News Release

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CBD research report shows opportunities for landlords with rare, large contiguous spaces

A handful of landlords with large, contiguous floor spaces in Perth's CBD stand to be the big winners in the city's tightening office market over the next 12-18 months according to Knight Frank's latest CBD office research report.

The report shows large contiguous spaces within all buildings (let alone those with desired features) is low, despite the overall elevated vacancy rate.

Knight Frank has identified only six spaces larger than 5,000 sqm, and a further 14 larger than 3,000 sqm available across the CBD, although many of these buildings don't have the attributes multi-floor tenants require, and as such are not genuine options.

Knight Frank Partner, Joint Head of Office Leasing WA Greg McAlpine, said while contiguous full floor availability was forecast to increase in early-to-mid 2020 when State Government leases expired at Westralia Square and The Atrium, and Chevron expired at Dynons Plaza, the next 12-18 months looked positive for the handful of landlords with suitable large spaces.

He said those landlords might find themselves in the position to push for effective rental growth, however this would depend largely on how imminently space was needed.

"There are still a number of unknowns in the market, with resource based, project space requirements likely to be the driver for short term requirements," **Mr McAlpine** said.

"The movements of the WA Police who currently occupy space at Westralia Square will also soon be known and this should provide clarity to what competing space will be on offer for tenants bringing their requirements to the market over the next 12 to 18 months."

Knight Frank Research Analyst Nicholas Locke said the current premium vacancy rate of 3.8% was historically low in context with the performance of the total market at 18.5%.

He said from 1997 to 2005 prior to the large economic expansion that was to the benefit of all building grades, premium space was on average 5.2% vacant, compared with an overall average of 11.1%.

"The logical conclusion to draw from the lack of premium availability would be to assume that A-grade space will benefit, but while this is true, it is important to note that 41% of the market is graded A, and the current vacancy rate of 17.5% reflects 127,000 square metres of vacant stock," **Mr Locke** said.

"Above trend absorption will be required to make significant inroads on this space, yet the space available is far from equal in its appeal, with significant differences in age, floorplate size and external glazing impacting upon the desirability to potential tenants."

Mr Locke said Knight Frank's analysis of space currently advertised for lease indicated that floorplates under 750 sqm were three times more likely to be vacant than those over 1,500 sqm and that floors in buildings with partially framed and/or inset external glazing were three times more likely to be vacant than those with floor-to-ceiling glazing.

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For further information, please contact:

Greg McAlpine, Partner, Joint Head of Office Leasing, WA

greg.mcalpine@au.knightfrank.com +61 412 923 775

Notes to Editors

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