

FIGURES | PERTH CBD OFFICE | Q2 2025

Large supply gap expected for the Perth CBD over the next five years



Note: Arrows indicate change from previous quarter.

Key Points

- 2Q25 enquiry volumes of c.73,000 sqm recorded, below the c.90,000 sqm recorded during the same quarter last year. The number of enquiries stood at 106 compared with 123 in 2Q24.
- Gross new leasing volumes during 2Q25 was largely inline with 2Q24 with c.15,000 sqm recorded across 13 transactions (new deals ≥ 500 sqm).
- Prime CBD net face rents increased to \$721/sqm (+4.2% y-o-y) and prime incentives have remained steady averaging 47%.
- Net absorption of -4,599 sqm recorded during 1H25, bringing the rolling 12-month net absorption to 20,587 sqm, which is largely in line with the 20-year annual average of c.20,000 sqm.
- Supply of Nine The Esplanade and its backfill space led to the total vacancy rate increasing to 17.0% from 15.1% at 2H24. Prime vacancy stands at 15.3% and secondary vacancy stands at 20.2%.
- The sale of 23 Barrack Street for \$5 million was the only transaction recorded (sales ≥ \$5 million), however, close to \$530 million of CBD office stock was actively marketed during 1H25.
- Prime grade midpoint yields increased by 6 bps q-o-q to an average of 7.4% while secondary grade midpoint yields remained stable q-o-q averaging 8.4%.

FIGURE 1: Summary of Key Indicators

Perth CBD	2Q25	1Q25	2Q24	Q-o-Q Change	Y-o-Y Change
Prime NFR	\$721/sqm	\$710/sqm	\$692/sqm	+1.5%	+4.2%
Incentives	47%	47%	47%	Stable	Stable
Prime NER	\$386/sqm	\$380/sqm	\$370/sqm	+1.5%	+4.2%
Prime Yields	7.40%	7.34%	7.27%	+6 bps	+13 bps

Source: CBRE Research

Economic Overview

WA's domestic economy seeing solid growth spurred by strong population growth

WA's economy as measured by Gross State Product (GSP) is estimated by Deloitte Access Economics to have grown modestly by 0.1% in FY25 (FY24 = 0.5% and FY23 = 3.7%), as a decrease in exports and softer commodity prices have weighed on international trade in the past two years. Economic growth in WA's domestic economy (which excludes international trade) has been more robust. Domestic economic growth as measured by state final demand (SFD) increased by 3.6% y-o-y in the March 2025 quarter, above the average 1.9% y-o-y growth recorded across the major states of NSW, VIC, QLD and SA. As of 2Q25 Deloitte Access Economics forecasts SFD to grow by 1.6% in FY26 and 3.1% in FY27. Continued growth in consumer spending and dwelling investment spurred by WA's fast-growing population are expected to support domestic economic growth.

FIGURE 2: State Final Demand Growth Y-o-Y March Quarter 2025 (seasonally adjusted)



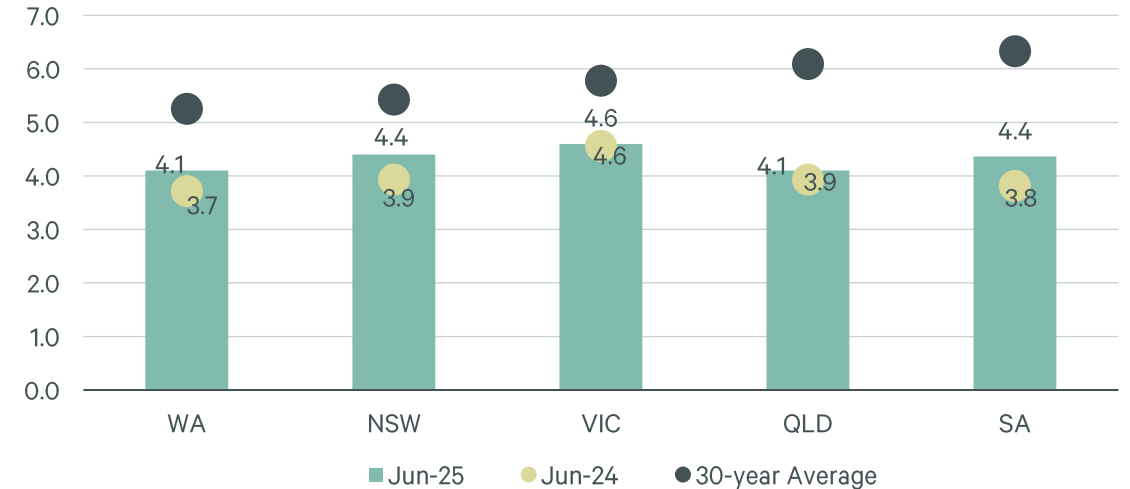
Source: ABS, CBRE Research

Business investment as measured by private capital expenditure remains robust, increasing by 8.7% y-o-y during the March 2025 quarter, totalling \$10.8 billion. Mining industry capital expenditure was up 7.5% y-o-y totalling \$7.6 billion in the March quarter. Private mining capital investment in WA has seen significant growth since reaching a trough around 2019. Private mining capital expenditure in the 12 months ending March 2025 has totalled \$32.4 billion, which is 88% higher than the \$17.3 billion recorded for the 12 months ending March 2019.

WA's jobs market remains historically strong

The WA labour market remains historically strong with the unemployment rate at 4.1% as at June 2025, below the national unemployment rate of 4.3% and the long-term average around 5.3%. Job vacancies have softened by 4.0% over the past year, with 40,400 availabilities as of May 2025 (42,000 at May 2024) but remains close to 30% above the 10-year average.

FIGURE 3: Unemployment Rate by State (seasonally adjusted)



Source: ABS, CBRE Research

WA population continues to grow at the fastest pace nationally

With a strong job market, WA is attracting international and interstate migration with the population growing at the fastest pace nationally. According to the latest data from the ABS, WA's population grew by 2.4% y-o-y in the December 2024 quarter, above the 1.7% growth recorded nationally. Over 2024 WA's population grew by c.70,000 persons with 64% of this coming from international migration, 18% from interstate migration and 18% from natural growth. Looking ahead, while the rate of population growth is forecast to moderate, it is expected to be a continued tailwind for Perth's economic growth and real estate demand over the long term. As of 2Q25 Deloitte Access Economics forecasts WA's population to grow by close to 16% cumulatively over the next decade (2025-2034).

Leasing Velocity

Strong suburban tenant relocations – expected to lift net absorption in the coming 6-12 months

During 2Q25 leasing volumes in the Perth CBD was largely inline with the same quarter last year with c.15,000 sqm recorded across 13 transactions (new deals ≥ 500 sqm). The rolling 12-month volume of new deals totals c.62,500, which is 14% below the 10-year annual average of c.72,500 sqm. There have been 49 new deals (≥ 500 sqm) recorded over the past 12 months, just above the 10-year annual average of 46 deals.

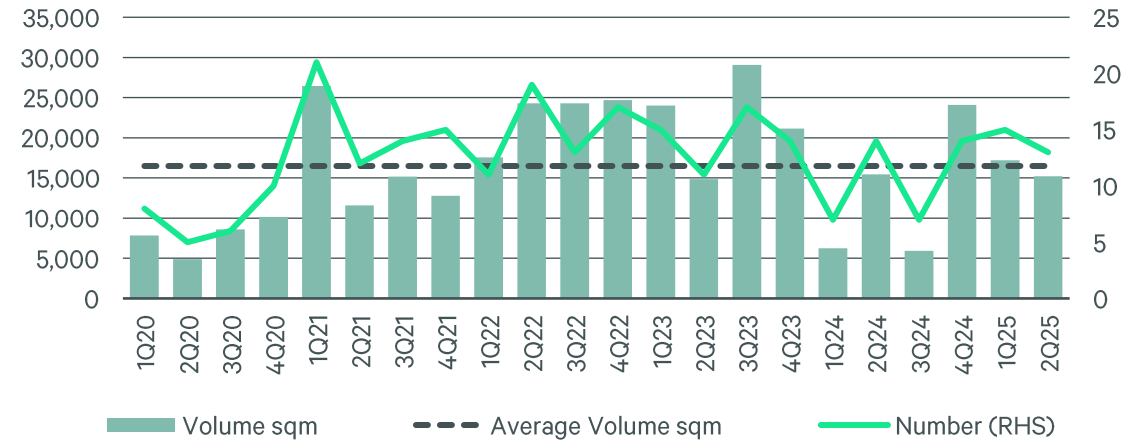
Enquiry volumes for 2Q25 was below the same period last year with c.73,000 sqm of enquiries received compared with c.90,000 sqm during 2Q24. The number of enquiries during the quarter was 106 compared with 123 recorded during 2Q24. Over the past 12 months there have been c.251,000 sqm of enquiries, 13% below the historic annual average of c.290,000 sqm.

Enquiry volumes and new lease transaction activity being below historic averages over the past 12 months, indicates that tenants in the Perth CBD have been more cautious than usual. This is due to a softer commodity price environment, more economic uncertainty as well as high construction/fit out costs which have resulted in tenants delaying decision making and renewing existing leases.

Leasing activity for deals ≥ 500 sqm during 2Q25 was mainly concentrated in the A and B grade part of the market with no new Premium grade deals recorded. A grade accounted for 47% of the c.15,000 sqm of new deals, A+ accounted for 7% and B grade accounted for 46% of leasing transactions. The B grade market has seen an increase in leasing transaction activity this quarter primarily due to suburban tenant relocations into the CBD.

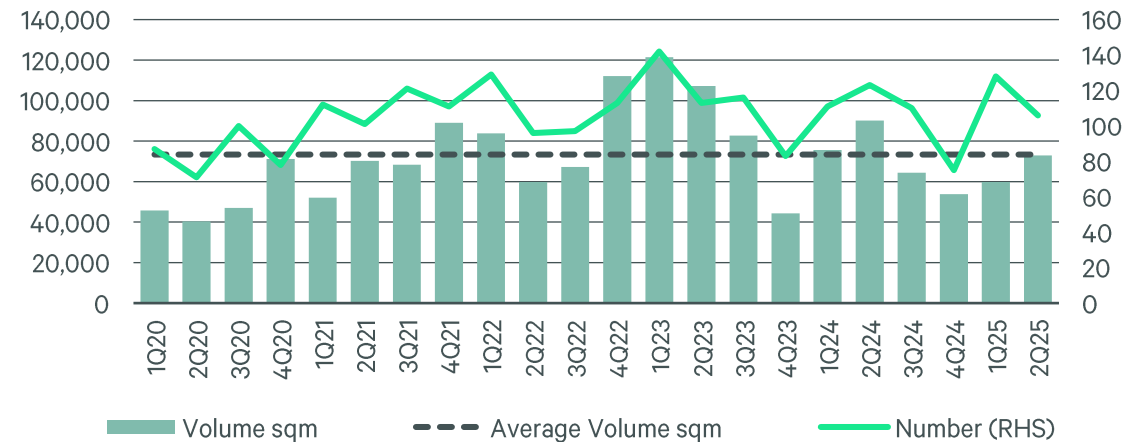
Suburban tenant relocations into the CBD has been noticeably strong recently, accounting for 54% of the total new deals recorded during 2Q25. This should lead to healthy net absorption over the coming year, as these tenants move towards physical occupancy in the CBD.

FIGURE 4: Perth CBD leasing volumes, 500+ sqm new deals



Source: CBRE Research

FIGURE 5: Perth CBD CBRE enquiry volumes



Source: CBRE Research

Net Absorption

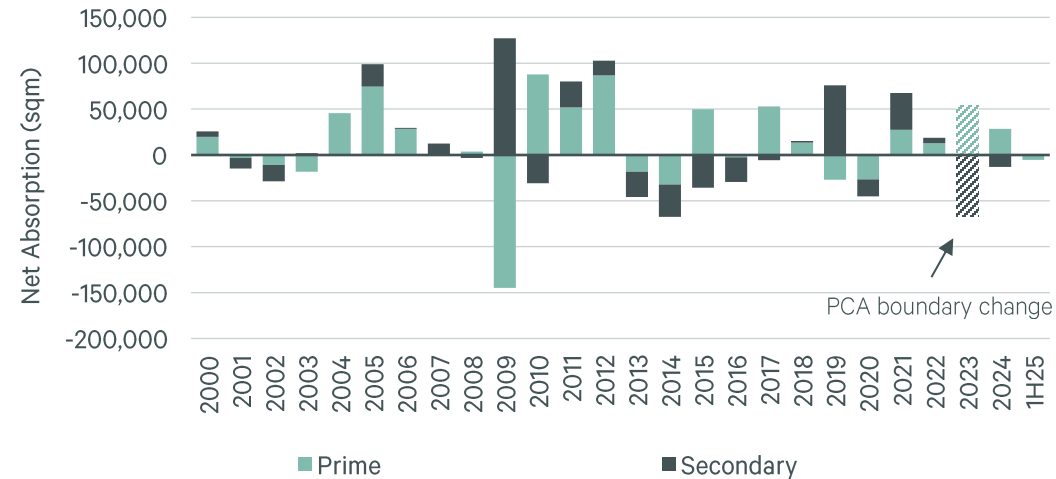
Prior year premium grade leases drive strong premium grade net absorption in 1H25

Net demand for 1H25 totalled -4,599 sqm, moderating from the 25,186 sqm recorded during 2H24 (which was driven Fortescue’s take-up of the c.22,000 sqm at 256 St Georges Terrace). This brings the 12-month net absorption to 20,587 sqm, which is largely in line with the 20-year annual average of c.20,000 sqm.

Breaking down demand by grade, premium was the strongest, recording net absorption of 23,084 sqm for 1H25, with the leasing completed in the prior year at the newly completed Nine The Esplanade development contributing to the strong demand. This is well above the premium grade 20-year six-month average net absorption of c.5,000 sqm.

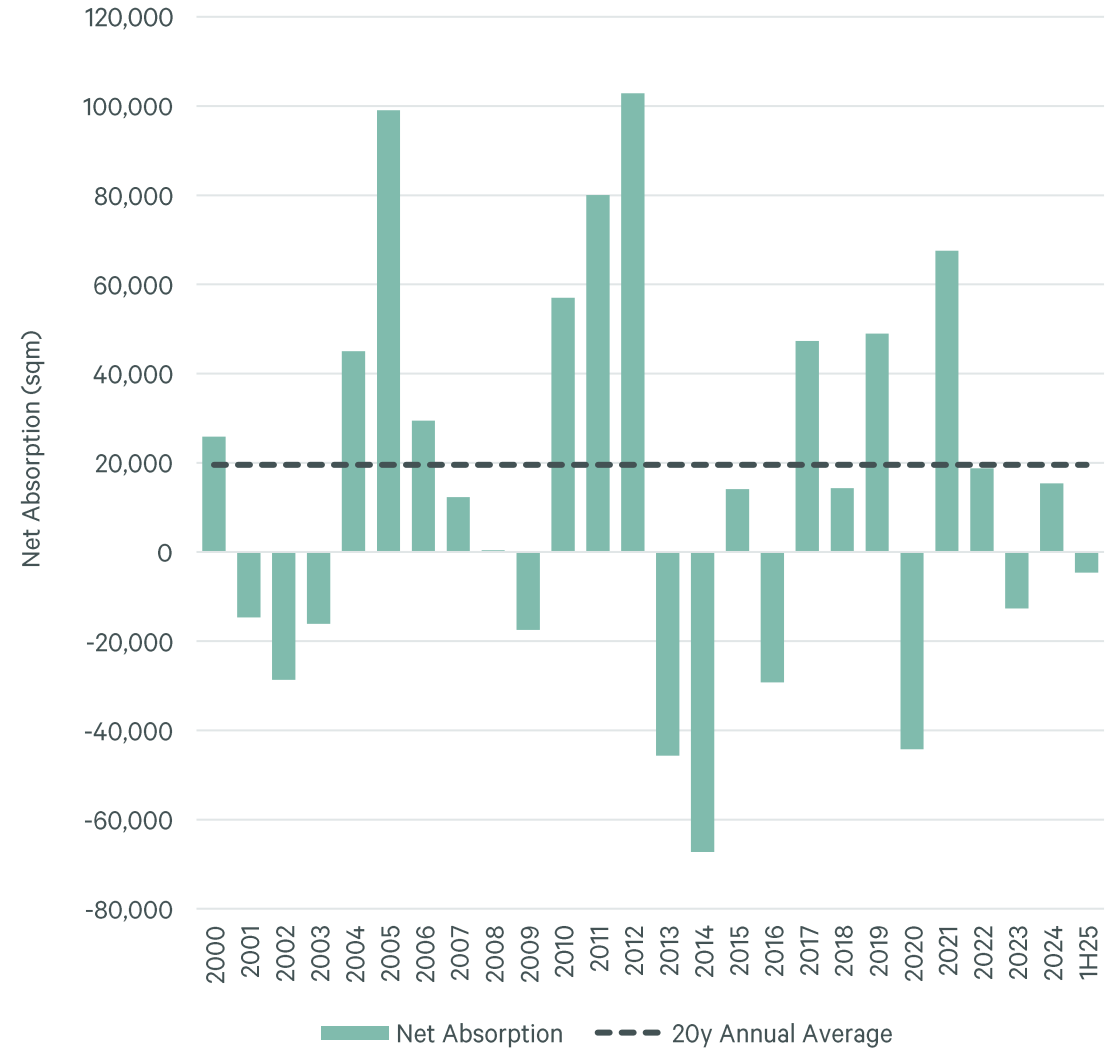
Net absorption for grade A totalled -28,517 sqm, with the take-up of space from tenants moving to Nine The Esplanade from grade A buildings contributing to the softer net absorption. For the secondary grade market net absorption was just positive totalling 834 sqm for 1H25.

FIGURE 6: Perth CBD Historical Prime vs Secondary Net Absorption



Source: Property Council of Australia, CBRE Research

FIGURE 7: Perth CBD Historical Net Absorption



Source: Property Council of Australia, CBRE Research

Supply

Nine The Esplanade development drives 1H25 supply

Total supply added to the market during 1H25 was 35,711 sqm, of which majority (33,554 sqm) relates to Nine The Esplanade, reaching practical completion in May 2025. Also contributing to the supply for 1H25 was 1,439 sqm from the fully refurbished space at 8 The Esplanade, in addition to 718 sqm from other supply. There were no stock withdrawals recorded for 1H25. This brings the rolling 12-month total net supply to 56,999 sqm which is significantly above the 20-year annual average net supply of c.24,000 sqm.

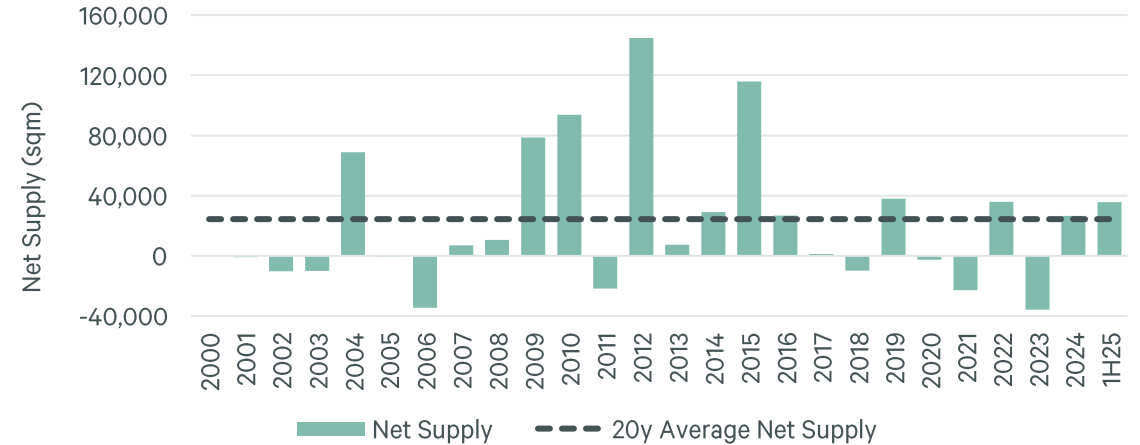
The supply added during 1H25 was primarily for the prime grade part of the market (34,272 sqm) which has pushed up the prime grade vacancy rate.

Net supply for the secondary grade market was relatively low totalling 1,439 sqm (8 The Esplanade), leaving the secondary grade vacancy stable for 1H25.

Large supply gap expected in the Perth CBD

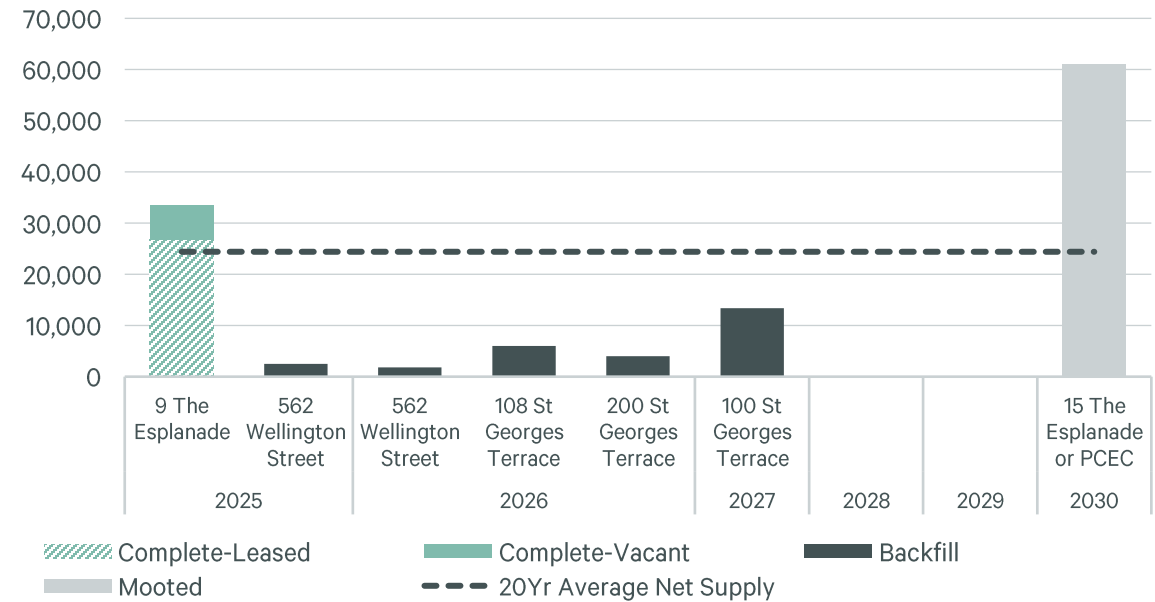
With Nine the Esplanade reaching completion during 1H25, the Perth CBD is expected to see a major supply gap over the next five years with no new developments expected until 2030. Due to the high construction cost environment and wide gap in market vs economic rents, no new developments are currently committed to. A pre-commitment by Rio Tinto at 15 The Esplanade or Perth Convention and Exhibition Centre re-development is the most likely project with total estimated office space of c.60,000 sqm. This project combined with the upcoming major backfill spaces totals close to 5% of the current stock level.

Figure 8: Perth CBD Historic Net Annual Supply



Source: Property Council of Australia, CBRE Research

FIGURE 9: Perth CBD Supply - Recent Completion and Pipeline



Source: CBRE Research

To note: new developments/refurbishments > 4,000 sqm and backfill supply > 4,000 sqm. Mooted developments only include those that at the time are mostly likely to proceed.

Market Vacancy

Vacancy rises due to elevated supply in 1H25

The market vacancy rate in the Perth CBD increased by 190 bps during 1H25 to 17.0% (from 15.1% in 2H24). This was driven by the elevated supply of 35,711 sqm and net absorption being soft at -4,599 sqm for 1H25. Majority of supply was due to completion of Nine The Esplanade.

Notwithstanding the premium grade net absorption being strong at 23,084 sqm for 1H25, this was outweighed by 33,554 sqm of supply, which led to the premium grade vacancy increasing to 10.8%, up from 9.4% last half.

A grade vacancy increased by 425 bps to 18.5% at 1H25 (up from 14.2% at 2H24). Net supply for the A grade market was muted at just 718 sqm however, the soft net absorption of -28,515 sqm resulted in the vacancy increase.

For the secondary grade market, given the minor movement in net absorption (+834 sqm) and muted supply 1,439 sqm, the vacancy rate remained stable at 20.2%.

Perth sublease space decreases slightly during 2Q25

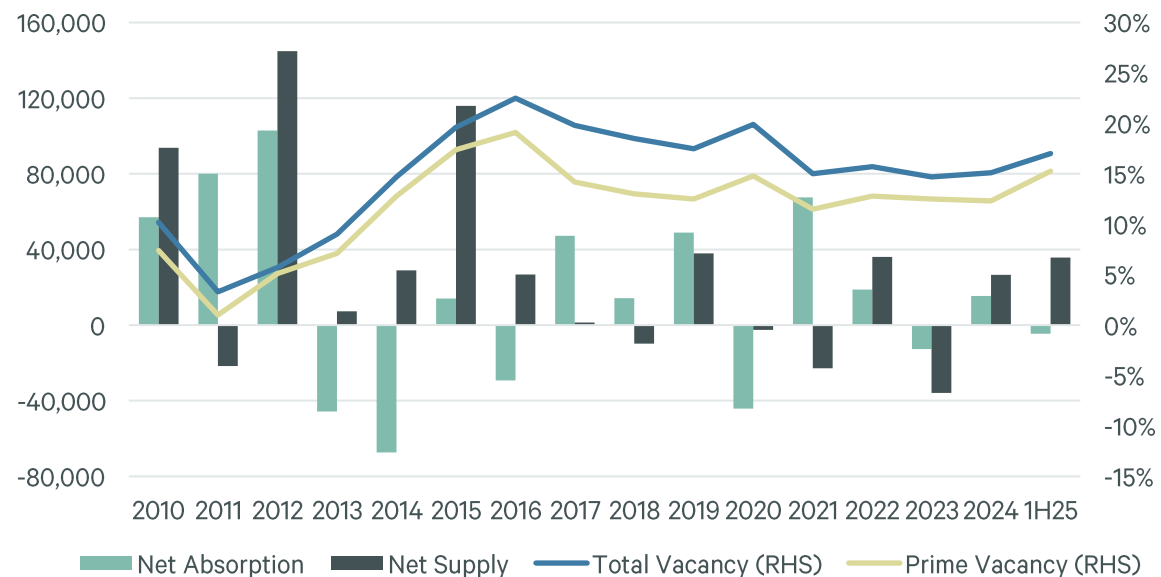
CBRE’s 2Q25 sublease barometer showed sublease availability in the Perth CBD decreasing slightly during 2Q25 to c.26,000 sqm, down from c.26,800 sqm in 1Q25. About half of available sublease space could be attributed to just two major occupiers. Chevron had c.7,400 sqm available at One The Esplanade and VGW had c.5,700 sqm available at 15 William Street. The sublease vacancy rate as of 2Q25 was just 1.4%.

FIGURE 10: Summary of Perth CBD Office Market

Market/Grade	Stock (sqm)	Net Absorption 6 months (sqm)	Net Absorption 12 months (sqm)	Net Supply/ (Withdrawal) 6 months (sqm)	Net Supply/ (Withdrawal) 12 months (sqm)	Vacancy % Jul 25	Vacancy % Jan 25
Prime	1,185,170	-5,433	26,391	34,272	56,999	15.3%	12.3%
Secondary	647,994	-834	-5,804	1,439	0	20.2%	20.2%
Total	1,833,164	-4,599	20,587	35,711	56,999	17.0%	15.1%

Source: Property Council of Australia, CBRE Research

FIGURE 11: Perth CBD Office Market Balance



Source: Property Council of Australia, CBRE Research

Rental Performance

Tightening supply and high construction costs expected to drive rent growth

Face rents in the Perth CBD market continued to increase during 2Q25. Average prime grade net face rents increased to \$721/sqm, up 1.5% q-o-q and up 4.2% y-o-y. B grade net face rents also witnessed a solid increase to an average of \$488/sqm, up 1.8% q-o-q and up 5.9% y-o-y. CBD B grade rent growth has been strong recently driven by strong leasing transaction activity in this part of the market due to occupier relocations from the suburban markets, which have low availability of good quality stock.

Within prime assets grade A grade buildings have seen the largest increase in net face rents over the quarter and the past year increasing by 2.3% q-o-q and 6.2% y-o-y. This has been driven by healthy transaction activity in A grade assets and strong demand for fitted spaces in the current high fit out cost environment, placing upward pressure on net face rents as these spaces attract rental premiums. Additionally, some changes in the sample basket of A grade assets compared to the prior year contributed to stronger y-o-y comparison.

The A+ grade assets in the Perth CBD have also been performing well with tighter vacancy in these buildings resulting in net face rent growth of 4.1% y-o-y to an average of \$715/sqm. Premium grade net face rents increased by 2.8% y-o-y with comparatively higher vacancy in this part of the market than the A+ grade assets and a softer level of premium grade leasing activity in 2025 weighing on the premium grade rental growth.

Average incentive levels during 2Q25 remained stable q-o-q across all grades. Premium and A+ grade incentives currently average 45%, A grade incentives are at 50% and B grade incentives average 52% as at 2Q25.

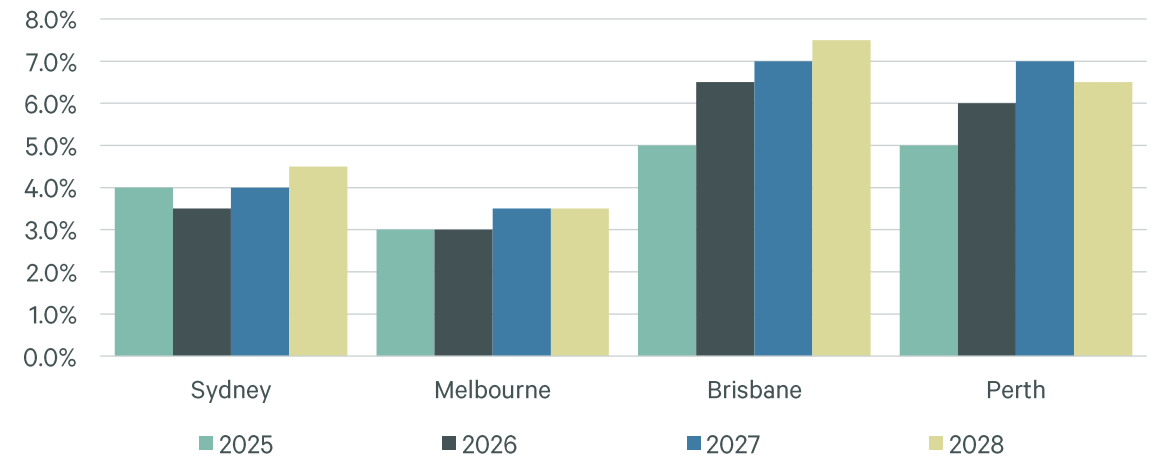
The Perth CBD office market has a strong rental growth outlook given the significant gap that already exists between market rents and economic rents, with forecast construction cost escalation rates over the next few years also forecast to be well above historic rates. Perth's construction costs are forecast to continue increasing at 5%+ annually over the next few years (figure 13), given the strong pipeline of work from investment in defence, health, transport, utilities, housing and tight trade labour conditions in Perth. This is compounded by the tightening office supply outlook over the coming years which is expected to lead to tightening vacancy.

FIGURE 12: Perth CBD Rent and Incentives by Grade

Perth CBD	Net Face Rent (AUD/sqm)			Incentive (%)			Net Effective Rent (AUD/sqm)		
	2Q25	Q-o-Q Change	Y-o-Y Change	2Q25	Q-o-Q Change	Y-o-Y Change	2Q25	Q-o-Q Change	Y-o-Y Change
Premium	788	+1.7%	+2.8%	45%	Stable	Stable	433	+1.7%	+2.8%
A+ Grade	715	+0.8%	+4.1%	45%	Stable	Stable	393	+0.8%	+4.1%
A Grade	660	+2.3%	+6.2%	50%	Stable	Stable	330	+2.3%	+6.2%
Average Prime Grade	721	+1.5%	+4.2%	47%	Stable	Stable	386	+1.5%	+4.2%
B Grade	488	+1.8%	+5.9%	52%	Stable	Stable	234	+1.8%	+5.9%

Source: CBRE Research

FIGURE 13: Forecast Construction Cost Escalation by City



Source: CBRE Research, Turner & Townsend Q2 2025

Investment Market

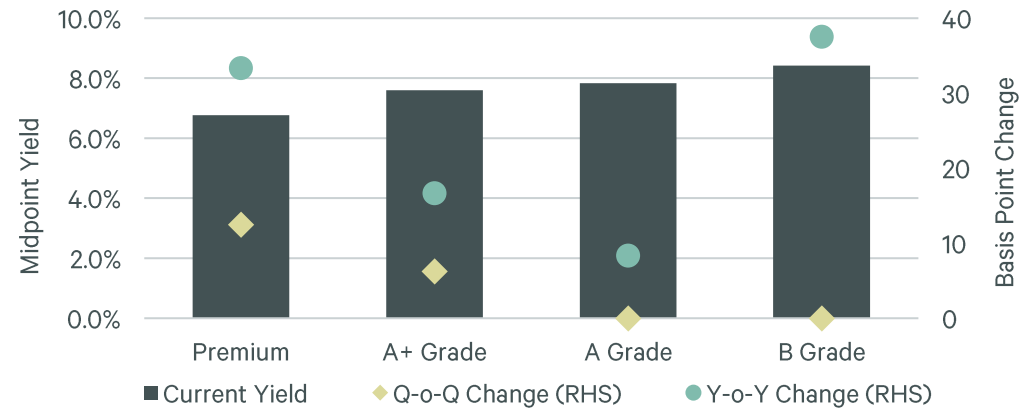
Flurry of CBD office assets hit the market during 1H25

Investment transaction activity in the Perth CBD office market has remained muted through 1H25 with one minor sale recorded (sales \geq than AUD 5 million). Fife capital has acquired 23 Barrack St for \$5 million on a vacant possession basis.

Notwithstanding the limited investment transaction completions, there has been a flurry of Perth CBD office assets that have come to market, now in various stages. Close to \$530 million of CBD office assets have been actively marketed through 1H25, which is expected to lead to some transactions during the second half of the year. 50 basis points of interest rate cuts by the RBA during 1H25 with further easing expected in the second half is also expected to drive activity.

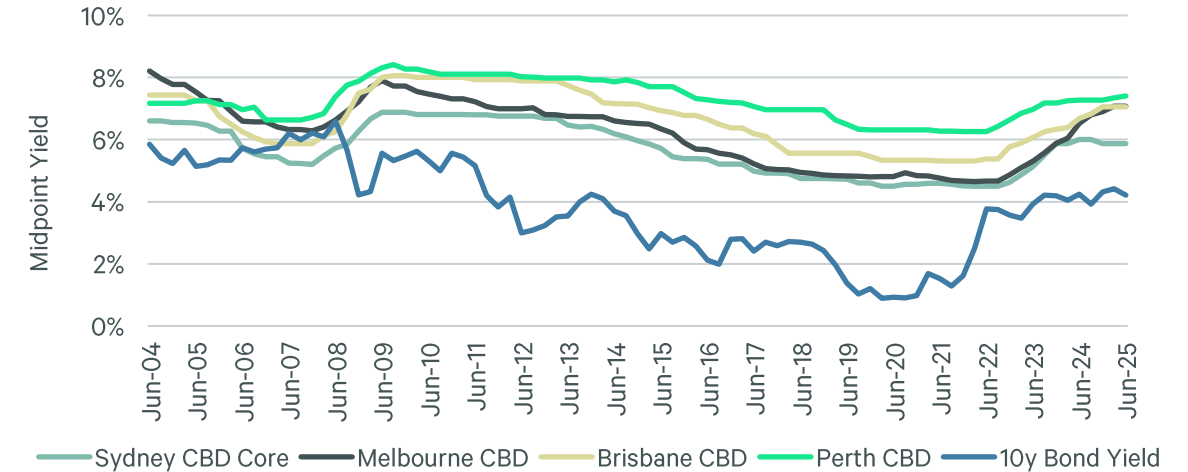
During 2Q25 Perth CBD prime office midpoint yields increased marginally by 6 bps q-o-q to 7.4% while B grade CBD midpoint yields were stable q-o-q at 8.4%. Over the past 12 months prime office midpoint yields have increased by 13 bps while B grade midpoint yields have increased by 37 bps. The sale of 66 St Georges Terrace in 4Q24 (c.8.2%) is the most recent major CBD transaction.

FIGURE 14: Perth CBD Office Yields By Grade and Change



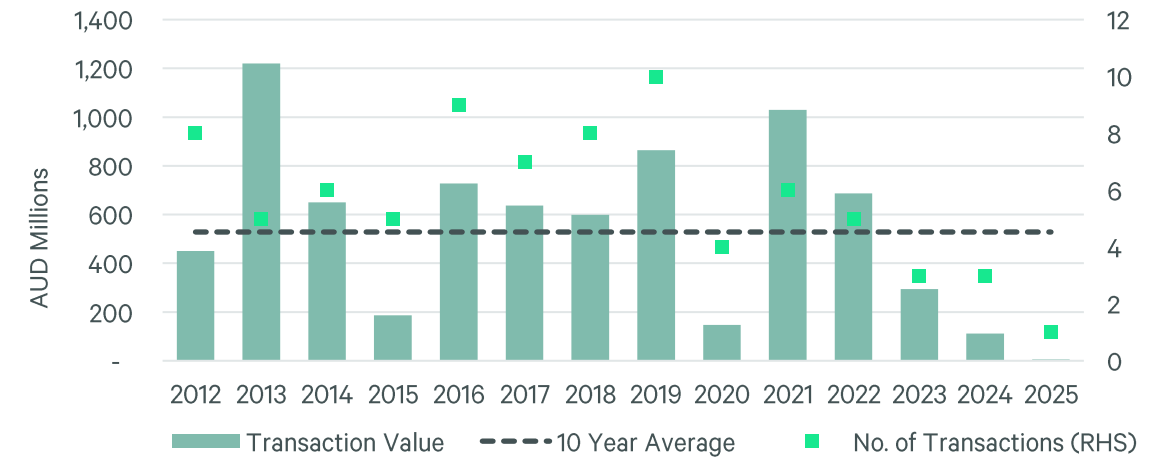
Source: CBRE Research

FIGURE 15: Australian CBD Markets Prime Yield



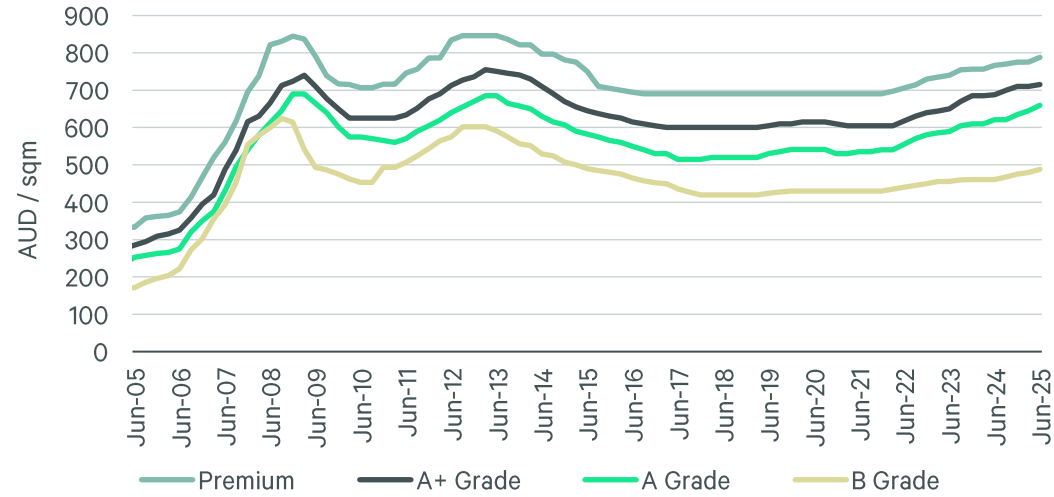
Source: CBRE Research

FIGURE 16: Perth CBD Office Sales (\geq AUD 5 million)



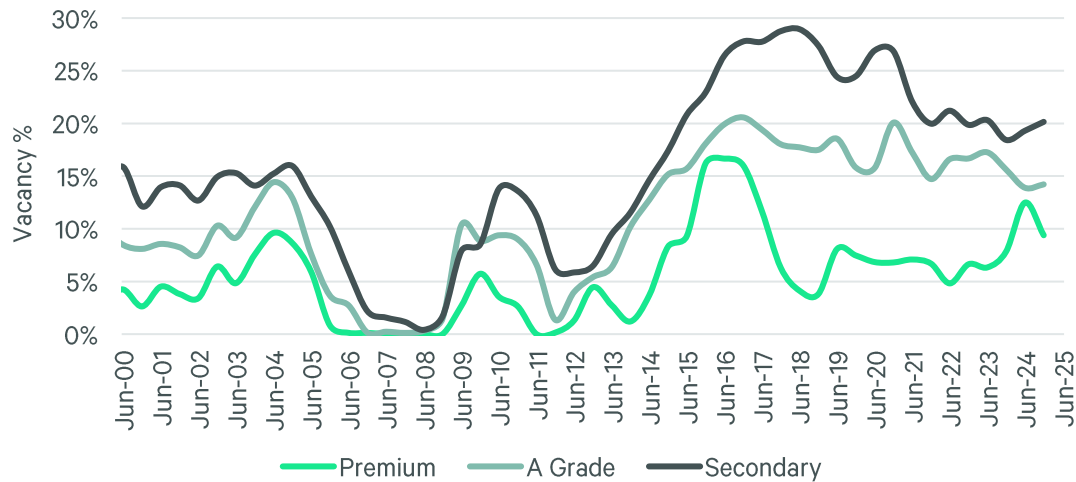
Source: CBRE Research

FIGURE 17: Perth CBD Net Face Rents By Grade



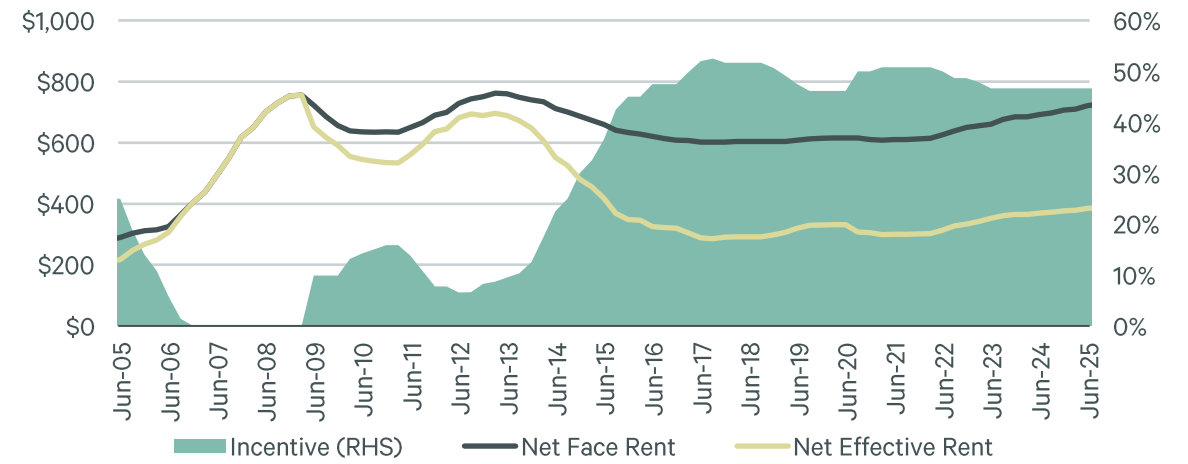
Source: CBRE Research

FIGURE 18: Perth CBD Vacancy Rate By Grade



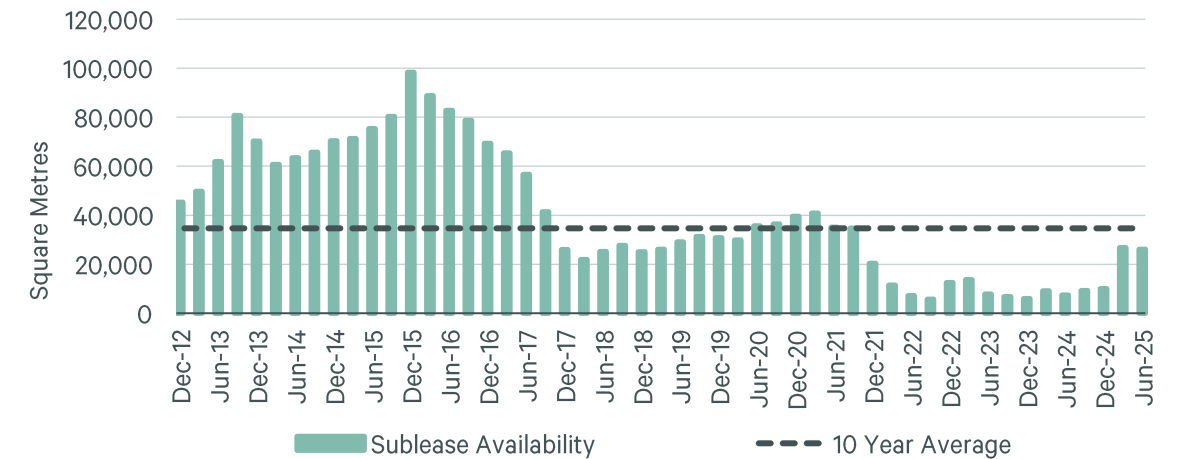
Source: Property Council of Australia, CBRE Research

FIGURE 19: Perth CBD Prime Rents and Incentive



Source: CBRE Research

FIGURE 20: Perth CBD Sublease Availability



Source: CBRE Research

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