Melbourne CBD – Q3 2025 Market Report

The vacancy rate of Melbourne's CBD office buildings still remains relatively 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 as well as those in secondary locations – such as the Western Core and Docklands - are experiencing significantly higher vacancies.

Adding further complexity, new developments entering the CBD market in 2026 such as 51 Flinders Lane and 7 Spencer St 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 remaining — particularly for lower-grade assets or those in the less than 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

18%	$727/sqm	-44,962 sqm
Vacancy	Average Rent	Net Absorption

Grade	Typical Net Face Rental ($/sqm)		Net Incentive (%)	Net Effective Rental ($/sqm)	
	Low	High	Typical Range	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

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Occupier's Perspective

The vacancy rate will remain into 2026, and for the foreseeable future, even with a modest development pipeline.

With high vacancy levels and significant incentives available, businesses have an opportunity to leverage a relocation to a higher grade of building with superior amenities and services by 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.