

\$403 A-GRADE GROSS EFFECTIVE RENTS
(PER SQM P.A.) – SOUTH BRISBANE

4.9% YOY A-GRADE GROSS EFFECTIVE RENT
GROWTH – INNER WEST

38.5% A-GRADE GROSS INCENTIVES –
FORTITUDE VALLEY

ECONOMIC INDICATORS Q4 2019

Q2 19 Q3 19 12-Mo.
Forecast

GDP Growth
(National)* **2.0%** **1.8%** ▲

State Final
Demand
Growth (QLD)* **1.2%** **1.1%** ▲

Unemployment
(QLD)† **6.5%** **6.5%** ▼

*Average annual growth rate, †Seasonally adjusted

Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

ECONOMIC OVERVIEW

Economic growth has slowed recently, and September GDP results were the weakest in over a decade. However, growth is forecast to increase and average 2.4% over the following five years. Australian economic headwinds include global economic uncertainty, the ongoing drought, bushfires, and relatively weak wages growth. On a positive note, the residential housing market is improving (particularly in Sydney and Melbourne), and the broader economy is being supported by record low interest rates, tax cuts, infrastructure development and solid employment growth. Queensland State Final Demand growth has softened considerably, down from 3.2% in Sept 2018 to 1.1% in Sept 2019. Whilst State Final Demand is down, the Queensland economy is expected to fair well on solid resource and export industries.

SUPPLY

With 12 month net absorption returning to positive after two years of negative net absorption, things are looking positive for 2020 with steady take up expected to continue and a reduction in tenants flowing from the Fringe to the CBD. With stock levels at a new high for the fringe market, it is expected that supply additions will remain extremely limited and increases will be marginal, with only two boutique developments. The Eminence in Fortitude Valley will deliver 3,200 sqm, with 1,700 sqm already pre-committed (Mosaic Property Group) and a small speculative development, 14 Stratton Street Newstead, is expected to be completed late 2020, adding 8,000 sqm to market.

FACE RENTS STILL CLIMBING

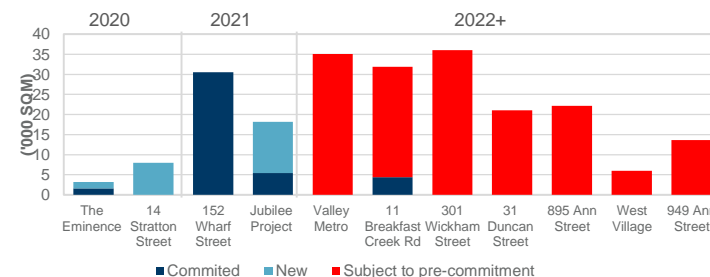
After a relatively subdued first half of 2019, H2 saw some significant growth in A Grade gross face rents, which were primarily driven in Q3. Fortitude Valley recorded 1.6% and 0.5% growth in gross face rents in Q3 and Q4 2019 respectively. Growth was strong in the Inner West with 2.1% and 0.8% for Q3 and Q4 2019, whilst South Brisbane posted the strongest growth overall with 3.8% and 1.3%. A Grade gross face rental growth across 2019 was positive for all Brisbane Fringe Markets, with South Brisbane leading the way with 5.1% year on year, the Inner West recorded 3.2% and Fortitude Valley recorded 2.8%. It is expected that rents will continue to increase in 2020, with demand building and only limited supply additions slated for 2020. Gross incentives have remained stable at 34% in 2019 for South Brisbane, the Inner West saw a slight compression of 1% in 2019 to 39.5%, whilst Fortitude Valley had a 13.2% to 38.5% over 2019.

A-GRADE FRINGE NET FACE RENTS



Source: Cushman & Wakefield Research

BRISBANE FRINGE SUPPLY PIPELINE



Source: Cushman & Wakefield Research; PCA

MARKET STATISTICS

MARKET	A-GRADE			GROSS EFFECTIVE RENT (A-GRADE)		
	NET FACE RENT (A\$)	OUTGOINGS (A\$)	GROSS INCENTIVES	A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Brisbane CBD	565	130	37%	440	308	274
Fortitude Valley	490	120	39%	375	265	236
South Brisbane	490	120	34%	405	283	252
Inner West	395	120	40%	315	220	196

AUD/USD = 0.7030; AUD/EUR = 0.6261 as at 31st December 2019

KEY LEASING TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
Jubilee Place	Urban Renewal	IWG	4,800	Pre-commitment
144 Montague Road	Inner South	Dialog	3,300	Direct
555 Coronation Drive	Inner West	Data #3	2,000	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
14 Stratton Street, Newstead	Urban Renewal		8,000	Late 2020
The Eminence, 59 McLachlan Street	Urban Renewal	Mosaic	3,200	Early 2020
The Jubilee	Urban Renewal	IWG	18,100	TBC

Source: Cushman & Wakefield Research

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