













MARKET FUNDAMENTALS

	YOY Chg	Outlook
15.1% Vacancy Rate		
25,186 6-month Net Absorption, sqm		
\$376 Prime Net Effective, sqm pa		

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3% (National) GDP Growth		
2.7% (Western Australia) State Final Demand Growth		
4.1% (National) Unemployment Rate		

Source: ABS

ECONOMY OVERVIEW:

The Australian economy has reached an inflection point as the RBA has pivoted and started the rate cutting cycle. Against this backdrop growth is expected to accelerate throughout 2025 and 2026 on the back of improved consumer and business confidence. GDP growth for Q4 2024 reached 0.6% (1.3% year-on-year), while growth in the order of 2.1% is expected for 2025 and 2.5% for 2026. The outperformance of economic growth in Western Australia is expected to persist, with Gross State Product forecast to increase by 2.7% in 2025 and 4.2% in 2026.

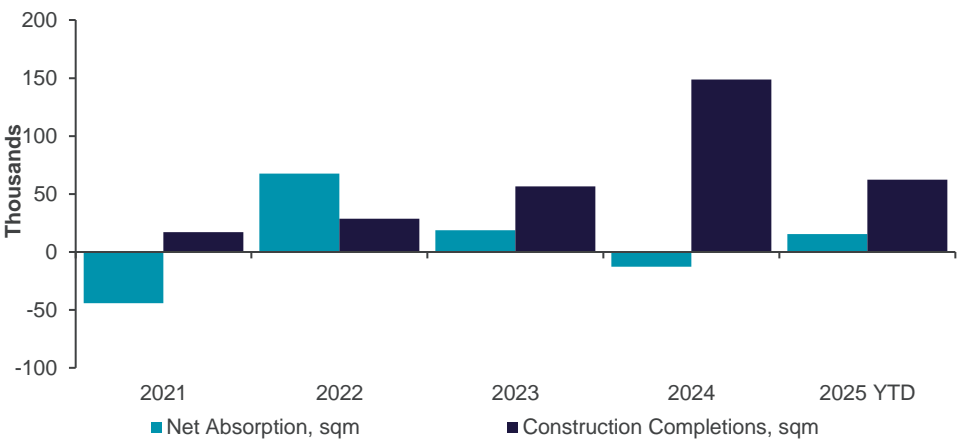
DEMAND:

Over the last six months, Perth’s CBD office market has demonstrated an increase in demand, recording positive net absorption of 25,186 sqm, contrast to the negative net absorption of -9,811 sqm in July 2024. The return to positive absorption aligns with the improving broader economic environment and the recovery in the resource sector. The performance of prime grade assets continues to lead the way, as a clear preference from occupiers, however increasing levels of enquiries are being fielded for well positioned secondary stock.

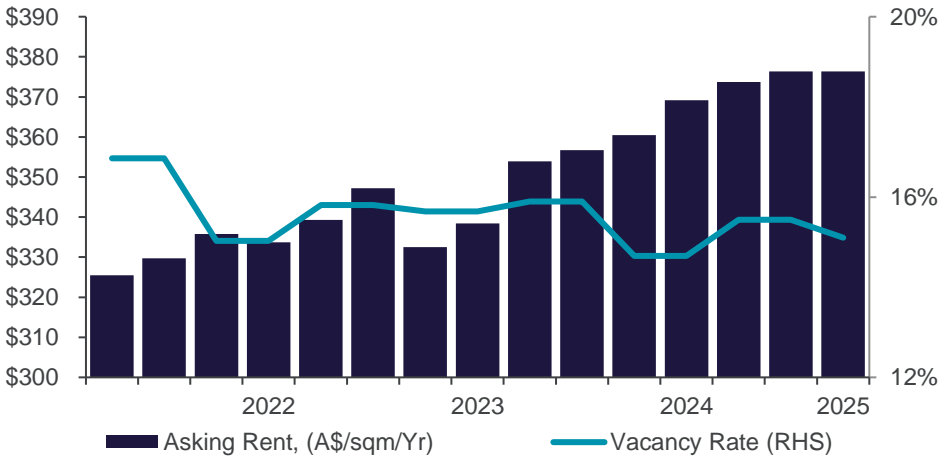
RENT:

Rents in Perth’s CBD office market have slowly started creeping up in Q1 2025, with slight increases across all grades. Prime grade net effective rents had a 4.4% year-on-year (Y-o-Y) increase, now at \$376 per square metre per annum (sqm pa), a 0.9% gain from the previous quarter. Net incentives for prime grade assets remained stable at 43.8%, unchanged from Q4 2024. In the secondary market, net effective rents now average \$248 sqm pa, representing a 6.9% Y-o-Y increase and a modest 0.8% rise from the previous quarter. Incentives showed a slight shift, decreasing to 49.5% from the 50.0% maintained throughout 2024. Outgoings saw a slight rise, with prime lifting by 0.3% Q-o-Q and averaging \$196 sqm pa, secondary rose by 1.8% Q-o-Q and now average \$143. Overall, Perth CBD continues to maintain stability, with moderate rental growth and early signs of tightening incentives. In the secondary market, prime incentives remained stable at 46.5% since the slight sharpening from 46.1% in Q3 2024.

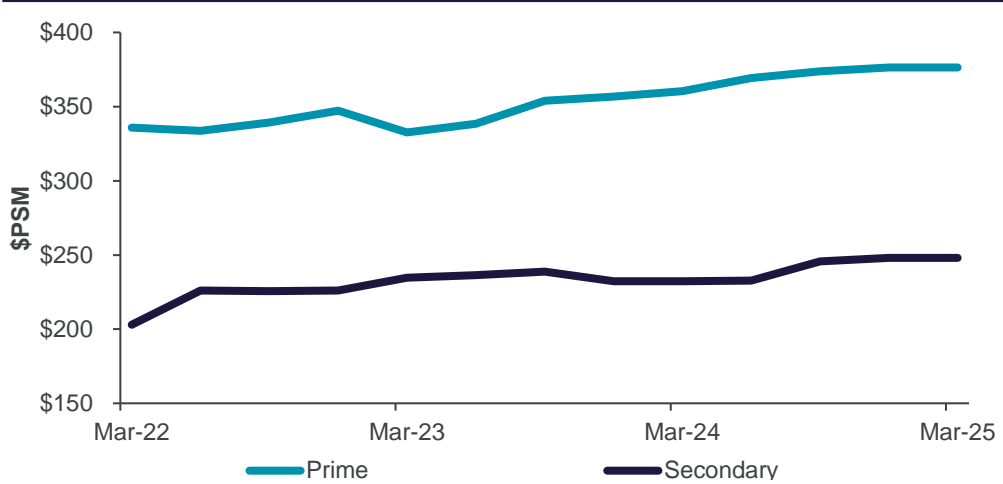
SPACE DEMAND / DELIVERIES



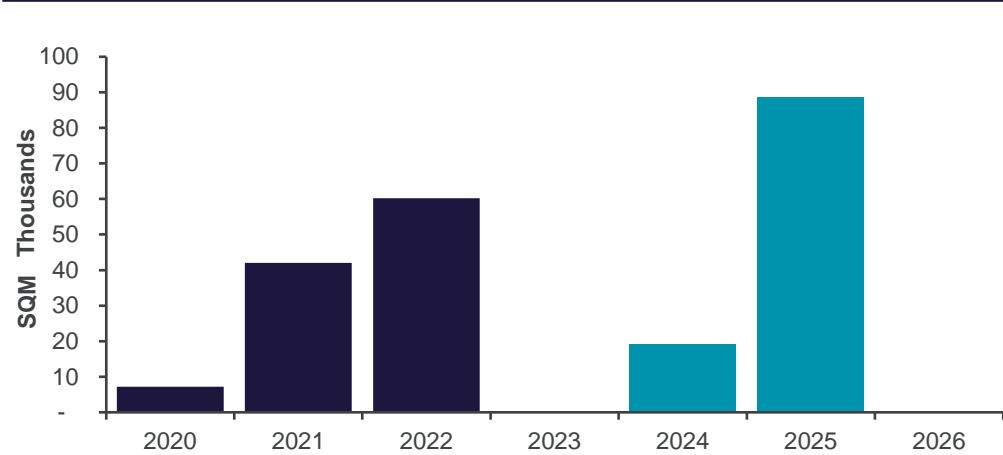
OVERALL VACANCY & PRIME NET EFFECTIVE RENT



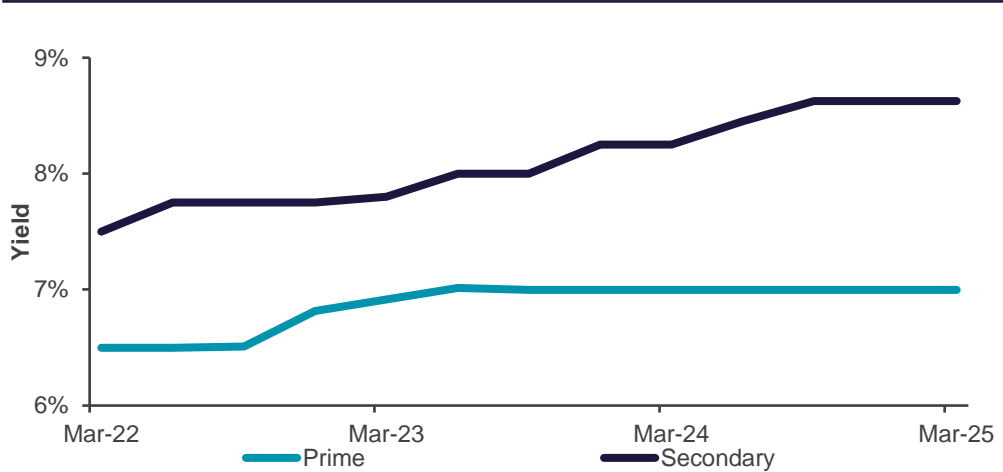
AVERAGE NET EFFECTIVE RENTS



SUPPLY



AVERAGE YIELDS



VACANCY & SUPPLY:

Throughout 2024, the Perth CBD office market saw major supply additions and refurbishments entering the market including two new developments bringing 24,790 sqm of A-grade space into the market. As a result, vacancy increased throughout 2024 reaching 15.5%, however, with rising demand and positive net absorption, vacancy started to ease to 15.1% by 2024 years end. 41,193sqm of new and refurbished stock is slated for delivery in 2025. New developments include 33,554 sqm of premium grade space at 9 the Esplanade, currently under construction and expected to reach completion in mid-2025. 2-4 William Street is set to deliver 2,000 new A-grade space also set for completion by mid-2025. The addition of 6,200 sqm will be delivered at 100 St Georges Terrace as well as the refurbishment of 8-10 Esplanade with 1,439 sqm underway and expected to be completed in late 2025.

YIELDS:

Perth CBD office yields remained stable through H2 2024, however have moderated slightly over Q1 this year, with Prime yields softening 12.5 basis points to average 7.12%. Secondary yields remained stable for the third consecutive quarter at 8.63%. Despite subdued investment volumes over the past 6 months, the Perth CBD office investment market is in relatively better condition compared to some other CBD markets, where valuation repricing has been significantly harsher. This stability can be in part attributed to the State’s strong economic growth driven by record population growth and ongoing strength within the resources sector.

INVESTMENT MARKET:

Perth CBD office transaction volumes remained subdued in Q1 2025, with no significant deals recorded. Historically, Q1 is the slowest quarter for transactions, and this trend has persisted. However, the outlook for the remainder of the year is considerably stronger, with two campaigns closing at the end of Q1 and several major sales processes expected throughout Q2 and Q3. As a result, investment volumes are anticipated to rise through to year-end. Additionally, the recent announcement of the next phase of the Perth City Link project has renewed interest in nearby properties, prompting several investors to explore acquisition opportunities. Despite ongoing market uncertainties and rising operational costs, demand for well-positioned assets remains strong, reflecting continued confidence in the long-term fundamentals of the Perth office market.

OUTLOOK

- The outlook for the Perth CBD office market remains positive to landlords, with early signs of a transition underway as face rents rise. However, elevated vacancy rates suggests this shift may be gradual. A strong secondary market will pressure prime assets to reassess their incentive strategies.
- Economic growth is expected to strengthen significantly throughout 2025, as Gross State Product reverts to align with longer term averages.
- Occupier demand is expected to remain strong, through 2025 for both prime and secondary assets, in-line with strong State economic growth.
- The absence of new supply between 2026 and 2028 is anticipated to help vacancy rates revert to the long-term average.
- Recent transaction activity suggests that yields are nearing the bottom of the cycle.

MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	6-MONTH NET-ABSORPTION (SQM)	UNDER CONSTRUCTION (SQM)	NET EFFECTIVE RENT (\$ SQM PA)	AVERAGE NET INCENTIVES	AVERAGE OUTGOINGS (\$ SQM PA)
Premium	466,872	43,810	9.4%	14,459	33,500	\$426	45.0%	\$214
A-Grade	684,026	97,237	14.2%	17,365	90,449	\$344	47.5%	\$184
Prime^	1,150,898	141,047	7.8%	31,824		\$376	46.5%	\$196
Secondary	535,501	113,996	21.3%	-4,692		\$248	49.5%	\$143
TOTALS	1,797,453	271,341	15.1%	25,186	123,949	-	-	-

*Rental rates reflect full service asking

^Prime grade is a combination of Premium and A Grade.

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
QV1, 250 St Georges Terrace	Statistical Division 1	AJ Gallagher	1,582	Direct
235 St Georges Terrace	Statistical Division 2	Alcoa	2,096	Direct
QV1, 250 St Georges Terrace	Statistical Division 2	Suncorp	1,380	Direct
QV1, 250 St Georges Terrace	Statistical Division 2	Dassault	378	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
132 Terrace Road	Statistical Division 2	-	212	\$1.3

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
98 Mounts Bay Road	Statistical Division 2	N/A	13,681	AAIG
186 St Georges Terrace	Statistical Division 3	N/A	3,920	Silverleaf
100 St Georges Terrace	Statistical Division 3	South32	6,200	ISPT
9 The Esplanade	Statistical Division 3	Ey Multiplex Hub, Argonaut Investments	33,500	Brookfield Properties/Cbus Property

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