

**MARKET FUNDAMENTALS**

	YOY Chg	Outlook
<b>15.5%</b> Vacancy Rate	▼	▬
<b>-9,811</b> 6-month Net Absorption, sqm	▲	▲
<b>\$373</b> Prime Net Effective, sqm pa	▲	▲

**ECONOMIC INDICATORS**

	YOY Chg	Outlook
<b>0.8%</b> (National) GDP Growth	▲	▲
<b>2.5%</b> (Western Australia) State Final Demand Growth	▲	▲
<b>4.1%</b> (National) Unemployment Rate	▲	▲

Source: ABS

**ECONOMY OVERVIEW:**

Real GDP growth released for Q3 2024 is at 0.3%, with a 0.1% increase from the previous 3 quarters. Productivity growth has slightly weakened, as the trend of GDP per hour worked declining and unit labour costs rising continues through Q4 and contributes to inflationary pressure. As a result, the RBA has held the cash rate at 4.3% to ease heightened underlying inflation. Net overseas migration has reached historic highs through mid-year, helping offset these productivity challenges through stimulating economic activity. Forecasts for Western Australia's gross state product remained positive through 2024, showing a 2.5% increase over the 12 months to September. The future outlook remains very strong, forecasted to significantly increase by 4.0% through 2025 and 3.7% through 2026.

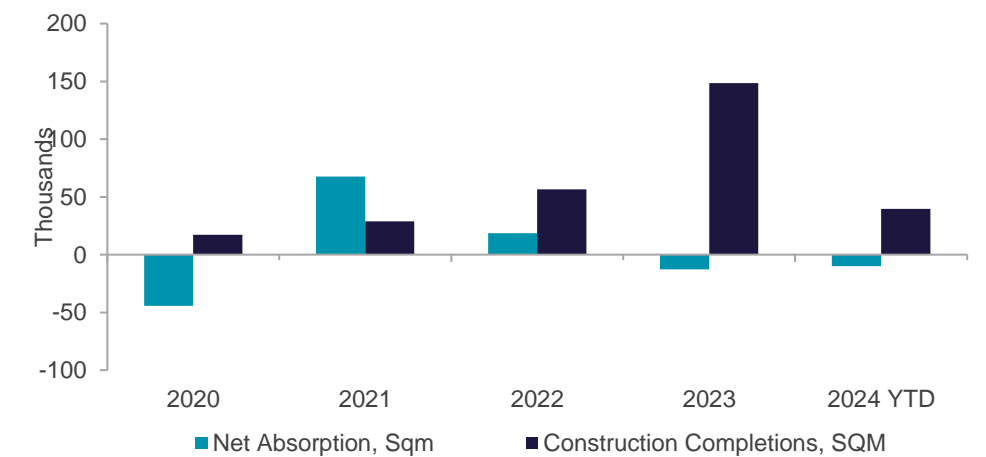
**DEMAND:**

Throughout Q4 2024, the demand for office space in the Perth CBD remained stable, although the market experienced a slight slowdown as the year drew to a close. Over the course of 2024, the Perth CBD market faced challenges with negative net absorption. However, similar to other markets, well-located, high-quality assets continued to outperform. Looking ahead, it is anticipated that net absorption will turn positive in the new year, driven by improving demand and overall economic conditions. The stability in demand, despite the challenges, highlights the resilience within the Perth CBD market.

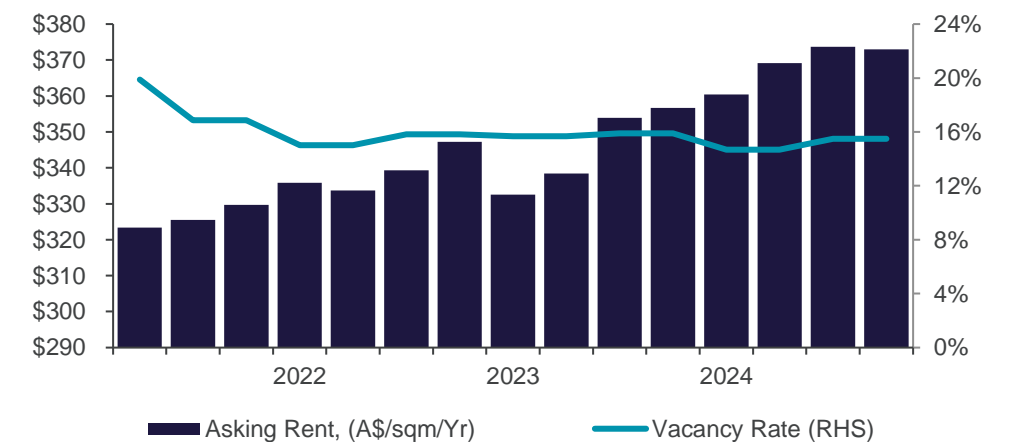
**RENT:**

Rents in Perth's CBD office market have remained stable across all grades through Q4 2024. Prime grade net effective rents saw a 4.6% Y-o-Y (year-on-year) increase, now averaging at \$373 per sqm per annum (sqm pa) and declining marginally by -0.2% from the previous quarter. Prime net incentives now average at 46.5%, increasing slightly by 0.9% from the past quarter after the still 46.1% since Q2. In contrast, secondary asset rents have increased from \$232 sqm pa in Q4 2023 to \$246 sqm pa in Q4 2024, with incentives remaining unchanged at 50.0% since December 2023. Prime outgoings saw a 6.0% Y-o-Y increase to \$195, whereas secondary rose 12.0% to \$140. The increase in outgoings and incentives (albeit small), eroded the slight Q4 growth in face rents.

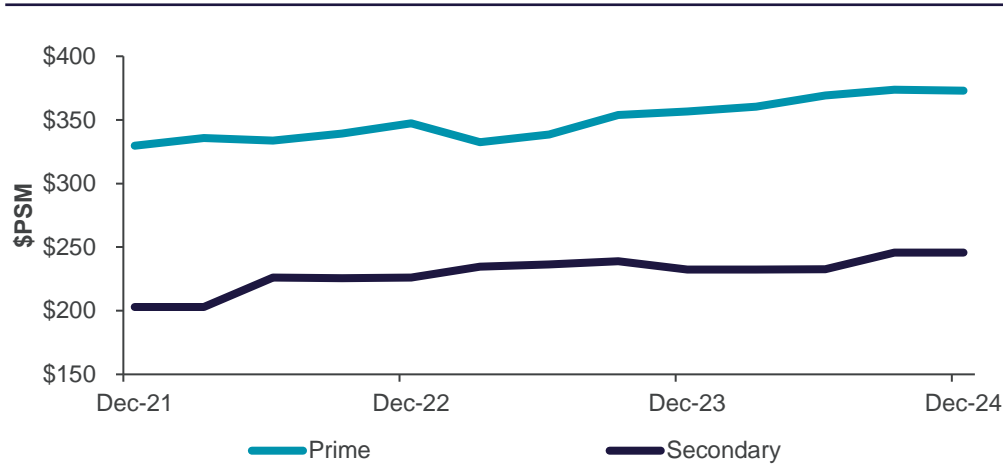
**SPACE DEMAND / DELIVERIES**



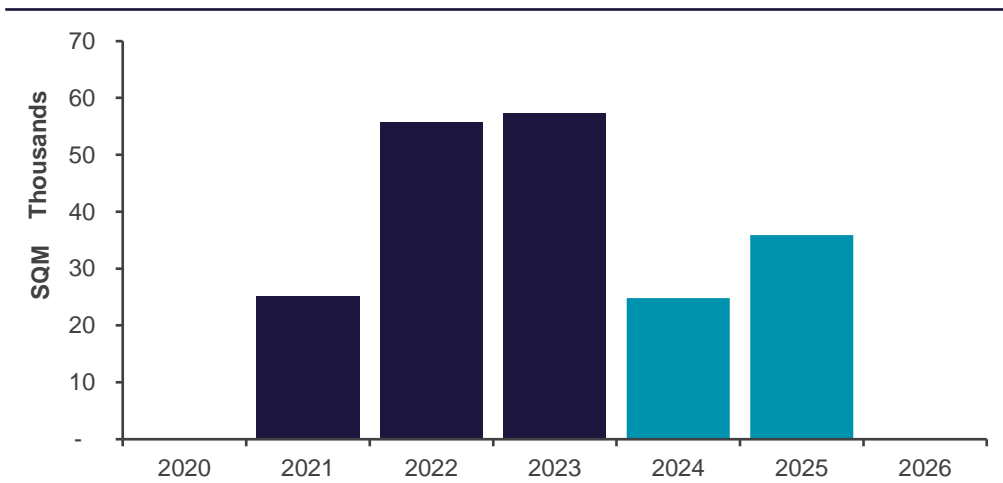
**OVERALL VACANCY & PRIME NET EFFECTIVE RENT**



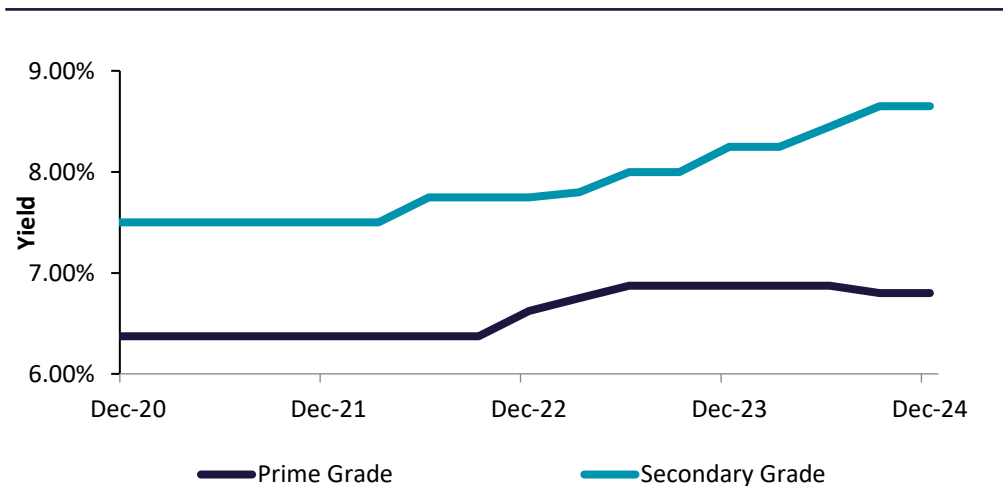
**AVERAGE NET EFFECTIVE RENTS**



**SUPPLY**



**AVERAGE YIELDS**



**VACANCY & SUPPLY:**

In 2024, the Perth CBD office market saw 39,732 sqm of new and refurbished supply additions enter the market, with 34,987 sqm consisting of prime stock. This pushed total market vacancy up from 14.8% in January 2024 to 15.5% mid year. Increased office vacancy is largely attributed to the introduction of new prime assets to market. These include the newly built Capital Square Tower 3 which led to the completion of the Capital Square Precinct, integrating 31,000 sqm of mixed-use space. Additionally, QV1 (250 St Georges Terrace) underwent a major refurbishment of full floors in Q2 2024. 2025 is anticipated to see additional supply, as new developments including Lots 2 & 3 Elizabeth Quay West are due for completion early in the year, delivering 2,000 sqm of new space. Lot 6 Elizabeth Quay is also due for completion early next year, with a supply forecast of 33,903 sqm of A-grade space.

**YIELDS:**

Perth CBD office yields have remained stable through Q4 2024. Prime yields have held steady for the second consecutive quarter, averaging 6.8% for prime grade assets. Similarly, secondary grade yields have also remained unchanged for the second quarter in a row, averaging 8.65%.

Despite subdued investment volumes, the Perth CBD office investment market is in relatively better condition compared to some other CBD markets, where valuation repricing has been significantly harsher. This stability can be in part attributed to the State’s strong economic growth driven by record population growth and ongoing strength within the resources sector.

**INVESTMENT MARKET:**

Perth CBD office transaction volumes have remained quieter through Q4. Transactional activity this quarter includes the recent sale of 66 George Terrace, acquired by Oceania Capital from seller Corval for \$75 million. Investors remain cautious about the Perth market given the current economic conditions with increased vacancy and oversupply of prime spaces. Secondary grade offices, especially those in prime locations, are increasingly being repurposed. For instance, 619 Wellington Street, an older office warehouse sold to a foreign investor in July 2024, is likely to be redeveloped due to its strategic location near the upcoming Perth City Link project. Overall, despite uncertainties and rising operational costs, investors remain on the lookout for assets with strong potential for repurposing and value creation.

**OUTLOOK**

- The outlook for the Perth CBD office market remains positive but currently faces pressure from higher-than-average vacancy rates driven by new supply. A strong secondary market will pressure prime assets to reassess their incentive strategies.
- Economic growth is expected to strengthen significantly throughout 2025, as Gross State Produce reverts to align with longer term averages.
- Occupier demand is expected to remain strong, through 2025 for both prime and secondary assets, in-line with strong State economic growth.
- New supply is expected to moderately increase vacancy in 2025. The absence of new supply between 2026 and 2028 is anticipated to help vacancy rates revert to the long-term average.
- Recent transaction activity suggests that yields are nearing the bottom of the cycle.

MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	6-MONTH NET-ABSORPTION (SQM)	UNDER CONSTRUCTION (SQM)	NET EFFECTIVE RENT (\$ SQM PA)	AVERAGE NET INCENTIVES	AVERAGE OUTGOINGS (\$ SQM PA)
Premium	466,872	58,269	12.1%	-2,009		\$417	45.0%	\$214
A	661,299	91,875	13.9%	-1,291	123,949	\$344	47.5%	\$183
Prime^	1,128,171	150,144	13.3%	-3,300		\$373	46.5%	\$195
Secondary	647,994	125,095	19.3%	-6,511		\$246	50.0%	\$140
<b>TOTALS</b>	<b>1,776,165</b>	<b>275,239</b>	<b>15.5%</b>	<b>-9,811</b>	<b>123,949</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Rental rates reflect full service asking

^Prime grade is a combination of Premium and A Grade.

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
600 Murray Street	Statistical Division 2	Acciona	1,693	Direct
1 Nash Street	Statistical Division 1	Department of Health	4,561	Direct
130 Stirling Street	Statistical Division 1	DT Infrastructure	1,995	Direct
One William	Statistical Division 3	T.EN Australia & New Zealand	2,560	Direct
202 Pier Street	Statistical Division 1	CPB Contractors	4,887	Direct

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE (AUD M)
66 Georges Terrace	Statistical Division 3	Corval/Oceania Capital	11,253	\$75

KEY PROJECTS UNDER CONSTRUCTION & COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	OWNER/DEVELOPER
98 Mounts Bay Road	Statistical Division 2	N/A	13,681	AAIG
186 St Georges Terrace	Statistical Division 3	N/A	3,920	Silverleaf
250 St Georges Terrace	Statistical Division 2	N/A	21,306	Investa Property Group Commonwealth Super
256 St Georges Terrace	Statistical Division 2	N/A	22,727	Evergreen Realty
100 St Georges Terrace	Statistical Division 3	N/A	6,200	ISPT
9 The Esplanade	Statistical Division 3	Ey Multiplex Hub, Argonaut Investments	33,500	Brookfield Properties/Cbus Property

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