

FIGURES | AUSTRALIAN OFFICE | Q2 2025

Net absorption continues to improve in H1 2025

▶ 5.1% y/y
AUS Average Prime NER

▲ 40.3%
AUS Average Prime Incentives

▼ \$1.3b
AUS Sales Volumes Q2 25

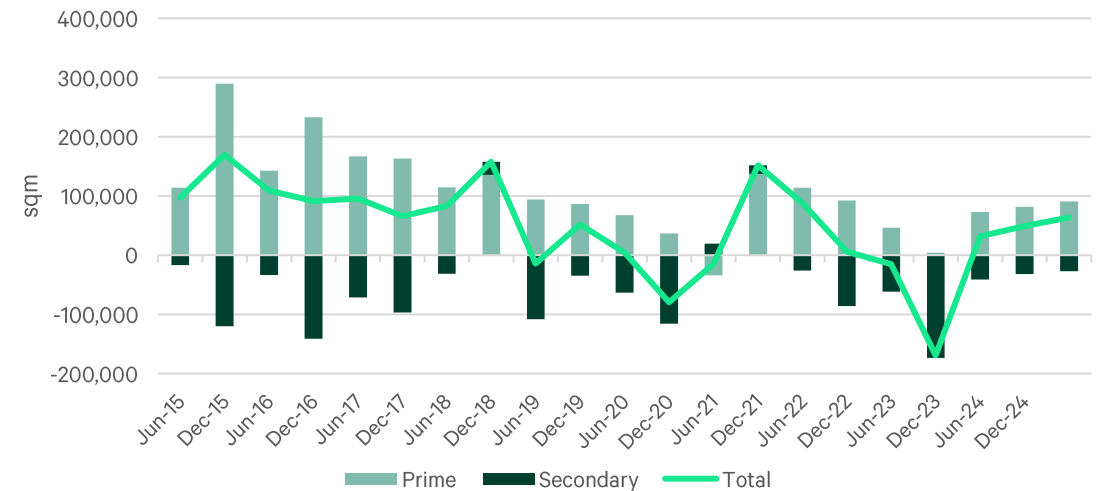
▲ 6.69%
AUS CBD Prime Yield

Note: Arrows indicate change from previous quarter.

Key Points

- The labour market in Australia weakened in Jun-25, with unemployment rising to 4.2%. This remains very tight but is the first indication of some softening in hiring.
- Australian CBD's recorded 63,738 sqm of net absorption in H1 2025, a further improvement from 2024. Adelaide CBD and Brisbane CBD were the key outperformers.
- Overall CBD vacancy increased slightly from 13.7% to 14.3% in H1 2025, as supply outstripped demand.
- Australian CBD prime effective rents climbed 1.2% q-o-q and 5.1% y-o-y in Q2 2025.
- Transaction activity in Q2 2025 slowed to \$1.6 billion, down 9% on the previous quarter. Volumes are down on last year partly due to less activity in the Sydney CBD.
- Prime yields were relatively stable in Q2 2025 across most Australian CBD markets.

FIGURE 1: Australian CBD Office Market Net Absorption by Grade (6 Monthly)



Source: PCA, CBRE Research

Demand and Vacancy

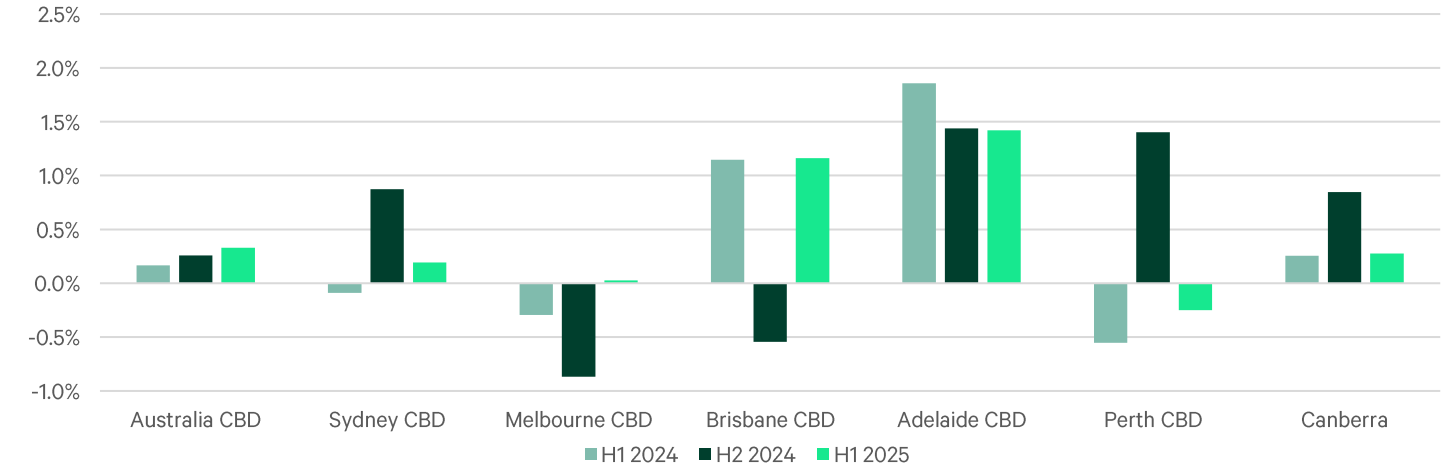
Adelaide net absorption leading the way, while demand continues to improve at a national level

Australian CBD's recorded 63,738 sqm of net absorption in H1 2025, a further improvement from 2024. Major tenants have undergone a period of "right-sizing" over the past few years, which appears to be coming to an end as tenants increasingly look at expansion for their next move. 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 early 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. The Melbourne CBD recorded positive net absorption in H1 2025, signaling improved sentiment in the market after a period of contraction.

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

Rents and Incentives

National rental growth maintained through early 2025

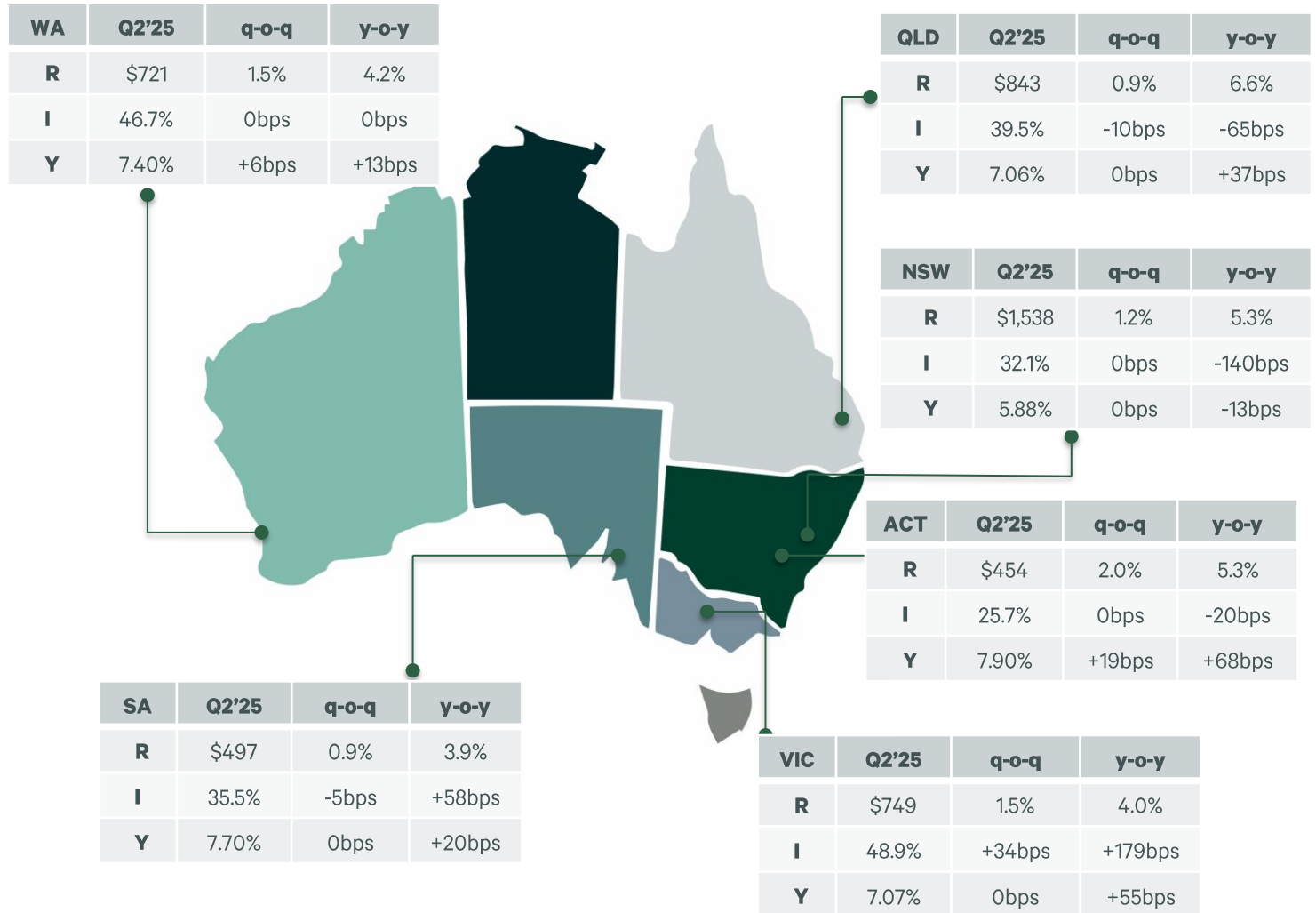
Australian CBD prime effective rents climbed 1.2% q-o-q and 5.1% y-o-y in Q2 2025. Face rents are doing all of the heavy lifting, up 1.4% q-o-q and 5.2% y-o-y. Rental growth has been fuelled by a constrained medium-term supply outlook and high economic rents of new developments. Yet, elevated incentives persist, with the national average at 40.3% in Q2, mirroring the prior year's figure.

Rental growth is positive across every market

The Brisbane and Sydney Core markets have been the outperformers of the past 3 years given buoyancy in the leasing market. However, activity has been slower in both markets in H1 2025 and backfill availability is causing rental growth to slow in the short-term. Despite this, effective rents in the Sydney Core grew by 8.1% y-o-y in Q2 2025, while the Brisbane CBD observed 9.0% growth over the same period.

The Adelaide CBD has become one of the strongest markets for leasing activity in the country in recent times, off the back of Government and private sector demand. This has resulted 3.0% y-o-y effective rent growth, a continuation of the momentum in late 2024. The Melbourne CBD has observed an improvement with 0.5% effective rental growth over the past 12 months. However, the divergence in precincts remains, with the Eastern Core precinct achieving 8.0% growth over the same period. Perth is performing well with 4.2% y-o-y growth, although sublease has increased which might limit growth in the short-term.

FIGURE 2: Australia CBD Prime Office Key Market Indicators & Forecast Direction – Q2 2025



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

Hot Topic

Sublease volumes remain near post-pandemic lows

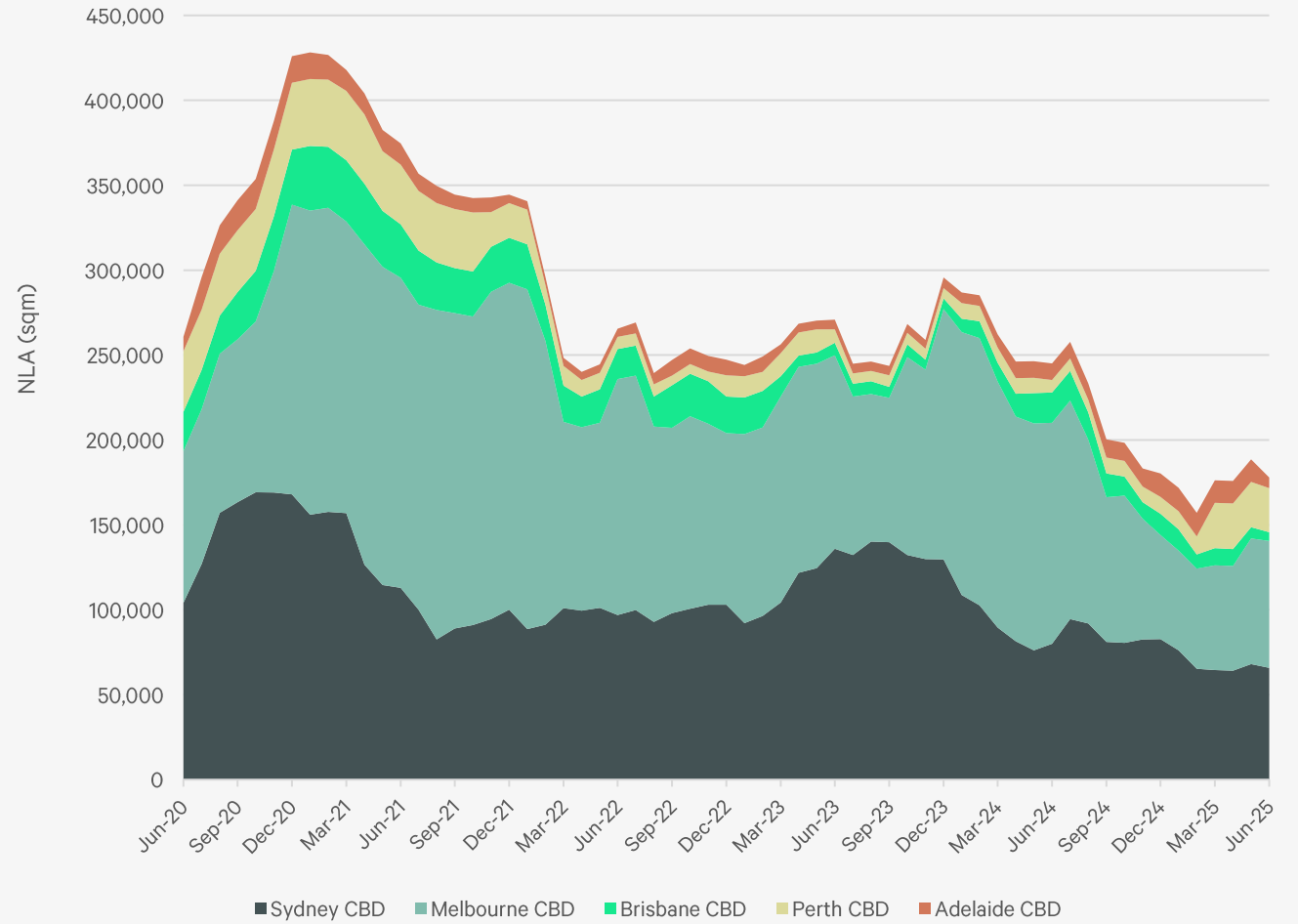
Sublease volumes increased marginally over Q2 2025, although they remain well below where they sat at this point in 2024. The National sublease total reached 177,895 sqm by quarter end. This marked an increase of 0.9% quarter-over-quarter, but a decline of -27.4% year-over-year. Reductions in sublease volumes continue to be driven by a combination of leasing activity, the withdrawal of listings, and the conversion of some listings to direct vacancies.

While sublease volumes decreased in most markets in Q2 2025, there was a minor increase in the National figure for June due primarily to an uptick in Melbourne. Volumes in Melbourne increased to a total of 74,673 sqm (+21.2%) in the June quarter. Despite increasing over Q2 2025, sublease totals in Melbourne still remain well below June 2024 when they totaled 129,967 sqm.

Brisbane, Perth, and Adelaide each saw sublease volumes decline over the second quarter. Sublease volumes in these cities declined by -49.4%, -2.7%, and -53.7%, respectively, over the period. Volumes in each of these markets are now small, and cumulatively make up only a fraction of the national figure.

Finally, volumes in Sydney held relatively stable over the second quarter. Volumes in the Sydney CBD ended Q2 2025 at 65,911 sqm after increasing by 1,350 sqm (+2.1%) quarter-over-quarter.

Sublease availability by Market



Source: CBRE Research

Investment Market

Transaction activity in Q2 2025 slowed to \$1.6 billion, down 9% on the previous quarter. Volumes are down on last year partly due to less activity in the Sydney CBD. There is currently a large amount of stock on the market around the country, with quite a few assets in due diligence, which indicates that transaction activity will be higher in the second half of 2025.

One of the more significant transactions that settled this quarter was a 100% stake in 20 Bridge Street in Sydney for \$270 million, purchased by PGIM Real Estate & Anton Partners. Elsewhere, Sentinel Property Group bought Green Square South Tower in Fortitude Valley, Brisbane for \$132 million.

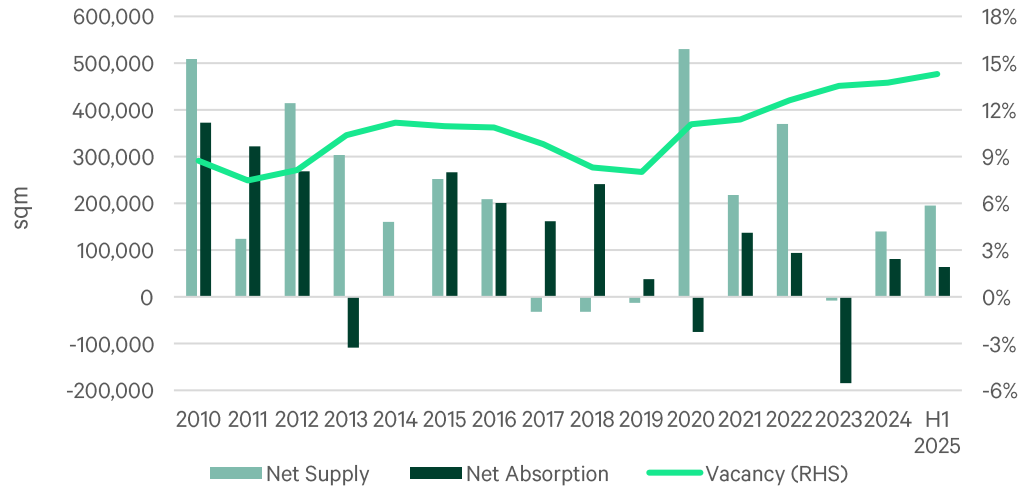
Prime yields were relatively stable in Q2 2025 across most Australian CBD markets. Most markets yields are likely to have reached their peak with recent transactions confirming new pricing benchmarks. Yields are now sitting between 125-250 bps higher than peak levels across all Australian markets. The outlook for further interest rate cuts will assist sentiment and improve buyer participation.

Figure 5: Australia Office Investment Volumes by Quarter



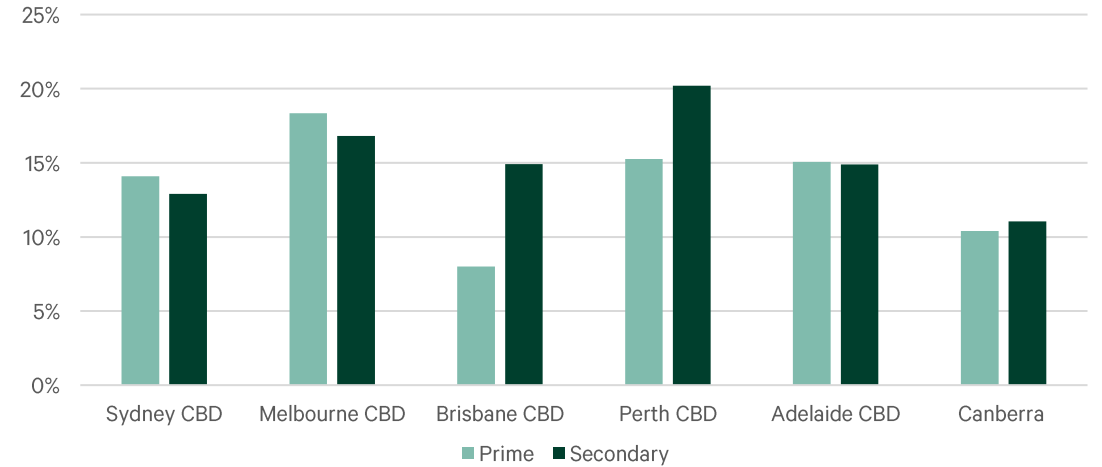
Source: CBRE Research

FIGURE 8: Australian CBD Market Balance



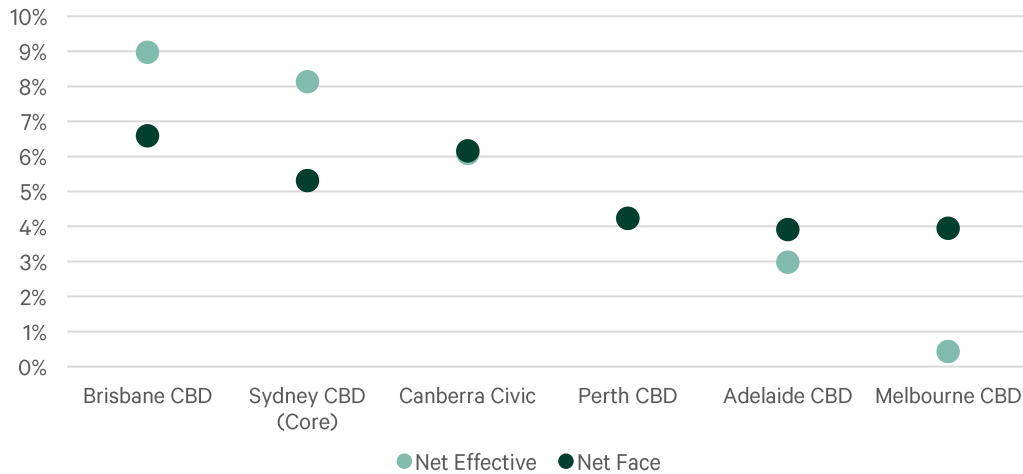
Source: PCA, CBRE Research

FIGURE 9: Vacancy by Grade across CBD Markets – Q2 2025



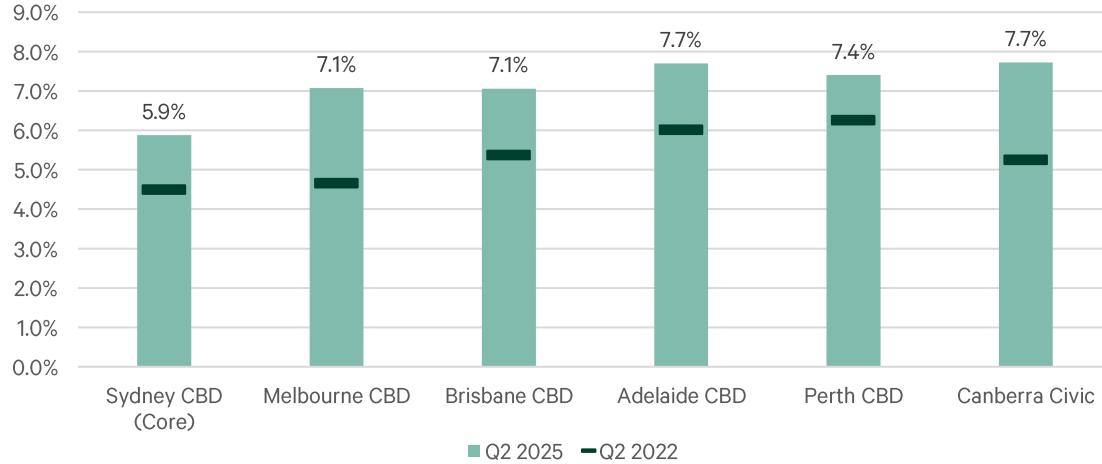
Source: PCA, CBRE Research

FIGURE 10: Q2 2025 Rental Growth by Market (Y-O-Y)



Source: CBRE Research

FIGURE 11: Prime Yields – Q2 2025



Source: CBRE Research

TABLE 1: Australia Non-CBD Prime Office Key Indicators, Q2 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	▼	\$1,039▲	40.6%▲	\$553▼	7.11%▶
Parramatta	▼	\$598▲	44.9%▼	\$329▲	7.92%▶
Macquarie Park	▼	\$475▲	37.6%▲	\$297▲	8.29%▶
Chatswood	▼	\$668▶	43.7%▲	\$326▶	8.42%▶
Crows Nest/St Leonards	▲	\$697▶	43.4%▶	\$343▶	8.15%▲
Southbank	▶	\$661▲	47.1%▶	\$350▶	7.94%▶
St Kilda Road	▼	\$472▲	50.2%▲	\$235▶	8.70%▶
Brisbane Near City	▶	\$636▲	39.4%▼	\$335▲	7.84%▶
West Perth	▼	\$411▲	36.0%▶	\$263▲	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, Q2 2025

Address	Market	Sale Date	Sale Price (\$m)	Purchaser	Vendor	Proportion Sales
20 Bridge Street	Sydney	Apr-25	269	PGIM Real Estate & Anton Partners	Early Light International	100%
5-11 Julius Avenue	North Ryde	May-25	200	Wentworth Capital	Aqualand	100%
505 St Pauls Terrace	Fortitude Valley	Apr-25	132	Sentinel Property Group	South Korean Teachers Pension Fund, AXA	100%
13 Garden Street	Eveleigh	Jun-25	116	Marprop, Gresham Partners	Centuria	100%
2 Corporate Court	Bundall	May-25	109	City of Gold Coast	Corval	100%

Source: CBRE Research

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