

MARKETBEATS

5.1%

St Kilda Rd net effective rental growth (QoQ)

\$10

Increase in Southbank's net effective rents

4.9%

A-Grade total vacancy in St Kilda Rd (Jul-18)

WHAT'S NEXT

HIGHLIGHTS

Landlords spending to attract tenants

Landlords in Melbourne's fringe office markets have been undertaking capital expenditure to aid in tenant attraction and retention. Upgrades have included end of trip facilities, lobbies, lifts and HVAC (Heating, Ventilation and Air-Conditioning). The upgrades have helped attract new tenants such as JB HiFi and Asahi and contributed to multiple renewals over past six months.

Rental increases across all precincts

A lack of choice across all precincts has given tenants little option but to renew their current leases. Vacancy in Melbourne's fringe is considerably low, with Southbank's precinct declining to a mere 2% (excluding vacancy in Convention Centre Way). As a result, rents in all precincts have increased, most noticeably in St Kilda Road where gross effective rents for A-Grade assets surged by \$16 per sqm over the past six months.

Rental growth likely to continue

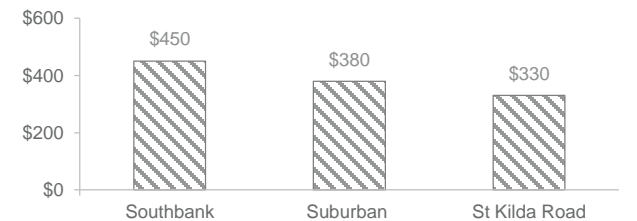
Demand and supply conditions suggest upward pressure on rents will continue in 2019. The Victorian economy is forecast to grow by a solid 3.1% in 2019 and contribute to ongoing demand for office space in Melbourne's office markets. Supply is likely to remain tight in the fringe with just over 36,000 sqm of new stock expected to complete next year.

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%	■

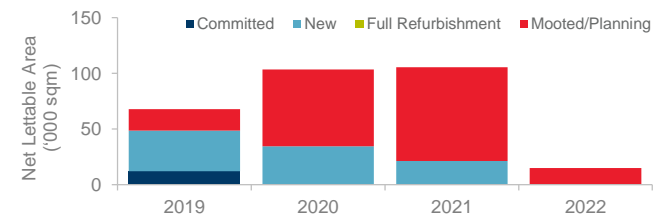
*Average annual growth rate, †Seasonally adjusted
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

A-GRADE FRINGE NET EFFECTIVE RENTS



Source: Cushman & Wakefield Research

MELBOURNE FRINGE SUPPLY PIPELINE



Source: Cushman & Wakefield Research; PCA



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SUBMARKET	NET FACE RENT (A\$)	OUTGOINGS (A\$)	GROSS INCENTIVES	NET EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Southbank A-Grade	550	170	20%	450	323	286
Southbank Secondary Grade	410	120	20%	335	240	213
St Kilda Road A-Grade	550	135	15%	465	334	295
St Kilda Road Secondary Grade	340	155	19%	280	201	178
Suburban A-Grade	470	120	14%	380	273	241
Suburban Secondary Grade	465	110	15%	300	215	191

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

KEY LEASING TRANSACTIONS H2 2018

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
40 City Road	Southbank	JB HiFi	10,000	Direct (Relocation)
58 Queensbridge Street	Southbank	Asahi	7,500	Direct (Relocation)
476 St Kilda Road	St Kilda Road	Evolution Health	2,000	Direct (Relocation)
417 St Kilda Road	St Kilda Road	Zenitas	1,700	Direct (Relocation)

SIGNIFICANT PROJECTS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	COMPLETION DATE
510 Church Street, Cremorne	City Fringe	-	20,744	Subject to precommitment
600 Church Street, Cremorne	City Fringe	-	5,793	Being built on Spec – Q1 2020
57 Balmain Street, Cremorne	City Fringe	Reece Plumbing	6,526	Q3 2020
60 Cremorne Street, Cremorne	City Fringe	SEEK	27,653	2020
1-7 Elizabeth Street, Kensington	City Fringe	-	Stage 1 – 17,000	Q4 2019
51 Langridge Street, Collingwood	City Fringe	-	3,000	Q1 2019
101 Moray Street, South Melbourne	City Fringe	-	14,473	Q1 2020
21 Harcourt Parade, Cremorne	City Fringe	MYOB	10,000	2021

DATA
INTO
ACTION

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