

MARKET FUNDAMENTALS

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

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.6% (National) GDP Growth	▲	▲
2.6% (New South Wales) 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, the New South Wales economy remains resilient, with state GDP projected to grow by 2.4% through 2026.

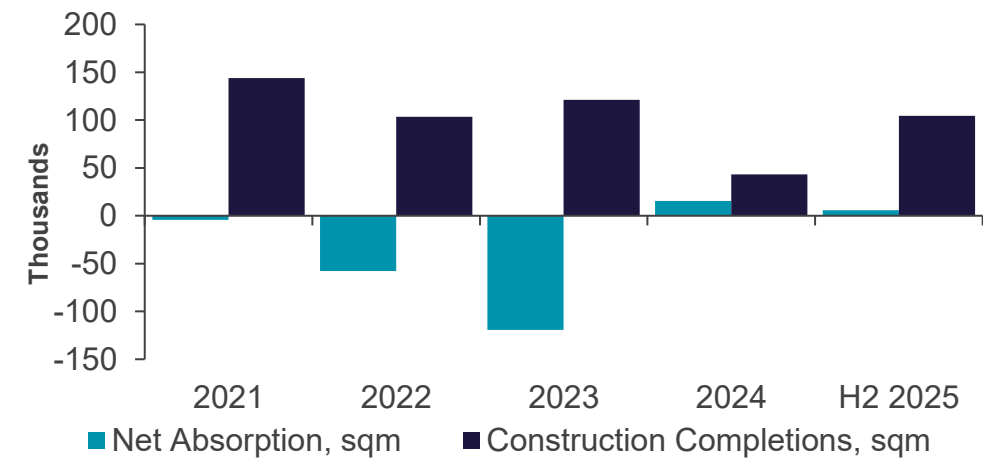
DEMAND:

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.

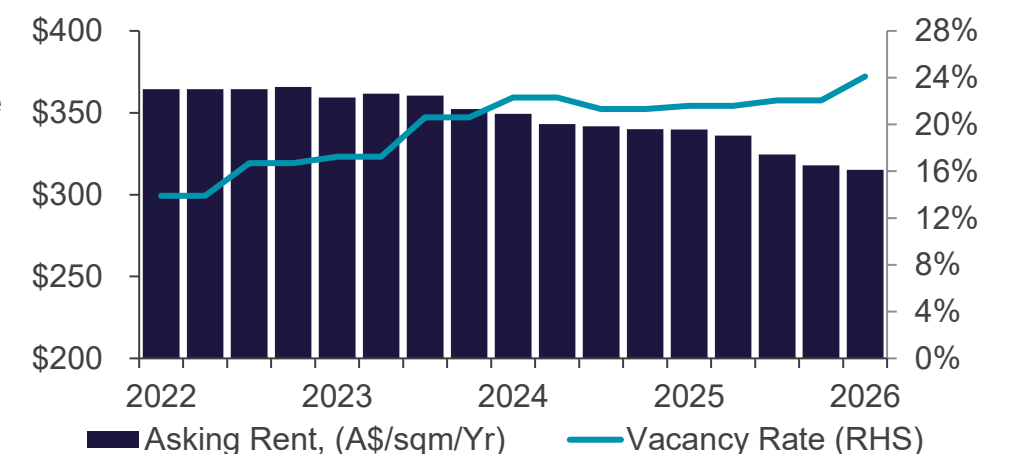
RENTS:

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.

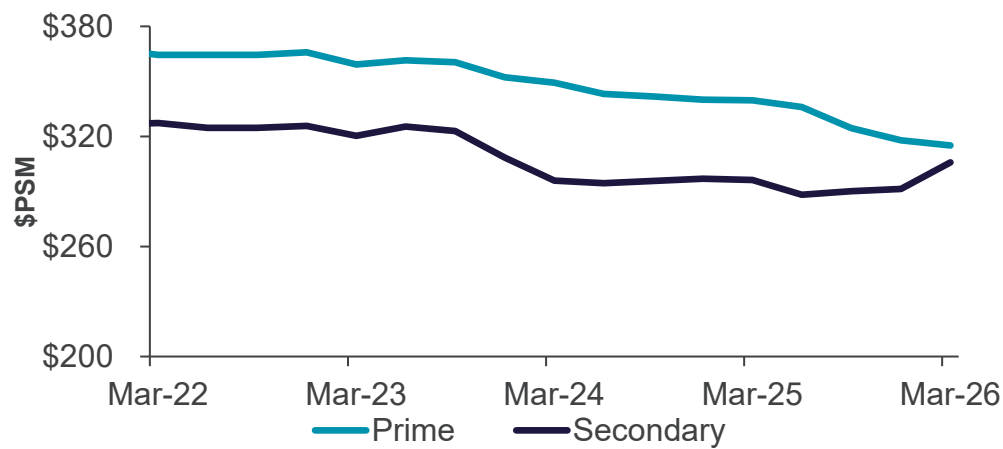
SPACE DEMAND / DELIVERIES



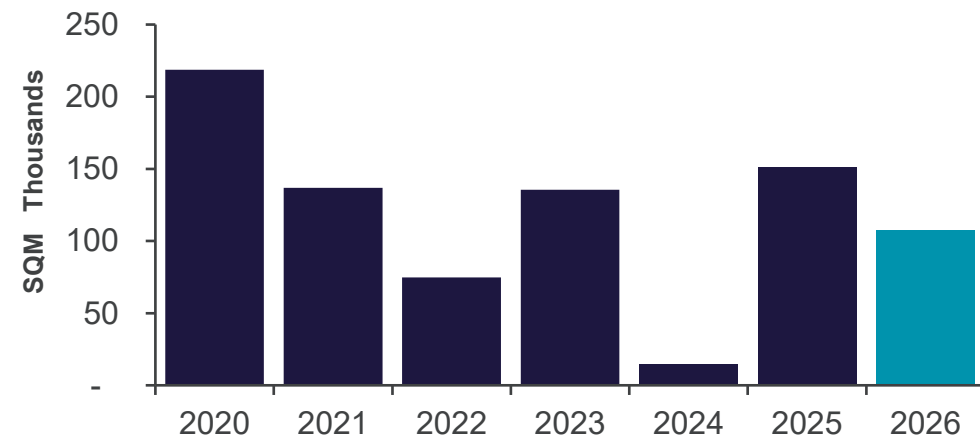
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



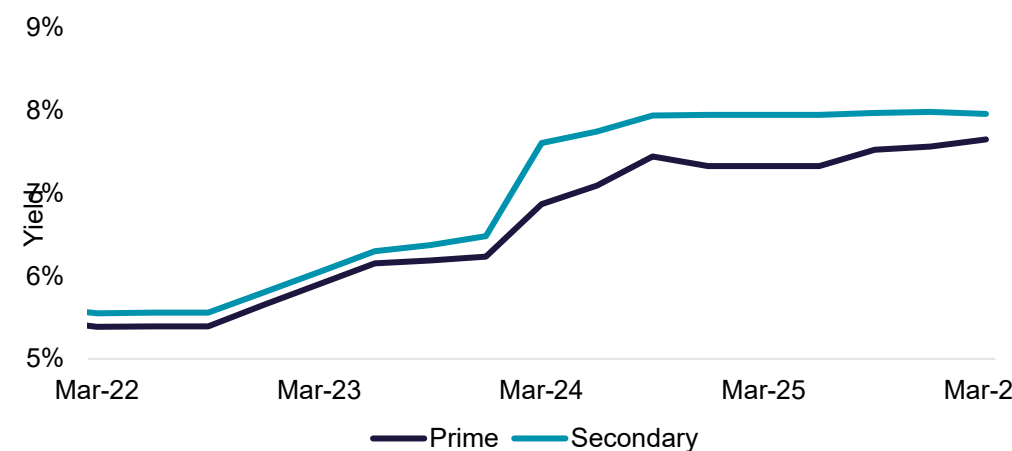
AVERAGE NET EFFECTIVE RENTS



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
SYDNEY METRO TOTALS	3,520,473	848,587	24.1%	5,897	10,082	\$657	37%	\$147

*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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