

BRISBANE FRINGE

Office Q4 2020

\$395 A-Grade Gross Effective Rents (per sqm p.a) – South Brisbane

-0.3% YoY A-Grade Gross Effective Rent growth – Inner West

38.5% A-Grade Gross Incentives – Fortitude Valley

ECONOMIC INDICATORS Q3 2020

Q2 2019 Q3 20 12-Mo. Forecast

GDP Growth (National)* **-0.2%** **-1.7%** ▲

State Final Demand Growth (QLD)* **-0.2%** **-0.4%** ▲

Unemployment (QLD)† **7.7%** **7.6%** ▲

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

ECONOMIC OVERVIEW

The COVID-19 pandemic caused a short sharp recession in Australia during Q1 and Q2 2020. Data to September 2020 indicate the Australian economy returned to growth in Q3, rising 3.3% over the quarter after a 7.3% decline in Q2. Real state final demand Queensland (QLD) also bounced strongly, rising 6.8% over Q3 after declining 6.1% in Q2. Assuming the pandemic is contained globally, both QLD's and Australia's economic growth rates are expected to remain positive over the forecast horizon with relatively strong growth expected over the next few years. Deloitte Access Economics forecast real gross state product (GSP) to increase by 2.7% over calendar 2021 and 4.4% in 2022 and 4.3% in 2023. Over the past 10 years, QLD GSP annual growth has averaged 2.3%.

SUPPLY AND DEMAND

New supply across the Brisbane Fringe for 2020 was very limited and included The Eminence in Fortitude Valley, which delivered 3,200 square metres (sqm), with 1,700 sqm pre-committed (Mosaic Property Group) and a small speculative development, 14 Stratton Street Newstead, that was completed late 2020, adding 8,000 sqm to market, which was taken up by Mater Health. Enquiry was subdued for most of 2020, however, we expect activity to build in the new year, assuming the pandemic is contained, as the white collar workforce returns to the office in 2021.

RENTS

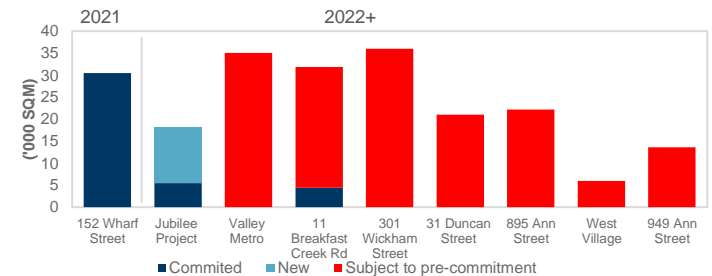
During H1 the COVID-19 pandemic resulted in face rental growth stalling and incentives increasing in South Brisbane and the Inner West. H2 saw the rental growth continue to stall, but incentives decrease to pre-pandemic levels for both South Brisbane and the Inner West. With gross face rents now averaging \$610 p/sqm for South Brisbane and \$520 for the Inner West. Gross incentives are now averaging 35% for South Brisbane and 40% for the Inner West. The Fortitude Valley market showed its resilience through the pandemic, with both gross face rents and gross incentives remaining unchanged over 2020, with gross face rents remaining at an average of \$615 p/sqm and gross incentives remaining 38.5%.

A-GRADE FRINGE GROSS 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	575	130	37%	445	346	282
Fortitude Valley	495	120	39%	380	295	241
South Brisbane	490	120	35%	395	307	250
Inner West	390	120	40%	315	245	200

AUD/USD = 0.7030; AUD/EUR = 0.6261 as at 26th June 2020

KEY LEASING TRANSACTIONS Q3 & Q4 2020

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
14 Stratton Street	Spring Hill	Mater Health	8,000	Direct
33 Longland Street	Urban Renewal	Taylor Ellis	117	Direct
252 St Pauls Terrace	Spring Hill	Gamma Training Group	800	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

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

Source: Cushman & Wakefield Research

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