

Melbourne CBD – Q2 2025

Market Report

The vacancy rate of Melbourne's CBD office buildings remains historically high, with the pace of workers returning to the office continuing to lag behind other Australian capital cities.

Beneath the headline numbers, however, the picture is more complex. Prime-grade assets in desirable locations—such as the Eastern Core—where landlords have invested in modern amenities and services are recording materially lower vacancy rates. In contrast, older buildings in secondary locations are experiencing significantly higher vacancies. This divergence is becoming more pronounced when comparing precincts such as Docklands, Southbank and St Kilda Road.

Adding further complexity, new developments entering the CBD market are not always meeting tenant demand, with some offering floor plates that are too small or being located in less desirable precincts.

Market dynamics have kept face rents relatively flat, with elevated incentive levels persisting—particularly for lower-grade assets or those in less sought-after locations. Sublease vacancies also remain above historical averages, with sub-lessors often forced to provide higher incentives than direct landlords to attract tenants.

Tighter access to capital is another emerging challenge, with some investors capping the proportion of incentives that can be structured as capital contributions toward fitouts. As a result, relocations are often less financially compelling for tenants, especially where little or no fitout upgrades are required to existing spaces and incentives from incumbent landlords can be applied largely to rent abatement.


Typical Gross Rental Comparison



Grade	Typical Net Face Rental (\$/sqm)		Net Incentive (%)	Net Effective Rental (\$/sqm)	
	Low	High		Low	High
Premium	\$700	\$1,000	38-45%	\$400	\$700
A	\$600	\$850	45-50%	\$360	\$475
B	\$450	\$600	35-55%	\$300	\$385

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

Occupier's Perspective



The vacancy rate will remain in 2025, and for the foreseeable future, even with a modest development pipeline.



With high vacancy levels and significant incentives available, businesses have an opportunity to relocate to a higher grade of building with superior amenities and services and / or upgrade their premises, as well as commencing lease negotiations early. Good quality existing fit outs also offer savings opportunities.

Market Trends

Flexibility remains **vital** as businesses adapt to providing their workforce with greater flexibility through remote and hybrid ways of working, an ability for a business to expand or contract its premises or terminate a lease early and without penalty as business requirements change are all key.

Access to capital remains a **challenge** with several developments being delayed or shelved altogether, and capital contributions to fitout being capped as a percentage of total incentive. The slowing of new supply may see the overall vacancy rate slowly decline from its current historical high.