

# METRO SYDNEY

Office Q4 2021

**0.2%** Average QoQ increase in gross face metro rents

**32%** Average metro A-grade incentives

**635k sqm** In potential projects over the next five years

## ECONOMIC INDICATORS To Q3 2021



\*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

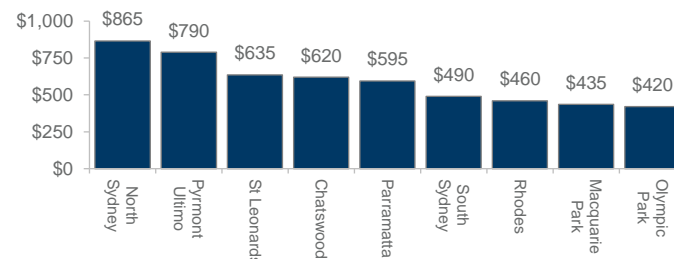
After more than 300,000 square metres (sqm) of new office space hit Sydney metropolitan office markets during 2020 and more than 200,000sqm during 2021, only 120,000sqm of new supply is set to hit the market over the next 24 months. The MQX4 development in Macquarie Park (net lettable area of 17,000sqm) is the next major metro project set to be completed, expected in Q4 of 2022. New supply is expected to pick up thereafter, rising to 145,000sqm in 2024 and nearly 340,000sqm in 2025.

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

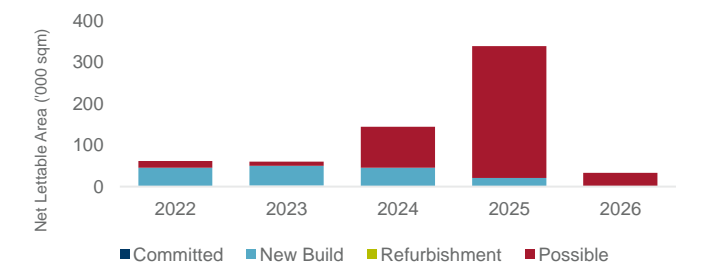
Rental conditions in Sydney office markets have stabilized to a degree after a period of weakness caused by the COVID-19 pandemic. Incentives remain elevated and continue to drift higher across most sub-markets. Tighter conditions are beginning to emerge in some pockets of the market, such as North Sydney Prime. Average face rents were more-or-less unchanged during the second half of 2021. The result is that net effective rents remain subdued; on average across Sydney metro markets net effective rents were down 2.1% in Q4 on a year-on-year (YoY) basis, though this decline has begun to slow.

## A-GRADE METRO NET FACE RENTS (AVERAGE)



Source: Cushman & Wakefield Research

## METRO SYDNEY SUPPLY PIPELINE



Source: Cushman & Wakefield Research; PCA

## MARKET STATISTICS

MARKET	A-GRADE (AVERAGE)			GROSS EFFECTIVE RENT (A-GRADE)		
	NET FACE RENT (A\$)	OUTGOINGS (A\$)	GROSS INCENTIVES	A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Sydney CBD	1065	215	34	830	600	525
North Sydney	855	140	33	675	485	425
Pyrmont Ultimo	790	150	30	655	470	415
St Leonards	635	125	33	510	365	320
Chatswood	620	120	33	495	355	315
Parramatta	595	110	35	520	375	325
Rhodes	460	105	35	400	290	255
South Sydney	490	90	30	445	320	280
Macquarie Park	435	100	30	390	280	245
Sydney Olympic Park	420	95	32	365	260	230

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

## KEY LEASING TRANSACTIONS H1 2021

PROPERTY	MARKET	TENANT	SQM	LEASE TYPE
73 Miller Street	North Sydney	Aurecon	4,513	Direct
821 Pacific Hwy	Chatswood	Dell EMC	5,200	Direct
78 Waterloo Road	Macquarie Park	Till Payments	2,00	Direct
20 Bridge Street	Pymble	SG Fleet	3,700	Renewal
5 Rider Blvd	Rhodes	Suez Water	950	Direct
6 Hassall Street	Parramatta	Pepper	1,533	Direct

Source: Cushman &amp; Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	MARKET	MAJOR TENANTS	SQM	COMPLETION DATE
M Park Building A	Macquarie Park		16,000	Q4 2022
MQX4	Macquarie Park		17,000	Q4 2022
88 Walker Street	North Sydney		11,739	Q4 2022
2-4 Blue Street	North Sydney		15,000	Q2 2023
85 Macquarie Street	Parramatta		10,000	Q4 2023

Source: Cushman &amp; Wakefield Research

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