Perth CBD Office Market
with West Perth update

September 2025

The Perth market is ready for a period of stabilisation following the delivery of several major developments, with little new stock coming on to the market in the next few years.

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Key Insights

Vacancy rates rose as the last of the recent new supply was completed. The market has calmed somewhat in response to the slower economy but remains in a robust position.

Dr Tony McGough
Partner, Research & Consulting

17.0%

Total vacancy

Following completion of the Perth development pipeline, the vacancy rate in Perth's CBD rose 1.9% over H1-2025 to 17.0%, it's highest level since H2-2020. Vacancy rates are expected to fall going forward.

4.6k

6-month net absorption

After strong net absorption last period, H1 2025 saw a slight fall in net absorption. Premium property remained in demand however, showing net absorption of 23,084 sqm.

57k

Net additions YTD

Perth's CBD has had 56,999 sqm of net additions in the last 12 months, but with the completion of 9 The Esplanade, there will now follow three years with zero pipeline at present.

4.2%

Prime rent growth

Prime net face rents in Perth average $729/sqm having increased 1.7% q/q and 4.2% y/y.

46.8%

Prime incentives

Prime incentives are remaining within the 45-50% range they have been at for 5 years, edging up 1.4% in this period.

7.58%

Prime yields

As a result of limited transactional evidence in Perth's CBD prime yields have remained flat for the fourth consecutive quarter at 7.58%.

Perth CBD Office Market Indicators – Q2 2025

Grade	Total Stock sqm	Vacancy Rate %	12 mth Net Absorption sqm	12 mth Net Additions sqm	Av Net Face Rent $/sqm	Incentive %	Net Effective Rent Growth % y/y	Core Market Yield %*
Prime	1,185,170	15.3	26,391	56,999	729	46.8	3.1	7.58
Secondary	647,994	20.2	-5,804	0	473	50.0	0.7	8.64
Total	1,833,164	17.0	20,587	56,999				

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

Demand muted at present

ECONOMIC OUTLOOK POSITIVE

Western Australia's economy is heavily reliant on natural resources and the minerals market, both of which are highly volatile. Consequently, the state's GSP growth is closely tied to global economic performance, particularly in China, which accounted for more than half of WA's exports in 2024 (WALGA). Weak global conditions in 2024 followed by trade tensions and the resultant uncertainty have weighed on the economy. Whilst there have been improvements, the GSP contraction of -0.3% in 2024, has been followed by only modest growth of 0.9% forecast for 2025.

Despite these challenges, the outlook is more optimistic from 2026 onwards, with GSP growth projected to exceed 3.0% annually through to 2029 (Oxford Economics). This anticipated economic recovery is expected to support improved net absorption in the Perth CBD, which recorded a -4,599 sqm over H1-2025.

LOCATION AND QUALITY LEAD THE WAY

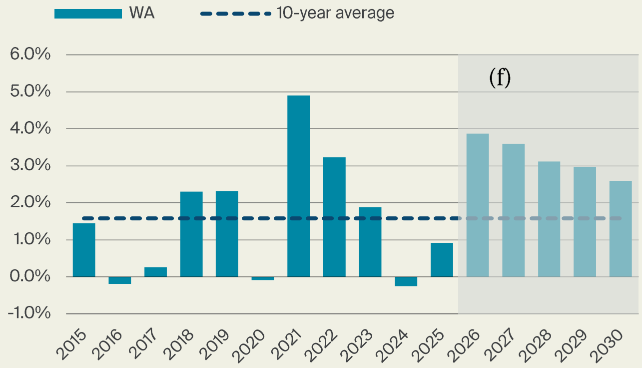
Overall net absorption has been positive in the last few years and has remained so over the last 12 months (+20,587 sqm) despite the latest negative figures. However, clear preferences remain with the flight to quality continuing in terms of grade and location. Premium grade net absorption in the last 6 months was 23,084 sqm and over 37,500 sqm in the last twelve months. Consequently, it is in Statistical division 2 where locationally the vast majority of the activity has been in new lettings within Perth.

Having had a major input of quality refurbishments and new builds being added to the Perth offering, it is unsurprising that the areas loosing out are weaker Grade A and secondary buildings which are sometimes struggling to attract tenants given the quality now available.

It is important to note that tenants are still in a situation where they are leaning towards taking less space when renewing. Given the continued uncertainty concerning the commodities market this also is leading to prospective tenants, especially those with new projects, being very balanced and cautious with requirements whilst also being very measured in relation to costs.

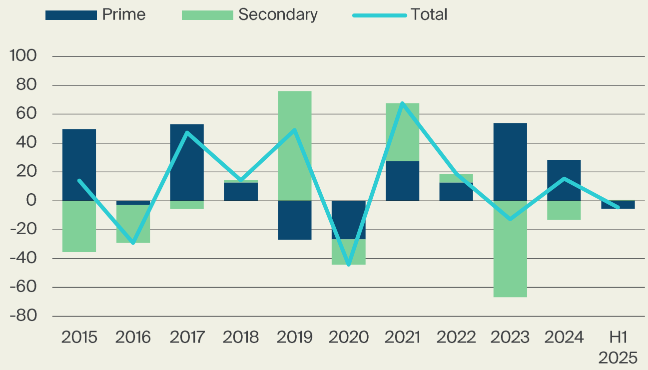
Expectations are that this trait will continue into 2026.

WA GSP forecast
per annum compared to 10-year average, %



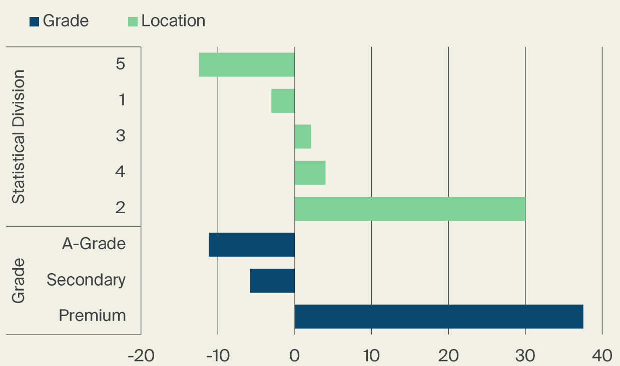
Source: Knight Frank Research, Oxford Economics

Perth CBD net absorption
by grade, 000's sqm



Source: Knight Frank Research, PCA

Perth CBD net absorption
by location and grade last 12mths, 000's sqm



Source: Knight Frank Research, PCA

Flurry of new supply finishes

VACANCY RATES ARE EXPECTED TO HAVE PEAKED

Vacancy rates have risen to a four and a half year high of 17.0% as 9 The Esplanade completed. Premium rates rose to 10.8% from 9.4% (despite No. 9 being over 80% pre-committed) but remain well below the market average. Grade A rates jumped to 18.5% from 14.2% whilst the Grade B market barely changed at 21.4%.

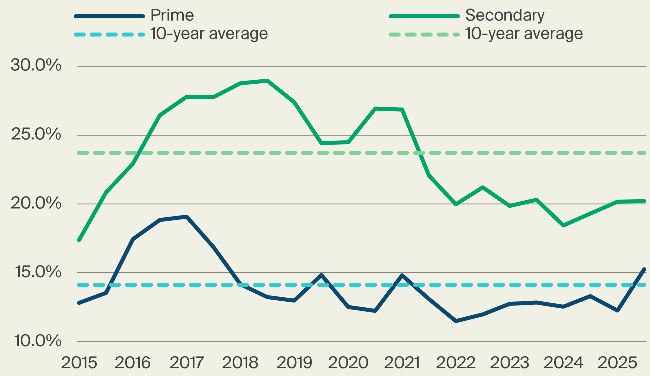
SIMPLY A LACK OF NEW SUPPLY

However, we now enter an interesting time as, at present, there is no new supply coming onto the market until probably 2030 at the earliest. Lot 4 Elizabeth Quay is often mooted as the next starter, but without a serious pre-commit it is unlikely to progress. Given the present uncertainty in the markets, combined with the economic rent required to get a building started following the recent sharp rises in costs of construction, it is hard to see a building starting any time soon and so nothing completing before at least 2030.

VACANCY RATES TO FALL

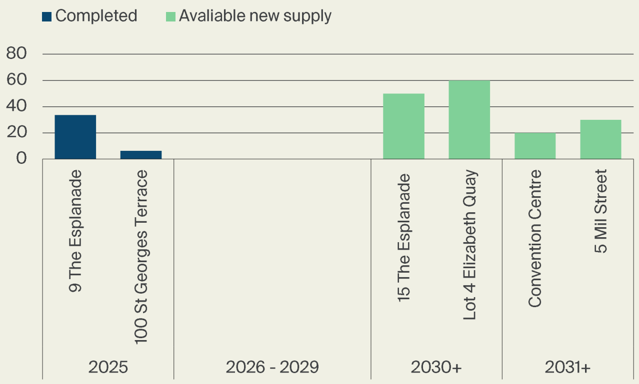
Whilst the economy, and thus demand, is not roaring away, we are expecting a pick-up going into 2026 and onwards. Consequently, even a moderate improvement in activity will lead to vacancy rates starting to fall markedly. The Knight Frank forecasts are for total vacancy rates to fall to circa 12% at the end of our forecast period at end 2029. The market has already indicated its continued desire to upgrade and go for quality where possible, and we expect this to continue, with overall prime vacant space falling sharply. Furthermore, we expect to see a rise in pre-commitments that should trigger new supply to kick in at the end of our present pipeline period.

Perth CBD vacancy rate
by grade compared to 10-year average, %



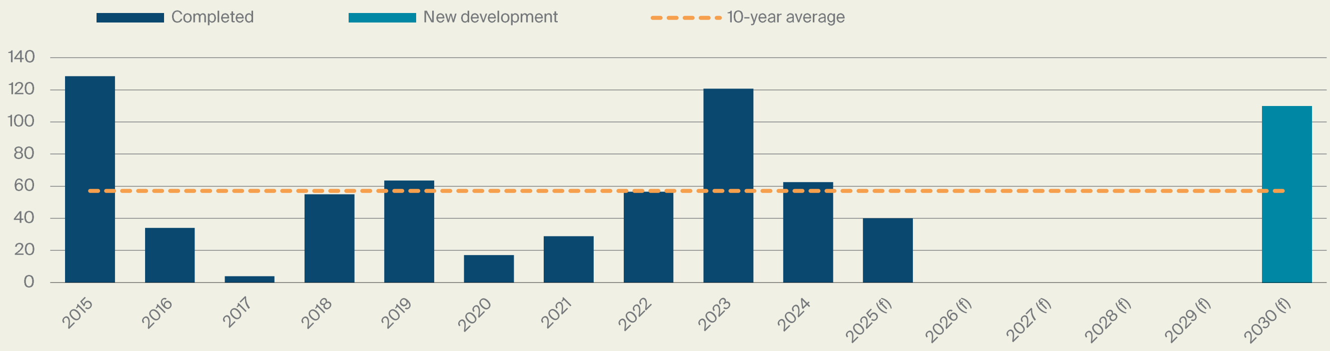
Source: Knight Frank Research, PCA

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



Source: Knight Frank Research

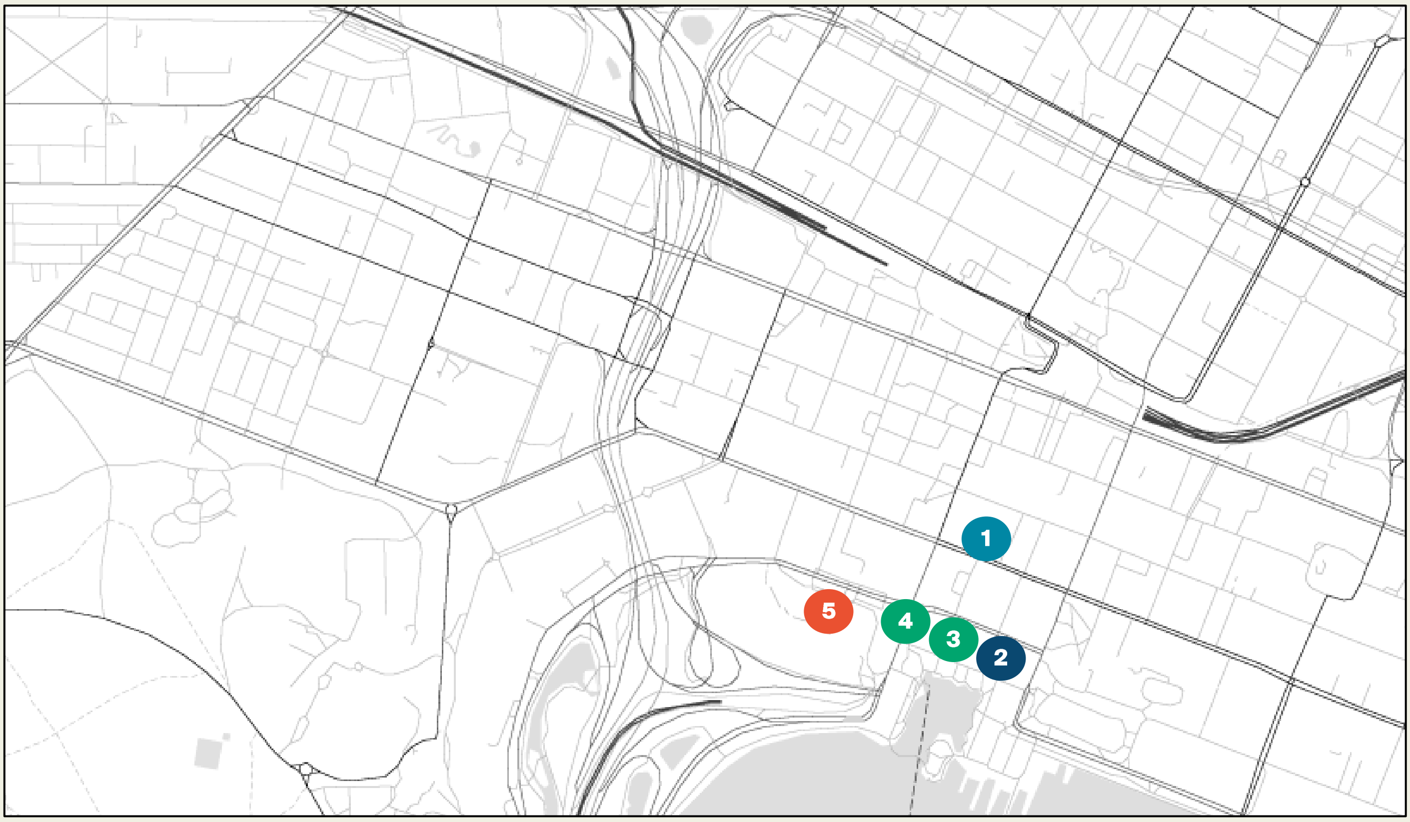
Perth CBD office new supply pipeline
by development type, 000's sqm



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	2030+
4	Lot 4 Elizabeth Quay	AAIG	60,000	2030+

Planning

#	Address	Developer	SQM	Due
5	1 & 5 Mill St	GDI	20,000	2031+

Quality buildings spur rental growth

STRONG RENTAL GROWTH CONTINUES

Average prime net face rents in Perth continued to advance rising another $12 to stand at $729/sqm, up 1.7% q/q and 4.2% y/y. This has been driven by the continued increase in quality buildings in the Perth offering and their strong letting. Average secondary net face rents also edged up, but by only 1.1% ($5/sqm) to $473/sqm. Looking ahead, given a severely constrained supply pipeline in Perth, we expect to continue to see upward pressure on net face rents though it is worth noting they are still well below their historic peaks. Accordingly, prime net face rents are forecast to rise steadily in the next few years averaging 3-4% p.a. over our forecast period. The cost and continued rise in price of speculative fit outs continues to support net face rental growth. This, combined with our forecast fall in vacancy rates, will result in further net face rental growth; whilst also seeing a decline in incentives and thus effective rents rising more rapidly.

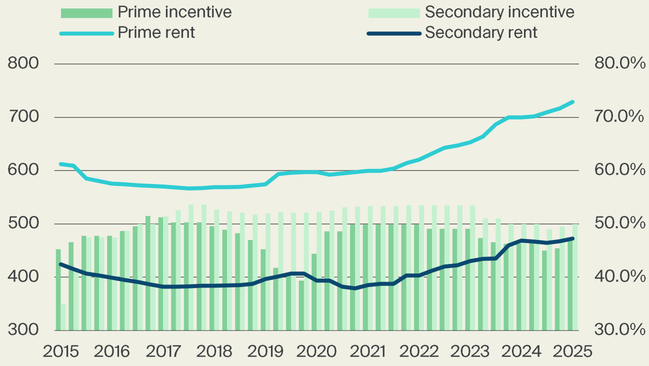
EFFECTIVE RENTS SLIP BACK AS INCENTIVES EDGE UP

The uptick in incentives more than covered the rise in face rents and consequently prime effective rents fell back slightly. They are now just below the $390/sqm they have been at in recent times, at $388/sqm. This is still a rise of 3.1% y/y and 25% compared to three years ago. Secondary effective rents held steady at $236/sqm as incentives ticked up 0.5% countering the rise in face rents. Going forward, as with face rents, we expect to see more strength in the prime market than the secondary, which will only respond once vacancy rates come in markedly.

SMALL BRIEFS DOMINATE IN 2025, BUT SEVERAL MAJOR BRIEFS ARE COMING UP

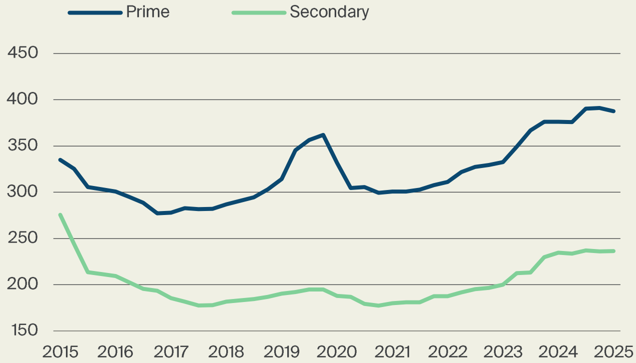
As expected, small briefs are dominating the leasing market with nearly 75% of tenants looking for less than 1000sqm and 48% looking for 500sqm or less. However, several large leases are coming up in the next year or so. All the larger briefs are looking for the CBD and Grade A +. The theme of quality and location look like remaining going forward, with only about a third of all briefs prepared to look at Grade B (usually good Grade B) and around a quarter being prepared to look outside the CBD.

Perth CBD prime rents and incentives
by grade, net face rent $/sqm (LHS), incentive % (RHS)



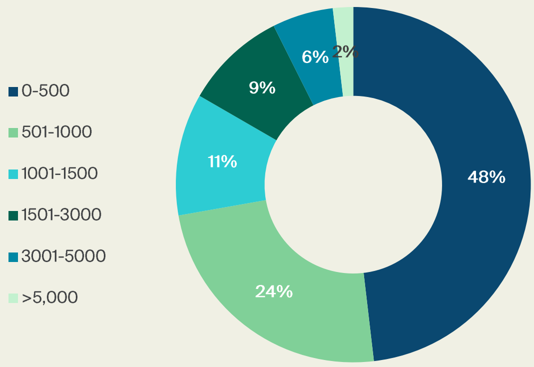
Source: Knight Frank Research

Perth CBD net effective rents
by grade, $/sqm



Source: Knight Frank Research

Perth CBD lease briefs
Share of enquiry by size, H1 2025 (%)



Source: Knight Frank Research

West Perth stable

WEST PERTH: A REASONABLY PRICED OFFERING

Face rents in West Perth rose 1.1% in the first half of 2025 to $425/sqm, thought actually fell in the Q2 by 0.7%. They remain significantly below those in the CBD and even those of secondary buildings. Overall, West Perth prime rents are one of the cheaper 'Fringe' offerings in the country, well below Brisbane's Fringe and less than 50% of North Sydney

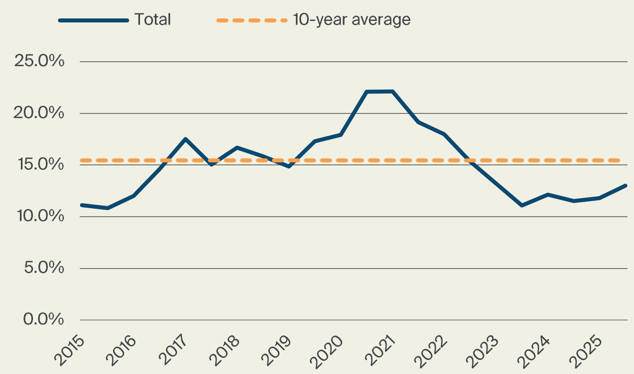
Though incentives have historically been much lower than those in the CBD, and remain so, they have still seen a significant step up in the last few quarters. Having started the year at 33.0% they have risen in the last couple of quarters and now stand at 37.5%. Consequently, prime effective rents have fallen 4.5% to $266/sqm which is getting close to secondary effective rents in the CBD of $236/sqm. This is keeping the area attractive for SME's and new businesses.

VACANCY RATES EDGE UP AS NET ABSORPTION DIPS

Net absorption dipped into negative territory in H1 2025 at -6,664 sqm, the largest drop since H1 2020. This was all grade A space, as secondary space saw a slight positive influx (+428 sqm), highlighting the cost-conscious nature of tenants in this location.

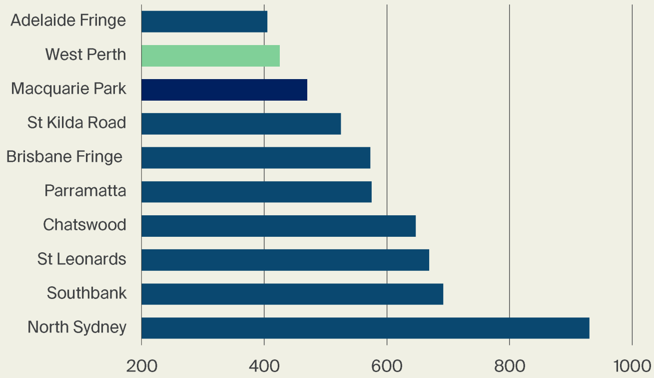
Consequently, the vacancy rate jumped to 13.0% (up 1.2%). However, this still means West Perth has one of the lower vacancy rates of Fringe locations and also keeps the precinct's vacancy rate below its long-term average. The slip back in performance in West Perth is understandable given the weakness of the overall economy over the last 12-18 months.

West Perth office vacancy rate
by grade, %



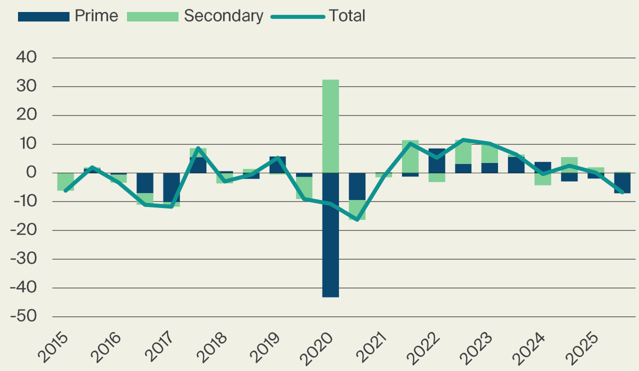
Source: Knight Frank Research, PCA

City Fringe & Metro office rents
by precinct (nationally), net face rent $/sqm



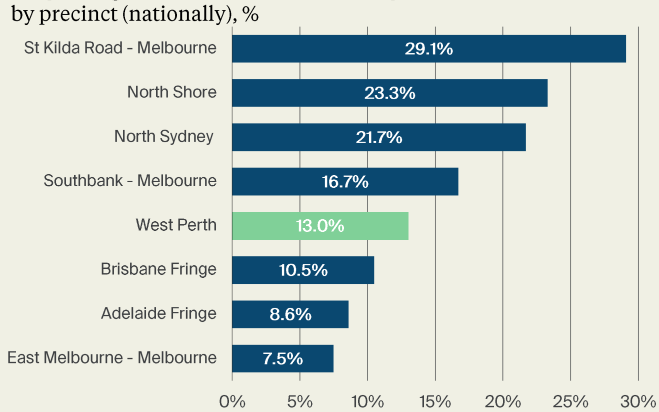
Source: Knight Frank Research

West Perth net absorption
by grade, 000's sqm



Source: Knight Frank Research, PCA

City Fringe & Metro office vacancy rates
by precinct (nationally), %



Source: Knight Frank Research, PCA

Investment update

INVESTMENT MARKET REMAINS QUIET

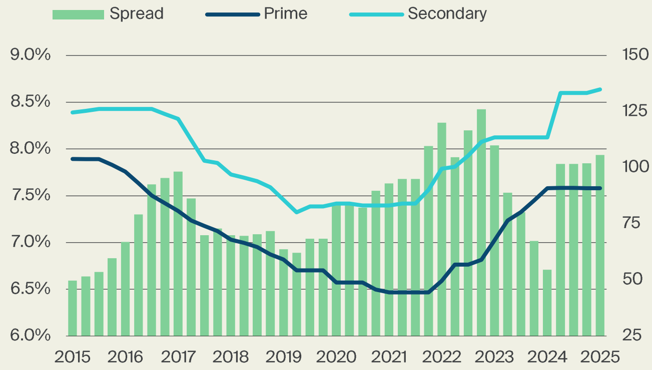
In line with a generally very muted capital markets environment, there have been no major sales within the Perth CBD office market in H1 2025. The largest recent transaction took place in Q4 2024, with 66 St Georges Terrace purchased by Oceania from CorVal for $75million, at an 8.2% core market yield. Since then, there have been a couple of small strata sales on the Fringe of the CBD but little other activity. However, as we go to press, there are three prospective deals under contract and four more properties on the market. For example, 34 Stirling Street has just settled, whilst 10 Telethon Avenue and 28 & 40 The Esplanade are on the market to name but a few; so activity, as elsewhere in Australia, is beginning to return.

SECONDARY YIELDS EDGE OUT

Despite the very limited evidence in the investment market, the information that we have concerning the recent activity above, lead us to be confident that prime yield pricing is around 7.58%, unchanged in the last year. Meanwhile, secondary yields have edged out slightly, up 4bps to 8.64%. Obviously more evidence of exactly where the market is sitting will hopefully be forthcoming in the next few months.

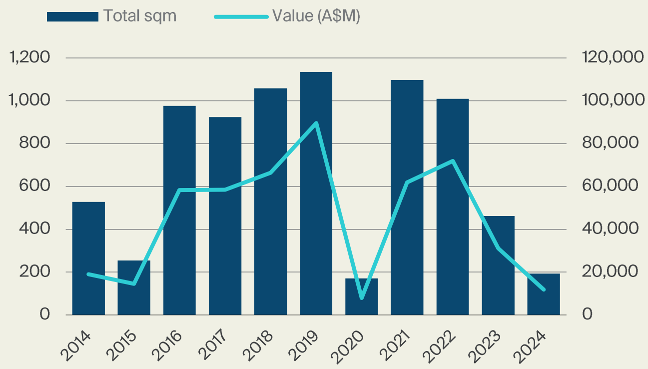
Yields have substantially reset across the office market nationally. In Perth we can see the yield spread between prime and secondary markets has nearly doubled to 106bps, from 54bp a year ago. This is pricing in the more delicate and uncertain market we are now in and the consequent increase in risk , particularly for secondary property. We expect this spread to remain for the foreseeable future.

Perth CBD office yield
by grade % (LHS), and spread in bps (RHS)



Source: Knight Frank Research

Perth CBD office investment volumes
$M (LHS), and total sqm (RHS); transactions >$5M



Source: Knight Frank Research, MSCI

Recent transactions

Property	Price $m	Core Market Yield % (cap rate)	NLA sqm	$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
66 St Georges Terrace	75.0	11,254	6,664	8.2	3.3	Oceania Capital	CorVal	Oct-24
181 St Georges Terrace	26.5	3,590	7,382	6.1	2.5	Yamamoto	Charter Hall	Apr-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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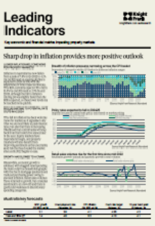
Recent Research



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

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