

Sydney CBD – Q2, 2025

Market Report

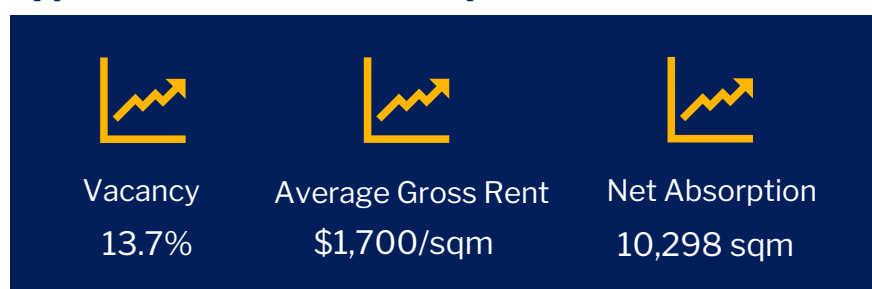
The Sydney CBD office market has seen vacancy rates rise to 13.7%, up from 12.6% in January 2025, and still sitting above the 10-year average. The increase is largely driven by new supply, with over 72,500 sqm added to the market in the first half of 2025.

The “flight to quality” trend remains strong, with tenants gravitating towards Premium Grade buildings that offer superior ESG credentials and amenities. As a result, Premium vacancy tightened from 10.9% to 9.8% over the past six months.

By contrast, A Grade vacancy climbed from 15.2% to 17.6%, impacted by approximately 40,000 sqm of new supply, the largest addition across any grade during this period.

Sublease vacancy persists but has eased significantly since the second half of 2024, particularly for spaces above 1,000 sqm, as larger occupiers have withdrawn sublease space in response to return-to-office mandates.

Typical Gross Rental Comparison



| Grade | Typical Gross Face Rental (\$/sqm) | | Gross Incentive (%) | Gross Effective Rental (\$/sqm) | |
|---------|------------------------------------|---------|---------------------|---------------------------------|---------|
| | Low | High | Average | Low | High |
| Premium | \$1,400 | \$2,200 | 30% | \$980 | \$1,540 |
| A | \$1,150 | \$1,550 | 32% | \$748 | \$1,020 |
| B | \$1,000 | \$1,200 | 32% | \$680 | \$782 |

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



Occupier's Perspective



With the flight-to-quality trend continuing to strengthen, contiguous spaces above 5,000 sqm in Premium buildings are becoming increasingly limited. This shortage of large-format options is prompting many major occupiers to refurbish their existing premises rather than relocate.

By contrast, tenants seeking spaces in the 1,000–3,000 sqm range remain more flexible and are actively pursuing higher-quality opportunities, especially those with strong ESG credentials and modern workplace amenities.

Market Trends

Rising funding costs have made landlords more selective in providing upfront capital contributions to new tenants, leading to a greater prevalence of speculative fitouts. At the same time, as **tenant expectations for modern workplace experiences continue to grow**, landlords are investing heavily in asset upgrades to stay competitive and drive occupancy. Features such as activated lobbies, collaborative third spaces, rooftop terraces, wellness-focused end-of-trip facilities, tenant lounges, and high-quality conference amenities are increasingly becoming standard. For many occupiers, these enhancements are now seen as essential for building culture and encouraging staff to return to the office.