

FIGURES | PERTH INDUSTRIAL & LOGISTICS | Q3 2024

New supply over the next three years is over 50% pre-committed

1.4%

WA annual population growth FY24-27¹

▲ 71,217 sqm

New industrial supply 3Q24

▲ 71,248 sqm

Gross take-up 3Q24

▶ 6.3%

Super prime midpoint yield

Note: Arrows indicate change from previous quarter.

Key Points

- Gross take-up totalled c.71,200 sqm over the quarter, bringing the 2024 YTD total to c.165,600 sqm (+25% y-o-y).
- New floorspace added totalled c.71,200 sqm over 3Q24. The current pipeline of new development supply between 2024 and 2027 is forecast to total an annual average of c.160,000 sqm, which is above the 10-year average of c.123,000 sqm. The pre-commitment rate for the forward pipeline (4Q24-2027) is close to 55% as of 3Q24.
- Super prime net face rents now average AUD 150/sqm, up 11.1% y-o-y. Super prime incentives have increased to an average of 12.5%, up from 5.0% a year ago, which has resulted in a more modest net effective rent growth rate of 2.3% y-o-y.
- Land values continued to increase over the quarter. Large lots (1.6 ha) have increased y-o-y by 8.0% and now average AUD 518/sqm. Smaller 0.25 ha lots increased by 14.9% y-o-y to a new average of AUD 611/sqm.
- Sales transaction volumes for 2024 YTD totals AUD 359 million, which has surpassed the AUD 229 million recorded in 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

Greater take-up activity due to more floorspace availability and uptick in the State's economy

Gross take-up recorded for 3Q24 totalled c.71,200 sqm (for transactions ≥ 3,000 sqm), up 8% on the gross take-up recorded in the previous quarter. Gross take-up recorded for 2024YTD totals c.165,600 sqm, which is up 25% y-o-y and is likely to surpass the 10-year annual average of 173,000 sqm by the end of the year.

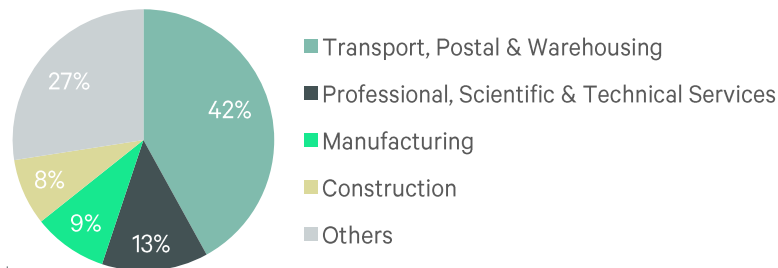
Notable leasing transactions in 3Q24 include:

- CEVA Logistics taking up c.14,000 sqm at 123 Kewdale Road in Kewdale, and
- Chairay Sustainable Plastic taking up c.8,800 sqm at 204-208 Bannister Road in Canning Vale.

Gross take-up in 3Q24 was concentrated in the East (64%) and South precincts (36%).

Leasing transactions year to date have remained relatively robust (+25% y-o-y), despite higher interest rates resulting in a more cautious approach from occupiers. This can be attributed to improving stock availability compared to the prior year and WA's domestic economy continuing to outperform nationally which is supporting industrial and logistics demand in Perth. WA's state final demand grew by 3.9% y-o-y in the June 2024 quarter outperforming the 1.3% y-o-y average growth across NSW, VIC, QLD and SA. WA's population continues to grow at the fastest pace nationally (WA +3.1% y-o-y vs Australia +2.3% y-o-y as of March 2024) and its labour market remains amongst the strongest in Australia (unemployment rate of 3.9% as of August 2024).

FIGURE 1: Perth gross take-up top industry sectors, 2024YTD



Source: CBRE Research.

FIGURE 2: Perth gross take-up by precinct, 2012-3Q24

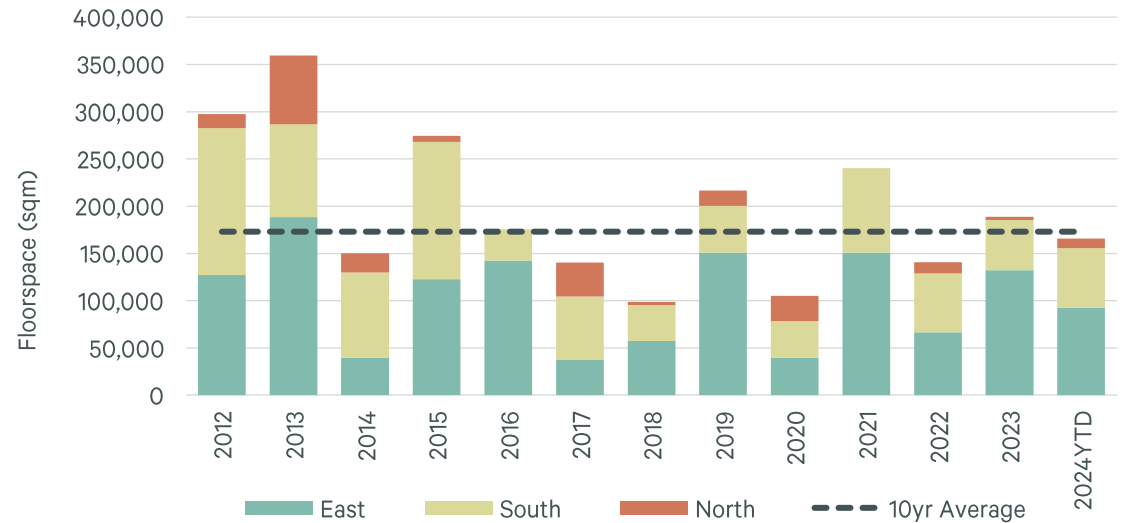
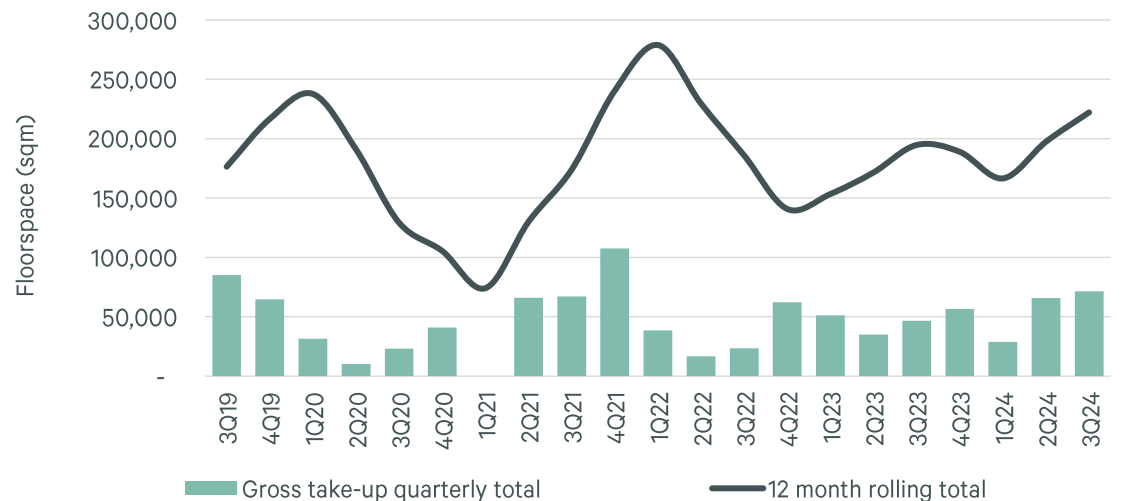


FIGURE 3: Perth quarterly gross take-up, 3Q19-3Q24



Source: CBRE Research.

Supply

The 2024YTD supply has already surpassed the 10-year average

Development completions recorded for 3Q24 totalled c.71,200 sqm (for stock ≥ 3,000 sqm) up from the c.44,500 sqm recorded in the prior quarter. This brings the total 2024YTD development supply to c.159,400 sqm, which has already surpassed the 10-year annual average of c.123,000.

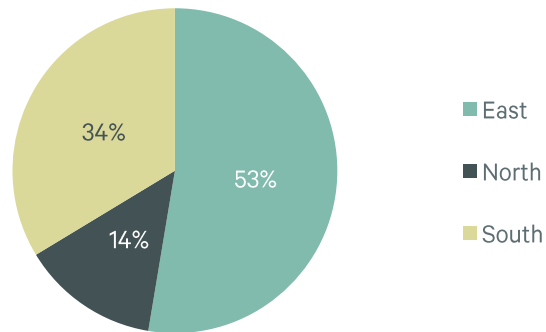
Notable project completions over the quarter include:

- Barings’ Hazelmere Logistics Estate spec developments at 175 Bushmead Road in Hazelmere (c.15,600sqm), and
- The new Border Express facility at 17 Tarlton Crescent at Perth Airport (c.13,000sqm).

Perth’s low vacancy rate (1.2% as at 1H24) and rising rents in recent years have attracted increased development activity - resulting in the forecasted supply pipeline over the next few years to exceed the long-run historic average. As of 3Q24 the supply-pipeline between 2024 and 2027 averages c.160,000 sqm per annum, which is around 30% above the long-run average.

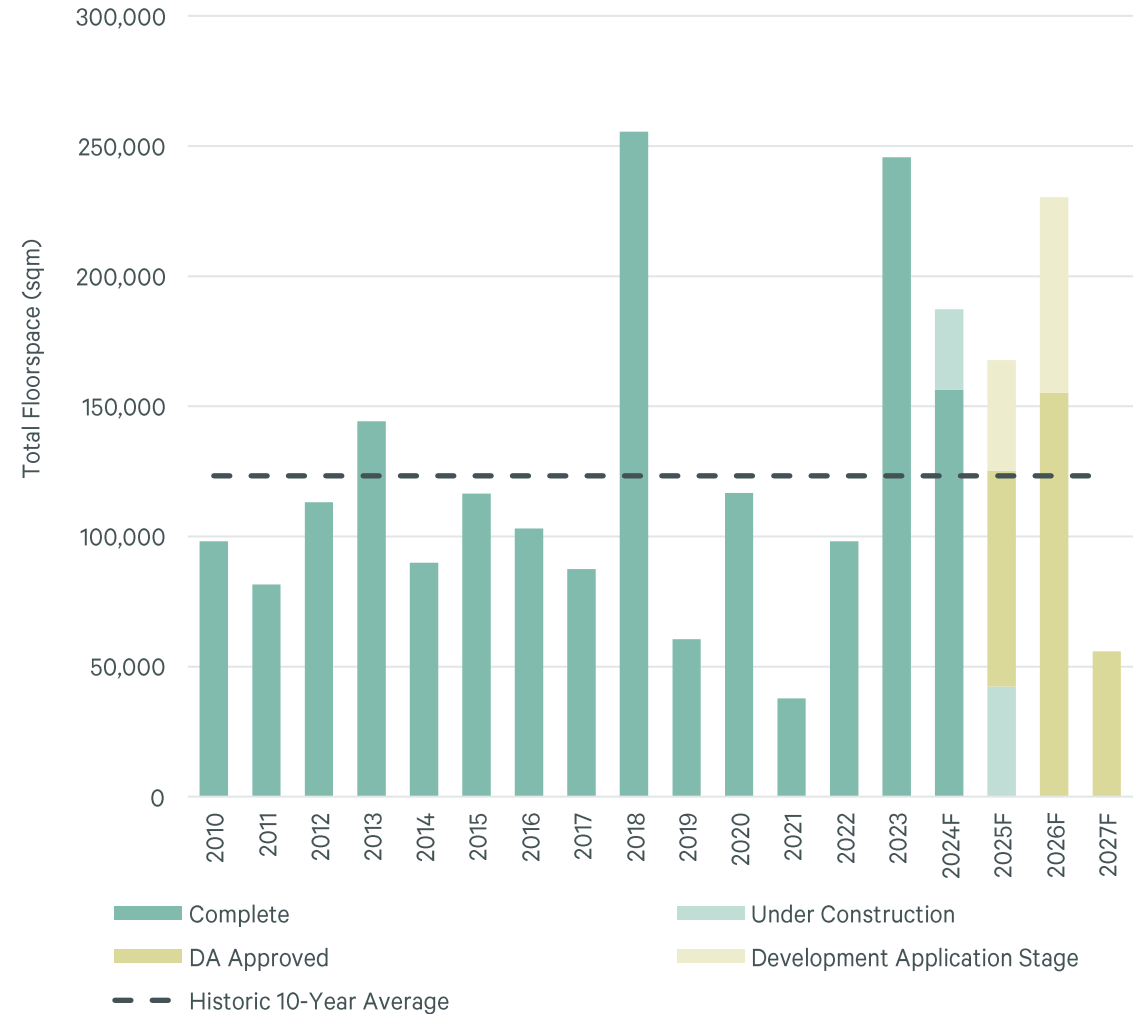
Despite higher supply levels, the pre-commitment rate on the forward supply pipeline to 2027 is close to 55% as of 3Q24.

FIGURE 4: Development Supply 4Q24F - 2027F Floorspace Share, by Precinct



Source: CBRE Research

FIGURE 5: Development Supply Pipeline 2010-2027F



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

Leasing Market

Modest net effective rent growth as super prime and prime incentives increase

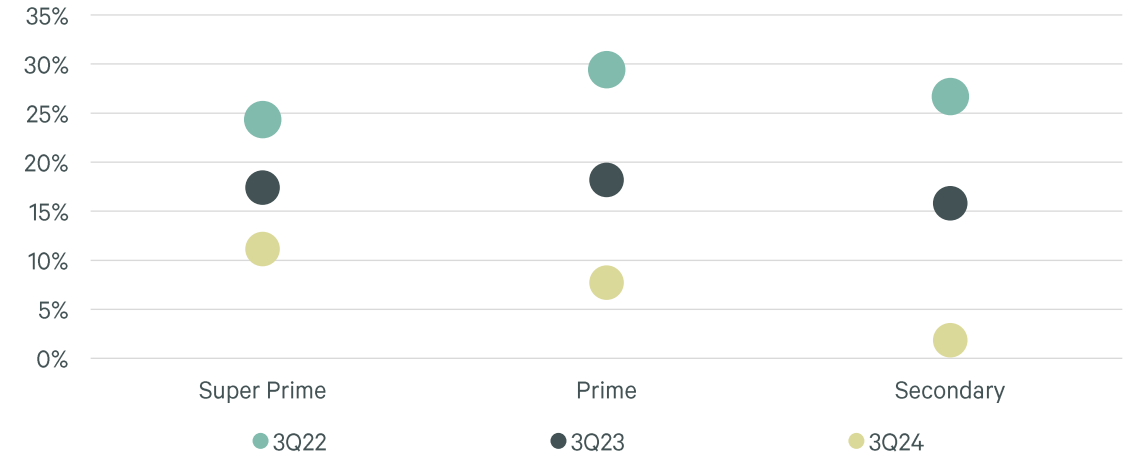
Super prime net face rents increased to AUD 150/sqm, up 11.1% y-o-y. As highlighted in figure 6, the y-o-y rental growth rate in net face rents has slowed significantly across all grades compared with the same period in 2022 and 2023 - where vacancy rates were at their lowest. Rental growth rates have been slowing as stock availability is improving, and occupiers have become more cautious due to the moderating economic conditions.

Stock availability is improving particularly in the c.10,000+ sqm buildings as large new developments reach practical completion, providing larger tenants with greater occupancy options. Stock availability for smaller tenants in the c.3,000-5,000 sqm segment remains tight as there has been limited new development supply added in this part of the market. Hence, smaller tenants continue to lack re-location options and are driving the continued net face rent growth. Furthermore, in the current environment of moderating economic growth and improving stock availability institutional landlords with super prime and prime grade stock are increasing their net face rents while concurrently offering higher incentives. This has resulted in incentive levels increasing, with super prime incentives now averaging 12.5% - up from 5% in 3Q23. Super prime net effective rents have increased modestly by 2.3% y-o-y to an average of AUD 131/sqm given the increasing incentive levels.

Prime net face rents increased by 7.7% y-o-y to an average of AUD 140/sqm while average prime incentives have increased to 10% - up from 5% in 3Q23. Prime net effective rents have increased by 2.0% y-o-y to an average of AUD 126/sqm. Increasing face rents and incentive levels in prime grade assets have experienced similar dynamics mentioned above for super prime grade stock.

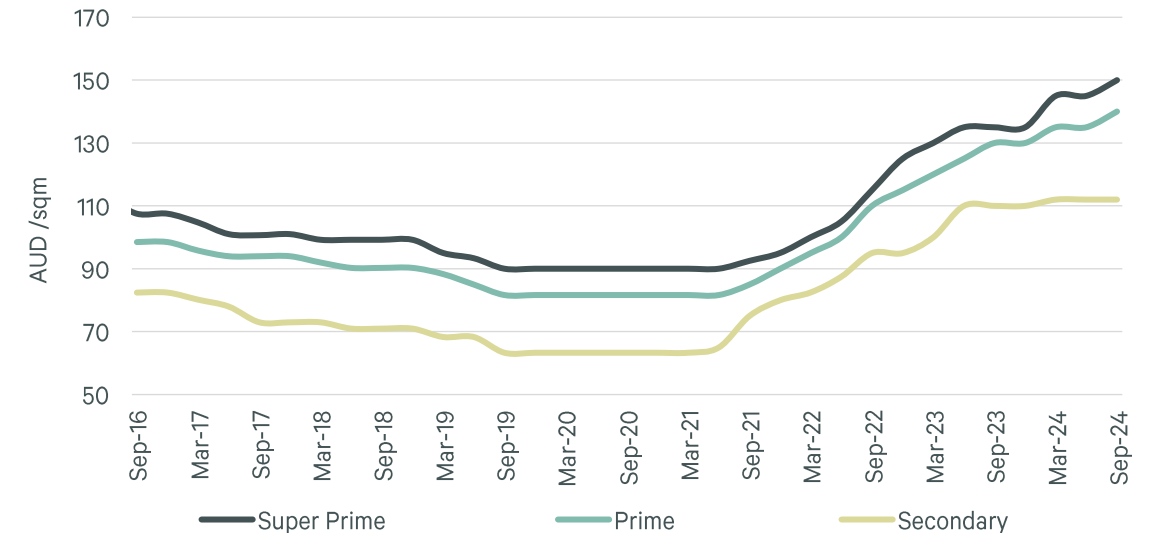
Secondary grade net face rents increased at a slower rate of 1.8% y-o-y to an average of AUD 112/sqm, and average incentives have remained stable y-o-y at 8.0%. Given less institutional ownership in the secondary grade market, private owners have not increased face rents and incentives levels concurrently like institutional owners have in the super prime and prime grade part of the market as overall market conditions have softened over the past year.

FIGURE 6: Perth Average Net Face Rent Growth Year on Year by Grade



Source: CBRE Research

FIGURE 7: Perth Industrial Net Face Rents by Grade 3Q16-3Q24



Source: CBRE Research

Land Values

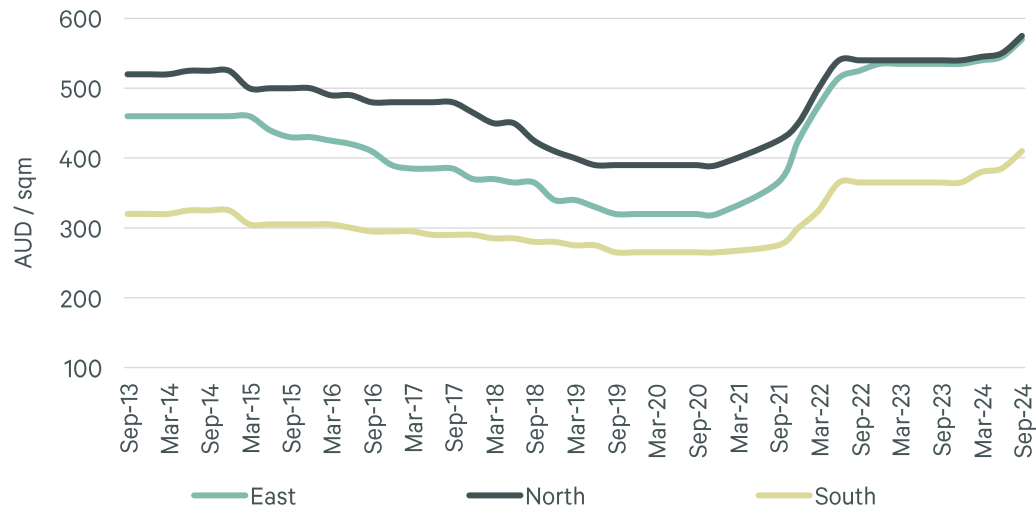
Land values increase over 3Q24

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 three quarters have again seen growth, although at a more modest pace.

Over the quarter land values for 1.6 ha lots increased 5.1% q-o-q, to an average of AUD 518/sqm. The largest increase was recorded in the South precinct rising by 6.5% q-o-q.

For smaller 0.25 ha lots, average land values in 3Q24 increased 4.3% to AUD 612/sqm – with land values across all precincts increasing by c. 4% over the quarter.

FIGURE 8: Average Land Values, 1.6 ha lots (3Q13 to 2Q24)



Source: CBRE Research

FIGURE 9: Average Land Values, 0.25 ha lots (3Q22 to 3Q24)

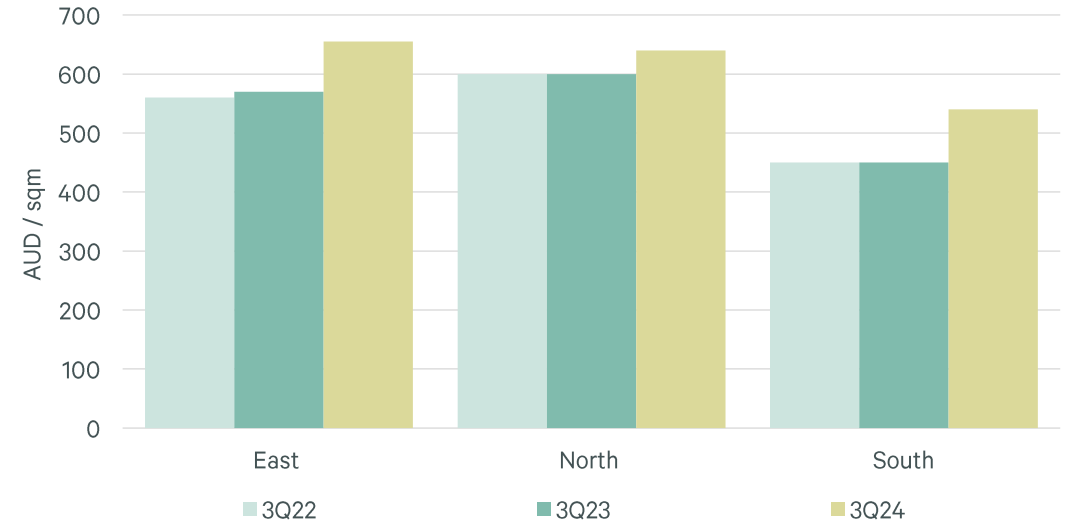
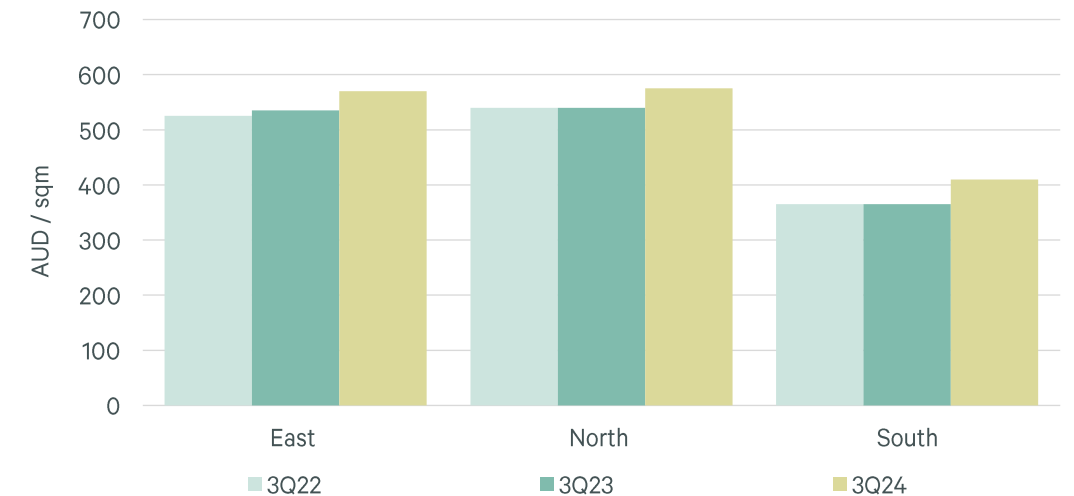


FIGURE 10: Average Land Values, 1.6 ha lots (3Q22 to 3Q24)



Source: CBRE Research

Investment Market

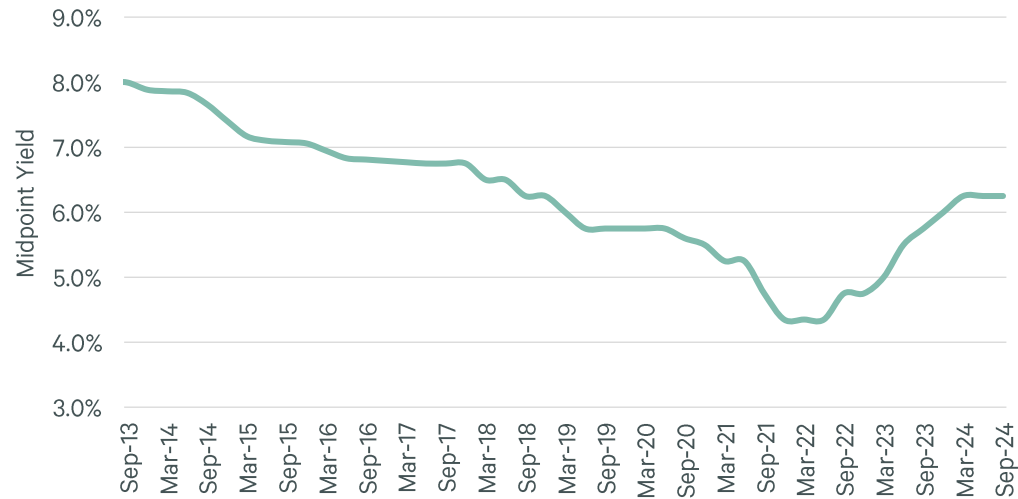
Sales transactions for 2024YTD have already passed 2023 levels

Perth's industrial sales transaction volumes in 2024YTD have already passed the 2023 levels as greater clarity has emerged that interest rates in Australia have likely peaked in the current cycle. Total investment sale transactions for 2024YTD totals AUD 359 million, up from the AUD 229 million recorded in 2023 (for transactions ≥ AUD 5 million).

Notable sales transactions recorded over 3Q24 include the sale of 100 Chisolm Crescent in Kewdale for AUD 19.0 million, and the sale of 29 Excellence Drive in Wangara for AUD 9.85 million.

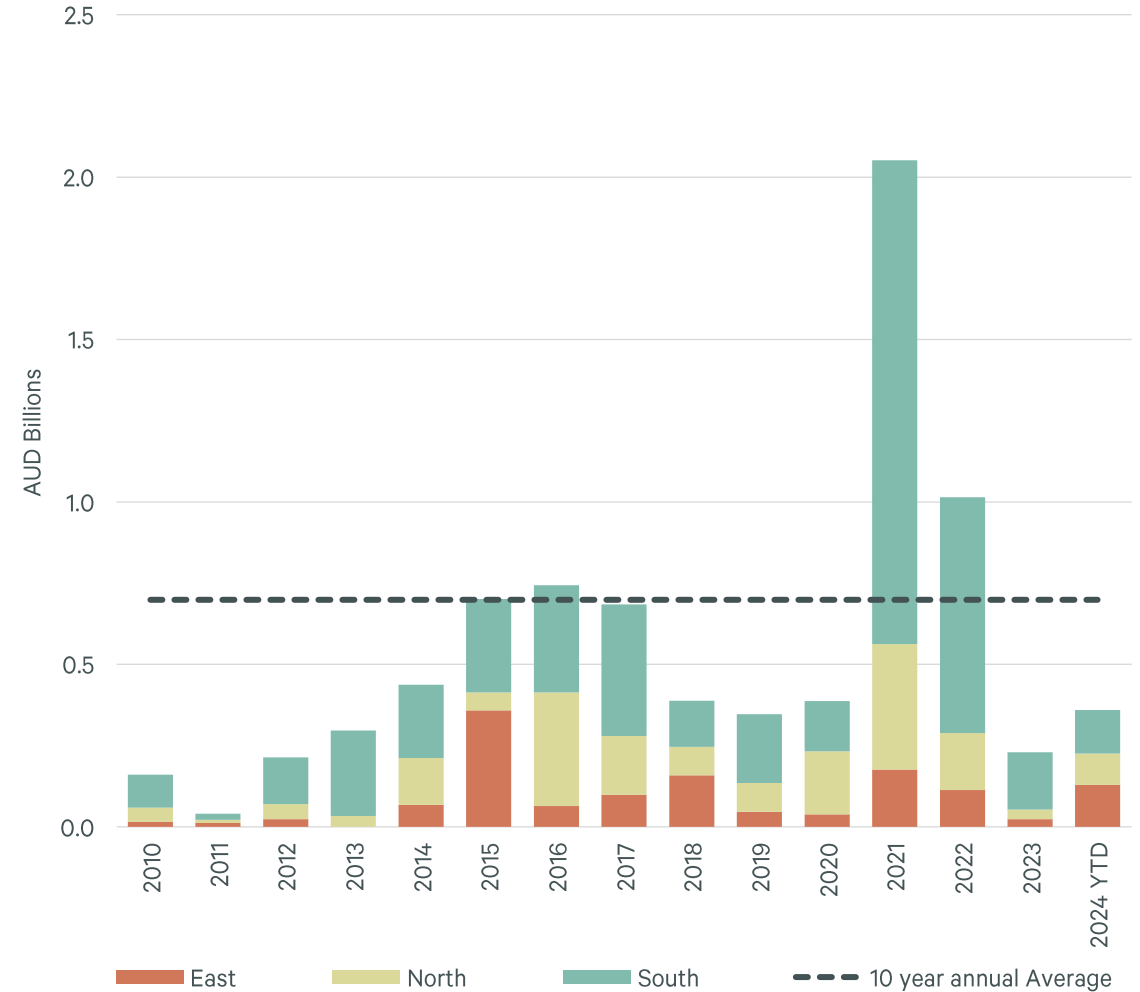
Midpoint yields were stable q-o-q for all asset grades. Super prime, prime and secondary midpoint yields are at 6.3%, 6.5% and 7.5%, respectively. Given the softening that has already occurred in yields, we expect them to hold steady over the balance of the year.

FIGURE 11: Perth Average Super Prime Midpoint Yield (3Q13 to 3Q24)



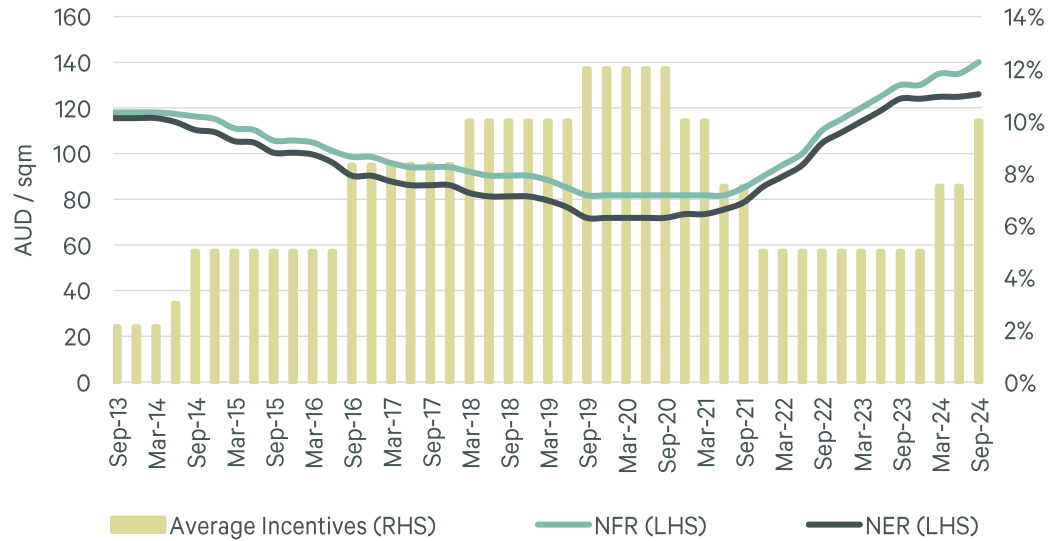
Source: CBRE Research

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



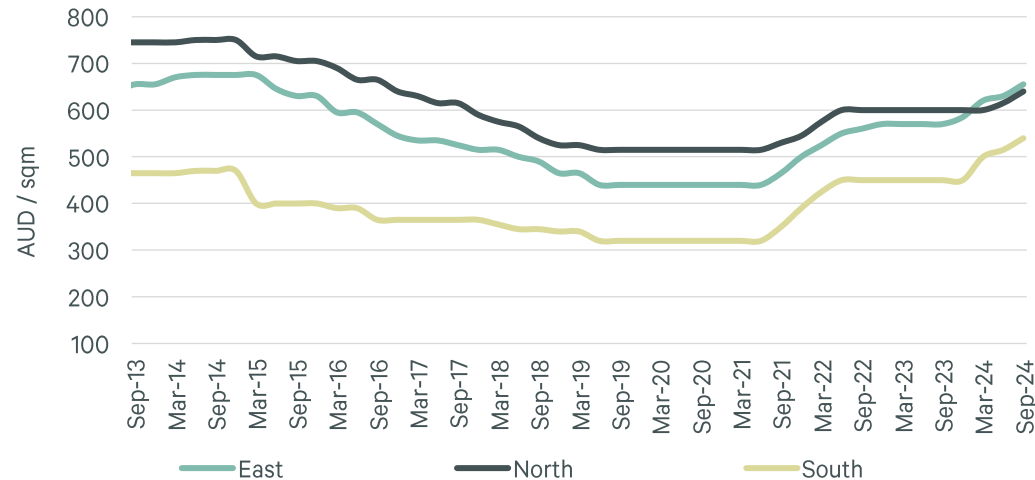
To note: does not include land sales.
Source: CBRE Research

FIGURE 13: Average Perth Prime Rents and Incentives



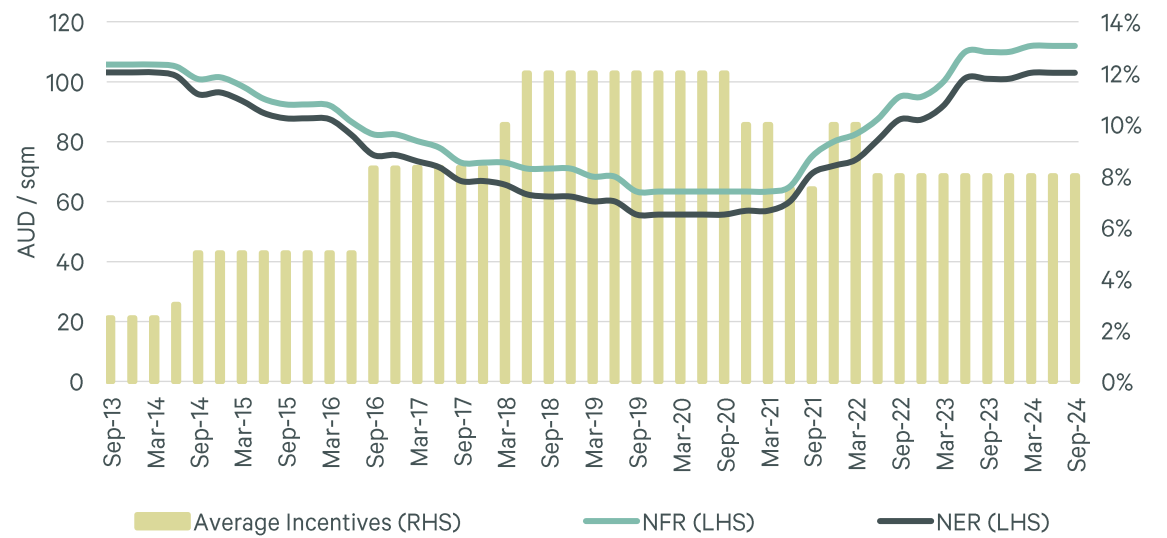
Source: CBRE Research Q3 2024

FIGURE 14: Average Land Values (0.25 ha lots)



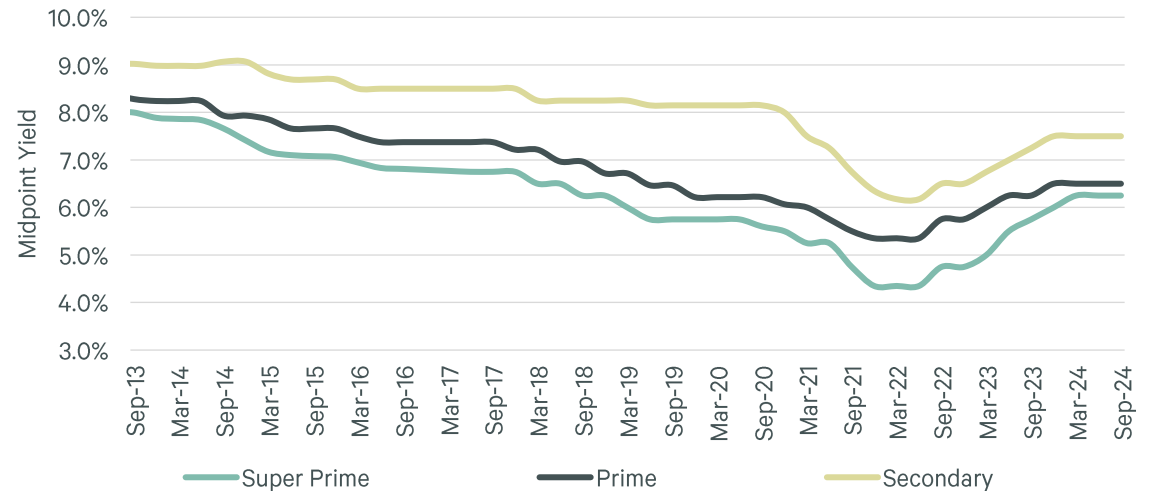
Source: CBRE Research Q3 2024

FIGURE 15: Average Perth Secondary Rents and Incentives



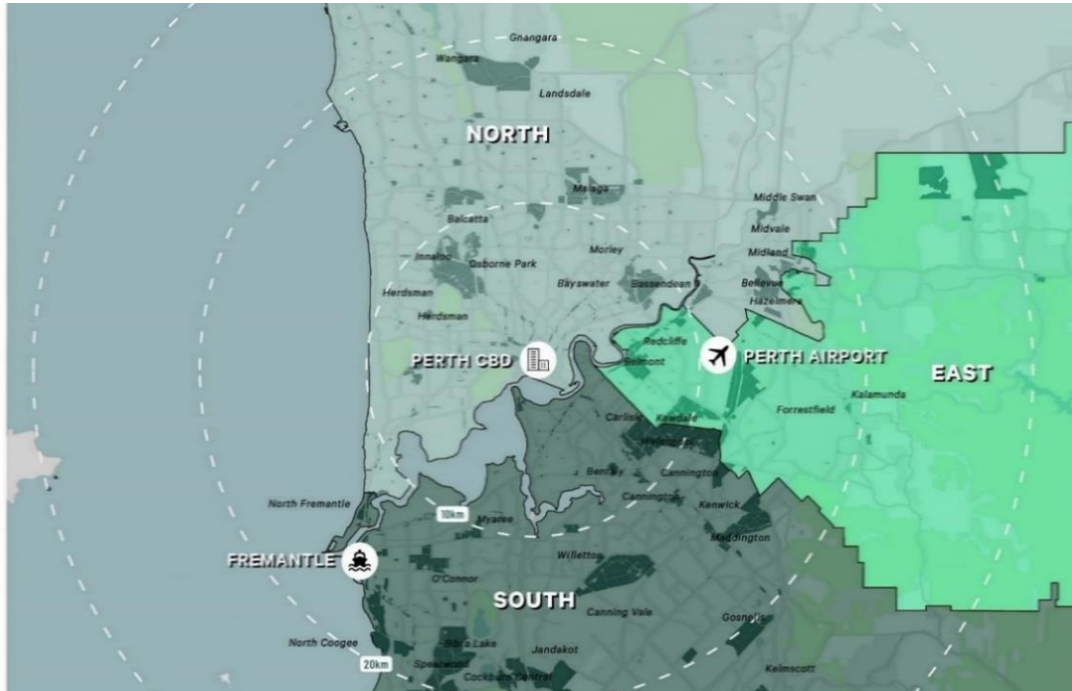
Source: CBRE Research Q3 2024

FIGURE 16: Perth Industrial Yields By Grade



Source: CBRE Research Q3 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.

Contact

Sass Jalili

Head of Industrial & Logistics Research Australia
Director of NSW Research
Sass.jalili@cbre.com

Eza Ranjbar

Research Manager, WA & SA
Eza.ranjbar@cbre.com