

Sydney CBD – Q1, 2026

Market Report

The Sydney CBD office market has stabilised following the significant supply additions delivered throughout 2024 and 2025, with overall vacancy remaining relatively unchanged at 13.8% as at January 2026, compared with 13.7% in July 2025. While vacancy remains elevated relative to long-term averages, the market has recorded positive net absorption, supported by improving occupier demand and limited new supply entering the market.

The dominant theme continues to be the "flight to quality", with occupiers prioritising Premium and high-quality A-Grade buildings that offer superior ESG credentials, workplace amenity, wellness features and proximity to transport infrastructure. Premium Grade vacancy has tightened to approximately 8.9%, significantly below the CBD average, while secondary-grade assets continue to experience elevated vacancy levels of approximately 14.9% and above, highlighting the growing bifurcation between prime and secondary stock.

Sublease availability has continued to decline from the elevated levels recorded during 2023 and 2024, particularly within larger floorplates exceeding 1,000 sqm. This reduction has been driven by stronger occupier absorption and the withdrawal of surplus space by major corporates as office attendance levels improve.

Typical Gross Rental Comparison



Grade	Typical Gross Face Rental (\$/sqm)		Gross Incentive (%)	Gross Effective Rental (\$/sqm)	
	Low	High		Low	High
Premium	\$1,400	\$2,200	30%	\$980	\$1,540
A	\$1,150	\$1,550	32%	\$748	\$1,020
B	\$1,000	\$1,200	32%	\$680	\$782

Note - Vacancy and absorption statistics sourced from Property Council of Australia

Occupier's Perspective



Market has become two-speed. The gap between premium and secondary buildings continues to widen, with the strongest rental growth occurring in Premium and A-Grade assets. Secondary buildings face increasing pressure to reposition through refurbishment, ESG upgrades or rental discounting

Market Trends

Leasing activity strengthened during Q1 2026, with enquiry volumes increasing materially compared with both the previous quarter and the same period last year. Tenant demand has been driven by organisations seeking to enhance workplace quality and support return-to-office strategies, often upgrading accommodation while maintaining similar or reduced floor areas.

Importantly, no significant new office supply is scheduled for completion within the Sydney CBD during 2026, while the next major development wave is not anticipated until 2027. This constrained supply pipeline is expected to support further tightening in premium-grade vacancy and continued growth in effective rents, particularly within core CBD precincts. Incentives remain elevated by historical standards but are beginning to decrease across prime-grade assets as landlord confidence improves.