Your *partners* in property.

Wrapped 2021

Brisbane CBD Office Leasing • Year in review

Contents

View our other reports

Click here to view our latest Stocklist

Click here to view the 2022 Outlook Report

Click here to view the 2021 Active Capital Report

Economic *overview.*

The Queensland economy was impacted along with the wider Australian and global economies during the lockdowns of 2020 & 2021 but is showing strong signs of resilience.

Australian economic output exceeded pre-COVID-19 levels during Q1 2021, far earlier than previously expected. Queensland is forecast to show 2021 GDP growth of 2.6% (against Australia's 2.9%) as the annual growth rates return to more normal levels. Over the next four years the Queensland economy is expected to grow at an average rate of 3.4%, in line with the national average annual growth rate.

State Final Demand, which represents expenditure on goods and services within the economy, excluding imports & exports, is forecast to rebound strongly with 5.5% growth for 2021, a reflection of investments being made by businesses and consumers.

In Queensland, the number of people employed exceeded February 2020 levels during December 2020, after falling by 8.4% during March – May 2020.

Since that time employed persons have increased further with an additional 74,000 jobs added through to October 2021.

Having had relatively fewer lockdowns then in southern states business confidence and activity has remained quite robust over the course of 2021. In October 2021 the NAB national Business Confidence survey jumped to +21 points, up +11 points over the month, below the buoyant conditions of early 2021 but still well above the long term averages. Queensland is currently leading the states in terms of trend business confidence.

With a strong infrastructure pipeline due to city shaping projects such as Cross River rail and the upcoming expenditure on amenities and public realm improvements ahead of the Olympic games, the economy will remain boosted by construction in the medium term.

Leasing *activity.*

Leasing activity remained strong in 2021 despite many mitigating factors, with smaller tenants continuing to dominate the market.

66 Eagle Street, Brisbane

2021 experienced strong activity in the market despite multiple lockdowns and looming uncertainty throughout the calendar year.

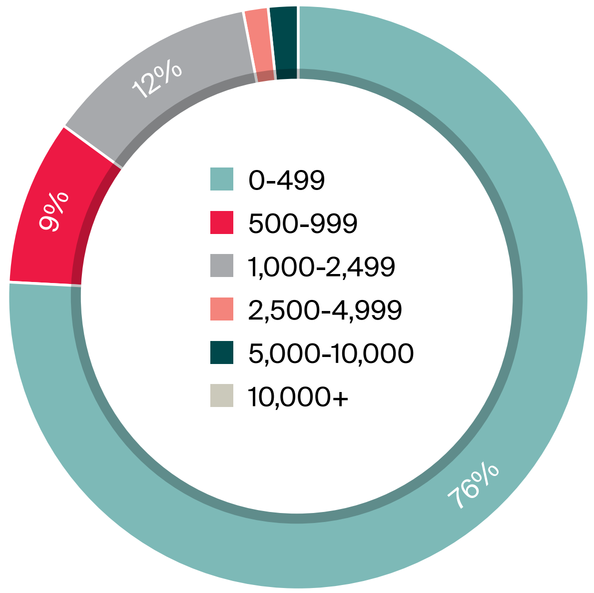
Knight Frank has tracked 197 deals in the CBD office leasing space this year.

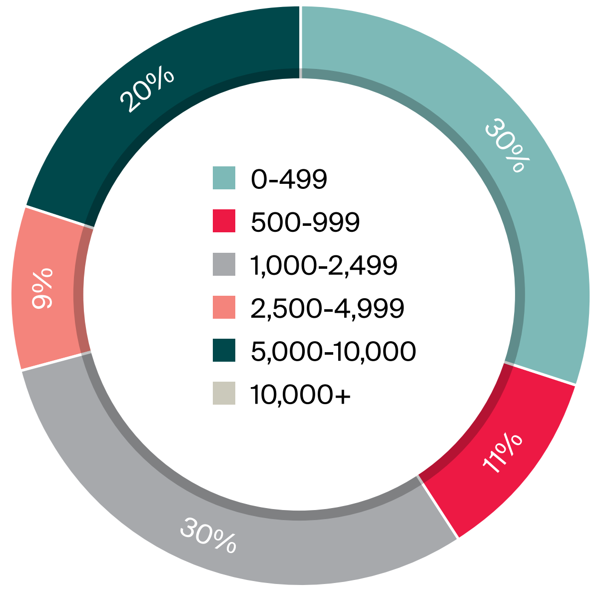
Of these executed deals 76% were in the sub 500 sqm space and 85% were sub 1000 sqm; demonstrating that smaller tenants continued to dominate the market. 15% of executed deals were above 1000 sqm, these include major renewals within the market such as QIC and QLD State Government.

In terms of NLA, there was a total of c107,500 sqm space leased this year with the largest portion of NLA taken up by sub 500 sqm deals. 1000-2499 sqm deals totalled the second largest portion with c32,000 sqm of space leased over 24 deals.

Despite this steady activity, Knight Frank estimates that vacancy has increased to 15-15.5% at year end, up from 13.5% mid-year. This was impacted by the addition of the Midtown Centre in early July and its 45,000 sqm of NLA. 47% of this space was leased to Rio Tinto in which they are already occupying, leaving a backfill of 30,000 sqm in 123 Albert Street.

Brisbane CBD take-up by deal size





72
deals executed in the professional service field

197
deals tracked

Knight Frank estimates CBD vacancy has increased to
15%

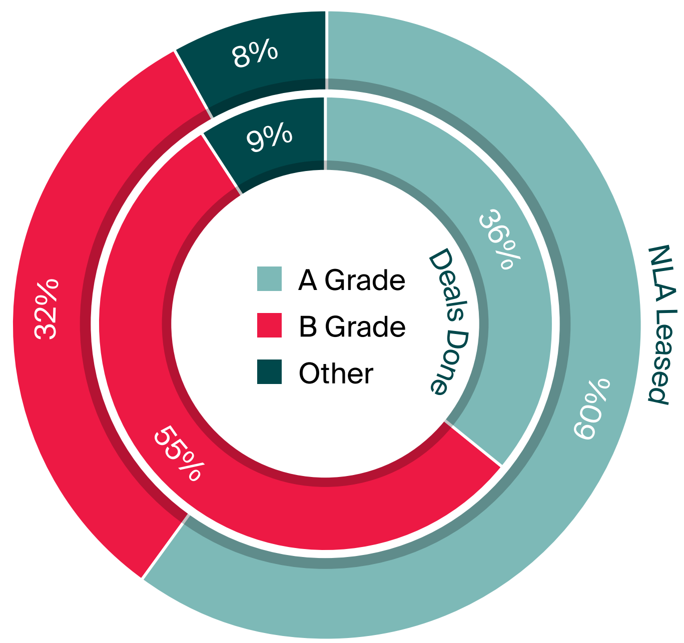
76%
of deals were sub
500sqm

Strong market activity recorded despite mitigating factors

85%
of deals were sub
1,000sqm

2021 has continued to see a flight to quality trend prominent in the market with 60% of NLA leased being in A grade assets. B Grade assets took up 32% of total NLA leased and accounted for 55% of total deals executed, this demonstrates a larger number of deals being completed on smaller fitted suites in the lower grade assets. These assets have had to continue to construct spec suites and offer high incentives on top of these in order to compete with the quality offerings seen in A grade building.

No. of Deals Executed Per Grade vs NLA Leased Per Grade



Source: Knight Frank Deal Evidence

Tenant activity

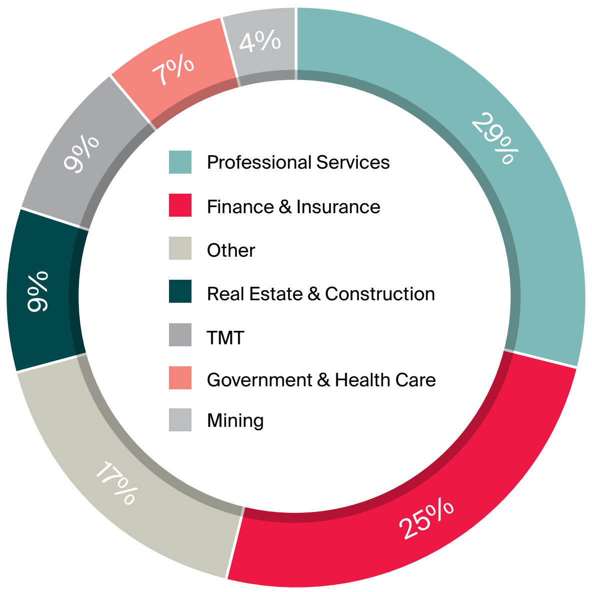
Tenants in Finance, Insurance & Professional Services led the market in 2021.

Take-up by tenant slightly differed from normal Brisbane CBD behaviour in 2021 with 29% of take up (by NLA) for Professional Services in which consist mostly of consultancy firms and management companies, ahead of 25% for Finance and Insurance. The Real Estate and Construction sector along with TMT (Technology, Media, and Telecom) took up 9% each of the total leased space with Hub, the co-working space group taking another floor in 200 Adelaide Street and Clarence Serviced Office moving into 3 floors in 95 North Quay.

2021 recorded c105 briefs to market in the CBD space ranging from 100sqm fitted suites to the 35,000sqm Brisbane City Council requirment represented by Knight Frank.

2021 Brisbane CBD Leasing

(take-up by industry)



September held the most briefs for the year, totalling 20 for the month however, August held the highest total sqm to market with over 70,000 sqm requested over 12 briefs. Of the total briefs recorded by Knight Frank this year a total of 32 deals have been known to be executed. With 11 of these being renewals.

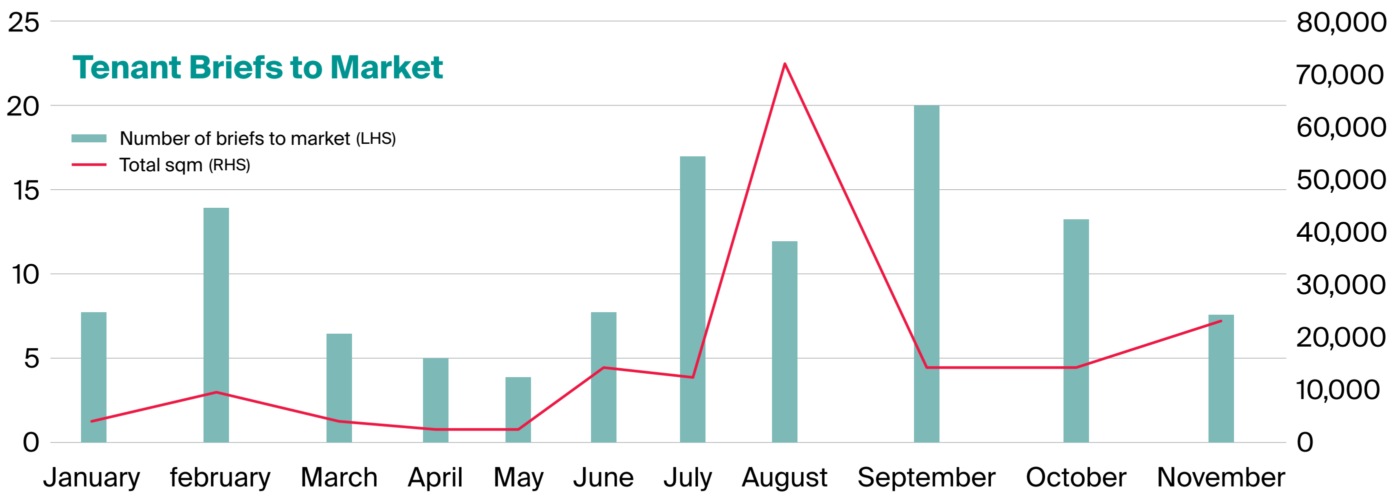
Occupier Services Market Commentary

The 'Hybrid' working model dominated the Occupier space throughout 2020 and has only solidified itself further in 2021. While some senior business leaders were initially tentative to adopt this model it is now acknowledged by the great majority that while it is important to bring people back to the office it is equally important to offer them a greater degree of flexibility and choice.

Due to this changing workplace environment, we have seen some major shifts in occupier decision making over the course of the last 12 months. Most notably there has been a clear 'Flight to Quality' trend with historically 'B Grade' occupiers now looking to 'A Grade' space to house their employees. This has occurred in a twofold way; employees demanding more from their employers and companies requiring less space as they begin to implement their working from home policies heading into the New Year.

Companies acknowledge that talent is scarce in the present market, only being amplified by what the US is calling 'The Great Resignation', so businesses are going to great lengths to ensure the happiness and wellbeing of their employees. This means a combination of greater freedom, more agile working environments, and higher quality space to meet and collaborate, this is exactly what has characterised occupier briefs in 2021.

Gabrielle Byrne
Occupier Services Consultant



Source: Knight Frank Deal Evidence

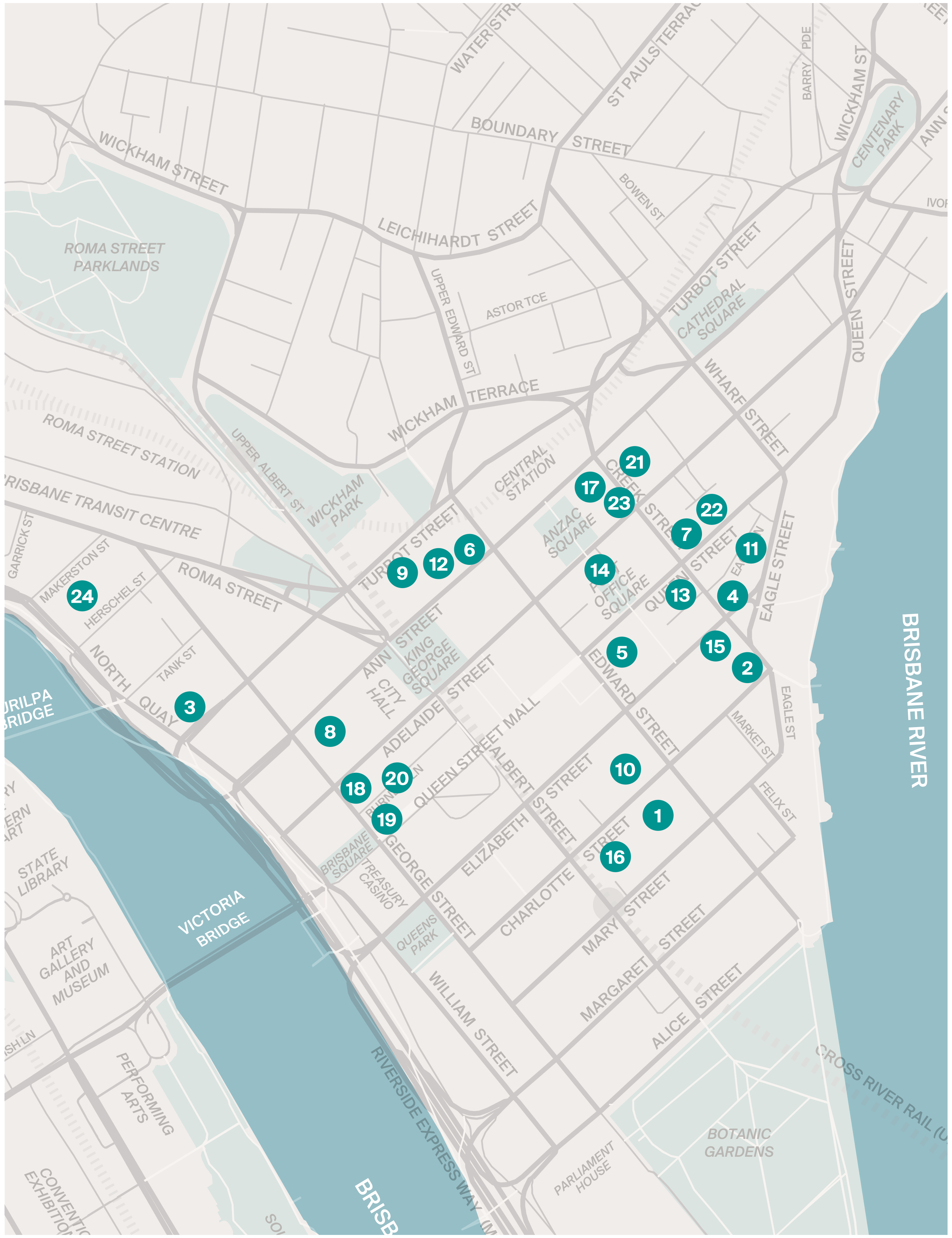
Sample of Major Market Deals 2021

Although smaller tenants were seen to dominate the market this year, a healthy 15% of deals executed in 2021 were for spaces >1,000 sqm. The top deals have been listed below.

Tenant	NLA	Tenant	NLA
cua Banking | Insurance	7,109 sqm	channel capital	1,366 sqm
KPMG	6,600 sqm	Ord Minnett Private Wealth Management	1,243 sqm
apa	4,300 sqm	bennett & philp • lawyers	1,196 sqm
Santos	2.220 sqm	GLENCORE	1,172 sqm
rta residential tenancies authority	1,920 sqm	McGrathNicol	1,159 sqm
dwf	1,603 sqm	Heritage Bank	1,157 sqm
Australian College of Rural & Remote Medicine World Leaders in Rural Practice	1,547 sqm	randstad	1,105sqm
Titles Queensland	1,512 sqm	hbf	1,104 sqm

Source: Knight Frank Deal Evidence

Appointments 2021



Knight Frank has been fortunate enough to work with a large variety of clients on a range of assets, from new developments, Premium, A/B Grade stock to heritage listed buildings.

Our appointments for the year are listed below and reflected on the Brisbane CBD Map.

1. 150 Mary Street, Brisbane
2. 12 Creek Street, Brisbane
3. 32 Turbot Street, Brisbane
4. 66 Eagle Street, Brisbane
5. 259 Queen Street, Brisbane
6. 192 Ann Street, Brisbane
7. 324 Queen Street, Brisbane
8. 69 Ann Street, Brisbane
9. 179 Turbot Street, Brisbane
10. 150 Charlotte Street, Brisbane
11. 70 Eagle Street, Brisbane
12. 180 Ann Street, Brisbane
13. 307 Queen Street, Brisbane
14. 241 Adelaide Street, Brisbane
15. 283 Elizabeth Street, Brisbane
16. 119 Charlotte Street, Brisbane
17. 295 Ann Street, Brisbane
18. 231 George Street, Brisbane
19. 217 George Street, Brisbane
20. 60 Queen Street, Brisbane
21. 127 Creek Street, Brisbane
22. 340 Queen Street, Brisbane
23. 140 Creek Street, Brisbane
24. 205 North Quay, Brisbane

MIDTOWN CENTRE

Midtown Centre was the only development to reach completion this year, achieving practical completion at 30 June 2021.

150 Mary Street, 155 Charlotte Street, Brisbane

Midtown Centre is the newest addition to Brisbane's CBD skyline, offering prime grade office accommodation in an engaging lifestyle and productivity precinct.

The building is Rio Tinto's new head office, having leased the top 11 floors of the building.

Midtown Centre is well connected to key public transport links, commercial precincts, retail amenity and riverside parklands.

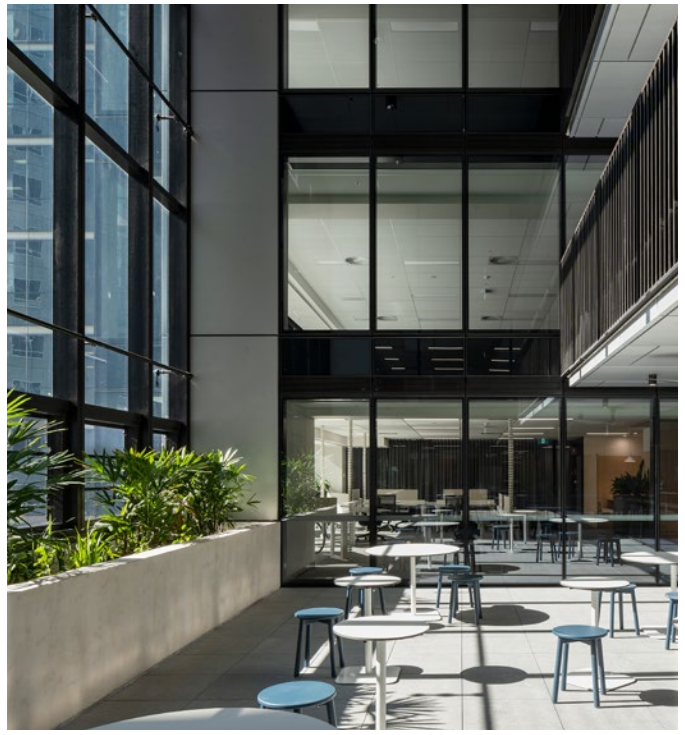
It is one of Australia's most environmentally responsive commercial buildings. The re-use of the existing structure results in carbon efficiencies of 233% compared to a new build, or the equivalent of running the building carbon-neutral for four years.

The building has electrical and water efficiencies of 30% and 35% compared to a conventional building. 90% of the construction waste was recycled and the building is targeting a 90% recovery rate of waste from operations. The building is rated 5 Star Greenstar and has been designed to achieve a Gold Well rating along with 5 Stars for NABERS Energy.

Leasing opportunities remain within this next generation building.

To view website, click here

To view online Information Memorandum, click here



Agent market comments and 2021 highlights

Mark McCann
Partner, Head of Office Leasing

There is genuine sense of improved business confidence which we expect will translate a return to normal activity levels in respect to deal volumes and level of enquiries in the first half of 2022 and beyond. It has been an outstanding 2021 for the team and I am really looking forward to what next year has in store for not only us but also our clients.

- QIC lease renewal on behalf of Deka (7,000 sqm)
- Midtown Centre Appointment (23,000 sqm)
- Commonwealth Govt New Leases (2,400 sqm)
- 259 Queen Street - 1 whole floor (1,500sqm)

Jamie Nason
Director

The market in 2021 has been surprisingly active in Brisbane with Queensland being relatively unaffected by COVID. Larger occupiers seem to be more active in the market after some uncertainty in the past 18 months. Personally, I'm really looking forward to 2022 and believe the office market will bounce back strongly.

- 12 Creek Street – 10 deals (2,900 sqm)
- 324 Queen Street – 10 deals (4,300 sqm)
- 119 Charlotte Street – 1 Deal (1,185 sqm)
- 32 Turbot Street – 3 Deals (2,700 sqm)

Nicholas Ritchie
Director

Tenant enquiry levels continue to increase across the Brisbane CBD as business confidence improves. Flight to quality remains a key tenant driver and landlords committed to investing in building upgrades are reaping the benefits with increased deal volumes. I am looking forward to the year ahead.

- Over 13,000 sqm leased
- 33 Herschel Street (1,749 sqm)
- 69 Ann Street (1,186 sqm) leased to Bennett & Philp
- 13 deals signed at 127 Creek St

Daniel Byrne
Leasing Executive

The lifting of lockdown restrictions in Sydney and Melbourne has given a resurgence of confidence in leasing markets as national companies are becoming more comfortable with making long term decisions for their workplace. Definitely an exciting time to be in leasing!

- 71 Eagle Street - 1,246 sqm leased to Ord Minnett
- Brokerage Transactions – Sub 500 sqm 10 deals
- Grand Final – 1st Grade Rugby
- Grand Final – Corporate 10's Rugby Tournament

Tessa Blaby
Analyst, Office Leasing

We have seen incredible resilience in the Brisbane office market despite what most predicted. Sublease vacancies are at there lowest point in a while, tenant briefs have picked up with month on month seeing almost double what was seen in 2020, leasing activity is high and overall the attitude within the industry has improved throughout the year. I am excited to see what 2022 will bring for not only the market but our team.

Jennelle Wilson
Partner, Research & Consulting

Thanks to government stimulus the economy has shown great resilience through 2021 which has supported underlying demand, as the propensity of tenants to defer decisions recedes we are expecting an uptick in activity through 2022. I am looking forward to next year providing greater clarity and insights on office design and demand as the workplace evolution plays out.

Caitlin Breen
Department Coordinatror

2021 has been a positive year all round, full of change and opportunity. Having recently started within the Knight Frank Leasing team, I've been fortunate enough to have been involved in some exciting new projects and large scale campaigns. I look forward to continuing to work with such a strong team leading into 2022.

Chris Mitchell
Associate Director, Fringe Leasing

The Fringe office market in 2021 has experienced renewed tenant demand and deal volume. The extent of new DA's lodged for developments has increased sharply in 2021, in particular in the Urban Renewal precinct of the Fringe market. The outlook for 2022 is positive with business sediment and confidence returning to pre Covid conditions as economic conditions stabilise.

Market *outlook.*

Leasing activity has remained quite robust for smaller tenants during 2021 as highlighted above with larger tenant activity only returning at any scale during the final months of the year.

32 Turbot Street, Brisbane

While Brisbane was less impacted by lockdowns than southern cities, leasing decisions by major tenants were often delayed due to a company-wide mandate to delay long term commitments while in the midst of uncertainty.

As the economic and social environment stabilises and companies realise the physical changes to office space will not flow through as quickly as initially thought there is expected to be pent up demand expressed during 2022. This will boost leasing activity, particularly in the 1,000 sqm+ size range.

Effective rents for both prime and secondary CBD assets have reached their lowpoint for this cycle and will begin to increase during 2022. Incentives will remain stable at elevated levels for at least Q1 2022 before slowly deflating while face rents will increase gradually.

Occupiers desire beautiful but uncomplicated workplaces with simple and stable IT, a clear purpose for each area within the space and not a plethora of rules and regulations. This inexorably points to the need to many tenants to upgrade their office space.

In the short term many will maintain a preference for plug and play space, but longer term there will be a shift back towards bespoke office space designed to fit the needs of the individual company. Premium space will have a resurgence in demand and relevance with more generic or vanilla A grade space less likely to create the level of service, amenity and experience to create the compelling office of the future

384 Offices

51 Territories

Over 16,000 People

Asia Pacific & Australia		The Americas		Europe		Africa & Middle East	
146	9,625	70	1,767	144	3,985	24	727
Offices	People	Offices	People	Offices	People	Offices	People

Locally expert, globally connected.

Independent, international, commercial, residential.

Operating as a global network of more than 16,000 people in 384 offices across 51 territories, we are in all the key locations you need us to be. More importantly, our global network is built on the same personal connections which are central to our philosophy, so that you can be assured of a seamless professional service, wherever you need us.

Connect with us today.

Brisbane.
Level 3/12 Creek St,
Brisbane City QLD 4000
+61 3246 8888

Your partners in property for 125 years.

CBD

Mark McCann
Partner, Head of Office Leasing

0418 785 978
Mark.McCann@au.knightfrank.com

Jamie Nason
Director, Office Leasing

0434 186 721
Jamie.Nason@au.knightfrank.com

Nicholas Ritchie
Director, Office Leasing

0412 683 490
Nicholas.Ritchie@au.knightfrank.com

Daniel Byrne
Leasing Executive, Office Leasing

0450 642 239
Daniel.Byrne@au.knightfrank.com

Tessa Blaby
Analyst, Office Leasing

0428 112 312
Tessa.Blaby@au.knightfrank.com

Fringe

Chris Mitchell
Associate Director, Office Leasing

0411 213 000
Chris.Mitchell@au.knightfrank.com

knightfrank.com.au