

MARKETBEATS

\$445

Prime net effective rents (per sqm p.a)

14%

A-Grade Net effective rent annual increase

27%

Prime Net Incentives

WHAT'S NEXT

HIGHLIGHTS

Numerous multi-floor leases cap a big year

In 2018, around 20 leases of ≥5,000 sqm were formalised. Demand came from both the public and private sectors, and was supported by lease expiries, strong business confidence and nation-leading state final demand and population growth. While many of these leases were precommitments for 2020, near-term demand for space has also been strong and is expected to stay that way in 2019, holding vacancy at 3-4%.

Double digit rent growth for 2018

All grades recorded rent growth in 2018. On a net effective basis Premium rents grew 6% year-on-year (YoY), A-Grade rents 14% YoY, and B-Grade rents 19% YoY. Historically, B-Grade net effective rents have been about 70% of Prime. Strong market conditions have prompted a narrowing of the spread with B-Grade net effective rents now over 80% of Prime, with both Prime and B-Grade net incentives around 27% to 28%.

Conditions to remain tight for 12-18mths

Despite 92,000 sqm of new additions in 2018 and 53,000 sqm set to be added in 2019, supply is not expected to eclipse demand for another 12-18 months. Through this period landlords will be motivated to secure tenants before the wave of major supply additions. Come 2020, and into early 2021, 450,000 sqm of new stock will reach completion, bringing occupiers more neutral market conditions.

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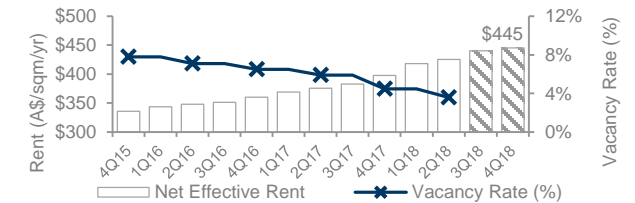
DATA
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ACTION

ECONOMIC INDICATORS

	Q2 18	Q3 18	12-Month Forecast
GDP Growth (National)*	2.8%	2.8%	■
State Final Demand Growth (VIC)*	4.6%	4.4%	▼
Unemployment (VIC)†	5.5%	4.6%	■

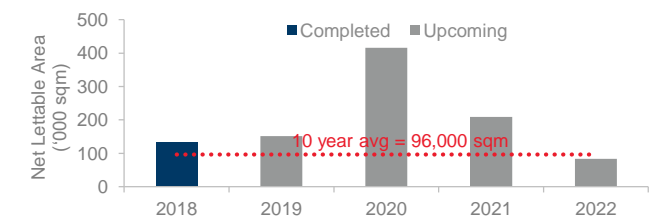
*Average annual growth rate, †Seasonally adjusted
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

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%	148,000	485	347	307
A-Grade	2,258,837	2.9%	285,600	435	311	275
B-Grade	880,627	4.2%	0	365	263	232
MELBOURNE CBD TOTAL[^]	4,541,855	3.6%	433,600			

[^]All-Grades *As at 01/07/2018
AUD/USD = 0.7178; AUD/EUR = 0.6352 as at 14th December 2018

KEY LEASING TRANSACTIONS 2018

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
Two Melbourne Quarter, 697 Collins Street	Docklands	Energy Australia	22,000	Direct (Precommitment)
222 Exhibition Street	North Eastern	Victorian Government	15,000	Direct (Relocation)
Wesley Place, 130 Lonsdale Street	North Eastern	Vanguard	10,500	Direct (Precommitment)
447 Collins Street	Western Core	Minter Ellison	10,500	Direct (Precommitment)
120 Spencer Street	Spencer	WeWork	8,600	Direct (Expansion)
447 Collins Street	Western Core	King & Wood Mallesons	8,300	Direct (Precommitment)
180 Flinders Street	Civic	John Holland	7,700	Direct (Precommitment)
Wesley Place, 130 Lonsdale Street	North Eastern	AFCA	7,600	Direct (Precommitment)
80 Collins Street	Eastern Core	Cenitex	7,500	Direct (Precommitment)

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, AFCA	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

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