MARKETBEAT

SYDNEY CBD

OFFICE Q2 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
13.8% Vacancy Rate	▲	▼
11,359 6-month Net Absorption, sqm	▲	▲
$832 Prime Net Effective, sqm pa	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.5% (National) GDP Growth	▲	▲
4.6% (New South Wales) 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. New South Wales is set to record economic growth of 1.1% for 2026, down from an earlier forecast of 2.2%.

DEMAND:

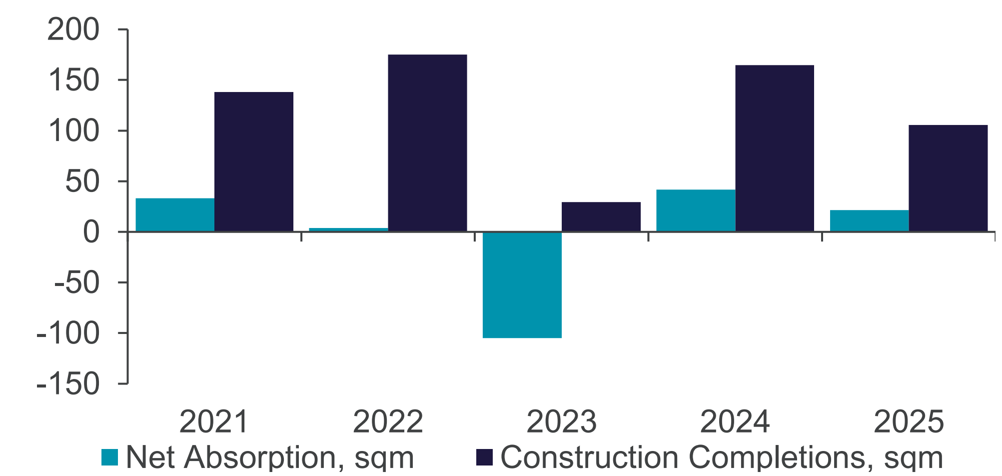
Sydney CBD leasing demand remained steady through Q2 2026, with activity continuing to favour prime and well-located A-grade assets. Occupier decision-making remained measured, although demand continued to prioritise quality, amenity and workplace experience where it supports staff attraction and operational efficiency. Six-month net absorption totalled 11,359 sqm, indicating a gradual improvement in underlying demand. However, elevated vacancy continues to provide occupiers with choice, particularly outside the highest-quality assets. Leasing demand is expected to remain concentrated in modern, well-connected buildings, while older secondary stock continues to face weaker enquiry.

RENTS:

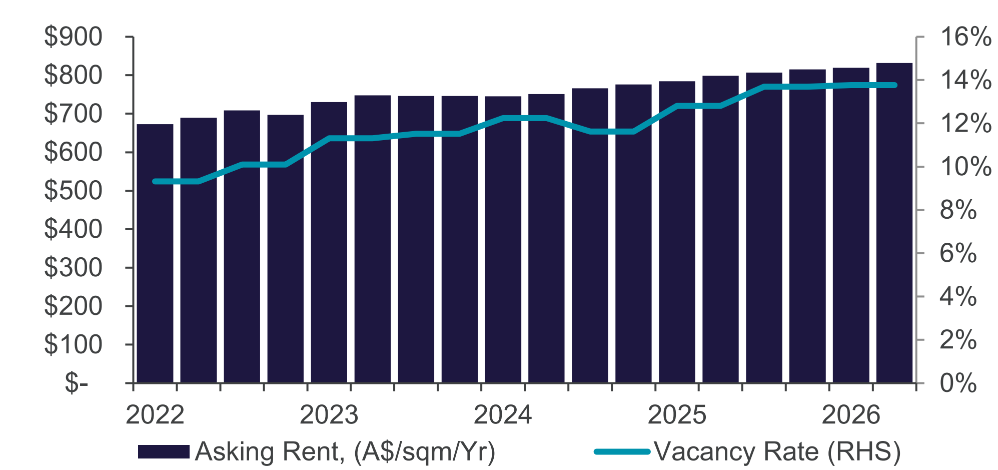
Sydney CBD prime rents continued to rise in Q2 2026, supported by face-rent growth and broadly stable incentives. Prime net effective rents increased to $832 sqm pa, up 4.2% YoY, while Premium rents rose to $933 sqm pa, up 4.3% YoY. A-grade rents increased to $753 sqm pa, up 4.2% YoY, reflecting continued tenant demand for quality space at a discount to Premium assets.

Secondary rents remained comparatively softer, with net effective rents averaging $505 sqm pa, down 0.7% YoY. Incentives were broadly stable across prime grades, with Premium net incentives at 41.4%, A-grade at 43.6% and Prime at 42.6%. Overall, rental growth continues to be driven mainly by face-rent uplift rather than incentive compression, with the gap between prime and secondary performance remaining a key feature of the market.

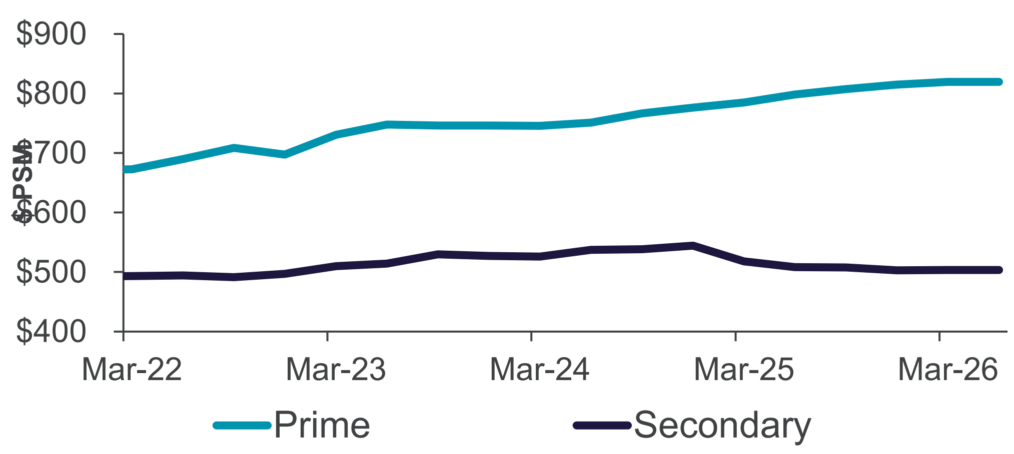
SPACE DEMAND / DELIVERIES



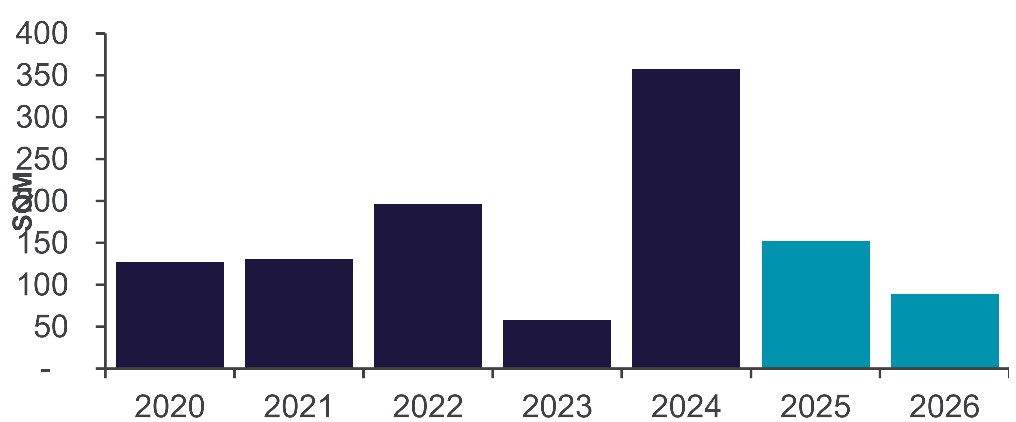
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



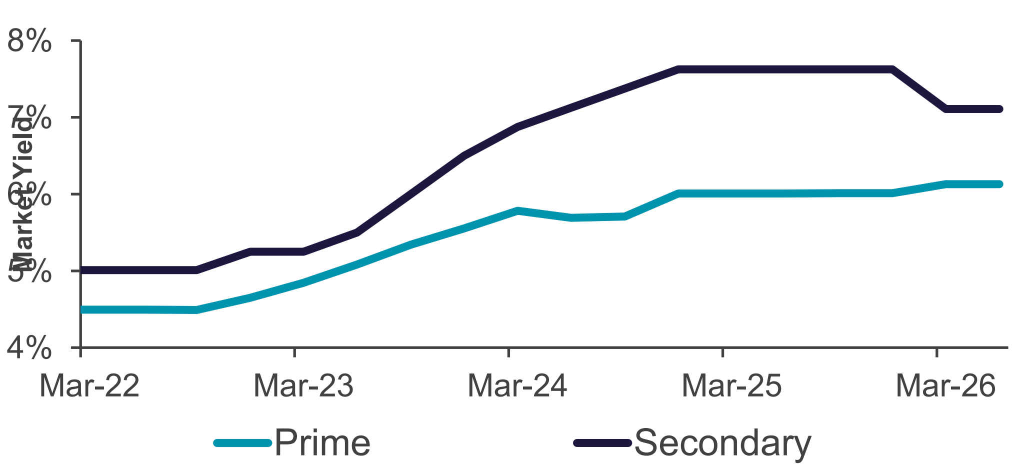
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Sydney CBD vacancy remained elevated at 13.8% in Q2 2026, with Premium vacancy lower at 8.9%, highlighting the continued outperformance of high-quality assets.

Future supply remains concentrated in several large prime developments, led by Atlassian Central (58,000 sqm), 37–55 Pitt Street (60,000 sqm) and 2 Chifley Square (53,275 sqm). These projects are expected to deliver a significant volume of new premium space through 2027 and keep overall vacancy elevated while the market absorbs new supply.

Beyond 2027, the development pipeline is more speculative, with several DA-approved, submitted and proposed projects. Delivery timing will remain dependent on pre-commitment levels, funding conditions and development feasibility.

YIELDS:

Sydney CBD yields were broadly stable through Q2 2026. Premium yields held at 5.77%, A-grade at 6.42%, prime at 6.13% and secondary at 7.11%. While pricing appears to have largely reset, higher funding costs and leasing risk continue to limit near-term yield compression. Investor demand remains focused on assets with strong tenant covenants, durable income and clear rental reversion potential. Assets with elevated vacancy, near-term expiry risk or significant capex requirements are likely to remain more heavily scrutinised. As a result, yield outcomes are expected to remain increasingly asset-specific, with the strongest pricing reserved for buildings that can demonstrate stable income and a clear leasing strategy.

INVESTMENT MARKET:

Sydney CBD investment activity remained steady in Q2 2026, supported by continued institutional interest in prime office assets despite a cautious capital markets environment. The quarter was highlighted by Centuria's acquisition of a 50% interest in 680 George Street and 50 Goulburn Street from Brookfield for approximately $450 million, marking the group's return to the Sydney CBD office market after more than a decade.

Private capital also remained active across smaller strata and boutique office assets, reflecting continued demand for well-located CBD investments. Investor focus remained firmly on assets offering resilient income, strong tenant covenants and repositioning potential..

OUTLOOK

- The Sydney CBD office market is expected to remain two-speed through 2026, with prime assets continuing to outperform while secondary stock experiences more uneven demand.
- Effective rental growth is expected to remain positive across prime grades, driven primarily by face-rent growth and occupier preference for quality space.
- Vacancy is expected to remain elevated in the near term as new supply enters the market, although Premium assets should remain comparatively resilient.
- Yields are expected to remain broadly stable, with any further movement likely to be asset-specific and driven by income durability, leasing risk and funding conditions.
- Investment sentiment is expected to improve gradually, with capital continuing to favour high-quality assets offering resilient income and stronger rental growth prospects.
- Overall, Sydney CBD remains a liquid but selective office market, with occupier and investor demand increasingly concentrated in assets offering quality, amenity and income resilience.

SYDNEY CBD
OFFICE Q2 2026

MARKET STATISTICS

GRADE	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	1,586,254	141,409	8.9%	14,489		$1,594	35.5%	$267
A-grade	1,990,775	330,669	16.6%	42,189		$1,335	37.0%	$240
Prime	**3,577,029**	**472,078**	**13.2%**	**56,678**	**316,500**	**$1,450**	**36.3%**	**$252**
Secondary	1,243,232	198,468	16.0%	-15,810		$1,025	41.4%	$230
SYDNEY CBD TOTALS^	**5,385,115**	**741,423**	**13.8%**	**11,359**	**177,675**			

**Rental rates reflect full service asking*

^ Total reflects all grades

` Includes refurbishments

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
1 Shelly Street	Western	ING	10,000	Direct
400 George Street	Core	DoorDash	4,000	Direct
85 Castlereagh Street	Midtown	Quinn Emmanuel	2,900	Direct
264 George Street	Core	MSCI	490	Direct

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
680 George & 50 Goulburn Street	City Core	Brookfield / Centuria	`69,000	450

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
121 Castlereagh Street	Midtown	-	11,500	CBUS Property
Darling Park 1 – Stage 3	Western	-	17,000	GPT/MIRVAC
33 Alfred Street	City Core	-	31,657	Dexus/Mirvac

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