

**\$315** Prime Net Effective Rents (sqm pa)

**-1.9%** YoY Premium Net Effective Rent growth

**\$226** B-grade Net Effective Rents (sqm pa)

### ECONOMIC OVERVIEW

The economy of Western Australia (WA) has remained firmly on a recovery footing despite the introduction of COVID-19 into the community from the ending of the hard border. This recovery has been softened with having the countries highest inflationary pressure figures as well as interest rate rises, skill shortages and supply chain issues have lowered expected state growth. WA's inflation figure is higher than the national average with Perth topping all other cities at 7.4%. Data to September 2022 expects the national economy will expand a further 5.6% in Q3 of 2022. The WA economy is expected to continue its strong growth through H2 2022, with Deloitte Access Economics (DAE) forecasting a 2.3% expansion in real final demand over the calendar year, following growth of 6.6% in 2021.

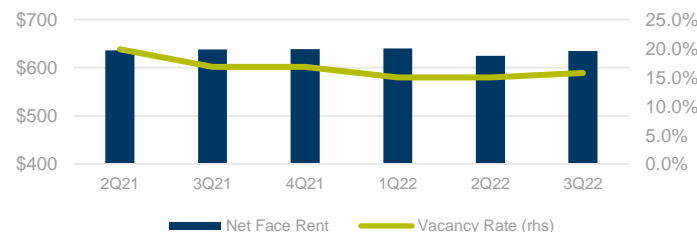
### SUPPLY AND DEMAND

In terms of new supply, 1 The Esplanade construction will end in Q1 2023, delivering 54,000 square meters (sqm) to market with commitments from Chevron, Herbert Smith Freehills and Minter Ellison Services. Capital Square Tower 3, with construction of 15,690 sqm to market and 9,100 sqm of the Westralia Tower 2 development is currently under construction with delivery expected in 2023. The Perth CBD will be expecting a total supply of 88,790 sqm that is currently under construction, creating a substantial amount of shadow vacancy within the CBD. Further, in 2024 the 34,000 sqm development at 9 The esplanade is expected to come to market, while another 146,000+ sqm development applications are planned for the market in 2025 and beyond, although many plans will be delayed due to current construction costs, increased interest rates and supply chain issues.

### RENTS

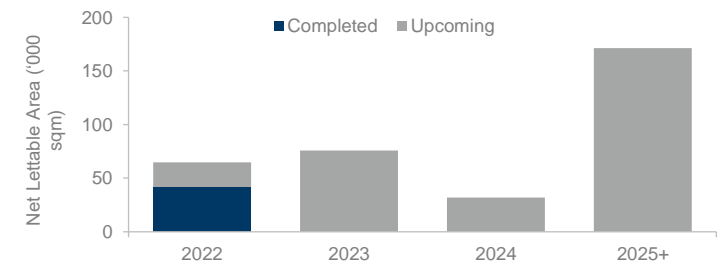
Net effective rents have remained relatively stable in both the A and B-grade office markets across Q3 2022 with an increase in the premium-grade market. Net effective rents are averaging \$370 per square meter per annum (sqm pa) for Premium grade stock, while A-grade is averaging \$281 sqm pa. B-grade net effective rent are steady at \$226 sqm pa. Like the rents, incentives in Premium and A-grade markets have remained stable for 2021, H1 2022 and has continued into H2, with net incentives averaging 40% to 50% respectively. B-grade incentives remain at 45%, however we are starting to see some potential of upward pressure as the flight to quality gathers momentum.

### PRIME NET FACE RENT, OVERALL VACANCY (6 MONTHLY)



Source: PCA; Cushman & Wakefield Research

### SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REFURBS



Source: Cushman & Wakefield Research; PCA

### ECONOMIC INDICATORS

Q2 2022

Q1 22 Q2 22 12-Mo. Forecast

GDP Growth (National)\* **5.4%** **3.9%** ▼

State Final Demand Growth (WA)\* **7.2%** **4.9%** ▼

Unemployment (WA)† **3.4%** **3.4%** ▲

\*Average annual growth rate, †Seasonally adjusted

Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research



## MARKET STATISTICS

SUBMARKET	INVENTORY* (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	NET FACE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	413,152	4.8%	79,690	370	245	250
A-grade	639,431	16.6%	9,100	280	185	190
<b>Prime *</b>	<b>1,052,583</b>	<b>12%</b>	<b>88,790</b>	<b>315</b>	<b>210</b>	<b>210</b>
B-grade	572,405	23.2%	-	225	150	150
<b>PERTH CBD TOTAL^</b>	<b>1,803,329</b>	<b>15.8%</b>	<b>88,790</b>			

\*Prime grade is a combination of Premium and A-grade

^All-Grades - As at August 2022. Source: Property Council of Australia and Cushman & Wakefield.

AUD/USD = 0.6624; AUD/EUR = 0.6739 as at 23 September 2022 Source: RBA

## KEY LEASING TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
Allendale Square, 77 St Georges Terrace	CBD	Stratagen Environmental Consultants	863	Direct
500 Hay Street	Subiaco	SLR Consulting	1,075	Direct
St Martins, 44 St Georges Terrace	CBD	McCabes	1,364	Direct
251 St Georges Terrace	CBD	Wunderman Thompson	506	Direct

Source: Cushman & Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
1 The Esplanade	CBD	Chevron	54,000	Q1 2023
Westralia Tower 2, 141 St Georges Terrace	CBD	N/A	9,100	2023+
Capital Square Tower 3, 98 Mounts Bay Road	CBD	N/A	15,690	Q1 2023
EQ West, Lot 3 2-4 William Street	CBD	N/A	10,000	2023+

Source: Cushman & Wakefield Research

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