

FIGURES | PERTH INDUSTRIAL & LOGISTICS | Q1 2024

Rental growth once again on an upward trend

1.4%

WA annual population growth FY24-27¹

▼ c.43,800 sqm

New industrial supply 1Q24

▼ c.28,700 sqm

Gross take-up 1Q24

▲ 6.25%

Super prime midpoint yield

Note: Arrows indicate change from previous quarter.

Key Points

- Gross take-up in 1Q24 eased from an active 4Q23, down nearly 50% q-o-q to total; c.28,700 sqm.
- Roughly 43,800 sqm of new industrial stock was added to the market over the quarter. After nearly 250,000 sqm of new stock was completed in 2023, a total of just c.87,000 sqm of industrial stock is scheduled to complete in 2024 due to several projects put on hold and delays.
- An average of c.160,000 sqm of new stock is scheduled to complete between 2024 and 2026, above the 10-year historical average of c. 125,000 sqm. However, the impact to vacancy is expected to be limited as 69% of stock scheduled to complete between 2024 and 2027 is pre-committed.
- Rents for super prime grade assets increased 11.5% y-o-y to AUD 145/sqm, while incentives rose to 10% as the market transitions towards higher face rents and incentives.
- After a lengthy period of stagnation, land values increased in 1Q24, particularly smaller lots (0.25 ha lots increased 6.2% y-o-y)
- Super prime midpoint yields expanded 25bps q-o-q to 6.25%, while prime and secondary grade yields remained unchanged q-o-q.

1. Deloitte Access Economics
Source: CBRE Research

Demand

Gross take-up slows in 1Q24

Gross take-up for 1Q24 totalled c.28,700 sqm (transactions ≥ 3,000 sqm), down from the c. 57,000 sqm in 4Q23. Total gross take-up for 2023 was c.174,500 sqm, in line with the 10-year historical average of c.170,000 sqm.

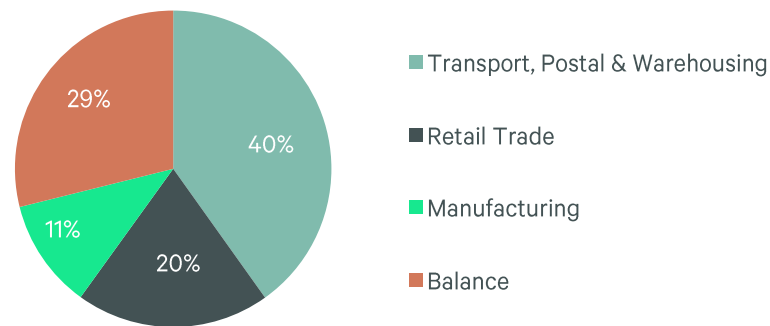
Leasing transactions have slowed in 1Q24 as higher interest rates resulting in a more cautious approach from consumers and occupiers. Higher landlord pricing expectations, coupled with softer enquiries have resulted in a slowdown in leasing transactions in the period.

Notable leasing transactions in 1Q24 include:

- Pre-lease of c.3,200 sqm at 11-13 Colin Jamieson Drive, Welshpool.
- A lease at 2 Hugh Edwards Drive, Perth Airport for c.11,500 sqm.

Gross take-up in 1Q24 was equally split between the East (51%) and South precincts (49%), with the Transport, Postal & Warehousing and Retail Trade sectors accounting for the majority of take-up (by floorspace).

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



Source: CBRE Research.

FIGURE 2: Perth gross take-up by precinct, 2014-1Q24

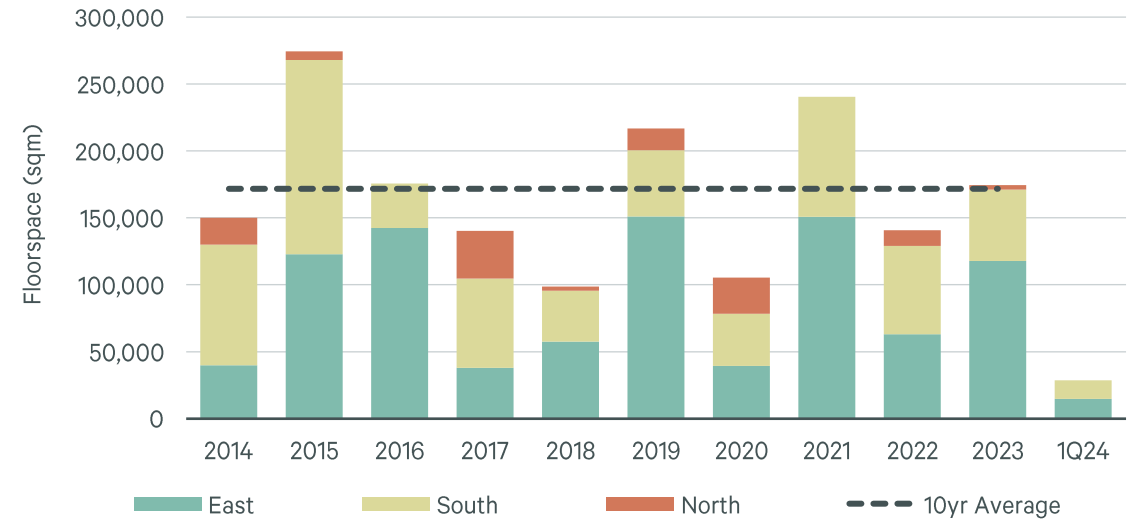
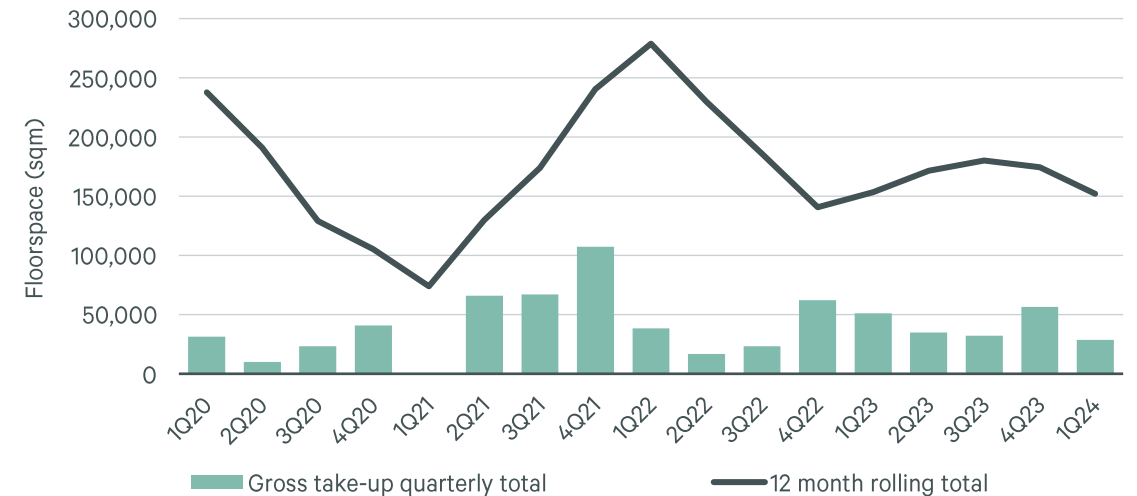


FIGURE 3: Perth quarterly gross take-up, 1Q20-1Q24



Source: CBRE Research.

Supply

Near-term supply pipeline above historical average, but majority is pre-committed

Development completions in 1Q24 totalled c.43,800 sqm (for stock ≥ 3,000 sqm).

Notable projects completed over the quarter included:

- Tyres4u’s facility at 655 Welshpool Road East in Wattle Grove (c.21,000 sqm)
- Ironman 4x4 Additions at 117-123 Bannister Road in Canning Vale (c.5,800 sqm)

Looking forward, due to several projects put on hold and project delays, a total of c. 87,000 sqm of new space is expected to be added in the market for CY2024. This is 30% below the long-run average.

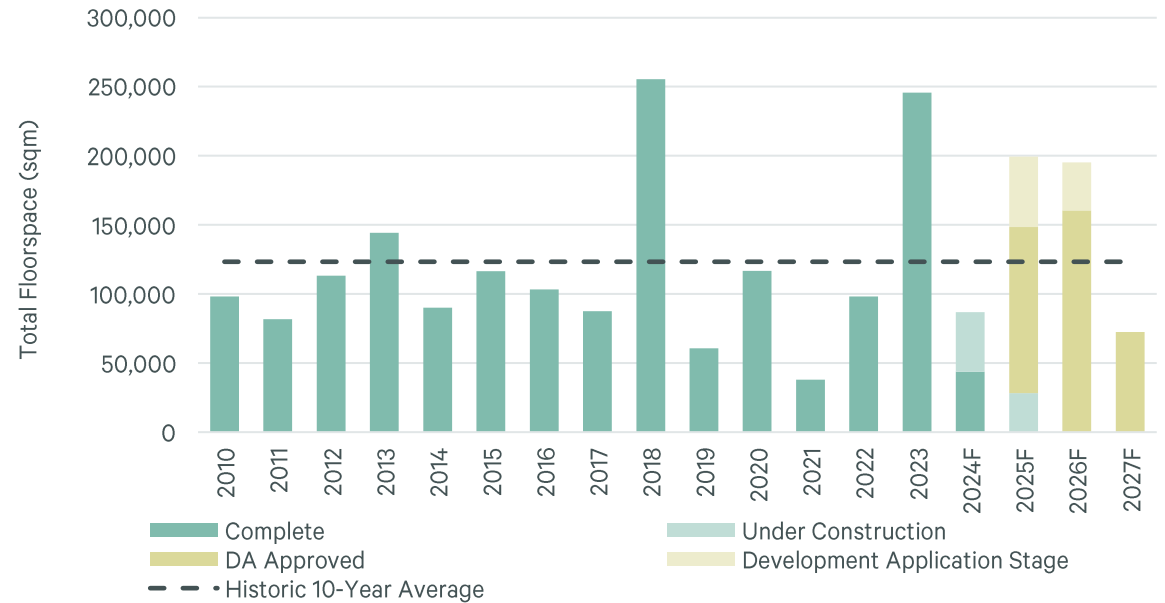
Notable projects scheduled to complete over the remainder of 2024 include:

- 146 Maddington Road (c. 14,300 sqm)
- 71 Stirling Crescent in High Wycombe (c.15,200 sqm).

Tight vacancy levels (1.1%, as at 2H23) and rising rents in recent years has resulted in the near-term supply pipeline exceeding the long-term historical average. The supply pipeline between 2024 and 2026 averages c.160,000 per annum, which is above the 10-year historical average of c.123,000 sqm. However, we forecast limited impact to vacancy as there remains a relatively high pre-commitment rate with approximately 73% of stock to complete between 2024 and 2027 currently pre-committed.

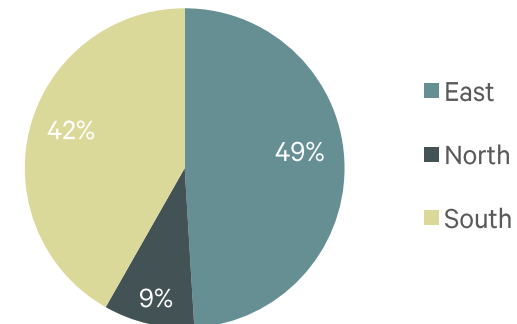
Most of the supply expected to be delivered between 2024 and 2027 will be added in the East (49%) and South (42%) precincts, with the North accounting for just 9%.

FIGURE 4: Development Supply Pipeline 2010-2027F



Source: CBRE Research Q1 2024. Reflects projects > 3,000 sqm.

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



Source: CBRE Research,

Leasing Market

Market transitions toward higher face rents and incentive levels

Super Prime face rents rose 7.4% y-o-y to AUD 145/sqm in 1Q24 as key landlords and lease deals in the market transition towards higher face rents, partially offset by higher incentives. Super prime incentives increased to an average of 10% in 1Q24, resulting in net effective rents increasing to 5.7% y-o-y to AUD 131/sqm. Looking forward, the trend of higher face rents and incentives is expected to continue as institutional landlords remain most active in the market.

Prime rents increased 3.8% q-o-q and 12.5% y-o-y to AUD 135/sqm, while incentives also increased to 7.5%, resulting in net effective rents increasing marginally by +1.1% q-o-q (+9.5% y-o-y). Net face rents for secondary grade industrial stock increased 1.8% q-o-q and 12% y-o-y to an average of AUD 112/sqm, while incentives held steady, resulting in secondary effective rents also increasing to by +1.8% q-o-q (+12% y-o-y).

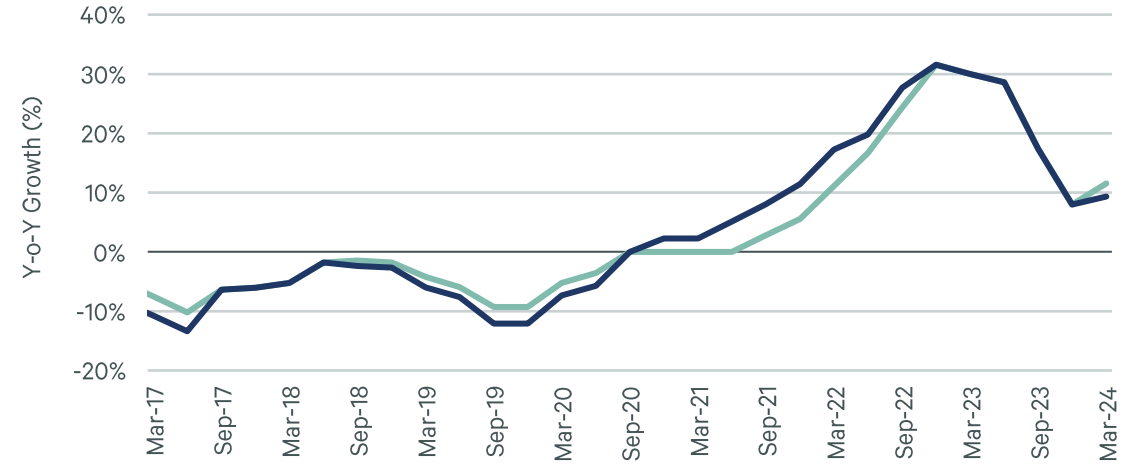
Despite the new stock additions in 2023 - more than doubling the 10-year historical average - vacancy rates ticked up just 50bps half-on-half in 2H23 to 1.1% and remain the second lowest in the nation. The largest increase in vacancy was recorded for the South precinct, increasing by 100bps to 1.6%, as several large speculative projects were completed in the period. However, due to the quality and location of these projects, they are likely to be taken up within 1H24. Apart from these few projects, the majority of Perth's industrial vacancy remains concentrated in older secondary grade assets which are proving difficult to compete with newer stock.

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

| | East | South | North | Total |
|------|------|-------|-------|-------|
| 1H22 | 0.9% | 0.6% | 0.3% | 0.6% |
| 2H23 | 1.2% | 1.6% | 0.5% | 1.1% |

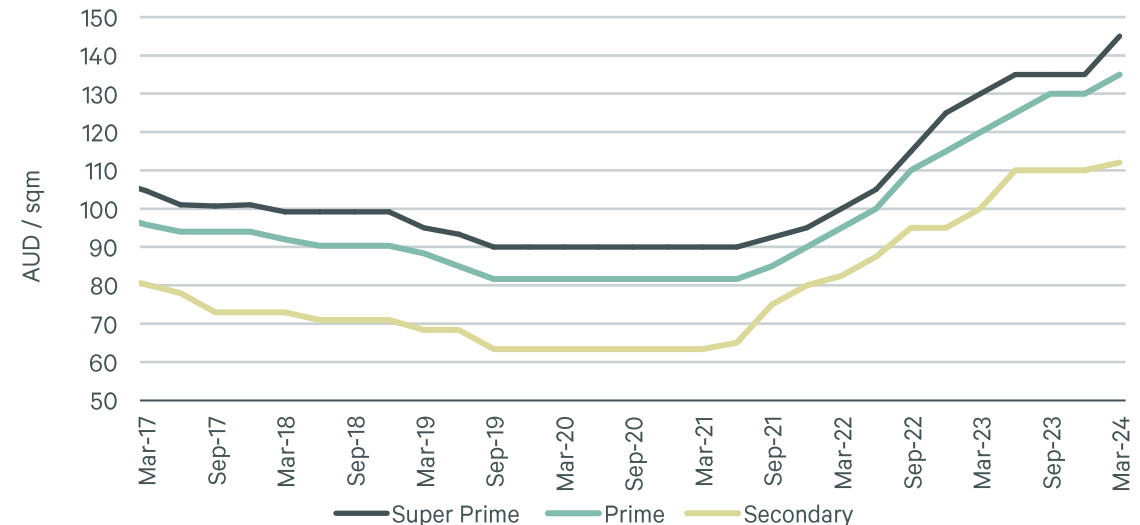
Source: CBRE Research

FIGURE 7: Average Super Prime Net Face Rent Growth 1Q17-1Q24



Source: CBRE Research

FIGURE 8: Perth Industrial Net Face Rents By Grade 1Q17-1Q24



Source: CBRE Research

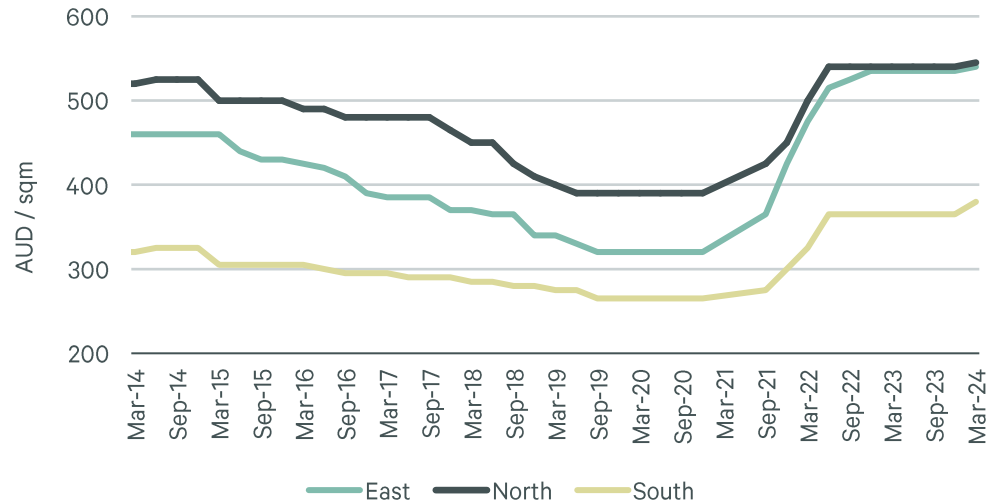
Land Values

Land values rise after lengthy period of stagnation

Following a period of rapid appreciation where industrial land prices hit a 10-year high, land values have been stable since mid-2022 due to rising construction and financing costs impacting financial, broader economic uncertainty from rising interest rates.

Land values saw some movement in 1Q24, particularly smaller lots. Land values appreciated by 6.2% y-o-y, for 0.25 ha lots, to an average of AUD 573/sqm. Whereas 1.6 ha lots increased by +1.7% y-o-y, averaging AUD 488/sqm. Land values in the South precinct recorded the greatest appreciation, with 0.25 ha and 1.6 ha lots increasing 11.1% and 4.1% y-o-y, respectively.

FIGURE 9: Average Land Values, 1.6 ha lots (1Q14 to 1Q24)

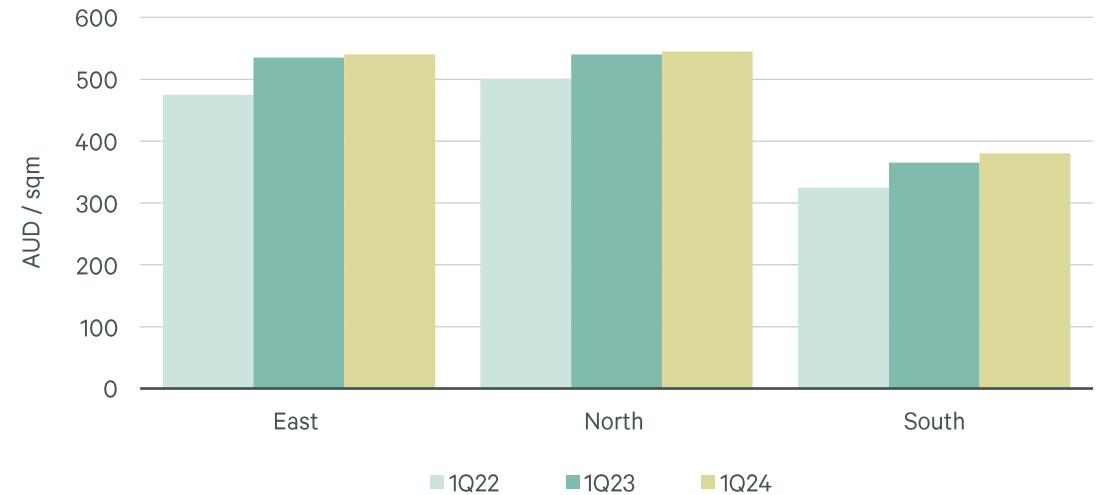


Source: CBRE Research

FIGURE 10: Average Land Values, 0.25 ha lots (1Q22 to 1Q24)



FIGURE 11: Average Land Values, 1.6 ha lots (1Q22 to 1Q24)



Source: CBRE Research

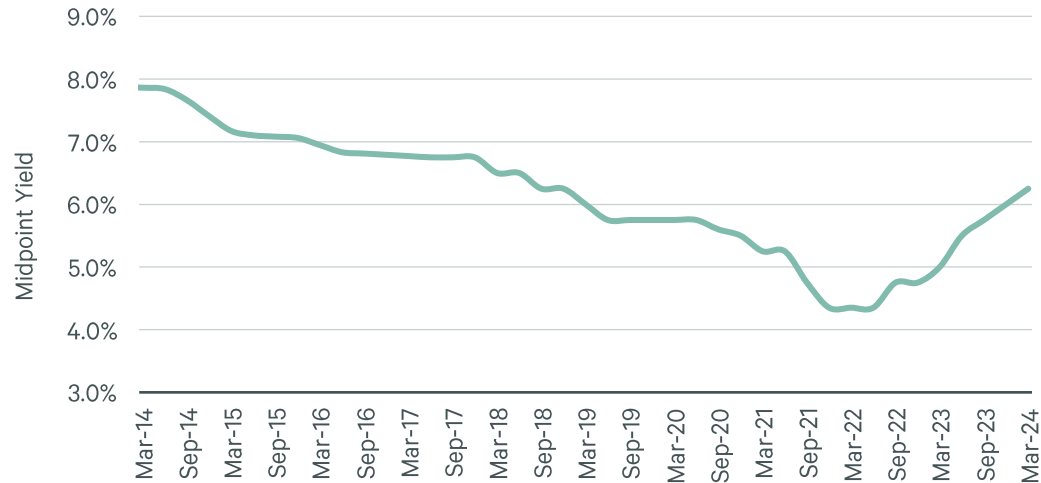
Investment Market

Industrial transactions remains muted

Higher interest rates continues to create significant uncertainty for investment markets. The gap in buyer and vendor pricing expectations continued to limit sale transactions, with no notable industrial transactions above AUD 5 million in 1Q24. Industrial investment sales transactions in 2023 totalled AUD 133 million, significantly below the 10-year annual average of AUD 700 million. The most significant transaction last year was the AUD 40 million sale of Lot 6 Leath Road in Naval Base. The asset was acquired in 1Q23 by the local WA Government in an off-market transaction on an equivalent yield of 5.93%.

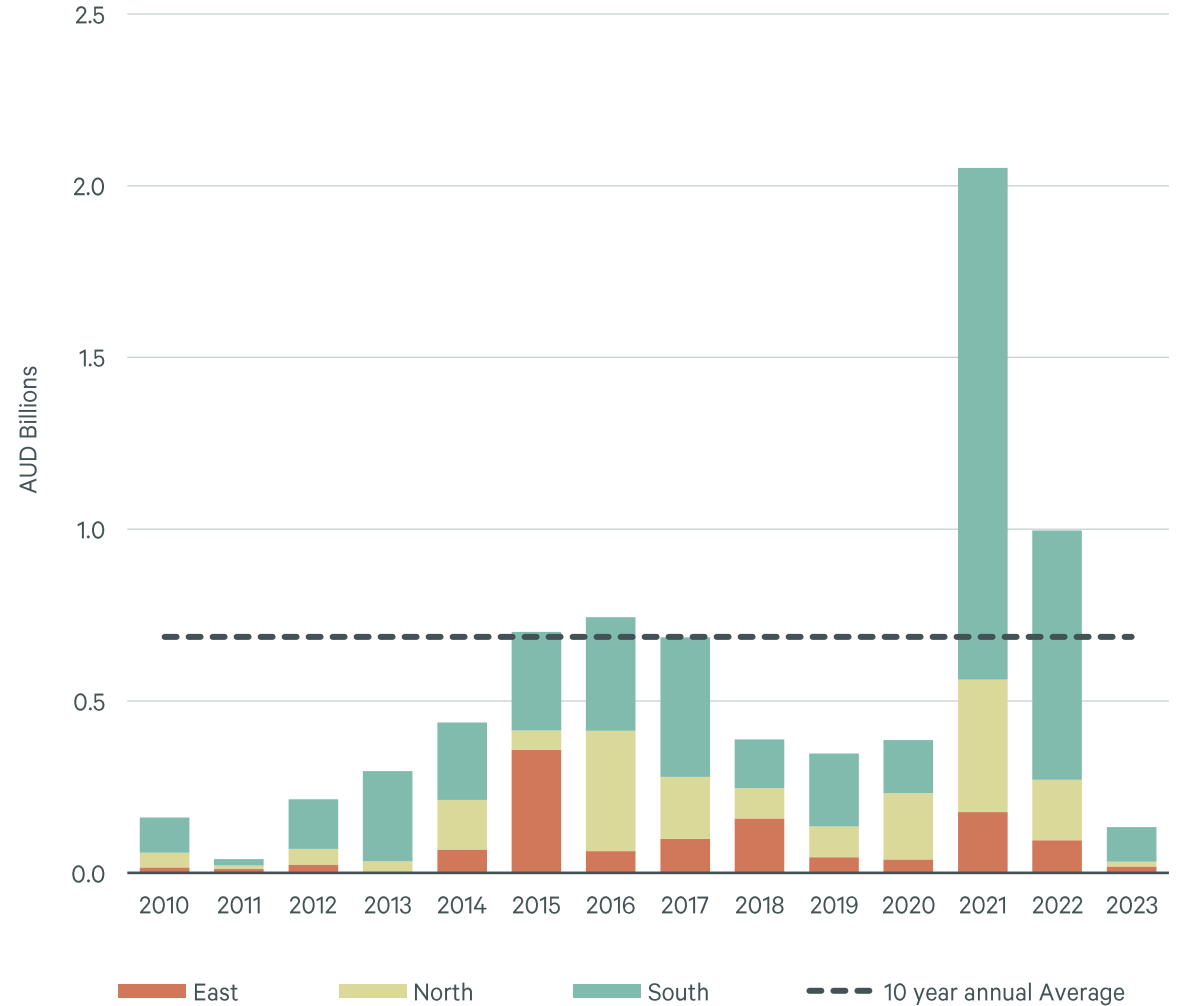
Midpoint super prime yields expanded by 25 bps q-o-q to 6.25% (+125bps y-o-y). Prime grade and secondary grade yields held steady in 1Q24 to a midpoint of 6.5% and 7.5%, respectively. We expect yield expansion over the next 3-6 months to be less than the previous 6 months, with expectations of further expansion between 25-50bps over this period.

FIGURE 12: Perth Average Super Prime Midpoint Yield (1Q14 to 1Q24)



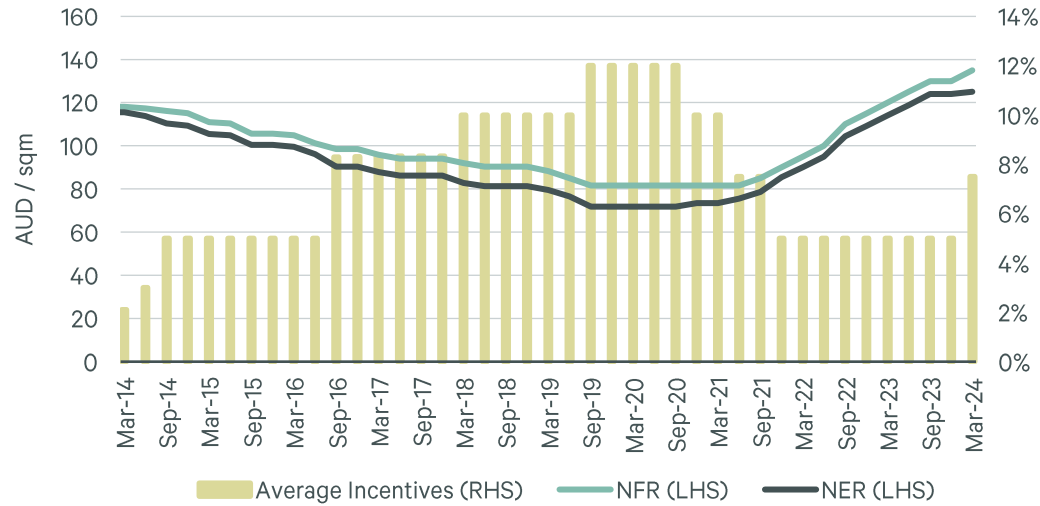
Source: CBRE Research

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



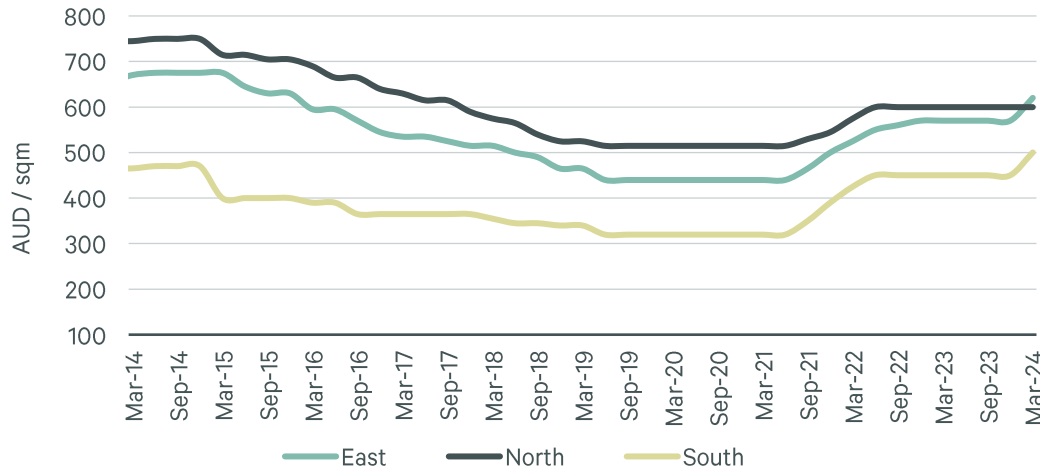
To note: does not include land sales.
Source: CBRE Research

FIGURE 14: Average Perth Prime Rents and Incentives



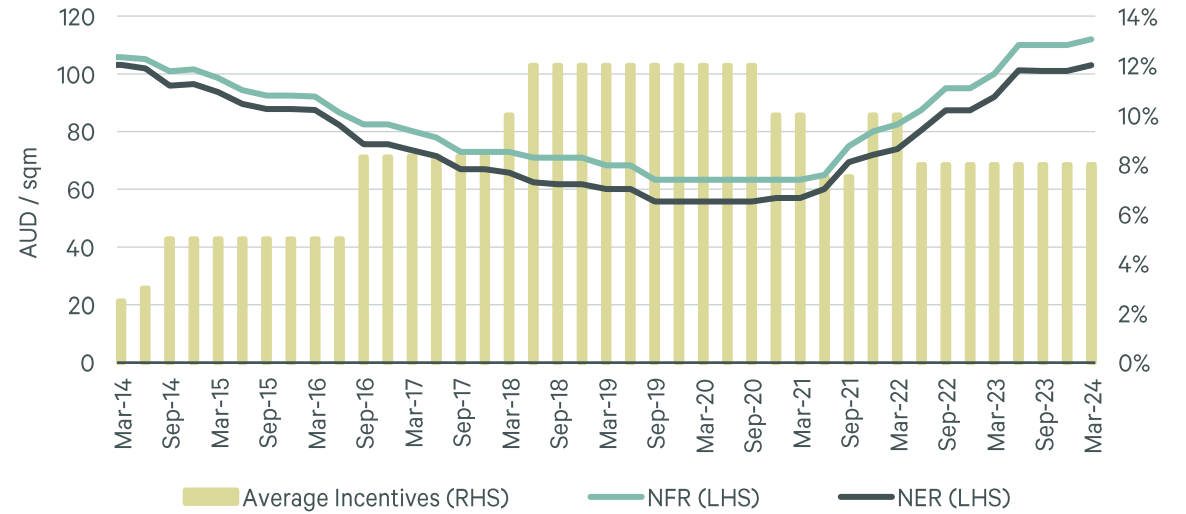
Source: CBRE Research Q1 2024

FIGURE 15: Average Land Values (0.25 ha lots)



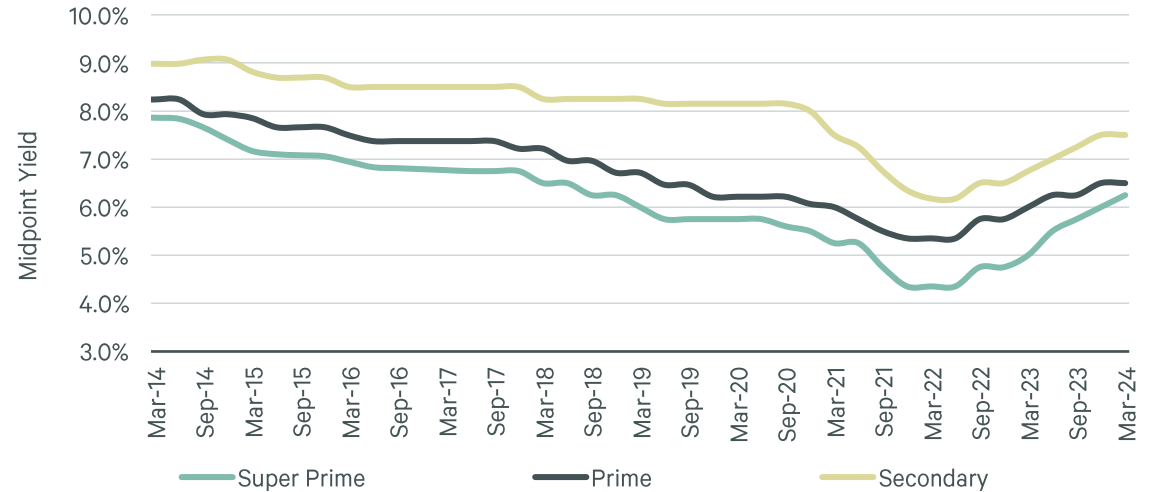
Source: CBRE Research Q1 2024

FIGURE 16: Average Perth Secondary Rents and Incentives



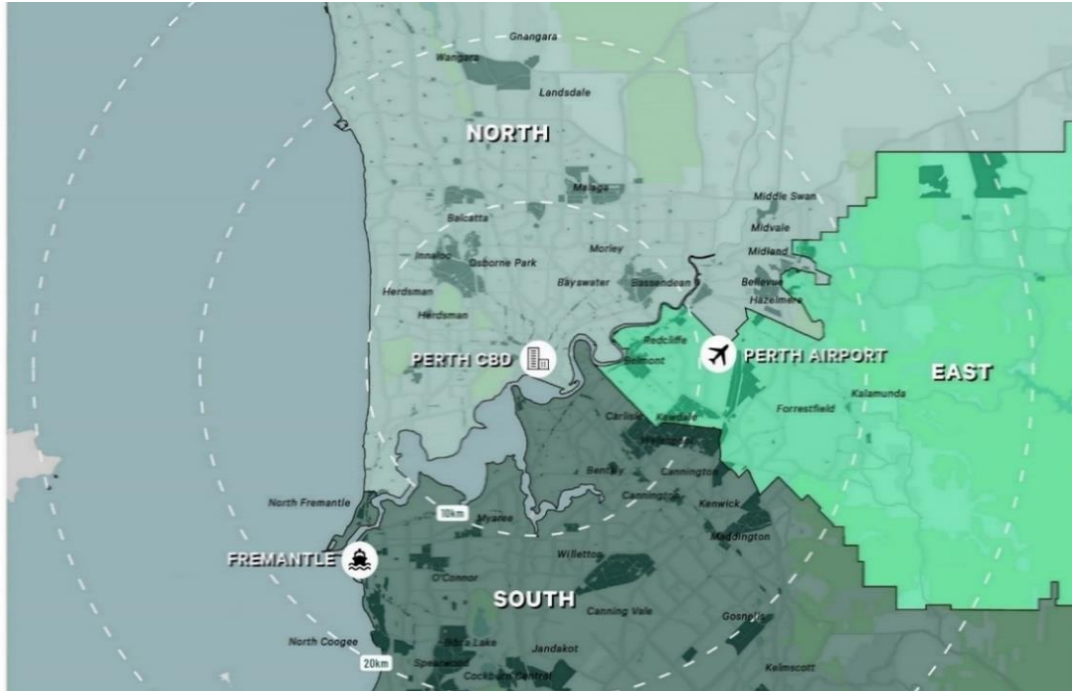
Source: CBRE Research Q1 2024

FIGURE 17: Perth Industrial Yields By Grade



Source: CBRE Research Q1 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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