

105,707 Q4 2023
Gross Take-up

6.50% Average
Prime Yield

3.7% Q4 2023 Prime
Rental Growth

ECONOMIC INDICATORS To Q4 2023

	Current	12-Mo. Forecast
GDP Growth (National)*	2.1%	▼
Population Growth†	2.4%	▲
E-commerce Penetration Rate~	12.8%	▲

*Year-on-year to Sep-23

† Year-on-year to Jun-23

~As at Oct-23

Source: ABS, NAB, Oxford Economics, Cushman & Wakefield Research

Economic Overview

Australia's economic performance in Q4 2023 has been mixed, weighed down by a further 25 basis points (bps) hike in the cash rate in November to 4.35%. CPI has moderated further, with the latest figures showing a 4.3% year-on-year rise to November 2023, while population growth continues to be the bright spot in the economy, with growth of 2.4% (or 624,100 people) recorded in the year to June 2023.

For Western Australia, economic growth is expected to moderate to 1.3% in 2024 as cost-of-living pressures bite; however, this rate is growth is well above the East Coast states. Population growth will continue to support warehouse demand with an additional ~75,000 persons expected in 2024.

Occupier Demand

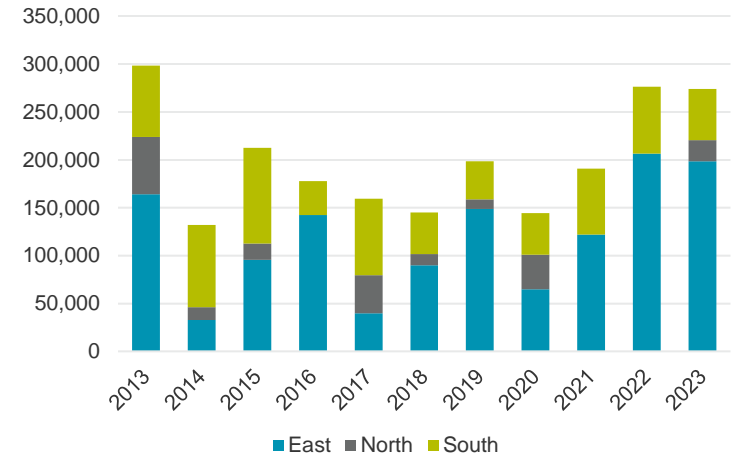
Logistics and industrial (L&I) demand remains strong across the Perth market, albeit there is a divergence between size ranges as the smaller end of the market is outperforming. Almost 275,000 sqm leased in 2023, well above the 10-year average of ~205,000 sqm per annum. Take-up in Q4 2023 reached 105,000 sqm, up from 42,200 sqm recorded in Q3 2023.

Demand is strongest within the 3,000 – 6,000 sqm size bracket, driven by local businesses, while demand at the larger end of the market (10,000 sqm +) has cooled somewhat from the levels recorded in 2022 and is more a reflection of national economic conditions.

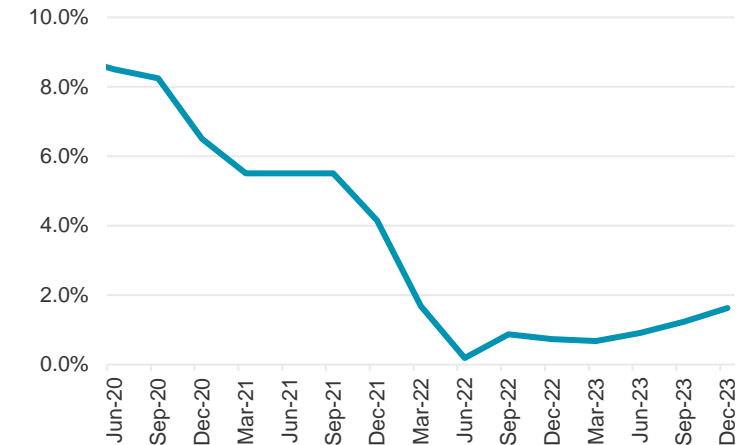
The East submarket has been the most active over the past 12 months, supported by a number of pre-lease transactions, including multiple within the Roe Highway Logistics Park at Kenwick. Take-up in other precincts has been more constrained by the lack of leasing options.

Major lease deals in Q4 2023 included Austrans (~11,500 sqm) and Border Express (~13,000 sqm), both at Perth Airport and highlights the continued strong demand from the transport and logistics sector, which accounted for the majority of deals for the year.

PERTH L&I GROSS TAKE-UP (SQM)



PERTH L&I VACANCY RATE



Source: Cushman & Wakefield Research

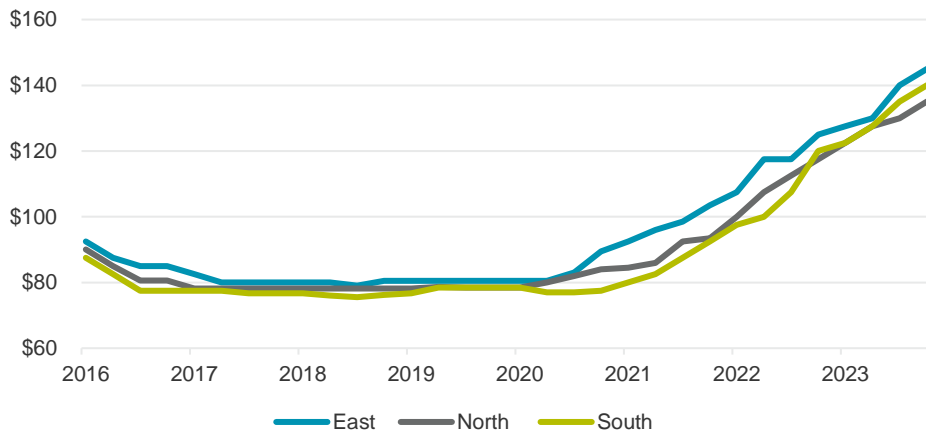
Vacancy

Despite new supply additions, the Perth vacancy rate remains close to all-time lows at 1.6% in Q4 2023, up moderately from 1.2% in the quarter prior. Vacancy rates are tight across all precincts, albeit the East is the lowest at 0.9%. The South is the highest at 2.9% and is expected to rise further over the next six months, given speculative supply additions; however, it will remain well below historical averages. Limited levels of sublease space have become available for lease and include 5,875 sqm from Marley Spoon at Jandakot Airport and 9,264 sqm from Costco at Canning Vale.

Rents & Incentives

The strong rental growth cycle continues to occur given the supply and demand imbalance, albeit the pace of growth has slowed when compared to the previous two years. In Q4 2023, prime rents increased 3.7% to \$140/sqm, taking the 2023 annual growth rate to 15.9%, which remains well above the long-term annual average of 3.2%. The level of rental growth recorded in Q4 2023 was consistent across all submarkets. A modest increase in incentives was recorded in Q4 2023 and currently ranges between 5.0% and 10.0% across all submarkets.

PERTH PRIME L&I NET FACE RENTS (\$/SQM)



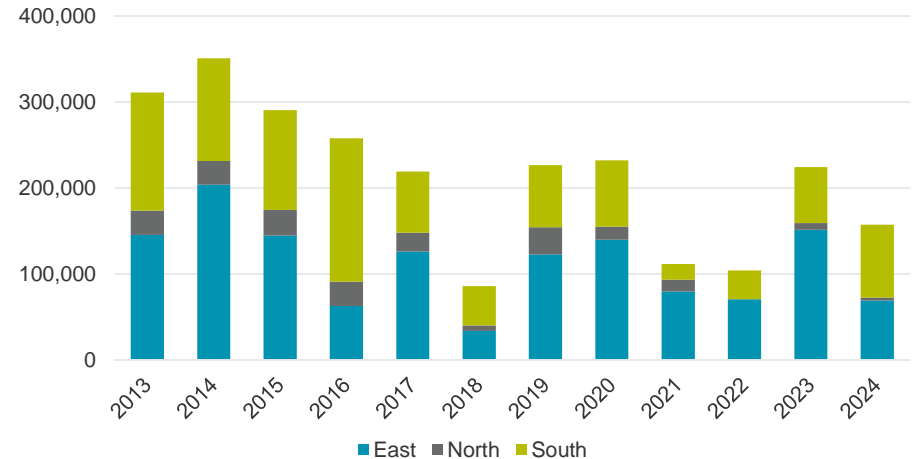
Source: Cushman & Wakefield Research

Supply

In response to strong occupier demand, new supply increased sharply in 2023, with almost 225,000 sqm added to the market, representing the largest annual amount since 2016. Approximately 42% of this supply was on a speculative basis and reflects increased institutional presence in the Perth market, as historically, supply has been more on a design and construct (pre-lease) basis given the high ownership from privates who have tended to be less active in past development cycles. Speculative supply in 2023 included multiple additions at Dexus' Jandakot Airport and Centuria's 204 Bannister Road, Canning Vale estate (12,300 sqm). Other major additions in 2023 included Mainfreight at the Roe Highway Logistics Park and Officeworks at Perth Airport.

At this stage, there is potential for close to 160,000 sqm of new supply in 2024, almost 60% of which will stem from the South submarket and includes over 40,000 sqm of speculative space at Jandakot Airport. New supply in the East will be dominated by 189 Bushmead Road, Hazelmere (~15,600 sqm) and the refurbishment of 7-13 Magnet Road, Canning Vale (34,400 sqm).

PERTH L&I SUPPLY BY SUBMARKET (SQM)



Source: Cushman & Wakefield Research

Land Values

The appetite for industrial land is strong; however, there remains a limited availability of land opportunities, particularly in core markets. As a result, there has been strong demand from owner-occupiers seeking vacant possession opportunities. Rising yields and construction costs have tested the feasibility of new projects; however, this is being partly offset by the level of rental growth.

Industrial land values in Perth held steady in Q4 2023, averaging \$658/sqm for <1 hectare lots and \$433/sqm for 1-5 hectare lots.

Investment & Yields

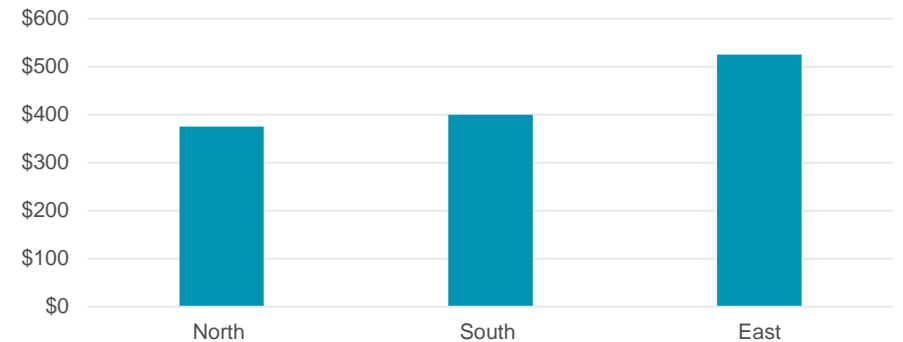
Transaction activity was subdued across the Perth market in 2023, with just five assets trading above \$10 million, totalling \$132.6 million. Notably, this reflects a 73% fall from the levels recorded in 2022. Transactions for 2023 included Lot 6 Leath Road, Naval Base, which the Western Australia Government purchased for \$40.0 million, while there was a large off-market owner-occupier transaction that boosted overall volumes for the year. The limited volumes are a reflection of the outward movement in yields off the back of rising debt costs, which has created a gap between buyer and vendor expectations.

Prime yields softened a further 30 bps in Q4 2023 (89 bps for the year) and now range between 6.25% to 6.75%. The rate of softening was less severe in the secondary market with a 13 bps expansion recorded in Q4 2023 (range of 6.75% to 7.25%) and reflects the higher buffer to funding costs.

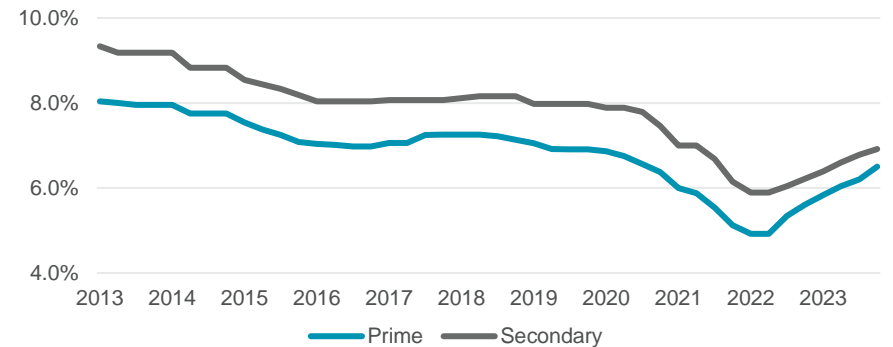
Outlook:

- The current wave of supply that will be delivered over the next 12 months is expected to **push the vacancy rate higher**, particularly as a large share is on a speculative basis. However, this is considered healthy for the local market as it is coming off a record low base and will provide expansion opportunities to occupiers.
- In a historical context, the vacancy rate is expected to remain low and under the market equilibrium, which will **continue to support rental growth**. Rental growth for 2024 is expected to reach mid-single digits in select precincts, particularly tightly held pockets within the eastern corridor.
- Tenant demand is expected to remain healthy in 2024**, supported by the outperformance of the Western Australian economy. Demand in the sub 6,000 sqm size range is likely to remain the sweet spot, driven by the transport and logistics and manufacturing sectors.
- With interest rates likely to remain flat over the first half of 2024 and cuts expected thereafter, the current **yield expansion cycle is expected to end in Q2 2024**. The unwinding of book values to current market yields is expected at this point, which will trigger more transactional activity as the bid-ask spread narrows.

PERTH L&I LAND VALUES (\$/SQM)



PERTH L&I YIELDS BY GRADE



Source: Cushman & Wakefield Research

MARKET STATISTICS

Submarket	Net Face Rent (\$/sqm p.a.)		Outgoings (\$/sqm)	Incentives		Average Yield		Average Capital values (\$/sqm)		Land Values (\$/sqm)
	Low	High	Average	Low	High	Low	High	Low	High	1-5 hectares
North	\$130	\$140	\$28	5.00%	10.00%	6.25%	6.75%	\$1,926	\$2,240	\$375
South	\$130	\$150	\$28	5.00%	10.00%	6.25%	6.75%	\$1,926	\$2,400	\$400
East	\$130	\$160	\$28	5.00%	10.00%	6.25%	6.75%	\$1,926	\$2,560	\$525
Prime Average	\$130	\$150	\$28	5.00%	10.00%	6.25%	6.75%	\$1,926	\$2,400	\$433
Secondary Grade	Low	High	Average	Low	High	Low	High	Low	High	
North	\$115	\$120	\$28	5.00%	10.00%	6.75%	7.25%	\$1,586	\$1,778	
South	\$115	\$120	\$28	5.00%	10.00%	6.75%	7.00%	\$1,643	\$1,778	
East	\$115	\$120	\$28	5.00%	10.00%	6.75%	7.00%	\$1,643	\$1,778	
Secondary Average	\$115	\$120	\$28	5.00%	10.00%	6.75%	7.08%	\$1,624	\$1,778	

LUKE CRAWFORD

Head of Logistics & Industrial Research,
Australia

+61 421 985 784

luke.crawford@cushwake.com

NICK GOODRIDGE

National Director
Head of Logistics & Industrial - WA

+61 421 812 159

Nick.goodridge@cushwake.com

TONY IULIANO

International Director
Head of Logistics & Industrial, ANZ

+61 412 992 830

tony.iuliano@cushwake.com

CAITLYNE HALABI

Logistics & Industrial Research Analyst,
Australia

+61 450 126 006

caitlyne.halabi@cushwake.com

DAVID HALL

National Director
Head of Brokerage Logistics & Industrial, ANZ

+61 428 242 410

david.j.hall@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in over 400 offices and approximately 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.