SYDNEY OFFICE MARKET | Q2 2026

Leverage remains.

Premium choice is tightening.

The Sydney CBD office market has stabilised following the significant supply additions delivered throughout 2024 and 2025, with overall vacancy remaining relatively unchanged at 13.9% as at July 2026, compared with 13.8% in January 2026. The market has recorded positive net absorption, supported by improving occupier demand and limited new supply entering the market.

Tenant Leverage Scale

Tenant-unfriendly Tenant-friendly

Preparation preserves leverage.

MARKET AT A GLANCE

CBD VACANCY	SUBURBAN VACANCY	NET ABSORPTION	WEST SYDNEY VACANCY	INCENTIVES	NEW SUPPLY
13.9%	↑	39,300sqm	23.5%	20–40%	Low

WHAT'S SHAPING THE MARKET

Vacancy
Vacancy has remained level over the past 12 months with Prime assets recording good lower vacancy than Secondary assets.

Supply
Limited new supply is coming to the market over the next 4 years to 2031, with many of the assets being precommitted to.

Demand
Tenant demand remains strong with 'flight to quality' continuing to be the trend, and with limited new supply, high-quality assets will receiving strong leasing demand.

Incentives
Sydney is very much a tiered market, both in respect to location and asset class. Premium grade assets are providing high teen / early twenty's incentives and Western Corridor assets offering mid to high thirty percent incentives.

RENT BENCHMARKS

	Typical Net Face Rent ($/sqm)			*Net Effective Rent ($/sqm)*	
Grade	Low	High	Incentive	Low	High
Premium	$1,600	$2,400	18-20%	$1,312	$1,920
A Grade	$1,200	$1,600	25-35%	$900	$1,040
B Grade	$1,000	$1,200	30–40%	$700	$720

WHAT THIS MEANS FOR OCCUPIERS

LEVERAGE IS REAL
High vacancy and material incentives give occupiers strong negotiating power.

SUPPLY IS LIMITED
Very little new stock means the window of choice won't last.

FOCUS ON VALUE
It's not just about cost. Evaluate risk, flexibility, obligations and guarantees.

FUTUREPROOF *TODAY* – RECOMMENDED ACTIONS THIS QUARTER

01
Review lease timing
Understand key dates, notice periods and your negotiating position.

02
Widen the search
Compare locations and asset grades to uncover stronger value.

03
Use competition strategically
Create genuine alternatives to strengthen your negotiating position.

04
Compare total value
Look beyond face rent to incentives, flexibility, fitout and occupancy cost.

FUTUREPROOF *together.*

Please don't hesitate to reach out to our conflict-free occupier advisors:

Ken Lam
Director, Occupier Advisory

klam@lpc.com.au
+61 411 133 944

Gillian Heath
Director, Occupier Advisory

gheath@lpc.com.au
+61 404 329 283

Rebecca Pelling
Managing Director, Project Services

rpelling@lpc.com.au
+61 409 291 178

Julian Kurath
Director, Occupier Advisory

jkurath@lpc.com.au
+61 404 499 419