Strong tenant demand and no supply is driving down vacancy in the Perth CBD office market

▲ 27,528 sqm
1H26 Net Absorption (11,028 sqm 2H25)

▼ 0 sqm
1H26 Net Supply (10,684 sqm 2H25)

▼ 15.4%
Vacancy Rate (16.9% 2H25)

▲ $752/sqm
Prime NFR (+4.3% y-o-y)

Note: Arrows indicate change from previous quarter.

Key Points

- During 2Q26 CBD enquiry volumes totalled c.85,000 sqm, 17% higher than a year earlier. The number of tenant enquiries was up 26% y-o-y.
- Leasing volumes in the quarter totalled c.35,300 sqm across 25 transactions, higher than the c.15,500 sqm and 13 transactions recorded during 2Q25 (for new deals ≥ 500 sqm).
- Net absorption of 27,528 sqm recorded during 1H26, the strongest half since end of 2021 and significantly above the historic average.
- The vacancy rate sits at 15.4% as of 1H26, down from 16.9% in 2H25. Prime vacancy sits at 13.7% (2H25 15.6%) and secondary vacancy sits at 18.4% (2H25 19.2%).
- Prime CBD average net face rents increased by 1.0% q-o-q and 4.3% y-o-y to $752/sqm. Prime incentives have remained steady q-o-q averaging 47%.
- Muted investment volumes in the core CBD during 2Q26, though in the CBD fringe Castlerock Property acquired 1 Nash (Workzone East) from Corval for $79.4 million.
- Midpoint yields remained stable q-o-q and sit at an average of 7.7% for prime and 9.0% for secondary.

FIGURE 1: Summary of Key Indicators

Perth CBD	2Q25	1Q26	2Q26	Q-o-Q Change	Y-o-Y Change
Prime NFR	$721/sqm	$745/sqm	$752/sqm	+1.0%	+4.3%
Incentives	47%	47%	47%	Stable	Stable
Prime NER	$385/sqm	$397/sqm	$401/sqm	+1.0%	+4.3%
Prime Yields	7.6%	7.7%	7.7%	Stable	+8 bps

Source: CBRE Research

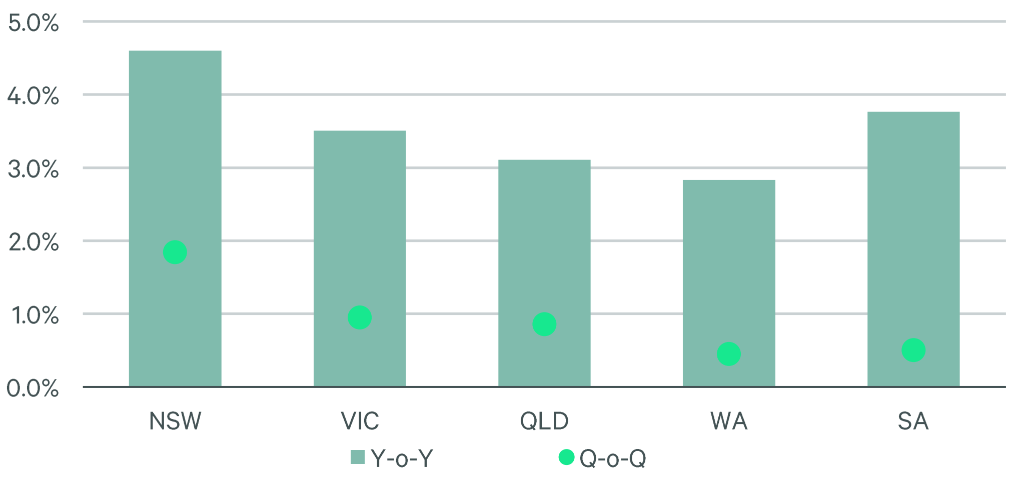
Economic Overview

Modest economic growth expected in FY27 due to higher interest rates

Deloitte Access Economics forecast WA's economy as measured by Gross State Product (GSP) to grow by 2.4% in FY26, above the 1.3% growth seen in FY25. Looking ahead to FY27, the economy is forecast to grow more modestly by 0.7%, before rebounding to 2.0% forecast GSP growth in FY28. WA's important resources sector exports, ongoing population growth and new business investment are expected to underpin overall economic activity however, the inflationary pressures and higher interest rate environment are expected to see household spending and dwelling investment slow in the year ahead.

Domestic economic growth in WA as measured by state final demand (SFD) increased by 2.8% y-o-y in the March 2026 quarter. Household consumption final expenditure was healthy rising 0.7% q-o-q and 3.1% y-o-y while private sector capital investment was robust increasing by 1.1% q-o-q and 5.1% y-o-y. NSW led SFD demand growth as data centre investment activity led to a 15.3% y-o-y increase in private sector fixed capital formation.

FIGURE 2: State Final Demand Growth March 2026 Quarter (seasonally adjusted)



Source: ABS, CBRE Research

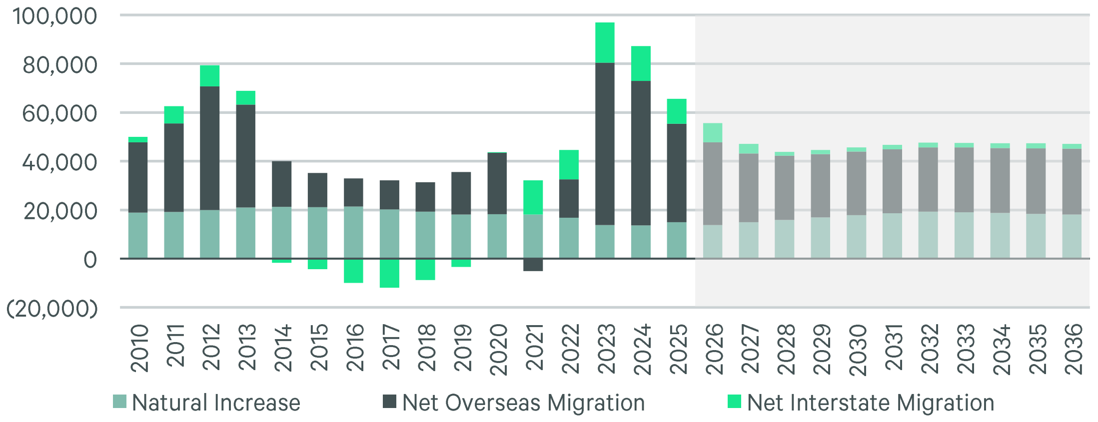
Historically low unemployment and robust job availability

Labour markets have seen some softening nationally over the past year with the rising interest rate environment. In WA, the unemployment rate increased to 4.2% in June 2026, up slightly on the 4.1% rate in June 2025 but below the 10-year average of 5.0%. Job availability in WA though remains strong and the labour participation rate is the highest in the country at 69.1% as at June 2026. As at May 2026, WA job vacancies totalled c.43,000, which remains 7% higher than a year ago and 14% higher than the 10-year average.[1]

WA population continues to grow at the fastest pace nationally

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 2.2% y-o-y in the December 2025 quarter, above the 1.5% growth recorded nationally. Over the 12 months ending December 2025 WA's population grew by c.65,500 persons with 62% (c.40,400) coming from international migration, 16% (c.10,400) from interstate migration and 22% (c.14,600) from natural growth. The Government's 2025 population statement forecasts WA's population to be the fastest growing nationally over the next 10 years, with annual growth averaging 1.5% or c.47,000 additional persons per annum. Ongoing population growth bodes well for long term demand growth in Perth's real estate market.

FIGURE 3: WA Population Growth Components and Forecast by Financial Year (No. Persons)



Source: CBRE Research, ABS, 2025 Population Statement

1. Australian Bureau of Statistics

Leasing Velocity

Healthy tenant demand continuing in Perth CBD

During 2Q26 CBD enquiry volumes totalled c.85,000 sqm, 17% higher than the c.70,000 sqm recorded a year earlier. The total number of tenant enquiries in the CBD during the quarter reached 132, up 26% y-o-y. The average enquiry size in the quarter was 618 sqm compared with 692 sqm in the same quarter last year.

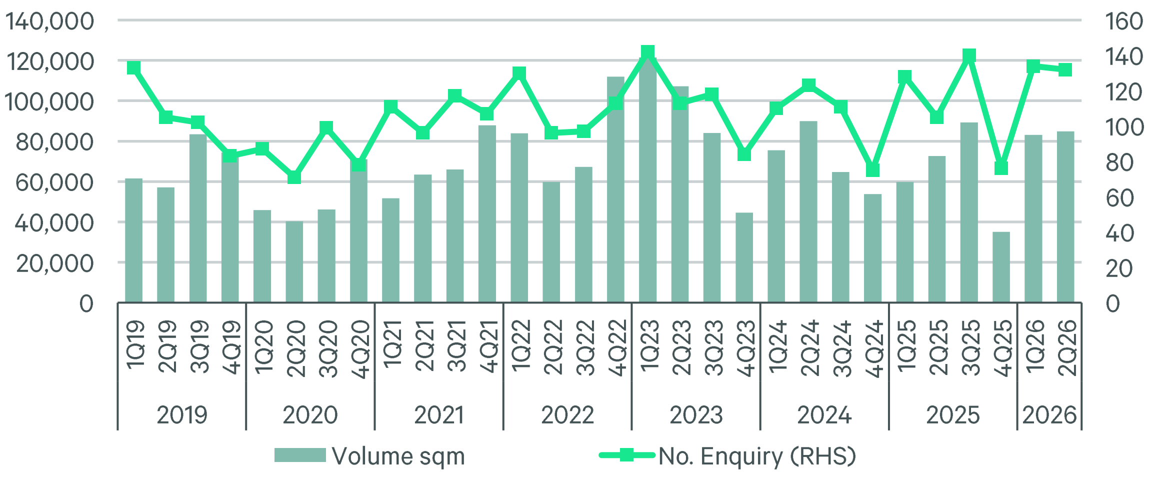
The rolling 12 months enquiry volume totals c.292,000 sqm, which is 2.3% higher than the long run annual average. While the rolling 12 month number of tenant enquiries reached 482, 16% above the long run average.

Notwithstanding the heightened global geopolitical uncertainty and rising interest rates faced during the first half of 2026, ongoing strong tenant enquiry points to a healthy demand backdrop as tenants look to secure their premises amid a declining supply and vacancy outlook.

Leasing volumes in the quarter totalled c.35,300 sqm across 25 transactions, higher than the c.15,500 sqm and 13 transactions recorded during 2Q25 (for new deals ≥ 500 sqm). This takes the rolling 12 months leasing volume to c.109,000 sqm, above the 10-year average of c.75,000 sqm. There have been 66 new transactions recorded above 500 sqm over the rolling 12 months, significantly higher than the 10-year average.

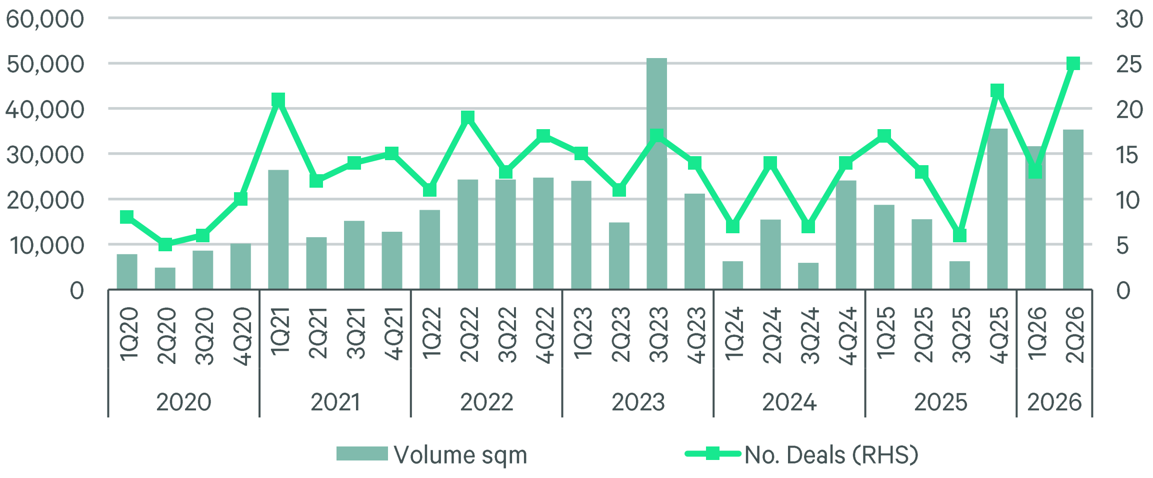
Over the past rolling 12 months, leasing activity has been concentrated in the A grade part of the market accounting for 47% of the total transactions, while premium and A+ grades have each accounted for 15% of the total leasing transactions (for new deals ≥ 500 sqm). All up 77% of activity has occurred in the prime segment of the market, reflecting ongoing tenant demand for quality office spaces. With no new development supply anticipated until 2030, availability for tenants seeking higher quality premises is anticipated to decrease, which is prompting tenants to move earlier to renew their existing leases or secure new premises.

FIGURE 4: Perth CBD enquiry volumes



Source: CBRE Research

FIGURE 5: Perth CBD leasing volumes, 500+ sqm new deals



Source: CBRE Research

Net Absorption

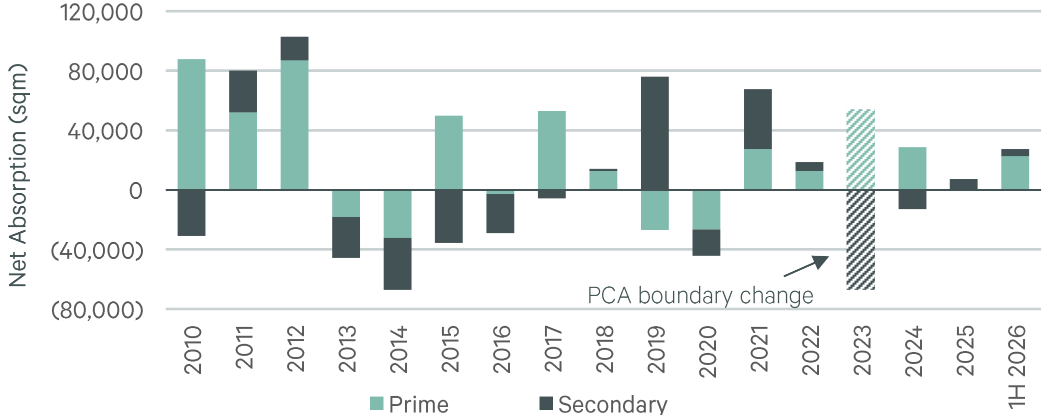
Strongest half of net absorption since 2021

Net absorption for 1H26 reached 27,528 sqm, significantly above the -4,599 sqm recorded in the same period last year and well above the 11,028 sqm recorded during 2H25. The strong net absorption for 1H25 was also ~2.7x higher than the 20-year six-month average of c.7,500 sqm and reflects the high suburban tenant relocations and expansion activity we observed in the leasing trends data over the course of 2025.

Net absorption was positive across all building grades during the half, reflecting healthy market wide demand. Premium grade net absorption picked up to 4,308 sqm, improving from the -1,315 sqm recorded in 2H25, though it was below the 23,084 sqm seen during 1H25 which reflected a period of higher net absorption due to completion of Nine The Esplanade.

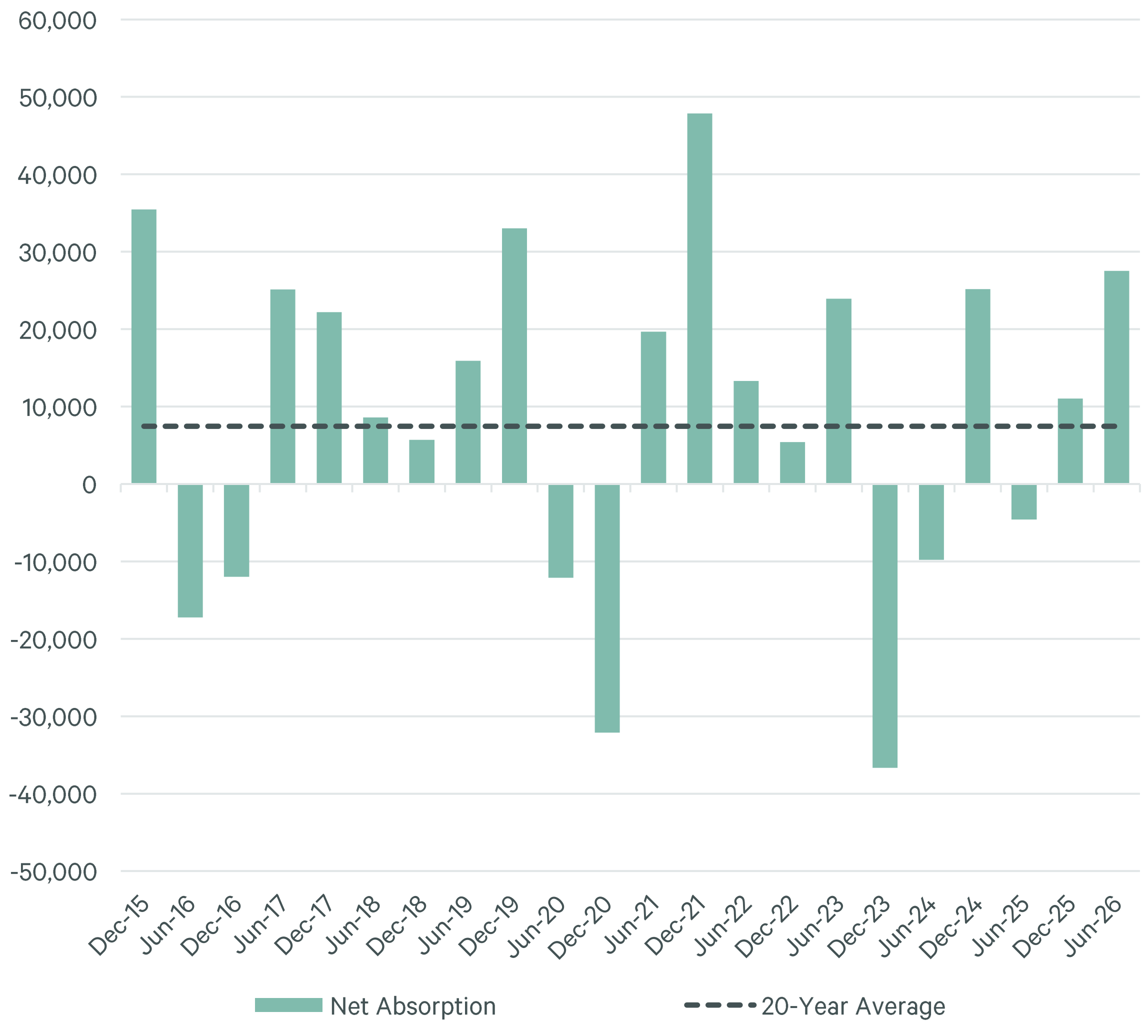
Demand in the A grade market was the strongest coming in at 18,180 sqm of net absorption, significantly higher than the 5,954 sqm in 2H25 and the long run average. The strong suburban tenant moves into the CBD is anticipated to have contributed to the strong A grade net absorption. In the secondary grade market tenant demand was also robust during 1H26 with net absorption totalling 5,040 sqm, significantly higher than the 20-year average of c.1,300sqm.

FIGURE 6: Perth Prime vs Secondary Net Absorption (sqm of NLA)



Source: Property Council of Australia, CBRE Research

FIGURE 7: Perth CBD Historical Net Absorption (sqm of NLA)



Source: Property Council of Australia, CBRE Research

Supply

First signs of supply gap impact on the market during 1H26

There was no supply added to the market during 1H26, and coupled with the robust demand, this led to a 1.5 percentage point reduction in market vacancy during 1H26. This is an early sign of what's expected to come in the next few years with the thin supply outlook.

Large supply gap outlook for the Perth CBD market

No new developments are expected in the Perth CBD until 2030. Over the past 20 years the Perth CBD has averaged new development supply of c.32,000 per annum, which leaves a major supply gap for the Perth market over the coming years.

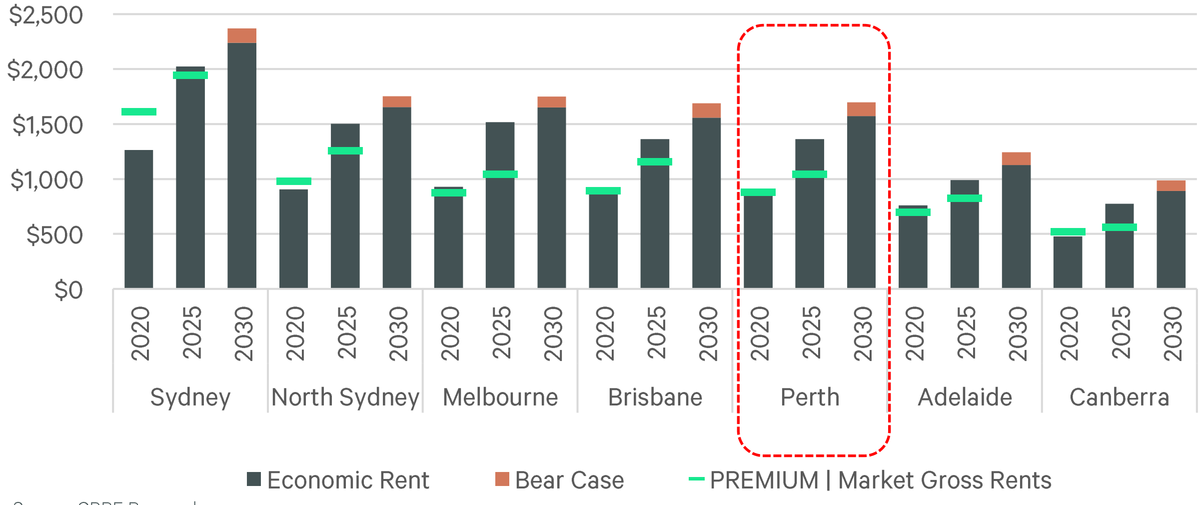
Development of new office assets are challenged due to the high construction cost environment and wide gap in market rents vs economic rents (figure 8). The outlook for economic rents have escalated further during 1H26 as rising interest rates will likely dampen cap rate compression in the near term and the outlook for construction cost growth in Perth remains elevated.

Brookfield's 15 The Esplanade is likely to be the next major office development, underpinned by a pre-commitment from Rio Tinto for its new head quarters at Elizabeth Quay. This is likely to be delivered in 2030. Rio Tinto's backfill space at Central Park and Raine Square is then projected to be available to the market around 2031.

During 2Q26 the redevelopment of St Martins Tower into a revitalised mixed-use hotel, retail and office precinct also received development approval. The current office stock at St Martins Tower totals c.42,000 sqm, which is expected to be withdrawn and a reduced office component re-added to the market.

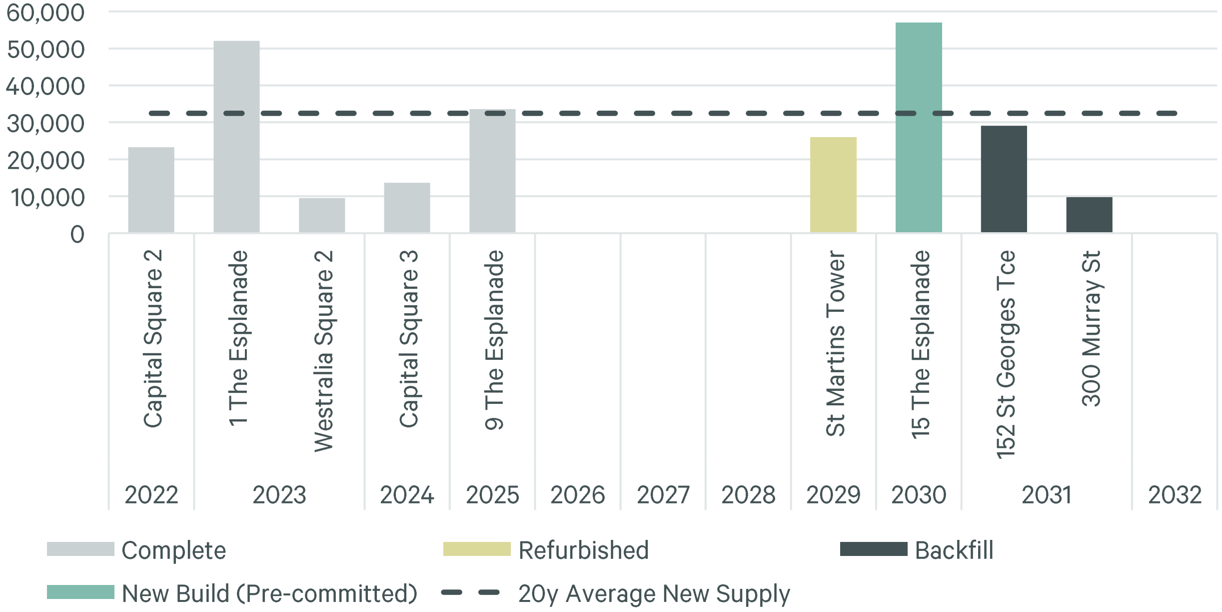
The upcoming supply gap is creating a change in market dynamics towards a more landlord favoured market. This is creating some urgency among occupiers who are moving early to renew their existing leases or seek new premises. Market vacancy is expected to be the tightest around the end of the decade before new supply is added, therefore occupiers with lease expiries around this period will need to move in advance to avoid the looming supply shortage and landlord favoured conditions. This is particularly the case for larger occupiers seeking good quality contiguous accommodation.

Figure 8: Australian Office Economic Rents vs Market Rents (Gross/sqm)



Source: CBRE Research

FIGURE 9: New Supply Completions and Pipeline



Source: CBRE Research

Market Vacancy

Strong demand drives down vacancy across the board during 1H26

The market vacancy rate in the Perth CBD now sits at 15.4%, down from 16.9% in 2H25. The vacancy reduction during 1H26 was driven entirely by the robust net absorption of 27,528 sqm given there was no supply changes in the half. Looking ahead, with no new supply projected until 2030 we expect to see ongoing vacancy reductions as demand drives down the vacancy.

In the premium grade market, vacancy improved to 10.2%, down from 11.1% due to the positive net absorption of 4,308 sqm. The availability of premium stock is expected only diminish further in the next few years with the expected supply gap, until major backfill supply becomes available upon development completion of new stock projected in 2030.

The A grade vacancy dropped 2.6 percentage points to 16.3%, down from 18.9% in 2H25. The significant improvement was driven by strong net absorption of 18,180 sqm recorded in the A grade segment.

With the stronger market wide demand recorded over 1H26, the secondary grade market vacancy also decreased to 18.4%, down from 19.2% in 2H25.

Perth sublease market remains healthy

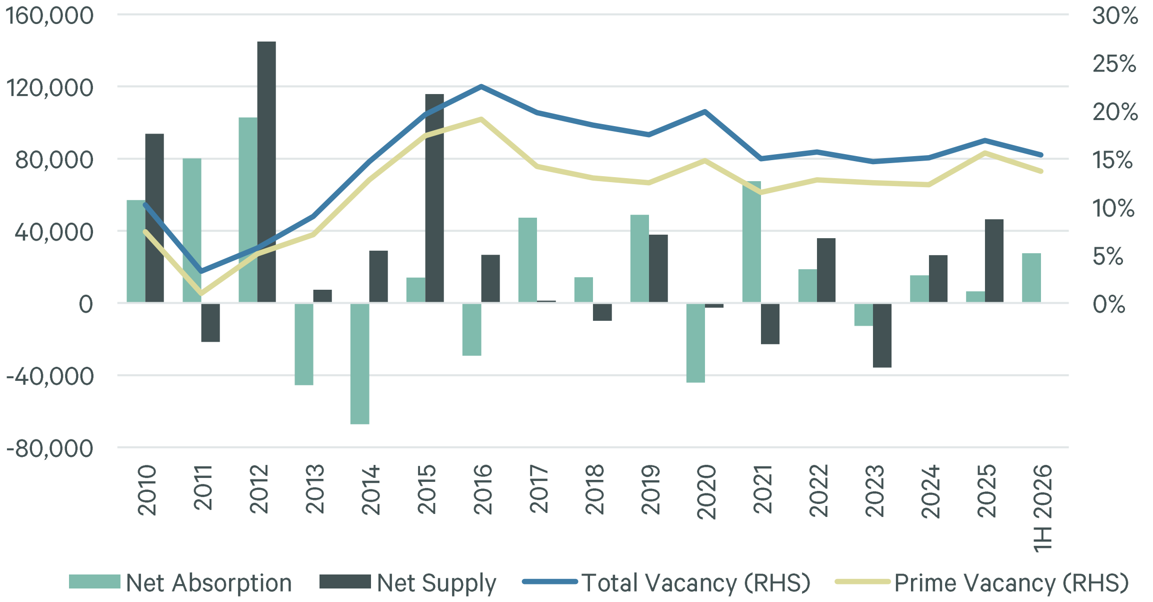
CBRE's sublease barometer shows sublease availability in the Perth CBD decreasing to c.10,700 sqm at the end of 2Q26, down from c.20,000 sqm at the end of 4Q25. The significant reduction in sublease availability over the past half was driven by a mix of leasing activity, space being withdrawn and space going to direct lease availability. The sublease availability remains below the 10-year average of c.28,000 sqm and represents a sublease vacancy rate of just 0.6%, indicative of healthy leasing market conditions.

FIGURE 10: Summary of Perth CBD Office Market, July 2026

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 26	Vacancy % Jan 26
Prime	1,195,854	22,488	27,127	0	10,684	13.7%	15.6%
Secondary	647,994	5,040	11,429	0	0	18.4%	19.2%
Total	**1,833,164**	**27,528**	**38,556**	**0**	**10,684**	**15.4%**	**16.9%**

Source: Property Council of Australia, CBRE Research

FIGURE 11: Perth CBD Office Market Balance



Source: Property Council of Australia, CBRE Research

Rental Performance

High economic rents, high construction costs and decreasing vacancy to drive strong Perth rent growth

Average net face rents for prime grade assets grew 1.0% q-o-q and 4.3% y-o-y to $752/sqm. Rental growth during 2Q26 was led by the A+ segment which increased 1.4% q-o-q to an average of $753 sqm (net face). Buildings in the A+ segment of the market are well occupied with very low vacancy which is driving strong rent growth. The premium grade market saw average net face rents increase 0.7% q-o-q to $822/sqm and are up 4.3% y-o-y with an improved level of premium grade leasing during the quarter contributing to robust y-o-y growth.

In the A grade market average net face rents increased by 0.8% q-o-q and 3.4% y-o-y to now sit at $682/sqm. There has been strong transaction activity and demand for fitted space in the current high construction cost environment which has contributed to rental growth. Though vacancy in the A grade segment has been higher than premium and A+ buildings which has tempered the growth rate.

CBD B grade rents increased 1.0% during 2Q26 with net face rents now averaging $510/sqm. On a y-o-y basis CBD B grade rents have seen growth of 4.4% amid 23% of new leasing deals (for transactions ≥ 500 sqm) occurring in the secondary grade market.

Average incentive levels remained stable q-o-q across all grades in 2Q26. 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 (figure 8). The outlook for economic rents have escalated further during 1H26 as rising interest rates will likely dampen cap rate compression in the near term and the outlook for construction cost growth remains elevated. Perth's construction costs are forecast to rise at 5.5-6.5% annually over the next three years (figure 13), due to 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 decreasing vacancy outlook in Perth over the coming years due to the lack of supply.

FIGURE 12: Perth CBD Rent and Incentives by Grade

Perth CBD	Net Face Rent (AUD/sqm)			Incentive (%)			Net Effective Rent (AUD/sqm)		
	2Q26	Q-o-Q Change	Y-o-Y Change	2Q26	Q-o-Q Change	Y-o-Y Change	2Q26	Q-o-Q Change	Y-o-Y Change
Premium	822	+0.7%	+4.3%	45%	stable	stable	452	+0.8%	+4.3%
A+ Grade	753	+1.4%	+5.2%	45%	stable	stable	414	+1.4%	+5.2%
A Grade	682	+0.8%	+3.4%	50%	stable	stable	341	+0.8%	+3.4%
Average Prime Grade	**752**	**+1.0%**	**+4.3%**	**47%**	**stable**	**stable**	**401**	**+1.0%**	**+4.3%**
B Grade	510	+1.0%	+4.4%	52%	stable	stable	245	+1.0%	+4.4%

Source: CBRE Research

FIGURE 13: Forecast Construction Cost Escalation by City

Source: CBRE Research, Turner & Townsend H1 2026

Investment Market

Perth yields steady amid limited transaction evidence during 2Q26

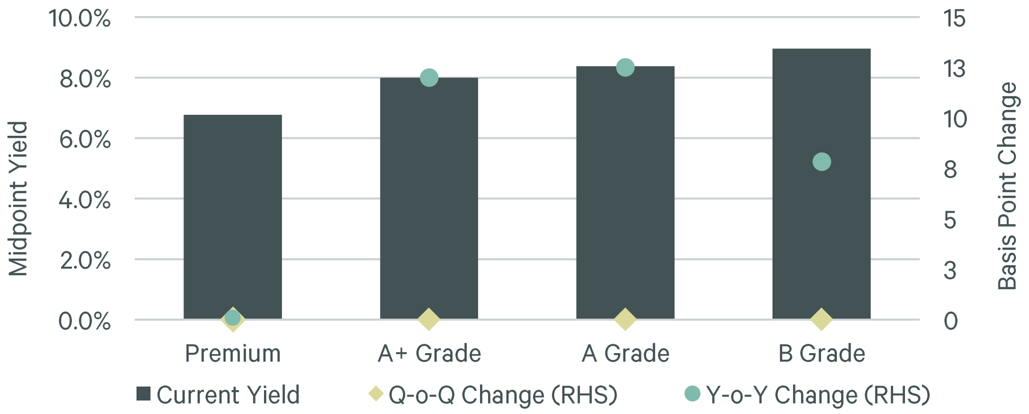
One major investment transaction was recorded in the Perth CBD during 2Q26, though this was more of a CBD fringe investment transaction rather than core Perth CBD activity. During the quarter Castlerock Property acquired 1 Nash Street (Workzone East) from Corval for $79.4 million. This transaction follows the Edith Cowan University's (ECU) acquisition of 10 Telethon Avenue (KS3) from Dexus for a headline price of $72.3 million during 1Q26.

Investment activity in the core Perth CBD market has been subdued during 1H26 as the rise in interest rates and global geopolitical uncertainty impacted the investment market.

Perth CBD prime office midpoint yields remained stable q-o-q averaging 7.7% and over the past year prime office midpoint yields have increased marginally by 8 bps. B grade midpoint yields also held steady q-o-q and currently sit at 9.0%.

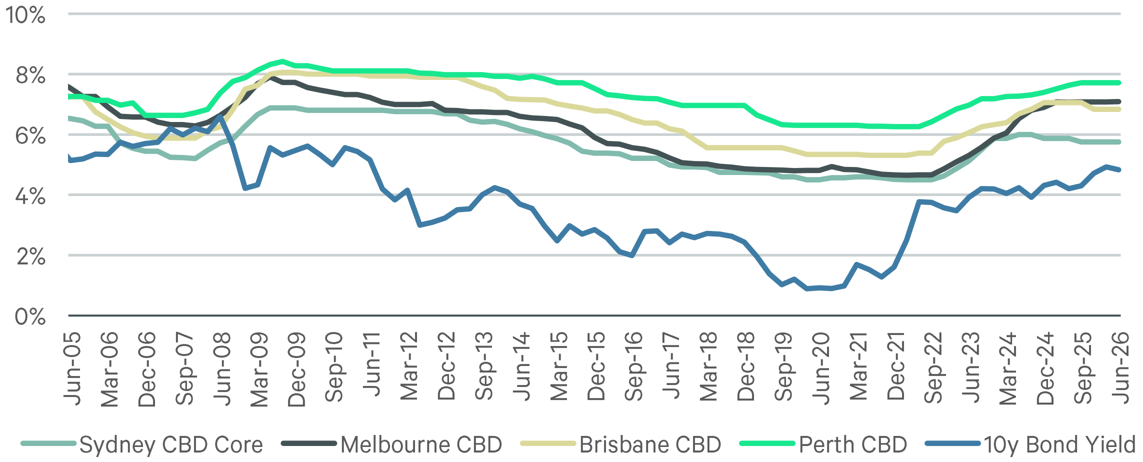
The RBA increased the Cash Rate by 75 basis points over 1H26 to 4.35%. As of 4 August 2026 market expectations imply close to a 50% chance of another 25 bps rate increase by year end. Improving clarity over the path for interest rates is expected to improve investor sentiment and activity looking ahead to the next 12 months.

FIGURE 14: Perth CBD Office Yields By Grade and Change



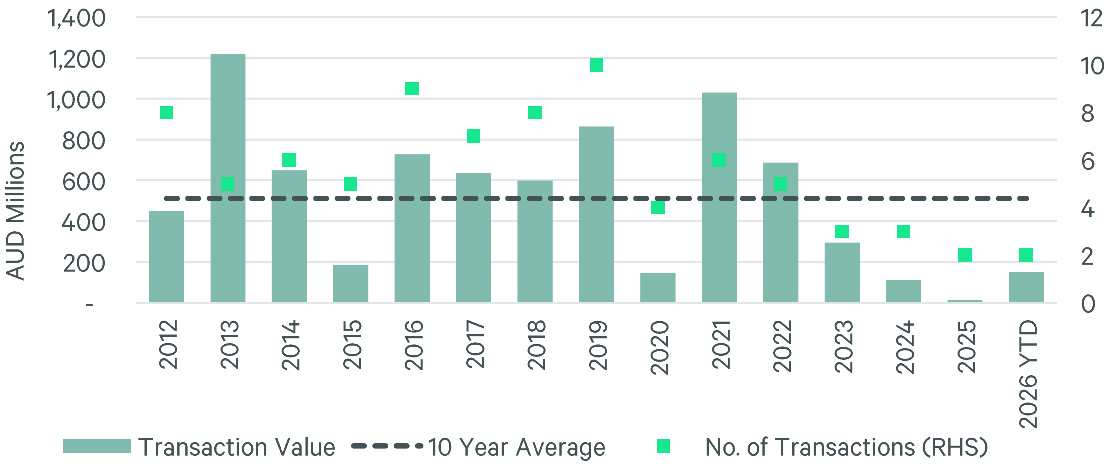
Source: CBRE Research

FIGURE 15: Australian CBD Markets Prime Yield



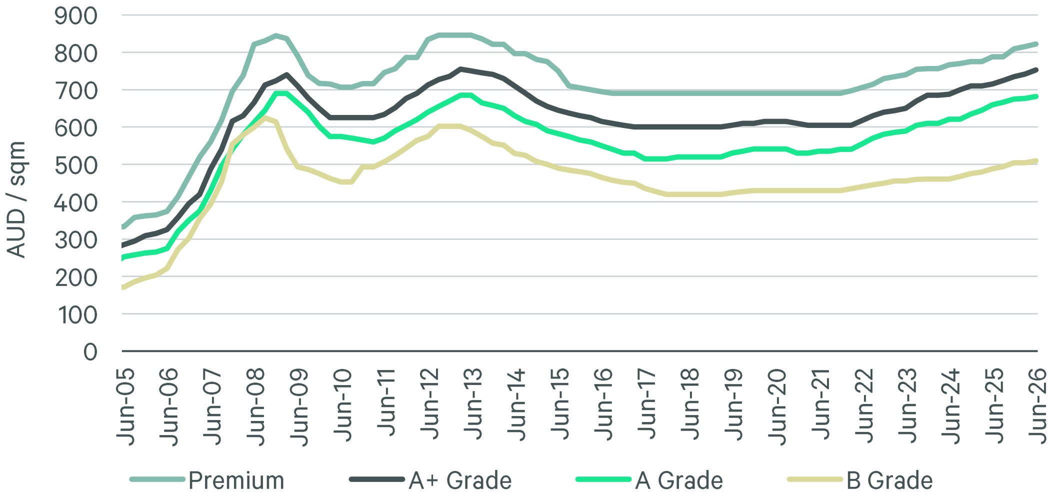
Source: CBRE Research

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



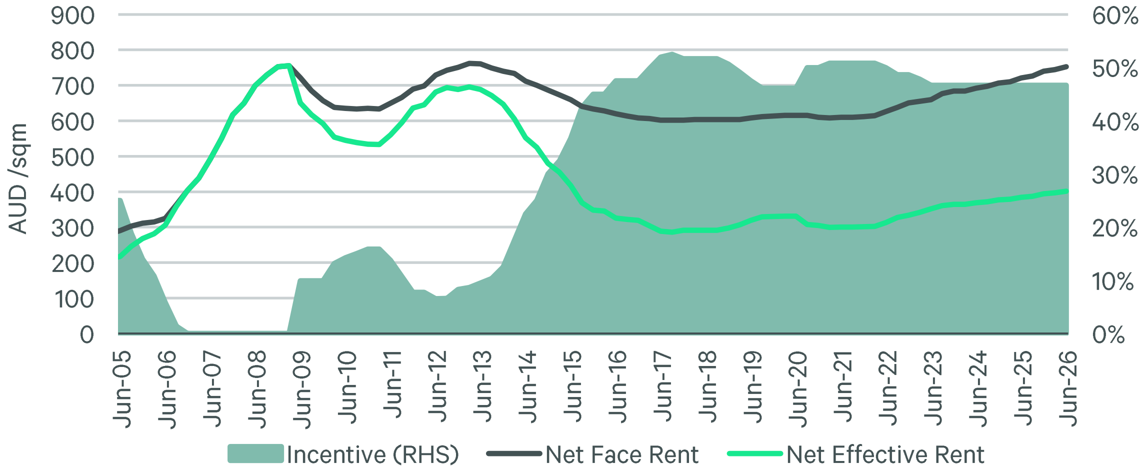
Source: CBRE Research

FIGURE 17: Perth CBD Net Face Rents By Grade



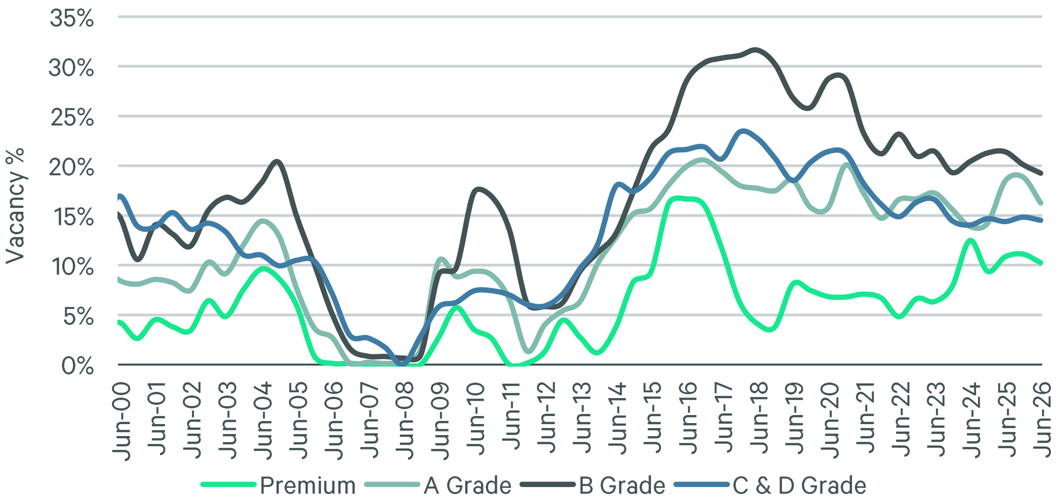
Source: CBRE Research

FIGURE 19: Perth CBD Prime Rents and Incentive



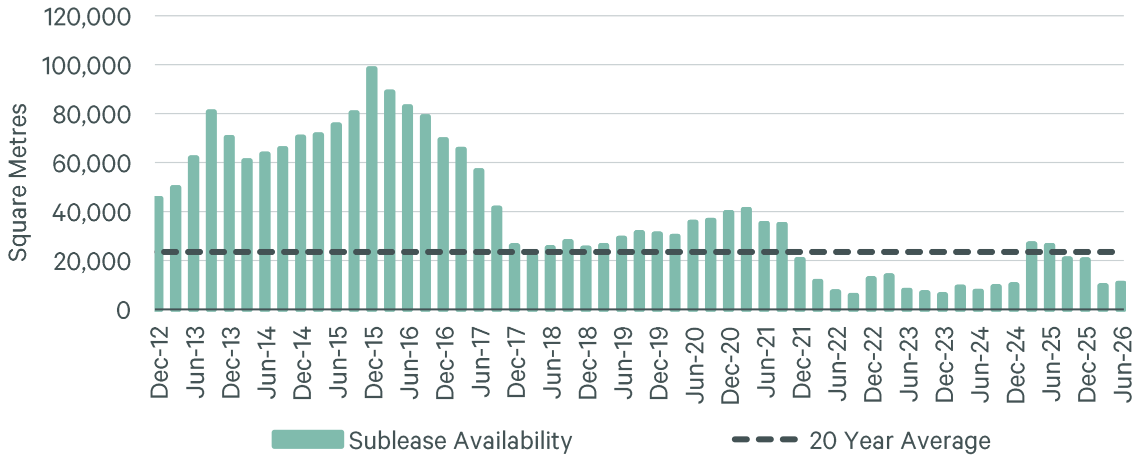
Source: CBRE Research

FIGURE 18: Perth CBD Vacancy Rate By Grade



Source: Property Council of Australia, CBRE Research

FIGURE 20: Perth CBD Sublease Availability



Source: CBRE Research

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