

BRISBANE FRINGE

Office Q4 2022

\$540 A-grade Gross Face Rents (sqm pa) – Inner West

1.7% YoY A-grade Gross Face Rent growth – Fortitude Valley

43.0% A-grade Gross Incentives – South Brisbane

ECONOMIC INDICATORS Q3 2022

Q221 Q322 12-Mo. Forecast

GDP Growth (National)* **3.7%** **4.1%** ▼

State Final Demand Growth (QLD)* **5.0%** **4.2%** ▼

Unemployment (QLD)† **4.0%** **3.7%** ▲

*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 have expanded at an above-average rate in 2022. Deloitte Access Economics (DAE) is predicting that Australia’s real GDP increased 3.9% in 2022 before slowing to 2.0% in 2023 as the impact of higher interest rates begin to materialize in the data. DAE forecast that Queensland (Qld) gross state product (GSP) increased 2.6% in 2022, now inline with the annual average growth rate in the decade prior to the pandemic (2010-2019) of 2.4%. GSP growth is expected to grow in 2023 to 2.7% before slowing slightly in 2024 to around 2.0%.

SUPPLY AND DEMAND

Planned supply additions in the Brisbane Fringe market remain muted. Developers continue to delay decisions on construction as a result of recent inflationary and cost pressures, which are expected to continue over the near term. Recent completions include the Jubilee Project in Fortitude Valley (18,200sqm) and MOBO in South Brisbane (17,800sqm). 24,000sqm at 152 Wharf Street was delivered in late 2022. 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, or roughly 40,000sqm per annum.

RENTS

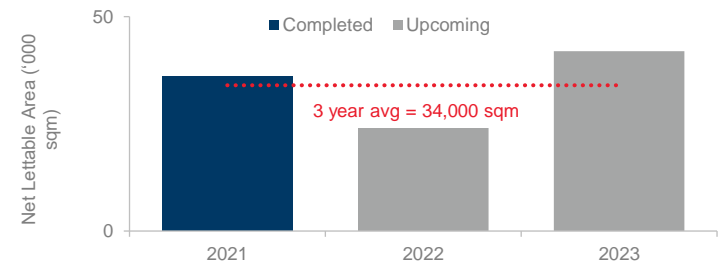
A-grade Gross face rents remained stable in all the Fringe markets across 2021 and Q1 2022, before increasing through the final 3 quarters of 2022. Gross face rents in Fortitude Valley average \$640 per square meter per annum (sqm pa). In South Brisbane they average \$625sqm pa, and in the Inner West \$540sqm pa. Gross incentives across the fringe have remained stable for the last year and a half, with Fortitude Valley averaging 44%, 43% in South Brisbane and 48% in South Brisbane. With strong employment growth forecast in the fringe markets and strong Queensland economy, it is expected that there will be continued upward pressure on face rents in H1 2023.

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	745	130	43%	425	300	275
Fortitude Valley	640	120	44%	360	250	230
South Brisbane	625	120	43%	355	250	230
Inner West	540	120	48%	280	195	180

AUD/USD = 0.6988; AUD/EUR = 0.6439 as at 18 January 2023

KEY LEASING TRANSACTIONS Q3 & Q4 2022

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
15 Green Square Close	Fortitude Valley	Ampol	680	Direct
56 Edmondstone Road	Bowen Hills	Agpal	2,005	Direct
342 Upper Roma Street	Inner West	Sisters in the City	107	Direct
27 Mayneview Street	Inner West	Labour Search	111	Direct
490 Upper Roma Street	Spring Hill	Palliative Care QLD	117	Direct
269 Wickham Street	Fortitude Valley	Million Brown Education College	237	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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