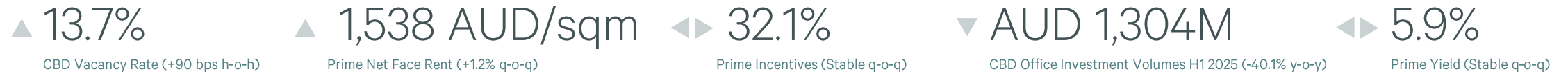


FIGURES | SYDNEY CBD OFFICE | 2Q25

# Vacancy rates rise as the Sydney CBD absorbs final ripples of supply wave



Note: Arrows indicate change from previous quarter / half / year.

## Key Points

- CBRE received 96 leasing enquiries totalling 110,930 sqm in Q2 2025. These figures were slight improvements over Q1 2025 but broadly in line with totals recorded over last 18 months.
- The Sydney CBD saw the delivery of 72,599 sqm of office space in H1 2025. Office development is set to slow going forward and new supply is forecast to total only 28,300 sqm over the second half of the year.
- The overall CBD vacancy rate ended H1 2025 at 13.7%, an increase of 90 bps from the start of 2025. Increases were due largely to the delivery of new supply and old stock withdrawals being re-added to market inventory.
- Leasing demand and rental rate growth showed signs of balancing out in Q2 2025. Prime properties in the Core and Walsh Bay precincts have continued to outperform, but there are now signs that leasing appetite is improving in the Western Corridor and Midtown precincts.
- Office investment activity has slowed over H1 2025. Cap rates remained unchanged across the CBD over the quarter.

FIGURE 1a: Sydney CBD Office | Vacancy Rate Summary

Indicator	Jul 2025	Jan 2025	Jul 2024	H-o-H Change	Y-o-Y Change
Vacancy Rate	<b>13.7%</b>	12.8%	11.6%	+90 bps	+208 bps

FIGURE 1b: Sydney CBD Core Office | Summary of Prime Market Indicators

Indicator	2Q25	1Q25	2Q24	Q-o-Q Change	Y-o-Y Change
NFR	<b>AUD 1,538</b>	AUD 1,519	1,460 AUD	+1.2%	+5.3%
Incentives	<b>32.1%</b>	32.1%	33.5%	Stable	-140 bps
NER	<b>AUD 955</b>	AUD 947	883 AUD	+0.8%	+8.1%
Yield	<b>5.9%</b>	5.9%	6.0%	Stable	-13 bps

Source: CBRE Research

## Office Demand

### Core continues to outperform while green shoots developing elsewhere

Leasing demand has remained relatively consistent since the start of 2024. This trend continued in Q2 2025 when CBRE received 96 leasing enquiries totaling 110,930 sqm over the period. These totals were slight improvements the first quarter of the year but broadly in line with leasing demand since the start of 2024.

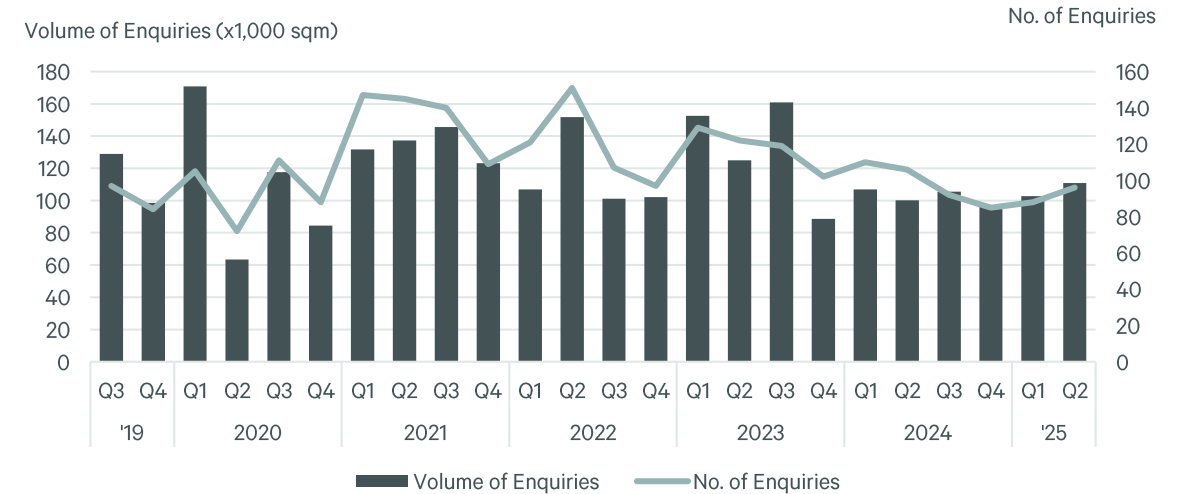
While the flight-to-quality trend has persisted, signs of leasing appetite in non-Core precincts began to materialize over H1 2025. The Western Corridor recorded Prime net absorption of 22,276 sqm over the first half; the first time the precinct has recorded a positive absorption figure since 2022. It's expected that demand for non-Core precincts will continue to build momentum over coming periods due to enticing rent differentials between Core and non-Core properties and tightening vacancy rates in Core stock due to the upcoming slowdown in new supply.

Despite the strong performance of the Western Corridor, occupiers continued to show a preference for Prime grade space in the Core precinct over H1 2025. Prime net absorption in the Core precinct totalled 13,492 sqm over the trailing six-month period. This marked the third consecutive period that the Core precinct has recorded positive Prime net absorption.

Net absorption totals across the remaining CBD precincts were fairly neutral in H1 2025. The Walsh Bay and Southern precincts each recorded positive absorption totals of 4,542 sqm and 475 sqm, while The Rocks and Midtown precincts recorded negative net absorption of -4,988 sqm and -3,951 sqm.

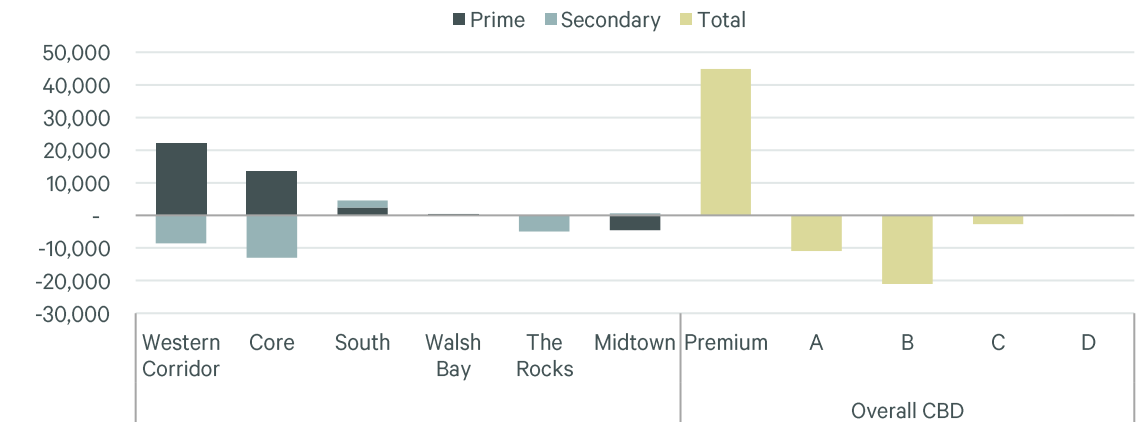
The flight-to-quality trend remained evident when looking at net absorption totals for the overall CBD broken down by building grade. The highest levels of leasing activity continued to be seen in Premium grade assets. Net absorption of Premium office space totalled 44,841 sqm over the first half. Each of the other building grades saw negative or neutral net absorption over this period. This trend continues to be driven by the migration of occupiers into newly delivered Premium grade stock.

FIGURE 2: Sydney CBD Office | Leasing Enquiry Data



Source: CBRE Research

FIGURE 3: Sydney CBD Office | 6-Month Net Absorption (sqm) by Precinct and by Building Grade



\*Bar cut off for presentation.  
Source: CBRE Research, PCA

# Supply

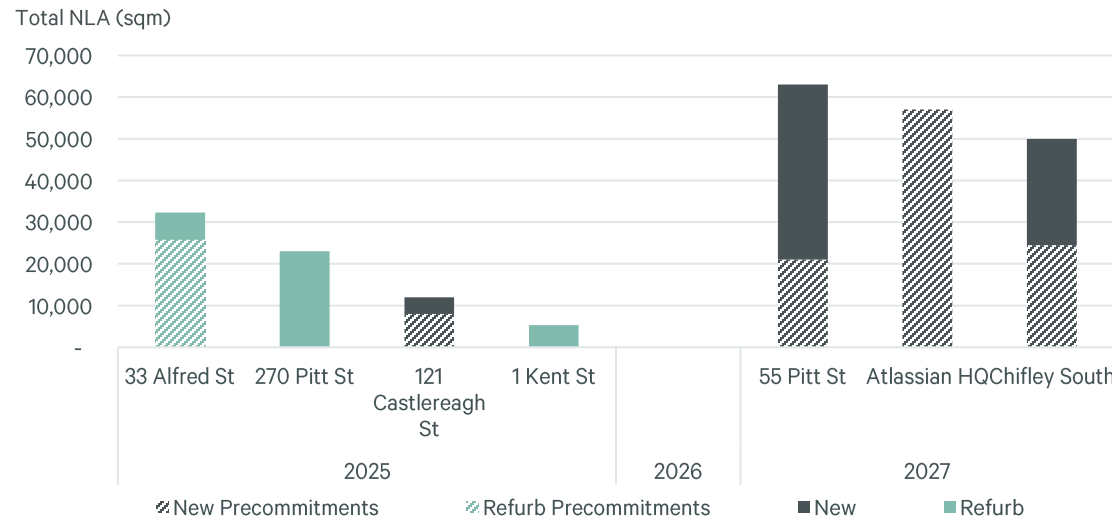
## Final ripples of supply wave hit the Sydney CBD in 2025

The Sydney CBD saw the delivery of 72,599 sqm of office space in H1 2025. This figure included the delivery of 33 Alfred Street (c.32,000 sqm) and 121 Castlereagh Street (11,500 sqm). Each of these new developments were delivered with strong pre-leasing levels secured. The first half supply total also included the reintroduction of 1 Shelley Street (c.29,500 sqm) to the CBD office inventory figure after it was removed due to refurbishments brought on by Macquarie’s departure to their new headquarters above the Martin Place metro.

Office development is set to slow going forward and new supply is forecast to total only 28,300 sqm over the second half of the year. This total includes the delivery of 270 Pitt Street (23,000 sqm) and 1 Kent Street (5,300 sqm). The market will then get a one-year reprieve from new supply before the delivery of 55 Pitt Street (63,000 sqm), Atlassian HQ (57,000 sqm), and Chifley Tower South (53,000 sqm) in 2027. Leasing interest for these 2027 projects has been very strong and pre-leasing for these three developments is now over 60% collectively.

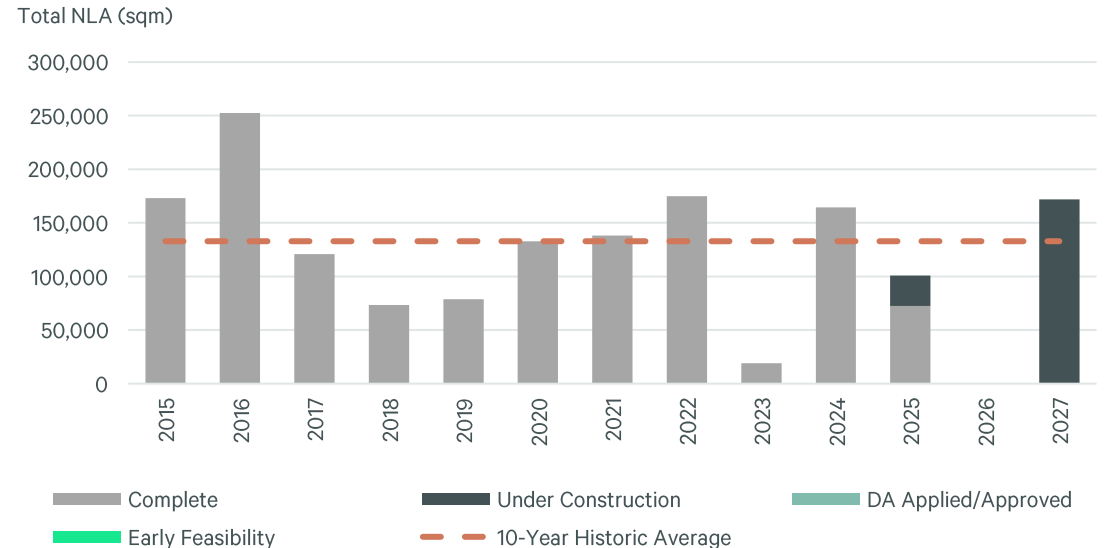
Beyond 2027, the supply outlook remains speculative due to challenging development conditions including elevated construction and financing costs. Cost pressures coupled with the uncertainty around long-term leasing pre-commitments have forced developers to reconsider the timing of new construction projects. It’s now likely that, following 2027, the next wave of office development won’t occur until 2032 or later.

FIGURE 4: Sydney CBD Office | Upcoming Major Development Projects



Note: Early Feasibility and mooted projects not shown.  
Source: CBRE Research

FIGURE 5: Sydney CBD Office | Historical & Forecast New Supply



Source: CBRE Research, PCA

# Vacancy

## CBD vacancy rates nearing top of cycle

Vacancy rates in the Sydney CBD increased marginally over H1 2025 due largely to the delivery of new supply and old stock withdrawals being re-added to inventories. The overall CBD vacancy rate ended H1 2025 at 13.7%, an increase of 90 bps from the start of 2025. While vacancy rates increased, the amount of occupied stock in the Sydney CBD increased by 10,298 sqm over the first half of 2025. This marked the second consecutive period that occupied stock has risen, despite vacancy rates rising due to new supply. Sydney CBD Prime and Secondary vacancy rates both increased over H1 2025, ending the period at 14.1% and 12.9%, respectively.

Sublease levels have stabilized over the first half of 2025. Based on CBRE data, sublease availability remained at 1.2% as of June 2025. The number of sublease listings above 1,000 sqm has decreased substantially over the last year, and it now appears that the corporate right-sizing cycle is coming to an end.

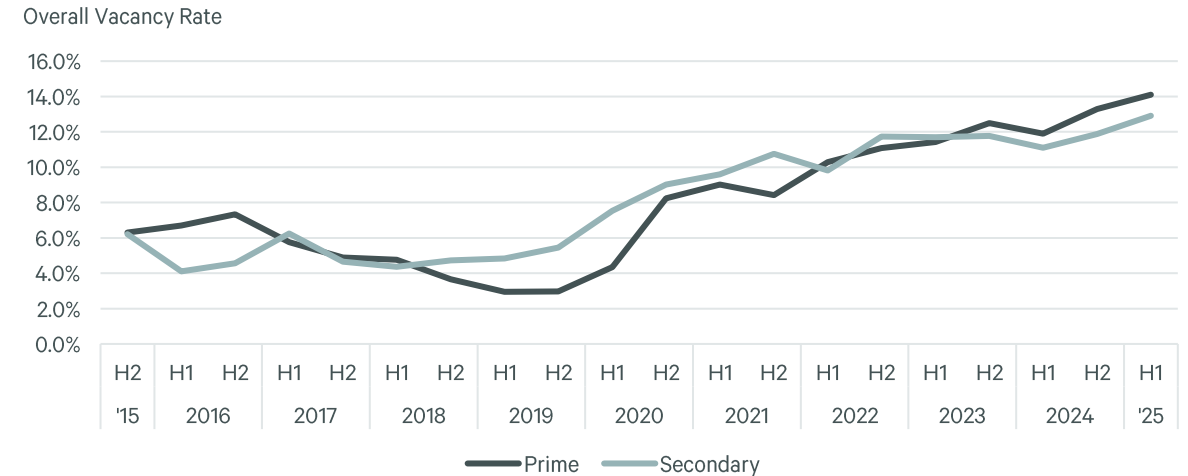
Given stable leasing enquiry levels, a lack of forecasted new supply, and the ongoing flight-to-quality by occupiers, it's expected that CBD vacancy rates are now at their peak for this cycle. Vacancy rates are expected to tighten as new supply slows in coming years.

FIGURE 6: Sydney CBD Office | Leasing Market Summary

Market/Grade	Inventory Jul 25	Vacant Space Jul 25	Vacancy Rate Jul 25 (6month Diff)	Net Absorption 6 months
Prime	3,548,655 sqm	500,382 sqm	14.1% (+82 bps)	33,877 sqm
Secondary	1,818,859 sqm	234,799 sqm	12.9% (+108 bps)	-23,579 sqm
<b>Total</b>	<b>5,367,514 sqm</b>	<b>735,181 sqm</b>	<b>13.7% (+90 bps)</b>	<b>10,298 sqm</b>

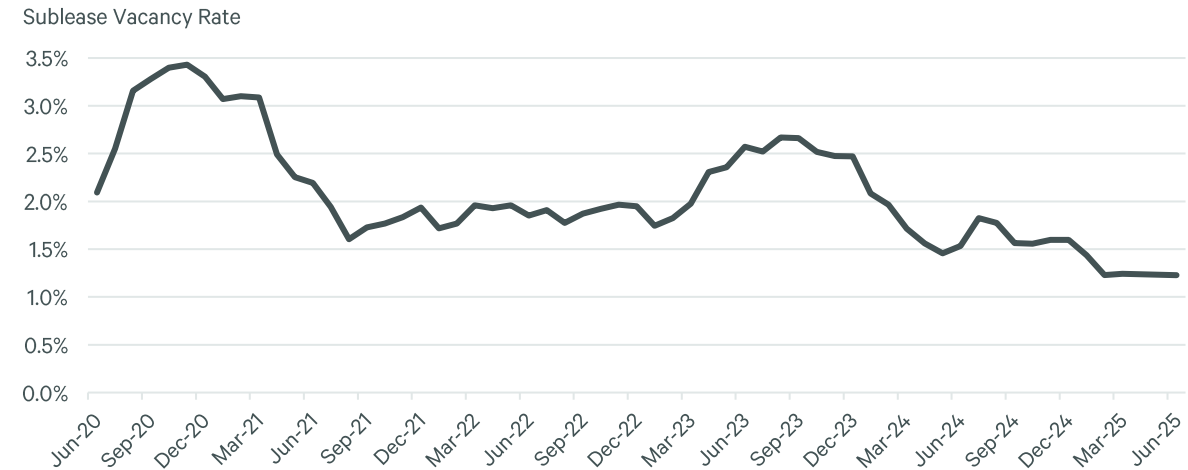
Source: PCA, CBRE Research

FIGURE 7: Sydney CBD Office | Vacancy Rates by Grade



Source: PCA, CBRE Research

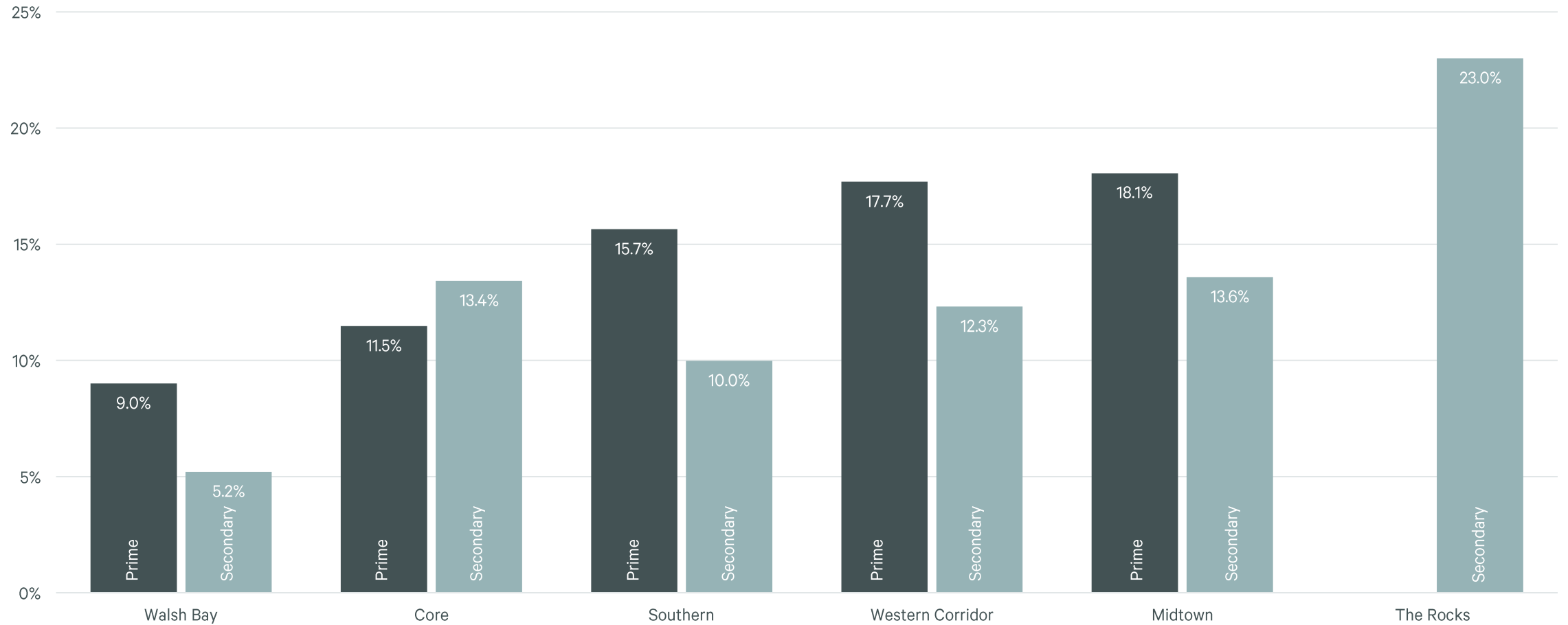
FIGURE 8: Sydney CBD Office | Sublease Vacancy Rate



Source: CBRE Research

# Vacancy

Figure 9: Sydney CBD Office | Vacancy Rates by Precinct



Source: CBRE Research

## Rental Rate & Incentives Trends

### Market sees more balanced rent growth over Q2 2025

The increased demand for space outside of the Core precinct has started to slow the swell of bifurcation in rental rates and incentives. The CBD precinct average Prime net face rental rate figure ended Q2 2025 at 1,249 AUD/sqm, an increase of 0.9% quarter-over-quarter. Secondary face rental rates also increased over Q2 2025, ending the period at 876 AUD/sqm, representing growth of 1.4%. This marked the first time in over a year that Secondary face rent growth outperformed Prime rent growth in the Sydney CBD.

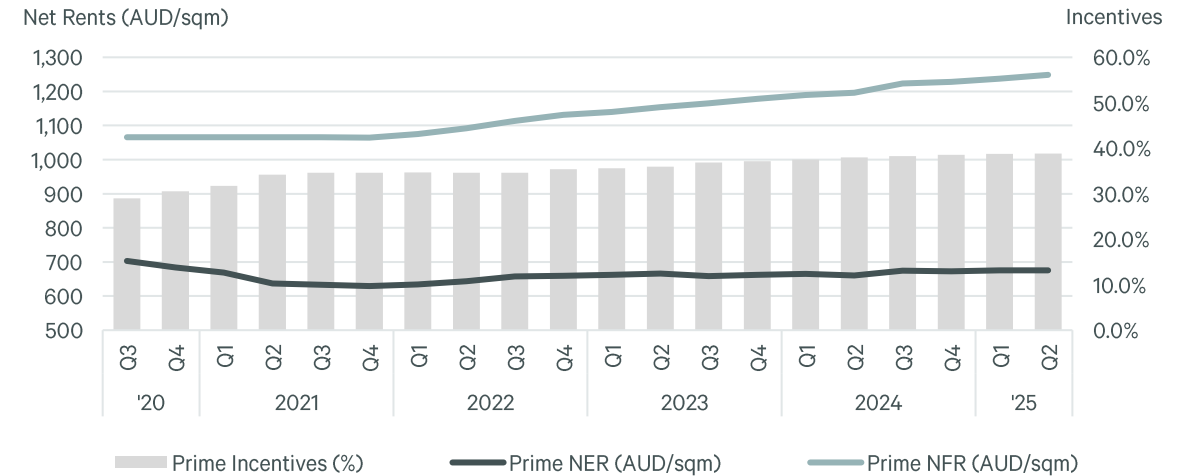
The flight-to-quality seen over recent periods has resulted in Prime rental rates in the Core and Walsh Bay outperforming the rest of the market. Prime net face rental rates in these precincts reached 1,538 AUD/sqm and 1,317 AUD/sqm, respectively, in Q2 2025. These figures represented year-over-year growth of 5.3% and 7.1%. While net face rental rates growth was more subdued across the other CBD precincts, the Midtown and Western Corridor precincts saw improved face rent growth this period. Net face rents in these submarkets reached 1,195 AUD/sqm and 1,141 AUD/sqm, respectively, growing by 4.4% and 2.6% year-over-year.

The CBD average Prime and Secondary incentive figures ended the first half at 38.9% and 38.2%, respectively. While these figures each represented expansion of 8 bps quarter-over-quarter, the rate of increase for incentives is flattening.

Incentives have continued to move inline with vacancy rates across the various CBD precincts. Market average incentives have started to stabilize in the Core and Walsh Bay precincts while they've continued to expand elsewhere. Given these dynamics, the Core and Walsh Bay precincts have seen exceptionally strong net effective rent increases over the last year. The Midtown and The Rocks precincts saw more marginal increases in effective rents. Finally, the South and Western Corridor precincts saw effective rents decline over recent periods.

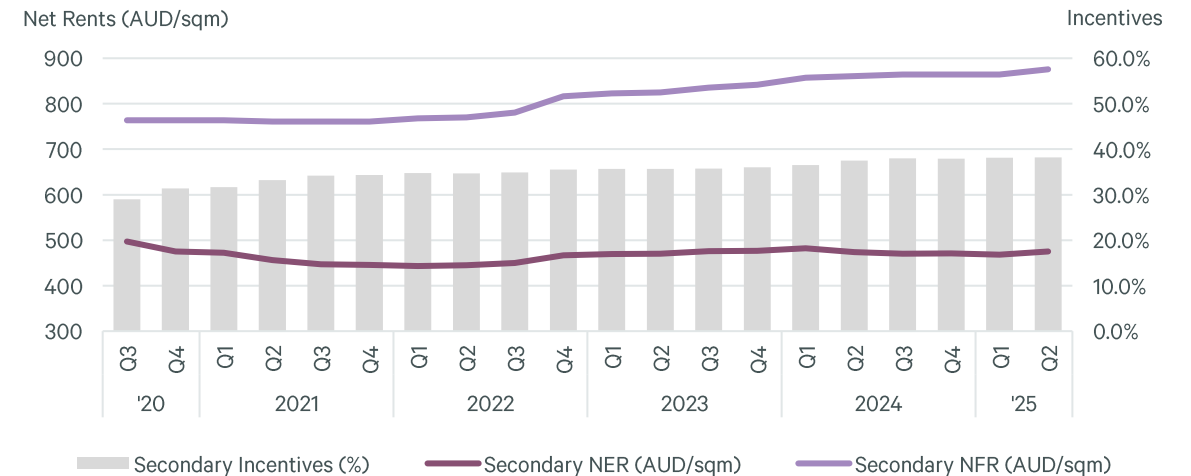
Given the divergent paths of effective rent growth across the CBD over the last few years, there is now a considerable spread between NERs in the Core and Midtown or Western Corridor precincts. We expect this will lead to increased leasing activity in non-Core geographies over the near term.

FIGURE 10: Sydney CBD Office | Precinct Average Prime Net Face Rents, Net Effective Rents, and Incentives



Source: CBRE Research

FIGURE 11: Sydney CBD Office | Precinct Average Secondary Net Face Rents, Net Effective Rents, and Incentives



Source: CBRE Research

## Rental Rate & Incentives Snapshot

Figure 12: Sydney CBD Office | Rental Rates and Incentives by Precinct

PRIME	CORE	MIDTOWN	SOUTH	WESTERN CORRIDOR	WALSH BAY	THE ROCKS
<b>Gross Rental Rate (AUD/sqm)</b>	<b>\$1,814</b>	<b>\$1,397</b>	<b>\$1,068</b>	<b>\$1,343</b>	<b>\$1,578</b>	<b>\$1,025</b>
% QoQ	1.9%	1.1%	1.2%	2.2%	2.2%	0.0%
% YoY	5.4%	4.7%	2.4%	3.8%	6.6%	0.8%
<b>Net Face Rental Rate (AUD/sqm)</b>	<b>\$1,538</b>	<b>\$1,195</b>	<b>\$904</b>	<b>\$1,141</b>	<b>\$1,317</b>	<b>\$853</b>
% QoQ	1.2%	0.5%	0.9%	0.9%	1.0%	0.0%
% YoY	5.3%	4.4%	2.4%	2.6%	7.1%	1.0%
<b>Incentives</b>	<b>32.1%</b>	<b>39.3%</b>	<b>41.7%</b>	<b>46.3%</b>	<b>38.2%</b>	<b>35.7%</b>
QoQ Change (bps)	0	17	33	17	0	0
YoY Change (bps)	-140	45	167	367	79	0
<b>Net Effective Rental Rate (AUD/sqm)</b>	<b>\$955</b>	<b>\$645</b>	<b>\$459</b>	<b>\$519</b>	<b>\$714</b>	<b>\$488</b>
% QoQ	0.8%	-0.3%	-0.1%	-1.0%	-0.1%	0.0%
% YoY	8.1%	3.1%	-1.5%	-7.3%	5.6%	1.1%

SECONDARY	CORE	MIDTOWN	SOUTH	WESTERN CORRIDOR	WALSH BAY	THE ROCKS
<b>Gross Rental Rate (AUD/sqm)</b>	<b>\$1,249</b>	<b>\$1,045</b>	<b>\$1,002</b>	<b>\$1,051</b>	<b>\$1,144</b>	<b>\$975</b>
% QoQ	1.6%	2.4%	0.5%	1.9%	0.0%	0.0%
% YoY	3.6%	6.0%	0.5%	2.2%	0.9%	0.6%
<b>Net Face Rental Rate (AUD/sqm)</b>	<b>\$1,055</b>	<b>\$883</b>	<b>\$842</b>	<b>\$858</b>	<b>\$985</b>	<b>\$820</b>
% QoQ	0.9%	2.7%	0.2%	1.9%	2.7%	0.0%
% YoY	3.6%	5.9%	0.2%	2.2%	-0.2%	0.8%
<b>Incentives</b>	<b>36.7%</b>	<b>39.7%</b>	<b>38.8%</b>	<b>38.6%</b>	<b>39.5%</b>	<b>35.5%</b>
QoQ Change (bps)	29	57	0	0	0	0
YoY Change (bps)	59	171	75	108	17	0
<b>Net Effective Rental Rate (AUD/sqm)</b>	<b>\$596</b>	<b>\$468</b>	<b>\$454</b>	<b>\$453</b>	<b>\$533</b>	<b>\$474</b>
% QoQ	-0.3%	1.7%	-0.1%	1.9%	5.1%	0.0%
% YoY	2.4%	1.9%	-1.7%	-0.2%	-1.5%	0.9%

Source: CBRE Research

## Investment Market

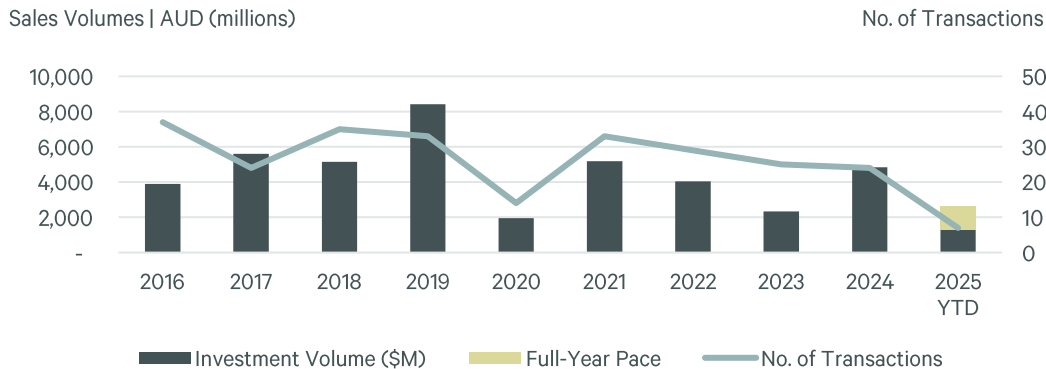
### Investment activity remains muted over H1 2025

After making a significant recovery over 2024, Office investment volumes in the Sydney CBD have slowed slightly over H1 2025. Investment volumes reached AUD 1,304 million over the first half. This puts the market on pace to reach AUD 2.6 billion over the full year, which would be a decline of 46% compared to 2024. The large jump in Investment volumes in 2024 was driven by larger sales, and the more muted activity over 2025 speaks to the difficulty of completing such transactions in the current market.

Cap rates were held unchanged once again this period. Indicative yields across the Sydney CBD now range from between 5.25% - 5.50% for Premium assets in the Core precinct to 8.2% for Secondary assets in The Rocks.

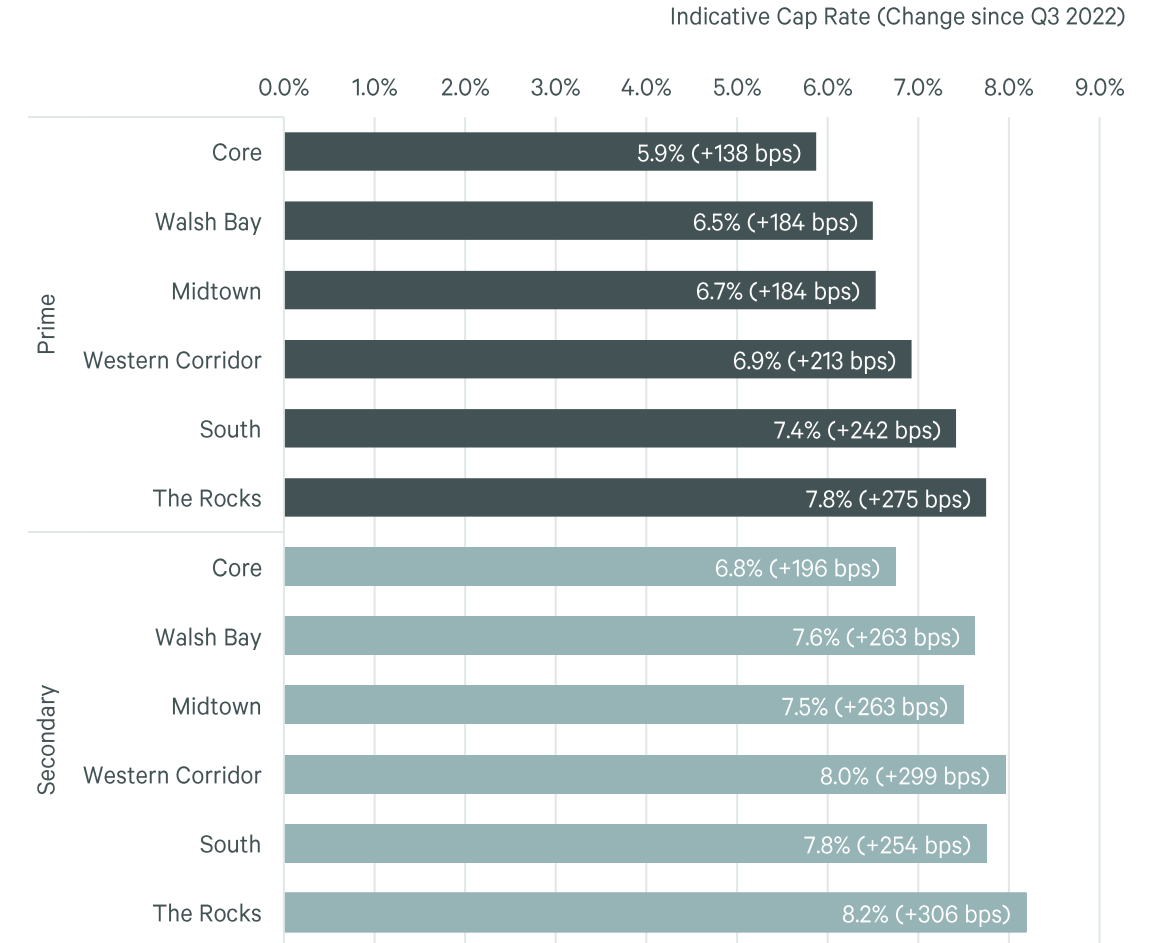
Despite strong investor appetite for CBD assets, the expectation of strong rental growth and falling interest rates has resulted in many owners opting to hold assets and wait out the investment cycle. As a result, it's expected that CBD investment volumes should remain somewhat muted over the remainder of 2025, with the bulk of outstanding investment activity to take place in Metro submarkets.

FIGURE 13: Sydney CBD Office | Sales Activity



Source: CBRE Research

FIGURE 14: Sydney CBD Office | Cap Rates, by Precinct and Grade



Source: CBRE Research

## Contacts

### Research



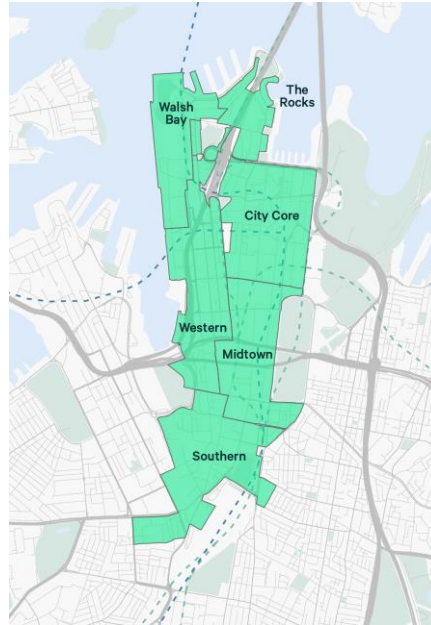
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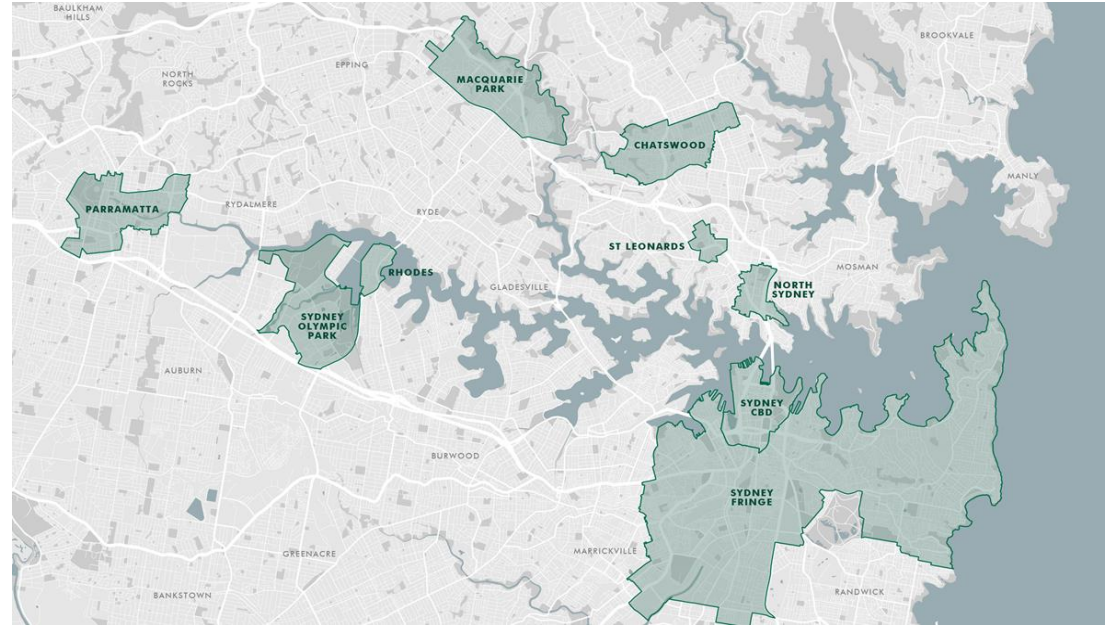
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## Office Submarket & Precinct Maps

### Sydney CBD



### Sydney Metro



### Contact

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