

0.4% Average YoY increase in gross face metro rents

32% Average metro A-grade incentives

555k sqm In potential projects over the next five years

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

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 18,000sqm) 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.

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

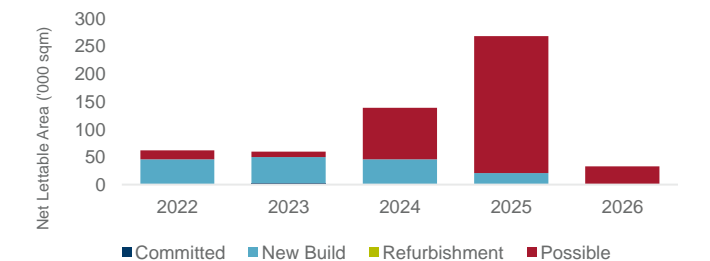
Rental conditions in Sydney office markets have entered a period of stabilization after a period of weakness caused by the COVID-19 pandemic. Incentives remain elevated but remained broadly unchanged in the first half of 2022. Average face rents have been more-or-less unchanged since the second half of 2021. Although net effective rents remain below pre-COVID levels, on average across Sydney metro markets A-grade net effective rents were up 0.4% in Q2 on a year-on-year (YoY) basis, though B-grade net effective rents were down 0.7% on average. The deal pipeline for North Sydney Prime appears particularly robust for the second half of 2022, though the availability of sublease space may limit any uplift in the near term.

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	1090	215	35%	850	590	560
North Sydney	865	140	33%	675	470	440
Pyrmont Ultimo	800	150	30%	660	460	435
St Leonards	630	125	33%	505	350	330
Chatswood	620	120	33%	495	345	325
Parramatta	595	115	29%	500	345	325
Rhodes	460	105	29%	400	275	260
South Sydney	490	85	25%	445	445	305
Macquarie Park	435	100	27%	390	270	255
Sydney Olympic Park	420	95	35%	335	230	220

AUD/USD = 0.6928; AUD/EUR = 0.6554 as at 28 June 2022 Source: RBA

KEY LEASING TRANSACTIONS H1 2022

PROPERTY	MARKET	TENANT	SQM	LEASE TYPE
100 Arthur Street	North Sydney	Rhipe	1,300	Direct
821 Pacific Hwy	Chatswood	Asuria	1,070	Direct
78 Waterloo Road	Macquarie Park	Play AGS	818	Direct
60 Station Street	Parramatta	Gamuda	2,646	Direct
3 Rider Blvd	Rhodes	University Admission Index (UAI)	1,500	Direct

Source: Cushman & 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 & Wakefield Research

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