

Melbourne CBD Office State of the Market

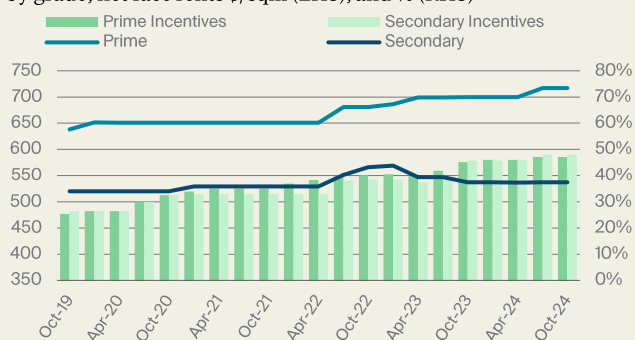


Weaker demand evidenced by flat rents and less enquiry

Q3 2024

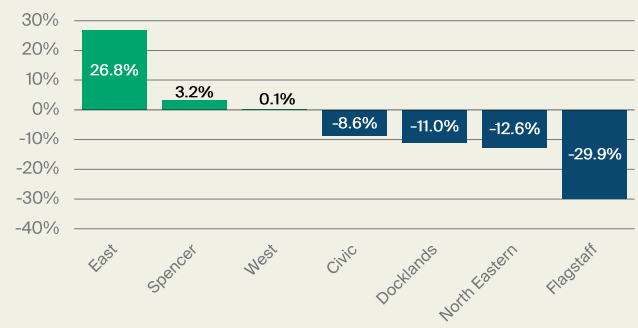
- Rents and incentives remain flat on average across both prime and secondary office stock q/q
- As at Q3-2024 there is a 26.8% premium on prime net face rents in the Eastern Core compared to the CBD avg.
- CBD leasing enquiries fell to 51 over Q3-2024 but the average size rose from 1,042 sqm to 1,083 sqm
- Investment market remains quiet with one minor office transacting in Melbourne's CBD over Q3-2024
- Prime yields in the CBD softened slightly by 7bps to 6.46% q/q as the very lowest yields edged up
- MQT's practical completion in H1-2024 has resulted in a 4.9% rise in premium vacancy to 16.1%

Melbourne CBD rents and incentives
by grade, net face rents \$/sqm (LHS), and % (RHS)



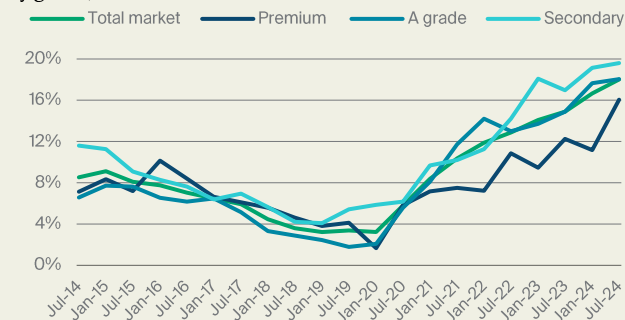
Source: Knight Frank Research

Net face rental level relative to prime CBD avg.
by precinct, %



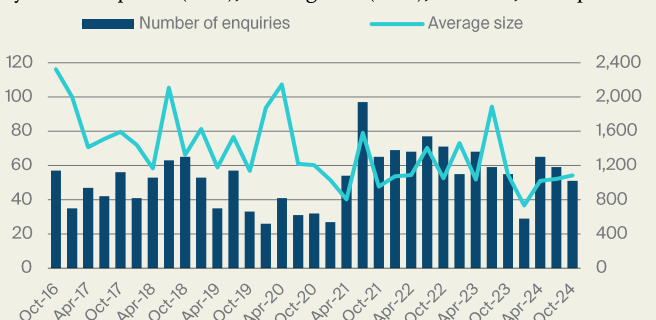
Source: Knight Frank Research

Melbourne CBD vacancy rate
by grade, %



Source: Knight Frank Research, PCA

Melbourne CBD lease enquiries
by no. of enquiries (LHS), and avg. size (RHS); excl. >20,000 sqm



Source: Knight Frank Research

Melbourne CBD Office Market Indicators – Q3 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	909	0.0	3.3	545	0.0	2.1	40.2	6.1	10.8	678,855
Western Core	718	0.0	1.2	377	0.0	0.0	47.5	6.5	18.9	1,745,433
Civic	655	0.0	0.8	330	0.0	-3.6	47.7	6.7	16.7	526,023
Docklands	638	0.0	2.9^	312	0.0	0.6^	51.0	6.5	19.7	1,244,537
Flagstaff	503	0.0	0.0	251	0.0	-9.1	50.0	7.1	26.8	294,804
Spencer	740	0.0	20.3^	390	0.0	24.0	47.5	6.3	20.8	304,473
North Eastern	627	0.0	0.0	303	0.0	-11.5^	51.7	6.3	14.7	443,711
CBD	717	0.0	2.3	385	0.0	-0.6	47.0	6.5	18.0	5,237,846

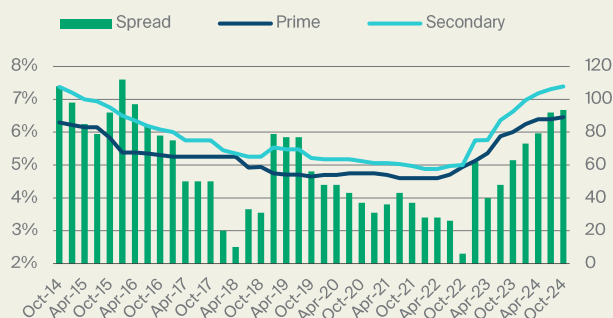
Source: Knight Frank Research, PCA

#Assuming WALE 5 years

* As of July 2024

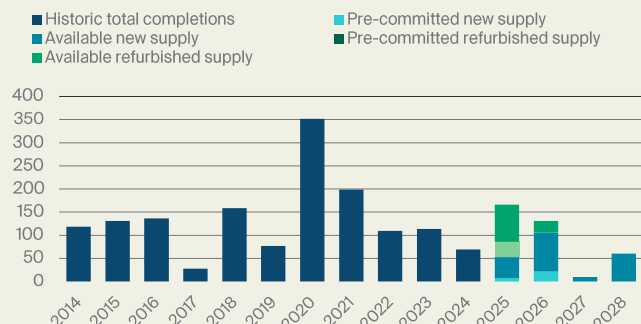
^ Revised basket with the inclusion of 555 Collins Street for Spencer and MQT for Docklands, annual growth otherwise 0.0% for both precincts

Melbourne CBD office yields by grade % (LHS), and spread in bps (RHS)



Source: Knight Frank Research

Melbourne CBD development pipeline by commitment type, 000's sqm



Source: Knight Frank Research, PCA

Recent Significant Tenant Commitments

Tenant	Property	Precinct	Lease type	Size (sqm)	Term (years)	LCD
SLF Lawyers	140 William Street	Western Core	New	1,239	7.0	Q2-2025
Channel 7	MQT	Docklands	New	4,300	10.0	Q4-2024
Corrs Chambers Westgrath	120 Collins Street	Eastern Core	New	9,108	10.0	Q4-2025
Lonsdale Chambers	140 William Street	Western Core	New	1,260	Conf.	Q2-2024

(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
99 Queen Street	100%	16.0	4,710	3,397	9.8	0.5	Morry Schwartz	Scaunich Group	Q3-24
367 Collins Street	100%	301.0	37,162	8,100	7.0	2.5	PAG (Asia)	Mirvac	Q2-24
200 Queen Street	100%	170.0	19,736	8,613	7.5	2.7	Barristers Chambers	Charter Hall	Q2-24
628 Bourke Street	100%	115.2	24,127	4,766	8.4	2.0	Bayley Stuart	AFIAA	Q2-24

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

Major Developments

Property	Grade	Precinct	NLA (sqm)	Pre-commit (%)	Main Tenant	Status	Completion date
Melbourne Quarter Tower (MQT)	Premium	Docklands	69,000	29.0	Medibank	Complete	H1 2024
17 Bennetts Lane	A-Grade	North Eastern	10,500	33.0	Conf.	U/C	H2 2025
7 Spencer Street	A-Grade	Docklands	42,000	10.0	Work Club	U/C	H2 2025
Melbourne Townhall	A-Grade	Civic	17,000	35.0	CBRE	U/C	H2 2026
435 Bourke Street	Premium	Western Core	60,000	26.0	CBA	U/C	H2 2026
51 Flinders Lane	Premium	Eastern Core	29,000	0.0	n/a	U/C	H2 2026
State Library Exchange	Premium	Civic	10,000	0.0	n/a	U/C	H1 2027



Research & Consulting
Tony McGough
+61 406 928 820
tony.mcgough@au.knightfrank.com



Office Leasing, VIC
Hamish Sutherland
+61 439 033 612
hamish.sutherland@au.knightfrank.com



Asset Management Services
Ben Veale
+61 402 341 255
ben.veale@au.knightfrank.com



Research & Consulting
Laurence Panozzo
+61 401 251 876
laurence.panozzo@au.knightfrank.com



Institutional Sales, VIC
Trent Preece
+61 400 504 300
trent.preece@au.knightfrank.com



Tenant Representation, VIC
Harry Mackaness
+61 422 853 259
harry.mackaness@au.knightfrank.com