

**330,000** sqm of new Metro Sydney office supply due in 2020

**15** Major projects under construction (at Jun 2020)

**24.5%** A-Grade gross incentives - North Sydney

## 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 & 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

Metropolitan office markets across Sydney have the potential for significant new supply over the next five years. Over the 2020 to 2025 period, possibly 39 major projects, comprising over 1.3 million sqm of new space may complete. In 2020, thirteen major developments totalling around 330,000 square metres (sqm) are scheduled for completion. These include 1 Denison Street, North Sydney (61,000 sqm), The Foundry at South Eveleigh (51,000 sqm), 3 Parramatta Square (42,000 sqm) and The Glasshouse, Macquarie Park (35,000 sqm).

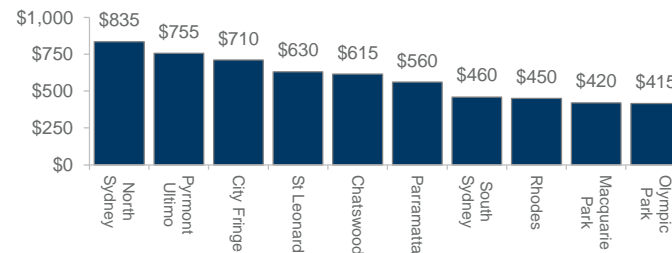
Major projects either currently under construction or mooted for development between 2021 and 2025 include: 6&8 Parramatta Square (124,000 sqm, due 2021-22) - currently the largest project under construction in Sydney; Argyle Tower, Parramatta (112,000 sqm, 2025); Macquarie Exchange, Macquarie Park (74,000 sqm, 2023); 105 Miller St, North Sydney (74,000 sqm, 2025); Victoria Cross Station, North Sydney (60,000 sqm, 2024); 110 Walker Street, North Sydney (60,000 sqm, 2025); Macquarie Square, Macquarie Park (80,000 sqm, 2022-23) and 11-17 Khartoum Road, Macquarie Park (53,000 sqm, 2023).

The economic impact of COVID is likely to pose a challenge for the Sydney office market, and likely result in a number of the above projects being delayed. However, the pandemic is increasing the relative attraction of metro markets as some tenants seek to reduce costs or adopt decentralisation strategies, such as 'hub and spoke' models.

## RENTS

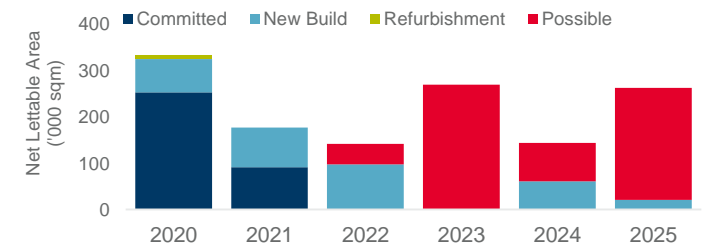
Rental conditions reflected uncertainty surrounding the impact of COVID during Q2-2020 with incentives increasing across all markets. The North Shore markets of North Sydney, St Leonards and Chatswood have seen A-grade gross incentives reach 25%. A-grade gross incentives in the near city markets of City Fringe, Pyrmont-Ultimo and South Sydney rose to 21%, 23% and 25% respectively. A-grade average gross effective rents for the major suburban markets were recorded at \$730 per sqm in North Sydney (down 5.9% quarter-on-quarter (QoQ), \$540 in Parramatta (down 3.2% QoQ) and in Macquarie Park, \$405 (down 0.3% QoQ). Net face rents largely remained stable across the major metropolitan markets.

## A-GRADE METRO NET FACE RENTS



Source: Cushman & Wakefield Research

## METRO SYDNEY 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
Sydney CBD	1075	195	27	930	639	569
North Sydney	835	135	25	730	502	446
Pyrmont Ultimo	755	130	23	675	464	413
City Fringe	715	120	21	660	454	403
St Leonards	630	125	25	570	392	348
Chatswood	615	120	25	550	378	336
Parramatta	560	110	19	540	371	330
Rhodes	450	105	27	405	278	248
South Sydney	460	90	25	410	282	251
Macquarie Park	420	95	20	405	278	248
Sydney Olympic Park	415	95	27	370	254	226

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

## KEY LEASING TRANSACTIONS H1 2020

PROPERTY	MARKET	TENANT	SQM	LEASE TYPE
6 & 8 Parramatta Square	Parramatta	Westpac	10,000	Pre-commitment
100 Mount Street	North Sydney	Palo Alto Networks	1,300	New
53 Walker Street	North Sydney	Healthfix	570	New
4 Parramatta Square	Parramatta	MTAA Super	200	New

Source: Cushman &amp; Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	MARKET	MAJOR TENANTS	SQM	COMPLETION DATE
21 Harris Street	Pyrmont	Publicis	15,100	Q2 2020
3 Parramatta Square	Parramatta	NAB	42,000	Q2 2020
The Foundry – South Eveleigh	City Fringe	Commonwealth Bank	51,000	Q3 2020
1 Denison Street	North Sydney	Channel Nine, Microsoft	61,000	Q4 2020
32 Smith Street	Parramatta	QBE	26,400	Q4 2020
118 Mount Street	North Sydney	Zurich Financial Services	20,000	Q4 2020
97 Waterloo Road	Macquarie Park	Schneider Electric	14,900	Q4 2020
6 & 8 Parramatta Square	Parramatta	NSW Govt, Link, Westpac	124,000	Q4 2021 & Q2 2022

Source: Cushman &amp; Wakefield Research

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