

36% Y-O-Y increase for vacant land >10,000 sqm in the West

\$83 Average Prime net face rent (>8,000 sqm) in the West

4.00% Average Prime yield (>5,000 sqm) in the West

ECONOMIC INDICATORS Q2 2021

	Q1 21	Q2 21	12-Mo. Forecast
GDP Growth (National)*	-2.4%	1.6%	▲
State Final Demand Growth (VIC)*	-5.3%	-0.6%	▲
Unemployment (VIC)†	6.1%	4.4%	▼

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

ECONOMY:

Australia's economy had rebounded following the short sharp COVID-19 induced recession of 2020. However, the Australian economy has slowed as a result of lockdowns across in the nation from June to October 2021, primarily in Sydney and Melbourne. Data to June 2021 indicates the Australian economy returned to growth in H2 2020, with GDP rising 3.4% in Q3 2021 and 3.2% in Q4, slowing to 1.8% in Q1 2021 and slowing further to 0.7% in Q2 2021. As a result of the lockdowns in New South Wales and Victoria it is expected that GDP growth will be negative in Q3 and potentially Q4.

Extended lockdowns delayed Victoria's 2020 recovery till Q4 in 2020, Real state final demand in Victoria grew by 7.1% in Q4 2021 with growth of 2.6% in Q1 2021 and 1.4% in Q2. The bounce from the recession is reflected in the strong growth of 10.5% over the 12 months to June 2021. Deloitte Access Economics forecast real gross state product (GSP) to increase by 2.5% over calendar 2021 and 5.4% over 2022, with annual growth expected to average 3.1% between 2023 and 2030.

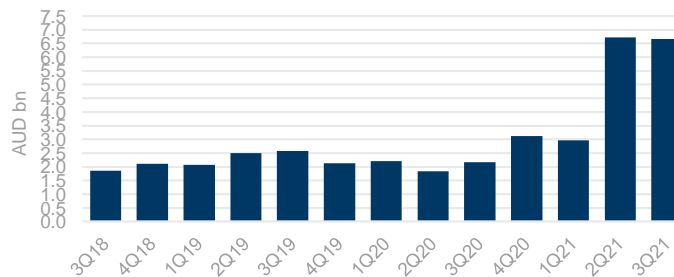
RENTS & SUPPLY:

Leasing activity in 2019, 2020 and the nine months of 2021 has been very strong, despite the current COVID-19 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 fallen in some markets over the year. Outgoings remain unchanged. A shortage of existing and speculatively built stock is putting substantial and unprecedented upward pressure on land prices and should translate into substantially stronger face and effective rental growth in coming years.

SALES:

Melbourne industrial rolling annual sales volume of \$6.7 billion was recorded in the year to September 2021. A record \$4.1 billion was traded in the June 2021 quarter alone with foreign and domestic institutions such as GIC (ESR JV), GPT, Aliro, Centuria, APN, 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 GlaxoSmith Kline and Fantastic Furniture. Investment yields continue to tighten 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%	\$95 - \$115	5%	<8,000 sqm	\$85 - \$95	6%
	>5,000 sqm	\$80 - \$90	3%	\$95 - \$110	5%	\$95 - \$115	5%	>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%	0%	15% - 20%	-22%	10% - 15%	0%	<8,000 sqm	15% - 20%	0%
	>5,000 sqm	20% - 25%	0%	17.5% - 22.5%	-27%	15% - 20%	0%	>8,000 sqm	20% - 30%	0%
AVERAGE YIELDS	<5,000 sqm	4.25% - 5.00%	-62 bp	4.25% - 4.75%	-88 bp	4.00% - 4.75%	-112 bp	<8,000 sqm	4.50% - 5.00%	-100 bp
	>5,000 sqm	4.00% - 4.75%	-100 bp	3.75% - 4.50%	-120 bp	4.00% - 5.00%	-100 bp	>8,000 sqm	3.75% - 4.25%	-88 bp
BUILDING CAPITAL VALUES	<2,000 sqm	\$1,600 - \$2,400	35%	\$2,000 - \$2,400	22%	\$2,100 - \$2,400	10%	<2,000 sqm	\$1,600 - \$1,800	13%
	2,000 - 5,000 sqm	\$1,600 - \$2,400	43%	\$1,700 - \$2,000	12%	\$1,700 - \$2,100	12%	2,000 - 5,000 sqm	\$1,550 - \$1,800	20%
	5,000 - 10,000 sqm	\$1,400 - \$1,600	25%	\$1,650 - \$1,900	18%	\$1,500 - \$1,800	16%	5,000 - 10,000 sqm	\$1,700 - \$1,900	33%
	>10,000 sqm	\$1,400 - \$1,600	25%	\$1,350 - \$1,600	16%	\$1,300 - \$1,700	20%	>10,000 sqm	\$1,700 - \$1,900	36%
VACANT LAND CAPITAL VALUES	<2,000 sqm	\$600 - \$650	51%	\$700 - \$800	20%	\$725 - \$825	11%	<2,000 sqm	\$600 - \$700	63%
	2,000 - 5,000 sqm	\$600 - \$650	69%	\$625 - \$700	15%	\$600 - \$675	11%	2,000 - 5,000 sqm	\$600 - \$700	63%
	5,000 - 10,000 sqm	\$300 - \$450	29%	\$550 - \$625	12%	\$500 - \$575	13%	5,000 - 10,000 sqm	\$500 - \$600	69%
	>10,000 sqm	\$325 - \$450	34%	\$475 - \$525	18%	\$425 - \$500	12%	>10,000 sqm	\$450 - \$550	67%

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021 + Q3 2021

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
383 Boundary Rd, Truganina	West	Nu Pure	16,017	Pre-lease
Horizon 3023, Palm Springs Rd, Ravenhall	West	Electrolux	19,500	Pre-lease
Horizon 3023, Palm Springs Rd, Ravenhall	West	Myer	40,000	Pre-lease
13 Link Rd, Tullamarine	North	Reece	11,670	Pre-lease

KEY SALES TRANSACTIONS Q2 2021 + Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SQM	PRICE (AUD)
262 Lorimer St, Port Melbourne	City Fringe	Jreissati Family / 2IP	15,246	81.6 Million
235-239 Boundary Rd, Truganina	West	Richinda Pty Ltd / GPT QuadReal JV	33,360	72.5 Million
1061 Mountain Hwy, Boronia	East	GalxoSmith Kline / Charter Hall	33,877	106.0 Million

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