

MARKET FUNDAMENTALS

	YOY Chg	Outlook
13.7% Vacancy Rate	▲	▼
10,298 6-month Net Absorption, sqm	▲	▲
\$807 Prime Net Effective, sqm pa	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.8% (National) GDP Growth	▲	▲
1.8% (New South Wales) State Final Demand Growth	▲	▲
4.3% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW:

The demand side of the economy remains robust, though likely only in the short term. A rebound in demand drove inflation higher in July, with CPI rising to 2.8% year-on-year from 1.9% in June, largely due to the expiration of electricity subsidies. This rebound in inflation has tempered expectations for an imminent rate cut at the Reserve Bank of Australia’s (RBA) meeting on 30 September. Meanwhile, GDP grew by 0.6% quarter-on-quarter in Q2, up from 0.3% in Q1, driven primarily by stronger private consumption, with forecasts expecting GDP to continue to improve through 2025 and 2026. New South Wales’ gross state product is projected to grow 1.3% through 2025, before picking up to 1.5% in 2026, then improving significantly to 2.3% growth in 2027.

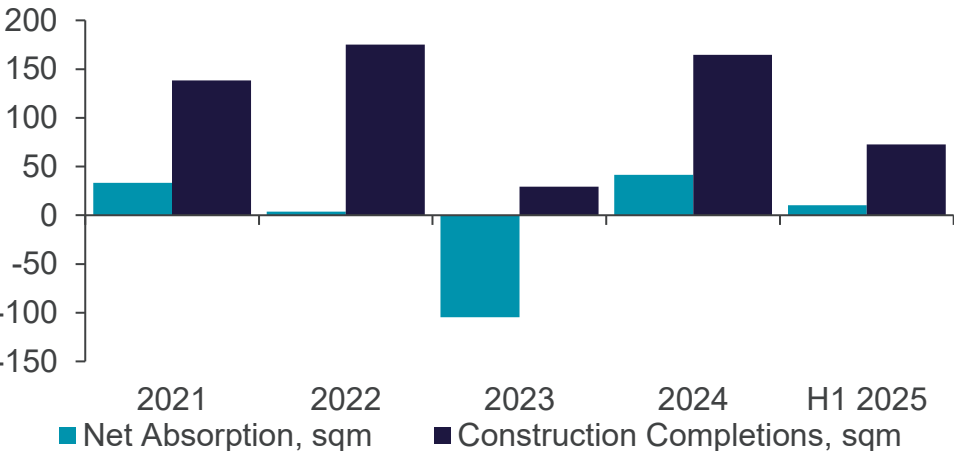
DEMAND:

Leasing activity in the Sydney CBD office market moderated in Q3 2025, with approximately 10,300 sqm of net absorption recorded. This marks a step down from the previous periods 46,200 sqm, suggesting a more measured pace of demand. While activity picked up through August and September following a quieter July, overall momentum remains subdued. The average brief size is currently around 1,200 sqm, up from 730 sqm a year ago, through this is increasingly driven by a smaller pool of larger tenants. This shift reflects ongoing consolidation among major occupiers, with many reassessing space needs in light of evolving workplace strategies.

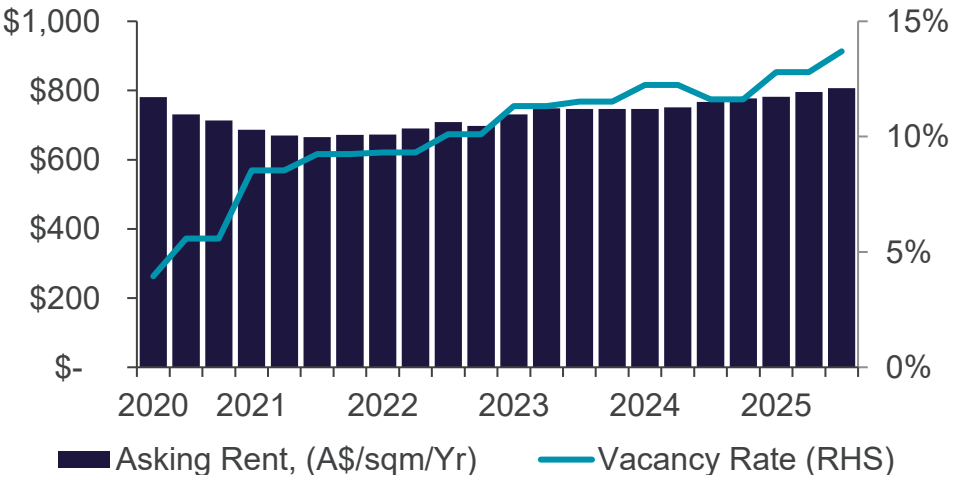
RENTS:

Net effective rents in the Sydney CBD continued to increase in Q3 2025, led by premium-grade assets in the CBD Core, where the ‘flight to centrality’ trend remains a key driver. Premium rents rose to \$902 per square metre per annum (sqm pa), marking a 9.8% year-on-year (Y-o-Y) increase, while incentives hold steady at 35.7%, maintaining the compression seen over the past year. A-grade assets also saw growth, with net effective rents rising 2.3% Y-o-Y to \$732/sqm pa, and incentives easing slightly to 36.8%, down from 36.9% last quarter. Conditions in the secondary market remain challenging, with net effective rents seeing negative growth of 5.8% Y-o-Y to \$508/sqm pa, as rising incentives, now at 40.9%, continue to place downward pressure on rents. Overall, prime grade assets in the Sydney CBD office market continue to outperform amid strong demand and stable incentives, while secondary stock faces ongoing headwinds.

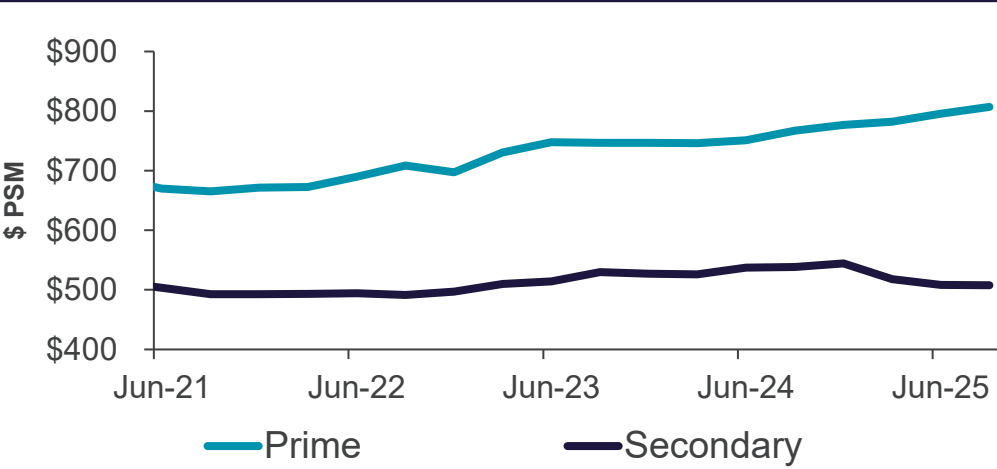
SPACE DEMAND / DELIVERIES



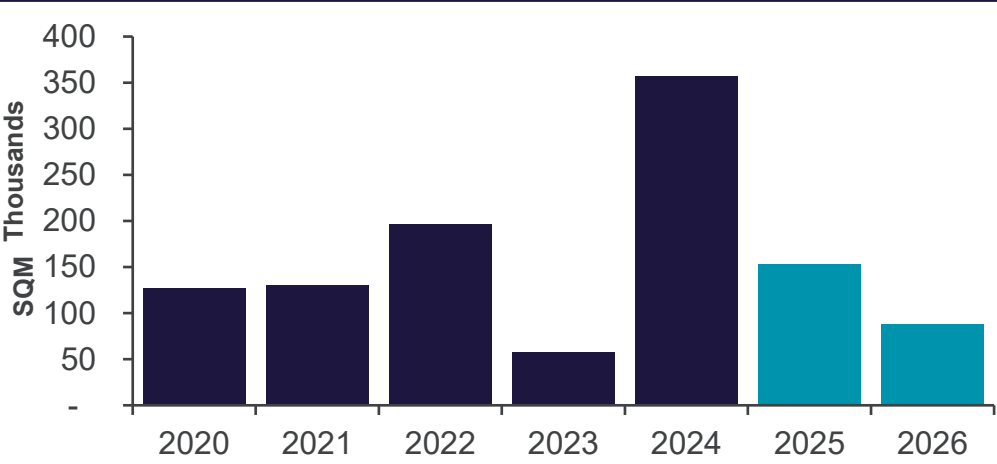
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



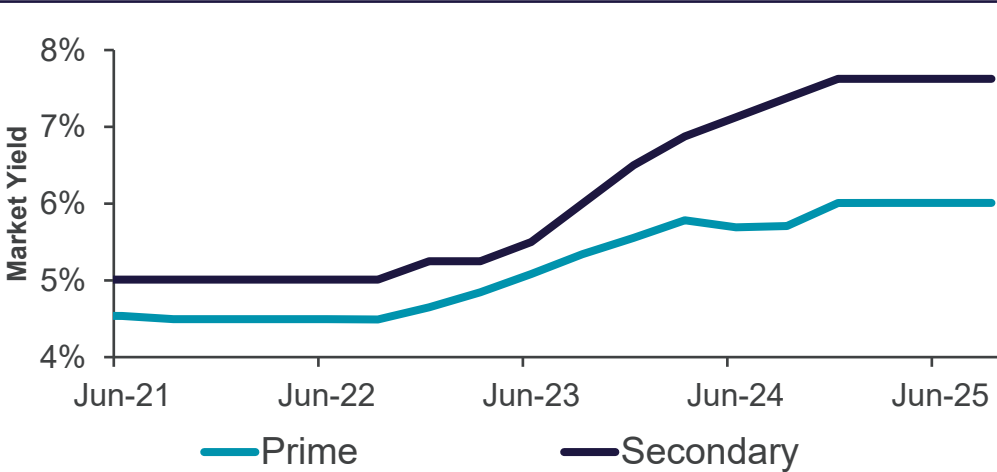
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

The Sydney CDB office market continues to see upward pressure placed on vacancy as new supply enters the market, now at 13.7%, up from 12.8% previously. The most significant addition this quarter was the new development at 33 Alfred Street which delivered 31,657 sqm of Premium-grade space, already reaching 85% occupancy ahead of the completion. Strong tenant commitments include Allens, occupying 11,000sqm across the top nine floors, Pinsent Masons committing to circa 2,600 sqm, as well as BlackRock committing to 2,500sqm. While leasing activity has remained active, the volume of new completions has outpaced absorption, contributing to elevated vacancy. Premium-grade vacancy has declined, down to 9.8% from 10.9%, reflecting ongoing demand for centrally located, high-quality buildings. The development pipeline remains active, with several prime-grade projects nearing completion. These include the refurbishment of 1 Shelley Street, set to deliver 32,000 sqm of A-grade space, with 10,000 sqm pre-committed by WPP. Additionally, the 10,300 sqm refurbishment at 1 Martin Place, with RSM taking 3,700sqm across two floors as well as Metrics Credit Partners occupying the 16th floor. The market remains focused on quality, with new and refurbished prime-grade assets continuing to dominate supply.

YIELDS:

Sydney CBD office yields remained steady through Q3, continuing the consolidation trend observed since late 2024. Prime-grade assets held firm at 6.01%, supported by consistent demand for high-quality, centrally located buildings. Secondary yields also remained unchanged at 7.63%, reflecting a cautious but stable investment environment. While pricing movement has been limited, transaction activity has picked up in recent months, with several major deals recorded and strong inspection volumes indicating improving sentiment. As new supply enters the market and vacancy adjusts accordingly, yields are expected to remain broadly stable in the near term, with any softening likely to be selective and asset-specific.

INVESTMENT MARKET:

Sydney’s CBD office investment market saw a modest uptick in activity during Q3, following a quiet Q2. Key transactions included 75 Elizabeth Street, sold by offshore vendor Kingold Group to domestic buyer Sydney Catholic Archdiocese for \$97 million and 400 Kent Street, sold by domestic buyer Terraform Capital to offshore investor Cambridge RE Partners for \$112.6 million. Additionally, there was the sale of 400 Barangaroo Avenue, acquired by a local hospitality operator Oscars Group for \$30.1 million from Lendlease. The stabilisation of yields continues to support buyer confidence, with investor interest holding firm across both domestic and offshore capital sources. Leasing activity also remained active, with four deals recorded in the CBD, primarily concentrated in the Western precinct.

OUTLOOK

- Economic growth is expected to strengthen through the remainder of 2025 and through 2026, as Gross State Product continues improve.
- The outlook for the Sydney CBD office market remains in a transitional phase through 2025, with prime-grade assets continuing to lead performance amid broader market recalibration.
- Leasing momentum may remain uneven, driven by consolidation among major occupiers and selective demand for quality space.
- Vacancy is likely to stay elevated in the near term as new supply outpaces absorption, though high pre-commitments should support rental stability.
- Investment sentiment is gradually improving, supported by stabilised yields and renewed interest from both domestic and offshore capital.

MARKET STATISTICS

Grade	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)
Premium	1,586,254	155,898	9.8%	44,841		\$1,544	36%	\$253
A-grade	1,962,401	344,484	17.6%	-10,964		\$1,297	37%	\$238
Prime	3,548,655	500,382	14.1%	33,877	316,500	\$1,154	36%	\$244
Secondary	1,238,741	178,167	14.4%	-21,068		\$1,015	41%	\$226
Sydney CBD Totals^	5,367,514	678,527	13.7%	10,298	316,500`			

*Rental rates reflect full service asking

^ Total reflects all grades

` Includes refurbishments

KEY LEASE TRANSACTIONS Q3 2025

Property	Submarket	Tenant	SQM	Type
33 Alfred Street	City Core	Allens	10,771	Direct
347 Kent Street	Western	CreativeCubes.Co	2,718	Direct
Darling Park 1 – Stage 2	Western	Standards Australia	2,700	Direct
333 Kent Street	Western	Tank Stream Labs	1,139	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2025

Property	Submarket	Seller/Buyer	SQM	Price (AUD M)
400 Kent Street	City Core	Terraform Capital/Cambridge RE Partners	10,461	111.6
75 Elizabeth Street	City Core	Kingold Group/Sydney Catholic Archdiocese	26,531	97.0
400 Barangaroo Avenue	City Core	Lendlease/Oscars Group	1,773	30.1

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

Property	Submarket	Major Tenant	SQM	Owner/Developer
121 Castlereagh Street	Midtown	-	11,500	CBUS Property
Darling Park 1 – Stage 3	Western	-	17,000	GPT/MIRVAC
33 Alfred Street	City Core	-	31,657	Dexus/Mirvac

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