

**\$990** Prime Gross Effective Rents (per sqm p.a)

**5.1%** YoY Prime Gross Face Rent growth

**\$725** B-grade Gross Effective Rents (per sqm p.a)

## ECONOMIC INDICATORS To Q4 2023

	Q3 23	Q4 23	12-Mo. Forecast
GDP Growth (National)	2.1%	1.5%	▼
State Final Demand Growth (NSW)*	2.2%	1.8%	▼
Unemployment (NSW)†	3.4%	4.1%	▲

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

## 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 New South Wales real gross state product to increase just 0.2% over 2024, before recovering to grow 3.3% in 2025 and 3.7% in 2026.

## SUPPLY AND DEMAND

The Sydney CBD will see slightly over 280,000 sqm of new developments come online in 2024 with over half expected in H1, most of which will be prime assets. 1 Elizabeth Street headlines this, receiving a full commitment to its 72,000 sqm of Premium space by Macquarie Bank, who will be vacating 4 separate offices across the CBD. Outside of this, 39 Martin Place is finishing in Q2 and Parkline Place in Q4, bringing online 39,000 sqm and 47,850 sqm respectively. Ashurst will be taking circa 10,000 sqm as the anchor tenant of 39 Martin Place while Parkline Place has secured 58.5% pre-commitments from various tenants.

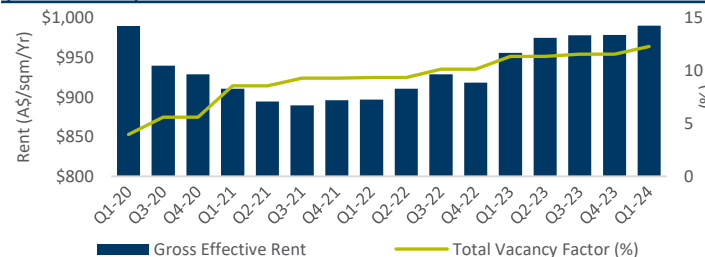
Tenants remain focused on location amid a flight to quality, and as a result remain focused on the city core. Robust Prime absorption in the city core is evidence of this; Prime net absorption in the city core was 29,500 sqm over 2023 while outside of the core Prime absorption was -71,250 sqm in the same period. Absorption in the core has been supported by its outsized portion of Premium CBD towers as tenant demand persists for well-located, quality assets.

## RENTS

Face rents in the Sydney CBD have risen slightly in Q1 2024, specifically in the A-grade with 2.9% quarter on quarter (QoQ) growth. This is largely a product of outgoings rising and increasing demand for fitted-out space, which is seeing landlords push face rents at the cost of slightly higher incentives. This leaves effective rents largely unchanged from Q4 levels. In the Premium grade, Gross face rents were largely unchanged over the quarter, averaging \$1,700 per sqm per annum (sqm pa) while A-grade gross face rents averaged \$1,440 sqm pa and B-grade saw a modest uplift of 1.0% QoQ to average \$1,145 sqm pa.

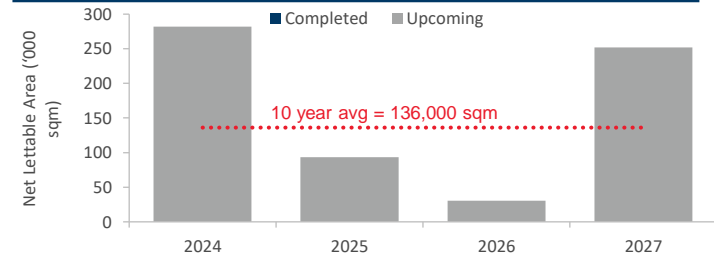
Outgoings have risen over the quarter by 1.8% on average across the grades. This is mostly attributable to inflationary pressures, which have lifted face rents. This face rental uplift is also linked to the increasing number of tenants seeking fit outs. As a result, incentives remain elevated at 36% for Prime and 37% for B-grade properties. Ultimately, these factors have largely cancelled out face rental growth to leave gross effective rents up only 0.5% QoQ on average.

## PRIME GROSS EFFECTIVE RENT, OVERALL VACANCY (6 MONTHLY)



Source: PCA; Cushman & Wakefield Research

## SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REURBS



Source: PCA; Cushman & Wakefield Research

## MARKET STATISTICS

SUBMARKET	INVENTORY* (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	GROSS EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	1,412,611	13.0%	261,871	1,080	705	650
A-Grade	1,934,293	12.2%	70,214	920	600	555
<b>Prime *</b>	<b>3,346,904</b>	<b>12.5%</b>	<b>332,085</b>	<b>990</b>	<b>645</b>	<b>595</b>
B-Grade	1,283,318	12.4%		725	475	435
<b>Sydney CBD Total^</b>	<b>5,219,293</b>	<b>12.2%</b>	<b>332,085</b>			

\*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

## KEY LEASING TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
Grosvenor Place	City Core	Wotton + Kearney Pty Ltd	2,736	Direct
201 Sussex Street DP2	Western Corridor	Metro Finance	1,863	Direct
85 Castlereagh Street	Midtown	Banki Haddock	1,503	Direct

Source: Cushman &amp; Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
1 Elizabeth Street	Core	Macquarie Bank	72,500	2024 Q2
121 Castlereagh Street	Midtown		11,500	2024 Q2/Q3
39 Martin Place	Core	Ashurst	39,000	2024 Q2
Parkline Place	Midtown		47,839	2024 Q4

Source: Cushman &amp; Wakefield Research

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