

BRISBANE FRINGE



Office Q2 2024

ECONOMIC OVERVIEW

The Australian economy has slowed through 2024 amid continued inflationary pressures. Real GDP increased at a modest 0.1% over the first quarter of 2024, a clear indication that the Australian economy is in the midst of a cyclical slowdown. Oxford Economics (OE) forecasts that real GDP will continue to slow through Q2, before recovering in H2 2024, with their first forecast rate cut now pushed back to Q1 2025. OE forecasts Queensland real gross state product to increase 3.1% over 2024 and continue this strength in 2025 and 2026.

SUPPLY AND DEMAND

The only office completion in the Fringe over 2023 was 19,700sqm at 21 Duncan street, with 895 Ann Street reaching practical completion but still undergoing fit out. Finishing in Q3, 895 Ann is fully committed to by an undisclosed tenant that won't create relocation vacancy, leaving only the refurbishment of 30 Little Cribb street as a key contributor to Fringe supply in the next 12 months. 30 Little Cribb Street will bring circa 8,700 sqm of space back online in Q1 2025 and is currently available for pre-commitment.

Demand in the fringe is characterised by constrained supply and a strong employment forecast stimulated by continued strong interstate migration and two and a half years of positive net absorption. Net interstate migration was 33,000 people in the 12 months to September 2023, in comparison to negative 33,200 and negative 1,100 of New South Wales and Victoria. The strong levels of interstate migration have helped push net absorption to 45,830 sqm in the year to January 2024 with such demand for Fringe office space expected to remain for the foreseeable future.

RENTS

A-grade gross face rents in the Brisbane Fringe have recorded solid growth over 2024 to date. In the 12-months to Q2, A-grade rents saw average growth of 8.2% on a gross effective basis. In Q2, gross face rents were stable in the Valley with the inner west recording 1.6% QoQ. South Brisbane posted strong growth of 5.1% QoQ. This is largely a result of major offices on Grey Street catching up with recent advances in other fringe market rents. Gross face rents in Fortitude Valley averaged \$675 per square meter per annum (sqm pa) in Q2, South Brisbane is at \$705 sqm pa, and the Inner West is \$600 sqm pa.

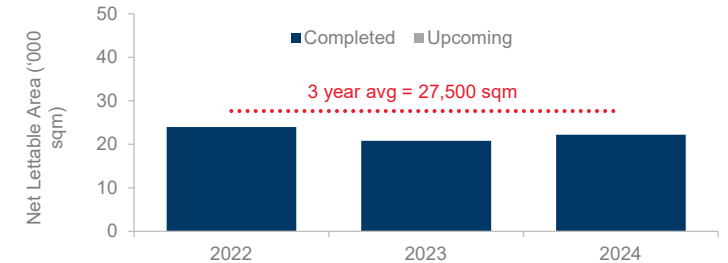
Gross incentives across the fringe have come off slightly, with Fortitude Valley averaging 42.0%, 43.0% in South Brisbane and 46.5% in the Inner West, an average softening of 150bps since Q2 2023. Overall, these softening incentives are expected to continue this year, with demand projected to remain and a lean supply environment expected to persist. 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

\$705 A-grade Gross Face Rents (sqm pa) – South Brisbane

8.0% YoY A-grade Gross Effective Rent growth – Inner West

42.0% A-grade Gross Incentives – Fortitude Valley

ECONOMIC INDICATORS Q1 2024

Q4 23 Q1 24 12-Mo. Forecast

GDP Growth (National)* **2.0%** **1.7%** ▼

State Final Demand Growth (QLD)* **2.9%** **2.9%** ▼

Unemployment (QLD)† **4.3%** **4.1%** ▲

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

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	848	193	40%	515	340	320
Fortitude Valley	675	146	42%	390	260	245
South Brisbane	703	146	43%	400	265	250
Inner West	600	146	47%	320	215	200

AUD/USD = 0.6641; AUD/EUR = 0.6207 as at 24 June2024

KEY LEASING TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
189 Grey Street	Inner South	QIB	1,641	Direct
154 Melbourne street	Inner South	Kent Energy Solutions	1,089	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
30 Little Cribb	Inner West	-	8,700	H1 2025

Source: Cushman & Wakefield Research

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