

Perth CBD Office Market with West Perth update



March 2026

Perth's CBD office market saw incentives begin to rise again, while vacancy remained broadly stable, declining by 0.1% over H2-2025. Despite a flat year in 2025, the outlook is positive, supported by a virtually non-existent supply pipeline.

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Key Insights

With no new supply expected in the CBD over the next five years, falling vacancy should underpin a period of stronger rental growth.



Laurence Panozzo
Research & Consulting

 **16.9%**

Total vacancy

The total vacancy rate in Perth's CBD remained virtually flat falling a mere 0.1% over H2-2025 to 17.0%. The prime vacancy rate sits at 15.6% whilst the secondary vacancy rate is 19.2%.

 **+6k**

Annual net absorption

Net absorption in Perth's office market was positive in 2025 recording +6,429 sqm. However, this figure is down 58% from 2024 where net absorption was +15,375 sqm.

 **+46k**

Annual net additions

Net additions were relatively strong in Perth across 2025 with 46,396 sqm added to the market, mostly made up by the completion of 9 The Esplanade. Supply is forecast to slow markedly over the next 5-years.

 **3.5%**

Prime rent growth

Prime net face rents in Perth's CBD office market are up 0.5% q/q and 3.5% y/y. Most of this rental growth has been combated by rising incentives as net effective rents are down 0.4% y/y.

 **47%**

Prime incentives

Prime incentives currently sit at 47.0% having remained flat q/q but have risen 2.0% y/y. Secondary rents are slightly higher averaging 50.0%, flat q/q but up 1.0% y/y.

 **7.6%**

Prime yields

Prime yields in Perth's office market have remained flat for seven quarters in a row at 7.6% with limited to no transactional evidence to cause any movement.

Perth CBD Office Market Indicators – Q4 2025

Grade	Total Stock sqm	Vacancy Rate %	Annual Net Absorption sqm	Annual Net Additions sqm	Av Net Face Rent \$/sqm	Incentive %	Net Effective Rent Growth % y/y	Core Market Yield %*
Prime	1,195,854	15.6	-794	44,956	734	47.0	-0.4	7.6
Secondary	647,994	19.2	7,223	1,439	473	50.0	-0.3	8.6
Total	1,843,848	16.9	6,429	46,395				

Source: Knight Frank Research/PCA * assuming WALE 5 years

Demand

STRONG FUNDAMENTALS IN WESTERN AUSTRALIA

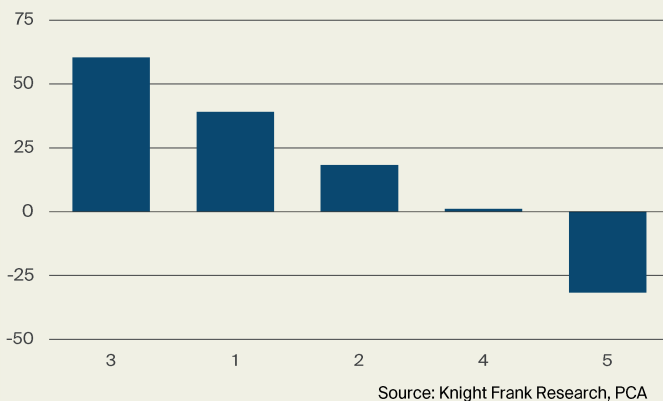
Australia and WA's economy saw a period of slower growth in 2025, caused by stubborn inflation, a turn in the interest rate cycle and heightened global uncertainty. Despite these headwinds, WA remains one of the most resilient state economies supporting the lowest unemployment rate of the major states at 4.0%. The outlook is also positive, with WA forecast to outperform Australia over the next 3-years. The state is poised to benefit from its nomination as the preferred location for the submarine base under the AUKUS agreement. The Federal Government is reportedly committing \$8b towards associated infrastructure upgrades and a further \$12b investment into the Henderson Shipyard.

NET ABSORPTION SLOWS BUT REMAINS POSITIVE

Net absorption across Perth's CBD totalled +6,429 sqm in 2025, marking the second consecutive year of positive demand. Despite this, there remains limited evidence of tenant expansion, with occupiers generally not increasing floorspace requirements or relocating from other markets. Leasing activity has been concentrated within Statistical Division 3, which saw +60,429 sqm of net absorption over the past 3-years, reflecting demand surrounding recent developments around Elizabeth Quay. Statistical Division 1, encompassing the upper St Georges Terrace precinct, has also performed well, recording +39,188 sqm of absorption over the same period. Prime-grade absorption totalled -794 sqm in 2025 following positive demand previously. This moderation suggests occupiers have become more cost-conscious, with some tenants more willing to take-up lower quality, or secondary space.

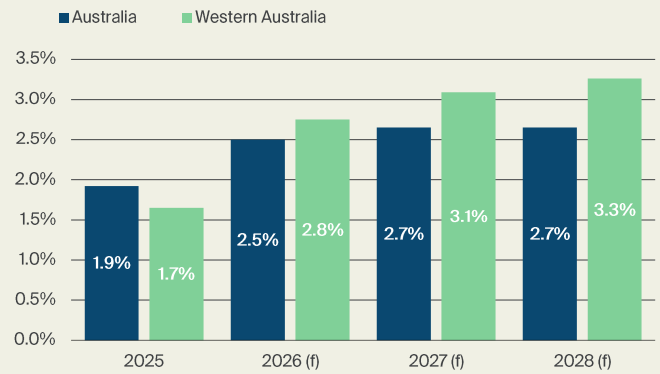
Perth CBD net absorption

by statistical division last 3-years, 000's sqm



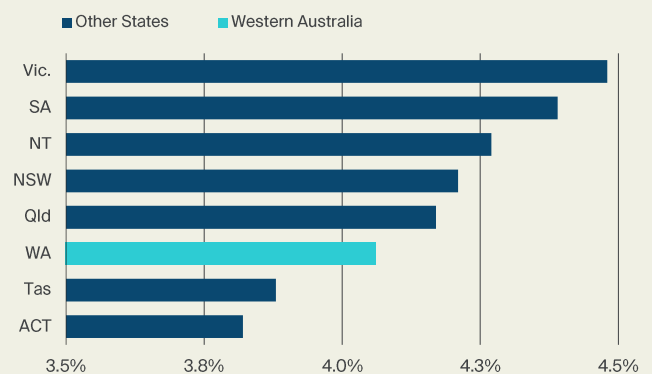
GSP growth forecast

Australia compared to WA, % change per annum



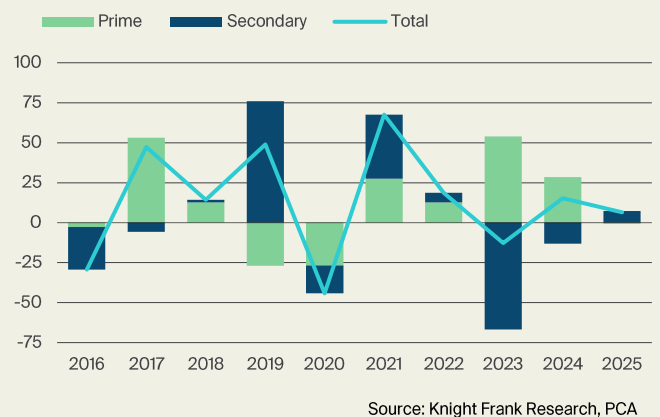
Unemployment rate

by Australian state, %



Perth CBD annual net absorption

by grade, 000's sqm



Supply

VACANCY FALLS marginally OVER H2-2025

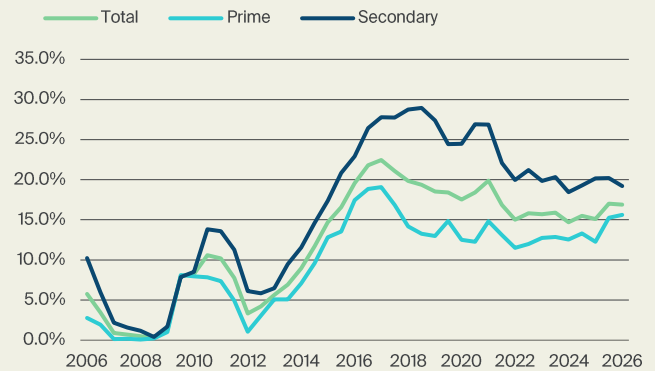
Perth's CBD office vacancy rate declined marginally over H2-2025, falling 0.1% to 16.9%. Despite this improvement over the half, vacancy remains 1.8% higher on an annual basis. Prime vacancy increased 0.3% to 15.6% over H2-2025, while secondary vacancy tightened by 1.0% to 19.2%. Vacancy across Perth's CBD office market remains unevenly spread, reflecting locational preferences among occupiers. The lowest vacancy is recorded in Statistical Division 1 at 11.9%, encompassing the northern CBD above St Georges Terrace, and Statistical Division 3, the emerging Elizabeth Quay precinct, at 15.5%.

Despite recording two consecutive years of positive net absorption, the recent increase in Perth CBD vacancy is largely supply-driven. New stock delivered in 2025 included the completion of 9 The Esplanade at Elizabeth Quay, adding 33,554 sqm, alongside 10,684 sqm of refurbished space at 100 St Georges Terrace entering the market.

NEW SUPPLY TO PROMPT A DECLINE IN VACANCY

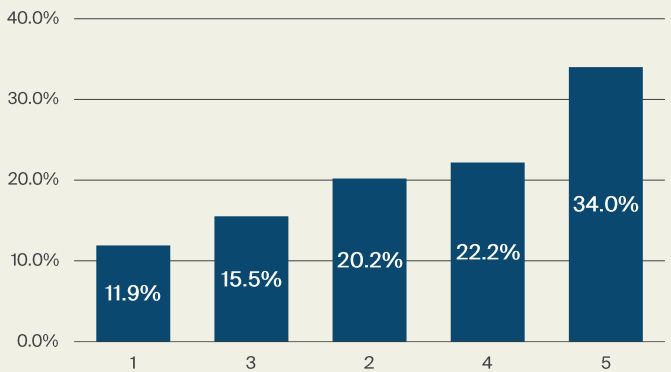
Perth's CBD office vacancy rate is forecast to decline markedly over the next 5-years, mostly driven by a constrained supply pipeline, with no major office developments expected to complete prior to 2031. Over this period, an improving economy and steady occupier demand are expected to place downward pressure on vacancy. Furthermore, lease expiries are expected to rise from late 2026 onwards, supporting stronger leasing activity and progressively reducing the availability of suitable office accommodation for occupiers.

Perth CBD vacancy rate by grade, %



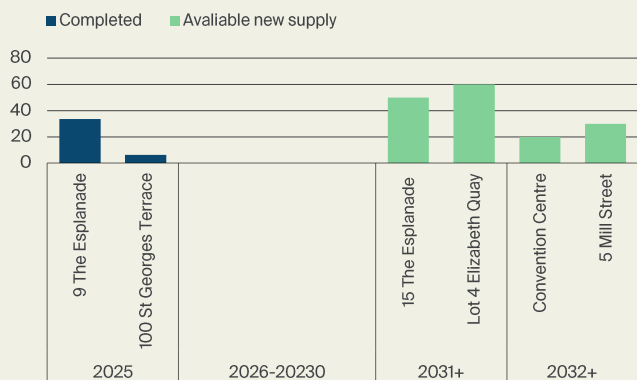
Source: Knight Frank Research, PCA

Perth CBD vacancy rate by statistical location, %



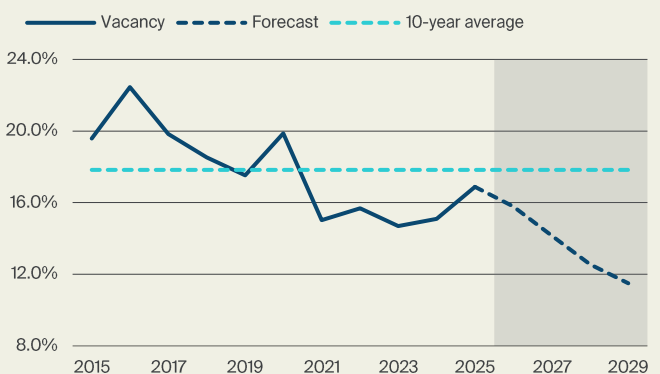
Source: Knight Frank Research, PCA

Perth CBD new supply pipeline by commitment type and status, 000's sqm



Source: Knight Frank Research

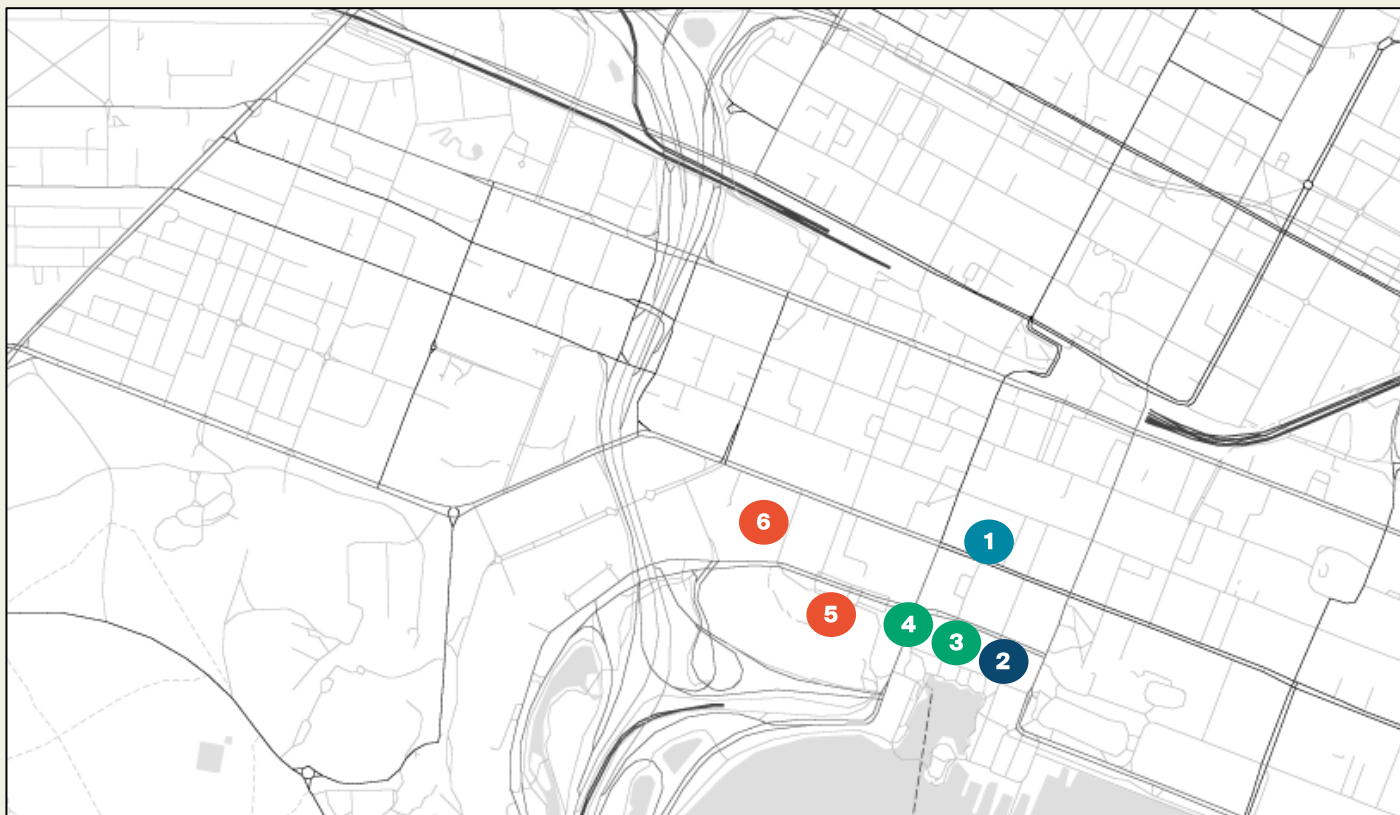
Perth CBD vacancy rate forecast %



Source: Knight Frank Research, PCA

Major office supply

Perth CBD and West Perth



Refurbishments

#	Address	Developer	SQM	Due
1	100 St Georges Terrace	ISPT	6,600	Complete

New developments

#	Address	Developer	SQM	Due
2	9 The Esplanade	Brookfield/CBUS	33,500	Complete

DA Approved

#	Address	Developer	SQM	Due
3	15 The Esplanade	Brookfield	50,000	2031
4	Lot 4 Elizabeth Quay	AAIG	60,000	2031

Planning

#	Address	Developer	SQM	Due
5	1 & 21 Mounts Bay Rd	Brookfield & Wylie Group	tbc	2032+
6	5 Mill St	GDI	tbc	2033+

Rents and briefs

RISING INCENTIVES OFFSET RENTAL GROWTH

Prime net face rents in Perth's CBD increased 3.5% over 2025, reaching an average of \$734/sqm. However, this uplift in face rents has been offset by rising incentives which increased from 45% to 47% over 2025. This has resulted in prime net effective rents falling slightly and now average \$389/sqm. Secondary net face rents average \$473/sqm, with incentives elevated at 50%. While secondary face rents increased 1.7% annually, rising incentives resulted in secondary net effective rents declining marginally by 0.3%, much like the prime market and are now at \$236/sqm.

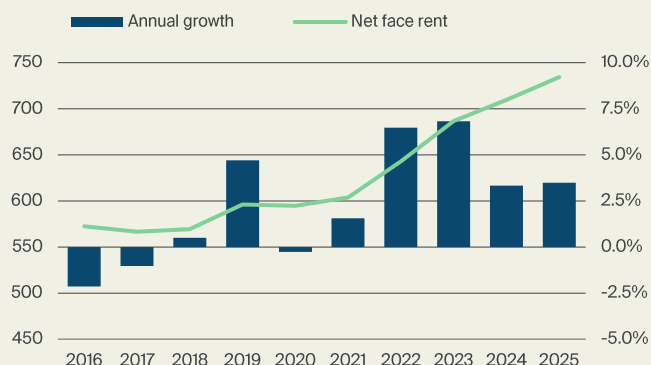
LEASE REQUIREMENTS TO RISE LATE 2026 AND 2027

Lease enquiries in 2025 were primarily concentrated amongst occupiers seeking prime space (37%), followed by A-Grade-only options (35%). Only 3% of requirements were for premium-only offices, reinforcing that cost considerations remain the dominant driver for occupiers.

Approximately 49% of active briefs were seeking CBD-only locations, with most requirements focused west of Barrack Street, reflecting continued preferences for proximity to Elizabeth Quay and the western end of St Georges Terrace. The largest requirement to enter the market in 2025 was Western Power (~20,000 sqm), who are earmarked to relocate into the CBD from East Perth. Other notable active requirements included NAB (5,000 sqm) and the Department of Education (4,000 sqm). Looking ahead, leasing enquiry volumes are expected to strengthen through late-2026 and 2027, supported by a wave of upcoming lease expiries.

Perth CBD prime rents

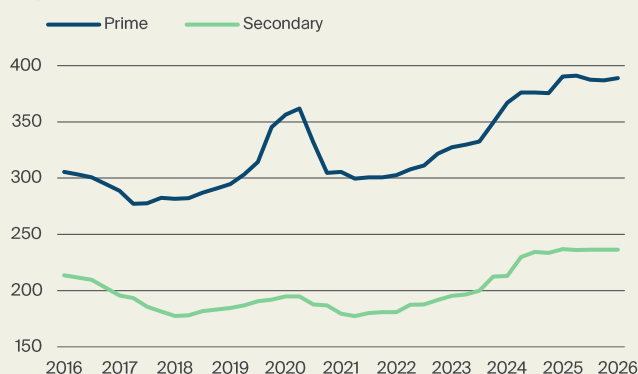
net face rent \$/sqm (LHS), and annual growth % (RHS)



Source: Knight Frank Research

Perth CBD net effective rents

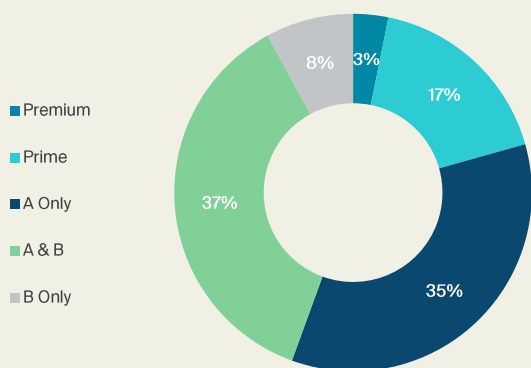
by grade, \$/sqm



Source: Knight Frank Research

Perth office briefs split by grade

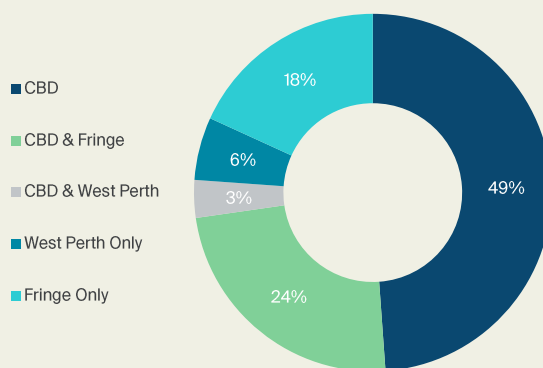
share of briefs split by quality of desired occupancy % (Feb-Dec 25)



Source: Knight Frank Research

Perth office briefs split by location

share of briefs split by location of desired occupancy % (Feb-Dec 25)



Source: Knight Frank Research

West Perth update

NET EFFECTIVE RENTS DECLINE IN WEST PERTH

Prime net face rents in West Perth remained flat q/q but increased 1.3% y/y. While face rents have edged higher over the past year, this growth has been fully offset by rising incentives. Prime incentives increased from 33.0% to 37.5% over the past year, resulting in a 5.5% fall in prime net effective rents. The rise likely reflects higher vacancy across the Perth CBD, with landlords offering stronger leasing incentives to attract occupiers away from West Perth.

Despite this, West Perth remains one of the most affordable city fringe office markets nationally. Prime net face rents average \$424/sqm, making the precinct cheaper than every other City Fringe market in Australia, except for Adelaide's Fringe where prime net face rents average \$409/sqm.

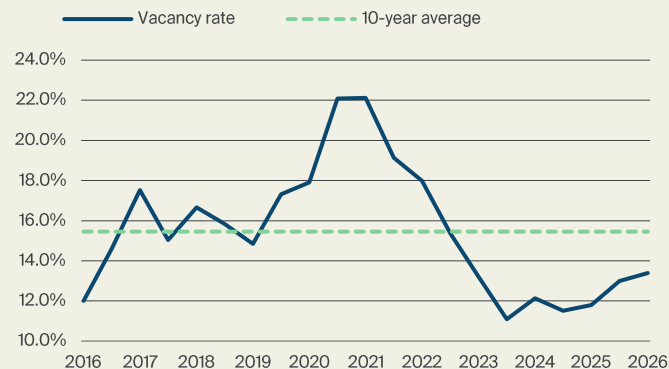
VACANCY STILL WELL BELOW 10-YEAR AVERAGE

Office demand across West Perth recorded a negative result in 2025, with net absorption totalling -8,971 sqm. This marks the first year since 2020 that net absorption has been negative in West Perth, contradicting the generally strong leasing performance observed across the market over the past 5-years.

The decline in net absorption has also been reflected in a modest rise in the vacancy rate, which increased to 13.4%, up 0.4% q/q and 1.6% y/y. Despite this increase, vacancy remains well below the 10-year average of 15.5% and significantly below the peak level of 22.1% recorded in H2-2021.

West Perth office vacancy rate

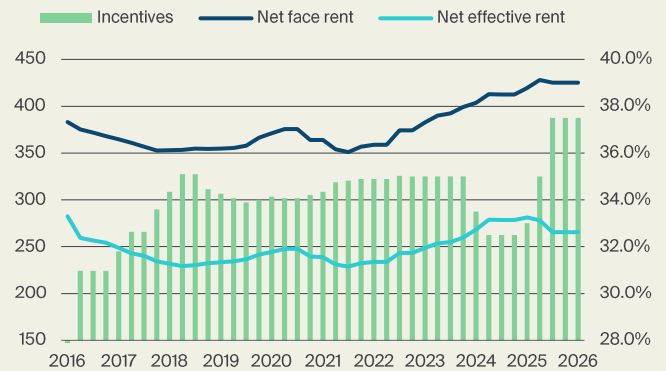
total vacancy rate compared to 10-year average (%)



Source: Knight Frank Research

West Perth office rents

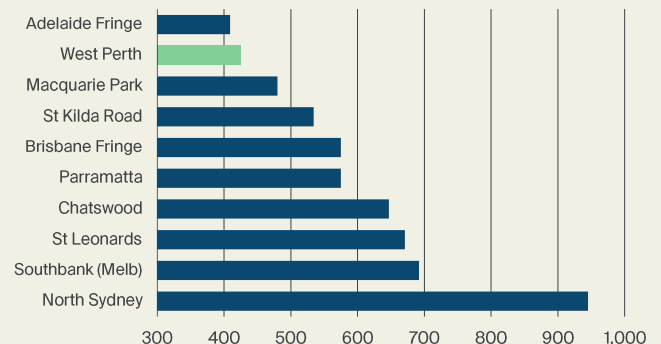
by type of rent \$/sqm (LHS), and incentives % (RHS)



Source: Knight Frank Research

City fringe & Metro office prime rents

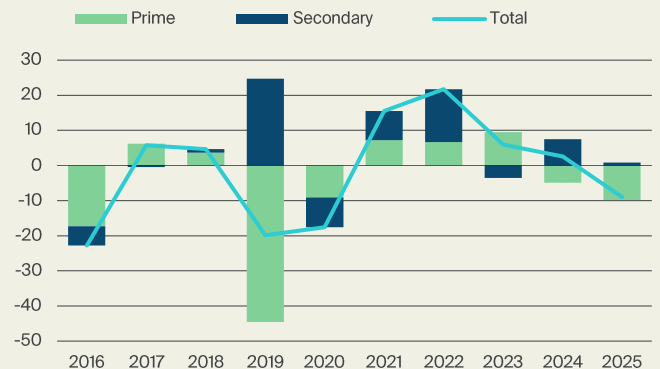
by office precinct, \$/sqm



Source: Knight Frank Research

West Perth office net absorption

by grade, 000's sqm



Source: Knight Frank Research, PCA

Investment market

LIMITED TRANSACTIONAL EVIDENCE IN PERTH

Over the course of 2025 there were no office transactions in Perth's CBD, the only year in the last decade where there has not been an office sale >\$6 million. The market remains subdued for several reasons. There is still uncertainty surrounding the long-term cost of debt and the viability of offices, investors are also cautious of Perth's links to the resource economy and the volatility in the office market that accompanies that.

January saw SKS Group purchased 178 St Georges Terrace for \$9.5 million being ear-marked as a conversion into a hotel and was not acquired as an investment. As such, there has technically not been an office investment sale since October 2024.

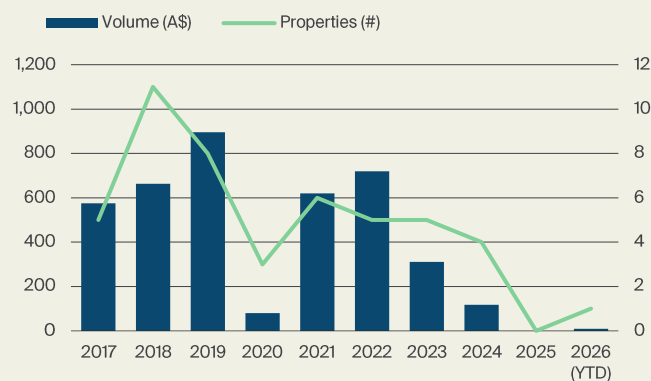
PRIME YIELDS REMAIN FLAT FOR 18 MONTHS

Prime yields across Perth's CBD remained unchanged for a sixth consecutive quarter, averaging 7.58%. Secondary yields were also stable q/q, softening marginally by 4 bps y/y to 8.64%, maintaining a spread of 106 bps, broadly consistent with other Australian office markets. Yield movement in Perth is unlikely until transactional evidence supports repricing.

The yield spread between Sydney and Perth has widened in the last year, with prime Sydney yields sharpening 33 bps to average 5.70%. As a result, the spread between the two markets has expanded to 188 bps.

Perth CBD office investment volumes

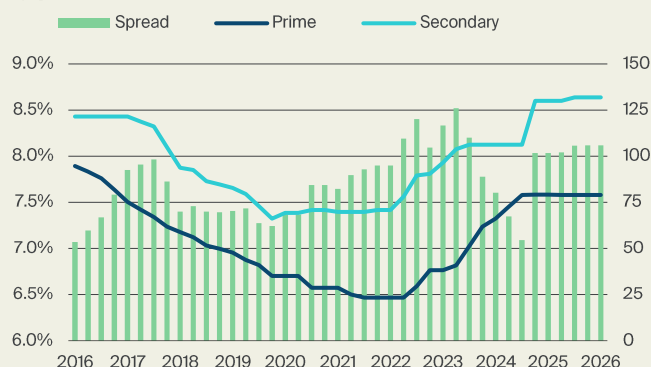
investment volumes in A\$m (LHS), and number of sales (RHS)



Source: Knight Frank Research, MSCI

Perth CBD office yields

by grade % (LHS), and spread in bps (RHS)



Source: Knight Frank Research

Recent transactions

Property	Price \$m	Core Market Yield % (cap rate)	NLA sqm	\$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
178 St Georges Terrace	9.5	to be converted	3,207	2,962	n/a	SKS Group	tbc	Jan-26
66 St Georges Terrace	75.0	8.2	11,444	6,553	3.3	Oceania Capital	RF CorVal	Nov-24

Source: Knight Frank Research, MSCI

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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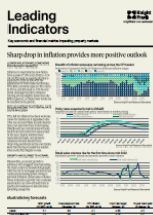


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Recent Research



Economic Indicators Report



Breaking the shackles: the rise of BTR



Perth Industrial State of the Market – Jan 2025



Sydney CBD Office Market Report – Feb 2025



Melbourne CBD Office Market Report – Feb 2025



The Wealth Report 2025