

MARKET FUNDAMENTALS

	YOY Chg	Outlook
22% Vacancy Rate		
-43,062 6-month Net Absorption, sqm		
\$340 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.

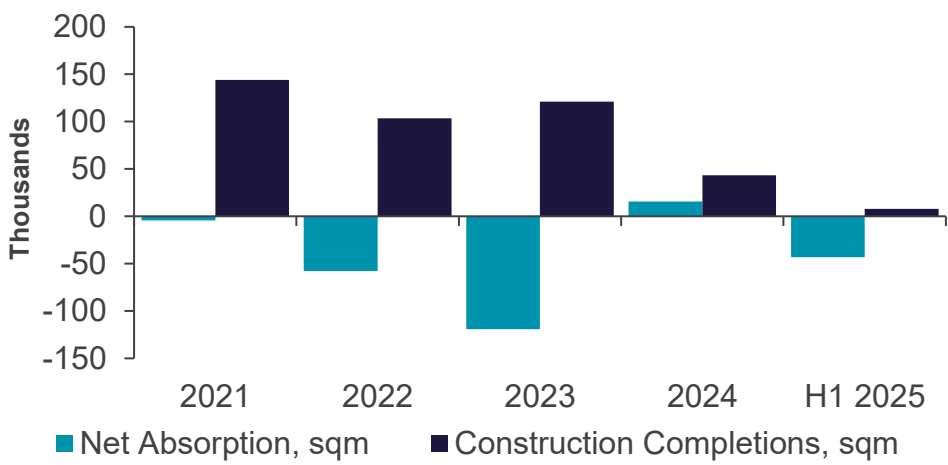
DEMAND:

Demand across Sydney’s metro office markets softened over H1 2025, with most precincts recording negative net absorption. Macquarie Park saw the largest decline at -30,890 sqm, reversing earlier gains, while Chatswood and Parramatta also contracted by -6,581 sqm and -2,896 sqm, respectively. North Sydney only recorded a modest fall of -3,513 sqm, whereas St Leonard’s was the only precinct to record positive absorption of 1,088 sqm. Looking ahead, tenant movement is expected to remain selective, with activity concentrated in flight to quality relocations and precincts benefiting from strong infrastructure connectivity.

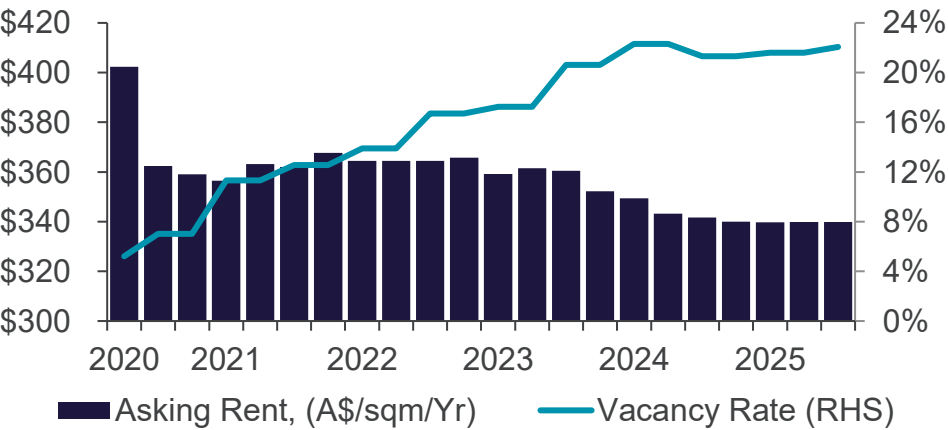
RENTS:

Average net effective rents across the Sydney Metro office market remained flat through Q3 2025, extending the trend observed throughout 2024 and the first half of the year. Rental growth continues to vary by submarket, but overall movement has been minimal due to limited transactional activity this quarter. A-grade net effective rents recorded a marginal 0.1% decline year-on-year (Y-o-Y), now averaging \$361 per square metre per annum (sqm pa), while secondary rents remain at \$293/sqm pa. Incentives have held steady across A-grade and secondary assets, averaging 36.6% and 37.6%, respectively. The rise in vacancy, driven by additional supply entering the market, has placed further pressure on rental growth. While demand is expected to gradually improve, rents are likely to remain subdued in the near term, with incentives to stay stable through the remainder of 2025.

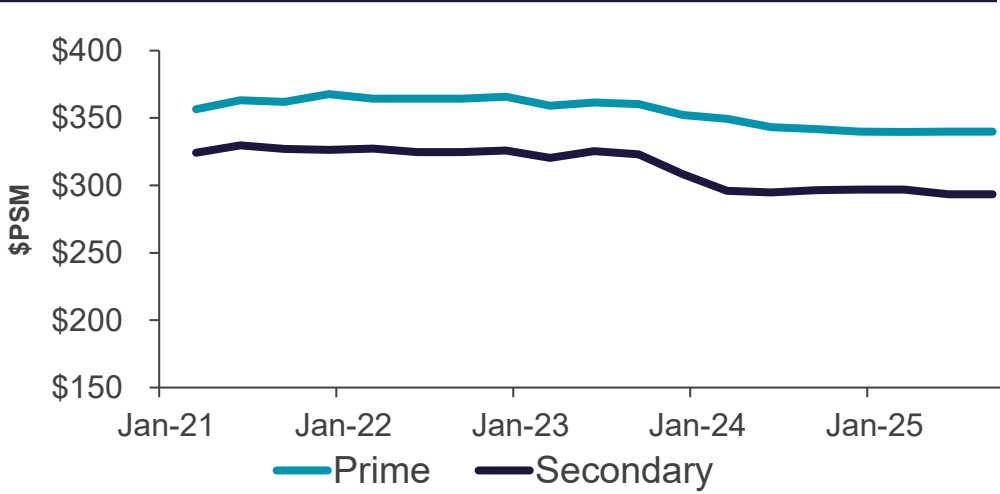
SPACE DEMAND / DELIVERIES



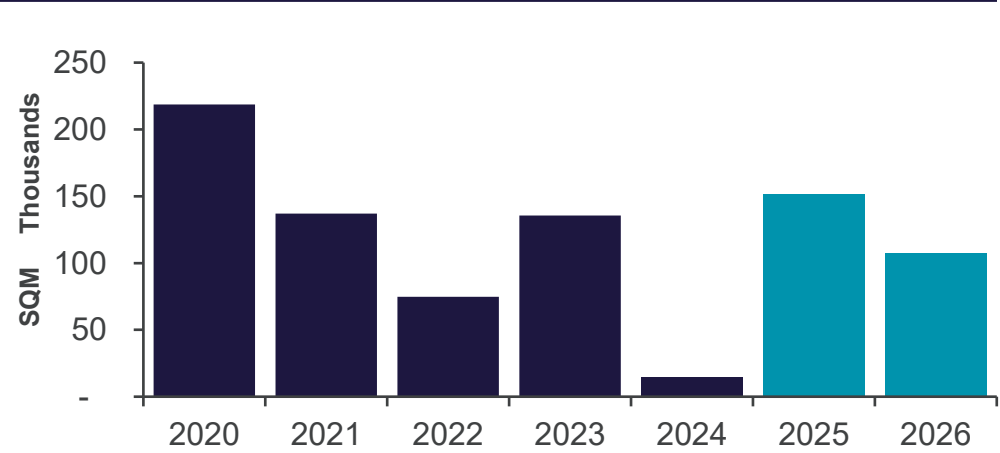
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



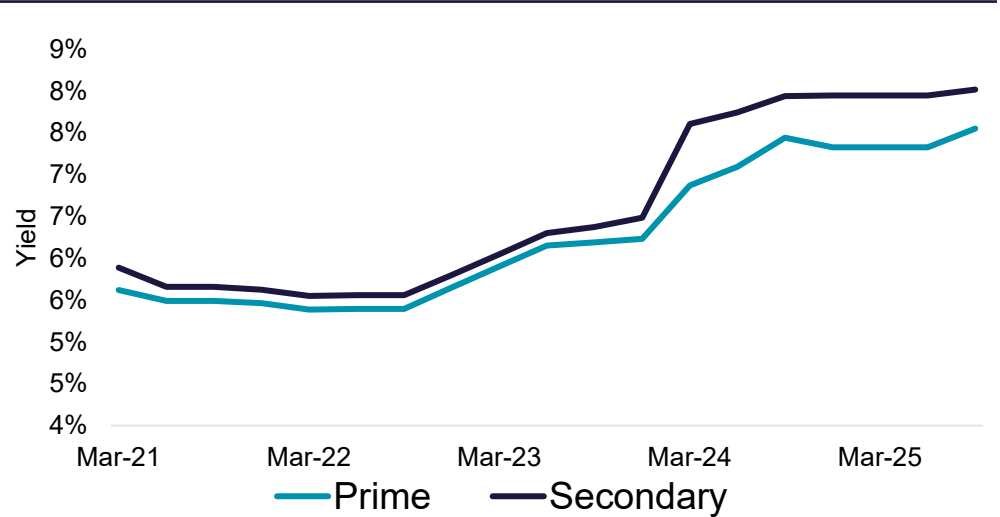
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Vacancy trends across Sydney metro were mixed, North Sydney and St Leonards were the only precincts to record a decline in vacancy, supported by strong pre-commitment activity. In contrast, Macquarie Park saw a rise in vacancy from 18.9% to 22.2%, largely driven by new supply additions. New supply nearing completion in Macquarie Park include 17 Khartoum Road (15,000 sqm) and 15 Khartoum Road (10,000 sqm). North Sydney is also set for a major addition with the Victoria Cross Metro Station development, delivering 55,318 sqm of Premium Grade space, already securing pre-commitments from NBN, Novartis and One Playground and is due later this year. In Parramatta, the Jessie Centre refurbishment (7,325 sqm) has completed, while 25 Smith Street is approaching completion. With these projects coming online, vacancy is expected to remain elevated in some precincts, particularly Macquarie Park, while demand for quality space in well-connected locations should help offset some of the upward pressure.

YIELDS:

Prime office yields across Sydney’s metro markets saw a modest outward movement in Q3, following a period of stability earlier in the year. Average prime yields softened by 22 basis points to 7.55%, while secondary yields edged higher to 8.02%. This softening was largely driven by recent transactions across select metro precincts, where pricing for lower A-grade assets helped reset benchmarks. While Macquarie Park saw a rise in yields, no major transactions were recorded in the precinct this quarter. With the RBA now in a cutting cycle and investor sentiment improving, further softening is expected to be limited.

INVESTMENT MARKET:

Sydney Metro office investment activity showed signs of recovery in Q3 2025, following a subdued first half of the year. Several key transactions were recorded across key metropolitan precincts this quarter, including the major sale at 100 Pacific Highway in North Sydney acquired by Forza Capital from ISPT for \$220 million. Additional notable deals include 475 Victoria Avenue in Chatswood, which Cromwell Property Group sold to BlackRock for \$87 million. In St Leonard's, 205 Pacific Highway was acquired by McDonald Industries from HCF for \$44.7 million, while 5-11 Julius Avenue in North Ryde changed hands for \$200 million, sold by Shanghai Shenglong Investment Group to BlackRock and Wentworth Capital. After a quiet first half of the year, investor sentiment has improved markedly, driven by growing confidence in the Sydney metro office sector.

OUTLOOK

- Economic growth is expected to strengthen through the remainder of 2025 and through 2026, as Gross State Product continues improve.
- Occupier demand across Sydney’s metro markets is expected to remain selective, with activity concentrated in precincts offering strong infrastructure connectivity and high-quality space.
- Rental growth is likely to remain subdued in the near term, with incentives holding steady. However, well-located prime assets in North Sydney, Macquarie Park and Parramatta may see moderate uplift as demand gradually improves.
- Yields have softened slightly across metro markets, but further movement is expected to be limited as investor sentiment improves and the RBA’s rate cutting cycle supports renewed capital interest.
- Investment activity is expected to continue its recovery, with recent transactions indicating growing confidence in metro assets, particularly those with strong tenant covenants and long-term potential.

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	912,960	197,662	21.7%	-3,513	55,980	\$1,046	40%	\$161
St Leonards	354,804	105,225	29.7%	1,088		\$665	40%	\$160
Chatswood	267,004	54,017	20.2%	-6,851		\$686	38%	\$140
Parramatta	940,758	188,276	20.0%	-2,896	5,000	\$591	35%	\$147
Macquarie Park	945,349	209,435	22.2%	-30,890		\$488	31%	\$113
Sydney Olympic Park						\$447	32%	\$113
Pymont Ultimo						\$858	40%	\$165
Rhodes						\$475	34%	\$110
SYDNEY METRO TOTALS	3,420,875	754,615	22.8%	-43,062	55,000	\$644	36.3%	\$139

*Rental rates reflect full service asking A-grade properties

KEY LEASE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
100 Pacific Highway	North Sydney	Dolby Australia	1,044	Direct
100 Arthur Street	North Sydney	Flight Centre	3,941	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
100 Pacific Highway	North Sydney	ISPT/Forza Capital	21,879	220.0
5-11 Julius Ave	North Ryde	Shanghai Shenglong Inv Grp/Blackrock Wentworth Capital	35,571	200.0
475 Victoria Avenue	Chatswood	Cromwell Property Group/BlackRock	24,704	87.0
205 Pacific Highway	St Leonard's	HCF/McDonald Industries	63,524	44.7

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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