

# Spec Suite Tracker

4Q '24 & 1Q '25

**caden**  
Intellectual Property



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# Spec suites live up their name with only 58% clearance rate

Brisbane's spec fit out market continues to evolve, but more recently it has struggled to show the promise it once did. Spec fit outs are not as commonly the fix-all solution that they proved to be a decade ago, driving net supply up significantly since its low in late 2023.

To commence 2025, this sees certain building owners hesitant to pursue the ultra-aggressive spec programs of the past as there is less faith in the eventual outcome. We expect supply will continue to grow, but perhaps not as fervently as it has in the past as not only is the demand softer, but the cost to produce remains high. As of 1Q-25, total supply stands at 18,695 sqm, with 53 spec suites currently on the market and an additional 12 under construction, due for completion by Jun-25.

Spec leasing activity accumulated to ~8,200 sqm as transactions took place across all Grades, coming to 31 deals over the period with B Grade taking the crown for most activity (by NLA and count). 90% of deals occurred below 400 sqm, with the remaining transactions occurring in a 516 sqm and two whole floor suites. Clearance rates for all specs completed in 2024 totaled 57.5%, which is consistent with previous results.

New supply in the first half of the year will be limited to A and B Grade assets, with 2,230 sqm of specs in the works. A Grade will account for only a small share, with two 125 sqm suites at 32 Turbot St bringing the Grade's total spec supply to 1,850 sqm – reinforcing its position as the tightest spec market. B Grade spec availability will reach ~1,300 sqm by Jun-25 with ~1,900 sqm under construction. This includes a whole floor in 15 Adelaide St being split into 5x tenancies and a full floor spec in 288 Edward St, which will see B Grade reach its highest supply (by NLA) since Caden IP commenced tracking spec data in late 3Q-22.

Specs continues to exhibit growth on average rents over a 6-month period, with A-/B+ Grade the exception, noting a contraction. Whilst rents in A-/B+ have mainly transacted in the low-mid \$800s, the contraction was a result of 260 Queen St achieving \$895/sqm in the previous reporting period, which artificially inflated the assessable baseline figure. All A Grade leasing activity took place in the Financial precinct, with transactions occurring in the mid-high \$900s. This pushed average rents to \$947/sqm, driving the highest rental growth of 9.9%. Considering a spec had transacted at \$1,050/sqm about a year ago, we had anticipated greater movement in rents.

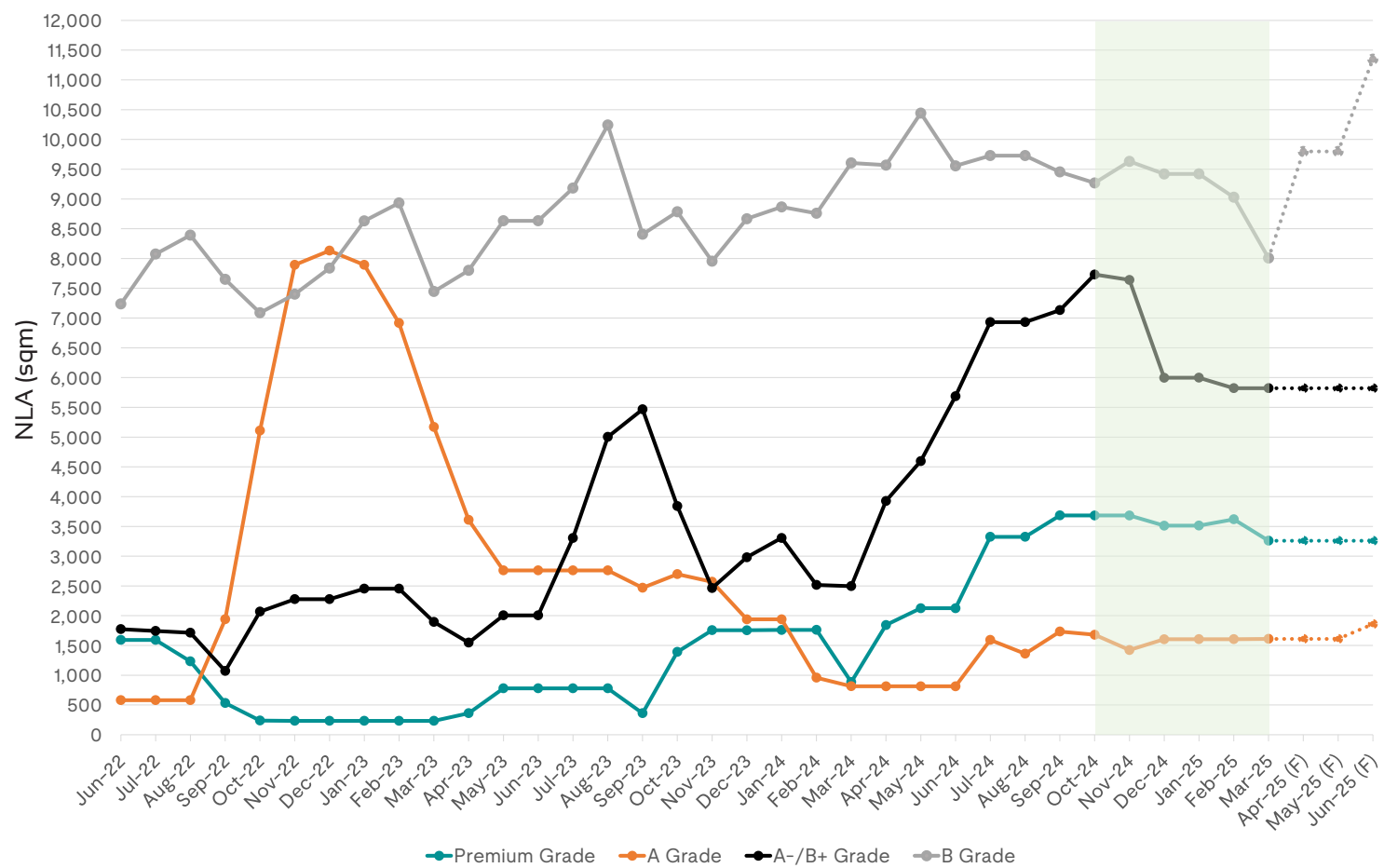
Average abatement incentive levels in the past 12 months have declined 5.7% across all Grades as landlords continue to offset the higher capital outlay required to build specs. Our data continues to point to tighter abatement on specs turned over within a shorter timeframe, averaging below 12% within 7 months of completion. We continue to observe a clear correlation between higher incentives required on suites that face longer downtime, reaching upwards of 20% that sit vacant between 12-23 months.

If you require anymore information on the spec fit out market, please don't hesitate to reach out to Caden IP.



# Low vacancy in Prime dries up spec market

Spec suite net absorption (by NLA)



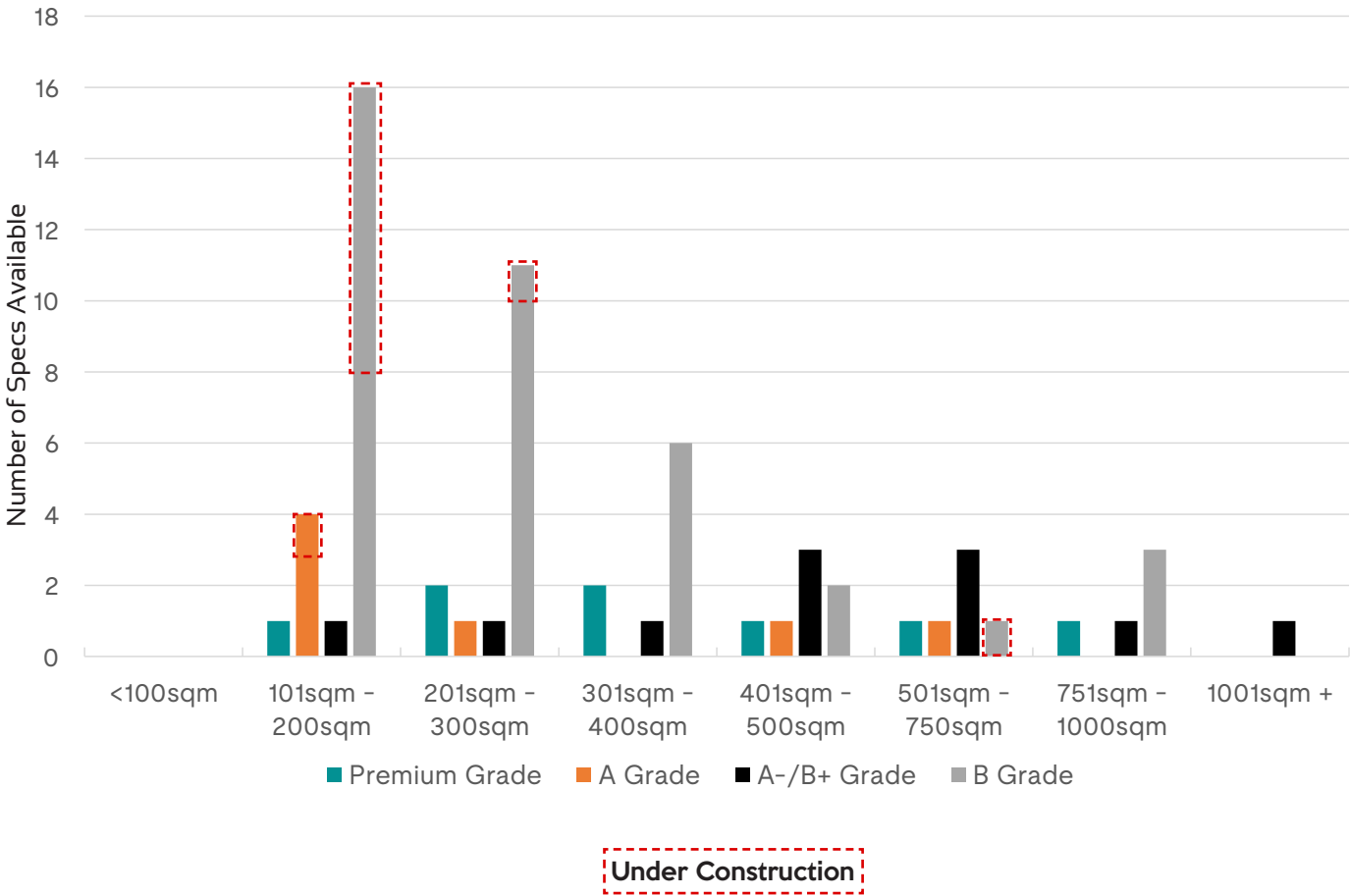
- » The divide within the spec market between Prime and Secondary Grades that began in 2024 has tightened marginally through 4Q-24 and 1Q-25, but remains prevalent, largely in line with overall vacancy levels for the respective Grades. Premium and A Grade have seen very little in the way of transactions, with A-/B+ and B Grade only noting tangible contraction in total supply. At the conclusion of 1Q-25, there are 18,695 sqm of specs in the market, noting a cumulative 3,308 sqm reduction since our last report.
- » A few Premium Grade deals over the reporting period pushed supply down to ~3,200 sqm after spec availability was running at ~3,600 sqm through 2H-24. With no specs expected to enter in 2Q, we could see this tighten even further should additional absorption transpire.
- » A Grade remained static over the reporting period with supply sitting at ~1,600 sqm. A Grade is expected to see supply increase by 250 sqm in Jun-25 with specs due for completion in 32 Turbot St (2x 125 sqm).
- » A-/B+ Grade saw a significant decline after a whole floor spec in 179 Turbot was absorbed by an internal tenant. This will only be temporary and is expected to return in Jul-25 while the tenant awaits the completion of their fit out. No new specs in the Grade are expected in the first half of 2025.
- » Spec fit out supply in B Grade has declined to a 16-month low of ~8,000 sqm following ~3,300 sqm of leasing activity across 4Q-24 and 1Q-25. During this period, several new ~300 sqm suites were delivered in 60 Edward St, 288 Edward St, 82 Eagle St, and 488 Queen St. Supply is projected to hit an all time high of ~11,300 sqm by Jun-25, with 15 Adelaide St (5 specs), 167 Eagle St (2 specs), and 300 Adelaide St (2 specs) all under construction.



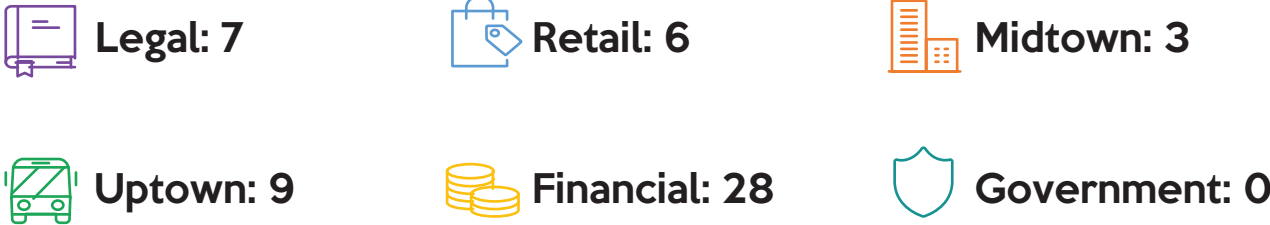
# Small suites on the menu as demand >400 sqm disappears

- » 53 spec fit outs currently exist in the CBD, reflecting a continued decline in spec supply by Count. B Grade assets remain the dominant provider of spec suites as a primary part of the strategy to attract tenants to the Secondary Grade market. By Jun-25, 10 further spec suites are expected to be completed in B Grade, including a full floor at 15 Adelaide St, which will be divided into five tenancies ranging from 90 to 120 sqm.
- » A Grade is the only other Grade to see spec product delivered by Jun-25 with 32 Turbot expected to deliver two 125 sqm specs on their low-rise floors.
- » 307 Queen St introduced 5 specs to market in Oct-24 with one leasing prior to completion. 307 Queen now holds the most specs (4) available with three tenancies >500 sqm. A-/B+ Grade features some of the largest specs on the market, with whole floor opportunities in 215 Adelaide St, 179 Turbot St and 307 Queen St.
- » Despite B Grade accounting for the largest share of supply across the broader market at 29, it has reached its lowest supply level (by count) since this report was introduced in 3Q-22 when an average of 40 specs were available per reporting period. This reduction results from a combination of absorption and constrained supply due to escalating construction costs, and the spec strategy proving to be less efficacious.
- » For all specs delivered in 2024 we note a clearance rate of 57.5%, remaining consistent with numbers seen in 2023 (58%). Demand was concentrated in the <400 sqm size bracket (90% of deals), with the balance taken up in a 516 sqm, 688 sqm and 1,273 sqm suite.

Specs available and under construction by size & grade (as at 1Q '25)



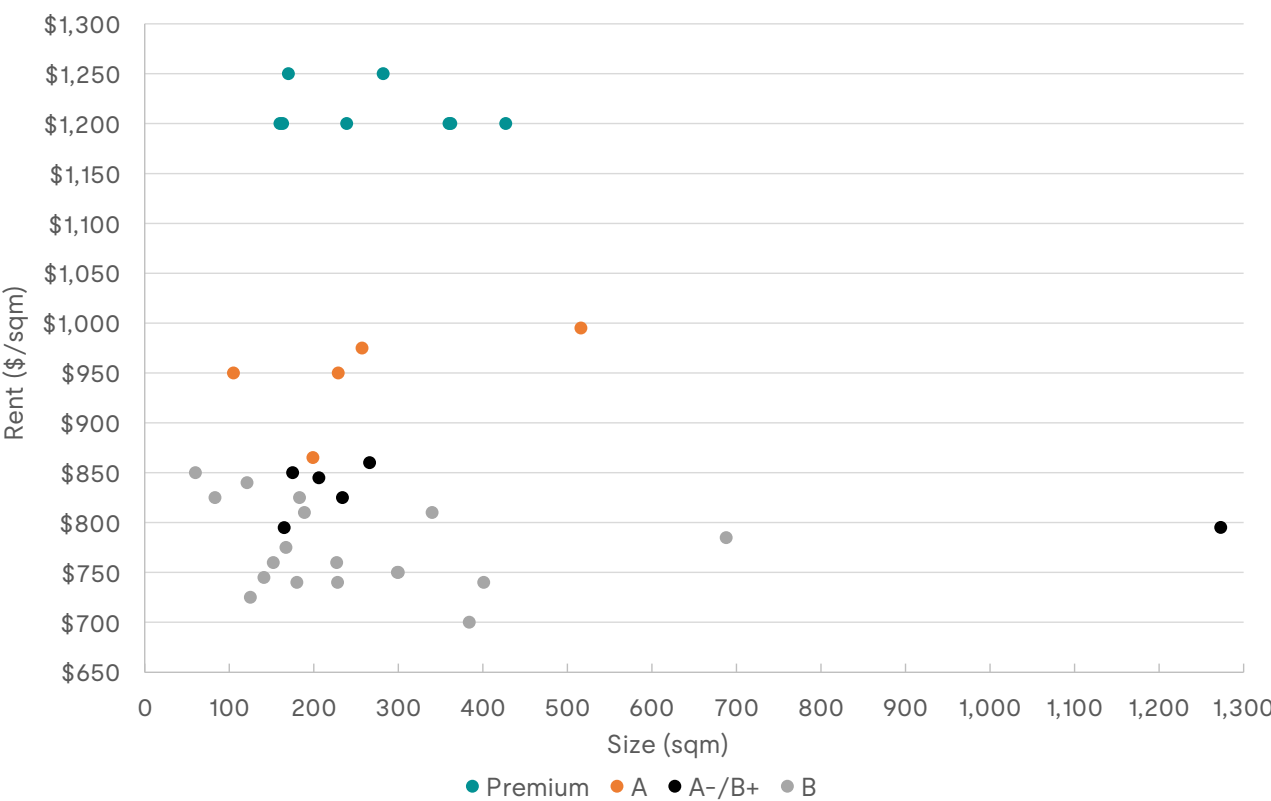
Specs available immediately by precinct as at 1Q '25





# \$1,000/sqm proves a barrier for A Grade

Rents achieved by tenancy size and grade (4Q '24 & 1Q '25)



Average spec rents by grade as at 1Q '25

| Premium Grade | A Grade   | A-/B+ Grade | B Grade   |
|---------------|-----------|-------------|-----------|
| \$1,213/sqm   | \$947/sqm | \$828/sqm   | \$774/sqm |

6 month average rental growth (%) in specs as at 1Q '25

| Premium Grade | A Grade | A-/B+ Grade | B Grade |
|---------------|---------|-------------|---------|
| +7.1%         | +9.9%   | -4.1%       | +2.6%   |

Note: The reported rental rates reflect a combination of lease transaction evidence gathered and listed asking rents.

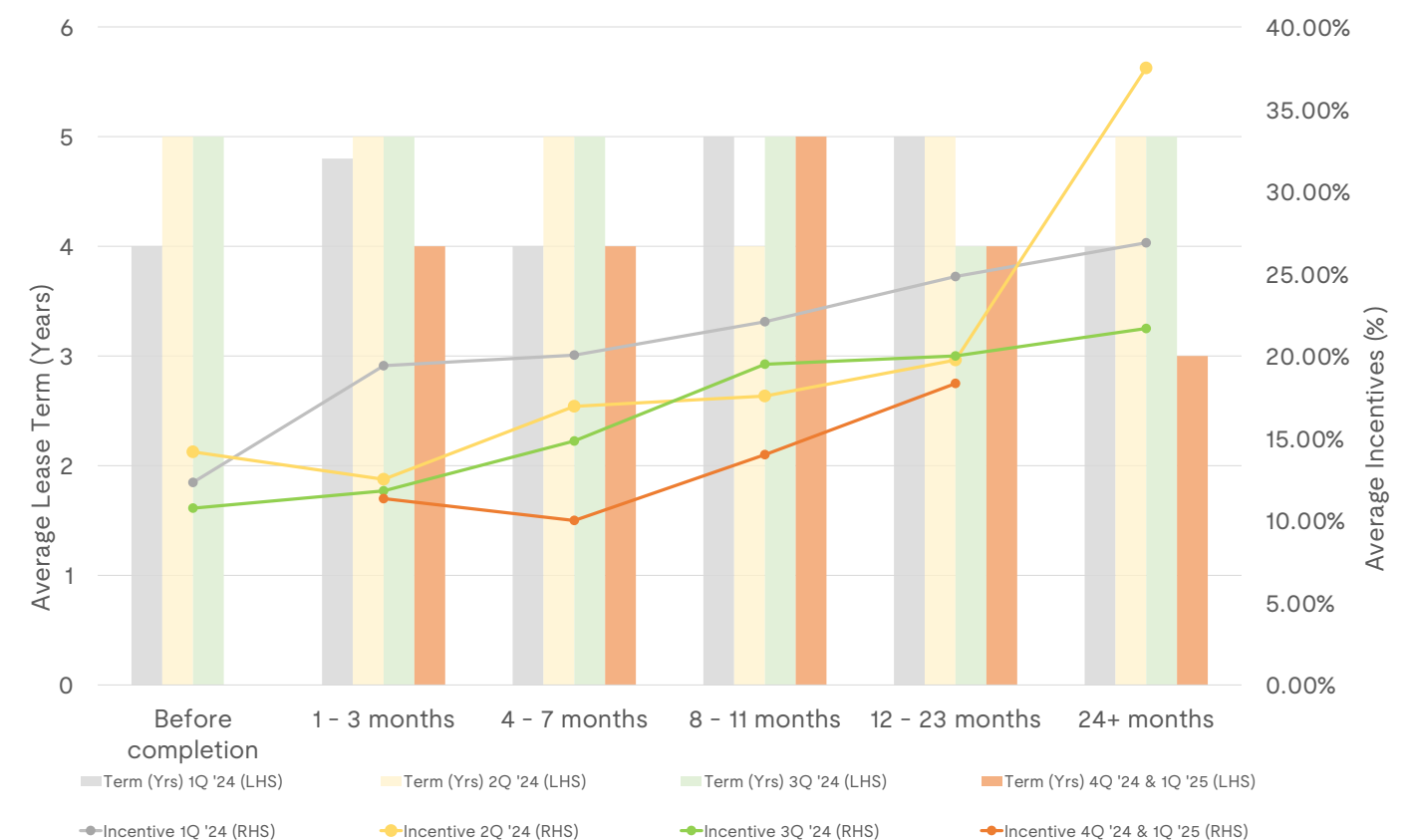
- » Premium spec suites have largely secured rents around \$1,200/sqm, representing a 7.1% increase in face rents over the past 6 months. Buildings that have transacted include 1 Eagle St, 111 Eagle St and 123 Eagle St.
- » A Grade average spec rents sit at \$947/sqm reflecting a rental uplift of 9.9% over the last 6 months. With all deals occurring in the Financial precinct commanding rents between \$950/sqm to \$995/sqm, we had anticipated a greater shift to push some A Grade assets to surpass \$1,000/sqm, especially considering a deal was done at \$1,050/sqm 12 months prior.
- » A-/B+ Grade is currently averaging \$828/sqm which represents a contraction of 4.1% over the last six months, largely disrupted by 260 Queen St transacting at \$895/sqm in the previous reporting period and that number not being matched again. Assets including 215 Adelaide St, 307 Queen and 40 Creek St all transacted in the low to mid \$800s which will likely serve as the benchmark for the Grade and support rental growth in the coming six months.
- » B Grade’s spec market was able to sustain 2.6% growth with rents sitting at \$774/sqm on average. This growth was driven by select transactions in the low to mid \$800s. Although the upper rental range remains unchanged at \$825–\$850/sqm, the lower rental band has been elevated from \$650/sqm to \$700/sqm over the past six months.



# Incentive levels reduce as fit out investment goes up

- » Average abatements provided have noted a general decline for specs leased within 11 months of completion. Based on transaction data available to us, the most significant contraction was observed on specs leased between 4-7 months, declining 10.1% over 12 months to average 10% at the conclusion of IQ-25. 127 Creek St and 199 George St achieved deals at 10% incentives within this timeframe, contrary to the usual trend of tighter incentives on specs leased prior or within three months of completion.
- » Additionally, two other notable incentive contractions were observed in spec deals within the 1-3 month and 8-11 month timeframes. Over a 12 month period, both contracted 8.1% to sit at 11.3% and 14.0%, respectively, suggesting that occupiers are hesitant to bear the risk of constructing their own fit out in this elevated fit out cost environment, and inclined to accept the landlord's terms as the initial capital outlay has already been covered. Typical lease lengths fall between 4 to 5 years.
- » Specs leasing 12+ months post completion demand a higher incentive to secure a tenant. Over this reporting period, an average incentive of 18.3% was required on specs that have been on the market for 12-23 months. This is consistent with the 2-year historic average, suggesting tenants may perceive these suites as less desirable and landlords needing to align with market expectations.

Average lease term (LHS) & incentive (RHS) vs. time on market (4Q '24 & 1Q '25)



Note: The reported incentives data are based on full lease transaction evidence gathered over the reporting period.



# SAMPLE OF SPEC DEALS TRANSACTIONED IN 4Q '24 & 1Q '25

| Address            | Grade   | Tenant Name             | Size (sqm) | Gross Rent (\$/sqm) | Lease Term (Years) | Lease Start Date | Condition Of Space | Incentive (%) |
|--------------------|---------|-------------------------|------------|---------------------|--------------------|------------------|--------------------|---------------|
| 1 Eagle Street     | Premium | Aula Energy             | 163        | \$1,185             | 3.00               | 1/02/2025        | Spec Fitout        | 7.50%         |
| 12 Creek Street    | A       | AXA XL                  | 252        | \$975               | 5.00               | 1/11/2024        | Spec Fitout        | 12.50%        |
| 40 Creek Street    | A-/B+   | Vecco Group             | 256        | \$825               | 5.00               | 1/08/2025        | Spec Fitout        | 13.00%        |
| 40 Creek Street    | A-/B+   | Quantum Rail            | 234        | \$825               | 5.00               | 1/04/2025        | Spec Fitout        | 14.00%        |
| 288 Edward Street  | B       | SS&C Solutions          | 688        | \$785               | 6.00               | 1/06/2025        | Spec Fitout        | 18.00%        |
| 144 Edward Street  | B       | Harperlloyd Recruitment | 83         | \$825               | 5.00               | 1/04/2025        | Spec Fitout        | 9.00%         |
| 348 Edward Street  | B       | Mission Australia       | 300        | \$750               | 3.00               | 1/03/2025        | Spec Fitout        | 15.00%        |
| 133 Mary Street    | B       | Ocean Dynamics          | 141        | \$745               | 5.00               | 1/03/2025        | Spec Fitout        | 25.00%        |
| 144 Edward Street  | B       | Dabble                  | 279        | \$775               | 5.00               | 1/03/2025        | Spec Fitout        | 8.50%         |
| 500 Queen Street   | B       | GovernX                 | 60         | \$850               | 2.00               | 10/02/2025       | Spec Fitout        | 0.00%         |
| 15 Adelaide Street | B       | Orisson Group           | 318        | \$750               | 5.00               | 1/02/2025        | Spec Fitout        | 20.00%        |
| 288 Edward Street  | B       | Cundall                 | 171        | \$775               | 5.00               | 1/01/2025        | Spec Fitout        | 15.00%        |





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**Vacancy Tracker:**  
March 2025



**Represented Tenant Report:**  
3Q 24



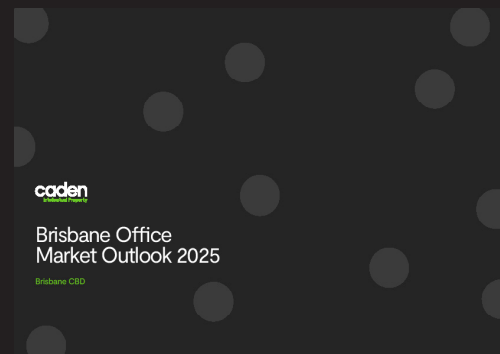
**Spec Suite Tracker:**  
2Q & 3Q 24



**Deals Transacted:**  
3Q & 4Q 24



**Caden Stock Update:**  
April 2025



**Brisbane Office Market**  
**Outlook 2025**

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