



RWC

WESTERN **S**YDNEY INSIGHTS

Parramatta CBD Office Forecast

ISSUE 5

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Executive Summary

The Parramatta office market remains in transition, recording 6,958sqm of positive net absorption to January 2026 despite vacancy rising to 22.1%, largely reflecting the return of the refurbished Jessie Centre.

Encouragingly, underlying tenant demand persists for quality space at competitive pricing, reinforcing Parramatta's position as a credible alternative to Sydney CBD and North Shore markets.

INFRASTRUCTURE & DEMAND

The opening of Parramatta Light Rail and progress on Metro West continue to strengthen long-term demand fundamentals. While recent supply has elevated vacancy, improved connectivity and significant cost advantages are driving sustained tenant interest across metropolitan markets.

INVESTMENT OUTLOOK

Prime yields have stabilised at 8.0%, with transaction volumes doubling to \$295.8 million in 2025. Below-replacement cost pricing and stable income returns of 6.3% are attracting counter-cyclical capital seeking long-term exposure to Western Sydney's commercial hub.

SUPPLY & ASSET STRATEGY

Refurbishment remains the dominant theme, with limited new development expected in the medium term. In a high-vacancy environment, proactive asset management, tenant retention strategies and amenity investment are key to protecting occupancy and asset value.

If you'd like to discuss this report in more detail or to learn more about the Parramatta CBD Office market, we would be delighted to engage in a conversation with you.



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TOTAL OFFICE STOCK:	974,405 SQM
NEW SUPPLY:	36,225 SQM
WITHDRAWALS:	2,578 SQM



VACANCY BY QUALITY GRADE	
A GRADE:	18.5% ↑
B GRADE:	40.0% ↓
C GRADE:	20.9% ↑
D GRADE:	7.6% ↔



NET FACE RENTS	
PRIME	↔ \$580/SQM
SECONDARY	↔ \$440/SQM

INCENTIVES OF 35-45% CONTINUE TO PRESSURE THE MARKET



INVESTMENT YIELDS	
PRIME	↗ 8.0%
SECONDARY	↗ 9.0%



TOTAL VACANCY:	22.1% ↑
6-MONTH NET ABSORPTION	6,958 SQM
12-MONTH NET ABSORPTION	4,062 SQM



FORECAST NET SUPPLY	
2025	30,222 SQM
2026	-41,505 SQM

Permanent withdrawals and refurbishments will be a feature of the Parramatta CBD office market over the next five years.

SOURCE: PROPERTY COUNCIL OF AUSTRALIA, RWCWS



Will Metro West aid in growing Parramatta's future tenant demand?



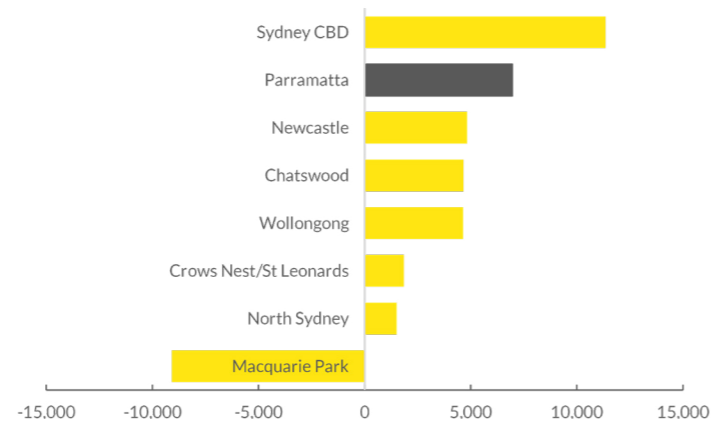
Sublease availability has reduced to 0.7%, suggesting businesses are holding space in anticipation of increasing office attendance.



NSW outperforms with office tenant demand

NSW Office Market Absorption

6 MONTHS TO JANUARY 2026 (SQM)



SOURCE: PROPERTY COUNCIL OF AUSTRALIA, RWCWS

Metropolitan Sydney's office markets demonstrated varied performance across the second half of 2025, with infrastructure connectivity continuing to drive tenant movement.

Sydney CBD recorded the strongest net annual absorption at 11,359sqm, though Parramatta secured the second highest metropolitan take up at 6,958sqm, demonstrating the market's resilience despite elevated vacancy levels.

METRO IMPACT ACROSS NORTH SHORE

The Metro opening has significantly enhanced the North Shore corridor's appeal to office occupiers. After periods of negative take-up, North Sydney recorded positive absorption of 1,514 sqm, Crows Nest/St Leonards 1,854sqm, and Chatswood 4,662sqm, as improved connectivity strengthens these markets' competitive position. However, Macquarie Park recorded substantial negative absorption of -9,091sqm despite benefiting from Metro access, as the market faces increasing competition from alternative uses. Data centre developments and living sector conversions are progressively reducing Macquarie Park's office stock, with this trend expected to accelerate as landowners pursue higher-value alternative uses for well-located sites.

PARRAMATTA'S INFRASTRUCTURE ADVANTAGE

The recently opened Parramatta Light Rail, combined with progress on Metro West, positions Parramatta to capture ongoing tenant interest as businesses evaluate metropolitan locations offering quality space, affordability relative to CBD markets, and improving transport connectivity. The market's strong absorption performance reflects its emerging role as a genuine and more affordable alternative to both CBD and North Shore locations.

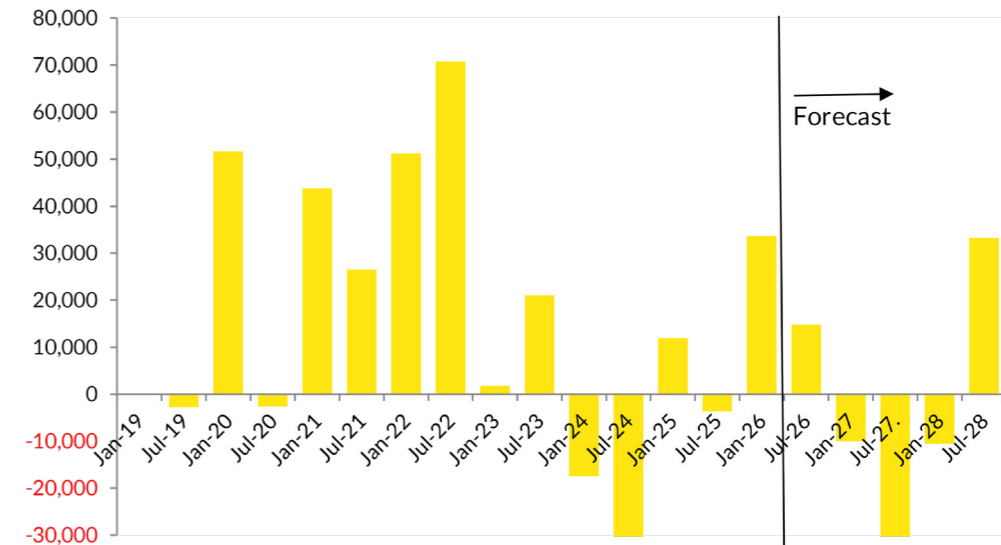
“Parramatta recorded second highest metropolitan absorption of 6,958sqm, while Metro connected North Shore markets demonstrate infrastructure's impact on tenant demand, though Macquarie Park faces alternative use competition”



Strategic refurbishment reshapes *supply* profile

Parramatta CBD Office Forecast

NET SUPPLY (SQM)



SOURCE: PROPERTY COUNCIL OF AUSTRALIA, RWCWS

Supply dynamics across Parramatta CBD continued to be driven by strategic refurbishment rather than new development, with the completion of the Jessie Centre marking the most significant addition to the market. This refurbishment returned 35,675sqm of upgraded A-grade space to the market, though initial absorption has been measured as tenants evaluate options in a market with elevated vacancy.

Early 2026 will see continued supply additions from refurbishment projects, with 10,800sqm at 25 Smith Street expected to return to the market in the first half of the year following extensive upgrades. This and other minor refurbished assets are repositioning existing stock to compete in the contemporary office market, offering upgraded specifications and amenities without the risk profile associated with speculative new development.

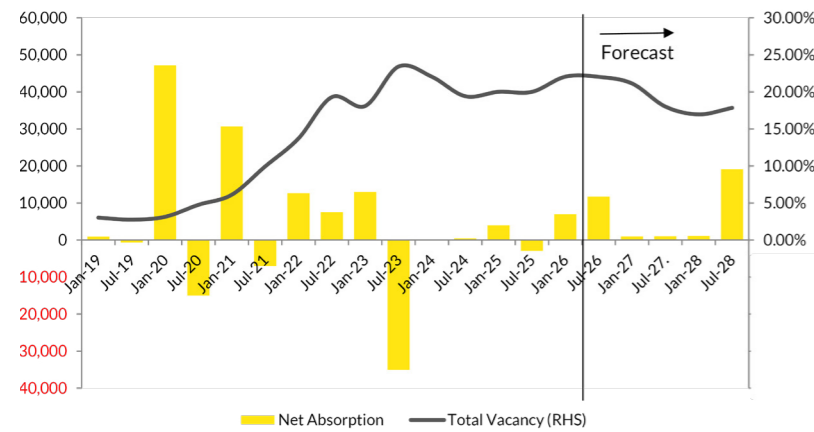
Looking further ahead, new supply additions are expected to remain limited, with market dynamics more likely to support net reductions in overall stock levels, particularly across secondary-grade assets. The Octagon redevelopment, which recently secured updated approval incorporating build-to-rent components, is the most likely new office addition, though it is not anticipated until later in the forecast period. Continued stock withdrawals for refurbishment, redevelopment, or conversion to alternative uses are expected to reduce Parramatta's total office inventory over time. This market contraction, particularly in secondary stock, should support improved fundamentals for remaining quality assets as supply constraints gradually rebalance the market.

“Jessie Centre's 35,675sqm refurbishment exemplifies the strategic repositioning trend, with limited new development expected as market dynamics favour stock withdrawals and conversions over speculative construction”.

Gradual *improvement* for absorption and vacancy

Parramatta CBD Office Forecast

NET ABSORPTION (SQM) & TOTAL VACANCY (%)



SOURCE: PROPERTY COUNCIL OF AUSTRALIA, RWCWS

Parramatta's office market recorded positive net absorption of 6,958sqm in the six months to January 2026, demonstrating continued tenant demand despite elevated vacancy levels.

Total vacancy stands at 22.1%, up from 20.0% six months ago, primarily reflecting the return of the refurbished Jessie Centre to the market with limited initial absorption.

MARKET DYNAMICS

The modest positive absorption reflects ongoing employment demand growth across Western Sydney, with recently refurbished stock successfully attracting tenants seeking quality space at competitive rates. However, the ability of new supply additions to pressure vacancy rates remains evident, with vacancy levels sensitive to the timing of refurbished assets re-entering the market without corresponding pre-commitments.

FORECAST TRAJECTORY

Looking ahead, vacancy is expected to improve gradually to 21.1% by mid-2026, supported by anticipated employment growth resulting in continued tenant demand for quality space. Stock withdrawals are expected to play a crucial role in supporting vacancy compression, with the removal of aging secondary assets from the market helping to offset limited absorption.

Beyond mid-2026, vacancy is forecast to decline further to 18.4% by mid-2028, contingent on limited speculative supply additions. However, this improvement pathway remains vulnerable to any new supply entering the market without securing pre-commitments, which could temporarily reverse vacancy gains and extend the recovery timeline.

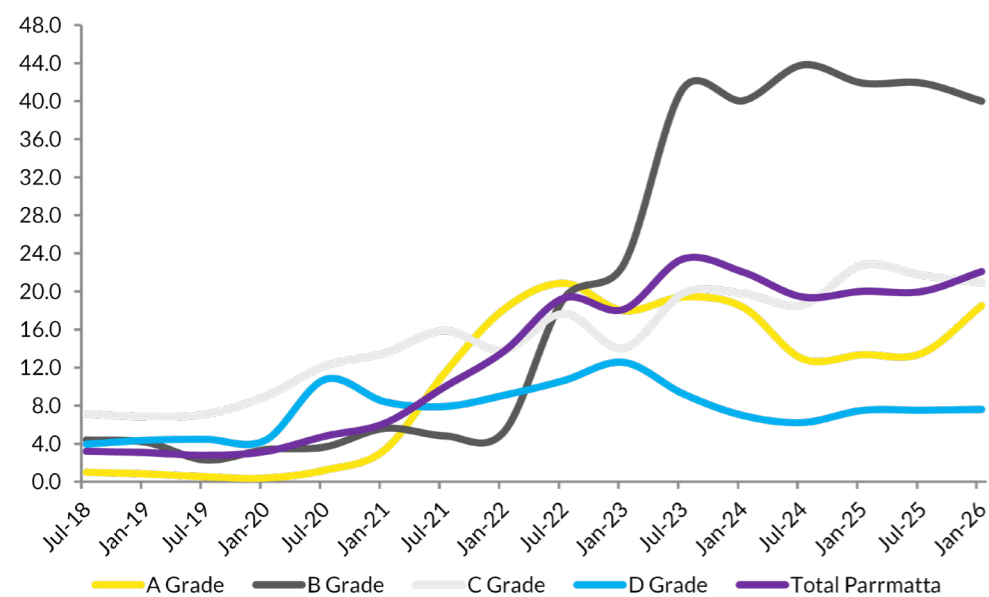
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"Vacancy expected to improve from 22.1% to 18.4% by mid-2028, driven by employment growth and strategic stock withdrawals, though vulnerable to speculative supply additions"

Quality divide *intensifies* across Parramatta market

Parramatta CBD Office Vacancy

BY QUALITY GRADE (%)



SOURCE: PROPERTY COUNCIL OF AUSTRALIA

Parramatta's office market continues to demonstrate stark performance divergence across quality grades, with A-grade vacancy edging higher to 18.5% from 13.5% six months ago, primarily driven by the return of the refurbished Jessie Centre to the market.

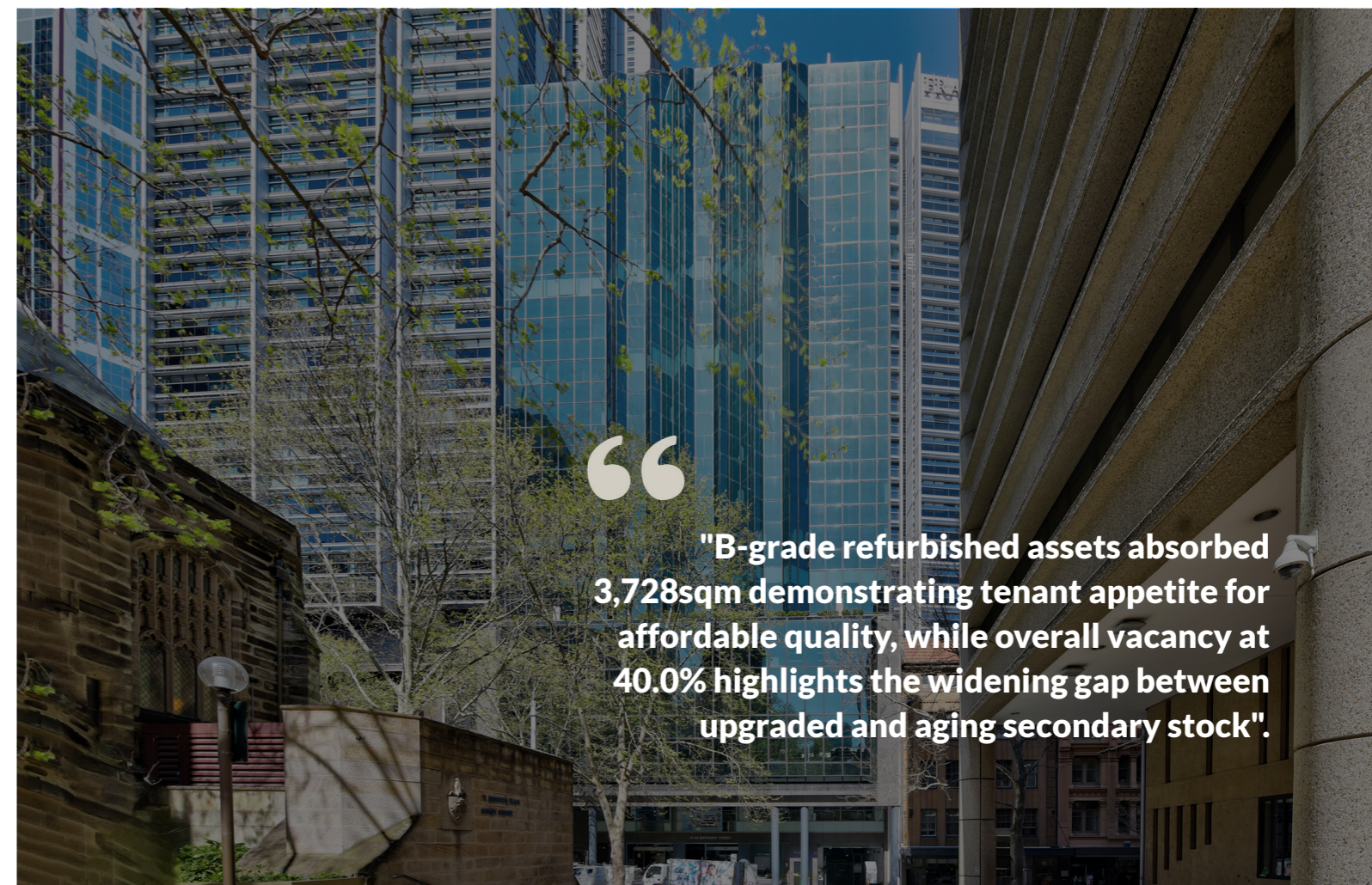
While this supply addition has temporarily elevated A-grade vacancy, the underlying tenant preference for premium space remains evident, with these assets continuing to capture the majority of leasing demand.

SECONDARY CONCERNS

The B-grade segment recorded positive absorption of 3,728sqm over the past six months, with affordable refurbished options successfully attracting value-conscious tenants. Despite this activity, B-grade vacancy remains elevated at 40.0%, highlighting the ongoing structural challenges in this segment. This performance underscores the critical importance of strategic capital investment, with recently upgraded B-grade assets demonstrating competitive appeal while older stock continues to struggle.

C-grade vacancy increased to 20.9% from 22.8%, with stock withdrawals playing a significant role in moderating what would otherwise be more severe vacancy deterioration. D-grade assets, characterised by heavy owner-occupier presence and affordable price points, have maintained relative stability at 7.6% vacancy. Both segments are expected to see continued stock withdrawals for refurbishment or redevelopment, potentially reducing overall market supply as owners evaluate highest and best use alternatives.

Looking ahead, the quality divide is expected to widen further, with A-grade capturing tenant demand while B, C and D-grade stock faces mounting pressure to exit the traditional office market or undergo significant transformation.



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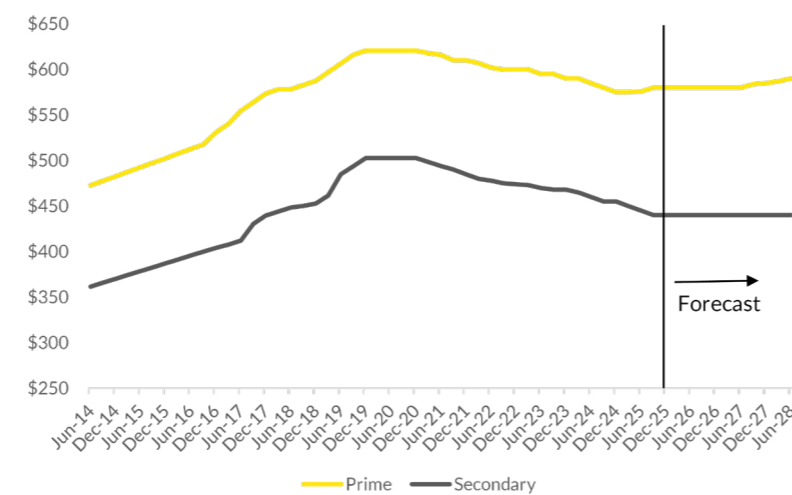
"B-grade refurbished assets absorbed 3,728sqm demonstrating tenant appetite for affordable quality, while overall vacancy at 40.0% highlights the widening gap between upgraded and aging secondary stock".



Rental market
adjusts to
market realities

Parramatta CBD Office Forecast

NET FACE RENTS (\$/SQM)



SOURCE: RWCWS

Parramatta's rental market continues to reflect the divergent performance between prime and secondary assets.

Prime net face rents have shown modest improvement, recording less than 1% growth over the year to reach \$580/sqm, while secondary rents have contracted 2.3% to \$440/sqm as elevated vacancy rates maintain downward pressure.

MARKET DYNAMICS

Despite marginal face rent improvements in prime stock, incentives remain elevated at 35 to 45% across A-grade assets, continuing to pressure effective rents downward. The secondary market faces more challenging conditions, with persistent high vacancy rates limiting landlord pricing power and constraining rental growth prospects in the near term.

The recent opening of Parramatta Light Rail and progress on Metro West infrastructure improvements position the market for longer term rental upside, though near-term conditions remain subdued. Public sector tenants, a significant component of Parramatta's occupier base, continue their measured approach to office attendance despite mandated return-to-office policies, further tempering immediate rental recovery.

FUTURE RENTAL BENCHMARKS

While current supply additions have been limited to refurbishment projects, the Metro West station development and approved high rise towers are expected to establish new rental benchmarks once completed. The high costs of delivering premium specification developments in the current construction environment suggest these future completions will target significantly higher rental levels than existing stock, potentially creating greater pricing differentiation between new and established A-grade assets.

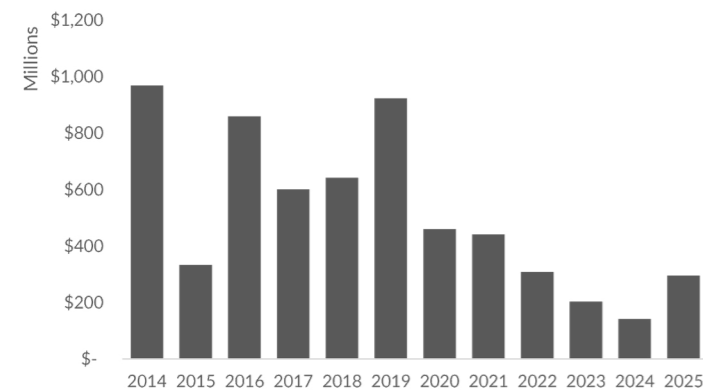
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"Prime rents showing modest improvement to \$580/sqm, though elevated incentives of 35-45% continue to pressure effective rents as the market awaits Metro West's completion to reset rental

Sales volume *signals* market evolution

Parramatta CBD Office Transactions

VOLUME OF SALES



SOURCE: REAL CAPITAL ANALYTICS, RWCWS

Transaction activity across Parramatta's office market reached \$295.8 million in 2025, more than doubling the \$141.6 million recorded in 2024.

This uplift demonstrates growing investor confidence in the market, though the composition of sales continues to highlight selectivity around asset quality and positioning.

RECENT TRANSACTIONS

The most significant transaction was the \$82 million sale of 10 Smith Street (The Barrington) by ISPT to private investor Mintus. The 11-level A-grade tower, trading on a passing yield of 8.5 per cent with potential to tighten to 7.0 per cent once fully leased, demonstrated appetite for quality assets with repositioning potential. Additionally, Charter Hall completed an inter-fund transfer of the Western Sydney University campus at 1 Parramatta Square for \$304 million, reflecting a 6.2 per cent yield, though this is not counted in our transaction volumes.

MARKET DYNAMICS

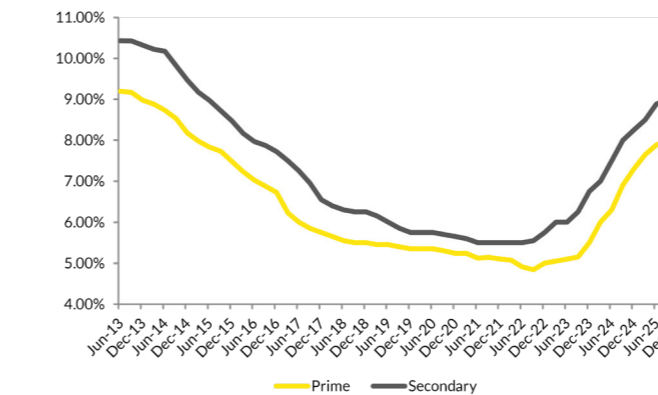
The growing transaction volume reflects increasing private investor activity, with counter-cyclical positioning evident as buyers target quality opportunities at attractive entry points. Institutional owners of Parramatta's prime A-grade stock remain largely absent from the market, choosing to hold assets rather than crystallise capital value declines. Meanwhile, activity continues across strata sales and smaller freehold assets where private ownership dominates, though the ISPT sale signals that selectively, institutional vendors will transact on quality assets when strategic repositioning aligns with buyer appetite for Parramatta's long-term fundamentals.

“**Transaction volumes more than doubled to \$295.8 million in 2025, reflecting counter-cyclical positioning by private investors who recognise value in Parramatta's long-term fundamentals**”

Yields reflect market *repricing*

Parramatta CBD Office Investment Yields

BY QUALITY GRADE (%)



SOURCE: REAL CAPITAL ANALYTICS, RWCWS

Investment yields across Parramatta have stabilised following an extended period of upward trajectory, with prime yields estimated at 8.0% reflecting the broader corrections across non-CBD office markets.

Secondary yields average 9.0%, though considerable variation exists based on asset quality, covenant strength and WALE.

RECENT PRICING EVIDENCE

- **10 Smith Street: 8.5% passing yield (\$82M)**, potential to compress to 7.0% when fully leased
- **1 Parramatta Square: 6.2% yield (\$304M inter-fund transfer)**, reflects institutional valuations (not pricing) for covenant-backed assets
- **130 George Street: 12.0% passing yield (2024)**, demonstrates investor appetite for repositioning opportunities

STRATEGIC INVESTMENT DYNAMICS

The yield spectrum demonstrates significant variation, with investors seeking higher entry yields for assets despite offering repositioning potential, redevelopment upside, or mixed-use conversion opportunities. For strategic buyers, Parramatta's fundamentals as Western Sydney's gateway support longer term land banking strategies despite near term yield considerations.

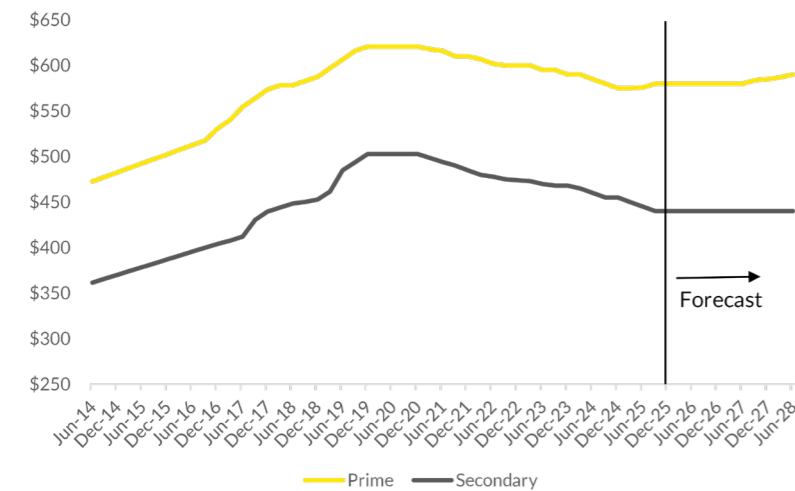
MSCI data shows weighted average yields for their institutional office pool expanding to over 7.5% in Q3 2025, up from the 4.9% prime yields achieved during 2022's market peak. With limited major transactions evidence across Parramatta CBD, institutional valuations remain largely untested. Yield stabilisation combined with the broader office recovery narrative positions 2026 as a potential turning point for renewed capital deployment despite interest rate uncertainty.

“**Yields have stabilised at 8.0% for prime assets after an extended upward trajectory, with strategic investors seeking higher entry yields for assets despite offering repositioning potential or mixed-use opportunities**”

Returns *signal* market turning point

Parramatta CBD Office Returns

ANNUALISED (%)



SOURCE: RWCWS

Parramatta office market performance demonstrates a significant shift, with total returns improving markedly through 2025.

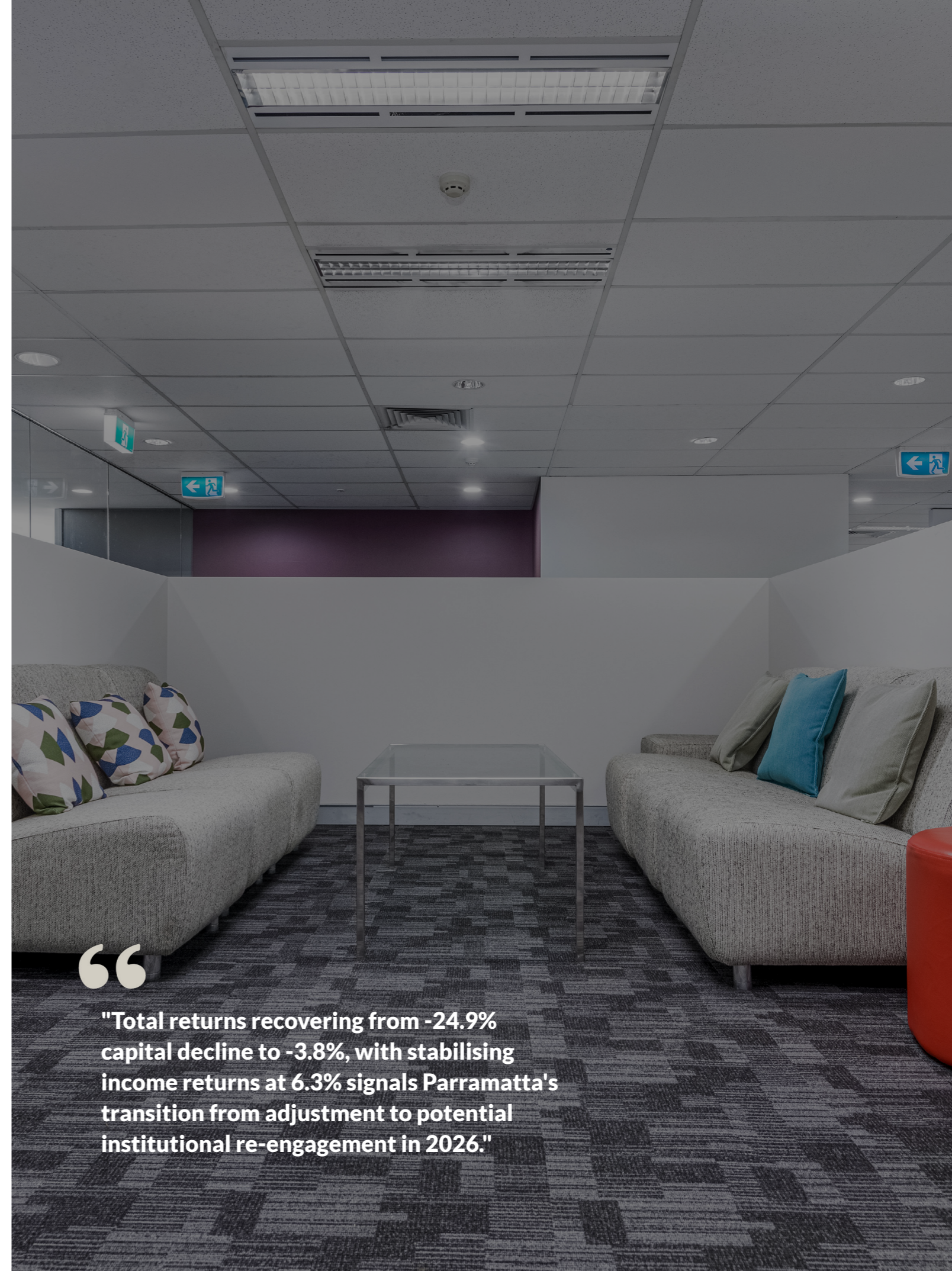
While capital returns remain negative at -3.8% as of September 2025, this represents a substantial recovery from the -24.9% trough recorded in late 2023. Income returns have shown resilience, stabilising at 6.3% and providing important cashflow support during the capital value adjustment period.

RECOVERY TRAJECTORY

The improvement in returns reflects the market's transition from value adjustment to stabilisation. Capital returns have narrowed losses consistently over the past 18 months, supported by yield stabilisation. This trajectory aligns with broader office market dynamics, where CBD premium assets have already achieved positive capital growth and non-CBD markets are following a similar, albeit delayed, recovery path.

INSTITUTIONAL IMPLICATIONS

The convergence toward positive total returns positions Parramatta as an emerging opportunity for institutional capital deployment in 2026. As office markets nationally demonstrate recovery, investors seeking counter-cyclical exposure are increasingly evaluating metropolitan markets offering affordability relative to CBD alternatives, strong infrastructure investment, and population growth fundamentals. The combination of stabilising values, healthy income returns, and strategic positioning as Western Sydney's commercial hub provides a compelling investment opportunity for forward-looking institutional investors willing to position ahead of the broader market recovery.



"Total returns recovering from -24.9% capital decline to -3.8%, with stabilising income returns at 6.3% signals Parramatta's transition from adjustment to potential institutional re-engagement in 2026."

Strategic Property Management in *high-vacancy* markets



PROACTIVE TENANT RETENTION THROUGH REGULAR ENGAGEMENT

In a 22.1% vacancy market, retaining existing tenants is far more cost-effective than finding new ones. Schedule quarterly business reviews with major tenants, anticipate their evolving space needs, and address concerns before they become lease-break triggers. Understanding tenants' hybrid working strategies and space utilisation patterns allows you to propose solutions before they seek alternatives.



PREVENTATIVE MAINTENANCE OVER REACTIVE REPAIRS

With elevated vacancies pressuring returns, deferred maintenance becomes tempting but costly. Strategic maintenance planning protects asset values and prevents capital shocks. Regular building system assessments, proactive equipment replacement, and visible building presentation signal professional management, critical when competing for the limited tenant demand available.



OPERATIONAL COST MANAGEMENT AND SERVICE CONTRACT BENCHMARKING

High vacancies demand tight expense control without compromising service quality. Review all service contracts annually, benchmark against comparable buildings, and identify efficiency opportunities in utilities, cleaning, and security. Small percentage savings across multiple contracts compound significantly when net operating income is under pressure.



FLEXIBLE LEASE STRUCTURES AND CREATIVE INCENTIVE PACKAGING

Rather than simply increasing incentives to 45%+, develop sophisticated lease structures that address tenant concerns. Consider rent reviews tied to occupancy milestones, flexible expansion/contraction rights, or performance-based incentives. This approach can be more valuable to tenants than raw incentive increases while protecting landlord interests.



BUILDING AMENITY AND EXPERIENCE DIFFERENTIATION

With B-grade vacancy at 40%, secondary assets must compete on more than price. Focus on experiential elements: end-of-trip facilities, collaborative spaces, on-site services, and technology integration. In Parramatta's government-heavy market, facilitating hybrid work success through bookable meeting rooms, hot-desking options, and strong connectivity can be decisive.



Outlook

The Parramatta office market's recovery trajectory will be shaped by infrastructure completion, strategic asset management, and the continued evolution of workplace strategies over the coming years.

While near term challenges persist, the market's fundamentals provide a foundation for measured improvement supported by Western Sydney's population growth and Parramatta's emerging role as a genuine alternative to premium CBD locations.

INFRASTRUCTURE INVESTMENT

Metro West's completion will enhance CBD connectivity and strengthen Parramatta's competitive position, with the recently opened Light Rail improving local accessibility. This infrastructure investment, combined with ongoing civic improvements, positions Parramatta to capture tenant demand from businesses seeking quality space at more affordable rates than CBD and North Shore alternatives.

SUPPLY AND STOCK QUALITY

The market's supply pipeline will continue to be dominated by strategic refurbishment rather than speculative new development over the medium term. Selective withdrawal of older secondary stock for conversion to alternative uses, particularly residential or mixed-use developments, is expected to reduce overall office inventory, supporting improved fundamentals for remaining quality assets as natural market contraction combines with limited new supply to support gradual vacancy compression.

PROPERTY MANAGEMENT

The elevated vacancy environment places premium value on sophisticated property management strategies, with proactive tenant retention, preventative maintenance, and operational cost control becoming critical differentiators. Forward-thinking owners are investing in building amenity, flexible lease structures, and tenant experience improvements, recognising that in Parramatta's government-heavy market, facilitating hybrid work success through superior service delivery rather than simply escalating incentives will increasingly separate high-performing assets from those struggling to maintain occupancy.

INVESTMENT OPPORTUNITIES

Yield stabilisation combined with improving total returns positions 2026 as a potential inflection point for renewed institutional capital deployment, with the market offering compelling value through below-replacement-cost pricing, healthy income returns at 6.3%, and exposure to Western Sydney's growth trajectory. Counter-cyclical positioning opportunities exist for investors with medium to long-term horizons, particularly in well-located assets with repositioning potential or Metro West proximity benefits.

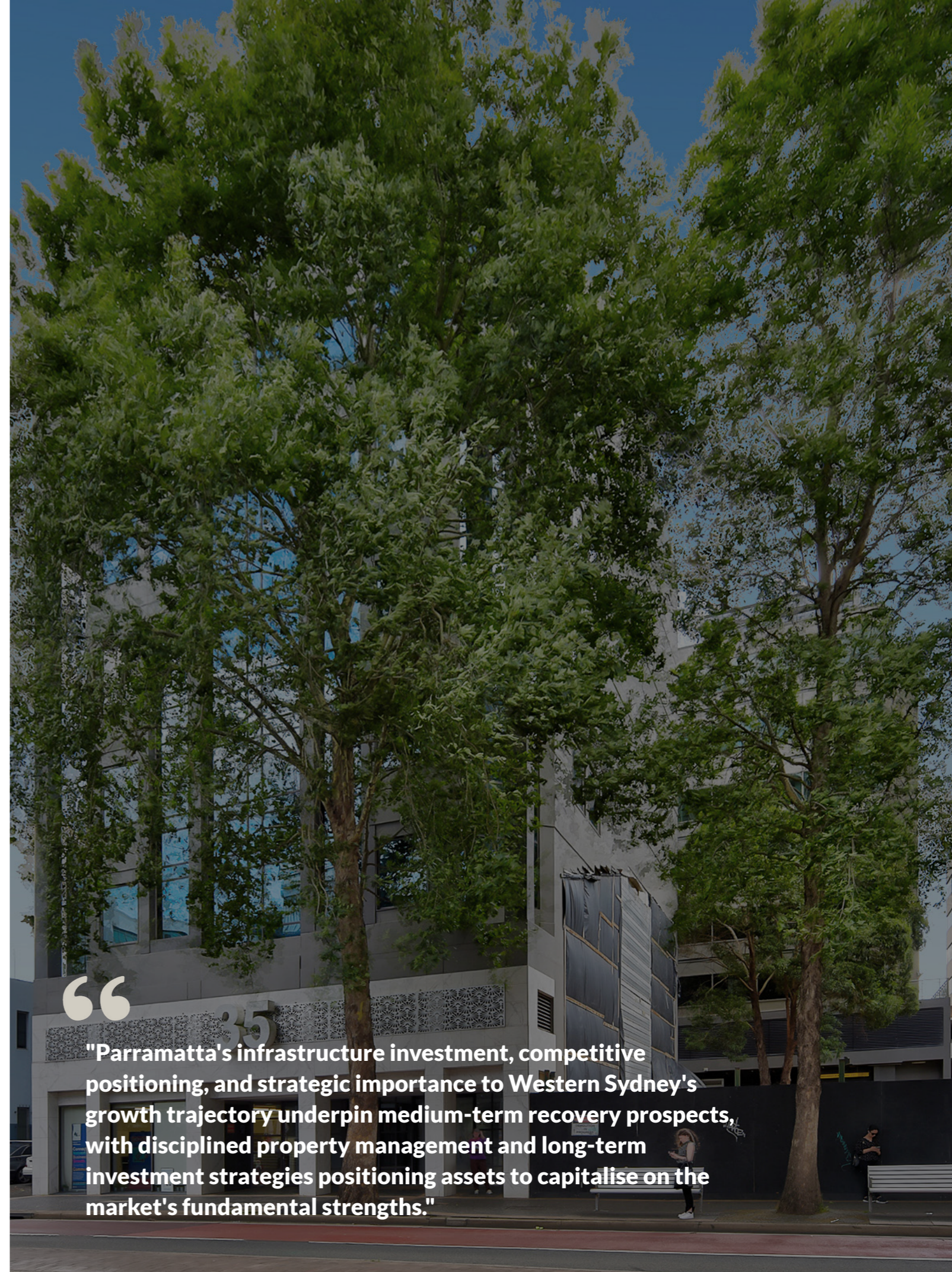


PETER VINES

Managing Director

RWC Western Sydney

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"Parramatta's infrastructure investment, competitive positioning, and strategic importance to Western Sydney's growth trajectory underpin medium-term recovery prospects, with disciplined property management and long-term investment strategies positioning assets to capitalise on the market's fundamental strengths."

OUR OFFICE

With a strong foundation of experience and expertise, we bring a winning combination of dynamism and operational rigour to the commercial agency space.

Our People are *Your Advantage.*

SALES



PETER VINES
Managing Director



JOSEPH ASSAF
Director



VICTOR SHEU
Director



TROY WANG
Sales Executive



OWEN WHITE
Sales Executive



ANDREW SACCO
Sales Executive



MARCUS AUDDINO
Sales Executive



MARCUS TOLE
Property Analyst



CHRISTIAN FINIANOS
Property Researcher



CHANTEL BRILLANTES
Marketing & Brand



MONH LY
Campaign Manager

LEASING



ROBERT NAPOLI
Senior Leasing Executive



SAMUEL GONG
Senior Leasing Executive

ASSET MANAGEMENT



JOYCE ELKOUBERCI
Director



CALLUM MCKAY
Asset Manager



ADRIAN HARB
Assistant



ANNIKA WARD
Assistant



MARCUS FUNG
Assistant



HARRY LAHOOD
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MARISSA KARAILIAS
Administrator



ZEINA TAJIK
Accounts

OPERATIONS



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Director of Strategy



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Director of Operations



PAULINE WATERFORD
Finance Manager



CHRISTIAN BRILLANTES
Office Manager



MICHAELA HEYS
Administrative Assistant



MARCELA KFURI
Contract Administrator

PROJECTS



MARK BERNBERG
Managing Director



NATASHA SANDERS
Sales Executive



SHANI FERDMAN
Sales Associate



BETTY NGUYEN
Marketing Coordinator

*Who we are,
what we do,
why we do it*





The logo consists of the letters 'RWC' in a bold, italicized, sans-serif font, centered within a white square.

RWC

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