

MARKET FUNDAMENTALS

	YOY Chg	Outlook
13.3% Vacancy Rate	▼	▼
18,715 6-month Net Absorption, sqm	▲	▲
\$854 Prime Net Effective, sqm pa	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1% (National) GDP Growth	▼	▲
3.5% (New South Wales) State Final Demand Growth	▲	▲
4.4% (National) Unemployment Rate	▲	▲

Source: ABS

ECONOMIC OVERVIEW:

Economic conditions remain mixed, with growth improving modestly while inflationary pressures remain elevated. GDP rose by 0.4% in the June quarter and 2.1% over the year, marking a slight improvement in quarterly growth despite a moderation in the annual rate. Meanwhile, headline CPI reached 3.5% year-on-year in July, while trimmed mean inflation rose to 3.6%, indicating that underlying inflation remains persistent. The RBA raised the cash rate by 25 bps to 4.60% in September, reflecting ongoing concerns around inflationary pressures and its commitment to returning inflation to the target range, while signaling that further tightening may be required if inflation remains elevated. NSW State Final Demand is forecast to grow by 1.8% in 2026 and to 1.7% in 2027.

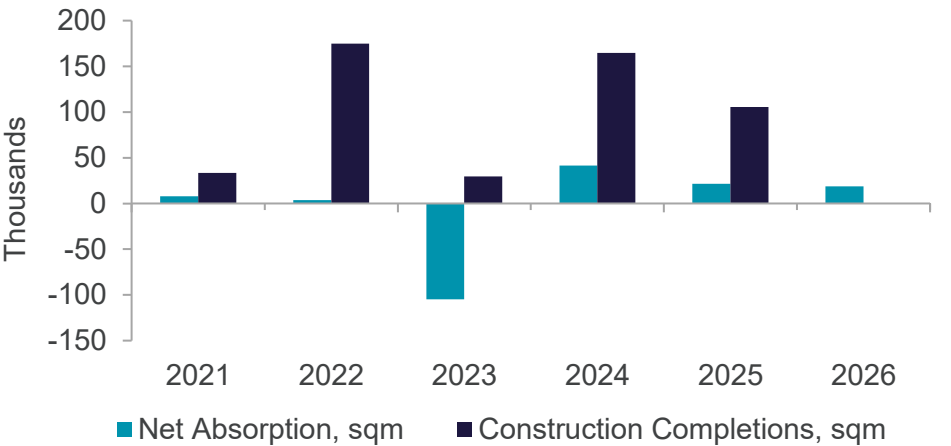
DEMAND:

Sydney CBD leasing demand remained stable through Q3 2026, with activity continuing to favour prime and well-located assets. Occupier decision-making remained considered, with leasing activity concentrated in Premium Grade buildings, particularly on higher floors where occupiers continue to seek premium views and enhanced workplace amenity. Six-month net absorption totalled 18,715 sqm, underpinned by 19,388 sqm of absorption within Premium Grade stock, while A-Grade assets recorded only limited gains. Older secondary stock continues to face more challenging leasing conditions.

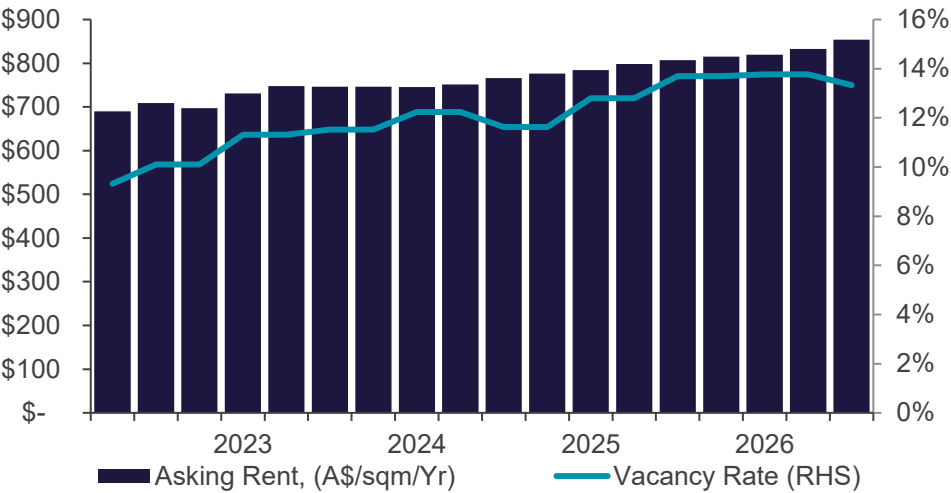
RENTS:

Sydney CBD prime rents continued to rise through Q3 2026, supported by ongoing rental growth and broadly stable incentives. Prime net effective rents increased to \$780 sqm pa, up 6.5% YoY, while Premium rents rose to \$874 sqm pa, up 6.5% YoY. A-grade rents increased to \$677 sqm pa, up 6.5% YoY, reflecting continued tenant demand for quality space at a discount to Premium assets. Secondary rents remained comparatively softer, although net effective rents averaged \$540 sqm pa, up 3.9% YoY. Incentives were broadly stable across prime grades, with Premium incentives at 35.4%, A-grade at 36.7% and Prime at 36.1%. It should be noted however that Premium CBD Core incentives are trending materially lower at 27% and Premium and A grade high rise availability in the CBD Core is extremely tight. Overall, rental growth continues to be supported by increased demand for the highest quality stock, with the gap between prime and secondary performance remaining a key feature of the market.

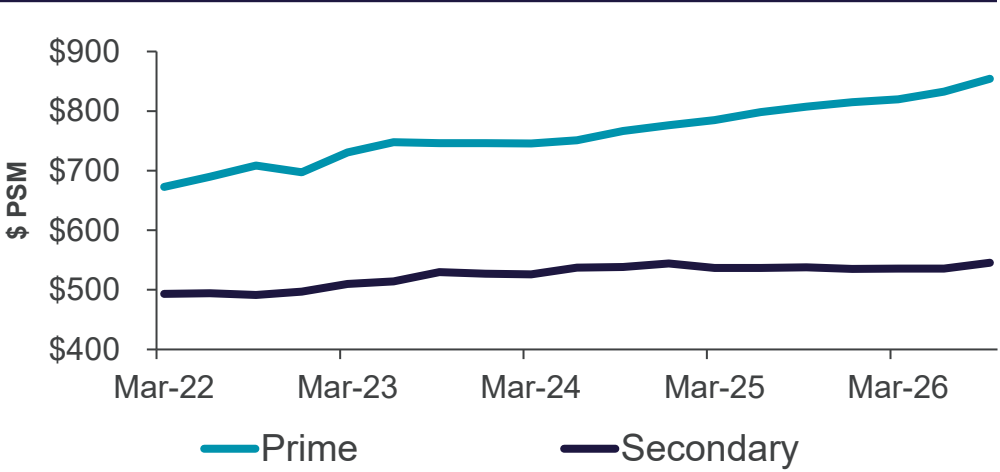
SPACE DEMAND / DELIVERIES



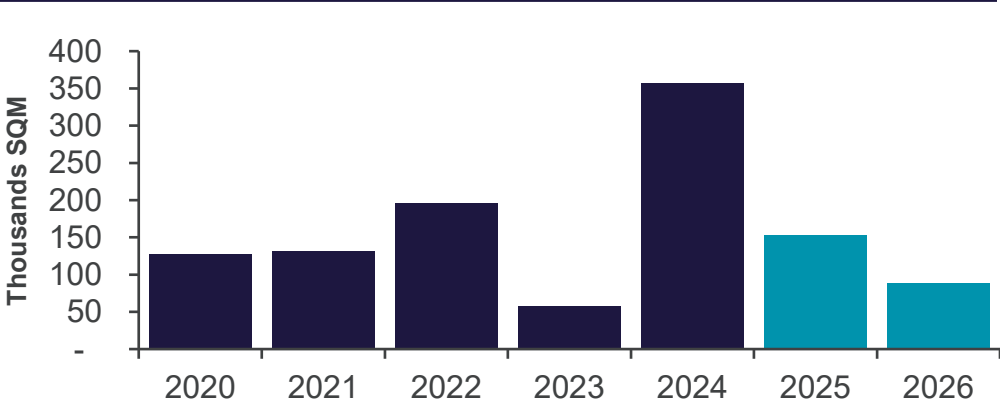
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



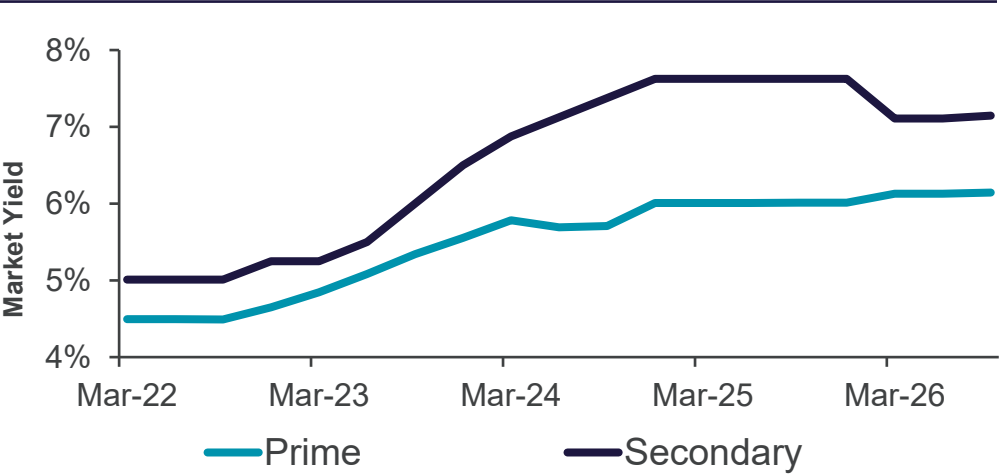
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Sydney CBD vacancy decreased slightly by 50 bps to 13.3% in Q3 2026, where premium vacancy decreased by 120 bps to 7.7%, highlighting the continued outperformance of high-quality assets. Future supply remains concentrated in several large prime developments, led by Atlassian Central (58,000 sqm) expected to finish construction early next year, with 37-55 Pitt Street (60,000 sqm) and Chifley South (53,275 sqm) expected to finish in the second half of 2027. Chifley South has progressed through construction and is approximately 70% pre-committed, underscoring continued occupier demand for premium accommodation. These projects are expected to deliver a significant volume of new space through 2027 and are likely to keep overall vacancy elevated as the market absorbs upcoming supply. Beyond 2027, the development pipeline becomes more speculative, with proposed projects including over-station developments above the future Hunter Street Metro precinct. Delivery timing will remain dependent on pre-commitment levels, funding conditions and development feasibility.

YIELDS:

Sydney CBD yields were broadly stable over the quarter, with premium yields unchanged at 5.77% while A-grade and B-grade softened marginally, by 3 bps to 6.45% and 4 bps to 7.15% respectively. The divergence points to a market still favouring high-quality, well-leased assets with a clear path to income growth, even as secondary pricing continues to lag. Transaction evidence over the coming quarters will be the real test of whether premium pricing can hold as more stock is tested against buyer appetite.

INVESTMENT MARKET:

Sydney CBD investment activity strengthened in Q3 2026, with transaction volumes increasing as investors re-engaged with the market following a slow start to the year. Notable transactions included Investa's acquisition of 1 Market Street for \$485 million, the sale of 100 Market Street to Link REIT and Aware Super for \$258 million, and Centuria's purchase of a 50% interest in 680 George Street for \$454 million. Domestic capital continued to dominate buyer activity, underpinning liquidity across the market. Despite the uplift in transaction activity, pricing remained relatively stable. Investors interest remained concentrated on Prime grade opportunities supported by strong income profiles and long-term value-add potential.

OUTLOOK

- Economic growth is expected to remain modest through 2026, with NSW state final demand forecast to ease slightly into 2027.
- Leasing demand is expected to stay concentrated in Premium and well-located A-Grade space, with secondary stock continuing to lag.
- Vacancy is likely to remain elevated as Atlassian Central, 37-55 Pitt Street and Chifley South complete through 2027, though strong pre-commitment at Chifley South points to continued occupier demand for premium accommodation.
- Rental growth is expected to persist for prime grades, while investment activity should stay concentrated on Prime assets as pricing discovery continues.

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	122,021	7.7%	19,388	226,275	\$1,626	35.4%	\$279
A-grade	1,990,775	330,235	16.6%	434	15,000	\$1,374	36.7%	\$245
Prime	3,577,029	452,256	12.6	19,822		\$1,485	36.1%	\$260
Secondary	1,237,508	198,162	16.0%	-5,418		\$1,039	38.9%	\$231
SYDNEY CBD TOTALS^	5,379,391	716,984	13.3%	18,715	241,275			

*Rental rates reflect full service asking

^ Total reflects all grades

` Includes refurbishments

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
383 Kent Street	Western	Stripe	3,150	Direct
1 Market Street	Western	Asset Insure	3,500	Direct
270 Pitt Street	Midtown	AirWallex	2,000	Direct
5 Martin place	Core	HWLE	12,235	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
1 Market Street	Western	Investa/GIC	29,593	485
100 Market Street	Midtown	Link Reit/Aware Super	28,339	258
680 George Street	Midtown	Brookfield/Centuria	67,796	454

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
Chifley South	City Core	UBS	53,275	Charter Hall
Atlassian Central	Southern	Atlassian	58,000	Dexus & Atlasian
55 Pitt Street	City Core	Baker McKenzie	60,000	Mitsui Fudosan/Mirvac

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