

# METRO MELBOURNE

Office Q4 2020

**\$450** A-grade net face rent –  
St Kilda Road

**32%** Net Incentives - Southbank

**4.7%** A-Grade Vacancy - Southbank

## ECONOMIC OVERVIEW

The COVID-19 pandemic caused a short sharp recession in Australia during Q1 and Q2 2020. Data to September 2020 indicates 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 in Victoria did not follow the same trend, due to the lockdown restrictions in place, declining 8.5% in Q2 and declining 1.1% in Q3, which is now four quarters of decline for Victoria. Assuming the pandemic is contained globally, both Victoria'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 1.8% over calendar 2021 and 4.4% in 2022 and 4.3% in 2023. Over the past 10 years, Victoria GSP annual growth has averaged 2.8%.

## SUPPLY AND DEMAND

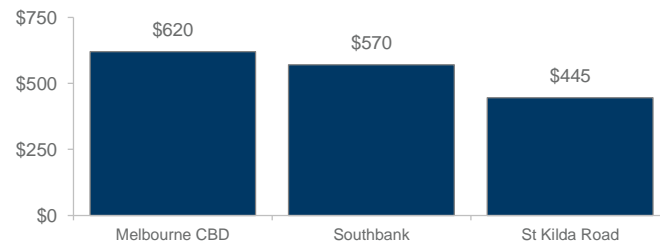
2020 has seen eight metro office projects reach completion, delivering 128,000 square metres (sqm) of floorspace to market. Looking forward there is some uncertainty around the medium and longer term pipeline with COVID creating disruption and uncertainty around the delivery of projects.

In terms of current and future demand, the COVID-19 induced Stage 4 lockdown resulted in subdued enquiry numbers, which has continued throughout the course of the restrictions and lockdowns. We expect activity to build in the new year, assuming the pandemic is contained, as the white collar workforce returns to the office.

## RENTS

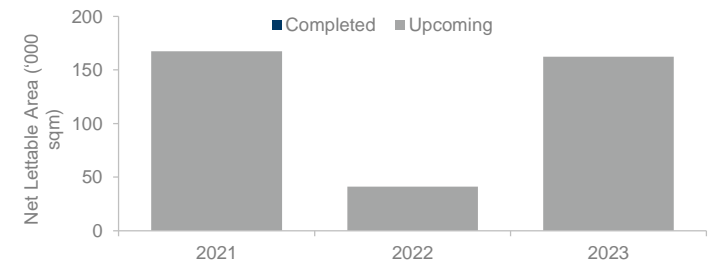
Despite the turbulent year across the city, the metro markets net face rents have remained relatively stable over 2020. Upward movement in net incentives has placed downward pressure on net effective rents, with Southbank recording an 8.8% year on year (YoY) fall to reach \$390 per square meter (p/sqm). For St Kilda Road it is a similar story with net effective rents dropping 8.9% YoY to reach \$310 p/sqm. Into 2021 it is expected that incentive increases will slow, helping to stabilise net effective rents across Metro Melbourne.

## A-GRADE NET FACE RENTS



Source: Cushman &amp; Wakefield Research

## METRO MELBOURNE SUPPLY PIPELINE



Source: Cushman &amp; Wakefield Research; PCA

## ECONOMIC INDICATORS Q2 2020

Q4 20 Q3 20 12-Mo.  
Forecast

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

State Final Demand Growth (VIC)\* **-1.2%** **-4.1%** ▲

Unemployment (VIC)† **7.5%** **6.7%** ▲

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

## MARKET STATISTICS

MARKET	A-GRADE			NET EFFECTIVE RENT (A-GRADE)		
	NET FACE RENT (A\$)	OUTGOINGS (A\$)	GROSS INCENTIVES	A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Melbourne CBD	625	165	26%	395	307	250
Southbank A-Grade	570	172	29%	390	303	247
St Kilda Road A-Grade	450	146	24%	310	241	196
St Kilda Road Secondary Grade	395	165	23%	265	206	168

AUD/USD = 0.7769; AUD/EUR = 0.6336 as at 11<sup>th</sup> January 2021

## KEY LEASING TRANSACTIONS H2

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
588A Swan Street	Richmond	Fuji Xerox	2,400	Direct

Source: Cushman & Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
60-88 Cremorne St	Cremorne	Seek	27,650	Q2 2021
484 Swan Street	Richmond		13,600	2021
2-8 Gough Street	Cremorne		11,300	2021
Nexus Corporate	Mulgrave	Carlisle Homes	12,000	2021

Source: Cushman & Wakefield Research

## TONY CRABB

National Director, Research, +61 (0)422 221 604 / [tony.crabb@cushwake.com](mailto:tony.crabb@cushwake.com)

## JAKE MCKINNON

Senior Research Analyst  
+61 (7) 32394033 / [Jake.Mckinnon@cushwake.com](mailto:Jake.Mckinnon@cushwake.com)

[cushmanwakefield.com](http://cushmanwakefield.com)

## A CUSHMAN &amp; WAKEFIELD RESEARCH PUBLICATION

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.