

3.6% Y-O-Y increase for vacant land <2,000 sqm

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

5.6% Average Prime yield (<5,000 sqm)

**ECONOMIC INDICATORS
Q2 2020**

	Q1 20	Q2 20	12-Mo. Forecast
GDP Growth (National)*	1.8%	-0.2%	▲
State Final Demand Growth (VIC)*	1.7%	-1.0%	▲
Unemployment (VIC)†	5.3%	7.6%	▲

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

ECONOMY:

The COVID-19 pandemic has resulted in Australia's first recession in 29 years. Quarterly real GDP growth fell by 0.3% over the March quarter and a further 7.0% over the June quarter. Growth over the 2020 calendar year is forecast by the Reserve Bank of Australia (RBA) to decline by 6%. Assuming the pandemic is contained globally, the RBA expects economic growth to turn positive from mid-2021 with calendar 2021 growth of 5.0% forecast. The Victorian economy also declined in Q2 with real final demand falling by 8.5% over the quarter. Growth is expected to remain negative over Q3 due to the Stage 4 lockdown, however, Deloitte Access Economics forecasts gross state product positive growth of 4.4% over calendar 2021.

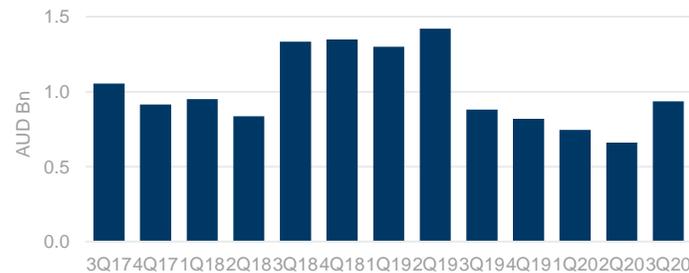
RENTS & SUPPLY:

Leasing activity at the start of 2020 (January and February) was very strong, continuing the trend seen at the end of 2019, and despite the current COVID environment enquiry, activity is down but not as far as one may expect. Speculatively built product has largely been leased over the past six months and vacancy remains tight in most markets, particularly the South East. Year on year (YoY) face rental growth has been stable in all precincts and all size ranges, with the exception of the West, where 8,000 sqm + lots have seen a 7% increase in face rents, moving from between \$70 and \$80 per square metre (sqm) to be \$75 to \$85 per sqm. Movement in net incentives has occurred in the North and South East, with incentives for 5,000 sqm + lots increasing 50% and 22% YoY respectively. Incentives also increased in the North for lots less than 5,000 sqm, by 20% YoY.

Providing Stage 4 lockdowns are eased and local resident and business movement is restored in the next few weeks, a number of speculatively built facilities that are due for completion at the end of 2020 will test the market and will be a good barometer of recovery and state of the Melbourne industrial market.

SALES:

For only the second time in the history of our series, the national industrial sector topped the transaction volume list with quarterly volume of \$2.24 billion compared to office volume of \$2.12 billion, the last time this occurred was Q1 2011. Locally Q2 2020 was slower than previous years with \$178 million, below the 5 year average of \$215 million. Q3 2020, however saw a significant uptick in sales, with \$486 million dollars worth of transactions occurring, which is above the 5 year average of \$430 million. This total was bolstered by 5 sales greater than \$50 million and accounted for two thirds of the total Q3 transaction volume. Despite enduring the nations harshest lockdown measures, the Melbourne industrial market has delivered promising signs for the remainder of 2020 and into 2021.

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


Source: Cushman & Wakefield Research; RCA

FEATURE C&W LISTING


Midwest Logistics Hub, Truganina

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	0%	<8,000 sqm	\$80 - \$90	0%
	>5,000 sqm	\$75 - \$90	0%	\$90 - \$105	0%	\$90 - \$110	0%	>8,000 sqm	\$75 - \$85	7%
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% - 20%	20%	20% - 25%	0%	10% - 15%	0%	<8,000 sqm	15% - 20%	0%
	>5,000 sqm	20% - 25%	50%	25% - 30%	22%	15% - 20%	0%	>8,000 sqm	20% - 30%	0%
AVERAGE YIELDS	<5,000 sqm	5.50% - 6.00%	-42 bp	5.00% - 5.75%	-44 bp	5.00% - 6.00%	-64 bp	<8,000 sqm	5.50% - 6.00%	0 bp
	>5,000 sqm	5.00% - 5.75%	-65 bp	5.00% - 5.75%	-44 bp	5.00% - 6.00%	-64 bp	>8,000 sqm	4.75% - 5.00%	-71 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	0%	\$600 - \$650	0%	\$650 - \$750	12%	<2,000 sqm	\$350 - \$450	0%
	2,000 - 5,000 sqm	\$320 - \$420	0%	\$550 - \$600	0%	\$550 - \$600	5%	2,000 - 5,000 sqm	\$350 - \$450	0%
	5,000 - 10,000 sqm	\$250 - \$330	0%	\$500 - \$550	0%	\$450 - \$500	0%	5,000 - 10,000 sqm	\$300 - \$350	0%
	>10,000 sqm	\$250 - \$330	0%	\$400 - \$450	0%	\$375 - \$450	10%	>10,000 sqm	\$275 - \$325	0%

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2020 + Q3 2020

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
Merrifield Business Park, Mickleham	North	Ford	51,595	Pre-lease
Melbourne Airport, Tullamarine	North	Bapcor	47,000	Pre-lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2020 + Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SQM	PRICE (AUD)
Merrifield Business Park, Mickleham	North	MAB Corporation/ Dexus	88,000	73.5 Million
415 Cooper St, Epping	North	MaxCap Group, Time & Place / Logos Property Service	46,200	70.0 Million
21 Simcock Avenue, Spotswood	West	Owens - Illinois / Charter Hall	12,300	67.1 Million

TONY CRABB

National Director, Research
+61 3 9697 7281

tony.crabb@cushwake.com

ANDREW O'CONNELL

Head of Industrial Sales & Leasing, Victoria
+61 409 944 220

Andrew.oconnell@cushwake.com

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