

13% Y-O-Y increase for vacant land <10,000 sqm

\$95 Average Prime net face rent (<4,000 sqm)

5.6% Average Prime yield (>4,000 sqm)

ECONOMY:

The current COVID-19 pandemic has resulted in a high degree of uncertainty. The extent of the pandemic and its potential impact on the Australian economy remains unknown. However, current estimates from Deloitte Access Economics suggest a sharp downturn in Real GDP in the June and September quarters followed by a rebound in activity from the December quarter.

RENTS & SUPPLY:

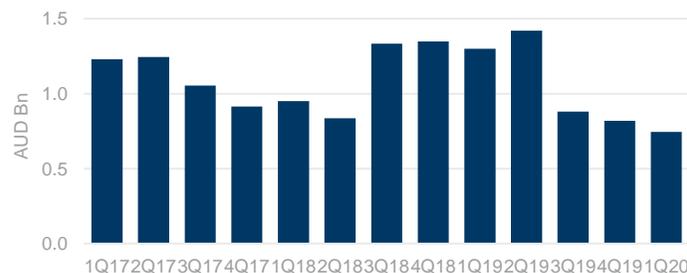
The start of 2020 (January and February) were very strong, continuing the trend seen at the end of 2019, with solid enquiry across the occupancy spectrum. Rents held steady in the North and South East, while net face rents in the east increased 5% over the year. Average net face rents ranging between \$90 and \$100 per sqm. In the West < 8,000 sqm net face rents increased 6% over the last 12 months, averaging \$80 to \$90 per sqm, while >8,000 sqm increased 3% to range between \$70 and \$80 per sqm. Noting that these figures were collected pre- COVID-19.

A number of speculatively built facilities due for completion at the end of 2020 will test the market in the second half of the year and will be a good barometer of the recovery. The South-East and East industrial markets have a substantial undersupply of vacant land, premises for lease and for sale. This undersupply is not expected to change post downturn.

SALES:

The start of 2020 was also active in the sales market (in terms of sale numbers) with a large number of capital market transactions pending, however, Q1 2020 had the lowest Q1 investment volume (for improved site sales over \$5 million) since 2013. Q4 2019 investment volume of \$198 million was bolstered by the super sale of 95 Greens Road. The 20 hectare Viridian Glass factory was a \$100 million sale and leaseback to Charter Hall, with Viridian continuing to occupy the property on an 8 year triple net lease. This follows the trend for Charter Hall, who over the last five years have purchased more than \$5 billion worth of industrial property on sale and leaseback deals.

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



Source: Cushman & Wakefield Research; RCA

FEATURE C&W LISTING



118 Colemans Road, Carrum Downs

ECONOMIC INDICATORS Q1 2020

Q3 19 Q4 19 12-Mo. Forecast

GDP Growth (National)* **1.8%** **1.8%** ▼

State Final Demand Growth (VIC)* **2.9%** **2.0%** ▼

Unemployment (VIC)† **4.7%** **4.9%** ▲

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

MARKET STATISTICS

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	0%	\$95 - \$115	0%	\$90 - \$110	5%	<8,000 sqm	\$80 - \$90	6%
	>5,000 sqm	\$75 - \$90	0%	\$90 - \$105	0%	\$90 - \$110	5%	>8,000 sqm	\$70 - \$80	3%
OUTGOINGS	<5,000 sqm	\$15 - \$15	0%	\$15 - \$20	0%	\$15 - \$20	0%	<8,000 sqm	\$10 - \$15	0%
	>5,000 sqm	\$12 - \$15	0%	\$15 - \$20	0%	\$15 - \$20	0%	>8,000 sqm	\$10 - \$15	0%
NET INCENTIVES	<5,000 sqm	10% - 15%	0%	20% - 25%	0%	10% - 15%	0%	<8,000 sqm	15% - 20%	0%
	>5,000 sqm	10% - 20%	0%	20% - 25%	0%	15% - 20%	0%	>8,000 sqm	20% - 30%	-9%
AVERAGE YIELDS	<5,000 sqm	5.75% - 6.25%	0 bp	5.00% - 5.75%	-85 bp	5.00% - 6.00%	-102 bp	<8,000 sqm	5.50% - 6.00%	-42 bp
	>5,000 sqm	5.50% - 6.00%	-42 bp	5.00% - 5.75%	-85 bp	5.00% - 6.00%	-102 bp	>8,000 sqm	4.80% - 5.25%	-86 bp
BUILDING CAPITAL VALUES	<2,000 sqm	\$1,250 - \$1,700	0%	\$1,750 - \$1,850	3%	\$2,000 - \$2,100	5%	<2,000 sqm	\$1,450 - \$1,550	3%
	2,000 - 5,000 sqm	\$1,150 - \$1,650	0%	\$1,550 - \$1,750	3%	\$1,600 - \$1,800	6%	2,000 - 5,000 sqm	\$1,350 - \$1,450	4%
	5,000 - 10,000 sqm	\$1,050 - \$1,350	0%	\$1,450 - \$1,550	3%	\$1,350 - \$1,500	8%	5,000 - 10,000 sqm	\$1,300 - \$1,400	8%
	>10,000 sqm	\$1,050 - \$1,350	0%	\$1,200 - \$1,350	4%	\$1,100 - \$1,400	9%	>10,000 sqm	\$1,250 - \$1,400	6%
VACANT LAND CAPITAL VALUES	<2,000 sqm	\$380 - \$450	1%	\$600 - \$650	4%	\$650 - \$750	17%	<2,000 sqm	\$350 - \$450	14%
	2,000 - 5,000 sqm	\$320 - \$420	3%	\$550 - \$600	5%	\$550 - \$600	5%	2,000 - 5,000 sqm	\$350 - \$450	14%
	5,000 - 10,000 sqm	\$250 - \$330	0%	\$500 - \$550	17%	\$450 - \$500	0%	5,000 - 10,000 sqm	\$300 - \$350	13%
	>10,000 sqm	\$250 - \$330	0%	\$400 - \$450	13%	\$375 - \$450	27%	>10,000 sqm	\$275 - \$325	9%

*Rental rates reflect full service asking

**Market statistics were collected prior to the impact of the COVID-19 pandemic.

KEY LEASE TRANSACTIONS Q4 2019 + Q1 2020

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
410 Cooper St, Epping	North	Mazda Australia	37,000	Pre-lease
Midwest Logistics Hub, Truganina	West	Uniqlo	46,000	Pre-lease
Drystone Industrial Estate, Truganina	West	Fernhurst	7,070	Pre-lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019 + Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SQM	PRICE (AUD)
95 Greens Road, Dandenong	South	Viridian Glass / Charter Hall	200,000	100 Million
677 Springvale Road, Mulgrave	South	ESR Group / Straits Trading Company	12,200	27 Million
74-76 Garden Road, Truganina	West	Virtus Property Group / Wilson Family	12,300	19.25 Million

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