



# Market Pulse

Sydney CBD Office Market

Cadigal Research

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Cadigal





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# Key Data at a Glance

		Change last 12 months	Expected change next 12 months
<b>SUPPLY</b>			
<b>Total Stock<sup>1</sup></b> <i>sqm, as at Jan-26</i>	5,385,115	↑	↑
<b>Completions<sup>1</sup></b> <i>sqm, 6 months to Jan-26</i>	32,865	↓	↑
<b>Net Supply<sup>1</sup></b> <i>sqm, 6 months to Jan-26</i>	17,601	↓	↑
<b>DEMAND</b>			
<b>Net Absorption<sup>1</sup></b> <i>sqm, 6 months to Jan-26</i>	11,359	↓	↑
<b>Tenant Enquiry<sup>2</sup></b> <i>sqm, as at Dec-25</i>	395,688	↑	↔
<b>VACANCY</b>			
<b>Vacancy Rate<sup>1</sup></b> <i>%, as at Jan-26</i>	13.8	↑	↔
<b>Sublease Availability<sup>2</sup></b> <i>sqm (% of total stock) as at Dec-25</i>	43,879 (0.8%)	↓	↔
<b>RENTS</b>			
<b>Net (Gross) Face Rents<sup>2</sup></b> <i>\$/sqm average, as at Dec-25</i>			
Premium	1,632N (1,897G)	↑	↑
A Grade	1,238N (1,470G)	↑	↑
B Grade	1,004N (1,220G)	↑	↑
<b>Incentives<sup>2</sup></b> <i>(typical % range for whole-floor tenant, as at Dec-25)</i>	32 - 42.5	↑	↔

<sup>1</sup> Source: Property Council of Australia (OMR Jan-26)

<sup>2</sup> Source: Cadigal



## In Summary

Three projects totalling 171,229sqm (3.2% of total CBD stock) are under construction and due to be delivered by end-2027. No **new supply** will arrive in 2028 or 2029, with the next development likely to be the Halo project (approx. 42,000sqm) in 2030.

Positive **net absorption** was recorded over 2025, however the 21,657sqm total is just 58% of the long-term annual average. Active **tenant enquiry**, excluding Westpac's extraordinarily large requirement, continues to be weak.

The overall **vacancy rate** tracked sideways over H2 2025, with the 13.8% figure remaining the market's highest since Jan-95 (31 years).

The amount of available **sublease** space has fallen below the pre-pandemic average for the first time since Mar-20.

**Face rents** in the CBD rose 3.8%-6.2% over 2025 and slightly lower on an **effective rent** basis as **incentives** continued to trickle up, less so for Premium grade.

The **rental gap** between Premium and A grade is at near-record highs as a result of strong growth in Premium rents over the last few years. A grade rents are expected to grow relatively stronger in the near term, preventing further substantial widening of the rental gap.



Current developments under construction include (from top to bottom) **Atlassian Central**, **Chifley South** and **55 Pitt Street**.

# Supply

There is currently 5.39mil sqm of office space in the Sydney CBD, the highest total the market has seen. Whilst no major office projects (new or full refurbishments) were completed in Q4 2025 there were three supply additions over the year, beginning with **121 Castlereagh Street** (11,503sqm of office NLA) in Q1, followed by the Premium-grade **33 Alfred Street** (31,247sqm) over Q2 followed by **270 Pitt Street** (22,669sqm) in Q3.

Three major developments totaling 171,229sqm (or 3.2% of total stock) remain under construction in the CBD. These comprise **Atlassian Central** (57,500sqm NLA due Q4 2026) in the Southern precinct followed by **55 Pitt Street** (61,604sqm) and **Chifley South** (52,125sqm), both located in the Core and both expected to complete in 2027. All three projects will be Premium grade with **Atlassian Central** to be the first Premium building in the Southern precinct.

Beyond 2027, the office supply pipeline is very thin with no new supply due in 2028 or 2029. The next completion is likely to be the **Halo** office tower (approx. 42,000sqm NLA) on the corner of Pitt and Hunter Streets in the Core by **Milligan Group** and **Cbus Property**, who are targetting 2030 to deliver the project.

Only one stock withdrawal of note was recorded over 2025 with **189 Kent Street** (15,015sqm of C grade office space) permanently taken off the market during the third quarter with the site to be redeveloped as luxury apartments.

## Major Office Developments Under Construction

Project	Owner / Developer	Type	Office NLA	Precinct	Expected Completion	Comment
Atlassian Central 8-10 Lee Street	Dexus / Atlassian	New	57,500	Southern	Q4 2026	40-level hybrid timber commercial building, designed by BVN and SHoP Architects. 100% of office space pre-committed to Atlassian, with 12 floors (c. 21,400sqm) available for sub-lease.
Chifley South, 2 Chifley Square	Charter Hall / GIC	New	52,125	Core	Q2 2027	39-storey tower designed by Bates Smart to complement existing Chifley North tower. Approx. 56% pre-committed to UBS, Gilbert + Tobin and Charter Hall.
55 Pitt Street	Mitsui Fudosan / Mirvac	New	61,604	Core	Q4 2027	55-level tower designed by Woods Bagot and SHoP Architects. 42% pre-committed to MinterEllison, Baker McKenzie, Work Club Global and Aon.

# Tenant Demand

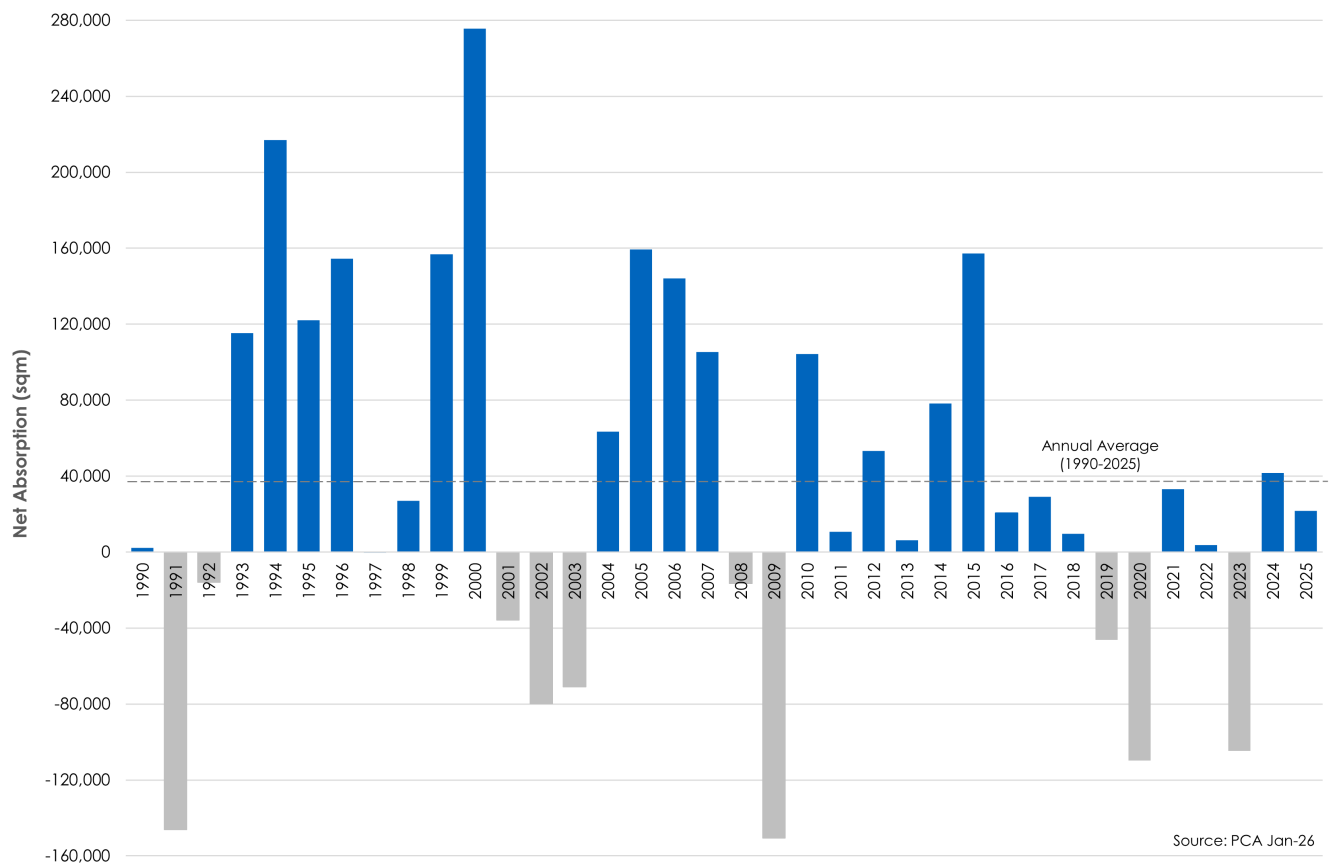
## Net Absorption

Modest, yet positive, **net absorption** of 11,359sqm was recorded over H2 2025 after an equally modest tally of 10,298sqm in H1, resulting in the 2025 total (21,657sqm) being just 58% of the long-term average (of 37,074sqm).

The **Core** (14,183sqm) and **Midtown** (5,194sqm) led the CBD *precincts* for net absorption over the last six months. But we expect **Midtown** and **Western Corridor** to outperform in coming periods as tenants seek value in precincts that have more available space.

Net absorption by *building grade* was led by **A grade** (42,189sqm last 6 months) followed by **Premium** (14,489sqm), but over a 12-month period this was reversed with **Premium** outperforming **A grade**. As a result of low vacancy and strong rental growth experienced by **Premium grade**, leading to a widening of the Premium/A grade *rental gap*, we expect more tenant demand in **A grade** compared to Premium, over the next few periods.

Annual Net Absorption - Sydney CBD 1990-2025





### Net Absorption by CBD Precinct

Precinct	6 Months to Jan-26	12 Months to Jan-26	3 Years to Jan-26	5 Years to Jan-26
City Core	14,183	14,697	76,270	177,351
Midtown	5,194	1,243	-38,026	-31,001
Western Corridor	-8,050	5,656	-64,725	-105,452
Walsh Bay / The Rocks	-1,565	-6,078	-9,482	-15,048
Southern	1,597	6,139	-5,577	-30,577
<b>Sydney CBD</b>	<b>11,359</b>	<b>21,657</b>	<b>-41,540</b>	<b>-4,727</b>

Source: PCA Jan-26

### Net Absorption by Building Grade

Buiding Grade	6 Months to Jan-26	12 Months to Jan-26	3 Years to Jan-26	5 Years to Jan-26
Premium	14,489	59,330	174,410	314,100
A Grade	42,189	31,225	-39,811	-87,961
B Grade	-15,810	-36,878	-126,473	-155,070
C Grade	-26,021	-28,687	-43,814	-66,753
D Grade	-3,488	-3,333	-5,852	-9,043
<b>Sydney CBD</b>	<b>11,359</b>	<b>21,657</b>	<b>-41,540</b>	<b>-4,727</b>

Source: PCA Jan-26

# Tenant Demand



Recent leasing activity has taken place at (clockwise from above left) **Darling Park Tower 1**, the under-construction **55 Pitt Street**, **52 Goulburn Street** and **400 George Street**.



One new tenant pre-commitment was confirmed amongst the under-construction developments with international law firm **Baker McKenzie** to relocate from Barangaroo to **55 Pitt Street** in 2028.

The largest transaction recorded over the quarter featured **John Holland** leasing three floors (5,662sqm) at **Darling Park Tower 1** for project space. Other multi-floor transactions for the quarter include **ICAC** relocating to 4,056sqm at **52 Goulburn Street** and **Databricks** committing to 2,040sqm at **400 George Street** from flex space.

Two thirds of the sample transactions took place outside of the Core, lending support to the limited availability in the precinct. The list comprises some existing CBD tenants *growing* (**ICAC, Plenti, Balmain, StateCover**) and others that *reduced* their leased footprints (**Baker McKenzie, Magellan, Nous Group**). Some tenants relocated out of flex space (**DataBricks, Heidi Health**) whilst one came from outside of the CBD (**The Travel Corporation** from Bondi Junction).

### Recent Major Lease Transactions

Tenant	Address	Precinct	Level	Area (sqm)	LCD	Type
<b>John Holland</b>	Darling Park Tower 1	Western	13-15	5,662	Jan-26	New
<b>Baker McKenzie*</b>	55 Pitt Street	Core	pt.36, 37-39	4,682	Q4 2027	Pre-commit
<b>ICAC*</b>	52 Goulburn Street	Midtown	18, pt.19	4,056	Oct-26	New
<b>DataBricks</b>	400 George Street	Midtown	pt.19, 20	2,040	Sep-26	New
<b>Humm Group</b>	255 Pitt Street	Midtown	14	1,915	TBC	New
<b>Magellan</b>	1 Martin Place	Core	21	1,664	Mar-27	New
<b>Plenti</b>	Angel Place	Core	19	1,593	Feb-27	New
<b>The Travel Corporation</b>	321 Kent Street	Western	21	1,482	Jul-26	New
<b>Balmain Group</b>	126 Phillip Street	Core	11	1,444	Jan-27	New
<b>Heidi Health</b>	420 George Street	Midtown	8	1,422	Jul-26	New
<b>StateCover Mutual</b>	580 George Street	Midtown	23	1,300	Feb-27	New
<b>Nous Group</b>	347 Kent Street	Western	19	1,209	Oct-26	New

\* Cadigal was involved in these transactions.

# Tenant Enquiry

There was 395,688sqm of active tenant enquiry for the CBD as at Dec-25, down 10% on the previous quarter. Whilst this volume of enquiry is above the 14-year average (331,467sqm), it has been propped up by an extraordinarily large **Westpac** enquiry (120,000-150,000sqm) that emerged in the Sep-24 quarter.

Without the **Westpac** requirement, overall active tenant enquiry has been weak and has remained substantially below the long-term average since Jun-24.

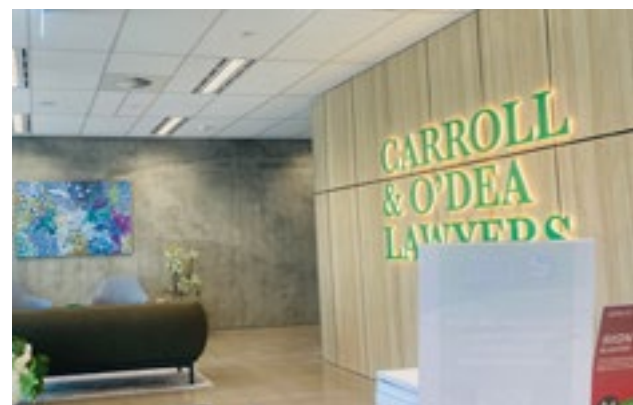
Recent examples of larger enquiries entering the market include **Mizuho Bank** (seeking 3,000-3,600sqm), insurance provider **Assetinsure** (3,000-4,000sqm), international marketing group **Dentsu** (2,000-3,000sqm) and **Carroll & O’Dea Lawyers** (2,000sqm). A lack of large (5,000sqm+) enquiry is reflected in the drop in average enquiry size (to 3,021sqm) over Q4 2025.

Total new enquiry that emerged over the 2025 year fell, compared to 2024, both by area (-23%) and number (-11%) and this was reflected in lower transaction activity over the year. Encouragingly however, new enquiry has rebounded in 2026 year-to-date, both in the number of enquiries as well as the total area sought.

## Current Tenant Enquiry by Size (Enquiries over 500sqm)

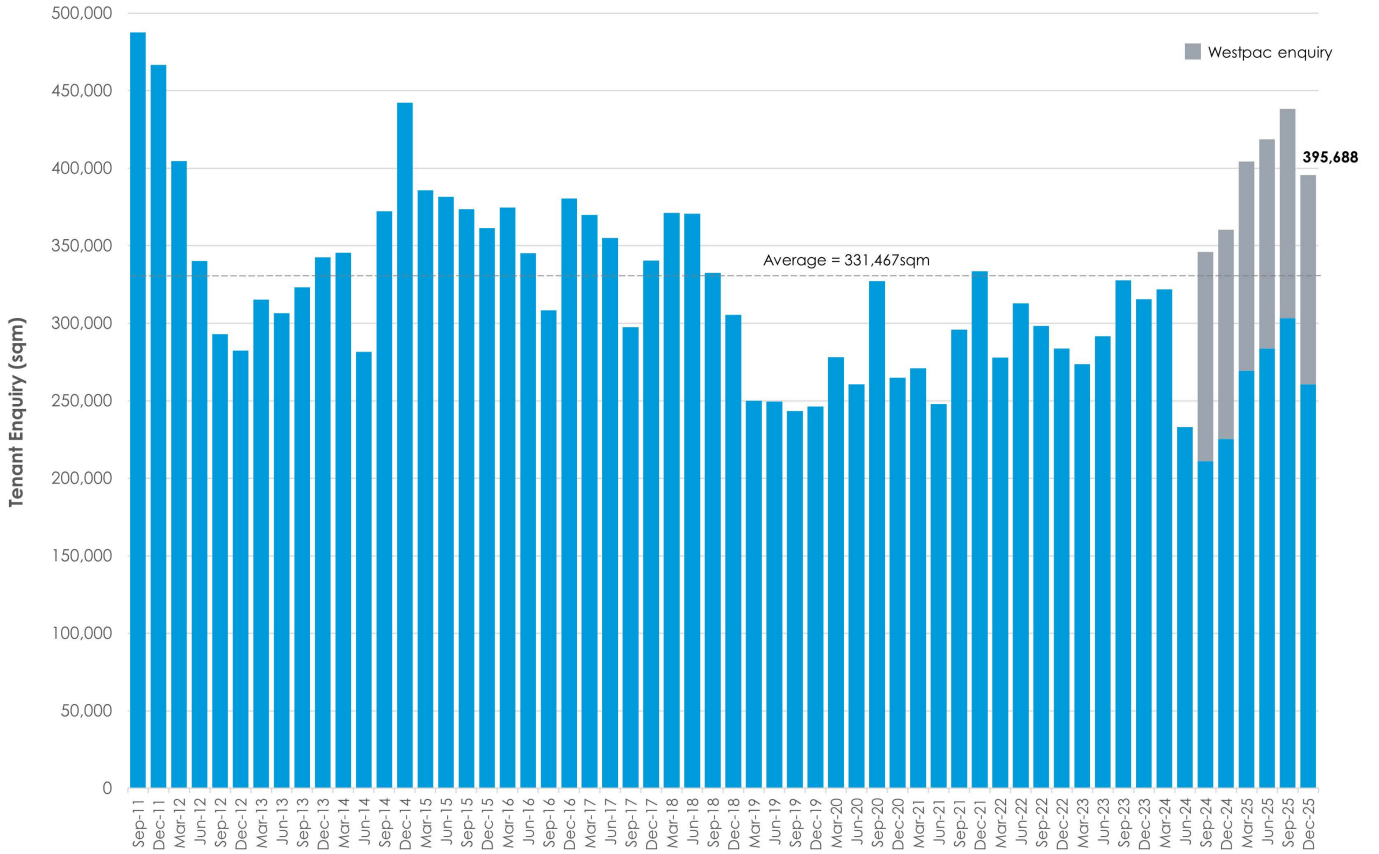
Enquiry Size	Area (sqm)	Number
3,000sqm+	263,325	19
1,000-2,999sqm	95,025	59
500-999sqm	37,338	53
<b>Total</b>	<b>395,688</b>	<b>131</b>

Data as at Dec-25

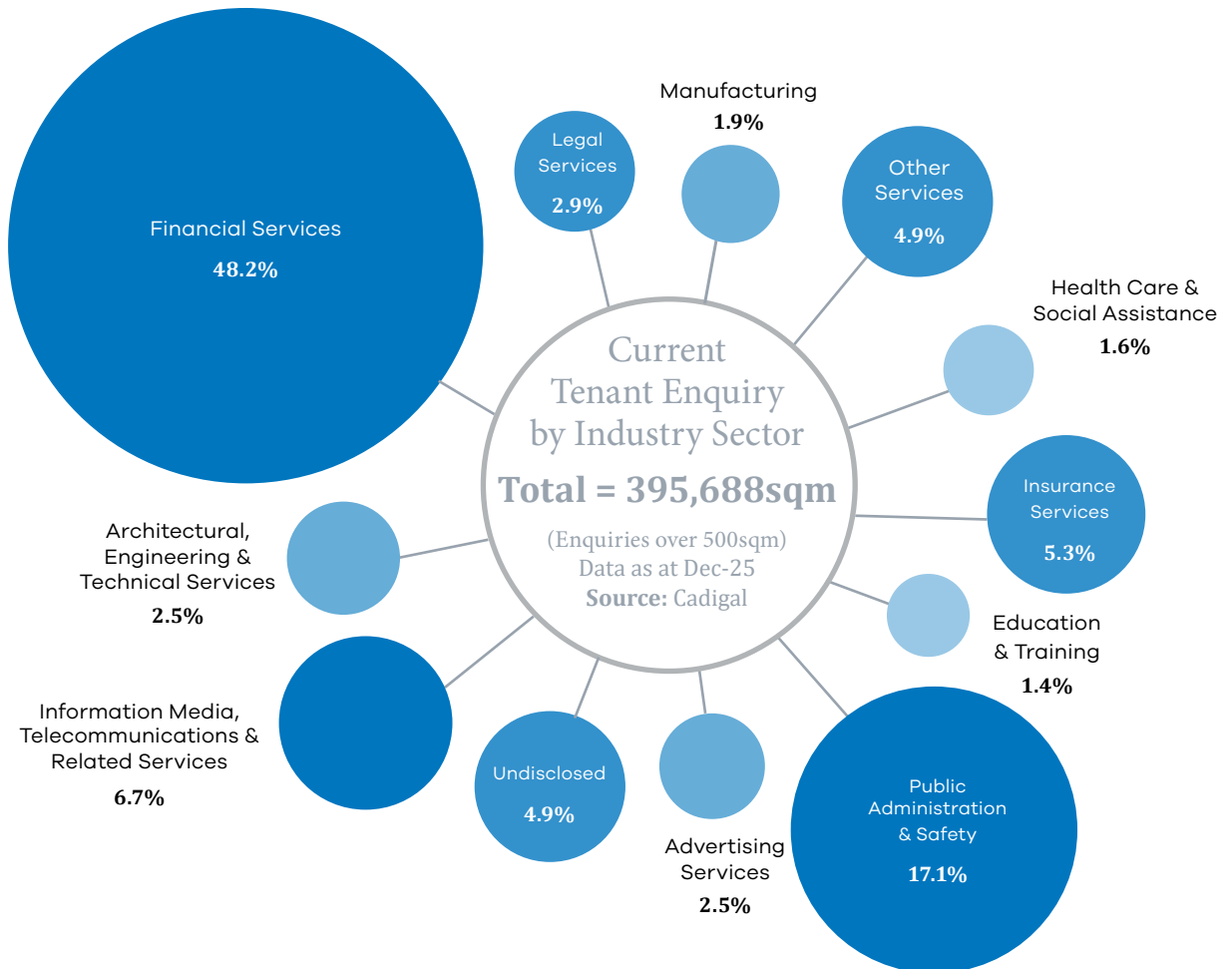


Large enquiries that have entered the market recently include (from top to bottom) **Mizuho Bank**, **Assetinsure**, **Dentsu** and **Carroll & O’Dea Lawyers**.

Known Tenant Enquiry (over 500sqm)



Source: Cadigal

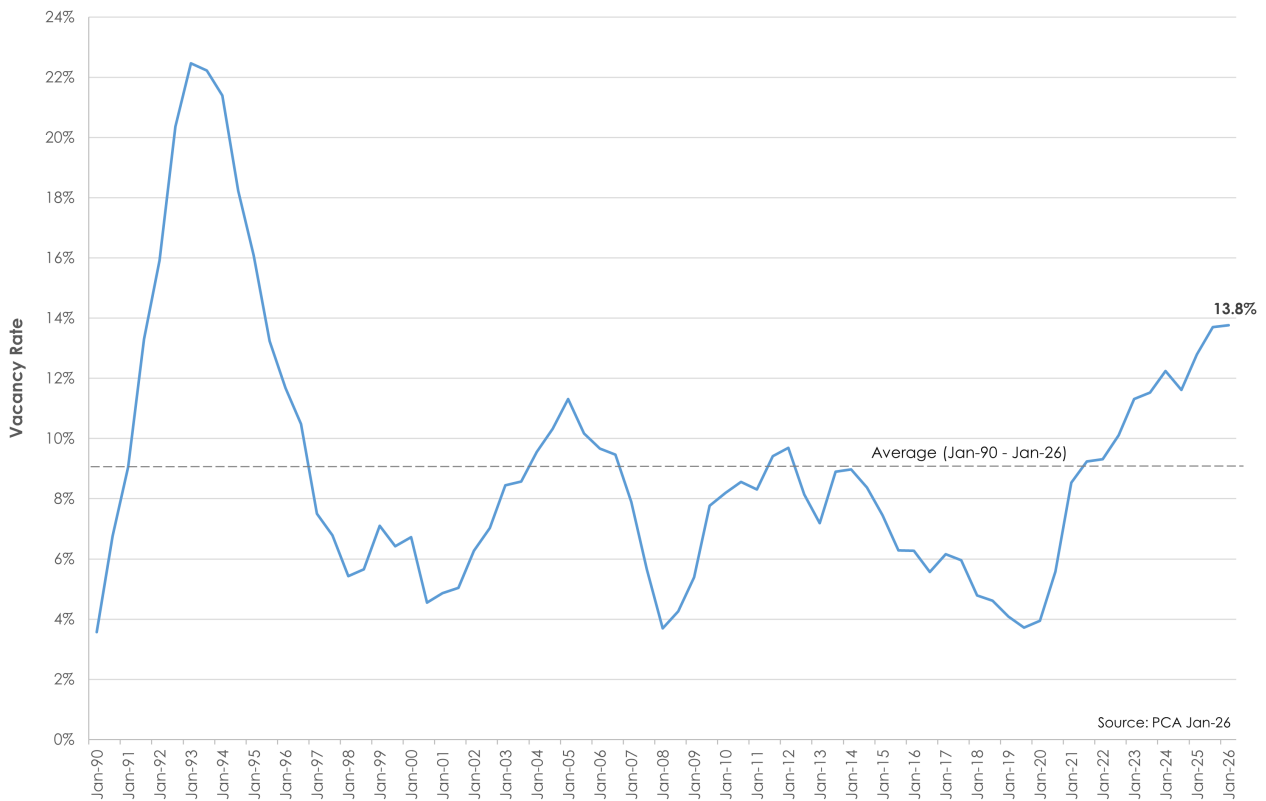


# Vacancy

The Sydney CBD vacancy rate tracked sideways over H2 2025, moving from 13.7% to 13.8% in the six months to Jan-26. This is the highest vacancy rate the market has seen in 31 years (since Jan-95). The result was driven by modest net supply (17,601sqm) not entirely offset by even more modest net absorption (11,359sqm).

**Premium** continues to have the lowest vacancy rate amongst investment grade (Premium, A and B) assets, which comprise 90% of total Sydney CBD office stock. This is more remarkable given that most of the new supply (e.g. **1 Elizabeth Street, 39 Martin Place, Parkline Place** and **33 Alfred Street**) has been Premium grade. Similarly, the **Core** enjoys relatively low vacancy despite much of the recent supply additions have been in this precinct.

## Total Vacancy Rate (Jan 1990 - Jan 2026)



## Vacancy Rate by Precinct

Precinct	As At Jan-26	As At Jul-25
City Core	11.6%	12.0%
Midtown	17.9%	16.4%
Western Corridor	15.0%	15.4%
Walsh Bay/The Rocks	10.7%	10.3%
Southern	11.9%	12.3%
Sydney CBD	13.8%	13.7%

Data as at Jan-26

## Vacancy Rate by Building Grade

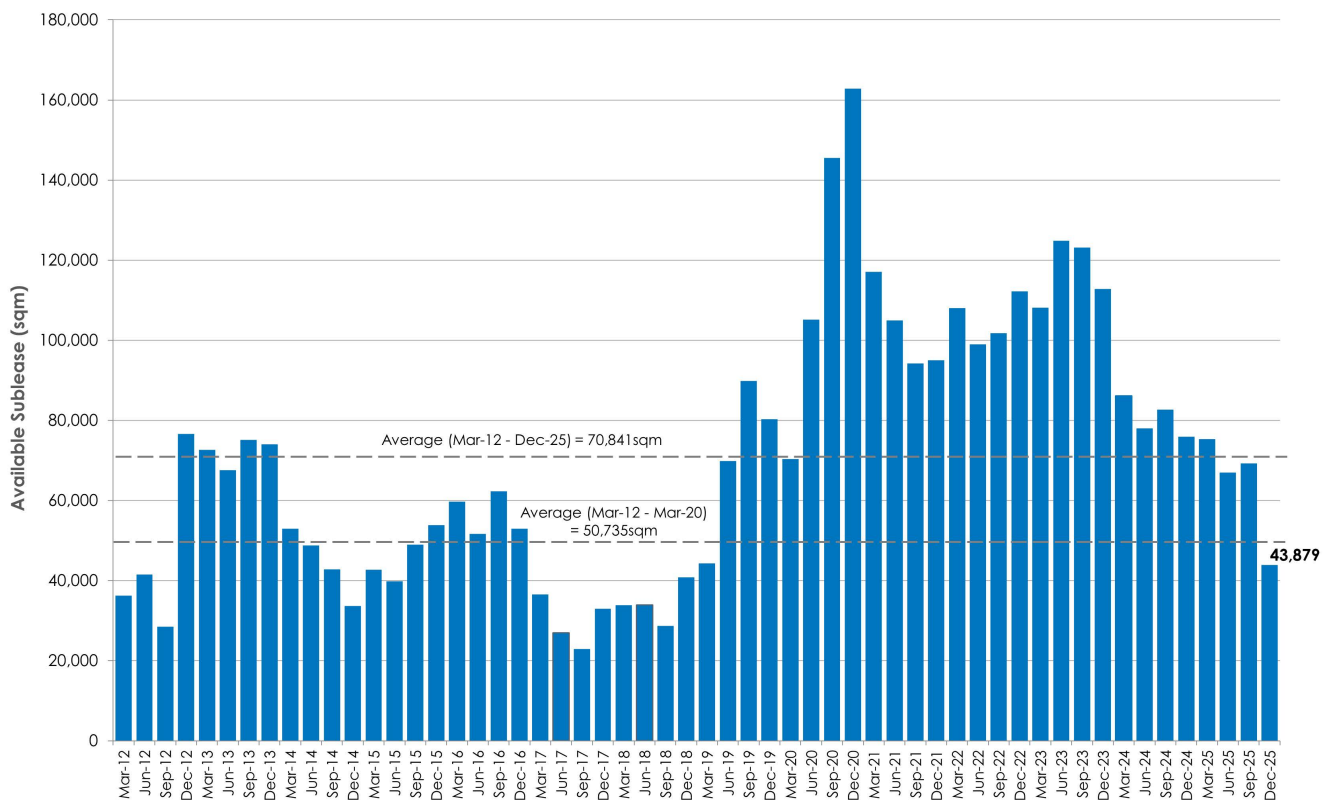
Buiding Grade	As at Jan-26	As at Jul-25
Premium	8.9%	9.8%
A Grade	16.6%	17.6%
B Grade	16.0%	14.4%
C Grade	13.5%	10.4%
D Grade	10.3%	8.3%
Sydney CBD	13.8%	13.7%

# Sublease Availability

The amount of available sublease space in the CBD dropped 37% in Q4 2025 to 43,879sqm, the market’s lowest total in seven years (since Dec-18). For the first time since Mar-20, available sublease space is below the pre-pandemic average of 50,735sqm (Mar-12 to Mar-20).

By far the largest tranche of available sublease space is from **Atlassian** (c.21,000sqm NLA) at the under-construction **Atlassian Central** development. However, this space is not available to occupy until the building is completed (due Q4 2026). There are just three tranches of sublease space above 3,000sqm that can be occupied within six months. The largest is from **Navitas** at **255 Elizabeth Street** (4,245sqm) followed by two floors from **AMP** (4,090sqm) at **Quay Quarter Tower**. Next is 5,410sqm by the former **Link Group** at **680 George Street**, however, there is less than 18 months remaining on the lease term.

## Sublease Availability



Source: Cadigal, as at 31-Dec-25.

\* Cadigal defines sublease space as office space marketed for lease on a sublease basis, available for occupation within the next 6 months and for a term of at least 6 months.

# Rents

**Face rents** in the CBD increased between 3.8% - 6.2% over the 2025 year with **A grade** lagging the other two investment grades. **Premium** face rents have grown more than **A grade**, resulting in a widening of the rental gap (currently 32%) between the two grades. The rental gap on an effective rent basis is even greater (47%) and fast approaching the 14-year high of 52%, recorded in Q4 2012. It is expected that growth in **A grade** rents will outperform **Premium** over the near term in response to the widening gap, driven by affordability concerns and availability in Premium space.

**Effective rental growth** was marginally higher than face rental growth for **Premium** stock over 2025, implying a slight tightening of incentives. However, growth in A and B grade effective rents was less than for face rents, particularly for **A grade**, as a result of continued softening of incentives.

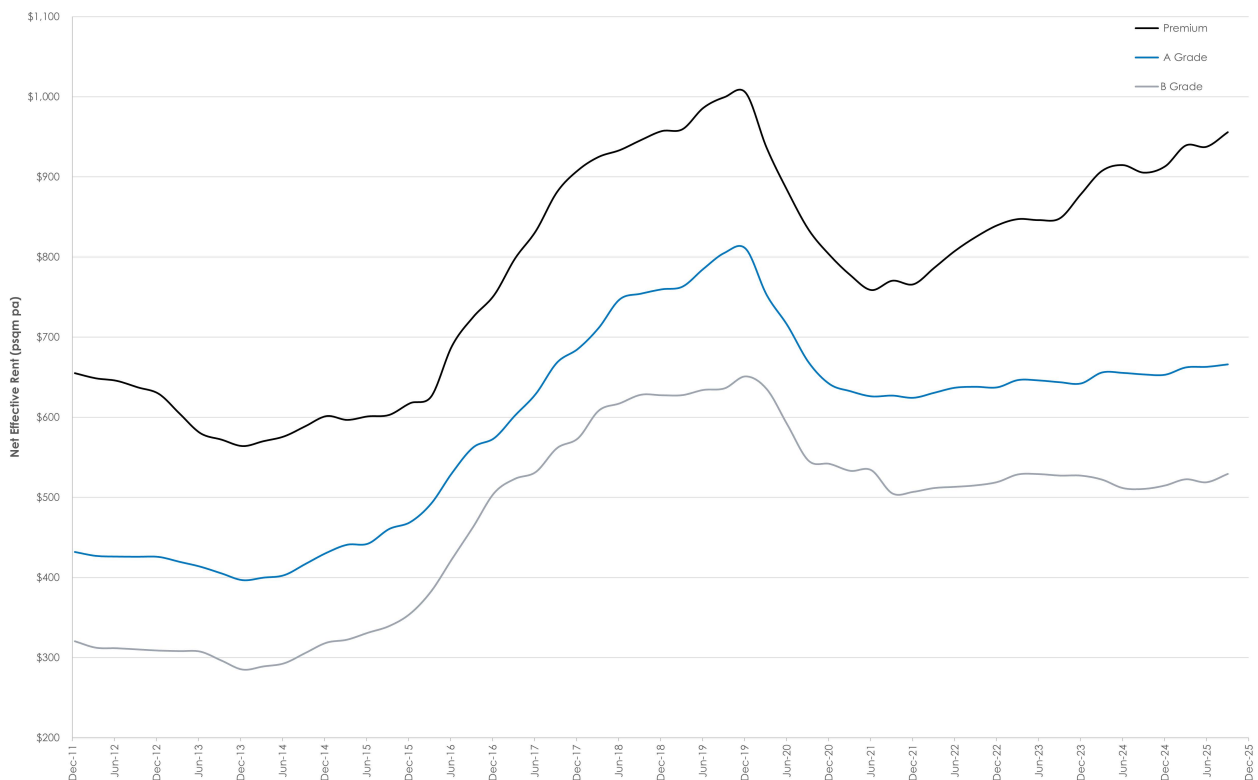
On a *net effective* basis, **Premium** rents (currently 96% of Q4 2019) are almost back to their pre-pandemic peaks whilst **A and B grades** are around 82% of their respective peaks.

## Face & Effective Rents

Rent	PREMIUM			A GRADE			B GRADE		
	Average Rate (psqm)	12 month change	6 month change	Average Rate (psqm)	12 month change	6 month change	Average Rate (psqm)	12 month change	6 month change
Net Face	\$1,632	5.6%	2.8%	\$1,238	3.8%	1.7%	\$1,004	6.0%	3.6%
Gross Face	\$1,897	5.7%	2.5%	\$1,470	4.1%	1.8%	\$1,220	6.2%	3.4%
Net Effective	\$968	6.0%	3.2%	\$658	0.8%	-0.7%	\$539	4.7%	3.9%
Gross Effective	\$1,233	6.0%	2.6%	\$890	2.0%	0.0%	\$756	5.5%	3.4%

Data as at Dec-25

## Net Effective Rent



Source: Cadgial

# Outlook



A total 171,229sqm of new Premium office space (3.2% of CBD stock) is currently under construction and due to be delivered by the end of 2027. The **supply outlook** beyond 2027 is thin, with the first new addition likely to be Milligan Group / Cbus Property's Halo project (approx. 42,000sqm NLA) in 2030.

A continuation of the *centralisation* theme into the CBD will underpin **tenant demand** (net absorption) despite weak active **tenant enquiry** volumes (excluding the Westpac requirement). The low quantum of **available sublease space** is providing no impediment to rental growth across the market.

The expected new supply drought over 2028-2032 will cap **vacancy rates** over the medium term and create competitive tension amongst larger tenants to spur on continued **effective rental growth** in prime grade assets. The near-record **rental gap** that currently exists between Premium and A grade is expected to narrow with stronger growth in A grade rents as tenants seek better value and are presented with more opportunities in A grade space.

With the *economic rents* needed to deliver new supply rising significantly (part of the reason for the new supply drought) rents for existing stock will also rise, and vacancy rates fall, provided net absorption remains positive.

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