

FIGURES | SYDNEY | Q3 2026

Sydney's property markets diverge as leasing and investment activity strengthens



Note: Arrows indicate change from previous quarter / half / year.

Key Points

- OFFICE: Sydney CBD reported 18,715 sqm of positive net absorption in H1 2026, supported by ongoing demand for premium office space and no new supply completions.
- OFFICE: Office investment activity improved, with AUD 3.0bn transacted during the first nine months of 2026 and investor preference remaining on prime core assets.
- INDUSTRIAL: Sydney take-up rebounded 30% q-o-q to c.167,000 sqm in Q3, with the Outer North West accounting for 66% of leasing activity.
- INDUSTRIAL: Investment volumes approached the 10-year annual average of c.AUD 3bn, with super prime yields holding firm at 5.2% in Q3.
- RETAIL: Supply of c.136,000 sqm over 2026-2027 is weighted to neighbourhood and large format centres, with \$171m transacted in Q3 (\$1,874m YTD) at broadly stable yields..
- RESIDENTIAL: Sydney leading the national price correction with values down more than 9% from their early 2026 peak.

Source: CBRE Research

Office Leasing

Strongest leasing conditions concentrated in Prime assets and core precincts

Sydney CBD recorded 18,715 sqm of positive net absorption in H1 2026, supported by strengthening leasing demand and occupier preference for high-quality CBD accommodation.

Premium assets recorded around 19,400 sqm of net absorption, while Secondary stock recorded a modest decline. Demand remains concentrated in higher-quality buildings, reflecting ongoing flight-to-quality and flight-to-value trends.

The Core and Western Corridor precincts delivered the strongest leasing outcomes, accounting for the majority of positive absorption across the CBD, supported by strong amenity, transport connectivity and ESG-aligned building offerings.

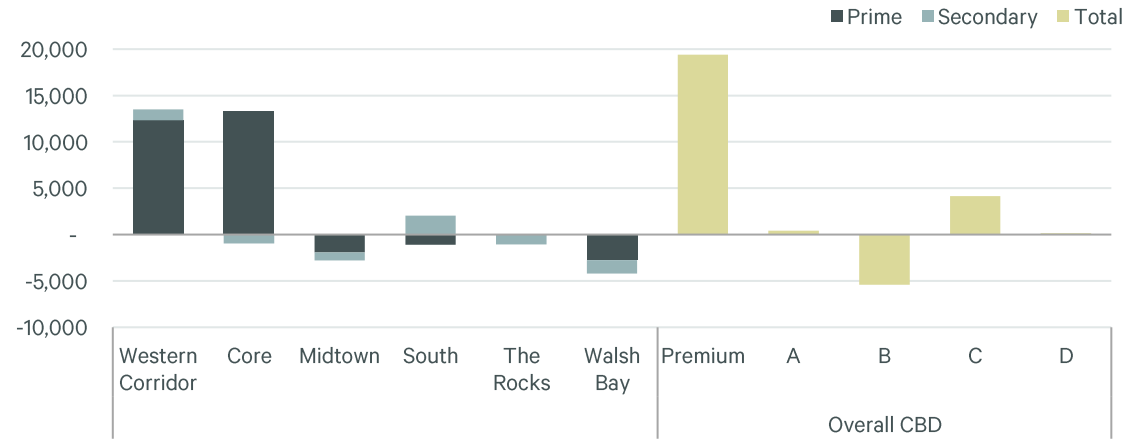
Constrained supply expected to support market fundamentals

No new office supply was delivered during the first nine months of 2026, with the market entering a period of limited development activity. While approximately 126,000 sqm is expected to complete in 2027, pre-commitment levels across major projects already exceed 60%, highlighting continued tenant demand for future premium accommodation.

Beyond 2027, the supply outlook remains highly constrained. Elevated construction costs, development financing challenges and leasing risks continue to limit feasibility for new projects, resulting in a relatively shallow development pipeline. As a result, new supply is expected to remain below long-term averages over the medium term.

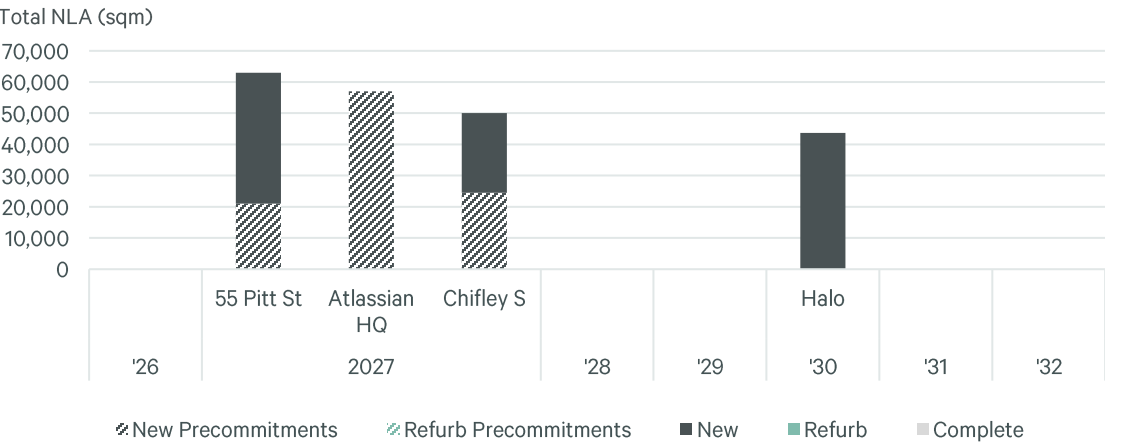
The combination of constrained future supply, ongoing flight-to-quality leasing activity and continued migration from suburban markets is expected to support Sydney CBD leasing fundamentals over the coming years.

FIGURE 1: Sydney CBD Office | 6-Month Net Absorption (sqm), by Building Grade & Precinct, H1 2026



Source: PCA, CBRE Research

FIGURE 2: Sydney CBD Office | Upcoming Major Development Projects



Source: CBRE Research

Office Capital Markets

Volatile bond yields present ongoing investment headwinds

Investment activity across the Sydney CBD continued to improve during 2026, supported by stronger leasing fundamentals and growing investor confidence. Transaction volumes reached AUD 2.96 billion over the first nine months of the year, significantly higher than the corresponding period in 2025. While elevated interest rates and bond yields continue to influence pricing and decision-making timeframes, transaction activity has strengthened.

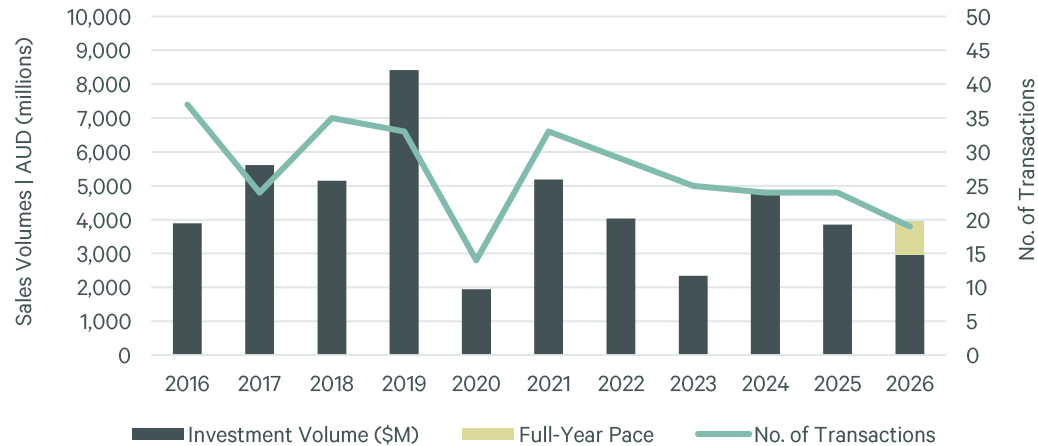
Demand for Prime assets in Core CBD locations remains resilient. Indicative cap rates range from 5.75% for Prime assets in the Core precinct to 8.2% for Secondary assets in The Rocks, highlighting investors' continued preference for high-quality assets with secure income streams. In contrast, Secondary and value-add assets remain more exposed to pricing pressure.

Prime Core assets expected to remain comparatively resilient

Prime Core assets continue to be supported by strong leasing fundamentals and investor demand. However, the yield stability observed across the Sydney CBD since 2025 has begun to ease, with higher bond yields and borrowing costs placing pressure on pricing, particularly for Secondary and non-Core assets.

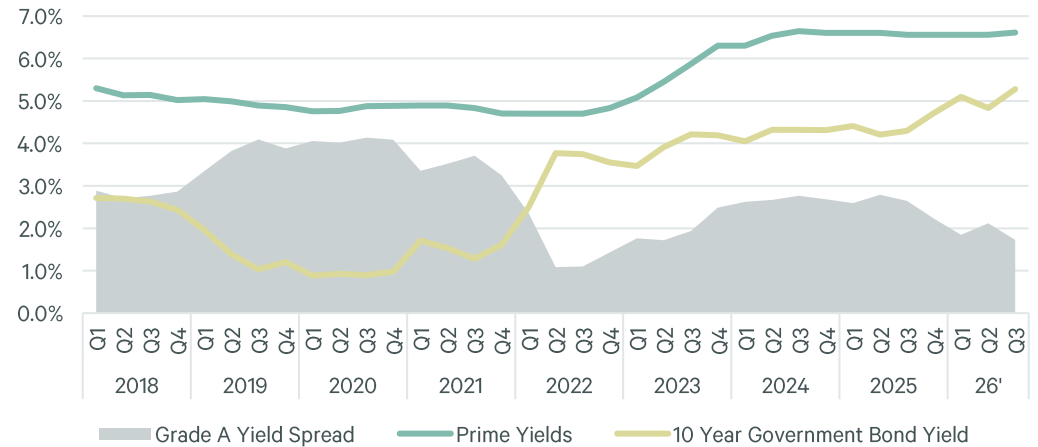
Investors remain selective, with demand strongest for well-leased assets in Core CBD locations. While some upward pressure on yields may persist, any expansion is expected to be more pronounced across Secondary and value-add assets. Sydney CBD Prime yields have remained broadly stable at around 6.6% since the late 2024 despite rising bond yields, which increased to 5.3% in Q3 2026. As a result, the Grade A yield spread has narrowed to 1.7%, its lowest level in recent years, placing greater pressure on non-Core and Secondary assets while reinforcing investor focus on well-leased Prime Core opportunities.

FIGURE 3: Sydney CBD Office | Sales Activity



Source: CBRE Research

FIGURE 4: Sydney CBD Office | Prime Indicative Yields vs Commonwealth Government 10-yr Bond Yields



Source: CBRE Research

Industrial Leasing and Supply

Leasing activity rebounds, led by the Outer North West

Sydney industrial gross take-up increased to 167,000 sqm in Q3 2026, up 30% from 128,000 sqm in the previous quarter. Activity was predominantly concentrated in existing facilities, with the Outer North West accounting for approximately 66% of total take-up, followed by the Outer South West at 22%.

Transport, Postal & Warehousing continued to underpin occupier demand, with third-party logistics (3PL) and cold storage operators accounting for a significant share of leasing transactions. This reinforces the ongoing importance of logistics and temperature-controlled supply chains as key drivers of industrial floorspace demand.

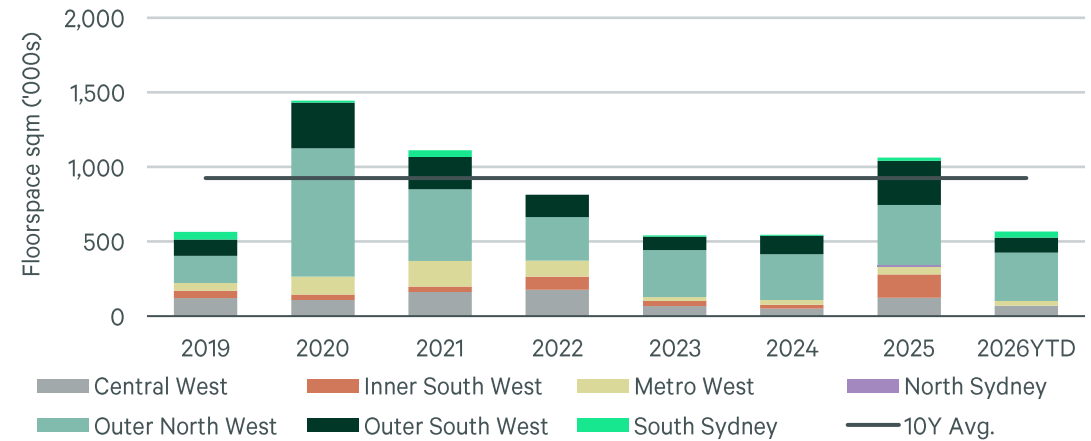
Looking ahead, leasing activity is expected to strengthen in Q4 2026, supported by several anticipated pre-lease transactions.

Development completion accelerate, while 2027 supply remains uncertain

Sydney's industrial development pipeline in 2026 is expected to exceed the 10-year annual average. Approximately 184,000 sqm remains under construction and is scheduled for completion during Q4, providing a high degree of certainty around the remaining 2026 supply pipeline.

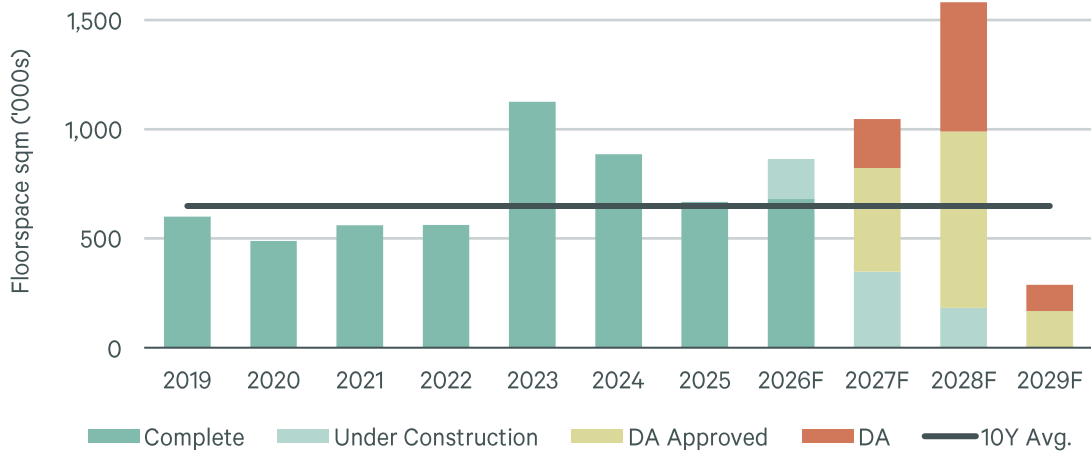
Looking ahead to 2027, a significant proportion of the development pipeline remains within the DA-approved or DA-application stages. Consequently, the extent to which completions will exceed the long-term average remains uncertain, with potential project delays pushing some deliveries into 2028. Close to one-third of the forecast 2027 pipeline (projects under construction or with DA Approval) is currently pre-committed.

FIGURE 5: Sydney Industrial | Gross Take-Up 2019-2026YTD, by Precinct



To note: Reflects lease transactions ≥5,000sqm.
Source: CBRE Research

FIGURE 6: Sydney Industrial | Development Supply Pipeline 2019-2029F



To note: Reflects projects ≥5,000 sqm.
Source: CBRE Research

Industrial Capital Markets

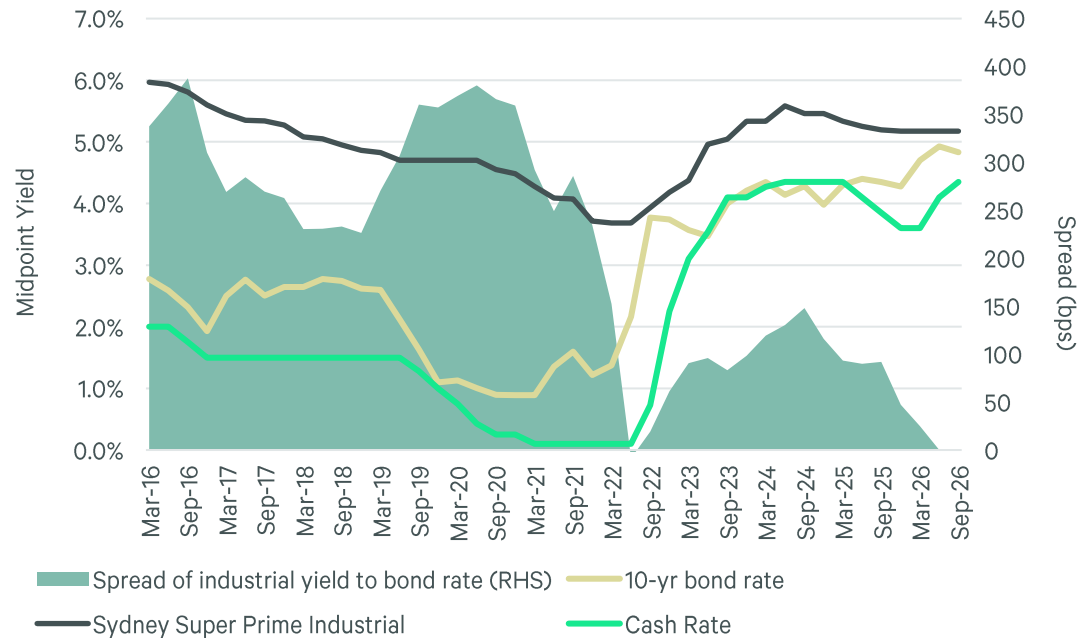
Investment activity expected to surpass the 10-year average

Sydney’s industrial and logistics investment market has maintained solid momentum through 2026YTD, with transaction volumes close to exceeding the 10-year average of c. AUD 3 billion.

Yields remain stable

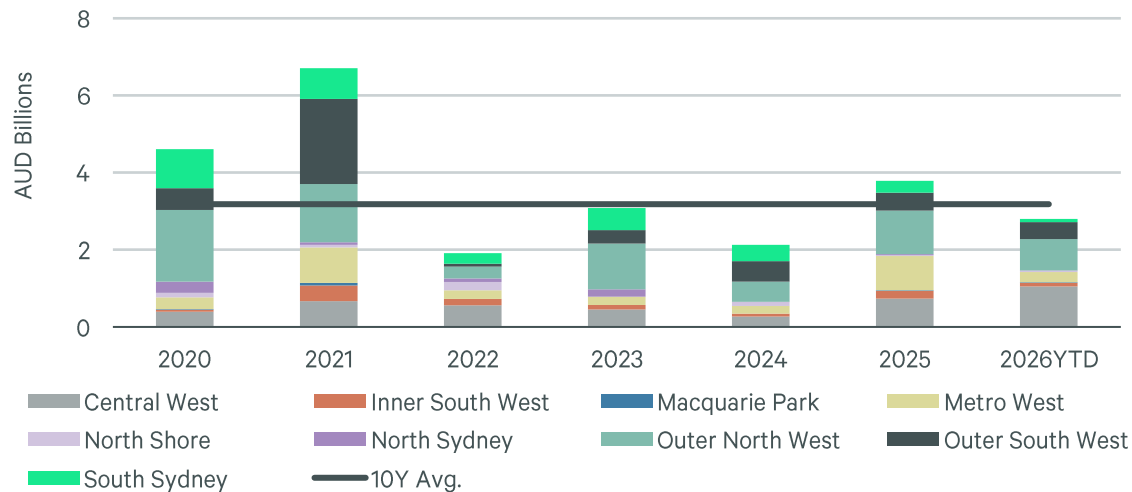
Sydney’s industrial and logistics midpoint yields across all three asset grades remains stable over the quarter. Super prime midpoint yields currently stand at 5.2%.

FIGURE 7: Sydney Industrial | Super Prime Midpoint Yields, Australia 10Y Government Bond and Cash Rate



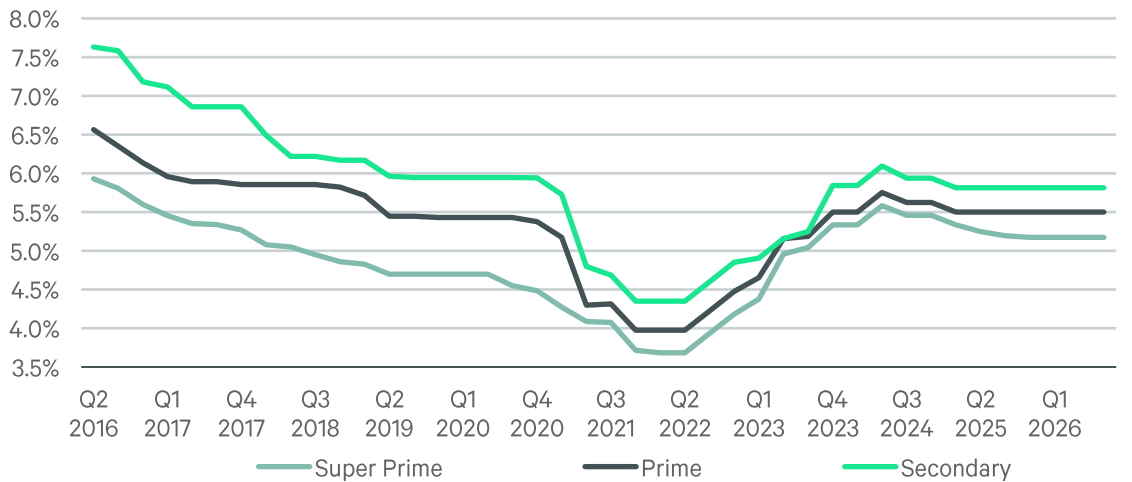
Source: RBA, CBRE Research

FIGURE 8: Sydney Industrial | Investment Sales (≥ AUD 5 million)



Source: CBRE Research

FIGURE 9: Sydney Industrial | Midpoint Yields by Asset Grade



Source: CBRE Research

Retail

Sydney’s retail expansion has been increasingly directed to Neighbourhood Centres in growth corridors.

Sydney is expected to record c.110,000 sqm of new shopping centre and 26,000 sqm of Large Format Retail (LFR) supply over 2026-2027. Key developments in Sydney’s shopping Centre supply pipeline include Rouse Hill, Pennant Hills, Harbourside and Burwood Place.

Rents have continued to accelerate in CBD locations, with super prime growth rate of +13% y-o-y. Super prime rents are now almost double Prime CBD location. In contrast growth in Regional and sub-Regional is pacing at a more modest +3.4% and +2.3% y-o-y. Prime LFR rents grew by +4.2% y-o-y in 3Q 2026.

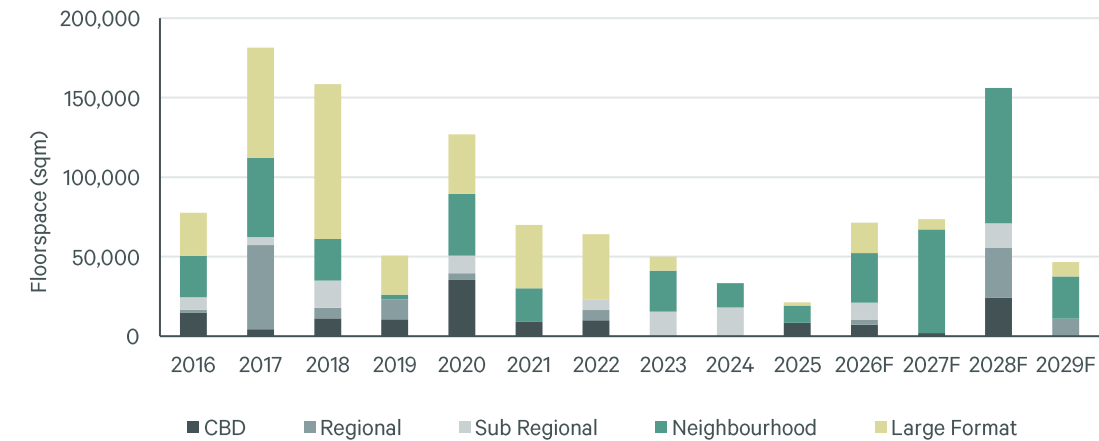
Investment outlook has been supportive of transactions

NSW’s retail investment market has recorded \$1,874 million in transactions (incl. Non-metro assets) during 2026 YTD, demonstrating sustained investor appetite for retail assets despite ongoing economic uncertainty. Transactions in Q3 2026 included Revelop’s acquisition of Prospect central.

Australia-wide, foreign buyers have accounted for c20% of Retail shopping centre transactions.

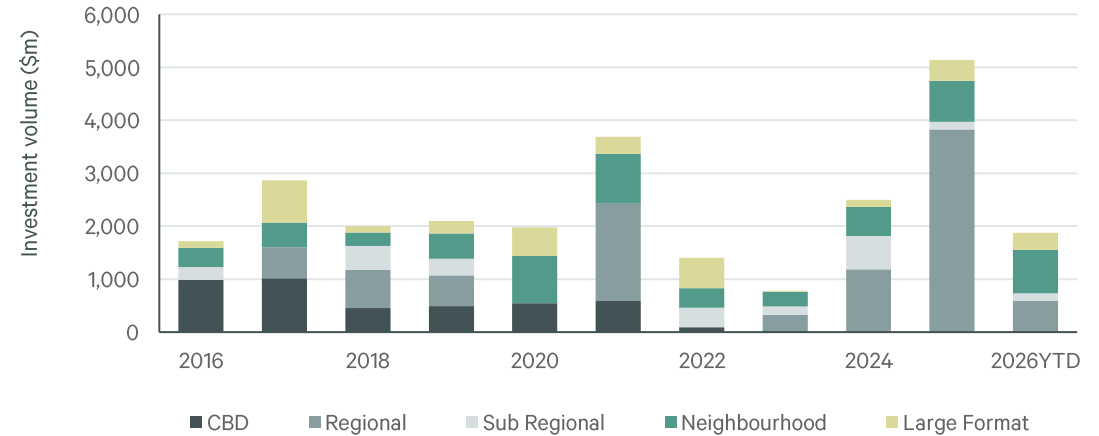
Yields for Regional shopping Centre were c5.59% and Neighbourhood Centres 5.56%, broadly flat q-o-q. Yields for LFR compressed by 13bps q-o-q to reach an average of 5.96%.

FIGURE 10: Sydney Retail | Supply by Asset Category



Source: CBRE Research

FIGURE 11: Sydney Retail | Sales by Asset Category



Source: CBRE Research

Residential

Price correction leading the nation

Sydney continues to lead the residential price correction nationally. Cotality data to September was showing:

- A median house value of \$1.466 million, down 5.6% q-o-q and 8.2% lower than a year ago; and
- A median unit value of \$867,600, down 3.0% q-o-q and 3.8% lower than a year ago.

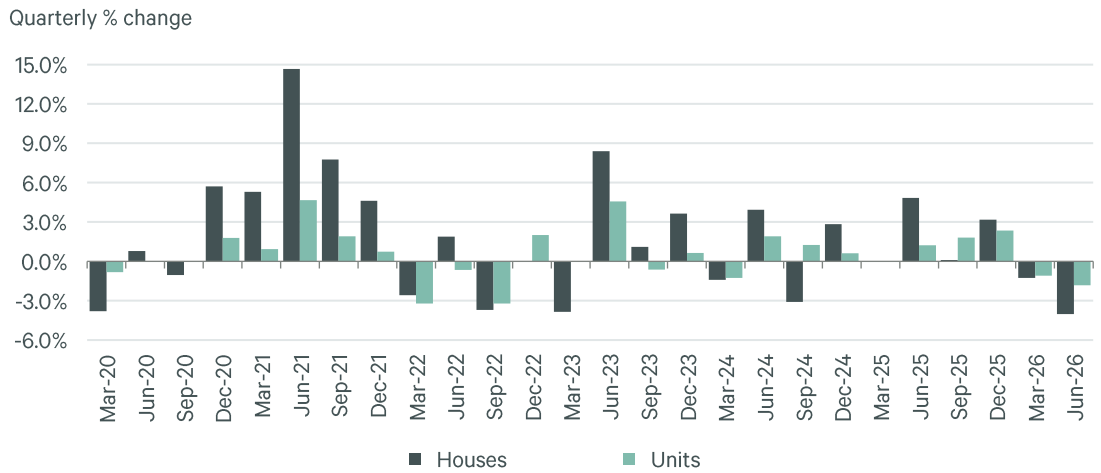
Values have dropped more than 9% since peaking in mid-March, with the current rate of decline sitting at 0.3% to 0.4% per week. Driving the downturn is the combination of rising interest rates, negative gearing and CGT tax changes, cost of living pressures, and generally weaker sentiment. The largest drops have occurred in the upper quartile price band. In CBRE's recent Q3 Residential Valuers Survey more than 80% of Valuer's described Sydney demand conditions soft or very limited, the lowest rating of all capitals, Around three quarters were expecting further price falls of up to 10% over the next 12-months.

Supply to lag demand

Residential vacancy rose slightly to 1.8% in September 2026, remaining well below the ~3.0% balanced market threshold and continuing a sub-2.0% trend that began in early 2022. While persistent undersupply continues to push rents higher, growth has moderated a little in 2026 due to affordability constraints. REIA June data placed median house rents at \$720/week (up 4.3% over the year) and unit rents at \$780/week (up 4.0% over the year). Quarterly results were flat to slightly negative.

Despite this moderation, CBRE expects tight conditions to persist, given that NSW is nearly 60,000 dwellings behind its National Housing Accord target two years into the plan, and Sydney's projected medium/high density completions (~11,000 per year to 2031) will run 25% below the previous decade's average. Consequently, CBRE forecasts rents to grow at 4.9% annually over the forecast period, representing a 27% cumulative increase.

FIGURE 12: Sydney Residential | Median House and Unit Price Change(quarterly).



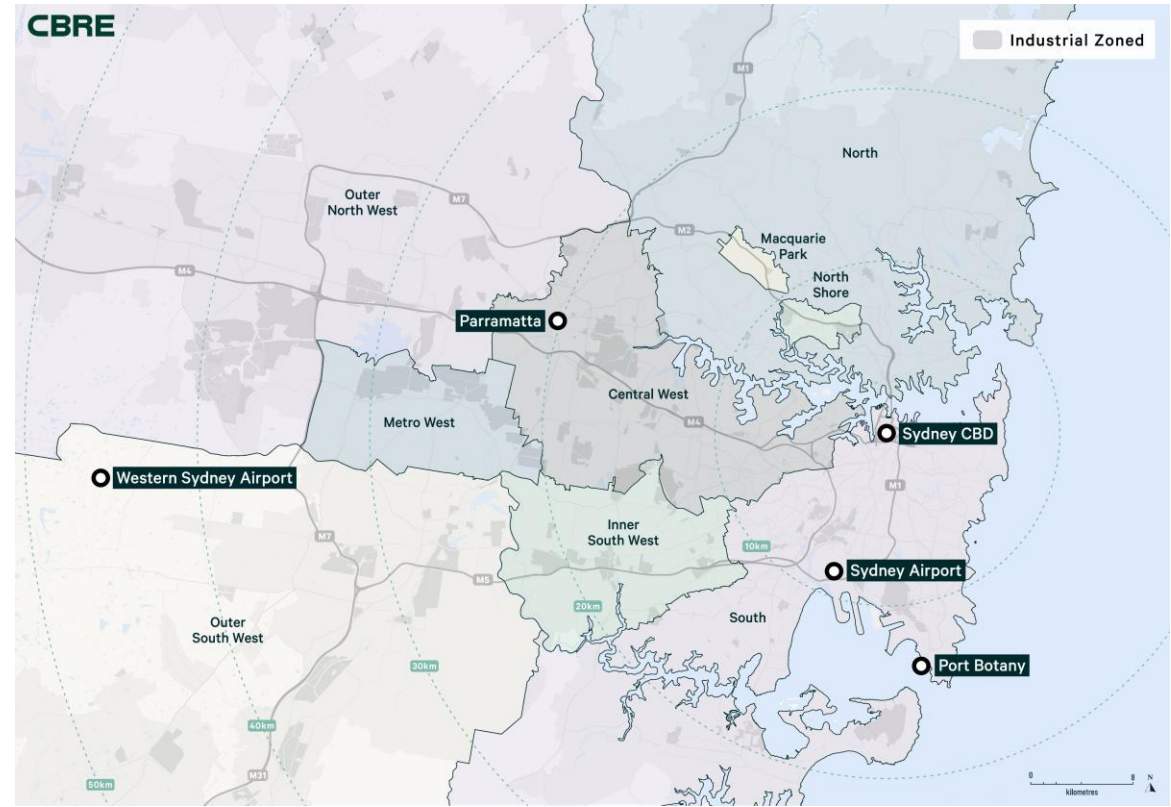
Source: Australian Bureau of Statistics

FIGURE 13: Sydney Residential | High Density / Medium Density Completions, Metropolitan Sydney.



Source: CBRE Research.

Sydney Industrial & Logistics Precinct Boundaries



Industrial & Logistics
Asset Grade Definitions

Super Prime: Less than 6 years old, height clearance between 13.7m and 14.6m. Buildings showcasing design excellence with combination of ESFR sprinklers and docks / on-grade doors, as well as strong truck articulation for loading/unloading.

Prime: Generally, between 6 and 15 years old, height clearance over 10m and up to 13.7m.

Secondary: Buildings that are older style but still very functional, height clearance in the ranges of 8-11m, Over 15 years old.

Contact

Sass Jalili

Head of Industrial & Logistics, Data
Centre Research Australia, and
Director of NSW Research
sass.jalili@cbre.com

Madina Kerimbayeva

Research Manager
Sydney
madina.kerimbayeva@cbre.com