MELBOURNE OFFICE MARKET | Q2 2026

Vacancy is easing. Leverage isn't.

The upper hand won't last.

Melbourne remains one of Australia's most tenant-favourable office markets. Vacancy has eased only marginally to 18.9%, still the nation's highest, while incentives sit near record levels. With two major towers nearing completion and a thinning pipeline, this leverage is expected to narrow as the market tightens from 2029.

Tenant Leverage Scale

Tenant-unfriendly — Tenant-friendly

Preparation preserves leverage.

MARKET AT A GLANCE

CBD VACANCY	NET ABSORPTION	INCENTIVES	NEW SUPPLY
18.9%	**+28,000sqm**	**35–50%**	**Low**

WHAT'S SHAPING THE MARKET

Vacancy
Vacancy eased marginally to 18.9% over H1 2026, still Australia's highest. Prime Eastern Core stock continues to outperform buildings elsewhere in the CBD.

Supply
51 Flinders Lane and 435 Bourke Street are due to be completed in 2026. The pipeline is now the thinnest on record, with next to nothing expected before 2030–2031.

Demand
Tenant demand has strengthened, with the CBD absorbing over 28,000sqm in 2026.

Incentives
Incentives sit near record highs between 35–50%, giving occupiers scope for generous packages, though signs of tightening are emerging in premium Eastern Core stock.

RENT BENCHMARKS

	Typical Net Face Rent ($/sqm)			*Net Effective Rent ($/sqm)*	
Grade	Low	High	Incentive	Low	High
Premium	$700	$1,200	35–47%	$370	$780
A Grade	$620	$850	45–48%	$360	$475
B Grade	$450	$625	45–50%	$300	$340

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
Lock in before 2029
Secure longer terms now, before the pipeline shifts power to landlords.

02
Upgrade while you can
Use today's incentives to move into premium, better-located space.

03
Secure fitout support
Capital constraints mean fitout incentives are starting to be capped.

04
Build in flexibility
Negotiate contraction, expansion and early-exit rights now.

FUTUREPROOF *together.*

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

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