

MARKETBEAT

5.00%

CORE MARKET CAP RATE FOR LARGER PRIME STOCK

\$1.9_{bn}

ROLLING ANNUAL INVESTMENT VOL.

9%

Y-O-Y RENT GROWTH: OUTER WEST PRIME WAREHOUSES >10,000SQM

WHAT'S NEXT

HIGHLIGHTS

All eyes on Western Sydney Airport land

The land surrounding the Western Sydney International Airport is the talk of the town. With construction now one year in, institutional investors are taking particular interest in the precinct and some have secured and/or optioned surrounding land in anticipation that it will be rezoned. In the four years to July 2018 land surrounding the airport site recorded average CAGRs of around 40%.¹

1. Based on Valuer General Land Values from 2014-2018

Few assets have been hitting the market

A lack of stock led to few major Sydney transactions in Q2 and Q3 2019. As a result, modest transaction volumes of just over \$600m were recorded in the 6 months to September. Whilst volumes have been subdued strong demand has helped drive yield compression. In the year to September average Prime core market cap rates have declined by about 75 bp to circa 5.00%, and values have increased 17% to \$2,425 psqm.

Softer economic conditions

Australia's GDP results have been trending down, and Deloitte Access Economics have forecasted softer short term growth. For industrial, long term positive fundamentals suggest that larger occupier demand should remain solid, with competition between tenants a driving factor. However, among some smaller occupiers softer conditions are reducing space requirements, particularly in South Sydney. In a sign of the conditions, Port Botany container volumes were down 10% year on year over June to August 2019.

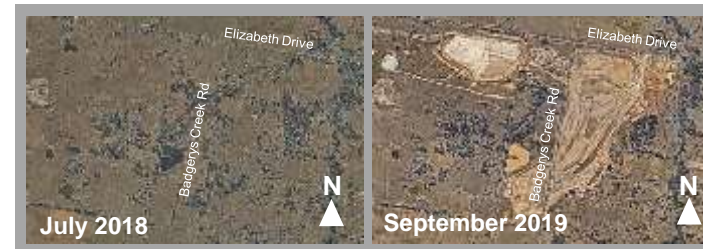
ECONOMIC INDICATORS

	Q1 19	Q2 19	12-Month Forecast
GDP Growth (National)*	2.4%	2.0%	▲
State Final Demand Growth (NSW)*	2.8%	2.2%	■
Unemployment (NSW) [†]	4.4%	4.6%	■

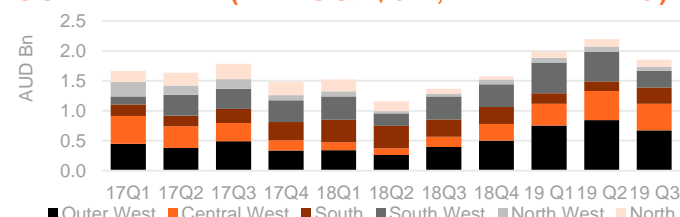
*Average annual growth rate, [†]Seasonally adjusted

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

WESTERN SYDNEY INTERNATIONAL AIRPORT - SITE PROGRESS



ROLLING ANNUAL INV VOL PER SUBMARKET (BLDGS > \$5M, IN1+IN2+IN3)



Source: Cushman & Wakefield Research; RCA

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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	\$150 - \$200	\$130 - \$135	\$130 - \$135	\$130 - \$140
	2,000 - 5,000 sqm	\$210 - \$230	\$135 - \$150	\$125 - \$135	\$125 - \$140	\$120 - \$130
	5,000 - 10,000 sqm	\$185 - \$205	\$130 - \$135	\$125 - \$130	\$125 - \$130	\$115 - \$125
	10,000 + sqm	\$170 - \$190	\$125 - \$135	\$110 - \$120	\$120 - \$130	\$110 - \$120
OUTGOINGS	<2,000 sqm	\$40 - \$70	\$25 - \$40	\$20 - \$30	\$25 - \$30	\$25 - \$35
	2,000 - 5,000 sqm	\$40 - \$70	\$25 - \$40	\$20 - \$30	\$25 - \$30	\$25 - \$35
	5,000 - 10,000 sqm	\$40 - \$60	\$25 - \$40	\$20 - \$30	\$25 - \$25	\$25 - \$35
	10,000 + sqm	\$40 - \$60	\$25 - \$40	\$20 - \$30	\$25 - \$25	\$25 - \$35
NET INCENTIVES	<2,000 sqm	7.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%
	2,000 - 5,000 sqm	7.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%
	5,000 - 10,000 sqm	7.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%
	10,000 + sqm	10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%	8.00% - 10.00%
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%	4.75% - 5.25%	4.75% - 5.25%	4.75% - 5.25%	4.75% - 5.25%
	10,000 + sqm	4.00% - 5.50%	4.75% - 5.25%	4.75% - 5.25%	4.75% - 5.25%	4.75% - 5.25%
BUILDING CAPITAL VALUES	<2,000 sqm	\$4,950	\$4,950	\$3,300	\$3,300	\$4,950
	2,000 - 5,000 sqm	\$4,400	\$4,000	\$2,750	\$2,750	\$3,850
	5,000 - 10,000 sqm	\$4,100	\$2,650	\$2,550	\$2,550	\$2,400
	10,000 + sqm	\$3,800	\$2,600	\$2,300	\$2,500	\$2,300
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 - \$700	\$650 - \$700	\$650 - \$700
	10,000 + sqm	\$1,200	\$750 - \$850	\$650 - \$700	\$650 - \$700	\$650 - \$700

KEY LEASING TRANSACTIONS Q2 2019 + Q3 2019

Source: Cushman & Wakefield Research

PROPERTY	SUBMARKET	TENANT	AREA (SQM)	LEASE TYPE
Marsden Park Logistics Estate	Outer West	Orrcon Steel	16,020	Pre-Commitment
EC5 Estate, Honeycomb Drive	Outer West	TTI	15,900	Direct
6C First Estate, Mamre Road	Outer West	SPG	14,600	Pre-Commitment

KEY INVESTMENT TRANSACTIONS Q2 2019 + Q3 2019

Source: Cushman & Wakefield Research

PROPERTY	SUBMARKET	PURCHASER	AREA (SQM)	PRICE (AUD)
57-99 Lockwood Road, Erskine Park	Outer West	GPT	34,749	\$107,000,000
AMP Capital Portfolio	Central West	GPT	45,076	\$105,000,000
3-7 McPherson Street, Banksmeadow	South	Goodman	~19,500	\$86,500,000

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