MARKETBEAT
MELBOURNE CBD
OFFICE Q2 2026

MARKET FUNDAMENTALS

	YOY Chg	Outlook
19.0% Vacancy Rate	▼	▲
28,029 6-month Net Absorption, sqm	▲	▼
$436 Prime Net Effective, sqm pa	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.5% (National) GDP Growth	▲	▲
3.5% (Victoria) State Final Demand Growth	▲	▲
4.3% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW:

Economic conditions remain mixed, with growth moderating while inflationary pressures continue to build. GDP rose by 0.3% in the March quarter and 2.5% over the year, reflecting softer household and government consumption. Meanwhile, headline CPI rose 4.2% year-on-year in April, while trimmed mean inflation ticked higher to 3.4%.The RBA held the cash rate at 4.35% in June following three increases earlier in 2026; however, the full impact of tighter monetary policy will continue to flow through the economy over coming months. Victoria is set to record economic growth of 1.3% for 2026, before a jump to 2.7% in 2027

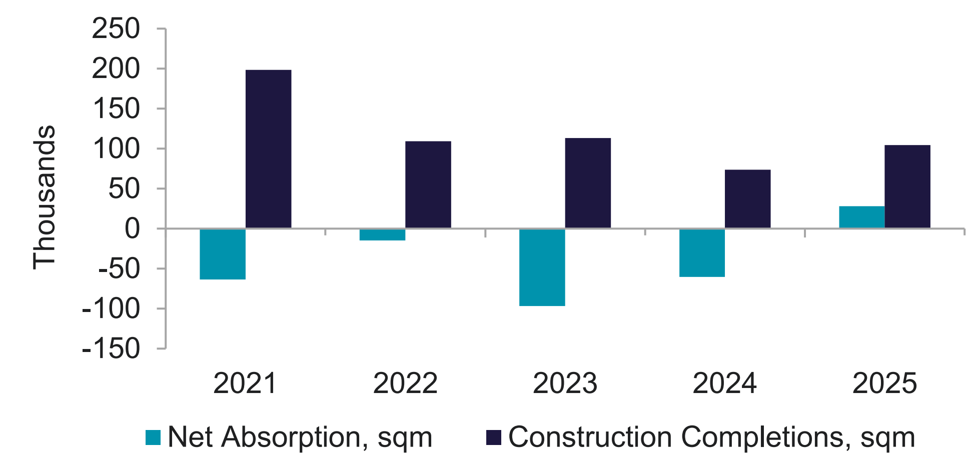
DEMAND:

Melbourne's CBD office market remained relatively stable through the first half of 2026, with occupier demand continuing to favour prime-grade buildings and flexible workspace solutions. While leasing activity was more measured during the quarter, tenants remained focused on securing higher-quality assets that better support hybrid working, while maintaining a disciplined approach to occupancy costs. In contrast, demand for secondary-grade offices, particularly older stock, remained subdued. Despite a slower pace of market activity, enquiry levels remained reasonably healthy, suggesting a continued pipeline of occupier requirements.

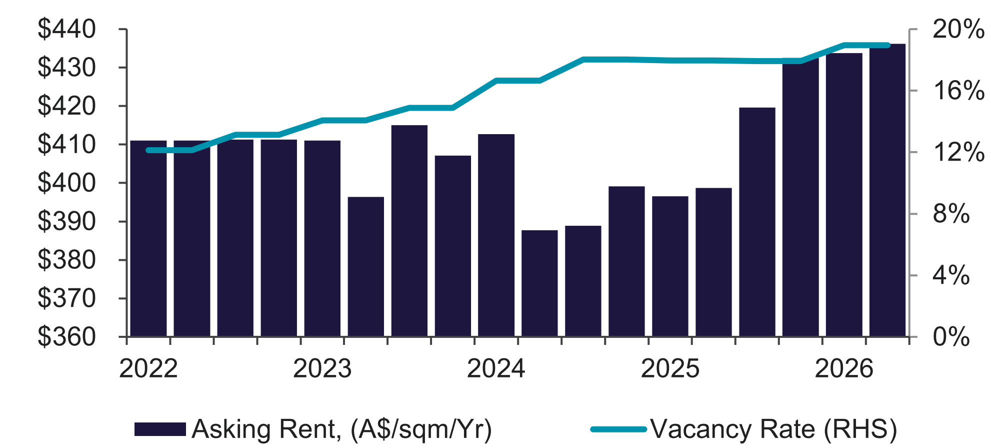
RENTS & INCENTIVES:

The Melbourne CBD office market continued to record rental growth in Q2 2026, with net effective rents increasing across both Premium and A-grade assets. Premium-grade net effective rents rose 9.8% year-on-year to $506 sqm pa., while gross incentives remained stable at 37.5%. A-grade rents increased 9.3% over the year to $405 sqm pa., supported by unchanged incentives of 37.3%. Outgoings remained broadly stable, with Premium-grade outgoings decreasing 1.6% year-on-year to $241 sqm pa. and A-grade outgoings increasing marginally by 0.9% to $225 sqm pa. Secondary-grade assets recorded more modest rental growth, with average net effective rents at $312 sqm pa. and incentives holding at around 38.7%. Outgoings increased slightly by 1.1% over the year to $183 sqm pa.

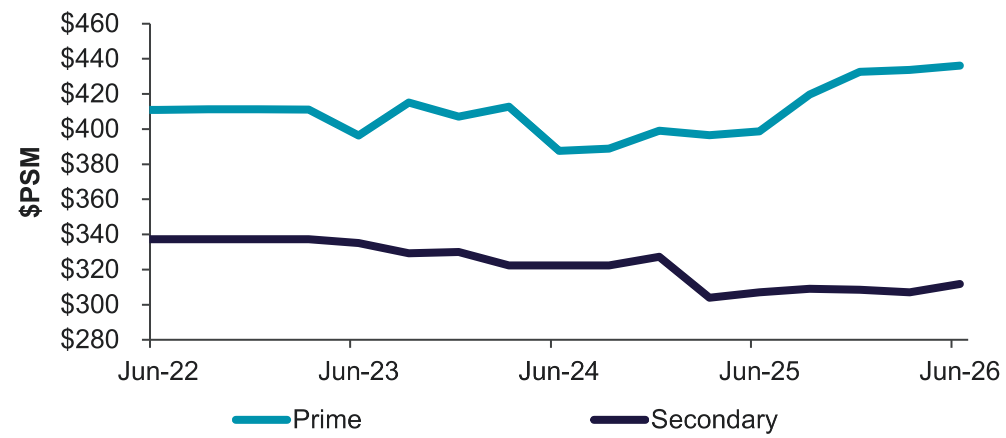
SPACE DEMAND / DELIVERIES



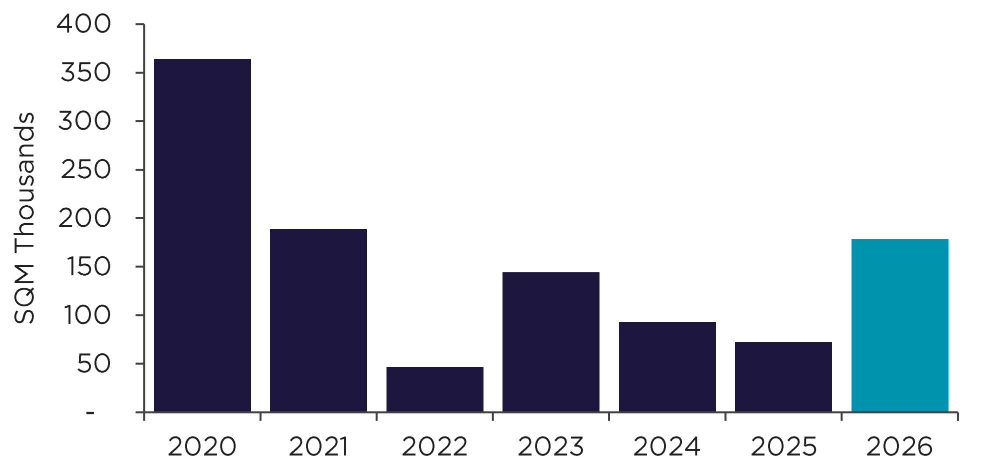
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



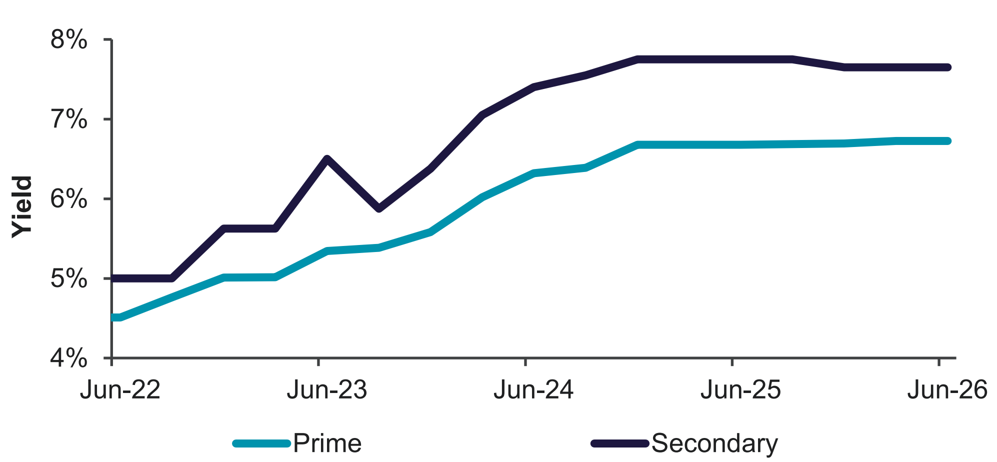
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Melbourne CBD vacancy remains elevated, reflecting the market's ongoing adjustment to the significant volume of new supply delivered in recent years. However, leasing activity has strengthened through 2026, with a number of major transactions completed during the quarter, supporting improved demand across the prime market. Tenant preference continues to favour well-located, high-quality buildings, reinforcing the ongoing flight-to-quality trend and contributing to the gradual absorption of recently completed space.

With the completion of 7 Spencer Street and 51 Flinders Lane, Melbourne's recent development cycle has largely been delivered. The remaining major project under construction is 435 Bourke Street, which is expected to add approximately 65,000 sqm of prime-grade office space in Q4 2026. While this is likely to place some upward pressure on vacancy in the near term, the more limited supply outlook beyond 2026 is expected to support improving market conditions as newly completed developments continue to be absorbed.

YIELDS:

As at Q2 2026, office yields across Melbourne's CBD remained stable across all grades, suggesting pricing has largely stabilised following the market adjustment of recent years. Premium-grade office yields range between 6.00% and 6.25%, with an average of 6.13%. A-grade assets are yielding between 6.80% and 7.30%, averaging 7.00%. Secondary-grade assets remain higher yielding, ranging from 7.50% to 7.80%, with an average of 7.65%. Investor demand remains focused on higher-quality assets, supported by stronger leasing fundamentals and ongoing flight-to-quality trends. While prime assets continue to benefit from improving tenant demand, secondary stock remains challenged by elevated vacancy and weaker leasing conditions. Consequently, pricing performance is expected to remain uneven across the market, with asset quality continuing to play a significant role in determining value.

INVESTMENT MARKET:

Investment activity continued to improve through Q2 2026, although buyers remain selective and transaction volumes continue to track below long-term averages. Investor interest remains focused on well-located assets with repositioning potential and strong leasing fundamentals. The sale of Midtown Plaza for approximately $100 million was the most notable transaction during the quarter. While activity remains below historical levels, the transaction demonstrates that investors remain willing to deploy capital where asset quality and pricing expectations align. Leasing performance and income security continue to be key considerations in investment decisions, although improving market conditions are providing greater confidence for both buyers and vendors.

OUTLOOK

- Economic conditions are expected to remain mixed in the near term, with higher interest rates and geopolitical uncertainty continuing to weigh on sentiment. Despite these headwinds, Victoria's resilient economy is expected to support a gradual improvement in occupier demand through 2026.
- Leasing activity in Melbourne's CBD has continued to recover, supported by rising enquiry levels and ongoing demand for high-quality space. Prime-grade assets are expected to remain the primary beneficiaries, while secondary stock is likely to face continued leasing challenges and elevated vacancy.
- With much of Melbourne's recent supply wave now delivered, vacancy is expected to remain elevated in the near term before gradually improving as newly completed projects are absorbed and older stock is withdrawn.
- Investor activity is expected to remain focused on prime assets and repositioning opportunities. Prime yields are likely to remain broadly stable, while pricing outcomes for secondary assets will continue to reflect asset-specific factors. Overall, Melbourne remains well positioned for a gradual recovery.

MELBOURNE CBD
OFFICE Q2 2026

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)
Premium	1,209,783	191,268	15.8%	7,471	64,500	$956	37.5%	$241
A	2,644,257	545,969	20.6%	42,532	-	$777	37.3%	$225
Prime	**3,854,040**	**737,237**	**19.1%**	**50,003**	**64,500**	**$834**	**37.4%**	**$230**
Secondary	1,034,287	211,976	20.5%	-11,955	0	$624	38.7%	$183
TOTALS	**5,279,222**	**1,000,638**	**19.0%**	**28,029**	**64,500**	**$729**	**38.0%**	**$206.5**

**Rental rates reflect full service asking*

^ Total reflects all grades

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
717 Bourke Street	Docklands	E Superfund	1,390	Direct
525 Collins Street (Rialto)	Western Core	Mastercard	992	Direct
628 Bourke Street	Spencer	Cythera	960	Direct
473 Bourke Street	Western Core	Self Wealth	673	Direct
367 Collins Street	Western Core	Tetra Pak	696	Direct

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
Midtown Plaza (246 Bourke Street)	Civic	ISPT/Coombes Property Group	10,000	~$100

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
435 Bourke Street	Western Core	CBA, Unisuper	64,500	CBUS
7-23 Spencer Street	Docklands	N/A	45,000	Mirvac
51 Flinders Lane	Eastern Core	WPP	29,000	GPT

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