

**\$925** Prime Gross Effective Rents (per sqm p.a)

**4.8%** YoY Prime Gross Effective Rent growth

**\$675** B-grade Gross Effective Rents (per sqm p.a)

## ECONOMIC INDICATORS To Q2 2022



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

## ECONOMIC OVERVIEW

After weathering the COVID-19 induced recession of 2020 as well as the subsequent waves of the virus and inclement weather in 2021 and early 2022, the Australian economy was poised for recovery. This has been tempered to a degree as inflationary pressures have pushed forward interest rate rises and lowered the outlook for growth. Despite this, the economy is still expected to expand at an above-average rate in 2022. Deloitte Access Economics (DAE) is predicting that Australia's real GDP will increase 3.4% in 2022 and 2.5% in 2023, in line with the 2010-2019 average annual growth of 2.6%. This also follows a 4.8% expansion in 2021. DAE forecast that New South Wales (NSW) gross state product (GSP) will increase 3.7% in 2022 and 2.7% in 2023, both above the annual average growth rate in the decade prior to the pandemic (2010-2019) of 2.5%.

## SUPPLY AND DEMAND

More than 205,000 square metres (sqm) of new and refurbished space has come online in the Sydney CBD over the course of 2022, all of which has been completed by the end of the third quarter. Roughly 70% of this space is pre-committed. Salesforce Tower (NLA 54,000 sqm, 76% pre-committed) was the notable development in the third quarter, following the prior completion of Quay Quarter Tower (88,000 sqm, 91% pre-committed) in the second quarter. Moving forward, supply is expected to be limited in 2023 (71,000 sqm, all refurbished) before a surge in 2024 (357,000 sqm), headlined by 1 Elizabeth Street (72,500 sqm, 83% pre-committed).

Concerns surrounding inflation and the subsequent rapid escalation of interest rates 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

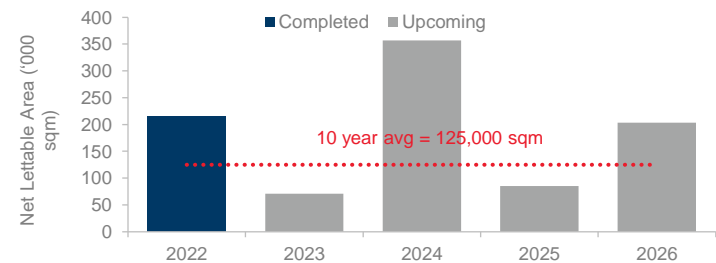
Leasing activity was more subdued in Q3 2022 as tenants appeared to delay decisions amid heightened economic uncertainty. Nevertheless, average Prime face rents did increase by 1.7% on the quarter as a result of quality uplift to average \$1,410 sqm per annum (pa). This was driven both by the completion of new Premium buildings such as QQT that increased the weighting of Premium properties relative to A-grade in Sydney's CBD, as well as freshly renovated A-grade buildings with high quality fit outs. Premium, A-grade and B-grade gross face rents averaging \$1,525, \$1,325 and \$1,035 respectively. However, incentives remain elevated with gross incentives ranging from 30% to 39% across the grades and are generally higher in the lower grades or where lease terms were longer. This limits prime gross effective rental growth, which range from \$810 to \$1,020 sqm pa in the Sydney CBD with an average of \$925.

## PRIME GROSS EFFECTIVE RENT, OVERALL VACANCY (6 MONTHLY)



Source: PCA; Cushman & Wakefield Research

## SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REURBS



Source: PCA; Cushman & Wakefield Research

## MARKET STATISTICS

SUBMARKET	INVENTORY <sup>^</sup> (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	GROSS EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	1,357,404	8.6%	305,000	1005	665	680
A-grade	1,924,958	11.6%	291,000	870	575	585
<b>Prime*</b>	<b>3,184,738</b>	<b>10.3%</b>	<b>596,000</b>	<b>925</b>	<b>610</b>	<b>625</b>
B-grade	1,349,578	10.6%	0	675	445	455
<b>SYDNEY CBD TOTAL<sup>^</sup></b>	<b>5,233,868</b>	<b>10.1%</b>	<b>596,000</b>			

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

<sup>^</sup>All-Grades - As at January 2022. Source: Property Council of Australia and Cushman & Wakefield.

AUD/USD = 0.6624; AUD/EUR = 0.6739 as at 23 September 2022 Source: RBA

## KEY LEASING TRANSACTIONS Q3 2022

	SUBMARKET	TENANT	SQM	LEASE TYPE
39 Martin Place	Core	Ashurst	9,800	Direct
50 Bridge Street	Core	Dexus	7,083	Direct

Source: Cushman & Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
39 Martin Place	Core		30,000	2024 Q1
1 Elizabeth Street	Core		72,500	2024 Q1
Parkline Metro North	Midtown		47,839	2024 Q1
201 Elizabeth Street	Midtown		15,975	2024 Q1

Source: Cushman & Wakefield Research

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