

MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.2% Vacancy Rate	▼	▲
-12,646 6-month Net Absorption, sqm	▼	▼
\$419 Prime Net Effective, sqm pa	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% (National) GDP Growth	▲	▲
2.2% (Queensland) State Final Demand Growth	▲	▲
4.1% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW:

The Australian economy has reached an inflection point as the RBA has pivoted and started the rate cutting cycle. Against this backdrop growth is expected to accelerate throughout 2025 and 2026 on the back of improved consumer and business confidence. GDP growth for Q4 2024 reached 0.6% (1.3% year-on-year), while growth in the order of 2.1% is expected for 2025 and 2.5% for 2026. For Queensland, Gross State Product growth of 1.9% is expected for 2025, before jumping to 2.7% in 2026.

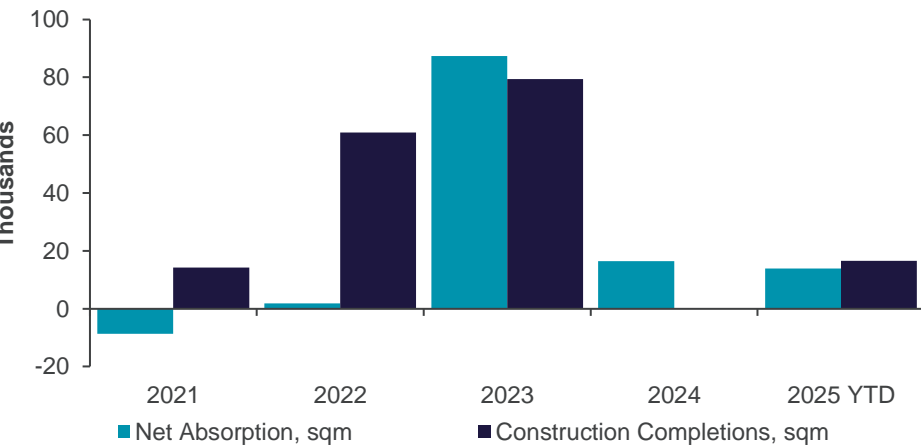
DEMAND:

Brisbane CBD has seen strong demand over the past three years; however, it is starting to ease. While premium and A-grade space continues to perform well, overall net absorption figures indicate a shift in momentum, currently recorded at -12,646 sqm over the past six months. This contrasts with the 26,552 sqm of positive absorption in H2 2024, indicating softening in demand. Despite this adjustment, tenant preference for higher grade assets remains evident, reinforcing the “flight to quality trend”. The Brisbane CBD continues to benefit from a resilient post-pandemic recovery, outperforming many other office markets across Australia. Looking ahead, higher grade spaces are expected to maintain stability throughout 2025.

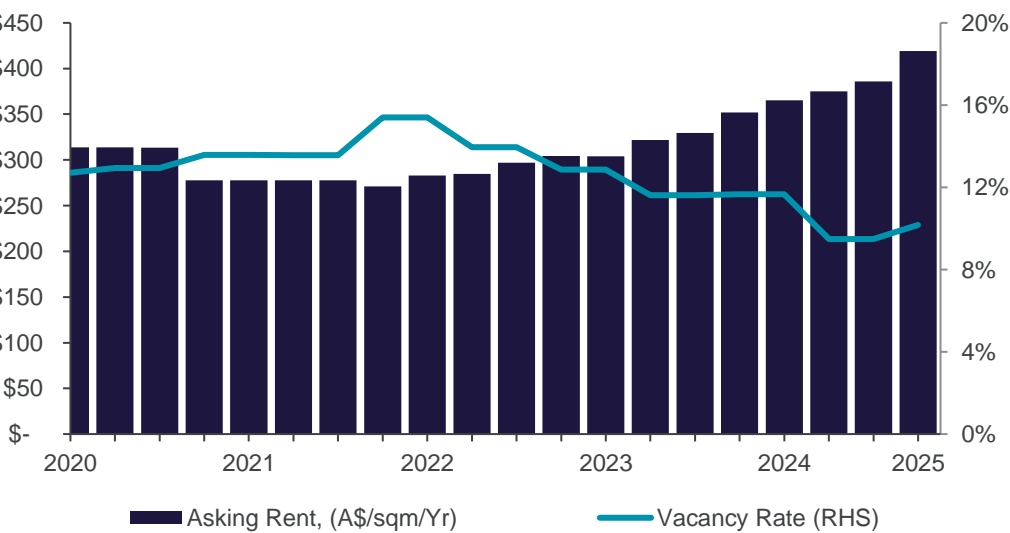
RENTS:

Brisbane’s CBD office market maintained its strong rental growth momentum into Q1 2025, building on the strong performance of the prior year. With limited supply additions entering the market, rents continue to face upward pressure in all grades. Prime net effective rents experienced the most substantial growth, now averaging \$419 per square metre per annum (sqm pa), marking a very strong 19% year on year (Y-o-Y) increase. Incentive levels for prime assets tightened to 36.6%, down from the 38.2% recorded for H2 2024. Secondary assets also experienced strong rental growth, with net effective rents climbing 21.7% Y-o-Y to \$277 sqm pa. Incentives in the secondary market sharpened to 39.5%, marking a decline from the constant 40.5% since Q2 2024. Overall, the Brisbane CBD office market is expected to maintain positive rental growth across both prime and secondary sectors throughout 2025.

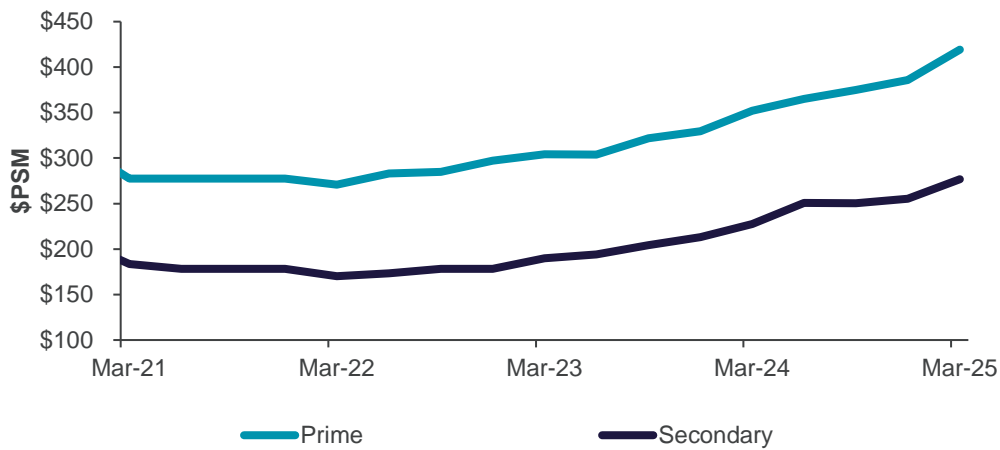
SPACE DEMAND / DELIVERIES



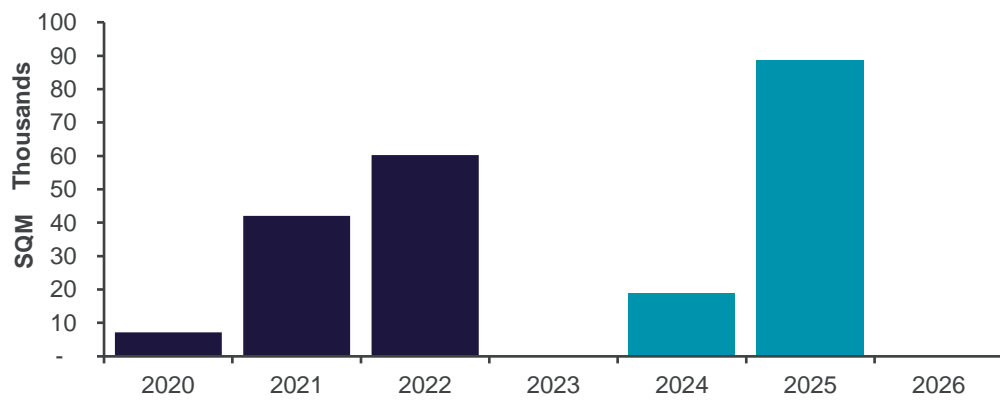
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



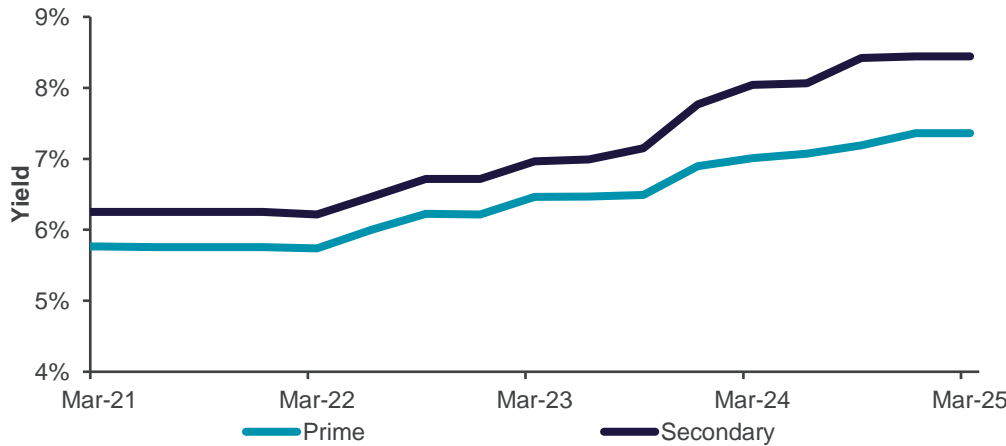
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Brisbane CBD vacancy rates have experienced a slight increase from 9.5% in H1 2024 to 10.2% in H2 2025, reflecting adjustments in market dynamics. Q1 2025 saw no new developments or major refurbishments entering the market, with the most recent supply addition being the 19,070 sqm major refurbishment of the Christie Centre, completed in Q2 2024. Looking ahead, significant new supply is scheduled for H2 2025, with majority subject to large pre-commitments. Key upcoming projects include the new development at 205 North Quay, delivering 42,700 sqm of A-grade space by late 2025, fully pre-committed by Services Australia. Another new development includes 360-380 Queen Street, adding 45,000 sqm of A-grade office space in Q4 2025, with 30,000 sqm already secured by Charter Hall. A 15,000 sqm premium grade refurbishment of 70 Eagle street is set to complete by Q3, with 50% of space pre-committed.

YIELDS:

The softening trend in Brisbane CBD office yields continued through Q1 2025, particularly across higher-grade assets. Premium yields has seen a period of delayed repricing after an extended period of stability, softening by 45 basis points (bps) Y-o-Y to 6.73% with a 20-bps decline since Q4 2024. Similarly, A-grade yields softened 44 bps over the past year, now averaging 7.74%, up slightly from 7.69% in Q4 2024. This movement has led prime grade yields to edge higher, reaching 7.45% and reflecting a 44-bps Y-o-Y softening. In contrast, secondary yields have remained stable at 8.44% since Q3 2024, demonstrating resilience amid market adjustments. Brisbane CBD yields have remained elevated compared to historical averages; however, the recent shifts indicate repricing in line with recent transactions. The outlook remains positive, while further adjustments may occur, the market is expected to find stability over 2025.

INVESTMENT MARKET:

After a year of strong transactional activity in 2024, investor confidence remains steady heading into 2025. Q1 2025 saw notable transactions, including the sale of 110 Mary Street to Avant Guard Property Group Pty Ltd for \$1.5 million from Bstbst Pty Ltd. Additionally, 355-357 Queen Street was sold for \$8.5 million to private investors from seller Naxon. With recent cash rate cuts boosting sentiment, 2025 is positioned to outperform 2024, as investors seek opportunities amid ongoing market adjustments. Increased interest in prime assets and stabilising yields is expected to drive transactional activity throughout the year.

OUTLOOK

- Economic growth is expected to strengthen further through 2025, as Gross State Product reverts to align with longer term averages.
- The outlook for the Brisbane CBD office market remains positive, with strong rental growth, low vacancy and an investment market that is showing signs of recovery despite ongoing challenges facing national and global office markets.
- Occupier demand is expected to remain focused on quality product and quality location. Though the lack of contiguous space across the prime market reduces options for some occupiers.
- New supply is expected to moderately lift vacancy in 2025. However, no new supply between 2026 and 2028 will aid vacancy decreasing back to single digit vacancy.
- Recent transaction activity suggest that yields are nearing the bottom of the cycle. With greater clarity on interest rate movement, investor confidence is returning to the Brisbane CBD market.

MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	6-MONTH NET-ABSORPTION (SQM)	UNDER CONSTRUCTION (SQM)	NET FACE RENT (\$ SQM PA)	AVERAGE GROSS INCENTIVES	AVERAGE OUTGOINGS (\$ SQM PA)
Premium	395,257	28,873	7.3%	-3,151	126,157	\$962	34.5%	\$232
A-grade	990,134	82,140	8.3%	-8,418	62,770	\$713	37.5%	\$203
Prime	1,385,391	99,444	8.0%	-11,569	188,927	\$784	36.6%	\$211
Secondary	697,743	92,353	13.2%	1,602	0	\$581	39.5%	\$189
TOTALS^	2,319,759	235,860	10.2%	-12,646	188,927			

\*Rental rates reflect full service asking

^ Total reflects all grades

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
300 Queen Street	CBD	Holding Redlich	3,192	Direct

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
110 Mary Street	CBD	Bstbst Pty Ltd / Avant Property Group	269	\$1.5
355-357 Queen Street	CBD	Naxon Pty Ltd / Private Buyer	1,190	\$8.5

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
205 North Quay	CBD	Services Australia	43,700	CBUS
360 Queen Street	CBD	BDO / HopgoodGanim	45,000	Charter Hall & Investa
70 Eagle Street	CBD		11,476	Hancock
Waterfront North Tower	CBD	Deloitte / Minter Ellison	72,500	Dexus

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