

MARKET

PULSE

Sydney CBD Office Market

Cadigal Research | September 2026

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Table of Contents

01.	Key Data at a Glance	04
02.	In Summary	05
03.	Supply	06
04.	Tenant Demand	08
05.	Tenant Enquiry	12
06.	Vacancy	14
07.	Sublease Availability	16
08.	Rents	18
09.	Outlook	20

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Key Data at a Glance

		Change last 12 months	Expected change next 12 months
SUPPLY			
Total Stock[1] sqm, as at Jul-26	5,379,391	↔	↓
Completions[1] sqm, 6 months to Jul-26	0	↓	↔
Net Supply[1] sqm, 6 months to Jul-26	-5,724	↓	↓
DEMAND			
Net Absorption[1] sqm, 6 months to Jul-26	18,715	↑	↔
Tenant Enquiry[2] sqm, as at Jun-26	353,105	↓	↔
VACANCY			
Vacancy Rate[1] %, as at Jul-26	13.3	↓	↓
Sublease Availability[2] sqm (% of total stock) as at Jun-26	59,083	↓	↔
RENTS			
Net (Gross) Face Rents[2] $/sqm average, as at Jun-26			
Premium	1,689 (1,963)	↑	↑
A Grade	1,283 (1,516)	↑	↑
B Grade	1,024 (1,244)	↑	↑
Incentives[2] (typical % range for whole-floor tenant, as at Jun-26)	30 – 42	↓	↔

[1] Source: Property Council of Australia (OMR Jul-26)
[2] Source: Cadigal

In Summary

171,229sqm (3.2% of total stock) of **new supply** is currently under construction to be delivered by the end of 2027. The market will then experience an unprecedented three years (2028-2030) with no new supply additions. However, at least 70,000sqm of back-fill space will be created by tenants pre-committing to the under-construction developments, all of which are currently located in the CBD.

The market saw positive **net absorption** for a fourth consecutive period with 18,715sqm recorded over H1, 2026 and the two-year total of 86,606sqm being the highest in nine years (since Jul-17).

The volume of active **tenant enquiry** eased down 1.4% to 353,105sqm over the quarter, but excluding the abnormally large Westpac requirement indicates underlying enquiry remains subdued.

59,083sqm of **available sublease** space was recorded as at Jun-26, up 45% on the previous quarter. The sharp rise was driven by the inclusion of 12 floors from **Atlassian** at the soon-to-be-completed **Atlassian Central** development but the total remains below the long-term average.

Face rents grew between 5.1%-6.2% over the 12 months to Jun-26 reflecting higher growth rates than the previous quarter, with Premium marginally higher than A and B grades.

Some tightening in Premium **incentives** led to more growth and further outperformance in Premium **effective rents** (8.7%-10.1%) over the other grades (5.3%-6.3%)

As a result, Premium net effective rents have surpassed their pre-pandemic peaks whilst A and B grade are still approximately 15% below the respective peaks.



Supply

There is currently 5.38 mil sqm of office space in the Sydney CBD, the largest office market in the country.

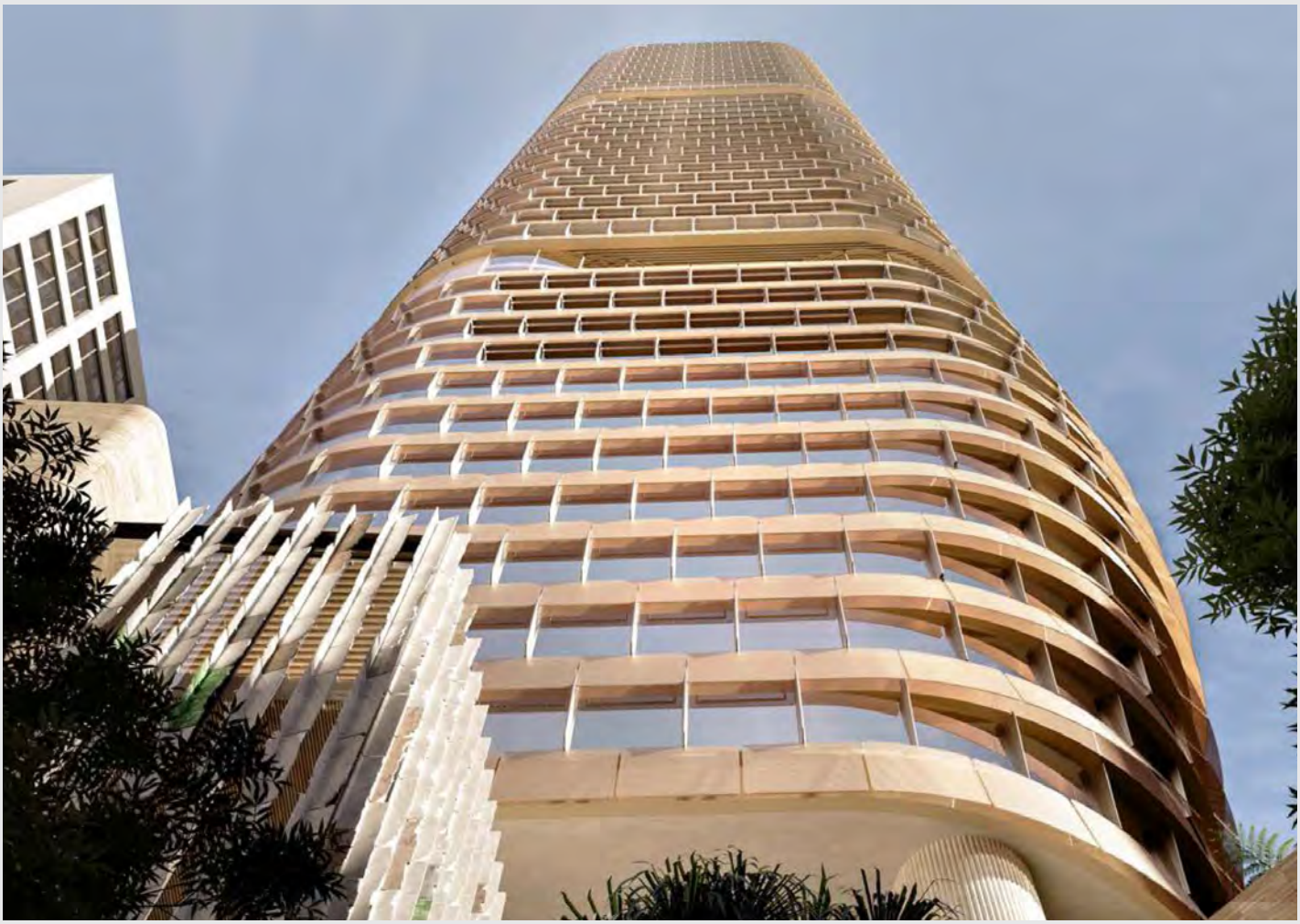
Three new office developments remain under construction – **Atlassian Central** (57,500sqm office NLA) due to reach practical completion by the end of 2026 to be followed by **Chifley South** (52,125sqm) in Q2, 2027 and then **55 Pitt Street** (61,604sqm) in Q4, 2027. Together, the three buildings will add another 3.2% (171,229sqm) to total stock.

The proposed **Halo** project (c.40,000sqm NLA) on the corner of **Hunter and Pitt Streets** is expected to be the next new office project to be delivered, in 2031. The expected absence of new supply arriving between 2028-2030 will be the first such occurrence since, at least, 1970.

Just one small withdrawal occurred over H1 2026 – **140 Elizabeth Street** (3,600sqm) for redevelopment by owner **The Salvation Army** and its partner **Investa** into approx. 245 co-living studio apartments. A number of other office buildings will also be withdrawn from the market over the near term. These include five office buildings related to the proposed **Castlereagh Place** mixed-use apartment/hotel/retail development by **Bilbergia** and **Metrics Credit**, the most significant being **233 Castlereagh Street** (18,414sqm) and **338 Pitt Street** (18,384sqm) together accounting for 87% of the 42,435sqm to be withdrawn. Another impending withdrawal is **175 Liverpool Street** (48,321sqm of office NLA), with **Lendlease** proposing up to 300 luxury apartments in a twin-tower development on the site.



140 Elizabeth Street (above) was withdrawn over Q2 by The Salvation Army / Investa to be redeveloped into co-living studio apartments.



The **Halo** project (above) is expected to be the next new office development to be commenced in the Sydney CBD.

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 (21,761sqm) 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. 60% pre-committed to UBS, Gilbert + Tobin, Charter Hall and others.
55 Pitt Street	Mirvac	New	61,604	Core	Q4 2027	55-level tower designed by Woods Bagot and SHoP Architects. 44% pre-committed to MinterEllison, Work Club Global, Aon, Baker McKenzie and others.

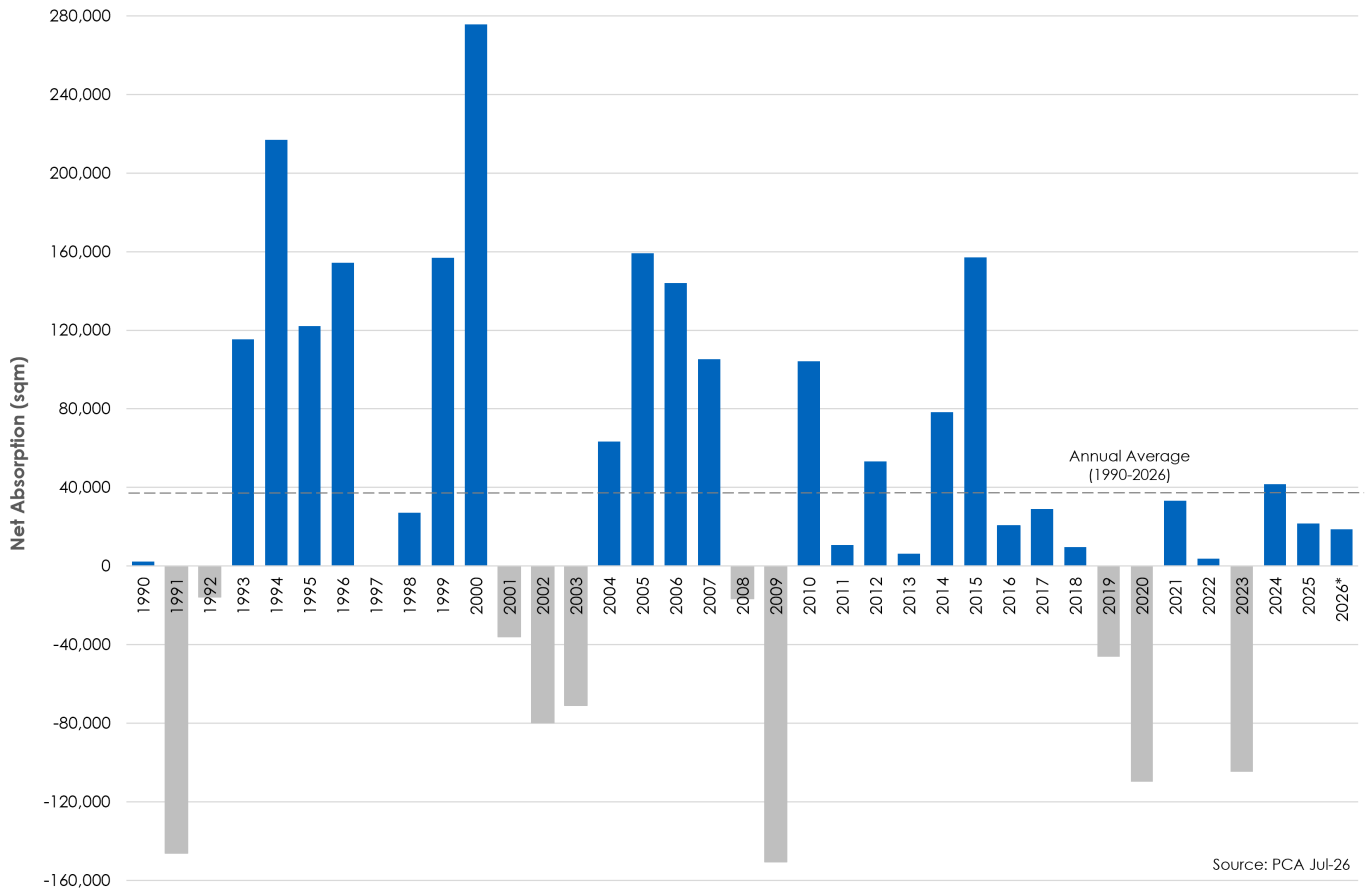
Tenant Demand
Net Absorption

For the first time since Jan-19 the market saw positive net absorption for four consecutive half-years with 18,715sqm recorded over the 6 months to Jul-26. Additionally, the two-year total of 86,606sqm is the highest in nine years (since Jul-17).

Across the CBD precincts, **Western Corridor** (13,491sqm) led the way over the last 6 months and was slightly ahead of the **Core** (12,329sqm). However, over longer periods (1, 3 and 5 years) the **Core** continues to substantially outperform all other precincts.

By building grade, **Premium** (19,388sqm) had the highest net absorption over the first half of the year but **A grade** (42,623sqm) leads over a 12-month period, before outperformance reverts back to **Premium** over 3 and 5 years.

Annual Net Absorption - Sydney CBD 1990-2025





Net Absorption by **CBD Precinct**

Precinct	6 Months to Jul-26	12 Months to Jul-26	3 Years to Jul-26*	5 Years to Jul-26*
City Core	12,329	26,512	18,338	28,160
Midtown	-2,801	2,393	1,108	-3,636
Western Corridor	13,491	5,441	-13,997	-17,270
Walsh Bay / The Rocks	-5,265	-6,830	552	-3,757
Southern	961	2,558	-218	-5,759
Total	**18,715**	**30,074**	**5,783**	**-2,262**

* 12-month average

Source: PCA Jul-26

Net Absorption by **Building Grade**

Buiding Grade	6 Months to Jul-26	12 Months to Jul-26	3 Years to Jul-26*	5 Years to Jul-26*
Premium	19,388	33,877	69,087	52,766
A Grade	434	42,623	-19,412	-7,297
B Grade	-5,418	-21,228	-33,437	-35,300
C Grade	4,150	-21,871	-9,463	-11,232
D Grade	161	-3,327	-992	-1,199
Total	**18,715**	**30,074**	**5,783**	**-2,262**

* 12-month average

Source: PCA Jul-26

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Tenant Demand

The largest tenant relocation recorded over the quarter was **Legal Aid NSW** (10,996sqm) who will relocate to **52 Goulburn Street** from nearby **323 Castlereagh Street** in 2027. Whilst there were no new tenant pre-commitments announced at under-construction projects **Chifley South** and **55 Pitt Street**, lease documentation has progressed over several floors in each development. Additionally, **Law Partners** committed to three floors in **270 Pitt Street** which was recently added back to stock following a full refurbishment.

Of the transactions listed in the table below, more tenants *expanded* footprints namely **Legal Aid**, **Assetinsure**, **HDI Global** and **Law Partners** (who more than doubled) than *reduced* footprints - **Land Registry Services**, **Mission Australia** and **AZ NGA**. This quarter's sample also includes two tenants (**Law Partners** and **AZ NGA**) who relocated out of **Premium grade** buildings and into **A grade** space – an uncommon occurrence.

Further evidence of the *centralisation* theme in the Sydney CBD was provided by **Bank Australia**, who will relocate to **Parkline Place** from Mascot.

Recent Major Lease Transactions

Tenant	Address	Precinct	Level	Area (sqm)	LCD	Type
Legal Aid NSW*	52 Goulburn Street	Midtown	pt.12, 13-16	10,996	Sep-27	New
Ripple*	300 Barangaroo Avenue	Walsh Bay	34-35	4,787	Jun-27	New
Australian Payments Plus*	1 Shelley Street	Western	3	3,467	Sep-27	New
Bank Australia	Parkline Place	Midtown	29-30	3,084	Dec-26	New
Law Partners	270 Pitt Street	Midtown	23-25	2,560	Sep-26	New
Assetinsure	1 Margaret Street	Western	9-10	2,252	Apr-27	New
HDI Global	5 Martin Place	Core	11-12	1,978	Dec-27	New
Land Registry Services*	680 George Street	Midtown	44	1,816	Jan-27	New
Mission Australia	1 Margaret Street	Western	4	1,289	Jun-27	New
AZ NGA*	Australia Square Tower	Core	9	1,034	Aug-26	New

* Cadigal was involved in these transactions.

Significant leasing activity has occurred recently at (clockwise from below left) **52 Goulburn Street**, **Tower Three ITS**, **Parkline Place** and **1 Shelley Street**.









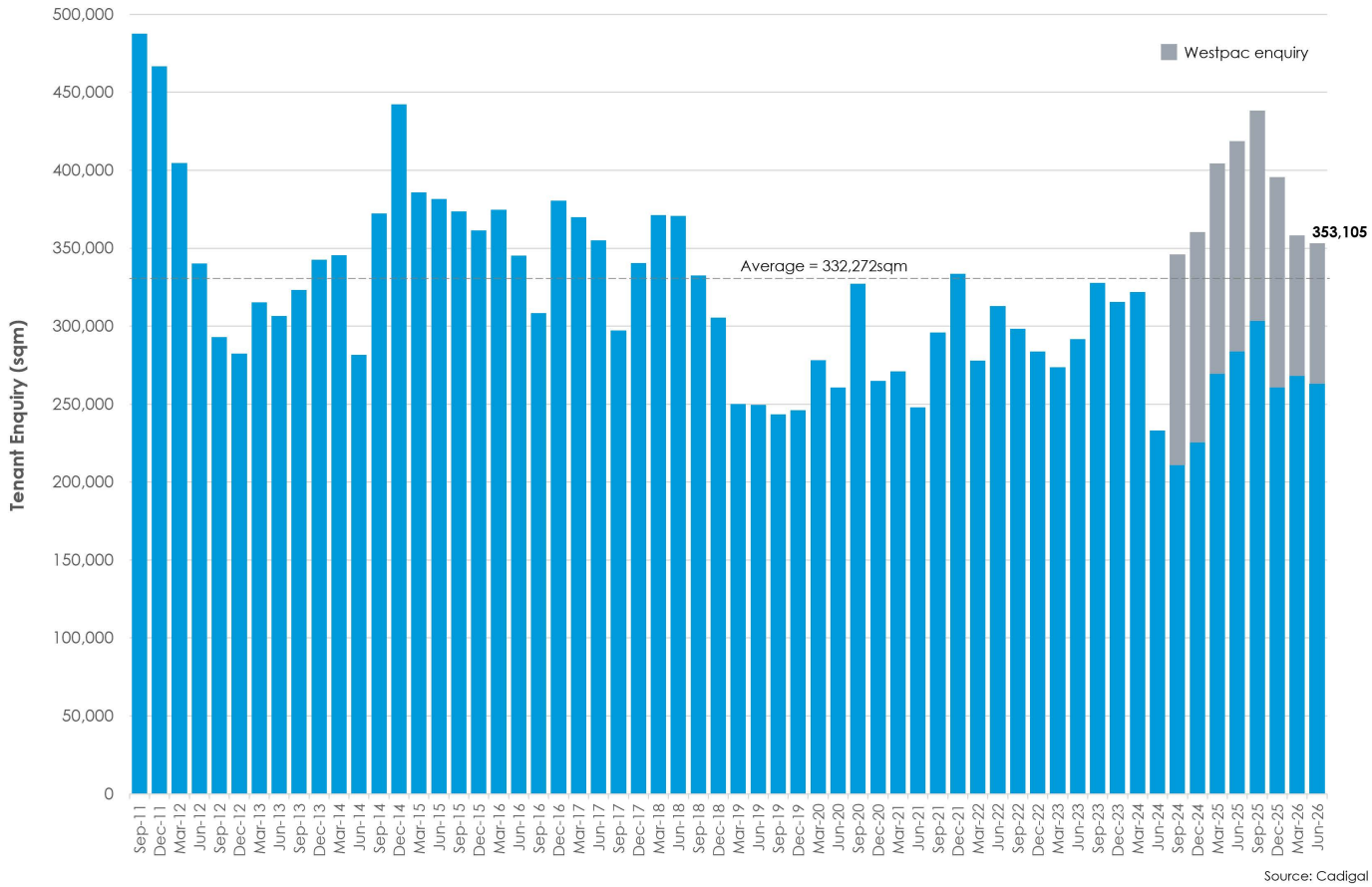
Tenant Enquiry

The total quantum of active tenant enquiry remains above average despite easing down 1.4% to 353,105sqm over the quarter. However, excluding the abnormally large **Westpac** requirement (80,000-100,000sqm) underlying active enquiry remains subdued.

Recent large enquiries to emerge in the market include law firms **Norton Rose** (7,000-10,000sqm for 2029-2031) and **Dentons** (3,500-4,500sqm for Jul-28), **Woolworths Group** (6,000-10,000sqm for mid-2028) and **NTT** (3,200-4,200sqm for Jul-28).

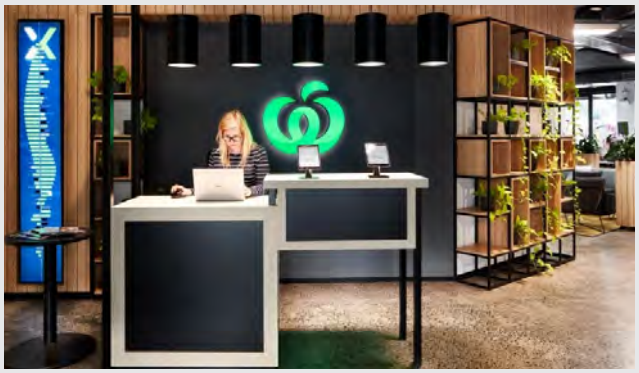
Total active enquiry is currently comprised of 143 separate requirements translating to an average enquiry size of 2,469sqm, down from last year. This reflects the rebound seen in new enquiry activity year to date, albeit in the smaller size ranges, following a lower new enquiry year in 2025.

Known Tenant Enquiry (over 500sqm)

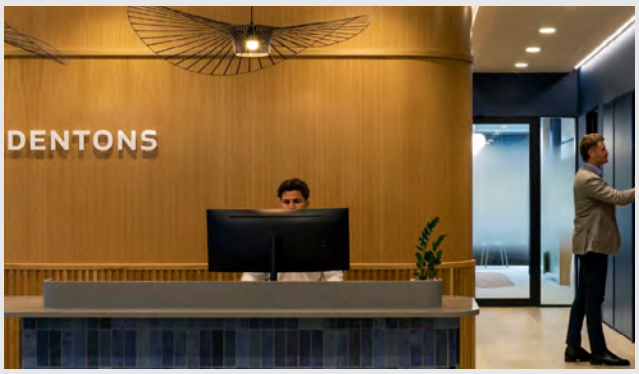


Source: Cadigal





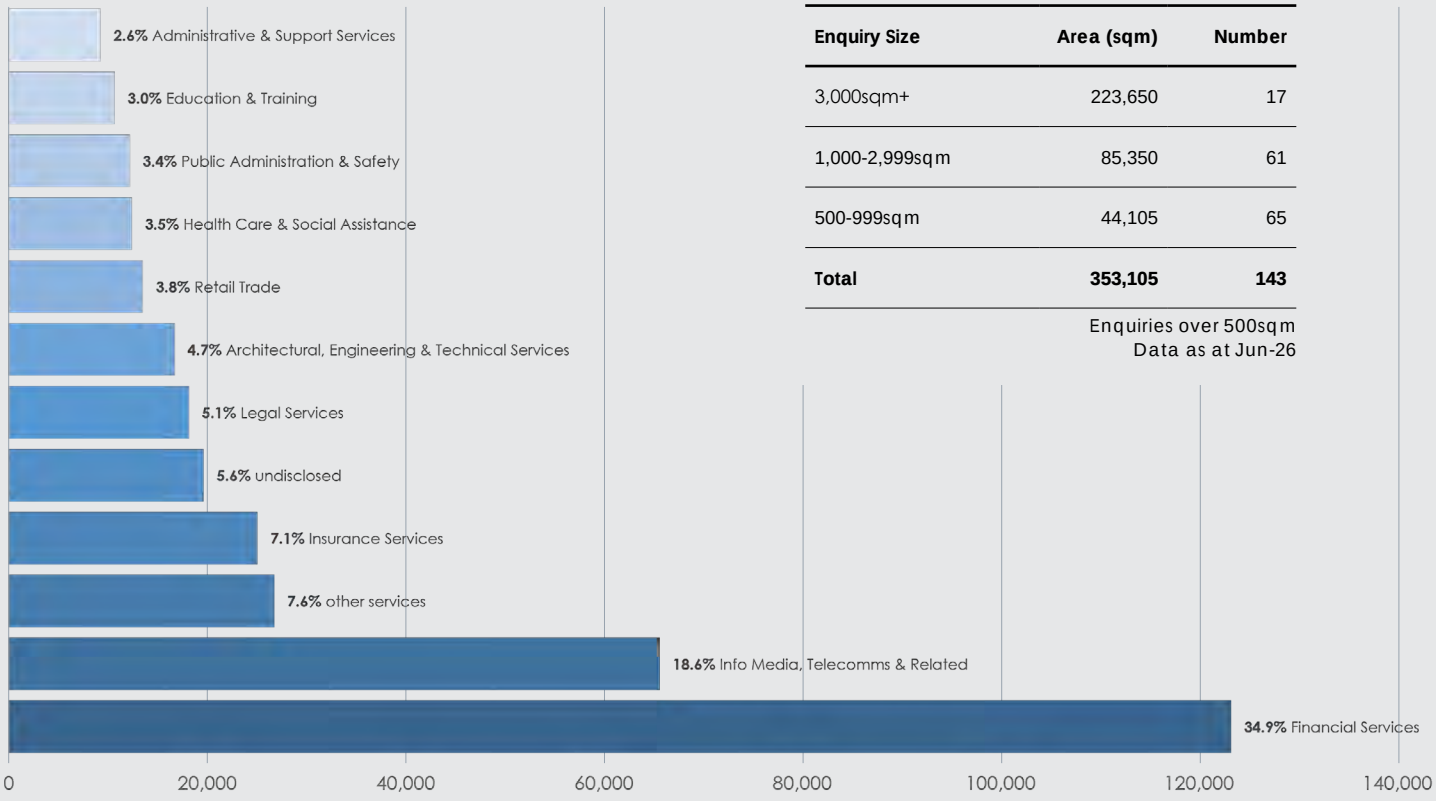




Large enquiries to have entered the market recently include (clockwise from top left) **Norton Rose**, **Woolworths Group**, **Dentons** and **NTT**.

Current Tenant Enquiry **by Industry Sector**

Total = 353,105sqm



Current Tenant Enquiries **by Size**

Enquiry Size	Area (sqm)	Number
3,000sqm+	223,650	17
1,000-2,999sqm	85,350	61
500-999sqm	44,105	65
Total	**353,105**	**143**

Enquiries over 500sqm
Data as at Jun-26

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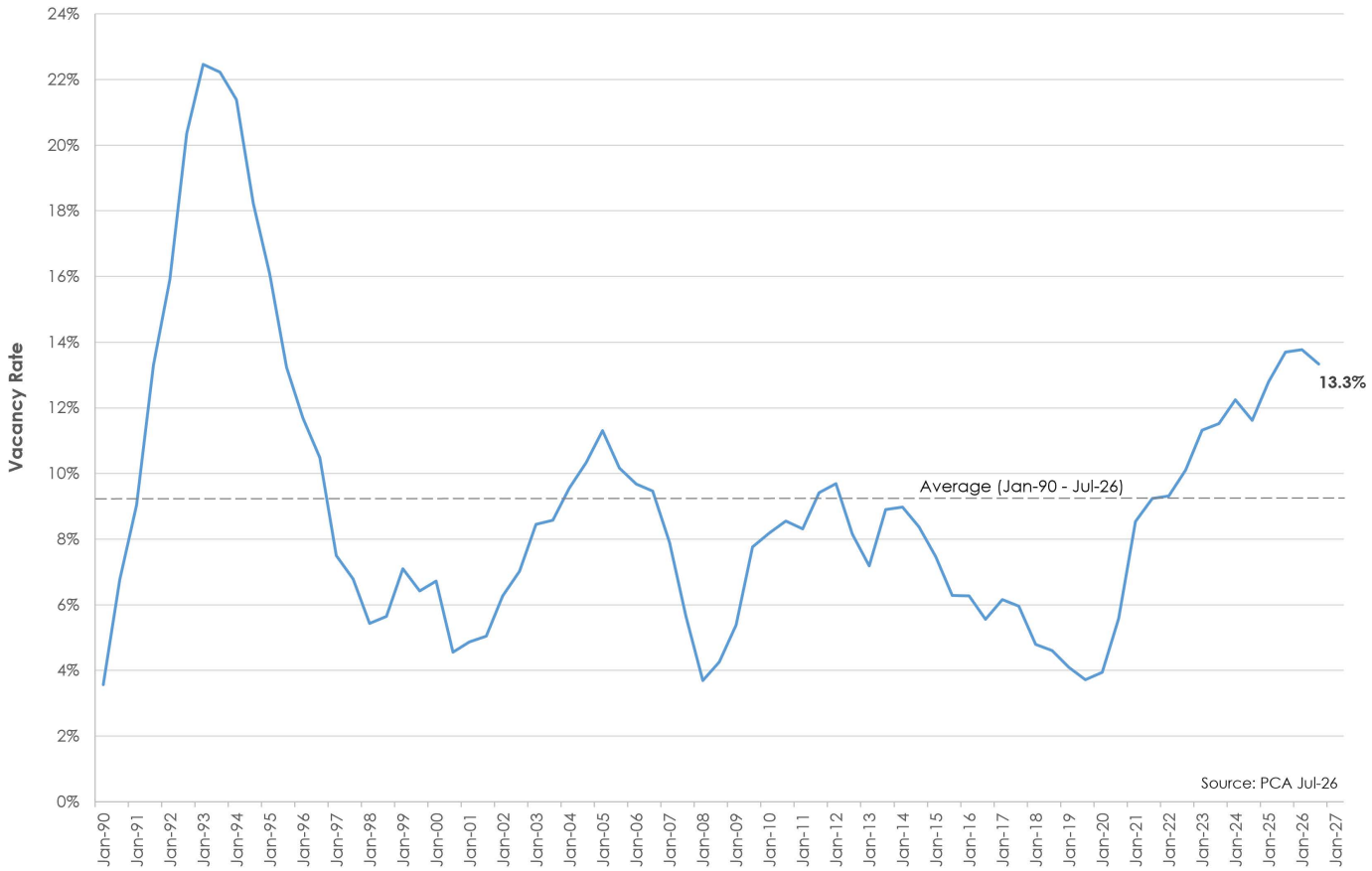
Vacancy

The overall vacancy rate edged down from 13.8%, a 31-year high, to 13.3% over the first half of the year. Despite the fall, the vacancy rate is still high, being more than 400 basis points above the long-term average of 9.2%. With total supply remaining effectively static over the first half of the year, the reduction in vacancy rate was driven by the small but positive net absorption recorded in the period.

Amongst the CBD precincts the **Core**, **Southern** and combined **Walsh Bay/The Rocks** all continue to have vacancy rates *lower* than the overall rate. On the other hand, **Midtown** and **Western Corridor** - despite falling 110 basis points for the half - have vacancy rates *higher* than the overall rate.

The range of vacancy rates across *CBD precincts* (11.0%-17.9%) is wide, but is even wider across *building grades* (8.9%-16.0%). **Premium** (7.7%) continues to be the tightest of all the grades (and the only grade with single-digit vacancy) whilst **A grade** (16.6%) and **B grade** (16.0%) are the only ones with higher vacancy rates than the overall rate.

Total Vacancy Rate (Jan 1990 - Jul 2026)



Vacancy Rate by **CBD Precinct**

Precinct	As at Jul-26	As at Jan-26
City Core	**11.0%**	11.6%
Midtown	**17.9%**	17.9%
Western Corridor	**13.9%**	15.0%
Walsh Bay / The Rocks	**11.6%**	10.7%
Southern	**11.6%**	11.9%
Sydney CBD	**13.3%**	13.8%

Source: PCA Jul-26

Vacancy by **Building Grade**

Grade	As at Jul-26	As at Jan-26
Premium	**7.7%**	8.9%
A Grade	**16.6%**	16.6%
B Grade	**16.0%**	16.0%
C Grade	**12.5%**	13.5%
D Grade	**10.2%**	10.3%
Sydney CBD	**13.3%**	13.8%

Source: PCA Jul-26



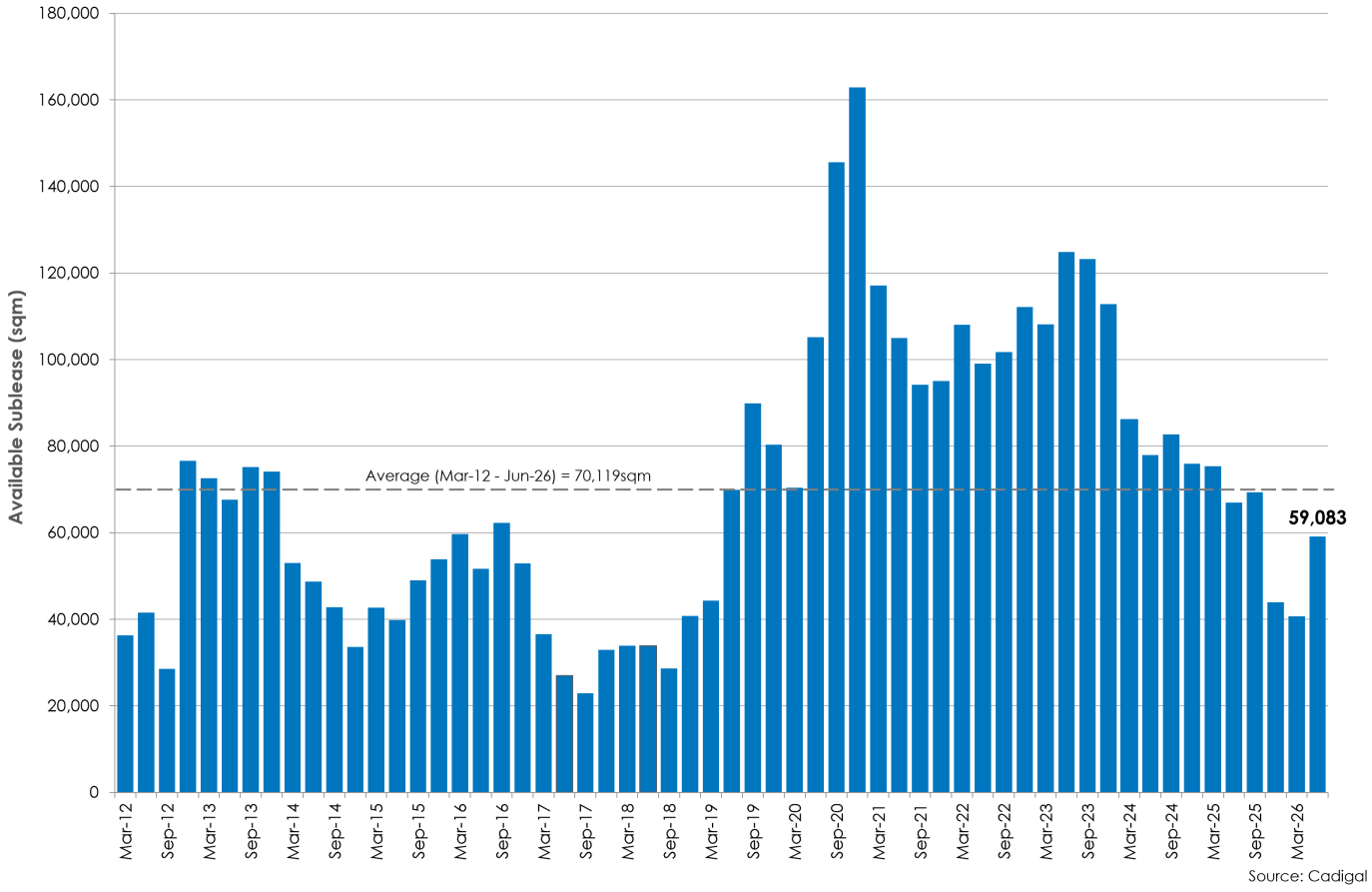
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Sublease Availability

Available sublease space in the Sydney CBD has been low, with 59,083sqm (1.1% of total stock) recorded as at Jun-26. This was a 45% (18,372sqm) increase on the previous quarter, primarily driven by the inclusion of 12 floors (c.21,761sqm) from **Atlassian** at the **Atlassian Central** development. But even with the Atlassian space, sublease remains below the 14-year average of 70,119sqm. Available sublease would be less than 40,000sqm if Atlassian was excluded.

The **Atlassian** space is by far the largest tranche of sublease currently available in the market. There are just two other parcels in excess of 3,000sqm – three floors from **AMP** (6,040sqm) at **Quay Quarter Tower** and two floors from **MUFG Pension & Market Services** (3,686sqm) at **680 George Street** which has less than 12 months lease term remaining.

Sublease Availability



Source: Cadigal


FIRE ALARM
DO NOT ENTER

Rents

Sydney CBD **face rents** grew between 5.1%-6.2% over the 12 months to Jun-26. These growth rates were higher than the previous quarter and were led, marginally, by Premium grade after slower growth in Q1.

A wide range of **incentives** across building grades and locations continues in the Sydney CBD office market. As a result of some tightening in Premium incentives, less for A grade and effectively none in B grade, growth rates for **effective rents** in Premium (8.7%-10.1%) were higher than for face rents, marginally higher for A grade (5.3%-6.3%) but similar in B grade (5.4%-6.0%).

Net effective rents for Premium grade have now exceeded the pre-pandemic (Dec-19) peak but A and B grades are still about 15% below the respective peaks.

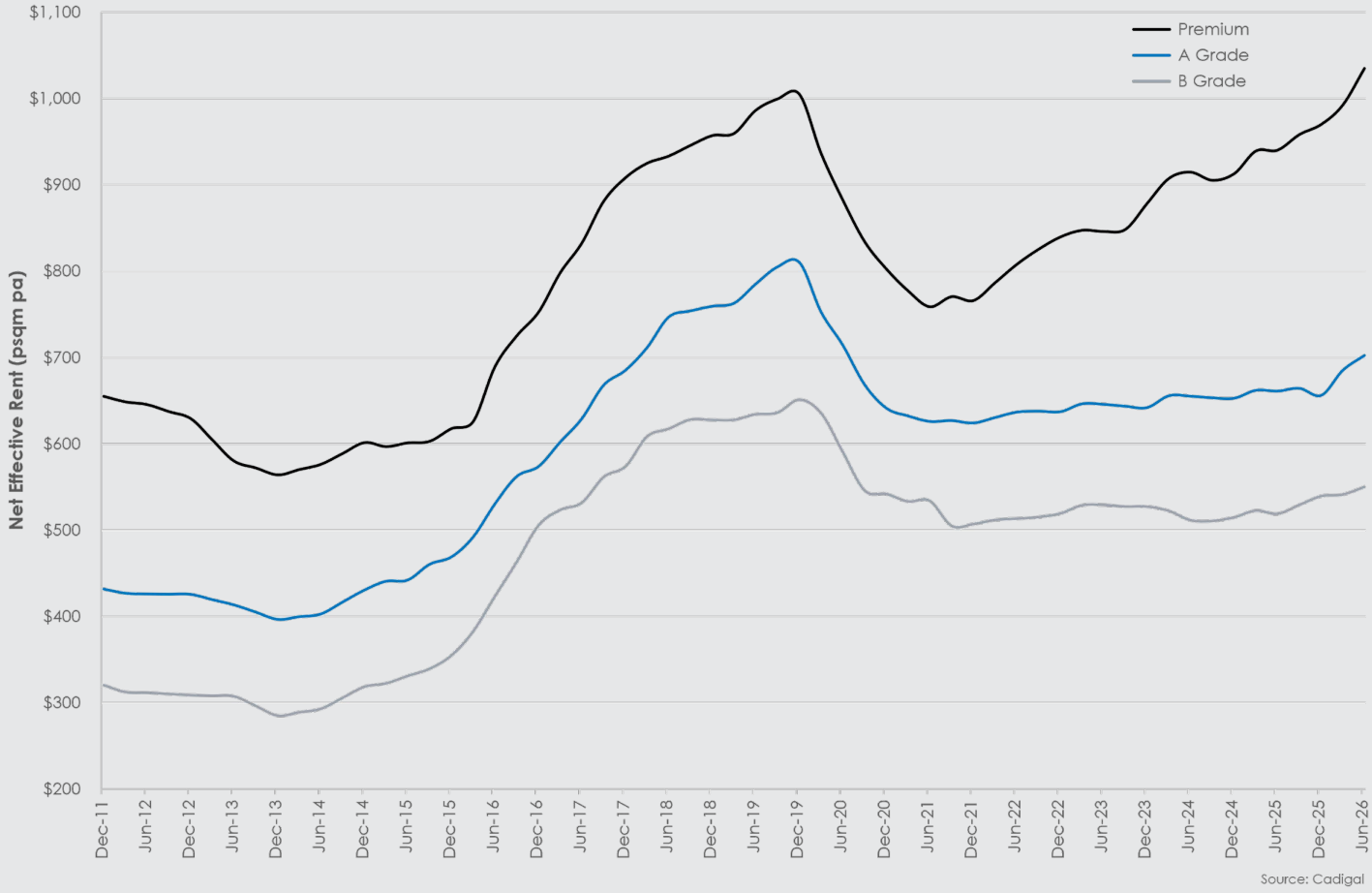


Face & Effective Rent

	PREMIUM			A GRADE			B GRADE		
Rent	**Average Rate (psqm)**	6 month change	12 month change	**Average Rate (psqm)**	6 month change	12 month change	**Average Rate (psqm)**	6 month change	12 month change
Net Face	$1,689	3.3%	6.2%	$1,283	3.8%	5.6%	$1,024	2.0%	5.7%
Gross Face	$1,963	3.3%	5.8%	$1,516	3.3%	5.1%	$1,244	1.9%	5.4%
Net Effective	$1,035	6.7%	10.1%	$703	7.1%	6.3%	$550	2.0%	6.0%
Gross Effective	$1,309	5.9%	8.7%	$935	5.3%	5.3%	$770	1.9%	5.4%

Data as at Jun-26

Net Effective Rent



Source: Cadigal

Outlook

No new **supply** is expected to arrive over 2028-2030, an unprecedented 3-year period. However, the current under-construction developments (**Atlassian Central**, **Chifley South** and **55 Pitt Street**) will create significant back-fill space as all pre-committing tenants will relocate from existing space in the CBD.

The volume of active **tenant enquiry** is below average after **Westpac's** large requirement is excluded. But the rebound in new enquiry in 2026 year-to-date is encouraging. This supports the continuation of positive **net absorption** for the CBD market.

Further easing of the overall **vacancy rate** is expected over the rest of the year, before it rises again as new supply is delivered in 2027. The lack of new supply over 2028-2030, coupled with positive net absorption, will return vacancy rates to a downward trajectory.

Face rents will continue to rise, as they have done apart from a brief period in 2020/2021. We expect **incentives** to begin paring back materially after the new supply arrives in 2027 driving **effective rental growth** from 2028 onwards.



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