

105% Average YoY for vacant land (>10,000sqm) in the West

\$100 Average Prime net face rent (>8,000sqm) in the South East

3.75% Average Prime yield (>8,000sqm) in the South East, East & West

ECONOMIC INDICATORS Q4 2021

	Q3 21	Q4 21	12-Mo. Forecast
GDP Growth (National)*	3.5%	4.8%	▼
State Final Demand Growth (VIC)*	4.4%	6.6%	◀▶
Unemployment (VIC)†	4.8%	4.2%	▼

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

ECONOMIC OVERVIEW

After two years of dealing with the COVID-19 pandemic that caused a short sharp recession in Australia early in 2020, the Australian economy has returned to growth. As target vaccination rates of the population were progressively achieved in 2H 2021, substantial easing of restrictions begun, and the engine room State economies began to recover from numerous lockdowns. NSW returned a positive State demand result first in 2021 Q2, and Victoria in Q3 at an impressive 4.4%. Building on that, Victoria's State demand was a robust 6.6% to Q4. As Australia's economic growth rates improve, so too are the proportions of that growth contributed by our two largest States. Deloitte Access Economics expects a positive forecast of real gross state product (GSP) for Victoria in the calendar years of 2022 and 2023 at least, in excess of the 10-year average of 2.0% pa. COVID-19's Omicron variant stymied some of the momentum early in 2022, and still poses some threat to that continued growth, however almost all restrictions have now been abandoned.

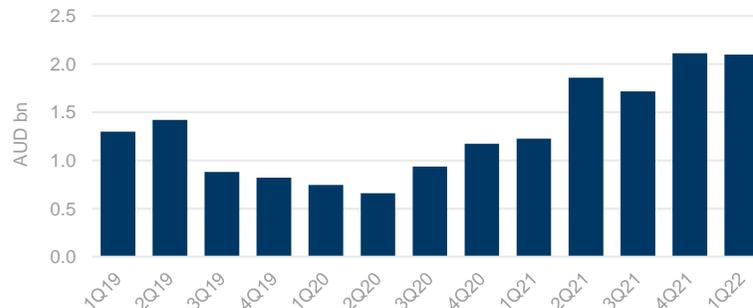
RENTS & SUPPLY

Leasing activity for the last three years has been very strong, despite the COVID-19 environment. Land and building absorption has been double the post-GFC average and show no sign of abating. 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 twelve months and vacancy remains tight across most markets. Year on year (YoY) face rental growth has risen in most precincts and most size ranges, especially in the West where premises under, and above, 8,000sqm jumped 17% and 12% respectively. Incentives have continued to subside generally, over the year. Upward pressure on outgoings has begun. 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 \$6.4 billion was recorded in the year to December 2021. A record of over \$3.5 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. Foreign institutions maintain a particularly strong appetite for buying Melbourne industrial property (representing over 55% of the buyer composition for 2021) whilst both foreign and domestic privates make up a relatively even share of the vendors (90% combined for 2021). Investment yields continue to tighten with the prospects for rental growth increasing investor appetite.

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



Source: Cushman & Wakefield Research; RCA

FEATURE C&W LISTING



493-497 Frankston Dandenong Road Dandenong South

Industrial Q1 2022

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	\$90 - \$105	8%	\$100 - \$120	0%	\$95 - \$130	13%	<8,000 sqm	\$95 - \$115	17%
	>5,000 sqm	\$85 - \$95	6%	\$95 - \$110	0%	\$95 - \$120	8%	>8,000 sqm	\$85 - \$100	12%
OUTGOINGS	<5,000 sqm	\$15 - \$17	7%	\$17 - \$22	11%	\$17 - \$22	11%	<8,000 sqm	\$13 - \$20	32%
	>5,000 sqm	\$13 - \$17	11%	\$17 - \$22	11%	\$17 - \$22	11%	>8,000 sqm	\$13 - \$20	32%
NET INCENTIVES	<5,000 sqm	10% - 20%	0 pps	15% - 20%	-5 pps	5% - 10%	-5 pps	<8,000 sqm	10% - 15%	-5 pps
	>5,000 sqm	20% - 25%	0 pps	18% - 23%	-8 pps	10% - 15%	-5 pps	>8,000 sqm	15% - 25%	-5 pps
AVERAGE YIELDS	<5,000 sqm	4.25% - 4.50%	-75 bps	4.25% - 4.75%	-63 bps	3.00% - 4.00%	-163 bps	<8,000 sqm	4.25% - 4.50%	-88 bps
	>5,000 sqm	3.75% - 4.50%	-88 bps	3.25% - 4.25%	-138 bps	3.25% - 4.25%	-138 bps	>8,000 sqm	3.50% - 4.00%	-75 bps
BUILDING CAPITAL VALUES	<2,000 sqm	\$2,500 - \$3,300	76%	\$3,000 - \$3,500	76%	\$3,100 - \$3,500	61%	<2,000 sqm	\$2,500 - \$3,500	100%
	2,000 - 5,000 sqm	\$2,200 - \$3,000	58%	\$2,600 - \$3,100	68%	\$2,500 - \$3,100	65%	2,000 - 5,000 sqm	\$2,500 - \$3,000	86%
	5,000 - 10,000 sqm	\$1,600 - \$1,850	35%	\$2,300 - \$2,800	65%	\$2,100 - \$2,700	68%	5,000 - 10,000 sqm	\$2,000 - \$2,500	43%
	>10,000 sqm	\$1,600 - \$1,850	35%	\$2,000 - \$2,500	70%	\$2,000 - \$2,600	77%	>10,000 sqm	\$2,000 - \$2,500	43%
VACANT LAND VALUES	<2,000 sqm	\$750 - \$850	78%	\$750 - \$850	33%	\$775 - \$875	18%	<2,000 sqm	\$750 - \$950	79%
	2,000 - 5,000 sqm	\$750 - \$850	88%	\$700 - \$750	26%	\$670 - \$720	21%	2,000 - 5,000 sqm	\$750 - \$950	89%
	5,000 - 10,000 sqm	\$500 - \$700	94%	\$675 - \$725	40%	\$620 - \$700	39%	5,000 - 10,000 sqm	\$650 - \$900	107%
	>10,000 sqm	\$450 - \$550	61%	\$625 - \$675	53%	\$560 - \$640	45%	>10,000 sqm	\$650 - \$900	107%

*Rental rates reflect full service asking. Note. pps=percentage points and bps=basis points

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
MidWest Logistics Hub. Truganina	West	DSV Global Transport & Logistics	11,171	Pre-lease
MidWest Logistics Hub. Truganina	West	Krost Furniture	7,956	Pre-lease

KEY SALES TRANSACTIONS Q1 2022 + Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SQM	PRICE (AUD)
25 Tullamarine Park Road, Tullamarine	North	25 Tullamarine Park / Exencion Capital	6,285	9.275 Million
Port folio of six properties (four in Melbourne)	Various	Centuria Ind REIT / CPE Capital	41,011	132.4 Million
19 Corporate Ave, Rowville	South East	Australian Unity / Blackstone	12,298	27.9 Million

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