustralianSuper	16,200	Precommitment
180 Lonsdale Street	Civic	Victorian State Govt	5,384	Sub Lease
380 Docklands Drive	Docklands	Delaware North	1,000	Expansion

## 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