

MARKETBEATS

\$426m

Q1 investment vol.
(IN1,2,3 Buildings)

\$1.8bn

Rolling Annual
investment vol.

9%

Y-o-y rent growth: Outer West
Prime Warehouses >10,000sqmWHAT'S
NEXT

HIGHLIGHTS

Rental growth in focus as yields contract

As investment fundamentals continued to firm, values in Sydney's major western Prime Grade markets increased 22% to around \$2,250 per sqm in the year to March 2019. Underpinning capital value growth, average Prime grade building yields tightened to 5.25% with net rents rising 9% to \$125 per square metre. The yield spread between Prime and Secondary continued to converge as the cyclical peak moved closer.

Structural changes benefitting industrial

E-commerce is reducing the pricing power of retailers and driving structural changes for both the retail and industrial sectors. While this is placing pressure on bricks-and-mortar retailing it is also driving demand for state-of-the-art logistics space and is making the location and role of logistics and warehousing critically important in retail supply chains. Growth in short turnaround order fulfilment is also driving demand for large metropolitan distribution centres and inner city order fulfillment centres.

Automated sheds arriving in Australia

Retailers seeking improved supply chain efficiency are positioning themselves as the pioneers of large scale industrial automation in Australia. Woolworths, Coles, and more recently Kaufland, are among the retailers spending billions optimizing their supply chains. Coles will spend \$1bn over 6 years on automation while Kaufland will spend \$459 million on the construction of a new automated distribution centre in Melbourne.

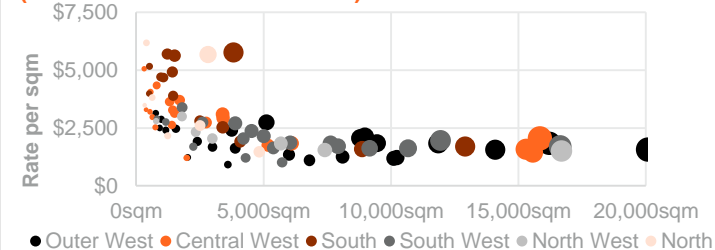
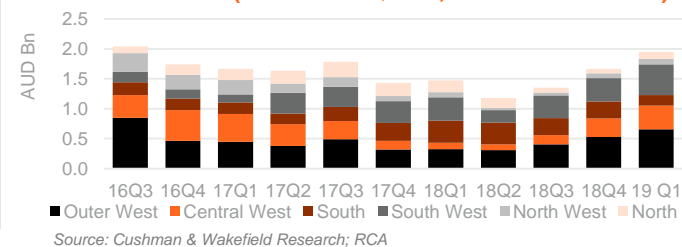


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ECONOMIC INDICATORS

	Q3 18	Q4 18	12-Month Forecast
GDP Growth (National)*	2.8%	2.8%	▼
State Final Demand Growth (NSW)*	3.7%	3.5%	▼
Unemployment (NSW)†	4.4%	4.3%	▲

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

BUILDING SALES 12m to MAR 2019
(ZONED IN1+IN2+IN3)ROLLING ANNUAL INV VOL PER
SUBMARKET (BLDGS > \$5M, IN1+IN2+IN3)

A Cushman & Wakefield
Research Publication

DATA
INTO
ACTION

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DATA INTO ACTION

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Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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PRIME GRADE	Size Range	South	Central West	South West	Outer West	North West
NET FACE RENT	<2,000 sqm	\$220 - \$240	\$145 - \$165	\$130 - \$135	\$130 - \$135	\$130 - \$140
	2,000 - 5,000 sqm	\$210 - \$230	\$135 - \$150	\$125 - \$135	\$125 - \$130	\$120 - \$130
	5,000 - 10,000 sqm	\$185 - \$205	\$130 - \$135	\$125 - \$130	\$120 - \$130	\$115 - \$125
	10,000 + sqm	\$170 - \$190	\$125 - \$135	\$110 - \$120	\$120 - \$130	\$110 - \$120
OUTGOINGS	<2,000 sqm	\$40 - \$70	\$25 - \$38	\$20 - \$30	\$25 - \$30	\$25 - \$35
	2,000 - 5,000 sqm	\$40 - \$70	\$25 - \$35	\$20 - \$30	\$25 - \$30	\$25 - \$35
	5,000 - 10,000 sqm	\$40 - \$60	\$25 - \$35	\$20 - \$30	\$25 - \$25	\$25 - \$35
	10,000 + sqm	\$40 - \$60	\$25 - \$35	\$20 - \$30	\$25 - \$25	\$25 - \$35
NET INCENTIVES	<2,000 sqm	7.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%
	2,000 - 5,000 sqm	7.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%
	5,000 - 10,000 sqm	7.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%
	10,000 + sqm	10.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%	8.00% - 12.00%
AVG YIELDS	<2,000 sqm	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%
	2,000 - 5,000 sqm	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%	4.00% - 5.50%
	5,000 - 10,000 sqm	4.00% - 5.50%	5.00% - 5.50%	5.00% - 5.50%	5.00% - 5.50%	5.00% - 5.50%
	10,000 + sqm	4.00% - 5.50%	5.00% - 5.50%	5.00% - 5.50%	5.00% - 5.50%	5.00% - 5.50%
BUILDING CAPITAL VALUES	<2,000 sqm	\$4,950	\$4,950	\$3,300	\$3,300	\$4,950
	2,000 - 5,000 sqm	\$4,400	\$3,850	\$2,750	\$2,750	\$3,850
	5,000 - 10,000 sqm	\$4,100	\$2,500	\$2,450	\$2,400	\$2,300
	10,000 + sqm	\$3,800	\$2,500	\$2,200	\$2,400	\$2,200
VACANT LAND CAPITAL VALUES	<2,000 sqm	\$2,750	\$1,500	\$1,000	\$1,000	\$1,100
	2,000 - 5,000 sqm	\$2,000	\$1,250	\$800	\$800	\$900
	5,000 - 10,000 sqm	\$1,600	\$1,000	\$650	\$650	\$650
	10,000 + sqm	\$1,200	\$750	\$650	\$650	\$650

KEY LEASING TRANSACTIONS Q4 2018 + Q1 2019

Source: Cushman & Wakefield Research

PROPERTY	SUBMARKET	TENANT	AREA (SQM)	LEASE TYPE
The Gateway, Eastern Creek	Outer West	ACR Supply Partners	31,000	Direct (Pre-commitment)
2 Greenhills Avenue, Moorebank	South West	Manheim	16,795	Direct (Expansion)
Yennora Distribution Centre	Central West	Silk Contract Logistics	13,600	Direct (Expansion)

KEY INVESTMENT TRANSACTIONS Q4 2018 + Q1 2019

Source: Cushman & Wakefield Research

PROPERTY	SUBMARKET	PURCHASER	AREA (SQM)	PRICE (AUD)
82 Hughes Avenue, Melrose Park	Central West	357 Hughes Avenue Pty Ltd	52,090 (site)	\$87,500,000
8 Williamson Road, Ingleburn	South West	Fife Capital	34,060	\$66,300,000
63 Pine Road, Yennora	Central West	Blackstone	~16,000	\$64,900,000