

**33,070**

Q1 2024  
Gross Take-up

**6.50%**

Average  
Prime Yield

**1.8%**

Q1 2024 Prime  
Rental Growth

## ECONOMIC INDICATORS To Q1 2024

	Current	12-Mo. Forecast
GDP Growth (National)*	1.5%	▼
Population Growth†	2.5%	▲
E-commerce Penetration Rate~	13.1%	▲

\*Year-on-year to Dec-23

† Year-on-year to Sept-23

~As at Jan-24

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

## Economic Overview

The Australian economy enters 2024 on a cautious footing following a period of inflationary pressure and subsequent interest rate increases. Australian real GDP growth slowed to 1.5% over 2023 from 2.3% over 2022. Oxford Economics (OE) forecasts that real GDP will continue to slow through Q2, before recovering to end 2024 up 1.6%; a recovery at least partially predicated by the Reserve Bank of Australia pivoting in the second half of the year and beginning to cut interest rates.

For Western Australia, economic growth in 2024 is expected to far outpace the national average at 2.8% for the year, before increasing further to 3.4% in 2025 and 4.4% in 2026.

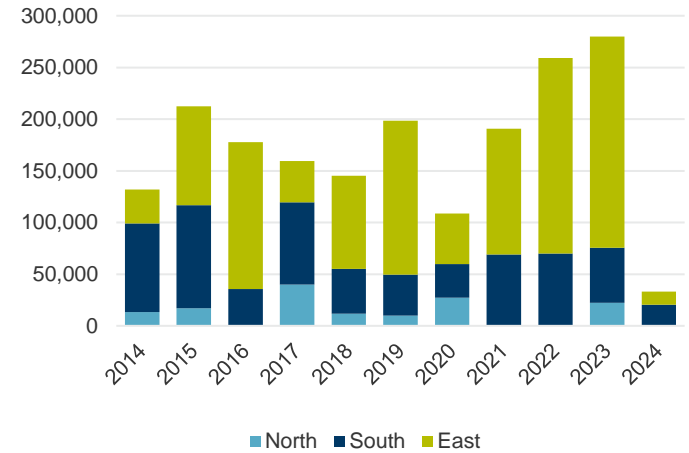
## Occupier Demand

Leasing demand remains healthy across the Perth market, albeit take-up volumes remain restricted by a lack of leasing options in core precincts. As a result, lease renewal rates remain at historical high levels. In Q1 2024, gross take-up totalled approximately 33,000 sqm (for deals above 3,000 sqm) and follows 275,000 sqm leased in 2023.

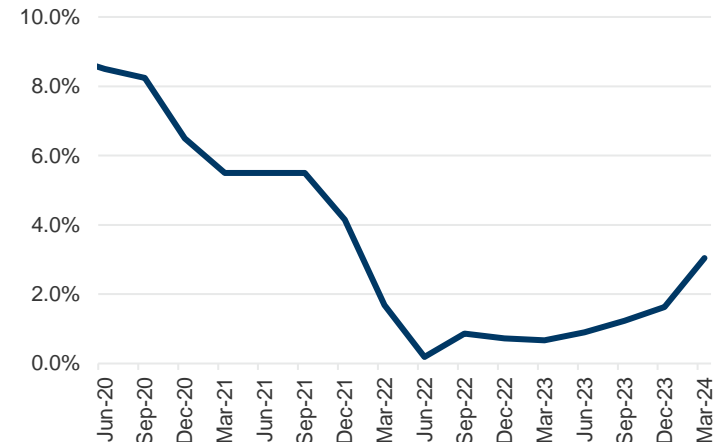
All deals were in the East and South submarkets and included a major mining company leasing 9,998 sqm at 60 Office Road, East Rockingham and Food Folk Australia, leasing 9,369 sqm at 60 Paltridge Road, Perth Airport.

The 3,000 – 6,000 sqm size bracket remains the most active, supported by current enquiry levels and is underpinned by manufacturing and transport and logistics sectors. At the larger end of the market (10,000 sqm+), demand remains patchier and is a reflection of more national-based occupiers taking a cautious approach rather than local Perth businesses who continue to benefit from strong economic conditions.

## PERTH L&I GROSS TAKE-UP (SQM)



## PERTH L&I VACANCY RATE



Source: Cushman & Wakefield Research

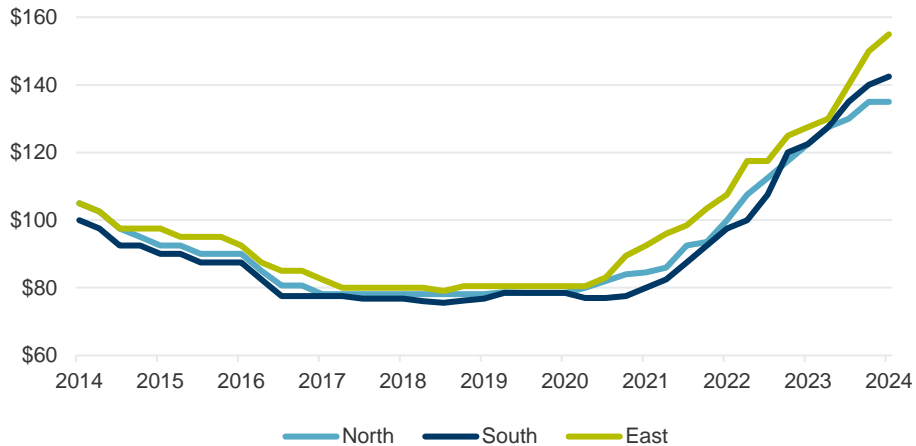
## Vacancy

In response to new supply additions, Perth's vacancy rate has increased to 3.0% in Q1 2024, up from 1.6% at the end of 2023. Notably, this has been underpinned by the South submarket where multiple speculative developments at the DexuS ASCEND Industrial Estate at Jandakot Airport came online. Outside of the South submarket, vacancy rates remain anchored near historic lows, particularly core precincts within the East submarket. Sublease vacancy remains low at 0.4% and includes Costco at Canning Vale.

## Rents & Incentives

Modest rental growth was recorded in Q1 2024, albeit the pace of growth has continued to slow. Prime rents grew by 1.8% in the quarter, which is the slowest level of quarterly growth since mid-2020. However, in a historical context, rents in Q1 2024 grew at twice the long-term quarterly average, while annual prime rental growth of 16.1% was recorded (long-term average of 3.5% per annum). Rents in the secondary market were unchanged in the quarter. Incentive levels saw a minor increase in Q1 2024 and currently averages 8.5% across both prime and secondary assets in each submarket.

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



Source: Cushman & Wakefield Research

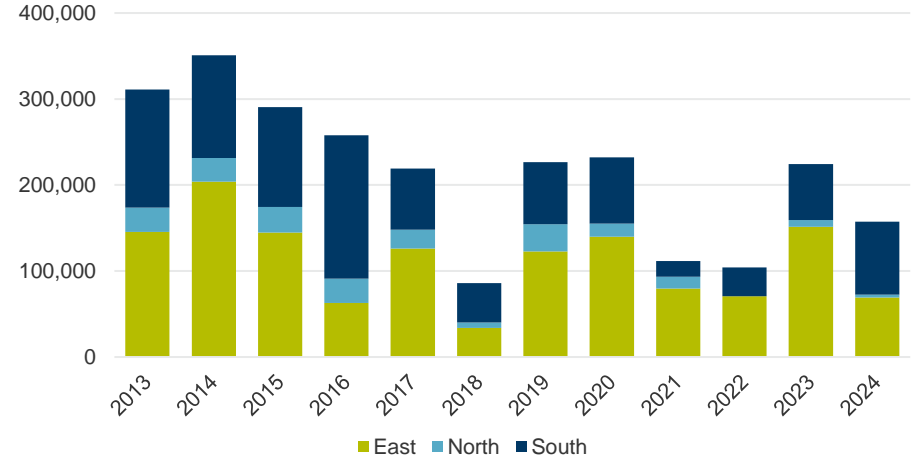
## Supply

Almost 42,000 sqm of new supply was added to the Perth market in Q1 2024, all of which stemmed from the speculative additions at the DexuS ASCEND Industrial Estate at Jandakot Airport. Notably, this included ~26,000 sqm at 8 Centurion Place. Notably, this followed almost 225,000 sqm which was added to the market in 2023.

Looking ahead, there is potential for a further 115,000 sqm to be added to the market in 2024, taking the annual total to close to 160,000 sqm. Historically, supply in the Perth market was largely via a design and construct (pre-lease) basis, however, the bulk of new supply in 2024 is via speculative supply, reflecting the increased institutional presence in the market. Beyond this, there are multiple other pre-lease opportunities; however, the delivery of this is dependent on pre-commitments.

Almost 60% of supply in 2023 will occur within the South submarket, while the balance will stem from the East submarket. Other major additions for 2024 include ~34,350 sqm at 7-13, Magnet Road, Canning Vale (Fife) and 15,510 sqm at 189 Bushmead Road, Hazelmere (Bearings).

**PERTH L&I SUPPLY BY SUBMARKET (SQM)**



Source: Cushman & Wakefield Research

## Land Values

Appetite for industrial land remains strong; however, limited supply opportunities persist, and a lack of transactions has held land values steady across Perth's market and size ranges. Increasing yields over the past two years and elevated construction costs have tested the feasibility of new projects; however, this is being partly offset by continued rental growth.

Industrial land values in Perth in Q1 2024 are averaging \$558/sqm for <1 hectare lots and \$433/sqm for 1-5 hectare lots. Land in the East continues to attract a premium given the acute shortage of land, and 1-5 hectare lots are closer to \$475 - \$575/sqm.

## Investment & Yields

Transaction activity remains subdued across the Perth market, with no assets trading above \$10 million in Q1 2024. This follows just \$132.6 million in 2023 across five assets. There is, however, a number of assets currently in the market that will provide a boost to investment volumes over the coming quarters if they trade.

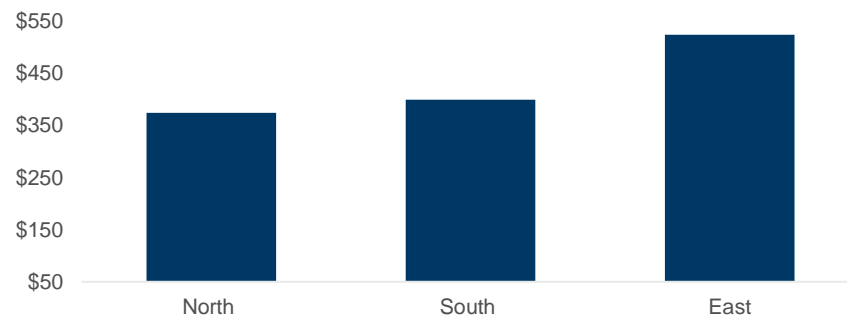
Given where debt costs currently sit (~6.0%), there has been increased interest in the Perth market from East Coast investors, with yields across Perth continuing to provide a buffer to debt costs.

Following almost two years of yield expansion, both prime and secondary yields held steady in Q1 2024, reflecting the stabilisation of the cash rate. Prime yields currently range between 6.25% to 6.75%, while secondary yields range between 6.75% to 7.25%.

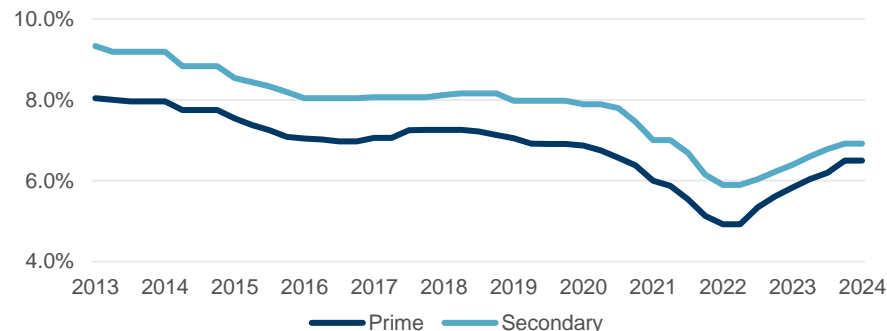
## Outlook:

- Vacancy has moved higher in response to speculative stock deliveries, and **a further increase in vacancy is expected over the coming quarters** as additional stock enters the market. The impacts of this will be most pronounced within the South submarket, albeit vacancy will remain below the levels recorded in 2019.
- Mid-single-digit rental growth is forecast for 2024**; however, there will be variances across size ranges. The sub 6,000 sqm market is forecast to record more elevated levels of rental growth, while growth for tenancies above 10,000 sqm will be more impacted, given supply additions.
- Tenant demand is expected to remain healthy**, 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 widely viewed to have peaked before rate cuts in late 2024, the **yield expansion cycle has come to an end**. With capital returning to the market and in tandem with falling debt costs, we are anticipating modest levels of yield compression in early 2025.

## PERTH L&I LAND VALUES Q1 2024 (\$/SQM)



## PERTH L&I YIELDS BY GRADE



Source: Cushman & Wakefield Research

## MARKET STATISTICS

Submarket	Net Face Rent (\$/sqm p.a.)			Outgoings			Incentive			Average Yield			Average Capital Values (\$/sqm)			Land Values
	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	1-5 hectares
North	\$130	\$140	\$135	\$28	\$32	\$30	6.0%	10.0%	8.0%	6.25%	6.75%	6.5%	\$1,926	\$2,240	\$2,077	\$375
South	\$135	\$150	\$143	\$28	\$32	\$30	6.0%	10.0%	8.0%	6.25%	6.75%	6.5%	\$2,000	\$2,400	\$2,192	\$400
East	\$140	\$170	\$155	\$28	\$32	\$30	6.0%	10.0%	8.0%	6.25%	6.75%	6.5%	\$2,074	\$2,720	\$2,385	\$525
<b>Prime Average</b>	<b>\$135</b>	<b>\$153</b>	<b>\$144</b>	<b>\$28</b>	<b>\$32</b>	<b>\$30</b>	<b>6.0%</b>	<b>10.0%</b>	<b>8.0%</b>	<b>6.25%</b>	<b>6.75%</b>	<b>6.5%</b>	<b>\$2,000</b>	<b>\$2,453</b>	<b>\$2,218</b>	<b>\$433</b>
Secondary Grade	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	Low	High	Average	
North	\$115	\$120	\$118	\$28	\$32	\$30	6.0%	10.0%	8.0%	6.75%	7.25%	7.0%	\$1,586	\$1,778	\$1,679	
South	\$115	\$120	\$118	\$28	\$32	\$30	6.0%	10.0%	8.0%	6.75%	7.00%	6.9%	\$1,643	\$1,778	\$1,709	
East	\$115	\$120	\$118	\$28	\$32	\$30	6.0%	10.0%	8.0%	6.75%	7.00%	6.9%	\$1,643	\$1,778	\$1,709	
<b>Secondary Average</b>	<b>\$115</b>	<b>\$120</b>	<b>\$118</b>	<b>\$28</b>	<b>\$32</b>	<b>\$30</b>	<b>6.0%</b>	<b>10.0%</b>	<b>8.0%</b>	<b>6.75%</b>	<b>7.08%</b>	<b>6.9%</b>	<b>\$1,624</b>	<b>\$1,778</b>	<b>\$1,699</b>	

**LUKE CRAWFORD**

Head of Logistics & Industrial Research,  
Australia  
+61 421 985 784  
[luke.crawford@cushwake.com](mailto:luke.crawford@cushwake.com)

**NICK GOODRIDGE**

National Director  
Head of Logistics & Industrial - WA  
+61 421 812 159  
[Nick.goodridge@cushwake.com](mailto:Nick.goodridge@cushwake.com)

**TONY IULIANO**

International Director  
Head of Logistics & Industrial, ANZ  
+61 412 992 830  
[tony.iuliano@cushwake.com](mailto:tony.iuliano@cushwake.com)

**CAITLYNE HALABI**

Logistics & Industrial Research Analyst,  
Australia  
+61 450 126 006  
[caitlyne.halabi@cushwake.com](mailto:caitlyne.halabi@cushwake.com)

**DAVID HALL**

National Director  
Head of Brokerage Logistics & Industrial, ANZ  
+61 428 242 410  
[david.j.hall@cushwake.com](mailto:david.j.hall@cushwake.com)

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