

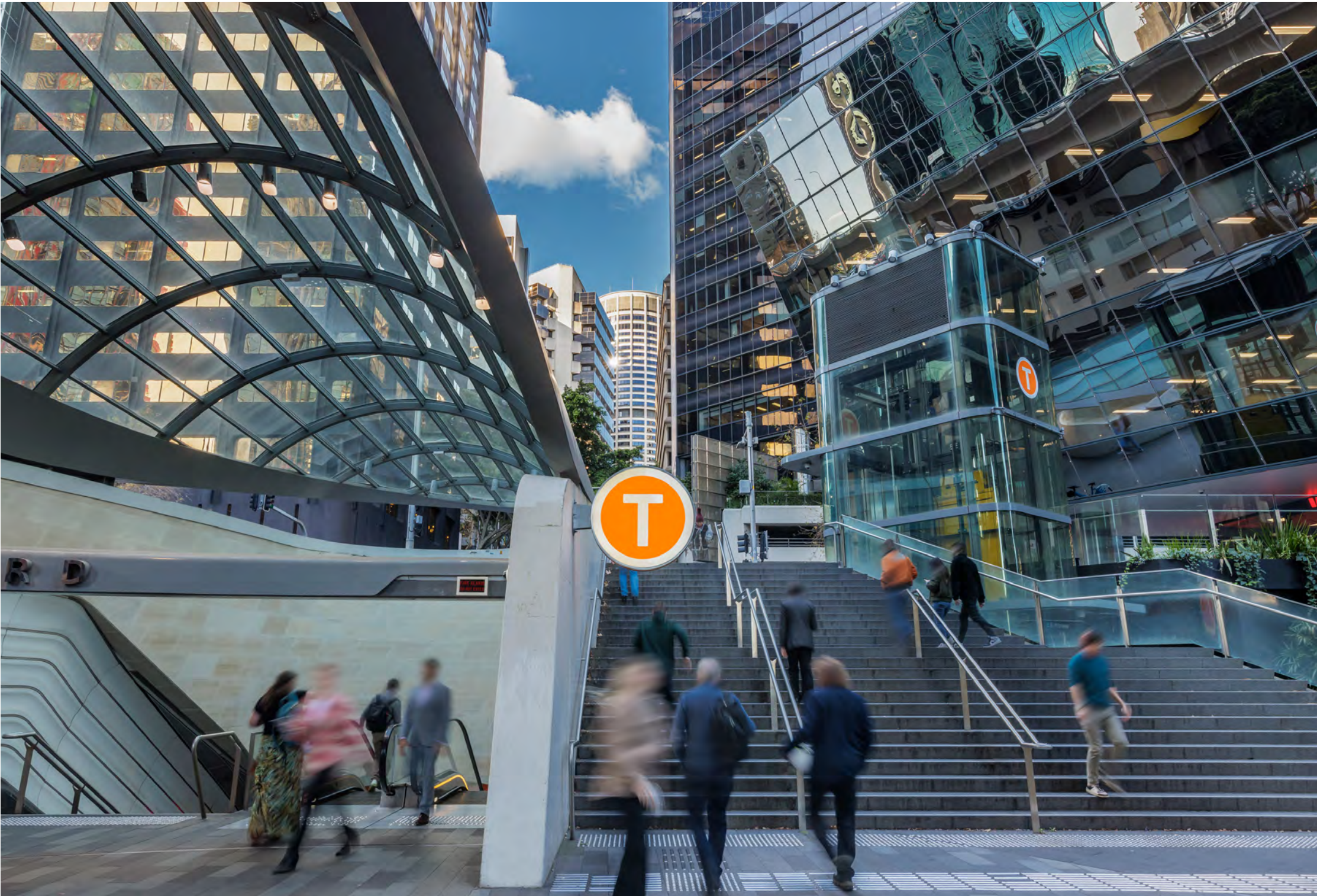


Market Pulse

Sydney CBD Office Market

Cadigal Research
September 2025

Cadigal



Contents

04.	Key Data at a Glance
05.	In Summary
07.	Supply
08.	Tenant Demand
12.	Tenant Enquiry
14.	Vacancy
15.	Sublease Availability
16.	Rents
17.	Outlook

Key Data at a Glance

		Change last 12 months	Expected change next 12 months
SUPPLY			
Total Stock ¹ <i>sqm, as at Jul-25</i>	5,367,514	↑	↑
Completions ¹ <i>sqm, 6 months to Jul-25</i>	72,599	↑	↑
Net Supply ¹ <i>sqm, 6 months to Jul-25</i>	66,952	↑	↑
DEMAND			
Net Absorption ¹ <i>sqm, 6 months to Jul-25</i>	10,298	↑	↑
Tenant Enquiry ² <i>sqm, as at Jun-25</i>	418,600	↑	↔
VACANCY			
Vacancy Rate ¹ <i>%, as at Jul-25</i>	13.7	↑	↔
Sublease Availability ² <i>sqm (% of total stock) as at Jun-25</i>	66,937 (1.2%)	↓	↔
RENTS			
Net (Gross) Face Rents ² <i>\$/sqm average, as at Jun-25</i>			
Premium	1,588N (1,852G)	↑	↑
A Grade	1,218N (1,445G)	↑	↑
B Grade	969N (1,181G)	↑	↑
Incentives ² <i>(typical % range for whole-floor tenant, as at Jun-25)</i>	32 - 42	↑	↔

¹ Source: Property Council of Australia (OMR Jul-25)

² Source: Cadigal



In Summary

There have been three major office projects totalling 65,419sqm completed in 2025 to date - **33 Alfred Street** (31,247sqm), **121 Castlereagh Street** (11,503sqm) and **270 Pitt Street** (22,669sqm).

No more **supply** will complete in the CBD until **Atlassian Central** (58,100sqm) is delivered in Q4 2026, followed by **Chifley South** and **55 Pitt Street** in 2027. After 2027, no new office supply is expected until 2030.

10,298sqm of **net absorption** was recorded across the market over the first half of the year, leading to a 12-month total of 56,532sqm which is above the long-term (35-year) annual average of 37,514sqm.

The volume of active **tenant enquiry** continues to grow, with the 418,600sqm total the highest since Dec-14, albeit it includes Westpac’s super-sized 150,000sqm enquiry.

The **vacancy rate** continues to rise, increasing 0.9% over H1 2025, to **13.7%**. As a result, the current vacancy rate is the highest in more than 30 years (since Jan-95).

Face rental growth continues to be tepid, increasing 2.9-4.6% across grades and precincts over the 12 months to Jun-25.

Effective rental growth has been marginally lower than face rents due to **incentives** being slightly higher, in general, over the last 12 months. Effective rents rose between 1.2% and 3.6%, led by **Premium** grade.



The full refurbishment of the former Defence Plaza at **270 Pitt Street** (above) has just reached practical completion.

Supply

There have been three major office projects totalling 65,419sqm NLA completed in 2025 to date. The re-development of Sydney’s first skyscraper, **33 Alfred Street** (31,247sqm) and the former David Jones store at **121 Castlereagh Street** (11,503sqm), part of a mixed-use development, were finished over the first half of the year. Meanwhile, the full refurbishment of the former Defence Plaza at **270 Pitt Street** (22,669sqm) has just reached practical completion.

Driven by the recent completions, total office stock in the Sydney CBD has grown to 5,367,514sqm, the highest level on record and 8.4% higher than the recent low in Jan-20. A total of 171,829sqm of new office space remains under construction across the CBD, across three new developments. However, none of it is due to be delivered before Q4 2026 (**Atlassian Central**, approx. 58,000sqm NLA).

There have not been any substantial withdrawals of office space over the first half of the year. However, several buildings are expected to be taken out of stock for redevelopment into non-office uses with **189 Kent Street** (approx. 15,000sqm office NLA) being the most imminent.

Major Office Developments Under Construction / Recently Completed

Project	Owner / Developer	Type	Office NLA	Precinct	Expected Completion	Comment
121 Castlereagh Street	Cbus Property / Scentre	New	11,503	Midtown	Completed Q1 2025	Mixed-use redevelopment of former David Jones store, 82% pre-committed to The Commons, APA Group and others.
33 Alfred Street	Dexus / Mirvac	Full Refurb	31,247	Core	Completed Q2 2025	Full refurbishment of Sydney’s first skyscraper. Over 90% pre-committed to Allens, Maddocks, Lander & Rogers, Pinsent Masons, A&O
270 Pitt Street	ISPT	Full Refurb	22,669	Midtown	Completed Q3 2025	Full refurbishment of former Defence Plaza including a redesigned ground floor public realm by Cox Architects.
Atlassian Central 8-10 Lee Street	Dexus / Atlassian	New	58,000	Southern	Q4 2026	40-level tower to be world's tallest hybrid timber commercial building, designed by BVN and SHoP Architects. 100% of office space pre-
55 Pitt Street	Mitsui Fudosan / Mirvac	New	61,604	Core	Q2 2027	55-level tower designed by Woods Bagot and SHoP Architects. 42% pre-committed to MinterEllison, Work Club Global, Aon and others.
Chifley South, 2 Chifley Square	Charter Hall / GIC	New	52,125	Core	Q2 2027	Contemporary 39-storey tower designed to complement existing Chifley North tower. Approx. 56% pre-committed to UBS, Gilbert +

Tenant Demand

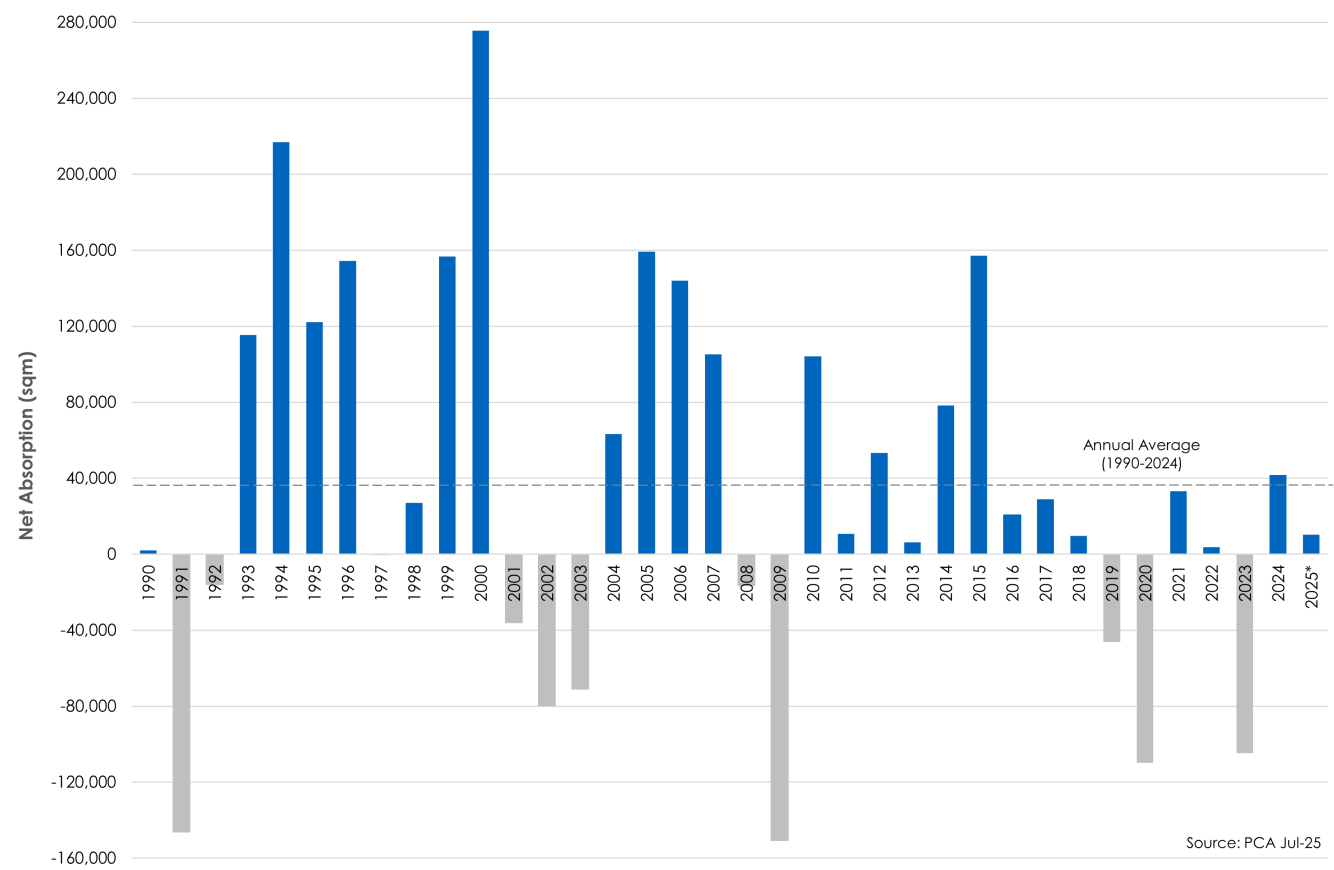
Net Absorption

Tenant demand was mildly positive over the first half of the year with 10,298sqm of net absorption recorded across the market. This follows on from the relatively strong 46,234sqm tallied over the previous six months leading to a 12-month total of 56,532sqm, above the long-term annual average.

Across the *CBD precincts* over the last 12 months, the **Core** (56,907sqm) and **Midtown** (21,606sqm) were the only two precincts to record materially positive net absorption. In the **Core**, positive net absorption in **Premium** grade was offset by negative net absorption across the other grades. Whilst a mere 514sqm of net absorption was recorded in the **Core** over the first half of 2025, the precinct has outperformed over longer (1, 3 and 5-year) periods.

Premium continues to outperform all other *building grades*, being the only grade to record positive net absorption over each of 1, 3 and 5 year horizons.

Annual Net Absorption - Sydney CBD 1990-2025



Net Absorption by CBD Precinct

Precinct	6 Months to Jul-25	12 Months to Jul-25	3 Years to Jul-25	5 Years to Jul-25
City Core	514	56,907	90,336	150,246
Midtown	-3,951	21,606	-36,895	-35,685
Western Corridor	13,706	-14,298	-84,496	-126,002
Walsh Bay / The Rocks	-4,513	-7,881	-21,298	-17,655
Southern	4,542	128	-20,284	-38,661
Sydney CBD	10,298	56,532	-72,637	-67,757

Source: PCA Jul-25

Net Absorption by Building Grade

Buiding Grade	6 Months to Jul-25	12 Months to Jul-25	3 Years to Jul-25	5 Years to Jul-25
Premium	44,841	170,023	189,027	278,557
A Grade	-10,964	-70,319	-85,630	-135,337
B Grade	-21,068	-38,739	-146,764	-154,303
C Grade	-2,666	-4,051	-25,106	-47,116
D Grade	155	-382	-4,164	-9,558
Sydney CBD	10,298	56,532	-72,637	-67,757

Source: PCA Jul-25

Tenant Demand



Significant leasing has occurred recently at (clockwise from above left) **39 Hunter Street**, **10 Shelley Street**, **1 Martin Place** and **200 Barangaroo Avenue**.



The Jun-25 quarter saw two large lease transactions in the CBD – the **Reserve Bank of Australia** (**RBA**, 6,106sqm) and **Teachers Mutual Bank** (4,958sqm). At **39 Hunter Street**, the outgoing whole-building tenant (**Optiver**) was replaced by another whole-building tenant (**RBA**) with next-to-no downtime incurred.

Centralisation continues to be a theme in the Sydney CBD, both into the CBD from outside - **Teachers Mutual Bank** (from Homebush), **Sanofi** (Macquarie Park), **Mamamia** (Woolloomooloo) and **Europ Assistance** (Pymont) as well as into the **Core** from other CBD precincts - **AICD** (from **Western Corridor**) and **Snowy Hydro** (**Walsh Bay**).

Of the sample lease transactions listed below, half involve tenants taking *more* space than their current/previous lease, namely **AICD**, **Snowy Hydro**, **Balmain Group**, **Mamamia** and **Europ Assistance**.

Recent Major Lease Transactions

Tenant	Address	Precinct	Level	Area (sqm)	LCD	Type
Reserve Bank of Australia	39 Hunter Street	Core	G, 1-7	6,106	Mar-26	New
Teacher's Mutual Bank*	10 Shelley Street	Western	6-8	4,958	Jun-26	New
AICD	1 Martin Place	Core	pt. 4, 5	3,725	Jun-26	New
Sanofi*	200 Barangaroo Avenue	Walsh Bay	23	2,328	Apr-26	New
Snowy Hydro	Grosvenor Place	Core	5	1,873	Jan-26	New
Stripe Payments*	383 Kent Street	Western	18	1,577	Feb-26	New
Balmain Group	126 Phillip Street	Core	11	1,444	TBC	New
Mamamia	580 George Street	Midtown	12	1,233	Jun-25	New
Tank Stream Labs*	52 Martin Place	Core	31	1,103	Mar-26	New
Europ Assistance*	35 Clarence Street	Western	9	932	Aug-25	New

* Cadigal was involved in these transactions.

Tenant Enquiry

The volume of active tenant enquiry for the CBD continues to grow, rising 3.5% to 418,600sqm over the Jun-25 quarter.

This is the largest amount of active enquiry since Dec-14, notwithstanding it includes **Westpac**'s super-sized 150,000sqm enquiry. Excluding this requirement, enquiry is still above 250,000sqm after rising for three consecutive quarters. Current active enquiry is made up of 142 separate requirements, translating to an average enquiry size of 2,948sqm compared to about 2,100sqm prior to Westpac coming to market.

Half (49.8%) of the total enquiry is currently coming from **Financial Services** tenants (skewed by the **Westpac** enquiry), with **Information Media, Telecommunications & Related Services** (9.2%) and **Education & Training** (5.7%) rounding out the top three industries. Both **Legal Services** (currently 2.9%) and **Public Administration & Safety** (3.8%) are typically within the top four industries for CBD enquiry.

Recent large enquiries that have come to market include the **NSW Government** (seeking 20,000-30,000sqm), **Challenger** (6,000-7,000sqm), **Arup** (6,000sqm) and **Deutsche Bank** (4,000-5,000sqm). All four tenants are presently located in the CBD.

Current Tenant Enquiry by Size (Enquiries over 500sqm)

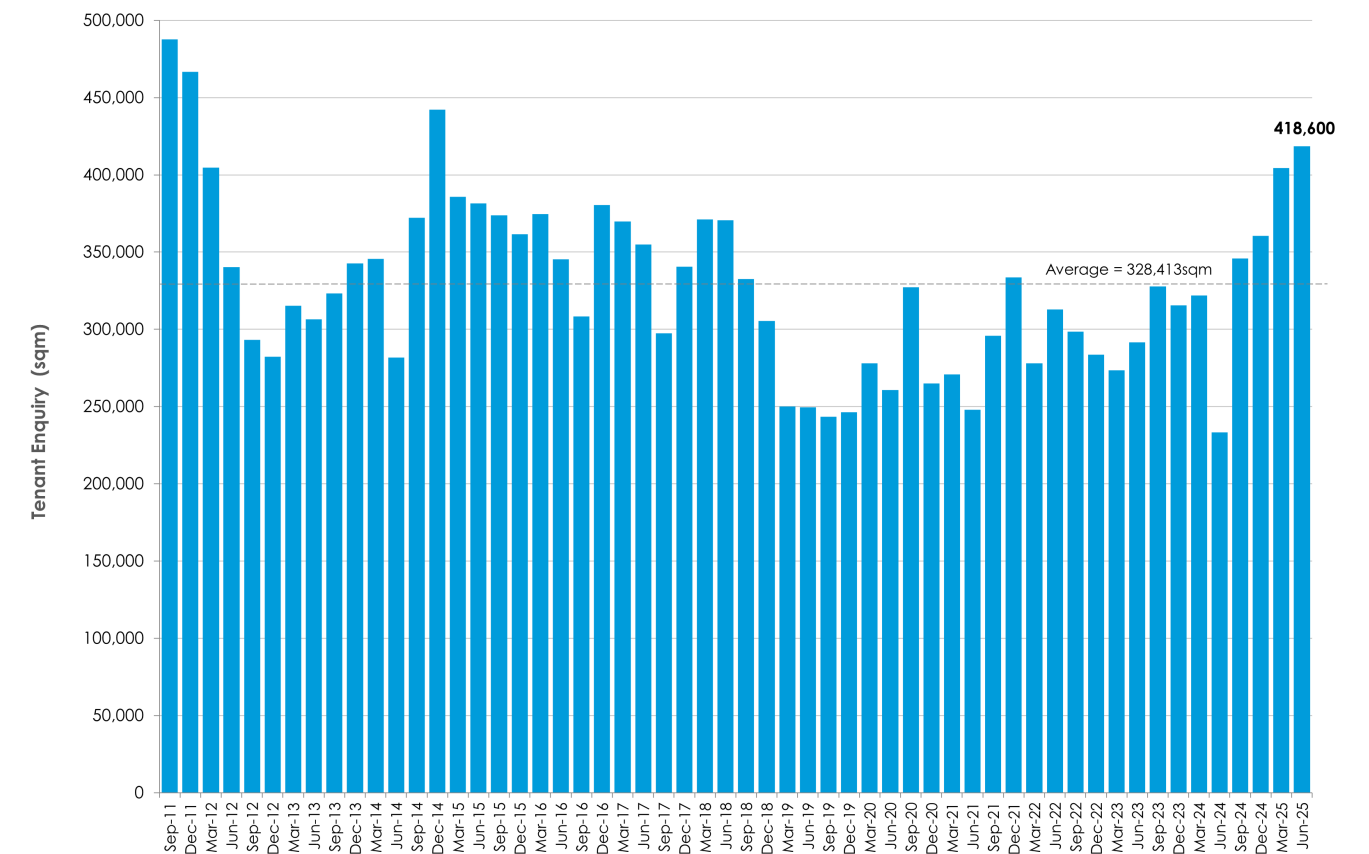
Enquiry Size	Area (sqm)	Number
3,000sqm+	279,100	25
1,000-2,999sqm	105,375	66
500-999sqm	34,125	51
Total	418,600	142

Data as at Jun-25

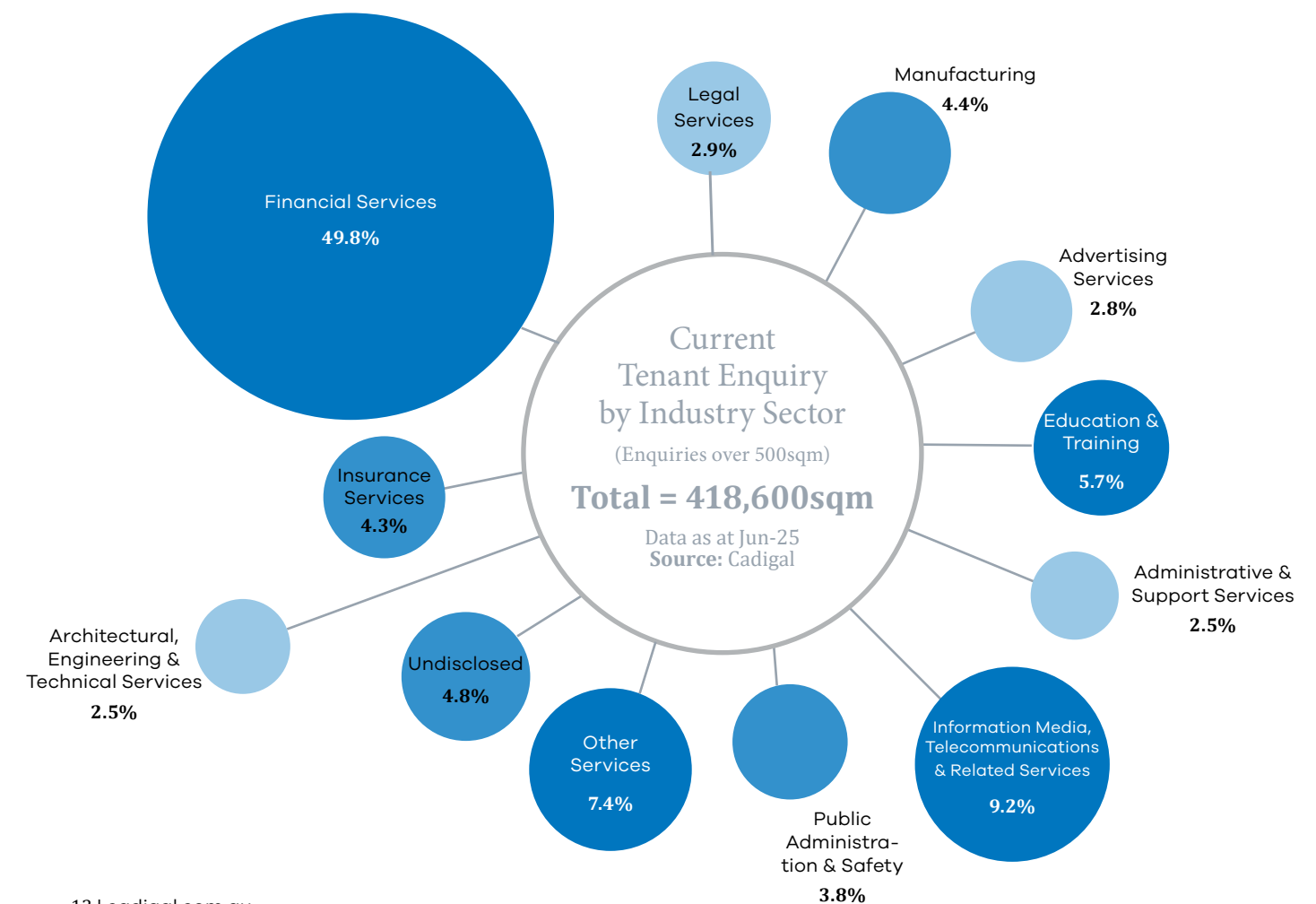


Large enquiries that have entered the market recently include (from top to bottom) **NSW Government**, **Challenger**, **Arup** and **Deutsche Bank**.

Known Tenant Enquiry (over 500sqm)



Source: Cadigal



Vacancy

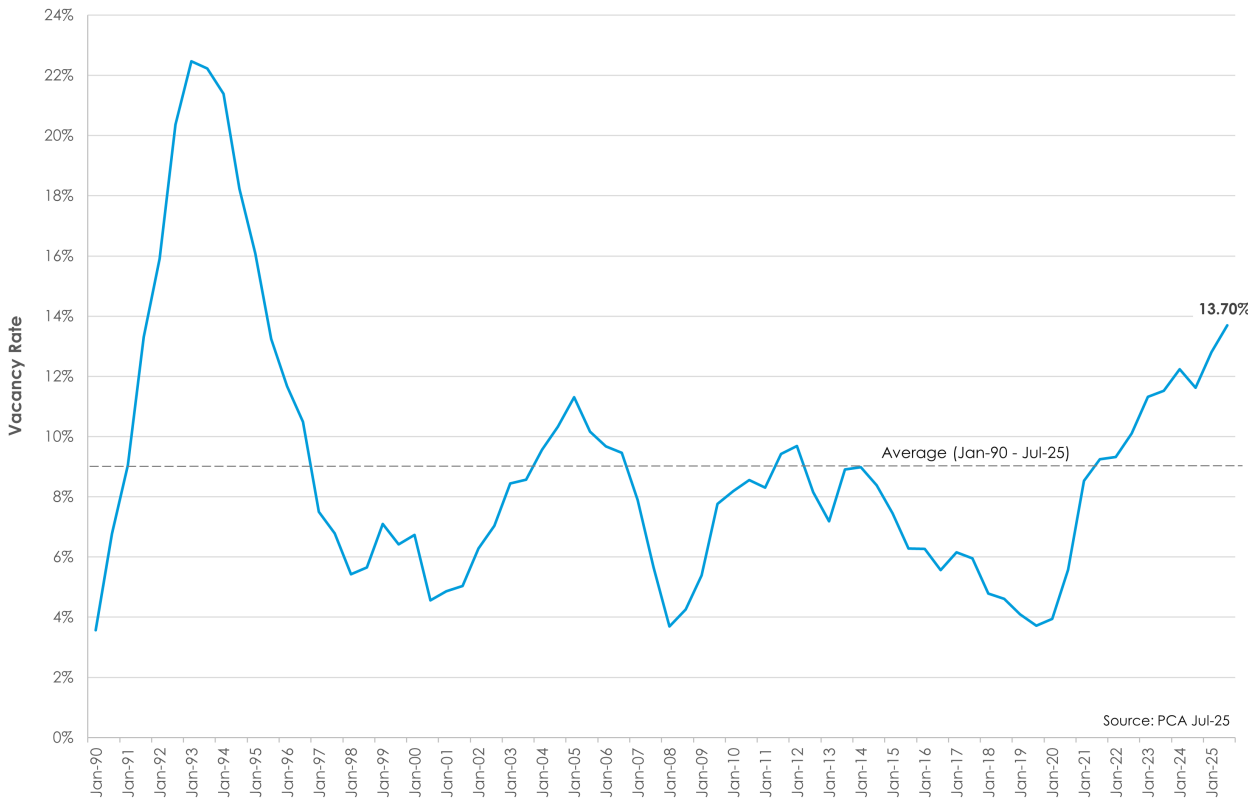
The Sydney CBD vacancy rate continues to rise, up another 0.9% over H1 2025, to 13.7%.

Since dropping to 3.7% in Jul-19, the market has seen 11 increases out of the 12 six-month periods that followed. Consequently, the current vacancy rate is the highest in over 30 years (since Jan-95).

Amongst the *building grades*, **Premium** (9.8%) has the lowest vacancy rate aside from **D grade** (8.3%), which only accounts for 3% of total stock. **Premium** grade has outperformed even though most of the recent new supply has been of that grade including **33 Alfred Street, Parkline Place, 39 Martin Place** and **1 Elizabeth Street**.

Across *CBD locations*, the **Core** and **Walsh Bay** precincts continue to have relatively low vacancy rates with **Southern** precinct (just 7% of total stock) also currently recording a below-average vacancy rate.

Total Vacancy Rate (Jan 1990 - Jul 2025)



Vacancy Rate by Precinct

Precinct	As At Jul-25	As At Jan-25
City Core	12.0%	11.0%
Midtown	16.4%	15.3%
Western Corridor	15.4%	14.5%
Walsh Bay/The Rocks	10.3%	9.0%
Southern	12.3%	13.6%
Sydney CBD	13.7%	12.8%

Data as at Jul-25

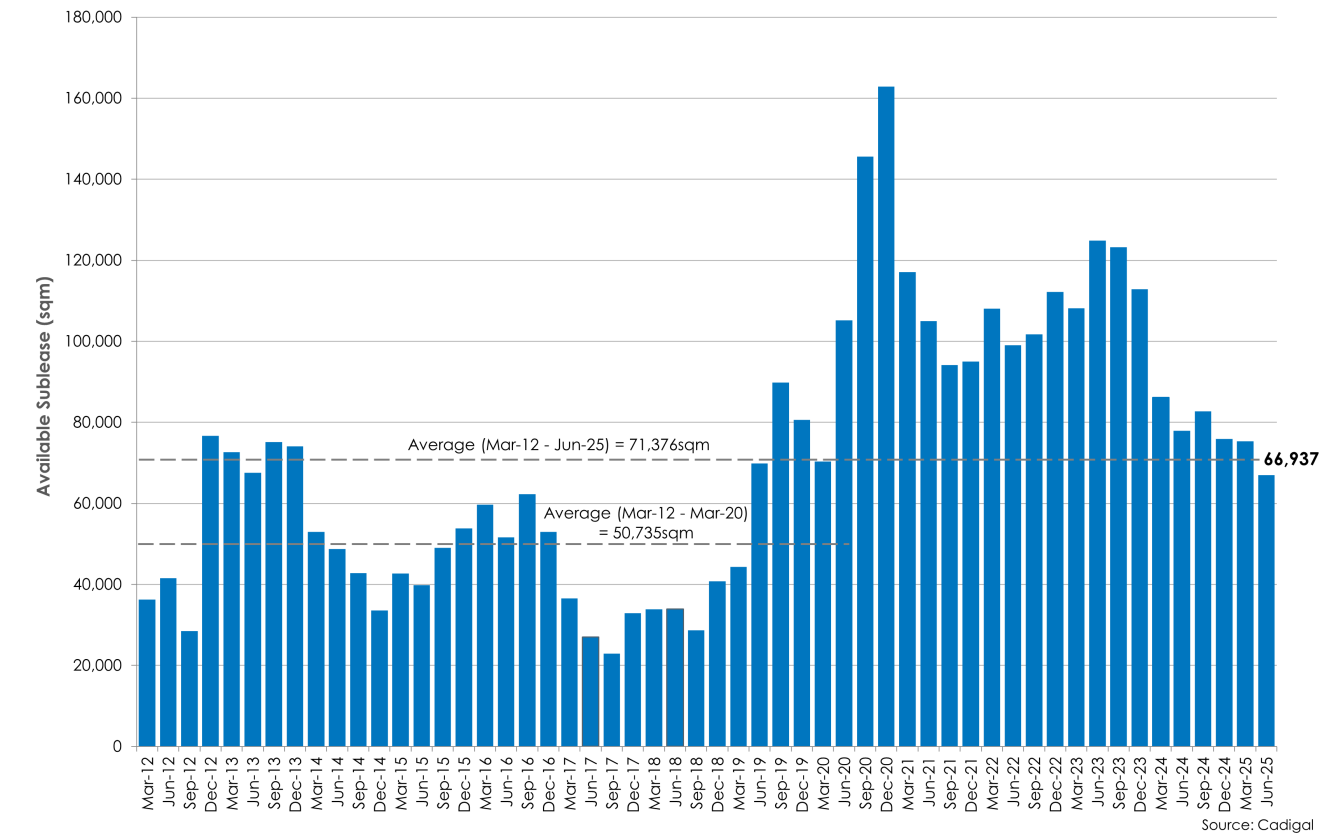
Sublease Availability

The quantum of *available sublease space* continues to fall in the Sydney CBD, dropping another 11% to 66,937sqm, over Q2 2025. The total is now below the long-term average and at the lowest level since Mar-19.

As a result, sublease space is not having a material impact on the direct leasing market.

There are currently three tranches of available sublease space of 5,000sqm, or more. The largest is from **Dentsu** at **20 Windmill Street** (7,355sqm), however the lease term has less than two years remaining. This is followed by **NTT Group** at **Darling Park Tower 3** (5,971sqm) and **Navitas** at **255 Elizabeth Street** (5,410sqm).

Sublease Availability



Source: PCA Jul-25

Rents

Face rental growth continues to be mild, ranging from 2.9% to 4.6% over the 12 months to Jun-25, with **B grade** marginally ahead of **Premium**. Compared to the previous quarter, growth is *slowing further* for **Premium** and **A grade** and *mildly increasing* for **B grade**, reflecting increased demand from tenants seeking greater value and/or cost savings.

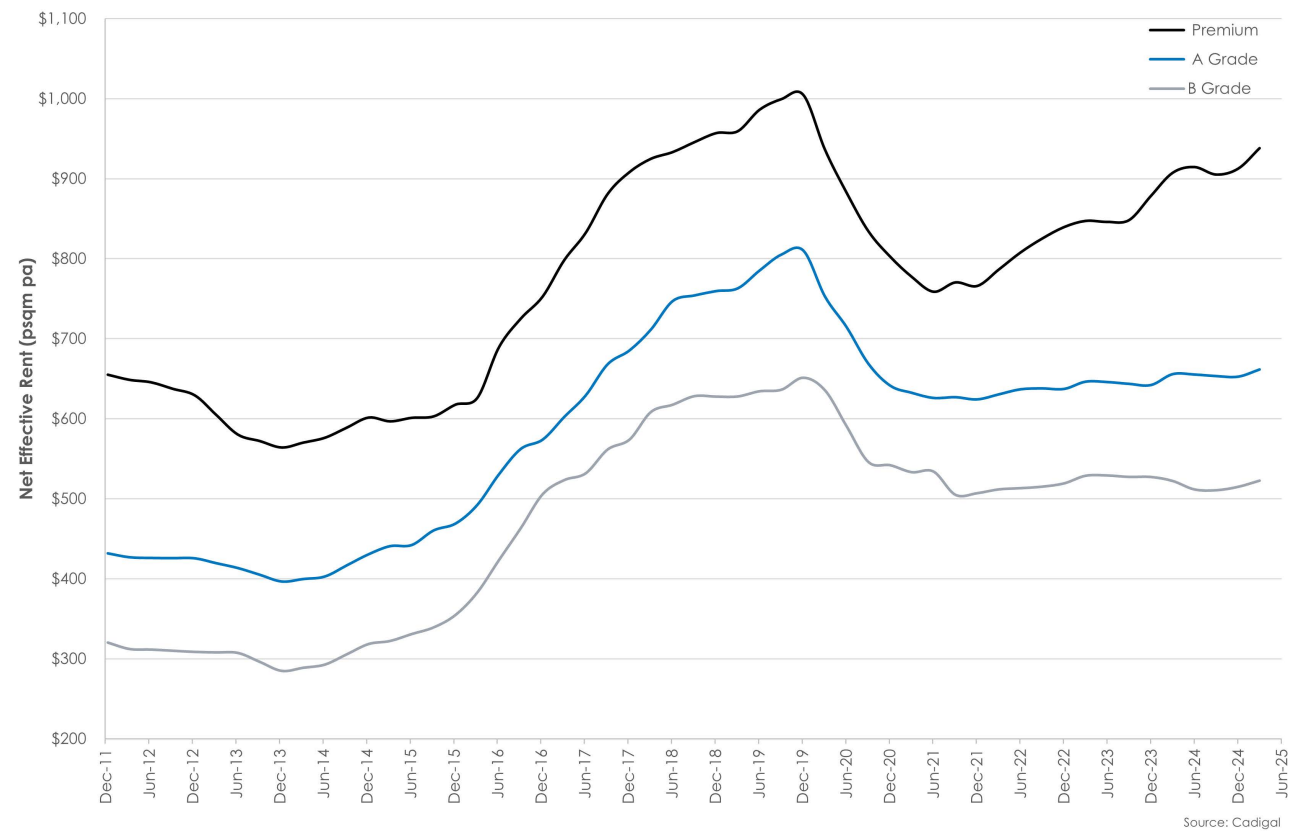
Growth in **effective rents** has been marginally lower than for face rents as a result of **incentives** being slightly higher than 12 months prior, in general. Effective rents rose between 1.2% and 3.6% for the year to Jun-25, led by **Premium** then followed by **B grade**. On an effective basis, rents have yet to return to pre-pandemic peaks with **Premium** being the closest.

Face & Effective Rents

Rent	PREMIUM			A GRADE			B GRADE		
	Average Rate (psqm)	12 month change	6 month change	Average Rate (psqm)	12 month change	6 month change	Average Rate (psqm)	12 month change	6 month change
Net Face	\$1,588	3.8%	2.8%	\$1,218	2.9%	2.1%	\$969	4.0%	2.3%
Gross Face	\$1,852	4.3%	3.2%	\$1,445	3.3%	2.3%	\$1,181	4.6%	2.8%
Net Effective	\$938	2.5%	2.7%	\$663	1.2%	1.5%	\$519	1.4%	0.8%
Gross Effective	\$1,201	3.6%	3.3%	\$890	2.2%	2.0%	\$730	3.1%	2.0%

Data as at Jun-25

Net Effective Rent



Source: Cadigal

Outlook



65,419sqm of office **supply** has been completed in 2025, thus far. Whilst another 171,829sqm is still under construction, nothing is expected to be delivered for the next 12 months until **Atlassian Central** (58,100sqm) is due in late-2026. Post-2027, and the completion of **Chifley South** and **55 Pitt Street**, no new office supply is expected in the CBD until late-2030 at the earliest.

The looming “*new supply squeeze*” between 2028-2030 is already limiting new relocation options for tenants looking beyond 2028, which will underpin continued Premium rental growth into the medium-long term.

Tenant enquiry volumes continue to build and we expect this to head back towards the long-term average (excluding **Westpac**’s super-sized requirement). The higher enquiry levels will lead to more tenant demand (**net absorption**) as centralisation continues and tenant-friendly conditions prevail.

With no supply additions expected in the next 12 months, **vacancy rates** will trend down over the near term. As the vacancy rate eases, the mild **rental growth** that the Sydney CBD has witnessed is expected to accelerate, but not substantially.

RESEARCH CONTACT

Lok So
Research Director
+61 421 283 865
lok.so@cadigal.com.au