Rental rates and incentives hold stable after period of significant growth

▲ 10.7%
Overall Vacancy Rate (+148 bps h-o-h)

◀▶ 582 AUD/sqm
Civic Prime Gross Face Rent (Stable q-o-q)

◀▶ 26.5%
Civic Prime Incentives (Stable q-o-q)

▼ AUD 86 million
Office Investment Volumes YTD 2025

▲ 7.8%
Civic Prime Yield (+6 bps q-o-q)

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

Key Points

- CBRE has received 131 leasing enquiries totalling 104,663 sqm over 2025. This marked a slight decline compared to the same period if 2024 but well above the pace set over 2022 and 2023.
- Canberra saw the delivery of c.53,800 sqm of office space in 2025. Current forecasts show full-year development totals are expected to reach c.70,000 sqm.
- Canberra's overall office vacancy rate ended H1 2025 at 10.7%. This figure represented an increase of 148 bps over the first half
- Rents and incentives were held stable in Q3 2025 following the previous 12-months when consistently low vacancy rates and significant increases to outgoings resulted in substantial gross rental rate growth across the market.
- The Canberra office investment market has had a quiet 2025 with only three transactions closing this year for a total of AUD 86.0 million.

FIGURE 1a: Canberra Office | Vacancy Rate Summary

Indicator	Jul 2025	Jan 2025	Jul 2024	H-o-H Change	Y-o-Y Change
Vacancy Rate	**10.7%**	9.2%	9.5%	+148 bps	+118 bps

FIGURE 1b: Canberra Civic Office | Summary of Prime Market Indicators

Indicator	3Q25	2Q25	3Q24	Q-o-Q Change	Y-o-Y Change
GFR	**AUD 582**	AUD 582	AUD 552	Stable	+5.4%
Incentives	**26.5%**	26.5%	26.5%	Stable	Stable
NER	**AUD 322**	AUD 322	AUD 303	Stable	+6.2%
Yield	**7.8%**	7.7%	7.2%	+6 bps	+55 bps

Source: CBRE Research

Office Demand

Flight-to-quality remains the primary driver of leasing activity

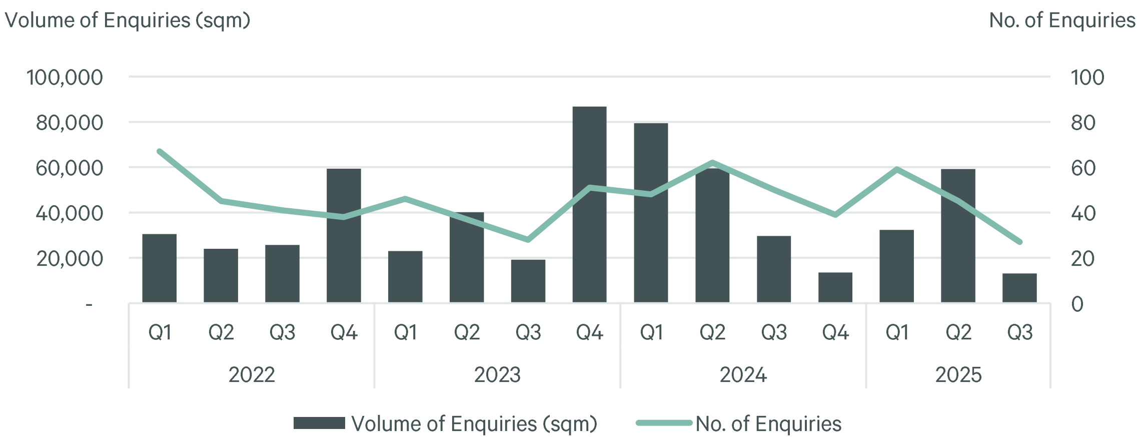
Leasing demand cooled slightly over the third quarter of the year. CBRE received 27 leasing enquiries totaling 13,150 sqm in Q3 2025. Despite the slowdown over the third quarter, year-to-date enquiry totals have reached 104,663 sqm in 2025. This put 2025 well ahead of both 2022 and 2023, but slightly behind 2024.

The market saw overall net absorption of 6,794 sqm over H1 2025. This brought the 12-month trailing absorption figure to 27,213 sqm. The market has continued to see a significant flight-to-quality by occupiers, and this has led to the Prime end of the market outperforming. Canberra has seen Prime net absorption total 39,699 sqm over the last 12 months, while Secondary net absorption totaled -12,486 sqm over this time. At a more granular level, Grade A assets recorded the highest levels of positive net absorption at 39,699 sqm, Grade B assets recorded positive absorption of 5,924 sqm, while Grade C properties saw negative net absorption of -17,854 sqm.

This trend was also consistent across geographies. The Civic, Inner South, and Town Centres & Non-Core submarkets recorded positive Prime net absorption of 5,572 sqm, 6,215 sqm, and 27,912 sqm over the last year. Conversely, each of these submarkets saw negative Secondary net absorption over this time.

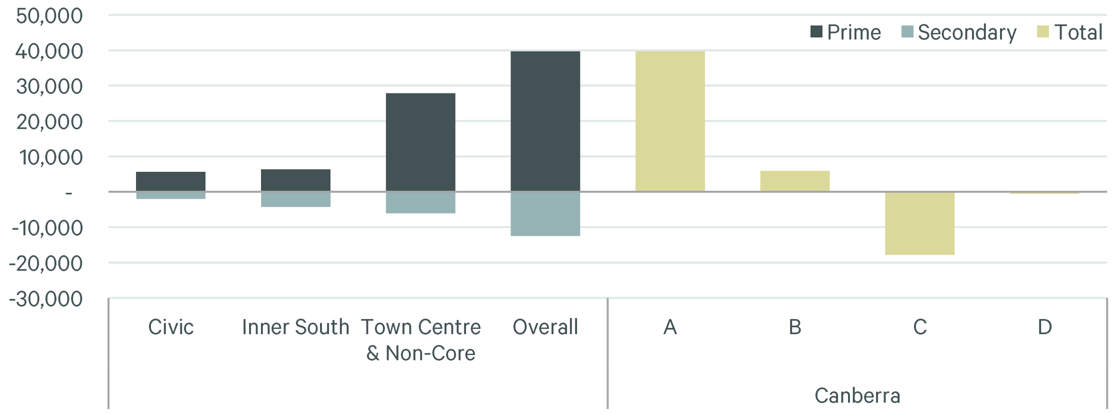
Given the competitive labour market landscape and difficulties in attracting employees back to the office, occupiers have continued to favour higher quality properties in the most desirable locations. This dynamic has resulted in the outperformance of the best assets in each submarket across the city.

FIGURE 2: Sydney CBD Office | Leasing Enquiry Data



Source: CBRE Research

FIGURE 3: Canberra Office | 12-Month Net Absorption, by Submarket & Building Grade



Inner South includes Barton, Forrest, Griffith, Kingston, Deakin, and Parkes.
Town Centres & Non-Core includes all other non-Civic submarkets.
Source: PCA, CBRE Research

Supply

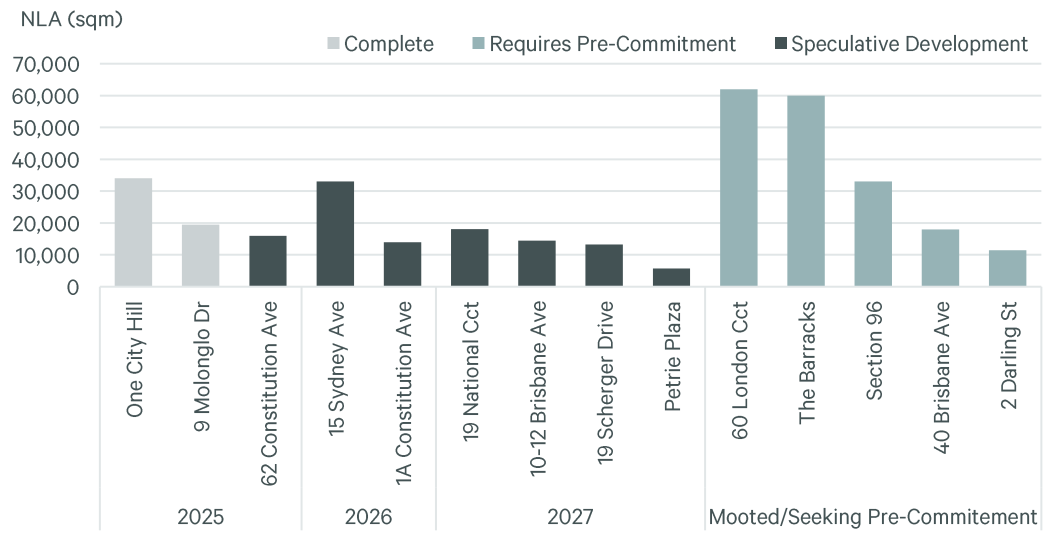
Elevated levels of new supply expected over the next few years

Canberra is in the midst of a supply wave which will see the market's office inventory increase substantially. Canberra has seen the delivery of c.53,800 sqm of office space in 2025. This figure included the delivery of One City Hill (c.34,000 sqm) and 9-11 Molonglo Drive (c.20,000 sqm). Current forecasts show full-year development totals for Canberra are expected to reach c.70,000 sqm. This would be nearly 50.0% greater than the trailing 10-year average.

Following 2025, the market will see the delivery of 98,685 sqm of new supply in 2026 and 2027. Projects to be delivered over this time include; 15 Sydney Avenue (33,021 sqm), 19 National Circuit (18,128 sqm), 10-12 Brisbane Avenue (14,500 sqm), and 1A Constitution Avenue (14,000 sqm).

While the elevated levels of new supply are expected to lead to a softening of vacancy rates, Canberra entered this supply wave with the tightest office market of any capital city in Australia. The market is therefore well positioned to absorb new stock unlike some other markets with less favourable occupancy rates.

FIGURE 4: Canberra Office | Upcoming Development Projects



Source: CBRE Research, PCA

FIGURE 5: Canberra Office | Historical & Forecast New Supply

Source: CBRE Research, PCA

Vacancy

Vacancy rates increase slightly but remain fairly tight

Canberra's overall office vacancy rate ended H1 2025 at 10.7%. This figure represented an increase of 148 bps over the first half. Despite this rise, the market continues to boast the tightest vacancy rates of any capital city across mainland Australia.

Vacancy rates remained fairly stable across most geographies in H1 2025. Conditions have been tightest in the Inner South submarket. Interestingly, the Civic Prime vacancy rate figure saw the largest increase over the first half, rising from 10.2% to 14.1%. This was due to the delivery of new supply and neutral leasing activity.

While vacancy rates have remained tight, it's expected that the market should see some vacancy rate expansion over the coming years due to elevated levels of new supply. There also remains some concern that occupier demand may soften due to a contraction from public sector and affiliated occupiers as leases expire.

FIGURE 6: Canberra Overall | Leasing Market Overview

Market/ Grade	Inventory *Jul '25*	Vacant Space *Jul '25*	Vacancy Rate *Jul '25 (6month Diff)*	Net Absorption *12 months*
Prime	1,490,474 sqm	154,868 sqm	10.4% (+281 bps)	39,699 sqm
Secondary	968,590 sqm	107,038 sqm	11.1% (-46 bps)	-12,486 sqm
Total	2,459,064 sqm	261,906 sqm	10.7% (+148 bps)	27,213 sqm

Source: PCA, CBRE Research

FIGURE 7: Civic | Vacancy Rate by Grade

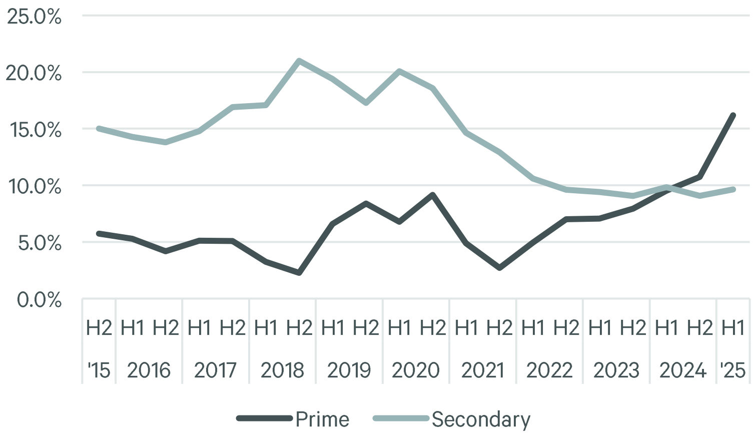


FIGURE 8: Inner South | Vacancy Rate by Grade

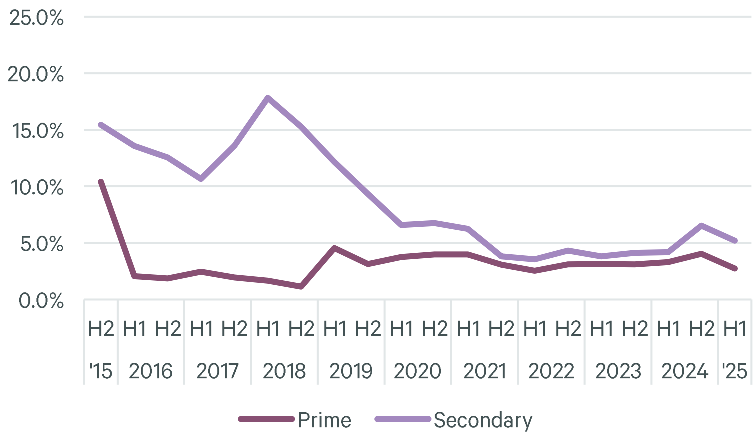
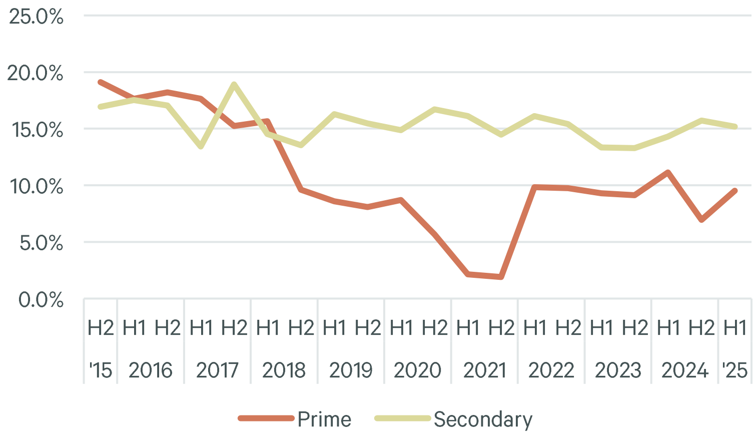


FIGURE 9: Town Centres & Non-Core | Vacancy Rate by Grade



Inner South includes Barton, Forrest, Griffith, Kingston, Deakin, and Parkes.
Town Centres & Non-Core includes all other non-Civic submarkets.
Source: PCA, CBRE Research

Rental Performance

Rents and incentives hold stable over third quarter after rising over the prior year

After consistently low vacancy rates and significant increases to outgoings had resulted in gross rental rate growth across Canberra over the last year, rents and incentives were held stable in Q3 2025. Civic Prime and Secondary gross rental rates ended Q3 2025 at 582 AUD/sqm and 479 AUD/sqm, respectively. These figures represented year-over-year increases of 5.4% and 6.9%. Likewise, Non-Civic Prime and Secondary gross rental rates ending the quarter at 523 AUD/sqm and 441 AUD/sqm. These figures represented year-over-year increases of 4.4% and 7.2%. While these growth rates were very elevated, a large portion of the increase was attributable to increased outgoings, which have grown by an average of c5.0% over the last year. Incentives held stable over the third quarter across the entire market.

Given gross rental rate growth and lack of changes to incentives, net effective rents have grown over Q3 2025. Prime net effective rents grew by 6.2% year-over-year in the Civic precinct, by 4.6% in the Inner South submarkets, and by 10.5% in the Town Centres & Non-Core submarkets.

FIGURE 10: Canberra Office | Rental Indicators, by Submarket & Grade

Submarket	Grade	GFR (AUD/sqm)			NER (AUD/sqm)			Incentives (%)		
		Current	QoQ Change	YoY Change	Current	QoQ Change	YoY Change	Current	QoQ Change	YoY Change
Civic	Prime	**582**	Stable	5.4%	**322**	Stable	6.2%	**26.5%**	Stable	Stable
	Secondary	**479**	Stable	6.9%	**221**	Stable	9.9%	**29.2%**	Stable	+2 bps
Non-Civic	Prime	**523**	Stable	4.4%	**301**	Stable	6.5%	**24.9%**	Stable	-100 bps
	Secondary	**441**	Stable	7.2%	**223**	Stable	8.8%	**27.1%**	Stable	+79 bps

Source: CBRE Research

FIGURE 11: Civic | Prime Rental Rates and Incentives

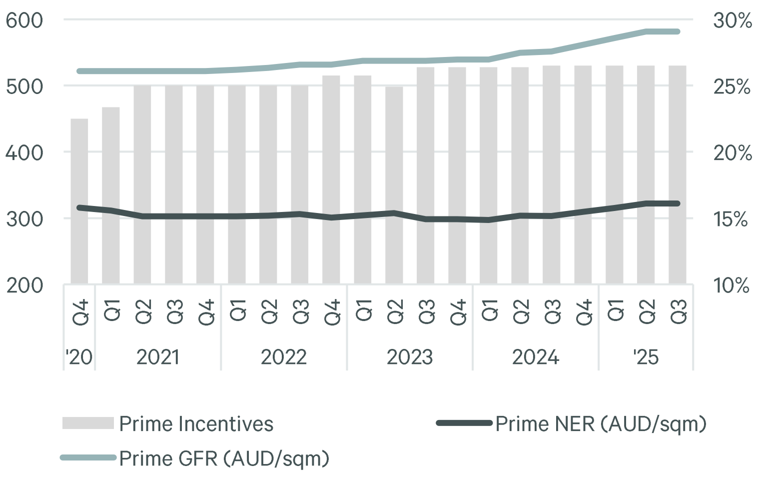


FIGURE 12: Inner South | Prime Rental Rates and Incentives

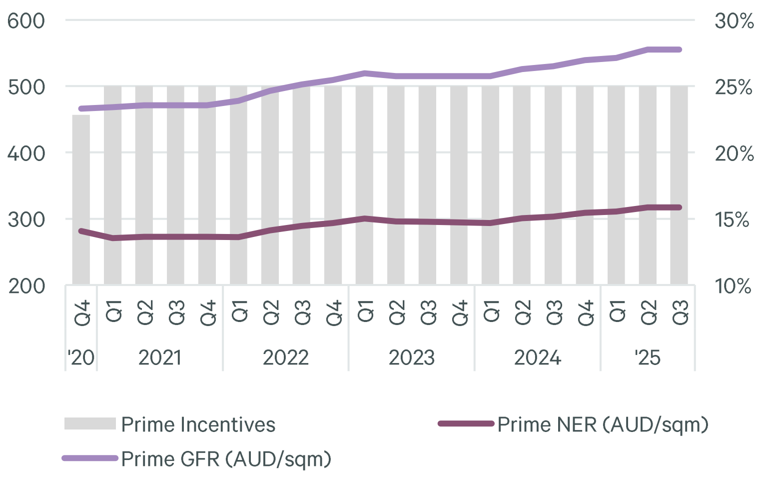
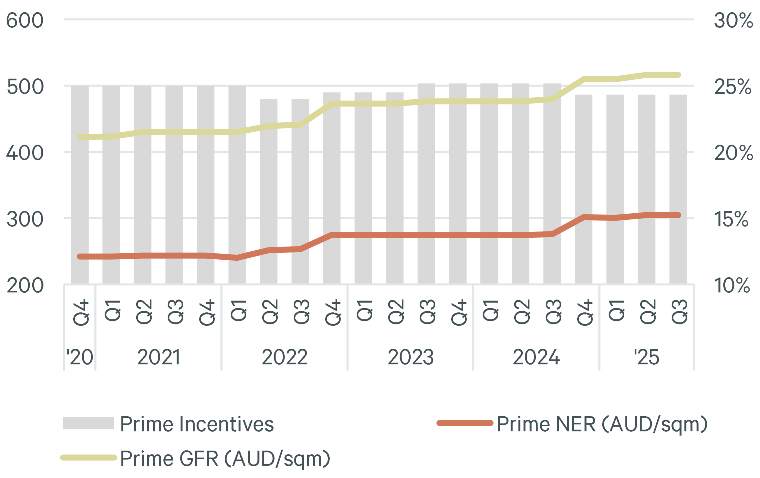


FIGURE 13: Town Centres & Non-Core | Prime Rental Rates and Incentives



Inner South includes Barton, Forrest, Griffith, Kingston, Deakin, and Parkes.
Town Centres & Non-Core includes all other non-Civic submarkets.
Source: PCA, CBRE Research

Investment Market

Office investment markets remain quiet in Q3 2025

The Canberra office investment market has had a very quiet year with only three transactions closing over the first three quarters. 4 Mort Street was sold for AUD 18.0 million, 1 Queen Victoria Terrace was sold for AUD 23.5 million, and a 50% stake in 100 Northcott Drive was sold for AUD 44.0 million.

Cap rates continued to trend upwards across both Civic and Non-Civic submarkets over the quarter. Civic Prime and Secondary yields ended the period at 7.8% and 9.2% while Non-Civic Prime and Secondary yields ended the period at 8.1% and 9.4%. While indicative yields continued to increase over Q3 2025, the rate of growth has started to flatten as pricing expectations continue to stabilize.

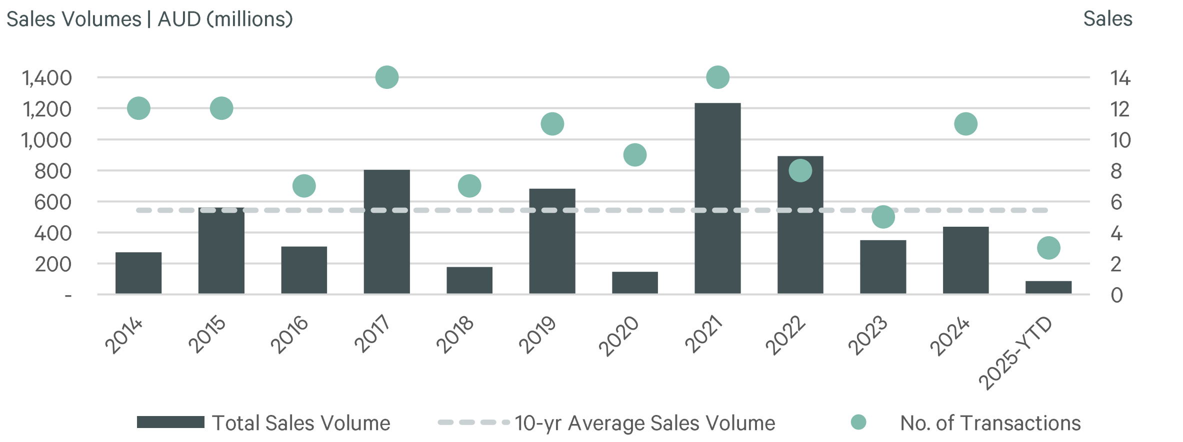
Given falling interest rates and competitive pricing compared to other Australian markets, it appears as though the repricing cycle is nearing its conclusion. While pricing may be stabilizing, capital for office investment in Canberra remains limited. Despite optimism building behind the office sector broadly and the outperformance of leasing markets in Canberra, it's likely that investment volumes will remain somewhat subdued over the remainder of 2025.

FIGURE 14: Canberra Office | Notable Investment Transactions 2025

Property	Price (Millions)	NLA	AUD/sqm
100 Northcott Drive	44.0 (50% Interest)	41,670 sqm	2,112
4 Mort Street	18.0	5,500 sqm	3,287
1 Queen Victoria Terrace	23.5	4,958 sqm	4,739

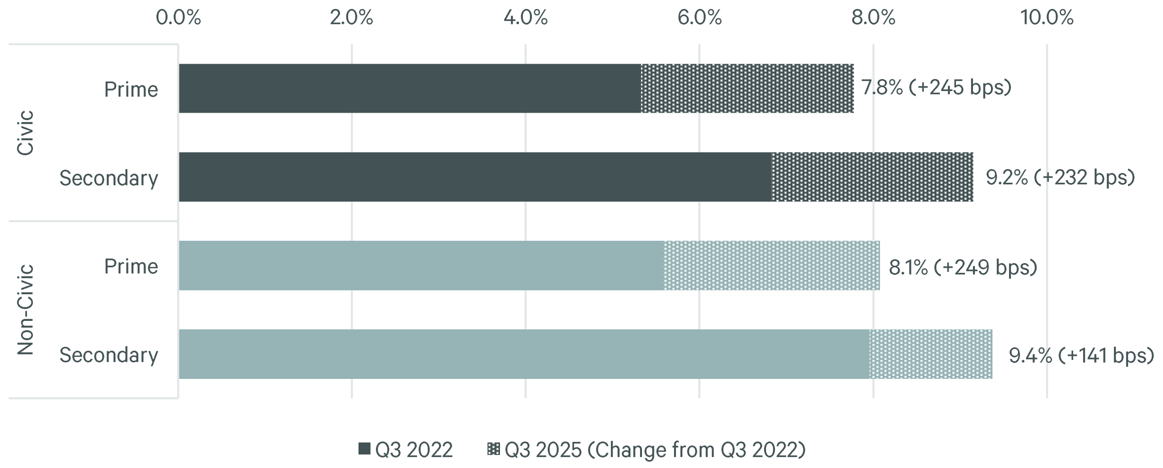
Source: MSCI-RCA, CBRE Research

FIGURE 15: Canberra Office | Sales Activity



Source: MSCI-RCA, CBRE Research

FIGURE 16: Canberra Office | Indicative Yields, by Submarket and Building Grade



Source: CBRE Research

Contact

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Key Office Submarket Map

Contact

Canberra	Sydney	Melbourne	Brisbane	Perth	Adelaide
Level 4 2 Constitution Avenue Canberra City, ACT 2601	Level 21 363 George Street Sydney, NSW 2000	Level 34 8 Exhibition Street Melbourne, VIC 3000	Level 3 1 Eagle Street Brisbane, QLD 4000	Level 25 250 St George's Terrace Perth, WA 6000	Level 5 151 Pirie Street Adelaide, SA 5000