

MARKET FUNDAMENTALS

	YOY Chg	Outlook
24.7% Vacancy Rate (Total Market)	▲	▲
-23,213 6-month Net Absorption, sqm (St Kilda/Southbank)	▼	▼
\$330 Prime Net Effective, sqm pa (Total Market)	▲	▲

**Total Market refers to St Kilda, Southbank, Richmond/Cremorne, Collingwood/Fitzroy*

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.6% (National) GDP Growth	▲	▲
2.7% (Victoria) State Final Demand Growth	▲	▲
4.1% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW:

Economic conditions remained steady through Q1 2026, supported by domestic demand and a tight labour market. Headline CPI was 3.8% year-on-year in January 2026, and the RBA lifted the cash rate to 3.85% in February and 4.10% in March. The higher-rate environment and rising geopolitical risks are near-term headwinds for occupier demand and investment, so any recovery is likely to be more measured than was forecast earlier this year. Despite broader economic headwinds, Victoria's economy remains resilient, with Gross State Product forecast to grow by 2.0% in 2026, before accelerating to 3.0% in 2027.

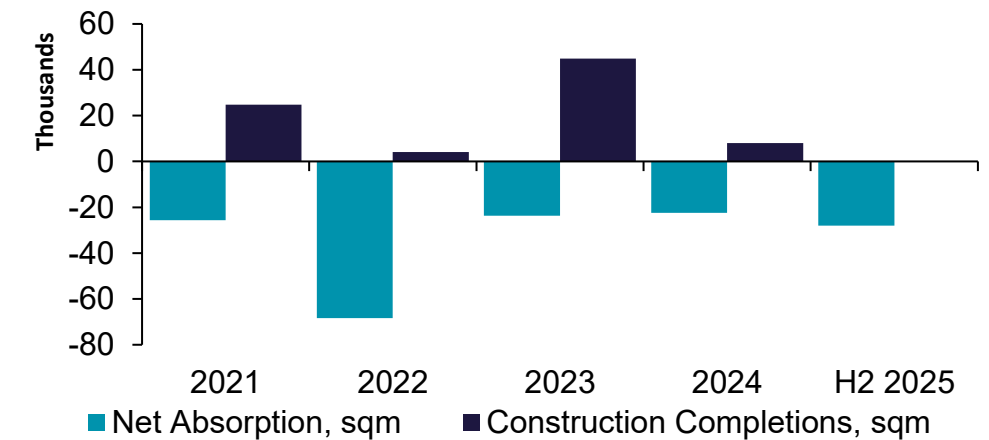
DEMAND:

Melbourne's fringe office market experienced subdued demand in Q1 2026, although market sentiment is shifting, supported by demand from occupiers seeking more affordable alternatives to the CBD. These precincts continue to attract creative industries, technology firms and small-to-medium enterprises, underpinned by comparatively lower occupancy costs. However, leasing fundamentals remain challenged. Net absorption across St Kilda Road and Southbank declined further over the six months to January 2026, reaching -23,213 sqm, compared to -18,164 sqm in July 2025. Despite these headwinds, the outlook for the remainder of 2026 is expected to improve modestly as market confidence gradually strengthens.

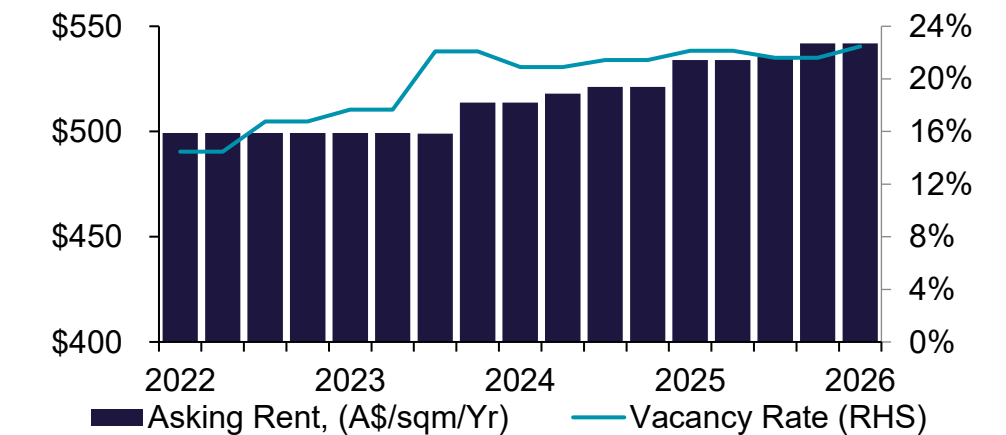
Rents & INCENTIVES:

Rents across Melbourne's fringe office markets are showing modest upward movement, while incentives have largely remained stable. Southbank and St Kilda Road recorded slight rental growth over the quarter, with incentives unchanged. In Richmond and Cremorne, prime-grade rents have strengthened, while secondary-grade rents have softened, reflecting a divergence in demand across asset quality. Southbank's A-grade net effective rents increased by 1.4% over Q1 2026 to \$375 per sqm p.a., while St Kilda Road rents edged up to \$265 per sqm p.a.. Net incentives currently average 45% in Southbank and 49% in St Kilda Road. Outgoings as at Q1 2026 are estimated at \$200 per sqm p.a. in Southbank and \$171 per sqm p.a. in St Kilda Road.

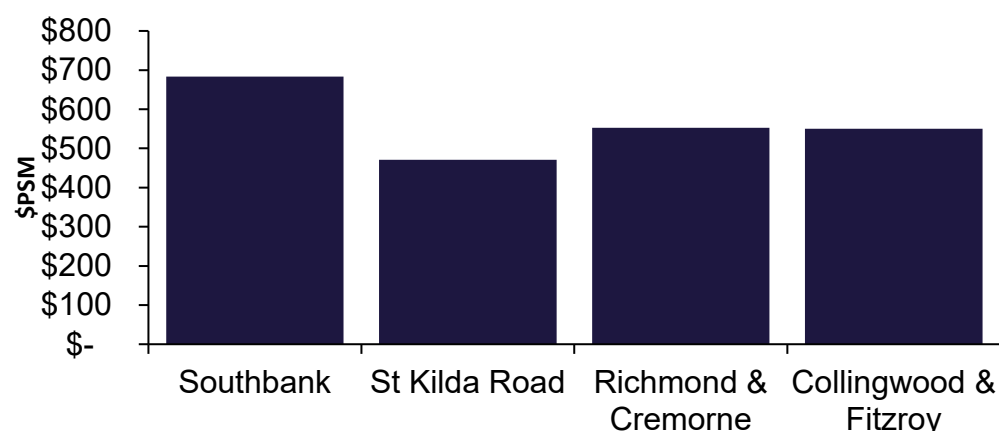
SPACE DEMAND / DELIVERIES



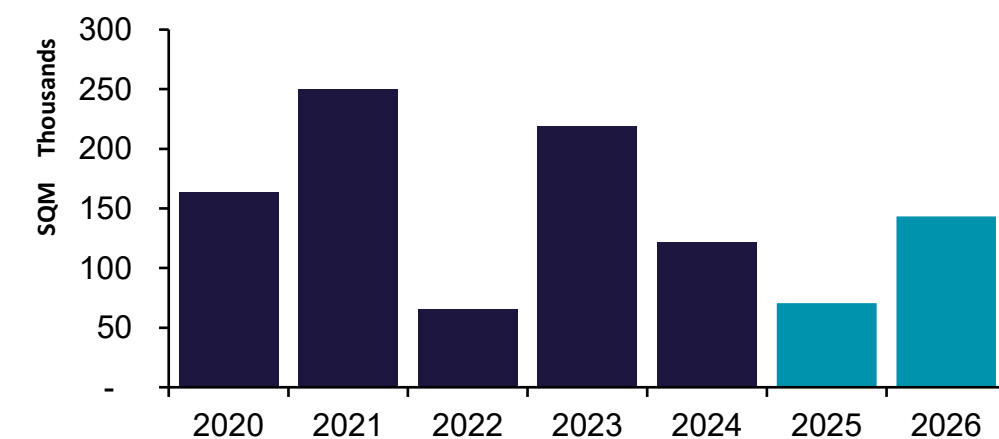
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



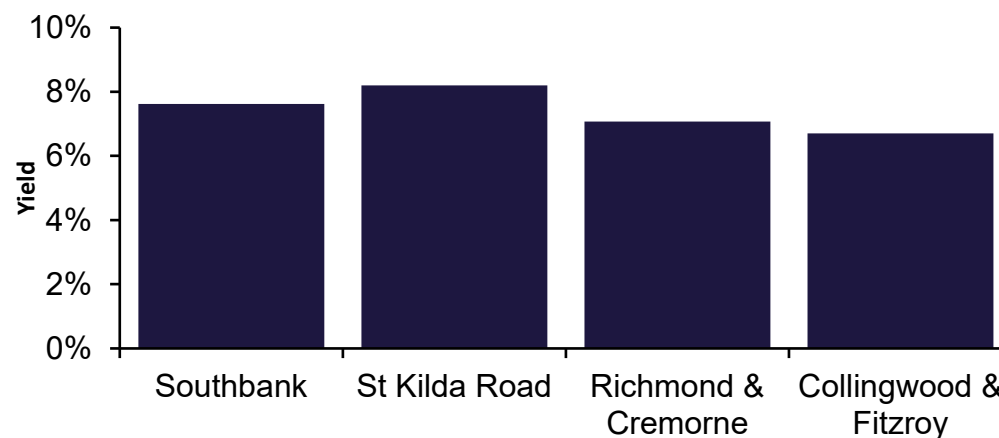
AVERAGE NET FACE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Vacancy rates in Melbourne’s fringe office markets have risen as of January 2026, with the combined vacancy rate now sitting at 24.7%. St Kilda Road now records a vacancy rate of 31.6%, while Southbank has slightly declined from 15.8% to 15%. This uptick is largely driven by a rise in direct vacancy, with 22,446 sqm of space withdrawals.

Recent completions include 17,000 sqm at 31–53 Cremorne Street, delivered by Vicland. Looking ahead, significant new supply is expected in Cremorne in the first half of 2026, including 11,875 sqm at 120 Balmain Street by Skylife and 13,300 sqm at 120 Cremorne Street by ICON, both scheduled for completion by the end of Q2 2026. Notably, 120 Cremorne Street is already fully leased, indicating a portion of upcoming supply has been pre-absorbed.

YIELDS:

Yields across Melbourne’s fringe office precincts have shown signs of softening over the past year. In Southbank, A-grade yields compressed from 7.90% in Q1 2025 to 7.63% in Q1 2026, while St Kilda Road A-grade yields softened slightly from 8.25% to 8.20%. In contrast, B-grade yields on St Kilda Road expanded from 8.25% to 8.80%, reflecting weaker investor demand for secondary assets. Richmond and Cremorne recorded modest yield compression in A-grade assets, tightening from 7.13% to 7.08%. These movements suggest a bifurcation in investor sentiment, with stronger demand for prime-grade assets supporting yield compression, while secondary assets face ongoing upward pressure on yields. Despite broader market softness, well-located, high-quality assets continue to attract investor interest and underpin relatively resilient pricing.

INVESTMENT MARKET:

Office investment activity across Melbourne’s fringe markets has strengthened in early 2026, signalling renewed transaction momentum. This is reflected in deals such as the \$183.5 million sale of 505 Toorak Road, Toorak to Spotlight Property Group, alongside a growing pipeline of assets brought to market since Q4 2025, including recent sale of 54 Wellington Street, Collingwood for \$108 million to ASA. The pickup in activity, including across secondary locations, points to improving market conditions, although demand remains focused on well-located, high-quality assets, particularly those near major infrastructure such as Anzac Station. While global uncertainty persists, Melbourne is increasingly viewed as a relatively defensive investment market, supporting its longer-term growth outlook as the easing cycle progresses.

OUTLOOK

- Economic conditions are expected to remain uncertain in the near term, with persistent inflation and further rate tightening weighing on sentiment. However, resilient growth is expected to support a gradual improvement in occupier demand through 2026.
- The outlook for Melbourne’s fringe office market remains mixed. Demand is gradually improving as occupiers seek more affordable alternatives to the CBD, particularly for prime-grade assets. However, leasing conditions remain challenging, with negative absorption and elevated vacancy levels persisting, particularly across St Kilda Road and Southbank. Secondary assets continue to face weaker demand, although well-located and refurbished stock is attracting greater interest.
- Investment activity has strengthened in early 2026, reflecting a modest improvement in sentiment. However, investors remain selective, with demand focused on well-located assets and repositioning opportunities. Transaction volumes may rise further, but progress is likely to be gradual amid ongoing uncertainty & risk, Melbourne’s fringe markets facing a more uneven near-term recovery.

MARKET STATISTICS

SUBMARKET -	INVENTORY (SQM)	TOTAL VACANT (SQM)	OVERALL VACANCY RATE	6-MONTH NET-ABSORPTION (SQM)	UNDER CONSTRUCTION (SQM)	NET FACE RENT (\$ SQM PA)	AVERAGE GROSS INCENTIVES	AVERAGE OUTGOINGS (\$ SQM PA)
Southbank	416,232	62,256	15.0%	7,185	0	\$684	35%	\$200
St Kilda Road	589,868	186,373	31.6%	-30,398	0	\$520	37%	\$171
Richmond/Cremorne	500,386	-	-	-	38,400	\$612	32.7%	\$154
Collingwood/Fitzroy	~152,900	-	-	-	0	\$550	34%	\$131
TOTALS	1,659,386	248,629	24.7%	-23,213	38,400	\$591.5	34.6%	\$164

*Rental rates reflect full service asking for A-grade properties

^Reflects precinct totals for all grades

~ Reflects all grades and all fringe precincts

KEY LEASE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
184 Stawell Street	Burnley	Turn Group	1400	Direct
20 Molison street	Abbotsford	Kearney Group	656	Direct
616 St Kilda Road	St Kilda Road	Konica	600	Direct
412 St Kilda Road	St Kilda Road	Summerset	566	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
505 Toorak Road	Toorak	Vicland / Spotlight Property Group	13,095	\$183.5
54 Wellington Street	Collingwood	Impact Investment Group / ASA	15,311	\$108
500 Church Street	Cremorne	Delfram Holdings / Nick Scali	1,027	\$22

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
31-53 Cremorne Street	Cremorne	Puma & The Commons	17,900	Vicland
120 Cremorne Street	Cremorne	Easy Go Gaming	13,300	ICON
120 Balmain Street	Richmond	n/a	11,875	Skylife
122 Moray Street	South Melbourne	Pallas Group	3,627	Fortis

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