Perth industrial yields compress for the first time this cycle

▼ 1.2%
1H25 Perth industrial vacancy rate

▲ c.58,000 sqm
New industrial supply 3Q25

▼ c.46,500 sqm
Gross take-up 3Q25

▼ 6.0%
Super prime midpoint yield

Note: Arrows indicate change from previous quarter.

Key Points

- Gross take-up of c.46,700 sqm was recorded for 3Q25, and on track to exceed the long-run annual average.
- New floorspace added totalled c.58,000 sqm over the quarter. The current pipeline of new development supply between 2026 and 2027 is forecast to average c.249,000 sqm per annum, which is above the 10-year average.
- The pre-commitment rate for the forward supply pipeline (2026-2027) is elevated at just over 70%.
- Super prime net face rents remained stable q-o-q, as were incentives.
- Owner occupier activity increased land values for 0.25 ha lots which now average AUD 688/sqm - up 12.5% y-o-y.
- Investment transactions of AUD 397 million have been recorded in 2025YTD (for transactions ≥ AUD 5 million), with private investors being active in the market.
- Super prime midpoint yields compressed by 25bps q-o-q to 6.0%. Prime midpoint yields remained stable q-o-q at 6.5%.

Demand

Gross take-up for CY2025 on track to exceed long-run average

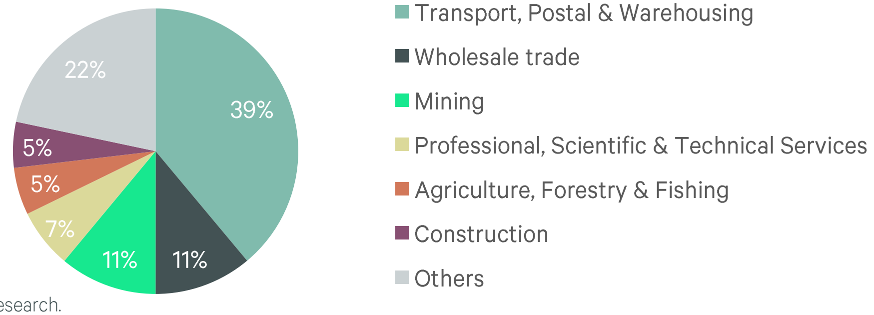
Perth industrial leasing activity eased during 3Q25, although off a higher base of activity over the past 12-18 months. Gross take-up of c.46,700 sqm was recorded over the quarter, down on the c.76,500 sqm recorded in 3Q24 (for transactions ≥ 3,000 sqm). This brings the rolling 12-month total gross take-up to c.288,000 sqm, which remains well above the 10-year average of c.188,000 sqm.

Around 55% of the total gross take-up this quarter was for pre-leases with the balance in existing assets. Perth's tight vacancy rate (1.2% as of 1H25) has seen a strong level pre-leasing activity over the past 12 months, accounting for around 45% of the total gross take-up volume. This quarter, the most notable transaction recorded was PFD Foods taking up c.22,500 sqm in Jandakot.

Activity this quarter was concentrated in the South precinct, accounting for 85% of the gross take-up, with the balance recorded in the North (8%) and East (7%). This was mainly due to the lower leasing volume recorded this quarter and the large PFD Foods transaction occurring in the South. This contrasts with the trend over the last 12 months where the East precinct has accounted for the largest share of gross take-up (53%), followed by the South (39%) and North (8%).

Leasing enquiry volumes have been softening with the leasing market seeing a moderation in conditions compared to a year ago. The has been notable at the larger size range of the market (c.10,000+ sqm facilities), where the depth of the tenant base is not as deep as the smaller facilities and sublease availability has been increasing in the 10,000+ sqm segment of the market.

FIGURE 1: Perth gross take-up top industry sectors, 1Q24-3Q25



Source: CBRE Research.

FIGURE 2: Perth gross take-up by precinct, 2012-2025

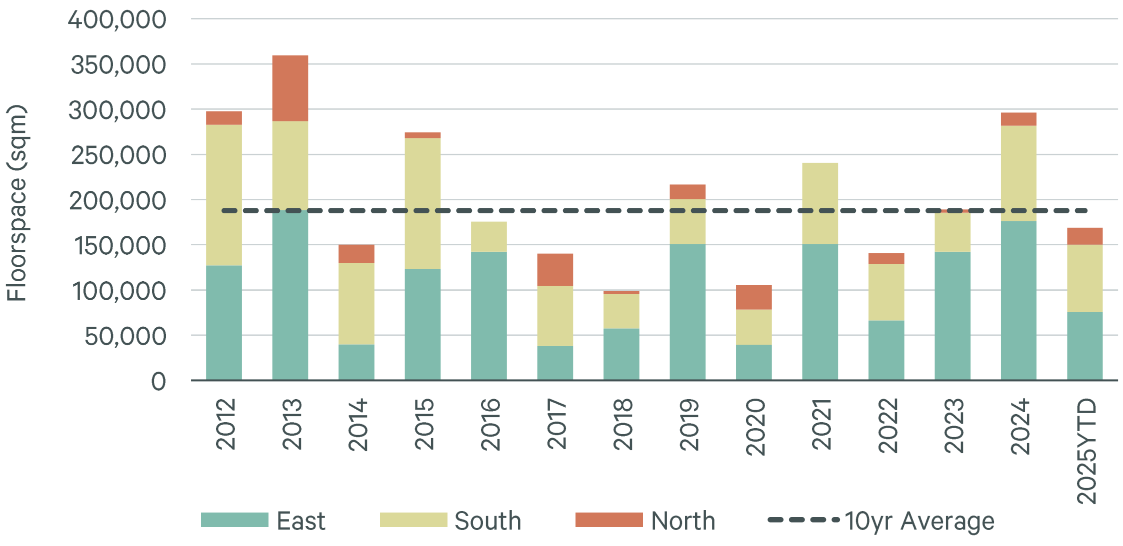
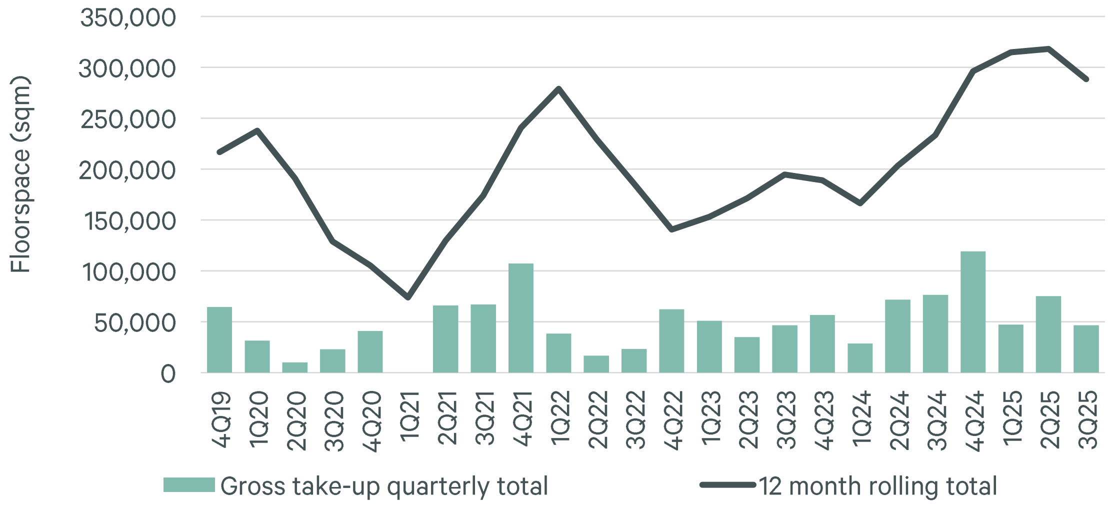


FIGURE 3: Perth quarterly gross take-up, 4Q19-3Q25



Source: CBRE Research.

Supply

Elevated pre-commitment levels despite stronger forward supply

New floorspace added to the market totalled c.58,000 sqm over the quarter, with 33% of the CY2025 supply reaching practical completion in 3Q25. All of the new projects completed over the quarter were pre-committed.

Notable development completions recorded over the quarter include:

- Plummers Industries facility in Maddington (c.25,000 sqm)
- RubberGem facility in East Rockingham (c.14,000 sqm).

Around 43% of the CY2025 supply is expected to reach completion in the final quarter with the notable projects including:

- Pre-committed bulk storage facility in East Rockingham (c.12,800 sqm)
- Dexus' spec facility at ASCEND Industrial Estate in Jandakot (c.17,000sqm).

For the forward pipeline (2026-2027), development supply is forecasted to average c.249,000 sqm as of 3Q25. This is significantly above the 10-year average of c.132,000 sqm however, the pre-commitment is elevated at just over 70%. Around half of the 2026-2027 pipeline has commenced construction as of 3Q25.

Notable projects expected to complete in 2026 include:

- CEVA Logistics facility in Hazelmere (38,500sqm)
- Nutrien Ag facility in East Rockingham (24,750sqm).

The concentration of new floorspace to be delivered over 2025F-2027F is to be added mainly in the East (47%) and South (41%) precincts, with the North accounting for only 11%.

FIGURE 4: Development Supply Pipeline 2014-2028F

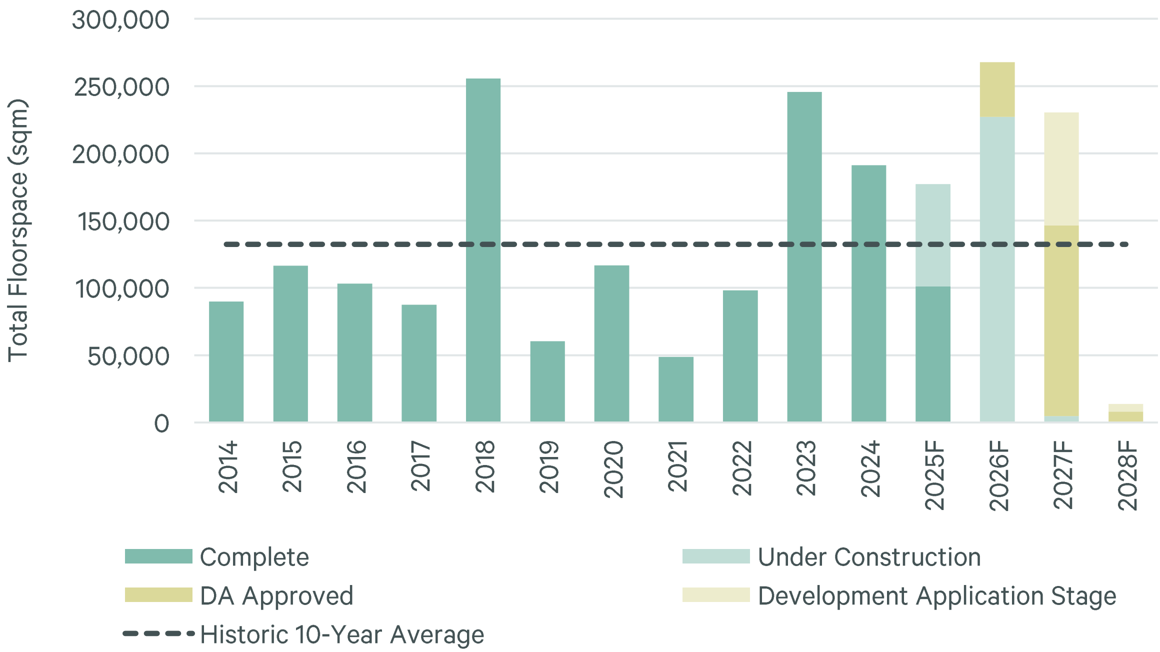
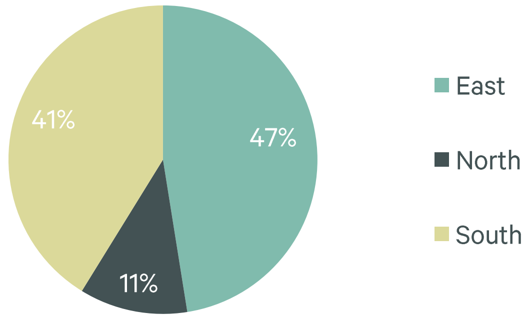


FIGURE 5: Development Supply Pipeline By Precinct 2025F-2027F



Source: CBRE Research. As at 3Q25
Projects > 3,000 sqm.

Leasing Market

Increase in incentive levels places a lid on effective rent growth

Super prime net face rents remained stable q-o-q at an average AUD 155/sqm. On a y-o-y basis super prime net face rents have increased by 3.3%.

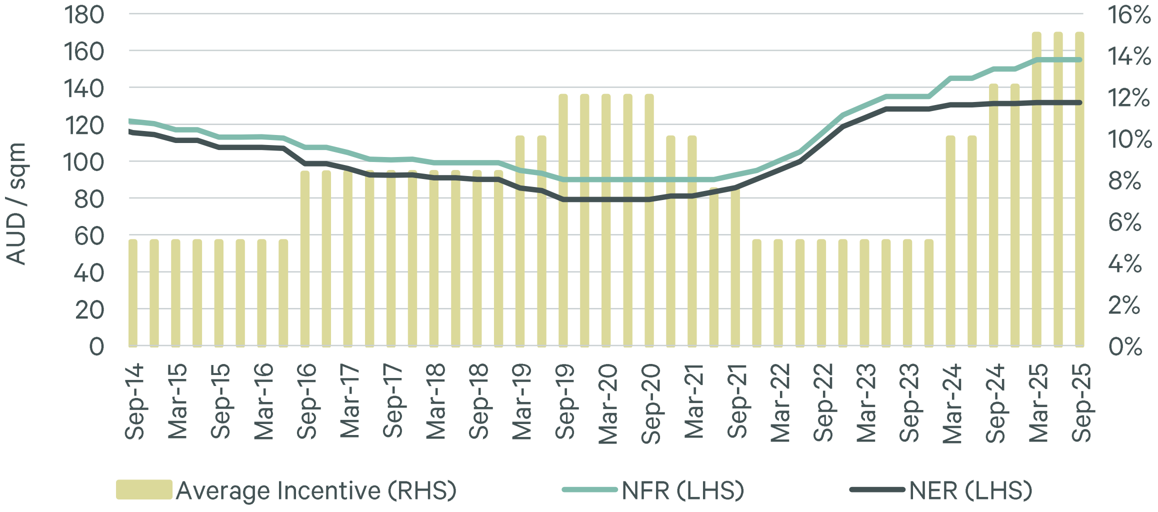
Rental growth rates have been slowing over the last 12-18 months, given the rapid growth in rents that has already occurred since 2021. Rising global and economic uncertainty has also introduced some caution amongst occupiers, weighing on rental growth. This has also resulted in increased incentive levels, with super prime incentives now averaging 15% - stable q-o-q and up 5 percentage points since mid 2024. Given the rising incentive levels, super prime net effective rents have increased by only 0.5% y-o-y to an average of AUD 132/sqm.

Prime net face rents also remained stable q-o-q averaging AUD 145/sqm. Prime net face rents have increased by 3.6% y-o-y. Average prime incentives increased 2.5 percentage points q-o-q and are up 5 percentage points y-o-y to now sit at 15.0%. Prime net effective rents have seen a slight decrease of 2.2% y-o-y to an average of AUD 123/sqm due to the increased incentive level.

In the secondary grade market net face rents increased 4.3% q-o-q and 7.1% y-o-y to AUD 120/sqm. However, this coincides with an increase in average secondary grade incentive levels – up 5 percentage points q-o-q and 7 percentage points y-o-y to now sit at 15.0%.

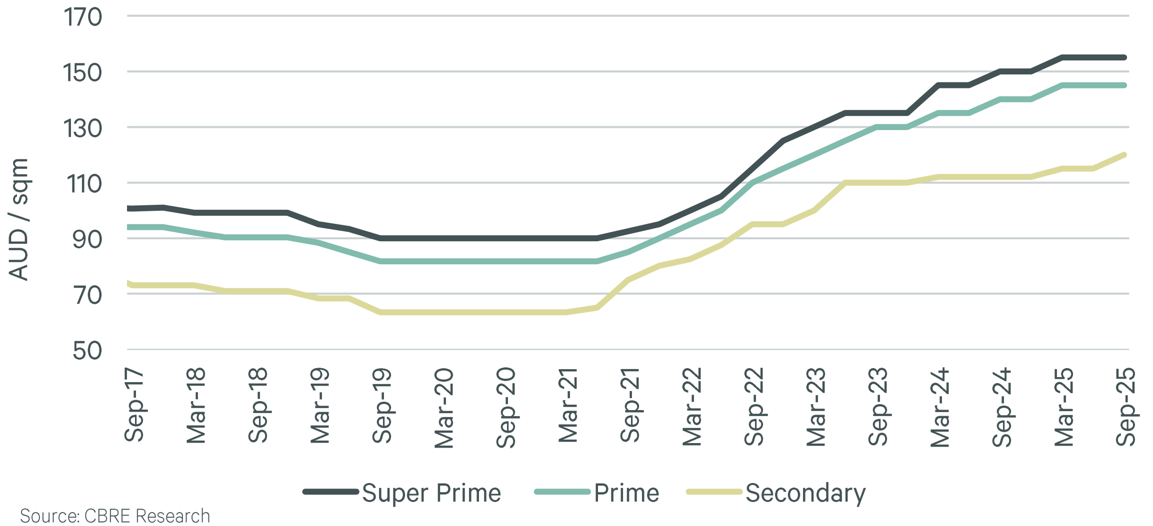
Perth's vacancy sat at 1.2% as of 1H25 - decreasing by 0.2 percentage points half on half due to solid leasing activity outweighing the lower supply level that was delivered over 1H25 (for stock ≥ 3,000 sqm NLA). Vacancy is expected to tick-up over the next 6-12 months as pre-leased facilities reach development completion and backfill supply is created. In the top end of the market (c.10,000+ sqm facilities), market conditions are also moderating slightly as sublease availability is increasing.

FIGURE 6: Perth Super Prime Average Rents and Incentives



Source: CBRE Research

FIGURE 7: Perth Industrial Net Face Rents by Grade



Source: CBRE Research

Land Values

Owner occupier activity drives growth in smaller lot values

During 3Q25 average land values increased primarily for the smaller 0.25 ha lots, with the larger 1.6 ha lots seeing more modest growth. Average 0.25 ha lots now sit at AUD 688/sqm – up 12.5% y-o-y. The North precinct has seen the largest increase in 0.25 ha lot values – up 17.2% y-o-y to AUD 750/sqm. This is followed by the East precinct which is up 14.5% y-o-y to AUD 750/sqm and South precinct, which is up 4.6% y-o-y to AUD 565/sqm. Owner occupier activity has been a key driver in the growth of 0.25 ha lots. Smaller lots often come to market more sporadically and in more established areas which attracts buyer interest.

For the larger 1.6 ha lots, average land values have seen more modest growth over the past year given the lower level of owner occupier transaction activity, whilst the investor market has faced the high financing and construction cost environment. In addition, growth in land values have been normalising more recently given the moderating rental growth and higher cap rates relative to the peak market conditions in 2021 to mid 2022. Average 1.6 ha lot values now sit at AUD 530/sqm – up 2.3% y-o-y. In the North precinct 1.6 ha lots currently average AUD 580/sqm, AUD 570/sqm in the East and AUD 440/sqm in the South precinct. The South precinct has seen the largest appreciation in 1.6 ha land values over the past year (+7.3% y-o-y).

FIGURE 8: Average Land Values, 1.6 ha lots (3Q17 to 3Q25)

Source: CBRE Research

FIGURE 9: Average Land Values, 0.25 ha lots (3Q23 to 3Q25)

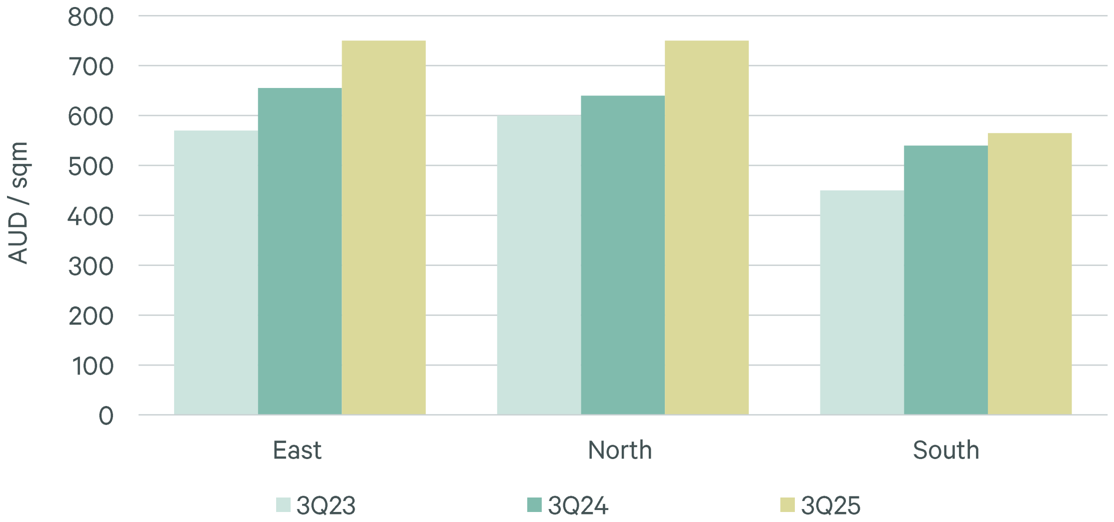
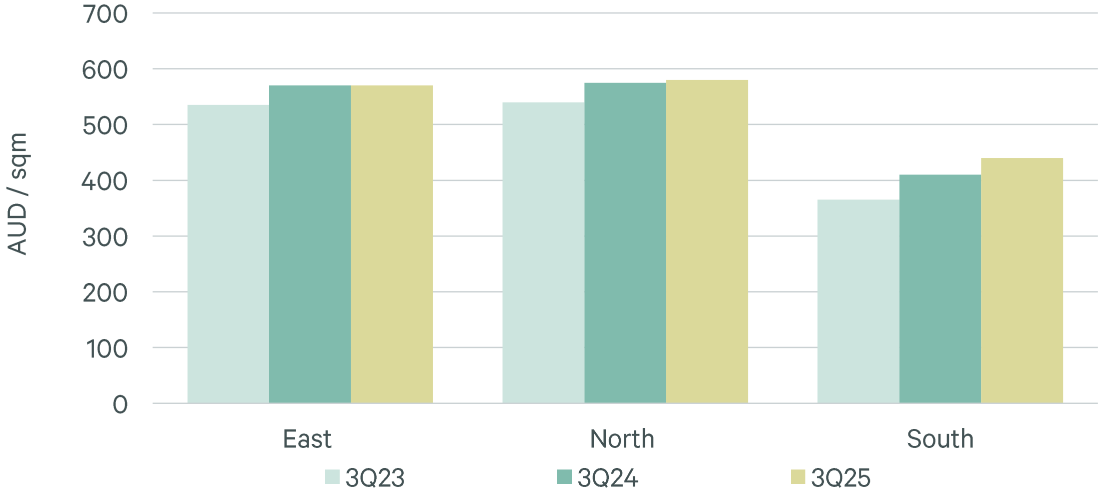


FIGURE 10: Average Land Values, 1.6 ha lots (3Q23 to 3Q25)



Source: CBRE Research

Investment Market

Perth industrial yields begin to decrease

The Reserve Bank of Australia has reduced the Cash Rate by 75bps since February 2025, reversing the hiking cycle which began in May 2022, which has provided greater clarity for the investment market. Market expectations currently imply a further 35 bps of rate cuts over the next 12 months – as per the 29 September 2025 ASX 30 Day Interbank Cash Rate Futures Implied Yield Curve.

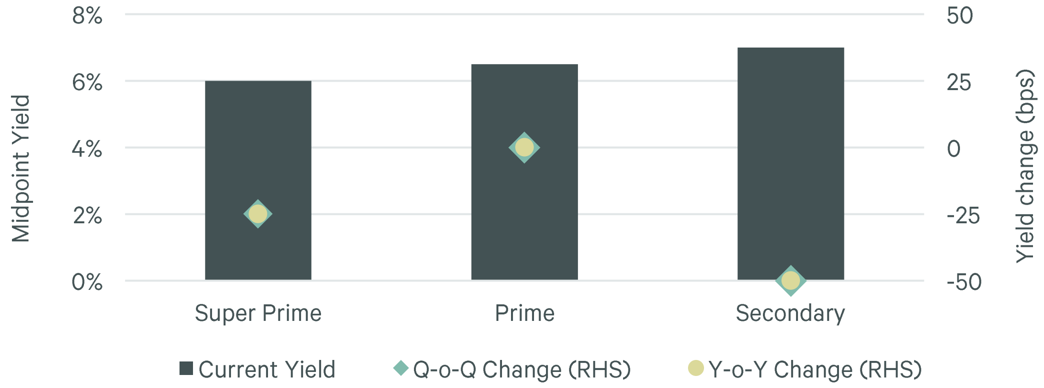
As of 3Q25 investment sale transaction volumes totalling AUD 397 million has been recorded over 2025YTD. Private investor purchases have primarily driven transaction volumes this year, along with some owner occupier purchases. The decreasing interest rates are expected to encourage institutional capital into the market with privates continuing to remain active in Perth.

Notable transactions recorded over 3Q25 include:

- Owner occupier purchasing 38 Bannister Road in Canning Vale from Charter Hall for AUD 25.0 million.
- Local private investor purchasing 514 Abernethy Road in Kewdale from ESR for AUD 9.05 million.

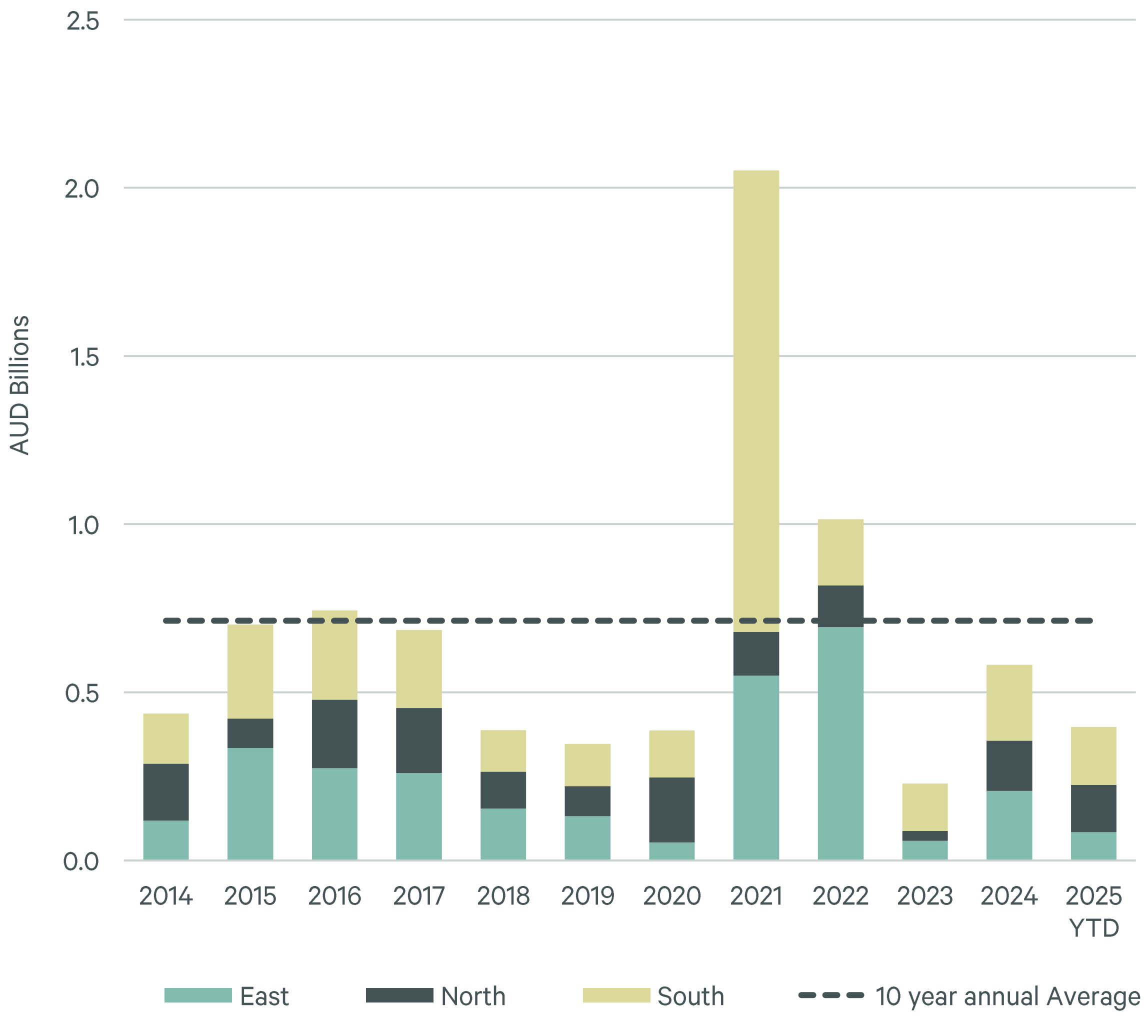
Midpoint yields decreased 25bps q-o-q to 6.0% for super prime assets. Transactions have been mainly in the prime and secondary grade part of the market. Prime grade midpoint yields remained stable q-o-q at 6.50% while secondary grade midpoint yields decreased 50bps q-o-q to 7.0%.

FIGURE 11: Perth Average Current Yield and Yield Change By Grade



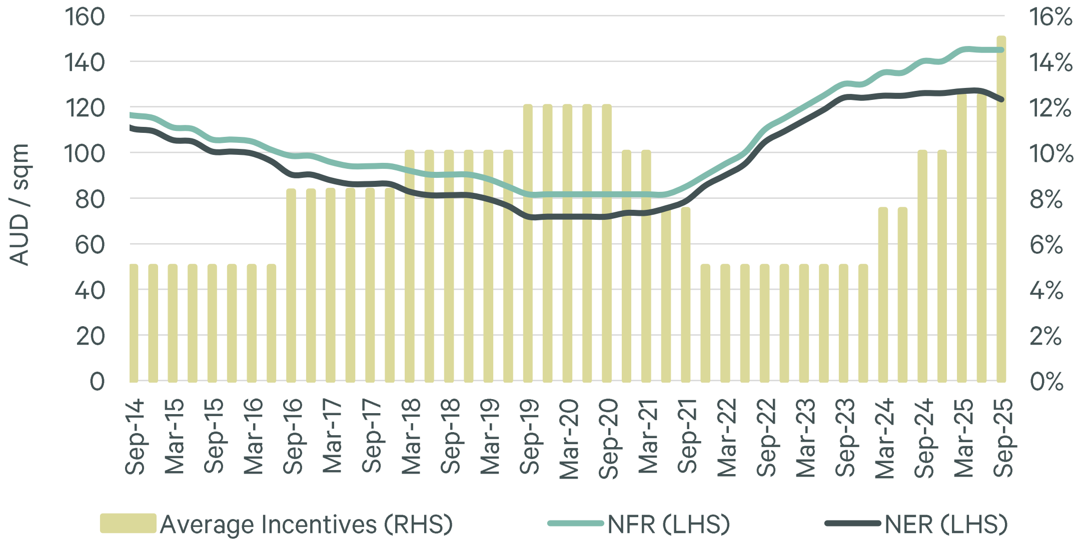
Source: CBRE Research

FIGURE 12: Perth Industrial Investment Sales (greater than AUD 5 million)



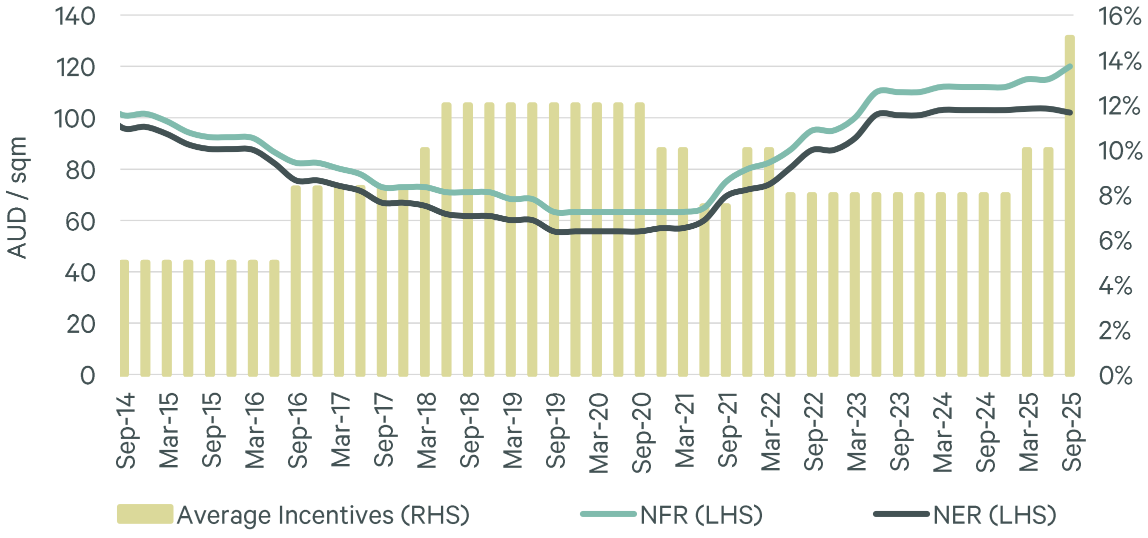
To note: does not include land sales.
Source: CBRE Research

FIGURE 13: Average Perth Prime Rents and Incentives



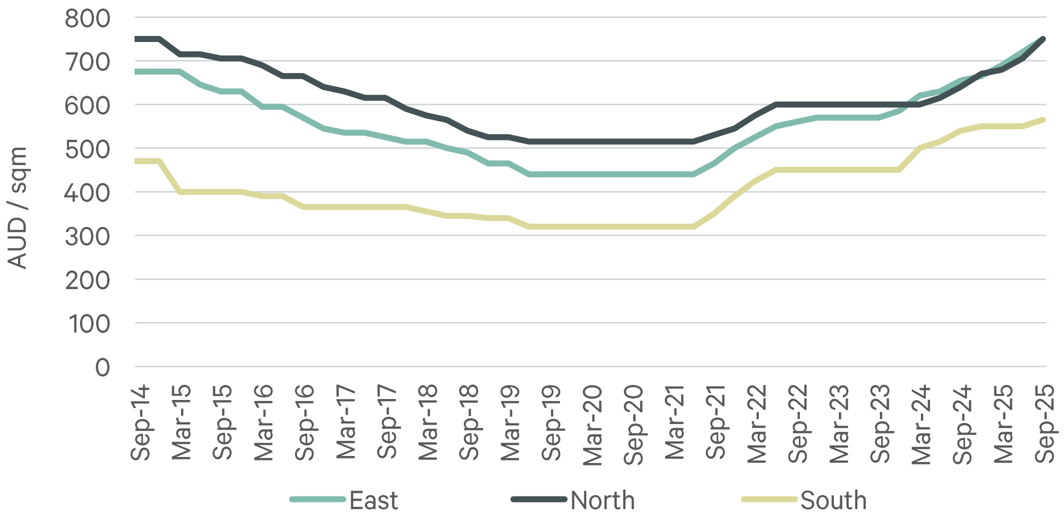
Source: CBRE Research Q3 2025

FIGURE 15: Average Perth Secondary Rents and Incentives



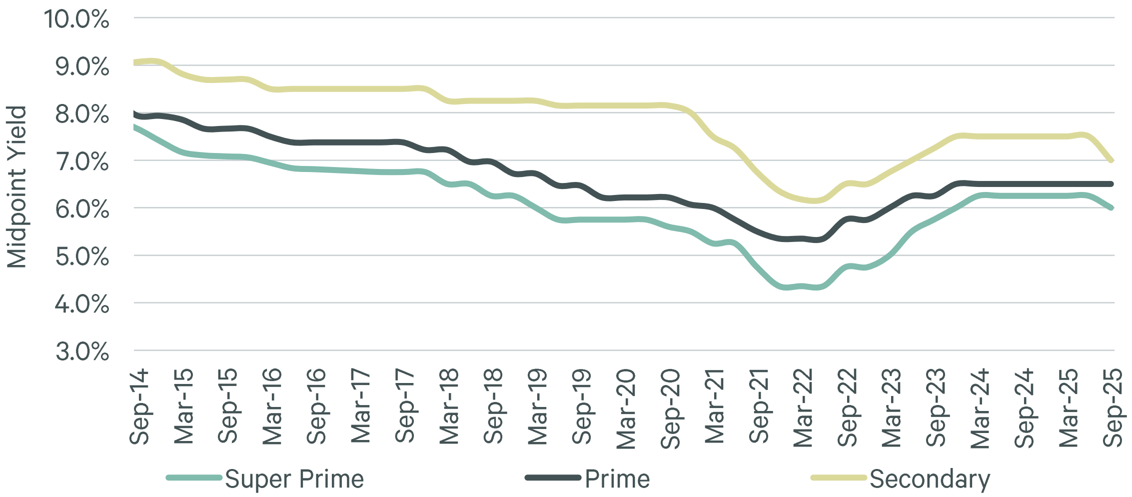
Source: CBRE Research Q3 2025

FIGURE 14: Average Land Values (0.25 ha lots)



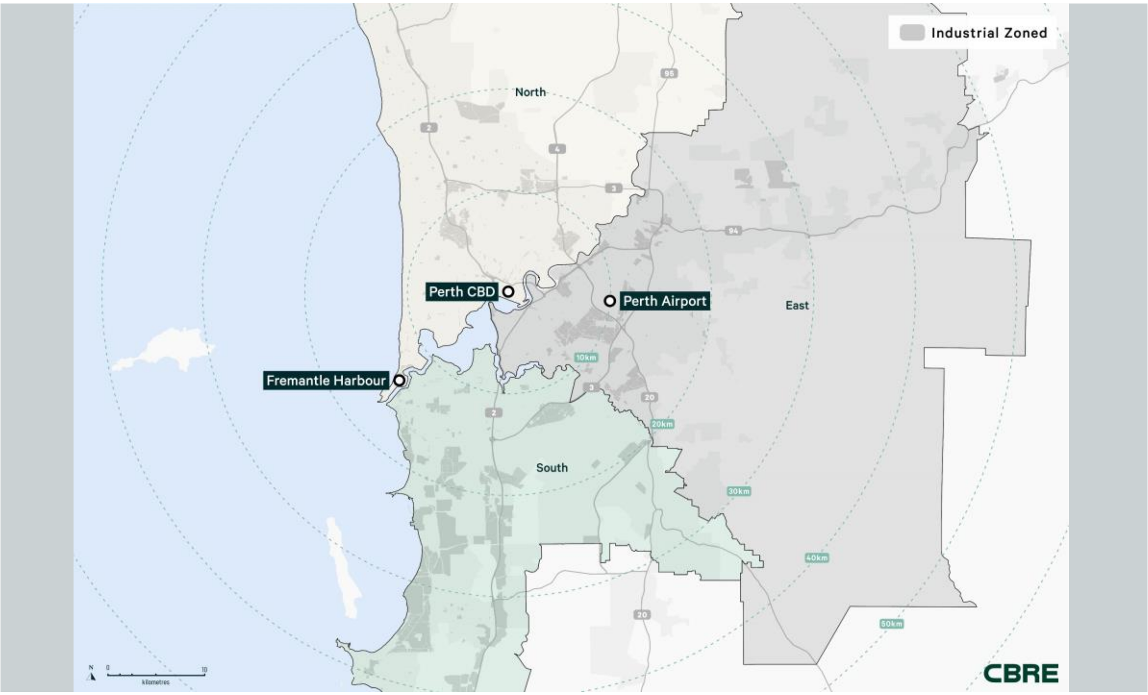
Source: CBRE Research Q3 2025

FIGURE 16: Perth Industrial Midpoint Yields By Grade



Source: CBRE Research Q3 2025

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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