

MARKETBEATS

35%

Y-o-y growth: vacant
land rates >10,000 sqm

5.50%

West Prime Warehouse
Yields >8,000sqm

\$1,250psqm

>10,000 sqm average
building rate per sqmWHAT'S
NEXT

HIGHLIGHTS

Demand for land continues unabated

Demand for Melbourne industrial land remains unsatisfied. Land prices have continued to rise for all sizes and locations, notably among >10,000 sqm lots where prices have increased 35% year-on-year. Put simply, Melbourne currently has 21,000ha of industrial land and some 7,000ha in reserve. The current land services circa 5 million people – there is clearly not enough in reserve to service the next 5 million people.

E-commerce and logistics demand

The ability and willingness to buy goods online is seeing small parcel delivery numbers skyrocketing and the logistics industry scrambling to keep up. Last mile delivery solutions are still being sought. As the number of adoptees of online buying increase due to population growth and technology advancement e-commerce and logistics operators can be expected to grow exponentially for some years, as Catch (22,000 sqm at Truganina) and Arrow Logistics (35,350 sqm at Altona) have recently done.

Rental growth almost assured

Higher land prices are expected to combine with higher infrastructure costs to drive face rents higher by 2021. Existing industrial land banks, bought at lower prices, are close to being exhausted and are maintaining face rents at fairly stable levels. Vacancy rates in the market are below 5% and supply is being delivered in the form of speculative developments.

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ECONOMIC INDICATORS

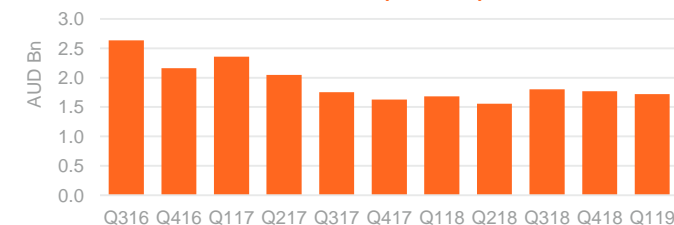
	Q3 18	Q4 18	12-Month Forecast
GDP Growth (National)*	2.8%	2.8%	▼
State Final Demand Growth (VIC)*	4.6%	5.0%	▼
Unemployment (VIC)†	4.5%	4.2%	▲

*Average annual growth rate, †Seasonally adjusted
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

FEATURE C&W LISTING



35 FULTON DRIVE, DERRIMUT

ROLLING ANNUAL BUILDING
INVESTMENT VOLUME (>\$5M)

Source: RCA; Cushman & Wakefield Research

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PRIME GRADE	Size Range	North	YoY Change	South East	YoY Change	East	YoY Change	Size Range	West	YoY Change
NET FACE RENTS	<5,000 sqm	\$85 - \$95	-	\$95 - \$115	5%	\$90 - \$100	-	<8,000 sqm	\$75 - \$85	3%
	>5,000 sqm	\$75 - \$90	3%	\$90 - \$105	11%	\$90 - \$100	6%	>8,000 sqm	\$70 - \$75	-
OUTGOINGS	<5,000 sqm	\$15	-	\$15 - \$20	13%	\$15 - \$20	-	<8,000 sqm	\$10 - \$15	-
	>5,000 sqm	\$12 - \$15	8%	\$15 - \$20	13%	\$15 - \$20	-	>8,000 sqm	\$10 - \$15	-
NET INCENTIVES	<5,000 sqm	10% - 15%	-29%	20% - 25%	-	10% - 15%	-	<8,000 sqm	15% - 20%	-
	>5,000 sqm	10% - 20%	-	20% - 25%	-18%	15% - 20%	-	>8,000 sqm	25% - 30%	-
AVG YIELDS	<5,000 sqm	5.75% - 6.25%	-38 bp	5.50% - 6.25%	-50 bp	5.75% - 6.50%	-25 bp	<8,000 sqm	5.75% - 6.25%	-38 bp
	>5,000 sqm	5.75% - 6.25%	-38 bp	5.50% - 6.25%	-38 bp	5.75% - 6.50%	-25 bp	>8,000 sqm	5.25% - 5.75%	-88 bp
BUILDING CAPITAL VALUES	<2,000 sqm	\$1,475	11%	\$1,750	25%	\$1,950	5%	<2,000 sqm	\$1,450	18%
	2,000 - 5,000 sqm	\$1,400	10%	\$1,600	23%	\$1,600	12%	2,000 - 5,000 sqm	\$1,350	17%
	5,000 - 10,000 sqm	\$1,200	9%	\$1,450	16%	\$1,325	21%	5,000 - 10,000 sqm	\$1,250	19%
	>10,000 sqm	\$1,200	17%	\$1,225	11%	\$1,150	18%	>10,000 sqm	\$1,250	19%
VACANT LAND CAPITAL VALUES	<2,000 sqm	\$410	21%	\$600	43%	\$600	41%	<2,000 sqm	\$350	33%
	2,000 - 5,000 sqm	\$360	29%	\$550	47%	\$550	47%	2,000 - 5,000 sqm	\$350	47%
	5,000 - 10,000 sqm	\$290	23%	\$450	39%	\$475	46%	5,000 - 10,000 sqm	\$287.50	60%
	>10,000 sqm	\$290	45%	\$375	36%	\$325	8%	>10,000 sqm	\$275	70%

KEY LEASING TRANSACTIONS Q4 2018 + Q1 2019

Source: Cushman & Wakefield Research

PROPERTY	SUBMARKET	TENANT	AREA (SQM)	LEASE TYPE
182-198 Maidstone Street, Altona	West	Arrow Log./Congress Packaging	35,350	Direct
2/30 Saintry Drive, Truganina	West	Catch Group	22,000	Direct (Expansion)
24 Logis Boulevard, Dandenong South	South East	Undisclosed Logistics Provider	16,070	Direct (Expansion)
Braeside Industrial Estate	South East	IVE Group	14,150	Direct (Pre-commitment)

KEY INVESTMENT TRANSACTIONS Q4 2018 + Q1 2019

Source: Cushman & Wakefield Research

PROPERTY	SUBMARKET	PURCHASER	AREA (SQM)	PRICE (AUD)
35-45 Frankston-Dandenong Road	South East	N/A	N/A	\$77,800,000
Horsburgh Drive (Land)	West	ISPT	299,990	\$60,000,000
67-85 Cook Street	Central	Goodman	40,000	\$56,300,000

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