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Rising vacancies belie the outlook for Sydney's north shore office markets

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While office vacancy rates have risen across Sydney's north shore markets, the figures belie current market conditions with very few options for large space users according to a new market analysis from CB Richard Ellis.

While the vacancy rate in Crows Nest/St Leonards has jumped from 12.9% to 15.2% in the past six months according to newly issued Property Council figures, CBRE North Sydney Managing Director Peter Flint said much of the vacant space was attracting strong interest with a high percentage under offer.

Similarly in North Sydney, where the vacancy rate rose from 11% to 11.7%, Mr Flint said all of the newly developed office stock was now substantially committed with only two options available for tenants seeking more than 5,000 square metres.

"The figures are quite misleading and on the ground we're seeing a lack of new construction and a lack of options for larger space users," Mr Flint said.

"If you look behind the vacancy numbers in areas like St Leonards much of the vacancy is in just two buildings - part of The Forum at 203 Pacific Highway and the Vodafone building at 207 Pacific Highway. The Vodafone space hasn't even been vacated yet and is already under offer to a North Shore occupier and there is considerable interest in 203 Pacific Highway which has only just been vacated."

Chatswood has been the hardest hit North Shore market, with the vacancy there having jumped from 13% to 17.8%.

Mr Flint said Chatswood was shaping up to be the pressure release valve for the North Shore, with a number of significant lease deals already in the pipeline.

"The Chatswood doomsayers are wrong; Chatswood will have its day and it's starting now," Mr Flint said.

While Reed Elsevier had reportedly been considering lease options outside Chatswood, the publisher and information provider is believed to have committed to alternate Chatswood premises. In other major commitments, Abigroup has taken 4,500 square metres of space in the landmark Zenith Centre which is close to full occupancy.

"Competitive rents and incentives are spurring interest in the Chatswood market. It offers plenty of quality, good sized floor plates, all close to the newly refurbished station which is now fully integrated with the greater Sydney rail network following the completion of the Chatswood to Epping rail link," Mr Flint said.

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