MARKETBEAT
BRISBANE CBD
OFFICE Q2 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.2% Vacancy Rate	▼	▲
-12,646 6-month Net Absorption, sqm	▼	▼
$448 Prime Net Effective, sqm pa	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% (National) GDP Growth	▲	▲
2.1% (Queensland) State Final Demand Growth	▲	▲
4.1% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW:

The Reserve Bank of Australia responded to continued disinflation and the ongoing tariff negotiations by cutting rates in May for the second time this year as the central bank's focus has shifted from fighting inflation to supporting growth and maintaining full employment. Against this backdrop, growth is expected to improve throughout 2025 and 2026 on the back of improved consumer and business sentiment. GDP growth slowed in Q1 2025 reaching 0.5% (1.3% year-on-year but is forecast to recover to 1.8% by the end of the year and 2.1% for 2026). Queensland economic growth is expected to grow at a faster rate than most other states, with Gross State Product to increase by 2.1% in 2025 and 2.7% by 2026.

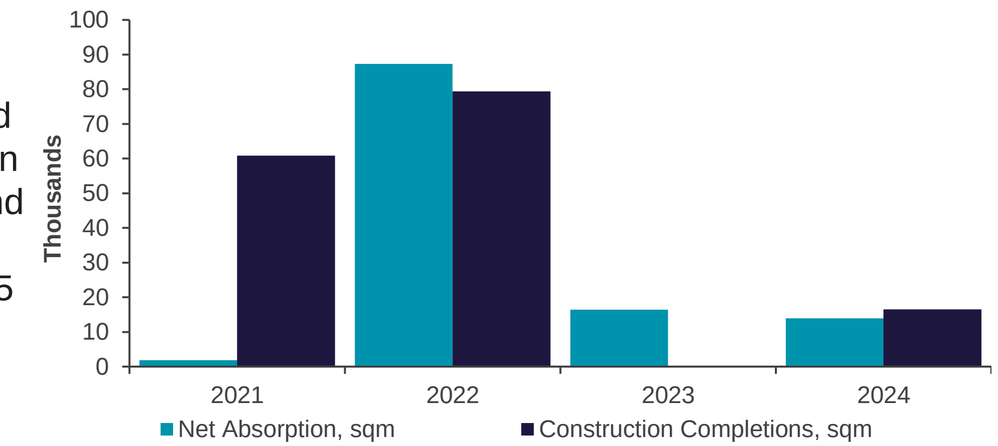
DEMAND:

Demand in Brisbane's CBD office market has remained steady through Q2 2025, with activity continuing to centre around higher-quality assets. While net absorption has moderated to -12,646 sqm over the past six months following a strong H2 2024, the ongoing preference for Premium and A-grade assets reinforces the flight-to-quality trend. With several pre-committed supply additions due later in 2025, tenant movement is expected to lift in H2, particularly among larger occupiers seeking upgraded space. Overall, demand remains evident for high-quality and well-located assets in Brisbane's office market, supported by rising effective rents and tightening vacancy.

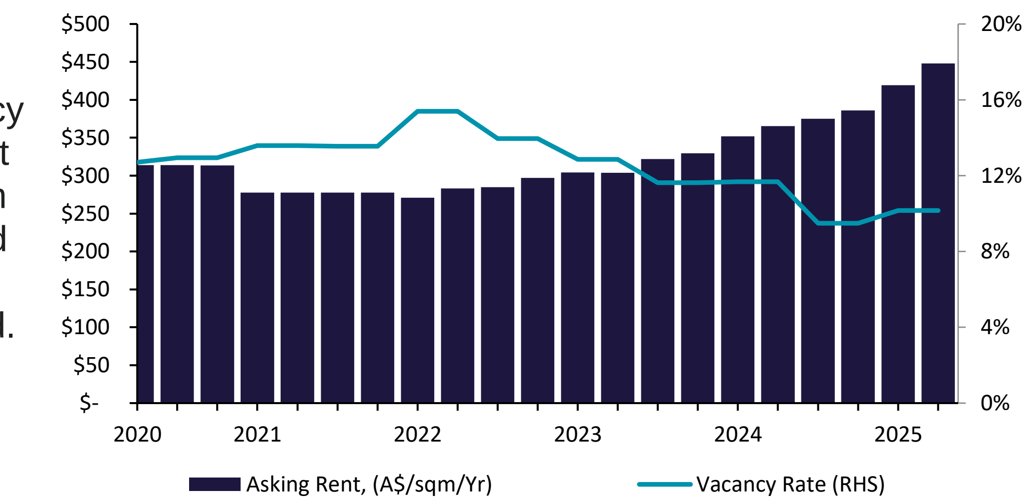
RENTS:

Brisbane's CBD office market has continued its upward rental growth trajectory through Q2 2025, with momentum rising across both prime and secondary grades. Tight vacancy and limited supply additions has contributed to this upward pressure on rents. Prime net effective rents have increased to an average of $448 per square metre per annum (sqm pa), reflecting a sharp 22.6% year-on-year (Y-o-Y) increase. Prime incentives continued to compress, now averaging 35.1%, down from the heightened 38.2% through 2024. Secondary assets also experienced solid growth; however, the pace has slightly slowed. Net effective rents increased to $289 sqm pa, showing considerable Y-o-Y growth of 15.3%. Incentives remained steady at 39.5%, having declined from the longer-term average of 40.5% through the second half of 2024. Overall, Brisbane's CBD office market remains in a rental upswing led by the prime segment. Further growth is expected as occupiers compete for limited high-quality assets and landlords continue to push back incentives in response to tightening conditions.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME NET EFFECTIVE RENT



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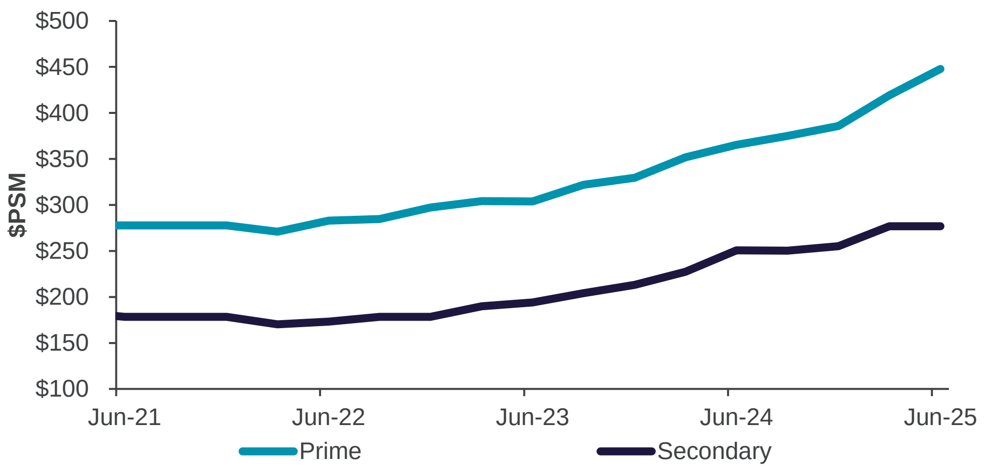
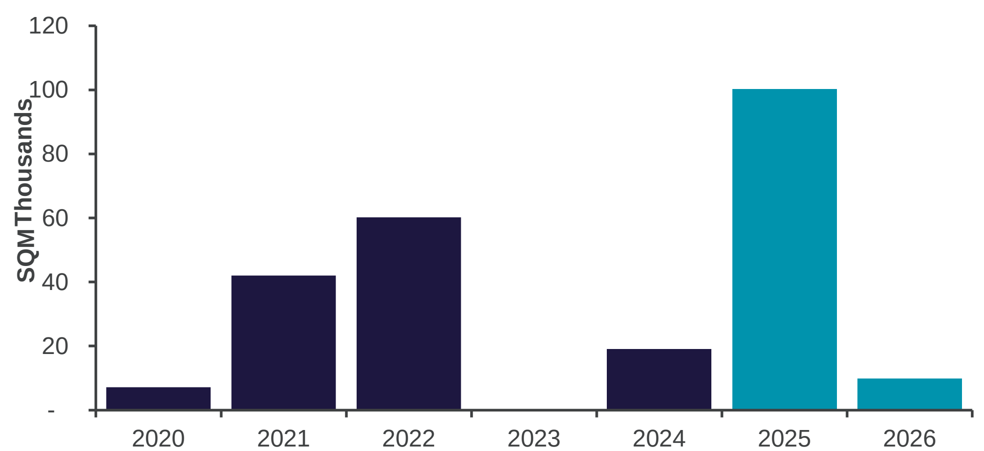
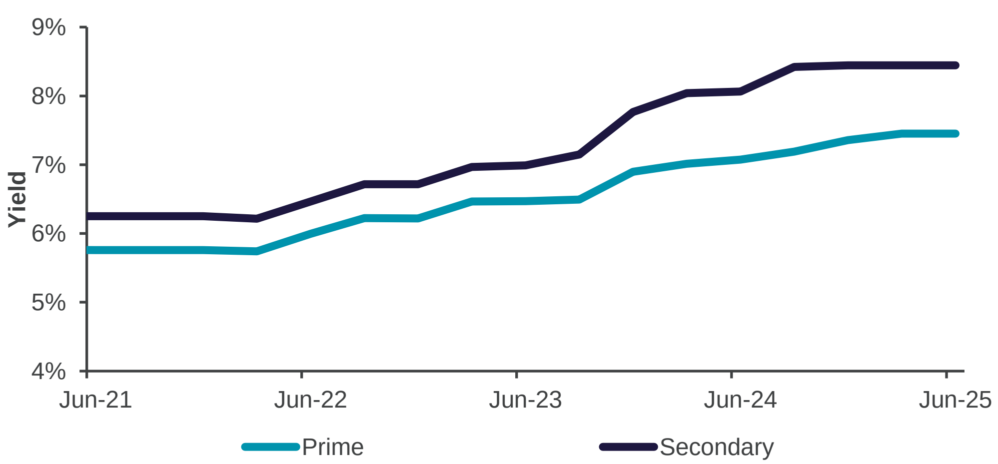
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Brisbane CBD office vacancy has lifted slightly to 10.2% in January 2025, up from 9.5% in July 2024, as the market absorbed earlier supply additions and leasing activity regulated. While no new supply additions were delivered in Q2 2025, several major developments are set to recalibrate the market in the second half of the year. The completion of 205 North Quay will deliver 43,700 sqm to market in Q4, fully pre-committed by Services Australia, reinforcing ongoing demand for high quality space. The new development at 360-380 Queen Street is also set to complete by Q4, adding 45,000 sqm of premium office space, with 35,000 sqm already pre-committed. In addition, the 11,476 sqm major refurbishment of 70 Eagle Street is progressing towards its Q3 completion and works have started on the refurbishment of 450 Queen Street due for completion H1 2027. This uplift in supply completions will temporarily lift headline vacancy later in the year, however the high levels of precommitments should soften its overall impact. The current supply pipeline reflects Brisbane CBD as an attractive core market to investors, with a focus on delivering high-quality assets for tenant demands.

YIELDS:

Brisbane CBD office yields were flat in Q2 2025, following a period of softening across the previous year. Premium grade yields held steady at 6.73%, unchanged from Q1 but 45 basis points (bps) higher year-on-year (Y-o-Y), marking the full adjustment after a delayed repricing phase. A-grade yields similarly remained flat at 7.74%, reflecting a 44-bps Y-o-Y increase. Consequently, prime grade yields also held at 7.45% and up 44 bps over the year. Secondary yields continued to demonstrate stability, holding firm at 8.44% for the third consecutive quarter. While yields remain elevated compared to historical averages, the minimal movement in yields indicates the market is entering a period of pricing stabilisation.

INVESTMENT MARKET:

Transaction volumes continued to build momentum in Q2 2025, supported by improved investor appetite for well-located and high-quality assets. Two major deals occurred this quarter, including Charter Hall selling 83-85 George Street to Stadia Capital for $29.9 million. Additionally, 53 Albert Street was sold by JP Morgan Asset Management for $68.2 million to buyer NTT. These transactions reflect growing confidence in the Brisbane office market, particularly for high quality assets in the CBD. Following the uplift in sentiment seen in Q1, the pipeline of capital remains active, underpinned by stabilising yields and an improving macroeconomic outlook. As interest rates begin to cut, further uplift in investment activity is anticipated over the second half of 2025.

OUTLOOK

- Economic growth is expected to strengthen further through 2025, as Gross State Product moderates slightly to align with longer term averages through 2026 and 2027.
- The outlook for the Brisbane CBD office market is expected to remain resilient over the second half of 2025, underpinned by strong rental growth and firm demand for high-quality assets, though limited availability may constrain leasing activity.
- 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.
- The upcoming completion of several major developments in H2 2025 will temporarily lift vacancy; however high levels of pre-commitment should help mitigate the impact.
- Yield adjustments have stabilised, and recent sales activity suggests that market repricing has largely stabilised.

BRISBANE CBD
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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	$979	34.0%	$232
A-grade	990,134	82,140	8.3%	-8,418	62,770	$734	35.5%	$203
Prime	**1,385,391**	**99,444**	**8.0%**	**-11,569**	**188,927**	**$804**	**35.1%**	**$211**
Secondary	697,743	92,353	13.2%	1,602	0	$601	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 Q2 2025

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
133 Mary Street	CBD	Mantel Group	808	Direct
71 Eagle Street	CBD	DWF	1,000	Direct

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
83-85 George Street	CBD	Charter Hall Long WALE REIT / Stadia Capital	113,194	29.9
53 Albert Street	CBD	JP Morgan Asset Management / NTT	205,151	68.2

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
450 Queen Street	CBD		17,500	PGIM Real Estate

LOCAL LEADS

JAKE MCKINNON

Associate Director,
National Research
Tel: +61 (0) 410 611 548
jake.mckinnon@cushwake.com

JACK NEUMANN

Manager,
Sales & Leasing, QLD
Tel: +61 (0) 435 561 040
jack.neumann@cushwake.com

JONATHAN SCOTT

Director,
Tenant Advisory Group
Tel: +61 (0) 451 104 221
Jonathan.scott@cushwake.com

NATIONAL LEADS

JOSH CULLEN

Head of Capital Markets,
Australia and New Zealand
Tel: +61 (0) 438 351 113
josh.cullen@cushwake.com

TIM MOLCHANOFF

Head of Office Leasing,
Australia and New Zealand
Tel: +61 (0) 411 726 663
tim.molchanoff@cushwake.com

MICHAEL KEARINS

Managing Director,
Tenant Advisory Group ANZ
Tel: +61 (2) 9474 4346
michael.kearins@cushwake.com