

# MARKETBEATS

**\$440**

Prime net effective rents (per sqm p.a)

**15%**

Net effective rent annual increase

**27%**

Prime Net Incentives

## WHAT'S NEXT

### HIGHLIGHTS

#### Vacancy at a ten year low

In August, the Property Council of Australia (PCA) released data showing that the Melbourne CBD vacancy rate was just 3.6% as at 1 July 2018. This represents the lowest vacancy rate since July 2008. The rate also beat the expectations of survey respondents from a year ago<sup>‡</sup>, where a vacancy rate of 6% was expected for Q3 2018.

#### Broad based demand expected to continue

There are six major industry sectors driving office leasing demand in Melbourne, led by Government, Professional Services, and Info Media & Technology. In light of sustained and broad based demand maintaining landlord favourable conditions, landlords are less flexible on multiple negotiation factors including face rents and review structures. In order to navigate the conditions tenants have maintained some flexibility on face rents and lease term<sup>‡</sup>, and are anticipating conditions to ease in their favour in 2020/21.

#### Prime rents escalating rapidly

The combination of Melbourne's near-cyclical-low vacancy rate and broad based tenant demand has driven year-on-year Prime grade net effective rental growth of 15%. Quarterly growth of more than 3% in Q3 2018 has pushed Prime net effective rents higher to around \$440 per sq m per annum, while net incentives are averaging 27%. B Grade rents, up 4% quarter-on-quarter and 18% year-on-year, are now around \$345 per sq m per annum with net incentives also at 27%.



‡ Read more in Cushman & Wakefield's 2019 Office Leasing Trends and Outlook report.

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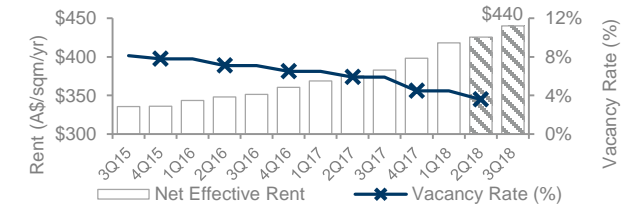
DATA INTO ACTION

### ECONOMIC INDICATORS

	Q1 18	Q2 18	12-Month Forecast
GDP Growth (National)*	2.6%	2.9%	▲
SFD Growth (VIC)*	4.8%	5.0%	▼
Unemployment (VIC)†	5.2%	5.6%	▼

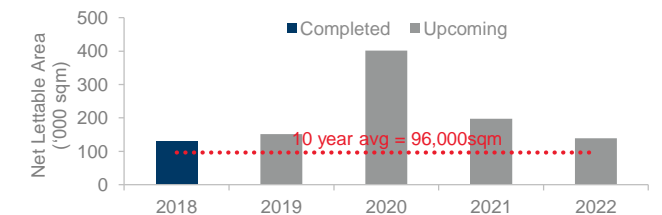
\*Average annual growth rate, †Seasonally adjusted  
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

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



Source: Cushman & Wakefield Research; PCA

### SUPPLY PIPELINE



Source: Cushman & Wakefield Research; PCA

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SUBMARKET	INVENTORY* (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	NET EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	756,830	4.6%	100,000	480	349	297
Grade A	2,258,837	2.9%	298,100	425	310	264
Grade B	880,627	4.2%	0	345	251	214
<b>MELBOURNE CBD TOTAL^</b>	<b>4,541,855</b>	<b>3.6%</b>	<b>398,100</b>			

^All-Grades \*As at 01/07/2018  
 AUD/USD = 0.7280; AUD/EUR = 0.6200 as at 21st September 2018

## KEY LEASING TRANSACTIONS Q3 2018

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
222 Exhibition Street	North Eastern	WeWork	5,250	Direct (Expansion)
15 William Street	Western Core	Leo Cussen	4,200	Direct (Relocation)
456 Lonsdale Street	Flagstaff	Victorian Government	2,680	Direct (Relocation)

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	COMPLETION DATE
839 Collins Street	Docklands	ANZ	38,000	Q1 2019
271 Spring Street	North Eastern	Australian Unity	15,600	Q3 2019
311 Spencer Street	Docklands	Victoria Police	65,500	Q1 2020
447 Collins Street	Western Core	King & Wood Mallesons	49,000	Q1 2020
80 Collins Street South Tower	Eastern Core	Macquarie Group	43,000	Q1 2020
477 Collins Street	Western Core	Deloitte	56,000	Q2 2020
Wesley Place, 130 Lonsdale Street	North Eastern	Vanguard, Telstra Super, Cbus Super	53,000	Q2 2020
Two Melbourne Quarter, 697 Collins Street	Docklands	Energy Australia	49,000	Q3 2020
180 Flinders Street	Civic	John Holland	19,500	Q3 2020
405 Bourke Street	Western Core	NAB	61,500	Q1 2021

DATA  
 INTO  
 ACTION

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