

North Shore Office Market



H2 - 2026

Clear divide in demand as occupiers and investors favour best in class assets

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Key Insights

Positive outlook as investors seek value beyond the core.



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 **56K**

New supply

Victoria Cross OSD added over 56,000 sqm of premium office space in late 2025, with no further major development expected before 2030.

 **19.3K**

Prime net absorption

Positive net absorption over the last year in the North Sydney prime market.

 **42%**

Elevated incentive levels

Prime grade incentives averaging 42% across the North shore markets.

 **2.3%**

Annual face rental growth

Prime net face rents average \$952/sqm in North Sydney, an increase of 2.3% y/y.

 **271 bps**

Yields softening

Prime yields have softened over 271 bps in North Sydney since mid 2021.

 **\$855m**

Transaction volumes

Transaction volumes across the North Shore markets is currently \$855 million YTD, with activity expected to pick up further throughout 2026.

North Shore Office Market Indicators – July 2026

Market	Grade	Total Stock sqm	Vacancy Rate %	6 Mths Net Absorption sqm	6 Mths Net Additions sqm	Average Net Face Rent \$/sqm	Average Incentive % ^	Core Market Yield %*
North Sydney	Prime	448,463	22.1	13,738	0	952	40.0 – 45.0	6.75 – 7.75
North Sydney	Secondary	519,179	29.0	-12,232	0	746	40.0 – 45.0	7.75- 8.75
North Sydney	Total	967,642	25.8	1,506	0			
St Leonards	Prime	137,256	22.6	1,066	0	671	42.5 – 47.5	7.75 – 8.75
St Leonards	Secondary	216,148	31.5	1,791	-1,400	573	42.5 – 47.5	8.50 – 9.50
St Leonards	Total	353,404	28.0	2,857	-1,400			
Chatswood	Prime	129,730	28.4	-93	0	655	42.5 – 47.5	7.50 – 8.50
Chatswood	Secondary	137,274	10.8	-2,305	0	543	40.0 – 45.0	8.00 – 9.00
Chatswood	Total	267,004	19.4	-2,398	0			
Macquarie Park	Prime	693,917	26.4	-25,919	10,082	495	40.0 – 45.0	7.50 – 8.50
Macquarie Park	Secondary	268,681	21.9	6,734	-4,102	400	40.0 – 45.0	8.00 – 9.00
Macquarie Park	Total	962,598	25.1	-19,185	5,980			

^ Incentives are on a gross basis; * assuming WALE 5 years
Source: Knight Frank Research/PCA

North Sydney

PRIME MARKET OUTPERFORMING

A clear divergence in occupier demand continues across North Sydney, with activity increasingly concentrated in higher-quality assets. Over the past 12 months, the prime market recorded positive net absorption of 19,386 sqm, compared with 16,366 sqm of negative absorption across secondary stock. Within the premium market, net absorption reached 7,771 sqm, highlighting the continued flight to quality as occupiers prioritise superior amenity, connectivity and workplace environments.

The opening of Victoria Cross Station has materially improved connectivity and further strengthened North Sydney's appeal as an office destination. While the completion of the Victoria Cross OSD has added a significant volume of premium-grade space and temporarily elevated vacancy, leasing momentum remains positive, with the building reportedly 60% committed which includes multiple deals progressing through various stages of legals. As the remaining space is progressively absorbed, vacancy is expected to tighten, supported by continued demand for high-quality office accommodation.

NO MAJOR DEVELOPMENTS ON THE HORIZON

Following a period of limited development activity, North Sydney's office market expanded in late 2025 with the completion of Lendlease's Victoria Cross Over Station Development (56,926 sqm), taking total office stock to 967,642 sqm. As the second-largest metropolitan office market in New South Wales, North Sydney has undergone a significant shift towards higher-quality accommodation, with prime-grade assets now accounting for 46% of total stock, up from 27% a decade ago.

Looking ahead, the development pipeline remains constrained, with no new developments expected before 2030. In terms of refurbishments, 105 Miller Street will undergo extensive capital works which will see 25,000sqm come back online in H2 2027. This extended period of limited development will provide the market with time to absorb existing vacant space, supporting a progressive tightening in vacancy.

FACE RENTS AND INCENTIVES RISE

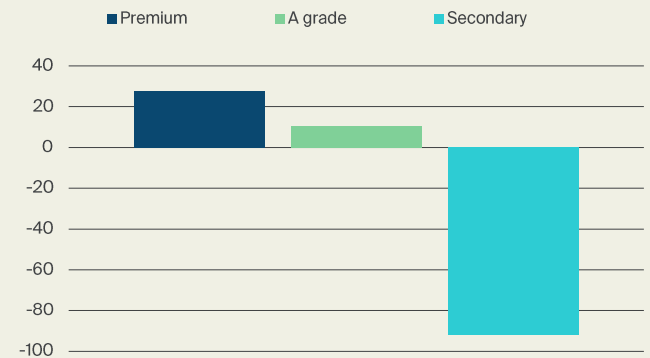
There has been moderate growth in face rents in North Sydney, with average prime net face rents increasing by 2.3% over the year to reach \$952/sqm (\$1,133/sqm gross) as of July 2026. In the secondary market, growth has been limited to 0.6% over the year, with current rates measuring \$746/sqm (\$900/sqm gross face).

Prime incentives edged higher over the year to now average 42.4%, resulting in a 4.8% decline in net effective rents, which now average \$480/sqm.

NORTH SHORE OFFICE MARKET

North Sydney office demand by grade

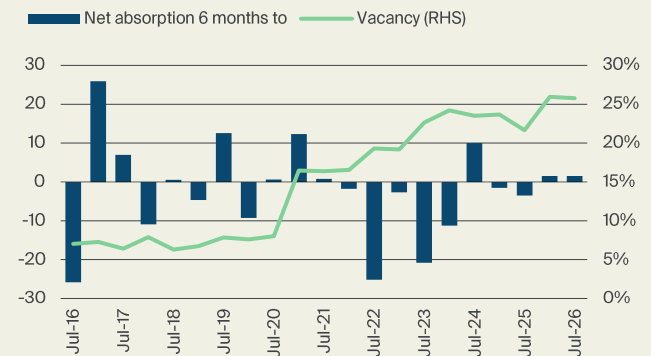
Total absorption since 2021 ('000sqm)



Source: Knight Frank Research, PCA

North Sydney vacancy and net absorption

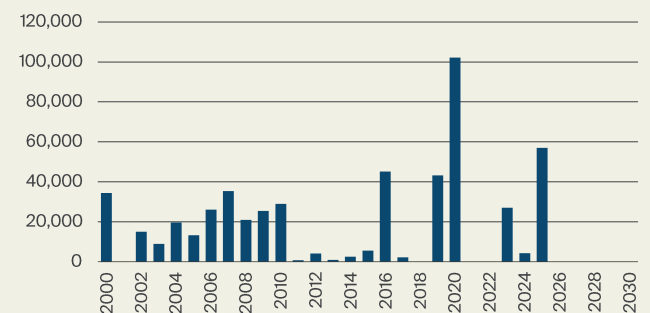
'000sqm (LHS), %(RHS)



Source: Knight Frank Research, PCA

North Sydney office development pipeline

sqm



Source: Knight Frank Research, PCA

Macquarie Park

VACANCY RISES

Macquarie Park's overall vacancy increased to a new high of 25.1% in July 2026, with negative net absorption of 19,185 sqm in the first half of the year. While the market is experiencing subdued leasing demand, the completion of M_Park (15 Khartoum Road) elevated vacancy levels with the addition of high level of uncommitted new supply.

Prime vacancy rose from 21.5% to 26.4% over the six months to July 2026, with net absorption of negative 25,919 sqm. In contrast, secondary vacancy declined from 25.5% to 21.9%, supported by positive net absorption of 6,734 sqm.

NO NEW OFFICE SUPPLY SCHEDULED BEFORE 2030

The completion of 15 Khartoum Road in H1 2026 marked the delivery of stage one of M_Park, bringing a total of 37,000 sqm of prime office space across the three buildings to the market since 2023. At the same time, 1-5 Khartoum Road (5,000 sqm) was withdrawn from the market to facilitate stage two of M_Park, which has approval for a data centre.

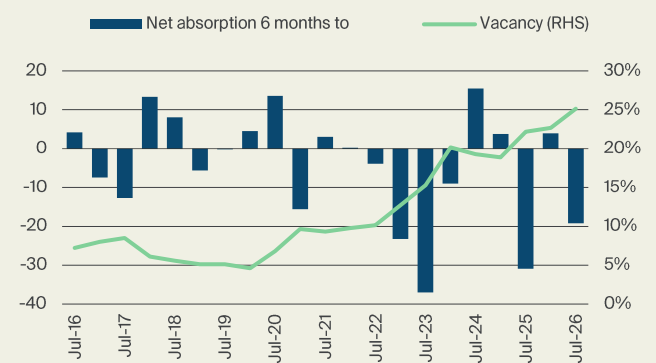
Looking ahead, no further office developments are scheduled for delivery before 2030. The limited pipeline will aid the absorption of existing availability and gradually reduce vacancy levels over the medium term.

FACE RENTS RISE

The delivery of new prime stock supported rental growth over the year to July 2026, with average prime rents increasing by 5.3% to \$495/sqm (\$630/sqm gross face). This represented the strongest face rental growth among Sydney's suburban office markets. In comparison, secondary net face rents recorded modest growth of 1.9%, to average \$400/sqm (\$530/sqm gross face).

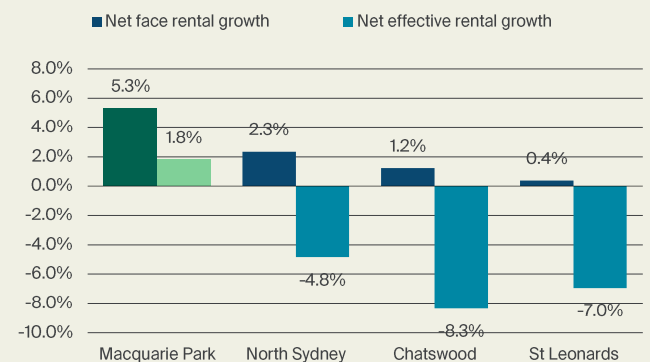
Reflecting elevated vacancy levels, average incentives increased from 41% to 42% in the first half of the year. Despite this upward pressure on incentives, strong face rental growth led to a 1.8% increase in net effective rents over the year, measuring \$287/sqm. Notably, Macquarie Park was the only suburban office market to record positive net effective rental growth over the year.

Macquarie Park vacancy and net absorption
'000sqm (LHS), %(RHS)



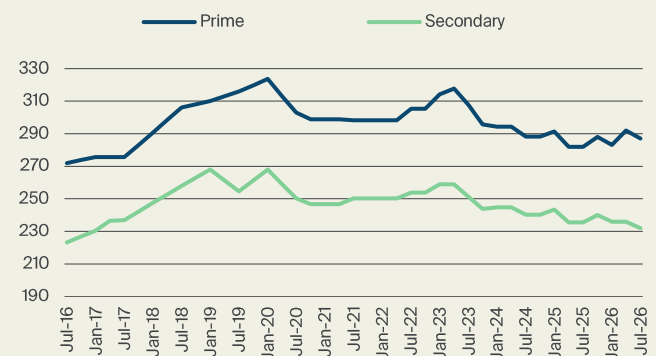
Source: Knight Frank Research, PCA

North Shore office annual rental growth
%



Source: Knight Frank Research

Macquarie Park net effective rents
Average rent by grade, \$/sqm



Source: Knight Frank Research

St Leonards

VACANCY TIGHTENS SLIGHTLY

St Leonards' overall vacancy has tightened slightly, following its peak of 29.3% in January 2025. Vacancy declined to 28.0% in July 2026, supported by positive net absorption of 2,857 sqm over H1 2026.

Vacancy tightened across both prime and secondary markets. Over the six months to July 2026, prime vacancy decreased from 23.4% to 22.6%, underpinned by positive net absorption of 1,066 sqm. Secondary vacancy declined from 32.8% to 31.5%, with positive net absorption of 1,791 sqm.

CROWS NEST METRO STATION DRIVING TRANSFORMATION

With no new developments since 2024 and several buildings withdrawn from the market for alternative uses, St Leonards is well positioned to absorb current availability. Improved connectivity from Crows Nest Metro Station is also supporting the precinct's transformation, encouraging the redevelopment of underperforming office assets. During H1 2026, 111-115 Chandos St, Crows Nest was withdrawn for residential development. This follows the withdrawal of 46-50 Nicholson St, Crows Nest for a build-to-rent project in 2025 and 33-35 Atchison St, St Leonards for apartment development in 2024.

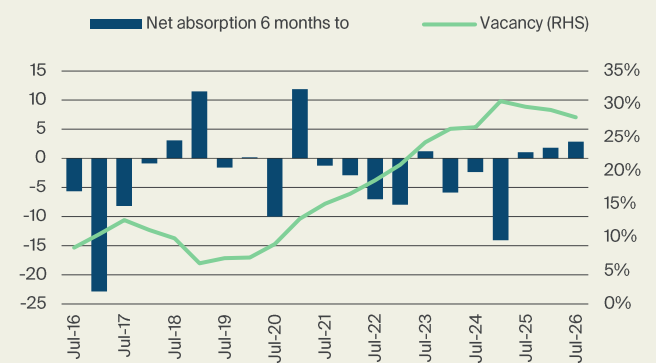
INCENTIVES REMAIN ELEVATED

Prime net face rents increased by 0.4% over the 12 months to July 2026, averaging \$671/sqm (\$821/sqm gross face). In contrast, secondary face rents have remained unchanged at \$573/sqm (\$701 gross face) since 2023. Incentives continued to rise over the period, reaching 44% in July 2026.

Recent stock withdrawals have encouraged occupiers in secondary buildings to upgrade into higher-quality space, reinforcing the divergence between the prime and secondary markets.

St Leonards vacancy and net absorption

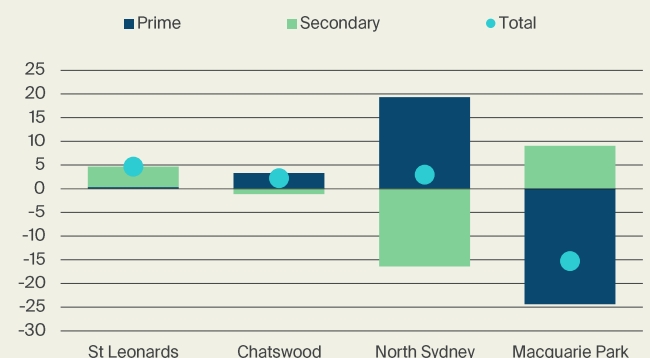
'000sqm (LHS), %(RHS)



Source: Knight Frank Research, PCA

North Shore office net absorption

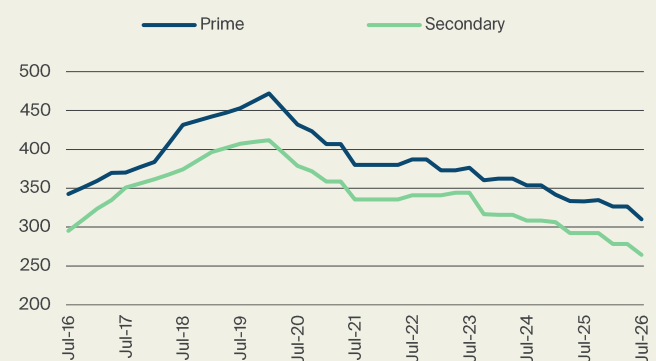
By market, '000sqm, 12 months net absorption to July 2026



Source: Knight Frank Research, PCA

St Leonards net effective rents

Average rent by grade, \$/sqm



Source: Knight Frank Research

Chatswood

LOWEST OVERALL VACANCY AMONGST SYDNEY'S SUBURBAN MARKETS

Overall vacancy in Chatswood rose modestly from 18.5% to 19.4% over the six months to July 2026, although it remains the lowest among suburban markets. The increase was driven by the negative net absorption of 2,398 sqm in H1 2026, partially offsetting the strong occupier demand recorded in H2 2025. As a result, annual net absorption remained positive at 2,264 sqm.

The increase in overall vacancy was largely driven by the secondary market, with negative net absorption of 2,305 recorded over the six months to July 2026. In contrast, prime vacancy remained steady at 28.4%.

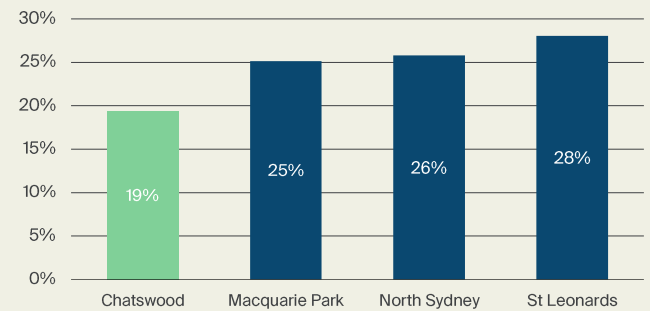
EFFECTIVE RENTS UNDER PRESSURE

On an annual basis to July 2026, prime net face rents increased by 1.2% to \$655/sqm (\$802/sqm gross face), while secondary net face rent averaged \$543/sqm (\$682/sqm gross face). Incentives continued to increase, now averaging 44%, resulting in an 8% decline in net effective rents over the year. This suggests landlords continue to prioritise occupancy and tenant retention through incentives.

While Chatswood continues to record the lowest vacancy amongst suburban office markets, competition from North Sydney and Macquarie Park has intensified following recent supply additions and elevated vacancy in those markets. As a result, tenants have greater relocation and upgrade opportunities, which have placed upward pressure on incentives and limited rental growth in Chatswood.

North Shore office vacancy

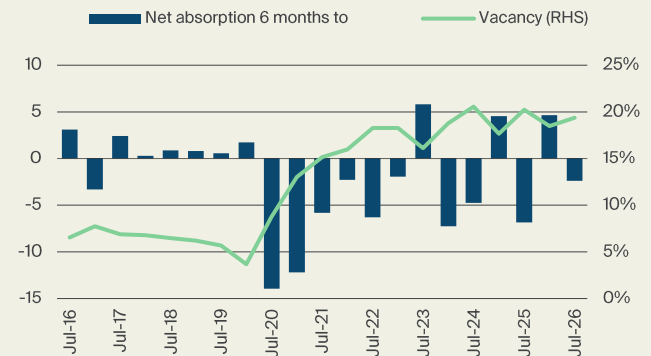
Overall vacancy, %



Source: Knight Frank Research, PCA

Chatswood vacancy and net absorption

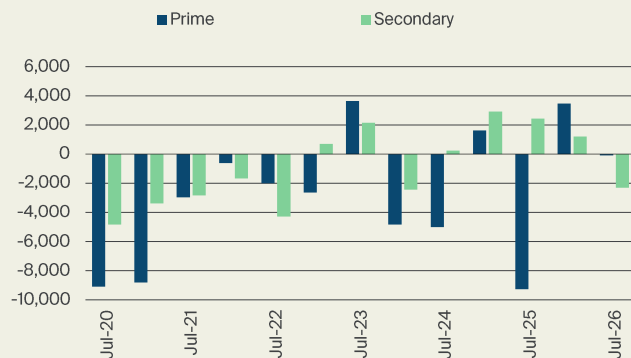
'000sqm (LHS), %(RHS)



Source: Knight Frank Research, PCA

Chatswood net absorption

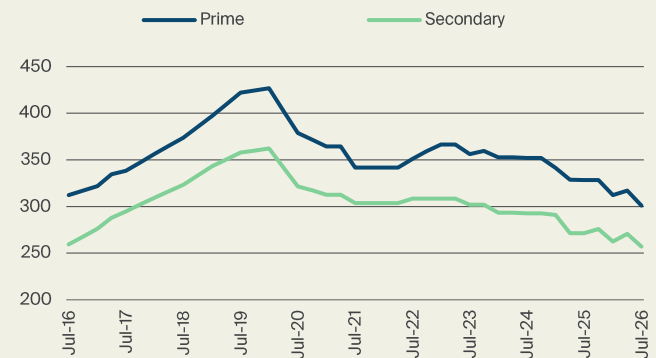
By grade, 6 months net absorption, sqm



Source: Knight Frank Research, PCA

Chatswood net effective rents

Average rent by grade, \$/sqm



Source: Knight Frank Research

North Shore investment

INCREASING INVESTMENT ACTIVITY

Transactional activity has been picked up in H1 2026 as institutional investors continued to optimize and recycle assets across their portfolios. The largest transaction was the acquisition of 100 Mount St, North Sydney by Investa on behalf of BGO and Cliffbrook Capital for \$590 million from Dexus, reflecting a core market yield of 6.9%. Meanwhile, Oxford properties sold 105-153 Miller St, North Sydney to Wentworth Capital for \$105 million.

In Macquarie Park, Stockland sold 16-20 Giffnock Ave to Sonic Healthcare, which has subsequently submitted a rezoning application to MU1 Mixed Use. The transaction highlights the potential for alternative-use opportunities within established office markets.

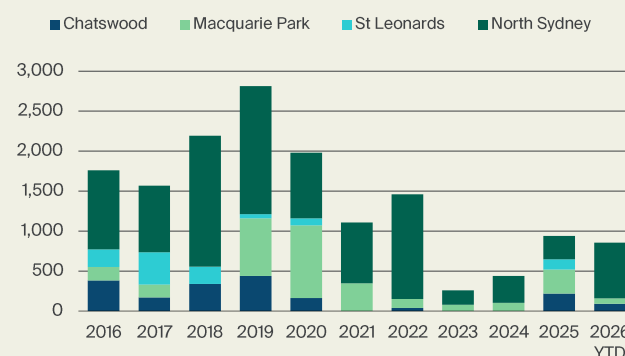
STABLE YIELDS ACROSS NORTH SHORE

Yields remained stable across North Shore markets in H1 2026. In North Sydney, prime yields averaged 7.5%. Since the softening cycle commenced in mid-2021, prime yields have softened by 271 bps and secondary yields have expanded by 307 bps. The spread between North Sydney prime yields and the Sydney CBD now stands at 180 bps, the highest on record. Across the broader North Shore markets, prime yields range between 8.0% to 8.5%, while secondary yields range from 8.0% to 8.75%.

North Sydney continues to present a compelling investment proposition, supported by improving leasing fundamentals, enhanced connectivity and a material yield discount relative to the Sydney CBD core market. Looking ahead, improving occupier demand and limited future supply are expected to support investor sentiment and transactional activity.

North Shore office sales \$10m+

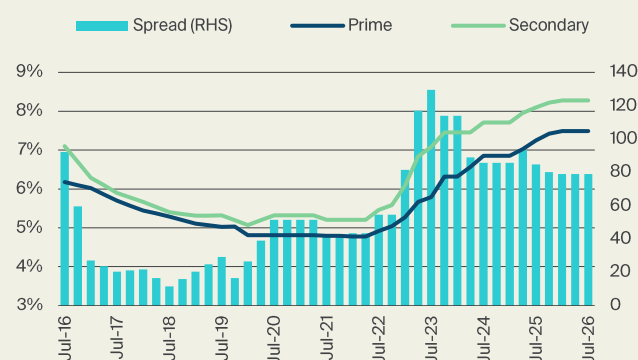
By precinct (\$m), 2016 to 2026 YTD



Source: Knight Frank Research

North Sydney office yields

Prime v Secondary



Source: Knight Frank Research

Recent significant sales

Property	Price \$ m	Core Market Yield %	NLA sqm	\$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
100 Mount St, North Sydney	590.0	6.9	41,976	14,056	3.3	Investa Property Group	Dexus Wholesale Property Fund	Q1-26
105-153 Miller St, North Sydney	105.0	N/A	26,979	3,892	N/A	Wentworth Capital	Oxford Properties	Q1-26
9 Help St, Chatswood	90.0	6.5	9,394	9,581	1.6	Howard Lin	Centuria Office REIT	Q2-26

Source: Knight Frank Research/RCA

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Face Rent \$/sqm	Incentive %	Start Date
Penguin Random House ~	100 Pacific Highway	North Sydney	1,807	935	U/D	Q1-26
Ingram Micro ~	40 Mount St	North Sydney	1,728	1,020	42%	Q3-26
First Data Resources ~	100 Mount St	North Sydney	2,600	1,300	31%	Q3-26
City of Ryde ~	118 Talavera Rd	Macquarie Park	5,350	465	U/D	Q4-26
Edward Life Science ~	1 Giffnock Ave	Macquarie Park	1,580	540	46%	Q4-26

Pre-commitment ^ Sublease ~ Direct * Renewal (g) gross face
Source: Knight Frank Research

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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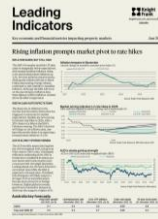
Recent Research



Sydney CBD Office
State of the Market



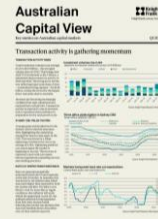
Sydney Industrial
State of the Market



Leading Indicators



Sydney CBD Economic Rents
Reach Their Peak



Australian Capital View



The Co-Living Report