MARKETBEAT

MELBOURNE FRINGE

Office Q2 2024

$645	A-grade net face rent (sqm pa) Southbank
45%	Net Incentives – St Kilda Road
7.2%	YoY A-grade Net Face Rental Growth – Southbank

ECONOMIC INDICATORS
Q1 2024

	Q4 23	Q1 24	12-Mo. Forecast
GDP Growth (National)*	2.0%	1.7%	▼
State Final Demand Growth (VIC)*	2.6%	2.3%	▼
Unemployment (VIC)†	4.1%	4.1%	▲

**Average annual growth rate, †Seasonally adjusted*

Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

ECONOMIC OVERVIEW

The Australian economy has slowed through 2024 amid continued inflationary pressures. Real GDP increased at a modest 0.1% over the first quarter of 2024, a clear indication that the Australian economy is in the midst of a cyclical slowdown. Oxford Economics (OE) forecasts that real GDP will continue to slow through Q2, before recovering in H2 2024, with their first forecast rate cut now pushed back to Q1 2025. OE forecasts Victoria's gross state product to increase 1.0% over 2024, before recovering to 2.9% in 2025 and 4.4% in 2026.

SUPPLY AND DEMAND

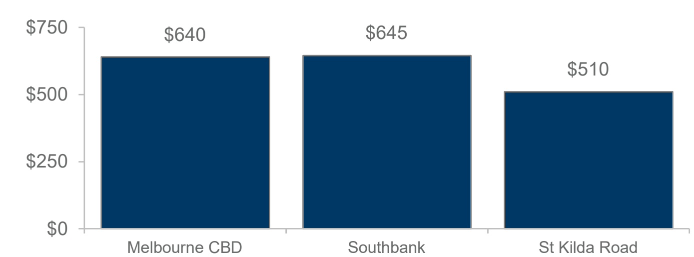
In Melbourne's fringe market, tenant demand is strongly skewed towards high-quality assets, resulting in negative net absorption and higher vacancy rates for secondary-grade properties. Nevertheless, vacancy rates appear to have reached their peak. With minimal new supply expected to enter the market in the near term, vacancy rates are anticipated to decrease throughout the latter half of 2024 and continue improving into 2025.

Recent completions include 4,289 sqm at Cubitt Place on 16 Stephenson Street in Cremorne by Pace Development Group, 5,000 sqm at 22 Gordon Street in Cremorne, and 5,326 sqm at 43-57 Blazey Street in Cremorne. Upcoming supply remains limited to one 8000 sqm development and a range of sub-3,000 sqm buildings across Richmond and Cremorne. No significant developments are expected in Southbank and St Kilda Rd in 2024. Future developments include 8,386 sqm at 2-6 Fitzgibbon Street in Cremorne and 3,620 sqm at 33-35 Stewart Street in Richmond both expected for completion by Q4 2024.

RENTS

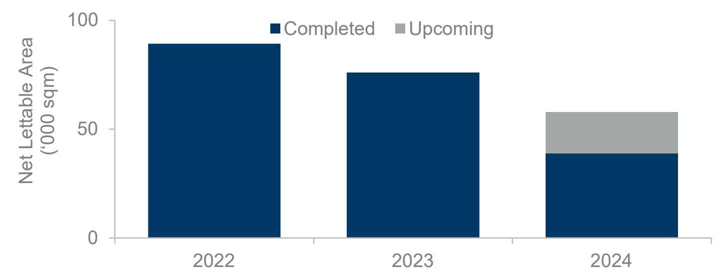
Southbank A-Grade gross face rents have continued to show solid growth over H1 2024, with net face rents increasing 7.2% Y-o-Y to reach $645 per sqm per annum for Q2 2024. St Kilda Road net face rents have risen slightly sitting at $510 per sqm per annum increasing by 2.0% Y-o-Y. Net effective rents have moved up across the fringe markets with both Southbank and St Kilda Road up $5 from Q1 2024. Net incentives are averaging 46% for Southbank and St Kilda Road respectively, while outgoings are averaging $205 and $160 per sqm per annum at Q2 2024.

A-GRADE NET FACE RENTS



Source: Cushman & Wakefield Research

METRO MELBOURNE SUPPLY PIPELINE



Source: Cushman & Wakefield Research; Property Council of Australia

MARKETBEAT
MELBOURNE FRINGE
Office Q2 2024

CUSHMAN & WAKEFIELD

MARKET STATISTICS

MARKET	NET FACE RENT			NET EFFECTIVE RENT		
	NET FACE RENT (A$)	OUTGOINGS (A$)	NET INCENTIVES	A$/SQM/YR	US$/SQM/YR	EUR/SQM/YR
Melbourne CBD A-grade	720	200	49%	365	240	225
Southbank A-grade	645	205	45%	370	250	225
St Kilda Road A-grade	510	160	46%	320	215	195
St Kilda Road Secondary-grade	400	170	48%	245	165	150

AUD/USD = 0.6626; AUD/EUR = 0.6179 as at 24 June 2024 Source: RBA

KEY LEASING TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	LEASE SQM	LEASE TYPE
549 St Kilda Road	St Kilda Rd	Alfred Health	4,640	Direct
28 Freshwater Place	Southbank	Publicis Media Australia	3,059	Direct
1 Nicholson Street	East Melbourne	IXOM	2,757	Direct
697 Collins Street	Docklands	Nous Group	2,090	Sublease
36 Wellington Street	Collingwood	Starbucks	1,400	Direct
658 Church Street	Cremorne	Brand Collective	1,208	Direct
380 St Kilda Road	St Kilda Rd	Now Finance Group	1,142	Direct
108 Power Street	Hawthorn	Altius Group	1,117	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS JUST COMPLETED/UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	BUILDING NLA	COMPLETION DATE
16 Stephenson Street	Cremorne	Pace Development Group	4,289	Q2 2024
86-94 Jolimont Street	East Melbourne	Creative Cubes	5,500	Q3 2024
21 William Street	Balaclava	Hub Australia	6,200	Q2 2024
2-6 Fitzgibbon Street	Cremorne	n/a	8,356	Q4 2024
S1 2-50 Elizabeth Street	Kensington	n/a	17,600	Q3 2024

Source: Cushman & Wakefield Research

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