

Canberra Office Market



March 2025

Steady rental growth supported by positive occupier demand

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Key Insights

Positive occupier demand, driving rental growth and investor confidence



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 **9.2%**

Rise in overall vacancy y/y

Lowest vacancy rate amongst all capital cities since mid-2021

 **2.9%**

Prime vacancy in Parliamentary precincts

Parliamentary precincts continue to be tightly held

 **51k**

Sqm of net additions

Net supply over 2024 to support sustained demand in core locations

 **16bps**


Yield softening y/y

A grade yields in Civic and Parliamentary precincts soften 16bps to average 7.1%

 **2.8%**

Annual rental growth

Prime net face rents average \$462/sqm in the Civic and Parliamentary precincts, an increase of 2.8% y/y

 **\$276m**

2024 sales volumes

Investment activity and confidence is improving

Canberra Office Market Indicators – January 2025

Grade	Total Stock sqm	Vacancy Rate %	Annual Net Absorption sqm	Annual Net Additions sqm	Average Gross Face Rent \$/sqm	Average Incentive %	Core Market Yield %*
A Grade							
Civic (City)	489,440	10.7	20,948	37,591	576	28.1%	6.75-7.25
Parliamentary	287,889	2.9	986	4,500	571	27.0%	7.00-7.50
Town Centers	258,547	9.5	-7,576	0	465	30.9%	8.50-9.00
Other	400,809	5.8	24,677	3,437			
Secondary							
Civic (City)	240,800	9.1	-38	0	474	30.1%	8.50-9.00
Parliamentary	165,601	4.1	186	1,157	482	30.0%	8.25-8.75
Town Centers	181,985	22.0	-2,392	0	379	31.2%	9.75-10.25
Other	386,393	11.3	-10,263	4,810			
Total Market	2,411,464	9.2	26,528	51,495			

Source: Knight Frank Research/PCA * assuming WALE 5 years

Parliamentary comprises Barton, Parkes and Forrest office precincts; Town Centres comprise Phillip, Tuggeranong and Belconnen office precincts; Other includes remaining PCA sub localities

Sustained occupier demand to support rental growth

LOWEST VACANCY AMONGST CAPITAL CITIES

Overall vacancy in Canberra dropped slightly in the second half of 2024, measuring 9.2% as at January 2025, driven by the positive absorption of 20,419 sqm over the period. This vacancy remains the lowest among capital cities since July 2021 and below its 10-year average of 10.8%. Prime vacancy in Civic reported at 10.7% with positive net absorption of 3,702 sqm over the second half of 2024, while Parliamentary precincts' prime vacancy is 2.9%.

In the secondary market, vacancy climbed from 10.4% to 11.5% in six months to January 2025, with negative absorption of 11,502 sqm. Meanwhile, secondary vacancy in Civic was reported at 9.1% and 4.1% in the Parliamentary precinct.

NEW DEVELOPMENTS ARE WELL ON TRACK

The total office stock was recorded at 2,411,464 sqm, with 16,948 sqm of new supply being added to the market in the second half of 2024. The refurbishment of 7 London Circuit, Civic was completed in Q4 2024, bringing 10,591 sqm back to the market. Additionally, 23 National Circuit, Barton was the only new development completed in H2 2024, adding 4,500 sqm to the Parliamentary precinct. On the other hand, 91-93 Northbourne Avenue, Turner (2,490 sqm) was withdrawn for residential conversion.

Over the next two years, c.104,000 sqm of new supply is forecast for delivery. New developments include 19,925 sqm in Airport – 9-11 Molonglo Drive; 49,586 sqm in Civic – One City Hill (34,086 sqm) from Morris Property Group and 1A Constitution Place (15,500 sqm) from Capital Airport Group; 18,128 sqm in Parliamentary – 19 National Circuit by Cromwell Corporation; 16,000 sqm in Campbell – 62 Constitution Avenue.

The healthy development pipeline in Civic and Parliamentary precincts will provide occupiers the opportunity for prime office space in submarkets that have historically had limited availability.

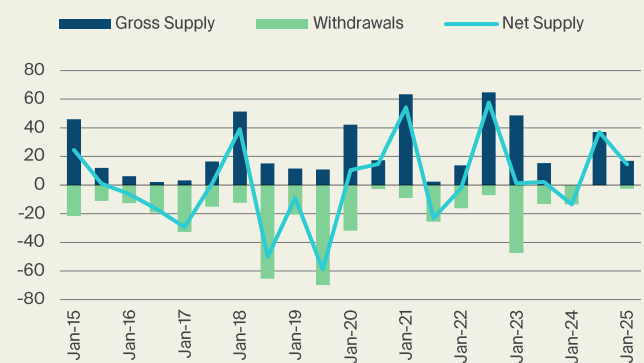
RENTAL GROWTH REMAINS POSITIVE WHILST INCENTIVES ELEVATED

The sustained demand from public administration occupiers and private sector tenants has supported the consistent rental growth in Canberra. Prime net face rents in Civic and Parliamentary precinct increased by 2.8% to average \$462/sqm (\$573/sqm gross face) in the 12 months to January 2025. Similarly, secondary Civic and Parliamentary net face rents rose by 2.3% to \$365/sqm (\$478/sqm gross face) over the same period.

Average prime incentives in Civic and Parliamentary precinct was reported at 27.6% in January 2025, up from 26.5% in January 2024.

Canberra office supply and withdrawals

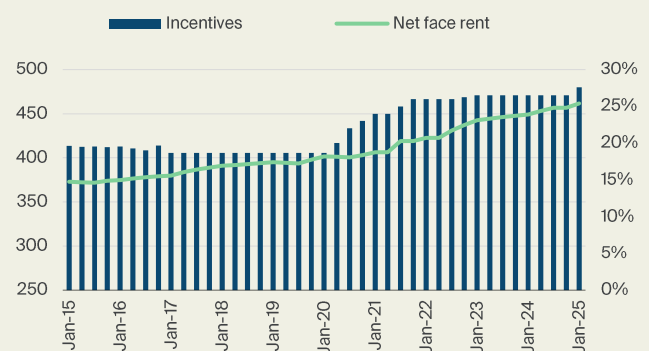
Per six month period ('000 sqm)



Source: Knight Frank Research, PCA

Prime net face rents and incentives

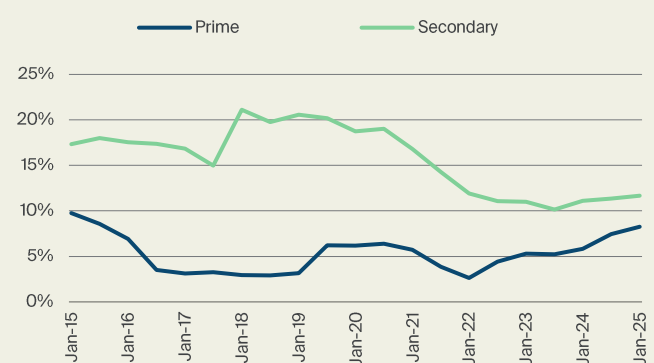
Parliamentary & civic average, \$/sqm, %



Source: Knight Frank Research

Canberra vacancy major precincts*

Per six month period (%), by grade



Source: Knight Frank Research, PCA

* incorporates Civic, Parliamentary Precinct & Town Centres

Investor confidence returning

INVESTORS RETURNING TO ACQUISITION MODE

Investment activity totalled \$276 million in 2024, up from \$90 million in 2023. In the second half of 2024, Growthpoint acquired 2 Constitution Ave, Civic from ISPT for \$90.05 million with a core market yield of 7.9%. Additionally, EG Funds offloaded 1 Queen Victoria Terrace, Parkes to a private investor for \$23.5 million, reflecting a core market yield of 7.8%. More recently, Sentinel Property Group, acquired 18 Canberra Avenue from Charter hall, the four level A grade building is 100% occupied by Services Australia. Australian Unity Office Fund exchanged 64 Northbourne Avenue, Civic to TP Dynamics for \$22 million with a core market yield of 8.5%. The sale represents a 10% discount on the building's June 2024 valuation.

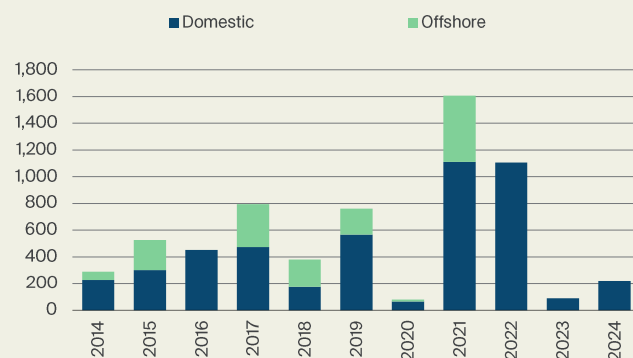
YIELDS HAVE STABILISED SINCE MID 2024

The average office yields in the Civic and Parliamentary precincts have stabilised at 7.13% for prime and 8.50% for secondary since July 2024. The yield softening trend cycle which started in mid 2022 saw prime and secondary yields in Civic and Parliamentary precincts increase by 180 bps and 226 bps, respectively. This has impacted capital values, with the softening yields declining capital values by 20% since mid-2022 for both prime and secondary buildings in Civic and Parliamentary precincts.

The yields in Town Centres have held firm since January 2024, averaging at 8.70% for prime and 9.90% for secondary. The current prime yield spread between Civic & Parliamentary and Town Centres stands at 157 bps. With the improved economic outlook and investor confidence returning, deal flow is likely to pick up throughout 2025.

Canberra office sales \$10m+

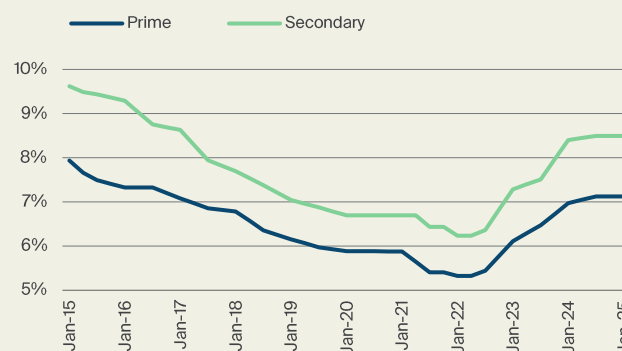
By purchaser (\$m), domestic v offshore



Source: Knight Frank Research

Canberra office core market yield

Prime v secondary, blended average yield (%)



Source: Knight Frank Research

Recent significant sales

Property	Price \$ m	Core Market Yield %	NLA sqm	\$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
1 Queen Victoria Terrace, Parkes	23.5	7.8	4,985	4,740	5.9	PRIVATE	EG Funds	Dec-24
2 Constitution Ave, Canberra	90.1	7.9	19,465	4,626	3.2	Growthpoint	ISPT	Nov-24
64 Northbourne Ave, Canberra	22.0	8.5	6,375	3,451	1.4	TP Dynamics	Australian Unity Office Fund	Aug-24

Source: Knight Frank Research

Recent tenant commitments

Occupier	Property	Precinct	Size sqm	Face Rent \$/sqm	Term yrs	Start Date
Glass Goodwin Pty Ltd ~	8-10 Hobart Place	City	127	450	5	Mar-25
Ora Advisory~	17 Moore Street	City	174	480	3	Jan-25
Renascent Australia!~	17 Moore Street	City	146	480	3	Nov-24
Adecco Australia#	64 Northbourne Ave	City	1,275	495	2	Jul-24
Sovereign Cloud Aust.	60 Marcus Clarke	City	436	495	3	Sep-24
Apollo private wealth~	18 Napier Close	Deakin	72	450	3	Jul-24

~ Direct # renewal (g) gross face
Source: Knight Frank Research

Canberra major office supply

Property	Area (sqm)	Developer	Major tenants	Stage	Timing
7 London Circuit, City #	10,591	ISPT	Spec	Complete	H2 2024
23 National Circuit, Barton	4,610	Doma Group	Doma Group	Complete	H2 2024
9-11 Molonglo Drive, Airport	19,925	Capital Airport Group		Under Construction	H1 2025
19 National Circuit, City	18,128	Cromwell Corporation		Under Construction	H1 2026
Blocks 10&11, Section 100, City	34,234	Morris Property Group	Spec	Under Construction	H1 2026
Anzac Park East, Parkes	16,679	Amalgamated Property Group	Telstra	Under Construction	H2 2025
1A Constitution Place, City	15,500	Capital Airport Group		Under Construction	2026
15 Sydney Avenue, Barton	37,000	Doma / Kenyon Investments	Commonwealth ATO	Under Construction	H2 2026
50 Kent Street, Deakin	8,500	Evri Group	Spec	Mooted	2028+
Section 96, City	34,000	QIC		Mooted	2028+

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.



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Economic Indicators Report



Australia Build to Rent Update



Melbourne CBD Office Market Report 2025



Brisbane Industrial State of the Market



Adelaide CBD Office State of the Market

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