

North Shore Office Market



H1 - 2026

Clear divide in demand as occupiers and investors favour best in class assets

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Key Insights

Positive outlook as investors seek value beyond the core.



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 **56K**

New supply

The completion of Victoria Cross OSD added over 56,000 of premium office space to north Sydney.

 **13.7K**

Prime net absorption

Positive net absorption over 2025 in the North Sydney prime market.

 **40%**

Elevated incentive levels

Prime grade incentives averaging 40% across the North shore markets.

 **1.8%**

Annual face rental growth

Prime net face rents average \$945/sqm in North Sydney, an increase of 1.8% y/y.

 **65bps**

Yields softening

Yields continue to soften across the North Shore markets, in particular North Sydney yields have softened 65bps over 2025.

 **\$927m**

Transaction volumes

Transaction volumes across the North Shore markets hit \$927 million in 2025. Transaction activity is expected to pick up further throughout 2026.

North Shore Office Market Indicators – January 2026

Market	Grade	Total Stock sqm	Vacancy Rate %	6 Mths Net Absorption sqm	6 Mths Net Additions sqm	Average Net Face Rent \$/sqm	Average Incentive % ^	Core Market Yield %*
North Sydney	Prime	448,463	25.2	5,648	56,926	945	37.5 - 42.5	6.75 - 7.75
North Sydney	Secondary	519,179	26.6	-4,134	-1,974	746	37.5 - 42.5	7.75 - 8.75
North Sydney	Total	967,642	25.9	1,514	54,952			
St Leonards	Prime	137,256	22.5	-678	0	671	40.0 - 45.0	7.75 - 8.75
St Leonards	Secondary	217,548	32.8	2,532	0	573	40.0 - 45.0	8.50 - 9.50
St Leonards	Total	354,804	29.1	1,854	0			
Chatswood	Prime	129,730	28.3	3,459	0	647	40.0 - 45.0	7.50 - 8.50
Chatswood	Secondary	137,274	9.2	1,203	0	530	40.0 - 45.0	8.00 - 9.00
Chatswood	Total	267,004	18.5	4,662	0			
Macquarie Park	Prime	683,835	23.4	-11,461	10,035	480	37.5 - 42.5	7.50 - 8.50
Macquarie Park	Secondary	272,783	25.5	2,370	1,234	400	37.5 - 42.5	8.00 - 9.00
Macquarie Park	Total	218,949	24.0	-9,091	11,269			

^ Incentives are on a gross basis; * assuming WALE 5 years
Source: Knight Frank Research/PCA

North Sydney

PRIME MARKET OUTPERFORMING

There is a clear divergence in occupier demand across North Sydney between differing grades. With positive deal flow and enquiry across the prime market, positive absorption of 13,717 sqm was recorded in 2025. In contrast, the secondary market, where occupier demand is more subdued, recorded negative absorption of 15,716 sqm over 2025.

Analysing demand even further, premium-grade stock is in high demand, with absorption at 6,348sqm over the year, underscoring a clear divergence in market performance. Occupiers are prioritising high-quality office environments that offer superior amenity and connectivity, reinforcing the appeal of best-in-class buildings. Notably, leading assets including 100 Mount Street, 1 Denison Street and 118 Mount Street continue to outperform, maintaining strong occupancy levels relative to the broader market. The Sydney Metro and Victoria Cross Station has enhanced connectivity, further underpinning North Sydney’s long-term attractiveness to occupiers.

LIMITED DEVELOPMENT ON THE HORIZON

After a period of limited development activity, North Sydney’s office market expanded in late 2025 with the completion of one significant development, Lendlease’s Victoria Cross Over Station Development (56,926 sqm). North Sydney’s total office stock currently stands at 967,642 sqm. As the second-largest metropolitan office market in New South Wales, North Sydney continues to evolve, with prime-grade assets now accounting for 46% of total stock—up significantly from 27% a decade ago.

Looking ahead, the proposed Affinity Place office development by Stockland looks unlikely in the near term, as they were seeking to alter the development to a mixed use scheme. Beyond this, the remaining development pipeline is largely in early planning stages and is not expected to materially add to supply before 2030. This limited supply outlook is expected to support ongoing absorption of existing space over the medium term.

FACE RENTS AND INCENTIVES RISE

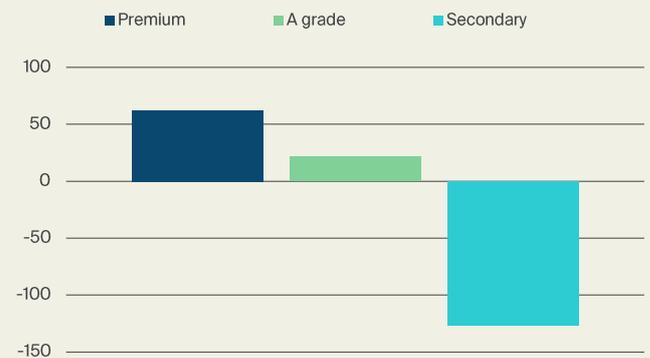
There has been moderate growth in face rents in North Sydney, with average prime net face rents increasing by 1.8% over the year to reach \$945/sqm (\$1,121/sqm gross) as of January 2026. In the secondary market, growth has been limited to 0.6% over the year, with current rates measuring \$746/sqm (\$900/sqm gross face).

Prime incentives edged higher over the year to now average 40.2%, resulting in a 2% decline in net effective rents, which now average \$495/sqm. Incentives have likely peaked and are expected to stabilise over the near term, paving the way for net effective rents to return to growth.

NORTH SHORE OFFICE MARKET

North Sydney office demand by grade

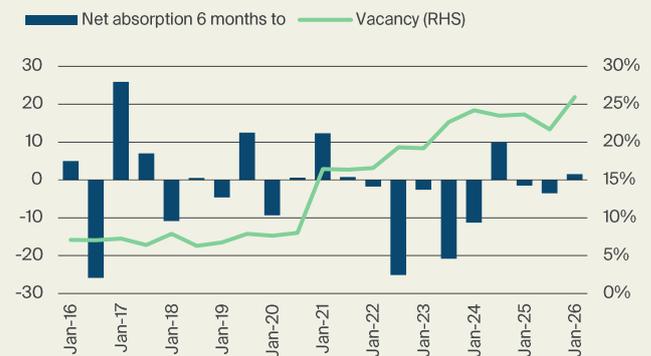
Total absorption since 2021 ('000sqm)



Source: Knight Frank Research, PCA

North Sydney vacancy and net absorption

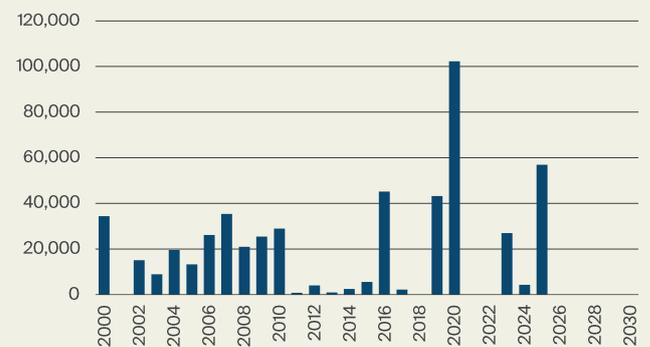
'000sqm (LHS), %(RHS)



Source: Knight Frank Research, PCA

North Sydney office development pipeline

sqm



Source: Knight Frank Research, PCA

Macquarie Park

VACANCY RISES

Overall vacancy in Macquarie Park rose to a new high of 24.0% in January 2026, whilst still below the vacancy levels recorded in North Sydney and St Leonards. Negative absorption of 9,091 sqm in the second half of 2025 brought total annual net absorption to negative 39,981 sqm. During 2025, a continued trend of occupiers relocating from Macquarie Park to North Sydney was observed, including moves by Nielsen Connect and Epson.

By grade, prime vacancy closed the year at 23.4%, with negative net absorption of 20,688 sqm over the 12 months to January 2026. Similarly, the secondary market recorded negative absorption of 19,313 sqm over the same period, with vacancy reported at 25.5%.

LIMITED DEVELOPMENT PIPELINE

The office stock in Macquarie Park ended 2025 at 956,618 sqm, following the delivery of 11,269sqm of new supply in the second half of the year. This is primarily driven by the completion of Stockland's 17 Khartoum Road (M_Park), which added 10,035 sqm to the market and was fully committed by Johnson & Johnson.

Looking ahead, 15 Khartoum Road (M_Park) is scheduled for completion in H1 2026, delivering a further 10,082 sqm of office space. Beyond this, no additional development is currently scheduled for delivery before 2030. The limited forward supply is expected to support the absorption of existing availability and gradually ease vacancy levels over the next couple of years.

RISING INCENTIVES OFFSET FACE RENTAL GROWTH

The average prime net face rents in Macquarie Park measured \$480/sqm (\$610 gross face), representing a 2.1% increase over the 12 months to January 2026. This marked the strongest face rental growth among suburban markets in Sydney. Secondary net face rents reported 1.9% growth over the same period, averaging \$400/sqm (\$530/sqm gross face).

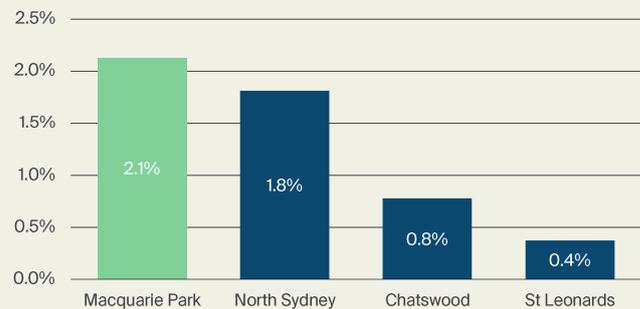
However, reflecting the subdued occupier demand and elevated vacancy, incentives continued to rise, increasing from 40% in January 2025 to 41% in January 2026. As a result, the uplift in face rents was more than offset at the effective level, with prime net effective rents declining by 2.8% to \$283/sqm over the year.

Macquarie Park vacancy and net absorption
'000sqm (LHS), %(RHS)



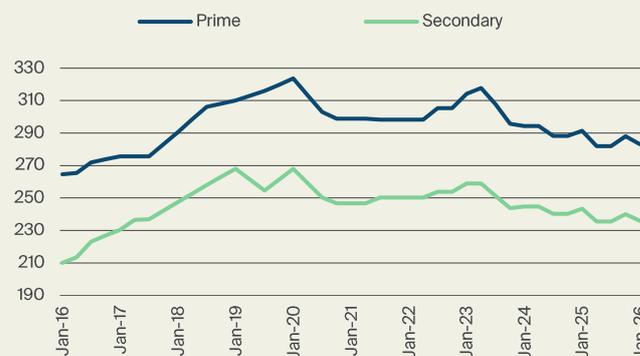
Source: Knight Frank Research, PCA

North Shore office annual rental growth
Net face rental growth, %



Source: Knight Frank Research

Macquarie Park net effective rents
Average rent by grade, \$/sqm



Source: Knight Frank Research

St Leonards

ONLY NORTH SHORE MARKET WITH POSITIVE OVERALL NET ABSORPTION IN 2025

St Leonards is the only market to record positive overall net absorption in 2025. Positive net absorption of 2,942 sqm contributed to the ease in overall vacancy, which declined from 30.5% in January 2025 to 29.1% in January 2026.

By grade, performance was led by the prime market, where vacancy declined from 26.1% to 23.4% over the year, supported by positive net absorption of 3,802 sqm. Secondary vacancy edged slightly from 33.2% to 32.8%, with a slight negative net absorption of 860 sqm over the same period.

NEW DEVELOPMENT UNDERWAY AS METRO STATION IMPROVES CONNECTIVITY

The opening of the Crows Nest Metro station has improved connectivity and accessibility within the precinct, enhancing its overall appeal to occupiers. Combined with the availability of multiple prime office options, the improved transport amenity is expected to encourage occupiers in secondary spaces upgrade to higher-quality buildings. As a result, the market is well positioned to absorb the supply additions delivered since 2020.

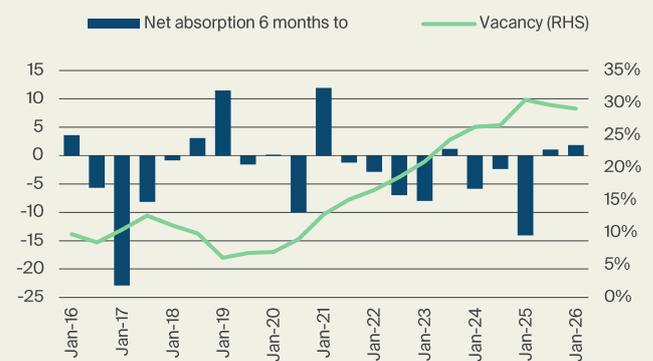
Looking ahead, Deicorp has commenced site preparation for Five Ways, Crows Nest mixed-use development, following approval in December 2024. Upon completion, the project will deliver approximately 8,000 sqm of commercial space, adding to the precinct's evolving office offering and further benefiting from the enhanced connectivity provided by the Metro.

FLAT FACE RENTS AND ELEVATED INCENTIVES

With vacancy remaining elevated, face rental growth has been constrained. On an annual basis to January 2026, prime face rents recorded marginal growth of 0.4%, averaging \$671/sqm (\$821/sqm gross face). Secondary face rents have remained flat since 2023, holding at \$573/sqm (\$701/sqm gross face). Incentives continued to rise over the period, reaching 42% in January 2026.

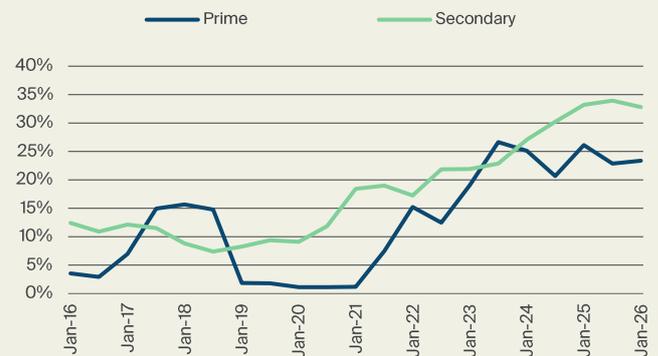
The wide range of prime options available has intensified competition across the market, encouraging occupiers in secondary buildings to upgrade. A growing divergence between prime and secondary market performance is expected to continue.

St Leonards vacancy and net absorption
'000sqm (LHS), %(RHS)



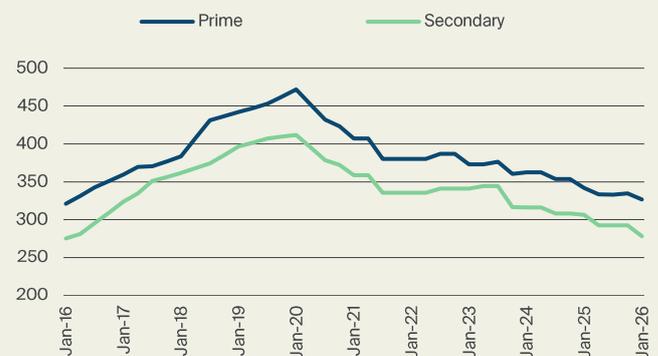
Source: Knight Frank Research, PCA

St Leonards vacancy
By grade, %



Source: Knight Frank Research

St Leonards net effective rents
Average rent by grade, \$/sqm



Source: Knight Frank Research

Chatswood

LOWEST OVERALL VACANCY AMONGST SYDNEY'S SUBURBAN MARKETS

Overall vacancy in Chatswood declined from 20.2% to 18.5% over the six months to January 2026, representing the lowest vacancy among Sydney's suburban markets. Occupier demand improved across both prime and secondary markets over the period. The prime vacancy fell from 31.0% in July 2025 to 28.3% in January 2026, supported by positive net absorption of 3,459 sqm. Similarly, secondary vacancy declined from 10.0% to 9.2%, with net absorption totalling 1,203 sqm over the same period.

With no new office developments currently scheduled for delivery over the next couple of years, the market is well positioned to absorb current stock levels.

INCENTIVES ELEVATED

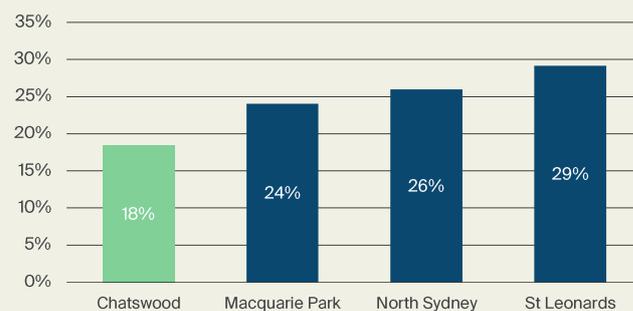
Whilst net absorption improved in H2 2025, the relatively high vacancy has continued to constrain rental growth, resulting in largely flat face rents since the beginning of 2025. The prime net face rents averaged at \$647/sqm (\$797/sqm gross face), and secondary net face rent reported at \$530/sqm (\$668/sqm gross face).

Incentives continued to trend higher, increasing from 38% in January 2025 to 42% in January 2026, as landlords sought to attract and retain tenants. The lift in incentive has resulted in a decline in effective rents, where prime net effective rents fell by 8.5% over the year to \$312/sqm, marking the largest annual decline since mid-2021. The widening gap between face and effective rents represents the incentive-led leasing strategies in the market.

Looking ahead, net effective rents will likely return to growth as incentives have topped out at current levels and occupier demand and enquiry improves.

North Shore office vacancy

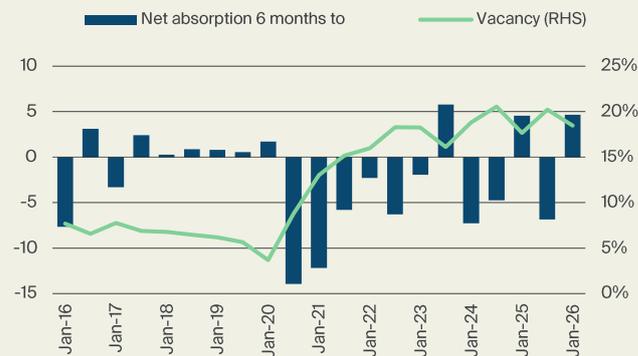
Overall vacancy, %



Source: Knight Frank Research, PCA

Chatswood vacancy and net absorption

'000sqm (LHS), %(RHS)



Source: Knight Frank Research, PCA

North Shore office net absorption

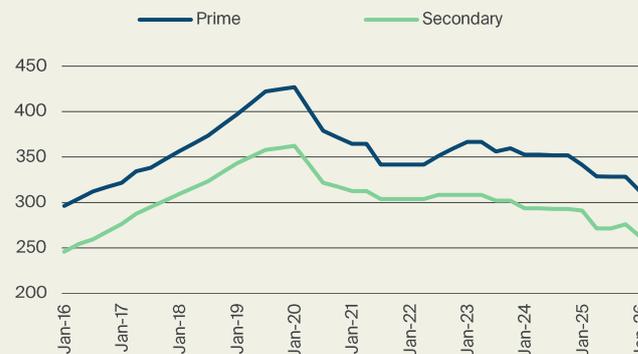
By market, '000sqm, 6 months net absorption to January 2026



Source: Knight Frank Research, PCA

Chatswood net effective rents

Average rent by grade, \$/sqm



Source: Knight Frank Research

North Shore investment

A PICK UP IN INVESTMENT ACTIVITY ON THE HORIZON

Transactional activity in North Sydney has remained relatively subdued over the past three years, reflecting the softer macroeconomic backdrop and investor preference for core Sydney CBD assets. The largest transaction in 2025 was the sale of 100 Pacific Highway, acquired by Forza Capital from ISPT for \$220 million, reflecting a core market yield of 8.8%. In a further sign of selective capital deployment, Keppel Corporation acquired 77 Berry Street for \$58.5 million on a 7.3% core market yield. More recently, to kick off transactions for 2026, Investa and US investment manager BGO have exchanged on 100 Mount Street from Dexus for approximately \$600 million. Looking ahead, transactional momentum is forecast to continue in 2026, with multiple assets earmarked for on and off market campaigns.

ELEVATED YIELD ENVIRONMENT ENHANCES INVESTMENT APPEAL AND OPPORTUNITY

Yields have continued to soften across North Shore markets, influenced by investor preferences towards core CBD assets. North Sydney prime yields are reported to be averaging 7.5%. The softening trend that began in mid-2021 has seen prime yields soften by 271 bps and secondary yields by 307bps in North Sydney. The current yield spread against the Sydney CBD stands at 180 basis points, the highest on record.

North Sydney's office market continues to present a compelling investment proposition, underpinned by improving leasing fundamentals, enhanced connectivity and a material yield discount relative to the Sydney CBD core market. As a result, a broad range of groups are now seeking to deploy capital in the near term to take advantage of an attractive entry point and maximise the potential for long-term capital growth.

North Shore office sales \$10m+

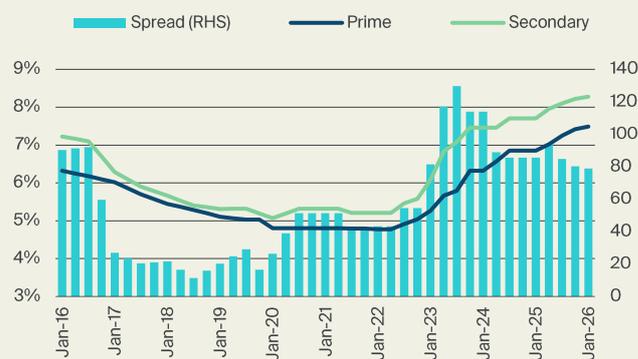
By precinct (\$m), 2015 to 2025



Source: Knight Frank Research

North Sydney office yields

Prime v Secondary



Source: Knight Frank Research

Recent significant sales

Property	Price \$ m	Core Market Yield %	NLA sqm	\$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
100 Pacific Highway, North Sydney	226.5	8.1	21,896	10,344	2.6	Forza Capital	ISPT	Q4-25
77 Berry St, North Sydney	65.0	7.4	5,686	11,432	8.4	Keppel Corporation	Winten Property Group	Q3-25
78 Waterloo Rd, Macquarie Park	101.25	7.7	14,910	6,791	2.8	Growthpoint	Mapletree Investment	Q4-25

Source: Knight Frank Research/RCA

Recent significant tenant commitments

Occupier	Property	Precinct	Size sqm	Face Rent \$/sqm	Incentive %	Start Date
Nanosonics ~	3 & 5 Thomas Holt Dr	Macquarie Park	5,803	395	28%	Q2-27
Nielsen Connect Australia ~	141 Walker St	North Sydney	868	830	45%	Q1-26
PepsiCo ~	177 Pacific Hwy	North Sydney	2,860	950	55%	Q1-26
McGrath Foundation ~	76 Berry St	North Sydney	1,428	740	55%	Q1-26
NH Foods ~	107 Mount St	North Sydney	470	810	44%	Q3-25

Pre-commitment ^ Sublease ~ Direct * Renewal (g) gross face
Source: Knight Frank Research

North Shore major office supply

Property	Area (sqm)	Developer	Stage	Timing
M_Park, 15 Khartoum Road, Macquarie Park	10,082	Stockland	U/C	H1 2026
Victoria Cross OSD, North Sydney	55,000	Lendlease	Complete	H2 2025

Refurbishment
Source: Knight Frank Research

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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Recent Research



Sydney CBD Office State of the Market



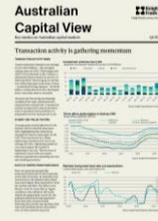
Sydney Industrial State of the Market



Leading Indicators



Sydney CBD Economic Rents Reach Their Peak



Australian Capital View



The Co-Living Report



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