



### MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
<b>3.3%</b> Vacancy Rate	▲	▬
<b>6.50%</b> Average Prime Yield	▲	▼
<b>4.9%</b> Prime QoQ Rental Growth	▲	▲

### ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
<b>1.0%</b> (National) GDP Growth	▼	▼
<b>3.9%</b> (Western Australia) State Final Demand Growth	▲	▼
<b>4.2%</b> (National) Unemployment Rate	▲	▲

Source: ABS

### ECONOMIC OVERVIEW

The second-quarter GDP release was a key highlight among recent economic updates. It showed real growth slowing, with GDP increasing by 1.0% in the year to June 2024 (0.6% for the June quarter). Adjusted for population growth, however, per capita GDP declined by 1.5%, indicating weaker economic output per person. This highlights the economy's growing reliance on population growth, as net overseas migration surged to over 70,000 in Q2, contributing significantly to overall economic activity and helping offset productivity challenges. Western Australia's economy continues to outperform, recording growth of 3.9% in the 12 months to June 2024. Economic growth is forecast to remain solid over the next 12 months, with growth of 3.2% expected.

### DEMAND

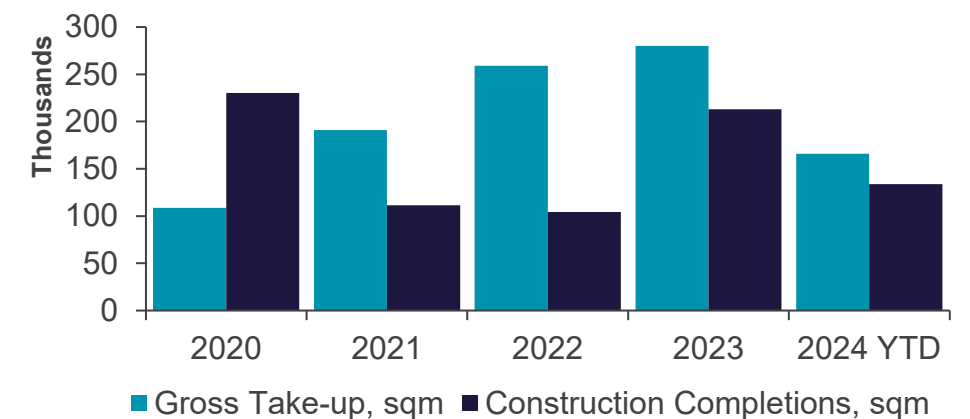
Occupier demand remains buoyant within the Perth market, with just over 60,000 sqm of gross take-up recorded in Q3 2024, representing a 28% increase on the long-term quarterly average. This takes the year-to-date total for Perth to 165,800 sqm and follows approximately 280,000 sqm of gross take-up recorded in 2023.

The East submarket has been the most active, accounting for almost 60% of take-up so far in 2024. Alternatively, minimal supply additions in the North submarket have continued to restrict take-up volumes.

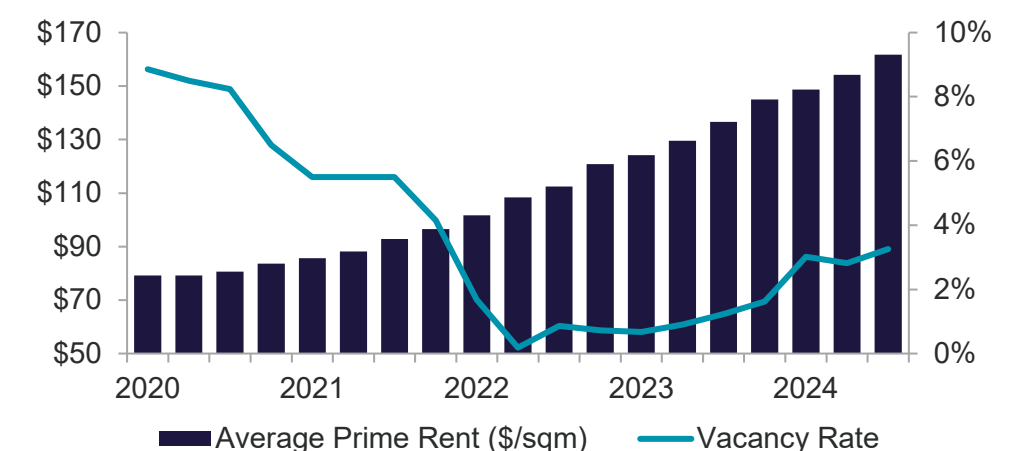
The transport and logistics sector continues to be the most active sector and includes deals to CEVA Logistics at Welshpool and Couriers Please at Hazelmere.

The 3,000 - 10,000 sqm size bracket remains the sweet spot for demand, representing 57% of deals by number over the past quarter. The 10,000 sqm + segment of the market remains patchier, reflecting more national-based occupiers taking a cautious approach rather than local Perth businesses, which continue to benefit from strong population growth rates and robust economic conditions.

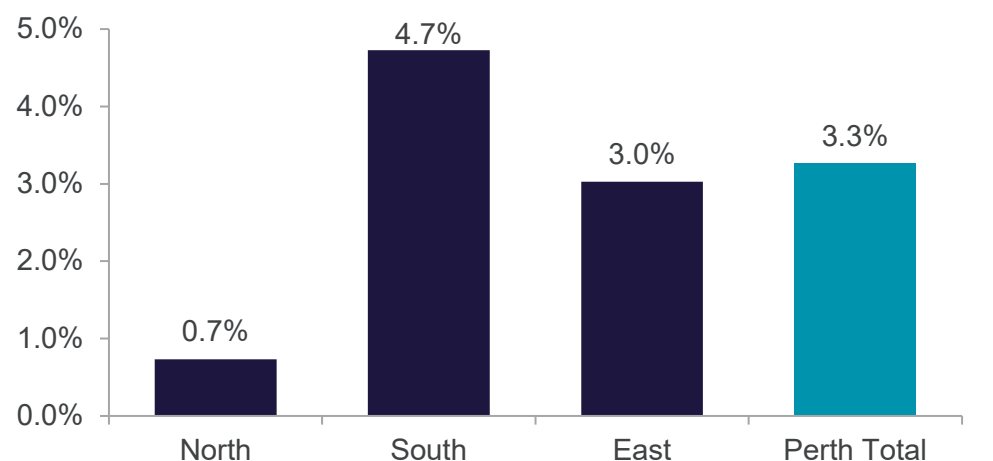
### SPACE DEMAND / DELIVERIES



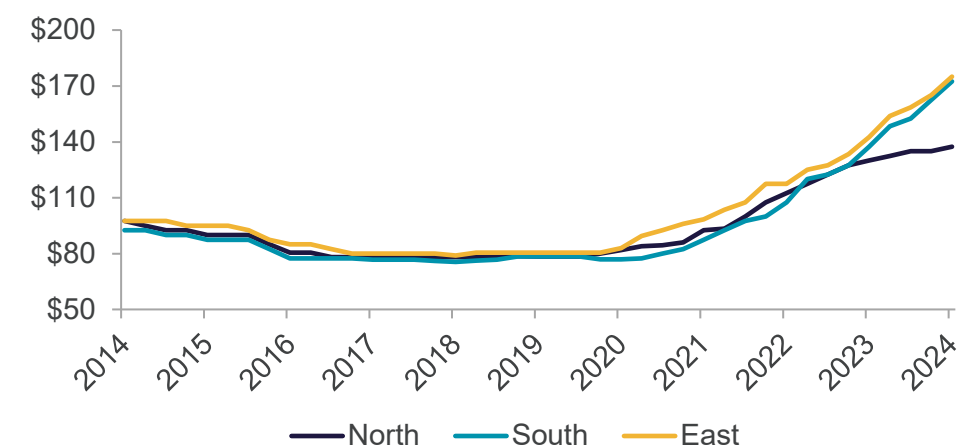
### VACANCY & AVERAGE PRIME RENTS



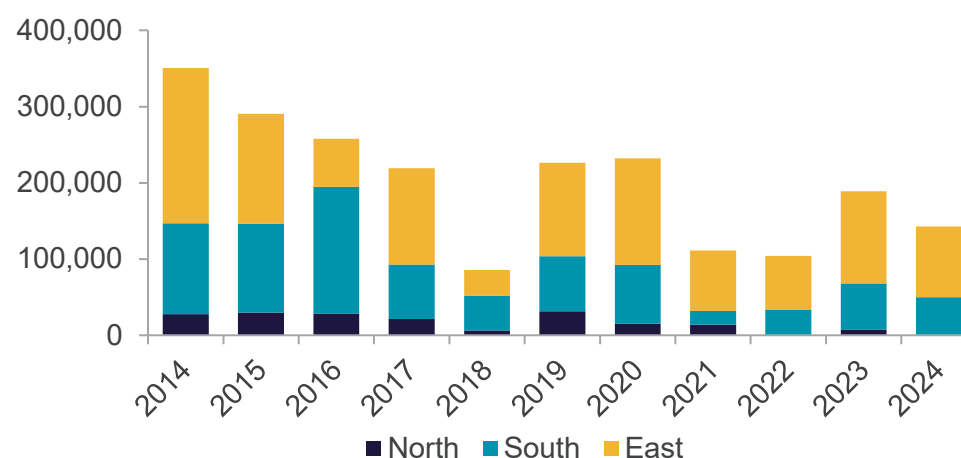
**Q3 2024 VACANCY RATES BY SUBMARKET**



**PRIME NET FACE RENTS BY SUBMARKET (\$/SQM)**



**SUPPLY BY SUBMARKET (SQM)**



**VACANCY**

Perth’s L&I vacancy rate saw an increase to 3.3% in Q3 2024, up from 2.8% in the quarter prior. Notably, almost 70% of vacancy by GLA exists in buildings above 10,000 sqm, and reflecting demand, vacancy levels below this range remain tight, particularly in core locations (average vacancy size is 9,841 sqm). The South submarket holds almost 55% of the city’s vacant stock, including almost 30,000 sqm of vacant speculative space.

**RENTS & INCENTIVES**

Off the back of recent leasing evidence, rents have continued to increase across the Perth market, with prime rents increasing by 4.9% in Q3 2024 (18.3% year-on-year growth) and currently averaging \$162/sqm (net face). While this level of growth is below the growth rates recorded in recent years, it is the highest quarterly growth in 2024 so far and remains almost four times the long-term average of 0.9% per quarter. Rental growth in the secondary market averaged 0.7% over the quarter and currently sits at \$121/sqm.

By size, rental growth for small to medium-sized facilities (sub 6,000 sqm) is outperforming, owing to the limited availability in core precincts and deals done in excess of \$200/sqm net have been recorded.

Incentive levels continued their upward trajectory in Q3 2024 to range between 7.50% to 15.0% across all submarkets for both prime and secondary assets. Despite this, net effective rental growth has continued to be recorded.

**SUPPLY**

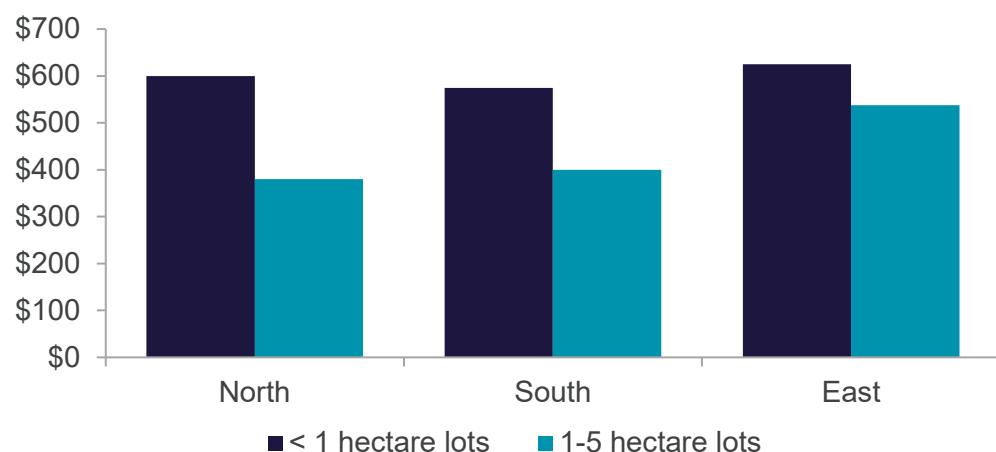
Warehouse completions in Perth this quarter totalled just over 50,000 sqm, all within the East submarket. Completions at Perth Airport underpinned this and included the Border Express facility (13,000 sqm), while 10,930 sqm was speculative (58 Anderson Place). Following these deliveries, almost 135,000 sqm has been added to the market so far in 2024, while there is a further 8,944 sqm in the pipeline for Q4 2024 (142,800 sqm for 2024). Supply in 2024 will stem solely from the East and South submarkets.

Beyond 2024, the supply pipeline is anticipated to remain buoyant, with the potential for 190,000 sqm due to come online. However, only 34% of this pipeline is committed, and the timing of several of these facilities is contingent on securing a pre-commitment. Further, supply remains challenged by capital constraints from developers and elevated construction costs.

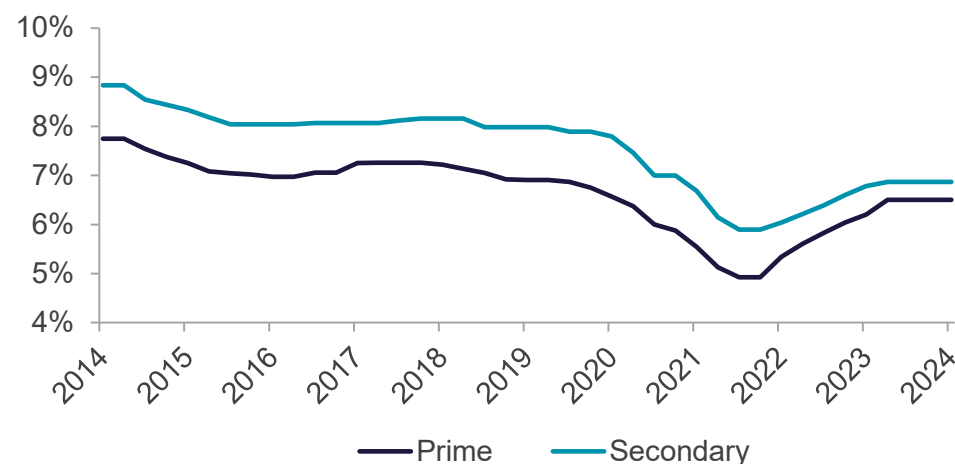
**OUTLOOK**

- 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.
- The Perth vacancy rate is expected to moderate over the next six months as the impact of speculative additions has already filtered through to current metrics. With lease renewal rates remaining elevated, limited backfill opportunities are expected to come to market.
- Mid-single-digit rental growth is forecast over the next 12 months; 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. Institutional presence is skewed towards the 10,000 sqm + size bracket, and incentives for this range is expected to remain higher.

**Q3 2024 LAND VALUES BY SIZE BRACKET (\$/SQM)**



**YIELDS BY GRADE**



**PERTH INVESTMENT VOLUMES (\$M)**



**LAND VALUES**

Industrial land values remain relatively unchanged this quarter, although appetite remains strong, led by both institutions and local developers who are still focused on banking core infill sites to maintain their development pipeline for their customers.

Industrial land values in Perth in Q3 2024 are averaging \$600/sqm for <1 hectare lots and \$439/sqm for 1-5 hectare lots, while land in the East continues to attract a premium given the acute shortage of space.

**YIELDS**

Yields have continued to hold steady over the past quarter and remain unchanged in 2024. Prime yields currently range between 6.25% to 6.75%, while secondary yields range between 6.75% to 7.25%.

**INVESTMENT**

Transaction activity in Perth has improved with just over \$170 million trading for deals above \$10 million so far in 2024. Notably, this already exceeds the approximate \$143.0 million that traded in 2023. Volumes over the past quarter were underpinned by 4-6 Alumina Road, East Rockingham (\$27.0 million) and follows the State Government acquiring 49-53 Clarence Beach Road, Henderson for \$51.0 million in Q2 2024.

Activity below \$10 million has remained active, driven by local investors and owner-occupiers.

More broadly, there remains a strong interest in the Perth market, which is led by institutional, syndicator, and high-net-worth buyer pools. The continued buffer to borrowing costs and outlook for further rental growth is driving this appetite.

**OUTLOOK**

- New land supply is limited, particularly in core locations, and as a result, price pressure is expected to continue to occur. Development feasibilities will be supported by continued rental growth, despite construction costs remaining elevated.
- Over the short term, potential rate cuts and moderating bond yields highlight the value upside for capital markets. In our view, the L&I yield decompression cycle has ended and follows approximately 160 basis points of yield expansion in Perth since early 2022.
- Our base case is for the RBA to begin the rate easing cycle in H1 2025, which, in tandem with falling government bond yields (~3.50% 10-year yield by Q4 2025) and greater market participation, is forecast to drive yield compression from mid to late 2025.
- Improved investor sentiment is expected to result in a pick-up in investment activity in 2025, supported by favourable sector fundamentals and the ability to drive asset performance through continued income growth.



**Q3 2024 PERTH MARKET STATISTICS**

SUBMARKET	VACANCY RATE (TOTAL MARKET)	TAKE-UP (TOTAL MARKET SQM)	AVERAGE NET FACE RENT (\$/SQM P.A.)	AVERAGE OUTGOINGS (\$/SQM P.A.)	AVERAGE INCENTIVES	AVERAGE YIELDS	AVERAGE CAPITAL VALUES (\$/SQM P.A.)	AVERAGE LAND VALUES (1-5ha, \$/SQM P.A.)
<b>PRIME</b>								
North	0.7%	0	\$138	\$30	11.3%	6.5%	\$2,115	\$380
South	4.7%	27,140	\$173	\$30	11.3%	6.5%	\$2,654	\$400
East	3.0%	33,691	\$175	\$30	11.3%	6.5%	\$2,692	\$538
<b>PRIME AVERAGE</b>	<b>3.3%</b>	<b>60,831</b>	<b>\$162</b>	<b>\$30</b>	<b>11.3%</b>	<b>6.5%</b>	<b>\$2,487</b>	<b>\$439</b>
<b>SECONDARY</b>								
North	-	-	\$120	\$30	11.3%	7.0%	\$1,714	-
South	-	-	\$120	\$30	11.3%	6.9%	\$1,745	-
East	-	-	\$123	\$30	11.3%	6.9%	\$1,782	-
<b>SECONDARY AVERAGE</b>	<b>-</b>	<b>-</b>	<b>\$121</b>	<b>\$30</b>	<b>11.3%</b>	<b>6.9%</b>	<b>\$1,747</b>	<b>-</b>

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