Tightening vacancy outlook as supply gap hits the Perth CBD office market

▼ -4,599 sqm
1H25 Net Absorption (25,186 sqm 2H24)

▲ 35,711 sqm
1H25 Net Supply (21,288 sqm 2H24)

▲ 17.0%
Vacancy Rate (15.1% 2H24)

▲ $726/sqm
Prime NFR (+4.2% y-o-y)

Note: Arrows indicate change from previous quarter.

Key Points

- Strong enquiry volume was recorded in 3Q25 totalling c.89,000 sqm, 38% higher than the same period last year. The number of enquiries during the quarter totalled 140, up 26% y-o-y.
- Gross new leasing volumes of c.14,500 sqm recorded during 3Q25, largely in-line with last quarter and above the low volume of c.6,000 sqm in 3Q24 (new deals ≥ 500 sqm).
- Prime CBD average net face rents increased by 0.7% q-o-q and 4.2% y-o-y to $726/sqm. Prime incentives have remained steady q-o-q averaging 47%.
- Net absorption of -4,599 sqm recorded for 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.
- The vacancy rate increased to 17.0% in 1H25, up from 15.1% in 2H24. Vacancy created from completion of Nine the Esplanade and the -4,599 sqm of net absorption led to higher vacancy.
- Prime vacancy stands at 15.3% (2H24 12.3%) and secondary vacancy stands at 20.2% (2H24 20.3%).
- The Public Transport Authority of WA's purchase of 34-50 Stirling Street from Elanor Investors for $27.5 million was the only transaction recorded in 3Q25 (sales ≥ $5 million).
- Prime grade midpoint yields increased by 8 bps q-o-q to an average of 7.7%.

FIGURE 1: Summary of Key Indicators

Perth CBD	3Q25	2Q25	3Q24	Q-o-Q Change	Y-o-Y Change
Prime NFR	$726/sqm	$721/sqm	$697/sqm	+0.7%	+4.2%
Incentives	47%	47%	47%	Stable	Stable
Prime NER	$388/sqm	$386/sqm	$373/sqm	+0.7%	+4.1%
Prime Yields	7.7%	7.6%	7.3%	+8 bps	+40 bps

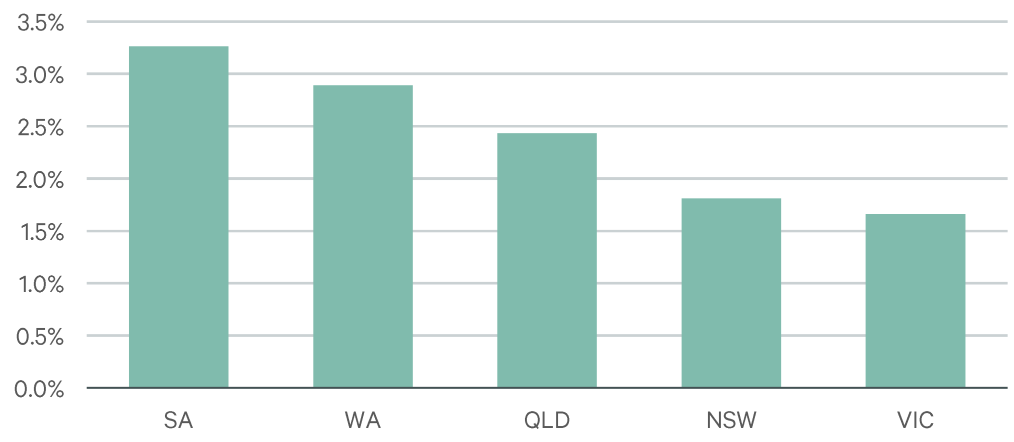
Source: CBRE Research

Economic Overview

WA's domestic economy seeing solid growth

WA's economy as measured by Gross State Product (GSP) is estimated by Deloitte Access Economics to have grown modestly by 0.2% in FY25 (FY24 = 0.5% and FY23 = 3.7%), as a decrease in exports due to poor weather and softer commodity prices have weighed on international trade. Economic growth in WA's domestic economy (excluding international trade) has been more robust. Domestic economic growth as measured by state final demand (SFD) increased by 2.9% y-o-y in the June 2025 quarter, above the average 2.3% y-o-y growth recorded across the major states of NSW, VIC, QLD and SA. As of 3Q25 Deloitte Access Economics forecasts SFD to grow by 2.2% in FY26 and 2.8% in FY27. Continued growth in consumer consumption, dwelling investment and business investment spurred by WA's fast-growing population are expected to support domestic economic growth.

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



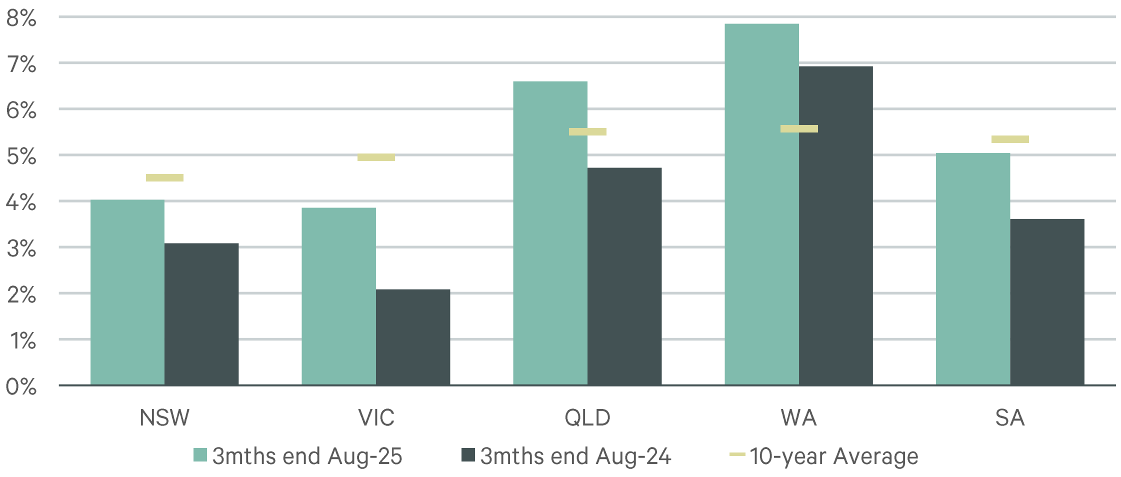
Source: ABS, CBRE Research

Business investment as measured by private capital expenditure increased 8.8% y-o-y in the June 2025 quarter, totalling $12.7 billion. Mining industry capital expenditure which accounted for close to 70% of the total private capex saw growth of 6.9% y-o-y in the June 2025 quarter, totalling $8.7 billion. 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 June 2025 has totalled $33 billion, which is 94% higher than the 12 months ending June 2019.

Low unemployment and robust population growth spurring WA household spending

Labour markets across Australia remain strong relative to historic levels. In WA, the unemployment rate in August stood at just 3.8% (August 2024 = 3.9%), which is the lowest unemployment rate across the major states. This coupled with ongoing robust population growth is supporting consumer spending which is growing at the fastest rate in the country. WA household spending increased by 7.8% y-o-y in the three months ending August 2025, well above the national growth of 5.1% y-o-y over the same period.

FIGURE 3: Household Spending Y-o-Y Growth 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 2.3% y-o-y in the March 2025 quarter, above the 1.6% growth recorded nationally. Over the 12 months ending March 2025 WA's population grew by c.67,500 persons with 61% (c.41,400) coming from international migration, 17% (c.11,700) from interstate migration and 21% (c.14,500) from natural growth.

Leasing Velocity

Strong suburban tenant relocations in 2025 – expected to lift net absorption

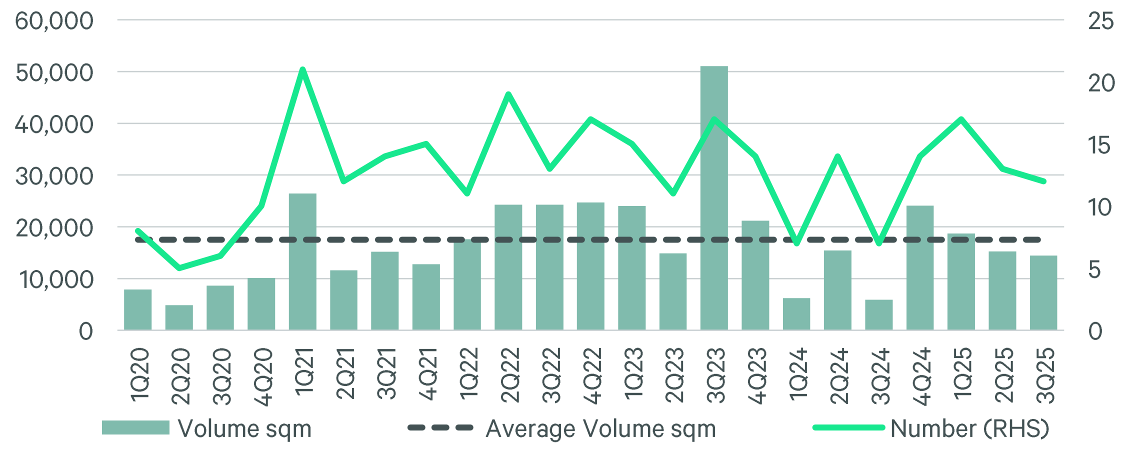
During 3Q25 c.14,500 sqm of gross leasing volumes were recorded in the Perth CBD (new deals ≥ 500 sqm), largely in-line with the c.15,000 sqm recorded in the prior quarter and well above the low volume of c.6,000 sqm recorded in 3Q24. The rolling 12-month volume of new deals totals c.72,500 sqm, in-line with the 10-year annual average. There have been 42 new deals (≥ 500 sqm) recorded over the past 12 months, just below the 10-year annual average of 46 deals.

Strong enquiry volume was recorded in 3Q25 totalling c.89,000 sqm, 38% higher than the same period last year. The number of enquiries during the quarter totalled 140, up 26% y-o-y. Over the past 12 months there have been c.275,500 sqm of enquiries, 5% below the historic annual average of c.290,000 sqm.

In 2025 year to date, leasing activity has been largely been concentrated in the A grade and secondary grade part of the market accounting for 38% and 43% of the total transactions, respectively. Premium grade and A+ grade have each accounted for 10% of the transactions. A more cautious tenant environment coupled with strong suburban tenant relocations into B grade CBD assets have contributed to this.

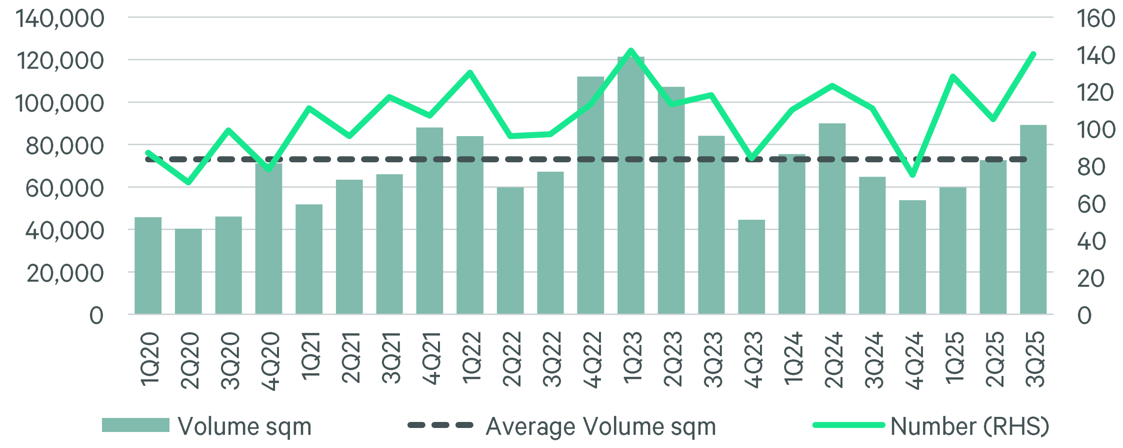
Suburban tenant relocations have accounted for 29% of the total transactions and 21% of leasing volume (sqm) in 2025. This amounts to c.10,500 sqm of office space leased and should contribute to improved net absorption as these tenants move towards physical occupancy in the CBD.

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 lease activity drives strong premium grade net absorption

Net absorption 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.

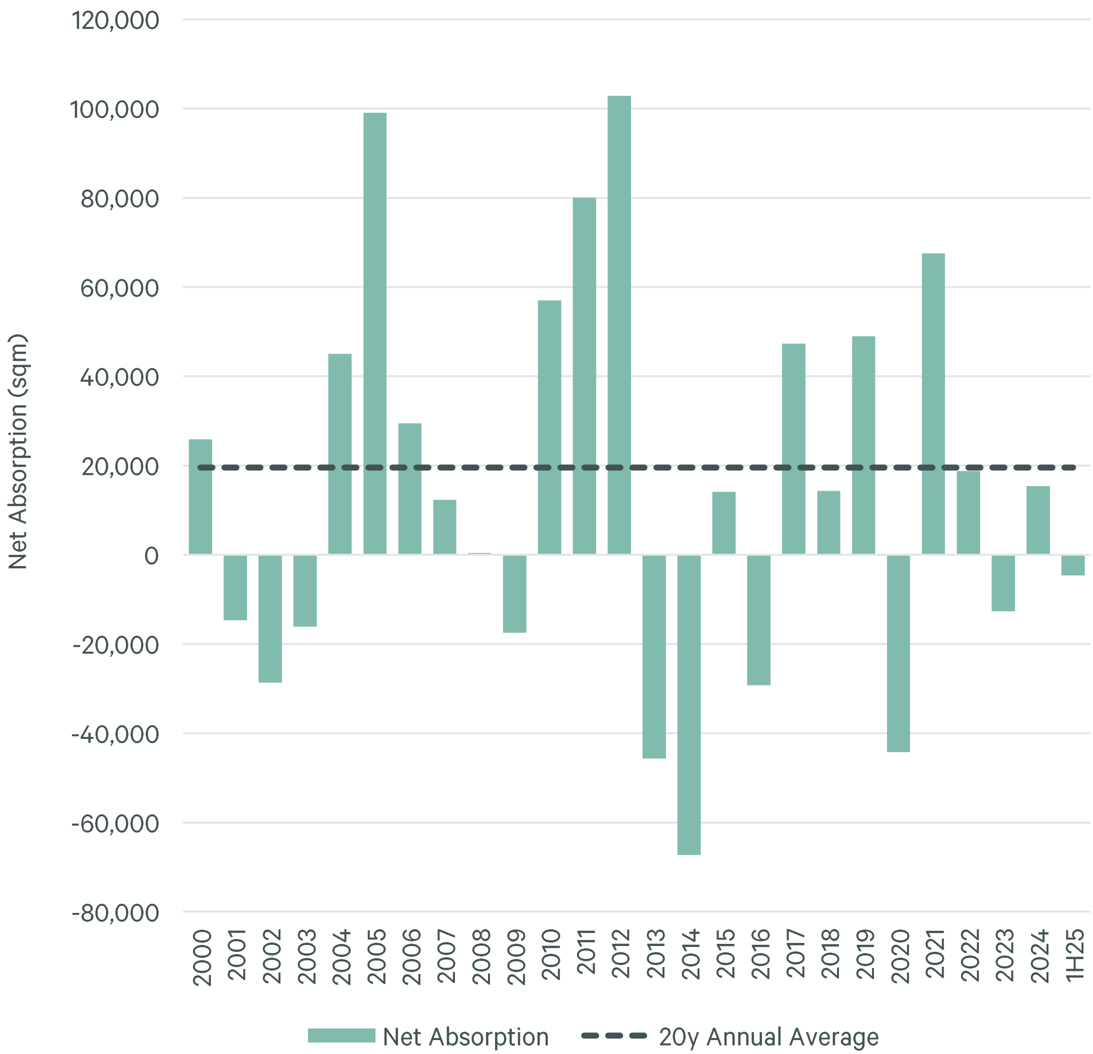
Premium grade net absorption was the strongest at 23,084 sqm for 1H25, with the leasing completed in the prior year at the newly completed Nine The Esplanade development contributing to the strong demand. This is well above the premium grade 20-year six-month average net absorption of c.5,000 sqm.

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) related 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. Including the 256 St Georges Terrace refurbishment in 2H24 (c.23,000 sqm) - this brings the rolling 12-month total net supply to 56,999 sqm, 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.

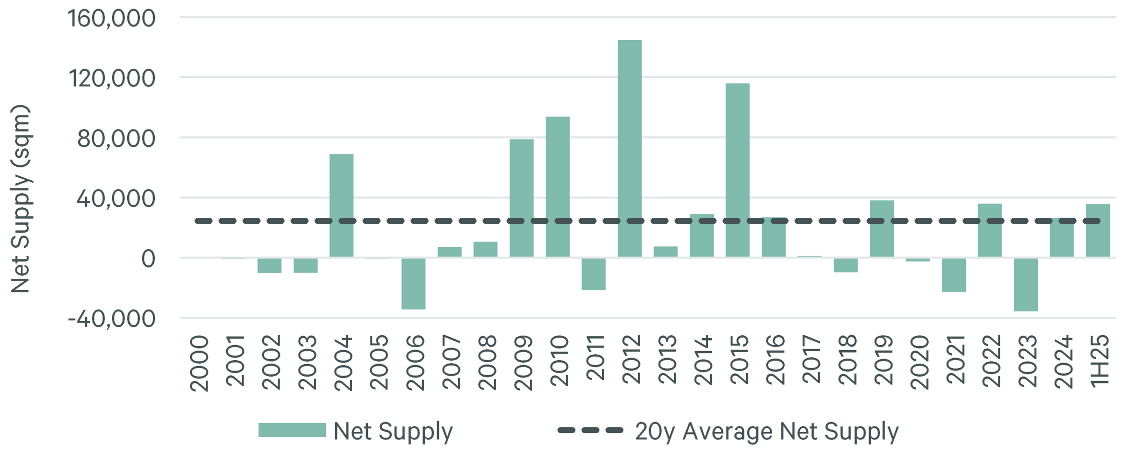
Net supply for the secondary grade market was relatively low totalling 1,439 sqm (8 The Esplanade), leaving the secondary grade vacancy stable for 1H25.

Large supply gap expected in the Perth CBD

The Perth CBD is expected to see a major supply gap over the coming years with no new developments expected until 2030+. Over the past 20 years the Perth CBD has averaged new development supply of c.32,000 per annum. Due to the high construction cost environment and wide gap in market vs economic rents, no new developments are currently committed to. With the focus on the re-development of the Perth Convention and Exhibition Centre, this is likely to be next major Perth CBD office development and is expected to be underpinned by a pre-commitment from Rio Tinto.

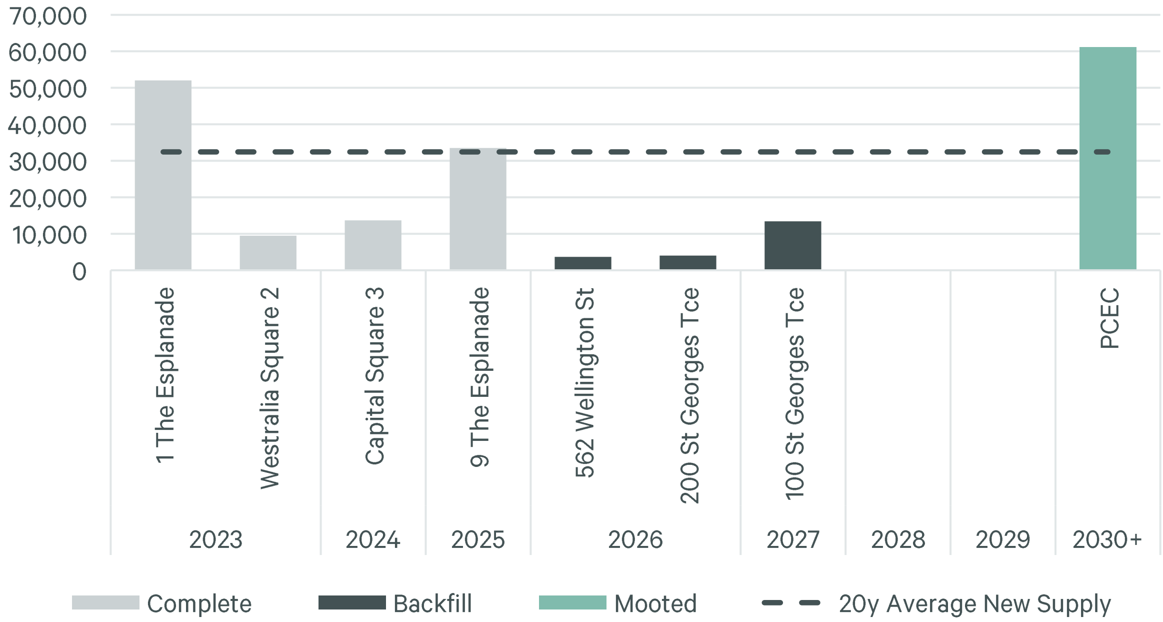
The major backfill space supply includes Inpex's current space at 100 St Georges Terrace (c.13,000 sqm). This is not expected to have a major impact on the market vacancy rate as the Jul-25 PCA update included this space as vacant (due to their commitment at 9 The Esplanade).

Figure 8: Perth CBD Historic Net Annual Supply



Source: Property Council of Australia, CBRE Research

FIGURE 9: New Supply Completions and Pipeline



Source: CBRE Research
To note: Mooted developments only include those that at the time are mostly likely to proceed.

Market Vacancy

New supply drives up vacancy 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 in 3Q25

CBRE's sublease barometer shows sublease availability in the Perth CBD decreasing to c.20,500 sqm at 3Q25, down from c.26,000 sqm available in the prior quarter. Leasing activity has primarily resulted in the q-o-q reduction in total sublease space available. Chevron has c.7,400 sqm available at One The Esplanade which accounts for over the a third of the available sublease space.

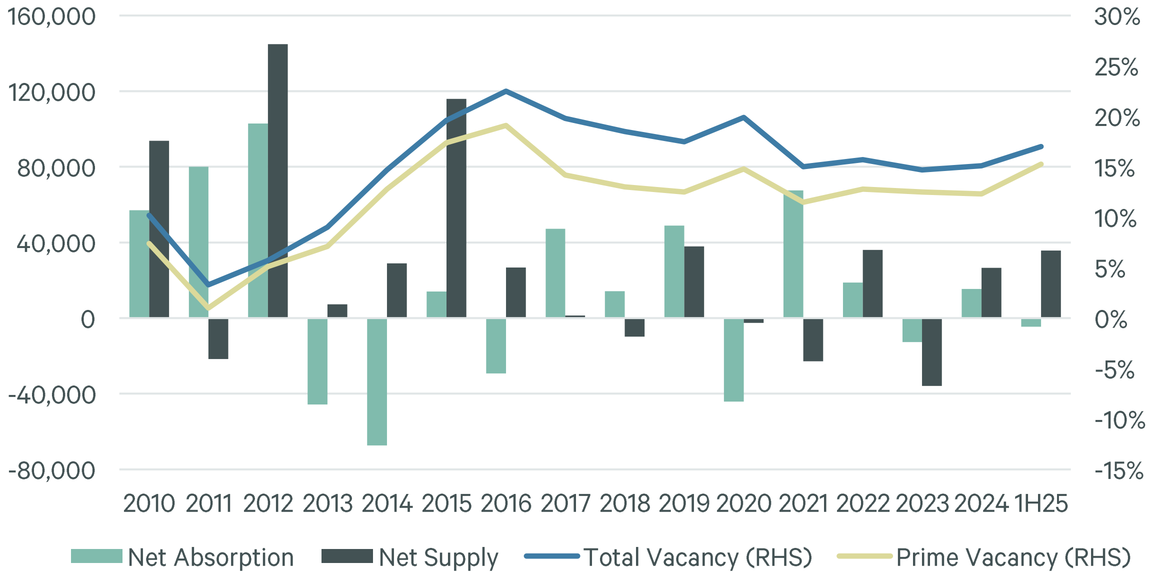
The sublease vacancy rate as of 3Q25 sits at just 1.1%, indicative of a healthy leasing market.

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

Average prime grade net face rents increased by 0.7% q-o-q and 4.2% y-o-y to $726/sqm. B grade net face rents also witnessed a solid increase of 1.3% q-o-q and 5.7% y-o-y to an average of $494/sqm. 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, the premium part of the market saw rents remain stable during 3Q25, mainly due to limited recent leasing activity. Premium grade net face rents currently average $788/sqm (+2.3% y-o-y). The A+ grade assets also saw solid rent growth as vacancy remains tight in this part of the market. A+ grade average net face rents increased by 1.3% q-o-q and 3.5% y-o-y and now sit at $725/sqm. The A grade buildings saw average net face rents increase by +1.0% q-o-q to $666/sqm. A grade assets have seen the largest increase in net face rents over the past year, increasing by 7.2% y-o-y driven by healthy transaction activity. The more uncertain economic environment over the past year has resulted in cost conscious tenants seeking more value, which has seen a high proportion of transactions occurring in the A grade part of the market and consequently a decrease in premium grade transactions. Strong tenant demand for fitted spaces in the current high fit out cost environment has also placed upward pressure in rents. Additionally, some changes in the sample basket of A grade assets compared to the prior year have contributed to a stronger y-o-y comparison.

Average incentive levels remained stable q-o-q across all grades in 3Q25. Premium and A+ grade incentives currently average 45%, A grade incentives are at 50% and B grade incentives average 52%.

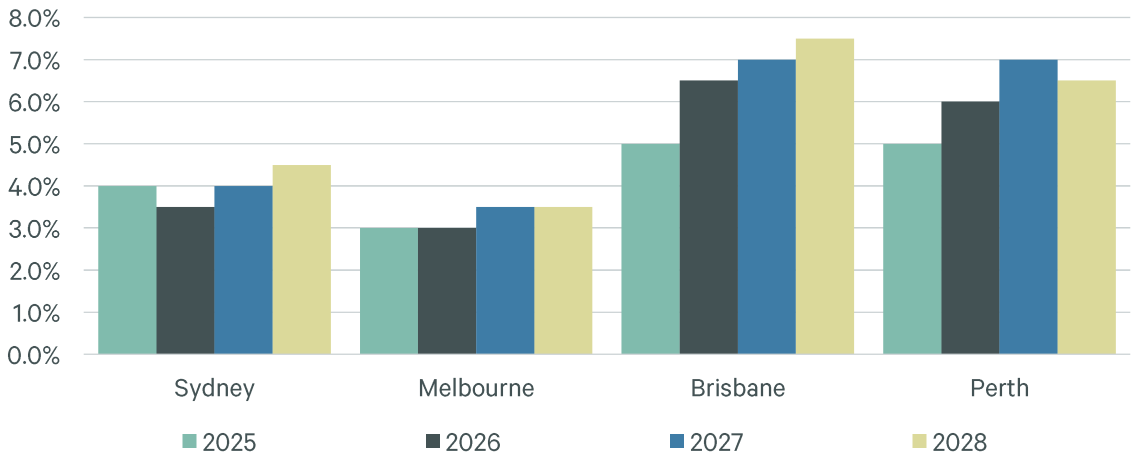
The Perth CBD office market has a strong rental growth outlook given the significant gap that already exists between market rents and economic rents, with construction cost escalation rates over the next few years also forecast to be well above historic rates. Perth's construction costs are forecast 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)		
	3Q25	Q-o-Q Change	Y-o-Y Change	3Q25	Q-o-Q Change	Y-o-Y Change	3Q25	Q-o-Q Change	Y-o-Y Change
Premium	788	stable	+2.3%	45%	stable	stable	433	stable	+2.3%
A+ Grade	725	+1.3%	+3.5%	45%	stable	stable	399	+1.3%	+3.5%
A Grade	666	+1.0%	+7.2%	50%	stable	stable	333	+1.0%	+7.2%
Average Prime Grade	**726**	**+0.7%**	**+4.2%**	**47%**	**stable**	**stable**	**388**	**+0.7%**	**+4.1%**
B Grade	494	+1.3%	+5.7%	52%	stable	stable	237	+1.3%	+5.7%

Source: CBRE Research

FIGURE 13: Forecast Construction Cost Escalation by City



Source: CBRE Research, Turner & Townsend Q2 2025

Investment Market

Perth CBD yields continue to increase

Investment transaction activity in the Perth CBD office market remained muted in 3Q25 with one minor sale recorded (transactions ≥ than AUD 5 million). The Public Transport Authority acquired 34-50 Stirling Street from Elanor Investors for $27.5m in 3Q25. This follows Fife Capital's acquisition of 23 Barrack St for $5 million on a vacant possession basis in the prior quarter. Notwithstanding the lack of transaction completions year to date, there has been a flurry of Perth CBD office assets hitting the market this year, with further transaction activity expected over the final quarter.

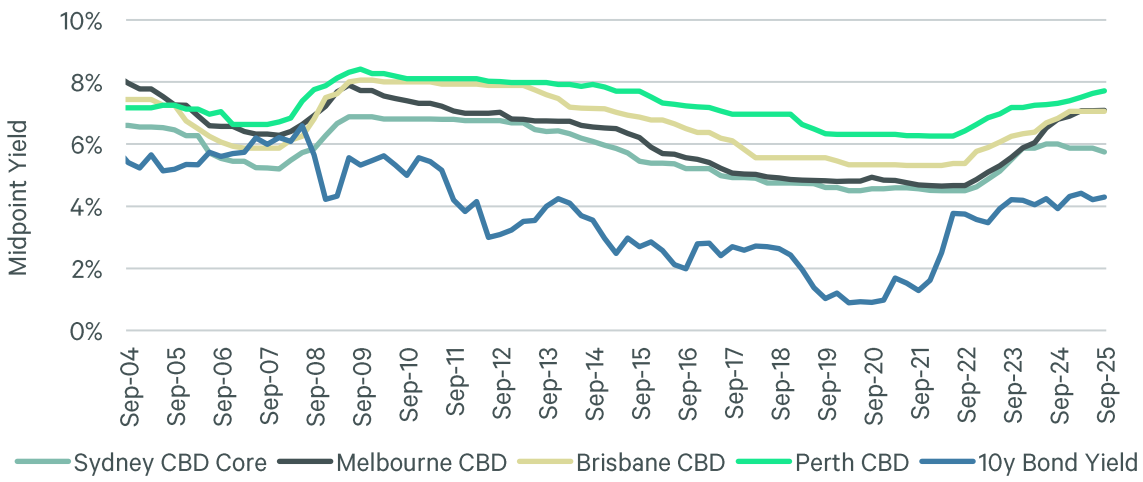
Given the decreasing interest rates, there is greater clarity in the investment markets compared to 12-18 months ago. The RBA has cut the Cash Rate by 75 basis points since the start of February 2025, and further easing is expected over the coming year. Market expectations imply a further 35 bps of interest rate cuts – as per the 02 October 2025 ASX 30 Day Interbank Cash Rate Futures Implied Yield Curve.

During 3Q25 Perth CBD prime office midpoint yields increased by 8 bps q-o-q to 7.7% (with the prior quarter yield revised up). Over the past 12 months prime office midpoint yields have increased by 40 bps. B grade midpoint yields currently sit at 9.0% and have seen an increase of 46 bps over the past year.

FIGURE 14: Perth CBD Office Yields By Grade and Change

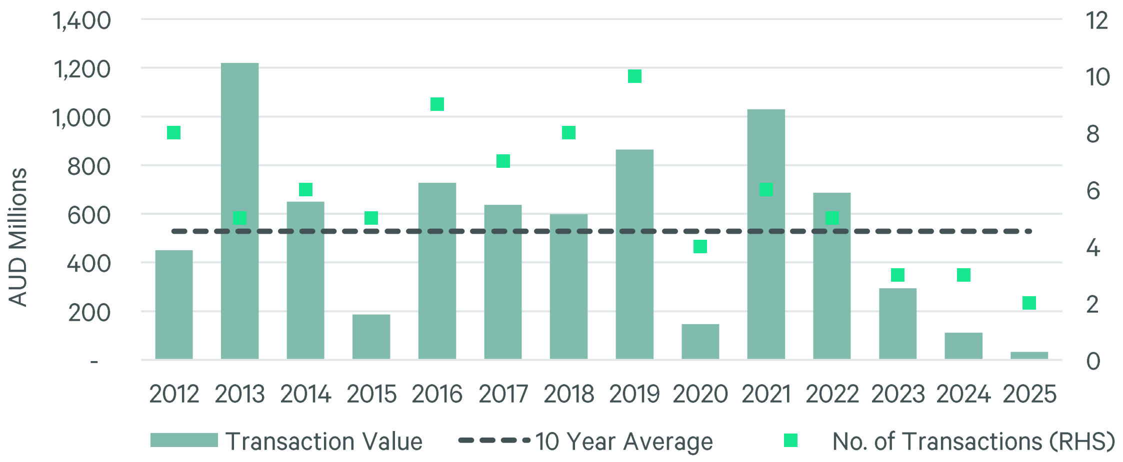
Source: CBRE Research

FIGURE 15: Australian CBD Markets Prime Yield



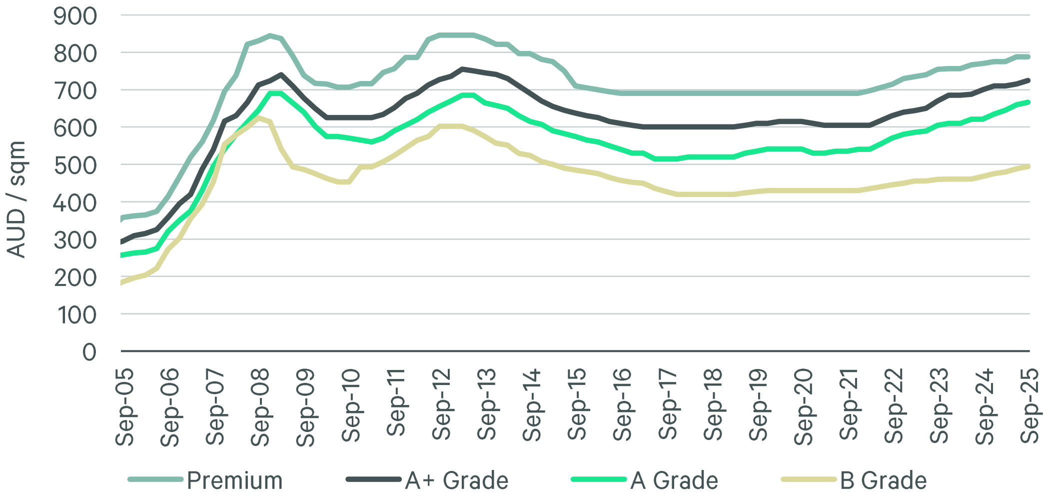
Source: CBRE Research

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



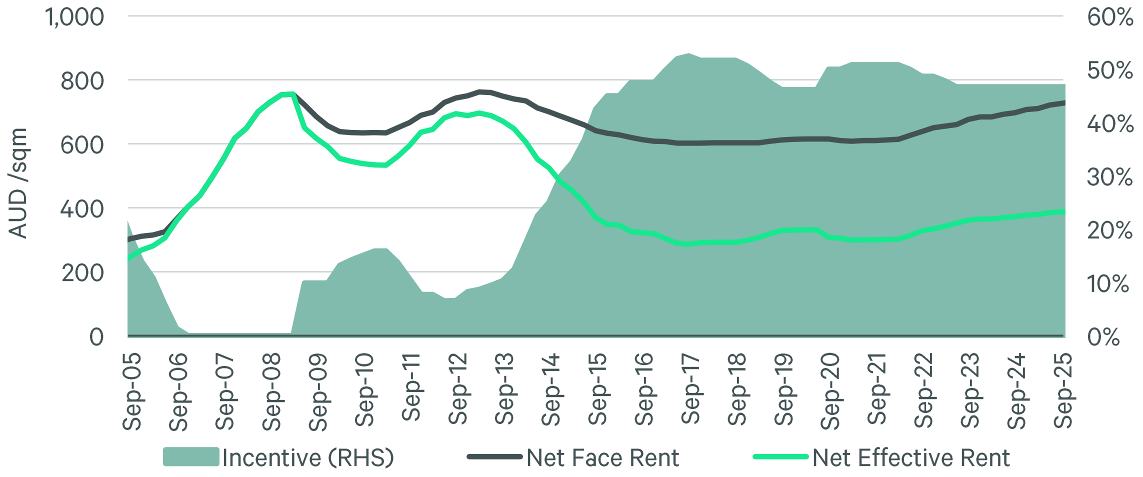
Source: CBRE Research

FIGURE 17: Perth CBD Net Face Rents By Grade



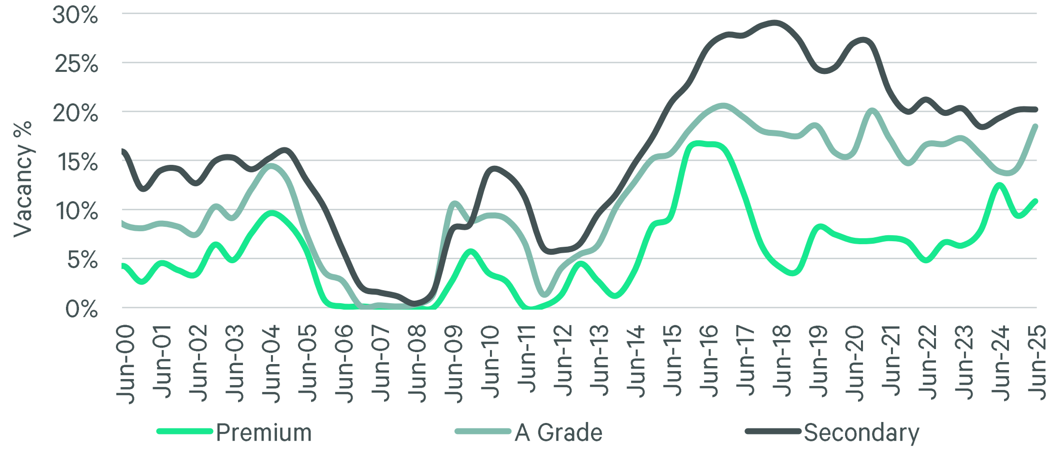
Source: CBRE Research

FIGURE 19: Perth CBD Prime Rents and Incentive



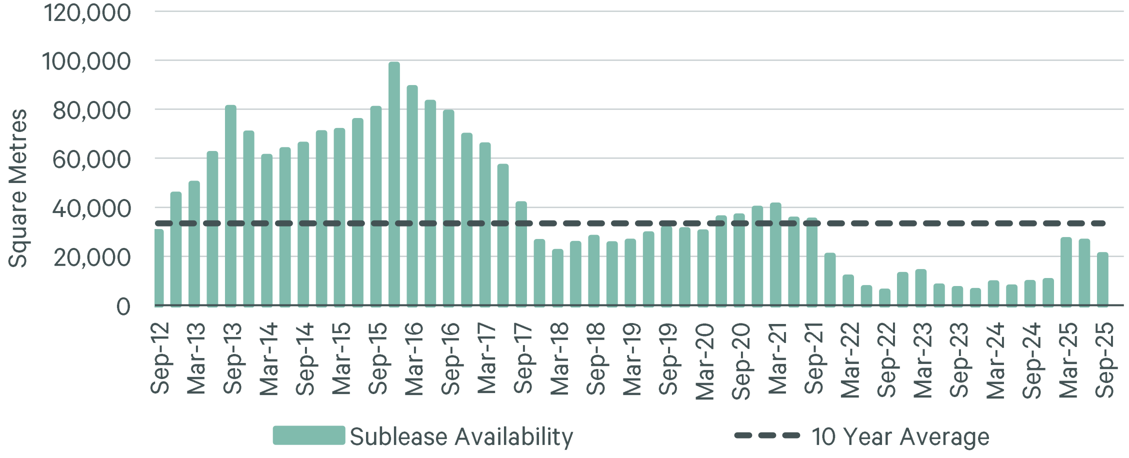
Source: CBRE Research

FIGURE 18: Perth CBD Vacancy Rate By Grade



Source: Property Council of Australia, CBRE Research

FIGURE 20: Perth CBD Sublease Availability



Source: CBRE Research

Contact - Research

Eza Ranjbar

Associate Director, Research WA
+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