

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

-2.7% YoY Prime Gross Effective Rent growth

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

ECONOMIC INDICATORS To Q4 2021

	Q3 21	Q4 21	12-Mo. Forecast
GDP Growth (National)*	3.5%	4.8%	▼
State Final Demand Growth (NSW)*	4.1%	5.3%	▲
Unemployment (NSW)†	4.6%	4.0%	▼

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

ECONOMIC OVERVIEW

The economy of New South Wales (NSW) has gradually reopened following the Omicron-induced 'shadow lockdowns' that straddled Q4 of 2021 and Q1 of 2022. Data to December 2021 shows that the national economy expanded 3.4% in Q4 after contracting 1.9% in Q3. Despite lockdowns in several of the eastern capitals throughout 2021, GDP grew 4.2% over the calendar year. Real state final demand in NSW increased 5.1% on a sequential basis in Q4 of 2021, though still has not fully recovered after a 6.5% contraction in Q3 when much of the state was in lockdown. The NSW economy is expected to bounce back in 2022 with Deloitte Access Economics (DAE) forecasting a 5.2% expansion in real gross state product over the calendar year. The flooding in NSW and Queensland (QLD) may dampen this forecast slightly, while inflationary pressures, in particular supply chain distortions and disruptions from the war in Ukraine, add some downside risk to this forecast.

SUPPLY AND DEMAND

More than 210,000 square metres (sqm) of new and refurbished space is anticipated to come online in the Sydney CBD over 2022, 65% of which is pre-committed. The bulk of this supply is expected to be completed in Q2 and Q3, most notably Salesforce Tower (NLA 54,000 sqm, 76% pre-committed) and Quay Quarter Tower (88,000 sqm, 91% pre-committed). Pending pre-commitment, the potential exists for nearly 1,300,000 sqm of supply to enter the CBD market between 2022-2028. Notable developments include 55 Hunter Street (65,000 sqm, 92% pre-committed), expected to come online in Q1 2024 and 56 Pitt Street (120,000 sqm) which has the potential to be completed in Q4 of 2027.

Concerns surrounding inflation as well as the flooding in parts of NSW and QLD have moderated consumer confidence in Q1 to a degree, though business confidence remains robust. Anecdotally, Cushman & Wakefield's office leasing team reports solid enquiry in Q1, though some larger tenants continue to reassessing their space needs due to ongoing social distancing requirements and the rise in flexible working.

RENTS

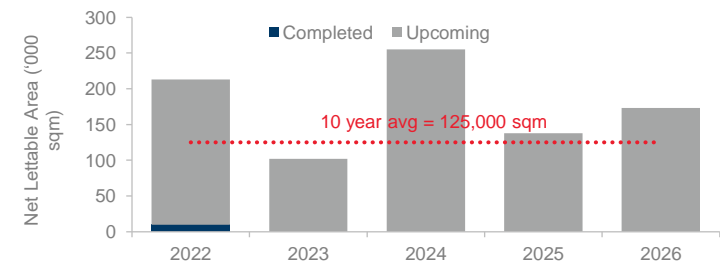
Leasing activity remained solid and rents generally stable in Q1 2022. The average Prime grade incentive remains at 35% and gross face rents continue to average \$1,355 sqm per annum (pa). Premium, A-grade and B-grade gross face rents averaging \$1,495, \$1,280 and \$1,030 respectively. Across the grades 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 of \$885, and have levelled off on a sequential basis after substantial falls in 2020 and 2021.

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	4.9%	170,000	980	735	665
A-grade	1,914,535	10.8%	149,000	830	625	565
Prime*	3,184,738	8.4%	319,000	885	660	600
B-grade	1,375,960	11.3%	0	670	500	455
SYDNEY CBD TOTAL[^]	5,162,626	9.3%	319,000			

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

[^]All-Grades - As at January 2022. Source: Property Council of Australia and Cushman & Wakefield.

AUD/USD = 0.7482; AUD/EUR = 0.681 as at 29 March 2022

KEY LEASING TRANSACTIONS Q1 2022

	SUBMARKET	TENANT	SQM	LEASE TYPE
2 Market Street	Western	The Smith Family	1,976	Direct
180 George Street	Core	Tourism Australia	1,848	Direct
20 Martin Place	Core	HDI Global	1,620	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	Transurban	16,567	2022 Q3
39 Martin Place	Core		30,000	2023 Q2

Source: Cushman & Wakefield Research

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