

METRO MELBOURNE

Office Q4 2022

\$500 A-grade net face rent (sqm pa)
St Kilda Rd

36% Net Incentives – St Kilda Rd

21.5% A-grade Vacancy – St Kilda Rd

ECONOMIC INDICATORS Q3 2022

| | Q2 22 | Q3 22 | 12-Mo. Forecast |
|----------------------------------|-------|-------|--------------------|
| GDP Growth (National)* | 3.7% | 4.1% | ▼ |
| State Final Demand Growth (VIC)* | 7.1% | 6.6% | ▼ |
| Unemployment (VIC)† | 3.5% | 3.3% | ▲ |

*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 for 2022. Deloitte Access Economics (DAE) is predicting that Australia’s real GDP will have increased 3.4% in 2022, a further 2.5% in 2023, in line with the 2010-2019 average annual growth of 2.6%.

Despite the robust rebound in GSP for Victoria in the 2021 calendar year of 6.9%, DAE expects a return to a more modest, but still strong, forecast of GSP in the calendar years of 2022 and 2023 of 4.5% and 2.2%, respectively.

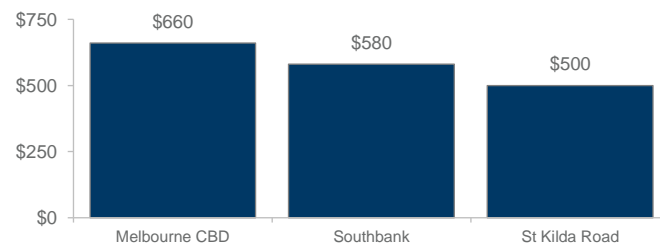
SUPPLY AND DEMAND

On the back of strong demand for inner suburban office accommodation, particularly where incorporating flexible coworking space, 2020 and 2021 saw comparatively high metropolitan office project completions, delivering 126,000 square metres (sqm) and 171,000sqm to the market, respectively. As uncertainty grew around the impacts of COVID-19 on the absorption of office accommodation however, the short to longer term pipeline has been disrupted, with many of the bigger projects requiring precommitment, being shelved. Nevertheless, several projects completed in 2022 delivering almost 90,000sqm of new space to the fringe office market with a further 75,000sqm likely to be delivered in 2023. Australia Posts new HQ at 480 Swan Street Richmond is expected in 2024. As development sites in Cremorne and Richmond become scarce, the fringe markets of Collingwood and Abbotsford are continuing to deliver opportunities.

RENTS

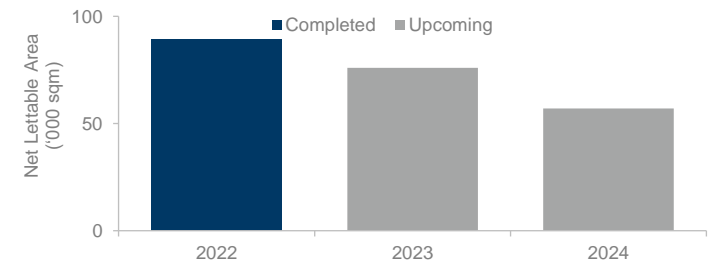
Despite the uncertainty in recent years across the CBD market, metro market net face rents have remained relatively stable, with some upward pressures given the quality of new supply entering the market. Upward movement in net incentives had resulted in retreating net effective rents, but they too appear to have stabilised. Southbank recorded stable rents year-on-year (YoY) to be at \$350sqm pa net effective. For St Kilda Road it is a similar story with net effective rents stable this year on the back of some improvement in face rents last year, now at \$319sqm pa. It is expected that incentive increases have now run their course, helping to stabilise net effective rents across Metro Melbourne.

A-GRADE NET FACE RENTS



Source: Cushman & Wakefield Research

METRO MELBOURNE SUPPLY PIPELINE



Source: Cushman & Wakefield Research; Property Council of Australia

MARKET STATISTICS

| MARKET | NET FACE RENT | | | | NET EFFECTIVE RENT | |
|-------------------------------|---------------------|-----------------|----------------|------------|--------------------|------------|
| | NET FACE RENT (A\$) | OUTGOINGS (A\$) | NET INCENTIVES | A\$/SQM/YR | US\$/SQM/YR | EUR/SQM/YR |
| Melbourne CBD | 660 | 175 | 40% | 395 | 275 | 260 |
| Southbank A-grade | 580 | 175 | 40% | 350 | 245 | 225 |
| St Kilda Road A-grade | 500 | 155 | 36% | 320 | 200 | 185 |
| St Kilda Road Secondary-grade | 400 | 170 | 39% | 245 | 170 | 155 |

AUD/USD = 0.6973; AUD/EUR = 0.6441 as at 18 January 2023 Source: RBA

KEY LEASING TRANSACTIONS

| PROPERTY | SUBMARKET | TENANT | LEASE SQM | LEASE TYPE |
|----------------------|----------------|-------------------------|-----------|------------|
| 167 Cremorne Street | Cremorne | Ventia | 6,004 | Sublease |
| 200 Victoria Parade | East Melbourne | Centre for Eye Research | 2,139 | Direct |
| 40 River Boulevard | Richmond | Swatch | 2,004 | Direct |
| 459 Church Street | Richmond | Endeavour Drinks | 1,874 | Direct |
| 54 Wellington Parade | Collingwood | Launch Housing | 1,536 | Direct |
| 54 Wellington Parade | Collingwood | Expressions Australia | 1,190 | Direct |

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS JUST COMPLETED/UNDER CONSTRUCTION

| PROPERTY | SUBMARKET | MAJOR TENANTS | BUILDING NLA | COMPLETION DATE |
|----------------------|-------------|----------------|--------------|-----------------|
| 71 Langridge Street | Collingwood | n/a | 5,400 | 2023 |
| 36 Wellington Street | Collingwood | n/a | 18,200 | 2023 |
| 480 Swan Street | Richmond | Australia Post | 32,000 | 2024 |

Source: Cushman & Wakefield Research

GLENN LAMPARD

VIC Research Manager

+61 419 008 742

glenn.lampard@cushwake.com

JOHN SEARS

Head of Research, Australia & New Zealand

+61 466 387 016

john.sears@cushwake.com

cushmanwakefield.com

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