

\$890 Prime Gross Effective Rents (per sqm p.a)

-9.7% YoY Prime Gross Effective Rent growth

\$680 B-Grade Gross Effective Rents (per sqm p.a)

ECONOMIC INDICATORS To Q1 2021

	Q420	Q1 21	12-Mo. Forecast
GDP Growth (National)*	-2.4%	-2.4%	▲
State Final Demand Growth (NSW)*	-3.4%	-2.8%	▲
Unemployment (NSW)†	6.3%	5.5%	▼

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

ECONOMIC OVERVIEW

New South Wales and Australia continue to bounce back from the 2020 COVID-19 induced recession. Data to March 2021 indicate after a 7.2% decline in Q2 2020, the Australian economy returned to growth in H2 2020, rising 3.4% in Q3, 3.2% in Q4 and 1.8% in Q1 21. Real state final demand in New South Wales (NSW), after declining 8.5% in Q2 2020, also bounced strongly, rising 6.8% in Q3, 2.8% in Q4 and 1.5% in Q1 21. Assuming the pandemic is contained, 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 5.2% 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 250,000 square metre (sqm) of new and refurbished space is anticipated to come online in the Sydney CBD over 2021. This includes the newly constructed 10 Carrington or Wynyard Place (68,808 sqm) as well as over 180,000 in refurbished space. Nearly 150,000 of the space has been pre-committed, including 65,000 sqm at Wynyard Place. Pending pre-commitment, the potential exists for over 1,000,000 sqm of supply to enter the CBD market over the next eight years. In addition to Wynyard Place, notable premium grade towers currently underway include 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.

Australia and New South Wales' economies are bouncing back from 2020's short sharp recession. A range of office tenant demand indicators are turning quite positive including: business conditions, financial markets and employment. Anecdotally, Cushman & Wakefield's office leasing team reports solid enquiry in Q2, however, demand is skewed toward space 500 sqm or less. Larger tenants, in general, continue to reassessing their space needs due to ongoing social distancing requirements and the rise in flexible working, dampening the impact of the improved economy on tenant demand.

RENTS

Leasing activity remained relatively solid Q2 2021, however, elevated vacancy continues to put upward pressure on rent incentives. The average incentive rising from around 33% in Q1 to 34%. Face rents were remained stable.

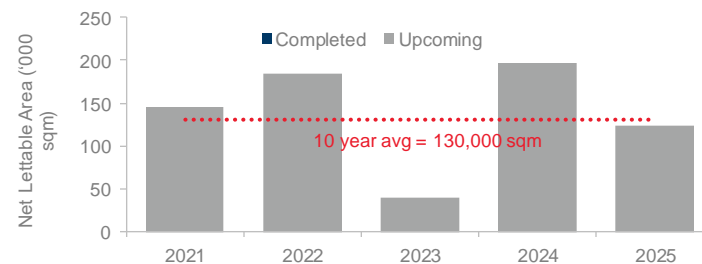
Prime grade gross face rents averaging \$1,355 sqm per annum. Premium, A-Grade and B-Grade gross face rents averaging \$1,485, \$1,275 and \$1,030 respectively. Gross incentives ranged from 29% to 39%, generally higher in the lower grades or where lease terms were longer. As a result of the higher incentives, Prime gross effective rents in the Sydney CBD fell 2.0% quarter-on-quarter (QoQ) and are down 9.7% year-on-year (YoY). Prime gross effective rents ranging from \$670 to \$1,065 sqm pa with an average of \$890 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 [^] (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	GROSS EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	1,202,382	6.2%	211,00	980	740	620
A-Grade	1,934,827	9.7%	17,000	835	630	530
Prime*	3,137,209	8.3%	228,000	890	670	565
B-Grade	1,316,782	8.9%		680	515	430
SYDNEY CBD TOTAL[^]	5,082,117	8.6%	228,000			

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

[^]All-Grades - As at January 2021. Source: Property Council of Australia and Cushman & Wakefield.

AUD/USD = 0.7545; AUD/EUR = 0.66326 as at 24th June 2021

KEY LEASING TRANSACTIONS Q2 2021

	SUBMARKET	TENANT	SQM	LEASE TYPE
161 Castlereagh Street	Core	Healius	2,910	Direct
10 Carrington Street	Core	Moelis Australia	3,295	Direct
2 Market Street	Core	CyberCX	3,267	Direct
25 Martin Place	Core	RBC	1,858	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
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
Poly Centre, 210 George Street	Core		16,567	2022 Q2

Source: Cushman & Wakefield Research

JOHN SEARS

Head of Research, Australia & New Zealand

+61 (0)466 387 016 / john.sears@cushwake.com

cushmanwakefield.com

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