

**\$338** Prime Net Effective Rents (sqm pa)

**1.4%** YoY Premium Net Effective Rent Growth

**\$237** B-grade Net Effective Rents (sqm pa)

### ECONOMIC OVERVIEW

Global inflationary pressures that persisted throughout 2022 have continued into 2023, which is expected to weigh on GDP growth this year. Deloitte Access Economics (DAE) forecasts Australian real GDP growth to slow from 3.7% in 2022 to 1.5% in 2023 and 1.2% in 2024. In part, this is a result of slower growth in consumption: DAE forecasts real household consumption growth to slow from 6.5% in 2022 to 1% in 2023 and 0.6% in 2024 as higher interest rates begin to impact household budgets. Western Australia (WA) gross state product (GSP) is also forecast to slow from 3.8% in 2022 to 3.3% and 1.2% respectively in 2023 and 2024.

### SUPPLY AND DEMAND

Construction of Brookfield’s EQ West tower has begun at Elizabeth Quay, which will deliver 51,000 square meters (sqm) to market upon completion. Capital Square Tower 3, will add 15,690 sqm to market and GDI’s Westralia Square 2 will provide a further 9,100 sqm of Prime Grade space this year. The 34,000 sqm development at 9 The Esplanade is expected to come to market in 2025 while another 171,000+ sqm of development applications are planned for 2025 and beyond, however rising; construction costs, inflation rates, interest rates and continued supply chain issues will continue to put pressure on current and future developments, potentially delaying project delivery times.

The Perth CBD recorded the highest worker occupancy in the nation in Q4 22 at 80%, highlighting the continued confidence in the local office market. WA’s unemployment remains unchanged according to latest ABS figures, remaining at 3.6%, indicative of the tight labour market. Demand for office space remains healthy with expansions in quarter-on-quarter white collar employment by 3.9%, rising rents across asset classes and a direct vacancy rate of 15.6% across Perth CBD assets.

### RENTS

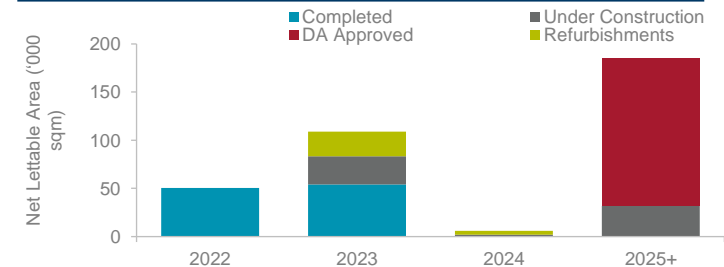
Premium grade net face rents have remained unchanged from Q1 2023 at \$737 per sqm per annum (sqm/pa) but have increased over the year by 7.8%. Over the quarter, A-grade net face rents have increased by 1.3% to \$618, while B-grade net face rent recorded a modest 0.7% increase to \$473 sqm/pa. Incentives in A-grade markets have remained stable for H1 2023, with net incentives averaging 50%. Premium grade incentives have also remained relatively stable, at 45% - 50%, but is “asset-to-asset” specific and are subject to vacancy pressures. B-grade incentives are ranging between 47% - 53%, a 2% year-on-year decrease, driven by a rapid take up of fitted space in 2023.

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



Source: PCA; Cushman & Wakefield Research

### SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REFURBISHMENTS



Source: Cushman & Wakefield Research; PCA

### ECONOMIC INDICATORS Q1 2022

	Q4 22	Q1 23	12-Mo. Forecast
GDP Growth (National)*	3.7%	3.5%	▼
State Final Demand Growth (WA)*	4.0%	3.5%	▼
Unemployment (WA)†	3.5%	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 EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	414,872	6.6%	79,690	385	260	160
A-Grade	648,046	16.7%	9,100	320	215	135
<b>Prime *</b>	<b>1,062,918</b>	<b>12%</b>	<b>88,790</b>	<b>345</b>	<b>235</b>	<b>145</b>
B-Grade	565,533	20.9%	-	235	160	100
<b>PERTH CBD TOTAL^</b>	<b>1,806,792</b>	<b>15.6%</b>	<b>88,790</b>			

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

^All-Grades - As at June 2023. Source: Property Council of Australia and Cushman & Wakefield.

AUD/USD = 0.6765; AUD/EUR = 0.6158 as at 22 June 2023. Source: RBA

## KEY LEASING TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
Westralia Square, 141 St Georges Terrace	CBD	Capricorn Society	3,373	Direct
QV1, 250 St Georges Terrace	CBD	Euroz Hartleys	2,966	Direct
Central Park, 152-158 St Georges Terrace	CBD	Thompson Geer	1,321	Direct
45 St Georges Terrace	CBD	Techforce	1,090	Direct

Source: Cushman & Wakefield Research

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
Westralia Tower 2, 141 St Georges Terrace	CBD	ARUP	9,100	Q2 2023
Capital Square Tower 3, 98 Mounts Bay Road	CBD	N/A	15,690	Q3 2023
Brookfield EQ Tower, Elizabeth Quay	CBD	N/A	51,000	2025+

Source: Cushman & Wakefield Research

## NICHOLAS MOORMAN

Senior Research Analyst, Perth

+61 (0) 437 382 767/ [nicholas.moorman@cushwake.com](mailto:nicholas.moorman@cushwake.com)

## DR. DOMINIC BROWN

Head of International Research

+61 (0) 431 947 161/ [dominic.brown@cushwake.com](mailto:dominic.brown@cushwake.com)

## cushmanwakefield.com

## A CUSHMAN &amp; WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of \$10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com).

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.