Tenant demand improves in Perth as net absorption and leasing activity lifts during 2H25

▲ 11,028 sqm
2H25 Net Absorption (-4,599 sqm 1H25)

▼ 10,684 sqm
2H25 Net Supply (35,711 sqm 1H25)

▼ 16.9%
Vacancy Rate (17.0% 1H25)

▲ $740/sqm
Prime NFR (+4.7% y-o-y)

Note: Arrows indicate change from previous quarter.

Key Points

- For 2025 enquiry volumes totalled c.257,000 sqm, easing from the c.284,000 sqm seen in 2024. The number of tenant enquiries in 2025 increased by 7% y-o-y.
- Leasing activity picked up in 2025 with gross leasing volume of c.74,000 sqm recorded, up significantly from the c.52,000 sqm recorded for 2024. The number new leasing transactions increased 36% y-o-y (for new deals ≥ 500 sqm).
- Prime CBD average net face rents increased by 1.8% q-o-q and 4.7% y-o-y to $740/sqm. Prime incentives have remained steady q-o-q averaging 47%.
- Net absorption of 11,028 sqm recorded for 2H25, recovering from the -4,599 sqm recorded in 1H25. The 12-month net absorption totals 6,426 sqm, below the 20-year average of c.15,000 sqm.
- The vacancy rate decreased slightly to 16.9% in 2H25, down from 17.0% in 1H25. Prime vacancy stands at 15.6% (1H25 15.3%) and secondary vacancy stands at 19.2% (1H25 20.2%).
- SKS Group acquired of 178 St Georges Terrace on a vacant possession basis for $9.5 million during 4Q25.
- Prime grade midpoint yields remained stable q-o-q and sit at an average of 7.7%.

FIGURE 1: Summary of Key Indicators

Perth CBD	4Q25	3Q25	4Q24	Q-o-Q Change	Y-o-Y Change
Prime NFR	$740/sqm	$726/sqm	$707/sqm	+1.8%	+4.7%
Incentives	47%	47%	47%	Stable	Stable
Prime NER	$396/sqm	$388/sqm	$378/sqm	+1.8%	+4.7%
Prime Yields	7.7%	7.7%	7.4%	Stable	+32 bps

Source: CBRE Research

Economic Overview

WA's domestic economy seeing solid growth

WA's economy as measured by Gross State Product (GSP) grew by 1.3% in FY25 (FY24 = 1.2% and FY23 = 4.0%).[1] Modest growth was seen in FY25 as robust growth in domestic demand (driven by household consumption and dwelling investment) was weighed down by weaker export volumes due to weather disruptions to the mining sector and softer commodity prices. Deloitte Access Economics forecasts GSP growth to pick to 2.5% in FY26 and 2.5% in FY27, although rising interests could weigh on this.

Domestic economic growth as measured by state final demand (SFD) increased by 3.1% y-o-y in the Sep-25 quarter, above the average 2.9% y-o-y growth recorded across the major states of NSW, VIC, QLD and SA. WA is experiencing strong population growth which is supporting growth in household consumption expenditure, up 3.6% y-o-y in the Sep-25 quarter.[1]

FIGURE 2: State Final Demand Growth Sep 2025 Quarter (seasonally adjusted)

Source: ABS, CBRE Research

Business investment activity as measured by private capital expenditure remains solid, increasing by 10.5% y-o-y in the September 2025 quarter, totalling $11.9 billion. Mining industry capital expenditure which accounted for close to 70% of the total private capex saw growth of 6.1% y-o-y in the September 2025 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 September 2025 has totalled $33 billion, which is 95% above the level recorded in the 12 months ending September 2019.[1]

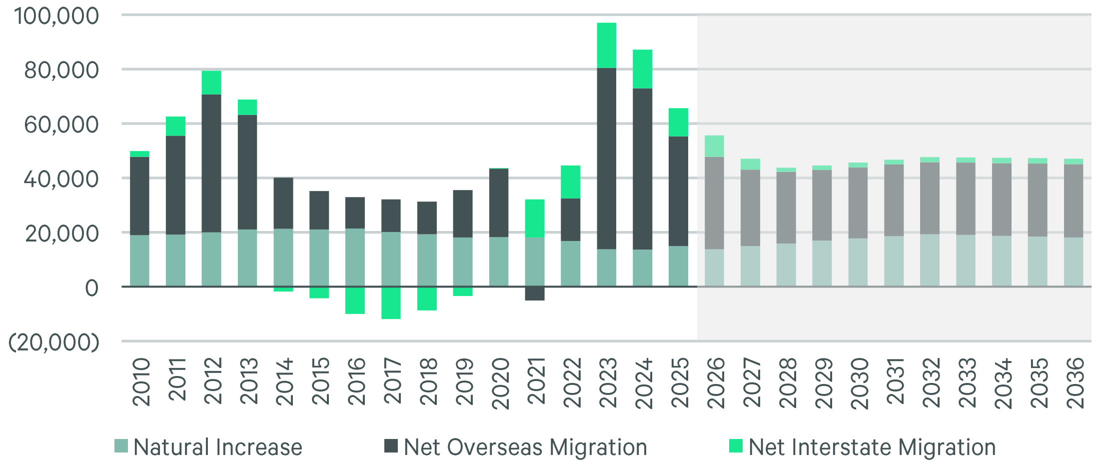
Historically low unemployment and robust job availability

While labour markets have seen some softening compared to a year ago, they remain historically strong. In WA, the unemployment rate in December 2025 stood at just 3.9% (December 2024 = 3.3%), below that national unemployment rate of 4.1%. Job availability in WA has eased from their peak in 2022 where we had near zero interest rates however, they remain historically strong. As of November 2025, WA job vacancies totalled c.43,000, 4% higher than a year ago and 19% 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 June 2025 quarter, above the 1.5% growth recorded nationally. Over the 12 months ending June 2025 WA's population grew by c.65,500 persons with 62% (c.40,400) coming from international migration, 16% (c.10,300) from interstate migration and 23% (c.14,900) 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.

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

Leasing activity picks up in 2025 – focus on A & B grades

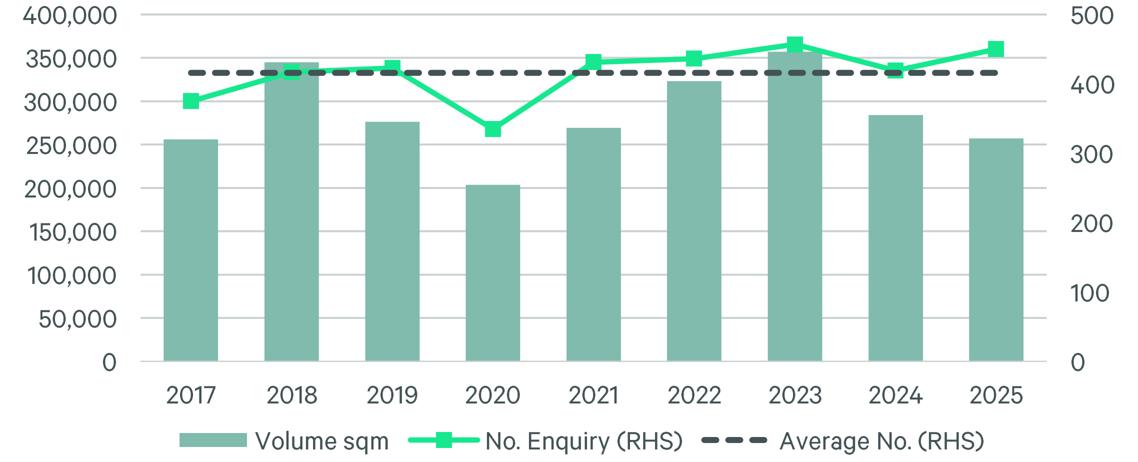
During 4Q25 CBD enquiry volumes totalled c.35,300 sqm, easing from the c.53,800 sqm recorded in the same quarter of 2024. The number of tenant enquiries in 4Q25 totalled 77, up 3% y-o-y, highlighting a reduction in the average enquiry size to 458 sqm, from 717 sqm in the same quarter of 2024.

For CY2025 total enquiry volumes recorded came to c.257,000 sqm, easing from the c.284,000 sqm in 2024. The number of tenant enquiries in CY2025 totalled 450, up 7% y-o-y and up 8% on the long run average.

Leasing volumes in 2025 saw a significant improvement from the subdued levels seen in 2024. For CY2025 gross leasing volumes totalled c.74,000 sqm, up 43% y-o-y (new deals ≥ 500 sqm). There were 57 new deals recorded above 500 sqm for 2025, up 36% y-o-y and 20% above the long run average.

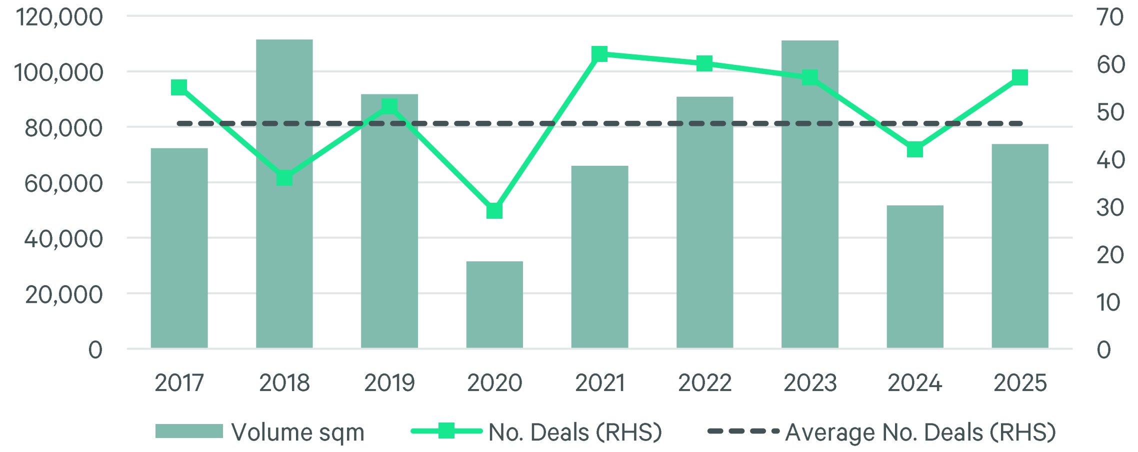
In 2025, leasing activity was concentrated in the A grade and secondary grade part of the market accounting for 46% and 36% of the total transactions, respectively. Premium and A+ grades each accounted for 9% of the transactions. A more cautious tenant environment in 2025 coupled with high suburban tenant relocations (who typically move into A and B grade CBD assets) contributed to this.

FIGURE 4: Perth CBD enquiry volumes



Source: CBRE Research

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



Source: CBRE Research

Net Absorption

Net absorption recovers in 2H25 following a softer 1H25

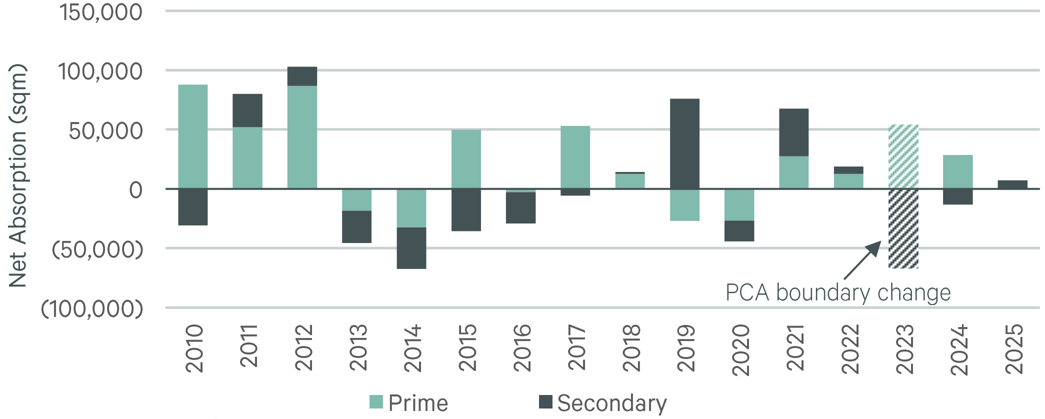
Net absorption for 2H25 totalled 11,028 sqm, improving significantly from the -4,599 sqm recorded in 1H25. This brings total net absorption for CY2025 to 6,429 sqm, below the 20-year average of c.15,000 sqm.

Premium grade net absorption came to -1,315 sqm for 2H25 and 21,769 sqm for the CY2025. 1H25 net absorption was stronger in the premium market due to prior year leasing activity at Nine The Esplanade, while a subdued level of premium grade leasing activity in 2025 has weighed on net absorption levels in 2H25.

Demand in the A grade market rebounded in 2H25 with net absorption totalling 5,954 sqm, up significantly from the -28,517 sqm recorded in 1H25. In the secondary grade market tenant demand was robust during 2H25 with net absorption totalling 6,389 sqm, up from the 834 sqm seen in 1H25.

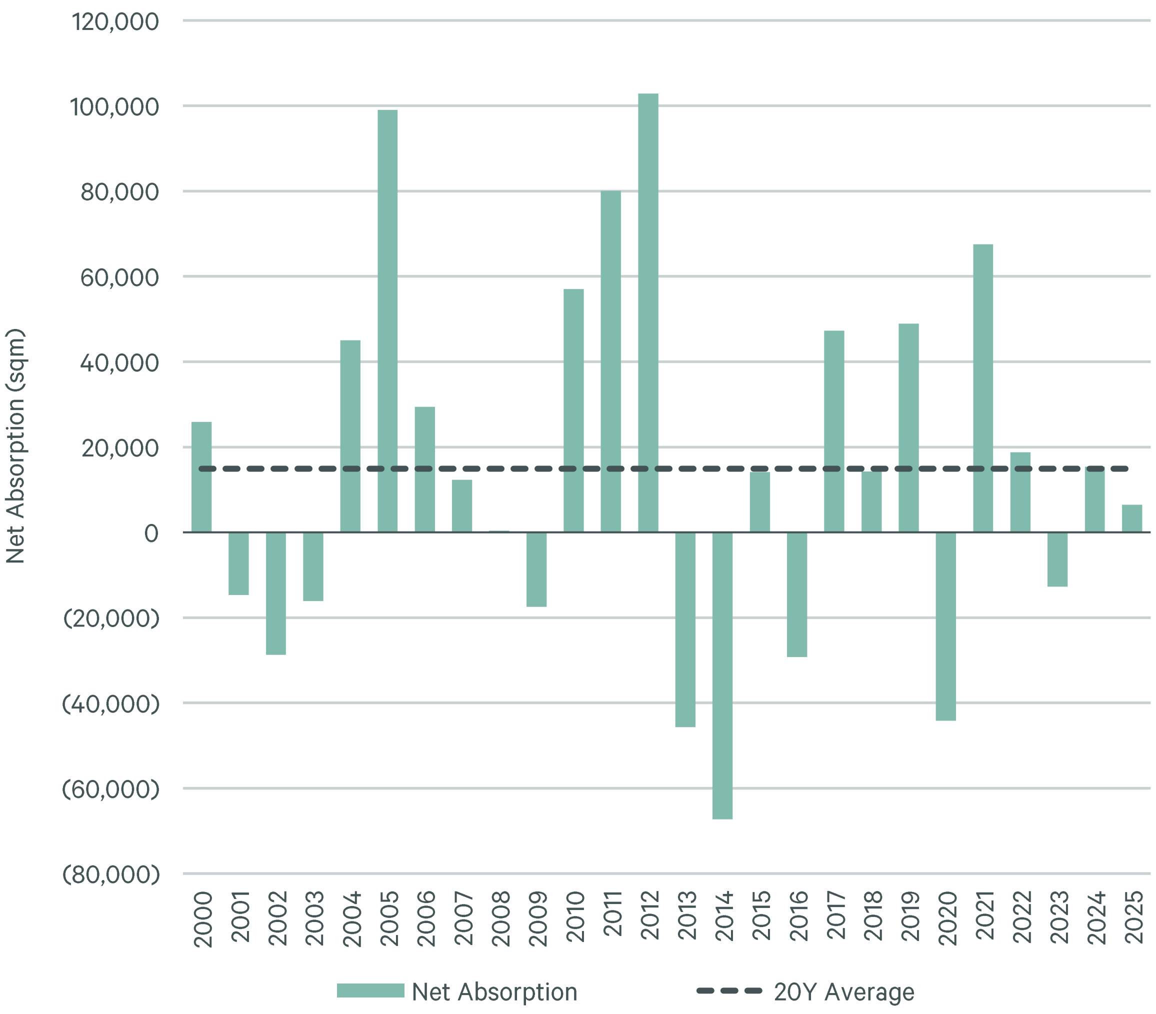
Overall, the stronger net absorption trend in A and B grades during 2H25 aligns with the higher leasing activity seen in these segments of the market, with suburban tenant relocations contributing to this.

FIGURE 6: Perth 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

100 St Georges Terrace refurbished stock added to market

Total supply added to the market during 2H25 was 10,684 sqm, all relating to the refurbishment of 100 St Georges Terrace. There were no stock withdrawals recorded during 2H25 (therefore net supply also = 10,684 sqm for 2H25).

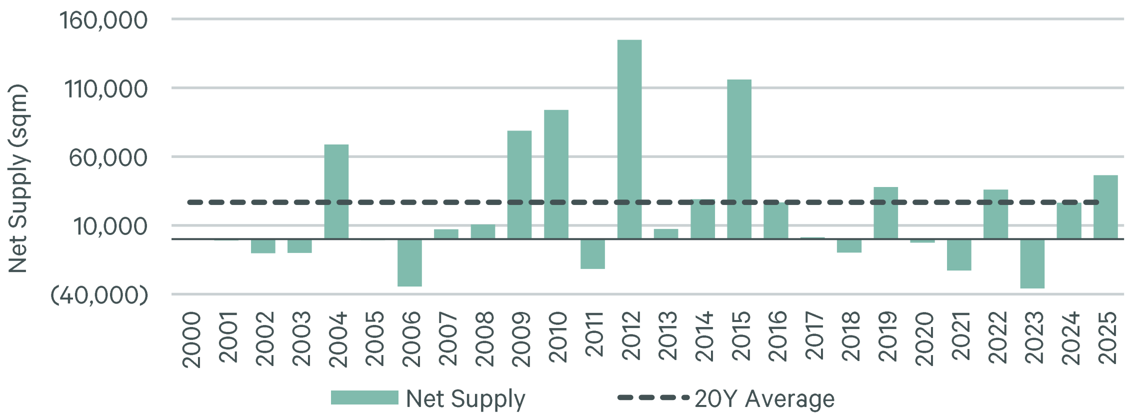
With the addition of 35,711 sqm of supply in the first half (majority due to Nine The Esplanade development), total net supply for CY2025 has reached 46,395 sqm, significantly above the 20-year annual average of c.27,000 sqm.

All the net supply in 2H25 was in the prime grade market (10,684 sqm) and over the CY2025 97% of the total net supply of 44,956 sqm has been in the prime grade, which has weighed on the prime vacancy rate this year.

Large supply gap expected in the Perth CBD

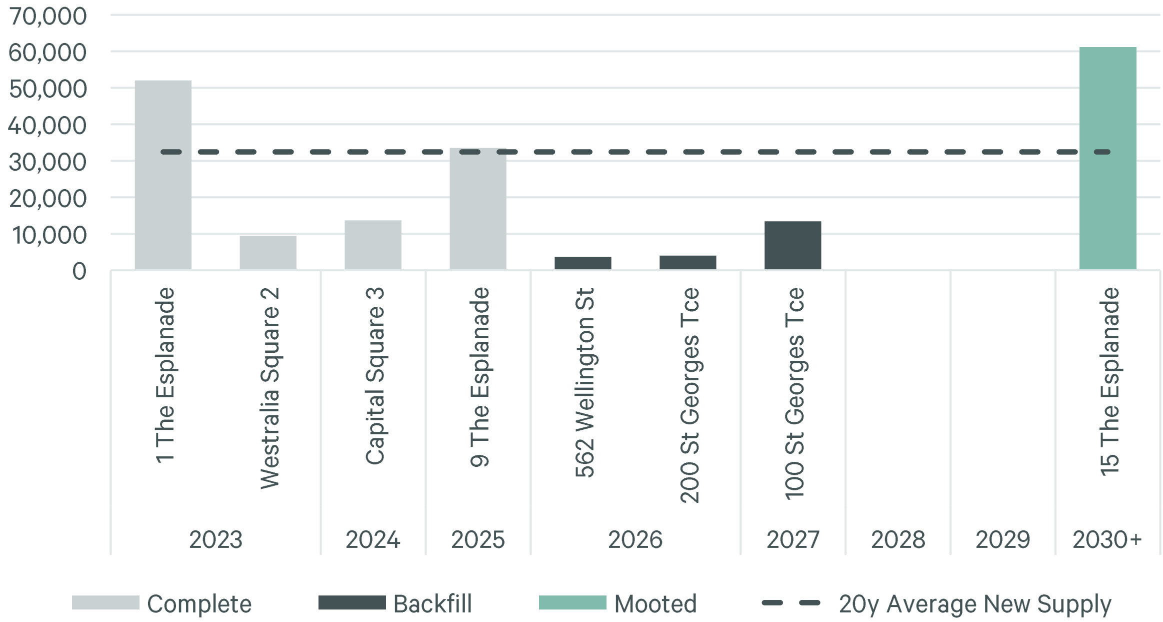
Barring unforeseen speculative development activity, no new developments are expected in the Perth CBD until 2030+. Over the past 20 years the Perth CBD has averaged new development supply of c.32,000 per annum, leaving a major supply gap over the coming years. Due to the high construction cost environment and wide gap in market vs economic rents, no new developments are currently committed to. With the WA state government ruling out re-development of the Perth Convention and Exhibition Centre in late 2025, 15 The Esplanade could be the next major project, and will likely be underpinned by a pre-commitment from a major tenant such as Rio Tinto.

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

Market Vacancy

Prime vacancy increases slightly during 2H25

The market vacancy rate in the Perth CBD decreased slightly by 0.1 percentage points during 2H25 to now sit at 16.9% (down from 17.0% in 1H25). While demand was robust during the half year with net absorption of 11,028 sqm, this was largely offset by supply totalling 10,684 sqm, therefore reducing the vacancy only slightly.

In the premium grade market, due to the softer -1,315 sqm of net absorption, vacancy edged up 0.3 percentage points in 2H25 to now sit at 11.1%.

In the A grade market, the refurbished supply from 100 St Georges Terrace has weighed on the vacancy rate, despite demand being robust with net absorption totalling 4,730 sqm. The A grade vacancy rate increased by 0.4 percentage points in 2H25 and now sits at 18.9%.

In the secondary grade market, there were no supply additions over 2H25. This coupled with strong net absorption of 6,389 sqm, resulted in the secondary grade vacancy decreasing by 1.0 percentage point to 19.2%.

Perth sublease market remains healthy

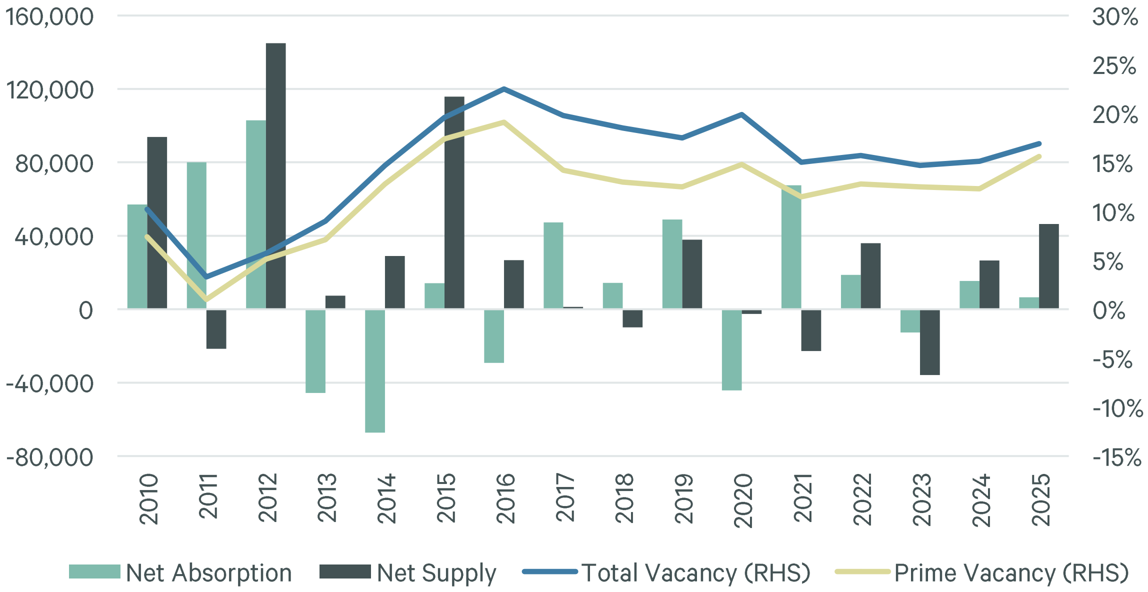
CBRE's 4Q25 sublease barometer shows sublease availability in the Perth CBD remaining largely stable q-o-q and decreasing by c.5,800 sqm over 2H25 to just c.20,200 sqm. The sublease availability remains below the 10-year average of c.30,000 sqm and represents a sublease vacancy rate of just 1.1%, indicative of healthy leasing market conditions.

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 % Jan 26	Vacancy % Jul 25
Prime	1,195,854	4,639	-794	10,684	44,956	15.6%	15.3%
Secondary	647,994	6,389	7,223	0	1,439	19.2%	20.2%
Total	**1,833,164**	**11,028**	**6,429**	**10,684**	**46,395**	**16.9%**	**17.0%**

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 supply gap to drive strong Perth rent growth

With an uplift in transaction activity during 4Q25, strong rent growth was recorded across the Perth office market. Average prime grade net face rents increased by 1.8% q-o-q and 4.7% y-o-y to $740/sqm. Within the prime segment y-o-y rental growth has been led by the A grade part of the market which has seen net face rents increase 6.3% y-o-y (1.3% q-o-q) to now average $675/sqm. The strong level of leasing volumes in the A grade part of the market in 2025 due to a more value conscious tenant environment, coupled with strong demand for fitted spaces in a high construction cost environment has contributed to strong A grade rental growth.

Despite the premium grade market seeing a muted level of transactions in 2025, leasing activity improved during 4Q25, contributing to a strong uplift in net face rents, which grew 2.7% q-o-q and +4.5% y-o-y to now average $810/sqm. 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 1.4% q-o-q and 3.5% y-o-y and now sit at $735/sqm.

CBD B grade rent growth has also been strong over 2025 given the secondary grade market has accounted for close to 36% of new leasing deals over the year driven by occupier relocations from the suburban markets, which have low availability of good quality stock. Overall, the B grade market saw net face rents increase 6.3% y-o-y (2.1% q-o-q) and now average $505/sqm.

Average incentive levels remained stable q-o-q across all grades in 4Q25. Premium and A+ grade incentives currently average 45%, A grade incentives are at 50% and B grade incentives average 52%.

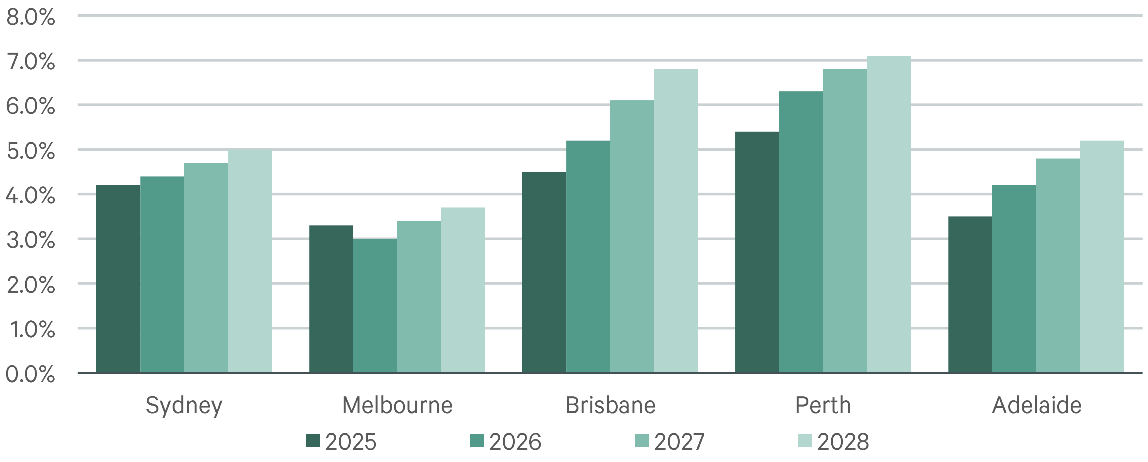
The Perth CBD office market has a strong rental growth outlook given the significant gap that already exists between market rents and economic rents, with construction cost escalation rates over the next few years also forecast to be well above historic rates. Perth's construction costs are forecast 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)		
	4Q25	Q-o-Q Change	Y-o-Y Change	4Q25	Q-o-Q Change	Y-o-Y Change	4Q25	Q-o-Q Change	Y-o-Y Change
Premium	810	+2.7%	+4.5%	45%	stable	stable	445	+2.7%	+4.5%
A+ Grade	735	+1.4%	+3.5%	45%	stable	stable	404	+1.4%	+3.5%
A Grade	675	+1.3%	+6.3%	50%	stable	stable	337	+1.3%	+6.3%
Average Prime Grade	**740**	**+1.8%**	**+4.7%**	**47%**	**stable**	**stable**	**396**	**+1.8%**	**+4.7%**
B Grade	505	+2.1%	+6.3%	52%	stable	stable	242	+2.1%	+6.3%

Source: CBRE Research

FIGURE 13: Forecast Construction Cost Escalation by City



Source: CBRE Research, Turner & Townsend Q3 2025

Investment Market

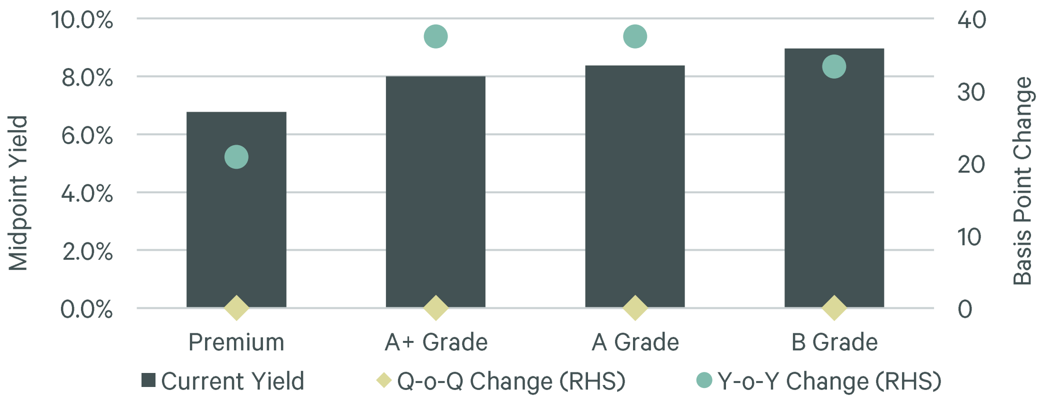
Perth CBD wraps up muted year of transaction activity

One investment transaction was recorded in the Perth CBD during 4Q25 to wrap up a muted year of transaction activity. SKS Group has acquired 178 St Georges Terrace on a vacant possession basis for $9.5 million. The property is likely to be re-purposed. This brings the total transaction volumes in CY2025 to just $42 million across three small scale transactions. Other transactions included Fife Capital's acquisition of 23 Barrack Street for $5 million and The Public Transport Authority of WA's purchase of 34-50 Stirling Street for $27.5 million.

During 4Q25 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 by 32 bps. B grade midpoint yields were also stable q-o-q and currently sit at 9.0%. Over the past year B grade midpoint yields have increased by 33 bps.

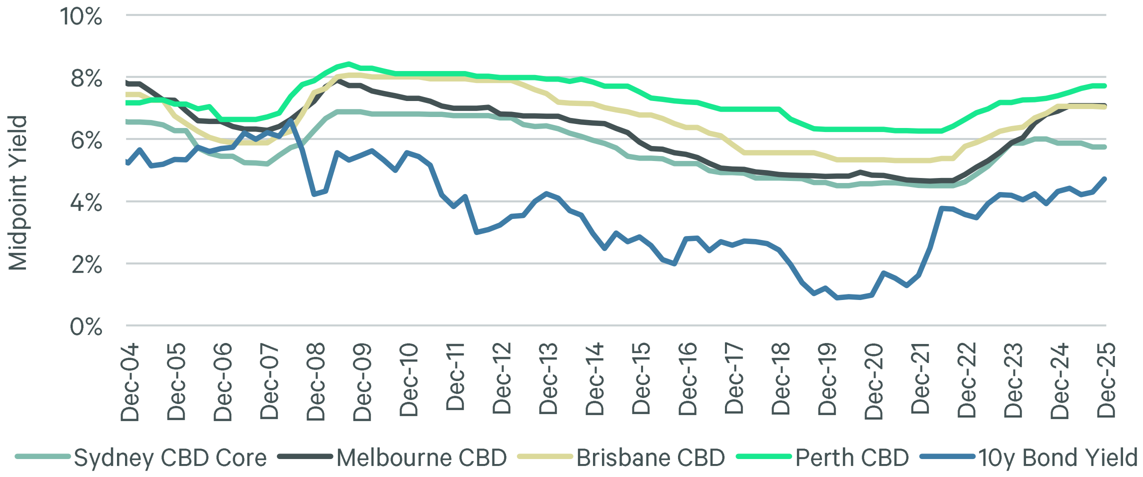
The RBA increased the Cash Rate by 25 basis points in February 2026 to 3.85%, reversing the easing cycle which began in February 2025. Market expectations imply a further c.35 bps of interest rate increase over the rest 2026 – as per the 3 February 2026 ASX 30 Day Interbank Cash Rate Futures Implied Yield Curve.

FIGURE 14: Perth CBD Office Yields By Grade and Change



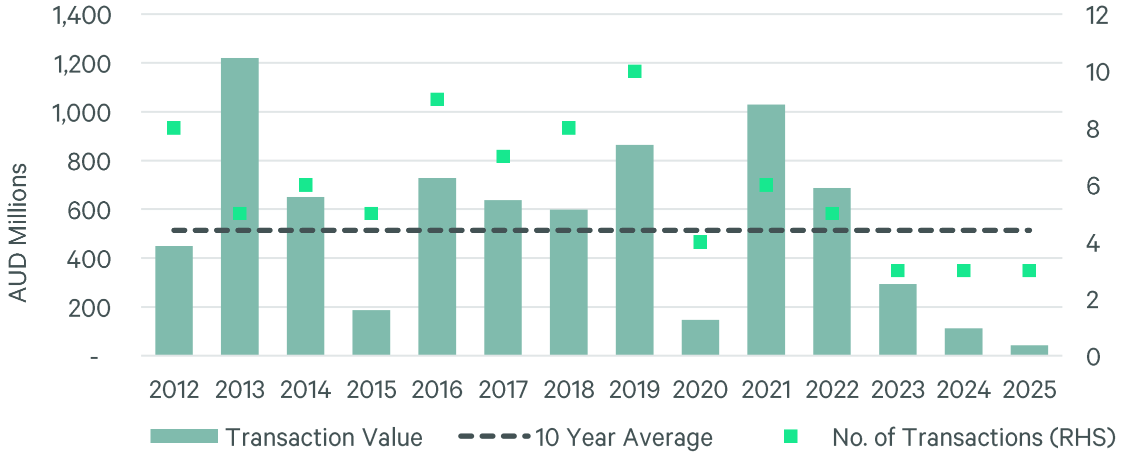
Source: CBRE Research

FIGURE 15: Australian CBD Markets Prime Yield



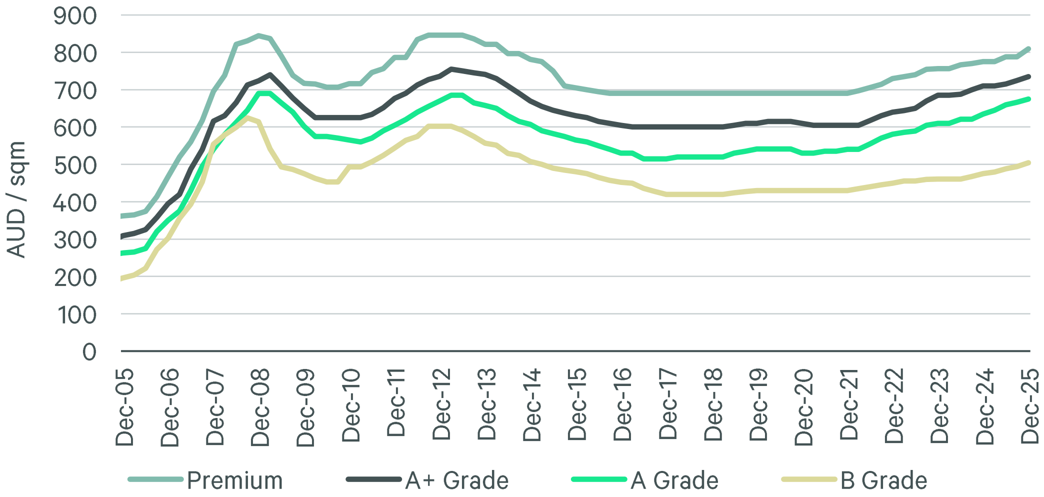
Source: CBRE Research

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



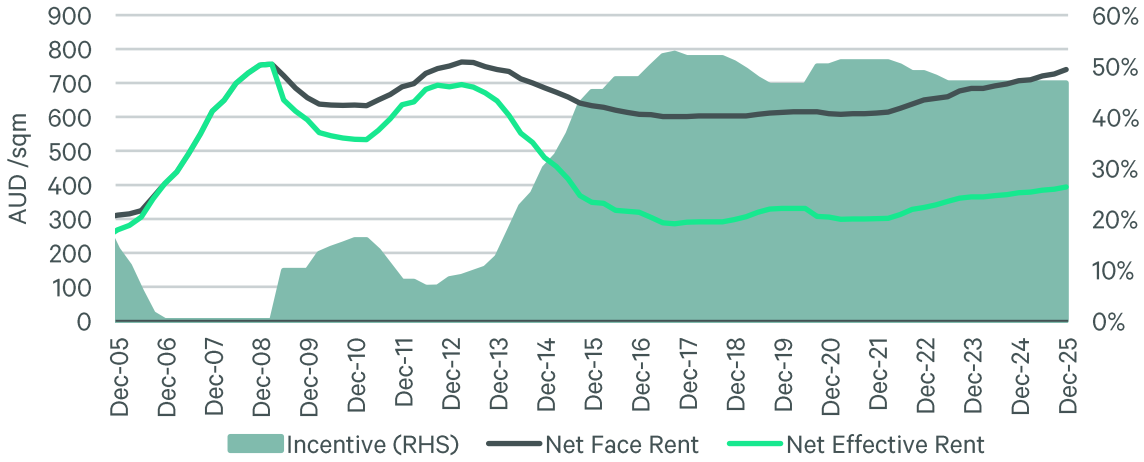
Source: CBRE Research

FIGURE 17: Perth CBD Net Face Rents By Grade



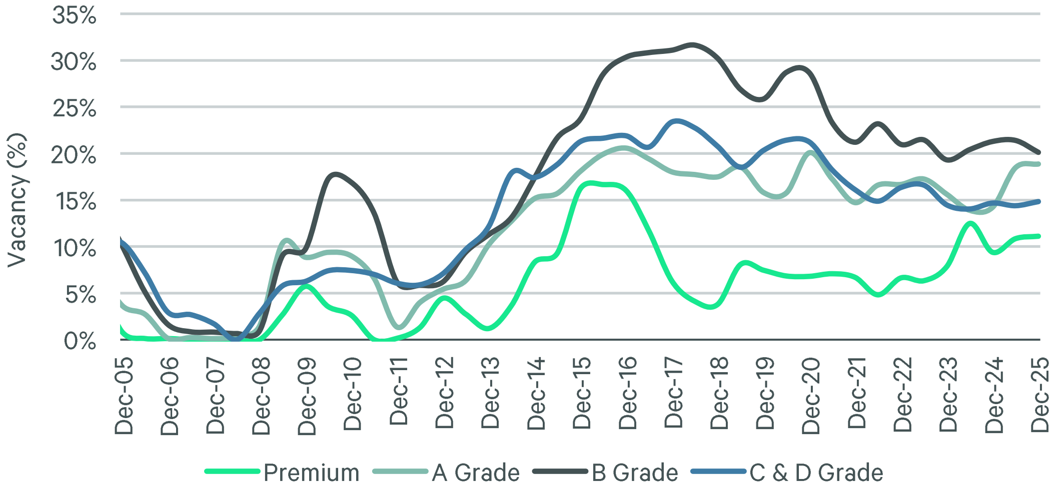
Source: CBRE Research

FIGURE 19: Perth CBD Prime Rents and Incentive



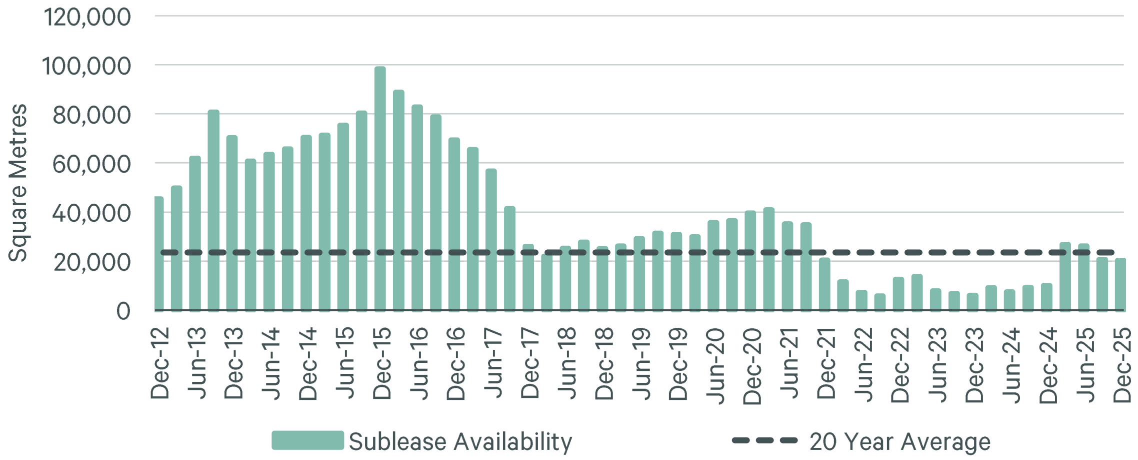
Source: CBRE Research

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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