

Brisbane CBD – Q2 2021

Market Report

Brisbane CBD's vacancy remained the same over the 6 months to July 2021, decreasing from 13.6% to 13.5% for a change of only 0.01%. The vacancy rate mainly remained unchanged for several reasons, including attractive leasing terms by landlords to entice tenants to transact and the relatively minor length of lockdowns in Queensland allowing businesses to operate as normally as possible. It is likely however that the vacancy rate will stay above 10% until at least 2025.

The first 6 months of 2021 has seen an uptick in the number of transactions taking place, however, this has not brought the vacancy rate back to pre-COVID levels. Sublease space continues to remain available, and whether these tenants choose to renew, re-occupy, or relinquish their office space will have a dramatic effect on the overall vacancy rate moving forward.

Sublease space also has affected the incentive levels which have continued to increase. Landlords are now having to offer higher incentives to entice tenants over competing stock and sublease space. This could trend for several years due to the anticipated lasting impact of the pandemic and new workplace practises.

Brisbane CBD's supply cycle is likely to be affected as a result of the changing market conditions. Newly touted developments will need higher levels of pre-commitments, whilst existing stock will likely undergo refurbishments to cater to tenants need for great amenity.

Typical Gross Rental Comparison



Grade	Typical Gross Face Rental (\$/sqm)		Gross Incentive (%)	Gross Effective Rental (\$/sqm)	
	Low	High	Average	Low	High
Premium	\$800	\$975	38%	\$496	\$604
A	\$525	\$800	38%	\$325	\$496
B	\$425	\$575	37%	\$267	\$362

Note - Vacancy and absorption statistics sourced from Property Council of Australia

Occupier's Perspective



New workplace practises have seen tenants reevaluating their current office size requirements in the new year. This has resulted in many tenants handing back additional spaces or putting any excess space on the market for sublease. This is likely to continue throughout the second half 2021.



Incentives continue to increase throughout 2021 as landlords compete to entice and/or keep tenants. An increase sublease space continues to put pressure on landlords. And smaller suites are being provided with speculative fitouts to allow a walk-in solution at minimal cost to tenants.

Market Trends

Minor increase in transaction activity has allowed the vacancy to stabilize in the short term. With the vaccine rollout continuing business are looking at returning to the office and confirming their size requirements moving forward.

Co-working and flex space providers are expected to see any uptake in demand as the workforce continues to return to the CBD. Offering flexible terms for businesses will benefit those companies still determining their office footprint in 2021 and beyond.

Speculative fitouts have become the norm for Landlords to entice prospective tenants, especially for the sub 350 sqm range of occupiers. Some of these speculative fitouts even include the provision of additional incentives on top, however, this varies from landlord to landlord.