

MARKET FUNDAMENTALS

	YOY Chg	Outlook
9.5% Vacancy Rate	▼	▲
26,552 6-month Net Absorption, sqm	▼	▼
\$386 Prime Net Effective, sqm pa	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
0.8% (National) GDP Growth	▲	▲
3.0% (Queensland) State Final Demand Growth	▲	▲
4.1% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW:

Real GDP growth released for Q3 2024 is at 0.3%, with a 0.1% increase from the previous 3 quarters. Productivity growth has slightly weakened, as the trend of GDP per hour worked declining and unit labour costs rising continues through Q4 and contributes to inflationary pressure. As a result, the RBA has held the cash rate at 4.3% to ease heightened underlying inflation. Net overseas migration has reached historic highs through mid-year, helping offset these productivity challenges through stimulating economic activity. Forecasts for Queensland's gross state product remained modest through 2024 showing a 1.7% YoY increase. 2025 is expected to lift slightly and increase to 1.8%, before significant growth is expected through 2026, forecasted to pick up by 3.3%.

DEMAND:

Strong demand in the Brisbane CBD has continued through Q4 2024, specifically for premium and A-grade space. Positive net absorption in the past three years, specifically into prime grade assets, reveals ongoing flight to quality. This strong positive net absorption reflects the CBD's strong market growth and post-pandemic recovery, which has led almost all other office markets across the country. In contrast, lower grade buildings are experiencing lower levels of demand, with some tenants trading up for higher quality assets. Continued strong demand and positive absorption is expected to continue through H1 2025.

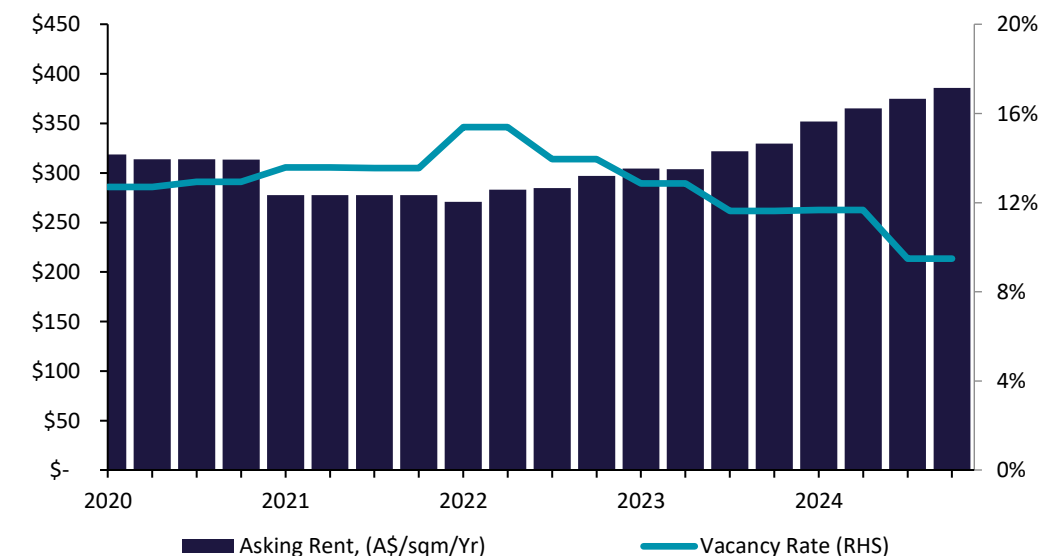
RENTS:

The Brisbane CBD office market showed steady rental growth across 2024 in all grades. With no new supply added over the past few years and heightened demand, vacancy continues to tighten, placing upward pressure on rents in all grades. Prime net effective rents are averaging \$386 per sqm per annum (sqm pa), marking a 17% Y-o-Y increase. Incentive levels remain elevated but dropping slightly to 38%. For secondary assets, net effective rents recorded a 19.7% Y-o-Y increase, now averaging at \$255 sqm pa, with average incentives falling from 44% to 40% since last year. Both prime and secondary have seen slight rises in outgoings Y-o-Y, with prime now averaging \$211 sqm pa and secondary averaging at \$189 sqm pa.

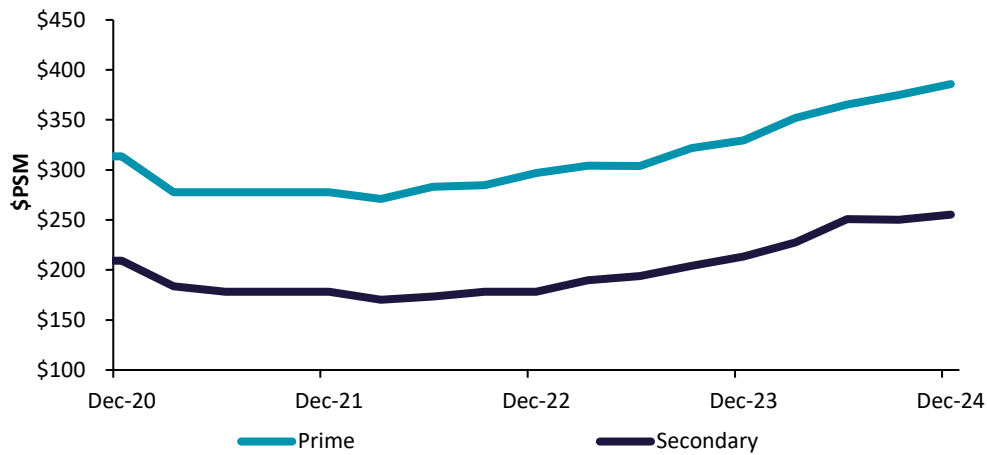
SPACE DEMAND / DELIVERIES



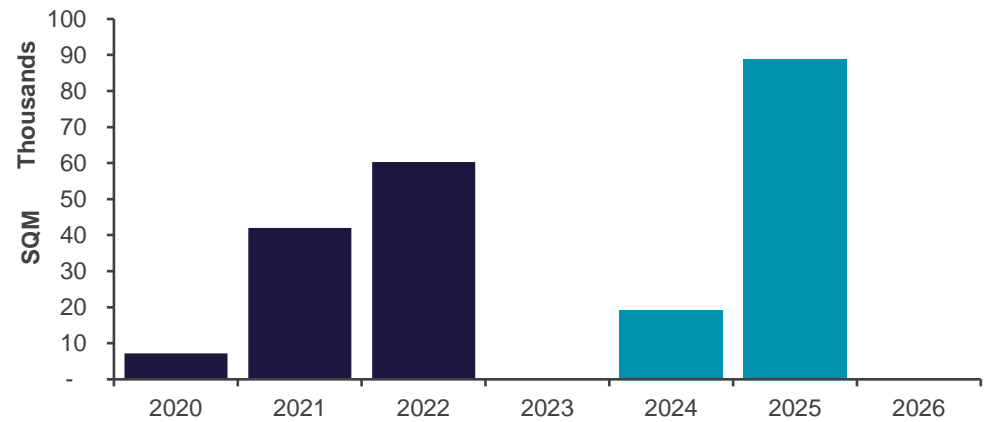
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



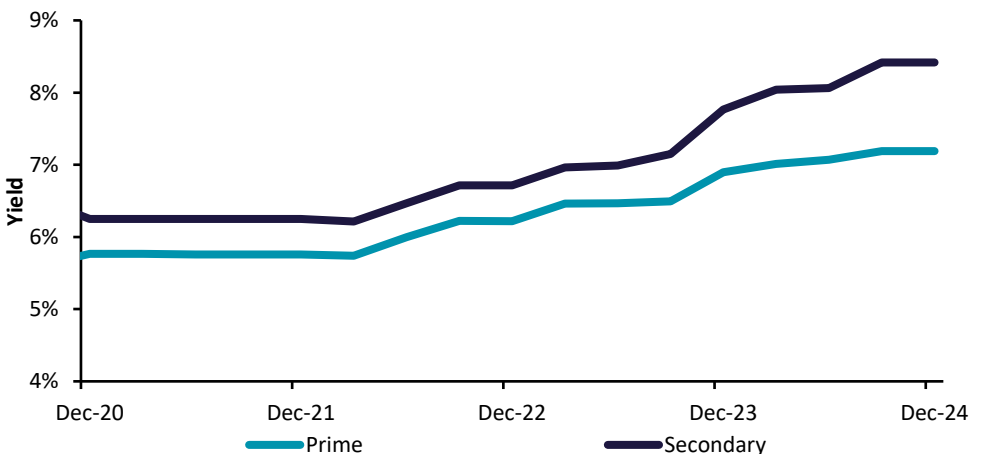
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Limited refurbishments and no new stock additions continues to place downward pressure on vacancy, now at the lowest level in over 10 years. Premium assets continue to drive low vacancy compared to secondary, as strong demand is surpassing current supply for high grade assets. The only significant addition in early 2024 was the 13,000 sqm refurbishment of the Christie Centre at 320 Adelaide Street. 87,700 sqm of new office supply is underway for completion in 2025 with circa 80% pre-committed. With much of the upcoming space already pre-committed, some of the backfill options will offer limited relief to market. These include 205 North Quay, with Services Australia, pre committing to 43,700 sqm and 360 Queen Street with BDO pre committing to 9,400 sqm. Waterfront North Tower is currently under construction with 70,000 sqm of supply expected by 2028. With circa 50% of the tower already committed, key tenants include Deloitte, Minter Ellison, Gagens and Colliers.

YIELDS:

The softening cycle has continued through Q4 for CBD office yields in Brisbane across all grades. Premium yields are averaging 6.53% in Q4, softening 25 basis points over the year. Whilst A-grade continues to soften as well, averaging 7.69% in Q4, softening by 13 basis points from Q3. This resulted in prime yields creeping higher, now averaging 7.36%, 17 basis points softer than Q3. Secondary assets face greater challenges and pricing adjustments with larger shifts in yields. Secondary yields saw the greatest softening to 8.42% in Q4, circa 70 basis points over the year. Brisbane CBD rates remain elevated compared to historical values, yet the increasingly positive forecast for prime yields represents returning confidence. The continued flight to quality, positive net absorption and rental growth continues to place the Brisbane CBD office market in good footing for 2025.

INVESTMENT MARKET:

Brisbane CBD office transactional activity has increased in 2024, compared to the relatively slow 2023. Major transactions in Q4 2024 include the sale of 145 Ann Street Brisbane, the A-grade space acquired by Aware Real Estate sold for \$215.5 million by Dexus. Additionally, the 27-floor building at 41 George Street sold to Marquette Properties for \$123 from AEPIM Group. Lastly, the 100% occupied building at 60 Edward Street recently sold for \$72 million to Sentinel Property Group from seller RACQ. With greater clarity on interest rates and inflation creeping down, investor confidence is continuing to build, with 2025 expected to outperform 2024.

OUTLOOK

- The outlook for the Brisbane CBD office market remains positive, with strong rental growth, low vacancy and an investment market that is showing signs of recovery despite ongoing challenges facing national and global office markets.
- Economic growth is expected to strengthen further through 2025, as Gross State Produce reverts to align with longer term averages.
- Occupier demand is expected to remain focused on quality product and quality location. Though the lack of contiguous space across the prime market reduces options for some occupiers.
- New supply is expected to moderately lift vacancy in 2025. However, no new supply between 2026 and 2028 will aid vacancy decreasing back to single digit vacancy.
- Recent transaction activity suggest that yields are nearing the bottom of the cycle. With greater clarity on interest rate movement, investor confidence is returning to the Brisbane CBD market.

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)
Premium	395,257	25,722	6.5%	-381	126,157	\$952	35.0%	\$232
A-grade	990,134	73,722	7.4%	42,417	62,770	\$677	39.5%	\$203
Prime	1,385,391	99,444	7.2%	42,036	188,927	\$755	38.2%	\$211
Secondary	694,308	90,520	13.0%	-14,976	0	\$557	40.5%	\$189
TOTALS^	2,316,324	219,779	9.50%	26,552	188,927			

*Rental rates reflect full service asking

^ Total reflects all grades

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
80 Ann Street	CBD	QBCC	4,400	Direct
71 Eagle Street	CBD	Bentleys	2,414	Direct
32 Turbot Street	CBD	Santos	11,000	Renewal

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
41 George Street	CBD	MQT Yeti Land Pty Ltd / Private	29,960	\$123
145 Ann Street	CBD	Dexus/CPPIB/Aware Super	27,651	\$215.5
60 Edward Street	CBD	RACQ / Sentinel Property Group	10,637	\$72
247 Adelaide Street	CBD	BWC Properties / Queensland Country Bank	3,061	\$19

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
205 North Quay	CBD	Services Australia	43,700	CBUS
360 Queen Street	CBD	BDO / HopgoodGanim	45,000	Charter Hall & Investa
Waterfront North Tower	CBD	Deloitte / Minter Ellison	70,000	Dexus

DR. DOMINIC BROWN

Head of Research, Australia & New Zealand

Tel: +61 (0) 431 947 161

dominic.brown@cushwake.com

JAKE MCKINNON

Associate Director, National Research

Tel: +61 (0) 410 611 548

jake.mckinnon@cushwake.com

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