

An aerial photograph of a city skyline at sunset. The sky is filled with dramatic, golden-hued clouds. In the foreground, a large steel truss bridge spans across a wide river. A white and purple speedboat is moving across the water, leaving a white wake. The city skyline in the background is composed of numerous skyscrapers, many of which are illuminated with warm lights, reflecting the sunset. The overall scene is a vibrant and modern urban landscape.

Deals Transacted

3Q & 4Q 2024

caden

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STRONG DEAL VOLUMES SUPPORTED THE TIGHTENING OF VACANCY RATES TO 7.52%

A positive story to tell around vacancy in the Brisbane CBD has aided the continued improvement in face rents, as well as supported tightening in incentives on all fit out types.

A total of 164 transactions were recorded through the second half of 2024, representing a 4.5% increase over the first half of the year. This is also a 24.2% increase over 2H23, a positive rebound after both 1Q & 2Q of 2024 were lower than the corresponding periods in 2023. The reporting period saw approximately 74,800 sqm in deal activity, with 3Q alone accounting for about 43,000 sqm – the largest quarterly volume of the year. Interestingly, this would only have measured up as the fourth highest quarterly volume in 2023.

A surprise to no-one is that sub-500 sqm suites have predominated deal activity, but a further inspection identifies that the sweet spot really is sub-300sqm, with 110 of the 145 sub-500sqm deal occurring in this range. This contributed to a total of 267 deals for the year, marking a 16.6% increase from 2023, driven by higher activity in B Grade assets. At the other end, transactions >1,000 sqm saw a 54.2% year-on-year decline, attributed to the scarcity of contiguous and whole floor availability, and general reduction in tenant demand for this size bracket. This segment is expected to gain momentum in late 2025/2026 as key backfill vacancies re-enter the market.

Rents continued to show strong uplift, with the broader market recording an annual increase of 7.5%, amounting in a compounded 13.3% improvement in rents since the beginning of 2023. A-/B+ Grade properties, complemented by the vacancy decline, largely facilitated this growth, recording one of the highest average increases of 8.8% year-on-year. A Grade followed closely, with an annual growth rate of 8.1%, priming the Grade to push over the \$900/sqm average mark in 2025.

Incentive figures generally paint a positive picture on the face of things – though it remains difficult to extract a clear position on incentives as fit out costs remain relatively cloudy. With that said, for unfitted premises, perhaps the truest indicator of market incentives, rates decreased between 1.5% to 3.0% across the Grades, averaging close to the low 40% range across all grades. Existing and spec incentives also improved compared to 12 months ago, with average incentives contracting by up to 8.8% for Existing fit outs and 3.5% for specs.

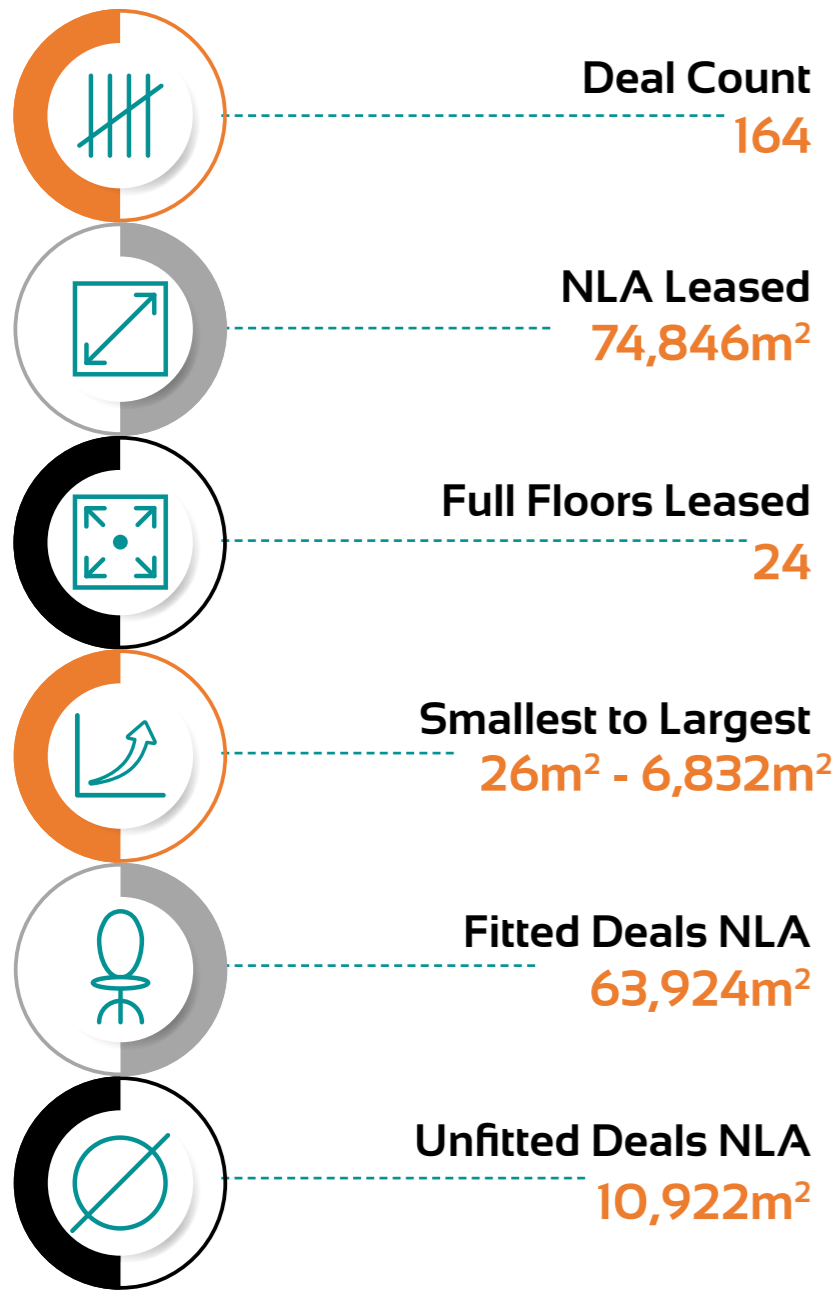
For any additional information beyond the contents of this report, please contact the Caden Research team.



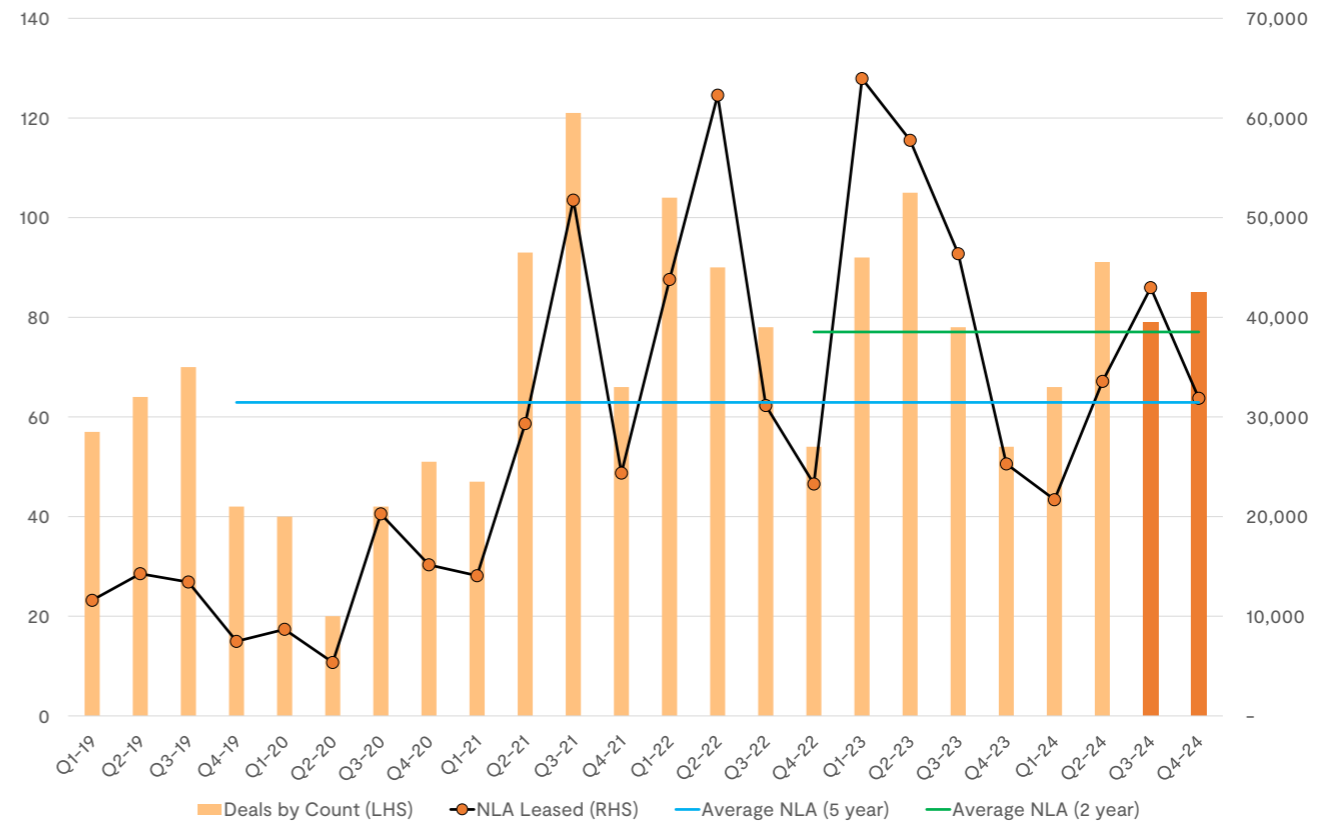
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3Q & 4Q 2024 Deal Dashboard



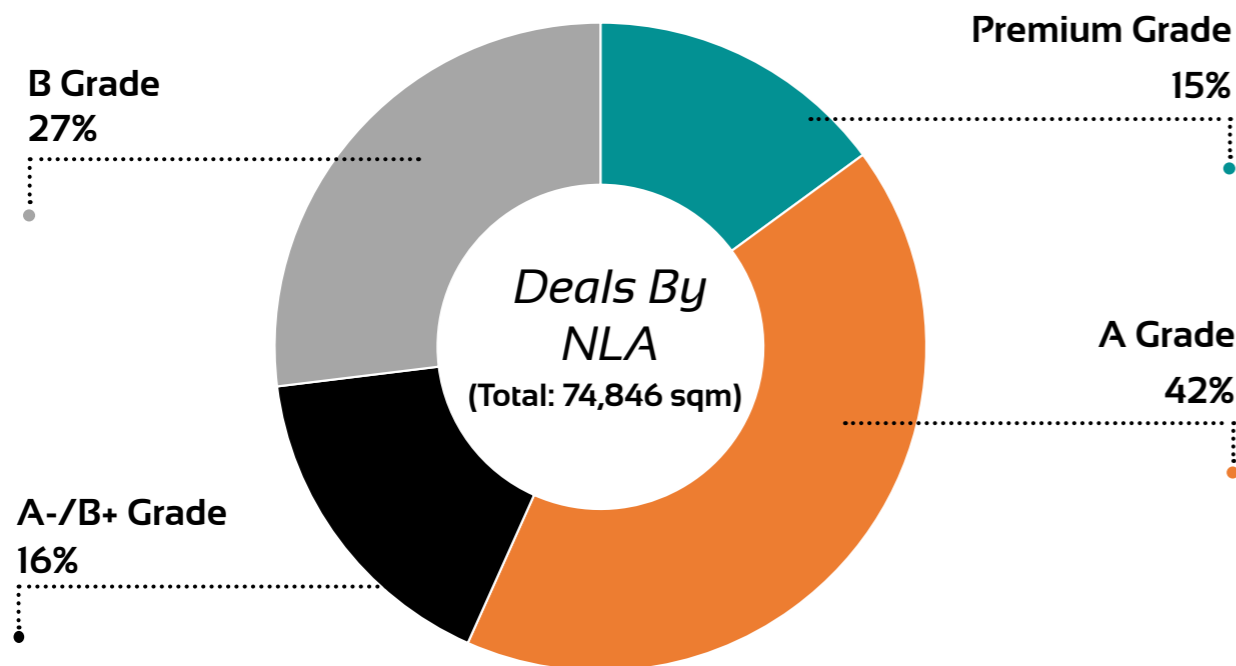
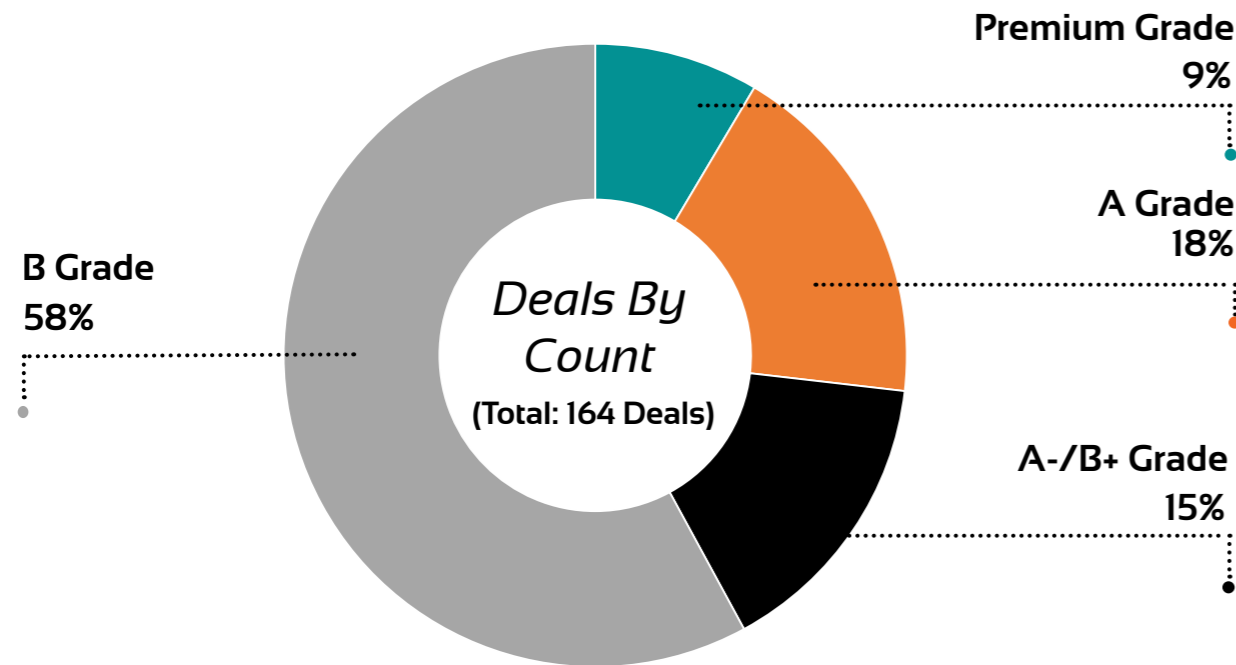
Rolling Deal Count and NLA



Y-O-Y Deal Breakdown by Grade:

| Grade | No. Deals | NLA Leased | Avg Deal size | Gross Rents | Incentives |
|--------------------|-----------|------------------------|-----------------------|--------------------------|------------|
| Premium | 14 ▲ | 11,159m ² ▲ | 797m ² ▲ | \$1,142/m ² ▼ | 42% |
| A Grade | 30 ▼ | 31,259m ² ▲ | 1,042m ² ▲ | \$895/m ² ▲ | 39%-40% |
| A-/B+ Grade | 25 ▼ | 12,259m ² ▼ | 490m ² ▼ | \$818/m ² ▲ | 40% |
| B Grade | 95 ▲ | 20,169m ² ▲ | 212m ² ▲ | \$739/m ² ▲ | 42%-43% |

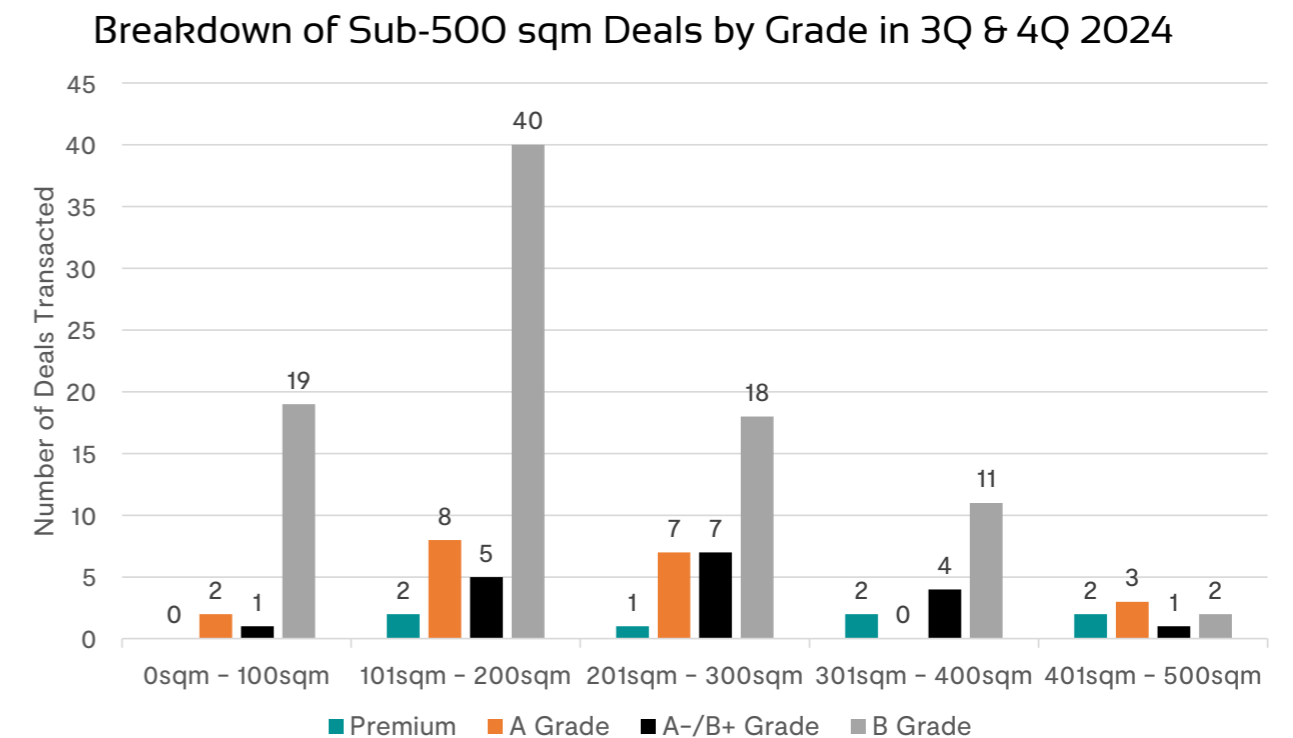
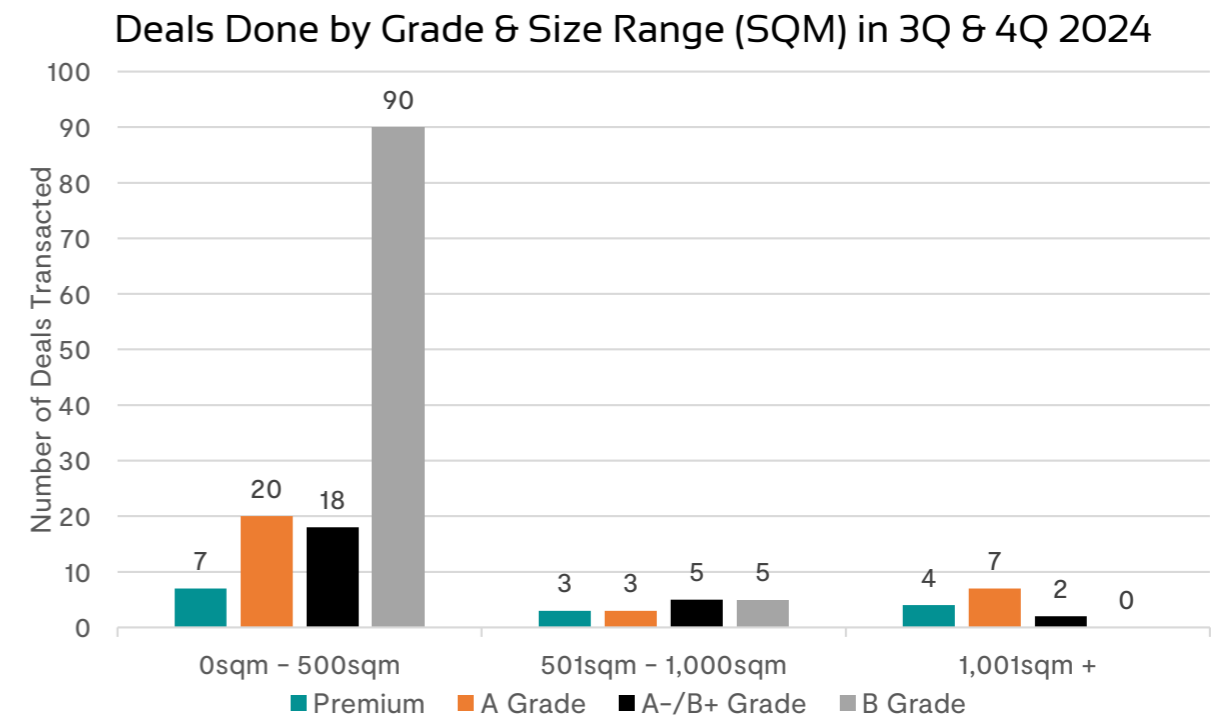
Deals down on 2023 highs but remain above the 5-year historic averages



- » Of the 164 deals recorded for 2H24, 79 occurred in 3Q24 and 85 in 4Q24. Cumulatively, this represented a 4.5% increase over 1H24 and is the highest level of deal activity over the past two years.
- » ~74,800 sqm of space has been leased during this period with 3Q24 accounting for the majority (~43,000 sqm). Notable deals included Senex (~6,800 sqm in 70 Eagle St), Federal Government (~5,400 sqm in 300 George St) and Santos (~3,300 sqm in 32 Turbot St).
- » With the exception of A Grade, all Grades saw a rise in deal count over 1H24. Despite the lower number of deals, A-Grade compensated by achieving the highest volume of deals (NLA) through deals listed above, recording seven (7) >1,001 sqm deals against Premium's four (4).

Contraction in >1,000 sqm transactions a sign of Brisbane's limited contiguous floor supply

- » Brisbane's reputation as a sub-500 sqm tenant market was only further evidenced by the 145 deals recorded in this size range in 2H24. In total, 267 deals were registered in this band throughout the year, reflecting an increase of 16.6% increase over 2023.
- » 2024 saw a 54.2% decline in >1,001 sqm transactions from 2023, largely reflecting the scarcity of contiguous floor availability, but also a lower volume of tenant activity. Within this band, A Grade was down 65.6% (YoY), however, we anticipate this will reverse in late 2025/2026 with the reintroduction of significant backfill vacancy.
- » Once again... fitted premises dominated leasing activity in 2H24, making up 91.5% of transactions. Existing fit outs represented the largest share of this at 63.3%, while spec fit-outs and second-generation specs made up 28% and 8.7%, respectively.



Rents record rise of 13.3% since beginning of 2023

Annual Overview of Brisbane CBD Gross Rents (\$/sqm): Jan-24 to Dec-24

| | Premium Grade | A Grade | A-/B+ Grade | B Grade |
|---------------------------------------|---------------|-------------|-------------|-----------|
| Lowest Rent (Gross \$/sqm) | \$920/sqm | \$775/sqm | \$710/sqm | \$525/sqm |
| 12 Month Change (Lowest Rent) | -0.5% | +6.9% | +6.8% | -4.5% |
| Average Rent (Gross \$/sqm) | \$1,142/sqm | \$895/sqm | \$818/sqm | \$739/sqm |
| 12 Month Change (Average Rent) | +8.8% | +8.1% | +8.8% | +6.1% |
| Highest Rent (Gross \$/sqm) | \$1,295/sqm | \$1,050/sqm | \$895/sqm | \$850/sqm |
| 12 Month Change (Highest Rent) | +12.6% | +13.5% | +8.5% | +7.6% |

- » Face rents grew across the market on average by 7.5% p.a., a notable increase from the already impressive 5.4% growth recorded last year.
- » Premium Grade gross rents have registered an annual growth of 8.8%, representing some of the strongest growth in the market. Its average rent of \$1,142/sqm (this figure was classified in the 'high' rent category just a year ago) reflected strong rental uplift across Waterfront Place (1 Eagle St), 111 Eagle St, and Riverside Centre (123 Eagle St).
- » Blue Tower (12 Creek St) and CPI (345 Queen St) have largely facilitated the 8.1% annual growth in A Grade. Both assets are currently achieving rents in the mid to high \$900's, with the highest recorded rent reaching \$1,050/sqm for a spec fit-out in Blue Tower earlier this year. In comparison, competing assets along Queen and Creek Street have achieved mid-to-high \$800s, while a couple outside the Financial Precinct recorded deals in the high \$700s.
- » Average rents for A-/B+ Grade assets have risen by 8.8% over the past year. Leading this were 307 Queen St, 120 Edward St and 260 Queen St as they secured deals in the \$850-\$875/sqm price range, with the latter recently achieving \$895/sqm – the highest rent recorded for the Grade.
- » Despite maintaining the highest vacancy rates, B Grade assets have shown significant growth on the rental front with the average rent sitting at \$739/sqm (6.1% increase). Assets that have invested in spec fit outs or are situated in the Financial Precinct have supported this after securing rents at \$825/sqm or above. Conversely, lower quality B Grade buildings, initially transacting at \$600-\$625/sqm in 1Q24, have seen their asking rents jump to ~\$650/sqm.

Incentives have finally seen an improvement – could this mark a turning point?

- » Year-on-year, incentives have observed a decrease across each tenancy fit out type and market. Whilst true incentives are muddled by fit out costs, Existing fit out deals within A Grade assets have witnessed the largest annual decline with a 8.8% drop to average 30.3%. This figure was brought down further by an Existing fit out that transacted with a 10% abatement.
- » Spec fit out incentives have seen a modest decline across most Grades, with occupiers expecting an average -15% abatement. Whilst an overall contraction is noted, incentives in this part of the market are stimulated by various factors including cost to build, lease term and downtime – an example of this was the 29.5% incentive on an A Grade spec that was vacant since late 2021 (~34 months). B Grade yielded an annual decline of 3.5% through 144 Edward St transacting below 10% on 5-year leases on sub-100sqm tenancies.
- » In what may be the truest representation of market incentives, unfitted incentives have also registered an overall contraction, albeit still floating in the low ~40% realm on average.

Average Incentives by Grade & Fit Out (2023 to 2024)

| Existing Fit out | 2023 | 2024 | YoY Change |
|------------------|-------|-------|------------|
| Premium | 40.0% | 35.8% | -4.3% |
| A | 39.1% | 30.3% | -8.8% |
| A-/B+ | 35.8% | 38.6% | +2.8% |
| B | 35.0% | 33.5% | -1.5% |

| Spec Fit out | 2023 | 2024 | YoY Change |
|--------------|-------|-------|------------|
| Premium | 8.0% | 10.0% | +2.0% |
| A | 15.1% | 15.0% | -0.1% |
| A-/B+ | 16.9% | 15.3% | -1.7% |
| B | 19.4% | 15.8% | -3.5% |

| Unfitted | 2023 | 2024 | YoY Change |
|----------|-------|-------|------------|
| Premium | 44.5% | 42.0% | -2.5% |
| A | 42.1% | 39.3% | -2.8% |
| A-/B+ | 41.5% | 40.0% | -1.5% |
| B | 45.5% | 42.5% | -3.0% |

SAMPLE OF DEALS TRANSACTED BY GRADE

| Grade | Address | Tenant Name | Size (sqm) | Rent (\$/sqm) | Lease Term (Years) | Lease Start Date | Condition of Space | Incentive | Annual Reviews |
|-------------|---------------------|----------------------------|------------|---------------|--------------------|------------------|-----------------------------|-----------|----------------|
| Premium | 80 Ann Street | ETHAN Global | 198 | \$886 | 5 | 16/10/2024 | Unfitted | 25.00% | 3.75% |
| | 123 Eagle Street | Brisbane Olympic Committee | 1,603 | \$1,000 | 6.6 | 1/06/2024 | Existing Fitout | 49.00% | 4.00% |
| A Grade | 10 Eagle Street | A&M Investment | 530 | \$950 | 5 | 1/08/2024 | Refurbished Existing Fitout | 22.00% | 3.50% |
| | 12 Creek Street | Ainslie Bullion Company | 521 | \$950 | 10 | 1/07/2024 | Unfitted | 40.00% | 3.50% |
| | 192 Ann Street | Insights | 435 | \$775 | 3.6 | 1/12/2024 | Spec Fitout | 29.50% | 3.75% |
| | 240 Queen Street | Mineralogy | 981 | \$925 | 5 | 1/07/2025 | Existing Fitout | 33.00% | 3.75% |
| | 100 Creek Street | McPherson | 190 | \$810 | 5 | 14/11/2024 | Unfitted | 40.00% | 3.75% |
| | 145 Ann Street | John Holland | 1,114 | \$810 | 2 | 2/04/2024 | Spec Fitout | 20.00% | 4.00% |
| A-/B+ Grade | 545 Queen Street | Engeny | 2,138 | \$710 | 6 | 16/03/2025 | Existing Fitout | 39.00% | 3.75% |
| | 215 Adelaide Street | Slater and Gordon | 952 | \$850 | 8 | 1/09/2025 | Unfitted | 40.00% | 3.75% |
| | 295 Ann Street | Kennedys Law | 257 | \$850 | 5 | 1/06/2024 | Spec Fitout | 11.50% | 3.50% |
| | 40 Creek Street | Quantum Rail | 234 | \$825 | 5 | 1/04/2025 | Spec Fitout | 14.00% | 3.75% |
| | 324 Queen Street | Titan Recruitment | 150 | \$825 | 3 | 1/11/2024 | 2nd Gen Spec | 25.00% | 3.75% |
| | 333 Ann Street | LMS Energy | 218 | \$790 | 4 | 1/4/2024 | Existing Fitout | 26.94% | 4.00% |
| B Grade | 145 Eagle Street | Key Law Conveyancing | 297 | \$800 | 3 | 1/11/2024 | Existing Fitout | 28.00% | 3.75% |
| | 127 Creek Street | Carter Connell | 144 | \$740 | 5 | 1/02/2025 | Existing Fitout | 36.00% | 3.75% |
| | 348 Edward Street | Colliers Engineering | 874 | \$750 | 5 | 1/08/2025 | Existing Fitout | 40.00% | 3.50% |
| | 33 Queen Street | FutureForge Works | 161 | \$850 | 3 | 1/09/2024 | Spec Fitout | 10.00% | 4.00% |
| | 199 George Street | Greengate Advisory | 81 | \$800 | 3 | 1/10/2024 | 2nd Gen Spec | 26.30% | 4.00% |
| | 110 Eagle Street | Deep Blue Company | 145 | \$668 | 2 | 31/08/2024 | Existing Fitout | 25.00% | 4.00% |
| | 133 Mary Street | FJA Consulting | 108 | \$750 | 3 | 15/10/2024 | 2nd Gen Spec | 26.00% | 4.00% |
| | 144 Edward Street | Dijital Team | 85 | \$765 | 3 | 1/08/2024 | Spec Fitout | 4.00% | 4.00% |



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Deals Transacted: 2Q 24



Vacancy Tracker: December 2024



Represented Tenant Report: 3Q 24



Spec Suite Tracker: 2Q & 3Q 24



Caden Stock Update: December 2024



Office Leasing Outlook 2024

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