

# MARKETBEATS

**8%**  
Prime gross effective  
rent annual increase

**+\$70**  
Prime gross effective  
rent annual increase

**20%**  
Prime Gross  
Incentives

## WHAT'S NEXT

## HIGHLIGHTS

### Sydney CBD a symphony of construction

With Circular Quay Tower, Quay Quarter Tower, Wynyard Place, 60 Martin Place, the Light Rail and Sydney Metro among the major projects underway, Sydney CBD office workers have grown accustomed to the sights and sounds of billions of dollars worth of construction work. 151 Clarence Street (22,000 sqm) reached completion in Q4, but major new developments are still at least a year away, ensuring that Sydney's lack of contiguous floor space continues for some time to come.

### IBM and Deloitte stake their claims

In Q4, IBM secured one of the Sydney CBD's few vacant and contiguous spaces at 259 George Street, expanding into the 7,000 sqm space from their existing St Leonards HQ. Elsewhere, Deloitte is set to secure ~30,000 sqm at the Quay Quarter Tower redevelopment at 50 Bridge Street. At the smaller end of the market tenants have more options with fierce competition between landlords, many armed with spec fitted suites.

### A steady Q4 caps 8% annual rent growth

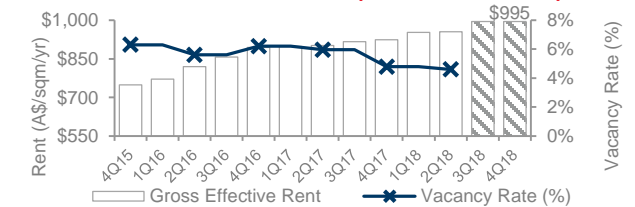
Rents and incentives in all grades remained steady in Q4. Prime gross effective rents, at \$995 per sqm per annum, recorded annual growth of 8%, while B-Grade gross effective rents, at \$780 per sqm per annum, recorded annual growth of 6%. Incentives in Prime grade average 20% and circa 19% in B grade, though individual deals varied considerably depending on landlord, portfolio and occupier start date.

### ECONOMIC INDICATORS

|                                  | Q2 18 | Q3 18 | 12-Month Forecast |
|----------------------------------|-------|-------|-------------------|
| GDP Growth (National)*           | 2.8%  | 2.8%  | ■                 |
| State Final Demand Growth (NSW)* | 3.4%  | 3.5%  | ▼                 |
| Unemployment (NSW)†              | 4.7%  | 4.4%  | ▲                 |

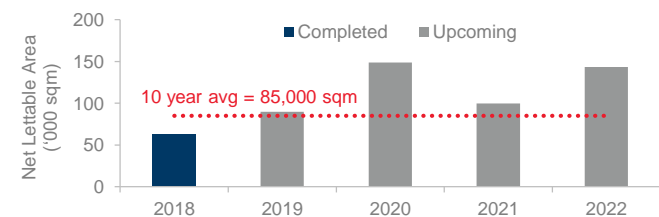
\*Average annual growth rate, †Seasonally adjusted  
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

### PRIME GROSS EFFECTIVE RENT, OVERALL VACANCY (6 MONTHLY)



Source: PCA; Cushman & Wakefield Research

### SUPPLY PIPELINE



Source: Cushman & Wakefield Research; PCA

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DATA  
INTO  
ACTION

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| SUBMARKET                | INVENTORY*<br>(SQM) | VACANCY<br>RATE* | UNDER<br>CONSTRUCTION<br>(SQM) | GROSS EFFECTIVE RENT |             |            |
|--------------------------|---------------------|------------------|--------------------------------|----------------------|-------------|------------|
|                          |                     |                  |                                | A\$/SQM/YR           | US\$/SQM/YR | EUR/SQM/YR |
| Premium                  | 1,162,107           | 5.1%             | 250,700                        | \$1,115              | 799         | 707        |
| A-Grade                  | 1,843,354           | 4.6%             | 25,300                         | \$920                | 660         | 584        |
| B-Grade                  | 1,396,907           | 5.1%             | 0                              | \$780                | 561         | 496        |
| <b>SYDNEY CBD TOTAL^</b> | <b>5,036,168</b>    | <b>4.6%</b>      | <b>276,000</b>                 |                      |             |            |

<sup>^</sup>All-Grades <sup>\*As at 01/07/2018</sup>  
AUD/USD = 0.7178; AUD/EUR = 0.6352 as at 14th December 2018

## KEY LEASING TRANSACTIONS Q4 2018

| PROPERTY              | SUBMARKET | TENANT            | SQM     | LEASE TYPE             |
|-----------------------|-----------|-------------------|---------|------------------------|
| Quay Quarter Tower    | CBD Core  | Deloitte          | 30,000  | Direct (Precommitment) |
| 388 George Street     | CBD Core  | First State Super | 8,000   | Direct (Relocation)    |
| 259 George Street     | CBD Core  | IBM               | 7,000   | Direct (Expansion)     |
| 121 Harrington Street | The Rocks | Havas             | 6,100   | Direct (Relocation)    |
| 60 Martin Place       | Core      | IWG               | ~ 5,000 | Direct (Precommitment) |
| 321 Kent Street       | Western   | Cisco Meraki      | 3,000   | Direct (Expansion)     |

## 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 Q1         |
| Circular Quay Tower, 180 George Street | Core      |                             | 55,000 | 2022 Q1         |
| Quay Quarter Tower, 50 Bridge Street   | Core      | AMP, Deloitte               | 88,274 | 2022 Q3         |