MARKETBEAT
MELBOURNE FRINGE
OFFICE Q3 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
23.5% Vacancy Rate (Total Market)	▲	▲
-18,164 6-month Net Absorption, sqm (St Kilda/Southbank)	▼	▼
$327 Prime Net Effective, sqm pa (Total Market)	▲	▲

**Total Market refers to St Kilda, Southbank, Richmond/Cremorne, Collingwood/Fitzroy*

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.8% (National) GDP Growth	▲	▲
1.7% (Victoria) State Final Demand Growth	▲	▲
4.3% (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. Oxford Economics forecasts Victoria's gross state product to increase 2.6% over 2025, before recovering to grow 3.1% in 2026.

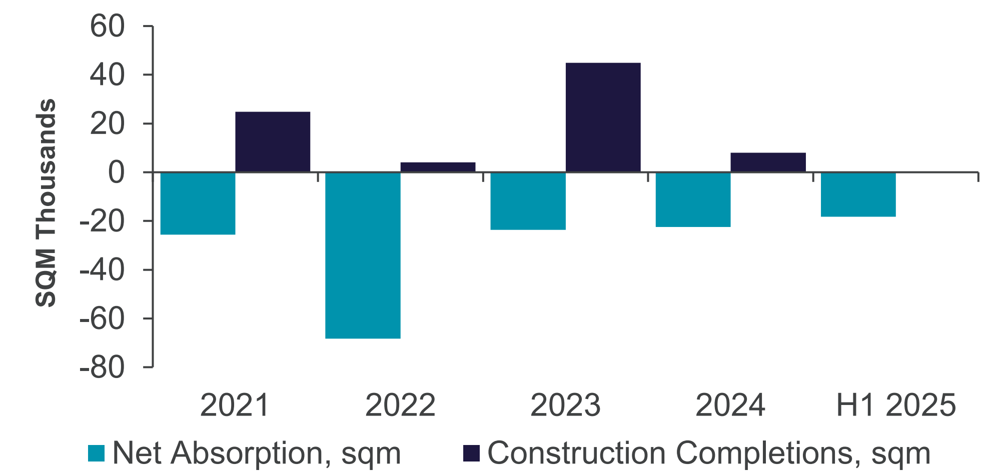
DEMAND:

In Q3 2025, Melbourne's fringe office markets are showing signs of recovery, fuelled by rising demand from businesses seeking more affordable alternatives to the CBD. These areas continue to attract creative industries, tech startups, and small enterprises thanks to their lower rental costs. However, net absorption across St Kilda Rd and Southbank for the six months to July 2025 has dropped to -18,164 sqm, down from -6,066 sqm in January 2025, indicating increased space being vacated and a rise in vacancy rates to 23.5%. Despite this, the outlook for the remainder of 2025 remains positive, with modest growth anticipated as interest rate cuts begin to take effect.

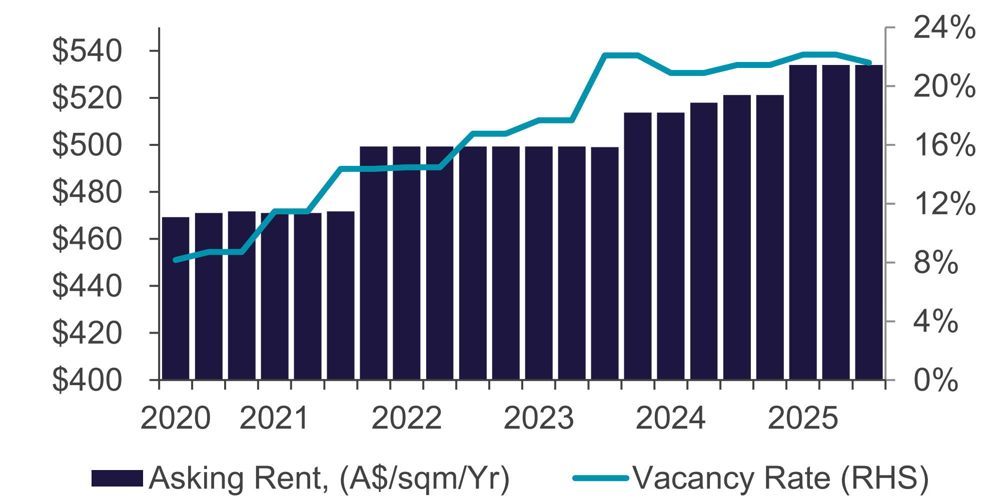
RENTS & INCENTIVES:

Rents and incentives in Melbourne's fringe office markets are trending upward. Southbank has seen a modest increase in both rents and incentives, while St Kilda Road has remained relatively stable. In Richmond and Cremorne, rental rates are rising, accompanied by a slight uptick in incentives. Southbank's A-grade net effective rents grew by 2.8% over Q3 2025, reaching $370 per sqm. St Kilda Road rents held steady at $265 per sqm. Net incentives currently average 45% in Southbank and 49% in St Kilda Road. Outgoings as of Q1 2025 are averaging $210 per sqm per annum in Southbank and $171 per sqm in St Kilda Road.

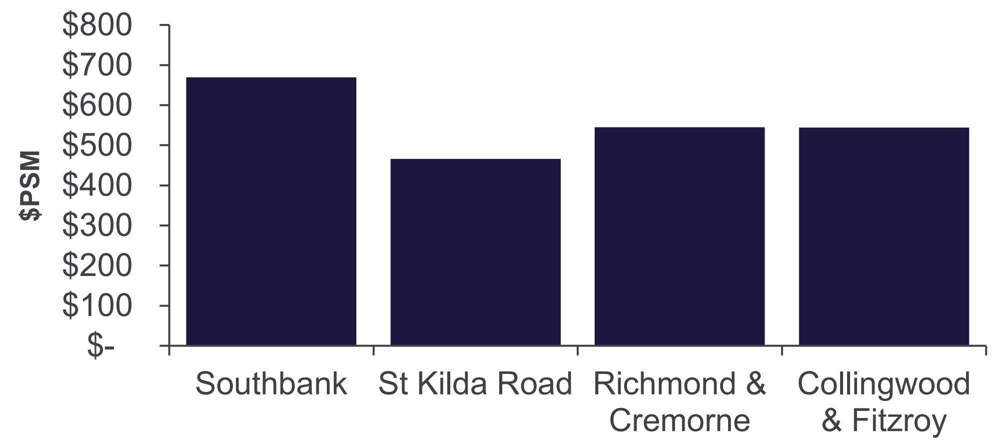
SPACE DEMAND / DELIVERIES



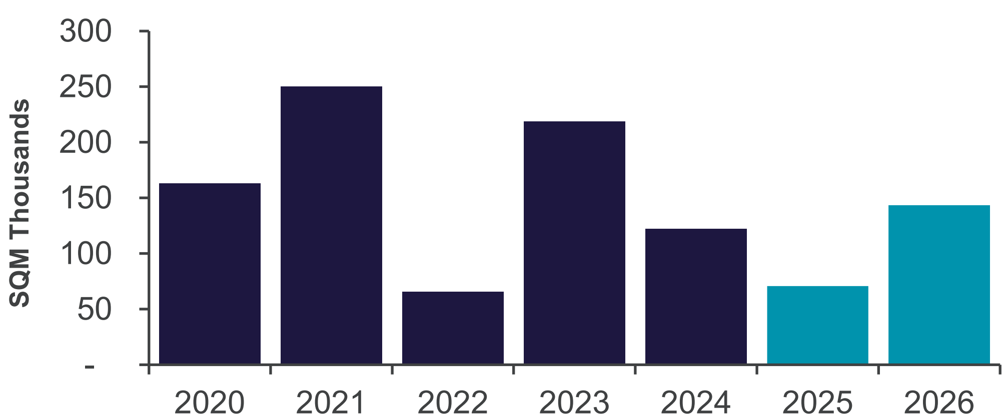
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



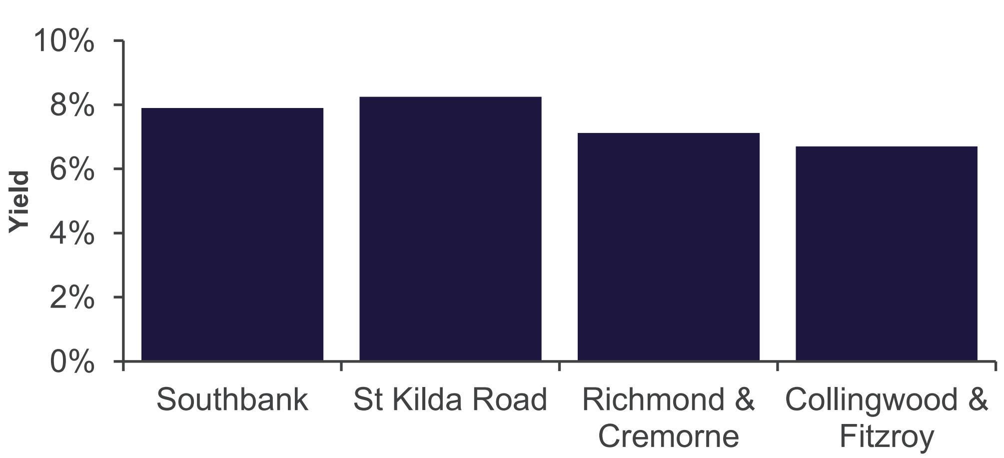
AVERAGE NET FACE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Vacancy rates in Melbourne's fringe office markets have risen as of July 2025. St Kilda Road now records a vacancy rate of 28.8%, while Southbank has increased from 14.4% to 15.8%. This uptick is largely driven by a rise in direct vacancy, with 5,113 sqm of office space newly available for lease, alongside 4,389 sqm of space withdrawals.

Recent completions include 5,500 sqm at 86–94 Jolimont Street in East Melbourne, delivered by Harris Capital. Looking ahead, significant new supply is expected in the second half of 2025, notably 17,900 sqm at 31–53 Cremorne Street in Cremorne by Vicland, and 12,000 sqm at 31–35 Victoria Parade in Fitzroy by ISPT, both scheduled for completion by end of Q3 2025.

YIELDS:

Yields across Melbourne's fringe office precincts have softened. In Southbank, A-grade yields increased from 7.40% in Q3 2024 to 7.90% in Q3 2025, while St Kilda Road saw a rise from 7.75% to 8.25% over the same period. B-grade yields in St Kilda Road edged up from 8.15% to 8.30%. Richmond and Cremorne also recorded an uplift in A-grade yields, moving from 6.63% to 7.13%. These shifts point to a cooling in investor sentiment, potentially reflecting a preference for more affordable or lower-risk assets. Nonetheless, well-positioned, high-quality properties continue to present attractive investment opportunities despite the broader softening.

INVESTMENT MARKET:

Office investment activity in Melbourne's fringe markets has remained subdued throughout early 2025. A notable transaction was the sale of 1111 High Street, Armadale, which changed hands for $27.8 million from Strata Amalgamation to a private investor. This reflects the cautious tone in the market, with limited trading activity, particularly in secondary locations. While overall sentiment remains restrained, well-located, high-quality assets, especially those within the immediate vicinity of upcoming Anzac Train Station along St Kilda Road, continue to attract strong interest.

Since Q2, several campaigns have been brought to market in St Kilda Road. While most assets are still progressing through the sales, 417 St Kilda Road is currently in due diligence with Solomon Lew at a reported price of approximately $90 million, reflecting strong market interest. Similarly, 412 St Kilda Road has also received a positive response. Overall, Melbourne's improving economic conditions and the recent rate cut have helped lift investor confidence, suggesting the city is well-positioned for long-term growth as the easing cycle progresses.

OUTLOOK

- Economic growth has gained momentum in 2025, with GDP rising by 1.8%. The rate-cutting cycle is now underway, bringing the cash rate down to 3.6%.
- The outlook for Melbourne's Fringe office market remains mixed. While demand for prime assets continues to be strong, interest in secondary assets is more subdued. However, well-priced and recently refurbished secondary offices are attracting attention, whereas older, unrenovated buildings are seeing little change in demand.
- New supply in the Fringe market is expected to remain moderate in the short to medium term, with most developments anticipated towards the end of 2025.
- Transaction volumes continue to be subdued, indicating ongoing investor caution. However, investment activity is projected to increase as economic conditions improve throughout 2025 and 2026.

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)
Southbank	416,232	65,762	15.8%	249	0	$675	34%	$210
St Kilda Road	612,314	176,452	28.8%	-18,313	0	$520	37%	$171
Richmond/Cremorne	-	-	-	-	38,400	$600	32.5%	$154
Collingwood/Fitzroy	-	-	-	-	0	$548	34%	$131
TOTALS	**1,028,546**	**242,214**	**23.5%**	**-18,164**	**38,400**	**$586**	**34.4%**	**$166.5**

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

^Reflects precinct totals for all grades

~ Reflects all grades and all fringe precincts

KEY LEASE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
33 Cremorne Street	Cremorne	Caleb & Brown	735	Direct
412 St Kilda Road	St Kilda Road	Greenrock Advisory	712	Direct
54 Wellington Street	Collingwood	Sportable	530	Direct
380 St Kilda Road	St Kilda Road	Danone	410	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
1111 High Street	Armadale	Strata Amalgamation/ Private	2,417	$27.8

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
2-10 River Street	South Yarra	Gurner, BUPA & Autograb	6,991	Alfasi Group
31-53 Cremorne Street	Cremorne	Puma & The Commons	17,900	Vicland
88 Green Street	Cremorne	n/a	9,000	LK Group

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