Brisbane CBD Office Market

April 2025

Brisbane CBD to see the first new supply in three years as investor appetite builds

knightfrank.com.au/research

Key Insights

Face rental growth was slower in Q1 as tenants resist ongoing steep rental uplift and favour recommitment over relocation

JENNELLE WILSON
PARTNER, RESEARCH & CONSULTING

10.2%

Total vacancy

Total vacancy increased to 10.2% as at January 2025, up from 9.5% mid-year. Brisbane remains the tightest major CBD market. Prime vacancy is 8.0%, with strong demand at the upper end of the market. (PCA)

13,906

Sqm net absorption CY-24

Net absorption was strongly positive in H1 2024 at 26,552sqm but was negative at – 12,646sqm in H2 2024. Prime net absorption at 30,467sqm for 2024 reflected the ongoing strength in prime demand.

+90k

Sqm new supply for 2025

After a three-year hiatus of any new supply additions to the Brisbane CBD, there will be two new buildings delivered to the market during 2025. This new space is 87% pre-committed.

12.0%

Total vacancy forecast January 2026

Despite continued net absorption through the year the return of supply will boost vacancy temporarily. Vacancy is forecast to return to 10.7% by January 2027.

6.2%

P.A average prime gross face rent growth next 5 yrs

Despite expected slowing to rental growth in 2025 the five-year forecast remains strong with the upper end of the market to deliver accelerated rental growth from 2027 to 2029.

7.25%

Average prime yield

Yields have now stabilised across the prime and secondary markets as cash rate reduction came to fruition in February. Ongoing global volatility may weigh on yields in the short term.

Brisbane CBD Office Market Indicators – 1 Apr 2025

Grade	Total Stock sqm^	Vacancy Rate %^	Annual Net Absorption sqm^	Annual Net Additions sqm^	Av Gross Face Rent $/sqm	Av Incentive %	Effective Rent Gth % y/y	Core Market Yield %*
Prime	1,385,391	8.0%	30,467	-	1,014	38.5%	12.7%	7.25%
Secondary	934,368	13.4%	-16,561	-23,810	775	39.5%	6.8%	8.50%
Total	2,319,759	10.2%	13,906	-23,810				

Source: Knight Frank Research/PCA ^ as at 1 January 2025 * assuming WALE 3-5 years

Economy stronger in 2025

First cash rate fall has occurred; GDP forecast higher in 2025

RBA EASES MONETARY POLICY IN FEBRUARY AS GDP GROWTH APPEARS TO HAVE BOTTOMED OUT IN Q3-24

The latest quarterly inflation data reveals a slowdown in underlying inflation, with a headline rate of 2.4% and the trimmed mean at 3.2% in Q4-24, reflective of the reduction of inflationary pressures. Although core inflation remains above the target range of 2-3%, the Reserve Bank of Australia (RBA) is growing more confident that inflation is slowing. At its February meeting, the RBA opted to reduce the target cash rate by 25 basis points to 4.1%, the first rate cut since November 2020. The RBA remains cautious regarding further rate cuts in 2025, citing weak output growth, a tighter than expected labour market; balanced against US tariff implementation and ongoing geopolitical uncertainty. Australian GDP for Q4 was stronger at 0.6% (up from 0.3% in Q3) taking the annual growth to 1.3% as the economy has shown resilience. Forecast 2025 GDP is in the order of 2.0%.

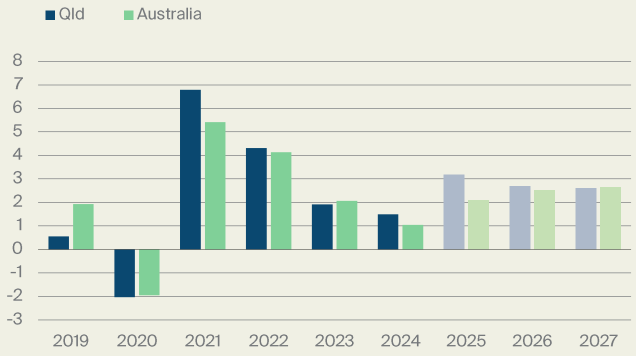
ECONOMY HAS BEEN SUPPORTED BY POPULATION GROWTH

Although beginning to slow, the Australian economy has been supported by strong population growth with almost 1.15 million new residents in the past two years. Much of this was from the offshore migration surge which replenished the offshore student cohort and pent up migration demand. Peaking at an annual growth rate of 2.5% in Q3-23, Australian population growth has begun to ease, falling back to 1.8% at September 2024. Queensland recorded 2.0% annual population growth to September 2024. While Queensland has a long history of accelerated population growth due to interstate migration, the offshore surge also boosted the state's population growth. Fifty-seven percent of Queensland's population growth came from offshore migration during the year, compared to 78% for Australia.

UNEMPLOYMENT REMAINS LOW WITH BRISBANE FORECAST TO LEAD OFFICE WORKFORCE GROWTH

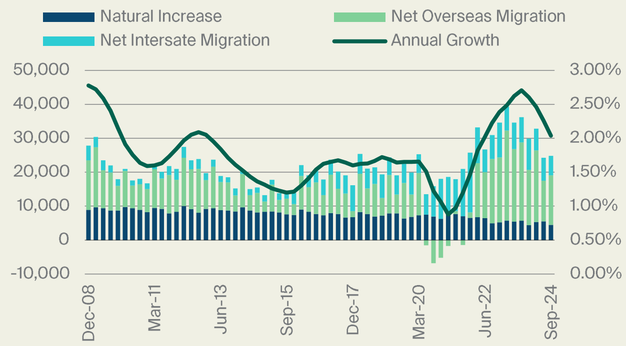
The start of 2025 saw the unemployment rate drop to 4.0% with the jobs market tightening over the quarter. The jobs market, and overall economy, has been supported by public sector spending with 29% of all jobs filled in the year to September 2024 within the public sector. Long term, the public sector only accounts for 15% of total employment. After a strong rebound in office workforce numbers post 2020 with 4%+ annual growth rates 2021-2023 and 3.7% in 2024, Brisbane is forecast to have slower growth in the order of 1.0% for 2025 before stabilising at c2% there after. This is forecast to be the fastest rate of office workforce growth across the major office markets over the next five years.

Economic Growth outlook
% p.a GSP & GDP annual change



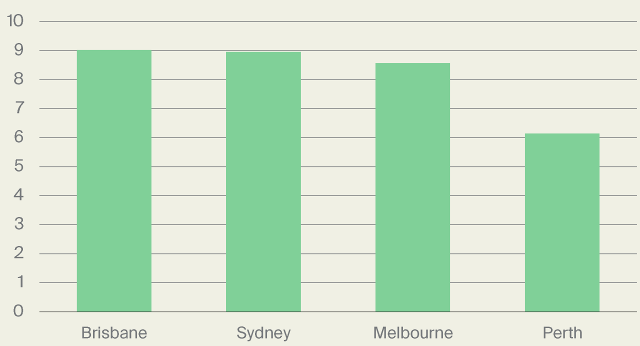
Source: Knight Frank Research, Oxford Economics (March 2025)

Population Growth Queensland
Quarterly Increase by component & annual growth rate



Source: Knight Frank Research, ABS

Office Workforce Growth
% change - total forecast 5 years 2025 -2029



Source: Knight Frank Research, Oxford Economics

Quality space in focus

LEASING TAKE-UP REMAINS BROAD BASED WITH STRONG GOVERNMENT ACTIVITY

Tenant demand for the CBD remained broad-based during 2024 and in line with the overall profile for the market. Typical for Brisbane, market activity was dominated by Professional, Scientific & Technical services with 31% of leasing activity. The State Government was highly active during 2023 but this did slow slightly in 2024, an election year, with 18% of activity. Federal Government was higher in 2024 at 10% of total leases across a number of requirements, separate to its major relocation to 205 North Quay this year.

The trend towards tenants renewing in their existing space has continued into 2025. Over late 2024 and into 2025 major tenants which have decided to remain in place included EY (contracting one floor to c6,000sqm), BHP (expanding to c20,000sqm), Clayton Utz (6,200sqm) and Santos (c15,000sqm). This is partially due to a lack of suitable options within the necessary timeframes, but also the ongoing lack of capital on both landlord and tenant sides to fund new fitouts. This has led to tenants increasingly re-signing now and deferring potential relocation for a further lease cycle.

NET ABSORPTION POSITIVE BUT MODEST WITH RECOVERING FORECAST ECONOMIC GROWTH CHALLENGED BY GLOBAL VOLATILITY

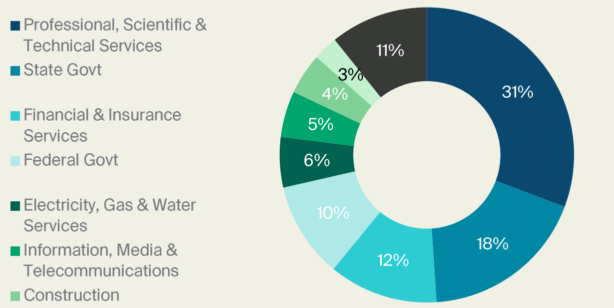
Net absorption for H2 2024 was -12,646sqm, partially reversing the strong rise of the previous period (+26,552sqm H1 2024). The annual figure of +13,906sqm over 2024 better reflects market conditions, rather than a sharp rise followed by a drop.

The A grade market slipped into negative net absorption of -8,418sqm in H2 2024 after back to back six-monthly results of 40,000sqm+. Annually A grade has remained strong with 33,999sqm of net absorption during 2024. Premium net absorption has been modestly negative despite over-arching strong tenant demand, with negative net absorption (-3,151sqm over 6 months, -3,532sqm y/y) due to some tenant contraction in the short term.

After recording three consecutive periods of negative net absorption, the B grade market has now seen slight uplift with positive net absorption of 1,602sqm in H2 2024. Overall, secondary net absorption was neutral in H2-2024 at -1,077sqm. Since 2020 the only major cumulative negative net absorption for the Brisbane CBD has come through the withdrawal of secondary buildings such as 41 George St and 150 Charlotte St for conversion to alternative uses.

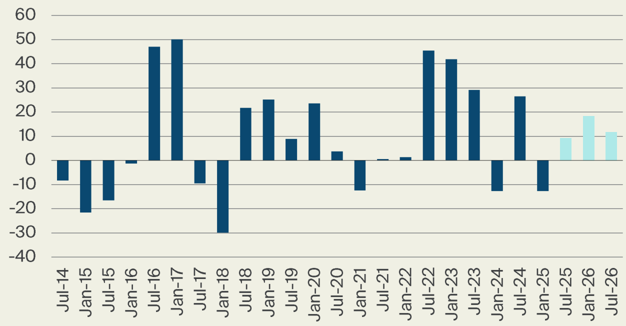
Forecast net absorption is expected to remain positive through the forecast horizon, although be relatively modest during 2025.

Brisbane CBD Tenant Activity
2024



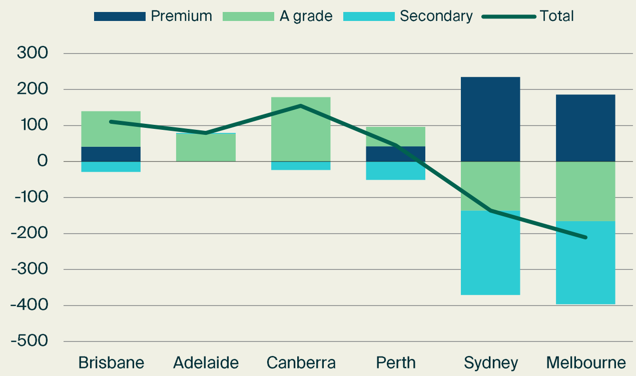
Source: Knight Frank Research

Brisbane CBD Net Absorption
'000 square metres



Source: Knight Frank Research/PCA

Cumulative net absorption 2020 - 2024
'000 sqm selected CBD markets



Source: Knight Frank Research, PCA

Vacancy to rise this year

2025 WILL PROVIDE THE FIRST NEW STOCK TO THE MARKET IN THREE YEARS

After a three-year hiatus there will be two new buildings delivered to the market during 2025. This totals just over 90,000sqm (c4% uplift to stock) with this space 87% pre-committed. The fully pre-committed 205 North Quay is expected to be occupied in a staged programme from April 2025. The Investa/Charter Hall development at 360 Queen Street is now 74% pre-committed with completion scheduled for Q4 2025. Waterfront North has an expected 2028 completion and is just over 50% pre-committed.

There were no major additions or withdrawals to stock in H2 2024, with only 3,435sqm of B grade stock added in the half. There were no changes to prime stock levels during H2 2024.

Refurbished prime stock will be available from mid-2025 with the refurbishment at 70 Eagle St (11,476sqm – 50% committed) and 140 Elizabeth St (9,908sqm) which is part of the 205 North Quay backfill space.

FEASIBILITY HURDLES CONTINUE TO HAMPER ADDITIONAL CONSTRUCTION STARTS

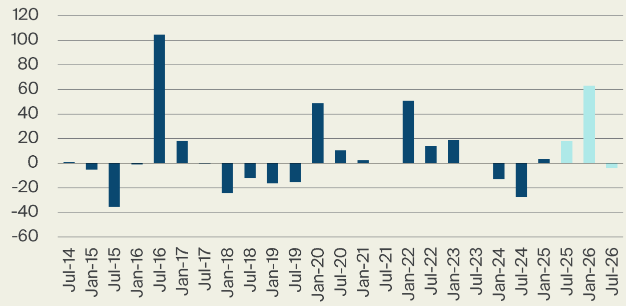
Financial feasibility remains difficult for new commercial developments to achieve with construction costs, extended development timeframes and elevated yield expectations all still prevalent. While demand for new stock within such a strongly growing CBD is likely to remain strong, the timeframe for additional building construction commencements remains unclear. Tier-1 builder availability and extended construction timeframes means that any additional construction would be unlikely to come online before 2029.

VACANCY TO INCREASE DURING 2025

Total vacancy was 10.2% in January 2025, up from 9.5% at July-24, with much of this uplift coming from the prime market. Although up slightly over the six months, prime vacancy remains low at 8.0% with secondary sitting at 13.4% as tenant upgrading remains a broad theme.

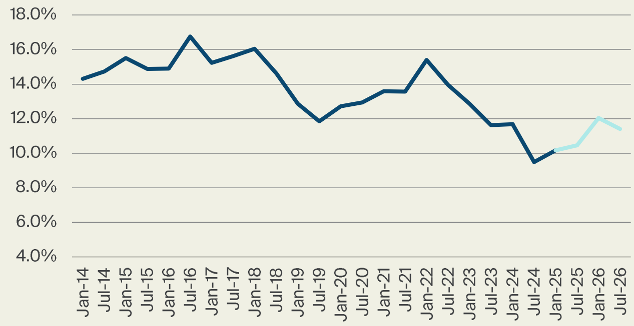
Due to the two new buildings being delivered total vacancy is forecast to rise, up to 12% by the end of 2025. Initially this will impact the prime vacancy most acutely, however we expect the prime market to recover relatively quickly as the backfill space is absorbed. The uplift in the sophistication of tenant expectations will continue to put pressure on older secondary assets to remain relevant. The steady net absorption forecast over the medium term and the lack of any additional new supply 2026-2028 will support falling vacancy to a lowpoint of c8.5% in mid-2028 before supply flows through the market once again from H2 2028.

Net Additions - Brisbane CBD
'000sqm net of additions and withdrawals



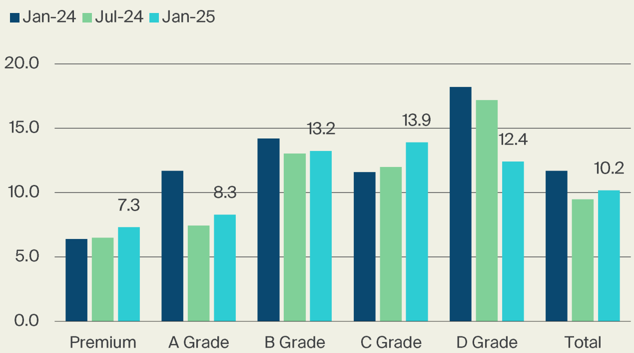
Source: Knight Frank Research, PCA

Brisbane CBD Vacancy
total vacancy rate



Source: Knight Frank Research/PCA

Brisbane CBD Vacancy by Grade
% vacancy rate



Source: Knight Frank Research, PCA

Major office supply

Major Refurbishments

#	ADDRESS	SQM	COMPLETION
1	70 Eagle St	11,476 (c50% committed)	Mid-2025
2	140 Elizabeth St	9,908	Mid -2025

Under Construction / Major Pre-commitment

#	ADDRESS	SQM	COMPLETION
3	205 North Quay	43,700 (100% committed)	Staged from Q2 2025
4	360 Queen St	46,700 (74% committed)	Q4 2025
5	Waterfront Brisbane North	72,500 (50%+ committed)	2028

Development Approved/ Application/ Mooted

#	ADDRESS	SQM	COMPLETION
6	450 Queen St	17,265	Refurbishment TBC
7	101 Albert St	47,000	STC
8	One Queen St	27,000	STC
9	135 Eagle St	35,000	Mooted
10	150 Elizabeth St	54,000	Mooted
11	131 Edward St	45,700 GFA	Application
12	Waterfront Brisbane South	50,000	2035+

STC – Subject to commitment. The development has current planning approval in place but no firm timeline for delivery. Timing is dependent on receiving necessary tenant pre-commitment (c40% of NLA) and also the necessary development capital.

Mooted - Potential future development, planning approval may be outdated, proposed built form expected to change or planning approval not yet applied for

Prime rent growth eases

ANNUAL PRIME FACE RENTAL GROWTH OF 11.8%, BUT Q1 GROWTH WAS SLOWER THAN RECENT QUARTERS

Prime rents continued to lift strongly throughout 2024 as tenants accepted steadily higher rents resulting in 13.3% uplift in gross face rents over CY 2024. However, this climate has shifted slightly into 2025, with April 2025 prime gross face rent $1,014/sqm, reflecting lower quarterly growth of 0.6% but still solid annual uplift of 11.8%. Prime incentives average 38.5%, down 25bps q/q (50bps y/y), lifting effective rents by 12.7% over the 12 months.

Premium rents were stable over the quarter, but the exceptional recent strength of that market has kept the annual growth rate (+17.9% y/y) higher than A grade (9.4% y/y). The cohort of the best premium buildings pulled away from the rest of the prime market with rents of $1,250-$1,300/sqm+ during 2024. While rental uplift has continued as relativities between grades and individual buildings rebalance, the strong week to week face rental growth evident in 2024 is not expected in 2025.

PRIME RENTAL GROWTH TO EASE IN THE SHORT TERM

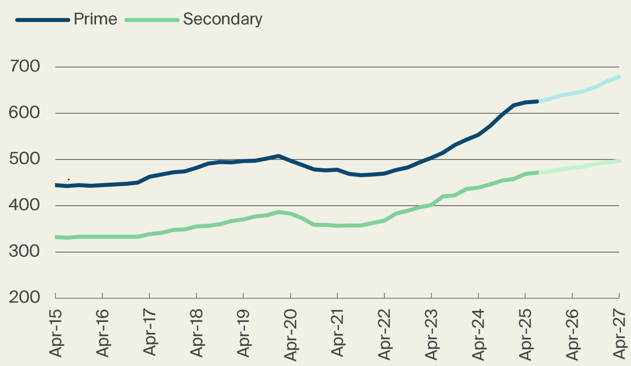
Despite starting 2025 with tight prime vacancy of 8.0%, this will lift due to new supply. Market attention will shift to the speed of leasing and rental rates achieved on the backfill space. Due to drifting completion dates, the timing to occupy this space has been unclear, hampering certainty in marketing to date. Tenant sentiment towards relocations eased from mid-2024 and the commensurate lift in renewal activity is reflective of "tenant fatigue" from higher face rents, lower capital incentives and high fitout costs. This has diminished tenant mobility, reducing competition for vacant space, especially cold shell. Balancing this is ongoing strong rental reversions for owners on renewals.

Prime gross face rents are forecast to grow by 2.2% in 2025, higher on an effective basis (+3.4% y/y) while the market takes a breath. The lack of supply post 2025 and the need to bridge to economic rents to trigger development will see rents accelerate again 2027-2029, with a five-year forecast effective annual growth rate of 6.5%.

SECONDARY FACE RENTS BECOMING DIVERGENT

Secondary face rents have grown strongly over the past two years, up by 12.6%, with effective growth higher at 16.2%. The secondary market gross face average rent is $775/sqm as at April 2025. This represents an annual increase of 4.2% over the year. Incentives have fallen to 39.5%, down from 41% a year ago, giving annual effective rental growth of 6.8%. Rents for quality B grade buildings are accelerating more strongly than this, picking up tenants priced out of the A grade market.

Brisbane CBD Rents
$/sqm gross effective prime v secondary



Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Face Rent $/sqm	Incentive %	Term yrs	Start Date
HWL Ebsworth#	360 Queen St	Financial	4,777	u/d	u/d	10	2026
Dentons	111 Eagle St	Financial	1,433	1,350	35-40	10	Sep 25
QBCC	80 Ann St	Legal	4,600	c960 g	35-40	10	Aug 25
Canstar	275 George St	Legal	1,301	925 g	35-40	6	Jul 25
Commonwealth Government	80 Ann St	Legal	2,213	c900 g	35-40	10	Apr 25
Engeny	545 Queen St	Uptown	2,138	710 g	35-40	6	Mar 25

Source: Knight Frank Research/PCA n net g gross u/d undisclosed # pre-commitment

Investment activity lifting

PACE OF TRANSACTIONS STARTING TO INCREASE

Stronger investment activity, particularly in Q4-2024 with $429.5 million, resulted in a total of $1.1 billion for sales >$10 million during 2024. This was an improvement over 2023 but remains below the long-term annual average of $1.3 billion. Offshore investors were absent from the market over 2023 & 2024, allowing domestic buyers to fill the void. Lifting in 2024, domestic investment is now higher than the long-term domestic average of $860 million per year. The first transaction of 2025 was the first offshore investment in the market since October 2022, co-incidentally the same purchaser and asset.

The bid-ask spread has reduced, with book values now closer to, if not aligned with, the level purchasers are prepared to offer. While sometimes taking longer to complete, largely due to ongoing capital raising delays, most properties formally offered to the market are now selling.

BROAD RANGE OF BUYERS ARE EYEING THE BRISBANE MARKET

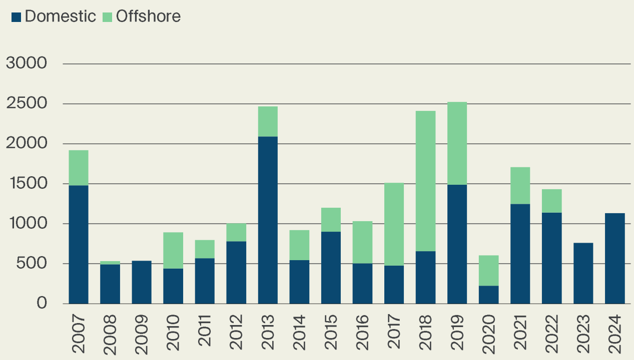
Despite recent purchasers of CBD assets being dominated by domestic private investors, syndicators and super funds, the range of buyers actively interested in the Brisbane market is far broader. The ongoing outperformance of the tenant market has seen Brisbane move up as a potential investment location, pulling ahead of Melbourne but remaining behind Sydney, particularly for core buyers.

To date these buyers have remained on the sidelines, but this has also reflected the relative lack of prime assets offered to the open market.

The recent prime (although leasehold) sale of 145 Ann St was off-market with the buyer being a domestic super fund. Other recent transactions have included secondary assets such as 60 Edward St and 41 George St. 60 Edward St was sold by a partial owner occupier and afforded the buyers a value-add proposition. The ex-state government occupied 41 George St is set to be converted to student accommodation with the 1,200 bed development expected to be completed in 2026 with an estimated end value of c$500 million.

The most recent sale is the remaining 50% of 53 Albert St, purchased by NTT through a last right of refusal for a reported $110 million, investment metrics not yet released. Additionally, the remaining 50% of 85 George St is understood to be under contract to a local group.

Brisbane CBD Office Transactions
$million by purchaser location, sales $10m+



Source: Knight Frank Research

Recent significant sales

Property	Price $ m	Core Market Yield %	NLA sqm	$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
53 Albert St (50%)#	c110.0	tbc	19,059	11,534	3.5	NTT/Realmont	JP Morgan	Jan-25
145 Ann St	215.50	7.80	27,550	7,822	3.1	Aware Super	Dexus REIT	Dec-24
247 Adelaide St	19.0	7.43^	3,061	6,207	n/a	Qld Country Bank	BWC Properties	Nov-24
60 Edward St	72.0	8.37	10,637	6,769	2.3	Sentinel Property Group	RACQ	Oct-24
41 George St	123.0	n/a	29,463	4,175	VP	Dexus/Marquette JV	AEPIM	Oct-24
120 Edward St	119.0	8.05	15,161	7,849	2.9	Clarence Property	DWS Funds Mgt	Aug-24
240 Queen St	250.0	7.55	27,633	9,047	4.1	Quintessential	Brookfield AM	Jun-24

Source: Knight Frank Research ^asset purchased with the intention of owner occupation of the retail banking chamber and part of the office space #remaining 50% of asset acquired under rights

Yields have stabilised

2025 BEGAN WITH A MORE STABLE MONEY MARKET

As noted above the RBA made the decision to cut rates in February 2025, bringing the cash rate down by 25bps to 4.1%, the first change to rates in over a year and the first cut since November 2020. While the market gained confidence from the expectation that the cash rate had topped out, the RBA has emphasised that the timing of further rate cuts would remain data driven. While the money market was pricing in at least two more cuts over 2025, the growing uncertainty surrounding the pace of policy rate easing in the U.S and global trade conditions, particularly the effect that tariffs imposed by the U.S on Australia's largest trading partner China, enhances volatility but tilts towards lower rates.

Expectations surrounding the longer term neutral level of the 10-year bond yield have altered in the past six months to be above 4%, with Oxford Economics expecting stabilised level for the 10-year yield at just under 4.2% and the cash rate at 3.35% (as at April 2025).

YIELDS HAVE STABILISED AS MORE SALES HAVE EMERGED

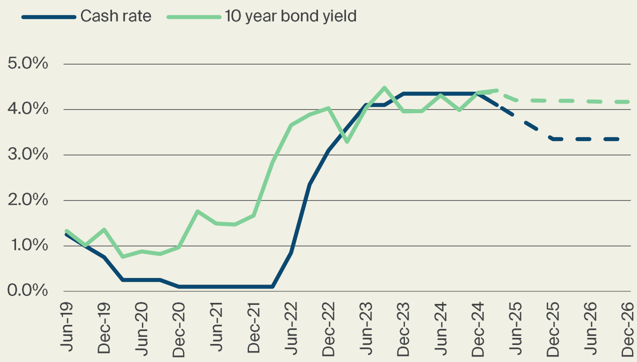
Prime yields were stable in Q1 with the lift in transaction activity over the past six months providing greater yield certainty. Prime yields are considered to range 6.0%– 8.25% with a median of 7.25%. While yields have been stable since mid-2024 this is 195bps softer over the cycle.

The sale of 145 Ann St was seen to provide major direction for prime yields in Brisbane. This sale reflected an initial yield of 7.75% and a core market yield of 7.8% for the prime building which is on a long term leasehold site. There has remained a lack of core assets offered to the open market in the Brisbane CBD with the potential sale of 32 Turbot St likely to reflect a mid-range of prime yields in line with the non-core location.

Secondary core market yields have also stabilised over the past six-nine months with the current range 7.75% - 9.00% and a median of 8.50%. The total softening for this cycle is 205bps. Passing yields for secondary assets will continue to vary quite widely given the divergence of building fabric, level of reversions capturing the recent strong rental growth and vacancy exposure.

Large transactions and offshore capital flow, particularly in Sydney, have resulted in an uplift in sentiment for the office market and greater certainty that the easing cycle for yields is now in the past. Current yield levels are expected to be further confirmed by transactions and a broader buyer profile across the Brisbane CBD during 2025. Should trophy assets come to the market the potential for major buyers, not yet in the Brisbane market, to compete could provide the platform for yield compression later in the year.

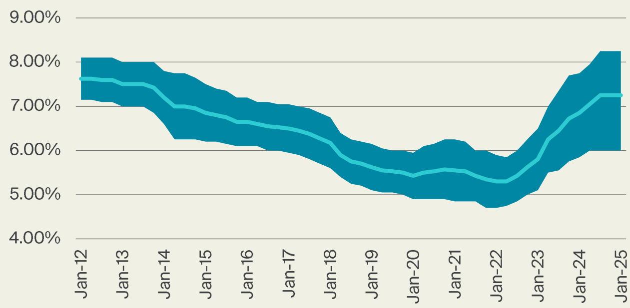
Interest rate outlook
Cash rate and 10 year bond outlook to end 2026



Source: Knight Frank Research, Oxford Economics

> " Should trophy assets come to the market the potential for major buyers, not yet in the Brisbane market, to compete could provide the platform for yield compression later in the year "

Brisbane CBD Prime Yield Range
Core market yield range & median (3-5 year WALE)



Source: Knight Frank Research

Cover image courtesy of Brisbane Economic Development Agency Pty Ltd . Photographer Brizzy Pix - Mark Coleman

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

Research & Consulting
Jennelle Wilson
+617 3246 8830
Jennelle.Wilson@au.knightfrank.com

Office Leasing
Mark McCann
+617 3246 8853
Mark.mcCann@au.knightfrank.com

Capital Markets
Justin Bond
+617 3246 8872
Justin.bond@au.knightfrank.com

Research & Consulting
Ben Burston
+61 2 9036 6756
Ben.Burston@au.knightfrank.com

Investment Sales
Matt Barker
+617 3246 8810
Matthew.Barker@au.knightfrank.com

Investment Sales
Blake Goddard
+617 3246 8848
Blake.Goddard@au.knightfrank.com

Valuation & Advisory
Peter Zischke
+617 3193 6811
Peter.Zischke@qld.knightfrankval.com

Recent Research

Brisbane CBD State of the Market Snapshot April 2025

Queensland Population Growth March 2025

Australian Industrial Review Q4 2025

Brisbane PCA Office Statistics February 2025

Australian Horizon Report 2025

The Wealth Report 2025