

**\$985**

Prime Gross Effective Rents (per sqm p.a)

**-5.5%**

YoY Prime Gross Effective Rent growth

**\$780**

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

ECONOMIC INDICATORS  
Q2 2019

	Q4 19	Q1 20	12-Mo. Forecast
GDP Growth (National)*	1.8%	1.8%	▼
State Final Demand Growth (NSW)*	1.3%	0.7%	▼
Unemployment (NSW)†	4.5%	4.9%	▲

\*Average annual growth rate, †Seasonally adjusted

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

## ECONOMIC OVERVIEW

Australia economic growth slowed sharply in early 2020 as a result of social distancing measures from the COVID-19 pandemic, however the growth outlook is improving as the country reopens. In the IMF's June World Economic Outlook, Australia was the only advanced economy to have its 2020 outlook revised up, though growth this year is still expected to decline by 4.5%. The softer economy has resulted in rising unemployment. Data to May indicate the NSW unemployment rate rose to 6.4%, the highest level since 2009.

## SUPPLY AND DEMAND

As at June 2020, the CBD recorded 320,000 square metre (sqm) of new and refurbished space under construction, with seven projects comprising 105,000 sqm of space anticipated to achieve completion during 2020. Pending pre-commitment, the potential exists for over 750,000 sqm of supply to enter the CBD market over the next five years. Notable premium grade towers currently underway include Wynyard Place (68,000 sqm with 80% pre-committed) due for completion in mid 2021, Salesforce Tower (54,000 sqm with 50% pre-committed) due in mid 2022 and Quay Quarter Tower (88,000 sqm with 80% pre-committed) due in early 2023.

The impact of the COVID-19 pandemic softened demand. Our leasing team reports enquiry levels in the CBD were down 20% in H1 2020 compared to H1 2019, while larger space enquires are down around 40%. No major leasing transactions were reported over the quarter as business adopted a wait and see approach. Estimates of sub-lease availability tracked by Cushman & Wakefield indicate in excess of 100,000 sqm of space may now be available in the CBD, a level not last seen since the GFC.

## RENTS

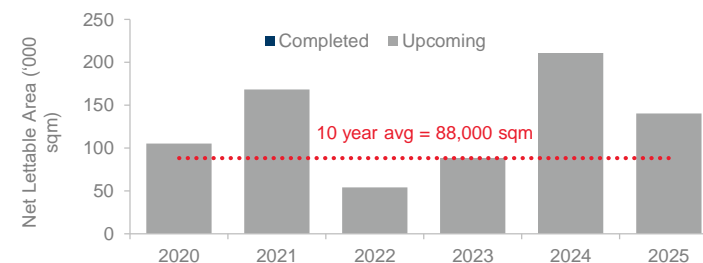
Whilst there were limited deals to report, reduced enquiry, increased sub-lease availability and reports of falling employment have pushed incentives up across all grades. Gross face rental growth stalled with Prime grade recording a quarterly decline of 0.4% to average at \$1,355 sqm per annum (pa). A-grade face rents declined 0.5% to \$1,275 and B-grade fell 0.7% to \$1,060. Premium grade recorded no change at \$1,490 sqm pa. Average gross incentives for Prime grade office increased from 21% to 27%, A-grade increasing from 20% to 27%, B-grade increasing from 20% to 26% and Premium grade increasing from 22% to 27% over the quarter.

As a result of the higher incentives and softer face rents, Prime gross effective rents in the Sydney CBD fell 8.6% quarter-on-quarter (QoQ) and 5.5% year-on-year (YoY). Rents ranged from \$900 to \$1,065 sqm pa. The average prime gross effective rent was \$985 sqm pa, a decrease of 5.5% and decrease of 8.6%. B-grade gross effective rents ranged between \$760 and \$820 sqm pa, averaging \$780 per sqm pa, recording a decrease of 6.6% (YoY) and decreasing by 8.5% (QoQ).

PRIME GROSS EFFECTIVE RENT, OVERALL VACANCY  
(6 MONTHLY)

Source: PCA; Cushman &amp; Wakefield Research

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



Source: PCA; Cushman &amp; Wakefield Research

## MARKET STATISTICS

SUBMARKET	INVENTORY* (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	GROSS EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	1,193,218	3.6%	220,000	1,080	743	660
A-Grade	1,810,478	2.6%	70,000	930	639	569
<b>Prime*</b>	<b>3,003,696</b>	<b>3.0%</b>	<b>290,000</b>	<b>985</b>	<b>677</b>	<b>602</b>
B-Grade	1,320,459	5.2%	29,000	780	536	477
<b>SYDNEY CBD TOTAL^</b>	<b>4,952,281</b>	<b>3.9%</b>	<b>320,000</b>			

\* Prime Grade is a combination of Premium and A-Grade

^All-Grades \*As at 01/01/2020

AUD/USD = 0.6875; AUD/EUR = 0.6113 as at 25th June 2020

## KEY LEASING TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
No significant transactions recorded in Q2				

Source: Cushman &amp; Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
Wynyard Place, 10 Carrington Street	Core	NAB, Allianz, LinkedIn	68,808	2021 Q1
Salesforce Tower, 180 George Street	Core	Salesforce	54,000	2022 Q2
Quay Quarter Tower, 50 Bridge Street	Core	AMP, Deloitte	88,274	2023 Q1
183 Clarence Street	Western	Built	7,800	2020 Q4

Source: Cushman &amp; Wakefield Research

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