Perth CBD – Q3 2021 Market Report

With Western Australia experiencing a limited downturn as a result of the pandemic, the vacancy rate has declined from 19.9% as of January 2021 to 16.8% in July 2021. A reduction of 3.1%, which is the largest decline in the vacancy rate experienced in Australian CBD markets in 2021. The vacancy rate as of July 2021 has been reduced by a mixture of higher net absorption and withdrawal of stock.

As Western Australia continues its strong recovery towards the end of the year, it is likely that the increase in office leasing activity will continue. Tenants in the sub-500 sqm market continue the trend nationally of being the most active in transacting leased space. It is expected that larger tenants will continue to pick up their requirements throughout the remainder of 2021 into the new year.

With over 46,000 sqm of stock being withdrawn from the market, with majority being A and B grade stock, and another increase in net absorption both the Prime and Secondary markets have experienced a drop in the respective vacancy rates. Prime falling from 14.8% - 13.1% and Secondary dropping to 22.1%.

Several new developments/refurbishments will come to market over the next 2 years, with Capital Square Tower 2, Westralia Square 2 and One the Esplanade all approaching completion between now and the end of 2023.

Typical Gross Rental Comparison

Vacancy	Average Gross Rent	Net Absorption
16.8%	$875/sqm	19,697 sqm

Grade	Typical Gross Face Rental ($/sqm)		Gross Incentive (%)	Gross Effective Rental ($/sqm)	
	Low	High	Average	Low	High
Premium	$950	$1,100	30%	$665	$770
A	$800	$950	37%	$504	$599
B	$650	$795	40%	$390	$477

Note - Vacancy and absorption statistics sourced from Property Council of Australia

Occupier's Perspective

In 2022, there are several new stock options coming to market. It is likely that if positive net absorption continues to remain strong moving into the new year, the vacancy rate is likely to drop below 16% by the end of 2022.

Incentives have remained steady throughout 2021, with landlords offering speculative fitouts to entice smaller tenants to their assets. After incentives rose steadily in 2020, face rents have begun to follow, as a result of the positive sentiment in the market and increase in transactions. The positive net absorption because of the withdrawals of stock has also seen the face rents increase.

Market Trends

Tenants continue to move into the CBD from fringe locations to take advantage of the post-pandemic conditions and the relatively low occupancy costs in the CBD. This is evident by the majority of transactions taking place are with tenants in the sub-500 sqm range. Incentives remain relatively high, which allows these tenants to relocate from the fringes into the CBD.

Serviced office likely to see an increase in interest as businesses look to secure flexible office options moving into the future. As experienced in the other CBD markets, serviced office and co-working has seen an uptick in interest.