

\$354 Prime Net Effective Rents (sqm pa)

8.4% Y-o-Y Premium Net Effective Rent Growth

\$323 A-grade Net Effective Rents (sqm pa)

ECONOMIC OVERVIEW

Financial and economic data for Q3 suggest a 'soft landing' for the Australian economy. Although economic growth has slowed, it remains positive. Meanwhile, inflation remains above the Reserve Bank of Australia's target band of 2% to 3%. Australian GDP growth slowed to an average annual rate of 3.3% in Q2 from 3.6% in Q1 and 3.7% a year earlier. Looking forward, growth is forecast to continue to slow before picking up again mid next year. Following a -0.3% Q2 contraction, WA's GSP is forecasted to grow 2.9% Y-o-Y. State GSP is expected to remain positive, albeit at a slower rate than the long-term average, with forecast growth of 1.3% in 2024 and 1.6% in 2025.

SUPPLY AND DEMAND

Construction of Brookfield's EQ West has begun at Elizabeth Quay, delivering 2,000 square meters (sqm) of office space to market upon completion. Capital Square Tower 3, will deliver 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 increased construction costs, inflationary pressures, credit availability and supply chain issues will continue to put pressure on current and future developments, making projections subject to delays.

RENTS

Following two strong years of positive net absorption, limited supply beyond this year is expected to place downward pressure on vacancy as existing space is occupied. As demand-side shifts increase the competition for space, further growth in net rents and reduced incentives are to be expected.

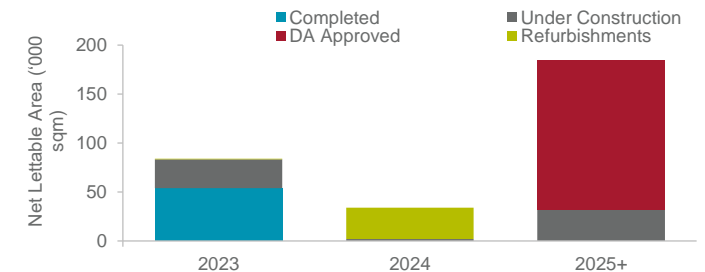
Premium grade net face rents have increased from Q2 2023 at \$743 per sqm per annum (sqm pa) and 5.4% annually. A-grade net face rents have remained stable at \$615 sqm pa and B-grade rents have remained similarly constant at \$455 sqm pa. Incentives in A-grade markets have decreased for the beginning of 2023, with net incentives transacting at 45% to 50% respectively. Premium grade incentives have also trended lower, transacting in the 42-50% range, but is "asset-to-asset" specific subject to vacancy pressures. B-grade incentives are ranging between 45-50%, a 6.9% Y-o-Y 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 Q2 2023

	Q1 23	Q2 23	12-Mo. Forecast
GDP Growth (National)*	3.6%	3.3%	▼
State Final Demand Growth (WA)*	3.6%	3.6%	▼
Unemployment (WA)†	3.4%	3.6%	▲

*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	438,879	6.3%	79,690	400	260	240
A-Grade	648,046	17.3%	9,100	325	210	195
Prime *	1,086,925	12.9%	85,790	355	225	215
B-Grade	575,185	21.5%	-	240	155	145
PERTH CBD TOTAL^	1,839,951	15.9%	85,790			

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

^All-grades - As at 22/09/2023. Source: Property Council of Australia and Cushman & Wakefield.

AUD/USD = 0.6425; AUD/EUR = 0.6033 as at 22 September 2023 Source: RBA

KEY LEASING TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
256 St Georges Terrace	CBD	Fortescue Metals Group	22,740	Direct
50 St Georges Terrace	CBD	Calibre Global	4,752	Direct
GPO Building, 3 Forrest Place	CBD	MetconnX	3,035	Direct
QV1, 250 St Georges Terrace	CBD	JERA	1,636	Direct

Source: Cushman & Wakefield Research

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANTS	SQM	COMPLETION DATE
Capital Square Tower 3, 98 Mounts Bay Road	CBD	N/A	15,690	Q4 2023
Westralia Square 2, 141 St Georges Terrace	CBD	N/A	9,100	Q4 2023

Source: Cushman & Wakefield Research

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