Australian Office Indicators

Knight Frank

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Key leasing and capital markets metrics across the Australian office market

Q3 2026

Strong prime rent growth in Sydney and Brisbane CBD

CBDS DRIVE RENT PRIME GROWTH

Annual net effective rent growth has continued to accelerate and broaden in Q3. This is largely driven by strong net face rent growth, but falling incentives have boosted growth in Brisbane, Sydney and Perth. Over the year to Q3 2026, Brisbane (18.5%) has seen the largest growth in net effective rents, followed by Sydney (13.6%), Perth (5.2%), and Melbourne (4.5%). Annual net effective rent growth is now above the 10-year average in all CBD markets.

RENT GROWTH HIGHEST IN PREMIUM BUILDINGS IN CORE LOCATIONS

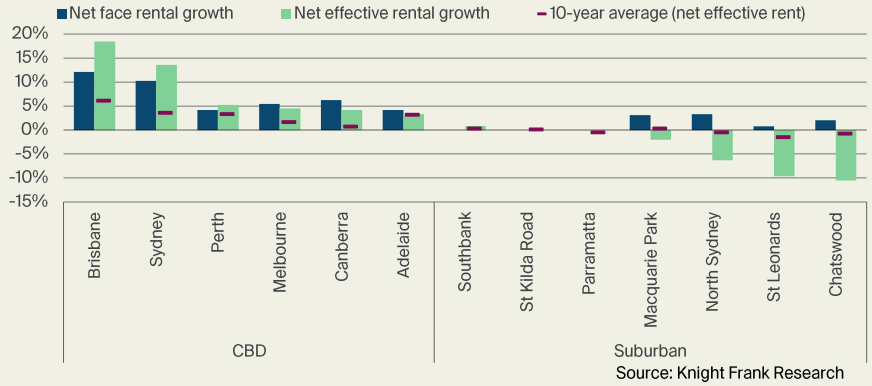
Rent growth across most capital cities continues to be driven by the highest quality and best located buildings. Across Australian CBDs, average premium net effective rents have risen by 10.6% over the past year, while average A-grade rents have risen by 6.0%. However, beneath these grade-level aggregates there is a relatively large divergence in performance, largely attributable to the differences in location. Buildings in core precincts continue to perform well. But rent growth is also expanding beyond core precincts. Rent growth is accelerating in Barangaroo and the Western Corridor in Sydney CBD, and the West in Melbourne CBD.

PRIME YIELDS RISE

Average prime CBD yields rose in Q3 2026 reflecting a softer investment demand. Yields remained steady in Sydney CBD and Brisbane CBD as robust rent growth supports investor confidence. However, yields softened further in Melbourne (+5bps), Adelaide (+13bps) and Perth (+3bps) with upward pressure from higher borrowing rates and lower rent growth. A substantial volume of office stock has been brought to market in recent months, which may place upward pressure on yields.

Strong rent growth in several CBDs

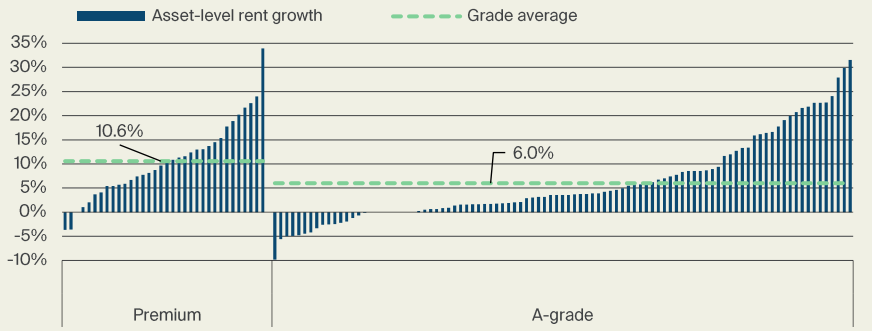
Annual net face rental growth & net effective rental growth, Q3 2026 (%)



Source: Knight Frank Research

Premium assets lead rent growth

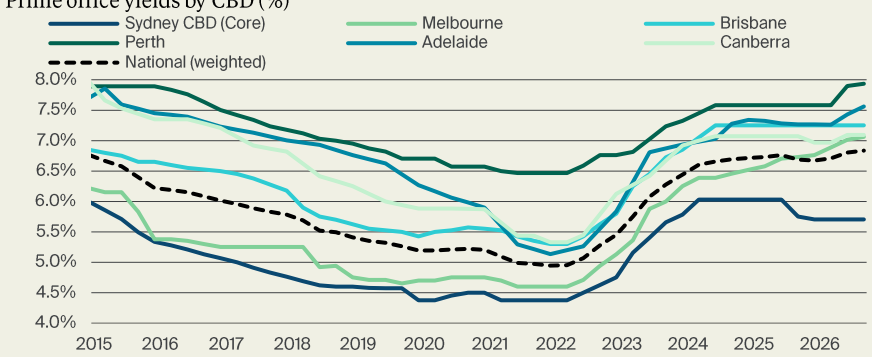
Annual net effective rent growth by asset and grade for Australian CBD office, broad sample of 34 premium and 97 A-grade buildings (%)



Source: Knight Frank Research

Prime office yields rise, Sydney and Brisbane yields hold steady

Prime office yields by CBD (%)



Source: Knight Frank Research

Key data points

Prime market averages – Q3 2026

	Net face rent ($/sqm)	Growth (q/q, %)	Growth (y/y, %)	Incentives (%)	Net effective rent ($/sqm)	Growth (q/q, %)	Growth (y/y, %)	Yield (%)	Overall vacancy (H1, PCA, %)
CBDs									
Sydney	1,511	2.8	10.2	34.9 (g)	892	3.1	13.6	5.70	13.8
Melbourne	797	3.1	5.5	48.2 (n)	413	2.9	4.5	7.06	19.0
Brisbane	963	6.9	12.1	36 (g)	539	11.4	18.5	7.25	11.8
Perth	761	1.6	4.2	46.6 (n)	407	2.6	5.2	7.93	16.9
Adelaide	592	0.3	4.2	34.3 (g)	335	-0.8	3.3	7.56	15.5
Canberra	491	0.0	6.2	29.3 (g)	311	0.0	4.2	7.09	10.2
Suburban									
North Sydney	976	2.6	3.3	43.4 (g)	471	-0.2	-6.3	7.49	25.9
St Leonards	676	0.7	0.7	45 (g)	302	-2.4	-9.6	8.13	29.1
Chatswood	660	0.8	2.0	45 (g)	294	-2.4	-10.5	8.15	18.5
Macquarie Park	495	0.0	3.1	43 (g)	282	-1.7	-2.0	8.00	24.0
Parramatta	575	0.0	0.0	38.4 (g)	355	2.7	0.0	8.13	22.1
Southbank	692	0.0	0.0	47.5 (g)	363	0.0	0.8	7.50	15.0
St Kilda Road	534	0.0	0.0	50 (g)	267	0.0	0.0	8.31	31.6

Recent transactions

Market	Property	Price (A$m)	Size (NLA sqm)	Purchaser	Vendor	Core market Yield (%)	WALE
Sydney CBD	100 Market St (50%)	225.9	28,339	Aware Super	Link REIT	6.6	5.5
Sydney CBD	World Square, 680 George St & 50 Goulburn St (50%)	454.4*	13,411	Centuria Capital Group	Brookfield Properties	7.5	3.2
Macquarie Park/ North Ryde	60-66 Waterloo Rd	108.0	17,407	Lendlease JV Warburg Pincus	Stockland	8.1	
Melbourne CBD	171 Collins St (50%)	c334.0	33,128	Mirvac	Cbus	c6.1	5.0
Brisbane CBD	480 Queen St^	700.0*	56,800	Barings	Dexus/DWPF	6.8	3.8
Brisbane CBD	66 Eagle St	380.0*	32,000	GPT Value Add Partnership	DEKA	c6.75	3.8
Brisbane CBD	123 Albert St	464.0**	39,324	BGO JV Investa	Dexus	7.0	5.1
Brisbane Fringe	275 Grey St	255.0	27,765	LDR Capital	Union Investment	7.9	8.1

* Gross price. ** Assumed price. ^ Exchanged awaiting FIRB settlement scheduled for 1 December 2026.
VP = Vacant Possession

Source: Knight Frank Research, RCA

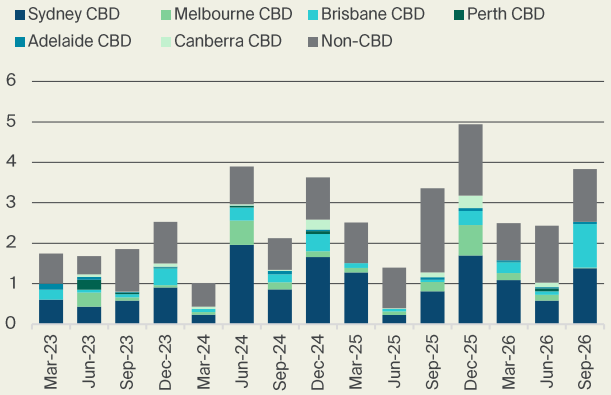
Transaction activity rises

Transaction activity rises with many more assets now coming to market

- Office investment activity rose in Q3 2026 with $3.8 billion of closed transactions. Activity was concentrated in Sydney CBD and Brisbane CBD. Significant sales included BGO JV Investa buying 123 Albert St ($464 million) from Dexus, GIC buying 1 Market St for $450 million from Investa, 50% of 680 George St which Centuria bought for $415.5 million from Brookfield AM, Aware Super buying a 50% of 100 Market St from Link REIT for $225.9 million, and GPT buying Central Plaza Two for $380 million from DEKA.
- Activity remained strong in non-CBD markets with $1.1 billion transacted including Lederer Group buying 275 Grey St for $255 million from Union Investment, and OneEast Capital JV OSK Capital buying the Royal Domain Centre on St Kilda Rd for $141 million from Mirvac. Around $1.3 billion of office transactions remain pending for Q3 including the delayed settlement of 480 Queen St ($657 million), as well as 88 Christie St ($170 million), and 101 George St ($145 million).
- Average prime CBD yields rose in Q3 2026 reflecting softer investment demand. Yields remained steady in Sydney CBD and Brisbane CBD as robust rent growth supports increased investor confidence. However, yields softened further in Melbourne (+5bps), Adelaide (+13bps) and Perth (+3bps) with upward pressure from higher borrowing rates and lower rent growth.
- A substantial volume of office stock has been brought to market in recent months, which may place upward pressure on yields. In Sydney alone, more than $3 billion of CBD assets and nearly $4 billion in non-CBD office are currently being marketed. However, an emerging gap between buyer and vendor pricing expectations may weigh on transaction activity over the remainder of 2026.

Office investment higher in Q3

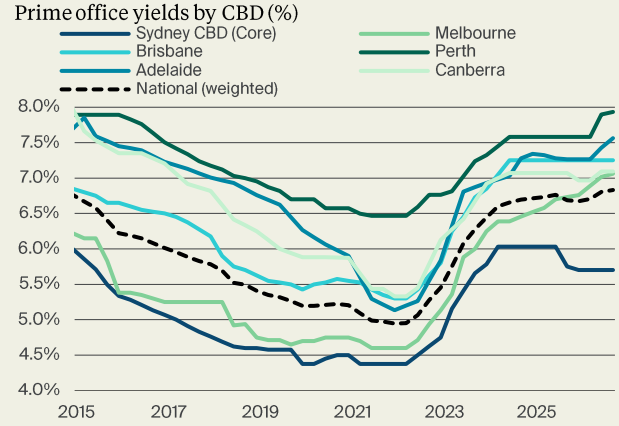
Office investment volumes by location (AUD billions)



Source: Knight Frank Research, RCA

Yields rise in Melbourne, Adelaide and Perth

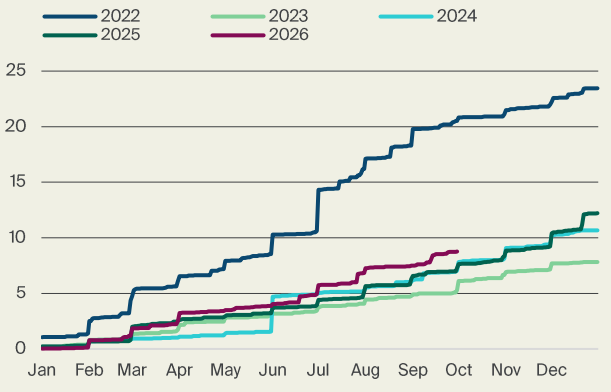
Prime office yields by CBD (%)



Source: Knight Frank Research

Strongest transaction activity since 2022

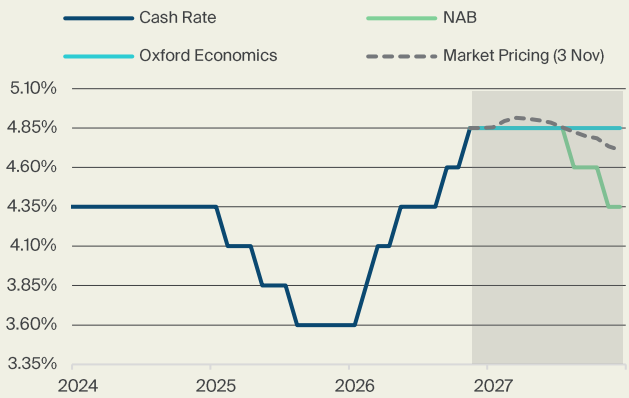
Daily cumulative transaction volume by year (AUD billions)



Source: Knight Frank Research, RCA

RBA raises the cash rate in November

Cash rate - historical, market pricing and forecasts by source (%)



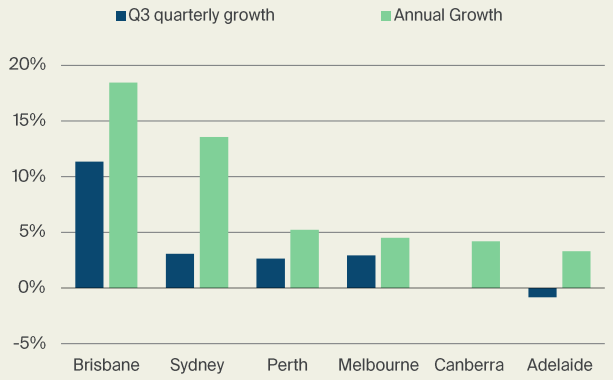
Source: Knight Frank Research, ASX, RBA, NAB, Oxford Economics

Strong effective rent growth

Rent growth is expanding beyond core precincts within CBDs

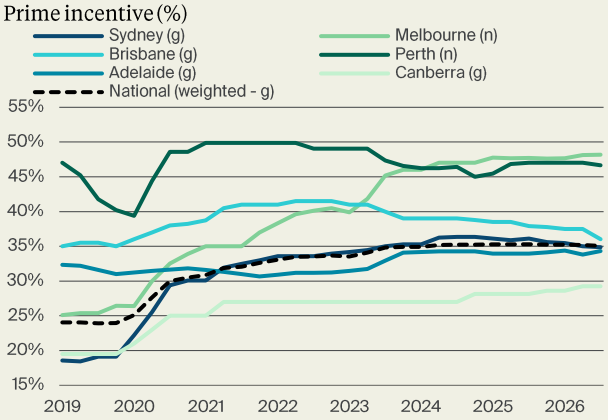
- Average prime net face rents continued to rise in most CBDs in Q3, with strong growth led by Brisbane (6.9%), followed by Melbourne (3.1%), Sydney (2.8%), and Perth (1.6%). Rents remained stable in Q3 in Adelaide (0.3%) and Canberra (0%).
- CBD incentives were mixed across the CBDs in Q3. Prime incentives fell by 0.1% in Sydney (34.9%, gross), 1.5% in Brisbane (36.0%, gross), and 0.4% in Perth (46.6%, net). Prime incentives rose in Melbourne rose by 0.4% to 48.2% (net), and by 0.5% in Adelaide.
- Net effective rent growth remains high with annual growth rates above the 10-year average in all cities. This is largely driven by strong net face rent growth, but falling incentives have boosted growth in Brisbane, Sydney and Perth. Annual prime net effective rent growth is particularly strong in Brisbane CBD (18.5%) and Sydney CBD (13.6%).
- Rent growth across most capital cities continues to be driven by the highest quality and best located buildings. Across Australian CBDs, average premium net effective rents have risen by 10.6% over the past year, while average A-grade rents have risen by 6.0%. Rent growth is also expanding beyond core precincts to Barangaroo/Western Corridor in Sydney and North Eastern Melbourne.
- Looking forward, rising tenant demand and declining levels of new development – particularly of new premium buildings – will continue driving prime rental growth and lower vacancy rates over the medium term. Economic rents remain well-above expected market rents, making the construction of new office towers largely unviable, concentrating tenant demand into existing buildings.

Strong rent growth in several CBDs
Quarterly and annual net effective rental growth (%)



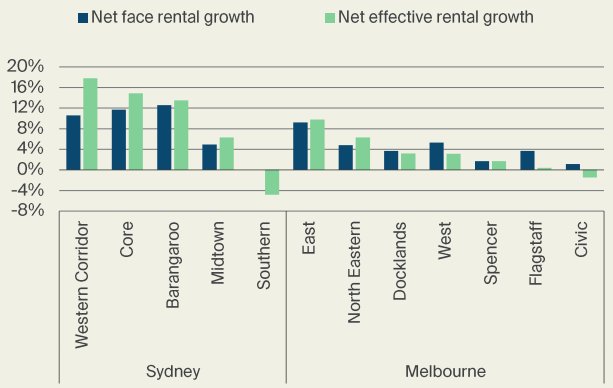
Source: Knight Frank Research

Prime incentives hold steady
Prime incentive (%)



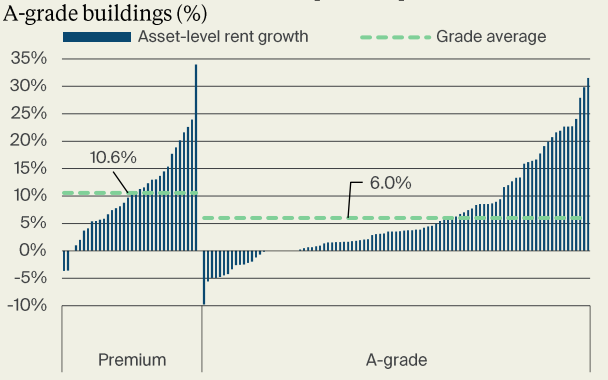
Source: Knight Frank Research

Rent growthis improving outside the core
Net face renal growth vs net effective rental growth (% y/y)



Source: Knight Frank Research

Premium assets lead rent growth
Annual net effective rent growth by asset and grade for Australian CBD office, broad sample of 34 premium and 97 A-grade buildings (%)



Source: Knight Frank Research

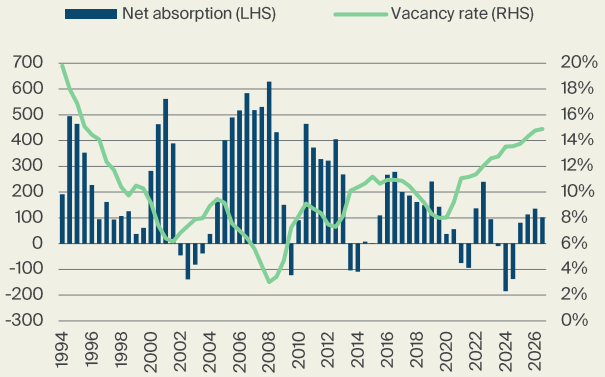
Positive absorption continues

Demand strongest for high quality CBD assets in Sydney, Brisbane, and Perth

- In H1 2026 there was positive net absorption of 29,981 sqm across the Australian CBD markets, which saw net absorption for the past 12 months fall to 101,522 sqm. Net absorption rose across all other CBD markets reflecting growing demand for office space — this rise was particularly strong in Brisbane CBD and Perth CBD and was driven by demand for high quality space.
- All CBDs except Canberra recorded positive absorption over the last 12 months, driven by a slowing supply pipeline and increased tenant demand. Tenants seeking high-end contiguous space are increasingly aware of the looming shortage of new stock. This is bringing forward tenant demand as they look to secure new space well-ahead of their current lease expiry.
- The 'best and the rest' thematic continues to prevail with tenant demand strongest for premium and A-grade buildings. Tenants are focused on high quality, well-located premises that have the best amenity for employees, if not on the doorstep, then immediately adjacent in the precinct.
- The clear divergence in performance by location also persists, particularly in Sydney and Melbourne where the core CBD and Eastern Core precincts have been outperforming for some time. However, positive absorption has now spread to neighbouring markets including Sydney's Western Corridor and Melbourne's Civic and North Eastern precincts.

CBD net absorption remains robust

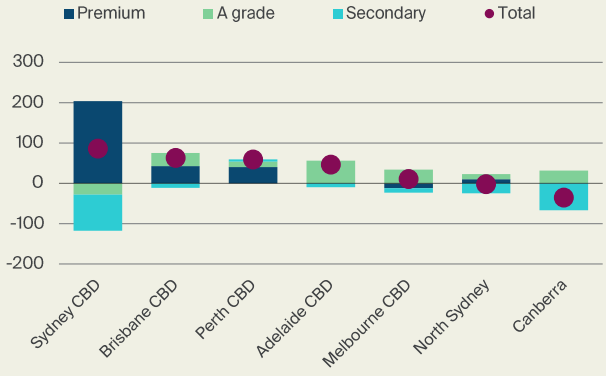
12 months net absorption ('000sqm), vacancy rate (%)



Source: Knight Frank Research, PCA

Strong demand for high-quality space

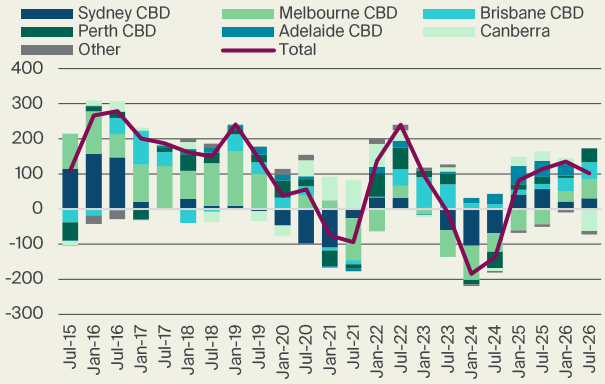
Net absorption by grade over past 2 years to Jul-26 ('000sqm)



Source: Knight Frank Research, PCA

Rising net absorption across most CBDs

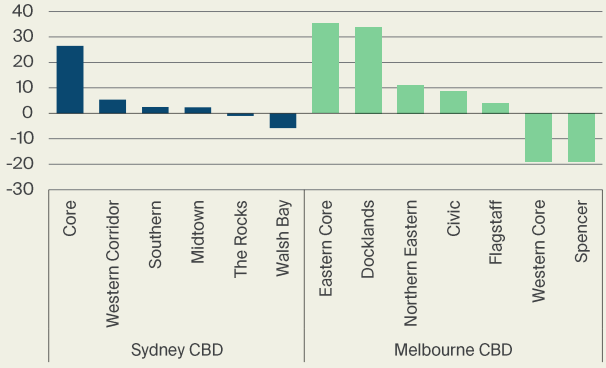
Rolling 12-month CBD net absorption by city ('000 sqm)



Source: Knight Frank Research, PCA

Positive demand in most precincts

Net absorption in 12-months to Jul-26, ('000 sqm)



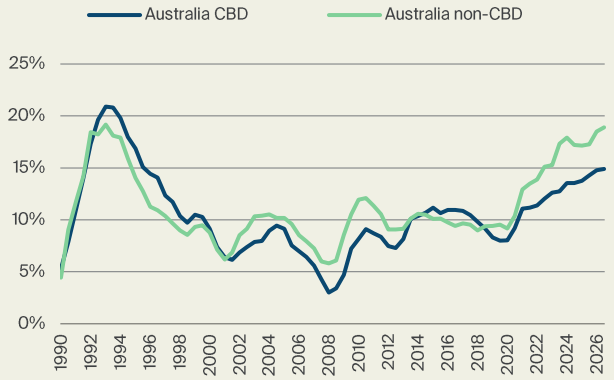
Source: Knight Frank Research, PCA

Vacancy stabilising

CBD vacancy stabilising in some markets, but the pipeline is thinning out

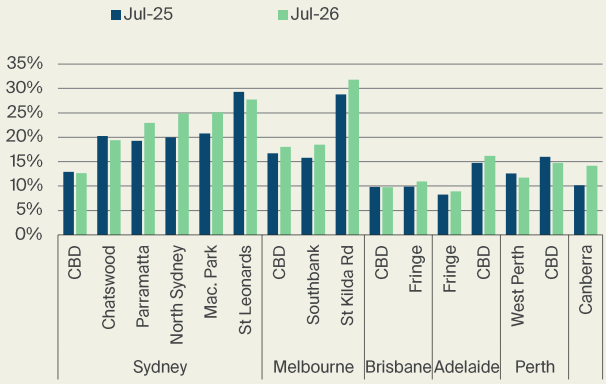
- Across the Australian CBDs, the vacancy rate rose by 0.1% to 14.9% in H1 2026. Vacancy rates in non-CBD markets continue to lag CBD markets with the average vacancy rate rising 0.4% to 18.9%. A significantly thinner supply pipeline in 2026 and 2027 is expected to see the CBD vacancy rate fall over the next 12 months.
- Brisbane and Sydney have the lowest vacancy rates amongst the CBDs at 10.2% and 13.3% respectively, whilst Melbourne and Adelaide are significantly higher at 18.9% and 16.3%, respectively. Perth has seen the vacancy rate fall to 15.4%, while the vacancy rate in Canberra rose from 10.2% to 14.7% in H1 because of the completion of 15 Sydney Avenue and 60 Constitution Avenue.
- Over the next five years, the development pipeline in major CBDs is forecast to average around 145,000 sqm of new supply per year – over almost 70% below the 10-year average. This compares to 440,000 sqm delivered on average per year over the past 10 years.
- The conflict in the Middle East has brought renewed inflationary pressures in the construction industry as well as greater uncertainty over the outlook for interest rates and yields. This will likely contribute to delaying new developments — which has already been seen with several developments being pushed back beyond 2030 — and add to the constraints on future supply. Tightening in supply is expected to support a stronger leasing market prime rental growth over the coming years.

Vacancy continues to rise
Total vacancy rate (%)



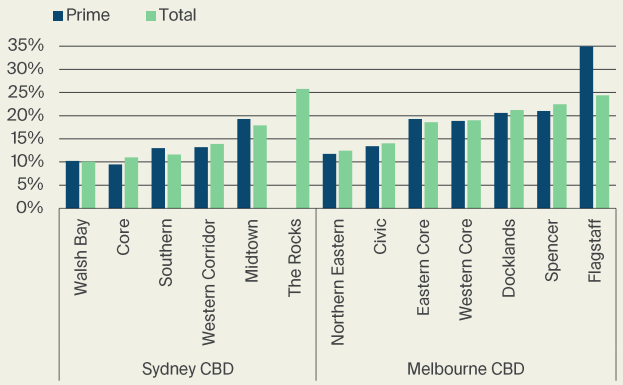
Source: Knight Frank Research, PCA

Vacancy rates mixed across markets
Total vacancy by market, Jul-25 vs Jul-26 (%)



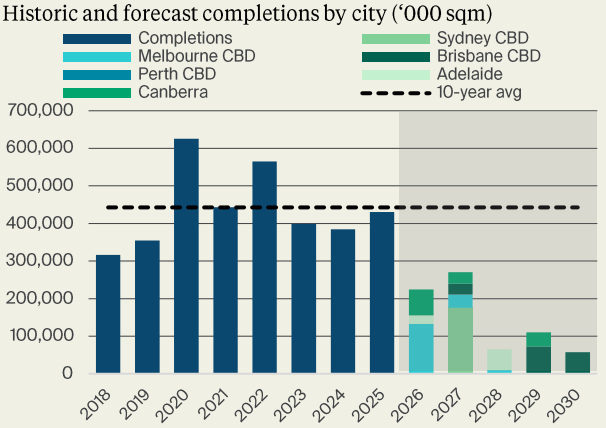
Source: Knight Frank Research, PCA

Vacancy rates lower in preferred precincts
Vacancy at Jul-26 (%)



Source: Knight Frank Research, PCA

CBD office supply to tighten
Historic and forecast completions by city ('000 sqm)



Source: Knight Frank Research, PCA

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