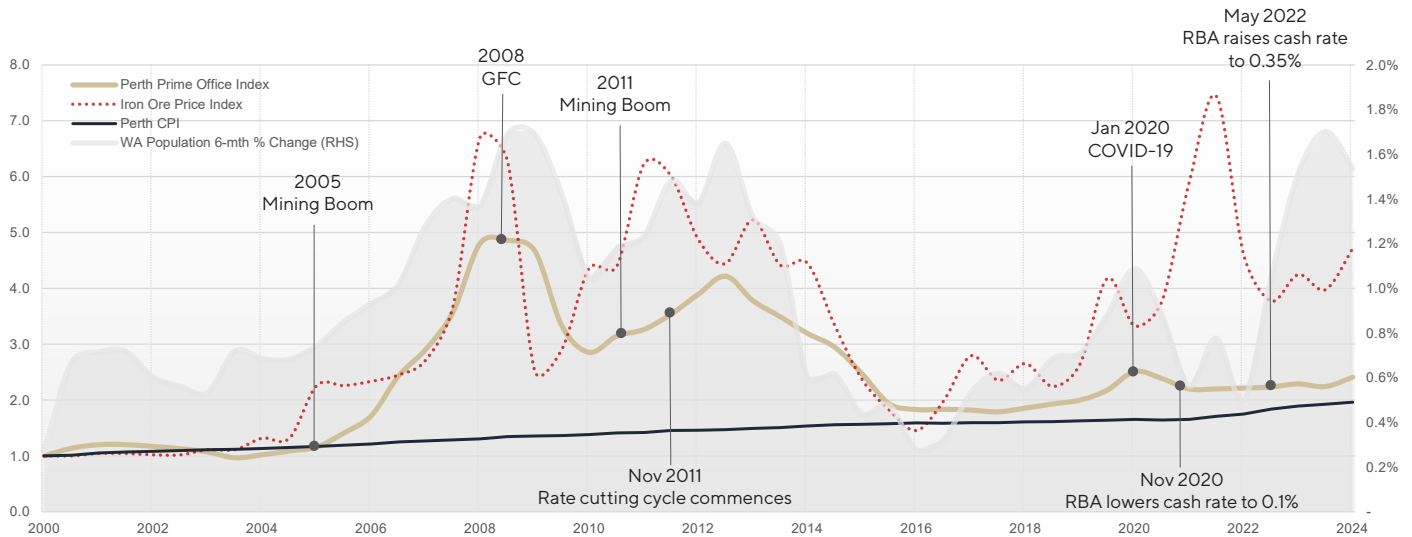


Perth Office Market: Divergence and Recovery?

The Perth CBD office market experienced a significant boom-bust cycle over the past two decades, influenced by its close ties to the mining sector. The chart below illustrates key events that have influenced the Perth Office landscape since 2000, relationship between office values, population growth and mining and post-pandemic divergence.

Figure 1: Perth CBD Prime Office Valuation Index, WA Population Growth and Iron Ore Price Divergence



Source: CBRE, Knight Frank, ABS, Macrobond, Cygnet West

Since 2000, Perth’s commercial office market broadly trended in-line with population growth driven by the strength of the state’s mining sector, particularly iron ore (Figure 1).

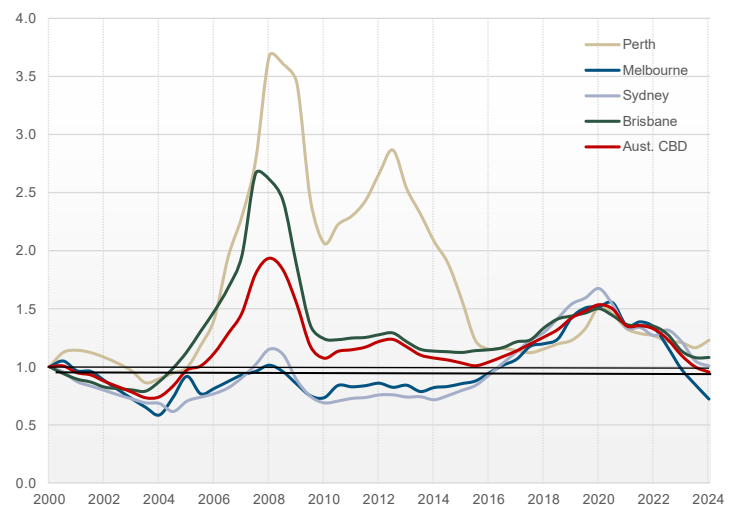
However, the COVID-19 pandemic disrupted this relationship due to evolving workplace practices and initial economic downturn concerns. While Perth was not immune to these effects, it demonstrably fared better than other major Australian cities. It currently boasts a relatively high office occupancy rate of 91% (vs. pre-pandemic), exceeding Brisbane (83%) and Sydney (77%). With interest rates expected to stabilise near their current levels, there are signs of emerging market stability in Perth and Brisbane, evidenced by increasing prime office rents. Sydney rents remain relatively unchanged. Melbourne’s slower post-COVID economic recovery is evident in lower occupancy rates (63% of pre-pandemic levels), rising vacancy rates, and stagnant rental growth.

While a detailed discussion of national market trends is beyond the scope of this analysis, it’s worth noting the fluctuations in capital values across Australia since 2000 (see Figure 2). Notably, Sydney and Melbourne have underperformed compared to Perth and Brisbane. Collectively, adjusting for inflation, prime office values haven’t outperformed inflation since the turn of the

century, largely driven by significant underperformance in Melbourne.

The pandemic undeniably impacted office demand across Australia. While Perth has exhibited relative resilience, a note of caution is necessary. WA’s continued exposure to commodity price fluctuations necessitates ongoing vigilance despite diversification efforts.

Figure 2: Australian CBD Prime Office Valuation Index (real)



Source: CBRE, Knight Frank, ABS, Property Council of Australia

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Contact Us

Damon Verheggen
Senior Manager – Direct Investments
damon.verheggen@dorado.com.au
+61 414 571 066

Nino Volaric
Manager – Direct Investments
nino.volaric@dorado.com.au
+61 435 291 521

dorado.com.au