

FIGURES | PERTH INDUSTRIAL & LOGISTICS | Q2 2024

Greater investment sale activity recorded for the Perth Industrial and Logistics market

1.4%

WA annual population growth FY24-27¹

▲ c.44,500 sqm ▲ c.65,700 sqm ▶ 6.3%

New industrial supply 2Q24

Gross take-up 2Q24

Super prime midpoint yield

Note: Arrows indicate change from previous quarter.

Key Points

- Take-up activity was at relatively healthy levels over the quarter, totalling c.65,700 sqm, bringing the 1H24 gross take-up above the 10-year first half historical average.
- New floorspace added to the market totalled c.44,500 sqm over 2Q24. The current pipeline of new development supply between 2024 and 2027 is forecast to total an annual average of c.146,000 sqm, which is above the 10-year average of c.123,000 sqm.
- The pre-commitment rate for the forward pipeline (2024-2027) is strong at close to 70%.
- Rents across all asset grades were stable q-o-q. As of 2Q24 super prime rents average AUD 145/sqm, up 7.4% y-o-y. Super prime incentives were stable over the quarter, averaging 10%.
- Land values increased slightly over 2Q24. Large (1.6 ha) lots have increased y-o-y by 3% and now average AUD 493/sqm. Smaller 0.25 ha lots increased by 8.6% y-o-y to a new average of AUD 587/sqm.
- Sales transaction volumes picked up during the quarter with the 1H24 total already surpassing the level recorded for CY2023. Yields were steady q-o-q across all grades with super prime and prime midpoint yields remaining at 6.3% and 6.5% respectively.

1. Deloitte Access Economics
Source: CBRE Research

Demand

Logistics occupiers drives robust demand above historical average during Q2

Gross take-up for 2Q24 totalled c.65,700 sqm (for transactions ≥ 3,000 sqm), up from the c.28,700 sqm recorded in the previous quarter. Gross take-up for 1H24 totals c.94,400 sqm, up 9% y-o-y, and above the 10-year H1 historical average of c.76,000 sqm.

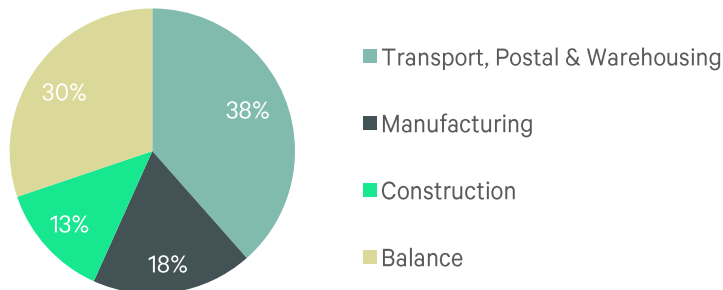
Leasing transactions have remained relatively robust over the past 12 months despite higher interest rates resulting in a more cautious approach from consumers and occupiers. Strength in WA’s mining sector, strong population growth and the strongest labour market in Australia (unemployment rate of 3.6% as of May 2024) are supporting industrial and logistics demand in Perth.

Notable leasing transactions in 2Q24 include:

- Minarc taking up c.8,600 sqm at 7 Casella Place in Kewdale
- Aerison taking up c.7,850 sqm at 51 Miguel Road in Bibra Lake
- Energy Logistix taking up c.6,800 sqm at 14 Orion Road in Jandakot.

Gross take-up in 2Q24 was concentrated in the East (49%) and South precincts (36%). Transport, Postal and Warehousing occupiers accounted for almost 40% of gross take-up over the quarter, followed by Manufacturing (18%) and Construction industries (13%).

FIGURE 1: Perth gross take-up top 3 industry sectors, 2Q24



Source: CBRE Research.

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

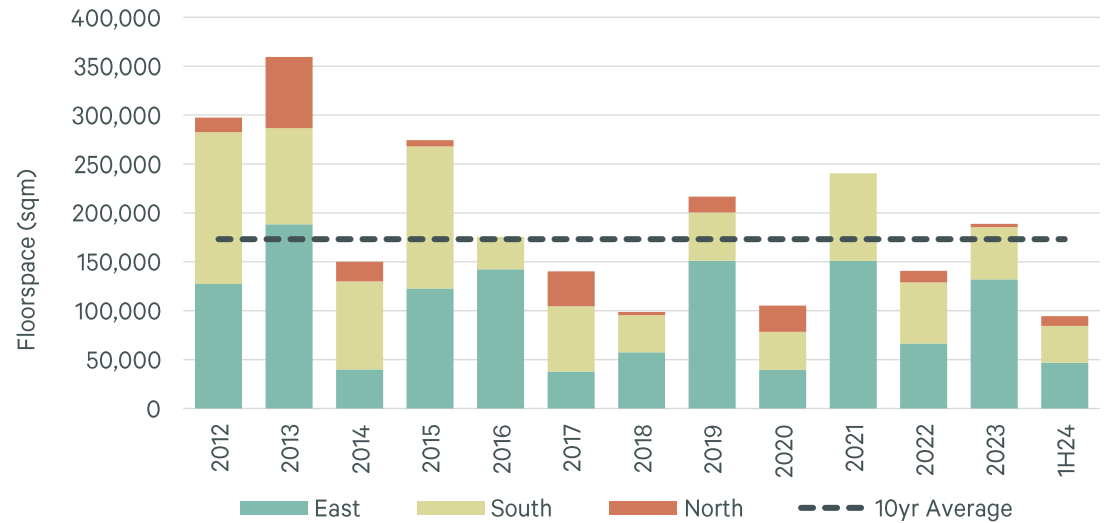
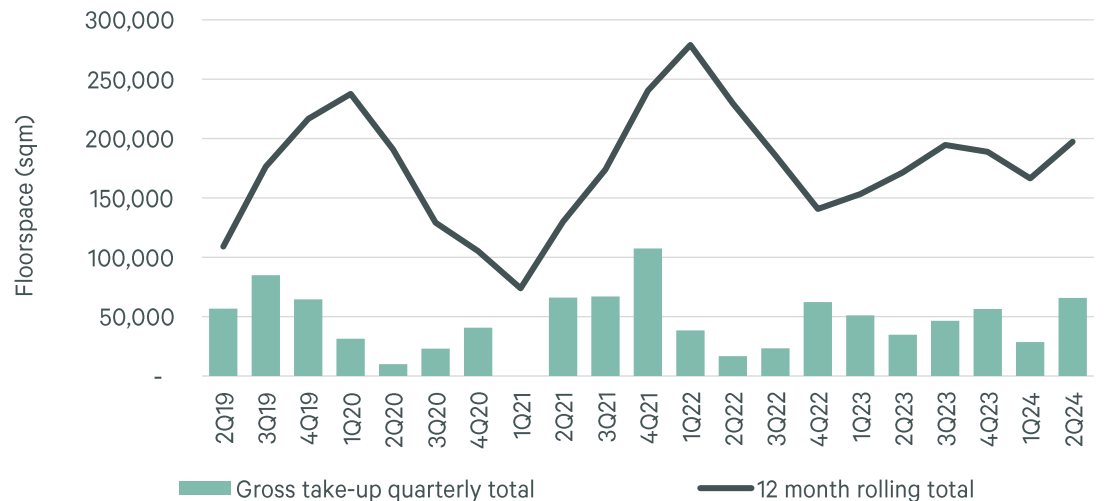


FIGURE 3: Perth quarterly gross take-up, 2Q19-2Q24



Source: CBRE Research.

Supply

Strong pre-commitment levels despite higher-than-average supply pipeline

Development completions for 2Q24 totalled c.44,500 sqm (for stock \geq 3,000 sqm).

Notable project completions over the quarter include:

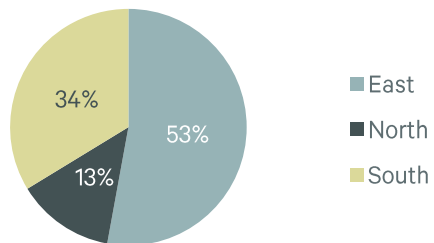
- Expressway Spares’ new facility at 996 Abernethy Road in High Wycombe (6,875 sqm)
- Capital Prudential’s spec warehouses at 146 Maddington Road in Maddington (15,648 sqm)
- The new CouriersPlease facility at 140 Adelaide Street in High Wycombe (c.5,400 sqm).

Perth’s low vacancy rate (1.2% as at 1H24) and rising rents in recent years have attracted increased development activity. The forecasted supply pipeline over the next few years exceeds the long-run historic average. As of 2Q24 the supply-pipeline between 2024 and 2027 averages c.146,000 sqm per annum, which is around 20% the long-run average.

In line with national trends, we expect the vacancy level in Perth to rise over the next 12 months as demand normalises. However, we do not expect the vacancy rate to increase significantly (i.e. above 4%) as the pre-commitment rate is currently close to 70% for the forward pipeline to 2027.

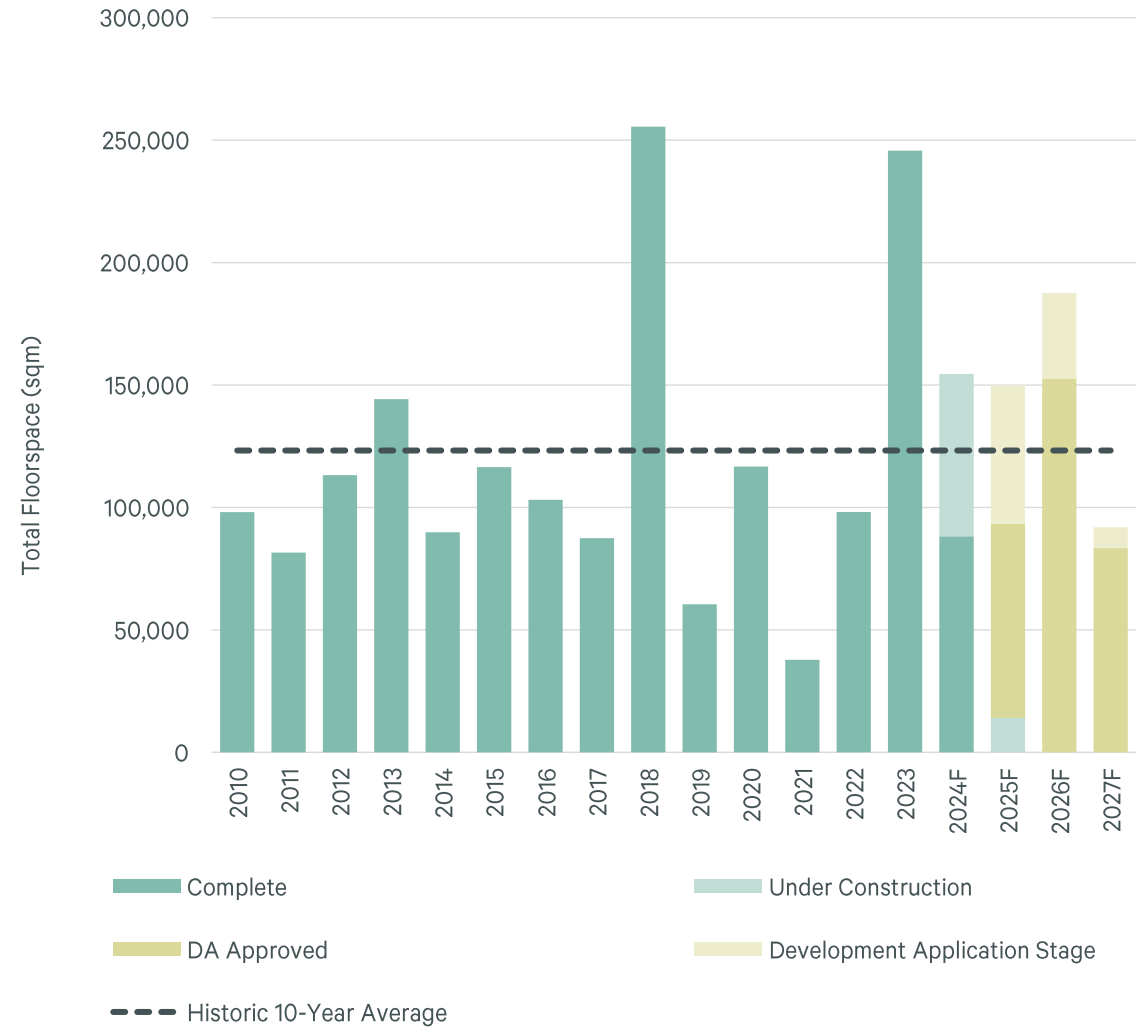
The concentration of new floorspace to be added to the market over 2024-2027 is within the East precinct (53%), followed by the South (34%).

FIGURE 4: Development Supply 2H24F - 2027F Floorspace Share, by Precinct



Source: CBRE Research

FIGURE 5: Development Supply Pipeline 2010-2027F



Source: CBRE Research 2Q24. Projects > 3,000 sqm.

Leasing Market

Rent growth slows

Super Prime net face rents held steady q-o-q, averaging AUD 145/sqm, however were up 7.4% y-o-y. The y-o-y rental growth rate has slowed significantly from the peak of 32% recorded in late 2022, as vacancy has ticked up from the record lows of 0.4% in 2H22 and as demand normalises. This has also resulted in incentive levels increasing, with super prime incentives now averaging 10% - up from 5% in 2Q23.

Prime and secondary net face rents also held steady q-o-q, averaging AUD 135/sqm and AUD 112/sqm, respectively. On a y-o-y basis, prime and secondary grade rents have increased by 8.0% and 1.8%, respectively. An uptick in market vacancy and more cautious occupiers have weighed on the secondary grade rental market which has seen rental growth slow the most over the past 12 months. Average prime and secondary incentives remained steady q-o-q at 8%.

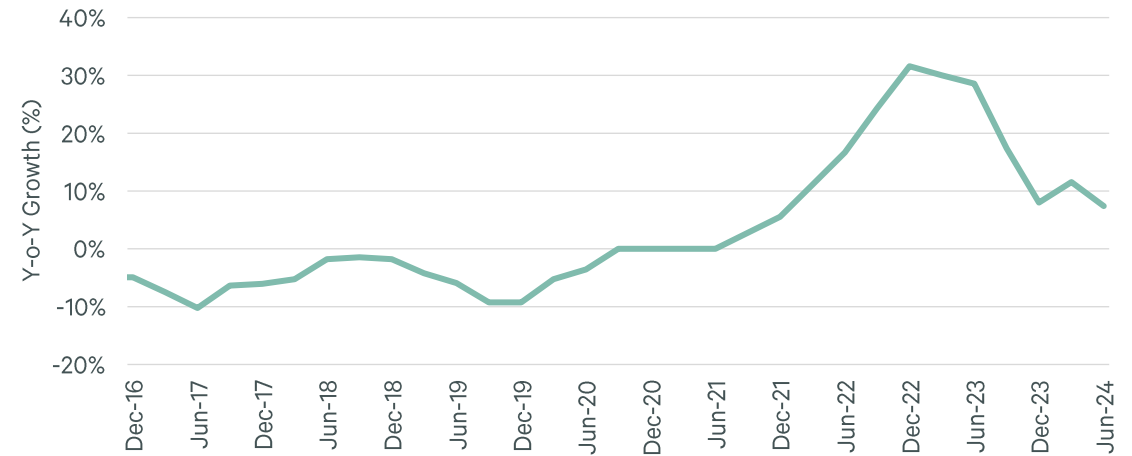
Perth's overall industrial vacancy rate increased 10bps half on half to an average of 1.2% as of 2Q24 (for stock ≥ 3,000 sqm NLA). Vacancy in the North precinct tightened to 0.2% (from 0.5% in 2H23). The North precinct is a smaller market, and leasing of several listings in this precinct reduced the vacancy rate over the past 6 months. The South precinct saw vacancy drop 20bps half on half to 1.8% - driven by leasing of existing stock and limited new stock additions over 1H24. In contrast, the vacancy rate in the East increased by 160bps over this period and now averages 2.8%. This was driven by the addition of several large speculative projects over 1H24.

FIGURE 6: Perth 1H24 vs. 2H23 Vacancy by, Precinct

	East	South	North	Total
2H23	1.2%	1.6%	0.5%	1.1%
1H24	2.8%	1.4%	0.2%	1.2%

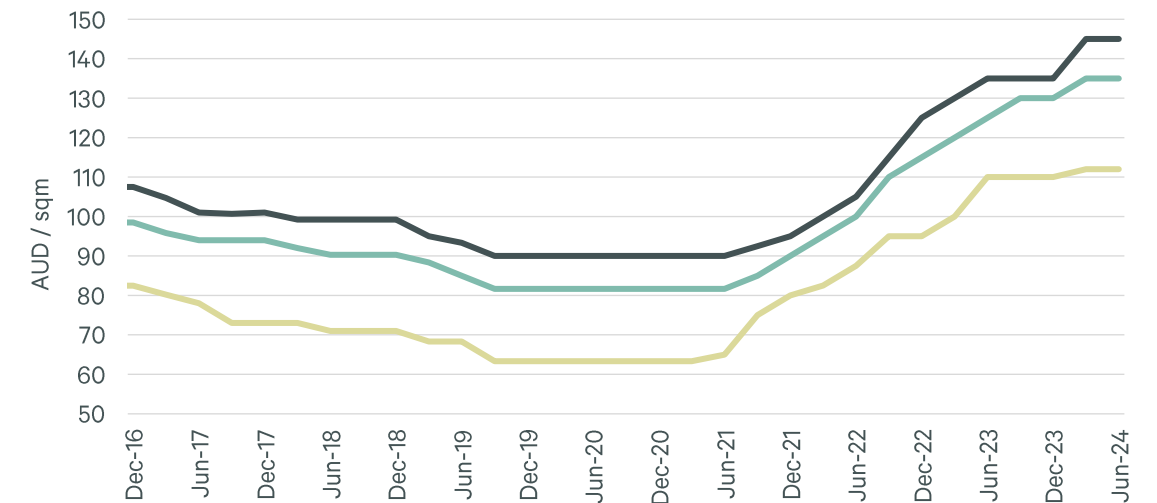
Source: CBRE Research

FIGURE 7: Average Super Prime Net Face Rent Growth 4Q16-2Q24



Source: CBRE Research

FIGURE 8: Perth Industrial Net Face Rents By Grade 4Q16-2Q24



Source: CBRE Research

Land Values

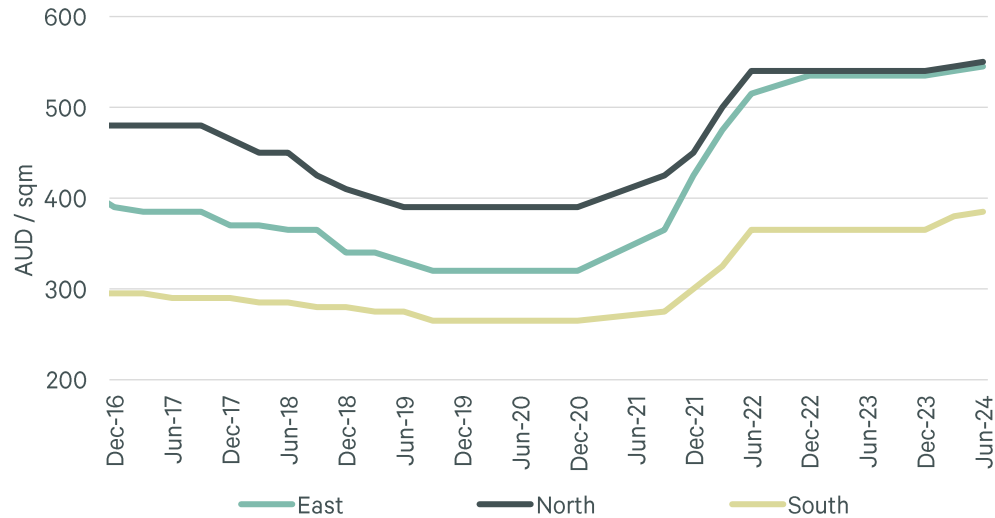
Land values increase over 2Q24

Following a period of rapid appreciation where industrial land prices hit a 10-year high in mid-2022, values then stagnated due to rising construction and financing costs. Land values over the past two quarters have again seen growth at a more modest pace.

During 2Q24 average land values for 1.6 ha lots increased 3% y-o-y to AUD 493/sqm. 1.6 ha lots in the South precinct saw the biggest increase at 5.5% y-o-y to AUD 385/sqm.

For the smaller 0.25 ha lots, average land values in 2Q24 increased 8.6% y-o-y to AUD 587/sqm. Values for 0.25 ha lots in the East and South precincts have seen the biggest increase at 10.5% y-o-y and 14.4% y-o-y growth respectively.

FIGURE 9: Average Land Values, 1.6 ha lots (4Q13 to 2Q24)



Source: CBRE Research

FIGURE 10: Average Land Values, 0.25 ha lots (2Q22 to 2Q24)

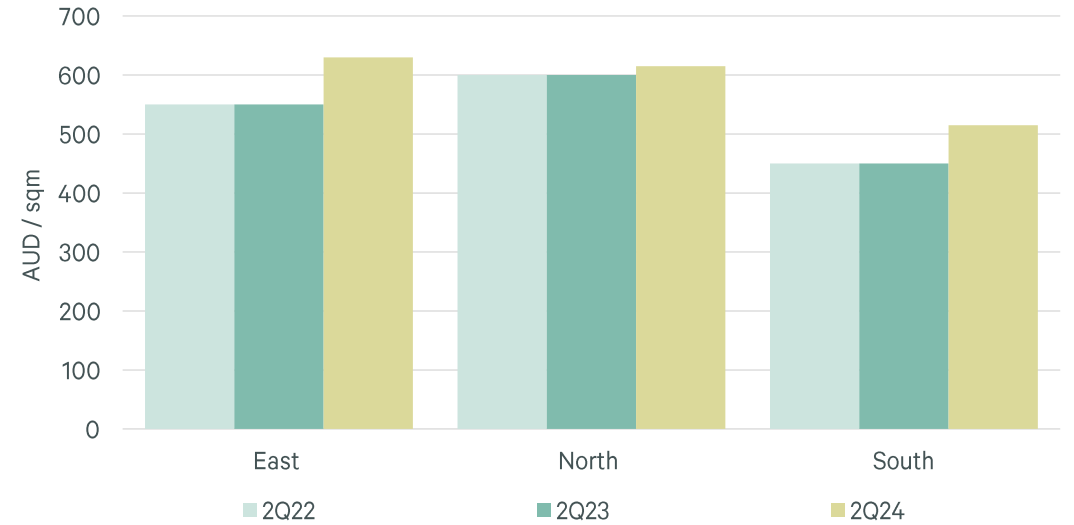
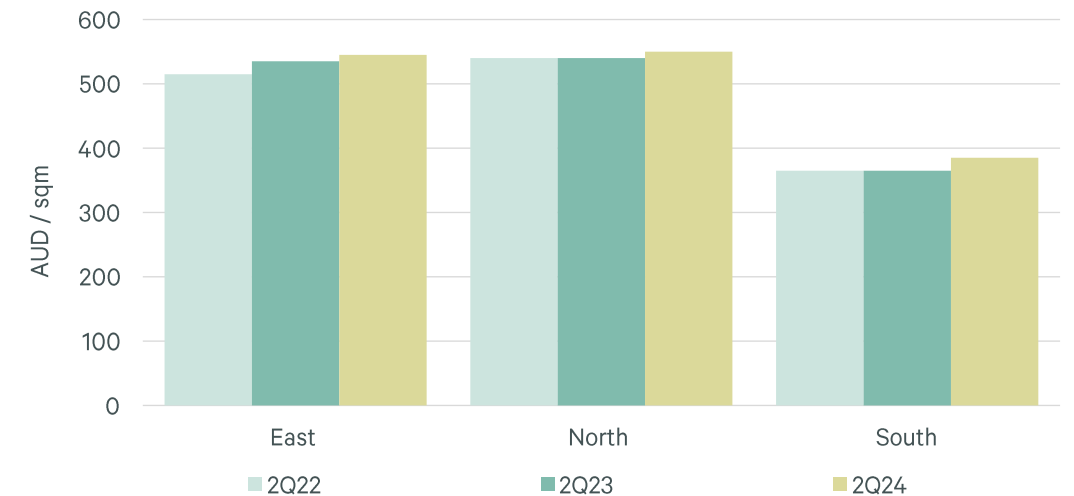


FIGURE 11: Average Land Values, 1.6 ha lots (2Q22 to 2Q24)



Source: CBRE Research

Investment Market

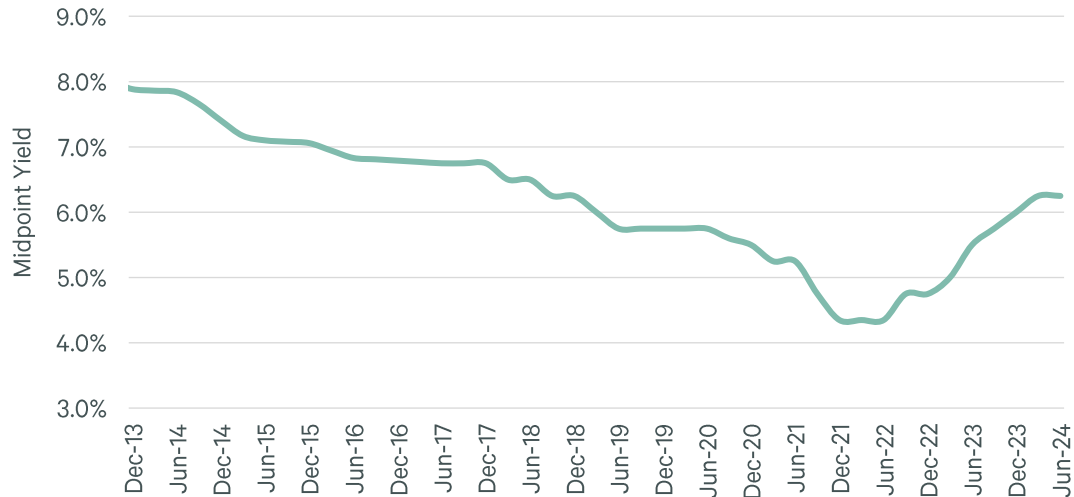
Sales transactions for 2024YTD have already passed 2023 levels

Sales transaction volumes picked up over the quarter given the re-rating in pricing/capitalisation rates that has occurred since mid-2022. Industrial investment sale volumes recorded for 1H24 total AUD 255 million (transactions ≥ AUD 5 million).

A notable transaction over 2Q24 was the sale of 48-50 Baile Road, Canning Vale. The asset was acquired by Harmony Property from Westbridge Funds for AUD 12.3 million, which represented an initial yield of 6.1%.

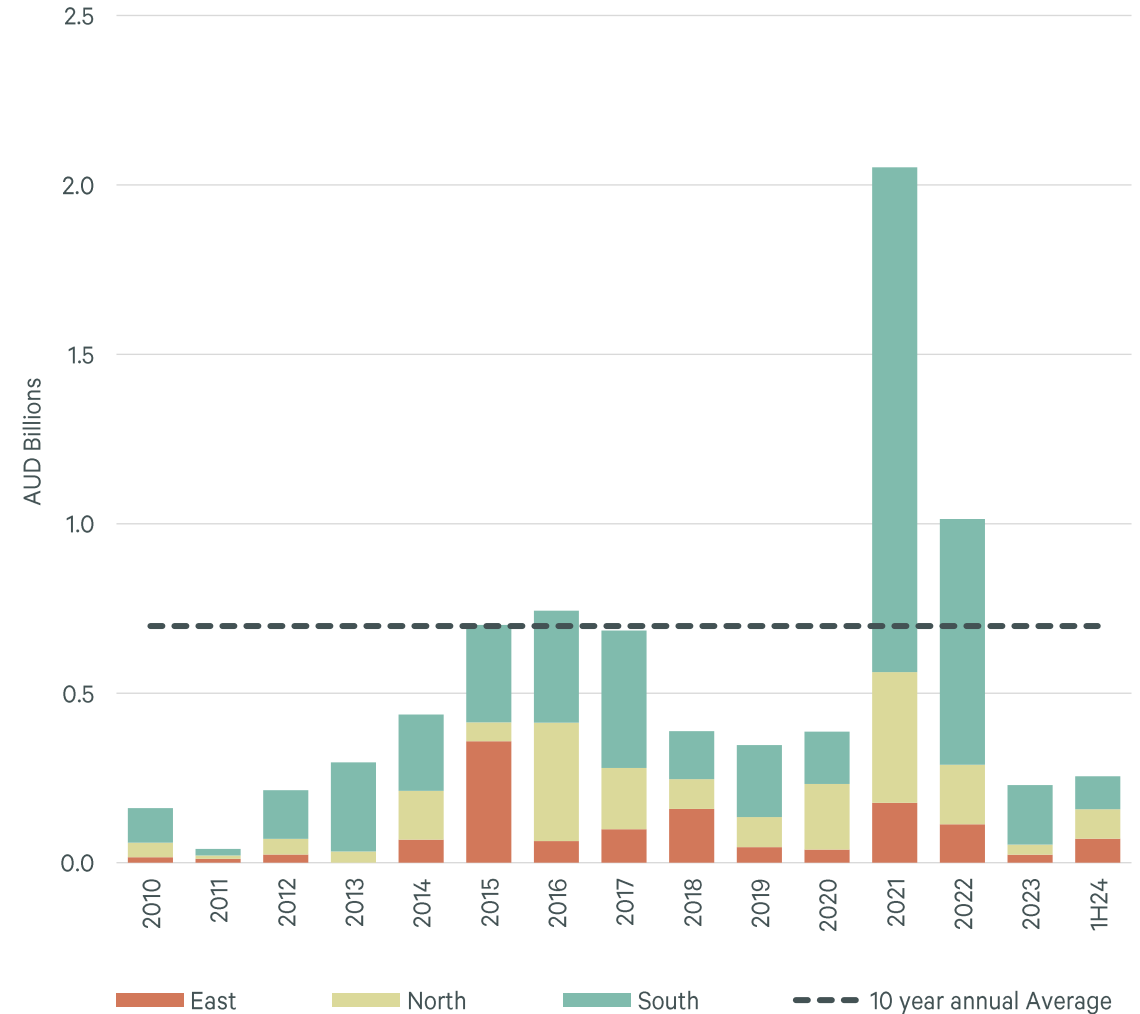
Midpoint yields were stable q-o-q for all asset grades. Super prime, prime and secondary midpoint yields at 6.3%, 6.5% and 7.5%, respectively. Given the softening that has already occurred in yields, we expect them to hold steady over the balance of the year.

FIGURE 12: Perth Average Super Prime Midpoint Yield (4Q13 to 2Q24)



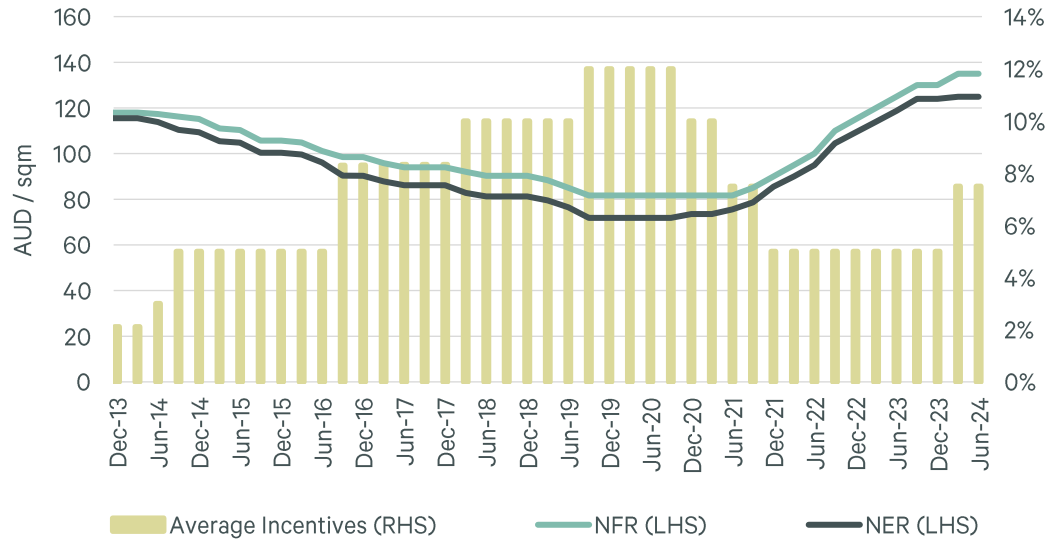
Source: CBRE Research

FIGURE 13: Perth Industrial Investment Sales (greater than AUD 5 million)



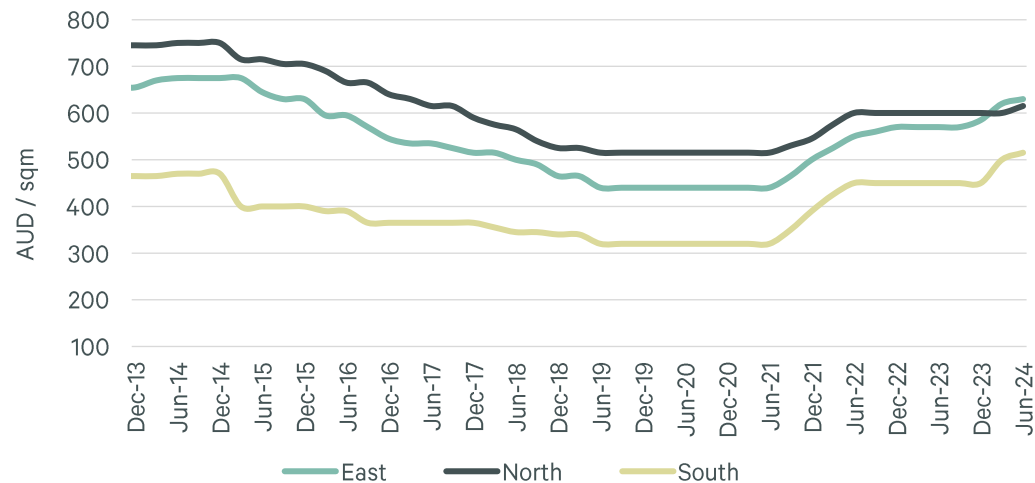
To note: does not include land sales.
Source: CBRE Research

FIGURE 14: Average Perth Prime Rents and Incentives



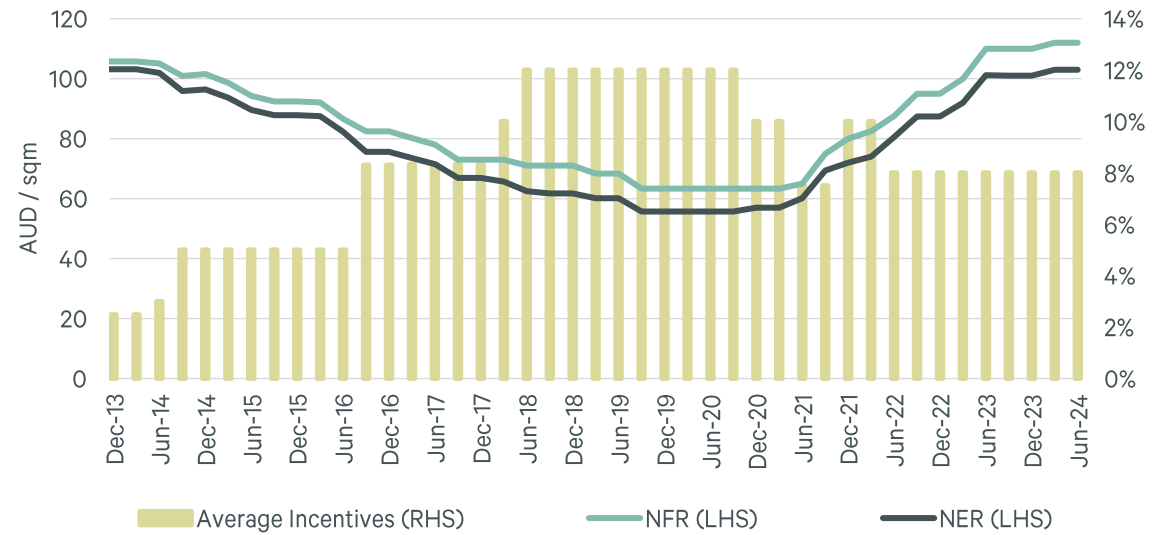
Source: CBRE Research Q2 2024

FIGURE 15: Average Land Values (0.25 ha lots)



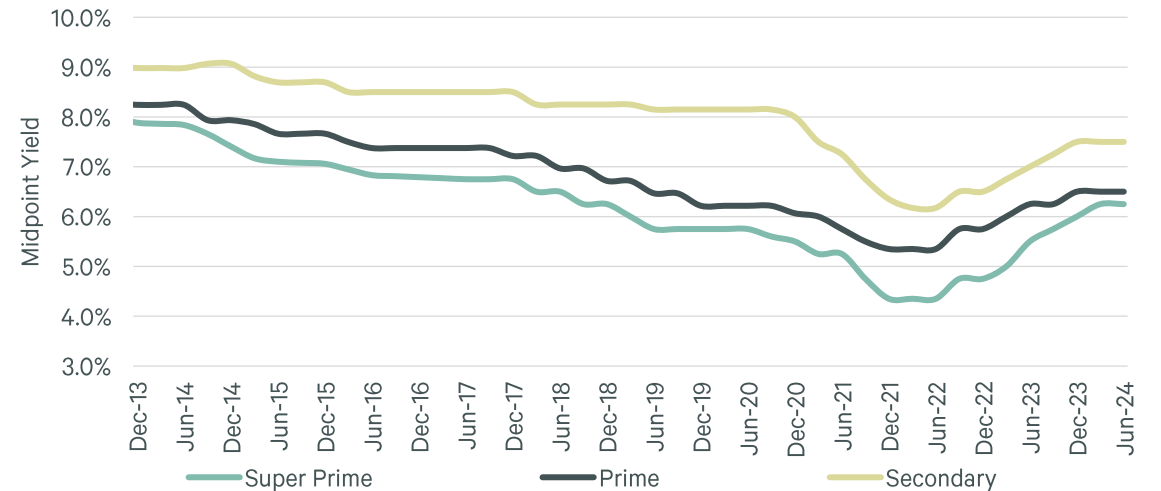
Source: CBRE Research Q2 2024

FIGURE 16: Average Perth Secondary Rents and Incentives



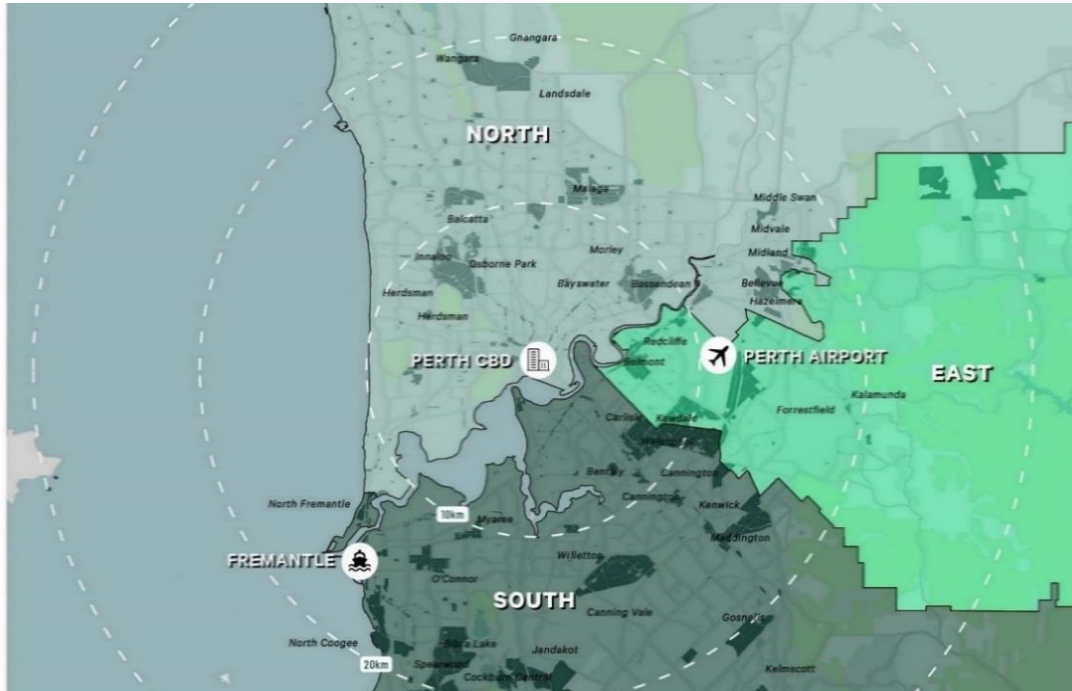
Source: CBRE Research Q2 2024

FIGURE 17: Perth Industrial Yields By Grade



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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