

MARKETBEATS

4.1%

OVERALL VACANCY RATE

\$1030

PRIME GROSS EFFECTIVE RENTS (PER SQM P.A)

20%

PRIME GROSS INCENTIVES

WHAT'S NEXT

HIGHLIGHTS

Vacancy compression continued in H2 2018

In January the PCA recorded the Sydney CBD vacancy rate at just 4.1%, down from 4.6% in July 2018. A Grade vacancy remained low at just 3.6% - its equal lowest rate in a decade. Market fundamentals remain firmly landlord favourable with stock hard to come by, although tenant demand appears to be past its peak. Cushman & Wakefield forecast overall vacancy to drop to between 3%-4% over the coming years.

Prime gross effective rents pass \$1000/sqm

Rent growth continued to be underpinned by the low vacancy rate. After a period of subdued growth, Premium rents have now recorded multiple quarters of solid rent growth. As a result, Prime gross effective rents have grown 8.0% year-on-year (YoY) to \$1030 per sqm p.a. B Grade gross effective rents increased 7.4% YoY to \$810 per sqm p.a. Incentives remained stable at 20% in Prime grade and 19% in B Grade.

Premium-A Grade spread to broaden

Due to strong A Grade rental growth compared to Premium in recent years, the Premium-A Grade rental spread (gross effective) has compressed and now sits at the low end of its range. As a result, prospective tenants have found relative value in Premium Grade stock. With Premium vacancy now below 4%, down from 12.5% in 2017, the Premium-A Grade spread is expected to broaden again.

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ECONOMIC INDICATORS

	Q3 18	Q4 18	12-Month Forecast
GDP Growth (National)*	2.8%	2.8%	■
State Final Demand Growth (NSW)*	3.7%	3.5%	▼
Unemployment (NSW)†	4.4%	4.3%	■

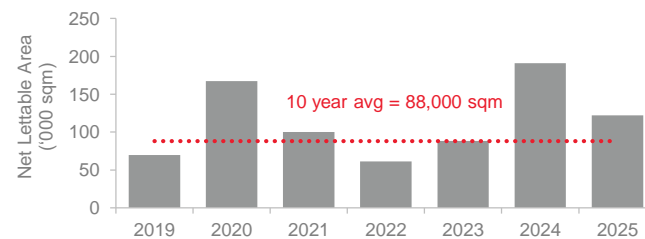
*Average annual growth rate, †Seasonally adjusted
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

PRIME GROSS EFFECTIVE RENT, OVERALL VACANCY (6 MONTHLY)



Source: PCA; Cushman & Wakefield Research

SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REFURBS



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	1,162,107	3.8%	249,700	\$1,130	802	711
A-Grade	1,825,649	3.6%	25,300	\$965	684	606
B-Grade	1,380,675	4.5%	0	\$810	574	509
SYDNEY CBD TOTAL[^]	5,009,233	4.1%	275,000			

[^]All-Grades *As at 01/01/2019
AUD/USD = 0.7092; AUD/EUR = 0.6286 as at 22nd March 2019

KEY LEASING TRANSACTIONS Q1 2019

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
60 Martin Place	Core	Munich RE	2,600	Direct (Relocation)
31 Alfred Street	Core	Hub Australia	2,300	Direct (Expansion)
88 Phillip Street	Core	China Construction Bank	2,100	Direct (Expansion)
60 Martin Place	Core	Mizuho Bank	1,900	Direct (Relocation)

DATA
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SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	COMPLETION DATE
60 Martin Place	Core	Norton Rose Fullbright, IWG	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 Q4
Circular Quay Tower, 180 George Street	Core		54,000	2022 Q1
Quay Quarter Tower, 50 Bridge Street	Core	AMP, Deloitte	88,274	2023 Q1

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