

Australian office indicators

Key leasing and capital markets metrics across the Australian office market

Q2 2025

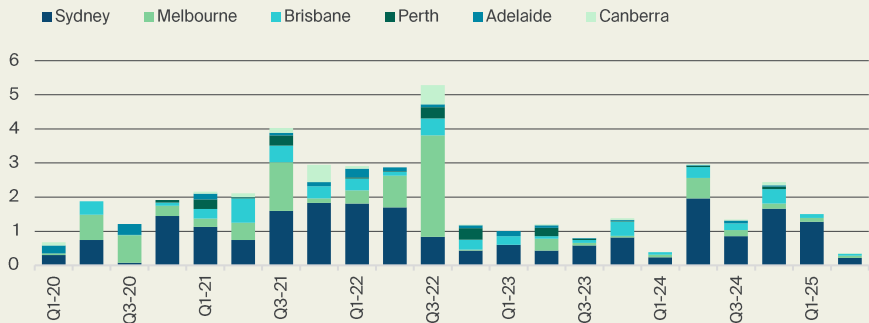
Global uncertainty weighs on office transactions

INVESTORS TAKE A PAUSE IN Q2

CBD office transactions slowed significantly to \$0.4 billion in Q2 2025 as unpredictable shifts in US trade policy drove a spike in global uncertainty. Investors are likely to have slowed transaction activity until the dust settles and uncertainty around financial markets and trade policy dissipates. However, investors are expected to begin looking through the near-term uncertainty and anchor decisions on the longer-term outlook. This will likely support improved office transaction activity in H2 2025.

Australian CBD office investment takes a pause in Q2 2025

Investment volumes by city (AUD billions)



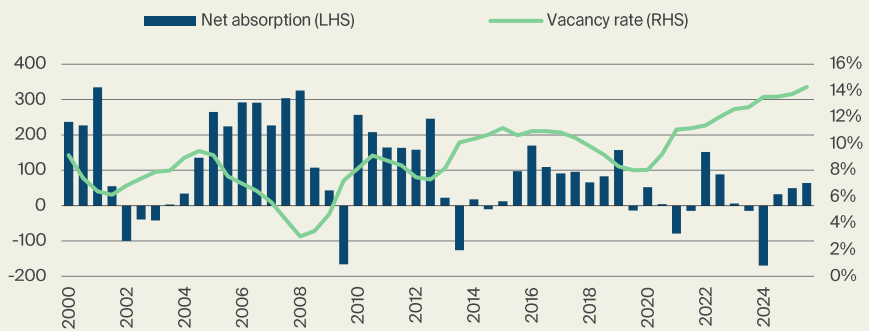
Source: Knight Frank Research, RCA

RISING DEMAND FOR OFFICES

Net absorption across all CBD markets strengthened again in H1 2025, with 113,000 sqm recorded nationally. The strength of tenant demand continues to differ by grade and location. High quality assets with strong ESG credentials remain in high demand, while the major CBDs are generally outperforming non-CBD markets. CBD net absorption grew for a third consecutive period in H1 2025, the longest run of net absorption growth since H2 2019.

Australian CBD net absorption growth continues

6 months CBD net absorption ('000sqm), vacancyrate (%)



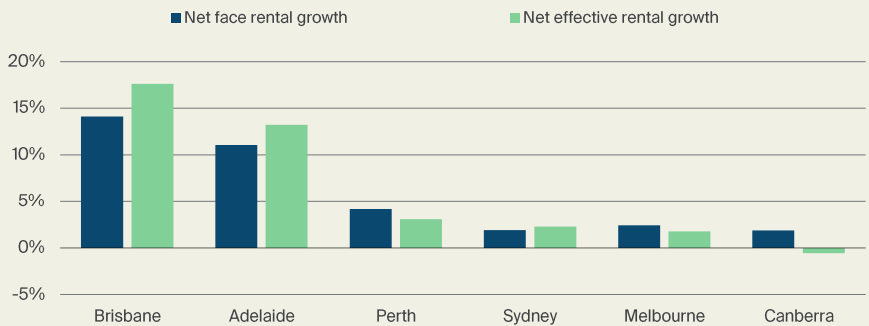
Source: Knight Frank Research, PCA

IMPROVING RENTAL PERFORMANCE

Rental performance continues to differ by location but is steadily improving overall. Net effective rents in Brisbane continued to grow in Q2 2025, to be up by 17.6% over the year. Adelaide has also seen a strong increase in rents, with net effective rents rising again in Q2 be 13.2% higher over the year. Incentives remain elevated but Sydney has turned a corner with a second consecutive fall in incentives in Q2. Looking ahead, a dwindling supply pipeline is expected to support strong prime rental growth over the coming years.

Fastest CBD rental growth in Brisbane

Annual net face rental growth & net effective rental growth (%)



Source: Knight Frank Research

Key data points

Prime market averages – Q2 2025

	Net face rent (\$/sqm)	Growth (q/q, %)	Growth (y/y, %)	Incentives (%)	Net effective rent (\$/sqm)	Growth (q/q, %)	Growth (y/y, %)	Yield (%)	Overall vacancy (H1, PCA, %)
CBDs									
Sydney	1,342	1.0	1.9	35.9 (g)	774	1.5	2.3	6.03	13.7
Melbourne	735	2.1	2.4	47.7 (n)	391	2.6	1.8	6.70	17.9
Brisbane	842	3.2	14.1	38.5 (g)	439	3.6	17.6	7.25	10.7
Perth	729	1.7	4.2	46.8 (n)	388	-0.9	3.1	7.58	17.0
Adelaide	566	1.9	11.1	33.9 (g)	322	1.9	13.2	7.25	15.0
Canberra	462	1.1	1.9	28.1 (g)	298	1.2	0.5	7.07	10.7
Suburban									
North Sydney	930	0.0	2.3	39.5 (g)	496	-0.4	-1.4	6.85	21.7
St Leonards	669	0.0	1.5	41.0 (g)	333	-0.1	-5.8	7.75	29.7
Chatswood	647	0.0	2.5	40.0 (g)	328	-0.1	-6.7	7.65	20.2
Macquarie Park	470	0.0	1.1	40.0 (g)	282	0.0	-2.2	7.25	22.2
Parramatta	575	0.0	-1.7	38.4 (n)	355	0.0	-1.7	7.41	20.0
Southbank	692	0.2	3.2	40.0 (n)	415	0.2	3.2	7.00	16.7
St Kilda Road	525	0.0	1.0	50.0 (n)	263	0.0	1.0	8.50	29.1

Recent transactions

	Property	Price (A\$m)	Size (sqm)	Purchaser	Vendor	Core market Yield (%)	WALE
CBD							
Sydney	309-321 Kent St (50%)	c285.0	12,327	AsheMorgan JV RealVantage	Dexus	U/D	U/D
Sydney	135 King St	631.5	32,695	Daibiru Corporation	Investa (ICPF)	6.2*	4.0
Melbourne	180 Flinders Street	c260.0	15,900	PAG	Dexus	6.5	5.0
Melbourne	357 Collins Street	195.3	32,000	Harry Stamoulis	Fraser's	c7.3	c2.5
Brisbane	53 Albert St (50%)	95.4	19,116	NTT/Realmont	JP Morgan	c7.5	3.7
Brisbane	85 George St (50%)	48.0	10,650	Aequitas Property Group	Charter Hall Long WALE REIT	7.1	-
Adelaide	63-69 Pirie St	50.5	11,500	Centennial	Raptis	8.6	3.7
Adelaide	19 Grenfell St	25.5	10,788	Exceed Capital	Shakespeare Property	9.0	1.1
Canberra	4 Mort St	18.0	5,422	AEGIS	Gladiator MEIF	8.53	1.0

*Blended core market yield including office and retail component

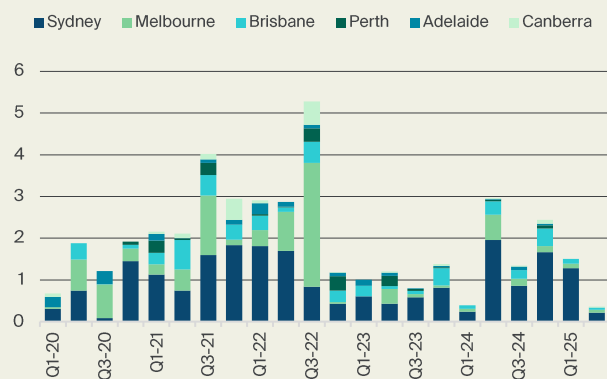
Sales volumes fall

Increased uncertainty sees investors take a pause in Q2

- CBD office investment activity slowed significantly in Q2 to \$0.4 billion in Q2 2025. However, over \$1 billion of CBD offices remain in due diligence and likely to transact in H2 2025.
- US trade policy drove a significant increase in global uncertainty in Q2 which weighed on large-scale transactions. Investors are likely to have slowed transaction activity until the dust settles and uncertainty around financial markets and trade policy dissipates.
- Average prime yields were once again unchanged in Sydney and Brisbane in Q2 2025 confirming that core asset values have stabilised in these markets. Yields in Melbourne edged out slightly further driven by the less favoured precincts, while the Eastern and Western Core held firm.
- While secondary assets have generally experienced larger write-downs than prime assets, location is also a critical influence on pricing, and secondary assets in favoured locations – notably Sydney's Core CBD precinct – continue to trade well.
- Alongside improving liquidity and stabilising core asset values, the prospect of further interest rate cuts from the RBA and other central banks will foster greater confidence and this is expected to drive a further pick-up in deal momentum across all cities over the remainder of 2025.

Australian CBD office investment pauses

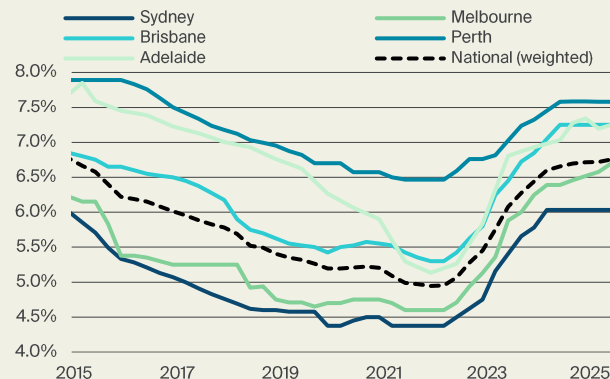
Office investment volumes by CBD (AUD billions)



Source: Knight Frank Research, RCA

Prime office yields have stabilised

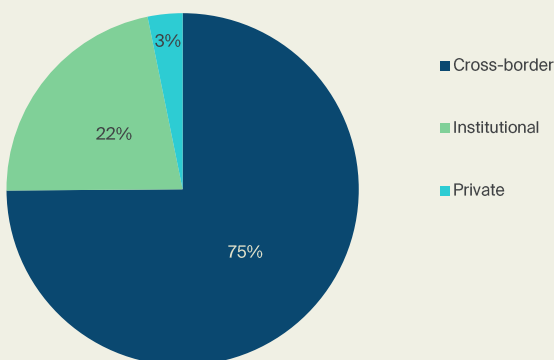
By city (%)



Source: Knight Frank Research

Cross-border capital driving transactions

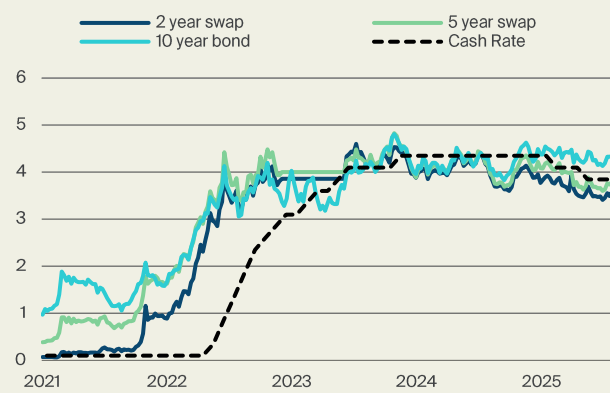
Share of CBD office investment volumes by buyer, H1 2025 (%)



Source: Knight Frank Research, RCA

Australian borrowing costs are falling

Yield by swap duration (%)



Source: Knight Frank Research, Macrobond

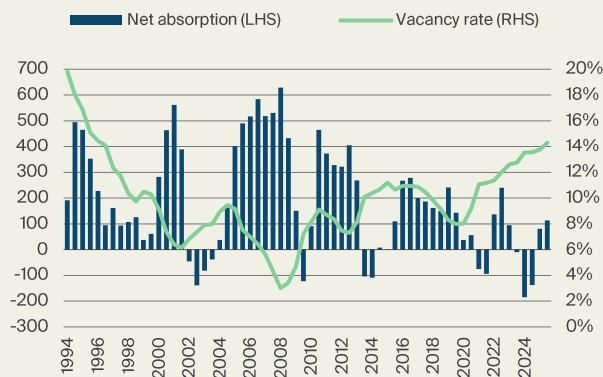
Positive absorption continues

Demand strongest for CBD assets with attractive internal & external amenity

- In H1 2025 there was positive net absorption of 63,738 sqm across the Australian CBD markets, which took yearly absorption for the past 12 months to 113,049sqm – the strongest net absorption since 1H 2022. The continued growth in net absorption highlights the improved sentiment throughout most CBD markets.
- Rising sentiment reflects a gradual improvement in tenant demand nationally, with all capital cities recording positive absorption over the last 12 months except for the Melbourne CBD. However, Melbourne CBD is also showing signs of improvement, recording positive net absorption in H1 for the first time since H1 2022. Most major tenants are now considered to have completed their process of portfolio optimisation, so downsizing is becoming less of an influence on the market.
- The ‘best and the rest’ thematic continues to prevail, with a focus on high quality, well-located premises that have the best amenity for employees, if not on the doorstep, then immediately adjacent in the precinct.
- Demand for newly built product remains high nationally as occupiers are still focused on delivering new workplaces which will encourage high productivity, collaboration, employee wellbeing and are well-credentialed with high ESG ratings.
- The clear divergence in performance by location also persists, particularly in Sydney and Melbourne where the core CBD precincts have been outperforming for some time. This stronger demand has now spread to neighbouring markets including Sydney’s Midtown and Melbourne’s North Eastern and Civic precincts.

CBD net absorption returns to growth

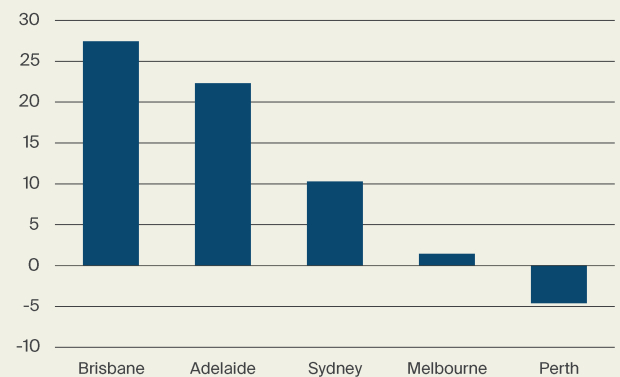
12 months net absorption ('000sqm), vacancy rate (%)



Source: Knight Frank Research, PCA

Net absorption rises in most CBD markets

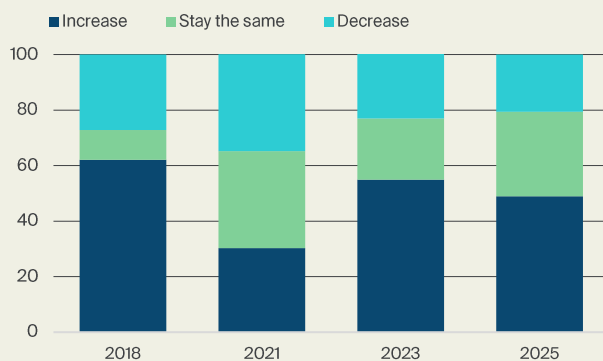
Net absorption by CBD market for 6 months to Jul-25 ('000sqm)



Source: Knight Frank Research, PCA

Fewer tenants looking to downsize

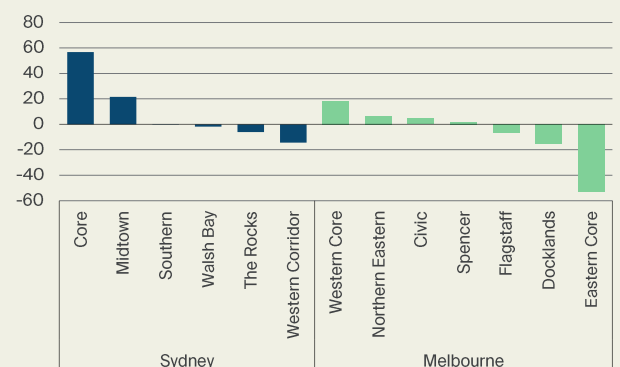
Is the total amount of space in your portfolio likely to increase, decrease or stay the same over the next 3-5 years? N=292 (% of total responses)



Source: Knight Frank Research (Global) Your Space 2025

Sydney CBD core leads the rebound

Net absorption in 12-months to Jul-25 ('000sqm)



Source: Knight Frank Research, PCA

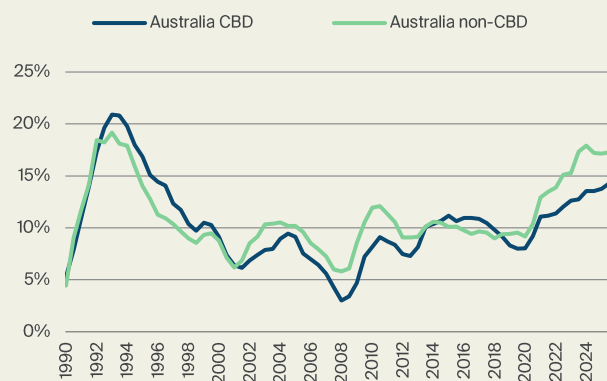
Vacancy rises

CBD office markets are yet to turn the corner, but the pipeline is thinning beyond 2025

- Across the Australian CBD, the vacancy rate rose by 0.6% to 14.3% in H1 2025.
- Canberra and Brisbane have the lowest vacancy rates amongst the capital cities at 10.7% respectively, whilst Melbourne and Perth are currently the highest rate at 17.9% and 17.0%, respectively. Adelaide has seen the strongest improvement in CBD vacancy over the past year with vacancy falling 2.5% to 15.0%.
- Reflecting the trend of tenant demand in recent years, vacancy rates are lower in the most favoured CBD precincts, most notably Sydney's Core and Melbourne's Eastern Core.
- Major metro markets nationally have lagged the CBD markets with the average vacancy rates across metro markets at 17.3%.
- Over the next three years, the development pipeline in major CBDs is forecast to deliver c970,000 sqm of new supply, in contrast to the last three years where new supply has totalled over 1.17 million sqm.
- The pipeline looks particularly thin in Sydney, Brisbane and Perth, with developers facing multiple pressures including high construction costs, elevated funding costs and higher cap rates impacting completed asset values. This will eventually lead to tighter leasing markets and consequently faster rental growth.

CBD vacancy rises while non-CBD stabilises

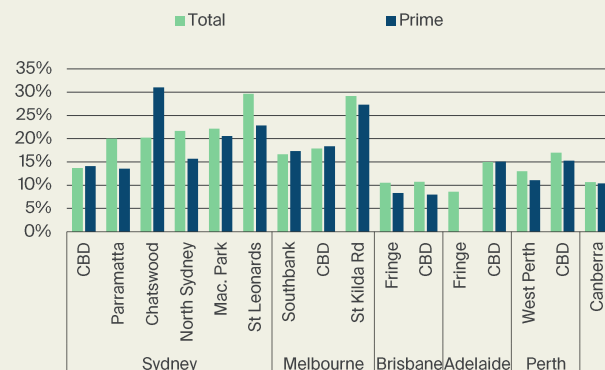
Total vacancy rate (%)



Source: Knight Frank Research, PCA

Vacancy rates mixed across markets

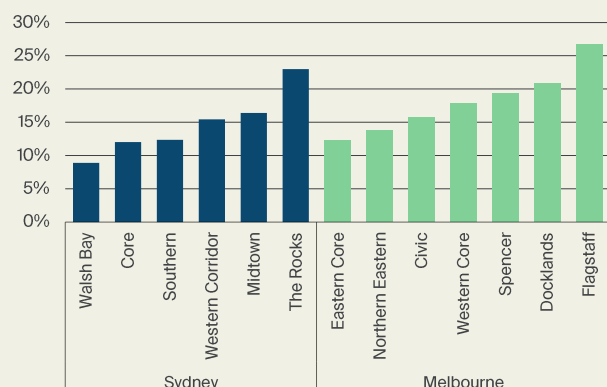
Total vacancy by grade, Jul-25 (%)



Source: Knight Frank Research, PCA

Sydney and Melbourne CBD vacancy rates

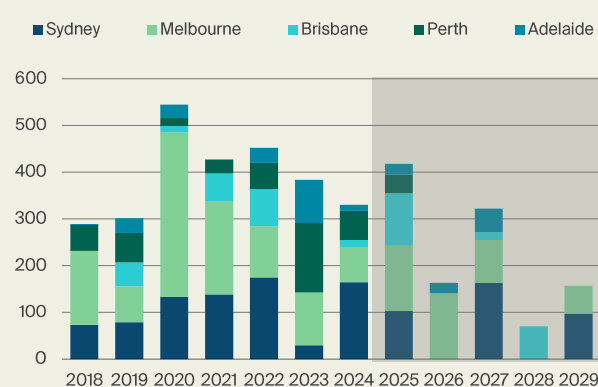
Total vacancy at Jul-25 (%)



Source: Knight Frank Research, PCA

Development completions in Australia CBDs

Historic and forecast completions by city ('000sqm)



Source: Knight Frank Research

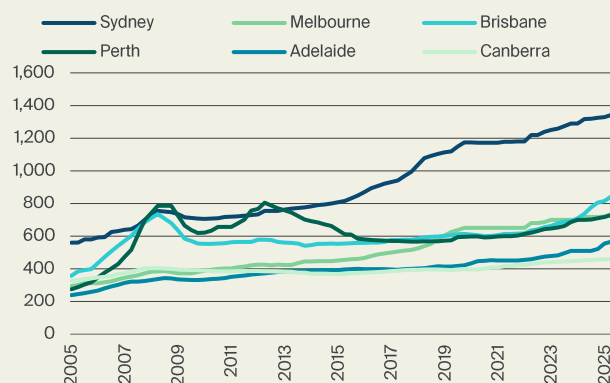
Improving rent performance

Positive net face rental growth across Australia, with Brisbane and Adelaide outperforming

- Average prime net face rents continued to rise in Q2, with quarterly growth led by Brisbane (3.2%), followed by Melbourne (2.1%), Adelaide (1.9%), and Perth (1.7%).
- Over the past year, Brisbane has led the way with an exceptionally strong 17.6% increase in prime effective rents, while Adelaide has experienced 13.2% growth. Growth has been more subdued in Perth (3.1%), Sydney (2.3%) and Melbourne (1.8%).
- Incentives in Sydney incentives fell for a second consecutive quarter in Q2, from 36.1% to 35.9%. Incentives also fell in Melbourne (by 0.1% to 47.7%) but remained stable in Brisbane (38.5%), Adelaide (33.9%) and Canberra (28.1%). Incentives in Perth rose (46.8%) with weak demand, however tenant demand is expected to recover over the next year.
- With occupier demand weighted towards core CBD locations, the Core and Barangaroo precincts in Sydney CBD, and the Eastern Core in Melbourne CBD, have out-performed. The rebound in net effective rents has been more broad-based in Sydney's CBD compared to Melbourne.
- Looking forward, sustained demand and declining levels of new development – particularly new premium buildings – will aid prime rental growth and lower vacancy rates over the medium term.

Net face rents rising in all markets

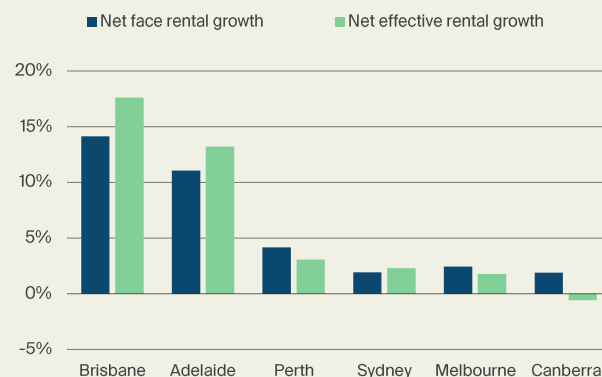
Prime net face rent (\$/sqm)



Source: Knight Frank Research

Fastest CBD rental growth in Brisbane

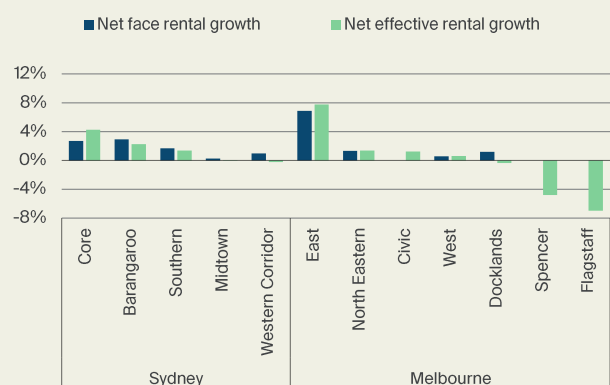
Annual net face rental growth & net effective rental growth (%)



Source: Knight Frank Research

Rent growth strongest in favoured precincts

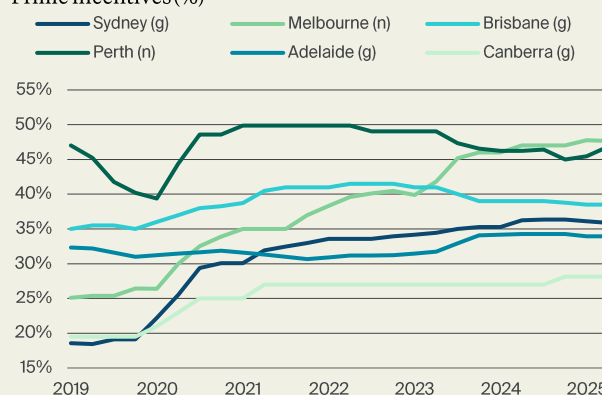
Net face rental growth vs net effective rental growth (% y/y)



Source: Knight Frank Research

Sydney prime incentives continue to fall

Prime incentives (%)



Source: Knight Frank Research

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