



RWC

WESTERN **S**YDNEY INSIGHTS

Parramatta CBD Office Forecast

ISSUE 4

RWC WESTERN SYDNEY

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Executive Summary

The Parramatta office market continues to navigate challenging conditions while showing signs of resilience in specific segments.

The market recorded positive but modest net absorption over the year, though performance varies significantly across grades. A-grade assets continue to capture tenant demand, supported by competitive leasing terms and superior amenity, while secondary stock faces ongoing structural challenges.

INFRASTRUCTURE & ACCESSIBILITY

The transformation of Parramatta's accessibility continues to strengthen its market position. The recent Light Rail opening marks another milestone in the CBD's evolution, while the upcoming Metro West will further enhance connectivity to Sydney CBD. This infrastructure investment mirrors the positive impact seen across North Shore markets, where similar transport improvements have reshaped tenant preferences and market dynamics.

INVESTMENT & OPPORTUNITIES

Investment markets reflect the broader recalibration occurring across the office sector, with expanding yields and subdued transaction volumes dominated by strata sales. While this adjustment has impacted returns, it presents opportunities for strategic investors, particularly

in repositioning assets. Parramatta's role as Western Sydney's commercial hub, combined with its relative affordability to CBD markets, provides a strong foundation for future growth.

STRATEGIC REFURBISHMENT

A key theme emerging is the focus on strategic refurbishment over new development. Several major assets are positioned for upgrades, reflecting owners' response to evolving tenant demands and the need to maintain asset competitiveness. This trend, coupled with opportunities for alternative uses in select assets, demonstrates the market's adaptation to changing occupier preferences and Western Sydney's continued growth trajectory.

If you'd like to discuss this report in more detail or to learn more about the Parramatta CBD Office market, we would be delighted to engage in a conversation with you.



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Managing Director
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TOTAL OFFICE STOCK:	944,437 SQM
NEW SUPPLY:	20,754 SQM
WITHDRAWALS:	8,861 SQM



VACANCY BY QUALITY GRADE

A GRADE:	13.3% ↗
B GRADE:	41.9% ↘
C GRADE:	22.8% ↑
D GRADE:	7.5% ↗



NET FACE RENTS

PRIME	↓ \$575/SQM
SECONDARY	↓ \$455/SQM



INVESTMENT YIELDS

PRIME	↑ 7.30%
SECONDARY	↑ 8.50%



TOTAL VACANCY:	20.0% ↗
6-MONTH NET ABSORPTION	3,939 SQM
12-MONTH NET ABSORPTION	4,408 SQM



FORECAST NET SUPPLY

2025	30,222 SQM
2025	-41,505 SQM

Refurbished projects likely to be a feature of the Parramatta CBD office market over the next few years.

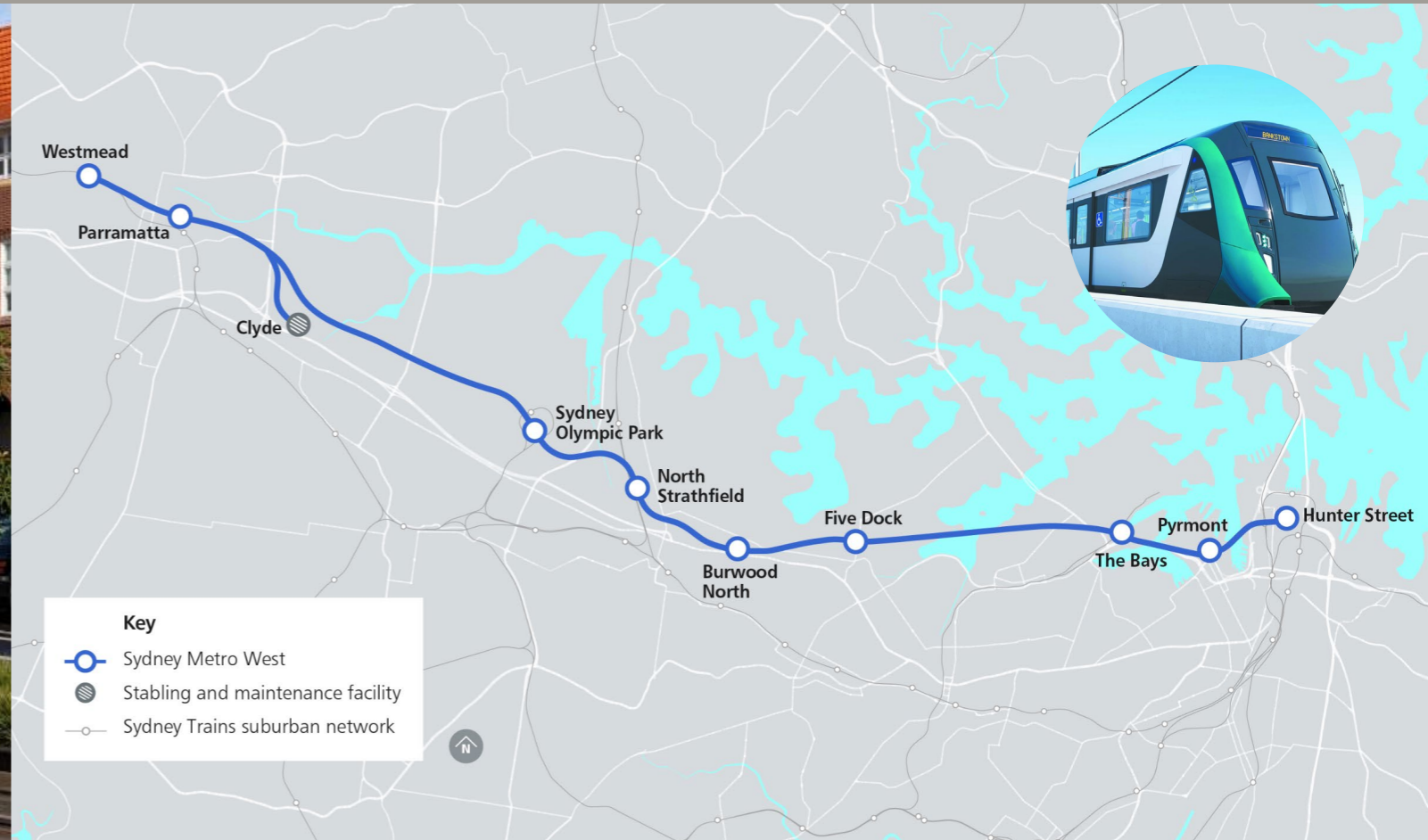
SOURCE: PROPERTY COUNCIL OF AUSTRALIA, RWCWS



The North Shore metro connection has driven positive absorption of 27,798sqm across North Sydney and Macquarie Park, highlighting the potential impact of Metro West on Parramatta's future tenant demand.



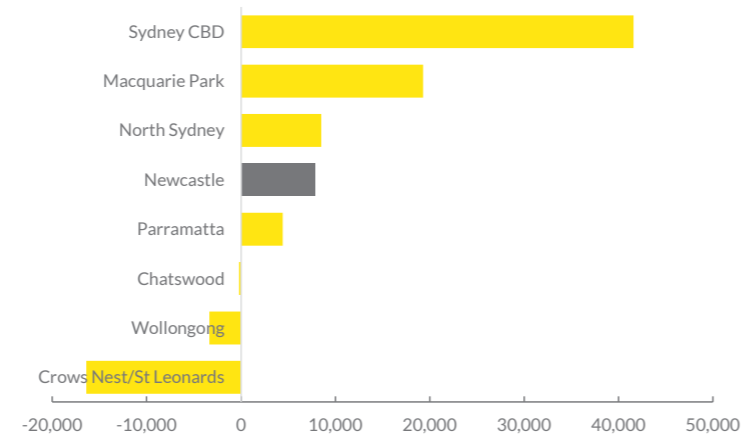
Sublease availability has reduced to 0.9%, suggesting businesses are holding space in anticipation of increasing office attendance.



Infrastructure investment steering office demand

NSW Office Market Absorption

12 MONTHS TO JANUARY 2025 (SQM)



SOURCE: PROPERTY COUNCIL OF AUSTRALIA, RWCWS

Metropolitan Sydney's office markets are experiencing a significant reshaping of tenant demand, largely influenced by infrastructure improvements.

The North Shore corridor demonstrates how enhanced transport connectivity can transform occupier preferences, with the new Metro line catalysing significant tenant movements between markets.

KEY MARKET MOVEMENTS

- Macquarie Park: +19,293sqm absorption
- North Sydney: +8,505sqm absorption
- Crows Nest/St Leonards: -16,399sqm absorption
- Parramatta: +4,408sqm absorption

The negative absorption in Crows Nest/St Leonards, contrasted with North Sydney's gains, reflects a flight to quality in well-connected locations rather than market weakness. This tenant redistribution provides valuable insights for Parramatta's future prospects.

LOOKING FORWARD

- Metro West will enhance CBD connectivity
- Light Rail improving local accessibility
- Cost advantages maintained against CBD markets
- Potential to mirror North Shore's infrastructure-led recovery

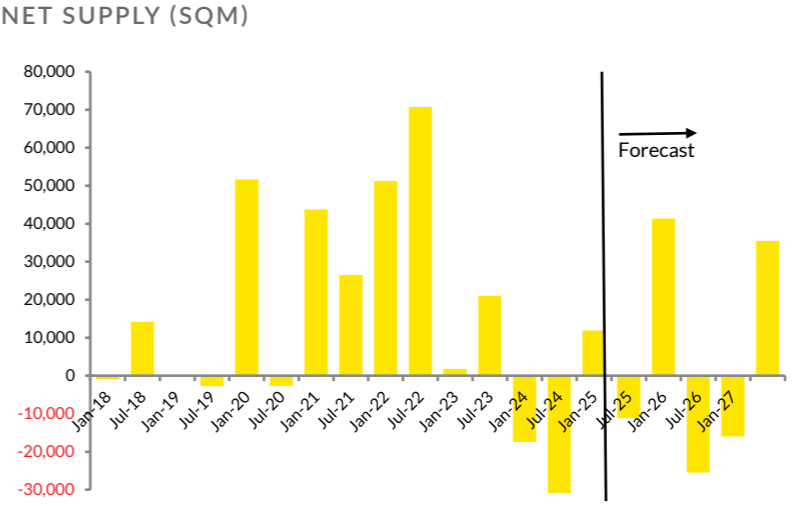
These infrastructure improvements position Parramatta to capitalise on similar tenant movements seen in North Shore markets, while maintaining its significant cost advantages over CBD locations.



"The current leasing environment is redirecting focus toward strategic refurbishment of existing assets, with several major Parramatta properties positioned for potential upgrades or repositioning in the medium term."

Strategic refurbishment dominates *supply* pipeline

Parramatta CBD Office Forecast



SOURCE: PROPERTY COUNCIL OF AUSTRALIA, RWCWS

MARKET ACTIVITY

The evolution of Parramatta's office stock continues to be driven by strategic refurbishment rather than new development.

Net supply recorded an increase of 11,893sqm over the six months to January 2025, with completed refurbishment works at 10 Valentine Place (Macquarie Towers) and Wentworth Place leading recent additions.

This positive result was partially offset by the withdrawal of 8,000sqm at Jessie Street Centre, marking the beginning of a staged refurbishment program.

FUTURE PIPELINE

Looking ahead, several major assets are positioned for potential upgrades, including the Lang Centre, Octagon and 81 George Street.

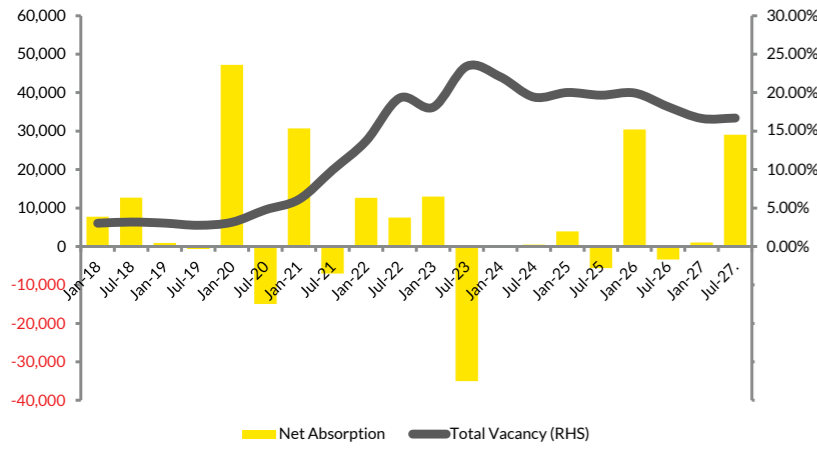
While Parramatta's development pipeline includes several mooted new office projects, the current leasing environment is redirecting focus toward strategic refurbishment of existing assets.

This pivot toward refurbishment over new development mirrors trends across Australian CBDs, as challenging leasing conditions and high construction costs encourage owners to focus on strategic repositioning rather than speculative development.

Flight to quality *drives* market movement

Parramatta CBD Office Forecast

NET ABSORPTION (SQM) & TOTAL VACANCY (%)



SOURCE: PROPERTY COUNCIL OF AUSTRALIA, RWCWS

CURRENT CONDITIONS

Parramatta's office market continues to show resilience, recording positive net absorption for both the half year and annual period to January 2025.

The performance varies significantly across grades, with A-grade space leading the market's modest recovery. Premium grade assets have attracted sustained tenant interest, while recently refurbished B-grade stock has also found support among value-conscious occupiers.

VACANCY OUTLOOK

Total vacancy rates have seen marginal deterioration over the past six months, though remaining notably improved from year-ago levels. The reduced sublease availability suggests businesses are maintaining their space

holdings, potentially in anticipation of increasing office attendance. Looking ahead, vacancy rates are expected to show gradual improvement over the next two years, supported by limited new supply additions and the measured return of refurbished stock to the market.

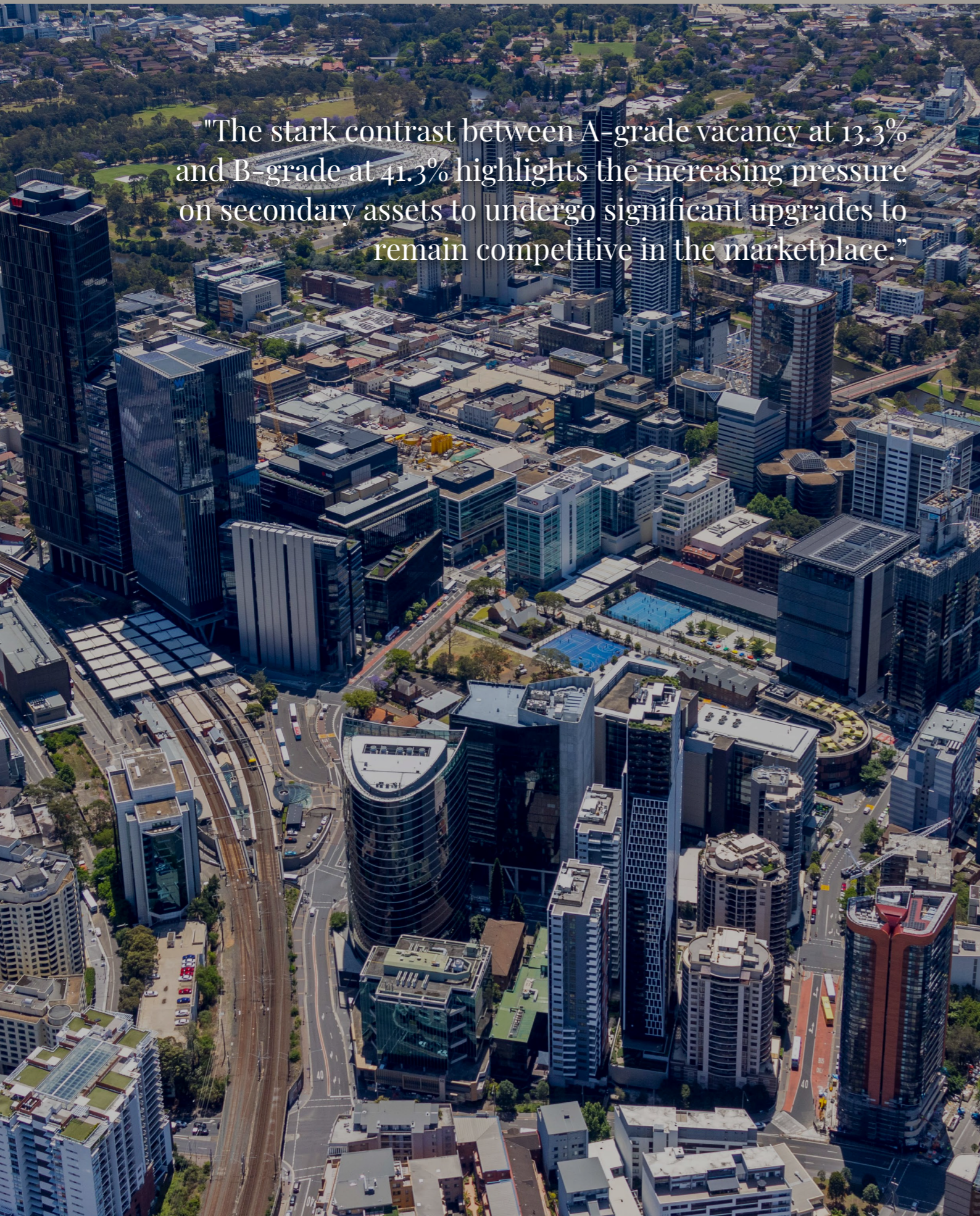
RECOVERY PATHWAY

The improvement in market fundamentals points to a measured recovery, characterized by divergent performance across different grades.

A-grade assets continue to capture the majority of tenant demand, demonstrating the sustained flight to quality, while selectively upgraded B-grade stock is finding opportunities among cost-conscious occupiers seeking quality space at competitive rates.



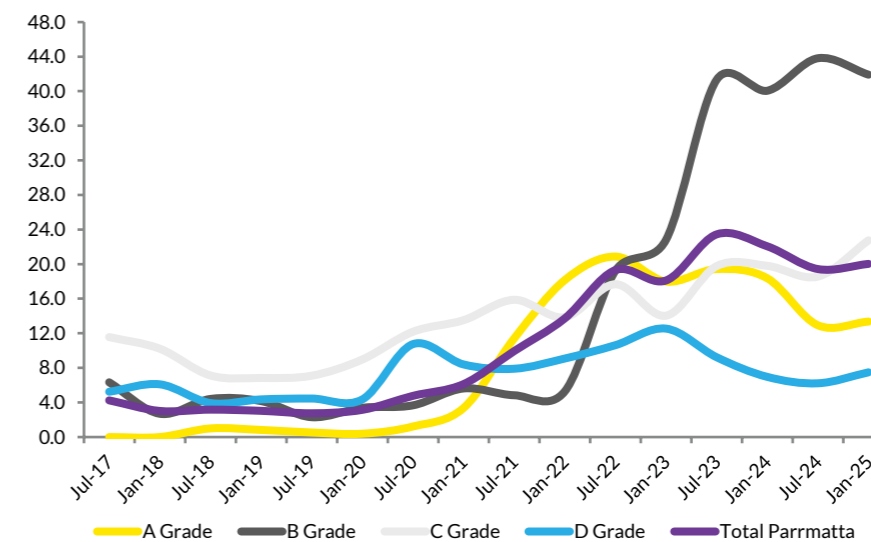
"A-grade space continues to capture tenant demand with 12,915sqm of annual absorption, while strategic refurbishments are breathing new life



A tale of two markets: Prime and secondary *diverge*

Parramatta CBD Office Vacancy

BY QUALITY GRADE (%)



SOURCE: PROPERTY COUNCIL OF AUSTRALIA

A-GRADE PERFORMANCE

Vacancy rates across Parramatta's office market continue to highlight the divergence between prime and secondary assets. A-grade vacancy has improved significantly to 13.3% from its mid-2022 peak of 20.9%, though showing a slight uptick from 12.9% six months ago.

This improvement in prime space demonstrates the Premium Performance A-grade vacancy rates demonstrate the resilience of premium stock, showing substantial improvement from peak levels despite a minor uptick in recent months. This performance reflects ongoing tenant preference for quality space, supported by competitive leasing terms in prime assets.

SECONDARY MARKET CHALLENGES

The secondary market continues to navigate more difficult

conditions, particularly evident in the elevated B-grade vacancy rate. While showing modest improvement over the past six months, these higher vacancies highlight the structural challenges facing older assets. The situation is particularly pronounced in C-grade stock, which has reached record high vacancy levels, while even the traditionally stable D-grade segment has seen increasing vacancy.

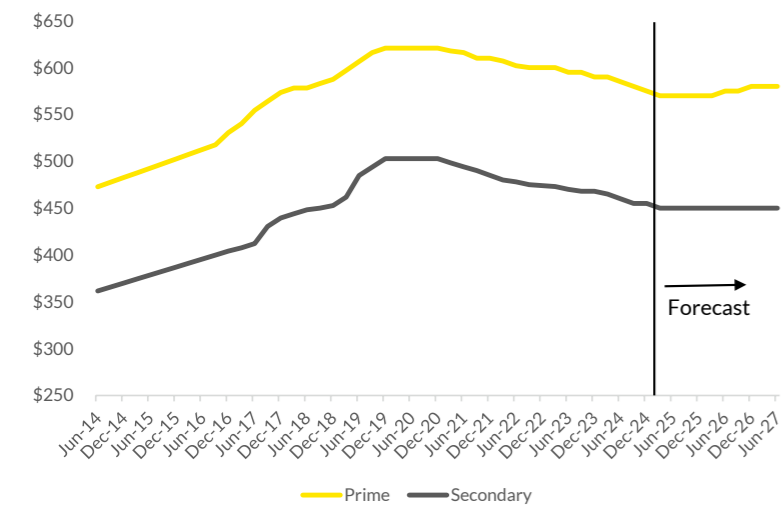
FUTURE DIRECTIONS

The growing disparity between prime and secondary performance is forcing owners to make strategic decisions about their assets' future. This widening quality gap is intensifying pressure on secondary asset owners to either commit to significant upgrades or consider alternative uses, as the market's flight to quality shows no signs of abating.

Rental market resets as competition *intensifies*

Parramatta CBD Office Forecast

NET FACE RENTS (\$/SQM)



SOURCE: RWCWS

The Parramatta office rental market continues to adjust to competitive forces, with both prime and secondary assets recording rental declines over the past year.

A-grade net face rents have fallen 2.5% to \$575/sqm - levels not seen since 2017, while the secondary market has experienced a 2.8% decline to \$455/sqm.

LEASING DYNAMICS

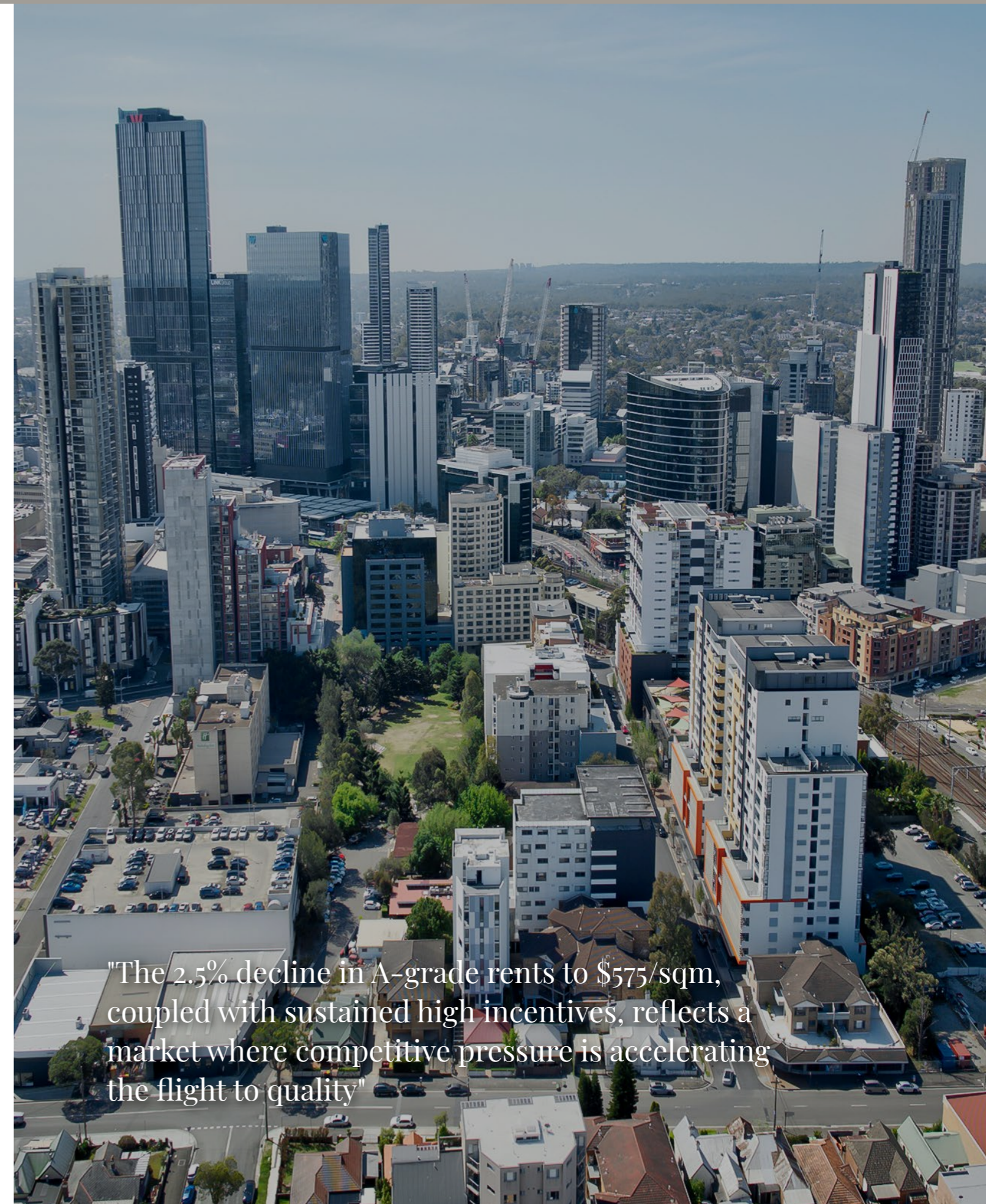
- High incentives persist in prime assets, reaching up to 45%
- Private landlords remain reluctant to offer significant incentives

- Superior amenity and end-of-trip facilities driving tenant decisions
- Light Rail opening enhancing CBD accessibility

PUBLIC SECTOR IMPACT

The slow return of the public sector workforce, a significant component of Parramatta's tenant mix, continues to impact market vibrancy despite mandated return-to-office policies.

However, prime stock appears better positioned for rental growth as vacancy stabilises, though meaningful face rental growth remains contingent on incentive levels moderating from current positions.

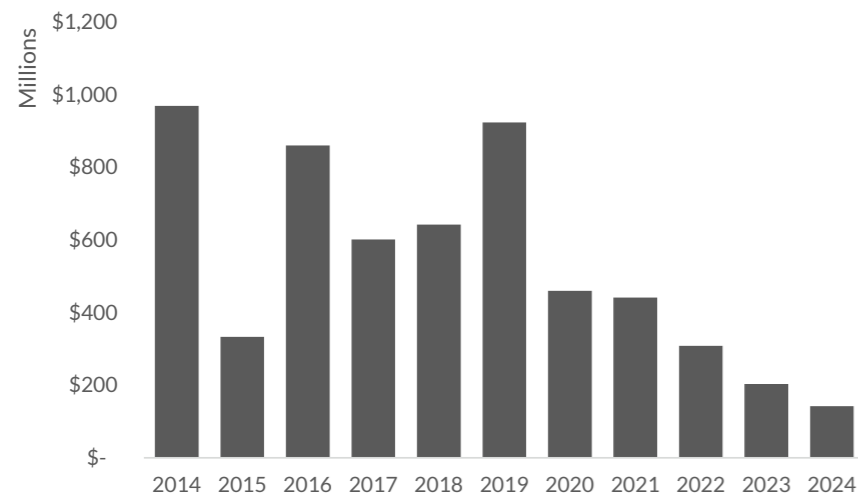


"The 2.5% decline in A-grade rents to \$575/sqm, coupled with sustained high incentives, reflects a market where competitive pressure is accelerating the flight to quality"

Sales volume *dips* as market reprices

Parramatta CBD Office Transactions

VOLUME OF SALES



SOURCE: REAL CAPITAL ANALYTICS, RWCWS

Sales Activity Transaction volumes in Parramatta's office market have continued their downward trend, with 2024 recording just \$141.6 million in sales.

This represents a further decline from \$203.2 million in 2023 and sits well below the market peak of \$900 million in 2019. The limited activity has been predominantly in the strata market, as institutional-grade assets remain tightly held.

MARKET PERFORMANCE

- Total returns: -20.7% (10-year average: 6.9%)
- Capital returns: -24.9% (10-year average: 0.7%)
- Annual sales volume decline: 30%

VALUE RESET

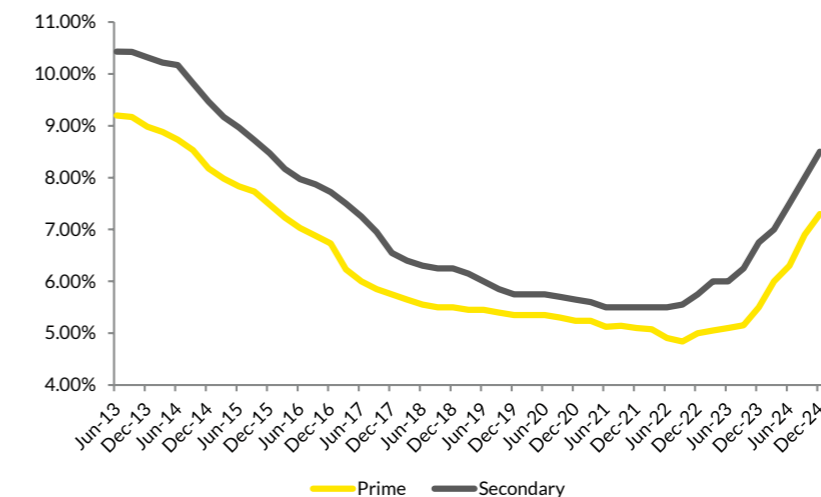
The magnitude of market repricing is clearly evident in returns data, with current performance showing a dramatic deviation from long-term averages. However, this significant reset in values has yet to trigger increased transaction activity.

Private owners in the secondary market particularly remain reluctant to realise losses, preferring to hold assets rather than establish new pricing benchmarks in the current cycle.

Yield expansion creates investment *opportunities*

Parramatta CBD Office Investment Yields

BY QUALITY GRADE (%)



SOURCE: REAL CAPITAL ANALYTICS, RWCWS

MARKET REPRICING

Institutional data shows prime yields have expanded significantly to 7.3%, while secondary yields have pushed even further to 8.5%. This widening reflects both broader market adjustments and ongoing occupier challenges, with variations based on asset quality, covenant strength and WALE. While transaction evidence remains limited, listed entity valuations confirm the magnitude of this shift.

INVESTMENT OPPORTUNITIES

The current repricing phase presents several strategic opportunities:

- Below replacement cost acquisitions
- Counter-cyclical investment potential
- Value-add possibilities through repositioning
- Conversion options for suitable secondary stock

LONG-TERM FUNDAMENTALS

Parramatta's position as Western Sydney's gateway, supported by robust population growth projections and significant infrastructure investment, underpins the long-term investment thesis. Secondary assets with favourable physical characteristics may present particularly compelling opportunities for residential or mixed-use conversion, aligning with Greater Western Sydney's continued housing demands.

Outlook

The Parramatta office market's recovery trajectory will be shaped by several fundamental drivers over the coming years.

While challenges persist in the near term, the market's strategic position, infrastructure improvements, and relative affordability provide a foundation for measured improvement. The continued evolution of workplace strategies, particularly in the government sector, will be crucial in determining the pace of recovery.

KEY MARKET DRIVERS

Infrastructure Transformation

- Metro West completion will enhance CBD connectivity
- Light Rail improving local accessibility
- Potential to mirror North Shore markets' infrastructure-led recovery

Supply & Stock Quality

- Strategic refurbishments to dominate supply additions
- Potential conversion of secondary assets to alternative uses
- Selective withdrawal of older stock to support market rebalancing

Occupier Trends

- Flight to quality expected to continue
- Growing focus on ESG credentials
- Government sector return-to-office policies key to market vibrancy

Investment Market

- Yield stabilisation dependent on broader economic conditions
- Opportunities for counter-cyclical investment
- Value-add strategies in well-located secondary assets



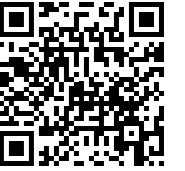
PETER VINES
Managing Director
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OUR OFFICE

With a strong foundation of experience and expertise, we bring a winning combination of dynamism and operational rigour to the commercial agency space.

We are *Western Sydney*.
Who we are, *what* we do, *why* we do it



SALES



PETER VINES
Managing Director



JOSEPH ASSAF
Director



VICTOR SHEU
Director



TROY WANG
Sales Executive



OWEN WHITE
Industrial Sales Executive



VASILI VASILIOU
Industrial Sales Executive



DANNY SHI
Sales - AIS



TAO SHI
Sales - AIS



ANDREW SACCO
Sales Executive



VEE LI
Sales Executive



ALEX EL HAZOURI
Sales Associate



MARCUS AUDDINO
Sales Associate



JAYKY WU
Commercial Property Analyst



CHRISTIAN FINIANOS
Commercial Property
Researcher



CHANTEL BRILLANTES
Marketing & Design



MONH LY
Campaign Manager



STEPHANIE EL-ALAM
Campaign Manager



LACHLAN
HETHERINGTON
Team Assistant



MARINA STAVRAKIS
EA to Peter Vines

LEASING

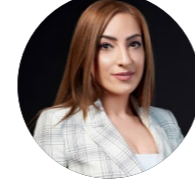


ROBERT NAPOLI
Senior Leasing Executive



SAMUEL GONG
Senior Leasing Executive

ASSET MANAGEMENT



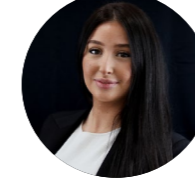
JOYCE ELKOUBERCI
Director



CALLUM MCKAY
Asset Manager



SUZIE NIU
Asset Manager



AALIYAH CHAMI
Assistant



ADRIAN HARB
Assistant



MARCUS FUNG
Assistant



ANNIKA WARD
Assistant



ZEINA TAJIK
Accounts

OPERATIONS



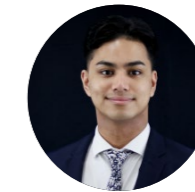
RUBY ROZENTAL
Director of Strategy



HANNAH CARNEY
Director of Operations



PAULINE WATERFORD
Finance Manager



CHRISTIAN BRILLANTES
Office Assistant

PROJECTS



MARK BERNBERG
Managing Director



LIAM SIMPSON
Senior Sales Executive



NATASHA SANDERS
Sales Associate



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Sales Assistant



BETTY NGUYEN
Marketing Coordinator



The logo consists of the letters 'RWC' in a bold, italicized, sans-serif font, centered within a white square.

RWC

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