

FIGURES | BRISBANE CBD OFFICE | Q2 2025

Total vacancy rises, although prime stable

▲ 10.7%

Vacancy Rate in July 25

▼ +9.0%

Prime Net Effective Rent Growth (y-o-y)

▼ 27,473 sqm

Net Absorption in H1 2025

▶ 7.06%

Prime Yield

Note: Arrows indicate change from previous quarter / year.

Key Points

- Queensland economy holding up well, with infrastructure spending maintaining a base level of demand
- 205 North Quay was delivered during the quarter, fully pre-committed to Services Australia
- Net absorption was strong at 27,473 sqm, leading all CBD markets in Australia
- Total vacancy increases slightly to 10.7%, prime vacancy stable at 8.0%
- Prime effective rental growth slowed to 1.0% q-o-q and 9.0% y-o-y, as backfill opportunities became available
- There were no major investment transactions in the CBD in Q2 2025
- Office prime yields were stable for the quarter, averaging 7.06%

FIGURE 1: Total CBD Vacancy

Brisbane CBD	July 2024	January 2025	July 2025	H-o-H Change	Y-o-Y Change
Vacancy	9.5%	10.2%	10.7%	+50bps	+120bps

FIGURE 1: Summary of Prime CBD Market Indicators

Brisbane CBD	Q2 2023	Q2 2024	Q2 2025	Q-o-Q Change	Y-o-Y Change
GFR	\$897/sqm	\$979/sqm	\$1,036sqm	+1.0%	+5.9%
Incentives	41.1%	40.2%	39.5%	0bps	-96bps
NER	\$345/sqm	\$398/sqm	\$434/sqm	+1.0%	+9.0%
Yield	6.06%	6.69%	7.06%	0bps	+67bps

Source: CBRE Research, PCA

Economic Overview

QLD Economy relatively healthy despite global headwinds

In spite of global economic hurdles, Queensland's economy has remained fairly strong. Population growth has remained a key factor, helping to cover some weakness in household spending. However, reduced interest rates are helping on the household front. The ongoing drop of the Australian dollar is favouring export industries, such as tourism, mining, and education.

In Q1 2025, Queensland's State Final Demand increased by 0.7% q-o-q and 2.1% y-o-y. This expansion has decelerated from previous years, partly due to the normalisation of population growth. Public spending has been the main driver of this growth, especially infrastructure investments. Additionally, Olympics-related infrastructure expenses are still coming, which will promote construction in Brisbane in the years ahead. Although population growth in Queensland has slowed to 1.9% year-on-year, it still exceeds the national average of 1.7%. Interstate migration has fallen lately, mainly due to reductions in housing affordability, with Brisbane's median house price now surpassing that of Melbourne. On the other hand, overseas migration continues to be strong but is starting to taper off.

The job market in Queensland is solid, with an unemployment rate of 4.1% as of June 2025, slightly under the national average. Over the past year, around 64,500 jobs have been added in the state, showing an upward movement. This job market strength is fuelled by a mix of high infrastructure investment, population growth, and active public sector roles. However, the new State Government is expected to be more fiscally cautious, indicating that public sector jobs are likely to stabilize.

Office Demand

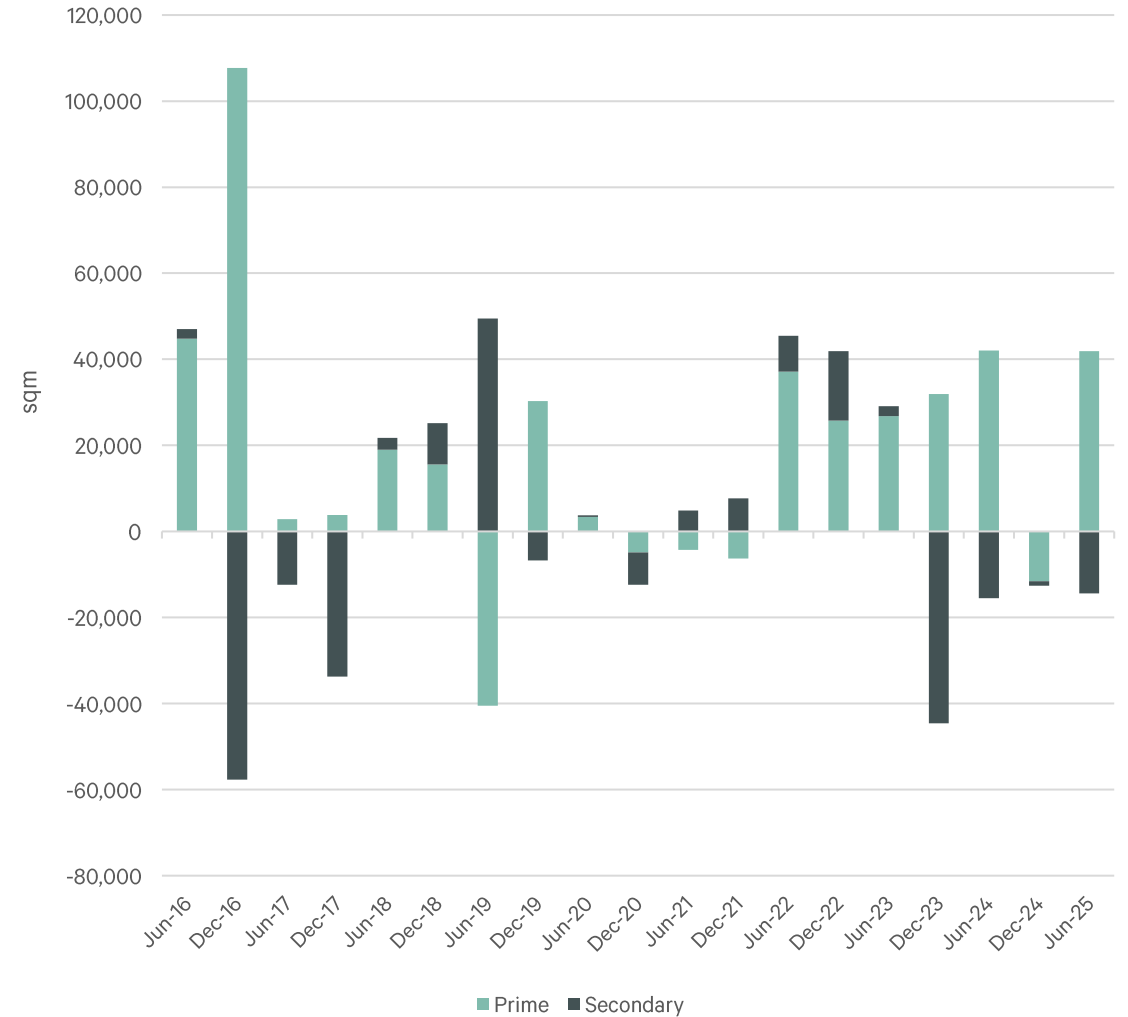
Net absorption leads the country, although leasing volumes have been slow in early 2025

Leasing activity has been slow in the first half of 2025, coming off elevated volumes in previous years. There are a combination of factors at play, with the global volatility and elections likely causing delays in decision making. In addition, the cost of relocation and a lack of high-quality options is leading to an uptick in renewals. However, this sluggish start is likely just a point in time, with a number of major leasing deals at heads of agreement stage and some other major expiry led decisions coming.

Total net absorption in the Brisbane CBD was 27,473 sqm for H1 2025, the highest of any CBD market in that period. This is contrary to the earlier point on slow leasing volumes, although, the net absorption is a bit of a retrospective look at decisions made in the past. For example, the Services Australia move into 205 North Quay was an expansionary move of approximately 10,000 sqm. In addition, the Federal Government move of about 5,400 sqm into 300 George Street contributed to the net absorption. Also, QBCC's move to 80 Ann Street from the Near City market contributes about 4,400 sqm to net absorption. Most of the above activity was in the Prime market, contributing 41,905 sqm of net absorption in H1 2025.

Net absorption is expected to be solid over the coming years with more examples of tenant expansion rather than contraction. For example, there will be a few expansionary moves into 360 Queen Street once it completes at the end of 2025, although some tenants will move in 2026. In addition, planning for the Olympics is starting to gain momentum, with Architects and Contractors likely to be appointed by the end of 2025 or early 2026. This is likely to lead to some project requirements in the coming years.

FIGURE 2: 6-Month Office Net Absorption – Brisbane CBD



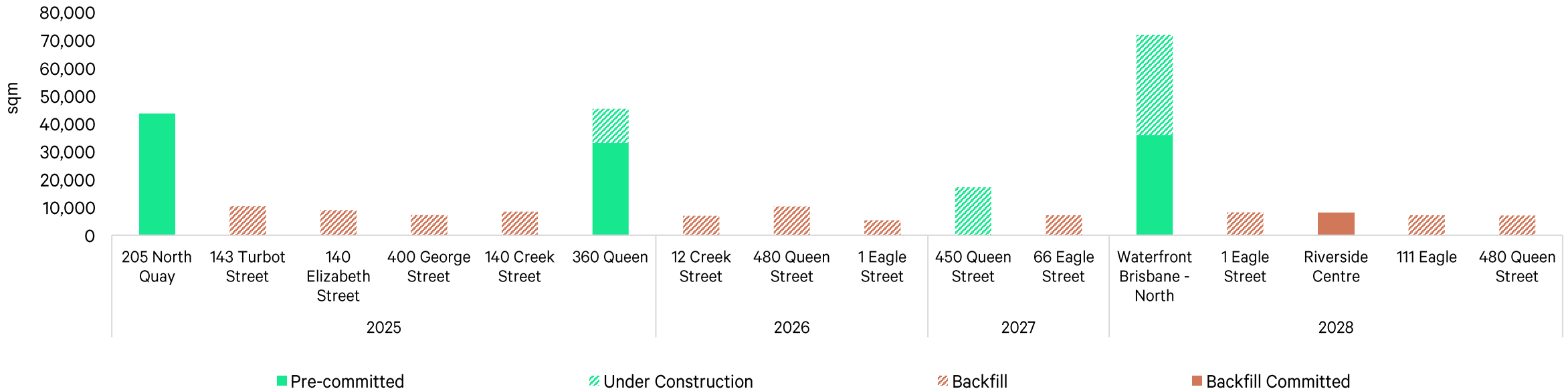
Source: PCA, CBRE Research

Supply

Supply outlook unchanged through to 2028

The supply pipeline in Brisbane remains largely unchanged over the past year or so. High construction costs and cap rate impacts are delaying commencements of new projects in Brisbane and across the country. 205 North Quay is now completed which is fully pre-committed by Services Australia. That tenant is exiting four different buildings within the Brisbane CBD (143 Turbot St, 140 Elizabeth St, 400 George St and 140 Creek St). Charter Hall and Investa remain on track to deliver 360 Queen Street in Q4 2025, with pre-commitment of approximately 66%, although there are is more space under heads of agreement. The refurbishment of 450 Queen Street by PGIM is underway which will deliver about 17,000 sqm to the market. The project is due for completion in late 2026, with tenants likely to occupy from H1 2027. The only other committed project in the pipeline is Dexus' Waterfront Brisbane being delivered in early to mid 2028 with pre-commitments for about 50% of the building. There are a range of mooted projects in the pipeline such as QIC's 101 Albert Street and Charter Hall's 60 Queen Street. However, these projects are yet to commence construction and will not be delivered prior to 2028.

FIGURE 3: Brisbane CBD Development Supply Pipeline



Source: CBRE Research

Vacancy

Vacancy edges higher due to supply addition, prime vacancy steady

Total vacancy edged higher in H1 2025 to 10.7%, as a result of the delivery of 205 North Quay and subsequent backfill that is left behind. However, the prime vacancy rate remained steady at 8.0%, given the strong net absorption in that segment of the market. Premium vacancy has dropped to just 3.8%, which is the lowest it has been since Dec-19. A-Grade vacancy increased from 8.3% to 9.6% in H1 2025, which is slightly better than expected given three of the backfill spaces left by Services Australia sit in the A-Grade market.

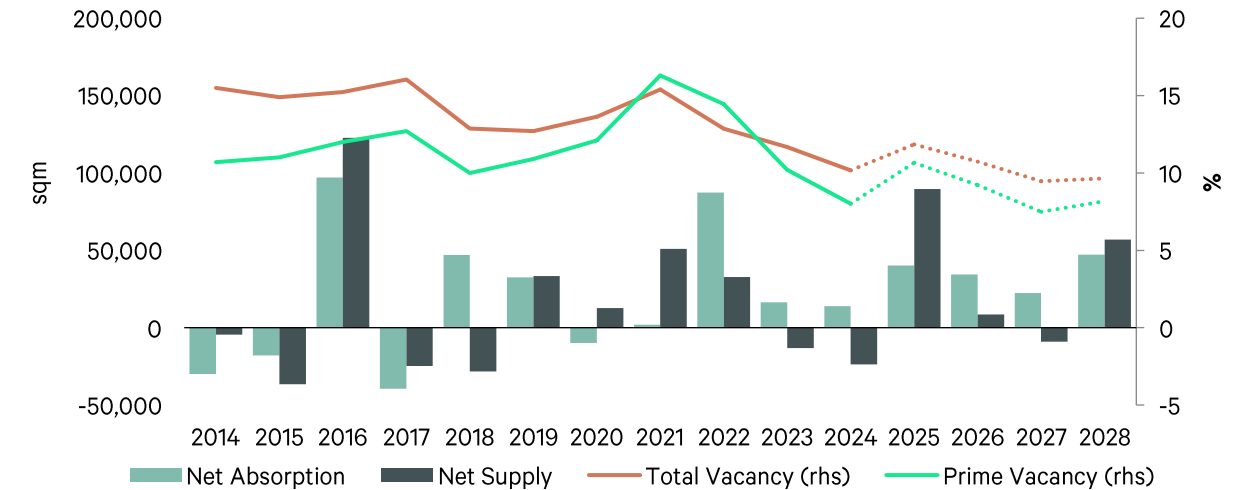
The secondary market is where the vacancy rate did increase, from 13.4% to 14.9%. A significant contributor to that increase was Services Australia moving out of 343 Albert Street (approx. 10,500 sqm) in their new building.

We expect vacancy to increase further by the end of 2025, which coincides with the delivery of 360 Queen Street. However, supply is relatively in check in 2026 and 2027, which should result in the market tightening further before Waterfront Brisbane is delivered.

FIGURE 4: Summary of Brisbane CBD Office Market

Market/Grade	Stock (sqm) - Jun 25	Net Stock Change (sqm) - 12 months	Vacant (sqm) - Jun 25	Vacancy (%) - Jun 25	Vacancy (%) - Jun 24	Net Absorption (sqm) - 6 months	Net Absorption (sqm) - 12 months
Prime	1,430,750	45,359	114,467	8.0%	7.2%	41,905	30,336
Secondary	934,368	0	139,279	14.9%	12.9%	-14,432	-15,509
Total	2,365,118	45,359	253,746	10.7%	9.5%	27,473	14,827

FIGURE 5: Brisbane CBD Office Market Balance



Source: PCA, CBRE Research

Rental Performance

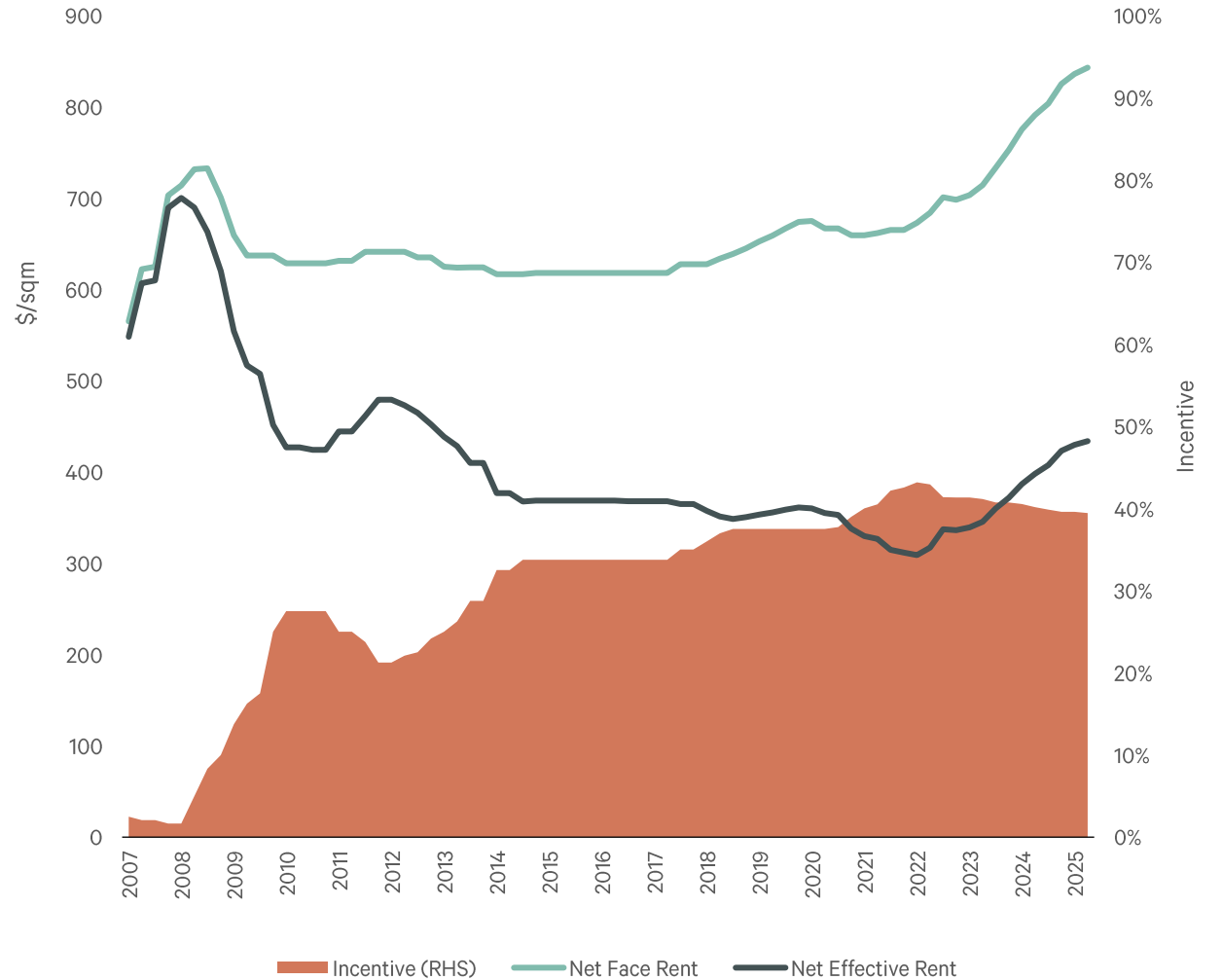
Rental growth slows, although still remains healthy

Rental growth has slowed in H1 2025, partly due to the lack of activity in the market and upcoming backfill that has provided tenants with more opportunities. Prime gross face rents grew by 1.0% q-o-q and 5.9% y-o-y in Q2 2025. Incentives dropped by 10 bps, averaging 39.5%. The high fit-out costs in Brisbane continue to inhibit meaningful drops to incentives, although there is some evidence of movement for renewals. This resulted in effective rental growth of 1.0% q-o-q and 9.0% y-o-y. While this remains healthy, it does represent a slight slowdown in rental growth from 2024.

The secondary market has also performed well with 5.3% y-o-y growth in gross face rents. Incentives were also stable for the quarter, although they have dropped by 325 bps over the past 12 months to average 44.1% in Q1. Secondary net effective rents have grown by 19.4% y-o-y, albeit off a very low base.

Rental growth in the Brisbane CBD is projected to persist, albeit at a more gradual rate. We anticipate a pause in the market in early 2026 due to backfill opportunities from the completion of two projects. However, the significant disparity between economic rents of new developments and existing properties is expected to sustain strong rental growth over the medium term.

FIGURE 6: Brisbane CBD Office – Prime Rents



Source: CBRE Research

Investment Market

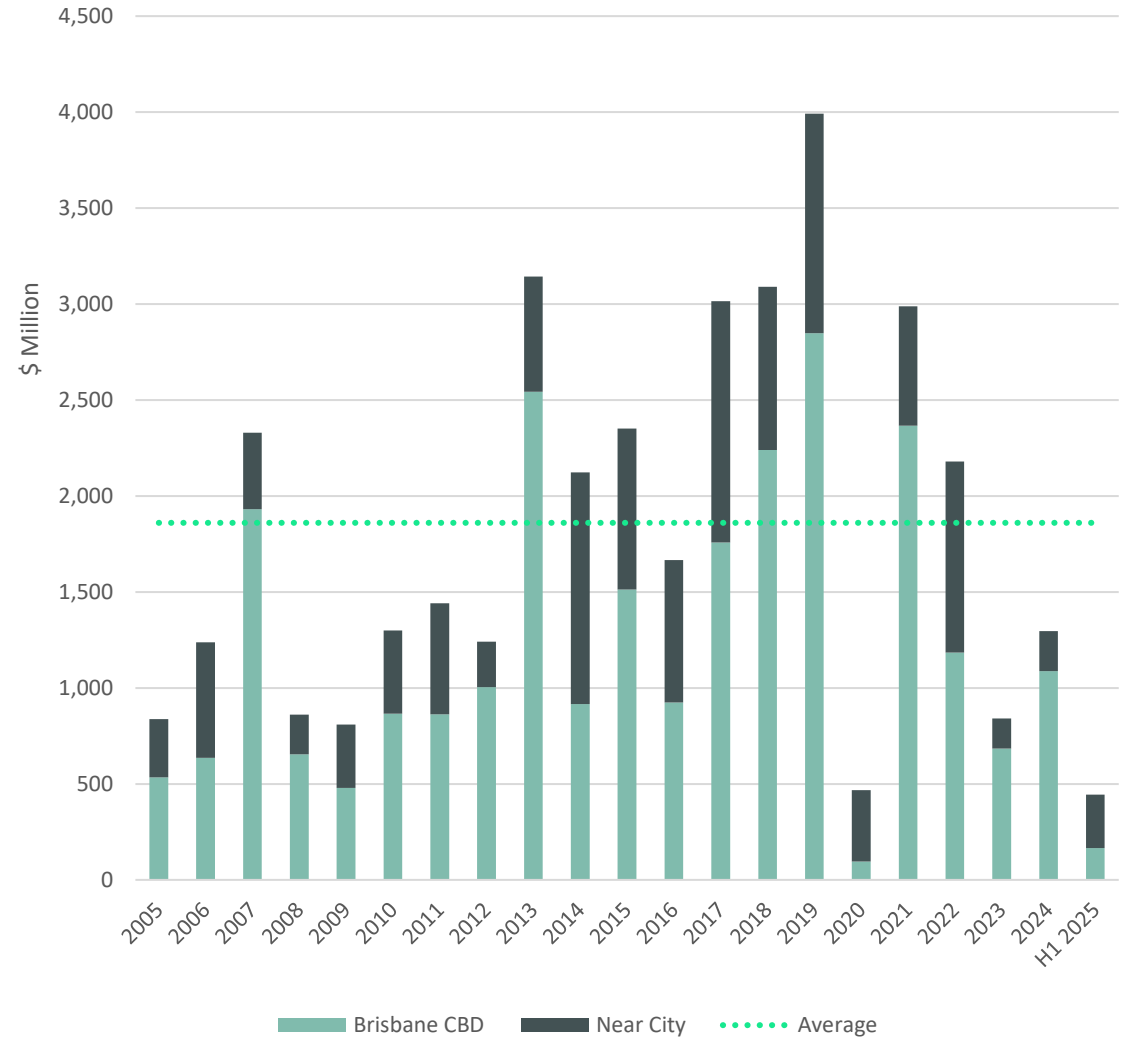
Quiet H1 2025, although a number of transactions in the works across the CBD and Near City

There were no transactions in the Brisbane CBD in Q2 2025. The only major transaction this year was the 50% stake of 53 Albert Street which was bought by NTT Corporation and Realmont from JP Morgan for \$110 million. The buyer now controls the entire asset after purchasing the first stake in 2022. Green Square South Tower in Fortitude Valley did sell in Q2 to Sentinel for \$132 million

Prime CBD yields stabilised in Q2 2025 at 7.06%. Yields have softened by a total of 175 bps from peak pricing in early 2022. Yields are likely to be close to their peak, particularly with the expectation of interest rates cuts in the coming 12 months. The secondary market yield in Q2 2025 averaged 8.58%.

The RBA held off on a rate cut in early July which surprised the market. However, a rate cut is basically fully priced in when the RBA meets in mid-August, and the market is maintaining the view that there will be 50 bps more cuts by mid-2026. This would mean that the cash rate will have dropped by 125 bps from peak, which should help to drive transactional activity in the Brisbane office market. Major investors, particularly offshore, remain focused on the Sydney market. However, a lack of investable stock in that market is likely to force them to look at other markets. Brisbane is likely to be a key beneficiary, although this may not occur for another 6-12 months.

FIGURE 7: Brisbane Office Sales (greater than AUD 5 million)



Source: CBRE Research

Outlook

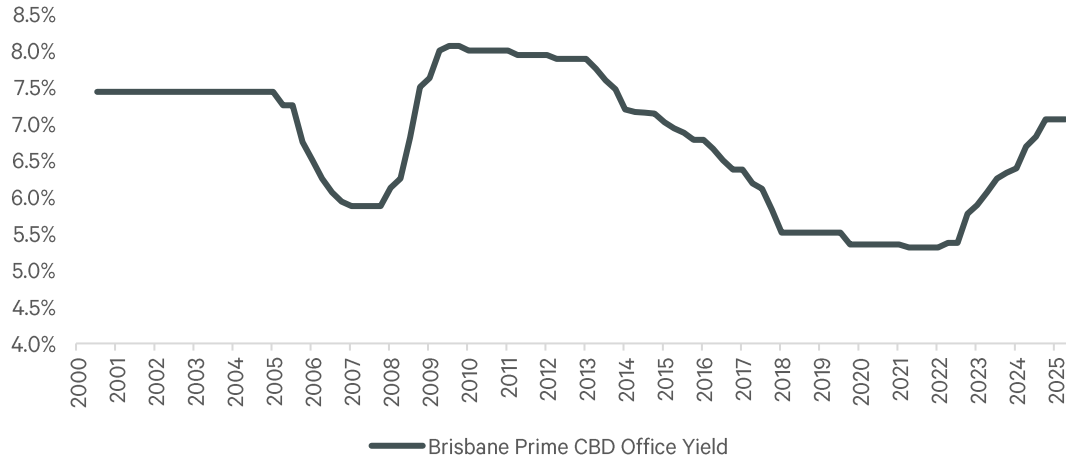
Rental growth to be lower in 2025, although outlook remains solid

The Queensland economy is holding up as well as expected, which has translated into the office leasing market. There are very few tenants considering contractions which is showing up in the low sublease availability figures. Net Absorption is likely to be solid for the next 18 months given the expansionary moves of key tenants moving into and within the CBD. Also, project space for the Olympics is likely to gain momentum in 2026 onwards as the delivery of the infrastructure begins.

The supply outlook remains very limited with just 2 buildings to be delivered until the end of 2028. CBRE Research expects total vacancy to rise above 11% by the end of 2025, coinciding with 360 Queen being delivered. However, vacancy is expected to drop to below 10% in 2027, with prime vacancy reaching 7.5%.

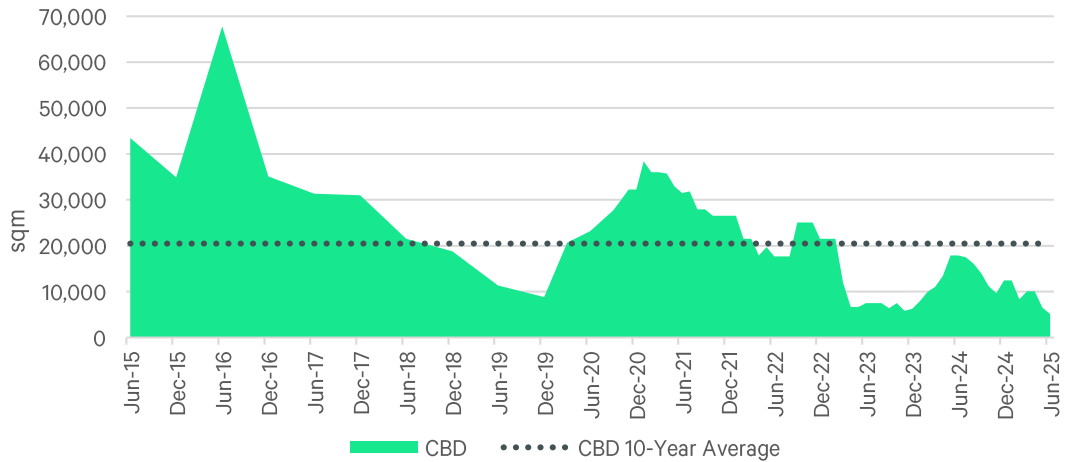
Transaction volumes are likely to improve over the next 18 months due to further interest rates cuts. The solid fundamentals of the leasing market are likely to attract buyers, given Brisbane's relative outperformance to the rest of Australia.

FIGURE 8: Brisbane CBD Office Yield



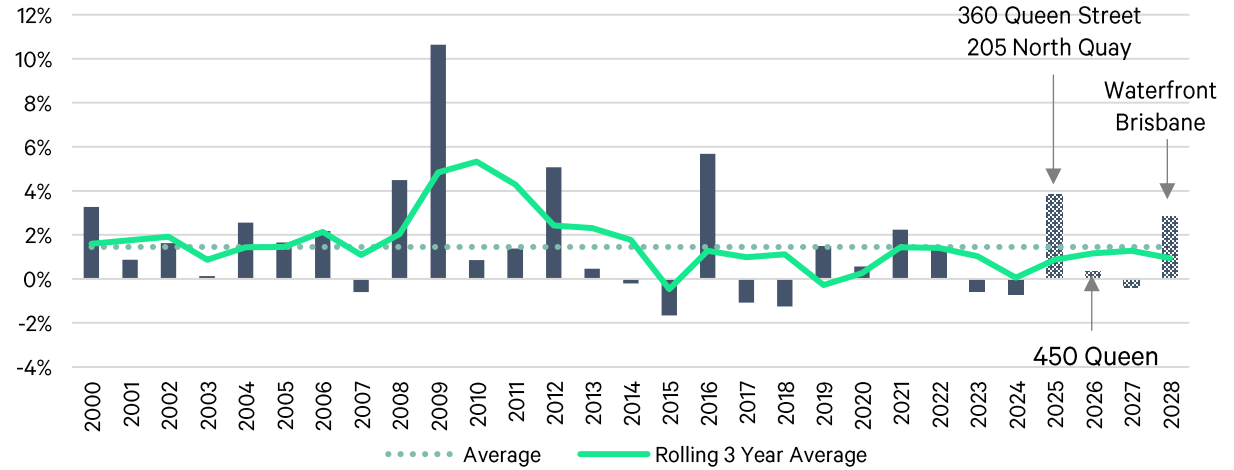
Source: CBRE Research

FIGURE 9: Brisbane CBD Sublease Availability



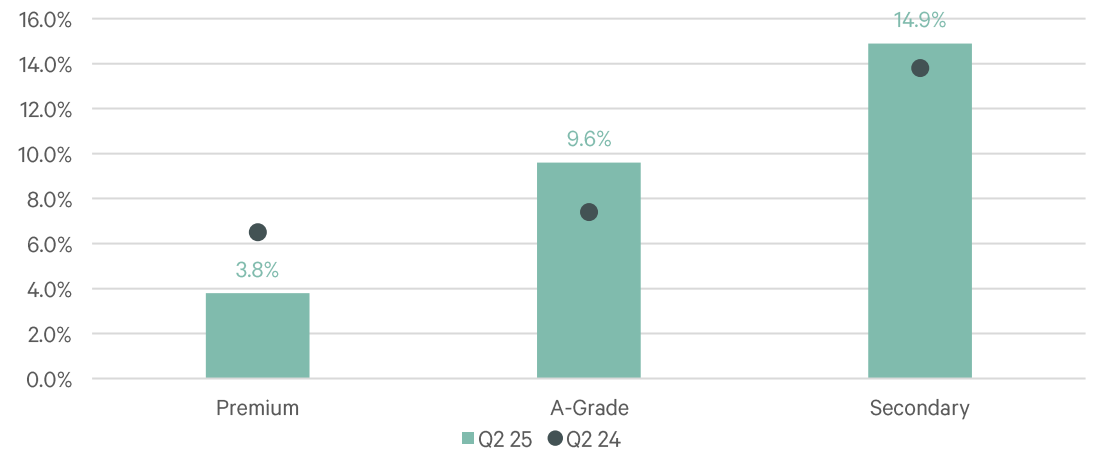
Source: CBRE Research

FIGURE 10: Brisbane CBD Future Growth in Stock



Source: CBRE Research

FIGURE 11: Brisbane CBD Vacancy by Grade



Source: PCA, CBRE Research

Contact

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