

SYDNEY






OVERVIEW

The Sydney CBD office market is in the midst of a supply drought with the vacancy rate tumbling to 4.1 per cent in January 2019, down from 4.6 per cent six months prior and 4.8 per cent in January 2018. This is the lowest level of availability in over a decade and is only slightly higher than the historic low of 3.7 per cent recorded in January 2008. The continued decline in vacancy over the past six months was due primarily to the high level of stock withdrawal. In total, 55,147sqm of existing office stock was taken offline between July 2018 and January 2019. This is equivalent to 1.1 per cent of the stock base of 5,036,168sqm as at July 2018. The total office stock in the Sydney CBD has declined from the peak of 5,098,358sqm in July 2017 to now stand at 5,009,233sqm.

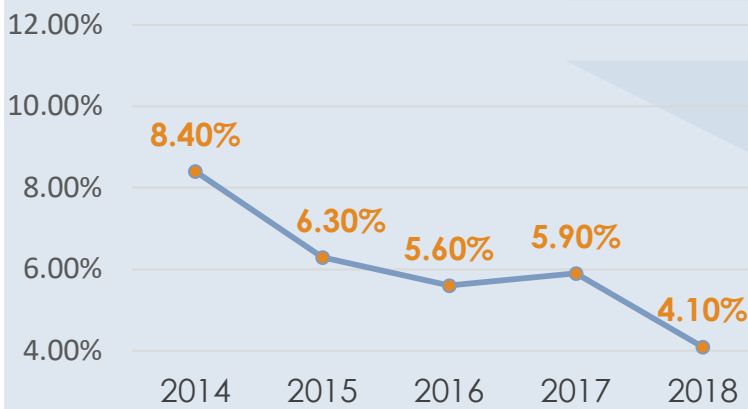
FUNDAMENTALS

Forecast

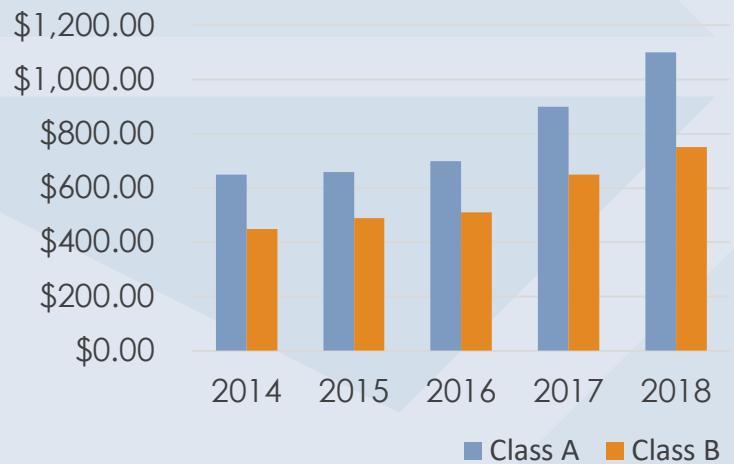
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|------------------------------------|--------------|
| YTD net absorption | 21,300 sqm ▲ |
| Under construction | 286,00 sqm ▲ |
| Average asking rent (gross) | 800-1300 ▲ |
| Concessions | 15-20% ▲ |

| | | |
|---|---|---|
|  |  |  |
| Market Size | Largest Office Deal | Total Vacancy |
| 550-600 | 5100 sqm | 4.1 |

TOTAL VACANCY



AVERAGE ASKING RENTS



OUTLOOK

- New supply will be relatively constrained between now and late 2019, when 60 Martin Place and 275 George Street are scheduled for completion, although speculative supply is limited.
- Growth in prime stock is expected to be strong given the already strong growth and high rental base in secondary stock that is now pushing through to A-Grade stock.
- Prime and secondary incentives are projected to trend towards 22% and 15% respectively over the next two years, although incentives being offered for new developments over 2020—2022 will likely be higher for pre-committing tenants.

For more information, please contact:



Mike Franklin | mikef@franklinshanks.com | +61 416 985 650



global tenant representation

exisglobal.com | info@exisglobal.com