Brisbane CBD – Q3 2021 Market Report

Brisbane CBD's vacancy remained relatively unchanged over the 6 months to July 2021, decreasing from 13.6% to 13.5% for a change of only 0.01%. This was a result of landlords providing attractive leasing terms to entice tenants to commit and the relatively minor length of lockdowns in Queensland allowing businesses to experience minimal disruption and operate as normally as possible. It is likely however that the vacancy rate will stay above 10% until at least 2025.

Although the first 6 months of 2021 saw an uptick in the leasing activity, the transactions taking place have not returned the vacancy rate back to pre-COVID levels. With sublease space continuing to remain available and a viable option to tenants, whether a tenant chooses to either renew, re-occupy, or relinquish their office space will have a dramatic effect on the overall vacancy rate moving forward.

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

Vacancy
13.5%

Average Gross Rent
$612/sqm

Net Absorption
1,411 sqm

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 revaluating their current office size requirements. The most active requirements in the market are 150 sqm – 300 sqm. With small suites being snapped up by businesses looking to lock in future growth as well as other businesses changing workplace practises and contracting into smaller premises.

Incentives continue to increase in 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

Smaller requirements transacting regularly with these tenants looking to take advantage of speculative fitouts and high incentives. 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.

Co-working and flex space providers are already experiencing an uptake in demand as changing workplace practises, such as the inclusion of working from home has seen a flexible lease term as more attractive. Offering flexible terms for businesses will benefit those companies still determining their office footprint in 2021 and beyond.

Larger tenants likely to transact in the new year, once international directives are confirmed, and the opening up of the borders and higher vaccination rates are confirmed.