



Rent pressure on CBD space

Carolyn Cummins

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TENANTS in Australia are bracing for a huge leap in rents as limited new supply of quality office space puts landlords back in charge.

In Sydney, the asking price for the top floors of Dexu Property's \$700 million-plus 1 Bligh Street office tower now under construction is said to be up to \$1400 a square metre.

Lawyers Clayton Utz have leased the bottom 15 floors of the 28-storey tower. A marketing campaign is due to start for the higher floors.

The asking rent, if achieved, will be at least \$250 per sq m higher than the rent for the top floors of Investa's 126 Phillip Street, also in Sydney's central business district.

The rise in the costs of office space is indicative of a market coming out of a recession where no new projects have been started in the past two years.

That has left a chronic shortage of premium space.

And as the rents rise, there are also expectations that builders and developers will look to sell down their interest as cashed-up property trusts look to boost their portfolios.

One imminent sale is by Grocon of its stake in the \$800 million office tower at 163 Castlereagh Street, Sydney.

ANZ Bank and the lawyers Freehill have signed conditional leasing deals as anchor tenants - subject to Grocon finalising financing - at 163 Castlereagh Street, in what will be the first premium office site to be opened in the city centre for many years.

Melbourne's premium rent is closer to \$550 per sq m, but independent adviser Urbis has projected a rise of about 10-12 per cent in the next two years.

Reflecting the lack of supply and the expected rise in demand for office space as numbers of white-collar workers rise is that Australia's major cities remain among the most expensive in the world for office accommodation, according to DTZ's 13th annual *Global Occupancy Costs - Offices* research report.

The research, released over the weekend, reveals six Australian cities are among the world's 100 most expensive.

According to the report, Sydney was one of the biggest movers, increasing its global ranking to 23 (up from 45 in 2009) - putting it well ahead of major business precincts including downtown New York, Brussels and Berlin.

Melbourne was also a big mover, jumping from rank 86 in 2009 to 53 in 2010. Brisbane is ranked 29, followed by Perth (32), Canberra (73) and Adelaide (80).

DTZ's Head of Asia Pacific Research, David Green-Morgan, said the outlook for Australian office markets in 2010 is much more positive than a year ago.

"Compared to this time last year, we are seeing unemployment falling and real demand returning to all CBD markets," he said. "We expect rental growth to return towards the end of the year."

This story was found at: <http://www.theage.com.au/business/rent-pressure-on-cbd-space-20100124-mskb.html>