

BRISBANE FRINGE

Office Q2 2022

\$500 A-grade Gross Face Rents (sqm pa) – South Brisbane

0.6% YoY A-grade Gross Face Rent growth – Fortitude Valley

44.0% A-grade Gross Incentives – Fortitude Valley

ECONOMIC INDICATORS Q1 2022

Q4 21 Q1 22 12-Mo. Forecast

GDP Growth (National)* **4.9%** **5.4%** ▼

State Final Demand Growth (QLD)* **6.1%** **6.7%** ▼

Unemployment (QLD)† **4.6%** **4.0%** —

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

ECONOMIC OVERVIEW

The Queensland (QLD) economy has continued to recover despite significant weather events across parts of the state and the Omicron-induced spike in infections in late 2021 and early 2022. Data to March 2022 shows that the national economy expanded a further 0.8% in Q1 of 2022 after the robust 3.4% expansion during Q4 of 2021. Despite lockdowns in several of the eastern capitals throughout 2021, GDP grew 4.2% over the calendar year. Real state final demand in QLD increased 1.7% in Q3 of 2021, before stalling and recording no growth in Q4. The QLD economy is expected to continue its strong growth through H2 2022, with Deloitte Access Economics (DAE) forecasting a 3.4% expansion in real final demand over the calendar year, following growth of 4.8% in 2021. There are some downside risks to this forecast, the ongoing war in Ukraine, inflationary pressures, low consumer confidence and the potential of more extreme weather events.

SUPPLY AND DEMAND

Planned supply additions in the Brisbane Fringe market continue to be muted as they have been over the past two years. Developers continue to delay decisions on construction as a result of the uncertainty created by the pandemic and inflationary and cost pressures. Recent completions include the Jubilee Project in Fortitude Valley (18,200sqm) and MOBO in South Brisbane (17,800sqm). 24,000sqm at 152 Wharf Street is to be delivered in October 2022, with the next projects expected to reach completion being in May 2023, 895 Ann Street (22,200sqm) and 31 Duncan Street (19,700sqm). Demand for Fringe office space is expected to be elevated over the next ten years, with DAE forecasting an additional 4,000 workers per annum.

RENTS

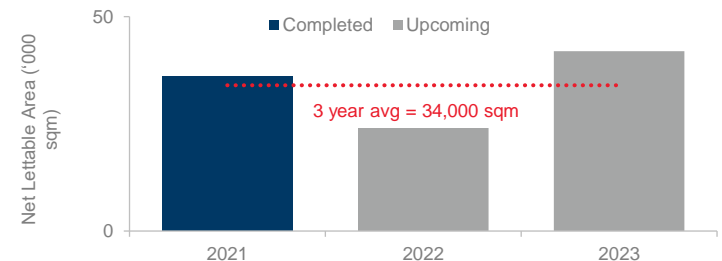
A-grade Gross face rents remained stable in all the Fringe markets in H2 2021. Gross face rents in Fortitude Valley average \$630 per square meter per annum (sqm pa). In South Brisbane they average \$620sqm pa, and in the Inner West \$525sqm pa. Like gross face rents, gross incentives remained stable in the back end of 2021, averaging 44% in Fortitude Valley, 43% in South Brisbane and 48% in South Brisbane. With strong employment growth forecast in the fringe markets and a recovering Queensland economy, it is expected that there will be continued upward pressure on face rents in H2 2022.

A-GRADE FRINGE GROSS FACE RENTS



Source: Cushman & Wakefield Research

BRISBANE FRINGE SUPPLY PIPELINE



Source: Cushman & Wakefield Research; PCA

MARKET STATISTICS

MARKET	A-GRADE			GROSS EFFECTIVE RENT (A-GRADE)		
	GROSS FACE RENT (A\$)	OUTGOINGS (A\$)	GROSS INCENTIVES	A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Brisbane CBD	705	130	42%	410	295	260
Fortitude Valley	630	120	44%	355	255	225
South Brisbane	620	120	43%	355	255	225
Inner West	525	120	48%	270	195	170

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

KEY LEASING TRANSACTIONS Q1 & Q2 2022

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
470 St Pauls Terrace	Urban Renewal	Robert Bird Group	1,535	Direct
470 St Pauls Terrace	Urban Renewal	ThomsonAdsett	750	Direct
88 Leichardt Street	Spring Hill	Australian Industry Trade College	1,540	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
895 Ann Street	Urban Renewal		22,200	May 2023
31 Duncan Street	Urban Renewal	Urban Utilities	19,700	May 2023

Source: Cushman & Wakefield Research

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