

FIGURES | AUSTRALIAN OFFICE | Q4 2025

# Prime net absorption highest since 2017

▶ 5.3% y/y  
AUS Average Prime NER

▶ 39.9%  
AUS Average Prime Incentives

▲ \$4.2b  
AUS Sales Volumes Q4 25

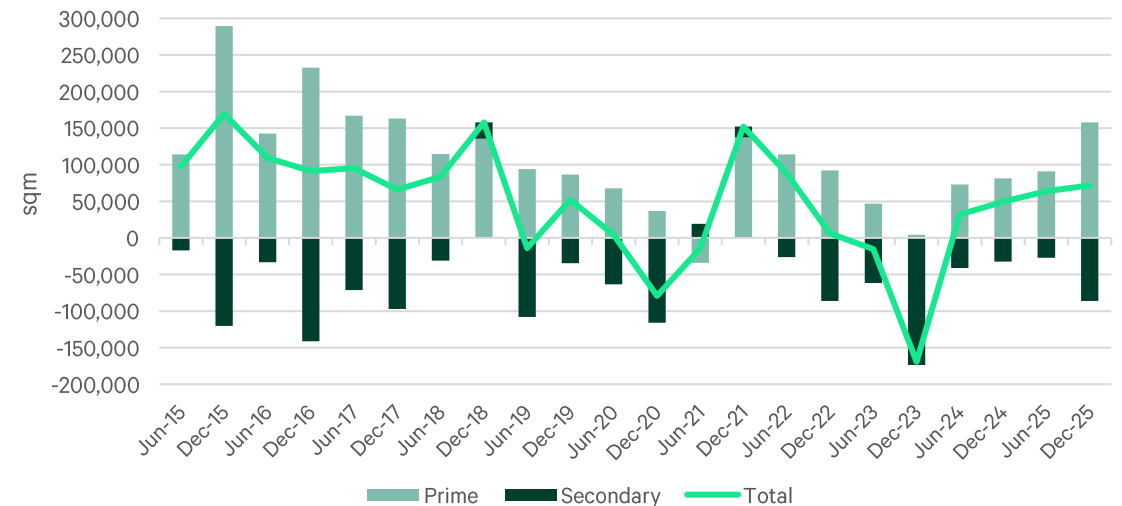
▶ 6.68%  
AUS CBD Prime Yield

Note: Arrows indicate change from previous quarter.

## Key Points

- The labour market has tightened with the unemployment rate at 4.1% in December 2025.
- There was a strong performance of prime office space, which saw net absorption of 157,837 sqm in H2 2025, the highest level since 2017.
- Despite the positive growth in the tenant base, national CBD vacancy edged higher to 14.8%, from 14.3% 6-months earlier.
- Australian CBD prime effective rents climbed 1.3% q-o-q and 5.3% y-o-y in Q4 2025.
- Transaction activity in Q4 2025 reached \$4.2 billion, an improvement on the previous quarter. Overall volumes for 2025 were down by 4.8% y-o-y, largely due to fewer major transactions in Sydney.
- Prime yields were relatively stable in Q4 2025 across most Australian CBD markets.

FIGURE 1: Australian CBD Office Market Net Absorption by Grade (6 Monthly)



Source: PCA, CBRE Research

## Demand and Vacancy

### Every major CBD market records positive net absorption in H2 2025

Australian CBDs experienced net absorption of 71,541 sqm in the second half of 2025, building on previous gains. A key highlight was the strong performance of prime office space, which saw net absorption of 157,837 sqm during the six months ending December 2025. This represents the highest level of prime absorption since 2017, suggesting a strengthening market and increased tenant demand for premium office locations.

Every major CBD market recorded positive net absorption in H2 2026, which was the first time that this has happened for 4 years. Adelaide remains a standout for tenant expansion, with a further 10,697 sqm of positive net absorption or 0.7% of stock. Melbourne recorded the highest amount of positive demand of any CBD market at 28,029 sqm due to a combination of improved activity and centralisation into the CBD. Sydney, Brisbane, Perth and Canberra all recorded between 10-12,000 sqm of net absorption in H2 2025, which were solid results for those markets.

### Supply pushes vacancy higher

Despite the positive growth in the tenant base, national CBD vacancy edged higher to 14.8%, from 14.3% 6-months earlier. The main reason for this was a significant amount of supply delivered in 2025, which outstripped net absorption. However, the outlook for supply is diminished across Australia, with CBRE Research forecasting that national supply over the next 5 years will be the lowest period since the late 1990's.

Figure 3: Net Absorption by Market (as % of total stock)

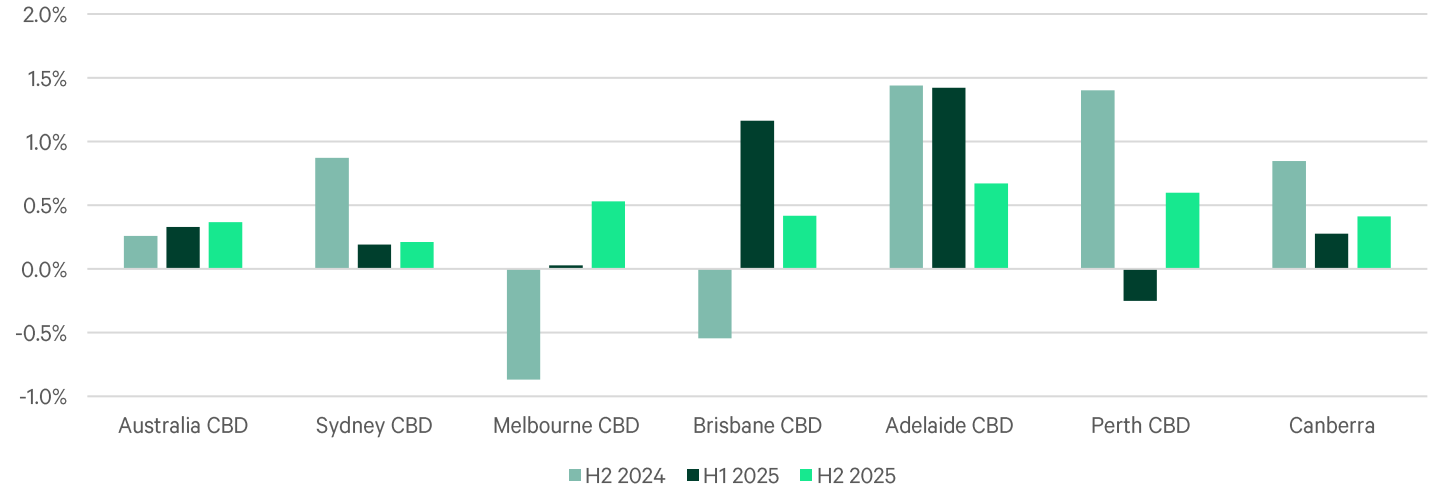
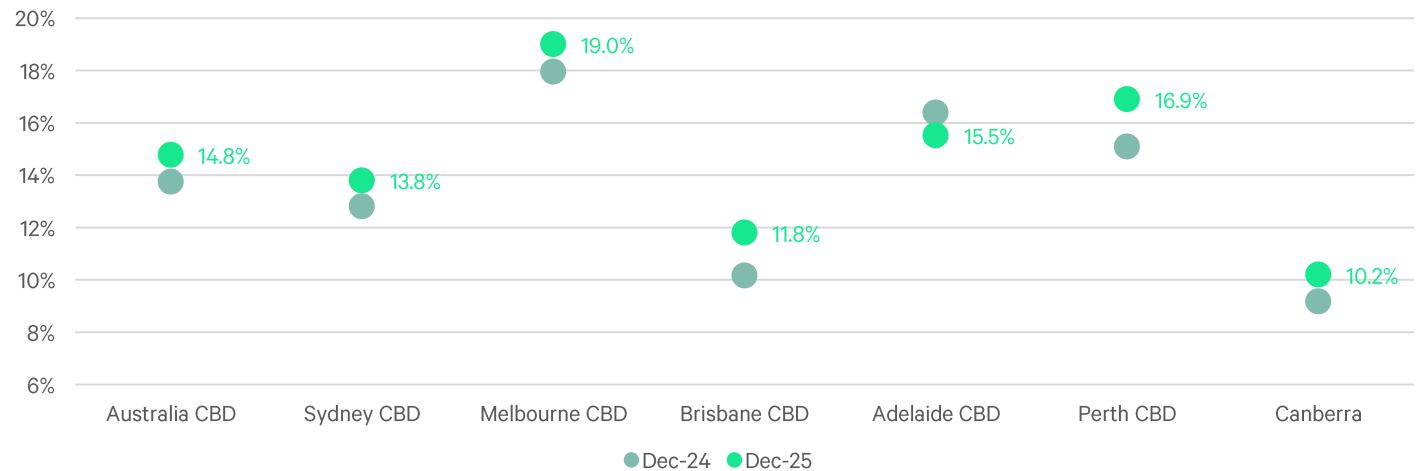


Figure 4: Total Vacancy



Source: PCA, CBRE Research

## Rents and Incentives

### Momentum continues to build across Australia

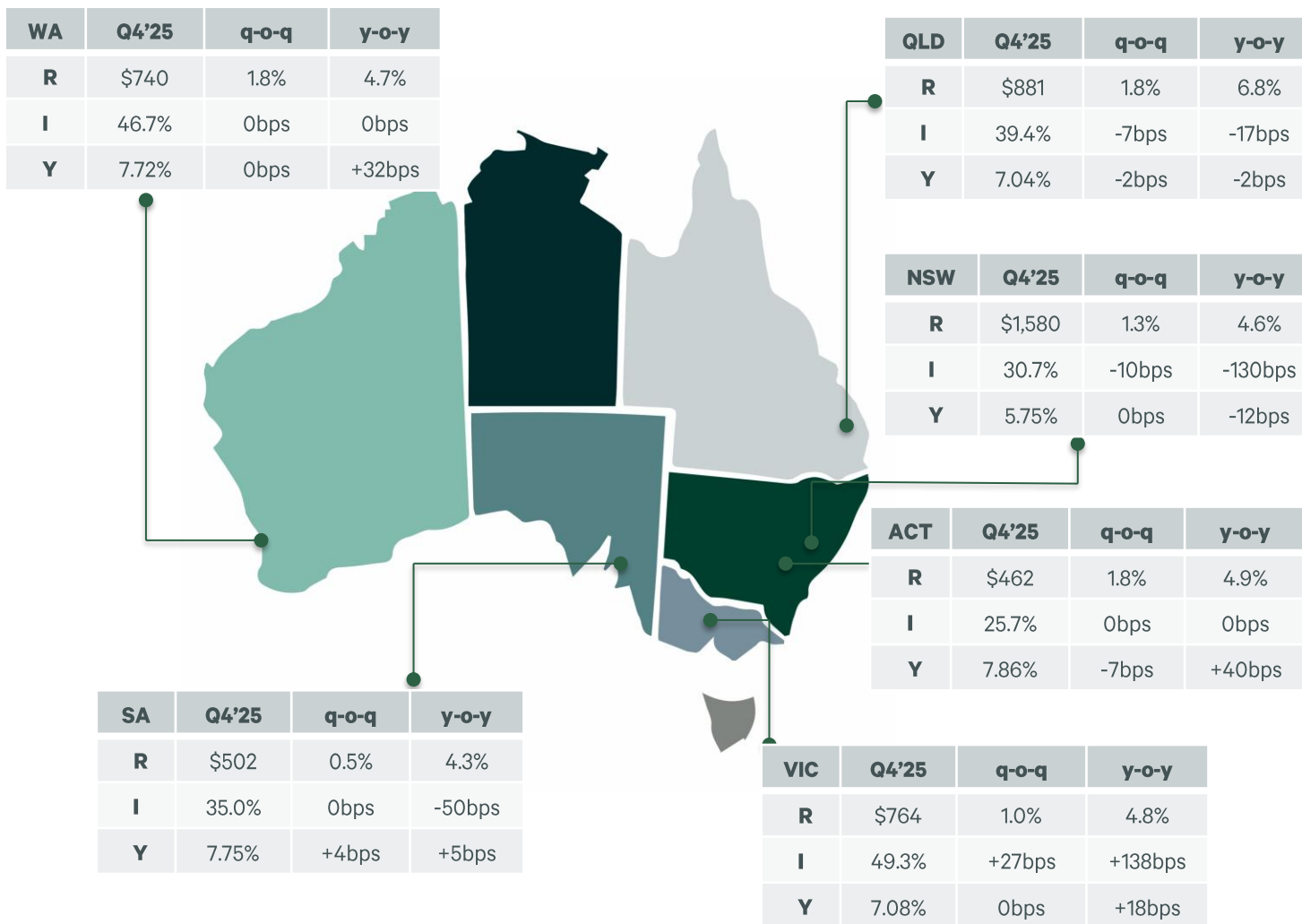
Australian CBD prime effective rents climbed 1.3% q-o-q and 5.3% y-o-y in Q4 2025. Face rents are driving this growth with net face rents up 1.3% q-o-q and 5.2% y-o-y. The limited supply outlook and high economic rents continue to drive the market higher. However, incentives have largely been stable during the quarter, with the national average at 39.9% in Q4.

### Rental growth broad based across the country

Over the course of 2025, many markets across Australia have gained momentum as sentiment in the leasing market has improved. The Sydney CBD (Core precinct) and Brisbane CBD have continued to lead the country with effective rental growth of 6.9% y-o-y and 7.5% respectively.

However, other markets are picking up the pace as the supply outlook tightens. The Adelaide CBD continues to see solid leasing activity which has resulted in 5.2% y-o-y effective rent growth, a continuation of the momentum in late 2024. Canberra's relatively tight vacancy rate has also driven effective rents 5.1% higher over the past 12 months. Driven by the absence of new construction, the Perth CBD has seen robust rental growth throughout the year, with an increase of 4.7%. The Melbourne CBD continues to lag the country at 2.0% y-o-y, although, this is an improvement on previous years. The Eastern Core precinct remains the key outperformer in Melbourne, growing by 10.8% y-o-y.

FIGURE 2: Australia CBD Prime Office Key Market Indicators & Forecast Direction – Q4 2025



Abbreviation: R - Net Face Rent, I - Incentives, Y- Yield. Source: CBRE Research

## Hot Topic

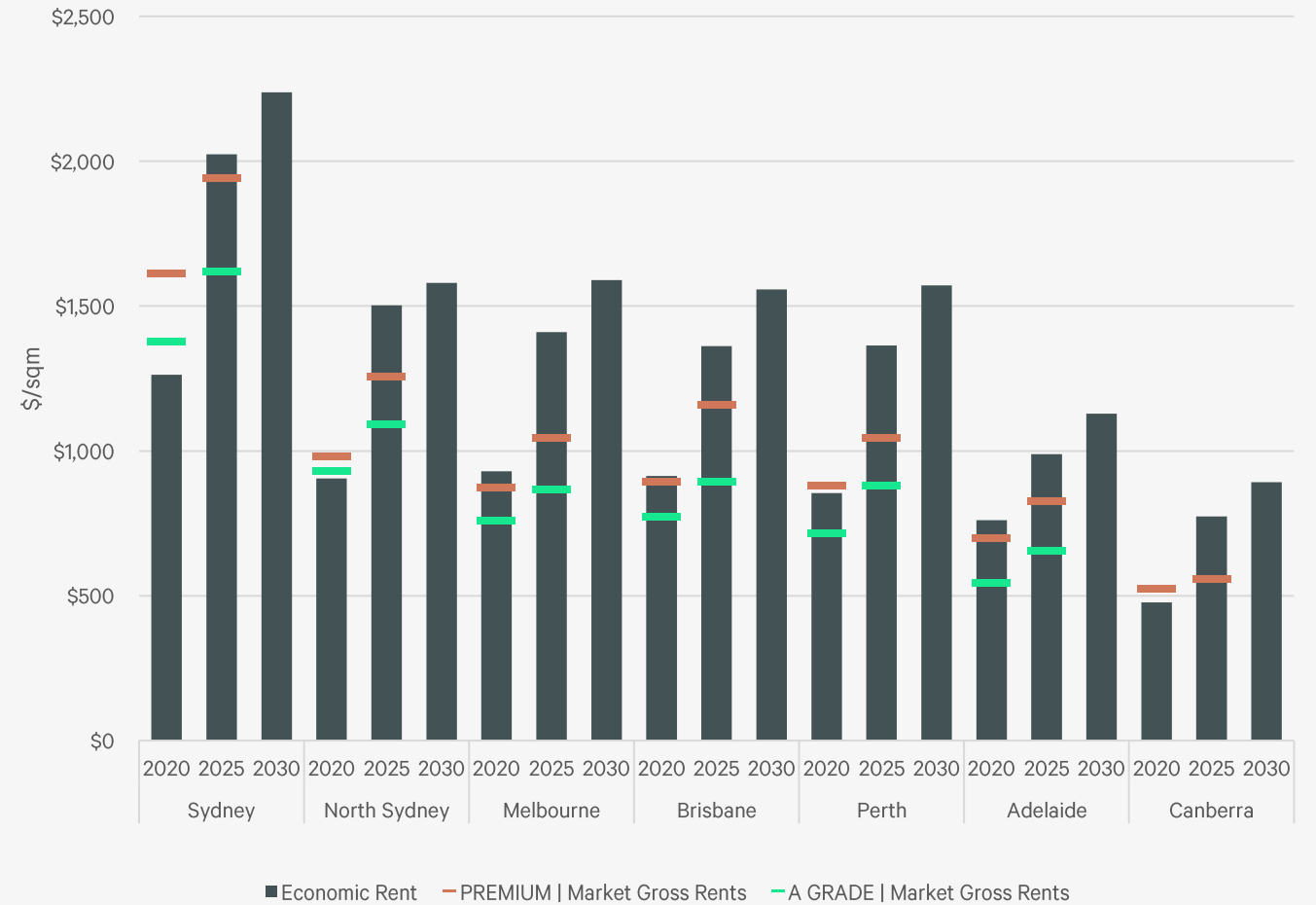
### Significant rise in economic rents is driving existing market rents

As we've discussed previously, a significant escalation in construction costs combined with higher cap rates has caused economic rents to rise across the country. This is putting pressure on feasibilities of new developments in most markets, which is why the supply outlook has dropped across Australia.

In 2020, our estimate is that average premium gross face rents of existing buildings were about on par with economic rent. This meant that there wasn't a significant leap in rent for a tenant to move to a new building. Now, economic rents are about 21% higher than average premium rents in Australia. The difference is even larger for A-grade, where the jump in rent required for a tenant to move from an existing assets to new build has risen from 12% to 46% over the past 5 years.

This is the major reason for the rental growth being experienced across the country. The gap between economic rents and existing rents will need to close for supply to start to be unlocked again. There are really three ways for this to happen. Construction costs declining or cap rates tightening significantly could close the gap, although these scenarios seem unlikely. The other option is existing buildings observe above average rental growth for a sustained period.

Economic Rents vs Existing Market Rents



Source: CBRE Research

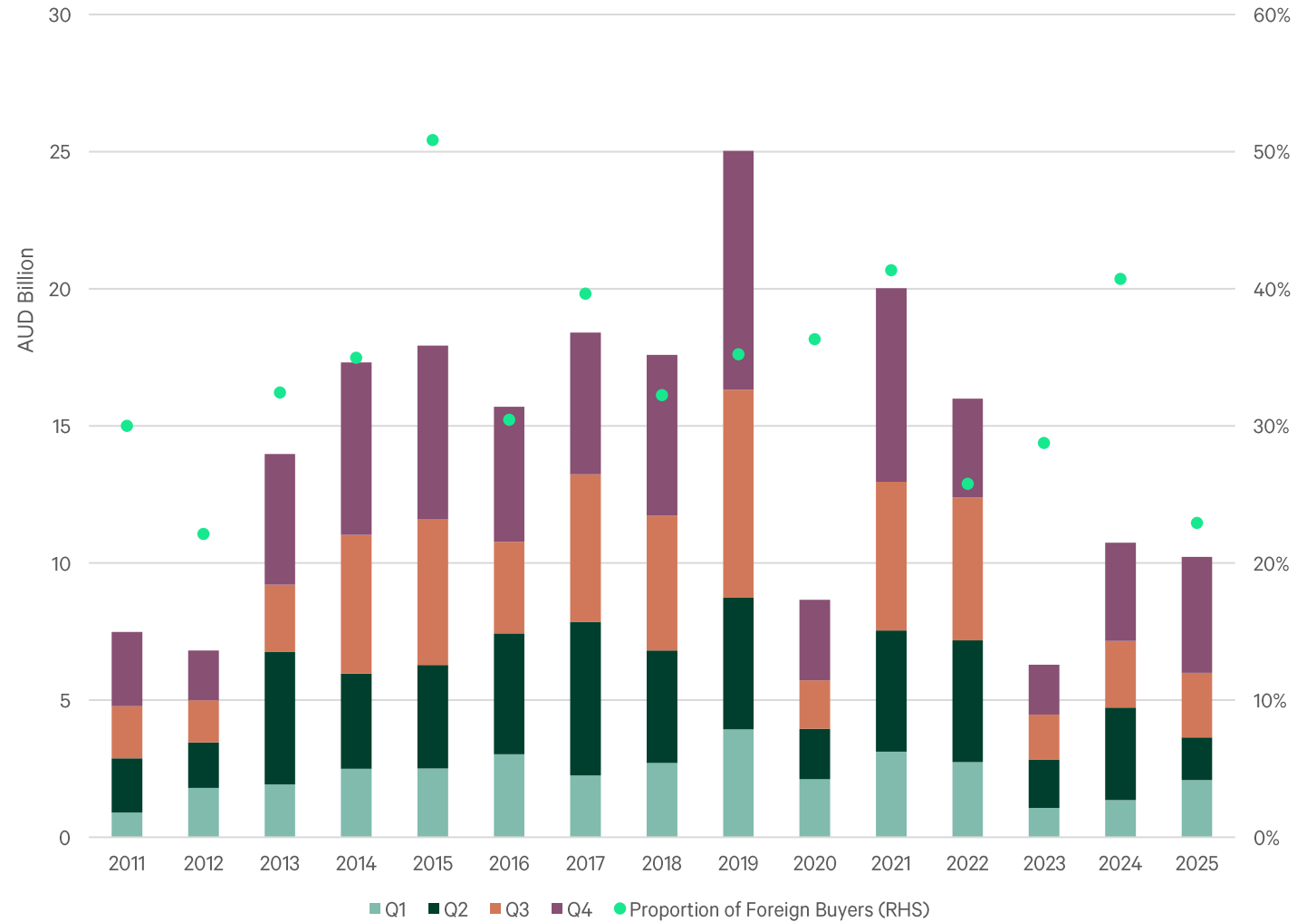
## Investment Market

Transaction activity in Q4 2025 reached \$4.2 billion, an improvement on the previous quarter. Overall volumes for 2025 were down by 4.8% y-o-y, largely due to fewer major transactions in Sydney compared to the previous year. However, deal flow did improve in both Melbourne and Brisbane in 2025.

The most significant transaction for the quarter was 75% of Grosvenor Place in the Sydney CBD selling for a combined \$1.44 billion. GPT bought a 50% stake of the building, while Commonwealth Superannuation Corporation bought a 25% stake, in addition to the 25% they already owned. Another major transaction was the Sirius Building in Canberra, which sold for \$305 million to Lederer Group.

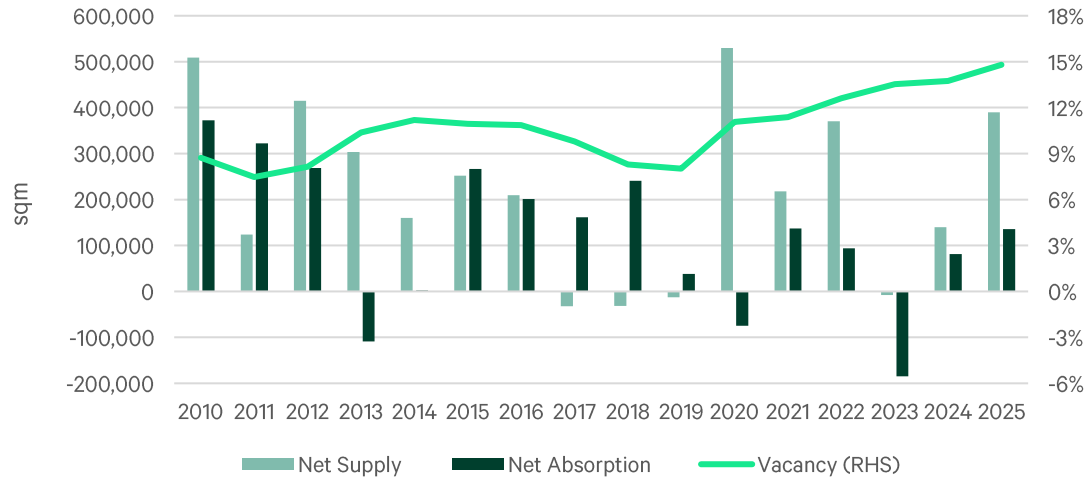
Prime yields were relatively stable in Q4 2025 across most Australian CBD markets. Most markets have now stabilised after a period of softening, with recent sales evidence confirming this stabilisation. The only market to record genuine cap rate tightening in 2025 was the Sydney CBD core precinct, with prime yields tightening 12 bps y-o-y. The outlook for interest rates has changed in recent months with higher-than-expected inflation causing the RBA to raise rates by 25 bps in February.

Figure 5: Australia Office Investment Volumes by Quarter



Source: CBRE Research

FIGURE 8: Australian CBD Market Balance



Source: PCA, CBRE Research

FIGURE 9: Vacancy by Grade across CBD Markets – Q4 2025

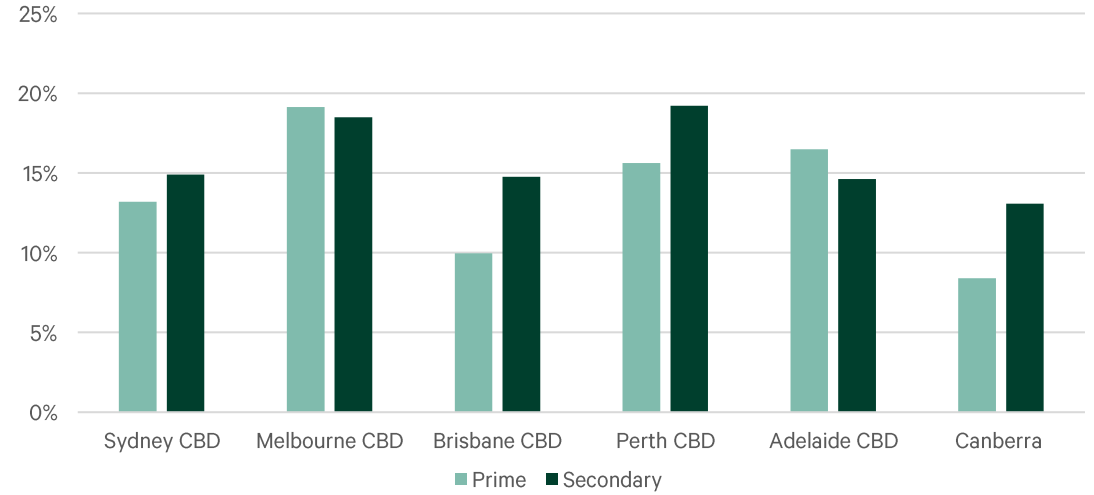
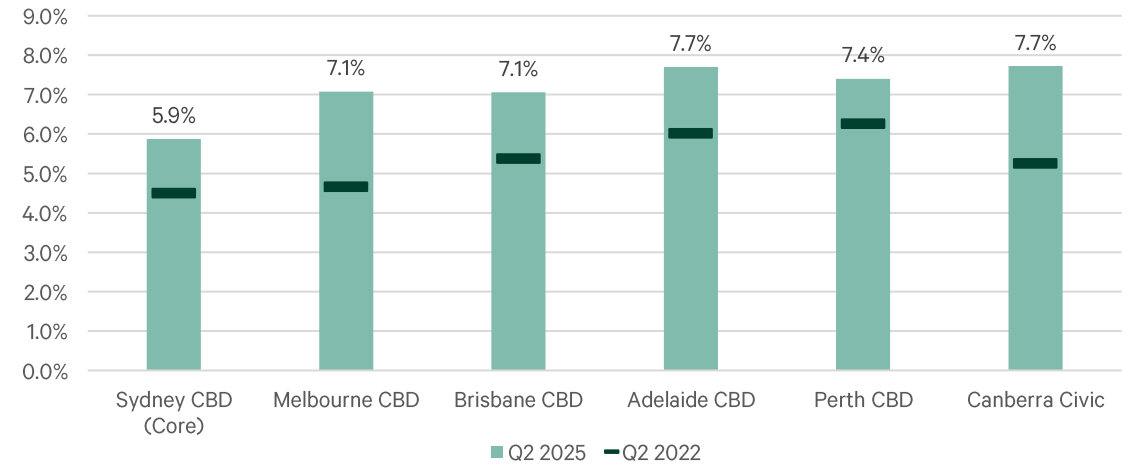
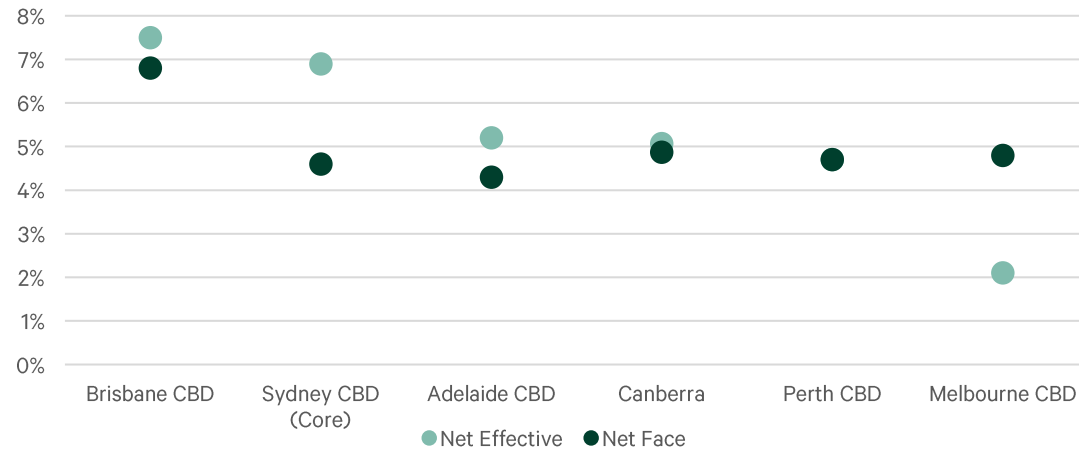


FIGURE 11: Prime Yields – Q2 2025



Source: CBRE Research

FIGURE 10: Q4 2025 Rental Growth by Market (Y-O-Y)



Source: CBRE Research

TABLE 1: Australia Non-CBD Prime Office Key Indicators, Q4 2025

Market	Demand	Net Face Rent (q-o-q change)	Incentives (q-o-q change)	Net Effective Rent (q-o-q change)	Yield (q-o-q change)
North Sydney	▶	\$1,046 ▲	40.6% ▶	\$557 ▲	7.48% ▲
Parramatta	▲	\$598 ▶	45.6% ▶	\$325 ▲	7.99% ▶
Macquarie Park	▼	\$482 ▲	38.3% ▲	\$297 ▼	8.10% ▶
Chatswood	▲	\$668 ▶	43.7% ▲	\$326 ▶	8.79% ▲
Crows Nest/St Leonards	▶	\$697 ▶	44.0% ▶	\$338 ▶	8.70% ▲
Southbank	▲	\$664 ▶	46.7% ▶	\$354 ▶	7.94% ▶
St Kilda Road	▼	\$481 ▼	50.0% ▶	\$241 ▶	9.00% ▲
Brisbane Near City	▼	\$665 ▲	39.0% ▶	\$356 ▲	7.83% ▶
West Perth	▼	\$414 ▶	36.0% ▶	\$265 ▶	7.78% ▶
Canberra Non-CIVIC	▶	\$431 ▶	24.9% ▶	\$301 ▶	8.06% ▶

Note: Arrow indicates change from previous quarter.

Source: CBRE Research

TABLE 2: Australia Major Office Sales, Q4 2025

Address	Market	Sale Date	Sale Price (\$m)	Purchaser	Vendor	Proportion Sales
Grosvenor Place	Sydney	Dec-25	1,440	GPT (50%), CSC (25%)	Blackstone	75%
Sirius Building	Phillip, Canberra	Dec-25	305	Lederer Group	Mirvac	100%
Central Plaza 1	Brisbane	Oct-25	230	Aravest, SMFL, Kenedix	IFM	50%
100 Pacific Highway	North Sydney	Dec-25	220	Forza Capital	IFM	100%
The Barracks	Brisbane	Oct-25	150	Aware Super	Fortius	100%

Source: CBRE Research

## Contact - Research

### Tom Broderick

Head of Office & Capital Markets  
Research, Australia  
+61 430 405 910  
tom.broderick@cbre.com.au

### Thomas Biglands

Associate Director, NSW & ACT  
+61 426 841 019  
thomas.biglands@cbre.com

### Cameron Douglas-Perrine

Research Manager, VIC  
+61 450 801 459  
cameron.douglasperrine@cbre.com

### Eza Ranjbar

Associate Director, WA & SA  
+61 425 225 915  
eza.ranjbar@cbre.com

---

## CBRE Offices

### Sydney

Level 21  
363 George Street  
Sydney, NSW 2000

### Melbourne

Level 34  
8 Exhibition Street  
Melbourne, VIC 3000

### Brisbane

Level 3  
1 Eagle Street  
Brisbane, QLD 4000

### Perth

Level 25  
250 St George's Terrace  
Perth, WA 6000

### Adelaide

Level 20  
83 Pirie Street  
Adelaide, SA 5000

### Canberra

Level 4  
2 Constitution Avenue  
Canberra City, ACT 2601