

BRIEF | Evolving Workforce

Sydney CBD Sublease Barometer

Q1 2024

Sydney CBD sublease availabilities ended Q1 2024 at 88,758 sqm, declining by 41,000 sqm over the first quarter. This brought the CBD sublease vacancy rate to 1.7%. After sublease levels had increased over the middle part of 2023, they have since peaked and have now decreased for seven consecutive months.

Sublease levels have decreased substantially since they surged in 2023. The recent decrease has been driven by a combination of strong leasing activity in the higher quality sublease space and the withdrawal of 20,000sqm of space which had been listed by a single tenant as of year-end 2023.

Given the recent recovery in return-to-office rates in the Sydney CBD, it now appears as though attempts by larger occupiers to right-size their footprints through the sublease market have been placed on hold. The addition of large sublease listings slowed dramatically in Q1 2024 and only four new sublease listings of greater than 1,000 sqm were brought to market over the period.

Sublease volumes are now at their lowest levels since January 2022 when they totalled 88,644 sqm.

Sydney CBD Total Sublease Availability

88,758 sqm

of Subleases on Market

51

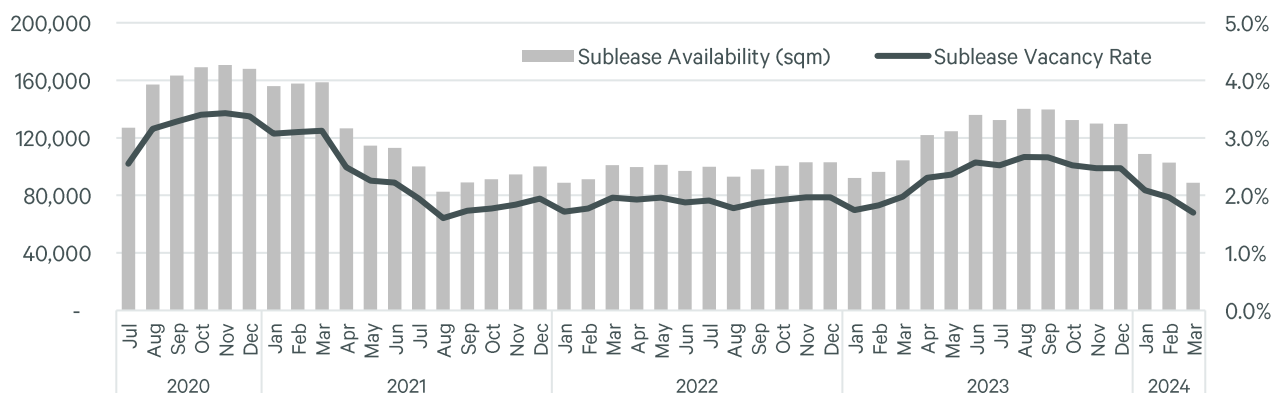
Average Sublease Size

1,740 sqm

Sublease Volume as % of Office Stock

1.7%

FIGURE 1: Sydney CBD Historical Sublease Volumes [L] and Vacancy Rates [R]



Sublease Analysis

Sublease listings are now spread relatively evenly across size tranches. Currently on the market there are 14 listings above 2,000 sqm, 14 between 1,000-1,999 sqm, 10 between 500-999 sqm, and 13 below 500 sqm. Due to their relatively larger sizes, listings >2,000 sqm still dominate the market by volume, accounting for 67% of the sublease space available as of Q1 2024.

The Banking & Finance sector continued to account for the greatest share of sublease availabilities in Q1 2024, at 32% of the CBD total. The next largest contributor to sublease volumes was the Tech & IT sector, at 17% of the CBD total. These two sectors also accounted for the greatest share of new subleases brought to market over the first quarter.

The Core and Walsh Bay precincts saw elevated levels of leasing activity in Q1 2024. Sublease volumes in these precincts declined by 33% and 11%, respectively, over the period. As such, the Western Corridor now accounts for the largest share of sublease availabilities by volume at 33% of the CBD total. As has been the case in recent quarters, the bulk of sublease space was located in Premium or A grade properties as of Q1 2024.

FIGURE 2: Sublease Breakdown by Size

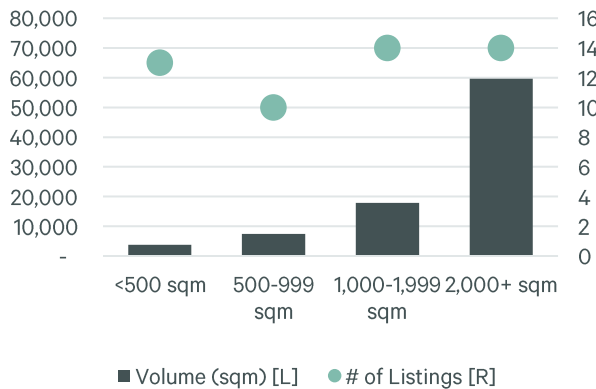


FIGURE 3: Sublease Volumes by Industry (sqm)

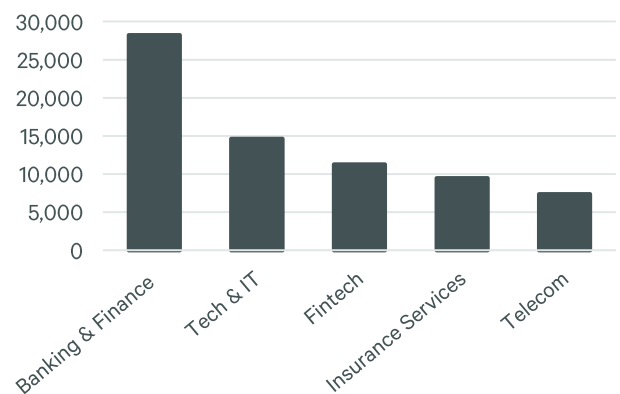


FIGURE 4: Share of Sublease Volume by Precinct

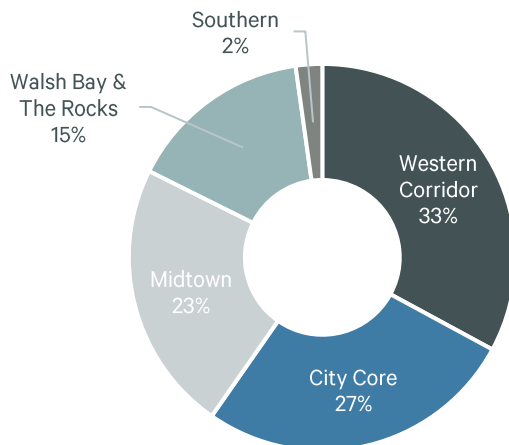
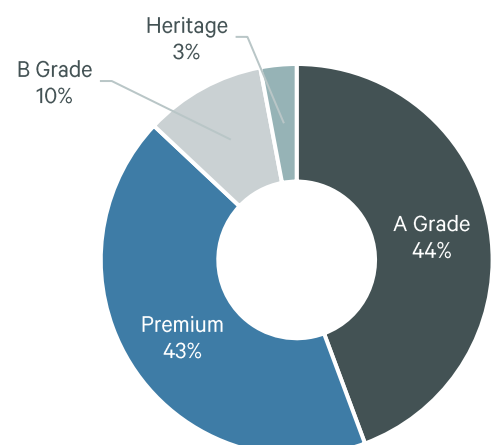


FIGURE 5: Share of Sublease Volume by Building Grade



Sublease Analysis Cont'd

Contraction or shifts towards hybrid working are now the most common drivers for occupiers looking to hand back space. These factors were the driver behind 79% of the sublease space on the market as of Q1 2024. The next most common driver of sublease listings as of period-end was M&A, which accounted for only 7% of the CBD total.

Finally, the expiry profile of the sublease space on the market is weighted primarily to leases with tails expiring over the next five years. 69% of the sublease space currently on the market expires between 2025 and 2028. The years with the greatest amount of sublease expiries are 2027 and 2028 which account for 22% and 25% of the sublease volumes on the market.

FIGURE 6: Share of Sublease Volume by Driver

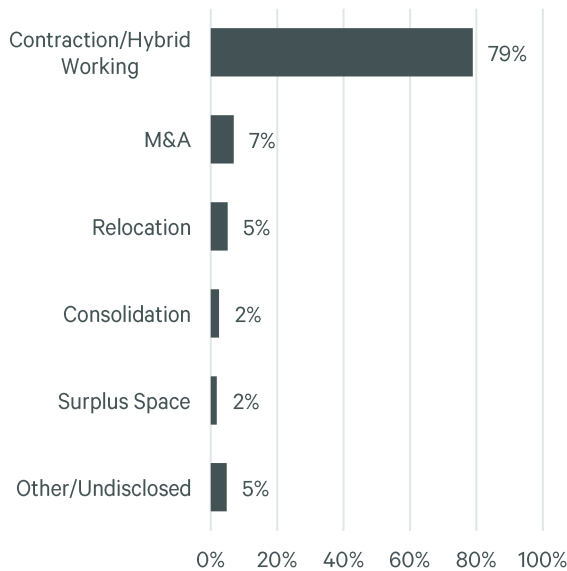
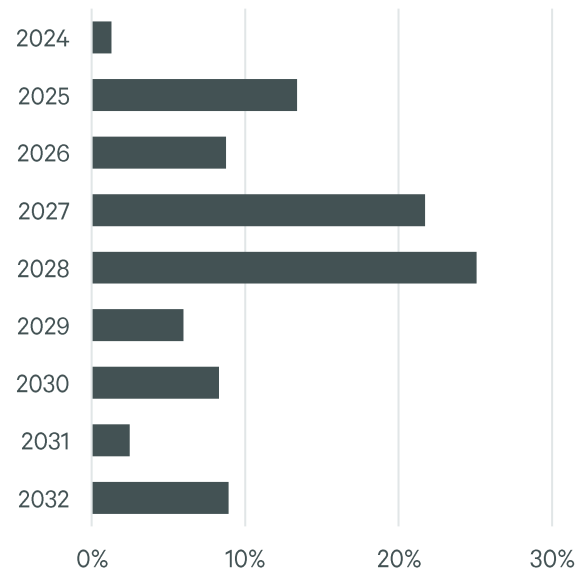


FIGURE 7: Share of Sublease Volume by Expiry



Contacts

Thomas Biglands
 Associate Director
 Office Research
 M +61 426 841 019
 thomas.biglands@cbre.com

Chris Fisher
 Senior Director
 Office Leasing
 M +61 417 686 990
 chris.fisher@cbre.com.au

Rachel Vincent
 State Director & Managing
 Director, North Sydney
 M +61 409 899 639
 rachel.vincent@cbre.com.au

Alex Parker
 Senior Marketing &
 Operations Manager
 M +61 415 086 118
 alex.parker1@cbre.com

© Copyright 2024. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.