

\$357 Prime Net Effective Rents (sqm pa)

2.7% YoY Premium Net Effective Rent Growth

\$326 A-grade Net Effective Rents (sqm pa)

ECONOMIC OVERVIEW

The Australian economy in Q4 demonstrated a persistent and gradual strengthening, underscored by strong economic indicators and positive momentum across sectors. Although economic growth has slowed, it remains positive. Inflation remains in excess of the RBA's 2-3% target range, posing an ongoing policy challenge. WA's GSP growth, according to Oxford Economics, slowed to 0.3% in Q4 from 1.8% in Q3 and totaling at 3.3% growth for the calendar year. Looking forward, growth is forecasted to continue to slow before picking up again mid next year. State unemployment levels remained consistent in Q4, with the unemployment and participation rates at 3.57% and 68.46% respectively.

SUPPLY AND DEMAND

Capital Square Tower 3, forecasted for completion in early 2024, is set to introduce 15,690 sqm to the market, positioning itself as the most significant upcoming supply addition. Noteworthy projects by Brookfield (9 The Esplanade, 34,000 sqm, 2025) and AAIG (Lot 4 Elizabeth Quay, 60,000 sqm, 2026) are poised to follow suit. A collective 171,000+ sqm of development applications are on the horizon for 2025 and beyond. Ongoing heightened construction costs, inflationary pressures, credit constraints, and supply chain disruptions, may prove to exert strain on current and future developments, causing delays in projected timelines. Demand has expanded with a 23,950 sqm positive net absorption, up from 5,429 sqm. Total CBD vacancy rates rose 0.2% to 15.9%, however, Premium-Grade vacancies have contracted to 6.3% and sublease vacancies remain their lowest against historical averages at 0.5%.

RENTS

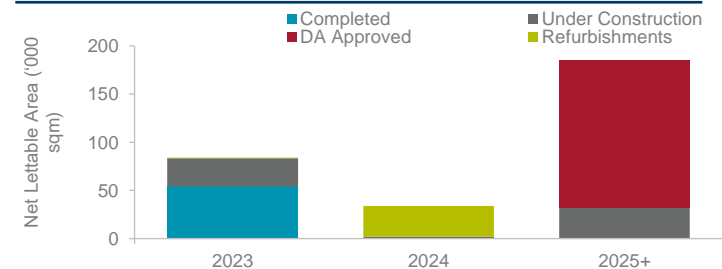
Following two strong years of positive net absorption, limited supply beyond this year is expected to place downward pressure on vacancy as existing space becomes occupied. As demand-side shifts increase the competition for space, further growth in net rents and reduced incentives are to be expected. Premium-Grade Net Face Rents have increased from Q3 2023 at \$747 p/sqm and 2.1% annually. A-Grade Net Face Rents have remained stable at \$621 and B-Grade rents have remained similarly constant at \$465. Incentives in A-Grade markets have decreased for 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 47-53%, a 2% YoY decrease, driven by a rapid take up of fitted space in 2023

PRIME NET FACE RENT, TOTAL VACANCY (6 MONTHLY)



Source: PCA; Cushman & Wakefield Research

SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REFURBISHMENTS



Source: Cushman & Wakefield Research; PCA

ECONOMIC INDICATORS Q3 2023

	Q2 23	Q3 23	12-Mo. Forecast
GDP Growth (National)*	3.1%	2.2%	▼
State Final Demand Growth (WA)*	3.8%	4.2%	▼
Unemployment (WA)†	3.6%	3.3%	▲

*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	405	265	245
A-Grade	648,046	17.3%	9,100	325	215	195
Prime *	1,086,925	12.9%	85,790	355	235	215
B-Grade	575,185	21.5%	-	230	155	140
PERTH CBD TOTAL^	1,839,951	15.9%	85,790			

*Prime is a weighted combination of Premium and A-grade
 ^All-grades - As at 16/01/2024. Source: Property Council of Australia and Cushman & Wakefield.

AUD/USD = 0.6579; AUD/EUR = 0.6043 as at 22 January 2024
 Source: RBA

KEY LEASING TRANSACTIONS Q4 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	Q1 2023
Westralia Square 2, 141 St Georges Terrace	CBD	N/A	9,100	Q4 2023

Source: Cushman & Wakefield Research

NICHOLAS MOORMAN

Senior Research Analyst, Perth

+61 (0) 437 382 767 / nicholas.moorman@cushwake.com

DR. DOMINIC BROWN

Head of Research, Australia & New Zealand

+61 (0) 431 947 161 / dominic.brown@cushwake.com

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