MARKETBEAT

MELBOURNE FRINGE

Office Q4 2023

$635	A-grade net face rent (sqm pa) Southbank
46%	Net Incentives – St Kilda Road
6.0%	YoY A-grade Net Face Rental Growth – Southbank

ECONOMIC INDICATORS Q3 2023

	Q2 23	Q3 23	12-Mo. Forecast
GDP Growth (National)*	3.1%	2.2%	▼
State Final Demand Growth (VIC)*	4.9%	3.9%	▼
Unemployment (VIC)†	3.7%	3.5%	▲

**Average annual growth rate, †Seasonally adjusted*

Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

ECONOMIC OVERVIEW

The Australian economy remained resilient throughout 2023 despite multiple interest rate rises and persistent inflationary pressures. Oxford Economics forecasts Australian real Gross Domestic Product to have increased 1.4% over calendar 2023. Although growth continues to slow, forecasts predict that it will remain positive throughout 2024 before rebounding through 2025. Victoria Gross State Product is expected to have increased 1.3% over the course of 2023, slowing from 5.0% in 2022. Oxford Economics forecasts Gross State product to increase just 1.0% over the course of calendar 2024 before rebounding to 2.9% in 2025 and 4.4% in 2026.

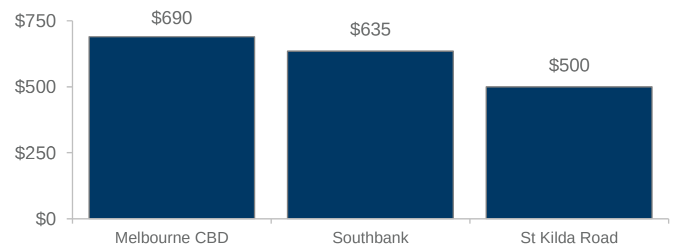
SUPPLY AND DEMAND

The ongoing flight to quality trend continues to place pressure on Melbourne's Fringe office markets. While the level of tenant demand improved overall, it was surpassed by the level of new supply entering the market and as such, the first half of the year saw negative net absorption and vacancy increases. This continued through the second half of the year as new supply came to market, however it is expected that vacancy has peaked for the short term as new supply in 2024 and 2025 moderates significantly compared to 2023. The full refurbishment of the 7,800 sqm TABcorp House was recently completed, at 5 Bowen Crescent by Barwon Investments. New developments that were completed include 36 Wellington Street, Collingwood by Hines as well as 480 Swan Street, Richmond which Australia Post have committed to most of the building.

RENTS

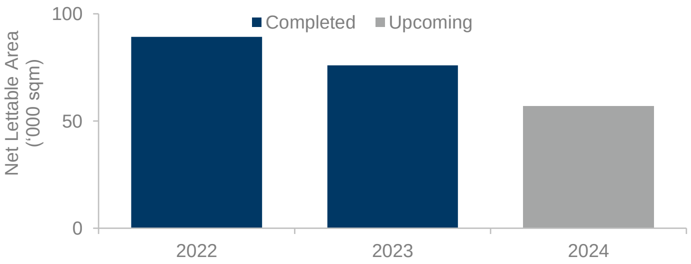
Southbank A-Grade gross face rents have shown solid growth over 2023, with net face rents increasing 6.0% to reach $635 per sqm per annum for the 2023 calendar year. St Kilda Road net face rents remained stable at $500 per sqm per annum in 2023. Upward movement in net incentives and outgoings has resulted in retreating net effective rents, with Southbank net effective rents down $15 over the year and St Kilda Road $50. Q4 net incentives are averaging 45% and 46% for Southbank and St Kilda Road respectively, while outgoings are averaging $205 and $160 635 per sqm per annum at Q4 2023.

A-GRADE NET FACE RENTS



Source: Cushman & Wakefield Research

METRO MELBOURNE SUPPLY PIPELINE



Source: Cushman & Wakefield Research; Property Council of Australia

MARKETBEAT

MELBOURNE FRINGE

Office Q4 2023

CUSHMAN & WAKEFIELD

MARKET STATISTICS

MARKET	NET FACE RENT			NET EFFECTIVE RENT		
	NET FACE RENT (A$)	OUTGOINGS (A$)	NET INCENTIVES	A$/SQM/YR	US$/SQM/YR	EUR/SQM/YR
Melbourne CBD A-grade	660	180	42%	395	260	240
Southbank A-grade	600	185	38%	350	230	210
St Kilda Road A-grade	500	155	36%	270	180	165
St Kilda Road Secondary-grade	400	165	39%	215	140	130

AUD/USD = 0.6579; AUD/EUR = 0.6043 as at 22 January 2024

KEY LEASING TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	LEASE SQM	LEASE TYPE
11 Eastern Road	South Melbourne	Acciona	4,000	Direct
11 Eastern Road	South Melbourne	QMS	2,142	Direct
12 Albert Street	Richmond	Mighty Hive	926	Direct
250 Camberwell Road	Camberwell	Alexander Spencer	900	Direct
250 Camberwell Road	Camberwell	Leaptel	764	Direct
468 St Kilda Road	St Kilda Road	SIDG	325	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS JUST COMPLETED/UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	BUILDING NLA	COMPLETION DATE
116 Rokeby Street	Collingwood		3,100	2024
65 Dover Street	Cremorne	Adidas	10,400	2024
86-94 Jolimont Street	East Melbourne		5,500	2024
S1 2-50 Elizabeth Street	Kensington		17,600	2024
88 Laurens Street	North Melbourne		19,000	2024

Source: Cushman & Wakefield Research

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