

# Perth CBD – Q2 2022

## Market Report

With a very strong economy Western Australia continues to provide opportunities for employment growth with over 45% of goods exported from WA 2021-22. The State contributed 16% to the national economy with 10.7 % of the population and population growth is starting to increase again and is expected to further escalate as migration rates pick up both from interstate and overseas.

The workforce returning to the CBD is reputedly at 71% which is encouraging and favorable to other State Capitals. Despite these figures the CBD experienced an increase in office vacancy rate to 15.8% as of July with a major Agency suggesting it is now as high as 20.1%. The vacancy rate is likely to increase over the next six to twelve months with building completions due for Westralia Square 2 (9,100m<sup>2</sup>) and 1 The Esplanade (54,000m<sup>2</sup> the majority of which is leased to Chevron).

Given the economic conditions it is expected that demand will continue to be sourced from the mining and professional services. A significant event for the market has been the signing of BHP to a 15-year extension at 125 St Georges Terrace (Brookfield Place) with the ability to expand into another 8,000m<sup>2</sup> if required emphasizing the need to provide flexibility to cater for long term tenants.

With extra projects planned for 2024 and the movement of Chevron into 1 The Esplanade it is likely that the overall vacancy rate will probably remain around 20% for a few years.

### Typical Gross Rental Comparison



Grade	Typical Net Face Rental (\$/sqm)		Net Incentive (%)	Net Effective Rental (\$/sqm)	
	Low	High		Low	High
Premium	\$675	\$800	42%	\$360	\$440
A	\$550	\$650	45%	\$275	\$330
B	\$400	\$550	45%	\$200	\$270

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



## Occupier's Perspective



The priority remains for landlords to retain and attract tenants by offering flexible terms and incentives and due to the relatively high vacancy rates this is likely to continue for some time.



Incentives will remain a significant part of the negotiation process and the marketing and promotion of lesser grade space will need to be particularly resourceful to attract tenants.



With more space coming onto the market over the next few years the office market will continue to provide some good opportunities for those tenants looking to upgrade their accommodation.

## Market Trends

**Tenants continue to move into the CBD from fringe locations** to take advantage of 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. Landlords are also constructing speculative fitouts to provide.

**Brookfield in response to market demand** is understood to be planning a significant upgrade to the ground floor of Brookfield Place to provide a greater level of engagement and presentation in the public space – this is now becoming standard in all major office buildings.