THE INSIGHT

Perth Industrial Vacancy and Market Overview

Introduction

The Perth industrial property sector is navigating a period of measured adjustment as vacancy levels rise and tenant behaviour becomes increasingly cautious. Total metropolitan vacancy has expanded to 712,320sqm, representing a 21.4% increase from the 586,540sqm recorded in December 2024, marking a clear transition from the exceptional growth phase that characterised the market between 2021 and 2024.

This expansion reflects evolving occupier dynamics, with tenant consolidation strategies and businesses exiting the leasing market to purchase their own premises driving much of the increased availability. The East precinct has emerged as the primary vacancy concentration, expanding dramatically by 37.9% to 439,393sqm and now accounting for over 60% of Perth's total available space. This surge is largely driven by larger format assets in suburbs such as Canning Vale, Welshpool, High Wycombe, and Kewdale, creating a pronounced geographic concentration of vacancy. Conversely, the South precinct has demonstrated stability with a modest decline in available space, while the North precinct has increased moderately.

The rental market has responded to these changing dynamics with compression and stabilisation replacing the aggressive growth trajectory of recent years. While the North precinct maintains leadership at $130/sqm and the East tracks at $125/sqm, increased incentive offerings from landlords are effectively placing downward pressure on effective rents. This measured tenant sentiment, combined with reduced competitive urgency, has created a more tenant-favourable environment where rental growth expectations have moderated significantly from the double-digit increases witnessed over the past three years.

Despite the evolving leasing environment, investment activity has maintained surprising momentum through the first eight months of 2025, recording approximately $570 million in transactions. Owner-occupiers continue as particularly aggressive participants, frequently paying above traditional investment metrics to secure operational certainty, while eastern states capital flows into Perth attracted by superior yield spreads. The expected continuation of interest rate reductions should further stimulate buyer activity, creating ongoing competitive tension between investors and owner-occupiers that supports asset values despite the softening leasing market.

The composition of available stock continues to favour smaller assets, with sub-500sqm properties representing 45.1% of all listings, reflecting cautious business sentiment and conservative expansion strategies. The market's structural constraints around serviced industrial land supply, elevated construction costs, and labour shortages continue limiting development activity, providing fundamental support for existing asset values even as leasing dynamics shift toward tenants.

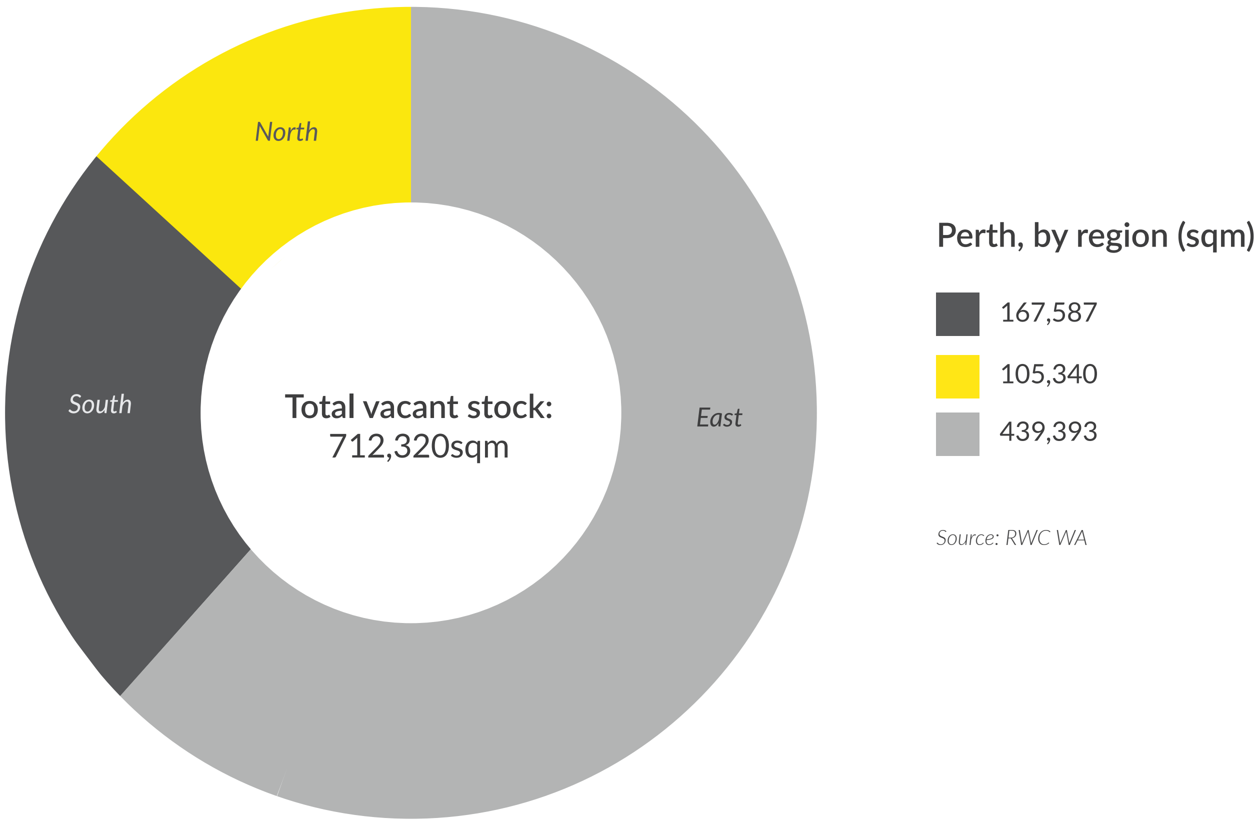
Available vacancy industrial

The Perth industrial market has experienced a measured increase in available space, with total metropolitan vacancy rising to 712,320sqm, representing a 21.4% increase from the 586,540sqm recorded in December 2024. This expansion of 125,780sqm signals evolving market dynamics as occupier demand moderates and tenant behaviour becomes more cautious amid economic uncertainty.

This dramatic expansion of 350,910sqm signals a clear shift in market dynamics as occupier demand moderates and tenant behaviour becomes more cautious.

The East precinct has emerged as the primary driver of increased vacancy, expanding significantly from 318,707sqm to 439,393sqm, representing a 37.9% increase and now accounting for over 60% of Perth's total available space. This surge is largely concentrated in suburbs such as Canning Vale, Welshpool, and Kewdale, where larger format assets dominate the vacancy profile. Conversely, the South precinct has demonstrated relative stability with a modest decline from 181,859sqm to 167,587sqm, while the North precinct has increased from 85,974sqm to 105,340sqm.

This geographic redistribution of vacancy, particularly the East precinct's dominance in larger format availability, validates earlier predictions that elevated vacancy would begin to impact rental growth and increase tenant negotiation power. The concentrated nature of vacancy in key East precinct suburbs suggests landlords in these areas will need to become increasingly competitive with both rental rates and lease incentives to attract quality tenants.



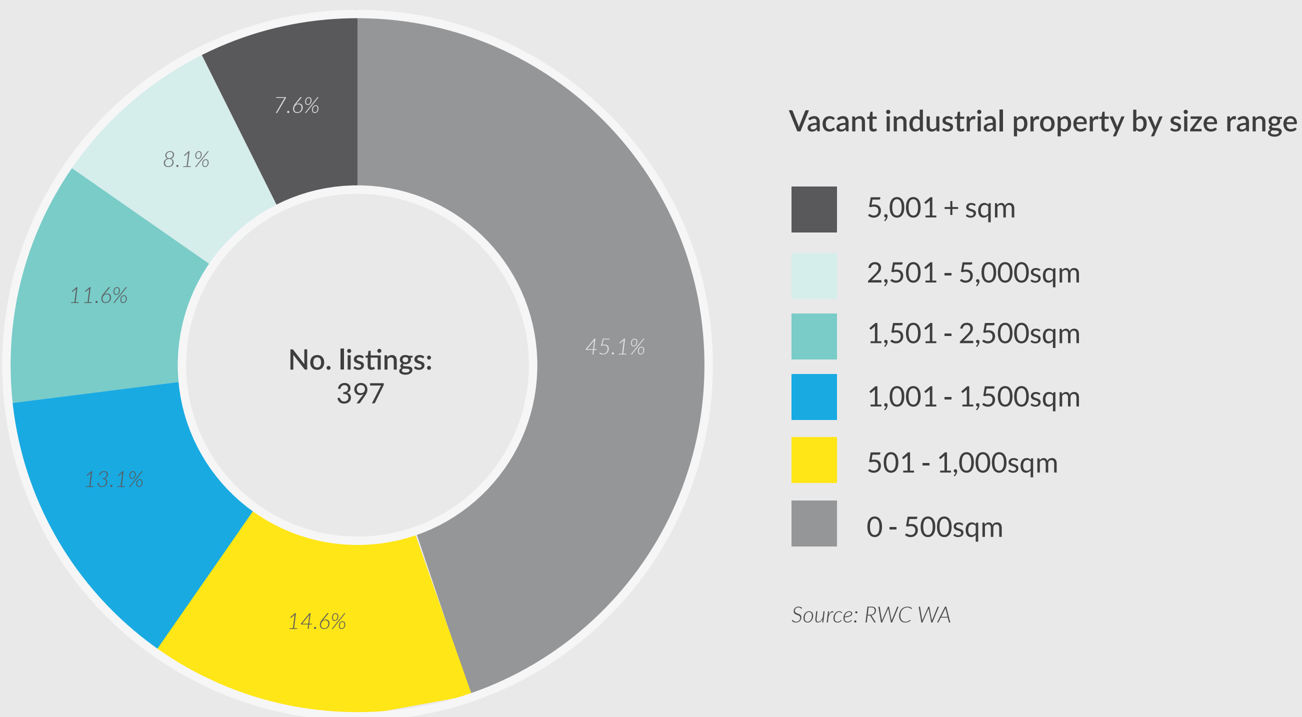
Source: RWC WA

Vacancies industrial property by size range

The composition of available industrial listings has shifted modestly, with sub-500sqm properties now representing 45.1% of all available stock, up from 42.9% recorded in December 2024. This increase of 2.2 percentage points to 179 listings continues the trend toward smaller businesses reconsidering their accommodation needs, potentially reflecting cautious expansion strategies amid economic uncertainty.

The 501-1,000sqm category has contracted slightly from 15.3% to 14.6% of total listings, suggesting this mid-size segment continues to experience steady absorption. Notably, the larger size ranges above 1,500sqm now account for 27.3% of all listings, with particular concentration in East precinct suburbs where average listing sizes are substantially larger than traditional Perth industrial stock.

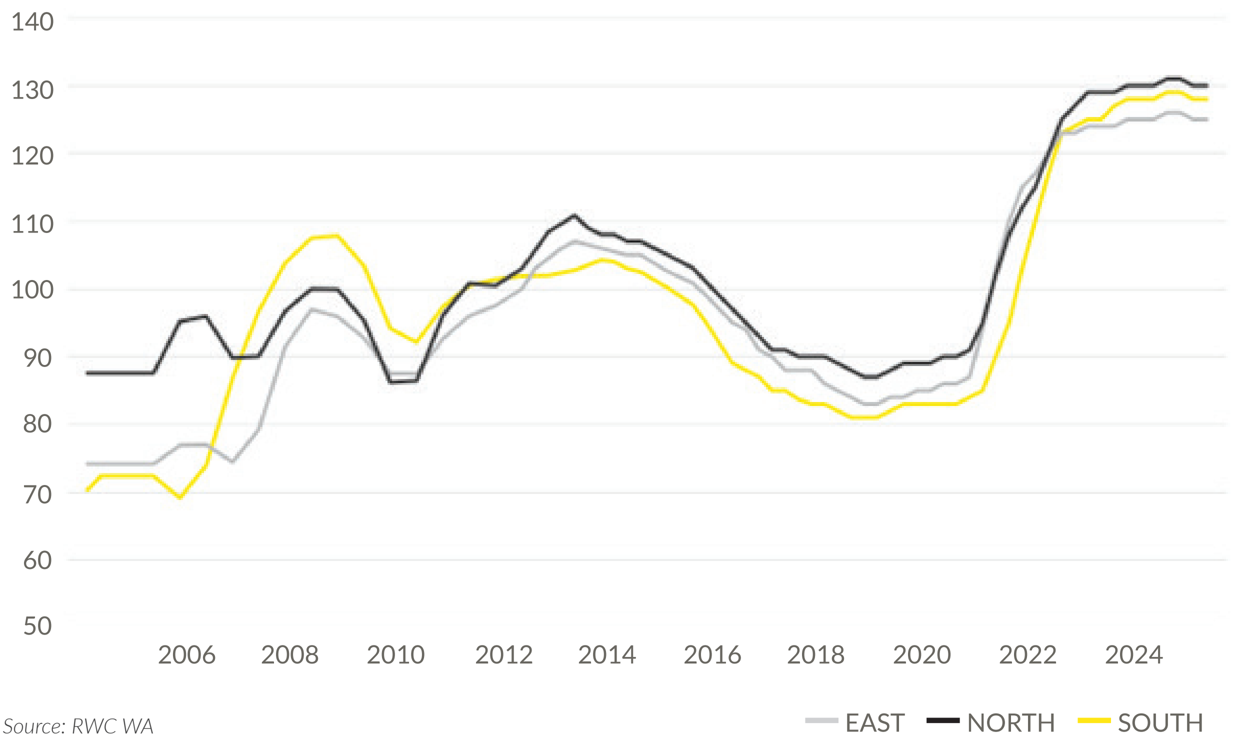
Canning Vale continues to dominate vacancy listings with 133,436sqm across 37 properties, averaging 3,606sqm per listing, while Malaga maintains its position as the key smaller format market with 33,973sqm across 35 listings, averaging just 971sqm per property. This size distribution reinforces the two-speed market dynamic, where smaller assets in the North precinct face different competitive pressures than the larger format opportunities concentrated in the East. The evolving composition supports expectations that tenant incentives will become more prevalent as landlords compete for increasingly selective occupiers across all size categories.



Source: RWC WA

Perth industrial net face rents

By region ($/sqm)



Source: RWC WA

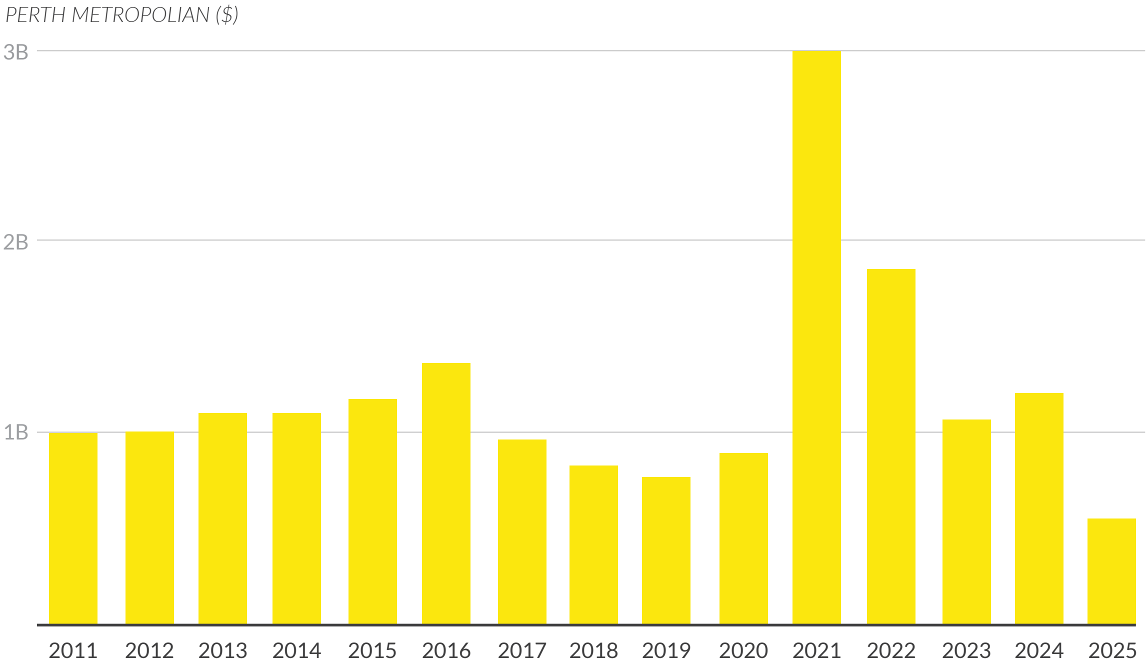
The Perth industrial rental market is experiencing a notable shift from the aggressive growth trajectory of recent years to a more cautious and stabilised environment. While the North precinct continues to lead at $130/sqm and the East maintains $125/sqm, recent quarters have witnessed rental compression and stabilisation as vacancy levels gradually increase across the metropolitan area. This represents a marked departure from the exceptional rental appreciation experienced between 2021 and 2024, with growth momentum now clearly moderating.

The growing availability of stock has fundamentally altered tenant dynamics and reduced the competitive urgency that previously drove rapid rental escalation. Caution amongst occupiers has become increasingly evident, with many businesses adopting a more considered approach to leasing decisions amid broader economic uncertainties. This measured tenant sentiment has coincided with increased incentive offerings from landlords, effectively placing downward pressure on effective rents despite headline rates remaining relatively stable.

Construction costs continue to underpin rental floors for new developments, with purpose-built facilities still commanding premium rates above $140/sqm to justify development economics. However, the secondary market is experiencing more pronounced adjustments, with landlords increasingly willing to negotiate on terms and incentives to secure quality tenants. The growing trend towards owner-occupation has further reduced active leasing demand, as businesses seek to control occupancy costs and hedge against future rental uncertainty through property ownership.

The five-year rental growth story remains compelling, with the South precinct achieving 10.6% annual compound growth, followed by the East at 9.6% and North at 9.4% per annum. However, looking ahead, rental growth expectations have moderated significantly. The combination of increasing vacancy, cautious tenant sentiment, and reduced competitive tension suggests the market has entered a more tenant-favourable environment, where rental growth will likely track closer to inflation rather than the exceptional double-digit increases witnessed over the past three years.

Industrial sales volume



*Source: Real Capital Analytics, PIMS RWC WA *2025 - to 1 August*

The Perth industrial investment market has maintained steady activity through the first eight months of 2025, recording approximately $570 million in transactions.

While this partial year result suggests the full 2025 volume will not match the exceptional performance of recent years, the market continues to demonstrate robust underlying fundamentals driven by competitive buyer dynamics.

The current transaction pace reflects intense competition between multiple buyer groups. Owner-occupiers have emerged as particularly aggressive participants, frequently paying above traditional investment metrics to secure their operational premises and hedge against future rental increases. This behaviour has been complemented by sustained interest from eastern states investors, often working through buyers' agents, who view Perth as an attractive value proposition compared to their compressed local market yields.

The expected continuation of interest rate reductions throughout 2025 is anticipated to further stimulate buyer activity across the commercial property sector. This monetary policy environment becomes particularly compelling given the sector's defensive income characteristics and the relatively low yields currently available in residential property following strong capital gains.

Private investors continue to dominate transaction activity, accounting for approximately three-quarters of all purchases, with yields maintaining their range between 5.8% and 7.5% depending on asset quality and covenant strength. The competitive tension between owner-occupiers and investors, combined with structural supply constraints and elevated construction costs, continues to underpin market values and positions Perth for sustained investment activity as economic conditions improve.

Outlook

The Perth industrial market's trajectory through the remainder of 2025 will be shaped by the divergent performance between the East precinct's elevated vacancy levels and the more stable conditions in the North and South precincts.

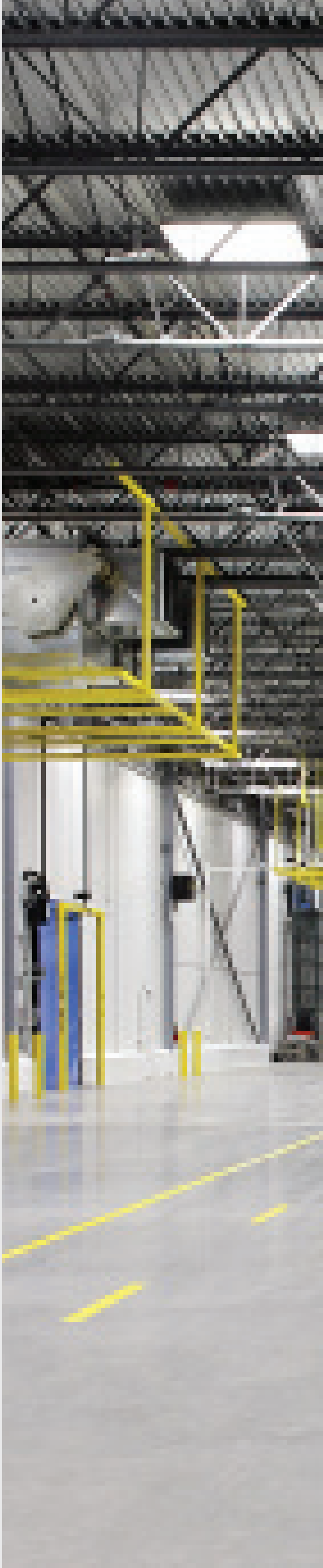
The substantial concentration of larger format availability in East precinct suburbs, particularly Canning Vale's 133,436sqm across 37 properties, suggests this area will experience the most pronounced rental pressure and extended letting periods.

The East precinct's dominance of vacancy, now representing over 60% of metropolitan availability, indicates landlords in areas such as Welshpool, High Wycombe, and Kewdale will need to adopt increasingly competitive positioning through enhanced incentive packages and flexible lease terms. This geographic concentration creates opportunities for tenant-driven negotiations and potential rental compression, particularly for assets above 1,500sqm where competition for quality occupiers has intensified.

Conversely, the North and South precincts may demonstrate greater rental stability given their more measured vacancy increases. The North precinct's smaller format concentration, exemplified by Malaga's 35 listings averaging just 971sqm each, suggests this segment will maintain relatively tight conditions despite the broader market adjustment. The South precinct's vacancy decline positions it favourably for sustained leasing performance, particularly in established industrial nodes like Bibra Lake and Forrestdale.

Investment market dynamics will benefit from the improving interest rate environment, with monetary policy settings likely to attract renewed institutional and private capital throughout 2025. Perth's relative value proposition compared to east coast markets, where yields have compressed substantially, should continue drawing eastern states investors seeking superior returns. The iron ore price environment will remain critical to Western Australia's economic confidence, influencing both occupier expansion decisions and investor sentiment toward the state's industrial property sector.

The fundamental structural constraints around serviced industrial land supply, elevated construction costs, and ongoing labour shortages will continue creating barriers to speculative development, providing support for existing asset values. Owner-occupiers are expected to maintain their aggressive market participation as they seek accommodation certainty amid economic uncertainty, potentially sustaining competitive pressure on quality assets even as leasing markets favour tenants. This buyer competition, combined with constrained development economics, should help maintain yield stability and provide a floor for capital values as the market adjusts to its new equilibrium.



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