

\$905 Prime Gross Effective Rents (per sqm p.a)

2.1% YoY Prime Gross Effective Rent growth

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

ECONOMIC INDICATORS To Q1 2022



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

ECONOMIC OVERVIEW

The economy of New South Wales (NSW) has remained firmly on a recovery footing despite the Omicron-induced 'shadow lockdowns' and inclement weather of 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. Real state final demand in NSW increased by a seasonally adjusted 1.2% in Q1 of 2022 after expanding 7% in Q4 of 2021. The expansion at both the state and national levels has largely been driven by household spending, which is likely to be less robust moving forward as inflation increases cost of living pressures. Household savings, which remain high by historic standards, may cushion this to an extent, though the outlook for the NSW economy has moderated in recent months. Deloitte Access Economics (DAE) have revised their forecast for real gross state product over calendar 2022 from 5.2% in January to 4.6% in April.

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. More than half of this supply (NLA 132,000 sqm) has been completed by mid-year, including Quay Quarter Tower (88,000 sqm, 91% pre-committed). Salesforce Tower (NLA 54,000 sqm, 76% pre-committed), the other notable new CBD development in 2022, is scheduled to be completed in Q3. Further afield, 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 pushed consumer confidence to the lowest levels since 2020, though business confidence and conditions remain rooted in expansionary territory. Anecdotally, Cushman & Wakefield's office leasing team reports that tenants are seeking high quality fit-outs in core locations as hiring and staff retention remain in focus in a historically tight labour market.

RENTS

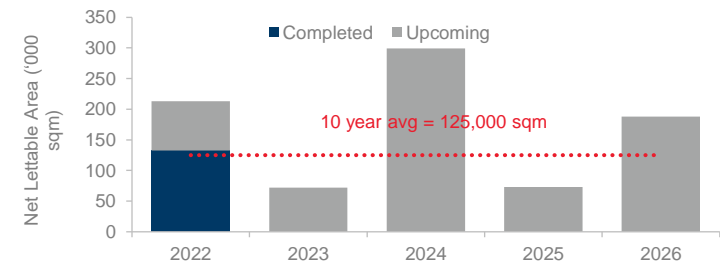
Leasing activity remained solid and incentives generally stable in Q2 2022 as the average Prime grade incentive remains at 35%. A flight to quality has seen some uplift in face rents in high quality buildings in core locations, and as a result Prime grade gross face rents have increased 1.3% on the quarter to average \$1,385 sqm per annum (pa). Premium, A-grade and B-grade gross face rents averaging \$1,510, \$1,300 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. Prime gross effective rents in the Sydney CBD also saw some sequential uplift, ranging from \$780 to \$1,010 sqm pa with an average of \$905.

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	4.9%	170,000	990	685	650
A-grade	1,914,535	10.8%	149,000	850	590	560
Prime*	3,184,738	8.4%	319,000	905	625	595
B-grade	1,375,960	11.3%	0	670	465	440
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 = 0.6928; AUD/EUR = 0.6554 as at 28 June 2022 Source: RBA

KEY LEASING TRANSACTIONS Q2 2022

	SUBMARKET	TENANT	SQM	LEASE TYPE
388 George Street	Core	The Commons	3,975	Direct
11 Young Street	Core	Slalom	1,504	Tenant Rep
20 Martin Place	Core	HDI Global	1,620	Tenant Rep
50 Bridge Street	Core	JWS	3,700	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
39 Martin Place	Core		30,000	2023 Q2
Poly Centre, 210 George Street	Core	Transurban	16,567	2022 Q3
55 Hunter Street	Core		65,000	2024 Q1

Source: Cushman & Wakefield Research

SEAN ELLISON

Research Manager, New South Wales

+61 (0) 481 093 806 / sean.ellison@cushwake.com

JOHN SEARS

Head of Research, Australia & New Zealand

+61 (0) 466 387 016 / john.sears@cushwake.com

[cushmanwakefield.com](https://www.cushmanwakefield.com)

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.