

MARKET FUNDAMENTALS

|                                        | YOY Chg | Outlook |
|----------------------------------------|---------|---------|
| 24.7%<br>Vacancy Rate                  | ▲       | ▼       |
| -19,543<br>6-month Net Absorption, sqm | ▲       | ▲       |
| \$314<br>Prime Net Effective, sqm pa   | ▼       | ▲       |

ECONOMIC INDICATORS

|                                                        | YOY Chg | Outlook |
|--------------------------------------------------------|---------|---------|
| 2.1%<br>(National)<br>GDP Growth                       | ▼       | ▲       |
| 3.5%<br>(New South Wales)<br>State Final Demand Growth | ▲       | ▲       |
| 4.4%<br>(National)<br>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:

Demand across Sydney’s metropolitan office markets softened in H1 2026, with six-month net absorption of -19,543 sqm. Crows Nest and North Sydney were the only markets to record positive absorption over the period, while all other precincts remained in negative territory. Macquarie Park’s A-grade stock experienced the largest decline in occupancy. North Sydney continues to benefit from improved connectivity and amenity driven by the Metro, supporting stronger tenant demand.

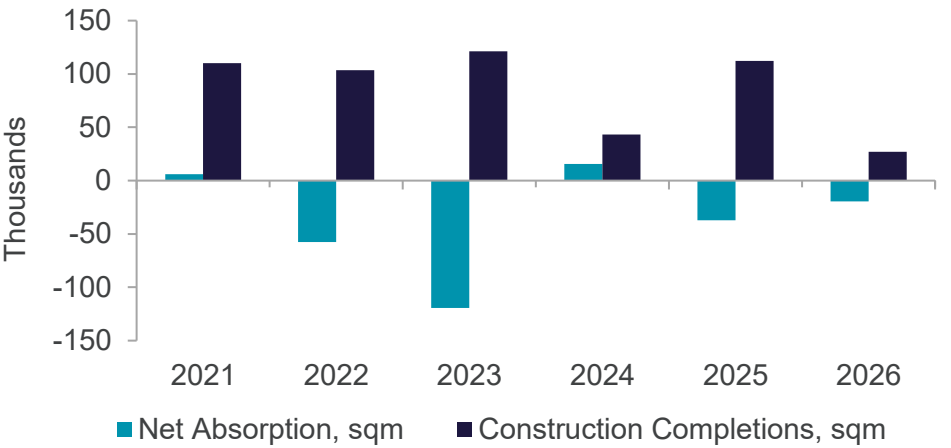
RENTS:

Average net effective rents across Sydney’s metro office markets remained subdued in Q3 2026, despite continued face rent growth. Prime net face rents increased to an average of \$707 sqm pa, up 2.4% over the quarter and 8.5% year-on-year. While face rents have grown strongly over the past 12 months, elevated incentives continue to temper effective rental performance.

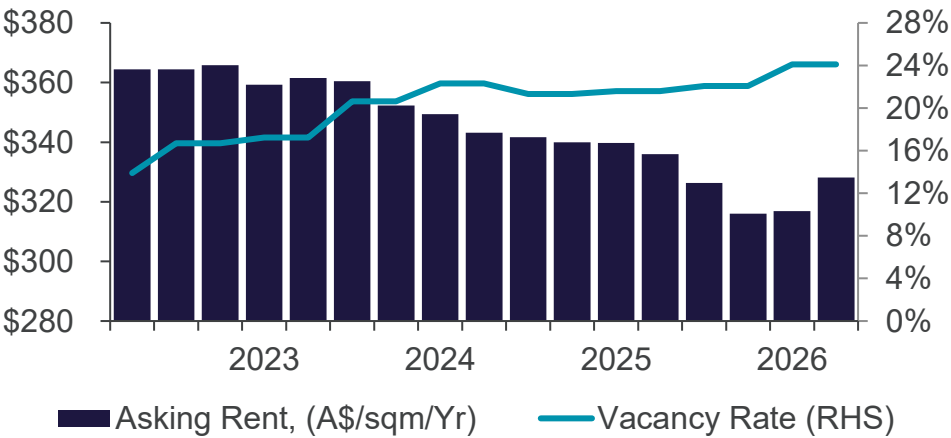
Secondary market rents also increased during the quarter, with average net face rents rising to \$583 sqm pa, up 2.6% quarter-on-quarter and 4.9% year-on-year. Growth remained more modest than in the prime segment, reflecting occupier preference for higher-quality accommodation and competition across older stock.

Overall, face rents continued to trend higher across Sydney’s metro office markets in Q3 2026. However, elevated incentives and tenant competition are expected to constrain effective rental growth, particularly in locations where vacancy remains above long-term averages.

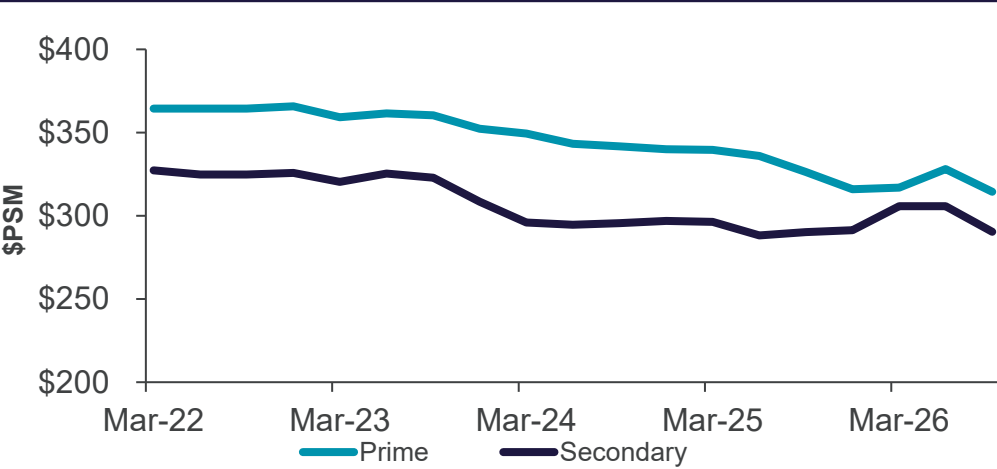
SPACE DEMAND / DELIVERIES



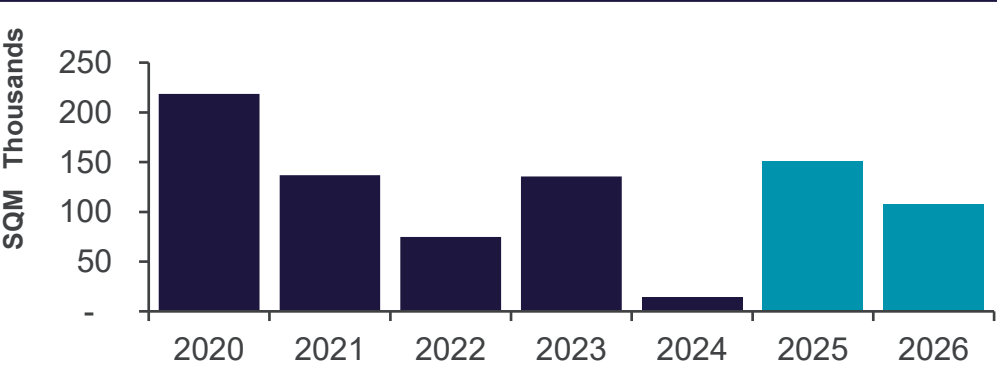
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



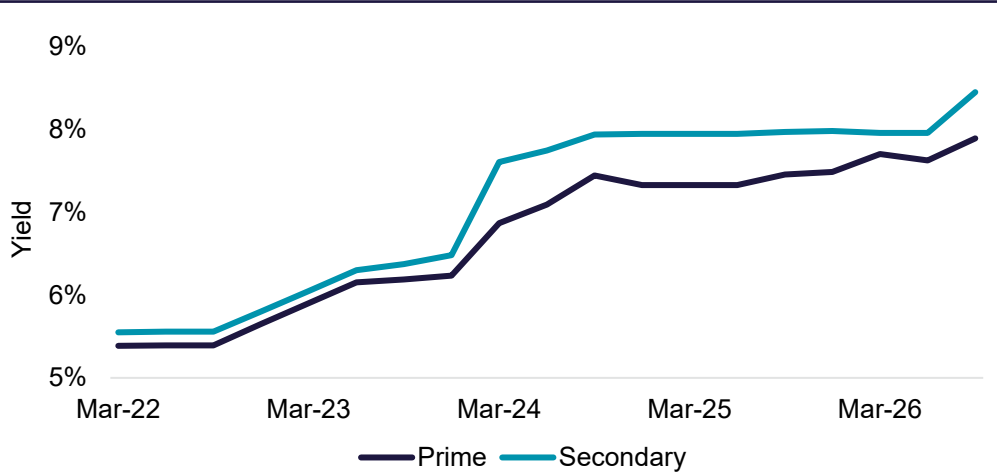
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Vacancy trends across Sydney's metro office markets were mixed in Q3 2026, with elevated availability continuing to reflect subdued leasing conditions. North Sydney vacancy eased slightly to 25.8%, supported by positive net absorption of 1,506 sqm, while Parramatta increased to 23.5%. St Leonard's and Chatswood recorded vacancy rates of 28.0% and 19.4% respectively, with both markets posting positive absorption over the six months. Macquarie park remained the weakest-performing metro market, with vacancy rising to 25.1% following six-month net absorption of negative 19,185 sqm.

The completions of 15 Khartoum Road in Macquarie Park (10,082 sqm) along with 7 Charles Street in Parramatta (4,523 sqm) are the most recent key completions to hit the market.

Overall, metro vacancy remained elevated at 24.7% in Q3 2026. While new supply is becoming increasingly concentrated in a handful of precincts, improving demand across several markets may help support a gradual reduction in vacancy once current development completions are absorbed.

YIELDS:

Sydney Metro office yields softened further in Q3 2026, reflecting continued pricing adjustment across both prime and secondary assets. Prime yields moved out 26 basis points to 7.89%, extending the outward trend recorded earlier in the year as investors remained cautious towards office fundamentals. Secondary yields shifted more sharply, up 49 basis points to 8.45%, reflecting weaker investor demand for lower-quality assets and heightened leasing risk in markets with elevated vacancy. The widening prime-secondary spread underlines the ongoing preference for higher-quality stock. With transaction volumes subdued and the RBA signalling a possible further rate rise in September, pricing discovery is expected to continue and further yield softening cannot be ruled out.

INVESTMENT MARKET:

Investment activity across Sydney's Metro market remained elevated during Q3, supported by several major transactions that reinforced investor confidence in high-quality metropolitan assets. The quarter was highlighted by the \$590 million sale of 100 Mount Street, North Sydney, alongside the \$143.9 million acquisition of 101 George Street, Parramatta, and the \$108 million transaction of 60-66 Waterloo Road, Macquarie Park. Capital continued to target well-located assets with strong income profiles and long-term value potential, particularly in established office precincts.

OUTLOOK

- Economic growth is expected to remain modest through 2026, with NSW state final demand forecast to grow 1.8% this year before easing to 1.7% in 2027.
- Demand is likely to stay uneven across precincts, with North Sydney continuing to benefit from improved connectivity and amenity driven by the Metro, while Macquarie Park remains the weakest performer following its largest six-month decline in occupancy among metro submarkets.
- Vacancy is expected to stay elevated near-term, with metro-wide vacancy at 24.7% and Macquarie Park at 25.1%, though positive absorption in North Sydney, St Leonard's and Chatswood points to a gradual reduction once recent completions are absorbed.
- Face rents are expected to keep rising, up 8.5% YoY in Prime, but elevated incentives will likely continue to temper effective rental growth.
- Yields are expected to see further softening as pricing discovery continues, and transaction volumes may be subdued into Q4 as the RBA signals a possible further rate rise.

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         | 249,594            | 25.8%                | 1,506                        |                          | \$998                     | 45.3%                    | \$190                         |
| St Leonards         | 353,404         | 99,114             | 28.0%                | 2,857                        |                          | \$713                     | 45.8%                    | \$173                         |
| Chatswood           | 267,004         | 51,753             | 19.4%                | -2,398                       |                          | \$711                     | 45.0%                    | \$157                         |
| Parramatta          | 989,121         | 232,004            | 23.5%                | -2,323                       |                          | \$613                     | 34.4%                    | \$165                         |
| Macquarie Park      | 962,598         | 241,961            | 25.1%                | -19,185                      |                          | \$505                     | 31.5%                    | \$131                         |
| Sydney Olympic Park |                 |                    |                      |                              |                          | \$492                     | 31.8%                    | \$128                         |
| Pymont Ultimo       |                 |                    |                      |                              |                          | \$851                     | 41.1%                    | \$185                         |
| Rhodes              |                 |                    |                      |                              |                          | \$500                     | 33.8%                    | \$128                         |
| SYDNEY METRO TOTALS | 3,539,769       | 874,426            | 24.7%                | -19,543                      |                          | \$699                     | 39.6%                    | \$161                         |

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

KEY LEASE TRANSACTIONS Q3 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 Q2 & Q3 2026

| PROPERTY            | SUBMARKET      | SELLER/BUYER                              | SQM    | PRICE (AUD M) |
|---------------------|----------------|-------------------------------------------|--------|---------------|
| 60-66 Waterloo Road | Macquarie Park | Stockland Trust/Vita Partners             | 17,407 | 108.0         |
| 100 Mount Street    | North Sydney   | Dexus & Dexus Wholesale Property Fund/BGO | 41,972 | 590.0         |
| 101 George Street   | Parramatta     | Dexus/Sandran Property Group              | 18,107 | 143.85        |

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

| PROPERTY         | SUBMARKET      | MAJOR TENANT | SQM    | OWNER/DEVELOPER |
|------------------|----------------|--------------|--------|-----------------|
| 15 Khartoum Road | Macquarie Park |              | 10,082 | Stockland       |
| 7 Charles Street | Parramatta     |              | 4,523  | GFM Home Group  |

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LOCAL LEADS

JAKE MCKINNON

Associate Director,  
National Research  
Tel: +61 (0) 410 611 548  
[jake.mckinnon@cushwake.com](mailto:jake.mckinnon@cushwake.com)

TIM STANWAY

Head of Office Leasing  
New South Wales  
Tel: +61 (0) 421 080 297  
[tim.stanway@cushwake.com](mailto:tim.stanway@cushwake.com)

CHRISTINA OWEN

Director Tenant Advisory Group,  
Australia and New Zealand  
Tel: +61 (0) 294 744 349  
[christina.owen@cushwake.com](mailto:christina.owen@cushwake.com)

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NATIONAL LEADS

NICK RATHGEBER

International Director,  
Capital Markets, ANZ  
Tel: +61 (0) 413 420 400  
[nick.rathgeber@cushwake.com](mailto:nick.rathgeber@cushwake.com)

JOSH MCNAMARA

Head of Tenant Advisory Group, ANZ,  
Leasing Tenant Representation  
Tel: +61 (0) 449 960 090  
[josh.mcnamara@cushwake.com](mailto:josh.mcnamara@cushwake.com)