Australia's Industrial and Logistics investment sales surpass long run average

▲ 13.5%
E-commerce penetration rate[1]

▲ c.725,000 sqm
New Industrial Supply 3Q24

▲ c.583,200 sqm
Gross Take-Up 3Q24

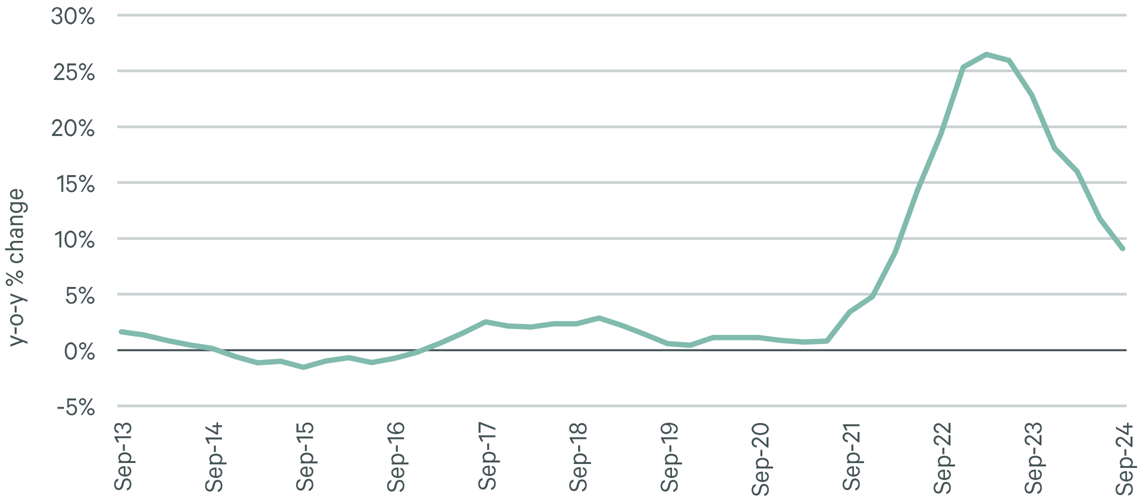
▲ 5.9%
Super Prime Midpoint Yield 3Q24

Note: Arrows indicate change from previous quarter.

Key Points

- Australia's e-commerce penetration rate continues to increase equates to 13.5% (or AUD 58 billion over the past 12 months).[1]
- Gross take-up in 3Q24 increased compared to the previous quarter, however unlikely to surpass the long-run average by year-end.
- Around one-quarter of the total new floorspace to be delivered this year was completed in 3Q24, with new supply for the CY2024 expected to total around 3 million sqm.
- Rental growth this quarter has slowed across most major markets across Australia. Super prime net face rents (supply-weighted average) increased by 1.6% q-o-q. Rental growth for the Brisbane market has remained the most resilient and, as such, has the highest y-o-y net face rent growth of 13%.
- The national average midpoint yield for super prime grade asset now stands at 5.9%.
- Investment sales for income producing assets (≥ AUD 10 million) in 3Q24 totalled just over AUD 5 billion, bringing the 2024YTD total above the long-run average of AUD 6.3 billion.

FIGURE 1: Australia super prime weighted-average net face rent growth y-o-y



1. NAB and ABS. As of July 2024 (latest data).
Source: CBRE Research Q3 2024

Demand

Take-up level likely to fall short of the long-run average by year-end

Gross take-up for 3Q24 totaled c.583,200 sqm, bringing the 2024YTD total to 1.7 million sqm. It is likely the national take-up level will not reach the long-run average of c.3 million sqm by year-end.

Leasing activity was particularly weak in the Melbourne and Brisbane markets over the quarter, falling by 58% and 14% (q-o-q), respectively.

The 3Q24 gross take-up total was predominantly contributed by leased space in the Sydney market, representing 35% of the national total.

Pre-lease transactions made up just over one-third of floorspace leased in 3Q24 - mainly within the Eastern Seaboard markets where a higher amount of new floorspace is in the supply pipeline. Several deals occurred within sub-lease space, with sub-leased area making up 13% of transactions over the quarter (by floorspace).

Notable lease transactions over the quarter included:

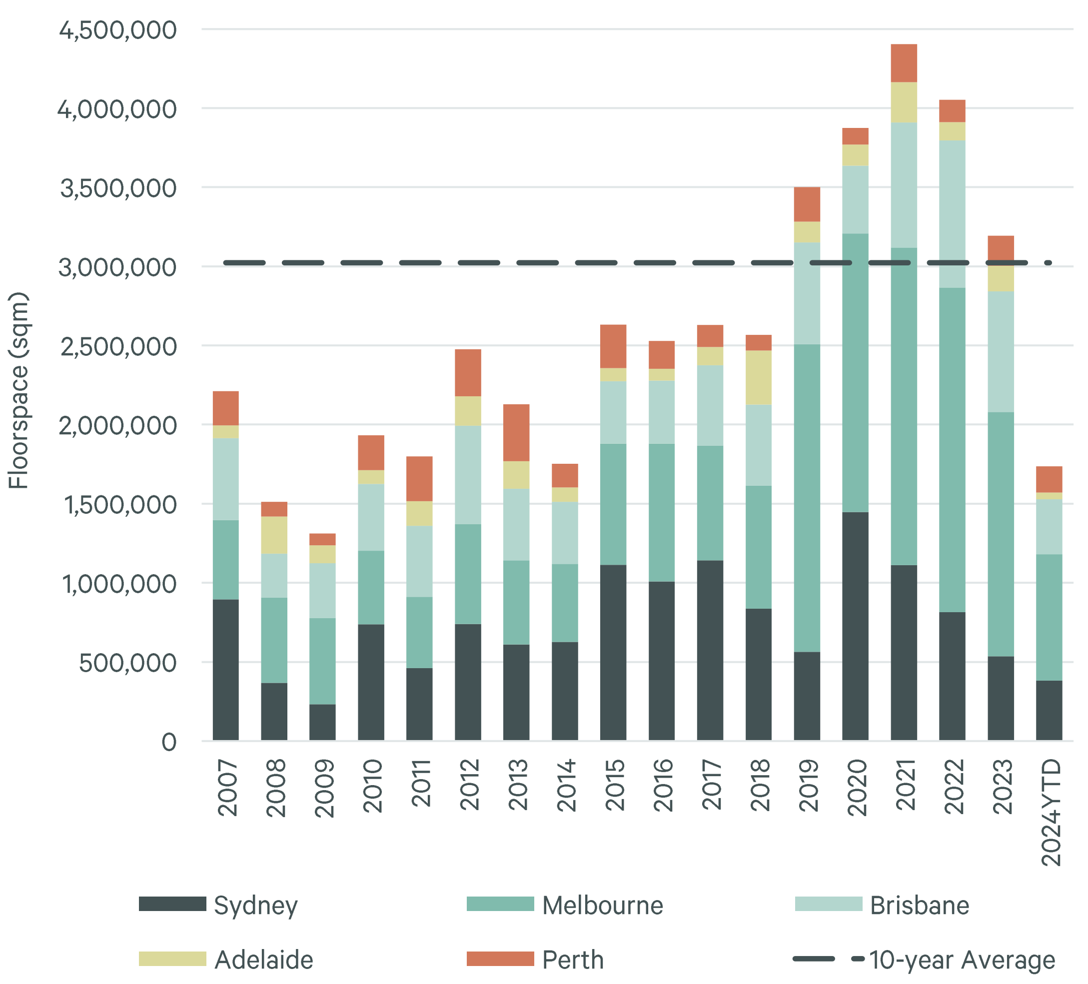
- A lease for an existing building by CTDI in Sydney's Outer North West precinct.
- A pre-lease by Snapes Logstics for c.12,000 sqm in Melbourne's West precinct.
- A lease for an existing building by CEVA Logistics for c.14,000 sqm in Perth's East precinct.

Although vacancy rates have begun to move upwards, since 1H23, for most major markets across Australia, the vacancy rate remains relatively low (averaging 1.9%, as at 1H24). Although we expect to see greater leasing activity over the next 6 months as more existing and new space enters the market, gross take-up for CY2024 is unlikely to reach the 10-year long run average of 3 million sqm.

The Retail Trade and Transport, Postal and Warehousing sectors dominate leasing transactions over 3Q24

Occupiers within the Retail Trade sector made up around one-third of the floorspace leased. This was mainly driven by a significant pre-lease transaction from one e-commerce occupier in Sydney. The average size of space leased from Retail Trade occupiers (excluding the one large pre-lease) over 3Q24 is c.12,000 sqm. This is a similar lease average size over the quarter for occupiers within Transport, Postal and Warehousing sector.

FIGURE 2: National Gross Take-Up by City



To note: reflects transactions >5,000 sqm for Sydney and Melbourne, transactions >4,000 sqm for Brisbane and Perth, transactions >3,000 sqm for Adelaide.
Source: CBRE Research Q3 2024

Supply

The three-year forward pipeline is one-third pre-committed

Approximately one-quarter (or c.725,000 sqm) of the 2024 development supply was completed over 3Q24, across 40 projects. The concentration of new floorspace over the quarter was delivered in Sydney (43%), followed by Brisbane (34%) and Melbourne (12%).

In 3Q24 close to 60% of the completed developments (by floorspace) were speculative builds. The share of speculative developments in 2023 was 47%, and for CY2024 it is expected to reach 58%.

Notable development completions over the quarter included:

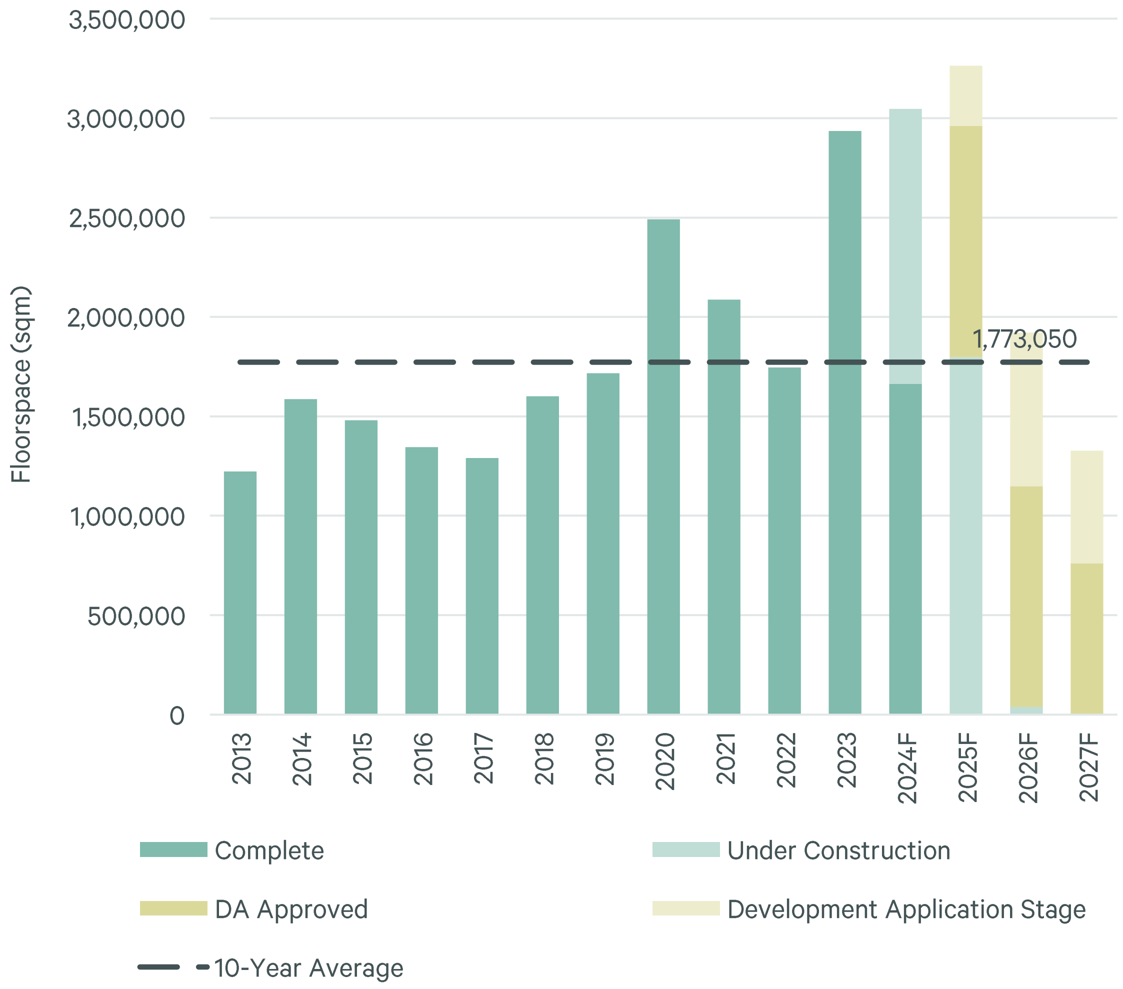
- Brookfield's Connect Estate (speculative) in Sydney's Central West, delivering c.70,000 sqm
- Woolworths Distribution Centre in Moorebank - Sydney's Outer South West.
- Link Industrial Park (speculative) in Brisbane's South, delivering c.33,000 sqm.
- Lighthorse Interchange (Lot 1) in Sydney's Outer North West, pre-committed by ALDI, delivering c.29,000 sqm.

The 2024 pipeline remains 60% pre-committed, and the 2025 pipeline is already over one-third. New floorspace expected to reach completion in 4Q24 is currently 43% pre-committed.

The CY2024 supply pipeline is forecast to total c.3 million sqm – almost double the long-term average. Unlike 2023, most of this supply is expected to be delivered in the Sydney market (37%).

There is c.1.4 million sqm of stock currently under construction for completion in 4Q24, and a further 1.8 million sqm under construction to be completed in 2025.

FIGURE 3: Development Supply Pipeline



To note: reflects new projects >5,000 sqm for Sydney and Melbourne, projects >4,000 sqm for Brisbane and Perth, projects >3,000 sqm for Adelaide.
Source: CBRE Research Q3 2024

Leasing Market

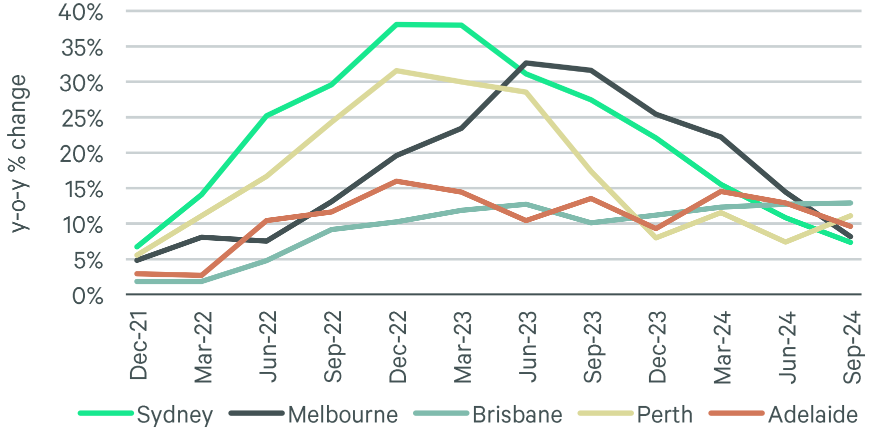
Rental growth remains bifurcated across precincts

The national super prime weighted-average net face rent has increased by a slightly higher rate than the previous quarter at 1.6% q-o-q (vs. 2Q24 of 1.2% q-o-q) and now averages AUD 179/sqm.

Super prime net face rental growth over 2Q24 was notable for the Perth, Brisbane and Adelaide markets, rising by 3.4%, 2.3% and 2.3%, respectively. Marginal rent growth was recorded for Sydney and Melbourne. National prime and secondary grade weighted-average rents increased by 1.4% (averaging AUD 161/sqm) and 2.3% (averaging AUD 135/sqm), respectively. Incentives over the quarter increased by 2% for super prime grade assets, now averaging 17%.

On a y-o-y basis, national super prime, prime and secondary supply-weighted-average face rents have grown by 9% and 8% and 7%, respectively. Brisbane recorded the strongest rent growth, as growth rates have remained steady over the past 12 months, with super prime y-o-y rent growth of 13%.

FIGURE 4: Super Prime weighted-average net face rent, y-o-y % change



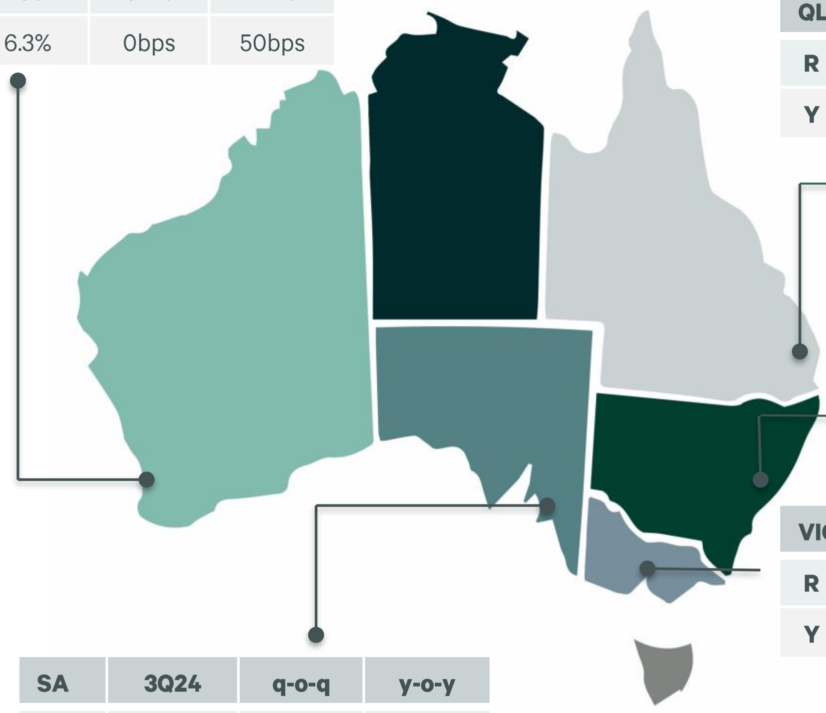
Source: CBRE Research Q3 2024

FIGURE 5: Super Prime key metrics

WA	3Q24	q-o-q	y-o-y
R	150	3.4%	11.1%
Y	6.3%	0bps	50bps

QLD	3Q24	q-o-q	y-o-y
R	162	2.3%	12.9%
Y	5.8%	0bps	25bps

NSW	3Q24	q-o-q	y-o-y
R	$252	1.0%	7.4%
Y	5.5%	-13bps	42bps



VIC	3Q24	q-o-q	y-o-y
R	148	1.0%	8.2%
Y	5.9%	25bps	50bps

SA	3Q24	q-o-q	y-o-y
R	148	2.3%	9.6%
Y	6.2%	0bps	46bps

Legend
R - Net Face Rents (supply-weighted average)
Y - Yields (midpoint)

To note: Rents reflect the supply-weighted average face rent value, and yields reflect the midpoint.
Source: CBRE Research.
* CBRE Research provide detailed rent forecasts via a paid subscription service.

Investment Market

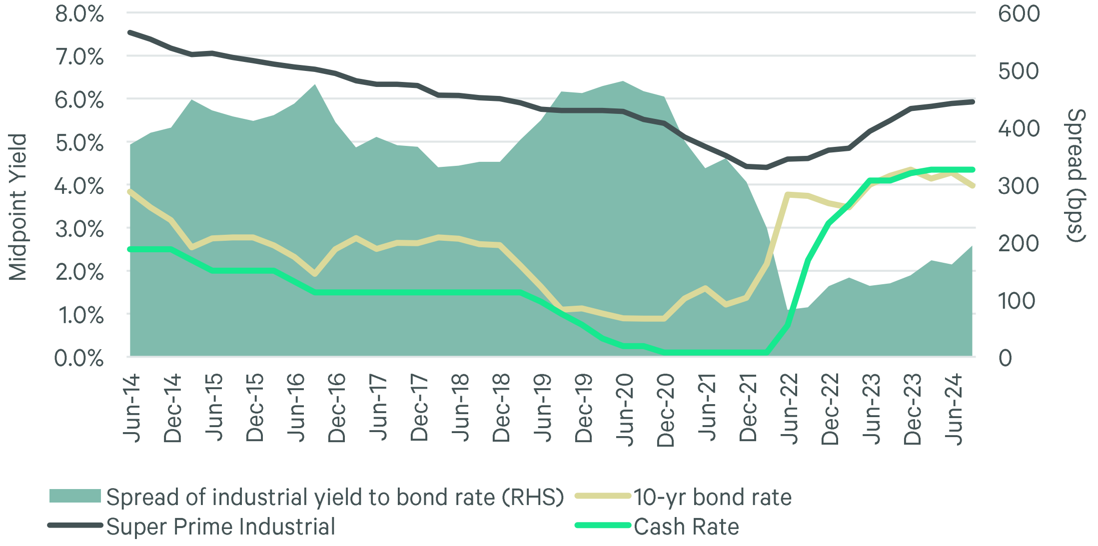
Investment sales surpass long-run average

Australia's industrial and logistics investment sale volumes have increased over the quarter and have now surpassed the 10-year long run average of AUD 6.3 billion. Investment sales for income producing assets over AUD 10 million totaled just over AUD 5 billion in 3Q24, with the concentration of activity (by value) occurring in Melbourne. We expect greater investment sale activity over the next 12 months.

Yields have stabilised

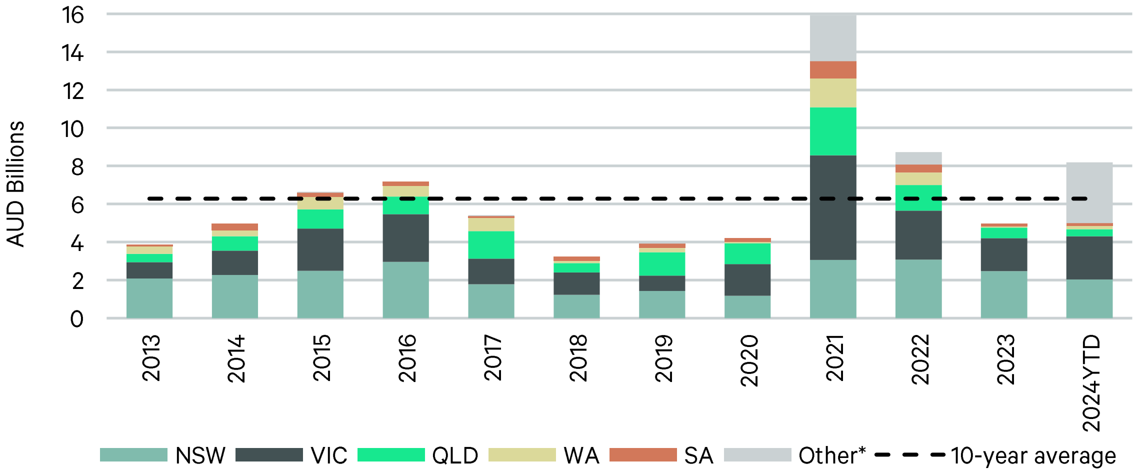
Yields have expanded marginally by 3bps over the quarter– with the national midpoint yield over 3Q24 for super grade assets at 5.9%. The only yield expansion recorded was for the Melbourne market, most other markets remain unchanged.

FIGURE 6: Industrial & Logistics Super Prime Midpoint Yields and Australia 10yr Government Bond



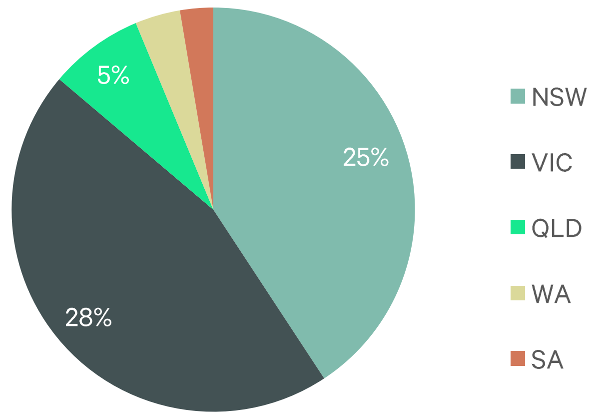
Source: RBA, CBRE Research Q3 2024

FIGURE 7: Industrial Investment Sales for income producing assets (greater than AUD 10 million), 2013 to 2024YTD



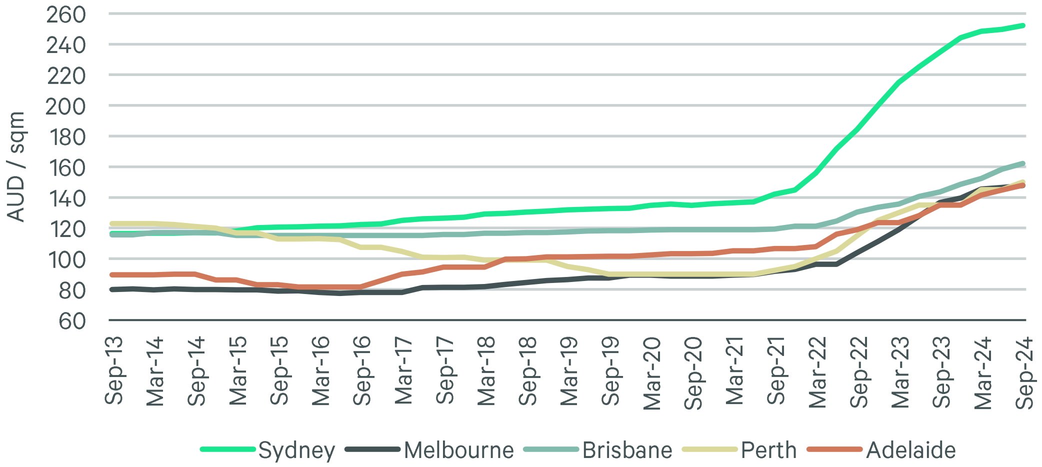
To note: Reflects investment sales of income producing assets AUD 10 million and greater.
*Other reflects portfolio sales across multiple cities where individual asset price has not been disclosed.

FIGURE 8: State share of industrial investment Sales by value 2024YTD



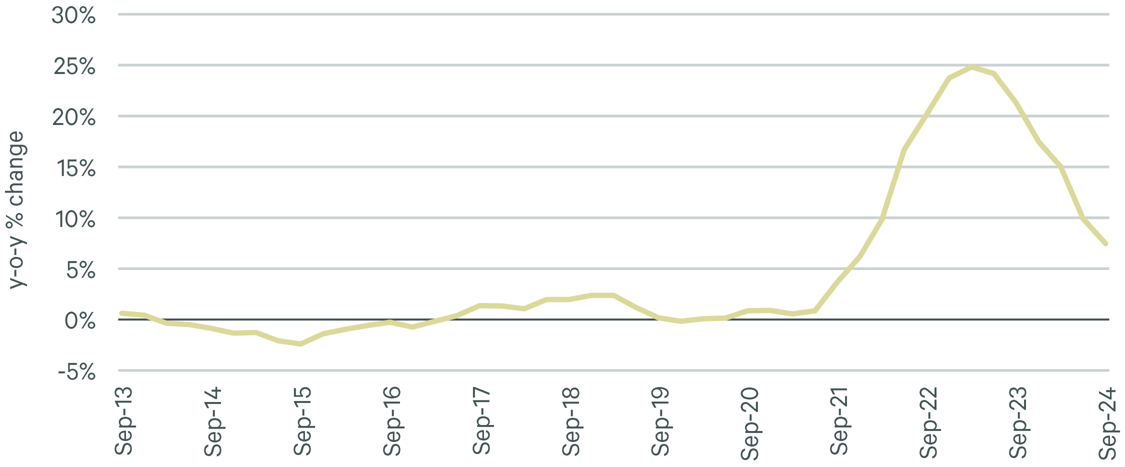
Source: CBRE Research Q3 2024

FIGURE 9: Super prime weighted-average net face rent, by City



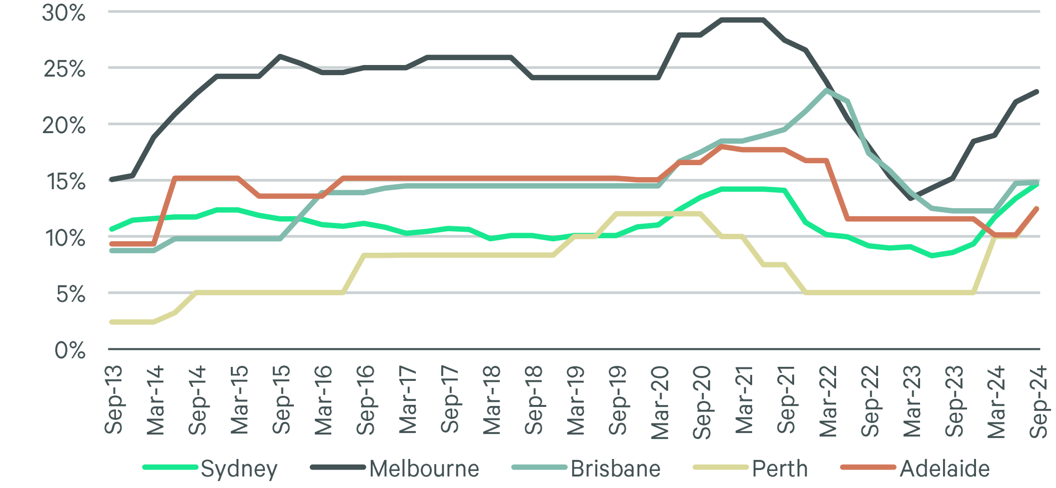
Source: CBRE Research Q3 2024

FIGURE 11: Australia prime weighted-average net face rent growth y-o-y



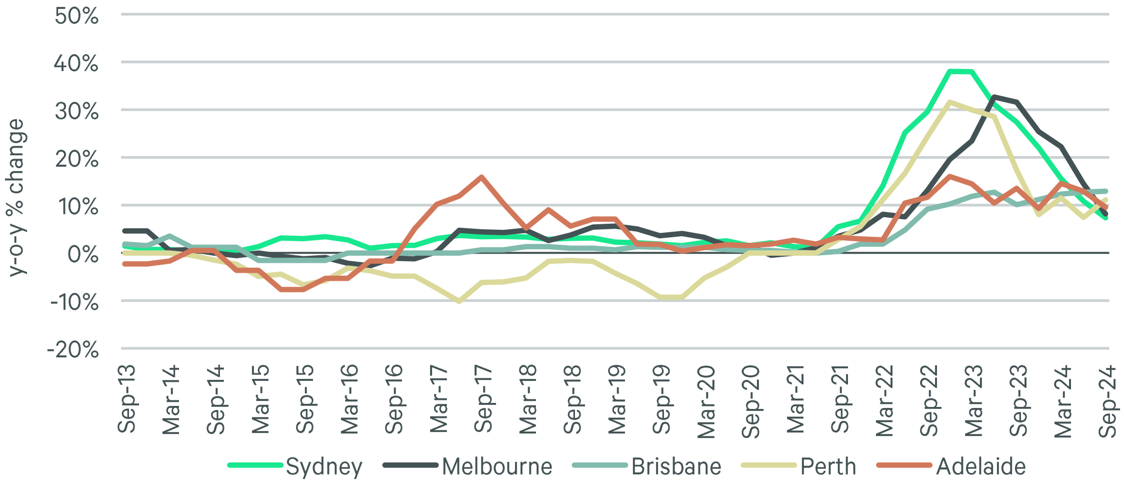
Source: CBRE Research Q3 2024

FIGURE 10: Super prime weighted-average incentives



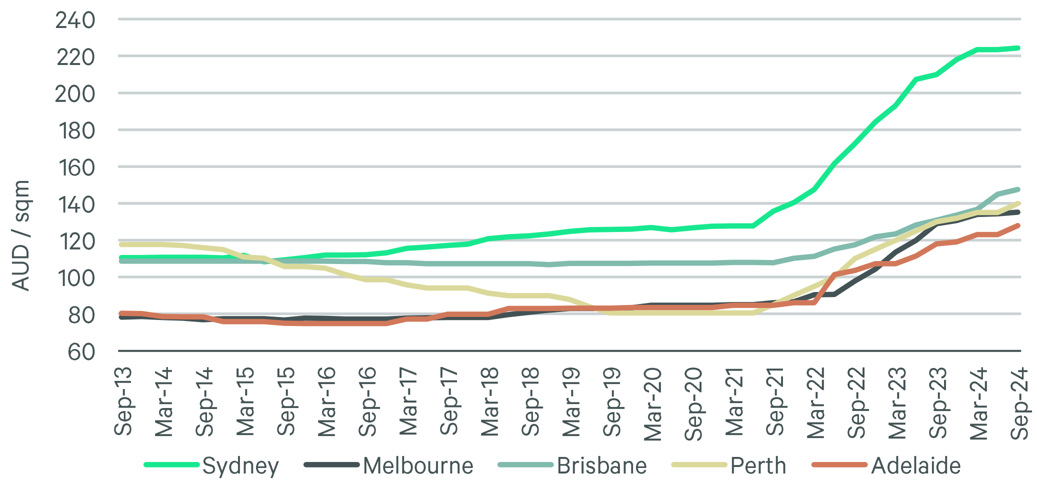
Source: CBRE Research Q3 2024

FIGURE 12: Super prime weighted-average net face rent y-o-y % change



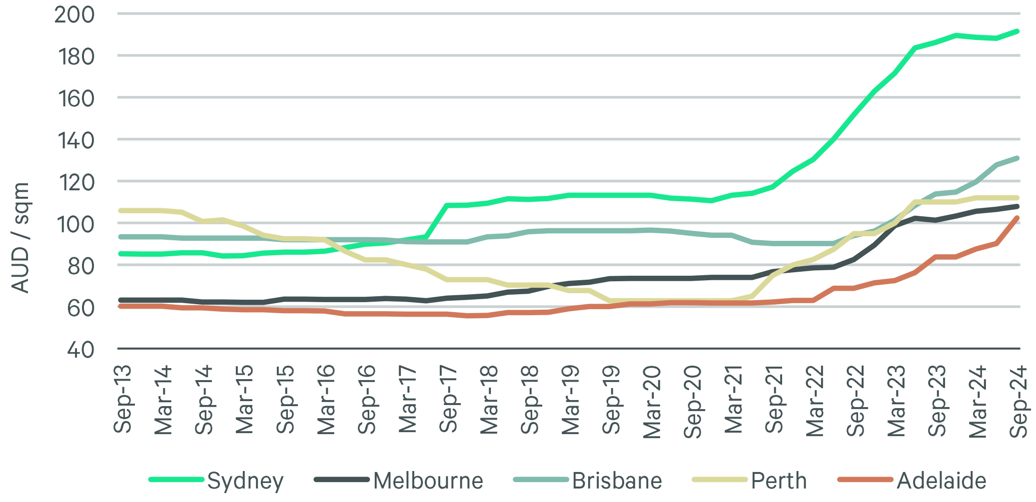
Source: CBRE Research Q3 2024

FIGURE 13: Prime weighted-average net face rent, by City



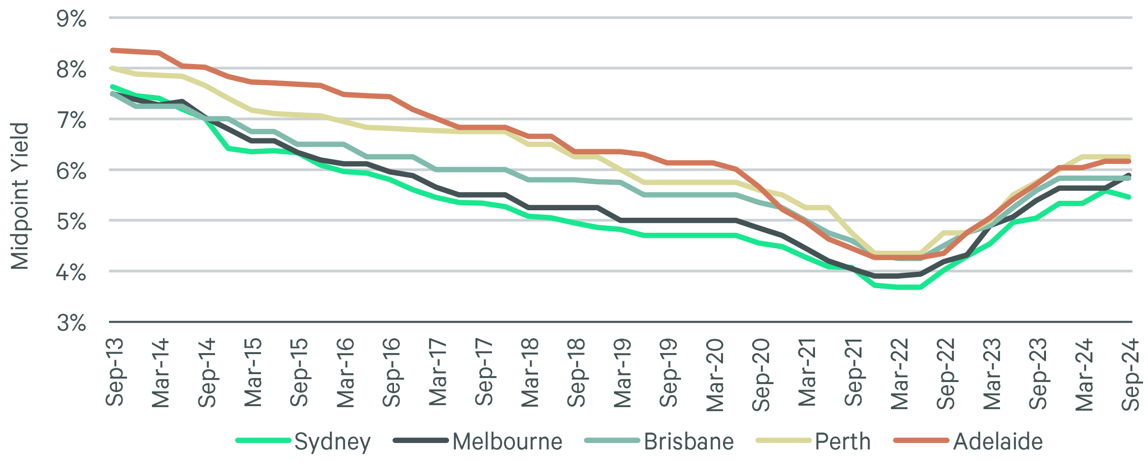
Source: CBRE Research Q3 2024

FIGURE 14: Secondary weighted-average net face rent, by City



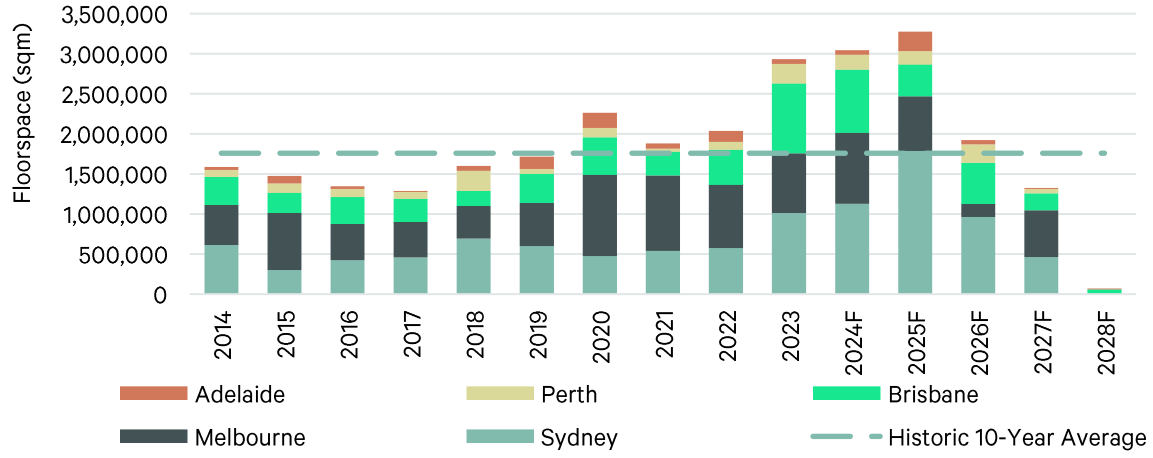
Source: CBRE Research Q3 2024

FIGURE 15: Super Prime Industrial & Logistics Midpoint Yields, by City



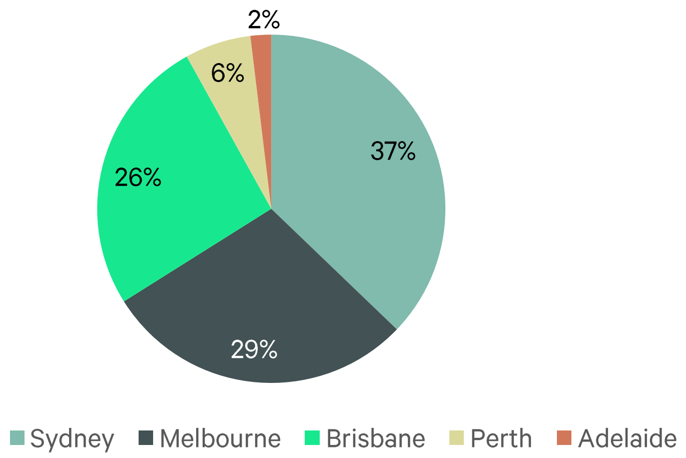
Source: CBRE Research Q3 2024

FIGURE 16: Development supply pipeline by City



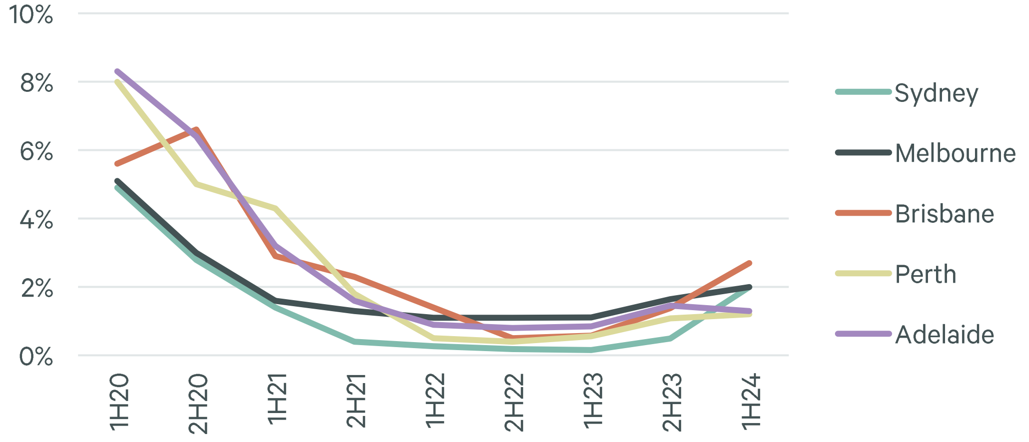
To note: reflects new projects >5,000 sqm for Sydney and Melbourne, projects >4,000 sqm for Brisbane and Perth, projects >3,000 sqm for Adelaide.
Source: CBRE Research Q3 2024

FIGURE 17: Development supply by floorspace % 2024F



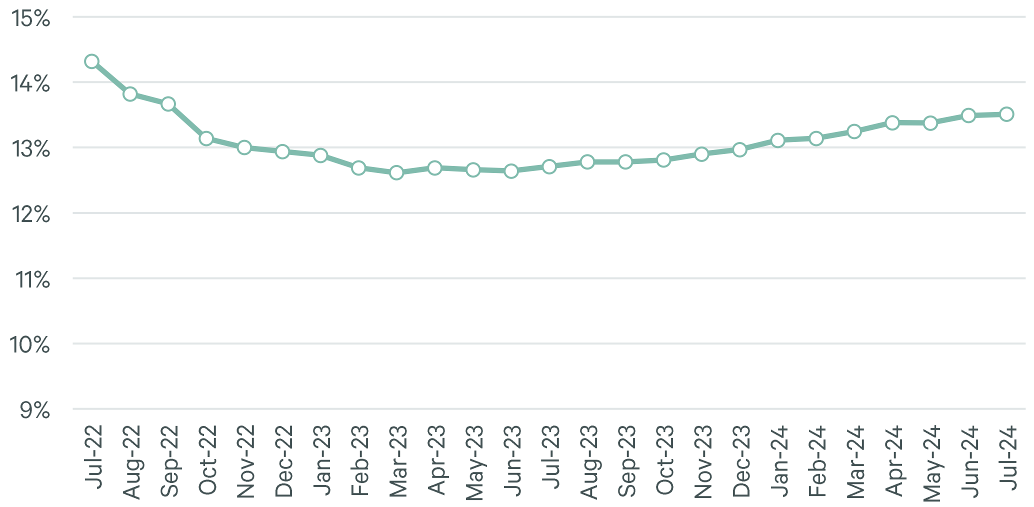
Source: CBRE Research Q3 2024

FIGURE 19: Australian major markets vacancy rates 1H20-1H24



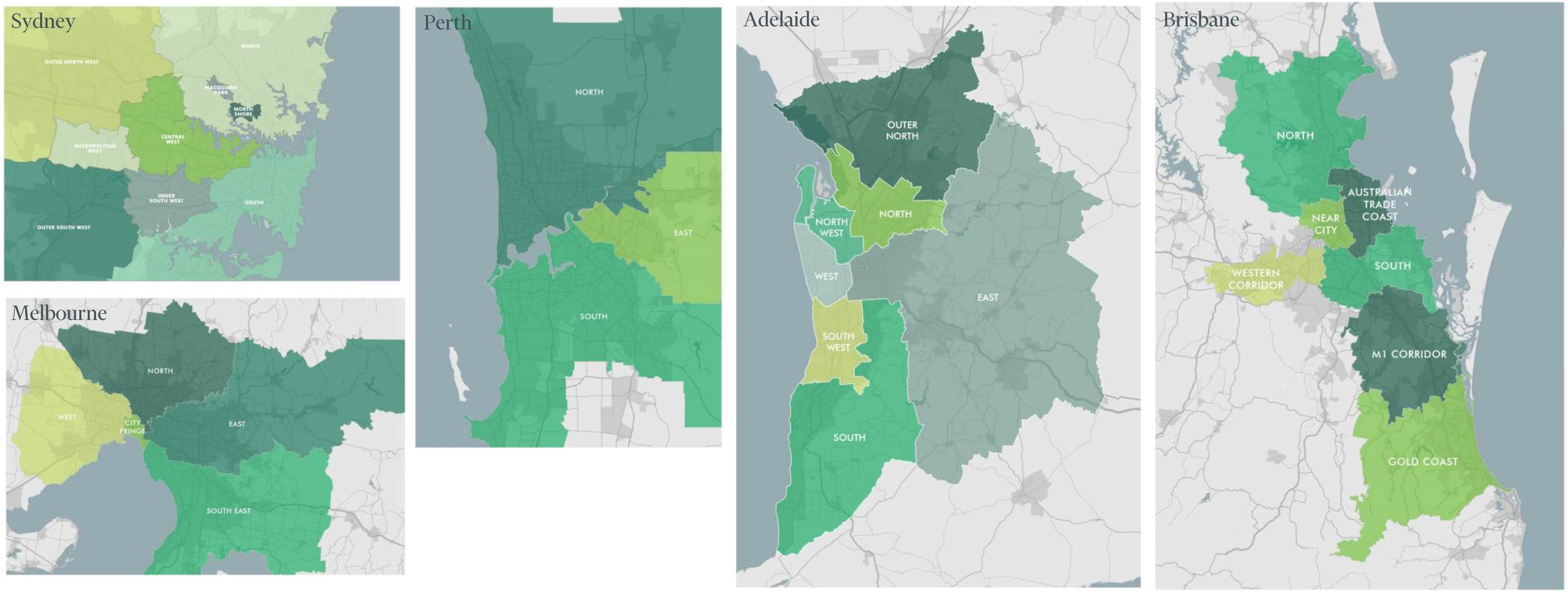
Source: CBRE Research

FIGURE 18: Australia's e-commerce penetration rate, monthly Jul-22 to Jul-24



Source: NAB, ABS, CBRE Research. Latest data available as of July 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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To note: CBRE Research provide detailed data, including rent forecasts, via a paid subscription service.