

METRO SYDNEY

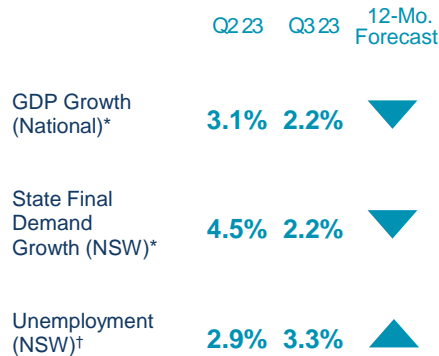
Office Q4 2023

1.5% Average YoY increase in A-grade gross face metro rents

39% Average metro A-grade net incentives

665k sqm In potential projects over the next five years

ECONOMIC INDICATORS To Q3 2023



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

ECONOMIC OVERVIEW

The Australian economy remained resilient throughout 2023 despite multiple interest rate rises and persistent inflationary pressures. Oxford Economics forecasts Australian real GDP to have increased 1.4% over calendar 2023. Although growth continues to slow, Oxford Economics predicts that it will remain positive throughout 2024 before rebounding through 2025. New South Wales gross state product is expected to have increased 2% over the course of 2023, slowing from 3% in 2022. Oxford Economics forecasts gross state product to increase just 0.2% over the course of calendar 2024 before rebounding to 3.2% in 2025 and 3.4% in 2026.

SUPPLY AND DEMAND

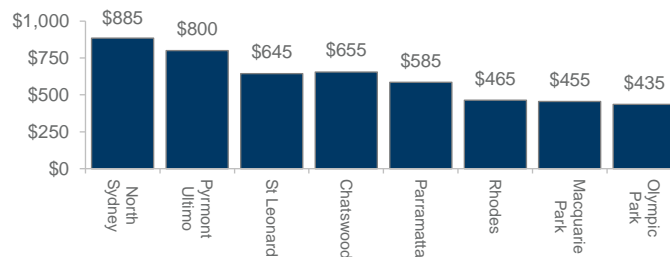
After circa 100,000 sqm of new and refurbished office space hit Sydney metro markets in 2022, above-average levels of supply continued into 2023. Over the year, circa 145,000 sqm of office space came online, with a further 67,000 sqm scheduled to come online in 2024. Supply in the second half of the year was headlined by 88 Walker Street in North Sydney (12,500 sqm, 18% pre-committed) and 16,500 sqm at 558 Pacific Highway in St Leonards. New supply in 2024 is set to be more limited before picking up again in 2025 when circa 145,000 sqm of new and refurbished office space is slated for completion. Further afield, an additional 565,000 sqm of office space is scheduled to be completed between 2026-2030, however, a substantial portion of this new supply will need to hit precommitment targets before construction can begin.

RENTS

Face rents have been fairly stable across Sydney metro markets over the past 12 months. Tenant demand has softened somewhat against the background of heightened economic uncertainty and a tight labour market limiting hiring. However, this is further driving a flight to quality as tenants increasingly focus on employee retention. A-grade gross face rents rose 2.6% from a year ago in North Sydney, 3.5% in Chatswood, 4.8% in St Leonards, 5.2% in Macquarie Park and 3.7% in Sydney Olympic Park. Face rents in other precincts were little changed over the past twelve months.

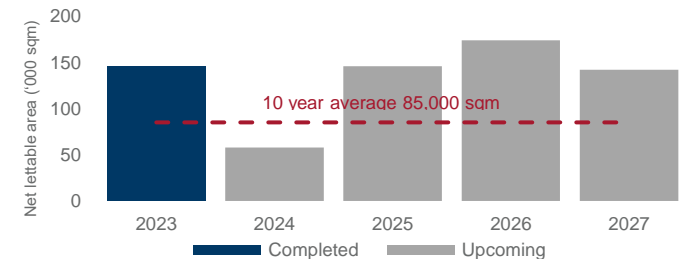
Outgoings have risen quite significantly across most markets as a product of major rises in land tax, insurance and energy prices. Incentives are also creeping up in some markets, with Cushman and Wakefield agents noting this upward movement has more to run in areas like Parramatta. These conditions could subdue rental growth on a net and/or effective basis. Over 2024, we expect this relative stability to continue until more of the development pipeline comes to fruition.

A-GRADE METRO NET FACE RENTS (AVERAGE)



Source: Cushman & Wakefield Research

METRO SYDNEY SUPPLY PIPELINE



Source: Cushman & Wakefield Research; PCA

MARKET STATISTICS

MARKET	A-GRADE (AVERAGE)			GROSS EFFECTIVE RENT (A-GRADE)		
	NET FACE RENT (A\$)	OUTGOINGS (A\$)	GROSS INCENTIVES	A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Sydney CBD	\$1,178	\$208	36%	900	590	540
North Sydney	\$885	\$139	35%	670	440	405
Pyrmont Ultimo	\$803	\$148	30%	625	410	380
St Leonards	\$633	\$127	35%	500	330	300
Chatswood	\$642	\$120	33%	505	330	305
Parramatta	\$596	\$113	31%	515	340	310
Rhodes	\$460	\$103	29%	375	250	230
Macquarie Park	\$450	\$103	27%	405	265	245
Sydney Olympic Park	\$435	\$99	35%	370	240	225

AUD/USD = 0.6579; AUD/EUR = 0.6043 as at 22 January 2024

KEY LEASING TRANSACTIONS H2 2023

PROPERTY	MARKET	TENANT	SQM	LEASE TYPE
6 Hassal Street	Parramatta	Ventia	2,700	Direct
11 Khartoum Road	Macquarie Park	Demant	1,800	Direct
29 Christie Street	St Leonard's	Freemantle Media	1,500	Direct
60 Miller Street	North Sydney	Acciona	1,028	Direct
821 Pacific Highway	Chatswood	Bridgestone Projects	641	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	MARKET	MAJOR TENANTS	SQM	COMPLETION DATE
85 Macquarie Street	Parramatta	CBA	10,000	2024
M Park Building B	Macquarie Park	Johnson & Johnson	15,000	Q2 2025
Victoria Cross Station	North Sydney		65,000	Q2 2025

Source: Cushman & Wakefield Research

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