BRIEF | Evolving Workforce

Sydney CBD Sublease Barometer

Q2 2024

Sydney CBD sublease availabilities ended Q2 2024 at 80,088 sqm, declining by 8,670 sqm over the second quarter. This brought the CBD sublease vacancy rate to 1.5%. Sublease levels have now stabilized at their lowest levels since the start of the pandemic in 2020.

Sublease levels have decreased steadily since rising over the second half of 2023. Higher quality sublease space has seen strong leasing demand over the last 6 months and several deals have been signed in this space over that time. While this has been the primary contributor to the decrease in sublease volumes over 2024, volumes have also declined due to the conversion of some listings with shorter lease tails from sublease to direct availability.

The addition of large sublease listings has continued to slow over 2024. Only three new sublease listings of greater than 1,000 sqm were brought to market over the second quarter. Given this slowdown, the average size of sublease listings in the market declined substantially this period. The average sublease size in the Sydney CBD fell from 1,740 sqm in Q1 2024 to 1,601 sqm in Q2 2024, a decline of 8.0%

Sydney CBD Total Sublease Availability

80,088 sqm

# of Subleases on Market

50

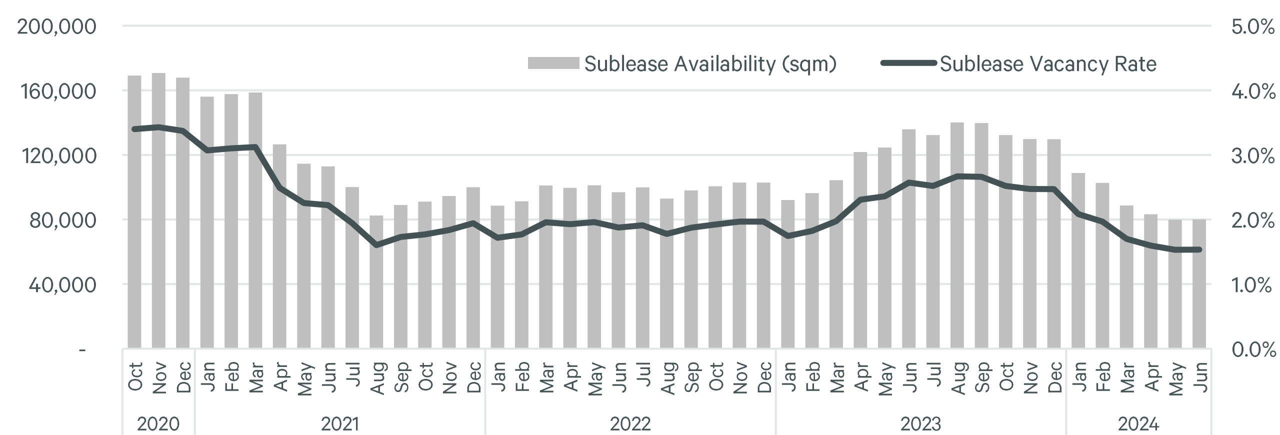
Average Sublease Size

1,601 sqm

Sublease Volume as % of Office Stock

1.5%

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



Sublease Analysis

Sublease listings continue to be spread relatively evenly across size tranches. Currently on the market there are 15 listings above 2,000 sqm, 8 between 1,000-1,999 sqm, 10 between 500-999 sqm, and 17 below 500 sqm. Higher quality space between 1,000-1,999 sqm saw the strongest leasing activity over the period. The number of listings in this size bracket decreased from 14 to 8 over the second quarter.

While the Banking & Finance sector continued to account for the greatest share of sublease availabilities in Q2 2024, this sector also saw the largest quarter-over-quarter decrease in volumes of any sector. The next largest contributor to sublease volumes was the Fintech, followed closely by Tech & IT and Insurance Services.

Robust demand for office space in the Core precinct resulted in volumes in this submarket falling over the second quarter. As such, the Western Corridor now accounts for the largest share of sublease availabilities by volume at 32% of the CBD total. As has been the case in recent quarters, the bulk of sublease space was located in Prime properties, with 89% of the sublease space on the markets in either Premium or A Grade assets.

FIGURE 2: No. of Sublease Listings by Size

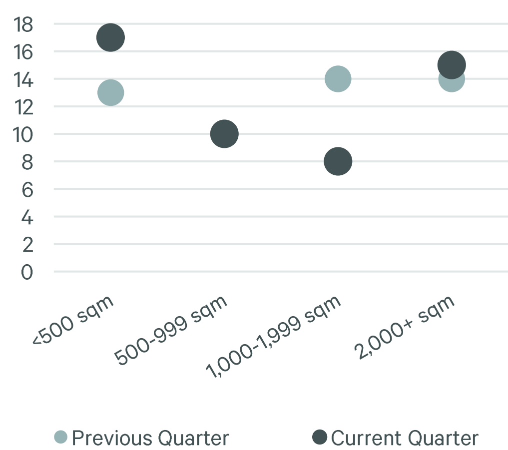


FIGURE 3: Sublease Volumes by Industry (sqm)

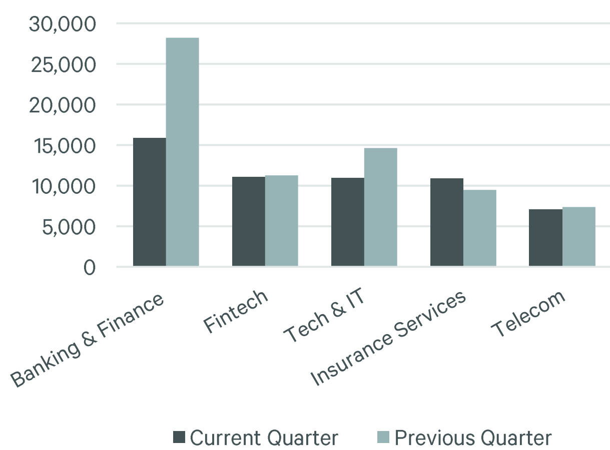


FIGURE 4: Share of Sublease Volume by Precinct

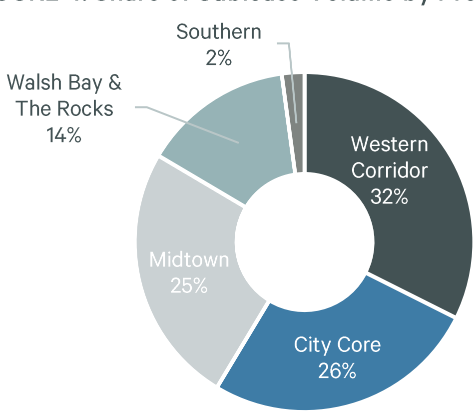
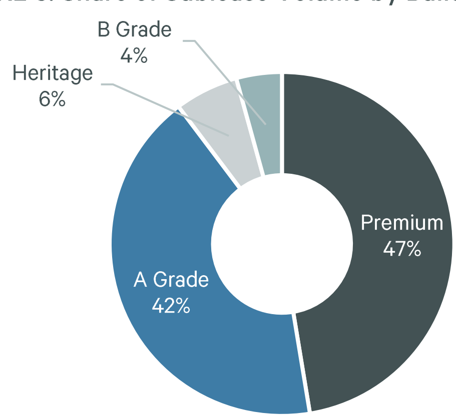


FIGURE 5: Share of Sublease Volume by Building Grade



Sublease Analysis Cont'd

Contraction or shifts towards hybrid working continue to be the most common drivers for occupiers looking to hand back space. These factors were the driver behind 80% of the sublease space on the market as of Q2 2024. The next most common driver of sublease listings as of period-end was relocation, which accounted for only 6% of the CBD total. Interestingly, some of these sublessor's were subleasing their accommodations in order to increase their footprint in addition to relocating.

Finally, the expiry profile of the sublease space on the market as of Q2 2024 was weighted primarily to leases with expiry dates between 2026 and 2029. 72% of the sublease space currently on the market expires over that four-year period. Within that band, the bulk of sublease availabilities expire in 2027 and 2028.

FIGURE 6: Share of Sublease Volume by Driver

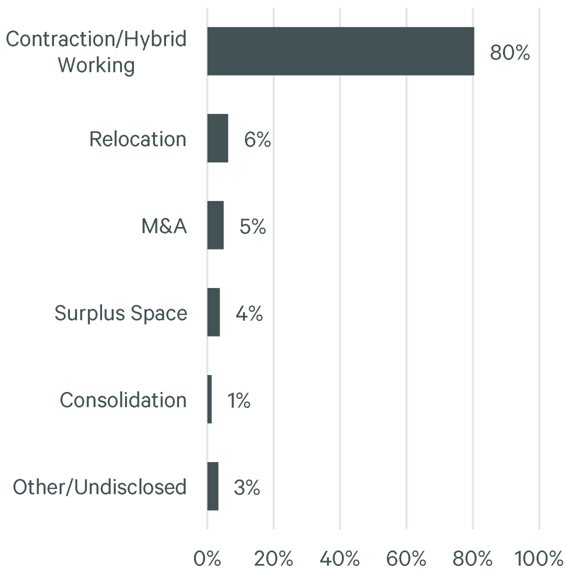
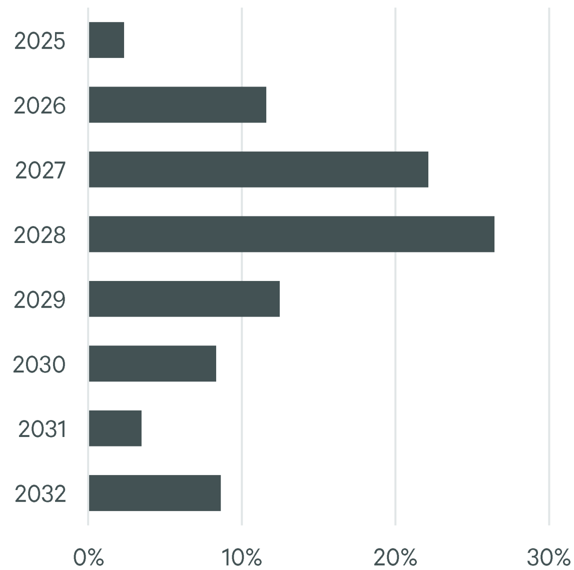


FIGURE 7: Share of Sublease Volume by Expiry



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