

Sydney CBD – Q4 2021

Market Report

For the fourth consecutive 6-month period, the office market vacancy rate for Sydney CBD has increased. For the six months to January 2022 the vacancy rate increased from 9.2% to 9.3%. This is now the highest vacancy rate since January 2012. With the end of lockdown, it is expected that the vacancy rate will begin to decrease into 2022.

As seen at the beginning of 2021, the economic recovery after the first lockdown was strong. This translated into an increase in office leasing activity at the beginning of 2021 which was then halted towards the back end of 2021. Demand for office space is likely to transpire again, with activity increasing due to the increase in vaccinations and the removal of restrictions.

Whilst activity in the market appears to be increasing, the vacancy rate does not take into account the increase in sub-lease space being offered. A shift towards a flight to quality, collaboration, hybrid working, health, and wellbeing are all likely to continue in the post-COVID workplace.

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	30%	\$770	\$1,015
B	\$1,000	\$1,150	30%	\$700	\$805

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



Occupier's

Perspective



Whilst the vacancy rate only increased slightly to 9.3%, these figures do not show the full picture of the sub-lease space available in the market. All 3 towers in Barangaroo have sub-lease available, whilst other businesses with a larger footprint also look to offload extra office space.



Incentives remain high as landlords try to maintain their face rent values and attract new tenants. Landlords are being placed into competition as they continue to compete with the increase of sub-lease space (above).

Market Trends

Many businesses are looking to return to office after March 2022, which is tied in with the NSW governments-imposed restrictions. If the government was to extend the restrictions, this would likely push back the commencement of offices welcoming their employee's back.

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.