

\$885 Prime Gross Effective Rents (per sqm p.a)

-6.4% YoY Prime Gross Effective Rent growth

\$670 B-Grade Gross Effective Rents (per sqm p.a)

ECONOMIC INDICATORS To Q2 2021



*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. Although, as the recovery carries on the sequential growth impulse has faded slightly, with data to June 2021 showing the national economy expanding at 1.9% in Q1 and 0.7% in Q2 after increasing at more than 3% in both Q3 and Q4 2020. Real state final demand in New South Wales (NSW) remains positive, increasing 1.9% in Q1 and 2.2% in Q2. During the early stages of the most recent lockdown, Deloitte Access Economics (DAE) forecast real gross state product (GSP) to increase 5.4% over calendar year 2021. Given the ongoing lockdowns, it is likely that some of this growth will be pushed back into 2022. However, should the rate of vaccination allow for restrictions to be eased as expected, DAE's forecasted 13.1% expansion in NSW GSP between 2020-2024 should not be significantly affected.

SUPPLY AND DEMAND

Slightly more than 150,000 square metre (sqm) of new and refurbished space is anticipated to come online in the Sydney CBD over 2021. This includes the newly constructed Wynyard Place (68,808 sqm) as well as over 80,000 in refurbished space. 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.

Prior to the latest lockdown, a range of office tenant demand indicators are turning positive including: business conditions, financial markets and employment. Although there has been some fluctuations, these have remained more-or-less stable. Anecdotally, Cushman & Wakefield's office leasing team reports solid enquiry in Q3, though some larger tenants 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

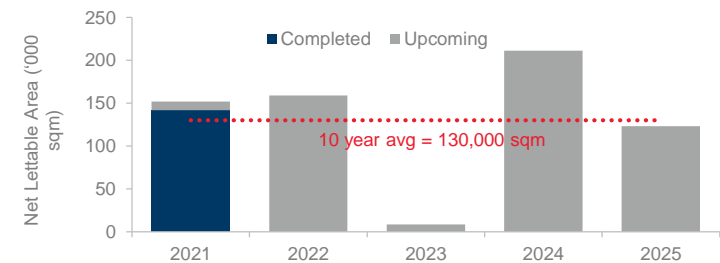
Leasing activity remained relatively solid Q3 2021, however, elevated vacancy continues to put upward pressure on incentives. The average Prime grade incentive rising from around 34% in Q2 to 35%, while face rents remained stable. Prime grade gross face rents are averaging \$1,355 sqm per annum. Premium, A grade and B grade gross face rents averaging \$1,495, \$1,275 and \$1,030 respectively. Across the grades gross incentives ranged from 30% 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 0.8% quarter-on-quarter (QoQ) and are down 6.4% year-on-year (YoY). Prime gross effective rents ranging from \$745 to \$1,000 sqm pa with an average of \$885 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	1,270,203	5.5%	142,000	980	715	610
A-Grade	1,914,535	11.3%	25,000	830	605	520
Prime*	3,184,738	9.0%	167,000	885	645	550
B-Grade	1,342,405	9.4%	10,000	670	490	420
SYDNEY CBD TOTAL[^]	5,082,117	9.2%	177,000			

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

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

AUD/USD = 0.7310; AUD/EUR = 0.6248 as at 29th September 2021

KEY LEASING TRANSACTIONS Q3 2021

	SUBMARKET	TENANT	SQM	LEASE TYPE
55 Market Street	Midtown	Tyro Payments	6,267	Direct
347 Kent Street	Western	Athena Home Loans	1,826	Direct
225 George Street	Core	Attorney Generals Department	1,865	Sublease
388 George Street	Core	The Commons	3,975	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
Salesforce Tower, 180 George Street	Core	Salesforce	54,000	2022 Q3
Quay Quarter Tower, 50 Bridge Street	Core	AMP, Deloitte, Corrs	88,274	2022 Q2
Poly Centre, 210 George Street	Core		16,567	2022 Q2
32-36 York Street	Midtown		8,342	2023 Q1

Source: Cushman & Wakefield Research

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