

BRISBANE FRINGE

Office Q2 2023

\$660 A-grade Gross Face Rents (sqm pa) – Fortitude Valley

9.4% YoY A-grade Gross Face Rent growth – Inner West

43.0% A-grade Gross Incentives – South Brisbane

ECONOMIC INDICATORS Q1 2023

Q4 22 Q1 23 12-Mo. Forecast

GDP Growth (National)* **3.7%** **3.5%** ▼

State Final Demand Growth (QLD)* **3.7%** **3.0%** ▼

Unemployment (QLD)† **3.8%** **3.9%** ▲

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

ECONOMIC OVERVIEW

Global inflationary pressures that persisted throughout 2022 have continued into 2023, which is expected to weigh on GDP growth this year. Deloitte Access Economics (DAE) forecasts Australian real GDP growth to slow from 3.7% in 2022 to 1.5% in 2023 and 1.2% in 2024. In part, this is a result of slower growth in consumption: DAE forecasts real household consumption growth to slow from 6.5% in 2022 to 1% in 2023 and 0.6% in 2024 as higher interest rates begin to impact household budgets. DAE records Queensland (Qld) gross state product (GSP) increased 2.1% in 2022, in line with long term pre-covid averages. Qld GSP growth is forecast modestly at 0.9% in 2023 and 1.5% in 2024, before reverting to growth in line with long-term averages of 2% to 2.5% per annum.

SUPPLY AND DEMAND

With the completion of 151 Wharf Street in Spring Hill in Q4 2022 and 31 Duncan street in Q1 2023, the Brisbane Fringe market saw 44,000 sqm of new stock come online. Both spaces were mostly precommitted, Wharf street being the new ATO HQ (17,000 of 20,000 sqm) and 31 Duncan street being 70% committed from assorted tenants. This leaves limited space for uptake during a period of continued strong tenant demand. The refurbishment of 447 Upper Edward Street also saw 1,140 sqm of boutique office space come back online in Q1. Only one new development is under construction, being 895 Ann street in Fortitude Valley. This development will bring nearly 25,000 sqm of A-grade office space to the market. 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 a requirement of roughly 40,000sqm per annum.

RENTS

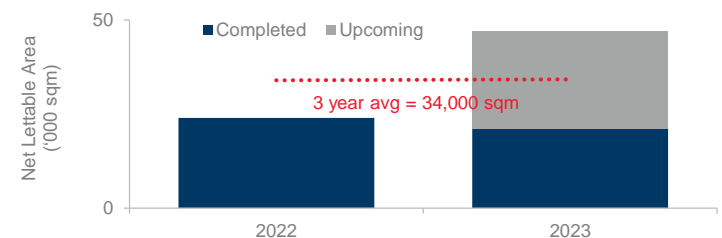
A-grade gross face rents had continuous stability over 2022 and have seen a return to growth in H1 2023. Face rents have seen an average annual growth of 5.7% since Q1 2023. Gross face rents in Fortitude Valley average \$660 per square meter per annum (sqm pa), South Brisbane is at \$645sqm pa and the Inner West is \$570sqm pa. Gross incentives across the fringe have remained stable for the last two years, with Fortitude Valley averaging 44%, 43% in South Brisbane and 48% in the Inner West. With fringe vacancy tightening by 90 bps in the 12 months to January 2023, a strong fringe employment forecast and limited supply in the pipeline, is expected to place further downward pressure on vacancy and upward pressure on face rents..

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	785	170	43%	445	300	275
Fortitude Valley	660	120	44%	370	250	230
South Brisbane	645	120	43%	365	250	225
Inner West	570	120	48%	295	200	185

AUD/USD = 0.6765; AUD/EUR = 0.6158 as at 22 June 2023

KEY LEASING TRANSACTIONS Q1 & Q2 2023

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
88 Tribune Street	Inner South	Adecco	3,144	Direct
825 Ann Street	Fortitude Valley	Clough	3,296	Direct
25 King Street	Fortitude Valley	Lendlease Services	2,545	Direct
540 Wickham Street	Fortitude Valley	People Incorporated	2,887	Direct
900 Ann Street	Fortitude Valley	Suncable	1,831	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
895 Ann Street	Urban Renewal	TBC	22,200	2024

Source: Cushman & Wakefield Research

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