

Sydney City Fringe Office Market



Q3 2025

- Solid economic drivers in the Fringe
- Under-supply of prime stock
- Vacancy tracks below major CBD markets

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Key Insights

Sustained demand from occupiers and investors in the fringe



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Solid economic foundations

The fringe office market has benefited from sustained population growth and economic expansion over the past decade, outperforming Greater Sydney. These fundamentals provide a solid platform for continued growth and evolution.

Undersupply of prime stock

An undersupply of prime office stock across the city fringe, despite growing demand for high-quality accommodation. Prime-grade space represents less than 40% of total fringe stock—significantly below the CBD's 66%.

Sustained occupier demand

Sustained occupier demand and constrained new supply over the past decade have resulted in consistently lower vacancy rates across major fringe markets compared to the Sydney CBD and metropolitan markets.

Rents outperform other markets

Over the past decade, Sydney CBD net face rents have grown by 65%, whereas fringe markets have seen higher growth, in particular Surry Hills has grown over 100%.

City Fringe office market indicators – Q3 2025

Market	Total Stock sqm	Overall Vacancy Rate %	Average Prime Net Face Rent Range \$/sqm	Incentive % [^]	Core Market Yield % [*]
Surry Hills	472,419	2.7	800 - 1,100	25 - 35	5.75-6.25
Pyrmont	304,345	5.8	750 - 950	30 - 40	6.25-6.75
South Eveleigh	203,118	2.4	750 - 900	30 - 40	6.50-7.0
Ultimo	126,527	2.6	600 - 750	30 - 40	6.75-7.25
Redfern	111,474	1.6	550 - 750	30 - 40	6.75 - 7.25
Darlinghurst	62,330	4.7	750 - 1,000	30 - 40	6.0-6.50
Chippendale	51,423	3.0	750 - 1,000	30 - 40	6.0-6.50
Total	1,331,636	3.4			

Source: Knight Frank Research/Arealytics ^{*}assuming WALE 5.0 years [^]Incentives are on a Gross basis

Solid economic foundations in the fringe

ECONOMIC EXPANSION DRIVEN BY POPULATION GROWTH AND EMPLOYMENT

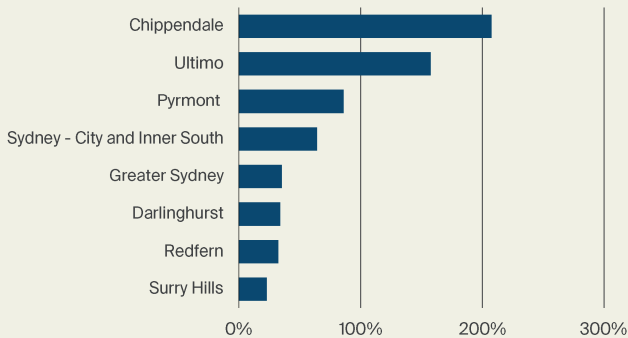
Sydney’s CBD and inner fringe have experienced particularly strong economic growth in recent decades. Gross Regional Product in the City of Sydney local government area—including the CBD and surrounding suburbs such as Darlinghurst, Surry Hills, Pyrmont, Ultimo, Chippendale, and Redfern—totalled \$154.7 billion in 2024, representing a 1.5% annual increase. It has more than doubled over the past two decades, growing at an average rate of 3.3% per annum. Economic growth in inner Sydney has significantly outpaced that of Greater Sydney, which grew by 55% (or 2.2% per annum) over the same period.

Strong population growth has supported Australia’s major cities and underpinned sustained increases in employment and economic output. Over the past two decades, Sydney’s CBD and inner fringe have experienced population growth of 64%, compared to 35% for Greater Sydney.

DEMAND DRIVEN BY GROWTH IN SERVICE BASED INDUSTRIES

Sydney’s economy continues to shift toward highly skilled service industries, in line with national trends. In 2024, Financial and Professional services accounted for 24.7% Gross Value Added (GVA), compared with 20.3% in 2004. By contrast, the share of manufacturing output has declined significantly over the same period. This structural shift, combined with sustained long-term population growth will facilitate white-collar employment expansion and demand for office space, particularly in submarkets well-positioned to attract professional service firms.

Population growth, 2001 - 2024
Per cent



Source: Knight Frank Research, ABS

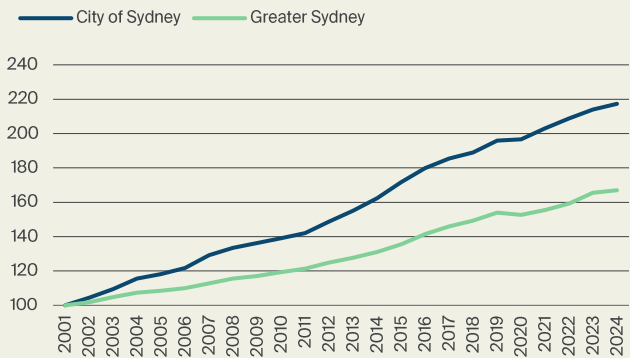
YOUNG AND HIGHLY SKILLED WORKFORCE ACROSS THE CBD AND FRINGE

Inner city Sydney has a relatively young and highly educated workforce. According to the 2021 census, 42% of the population in Sydney’s CBD and city fringe were aged between 20 to 34, nearly doubled the 22% share for Greater Sydney. Locations such as Pyrmont-Ultimo, Redfern-Chippendale, and CBD have particularly high concentrations of people within this age cohort, ranging between 38% and 50%. In addition to being younger, Sydney’s inner-city population is relatively highly educated. Around 50% of the residents in the CBD and fringe hold a bachelor’s degree, compared to 44% in Greater Sydney. Precincts such as Darlinghurst, Pyrmont-Ultimo, Redfern-Chippendale, and Surry Hills report tertiary attainment rates between 47% and 51%.

HIGH INCOME EARNING POPULATION HIGHLIGHT THE FRINGE’S APPEAL AS AN AREA TO LIVE AND WORK

Sydney’s city fringe suburbs continue to attract a highly skilled and educated population, reflected in their above-average income levels. This reinforces the markets’ appeal not only as employment hubs, but also as desirable residential locations. This is particularly true in Darlinghurst and Surry Hills, where lead with 20.0% and 17.6% of residents earning \$3,000 or more per week, more than double the Greater Sydney average of 7.5%. Pyrmont-Ultimo and Redfern-Chippendale also have a greater than average share of high-income earners, with 12.7% and 10.6% of residents in the high-income bracket.

Gross regional product
Index, 2001 = 100



Source: Knight Frank Research, id.

Shortage of prime office stock

A CLEAR UNDERSUPPLY OF PRIME OFFICE SPACE

There is a notable undersupply of prime office stock across the city fringe, despite growing demand for high-quality accommodation. Prime-grade space represents less than 40% of total fringe stock—significantly below the CBD’s 66%—indicating substantial opportunity for uplift. Surry Hills, the largest fringe market, has just 12% prime space, with Ultimo at 20%, and Darlinghurst and Chippendale at 30%, underscoring the potential for future development and repositioning.

LIMITED PIPELINE PRESENTS OPPORTUNITY

City Fringe market developments have historically performed well, with past and present developments reinforcing this trend. The Brewery Yard achieved a full pre-commitment to Afterpay, while Oxford & Foley in Darlinghurst secured major tenants including Sony and Dovetail. Additionally, 29–41 Hutchinson Street in Surry Hills has attracted broad occupier interest. Beyond these, the development pipeline remains limited—comprising only boutique-scale projects and Mirvac’s two-stage harbourside scheme, which will deliver 27,000 sqm of premium office and 7,000 sqm of retail space by 2027. This constrained pipeline presents a compelling opportunity for new entrants, with limited competition and strong market appetite for quality space.

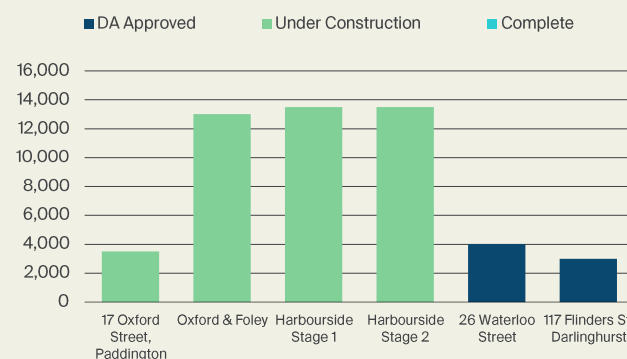
ADAPTIVE REUSE UNLOCKS VALUE IN UNDERSUPPLIED FRINGE MARKETS

The persistent undersupply of prime space, coupled with strong demand for character-rich buildings, has driven increased investment in refurbishing and upgrading existing fringe stock. Notable examples include the successful conversion of 29–43 Balfour Street, Chippendale, from warehouse to A-grade office, mirroring outcomes at the Brewery Yard and 29–41 Hutchinson Street, Surry Hills. More recently, 26 Waterloo Street, Surry Hills is set to undergo an extensive refurbishment and repositioning at the end of the year which upon completion will offer occupiers prime office space with upgraded amenities, services in the core of the city fringe.

These cases demonstrate that the ongoing ‘flight to quality’ continues to reward landlords who align assets with evolving tenant expectations. With limited prospects for large-scale development, the fringe is expected to remain under-supplied, supporting further asset repositioning and sustained rental outperformance relative to other Sydney markets.

Development pipeline

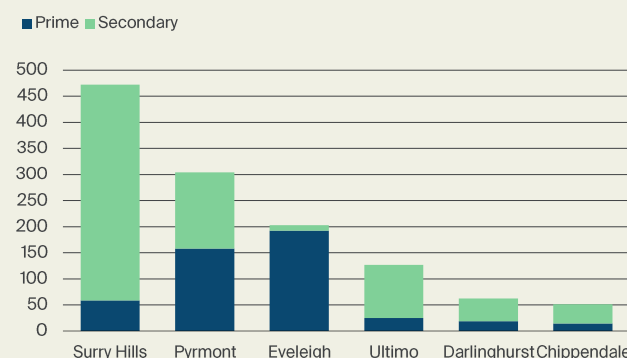
By status, sqm



Source: Knight Frank Research

Office stock size

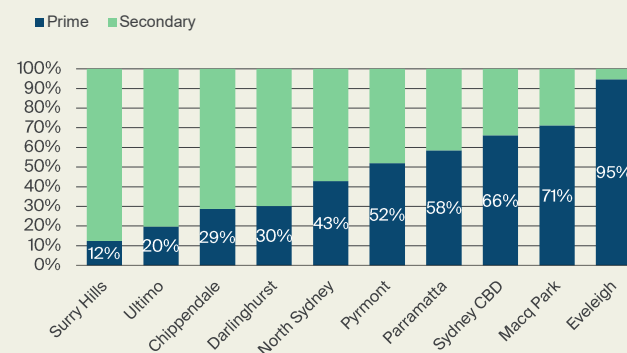
By market, '000 sqm



Source: Knight Frank Research

Composition of office stock

By market, %



Source: Knight Frank Research

Sustained occupier demand

DEMOGRAPHIC PROFILE AND AMENITY RICH DESTINATION ATTRACTING ARRAY OF OCCUPIERS

Businesses in the technology and creative sector have been instrumental in the rapid expansion and revitalisation of Sydney's city fringe as a preferred office location. The area's favourable demographic profile provides strong access to talent, while proximity to major health and education precincts and the opportunity to co-locate with like-minded enterprises enhance its appeal.

Fringe workspaces also offer a distinctive alternative to traditional CBD environments, enabling occupiers to align their workplace with brand identity and talent attraction strategies. With rich amenity at hand, the fringe provides an environment conducive to business growth.

Historically, the city fringe has attracted strong demand from tech and creative occupiers, who have accounted for an average of 34% of annual leasing activity—well above the CBD average of 19%. The occupier mix is starting to become more diverse with time as more traditional CBD occupiers from professional and financial services do have an interest in being located within the fringe.

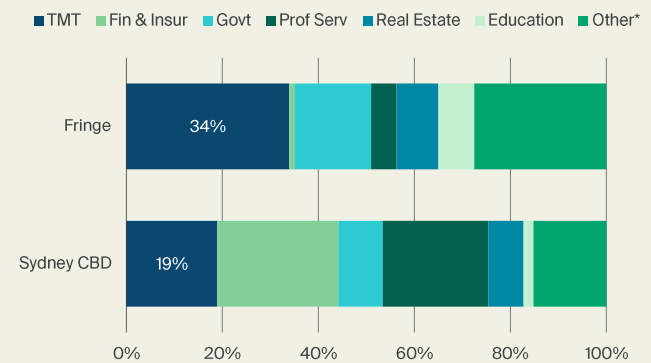
As the fringe market has evolved and expanded, distinct business clusters have emerged organically. Chippendale and Ultimo are increasingly associated with education and tech, Pyrmont with digital and real estate sectors, Surry Hills with a diverse occupier base, and Eveleigh with a growing concentration of tech and R&D firms.

VACANCY CONTINUES TO TRACK WELL BELOW OTHER SYDNEY OFFICE MARKETS

Sustained occupier demand and constrained new supply over the past decade have resulted in consistently lower vacancy rates across major fringe markets compared to the Sydney CBD and metropolitan markets. The scarcity of prime-grade space is particularly pronounced, driven by the ongoing 'flight to quality' and limited availability of prime stock. In key precincts such as Eveleigh, Surry Hills and Chippendale, prime vacancy sits below 3%, leaving few options for tenants seeking high-quality accommodation and reinforcing the competitive positioning of well-located, upgraded assets.

Lease deals by Industry Sector

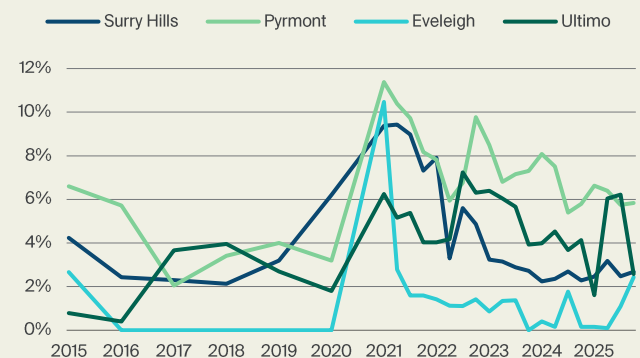
5 year average by market



Source: Knight Frank Research

Overall vacancy

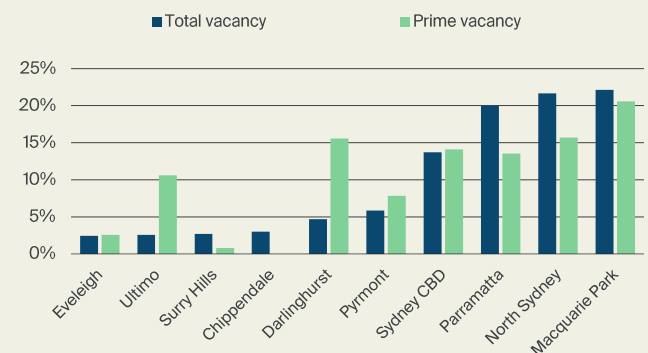
By market, as at Oct-25



Source: Knight Frank Research

Vacancy by market

Total v prime, %, as at Oct-25



Source: Knight Frank Research/PCA

Rental growth outstrips other office markets

RENTAL GROWTH OUTPERFORM CBD

Fringe markets continued to show resilient rental performance over the year to 2025, with the average prime net face rents ranging between \$750/sqm-\$1,100/sqm. Surry Hills led the growth with over 3.0% annual increase, followed by Darlinghurst (2.7%) and South Eveleigh (2.5%). While growth has moderated slightly compared to recent years, most fringe locations still outperformed CBD in annual face rental growth.

Over the past decade, Sydney CBD net face rents have grown by 65%, whereas fringe markets have seen higher growth, in particular Surry Hills has grown over 100%. In light of this, the rental discount between Surry Hills and the CBD has narrowed from 50% in 2017 to 36%. A similar trend is observed in Chippendale, where the discount has reduced from 50% to 43% over the same period.

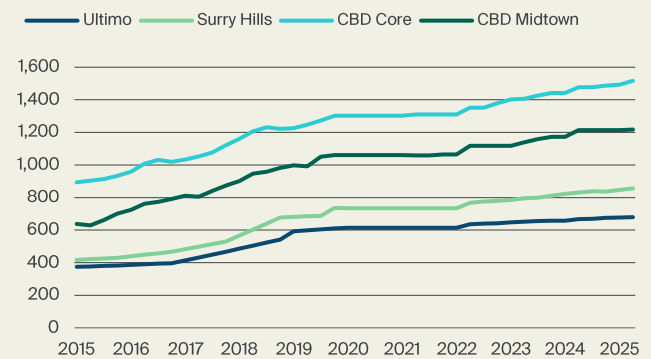
Incentives have remained stable across all fringe locations over the 12 months to October 2025, averaging between 25%-35%. As a result, positive effective rental growth have been reported in most fringe locations.

LONG-TERM GROWTH POTENTIAL

Looking ahead, further rental growth is expected as sustained occupier demand keeps vacancy low amidst limited supply. While Tech Central will bring forward significant supply over the decade, the surrounding fringe markets will remain tight taking into consideration experience of other global markets such as London points to significant long-term growth potential as the fringe markets mature.

Average prime net face rents

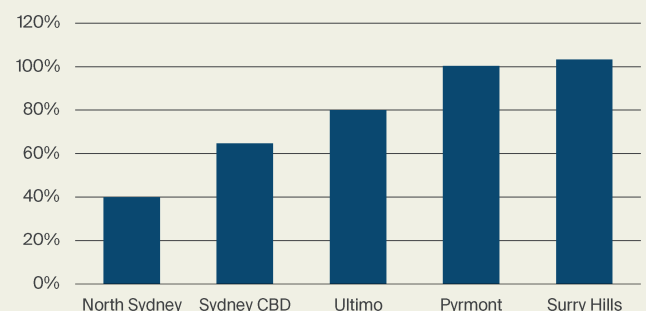
By market, \$/sqm



Source: Knight Frank Research

10 year net face rental growth

By market, %



Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Size sqm	Gross Face Rent \$/sqm	Term yrs	Start Date
Transport NSW ~	8 Central Ave., Eveleigh	3,009	890	7	Q3 24
Droneshield ~	235 Pyrmont St, Pyrmont	1,835	855	5	Q2 24
SpeeDX	619 Elizabeth Street, Redfern	1,100	850	5	Q2 24
Netflix~	1-7 Wellington Street, Chippendale	1,150	1,150	5	Q1 24
Airwallex ~	29 Balfour St, Chippendale	1400	1,150	5	Q1 24
Sparro ~	35 Tumbalong Boulevard, Haymarket	1,000	1,170	5	Q1 24

Pre-commitment ^ Sublease ~ Direct * Renewal
Source: Knight Frank Research

Strong investor confidence

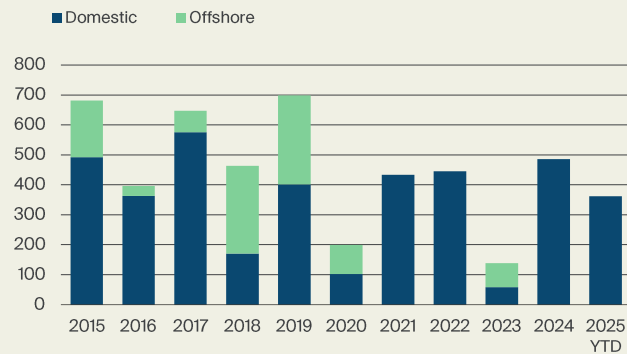
INVESTMENT DEMAND IS HIGH FOR FRINGE ASSETS

While the investment market has been plagued by elevated funding costs and uncertainty in previous years, demand for fringe assets remained strong during this period due to their solid leasing fundamentals and tightly held nature. As a result, transactional activity in 2024 reached its highest levels since 2019, with \$486 million in transaction volumes. This momentum has continued into 2025, with \$362 million in transactions so far this year.

One of the major transactions in late 2024 was Forza Capital acquiring 223 Liverpool Street for \$64.5 million on a 7.1% core market yield. The asset was acquired with a 3.4-year WALE and 100% occupancy, underpinning the strong leasing fundamentals of fringe assets. More recently, Marprop acquired 13 Garden Street, South Eveleigh for \$116 million from Centuria on a sub-7% core market yield. Investor momentum is likely to continue on the back of lower interest rates and an improved economic outlook.

Sydney fringe office sales \$10m+

By purchaser (\$m), domestic v offshore



Source: Knight Frank Research

YIELDS HAVE STABILISED WITH POTENTIAL COMPRESSION ON THE HORIZON

Yields in the fringe have held steady since late last year following the softening trend that played out from 2022 across all office markets. Prime office yields have softened by 150-225bps across the various fringe submarkets since their tightest levels in early 2022.

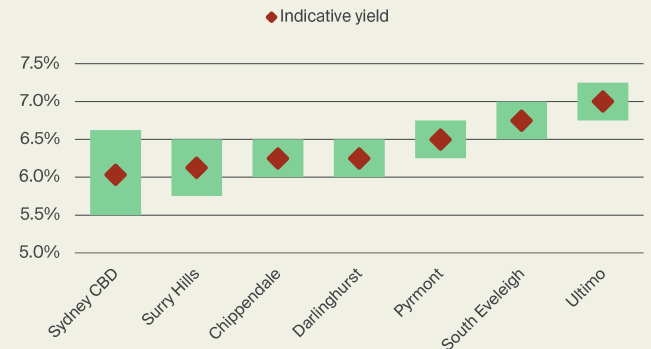
The average prime yields in the fringe markets currently range between 5.75% and 7.25%.

Prime office yields in Surry Hills, Darlinghurst, Eveleigh and Chippendale remain relatively low, with buildings in these suburbs particularly sought after by investors. Yield metrics for the best quality assets in sought after locations are likely to trade at a small spread to CBD assets, arguably in Surry Hills assets could trade on par to the CBD given the tightly held nature and lower leasing risk.

In contrast, Ultimo and Pyrmont show greater yield variability and are expected to trade at a larger discount to other fringe locations.

Sydney fringe prime office yields

%



Source: Knight Frank Research

Recent significant sales

Property	Price \$ m	Core Market Yield %	NLA sqm	\$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
13 Garden Street, South Eveleigh	116.0	6.9	11,203	10,354	1.8	Marprop	Centuria	Jun-25
223 Liverpool Street, Darlinghurst	64.5	7.1	4,925	13,096	3.4	Forza Capital	Private	Dec-24
1 Central Ave, South Eveleigh	103.0	5.9	7,716	13,349	6.6	Private	Centuria ATP Fund	May-24
63 Ann St, Surry Hills	32.2	5.9	2,361	13,659	2.8	Private	Abacus Property Group	Feb-24

DATA DIGEST

City Fringe Stock Definition: Includes suburbs in Surry Hills, Pyrmont, Darlinghurst, Ultimo, Chippendale, Redfern, Eveleigh. Office stock generally above 1,500sqm

Prime Grade: asset with modern design and/or recent development, good condition & amenity. Rents achieved in these assets are generally upper end range of the average band

WALE: Weighted Average Lease Expiry

Charts and data reflected in report are as at July 2025

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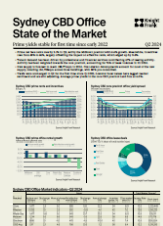
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Breaking the shackles: the rise of BTR



Sydney CBD Office State of the Market snapshot- Q2 2024



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