

# MELBOURNE INDUSTRIAL MARKETBEAT

MARCH 2018

## \$85-\$95

AVERAGE PRIME  
NET FACE RENT  
(SOUTH-EAST)

## 6.25%

AVERAGE PRIME  
YIELDS  
(SOUTH)

## 36%

VACANT LAND CV  
GROWTH YOY  
(NORTH)

## HIGHLIGHTS

### Prime grade assets drive rental growth

The combination of low vacancy and limited opportunities to develop new sites has caused a modest increase in Prime net face rents to \$85-\$95 sq m across the South-East and East precincts. In contrast, Secondary net face rents declined in the Eastern precinct to \$60-70 per square metre as competition for prime grade assets continues.

### Investor appetite for land remains strong

Rolling annual investment volume, which as at Q1 2018 totalled \$1.2bn, has been largely flat over the past 18-months. However, this is more due to lack of available stock rather than declining investor appetite. One of the standout transactions for the quarter was Cache Logistics Trust's acquisition of an eight asset portfolio from Blackstone, of which six assets totalling \$117m were located in Melbourne. Appetite also remained strong in the vacant land market where capital values have increased by as much as 36% YoY.

### Infrastructure to boost demand in the West

Investor interest in the Western precinct, which has led investment volume for the past few years is expected to increase with the development of new infrastructure. In particular the \$5.5 billion West Gate Tunnel project will further enhance the precinct's attractive qualities by providing improved access to the Port of Melbourne.

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## ECONOMIC INDICATORS

	Q3 17	Q4 17	12-Month Forecast
GDP Growth (National)*	2.3%	2.3%	▲
SFD Growth (VIC)*	4.5%	4.7%	▼
Unemployment (VIC)†	6.0%	6.1%	■

\*Average annual growth rate, †Seasonally adjusted

Source: ABS; Deloitte Access Economics; Cushman and Wakefield Research

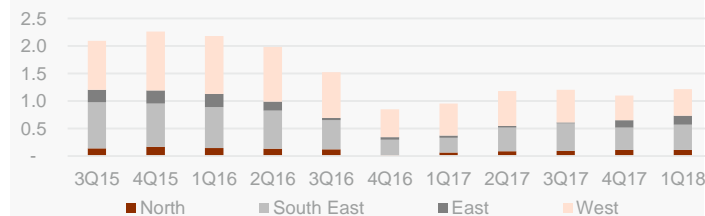
## FEATURE C&W LISTING



481 COOPER STREET, EPPING

Source: Cushman & Wakefield Research

## ROLLING ANNUAL INVESTMENT VOLUME PER SUBMARKET (AUD Bn)



Source: Cushman & Wakefield Research; RCA



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SUBMARKET	PROPERTY TYPE	PRIME NET FACE RENT / SQ M	OUTGOINGS	AVG YIELD	SECONDARY NET FACE RENT / SQ M	OUTGOINGS	AVG YIELD
North	<5,000 sq m	\$85 - \$90	\$10 - \$15	6.50%	\$50 - \$65	\$10 - \$15	8.25%
	>5,000 sq m	\$75 - \$85	\$10 - \$15	6.50%	\$60 - \$65	\$10 - \$15	8.25%
South East	<6,000 sq m	\$85 - \$95	\$13 - \$18	6.50%	\$65 - \$75	\$13 - \$18	7.50%
	>6,000 sq m	\$80 - \$90	\$13 - \$18	6.50%	\$55 - \$65	\$13 - \$18	7.75%
East	<4,000 sq m	\$90 - \$95	\$15 - \$20	6.50%	\$65 - \$75	\$15 - \$20	7.50%
	>4,000 sq m	\$80 - \$90	\$15 - \$20	6.50%	\$65 - \$75	\$15 - \$20	7.75%
West	<8,000 sq m	\$75 - \$80	\$10 - \$15	6.50%	\$55 - \$65	\$10 - \$15	8.15%
	>8,000 sq m	\$70 - \$75	\$10 - \$15	6.50%	\$45 - \$60	\$10 - \$15	8.15%

Source: Cushman & Wakefield Research

## Average capital values – Building Area (\$ / sq m)

	<2,000 SQ M	2,000 – 5,000 SQ M	5,000 – 10,000 SQ M	>10,000 SQ M
North	\$1,250	\$1,125	\$1,000	\$950
South East	\$1,400	\$1,300	\$1,250	\$1,100
East	\$1,850	\$1,500	\$1,300	\$1,250
West	\$1,225	\$1,150	\$1,050	\$1,050

Source: Cushman & Wakefield Research

## Average capital values – Vacant Land (\$ / sq m)

	<2,000 SQ M	2,000 – 5,000 SQ M	5,000 – 10,000 SQ M	>10,000 SQ M
North	\$240 - \$260	\$210 - \$250	\$190 - \$210	\$180 - \$190
South East	\$330 - \$360	\$250 - \$300	\$220 - \$270	\$200 - \$250
East	\$350 - \$400	\$325 - \$375	\$275 - \$325	\$250 - \$350
West	\$225 - \$250	\$225 - \$250	\$160 - \$180	\$155 - \$170

Source: Cushman & Wakefield Research

## Key leasing transactions Q1 2018

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	LEASE TYPE
41-55 Leakes Road	West	Hickory Group	66,000	New
33 Archer Road	West	CTI Logistics	15,228	New

Source: Cushman & Wakefield Research

## Key investment transactions Q1 2018 (≥ \$5 Million)

PROPERTY	SUBMARKET	PURCHASER	AREA (SQ M)	PRICE (AUD)
41-51 Mills Road	Braeside	Cache Logistics Trust	32,387	29,400,000
121-139 Dohertys Road	Altona North	Lendlease	30,953	38,150,000

Source: Cushman & Wakefield Research