Perth CBD – Q4 2023 Market Report

The Western Australian economy has remained strong due to the resource sector and the constant influx of people into the State from Interstate and Overseas. This is expected to continue albeit at a slightly slower rate.

The unemployment rate has risen slightly to 3.9% (December). CPI has dropped significantly to 3.6% (December) and wages growth being experienced to the year end of September 2023 with the Average Weekly Earnings – full time sitting at $2,039.30 which is almost 11% above the National Average.

PCA vacancy figures for the end of December 2023 have reported a slight decrease in the CBD rate to 14.9% although JLL has reported a figure of 17.3%. The PCA has adjusted its definition of the Perth CBD to set its boundaries on the Perth Postcode 6000 which has influenced its estimate of the vacancy rate. Incentives are still being offered for new deals but at slightly reduced levels at the better end of the market. The vacancy rate for B Grade space has just dropped below 20% but the competition to attract and retain tenants remains strong.

PCA via Cygnet West has reported increases in face rents of approx. 6% for Premium, A and B Grade space over the 12 months to December 2023. Office space available for sublease in the Perth CBD remains at a historically low level.

Demand is strongest from professional services followed by property and construction engineering and resources/mining and government.

Typical Rental Comparison

Vacancy	Average Net Rent	Net Absorption
14.9%	$675/sqm	20,000 sqm

Grade	Typical Net Face Rental ($/sqm)		Net Incentive (%)	Net Effective Rental ($/sqm)	
	Low	High	Average	Low	High
Premium	$700	$800	42-45%	$385	$450
A	$550	$665	45-47%	$275	$350
B	$400	$550	45-50%	$200	$270

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

lpc

Occupier's Perspective

- The competition for labour remains tight so creating healthy and stimulating works environments is of paramount importance for employers to attract employees
- Landlords will continue to retain and attract tenants by offering flexible terms and incentives including fitout.

  High vacancy rates will be the feature of the market for the foreseeable future.
- Hybrid working from home models remain a significant trend in the market.

Market Trends

With continuing interest rate rises and the subsequent decompression of yields for assets the pressure on Landlords to retain cashflows will be of paramount importance. Therefore, for sitting and new Tenants this provides an opportunity to negotiate terms and conditions of Lease which are more in keeping with the requirements of the occupier rather than the owner.

Incentives remain a significant part of lease negotiations and the presentation marketing and promotion of lesser grade space needs to be resourceful to attract tenants.

It's still a tenant's market so do your homework and research the market thoroughly to ensure that the terms negotiated provide the most competitive deal in terms of Cost, Risk, Flexibility, Obligations and Guarantees.