

Sydney CBD – Q4, 2025

Market Report

The Sydney CBD office market continues to soften, with overall vacancy has increased slightly to 13.8%, up from 13.7% in July 2025 and remaining above the 10 year average. This has seen positive absorption being recorded for the second consecutive year in Sydney.

Despite broader vacancy pressures, the “flight to quality” trend has strengthened, with tenants gravitating towards Premium Grade assets that offer stronger ESG credentials and modern amenity. As a result, Premium vacancy tightened from 9.8% to 8.9%, while Secondary grade vacancy rate is at 14.9%.

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eased significantly since the second half of 2024, particularly for spaces above 1,000 sqm, as larger occupiers have withdrawn sublease space in response to return-to-office mandates.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



As the flight-to-quality trend continues, large Premium-grade contiguous spaces above 5,000 sqm are becoming increasingly difficult to find. With fewer options available at that scale, many larger occupiers are choosing to reinvest in and refurbish their existing premises rather than relocate.

By comparison, tenants in the 1,000–3,000 sqm range still have more flexibility in the market and are actively pursuing higher-quality space, particularly buildings with strong ESG credentials and modern workplace amenities.

Market Trends

Rising funding costs are making landlords more cautious about providing large upfront capital contributions, which is leading to a greater focus on speculative fitouts. At the same time, higher tenant expectations around workplace quality are pushing building owners to invest more heavily in upgrades as they compete to attract and retain tenants.

Features such as activated lobbies, collaborative third spaces, rooftop terraces, premium end-of-trip facilities, tenant lounges and high-quality conferencing areas are increasingly becoming standard. For many organisations, these types of amenities are now seen as important in supporting workplace culture and encouraging employees back into the office.