

**\$910** Prime Gross Effective Rents (per sqm p.a)

**-15.5%** YoY Prime Gross Effective Rent growth

**\$690** B-Grade Gross Effective Rents (per sqm p.a)

## ECONOMIC INDICATORS To Q4 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 December 2020 indicate the Australian economy returned to growth in H2, rising 3.3% in Q3 and 3.1% in Q4 after a 7.3% decline in Q2. Real state final demand in New South Wales (NSW) also bounced strongly, rising 6.8% in Q3 and 2.9% in Q4 after declining 8.5% 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 4.4% over calendar 2021 with annual growth to average 2.7% over the following three years. Over the past 10 years, NSW GSP annual growth has averaged 2.4%.

## SUPPLY AND DEMAND

Around 125,000 square metre (sqm) of new and refurbished space is anticipated to come online in the Sydney CBD over 2021. Pending pre-commitment, the potential exists for over 1,000,000 sqm of supply to enter the CBD market over the next five years. Notable premium grade towers currently underway include Wynyard Place (68,000 sqm with 80% pre-committed) due for completion in mid 2021, Salesforce Tower (54,000 sqm with 50% pre-committed) and Quay Quarter Tower (88,000 sqm with 87% pre-committed) are due to complete in 2022.

According to the Property Council of Australia, vacancy rates in the CBD increased sharply across all grades– with total market availability increasing from 5.6% to 8.6% in the six-month period to January 2021. Sub-lease availability tracked by Cushman & Wakefield contracted slightly over the quarter, with around 150,000 sqm of space estimated to be available in the CBD. Despite the rise in vacant space, leasing activity improved in Q1 as transactions delayed by the pandemic in 2020 were progressed, while some tenants brought their timetable forward to take advantage of a more tenant friendly conditions.

## RENTS

Leasing activity picked up in Q1 2021, however, the relatively high level of vacancy continued to put upward pressure on rentincentives. The average incentive rising from around 32% in Q4 to 33%. While face rents were stable over 2020, lower grade stock is starting to see some downward movement for net face rents, however, higher outgoing are keeping gross face rents steady.

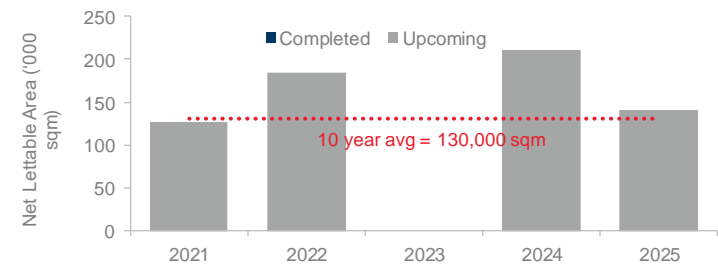
Prime grade gross face rents averaging \$1,355 sqm per annum. Premium and A-Grade gross face rents averaging \$1,485 and \$1,275 respectively. B-grade gross face rents slipped from an average of \$1,035 to \$1,030. Gross incentives ranged from 29% to 37%, generally higher in the lower grades or where lease terms were longer. As a result of the higher incentives, Prime gross effective rents in the Sydney CBD fell 1.9% quarter-on-quarter (QoQ) and are down 15.5% year-on-year (YoY). Rents ranging rom \$670 to \$1,355 sqm pa with the average prime gross effective rent \$910 sqm pa.

## 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 <sup>^</sup> (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	GROSS EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	1,202,382	6.2%	210,000	1,000	760	643
A-Grade	1,934,827	9.7%	50,000	855	650	550
<b>Prime*</b>	<b>3,137,209</b>	<b>8.3%</b>	<b>260,000</b>	<b>915</b>	692	585
B-Grade	1,316,782	8.9%	10,000	690	524	444
<b>SYDNEY CBD TOTAL<sup>^</sup></b>	<b>5,082,117</b>	<b>8.6%</b>	<b>270,000</b>			

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

<sup>^</sup>All-Grades \*As at 01/07/2020

AUD/USD = 0.7600; AUD/EUR = 0.6429 as at 25th March 2021

## KEY LEASING TRANSACTIONS Q1 2021

	SUBMARKET	TENANT	SQM	LEASE TYPE
255 George Street	Core	Bank of Queensland	5,890	Direct
Tower 3, Barangaroo	Walsh Bay	MenuLog	5,045	Sublease
GPT	Core	Goldman Sachs	4,850	Renewal
388 George Street	Core	Corelogic	2,000	Direct

Source: Cushman &amp; Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
183 Clarence Street	Western	Built	7,800	2021 Q1
Wynyard Place, 10 Carrington Street	Core	NAB, Allianz, Moelis	68,808	2021 Q1
Salesforce Tower, 180 George Street	Core	Salesforce	54,000	2022 Q2
Quay Quarter Tower, 50 Bridge Street	Core	AMP, Deloitte, Corrs	88,274	2022 Q2

Source: Cushman &amp; Wakefield Research

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