

MARKETBEATS

6.0%

Prime gross effective rent annual increase

+\$50

Prime gross effective rent annual increase

20%

Prime Gross Incentives

BE
WHAT'S
NEXT

HIGHLIGHTS

Rents pause for breath

After strong growth in the first quarter of 2018, rents across all grades remained stable in the second quarter of the year. Lack of top-tier full-floor tenants and an oversupply of suites in the sub 300 sqm (square metre) category were contributing factors. Prime gross effective rents (GER), at \$955 per sqm per annum, have grown 6% (\$50) year-on-year. Average Prime gross incentives are 20%, down from 22% a year ago. Grade B GER are \$755 per sqm per annum and incentives are ~18%.

Tenants finding value in 2nd Gen. suites

Despite the high availability of speculatively fitted suites, their landlords have opted to hold out for elevated rents rather than concede in negotiations. At such rates, prospective tenants have struggled to find value and have considered their alternatives. Second generation fitted out suites have been one such alternative and as a result are in the midst of a purple patch due to their compelling value proposition.

Dramatic change underway in Circular Quay

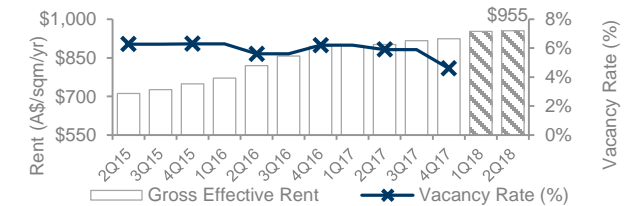
Circular Quay is humming, or rather reverberating, with the sound of contractor activity. Demolition work is well underway at the Circular Quay Tower and Quay Quarter Tower sites, while Mirvac has recently proposed a 45,000sqm tower nearby at 55 Pitt St. The Sydney Light Rail project has been delayed until 2020 and is eagerly awaited by tenants and landlords.

ECONOMIC INDICATORS

	Q4 17	Q1 18	12-Month Forecast
GDP Growth (National)*	2.2%	2.6%	▲
SFD Growth (NSW)*	2.9%	3.1%	▬
Unemployment (NSW)†	4.8%	5.0%	▬

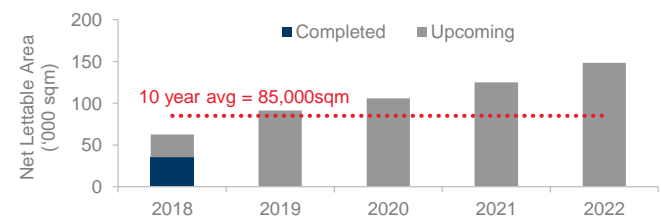
*Average annual growth rate, †Seasonally adjusted
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

PRIME GROSS EFFECTIVE RENT, OVERALL VACANCY (6 MONTHLY)



Source: PCA; Cushman & Wakefield Research

SUPPLY PIPELINE



Source: Cushman & Wakefield Research; PCA

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SUBMARKET	INVENTORY* (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	GROSS EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	1,126,880	6.9%	250,682	1065	787	677
Grade A	1,843,354	3.7%	43,842	890	658	565
Grade B	1,390,878	4.8%	0	755	558	479
SYDNEY CBD TOTAL^	5,023,997	4.6%	294,524			

[^]All-Grades ^{*}As at 31/12/2017
AUD/USD = 0.7406; AUD/EUR = 0.6366 as at 18th June 2018

KEY LEASING TRANSACTIONS Q2 2018

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
60 Martin Place	Core	Norton Rose Fullbright	9,527	Pre-commitment
151 Clarence Street	Western	Mills Oakley	5,673	Pre-commitment
100 Broadway	Southern	UTS	5,500	Pre-commitment
161 Castlereagh Street	Midtown	WeWork	4,443	Direct (Expansion)

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	COMPLETION DATE
Barrack Place, 151 Clarence Street	Western	ARUP, Pfizer, Mills Oakley	22,000	2018 Q4
60 Martin Place	Core	Norton Rose Fullbright	38,600	2019 Q4
Daramu House, C1 Barangaroo	Walsh Bay		10,032	2019 Q4
Wynyard Place, 10 Carrington Street	Core	NAB, Allianz	59,408	2020 Q1
Circular Quay Tower, 180 George Street	Core		55,000	2021 Q4
Quay Quarter Tower, 50 Bridge Street	Core	AMP	88,274	2022 Q3

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