

MARKETBEATS

34% A-Grade gross incentives for Fortitude Valley

\$380 Milton A-Grade net face rents per sqm

4,564 sqm Of new supply expected for completion in 2019

WHAT'S NEXT

HIGHLIGHTS

Tenant demand remains healthy

Brisbane's fringe market outperformed expectations in Q4 2018, with most precincts experiencing modest gross effective rental growth. Fortitude Valley recorded a solid 1.0% quarter-on-quarter increase in gross effective rents while securing significant renewals such as AECOM and TechnologyOne at HQ North which combined to total over 20,000 sqm. Milton's market was most active, with the completion of multiple large deals including Downer EDI's 7,000 sqm lease at Milton on the Green.

Contiguous space continues to tighten

Despite a fall in stock levels, the vacancy rate throughout Brisbane's Fringe increased slightly to 14.5%, approximately equal with the CBD's vacancy rate of 14.6% (July 2018). While overall vacancy rose, demand for large contiguous space increased over the past six months and the number of available options declined. As a result, landlords are now renovating and repositioning assets – one such being the John Oxley Centre in Milton which is currently undergoing major renovations.

Rental growth likely to continue

A-Grade net face rents experienced a 1.3% increase over Q4, with similar growth expected in 2019 driven by limited supply and ongoing demand. The Eminence building in Fortitude Valley, at just over 4,500 sqm, is the only new stock expected to be completed in 2019. Demand should be supported by the Queensland economy's ongoing recovery, with state economic growth forecast at 3.5% in 2019.

ECONOMIC INDICATORS

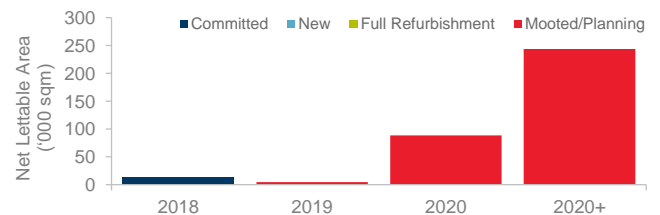
	Q2 18	Q3 18	12-Month Forecast
GDP Growth (National)*	2.8%	2.8%	■
State Final Demand Growth (QLD)*	3.6%	3.3%	▲
Unemployment (QLD)†	6.0%	6.0%	■

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

A-GRADE FRINGE NET FACE RENTS



BRISBANE FRINGE SUPPLY PIPELINE



Source: Cushman & Wakefield Research; PCA

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SUBMARKET	NET FACE RENT (A\$)	OUTGOINGS (A\$)	GROSS INCENTIVES	GROSS EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Fortitude Valley	475	122	34%	380	341	302
South Brisbane	460	122	32%	365	330	292
Inner West	380	122	38%	280	273	241

AUD/USD = 0.7178; AUD/EUR = 0.6352 as at 14th December 2018

KEY LEASING TRANSACTIONS H2 2018

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
HQ North Tower	Fortitude Valley	TechnologyOne	11,800	Renewal
HQ North Tower	Fortitude Valley	AECOM	10,882	Renewal
135 Coronation Drive	Milton	Downer EDI	7,000	Direct
315 Brunswick Street	Fortitude Valley	Genie Solutions	1,257	Direct
154 Brisbane Street	South Brisbane	Klohn Crippen Burger	1,089	Direct

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	COMPLETION DATE
K5	Bowen Hills	Aurecon	14,429	Late 2018

DATA
INTO
ACTION

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