

# Melbourne CBD Office State of the Market



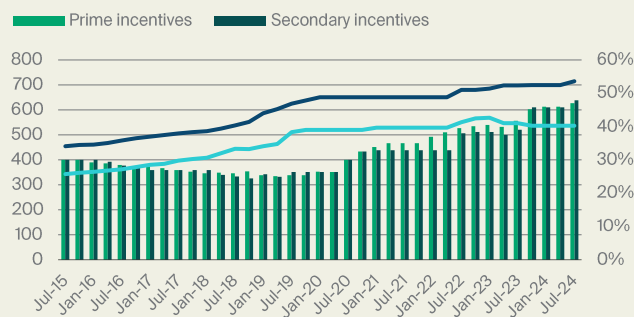
## Enquiries persist and prime yields stabilise

Q2 2024

- Prime yields remain steady, while secondary yields continue to soften (up 13 bps from Q1)
- The Eastern Core has the strongest y/y rental growth of all precincts in Melbourne's CBD (4.7%)
- Prime incentives rose 100 bps from Q1 and sit at 47.0% on average across all precincts
- There were 59 leasing enquiries across Q2 with an average size of 1,065 sqm (excl. 20,000sqm+)
- Five office buildings have sold in Melbourne's CBD for an average price of \$57.7M YTD

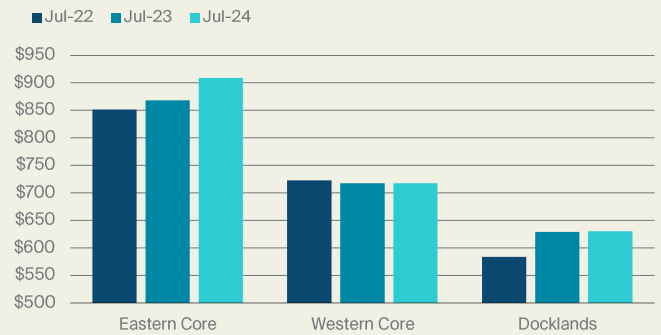
### Melbourne CBD rents and incentives

Net face rents; \$/sqm (LHS), % (RHS)



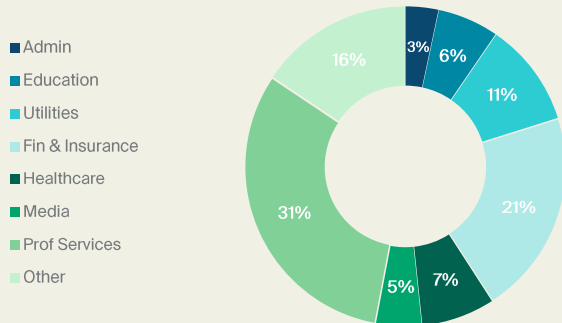
Source: Knight Frank Research

### Prime rents by precinct, net face rent \$/sqm



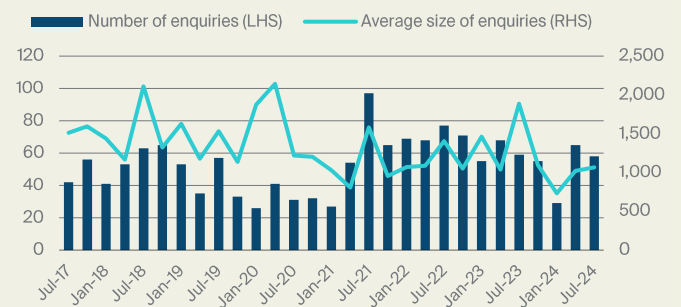
Source: Knight Frank Research

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



Source: Knight Frank Research

### Melbourne CBD lease enquiries excluding 20,000 sqm+



Source: Knight Frank Research

## Melbourne 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 (%)	Net incentive (%)	Core market yield (%) ^	Vacancy Rate (%)	Stock (sqm)
Eastern Core	960	2.6	4.7	545	1.8	-0.2	40.2	6.0	11.3	678,855
Western Core	718	1.2	0.0	377	0.0	-6.5	47.5	6.5	17.4	1,745,443
Civic	655	0.8	0.0	330	-3.6	-10.1	47.7	6.7	18.6	527,526
Docklands	630	0.0	0.2	308	-0.6	-9.4	51.0	6.3	14.6	1,175,537
Flagstaff	503	0.0	0.0	251	0.0	-13.8	50.0	7.1	24.8	294,804
Spencer	740	0.0	0.0	390	0.0	-7.4	47.5	6.2	18.1	304,473
Northeastern	627	0.0	0.0	303	-6.9	-16.5	51.7	6.3	16.0	443,711
CBD	716	0.7	0.7	384	-1.1	-8.3	47.0	6.4	16.4	5,170,349

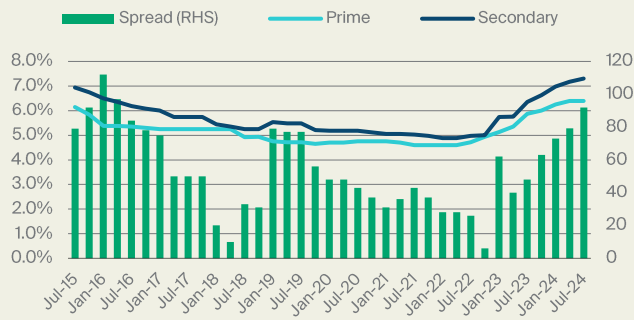
Source: Knight Frank Research, PCA

^ Assuming WALE 5 years

\* As of January 2024

## Melbourne CBD office yields

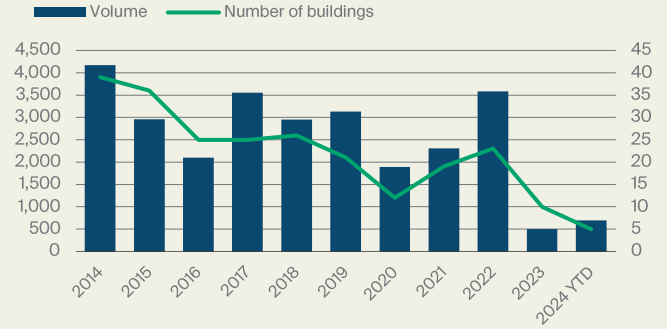
By grade, per cent (LHS), basis points (RHS)



Source: Knight Frank Research

## Melbourne CBD office investment volumes

By volume \$M (LHS), and no. of buildings (RHS); >\$10M



Source: Knight Frank Research

## Recent Significant Tenant Commitments

Tenant	Property	Precinct	Lease type	Size (sqm)	Term (years)	LCD
RSM Group	120 Collins St	Eastern Core	New	3,000	10.0	Jul-24
Snowflake	Queens & Collins	Western Core	New	915	5.0	Jul-24
Uber Australia	440 Collins St	Western Core	New	784	3.0	May-24
VLSBC	500 Bourke St	Western Core	New	2,711	10.0	Sep-24
Gray Puksand	565 Bourke St	Western Core	New	1,290	10.0	Jul-24
Visit Victoria	271 Spring St	Northeastern	Renewal	2,308	7.0	Jun-24

(For more information, please contact our leasing team)

## Recent Significant Sales

Property	Interest	Price (\$m)	NLA (sqm)	Cap Value (\$/sqm)	Yield (%)	WALE (years)	Purchaser	Vendor	Sale date
367 Collins Street	100%	Conf.	37,162	Conf.	Conf.	Conf.	Conf.	Mirvac	Jun-24
200 Queen Street	100%	Conf.	19,736	Conf.	Conf.	Conf.	Barristers Chambers	Charter Hall	Jun-24
628 Bourke Street	100%	Conf.	24,127	Conf.	Conf.	Conf.	Bayley Stuart	AFIAA	Jun-24
1 Nicholson Street	100%	155.0	16,971	9,133	6.15	4.4	SPG	Charter Hall	Sep-23

(For more information, please contact our institutional sales team)

## Major Developments

Property	Type	Precinct	NLA (sqm)	Pre-commit (%)	Main Tenant	Status	Completion date
Melbourne Quarter Tower (MQT)	New	Docklands	68,000	29%	Medibank	U/C	H2 2024
111 Bourke Street	Refurb	Eastern Core	43,000	-	-	DA Approved	H2 2025
7 Spencer Street	New	Docklands	42,000	10%	Work Club	U/C	H2 2025
Melbourne Townhall	New	Civic	17,000	35%	CBRE	U/C	H2 2026
435 Bourke Street	New	Western Core	60,000	26%	CBA	U/C	H2 2026



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