

Sydney CBD – Q2 2021

Market Report

The office market vacancy rate for Sydney CBD has increased for the third consecutive 6-month period from 8.6% to 9.2% in the six months to July 2021. This is now the highest vacancy rate since January 2012. The vacancy rate is set to remain

Although the 6 months to July brought an increase in transactions with occupiers returning to the office and transactions that had been put on hold being actioned, the recent lockdown has reminded businesses of the importance to continue to adapt and change their workplace strategies, looking at minimising their office requirements as a result.

Short term renewals and lease flexibility is likely to as businesses look to understand the long-term impacts of COVID on the workplace. However, with the vaccine drive becoming more prevalent many businesses are becoming more confident about making future workplace decisions.

Moving forward businesses will continue to evolve their workplace offerings. A shift towards collaboration, hybrid working, health, and wellbeing are ways businesses are addressing the post-COVID workplace.

The statistics below represent the pre-lockdown figures and considering the lockdown it is likely to continue until the end of 2021 these will likely change further.

Typical Gross Rental Comparison



Grade	Typical Gross Face Rental (\$/sqm)		Gross Incentive (%)	Gross Effective Rental (\$/sqm)	
	Low	High		Low	High
Premium	\$1,400	\$1,650	30%	\$980	\$1,155
A	\$1,100	\$1,450	29%	\$781	\$1,029
B	\$1,000	\$1,150	25%	\$750	\$862

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



Occupier's Perspective



Looking forward, although the most recent lockdown may have slowed the previous progress of leases transacting, the rollout of the vaccine will allow for further restrictions to ease and a return to the workplace to take place – although the timing of this may not be until 2021



Incentives are likely to rise as landlords attempt to maintain their face rent values. Landlords are being placed into competition as they continue to compete with sublease space, historically restricted tenant demand and additional supply coming to market with circa 35,000 sqm coming online by the end of 2021.

Market Trends

COVID-19 has had a significant impact in the office market over the past quarter. In 2020 many organisations had placed major leasing transactions on hold and adopted a “wait” and “see” approach, the first 6 months of the 2021 has seen many of the mid-size occupiers in the CBD begin transacting and committing to new space or renewing for longer periods.

Tech tenants were the biggest contributor to Net Absorption in the Sydney CBD leading up to COVID-19. Since the pandemic commenced many in this sector have mandated employees to work from home indefinitely. If this becomes the longer-term trend, then the market is likely to see a significant uplift in vacancy over the next 5+ years.