

## MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
<b>12.0%</b> Vacancy Rate	▼	▼
<b>16,065</b> 6-month Net Absorption, SQM	▲	▲
<b>\$221</b> Prime Net Effective, Sqm pa	▲	▲

## ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
<b>1.0%</b> (National) GDP Growth	▼	▼
<b>1.8%</b> (Queensland) State Final Demand Growth	▼	▲
<b>4.2%</b> (National) Unemployment Rate	▲	▲

Source: ABS

## ECONOMIC OVERVIEW:

The second-quarter GDP release was a key highlight among recent economic updates. It showed real growth slowing, with GDP increasing by 1% in the year to June 2024. Adjusted for population growth, however, per capita GDP declined by 1.5%, indicating weaker economic output per person. This highlights the economy's growing reliance on population growth, as net overseas migration surged to over 70,000 in Q2, contributing significantly to overall economic activity and helping offset productivity challenges.

Forecasts for Queensland's gross state product remain modest for 2024, forecast to increase 2.2% over 2024, before recovering to grow 3.3% in 2025 and 3.1% in 2026.

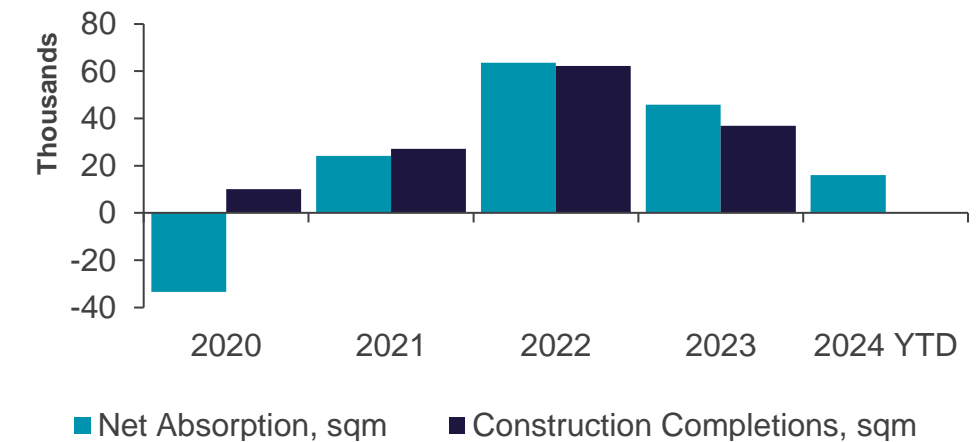
## DEMAND:

Over the past three years, the Brisbane Fringe office market has experienced consistent positive net absorption, driven by expanding demand from the energy and construction sectors, as well as new market entrants. This surge in demand has predominantly targeted the Prime office market, which has absorbed approximately 100,000 sqm of the 134,500 sqm taken up during this period. Cushman & Wakefield agents report a steady trend of tenants relocating from suburban areas, contributing to this sustained demand.

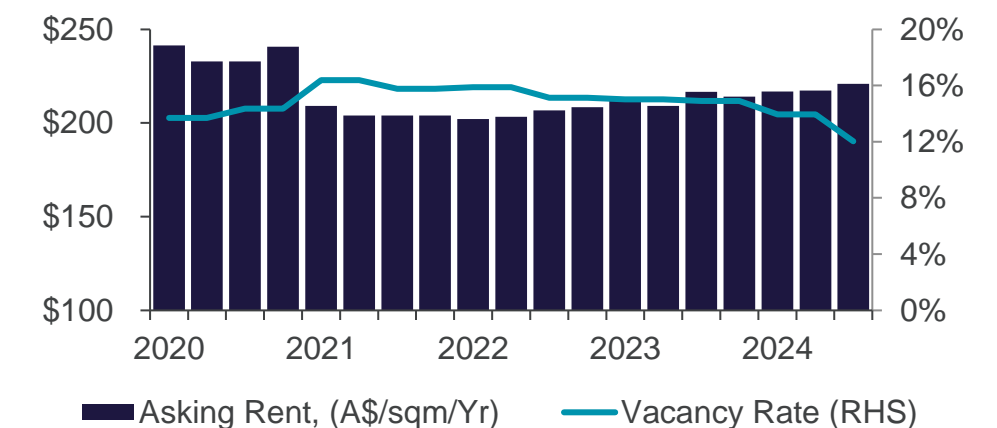
## RENTS:

A-grade gross face rents in the Brisbane Fringe have recorded solid growth over 2024. In the 12-months to Q3, A-grade rents saw average growth of 2.9%. In Q3, gross face rents were recorded across all markets. Fortitude Valley averaged \$685 per square meter per annum (sqm pa), up 2.5% year-on-year (Y-o-Y), south Brisbane increased 2.9% Y-o-Y to average \$675 sqm pa. Growth in the Inner West was slightly more modest at over the quarter, however recent growth has Y-o-Y growth at 3.2%, with rents now averaging \$590 sqm pa. Incentives remained stable across the fringe, recording no increase over Q3 2024, averaging 43% across A-grade in the fringe.

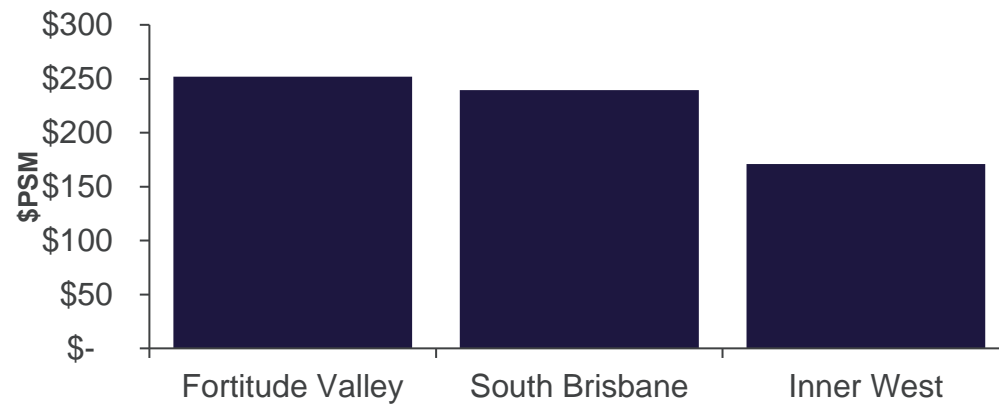
## SPACE DEMAND / DELIVERIES



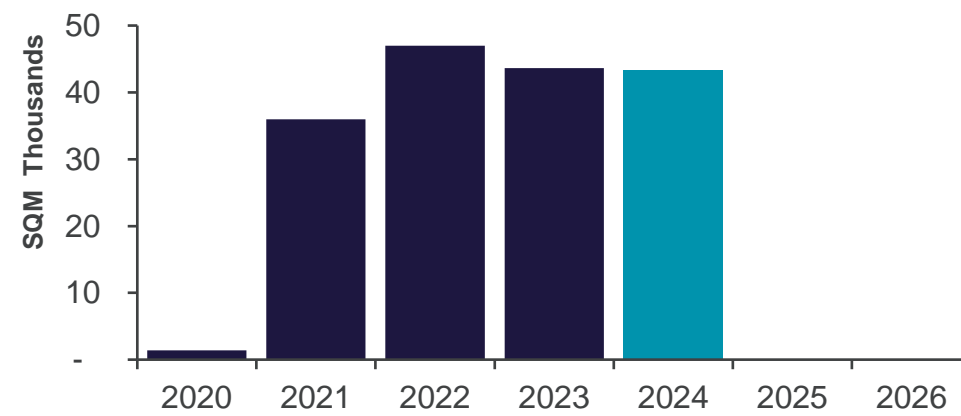
## OVERALL VACANCY & PRIME NET EFFECTIVE RENT



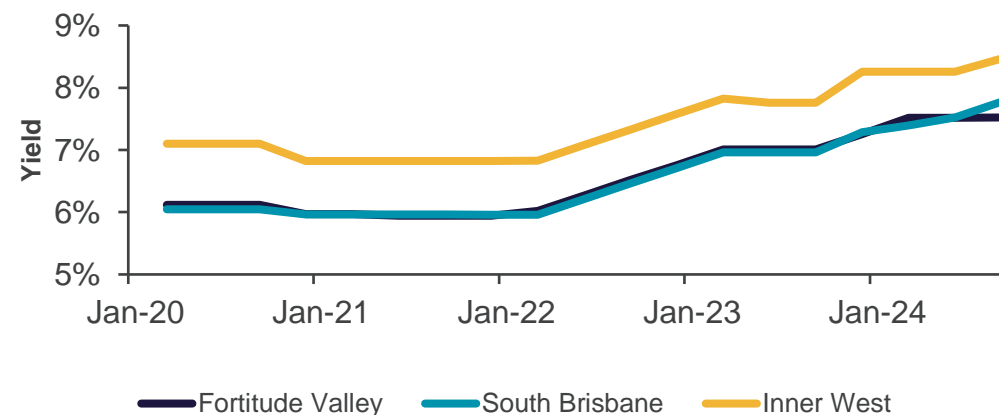
**AVERAGE NET EFFECTIVE RENTS**



**SUPPLY**



**AVERAGE YIELDS**



**VACANCY & SUPPLY:**

In 2023, the only office completions in the Fringe were 19,700 sqm at 31 Duncan Street and 24,800 sqm at 895 Ann Street. The upcoming supply is limited, with the refurbishment of 30 Little Cribb Street being the primary contributor to Fringe stock over the next 12 months. This project will deliver approximately 8,700 sqm of space in Q1 2025 and is currently available for pre-lease.

Fringe vacancy rates have been declining since late 2022, recently dropping from 13.9% to 12.0% in the six months leading up to July 2024. A-grade offices saw the most significant reduction, with vacancy rates falling from 14.1% to 11.3%. Vacancy fell across all fringe precincts as no new supply entered the market while demand continued to rise. Given the lack of upcoming stock, vacancy rates are expected to continue decreasing in the near term.

**YIELDS:**

While the upward adjustments of fringe yields is still occurring, it is slowing and nearing the end of the cycle. With the cash rate considered to have reached its peak, moderate softening is expected through to early 2025 before the RBA pivots and enters a cutting cycle.

Fortitude Valley prime yields have softened 158 basis points since peak to reach 7.53%, while South Brisbane has softened 182 basis points to now average 7.78%. Yields in the Inner West have followed trend, softening 164 basis points to average 8.47%.

**INVESTMENT MARKET:**

Transaction volumes for the Brisbane office market fell during 2023, as did most major markets across Australia and globally. As the ongoing gap between vendor and purchaser expectations continues, with some vendors still defending book values which are slowly adjusting to the changed market and yield expectations.

After a quiet 2023 the first 3 quarters of 2024 have remained subdued with relatively few formal campaigns run for major office assets. Sales which have occurred have been skewed towards private buyers, and frequently in the \$10- 20 million price bracket. Above that bracket, 433 Boundary Street and 555 Coronation Drive have traded at \$41.5 million and \$37.4 million respectively and are the only major sales of note.

**OUTLOOK**

- The outlook for the Brisbane Fringe office market remains positive, with strong rental growth, low vacancy and consistently strong levels of absorption expected over the next 12-months.
- Economic growth is expected to strengthen in Q4 and through 2025, as Gross State Produce reverts to align with longer term averages.
- Rental growth is forecast to continue to increase, and incentives remain stable through the near term.
- No new supply through 2025 and 2026 is expected to exert further downward pressure on vacancy as demand for fringe properties also trends upwards.
- Recent transaction activity suggest that yields are nearing the bottom of the cycle, with some moderate softening to continue before rebounding. We expect transactional activity to pick up through Q4 and H1 2025 as the market continues its growth and the RBA starts the cutting cycle.

MARKET STATISTICS

SUBMARKET	INVENTORY ^ (SQM)	DIRECT VACANT ^ (SQM)	OVERALL VACANCY RATE^	6-MONTH NET-ABSORPTION (SQM)^	UNDER CONSTRUCTION (SQM)	NET FACE RENT (\$ SQM PA)	AVERAGE GROSS INCENTIVES	AVERAGE OUTGOINGS (\$ SQM PA)
Fortitude Valley	586,074	64,416	10.8%	3,895	0	\$540	42%	\$146
South Brisbane	288,818	38,655	13.4%	8,656	0	\$530	43%	\$146
Inner West (Milton)	230,016	34,967	15.2%	2,033	0	\$446	47%	\$146
<b>FRINGE TOTALS~</b>	<b>1,332,867</b>	<b>160,285</b>	<b>12.0%</b>	<b>16,065</b>	<b>0</b>			

\*Rental rates reflect full service asking for A-grade properties

^ Reflects precinct totals for all grades

~ Reflects all grades and all fringe precincts

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
19 Lang Parade	Milton	Otis Elevators	708	Direct

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
447 Upper Edward Street	Spring Hill	Cromwell	1,357	\$9.8

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
30 Little Cribb Street	Milton		8,700	AMP Capital (Sunsuper)

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