



## OFFICE MARKET REPORT | H1 2025

### Victoria's Office Market: Recovery Meets Resistance

*Melbourne CBD & Fringe Snapshot | Swinburne Property Group*

The first half of 2025 has revealed a complex picture across Victoria's office sector, with the Melbourne CBD and city fringe markets showing signs of cautious momentum — but headwinds persist.

## MELBOURNE CBD: Flight to Quality Continues

Tenant demand remained heavily skewed toward **Premium and A-Grade assets**, particularly those with strong ESG credentials, wellness infrastructure, and turnkey fitouts. While the overall **vacancy rate sits around 14.5%**, sublease space continues to weigh on effective occupancy.

- **Incentives remain elevated**, averaging **35–40%**, with landlords competing fiercely to secure long-term commitments.
- **Rents have stabilised** in prime-grade assets, but B and C-grade stock continues to face downward pressure, particularly in older towers lacking upgrade investment.
- **Key precincts like Docklands and Spring Street** saw a marginal uplift in leasing activity, largely driven by downsizing corporates seeking high-spec suites under 1,000sqm.

## FRINGE MARKETS: Resilience Through Adaptability

City fringe precincts such as **South Melbourne, Richmond, and Cremorne** remained comparatively resilient, underpinned by strong interest from creative, digital, and tech-adjacent industries.

- **Net absorption in these areas outperformed the CBD**, supported by smaller floorplates, high-amenity surrounds, and improved last-mile connectivity.
- New boutique developments are seeing pre-lease activity, particularly where landlords offer **fully fitted, plug-and-play configurations**.
- **Rents held firm**, with average gross face rents in key fringe zones sitting between **\$550–\$650/sqm**.

## MARKET OUTLOOK: Divergence & Repositioning

While headline figures suggest a stabilising office market, the bifurcation between quality assets and obsolete stock is sharpening. The remainder of 2025 is expected to see:

- **Continued consolidation of space** as tenants rethink hybrid models.
- A rise in **asset repositioning and conversion strategies**, particularly in older CBD towers.
- Greater scrutiny from occupiers around **building performance, sustainability, and employee experience**.

At Swinburne Property Group, we remain actively engaged with landlords and tenants to navigate this evolving cycle, offering strategic leasing, asset repositioning, and property management solutions that unlock value across all market conditions.