

FIGURES | ADELAIDE INDUSTRIAL & LOGISTICS | Q1 2024

Adelaide has the highest pre-commitment rate in the country

0.9%

SA annual population growth FY24-28¹

▼ c.3,900 sqm

New supply completed 1Q24

▼ c.5,172 sqm

Gross Take-Up 1Q24

▶ 6.03%

Super Prime midpoint yield 1Q24

Note: Arrows indicate change from previous quarter.

Key Points

- Gross take-up in 1Q24 totaled c.5,200 sqm bringing the 12-month total to c.57,400 sqm, significantly below the 10-year annual average of c.145,000 sqm.
- There was c.3,900 sqm of new industrial stock added in 1Q24, with expected supply to total c.55,200 sqm for 2024. New supply forecast for CY2024 is 28% below the long-run average.
- The pre-commitment rate for the 2024-2026 pipeline is strong at 93%.
- Given persistently low vacancy levels (1.5%, 2H23), average net face rents in Adelaide for super prime grade assets increased by 4.4% over the quarter to a new average of AUD 141/sqm.
- Land values for smaller lots (0.25 ha) appreciated by an average of 4% over the quarter, whilst land values 1.6ha lots across the core precincts remained unchanged.
- Sale volumes in 1Q24 remained muted, totaling AUD 7.9 million (transactions ≥ AUD 5 million).
- Super prime midpoint yields in Adelaide remained unchanged over the quarter sitting at 6.03%.

1. Australian Government Centre for Population
Source: CBRE Research

Demand

Tight vacancy and low supply volumes limits take-up levels

In 1Q24 gross take-up totaled c.5,200 sqm (for transactions ≥ 3,000 sqm), down from the previous quarter take-up of c.16,000 sqm. This brings 12-month total to c.57,400 sqm – which is tracking significantly below the 10-year annual average of c.145,000 sqm.

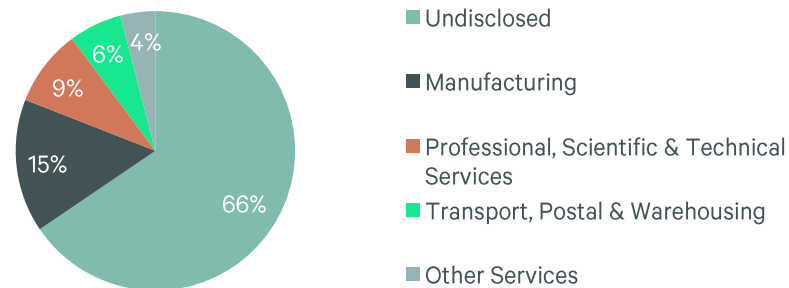
Adelaide’s tight industrial vacancy rate of 1.5% (as at 2H23) remains below historical averages and at levels supportive of further rental growth. The shortage of ready to occupy stock, coupled with normalising demand levels, have led to reduced take-up activity.

Over the quarter there was only one lease transaction (≥ 3,000 sqm) for c.5,200 sqm within the North West precinct.

Over the past 12 months up to 1Q24, only 6% of transactions (by floorspace) were pre-lease deals with the balance within existing buildings. The concentration of floorspace leased over this time period was within the North West precinct (43%) followed by the West precinct (29%).

The Manufacturing sector accounted for the majority of take-up over the last 12 months up to 1Q24 (15%), followed by the Professional, Scientific & Technical Services (9%) and Transport (6%) sectors.

FIGURE 31 Adelaide Take-Up 2023-1Q24 by Industry Sector (Top 3 Sectors)

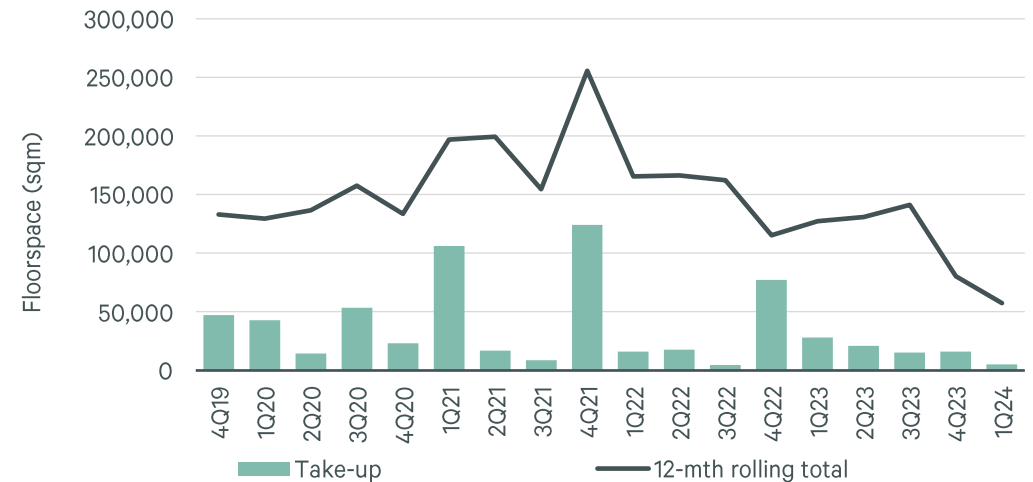


Source: CBRE Research

FIGURE 2: Adelaide gross take-up 2012-1Q24, by precinct



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



Supply

New supply for 2024 to total below the long-run average

Around 4,000 sqm of total new stock was completed in 1Q24, which was lower than the 18,800 sqm that was completed in 4Q23. There was only one project that completed over the quarter, which was Edinburgh North Business Park (adding c.3,900 sqm.)

The CY2024 pipeline is expected to total c.55,200, which is around one-third below the 10-year average. This will be another year where new supply levels are below the long-run average. Despite this, the 2025 pipeline is forecast to reach c.142,800 sqm.

The 2024 pipeline is 94% pre-committed.

Upcoming new supply in 2024 is mainly concentrated in the Outer North (70%) and North West (24%) precincts. There is greater development activity within the Outer North due to the relatively great availability of zoned land, as well as the locational attribute of strong transport infrastructure connectivity.

The majority of the supply pipeline for CY2024 is expected to be added to the market next quarter, with approximately 30,700 sqm contributed by one project in the North West precinct. This project makes up 56% of the total supply for the year.

The 2024-2026 pipeline is over 90% pre-committed

The pre-commitment level for the Adelaide market on projects for the forward pipeline (2024-26) is the highest in the country - sitting at 93%. This is due to the extremely limited speculative developments - with only 2 projects that are speculative over this period.

Source: CBRE Research

FIGURE 4: Development Supply Pipeline 2010-2027F

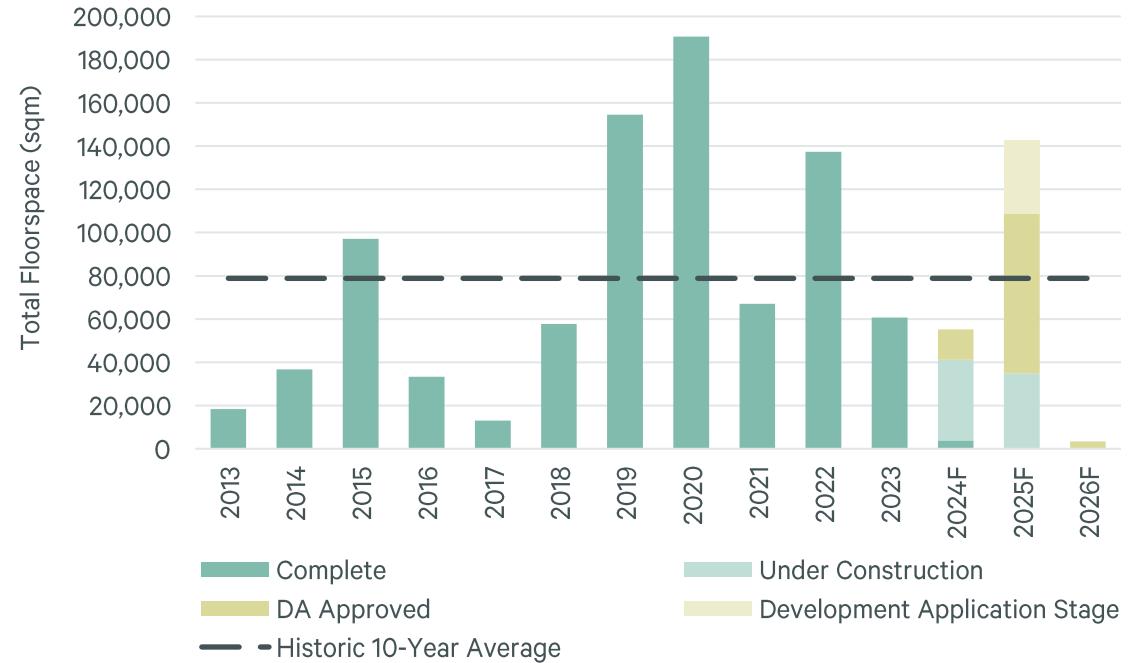
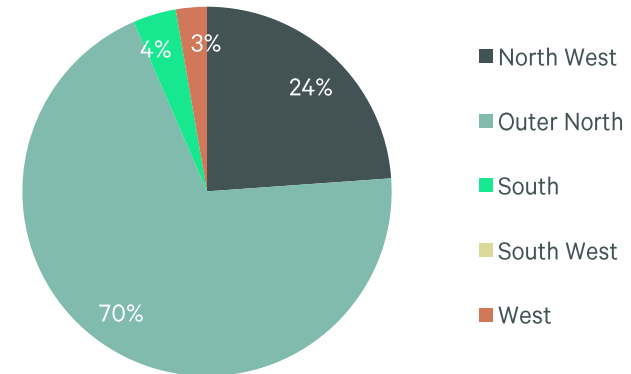


FIGURE 5: Development Supply 2024F-2027F, Floorspace Share by Precinct



To note: reflects projects > 3,000 sqm.
Source: CBRE Research. As at Q1 2024

Leasing Market

Rental growth rises again

In 1Q24, average Super Prime net face rents increased by +4.4% (q-o-q) and +12.8% (y-o-y) to an average of AUD 141/sqm. Rental increases within the North West and West precincts contributed to this increase.

Average Prime net face rents increased by 3.4% q-o-q, and by 14.0% y-o-y to now an average of AUD 122/sqm. Prime face rental growth was driven by growth in North West, South, South West and West precincts. Average Secondary grade net face rent recorded the largest growth (+4.7% q-o-q and +18.7% y-o-y) averaging AUD 89/sqm. No growth in rents was recorded for the Outer North across all asset grades.

A slight uptick in Adelaide's vacancy rate was recorded, which increased from 0.9% in 1H23 to 1.5% in 2H23. Higher vacancy was situated primarily in the Outer North and North West precincts. Despite this, vacancy rates remains below historical averages and at levels which are supportive of continued rent growth. The slowing economic growth outlook and occupiers becoming more cautious has caused rents to grow at a slower rate than seen over the past two years. This rate of growth is expected to continue throughout 2024.

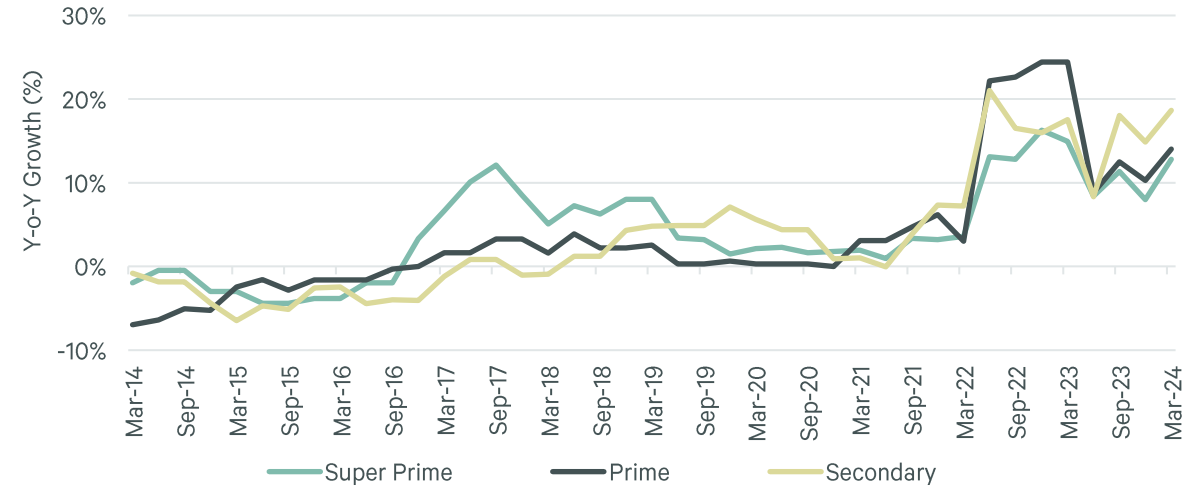
Incentives in 1Q24 were stable across each grade, with Super Prime and Prime currently averaging 10% and 11% respectively, while Secondary incentives averaged 10%.

FIGURE 6: Adelaide 2H23 vs 1H23 vacancy by precinct

	Outer North	North West	North	West	South West	South	East	Adelaide Total
1H23	3.2%	0.2%	0.0%	4.5%	2.3%	0.0%	0.0%	0.9%
2H23	4.3%	1.5%	0.2%	1.8%	2.3%	0.0%	0.0%	1.5%

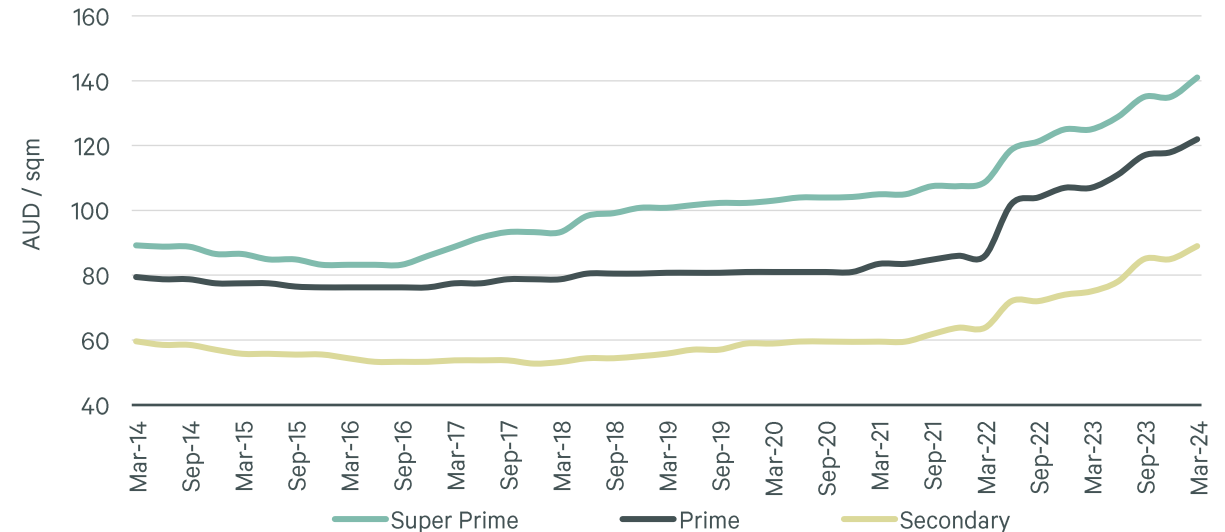
Source: CBRE Research, for stock with NLA ≥ 3,000 sqm.

FIGURE 7: Average net face rent growth



Source: CBRE Research

FIGURE 8: Adelaide average net face rents by grade



Source: CBRE Research

Land Values

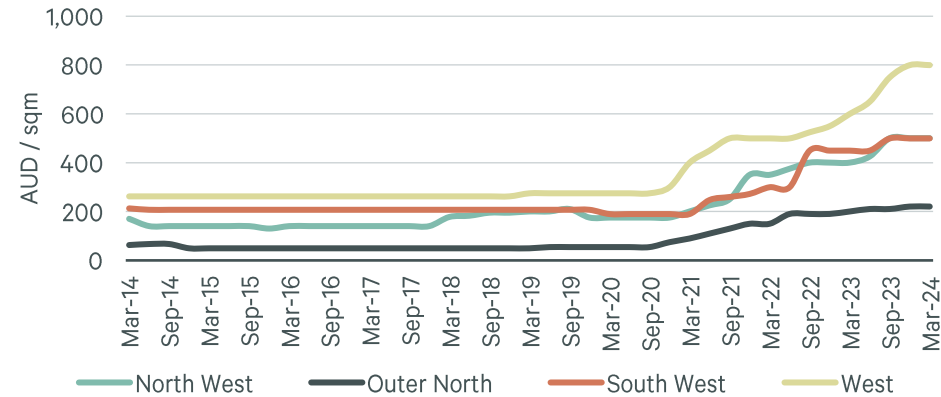
Land values continue to appreciate at a moderate pace

The lack of serviced industrial zoned land released to market across Adelaide’s industrial precincts have led to strong growth in land values.

With strong demand for developable industrial land and limited supply, land values in Adelaide’s core industrial precincts comprising the North West, Outer North, West, and South West recorded strong growth over 2021-2023. As seen in 4Q23 and now in 1Q24, land value appreciation is flattening, as the constraints from elevated construction and capital costs have been weakening investor demand.

In 1Q24 average 1.6 ha lot land values across the core industrial precincts were stable q-o-q, at an average of AUD 505/sqm, however were up 22% y-o-y. The smaller 0.25 ha lots across the core industrial precincts increased by 4% q-o-q, and 34% y-o-y, to an average of AUD 706/sqm.

FIGURE 9: Average Land Values, (quarterly and yearly growth)



Source: CBRE Research

FIGURE 10: Adelaide Industrial 0.25 ha land values by precinct (1Q22 to 1Q24)

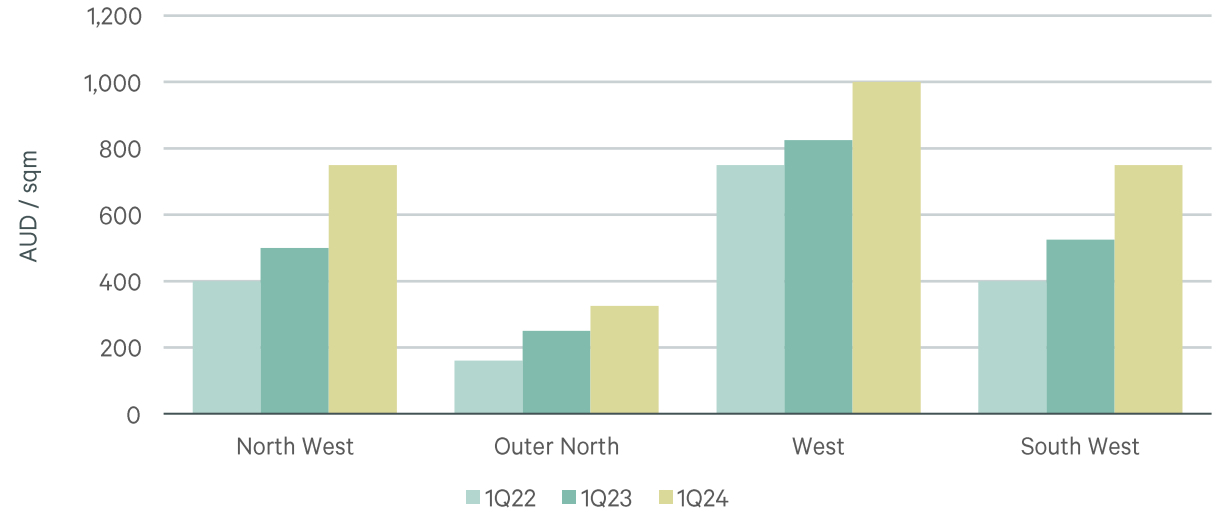
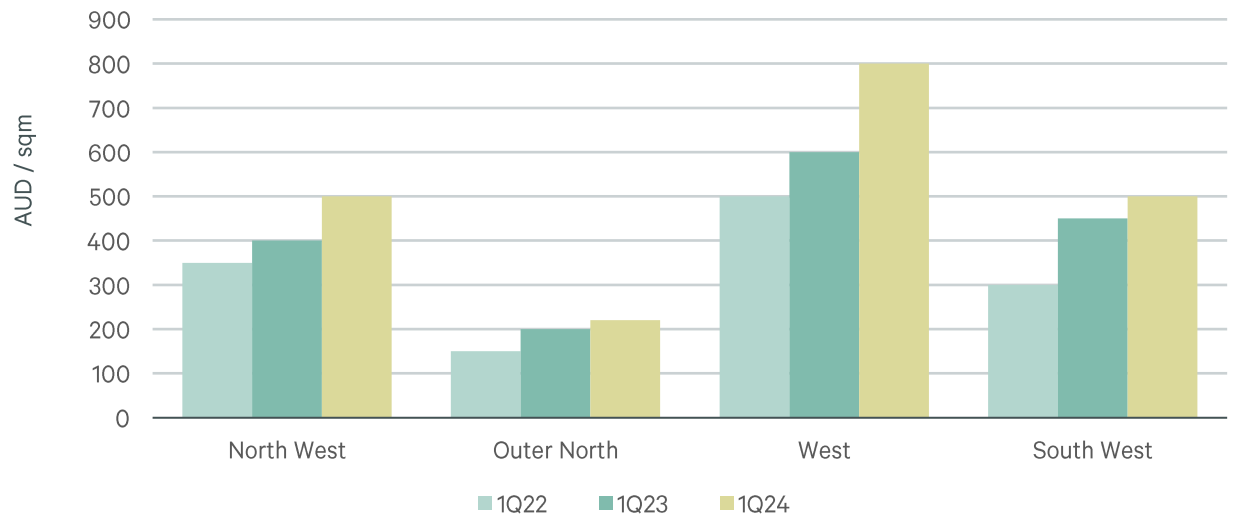


FIGURE 11: Adelaide Industrial 1.6 ha land values by precinct (1Q22 to 1Q24)



Source: CBRE Research

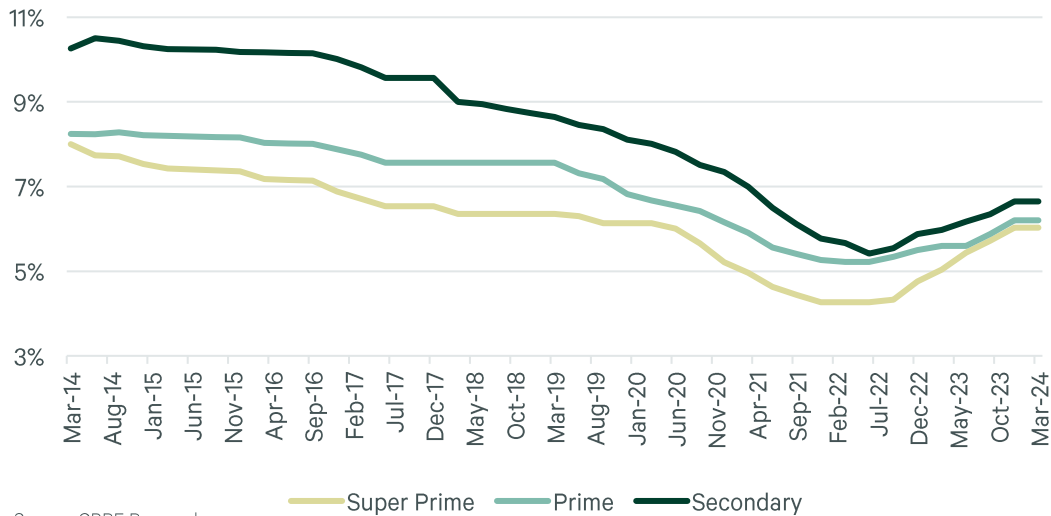
Investment Market

Transaction volumes remain muted despite stabilisation in yields

Investment transaction volumes in Adelaide’s industrial market continued to soften in 1Q24, attributed to uncertain economic conditions and the high costs of capital. Transaction volumes in 1Q24 (for transactions ≥ AUD 5 million) totaled AUD 7.9 million. This was across only one industrial asset, which was the sale of 11-20 Sharp Court by Tonic Pty Ltd located in the Outer North Precinct.

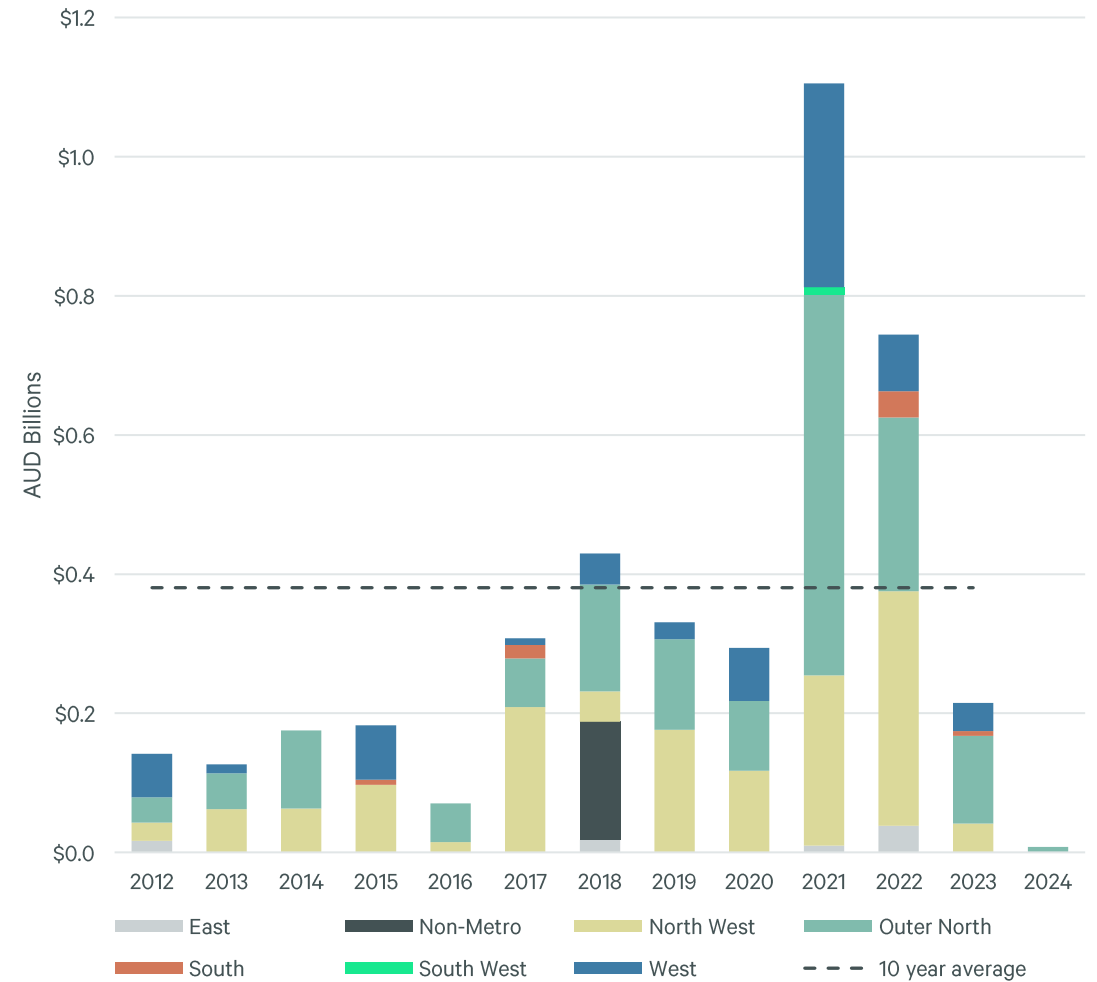
Over 1Q24 yields amongst each asset grade remained unchanged. Super prime midpoint yields in Adelaide sit at 6.03%, Prime midpoint yields at 6.20% and secondary midpoint yields were at 6.65%. Buyers appear more accepting of sharper yields amongst secondary assets, which is underpinned by the shorter lease terms and the opportunity to demolish and rebuild to increase its land value. Further, yield expectations from vendors have started to soften, therefore the gap in buyer and vendor pricing expectations is expected to be bridged. As a result, sales activity is expected to pickup throughout the remainder of 2024.

FIGURE 12: Midpoint yields (1Q14-4Q24)



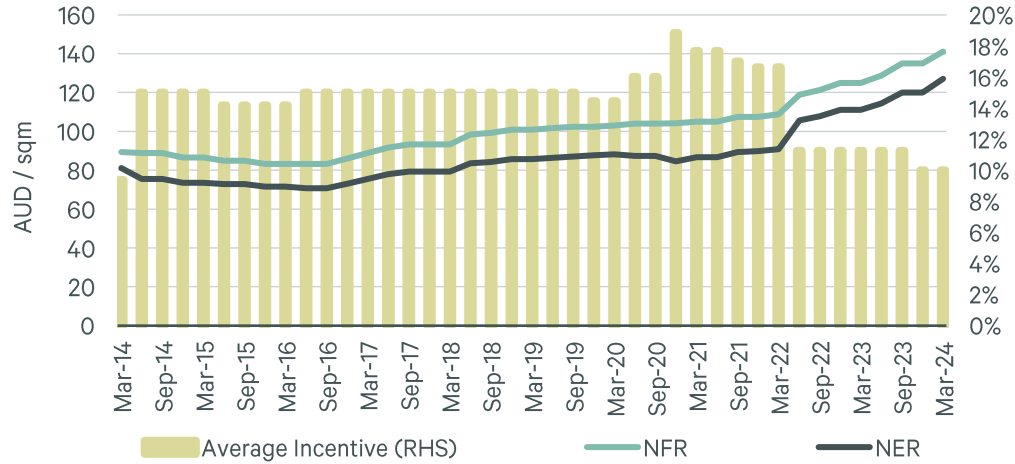
Source: CBRE Research

FIGURE 13: Adelaide Industrial investment sales 2013-2024 (greater than AUD 5 million)



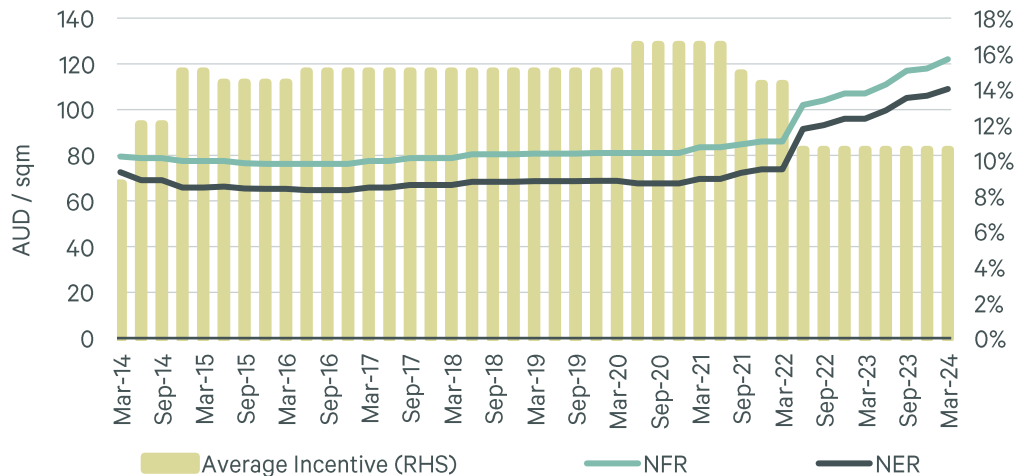
Source: CBRE Research

FIGURE 14: Average super prime net face rents, net effective rents and incentives



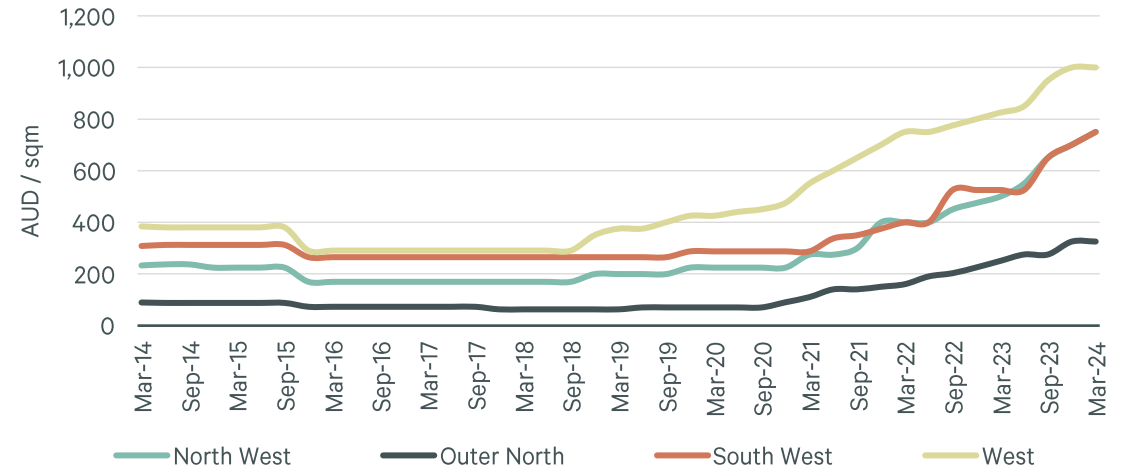
Source: CBRE Research Q1 2024

FIGURE 15: Average prime net face rents, net effective rents and incentives



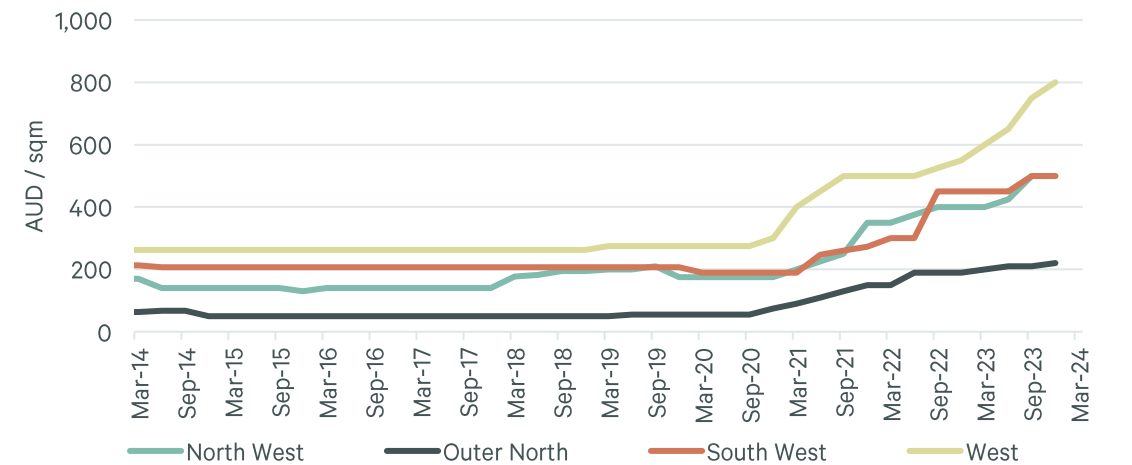
Source: CBRE Research Q1 2024

FIGURE 16: Average land values (0.25 ha lots), by precinct



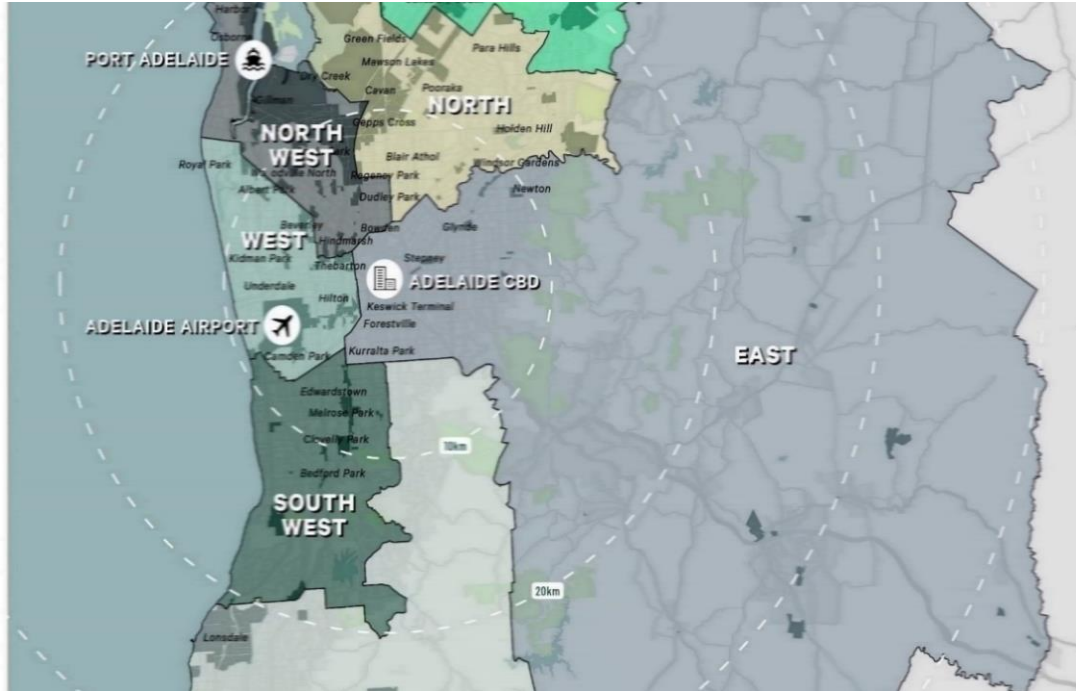
Source: CBRE Research Q1 2024

FIGURE 17: Average land values (1.6 ha lots), by precinct



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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