

## PERTH CBD OFFICE MARKET SNAPSHOT AUGUST 2023

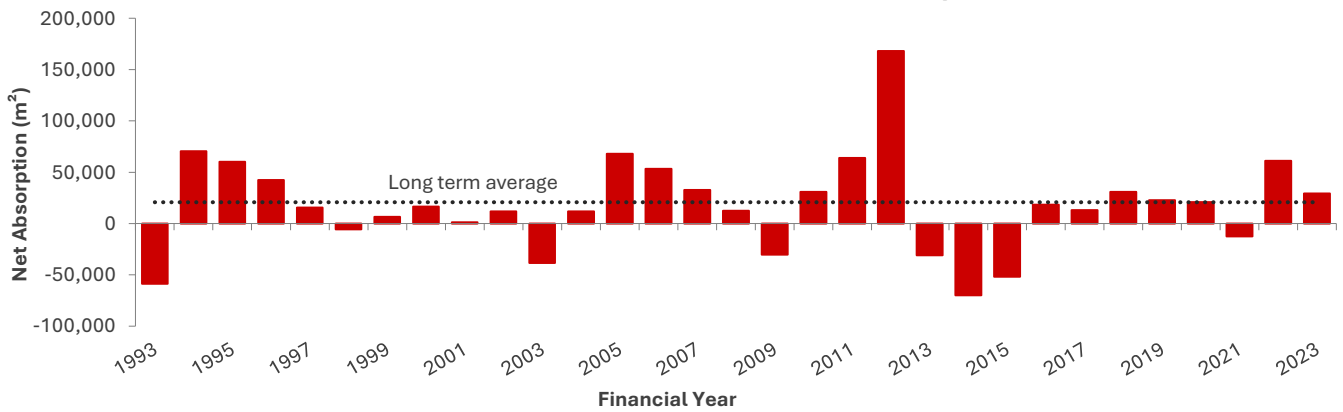
Overall demand increased during the first half of 2023. Despite demand remaining positive, overall vacancy increased by 0.2 points to 15.9%.

		2022/2023	Month/Qtr/ Biannual Increase	Annual Increase	Recent Trend
<b>Economy (WA)</b>					
Population	Dec (Q)	2.825 mill	0.64%	2.27%	▲
Unemployment (SA)	Jun (M)	3.6%	- 0.1 ppt	+0.2 ppt	→
State Final Demand	Mar (Q)	\$60.566 bill	0.8%	2.8%	▼
CPI	Jun (Q)	131.5 (index)	0.8%	4.9%	▼
<b>CBD Office Market</b>					
Overall Vacancy Rate	Jul (B)	15.9%	+0.2 ppt	+0.1 ppt	▲
Prime Grade Vacancy Rate	Jul (B)	12.8%	+0.0ppt	+0.8 ppt	▲
Secondary Grade Vacancy Rate	Jul (B)	20.3%	+0.4 ppt	-0.9 ppt	▲
Sub-lease Vacancy as proportion of Total Vacancy	Jul (B)	3.1%	-0.8 ppt	+1.9 ppt	▼
Prime Net Face Rents	Jun (Q)	\$575-\$825	-	3.8%	▲
Prime Incentives	Jun (Q)	42.5-50.0%	-2.8%	-5.2%	▼

Source: ABS; Property Council of Australia Office Market Report; PVAWA. (SA=Seasonally adjusted; M=Monthly; Q= Quarterly; B=Bi-annually)

- According to CommSec in their latest 'State of the States' report (July 2023), Western Australia is ranked fifth out of eight States and Territories overall. Western Australia is ranked first in terms of relative economic growth and population growth.
- Perth CBD total vacancy increased to 15.9% in July 2023 from 15.7% in January 2023. Secondary space vacancy increased from 19.8% from 20.3%, and prime space vacancy remained the same at 12.8%.
- Sub-lease vacancy as a proportion of total vacancy decreased to 3.1% in July 2023, from 3.9% in January 2023. At its peak, in January 2013, sub-lease space accounted for 41.6% of all vacant space in the CBD.
- Premium grade vacancy decreased from 6.6% in January 2023, to 6.3% in July 2023. There was no sub-lease space available in Premium grade offices.
- There was an increase in supply in the first half of 2023 of 33,159 square metres, due mainly to the completion of Chevron's new headquarters at Elizabeth Quay. In total there was 67,579 square metres of supply additions, and 34,420 of supply withdrawals.
- Demand

## Perth CBD Office Market 12 Month Net Absorption



Source: Property Council of Australia OMR, PVAWA

- 12-month net absorption, a proxy measure for demand, was 29,379 square metres in the year to July 2023, sitting above the long term (30 year) average of 20,745 square metres. In the first half of 2023 demand was highest for Premium grade stock, with 23,742 square metres absorbed.
- Tenants have taken advantage of softer market conditions to negotiate long leases, so it will likely be some time before substantial premium spaces becomes vacant again. Smaller tenants may still be able to benefit, but tenants requiring larger floor plates and more space may be forced to look at pre-committing to new buildings.
- There are two new developments expected for completion during the remainder of 2023, 13,681 square metres at 98 Mounts Bay Road (Capital Square 3); and 9,529 square metres at 141 St Georges Terrace (Westralia Square 2). Given the current level of demand, it is unlikely that vacancy rates will decrease substantially in the short term.
- There has been a shift from mostly desk office space to the addition of collaboration spaces and areas to socialise.
- There have been no confirmed office sales (greater than \$5 million) in the Perth CBD to date in 2023.

Source: ABS; Property Council of Australia's Office Market Report; CommSec; PVAWA.

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