MARKETBEAT
SYDNEY CBD
OFFICE Q4 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
13.7% Vacancy Rate	▲	▼
10,298 6-month Net Absorption, sqm	▲	▲
$815 Prime Net Effective, sqm pa	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1% (National) GDP Growth	▲	▲
1.8% (New South Wales) State Final Demand Growth	▲	▲
4.4% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW:

Economic conditions remain steady, supported by solid domestic demand and a strong labour market, though inflationary pressure has been more persistent than expected. Headline CPI rose 3.4% year-on-year (yoy) in November, it's fourth month above the Reserve Bank of Australia's (RBA) 2%-3% target band, while trimmed mean inflation also stayed above 3%. Recent RBA commentary indicates the current easing cycle is likely complete, with policymakers taking a longer-term view before considering further adjustments. Australian economic growth eased slightly in the second half of 2025, with GDP rising 0.4% quarter-on-quarter (qoq) in Q3, down from 0.6% in Q2. Momentum is expected to build through 2026. New South Wales' Gross State Product is forecast to grow by 1.8% in 2025, before strengthening to 2.4% by 2026-year end, then moderating slightly to 2.1% growth in 2027.

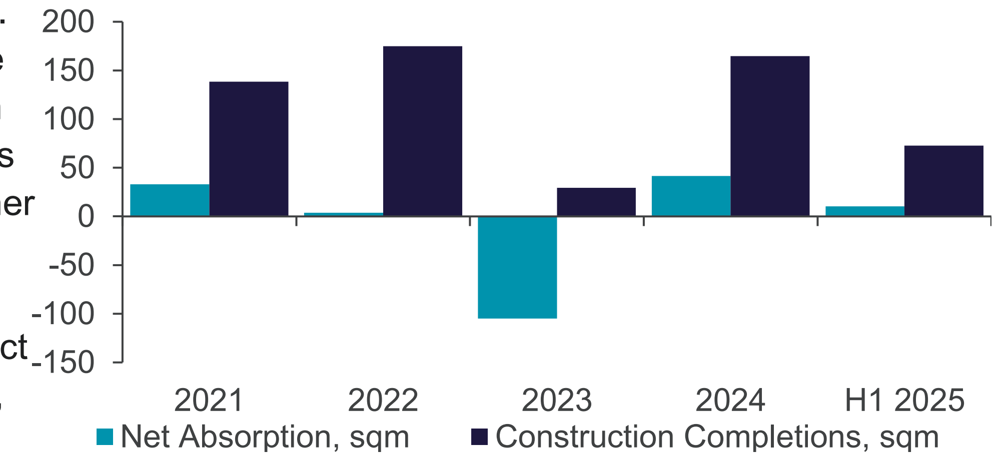
DEMAND:

Leasing activity in the Sydney CBD office market remained steady in Q4 2025, with overall demand continuing at a measured pace. While enquiry increases toward the end of the quarter, tenant decision-making remained cautious amid elevated vacancy and a wide range of available options. Demand remains focused on high quality, well-located assets. Despite elevated vacancy, competition for high-quality space remains steady.

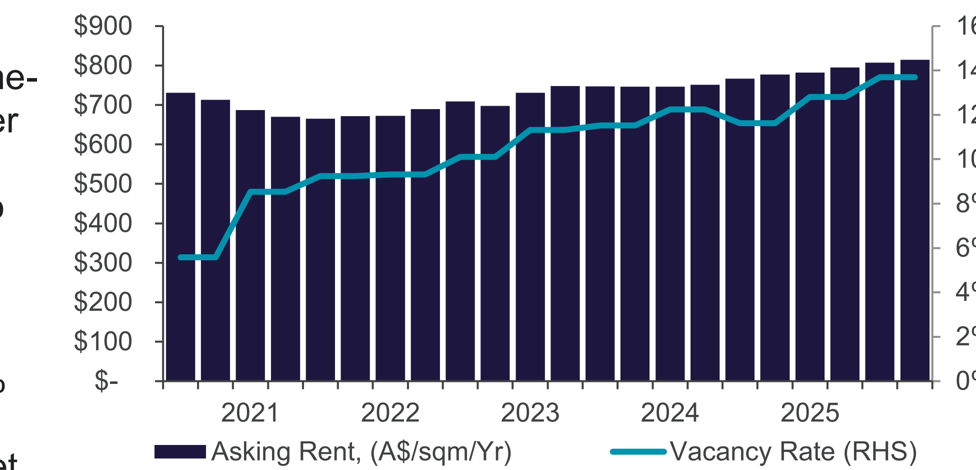
RENTS:

Net effective rents in the Sydney CBD remained broadly stable in Q4 2025, with prime-grade assets continuing to lead performance. Premium-grade rents reached $909 per square metre per annum (sqm pa), marking a 7.0% year-on-year (Y-o-Y) increase, supported by sustained demand and stable incentives at 35.5%. A-grade assets also recorded solid growth, with rents rising 3.2% Y-o-Y to $741 sqm pa, while incentives remain elevated at 38.8%, unchanged since early 2025. In contrast, B-grade assets saw face rents increase, growing 0.4% over the quarter to $1,019 in Q4. However, higher outgoings and rising incentives continued to erode effective rents, falling 7.6% YoY to $503 sqm pa and incentives climbing to 41.4%, highlighting the growing divergence between headline pricing and occupier outcomes in the secondary market. Overall, prime-grade stock in the Sydney CBD is recording steady growth, while secondary assets contend with rising incentives and weaker demand.

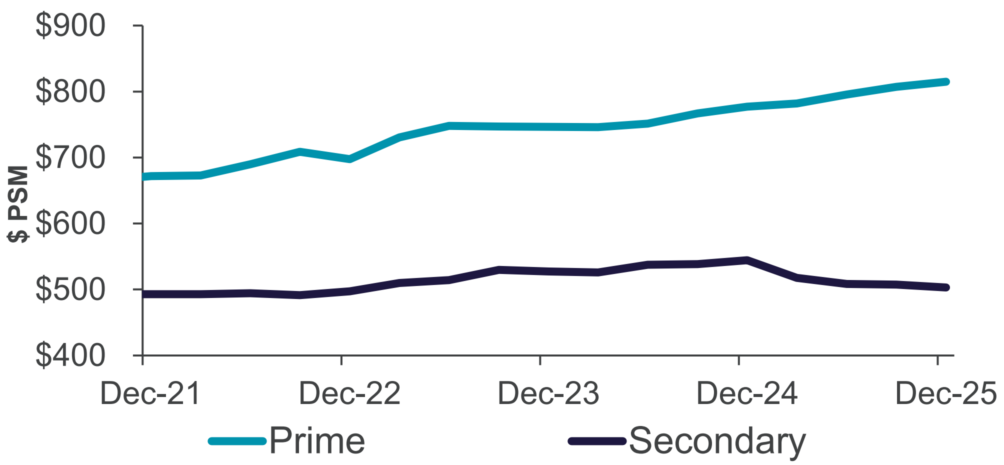
SPACE DEMAND / DELIVERIES



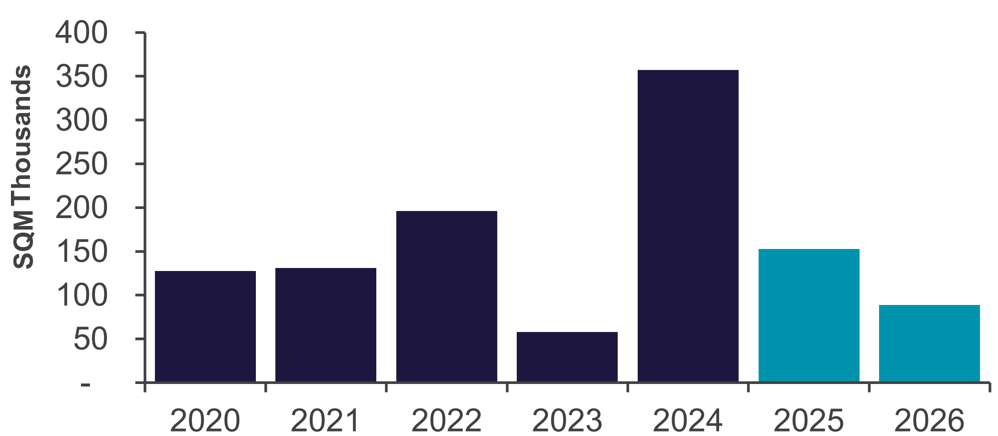
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



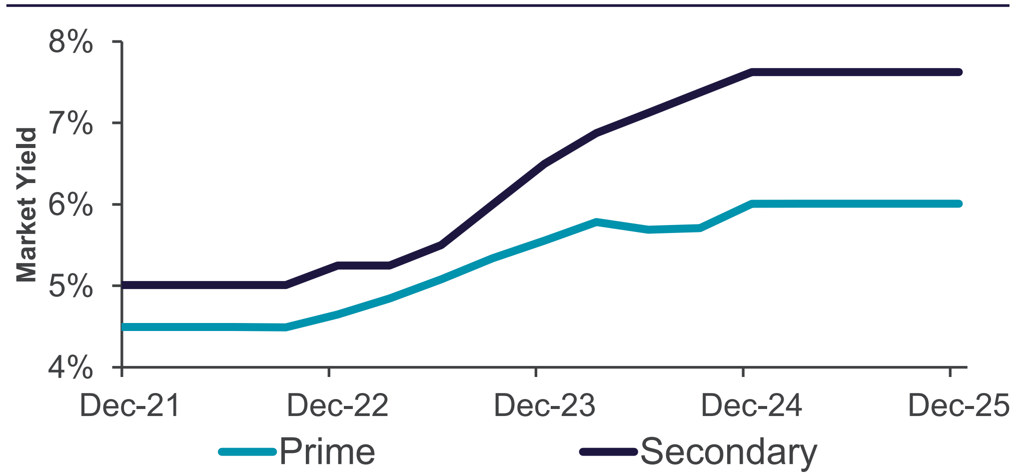
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Sydney CBD vacancy remains elevated at 13.7%, as the market continues to absorb space delivered by earlier completions. Premium-grade vacancy has eased to 9.8%, reflecting strong demand for high-quality space. Key additions this year include 33 Alfred Street (31,657 sqm Premium, 85% pre-committed) and 1 Shelley Street (22,000sqm A Grade refurbishment, 10,000 sqm committed by WPP), together delivering over 53,000 sqm of prime-grade stock. Looking ahead, the pipeline is dominated by large-scale prime projects which are expected to keep vacancy elevated. Key developments due in 2026 include Atlassian Central, delivering 58,000 sqm of premium space, and Chifley South, bringing 50,000 sqm premium space to market, with 24,545 sqm pre-committed. Longer term, 37-55 Pitt Street is set to bring 63,000 sqm of A grade space in 2030, with 24,000 sqm pre-committed. Additional major refurbishments at 201 Sussex Street, 363 George Street and 126 Phillip Street are scheduled throughout 2026-27. While leasing activity remains steady, new supply continues to outpace absorption, keeping overall vacancy elevated.

YIELDS:

Sydney CBD office yields remained broadly stable in Q4 2025, continuing the consolidation evident since late 2024. However, pricing over the year has experienced gradual outward pressure, reflecting higher required returns amid persistent vacancy and a more selective buyer pool. Prime-grade yields were largely unchanged at 6.1%, supported by investor preference for high-quality assets, while secondary yields held at 7.7%, reflecting greater sensitivity to leasing and income risk. While headline yields showed limited quarter-on-quarter movement, pricing remains highly asset-specific, with selective softening evident in non-core and weaker income profiles. Transaction activity improved toward year-end, although bid–ask spreads persist. Near term, yields are expected to remain range-bound, with movements driven by individual asset fundamentals rather than broad-based repricing.

INVESTMENT MARKET:

Sydney’s CBD office investment market recorded a notable lift in activity during Q4 2025, driven by renewed interest from both domestic and offshore capital sources. Key transactions included Grosvenor Place, which transacted as a leasehold interest through a joint venture structure, and Darling Square, also sold on a leasehold basis, highlighting growing flexibility in deal structures as capital seeks exposure to prime precincts. Additionally, a suite at 26A Lime Street was sold by Veejay Australia to Raymondtech Solution for $2.4 million, reflecting ongoing appetite for smaller strata assets. Leasing activity remained steady, with multiple deals concentrated in premium-grade buildings, underscoring sustained occupier demand for quality space. Stabilised yields and strong tenant covenants continue to underpin confidence heading into 2026.

OUTLOOK

- Economic growth is expected to strengthen through 2026, supported by improving domestic demand and an uplift in New South Wales’ Gross State Product.
- The outlook for the Sydney CBD office market remains in a transitional phase, with prime-grade assets continuing to outperform as secondary stock faces ongoing leasing and incentive pressure.
- Vacancy is expected to remain elevated as new supply continues to outpace absorption, although strong pre-commitment levels in premium developments should support rental stability in core assets.
- Investment sentiment is expected to continue improving into 2026, underpinned by stable yields, greater pricing clarity and renewed interest from both domestic and offshore capital.

SYDNEY CBD
OFFICE Q4 2025

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		$1,550	35.5%	$253
A-grade	1,962,401	344,484	17.6%	-10,964		$1,311	36.8%	$238
Prime	**3,548,655**	**500,382**	**14.1%**	**33,877**	**316,500**	**$1,418**	**36.2%**	**$244**
Secondary	1,238,741	178,167	14.4%	-21,068		$1,019	41.4%	$226
SYDNEY CBD TOTALS^	**5,367,514**	**735181**	**13.7%**	**10,298**	**316,500`**			

**Rental rates reflect full service asking*

^ Total reflects all grades

` Includes refurbishments

KEY LEASE TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
2 Park Street	City Core	TurksLegal	1,753	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 Q4 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
Grosvenor Place	The Rocks	CSC/GPT	84,000	860
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Darling Square	Southern	Aware Super, Lendlease/Barings	27,750	360
26 Lime Street	The Rocks	Veejay Australia/Raymondtech Solution	153	2.4

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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