

FIGURES | AUSTRALIAN OFFICE | Q3 2025

Momentum building in the leasing market

▼ 4.8% y/y
AUS Average Prime NER

▲ 39.8%
AUS Average Prime Incentives

▲ \$2.1b
AUS Sales Volumes Q3 25

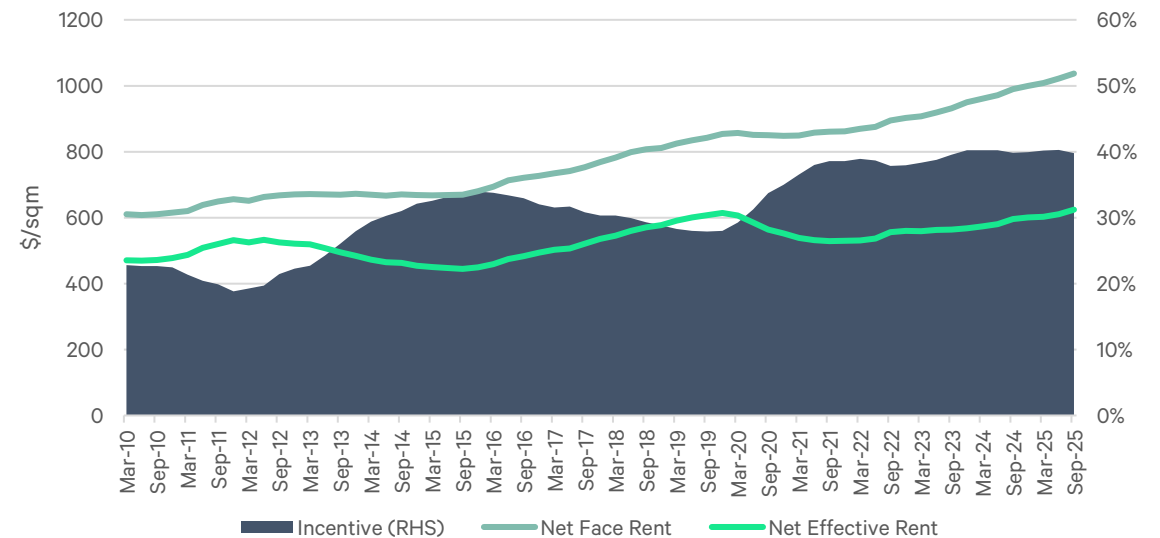
▼ 6.68%
AUS CBD Prime Yield

Note: Arrows indicate change from previous quarter.

Key Points

- The labour market remains tight with unemployment at just 4.2% in August 2025, while jobs growth has eased slightly in recent months.
- The average effective rent for prime Australian CBD office rose by 2.3% q-o-q and 4.8% y-o-y. The national average effective rent of \$624/sqm, is now above the previous peak in December 2019.
- Supply over the next five years across Australian CBD's will be the lowest since late 90's.
- Transaction activity in Q3 2025 reached \$2.1 billion, up 42% compared to the previous quarter. However, national volumes YTD remain around 20% below the same period in 2024.
- Australian CBD average prime yields tightened by 3 bps in Q3 2025 to average 6.68%. This is the first indication of tightening cap rates since early 2022 for the Australian office market.

FIGURE 1: Australia CBD Prime Office Rents and Incentives



Source: CBRE Research

Rents and Incentives

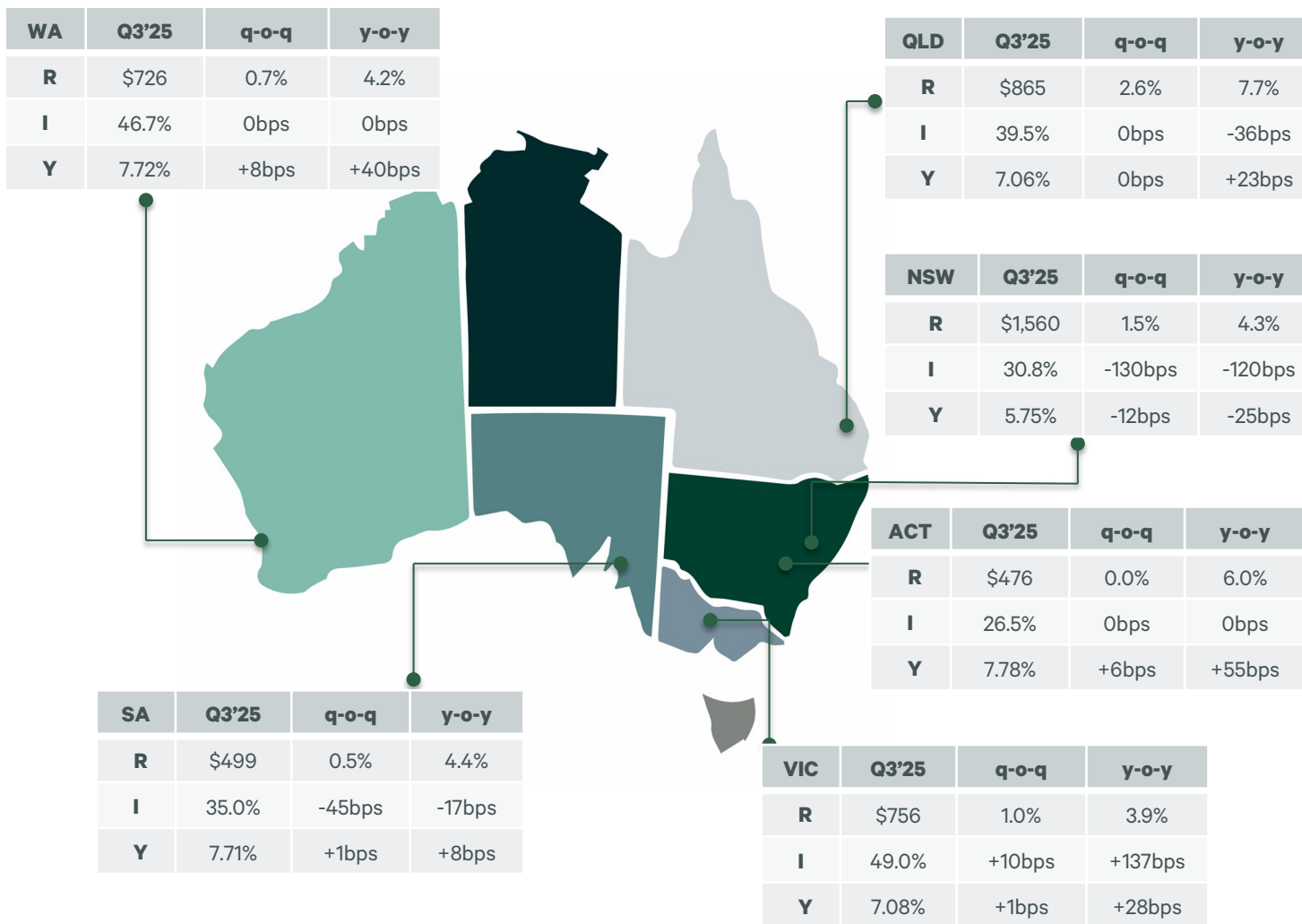
National CBD average effective rent rises above 2019 levels

In Q3 2025, the average effective rent for prime Australian CBD office rose by 2.3% q-o-q and 4.8% y-o-y. The national average effective rent of \$624/sqm, is now above the previous peak in December 2019, meaning the market has recovered the losses that occurred during the pandemic. Face rents continue to do all of the heavy lifting, up 4.8% y-o-y. Meanwhile, incentives have remained stubbornly high at 39.8% in Q3 2024. High fit-out costs remain the key factor that is restricting any substantial decline in the average incentive across the country.

Sydney and Brisbane continue to outperform

The Sydney CBD market (total) observed the highest effective rental growth for the quarter, at 4.2% q-o-q. An interesting theme recently in the Sydney CBD has been the rental growth achieved in precincts outside of the Core, which has been absent previously. In addition, Sydney remains the only market that is achieving genuine declines in incentives, dropping from 38.9% to 37.5% over the past three months. The Brisbane CBD is also observing solid growth at 2.9% q-o-q and 9.5% y-o-y. Elsewhere, the Melbourne CBD continues to improve, with 0.7% q-o-q and 1.1% y-o-y. However, the Eastern Core and Civic precincts continue to be a clear outperformer, growing by 8.4% and 6.1% over the past year. Adelaide and Perth continued to observe solid rental growth of 4.6% and 4.2% y-o-y respectively. Canberra rents have stabilised this quarter with some concern about future supply and demand factors in that market.

FIGURE 2: Australia CBD Prime Office Key Market Indicators & Forecast Direction – Q3 2025



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

Demand and Vacancy

Leasing activity steadily improving, although decision making remains slow

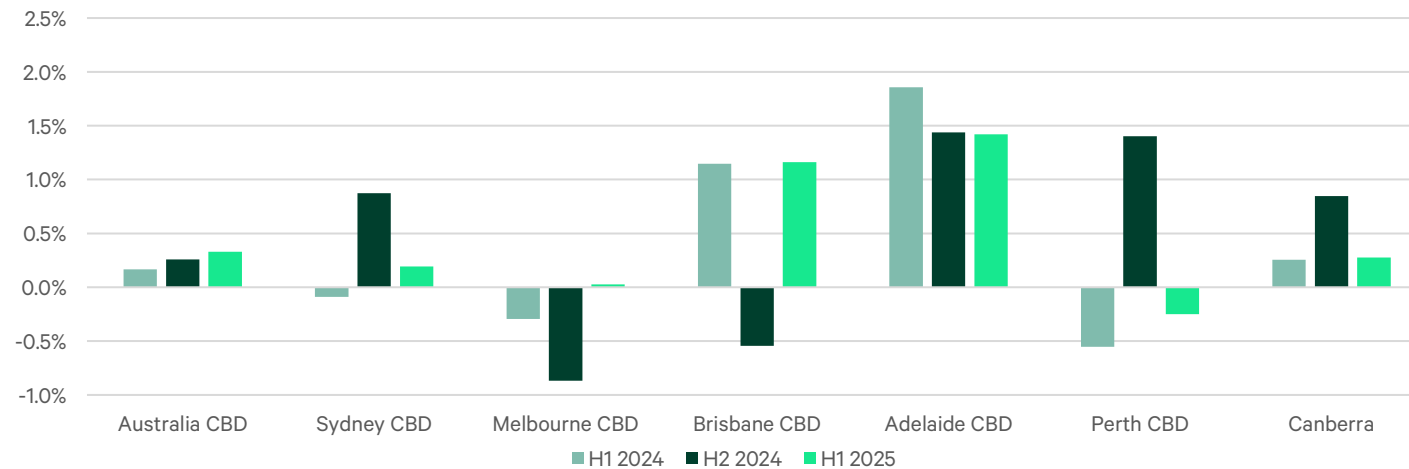
A key theme in 2025 has been the slow leasing activity in some of the major markets. However, momentum has improved, particularly amongst larger corporates across the country who are actively engaging with the market. The other theme has been the relatively subdued sub-1,000 sqm tenant market over the past 18 months. High relocation costs appear to be a key reason for this, with renewals being the path of least resistance.

Australian CBD's recorded 63,738 sqm of net absorption in H1 2025. The Adelaide market has been a clear outperformer over the past 18 months, with net absorption of 22,326 sqm in H1 2025, representing 1.4% of stock. This is off the back of significant demand from both Private and Government sector, particularly defence related activity. The Brisbane office market has also continued to show solid net absorption, although leasing volumes have been down in 2025. The Sydney CBD observed solid absorption in early 2025, particularly in premium assets, with some early signs of improved activity in precincts outside the Core.

Vacancy edges higher in H1 2025

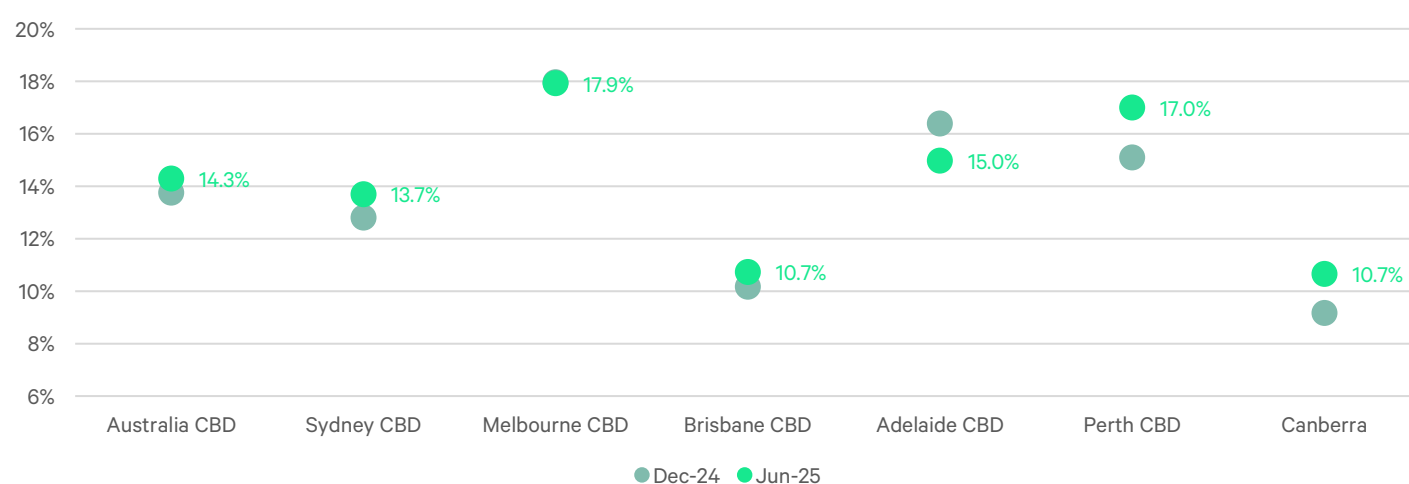
Overall CBD vacancy increased slightly from 13.7% to 14.3% in H1 2025, as supply outstripped demand. The Adelaide CBD recorded a significant decline in vacancy in H1, dropping from 16.4% to 15.0% off the back of elevated demand. Melbourne recorded a slight drop from 18.0% to 17.9%. All other markets recorded a rise in vacancy, mostly due to supply that was delivered during the period. Perth observed an increase in vacancy from supply as well as an increase in sublease availability.

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



Source: PCA, CBRE Research

Figure 4: Total Vacancy



Source: PCA, CBRE Research

Emerging Trend

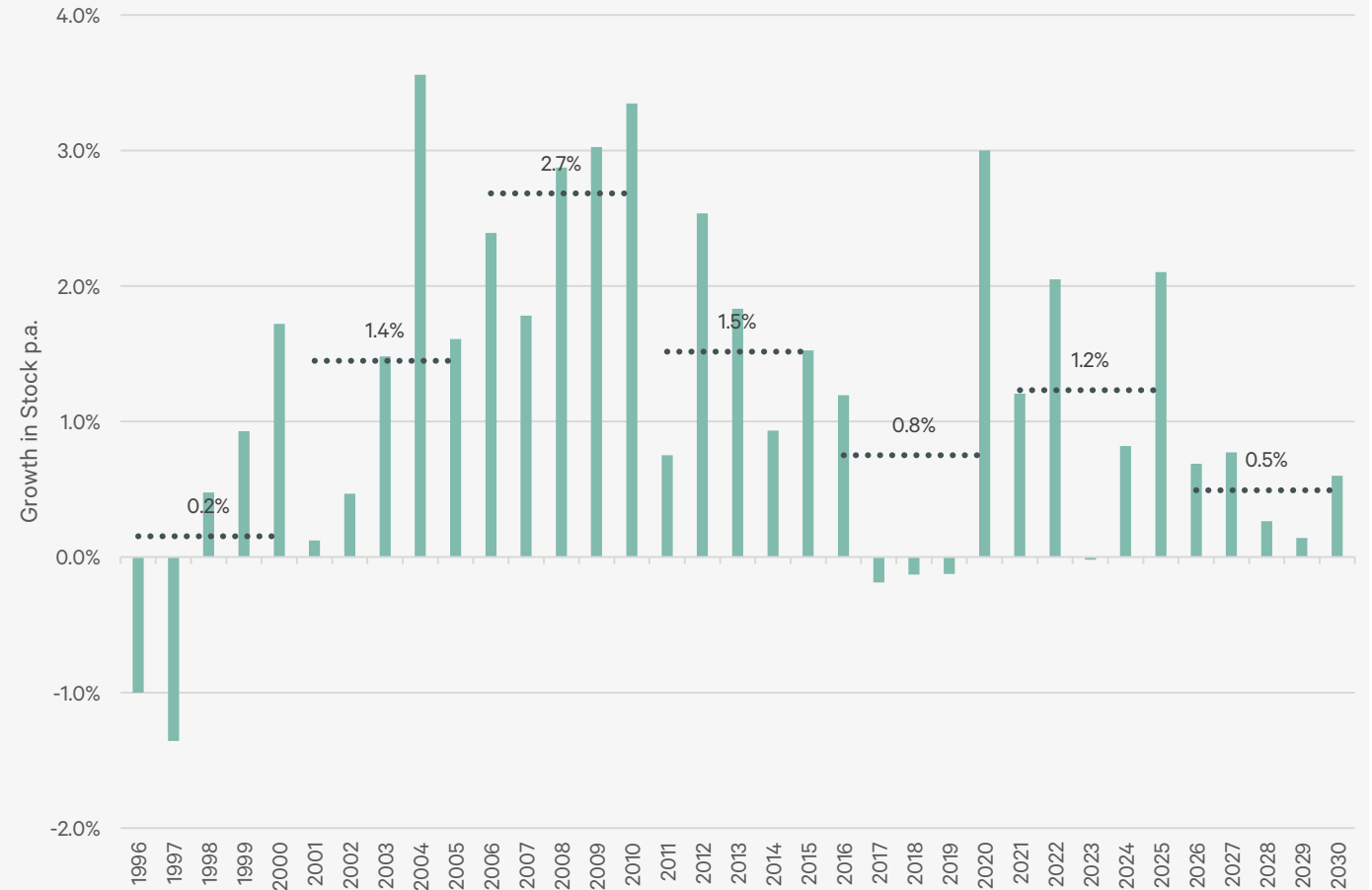
Supply over the next five years to be the lowest since late 90's

As we've reported over the past few years, there remain significant challenges in developing office stock in Australia. High construction costs and softening valuations have driven economic rents significantly higher. In addition, institutional capital has largely been reweighting portfolios to reduce allocations to the office sector. This has meant raising capital for new projects has been more difficult.

As a result, we have observed a significant decline in the outlook of new supply across the Australian office market. In fact, our current national CBD forecast expects office stock to grow by an average of 0.5% p.a. from 2026-2030. This would be the lowest level of new supply that the market has delivered over a five-year period since the late 1990s.

This outlook should allow for declines in vacancy across the Australian office landscape over the next five years. For context, the period in the late 1990's where stock grew by just 0.2% p.a, national vacancy declined from 14.4% to 6.4% over a five-year period.

National CBD Supply Forecast



Source: CBRE Research

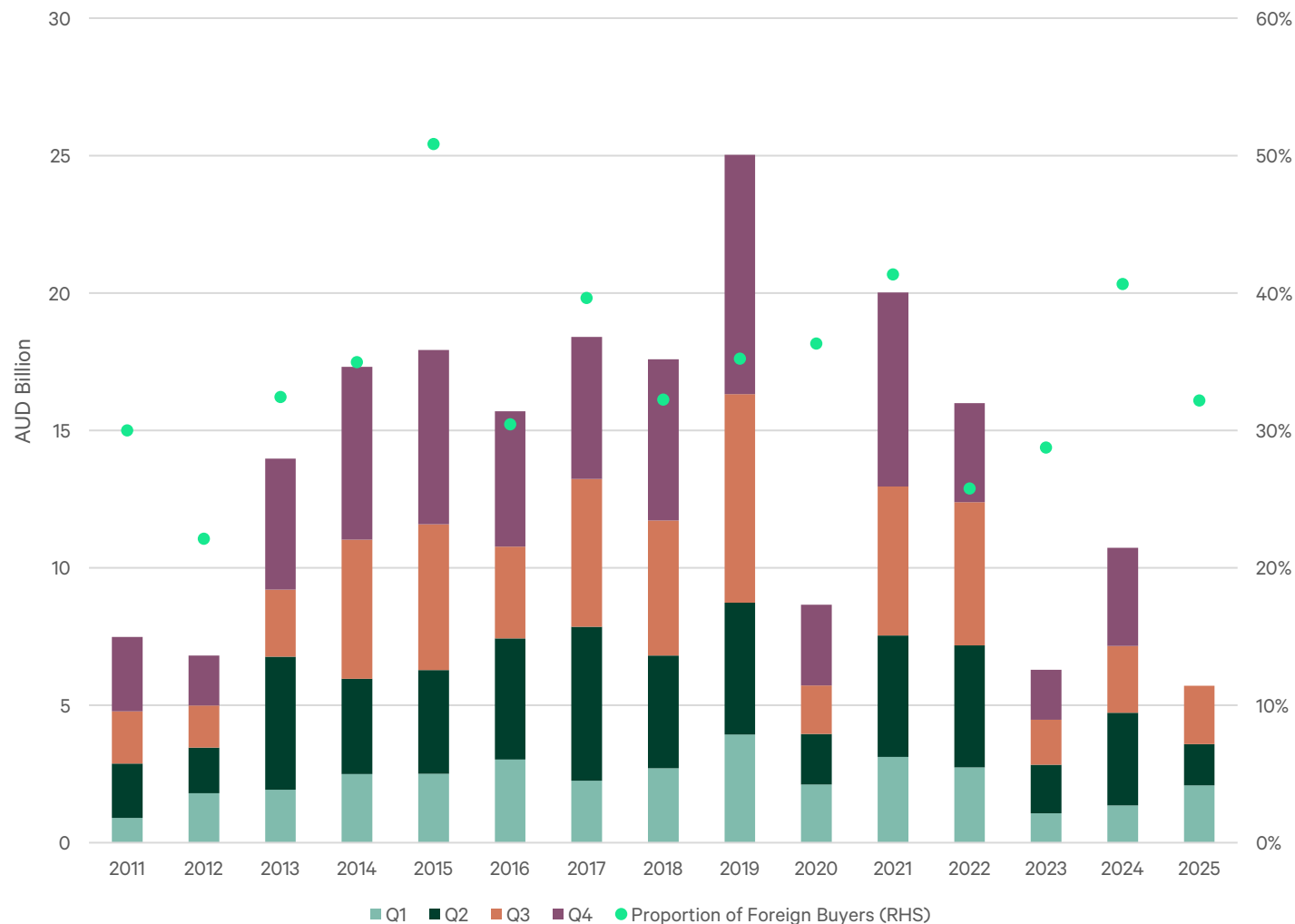
Investment Market

Transaction activity in Q3 2025 reached \$2.1 billion, up 42% compared to the previous quarter. However, national volumes YTD remain around 20% below the same period in 2024. A major reason for this was the significant activity in the Sydney CBD last year, with fewer assets on the market in early 2025. However, there is likely to be a number of transactions finalised in Q4, particularly in Sydney and Brisbane, which will push volumes higher.

The Melbourne CBD observed the highest amount of transaction activity in Q3. Three major assets sold for a combined \$840 million, being 750 Collins Street, Flinders Gate and 357 Collins Street. Investors are being opportunistic in the Melbourne market given the potential for improved conditions in the leasing market over the next five years. Elsewhere, Green Square North Tower in the Brisbane Fringe sold \$175 million to Quintessential.

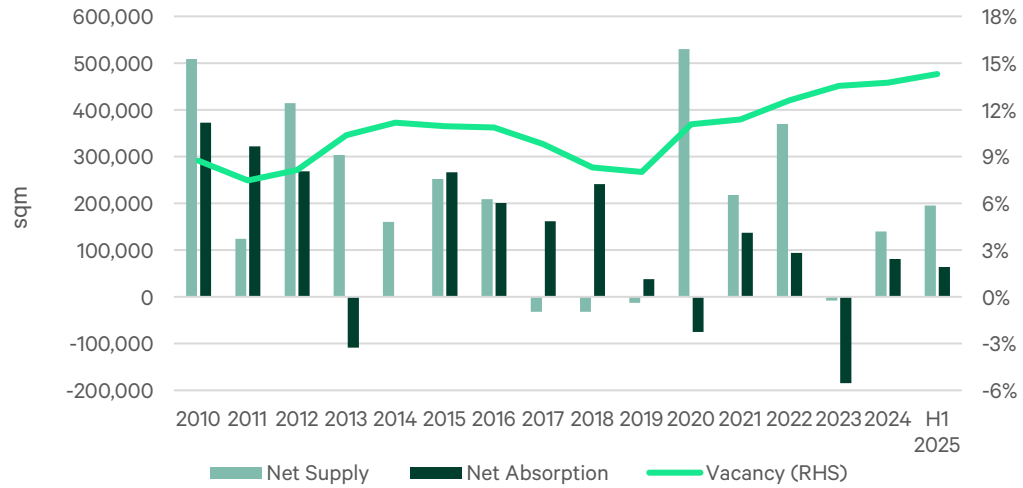
Australian CBD average prime yields tightened by 3 bps in Q3 2025 to average 6.68%. This is the first indication of tightening cap rates since early 2022 for the Australian office market. This was driven by tightening in the Sydney CBD, with prime core yields declining by 12 bps for the quarter. Other markets were largely stable for the quarter. Perth and Canberra both softened by 8 bps and 6 bps respectively, which was largely sentiment driven given the lack of transactions in those markets.

Figure 5: Australia Office Investment Volumes by Quarter



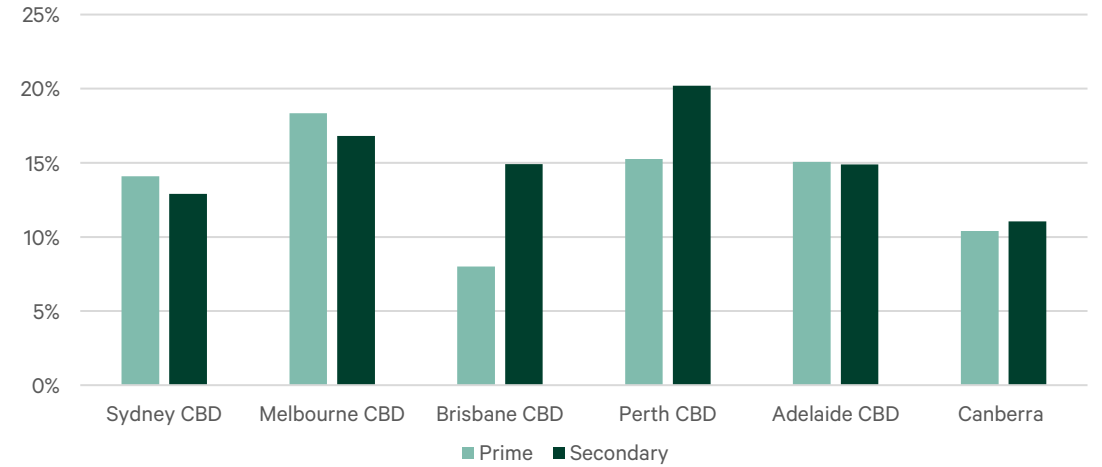
Source: CBRE Research

FIGURE 8: Australian CBD Market Balance



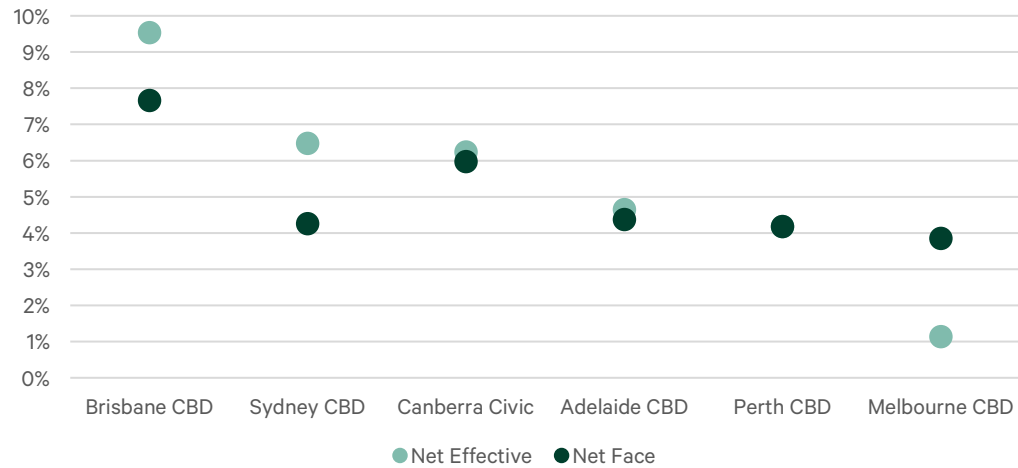
Source: PCA, CBRE Research

FIGURE 9: Vacancy by Grade across CBD Markets



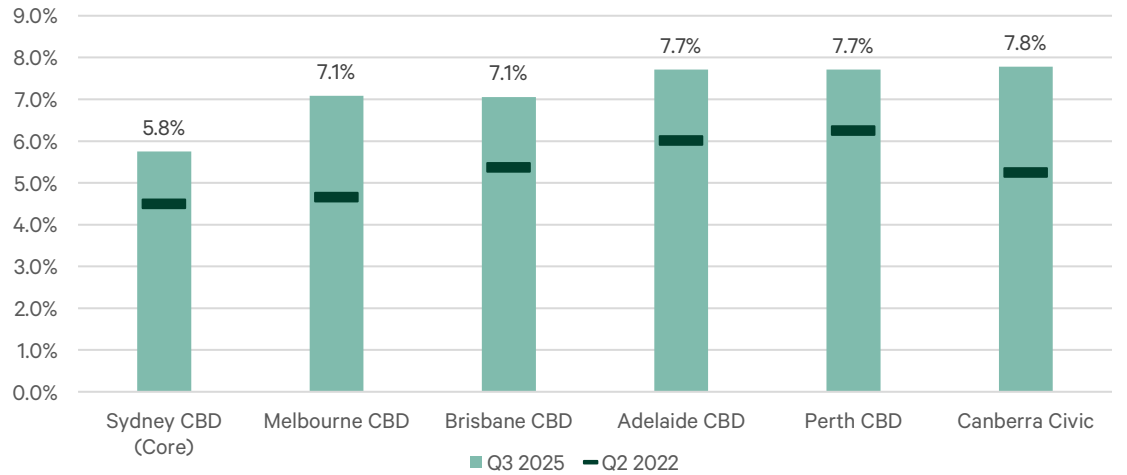
Source: PCA, CBRE Research

FIGURE 10: Q3 2025 Rental Growth by Market (Y-O-Y)



Source: CBRE Research

FIGURE 11: Prime Yields – Q3 2025



Source: CBRE Research

TABLE 1: Australia Non-CBD Prime Office Key Indicators, Q3 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	▼	\$1,042▲	40.6%▶	\$555▲	7.23%▲
Parramatta	▼	\$598▶	45.6%▲	\$325▼	7.99%▶
Macquarie Park	▼	\$480▲	37.6%▶	\$300▲	8.09%▼
Chatswood	▼	\$668▶	43.7%▶	\$326▶	8.67%▲
Crows Nest/St Leonards	▲	\$697▶	44.0%▲	\$338▼	8.45%▲
Southbank	▶	\$664▲	46.7%▼	\$354▲	7.94%▶
St Kilda Road	▼	\$485▲	50.0%▲	\$243▲	8.70%▶
Brisbane Near City	▶	\$658▲	39.0%▼	\$352▲	7.83%▶
West Perth	▼	\$414▲	36.0%▶	\$265▲	7.78%▶
Canberra Non-CIVIC	▶	\$431▶	24.9%▶	\$301▶	8.07%▶

Note: Arrow indicates change from previous quarter.

Source: CBRE Research

TABLE 2: Australia Major Office Sales, Q3 2025

Address	Market	Sale Date	Sale Price (\$m)	Purchaser	Vendor	Proportion Sales
750 Collins Street	Melbourne	Aug-25	390	TrustCapital	GPT Group	100%
Flinders Gate	Melbourne	Aug-25	255	PAG	Dexus	100%
357 Collins Street	Melbourne	Jul-25	195	Stamoulis Property Group	Frasers	100%
Green Square North Tower	Fortitude Valley	Aug-25	175	Quintessential Equity	ISPT	100%
75 Elizabeth Street	Sydney	Aug-25	97	Sydney Catholic Archdiocese	Kingold Group	100%
475 Victoria Avenue	Chatswood	Jul-25	87	BlackRock	Cromwell Property Group	50%

Source: CBRE Research

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