

Australia Flexible Office Space - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2025 - 2030)

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Report description:

The Australia Flexible Office Space Market size is estimated at USD 1.29 billion in 2025, and is expected to reach USD 1.89 billion by 2030, at a CAGR of 7.84% during the forecast period (2025-2030).

Key Highlights

- Australia's flexible office space market is witnessing a notable transformation, driven by a surge in demand for versatile workspaces. As hybrid work models gain traction, businesses increasingly turn to flexible office solutions tailored to diverse employee needs.
- Take Sydney, where desk rates for compact office setups have surged to around USD 1,000, underscoring a robust demand in sought-after locales. Meanwhile, in Melbourne, desk rates for larger enterprise configurations have dipped by roughly 10%, settling at USD 665. This decline is attributed to heightened competition, with traditional landlords now offering fitted suites, as highlighted by industry associations.
- Amid economic challenges and a wary business landscape, we noted a mean reversion in both the three-month rolling average desk rates and the amount of vacant office space. While median office costs have seen a quarter-on-quarter uptick of 1.2%, they appear to be stabilizing around the USD 667 mark, according to the Australian Flexible Office Space Report Q3, 2024.
- Despite the optimistic growth trajectory, the flexible office space market grapples with challenges, including oversupply in certain regions and variable vacancy rates. For instance, in Melbourne, desk rates adjusted downwards by 2.4% to AUD 725 (USD 453.13), pressured by market-wide vacancies. Conversely, Sydney's CBD desk rates experienced a 7% uptick, reaching AUD 1,000 (USD 625), with premium locales like Barangaroo commanding even higher rates of AUD 1,301 (USD 813.13). In response to these dynamics, operators are bolstering their offerings, integrating upscale amenities and tech-driven solutions to elevate user experiences.
- Desk rates for smaller offices, catering to fewer than five individuals, have continued their upward trajectory, now peaking at

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USD 665 per desk. This surge reflects operators' strategic pivot, reconfiguring larger spaces into more compact units to align with market demand. On the flip side, rates for expansive team spaces accommodating 50 or more have seen a slight retreat, dipping 1% to 724 per desk.

- However, the expansion of flexible office spaces isn't without its challenges. As traditional landlords introduce their own flexible offerings, they face the intricate maze of zoning laws and building codes. Industry stakeholders are pushing for clearer regulations to foster the growth of flexible workspaces. Moreover, collaborative dialogues between flexible office operators and local governments are paramount, ensuring that these evolving workspace models flourish within established frameworks while addressing community needs.

Australia Flexible Office Space Market Trends

Demand for Larger Spaces driving the market

Australia consistently ranks among the top countries for demand in IT skills, encompassing areas like software development, cybersecurity, and data analysis. As the IT sector in Australia expands, so does the appetite for flexible office spaces. For example, as of May 2024, World's Visa Career Abroad reported job vacancies in New South Wales (NSW) at 10,500, followed by Victoria (VIC) with 9,200, Queensland (QLD) at 7,800, and Western Australia (WA) with 4,600. These surging job vacancies significantly influence the flexible office space market, as businesses seek adaptable work environments to accommodate their growing workforce.

Digitalization not only enhances competitiveness but also boosts revenue, fosters product innovations, and generates new job opportunities. In recognition of this, the Australian government introduced the Small Business Digital Champions initiative, aimed at helping small businesses engage digitally. Such initiatives bolster the IT sector, further amplifying the demand for flexible office spaces, as companies prioritize modern, scalable office solutions to support their operations.

In conclusion, the rapid growth of Australia's IT sector, coupled with government initiatives promoting digital engagement, is driving the expansion of the flexible office space market. This trend is expected to continue as businesses increasingly adopt flexible workspaces to meet the evolving needs of their workforce.

Market Thrives Amid Rising Demand for CBD Offices

Industry associations report that while leasing demand in Melbourne's Central Business District (CBD) has seen a moderate uptick, net absorption has taken a hit. Over the past six months, net absorption recorded a decline of 15,435 square meters. However, this downturn was somewhat cushioned by a robust demand for premium-grade flexible office spaces, which saw a positive absorption of 2,116 square meters. In Q2 2024, notable completions included the Melbourne Quarter Tower in Docklands, spanning 69,000 square meters, and boasting a commendable 40% pre-commitment rate even before its practical completion. By the end of the first half of 2024, Melbourne CBD's vacancy rate stood at 18.0%, marking a 157 basis points rise from the end of 2023.

As tenant preferences sharpen, vacancies are increasingly diverging across precincts. Most precincts are witnessing a rise in prime net face rents for flexible office spaces. In Q2 2024, incentives stabilized, leading to a positive uptick in prime effective rents. However, flexible office space sales in Melbourne's CBD were tepid, with transactions totaling USD 121 million. Yields across Melbourne saw a moderate expansion, influenced in part by recent market deals.

As per reports by Property Council of Australia, Brisbane's CBD, on the other hand, is experiencing a renaissance in the flexible office space market. The office vacancy rate has plummeted to its lowest since 2013, and projections suggest this tightening

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trend will persist. From January to July 2024, the vacancy rate in Brisbane's CBD nosedived from 11.7% to 9.5%. This significant drop can be attributed to a robust demand for flexible office spaces, evidenced by a net absorption of 26,552 square meters, coupled with 40,338 square meters of office stock being pulled from the market.

In conclusion, the demand for flexible office spaces in Australia's CBDs, particularly in Melbourne and Brisbane, continues to shape the market dynamics. While Melbourne faces challenges with rising vacancy rates, Brisbane's tightening vacancy highlights the growing appeal of flexible office solutions. This trend underscores the evolving preferences of tenants and the increasing importance of adaptability in the office space market.

Australia Flexible Office Space Industry Overview

The flexible workspace market in Australia is already very fragmented, with 80% of the supply coming from providers outside of the top ten. As more traditional landlords embrace flexible offerings, the range of products continues to expand. The pandemic has shifted their view on flexibility, now seeing it as a vital strategy for competitiveness. Several landlords have partnered with operators, including Hub Australia, Ucommune, and The Work Project, but an increasing number are entering the market on their own. The Loft at South Yarra was just opened by Goldfields Group.

Some of the major players in the market include Servcorp, Flexible Workspace Australia (FWA), Hub Australia, The Commons, and Tank Stream Labs.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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