

# BRISBANE FRINGE

Office Q4 2023

**\$670** A-grade Gross Face Rents (sqm pa) – Fortitude Valley

**11.3%** YoY A-grade Gross Effective Rent growth – Inner West

**43.0%** A-grade Gross Incentives – South Brisbane

## ECONOMIC INDICATORS Q3 2023

Q2 23 Q3 23 12-Mo. Forecast

GDP Growth (National)\* **3.1%** **2.2%** ▼

State Final Demand Growth (QLD)\* **2.8%** **2.4%** ▼

Unemployment (QLD)† **3.6%** **3.9%** ▲

\*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 year 2023. Although growth continues to slow, Oxford Economics predicts that it will remain positive throughout 2024 before rebounding through 2025. Queensland Gross State Product is expected to have increased by 2.8% over the 12 months to Q4 2023, picking up from a 1.4% increase in 2022. Deloitte Access Economics forecasts gross state product to increase 2.2% over the course of calendar year 2024, 2.0% in 2025 and 2.2% in 2026.

## SUPPLY AND DEMAND

2023 saw only 19,700sqm sqm of office space come online from the completion of 31 Duncan Street in Q1. 895 Ann Street was scheduled to be finished in Q2 2023, however, this was delayed to Q2 of 2024. Also in the pipeline is the refurbishment of the 30 Little Cribb Street in Milton completing in Q1 2025. 31 Duncan street is now fully leased, anchored by Urban Utilities with 6,000 sqm, indicating strong demand for prime fringe assets. 895 Ann Street will bring 24,000 sqm of A-grade office space to the fringe, however market speculation indicates that the building has been fully committed to by an undisclosed tenant.

Demand in the fringe is characterised by constrained supply, a strong employment forecast stimulated by continued strong interstate migration and two and a half years of positive net absorption. NIM was 31,000 people in the 12 months to March, in comparison to negative 30,000 and negative 5,500 of New South Wales and Victoria. With 45,573 sqm of net absorption in the year to July 2023, demand for Fringe office space is expected to continue over 2024.

## RENTS

A-grade gross face rents have posted strong growth over 2023. In the 12-months to Q4, A-grade rents saw average growth of 8.7% on a gross effective basis. In Q4, gross face rents were stable in the Valley and South Brisbane but grew 1.9% QoQ in the Inner West. This is largely a result of 30 Little Cribb Street, which is being refurbished and offered for pre-commitments for Q1 2025 and is the largest contiguous space in the fringe garnering 23% QoQ growth. Gross face rents in Fortitude Valley averaged \$670 per square meter per annum (sqm pa) in Q4, South Brisbane is at \$660 sqm pa, and the Inner West is \$585 sqm pa.

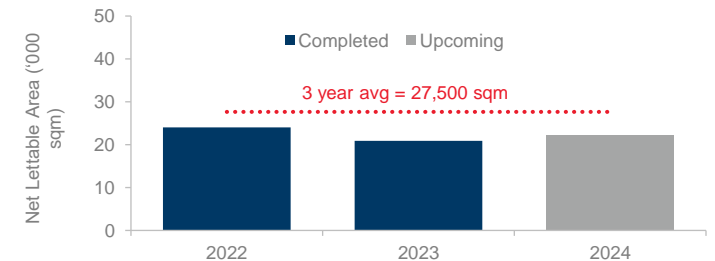
Gross incentives across the fringe have come off slightly, with Fortitude Valley averaging 42%, 43% in South Brisbane and 46.5% in the Inner West, an average softening of 150bps since Q2. Overall, these softening incentives are expected to continue into 2024, with demand expected to continue and supply expected to remain restricted. This should continue to place downward pressure on vacancy in the Fringe, driving face and effective rental growth.

## A-GRADE FRINGE GROSS FACE RENTS



Source: Cushman & Wakefield Research

## BRISBANE FRINGE SUPPLY PIPELINE



Source: Cushman & Wakefield Research; PCA

Office Q4 2023

## 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	825	195	42%	480	315	290
Fortitude Valley	670	145	42%	390	255	235
South Brisbane	660	145	43%	375	245	225
Inner West	585	145	46.5%	310	205	190

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

## KEY LEASING TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
433 Logan Road	Inner South	Queensland Police	7,266	Direct
15 Green Square	Urban Renewal	State Government	4,427	Direct

Source: Cushman &amp; Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

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

Source: Cushman &amp; Wakefield Research

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