Civic vacancy rates rise while Inner South and Parliamentary Precincts outperform

▲ 14.7%
Overall Vacancy Rate (+442 bps h-o-h)

▲ 605 AUD/sqm
Civic Prime Gross Face Rent (+0.3% q-o-q)

▼ 26.1%
Civic Prime Incentives (-25 bps q-o-q)

▼ AUD 39 million
Office Investment Volumes H1 2026 (-6.5% y-o-y)

◀▶ 7.6%
Civic Prime Yield (Stable q-o-q)

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

Key Points

- CBRE received 34 leasing enquiries totalling c.11,100 sqm in the second quarter. This marked a decline of -47.3% quarter-over-quarter and a decline of -81.1% compared to Q2 2025.
- Canberra's overall office vacancy rate increased substantially in H1 2026, ending the period at 14.7%. The increase was due almost entirely to negative net absorption in the Civic precinct. This submarket has been severely impacted by consolidation and contraction by larger groups upon lease expiry and migration by some firms into new stock in nearby geographies.
- The first half of 2026 saw the delivery of c.52,944 sqm of new office space to Canberra.
- Despite the sudden increase to vacancy rates seen in H1 2026, the introduction of new stock over recent years and the continued migration into higher quality properties has allowed the market to avoid significant Prime rental rate declines in Q2 2026.
- The investment market has also remained muted over H1 2026 with only three transactions totalling AUD 38.8 million closing over the half.

FIGURE 1a: Canberra Office | Vacancy Rate Summary

Indicator	Jul 2026	Jan 2026	Jul 2025	H-o-H Change	Y-o-Y Change
Vacancy Rate	**14.7%**	10.2%	10.7%	+442 bps	+401 bps

FIGURE 1b: Canberra Civic Office | Summary of Prime Market Indicators

Indicator	2Q26	1Q26	2Q25	Q-o-Q Change	Y-o-Y Change
GFR	**AUD 605**	AUD 603	AUD 582	+0.3%	+4.0%
Incentives	**26.1%**	26.4%	26.5%	-25 bps	-37 bps
NER	**AUD 340**	AUD 338	AUD 322	+0.9%	+5.7%
Yield	**7.6%**	7.6%	7.7%	Stable	-12 bps

Source: CBRE Research

Office Demand

Leasing slows as consolidation, contraction, and migration begin to take place

Leasing demand in Canberra showed signs of softening in Q2 2026. CBRE received 34 leasing enquiries totaling c.11,100 sqm in the second quarter. This marked a decline of -47.3% quarter-over-quarter and a decline of -81.1% compared to Q2 2025. There has continued to be a lack of large briefs in Canberra as groups who are facing expiry are typically opting to reduce their footprints or consolidate several premises.

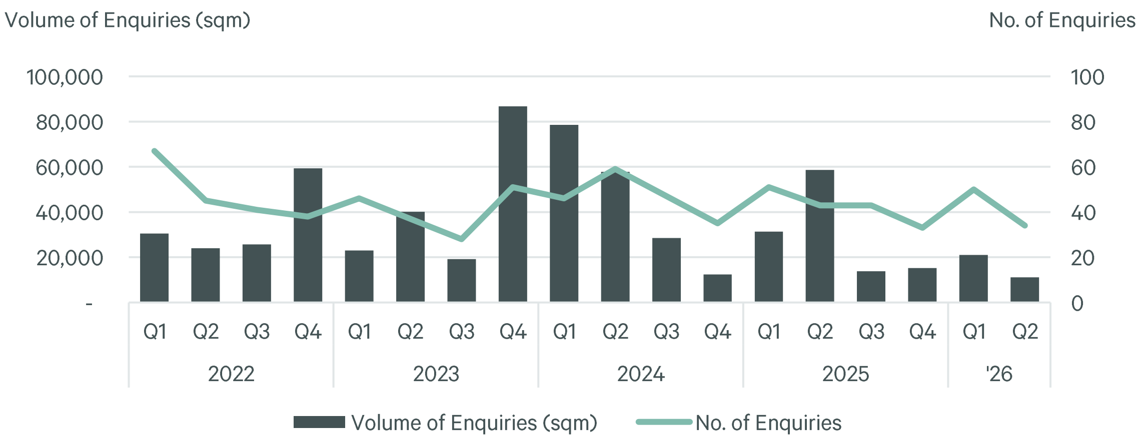
Softening demand for new space has finally hit the market in terms of net absorption figures. The market saw overall net absorption of -72,602 sqm sqm over the first half of 2026. This included -37,766 sqm of Prime net absorption and -34,836 sqm of Secondary net absorption.

While market wide numbers were weak in H1 2026, nearly all of the negative net absorption occurred in the Civic precinct. The Civic precinct recorded negative Prime and Secondary net absorption figures of -83,757 sqm and -33,177 sqm in H1 2026. These figures were driven by a combination of consolidation and/or contraction by larger groups upon lease expiry and migration by some firms into new stock in nearby precincts.

The Inner South was the primary beneficiary of these tenant movements. The Inner South precincts saw positive Prime net absorption of 37,323 sqm in H1 2026. The vast majority of this positive leasing activity took place in the Barton precinct. Vacancy rates in Barton are now at some of the tightest levels in Australia.

Leasing activity in the Town Centres & Non-Core submarkets was relatively stable over the period. Prime and Secondary net absorption in these precincts totaled 8,688 sqm and -157 sqm over H1 2026.

FIGURE 2: Canberra Office | Leasing Enquiry Data



Source: CBRE Research

FIGURE 3: Canberra Office | 6-Month Net Absorption, by Submarket & Building Grade

Inner South includes Barton, Forrest, Griffith, Kingston, Deakin, and Parkes.
Town Centres & Non-Core includes all other non-Civic submarkets.
Source: PCA, CBRE Research

Supply

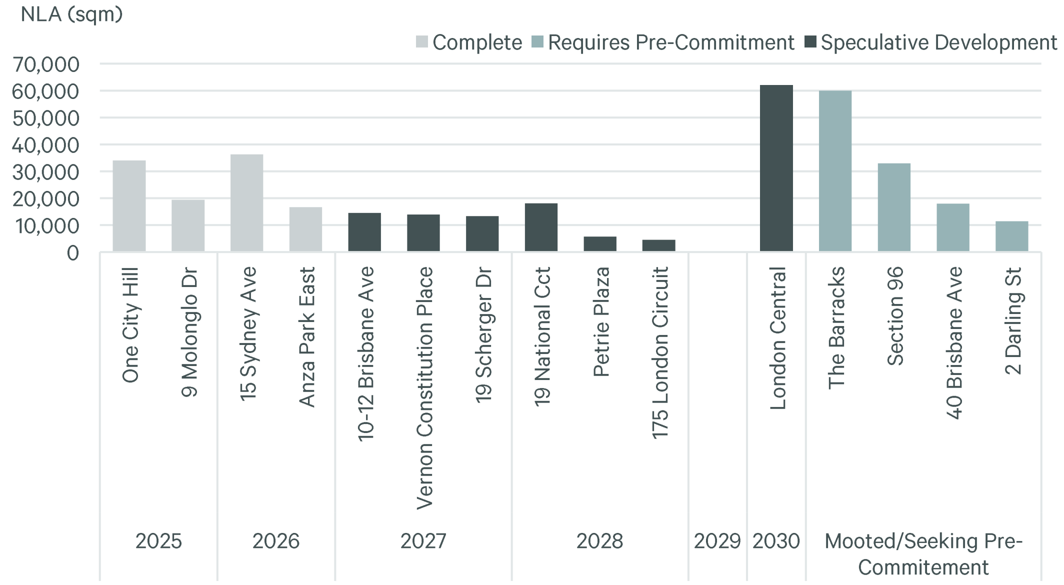
Supply pipeline remains elevated despite rising vacancy rates

Canberra continued to see elevated levels of new office supply in 2026, with the first half yielding c.52,944 sqm of new office space. This first half total was already in-line with the average annual figure recorded over the last 10-years. Developments delivered over H1 2026 included; 15 Sydney Avenue (c.36,300 sqm) and Anzac Park East (c.16,679 sqm).

The market is set to see the delivery of c.41,800 sqm in 2027 and 28,368 sqm in 2028. Projects to be delivered over this time include; 10-12 Brisbane Avenue (14,500 sqm), Vernon Constitution Place (14,000 sqm), 19 Scherger Drive (13,300 sqm), and 19 National Circuit (18,128 sqm). London Central will also be constructed speculatively with an expected completion date of 2030.

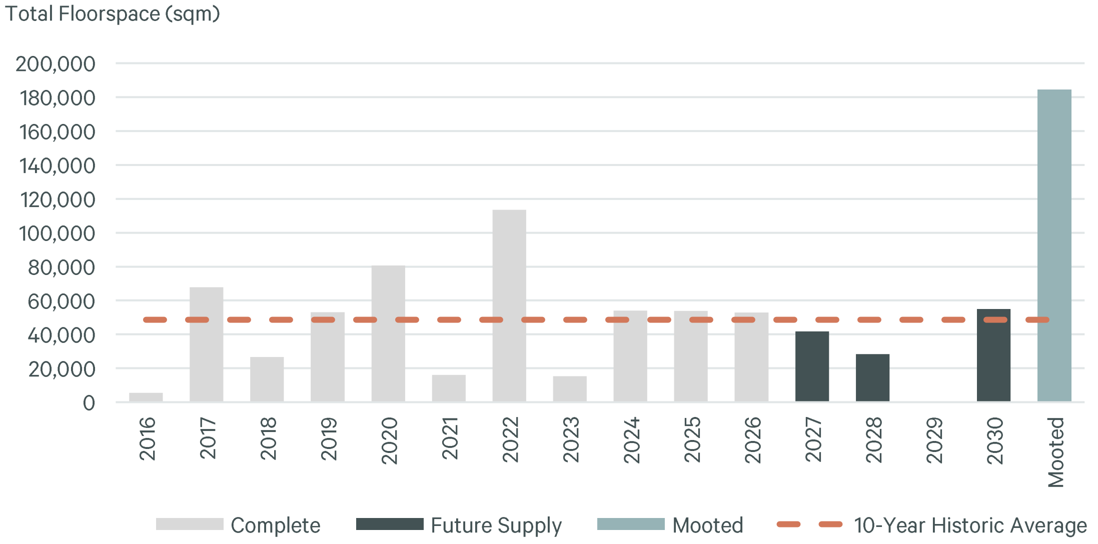
The elevated levels of new supply and continued migration and consolidation into higher quality stock have finally resulted in increases to vacancy rates over in H1 2026. Given there are several development projects still in the pipeline across the Canberra office market, it's now expected that vacancy rates will likely continue to increase over coming years.

FIGURE 4: Canberra Office | Upcoming Development Projects



Source: CBRE Research, PCA

FIGURE 5: Canberra Office | Historical & Forecast New Supply



Source: CBRE Research, PCA

Vacancy

Prime vacancy rates in the Civic precinct increase in H1 2026

Canberra's overall office vacancy rate ended H1 2026 at 14.7%. This figure represented a significant increase of 442 bps over the half. This increase was consistent across both Prime and Secondary grades. Prime vacancy rates increased to 13.6% in H1 2026, while Secondary vacancy rates increased to 16.3%.

The overall market vacancy rate increases were driven entirely by the softening in the Civic precinct. Prime and Secondary vacancy rates in the Civic precinct increased to 28.0% and 22.8% as of July 2026. These figures marked 6-month increases of 1,503 bps and 1,287 bps, respectively. Vacancy rates were much more stable outside of the Civic precinct. The Inner South precincts ended H1 2026 with Prime and Secondary vacancy rates of only 2.2% and 6.3%. This makes the Inner South one of the tightest office submarkets in Australia. Like the Inner South, vacancy rates in the Town Centres and Non-Core precincts also remained relatively stable over the period. Prime and Secondary vacancy rates in these areas ended the half at 8.5% and 18.9%.

Given a still robust supply pipeline and further anticipated consolidation and contraction by occupiers, these vacancy rate trends are expected to continue over the near term.

FIGURE 6: Canberra Overall | Leasing Market Overview

Market/ Grade	Inventory *Jul '26*	Vacant Space *Jul '26*	Vacancy Rate *Jul '26 (6month Diff)*	Net Absorption *6 months*
Prime	1,536,422 sqm	208,889 sqm	13.6% (+520 bps)	-37,766 sqm
Secondary	964,807 sqm	157,655 sqm	16.3% (+327 bps)	-34,836 sqm
Total	2,501,229 sqm	366,544 sqm	14.7% (+442 bps)	-72,602 sqm

Source: PCA, CBRE Research

FIGURE 7: Civic | Vacancy Rate by Grade

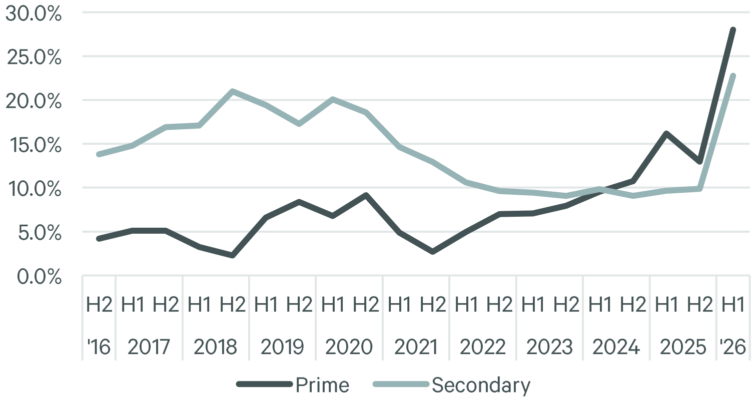


FIGURE 8: Inner South | Vacancy Rate by Grade

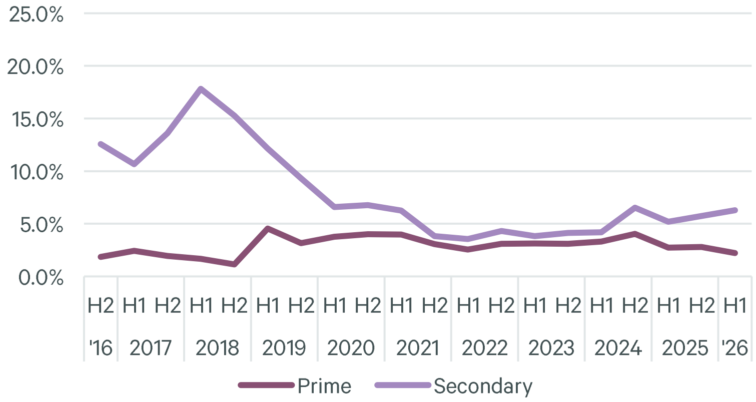
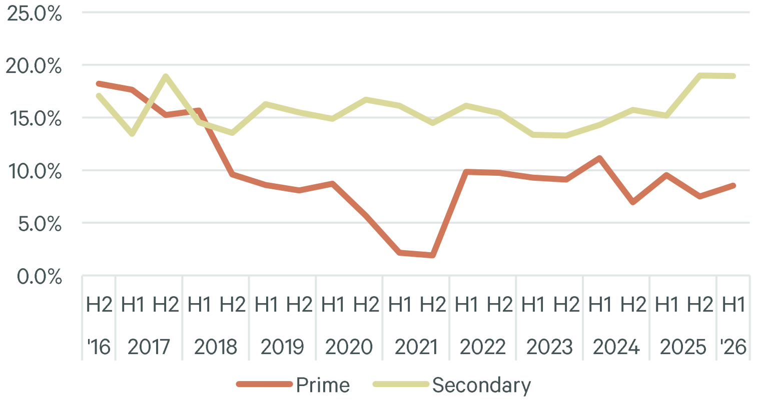


FIGURE 9: Town Centres & Non-Core | Vacancy Rate by Grade



Inner South includes Barton, Forrest, Griffith, Kingston, Deakin, and Parkes. Town Centres & Non-Core includes all other non-Civic submarkets.
Source: PCA, CBRE Research

Rental Performance

Rental rate trajectories were mixed in Q2 2026

Despite the sudden increase to vacancy rates seen in H1 2026, the introduction of new stock over recent years and the continued migration into higher quality properties has allowed the market to avoid significant rental rate declines in Q2 2026. Civic Prime and Secondary gross rental rates ended Q2 2026 at 605 AUD/sqm and 493 AUD/sqm, respectively. These figures represented quarter-over-quarter changes of 0.3% and -0.5%. Non-Civic Prime and Secondary gross rental rates ending the quarter at 524 AUD/sqm and 467 AUD/sqm. These figures represented similarly flattish quarter-over-quarter changes of -0.2% and 0.0%. Stronger demand for Prime properties allowed incentives to tighten marginally this quarter. The lack of significant changes to gross rental rates combined with tightening Prime incentives, resulted in Prime net effective rental rate growth this period. Prime net effective rents in both the Civic and Non-Civic precincts grew by 0.9% over the second quarter.

Given the bifurcation in vacancy rate trajectories between the Civic and non-Civic submarkets, it's expected that rental rates in the Inner South will begin trending upwards in coming quarters, while Civic rent growth is expected to taper.

FIGURE 10: Canberra Office | Rental Indicators, by Submarket & Grade

Submarket	Grade	GFR (AUD/sqm)			NER (AUD/sqm)			Incentives (%)		
		Current	QoQ Change	YoY Change	Current	QoQ Change	YoY Change	Current	QoQ Change	YoY Change
Civic	Prime	**605**	0.3%	4.0%	**340**	0.9%	5.7%	**26.1%**	-25 bps	-37 bps
	Secondary	**491**	-0.5%	2.5%	**229**	-0.7%	3.8%	**29.3%**	Stable	+12 bps
Non-Civic	Prime	**524**	-0.2%	0.1%	**303**	0.9%	0.6%	**24.2%**	-67 bps	-66 bps
	Secondary	**467**	Stable	5.9%	**240**	Stable	7.5%	**27.3%**	Stable	+13 bps

Source: CBRE Research

FIGURE 11: Civic | Prime Rental Rates and Incentives

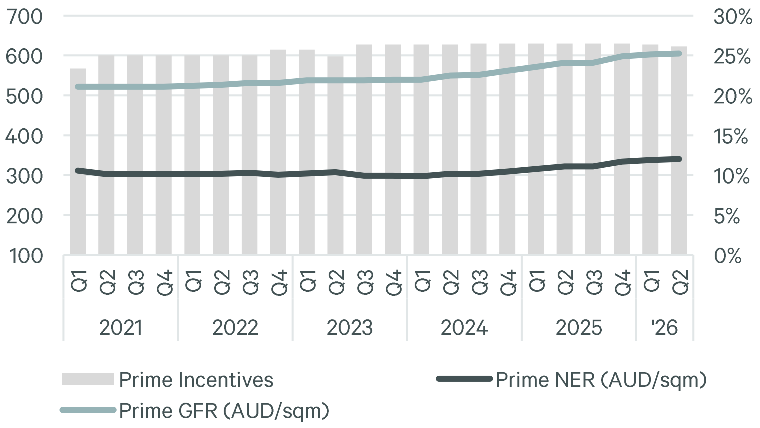


FIGURE 12: Inner South | Prime Rental Rates and Incentives

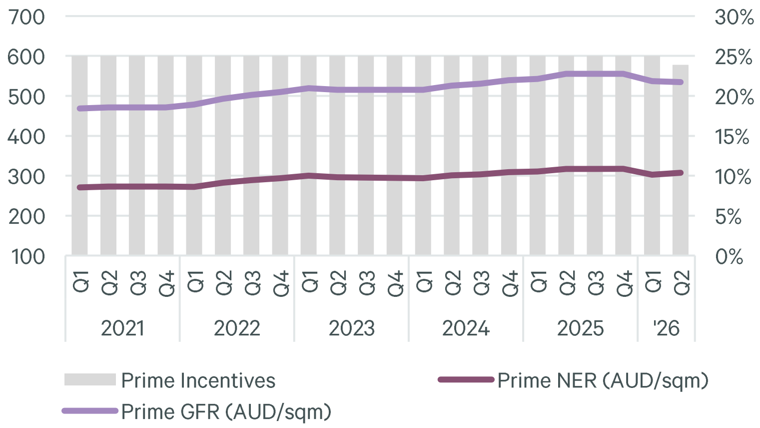
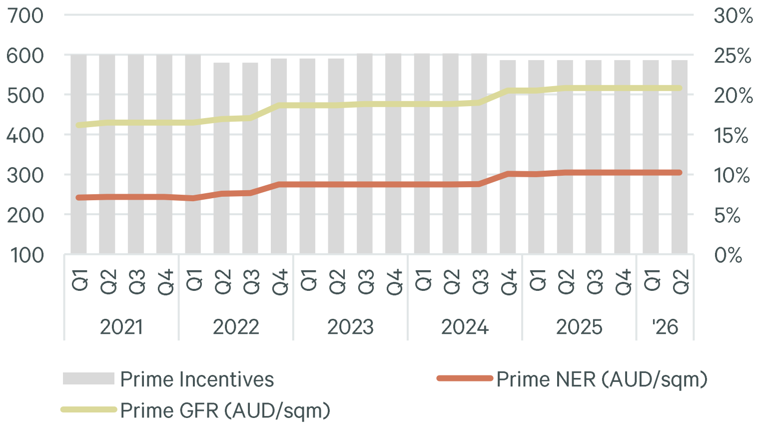


FIGURE 13: Town Centres & Non-Core | Prime Rental Rates and Incentives



Inner South includes Barton, Forrest, Griffith, Kingston, Deakin, and Parkes.Town Centres & Non-Core includes all other non-Civic submarkets.
Source: PCA, CBRE Research

Investment Market

Office investment activity remained subdued over first half of 2026

The Canberra office investment market has remained subdued in 2026. Three office transactions totalling AUD 38.8 million closed over the first half of the year. This was down from AUD 41.5 million in H1 2025. The largest transactions to take place in Canberra since the start of 2025 have been the sale of 23 Furzer Street for AUD 305.0 million, 47 Constitution Avenue for AUD 72.5 million, a 50% stake in 100 Northcott Drive for AUD 44.0 million, and 42 Macquarie Street for AUD 25.1 million.

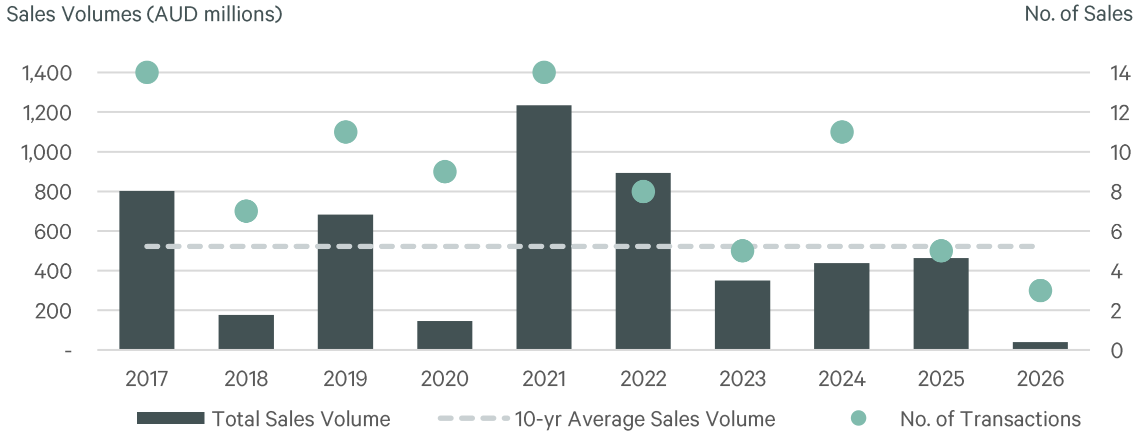
Recent geopolitical conflicts, the return of inflation, and the reversal of the bond yield trajectory had brought pricing for office assets back into question in early in 2026. The second quarter brought some renewed stability, however, and yields in Canberra were held stable over the period. Civic Prime and Secondary yields ended Q2 2026 at 7.6% and 9.2%. Non-Civic Prime and Secondary yields ended the period at 8.0% and 9.0%. Despite building optimism that price stabilization would lead to an acceleration of investment activity in 2026, this has yet to eventuate. While yield spreads continue to be healthy in Canberra, any additional increases to government bond yields may slow market activity once again.

FIGURE 14: Canberra Office | Notable Investment Transactions

Property	Suburb	Price (Millions)	NLA	AUD/sqm
42 Macquarie Street	Barton	25.1	4,054 sqm	6,198
23 Furzer Street	Phillip	305.0	46,166 sqm	6,607
47 Constitution Avenue	Civic	72.5	15,600 sqm	4,648
100 Northcott Drive	Campbell	44.0 (50% Interest)	41,670 sqm	2,112
4 Mort Street	Civic	18.0	5,500 sqm	3,287
1 Queen Victoria Terrace	Parkes	23.5	4,958 sqm	4,739

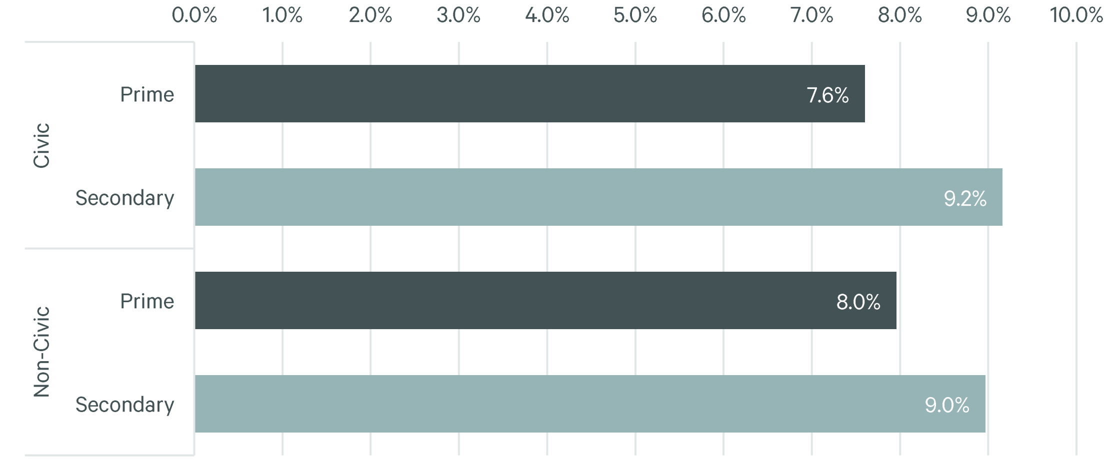
Source: MSCI-RCA, CBRE Research

FIGURE 15: Canberra Office | Sales Activity



Source: MSCI-RCA, CBRE Research

FIGURE 16: Canberra Office | Indicative Yields, by Submarket and Building Grade



Source: CBRE Research

Contact

Research

Thomas Biglands

Associate Director
ACT Office Research
+61 426 841 019
Thomas.Biglands@cbre.com

Key Office Submarket Map

Contact

Canberra	Sydney	Melbourne	Brisbane	Perth	Adelaide
Level 4	Level 21	Level 34	Level 3	Level 25	Level 5
2 Constitution Avenue	363 George Street	8 Exhibition Street	1 Eagle Street	250 St George's Terrace	151 Pirie Street
Canberra City, ACT 2601	Sydney, NSW 2000	Melbourne, VIC 3000	Brisbane, QLD 4000	Perth, WA 6000	Adelaide, SA 5000