

**\$935** Prime Gross Effective Rents (per sqm pa)

**-10.4%** YoY Prime Gross Effective Rent growth

**\$710** B-Grade Gross Effective Rents (per sqm p.a)

## ECONOMIC INDICATORS Q2 2019



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

## ECONOMIC OVERVIEW

The COVID-19 pandemic has resulted in Australia's first recession in 29 years. Quarterly real GDP growth fell by 0.3% over the March quarter and a further 7.0% over the June quarter. Growth over the 2020 calendar year is forecast by the Reserve Bank of Australia (RBA) to decline by 6%. Assuming the pandemic is contained globally, the RBA expects economic growth to turn positive from mid-2021 with calendar 2021 growth of 5.0% forecast. The New South Wales (NSW) economy also declined in Q2 with gross state product (GSP) estimated by Deloitte Access Economics to fall by 5.5% over Q2, with positive growth of 3.0% forecast over H2 2020. Growth in 2021 is expected to bounce back with NSW expected to generate GSP growth of 4.7% over the calendar year.

## SUPPLY AND DEMAND

As at September 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.

According to the Property Council of Australia, vacancy rates in the CBD recorded sharp increases across all grades – with total market availability increasing from 3.9% to 5.6% in the six month period to July. Estimates of sub-lease availability tracked by Cushman & Wakefield indicate around 150,000 sqm of space may now be available in the CBD.

While lease activity remains limited both deal enquiry and volume are beginning to pick up with a number of direct deals over 1,000 sqm being completed during the quarter. These include 1,205 sqm to FTI Consulting at Gateway and 1,400 sqm to HFW at 126 Phillip Street.

## RENTS

Subdued leasing activity combined with an increase in vacancy has lifted incentives to around 30% for all grades. Both Premium and A-grade gross incentives rose to average about 30.5% from around 27% in Q2. B-grade gross incentives increased from around 26.5% to 31.5%. Gross face rents began to slip. The average Premium grade gross face rent declining 0.7% over the quarter to \$1,480 per square metre per annum while the average A-grade gross face rent fell 1.0% to \$1,260. B-grade gross face rents fell 2.4% to average \$1,035.

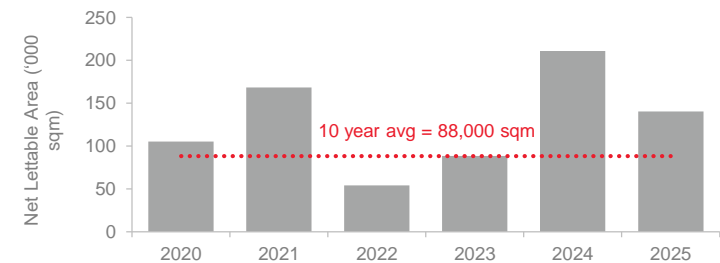
As a result of the higher incentives and softer face rents, Prime gross effective rents in the Sydney CBD fell 5.4% quarter-on-quarter (QoQ) and 10.4% year-on-year (YoY). Rents ranging from \$845 to \$1,020/sqm pa with the average prime gross effective rent \$935 sqm pa. B-grade gross effective rents ranged between \$745 and \$690 sqm pa, averaging \$710 per sqm pa, a decrease of 13.6% (YoY) and 9.0% (QoQ).

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



Source: PCA; Cushman & Wakefield Research

## SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REFURBS



Source: PCA; Cushman & 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	1,196,828	3.8%	220,000	1,025	723	621
A-Grade	1,839,973	4.7%	70,000	877	618	532
<b>Prime*</b>	<b>3,003,696</b>	<b>3.0%</b>	<b>290,000</b>	<b>935</b>	659	567
B-Grade	1,314,011	7.5%	29,000	710	500	430
<b>SYDNEY CBD TOTAL^</b>	<b>4,977,938</b>	<b>5.6%</b>	<b>320,000</b>			

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

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

AUD/USD = 0.7049; AUD/EUR = 0.6062 as at 28<sup>th</sup> September 2020

## KEY LEASING TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
Gateway, 1 Macquarie Place	Core	FTI Consulting	1,205	Direct
126 Phillip Street	Core	HFW	1,400	Direct
161 Castlereagh Street	Core	Blackwattle	3,600	Sub-lease
1 Bligh Street	Core	Resolution Life	3,500	Sub-lease

Source: Cushman &amp; Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
Wynyard Place, 10 Carrington Street	Core	NAB, Allianz	68,808	2021 Q1
Poly Centre, 210 George Street	Core	Poly Global, IWG	16,567	2021 Q3
Salesforce Tower, 180 George Street	Core	Salesforce	54,000	2022 Q2
Quay Quarter Tower, 50 Bridge Street	Core	AMP, Deloitte	88,274	2023 Q1

Source: Cushman &amp; Wakefield Research

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