



Office Q1 2020

\$455

Prime Net Effective Rents (per sqm p.a)

-1.7%

YoY Prime Net Effective Rent growth

\$385

B-Grade Net Effective Rents (per sqm p.a)

ECONOMIC INDICATORS  
Q4 2019Q3 19 Q4 19 12-Mo.  
ForecastGDP Growth  
(National)\* 1.8% 1.8% ▼State Final  
Demand  
Growth (VIC)\* 2.9% 2.0% ▼Unemployment  
(VIC)† 4.7% 4.9% ▲\*Average annual growth rate, †Seasonally adjusted  
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

## ECONOMIC OVERVIEW

The global pandemic that is COVID-19 has and continues to deliver a range of financial and economic consequences across the globe. Nationally we have seen a range of responses, the Australian government stimulus package, the RBA cutting the cash rate by 25bps to a record low of 0.25%, borders being closed are just a few of many responses. In light of this, it is still too early to gauge the impacts on the economy and property markets, though we expect to get some glimpses as more data is collected in Q2 2020. At a state level, Victoria State Final Demand growth softened considerably, down from 5.4% in December 2018 to 1.8% in December 2019. Pre-COVID-19 forecasts showed State Final Demand growth holding steady at around 1.8% by early 2021, however it is expected that future State Final Demand forecasts will be revised down.

## SUPPLY AND DEMAND

In 2020 seven new major developments are anticipated to reach completion, totaling over 333,000sqm, with 91% or 305,000 sqm of the upcoming space already precommitted. 315,000 sqm of the new stock is expected to be completed by June, with the balance due for completion in August. The additional stock is expected to provide a boost, releasing some of the pent-up CBD demand, as the market has been relatively inflexible due to limited available space, with vacancy 3.4% for H2 2019 and then compressing to 3.2% in 2020. Vacancy is especially tight in the Premium Grade market at just at 1.7%, down from 4.1% last year. Prior to the COVID-19 pandemic, it was expected that vacancy will increase slightly over 2020. The pandemic presents greater upside vacancy risk, however, as the market went into the crisis in a relatively good position with low vacancy rate and pent-up CBD demand, post crisis, any rise in vacancy may be relatively moderate.

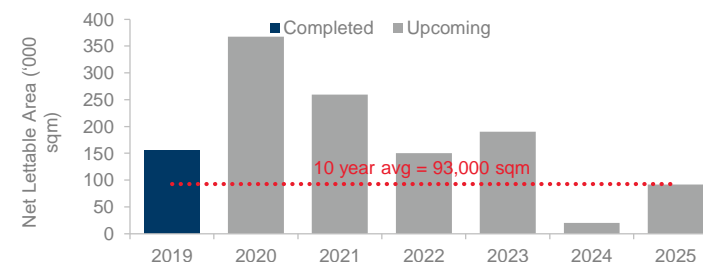
## RENTS

Net incentives continued to track upward in Q1 2020, with Premium Grade incentives growing 8.5% over the quarter, to reach 29%. A Grade net incentives also reached 29%, up 7.4% for the quarter. Face rental growth stalled in Q1 2020, remaining at Q4 2019 levels. However, with the increase in net incentives, year on year Prime Grade net effective rent growth was negative for the first time since Q3 2014, slipping 1.7% to an average of \$455 per square metre per annum.

PRIME NET EFFECTIVE RENT, OVERALL VACANCY  
(6 MONTHLY)

Source: PCA; Cushman &amp; Wakefield Research

## SUPPLY PIPELINE: NEW DEVELOPMENTS &amp; MAJOR REURBS



Source: Cushman &amp; Wakefield Research; PCA



## MARKET STATISTICS

SUBMARKET	INVENTORY* (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	NET EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	834,376	1.7%	203,000	510	298	278
A-Grade	2,283,570	2.1%	292,700	450	263	245
B-Grade	1,069,848	6.4%	0	390	228	212
MELBOURNE CBD TOTAL^	4,608,924	3.2%	495,700			

\*All-Grades \*As at 19/03/2020

AUD/USD = 0.5837; AUD/EUR = 0.5447 as at 20th March 2020

## KEY LEASING TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
1000 La Trobe Street	Docklands	Myer	11,000	Pre-Commitment
Two Melbourne Quarter	Docklands	Infosys	9,000	Pre-Commitment

Source: Cushman & Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
311 Spencer Street	Docklands	Vic Police	65,500	Q2 2020
447 Collins Street	Western Core	Minter Ellison	49,000	Q2 2020
80 Collins Street (South Tower)	Eastern Core	Macquarie Group	43,000	Q2 2020
477 Collins Street	Western Core	Deloitte	56,000	Q2 2020
Wesley Place, 130 Lonsdale Street	North Eastern	Cbus Super	55,000	Q2 2020
180 Flinders Street	Civic	John Holland	18,800	Q3 2020
Two Melbourne Quarter, 697 Collins Street	Docklands	Energy Australia	50,000	Q2 2020

Source: Cushman & Wakefield Research

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