













MARKET FUNDAMENTALS

	YOY Chg	Outlook
21.6% Vacancy Rate		
-3,226 6-month Net Absorption, sqm		
\$340 Prime Net Effective, sqm pa		

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% (National) GDP Growth		
1.5% (New South Wales) 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.

An improvement in New South Wales’ Gross State Product is expected for 2025, with a 2.1% projected increase for the year before easing to 2.0% in 2026.

DEMAND:

Demand over H2 2024 varies across the Sydney metro markets, with Chatswood, Macquarie Park, and Parramatta recording positive absorption (albeit small) of 4,552 sqm, 3,809 sqm and 3,939 sqm, respectively. Conversely, precincts such as St Leonards recorded the most significant reduction, from -2,364 in H1 2024 to -14,037 sqm in H2 2024.

Looking ahead, the completion of key Sydney metro infrastructure projects and ongoing inter and intra precinct tenant movement trends are expected to drive stronger demand across both the CBD and metropolitan markets.

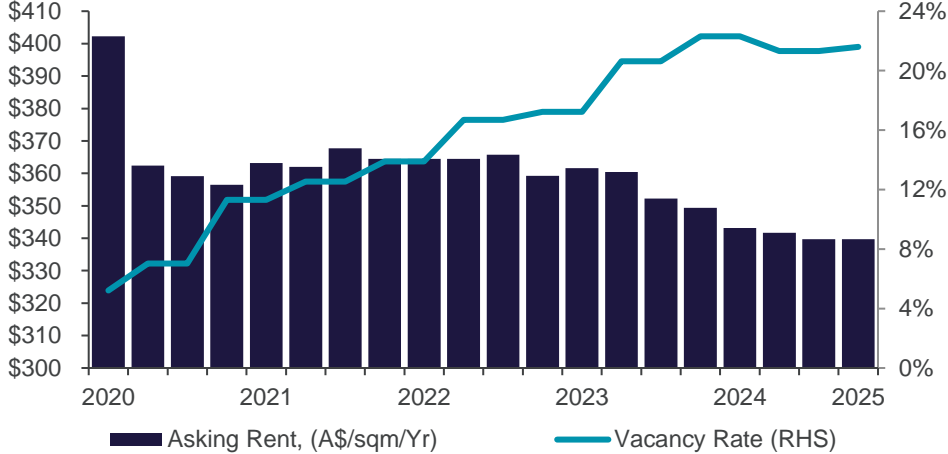
RENTS:

Average net effective rents have remained relatively stable for the Sydney Metro market throughout 2024 and Q1 2025 as a whole. However, rental growth profiles vary from market to market. Q1 A-grade net effective rents across Sydney metro saw a 0.4% year on year (Y-o-Y) increase to \$501 per square metre per annum (sqm pa). The secondary market saw a similar growth of 0.3% Y-o-Y, remaining at \$297 sqm pa since Q4 2024. Incentives have remained stable in both the prime and secondary markets, averaging 36% across both grades. As the wider metro markets continue to recover it is expected that there will be some upward pressure on rents, while incentives are expected to remain stable across 2025.

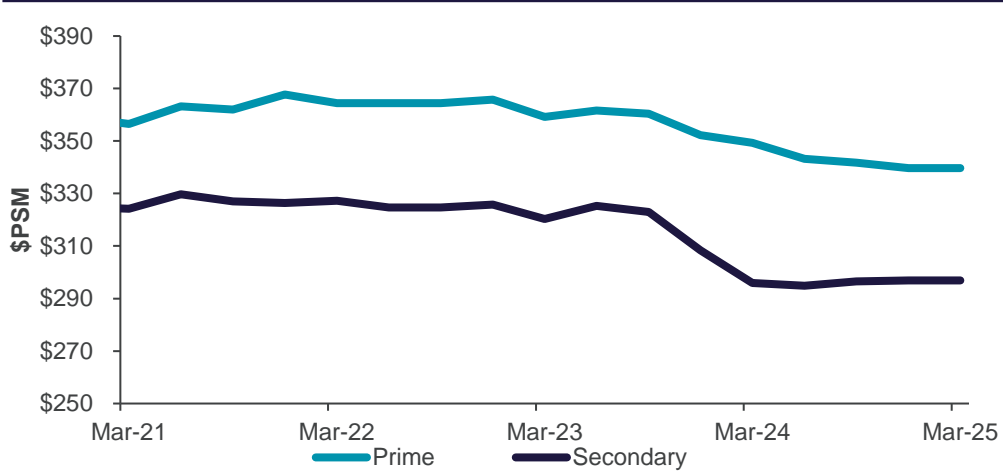
SPACE DEMAND / DELIVERIES



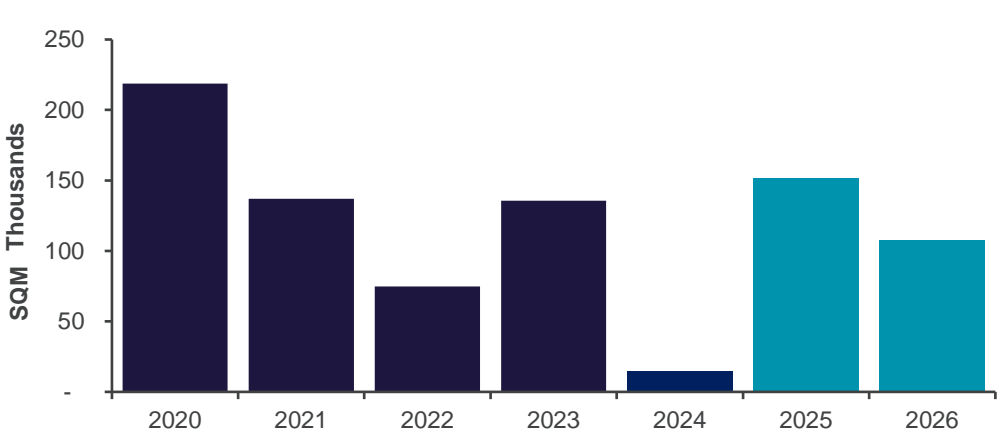
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



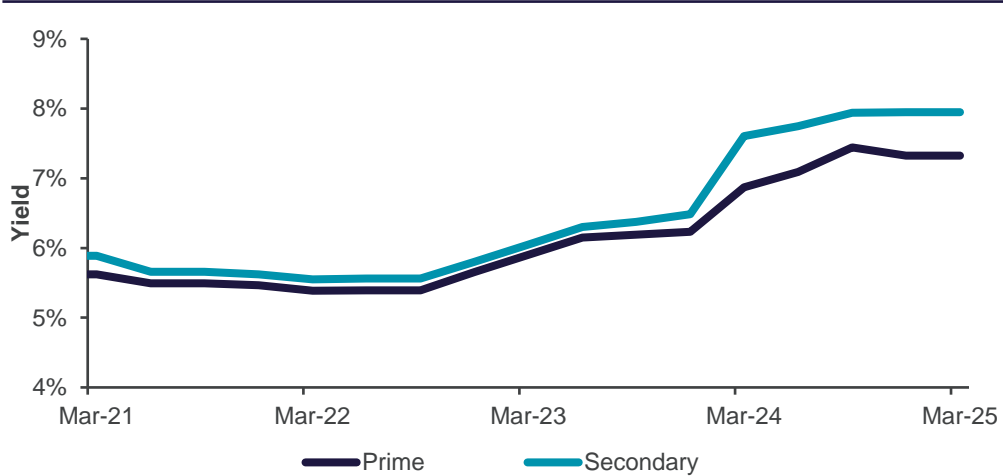
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Over 2024, Sydney's metropolitan area saw a subdued **20,754** sqm of new office supply enter the market. While in the six months to December 2024, circa 14,700 sqm has been withdrawn from the metro market, with the bulk being in Parramatta and Chatswood. 2025 was expected to see a further **130,000** sqm delivered over the course of the year, however a number of projects have now been pushed out and around 400,000 sqm has been mooted, significantly reducing the amount of stock to be delivered this year.

The major supply additions in 2025 include Lend Lease's new development of 55,000 sqm at **Victoria Cross Tower** in North Sydney, which is slated for completion in H2 2025. Additionally, Stockland's **MPark** on Khartoum Road will deliver 25,000 sqm across two buildings and is also expected to reach practical completion in H2 of this year.

YIELDS:

Prime office yields in Sydney's metro market continued to soften throughout most of 2024. Average prime yields increased 121 basis points from Q4 2023 to reach 7.33% in Q4 2024. Q1 2025 has seen yields stabilise and remain at Q4 levels. In the secondary market the story is the same, with yields remaining at Q4 2024 levels of 7.95%.

With the RBA pivoting and entering a cutting cycle, we expect to see a period of stabilisation across the metro markets, before fully entering the recovery cycle. As always, well positioned assets with strong tenant covenants are expected to outperform, while other assets may be slower to recover.

INVESTMENT MARKET:

Sydney Metro office transaction volumes remained subdued in Q1 2025, with no significant deals recorded. Historically, Q1 is the slowest quarter for transactions, and this trend has persisted. However, the outlook for the Q2 is considerably stronger, with a number of campaigns currently underway, including the 6,000 sqm Thales HQ, in Sydney Olympic Park.

Looking further ahead, several major on and off market campaigns are expected to run throughout Q3 and Q4. As a result, investment volumes are anticipated to rise significantly through to year-end, as demand for office stock continues to increase as the market continues to take steps in the recovery cycle.

OUTLOOK

- Economic growth is expected to strengthen in 2025 and through 2026, as Gross State Product reverts to align with longer term averages.
- The opening of the Sydney Metro is projected to boost occupier demand in nearby precincts, accelerating the recovery of certain areas.
- Through 2025 rental growth is expected in North Sydney, Macquarie Park and Parramatta, while the remaining markets see rents continue to stabilise.
- Vacancy is expected to remain relatively stable for the remainder of 2025, with positive absorption expected in North Sydney, Macquarie Park and Parramatta. However, St Leonards and Chatswood are expected to see negative absorption, keeping the average vacancy rate stable across Sydney Metro.
- No new supply in H1 2025 is expected to help aid the stabilisation of vacancy in the near term.

MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	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)
North Sydney	941,214	222,673	23.7%	-1,489	55,980	\$938	40%	\$161
St Leonards	357,418	108,927	30.5%	-14,037		\$665	40%	\$160
Chatswood	267,004	47,166	17.7%	4,552		\$686	38%	\$140
Parramatta	944,437	189,059	20.0%	3,939	5,000	\$591	35%	\$147
Macquarie Park	945,349	178,546	18.9%	3,809		\$488	31%	\$113
Sydney Olympic Park						\$447	32%	\$113
Pymont Ultimo						\$858	40%	\$165
Rhodes						\$475	34%	\$110
SYDNEY METRO TOTALS	3,455,422	746,371	21.6%	-3,226	55,000	\$644	36.3%	\$139

\*Rental rates reflect full service asking A-grade properties

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
700 Harris Street	Ultimo	Medecins Sans Frontieres Australia	1,000	Direct
8-24 Kippax Street	Surry Hills	Canva	10,000	Sub-lease
201 Pacific Highway	St Leonards	Relx Group	1,450	Direct
Victoria Cross Tower	North Sydney	NBN	9,000	Direct

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
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No notable transactions

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
Victoria Cross Tower	North Sydney	NBN	55,000	Lend Lease
15 & 17 Khartoum Road	Macquarie Park		25,000	Stockland

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