

# MARKETBEAT

**\$1,045**

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

**5%**

YOY PRIME GROSS  
EFFECTIVE RENT GROWTH

**\$820**

B-GRADE GROSS EFFECTIVE  
RENTS (PER SQM P.A.)

## WHAT'S NEXT

## HIGHLIGHTS

### Small win for tenants: incentives rise

Face rents held steady in Q3 and incentives appear to be trending up. Prime net face rents were recorded at \$1,115 per sqm per annum and have recorded 5.5% annual growth, representative of a \$60 YoY increase. Prime incentives are now averaging close to 21%, up from 20% at the same time last year. Higher rents and incentive rates have increased the average value of incentives by \$25 per sqm to around \$270 per sqm.

### CBD vacancy rate less than 4%

Vacancy rates declined over the first half of 2019, according to data from the Property Council of Australia. The overall rate for the Sydney CBD was recorded at 3.7%, down from the 4.1% recorded at the end of Q4 2018. Premium Grade stock has the tightest vacancy rate among all grades at just 2.7%. Nearly 200,000 sqm of Premium Grade floorspace has been absorbed over the last three years.

### 2024 firming for the next supply wave

New towers above Sydney Metro stations at Pitt St North, 39 Martin Place and 55 Hunter St combined with major refurbishments at 33 Alfred St and Grosvenor PI are set to form the backbone of Sydney's next supply wave. Supply is expected to boost competition among landlords and could lead to a softening of Prime incentives – potentially to the historic average of 25%. Possible projects at 55 Pitt St, Central Barangaroo, Darling Park T4, and 56 Pitt Street offer further 2024/25 supply potential.

## ECONOMIC INDICATORS

	Q1 19	Q2 19	12-Month Forecast
GDP Growth (National)*	2.4%	2.0%	▲
State Final Demand Growth (NSW)*	2.8%	2.2%	■
Unemployment (NSW)†	4.4%	4.6%	■

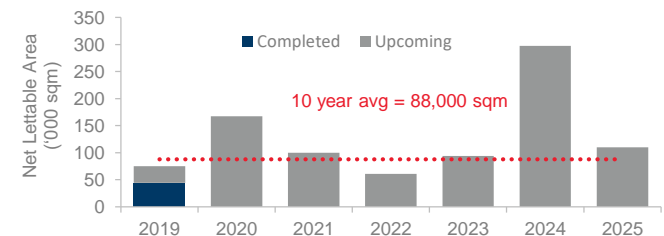
\*Average annual growth rate, †Seasonally adjusted  
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

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



Source: PCA; Cushman & Wakefield Research

## SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REFURBS



Source: Cushman & Wakefield Research; PCA

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SUBMARKET	INVENTORY* (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	GROSS EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	1,162,107	2.7%	211,000	1,130	763	697
A-Grade	1,823,253	3.2%	41,500	990	668	611
B-Grade	1,365,019	4.1%	0	820	555	507
<b>SYDNEY CBD TOTAL^</b>			<b>252,500</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
60 Martin Place	City Core	Boston Consulting Group	3,600	Expansion
60 Margaret Street	City Core	JustCo	2,697	Expansion
1 Margaret Street	City Core	Brighte Capital Pty Ltd	1,163	Expansion
77 King Street	City Core	Xinja Bank Limited	1,153	Expansion
11-17 York Street	Western	Tank Stream Labs	1,024	Sub-lease

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
Daramu House, C1 Barangaroo	Walsh Bay	WeWork	10,032	2019 Q4
Wynyard Place, 10 Carrington Street	Core	NAB, Allianz, Brookfield	59,408	2020 Q4
Circular Quay Tower, 180 George Street	Core		54,000	2022 Q2
Quay Quarter Tower, 50 Bridge Street	Core	AMP, Deloitte	88,274	2023 Q1

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