

\$405 Premium Net Effective Rents (sqm pa)

8.5% YoY Prime Net Effective Rent Growth

\$330 A-grade Net Effective Rents (sqm pa)

ECONOMIC OVERVIEW

The Australian economy enters 2024 on a cautious footing following a period of inflationary pressure and subsequent interest rate increases. Australian real GDP growth slowed to 1.5% over 2023 from 2.3% over 2022. Oxford Economics (OE) forecasts that real GDP will continue to slow through Q2, before recovering to end 2024 up 1.6%; a recovery at least partially predicated by the Reserve Bank of Australia pivoting in the second half of the year and beginning to cut interest rates. OE forecasts Western Australian real gross state product to increase 2.6% over 2024, before growing 3.8% in 2025 and 4.6% in 2026.

SUPPLY AND DEMAND

Perth has experienced continuous elevated demand for several years, marked by consistently positive net absorption over the past three years. Although the latest figures from the PCA indicate a six-month net absorption of -79,000, this was primarily influenced by a one-time event—the alteration of the CBD boundary. Adjusting for this boundary change, Cushman & Wakefield estimates a six-month net absorption of approximately 20,000 square meters.

Capital Square Tower 3 is set to be completed in Q2, adding 15,700 square meters to the market, making it the most substantial new addition to stock in 2024. Additionally, the refurbishment of QV1 will reintroduce 20,000+ square meters to the market within the year. Looking ahead, Brookfield plans to deliver 34,000 square meters at 9 The Esplanade in 2025, while AAIG has earmarked 60,000 square meters for delivery in 2026 at Lot 4 Elizabeth Quay.

RENTS

Tightening vacancy and strong levels of absorption continuing across the Perth CBD are placing further upward pressure on rents, particularly for A-grade stock, where net face rents have increased 1.9% over the quarter to reach \$635 per sqm per annum (sqm pa). Occupied stock in the Premium market remains stable while vacancy has ticked up off the back of modest stock additions, subsequently softening net face rents slightly, down 0.5% over the quarter to average \$745 sqm pa. Secondary grade net face rents have remained stable at \$465 sqm pa in Q1. Incentives have remained stable across the grades for the third quarter in a row, with Premium grade averaging 46%, A-grade 48% and the B-grade 50%. Prime grade outgoings are up 3.5% year-on-year to average \$205 sqm pa, A-grade remained stable at \$175 sqm pa, as did B-grade which is averaging \$130 sqm pa.

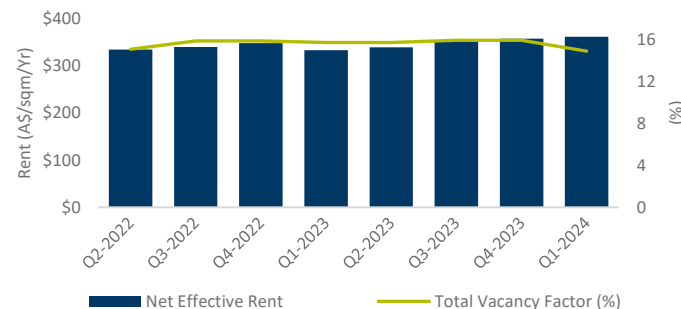
ECONOMIC INDICATORS

Q4 2023

	Q3 23	Q4 23	12-Mo. Forecast
GDP Growth (National)*	2.3%	2.1%	▼
State Final Demand Growth (WA)*	4.2%	4.7%	▼
Unemployment (WA)†	3.3%	4.2%	▲

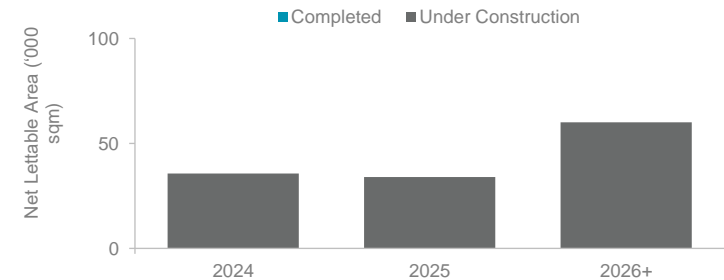
*Average annual growth rate, †Seasonally adjusted
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

PRIME NET EFFECTIVE RENT, TOTAL VACANCY, (6 MONTHLY)



Source: PCA; Cushman & Wakefield Research

SUPPLY PIPELINE: NEW DEVELOPMENTS & MAJOR REFURBS



Source: Cushman & Wakefield Research; PCA

MARKET STATISTICS

SUBMARKET	INVENTORY* (SQM)	VACANCY RATE*	UNDER CONSTRUCTION (SQM)	GROSS EFFECTIVE RENT		
				A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Premium	445,566	7.8%	122,306	405	260	245
A-Grade	637,183	16.1%	18,426	330	215	200
Prime *	1,082,749	12.7%	140,732	360	235	215
B-Grade	516,780	19.8%		230	150	140
Perth CBD Total^	1,724,763	14.9%	140,732			

*Prime Grade is a combination of Premium and A Grade

^All-Grades - As at 28/03/2024

AUD/USD = 0.651; AUD/EUR = 0.602 as at 02 April 2024

KEY LEASING TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
Westralia Square	CBD	Hexagon	1,900	Direct
GPO Building	CBD	Department of Health	1,600	Direct
66 St Georges Terrace	CBD	TPG	750	Direct
GPO Building	CBD	Laing O'Rourke	1,500	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	Q2 2023
9 The Esplanade	CBD	N/A	34,000	2025

Source: Cushman & Wakefield Research

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