

BRISBANE CBD

Office Q1 2024

\$550 Prime Gross Effective Rents (sqm pa)

16.4% YoY Premium-grade Gross Effective Rent growth

\$840 A-grade Gross Face Rents (sqm pa)

ECONOMIC OVERVIEW

The Australian economy enters 2024 on a cautious footing following a period of inflationary pressure and subsequent interest rate increases. Australian real GDP growth slowed to 1.5% over 2023 from 2.3% over 2022. Oxford Economics (OE) forecasts that real GDP will continue to slow through Q2, before recovering to end 2024 up 1.6%; a recovery at least partially predicated by the Reserve Bank of Australia pivoting in the second half of the year and beginning to cut interest rates. OE forecasts Queensland real gross state product to increase 2.9% over 2024, before ticking up to 3.2% in 2025 and 3.6% in 2026.

SUPPLY AND DEMAND

There has been strong demand in the Brisbane CBD, with 12-month net absorption of 16,400 sqm as at January 2024. This figure was made up of -42,300 sqm of Secondary and +58,700 sqm of Prime net absorption. Meanwhile, the CBD hasn't had any major supply contributions for over 18 months, generating a very constrained supply environment while only four major projects are in the pipeline. The first of these will be the A-grade projects at 320 Adelaide Street, re-introducing 19,000 sqm in Q2, and 205 North Quay in Q4 bringing a further 43,700 sqm that is fully committed to by Services Australia. The remaining two developments are 360 Queen Street (45,000 sqm) and Waterfront Brisbane Stage 1 (81,200 sqm), both Premium grade, extensively pre-committed and 2-4 years away from completion.

There will be a 19,000 sqm tranche of space re-entering the A-grade market with the façade refurbishment of 320 Adelaide Street. Available for lease in Q2, the building could present a good opportunity for secondary occupiers to upgrade tenancies. In Q4, Services Australia will be amalgamating at 205 North Quay, vacating over 36,000 sqm across three main CBD tenancies, one third of which are Secondary grade. Given a large component of relocation vacancies created by 2024 developments could be Secondary, the full effect of new supply may not be passed through to the A-grade market. This will continue to place downward pressure on Prime vacancy and increase competition for office space.

RENTS

The Brisbane CBD continues to benefit from strong rental growth in Q1 as limited suitable space options help drive average gross face rental growth of 1.8% over the quarter. In the Premium grade, gross face rents were up 8.4% YoY to average \$1,070 per sqm per annum (sqm pa), A-grade gross face rents were up 8.7% YoY to average \$840 sqm pa as B-grade averaged \$705 sqm pa, a slightly lower 6.6% YoY increase. With outgoings largely stable, this growth is also being passed through to net rents. Tightening Prime vacancy and limited space options helped incentives reduce by circa 4.0% in Q1, with Premium grade now averaging 32%-38%, A-grade 38%-44% and B-grade 40%-45% on a gross basis. This is contributing to strong effective rental growth, notably seeing Prime gross effective rents rise 13.7% YoY. Cushman & Wakefield agents note that market factors will likely place further, downward pressure on incentives which could continue to stimulate effective rents. With the current conditions of tight supply, steady vacancy and strong CBD net absorption, there is an encouraging outlook for the Brisbane CBD leasing environment.

ECONOMIC INDICATORS Q4 2023

Q3 23 Q4 23 12-Mo. Forecast

GDP Growth (National) **2.1%** **1.5%** ▼

State Final Demand Growth (QLD)* **2.5%** **2.4%** ▼

Unemployment (QLD)† **3.9%** **4.2%** ▲

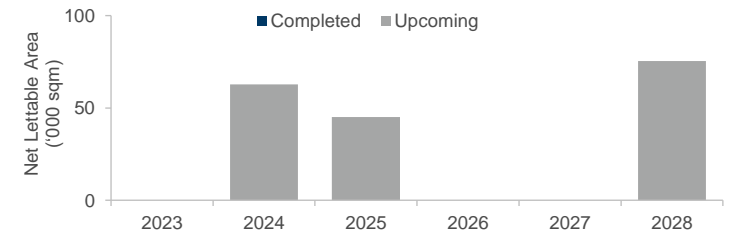
*Average annual growth rate, †Seasonally adjusted
Source: ABS; Oxford Economics; Cushman & Wakefield Research

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	395,257	6.4%	126,157	695	455	420
A-Grade	990,134	11.7%	62,770	495	325	300
Prime *	1,385,391	10.2%	188,927	550	360	330
B-Grade	721,553	14.2%		405	265	245
Brisbane CBD Total^	2,343,569	11.7%	188,927			

*Prime Grade is a combination of Premium and A Grade

^All-Grades - As at February 2024

AUD/USD = 0.6532; AUD/EUR = 0.6035 as at 02 April 2024

RECENT KEY LEASING TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
345 Queen Street	CBD	Allianz	3,328	Direct
300 George Street	CBD	CleanCo	3,316	Direct
300 George Street	CBD	QBE Insurance	1,366	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
205 North Quay	CBD	Services Australia	43,700	Q4 2024
320 Adelaide Street	CBD	-	19,000	Q2 2024
360 Queen Street	CBD	QIC, BDO, HSF, Hopgood Ganim	45,000	Q2 2025
Waterfront Brisbane	CBD	Deloitte, Gadens, Allens, DLA Piper, Minter Ellison	81,200*	2028

Source: Cushman & Wakefield Research

* Includes the additional NLA provided in the submitted plans in the revised DA application in Feb 24, approved NLA is 75,331 sqm

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