

# MARKETBEATS

**8.5%**

Prime gross effective rent annual increase

**+\$80**

Prime gross effective rent annual increase

**20%**

Prime Gross Incentives

## WHAT'S NEXT

## HIGHLIGHTS

### Vacancy remains sub-5%

The Sydney CBD's latest vacancy rate was recorded at just 4.6%, highlighting that landlord favourable conditions are still in full effect. Cushman & Wakefield's office market forecast and responses from a survey of market professionals<sup>‡</sup> both suggest that the vacancy rate will continue to tighten to around 4% over the year ahead. In the year to July limited space availability stymied net absorption to just 9,489sqm.

### Tech sector and WeWork driving demand

By industry, demand was led by the Information, Media and Technology sector, followed by Finance and Insurance, and Professional Services<sup>‡</sup>. WeWork has been particularly active in 2018, securing around 24,000sqm of lease commitments, while Salesforce, Amazon and CBA represent three significant leasing requirements. The outlook for the year ahead is for the same industry sectors to again lead demand<sup>‡</sup>.

### Prime rents climbing, with incentives varied

Prime gross effective rents, at \$995 per sqm per annum, have grown 8.5% year-on-year while B Grade gross effective rents have increased 7% year-on-year to \$780 per sqm per annum. Incentives, although stable on average, have transacted in varied patterns depending on landlord, portfolio and occupier start date. Prime gross incentives have remained at 20% while B grade gross incentives are typically 18-19%.



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

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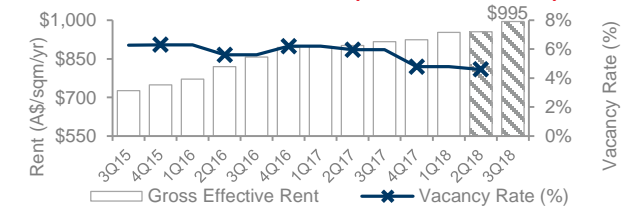
DATA INTO ACTION

## ECONOMIC INDICATORS

|                                 | Q1 18 | Q2 18 | 12-Month Forecast |
|---------------------------------|-------|-------|-------------------|
| GDP Growth (National)*          | 2.6%  | 2.9%  | ▲                 |
| SFD Growth (NSW)*               | 3.1%  | 3.3%  | ▼                 |
| Unemployment (NSW) <sup>†</sup> | 5.0%  | 4.7%  | ▲                 |

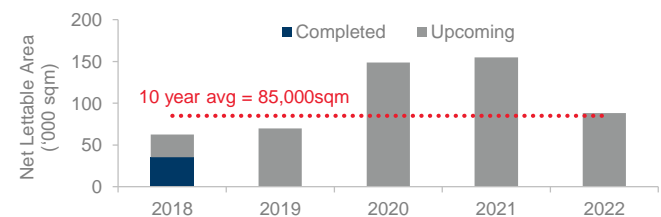
\*Average annual growth rate, <sup>†</sup>Seasonally adjusted  
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

## 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*<br>(SQM) | VACANCY<br>RATE* | UNDER<br>CONSTRUCTION<br>(SQM) | GROSS EFFECTIVE RENT |             |            |
|--------------------------|---------------------|------------------|--------------------------------|----------------------|-------------|------------|
|                          |                     |                  |                                | A\$/SQM/YR           | US\$/SQM/YR | EUR/SQM/YR |
| Premium                  | 1,162,107           | 5.1%             | 250,682                        | 1,115                | 810         | 690        |
| Grade A                  | 1,843,354           | 4.6%             | 44,753                         | 920                  | 669         | 570        |
| Grade B                  | 1,396,907           | 5.1%             | 0                              | 780                  | 569         | 484        |
| <b>SYDNEY CBD TOTAL^</b> | <b>5,036,168</b>    | <b>4.6%</b>      | <b>295,435</b>                 |                      |             |            |

<sup>^</sup>All-Grades <sup>\*</sup>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              |
|--------------------------|-----------|---------------------------|--------|-------------------------|
| 126 Phillip Street       | Core      | Deutsche Bank             | 12,500 | Direct (Renewal)        |
| Daramu House, Barangaroo | Walsh Bay | WeWork                    | 10,032 | Direct (Pre-Commitment) |
| 66 King Street           | Core      | WeWork (Naked Hub)        | 6,321  | Direct (Expansion)      |
| 175 Liverpool Street     | Midtown   | Australian Digital Health | 2,639  | Direct (Relocation)     |

## 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 | WeWork                     | 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         |

DATA  
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