# Tenant demand continues momentum from last year

▲ 7.2% y/y
AUS Average Prime NER

▼ 39.4%
AUS Average Prime Incentives

▼ $2.0b
AUS Sales Volumes Q2 26

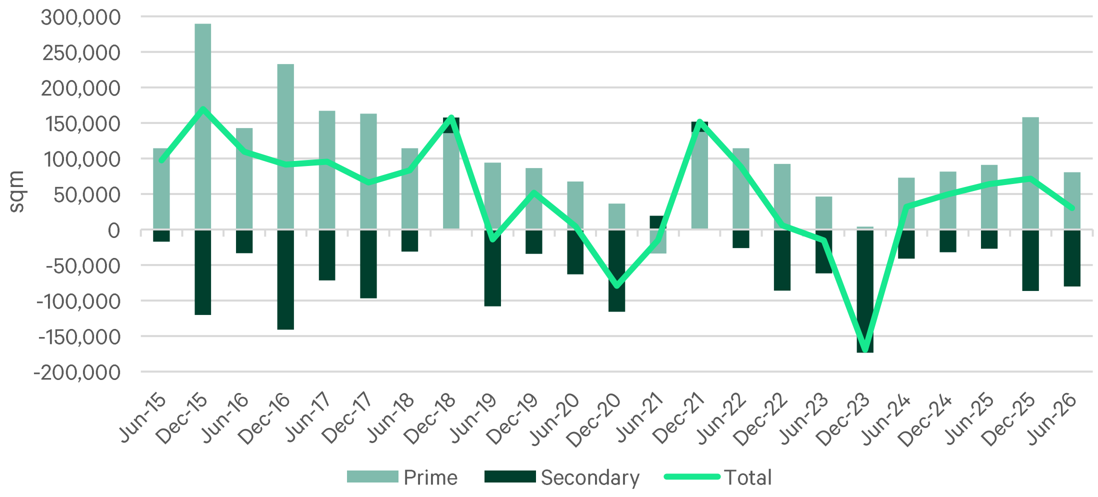
▶ 6.66%
AUS CBD Prime Yield

Note: Arrows indicate change from previous quarter.

## Key Points

- The labour market remains tight with an unemployment rate of just 4.4%.
- Net absorption was approximately 30,000 sqm in H1 2026 across Australian CBD's. A strong result across most markets outside of Canberra.
- National CBD vacancy rose from 14.8% to 14.9% over the past 6 months.
- Australian CBD prime effective rents climbed 1.8% q-o-q and 7.2% y-o-y in Q2 2026. Face rents continue to do the majority of the heavy lifting, rising by 1.2% q-o-q and 5.6% y-o-y.
- Transaction activity in Q2 2026 reached $2.0 billion, a decline on Q1 figures. However, year-to-date volumes are 40% higher than the same period in 2025.
- Prime yields were mostly stable across Australian CBD markets in Q2 2026. Despite the increase in debt costs over the course of this year, rental growth is typically outperforming expectations which is justifying stable yields.

FIGURE 1: Australian CBD Office Market Net Absorption by Grade (6 Monthly)




Source: PCA, CBRE Research

# Demand and Vacancy

## Solid net absorption recorded across most markets

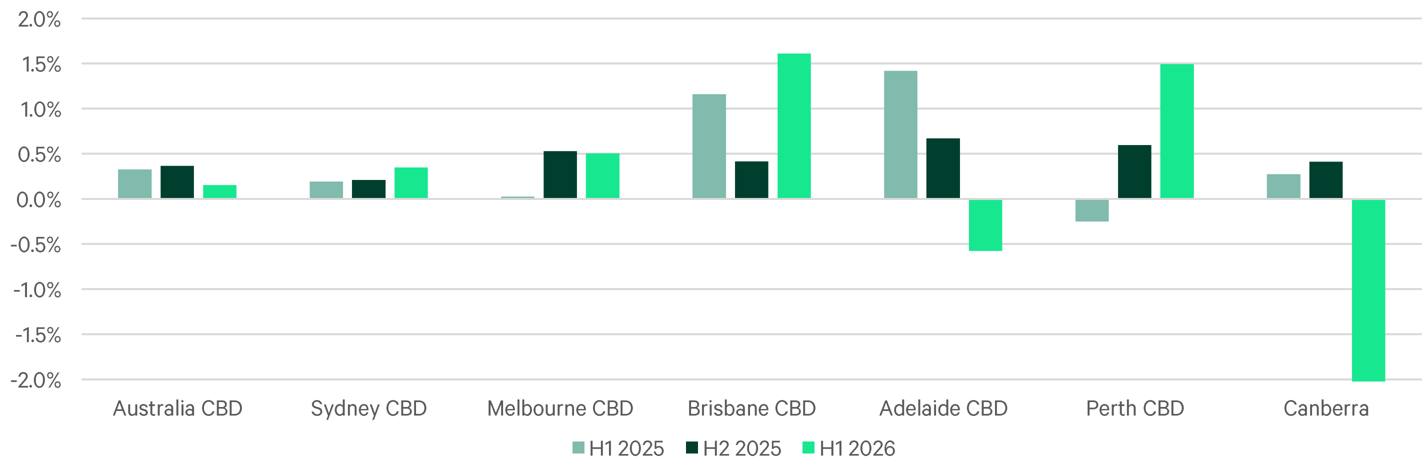
During the first half of 2026, Australian CBDs recorded net absorption of 30,000 sqm, a reduction on previous results. The figure was heavily impacted by significant contraction in the Canberra market. Despite this, prime net absorption across Australian CBDs remained robust at 80,400 sqm, driven by a continued trend of tenants upgrading their office accommodation.

The eastern seaboard markets of Sydney, Melbourne and Brisbane observed strong results in H1 2026. Net Absorption in the Sydney CBD was 18,700 sqm, a continuation of the momentum from 2025. Melbourne recorded 26,800 sqm of net absorption, with 54,800 sqm over the past 12 months. This is the best result for that market since mid-2019. Brisbane observed an acceleration in demand in early 2026, boosted by a centralisation tenants into the CBD from the fringe. Perth also recorded very strong net absorption of 27,500 sqm.

## Vacancy stabilising given the limited supply outlook

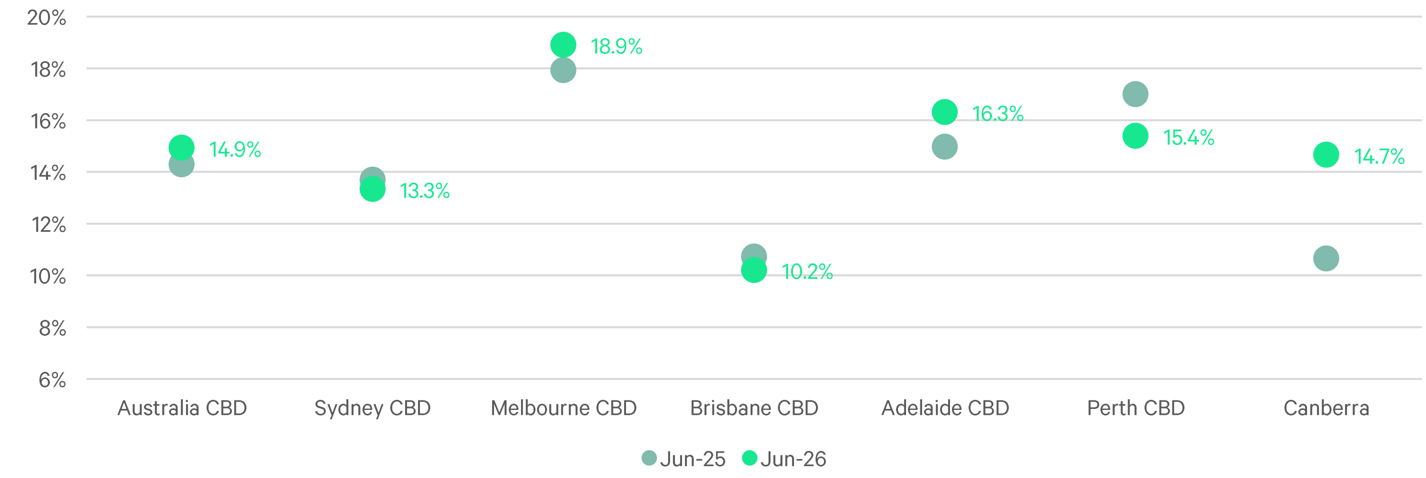
National CBD vacancy rose from 14.8% to 14.9% over the past 6 months. Net supply only rose by about 70,200 sqm through that period which allowed for vacancy to remain relatively stable. The stronger performing markets of Sydney, Brisbane and Perth have observed a solid tightening in vacancy over the past 12 months, as net absorption outstrips net supply. The Brisbane CBD is currently the tightest CBD market in country at 10.2% in June 2026. CBRE Research expect national CBD vacancy to tighten from here with net supply expected to average 72,000 sqm p.a. over the next 5 years, compared to 224,000 sqm p.a. over the previous 5 years.

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




Source: PCA, CBRE Research

Figure 4: Total Vacancy




Source: PCA, CBRE Research

# Rents and Incentives

## Rental growth accelerates in key markets

Australian CBD prime effective rents climbed 1.8% q-o-q and 7.2% y-o-y in Q2 2026. Face rents continue to do the majority of the heavy lifting, rising by 1.2% q-o-q and 5.6% y-o-y. Tightening vacancy in the best buildings within the best precincts are driving much of this rental growth. However, the gap between Premium and A-Grade effective rents has expanded which is creating an affordability gap. Some tenants a responding to this and choosing more affordable precincts. Incentives are trending down in a number of markets with average CBD down 30 bps q-o-q to 39.4% in Q2 2026.

## Rental growth remains strongest in Sydney and Brisbane

The Brisbane CBD has recorded the highest rental growth over the past 12 months at 16.4%. The tightening vacancy rate, particularly in prime grade stock is driving this growth as well as high economic rents of new development. The Sydney CBD has also recorded robust growth, with 11.9% y-o-y growth across all precincts and 10.3% in the Core. Precincts such as Midtown and the Western Corridor are now outperforming the Core given their relative value.

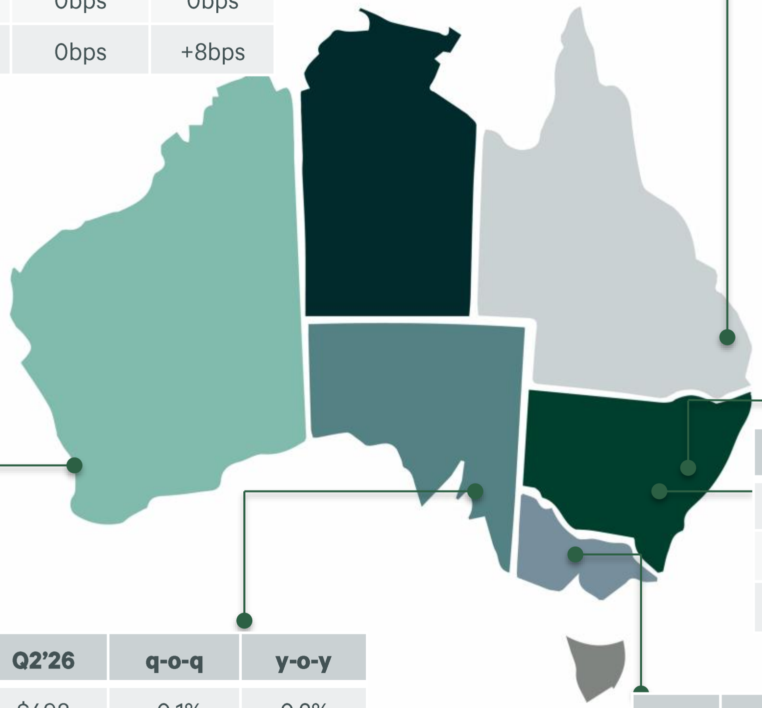
Perth is starting to observe some solid growth with a 4.3% y-o-y rise in effective rents. The supply outlook is very limited over the next 4 years in Perth which is driving rents higher. After improved momentum in the Melbourne CBD throughout 2025, rental growth slowed to 0.4% q-o-q and 3.4% y-o-y in Q2 2026. Given the slight uptick in vacancy, Adelaide CBD rents have been largely stable over the past 12 months, with some backfill opportunities arising off the back of new developments that have recently been delivered.

FIGURE 2: Australia CBD Prime Office Key Market Indicators & Forecast Direction – Q2 2026

| WA | Q2'26 | q-o-q | y-o-y |
|---|---|---|---|
| R | $752 | 1.0% | 4.3% |
| I | 46.7% | 0bps | 0bps |
| Y | 7.72% | 0bps | +8bps |

| QLD | Q2'26 | q-o-q | y-o-y |
|---|---|---|---|
| R | $952 | 3.4% | 12.9% |
| I | 38.6% | -26bps | -86bps |
| Y | 6.83% | 0bps | -23bps |

| NSW | Q2'26 | q-o-q | y-o-y |
|---|---|---|---|
| R | $1,623 | 1.3% | 5.5% |
| I | 29.8% | -80bps | -230bps |
| Y | 5.75% | 0bps | -12bps |



| ACT | Q2'26 | q-o-q | y-o-y |
|---|---|---|---|
| R | $464 | 0.1% | 2.3% |
| I | 25.2% | -46bps | -52bps |
| Y | 7.86% | 0bps | -11bps |

| SA | Q2'26 | q-o-q | y-o-y |
|---|---|---|---|
| R | $498 | -0.1% | 0.2% |
| I | 35.0% | 0bps | -45bps |
| Y | 7.79% | +3bps | +9bps |

| VIC | Q2'26 | q-o-q | y-o-y |
|---|---|---|---|
| R | $775 | 0.4% | 3.4% |
| I | 49.1% | -14bps | +18bps |
| Y | 7.09% | +1bps | +2bps |

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

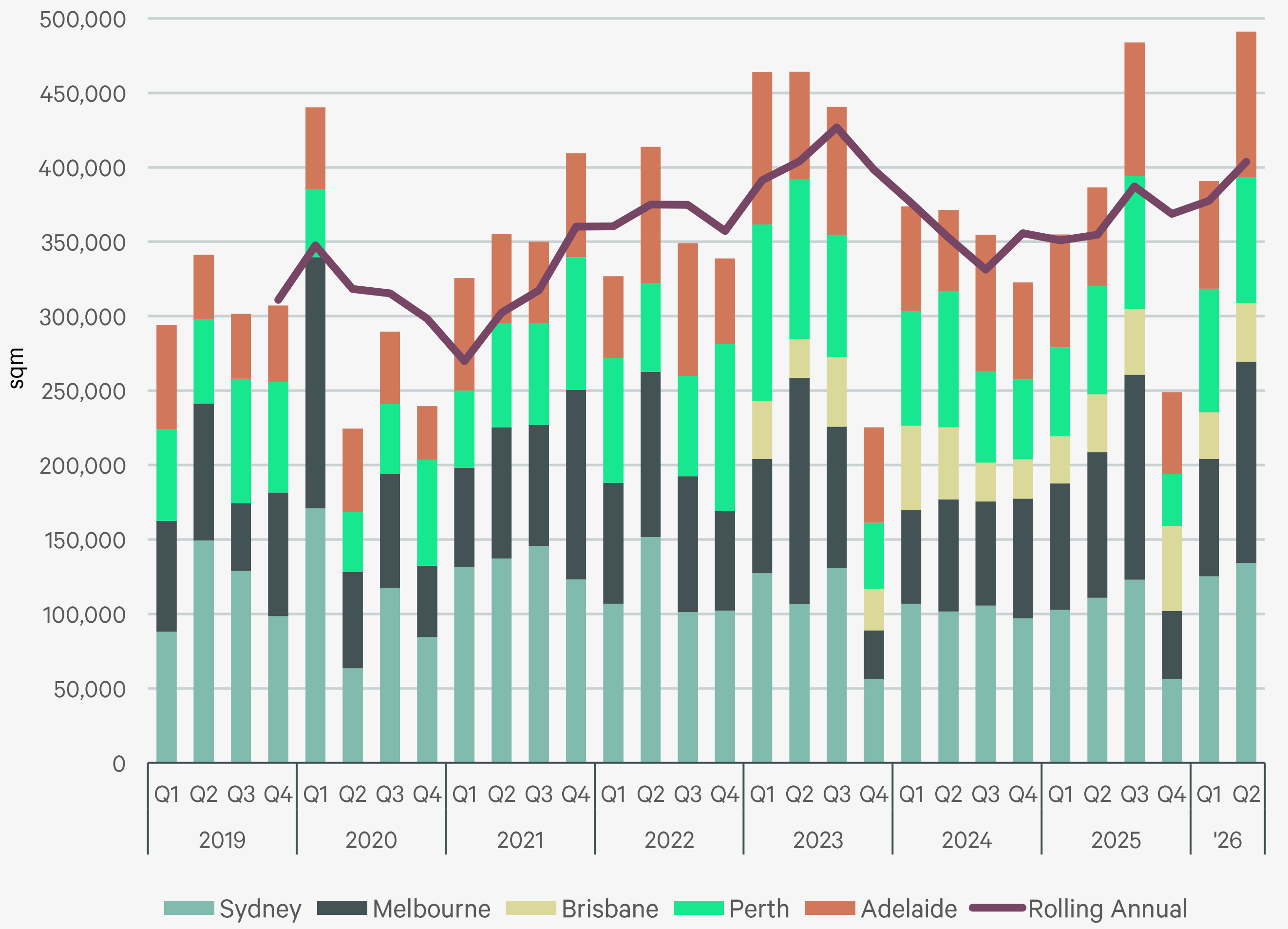
## Hot Topic

**Despite higher rates, geopolitical issues and AI, office enquiries rise in 2026**

There was a sense of optimism at the end of 2025 given that interest rates had started to fall again in Australia. However, H1 2026 was a turbulent period with three rate hikes, conflict in the Middle-East and conversations around AI's impact on white-collar employment.

In spite of all of this, office occupiers have been more actively engaging with the market in H1 2026 than the same period in 2025. Our enquiry figures across the major Australian markets are 19% higher year-to-date compared to last year. This indicates that Australian corporates are looking beyond the noise and making forward-looking occupancy decisions. As we've written about in previous reports, the supply outlook is far more constrained than the recent past, which could be causing occupiers to bring forward decisions.

**National Office Enquiry Volumes**




Source: CBRE Research

## Investment Market

Transaction activity in Q2 2026 reached $2.0 billion, a decline on Q1 figures. However, year-to-date volumes are 40% higher than the same period in 2025, indicating an improvement to conditions. This is despite the three interest rate increases that have occurred so far and the uncertainty from geopolitical events. Sydney and Brisbane remain the most liquid markets for the office sector in Australia, with both markets contributing 81% to volumes so far this year.

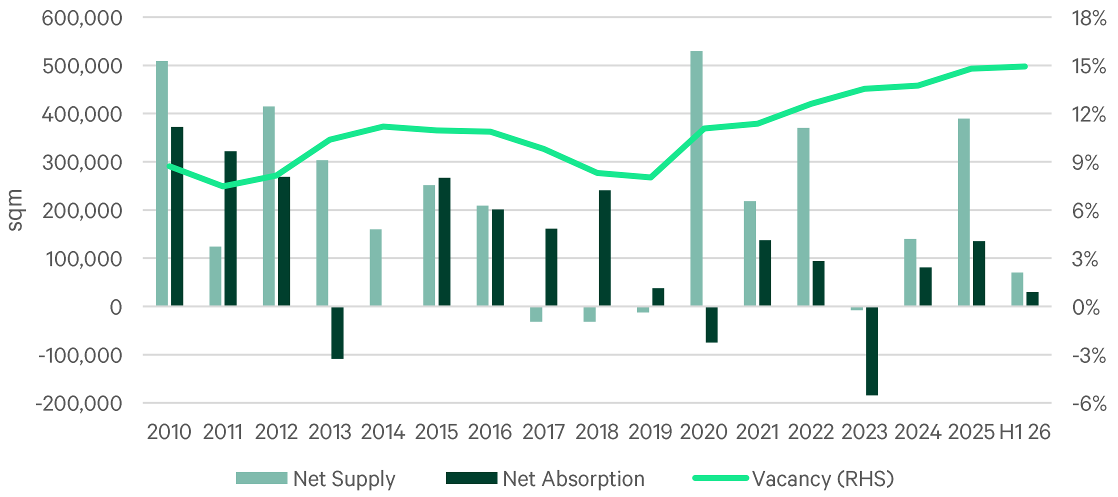
The most significant transaction for the quarter was the sale of 24 Markwell Street in Bowen Hills, Brisbane. The asset was sold to Charter Hall for $445 million as a sale and leaseback to Sonic Healthcare. In addition, a 50% stake in 680 George Street sold for $412m to Centuria during the quarter.

Prime yields were mostly stable across Australian CBD markets in Q2 2026. Despite the increase in debt costs over the course of this year, rental growth is typically outperforming expectations which is justifying stable yields. Non-CBD markets are a different story with some evidence of further softening, given the recovery in the leasing market has taken longer than expected. The better-than-expected inflation print in late July means that interest rates are likely to remain stable for the rest of the year. Markets are also applying about a 50% chance that rates are now at their peak. This stability could result in a further improvement in transaction volumes over the next 12 months.

Figure 5: Australia Office Investment Volumes by Quarter

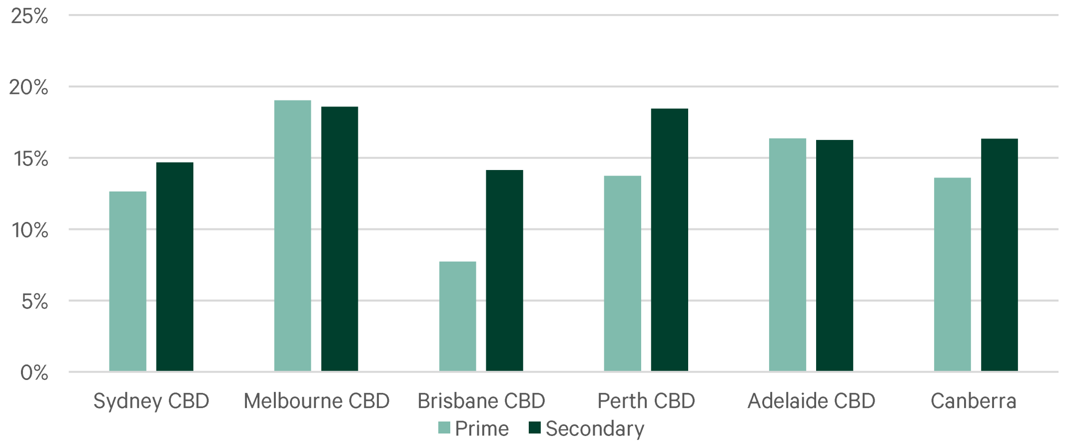

Source: CBRE Research

FIGURE 8: Australian CBD Market Balance



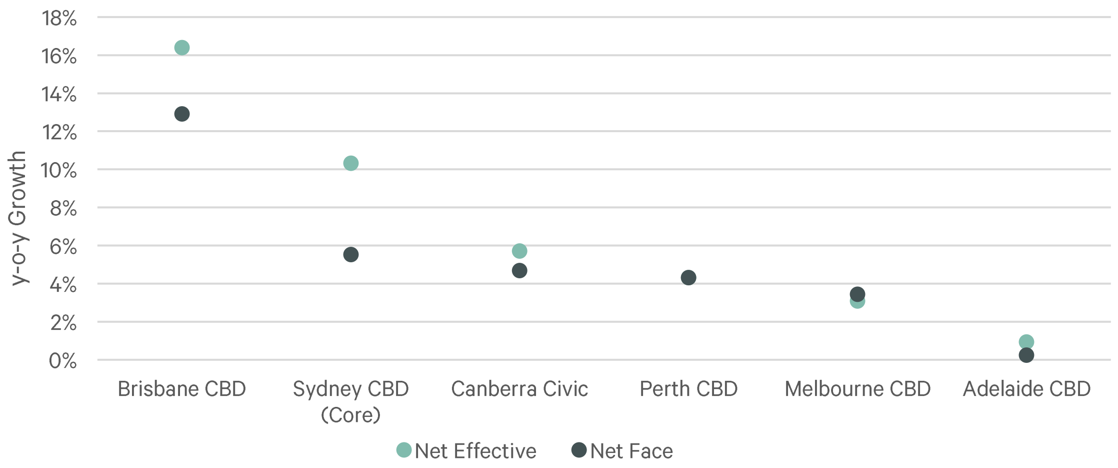

Source: PCA, CBRE Research

FIGURE 9: Vacancy by Grade across CBD Markets – Q2 2026



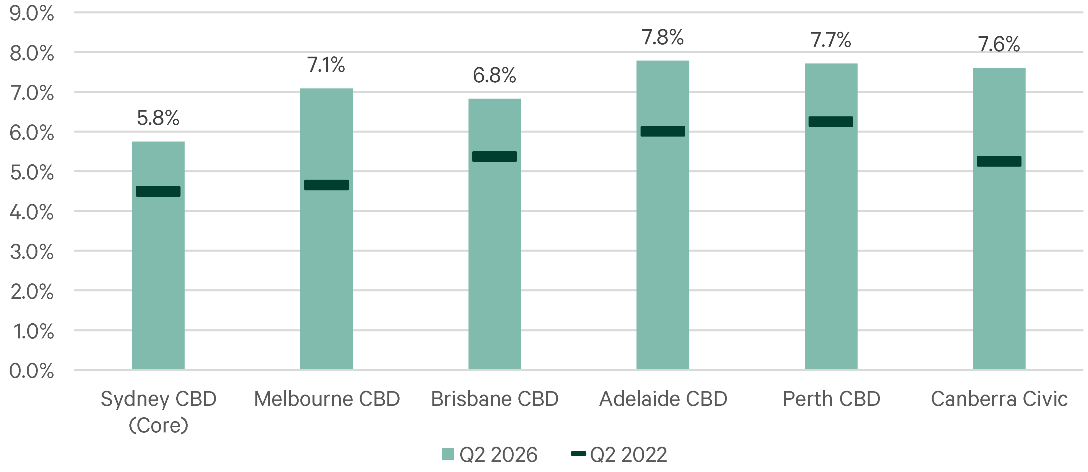

Source: PCA, CBRE Research

FIGURE 10: Q2 2026 Rental Growth by Market (Y-O-Y)




Source: CBRE Research

FIGURE 11: Prime Yields – Q2 2026




Source: CBRE Research

TABLE 2: Australia Major Office Sales, Q2 2026

| Address | Market | Sale Date | Sale Price ($m) | Purchaser | Vendor | Proportion Sales |
|---|---|---|---|---|---|---|
| 24 Markwell Street | Bowen Hills, Brisbane | Jun-26 | 445 | Charter Hall | Sonic Healthcare | 100% |
| 680 George Street | Sydney | May-26 | 412 | Centuria | BGRE | 50% |
| 105-153 Miller Street | North Sydney | Apr-26 | 105 | Wentworth Capital | Oxford Properties | 100% |
| 144 Montague Road | South Brisbane, Brisbane | Apr-26 | 83 | Acure | Mapletree | 100% |
| 1 Nash Street | Perth | May-26 | 79 | Castlerock Property | Corval | 100% |

Source: CBRE Research

# Contact - Research


### Tom Broderick
Head of Office & Capital Markets Research, Australia
+61 430 405 910
tom.broderick@cbre.com.au

### Thomas Biglands
Associate Director, NSW & ACT
+61 426 841 019
thomas.biglands@cbre.com

### Cameron Douglas-Perrine
Research Manager, VIC
+61 450 801 459
cameron.douglasperrine@cbre.com

### Eza Ranjbar
Associate Director, WA & SA
+61 425 225 915
eza.ranjbar@cbre.com


## CBRE Offices

### Sydney
Level 21
363 George Street
Sydney, NSW 2000

### Melbourne
Level 34
8 Exhibition Street
Melbourne, VIC 3000

### Brisbane
Level 3
1 Eagle Street
Brisbane, QLD 4000

### Perth
Level 25
250 St George's Terrace
Perth, WA 6000

### Adelaide
Level 20
83 Pirie Street
Adelaide, SA 5000

### Canberra
Level 4
2 Constitution Avenue
Canberra City, ACT 2601



CBRE