

**100%** Average YoY for vacant land (>10,000sqm) in the North

**\$130** Average Prime net face rent (<5,000sqm) in the South East

**4.25%** Average Prime yield (>8,000sqm) in the South East, East & West

## ECONOMIC INDICATORS Q2 2022

	Q1 22	Q2 22	12-Mo. Forecast
GDP Growth (National)*	5.4%	3.9%	▼
State Final Demand Growth (VIC)*	8.4%	7.4%	▼
Unemployment (VIC)†	4.1%	3.2%	▲

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

## ECONOMIC OVERVIEW

After weathering the COVID-19 induced recession of 2020 as well as the subsequent waves of the virus and inclement weather in 2021 and early 2022, the Australian economy was poised for recovery. This has been tempered to a degree as inflationary pressures have pushed forward interest rate rises and lowered the outlook for growth. Despite this, the economy is still expected to expand at an above-average rate in 2022. Deloitte Access Economics (DAE) is predicting that Australia's real GDP will increase 3.4% in 2022 and 2.5% in 2023, in line with the 2010-2019 average annual growth of 2.6%. This also follows a 4.8% expansion in 2021.

Despite the robust rebound in GSP for Victoria in the 2021 calendar year of 6.9%, DAE expects a return to a more modest, but still strong, forecast of GSP in the calendar years of 2022 and 2023 of 4.5% and 2.2%, respectively.

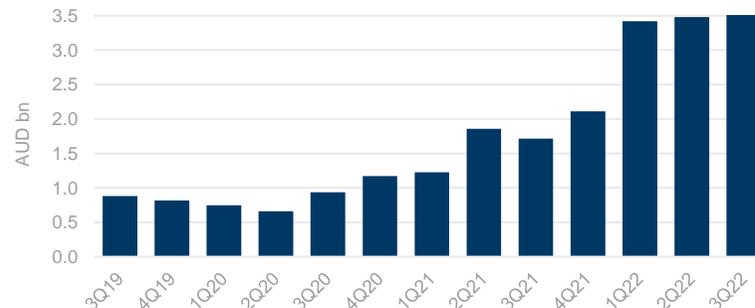
## RENTS & SUPPLY

Industrial leasing activity in recent years has been strong in Melbourne, Australia's largest industrial market, despite the COVID-19 environment providing other sectors with challenges. Robust land and building absorption have been a feature in a market which has provided very little by way of vacancy in existing or speculatively built product. The tight occupancy market has been reflected in incentive levels, particular in the institutional grade asset class, coming in over 2021 across all regions to essentially now align with the South East which has traditionally been lower. The South East incentives are currently recording between 5% and 15% and are expected to decrease further into the second half of the year. Face rents too, under the unprecedented upward pressures from land value accretion, increased outgoings and a scarcity of available floorspace, have recorded significant increases. Average prime net face rents in the West in particular, have increased over 20% year on year (YoY) for both buildings under 8,000sqm and above, to be at \$100 to \$120 per sqm, and \$95 to \$105 per sqm, respectively.

## SALES

The current environment of rising interest rates and inflated construction costs has introduced an air of caution which is impacting sales volumes and speculative investment development stock. Investment capital chasing industrial assets will likely remain strong but with higher yield expectations around the perceived higher risks. A softening of yields will require further increases in rentals achieved in order to support current values, which for the moment is likely to be the case, though industrial acquisitions are likely to be a case by case proposition.

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



Source: Cushman & Wakefield Research; RCA

## FEATURE C&W LISTING



Proposed master plan; Tarneit Logistics Hub

## Industrial Q3 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	\$100 - \$120	22%	\$120 - \$140	18%	\$105 - \$135	14%	<8,000 sqm	\$100 - \$120	22%
	>5,000 sqm	\$90 - \$100	12%	\$110 - \$125	15%	\$105 - \$125	10%	>8,000 sqm	\$95 - \$105	21%
OUTGOINGS	<5,000 sqm	\$17 - \$19	20%	\$20 - \$25	29%	\$20 - \$25	29%	<8,000 sqm	\$17 - \$22	56%
	>5,000 sqm	\$17 - \$19	33%	\$20 - \$25	29%	\$20 - \$25	29%	>8,000 sqm	\$17 - \$22	56%
NET INCENTIVES	<5,000 sqm	10% - 20%	0 pps	5% - 10%	-10 pps	5% - 10%	-5 pps	<8,000 sqm	5% - 10%	-10 pps
	>5,000 sqm	10% - 20%	-8 pps	5% - 15%	-10 pps	10% - 15%	-5 pps	>8,000 sqm	10% - 20%	-10 pps
AVERAGE YIELDS	<5,000 sqm	4.75% - 5.00%	25 bps	4.75% - 5.25%	50 bps	3.50% - 4.50%	-38 bps	<8,000 sqm	4.75% - 5.00%	13 bps
	>5,000 sqm	4.25% - 5.00%	25 bps	3.75% - 4.75%	0 bps	3.75% - 4.75%	-25 bps	>8,000 sqm	4.00% - 4.50%	25 bps
BUILDING CAPITAL VALUES	<2,000 sqm	\$2,550 - \$3,350	48%	\$3,200 - \$3,700	57%	\$2,900 - \$3,450	41%	<2,000 sqm	\$2,300 - \$3,400	68%
	2,000 - 5,000 sqm	\$2,235 - \$3,025	32%	\$2,780 - \$3,280	64%	\$2,300 - \$2,950	38%	2,000 - 5,000 sqm	\$2,300 - \$2,900	55%
	5,000 - 10,000 sqm	\$1,500 - \$1,800	8%	\$2,320 - \$2,800	44%	\$2,000 - \$2,600	39%	5,000 - 10,000 sqm	\$1,900 - \$2,400	19%
	>10,000 sqm	\$1,500 - \$1,800	10%	\$2,000 - \$2,500	53%	\$1,900 - \$2,500	47%	>10,000 sqm	\$1,900 - \$2,400	19%
VACANT LAND VALUES	<2,000 sqm	\$950 - \$1,100	64%	\$1,000 - \$1,200	47%	\$900 - \$1,000	23%	<2,000 sqm	\$800 - \$1,000	39%
	2,000 - 5,000 sqm	\$850 - \$1,000	48%	\$950 - \$1,050	51%	\$800 - \$900	33%	2,000 - 5,000 sqm	\$750 - \$950	31%
	5,000 - 10,000 sqm	\$750 - \$900	120%	\$850 - \$950	53%	\$750 - \$850	49%	5,000 - 10,000 sqm	\$650 - \$900	41%
	>10,000 sqm	\$700 - \$850	100%	\$750 - \$850	60%	\$700 - \$800	62%	>10,000 sqm	\$650 - \$900	55%

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

## KEY LEASE TRANSACTIONS 2022

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
97 Australis Dr, Derrimut	West	ACFS Port Logistics	24,610	Direct
101 Castro Wy, Derrimut	West	Linfox	17,140	Direct
3 Maker Pl, Truganina	West	101 Warehousing	31,121	Direct

## KEY SALES TRANSACTIONS Q2 + Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SQM	PRICE (AUD)
8-10 Healey Rd, Dandenong	South East	D&D Property / Yadec Property Holdings	12,176	21.0 Million
1, 11 & 17 Magnesium Pl, Truganina	West	West Industry Park / Frasers Logistics Trust	25,089	60.4 Million
45-49 Vella Dve, Sunshine West	South East	Australian Securites / RealVantage	5,350	11.0 Million

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