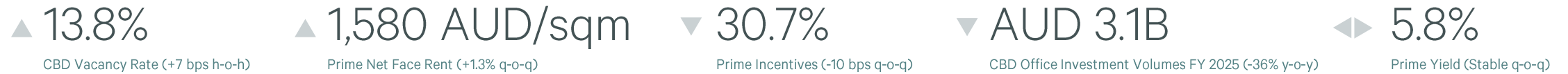


FIGURES | SYDNEY CBD OFFICE | 4Q25

Leasing activity expands outside the Core as new supply slows



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

Key Points

- CBRE received 315 leasing enquiries totaling 386,010 sqm in the Sydney CBD in 2025. This was a year-over-year decline of 5.8% by volume compared to 2024.
- The Sydney CBD saw the delivery of 32,865 sqm of office space in H2 2025. Office development is set to slow substantially going forward.
- The overall CBD vacancy rate ended H2 2025 at 13.8%, a slight increase of 7 bps from mid-year 2025. Increases were due largely to the delivery of new supply, as net absorption for the second half totalled 11,359 sqm.
- Increased demand for office space outside of the Core has started to drive rental rate growth and incentive tightening across Non-Core precincts. Each of the Core, Midtown, Walsh Bay, and Western Corridor precincts recorded NER growth over 5.0% in 2025.
- Full year office investment volumes totalled AUD 3.1 billion in 2025, a decline of 36% year-over-year. This slowdown in activity was more a function of a lack of opportunities for investors as opposed to a lack of interest. Demand for assets in the CBD remains strong.

FIGURE 1a: Sydney CBD Office | Vacancy Rate Summary

Indicator	Jan 2026	Jul 2025	Jan 2025	H-o-H Change	Y-o-Y Change
Vacancy Rate	13.8%	13.7%	12.8%	+7 bps	+97 bps

FIGURE 1b: Sydney CBD Core Office | Summary of Prime Market Indicators

Indicator	4Q25	3Q25	4Q24	Q-o-Q Change	Y-o-Y Change
NFR	AUD 1,580	AUD 1,560	1,510 AUD	+1.3%	+4.6%
Incentives	30.7%	30.8%	32.0%	-10 bps	-130 bps
NER	AUD 1,009	AUD 994	943 AUD	+1.4%	+6.9%
Yield	5.8%	5.8%	5.9%	Stable	-13 bps

Source: CBRE Research

Office Demand

Leasing activity continues to build outside of the Core precinct

CBRE received 315 leasing enquiries totaling 386,010 sqm in the Sydney CBD in 2025. This was a year-over-year decline of 5.8% by volume compared to 2024. While the volume of enquiries declined year-over-year, the size of enquiries has increased consistently over recent years. In 2025, the average office leasing brief received in the Sydney CBD was 1,225 sqm. This marked an increase of 17.6% year-on-year.

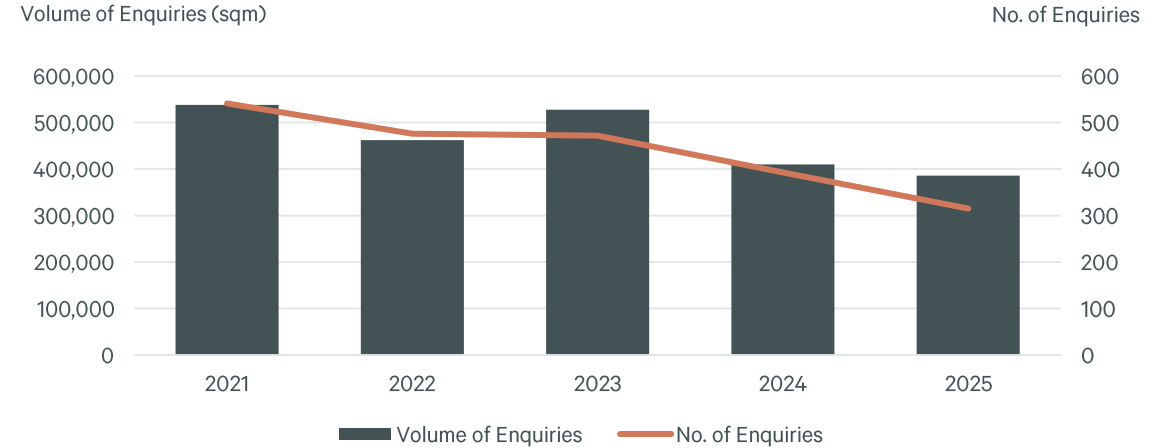
Despite a decrease in the number of enquiries received, leasing activity picked up drastically over the second half of 2025. While the flight-to-quality trend persisted through 2025, there was also a shift towards flight-to-value over the last year.

The Core precinct has continued to see elevated levels of leasing demand, but there are now signs that activity may be spilling over into neighbouring precincts. Prime net absorption in the Western Corridor, Midtown, and Southern precincts totalled 19,715 sqm, 15,422 sqm, and 4,984 sqm respectively, in H2 2025. Given the increasingly limited options in the Core, enticing rent differentials in non-Core areas, and a lack of new supply on the horizon, it's expected that this trend should continue going forward.

Net absorption totals across the remaining CBD precincts were neutral in H2 2025. The Rocks precinct recorded net absorption of 47 sqm, while Walsh Bay recorded slightly negative net absorption of 348 sqm.

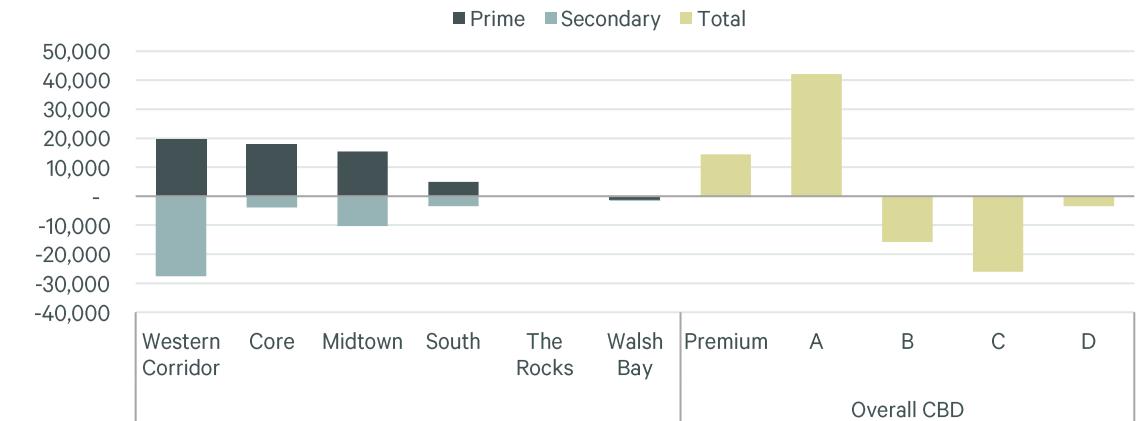
The flight-to-value was also seen when looking at net absorption breakdowns by building grade. While nearly all the positive absorption for the CBD had taken place in Premium properties in H1 2025, A grade properties led over the second half.

FIGURE 2: Sydney CBD Office | Leasing Enquiry Data



Source: CBRE Research

FIGURE 3: Sydney CBD Office | 6-Month Net Absorption (sqm) by Precinct and by Building Grade



*Bar cut off for presentation.
Source: CBRE Research, PCA

Supply

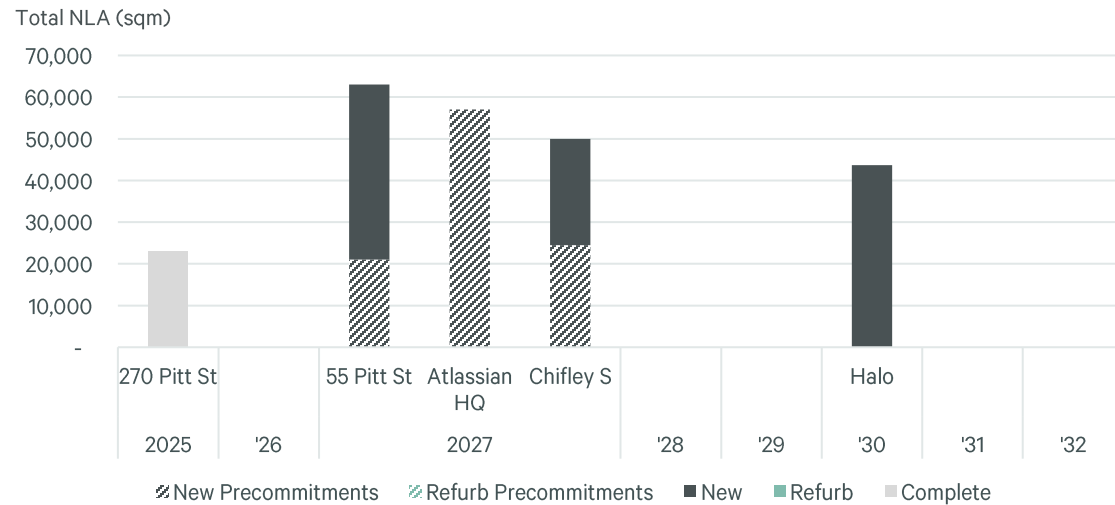
The Sydney CBD is entering a period of limited new supply

The Sydney CBD saw the delivery of 32,865 sqm of office space in H2 2025. The bulk of this figure was the delivery of the full building refurbishment of 270 Pitt Street (c.23,000 sqm) in the Midtown precinct.

Office development in the Sydney CBD is set to slow going forward. The market is only set to receive new supply in two of the next seven years. The market will also only see an average of 43,000 sqm of office space delivered per year from 2026 to 2030. This is a significant decrease from the 126,000 sqm delivered per year from 2016 to 2025. Projects to be completed over the next five years include; 55 Pitt Street (63,000 sqm) and Chifley Tower South (53,000 sqm) in the Core precinct and the new Atlassian HQ (57,000 sqm) in the Southern precinct adjacent to Central Station. All three of these developments will open in 2027. Demand for space in these properties has been very strong and pre-leasing for these three developments is now over 60% collectively.

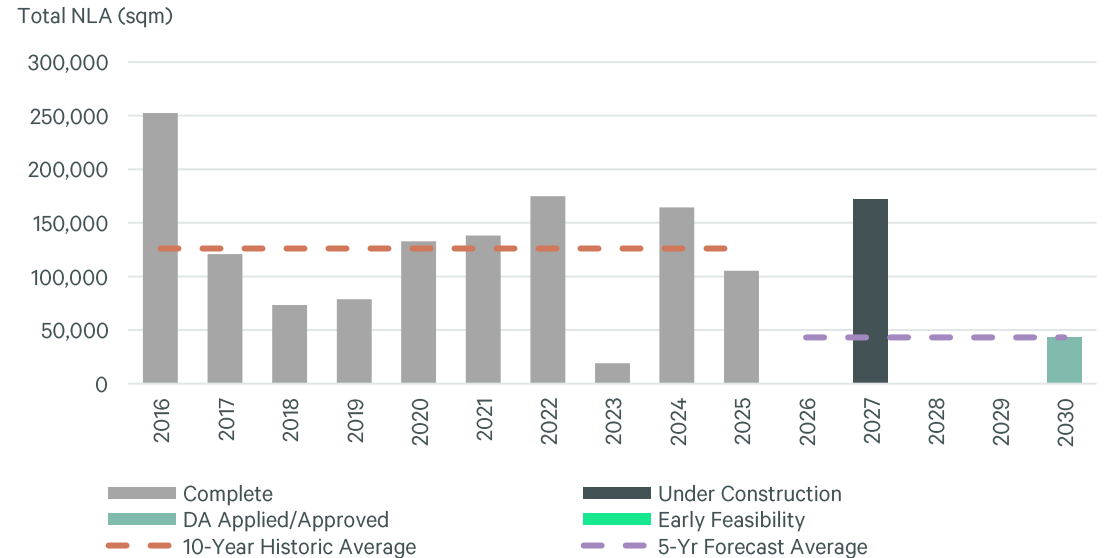
Beyond 2027, the supply outlook remains speculative due to challenging development conditions including elevated construction and financing costs. Cost pressures coupled with the uncertainty around long-term leasing pre-commitments have forced developers to reconsider the timing of new construction projects. Halo, the new development at Pitt Street and Hunter Street in the CBD Core, is now expected to be the next development be delivered post-2027. Following this project, the next wave of office development likely won't occur until 2033 or later.

FIGURE 4: Sydney CBD Office | Upcoming Major Development Projects



Note: Early Feasibility and mooted projects not shown.
Source: CBRE Research

FIGURE 5: Sydney CBD Office | Historical & Forecast New Supply



Source: CBRE Research, PCA

Vacancy

Vacancy rates in the Sydney CBD are showing signs of peaking

Overall vacancy rates in the Sydney CBD held largely stable over H2 2025, ending the period at 13.8%. This marked an increase of 7 bps over the trailing six months. The minor increase in vacancy was caused by the delivery of new supply, as overall net absorption for the CBD was actually positive over the second half at 11,359 sqm.

Prime properties in the CBD had a strong H2 2025, recording positive net absorption of 56,678 sqm. This marked the fourth consecutive period of positive Prime net absorption for the Sydney CBD. The strong leasing activity pushed Prime vacancy rates down to 13.2%, a decline of 90 bps over the six-month period. Secondary vacancy rates moved in the opposite direction, increasing by 199 bps to end the year at 14.9%.

The strong leasing activity across both Core and non-Core areas resulted in vacancy rate tightening in many CBD precincts. Prime vacancy rates in the Walsh Bay (9.4%), Core (10.3%), Southern (12.2%), and Western Corridor (14.9%) precincts now all sit below 15.0%.

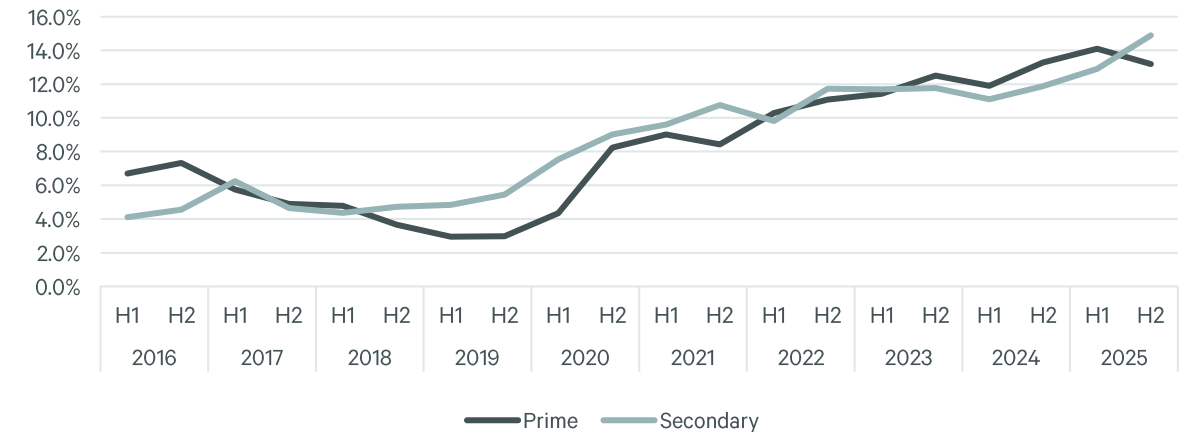
Given the lack of new supply forecasted for completion over coming years, it's expected that vacancy rates in the Sydney CBD have now peaked for this cycle.

FIGURE 6: Sydney CBD Office | Leasing Market Summary

Market/Grade	Inventory Jul 25	Vacant Space Jul 25	Vacancy Rate Jul 25 (6month Diff)	Net Absorption 6 months
Prime	3,577,029 sqm	472,078 sqm	13.2% (-90 bps)	56,678 sqm
Secondary	1,808,086 sqm	269,345 sqm	14.9% (+199 bps)	-45,319 sqm
Total	5,385,115 sqm	741,423 sqm	13.8% (+7 bps)	11,359 sqm

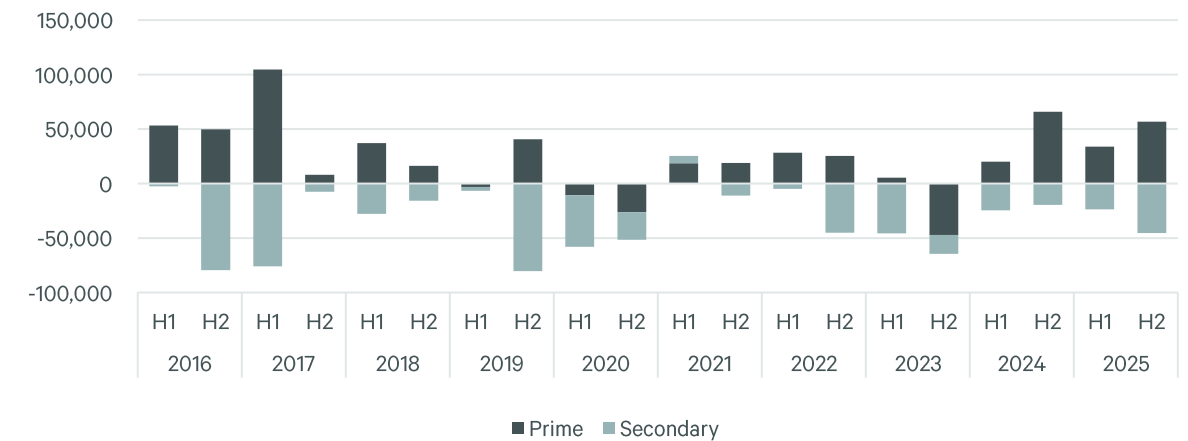
Source: PCA, CBRE Research

FIGURE 7: Sydney CBD Office | Vacancy Rates by Grade



Source: PCA, CBRE Research

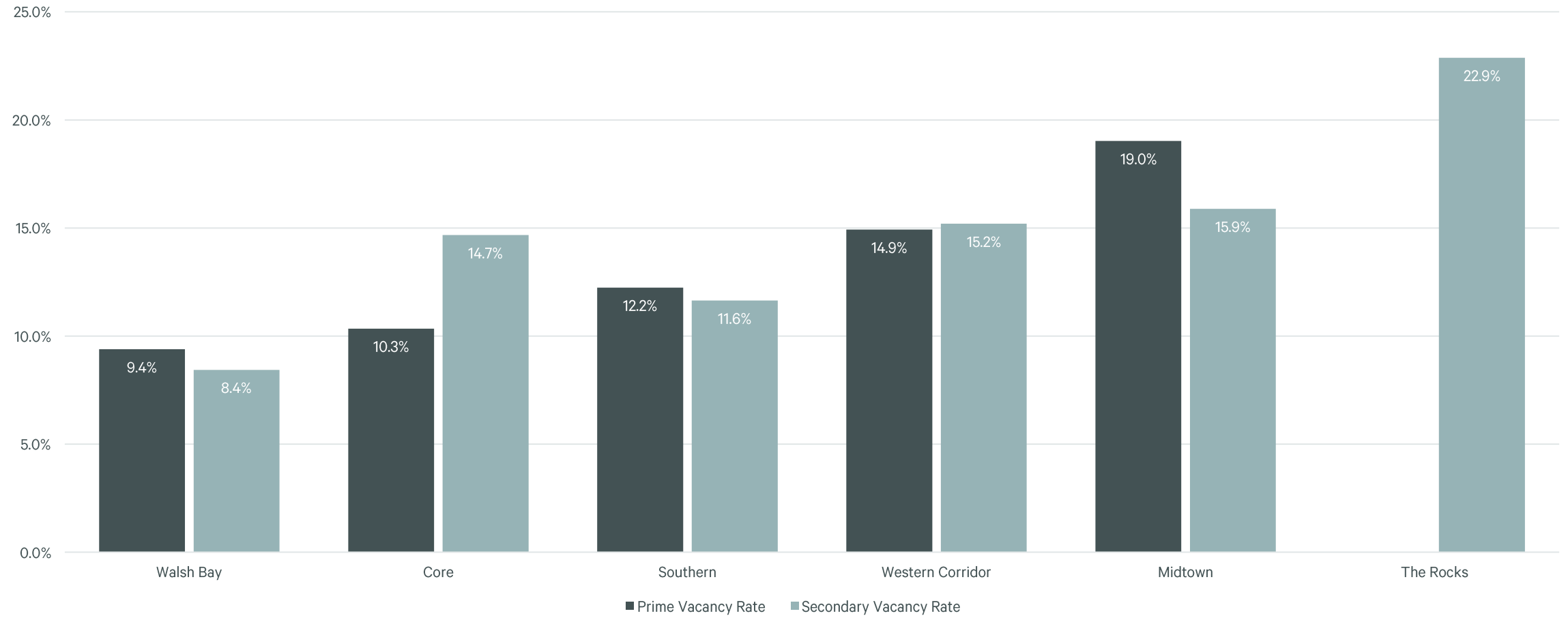
FIGURE 8: Sydney CBD Office | Net Absorption by Grade



Source: PCA, CBRE Research

Vacancy

Figure 9: Sydney CBD Office | Vacancy Rates by Precinct



Source: CBRE Research, PCA

Rental Rate & Incentives Trends

Rents continue to grow and incentives are now declining

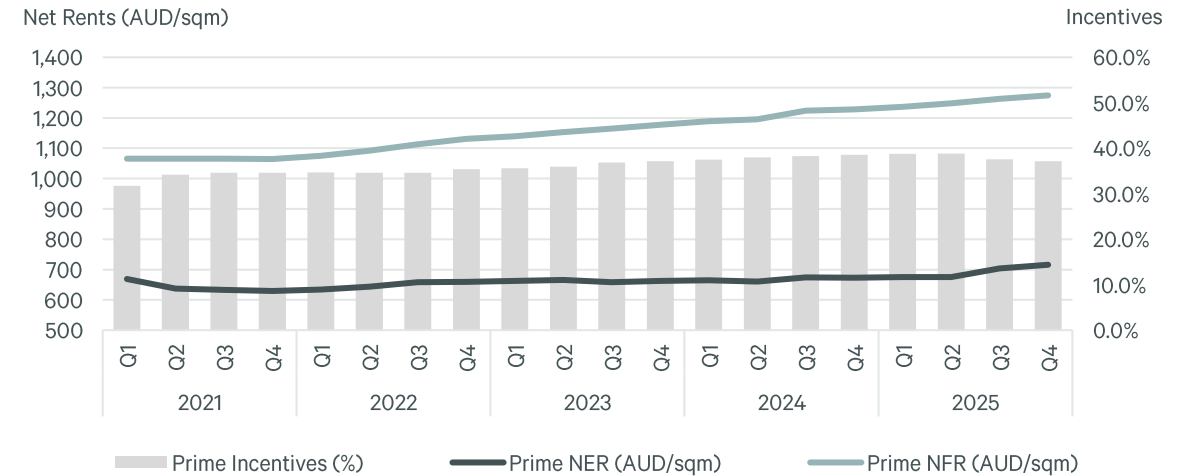
The increased demand for office space across the CBD continued to drive rental rate growth and incentive tightening in 2025. The CBD all precinct average Prime net face rental rate figure ended Q4 2025 at 1,274 AUD/sqm, an increase of 0.9% quarter-over-quarter or 3.7% year-over-year. Secondary face rental rates also increased over Q4 2025, ending the period at 879 AUD/sqm, representing growth of 0.2% quarter-over-quarter or 1.6% year-over-year.

The Core precinct continued to outperform the rest of the market in terms of rental rates in 2025. The average net face rental rate in the Core precinct ended the year at 1,580 AUD/sqm. This represented year-over-year growth of 4.6%. While the Core has continued to record strong net face rent growth, the increasingly elevated demand in other CBD precincts resulted in strong growth across the balance of the market as well. Prime net face rental rates in the Walsh Bay, Western Corridor, Midtown, and Southern precincts experienced year-over-year net face rental rate growth of 4.2%, 3.3%, 2.9%, and 1.9%, respectively, over 2025. The average net face rental rates in these precincts ended the year between 908 AUD/sqm (in the Southern precinct) and 1,344 AUD/sqm (in Walsh Bay).

Tightening vacancy rates across the CBD led to a continuation of incentive compression over 2025. Each of the Core, Midtown, Western Corridor, and Walsh Bay precincts recorded declines in incentives over the last 12 months and it appears that incentives have now peaked across much of the CBD. Against this backdrop, the CBD average Prime and Secondary incentive figures ended the period at 37.2% and 38.2%, respectively, each either tightening or holding stable over Q4 2025.

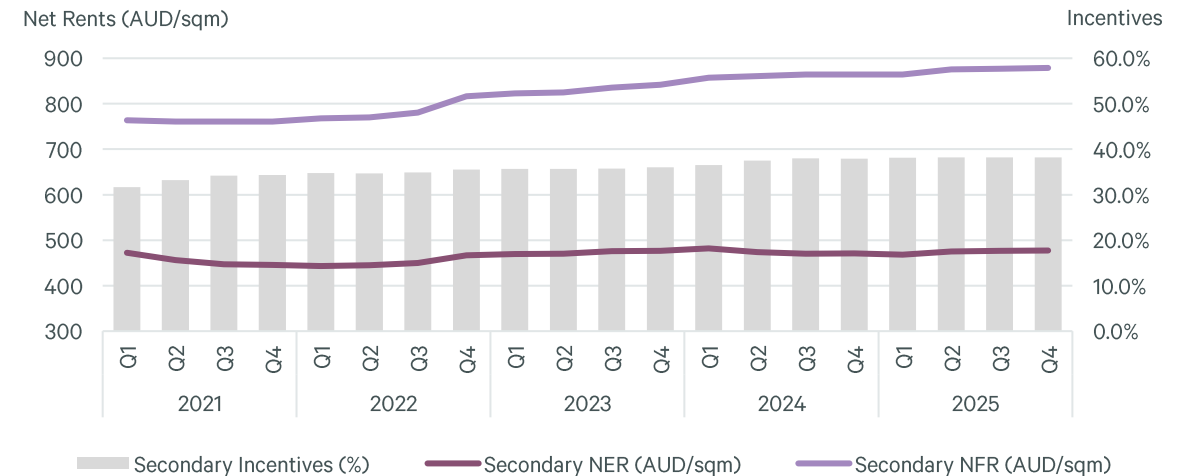
Given still rising face rental rates, and tightening incentives, net effective rents in each of the four highest profile CBD precincts all grew substantially over 2025. Prime net effective rents in the Core, Walsh Bay, Midtown, and Western Corridor increased by 6.9%, 8.1%, 5.5%, and 5.9% over the last 12 months.

FIGURE 10: Sydney CBD Office | All Precinct Average Prime Net Face Rents, Net Effective Rents, and Incentives



Source: CBRE Research

FIGURE 11: Sydney CBD Office | All Precinct Average Secondary Net Face Rents, Net Effective Rents, and Incentives



Source: CBRE Research

Rental Rate & Incentives Snapshot

Figure 12: Sydney CBD Office | Rental Rates and Incentives by Precinct

PRIME	CORE	MIDTOWN	SOUTH	WESTERN CORRIDOR	WALSH BAY	THE ROCKS
Gross Rental Rate (AUD/sqm)	\$1,861	\$1,419	\$1,072	\$1,357	\$1,605	\$1,042
% QoQ	1.3%	0.8%	0.4%	0.9%	Stable	1.6%
% YoY	5.1%	3.2%	2.0%	4.3%	5.0%	1.6%
Net Face Rental Rate (AUD/sqm)	\$1,580	\$1,217	\$908	\$1,154	\$1,344	\$866
% QoQ	1.3%	1.0%	0.5%	1.0%	Stable	2.0%
% YoY	4.6%	2.9%	1.9%	3.3%	4.2%	1.4%
Incentives	30.7%	37.9%	41.7%	44.0%	36.3%	35.7%
QoQ Change (bps)	-10	-42	Stable	Stable	-100	Stable
YoY Change (bps)	-130	-125	100	-150	-200	Stable
Net Effective Rental Rate (AUD/sqm)	\$1,009	\$679	\$462	\$557	\$761	\$494
% QoQ	1.4%	1.9%	0.5%	1.2%	2.2%	2.2%
% YoY	6.9%	5.5%	-0.5%	5.9%	8.1%	1.3%

SECONDARY	CORE	MIDTOWN	SOUTH	WESTERN CORRIDOR	WALSH BAY	THE ROCKS
Gross Rental Rate (AUD/sqm)	\$1,267	\$1,047	\$1,002	\$1,051	\$1,144	\$975
% QoQ	1.4%	0.9%	Stable	Stable	Stable	Stable
% YoY	3.1%	4.0%	0.3%	2.1%	-1.1%	0.0%
Net Face Rental Rate (AUD/sqm)	\$1,073	\$885	\$842	\$858	\$985	\$837
% QoQ	1.7%	1.1%	Stable	Stable	Stable	Stable
% YoY	2.6%	3.3%	Stable	2.1%	1.4%	2.1%
Incentives	36.7%	39.7%	38.8%	38.6%	39.5%	35.5%
QoQ Change (bps)	Stable	Stable	Stable	Stable	Stable	Stable
YoY Change (bps)	86	157	25	-8	Stable	Stable
Net Effective Rental Rate (AUD/sqm)	\$607	\$469	\$454	\$453	\$533	\$491
% QoQ	1.9%	1.2%	Stable	Stable	Stable	Stable
% YoY	0.4%	-0.7%	-0.8%	2.3%	3.6%	3.6%

Source: CBRE Research

Investment Market

Lack of opportunities limits CBD investment activity

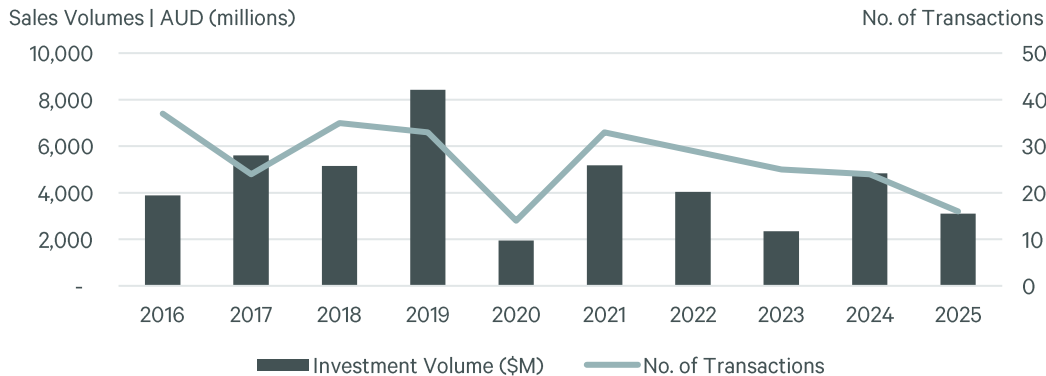
Office investment volumes in the Sydney CBD slowed slightly in 2025. Full year investment volumes ended the year at AUD 3.1 billion, a decline of 36% year-over-year.

While investment activity slowed slightly this year, this was more a function of a lack of opportunities for investors as opposed to a lack of interest from capital. Demand for assets which were made available was very strong as conviction around the strength of the leasing market has solidified.

Cap rates have now firmly stabilized across the CBD and have started to compress for the best product in the best locations. Indicative yields across the Sydney CBD now range from between 5.75% for Prime assets in the Core precinct to 8.18% for Secondary assets in The Rocks.

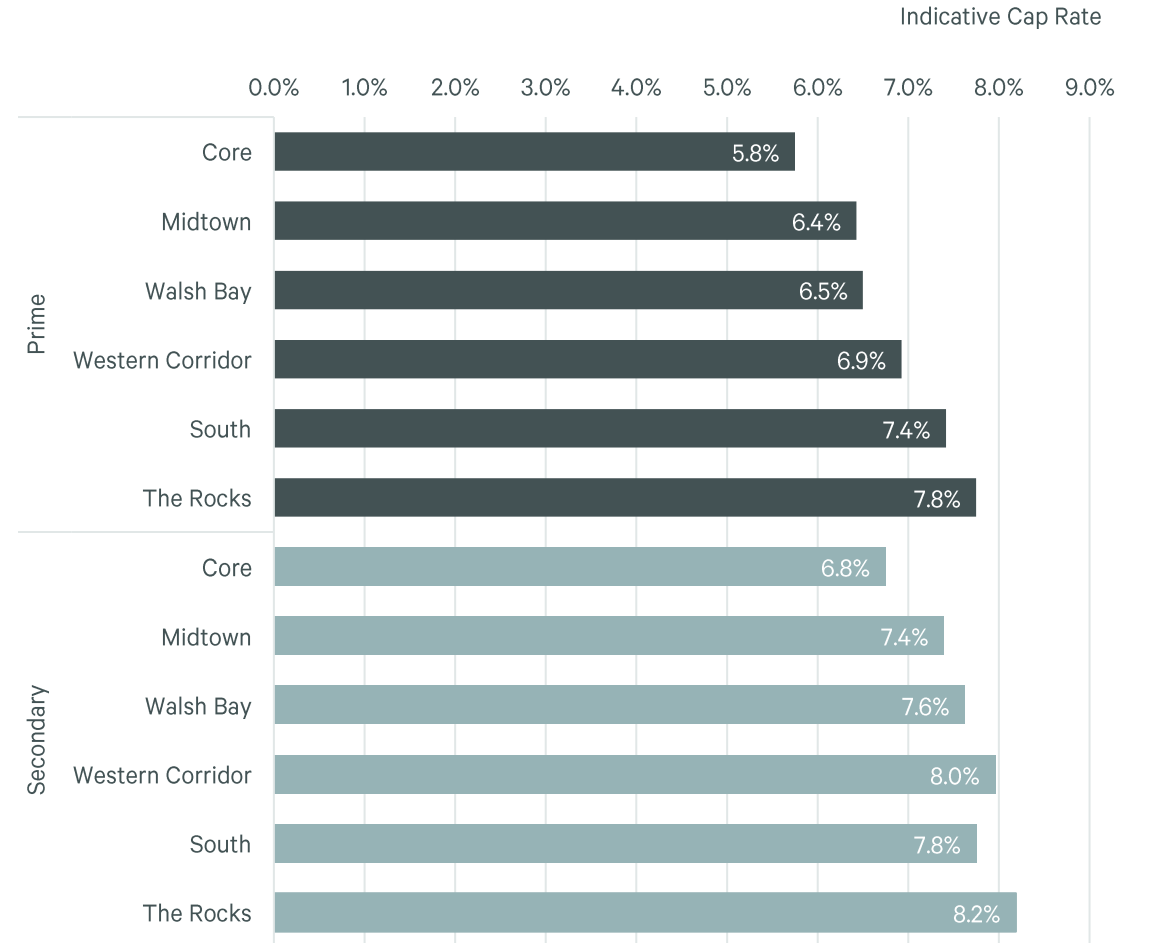
While CBRE had been forecasting additional cap rate compression in 2026, the recent increases to 10-year government bond yields has resulted in a revision of our projections. We now predict there will be marginal tightening in the Core precinct while yields across the balance of the market should remain near current levels over the coming year.

FIGURE 13: Sydney CBD Office | Sales Activity



Source: CBRE Research

FIGURE 14: Sydney CBD Office | Cap Rates, by Precinct and Grade



Source: CBRE Research

Contacts

Research



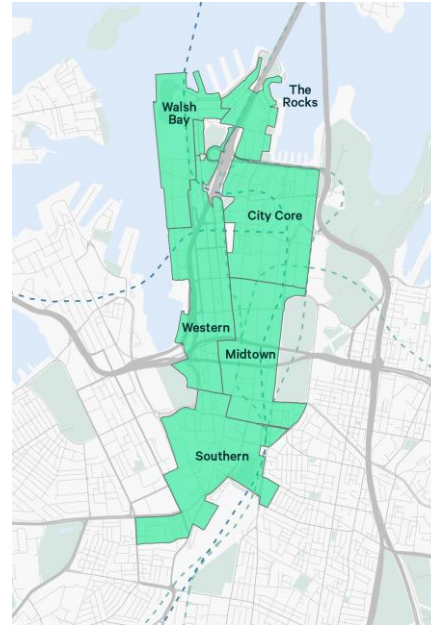
Thomas Biglands

Associate Director
NSW Office Research
+61 426 841 019

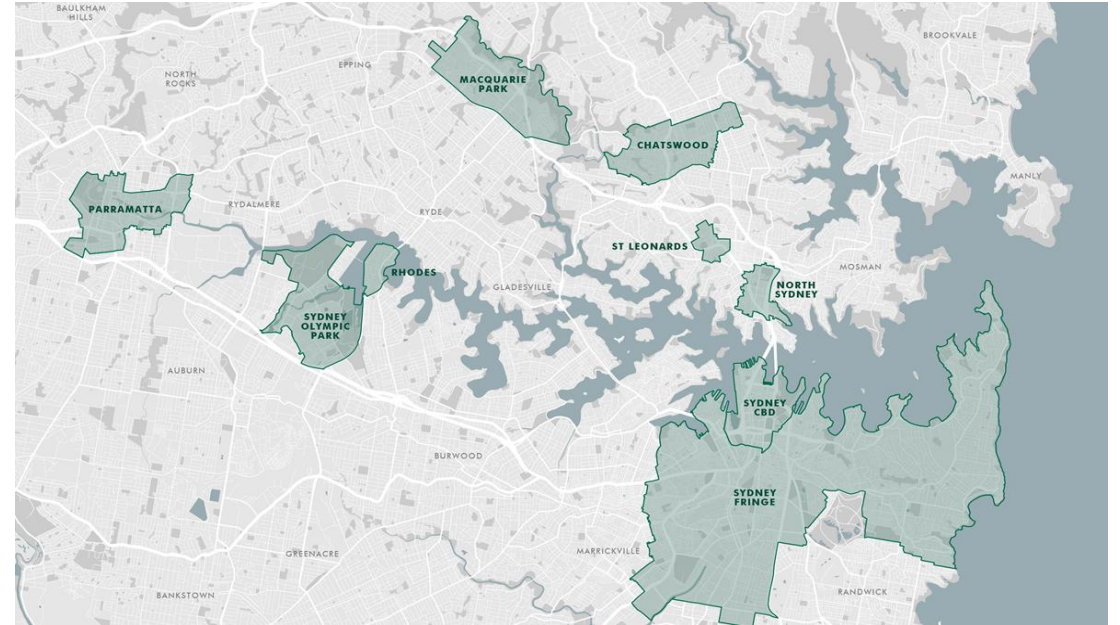
Thomas.Biglands@cbre.com

Office Submarket & Precinct Maps

Sydney CBD



Sydney Metro



Contact

Sydney

Level 21
363 George Street
Sydney, NSW 2000

North Sydney

Level 29
177 Pacific Highway
North Sydney, NSW 2060

Western Sydney

Level G
10-14 Smith Street
Parramatta, NSW 2150

South Sydney

2B
2-12 Lord Street
Botany, NSW 2019