

**MARKET FUNDAMENTALS**

|   | YOY Chg | Outlook |
|---|---------|---------|
| <b>24.1%</b><br>Vacancy Rate                | ■       | ▼       |
| <b>5,897</b><br>6-month Net Absorption, sqm | ▲       | ▲       |
| <b>\$315</b><br>Prime Net Effective, sqm pa | ▼       | ▼       |

**ECONOMIC INDICATORS**

|  | YOY Chg | Outlook |
|--|---------|---------|
| <b>2.6%</b><br>(National) GDP Growth                       | ▲       | ▲       |
| <b>2.6%</b><br>(New South Wales) State Final Demand Growth | ▲       | ▲       |
| <b>4.1%</b><br>(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, the New South Wales economy remains resilient, with state GDP projected to grow by 2.4% through 2026.

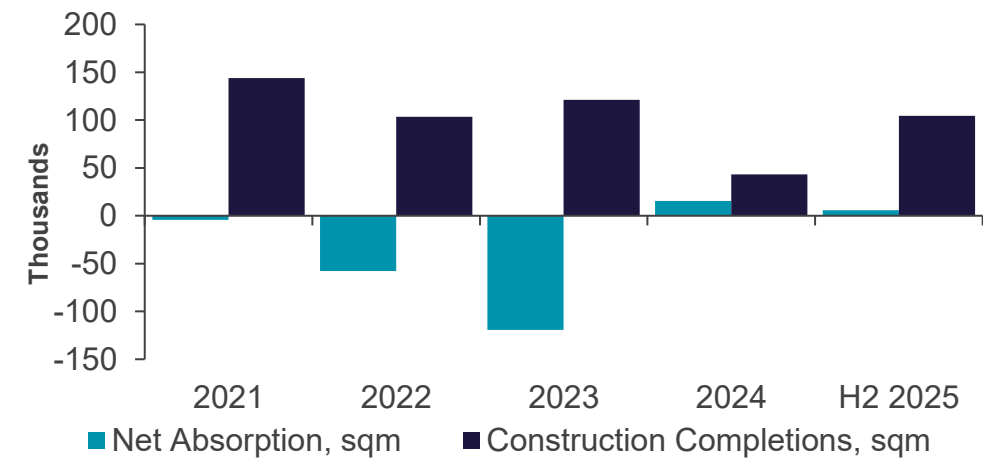
**DEMAND:**

Demand across Sydney's metro office markets stabilised in Q1 2026, though overall activity remains soft. Net absorption over the past six months totalled 5,897 sqm, reflecting an improvement from the broader declines recorded through 2025. Tenant movement remains selective, with enquiry concentrated among occupiers pursuing flight-to-quality relocations and precincts with strong transport connectivity. While momentum is yet to fully recover, demand for well-located, modern space continues to underpin activity across key metro markets.

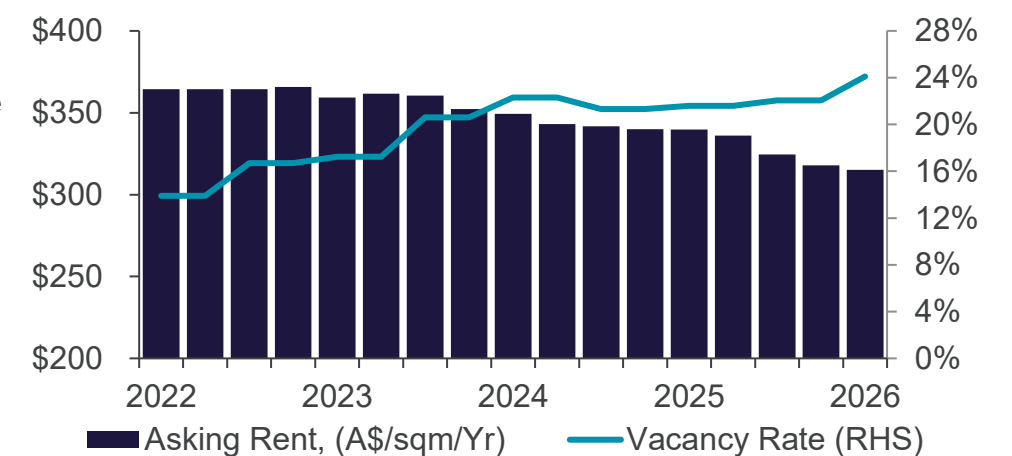
**RENTS:**

Average net effective rents across the Sydney Metro office market softened in Q1 2026, as rising incentives continued to outweigh gains in face rents. Prime net effective rents averaged \$315 per square metre per annum (sqm pa), down 7.2% year-on-year (YoY), despite Prime net face rents lifting 7.5% YoY. Incentives rose again to 48.1%, continuing the consistent upward trajectory from 44.3% in early 2025, which has progressively eroded effective rental growth. A Grade effective rents averaged \$355 sqm pa, recording a 0.6% quarterly increase, supported by stable face rents but constrained by incentives, now at 46.0%. Secondary rents were comparatively resilient, rising to \$306 sq ma, a 3.2% YoY increase, supported by stable incentives, which eased slightly to 46.2% Overall, while face rents continue to inch higher across the market, elevated incentive levels are keeping effective rental growth subdued. With vacancy remaining elevated, incentives are expected to stay a key driver of leasing competitiveness in the near term.

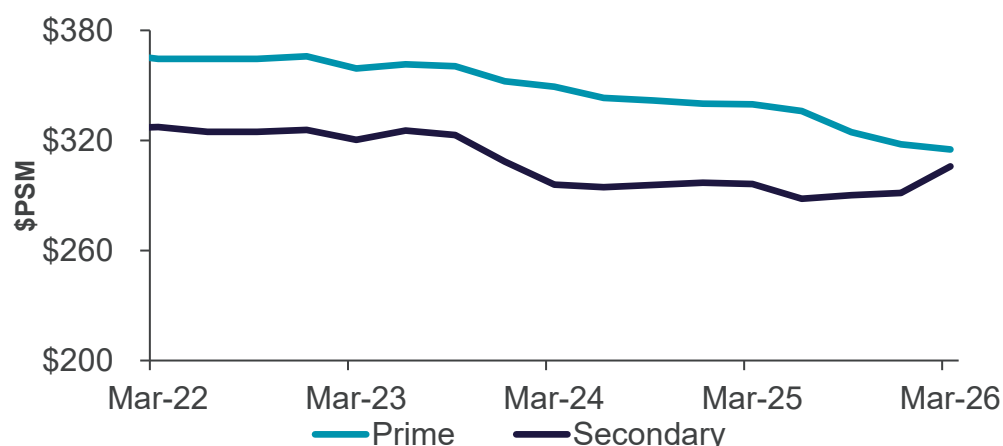
**SPACE DEMAND / DELIVERIES**



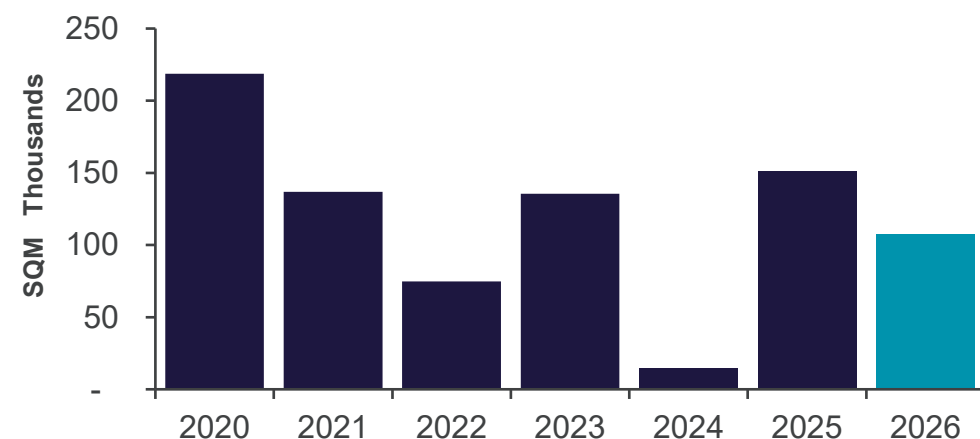
**OVERALL VACANCY & PRIME NET EFFECTIVE RENT**



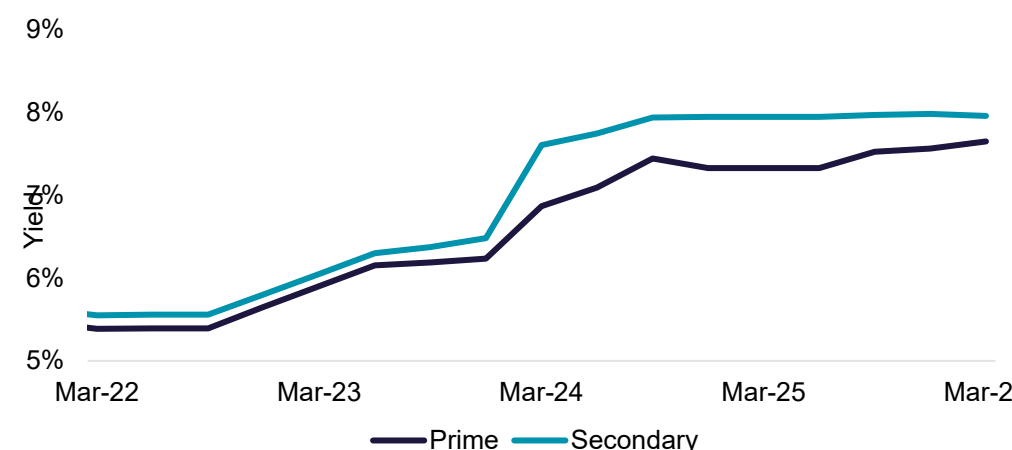
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Vacancy trends across Sydney metro were mixed in Q1 2026, with most precincts recording increases as new supply continued to flow through. North Sydney saw vacancy rise to 25.9%, reflecting the absorption period following the recent completion of Victoria Cross Tower, adding 54,926 sqm to market. Parramatta vacancy also lifted, moving to 22.1%. In contrast, St Leonards and Chatswood recorded modest improvements, with vacancy edging down to 29.1% and 18.5%, respectively, supported by stable demand for well-located A-grade space. New supply remains concentrated in Macquarie Park, causing vacancy to further increase to 24.0%. 15 Khartoum Road is nearing completion and set to deliver over 10,000 sqm by quarter end, following the recent completion of 17 Khartoum Road, adding 10,035 sqm of space in Q3 2025. With limited new stock upcoming, vacancy should ease gradually as absorption improves across key precincts.

YIELDS:

Sydney Metro office yields recorded further softening in Q1 2026, extending the gradual outward movement seen through the second half this year. Prime yields moved out by 16 bps over the quarter to 7.65%, reflecting continued recalibration across higher-quality assets. A Grade yields also shifted outward, rising 17 bps to 7.70%, marking the fourth consecutive quarterly increase. By contrast, secondary yields remained broadly stable at 7.96%, easing 2 bps after negligible movement through 2026. The outward adjustment continues to be shaped by selective transactional evidence and cautious buyer sentiment, particularly in precincts facing elevated vacancy or new supply. With pricing largely reset, further softening is expected to be modest.

INVESTMENT MARKET:

Sydney Metro office investment activity strengthen in Q1 2026, supported by improving sentiment and several major transactions across the North Sydney precinct. Activity was led by the sale of 100 Mount Street, acquired by BGO from Dexus and Investa for \$558 million, marking one of the largest metro office deals in recent years. Additional transactions included 105 Miller Street, sold by Oxford Properties Group to Wentworth Capital for \$100 million, and 182-186 Blues Point Road, purchased by Winten Property Group for \$54.5 million. Smaller activity also occurred at 194 Miller Street, which traded for \$26.6 million. The uplift in sales volumes reflects a gradual return of capital to the market, with investors increasingly targeting well-located assets offering strong leasing fundamentals and income resilience.

OUTLOOK

- Economic growth is expected to strengthen further through 2026, supported by improving Gross State Product and resilient labour market conditions.
- Occupier demand across Sydney’s metro markets is expected to remain selective, with activity concentrated in precincts offering strong infrastructure connectivity and high-quality space.
- Rental growth is likely to remain subdued in the near term, with elevated incentives limiting effective rental uplift. However, well-located prime assets in North Sydney, Macquarie Park and Parramatta may see moderate rental gains as enquiry gradually improves.
- Yields have softened slightly across metro markets, and further modest outward movement is expected, reflecting continued inflationary pressure and the RBA’s recent interest rate increases, which are keeping the cost of capital elevated.
- Investment activity is expected to continue its recovery, supported by improving sentiment and recent major transactions. Capital is likely to remain focused on assets with strong tenant covenants and long-term growth potential.

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) |
|----------------------------|------------------|--------------------|----------------------|------------------------------|--------------------------|---------------------------|--------------------------|-------------------------------|
| North Sydney               | 967,642          | 251,100            | 25.9%                | 1,514                        | 10,082                   | \$975                     | 42%                      | \$171                         |
| St Leonards                | 354,804          | 103,371            | 29.1%                | 1,854                        |                          | \$690                     | 44%                      | \$168                         |
| Chatswood                  | 267,004          | 49,355             | 18.5%                | 4,662                        |                          | \$694                     | 43%                      | \$155                         |
| Parramatta                 | 974,405          | 214,965            | 22.1%                | 6,958                        |                          | \$594                     | 35%                      | \$152                         |
| Macquarie Park             | 956,618          | 229,796            | 24.0%                | -9,091                       |                          | \$491                     | 31%                      | \$118                         |
| Sydney Olympic Park        |                  |                    |                      |                              |                          | \$471                     | 32%                      | \$118                         |
| Pymont Ultimo              |                  |                    |                      |                              |                          | \$858                     | 41%                      | \$180                         |
| Rhodes                     |                  |                    |                      |                              |                          | \$485                     | 34%                      | \$115                         |
| <b>SYDNEY METRO TOTALS</b> | <b>3,520,473</b> | <b>848,587</b>     | <b>24.1%</b>         | <b>5,897</b>                 | <b>10,082</b>            | <b>\$657</b>              | <b>37%</b>               | <b>\$147</b>                  |

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

KEY LEASE TRANSACTIONS Q1 2026

| PROPERTY            | SUBMARKET    | TENANT          | SQM   | TYPE   |
|---------------------|--------------|-----------------|-------|--------|
| 799 Pacific Highway | Chatswood    | Dr Du Education | 2,200 | Direct |
| 118 Mount Street    | North Sydney | AZ NGA          | 810   | Direct |

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2026

| PROPERTY               | SUBMARKET    | SELLER/BUYER                                       | SQM    | PRICE (AUD M) |
|------------------------|--------------|--|--------|---------------|
| 182-186 Blues Point Rd | North Sydney | Centennial Property Group/Winten Property Group    | 4,328  | 54.5          |
| 100 Mount Street       | North Sydney | Dexus/Investa Property Group, BGO                  | 41,162 | 558.0         |
| 194 Miller Street      | North Sydney | Transport for NSW/Monte Sant' Angelo Mercy College | 2,100  | 26.6          |
| 105-153 Miller Street  | North Sydney | Oxford Properties Group/Wentworth Capital          | 26,979 | 100.0         |

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

| PROPERTY         | SUBMARKET      | MAJOR TENANT | SQM    | OWNER/DEVELOPER |
|------------------|----------------|--------------|--------|-----------------|
| 15 Khartoum Road | Macquarie Park |              | 10,082 | Stockland       |

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