Melbourne CBD Office State of the Market

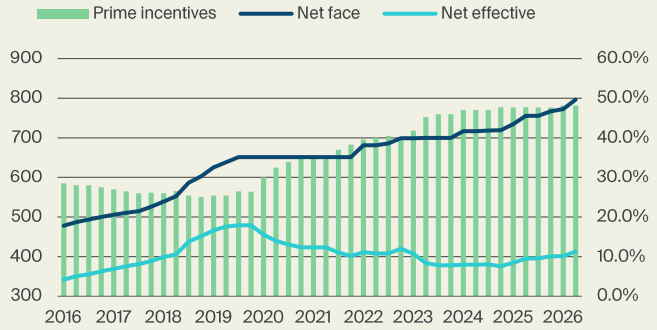
Tenant activity remains buoyant, with other metrics stabilising

Q3 2026

- Lease enquiries look set for a bumper year, at 239 to end of Q3 they are just 9 off 2025's total.
- Incentives were virtually flat at 48.2%; consequently, prime net effective rents rose 2.9% as face rents rose 3.1%.
- The State Library (OSD) has been added to the pipeline but is fully committed to RMIT.
- Prime yields dropped a further 4bps to 7.06% increasing the record spread over Sydney to 136bps.
- Capital values are stable; prime +0.5% y/y and secondary +0.3% y/y but down 20 and 31% respectively over 5 years.

Effective rents rise as incentives stabilise

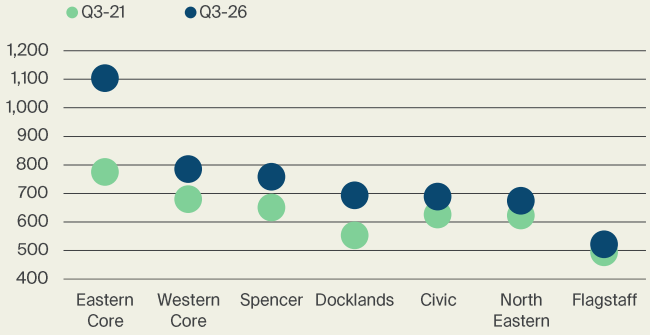
Prime rent, $/sqm (LHS), and incentives, % (RHS)



Source: Knight Frank Research

The location story - 5 year rental comparison

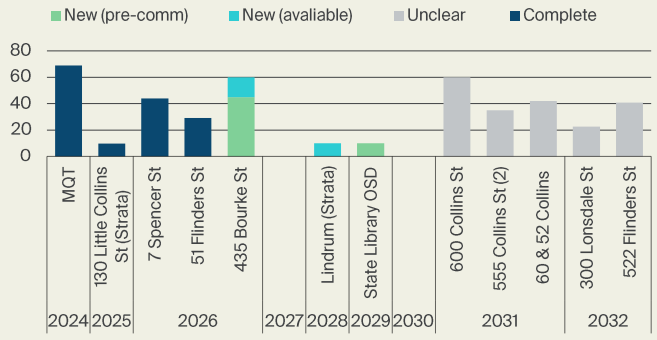
By precinct, prime net face rent ($/sqm)



Source: Knight Frank Research

Melbourne CBD new development pipeline

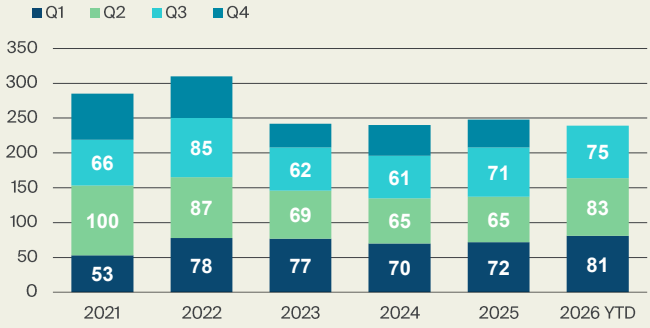
By scheme and commitment type, 000's sqm



Source: Knight Frank Research

Lease enquiries remain on track for good year

By quarter and year, number of enquiries



Source: Knight Frank Research

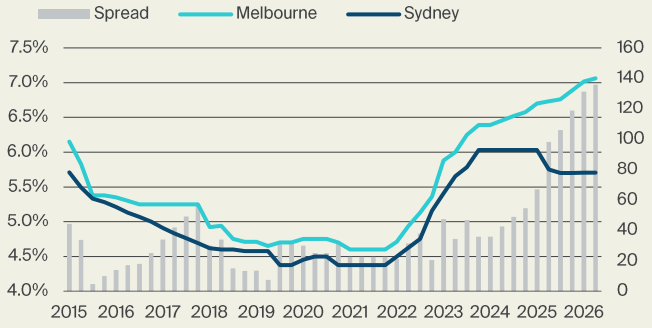
Melbourne CBD Office Market Indicators – Q3 2026

Precinct	Prime								Total Market Figures^	
	Net face rent ($/sqm)	Qtr change (%)	Annual change (%)	Net effective rent ($/sqm)	Qtr change (%)	Annual change (%)	Net incentive (%)	Core market yield (%) #	Vacancy Rate (%)	Stock (sqm)
Eastern Core	1103	3.5%	9.5%	666	3.5%	9.8%	39.7%	6.6%	18.6%	722,369
Western Core	785	4.4%	5.3%	407	3.6%	3.1%	48.1%	7.2%	19.0%	1,746,634
Civic	688	0.4%	1.1%	341	-1.0%	-1.5%	50.3%	7.2%	14.1%	525,523
Docklands	693	2.4%	3.7%	325	4.1%	3.2%	53.0%	7.1%	21.2%	1,292,205
Flagstaff	521	2.7%	3.7%	235	2.7%	0.4%	55.0%	7.9%	24.4%	281,416
Spencer	758	0.0%	1.7%	379	0.0%	1.7%	50.0%	6.8%	22.4%	288,387
North Eastern	673	3.9%	4.8%	330	3.9%	6.3%	51.0%	7.2%	12.4%	452,511
CBD	797	3.1%	5.5%	413	2.9%	4.5%	48.2%	7.1%	18.9%	5,309,045

Source: Knight Frank Research, PCA *#Assuming WALE 5 years* *^As of July 2026*
**Rental growth attributed to revisions in the basket*

Yield spread to Sydney at a historic high

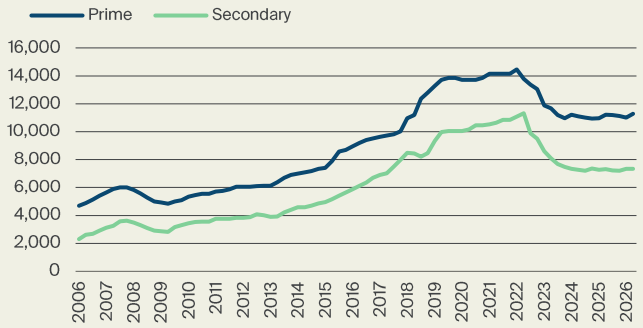
By capital city % (LHS), and spread in bps (RHS)



Source: Knight Frank Research

Capital values have stabilised

By grade, $/sqm



Source: Knight Frank Research

Recent Significant Tenant Commitments

Tenant	Property	Precinct	Lease type	Size (sqm)	Term (years)	LCD
Melbourne Archdiocese Catholic Schools	321 Exhibition St	North Eastern	New Lease	4,462	7.0	H2 2026
Commonwealth Government	Colins Square	Docklands	Renewal	22,049	10.0	H1 2027
ECLAT	120 Collins Square	Eastern Core	New Lease	3,800	10.0	H2 2027
Services Australia	180 Lonsdale St	Civic	Renewal	9,000	3.0	H2 2029
Services Australia	222 Lonsdale St	Civic	New Lease	3,900	7.0	H2 2029

Source: Knight Frank Research

Recent Significant Institutional Sales

Property	Interest (%)	Price ($m)	NLA (sqm)	Cap Value ($/sqm)	Yield (%)	WALE (years)	Purchaser	Vendor	Sale date
171 Collins St	50.0%	334.0c	33,128	20,164c	6.1c	5.0	Mirvac	CBUS	Oct-26
459 Little Collins St	100%	36.0	9,851	3,654	8.9	0.9	Private Investor	Lendlease	Jul-26
31 Queen St	100%	167.0	19,132	8,729	7.2	2.5	Bayley Stuart	AEW Capital	Mar-26

c = circa

Source: Knight Frank Research

Development / Refurbishment Pipeline

Property	Grade	Type	NLA (sqm)	Pre-commit (%)	Main Tenant	Status	Completion
435 Bourke St	Premium	New Development	60,000	74.0	CBA / UniSuper	U/C	H2 2026
720 Bourke St^	A-Grade	Partial Refurb	27,000	100.0	Coles	U/C	H2 2027
Lindrum (Strata)	Premium	New Development	10,000	0.0	Strata	U/C	H1 2028
800 Bourke St	A-Grade	Full Refurb	35,000	0.0	None	U/C	H2 2028
State Library (OSD)	A-Grade	New Development	10,000	100.0	RMIT	U/C	H2 2029
600 Collins St	Premium	New Development	60,000	0.0	None	DA Approved	TBC

^ Total NLA 48,144 sqm, other tenants will remain in situ whilst refurb is carried out for Coles's space

Source: Knight Frank Research



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