

-7% Average YoY decline in gross effective metro rents

30% Average metro A-Grade incentives

1m sqm In potential projects over the next five years

ECONOMIC INDICATORS Q3 2020



*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 in New South Wales (NSW) also bounced strongly, rising 6.8% over Q3 after declining 8.8% in Q2. Assuming the pandemic is contained globally, both NSW'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 3.4% over calendar 2021 and 3.5% in both 2022 and 2023. Over the past 10 years, NSW GSP annual growth has averaged 2.4%.

SUPPLY AND DEMAND

Metropolitan office markets across Sydney have the potential for significant new supply over the next five years. Over the 2021 to 2025 period, possibly 26 major projects, comprising nearly 1.0 million sqm of new space may complete. In 2020, thirteen major developments totalling around 330,000 square metres (sqm) were 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).

The need to cut costs, reduced headcount and an increase in flexible working arrangements associated with the COVID-19 pandemic has result in many office tenants across Sydney reassessing their space needs. This might include subleasing space, downsizing or moving lower cost metro markets. To date, there has been limited activity as the impact of the pandemic continues to evolve and many tenants have deferred decision making to 2021.

RENTS

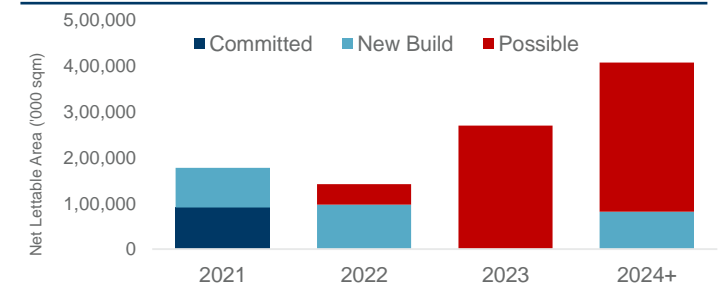
Rental conditions in Sydney office markets reflect the disruption caused by the COVID-19 pandemic COVID during Q2-2020 with incentives increasing across all markets. While face rents have generally been stable gross incentives have moved up to around 30%. The rise in incentives has resulted in A-Grade gross effective rents in Sydney metro office markets declining by an average of 7%, in a range of -1% to -11% over 2020.

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	200	32	870	676	551
North Sydney	835	140	31	675	524	428
Pyrmont Ultimo	755	130	30	615	478	390
City Fringe	715	120	30	585	454	371
St Leonards	630	125	30	530	412	336
Chatswood	615	120	30	510	396	323
Parramatta	560	110	25	500	388	317
Rhodes	450	105	30	385	299	244
South Sydney	460	90	30	380	295	241
Macquarie Park	420	95	25	390	303	247
Sydney Olympic Park	415	95	30	350	272	222

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

KEY LEASING TRANSACTIONS H2 2020

PROPERTY	MARKET	TENANT	SQM	LEASE TYPE
73 Miller Street	North Sydney	TTW	1,712	Direct
100 Pacific Hwy	North Sydney	Seek	1,273	Direct
20 Bridge St	Pymble	MiniTankers	1,068	Renewal
78 Waterloo Rd, Mac Park	Mac Park	VIMG	1,000	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	MARKET	MAJOR TENANTS	SQM	COMPLETION DATE
32 Smith Street	Parramatta	QBE	26,400	Q1 2021
6 & 8 Parramatta Square	Parramatta	NSW Govt, Link, Westpac	124,000	Q4 2021 & Q2 2022
6 Hassel Street	Parramatta	WSU	27,440	Q3 2021
88 Walker Street	North Sydney		11,739	Q2 2022
MQX4	Macquarie Park		17,000	Q4 2022

Source: Cushman & Wakefield Research

JOHN SEARS

Head of Research, Australia & New Zealand
+61 (0)466 387 016 / john.sears@cushwake.com

cushmanwakefield.com

A CUSHMAN & 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 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.