

Sydney CBD Office State of the Market

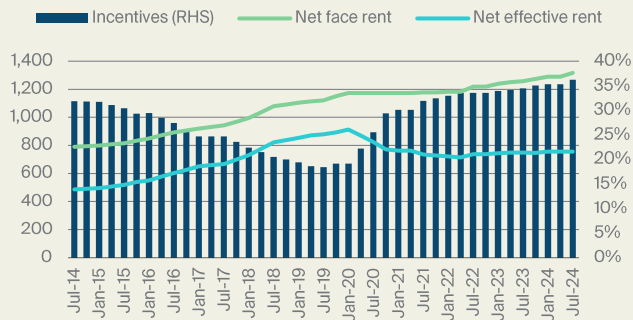


Prime yields stable for first time since early 2022

Q2 2024

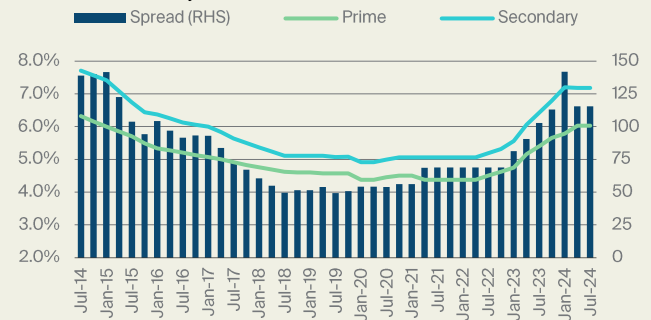
- Prime net face rents rose by 2.1% in Q2, led by the Midtown precinct with 3.6% growth. Meanwhile, incentives rose from 35% to 36%, largely offsetting the impact on effective rents, which edged up by 0.3%.
- Tenant demand has been driven by professional and financial services contributing 67% of leasing activity. Activity has been weighted towards the core precinct, accounting for 76% of lease volumes in H1 2024.
- New supply is forecast to reach 188,771sqm in 2024. Over-station developments account for most of the new supply, totalling 154,705sqm across three buildings, with 80% pre-committed.
- Yields were unchanged in Q2 for the first time since Q1 2022, however book values have lagged market sentiment and are still adjusting. Average prime yields in the core CBD precinct held firm at 6.0%.

Sydney CBD prime rents and incentives
\$/sqm, %



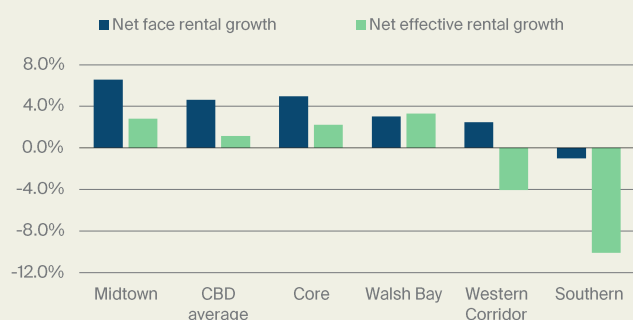
Source: Knight Frank Research

Sydney CBD core precinct office yield spread
Prime vs secondary



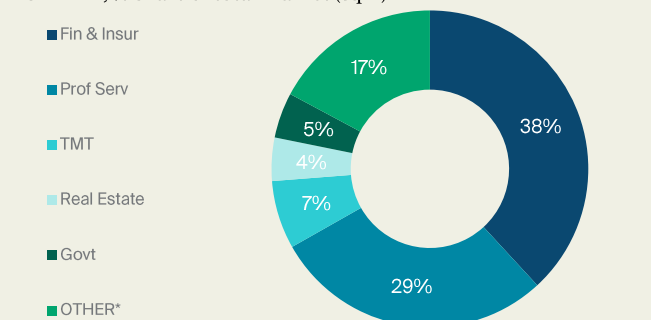
Source: Knight Frank Research

Sydney CBD prime office rental growth
Annual rental growth rate



Source: Knight Frank Research

Sydney CBD office lease deals
2024YTD, % share of total market (sqm)



Source: Knight Frank Research

Sydney CBD Office Market Indicators – Q2 2024

Precinct	Prime								Total Market Figures*	
	Net face rent (\$/sqm)	Qtr change (%)	Annual change (%)	Net effective rent (\$/sqm)	Qtr change (%)	Annual change (%)	Incentive (gross, %)	Core market yield (%) ^	Vacancy Rate (%)	Stock (sqm)
Core	1,477	2.5	5.0	888	0.8	2.2	34	6.0	10.5	2,120,445
Western	1,035	0	2.5	550	-0.8	-4.1	40	7.0	13.8	1,206,233
Walsh Bay	1,417	0.6	3.0	843	0.7	3.3	34	6.0	10.9	335,011
Midtown	1,214	3.6	6.6	543	-0.3	2.8	38	6.8	14.9	1,170,776
Southern	898	0	-1.0	476	-1.5	-10.1	40	7.4	10.9	350,824
CBD Avg.	1,317	2.1	4.6	756	0.3	1.2	36	6.4	12.2	5,219,293

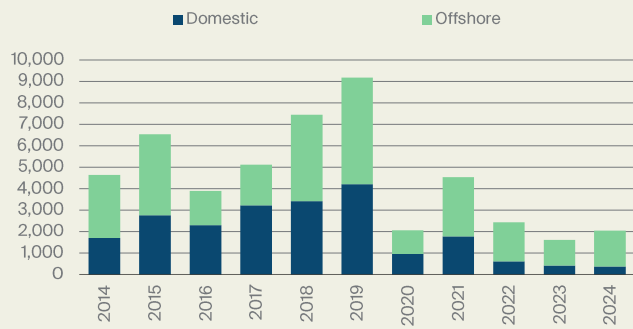
Source: Knight Frank Research, PCA

^ Assuming WALE 5 years

*As of January 2024

Sydney CBD office transactions

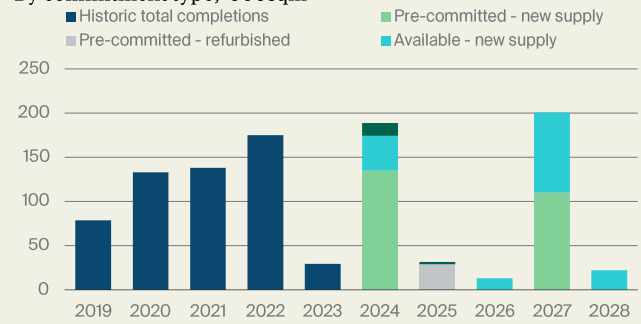
\$million by purchaser location, sales \$10m+



Source: Knight Frank Research

Sydney CBD development completions

By commitment type, '000sqm



Source: Knight Frank Research

Recent Significant Tenant Commitments

Tenant	Property	Precinct	Lease type	Size (sqm)	Net face rent (\$/sqm)	Incentive (%)	Term (yrs)	Start date
Link Market Services	161 Castlereagh St	Midtown	Direct	2,300	1,550 (g)	40.0	5.0	Q4 25
Grant Thornton	225 George St	Core	Direct	3,826	1,800 (g)	35.6	9.4	Q3 25
Pinterest	2 Park St	Midtown	Direct	2,970	1,550	41.0	5.0	Q3 25
PSC Insurance Brokers	207 Kent St	Western	Direct	997	1,200 (g)	35.0	5.0	Q4 24
Taylor Fry	45 Clarence St	Western	Direct	611	1,145 (g)	35.0	5.0	Q3 24
IVF Australia	20 Bond St	Core	Direct	936	1,040	35.0	5.0	Q2 24
Bright HR	700 Harris St	Southern	Direct	1,200	950 (g)	37.0	5.0	Q1 24

Recent Significant Sales

Property	Price (\$m)	NLA (sqm)	\$/sqm	Yield (%)	WALE	Purchaser	Vendor	Sale date
55 Pitt Street (66%)	1,300.0	63,000	30,952	U/D	U/D	Mitsui Fudosan Aust.	Mirvac	Q2 24
5 Martin Place (50%)	296.2	33,500	17,684	6.0-6.25	2.9	CBUS Property	Dexus & CPPIB	Q2 24
255 George St	363.8	38,997	18,658	6.4	7.4	Keppel REIT	Mirvac Wholesale Office Fund	Q2 24
60 Margaret St	779.2	47,167	16,520	6.1	3.3	Ash Morgan and MEC Global partners Asia	Mirvac JV Blackstone	Q4 23
1 Margaret St	293.1	20,754	14,123	5.9	1.6	Quintessential Equity	Dexus	Q3 23
44 Market St	410.0	30,699	13,356	6.5	2.7	PAG (Asia)	Dexus	Q2 23

Major Developments

Property	Precinct	NLA (sqm)	Pre-commit (%)	Status	Completion date
Parkline Place	Midtown	47,565	63	Under Construction	H2 2024
Metro Martin Place North Tower	Core	75,000	84	Under Construction	H2 2024
Metro Martin Place South Tower	Core	32,140	94	Under Construction	H2 2024
333 Kent St (refurb.)	Western	14,200	10	Under Construction	H2 2024
33 Alfred St (refurb.)	Core	31,657	92	Under Construction	H2 2025



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