

MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.7% Vacancy Rate	▼	▼
14,554 6-month Net Absorption, sqm	▼	▼
\$259 Prime Net Effective, sqm pa	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% (National) GDP Growth	▲	▲
2.2% (Queensland) State Final Demand Growth	▲	▲
4.1% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW:

The Australian economy has reached an inflection point as the RBA has pivoted and started the rate cutting cycle. Against this backdrop growth is expected to accelerate throughout 2025 and 2026 on the back of improved consumer and business confidence. GDP growth for Q4 2024 reached 0.6% (1.3% year-on-year), while growth in the order of 2.1% is expected for 2025 and 2.5% for 2026. For Queensland, Gross State Product growth of 1.9% is expected for 2025, before jumping to 2.7% in 2026.

DEMAND:

The Brisbane Fringe office market has continued showing resilience with positive net absorption recorded over the past three and a half years. Net absorption was recorded at 14,554 sqm in H2 of 2024, slightly less than the 16,065 sqm recorded in H1 2024. Despite the slight dip, the markets sustained positive absorption shows the ongoing tenant appeal and demand for fringe office space. Over the past three years, approximately 75% of all net absorption has been within the prime office sector, reflecting the ongoing “flight-to-quality trend”. Looking ahead, new supply additions entering market throughout 2025 is expected to be supported by positive absorption in the market and ease rising demand for high quality spaces.

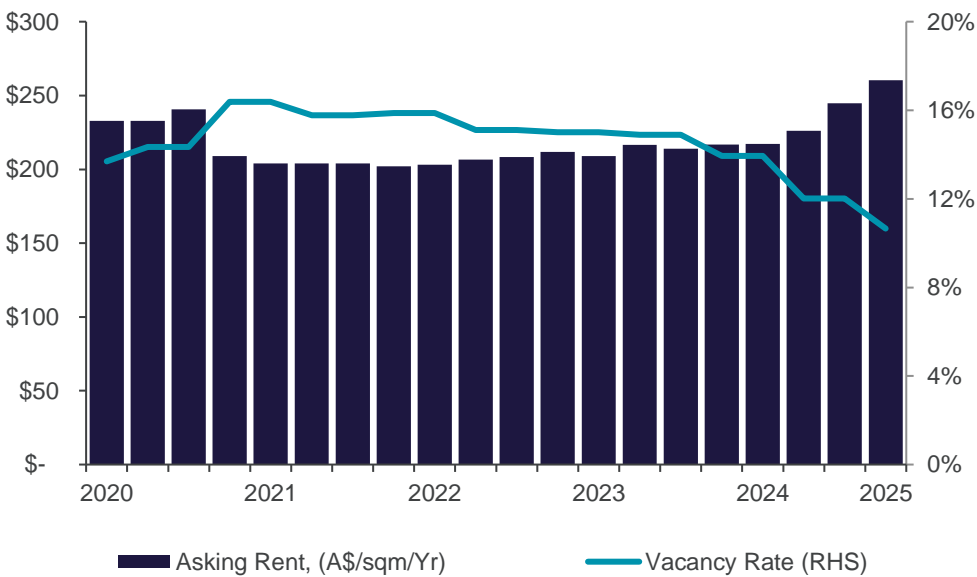
RENTS:

The Brisbane Fringe office market has shown strong rental growth through Q1 2025, with A-grade gross face rents continuing to rise across all sub-markets. The pace of growth has accelerated compared to 2024, driven by sustained demand and tightening incentives. South Brisbane rents had a 2.1% increase since Q4 2024, averaging \$711 per square metre per annum (sqm pa) and marking a 6.3% year on year (y-o-Y) increase. Incentive levels have began tightening, dropping from 42.3% in Q4 2024 to 41.3% in Q1 2025. Fortitude Valley followed this trend, with gross face rents experiencing the highest annual growth in the Brisbane Fringe of 7.8%, reaching \$724 in Q1 2025. The Inner West maintained steady growth, with rents increasing to \$623 sqm pa and showing 4.1% Q-o-Q growth. Overall, the Brisbane Fringe continues to show strong rental growth driven by demand for quality office space and sharpening incentives.

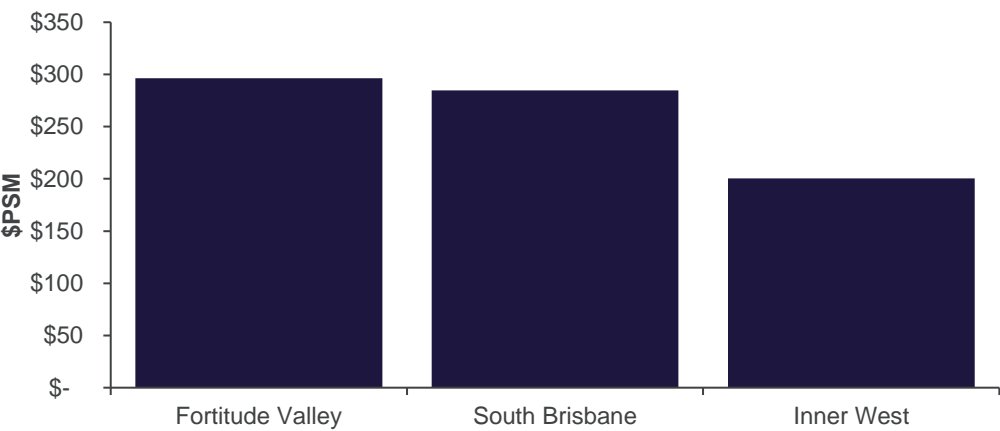
SPACE DEMAND / DELIVERIES



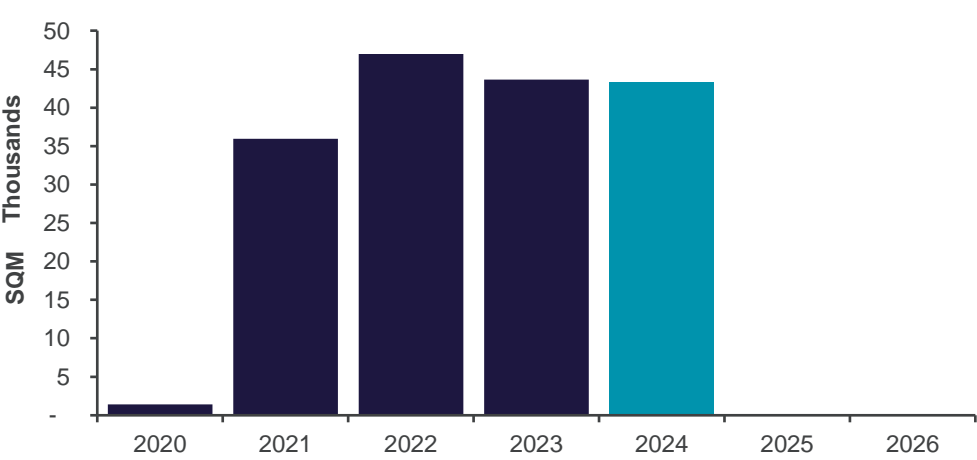
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



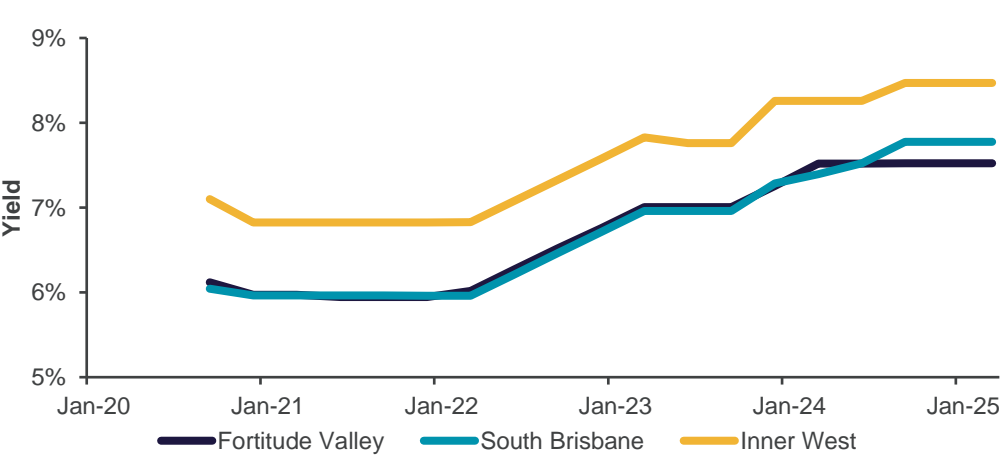
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

In 2024, there were no new supply additions in the Brisbane Fringe despite the 32,693 sqm major refurbishment at 36-52 Alfred Street. The upcoming supply is limited, with no new supply to be delivered in 2025. These current supply constraints are contributing to tightening market vacancy amid elevated demand conditions. Vacancy has decreased to 10.7%, significantly improving from 12.0% in July 2024 and marking a 3.2% annual reduction. This decrease extends the positive trajectory observed since 2022, when vacancy rates were as high as 15.1%. With limited supply and the ongoing “flight to quality” trend, demand is expected to surge and drive dropping vacancies, particularly in A-grade assets. Brisbane's fringe market will maintain pressure, contributing to continued rental growth and a competitive leasing environment.

YIELDS:

Yields in the Brisbane Fringe office market continue to soften through Q1 2025 with the pace accelerating in some submarkets. With the RBA currently entering a cutting cycle, yields are expected to stabilise following the softening through 2025. Fortitude Valley A-grade yields have rose to 7.88%, a 35-basis point increase from Q4 2024, marking the most significant quarterly shift. South Brisbane also experienced softening, increasing from 20 bps to 7.98%, after holding steady at 7.78% in the previous two quarters. Inner West yields saw a more moderate adjustment, rising 7 bps to 8.54%, continuing a gradual upward trend. While yields are still undergoing upward adjustment, the rate of softening is expected to stabilise throughout 2025.

INVESTMENT MARKET:

Transaction volumes in the Brisbane Fringe remained quiet throughout 2024 and into early 2025, continuing the subdued trend observed last year. The ongoing disparity between vendor and purchaser expectations has contributed to the low activity, as vendors continue to hold firm on book values while the market adjusts to new pricing. The only transaction in Q1 2025 was the sale of 41 Thompson Street in Fortitude Valley, which sold for \$4.65 million to a local owner-occupier. This sale aligns with broader trends of sales being skewed towards private buyers.

OUTLOOK

- The outlook for the Brisbane Fringe office market remains positive, with strong rental growth, low vacancy and consistently strong levels of absorption expected over the next 12-months.
- Economic growth is expected to strengthen in Q4 and through 2025, as Gross State Product reverts to align with longer term averages.
- Rental growth is forecast to continue to increase, and incentives remain stable through the near term.
- No new supply through 2025 and 2026 is expected to exert further downward pressure on vacancy as demand for fringe properties also trends upwards.
- Recent transaction activity suggest that yields are nearing the bottom of the cycle, with some moderate softening to continue before rebounding. We expect transactional activity to pick up through Q4 and H1 2025 as the market continues its growth and the RBA starts the cutting cycle.

MARKET STATISTICS

SUBMARKET	INVENTORY ^ (SQM)	DIRECT VACANT ^ (SQM)	OVERALL VACANCY RATE^	6-MONTH NET- ABSORPTION (SQM)^	UNDER CONSTRUCTION (SQM)	NET FACE RENT (\$ SQM PA)	AVERAGE GROSS INCENTIVES	AVERAGE OUTGOINGS (\$ SQM PA)
Fortitude Valley	583,329	55,787	9.6%	4,884	0	\$579	39%	\$146
South Brisbane	288,818	34,225	11.9%	4,430	0	\$566	40%	\$146
Inner West (Milton)	230,016	30,124	13.1%	4,843	0	\$478	45%	\$146
FRINGE TOTALS~	1,328,872	141,736	10.7%	14,552	0			

*Rental rates reflect full service asking

^ Total reflects all grades

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
1 King Street	Bowen Hills	Global Payments	1,819	Renewal

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
42 Thompson Street	Fortitude Valley	Colliers / Private	625	\$4.65

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
36-53 Alfred Street	Fortitude Valley		32,693	

LOCAL LEADS

JAKE MCKINNON

Associate Director,
National Research
Tel: +61 (0) 410 611 548
jake.mckinnon@cushwake.com

JACK NEUMAN

Senior Executive

Tel: +61 (0) 435 561 040
jack.neuman@cushwake.com

JONATHAN SCOTT

Director,
Tenant Advisory Group
Tel: +61 (0) 451 104 221
jonathan.scott@cushwake.com

NATIONAL LEADS

JOSH CULLEN

Head of Capital Markets,
Australia and New Zealand
Tel: +61 (0) 438 351 113
josh.cullen@cushwake.com

TIM MOLCHANOFF

Head of Office Leasing,
Australia and New Zealand
Tel: +61 (0) 411 726 663
tim.molchanoff@cushwake.com

MICHAEL KEARINS

Managing Director,
Tenant Advisory Group ANZ
Tel: +61 (2) 9474 4346
michael.kearins@cushwake.com

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