

# Perth CBD – Q3 2022

## Market Report

The Western Australian economy remains very strong with excellent opportunities for employment growth provided suitably skilled staff can be found and residential accommodation secured. Exports remain strong with over 45% of goods exported from WA 2021-22. As of 20 October 2022, the State is contributing 16% to the national economy.

There has been no official update on the vacancy rates in the CBD of 15.8% as calculated in July although some agencies are still suggesting it is higher. 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).

1 The Esplanade reputedly has only 1400m<sup>2</sup> remaining on Level 8 and Chevron will commence occupation in March 2023. The impact of Chevron vacating space in various buildings will be significant. There appears to have been an increase in leasing activity which is a normal seasonal runup to Christmas with several smaller fitted out areas being taken up as these provide significant savings in cost and time.

The mining and professional services sector is expected to provide most of the activity/demand over the foreseeable future. As forecast in our Q2 report 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.



With Covid less prevalent and with many businesses having adopted flexible working arrangements the CBD is starting to but has not yet returned to its normal levels of activity.



Providing a stimulating and attractive work environment remains of paramount importance as the competition to retain and attract staff is strong.

## Market Trends

**On a broader scale Savills in its Asia Pacific Office Report observed** that "Employers are considering providing a greater variety of space within offices, including flexible seating areas, meeting rooms, breakout areas, townhall space and silent working areas. The shift from fixed to mobile workstations typically implies less workspace per worker and lower demand but it is difficult to assess the impact of this occupational strategy on the quantum of floorspace demanded, as the reduction in the number of workstations is partially offset by the increase in open-planned area".

**Top end of buildings becoming more difficult** for 200-400m<sup>2</sup> tenants to find space in premium accommodation during 2022 which probably accounts for more take of similar sized areas in A Grade and High B Grade buildings major office buildings.