

**25%** Y-O-Y increase for vacant land >10,000 sqm in the West

**\$90** Average Prime net face rent (>5,000 sqm) in the West

**4.5%** Average Prime yield (>5,000 sqm) in the West

## ECONOMIC INDICATORS Q4 2020

	Q3 20	Q4 20	12-Mo. Forecast
GDP Growth (National)*	-1.6%	-2.4%	▲
State Final Demand Growth (VIC)*	-4.1%	-5.2%	▲
Unemployment (VIC)†	7.6%	7.5%	▼

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

## ECONOMY:

The COVID-19 pandemic caused a short sharp recession in Australia during Q1 and Q2 2020. Data to December 2020 indicates the Australian economy returned to growth in Q3, rising 3.3% over that quarter with a 3.1% increase in Q4. Real state final demand in Victoria did not follow the same trend, due to the lockdown restrictions in place, declining 8.5% in Q2 and declining 1.1% in Q3, which was four quarters of decline for Victoria. Assuming the pandemic is contained globally, both Victoria's and Australia's economic growth rates are expected to remain positive over the forecast horizon with relatively strong growth expected over the next few years. Deloitte Access Economics forecast real gross state product (GSP) to increase by 5.3% over calendar 2021 and 3.3% in 2022 and 3.8% in 2023. Over the past 10 years, Victoria GSP annual growth has averaged 2.0%.

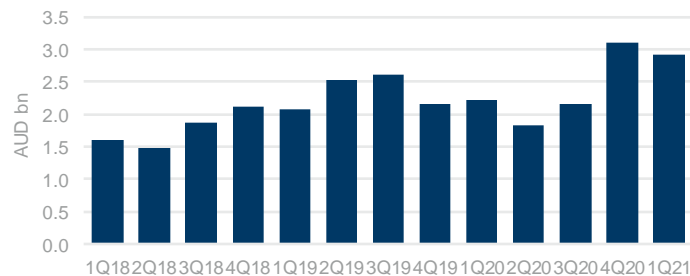
## RENTS & SUPPLY:

Leasing activity in 2019, 2020 and the beginning of 2021 (January and February) has been very strong, despite the current COVID environment. Land and building absorption has been double the post-GFC average and shows no sign of letting up. Vacancy in the form of existing and speculatively built product is at historic lows (below 2%). 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 risen in most precincts and most size ranges. Incentives have risen in some markets over the year but have stabilised more recently. Outgoings remain unchanged. A shortage of existing and speculatively built stock is putting upward pressure on land prices and should translate into stronger face and effective rental growth in coming years.

## SALES:

Melbourne industrial rolling annual sales volume of \$2.9 billion was recorded in the year to March 2021. A record \$1.35 billion was traded in the December 2020 quarter alone with foreign and domestic institutions such as ARA Logos, GIC, GPT, Stockland, JP Morgan, Allianz BlackRock and Charter Hall particularly active. Domestic and foreign institutions maintain a strong appetite for buying Melbourne industrial property either independently or in a joint venture situation. Sale and leaseback also remains popular on commercial terms as witnessed by deals with Telsta and Aldi. Investment yields remain firm and may fall even further with the prospects for rental growth increasing investor appetite.

## 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%	\$100 - \$120	5%	\$90 - \$110	0%	<8,000 sqm	\$85 - \$95	6%
	>5,000 sqm	\$80 - \$90	3%	\$95 - \$110	5%	\$90 - \$110	0%	>8,000 sqm	\$80 - \$85	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% - 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	4.75% - 5.50%	-146 bp	4.75% - 5.50%	-47 bp	4.75% - 5.50%	-68 bp	<8,000 sqm	5.00% - 5.50%	87 bp
	>5,000 sqm	4.50% - 5.50%	-130 bp	4.75% - 5.50%	-47 bp	4.75% - 5.50%	-68 bp	>8,000 sqm	4.25% - 4.75%	-104 bp
BUILDING CAPITAL VALUES	<2,000 sqm	\$1,300 - \$2,000	12%	\$1,800 - \$1,900	3%	\$2,000 - \$2,100	0%	<2,000 sqm	\$1,450 - \$1,550	0%
	2,000 - 5,000 sqm	\$1,300 - \$2,000	18%	\$1,600 - \$1,800	3%	\$1,600 - \$1,800	0%	2,000 - 5,000 sqm	\$1,400 - \$1,550	5%
	5,000 - 10,000 sqm	\$1,200 - \$1,350	6%	\$1,500 - \$1,600	3%	\$1,350 - \$1,500	0%	5,000 - 10,000 sqm	\$1,500 - \$1,650	17%
	>10,000 sqm	\$1,200 - \$1,350	6%	\$1,250 - \$1,400	4%	\$1,200 - \$1,400	4%	>10,000 sqm	\$1,500 - \$1,650	19%
VACANT LAND CAPITAL VALUES	<2,000 sqm	\$400 - \$500	8%	\$575 - \$625	-4%	\$650 - \$750	0%	<2,000 sqm	\$400 - \$550	19%
	2,000 - 5,000 sqm	\$400 - \$450	15%	\$550 - \$600	0%	\$550 - \$600	0%	2,000 - 5,000 sqm	\$400 - \$500	13%
	5,000 - 10,000 sqm	\$270 - \$350	7%	\$475 - \$525	-5%	\$450 - \$500	0%	5,000 - 10,000 sqm	\$350 - \$400	15%
	>10,000 sqm	\$270 - \$350	7%	\$400 - \$450	0%	\$375 - \$450	0%	>10,000 sqm	\$350 - \$400	25%

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q4 2020 + Q1 2021

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
917 Boundary Rd, Tarneit	West	VidaXL	69,998	Pre-lease
Lot 20, 167 Palm Springs Rd, Ravenhall	West	Hello Fresh	25,860	Pre-lease
20 Holloway Drive, Bayswater	East	Aust Post	21,560	Direct
Power Park, Dandenong South	South	RemedyDrinks	18,500	Pre-lease

## KEY SALES TRANSACTIONS Q4 2020 + Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SQM	PRICE (AUD)
151 Leakes Rd, Truganina	West	Time & Place / JP Morgan AM & Stockland	38,550	57.6 Million
47-69 Swann Drive, Derrimut	West	Aldi / Charter Hall & Allianz	51,000	~118.9 Million
917 Boundary Rd, Tarneit	West	GPT / Frasers	69,998	137.1 Million

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