

Melbourne CBD – Q4 2025

Market Report

Melbourne’s CBD office market continues to record the highest vacancy rate nationally, with overall vacancy rising to 19% in the second half of 2025. The market is increasingly characterised by a two-tier dynamic.

In the Eastern Core, where landlords have invested in modern amenities, building upgrades and tenant services, vacancy rates remain materially lower than the CBD average. High-rise space within premium-grade assets is particularly constrained, limiting options for larger occupiers seeking upper-level accommodation. As a result, some tenants are considering mid-and lower-rise floors within these assets or alternative precincts of the Melbourne CBD where high-rise availability is more abundant.

Conversely, secondary precincts – notably the Western Core and Docklands – are experiencing elevated vacancy levels. EOI campaigns in these locations are generating extensive choices for tenants, in some instances presenting 50 or more building options. This oversupply continues to place downward pressure on effective rents in these areas.

Looking ahead, new developments scheduled for completion in 2026, including 51 Flinders Lane, 7 Spencer Street and Bennetts Lane, are adding further complexity to market conditions. While these projects introduce new stock, some are challenged by the location or smaller floor plates that do not align with current tenant demand profiles.

From a rental perspective, the Eastern Core has experienced an increase in face rental growth accompanied by an easing in incentive levels. In contrast, lower-grade assets and buildings in less sought-after areas are seeing stable headline rents but rising incentives, reflecting vacancy pressures. Increasing outgoings are also compressing effective rental outcomes.

Overall, Melbourne’s CBD remains a tenant-favourable market, though conditions vary significantly by precinct, asset quality, and capital structure.

Typical Gross Rental Comparison



Grade	Typical Net Face Rental (\$/sqm)		Net Incentive (%) Typical Range	Net Effective Rental (\$/sqm)	
	Low	High		Low	High
Premium	\$700	\$1,050	38-45%	\$400	\$650
A	\$600	\$875	45-50%	\$300	\$475
B	\$450	\$600	35-55%	\$300	\$385

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

Occupier's Perspective

Occupiers are presented with an opportunity to upgrade their accommodation by commencing lease negotiations well in advance of lease expiry to take advantage of the high vacancy levels and significant incentives available. Good quality existing fit outs also offer savings opportunities.

The vacancy rate will remain into 2026 and possibly increase into 2027 as new developments such as 435 Bourke Street enter the market.

Flexibility continues to be a critical consideration as organisations evolve to support remote and hybrid working models. Lease structures that provide mechanisms for expansion or contraction, as well as options to terminate early without penalty, are highly valued in the current environment.

Access to capital continues to present challenges across the market, with a number of proposed developments delayed or deferred altogether. At the same time, capital contributions toward fit outs are increasingly being capped as a proportion of the total incentive package, limiting structuring flexibility for both landlords and tenants