

# Sydney CBD Office Market



H1 - 2026

Strengthening occupier market in the core CBD has driven significant rental growth.

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# Key Insights

Investors and occupiers continue to prioritise quality assets in amenity rich locations.



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8.9%

Premium vacancy

Premium vacancy has declined from 13% to 8.9% over the last two years.

314K

Five year premium grade net absorption

Premium grade stock has outperformed over the last five years, specifically in the core precinct, driving overall absorption levels across the CBD.

163k

Sqm of premium supply under construction

Total premium office space under construction between 2026-29 in Sydney CBD, with limited available space to lease.

450k

Sqm occupier briefs

Occupier enquiry has been healthy with over 450,000sqm of active tenant briefs tracked over the last 12 months, underpinning strengthening demand.

8.2%

Rental growth in the core

Prime net face rents have grown by 8.2% in the core over the year, the strongest level of growth across all precincts.

\$3.3bn

2025 transaction volumes

Transactional activity over 2025 was driven by both offshore and domestic capital.

## Sydney CBD Office Market Indicators – January 2026

Grade	Total Stock sqm	Vacancy Rate %	Annual Net Absorption sqm	Annual Net Additions sqm	Average Gross Face Rent \$/sqm	Average Incentive %	Net Effective Rent Gth % y/y	Core Market Yield %*
Prime	3,577,029	13.2%	90,555	100,973	1,651	35.6%	7.1	5.70%
Secondary	1,808,086	14.9%	-68,898	-16,420	1,196	35.4%	3.3	6.25%
Total	5,385,115	13.8%	21,657	84,553				

Source: Knight Frank Research / PCA

\* assuming WALE 5 years

# Core premium drives demand

## STRENGTHENING DEMAND IN THE OCCUPIER MARKET

There has been solid signs of strengthening demand in the occupier market with overall absorption levels for 2025 positive, with 21,657 sqm recorded. This was the second consecutive year of positive absorption recorded, highlighting the improved leasing momentum and strengthening demand environment.

The absorption levels have been driven by strong demand in the premium market with 59,330 sqm recorded over the year. The secondary market continues to highlight the stark contrast between best in class assets and the rest of the market as negative absorption of 68,898 sqm was recorded over 2025.

Tenant enquiry has remained elevated, with more than 450,000 sqm of active requirements tracked over the past 12 months, providing a solid foundation for improving market conditions and sentiment.

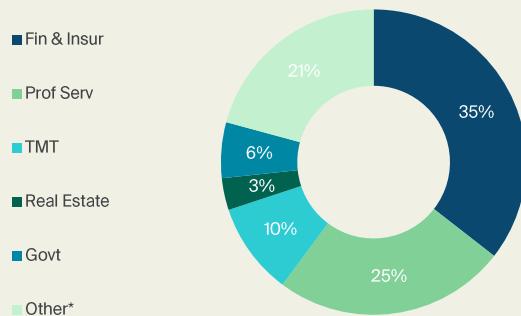
Recent leasing activity has been supported by several notable commitments, including John Holland (5,000 sqm at 210 Sussex Street), M&C Saatchi (1,148 sqm at 25 Martin Place) and the NSW Government (4,400 sqm at 252 Pitt Street). Financial services and professional services tenants continue to underpin demand, accounting for 35% and 25% of total deal volumes respectively in 2025, while the CBD Core captured 58% of leasing activity. The ongoing flight to quality is driving occupiers towards high-grade buildings that offer strong transport connectivity and integrated amenity, reinforcing demand for premium core locations.

## CORE PREMIUM STOCK CONTINUES TO OUTPERFORM THE WIDER MARKET

Despite the positive absorption levels, overall vacancy measured 13.8% as at January 2026. A large influx of new supply over the last 18 months, has totalled over 270,016 sqm has hindered vacancy levels, despite positive demand. The level of occupied stock has increased by 0.5% over the year, one of its highest levels in nearly a decade.

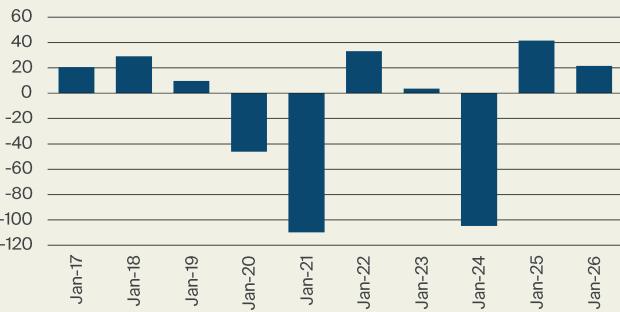
By grade, premium vacancy tightened from 36% to 8.9% over the last two years, reflecting sustained demand for higher-quality assets. In contrast, secondary vacancy remains elevated at 14.9%. Sublease vacancy has declined to 0.6%, its lowest level since 2019. Over the past five years, the structural flight-to-quality trend has become increasingly evident. The secondary market has recorded cumulative negative absorption of 230,866 sqm, while the premium market has achieved positive absorption of 314,100 sqm over the same period. This divergence is further reflected at a precinct level, with the CBD Core the only precinct to record positive absorption over the past five years, clearly outperforming the broader market.

### Sydney CBD lease deals by industry sector 2025, % share of total market (sqm)



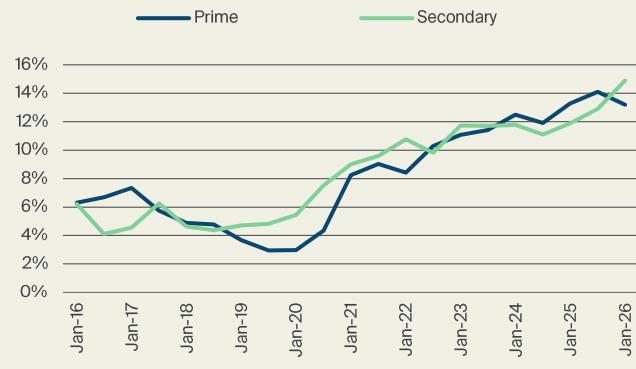
Source: Knight Frank Research  
\*Other includes Health Care, Admin Services, Education, Accommodation, Mining, Transport, Construction.

### Sydney CBD office annual net absorption '000 sqm



Source: Knight Frank Research, PCA

### Sydney CBD office vacancy Prime v secondary, %



Source: Knight Frank Research, PCA

# Limited development pipeline

## MODERATED SUPPLY IN 2025

Development activity moderated in 2025 following the significant wave of new supply delivered in 2024. New development completions during the year were limited, including 121 Castlereagh St, which added 11,500 sqm of office space to the CBD.

Refurbishments brought a further 93,964 sqm back to the market. This was led by the comprehensive overhaul and redevelopment of 33 Alfred Street, which delivered 31,657 sqm of premium office space and was over 90% committed at completion. In addition, Charter Hall completed its major refurbishment of One Shelly Street (29,772 sqm), with the asset also achieving strong leasing outcomes.

On the other hand, withdrawals totalled 20,911 sqm across three buildings. 105 & 107 Pitt St (5,647 sqm) was withdrawn for Cbus Super and Milligan Group earmarked development Halo Tower. Additionally, 189 Kent St (15,264 sqm) was withdrawn for Gurner's residential development.

Overall, net supply totalled 84,553 sqm in 2025, taking the total office stock in Sydney CBD to 5,385,115sqm, its highest level on record.

## HIGH COMMITMENTS ACHIEVED FOR UNDER-CONSTRUCTION PROJECTS

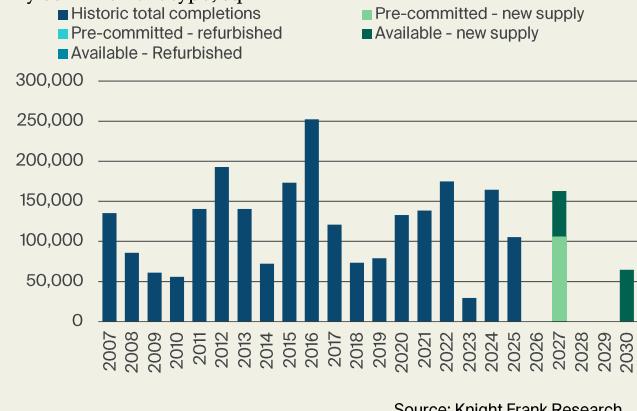
Looking ahead, the development pipeline remains limited, with only three buildings currently under construction and all scheduled for completion in 2027. Among projects underway, Charter Hall's Chifley South (42,000 sqm) is well advanced, with commitments already exceeding 50%. Meanwhile, Mirvac and Mitsui Fudosan's 55 Pitt St (63,000sqm) has already secured over 40% commitments to date. In the Southern precinct, Dexus's Atlassian Central (58,000sqm) is scheduled for completion in 2027 and will serve as the global headquarter for Atlassian.

Historically, new CBD office developments have achieved strong occupancy outcomes, and continue to attract solid demand. The high level of pre-commitment across current projects is expected to support the absorption of existing vacancies, while also providing greater confidence for developers to progress future schemes as market conditions improve.

With economic rents at high levels, the delivery of new premium office developments is likely to be limited in the medium term. Several projects have already obtained approval but remain on hold. The most likely project to proceed in the next five years is the Halo tower development (42,400sqm).

## Sydney CBD development completions

By commitment type, sqm

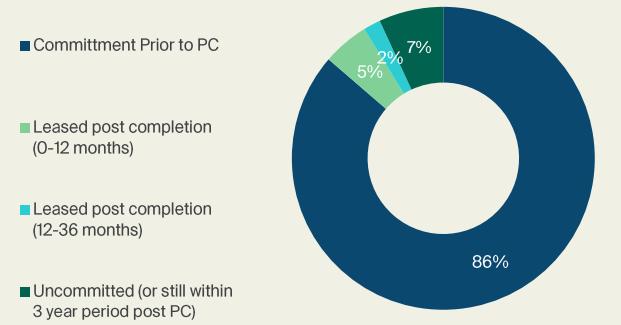


Pre-committed - new supply  
Available - new supply

Source: Knight Frank Research

## Letting up times new developments

Sydney CBD, since 2018



Source: Knight Frank Research

## Sydney CBD office vacancy rates by precinct

Prime vacancy v total vacancy, as at Jan-26



Source: Knight Frank Research

# Major office supply

## Under Construction / Major Pre-commitment

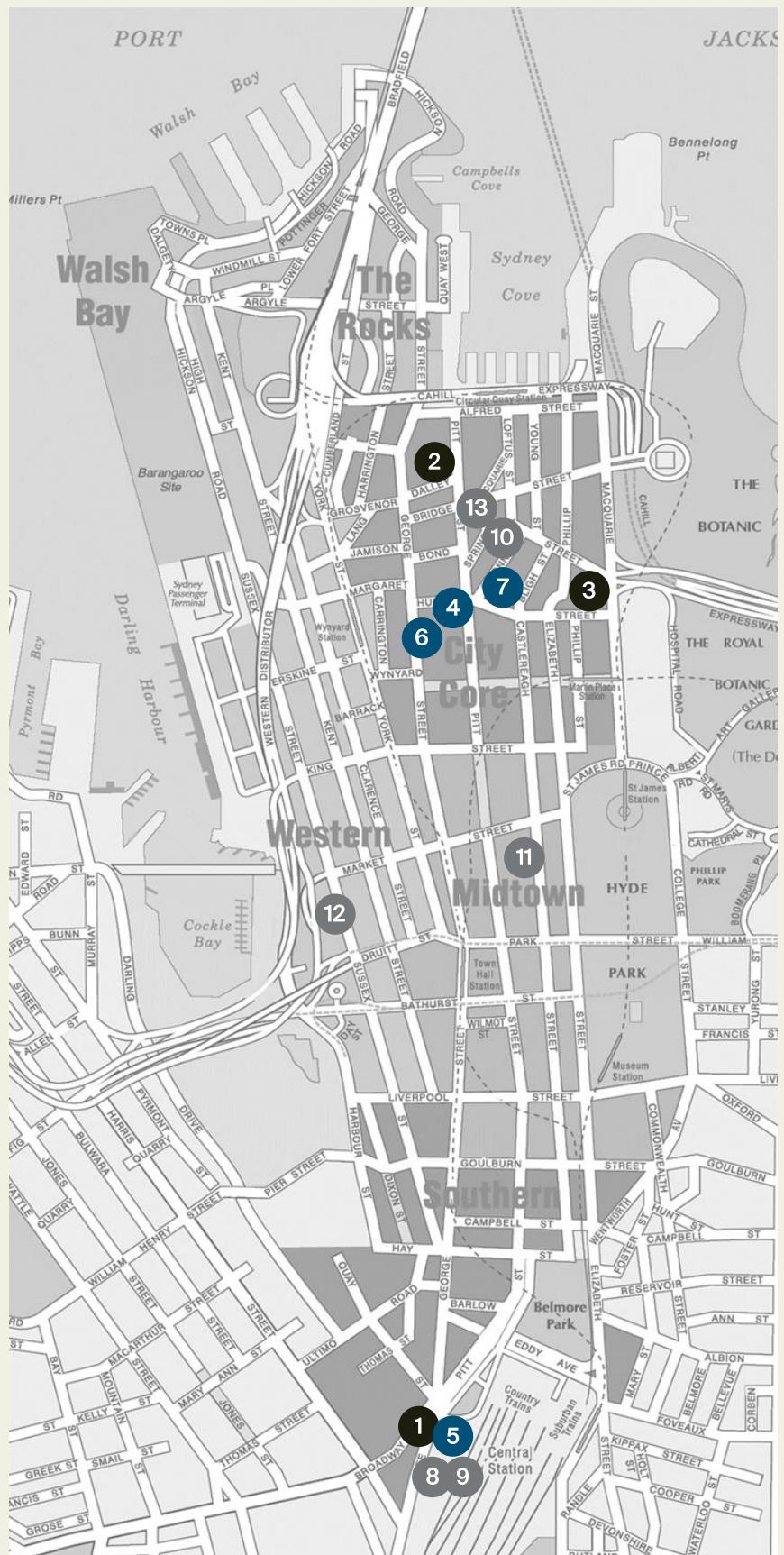
#	ADDRESS	SQM	COMPLETION
1	Atlassian Central	58,000	H1 2027
2	55 Pitt Street	62,800	H1 2027
3	Chifley South	42,000	H2 2027

## Development Approved

#	ADDRESS	SQM	COMPLETION
4	Halo Tower	42,400	2030
5	Toga Central	22,000	2031
6	Hunter Connection West Tower	58,000	2032
7	Hunter Connection East Tower	72,000	2034

## Mooted

#	ADDRESS	SQM	COMPLETION
8	Central Place 1	47,209	2032+
9	Central Place 2	69,000	2032+
10	O Block	112,000	2032+
11	133 Castlereagh St	85,000	2032+
12	Darling Park Tower 4	75,000	2032+
13	56 Pitt Street	90,000	2032+



# Rents soar in the core

## CORE AND MIDTOWN LED THE FACE RENTAL GROWTH

Prime net face rents increased by 5.5% over the year to Q4 2025, reaching \$1,397/sqm (\$1,651/sqm gross face, up 5.6%). Similarly, secondary net face rents rose 3.7% to average \$995/sqm (\$1,196/sqm gross face, up 3.9%) over the same period. The rental differential between prime and secondary has now widened close to a decade-high of 29%.

Tenant demand continues to weigh towards core locations, with Core recording the strongest annual growth among precincts (8.2% y/y), followed by Midtown (4.8% y/y). On the other hand, Western and Southern posted negative net rental growth in 2025.

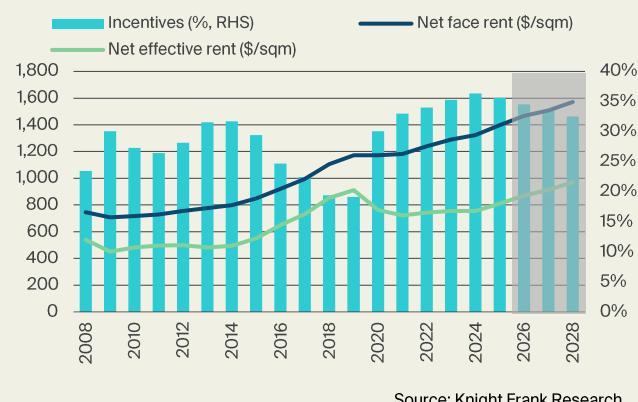
## DIVERGENCE IN NET EFFECTIVE RENTAL GROWTH

Incentives edged down slightly from 36.4% in Q4 2024 to 35.6% in Q4 2025. This is primarily driven by the best in class buildings in the core, where incentives in the Core fell from 34.0% to 32.4%, and Barangaroo eased from 34.0% to 33.0% in 2025. In contrast, incentives in the Western and Southern increased to 41.2% and 42.0%, respectively.

A clear divergence in net effective rental growth has resulted across precincts. Over the year to Q4 2025, positive net effective rental growth was recorded in Core (11.8%), Midtown (5.2%) and Barangaroo (3.6%). Meanwhile, both Western and Southern experienced net effective rental declines.

Looking ahead, steady tenant demand is expected to continue supporting rental growth, particularly within the core locations. Effective rents are likely to trend positively across the CBD as the market enters into a period of limited supply extending through to 2030.

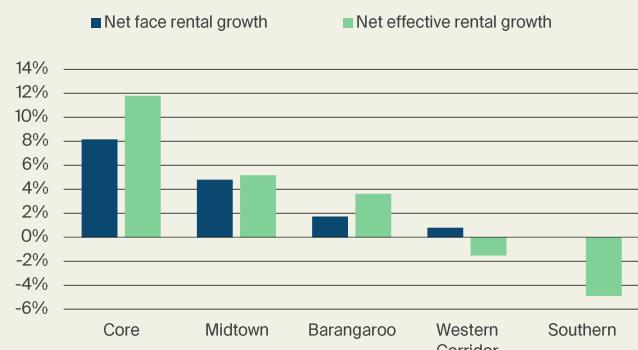
## Sydney CBD office rents and incentive



Source: Knight Frank Research

## Sydney CBD prime office rental growth

Annual rental growth rate



Source: Knight Frank Research

## Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Net face rent \$/sqm	Incentive %	Term yrs	Start Date
Snowy Hydro ~	225 George St	Core	1,856	1,565 (g)	38.7	10	Q2-26
HWL Ebsworth Lawyers~	5 Martin Place	Core	11,023	1,360	36.0	11	Q2-26
CEFC ~	1 Bligh St	Core	1,637	1,800	30.0	7	Q1-26
Braze*	151 Clarence St	Western	1,162	1,310	33.5	5	Q1-25

~ Direct \* Renewal (g) gross face  
Source: Knight Frank Research

# Tightening yields reinforces market confidence

## YIELD TIGHTENING DRIVES CAPITAL VALUE GROWTH

Yields in Sydney CBD tightened for the first time after holding flat since 2024. Prime and secondary yields closed 2025 at 5.70% and 6.25%, reflecting a compression of 33bps and 25bps respectively. Among precincts, tightening yields were observed in the best buildings in Core and Midtown, while yields in Western, Barangaroo and Southern remained unchanged since 2024.

The combination of yield compression and rental growth uplifted the capital values. Prime capital values increased by 11.6%, and secondary values rose 7.8% over the year, representing the strongest annual growth for both markets since early 2020.

## DOMESTIC AND OFFSHORE CAPITAL DRIVING TRANSACTIONAL ACTIVITY

Sydney CBD transaction volumes totalled \$3.3 billion over the year. Following a reset in yields and capital values, improved market transparency supported a renewed uplift in investor confidence, particularly for high-quality, well-located assets.

Transaction activity was led by the sale of Grosvenor Place, acquired by GPT and the Commonwealth Superannuation Corporation, representing one of the most significant office transactions in the past five years, with a 75% stake selling for c\$1.3 billion. Further support was provided by the sale of 135 King St to Daibiru Corporation for \$631.5 million in early 2025.

Domestic capital accounted for 43% of total investment volume in 2025, marking a shift from 2022 when offshore capital dominated, contributing over 75% of transaction volumes. While offshore capital remained active, increased domestic participation in 2025 reflects growing conviction around pricing and renewed confidence in the long-term fundamentals of the Sydney CBD office market.

Despite the recent rise in inflation and associated risk of further interest rate tightening, investor confidence in the Sydney CBD office market remains underpinned by its long-term fundamentals. Limited new supply, positive rental growth expectations and improving tenant demand are likely to support targeted acquisition opportunities, with a clear preference for prime, well-located assets.

### Returning to growth

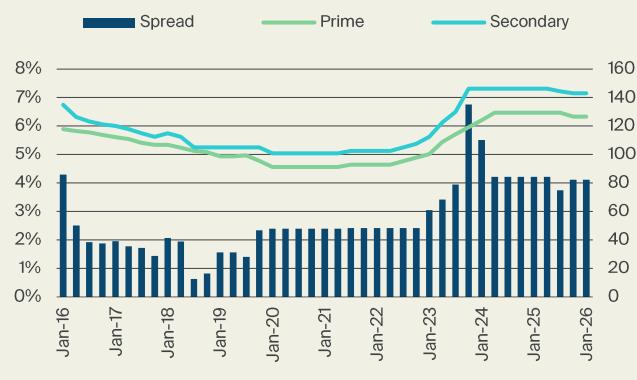
Quarterly capital value growth, Sydney CBD Office



Source: Knight Frank Research, MSCI

### Sydney CBD core precinct office yield spread

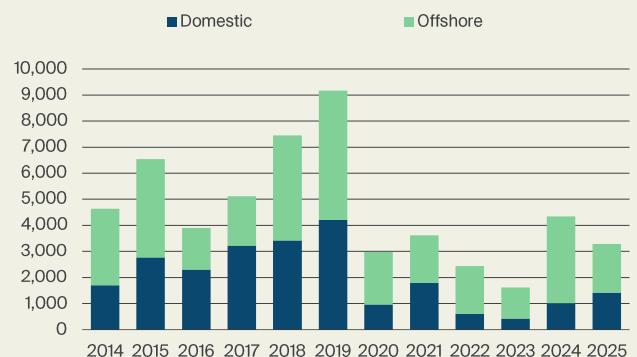
Prime v secondary



Source: Knight Frank Research

### Sydney CBD office transactions

By purchaser location, \$ millions, \$10m+



Source: Knight Frank Research

## Recent significant sales

Property	Price \$ m	Core Market Yield %	NLA sqm	\$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
35 Tumbalong Boulevard	360.0	6.5 - 7%	27,749	12,973	3.7	Barings	Lendlease / Aware Super	Q4-25
225 George Street (50%)	860.0	~6.0	85,509	20,500	3.4	GPT	CSC	Q4-25
75 Elizabeth Street	101.8	5.4	6,104	16,678	2.3	Sydney Catholic Archdiocese	Kingold	Q3-25
20 Bridge Street	270.0	6.7	19,573	13,794	2.4	Anton Capital Partners JV PGIM Real Estate	Early Light International	Q1-25
135 King Street	631.5	6.2	32,695	19,315	4.0	Daibiru Corporation	Investa (ICPF)	Q1-25

\*Net sale price  
Source: Knight Frank Research

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Australian Capital View



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