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Market Report

Brisbane CBD bucked the trend of several other states and saw the total vacancy rate increase to 12.7% in Jan 2020. This was mainly as a result of a major addition of supply, which outweighed the positive net absorption which has increased over the past two consecutive years.

Both Prime and Secondary Face rents continued to increase year on year by 2.8% and 3.0% respectively. These increases are likely to be put on hold as 2020 must deal with COVID-19 and the effects on growth expected.

The supply in Brisbane CBD is set to momentarily reduce over 2020, with only one 7,200 sqm office building becoming available. A further 104,000 sqm will be added to the market throughout 2021 and 2022.

Typical Gross Rental Comparison – Premium, A & B Grade

Vacancy	Average Rent	Net Absorption
12.7%	$675/sqm	32,528 sqm

Grade	Typical Gross Face Rental ($/sqm)		Gross Incentive (%)	Gross Effective Rental ($/sqm)	
	Low	High	Average	Low	High
Premium	$800	$975	30%	$560	$683
A	$525	$800	35%	$341	$520
B	$425	$575	35%	$276	$374

Recent Transactions

	Tenant	Submarket	Type	Size	Term
1	WeWork	CBD	New Lease	5,000	12
2	IWG	CBD	New Lease	3,729	10
3	Thomas Geer	CBD	Pre-Com	13,689	U/D
4	Victory Offices	CBD	Pre-Com	2,600	U/D
5	Hall & Wilcox Law	CBD	New Lease	4,106	10
6	Elmo Software	CBD	New Lease	1,233	6

Occupier's Perspective

Premium grade stock remains in high demand. Not only did the grade of stock receive the largest amount of net absorption over the past 6 months by grade (75%), there are several developers that have greenlighted Premium tower developments.

Incentives have stalled on the back of solid rental growth throughout 2019. The uncertainty of 2020 on the back of COVID-19 has impacted incentives throughout all grades. Even with an increase in rental tenants still expect little capital outlay to move to a new office space.

Market Trends

Transactions on hiatus as COVID-19 set to impact the office market with a lot of businesses looking to defer making decisions around their office accommodation requirements until after the full impacts of the virus on the economy are known.

New supply sees vacancy increase which was in line with forecasts pre-COVID-19. As supply will be continually added over the next few years until 2022, there will be a tug of war between tenants upgrading for higher quality stock and looking for cost efficient options.

Brisbane CBD is not over exposed to tourism risks as the impact of COVID-19 and border restrictions is set to disrupt the industry. Tourism and education contribute to QLD's GDP less than Victoria, New South Wales and Tasmania.