North Shore Office Market

August 2025

Clear divide in demand as occupiers and investors favour best in class assets

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Key Insights

Improving sentiment and outlook bodes well for occupier and investor demand over H2 2025

Marco Mascitelli
Associate Director, RESEARCH & CONSULTING

0.9%

Premium grade vacancy

In North Sydney, lowest compared to all CBD precincts and other major NSW markets.

8K

Prime net absorption

Positive net absorption over H1 2025 in the North Sydney prime market.

40%

Elevated incentive levels

Prime grade incentives averaging 40% across the North shore markets.

2.3%

Annual face rental growth

Prime net face rents average $930/sqm in North Sydney, an increase of 2.3% y/y.

40bps

Yields softening

Yields continue to soften across the North Shore markets, in particular North Sydney yields have softened 40bps over H1-25.

$281m

Transaction volumes

Deal volumes over 2024-25FY. Activity is expected to pick up over the second half of the year.

North Shore Office Market Indicators – July 2025

Market	Grade	Total Stock sqm	Vacancy Rate %	6 Mths Net Absorption sqm	6 Mths Net Additions sqm	Average Net Face Rent $/sqm	Average Incentive % ^	Core Market Yield %*
North Sydney	Prime	391,537	15.7	8,069	0	930	37.5 - 42.5	6.75 - 7.75
North Sydney	Secondary	521,153	26.1	-11,582	-28,524	742	37.5 - 42.5	7.75- 8.75
North Sydney	Total	912,690	21.7	-3,513	-28,524			
St Leonards	Prime	137,256	22.9	4,480	0	669	37.5 - 42.5	7.75 - 8.50
St Leonards	Secondary	217,548	33.9	-3,392	-2,614	573	37.5 - 42.5	8.00 - 9.00
St Leonards	Total	354,804	29.7	1,088	-2,614			
Chatswood	Prime	129,730	31.0	-9,277	0	647	37.5 - 42.5	7.50 - 8.25
Chatswood	Secondary	137,274	10.0	2,426	0	520	35.0 - 40.0	8.00 - 8.50
Chatswood	Total	267,004	20.2	-6,851	0			
Macquarie Park	Prime	673,800	20.6	-9,207	0	470	37.5 - 42.5	7.00 – 8.00
Macquarie Park	Secondary	271,549	26.1	-21,683	0	393	37.5 - 42.5	8.00 – 9.00
Macquarie Park	Total	945,349	22.2	-30,890	0			

^ Incentives are on a gross basis; * assuming WALE 5 years
Source: Knight Frank Research/PCA

North Sydney

POSITIVE DEMAND IN THE PRIME MARKET

There is a stark contrast in occupier demand across North Sydney between the differing grades. With positive deal flow and enquiry across the prime market, positive absorption of 8,069 sqm was recorded over the first half of 2025. This has resulted in prime vacancy declining from 17.8% to 15.7% over the first half of the year. In contrast, the secondary market, where occupier demand is more subdued, recorded negative absorption of 11,582 sqm over H1 2025.

Analysing demand even further, premium-grade stock is in high demand, with vacancy tightening to just 0.9%, underscoring a clear divergence in market performance. Occupiers are prioritising high-quality office environments that offer superior amenity and connectivity, reinforcing the appeal of best-in-class buildings.

Top-tier assets in North Sydney—100 Mount Street, 1 Denison Street and 118 Mount Street; are consistently achieving high occupancy rates. The Sydney Metro and Victoria Cross Station have further enhanced North Sydney's accessibility, strengthening its long-term appeal for occupiers.

LIMITED NEW DEVELOPMENT

Following a pause in development activity since 2023, North Sydney's total office stock currently stands at 912,690 sqm. As the third-largest metropolitan office market in New South Wales, North Sydney continues to evolve, with prime-grade assets now accounting for 43% of total stock—up significantly from 27% a decade ago.

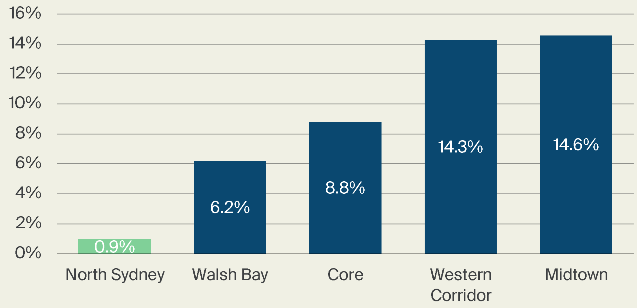
The next major addition to North Sydney's office supply is Victoria Cross OSD, a 55,000 sqm development by Lendlease, scheduled for completion in Q1 2026. Beyond this, Affinity Place (59,000 sqm) has received DA approval and is actively seeking pre-commitments. While several other schemes remain in early planning stages, they are unlikely to deliver new stock before 2029, providing the market with time to absorb existing supply.

FACE RENTS AND INCENTIVES RISE

There has been moderate growth in face rents in North Sydney, with average prime net face rents increasing by 2.3% over the year to reach $930/sqm ($1,100/sqm gross) as of July 2025. In the secondary market, growth has been limited to 0.5% over the year, with current rates measuring $742/sqm ($896/sqm gross face).

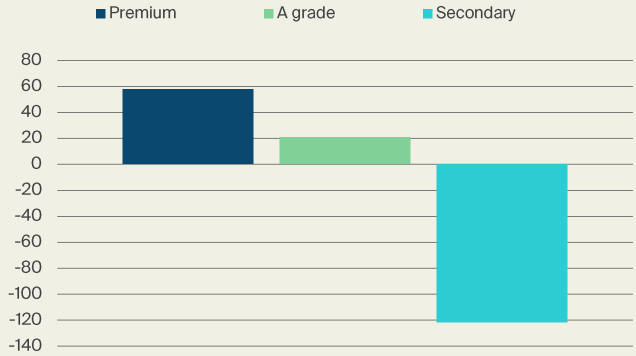
Prime incentives edged higher over the year to now average 39.5%, resulting in a 1.4% decline in net effective rents, which now average $505/sqm. Incentives have likely peaked and are expected to stabilise over the near term, paving the way for net effective rents to return to growth.

Sydney premium grade office vacancy
By market, as at July 2025



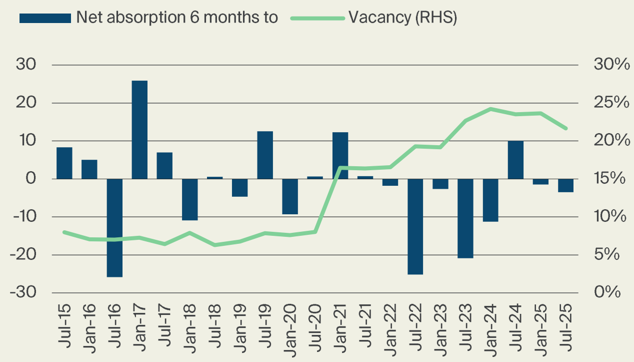
Source: Knight Frank Research, PCA

North Sydney office demand by grade
Total absorption since 2021 ('000sqm)



Source: Knight Frank Research, PCA

North Sydney vacancy and net absorption
'000sqm (LHS), %(RHS)



Source: Knight Frank Research, PCA

Macquarie Park

SUBDUED DEMAND IN THE SECONDARY MARKET DRIVES VACANCY HIGHER

Macquarie Park's overall vacancy reached a record high of 22.2% in July, following a brief period of easing since January 2024. Net absorption in the first half of 2025 was reported at negative 30,890 sqm. Direct vacancy rose from 17.9% to 20.8%, while sublease vacancy edged up to 1.4% over the six months to July.

The surge in vacancy was primarily driven by weak demand in the secondary market, where the vacancy rate increased from 18.1% to 26.1%, accompanied by negative net absorption of 21,683 sqm in H1 2025. Meanwhile, prime vacancy rose from 19.2% to 20.6%, with negative net absorption of 9,207 sqm.

MORE PRIME SPACE COMING TO THE MARKET

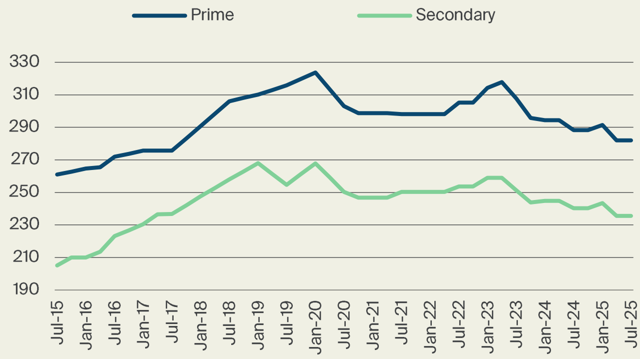
Macquarie Park is now the largest metropolitan office market in NSW, surpassing Parramatta and North Sydney in total stock. Looking ahead, construction is scheduled for completion in the second half of 2025 at Stockland's M_Park, located at 15 and 17 Khartoum Road (approximately 25,000 sqm). Notably, 17 Khartoum Road has been fully committed by Johnson & Johnson. More recently, pathology provider Douglas Hanly Moir leased 6,200 sqm of office and warehouse space at Stockland's 16 Giffnock Avenue.

FLAT FACE RENTS AND RISING INCENTIVES IN H1 2025

Reflecting subdued demand and elevated vacancy, net face rents remained flat in H1 2025, averaging $470/sqm ($595/sqm gross face) for prime assets and $393/sqm ($518/sqm gross face) for secondary. In line with other North Shore markets, incentives rose from 38.0% in January to 40.0% in July. However, landlords are offering even higher incentives to retain and attract occupiers, as the influx of supply over recent years has intensified competition among prime buildings.

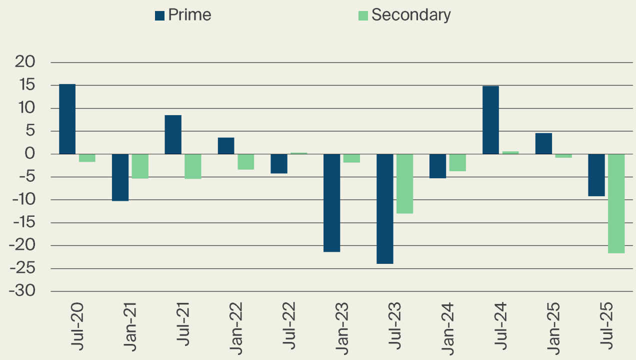
The increase in incentives has impacted effective rents, with prime net effective rents declining by 3.2% to $282/sqm in H1 2025. With more prime space expected to come online in H2 2025, vacancy is likely to remain elevated, and competition among prime assets is expected to keep face rents flat and incentives high.

Macquarie Park net effective rents
Average rent by grade, $/sqm



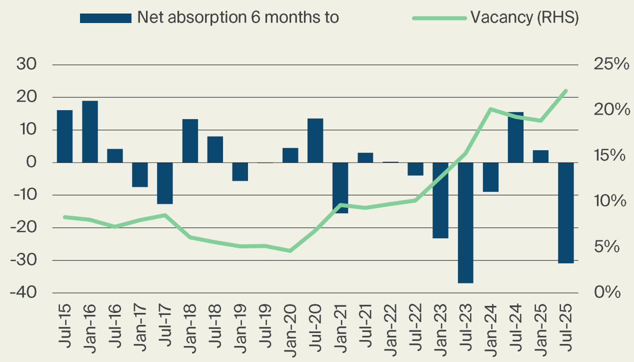
Source: Knight Frank Research

Macquarie Park net absorption
By grade, 6 months net absorption, '000 sqm



Source: Knight Frank Research, PCA

Macquarie Park vacancy and net absorption
'000sqm (LHS), %(RHS)



Source: Knight Frank Research, PCA

St Leonards

ONLY NORTH SHORE MARKET WITH POSITIVE OVERALL NET ABSORPTION IN H1 2025

Following the historically high vacancy rate reported in January, St Leonards experienced a modest easing in overall vacancy to 29.7% as of July 2025. Over the six months to July, it was the only market across the North Shore to record positive overall net absorption, totalling 1,088 sqm.

By grade, prime vacancy declined from 26.1% to 22.9%, supported by positive net absorption of 4,480 sqm—well above the five-year average of 2,352 sqm. In contrast, secondary vacancy rose slightly to a new high of 33.9%, with negative net absorption of 3,392 sqm.

NEW DEVELOPMENT UNDERWAY AS METRO STATION IMPROVES AMENITY AND CONNECTIVITY

The Crows Nest Metro station has significantly improved connectivity and accessibility in the area, further enhancing the precinct's appeal to occupiers. The market is now positioned to absorb supply additions delivered during the pandemic period.

Looking ahead, Deicorp has commenced site preparation for its Five Ways, Crows Nest mixed-use development, following approval in December 2024. Upon completion, the project will deliver approximately 8,000 sqm of commercial space. Additionally, 46–50 Nicholson Street has received approval for a build-to-rent (BTR) development.

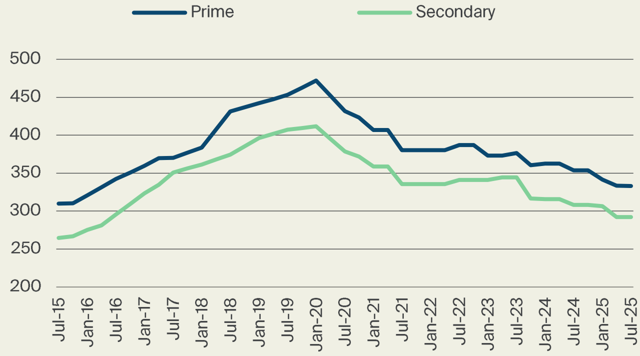
MODEST RENTAL GROWTH AS INCENTIVES REMAIN ELEVATED

With vacancy levels still elevated, face rents remained flat in H1 2025. On an annual basis, prime net face rents recorded modest growth of 1.5%, currently averaging $669/sqm ($819/sqm gross face, up 2.0% year-on-year). Secondary net face rents have remained unchanged at $573/sqm since early 2023 ($701/sqm gross face, up 0.7% year-on-year).

With a wide range of prime options available, secondary occupiers are increasingly motivated to upgrade—likely resulting in a growing divergence between the prime and secondary markets.

St Leonards net effective rents

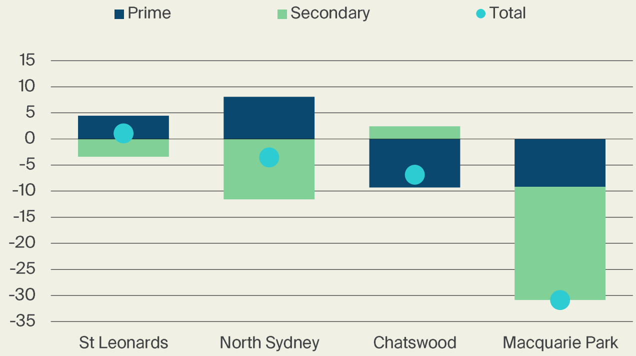
Average rent by grade, $/sqm



Source: Knight Frank Research

North Shore office net absorption

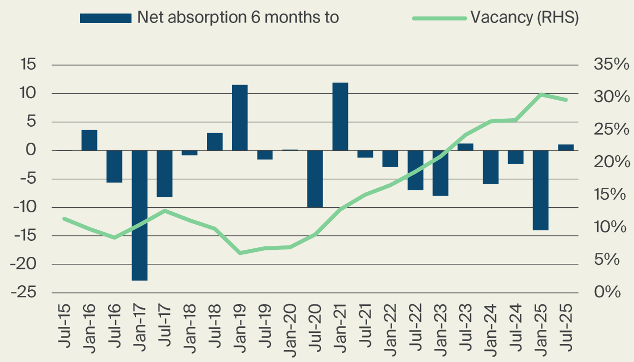
By market, '000sqm, 6 months net absorption to July 2025



Source: Knight Frank Research, PCA

St Leoanrds vacancy and net absorption

'000sqm (LHS), %(RHS)



Source: Knight Frank Research, PCA

Chatswood

OVERALL VACANCY LOWEST AMONGST NORTH SHORE MARKETS

Chatswood's overall vacancy rate rose from 17.7% to 20.2% over the six months to July 2025, although it remains the lowest among North Shore markets. The increase was driven by negative net absorption of 6,851 sqm in H1 2025, with annual net absorption reported at negative 2,299 sqm.

By grade, prime vacancy surged from 23.9% in January to a record high of 31.0% in July, reflecting negative net absorption of 9,277 sqm. In contrast, secondary vacancy declined from 11.8% to 10.0%, supported by positive net absorption of 2,429 sqm.

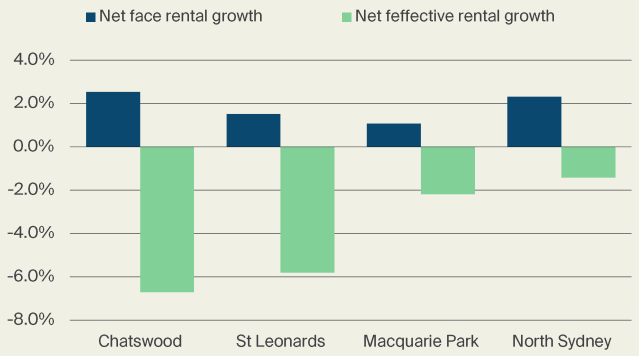
Tenant relocations contributed to the negative absorption, notably UGL vacating 2,400 sqm at 12 Help Street, Chatswood, and relocating to North Sydney. Additionally, Ventia, currently based at 80 Pacific Highway, will relocate to the Victoria Cross OSD in North Sydney upon its completion in 2026.

RISING INCENTIVES IMPACTING NET EFFECTIVE RENTS

Average prime net face rents increased by 2.5% over the 12 months to July 2025, reaching $647/sqm ($797/sqm gross face, up 2.8% year-on-year). Secondary net face rents remained flat, averaging $520/sqm ($654/sqm gross face).

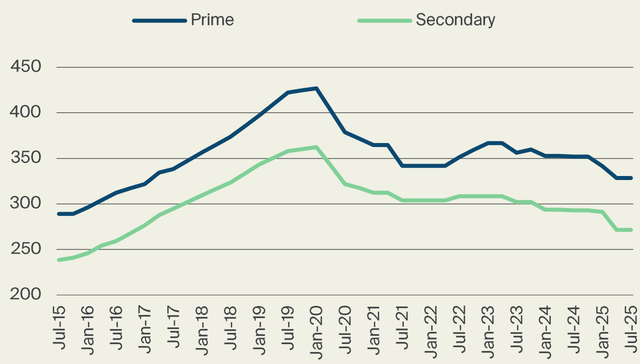
Despite leading the North Shore in annual prime net face rental growth, rising incentives have offset gains. Prime incentives rose from 36% to 40% over the year, resulting in a 6.7% decline in prime net effective rents, which now average $328/sqm.

North Shore office rental growth
Annual rental growth, %



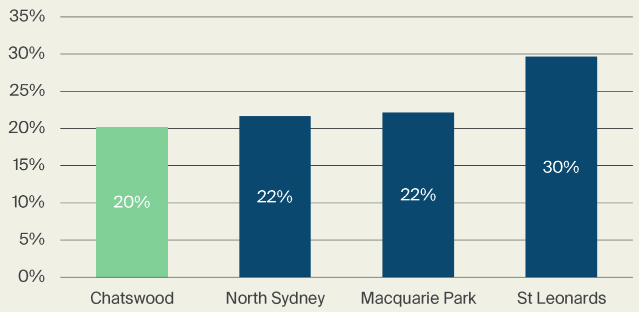
Source: Knight Frank Research

Chatswood net effective rents
Average rent by grade, $/sqm



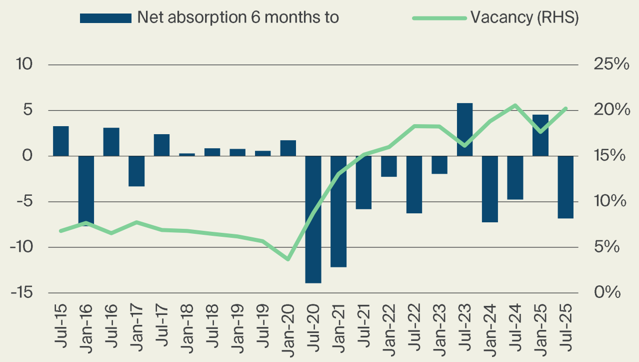
Source: Knight Frank Research

North Shore office vacancy
Overall vacancy, %



Source: Knight Frank Research, PCA

Chatswood vacancy and net absorption
'000sqm (LHS), %(RHS)



Source: Knight Frank Research, PCA

North Shore investment

A PICK UP IN INVESTMENT ACTIVITY ON THE HORIZON

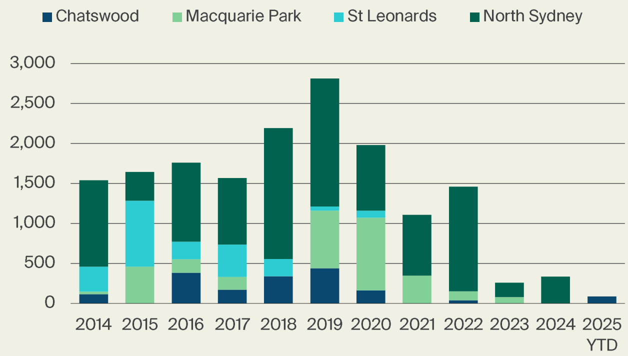
There has been limited transactional activity across the North Shore markets since 2023, influenced by elevated debt costs and a shift in investor focus towards core CBD assets and other asset classes. In 2024, only two notable transactions occurred: 40 Miller Street, North Sydney, was successfully acquired by US-based investment manager Barings for $141 million, representing a core market yield of 7.4%. Meanwhile, 116 Miller Street changed hands for $80 million to an offshore private investor, reflecting a yield of 8.2%. Encouragingly, a number of assets are currently on the market or under due diligence, signalling a potential uptick in activity over the second half of 2025.

HIGHER YIELD ENVIRONMENT CAN PROVIDE AN ATTRACTIVE PROPOSITION FOR INVESTORS

Yields have softened across North Shore markets, influenced by subdued leasing conditions and a shift in investor preferences towards core CBD assets. Given the limited transactional evidence, North Sydney prime yields are reported to be averaging 7.25%. However, as more evidence emerges over the second half of the year, it is likely to indicate further softening. The current yield spread against the Sydney CBD stands at 122 basis points—the highest on record.

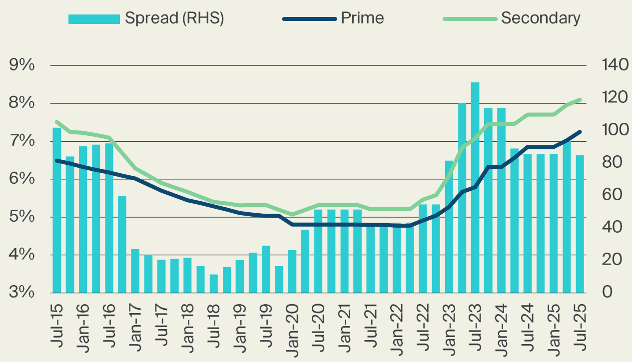
Amid both global and domestic interest rate cutting cycles, and increasing stability across financial markets, investor confidence is growing that the market and valuations are nearing—or have reached—a cyclical low. As a result, a broad range of groups are now seeking to deploy capital in the near term to take advantage of an attractive entry point and maximise the potential for long-term capital growth. Notably, North Shore markets offer a compelling yield proposition compared to the CBD.

North Shore office sales $10m+
By precinct ($m), 2014 to 2025 YTD



Source: Knight Frank Research

North Sydney office yields
Prime v Secondary



Source: Knight Frank Research

Recent significant sales

Property	Price $ m	Core Market Yield %	NLA sqm	$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
475 Victoria Ave, Chatswood (50%)	87.0	U/D	24,704	7,043	U/D	BlackRock	Cromwell	Jul-25
153-157 Walker St, North Sydney	114.0	N/A	8,928	12,769	N/A	Freecity	GPT Wholesales Office Fund	Dec-24
116 Miller Street, North Sydney	80.0	8.2	11,368	7,037	0.9	Offshore private	Private	Sep-24

Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Face Rent $/sqm	Incentive %	Start Date
PepsiCo ~	177 Pacific Hwy	North Sydney	2,860	950	55%	Q1-26
McGrath Foundation ~	76 Berry St	North Sydney	1,428	740	55%	Q1-26
Icon Building and Construction ~	141 Walker St	North Sydney	960	1,100 (g)	50%	Q4-25
Sandvik ~	15 Talavera Rd	Macquarie Park	788	450	32%	Q1-26
Merck Sharp & Dohme ~	12-16 Talavera Rd	Macquarie Park	4,605	440	37%	Q1-25

Pre-commitment ^ Sublease ~ Direct * Renewal (g) gross face
Source: Knight Frank Research

North Shore major office supply

Property	Area (sqm)	Developer	Stage	Timing
M_Park Stage 2, 15&17 Khartoum Road, Macquarie Park	25,000	Stockland	U/C	H2 2025
Victoria Cross OSD, North Sydney	55,000	Lendlease	U/C	H2 2025
Affinity Place, North Sydney	59,000	Stockland	DA Approved	2029+
105 Miller Street, North Sydney#	28,000	Investa	Mooted	2029+

Refurbishment
Source: Knight Frank Research

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
Marco Mascitelli
+61 2 9036 6656
Marco.Mascitelli@au.knightfrank.com

Office Leasing
Euan Matheson
+61 2 9028 1109
Euan.Matheson@au.knightfrank.com

Capital Markets
Rob Sewell
+61 2 9036 6847
Rob.Sewell@au.knightfrank.com

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

Office Leasing
Andrea Roberts
+61 2 9036 6703
Andrea.Roberts@au.knightfrank.com

Capital Markets
Dominic Ong
+61 2 9036 6747
Dominic.Ong@au.knightfrank.com

Research & Consulting
Naki Dai
+61 2 9036 6673
Naki.Dai@au.knightfrank.com

Valuations & Advisory
Michael Rogers
+61 2 9761 1828
Michael.Rogers@au.knightfrank.com

Capital Markets
Mark Litwin
+61 2 9761 1810
Mark.Litwin@au.knightfrank.com

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