

FIGURES | ADELAIDE INDUSTRIAL & LOGISTICS | Q2 2024

Adelaide has the highest pre-commitment rate for the forward supply pipeline

0.9%

SA annual population growth FY24-28¹

▲ c.30,700 sqm

New supply completed 2Q24

▲ 7,000 sqm

Gross Take-Up 2Q24

▲ 6.1%

Super Prime midpoint yield 2Q24

Note: Arrows indicate change from previous quarter.

Key Points

- Gross take-up in 2Q24 totaled 7,000 sqm bringing the 12-month total to c.43,400 sqm, significantly below the 10-year annual average of c.145,000 sqm.
- There was c.30,700 sqm of new industrial stock added over the quarter. New supply forecast for CY2024 (c.76,000 sqm) is slightly below the long-run average of c.84,800.
- The pre-commitment rate for the 2024-2026 pipeline remains strong at 80%.
- Adelaide’s relatively low vacancy (1.3% as at 1H24) continues to drive rent growth, albeit marginal. Average net face rents for super prime grade assets increased 0.9% over the quarter, and now averages AUD 143/sqm.
- Land values for both 0.25 ha and 1.6 ha lots appreciated over the quarter by an average of 4% and 6%, respectively.
- Sale volumes in 2Q24 increased, totaling AUD 108 million (transactions ≥ AUD 5 million).
- Super prime midpoint yields in Adelaide expanded by 9 bps over the quarter, now sitting at 6.1%.

1. Australian Government Centre for Population
Source: CBRE Research

Demand

Tight vacancy and low stock availability limits take-up levels

In 2Q24 gross take-up totaled 7,000 sqm (for transactions ≥ 3,000 sqm), up from the previous quarter of c.5,200 sqm. The 12-month rolling total currently equates to just over 43,000 sqm, which continues to track significantly below the 10-year annual average of 145,000 sqm.

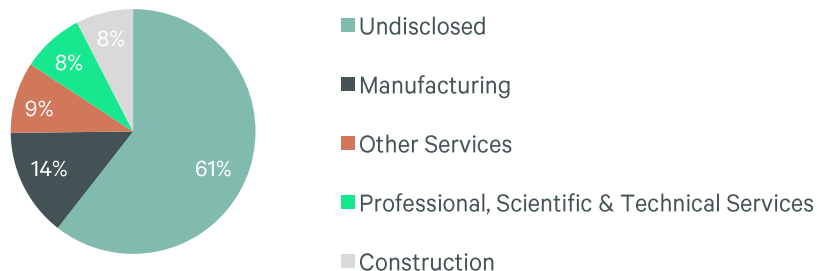
The one lease transaction that occurred over 2Q24 (≥ 3,000 sqm) was the sub-lease of 7,000 sqm by Fulton Hogan, within the Outer North precinct.

Adelaide’s relatively low industrial vacancy rate of 1.3% (as at 1H24) remains a key factor for hindering leasing activity. This, coupled with normalising demand over the past 6 months have led to reduced take-up activity. However, we expect vacancy levels to begin to rise – in line with trends occurring across the Eastern Seaboard markets and, as such, this could spur greater gross take-up over the next 12 months.

Over the past 12 months the concentration of leased floorspace was within the North West (40%), followed by the West precinct (27%).

The Manufacturing sector accounted for the majority of take-up in 2023, followed by the Professional, Scientific & Technical Services (8%) and Construction (8%) sectors.

FIGURE 1: Adelaide Take-Up 2023-2Q24 by Industry Sector (Top 3 Sectors)

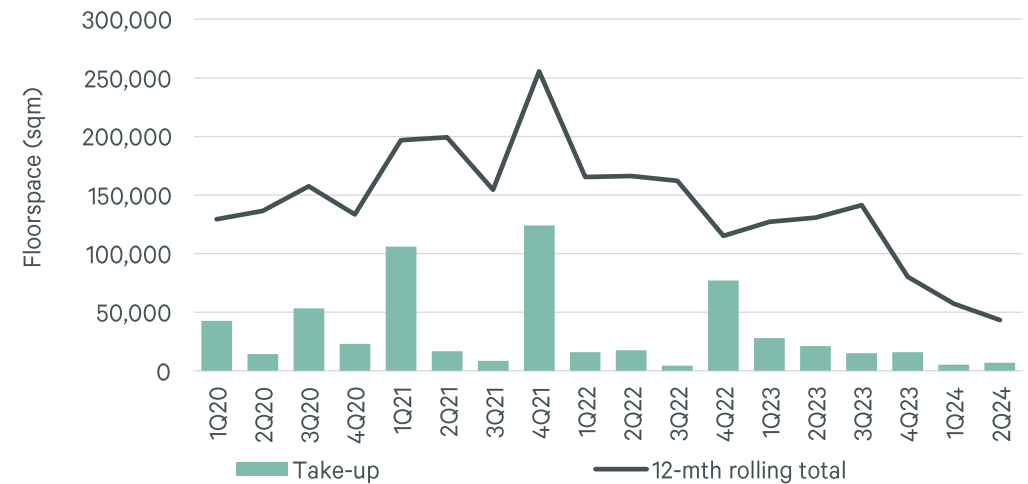


Source: CBRE Research

FIGURE 2: Adelaide gross take-up 2012-2Q24, by precinct



FIGURE 3: Adelaide quarterly gross take-up, 1Q20-2Q24



Supply

New supply for 2024 expected to total slightly below the long-run average

Around 30,700 sqm of total new stock was added to the market in 2Q24, which was significantly higher than the c.3,900 sqm that was completed in 1Q24. There was only one development that completed over the quarter, which was Fife Capital's Wingfield development at 75-83 Wilkins Road (adding c.30,700 sqm).

The CY2024 pipeline is expected to total c.76,000 sqm, which is slightly below the 10-year average. The 2024 pipeline is just over 60% pre-committed.

Despite lower levels of new supply this year, the 2025 pipeline is forecast to reach a record high of 200,000 sqm. Less than 10% of the 2025 pipeline is currently under development application stage, with over 90% currently under construction or with DA approval. The pre-commitment rate for the 2025 pipeline is strong, currently at just over 80%.

Upcoming new supply in 2024-2027 is mainly concentrated in the Outer North (77%) precinct. The Outer North has a greater proportion of developments due to the availability of zoned land, and these locations can provide efficient connectivity to major transport infrastructure, Port Adelaide for shipping, and the Osborne Naval precincts for Defence projects.

Most of the supply pipeline for CY2024 is expected to be complete in the second half of the year. The largest development expected to reach completion by the end of the year is Cavan Connect Logistics Park (c.25,000 sqm) - located in Outer North precinct. Projects located within the Outer North precinct make up 84% of total upcoming supply for the year.

The 2024-2026 pipeline is 80% pre-committed

The pre-commitment level for the Adelaide market on projects for the forward pipeline (2024-26) remains strong at 80%, with only 5 speculative projects that are to be delivered to the market over the next few years.

Source: CBRE Research

FIGURE 4: Development Supply Pipeline 2010-2027F

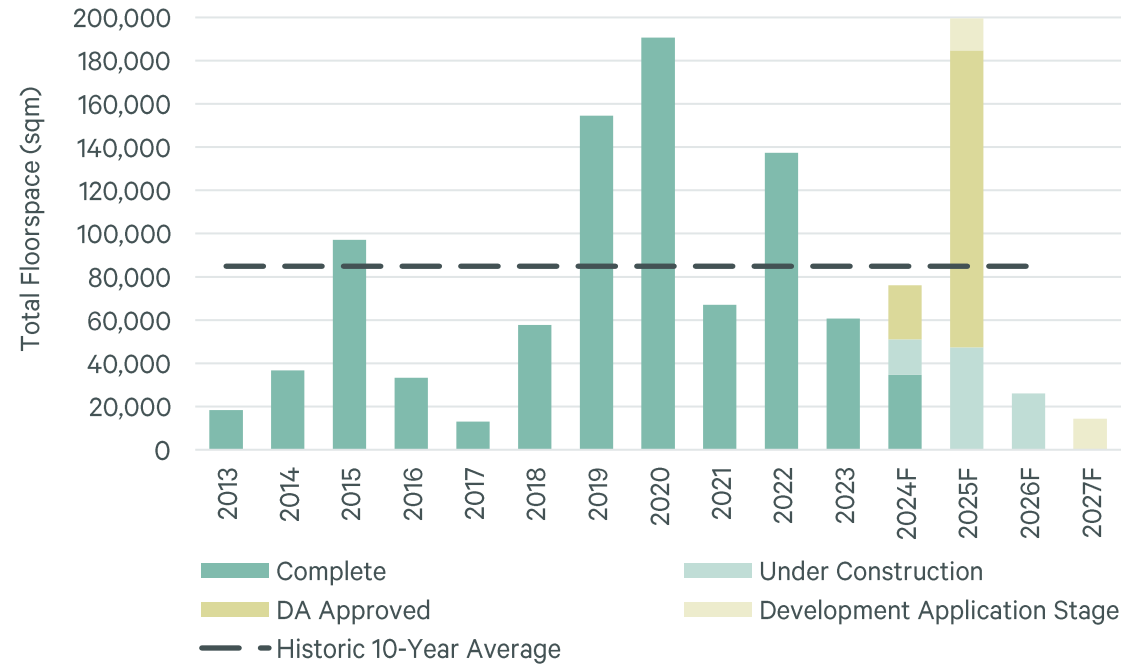
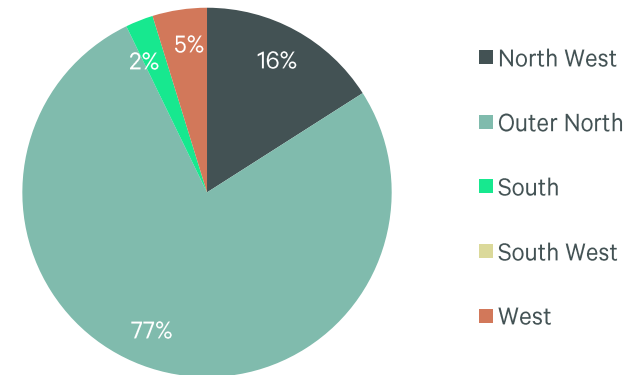


FIGURE 5: Development Supply 2024F-2027F, Floorspace Share by Precinct



To note: reflects projects > 3,000 sqm.
Source: CBRE Research. As at Q2 2024

Leasing Market

Rental growth moderates across the market

In 2Q24 average super prime net face rents increased by +0.9% (q-o-q) and +10.7% (y-o-y) to an average of AUD 143/sqm. Rental growth was driven by the North West precinct, which increased 3.4% q-o-q, while rents in the remaining precincts remained stable over the quarter.

Average prime net face rents were unchanged q-o-q, however 9.9% higher y-o-y, sitting at an average of AUD 122/sqm. Secondary grade net face rent recorded increases (+1.1% q-o-q and +15.4% y-o-y), averaging AUD 90/sqm. A rise in rents in the North West precinct this quarter contributed to secondary net face rental growth.

Adelaide's vacancy rate recorded a decline in 1H24 by 20 bps to 1.3% from 1.5% in 2H23. The largest drop in vacancy was in the Outer North precinct, decreasing by 190 bps. Despite this, the Outer North continues to experience the highest vacancy, given the greater amount of development opportunities on zoned land. Vacancy rates remain below the equilibrium rate (i.e. 4%) and at levels which are supportive of continued rent growth. However, with an uncertain economic growth outlook and cautiousness among occupiers in expanding their footprint, rental growth rates have slowed compared to levels seen two years ago and we can expect this to continue for the remainder of the year.

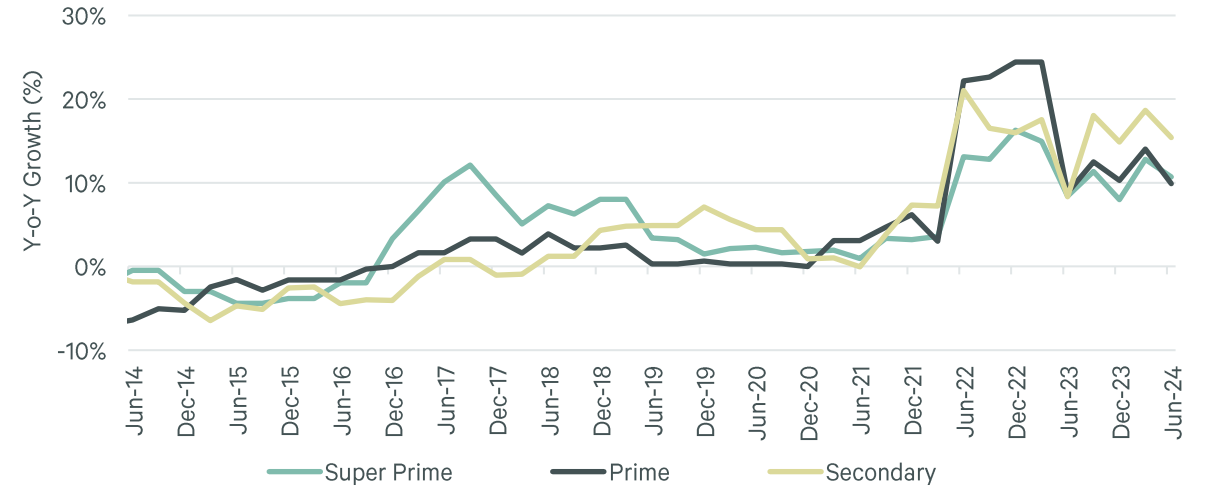
Incentives in 2Q24 were stable q-o-q across each grade, with super prime and prime currently averaging 10% and 11%, respectively, while secondary incentives average 11%.

FIGURE 6: Adelaide 2H23 vs 1H24 vacancy by precinct

	Outer North	North West	North	West	South West	South	East	Adelaide Total
2H23	4.3%	1.5%	0.2%	1.8%	2.3%	0.0%	0.0%	1.5%
1H24	2.4%	1.6%	0.0%	1.9%	2.3%	0.0%	0.0%	1.3%

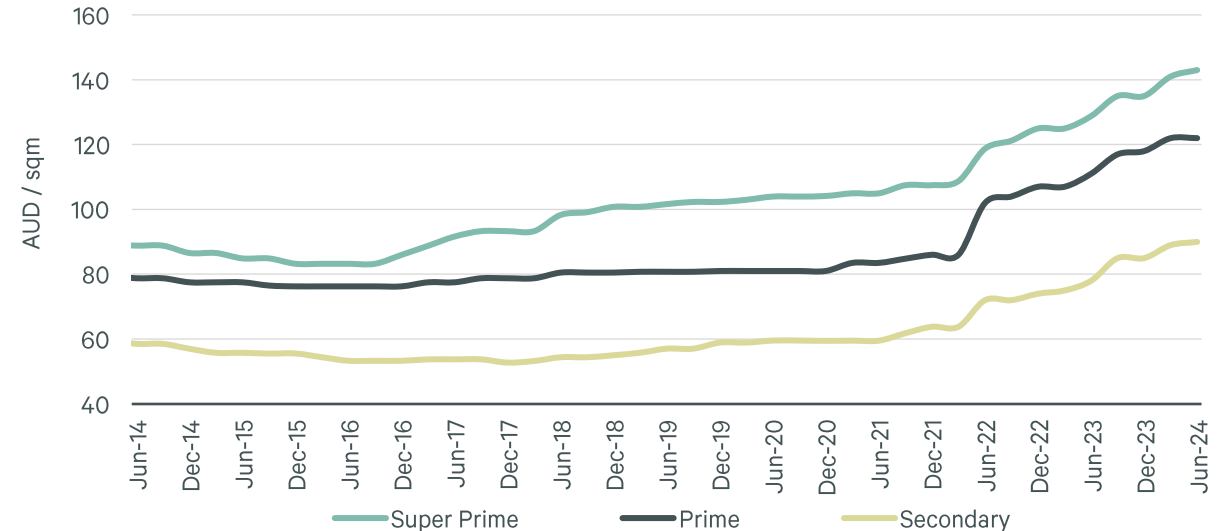
Source: CBRE Research, for stock with NLA ≥ 3,000 sqm.

FIGURE 7: Average net face rent growth



Source: CBRE Research

FIGURE 8: Adelaide average net face rents by grade



Source: CBRE Research

Land Values

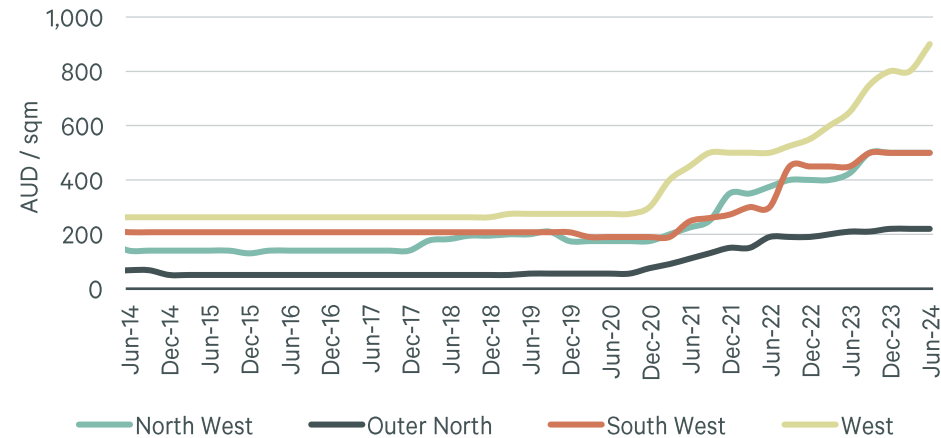
Land values saw moderate movement over the quarter

The lack of serviced industrial zoned land released to market across Adelaide’s industrial precincts have led to significant appreciation in land values.

With strong demand for developable industrial land and limited supply, land values in Adelaide’s core industrial precincts comprising the North West, Outer North, West, and South West recorded strong growth over 2021-2023. Land value appreciation has slowed in 2Q24, and this trend has been evident since 4Q23, as the impacts of elevated construction and capital costs have moderated investor demand. Despite this, it is expected that land values will increase in the South precinct as this area is currently undergoing residential and population growth.

In 2Q24 average 1.6 ha lot land values across the core industrial precincts increased by 6% q-o-q, to an average of AUD 460/sqm, an appreciation of 22% y-o-y. The smaller 0.25 ha lots across the core industrial precincts increased by 4% q-o-q, and 32% y-o-y, to an average of AUD 625/sqm.

FIGURE 9: Average Land Values, (quarterly and yearly growth)



Source: CBRE Research

FIGURE 10: Adelaide Industrial 0.25 ha land values by precinct (2Q22 to 2Q24)

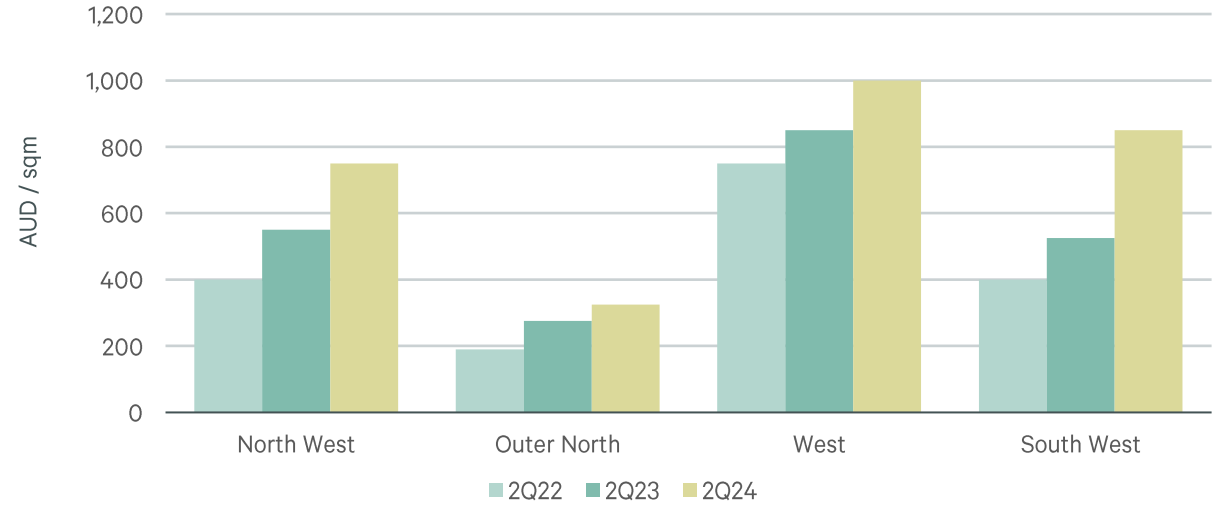
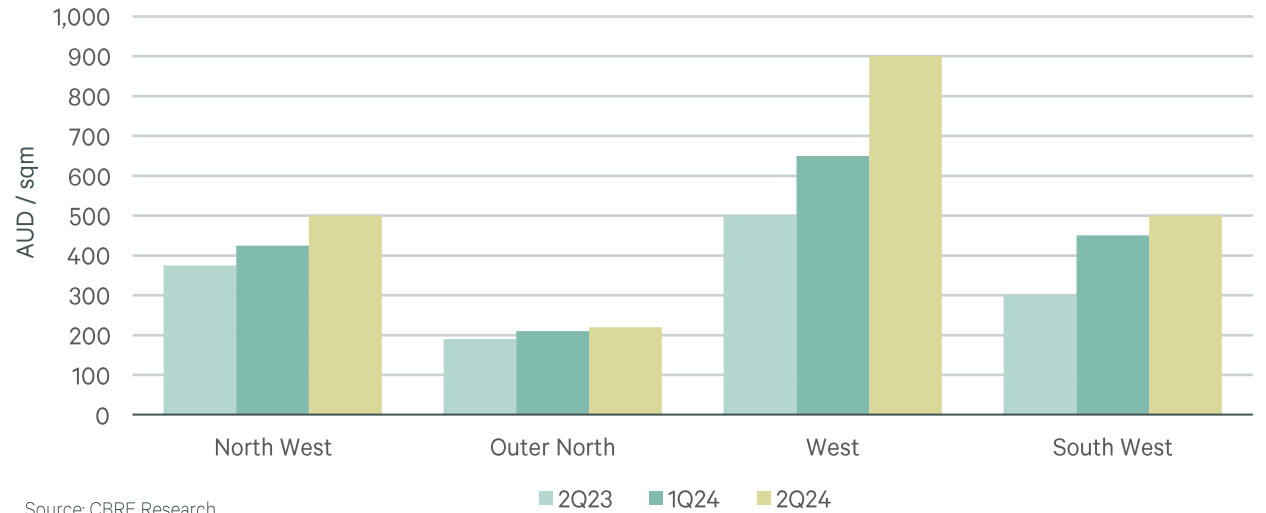


FIGURE 11: Adelaide Industrial 1.6 ha land values by precinct (2Q22 to 2Q24)



Source: CBRE Research

Investment Market

Growing transaction volumes despite softening in yields

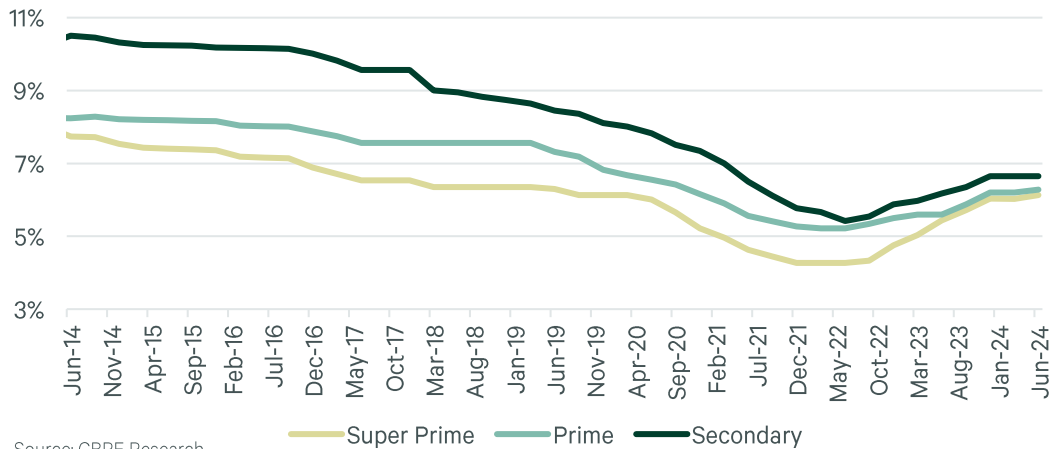
Investment transaction volumes in Adelaide’s industrial market picked up in 2Q24 following the regular slowdown in 1Q24. Transaction volumes in 2Q24 (for transactions ≥ AUD 5 million) totaled AUD 108.4 million across four transactions. The largest transaction was the sale of 26-34 Caribou Drive by Moelis & Company for AUD 61 million, located in the Outer North precinct.

Super prime midpoint yields expanded by 9 bps to 6.13% over 2Q24. Prime midpoint yields are at 6.28% (+8 bps q-o-q), while secondary yields held steady to a midpoint of 6.65%.

The gap in buyer and vendor pricing expectations continues to limit sales of institutional grade stock. Buyers appear more willing to accept yields of institutional grade assets within the Eastern Seaboard, while local privates are the dominant source of demand for smaller Industrial stock in SA.

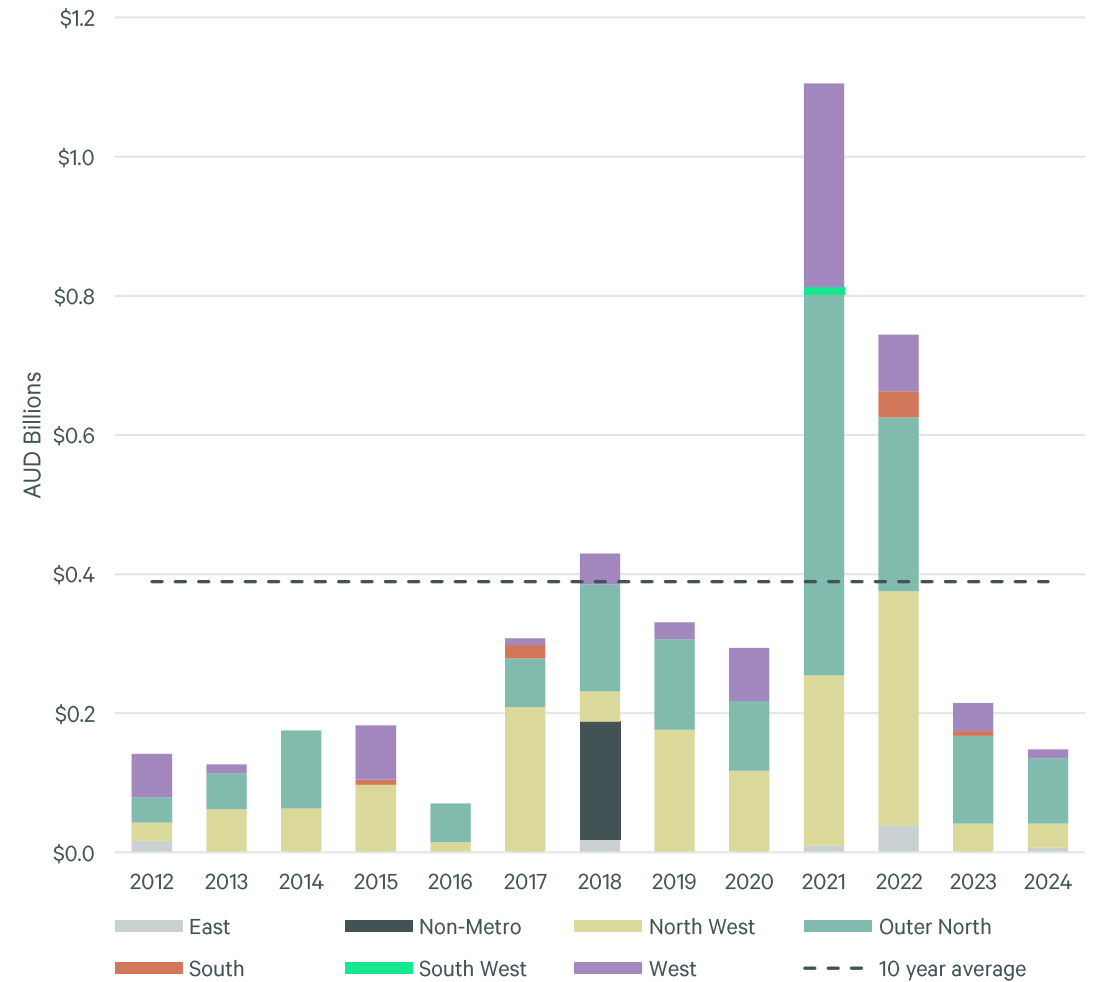
Investment sale transactions are expected to continue over the remainder of 2024 however will be concentrated across smaller assets less than AUD 20 million.

FIGURE 12: Midpoint yields (2Q14-2Q24)



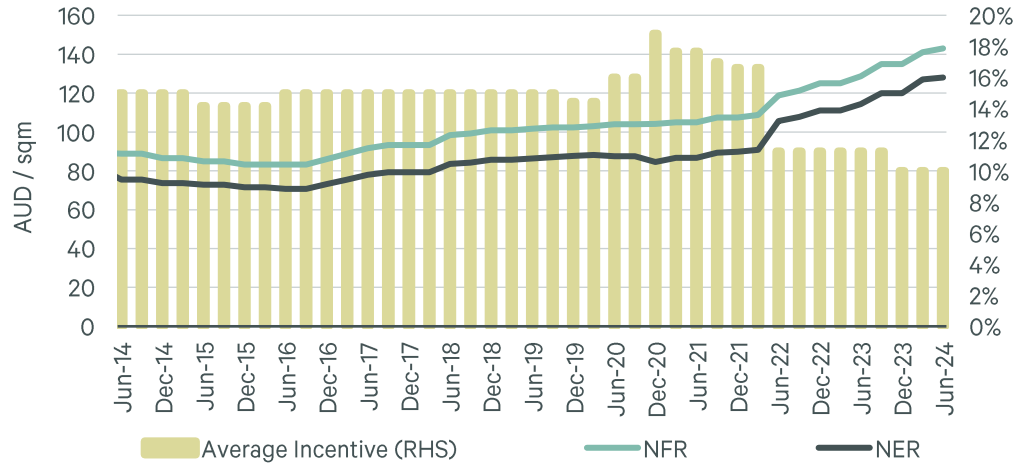
Source: CBRE Research

FIGURE 13: Adelaide Industrial investment sales 2012-2024 (greater than AUD 5 million)



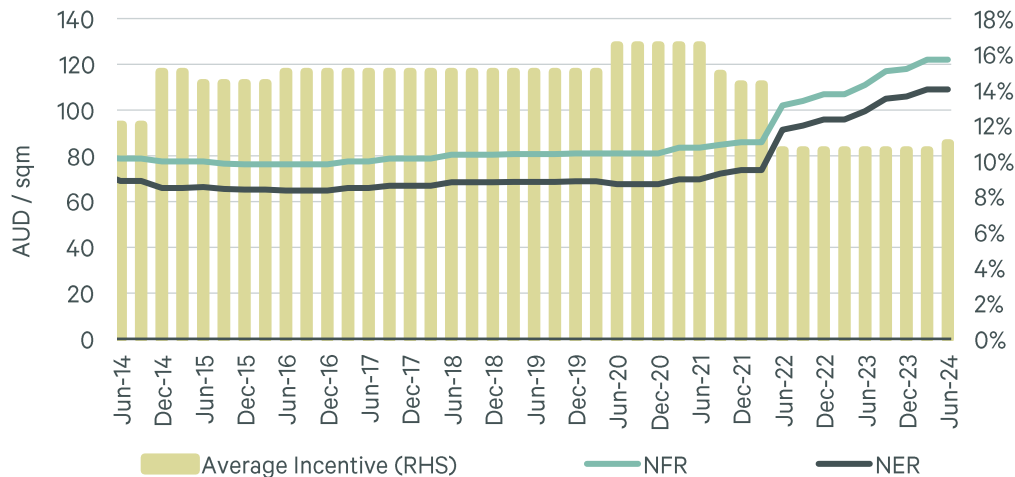
Source: CBRE Research

FIGURE 14: Average super prime net face rents, net effective rents and incentives



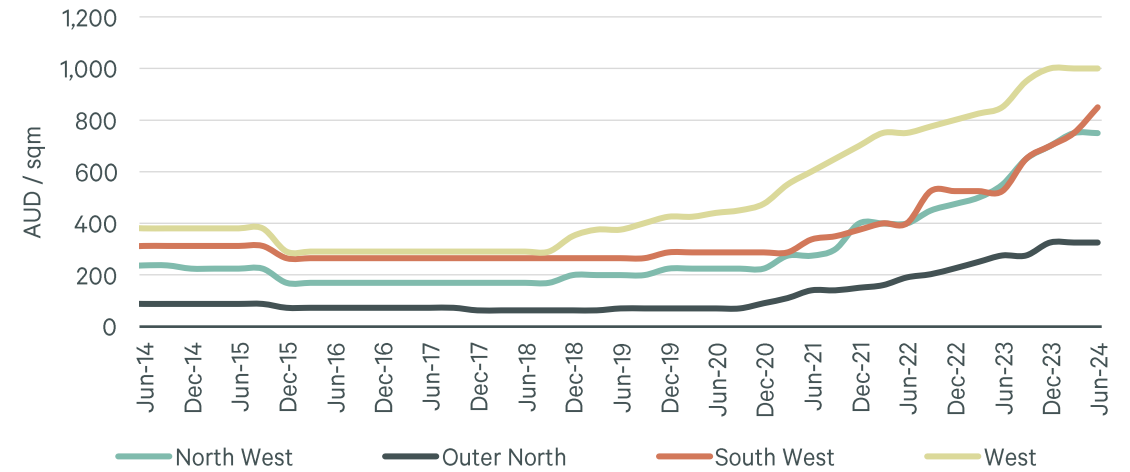
Source: CBRE Research Q2 2024

FIGURE 15: Average prime net face rents, net effective rents and incentives



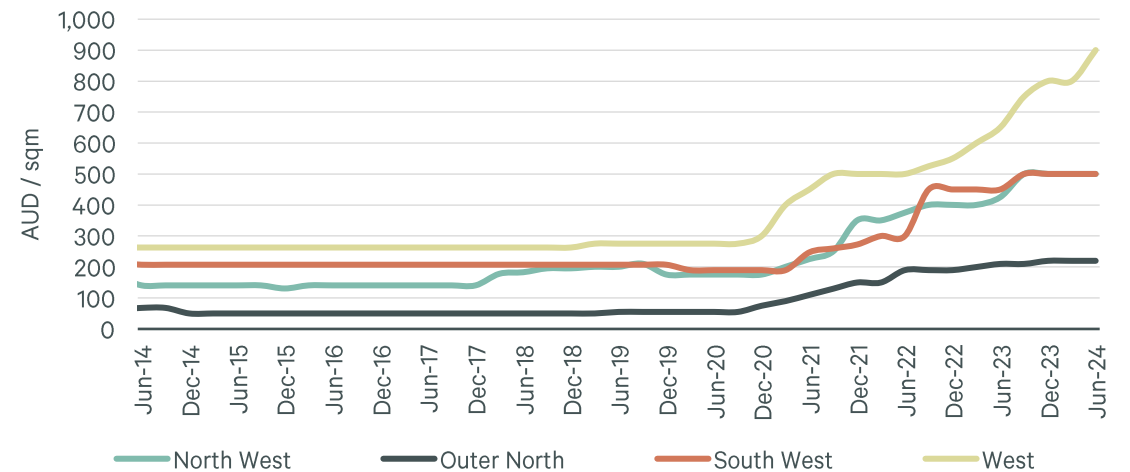
Source: CBRE Research Q2 2024

FIGURE 16: Average land values (0.25 ha lots), by precinct



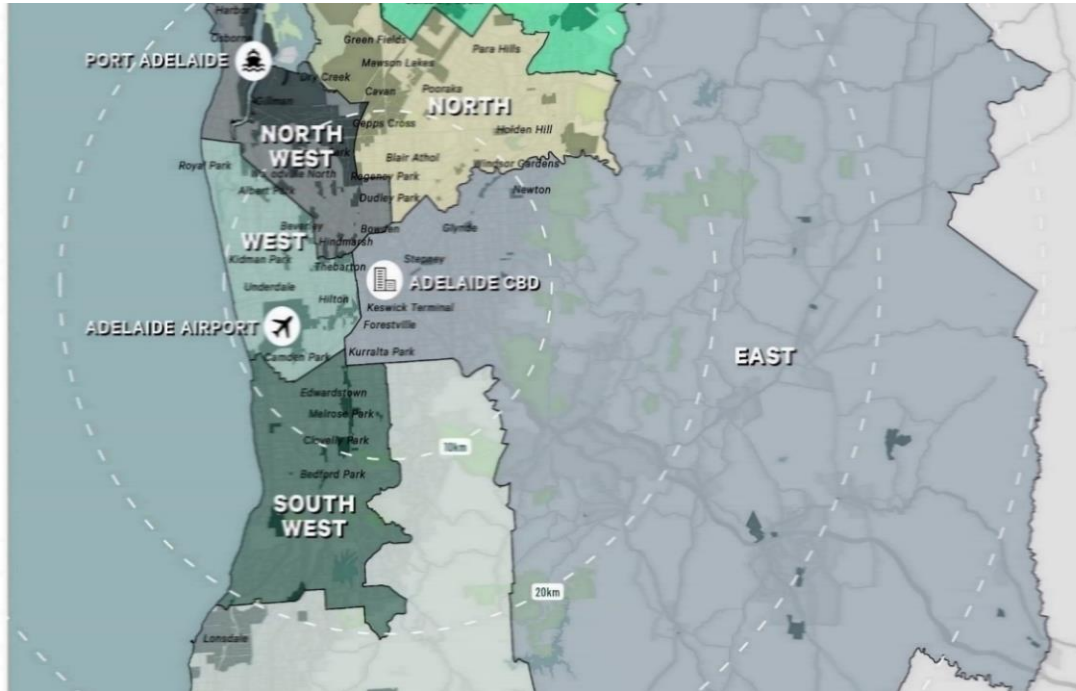
Source: CBRE Research Q2 2024

FIGURE 17: Average land values (1.6 ha lots), by precinct



Source: CBRE Research Q2 2024

Market Area Overview



Definitions

Super Prime:

Less than 6 years old, height clearance between 13.7m and 14.6m. Buildings showcasing design excellence with combination of ESFR sprinklers and docks / on-grade doors, as well as strong truck articulation for loading/unloading.

Prime:

Generally, between 6 and 15 years old, height clearance over 10m and up to 13.7m.

Secondary:

Buildings that are older style but still very functional, height clearance in the ranges of 8-11m, Over 15 years old.

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