

# MARKETBEATS

**\$1,040**

PRIME GROSS EFFECTIVE RENTS (PER SQM P.A)

**\$835**

B-GRADE GROSS EFFECTIVE RENTS (PER SQM P.A)

**9%**

YOY PRIME GROSS EFFECTIVE RENT GROWTH

## WHAT'S NEXT

## HIGHLIGHTS

### Economic conditions softening

Although economic growth is expected to remain positive, business conditions and confidence have been impacted by recent house price declines and weak wage growth. Factors that could improve business conditions and confidence include the RBA's June decision to cut the official cash rate to 1.25%, the loosening of some macro prudential controls, and early signs of a stabilisation in the residential sector.

### Landlords favoured, but demand has peaked

A slow down in tenant demand has coincided with the recent economic softening. The Sydney CBD is well positioned to weather any further economic softening with low vacancy, compressed floor space ratios and high pre-commitment in the limited new supply. On a building-by-building basis, some landlords are increasing their incentive offerings indicating that average Prime grade incentives have bottomed out at 20%.

### Face rents and outgoings increasing

Landlords have continued to lift face rents in light of 2019's limited supply additions and with average incentives being at their low point. Prime gross effective rents rose to \$1,040 per sqm per annum, up 9% year-on-year, and B-Grade gross effective rents are now \$835 per sqm per annum, up 11% year-on-year. Land revaluations have begun to lift statutory outgoings, in some cases by 10% to 20%.

## ECONOMIC INDICATORS

	Q4 18	Q1 19	12-Month Forecast
GDP Growth (National)*	2.8%	2.5%	▲
State Final Demand Growth (NSW)*	3.5%	3.0%	▼
Unemployment (NSW)†	4.3%	4.3%	▲

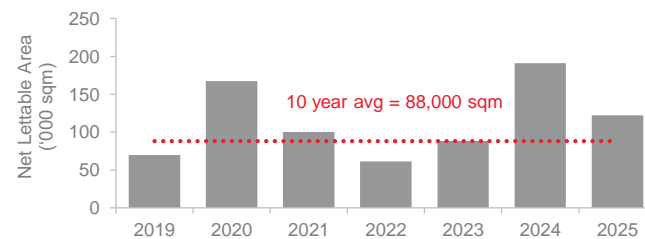
\*Average annual growth rate, †Seasonally adjusted  
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

## 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	1,120	776	687
A-Grade	1,825,649	3.6%	25,300	990	686	607
B-Grade	1,380,675	4.5%	0	835	579	512
<b>SYDNEY CBD TOTAL^</b>	<b>5,009,233</b>	<b>4.1%</b>	<b>275,000</b>			

<sup>^</sup>All-Grades <sup>\*As at 01/01/2019</sup>  
 AUD/USD = 0.6931; AUD/EUR = 0.6133 as at 20<sup>th</sup> June 2019

## KEY LEASING TRANSACTIONS Q2 2019

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
231 Elizabeth Street	Midtown	NSW Government	21,700	Consolidation
175 Pitt Street	City Core	VMware	3,500	Renewal + Expansion

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	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, Brookfield	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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