

MARKETBEATS



CUSHMAN & WAKEFIELD

785m

Q3 investment volume

\$2.0bn

Rolling Annual investment volume

20%

YoY Growth: South West land >10,000sqm

WHAT'S NEXT

HIGHLIGHTS

Double digit growth for industrial land

Strong demand for land in most of Sydney's major industrial markets has led to double digit growth in most size ranges. Large (+10,000sqm) sites in Sydney's South West have recorded growth of around 20% year-on-year to now command \$600 per sqm. Higher values are expected to increase economic rents, which will impact the rental outlook, first for new developments.

Annual investment volume still low

Due to the attractive returns on offer, most owners remain unwilling to sell their industrial assets. This was reflected in the soft rolling annual investment volume of \$2.0 billion, less than half of what was recorded just 18 months ago. Despite this, Q3 appeared to rebound with transaction volume of \$785m, the highest since Q4 2016. This included the sale of a 50% stake in the Calibre Estate at Minchinbury for \$125.2m, and the sale of the Coles distribution centre in Smeaton Grange for \$90.5m.

Multi-level industrial is on the rise

Diminishing industrial land supply and increasing rents and land values are leading to the emergence of multi level industrial operations in South Sydney. Leda, Truman, Goodman and Logos all have development plans for multi-level industrial units, which is occurring alongside further growth in e-commerce.

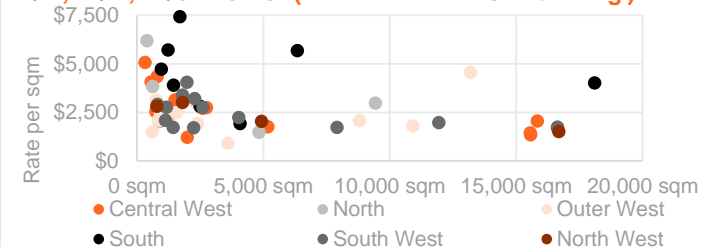
ECONOMIC INDICATORS

	Q1 18	Q2 18	12-Month Forecast
GDP Growth (National)*	2.6%	2.9%	▲
State Final Demand Growth (NSW)*	3.1%	3.3%	▼
Unemployment (NSW)†	5.0%	4.7%	▲

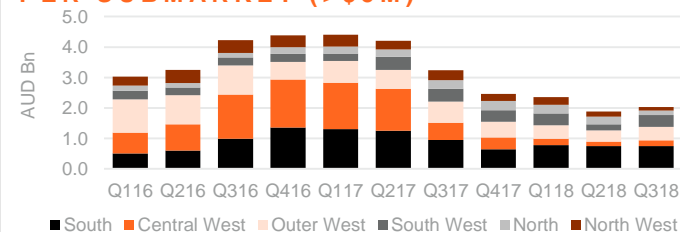
*Average annual growth rate, †Seasonally adjusted

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

INDUSTRIAL ZONED BUILDING SALES Q1, Q2, Q3 2018 (IN1+IN2+IN3 zoning)



ROLLING ANNUAL INVESTMENT VOLUME PER SUBMARKET (>\$5M)



Source: Cushman & Wakefield Research; RCA

A Cushman & Wakefield Research Publication

DATA INTO ACTION

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DATA INTO ACTION

A Cushman & Wakefield
Research Publication

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PRIME GRADE	Size Range	South	Central West	South West	Outer West	North West	North
NET FACE RENT	<2,000 sqm	\$220 - \$240	\$145 - \$155	\$130 - \$135	\$130 - \$135	\$130 - \$140	\$220 - \$230 *
	2,000 - 5,000 sqm	\$200 - \$220	\$135 - \$145	\$120 - \$130	\$125 - \$130	\$120 - \$130	\$210 - \$225 *
	5,000 - 10,000 sqm	\$180 - \$190	\$130 - \$135	\$115 - \$120	\$115 - \$125	\$115 - \$125	N/A
	10,000 + sqm	\$150 - \$170	\$120 - \$130	\$105 - \$115	\$105 - \$115	\$110 - \$120	N/A
OUTGOINGS	<2,000 sqm	\$30 - \$60	\$25 - \$35	\$20 - \$30	\$22 - \$30	\$20 - \$30	\$35 - \$40 *
	2,000 - 5,000 sqm	\$30 - \$55	\$25 - \$35	\$20 - \$30	\$22 - \$30	\$20 - \$30	\$35 - \$40 *
	5,000 - 10,000 sqm	\$25 - \$50	\$25 - \$35	\$20 - \$25	\$22 - \$25	\$20 - \$30	N/A
	10,000 + sqm	\$25 - \$40	\$25 - \$35	\$20 - \$25	\$22 - \$25	\$20 - \$30	N/A
NET INCENTIVES	<2,000 sqm	10.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	5.00% - 7.50% *
	2,000 - 5,000 sqm	10.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	2.50% - 5.00% *
	5,000 - 10,000 sqm	10.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	N/A
	10,000 + sqm	10.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	N/A
AVG YIELDS	<2,000 sqm	4.00% - 6.00%	4.00% - 6.00%	4.00% - 6.00%	4.00% - 6.00%	4.00% - 6.00%	5.25% - 6.00% *
	2,000 - 5,000 sqm	4.00% - 6.00%	4.00% - 6.00%	4.00% - 6.00%	4.00% - 6.00%	4.00% - 6.00%	5.25% - 6.00% *
	5,000 - 10,000 sqm	4.00% - 6.00%	5.00% - 5.50%	5.00% - 6.50%	5.00% - 6.50%	5.00% - 6.50%	N/A
	10,000 + sqm	5.00% - 7.00%	5.00% - 5.50%	5.00% - 6.50%	5.00% - 6.50%	5.00% - 6.50%	N/A
BUILDING CAPITAL VALUES	<2,000 sqm	\$4,500	\$4,500	\$3,000	\$3,000	\$4,500	\$3,250 *
	2,000 - 5,000 sqm	\$4,000	\$3,500	\$2,500	\$2,500	\$3,500	\$2,900 *
	5,000 - 10,000 sqm	\$3,500	\$2,250	\$2,000	\$2,000	\$2,250	N/A
	10,000 + sqm	\$3,000	\$2,000	\$1,850	\$1,850	\$2,000	N/A
VACANT LAND CAPITAL VALUES	<2,000 sqm	\$2,500	\$1,500	\$1,000	\$1,000	\$1,100	\$1,350
	2,000 - 5,000 sqm	\$2,000	\$1,250	\$800	\$800	\$900	\$1,100
	5,000 - 10,000 sqm	\$1,600	\$1,000	\$650	\$650	\$650	N/A
	10,000 + sqm	\$1,200	\$750	\$600	\$600	\$600	N/A

KEY LEASING TRANSACTIONS Q2 + Q3 2018

Source: Cushman & Wakefield Research

PROPERTY	SUBMARKET	TENANT	AREA (SQM)	LEASE TYPE
Centenary Distribution Centre	South West	Amazon	43,000	Direct (Expansion)
Calibre Industrial Estate	Outer West	ACFS	20,680	Direct (Precommitment)
1 Hope Street, Enfield	Central West	K&S Freighters	17,268	Direct (Renewal)

KEY INVESTMENT TRANSACTIONS Q2 + Q3 2018

Source: Cushman & Wakefield Research

PROPERTY	SUBMARKET	PURCHASER	AREA (SQM)	PRICE (AUD)
Calibre Industrial Estate (50%)	Outer West	MILP (Morgan Stanley)	110,218	\$125,232,336
Coles DC, 80 Hartley Road	South West	Charter Hall	61,166	\$90,500,000
55 Yarrunga Street	South West	Charter Hall	32,890	\$71,600,000