

Creating Resilience

Sublease Barometer Update 2022

REPORT FIGURES

CBRE RESEARCH
MAY 2022

National Key Highlights

Sublease availability is now at the lowest level since June 2020, with strong occupier demand for quality fitted space translating to sublease transactions. National sublease availability has recorded a strong decline so far in 2022, decreasing by 29.6% to approximately 242,671sqm in April.

Multiple markets drove the national decrease; however, **Melbourne** was the most significant contributor to the decline, recording a reduction of 42%, translating to 80,105sqm. **Brisbane** and **Perth** also registered solid declines of 32% and 52% respectively. **Sydney** only registered a mild decrease of 1.4%, whilst **Adelaide's** sublease availability has remained unchanged since December 2021.

Sydney and Melbourne now contribute approximately 87% of national sublease availability, with both markets still experiencing fluid sublease activity. However, with rising refurbishment and construction costs, sublease tenancies in these markets are increasingly becoming cost-effective opportunities for occupiers looking to secure quality fitted spaces.

Most markets are now seeing reductions in sublease availability, after additions stabilised throughout 2021. This is likely to continue throughout the remainder of the year as markets experience business continuity. Additionally, there are 25 tenancies nationally with lease expiries under 2 years.

“

With many tenants pursuing pre-fitted space solutions to avoid the cost and inconvenience associated with office fit-out, the national sublease market has enjoyed strong deal activity.

Melbourne has been a standout performer with total availability dropping by 42% in 2022.

Mark Curtain

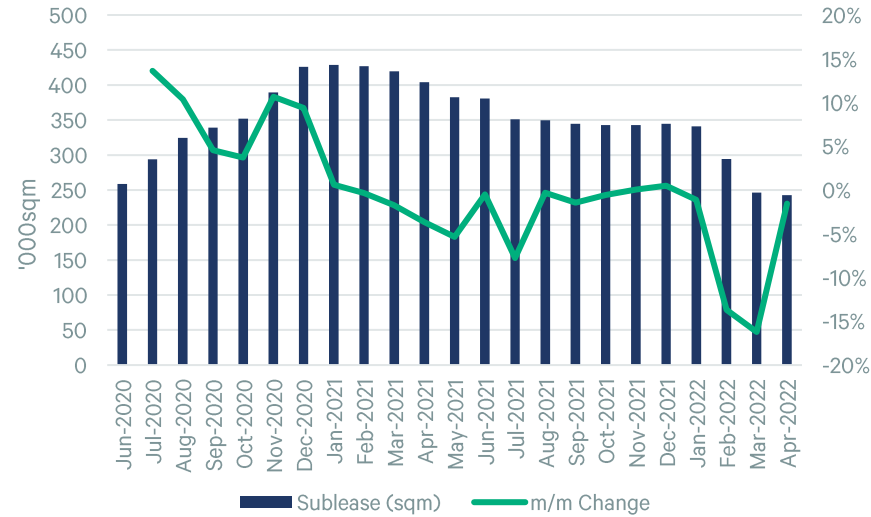
Head of Investor Leasing - Pacific

”

National Snapshot

242.7K as of
Apr

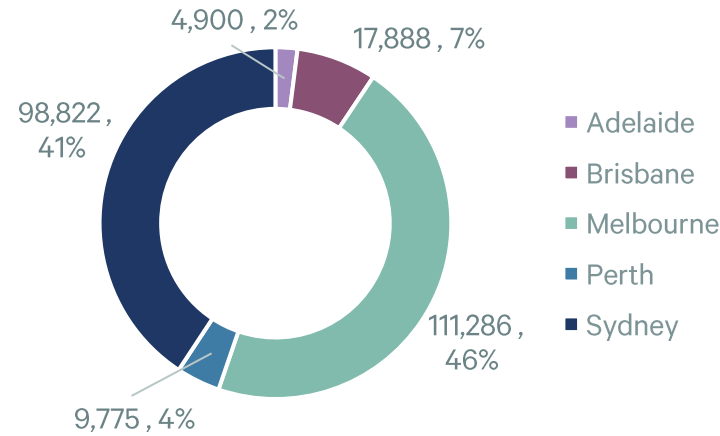
Australian CBD Sublease Availability



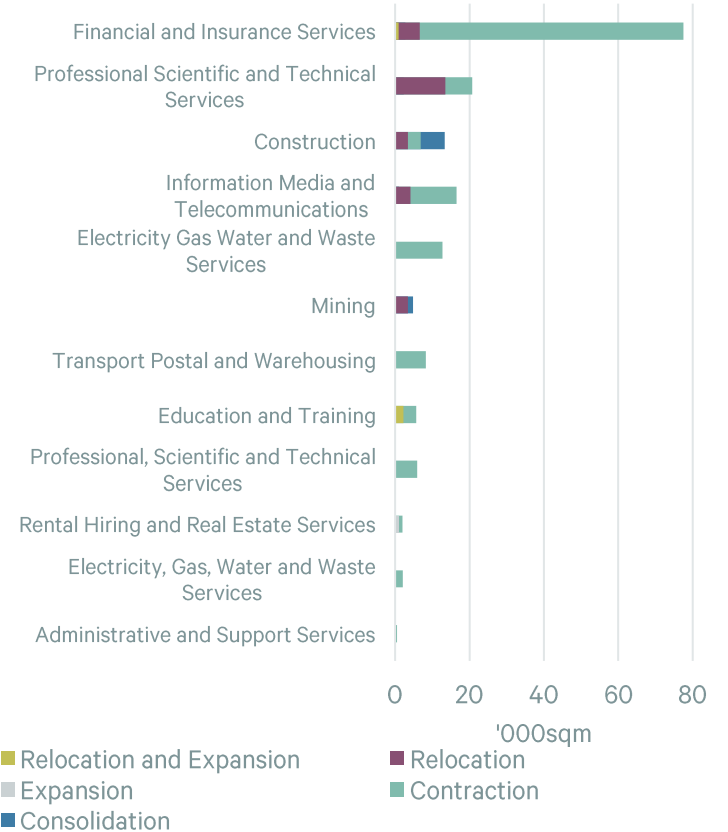
▼ **29.6% YTD**

Total Australian CBD sublease availabilities decrease 1.5% m/m in April to 242,671sqm.

Sublease Availability by Market



Availability by Top Industries



Australian CBD Sublease Availability, q-o-q Change

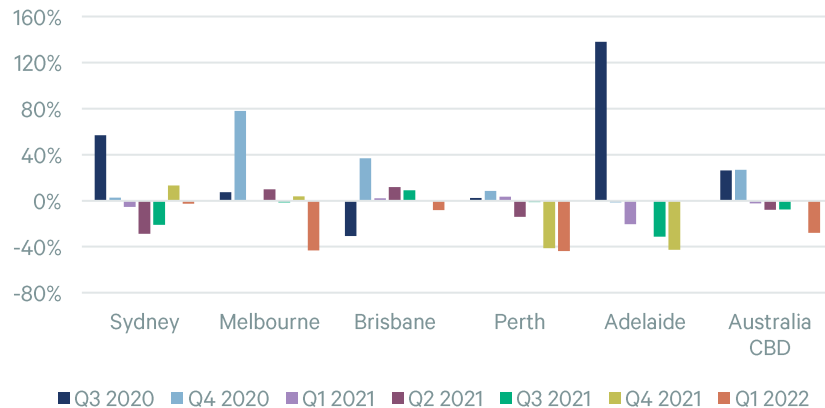


Table of size ranges

Size Range	Sublease	No. of Tenancies
<500sqm	6,545sqm	20
501-1,000sqm	19,634sqm	25
1,001-2,000sqm	34,765sqm	26
2,000sqm+	181,728sqm	37
Total	242,671sqm	108

■ Relocation and Expansion
■ Expansion
■ Consolidation

■ Relocation
■ Contraction

Sublease Barometer May 2022

Sydney

Key Highlights

Despite remaining unchanged m/m in April, Sydney's sublease market has still recorded a 1.4% decrease in availability since December 2021 to approximately 98,822sqm.

Additions outweighed transactions across March and April. There were 6 tenancies withdrawals and 1 availability leased, totalling approximately 11,523sqm. Counteracting these reductions were 8 new options coming to market, totalling approximately 26,600sqm. Half of these opportunities were placed on the sublease market due to tenants consolidating their locations.

The Financial and Insurance Services industry has been the main contributor, accounting for 41% of the stock available at the end of April, followed by Professional, Scientific and Technical Services with 17% and Construction with 16%. Approximately 95% of the current sublease stock is fitted and 73% of the stock is in Premium and A-Grade buildings.

A significant portion of sublease availability is concentrated in larger tenancies greater than 2,000sqm, however total space contributed by this size range has decreased by 3,135sqm so far this year. There is scope for further reductions throughout the remainder of 2022, with 95% of sublease space located in prime buildings. This coincides with a continued trend of flight to quality evident in the market.

“

Sydney's sublease availability reduced over the first quarter due to a number of vacancies going under offer. Although direct and sublease transaction volumes across the market were low in Q1, we do anticipate further take up of sublease opportunities in Q2 and Q3 inline with an increase in expected transactions.

Saying this, we do expect subleases with older fit-outs in secondary locations will be difficult to lease. Active tenants in the market considering relocating are motivated by flight to quality and will be focused on subleases with high quality fit-outs in prime locations, which will continue to contribute to downward pressure on the sublease vacancy figure.

”

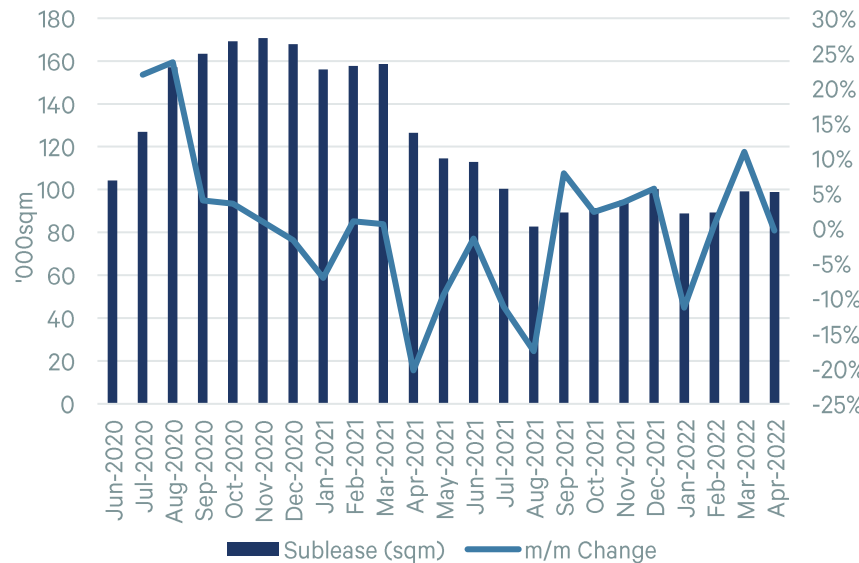
Tim Courtnall

State Director, Office Leasing, New South Wales

Sydney Snapshot

98.8K as of
April

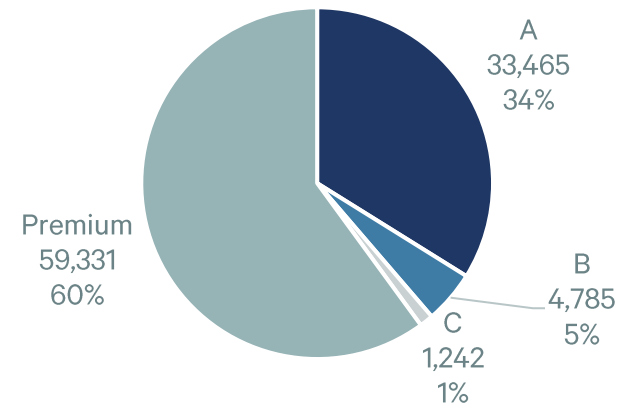
Sublease Availability and Monthly Change



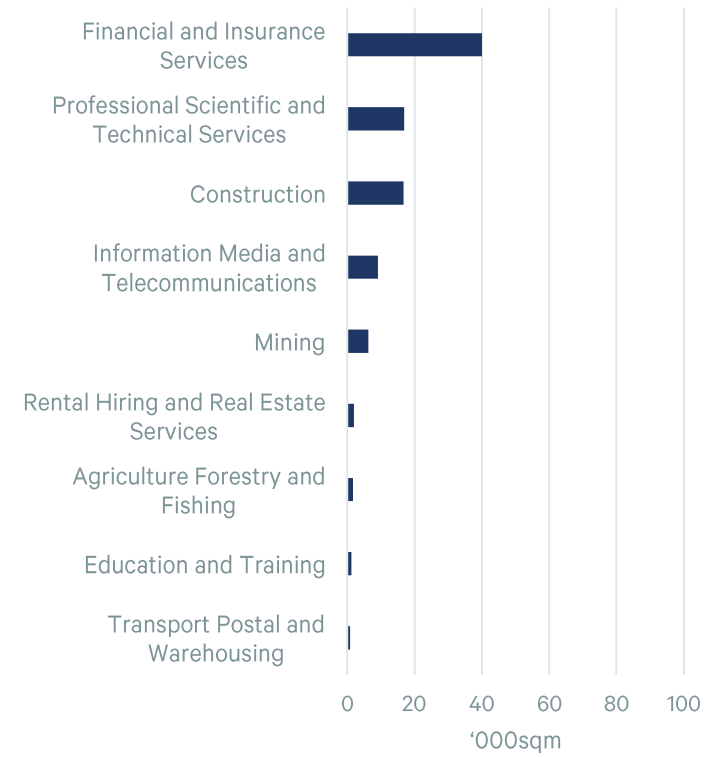
▼ **1.4% YTD**

Sydney recorded an 0.3% m/m decrease, with sublease availability reaching approximately 98,822sqm.

Availability by Grade



Availability by Top Industries



Availability by Motivation

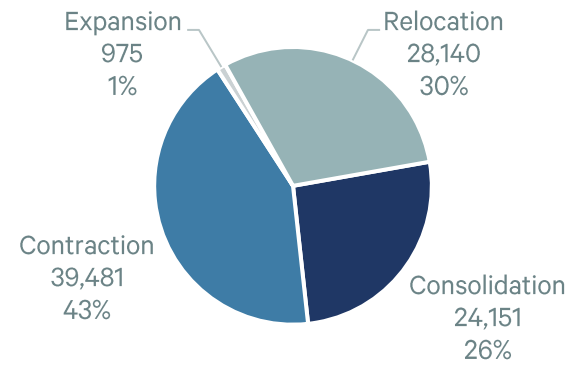


Table of size ranges

Size Range	Sublease	No. of Tenancies
<500sqm	3,255sqm	10
501-1,000sqm	5,858sqm	7
1,001-2,000sqm	16,938sqm	13
2,000sqm+	72,771sqm	13
Total	98,822sqm	43

Sublease Barometer May 2022

Melbourne

Key Highlights

Melbourne was the only CBD that was resistant to significant declines in sublease availability throughout 2021. However, throughout 2022 Melbourne has recorded a sharp decrease in sublease vacancy, declining 42% since December 2021 to 111,286sqm.

The reduction totalling approximately 80,105sqm can be attributed to multiple factors, including fitted sublease space representing cost effective opportunities for occupiers, sublease tenancies becoming direct vacancy, and withdrawals from the market.

The Financial and Insurance sector is the primary contributor to availability with 33%, however has decreased by 20,582sqm since December. Information, Media and Technology sector had the strongest decline in square metres, decreasing by 32,708sqm, followed by the Education and Training sector with a 18,990sqm reduction.

Melbourne has 12 tenancies with lease expiries within 2 years, providing scope for further reductions. However, there is approximately 39,000sqm of availability with lease expiries beyond 5 years, indicating that some occupiers view putting space on the sublease market as part of a long-term strategy.

“

The significant fall in sublease availability within Melbourne is attributed not only to improved deal activity but also to stock withdrawals. Many of Melbourne's largest deals in the last 12 months have taken place in sublease space with near new, high quality fit-outs on highly tenant favourable deals.

We expect the majority of the remaining high quality sublease space will be leased by year end and the Southern Cross precinct to continue to secure the greatest number of sublease transactions during this time.

”

Ashley Buller

Head of Office Leasing, Victoria

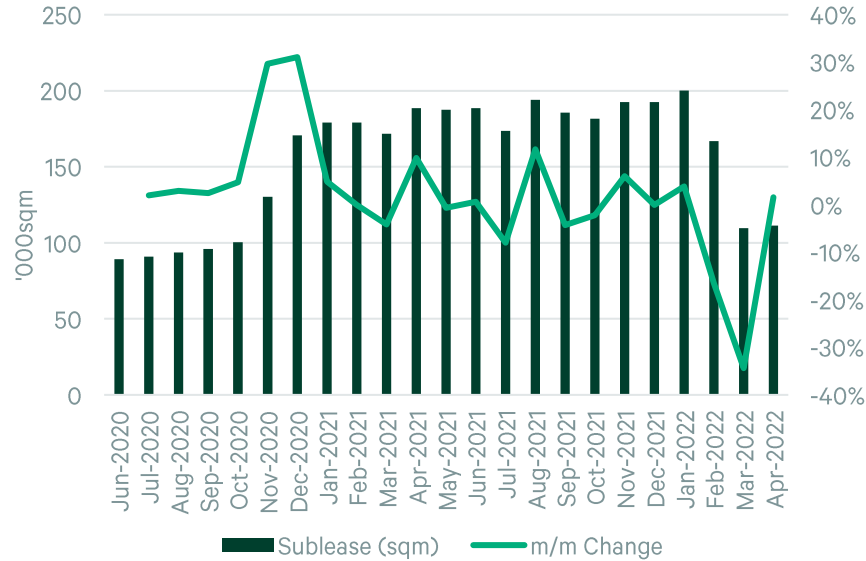
Melbourne Snapshot

111.3K as of Apr

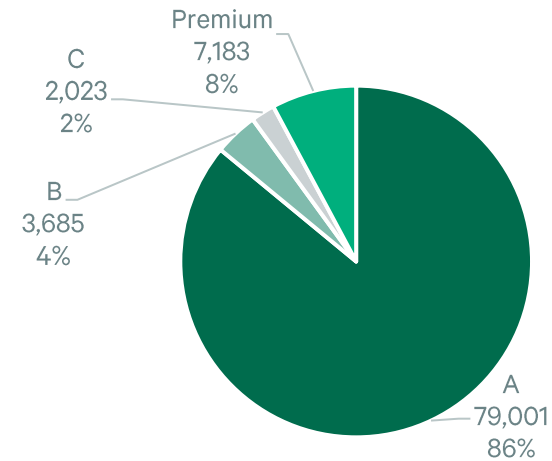
42% YTD

Melbourne's sublease availability increased 1.6% m/m to approximately 111,286sqm.

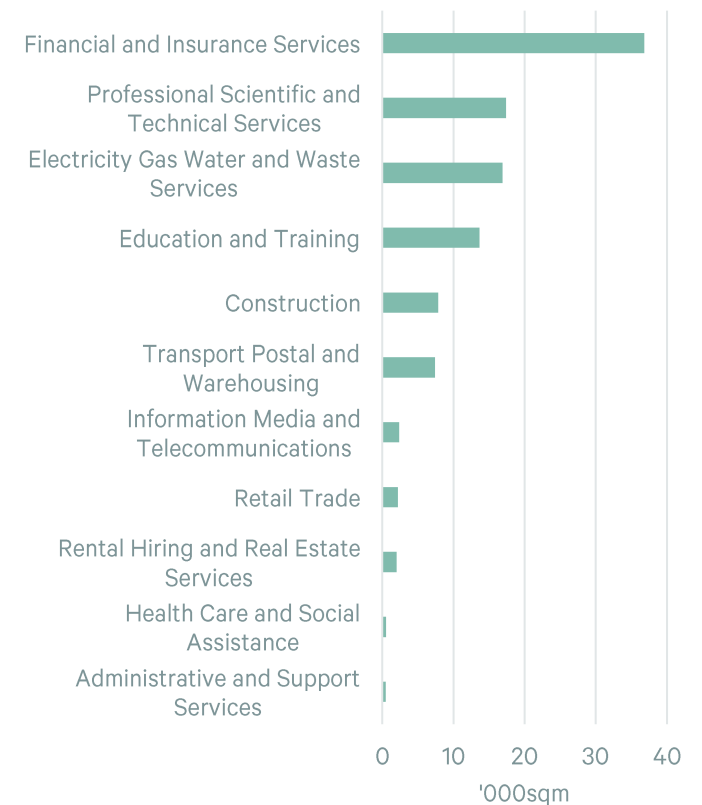
Melbourne Availability and Monthly Change



Availability by Grade



Availability by Top Industries



Availability by Lease Expiry



Table of size ranges

Size Range	Sublease	No. of Tenancies
<500sqm	3,057sqm	9
501-1,000sqm	8,497sqm	11
1,001-2,000sqm	13,245sqm	10
2,000sqm+	86,487sqm	16
Total	111,286sqm	46

Sublease Barometer May 2022

Brisbane

Key Highlights

Sublease availability in Brisbane continued to decline in 2022, after remaining unchanged throughout Q1 2021. Current availability is approximately 17,888sqm as at April 2022.

Brisbane's sublease availability has decreased by 33% throughout 2022 and now sits at the lowest level since the June 2020.

The Information and Technology sector is now main contributor to sublease availability in Brisbane. This is due to the Financial Services sector decreasing by 66% throughout Q1, and only 2,600sqm of sublease vacancy on the market.

Sublease declines were recorded across all of Brisbane's office precincts throughout the March quarter, with the Brisbane Near City market also registering a 8.1% reduction q-o-q.

“

Sublease availability in Brisbane has reduced dramatically since the inception of 2022 with major corporates typically in expansion mode as the broader economy continues to grow.

Quality sublease options which do become available remain appealing to prospective tenants, particularly those with contemporary workplaces in Prime grade assets. As we look forward to the remainder of 2022 we see the sublease market becoming increasingly irrelevant as market options dissipate.

”

Chris Butters

State Director, Office Leasing, Queensland

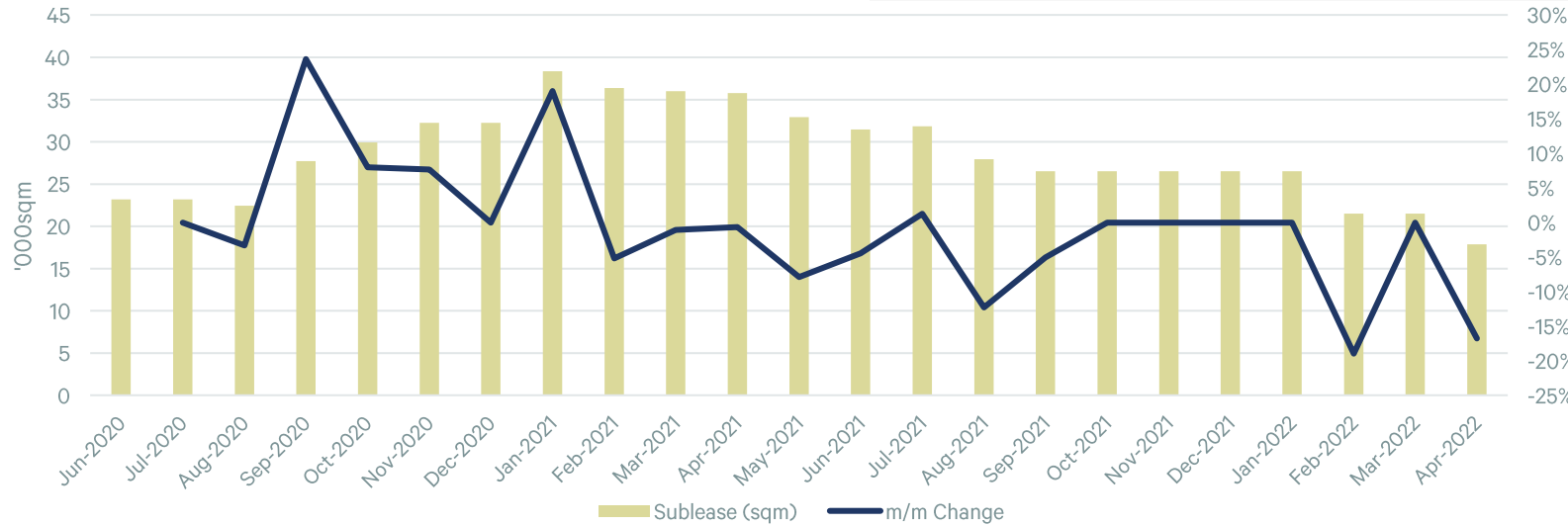
Brisbane Snapshot

17.9K as of Apr

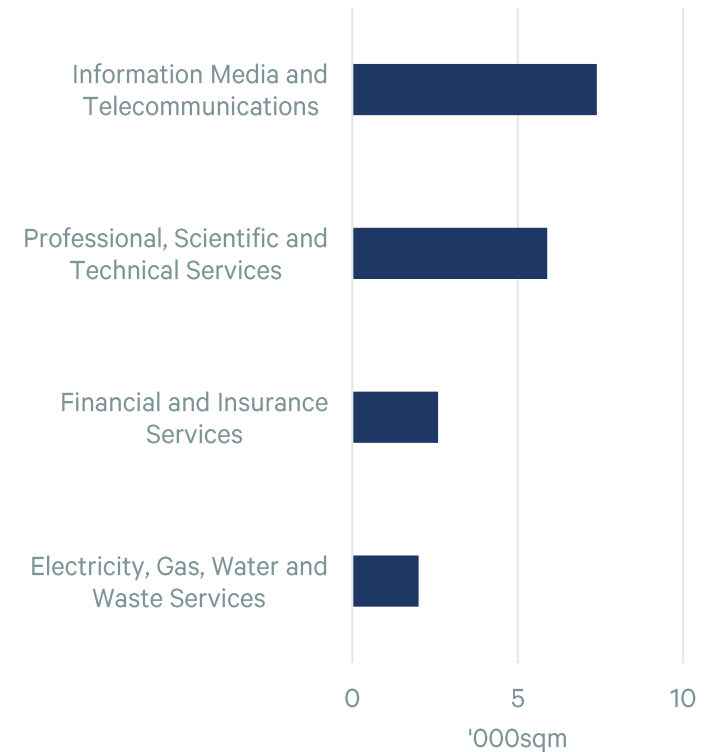
32.6% YTD

Brisbane's sublease availability has reduced by 16.8% m/m to approximately 17,888sqm.

Sublease Availability and Monthly Change



Availability by Top Industries



Availability by Lease Expiries

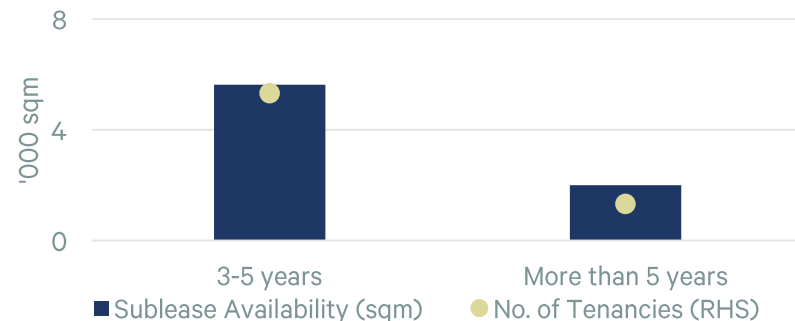


Table of size ranges

Size Range	Sublease	No. of Tenancies
<500sqm	0sqm	0
501-1,000sqm	950sqm	1
1,001-2,000sqm	2,600sqm	2
2,000sqm+	14,338sqm	5
Total	17,888sqm	8

Sublease Barometer May 2022

Perth

Key Highlights

Sublease availability in the Perth CBD has declined by 52% throughout 2022 thus far, to a new 10-year low of 9,775 sqm. With the WA borders having finally re-opened during Q1 2022, it has provided businesses much greater clarity to move ahead with their real estate strategies.

The current strength in commodity prices is significantly benefitting WA's mining dominated economy, leading to increased office space requirements by the state's mining companies.

This has flowed down to other industries such as construction and engineering firms, with several of these tenants withdrawing their sublease space from the market during so far in 2022 and contributing to the overall decline over the quarter.

“

Sublease availability is now at the lowest level in the last 10 years, and is close to an irrelevant part of the market, representing just 0.6% of total stock.

Demand for quality existing fitted space remains strong, and thus any new space to the market will likely be keenly sought after.

”

Andrew Denny

Senior Director, Office Leasing, Western Australia

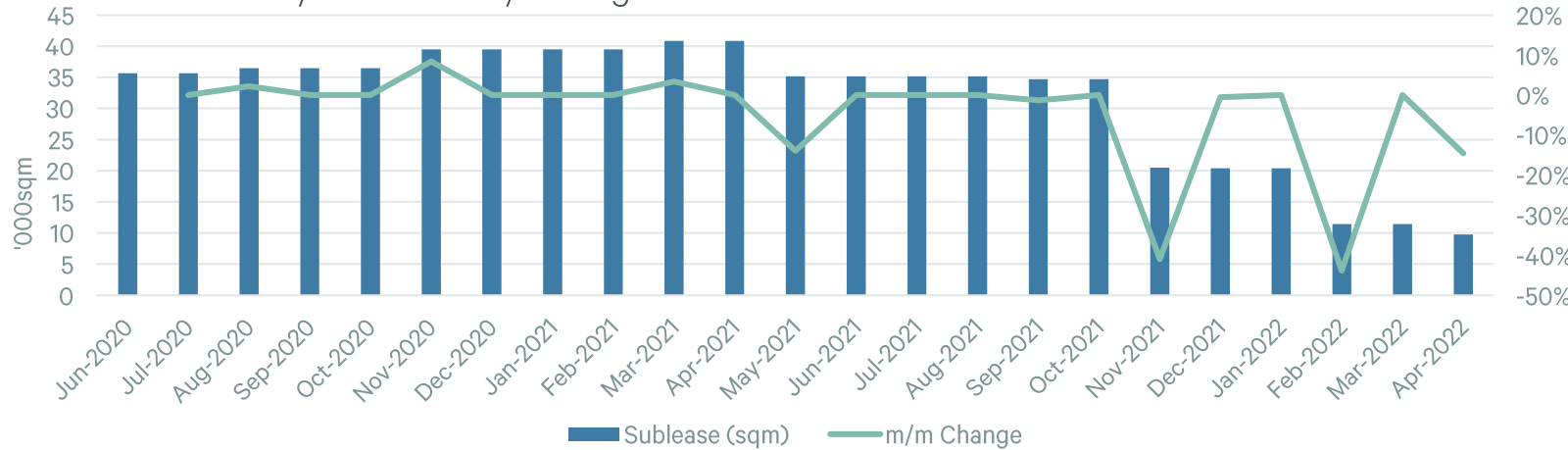
Perth Snapshot

9.7K as of Apr

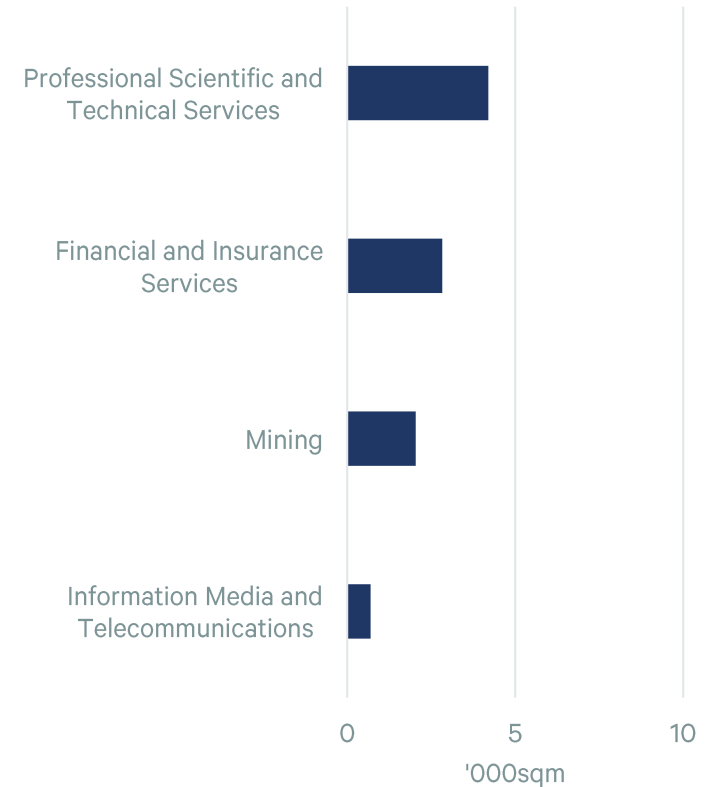
▼ **52% YTD**

Perth recorded a 14.5% m/m decline in availabilities to total approximately 9,775sqm.

Sublease Availability and Monthly Change



Availability by Top Industries



Availability by Grade

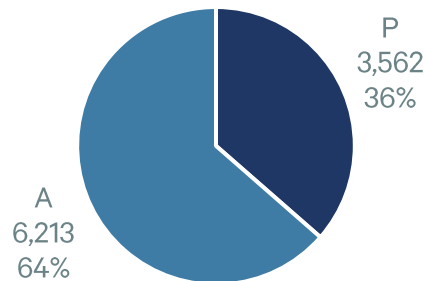


Table of size ranges

Size Range	Sublease	No. of Tenancies
<500sqm	732sqm	2
501-1,000sqm	2,929sqm	4
1,001-2,000sqm	1,982sqm	1
2,000sqm+	4,132sqm	2
Total	9,775sqm	9

Sublease Barometer May 2022

Adelaide

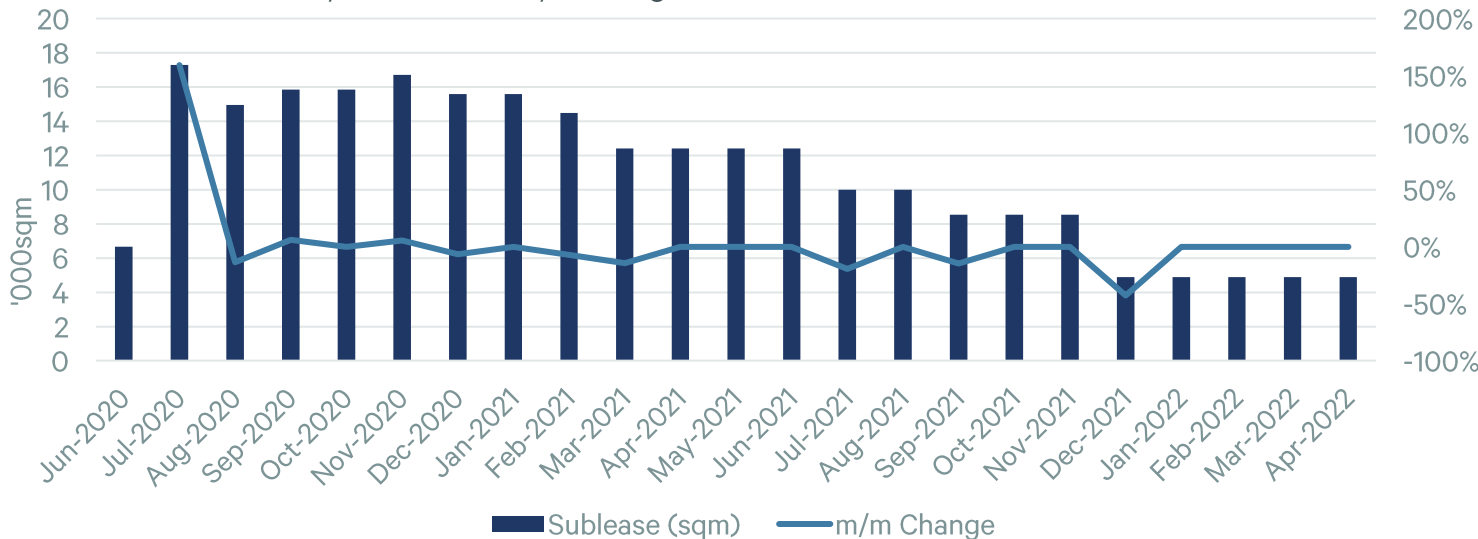
Key Highlights

Adelaide sublease availability has remained unchanged throughout 2022, with space remaining at the lowest level since the beginning of the pandemic.

There are only 2 tenancies on the sublease market, with strong take up of space in the A grade and new generation sectors in Q4 2021.

4.9K as of Apr

Sublease Availability and Monthly Change



“

The Adelaide sublease market continues to diminish with consistent take up of space through the first 4 months of the year into April.

In addition to the demand, we are not seeing any new sublease options of note enter the market which is in the main due to the continued levels of strong business confidence.

”

Michael Pfitzner

Senior Director, Office Leasing, South Australia

Sublease Barometer May 2022

Canberra

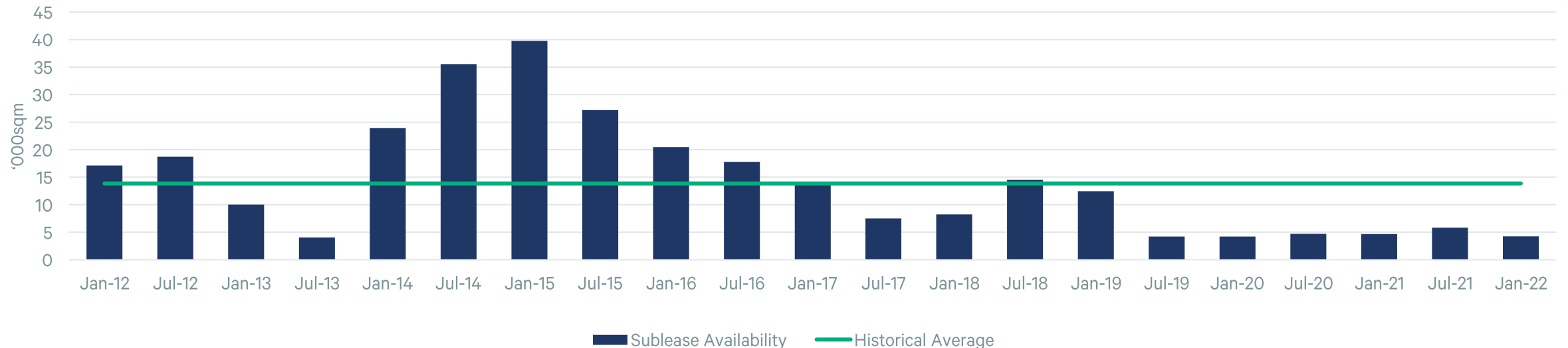
Key Highlights

4.2K as of Jan

Canberra’s sublease market has remained relatively unaffected throughout the pandemic recording only 4,229sqm of sublease availabilities in January 2022, representing 0.2% of total stock. Sublease availability declined by 27.3% throughout H2 2021, and is well below the 10-year historical average of 13,850sqm.

With a high proportion of Canberra’s office market being occupied by Public Administration tenants, there is minimised exposure to high sublease availability, and we expect Canberra to record similarly low levels throughout 2022.

Sublease Availability



Source: PCA, CBRE Research

Contacts

Australian Research

Sameer Chopra

Head of Research - Pacific
sameer.chopra@cbre.com

Tom Broderick

Head of Office Research
tom.broderick@cbre.com

Eza Ranjbar

Senior Analyst
eza.ranjbar@cbre.com

Shahin Begum

Research Manager
shahin.begum@cbre.com

Joyce Tiong

Head of Office Occupier Research
joyce.tiong@cbre.com

Nick Baring

Senior Analyst
nick.baring@cbre.com

Gus Mcconnell

Analyst
gus.mcconnell@cbre.com

Advisory and Transaction Services

Mark Curtain

Regional Director
Head of Investor Leasing - Pacific
mark.curtain@cbre.com

Tim Courtnall

State Director
Office Leasing, NSW
tim.courtnall@cbre.com

Ashley Buller

State Director
Office Leasing, VIC
ashley.buller@cbre.com

Chris Butters

State Director
Office Leasing, QLD
chris.butters@cbre.com

Andrew Denny

Senior Director
Office Leasing, WA
andrew.denny@cbre.com

Michael Pfitzner

State Director
Office Leasing, SA
michael.pfitzner@cbre.com

Click here to view
report on Tableau
Dashboard