

# Market Report

The overall vacancy rate has continued to decline, down from 14.7% as of Jul-18 to 11.9% as of Jul-19. The decline in vacancy is driven largely by strong demand and limited new supply. With 54,200 sqm of new office supply coming online in the next 6 months, this is set to derail the vacancy decline and provide more options for tenants. In 2021 and 2022 a further 104,000 sqm of new space will come onto the market.

Rental growth has continued across both prime and secondary markets as vacancy has decreased and demand remains positive. Whilst face rental growth is still increasing, incentives have remained consistent around 35% as tenants resist landlords' pressure to drop incentives based on the emerging economic conservatism.



## Rental and Vacancy Rates



## Typical Gross Rental Comparison – Premium, A & B Grade

Grade	Typical Gross Face Rental (\$/sqm)		Gross Incentive (%)	Gross Effective Rent (\$/sqm)	
	Low	High		Low	High
Premium	\$700	\$950	30%	\$490	\$665
A	\$500	\$700	35%	\$325	\$455
B	\$400	\$550	37%	\$252	\$347

## Recent Transactions

Tenant	Size	Submarket	Type	Sector
1 WeWork	5,000 sqm	CBD	New Lease	Co-working
2 Mills Oakley	1,460 sqm	CBD	New Lease	Legal
3 CleanCo	2,020 sqm	CBD	New Lease	Resource
4 DHL	3,368 sqm	CBD	New Lease	Transport
5 For the Record	1,672 sqm	CBD	New Lease	Legal

## Occupier's Perspective



Total vacancy declined dramatically over the year to July 2019, decreasing from 14.6% to 11.9%. This decline may however be short lived with a number of new stock options expected to come online throughout the remainder of the year and into 2020.



The Brisbane CBD continues to see strong net absorption, with the past three consecutive six-month periods recording positive absorption. This too might be subject to change as the recent negative change in global and national economic sentiment has created a forecast of negative economic activity.



Supply has risen, with the completion of the first new building in three years coming online in Q4 2019. 300 George Street is adding 47,700 sqm of prime space to the market.

## Market Trends

**Demand from resources, government and co-working,** continue to see a diversified mix of tenant looking for contiguous high-quality office space. With many of these sectors relocating from fringe markets into the CBD for A grade accommodation in the city.

**Full occupancy reached for prime grade buildings,** which underpins the strong performance of Premium grade assets. Vacancy has tightened to single digit levels of 8.7% for the first 6 months of 2019, this is coupled with positive net absorption of c. 5,600 sqm for the same period.

**Global and National economic weakening affecting 2019 and 2020,** with growth expected to remain static at around 2.1% throughout 2020 for Australia, with Queensland expecting a slightly larger 2.2%. the ongoing trade wars between the US and China and Euro activity remain a