

FIGURES | AUSTRALIAN OFFICE | Q1 2026

# Rental growth improves despite global uncertainty

▲ 6.6% y/y  
AUS Average Prime NER

▲ 39.7%  
AUS Average Prime Incentives

▲ \$3.5b  
AUS Sales Volumes Q1 26

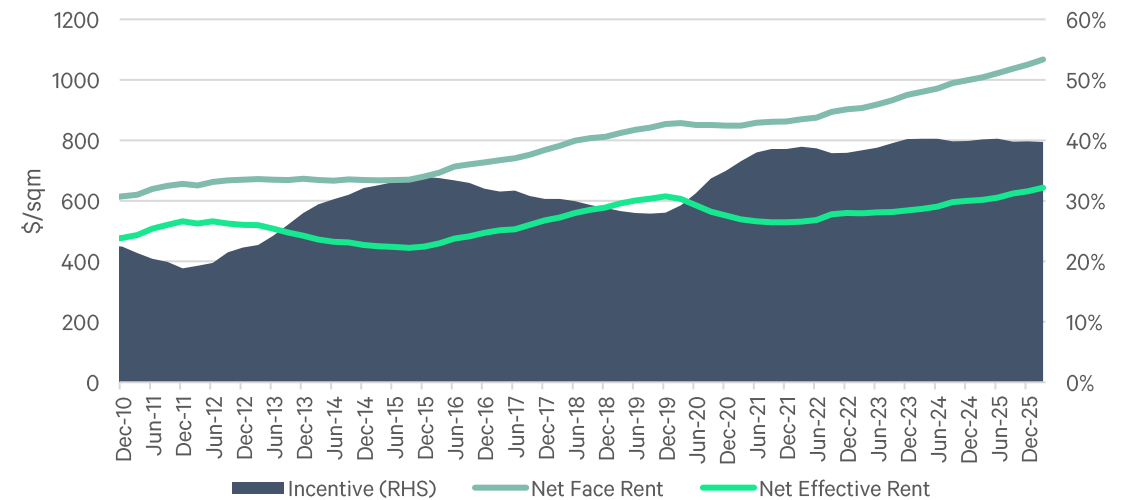
▶ 6.68%  
AUS CBD Prime Yield

Note: Arrows indicate change from previous quarter.

## Key Points

- The labour market remains robust with an unemployment rate of 4.3%.
- Australian CBD prime effective rents climbed 1.8% q-o-q and 6.6% y-o-y in Q1 2026, the highest annual growth since early 2019.
- Sentiment in the leasing market in early 2026 appeared to be better than the same time last year, with more tenant actively engaging with the market across Australia.
- Supply outlook remains largely unchanged with the lowest supply over the next 5 years since the early 1990s.
- Transaction activity in Q1 2026 was solid across the Australian office market, reaching \$3.5 billion.
- Prime yields were stable in Q1 2026, averaging 6.67% for Australian CBDs. However, recent developments in the Middle East have changed the outlook on interest rates given the resultant inflationary pressure.

FIGURE 1: Australia CBD Prime Office Rents and Incentives



Source: CBRE Research

## Rents and Incentives

### Highest rent growth since 2019 recorded in Q1 for Australian office

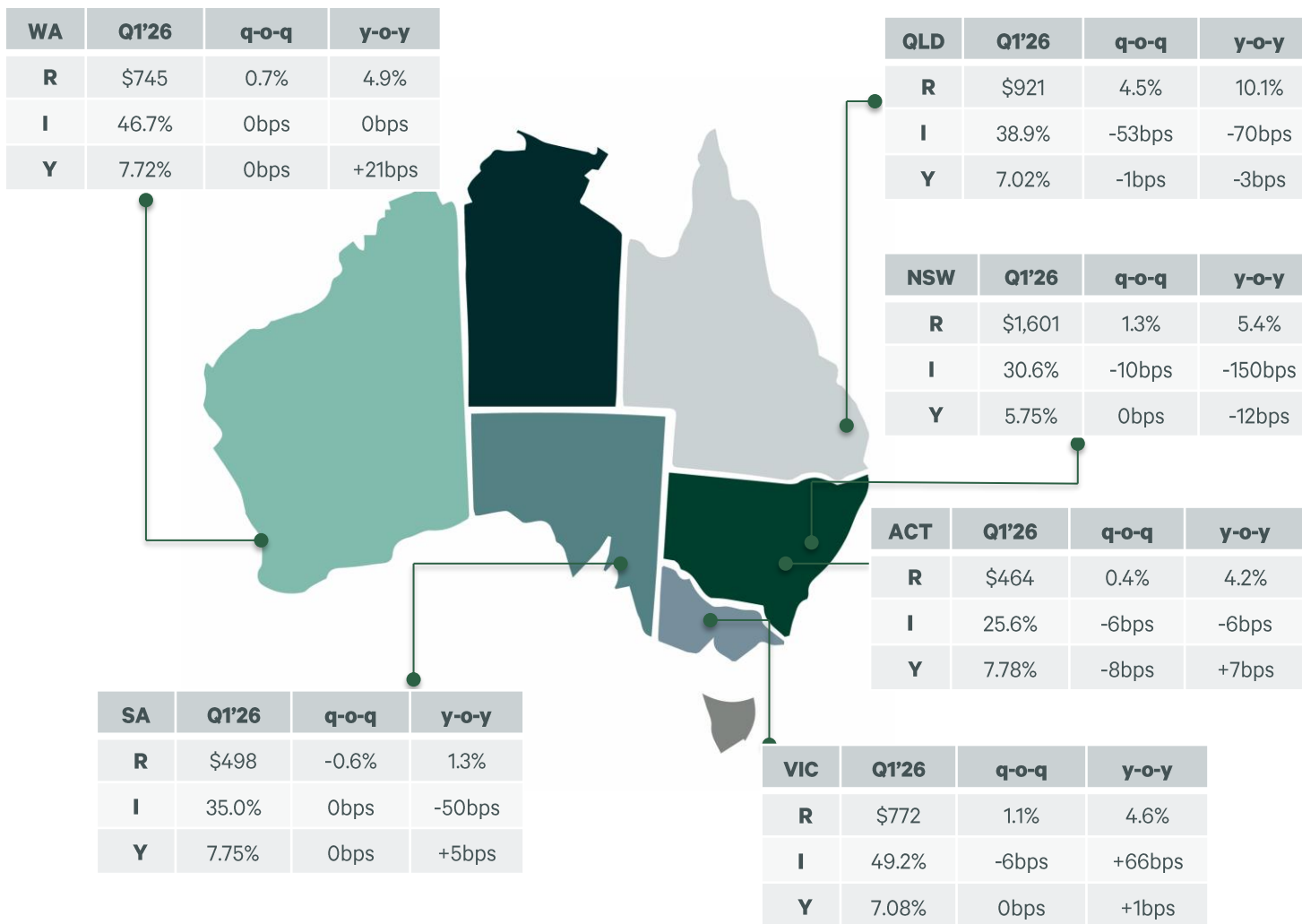
Australian CBD prime effective rents climbed 1.8% q-o-q and 6.6% y-o-y in Q1 2026. This is the highest effective annual rental growth for the Australian office market since early 2019. The strong leasing activity in late 2025 confirmed new benchmarks across many Australian CBDs. Net Face Rents were up 1.5% q-o-q and 5.8% y-o-y. Meanwhile, incentives dropped by 13 bps for the quarter to average 39.7%.

### Rental growth broad based across the country

The rental growth across Australia has been more evenly distributed in recent quarters as markets grapple with a tightening supply outlook. The Brisbane CBD continues to lead the way with effective rental growth of 12.8% over the past 12 months. The Sydney CBD – Core also remains a stand-out, recording growth of 8.2% y-o-y. However, the broader Sydney CBD is also recording strong growth as other precincts see improved leasing activity. The Canberra Civic market has also risen by 7.0% y-o-y (effective) given the relatively tight vacancy in that market.

The Melbourne CBD continues to build momentum with clear signs of stabilisation in incentives. Prime effective rents have risen by 3.3% y-o-y across the market, with the Eastern Core continuing to outperform (11.1% y-o-y). Strong activity in H2 2025 has driven Perth rents 4.9% higher over the past year. Despite a robust leasing market in recent years in Adelaide, supply has pushed vacancy higher in that market which is limiting rental growth in the short-term to just 2.0% y-o-y.

FIGURE 2: Australia CBD Prime Office Key Market Indicators & Forecast Direction – Q1 2026



Abbreviation: R - Net Face Rent, I - Incentives, Y- Yield. Source: CBRE Research

## Demand and Vacancy

### Leasing sentiment was improved in early 2026, although geopolitical issues might cause some delays in decisions

Sentiment in the leasing market in early 2026 appeared to be better than the same time last year, with more tenants actively engaging with the market across Australia. However, recent developments in the Middle East and the potential economic impacts might be slowing decision making as tenants assess the implications for their businesses.

Australian CBDs experienced net absorption of 71,541 sqm in the second half of 2025, building on previous gains. A key highlight was the strong performance of prime office space, which saw net absorption of 157,837 sqm during the six months ending December 2025. This represents the highest level of prime absorption since 2017, suggesting a strengthening market and increased tenant demand for premium office locations.

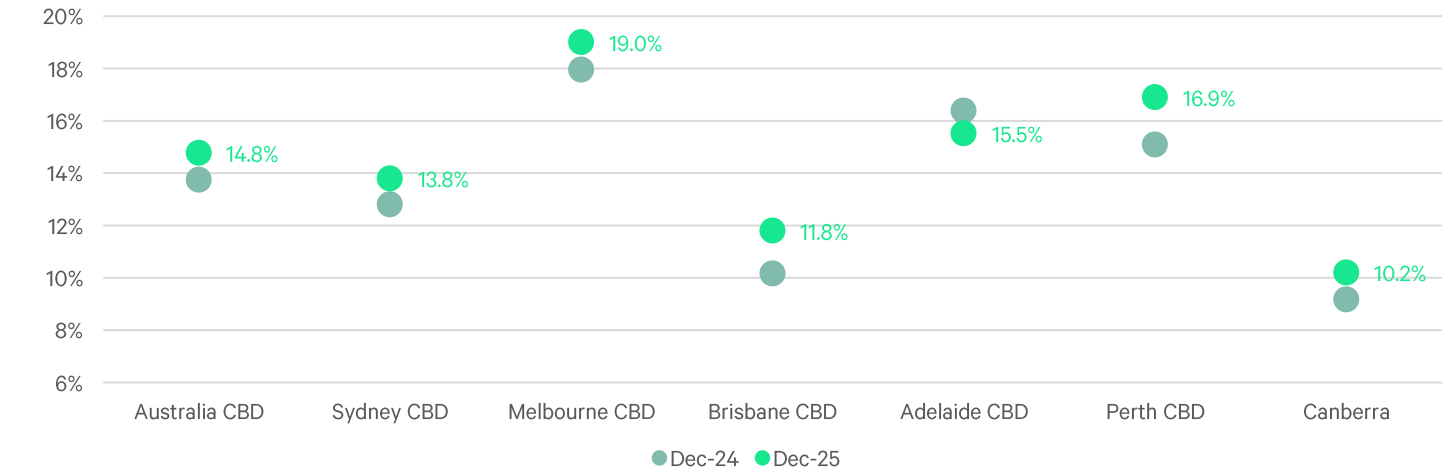
### Supply pushes vacancy higher

Despite the positive growth in the tenant base, national CBD vacancy edged higher to 14.8%, from 14.3% 6-months earlier. The main reason for this was a significant amount of supply delivered in 2025, which outstripped net absorption. However, the outlook for supply is diminished across Australia, with CBRE Research forecasting that national supply over the next 5 years will be the lowest period since the late 1990's.

Figure 3: Net Absorption by Market (as % of total stock)



Figure 4: Total Vacancy



Source: PCA, CBRE Research

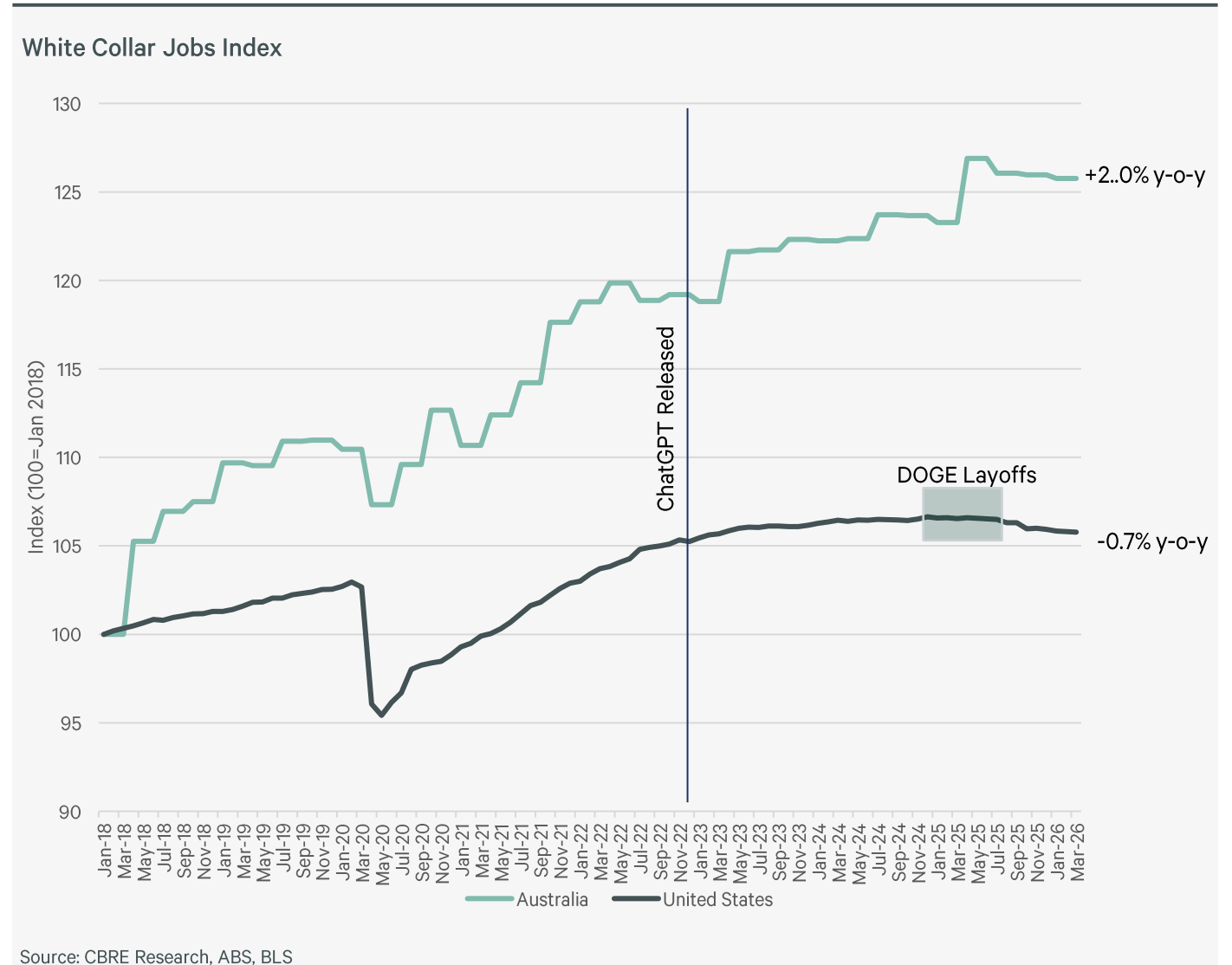
## Emerging Trend

### How is AI actually impacting on white collar job growth?

There have been countless media articles about job losses as a result of the rollout of AI in Australia and abroad. The full impact of this technology on global labour markets is unknowable at this point with a large divergence of opinion on the topic.

However, current impacts in Australia appear to be limited with white collar jobs growing by 2.0% over the past 12 months. This is higher than current population growth in Australia of 1.6%. The largest contributor to this growth in white collar employment has been the Professional Services sector.

The United States is a different story, with a drop of 0.7% y-o-y. However, it should be noted that layoffs driven by the Department of Government Efficiency (DOGE) is likely to be a contributor to this trend. In addition, population growth has slowed significantly in the US to just 0.5% y-o-y, due to a slowdown in net international migration. Given the major AI companies are headquartered in there, the US is likely to be the first market to be impacted by any structural change in the employment market. CBRE Research will continue to monitor this trend over the coming months.



Source: CBRE Research, ABS, BLS

## Investment Market

Transaction activity in Q1 2026 was solid across the Australian office market, reaching \$3.5 billion, up 65% from the same period last year. This was driven by major transactions in Sydney, with four of the five largest deals occurring in that city. Sydney continues to be the number one target for capital looking to invest in Australian office assets, which has been a clear trend in recent years.

The most significant transaction for the quarter was 100 Mount Street in North Sydney which was bought by BGO and Investa for \$558 million. In addition, a 19.9% stake in Salesforce Tower transacted for \$357.2 million to OUR Reit out of Singapore.

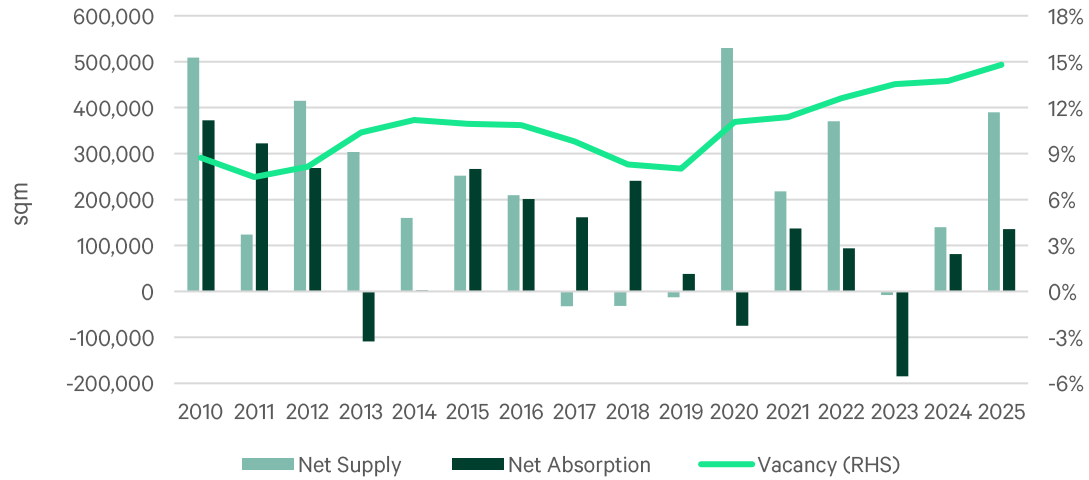
Prime yields were stable in Q1 2026, averaging 6.67% for Australian CBD's. However, recent developments in the Middle East have changed the outlook on interest rates given the resultant inflationary pressure. Long-term bond rates in Australia have increased by 75 bps over the past 6 months. The RBA has responded by increasing interest rates by 50 bps, with a further 50 bps of hikes priced into the market over the next 6 months. This is likely to put some upward pressure on cap rates across Australian markets, particularly non-core locations.

Figure 5: Australia Office Investment Volumes by Quarter



Source: CBRE Research

FIGURE 8: Australian CBD Market Balance



Source: PCA, CBRE Research

FIGURE 9: Vacancy by Grade across CBD Markets – Jan 2026

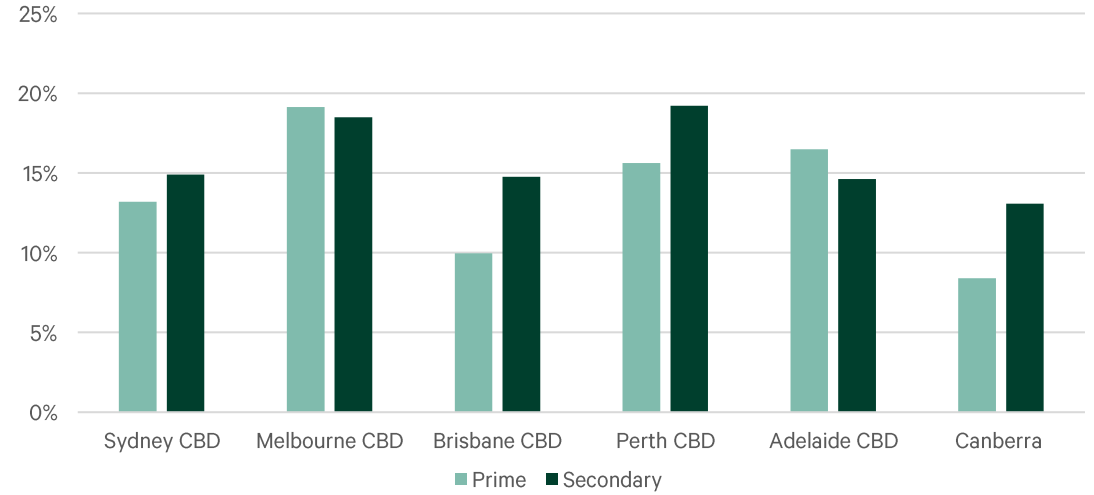
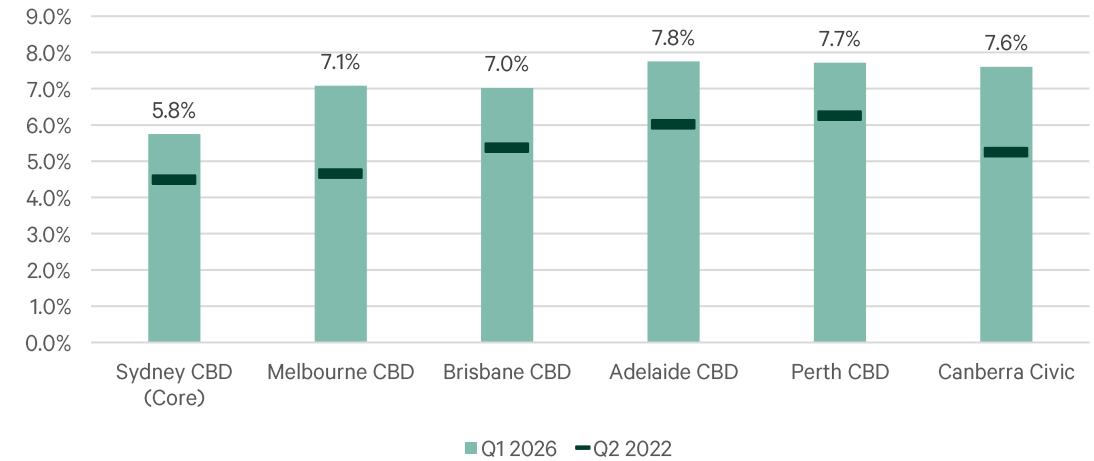
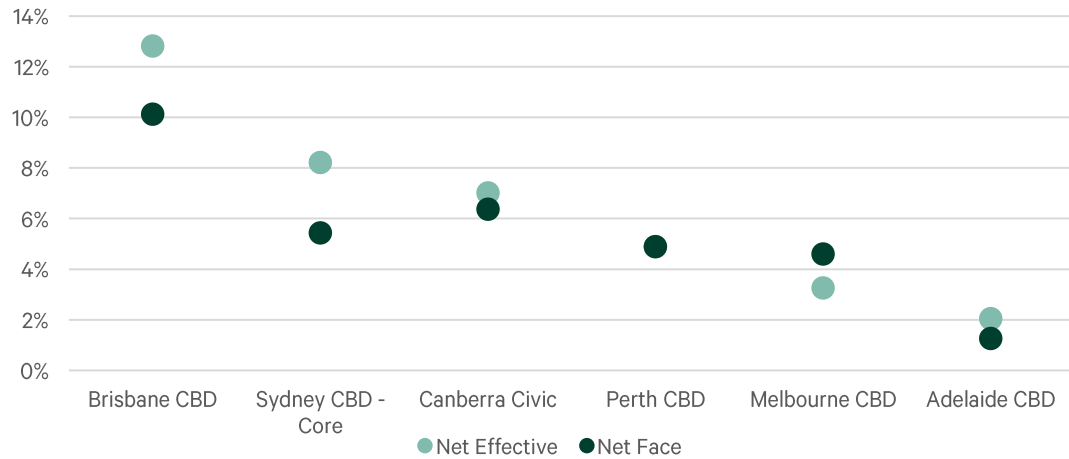


FIGURE 11: Prime Yields – Q1 2026



Source: CBRE Research

FIGURE 10: Q1 2026 Rental Growth by Market (Y-O-Y)



Source: CBRE Research

TABLE 1: Australia Non-CBD Prime Office Key Indicators, Q1 2026

| Market                 | Demand | Net Face Rent (q-o-q change) | Incentives (q-o-q change) | Net Effective Rent (q-o-q change) | Yield (q-o-q change) |
|------------------------|--------|------------------------------|---------------------------|-----------------------------------|----------------------|
| North Sydney           | ▶      | \$1,061 ▲                    | 41.4% ▶                   | \$557 ▶                           | 7.48% ▶              |
| Parramatta             | ▲      | \$605 ▲                      | 47.6% ▲                   | \$317 ▼                           | 7.99% ▶              |
| Macquarie Park         | ▼      | \$485 ▲                      | 39.3% ▲                   | \$294 ▼                           | 8.10% ▶              |
| Chatswood              | ▲      | \$681 ▲                      | 44.5% ▲                   | \$327 ▶                           | 8.79% ▶              |
| Crows Nest/St Leonards | ▶      | \$697 ▶                      | 45.0% ▶                   | \$330 ▼                           | 8.70% ▲              |
| Southbank              | ▲      | \$668 ▲                      | 46.7% ▶                   | \$356 ▶                           | 7.94% ▶              |
| St Kilda Road          | ▼      | \$481 ▶                      | 53.5% ▲                   | \$224 ▼                           | 9.25% ▲              |
| Brisbane Near City     | ▼      | \$670 ▲                      | 39.6% ▲                   | \$353 ▼                           | 7.74% ▼              |
| West Perth             | ▼      | \$423 ▲                      | 35.7% ▼                   | \$272 ▲                           | 7.78% ▶              |
| Canberra Non-CIVIC     | ▶      | \$430 ▶                      | 24.9% ▶                   | \$300 ▶                           | 7.96% ▼              |

Note: Arrow indicates change from previous quarter.

Source: CBRE Research

TABLE 2: Australia Major Office Sales, Q1 2026

| Address            | Market       | Sale Date | Sale Price (\$m) | Purchaser    | Vendor                 | Proportion Sales |
|--------------------|--------------|-----------|------------------|--------------|------------------------|------------------|
| 100 Mount Street   | North Sydney | Feb-26    | 558              | BGO, Investa | Dexus                  | 100%             |
| Salesforce Tower   | Sydney CBD   | Mar-26    | 357              | OUE REIT     | Mitsubishi Estate      | 19.9%            |
| 1 O'Connell Street | Sydney CBD   | Feb-26    | 297              | Charter Hall | ADIA                   | 50%              |
| St Germain Toorak  | Toorak       | Jan-26    | 184              | Spotlight    | Vicland Property Group | 100%             |
| 32-36 York Street  | Sydney CBD   | Mar-26    | 153              | DWS          | Milligan Group         | 100%             |

Source: CBRE Research

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