

BRISBANE CBD

Office Q1 2023

\$485 Prime Gross Effective Rents (sqm pa)

10.2% YoY Premium Gross Effective Rent growth

\$360 B-grade Gross Effective Rents (sqm pa)

ECONOMIC OVERVIEW

Global inflationary pressures that persisted throughout 2022 have pushed forward interest rate rises and tempered expectations for a rapid recovery for the Australian economy. Although a more hawkish monetary policy stance is expected to reduce the pace of expansion in the Australian economy for 2023 and 2024, growth is forecast to remain positive in both years. Deloitte Access Economics (DAE) is predicting that Australia's real GDP increased at an above-trend 3.6% in 2022 before slowing to 1.7% in 2023 and 1.6% in 2024 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

The 45,000 sqm development at 205 North Quay has been full committed and is currently under construction with delivery expected in 2024. 360 Queen is expected to be completed in H1 2025, and currently has circa 60% pre-committed, with BDO taking 9,000 sqm, HopgoodGanim Lawyers 6,300 sqm and QIC and Freehills recently committing. Following a contraction in office demand in 2020, DAE forecasts that the Brisbane CBD will see an additional 25,000 new office employees over the next decade, requiring roughly 250,000 sqm of office floorspace. Currently there is around 90,000 sqm under construction, with no new supply to be added in 2023. Dexus's Waterfront Brisbane is nearing construction start, with completion expected 2027.

RENTS

Cushman & Wakefield agents have noted that a lack of supply and surging inflation has pushed an increase gross face across all grades in Q1 2023 in the Brisbane CBD, with Premium grade up 2.1% over the quarter to average \$985 sqm pa. A-grade gross face rents are up 3.6% over the quarter to average \$775 sqm pa, while B-grade was up 3.9% over the quarter to average \$660 sqm pa. Gross incentives have remained stable across the CBD in Q1 2023 after increasing in Q3 2022. Premium incentives are averaging 39.5% and A-grade is at 43.0%. B-grade incentives are currently averaging 45.0%. With limited supply coming to market over the next 3 years it is expected that tightening vacancy will continue to place upward pressure on rents.

ECONOMIC INDICATORS Q4 2022

Q3 22 Q4 22 12-Mo. Forecast

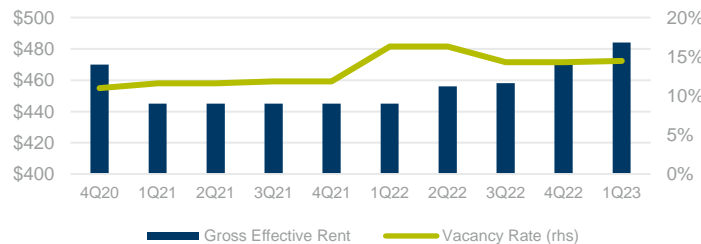
GDP Growth (National)* **4.1%** **3.7%** ▼

State Final Demand Growth (QLD)* **4.2%** **3.7%** ▼

Unemployment (QLD)† **3.8%** **3.8%** ▲

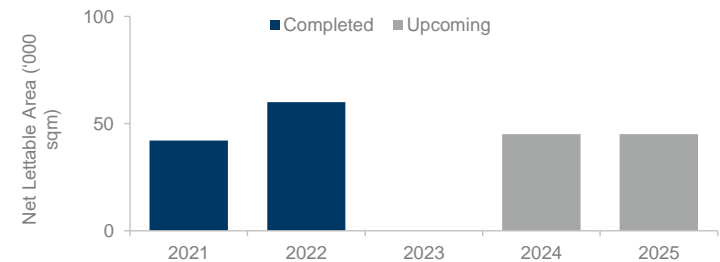
*Average annual growth rate, †Seasonally adjusted
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

PRIME GROSS EFFECTIVE RENT & VACANCY (6 MONTHLY)



Source: PCA; Cushman & Wakefield Research

SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REFURBS



Source: Cushman & Wakefield Research; PCA

MARKET STATISTICS

SUBMARKET	INVENTORY* (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	GROSS EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	395,275	5.9%		595	395	370
A-grade	957,656	17.9%		440	295	270
Prime *	1,385,391	14.4%	88,700	485	320	300
B-grade	721,553	9.5%		360	240	225
BRISBANE CBD TOTAL^	2,323,988	12.9%				

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

^All-Grades - As at March 2023. Source: Property Council of Australia and Cushman & Wakefield.

AUD/USD = 0.665; AUD/EUR = 0.6176 as at 28 March 2023 Source: RBA

KEY LEASING TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
266 George Street	CBD	BCC	33,000	Renewal

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SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
80 Ann Street	CBD	Suncorp	60,000	Completed
205 North Quay	CBD	Services Australia	43,700	2024
360 Queen Street	CBD	BDO	45,000	Q2 2025

Source: Cushman & Wakefield Research