

Sydney CBD Office Market



August 2025

Strengthening occupier market, with highest level of annualised net absorption recorded since 2016.

[Click here to subscribe](#)



Key Insights

Investor and occupiers favour quality assets in amenity rich locations



Marco Mascitelli
Associate Director, RESEARCH & CONSULTING

▼ **9.8%**

Drop in premium vacancy

Premium vacancy declined from 13% to 9.8% since January 2024.

▲ **221K**

Three year premium grade net absorption

Premium grade stock has outperformed over the last three years, specifically in the core precinct, driving overall absorption levels across the CBD.

▼ **163k**

Sqm of premium supply under construction

Total premium office space under construction between 2025-29 in Sydney CBD, with limited available space to lease

▲ **400k**

Sqm occupier briefs

Occupier enquiry has been healthy with over 400,000sqm of active tenant briefs tracked over the last 12 months, underpinning strengthening demand.

▲ **4.3%**

Rental growth in the core

Prime net effective rents have grown by 4.3% in the core over the year, the strongest level of growth across all precincts.

▼ **\$1.5bn**

2025 YTD transaction volumes

Transactional activity so far this year has been driven by offshore capital. Activity is expected to pick up over the second half of the year, following a quiet Q2.

Sydney CBD Office Market Indicators – July 2025

Grade	Total Stock sqm	Vacancy Rate %	Annual Net Absorption sqm	Annual Net Additions sqm	Average Gross Face Rent \$/sqm	Average Incentive %	Net Effective Rent Gth % y/y	Core Market Yield %*
Prime	3,548,655	14.1%	99,704	201,751	1,584	35.9%	2.3	6.03%
Secondary	1,818,859	12.9%	-43,172	-11,674	1,164	35.3%	1.5	6.50%
Total	5,367,514	13.7%	56,532	190,077				

Source: Knight Frank Research/PCA

* assuming WALE 5 years

Core premium drives demand

STRENGTHENING DEMAND IN THE OCCUPIER MARKET

There has been solid signs of strengthening demand in the occupier market with overall absorption levels for H1 2025 positive, with 10,298sqm recorded. This takes annual absorption to 56,532sq, the strongest period since 2016. The absorption levels have been driven by strong demand in the premium market with 44,841 sqm recorded over the first half of the year. The secondary market continues to highlight the stark contrast between best in class assets and the rest of the market as negative absorption of 23,579sqm was recorded over the six months to July 2025.

Occupier enquiry has been healthy with over 400,000sqm of active tenant briefs tracked over the last 12 months underpinning the improved market conditions and sentiment. In terms of lease deal volumes, direct leasing transactions have accounted for the bulk of activity so far this year.

Notable deals include Teachers Mutual Bank securing 4,957sqm at 10 Shelley Street, HWL Ebsworth Lawyers committing to 11,023sqm at 5 Martin Place and the Executive centre taking 1,916sqm at 255 George street.

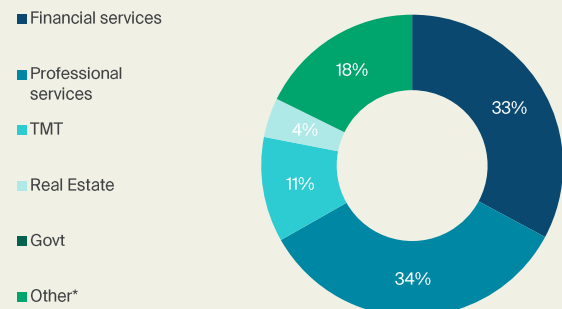
Occupier demand trends for 2025YTD are driven by financial services and professional services accounting for 33% and 34% respectively of total deal volumes. Demand is concentrated within the CBD core precinct, accounting for 60% of deal volumes. The structural shift of flight to quality and amenity continues to drive the demand for quality workspaces located close to multiple public transport options, food and retail operators, green spaces and wellness activities.

CORE PREMIUM STOCK CONTINUES TO OUTPERFORM THE WIDER MARKET

Despite the positive absorption levels, overall vacancy measured 13.7% as at July 2025. A large influx of new supply over the last 12 months, has totalled over 237,000sqm has hindered vacancy levels, despite positive demand. The level of occupied stock has increased by 1.2% over the year, one of its highest levels in nearly a decade.

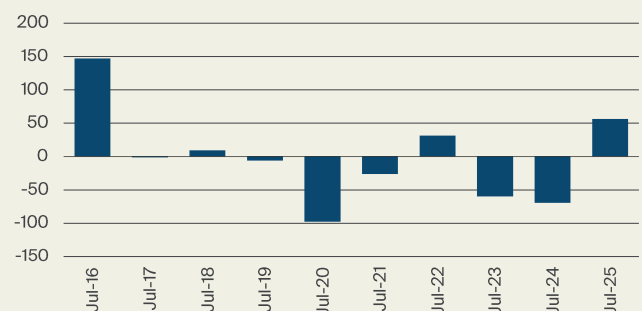
By grade, premium vacancy dropped from 10.8% to 9.8% over the year. In the secondary market, vacancy sits at 12.9%. Notably, sublease vacancy across the market has dropped to its lowest level since 2019 to measure 0.8%. Over the last five years the flight to quality trend has become clear with absorption levels totalling negative 258,982 sqm in the secondary market, whilst the premium market has experienced positive absorption of 279,858 sqm over the same period. This is further highlighted by demand levels across the precincts, with prime assets in the CBD Core clearly outperforming the wider market as the only precinct to record positive absorption over the last five years.

Lease deals by industry sector
2025YTD, % share of total market (sqm)



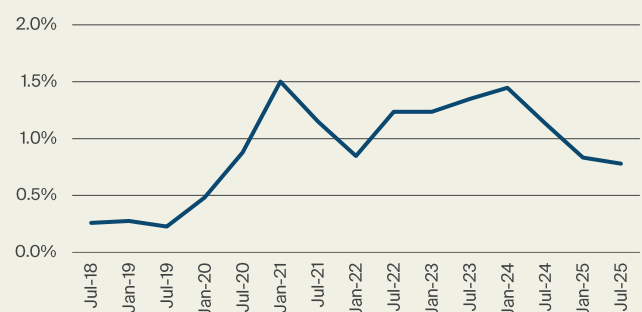
Source: Knight Frank Research

Sydney CBD office annual net absorption
'000 sqm



Source: Knight Frank Research, PCA

Sydney CBD office sublease vacancy
%



Source: Knight Frank Research, PCA

New premium space in short supply

NEW DEVELOPMENTS ACHIEVING STRONG LEASING OUTCOMES

The clear distinction in demand between prime and secondary assets has significantly influenced new developments and refurbishments, as owners strive to match building quality, design, environmental sustainability, and wellbeing with occupier preferences in the CBD office market.

Over the past 18 months, 170,000 sqm of newly developed premium-grade office space has been delivered across the three metro Over Station Developments, along with the recently completed 33 Alfred Street. Collectively, these four assets have achieved a commitment rate over 90%.

Additionally, boutique development 121 Castlereagh Street (11,500sqm) by CBUS is now complete. In terms of refurbished stock, Charter Hall has completed its extensive refurbishment of 1 Shelley Street (29,442sqm) with the asset achieving strong leasing and enquiry outcomes. These additions have taken the total office stock base to its highest level on record of 5,367,514sqm, an increase of 3.7% of the year.

MARKET ENTERING A PERIOD OF LIMITED NEW DEVELOPMENT STOCK

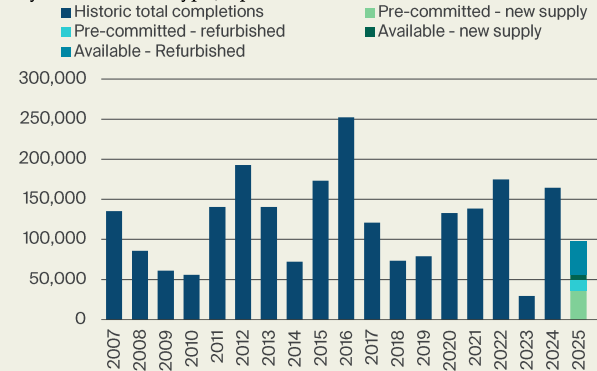
Looking ahead to 2027, only three buildings are currently under construction. Charter Hall's premium-grade development, Chifley South (42,000 sqm), is well advanced and has already secured 50% tenant commitments, with strong leasing enquiry and limited pipeline, full commitment prior to practical completion is highly likely. Meanwhile, Mirvac's 55 Pitt Street project (63,000 sqm) is also underway and has achieved over 40% pre-commitment. In the Southern precinct, Dexus's Atlassian Central (58,000 sqm) is scheduled for completion in 2027 and is fully committed by Atlassian.

This highlights the continued success of new CBD developments, which have consistently attracted high demand, averaging an 87% pre-commitment rate since 2018. Driving the strong leasing outcomes is not only the limited premium availability and core location but due to the buildings modern design, cutting-edge technology, and alignment with evolving workplace expectations.

The impending supply drought has partly been due to economic rents and feasibilities not being viable for developers to progress projects. There are multiple schemes which are currently DA approved, however they are unlikely to progress before 2030. This period will bode well for wider market vacancy as current stock levels will likely be absorbed given the limited amount of newly developed available space.

Sydney CBD development completions

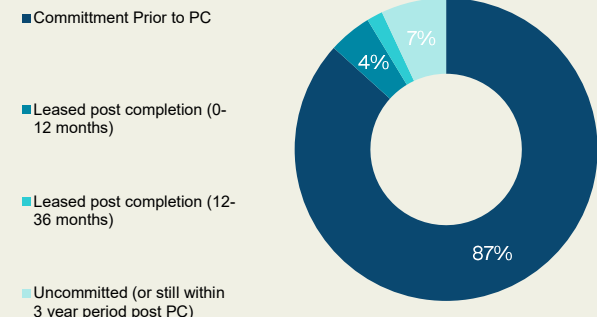
By commitment type, sqm



Source: Knight Frank Research

Letting up times new developments

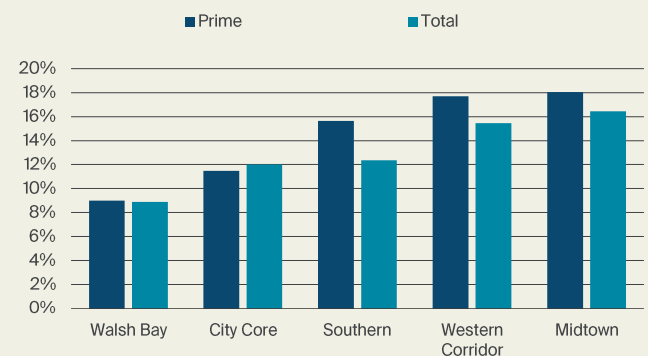
Sydney CBD, since 2018



Source: Knight Frank Research

Sydney CBD office vacancy rates by precinct

Prime vacancy v total vacancy, as at Jul-25



Source: Knight Frank Research

Major office supply

Major Refurbishments

#	ADDRESS	SQM	COMPLETION
1	270 Pitt Street	23,000	H2 2025

Under Construction / Major Pre-commitment

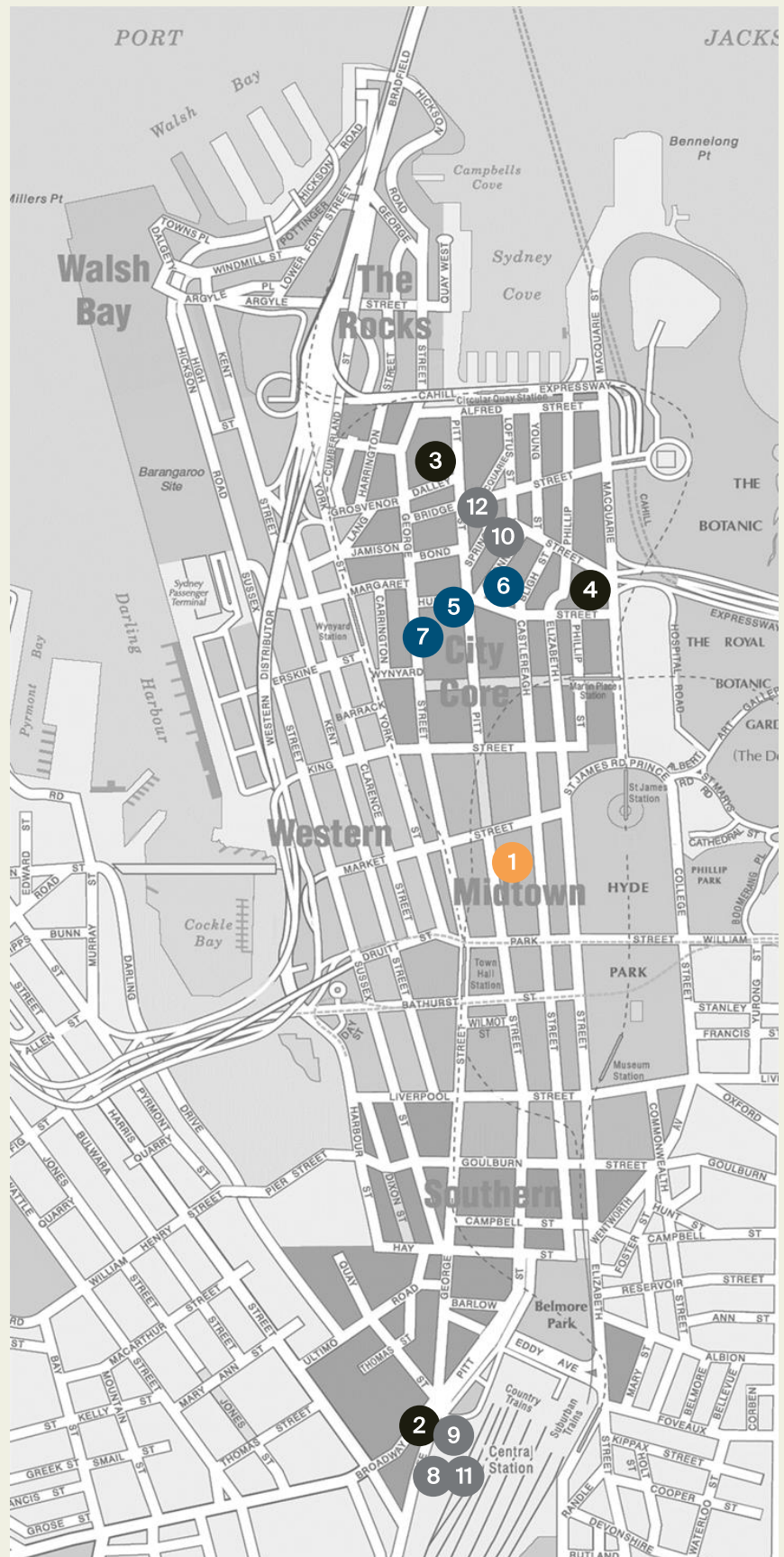
#	ADDRESS	SQM	COMPLETION
2	Atlassian Central	58,000	H1 2027
3	55 Pitt Street	62,800	H1 2027
4	Chifley South	42,000	H2 2027

Development Approved

#	ADDRESS	SQM	COMPLETION
5	Halo Tower	42,400	2030
6	Hunter Connection East Tower	72,237	2032
7	Hunter Connection West Tower	60,451	2032

Mooted

#	ADDRESS	SQM	COMPLETION
8	Central Place 1	47,209	2032+
9	Toga Central	22,000	2032+
10	O Block	112,000	2032+
11	Central Place 2	69,000	2032+
12	56 Pitt Street	90,000	2032+



Incentives tighten in the Core

POSITIVE FACE RENTAL GROWTH ACROSS PRECINCTS

On an annual basis (to July 2025), average prime net face rents increased by 1.9% to \$1,342/sqm (\$1,584/sqm gross face, up 2.5% y/y). Similarly, secondary net face rents grew by 1.6% to average \$970/sqm (\$1,164/sqm gross face, up 1.7% y/y) over the 12 months to July 2025.

Positive prime net face rental movements were observed across all precincts in the last 12 months, where Barangaroo and Core led the growth by 2.9% and 2.7% respectively.

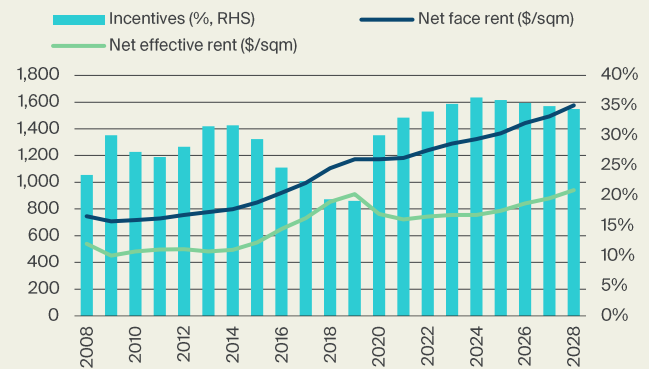
INCENTIVES TIGHTENING SLIGHTLY

Prime incentives declined slightly for the first time since the elevated rise in 2020, with incentives now averaging 35.9%. This shift is being driven by the best in class assets in the Core precinct, where average incentives fell from 34.0% to 33.1% over H1 2025. On the other hand, incentives in the Western Corridor, Barangaroo and Southern precinct remained unchanged in H1 2025. Notably, there are incentives still being offered above 40% across certain assets which are impacted by location and elevated vacancy within the building. Looking ahead, incentives are likely to see further tightening across best in class assets, whilst the wider market remains elevated in the near term.

A clear divergence has been noticed among precincts regarding net effective rental growth. On average, prime effective rents increased by 2.3% in the CBD over the year to July 2025, reaching \$774/sqm. The Core precinct reported the highest annual prime effective rental growth of 4.3%, whilst Midtown and the Western corridor experienced negative effective rental growth.

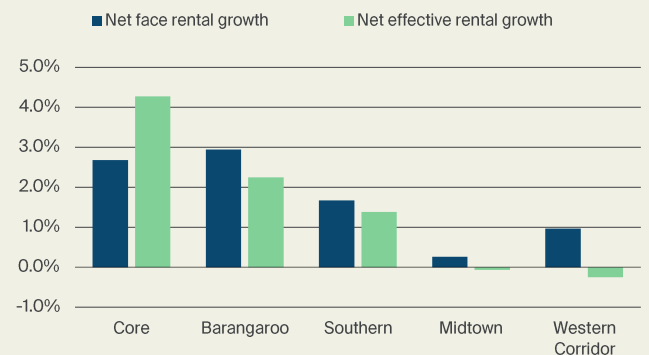
With a positive rental outlook and incentives to either remain unchanged or tighten, effective rental growth will move in a positive direction across the CBD, particularly in premium grade buildings which see higher rental returns.

Sydney CBD office rents and incentive
\$/sqm, %



Source: Knight Frank Research

Sydney CBD prime office rental growth
Annual rental growth rate



Source: Knight Frank Research

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Net face rent \$/sqm	Incentive %	Term yrs	Start Date
Australian Federal Police*	110 Goulburn St	Midtown	13,901	1,115	25.0	10	/
Minter Ellison#	55 Pitt St	Core	9,846	2,050	37.0-40.0	10	Q4-28
HWL Ebsworth Lawyers~	5 Martin Pl	Core	11,023	1,360	36.2	11	Q2-26
Steadfast~	2 Park St	Midtown	2,647	1,275	39.5	6	Q4-25
Cuscal~	201 Sussex St	Western	3,690	1,220	51.0	5	Q2-25

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

Investment activity to pick up as growth returns

YIELD COMPRESSION ON THE HORIZON

Sydney CBD yields have been stable since mid 2024, with the average prime office yield at 6.03% and secondary office yield at 6.50%. From peak to trough, prime and secondary yields have softened by over 160bps. Yield spreads among precincts have further highlighted the demand weighting towards core locations as the current prime yield spreads between Core and Midtown at 45bps, Core and Western at 90bps, Core and Southern at 139bps. With steady yields and positive rental growth, capital values have bottomed out and are transitioning into capital growth.

MORE STABLE GEOPOLITICAL AND MACROECONOMIC ENVIRONMENT TO BOLSTER ACTIVITY IN H2

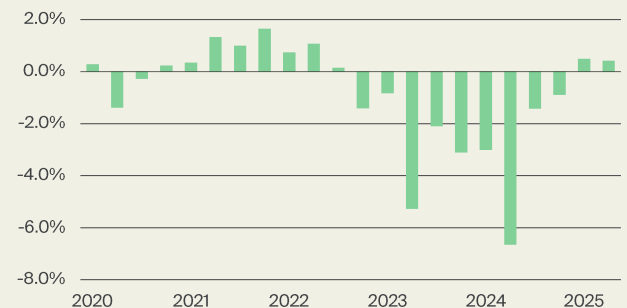
Following multiple transactions at the end of 2024 which saw transactional volumes hit \$4.3 billion for 2024, dominated by offshore capital, in particular Japanese capital and the US. Momentum did slow over Q2 2025 against the backdrop of geopolitical and macroeconomic uncertainty, however has regained momentum heading into Q3 with multiple on and off market campaigns.

The largest transaction over H1 2025 has been 135 King Street, acquired by Japanese investor, Daibiru Corporation for \$631.5 million from Investa on a 6.20% blended yield. More recently, Japanese Investors, MEC Global partners have acquired a 10% stake 180 George Street (Salesforce Tower) for \$200 million. These acquisitions continue to highlight the Japanese capital pouring into the Australian property market, attracted to core assets at a cyclical low point.

Looking ahead, as the interest rate cutting cycle continues globally, this will provide investors with increased confidence that valuations are now past the cyclical low point, although some secondary and suburban markets could see further falls over the next 12 months as transactional activity comes to light. As a result, a wide range of groups are actively looking to deploy capital to take advantage of an attractive entry point and maximise the prospect of long-term capital growth.

Return to growth

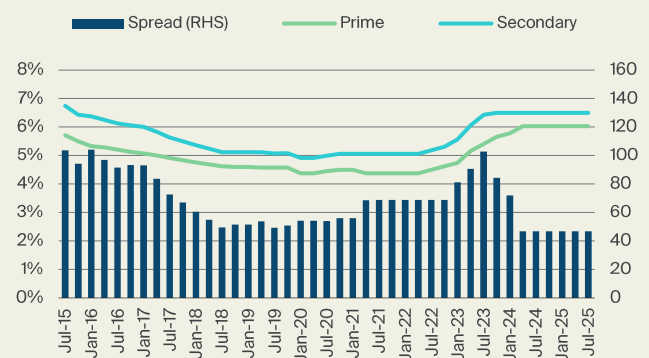
Quarterly capital value growth, Sydney CBD Office



Source: Knight Frank Research, MSCI

Sydney CBD core precinct office yield spread

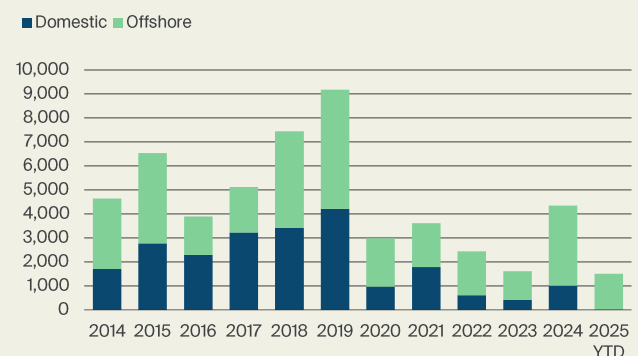
Prime vs secondary



Source: Knight Frank Research

Sydney CBD office transactions

By purchaser location, \$ millions, \$10m+



Source: Knight Frank Research

Recent significant sales

Property	Price \$ m	Core Market Yield %	NLA sqm	\$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
20 Bridge Street	270.0	6.7	19,573	13,794	2.4	Anton Capital Partners JV PGIM Real Estate	Early Light International	Mar-25
400 Kent Street	111.6	7.1	10,461	10,666	7.2	Cambridge JMD Investment Management	Terraform Capital	Mar-25
135 King Street	631.5	6.2	32,695	19,315	4.0	Daibiru Corporation	Investa (ICPF)	Mar-25
388 George Street	460.0	6.2	41,098	22,386	6.3	Singapore Land JV UOL Group	Brookfield	Dec-24
1 Castlereagh Street	183.8	6.3	12,418	14,802	2.6	SLMC Property Australia	Early Light International	Oct-24

*Net sale price

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.

[Click here to subscribe](#)



Research & Consulting

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



Office Leasing

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



Capital Markets

Michael Kwok
+61 2 9036 6620
Michael.Kwok@au.knightfrank.com



Research & Consulting

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



Occupier Services

Katherine Moss
+61 2 9036 6647
Katherine.Moss@au.knightfrank.com



Institutional Sales

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



Research & Consulting

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



Asset Management services

Lisa Atkins
+61 3 9604 4710
Lisa.Atkins@au.knightfrank.com



Valuations & Advisory

James Marks
+61 2 9036 6684
James.Marks@au.knightfrank.com

Recent Research



Sydney Industrial State of the Market Q2 2025



Sydney CBD Office State of the Market



Leading Indicators



Australian Capital View



Australian Retail Review



Australia PBSA Update



Important Notice © Knight Frank Australia Pty Ltd 2025 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank Australia Pty Ltd for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Australia Pty Ltd in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank Australia Pty Ltd to the form and content within which it appears.