

\$885 Prime Gross Effective Rents (sqm pa)

-4.7% YoY Prime Gross Effective Rent growth

\$670 B-grade Gross Effective Rents (sqm pa)

ECONOMIC INDICATORS To Q3 2021

	Q2 21	Q3 21	12-Mo. Forecast
GDP Growth (National)*	1.6%	3.5%	▲
State Final Demand Growth (NSW)*	3.2%	4.1%	▲
Unemployment (NSW)†	5.1%	4.6%	▼

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

ECONOMIC OVERVIEW

The COVID-19 induced lockdowns across New South Wales, Victoria and the Australian Capital Territory interrupted the recovery from the 2020 recession, with data to September 2021 showing that the national economy contracted 1.9% in Q3 after expanding 0.7% in Q2 and 1.8% in Q1. Real state final demand in New South Wales (NSW) declined 5.5% on a sequential basis, though remains 1.4% higher than where it was in September 2020. The NSW economy is expected to bounce back in 2022; Deloitte Access Economics (DAE) forecast real gross state product (GSP) to increase 8.8% over the calendar year. Although the Omicron variant has increased the downside risk to this forecast in the short-term, barring further economic restrictions growth may be pushed back into the second half of 2022.

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 2022. This includes the newly constructed Wynyard Place (68,808sqm) as well as over 80,000 in refurbished space. Pending pre-commitment, the potential exists for over 1,000,000sqm 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 (54,000sqm with 50% pre-committed) and Quay Quarter Tower (88,000sqm with 87% pre-committed) are due to complete in 2022.

Following to the latest lockdown, a range of office tenant demand indicators including financial markets and employment are turning positive. Business confidence was positive following lockdown but more recently has been tempered by the spread of the Omicron variant. Anecdotally, Cushman & Wakefield's office leasing team reports solid enquiry in Q4, 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

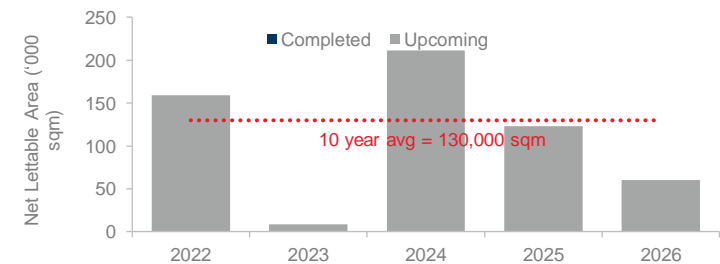
Leasing activity remained solid and rents generally stable in Q4 2021. The average Prime grade incentive remains at 35% and gross face rents continue to average \$1,355/sqm per annum (pa). Premium, A-grade and B-grade gross face rents averaging \$1,495, \$1,280 and \$1,030 respectively. Across the grades gross incentives ranged from 30% to 39%, generally higher in the lower grades or where lease terms were longer. As a result of the stable market, Prime gross effective rents in the Sydney CBD were unchanged, ranging from \$760 to \$1,000/sqm pa with an average, though are still down 4.7% year-on-year (YoY).

PRIME GROSS EFFECTIVE RENT, OVERALL VACANCY (6 MONTHLY)



Source: PCA; Cushman & Wakefield Research

SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REFRURBS



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	705	615
A-grade	1,914,535	11.3%	73,000	830	600	525
Prime*	3,184,738	9.0%	215,000	885	635	555
B-grade	1,342,405	9.4%	0	670	480	420
SYDNEY CBD TOTAL[^]	5,082,117	9.2%	215,000			

* 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 = 0.7195; AUD/EUR = 0.631 as at 18th January 2022

KEY LEASING TRANSACTIONS Q4 2021

	SUBMARKET	TENANT	SQM	LEASE TYPE
570 George Streets	Midtown	College of Law Ltd	5,438	Direct
255 George Street	Core	Australian Tax Office	13,077	Direct
180 George Street	Core	The Executive Centre	2,121	Direct
180 George Street	Core	Jones lang LaSalle Pty Ltd	3,532	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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